

COP29 BRIEF

Key developments for market participants

A report prepared for the World Bank's Transformative Carbon Asset Facility (TCAF)

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LIST OF ABBREVIATIONS

AEF	Agreed Electronic Format
Article 6.4ER	Article 6.4 Mechanism Emission Reduction
A/R	Afforestation/Reforestation
BTR	Biennial Transparency Report
CARP	Centralized Accounting and Reporting Platform
CDM	Clean Development Mechanism
CER	Certified Emission Reduction
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
DNA	Designated National Authority
GHG	Greenhouse Gas
ITMO	Internationally Transferred Mitigation Outcome
LDC	Least developed country
MCU	Mitigation Contribution Unit
MEP	Methodology Expert Panel
NDC	Nationally Determined Contribution
OIMP	Other International Mitigation Purposes
OMGE	Overall Mitigation in Global Emissions
PACM	Paris Agreement Crediting Mechanism
PAICC	Paris Agreement Implementation and Compliance Committee
REDD	Reducing emissions from deforestation and forest degradation
RMP	Rules, Modalities and Procedures
SBM	Supervisory Body of the Article 6.4 Mechanism
SBSTA	Subsidiary Body for Scientific and Technological Advice

SIDS	Small island developing state
TER	Technical Expert Review
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market

1. INTRODUCTION

Article 6 of the Paris Agreement has undergone a lengthy and complex journey toward operationalization, marked by significant milestones and challenges. COP26 in Glasgow represented a major political leap, as it adopted the rules, modalities, and procedures (RMP) for Article 6.4 and the guidance for cooperative approaches under Article 6.2. While further guidance was provided at COP27 in Sharm El Sheikh, COP28 in Dubai was unable to resolve remaining issues, placing the responsibility on COP29 in Baku to address these outstanding concerns.

At COP29, a breakthrough was achieved with the finalization of the rules governing both Article 6.2 (cooperative approaches) and Article 6.4 (the Paris Agreement Crediting Mechanism, PACM). This accomplishment is particularly noteworthy given that negotiations surrounding Article 6 have persisted for nearly nine years. The agreements reached at COP29 have set the stage for enhanced international cooperation on carbon markets, with expectations that implementation will significantly accelerate following this consensus.

The newly established rules are anticipated to remain stable until the first review in 2028, although the Supervisory Body of the PACM (SBM) will have substantial [work ahead in 2025](#) to ensure the full operationalization of the mechanism. The decisions made during COP29 carry broad implications for participating countries, affecting everything from content of authorizations and the possibility of their revocation to registry creation, reporting requirements, and the transition of existing Clean Development Mechanism (CDM) projects.

While some areas of uncertainty remain on corresponding adjustments (see section *What else was decided or postponed?*), the leap achieved in 2024 firms-up the ground for practitioners, and the Secretariat will update resources and manuals to support them. With much of the rulebook now agreed upon, the focus shifts towards implementation by governments and market participants. This transition from negotiation to action is essential for realizing the potential of international carbon markets to drive meaningful climate action and investment.

With the aim of assisting stakeholders in interpreting the COP 29 decision, this brief adopts a question-and-answer format to explore some of its key elements. It aims to bring out their implication, make them accessible to non-UNFCCC experts and facilitate a better understanding for stakeholders engaged in international carbon markets. While Baku ruled on a comprehensive set of issues and brought all outstanding mandates to a close, this brief puts the spotlight on several practical and widely relevant topics such as to authorization, registries and the status of operationalization of the PACM. It further delves into technical nuances such as the definition of first transfer and the treatment of inconsistencies, providing targeted insights for those administering and reporting on Article 6 activities.

2. ARTICLE 6.2

Decision text¹

What are key requirements for the authorization of ITMOs?

Authorization is a central element of the Article 6 rulebook, which has been the focus of much discussion at previous COPs, particularly around process and timing, content and format, and the scope for changes.

Negotiations at COP29 led to a framework that balances flexibility for national contexts with the need for clear guidance and accountability. It is essential to emphasize that **national prerogative** remains a principle of authorization, which ensures that each Party retains full sovereignty over decisions regarding the generation and transfer of Internationally Transferred Mitigation Outcomes (ITMOs). This allows countries to align their decisions with national climate priorities while fostering a sense of ownership over their commitments and facilitating international cooperation.

