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Article 6 of the Paris Agreement: Carbon Markets and Cooperative Approaches

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Article 6 of the Paris Agreement: Carbon Markets and Cooperative Approaches

How can one country pay another to cut emissions, and still count them only once? Article 6 of the Paris Agreement sets the rules for this. This lesson covers its three tracks, the double-counting rule, how the rulebook was agreed and what has happened since.

1 What does Article 6 do?

Article 6 lets countries work together to cut emissions across borders. It has three tracks. Each track works in a different way.

What are the three tracks?



The opening of the COP26 World Leaders' Summit in Glasgow, 1 November 2021. COP26 reached the Article 6 deal. Photo: PMO Barbados, Wikimedia Commons, public domain.

- **Article 6.2:** two countries trade emission cuts directly. The trade is bilateral. The cuts are called **ITMOs** (internationally transferred mitigation outcomes).
- **Article 6.4:** a central United Nations (UN) mechanism trades credits from specific projects. Its credits come from a UN-run body.
- **Article 6.8:** countries cooperate without trading anything. This is called a **non-market approach**.

What does each track look like?

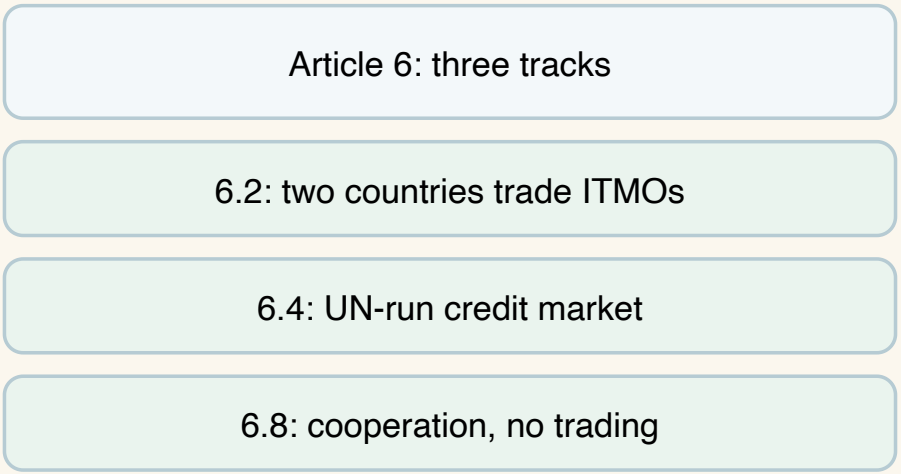
- Article 6.2 is a deal between two governments.
- Article 6.4 is a UN-run market that any buyer can use.

- Article 6.8 is a work programme. Taxes that discourage emissions are one example.

What is the common misconception?

- Some students think all three tracks trade credits. Only 6.2 and 6.4 involve tradeable units.
- Article 6.8 produces no credits to buy or sell.

> **Quick check 1.** Article 6.8 of the Paris Agreement involves trading credits between countries. *(True or False?)* See answer ↓



Two of the three tracks trade units. Original explanatory diagram. Original explanatory diagram.

Sources: wri.org; sullcrom.com

2 How is double counting stopped?

A rule called the **corresponding adjustment** stops two countries claiming the same cut. The seller removes the sold cut from its own emissions figures. Only the buyer then counts it.

What is the problem?

- Country A cuts emissions and sells the cut to Country B.
- If both claim the cut towards their own targets, it is counted twice.
- The Paris Agreement says double counting must be avoided under Article 6.

How does the fix work?

- The seller adjusts its own emissions figures to match the sale.
- The buyer adds the cut to its own tally.
- The world total stays honest.

What is a simple example?

- A farmer sells a kilo of rice to a shop. The rice cannot also stay in the farmer’s store.
- This is only an illustration.

> **Quick check 2.** A seller must adjust its own emissions figures when it sells an emission cut. *(True or False?)* See answer ↓

Sources: wri.org; sullcrom.com

3 How was the rulebook agreed?

Countries agreed it in two steps. They reached the deal at COP26 in Glasgow in 2021. COP29 in Baku then endorsed the Article 6.4 standards in 2024. COP stands for Conference of the Parties, the yearly UN climate meeting.

What did COP26 settle?

- Negotiators from almost 200 countries agreed the final rules on 13 November 2021.
- The rules were part of the Glasgow Climate Pact. They ended six years of talks.
- They require corresponding adjustments, so one credit is not counted towards two countries’ targets.
- Only credits from the old CDM registered after 1 January 2013 may count towards a country’s target.
- A Supervisory Body was set up to build the methods, registration and monitoring.

