



EJF position on Article 6 and regulated carbon markets

Introduction

This paper outlines EJJ's stance on carbon credits and the markets in which they are traded, highlighting the role they should play in climate negotiations and efforts to decarbonise the global economy. Deliberately short, it seeks to inform policies on carbon markets.

Under certain stringent conditions, carbon credits can play a role in achieving climate targets, but they are not a substitute for ambitious and decisive action to reduce greenhouse gas emissions. Governments must prioritise domestic cuts in emissions through regulatory instruments and policy incentives that unlock a rapid green transition and decarbonisation of all sectors of their economies. Businesses must prioritise the reduction of emissions within their value chains, while investing in activities that drive broader mitigation outcomes and market transformation.¹

Background

A carbon credit is a unit that represents the removal, reduction or avoidance of one metric tonne of carbon dioxide equivalent (CO₂e) emissions.² Credits can be issued by governments or businesses and are bought and sold on carbon markets to mitigate greenhouse gas emissions.

Article 6 of the Paris Agreement provides a framework for international cooperation on carbon markets.³ It establishes international market mechanisms to help Parties achieve their Nationally Determined Contributions (NDCs), or climate targets. Article 6.2 introduces a decentralised approach for bilateral and multilateral credit trading, assisting countries to meet their climate targets by trading units, known as Internationally Transferred Mitigation Outcomes (ITMOs).⁴ Article 6.4, known as the Paris Agreement Crediting Mechanism, establishes a global carbon market regulated at the international level, overseen by a centralised Supervisory Body.⁵

Under Article 6, projects that reduce or remove CO₂e emissions are eligible to generate carbon credits, but emissions avoidance projects are not; however, the term 'emissions avoidance' has not been officially defined by the UNFCCC or IPCC. As noted by The Nature Conservancy, it has been used informally during UNFCCC negotiations in reference to measures that "explicitly forgo the opportunity to develop fossil fuel resources."⁶ After years of negotiation, most remaining provisions under Article 6 were finalised at COP29 in Baku.⁷



The potential of carbon markets

The scale-up of funding is urgently needed to address the climate crisis (see Figure 1). We are at a climate tipping point, with a 42% cut in emissions required by 2030 to get on the 1.5°C pathway.⁸ At the same time, ecosystems are being destroyed at unprecedented rates, risking the collapse of the ecological systems on which our societies, economies, and very existence depend.

