Open Letter on the Paris Agreement Crediting Mechanism (PACM)

To: The Parties to the Paris Agreement meeting at CMA.8 (COP31)

From: IETA, Project Developers Forum, Wildlife Conservation Society (WCS)

Excellencies,

At COP31, Parties will consider the 2026 annual report of the Article 6.4 Supervisory Body (CMA 2026/08). We write to ask you to use that moment to give the Supervisory Body clear guidance to improve the viability of mitigation activities and facilitate broader participation in the Paris Agreement Crediting Mechanism (PACM).

The Supervisory Body has made regulatory progress in 2026. Uptake, however, has not followed. Overall, the development of methodologies remains slow and there are real concerns that even where methodologies have been adopted, they may not lead to significant project development activities.

This gap has consequences and risks depriving from carbon finance many high-integrity activities. Slow implementation also threatens the mechanism's finances – despite USD 26.8 million transferred from the CDM Trust Fund in 2025, PACM generates very little revenue and current projections show no resources carried over into 2028. We are concerned that the PACM is not on track to fulfil its mission as set out in Article 6.4(a—d) of the Paris Agreement. Unless the mechanism becomes workable across countries and activity types, its impact on the atmosphere risks remaining marginal.

Our request

We encourage Parties to raise implementation concerns below in their interventions and call on the CMA to adopt guidance that will allow the Supervisory Body to improve the viability of mitigation activities and facilitates broader participation in the mechanism, while protecting environmental integrity.

We set out five priorities:

1. an official assessment of the combined impact of the new standards and tools;
2. targeted guidance on downward adjustments and uncertainty requirements;
3. an operational approach to broad participation;
4. continued work on alternative approaches to reversal risk;
5. the conditions for a well-functioning mechanism.

1. An official assessment of the combined impact of the new standards and tools

We ask Parties to request the Supervisory Body to assess the combined impact of the new Article 6.4 standards and methodological tools on activities. The assessment should look at both the volume of emission reductions or removals and the feasibility of the activities.

Eligibility conditions, baseline assumptions, monitoring requirements, buffer contributions and other obligations may be justified individually. However, their cumulative impact results in outcomes that diverge significantly from an accurate quantification of mitigation outcomes. As of today, there is no official picture of the size of such divergence, and what it means for project costs and unit prices.

We request an official assessment that would:

- **show the scale of the deductions** to all stakeholders (host countries, investors, project developers and civil society);
- **show what they mean for feasibility, including prices,** so that buyers and investors can set realistic expectations for the cost of Article 6.4 units, both for NDC implementation and for voluntary use;
- **provide a shared evidence base** for improving the accuracy of standards, tools and methodologies through greater accuracy, without weakening environmental integrity.

Limiting the assessment to approved methodologies gives the work a defined, manageable scope.

2. Targeted guidance on downward adjustments and uncertainty

Two requirements stand out because their effects reach across project type, compounding other conservative provisions.

Downward adjustments. We ask Parties to request the Supervisory Body to revise the baseline standard so that downward adjustments can be excluded in specified circumstances, also encompassing cases where historical baselines approached are used. This would be consistent with the guidance provided in Decision 20/CMA.7 requesting methodologies to be based on the best available science and robust evidence.

Uncertainty requirements. The current interpretation of the Baseline Standard requiring emission reductions and removals "very unlikely to be overestimated" constrains methodological development and drives large uncertainty deductions. We ask Parties to request the Supervisory Body to reconsider how uncertainty requirements are interpreted and applied. The narrow focus on avoiding spurious credits prevents large volumes of real emission reductions and removals from being generated, particularly where these requirements combine with other conservative provisions.

These are systemic issues. Addressing them would not lower the bar on integrity. It would make the bar reflect accurate quantification rather than stacked conservativeness.

3. Making broad participation operational and not excluding capacity-constrained Parties

Paragraph 33 of the rules, modalities and procedures (RMPs) commits the mechanism to facilitating broad participation. Until today, Individual requirements are not tested against this criterion.

Some requirements systematically disadvantage countries with limited data or institutional capacity. Examples include approaches that favour countries with granular electricity dispatch data, and reversal-risk factors linked to REDD+ and national planning frameworks.

We ask Parties to request the Supervisory Body to assess whether specific standards, tools and decisions create disproportionate barriers to participation for certain host countries, and to address those barriers when developing or revising requirements. This would turn broad participation from a principle into a test applied to each rule.

4. A pragmatic approach to permanence

The scientific basis and size of reversal-risk deductions remain a major concern, particularly for nature-based activities, but ongoing technical work on alternative approaches under the reversal risk tool offers a constructive way forward.

We ask Parties to request the Supervisory Body to continue examining and testing scientifically robust alternative approaches to reversal-risk assessment, including their implications for project viability. Buffers, insurance, guarantees and other measures should be judged on their environmental effectiveness and practical applicability. Solutions should align with NDC accounting without imposing obligations that shut out credible land-based activities.

5. Conditions for a well-functioning mechanism

The asks above will work only if the governance of the mechanism is sound. We note with regret that very little improvement took place in 2026 despite a clear mandate in Decision 20/CMA.7. We ask Parties to also give guidance on five points.

- **Meaningful stakeholder engagement.** Calls for input need predictable calendars and response periods proportionate to the complexity of each issue. Early technical exchanges with practitioners, and a published record of how substantive comments were assessed, would strengthen the process.
- **A Methodological Expert Panel (MEP) fit for the mechanism's objectives.** The appointment of expert panels needs transparency on competencies, selection criteria, terms of reference, and conflicts of interest. Members should be selected based on their expertise and their commitment to the mission of the mechanism as set out in Article 6.4(a—d) of the Paris Agreement. Moreover, their recommendations should be truly based on the best available science and not on policy decisions. When different scientific points of view came to different conclusions, it should be fully reflected in their recommendations.
- **Financial sustainability and equitable access.** Parties should request a credible assessment of the path to financial viability, addressed together with the barriers to project transitions and registrations. If the mechanism is to become self-financing through issuance fees, this assessment must consider the pipeline of current prior consideration notifications and their viability under the proposed methodologies at prevailing market prices.
- **Transparent prioritization of methodologies.** The Supervisory Body should publish the criteria, evidence and process it uses to prioritize methodological work, including how "strong market demand" is defined. Structured engagement with host countries, developers, investors and buyers should inform it.
- **Capacity building that works.** The USD 4.7 million allocated for 2026–2027 is a positive step, but its effectiveness has yet to be assessed. Capacity building should help designated national

authorities (DNAs) evaluate proposals, contribute input before decisions are adopted, and handle approval, authorization, methodology application and registry use.

Conclusion

PACM can become a trusted, high-integrity mechanism for mitigation finance under the Paris Agreement. However, getting there depends on rules that investors can act on, a mechanism that can pay for itself, and a process that stakeholders can engage with and trust. Clear guidance from Parties at COP31 would put all three within reach.

We stand ready to support Parties and the Supervisory Body with evidence, data and practical experience.

Yours sincerely,

IETA

PROJECT DEVELOPER FORUM

WCS