

ARTICLE 6 SENIOR OFFICIALS' HANDBOOK

A Decision-Making Tool
for CVF-V20 Policymakers
on Carbon Market Engagement

CVF V20 CLIMATE VULNERABLE FORUM VULNERABLE TWENTY GROUP

VCMI Voluntary Carbon Markets Integrity Initiative

ABOUT THE CVF-V20

The CVF-V20 now represents 77 member countries from small island developing states (SIDS), least developed countries (LDCs), low to middle-income countries (LMICs), landlocked developing countries (LLDCs), and fragile and conflict-affected states (FCS). Working together, the CVF-V20 aims to achieve climate justice through the realization of Climate Prosperity Plans, which contain ambitious economic and financial resilience strategies designed to attract investment and resources that advance the attainment of the Sustainable Development Goals (SDGs), 30×30 Global Biodiversity, and help keep the average global temperature within the Paris Agreement's 1.5°C safety threshold.

ABOUT VCMI

The Voluntary Carbon Markets Integrity Initiative (VCMI) is a global non-profit working to mobilize private sector finance for climate action and sustainable development by scaling high-integrity carbon credit markets.

VCMI sets the global benchmark for credible corporate use of carbon credits through its Codes of Practice, helping build trust, confidence and consistency across the market. VCMI also supports governments to unlock corporate demand for carbon credits by hosting the Secretariat for The Coalition to Grow Carbon Markets.

Through its Access Strategies Programme and partnership with the Climate Vulnerable Forum and its V20 Finance Ministers (CVF-V20), VCMI supports emerging markets and developing economies to build the policies, capacity and infrastructure needed to leverage carbon markets to deliver finance for their climate and sustainable development priorities.

ABOUT THE CVF-V20 VCMI CARBON FINANCE PROGRAMME

The Climate Vulnerable Forum and V20 Finance Ministers (CVF-V20) and Voluntary Carbon Markets Integrity Initiative (VCMI) have partnered to leverage support from carbon markets to advance climate prosperity. The partnership aims to support CVF-V20 members to strategically integrate carbon market finance into their Climate Prosperity Plans, helping leverage carbon credits as a source of revenue or debt-free finance towards climate, development, and nature priorities.

During the 15th Ministerial Dialogue on 18 October 2025, the CVF-V20 and VCMI launched the upscaling of the Carbon Finance Programme, supporting climate-vulnerable countries in hosting high-integrity carbon reduction / removal projects that deliver tangible climate action and sustainable development benefits. As part of the program, a series of policy tools and knowledge products are being produced to provide technical insights and actionable recommendations to the CVF-V20 membership.



ABOUT THE HANDBOOK

This handbook has been prepared to support senior government officials engaging with decisions concerning carbon market participation to navigate the complexities of Article 6 of the Paris Agreement. The target audience therefore spans leading officials across environment, finance and other sector-specific 'line' ministries for whom carbon markets can support national agendas, policy priorities, and NDC implementation. It can be used to support ministerial briefings, inform cross-departmental decision-making committees, and to advance a country's carbon market regulations, policies, guidance and communications. The handbook responds to real, practical documented implementation bottlenecks, drawing on emerging evidence and country experience shared through the CVF-V20 VCMI Carbon Finance Program's workshop series, ensuring the guidance responds to implementation realities.

The handbook is also intended to help CVF-V20 member countries level the playing field in international carbon markets. A historical imbalance in global carbon market participation has meant that countries most in need of climate finance have often struggled to access carbon credit markets: under the Kyoto Protocol's Clean Development Mechanism (CDM), the 45 Least Developed Countries accounted for just 1.5% of globally registered projects[1].

Without dedicated support, history is at risk of repeating itself under the Paris Agreement's Article 6 mechanism. Strengthening climate-vulnerable countries' ability to participate under Article 6 as an instrument to support NDC implementation and sustainable development is therefore a matter of equity and climate justice - this handbook treats fair value and high-integrity outcomes as guiding principles throughout.

Not every carbon readiness module will carry equal weight for every country: readiness levels, institutional structures, and prior market engagement vary considerably across CVF-V20 members. Officials are encouraged to consider the handbook in the order that best suits the respective member country's own circumstances, rather than proceeding strictly from Module 1 through to the end.

This handbook is organised into eight (8) modules and each module addresses a discrete decision-making challenge that a senior government official is likely to encounter. The modules follow a consistent structure:



a framing question that captures the decision at hand;



country case studies to demonstrate how peers have addressed the issue; and



an explanation of why the matter is significant;



a readiness checklist, comprising a short set of practical questions that officials may work through with their technical team.



key considerations that ought to inform the decision;

[1] The Least Developed Countries Report 2024 | UN Trade and Development (UNCTAD)



The eight modules were primarily selected based on the decision points most frequently raised throughout the CVF-V20 VCMI Carbon Finance Program's engagement. In several cases, a module exists because it helps governments respond to a recurring question or blocker raised directly by buyers, investors or other market participants (noted at the start of the relevant module where applicable). The handbook is designed to be intentionally non-technical, equipping senior officials with the information they need to address key issues, assess their country's readiness, and understand the respective institutions, resources and routes available to create the enabling environment needed for carbon finance to scale. More detailed guidance can be found in the technical resources referenced throughout. The handbook complements and draws upon other existing technical resources, including VCMI's own Carbon Markets Access Toolkit and Country Guidance for Navigating Carbon Markets.

CONTENTS

FOREWORD vii

MODULE 1: UNDERSTANDING ARTICLE 6 1

1A. Article 6 Foundations 2
1B. Long-Term Market Engagement Strategy 13

MODULE 2: DECIDING WHETHER TO AUTHORISE 17

2A. What Does Authorisation Mean — What Commitments Does This Create? 18
2B. What to Authorise: Options and Decision Criteria 23
2C. Authorising Safely: Managing Overselling Risk 28
2D. The Letter of Authorisation (LoA) Process 34

MODULE 3: TAXATION, FEES AND REVENUE OPTIMISATION 38

MODULE 4: CREATING ENABLING FINANCIAL REGULATION TO MOBILISE CARBON FINANCE 45

MODULE 5: BENEFIT SHARING 53

MODULE 6: ENVIRONMENTAL AND SOCIAL INTEGRITY 61

MODULE 7: COMMUNICATING EFFECTIVELY WITH THE PRIVATE SECTOR 67

MODULE 8: LEGISLATIVE OVERSIGHT 73

GLOSSARY 81

ANNEX: MAPPING OF EXISTING KNOWLEDGE PRODUCTS ON ARTICLE 6 87

ABBREVIATIONS

A6ISR	Article 6 Implementation Status Report
ACCUs	Australian Carbon Credit Units
BTRs	Biennial Transparency Reports
CCP	Core Carbon Principles
CDM	Clean Development Mechanism
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CPA	Component Project Activity
CVF-V20	Climate Vulnerable Forum and the Vulnerable Twenty Group of Finance Ministers
DNA	Designated National Authority
ERRs	Emission Reductions and Removals
EU ETS	European Union Emissions Trading System
FPIC	Free Prior and Informed Consent
GDP	Gross Domestic Product
GHG	Greenhouse Gas
ICVCM	Integrity Council for the Voluntary Carbon Market
IPs	Indigenous Peoples
ITMOs	Internationally Transferred Mitigation Outcomes
JCM	Joint Crediting Mechanism
LCs	Local Communities
LDCs	Least Developed Countries
LoA	Letter of Authorisation
LT-LEDS	Long-term Low Emission Development Strategies
MO	Mitigation Outcome
MRV	Measurement, reporting and verification
NBS	Nature Based Solutions
NDC	Nationally Determined Contribution
OIMP	Other International Mitigation Purposes
OTC	Over-the-Counter
PACM	Paris Agreement Crediting Mechanism
PoA	Programme of Activities
SIDS	Small Island Developing States
UNFCCC	United Nations Framework Convention on Climate Change
VAT	Value Added Tax
VCM	Voluntary Carbon Market

FOREWORD

FROM THE PRESIDENCY OF THE CVF-V20

For members of the Climate Vulnerable Forum and V20 Finance Ministers (CVF-V20), carbon markets represent an opportunity to bolster climate and development projects and ensure resulting benefits reach frontline communities.

The 2025 report of the Bridgetown Initiative and the CVF-V20, The Resilience Effect, identified scaling carbon markets as one of ten "super levers" to resource climate-vulnerable economies. It estimated that carbon markets could generate around US$20 billion for CVF-V20 countries by 2030. Realising this potential, however, will require the right foundations, sound enabling policies, fair benefit-sharing, credible domestic crediting systems and a robust approach to cooperation under Article 6 of the Paris Agreement.

However, carbon markets have not yet served our countries to its potential. Under the Kyoto Protocol's Clean Development Mechanism, the 45 Least Developed Countries hosted just 1.5% of registered projects, and Small Island Developing States hosted fewer still. Participation was concentrated in a handful of larger economies while most V20 members saw little activity. The voluntary carbon market has faced its own challenges, its value fell from nearly US$2 billion in 2021 to US$700 million in 2023, amid concerns about integrity and credit prices.

Where regulation and safeguards have been weak, communities have too often experienced uneven benefit-sharing and, in some cases, real harm. High transaction costs and limited institutional capacity have also kept many of our members at the margins of the market and without tangible action, this history could be repeated under the Paris Agreement market mechanisms.

Article 6 presents a genuine opportunity to course-correct that trajectory. The decisions reached at COP29 place governments at the centre of international carbon market ecosystem. Governments now have a central role in authorising mitigation outcome transfers, determining which activities proceed and ensuring that climate finance reaches national priorities. This creates an opportunity to align carbon market participation with national development objectives and NDC implementation, rather than allowing markets to operate around them and without them.

Well-designed engagement under Article 6 can also help countries establish and capture the true value of their natural capital. But this will require sound decisions across environment, finance and sectoral ministries, often under considerable time pressure with incomplete information.

This handbook has been developed to support those decisions and it draws on the practical challenges identified by our member countries through the CVF-V20 and the Voluntary Carbon Markets Integrity Initiative (VCMI) Carbon Finance Program, as well as the questions that buyers and investors are bringing to governments. Its eight modules address concrete decisions that senior officials are likely to

face, drawing wherever possible on the experience of peers who have navigated these questions themselves.

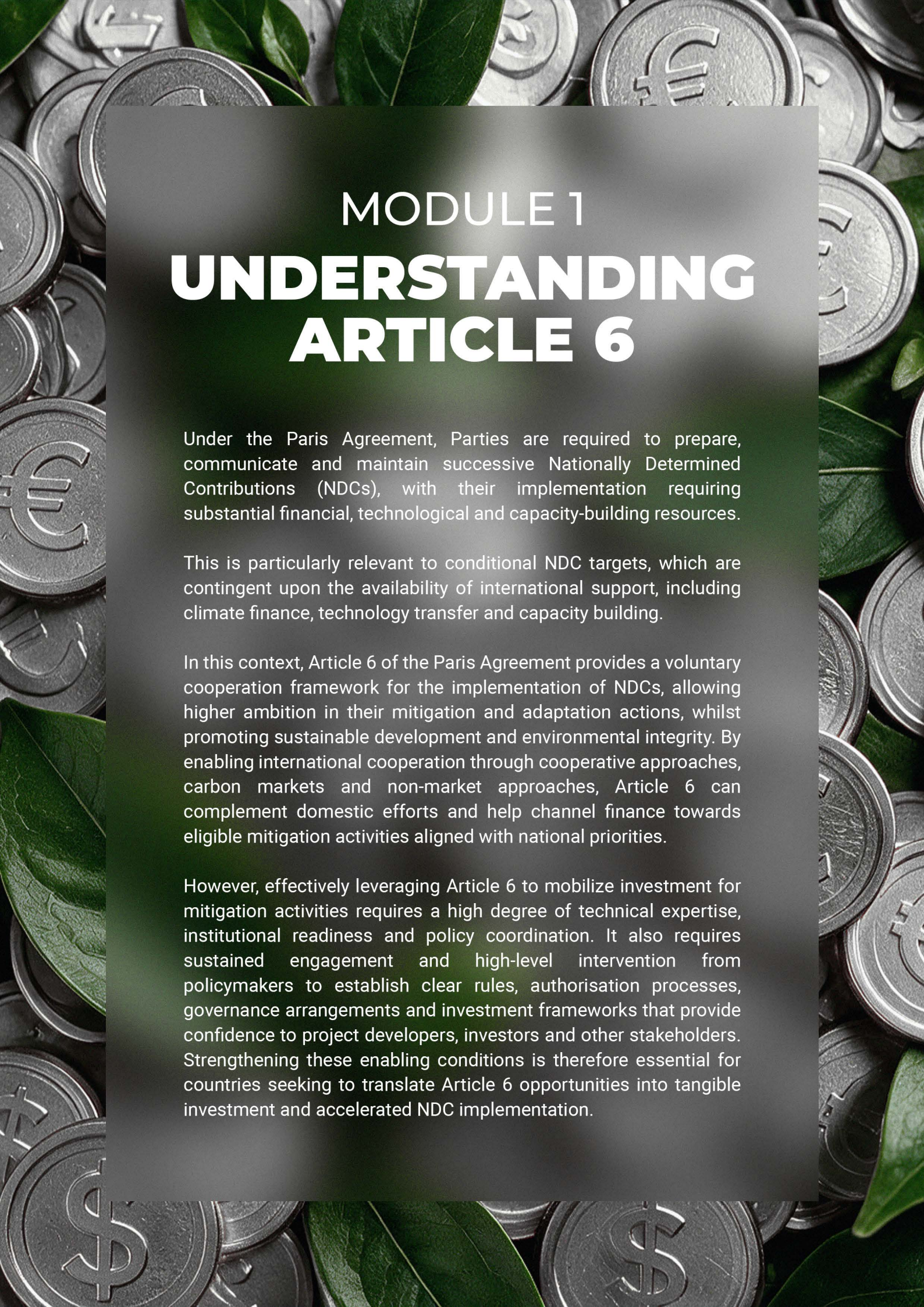
Two principles run throughout the manual, fair value and high integrity and these are not competing objectives. Credits that are credible and high integrity, can command stronger prices, while markets that deliver fair returns to host countries and communities are more likely to endure. Building our capacity to participate in carbon markets on these terms is therefore not simply a matter of market readiness as its a matter of equity and climate justice.

I thank the member governments that have shared their experiences so openly, our in-house experts, and our partners at VCMI for their collaboration in developing this resource. I encourage officials working on carbon markets to use this handbook as a practical guide for navigating the decisions ahead.

The countries most vulnerable to climate change should not remain at the margins of the markets designed to bold climate and development action. With the right safeguards, institutions and choices, we can help ensure that carbon finance reaches our communities on terms that are credible, fair and aligned with our development priorities.



H.E. ELIZABETH THOMPSON
Ambassador Extraordinary & Plenipotentiary Climate Change,
Small Island States & Law of the Sea, Barbados and Sherpa
to Prime Minister Mia Amor Mottley, S.C. M.P., Chair of the CVF-V20



MODULE 1
UNDERSTANDING ARTICLE 6

Under the Paris Agreement, Parties are required to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs), with their implementation requiring substantial financial, technological and capacity-building resources.

This is particularly relevant to conditional NDC targets, which are contingent upon the availability of international support, including climate finance, technology transfer and capacity building.

In this context, Article 6 of the Paris Agreement provides a voluntary cooperation framework for the implementation of NDCs, allowing higher ambition in their mitigation and adaptation actions, whilst promoting sustainable development and environmental integrity. By enabling international cooperation through cooperative approaches, carbon markets and non-market approaches, Article 6 can complement domestic efforts and help channel finance towards eligible mitigation activities aligned with national priorities.

However, effectively leveraging Article 6 to mobilize investment for mitigation activities requires a high degree of technical expertise, institutional readiness and policy coordination. It also requires sustained engagement and high-level intervention from policymakers to establish clear rules, authorisation processes, governance arrangements and investment frameworks that provide confidence to project developers, investors and other stakeholders. Strengthening these enabling conditions is therefore essential for countries seeking to translate Article 6 opportunities into tangible investment and accelerated NDC implementation.

1A. ARTICLE 6 FOUNDATIONS

WHAT DOES ARTICLE 6 MEAN, IN PRACTICAL TERMS, FOR A COUNTRY IN ITS CAPACITY AS A HOST GOVERNMENT, AND WHERE DOES IT DIFFER FROM INDEPENDENT CARBON MARKETS?

WHY THIS MATTERS

Article 6 of the Paris Agreement establishes the basis on which countries may cooperate through international carbon market mechanisms to achieve their climate action plans, commonly known as Nationally Determined Contributions (NDCs). Under the framework established by Article 6, senior government officials are often required to make decisions regarding authorisation, pricing, and institutional coordination.

BOX 1: CARBON MARKET MODALITIES

Carbon markets operate through three broad modalities, which countries can pursue in parallel, and which often overlap:

I. **International compliance carbon markets**, under which countries cooperate directly to transfer mitigation outcomes for use towards NDCs or for Other International Mitigation Purposes (OIMP), in accordance with the rules agreed by Parties to the Paris Agreement.

II. **Independent (voluntary) carbon markets**, in which transactions take place outside government-mandated frameworks. Participation is voluntary, and credits are issued by carbon crediting mechanisms such as PACM, Gold Standard, Verra, etc.

III. **Regulated (domestic compliance) carbon markets**, which are government-mandated systems; often domestic carbon pricing instruments such as an Emission Trading System (ETS) or carbon tax, under which certain sectors and entities are legally required to meet their commitments.

These modalities often combine: carbon credits issued through the independent carbon markets may subsequently be authorised for transfer under Article 6.2, whilst some countries allow such credits to be used to meet obligations under domestic carbon pricing schemes. Policymakers are therefore increasingly required to consider carbon market engagement holistically, rather than treating each

modality as a separate policy track, and governments need a coherent national carbon-market architecture rather than separate policy tracks.

Table 1. Main components of Article 6

MECHANISM	WHAT IT IS	ADVANTAGES	DISADVANTAGES
Article 6.2	Bilateral and cooperative approaches, countries agree directly on the transfer of mitigation outcomes	Flexible, tailored bilaterally; no centralised approval process; widely adopted in the current context	Less standardised; disclosure and oversight vary with each agreement; requires more negotiation capacity from the host country
Article 6.4 / PACM	Centralised, UN-supervised crediting mechanism, successor to the CDM	Standardised methodology and oversight; built-in UNFCCC registry and reporting; lower negotiation burden per transaction. Exemption from administrative fees for LDCs & SIDS to participate in Article 6.4 activities (i.e. registration, issuance and renewal fees waived).	Slower approval via the supervisory body; less flexibility to tailor terms; host country has less direct control over individual transactions
Article 6.8	Non-market approaches; engagements such as capacity building or technology transfer, without credit transfer	Does not involve transfer of mitigation outcomes and therefore does not trigger Article 6.2 corresponding-adjustment requirements; participating countries may nevertheless apply their own domestic approval procedures; supports non-market approaches.	Does not generate transferable mitigation outcomes

WHAT YOU NEED TO KNOW

1.1 **What the different carbon market mechanisms are, how they interact, and which markets can be used for which purposes.** A government's readiness and objectives may differ markedly across the three components of Article 6.

1.2 **A corresponding adjustment is the Paris Agreement's accounting mechanism for preventing double counting of emissions reductions or removals across more than one country's NDC accounting.** Mitigation outcomes become Internationally Transferred Mitigation Outcomes (ITMOs) when they are first transferred under an authorised Article 6.2 cooperative approach; this can include carbon credits generated through Article 6.4/PACM. Authorisation establishes the Party's permission and the applicable conditions for international transfer/use. In the event of an ITMO being transferred from Country A (host country) to Country B (buyer country), a corresponding adjustment must be applied: the transferring Party (Country A) applies the corresponding adjustment by adding the relevant quantity to its emissions balance/accounting, while the acquiring Party (Country B) applies the corresponding subtraction, in accordance with the Article 6 accounting rules. This accounting system is designed to guard against double counting, ensuring that the mitigation outcome is counted only once towards the goals of the Paris Agreement.

1.3 **Authorisation is a sovereign act, and a precondition for any corresponding adjustment.** Authorisation is the formal process by which a host country government formally permits a specific mitigation outcome to be applied towards another country's NDC or towards other international mitigation purposes (such as CORSIA compliance[2]). The criteria for whether, and what, to authorise are addressed in full in Module 2.