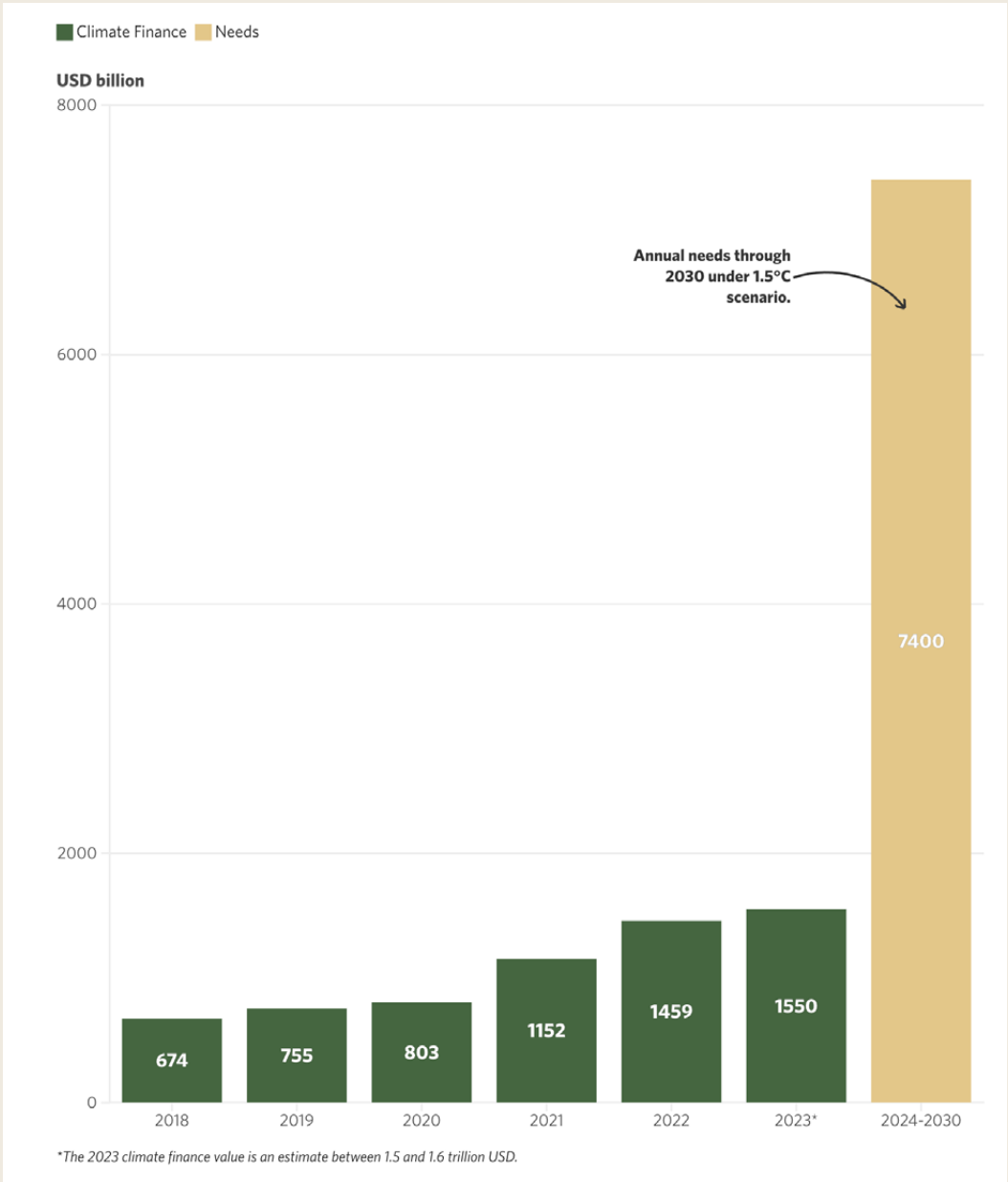


Figure 1: Annual global climate finance vs needs⁹

Source: Climate Policy Initiative (2024). While climate finance has grown to an estimated \$1.5 trillion in 2023, a fivefold increase is necessary to meet needs under the 1.5°C pathway. Climate finance needs refer to financial resources to fund actions and investments to reduce emissions or adapt to climate change.

Alongside the necessary deep cuts in fossil fuel emissions, nature-based solutions (NbS)—such as the conservation and restoration of ecosystems—can play a critical role in achieving climate targets while also benefiting people and the natural world by enhancing biodiversity protections. There is a substantial funding gap for NbS: the United Nations Environment Programme estimates that current financial flows to NbS are only one-third of what is needed to reach global goals by 2030.¹⁰ When used within a well-regulated and transparent framework, high-quality carbon credits could generate much-needed funding for NbS, supporting climate mitigation through emissions reductions and removals. Beyond NbS, other uses of carbon credits potentially include carbon removal technologies if proven viable and, more effectively and efficiently, through renewable energy projects.

The risks

Carbon trading projects should demonstrate that they confer durable benefits for climate, nature, and people, and deliver human rights protections at the forefront. While EJP recognises the potential of carbon markets and Article 6 in climate mitigation, several significant issues must be addressed before they are universally applied. These are fundamental principles without which carbon trading will fail to deliver benefits for climate mitigation; worse still, they risk exacerbating the climate and biodiversity crisis.

1. There must be a requirement for full participatory planning and management at every stage, **ensuring local communities and Indigenous peoples are empowered** in decision-making and that customary laws and traditional rights are enshrined and upheld.
2. Low-quality carbon markets pose a serious and unacceptable **risk of doing more harm than good**; multiple examples of past projects have resulted in damage to ecosystems and harm to Indigenous peoples and grassroots communities. An analysis on the impact of carbon credit projects found 70% caused harm to Indigenous peoples and local communities.¹¹
3. Carbon credits must **accurately reflect real emissions reductions**, as there is a risk of **overvaluing credits**. An analysis by Carbon Market Watch found that the first release of carbon credits under Article 6.4 is likely 27 times greater than the real emission reductions, as compared to values from peer-reviewed scientific literature.¹² Another analysis estimates that fewer than 16% of carbon credits issued to the projects analysed represent real emissions reductions.¹³
4. Carbon markets **risk diverting attention from the immediate, deep cuts in fossil fuel emissions** required to achieve the goals of the Paris Agreement.¹⁴ For example, Switzerland has relied on international carbon credits to meet its NDC target in place of reducing domestic emissions. They must not be viewed as a panacea for continuing or expanding fossil fuel production and consumption.
5. Realistic baselines must be agreed upon to **ensure that emissions reductions and removals confer genuinely additional benefits**, meaning that the reduction and removal would not have occurred without the project. Establishing mechanisms to **safeguard against ‘carbon leakage’** and ensuring that **emissions reductions are permanent are also crucial**. Carbon leakage occurs when high-emitting activities are displaced rather than reduced or eliminated, for example, through relocation of activities.¹⁵
6. Article 6.2, inter alia, **needs regulatory oversight, minimum social and environmental safeguards, mandated transparency disclosures and penalties for non-compliance**. This enables Parties to trade ITMOs in a poorly regulated manner, risking the integrity and effectiveness of carbon credit projects.



