



Article 6 Primer

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Acronyms and abbreviations

BTR: Biennial Transparency Report

CDM: Clean Development Mechanism

CDR: carbon dioxide removal

CMA: Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

CORSIA: Carbon Offsetting and Reduction Scheme for International Aviation

CRCF: Carbon Removal and Carbon Farming (European Union)

ETS: emissions trading scheme

EU: European Union

GGR: Greenhouse Gas Removal Standard (United Kingdom)

ITMO: Internationally Transferred Mitigation Outcome

LoA: Letter of Authorization

MCU: Mitigation Contribution Unit

MEP: Methodological Expert Panel

NDC: Nationally Determined Contribution

OMGE: overall mitigation in global emissions

PACM: Paris Agreement Crediting Mechanism

SB: Supervisory Body

tCO₂: tonnes of carbon dioxide

UK: United Kingdom

UNFCCC: United Nations Framework Convention on Climate Change

Executive summary

Article 6 of the 2016 Paris Agreement (“Article 6”) is a critical, hard-fought instrument in the global response to climate change. It establishes the foundations for international cooperation on mitigation by setting common rules and quality criteria for carbon market activity, spanning both emissions reductions and carbon dioxide removal (CDR). Article 6 is designed to help mobilize climate finance at scale while enabling countries to meet their climate targets more cost-effectively,¹ all within a robust global accounting framework that safeguards environmental integrity and prevents double counting. Over time, these mechanisms have the potential to bridge voluntary carbon markets with regulatory systems (e.g., emissions trading schemes), integrating the procurement of global carbon credits into national and international carbon management frameworks.

At the same time, Article 6 is inherently complex. Its mechanisms must accommodate governments with differing policy priorities, regulators designing domestic implementation rules, corporates seeking credible mitigation options, and developers navigating evolving authorization and accounting requirements. These actors often approach Article 6 with distinct objectives and constraints, leading to varied interpretations and strategic approaches.

As of February 2026, Parties to the Paris Agreement have adopted the core rules required to operationalize Article 6.2 and to develop methodologies under Article 6.4. While further technical guidance will continue to evolve, the foundational architecture is now in place—shifting Article 6 firmly into the implementation phase for governments and market participants.

Against this backdrop of accelerating global engagement and early implementation progress,² this paper provides a practical primer on Article 6 at a pivotal moment in its evolution. It synthesizes the key components of Article 6 (Article 6.2 and Article 6.4), highlights emerging patterns in how countries and corporates are engaging with its mechanisms, and explores what these developments mean in practice. In particular, it considers how companies should understand Article 6 within corporate CDR procurement strategies, as they align long-term climate goals with evolving standards and regulatory expectations.

Key takeaways for market participants

- **Article 6 increases demand for high-quality carbon credits:** As countries integrate Internationally Transferred Mitigation Outcomes (ITMOs) and Article 6.4 credits into regulatory carbon management mechanisms, demand for internationally recognized credits is expected to grow.
- **Host country authorization determines project value:** Governments’ discretion over corresponding adjustments, eligible project types, and authorization terms is the primary driver of supply, pricing, and bankability for Article 6-aligned projects.

¹ Carbon Direct. 2025 Sept 29. The role of integrated assessment models in carbon removal policy. Carbon Direct; [accessed 2026 Feb 2].

<https://www.carbon-direct.com/insights/the-role-of-integrated-assessment-models-in-carbon-removal-policy>

² Article 6 Implementation Partnership. 2026 Jan 16. Article 6 Implementation: Momentum Builds in Early 2026. Article 6 Implementation Partnership; [accessed 2026 Feb 2].

<https://a6partnership.org/news/article-6-implementation-momentum-builds-in-early-2026>

- **Regulatory demand will be sensitive to policy design:** ITMO uptake will depend on procurement mandates, relative costs versus domestic compliance options, and the pace at which countries operationalize carbon market laws and frameworks.
- **Article 6.4 alignment offers credibility but has downsides:** Standards under the United Nations Framework Convention on Climate Change (UNFCCC) may improve long-term credibility and regulatory integration, but evolving methodological requirements—particularly for CDR—and mandatory credit deductions introduce material execution and revenue risk.
- **Article 6.2 provides strategic positioning opportunities for CDR:** Early engagement with host country governments to secure Letters of Authorization can provide lasting advantages for developers and investors as voluntary and regulatory expectations continue to converge.

Introduction to Article 6

Article 6 consists of three components that allow countries to cooperate to achieve their emissions reduction goals, known as Nationally Determined Contributions (NDCs). Article 6.2 sets inventory accounting and reporting rules for cross-border trade of carbon credits, referred to as ITMOs, which countries may buy to help meet their NDCs or sell to generate climate finance. Article 6.4 creates an international carbon project registry—the Paris Agreement Crediting Mechanism (PACM)—along with new technical tools, standards, and methodologies for carbon projects. Article 6.8 concerns non-market approaches to international climate cooperation, and is outside the scope of this report. Hereafter, this white paper focuses on Article 6.2 and Article 6.4.