1.4 **Independent carbon markets and Article 6 are governed separately but increasingly interact.** Independent carbon markets function separately from Article 6 and a growing share of which have had their programmes and methodologies assessed against the Core Carbon Principles set by the Integrity Council for the Voluntary Carbon Market (ICVCM). Credits are issued by independent carbon crediting standards (e.g. Verra, Gold Standard), and are purchased by companies or individuals, often voluntarily linked to entities' decarbonisation strategies, for offsetting purposes, or to make a positive climate contribution. Carbon credits transacted through independent markets to voluntary buyers do not require host country authorisation, meaning the resulting mitigation can be used towards host country climate targets. The same is true for voluntary buyers that may wish to purchase credits through PACM (termed Mitigation Contribution Units when sold without authorisation). In some cases, voluntary buyers may prefer to purchase authorised credits, often associated with a price premium due to

[2] UNFCCC guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement FCCC/PA/CMA/2021/10/Add.1 p.15

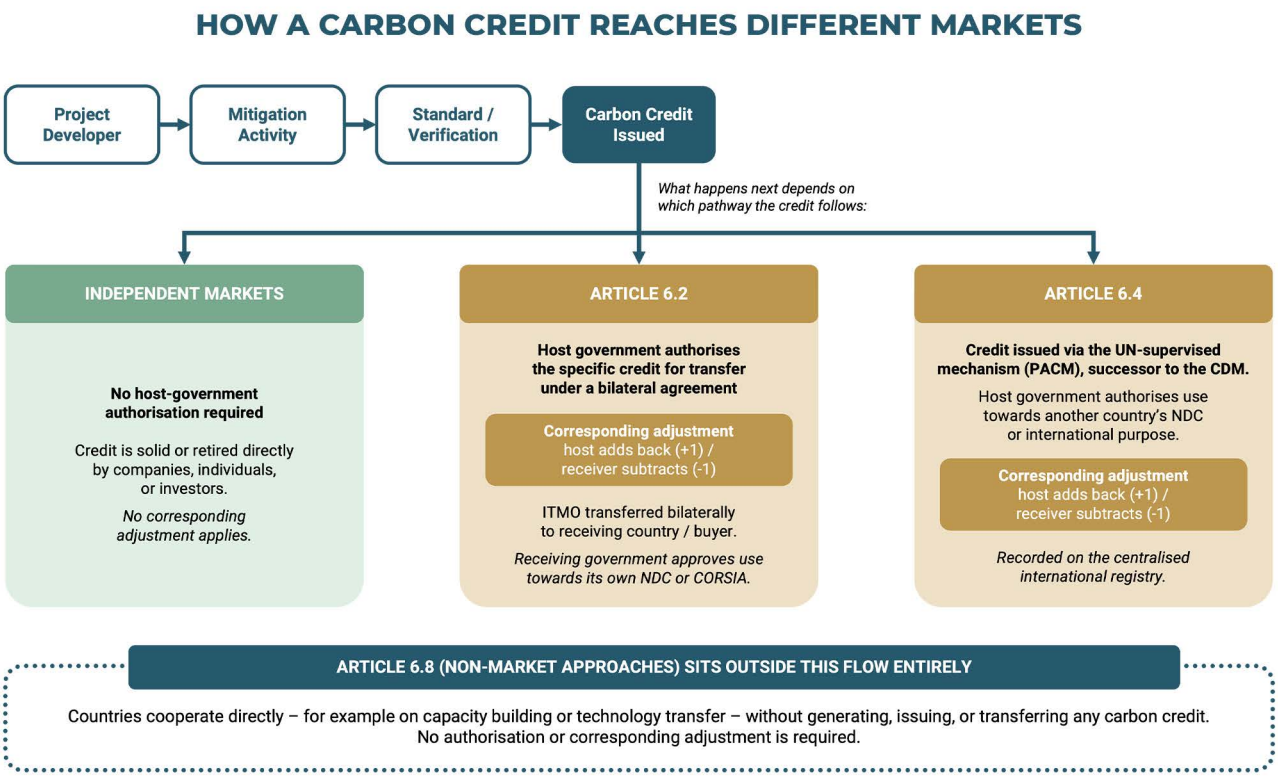
both opportunity and administrative costs. A credit issued through independent carbon markets only becomes subject to Article 6 requirements at the point a host government authorises it for use towards another country's NDC or a compliance scheme. This is the primary overlap between the two markets, summarised below and in Figure 1:

- Independent carbon markets (authorisation not required) – emission reductions and removals remain accounted for within the host country and are not authorised for transfer or use towards another country's NDC;

- Compliance carbon markets (authorisation required) – authorised emission reductions or removals may be exported to a buyer country for use towards its climate targets, while the host country applies the necessary accounting treatment, including a corresponding adjustment where applicable.

1.5 **Key market participants.** The host country's decisions are part of a larger ecosystem that includes credit buyers (both governmental and private), independent carbon crediting standards, third party validation and verification bodies, and the country's own Designated National Authority or equivalent focal point, which typically handles authorisation and project approval requests.

Figure 1: How a carbon credit reaches different markets. Adapted from VCMI Carbon Markets Access Toolkit (2025), Figure 1, "Carbon markets outline" (p.10)





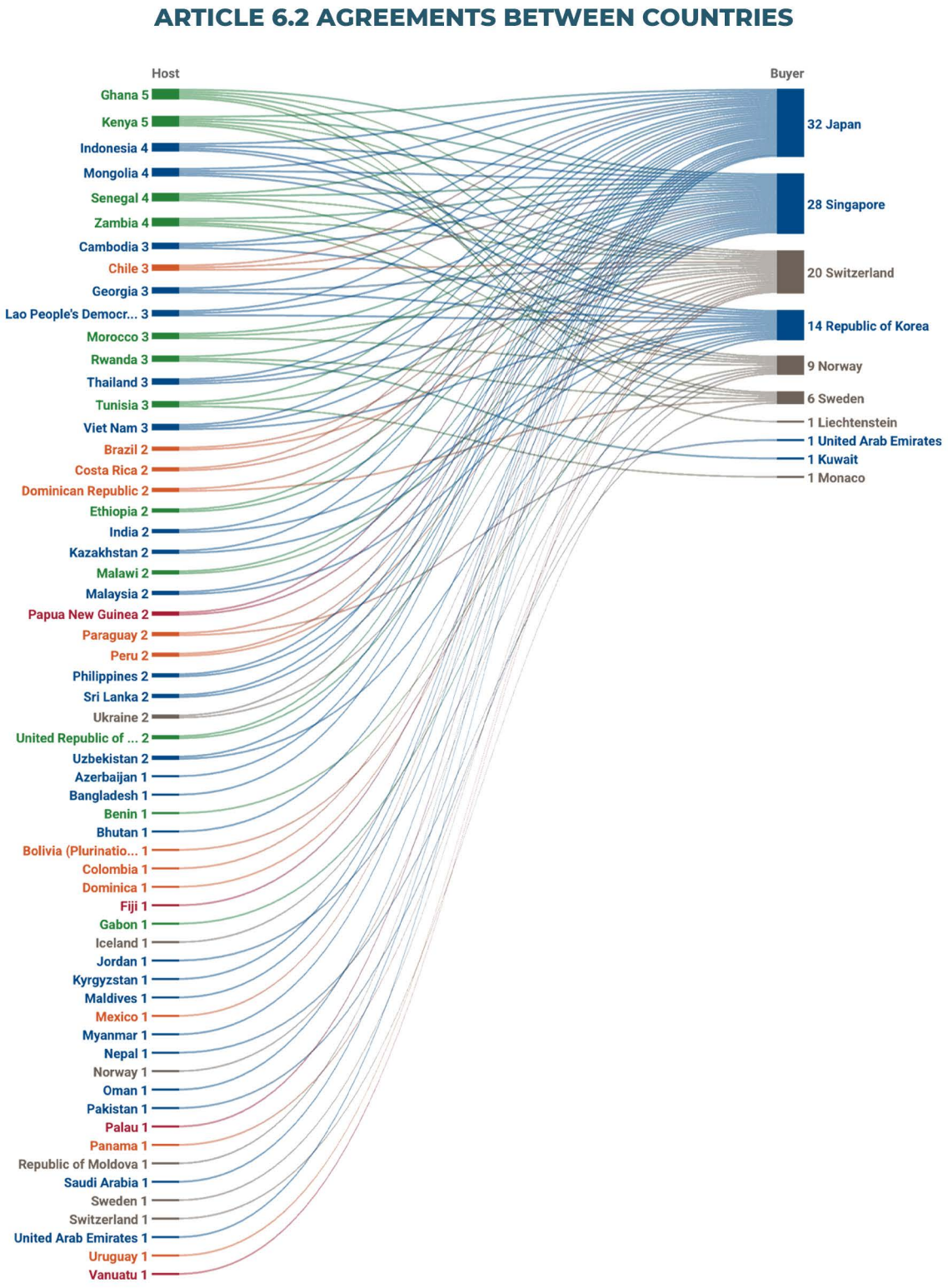
BOX 2: BILATERAL AGREEMENT VS COOPERATIVE APPROACH[3]

A bilateral agreement and an Article 6.2 cooperative approach are not the same. A host country and a buyer country may enter into a bilateral agreement to establish their cooperation. However, for that cooperation to be reported and operationalised as an Article 6.2 cooperative approach under the UNFCCC process, participating Parties need to follow applicable Article 6.2 reporting requirements, including the submission of the initial report, following which the cooperative approach is recorded in the UNFCCC Article 6 database and assigned a cooperative approach identifier/number.

As of September 2026, 54 cooperative approaches are recorded in the UNFCCC Article 6 database, while 113 bilateral or broader bilateral agreements are identified in Figure 2. This reflects the fact that not all bilateral or international partnerships necessarily constitute, or have yet been reported as, Article 6.2 cooperative approaches under the UNFCCC process.

[3] UNFCCC Article 6.2 Cooperative Approaches

Figure 2: Article 6.2 Implementation Status. Number of bilateral agreements between Parties.[4]
Source: UNEP Copenhagen Climate Centre Article 6 Pipeline, data as of 4 September 2026.



[4] UNEPCCC Article 6 Pipeline Global Data

At the macro level, a country should adopt the following Article 6 pathway (Figure 3), from conceptualisation to commercialisation. The milestones outlined below do not need to be implemented sequentially; several can be pursued in parallel, depending on the country's institutional readiness, market priorities, and implementation context.

Figure 3. Country Article 6 Journey[5]



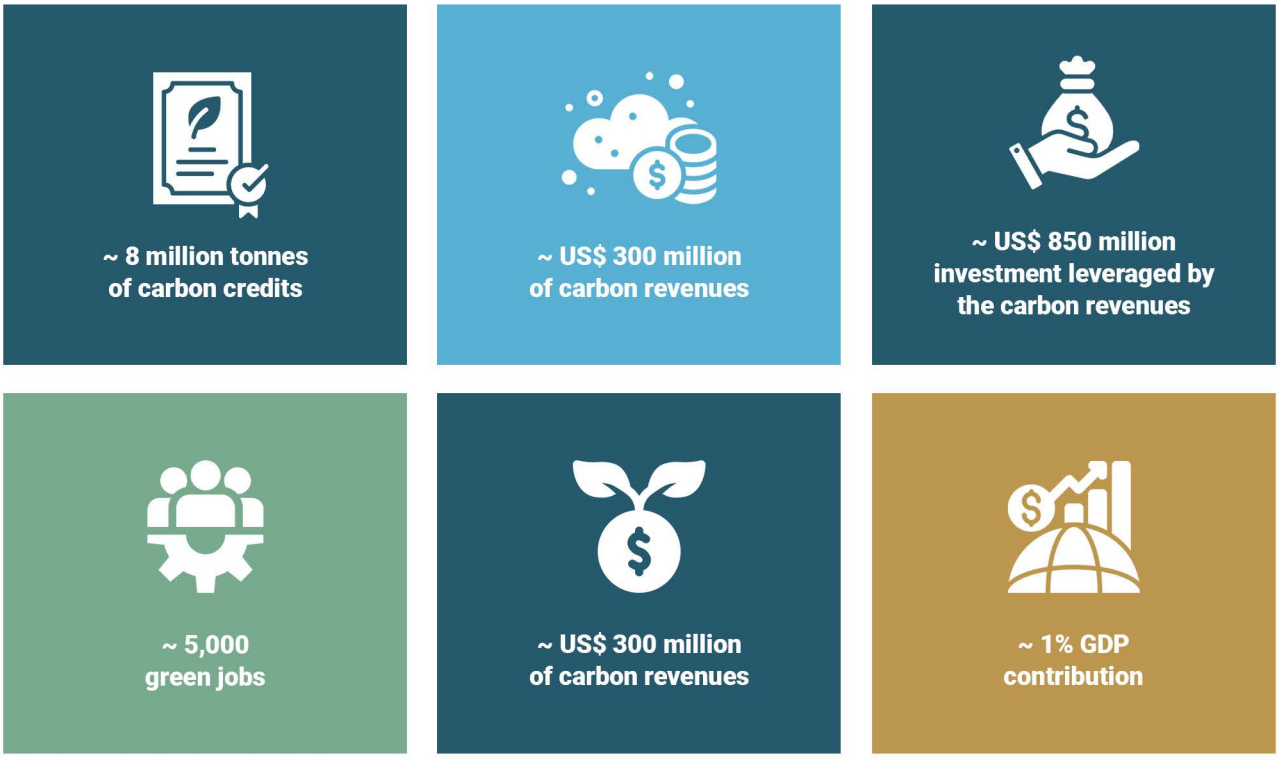
[5] UNFCCC Unlocking Article 6 Potential and Catalysing Climate Action

CASE STUDIES:
HOST COUNTRY APPROACHES TO THE ARTICLE 6 JOURNEY

The Article 6 journey varies across countries depending on their institutional readiness, policy priorities and market conditions. Figure 3 illustrates a typical pathway from initial Article 6 engagement and strategy development through institutional arrangements, project identification, market infrastructure, international cooperation, authorisation and, ultimately, the issuance and transfer of ITMOs. The case studies below highlight how Ghana, Bhutan and the Philippines are progressing through different stages of this journey, with several elements being developed in parallel rather than sequentially.

Ghana is one of the pioneers and early movers in the Article 6 arena, having made significant progress in establishing its policy framework and advancing key elements of the Article 6 journey. The country has entered into bilateral engagements with five countries and publishes an annual report outlining progress and developments in its carbon market (e.g. see the potential impact from Ghana's bilateral cooperation with Switzerland in Figure 4 below). Ghana's experience demonstrates how early establishment of institutional and policy frameworks can support the progressive development of international carbon market cooperation.

Figure 4: Summary of the potential impacts of the 12 projects in Ghana's Article 6.2 bilateral agreement with Switzerland. Source: Ghana's progress report on engagements in international carbon markets, 2024.



Bhutan, a carbon-neutral landlocked country, is progressively implementing various elements of its carbon market and Article 6 framework. The country has developed a project pipeline that could attract investment from a range of carbon market stakeholders. A notable development in Bhutan's Article 6 journey is the establishment of the Bhutan Climate Fund[6], which is intended to mobilise investment and accelerate financing for the country's project pipeline. Bhutan also operates its carbon market through a transparent Carbon Market Information Platform[7], which provides information to market participants and supports regular engagement and information sharing on carbon market opportunities and investments.

The Philippines is actively engaged in regional Article 6 and carbon market discussions and is developing its carbon market policy framework and carbon market registry as part of a broader package for operationalising carbon markets. The country has entered into bilateral engagements with Japan and Singapore, reflecting its efforts to strengthen international cooperation and establish the foundations for participation in international carbon markets. These developments demonstrate the Philippines' ongoing progression from policy and institutional development towards practical engagement in carbon market activities.

CASE STUDIES:
BUYER COUNTRY APPROACHES TO THE ARTICLE 6 JOURNEY

Japan has been an active participant in international carbon market cooperation through the Joint Crediting Mechanism (JCM)[8], including well before the adoption of the Paris Agreement. As of the latest information, Japan has the largest number of cooperative approaches recorded in the UNFCCC Article 6.2 database, with 28 cooperative approaches. In parallel, Japan has established bilateral JCM cooperation with 32 partner countries, demonstrating the scale of its engagement in international carbon market cooperation.

Switzerland had signed 20 Article 6.2 agreements with host countries as of 4 September 2026 (UNEP Copenhagen Climate Centre Article 6 Pipeline). Switzerland also completed the first-ever international transfer of ITMOs, with Thailand, in December 2023. This demonstrates Switzerland's early and active engagement in translating Article 6.2 cooperation into operational transactions.

Singapore is actively working towards the operationalisation and implementation of Article 6.2, agreeing Memoranda of Understanding with 12 host countries[9]. Its approach demonstrates a strong focus on establishing bilateral partnerships while progressing towards practical implementation of Article 6.2 cooperative approaches.

[6] Bhutan Climate Fund
[7] Bhutan Carbon Markets Platform
[8] Japan Joint Crediting Mechanism
[9] Singapore's Article 6 Cooperation

COMMON MISTAKE TO AVOID

Rushing into Article 6 engagement without a clear strategy for which markets can best serve you for what purpose, and a clear understanding of how carbon finance will be used to contribute towards NDC achievement and policy priorities on climate, nature, and sustainable development (see Section 1b).

READINESS CHECKLIST	FURTHER READING
☐ Do environment, finance and sectoral ministries share a common understanding of how Article 6 and independent carbon markets can be leveraged to achieve their climate and sustainable development goals?	VCMI Carbon Markets Access Toolkit, p.39, Key Decision 3, section 3.1, "Understand Article 6"
☐ Can officials explain what a corresponding adjustment is and why it exists?	VCMI Carbon Markets Access Toolkit, p.44, Key Decision Step 3, section 3.2, "Consider corresponding adjustments"
☐ Have we mapped which carbon projects already exist in our territory?	Country Guidance for Navigating Carbon Markets (World Bank, A6IP, GGGI, GIZ, ICVCM, UNDP, UNFCCC, VCMI, 2025) Country example - Bhutan
☐ Is there a designated national focal point (or organisation) with a clear mandate to oversee the carbon market implementation rules, modalities and procedures?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 2.3, p.33, "Responsible Authorities and Governance Functions" Country example – Iraq

☐ Is there a single, unambiguous definition within government of what "authorisation" legally means, as distinct from environmental or project approval?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Glossary of Terms ("Authorization," p.xv) and section 2.3, "Responsible Authorities and Governance Functions"
☐ Could we explain to a project developer or investor, in simple terms, our strategy for using carbon markets and the process required to transact with us under Article 6?	GGGI SPAR6C Article 6 Toolbox Guides — Guide 2: Developing an Article 6 host party strategy



1B. LONG-TERM MARKET ENGAGEMENT STRATEGY

HOW TO ACHIEVE AN APPROPRIATE BALANCE BETWEEN IMMEDIATE MARKET OPPORTUNITIES AND LONG-TERM GOALS RELATING TO CLIMATE, DEVELOPMENT AND INSTITUTIONAL OBJECTIVES.

WHY THIS MATTERS

Participation in Article 6 should not be viewed as a one-time transaction, but rather a continuous and strategic relationship within international carbon markets and domestic climate and sustainable development priorities. For carbon credit finance to genuinely contribute to both a country's NDC and its wider development plans, a vital first step is to identify in which sectors and technologies carbon finance can be most catalytic. Decisions made today regarding pricing, sector prioritisation, and institutional arrangements will shape the country's position and revenue potential in the long-term. In the absence of a strategic framework that supports the implementation of NDCs, LT-LEDS, and Climate Prosperity Plans, each policy decision, project approval or letter of authorisation may fail to maximise the transformative impact carbon markets can deliver.

WHAT YOU NEED TO KNOW

1.6 **Create an enabling environment for carbon investors and project developers.** This requires robust domestic legislation (see Module 8, Table 5), registry infrastructure capable of tracking authorised and transferred units, and clear coordination between ministries, particularly those responsible for environment, finance, and the sectors concerned.

1.7 **Integrating carbon finance into national strategy.** Article 6 finance flows should be integrated into national climate finance strategies, rather than treated as a stand-alone revenue stream, such that carbon finance complements rather than substitutes for other sources of climate finance.

1.8 **Variables that influence price, and a common understanding of fair value.** Evidence from independent carbon market shows that price increasingly rewards quality (assessed based on social and environmental factors, see Module 6, Box 4). In 2025, high-quality credit retirements grew to 31% of the market, clear price premiums visible in many sub-sectors[10] (e.g. US$26 versus US$14 per tonne in higher quality Afforestation, Reforestation, and Revegetation projects). Credits with measurable benefits beyond carbon removals/reductions (e.g. linked to the Sustainable Development Goals) carry a similar premium:

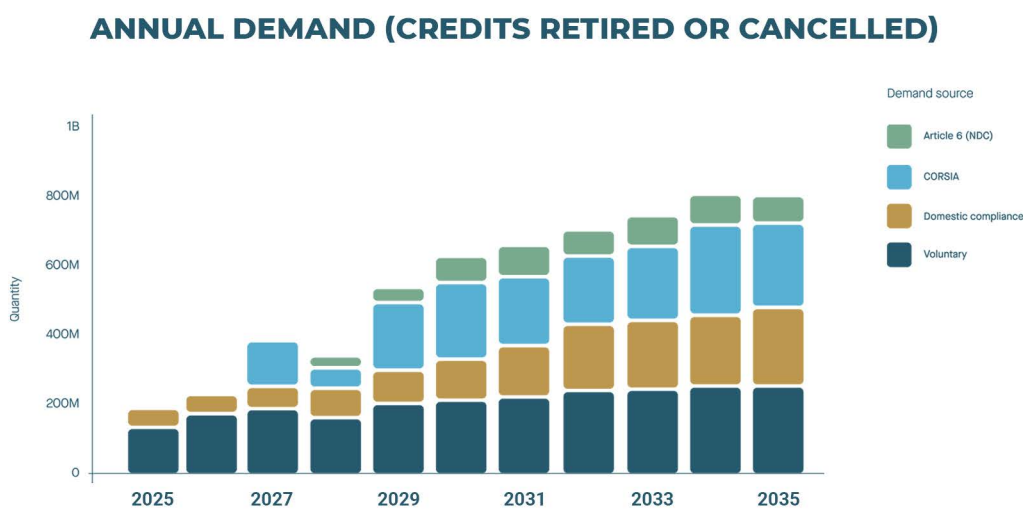
[10] Sylvera State of Carbon Credits 2025 - Carbon credit market shifts from volume to value

- Sylvera's data shows the highest co-benefit scores can command prices nearly three times higher than the lowest in some sectors[11];
- Ecosystem Marketplace found prices 78% higher for credits with at least one co-benefit certification versus none[12].

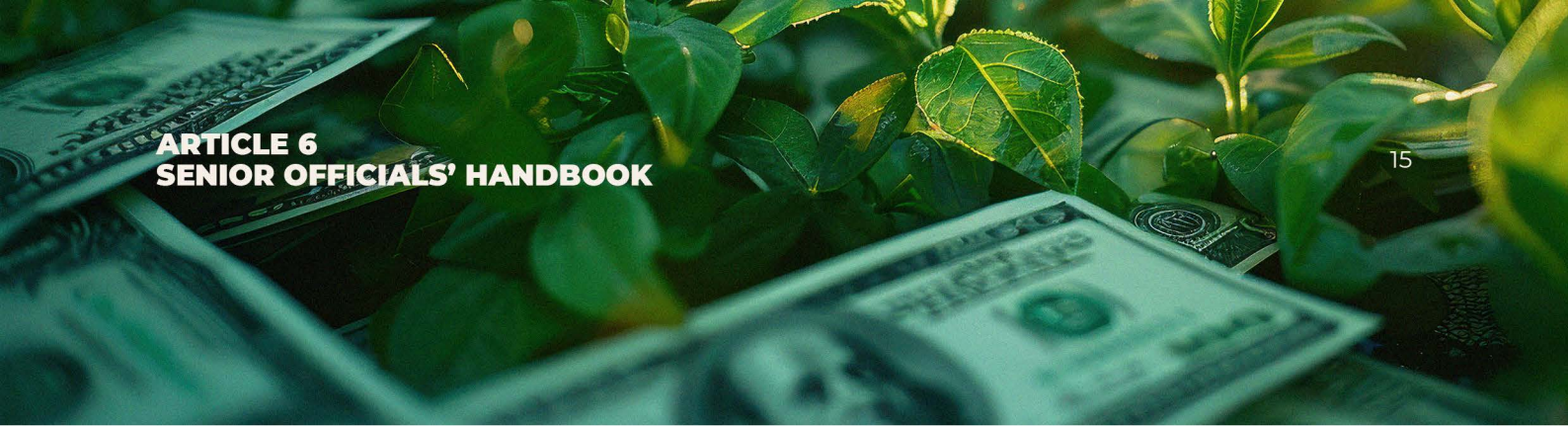
Officials must be equipped to assess whether a price offered reasonably reflects the opportunity cost of the corresponding adjustment, namely the value of the mitigation outcome that the country forgoes[13]. This handbook does not set price targets or benchmarks; its purpose is to assist officials in posing the appropriate questions in advance of negotiations, pointing towards external benchmarking sources where these are available (in lieu of specified modelling).

