IETA

SCALING UP NDC 3.0 AMBITION THROUGH ARTICLE 6

How governments can align carbon markets with national priorities to unlock private investment in mitigation activities

POLICY PAPER

PARTIES TO THE PARIS AGREEMENT ARE IN THE PROCESS OF UPDATING THEIR NDCS FOR THE PERIOD 2030-2035 (NDCS 3.0). THIS DOCUMENT PROPOSES A SIMPLE BUILDING BLOCK FRAMEWORK TO SUPPORT COUNTRIES IN STRENGTHENING THEIR NDC 3.0 SUBMISSIONS AND ENSURING THEIR ENGAGEMENT WITH ARTICLE 6 MARKETS CAN SUCCEED. THIS APPROACH SUPPORTS ALIGNMENT BETWEEN NATIONAL PRIORITIES AND INTERNATIONAL CARBON MARKET OPPORTUNITIES, CREATING THE CONDITIONS TO MOBILISE FINANCE AND DELIVER HIGH-INTEGRITY MITIGATION OUTCOMES. THE OBJECTIVE IS TO PROMOTE RECOMMENDATIONS TO GOVERNMENTS WHILE HIGHLIGHTING WHAT THE PRIVATE SECTOR NEEDS TO CREATE CONDUCIVE INVESTMENT ENVIRONMENTS THAT LEAD TO THE SUCCESSFUL IMPLEMENTATION OF CARBON MARKETS UNDER ARTICLE 6 OF THE PARIS AGREEMENT.

What is happening?
Parties to the Paris Agreement are in the process of updating their NDCs for the period 2030-2035 (NDCs 3.0), setting out new and more ambitious climate commitments. The need to scale up financing towards the achievement of the Paris Agreement is critical. Market-based cooperation under Article 6 of the Paris Agreement can play a crucial role by incentivising green investments, delivering emissions reductions and removals where it is most cost-effective, supporting sustainable development targets and bridging the finance gap.

The initial deadline for submission was set in February 2025, but it has been pushed back to October 2025 due to widespread delays among Parties. Such delays highlight the difficulty in formulating ambitious and achievable NDCs in the current economic and geopolitical context. As of 1 July 2025, less than 30 countries have so far submitted their NDCs 3.0 with targets for 2035. Out of these, only a handful have clearly provided information and outlined their intention to use Article 6.

What is needed?
A clear signal by countries on their intention to use Article 6 mechanisms, with details on the role governments expect carbon markets to play in achieving their NDC 3.0. Disaggregating NDC commitments and clearly distinguishing between unconditional and conditional components, where relevant, is vital. This clarity helps international stakeholders—including climate finance providers, investors, and project developers—understand which mitigation actions are viable for cooperative implementation and where international support is critical. Relevant sectors, activity types and volumes should be clearly identified to attract and scale up private investment in high-integrity mitigation projects, as well as the engagement with the domestic climate policies.

NDCs should explicitly link conditional targets to international climate finance, positioning Article 6 as a concrete tool for mobilising private investment. Doing so sends a strategic signal that enhances both the credibility and functionality of carbon markets.

IETA is launching its new NDC Tracker to provide a clear overview of how countries are tackling Article 6 in their NDC 3.0.

The tracker will analyze and benchmark national strategies against the readiness framework outlined in our policy paper, assessing whether countries have the Foundational, Enabling, and Market Readiness necessary to participate in Article 6 effectively.

This is especially important as investors increasingly seek mitigation outcomes that demonstrate additionality and align with conditional NDCs. Clarifying this “investment logic” also helps align expectations. For host countries, it showcases how Article 6 can help close climate finance gaps. For the private sector, it illustrates where market-based cooperation can credibly support national targets. Importantly, the viability of Article 6 as a financing instrument depends on credible and transparent conditionality. Without this, it is difficult for carbon markets to support NDC achievement and increase ambition—as it has been surfacing in the first rounds of technical expert reviews.

Transformational changes such as mobilising investment, building institutional and technical capacity, transferring technology, and implementing mitigation activities require a medium- to long-term horizon. These efforts often extend well beyond the static timelines of five-year NDC cycles.