The “Conference of the Parties serving as the meeting of the Parties to the Paris Agreement” (CMA) is the governing body of the Paris Agreement. It adopts decisions that set the rules for implementing Article 6.³ While the CMA regularly adopts decisions concerning Article 6.2, governance arrangements for Article 6.4 are more complex (**figure 1**). The CMA has delegated responsibility for adopting Article 6.4 technical standards and approving methodologies to the Article 6.4 Supervisory Body (SB), which is made up of 12 experts from participating countries serving in an individual capacity. The Methodological Expert Panel (MEP) develops and reviews the technical material for Article 6.4 and provides recommendations to the SB, but it does not have decision-making authority.

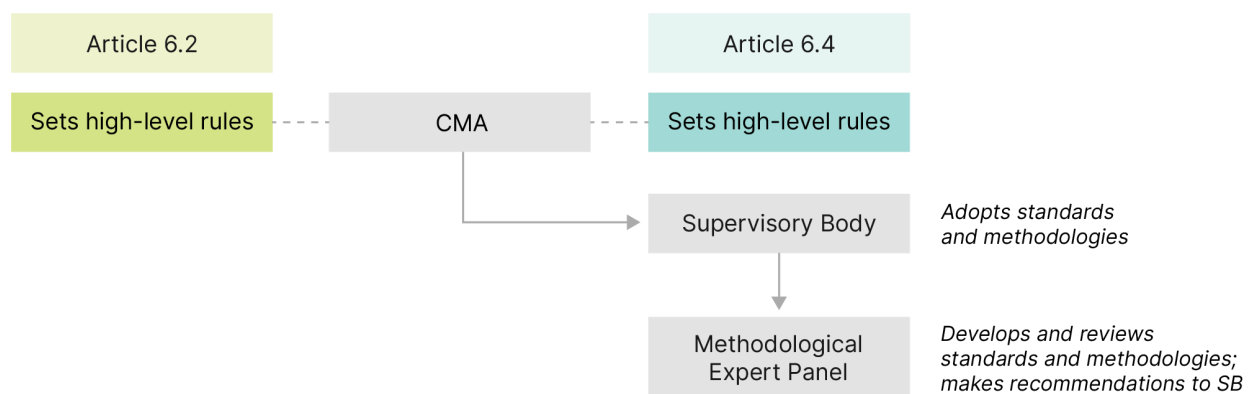


Figure 1. High-level decisionmaking infrastructure for Article 6.2 and Article 6.4. Source: Carbon Direct.

³ The United Nations Framework Convention on Climate Change. n.d. Article 6 Decisions and Documentation. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 2]. <https://unfccc.int/process-and-meetings/the-paris-agreement/article-6/article-6-decisions-and-documentation>

Article 6.2: Bilateral carbon credit transfers

Corresponding adjustments: How credits are accounted between countries

Article 6.2 creates rules for corresponding adjustments—an inventory accounting mechanism that prevents multiple countries from claiming the same mitigation benefits associated with carbon credits towards their NDCs. A corresponding adjustment occurs when the host country adds the associated emissions to its greenhouse gas (GHG) inventory, while the buyer country subtracts them (figure 2). Correspondingly adjusted carbon credits under Article 6.2 are called ITMOs.