1.9 **Monitoring emerging developments.** Governments should monitor emerging policy and market developments, including evolving decisions of the Conference of the Parties (COP) serving as the Meeting of the Parties to the Paris Agreement (CMA), developments in Article 6.4 methodologies and registry arrangements, CORSIA, and integrity initiatives such as VCMI and ICVCM since these may materially affect market value and demand over time. Figure 5, below, shows how market projections over the next decade anticipate that compliance demand will exceed voluntary markets, initially primarily as a result of CORSIA.

Figure 5: Use of carbon credits for compliance purposes is likely to exceed voluntary markets by 2030. How carbon market demand is evolving. Source: Sylvera, State of Carbon Credits 2025.



[11] Unpacking Carbon Pricing & Complexity: Key insights from industry experts
[12] Report: Voluntary carbon markets demand in 2023 is concentrating around pricier, high-integrity credits - Forest Trends
[13] Once a mitigation outcome is authorised and a corresponding adjustment applied, the country can no longer count that reduction toward its own NDC, meaning the remaining gap to its target must instead be achieved through other, sometimes higher-cost, domestic measures. The "opportunity cost" of authorisation is therefore the value of the abatement the country is giving up. Authorising many of the lowest-cost reductions first, without tracking the cumulative effect, can leave a country needing to fill much of its remaining NDC target from higher-cost sources later on. This cumulative tracking is often called "headroom" (see Module 2c): the volume of mitigation a country can safely authorise for transfer without putting its own NDC achievement at risk. Price and headroom are therefore directly linked and should be assessed together, not in isolation — Module 2c sets out the basic mechanics of estimating and monitoring headroom over time.



CASE STUDIES:
HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Peru

VCMI's Access Strategies Programme supported Peru's Ministry of the Environment in evaluating policy options for incentivising high-integrity carbon market projects and strengthening knowledge and engagement among project developers and investors alike. The collaboration focused on building a deliberate, long-term market positioning rather than responding reactively to individual proposals, as well as exploring policy pathways to mobilise greater demand domestically, reducing reliance on international markets.

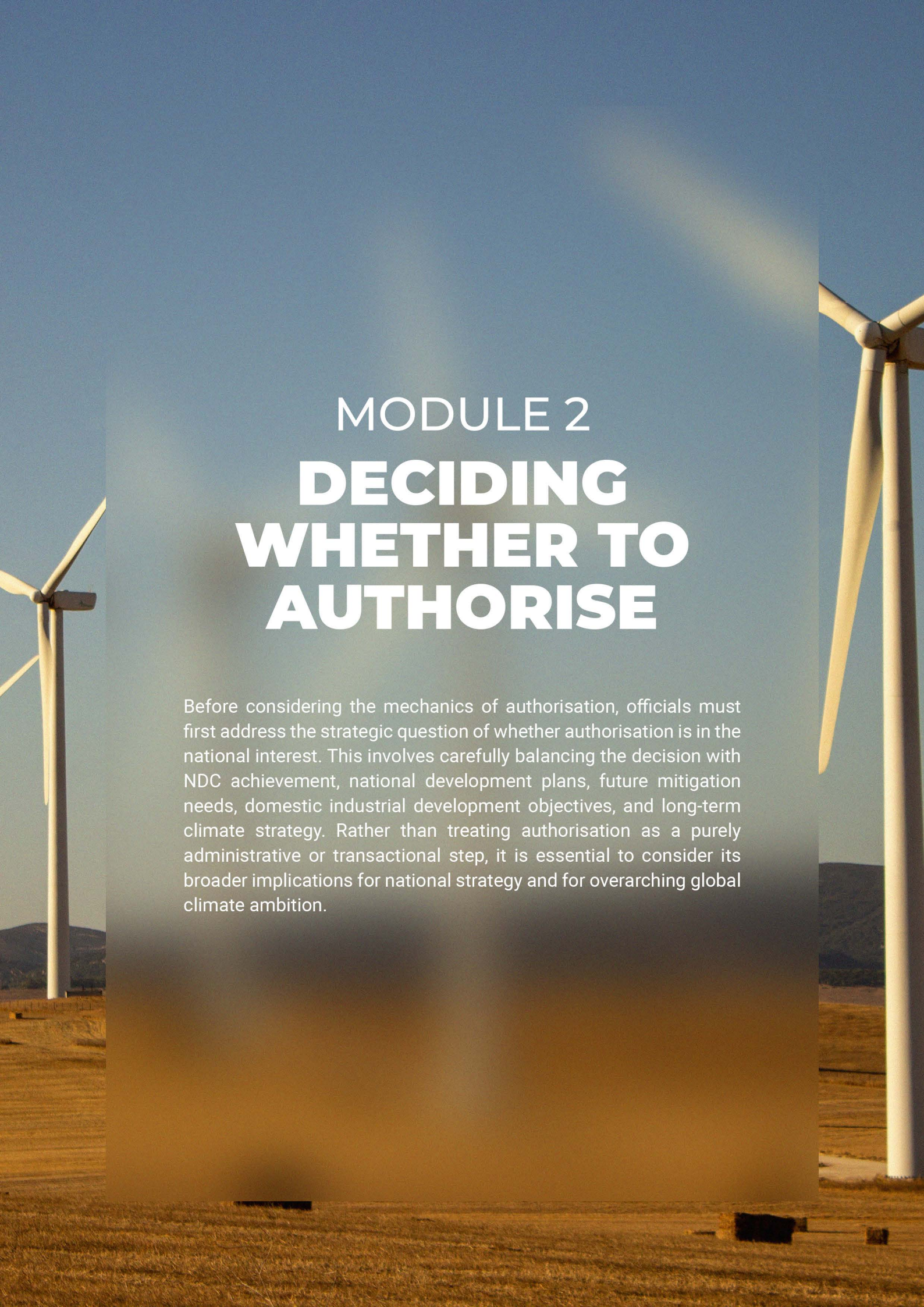
Kenya

Published a national carbon markets guide in August 2026 setting out, for the first time, a binding national carbon budget; capping international carbon credit transactions at 10 million tonnes CO_2e through 2030, with annual allocations of 1.67 million tonnes across priority sectors (energy, transport, industrial processes, and waste). The 2026 guide operationalises and clarifies the decision framework, including the national carbon budget and criteria for No-Objection, Approval and Authorisation - an example of using published rules, rather than case-by-case negotiation, to give private-sector developers and investors a predictable reference point.

COMMON MISTAKE TO AVOID

Allowing market engagement to be driven by whichever buyer or developer that approaches first, rather than by a deliberate view of which demand channels, and which sectors, best serve the country's own NDC, sustainable development priorities and institutional objectives. Ad hoc engagement of this kind tends to produce a fragmented pipeline that is harder to govern consistently, and that can leave better long-term opportunities unexplored.

READINESS CHECKLIST	FURTHER READING
☐ Has consensus been reached on the sectors or activity types that should be prioritised for Article 6.2 engagement, rather than a more ad hoc approach?	VCMI Carbon Markets Access Toolkit, Key Decision Step 1, section 1.2, "Develop a strategy for carbon market engagement"
☐ Does our near-term market engagement align with our longer-term climate strategy (NDC updates, LT-LEDS, Climate Prosperity Plan), rather than being driven by individual transaction opportunities?	Guidance for Policymakers on the Role of Domestic Carbon Pricing and International Carbon Credit Markets in Achieving LTSs and NDCs
☐ Is there a clear view, shared across ministries, of how carbon credit revenues will be integrated into national climate finance strategy, rather than treated as a stand-alone stream?	VCMI Carbon Markets Access Toolkit, Key Decision Step 2, sections 2.1–2.3, "Determine finance needs and instruments for implementing the NDC" (see also Module 3 — Taxation, Fees and Revenue Optimisation)
☐ Have we weighed the demand channels available to us (Article 6.2, independent markets, CORSIA) rather than defaulting to the first buyer that approaches?	VCMI Carbon Markets Access Toolkit, p.16
☐ For the cases where government does negotiate directly (activities on public land, jurisdictional or policy crediting, or setting ITMO fees where not already regulated) is there a designated, independent source we return to for benchmarking price and terms?	World Bank, State and Trends of Carbon Pricing 2026
☐ Who, within government, is responsible for tracking evolving Article 6.4 and CMA developments that could affect our engagement over time?	The Paris Agreement Article 6 Implementation Status Report (A6ISR), (A6IP, 2025)



MODULE 2

DECIDING WHETHER TO AUTHORISE

Before considering the mechanics of authorisation, officials must first address the strategic question of whether authorisation is in the national interest. This involves carefully balancing the decision with NDC achievement, national development plans, future mitigation needs, domestic industrial development objectives, and long-term climate strategy. Rather than treating authorisation as a purely administrative or transactional step, it is essential to consider its broader implications for national strategy and for overarching global climate ambition.

2A. WHAT DOES AUTHORISATION MEAN — WHAT COMMITMENTS DOES THIS CREATE?

WHAT ARE THE LEGAL AND ACCOUNTING REQUIREMENTS



WHY THIS MATTERS

A key difference between the Kyoto Protocol and the Paris Agreement is that, under the Paris Agreement, the host country and the buyer country need to establish the basis for authorisation of emission reductions or ITMOs that are intended for international transfer and may contribute to the achievement of NDCs. Authorisation provides the basis for the international transfer and use of mitigation outcomes in accordance with thea applicable Article 6 requirements. In simple terms, the lifecycle runs: mitigation outcome ▶ authorisation ▶ first-transfer event ▶ ITMO ▶ transfer/use/cancellation. Authorised mitigation outcomes become ITMOs once the applicable first-transfer event occurs.

Authorisation should not be viewed as a formality; it establishes important accounting and reporting implications under the Paris Agreement and may affect the host country's future NDC flexibility, particularly where the volume, scope, and intended use of the authorised mitigation outcomes have not been carefully calibrated. Inadequate calibration of authorisation decisions may also create reputational, accounting, and compliance risks for the host country. Therefore, the authorisation process should be supported by clear national procedures, eligibility criteria, and an assessment of the implications for the country's NDC implementation and future mitigation needs.



WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

A considered approach requires close alignment between the ministries responsible for NDC implementation and the ministry or agency mandated to communicate the NDC to the UNFCCC. In many countries, this coordinating role rests with the Ministry of Environment, which serves as the principal interface with the UNFCCC and coordinates with relevant line ministries responsible for delivering sectoral targets and actions under the NDC. This is also often the ministry or agency with authority to issue Letters of Authorisation. Also relevant are the Attorney General's Office or Ministry of Justice, to settle the legal distinction between authorisation and project approval; legal counsel reviewing precedent-setting implications; and the UNFCCC national focal point and negotiators.

N.B. *Authorisation is usually provided by the designated high-level authority established under the country's institutional arrangements. The authority responsible for executing the authorisation may be at the political or administrative leadership level, depending on the country's legal and institutional framework. A country's institutional arrangement must clearly define who has the mandate to issue, amend, suspend or revoke an authorisation.*



WHAT YOU NEED TO KNOW

2.1 **Authorisation is a sovereign decision at the centre of Article 6.** Authorisation is the formal process by which a host-country government permits a specific mitigation outcome to be transferred internationally for use towards another country's NDC, or for other international mitigation purposes (such as CORSIA compliance). It creates obligations that lead to corresponding adjustment. Authorisation is required before the relevant mitigation outcome can be first transferred, and the corresponding adjustment is applied in accordance with the applicable first-transfer arrangements specified by the Party. The decision-making addressed throughout this module is likely the most consequential of all considerations that the Article 6 framework requires.

2.2 **A Letter of Authorisation sets a precedent, not just an outcome.** The issuance of a Letter of Authorisation (LoA) for Article 6.2 carries legal and policy implications that extend beyond the specific activity or agreement in question, often establishing a precedent for how future authorisations will be regarded and negotiated.

2.3 **Authorisation initiates binding accounting & reporting obligations.** The Paris Agreement establishes a clear framework for the management of authorisation decisions, which, when executed, create obligations that lead to corresponding adjustments in accordance with the applicable first-transfer arrangements, directly impacting a country's own NDC achievement and future ambition.

2.4 **Timing of authorisation.** A host country must determine when to provide authorisation, taking into consideration its national circumstances, institutional arrangements, the stage of development of the activity, and the requirements of partners they eventually intend to cooperate with. Options include:

a. At the conceptualisation stage – when the project is being conceptualised and whilst its potential for generating internationally transferable mitigation outcomes is being assessed.
b. During project development and implementation – including during project construction or registration under the respective carbon crediting mechanism.
c. Upon completion of the carbon crediting mechanism's monitoring period – once the activity

has generated verified mitigation outcomes.

d. Upon issuance of the mitigation outcomes – when the emission reductions or removals envisaged from the project are issued by the respective carbon crediting mechanism.

The choice of timing is important because authorisation creates implications for the subsequent international transfer in terms of accounting and reporting (of the authorised mitigation outcomes) and on the project's financial / investment model.

2.5 **Where is authorisation submitted?** The Party must report the authorisation through the Article 6.2 reporting infrastructure in accordance with the applicable reporting requirements, including providing a copy of, and information on, the authorisation through the Centralized Accounting and Reporting Platform (CARP),[14] referencing the relevant cooperative approach number. This step is important for compliance with the relevant accounting and reporting requirements of the Paris Agreement, ensuring emission reductions or removals are reflected appropriately in the host country's NDC via its annual Article 6 reporting and subsequent Biennial Transparency Reports (BTRs). Submitted authorisations are made available through the UNFCCC website.

2.6 **Authorisation and approval are not the same thing.** It is important to distinguish between authorisation and approval. Approval of a project under any national law, similar to environmental permitting, does not amount to Article 6 authorisation. Host countries retain sovereignty over both and often prefer regulatory oversight over project pipelines well before any decision is reached on authorisation. A government must maintain internal and external clarity as to which authority holds the decision-making responsibility.

Under Article 6.4, the host Party's approval of a PACM activity should not be treated as equivalent to authorisation. Host Party approval relates to the eligibility and acceptance of the activity under the applicable Article 6.4 requirements and national procedures, whereas authorisation relates to the host Party's decision to permit specified mitigation outcomes to be internationally transferred and used for an eligible purpose under Article 6. Authorisation therefore carries specific international accounting and reporting implications that do not arise merely from approving a PACM activity.

Under the PACM, these are distinct processes in the following sequence:
Host Party participation requirements ▶ activity approval and authorisation of activity participants ▶ PACM registration ▶ issuance of A6.4ERs ▶ authorisation of the use of A6.4ERs ▶ where applicable, first transfer ▶ ITMO treatment (including corresponding adjustment).

The UNFCCC provides separate host Party forms for the approval/authorisation of activity participants and for the authorisation of the use of A6.4ERs.

[14] UNFCCC Article 6.2 CARP Authorizations

CASE STUDIES:
HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Peru

Requires consultation with the relevant sectoral authority such as the Ministry of Agrarian Development and Irrigation or the Ministry of Energy and Mines before any Letter of Authorisation is issued. If the sector responsible for the underlying NDC target identifies a risk to that target, the transfer is blocked. This is a working example of separating environmental or project approval from the sovereign act of Article 6 authorisation, whilst still requiring institutional sign-off before that authorisation is granted.

Ghana

In 2025, amended its Environmental Protection Act to upgrade the Environmental Protection Authority into the country's Designated National Authority, extending its existing environmental-approval mandate to also cover Article 6.2 and 6.4 authorisation. Rather than splitting these functions across separate bodies, Ghana deliberately placed both under one authority, whilst maintaining the legal distinction between the two decisions.

COMMON MISTAKE TO AVOID

Assuming that the agency responsible for environmental or project approval is automatically the same authority for Article 6 purposes, or that the two are simply different labels for a single decision. They may be entirely separate legal acts, taken by different institutions, with different consequences and different scope for review or reversal; conflating them risks a government being held to an international accounting commitment it did not knowingly intend to make.





READINESS CHECKLIST	FURTHER READING
☐ Can the obligation created upon signature of a Letter of Authorisation be articulated in simple terms? Is it broadly understood by all relevant agencies?	VCMI Carbon Markets Access Toolkit, Key Decision Step 3, sections 3.1–3.2, "Understand Article 6" and "Consider corresponding adjustments"
☐ Do officials draw a clear distinction, in internal processes, between project approval and Article 6 authorisation?	Legal & Regulatory Reform Toolkit (World Bank, 2026), Glossary of Terms. Legal & Regulatory Reform Toolkit
☐ Has the ministry or agency with authority to issue Letters of Authorisation been identified, with a mandate uncontested across government? Is its role, and that of any other approving bodies, clearly documented and communicated to project developers?	Legal & Regulatory Reform Toolkit, section 2.3, "Responsible Authorities and Governance Functions"
☐ If we authorise this activity, what NDC flexibility are we giving up, and has that been quantified?	Legal & Regulatory Reform Toolkit, Box 6.2, "Country Decision-Making Considerations for ITMO Authorization" (pp.132–133)
☐ Has legal counsel reviewed the precedent this authorisation could set for future requests of the same kind?	Legal & Regulatory Reform Toolkit, section 2.2, "Selecting a Legal Instrument" (pp.30–32)

2B. WHAT TO AUTHORISE: OPTIONS AND DECISION CRITERIA

WHICH ACTIVITY TYPES SHOULD BE AUTHORISED AT WHAT SCALE, AND SUBJECT TO WHICH CONDITIONS?



WHY THIS MATTERS

Authorisation decisions need to be carefully balanced against NDC achievement, overall global climate ambition, and national interest. Authorising too readily risks overselling, transferring away more of the country's emission reductions or removals than can be afforded without falling short of its own NDC. Authorising too conservatively risks forgoing finance, partnerships, and technology transfer that could otherwise support national priorities. A detailed empirical analysis of "what could be authorised and what should not be authorised" is imperative for host countries to effectively manage the associated opportunities and risks.



WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The authorising ministry or DNA; the Ministry of Finance, for fee and levy design; the national registry operator, for tracking authorised volumes and corresponding adjustments; the national GHG inventory or NDC modelling team, for ITMO transfer headroom inputs; and often the most important stakeholder, the "sectoral ministries" with a stake in domestic targets.



WHAT YOU NEED TO KNOW

2.7 **Fee structures can be used to reflect the real costs and opportunity costs associated with authorisation.** The fair value for an ITMO should not necessarily equate to the underlying project's marginal abatement cost or current market price. Governments should consider attaching a fee to the authorisation of a corresponding adjustment, reflecting the risk and administrative costs of establishing and operating Article 6 institutions and registries, as well as the opportunity cost of replacing the transferred mitigation outcome with a domestic alternative. Given ITMO transfer

headroom shifts as inventory data, national circumstances and NDC ambition evolve over time, fee structures tied to corresponding adjustments should be reviewed on the same rolling basis as the authorisation budget later described in Module 2c, rather than set once and left unchanged.

2.8 **Authorisation need not be all-or-nothing.** Rather than authorising a project's entire output, governments may choose to authorise a defined percentage of the mitigation outcomes generated, ensuring that some of the balance can still be counted towards the host country's own NDC. For example, if a government authorises exactly 50% of a carbon project's emissions reductions or removals for international transfer, the remaining 50% remains available for the host Party to account towards its NDC, subject to its applicable accounting rules. The appropriate percentage often depends on how closely the activity aligns with national priorities and the scale of co-benefits it generates.

2.9 **Some sectors may be reserved exclusively for domestic NDC achievement.** Some governments have chosen to exclude certain sectors or activities from authorisation altogether, for example through a **"negative list"** of activities often from the cheaper end of the mitigation cost curve where international carbon market finance is less transformative (e.g. Jordan, and Ghana's red list[15]).

2.10 **Using positive lists to pre-clear eligible activities.** A positive list names the sectors, technologies or activity types that government has already assessed and pre-approved as eligible for authorisation. Case-by-case decisions tend to be slow for government and hard to finance against for developers, who struggle to model project economics around a decision not yet made. A positive list turns recurring judgement into policy choice applied consistently thereafter, freeing officials to focus scrutiny on activities outside the list. It also makes authorisation exposure easier to forecast against ITMO transfer headroom (Module 2c), since the pre-cleared universe is known in advance. Examples include Bhutan, Sri Lanka, and India.

2.11 **Revisions and dispute resolution processes need to be designed, not assumed.** Officials should determine, as part of the country's domestic legal and institutional framework for Article 6, whether and how authorisation decisions can be revisited, and what process will apply where a dispute arises. The Paris Rulebook does not prescribe these arrangements, leaving it to each government to establish domestic procedures appropriate to its own institutional context. Domestic procedures specific to country level could be elaborated when designing a national equivalent.

2.12 **Fee design and the authorisation-percentage decision need not be treated separately.** Where a government sets its levy as a percentage of revenue or credits, rather than a fixed amount, that levy scales automatically with whatever share of a project's mitigation outcomes is ultimately

[15] SPAR6C Developing an Article 6 Host Party Strategy (Box 8, p.29)

authorised. A partial authorisation is then reflected directly in the fee collected, with no separate calculation required. Pakistan's 2024 carbon market guidelines illustrate this approach: a corresponding-adjustment fee of 12% of net revenue applies alongside a separate 5% deduction of generated credits earmarked for Pakistan's own NDC.

Figure 6: Deciding whether to authorise.

