



Article 6 Explainer

**QUESTIONS AND ANSWERS ABOUT THE COP DECISIONS
ON CARBON MARKETS AND WHAT THEY MEAN FOR NDCS,
NATURE, AND THE VOLUNTARY CARBON MARKETS**

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Companion Reports



[To Trade or Not to Trade:](#) In this report, the authors discuss key decisions around Article 6 trading, including how countries can evaluate the risks and opportunities Article 6 offers. The report also includes case studies of Article 6 implementation and details the debate around whether and how the voluntary carbon market intersects with Article 6 trading.



[International REDD+ Standards and Financing: Eligibility Requirements:](#) This paper aims to provide a summary of existing opportunities for REDD+ finance, specifically for result-based payments. Financial opportunities for result-based payments are often linked to specific methodological standards. This paper provides an overview of these standards as well.

Feedback

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Acknowledgments

Many thanks to our reviewers for their valuable insight: Maggie Comstock, Kim Myers, Julio Giraldo Bermudez, Mariela Perrone, Breanna Lujan, Rane Cortez, Peter Ellis, Stefanie Simpson, Andrea Bonzanni, Dirk Nemitz, Maggie Ferrato, Pauline Blanc, Amy Steen, Maximiliano Bernal Temores, Subrata Chakrabarty, Anton Tsvetov, John Erik Prydz, and Florence Laloe.

Graphic design by

Puntoaparte
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Cover image: Atharva Tulsi,
unsplash.com

Acronyms

A6.4ERs	Article 6.4 Emission Reductions
AFOLU	Agriculture, Forestry and Other Land Use
ART	Architecture for REDD+ Transactions
CA	Corresponding Adjustments
CDM	Clean Development Mechanism
CER	Certified Emissions Reductions (Kyoto Protocol)
CO₂eq	Carbon dioxide equivalent
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
DNA	Designated National Authority
ER	Emission Reductions
ETS	Emissions trading systems
FCPF	Forest Carbon Partnership Facility
FREL	Forest Reference Emission Level
GCF	Green Climate Fund
GHG	Greenhouse gas
HFLD	High Forest Low Deforestation
IC-VCM	Integrity Council for the Voluntary Carbon Market
IPCC	Intergovernmental Panel on Climate Change
ITMOs	Internationally Transferred Mitigation Outcomes (Article 6.2 units)
JCM	Joint Credit Mechanism
LEAF	Lowering Emissions by Accelerating Forest Finance
LULUCF	Land use, land-use change and forestry
NbS	Nature-based Solutions
NCS	Natural Climate Solutions
NDC	Nationally Determined Contribution
OMGE	Overall Mitigation in Global Emissions
OIMP	Other international mitigation purposes
PNG	Papua New Guinea
RBP	Results-based payments
REDD+	Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks
SOP	Share of Proceeds
TREES	The REDD+ Environmental Excellence Standard
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market
VCMI	Voluntary Carbon Markets Integrity Initiative

Executive summary

The Paris Agreement paved the way for a new era of carbon trading. With the establishment of Article 6, countries can collaborate in achieving their Nationally Determined Contributions (NDCs) by trading carbon credits. At its best, Article 6 offers countries a way to invest in actions outside their borders and raise global ambition to limit temperature rise to 1.5C. However, this is only possible with clear and transparent accounting around what is traded and how countries plan to meet their NDCs.

Countries first established the framework for international carbon trading through Article 6 in late 2021. One year later, at COP27 in Sharm el-Sheikh, additional light has been shed on the process through the establishment of reporting rules, registries, governing bodies, etc. Despite the lack of progress at COP28 in Dubai, there is growing momentum around Article 6.2, with numerous bilateral agreements signed and an increasing number of countries participating as both buyers and sellers. However, lack of domestic regulation has held most countries back from conducting trades. So far, only one transfer has been concluded between Switzerland and Thailand.

Why have trades not yet taken off? Is nature included in Article 6? What about REDD+? How does Article 6 impact the Voluntary Carbon Markets (VCM)? Will all offsets require a corresponding adjustment? How can Article 6 impact NDC achievement? This paper offers straight forward guidance on what was decided at the UNFCCC COPs and dives into the complex implications of Article 6 for NDCs, nature and the VCM.



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What is Article 6?

Host country transfers Article 6.2 units (ITMOs) to **buyer country** through a bilateral agreement

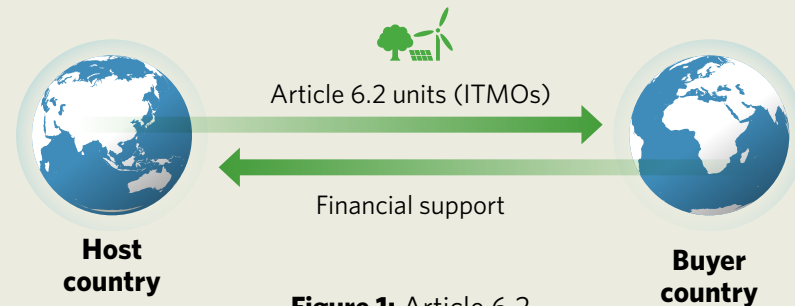


Figure 1: Article 6.2

Article 6.2 (market)

Countries can trade Article 6 units **bilaterally or multilaterally**. Article 6.2 enables a **host country**, that is on track to exceed its NDC target, to trade units to obtain investments, support for capacity building, and access to technologies not available through domestic resources. The **buyer country** purchases these units, known as **ITMOs** (Article 6.2 units), to address any gaps in meeting its own climate goals. Despite growing momentum and numerous bilateral agreements being signed, only [one trade](#) has been concluded to date. This is mostly due to the lack of domestic frameworks to implement Article 6. ([See section on Article 6.2 pilots](#))

Cooperation between countries is expected to take different approaches, and may include links with the private sector and regulated markets (e.g: Emission Trading Systems - ETS). There are currently no limitations on the types of units that can be traded (including sectors, gases, and methodologies), as long as they comply with Article 6.2 requirements, including verification and reporting rules. It will be up to each country to design its policies to operationalize trades.

([See section on Article 6.2 pilots](#))

Host country generates units through a UNFCCC centralized mechanism and transfers them to buyer country and other buyers

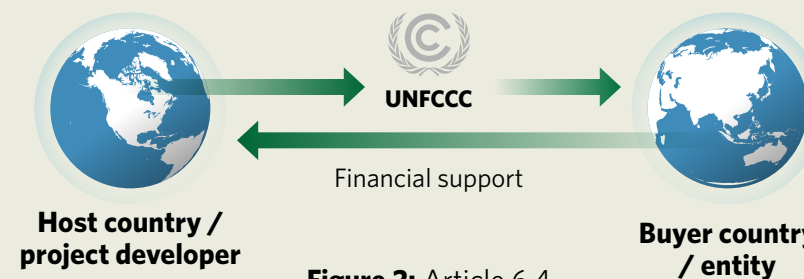


Figure 2: Article 6.4

Article 6.4 (market and non-market¹)

Countries can also trade units overseen by a **centralized** United Nations (UN) body, called Article 6.4 [Supervisory Body](#), which is similar to how the UN's Clean Development Mechanism ([CDM](#)) worked for the Kyoto Protocol. The Supervisory Body will approve methodologies, register projects, manage the registry, etc.

Article 6.4 is known as the [Paris Agreement Crediting Mechanism](#) and serve both market and non-market purposes, depending on how the units are used. In 2022, for the first time, countries introduced a new name for units that are non-authorized for use toward achievement of NDCs or other international mitigation purposes and do not require a corresponding adjustment. These are called **"mitigation contribution"**. These units may be used for various purposes, including results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures². Because the text is not definitive, other uses may also emerge like in corporate voluntary climate targets.

([See section on the VCM and Article 6](#))

UNFCCC web platform could be voluntarily used to facilitate matching projects with financial and technical support available in several focus areas



Figure 3: Article 6.8

Article 6.8 (non-market)

Finally, countries may decide to support (financially or technically) other countries without any expectation of trading carbon credits (non-market approach). Article 6.8 established a framework for the creation of a UNFCCC centralized website where countries and other stakeholders could submit mitigation projects that are being planned and outline where support is needed. This online platform could be voluntarily used to facilitate matching projects with financial and technical support available in several focus areas. Article 6.8 is less defined than Articles 6.2 and 6.4 and there is not much clarity on how the mechanism will influence existing non-market approaches.