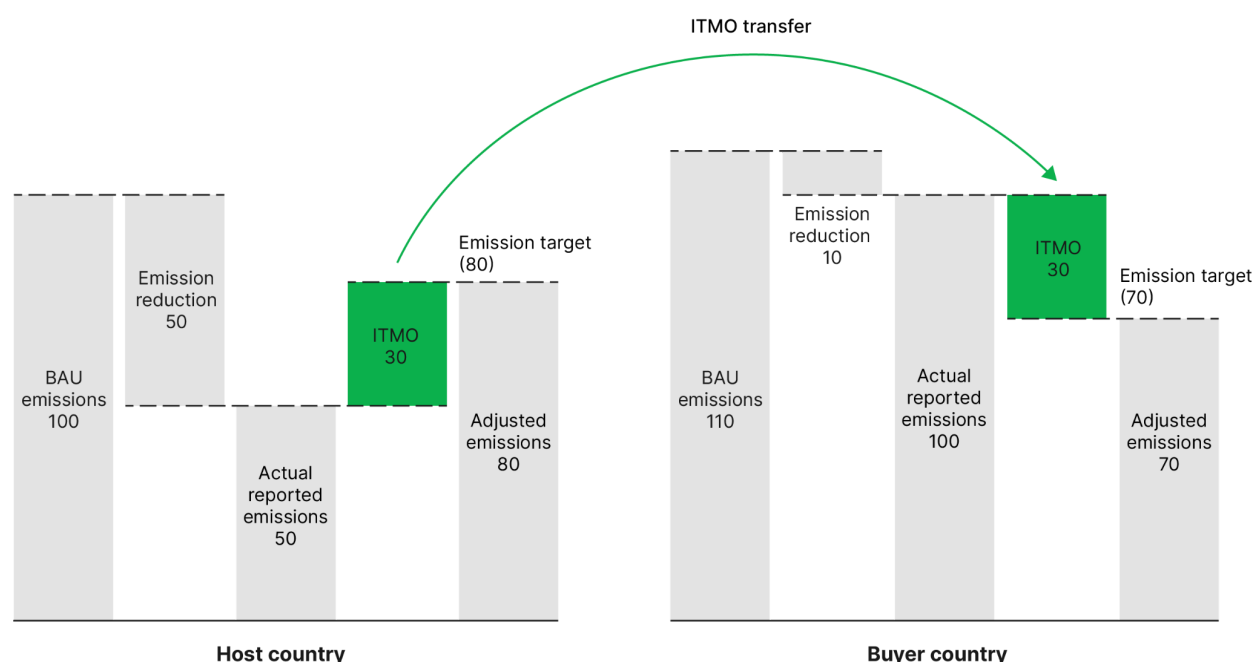


Figure 2. Illustration of corresponding adjustments for ITMO transfers. When a host country transfers ITMOs (green) to a buyer country, the host country adds these units to its emissions inventory, while the buyer country subtracts them, ensuring each emission reduction is counted only once toward national targets. BAU = business-as-usual emissions. Source: Carbon Direct, adapted from Schneider L et al. 2017.⁴

When an entity that is not part of a national government purchases ITMOs, the corresponding adjustment applies only to the host country, not the buyer entity. This is relevant for companies using ITMOs under regulatory schemes, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).⁵

⁴ Schneider L et al. 2017. Discussion Paper: Robust Accounting of International Transfers under Article 6 of the Paris Agreement Discussion Paper. German Emissions Trading Authority, German Environment Agency. Figure 1: Application of corresponding adjustments to reported emissions; p 28.

https://www.sei.org/mediamanager/documents/Publications/Climate/Robust_accounting_paris_agreement_discussion_paper_28092017.pdf

⁵ Carbon Direct. 2026 Jan. The Navigator: Special Policy Edition. Carbon Direct.

<https://www.carbon-direct.com/research-and-reports/the-navigator-january-2026-edition>

Box 1. Corresponding adjustments and double counting

Some stakeholders believe that when companies purchase carbon credits without corresponding adjustments, they are claiming the same benefits a country uses in its NDC inventory accounting, commonly referred to as double counting. However, corporate and NDC inventory accounting operate in separate frameworks; a company using a carbon credit to offset its carbon footprint does not impact the host country's NDC. Therefore, corporate claims based on carbon credits without corresponding adjustments do not impact countries' emissions reduction targets under the Paris Agreement. Carbon Direct experts have explored this in a report on dual accounting.⁶

Letters of Authorization: Host country approval process

For carbon credits to qualify as ITMOs, the host country government must issue a Letter of Authorization (LoA) to the buyer country, confirming that the mitigation associated with the credits will not be counted towards the host country's NDC. LoAs must provide other information on several elements,⁷ including the authorized uses of the ITMOs (such as NDCs, CORSIA, or other policies), the entities authorized to transact the ITMOs, and the circumstances under which the host country can modify the authorization.

The LoA must also state when the host country will apply the corresponding adjustment, known as the "First Transfer." For ITMOs used towards NDCs, the First Transfer occurs when the ITMOs are first legally transacted. For ITMOs used for other purposes, the First Transfer may occur when the credits are authorized, issued, or cancelled/used. The UNFCCC LoA template includes mandatory information that countries must provide, and other fields that participating parties may address at their discretion.⁸ Ultimately, the host country government decides whether to sign an LoA. The experience of project developer Koko Networks demonstrates this risk. The developer ceased operations in early February 2026 after it was unable to obtain a long-anticipated LoA from the Government of Kenya, preventing its clean cookstoves credits from qualifying for CORSIA use.⁹

⁶ Carbon Direct. 2023. Large-scale carbon dioxide removal and dual accounting: Microsoft and Ørsted. Carbon Direct.

<https://www.carbon-direct.com/research-and-reports/large-scale-carbon-dioxide-removal-and-dual-accounting-microsoft-and-%C3%B8rsted>

⁷ The United Nations Framework Convention on Climate Change, Conference of the Parties serving as the meeting of the Parties to the Paris Agreement. 2025 Mar 27. Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its sixth session, held in Baku from 11 to 24 November 2024. Addendum. Part two: Action taken by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its sixth session. United Nations Framework Convention on Climate Change. Decision 4/CMA.6; p 16–32. https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf

⁸ The United Nations Framework Convention on Climate Change. 2025 Mar 19. Article 6.2: Voluntary standardized template for the authorization of the use of the internationally transferred mitigation outcomes from a cooperative approach (Word) (v.01.0). United Nations Framework Convention on Climate Change. <https://unfccc.int/documents/646071>