At COP29, three **distinct authorizations were recognized**, namely of: i) the cooperative approach, ii) ITMOs, and iii) participating entities, while leaving the sequencing of these different authorizations to the cooperating countries. The three authorizations can either be delivered sequentially or at the same time as part of a single consolidated process.²

At COP29 Parties also agreed on a substantive **list of elements that shall be included in the authorization**³, covering, among others, the use of the ITMOs, duration of the authorization, cross-reference to underlying standards and registries and the terms for revocation (discussed in the section below). This deviates from the principle that authorization would be a purely national matter as argued by some Parties. In conjunction, Parties settled for including supplementary information⁴ on many other elements, including baselines, in the initial reports of cooperating parties, rather than making them part of the authorization. Also, the format of the authorization was clarified and the Secretariat tasked with developing a **voluntary standardized user-friendly template** that Parties may use to provide the required information.⁵ While Parties are encouraged to use this template, its use is not mandatory. However, the required information must be included in the authorization and a copy of which must be provided in the initial report.

Finally, to ensure transparency and build confidence in the use of ITMOs, Parties agreed on the publication of authorizations in both the **Centralized Accounting and Reporting Platform (CARP)** and

¹ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>. Earlier draft versions of the text can be accessed here: (reverse chronological order, newest text first)

- [Version of Friday November 22, 2024](#)
- [Version of Thursday November 21, 2024](#)
- [Version of Tuesday November 19, 2024](#)
- [Version of Friday November 15, 2024](#) (SBSTA 61 text)

² Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 3-4. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

³ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 5. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

⁴ See [Decision 2/CMA.3](#), Paragraph 18 for the key contents of initial reports: a copy of the authorization by the participating Party, a description of the approach, its duration, the expected mitigation for each year of its duration, and the participating Parties involved and authorized entities: a description of how each cooperative approach ensures environmental integrity; and a description of how each cooperative approach will, amongst other things, minimize and, where possible, avoid negative environmental, economic and social impacts.

⁵ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 6. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

the [Agreed Electronic Format \(AEF\)](#). This requirement guarantees that relevant information is publicly accessible, enabling stakeholders to effectively monitor cooperative approaches and ITMO-related activities.

Can authorizations be changed or revoked?

For carbon market actors, limited and transparent modalities for changes and revocations to authorization reduce the risk of investment. Changes to authorizations can also impact environmental integrity by complicating tracking and accounting and by adding challenges to monitoring countries' achievement of their Nationally Determined Contributions (NDC). Previously agreed text in Glasgow already accepted the possibility of changes to an authorization in principle by mandating that these be reported in the updated initial reports. The question, however, was whether Baku would restrict that possibility in certain circumstances, and if so, to what extent.

The decision strikes a middle-ground. It rules out the possibility of changing authorization for ITMOs that have already been first transferred unless pre-specified in terms and conditions to an authorization. The possibility of changes will therefore have to be made transparent ex-ante, outlining clearly and ahead of time the circumstances under which changes can take place and how the process for managing these changes is to be undertaken in order to avoid double counting. The decision does not, however, distinguish the types of changes, which could range from administrative changes (e.g. names of actors involved) to substantive changes and even revocations.

In summary, the decision from Baku restricts the ability of countries to change authorizations while not fully prohibiting it and putting the onus on countries to apply robust accounting.⁶ Developments in the landscape of agreements will tell whether these terms and conditions are integrated and how they could look like.

Can host countries engage in unilateral cooperative approaches?

While it is widely understood that ITMOs authorized towards NDC use must take place within a cooperative approach involving at least two Parties, the question for ITMOs authorized towards Other International Mitigation Purposes (OIMP) remained. To some, cooperative approaches imply the involvement of at least two Parties, while others contend that the recognition of authorizations for OIMP in the Article 6.2 guidance from Glasgow implicitly already established unilateral approaches. This discussion came to a boiling point in Dubai where no agreement could be found. While a section on scope and definition of a cooperative approach, which would have limited the use of cooperative approaches to those involving two Parties, had been introduced in Dubai and stayed in the first textual iterations in Baku, no such section remained in the final decision. As a result, it can be understood that unilateral authorization for ITMO use towards OIMP continue to be possible. It follows that in these cases a corresponding adjustment would only be undertaken by the host Party forfeiting the emission reduction in its national accounting, and that no equal and opposite adjustment would have to be made in any other Party's accounting.

