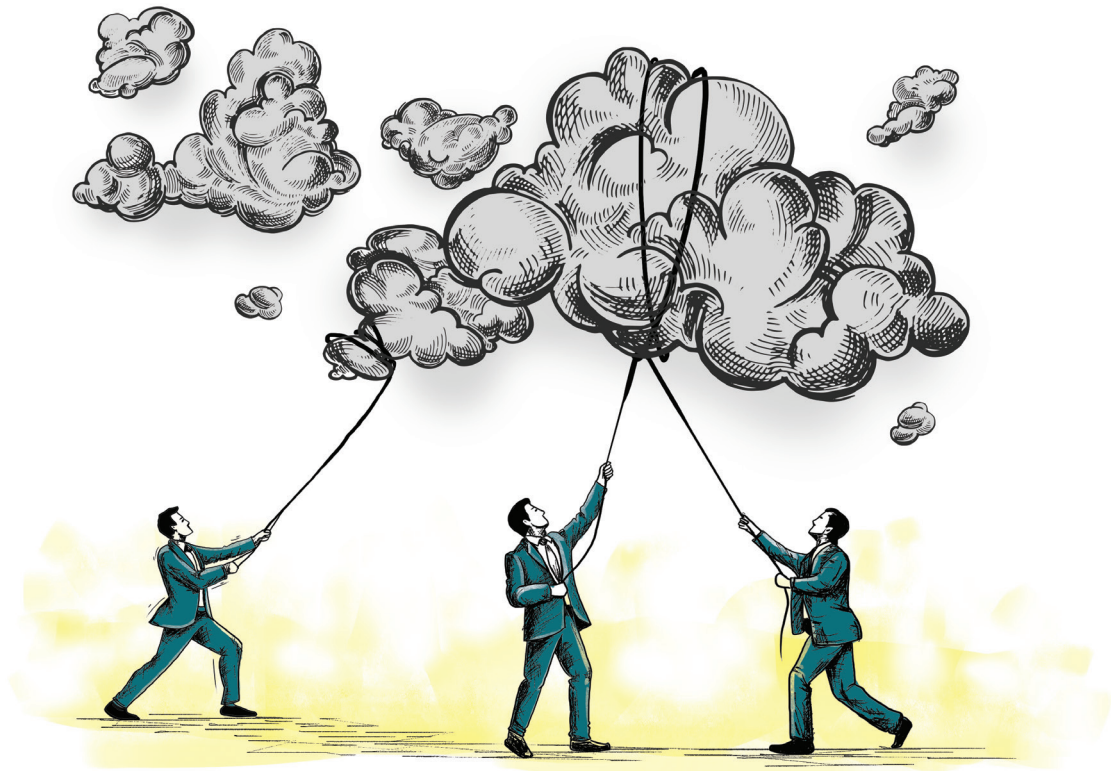




ARTICLE 6 OF THE PARIS AGREEMENT



Article 6 of Paris Agreement is expected to take centre stage at COP29, as Parties seek to operationalise carbon markets. Article 6 establishes guidelines for cooperative approaches to reduce emissions and fulfil Nationally Determined Contributions (NDCs).

The rules surrounding emissions trading are important for accountability. If these rules are poorly framed, they could enable polluters to sidestep their obligations. On the other hand, if crafted well, they could enhance the integrity of global action.

The ongoing conversations are critical for a solid framework that prevents flawed mechanisms from redirecting efforts and investments away from meaningful climate action.

Article 6.2

Article 6.2 enables countries to make mutual agreements that permit them to generate and transfer emission reduction units known as Internationally Transferred Mitigation Outcomes (ITMOs) through projects that reduce greenhouse gas emissions. These transfers can be made for any of the following purposes:

- To the partnering country, which would count towards the partnering country's own NDC objectives
- Transfers to other market-based international mechanisms such as CORSIA
- Transfers for 'other purposes', such as to non-state agencies or private companies, also called Non-Party Stakeholders (NPS) by the UNFCCC

Article 6.2 allows for flexibility in cooperation between countries and non-country stakeholders; however, there will be specific rules and guidance in place to ensure that such cooperation and the trade of 'mitigation outcomes' occur in a regulated and standardised manner.

Status of proceedings

While the Paris Agreement provides a framework for cooperative approaches under Article 6, guidelines are being carved out to operationalise the mechanisms fully.

