Article 6 of the Paris Agreement, Climate Change, Carbon Market

July 20, 2026 • vajiramandravi.com

Article 6 of the Paris Agreement provides the framework for voluntary international cooperation to reduce greenhouse gas emissions while supporting sustainable development. It enables countries to work together through carbon markets and non market approaches to achieve their Nationally Determined Contributions (NDCs).

The framework also helps mobilise climate finance, technology transfer and capacity building, especially for developing countries, while promoting transparency and environmental integrity in global climate action.

What is Article 6 of the Paris Agreement?

Article 6 of the Paris Agreement establishes a framework for voluntary cooperation between countries to achieve their climate commitments under the Paris Agreement through carbon markets and non market approaches.

- **Purpose**: Article 6 allows countries to cooperate voluntarily in meeting their Nationally Determined Contributions (NDCs), encouraging higher climate ambition while promoting sustainable development and international collaboration.

- **History**: The framework was created under the Paris Agreement adopted at COP21 in Paris on 12 December 2015. After years of negotiations, the detailed international carbon trading rules were finalised under the Paris Agreement framework.
- **Climate Finance**: Article 6 enables emission reduction activities to attract investments, helping developing countries secure financial resources, technology access and capacity building support for climate friendly development.
- **International Cooperation**: It permits countries to transfer verified emission reductions through internationally agreed mechanisms, allowing climate targets to be achieved more efficiently while maintaining transparent accounting standards.
- **Implementation**: The framework is continuously refined through annual meetings of the Conference of the Parties serving as the Meeting of the Parties to the **Paris Agreement** (CMA), SBSTA meetings and work undertaken by the Article 6.4 Supervisory Body.

Paris Agreement

The Paris Agreement is the global legally binding climate treaty that guides international efforts to limit global warming and strengthen climate resilience.

- **Adoption**: The Paris Agreement was adopted by 195 Parties at COP21 in Paris on 12 December 2015, entered into force on 4 November 2016 and had 194 Parties as of 27 January 2026.
- **Temperature Goal**: The Agreement aims to keep global temperature rise well below 2°C above pre-industrial levels while pursuing efforts to limit warming to 1.5°C.
- **Nationally Determined Contributions**: Countries submit NDCs every five years, with each new submission expected to reflect greater ambition than the previous one through progressively stronger climate actions.
- **Framework**: Beginning in 2024, countries report climate actions under the Enhanced Transparency Framework (ETF), with progress collectively assessed through the Global Stocktake to strengthen future climate commitments.
- **Support Mechanisms**: The Agreement promotes climate finance, technology development, technology transfer and capacity building, particularly for developing countries facing financial and technical constraints.

National Designated Authority

The National Designated Authority is the institutional mechanism established to implement Article 6 of the Paris Agreement carbon market provisions and supervise eligible emission reduction projects.

- **Formation**: The Ministry of Environment, Forest and Climate Change notified the National Designated Authority to operationalise India’s carbon trading mechanism under Article 6.
- **Composition**: The Authority is a 21 member committee chaired by the Environment Secretary and includes representatives from the Ministry of External Affairs, Ministry of New and Renewable Energy, Ministry of Steel and **NITI Aayog**.
- **Project Approval**: It identifies, evaluates, recommends and authorises projects eligible to generate Emission Reduction Units (ERUs) for international carbon trading.

- **NDC Compliance**: The Authority also approves the use of Emission Reduction Units for achieving India's Nationally Determined Contribution commitments under the Paris Agreement.

Components of Article 6 of the Paris Agreement

Article 6 of the Paris Agreement contains three interconnected mechanisms that enable international cooperation through market based and non market approaches for climate action.

Article 6.2 of the Paris Agreement

- **Cooperative Approaches**: Enables bilateral or multilateral transfer of Internationally Transferred Mitigation Outcomes (ITMOs), allowing countries to trade verified emission reductions while following internationally agreed accounting and reporting rules.
- **Corresponding Adjustment**: Countries transferring or receiving ITMOs must make corresponding adjustments in their emissions accounting to prevent double counting of the same emission reductions.
- **Technical Expert Review**: Participating countries submit detailed reports that undergo Technical Expert Review (TER), ensuring transparency, accuracy and consistency while respecting national sovereignty.
- **CARP**: The Centralized Accounting and Reporting Platform (CARP) provides reporting templates, submission guidance, authorised project records and accounting information for participating countries.
- **International Registry**: Managed by the UNFCCC Secretariat, the International Registry tracks ITMOs from issuance through transfer and final use while supporting accurate reporting.