EJF's position

EJF conditionally supports well-regulated carbon markets that underpin targeted and high-quality carbon credits, with the **proviso that they uphold robust and transparent social and environmental standards, advance global climate targets and protect both people and the planet**. EJF emphasises that businesses must prioritise the decarbonisation of their value chains in strict adherence to the mitigation hierarchy (avoiding, minimising and restoring or offsetting any unavoidable harm).

Carbon credits should be strictly limited to offsetting unavoidable residual emissions or hard-to-abate emissions. Businesses should not self-determine which emissions are unavoidable. Estimates should instead be based on science, assessed by an independent third-party and regularly re-evaluated as criteria changes over time. This is particularly relevant for businesses using carbon credits on the pathway to net zero. This is to say, to avoid greenwashing, businesses must address all readily abatable emissions directly, and save the use of carbon credits for hard-to-abate emissions. Readily abatable emissions are those that could currently be reduced but have not yet been addressed (e.g., through existing, cost-effective technologies or practices). Hard-to-abate emissions refers to those particularly difficult to reduce due to technological gaps or financially unfeasible solutions.

The purchase of carbon credits must not replace the ambitious emissions reduction and removal policies required to meet the 1.5°C goal of the Paris Agreement. Reporting on carbon credits should be conducted separately from direct emissions reductions and removals efforts. EJF supports a regulatory body under Article 6 for international carbon markets, which is essential to safeguarding the quality and integrity of projects and providing technical expertise to evaluate each trade. As a prerequisite, there must be strong accountability mechanisms to ensure complete transparency and, crucially, impose consequences for non-compliance.

Recommendations

There is a substantial risk that poor design and implementation of Article 6 carbon markets will undermine, rather than support, the fight to avert dangerous levels of heating while causing harm to people and the planet. EJF therefore urges UNFCCC Parties to ensure complete transparency and robust safeguards in carbon markets that guarantee genuine, measurable and additional reductions in greenhouse gas emissions, while protecting the environment and respecting human rights.

EJF recommends:

1. Using carbon markets as a supplementary tool to enhance climate ambition, not as a replacement for emissions reduction policies. Article 6.4 mechanisms, such as the cancellation of at least 2% of issued units to deliver the overall mitigation goal emissions (OMGE) can help raise ambition. OMGE was set up to ensure carbon markets lead to a net reduction in emissions.¹⁶ As this is not mandatory under Article 6.2, participating countries should elect to do so.
2. Establishing stringent standards and safeguards to ensure credits are of high quality (recommended criteria below).
3. Ensuring full transparency to allow for effective scrutiny and accountability of all aspects of projects and trades, including methodologies, risks and mitigation, monitoring reports and verification of outcomes.
4. Ensuring the rights of Indigenous peoples and local communities are upheld and that they benefit from carbon credit projects. This must include adherence to Free, Prior and Informed Consent (FPIC), safeguarding of customary laws and traditional rights, ensuring effective representation in decision-making structures and equitable income distribution from project implementation.
5. Ensuring the grievance mechanism under Article 6.4, which allows individuals and communities to file complaints and seek redress if carbon credit projects have negatively impacted them, is accessible and fair, and developing a clear process for grievances under Article 6.2.
6. Robust oversight of the international carbon market by the Supervisory Body, as established under Article 6.4, with meaningful consequences in the event of inconsistencies, failure to disclose information or non-compliance.
7. Elaboration by the Supervisory Body of rigorous and detailed methodologies to determine baselines and the additionality of projects.
8. Ensuring the percentage of proceeds from traded carbon credits directed to the Adaptation Fund under Article 6.4, a 5% share¹⁷, is supplementary funding, not a replacement for targeted financial support to the Fund. As this is not mandatory under Article 6.2, participating countries should elect to do the same. Governments and businesses should provide additional funding to communities and countries most significantly impacted by the climate crisis.