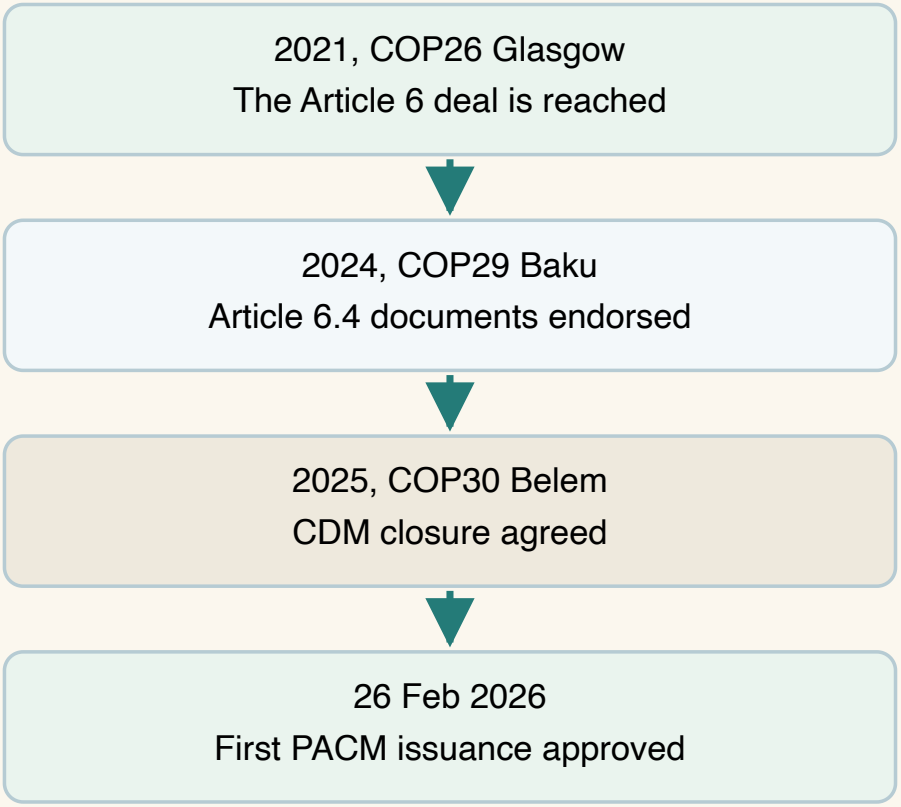
What did COP29 add?

- The Supervisory Body adopted standards on methodologies and removals in October 2024.
- The COP29 opening plenary then formally endorsed them.
- These standards had been the centre of its work from 2022 to 2024.

What is the memory hook?

- Think “Glasgow agreed the deal, Baku endorsed the standards”.

> **Quick check 3.** COP26 in Glasgow reached the Article 6 deal. *(True or False?)* See answer ↓



Four steps from deal to first credits. Original explanatory diagram. Original explanatory diagram.

Sources: sullcrom.com; climatefocus.com

4 What was the first trade?

Thailand and Switzerland were the first countries to transfer ITMOs for use towards a national climate target, in December 2023. The deal covers electric buses in Bangkok.

What happened?

- Switzerland’s buyer was the KliK Foundation.

- The seller was Energy Absolute, which owns the Thai activity.
- The programme converts private buses in the Bangkok area from combustion engines to electric ones.
- KliK says its carbon payments make the conversion affordable.

What came later?

- On 2 April 2026, Thailand and Switzerland approved new transfers.
- These covered 49,717 ITMOs for the 2023 and 2024 cuts.
- The ITMOs sit in the Swiss Emissions Trading Registry.

What is the exam trap?

- A signed agreement is not a completed trade.
- Check whether any units have actually moved.

Sources: klik.ch; esgnews.com

5 What replaces the old CDM?

The Paris Agreement Crediting Mechanism (PACM) replaces the Clean Development Mechanism (CDM). The CDM was the Kyoto Protocol's carbon-credit scheme. COP30 in Belém, Brazil, in 2025 agreed to close it.

What is PACM?

- PACM is the Article 6.4 mechanism, run under UN supervision.
- It is open to every project type that meets its rules.
- In June 2024, SBSTA concluded that technical Article 6.4 emission avoidance was not covered by the rules then in force.
- It deferred that question to SBSTA 68 in 2028.

- This is separate from verified emission reductions and removals, which are the credit categories. The CDM also credited additional reductions, such as solar and efficiency projects.

How does the CDM close?

