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THE ITALIAN CLIMATE CHANGE THINK TANK

THE ROLE OF ARTICLE 6 IN REACHING THE EU CLIMATE TARGETS

POLICY BRIEFING
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Francesca Bellisai

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LIST OF ABBREVIATIONS

BECCS Bioenergy With Carbon Capture and Storage
CBAM Carbon Border Adjustment Mechanism
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, i.e. the decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC)
DACCS Direct Air Capture with Carbon Storage
ESABCC European Scientific Advisory Board on Climate Change
EU European Union
EU ETS European Union Emission Trading System
GHG Greenhouse Gases
IPCC Intergovernmental Panel on Climate Change
ITMOs Internationally Transferred Mitigation Outcomes
MRV Monitoring Reporting and Verification
NDC Nationally Determined Contribution
PA Paris Agreement
PACM Paris Agreement Crediting Mechanism
TER Technical Expert Review
UNFCCC United Nations Framework Convention on Climate Change

EXECUTIVE SUMMARY

On the 2nd of July, the European Commission proposed a 90% emission reduction target by 2040 as an intermediate step towards achieving climate neutrality by 2050, to be included in the EU Climate Law, as recommended by the European Scientific Advisory Board on Climate Change.

Yet, in response to growing pressure from Member States for more flexibility in meeting this target, the European Commission's proposal would allow up to **3% of 1990 EU net emissions**, equivalent to around 140 $MtCO_2$, to be met through international carbon credits. While this flexibility could facilitate the approval procedure of the new target, *de facto*, it allows an increase of around 30% in net domestic emissions by 2040, as the reductions would take place in other parts of the world, rather than in Europe.

This makes defining and enforcing '**high-quality' credits** critical to safeguarding environmental integrity and EU leadership in climate action.

Including Article 6 credits in the EU framework presents **both advantages and risks**.

- **Advantages**: it represents a political signal of the EU's commitment to keeping multilateral processes relevant, it enhances the EU's influence in defining global credit standards, it may enhance action globally and it channels finance to vulnerable countries.
- **Risks**: potential overcrediting, market fragmentation, diversion of climate finance, undermining of domestic ambition and reputational damage from low-quality or controversial credits.

This policy briefing reviews existing proposals for frameworks designed to ensure **high-quality credits** and proposes general criteria based on this review. For credits to be considered 'high quality', Article 6.4 or equivalent frameworks provide a good baseline to start from.

Still, requirements are necessary to ensure these high quality standards are applied. Broadly, those requirements should ensure:

- Environmental integrity: alignment with net-zero goals, additionality, permanence, leakage prevention, human rights safeguards and robust accounting with corresponding adjustments.
- Robust governance: centralised recognition/purchasing mechanisms, rigorous MRV systems, conservative methodologies and full transparency with stakeholder oversight.

If designed with robust safeguards, Article 6 credits could complement EU climate policy by promoting international solidarity and driving higher global standards for action.

However, weak implementation risks undermining EU targets and credibility. Any integration into EU law—particularly the Climate Law and ETS—must therefore be cautious, conservative and integrity-driven.

INTRODUCTION

The success of the Paris Agreement relies on a nationally determined, bottom-up approach, coupled with periodic assessments by the Global Stocktake and a progressive increase in ambition with each cycle of NDCs. The urgency of climate action calls for the active engagement of all Parties to the Agreement, with cooperative approaches forming an essential part of this overall design. These promote enhanced action, which would not be possible through independent and isolated emission reduction efforts.

In this context, the use of international credits under Article 6 plays an important role. Their inclusion and operational rules, having been agreed upon by all Parties, including the EU, reflect the cooperative spirit of the Agreement. They encourage synergies and leverage differences among Parties, ultimately enabling them to support one another in achieving shared goals.