Terminology Box 1

Carbon credits		
<p>“Carbon credits” can be referred to in different ways in the Article 6 context. For simplicity and when possible, we will use Article 6 units or carbon credits as general terms, which will encompass the following concepts:</p>		
Mitigation outcome	1 tonne of CO ₂ eq	Under the Paris Agreement, the term Mitigation Outcomes replaces most forms of international carbon credits. Mitigation Outcomes generated in a country could be transferred to another country, thereby becoming Internationally Transferred Mitigation Outcomes (ITMOs) ³ .
ITMOS	1 tonne of CO ₂ eq	Internationally Transferred Mitigation Outcomes (Article 6.2 units)
A6.4ERs	1 tonne of CO ₂ eq	Article 6.4 Emission Reductions Units (Article 6.4 units)
Emissions reductions and removals	1 tonne of CO ₂ eq	Human interventions to mitigate climate change according to the Intergovernmental Panel on Climate Change (IPCC) ⁴ , which may generate Article 6 units
Mitigation contribution 6.4ER	1 tonne of CO ₂ eq	Credits that do not require a corresponding adjustment and are not authorized for use towards achievement of NDCs or for other international mitigation purposes. This new name was introduced for the first time at COP27 and applies only to Article 6.4 units. (See Section on VCM and Article 6)

What are the pros and cons between Articles 6.2 and 6.4?

Article 6.2 is based on bilateral agreements, which provide countries with more flexibility to design their preferred rules and establish quality controls and safeguards, as long as they comply with the Article 6.2 guidance. For instance, all bilateral agreements signed with Switzerland exclude non-greenhouse gases (GHG) metrics. Moreover, countries that aim to move quickly may prefer to use Article 6.2 which is already operational, while the Article 6.4 mechanism is taking longer to be up and running. Also, Article 6.2 has no mandatory fees, while Article 6.4 has mandatory monetary contributions and automatic cancellations.⁵

On the other hand, establishing bilateral agreements under Article 6.2 comes with transactional and political costs, requiring additional time and capacity compared to a more standardized mechanism. All units generated under Article 6.4 go through a centralized body with pre-approved methodologies, making the process and eligibility of these units more predictable. Lastly, the Article 6.4 framework is an update from the Kyoto Protocol's CDM, so some countries could use an updated version of already existing infrastructure to engage. For example, many countries established domestic authorities in the past to approve participation in CDM projects (designated national authorities - DNAs) and could use similar institutional frameworks for Article 6.4 trades.⁶

What happened at COP28 and what's next for COP29?

At COP28, countries failed to adopt decisions concerning Articles 6.2 and 6.4, due to lack of consensus on key issues. This means different things for Article 6.2 and 6.4.

For **Article 6.2**, which is already operational, the lack of progress at COP28 may not significantly impact its implementation. At least in the short term. Although further guidance on reporting rules, registries, and when authorizations can be revised and revoked is important, it did not slow down the growing momentum around Article 6.2. At COP28, numerous new bilateral agreements were signed and more countries started to participate as both buyers and sellers, including Norway, Rwanda and Tunisia. In 2024, Switzerland and Thailand achieved an important milestone becoming the first countries to conclude an Article 6 transaction (first transfer). This highlights that Article 6.2 deals will likely continue to advance, despite uncertainty from the negotiations rooms. ([See section on Article 6.2 Pilots](#))

On the other hand, the failure to adopt decisions has a **much greater impact on Article 6.4**. Without the adoption of recommendations for methodologies, activities involving removals, Article 6.4 remains stalled until new frameworks can be approved, at the earliest, at COP29. In the meantime, project developers, supply countries and investors must wait before starting trading through Article 6.4.

What's next for COP29? The negotiations at COP29 will center on resolving outstanding issues from COP28 and will include:

- **Definition of cooperative approaches:** Article 6.2 allows countries to cooperate through bilateral or multilateral agreements, not imposing limitations on sectors, gases, and methodologies. At COP28, differing views emerged on how much oversight the UN should have over cooperative approaches. Some countries advocated for a more centralized UN supervision, while others feared that revisiting these discussions could undermine agreements made in Glasgow. It is important to note that countries are sovereign and, as such, are entitled to enter into agreements independently of the UN. However, this discussion is important because it would ultimately define whether and how Article 6.2 deals will be recognized under the Paris Agreement. ([See section on what's Article 6](#))
- **Reporting rules:** Countries need to conclude negotiations on the Agreed Electronic Format tables, which provides a standardized way for governments to report on Article 6 transactions. Clear reporting rules will be crucial to ensure transparency and accountability.
- **Registries:** Countries will also seek to find a compromise on how the Article 6.2 and 6.4 registries should interact with the international registry. The international registry will be managed by the UN and was conceived as an alternative to countries without national registries. Some countries advocate for the international registry to be transactional and enable trades. In contrast, others want the international registry to function primarily as a visualization tool, due to concerns around security and cost.

- **Authorizations:** A key issue for discussion at COP29 will be whether authorizations can be amended or revoked after the first transfer. For buyer countries, any changes after the first transfer could undermine predictability of their Article 6 strategies. Conversely, host countries may seek greater flexibility in these transactions. For instance, they might wish to reauthorize a credit originally intended for NDC compliance to be used instead for CORSIA, if pricing is more favorable. Countries will also discuss timing and scope of authorization and the possibility of issuing unilateral authorizations.
- **First Transfer:** The definition of first transfer is clear for transactions between countries for NDC use, but less clear for “other international mitigation purposes”, such as CORSIA, or “other purposes”, such as the voluntary carbon markets. Establishing a clear definition will be important for the application of corresponding adjustments and consistent accounting across different types of transactions. ([See Section on Double Counting](#))
- **Recommendations on methodologies and removals:** The Article 6.4 Supervisory Body will continue to develop recommendations on methodologies and removals to be sent for approval by countries at COP29. ([See Section on Article 6 and Nature](#))

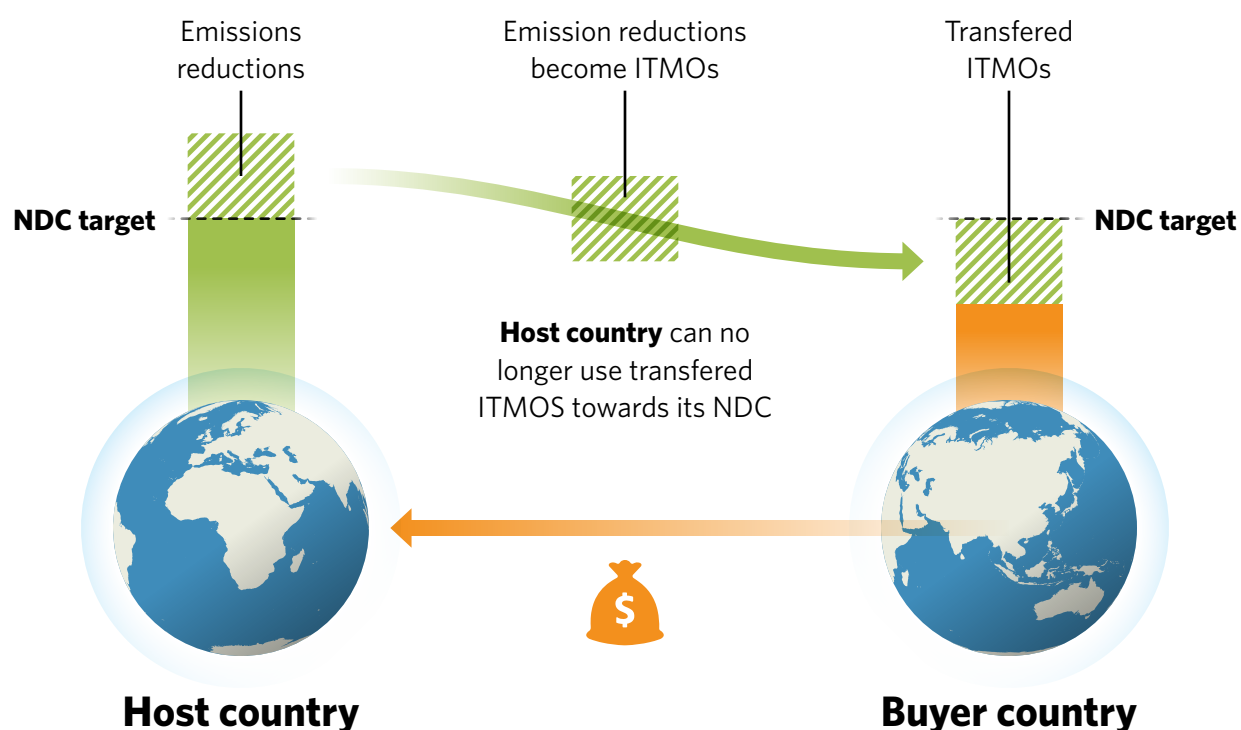
How is double counting addressed?