⁶ Some clarification on whether the possibility of changes to authorization applies to unilateral cooperative approaches could be useful, as the decision text mentions that participating Parties, in plural form, have to pre-specify this possibility. However, it could also be interpreted that the plural form includes cases with only one participating Party.

Which functionalities will the international registry provide to countries and what is its relationship with other registries?

According to the Article 6.2 guidance, to participate in cooperative approaches under Article 6.2 of the Paris Agreement, Parties are required to have access to a registry that serves as a central layer to track and record authorizations, first transfers of ITMOs, usage towards NDCs or OIMP, and voluntary cancellations – whether through a national registry, a third-party registry (sovereign or private), or an alternative UN-managed one.⁷

The Glasgow decision on Article 6.2 includes the establishment of an international registry that would be made available to Parties that do not have access to a registry as an option for supporting their participation in international carbon markets.⁸ The creation of the international registry democratizes Article 6.2 and increases the number of countries that can host Article 6 activities. However, Parties can decide whether to use it to manage their Article 6.2 operations or create their own registry.⁹ Parties that do not intend to use the international registry must consider the matter of interoperability and implement appropriate measures to mitigate risks to the consistency of data.

Two different positions on the functionalities of the international registry emerged during negotiations. Some Parties advocated for a transactional registry capable of issuing and trading ITMOs, while others preferred a simpler registry solely for tracking ITMOs. In the latter case, the international registry would only consolidate information while the actual assets or carbon credits would be issued, held and traded in underlying registries. The main concern expressed by Parties favoring a simple tracking registry was that the international registry could not ensure quality of the asset and hence should not be seen as providing a UN stamp of approval by issuing ITMOs. To resolve these disputes, negotiators in Baku reached a compromise to **limit the registry's role to pulling and viewing data and information on holdings and the action history of authorized Article 6.4 Emission Reductions (A6.4ERs)**.¹⁰ This means it only collects data but lacks functions such as issuing credits. A notable exception is to allow the transfer of authorized A6.4ERs as ITMOs to the international registry, while the same is not enabled for ITMOs based on other underlying standards. Whereas this exception has led to strong discontent among those advocating for a simple tracking registry, it is questionable whether the movement of A6.4ERs to the international registry will add much operational value and satisfy the needs of Parties looking for a fully transactional international registry.

In addition to its primary functions, the Secretariat will offer optional registry services, including the issuance of mitigation outcomes as units for countries that request them.¹¹ These services shall be provided in the same timeline as the implementation of the international registry. However, while credits will be issued under this service, it is important to emphasize that this does not constitute an endorsement by the UNFCCC regarding the quality or integrity of these credits.¹²

These optional registry services will be designed interoperable with the international registry, enabling pulling and viewing of information and smooth data communication between country registries and the international registry. Furthermore, the Secretariat is requested to provide capacity-building support

⁷ Decision 2/CMA.3. Guidance on cooperative approaches referred to in Article 6, paragraph 29, of the Paris Agreement. Annex I. Paragraph 29. (UNFCCC, March 2022). <https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf>.

⁸ Decision 2/CMA.3. Guidance on cooperative approaches referred to in Article 6, paragraph 30, of the Paris Agreement. Annex I. Paragraph 29. (UNFCCC, March 2022). <https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf>.

⁹ To connect with the international registries Parties must follow the interoperability requirements as presented in Decision 6/CMA.4, annex I, Paragraph 24.

¹⁰ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 49. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

¹¹ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 50. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

¹² Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 51-52. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

for developing countries seeking to establish their own national registries upon request.¹³ While the specific operational details of this support program remain to be clarified, some negotiators envisage the Secretariat to provide free licenses to countries to use the registry software selected for the international registry. However, the formal separation between the international registry and any measures taken to ensure equal access to a registry infrastructure for all countries marks one of the key compromises reached in Baku.

While the Secretariat has already started its engagement with service providers, the final roll-out date of the International Registry is not yet clear.

What is first transfer and how is it applied?