COP28 – no agreement: The following elements were discussed:

- **Process of authorisation:** Countries were divided on issues related to the revision or revocation of authorisation. Developing countries sought flexibility in this regard, whereas Parties like the UK were strongly against any changes to authorisation that may undermine market certainty.
- **Transparency:** Ongoing discussions focused on the necessary reporting requirements, including the types of information that must be shared with the UNFCCC and in what sequence. The US advocated for countries to trade without having to share information, citing internal trade as a security issue. The EU, on the other hand, emphasised on the need for transparency.
- **Interactions with the Article 6.4 mechanism:** The relationship between the registry for Article 6.2 and the newly proposed registry under Article 6.4 was also a contentious topic. Negotiators needed to clarify how these

two frameworks would interact. Discussions also took place regarding the capacities of Parties, especially African Parties, to maintain national registries and the role of registries as mere record-keeping databases or as having more functionalities.

Bonn – some progress: It was decided to exclude emission avoidance activities from the scope of both the 6.2 and 6.4 mechanisms until the framework is reviewed in 2028. There has been debate about what emission avoidance or conservation enhancement activities mean and what activities they include. The postponement of this decision has taken that debate off the table.

Transparency and information disclosure were other unresolved issues from Dubai. The content of authorisation, the provision of annual and regular information, the granularity of details to be shared, and the handling of confidential data were all on the agenda. Negotiations were able to narrow down the options for taking these discussions forward.

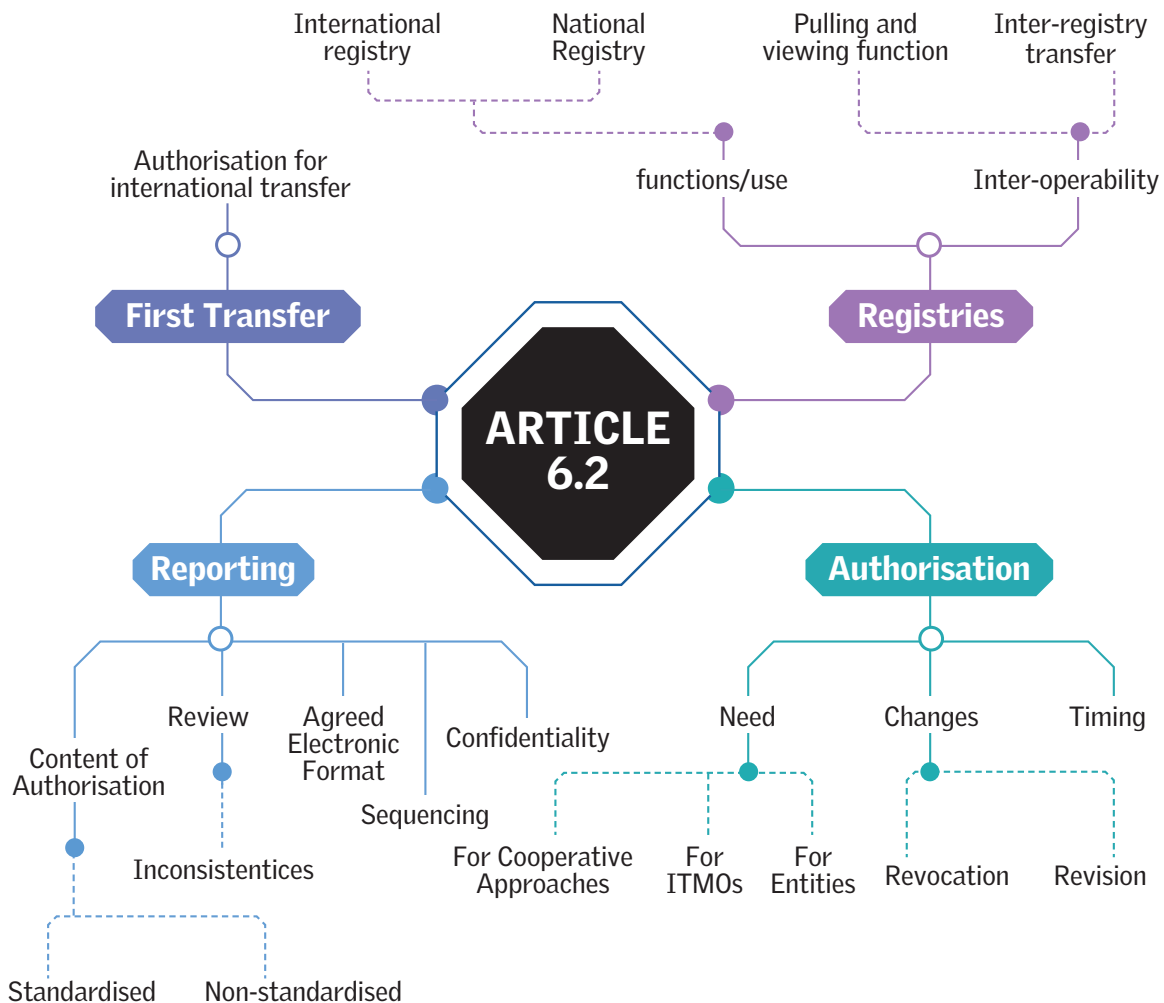
Expectations from COP29

Discussions at Baku will aim to finalise some of these decisions:

- **Authorisation:** A decision is expected on the scope and timing of authorisation, which involves defining how authorisation applies across different processes such as for cooperative approaches and for ITMOs. There is also debate on whether all authorisations should occur simultaneously or be sequenced over time. Another point is revocation – negotiators must decide whether authorisations can be revoked, under what specific circumstances, and at what stages of the lifecycle. The content and format of authorisation documents have also long been under review, and a decision is expected on whether a standardised form is needed or if a more flexible approach could prevent conflicting data across reporting instruments.
- **Reporting mechanism:** The pending standardised Agreed Electronic Format (AEF) for reporting ITMOs will have to be adopted, and the issue of balancing transparency with the protection of confidential information will need to be resolved.

- Registry systems:** Another major topic of negotiation will be registry systems under Articles 6.2 and 6.4 – this will address how national and international registries interact and whether a central registry will provide full functionalities for participating Parties. Another key point will be defining the relationship between the Article 6.4 registry and Article 6.2.

Figure 1: Elements under discussion on Article 6.2



Article 6.4

Article 6.4 establishes a global carbon market overseen by the UN body called 'Article 6.4 Supervisory Body'. It is a multilateral mechanism that replaces the old Clean Development Mechanism, thus effectively establishing an international carbon market within the scope of the Paris Agreement. The mechanism has recently been renamed as **Paris Agreement Crediting Mechanism (PACM)**.

Status of proceedings

COP28 – no agreement: The proposal by the supervisory body tasked with developing standards and the overall framework for the Article 6.4 market, tabled at COP28, became a source of contention over two key themes: the standards recommended for developing methodologies and the guidance on activities involving carbon dioxide removal (CDR) from the atmosphere. Some Parties found that the guidance on removals was insufficiently developed – specifically regarding how carbon removal should be defined, accounted for, and regulated. The EU raised several concerns with the guidance on removals, while the US found it to be setting a bad precedent, sending the draft back repeatedly to the supervisory body.

For the guidance on methodologies, the debate was whether methodologies should be highly standardised or allow flexibility for different countries and projects. Uncertainty over carbon removals also partly contributed to the recommendation for developing methodologies not being adopted.

Bonn – no consensus: At Bonn, the focus was on the authorisation of emission reductions and registries. On authorisation, differences emerged over whether it was necessary before the issuance of mitigation contributions or could be given afterwards. On the issue of registries, the discussion centred on the inter-operability between the mechanisms registry (Article 6.4 registry), national registries, and the international registry (Article 6.2 registry).

Other issues discussed included the exclusion of emission avoidance activities, the transition of CDM afforestation and reforestation activities to Article 6.4, and the share of proceeds from activities for adaptation. With no consensus on the draft prepared for discussion, it was decided to take up the matters again for negotiations at COP.

Expectations from COP29

As the supervisory body has reworked the standards on removals and methodologies, discussions from the last COP on these issues will be revisited. The draft agenda from Bonn, including debates on the authorisation of 6.4ERs and the connection and functionality of registries, will be negotiated with the aim of reaching a consensus on minimum standards to help operationalise this mechanism.

OVERARCHING CONCERNS FOR ARTICLES 6.2 AND 6.4 (MARKET MECHANISMS)

- **Transparency and accountability:** Clarity in reporting and the mechanisms for reviewing those reports remain sticking points in the negotiations. Without a transparent reporting system, it becomes difficult to track whether countries are meeting their NDCs and whether emission reduction units are being accurately accounted for, along with the operational complexity of tracking ITMOs across nations and registries. Equally important is the question of how corrective measures will be enforced. If discrepancies are found in reporting or if countries are found to be out of compliance, what mechanisms will work to ensure accountability?
- **Flexible deals:** Tied to the question of transparency are the bilateral agreements already being signed by countries under Article 6.2, even though concrete, binding guidelines have yet to be enforced. This flexibility, while allowing room for cooperation, raises concerns about consistency and fairness. Without standardised oversight, such agreements could circumvent the spirit of the market mechanism – an issue that plagues existing global carbon markets.
- **Opportunity cost of ITMO transfer:** Another issue with these agreements is that developed countries, as ITMO-buying nations, are entering into agreements with host countries in the developing

world. In many cases, these involve low-cost emissions reduction activities: from these, buying nations plan to use ITMOs to meet their national climate targets under the Paris Agreement. This might leave developed countries with greater responsibilities to take significant decarbonisation actions themselves.