Article 6 of the Paris Agreement addresses double counting through **corresponding adjustments**, an accounting measure that prevents two countries or entities from counting the same emissions reductions twice. When a credit is sold to another country or a company internationally, the host country must subtract that unit from its own accounting as the buyer adds the **same units** to its commitments. This ensures that emissions reductions are counted only once and prevents the overestimation of mitigation outcomes.

What is an “Authorization” under Article 6? It is a concept first introduced by Article 6.3 of the Paris Agreement which requires countries to “authorize” the use of ITMOs towards NDCs. The concept was further developed at COP26 to become a key component of

Article 6, as it triggers a commitment by the host country to apply a corresponding adjustment, as well as reporting requirements⁷. However, there are still some open questions on exactly *what* an authorization entails: *what* needs to be authorized, *when* an authorization should be provided and *who* in the Government should issue an authorization. Most likely, many of these issues will be defined by national frameworks and/or bilateral deals. At COP29, countries will try to reach consensus on when an authorization can be amended or revoked and provide more clarity on scope and timing of authorizations and whether countries could issue “unilateral” authorizations. These are crucial issues to bring predictability to the market. (See [Section on What’s Next for COP29](#)). Currently, only a few countries have issued authorization statements. Here’s an [example](#) from Switzerland.

Figure 4: How is double counting addressed?

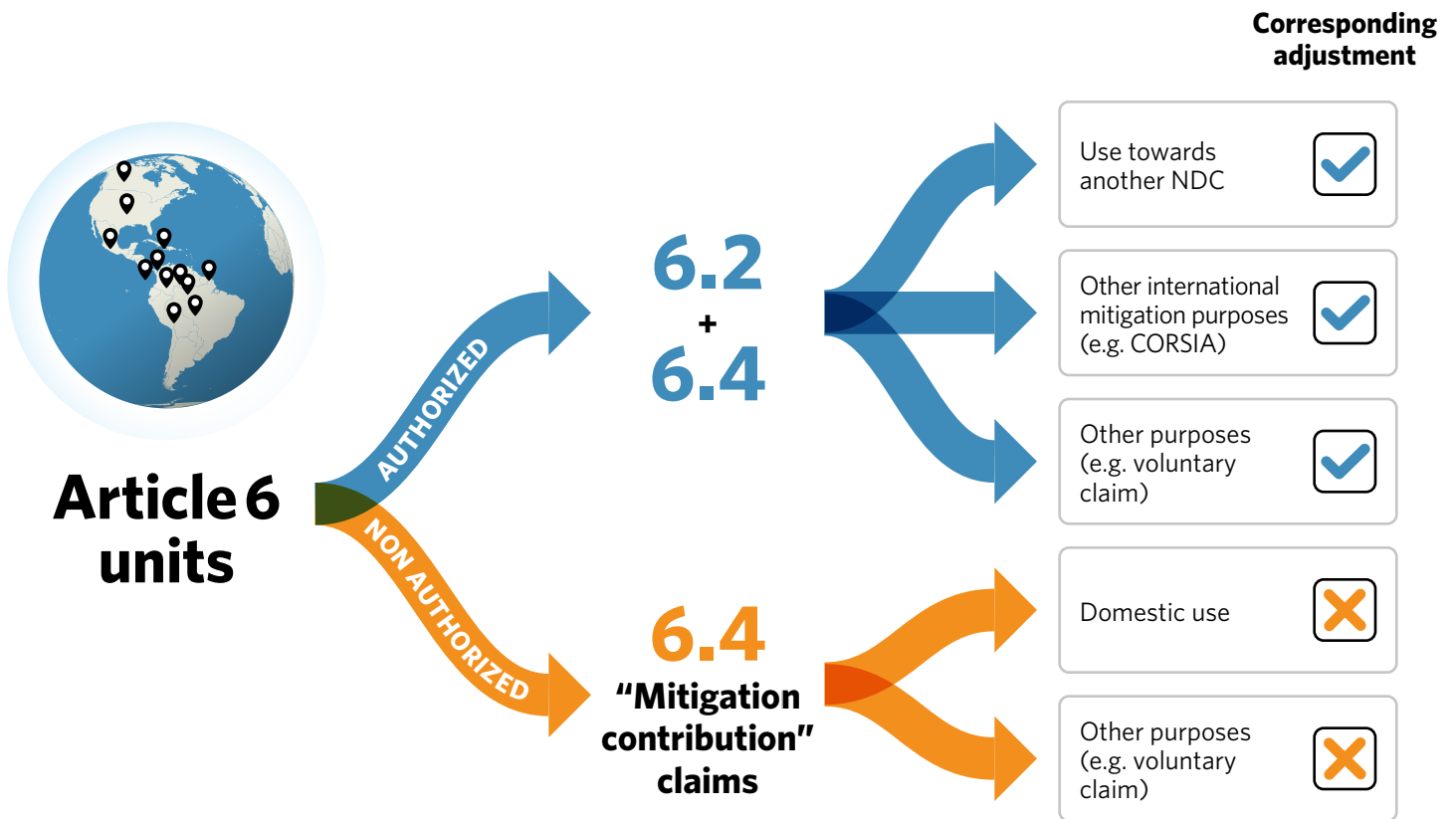


When is a corresponding adjustment required? A corresponding adjustment is required in Articles 6.2 and 6.4 and for all units authorized by the host country, including from sectors outside an NDC⁸. Countries must apply a corresponding adjustment for units transferred to the buyer country's NDC or for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). There are a few exceptions to the application of corresponding adjustments in Article 6:

- **Pre-2020 units:** corresponding adjustments are not required for pre-2020 Certified Emissions Reductions (CERs), which may be transferred to Article 6.4 but only used to meet the host country's first NDC.⁹

- **Mitigation contribution (Article 6.4 only):** In 2022, for the first time, countries introduced a new name for units that are non-authorized for use toward NDCs and do not require a corresponding adjustment, called **"mitigation contribution"**. These units may be used for various purposes, including "results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures"¹⁰. Because the text is not definitive, other uses may also emerge like corporate voluntary climate targets. (See section on Article 6 and the VCM)

Figure 5: When is a corresponding adjustment required?



Land use sector: Is nature included in Article 6? What about REDD+?

Yes, nature-based solutions, including REDD+ activities, are included in Article 6. As is the case for all sectors, the land sector is not explicitly referred to in the text, however, nature-based solutions could be eligible for Article 6 trades, provided the programs fulfill the Article 6 guidance.

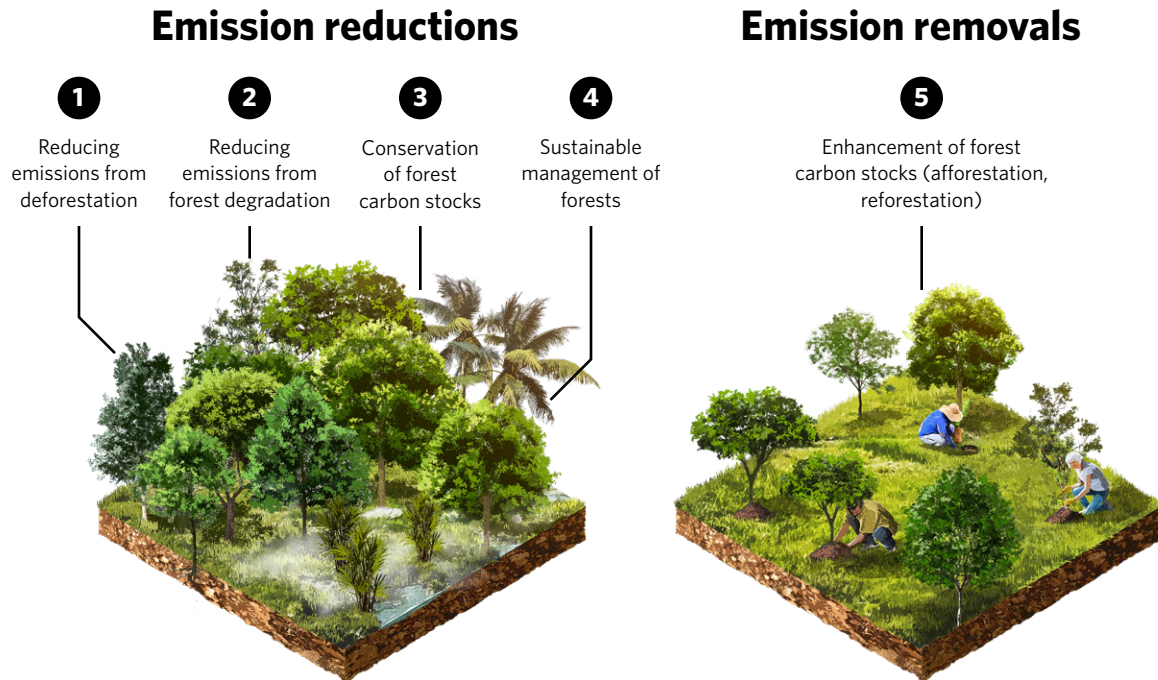
Is nature included in Article 6.2? Yes. Nature-based solutions include protecting, restoring and managing natural ecosystems such as forests, mangroves, croplands, grasslands, and peatlands – all of which fall under the IPCC definitions of emissions reductions or removals. ITMOs (Article 6.2 units) explicitly include **reductions AND removals**³¹, which is the legal basis for nature-based solutions to be eligible. It will be up to countries to define what activities to include under Article 6.2. For example, Japan and Singapore have already included nature-based activities within the scope of potential trades.