First transfer is a concept introduced to clarify the accounting of ITMOs. It is the trigger for corresponding adjustments to be applied to the host Party's NDC accounting. What first transfer means in practice is therefore important to clarify, as it is key to ensuring corresponding adjustments are done appropriately and double counting of emission reductions is avoided. In the case of ITMOs used towards another country's NDC, the first transfer was already (reasonably) clear and straightforward: it occurs at the first international transfer, which could be interpreted as the actual transfer of the unit out of the host country.¹⁴

For ITMOs used towards OIMP, however, Parties worried that the three options for first transfer definition decided in Glasgow could create loopholes. According to the Article 6.2 guidance from Glasgow, the host Party can decide whether the first transfer occurs at 1) authorization, 2) issuance or 3) use or cancellation of the mitigation outcome. Parties were most concerned with the scenario where the host Party defines first transfer as use or cancellation but never becomes aware of the use or cancellation by a non-state actor. In this scenario, ITMOs would be used to meet, for example, a company's voluntary or compliance target while the authorizing Party might never implement corresponding adjustments. To prevent such risk, the Baku decision adopts additional safeguards, including requiring Parties to have robust arrangements for being notified of the issuance, use or cancellation of its authorized mitigation outcomes and obligating them to record a first transfer no later than 31 December of the year prior to the submission of the biennial transparency report for the NDC period in which the mitigation outcome occurred.¹⁵ In addition, various technical provisions were adopted to close any loose ends in the first transfer definition. These may occur, for instance if a host Party authorizes mitigation outcomes for both NDCs and OIMP.

How does 'inconsistent' reporting impact credits and how can governments avoid inconsistencies?

The key documents in which Parties report on their cooperative approaches and ITMO transactions are the initial report, the agreed electronic format (AEF) for annual reporting and an annex to the Biennial Transparency Report (BTR) for regular reporting. The initial reports and BTRs undergo review by the Article 6 Technical Expert Review Team (A6TER) whereas the AEFs are subject to automated consistency checks by the Secretariat. A major outstanding question that was finally resolved in Baku concerns the treatment of inconsistencies encountered during the review processes and the consequences it would have if countries failed to comply with the Article 6.2 guidance. In the

¹³ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 54. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

¹⁴ Decision 2/CMA.3. Guidance on cooperative approaches referred to in Article 6, Annex, paragraph 2.

¹⁵ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraph 13 -14. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

negotiations, Parties were particularly concerned with significant and persistent inconsistencies that have an impact on the emissions balance of the reporting countries and may lead to double counting of emission reductions. During COP 27 in Sharm El Sheikh, Parties had already agreed on the procedure of the consistency check by the Secretariat and on the guiding principles and scope of the A6TER, highlighting that it shall not make political judgements nor review the adequacy of the cooperative approach or Parties' NDCs. What was left for Baku to decide were the consequences of formal inconsistencies, such as missing or contradictory information, or non-responsiveness of Parties during the review process. Any consequences adopted must, however, fit the non-punitive nature of the Paris Agreement.

The Baku decision first and foremost establishes a process through which inconsistencies can be corrected by the reporting Parties, laying out the process for identifying, notifying and correcting inconsistencies. The second most notable mechanism for addressing inconsistencies is through transparency. Any inconsistencies encountered shall be made public on the CARP, thus leading to reputational consequences. The Baku decision defines several labels with which cooperative approaches and ITMOs shall be tagged, indicating whether the consistency check and/or the review has been finalized and if significant and/or persistent inconsistencies have been identified. The criteria for these characterizations are, however, not defined in the decision but left for review teams to determine.¹⁶

The material consequences of non-compliance meanwhile remain limited. Parties are merely requested not to use ITMOs that have been identified as inconsistent in the consistency check but these are not excluded from further transaction. For inconsistencies identified during the A6TER, the lead reviewers are encouraged to liaise with the Paris Agreement Implementation and Compliance Committee (PAICC), which plays a facilitative and non-punitive oversight function. A farther-reaching proposal that ITMOs flagged as inconsistent would not be eligible for use towards NDC accounting, which had been included in previous versions of the text, did not find agreement.

To avoid inconsistencies, Parties must develop the internal capacity to accurately complete the required reporting instruments. The Secretariat has published a reference manual for the accounting, reporting, and review of cooperative approaches to assist in this process.¹⁷

What else was decided or postponed?