- **Unequal participation:** The gap in capacities between nations to participate in market mechanisms is evident, particularly in discussions around maintaining the necessary infrastructure in the form of national carbon registries. Parties also need infrastructure and institutional capacities to understand the opportunity cost of trading mitigation outcomes. While wealthier nations are relatively well-placed to function in the market, African countries have called for capacity-building support. This inequality in resources and market experience could potentially allow richer countries to have a stronger influence.
- **Accountability for non-Party stakeholders (NPS):** As non-state actors like private companies become a part of this process, accountability spreads thin. A challenge, therefore, is to ensure NPS follows the same transparency and reporting standards as national actors.
- **Differences in negotiating positions:** The political divergence between developed and developing countries, over issues such as flexibility in authorisation processes, transparency, and reporting, could result in fragmented or diluted outcomes – especially when there is an urgency placed on operationalising the markets.

Intersessional work: Several standards, procedural guidelines, and tools were finalised by the supervisory body during the inter-sessional period. This includes the contentious standards on removals and methodology, the appeals and grievance process, and the Article 6.4 sustainable development tool. Centre for Science and Environment (CSE) submitted inputs on the appeals and grievance process¹, drawing from its October 2023 research publication *Discredited*² (to download, go to last page), which focused on the voluntary carbon market in India.

In October 2024, the supervisory body put the standards on removals and methodologies into force, bypassing negotiations at COP. However, the standards are still subject to either rejection or adoption by negotiators at COP.

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Article 6.8

Non-market mechanisms under Article 6.8 refer to strategies that are not based on offset markets or emissions trading; they include ways other than using carbon markets for cooperation to reduce emissions and fulfil NDCs. These may include technology transfer, capacity building, policy support, mitigation and adaptation finance.

Parties that oppose the utilisation or excessive dependence on market-based mechanisms, such as Bolivia and other Latin American nations, predominantly endorse non-market approaches (NMAs).

Some of the possible **focus areas for NMAs** include:

- Forests and biodiversity, technological and policy support to eliminate industrial deforestation
- Capacity building and technology transfer
- Supporting financing for adaptation solutions in which achievements cannot necessarily be quantified in carbon; these could include ecosystem services, water rejuvenation, etc

Status of proceedings

COP28 and beyond: In the Article 6.2 and 6.4 forums, Bolivia proposed a moratorium on market mechanisms, called for more progress on non-market mechanisms, and raised concerns about attempts to turn Article 6.8 into an instrument of market mechanisms. A key agenda for the 6.8 forum was to operationalise the 'web-based platform for NMAs', and the forum highlighted the delay in achieving this.

Other discussion themes included financing for the implementation of NMAs, the joint mitigation and adaptation approach (JMA) for forest management (proposed by Bolivia), and the controversial reference to 'carbon pricing' and 'nature-based solutions' in the text tabled for early discussions. Developing countries opposed this reference, whereas the US and EU viewed carbon pricing as an NMA, arguing that it does not necessarily imply carbon markets.