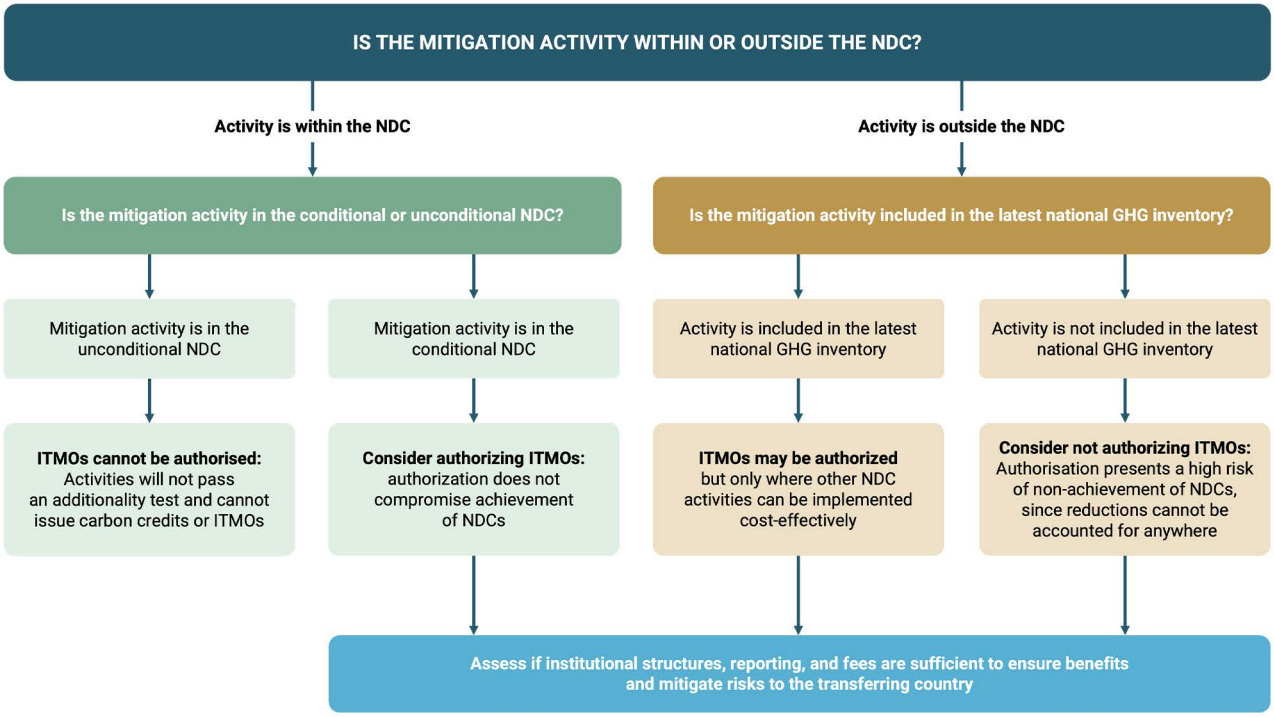


Figure 6 explained: This decision tree sets out an indicative pathway officials could be guided by as they consider authorising a mitigation activity for international transfer. The first branch, whether the activity sits inside or outside the NDC, determines how much risk authorisation poses to the country's own target achievement, not whether a corresponding adjustment applies: Article 6 requires a corresponding adjustment for every internationally transferred mitigation outcome, regardless of whether the underlying activity was inside or outside the transferring country's NDC scope. The distinction instead determines how carefully a government needs to manage that risk. For example, for activities inside the NDC, the question 'conditional or unconditional' is important to distinguish before participating in Article 6 components. Unconditional targets are commitments the country will meet regardless of external support, so a mitigation outcome counted toward one is unlikely to pass an additionality test for use in international carbon markets. Conditional targets, by contrast, are ones the country has stated it can only reach with international support, such as through carbon markets. Since carbon finance is itself a form of that support, authorising ITMOs from activities inside the conditional NDC can align with, rather than undermine, how the target was designed to be achieved. For activities outside the NDC, an activity captured in the latest national GHG inventory could be authorised with reasonable confidence, provided cheaper domestic options remain available elsewhere; one that is not inventoried yet (e.g. often blue carbon restoration, methane from sargassum seaweed) carries the highest overselling risk, since a reduction the country cannot see or measure will lead to accounting difficulties.



CASE STUDIES:
HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Ghana

Ghana's Framework on International Carbon Market and Non-Market Approaches maintains a "whitelist" of pre-authorised mitigation technologies considered automatically additional to Ghana's NDC baseline[16]. Eligible activities on the whitelist receive a letter of assurance and proceed through a streamlined authorisation pathway, rather than case-by-case negotiation, giving developers upfront clarity on which technology types the government has already pre-approved in principle.

Sri Lanka

Sri Lanka's approach provides greater visibility to project developers through a priority list of sectors and activities that may be considered for participation in international carbon markets under Article 6. The framework also considers sector-level adjustment factors, which provide an indication of the corresponding adjustment treatment that may apply to mitigation outcomes from different priority areas. By identifying the sectors and activity types that could potentially be authorised, together with the relevant accounting parameters, the approach is intended to provide greater predictability for project developers and investors when assessing opportunities for developing carbon market activities in Sri Lanka. This approach can help the Government manage the use of internationally transferred mitigation outcomes while providing the private sector with clearer signals on where investment in Article 6-aligned carbon projects may be considered.

Several CVF-V20 members

Have signed bilateral Article 6.2 agreements (the Philippines, Ghana, Senegal and others among them), but not all have yet published the domestic criteria they will apply when deciding what to authorise, and at what scale.

[16] Whitelist – Ghana Carbon Registry System

COMMON MISTAKE TO AVOID

Treating "authorisation" as a routine administrative step, interchangeable with project or environmental approval, rather than as the sovereign, legally consequential act that it is. Without a shared, foundational understanding across government of what authorisation commits the country to, and clear eligibility and volume criteria to apply it against, individual authorisation requests risk being handled inconsistently. This can create avoidable disputes with project developers and unnecessary reputational exposure for the country as a market counterpart.

READINESS CHECKLIST	FURTHER READING
☐ Have we agreed a set of criteria for deciding whether a proposed activity should be authorised, rather than proceeding case by case?	VCMI Carbon Markets Access Toolkit, Key Decision Step 3, section 3.3, "Develop policies to guide Article 6 implementation"
☐ Has a fee or levy structure been designed to reflect the administrative and opportunity costs of corresponding adjustments, and is this the same policy that determines full vs. percentage-based authorisation for activities linked to conditional NDC targets?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 6.4, "Legal Framework Options for Defining Carbon Market Levies and Fees" (p.149-150)
☐ Is there a single point of institutional responsibility for tracking authorised volumes and corresponding adjustments across all active agreements?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 5.6, "Legal Framework Options for Designing Technical Functions of National Registries" (pp.120–121)

☐ Have we considered whether a negative list of sectors or activities reserved for our own NDC achievement is needed?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 3.1, "Legal Framework Options for Defining Approved Sectors and Activities for Generating ITMOs" (pp.50-51)
☐ Do we have an agreed process for revisiting an authorisation, or resolving a dispute, once it has been granted? (see Module 2b and 2c)	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 7.3, "Legal Framework Options for Defining Dispute Resolution Procedures" (p.175)
☐ Have we modelled our NDC headroom before setting volume caps or a percentage-authorisation policy? (see Module 2c)"	INFRAS, SEI, Carbon Limits & Öko-Institut, Practical strategies to avoid overselling

2C. AUTHORISING SAFELY: MANAGING OVERSELLING RISK

HOW CAN OFFICIALS RELIABLY JUDGE - AND KEEP JUDGING, OVER TIME - WHETHER THE VOLUME OF AUTHORISED MITIGATION CONTINUES TO BE CONSISTENT WITH THE COUNTRY'S NDC ACHIEVEMENT?

WHY THIS MATTERS

Every authorisation decision made by a government directly impacts ITMO transfer headroom, the volume of mitigation outcomes a country can authorise for international transfer without placing its own NDC achievement at risk (see Box 3). Without a robust mechanism for tracking authorisations against

the country's own NDC trajectory, there is a real risk of authorising to the extent that NDC targets are jeopardised – a risk commonly referred to as overselling. Because national circumstances, inventory data and NDC targets all evolve over time, this is not a judgement to be made once and then set aside; it needs to be regularly revisited.

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The national GHG inventory and NDC modelling team; the DNA or authorising ministry; the Ministry of Finance, given the revenue implications of authorisation limits; and a designated technical body responsible for maintaining the authorisation budget on an ongoing basis. As mentioned in Module 2b, often the most important stakeholder is the sectoral ministries with a stake in domestic targets.

BOX 3: THE AUTHORISATION BUDGET

Rather than assessing each authorisation request in isolation, officials are encouraged to think in terms of a running "authorisation budget": a cumulative estimate of how many mitigation outcomes can be authorised for international transfer without placing the country's own NDC achievement at risk. (E.g. Bhutan quantified the appropriate emission reduction as 5 million tonnes of CO_2e[17])

This is a **quantitative exercise**, sizing the volume against inventory and NDC data, and a **strategic judgement** that must consider a) how much flexibility to preserve for future NDC commitments, b) to what extent authorisations could be mobilised towards funding mitigation activities aligned with priorities set out in national policies such as Climate Prosperity Plans, and c) sectoral shifts and unanticipated mitigation needs. This exercise can not only help decide which projects should be authorised, but also which could be approved without authorisation and therefore contribute to NDC achievement.

Establishing this budget might involve:

- Estimating the country's likely "headroom"; the volume of mitigation outcomes that can be authorised for international transfer without compromising the country's own NDC achievement, using the most recent national greenhouse gas inventory and NDC modelling available.
- Applying a conservative buffer to that headroom, to allow for uncertainty in future inventory data, changes in economic activity, and any subsequent tightening of NDC ambition.

[17] Bhutan Carbon Market Mitigation Activities

- Revisiting the budget itself whenever the underlying inputs change - for example, following a new NDC submission, an updated inventory, or a material shift in projected emissions.

Dedicated methodologies and tracking tools for estimating ITMO transfer headroom are being developed by GGGI and the World Bank and will be rolled out from 2027.

Where, for example, a mitigation activity spans more than one country, as in a multi-country Programme of Activities (PoA), each host country authorises the mitigation outcomes specific to its respective Component Project Activity (CPA) and applies a corresponding adjustment only for the share of mitigation outcomes generated within its own territory. There will be no single combined NDC treatment for the PoA when implemented across multiple countries. The UNFCCC's Article 6.2 authorisation documentation requires each participating host Party to name the other Parties involved in the programme and to specify its own authorised share separately[18].



WHAT YOU NEED TO KNOW

2.13 **Overselling risk can undermine the integrity of a country's carbon market framework, but the risk is manageable.** Overselling typically arises where a government authorises the transfer of mitigation outcomes that are relatively low-cost to achieve and later finds it needs those same low-cost reductions to meet its own NDC, leaving only higher-cost options available domestically. Buyers of carbon credits will likely aim to avoid partnering with countries where there is a risk that their finance may prevent a country from achieving its Paris Agreement commitments.

2.14 **A range of practical strategies exist to manage overselling risk, and these are often combined rather than used alone.** Common approaches include: reserving a fixed retention percentage of mitigation outcomes for domestic NDC purposes before any transfer is authorised (see section 2b); building a conservative buffer into the headroom estimate itself, to absorb uncertainty in future data; and attaching time-limited or milestone-based conditions to an authorisation, so it can be revisited as circumstances change (see point 2.17). No single strategy eliminates overselling risk entirely but combining two or three appropriate to a country's institutional capacity can manage it effectively.

2.15 **The authorisation budget requires a designated manager.** It is only useful to maintain a running estimate of available headroom and track cumulative authorisations against it if a single

[18] UNFCCC, Article 6.2 Reference Manual, Annex VI



institution is clearly responsible for keeping this information up to date and flagging when authorisations risk bringing the country close to its limit. That institution should also hold the authority to pause new authorisations, or formally recommend that they be paused, once the budget nears its limit.

2.16 **Headroom estimates should be conservative and reviewed regularly.** Because NDC targets (e.g. linked to the periods 2021 to 2030 or 2026 to 2035), inventory methodologies, and projected emissions all evolve, a headroom estimate calculated once at the start of a country's Article 6 engagement will not remain accurate indefinitely. Officials should agree a fixed schedule for revisiting it.

2.17 **Conditions and triggers can ensure authorisations remain valid over time.** Instead of regarding an authorisation as a one-time, unchangeable decision, governments can impose conditions, time limits, milestone-based assessments, or an activation mechanism to suspend or revise authorisation if a project's progress, or the country's own emissions trajectory, changes materially. A milestone-based trigger might, for example:

- Require a project to reconfirm its expected mitigation outcomes against updated baseline data at the mid-point of its crediting period, with authorisation automatically suspended if the reconfirmed volume falls short of the original estimate by a material margin.
- Require a project to complete validation in line with the adopted carbon crediting mechanism within a specified timeframe.

2.18 **Effective monitoring can also reveal upside, not only risk.** Where a government tracks its authorisation budget and headroom closely over time, it may find it is able to authorise more than originally envisioned, bringing in additional revenue at no risk to NDC achievement, particularly later in an accounting cycle, once actual performance data has reduced the uncertainty that justified an earlier, more conservative estimate.

CASE STUDIES:
HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Ghana

Retains 1% of total ERRs from mitigation activities for its own NDC - a buffer reserve that maximises the volume available for international transfer while still safeguarding a minimum contribution to domestic targets.

Paraguay

Has set a fixed retention value of 3-10%, applying the same logic of channelling the large majority of ERRs toward buyers while keeping a modest share in reserve for NDC purposes.

Indonesia

Plans to retain between 10% and 20% of ERRs generated by activities covered under its NDC, rising to 20% for activities that fall outside the NDC's scope. This tiered structure reflects a stricter retention policy for mitigation outcomes that do not otherwise count toward Indonesia's own targets.

Vanuatu

Under its Article 6.2 agreement with Switzerland on emission reductions from solar electrification, Vanuatu has committed to retain 5% of the resulting emission reductions, either to support its own NDC or to contribute to Overall Mitigation in Global Emissions.

Kenya

Has capped credits authorised for international transfer at 10 $MtCO_2e$ through 2030, with annual allocations of 1.67 $MtCO_2e$ assessed against a national carbon budget. The aim is to prevent the country from transferring away more reductions than it can afford while still meeting its own NDC.

COMMON MISTAKE TO AVOID

Treating an initial headroom estimate as a fixed ceiling that, once set, does not need to be revisited. NDC targets are updated periodically, inventory data improves over time, and a country's own emissions trajectory can shift for reasons unrelated to its carbon market activity. An authorisation budget that is not refreshed against current data can quietly become unsafe long before anyone notices.

READINESS CHECKLIST	FURTHER READING
☐ Have we estimated our current NDC headroom, using our most recent national greenhouse gas inventory and NDC modelling?	INFRAS, SEI, Carbon Limits & Öko-Institut, Practical strategies to avoid overselling
☐ Is a single institution clearly responsible for maintaining and updating our authorisation budget?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 2.3, "Responsible Authorities and Governance Functions"
☐ Have we agreed a fixed schedule for revisiting our headroom estimate, and can we say when it was last updated (and against what data), rather than updating it only when a problem arises?	VCMI Carbon Markets Access Toolkit, Key Decision Step 3, section 3.3, "Develop policies to guide Article 6 implementation"
☐ Do our standard authorisation conditions include time limits or milestone-based triggers for review or suspension — including a mechanism to revise the authorised volume, not only to suspend or revoke entirely, if a project underperforms?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 6.2, "Procedures for ITMO Authorization" (pp.132–141, revision and revocation provisions)

☐ If we authorised every currently pending request in full, would we still be confident of meeting our own NDC?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Box 6.2, "Country Decision-Making Considerations for ITMO Authorization" (pp.132–133)

2D. THE LETTER OF AUTHORISATION (LOA) PROCESS

WHAT MUST A LETTER OF AUTHORISATION CONTAIN, WHICH INSTITUTION SHOULD ISSUE IT, AND AT WHAT POINT IN THE PROJECT CYCLE SHOULD IT BE ISSUED?

WHY THIS MATTERS

Once a government has decided that an activity may, in principle, be authorised (Module 2a) based on a robust set of strategic criteria against which such decisions will be made (Module 2b), officials need a reliable, repeatable process for issuing the Letter of Authorisation (LoA) itself.

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The ministry or officeholder with final sign-off authority; any co-signing or coordinating bodies named in the process; the legal department, for revision and revocation provisions; and communications staff, to agree the internal protocol for what officials may say to developers ahead of formal authorisation. As mentioned in Module 2b, often the most important stakeholder is the "sectoral ministries" with a stake in domestic targets.

WHAT YOU NEED TO KNOW

2.19 **Institutional roles and responsibilities must be clearly defined.** Officials should be able to name, without hesitation, which ministry or agency leads the authorisation process, which officeholder or body has final sign-off authority, and how coordination is secured across finance, environment, and any sector ministries with a stake in the activity concerned. Where more than one institution is involved, the respective roles - who recommends, who approves, who signs - should be documented.

2.20 **Timing matters as much as content.** Issuing an LoA too early, before a project's mitigation outcomes have been adequately verified or before the government's own criteria are settled, risks having to revise or withdraw a commitment later which brings reputational risk. Issuing an LoA too late can leave a viable project stranded and prove incompatible with the business models of private sector stakeholders, often risking discouraging activities that would have been additional. From a developer or financier's perspective, project finance often cannot close without some assurance that authorisation will be forthcoming, so the practical question is not only "when should government issue an LoA" but "how early can government credibly signal its intentions, without prematurely committing to a specific volume before verification is complete?"

One option some governments have used is a conditional, capped indication of maximum potential ITMO availability for a given activity type or sector, issued ahead of full authorisation, that can inform financing decisions without functioning as a binding LoA.

2.21 Informal signals are not a substitute for a formal process. Verbal assurances, preliminary agreements, or general statements of political support are not equivalent to an LoA and should not be represented as such to developers or investors. Where a government wishes to signal support for a project ahead of full authorisation, it should be explicit about what that signal does, and does not, commit the government to. Full transparency is essential for project developers structuring a project, financiers assessing risk, and local communities affected by the activity (see Module 7 on a government's recommended broader disclosure obligations to the private sector). An informal signal that is later not honoured, or a formal LoA later revoked without a stated reason can damage trust with all three groups at once, not only the immediate counterparty.



CASE STUDIES:
HOW OTHER GOVERNMENTS ARE APPROACHING THIS



Kenya

Under its Climate Change (Carbon Markets) Regulations, 2024 (Legal Notice No. 84 of 2024), the Designated National Authority (the National Environment Management Authority) issues the LoA, with ultimate sign-off resting with the Cabinet Secretary for Environment, Climate Change and Forestry. This two-tier structure separates technical review from final political accountability.



Uganda

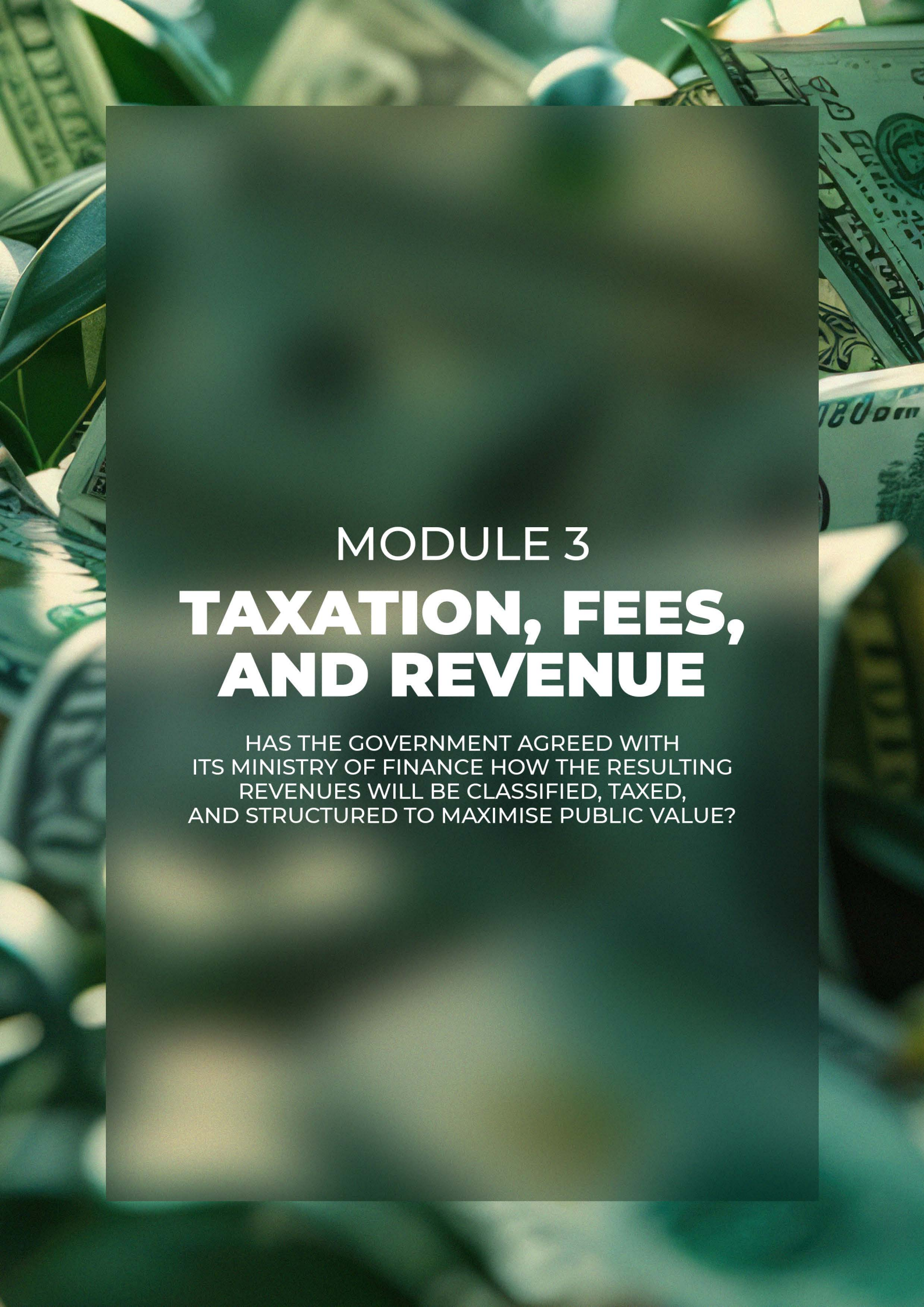
Under its National Climate Change (Climate Change Mechanisms) Regulations, 2025 (Statutory Instrument 2025 No. 9), Uganda has established a three-stage process. In stage one, the Minister of Water and Environment issues a Letter of No Objection granting permission to proceed with feasibility studies. In stage two, proponents submit a comprehensive application for formal project approval before implementation. In stage three, after verification and issuance, the Minister issues the LoA permitting the international transfer and triggers the corresponding adjustment.