Decided: Reporting modalities

As stated above, there are three reporting obligations under Article 6.2: the initial reports, showing how the country meets the participation requirements of Article 6.2 and describing the cooperative approach; annual information which outlines quantitative data about ITMO authorizations and actions; and finally the regular information which is an annex to the Parties' BTRs.¹⁸ Some elements about the content of these reporting obligations, the timelines and the modalities still required clarity.

The decision clarifies that the initial report, must be submitted before any annual reporting can be made.¹⁹ For annual information, the Agreed Electronic Format (AEF) is the template in which Parties are to report on authorizations and various ITMO actions such as transfers, uses, cancellations and holdings of ITMOs once a year. Parties held divergent views on whether the AEF was ready for adoption or if it still needed testing and reworking. A compromise was found by **including an updated**

¹⁶ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraphs 28 to 44 (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

¹⁷ Reference manual for the accounting, reporting and review of cooperative approaches. (UNFCCC, August 2024). <https://unfccc.int/sites/default/files/resource/Article_6.2_Reference_Manual.pdf>

¹⁸ Ibid.

¹⁹ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraphs 26 and 27. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

AEF template in the annex of the decision and requesting Parties to use it, while keeping its status as a draft.²⁰

The Secretariat is requested to prepare a technical paper on experiences with the AEF, as a basis for improvements during the review in 2028 and to develop a capacity building programme for developing countries, particularly least developed countries (LDCs) and small island developing states (SIDS).²¹

Finally, Parties agreed to make contributions to adaptation finance and delivery of OMGE visible on the CARP by deciding on specific summary and disaggregated tables that would contain the information.²²

Postponed: further guidance on methods of accounting

Unlike under the Kyoto Protocol, where countries committed to emission reductions targets for each year of the compliance period, most countries have adopted targets only for the final year of the NDC period and have so-called single year targets under the Paris Agreement. This raises the question of how ITMOs acquired or sold over multiple years of the NDC implementation period can be counted towards the fulfilment of a single year target. In Glasgow, Parties had agreed on two methods for corresponding adjustments that would ensure comparability: Providing an indicative multi-year emissions trajectory against which corresponding adjustments are made each year, or calculating the average of ITMOs acquired or sold over the entire NDC period and applying the average to the single year target. Parties are free to choose which method to use. One open mandate since Glasgow that Parties were unable to resolve in Baku was to provide further guidance on these methods of accounting. Specifically, providing further guidance including with respect to relevant indicators on the methods for establishing an indicative trajectory, and demonstrating the representativeness of the averaging approach for corresponding adjustments by quantifying how much the yearly transaction volume differs from the average for the period. This highly technical mandate, which had been brought up in academic literature²³, could not be sufficiently discussed and was therefore postponed to the first review of the Article 6.2 guidance.²⁴

²⁰ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraphs 19. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

²¹ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraphs 20 and 21. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

²² Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraphs 22. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

²³ Averaging or multi-year accounting? Environmental integrity implications for using international carbon markets in the context of single-year targets. (Siemons & Schneider, 2021). <<https://www.tandfonline.com/doi/full/10.1080/14693062.2021.2013154#abstract>>

²⁴ Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement and in decision 2/CMA.3. Paragraphs 58 (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L15_adv.pdf>.

3. ARTICLE 6.4

Opening day decision text

Closing day decision text²⁵

After CMA has endorsed the SBM standards on methodologies and removals, what is still required for the full operationalization of the PACM?

Ahead of COP29, the Article 6.4 Supervisory Body (SBM) adopted two key standards for methodologies and GHG removals: the Standard for the requirements of developing and assessing mechanism methodologies²⁶ and the Standard for activities involving removals²⁷. Instead of forwarding technical recommendations on these matters to the CMA as in previous years, the SBM adopted the standards under its own authority, effective immediately, and only asked the CMA for additional guidance and an endorsement of its approach. This marked a significant departure from previous COPs and a bold move by the SBM. It came as a reaction to the repeated failure of the CMA to adopt further methodological guidance, not only burdening the negotiations but also blocking the operationalization of the PACM. Actors of international carbon markets were therefore looking out for the CMA's reaction with great anticipation. On the opening day of COP 29, the CMA took the landmark decision to endorse the SBM's approach, clearing an important hurdle in the operationalization of the PACM. The decision had been carefully prepared by the COP 29 presidency. While many Parties and Observers were concerned with the procedural implications of brokering an agreement behind closed doors²⁸ – even though the CMA nominally reaffirmed its authority in the decision – the overriding consideration was the benefit to the operationalization of the PACM. Downgrading the guidance on methodologies and removals to standards as opposed to CMA guidance ensures the mechanism can remain agile and adapt to evolving developments, allowing the SBM to review and further improve the guidance wherever necessary.²⁹