EJF recommends the following criteria for high-quality carbon credits:

- They must be credible, conservatively estimated and extensively reviewed.
- The removal or reduction of reported CO₂e must be permanent.
- They must be additional, representing reductions or removals that would not have happened otherwise.
- Issuing carbon credits must not lead to leakage, causing additional CO₂e emissions elsewhere, such as by shifting the location of harmful activities, including resource extraction or deforestation.
- The projects must prioritise and uphold FPIC, and ensure meaningful and respectful engagement with Indigenous peoples and local communities at all stages of project design and implementation.
- The projects must adhere to robust social and environmental safeguards, specifically for sustained biodiversity and social benefits.





- 1 This recommendation, which EJF supports, is detailed by WWF in their carbon finance position. See: WWF (2024), WWF Network Position on Carbon Finance, <https://wwf.panda.org/wwf-news/?12720966/WWFCarbonFinancePosition> (accessed 8 April 2025).
- 2 Science Based Targets Initiative (2024), *Evidence Synthesis Reproduce or remove CO₂e emissions are eligible to generate or Part 1: Carbon Credits Version 1*, <https://sciencebasedtargets.org/resources/files/Evidence-Synthesis-Report-Part-1-Carbon-Credits.pdf> (accessed 8 April 2025).
- 3 UNFCCC (undated), 'Article 6 of the Paris Agreement', <https://unfccc.int/process/the-paris-agreement/cooperative-implementation> (accessed 8 April 2025).
- 4 UNFCCC (undated), 'Paris Agreement Crediting Mechanism', <https://unfccc.int/process-and-meetings/the-paris-agreement/article-64-mechanism>
- 5 UNFCCC (2024), 'Article 6.4 Supervisory Body', <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body/>.
- 6 Granziera, B., Hamrick Malvar, K. & Verdick, J. (2025) Article 6 Explainer, The Nature Conservancy, <https://www.nature.org/content/dam/tnc/nature/en/documents/c/m/CM-TNC-Article-6-Explainer.pdf>.
- 7 Chandrasekhar, A., Dunne, D., Dwyer, O., Quiroz, Y. & Viglione, G. (2024). 'COP29: Key outcomes for food, forests, land and nature at the UN climate talks in Baku', Carbon Brief, 27 November 2024, <https://www.carbonbrief.org/cop29-key-outcomes-for-food-forests-land-and-nature-at-the-un-climate-talks-in-baku/#article>.
- 8 United Nations Environment Programme (2024). *Emissions Gap Report 2024: No more hot air ... please! With a massive gap between rhetoric and reality, countries draft new climate commitments*. Nairobi. <https://doi.org/10.59117/20.500.11822/46404>.
- 9 Climate Policy Initiative (2024). *Global Landscape of Climate Finance 2024: Insights for COP 29*. <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024>.
- 10 United Nations Environment Programme (2023). *State of Finance for Nature: The Big Nature Turnaround – Repurposing \$7 trillion to combat nature loss*. Nairobi. <https://doi.org/10.59117/20.500.11822/44278>.
- 11 Dunne, D., Quiroz, Y., Pearson, T. & Prater, T. (2023). 'Mapped: The impacts of carbon-offset projects around the world', Carbon Brief, 26 September 2023, <https://interactive.carbonbrief.org/carbon-offsets-2023/mapped.html>.
- 12 Mulder, A. (2025). 'First wave of Article 6 carbon credits misfire spectacularly', Carbon Market Watch, 10 April 2025. <https://carbonmarketwatch.org/2025/04/10/first-wave-of-article-6-carbon-credits-misfire-spectacularly/>.
- 13 Probst, B.S., Toetzke, M., Kontoleon, A., Díaz Anadón, L., et al. (2024) 'Systematic assessment of the achieved emission reductions of carbon crediting projects', *Nature Communications*, 15, 9562, <https://doi.org/10.1038/s41467-024-53645-z>.
- 14 Climate Action Tracker (2024). 'Switzerland', <https://climateactiontracker.org/countries/switzerland/> (accessed 8 April 2025).
- 15 Science Based Targets Initiative (2024), *Evidence Synthesis Report Part 1: Carbon Credits Version 1*, <https://sciencebasedtargets.org/resources/files/Evidence-Synthesis-Report-Part-1-Carbon-Credits.pdf> (accessed 8 April 2025).
- 16 Granziera, B., Hamrick, K. & Verdick, J. (2024). Article 6 Explainer. The Nature Conservancy, https://www.nature.org/content/dam/tnc/nature/en/documents/TNC_Article_6_Explainer.pdf.
- 17 Adaptation Fund (undated). 'Alternative and Private Sector Sources', <https://www.adaptation-fund.org/about/resource-mobilization/alternative-and-private-sector-sources> (accessed 8 April 2025).