Is REDD+ included in Article 6.2? Yes. REDD+ includes five activities: reducing emissions from deforestation, reducing emissions from forest degradation, conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stock. All of these activities fall under the definition of **emission reductions or removals** (see Figure 6), and therefore, within the scope of an ITMO (Article 6.2 units). As is the case for all sectors, host countries will need to demonstrate how their REDD+ programs fulfill Article 6 requirements, recognizing that the [Warsaw Framework](#) and the Cancun Safeguards is a solid foundation for meeting these requirements. As is also the case for all sectors, not all REDD+ programs will meet the Article 6 requirements without additional steps.

Terminology Box 2

Nature-based solutions vs. REDD+	
Nature-based solutions (NbS) and Reducing emissions from deforestation and forest degradation (REDD+) are both approaches that aim to mitigate climate change and promote sustainable land use practices, but while nature-based solutions is a broader concept that includes a range of actions to protect, restore and manage a variety of ecosystems, REDD+ is a specific UNFCCC mechanism that focuses on reducing emissions from deforestation and forest degradation, especially in tropical countries.	
Nature-based solutions (NbS)	Refers to actions that include protecting, restoring, and managing natural ecosystems such as forests, mangroves, croplands, grasslands, and peatlands ³⁰ . In the UNFCCC negotiations, nature-based solutions are generally referred to as land use emissions; land sector; land-use, land-use change and forestry (LULUCF) ; or Agriculture, Forestry and Other Land Use (AFOLU), following the IPCC. For simplicity, we use these concepts interchangeably in this paper. The term NbS was referred to for the first time in the UNFCCC context in 2022, in the cover text of COP27, which encouraged countries to consider NbS or ecosystem-based approaches for their mitigation and adaptation actions while ensuring relevant social and environmental safeguards. ³¹
REDD+	Stands for reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks, and is a specific mechanism under the UNFCCC , established over several years of negotiations which resulted in the Warsaw Framework for REDD+ . It establishes a framework for financial incentives for developing countries to conserve and sustainably manage their forests, with minimum requirements for safeguards, monitoring and accounting. ^{32, 33}

Figure 6: The five activities of REDD+



But wasn't REDD+ excluded from the Article 6 text?

No. At COP26, specific text on REDD+ was proposed to allow the recognition of **pre-2021** REDD+ credits to be **automatically** included under Article 6.2. ITMOs, by definition, are generated in 2021 or later and ultimately, this text was rejected, largely to ensure that Article 6.2 has consistent rules across all sectors (including land use). As mentioned before, the Article 6.2 text does not explicitly mention any sectors, and the exclusion of specific text on REDD+ did not change the fact that all REDD+ activities fall under the concepts of emission reductions and removals and, therefore, are eligible for Article 6.2 trades.

Is nature included in Article 6.4? Yes, as long as relevant methodologies are approved by the [Article 6.4 Supervisory Body](#). There are no limitations on the sectors or activities for which methodologies can be submitted or approved. Therefore, emission reductions and removals from all sectors (including nature) could generate A6.4 units. During the negotiations of the Kyoto Protocol's CDM in the early 2000s, only two types of nature activities became eligible: afforestation and reforestation. After over **two decades of implementation** of these activities, it is

expected that the Supervisory Body considers experiences and good practices in compliance and voluntary markets. Nature-based removals can play a particularly important role in near-term action, not only for their mitigation benefits but also for their ability to enhance adaptation and resilience, as they can provide additional environmental and social benefits. The Supervisory Body is currently developing specific guidance on **activities involving removals**, which also directly touches on some nature-based activities such as restoration of tree cover.¹² As a result, it could significantly shape the scope of nature activities allowed in Article 6.4.

Is REDD+ included in Article 6.4? REDD+ could fit under Article 6.4, should the Supervisory Body approve REDD+ related methodologies. The Supervisory Body is currently discussing whether jurisdictional methodologies (as opposed to only project-based methodologies), could be part of the Article 6.4 mechanism. Although there are no final decisions yet, the fact that jurisdictional scale implementation might be considered by the Supervisory Body may open doors for jurisdictional REDD+ standards, such as The REDD+ Environmental Excellence Standard ([ART/TREES](#)).

What about Article 6.8? Although Article 6.8 is less defined than Articles 6.2 and 6.4, all nature-based activities and REDD+ programs under the Warsaw Framework meet the 6.8 requirements.

- **Non-market approaches as a testing ground for future market activities:** Article 6.8 could serve as testing grounds for nature activities that could eventually become market-based approaches but are not yet ready for markets: For example, most historical payments for REDD+ came from bilateral deals and multilateral funds, such as the World Bank. These non-market payments helped countries to improve their REDD+ programs and now many REDD+ countries can apply for market-based, or hybrid public/private funding through programs like the [Forest Carbon Partnership Facility's](#) (FCPF) Carbon Fund and [Lowering Emissions by Accelerating Forest Finance](#) (LEAF).¹³
- **Non-market approaches as result-based finance:** Article 6.8 could also facilitate financial flows for non-market approaches that may never transition into a market, due to a limited volume of credits, but may offer higher co-benefits and strong equity components.

What is the relationship between REDD+ (Article 5.2¹⁴) and Article 6 of the Paris Agreement?

Article 6 could be a source of finance for REDD+ programs, as long as host countries demonstrate that they meet all Article 6 requirements.

Article 5.2 of the Paris Agreement encourages countries to implement and support policy approaches for REDD+. This recognition builds on several years of UNFCCC negotiations which resulted in the [Warsaw Framework](#) for REDD+, with rules for tropical countries to be **financially compensated** for reducing deforestation and forest degradation from public and private sources.

To access finance for REDD+, forest countries need to, **first**, meet all the [Warsaw Framework minimum requirements](#): Develop a national REDD+ action plan, a forest monitoring system (MRV), comply with REDD+ safeguards, have an assessed Forest Reference Emission Level (FREL), and generate REDD+ "results".¹⁵ If all these requirements are met, countries **are eligible to seek payments** for their efforts in reducing deforestation.

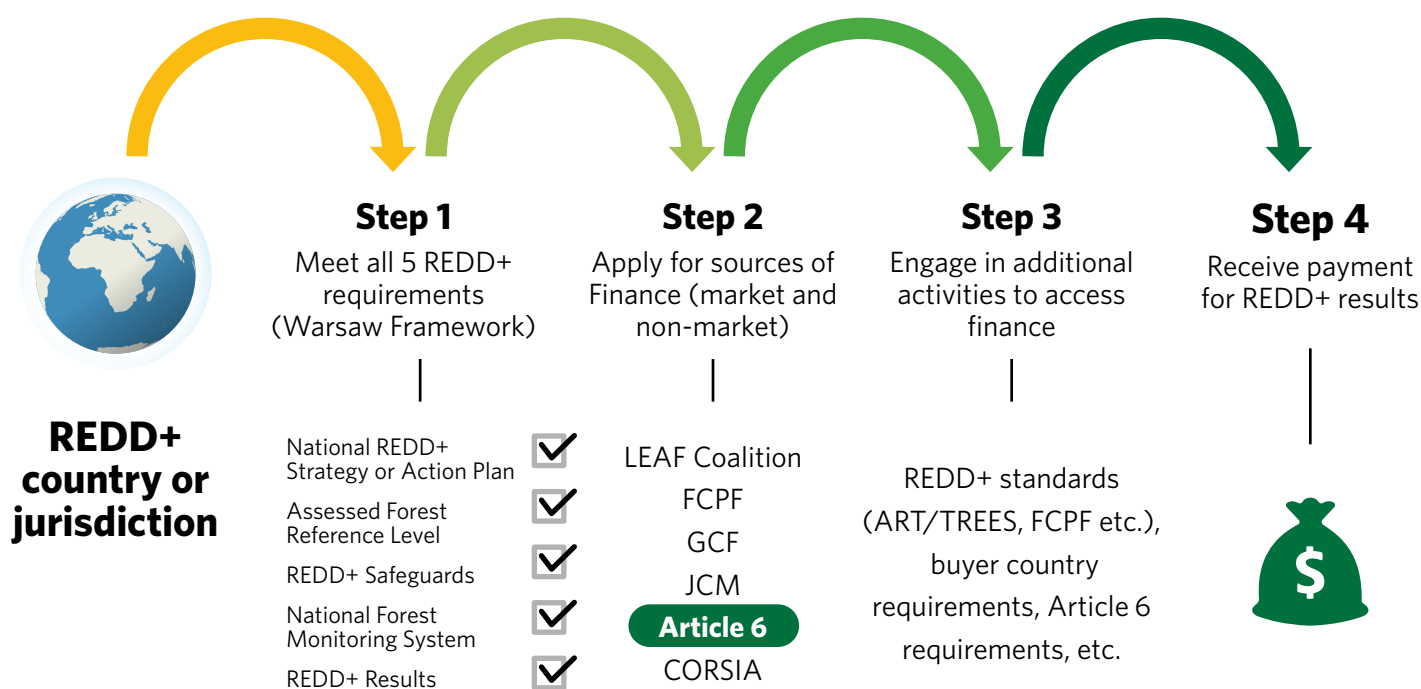
A **second step** of the process is to apply for a specific source of finance to receive payments for reducing deforestation. In the past decade, different [funding mechanisms for REDD+](#) have been made available to countries, both under market (e.g. LEAF) and non-market approaches (e.g. Green Climate Fund). Each funding mechanism has specific rules and standards to enable payments, which may go beyond the Warsaw Framework requirements.