The decisions of COP29 pave the way for critical implementation. While the two adopted standards provide key directional guidance for crediting approaches under the PACM, detailed implementation questions remain to be resolved. Among them, the details of the additionality test and the identification of the baseline following the new principles of mechanism methodologies. These and others building blocks for operationalization are expected to be delivered by the SBM in 2025, with 79 documents scheduled for delivery in its workplan. Besides overarching standards, guidelines, tools and procedures, the SBM will continue work on methodologies through its Methodological Expert Panel (MEP), requiring no further involvement by the CMA. It will undertake both a top-down and bottom-up approach. On the bottom-upside, it will review proposed methodologies. While on the top-downside it will propose methodologies. The latter will include the revision of CDM methodologies, and in 2025 this will relate to five specific areas: transportation, energy, waste, distributed systems (e.g. clean cooking, water purifier) and rural electrification.³⁰ It's important to note that this list doesn't

²⁵ Draft negotiation texts of the second Article 6.4 decision (reverse chronological order, newest text first)

- [Version of Friday November 22, 2024](#)
- [Version of Thursday November 21, 2024](#)
- [Version of Tuesday November 19, 2024](#)
- [Version of Monday November 18, 2024](#)
- [Version of Thursday November 14, 2024 \(SBSTA 61 text\)](#)

²⁶ [A6.4-SBM014-A05](#)

²⁷ [A6.4-SBM014-A06](#)

²⁸ A precedent had already been set at COP28 with the establishment of the Loss and Damage Fund during the opening plenary.

²⁹ Key Standards for UN Carbon Market Finalized Ahead of COP29. (UNFCCC, 10 October 2024). <<https://unfccc.int/news/key-standards-for-un-carbon-market-finalized-ahead-of-cop29>>

³⁰ Find the preliminary 2025 work plan of the SBM here: [A6.4-SBM014-A01](#)

limit the development of methodologies in other areas. Additionally, a bottom-up [methodology development](#) process exists under Article 6.4.

During COP 29 Parties also negotiated further implementation guidance to the SBM as contained in the final decision. The decision encourages the SBM to move forward swiftly with its implementation, as regards the establishment of the mechanism registry, and to ensure ongoing continuous improvements to reflect the best available science while also striving to ensure regulatory stability by avoiding frequent substantive revisions to its adopted standards, tools, and procedures.

Additionally, the SBM is requested to elaborate on its standards by expediting its work relating to baselines, downward adjustment, standardized baselines, suppressed demand, additionality, leakage, non-permanence and reversals, including on post-crediting period monitoring, reversal risk assessments, and remediation measures. The listing of these areas simply reaffirms the priorities already included in the SBM work program without giving new impulses.

The PACM is expected to attain full practical operational status in 2025. The selection process for Designated Operational Entities (DOEs), third parties undertaking validation and verification, will go forward in 2025 too. The first A6.4ERs are expected to be issued by transitioning CDM projects in the first quarter of 2025, following a 42-day assessment period. To prepare for implementation, countries are expected to establish Designated National Authorities (DNAs), carbon market frameworks, and report their activities in the AEFs and BTRs.

What is the timeline for host countries to provide an authorization of A64ERs?

According to the Article 6 Rulebook, the host country is to provide the SBM with a letter of authorization, including a specification on whether it authorizes Article 6.4ERs to be used towards NDC achievement or towards OIMP. When authorized Article 6.4ERs are first transferred, the host country is required to apply corresponding adjustments.³¹

The Baku decision elaborates the process further by clarifying timing and content of the host Party statement: It shall be provided latest at issuance of the A64ERs but can already be made at the time of approval of the activity. As part of the statement, Parties may authorize (in full or partially) or not authorize the use of the A6.4ERs towards NDCs or OIMP. As a third option, Parties may allow mitigation contribution units (MCUs) to be issued, which can be used for domestic or voluntary purposes, while postponing the decision to authorize them towards NDCs or OIMP. MCUs already issued can hence be retroactively authorized, de facto allowing host countries to authorize units and committing to corresponding adjustments when they are ready to do so. An important caveat is that MCUs can only be retroactively authorized if they have not yet been transacted and stay within the pending account of the mechanism registry. As the decision to transact is in the hands of the project developers, it is up to their commercial evaluation whether to sell their assets as MCUs or wait with the transaction until an authorization may still be granted.³²

