

Thought leadership

How is the new Article 6 carbon market mechanism developing in the run-up to COP30?



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Key takeaways

- 1 The Article 6.2 market is largely operational, and private participants can trade ITMOs if the necessary national infrastructure, and Letters of Authorisation, are in place.
- 2 Buyers and funders will enhance their opportunities for participation in the Article 6 carbon markets if they engage early with host countries and local parties.
- 3 Work on the Article 6.4 Paris Agreement Crediting Mechanism project methodologies needs to be done quickly but carefully to ensure that the market can be confident in the quality and integrity of credits.

In the run-up to COP30 in November 2025, expectations are building that the new carbon market mechanisms under Article 6 of the Paris Agreement will soon be fully operational. In this briefing, we take a look at what has already been achieved, what potential buyers of Article 6 carbon credits will be looking for from UN bodies, governments and other stakeholders both inside and outside of COP as they navigate their way in these markets, and more broadly what opportunities there are now for private sector participation in the Article 6 carbon markets.

The science is unambiguous: global emissions must fall by c. 43% by 2030 to keep the 1.5°C target in reach, yet full implementation of existing Nationally Determined Contributions (NDCs) would deliver only a 2% cut. Sentiment is spreading from scientists to wider circles that the 1.5°C goal is slipping out of reach, if not already impossible to meet. Trillions in private capital will be needed for the decarbonisation effort, and high-integrity carbon credits – whether generated under the Paris Agreement’s Article 6 mechanisms or in the voluntary carbon market (VCM) – could unlock a critical share of that finance.

Recent momentum

After three difficult COP cycles (from COP27 in Sharm-el-Sheikh in 2022, to COP28 in Dubai in 2023, to COP29 in Baku in 2024), the international regulatory architecture for the Article 6 mechanisms is largely in place. In particular, COP29 was the decisive “finance COP”: the Parties adopted detailed decisions completing the rule book for Cooperative Approaches under Article 6.2 and the Paris Agreement Crediting Mechanism (PACM) under Article 6.4.

Significant developments at COP29 included:

- **Authorisation:** final agreement on the content and format of Letters of Authorisation (LoAs) for ITMOs, including provisions regulating later amendment or revocation.
- **Registry infrastructure:** adoption of a “dual-layer” model for ITMOs transferred under Article 6.2, whereby a UN-run international registry (for Parties without national systems) will sit alongside national registries (which may choose to connect to the

Article 6.2 Cooperative Approaches

Enables countries to cooperate by transferring mitigation outcomes (ITMOs) from emissions reduction and removal projects internationally. In particular, these allow the buying country/entity to use the ITMOs towards NDCs or other international mitigation purposes, such as the Carbon Offsetting and Reduction Scheme for Aviation (CORSIA), or other purposes (generally understood to mean the VCM).

Article 6.4 Paris Agreement Crediting Mechanism

Establishes a UN-supervised carbon market, allowing emissions reduction and removal projects to generate credits, supporting sustainable development and enabling both public and private sector participation. Article 6.4 emissions reductions can be authorised to become ITMOs. Alternatively, they remain Mitigation Contribution Units (MCUs), and can be used for domestic purposes or in the VCM.

international registry). The COP26 decision in Glasgow in 2021 established that every Party wishing to take part in Article 6.2 Cooperative Approaches must have access either to its own registry or the international registry to perform certain “accounting” functions. The additional ‘layer’ introduced at COP29 in Baku is that the UN will now also provide additional “registry services” to any Party that requests it, (irrespective of whether they use the international registry or their own registry for accounting functions), so as to carry out the “transactional” functions of issuing and trading credits. Per the Baku decision, these registry services will be interoperable with the international registry. An interim version of the Central Accounting and Reporting Platform (CARP) – which supports the international registries – is now live.

- **Standards and methodologies:** Technical rules for detailed methodology requirements and carbon removals under the PACM, which had been agreed in advance of COP29 by the Article 6.4 Supervisory Body (SBM), were approved by the CMA.

In May 2025, the SBM adopted two standards: one aimed at estimating ‘business as usual’ emissions, the other on accounting for emissions leakage (where emissions are displaced elsewhere as a result of a project).

In addition, in August 2025, the SBM issued operational rules for the Article 6.4 registry. The rules set out how accounts can be opened and Article 6.4 emissions issued, traded and cancelled. Significantly, buyers and sellers of Article 6.4 emissions reductions will be able to approach their Designated National Authority (DNA) in their own country to open an account, rather than have to apply through the UN to seek approval from their government.

These developments fire the starting gun for Article 6.2 ITMOs to be issued and traded within a sophisticated and co-ordinated global infrastructure, and LoAs are already being recorded on an interim version of the CARP by several countries. However, potential buyers will have to wait for the remainder of PACM rules and infrastructure to become operational. In addition, various other capacity-building actions are required to kick-start these markets.