The EU has consistently contributed to this process, adopting long-term, ambitious targets and enshrining them in legislation. For the next round of NDCs, the European Commission has proposed a 90% emission reduction target by 2040 as an intermediate step towards climate neutrality by 2050, to be included in the EU Climate Law, as recommended by the European Scientific Advisory Board on Climate Change.

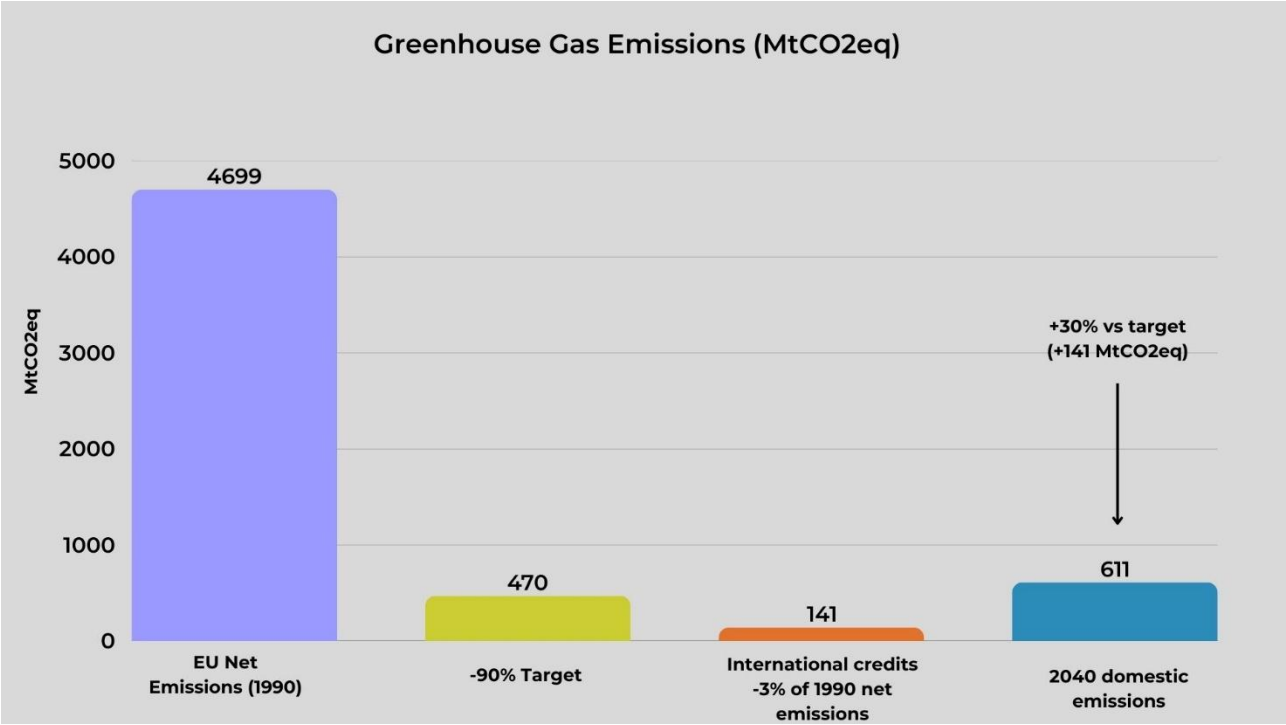
Yet, recent estimates show that under current policies, the achievement of climate objectives is already at risk by 2030[1], with growing pressure from Member States for increased flexibility towards 2040. This underscores the urgent need **to step up efforts at the national level, including in Italy, to ensure that current EU-wide targets are met**.

In parallel, **the Commission's proposal tabled on 2 July introduces the possibility of using carbon credits for a limited contribution, equivalent to 3% of the EU's 1990 net emissions,** towards meeting the 2040 target. According to the proposal, this option will be assessed within the suite of impact assessments accompanying the legislative framework implementing the target.

This 3% figure translates into around 140 $MtCO_2$, *de facto* leading to a 30% increase in net domestic emissions in 2040 compared to the level advised by the European Scientific Advisory Board on Climate Change (ESABCC) and outlined in the Commission's 2024 Communication, which first assessed the target.