Therefore, as a **third step**, countries might need to engage in additional activities to access payments for their REDD+ results. For example, some market standards require buffer pools for leakage and reversals, and third party verification processes to verify emissions reductions, all of which are not required by the Warsaw Framework.¹⁶

To be eligible for Article 6 finance, countries developing REDD+ programs will need to demonstrate how their REDD+ activities **meet Article 6 specific guidance and potential requirements from buyers countries**. This requires additional elements on top of the Warsaw Framework requirements, such as providing authorizations for the application of corresponding adjustments and complying with Article 6 rules on registries, tracking, reporting, addressing inconsistencies, or with specific [REDD+ standards](#) required by buyer countries.

Up to date no REDD+ units have been transacted as part of Article 6 bilateral deals. ([See Section on Article 6.2 Pilots](#))

Figure 7: Relationship between Article 6 and REDD+



What is “emission avoidance” and how is it related to Nature? Both Articles 6.2 and 6.4 state that further work will be done to consider whether “emission avoidance” could be eligible.¹⁷ This has sparked debate around the concept of emissions avoidance and whether it this undefined term could potentially included nature-based activities. The term **emission avoidance** is not officially defined by the UNFCCC nor the IPCC, and it is not even referenced within the IPCC’s definition of mitigation of climate change.¹⁸ Emissions avoidance has been used informally in the context of UNFCCC negotiations to reference a proposal from the Government of Ecuador from 2012 regarding compensation for its Yasuní initiative to keep oil reserves in the ground.¹⁹ For most, emission avoidance refers to policies and measures that explicitly forgo the opportunity to **develop fossil fuel resources**. The **CDM** has also characterized [methodologies](#) under **emissions avoidance** defining it as “various activities where the release of GHG emissions to the atmosphere is reduced or avoided, for example, avoidance of anaerobic decay of biomass and reduction of fertilizer use”.²⁰ These refer to activities where a mitigation intervention would **reduce** the rate of existing emissions, which ultimately

would be **emission reductions**. Regardless of the lack of clarity around the term “emissions avoidance”, it is clear that all **nature-based solutions** fall under the definition of emission reductions or emission removals (e.g. protecting, restoring and managing natural ecosystems such as forests, mangroves, croplands, grasslands, and peatlands), and are therefore eligible under Article 6.2 and Article 6.4 of the Paris Agreement. At COP28, countries failed to reach consensus on the definition of emissions avoidance and will resume discussions at COP29. ([See Section on what to Expect for COP29](#))

Is “emissions avoidance” the same as “emissions from avoided deforestation”? No. These are two distinct concepts. Interventions to avoid emissions from deforestation aim at preventing the release of GHG gases that would have occurred if such interventions have not been deployed. Therefore, emissions from avoided deforestation are recognized as a type of emissions *reduction* by the UNFCCC²¹. The majority of countries in the Article 6 negotiations have confirmed that understanding and clarified that emission avoidance does not include emission reductions or removals.

Many Article 6.2 Pilots, but why hasn't trading taken off yet?

What is the status of implementation of Article 6.2?

Countries are increasingly looking to use Article 6 to help increase NDC ambition²². Table 1 illustrates the growing momentum around Article 6.2 pilots, with numerous **bilateral agreements** signed and

an increasing number of countries intending to participate as buyers and sellers. However, most of these deals are not yet legally binding and only represent the *intention* of countries to trade carbon credits in the future.

Figure 8: Examples of Article 6.2 Pilots²³

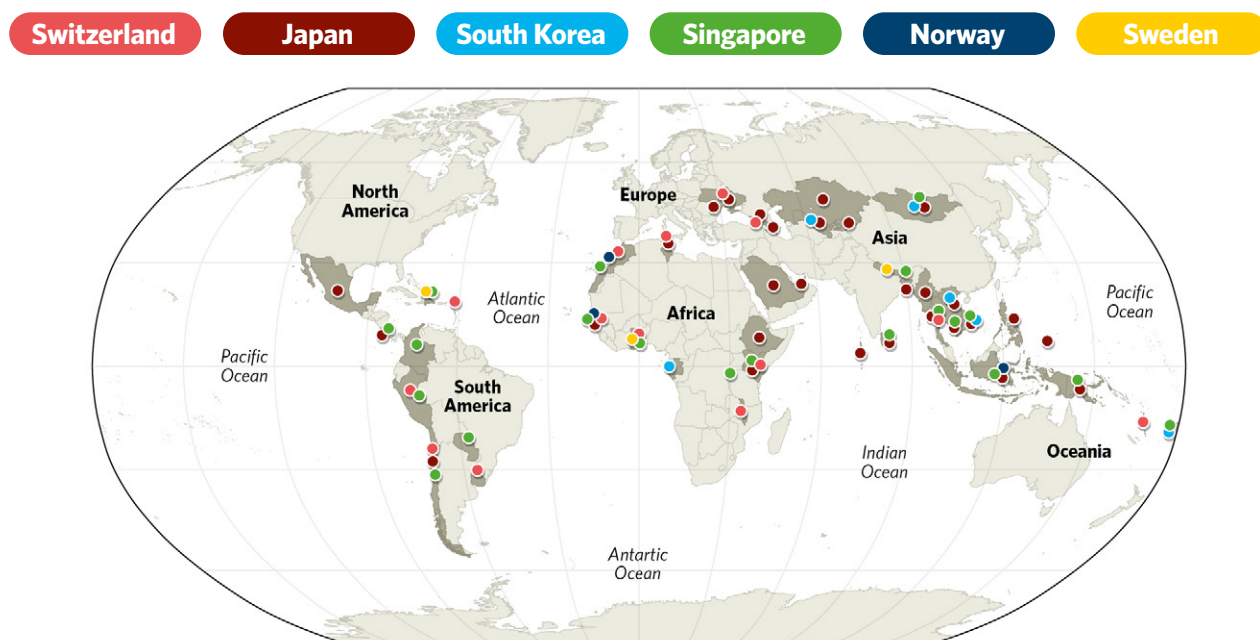


Table 1: Examples of bilateral agreements

Buyer country	Host country
Switzerland	Chile, Ghana, Dominica, Georgia, Malawi, Morocco, Peru, Senegal, Thailand, Ukraine, Uruguay, Vanuatu, Tunisia, Kenya
Japan	Mongolia, Bangladesh, Ethiopia, Kenya, Maldives, Viet Nam, Lao PDR, Indonesia, Costa Rica, Palau, Cambodia, Mexico, Saudi Arabia, Chile, Myanmar, Thailand, Philippines, Senegal, Tunisia, Azerbaijan, Moldova, Georgia, Sri Lanka, Uzbekistan, Papua New Guinea, United Arab Emirates, Kyrgyzstan, Ukraine, Kazakhstan
South Korea	Mongolia, Viet Nam, Gabon, Fiji, Lao PDR, Uzbekistan
Singapore	Colombia, Ghana, Morocco, Peru, Papua New Guinea, Thailand, Viet Nam, Bhutan, Cambodia, Chile, Costa Rica, Dominican Republic, Fiji, Kenya, Mongolia, Indonesia, Paraguay, Rwanda, Senegal, Sri Lanka
Norway	Indonesia, Morocco, Senegal
Sweden	Nepal, Dominican Republic, Ghana

As of May 2024, only one **Article 6 transaction (first transfer)** was concluded between [Switzerland and Thailand](#). This is an important milestone because it is the first time that Article 6 units are transferred internationally (from Thailand) to be accounted for in another country's NDC (Switzerland). At COP28, Singapore and Papua New Guinea (PNG) also signed an **Implementation Agreement**, setting up a [legally binding framework](#) for the development and trade of carbon credits.

