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Carbon Markets under Article 6 of the Paris Agreement

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The main goal of Article 6 is to establish a framework that enables countries to cooperate in achieving their emission reduction targets and encourages the use of market and non-market mechanisms to facilitate the mitigation of climate change.

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Article 6 of the Paris Agreement describes the provisions relating to setting up a new carbon market.

These provisions allow for two different approaches to carbon trading:

- A nationally determined, bottom up approach under **Article 6.2**
- A centrally managed, top down approach under **Article 6.4**

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Carbon Credits under Article 6.2

- Article 6.2 allows countries to trade emission reductions and removals with one another through bilateral or multilateral agreements.

- These traded credits are called Internationally Transferred Mitigation Outcomes (ITMOs). They can be measured in tCO2e or using other metrics, such as MWh of renewable energy.

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- Each authorised ITMO under Article 6.2 will contribute only towards the Nationally Determined Contributions (NDCs) of the country that purchases the ITMO.

- Countries such as Japan and Switzerland already have concrete frameworks in place to buy this variety of credits and count them towards their NDCs.

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Carbon Credits under Article 6.4

- Article 6.4 talks about a wider carbon market and establishes a project based mechanism where reductions can be bought and sold by anyone.

- Under its provisions, a global carbon market overseen by a United Nations entity, referred to as the “Article 6.4 Supervisory Body” (6.4SB) is being created.

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- Once this mechanism is in place, project developers will request to register their projects with the Supervisory Body.

- These credits, known as A6.4ERs, can be bought by countries, companies, or even individuals.

- A framework for the trading A6.ERs is still under development.

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