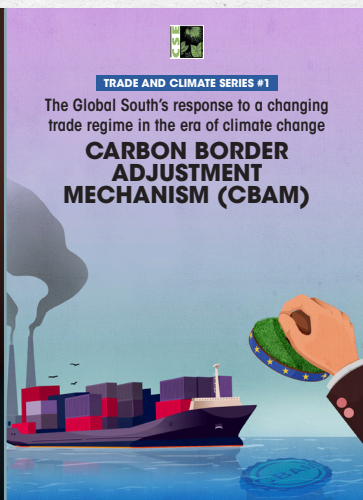
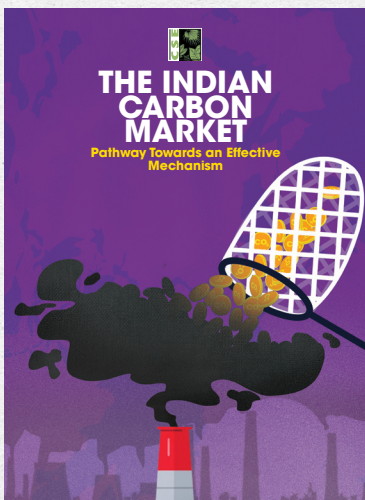
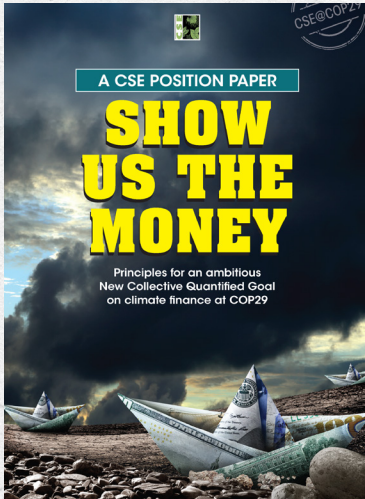
Bonn: The highlight of the forum at the summit was the launch of the NMA Platform for recording and sharing information, a call for Parties to nominate national focal points, and arrangements to assess the first phase of the NMA work programme.

Expectations from COP29

Discussions are expected to focus on refining the web platform's functions, increasing participation in NMAs, and conduct a stock-take of the work programme's progress

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CSE@COP29

FACTSHEET



CLIMATE FINANCE



The headline issue for COP29 is the New Collective Quantified Goal on Climate Finance (NCQG). It is a goal for provision of finance to developing countries – countries need to agree upon it at COP29.

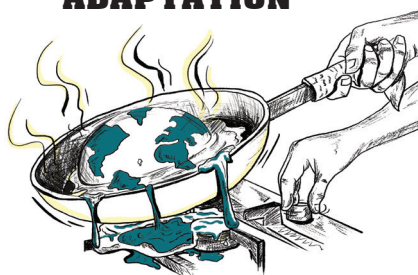
Apart from NCQG, finance discussions have included Article 2.1c of the Paris Agreement. Its interpretations within UNFCCC are as yet inconclusive. Though of a broader scope than NCQG, Article 2.1c is linked to all finance aspects of climate action, and decoupling it is crucial.

In COP28, operationalising the Fund for Responding to Loss and Damage was at centre-stage, with developed countries pledging US \$661 million.¹ At COP29, countries need to work out the Fund's operation and management and how to scale it up.

FACTSHEET



GLOBAL GOAL ON ADAPTATION



The growing frequency of extreme weather events highlights the urgent need for global climate adaptation. In 2024, India experienced extreme weather on 255 of 274 days across 34 states/union territories.¹ From 1970 to 2019, there were over 11,000 extreme weather events worldwide, causing 2.06 million deaths and US \$3.6 trillion in losses.²

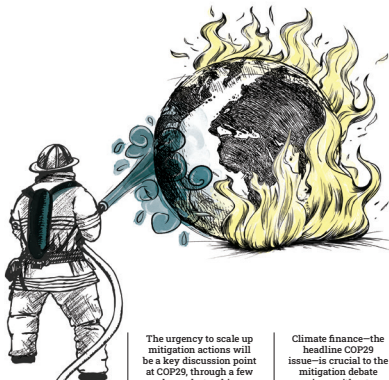
The adaptation finance gap has kept increasing, and now stands at US \$194–\$65 billion per year. This gap is 10–18 times greater than the current international public finance being provided towards adaptation, which stood at US \$21 billion³ in 2021. Moreover, the estimated requirements may increase as countries fail to achieve their mitigation targets.

Negotiations towards adopting a framework for the global goal on adaptation (GGA) have been tedious. Disagreements have revolved around the lack of measurable adaptation targets, tracking methods and calls for increased support.⁴

FACTSHEET



MITIGATION



Global greenhouse gas (GHG) emissions surged to a record 57.1 gigatonnes of carbon dioxide equivalent in 2023, marking a 1.3 per cent increase compared to 2022.

The urgency to scale up mitigation actions will be a key discussion point at COP29, through a few channels: tracking targets laid out in the first Global Stocktake, the Mitigation Work Programme (MWP), and the process of updating climate pledges or Nationally Determined Contributions (NDC).

Climate finance—the headline COP29 issue—is crucial to the mitigation debate since without financing, the expectation of more mitigation ambition from developing countries is a violation of climate justice.



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Centre for Science and Environment

41, Tughlakabad Institutional Area, New Delhi 110 062

Phones: 91-11-40616000 Fax: 91-11-29955879

E-mail: cseindia@cseindia.org Website: www.cseindia.org