These developments illustrate two things: **First, buyer countries** are racing to secure (at least some) carbon credits to count towards their NDCs in the future. Buyer countries have to navigate the risk that the host country's willingness to sell may change depending on progress towards their NDC targets. They have to bear the risk that buyer countries may fail to do a corresponding adjustment or are not able to transfer units if they are not on track to meet their NDC targets. The lack of clarity on when authorizations can be amended and revoked adds uncertainty to this process. Therefore, diversifying agreements across multiple countries is an opportunity to learn and further improve strategies for cooperation under Article 6.2, and increase the chances that more units are eventually traded.

Second, Article 6.2 deals will take time. Buyer countries such as Switzerland had already started to develop Article 6.2 pilots even before the Article 6 rules were agreed upon at COP26. However, a bilateral agreement is only the **first step** for an Article 6.2 trade to happen. After that, countries still have **several additional steps**, such as providing letters of authorization, complying with reporting requirements and, once the project is concluded, starting monitoring and verification processes. Only after the first monitoring cycle is completed can the first issuance and first transfer take place. At COP27,

Ghana became the first country to ever issue an official [authorization letter](#) for the export of ITMOs (Article 6.2 units) of a climate-smart rice project to [Switzerland](#). The letter of authorization from Ghana came 2 years after the agreement between Ghana and Switzerland was signed in 2020, which illustrates that it may take time for host countries to get ready to issue authorizations and make decisions around *what* activities they may authorize. However, considering the increasing number of bilateral agreements already signed, actual transfer of units may start to gain speed as countries acquire more experience in Article 6.2 transactions.

What are the main challenges for an Article 6.2 trade to happen? While Article 6.2 is already operational, there are many challenges that need to be addressed before trading starts to take off. For example, host countries are still in the early stages of developing their domestic frameworks to make the necessary decisions to participate in Article 6. It includes defining institutional arrangements to authorize, aligning Article 6 strategies with broader climate targets, and establishing processes to comply with reporting requirements. Establishing these procedures is important because any international transfers will involve trade-offs: the more credits a host country exports, the less mitigation can be claimed against its own NDC target. So, even when domestic frameworks are in place, a more complex issue will arise as host countries define *what sectors, how many units at what price* they could transfer internationally without undermining the achievement of their NDCs. ([See section on Article 6 and NDCs](#)).

To track and report units, countries also have to develop their own national **registries**, use a third-party registry, or use the Article 6.2 "international registry", which is still under negotiations. ([see section on what's next for COP29](#))

What about Article 6.4? After countries failed to reach consensus at COP28, the Article 6.4 mechanism remains stalled until new frameworks can be approved at the earliest at COP29. Best-case scenario is that trades begin to take place in 2025. Activity participants of a project proposal can however start sending a “prior consideration notification” to the UN Secretariat to inform that they are planning to register a project under the mechanism.

Are all buyer countries applying similar approaches on Article 6.2 deals? No. There is a variety of approaches being implemented to meet buyer countries’ Article 6 strategies.



Singapore’s approach, for example, is market-driven in the sense that domestic companies are directly involved in purchasing and using Article 6.2 credits to comply with the country’s national carbon tax. Singapore will allow companies to use Article 6 units aligned with the country’s priorities to offset a portion of their emissions under the national carbon tax regime.



Switzerland’s approach, is similar to Singapore in the sense that the Government is not directly involved in commercial transactions with private buyers, but simply authorizes the transfer in the context of Article 6. Buyer companies are fossil fuel importers who must meet their obligations under the Swiss CO₂ Law, through

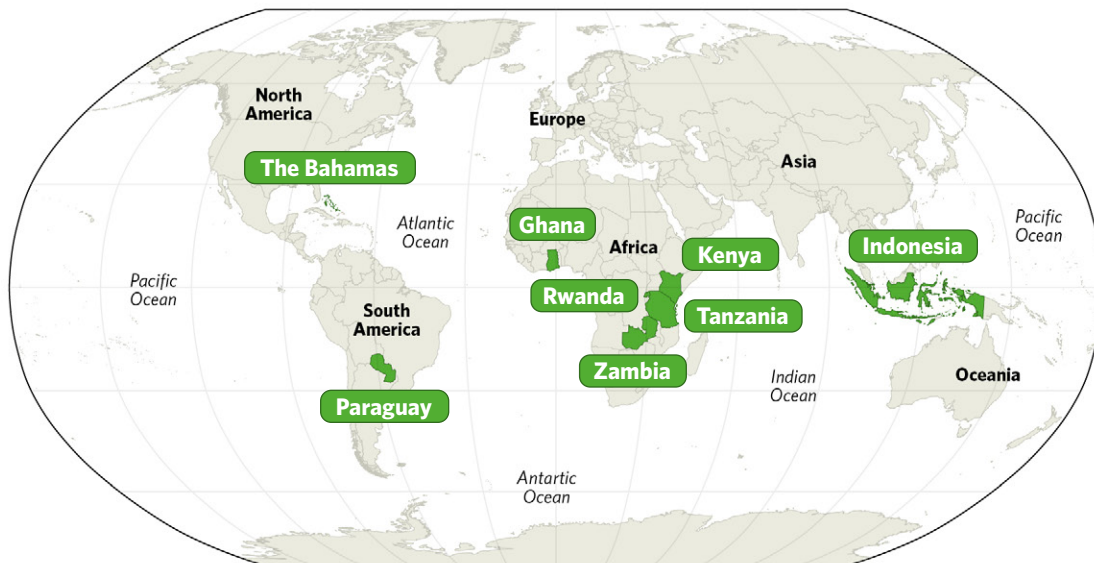
the Klik Foundation, which supports projects within and abroad of Switzerland. All projects must be registered for the Swiss Federal Office for the Environment (FOEN) to transfer the credits through attestations. The supplier country must authorize and cancel domestic Article 6 units from a domestic registry system; Switzerland then re-issues the canceled units as “international attestations” in the Swiss registry and the supplier country applies a corresponding adjustment. Projects to date mostly focused on solar, clean cookstoves, waste management, biogas, and energy efficiency/fuel conversion.



Norway’s approach: Unlike a number of other buyer countries, or now Norway has been focusing on transacting emission reductions from the implementation of policies, as opposed to mitigation outcomes from project-level activities. As of May of 2024, Norway has signed bilateral cooperation agreements with Morocco, Senegal and Indonesia facilitated by the Global Green Growth Institute (GGGI), and it also pursues ITMOs through the World Bank’s Transformative Carbon Asset Facility (TCAF). Baselines to measure the mitigation impacts of energy sector policies implemented in partner countries are being developed. Norway has also adopted a more centralized approach compared to Singapore and Switzerland, engaging directly in the transactions, without private sector intermediaries. Norway also considers engaging in project activities spurring transition in host countries, possibly through partner organizations.

How does Article 6 impact NDC achievement?

Figure 9: Examples of host countries developing Article 6 domestic frameworks



What risks should host countries consider when trading under Article 6? Under the Kyoto Protocol, developing countries had no binding targets for decarbonization and could sell carbon credits internationally without having to subtract them from their own accounting. Now, under the Paris Agreement, every country has committed to reducing emissions through NDCs. In this new context, the successful achievement of NDC targets is crucial if a host country wants to trade Article 6 units with a corresponding adjustment.

Host countries must consider trade-offs: the more carbon credits a host country exports, the less mitigation can be claimed against its own NDC target. This creates an incentive for host countries to keep low-cost mitigation for themselves and offer

higher-cost mitigation to international buyers. It also introduces new risks around overselling carbon credits before the NDC is achieved. Uncertainty around trading prices and progress toward NDC targets set for 2030 can complicate decisions even further.

The risk of overselling against the NDC target will require countries to develop robust accounting systems. In addition, establishing the infrastructure to participate in Article 6 requires the development of comprehensive domestic frameworks, including processes to comply with reporting requirements, institutional arrangements to authorize, registries, etc. These may require considerable financial and capacity support, especially for developing countries with no previous experience and support in market mechanisms.