COMMON MISTAKE TO AVOID

Allowing a project developer to receive informal signals of government support - in meetings, correspondence, or public statements - ahead of a legally grounded authorisation process being in place. Where expectations set informally later diverge from what the government is ultimately willing to authorise, the resulting dispute can attract scrutiny well beyond the individual project concerned, affecting how the country's wider Article 6 framework is perceived.



READINESS CHECKLIST	FURTHER READING
☐ Have we agreed, in writing, which institution leads the authorisation process and which officeholder or body holds final sign-off?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 2.3, "Responsible Authorities and Governance Functions"
☐ Have we agreed on what point in a project's development cycle (e.g. following independent verification) an LoA will normally be issued?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 6.2, "Legal Framework Options for Defining Procedures for ITMO Authorization" (p.137)
☐ Is there an agreed internal protocol for what officials may and may not say to a developer ahead of formal authorisation?	(see Module 7 — Communicating Effectively with the Private Sector)
☐ If an LoA needs to be revised or revoked, do we have a documented process for doing so?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 6.2, "Procedures for ITMO Authorization" (pp.132–141, revision and revocation provisions)



MODULE 3

TAXATION, FEES, AND REVENUE

HAS THE GOVERNMENT AGREED WITH ITS MINISTRY OF FINANCE HOW THE RESULTING REVENUES WILL BE CLASSIFIED, TAXED, AND STRUCTURED TO MAXIMISE PUBLIC VALUE?

WHY THIS MATTERS

Carbon credit revenues could be substantial, yet in most emerging markets and developing economies, it is unclear how they are treated under existing tax law. If this issue is not resolved, it could lead to disputes between government agencies, and unexpected liabilities for project developers. Fiscal clarity is essential for investor confidence: before committing capital, developers and buyers factor in the risk of ambiguous tax treatment. Beyond revenue collection, the design of the fiscal system also determines whether participation in the carbon market delivers lasting public value by channelling financing towards national sustainable development priorities.

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The Ministry of Finance; the national tax or revenue authority; the authorising ministry or DNA, to coordinate sequencing; and the Ministry of Finance's legal or tax-policy department, to settle the legal classification of carbon credit revenue.

WHAT YOU NEED TO KNOW

3.1 **Revenue ownership needs to be decided.** Carbon credit revenues, whether from ITMO sales or unauthorised carbon market transactions, may be classified as government income, channelled through a dedicated trust fund structure, or private developer earnings (e.g. Bhutan Climate Fund). This classification determines which ministry controls carbon market revenues, and whether it appears on the national budget.

3.2 **Tax treatment should be clarified before authorisations scale up.** Governments should establish whether carbon transactions are subject to sales tax, VAT or any other financial payment based on the host country's financial regulations. Governments must also consider if domestic and foreign transactions should be taxed differently, and whether and to what extent tax breaks are warranted to incentivise investment. Without this clarity, developers face uncertainty that can delay or deter projects altogether.

3.3 **The authorising ministry and the taxing authority are usually different institutions.** Authorisation typically sits with the environmental ministry or a designated national carbon

markets authority, while taxation sits with the finance ministry or revenue authority. A formal coordination protocol between the two, agreed before authorisations are issued at scale, prevents conflicting demands or double taxation.

3.4 **Fee and levy structures should be designed to optimise revenue without deterring investment.** Governments commonly combine administrative fees (covering registration and oversight), levies directed to climate or development funds, and revenue-sharing arrangements, alongside measures to manage NDC non-achievement risk. Structured well, such instruments generate revenue while keeping the country attractive to investors; set too high or applied inconsistently, they risk having a chilling effect on investment.

3.5 **Earmarking and benefit-sharing requirements can enhance market attractiveness.** Where carbon market revenues are explicitly linked to community benefit and national climate funds, rather than absorbed into general revenue, carbon market participation tends to command broader public and political support[19]. As a common approach, projects should follow applicable Free, Prior and Informed Consent (FPIC) guidelines and clearly define benefit-sharing arrangements with all relevant stakeholders involved in the project or programme.



FISCAL INSTRUMENTS AVAILABLE TO HOST GOVERNMENTS

Governments often combine several fiscal instruments as national carbon market frameworks are developed. The most suitable combination tends to depend on national priorities, market maturity, and administrative capacity. The table below highlights common approaches and trade-offs across available instruments.

Table 2. Examples of existing fiscal instruments

FISCAL INSTRUMENT	COMMON APPROACHES	TRADE-OFF
Corporate income tax	Standard corporate taxation applied to developers on credit sales	Raises revenue without a new legal instrument, but cannot isolate carbon credit income from other corporate income.

[19] Rabbia, M. (2026). Fees and Levies under Article 6. UNFCCC Regional Collaboration Centre, Caribbean

VAT Treatment	VAT exempt, zero-rated, or standard VAT on credit transactions	Exempting or zero-rating removes a cost that could deter developers and buyers, but forgoes VAT revenue; applying standard VAT protects that revenue, but adds a transaction cost and a risk of double taxation on cross-border sales unless classification is clear.
Export levy or sovereign share	Percentage fee on ITMO transfers or credit issuances, retained by government.	Generates direct public revenue and signals sovereign ownership of mitigation outcomes; set too high, it risks discouraging the transactions it taxes.
Royalty-style mechanism	Share of revenues directed to the government or a national climate fund.	Aligns government and project incentives toward NDC achievement, but only where the state holds a genuine ownership stake in the mitigation asset - it is not available as a lever where the state is a pure regulator.
Trust fund structure	Revenues channelled through a dedicated climate or development fund, off-budget.	Improves transparency and earmarking of carbon revenues for specific priorities, but requires a governance framework to prevent leakage or misuse - without one, the structure can become less accountable than general budget revenue.
Benefit-sharing requirement	Mandatory allocation to local communities or Indigenous Peoples, set by regulation.	Strengthens social safeguards and project integrity. Governments can build their own monitoring and verification systems, or reduce this administrative burden by endorsing standards and methodologies whose existing third-party verification

processes already meet the government's minimum benefit-sharing requirements.

CASE STUDIES: HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Ghana

Applies fixed fees per credit that differ according to whether the underlying mitigation outcomes are authorised or non-authorised, using the fee structure itself to steer developers toward Article 6-aligned activities.

Ethiopia

The Forest Development, Protection and Utilization Regulation (No. 544/2024) requires revenue from carbon projects in state forests under private concession or participatory forest management to be distributed 80% to the private or community developer and 20% to the government (15% regional and 5% federal).

Zimbabwe

Zimbabwe Carbon Trading (General) Regulations, 2025 mandate 30% of all verified emissions reductions to the National Transaction Account as payment of the Share of Proceeds, 1% as automatic retirement towards the country's NDC and 2% to the National Buffer Account.

COMMON MISTAKE TO AVOID

Authorising carbon credit projects before the finance ministry and the authorisation authority have agreed on tax and revenue treatment. This sequencing gap may produce disputes, delays, and off-budget revenue flows. It can be avoided by establishing the coordination protocol before the first Article 6 transaction is underway and letters of authorisation are issued.

READINESS CHECKLIST	FURTHER READING
☐ Has the government decided how carbon credit revenue is owned and controlled (by the state, a trust fund structure, the developer, or some combination) and, if a trust fund is used, have we assessed how that would change our national and international reporting obligations?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 5.2, "Legal Framework Option for Defining the Legal Nature of Carbon Credits" (p.107)
☐ Has the Ministry of Finance issued guidance on VAT and income tax treatment of carbon credit transactions?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 6.4, "Levies and Fees" (p.145-150, domestic tax treatment)
☐ Is there a formal coordination mechanism between the authorising ministry and the tax authority? Do we know what double taxation of a single project would look like under the current framework, and how we would resolve it?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 2.3, "Responsible Authorities and Governance Functions"
☐ Have we identified which fiscal instruments, and what fee and levy levels, would maximise public value while remaining feasible for our institutions to administer and competitive with peers internationally?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 6.4, "Legal Framework Options for Defining Carbon Market Levies and Fees" (p.149-150) Beyond Alliance, Emergent & Symbiosis Coalition, Enabling Conditions to Unlock Private Sector Demand in Carbon Markets (2026)
☐ Are levies, royalties, climate funds or revenue-sharing arrangements explicitly earmarked for national sustainable	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 6.6,

development priorities, with clear mechanisms preventing them from being absorbed into general government revenue instead?

"Legal Framework Options for Allocating Levy Revenues" (pp.154–155)



MODULE 4

CREATING ENABLING FINANCIAL REGULATION TO MOBILISE CARBON FINANCE

HAVE FINANCIAL REGULATORS AGREED HOW CARBON CREDITS ARE LEGALLY CLASSIFIED, AND WHO HAS OVERSIGHT OF THEM?

WHY THIS MATTERS

Finance ministries, financial sector regulators, central banks, insurers and other capital-market institutions are well placed to support carbon market growth, but most currently operate without a clear answer to the question: what kind of financial instrument is a carbon credit?

In many jurisdictions, carbon credits are not yet fully defined within financial regulatory frameworks. This is often a limiting factor in terms of accessing the greater capital reserves, loans, and concessional and blended finance opportunities that banks, insurers and national capital markets are typically able to offer. Carbon revenues should not be considered in isolation: concessional finance can fund readiness and capex, while results-based carbon finance rewards verified outcomes.

Legal classification is the foundation, but not the full enabling environment: how credits interoperate with existing financial instruments and property law, how they are taxed, and whether the state holds any royalty-style claim over the underlying mitigation asset all shape the wider picture. This builds on the previous module "Taxation, Fees and Revenue Optimisation".

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The central bank or banking supervisor; the securities commission; the insurance regulator; the Ministry of Finance; the Revenue Authority/federal and sub regional Tax Administration; and the DNA or carbon market authority, to coordinate the legal classification question across regulators.

WHAT YOU NEED TO KNOW

4.1 **Legal classification determines which regulator has jurisdiction.** How carbon credits are treated within the host country's law (e.g. as intangible property, a financial product or security, or a contractual right) decides whether they fall within a financial regulator's remit at all, and which oversight tools, such as collateralisation rules or prudential requirements, become available.

Such classification choices carry direct financing consequences: treating credits as a security or financial product typically opens access to institutional capital and structured finance, but brings fuller disclosure and licensing obligations; treating them as a simple intangible property (asset) or a contractual right keeps entry costs low, but can shut out the regulated capital pools (pension funds, insurers, banks) that scale requires.



4.2 **Leaving the classification undefined creates confusion.** Where the legal nature of carbon credits is not explicitly defined, market participants and institutions default to their own interpretations under existing financial and securities law. This can lead to inconsistent treatment across sectors, questions over the credits' validity among international investors, and reluctance from mainstream financial institutions to engage at scale.

4.3 **Financial regulators should be welcomed into the carbon market coordination structure.** Effectively regulating carbon credits and mobilising carbon finance typically requires coordination across the country's financial infrastructure and its governance bodies that are less familiar with carbon assets (e.g. financial regulatory authority, capital markets authority, securities commissions, and insurance regulators), working alongside the ministry or authority that runs the carbon market framework itself.

4.4 **Targeted interventions can support the mainstreaming of carbon credits within financial markets.** Options include regulatory sandboxes, which let regulators test market innovations such as tokenised credits, carbon-credit-linked bonds, and blockchain-based registries, in a controlled setting before committing to permanent rules or forward-financing facilities that provide upfront capital against future credit deliveries.

4.5 **Risk transfer products for carbon assets are emerging.** Insurance against reversal risk (the loss of carbon stored in forests or soils through wildfires or land-use change, undermining credits issued and transacted), is being piloted in the private sector as an alternative to holding credits back in a buffer pool. Pricing such risk remains challenging, and payouts are typically cash, not replacement credits, which limits their usefulness for compliance buyers. Beyond reversal cover, insurers such as the Multilateral Investment Guarantee Agency (MIGA) are also beginning to offer delivery-risk and political-risk products for carbon assets (covering, for example, a project's failure to deliver contracted volumes, or a change in government policy that revokes an authorisation). These markets remain nascent, and pricing is still developing.

APPROACHES TO CLASSIFYING CARBON CREDITS

How a country classifies carbon credits in law shapes which financial tools become available to incentivise market growth, and which regulator is responsible for overseeing them.

Table 3. Guiding approaches on carbon credit classification. Adapted from: Financial Regulatory Pathways for Scaling Carbon Markets In support of clean cooking projects in Africa

CLASSIFICATION APPROACH	WHAT IT MEANS	TRADE-OFF	ANALOGOUS MARKET
Intangible property (asset)	Credits treated as movable, intangible property capable of physical settlement.	Matches what many market actors already expect, giving clear title and transfer rules. It can sit entirely outside financial regulators' remit, limiting tools such as collateralisation or prudential oversight that require a financial classification.	Physical commodities (e.g. grains) titled as movable property, freely transferable, usable as collateral once ownership is clear.
Financial product or security	Credits treated as securities or regulated financial instruments.	Brings credits within the securities regulator's oversight and disclosure regimes, opening the doors to institutional investments, but it also triggers the full weight of securities law for smaller developers.	Listed shares, regulated as securities, with disclosure and conduct rules attached to their sale.
Contractual right	Credits' legal status derives solely from privately negotiated contracts, with no	Fast to implement, since it requires no new legislation; but rights are enforceable only	An OTC forward contract, enforceable only between the two

	standing outside them.	between the contracting parties, offering little protection to third parties or investors relying on secondary trading.	contracting parties, with no exchange or registry standing behind it.
Tradable licence or permit	A government-issued authorisation to emit a specified amount of greenhouse gases, typical of compliance cap-and-trade schemes.	Gives regulators the power to modify, suspend or revoke - useful for programme integrity - but that same power creates uncertainty for holders and makes the credit a weaker candidate for use as loan collateral.	A fishing quota, or EU ETS allowance, government-issued and revocable, sitting inside an existing compliance scheme rather than functioning as freestanding property.

N.B. *Countries are not limited to a single, permanent regulatory classification. Some jurisdictions adopt context-dependent approaches, whereby carbon instruments may be treated differently depending on how and where they are traded.*

CASE STUDIES: HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Brazil

Law No. 15,042/2024, which establishes the Brazilian Greenhouse Gas Emission Trading System, defines two instruments (emission allowances and verified emissions reduction certificates) as fungible, tradable assets. It expressly classifies both as securities subject to the Securities and Exchange Commission's regulation when they are traded in the financial and capital markets. The same law amended Brazil's Securities and Exchange Commission Law and Public Records Law to align them with this treatment, giving the securities regulator a defined role from the outset.

Australia

Australian Carbon Credit Units (ACCUs) are explicitly defined as financial products under the

Corporations Act 2001, placing their trading under the Australian Securities and Investments Commission (ASIC), which can require an Australian financial services licence for parties providing services in relation to them.

Indonesia

Indonesia's Law 4/2023 classifies carbon trading conducted through a licensed carbon exchange as a financial transaction in the capital markets, placing it under the supervision of the Financial Services Authority (OJK) rather than the environment ministry alone. This aligns oversight of carbon trading with existing securities regulatio non the Development and Strengthening of the Financial Sector gives carbon trading a legal basis, allowing carbon units to be traded through a carbon exchange, which can only be run by a market operator licensed by the OJK. Carbon units traded on Indonesia's exchange are treated as securities, so carbon trading sits alongside the rest of the financial markets under OJK oversight.

South Africa

The Development Bank of Southern Africa (DBSA), in partnership with Finance in Common (FiCS) Innovation Lab, Climate Policy Initiative (CPI) and Promethium Carbon, has proposed a Carbon Bond as a policy and financial instrument to mobilise private capital for carbon projects in South Africa, strengthen market readiness, and improve the bankability of carbon investments.

Ghana

In 2024, Ghana launched a National Green Finance Taxonomy to guide sustainable investments - a classification framework that defines environmentally sustainable economic activities to guide investment toward the country's climate and development goals.

Kenya

The Nairobi Securities Exchange runs a green bond market, guided by the Kenya Green Bond Guidelines approved by the Capital Markets Authority, which builds investor confidence and directs private capital toward climate-friendly projects.



COMMON MISTAKE TO AVOID

Treating carbon credits as sitting outside the remit of financial regulation entirely, and leaving their legal status to be worked out case by case. This may leave banks and insurers unable to engage at scale, and it is avoidable by settling the legal classification question before positioning the country as a destination for carbon finance, not after the first institutional investor asks.

READINESS CHECKLIST	FURTHER READING
☐ Has the government explicitly defined the legal nature of carbon credits in law?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 5.2, "Legal Framework Option for Defining the Legal Nature of Carbon Credits" (p.107)
☐ Has the relevant regulatory authority, securities commission, insurance regulator) been formally brought into the carbon market coordination structure?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 2.3, "Responsible Authorities and Governance Functions"
☐ Is there a mechanism, such as a regulatory sandbox, to test new carbon finance instruments before they scale nationally?	Clean Cooking Alliance / VCMI, with FSD Africa, Regulatory Sandbox to Support Carbon Markets (2026)
☐ Which financial regulatory reform would have the greatest impact on unlocking private finance, while maintaining market integrity and financial stability?	Beyond Alliance, Emergent & Symbiosis Coalition, Enabling Conditions to Unlock Private Sector Demand in Carbon Markets (2026)



☐	Has the government identified forward-financing or blended-finance facilities relevant to its priority sectors?	(e.g. Asian Development Bank Climate Action Catalyst Fund; GGGI Carbon Transaction Facility) Climate Focus; Clean Cooking Alliance: Financial Regulatory Pathways for Scaling Carbon Markets (2025), Box 2, "Green Finance Regulatory Developments in Selected African States" (p. 23)
☐	How would our regulatory approach compare with other jurisdictions seeking to attract international carbon finance? Would investors view our framework as credible and predictable?	World Bank, State and Trends of Carbon Pricing 2026 Climate Focus; Clean Cooking Alliance: Financial Regulatory Pathways for Scaling Carbon Markets (2025), Table 3, "Seeking alignment with green finance regulatory interventions" (pp. 21-22)

MODULE 5

BENEFIT SHARING

HAS THE GOVERNMENT DEFINED WHERE BENEFIT-SHARING OBLIGATIONS SIT – AT THE NATIONAL, SUB-NATIONAL, SECTORAL AND PROJECT, OR STANDARD LEVEL – AND WHO IS ACCOUNTABLE FOR EACH?

AT WHAT POINT IN THE APPROVALS PROCESS SHOULD FREE, PRIOR AND INFORMED CONSENT (FPIC) CONSULTATIONS TAKE PLACE?

WHY THIS MATTERS

Benefit sharing determines whether communities and sub-national governments experience and truly benefit from carbon market participation through a fair, locally led exchange. Article 6 does not mandate a single benefit-sharing model, and the absence of one creates room for disputes: a mitigation activity can be technically sound at removing or reducing emissions under its carbon crediting standard yet still generate reputational and legal exposure for the host country if the people affected by it are excluded from its benefits and are not properly consulted or meaningfully engaged as project partners.

Recent developments in national carbon market policy frameworks increasingly recognise "Free, Prior and Informed Consent (FPIC)"[20] as an important safeguard where carbon market activities directly affect Indigenous Peoples and local communities, particularly where communities have customary rights, land-use interests, livelihoods, or other direct interests in the project or programme. FPIC should be understood as an ongoing process rather than a one-time consultation or administrative requirement. Communities should receive relevant information in a timely, accessible and understandable manner, have sufficient opportunity to consider and discuss the proposed activity, and be able to provide, withhold or withdraw their consent in accordance with applicable national laws and safeguards.

Where communities participate in or are directly affected by activities generating carbon revenues, the benefit-sharing arrangements should be established transparently and agreed upon before significant project implementation or revenue generation. As well as giving certainty to project developers and investors, this approach helps to ensure that carbon market revenues generate tangible local benefits and that communities are recognised not merely as affected stakeholders, but, where appropriate, as active partners in the design, implementation and long-term management of mitigation activities.

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

Responsible ministry legal departments; the ministerial agency or office responsible for Indigenous Peoples' affairs or social protection, where one exists, given its role in FPIC and land-rights matters; Ministry of Justice specifically on whether FPIC should become a national legal requirement (if it is not one already, noting several countries already require FPIC-equivalent consultation for extractive-sector projects); institutions that may be tasked with the implementation of carbon market activities, and relevant stakeholders in public consultations. Stakeholders include, but are not limited to, private landowners, organisations that have already developed independent carbon market activities, Indigenous Peoples (IPs) and local communities (LCs) and associated organisations, local government institutions, and civil society organisations. Relevant local communities must be involved in project and investment decisions; all relevant political stakeholders should be consulted in legislative processes.

[20] Landesa. (2026). Consultation and Free, Prior, and Informed Consent.

Dedicated support for preparing communities themselves to negotiate benefit-sharing agreements is not yet a standard feature of most Article 6 capacity-building programmes, which tend to focus on supporting government institutions to design, implement and mandate robust benefit-sharing provisions. In practice, the preparedness of IPs and LCs remains largely dependent on NGO advocacy, outreach and training. For example, EDF convened a workshop in 2025 with Kenya's Ministry of Environment, Climate Change and Forestry and local Indigenous organisations (MPIDO, IMPACT) specifically to walk communities through carbon market principles and strengthen their ability to advocate for their own interests. The work of the Indigenous Peoples & Local Communities Forum[21], supported by ICVCM also seeks to bring IPs & LCs together to shape and participate effectively in carbon markets.