[1] Current projections show that a -54% target will be attainable only if all existing and additional policies and measures are fully implemented.

Figure 1 *– Comparison of targets. Own elaboration based on the Biennal Transparency Report to UNFCCC 2024.*



Therefore, given the possible scale of international credits in meeting the EU's 2040 target, **it is key to define clearly what constitutes 'high quality' credits**. Clear standards are needed to safeguard the EU's leadership role, and that of other developed countries, in assuming greater responsibility for mitigation action.

In this context, it is essential to assess the potential flexibility options introduced by the Commission's proposal.

This policy briefing assesses the characteristics of Article 6 mechanisms and offers high level principles and recommendations for their inclusion within the EU's NDCs, based on a literature review of existing frameworks and proposals aimed at ensuring that international credits deliver enhanced mitigation action and the required emission reductions.

1 ARTICLE 6 OF THE PARIS AGREEMENT

Considering the global nature of GHG emissions, mitigation actions can be implemented anywhere in the world. While climate change policies are often perceived as a zero-sum game, in practice everyone benefits from action, regardless of where it takes place.[2] Against this backdrop, Article 6 of the Paris Agreement (PA) promotes global cooperation to drive emission reductions beyond what Parties could achieve through independent action alone.

In general terms, carbon credits are units measured in tonnes of CO_2eq that can convey a claim to avoided greenhouse gas emissions (GHG) or enhanced GHG removals occurring elsewhere in the world. They represent a reduction of GHG emissions that were originally linked to human activities and can be traded between public or private entities worldwide. Article 6 of the Agreement foresees three different voluntary approaches for transferring or trading emissions between states and private entities, while also promoting sustainable development through carbon market and non-market approaches.

The carbon market approach is described in **Article 6.2**. It allows the **transfer** of international mitigation outcomes (Internationally Transferred Mitigation Outcomes, **ITMOs**) to support the achievement of NDCs' objectives. ITMOs may derive, for example, from credits of cap-and-trade systems such as the EU Emissions Trading System (EU ETS), from voluntary carbon market standards, or from self-designed approaches, provided they are authorised by the host Party. **International cooperation** can occur bilaterally or multilaterally, with limited obligations towards the UNFCCC. Monitoring and reporting requirements in this decentralised governance structure can be designed by countries and are relatively light. They include provisions to prevent locking in or increasing existing emissions, as well as methodological tools to ensure **transparency**, accuracy, completeness, comparability and consistency in emission accounting and contributions to the Paris Agreement goals. Article 6.2 also requires a **"corresponding adjustment"**, introduced at COP26 in Glasgow. This ensures that the host country deducts transferred emissions from its NDC to prevent double counting. Under this framework, credits can also be purchased by companies. Several States, including Japan, Switzerland and South Korea, have already signed bilateral agreements under Article 6.2.

Article 6.4 establishes an alternative approach that foresees mechanisms *to contribute to the mitigation of greenhouse gas emissions and support sustainable development,* entailing the possibility for a State or a private company to contribute to mitigation activities in host countries and thus generate so-called **carbon credits.** The main difference with Article 6.2 is that the Paris Agreement Crediting Mechanism (PACM) is established at the UNFCCC level and is supervised by a body designated by the CMA. This Supervisory Body guarantees the correct functioning of the mechanism, providing a common framework for core principles and scientific guidance by setting up methodologies and MRV processes. This mechanism builds on, but also seeks to improve, the Clean Development Mechanism of the Kyoto Protocol, allowing for some of the old credits to be transferred. Finally, PACM addresses the issue of credit permanence through a safeguard mechanism, the so-called "buffer pool" approach. Under this approach, developers must set aside a reserve of non-tradable credits to compensate for possible reversals if emissions are later reintroduced into the atmosphere.