In Baku Parties could not agree whether a timeframe should be set for limiting the possibility of retroactive authorizations. Some Parties argued that it could not be open ended and suggested a maximum period of two years post issuance while others saw no need for limiting the timeframe. The SBM has therefore been tasked with the matter and is to report back on its decision at COP30. The Secretariat is tasked with operationalizing the decision on retroactive authorization, ensuring that 1) the respective MCUs have not yet been transferred out of the mechanism registry, 2) the

³¹ Decision 3/CMA.3, Rules, modalities and procedures for the mechanism established by Article 6, Paragraph 4, of the Paris Agreement, Section 5/C, available at https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf

³² See decision on Article 6.4 (v. 23 November 2024), Section III, paras 10-12, available at https://unfccc.int/sites/default/files/resource/cma2024_L16E.pdf?download

corresponding adjustments are applied, and 3) the share of proceeds received by the Adaptation Fund is comprised of authorized Article 6.4ERs (as opposed to MCUs).³³

To sum up: At issuance, A6.4ERs need to be assigned a status: authorized or not (yet) authorized MCUs. MCUs may be retroactively authorized. There is no clear time frame set yet for how long after issuance MCUs are eligible for retroactive authorization; MCUs can be transferred between holding accounts within the Article 6.4 mechanism registry, however, if they do so, they are no longer eligible for retroactive authorization. Further elaboration (to be completed by the Secretariat) is needed to clarify the process of retroactive issuance and how it will work for corresponding adjustments, SOP, and OMGE.

How will the mechanism registry connect to other registries? Will units stay in the mechanism registry or travel to other registries?

While the main features of the mechanism registry had already been decided at previous COPs, the outstanding question addressed in Baku was the connection of the mechanism registry with other registries. COP26 had already established that it would be connected to the international registry. However, Parties still had to determine the nature of the connection as well as the possibility to connect the mechanism registry to Party registries. What units could be transferred, only authorized A6.4ERs or also MCUs? And would the actual units be transferred between registries or only information about their transaction history?

The decision on Article 6.4 mirrors the decision that was made on Article 6.2 regarding the connectivity between the mechanism registry and the international registry. As discussed above, the connection of the mechanism registry to the international registry will allow data on holdings to be viewed, and the transfer of authorized A6.4ERs to the international registry. In addition, the decision enables Parties to voluntarily connect their registries to the mechanism registry while ensuring avoidance of double counting.³⁴ While authorized A6.4ERs can move out of the mechanism registry to a Party's registry, no such provision has been made for MCUs, which hence can only be transacted and used within the mechanism registry. However, governments and authorized entities have the possibility to open holding accounts within the mechanism registry, enabling them to receive and manage MCUs directly.³⁵

The procurement process for the mechanism registry is already underway. Meanwhile, the Secretariat has developed an interim mechanism registry capable of holding A6.4ERs and CERs eligible for transition and use in the first NDC period. The aim is for the interim registry to be operational by the end of 2024³⁶ and for the full registry to be developed in 2025.

³³ See decision on Article 6.4 (v. 23 November 2024), Section III, Paragraph 13-14, available at https://unfccc.int/sites/default/files/resource/cma2024_L16E.pdf?download

³⁴ Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement and referred to in decision 3/CMA.3. Paragraph 17. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2024_L16E.pdf?download>.

³⁵ Decision 7/CMA.4. Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement. Annex I. Paragraph 43. (UNFCCC, November 2024). <https://unfccc.int/sites/default/files/resource/cma2023_10a02E.pdf>

³⁶ PACM newsletter

CMA decided that afforestation and reforestation activities registered under the CDM may transition to the PACM. How will this process work?

At COP26 in Glasgow, Parties decided to allow for the transition of CDM projects to the PACM, if they meet certain requirements. This transition has been ongoing since 2023, with an initial deadline of December 2023 for projects to submit their transition request.³⁷ Since then, 1478 projects that have requested transition have also already undergone the Global Stakeholder Consultation process. To complete the next steps in the process, project proponents need to complete the sustainable development assessment based on the newly adopted Sustainable Development Tool,³⁸ and host countries need to approve the transition of each project.