Article 6.4 of the Paris Agreement

- **Paris Agreement Crediting Mechanism (PACM)**: Establishes a UNFCCC supervised global carbon crediting mechanism that issues high integrity carbon credits using a baseline and crediting approach.
- **Supervisory Body**: Decision 3/CMA.3 established the operational rules and created a 12 member Article 6.4 Supervisory Body to oversee the mechanism under CMA authority.
- **Climate Finance**: The mechanism mobilises investments for verified emission reduction projects, supports international cooperation and directs 5% of its proceeds to the Global Adaptation Fund.
- **Private Sector Participation**: Companies can generate verified carbon credits through emission reduction projects and transfer them to other entities seeking compliance or net zero objectives.

Article 6.8 of the Paris Agreement

- **Non Market Approaches**: Promotes voluntary cooperation without carbon trading by encouraging finance, technology transfer and capacity building for climate mitigation and adaptation.
- **Sustainable Development**: Supports climate action alongside poverty eradication while enhancing public and private sector participation in implementing Nationally Determined Contributions.
- **Institutional Coordination**: Encourages coordination among existing climate instruments and institutional arrangements to strengthen mitigation, adaptation and international cooperation.

What is the Carbon Market?

Carbon markets create financial incentives for reducing greenhouse gas emissions by allowing verified carbon credits to be bought and sold between countries or companies.

- **Definition**: A carbon market allows countries and companies to buy or sell carbon credits to compensate for greenhouse gas emissions through verified emission reduction activities.
- **Evolution**: Carbon markets were first introduced under the Kyoto **Protocol in 1997** and are now governed internationally through the Article 6 of the Paris Agreement.
- **Carbon Credit**: One carbon credit represents one metric tonne of carbon dioxide or equivalent greenhouse gas reduced, removed or avoided.
- **Working Mechanism**: Countries or industries earning emission reductions beyond their targets generate carbon credits that can be traded with entities needing additional reductions.
- **Emission Reduction Projects**: Carbon credits are generated from activities such as renewable energy, energy efficient technologies, efficient cookstoves, afforestation and other verified emission reduction projects.
- **International Cooperation**: Carbon markets attract investments, improve access to clean technologies and help countries achieve climate commitments at lower overall costs.

Article 6 of the Paris Agreement Challenges

Several Challenges and issues associated with the implementation of the Article 6 of the Paris Agreement has been listed below:

- Double Counting: Weak disclosure requirements may allow the same carbon credit to be counted by multiple entities unless corresponding adjustments are accurately implemented.
- Risk Reversal: Carbon stored through projects such as forests may later be released because of events like wildfires, reducing the long term effectiveness of emission reductions.
- Weak Accountability: Limited penalties for inaccurate reporting or misuse of carbon credits may reduce confidence in the credibility of international carbon markets.
- Project Quality: Transition from the Kyoto Protocol’s Clean Development Mechanism to Article 6.4 requires stronger additionality checks to avoid low quality carbon credit projects.
- Implementation Capacity: Many developing countries require greater institutional capacity, technical expertise and financial support to effectively participate in Article 6 mechanisms.

Article 6 of the Paris Agreement Significance

Article 6 of the Paris Agreement strengthens international climate cooperation by combining carbon markets, transparency standards and sustainable development to accelerate global emission reduction efforts.

- International Cooperation: It enables countries to collaborate voluntarily in achieving climate targets, improving collective global action against climate change.
- Climate Finance: Article 6 helps developing countries attract investments for renewable energy, afforestation, low carbon technologies and other emission reduction initiatives.
- Transparency: Accounting rules, reporting requirements and corresponding adjustments improve transparency while reducing the possibility of double counting emission reductions.

- Adaptation Support: Five percent of proceeds generated under Article 6.4 contribute to the Global Adaptation Fund, supporting vulnerable countries in strengthening climate resilience.
- Technology and Capacity Building: The framework promotes technology transfer, institutional strengthening and knowledge sharing, enabling countries to implement more effective climate policies and sustainable development strategies.