⁹ Stankova T. 2026. Kenya's Clean-Cooking Pioneer Koko Shuts Down After Carbon Credit Standoff. Carbon Herald; [accessed 2026 Feb 11]. <https://carbonherald.com/kenyas-clean-cooking-pioneer-koko-shuts-down-after-carbon-credit-standoff/>

UNFCCC reporting requirements

All 194 Parties to the Paris Agreement must submit Biennial Transparency Reports (BTRs)¹⁰ detailing their climate actions and progress towards their NDCs. Parties trading ITMOs report their amended inventory emissions balances in BTRs and submit them to the UNFCCC, after which they are subject to technical review. Parties trading ITMOs must also submit additional reports¹¹ explaining how their ITMO activities comply with Article 6.2 requirements. These review processes assess consistency with UNFCCC reporting guidelines and often identify areas for improvement, reflecting the transparent and iterative nature of the framework. Parties may revise and resubmit reports in response to review findings.

NDCs and ITMO procurement: Buyer commitments and demand outlook

In the most recent NDC submissions (NDC 3.0s),¹² several countries, including Japan, the European Union (EU), South Korea, Switzerland, and Singapore have officially stated that they intend to use ITMOs to achieve their targets. Of these countries, only Japan has indicated a volume of total ITMO procurement—approximately 100 million tonnes of carbon dioxide (tCO₂) by 2030 and 200 million tCO₂ by 2040.

While the EU NDC does not quantify potential ITMO use, the European Climate Law may allow up to 230 million tCO₂ towards the EU's 2040 climate target. Individual EU member states do not have their own Paris Agreement NDCs, but Germany¹³ and Sweden¹⁴ have started buying ITMOs to meet their individual emission requirements derived from the EU's overall target. Other countries, including New Zealand and Canada, have used less definitive language about ITMO procurement in their NDCs, but are considering the option.

No countries have specified how they will split ITMO procurement by credit type, including between CDR and avoidance credits. As of 2026, the vast majority of contracted ITMOs relate to avoidance projects based in developing countries. This may change if buyers establish mandates to procure CDR within their ITMO portfolios.

NDCs and ITMO sales: Host country authorization strategies

Applying corresponding adjustments requires host countries to increase their emissions inventories, which can make it harder to meet their own NDCs.¹⁵ However, well-designed ITMO strategies can help countries generate finance to support deeper mitigation elsewhere, offsetting accounting losses caused by the corresponding adjustments. Consequently, countries that plan to

¹⁰ The United Nations Framework Convention on Climate Change. n.d. First Biennial Transparency Reports. Updated: 2026 Feb 3. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 3]. <https://unfccc.int/first-biennial-transparency-reports>

¹¹ The United Nations Framework Convention on Climate Change. n.d. Reports. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 3]. <https://unfccc.int/process-and-meetings/the-paris-agreement/article-6/article-62/carp/reports#Initial-reports-and-updated-initial-reports>

¹² The United Nations Framework Convention on Climate Change. n.d. Nationally Determined Contributions (NDC) Registry. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 9]. <https://unfccc.int/NDCREG>

¹³ Issues [annual tenders](#) for ITMOs to offset emissions from federal activities, such as business travel.

¹⁴ Established an [SEK 1.5 billion budget](#) for ITMOs procurement from 2024-2032.

¹⁵ Article 13 of the Paris Agreement and associated decisions lay out transparency rules, including those concerning corresponding adjustments.

sell ITMOs, such as Ghana and Thailand, have taken time to set clear rules for Article 6 engagement. These often specify project types for which the government will or will not apply corresponding adjustments, particularly where adjustments could undermine achievement of its NDC or other domestic priorities.

Domestic laws and registries

Countries can manage domestic carbon projects and ITMOs via their own registries, or via the UNFCCC-administered International Registry. Host country governments charge fees to apply corresponding adjustments, and may establish legal requirements for project developers, such as profit sharing with the local community. Host country governments may also require project developers to list carbon projects on domestic registries, and charge additional registry fees for ITMOs to cover the administrative costs associated with UNFCCC reporting requirements.

Implementing agreements

Article 6.2 rules do not set quality standards for ITMOs, beyond that they must be “real, verified and additional.”¹⁶ Typically, ITMO transactions between countries occur after they have signed a bilateral Implementing Agreement. These agreements detail rules for future ITMO transactions, such as eligible project types, minimum quality standards, and the entities responsible for administering the trades. Signing an Implementation Agreement does not mean the countries have engaged in ITMO transactions; it means that they have agreed on rules to do so in future.

Box 2. Switzerland ITMO procurement

Switzerland has signed bilateral agreements with several countries. Many of Switzerland’s ITMO requirements are consistent across agreements, such as the exclusion of activities based on nuclear energy production or the continued use of fossil fuels. Switzerland does not require projects to use specific methodologies or certification standards, but eligible projects must apply conservative quantification approaches in baseline setting. Switzerland primarily procures ITMOs through the KliK Foundation, an entity mandated to purchase credits for use towards the country’s NDC.