[2] Noera (2025) "*Strumenti per il nostro futuro*"

Comparing the two approaches highlights important differences when it comes to governance, particularly regarding monitoring and enforcement measures. Article 6.2 relies on bilateral commitments with limited central oversight, which introduces a degree of risk due to a potential lack of transparency. In terms of permanence, NGOs report a lack of minimum standards, absence of long-term monitoring and no clear mechanisms for addressing reversals. In addition, the quantity of information that must be reported is relatively vague, and there is no enforcement mechanism in the event of non-compliance. Nevertheless, it requires corresponding adjustments and is subject to the Technical Expert Review (TER) by the UNFCCC. Its flexibility could, in principle, encourage a "race to the top" if Parties choose credits with high-quality standards. On the contrary, the PACM under Article 6.4 addresses issues of transparency, additionality and double counting more robustly, although concerns remain. For example, regarding the permanence of credits, the "buffer pool" does not necessarily match the original quantity of credits, and monitoring may be halted if the risk of reversal is deemed negligible. Both approaches allow a share of proceeds to support adaptation. Under Article 6.4, a portion of revenues is also directed to the Adaptation Fund and to financing the functioning of the Supervisory Body.

	Article 6.2	Article 6.4
Governance	**Bilateral partnerships**	Centralised management
Structure	**Adaptive to local needs**	Standardised internationally
Double counting	**Corresponding adjustment in place**	Corresponding adjustment in place
Accountability	**Technical Expert Review by UNFCCC**	Supervisory Body and centralised methodologies
Transparency	**International registry managed by the UNFCCC Secretariat keeps track of bilaterally generated ITMOs[3]**	Mechanism registry managed by the UNFCCC Secretariat, specific for UN credits
Permanence	**No minimum standard of permanence**	COP30 will evaluate the decisions of the 6.4 Supervisory Body
Additionality	**No criteria or guidance on additionality**	More stringent requirements on additionality (tests and SB approval)
Equity	**Share of proceeds is voluntary and not linked to environmental or social safeguards**	Share of proceeds is mandatory and used for the Adaptation Fund and Supervisory Body

[3] Interoperability of registries is guaranteed by Decision 3/CMA.3. With art. 6.2 a Party may also connect its registry to the international registry.

Finally, **Article 6.8** provides for *non-market approaches* allowing the implementation of NDCs through mitigation and adaptation actions, capacity-building and finance. As these do not involve carbon credits, they fall outside the scope of this policy briefing and will therefore not be assessed.

BOX 1: ARTICLE 6 TEXT

1. (..) some Parties choose to pursue **voluntary cooperation in the implementation of their nationally determined contributions** to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity.

2. Parties shall, where engaging **on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions**, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the **avoidance of double counting**, consistent with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement.

3. The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement shall be voluntary and authorized by participating Parties.

4. A **mechanism** to contribute to the mitigation of greenhouse gas emissions and support sustainable development **is hereby established** under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Agreement for use by Parties **on a voluntary basis.** It shall be **supervised by a body** designated by the Conference of the Parties serving as the meeting of the Parties to this Agreement, and shall aim:
(a) To promote the mitigation of greenhouse gas emissions while fostering sustainable development;
(b) To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;
(c) To contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution; and
(d) To deliver an overall mitigation in global emissions.

5. Emission reductions resulting from the mechanism referred to in paragraph 4 of this Article shall not be used to demonstrate achievement of the host Party's nationally determined contribution if used by another Party to demonstrate achievement of its nationally determined contribution.

6. (..)

7. The Conference of the Parties serving as the meeting of the Parties to this Agreement shall adopt rules, modalities and procedures for the mechanism referred to in paragraph 4 of this Article at its first session.