Key areas of development remaining

Structural / Institutions

Some key structural frameworks and technical arrangements are required at both UN and national levels. These include:

National regulatory frameworks: The international infrastructure for Article 6 mechanisms (such as interoperability with the international registry, registry services, and the rules concerning functionality of national registries and reporting of information) needs to be integrated into national regulatory frameworks. Successful national regulatory frameworks must establish institutional governance or arrangements for carbon activities in host countries, establish which types of carbon projects will be eligible for carbon credits, and relevant procedures (including reporting, use authorisations and registries; see below). This work needs to continue in many countries to ensure market growth and momentum. However, efforts are needed to ensure a level of consistency between national frameworks to facilitate access to, and operation of, markets in host countries (for example, in relation to fee structures, benefit-sharing arrangements and processes for LoAs).

Registries: For buyers, operational registries will be key to the issuance of Article 6.2 and 6.4 credits and (in the case of Article 6.4 credits) for them to become ITMOs and subsequently tradeable. Although the key international framework is now in place, the UN’s PACM registry still needs to be established (some progress towards this has been made as, in February 2025, the SBM agreed to launch the interim mechanism registry and adopted the associated procedure).

Final technical rules on the PACM are expected later this year, and a tender for the operation of both the PACM registry, and of the international registry (with the expanded “registry services” functionality) is expected in the next month. For issuance and trading in Article 6.2 credits, some national registries have already been

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established (for example, Ghana and Suriname). Other countries either need to set up their own registries, or rely on the international registry, which remains under development. States may wish to continue a trend of working with or using registries established by international carbon standards or other bodies (such as the World Bank or the United Nations Development Programme (UNDP)), which can help set up their national registries or act as suppliers of national registry services.

Through information and reporting requirements placed on Parties, the work of the

registries will also allow for public access to information on credits and projects, project reports and LoAs via the CARP. This is crucial for transparency in ensuring that only high-quality credits have access to the Article 6 carbon markets, and for tracking credits to ensure there is no double-counting. In order for this to be successful, there needs to be a focus on technical innovation and interoperability between registries and in development of the finalised CARP. Funding gaps for development of the international registry and finalised CARP, in particular, remain a concern.

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Formal rules on credits, standards and transactions

As far as the operational elements of the Article 6 mechanisms are concerned, significant work is still needed to ensure the market reaches its full potential. Some key elements are set out below.

Emissions avoidance: The role of REDD+¹ projects in the Paris mechanisms is still uncertain and, in particular, the role of emissions avoidance, which is significant for the potential for nature-based credits to feature in the Article 6 carbon markets. At the 2024 Bonn Climate Conference, the SBSTA² determined that emissions avoidance credits are ineligible under Article 6, although it agreed to reconsider this in 2028. However, the definition of emissions avoidance is not clear. In particular, the principled line between emissions avoidance as opposed to reductions or removals needs to be clarified to ensure important work to protect forest ecosystems has access to funding through the sale of carbon credits where quality criteria can be met. We would call for the CMA³ to provide this clarity at COP30 using the work of the Coalition for Rainforest Nations that we referred to in our report “[Scaling the Global Carbon Markets](#)”.

Methodologies: If the Article 6.4 market is to supply the type of high-integrity credits sought by buyers, robust methodologies will be required to ensure no loopholes, robust additionality tests and credible baselines. While this is true for the whole carbon market (across the Paris mechanisms, CORSIA, nascent carbon removals frameworks and the unregulated voluntary markets), particular emphasis is placed on agreement of methodologies for Article 6.4 projects, a current work-in-progress of the SBM, as they could be seen as a “lighthouse” encouraging improvement in practices throughout the carbon markets. While the standard for methodologies was agreed at COP 29, the SBM needs to work swiftly to draft and agree the detailed methodologies for key project types, a job that is expected to take a couple of years. The UNFCCC and SBM have undertaken to approve at least one methodology by the end of this year.

Use Authorisations / LoAs: The ability to purchase ITMOs in the nascent Article 6 markets, will depend on buyers’ / stakeholders’ confidence in the basis upon which LoAs will be forthcoming from host countries, and the circumstances in which authorisations can be revoked. While content requirements for LoAs were defined at COP29 and a template for LoAs

¹ The framework for reducing emissions from deforestation and forest degradation in developing countries.

² The Subsidiary Body on Scientific and Technological Advancement to the CMA.

³ The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

subsequently issued, there is still a need for clarity and consistency in the issuance, scope and procedural rules for LoAs at the national level to ensure prospective buyers and sellers of ITMOs know what to expect. It is possible that the CMA will develop further guidelines in this areas, and national governments should keep this in mind when preparing their own rules.