¹⁶ The United Nations Framework Convention on Climate Change, Conference of the Parties serving as the meeting of the Parties to the Paris Agreement. 2022 Mar 8. Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its third session, held in Glasgow from 31 October to 13 November 2021. Addendum. Part two: Action taken by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session. United Nations Framework Convention on Climate Change. Decision 2/CMA.3; p 11–24. https://unfccc.int/sites/default/files/resource/cma2021_10a01E.pdf

Article 6.4: The Paris Agreement Crediting Mechanism

What is the PACM?

Article 6.4 establishes the Paris Agreement Crediting Mechanism (PACM), the successor to the UNFCCC Clean Development Mechanism (CDM).¹⁷ The PACM will operate as a new international carbon registry, populated with credits issued under new, UNFCCC-approved methodologies. The registry will also host credits from eligible CDM projects that transition to the PACM. Project developers can list credits on the PACM registry with corresponding adjustments (ITMOs), or without them (regular voluntary units). ITMOs on the PACM registry are called Authorized A6.4 Emission Reductions (AERs), while credits without corresponding adjustments are called Mitigation Contribution Units (MCUs).¹⁸

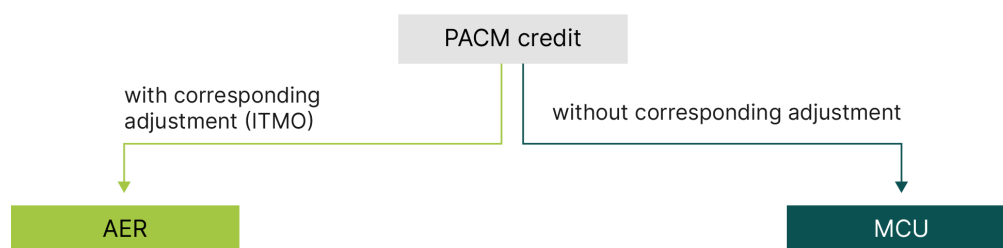


Figure 3. PACM registry naming conventions. AER = Authorized A6.4 Emission Reductions, MCU = Mitigation Contribution Units. Source: Carbon Direct.

Box 3. Transition of CDM activities¹⁹

The UNFCCC allowed projects that were originally part of the CDM to apply for transition to the PACM, before December 31, 2023. If approved, these projects can issue credits on the PACM with vintages of 2021 or later, using their original methodologies. However, the UNFCCC required projects to transition to PACM methodologies by December 31, 2025.

Standards and tools: UNFCCC integrity requirements

The UNFCCC has developed several standards and tools for new PACM methodologies (see **table 1** for examples of Article 6.4 standards and tools).²⁰ Standards set high-level requirements that

¹⁷ The CDM was a market mechanism under the Kyoto Protocol that allowed industrialized countries to earn emissions credits by funding emissions-reduction projects in developing countries. It operated from 2005, and formally ended in 2020 as the Kyoto framework gave way to the Paris Agreement.

¹⁸ The United Nations Framework Convention on Climate Change. n.d. Registry. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 2].

¹⁹ The United Nations Framework Convention on Climate Change. n.d. Transition of CDM activities. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 2].
https://unfccc.int/process-and-meetings/the-paris-agreement/article-6/article-64-pacm/registry#tab_home

²⁰ The United Nations Framework Convention on Climate Change. n.d. Rules and regulations. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 2].
<https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/rules-and-regulations>

methodologies must meet, while tools help demonstrate project adherence to methodological requirements. The CMA or SB may update the Article 6.4 standards if necessary.

Table 1. Examples of Article 6.4 standards and tools (non-exhaustive)

Name	Type
Addressing leakage in mechanism methodologies	Standard
Addressing non-permanence and reversals in mechanism methodologies	Standard
Demonstration of additionality in mechanism methodologies	Standard
Setting the baseline in mechanism methodologies	Standard
Article 6.4 sustainable development tool	Tool
Common practice analysis	Tool
Investment analysis	Tool
Project emissions from flaring	Tool

Methodologies: Project eligibility and approval

According to Article 6.4 procedural documents,²¹ the SB can develop PACM methodologies or third parties can submit methodologies for review. In October 2025, the SB adopted the first new PACM methodology: A6.4-AMM-001: Flaring or use of landfill gas,²² an adaptation of CDM methodology 'ACM0001'. The SB will consider several new methodologies in 2026,²³ starting with avoidance projects (see **table 2**), since it only adopted the reversals and non-permanence standard for CDR methodologies in October 2025.

Table 2. PACM methodology development pipeline

Methodology	Type
ACM0002: Grid connected electricity generation from renewable sources	CDM
AMS-I.C.: Thermal energy production with or without electricity	CDM
AMS-II.G.: Energy efficiency measures in thermal applications of non-renewable biomass;	CDM

²¹ The United Nations Framework Convention on Climate Change, Article 6.4 Supervisory Body. 2024 Oct 6. Procedure: Development, revision and clarification of methodologies and methodological tools (v01.1). United Nations Framework Convention on Climate Change.