WHAT YOU NEED TO KNOW

5.1 **Benefit sharing is secured at different levels.** National frameworks can set revenue-allocation rules for levies and government-held credits; individual mitigation activities can additionally negotiate their own community development agreements; and the carbon crediting standard applied to a project can impose its own requirements on top of both.

5.2 **Benefit sharing means something different at each level, and conflating them can create grievances.** National governments typically receive fiscal revenue through levies and taxation; sub-national governments may receive earmarked transfers or infrastructure investment; Indigenous Peoples and local communities typically receive direct payments or in-kind benefits tied to the specific land where the mitigation activity takes place. Treating a national-level transfer as if it satisfies a community's benefit- sharing expectations is a common source of local grievance. Countries could require activity proponents to submit information on their benefit-sharing arrangements on an annual basis, with future corresponding adjustments informed by the benefit-sharing arrangements and outcomes reported in previous years.

5.3 **Government-level and project/standard-level provisions need to be coordinated and clearly communicated.** Where a national framework mandates a benchmark share of revenue for communities and/or sub-national government, requiring project proponents to negotiate a separate, uncoordinated agreement can duplicate commitments, inflate costs, and leave beneficiaries unclear about which entitlement actually applies to them.

5.4 **Project agreements are the tool local communities can use to negotiate on top of what the national framework already secures.** Where a framework is silent on community-level benefit sharing, a project agreement fills the gap. Where a framework already sets binding requirements, a project agreement should implement and specify them, not duplicate or contradict them.

[21] Indigenous Peoples & Local Communities Engagement Forum

5.5 **Monetary and non-monetary benefits serve different purposes.** Direct payments give communities flexibility and autonomy. Non-monetary benefits, such as schools, clinics, or water infrastructure, can build capacity and durable buy-in that a cash transfer does not. Most frameworks allow a mix, instead of mandating one.

5.6 **Benefit sharing is most effective when built into the project design.** Revenue-sharing and in-kind commitments address how proceeds are divided once mitigation outcomes exist, but some of the most durable benefits (e.g. improved power supply, irrigation, or crop yields) come from decisions taken earlier regarding project scope (e.g. technology choice). A community agreement negotiated as an afterthought in the project cycle is likely to miss the chance to have local stakeholders shape earlier decisions. For PACM activities, proponents are required to submit the Sustainable Development (SD) Tool on an annual basis, providing information on the benefit-sharing arrangements associated with the activity.

5.7 **FPIC is not automatically a national legal requirement.** Whether to formalise Free, Prior and Informed Consent in domestic law depends on factors such as existing Indigenous rights legislation, whether general planning or land-use law already incorporates a consultation requirement that could be extended to cover carbon market activities, how far Indigenous Peoples and local communities are formally recognised, and the government's institutional capacity to implement and enforce a consent process. A government can start by relying on the general or international FPIC requirements built into approved standards and move toward a more comprehensive national requirement as capacity develops. Either way, consultation and consent require time, and authorisation timelines that do not allow for this are a common source of delay. Evidence from fieldwork on Amazon conservation initiatives shows that translation and capacity gaps can undermine an otherwise compliant process.[22]

5.8 **Benefit sharing makes a material impact on both sides of the project team.** Where a community or sub-national government contributes land, labour or existing infrastructure, agreements should settle upfront who owns the resulting mitigation outcomes and any associated assets, not only how future revenue will be divided. Where a community's share is set as a percentage rather than a fixed amount, the agreement needs to specify what it is a percentage of (e.g. gross revenue, net revenue after costs, or profit after a return threshold) and whether/how administrative fees, insurance and developer returns are deducted before that share is calculated. When undefined, these gaps can become a dispute in their own right.

5.9 **Upfront disclosure and transparency make benefit-sharing commitments credible.** A government should be able to show where any levy revenue earmarked for communities has been spent, not only what the framework promises in principle. Kenya's approach offers a concrete example here: its government-provided template community development agreement requires proponents to specify upfront how benefits will be managed and disbursed, giving both the community and the authorising ministry a consistent, disclosed starting point rather than a private negotiated arrangement.

---

[22] RAISG et al.,2024



WHERE BENEFIT SHARING GOES

These levels are not alternatives to choose between. Most frameworks combine several, and the design task is to keep them consistent with and clear for project implementers. Getting the balance right across levels is essential to secure both local buy-in and the finance flows carbon market participation can unlock.

Table 4. Examples of benefit sharing modalities

LEVEL	WHERE IT'S SECURED	COMMON MECHANISM AND CONSIDERATIONS
National	National framework – legislation directing levy revenue or government-held credits.	Revenue channelled to climate funds, general budget, on NDC-related priorities. Ensures macro-level alignment with climate goals, but stays distant from the community affected by any single activity unless paired with local-level design.
Sub-national	Same national framework, extended to regional or local government allocations.	Earmarked transfers to the county, province, or municipality where the activity operates. Builds local political support for carbon market participation, but needs a clear allocation formula to prevent disputes between regions.
Community (Indigenous Peoples, local communities, smallholders)	Project agreement – community development agreements negotiated between the project proponent and the affected community.	Direct payments, community development funds, or in-kind benefits such as schools, clinics, or water infrastructure. Highest social-licence value, and the most complex to administer equitably.
Project developer	The same project agreement, as part of the	Developers retain an agreed share of revenue after distributions, to cover

	authorisation conditions.	costs and return. This share needs to be clearly defined and capped; an uncapped or undisclosed developer share is a recurring source of community grievance.

N.B. *Carbon crediting standards (Verra, ART TREES, Gold Standard, ICVCM) add a further, cross-cutting layer of safeguard and benefit-sharing requirements on top of whichever levels above a government has already addressed.*

CASE STUDIES: HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Kenya

The Climate Change (Carbon Markets) Regulations, 2024 require project proponents of land-based mitigation activities on public or community land to sign a Community Development Agreement with the affected community, specifying how the benefits will be managed and disbursed through a dedicated community project development committee. A template agreement is provided by the government, giving proponents a consistent starting point. Projects on community or public land must contribute at least 40% of their aggregate earnings of the previous year, less cost of doing business (non-land-based: 25%).

Tanzania

The Environmental Management (Control and Management of Carbon Trading) Regulations, 2022 stipulate that for land-based carbon projects 61% is to be allocated to the 'Managing Authority' (local government and community-related share) while 39% goes to the project proponent of which 9% is to cater for government-related payments (e.g. the DNA, National Environment Trust Fund).



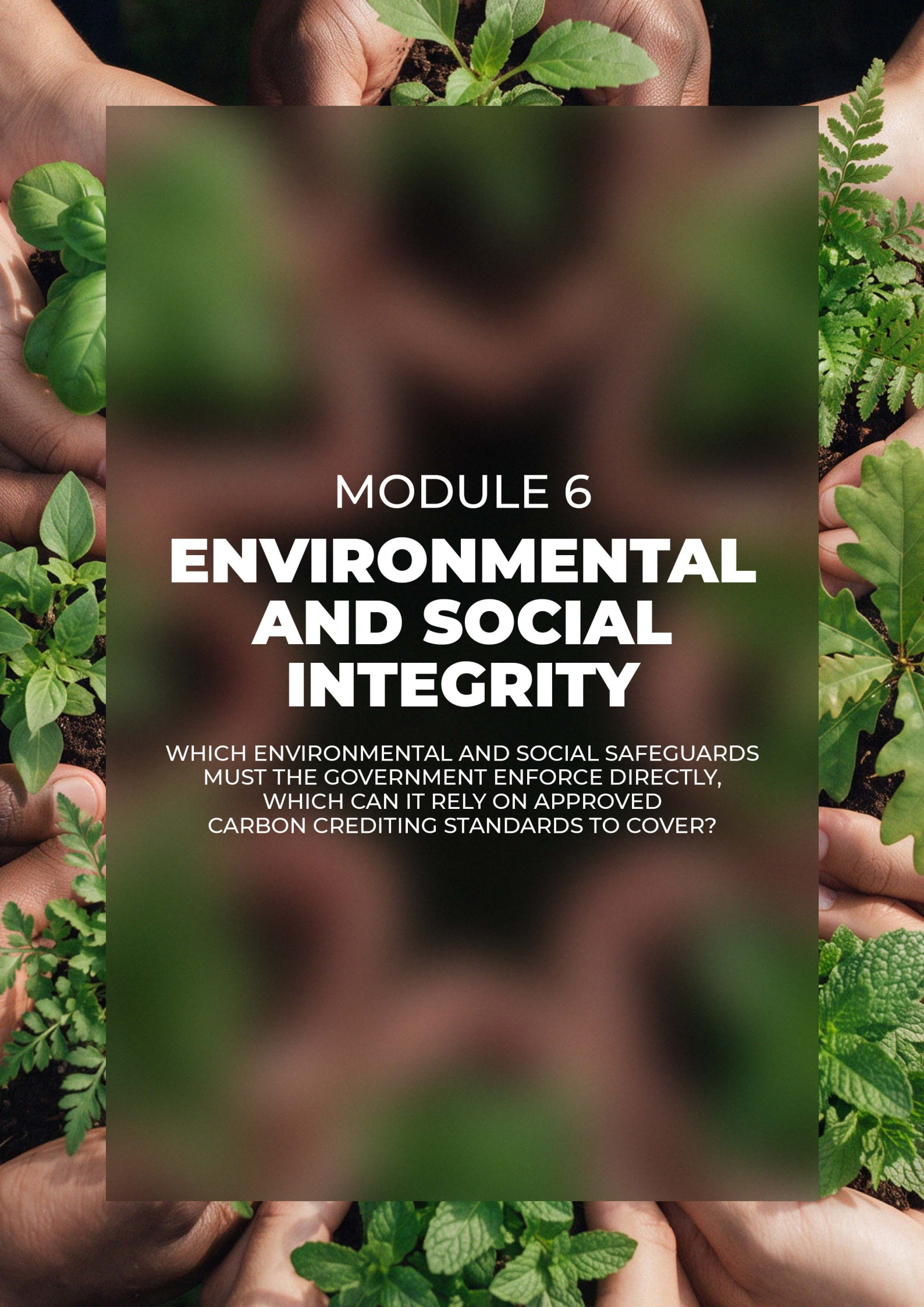
COMMON MISTAKE TO AVOID

Assuming that a national-level revenue-allocation rule automatically satisfies benefit-sharing obligations at project level, without checking whether project benefits actually reach the specific community affected by a given mitigation activity. This gap can leave a community formally "covered" by national policy while receiving nothing directly from the project on its land, a common source of disputes and grievances.

READINESS CHECKLIST	FURTHER READING
☐ Does the national framework specify how levy revenue and government-held credits are allocated between national, sub-national and community levels?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 6.5, "Allocation of Revenue" (pp.151–155)
☐ Are project proponents required to disclose their benefit-sharing or revenue-allocation arrangement as part of authorisation?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Appendix A.3, "Legal Framework Option for Promoting Equitable Benefit Sharing for Nature-Based Mitigation Activities" (pp.195)
☐ Does the framework state which obligations sit at national level and which are left to project agreements? Is it clear, in writing, whether a national-level entitlement is intended to substitute for, or supplement, project-level benefits to the specific community affected?	The Nature Conservancy, Beyond Beneficiaries: Fairer Carbon Market Frameworks (2023)



☐ If a community disputes whether it received promised benefits, do we have a way to verify who is right? Could we produce evidence tomorrow of where levy revenue earmarked for communities has actually been spent, if a journalist or auditor asked?	Öko-Institut, Assessing the Transparency and Integrity of Benefit-Sharing Arrangements Related to Voluntary Carbon Market Projects (2023)
☐ If a project's benefits fail to reach the community it was meant to serve, does responsibility sit with the developer, the standard, or the government? Would that division of responsibility survive public scrutiny and protect our credibility with other investors?	Carbon Market Watch, Policy Briefing: A fair share of the Voluntary Carbon Market? (2023)



MODULE 6

ENVIRONMENTAL AND SOCIAL INTEGRITY

WHICH ENVIRONMENTAL AND SOCIAL SAFEGUARDS MUST THE GOVERNMENT ENFORCE DIRECTLY, WHICH CAN IT RELY ON APPROVED CARBON CREDITING STANDARDS TO COVER?



WHY THIS MATTERS

Environmental and social integrity is typically considered the responsibility of the environment ministry. If a government-approved project is later found to have harmed the community or overstated the resulting mitigation, the reputational and legal consequences can affect the country's entire carbon market. Whilst the Article 6 framework and/or relevant carbon crediting standard include detailed provisions to safeguard environmental and social integrity, a government can decide to what extent it wishes to be responsible for self-enforcement.

The carbon market has shifted markedly toward integrity and transparency in recent years. The Clean Development Mechanism (CDM), the Kyoto Protocol's crediting mechanism, has been succeeded by the Paris Agreement Crediting Mechanism (PACM), designed with stronger safeguards from the outset, including an Appeals and Grievance Procedure, adopted by the mechanism's Supervisory Body in May 2024 to give stakeholders affected by a decision a formal route to challenge it. In independent carbon markets, the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles (CCPs), published in 2023, established a global threshold for high-integrity credits (see Box 4 below), against which individual crediting programmes and methodologies have been and continue to be assessed[23]. CCP-Eligible programmes now cover roughly 98% of the voluntary market by volume, though a far smaller subset of credits has so far earned the CCP label at methodology level[24]. Both these developments give governments a stronger, more credible foundation to build domestic regulation on, rather than starting from first principles. Governments can also use the CCP label more generally as a screening tool (e.g. when deciding which independent-market credits are eligible for a national registry, public procurement, or a domestic compliance scheme), without needing to run their own quality assessment.



WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The Ministry of Environment; the national climate authority, the ministerial agency or office responsible for Indigenous Peoples' affairs or social protection, where one exists; any technical or standards-review unit; and Indigenous Peoples, local communities, and civil society organisations directly affected by mitigation activities. Relevant representative bodies should be considered (e.g. Indigenous Peoples' organisations or community associations), often best placed to advise or negotiate on behalf of IPs and LCs.

[23] ICVCM Assessment Status
[24] 45 carbon crediting methodologies have (since May 2024) been approved by the Governing Board as meeting the CCP Assessment Framework, while 24 methodologies did not meet requirements.

BOX 4: ICVCM'S CORE CARBON PRINCIPLES

The Integrity Council for the Voluntary Carbon Market's ten Core Carbon Principles set out what a high-integrity carbon credit requires, grouped into three categories:

- **Governance (4 principles):** effective governance, tracking through a registry system, transparency, and robust independent third-party validation and verification.
- **Emissions impact (4 principles):** robust quantification, no double counting, additionality, and permanence.
- **Sustainable development (2 principles):** sustainable development benefits and safeguards, and contribution to the net-zero transition.

Programmes and credit categories that meet these thresholds can carry the CCP label. A government building its own Article 6.2 framework can reference the CCPs directly as its benchmark for approving carbon crediting standards and methodologies (see point 6.3 below), rather than developing an equivalent framework from scratch.



WHAT YOU NEED TO KNOW

6.1 **Environmental and social safeguards are embedded within the methodological frameworks and requirements of independent carbon crediting standards, and within Article 6 of the Paris Agreement itself,** verified by third-party auditors as part of the standard project cycle. Government responsibility and standard responsibility are not the same thing, however. Day-to-day verification of a standard's safeguards is carried out by the standard itself and its validation and verification bodies, so a government does not need to duplicate that technical work. A government can instead write into its own regulation that meeting an approved standard's safeguards satisfies the equivalent government requirement, avoiding duplicate oversight while still giving the government legal grounds to act, including suspension or revocation.

6.2 **Minimum conditions can be defined independently of what a project's standard already covers.** Defining set national minimum environmental and social requirements that apply regardless of which standard a given project uses gives government one consistent bar to monitor conformance against, rather than multiple. The Article 6.4 mechanism's own Sustainable Development Tool splits this into two broad categories: environmental (energy; air; land and water; ecology and natural resources) and social (human rights, labour, health and safety, gender equality, land acquisition and

involuntary resettlement, Indigenous Peoples, corruption, cultural heritage). A government building its own Article 6.2 framework can use a similar checklist as a starting point, layering in additional requirements that a country's approved carbon crediting standards may not already address. For example, gender equality metrics and alignment with national biodiversity commitments are common gaps. Many countries already have some of this in place through existing law: environmental and social impact assessment requirements, land and resource investment rules, or REDD+ Cancun Safeguards obligations for forest-sector activities. Mapping each of a standard's safeguard requirements against the relevant national law, and flagging where national rules are already equal to or stricter than the standard's helps to identify where and if a government needs to add something, rather than assuming a gap exists by default.

6.3 **Additionality and permanence do not need to be assessed from scratch.** These are technical, resource-intensive questions, and a government does not need its own capacity to answer them project by project. Referencing an established assessment framework, such as the ICVCM's Core Carbon Principles or CORSIA's eligibility criteria, as the benchmark for approving carbon crediting standards and methodologies lets a government rely on existing international scrutiny and reserves its own review capacity for the requirements a standard does not already cover, such as strategic alignment with national policy and NDC achievement.



CASE STUDIES: HOW OTHER GOVERNMENTS ARE APPROACHING THIS



Cambodia

Cambodia's Operations Manual for Article 6 implementation sets eight eligibility criteria for authorisation. Alongside the environmental and social integrity requirements of whichever carbon crediting standard a project uses, it adds national sustainable development criteria across three categories (social enhancement of income and quality of life, technology transfer, and economic benefits) each with its own assessment metric, so "additional requirements" means something specific and checkable.



Peru

Peru's national registry (RENAMI) sets precise criteria that a carbon crediting standard and its methodologies must meet to be recognised, covering methodology robustness, registration and tracking procedures, standard governance, sustainable development criteria, and safeguards, with methodologies separately assessed for transparency, quantification, leakage, and additionality. On that basis, Peru's Ministry of the Environment issued an executive resolution recognising the first standards and methodologies eligible under RENAMI, giving project developers a clear, published answer instead of a case-by-case negotiation.

COMMON MISTAKE TO AVOID

Treating a project's compliance with its carbon crediting standard as if it were the same as compliance with government regulation. This gap may leave a government with no legal basis to act when a standard's own enforcement falls short, since the government never wrote an equivalent requirement into its own law. It is avoidable by deciding explicitly which safeguards the government is enforcing directly, and stating that in approvals and/or authorisation conditions themselves, instead of leaving it implied.

READINESS CHECKLIST	FURTHER READING
☐ Has the government defined which carbon crediting standards are accepted as meeting its environmental and social requirements, and on what criteria? Have we actually checked each approved standard against those criteria, rather than assuming it meets them?	Integrity Council for the Voluntary Carbon Market, Guide to the Core Carbon Principles
☐ Is it stated in regulation which safeguards the government itself is responsible for enforcing, distinct from those enforced by the standard and its verification bodies?	VCMI / Climate Focus, High-Integrity Carbon Projects in the Brazilian Amazon — Practical Guide on Legal Compliance & Socio-Environmental Safeguards
☐ Has the government decided whether FPIC will be a national legal requirement, or left to the standards to implement FPIC at the project level?	UN-REDD, The Country Approach to Safeguards Tool (CAST)
☐ Do authorisation timelines allow for the time consultation and FPIC processes actually take, and what is our exposure if a community says it was not properly	RAISG, COICA & Woodwell Climate Research Center, Caja de Herramientas: Experiencias locales de conservación en la Amazonía

consulted?	(Instituto del Bien Común, 2024)
☐ Do we know which of our authorised activities carry meaningful reversal risk, and what that would do to our NDC accounting if it occurred? If a reversal or safeguard failure happened on a flagship project, is our public response written down in advance, or would it be improvised?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Appendix A.2, "Addressing the risk of Reversals " (pp.184–188)



MODULE 7

COMMUNICATING EFFECTIVELY WITH THE PRIVATE SECTOR

WHAT SHOULD A GOVERNMENT PROACTIVELY DISCLOSE AND COMMUNICATE BEYOND THE UNFCCC'S MINIMUM REPORTING REQUIREMENTS, AND WHO IS RESPONSIBLE FOR MANAGING THE RELATIONSHIP WHEN A DISPUTE WITH A BUYER, STANDARD-SETTER, OR CIVIL SOCIETY ORGANISATION BECOMES PUBLIC?

WHY THIS MATTERS

Private climate finance follows profitability and investor confidence, not goodwill. Article 6 hands most of the technical machinery to standards, registries and international review processes, but it leaves the signalling work to government itself: what to disclose beyond the legal minimum, how to engage the bodies that set the rules investors trust, and how to handle disagreement before it becomes a credibility problem. A 2026 survey of A6IP Center partner organisations[25] spanning project developers, consultants, NGOs, standards bodies, and other institutions engaging with Article 6, found that every single respondent rated the lack of clear legal rules or frameworks from governments as at least moderately challenging, with more than half describing it as very challenging, the most consistently cited barrier in the survey. The same survey also identified clear legal frameworks as the form of government support valued most highly by respondents. Legal frameworks often benefit from more accessible accompanying guidance, and it is important that institutions also provide clarity on a country's overarching approach to Article 6. Decision-makers do not need new institutions to close this gap. They need to decide, deliberately, what they want investors and the broader public to know and be able to verify.

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The DNA or carbon market authority, as the single point of contact for developers and investors; the Ministry of Finance, on investment climate; legal counsel, on complaints and appeals design; and communications staff, to manage the relationship with standard-setters, registries, and civil society when disputes become public.

WHAT YOU NEED TO KNOW

7.1 **Legal clarity is the most consistently cited barrier, and the gap is measurable, not anecdotal.** Beyond legal clarity, the same 2026 survey found that uncertainty over prices and demand, together with difficulties negotiating corresponding adjustments with host governments, were each seen as very challenging by over half of the respondents. By contrast, a general lack of understanding of Article 6 ranked among the least-cited barriers, across the full respondent group (developers, consultants, NGOs, and standards bodies) mentioned by around a quarter of respondents. **Respondents are not confused about Article 6 — they are unconvinced that governments have made the practical decisions needed to make participation workable.**

[25] The Paris Agreement Article 6 Implementation Status Report 2025 Edition

7.2 **Article 6.2 and Article 6.4 operate with very different transparency defaults.** Under Article 6.4, the mechanism's registry publicly tracks activities including both authorised A6.4ERs (Article 6.4 emission reductions) and Mitigation Contribution Units (credits generated but not authorised for use towards another country's NDC or international purpose). Host Parties must publicly explain how participation supports sustainable development. Under Article 6.2, by contrast, transparency operates through several channels, including reporting through CARP and the Article 6 database (initial reports and annual information), published authorisations and Biennial Transparency Reports, although Parties may designate certain information as confidential. The information available to investors and other stakeholders beyond these minimum requirements also depends on national disclosure practices and communication choices.