While delivering on ambitious climate targets is essential, countries also need early access to international finance to lay the groundwork for future ambition. Article 6 can play a critical role in this regard. By enabling cooperative approaches today, it allows countries to finance foundational and enabling activities—such as early-stage project pipelines and readiness systems—that will support deeper emissions reductions over time.

In this context, Article 6 should be seen not only as a compliance tool but as a dynamic driver of sustained ambition. Rigidly waiting until 2030 to adjust or scale up Article 6 implementation would risk delaying investment and losing valuable time in a decade that is critical for climate action. Instead, early engagement can unlock finance and generate momentum, allowing countries to raise ambition as enabling conditions evolve progressively.

How to move forward?

As countries are currently preparing their NDCs 3.0 to be submitted ahead COP30 in November 2025, IETA developed a simple framework aimed at providing guidance for countries to strengthen their submissions and ensure their engagement with Article 6 markets can succeed.

The framework is also intended to guide private sector actors and potential government partners in identifying credible environments for investment and cooperation.

- Block 1: Foundational Readiness
- Block 2: Enabling Readiness
- Block 3: Operational Readiness

By organising key elements into three cumulative stages, this approach supports alignment between national priorities and international carbon market opportunities, creating the conditions to mobilise finance and deliver high-integrity mitigation outcomes. Countries can approach some of these block components sequentially or work on multiple ones simultaneously, depending on their existing institutional capacity, policy frameworks, and experience. By starting at Block 1 and moving towards Block 2 and Block 3, countries can provide the necessary clarity to scale up financing through Article 6, supporting the achievement of their NDC targets and enabling increased ambition over time, in line with the objectives of the Paris Agreement.

In practice, NDCs must go beyond general mitigation commitments and clearly outline how international market cooperation will be integrated into national climate strategies to effectively operationalise carbon markets under Article 6 of the Paris Agreement and facilitate investments in the country. By using this three-block structure, governments can identify practical steps to enhance the quality of their NDCs and send stronger signals to carbon market actors. It also enables the private sector to better assess where opportunities lie—and what conditions are necessary—for successful Article 6 activities and their financing.

Foundational Readiness – Minimum Signals for Engagement (Block 1): These are the essential elements that anNDC must include to be considered for Article 6 cooperation. They indicate that a country has taken initial steps towards market participation. Without these, potential partner countries and private sector actors are unlikely to engage, or their engagement is unlikely to be successful.

Enabling Readiness – Building Confidence for Cooperation (Block 2): This block includes elements that reflectinstitutional maturity, transparency, and policy coherence. They demonstrate a country's ability to engage in high-integrity carbon market transactions and govern the complex interactions of policies and stakeholders.

Market Readiness – Unlocking Investment and Scaling Action (Block 3): This final block reflects advanced readinessfeatures that enable full implementation of Article 6 activities. These measures are aimed at delivering strong policy signals, legal certainty, investor confidence, and operational clarity. Countries at this level are considered credible and attractive partners for long-term cooperation and private investment.

Foundational Readiness – Minimum Signals for Engagement (Block 1):

- Explicitly communicate the intent to use Article 6 mechanisms, describing whether the country intends to be a buyer, seller, or both.
- Define mitigation targets, specifying whether it is based on domestic or international actions (for buyers), and unconditional or conditional on the provision of international finance (for sellers). When a combined target is submitted, the volumes for each sub-target (in absolute tonnes of GHG eq. or as a % of a baseline), their interplay, and the terms of conditionality should be specified. Disaggregating NDC commitments provides stakeholders with much-needed clarity to identify which activities are open to Article 6 activities.
- Clarify what financing, capacity-building, or technological support is required to achieve any conditional NDC target, including expected reliance on Article 6.2 and 6.4.
- Identify potential sectors and/or mitigation activities that may be prioritised for Article 6 finance and articulate how and why they may support the achievement of national climate goals in the current NDC period as well as in the longer-term. This can be done through a positive list and/or a reference to the national Article 6 framework.
- Quantify and earmark a carbon budget or emissions trajectory consistent with the NDC for Article 6 authorisation to provide clear and early signals to investors and project developers. Buying countries may clearly announce the amount of ITMOs they expect to buy over a given timeframe, while selling countries may quantify the expected amount on ITMOs to be issued without incurring in the risk of overselling.