<https://unfccc.int/sites/default/files/resource/A6.4-PROC-METH-001.pdf>

²² The United Nations Framework Convention on Climate Change. n.d. A6.4-AMM-001: Flaring or use of landfill gas. United Nations Framework Convention on Climate Change; [accessed 2026 Feb 2].

<https://unfccc.int/process-and-meetings/the-paris-agreement/article-6/article-64-pacm/mechanism-process/methodologies/a64-amm-001>

²³ The United Nations Framework Convention on Climate Change, Article 6.4 Supervisory Body. 2025 Oct 10. Information note: Preliminary workplan of the Supervisory Body 2026 (v.01.0) (SBM018). United Nations Framework Convention on Climate Change.

<https://unfccc.int/sites/default/files/resource/A6.4-SBM018-A01.pdf>

AMS-I.E: Switch from non-renewable biomass for thermal applications by the user	CDM
A6.4-PMM005: Savanna Fire Management (SFM)	New
A6.4-PMM004: Comprehensive Lowered Emission Assessment and Reporting (CLEAR) Methodology for Cooking Energy Transitions	New
A6.4-PMM003: Pumped Hydro Storage and Supply of Electricity to the Grid	New
A6.4-PMM002: N2O abatement from nitric acid production	New
A6.4-PMM001: Production of Ammonia through electrolysis of water, air separation and synthesis of hydrogen and nitrogen	New

Credit deductions: Understanding the 7% mandatory share

Under Article 6.4 rules,²⁴ upon issuance, the UNFCCC will immediately transfer 5% of credits issued on the PACM registry to an account owned by the UNFCCC Adaptation Fund, to help finance its mission. Further, the UNFCCC will immediately cancel 2% of issued credits to contribute to what it calls the overall mitigation in global emissions (OMGE). Together, these deductions reduce the credits that developers retain, meaning developers of PACM-listed projects will automatically surrender ownership of 7% of issued credits. **Figure 4** provides a visual breakdown of these credit deductions, showing the 5% transferred to the UN Adaptation Fund and the 2% canceled for OMGE.

Credit deductions from PACM-listed projects

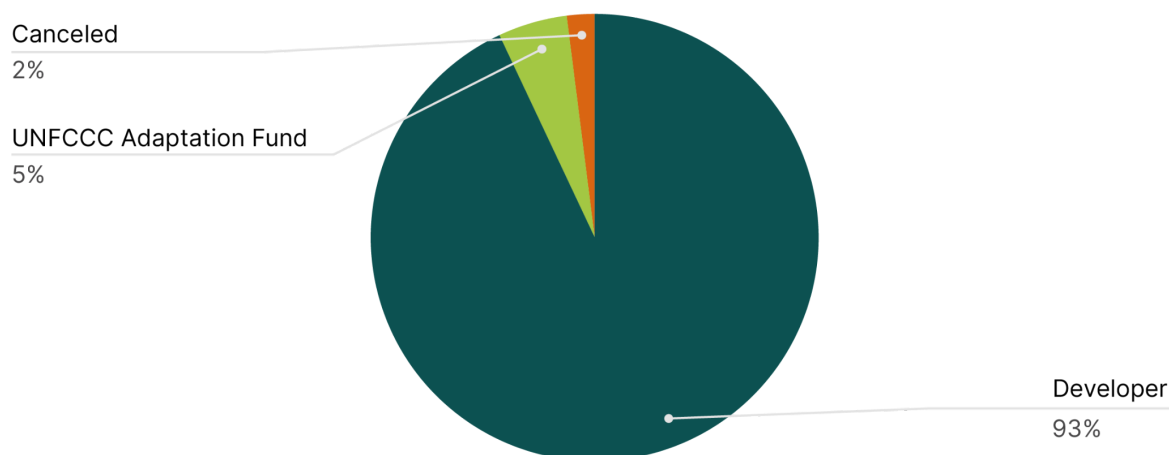


Figure 4. Automatic deductions from Article 6.4 PACM credit issuances. Project developers retain 93% (teal) of issued credits and automatically surrender 7%, with 5% (lime green) transferred to the UN Adaptation Fund and 2% (orange) canceled for OMGE. Source: Carbon Direct.

²⁴ The United Nations Framework Convention on Climate Change, Conference of the Parties serving as the meeting of the Parties to the Paris Agreement. 2022 Mar 8. Report of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement on its third session, held in Glasgow from 31 October to 13 November 2021. Addendum. Part two: Action taken by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its third session. United Nations Framework Convention on Climate Change. p 11. <https://unfccc.int/sites/default/files/resource/cma2021.10a01E.pdf>

Article 6 and regulatory compliance

CORSIA: Aviation sector requirements and ITMO eligibility

CORSIA is a global scheme to manage and offset emissions from international aviation, administered by the International Civil Aviation Organization (ICAO). Only ITMOs that the host country specifically authorizes for CORSIA use can qualify as CORSIA-eligible credits. Even after receiving authorization, credits must meet additional eligibility requirements, including issuance under an eligible certification standard, adherence to an approved methodology, and coverage by an approved insurance provider against non-delivery. Both Gold Standard and Verra provide guidance^{25,26} on how credits that meet all criteria can apply to be tagged as fully CORSIA-eligible on their respective registries.