8. Parties recognize the **importance of integrated, holistic and balanced non-market approaches being available to Parties to assist in the implementation of their nationally determined** contributions, in the context of sustainable development and poverty eradication, in a coordinated and effective manner, including through, inter alia, mitigation, adaptation, finance, technology transfer and capacitybuilding, as appropriate. These approaches shall aim to:
(a) Promote mitigation and adaptation ambition;
(b) Enhance public and private sector participation in the implementation of nationally determined contributions; and
(c) Enable opportunities for coordination across instruments and relevant institutional arrangements.
9. A framework for non-market approaches to sustainable development is hereby defined to promote the non-market approaches referred to in paragraph 8 of this Article.

Carbon credits generated under Article 6.2 or Article 6.4 can stem from nature-based or engineered-based projects. Nature-based solutions encompass projects that restore, protect or manage ecosystems while delivering positive co-benefits for society and human well-being. These generally fall into two main types of activities: carbon removals or emission reductions. Removal projects include natural carbon sinks or engineered solutions such as Direct Air Capture with Carbon Storage (DACCS) or Bioenergy with Carbon Capture and Storage (BECCS). Reduction projects decrease emissions relative to a baseline, for example by avoiding deforestation in logging areas or by scaling up renewable energy deployment.

Prices for carbon credit projects remain highly variable. In 2023, low prices of $5.8-6.5/tCO$_{2e}$ were observed for such projectshttps://hub.ecosystemmarketplace.com/landing, with further declines in 2024 and 2025 – except for forestry removal projects, which rose to about $15/tCO$_2$eq. In contrast, prices for engineered removals are significantly higher, at around $300/tCO$_{2e}$ for BECCS and $600/tCO$_2$eq for DACCS, reflecting their early stage development and experimental nature. This price disparity also makes it difficult to produce accurate estimates of future prices or assess whether investments in these projects will lead to consistent emission removals. By contrast, nature-based solutions and BECCS markets are expected to grow more rapidly.

In terms of market size, World Bank estimates suggest that independent crediting mechanisms currently cover around 1 billion tonnes of CO_2eq. This number is expected to increase as Article 6 mechanisms are implemented more widely. According to the recent estimates by the EU Commission, the EU could purchase credits for around 140 million tonnes[4] of GHG emissions between 2036 and 2040 - equivalent to the current emissions of the Netherlands.

[4] Replies to questions on the European Climate Law by MEPs Javi López, Lena Schilling and Gerben-Jan Gerbrandy 11 August 2025, reported in a Politico article.

2 IMPLEMENTATION OF ARTICLE 6: WHERE WE STAND

A well-regulated market is essential to ensure predictability and prevent unfair competition based on loose regulations. The complexity of implementing Article 6 is reflected in the extensive negotiations required to establish its rules. Although the Paris Agreement was signed in 2015, the rules and procedures under Article 6 were first agreed at COP26 in Glasgow, further specified at COP27 in Sharm el-Sheikh and finally agreed only at COP29 in Baku, nine years later.

At the same time, carbon markets are expanding worldwide. 78% of the Parties to the Paris Agreement indicate that they plan to, or may, use at least one form of Article 6 cooperation in their NDCs. Under Article 6.4, 95 Parties have already designated a national authority, while for Article 6.2, six Parties have already undergone a Technical Expert Review. Within the EU, credits can currently be used to overachieve targets, as Sweden is planning to do. This signals a strong global interest in carbon credits and carbon markets in general and is prompting the Supervisory Body to finalise the remaining technical issues that are still under discussion.

Debates around standards to ensure the environmental integrity of projects remain ongoing and are expected to continue at COP30 in Brazil. In particular, the Supervisory Body will continue to develop standards on methodologies and removals under Article 6.4 and will report back annually to the CMA. At COP29, Parties operationalised Article 6, nearly ten years after its adoption in Paris. In Baku, a decision on Article 6.2 was adopted that does not impose binding compliance obligations on the Parties, beyond some vague commitments to resolve problems without specific deadlines. Similarly, two decisions were adopted on Article 6.4: the first on the opening day of COP and the second during the final plenary.