How are host countries managing risks posed by Article 6? While Article 6 sets up a general framework for international cooperation, many decisions on how to operationalize these trades will be defined by domestic frameworks. (See Figure 9).

Host countries are using domestic legislation to address the emerging risks Article 6 brings and carefully considering its costs and opportunities. Some countries, for example, may limit the eligibility of credits to specific sectors, prices, technologies, or years, depending on their NDC trajectory.²⁴ Some countries are implementing tools to mitigate these risks and some trends are starting to emerge:

- **Buffer pools:** Countries like [Indonesia](#), [Ghana](#) and [Paraguay](#) have developed national buffer pools to retain and “store” credits in case they come short of meeting their NDC targets in the future. A percentage of all credits sold internationally goes to an account and these credits can later be used to help achieving NDC

targets. Ghana, for example, established that 1% of Article 6.2 units will be reserved in a national buffer account to minimize the risk of overselling against the NDC target.

- **Conditional NDC targets:** Countries like [Rwanda](#) and [Ghana](#) have chosen to limit Article 6 sales to activities from their conditional NDC target. Rwanda, for example, will potentially sell credits from its unconditional NDC target, but those credits may not include a corresponding adjustment, limiting sales to “mitigation contribution” claims.
- **Pricing:** Corresponding adjustments create an incentive for host countries to keep low-cost mitigation for themselves and offer higher cost mitigation to buyers. [Zambia](#) created a pricing criterion through which only credits from expensive mitigation activities will be eligible for sale. Cheaper mitigation activities that might have been used to create credits will instead be kept within the country, so Zambia meets its own NDC at lower cost.

How does Article 6 impact the Voluntary Carbon Markets (VCM)?

Does Article 6 regulate the VCM? No. The Paris Agreement does not have the mandate to regulate the voluntary carbon market. However, Article 6 rules might indirectly impact its development. The concept of **corresponding adjustments** has sparked a debate within the VCM about whether voluntary credits could be counted toward the host country NDC, while also **claimed as an offset** by companies. Although there's no definitive answer to how Article 6 will impact projects on the ground, the following elements should be taken into consideration by VCM players to better align with the Article 6 mechanism when it is fully operational:

- **Host country requirements:** Ultimately, it will be up to the host country to determine whether to regulate how Article 6 rules would apply to the VCM. Countries could require VCM projects to have government approval, authorization, or non-objection/notification at various project development stages. Governments could regulate the scope of activities that can be implemented under a VCM program or set minimum requirements for social and environmental safeguards and benefit-sharing. For example, Kenya requires at least 25% of the benefits from a project to be allocated to local communities.
- **Market requirements:** Even if corresponding adjustments are not required by countries,

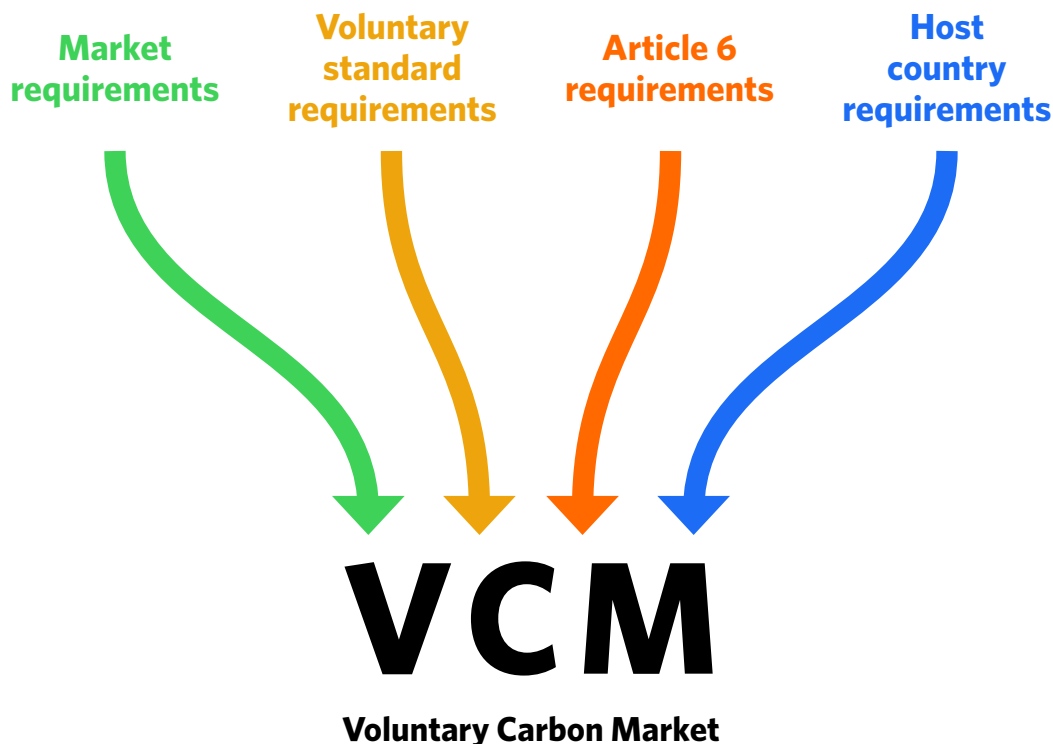
corporate demand could drive the market towards adjusted credits. Guidelines like the Integrity Council for the Voluntary Carbon Market (IC-VCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI) have ignited discussions around the need for corresponding adjustments for the VCM as a way to ensure high-integrity. So far, no final decisions have been reached on that matter. The IC-VCM has also formulated Core Carbon Principles, which could serve as a benchmark for countries to evaluate and possibly authorize credits for Article 6 usage.

- **Standards requirements:** Over the last few years, standards like Gold Standard and Verra have developed guidelines to integrate project activities into the Article 6 framework. Specifically, Gold Standard has issued guidance for project activities seeking compliance under article 6, including specific requirements for tagging credits authorized for use under Article 6 and introduced a new functionality to its registry to ensure alignment with Article 6.
- **Article 6 requirements:** While the definition of **mitigation contribution** under Article 6.4, although does not regulate the VCM directly, it provides more for VCM participants to consider, including whether these units could be used as a contribution to climate action and an offset. "Mitigation contribution" refers to units that are not authorized for use towards NDCs and

for which the host country will not apply a corresponding adjustment. Although the Article 6 text mentions specific uses for these units, like results-based climate finance and domestic pricing schemes²⁵, it leaves the door open for other applications. The definition of “mitigation contribution” emerged as compromise among countries with divergent views on the role of Article 6: Some countries were against the idea of using non-adjusted credits for offsets due to integrity concerns. Others wanted more flexibility, seeing the potential for enhanced financial flow into their territories. The future eligibility of “mitigation contribution” towards offsets will likely be shaped by domestic policies and market demand.²⁶

Will corresponding adjustments be required for all VCM offsets? No. As previously mentioned, Article 6 does not directly regulate the VCM and it is expected that voluntary transactions will continue to exist in parallel to Article 6 cooperation between countries. The expectation is that not much clarity regarding voluntary claims will come out of the negotiations. However, outside of the negotiations, some countries might choose to regulate the VCM or restrict carbon exports, which might affect projects on the ground. In addition, corporate demand could drive the market towards credits with corresponding adjustments by standards like Verra and Gold Standard, and guidelines like the IC-VCM and VCMI if they require a corresponding adjustment for offsets.

Figure 10: Direct and indirect influences of Article 6 in the VCM



CDM transition: What was decided?

The [Clean Development Mechanism](#) (CDM), under the Kyoto Protocol, was one of the world's first international carbon finance schemes. Eligible projects can earn certified emission reduction (CER) credits, equivalent to one tonne of CO₂. Developed countries purchased these credits to meet their targets under the Kyoto Protocol.

Can CDM projects transition to the Article 6.4 Mechanism? Yes, but only for certain time windows: Projects must request to transition from the CDM to Article 6.4 by the end of 2023 and the transition needs to be concluded by the end of 2025. Host countries are expected to exert significant control over the transition process and must apply corresponding adjustments on the units generated by transitioned projects. If approved by the host country, projects may continue to use the original CDM methodology until the end of the current crediting period or December 31, 2025 (whichever is earlier). After this date, these projects will have to follow Article 6.4 methodologies. Operational procedures will be developed by the Supervisory Body.