Benefit-sharing arrangements: The potential for sharing the benefits of carbon projects with communities (particularly indigenous ones) has become a significant issue in many jurisdictions as the ways in which this has been done and associated requirements differ markedly for example, offering grants, requiring a percentage of benefits to be shared, or implementing processes to ensure Free Prior and Informed Consent (FPIC) is obtained. The market price of ITMOs is likely to be affected significantly by the arrangements put in place, which should balance the objective of suitable community provision with the need to ensure a return for project investors. The arrangements should be formalised in host countries' national frameworks to give timely transparency and certainty to all carbon market participants.

Other actions to stimulate Article 6 markets

The formal UN and national structures, frameworks and registries are all essential for Article 6 markets to take shape, but broader actions from all stakeholders will be necessary to ensure the market scales, flourishes, and provides significant opportunities for trading in Article 6 carbon credits. These actions include:

- **Ambitious Nationally Determined Contributions (NDCs):** The UN called for ambitious NDCs from all countries by the end of October in time for COP30. By this date, 60 NDCs (under one third) had been submitted). NDCs form the backbone for volume in the carbon market, and – if set at levels which convey a real determination to further reduce national emissions – should help boost buyer demand for ITMOs. Those wishing to maximise opportunities from the carbon market should maintain calls for NDCs from all countries (covering actions from 2025 to 2035) to be ambitious, robust, and to cover all sectors and greenhouse gases.

- **Policy support:** Governments should demonstrate their commitment to the Article 6 mechanisms through policy statements and actions, and encouragement to stakeholders to participate in the resulting carbon markets. This may be formalised in government-to-government agreements (such as Memoranda of Understanding) which can set an expectation for the types of projects, and volumes of credits, that would be authorised for use against an NDC as opposed to other purposes. Singapore has been particularly active in this space. Prospective buyers in the market may also consider seeking business-to-government arrangements alongside project promoters to help set expectations for individual projects or project-types and their resulting credits.
- **Use of carbon labels:** VERRA, the non-profit running VCM standards, has begun issuing labels showing where verified carbon units (VCUs) are authorised for use under Article 6.2, demonstrating that the formalities for ITMOs have been complied with and, in particular, that corresponding adjustments have been made. This type of initiative should be encouraged and will help provide comfort to buyers who seek credits with minimal integrity concerns.

How can the private sector participate in the Article 6 markets?

As COP30 approaches, the architecture for Article 6 carbon markets is finally taking shape, offering a credible pathway for high-integrity climate finance. The regulatory and institutional groundwork laid at COP29 – particularly around authorisation, registry infrastructure and methodological standards – marks a turning point in the operationalisation of both Article 6.2 and 6.4 mechanisms.

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international carbon markets. Corporates and financial institutions can already participate in the trading of ITMOs provided that the relevant host and, where applicable, buying countries have established the necessary national regulatory infrastructure and are issuing LoAs to cover private sector participation. For corporates, this means the ability to enter into forward purchase agreements for ITMOs—either to meet compliance obligations under regulatory schemes or for “other mitigation purposes”, such as voluntary offsetting to support net zero commitments or demonstrate climate leadership to stakeholders.

Banks and funders are also well positioned to play a catalytic role in the emerging Article 6 markets. They can provide financing for eligible projects, structure and arrange cross-border transactions, and facilitate the transfer of ITMOs between countries and corporates. As the market matures, financial institutions can help bridge the gap between project developers and buyers, offering risk management solutions and liquidity to underpin larger and more complex transactions. Early movers who engage with host country authorities and build relationships with local partners will be best placed to capitalise on the new opportunities as the Article 6 markets scale up.

While Article 6.2 is largely operational, the PACM still needs substantial work, in particular, to put suitable project methodologies in place, and this should be done in close collaboration between UN bodies, states and VCM standards. While buyers will want this work to take place quickly, it is crucial that these methodologies provide the high-quality standards that will lead to confidence in the integrity of resulting credits, and so it should not be rushed. The Article 6 markets will also require national frameworks to be put in place backed up by significant policy support, and a fully functioning network of registries both at a UN level (the international registry and PACM registry), and national level, to create a viable market for buyers to tap into.

It is hoped that COP30 will bring added impetus to iron out some of the remaining gaps and uncertainties in the rulebook, and provide a new adrenalin shot to boost ambition and collaboration to enable the Article 6.2 and 6.4 mechanisms to flourish, with coherent regulatory infrastructure and a renewed global commitment to responsible action on climate.

Please contact Nigel Howorth, Adam Hedley or one of the lawyers listed in the Contacts section below if you would like to understand how we can help your organisation participate in the Article 6 markets.

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