- The CDM is being wound down through 2026.
- Its leftover money goes to support the new mechanism.
- Host countries got six more months to decide which CDM projects can move across. The new deadline was 30 June 2026.

What is the memory hook?

- Think “PACM is the CDM’s successor, built on Paris rules”.

> **Quick check 4.** COP30 agreed to close the Clean Development Mechanism. *(True or False?)* See answer ↓

Sources: sylvera.com; smithschool.ox.ac.uk

6 What is disputed about Myanmar?

Critics said the Myanmar project could not be checked properly. So a smaller credit number did not settle the row. The first PACM credits came from that project.

What happened?

- On 26 February 2026 the Article 6.4 Supervisory Body approved the first PACM issuance.
- The project is a cookstove programme in Myanmar that moved over from the CDM.

- It was approved for 648,783 tonnes of carbon dioxide equivalent, for 1 January 2021 to 31 May 2022.
- That is 41.5% less than the 1,108,379 tonnes estimated under the CDM.
- The approval stayed open to appeal for 14 days.

What did critics say?

- Auditors could not make site visits because of security risks. They used remote interviews.
- Civil society groups said the credits were over-counted.
- Plan 1.5 and others earlier put the over-crediting at more than 14 times. A later Carbon Market Watch assessment said a factor of seven.

Does a lower estimate make a credit trustworthy?

- No. Counting and checking are two separate questions.
- A smaller number from a weak check is not automatically reliable.

> **Quick check 5.** A lower credit estimate proves a carbon credit is trustworthy. *(True or False?)* See answer ↓

Sources: fastmarkets.com; downtoearth.org.in

7 What is India's role?

India has moved from watching to taking part. It signed a Joint Crediting Mechanism (JCM) with Japan under Article 6.2. It also runs its own domestic carbon market, which is a separate system.

What is the India-Japan JCM?

- The Ministry of Environment, Forest and Climate Change signed a Memorandum of Cooperation (MoC) with Japan in August 2025.
- The MoC lets projects trade carbon credits under Article 6.2 without hurting India's own climate pledge.
- On 8 June 2026 the two governments adopted the Rule of Implementation.
- The rule sets up a Joint Committee, project approval steps, third-party checks, safeguards and national registries.

What is India's domestic market?

- India notified the Carbon Credit Trading Scheme (CCTS) in 2023.
- The Bureau of Energy Efficiency runs it.
- Each credit certificate stands for one tonne of carbon dioxide equivalent.

What is the trap?

- The CCTS trades credits inside India.
- Article 6.2 deals trade credits between countries.

Sources: pib.gov.in; icapcarbonaction.com

8 How may exams ask this?

UPSC asked about Article 6 in the 2025 Prelims. It tested whether you know that Article 6 covers both carbon markets and non-market cooperation.

What did UPSC ask?

The correct choice is (a). Article 6 covers carbon markets in 6.2 and 6.4. It covers non-market cooperation in 6.8.

Which traps should you avoid?

- **Which track trades?** Only 6.2 and 6.4 trade units.
- **COP26 or COP29?** Glasgow agreed the deal. Baku endorsed the 6.4 standards.
- **CDM or PACM?** PACM is the successor to the CDM.
- **Lower number or better credit?** A lower estimate does not prove a credit is sound.

How do you remember it?

- Use this line: **6.2 pairs, 6.4 pools, 6.8 shares.**

Sources: mcqquestion.com; wri.org

Review the feedback after each answer. The understanding-check score lasts for this page session. Reset the checks when you want another attempt. This score is separate from the Native Practice score below.

Questions to think through

Why does a seller have to adjust its books when it sells an emission cut?

Without the adjustment, both countries would claim the same cut. The world total would then look better than it is.

Why did the rulebook take years to agree?

Countries disagreed on double counting and on what to do with old Kyoto credits. COP26 settled both in 2021.

Why does a lower credit estimate not settle the Myanmar row?

The row was also about checking. Auditors could not visit the sites, so a smaller number was not proof of a sound credit.

Why is India's domestic scheme a different thing from its Article 6.2 deals?

The domestic scheme trades credits inside India. Article 6.2 deals move credits between two countries, so they need the corresponding adjustment.

Practice MCQs

1. Consider the following statements: Statement I: Article 6 of the Paris Agreement on climate change is frequently discussed in global discussions on sustainable development and climate change. Statement II: Article 6 of the Paris Agreement on climate change sets out the principles of carbon markets. Statement III: Article 6 of the Paris Agreement on climate change intends to promote inter-country non-market strategies to reach their climate targets.