7.3 **Institutional clarity is itself a form of communication.** Private developers often do not know which government entity to approach at each stage of a project, and some officials still treat mitigation activities as a purely environmental matter, not a development one; a framing that risks cutting a project off from development-bank finance. Naming a single authority responsible for coordinating and communicating carbon market decisions, early, addresses both problems in one step.

7.4 **A government's own decision process needs to be as predictable as its rules.** Beyond policy and regulatory signals, investors specifically look for defined timelines for authorisation decisions and a structured process for complaints and appeals. Where an authorisation could later be revoked or modified, the conditions that would trigger that need to be stated in advance. Guaranteeing that authorisations are binding, while reserving the government's ability to act if circumstances genuinely change, is an important balancing act to get right.

7.5 **Political and fiscal stability read as investment signals just as much as legal design.** Any perceived corruption risk and unexpected changes in authorities (including the revocation of previously granted approvals) raise the cost of capital for developers regardless of how well-designed the underlying legal framework is. The same is true of a levy applied uniformly across projects without reference to their actual profitability: developers will read this as evidence the government has not tested its own rules against real project economics, whether or not the fee itself turns out to be reasonable.

BOX 5: NINE PRIORITY ENABLING CONDITIONS FOR PRIVATE-SECTOR DEMAND

The Beyond Alliance, Emergent and the Symbiosis Coalition, whose members convene a significant share of corporate demand for voluntary carbon credits, identify nine policy conditions that host countries can put in place to unlock private-sector investment. The first six apply market-wide; the final three are specific to **nature-based solutions**:

1. Integrate carbon finance into long-term strategy, so VCM activity aligns with climate and development priorities, with clear implementation pathways and enforcement.

2. Provide clear guidance on corresponding adjustments for VCM and Article 6 interactions — clarifying whether corresponding adjustments will be required for voluntary transactions, and the process for both authorised and non-authorised credits.

3. Define robust, efficient governance for domestic VCM issuance, aligned with internationally recognised standards, with transparent registries and fair benefit-sharing.

4. Promote interoperability with international approaches to reduce fragmentation, including registry compatibility.

5. Create incentive structures for high-integrity projects, with fiscal and non-fiscal incentives and policy stability across political cycles.

6. Clarify local tax treatment of carbon credit transactions to give investors and developers certainty.

7. **Demonstrate land-sector ambition and governance (nature-based solutions) to build investor confidence.**

8. **Ensure equitable, inclusive project development (nature-based solutions) through clear land tenure, carbon rights, and FPIC frameworks for Indigenous Peoples and local communities.**

9. **Define clear REDD+ nesting requirements (nature-based solutions) so project- and jurisdictional-level accounting align, with fair benefit distribution.**

These are not obligations, but rather specific policy signals buyers and investors cite as most influential in their decision to commit capital.

CASE STUDIES: HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Bhutan

Bhutan's Ministry of Energy and Natural Resources, working with the CVF-V20 Secretariat and VCMI under the Carbon Finance Programme, launched a public Carbon Markets Platform designed to improve transparency and lower transaction costs. Its Private Sector Engagement

Guide is an interactive manual that consolidates the country's carbon market policies, process flowcharts, forms, and submission procedures in one place, so a developer or investor can find the applicable rule directly, instead of contacting the ministry for each question[26].

Peru

By publishing the precise criteria a carbon crediting standard and its methodologies must meet to be recognised under RENAMI, and then formally listing which standards qualify, Peru gives every developer and investor the same public answer instead of a private negotiation. The signal is less about the specific criteria chosen and more about the fact that they are published at all.

COMMON MISTAKE TO AVOID

Treating the UNFCCC's minimum reporting requirements as the ceiling of what needs to be disclosed, instead of the floor. A government that discloses only what Article 6.2 strictly requires may be technically compliant while still leaving investors without the specific, practical information they need to price and structure a transaction.

A related mistake is leaving the conditions for revoking or modifying an authorisation undefined until a specific case forces the question. Where developers cannot find out in advance what would trigger a revocation, they price in the uncertainty as risk, even in a country that has never actually revoked an authorisation.

READINESS CHECKLIST

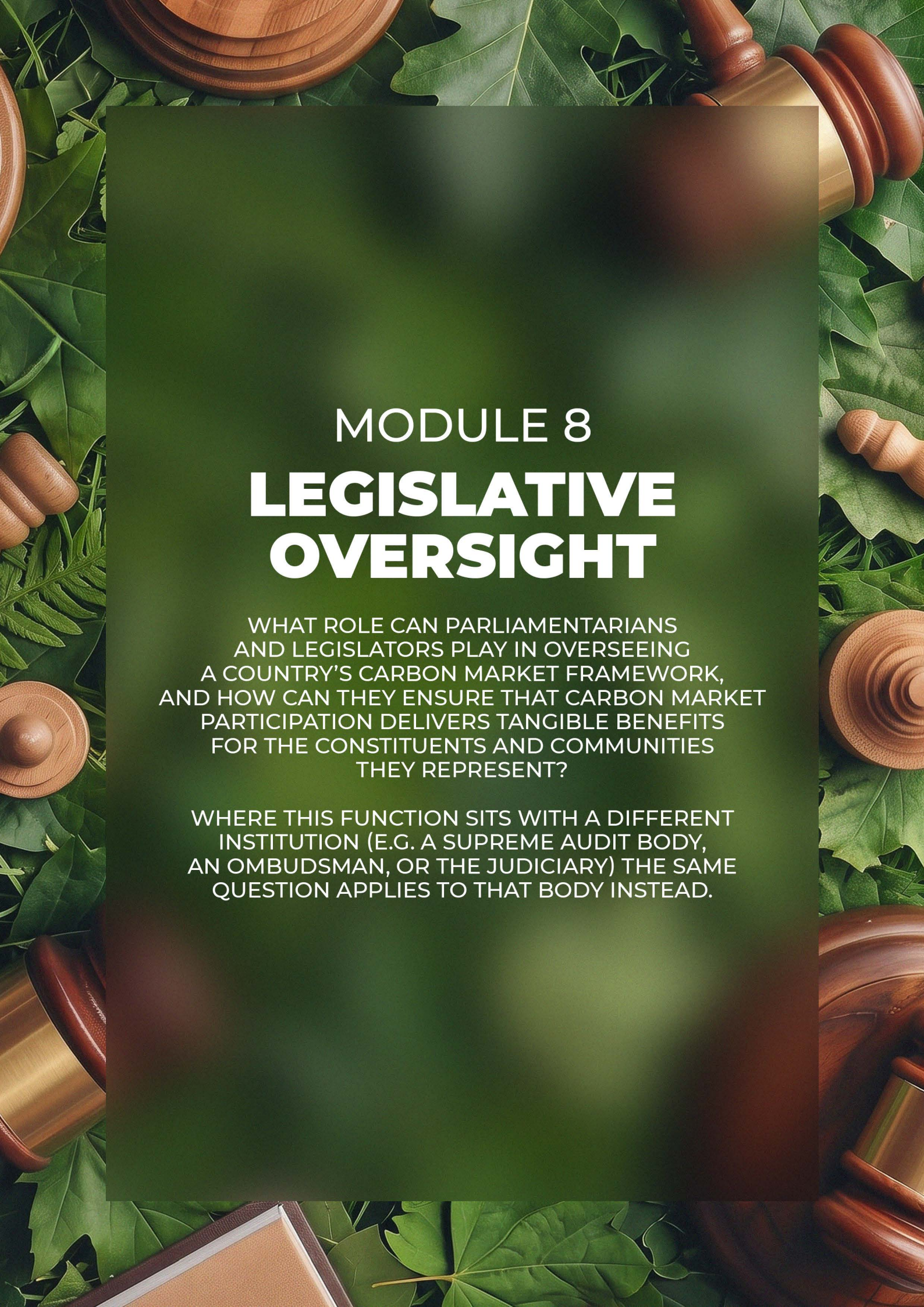
- [ ] Has the government published the processes and requirements it will require for authorisation? Could we hand an investor a public document today, or would we have to explain it case by case?

FURTHER READING

Royal Government of Bhutan, Ministry of Energy and Natural Resources, Carbon Markets Platform — Private Sector Engagement Manual (2026)

[26] Bhutan Carbon Market 2026 Private Sector Engagement Manual

☐ Is there a public, regularly updated registry, dashboard, or engagement platform showing the status of authorised activities and how to apply?	GIZ / Neyen Consulting, Private Sector Engagement in Article 6: Overcoming Barriers to Investment (2025)
☐ Are timelines for authorisation decisions, and a process for complaints or appeals, defined and publicly available? Do we actually meet the timelines we've stated?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 6.2, "Legal Framework Options for Defining Procedures for ITMO Authorization" (pp.137-141)
☐ Are the conditions under which an authorisation could be revoked or modified stated in advance? Could we point to a rule we published, or would it look like an improvised decision?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 6.2, "Procedures for ITMO Authorization" (pp.132–141, revision and revocation provisions)
☐ Beyond the minimum Biennial Transparency Report cycle, has the government decided what it will proactively disclose to build investor confidence? Do we know whether investors perceive us as more transparent than the UNFCCC minimum, or exactly at it?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Appendix C, "Paris Agreement Reporting" Coalition to Grow Carbon Markets (hosted by VCMI), Shared Principles on the Voluntary Use of High-Integrity Carbon Credits (2025)
☐ Which of our fees or levies were set without testing them against real project economics, and would a developer be able to tell?	Beyond Alliance, Emergent & Symbiosis Coalition, Enabling Conditions to Unlock Private Sector Demand in Carbon Markets (2026)
☐ Is there a regular, open channel of communication between the relevant authority and the private sector, with questions and responses documented, archived, and shared with all market participants, rather than answered privately on a case-by-case basis?	Peru's MINAM ("Nuestro Desafío Climático") offers a working example: a published FAQ on RENAMI and the carbon market, backed by an open email query channel.



MODULE 8

LEGISLATIVE OVERSIGHT

WHAT ROLE CAN PARLIAMENTARIANS AND LEGISLATORS PLAY IN OVERSEEING A COUNTRY'S CARBON MARKET FRAMEWORK, AND HOW CAN THEY ENSURE THAT CARBON MARKET PARTICIPATION DELIVERS TANGIBLE BENEFITS FOR THE CONSTITUENTS AND COMMUNITIES THEY REPRESENT?

WHERE THIS FUNCTION SITS WITH A DIFFERENT INSTITUTION (E.G. A SUPREME AUDIT BODY, AN OMBUDSMAN, OR THE JUDICIARY) THE SAME QUESTION APPLIES TO THAT BODY INSTEAD.

WHY THIS MATTERS

Executive-led decisions on authorisation, revenue allocation and benefit-sharing can proceed with limited public scrutiny unless parliament has a clear route to oversee them, and the knowledge and capacity to engage. Parliamentarians occupy a distinct role in carbon market governance: ensuring that national policy genuinely serves the constituents and communities they represent, rather than only the technical priorities of the ministries directly responsible for Article 6 implementation. Which institution performs this function varies by country: in some systems it is a legislature; in others, oversight may sit with a supreme audit institution, an ombudsman, or the judiciary. What matters is not the specific institutional form, but that a body outside the executive has both the mandate and the information to ask these questions.

Effective oversight of a country's overall carbon market framework starts with a consistent set of questions, already covered in detail across Modules 1 to 7 of this handbook, that are just as relevant to parliamentarians exercising robust legislative oversight as to the officials who design and implement carbon market policy

- What is the government's overall strategy for carbon market engagement, and how does it align with the NDC? (Module 1b)
- What is the process for deciding whether to authorise an activity, and who is accountable for that decision? (Module 2)
- How are carbon market revenues classified, taxed and allocated? (Module 3)
- What benefit-sharing arrangements exist for affected communities? (Module 5)
- What environmental and social safeguards are required, and how is compliance monitored? (Module 6)

Parliamentary oversight is not a separate body of knowledge; it is the practice of asking these same questions from outside the executive.

WHO SHOULD BE INCLUDED IN THESE DISCUSSIONS?

The relevant parliamentary committee (environment, finance, or both); the DNA or carbon market authority, as the body reporting to parliament; the Ministry of Finance, on revenue visibility; and the Auditor-General's office or equivalent oversight body. Where a country's institutional arrangements place this function elsewhere, the equivalent independent oversight body (e.g. a supreme audit institution or a judicial review mechanism) fills the same role.

WHAT YOU NEED TO KNOW

8.1 **The legal instrument chosen for a carbon market framework determines how much parliamentary oversight is built in.** Frameworks established through legislation, requiring parliamentary debate and approval, create a more durable and visible oversight point than those established through executive instruments such as decrees or ministerial regulations, where parliamentary involvement may be limited to general budget or treaty-ratification processes. The same logic applies regardless of which institution performs the oversight function: a framework's legal form shapes how much external scrutiny is built in from the outset, not only how much parliament specifically sees.

8.2 **Disclosure obligations differ markedly between Article 6.2 and Article 6.4.** Article 6.4, as a centralised, UN-supervised mechanism, carries more built-in public reporting requirements. Article 6.2 bilateral agreements can proceed with comparatively little mandatory disclosure, leaving parliamentarians more reliant on requesting information directly from the executive.

8.3 **Benefits for constituents extend well beyond monetary revenue.** Levies, taxes, and other authorisation-related revenue flow to government, not directly to constituents — but government revenue is only part of the picture in judging whether carbon market activity benefits the people it is meant to serve. Land rights, project ownership structures, and the capacity of local communities to participate meaningfully in consultation and Free, Prior and Informed Consent (FPIC) processes matter just as much. Kenya's Climate Change (Carbon Markets) Regulations, 2024, for example, require land-based projects to direct at least 40% of prior-year earnings to a community development agreement, a concrete illustration of what a mandated, non-discretionary benefit-sharing floor can look like.

8.4 **Effective oversight often requires actively requesting information, not assuming it is already public.** Details such as authorised volumes, the terms of individual Letters of Authorisation, and how carbon revenues are allocated are not always published proactively. Parliamentary committees may need to establish standing reporting requirements rather than relying on ad hoc disclosure.



CASE STUDIES:
HOW OTHER GOVERNMENTS ARE APPROACHING THIS

Table 5. Country case studies on carbon market legislation – V20 members and beyond to present the global context

COUNTRY	GOVERNMENT APPROVAL / LEGAL INSTRUMENT	NATURE OF INSTRUMENT	STATUS
Ghana	Ghana's Article 6.2 Framework – endorsed by Cabinet as the Government's policy document	Cabinet-endorsed policy/framework	Approved
Egypt	Prime Minister's Decree (4664/2022) amended the Capital Market Executive Regulations and recognised carbon credits as financial instruments; FRA subsequently established the Carbon Credits Regulatory Committee	Prime Minister's Decree + financial-market regulation	Approved
Ethiopia	Ethiopian Carbon Market Proclamation	Proclamation/ legislation	Parliament approved June 2026; promulgation/ in-force status should be checked separately
Kenya	Climate Change (Amendment) Act 2023 + Climate Change (Carbon Markets) Regulations, 2024, Legal Notice No. 84	Act + subsidiary regulations	Approved and in force

Rwanda	National Carbon Market Framework (2023) + Manual of Procedures + 2026 Ministerial Instructions on fees	Government policy/framework + procedures + ministerial instrument	Operational framework: Rwanda National Carbon Market Framework Ministerial instructions on fees
Tanzania	Environmental Management (Control and Management of Carbon Trading) Regulations, G.N. 721 of 2023	Ministerial regulations under environmental legislation	Approved and in force
Togo	Decree No. 2023-034/PR of 15 March 2023 on Carbon Mechanisms	Presidential decree	Approved
Uganda	National Climate Change (Climate Change Mechanisms) Regulations, 2025	Regulations	Approved/launched
Zambia	Green Economy and Climate Change Act No. 18 of 2024 + Carbon Market Regulations, Statutory Instrument No. 5 of 2026	Act + regulations	Approved/in force
Zimbabwe	Carbon Credits Trading (General) Regulations, 2023 – S.I. 150 of 2023, subsequently amended	Statutory regulations	Approved/in force
Bhutan	Carbon Market Rules of the Kingdom of Bhutan, 2023 + Carbon Markets Policy/	Rules + policy/framework	Operational framework

	Framework 2025		
Indonesia	Presidential Regulation No. 98/2021 on Carbon Economic Value (NEK)	Presidential Regulation	Approved/in force
Lao PDR	Decree on Carbon Credit, 28 May 2025	Government decree	Approved
Nepal	Carbon Trading Rules, 2082 under the Environment Protection Act 2019	Government rules/ regulations	Approved and gazetted
Pakistan	Policy Guidelines for Trading in Carbon Markets – Federal Cabinet approval	Federal Cabinet policy guidelines	Approved; implementation regulations still developing
Thailand	International Carbon Credit Guidance, approved by Cabinet on 26 August 2025	Cabinet-approved guidance	Approved
Uzbekistan	Presidential Decree PD-110 – Measures for Participation in the International Carbon Units Market	Presidential decree	Approved
Vietnam	Decision No. 232/QD-TTg, 24 January 2025 approving the Scheme for Establishment and Development of the Carbon Market	Prime Ministerial decision	Approved; detailed regulations still being developed
The Bahamas	Climate Change and Carbon Market Initiatives Act, 2022 + Carbon Credit Trading Act,	Acts of Parliament, requiring parliamentary	Approved

	2022	approval	
Paraguay	Law No. 7190/2023 – Law on Carbon Credits	National law	Approved

COMMON MISTAKE TO AVOID

Assuming that because a country participates in Article 6, its parliament already has visibility into how authorisation decisions are made and how resulting revenues are used. Where the carbon market framework rests on executive instruments alone, parliamentary oversight can lag years behind market activity unless legislators proactively request reporting.

READINESS CHECKLIST	FURTHER READING
☐ Was our carbon market framework established through legislation, or through executive instruments alone? If the latter, what oversight mechanism exists for parliament?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), section 2.2, "Selecting a Legal Instrument" (pp.30 –32)
☐ Do we know which Article 6 modality (6.2 or 6.4) our country is primarily engaging with, and therefore what level of disclosure is legally mandated versus discretionary?	UNFCCC, Article 6 Implementation Resources (CMA decisions; Art. 6.2 & 6.4 guidance)
☐ Has parliament established a standing requirement for the executive to report on authorised volumes, LoA terms, and revenue allocation, rather than relying on ad hoc requests?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), "Coordination and transparency" (p.166)



☐ Do we understand how carbon revenues are being allocated, and whether that allocation is visible to parliament and the public? (See Module 3 — Taxation, Fees, and Revenue Optimisation).	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (World Bank, 2026), Table 6.6, "Legal Framework Options for Allocating Levy Revenues" (p.154-155)
☐ Have we confirmed that affected communities have the land rights, project ownership clarity, and capacity needed to participate meaningfully in FPIC and consultation processes?	VCMI Carbon Markets Access Toolkit, p.89, "10 benefit sharing recommendations"
☐ Is there a mechanism for communities and constituents to raise concerns about a carbon project, and does parliament have visibility into how those concerns are resolved?	Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets, (World Bank, 2026), Table 7.3, "Legal Framework Options for Defining Dispute Resolution Procedures" (pp.175 - 176)



GLOSSARY

The definitions below are drawn directly from the glossaries of the VCMI Carbon Markets Access Toolkit and the World Bank's Legal & Regulatory Reform Toolkit for High-Integrity Carbon Markets (2026).

TERM	DEFINITION
Additionality	Additionality is the concept that the emission reductions or removals (ERRs) resulting from a mitigation activity would not have occurred in the absence of the mitigation activity.
Article 6	A section of the Paris Agreement, under the UN Framework Convention on Climate Change, which consists of nine paragraphs providing principles for how countries can "pursue voluntary cooperation", including through international carbon markets, to reach their climate targets, as well as additional context to support its implementation.
Article 6.2	Article 6.2 provides the foundation for countries to trade internationally transferred mitigation outcomes (ITMOs) bilaterally.
Article 6.4	Article 6.4 creates a centralised mechanism — the Paris Agreement Crediting Mechanism (PACM) — for carbon credit trading.
Article 6.8	Article 6.8 provides opportunities for countries to collaborate through non-market-based approaches for climate action.
Authorisation	Authorisation is the formal process by which a Party permits specified mitigation outcomes to be used/transferred for an authorised purpose, such as use towards another Party's NDC or for other international mitigation purposes. Once the applicable first-transfer event occurs, the mitigation outcome becomes an ITMO. Authorisation must follow specific procedures established under Article 6.2 guidance and the Article 6.4 rules, modalities and procedures (RMPs), and includes the authorisation of the cooperative approach, the ITMOs, and the entity(ies).
Benefit sharing	Benefit sharing includes the distribution of monetary and/or nonmonetary benefits resulting from a mitigation activity with the relevant beneficiaries in accordance with a benefit-sharing arrangement.
Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)	In 2016, the International Civil Aviation Organization (ICAO) adopted a global market-based mechanism, CORSIA, to address carbon dioxide emissions from international aviation. CORSIA is the first global market-based measure for any sector and represents a cooperative approach that moves away from a "patchwork" of national or regional regulatory initiatives through the implementation of a global scheme that has been developed through consensus among governments, industry, and international organizations. CORSIA aims to stabilize, from 2021, international civil aviation CO2 emissions at 2019 levels, including through the use of carbon credits that are determined by ICAO to meet the CORSIA Emissions Units Eligibility Criteria.