At COP30, further guidance is expected on the non-permanence of credits under Article 6.4, as well as on monitoring and adjustment methodologies. Discussions will also address the issue of non-permanence, and further work will be put into defining a baseline and increasing anti-leakage rules.

3 ADVANTAGES AND SHORTCOMINGS OF INCLUDING ARTICLE 6 CARBON CREDITS IN THE EU POLICY FRAMEWORK

Article 6 cooperative approaches can also be made operational at the EU level. In its review of the EU Climate Law, the European Commission has proposed the inclusion of Article 6 credits within the policy mix to support the achievement of the 90% emissions reduction target by 2040. While this inclusion brings potential advantages, it also carries some risks, as explored below.

Potential advantages

- **Keeping political leadership within multilateral processes** - the use of high-quality international credits under Article 6, as proposed by the Commission, can serve as a political signal of the EU's commitment to multilateral cooperation, particularly in a context of heightened geopolitical tensions and the withdrawal of major players, such as the United States from the Paris Agreement. Protecting multilateralism and international negotiations through the approaches envisaged by the Paris Agreement will also reinforce its legitimacy as a valuable tool for advancing climate action.
- **A stronger role for the EU in the debate on standards for international credits** - the EU pioneered carbon markets and established stringent standards for emission reductions, demonstrating a commitment to climate action. Allowing high-quality credits in limited quantities would signal openness to international cooperation. As several other States plan to use international credits in their NDCs, the demand for credits from the EU could influence standard setting towards higher environmental integrity, encouraging the adoption of reliable, high-quality credits globally.
- **Early emission reductions deliver both climate and economic benefits** - as highlighted by the IPCC for the former, and by the European Central Bank for the latter. Studies on the cost of inaction estimate potential global GDP losses of 8%-10% per year by the end of the century.[5] In this context, any policy instrument that can reduce emissions worldwide promptly and cost-effectively – such as international credits – deserves serious consideration. Moreover, the potential launch of pilot initiatives prior to the full implementation of credit use could help strengthen knowledge and effectively prepare for the 'operational' phase.
- **Finance and equity** - leveraging Article 6 mechanisms can help mobilise climate investments in developing countries by supporting upfront financing for project developers and facilitating results-based payments. Importantly, a share of proceeds from these transactions is also directed to the Adaptation Fund, providing a predictable source of finance for climate resilience in vulnerable regions.

[5] Noera (2025) *"Strumenti per il nostro futuro"*

Potential shortcomings

- **Risks to the environmental integrity of the EU target** - carbon credits have a long history of scandals related to their misuse, which can undermine their adoption. It has been highlighted that credits from the CDM, the predecessor of the PACM, have been linked to projects that resulted in significant overcrediting. However, under the Kyoto Protocol, only developed countries had legally binding emission reduction obligations. In contrast, all 195 Parties to the Paris Agreement now have binding CO_2 emission reduction targets. Nevertheless, the inclusion of roughly 1 billion CDM credits in the PACM raises concerns about continued overcrediting, by as much as 26,3 times. Moreover, recent controversies surrounding rainforest carbon credits issued by the independent organisation Verra highlight the risk of overstating emission reductions, worsening climate indicators.
- **Fragmentation and lack of transparency and reliability of reductions/removals** - the carbon credit market is increasingly fragmented: several countries, including Japan, China and Brazil, have integrated credits into their ETS system, while others – such as India, Turkey, Indonesia and the UK – are considering doing so. The proliferation of issuing authorities complicates the evaluation of credit validity and integrity. Moreover, monitoring, reporting and verification (MRV) systems are not yet globally harmonised.
- **Additional risks if EU ETS operators are allowed to generate credits** - without robust oversight and rigorous governance, there is a risk that excessive volumes or low-quality credits could enter the market, potentially having an impact on price and ultimately on the cost-opportunity of emission reduction options by industrial, maritime and aviation operators.