On the Verra registry, carbon credits that meet all CORSIA criteria except the corresponding adjustments requirement receive a “Scope” label for the applicable phase, while ITMOs that meet all criteria are labeled “Eligible”. This approach allows voluntary buyers to access carbon credits that meet most CORSIA quality criteria, especially while the supply of ITMOs remains limited.

To protect against double counting, CORSIA-eligible ITMOs must meet one of two conditions: (a) the host country must have already applied the corresponding adjustments, or (b) the project developer must have an enforceable guarantee that will replace ITMOs if the host country fails to apply the corresponding adjustments within the required timeframe. Approved insurance policies may provide such guarantees, either replacing the CORSIA-eligible ITMOs directly or supplying sufficient funds to procure them.

Box 4. CDR under CORSIA

While several CDR certification standards and methodologies can generate CORSIA-eligible credits, airlines are unlikely to use CDR to meet their compliance requirements in Phase One (2024-2026).²⁷ The main constraint is the limited availability of CORSIA-eligible CDR, as the vast majority of ITMOs are avoidance credits. Additionally, airlines appear to be pursuing compliance strategies that minimize costs rather than maximize the benefits associated with CDR.²⁸ Consequently, CORSIA demand will likely be met with eligible avoidance ITMOs (e.g., REDD+, clean cookstoves) unless CDR prices become comparable with avoidance credit prices.

²⁵ Gold Standard for the Global Goals. 2025 Dec 12. Eligibility of Gold Standard VERs for use under CORSIA's first and second phase. Gold Standard for the Global Goals; [accessed 2026 Feb 3]. <https://globalgoals.goldstandard.org/115g-corsia-eligibility-of-gold-standard-vers-for-use-under-corsias-first-phase/>

²⁶ Verra. 2025 Jan 20. Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) Label Guidance, v1.0. Verra. <https://verra.org/wp-content/uploads/2025/01/CORSIA-Label-Guidance-Document-20-Jan-2025.pdf>

²⁷ Carbon Direct. 2025 Apr. The Navigator, April 2025 edition. Carbon Direct. CORSIA: Market maker for 2025? p 25. <https://www.carbon-direct.com/research-and-reports/the-navigator-april-2025>

²⁸ Carbon Direct. 2026 Feb 10. Key trends in the 2026 voluntary carbon market. Carbon Direct; [accessed 2026 Feb 11]. <https://www.carbon-direct.com/insights/key-trends-2026-voluntary-carbon-market>

National carbon pricing regulations

Regulatory carbon taxes and emissions trading schemes (ETS) often allow companies to meet a portion of their obligations (e.g., 5%) by retiring carbon credits (**table 3**). Regulators typically require these credits to be generated domestically, often following methodologies specific to the host country. However, regulators are increasingly considering the use of international carbon credits generated in other countries. In some cases (e.g., Singapore and Switzerland, see **table 3**), international carbon credits must be ITMOs from projects based in countries that have Article 6 Implementing Agreements with the regulator government.

Table 3. Selected compliance mechanisms allowing or considering carbon credits

Country	Mechanism	Carbon Credits?	International Credits?
Singapore	Singapore Carbon Tax	Yes ($\leq 5\%$)	ITMOs only. From projects based in countries with which Singapore has an Implementing Agreement.
Japan	Japan GX-ETS ²⁹	Yes (10%)	ITMOs only. From projects registered under Joint Crediting Mechanism (JCM). ³⁰
Switzerland	Switzerland Carbon Tax	Yes (25%+) ³¹	ITMOs only. From projects based in countries with which Switzerland has an Implementing Agreement.
South Korea	South Korea ETS	Yes ($\leq 10\%$)	$\leq 5\%$ of obligation. Further details pending.
China	China ETS	Yes ($\leq 5\%$)	No
UK	UK ETS	Under consideration	No
EU	EU ETS	Under consideration	No
	Carbon Border Adjustment Mechanism (CBAM)	Under consideration	Under consideration

Eligibility for regulatory carbon pricing does not necessarily translate to ITMO demand. Currently, regulated entities have alternative ways to achieve compliance (e.g., buying traditional emissions allowances), which may be cheaper or simpler than using ITMOs. Regulatory demand for international carbon credits will grow as emissions allowances become more expensive and host countries issue more ITMOs.

²⁹ Pending final rules.

³⁰ A bilateral framework to help Japan meet its NDCs by supporting low-carbon projects in developing countries.