CDM	CDM means the Clean Development Mechanism, which was established under Article 12 of the Kyoto Protocol to assist developing countries in achieving sustainable development by allowing entities from Annex I Parties to participate in low-carbon activities in non-Annex I Parties and obtain certified emission reductions in return.
CMA	CMA stands for the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, which oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation. All countries that are Parties to the Paris Agreement are represented at the CMA, while countries that are not Parties are able to participate in the CMA as observers, but without the right to take decisions.
Conditional NDC / Unconditional NDC	Unconditional NDC targets are those a country commits to meet with domestic resources and existing international support alone; conditional targets are more ambitious goals pursued only with additional international finance, technology transfer, or capacity-building support.
Core Carbon Principles (CCPs)	Ten fundamental, science-based principles for identifying high-quality carbon credits developed by ICVCM.
Corresponding adjustment	An accounting rule under the Paris Agreement's Article 6 to ensure that, when a country transfers a mitigation outcome internationally, emissions reductions or removals are not counted by the country that agreed to transfer them.
Designated National Authority (DNA)	DNA means Designated National Authority, which a Party to the Paris Agreement assigns as the entity responsible for the Party's participation in the PACM. The Article 6.4 rules, modalities and procedures (RMPs) require countries to designate a national authority responsible for a Party's participation in the PACM and communicate that designation to the UNFCCC secretariat.
Emissions trading system (ETS)	An ETS is a compliance carbon market mechanism also known as cap-and-trade that requires regulated entities which emit GHGs into the atmosphere to trade emissions (as permits or allowances) amongst themselves. Reducing the cap over time encourages more cost-efficient emission reductions.
Free Prior and Informed Consent (FPIC)	Consent for any project, plan or action given in advance and independently decided upon and informed – based on accurate, timely and sufficient information provided in a culturally appropriate way.
Greenhouse Gas (GHG)	Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation

	emitted by the Earth's surface, the atmosphere itself, and by clouds. This property causes the greenhouse effect.
Host country	The country in which a carbon credit project, program or intervention is geographically located.
Independent carbon markets	Marketplaces in which the transactions of carbon credits take place outside of government-regulated or government-mandated frameworks. Independent carbon market transactions include purchase of carbon credits with the intent to resell or retire to meet carbon neutral or other environmental claims. Voluntary carbon markets are independent carbon markets.
Integrity Council for the Voluntary Carbon Market (ICVCM)	An independent governance body that establishes and maintains an internationally recognised threshold for integrity in the carbon market. ICVCM's Core Carbon Principles (CCPs) set an international threshold for high-quality carbon credits. ICVCM assesses carbon crediting standards and methodologies for adherence to the CCPs.
Internationally transferred mitigation outcome (ITMO)	The term 'Mitigation Outcome' (MO) is used in Article 6 of the Paris Agreement to characterize the emission reductions and removals that are authorized, transferred between, and potentially used by Parties toward NDCs (or under schemes like CORSIA). They represent ex-post emission reductions or removals of greenhouse gases determined by quantifying a baseline for emissions within a given boundary and then measuring how much a given intervention avoids, reduces, or removes and sequesters carbon from the atmosphere, for example through the application of procedures and methods administered by underlying emission trading schemes and carbon crediting mechanisms. An ITMO is an authorised MO that has undergone the applicable first-transfer event; it is subject to a corresponding adjustment and can be transferred internationally and counted towards the NDC of another country or used for other mitigation purposes.
Letter of Authorization (LoA)	LoA means a Letter of Authorisation, which is the formal document through which a country authorises a carbon credit for international transfer under Article 6.2. The LoA may authorize the cooperative approach, ITMOs, and/or participating entities, as appropriate.
Measurement, reporting and verification (MRV)	A GHG emissions-related MRV process refers to estimating, reporting and verifying actual emissions over a specified time period.
Nationally Determined Contributions (NDCs)	The national climate plan put forward by a Party to the Paris Agreement, including climate-related targets, policies, and measures the government aims to implement in response to climate change and as a contribution to global climate action.

Negative list	A negative list defines activities deemed not approved by the country for generating ITMOs.
Overselling	A situation where a country authorises the international transfer of more mitigation outcomes than it can afford to give up without falling short of its own NDC targets.
Paris Agreement Crediting Mechanism (PACM)	Article 6.4 creates the Paris Agreement Crediting Mechanism (PACM). The PACM allows countries and authorized entities to trade units (e.g., carbon credits) through a centralized market that is overseen by the UNFCCC. An inter-governmental Supervisory Body for the Mechanism (SBM) approves methodologies, registers projects, and manages the registry, among other responsibilities.
Positive list (Whitelist)	A positive list — also sometimes referred to as a whitelist — defines activities explicitly approved by the country for generating ITMOs. Examples: India, Sri Lanka, Bhutan.
Registry	A database of carbon credits and their transactions used to track issuance and transfer of legal title through a unique identifier. Registries are where credits are retired/cancelled.
Regulated (carbon) market	A market through which regulated entities obtain and surrender emissions permits (allowances) or carbon credits in order to comply with a regulatory policy or measure. Regulated markets include cap-and-trade and domestic carbon tax schemes (e.g., European Union Emissions Trading Scheme, California cap-and-trade, Colombia's carbon tax) and sectoral schemes (e.g., Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)). Also known as compliance markets.
Safeguard	A safeguard is a measure to ensure that mitigation activities do not cause harm to communities and ecosystems. Safeguards of this kind are often referred to as environmental and social safeguards.
UNFCCC	UNFCCC stands for the UN Framework Convention on Climate Change, which is an international legal framework adopted in June 1992 at the Rio Earth Summit to address climate change by stabilizing GHG concentrations at a level that would prevent dangerous anthropogenic interference with the climate system.
Voluntary carbon markets (VCMs)	Marketplaces in which transactions of carbon credits are done voluntarily, rather than with the intention to use credits in a government-mandated carbon market. VCM transactions include purchase of carbon credits with the intent to resell or retire to meet carbon neutral or other environmental claims.

Voluntary Carbon Markets Integrity Initiative (VCMI)	An independent, international initiative with a mission to enable high integrity voluntary carbon markets that deliver real and additional benefits to the atmosphere, help protect nature and accelerate the transition to ambitious, economy-wide climate policies and regulation.

ANNEX

MAPPING OF EXISTING KNOWLEDGE PRODUCTS ON ARTICLE 6

PURPOSE

This annex brings together a non-exhaustive list of the knowledge products that are considered most relevant for policymakers involved in Article 6 decision-making. It helps decision-makers quickly find the right resource for a specific topic. The annex is based on a broader mapping of available resources, which is maintained separately with more detailed information on each product.

Beyond its use as a printed reference, this mapping is also designed to function as a curated source for policymakers and their teams using AI assistants. Rather than serving as training data, the mapping can be provided as context (e.g. uploaded as a reference document or connected via an organisation's own tools) so that when officials ask carbon market questions through an AI assistant, the answers draw on VCMI and CVF-V20 vetted, technically accurate resources rather than the more variable material available across the open web.

SCOPE & SELECTION

The annex includes resources considered most useful for governments, covering official guidance, readiness and strategy tools, legal and regulatory issues, finance, integrity standards, safeguards and inclusion, data platforms, and selected analysis.

HOW THIS ANNEX IS ORGANISED

A. Foundational rules, official guidance, and global carbon market overview (UNFCCC and bodies) — the primary, authoritative references on what Article 6 and CORSIA require, as well as global carbon markets status updates.
B. National carbon market readiness & Article 6 strategy — tools to diagnose readiness gaps and design a national carbon market approach.
C. Legal & regulatory reform — guidance for building the legal and institutional foundations.
D. Market integrity, standards & corporate guidance — what 'high-integrity' means on the supply and demand side.
E. Financial-sector integration — how financial regulators and institutions can integrate carbon credits into existing frameworks.
F. Private-sector demand & transactions — how to attract investment and understand the buyer side.
G. Safeguards, Indigenous Peoples & local communities, gender & social inclusion — for embedding social integrity, FPIC and equitable benefit-sharing.
H. Data platforms, pipelines & trackers — live data to monitor activity, benchmark and inform decisions.
I. Research, analysis & further reading — independent analysis useful for stress-testing decisions.

A. FOUNDATIONAL RULES, OFFICIAL GUIDANCE, AND GLOBAL CARBON MARKET OVERVIEW (UNFCCC AND BODIES)

ORGANISATION	TITLE	WHAT TO USE IT FOR
UNFCCC	Article 6 Implementation Resources	The authoritative rulebook: CMA decisions and official guidance governing Article 6.2 cooperative approaches and the Article 6.4 mechanism (PACM). Use this to confirm what the rules actually say.
World Bank	State and Trends of Carbon Pricing 2026	Tracks developments across direct carbon pricing, including emissions trading systems, carbon taxes, and carbon crediting mechanisms.
World Bank / Partnership for Market Implementation (PMI)	Knowledge Centre - All Resources	Flagship knowledge products for governments designing carbon pricing instruments and integrating them with Article 6.
International Carbon Action Partnership (ICAP)	ICAP ETS Map & Status Report	Interactive global map and annual status report benchmarking emissions trading systems worldwide — the standard reference for how compliance carbon pricing is designed elsewhere.
A6IP Center (IGES; Ministry of the Environment, Japan)	Paris Agreement Article 6 Implementation Status Report (A6ISR)	Annual benchmark of where Article 6 stands worldwide — authorisations, bilateral agreements and PACM activity — to position your country against peers.
ICAO (CORSIA)	CORSIA Implementation Elements	Reference if your country intends to supply credits to international aviation demand under CORSIA: eligibility, MRV and host-country requirements.

B. NATIONAL CARBON MARKET READINESS & ARTICLE 6 STRATEGY

Tools to diagnose readiness gaps and design a national carbon market approach.

ORGANISATION	TITLE	WHAT TO USE IT FOR
VCMI	VCMI Carbon Markets Access Toolkit	Flagship step-by-step guidance on whether, why, when and how to engage with regulated, voluntary and Article 6 markets (EN/FR/ES/PT).
VCMI (with World Bank, A6IP, GGGI, GIZ, ICVCM, UNDP, UNFCCC)	Country Guidance for Navigating Carbon Markets	Non-prescriptive support for navigating key policy choices — from whether and how to authorise credits, to how credits can be used and what institutional systems are needed to support implementation.
World Bank, VCMI, A6IP. UNDP, GGGI, ICVCM	Navigating Decisions on Carbon Markets	High-level guidance document offering structured questions to guide the development of a host country's carbon market strategy, and a clear entry point to the most relevant tools and resources provided by Technical Assistance partners for countries to engage in carbon markets.
UNDP	High-Integrity Carbon Markets Toolkit	Modular, multilingual toolkit and curated knowledge hub (start with 'Carbon Markets 101'); also the entry point for UNDP technical assistance to host countries.
NDC Partnership (with Perspectives Climate Research)	Article 6 Readiness Toolkit	Excel-based self-assessment to diagnose your country's readiness gaps and priorities across five building blocks (strategy, legal, institutional, operational, infrastructure).
Global Green Growth Institute (GGGI)	Article 6 Toolbox Guides	Six guidebooks on ambition, host-party strategy, institutional frameworks, integration with carbon pricing, and activity screening/development.
GIZ	The Article 6 Capacity Building Toolbox	Compilation of courses, guidance and studies to strengthen institutional, policy and strategic capacity.

UNEP Copenhagen Climate Centre	The Integrated Assessment for Article 6: The IAA6 Approach	South-South methodology (piloted in Peru, Sri Lanka, Tanzania) to align an Article 6 strategy with NDCs and SDGs using open-source modelling.
CCAP	Progress Report on the Operationalization of Article 6 in Latin America	Regional stocktake of bilateral agreements, institutional capacities and social-integrity safeguards across Latin America.
INFRAS, SEI, Carbon Limits, Oeko-Institut	Practical strategies to avoid overselling	Practical strategies to avoid transferring so many mitigation outcomes that you miss your own NDC target — directly relevant when setting a national authorisation strategy.
UNFCCC RCC MENA South Asia	Country Case study: Article 6 Operationalization in Iraq: Institutional Setup – Guidelines	Institutional setup for Article 6 in Iraq, aligning with existing regulatory frameworks on carbon markets and developed through engagement with Iraqi stakeholders and institutions

C. LEGAL & REGULATORY REFORM

ORGANISATION	TITLE	WHAT TO USE IT FOR
World Bank	Legal and Regulatory Reform Toolkit for High-Integrity Carbon Markets	Practical options for legal/regulatory reform — governance, authorisation, oversight, registries, legal definitions, institutional coordination — with an AI chatbot to navigate questions (launched May 2026).
UNIDROIT	Draft Unidroit Principles on the Legal Nature of Verified Carbon Credits	The UNIDROIT Draft Principles on the Legal Nature of Verified Carbon Credits (2026) establish a harmonised private-law framework for VCCs, providing legal certainty on their creation, ownership, transfer, retirement, custody, security interests, registries and insolvency treatment to support the development and scaling of carbon markets.

D. MARKET INTEGRITY, STANDARDS & CORPORATE GUIDANCE

What 'high integrity' means on the supply and demand side, and how credits are labelled.

The list below covers the standards and registries most frequently referenced in Article 6 authorisation frameworks. It is not exhaustive of every crediting standard on the market; it is limited to those with explicit Article 6 / corresponding-adjustment guidance, to avoid the annex reading as an endorsement of any one standard over comparable alternatives.

ORGANISATION	TITLE	WHAT TO USE IT FOR
ICVCM	The Core Carbon Principles	Benchmark for what counts as a high-integrity credit — useful when setting national supply-side quality expectations.
ICVCM	Core Carbon Principles Assessment Framework and Procedure	The detailed criteria used to assess crediting programmes and methodologies against the CCPs.
ICVCM	Guide to the Core Carbon Principles (Module 1)	Understanding how high integrity principles can be used in carbon market policymaking.
ICVCM	Core Carbon Principles Impact Report (2025)	Best practices and case studies on how high-integrity carbon projects deliver real, verifiable climate impact.
VCMI	Claims Code of Practice	Rules for credible corporate claims on the voluntary use of carbon credits (v3.0, 2025).
Science Based Targets initiative (SBTi)	The New Corporate Net Zero Standard Version 2.0	Where corporate demand is heading: the Ongoing Emissions Responsibility (OER) framework recognises high-integrity credits, with removals required for large companies from 2035 (final, June 2026).
Coalition to Grow Carbon Markets (hosted by VCMI)	Shared Principles for Growing High-Integrity Use of Carbon Credits by Companies and Other Buyers	Government-backed six-pillar framework for corporate use of high-integrity credits (launched at COP30, 2025).

University of Oxford	The Oxford Offsetting Principles	Widely cited principles for credible, science-based offsetting (revised 2024).
Verra	Updated Article 6 and CORSIA Label Guidance, New Buyer Resource	How VCS-issued credits obtain Article 6/CORSIA labels and the corresponding-adjustment authorisation process.
Gold Standard	Article 6 and CORSIA Labelling - Step-by-step guide	Practical walkthrough of labelling and authorisation steps for credits.
ART (Architecture for REDD+ Transactions)	The REDD+ Environmental Excellence Standard (TREES) 3.0	Jurisdictional REDD+ standard; companion FAQ clarifies how TREES credits relate to Article 6 and double-counting (v3.0, 2026).
Climate Action Reserve (CAR)	Program Manuals and Policies	The Reserve Offset Program Manual is the core governance document setting out the Reserve's guiding principles, project accounting rules, registration and credit-issuance procedures, and its process for developing project protocols

E. FINANCIAL SECTOR INTEGRATION

ORGANISATION	TITLE	WHAT TO USE IT FOR
Clean Cooking Alliance	Financial Regulatory Pathways for Scaling Carbon Markets	How financial regulators (banking, insurance, ESG disclosure) can integrate carbon credits into existing financial frameworks to help markets scale.
Clean Cooking Alliance / VCMI (with FSD Africa)	Regulatory Sandbox to Support Carbon Markets	How-to guide for regulators to test market innovations (e.g. tokenised credits, carbon-credit-linked bonds, blockchain registries) in a controlled, evidence-based way (2026).

Asian Development Bank (ADB)	Climate Action Catalyst Fund	Reference model for up-front Article 6 carbon finance — eligibility criteria and operational framework useful when designing similar mechanisms.
Global Green Growth Institute (GGGI)	Carbon Transaction Facility (CTF)	Reference model for mobilising carbon finance and structuring Article 6 transactions for GGGI member countries.

F. PRIVATE-SECTOR DEMAND & TRANSACTIONS

ORGANISATION	TITLE	WHAT TO USE IT FOR
Beyond Alliance (with Emergent, Symbiosis Coalition)	Enabling Conditions to Unlock Private Sector Demand in Carbon Markets: Policy Considerations for Host Jurisdictions	Nine priority enabling conditions a host government can set to unlock private investment (corresponding adjustments, governance, fiscal incentives, tax treatment, land/REDD+ nesting).
VCMI, Climate Focus	Government Strategies to Mobilize Domestic Carbon Credit Markets	Policy options for building demand, supply and investor confidence domestically.
IETA	Article 6 Hub Resources	A central repository for resources on international carbon markets under Article 6 of the Paris Agreement.
Carbon Market Institute	Knowledge Hub - Australian and Indo-Pacific carbon policy research	Research and analysis on carbon-market policy and practice, with a particular focus on Australia.
Bhutan - Country specific Private sector guidance	Private Sector Engagement Manual	How can the host country present relevant information to the private sector to accelerate carbon market project development in their geographies.

G. SAFEGUARDS, INDIGENOUS PEOPLES & LOCAL COMMUNITIES, GENDER & SOCIAL INCLUSION

ORGANISATION	TITLE	WHAT TO USE IT FOR
Global Green Growth Institute (GGGI)	Promoting Gender Equality and Social Inclusion in Article 6 Carbon Markets: An Explainer	High-level overview of how Article 6 finance can advance equitable, inclusive outcomes, plus a buyer/seller-country readiness survey on GESI.
UK Work and Opportunities for Women (WOW) programme	Integrating gender into the design, implementation and monitoring of carbon credit projects	Guidance document on strengthening gender equity in carbon markets.
VCMI / Climate Focus	High-Integrity Carbon Projects in the Brazilian Amazon	Best-practice guide on legal compliance (incl. Brazil's SBCE), land rights, FPIC and benefit-sharing; developed with the states of Acre and Rondônia.
UN-REDD	The Country Approach to Safeguards Tool (CAST)	Excel-based tool to plan and review national REDD+ safeguards and Safeguards Information Systems (SIS).
UNDP	High-Integrity Carbon Markets Toolkit	Seven-module toolkit (launched November 2025) covering grievance redress mechanisms, equitable benefit-sharing, and social and environmental safeguards — designed to be worked through in sequence by governments, developers and communities.
UN-REDD	REDD+ Academy Learning Journals	Modular, practitioner-oriented learning materials covering REDD+ fundamentals — including dedicated journals on forest carbon markets, safeguards, social inclusion and gender, and nesting approaches — useful as an introductory or refresher training resource for officials new to REDD+.
Forest Trends	Pioneering Finance for Conservation	Educational brochures making complex climate finance concepts accessible for Indigenous Peoples and local communities, with real-world examples. Also in Portuguese, Spanish.

Forest Peoples Programme	Carbon Markets, Forests and Rights: An introductory series for Indigenous Peoples and communities	Explainers to support Indigenous Peoples and communities in making informed decisions on carbon markets. Also in French, Indonesian, Portuguese, Spanish.
Rainforest Foundation US	Carbon Markets and Our Rights: A guide for Indigenous Peoples and Local Communities	A six-part animated series to demystify the market and equip communities to protect their rights. Also in French, Portuguese, Spanish.
The Nature Conservancy	Beyond Beneficiaries: Fairer Carbon Market Frameworks	Identifies current benefit-sharing frameworks, addresses gaps, and highlights solutions for robust partnerships with Indigenous Peoples and local communities.
Öko-Institut	Assessing the transparency and integrity of benefit sharing arrangements related to voluntary carbon projects	First evaluation of how benefit-sharing arrangements are treated and implemented in the VCM.
UN-REDD	Technical Resource Series 1: REDD+ Safeguards information Systems: practical design considerations	UNFCCC safeguards requirements for REDD+, with a focus on Safeguards Information System (SIS) design.
FCPF, UN-REDD	Guidance Note for REDD+ Countries: Establishing and Strengthening Grievance Redress Mechanisms	Helps countries build capacity for grievance resolution on contentious issues, complaints, and disputes in the REDD+ context.
UN-REDD	Guidelines on Free, Prior and Informed Consent	Normative, policy and operational framework for countries to seek FPIC in the context of REDD+.

H. DATA PLATFORMS, PIPELINES & TRACKERS

ORGANISATION	TITLE	WHAT TO USE IT FOR
UNEP Copenhagen Climate Centre	Article 6 Pipeline	Open-data platform tracking Article 6.2 and 6.4 (PACM) activity globally, with interactive maps and country dashboards (launched 2026).
UNFCCC Secretariat	Centralized Accounting and Reporting Platform (CARP) & Article 6 Database — Cooperative Approaches	The official UNFCCC public record of Article 6.2 cooperative approaches: initial reports, Article 6 Technical Expert Review (TER) reports, and cooperative-approach-level reporting submitted by Parties.
CCAP, UNEP & UNFCCC RCC LAC	Regional Observatory of Carbon Markets in Latin America and the Caribbean	LAC observatory with resource library, web series, online courses; including 'De Cero a Experto / From Zero to Expert', an introductory course on pricing instruments, carbon markets and Article 6 mechanisms — and a help desk (EN/ES).

I. RESEARCH, ANALYSIS & FURTHER READING

Independent analysis useful for stress-testing decisions. Retained only where a specific, current product is directly relevant to a topic covered elsewhere in this handbook — not as general repositories.

ORGANISATION	TITLE	WHAT TO USE IT FOR
NewClimate Institute	Carbon markets & Article 6 analysis	Independent monitoring and critique of Article 6 implementation and market-integrity issues — a useful counterpoint when stress-testing a national framework.

Stanford Law School (Steyer-Taylor Center)	Voluntary Carbon Markets: Limitations and Solutions	Academic white paper mapping 37 issues across eight domains, with a 22-point reform agenda (2026).
Stockholm Environment Institute (SEI)	The Carbon Offset Guide: 2025 update	Independent research and the Offset Guide (with GHGMI) on credible carbon-offset use.

BRIEF NOTE ON THIS ANNEX

Several products are recent and continue to be updated; the most current version should be confirmed at the source before citing. Where an organisation has produced more than one relevant product, each product was listed separately.


CO_2
CO_2


CVF
V20
CLIMATE
VULNERABLE
FORUM
VULNERABLE
TWENTY
GROUP


VCMI
Voluntary Carbon
Markets Integrity
Initiative