4 PRINCIPLES FOR 'HIGH QUALITY' CARBON CREDITS

Building on lessons learned from the CDM and the proliferation of carbon credits issued by different authorities (governments, international organisations, private entities) with different quality standards, several efforts have been made in recent years to establish principles that determine the trustworthiness of credits. The global debate on credit integrity has also progressed beyond the UNFCCC negotiations on Article 6. In 2023, at the Summit for a New Financial Pact hosted by France, EU leaders endorsed a Call to Action for Paris-aligned Carbon Market. The G7 has also worked extensively on defining high-integrity carbon credits, which led to the Principles for High Integrity Carbon Markets. Beyond those multilateral initiatives, the 2025 Oxford principles are increasingly becoming a reference point on the matter. Several frameworks[6] already attempt to define what constitutes 'high-quality' carbon credits, such as the Core Carbon Principles of the Integrity Council for the Voluntary Carbon Market, the Carbon Credit Quality Initiative by Oeko Institut, WWF and Environmental Defense Fund or the Carbon Offset Guide developed by the Stockholm Environment Institute (SEI) and the Greenhouse Gas Management Institute (GHGMI).

Drawing on these efforts, the following general principles and governance criteria could be used to operationalise the concept of 'high quality' carbon credits as referred to in the Commission's proposal.

As assessed in the policy briefing, Article 6.4 credits could, in principle, offer greater reliability and transparency than those issued under Article 6.2. Therefore, 6.4 credits - or those meeting equivalent standards - could serve as a starting point for establishing an EU framework for high quality credits. However, this does not automatically guarantee that the integrity standards required to ensure concrete action are met. Therefore, strong governance measures should always be in place at the buyer and host country level.

The main core principle is that **credits need to be aligned with the Paris Agreement goals**, i.e. they must contribute to enhancing ambition on the buyer and host country level. To that end, the following set of criteria should be applied:

- **Consistency with net zero**: projects should contribute to enhancing mitigation efforts on both the supply and demand sides of international credits, avoiding a lock in of high emission levels or emission intensive technologies. Following G7 recommendations, supply-side integrity should be guaranteed by emission pathways consistent with the Paris Agreement, aligned with the Article 6 rulebook, and should ensure robust and transparent governance. Demand-side integrity should follow UNFCCC documents such as the Guidance on cooperative approaches, and insist that the reporting process is made accessible to the public. Finally, market integrity should be promoted by publicly available registries and emissions should be disclosed and tracked, while harmonisation of standards should be pursued on a global level. Overall, the Paris Agreement is referenced as a benchmark for credit integrity.
- **Additionality**: credits must be used in projects that would not have been implemented without this instrument and thus be additional to existing climate change policies. Carbon

credits should not pay for investments that would repay themselves, like some on energy savings or renewables, and should not encompass existing policies required by law.

- **Accountability** through **corresponding adjustment**: to ensure that there is no double counting, considering that both the seller and the buyer have an NDC with quantified emission reduction targets, it is fundamental to ensure that emission reductions are counted only once and that countries deduct the emissions reduced through credit-related projects from their NDCs.
- **Permanence**: reduced emissions shall be irreversible. If there is the possibility of such emissions being reintroduced in the atmosphere, like in the case of forest management projects, measures shall be put in place to compensate for this risk.
- **Leakage prevention**: by definition, leakage occurs when actions that reduce emissions in one place cause increases elsewhere. Thus, a direct causal link can be observed between the activity and the increase in emissions outside the project boundaries. In the case of forest management projects, leakage can occur when logging is moved slightly outside the project area or when market agents adjust their behaviour in response to altered economic incentives. The issue of leakage has been recently addressed by the Supervisory Body responsible for overseeing Article 6.4 implementation at the UNFCCC level.
- **Human rights and environmental safeguards:** the goals of the Paris Agreement explicitly promote sustainable development and poverty eradication. Accordingly,, it is fundamental to avoid negative social consequences. In the past, some human rights violations connected to carbon credits have been reported, showing the importance of committing to international law and upholding human rights.