³¹ 25% in 2025, increasing annually to 50% in 2030. In all years, at least 12% of emissions must be offset via domestic projects.

Article 6.4 and regulatory standardization

Private carbon standards and public institutions have developed hundreds of carbon project methodologies, while other entities, such as the Integrity Council for the Voluntary Carbon Market (ICVCM) maintain their own quality criteria. This lack of standardization makes it difficult for buyers to assess credit quality without conducting further project-level due diligence.

Although adding to this crowded network, Article 6.4 technical standards are increasingly being incorporated into regulatory frameworks (see **table 4**), meaning PACM-listed projects may be more likely to meet eligibility requirements. In light of this, Gold Standard is aligning its methodologies with Article 6.4 standards for all credits of vintage 2026 and later.³²

Table 4. Selected regulatory frameworks referencing Article 6.4

Country	Framework	Details
EU	European Climate Law	Any use of ITMOs towards the EU's 2040 climate target must ensure safeguards that complement those under Article 6.4.
	Carbon Removal and Carbon Farming (CRCF) framework	The EU is required to consider how CRCF methodologies align with rules and guidance under Article 6.2 and 6.4.
UK	Greenhouse Gas Removal (GGR) Standard	The government is attempting to align the GGR Standard, which will integrate with the UK ETS, with Article 6.4 requirements.
Brazil	Brazil ETS	The scheme in Brazil is expected to incorporate credits generated from PACM methodologies, though full details are pending.

Strategic considerations for market participants

Article 6.2: Key risks and opportunities

- **Market positioning:** Investors are increasingly interested in developing projects that can generate ITMOs to meet international demand from NDCs or carbon pricing mechanisms.
- **Dual authorization requirements:** Success depends on procurement rules in the buyer country, and the host country's ITMO authorization framework.
- **Host country discretion:** Project host countries have complete discretion over whether to authorize ITMOs.
- **Pre-development verification:** Before acting, stakeholders should verify the country's openness to issue corresponding adjustments for credits from particular project types.
- **Strategic priorities beyond regulations:** Countries pursue strategic priorities that may not appear in NDCs or carbon market regulations, making direct engagement with public officials essential rather than assuming a project will become eligible to issue ITMOs.

³² Gold Standard for the Global Goals. 2025 Dec 22. Methodology Standards (Paris Agreement Alignment) and Other updates. Gold Standard for the Global Goals; [accessed 2026 Feb 3]. <https://globalgoals.goldstandard.org/115g-corsia-eligibility-of-gold-standard-vers-for-use-under-corsias-first-phase/>

- **Buyer country procurement rules:** Stakeholders must assess ITMO procurement rules in potential buyer countries, including eligible project types or the need to sign an Implementing Agreement with the host country.
- **Regulatory demand translation:** Investors should analyze how ITMO eligibility will translate to realized regulatory demand, taking into account factors such as the relative prices of ITMOs and traditional emissions allowances.
- **Additional cost layers:** Beyond project development and verification, ITMOs incur additional expenses related to government authorization, reporting, and insurance that can materially affect project economics and buyer appetite.
- **Demand quality assessment:** Investors should assess whether ITMO eligibility is likely to translate into firm, price-supportive demand that justifies these added layers, rather than assuming regulatory use alone will guarantee value.

Article 6.4: Tradeoffs for developers

- **PACM pathway opportunity:** Entities may consider developing new projects under PACM methodologies, as UNFCCC endorsement can help position credits as globally recognized and high quality.
- **Regulatory integration potential:** Given the growing influence of Article 6.4 standards in carbon pricing regulations, PACM ITMOs may be well placed for future regulatory integration into national compliance schemes and CORSIA.
- **Realistic expectations required:** PACM methodologies remain in the early stages of development; CDR methodologies have not made the SB agenda for assessment in 2026.
- **Uncertain competitive positioning:** Demand for PACM credits compared with credits issued under established methodological standards and endorsed by other well-regarded integrity frameworks remains uncertain.
- **Mandatory deductions:** Developers will automatically surrender 7% of issued credits (5% transferred to the UNFCCC Adaptation Fund and 2% canceled for OMGE), significantly affecting project finances and reducing net volume of credits available to them.
- **Structural cost impact:** Developers should treat deductions as a structural feature of PACM economics with direct implications for revenue projections, pricing strategies, and project viability.

Conclusion: Navigating Article 6 markets in 2026

Article 6 presents a meaningful opportunity to strengthen and scale international carbon markets by providing a shared framework for cooperation, accounting, and the mobilization of climate finance. As countries begin to integrate Article 6 mechanisms into national climate strategies and regulatory systems, demand for internationally recognized credits is likely to grow. For entities investing in CDR, early engagement with Article 6—through host country dialogue, authorization pathways, and emerging methodologies—may help position projects for future regulatory recognition as standards and demand converge. At the same time, implementation will determine practical outcomes. Market participants must read guidance carefully and engage directly with governments and project developers to understand how these detailed, evolving rules affect their specific circumstances.

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