Can CERs be used towards NDCs? Yes. CERs from projects registered (not issued) after 2013 can be used for the first NDC compliance *without* a corresponding adjustment by the host country. However, these transfers will only occur until a date limit, which will be negotiated in the future.²⁷ According to the [New Climate Institute](#), between 320 and 341 million CERs could transfer from the CDM with the 2013 registration cut-off. This is a significant decrease compared to [almost 4 billion](#) units that could have been transferred without the 2013 cut-off. This was one of the negotiations' "sticking points" for years, over concerns that these pre-2020 units would "flood" the market and not be considered additional. It is important to consider that CERs used toward 1st NDC are not considered ITMOs (Article 6.2 units). ITMOs by definition are generated in 2021 or later, whereas eligible CERs are from 2013-2020. It is expected that ITMOs will be traded at higher costs compared to CERs and that the market will hopefully benefit higher integrity units.

OMGE and SOP: What discounts and fees apply to Article 6?

What are the various discounts and fees in Article 6 and who pays for them? There are two: Share of Proceeds (SOP) and Overall Mitigation of Global Emissions (OMGE). Both SOP and OMGE are **required** for all Article 6.4 issuances but are only **encouraged** for Article 6.2 trades “on a voluntary basis”. However, some countries may require the use of OMGE and SOP as part of their Article 6.2 bilateral deals. For example, Switzerland and Singapore announced this intended requirement in all their Article 6.2 pilots. One important nuance is that both SOP and OMGE are due at issuance by the host country, not at transfer. As a result, the burden of these fees and discounts falls on the host country, rather than the buyer. Host countries could pass on the cost to the buyer, but this will only be clear once trades start to happen.

SOP is applied as both a volume of issued units and a monetary contribution (\$): For all units issued under Article 6.4, a levy of 5% **in volume of issued carbon units** will be transferred to a new account established in 2021 within the [Adaptation Fund](#). This requirement

is similar to what happened under the Kyoto Protocol, where [2% of CERs issued for a CDM](#) project activity would go to the Adaptation Fund to [be sold](#) by the Fund’s Trust (World Bank). At COP27, it was clarified that the 5% cancellation applies to all Article 6.4 units, whether they are authorized or not²⁸. The **monetary contribution** was defined by the Supervisory Body and approved at COP27 as a set of 5 different fees whose level depends on the project size and other factors (see Table 2). These fees are used to pay administrative expenses.

OMGE is an automatic cancellation in volume (not \$): For all Article 6.4 issuances, 2% of the units will not be eligible for sale. Instead, they will be redirected to a **cancellation account** that the Supervisory Body will set up. This is intended to increase ambition by ensuring a net reduction in emissions, rather than just 1-to-1 offsetting CO₂ released in one country with savings elsewhere. At COP27, it was clarified that the 2% cancellation applies to all Article 6.4 units, whether they are authorized or not²⁹.

Table 2: OMGE and SOP

Name	Destination and purpose	Type	Values
SOP	Adaptation Fund (for all activities)	Automatic transfer of issued volume	5% of Article 6.4 units at issuance ³⁴ , whether they are authorized or not.
	Adaptation Fund (for specific activities)	\$	3% of the issuance fee paid for each request for issuance of Article 6.4 units and transferred annually to the Adaptation Fund ³⁵
	Supervisory Body for Administrative expenses	\$	Set of 5 different fees charged for registration, issuance, renewal, inclusion of CPAs, and approval of a post-registration change. ³⁶ The Supervisory Body defined the levels for each fee, which have been approved at COP 27. ³⁷ and can be seen here .
OMGE	Cancellation account to increase ambition	Automatic cancellation of issued volume	Minimum 2% of the issued Article 6.4 units ³⁸

Endnotes

- 1 For the purposes of this paper, we define **non-market approaches** as international cooperation between countries to achieve the goals of the Paris Agreement when there is **no expectation of trading carbon credits**.
- 2 Decision -/CMA.4, para 29 (b)
- 3 World Bank. Lessons from creating mitigation outcomes: <https://blogs.worldbank.org/climatechange/lessons-creating-mitigation-outcomes>
- 4 IPCC, 2018: Annex I: Glossary [Matthews, J.B.R. (ed.)]. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 541-562. <https://doi.org/10.1017/9781009157940.008>
- 5 Article 6.4 trade requires an automatic cancellation to deliver an Overall Mitigation in Global Emissions (OMGE) and the transfer of a proportion of units to the Adaptation Fund for Share of Proceeds (SOP). Both OMGE and SOP are only required on a voluntary bases for Article 6.2 trades.
- 6 While infrastructure may be re-used (like having a Designated National Authority), all methodologies will need to go through a re-approval process by the Article 6.4 Supervisory Body.
- 7 OECD/EIA - The birth of an ITMO: Authorisation under Article 6 of the Paris Agreement: <https://www.oecd-ilibrary.org/docserver/3d175652-en.pdf?expires=1669744163&id=id&acname=guest&checksum=7EC7B35BC4EC376F5710F63D3234C8E7>
- 8 Decision 2/CMA.3, para 14
- 9 Decision 3/CMA.3 para 75d.
- 10 Decision -/CMA.4, para 29 (b)
- 11 Decision 2/CMA.3, para 1b
- 12 IPCC WGIII Report, page TS-97. https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf.
- 13 For more information, access: <https://internationalreddstandards.org/>
- 14 Paris Agreement, Article 5.2: *Parties are encouraged to take action to implement and support, including through results-based payments, the existing framework as set out in related guidance and decisions already agreed under the Convention for: policy approaches and positive incentives for activities relating to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries; and alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, while reaffirming the importance of incentivizing, as appropriate, non-carbon benefits associated with such approaches.*
- 15 Results = emissions reductions or removals
- 16 Decision 14/CP.19 paragraph 15, of the Warsaw framework laid out a process for countries to apply for market-based programs by meeting existing modality and verification requirements.
- 17 Decision 2/CMA.3, cover text, para 3c and Decision 3/CMA.3, cover text, para 7h
- 18 IPCC, 2018: Annex I: Glossary [Matthews, J.B.R. (ed.)]. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 541-562. <https://doi.org/10.1017/9781009157940.008>.
- 19 **Emissions Avoidance** has been used informally to reference a proposal from the Government of Ecuador regarding compensation for its Yasuní initiative to keep oil reserves in the ground. See related articles [here](#) and [here](#).
- 20 See also: [Table VI-2](#), Methodology Categorization Other Sectors

- 21 Decision 1/CP.16, para 70.
- 22 According to an [analysis by the International Emissions Trading Association \(IETA\)](#), 80% of countries signaled an intention to use Article 6 to achieve their NDC targets and 24% have already started to engage with pilots and/or bilateral agreements. Many countries have also said they will not rely on Article 6 to meet their NDCs, including, the European Union (Ireland, however, announced they wish to use credits, and Sweden and Finland have been piloting Article 6 trades to potentially go beyond their NDC commitments); Iceland, Malaysia, Marshall Islands, Tonga, United Kingdom, and the United States.
- 23 International Emissions Trading Association (IETA) Last updated on 19/02/2024 <https://www.ieta.org/resources/visualising-article-6-implementation/>
- 24 The birth of an ITMO: Authorisation under Article 6 of the Paris Agreement (OECD/EIA)
- 25 Article 6 establishes countries' right to authorize any units for international trades under Article 6.2 or 6.4, or for **other international mitigation purposes** (OIMP). These other purposes include an umbrella of objectives, including use in CORSIA, domestic markets, and the VCM. At COP26, it was decided that it is up to host country to define "other international mitigation purposes" what will determine whether A6 rules (including corresponding adjustments) apply for credits used by VCM.
- 26 Carbon credit issuances from Indonesia on hold, developers await clarity (S&P Global): <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/040722-carbon-credit-issuances-from-indonesia-on-hold-developers-await-clarity>
- 27 See CA PAPER for more info
- 28 Decision -/CMA.4, para 29 (b)
- 29 Decision -/CMA.4, para 20
- 30 Decision -/CMA.4, para 40
- 31 Decision -/CMA.4, para 40
- 32 Leavitt, S.M. et al. (2021). Natural Climate Solutions Handbook: A Technical Guide for Assessing Nature Based Mitigation Opportunities in Countries. The Nature Conservancy, Arlington, VA, USA. https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_Natural_Climate_Solutions_Handbook.pdf
- 33 Natural Climate Solutions (NCS) is another common term which can be used to refer to the land use sector. For some, NCS refers to only mitigation measures, while NbS refers to both mitigation and adaptation. For simplicity, we will only use nature-based solutions. See more information at: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_Natural_Climate_Solutions_Handbook.pdf
- 34 Decision 3/CMA.3, para 67a
- 35 [Decision -/CMA.4](#), para 15
- 36 [Decision -/CMA.4](#), para 14
- 37 [Decision -/CMA.4](#), para 14
- 38 Decision 3/CMA.3, para 59 and 69; Decision -/CMA.4, para 40.