Enabling Readiness – Building Confidence for Cooperation (Block 2):

- Develop institutional arrangements and legal frameworks to enable Article 6 activities, including planning for carbon legislation where relevant and a clear allocation of responsibility to different body and institutions. As the development of new legal instruments can be time-consuming and heavily politicised, countries may use existing laws and mandates to put in place an Article 6 framework.
- Establish robust accounting and ITMO tracking systems to monitor the issuance of mitigation outcomes, international transfers, and corresponding adjustments in line with Article 6 rules. Multiple options to fulfil these requirements are available, including registries made available by the UNFCCC Secretariat, various multilateral institutions, and private providers. Integration of national registry solutions with the Climate Action Data Trust (CAD Trust) would significantly improve transparency and data accessibility.
- Select partner countries to trade with, if applicable. While early examples of cooperation relied on bilateral agreements between a buying and a selling country, it is possible to authorise and use ITMOs unilaterally towards the achievement of an NDC or for other purposes (e.g. CORSIA).
- Define eligibility rules for crediting programmes, standards and methodologies. The choice of standards and methodologies is usually (but not necessarily) driven by buying countries and can rely on the establishment of a new crediting programme (e.g. Japan and its Joint Crediting Mechanism), the case-by-case adoption of methodologies (e.g. Switzerland), the use of independent crediting programmes (e.g. CORSIA, Singapore), or reliance on the nascent Paris Agreement Crediting Mechanism (PACM).
- Align Article 6 activities with other domestic carbon pricing and trading instruments, such as domestic carbon taxes or emissions trading systems (ETS).
- Identify capacity-building needs and partners to strengthen institutional, legal, and technical capabilities for high-integrity carbon market participation, especially beyond ministries that directly interface with the UNFCCC process.
- Engage early in small-scale activities, sandboxes or pilot projects that provide learning opportunities and support capacity building.
- Track progress in implementing Article 6 and related carbon market infrastructures, including institutional set-up, national regulations and public policies, as well as planned next steps, if any.

Market Readiness – Unlocking Investment and Scaling Action (Block 3):

- Develop benefit sharing strategies to ensure all parties involved benefit from Article 6 engagement. Such strategies may include:
  - sharing of mitigation outcomes between the host country, the developer/buyer, and other actors involved;
  - establishment of crediting periods shorter than the lifespan of the activity;
  - fees and levies for ITMO authorisations and transfers;
  - reinvestment of proceeds into additional mitigation and adaptation activities.
- Develop clear processes for authorising cooperative approaches and issuing Letters of Authorization (LoAs) to activities, including forms, templates, decision criteria, expected timeframes, legal recourse, and procedures for changes and revocation. Importantly, host countries should outline the conditions for changes or revocations of LoAs, as well as its consequences for carbon market participants and national accounting.
- Develop clear processes to fulfil reporting obligations, including: publication of LoAs; submission of the Initial Report (IR) and the annual Agreed Electronic Formal (AEF) to the UNFCCC; integration of Article 6 activities in the Biennial Transparency Report (BTR) to the UNFCCC; any additional reporting requirements established at the national level.
- Embed Article 6 activities and transactions into Long-Term Low-Emission Development Strategies (LT-LEDS) to ensure the impact of Article 6 activities beyond the current NDC cycle are fully understood and tracked. Such long-term thinking is particularly important to secure financing for large-scale transformational projects that may require to generate ITMOs over multiple NDC cycles to be economically viable and secure the appropriate financing mechanisms.
- Establish continuous monitoring to identify the main barriers (legal, institutional, technical, financial) to scaling up carbon markets, and outline planned solutions.

Contact us
info@ieta.org

Headquarters
Grand-Rue 11
CH-1204 Genève
Switzerland
+41 22 737 05 00

Brussels
Rue du Commerce
Handelsstraat 123
1000 Brussels Belgium
+32 2 893 02 39

Washington
1001 Pennsylvania Ave. NW
Suite 7117
Washington, DC 20004
+1 470 222 IETA (4382)

Toronto
180 John Street
Toronto, ON M5T 1X5

Singapore
62 Ubi Road 1 #04-24 Oxley
Bizhub 2
Singapore 408734

IETA also has representation in: Beijing, Brazil, Colombia, Japan, and the UK.