Moreover, **credits require structured governance** to enable countries to achieve positive impacts in terms of GHG emission reductions. This can be ensured through:

- **A centralised recognition mechanism** that can be implemented at the global level **under** the UNFCCC. Within the EU market, a dedicated EU body could play this role. Centralised oversight would support the gradual harmonisation of different policy frameworks and help avoid loopholes and inconsistencies. In the EU, this could also include centralised credit purchasing.
- **Robust MRV systems**: emissions and avoided emissions from project activities should be measured, verified and reported, possibly in a single registry, and be subject to third-party validation. Reporting and verification are essential to uphold the aforementioned principles.
- **Rigorous accounting methodologies**: **quantification of emission reductions and removals** should follow a conservative approach. Considering the risk of overestimating a project's benefits and the variability of its impact across different stages of development, it would be ideal to adopt strict methodologies for calculating mitigation potential. Given that credits often apply to innovative technologies, methodologies could be periodically updated to ensure the most rigorous standards. Preference should be given to carbon credits generated though the PACM or equivalent standards.
- **Accountability and transparency** on mitigation outcomes. Enhancing prompt and transparent disclosure of how they produce and then offset emissions is essential to avoid greenwashing. Building on the Oxford principles, transparency could be extended to the disclosure of revenues and conflict of interest provisions.
- **Transparent and inclusive decision-making process** with opportunities for stakeholder engagement and public participation can help ensure civil society oversight. This, in turn, can prevent scandals and backlash. In short, all information should be made publicly

available and the possibility of filing complaints to crediting authorities should be guaranteed.

5 CONCLUSIONS

The Paris Agreement relies on bottom-up and cooperative action. Leveraging Article 6 mechanisms can promote mitigation action and mobilise climate investments in developing countries by providing upfront financing for project developers and channelling results-based payments. Articles 6.2 and 6.4 offer different approaches to global emission reductions: Article 6.2 relies more on bilateral cooperation and decentralised governance, while Article 6.4 is standardised internationally and depends on centralised management.

Following the advice of the ESABCC, their use should be avoided. Nevertheless, the inclusion of their use is at the core of the political agreement currently under discussion for the approval of the EU's 2040 target. Therefore, their use should be assessed against strict principles of quality and reliability.

First, they should be aligned with the Paris Agreement and ensure consistency with net-zero goals. They should also be additional, accountable, permanent, and avoid leakage, while safeguarding environmental and social rights.

Secondly, structured governance should be ensured through a centralised recognition or purchasing mechanism, a strong MRV system, conservative accounting methodologies for quantifying emission reductions and removals, and by promoting transparency, accountability and an inclusive decision-making process.

If applied rigorously, high-quality credits could become a meaningful instrument within the EU's climate policy framework, contributing to the achievement of the 2040 target and reaffirming the EU's political leadership in climate action.

Several advantages of carbon credit use can be highlighted: they can reinforce commitment to multilateral cooperation, reduce mitigation costs for developed countries while mobilising climate investments in developing nations beyond climate finance, and promote a race to the top in global environmental standards.

At the same time, their misuse must be prevented, learning from past scandals and the consequent backlash against this instrument. Normative changes required for their use, as well as the inclusion of Article 6 units under the EU ETS should be carefully considered, including the use of the Market Stability Reserve (MSR) to avoid a surplus of credits that could lower the EU ETS allowance prices.

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This policy briefing was edited by:

Francesca Bellisai, Policy Advisor EU Politics and Governance, ECCO
francesca.bellisai@eccoclimate.org

The opinions expressed in this policy briefing are solely those of ECCO – the Italian climate change think tank, the author of this research.

For interviews or more information on the use and dissemination of the contents of this policy briefing, please contact:

Andrea Ghianda, Head of Communications, ECCO
andrea.ghianda@eccoclimate.org
+39 3396466985
www.eccoclimate.org

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