COP29 enabled a new category of CDM projects to transition to the PACM. Afforestation and reforestation (A/R) projects under the CDM may transition to the PACM by complying with updated PACM rules. The deadline for submitting both a request for transition and for host countries to approve it is December 2025. Previously, at its fifth meeting, the SBM agreed to postpone developing provisions specific to the transition of A/R CDM activities until the CMA provides guidance on activities involving removals under the Article 6.4 mechanism.³⁹ With the Removals Standard adopted, the way had been paved for the transition of A/R activities to the PACM.

Just like for other CDM transitioning projects, it is important to recognize that the shift to Article 6.4 will bring to A/R projects different constraints which could impact their viability. As transitioning projects prepare to shift from CDM methodologies, not all can continue using their current approach until December 2025. While many projects will have the opportunity to use their existing CDM methodology until the end of 2025 and subsequently apply a new PACM methodology, some will be required to adopt Article 6.4 methodologies immediately. The transition depends on various factors, including host country methodological requirements and specific project criteria. Transitioning afforestation and reforestation projects will need to carefully assess their individual circumstances to determine the appropriate timeline for updating their methodology. Significant changes in project design and monitoring may be needed, with associated costs.

A/R projects will also be governed by the Standard on Removals of the SBM which aims to address the risks of non-permanence and reversal risks. This standard will have impacts on projects through the classification of their reversal risks and through the associated buffer pool requirements.⁴⁰

³⁷ The detailed overview of the process is available at https://unfccc.int/sites/default/files/resource/CDMTransition_Detailed_v01.0.pdf

³⁸ Available at <https://unfccc.int/sites/default/files/resource/A6.4-SBM014-A04.pdf>

³⁹ See Transition Standard, footnote 6, available at [A6.4-STAN-AC-001](https://unfccc.int/sites/default/files/resource/A6.4-STAN-AC-001)

⁴⁰ Requirements for activities involving removals under the Article 6.4 mechanism. (UNFCCC, October 2024). <https://unfccc.int/sites/default/files/resource/A6.4-SBM014-A06.pdf>.

4. CONCLUSIONS

The outcomes from Baku have provided a leap to Article 6 across the board. While Article 6.2 was already operational in terms of transactions moving forward, in closing the remaining agenda items, the decisions have completed the guidance required for cooperative approaches and provided much needed robustness. Transparency requirements are now more comprehensive than previously and the consequences of inconsistencies with the guidance encountered during the various checks more clearly spelt out, although practice will tell whether 'inconsistent' credits are excluded from use or not.

The decision around the authorization process clarifies countries may authorize ITMOs towards NDCs or OIMP, bilaterally or unilaterally, and they have flexibility to design the authorization process, if all mandatory elements are authorized. Furthermore, countries are afforded tools to optimize their sales and purchases. On the host country's side, the ability to retroactively authorize MCUs as ITMOs gives an additional tool to mitigate the risk of overselling. This should stimulate a pipeline of agreements and memoranda of understanding and with them the development of infrastructure and policies.

Further developments will show what the landscape of implementation will look like. Will unilateral OIMP approaches be widespread, and will they get traded at an attractive price? Will terms and conditions providing for the possibility of revocation be common in bilateral agreements and what would the process and reasons be? How will host countries define first transfer in their cooperative approaches, and will they opt for the moments of issuance, use or cancellation as opposed to the much easier to monitor provision of authorization?

On Article 6.4 too, remaining agenda items have been closed, and the onus is now on the SBM, after the endorsement of its standards, to make all elements of the PACM clear and functional. The COP endorsement of the SBM standards has set a precedent for the SBM to swiftly implement the content of its documents and present its work to the COP as packages. The SBM has set its draft workplan outlining the documents to be developed in 2025, bringing with it a timeline for practical operationalization of the mechanism.

Finally, bridging both market mechanisms, the functions and interoperability arrangements of the international registry and the mechanism registry have been established, and the timeline for their delivery is by the end of 2025. As a result, some critical infrastructure is underway.

After COP29, the successful roll-out and effective use of Article 6 therefore lie in the hands of the SBM, the Secretariat, participating Parties and, finally, market participants.