Which one of the following is correct in respect of the above statements? (a) Both Statement II and Statement III are correct and both of them explain Statement I (b) Both Statement II and Statement III are correct but only one of them explains Statement I (c) Only one of the Statements II and III is correct and that explains Statement I (d) Neither Statement II nor Statement III is correct [UPSC CSE Prelims 2025]

A. Both Statement II and Statement III are correct and both of them explain Statement I

B. Both Statement II and Statement III are correct but only one of them explains Statement I

C. Only one of the Statements II and III is correct and that explains Statement I

D. Neither Statement II nor Statement III is correct

See answer ↓

2. Which part of the Paris Agreement's Article 6 allows two countries to directly trade emission-reduction outcomes toward their own climate targets?

A. Article 6.8

B. Article 6.1

C. Article 6.2

D. Article 6.4

See answer ↓

3. PACM, the UN-supervised carbon crediting mechanism set up under Article 6.4, is designed as the successor to which Kyoto Protocol-era mechanism?

A. Joint Implementation

B. The Clean Development Mechanism (CDM)

C. The Adaptation Fund

D. The Green Climate Fund

See answer ↓

4. Which accounting safeguard stops both a buying and a selling country from claiming credit for the same emission cut under Article 6.2 trades?

A. Carbon border adjustment

B. Emissions trading cap

C. Corresponding adjustment

D. Nationally determined baseline

See answer ↓

5. At which COP was the full Article 6 rulebook, covering Articles 6.2, 6.4, and 6.8, finally finalized after years of deadlock?

A. COP26, Glasgow (2021)

B. COP29, Baku (2024)

C. COP24, Katowice (2018)

D. COP21, Paris (2015)

See answer ↓

6. Article 6.8 of the Paris Agreement is distinct from Articles 6.2 and 6.4 mainly because it:

A. Sets a global carbon price floor

B. Enables cooperation like finance and tech transfer without any credit or unit trading

C. Applies only to developed countries

D. Replaced the Kyoto Protocol's Joint Implementation mechanism

See answer ↓

Answer Key

1. **A.** The answer is (a). Article 6.2 and 6.4 set up carbon markets, so Statement II is right. Article 6.8 promotes non-market cooperation, so Statement III is right. Both are part of why Article 6 is discussed, so both explain Statement I. Options (b), (c) and (d) each wrongly drop one or both. Memory hook: 6.2 pairs, 6.4 pools, 6.8 shares. ↑ Q1
2. **C.** The answer is Article 6.2. It lets two countries trade emission cuts directly, as ITMOs. Article 6.4 is the central UN mechanism. Article 6.8 trades nothing. Article 6.1 is a general opening clause, not a trading track. Memory hook: 6.2 pairs two countries. ↑ Q2
3. **B.** The answer is the Clean Development Mechanism (CDM). The CDM was the Kyoto Protocol's carbon-credit scheme. COP30 agreed to close it, and PACM takes over. Joint Implementation, the Adaptation Fund and the Green Climate Fund are different bodies. Memory hook: PACM is the CDM's successor. ↑ Q3
4. **C.** The answer is the corresponding adjustment. The seller adds the transferred tonnes to its own emissions balance. The buyer subtracts them. So only one country counts the cut. Reductions that are claimed for other uses are tracked separately as entitlement to claim. A border adjustment taxes imports. A cap limits total emissions. A baseline is a starting level. None of these stops double counting. ↑ Q4
5. **A.** The answer is COP26, Glasgow, 2021. Negotiators agreed the final Article 6 rules there on 13 November 2021, after six years of talks. The rules guard against double counting. COP29 in Baku later endorsed the Article 6.4 standards. COP21 and COP24 came before the deal. Memory hook: Glasgow agreed the deal, Baku endorsed the standards. ↑ Q5
6. **B.** The answer is that Article 6.8 allows cooperation without trading credits. It is a non-market approach. Articles 6.2 and 6.4 trade units. There is no global carbon price floor in Article 6. Article 6.8 is not limited to developed countries. It did not replace Joint Implementation. Memory hook: 6.8 shares, it does not sell. ↑ Q6

Quick-check answers

1. **False.** it is false. Article 6.8 is cooperation with no credits traded. ↑ 1
2. **True.** The seller removes the cut so that only the buyer counts it. ↑ 2

3. **True.** Countries reached the deal there after six years of talks. ↑ 3
4. **True.** COP30 agreed to close it, and it is being wound down through 2026. ↑ 4
5. **False.** it is false. The Myanmar row was also about whether the project could be checked. ↑ 5

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