



THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

# Continuous Improvement Work Program report: Paris Alignment

September 2025, Version 1.0

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## Acknowledgements

The ICVCM would like to acknowledge the contribution of all the individuals and organisations involved in the development of this report as participants of the CIWP.

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Published by The Integrity Council for the Voluntary Carbon Market September 2025



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# The ICVCM's Continuous Improvement Work Programs

The Integrity Council for the Voluntary Carbon Market's (ICVCM) Continuous Improvement Work Programs (CIWPs) ensure that carbon markets continue to evolve by bringing together leading experts and key stakeholders in a collaborative effort to address complex challenges, provide thought leadership, and chart the next generation of solutions to accelerate high-integrity carbon markets that benefit both people and planet. The CIWPs harness the latest science, emerging technologies, and innovative approaches from across the market to inform the next generation of carbon market integrity systems and standards.

The recommendations of these multi-stakeholder, expert working groups will inform further refinement and development of the ICVCM rule book, particularly the CCP Assessment Framework. They may also refer to actions more appropriately implemented by entities other than the ICVCM, but which are nonetheless crucial for future market development and maturation.





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# Executive summary

The first three CIWPs convened by the ICVCM focused on alignment with the Paris Agreement. The Paris Agreement brings together all nations to combat climate change and adapt to its effects. The Paris Agreement, through Article 6, allows countries to voluntarily engage in carbon trading to help them reduce or remove emissions as part of their obligations (Nationally Determined Contributions, NDCs). Article 6, paragraph 2 (6.2) establishes an accounting and reporting framework for cross-border trade of carbon credits. Article 6, paragraph 4 (6.4) establishes the Paris Agreement Crediting Mechanism (PACM), a carbon-crediting program, i.e., a mechanism for generating carbon credits that can then be transacted between countries through Article 6.2 infrastructure, or used otherwise.<sup>1</sup>

CIWPs 1 to 3 explored the implications of these frameworks on the voluntary carbon market. Optimal levels of alignment and standardisation between Article 6.2, the PACM and independent carbon-crediting programs avoid market fragmentation and enhance transparency, efficiency, and trust. As such, the work of the Parties to the Paris Agreement (CMA) on 6.2 and 6.4 and the work of the ICVCM on the Core Carbon Principles (CCPs) are complementary. The PACM, under the CMA, delivers carbon credits for use by Parties to the Paris Agreement, and in a more limited sense, credits that can be used by corporates as part of decarbonisation (voluntary use). Independent carbon-crediting programs that are overseen by the ICVCM (CCP-Eligible Programs) operate mechanisms that generate carbon credits that can be used by Parties (when accounted for by them) for domestic compliance systems and by corporates as part of decarbonisation (voluntary use). It is crucial to ensure that carbon credits - regardless of source - are all high integrity.

The CIWPs on Paris Alignment considered three areas relating to the Paris Agreement rules, in particular to Article 6 (cooperative implementation by Parties) and NDCs:

## 1. CIWP 1 - Corresponding Adjustments

In both the voluntary (independent) and international (UNFCCC) carbon markets, it is broadly understood that double counting must not occur. For carbon credits that are transferred internationally for use towards NDCs under the Paris Agreement or international schemes such as the one run by the International Civil Aviation Organisation (ICAO),<sup>2</sup> Article 6 guidance requires a “corresponding adjustment” as the tool to avoid double counting between countries in the context of NDC accounting.<sup>3</sup> There has been an active debate among carbon market

<sup>1</sup> [Paris Agreement](#)

<sup>2</sup> [Carbon Offsetting and Reduction Scheme for International Aviation \(CORSIA\)](#)

<sup>3</sup> [Paris Agreement](#)

stakeholders about how to address the risk of double counting where an emission reduction or removal is reported or accounted under an NDC and the related carbon credit is used by a corporate entity as part of its decarbonisation, and whether corresponding adjustments are needed in such cases. The CIWP explored scenarios related to corresponding adjustments, the impacts of corresponding adjustments on various actors, and the implications for carbon accounting integrity (corporate accounting, UNFCCC NDC accounting).

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## 2. CIWP 2 - Share of Proceeds for Adaptation

In the Paris Agreement, it was agreed that the carbon-crediting mechanism established by Article 6.4, the PACM, would include a mandatory share of proceeds to support adaptation (SOPA). This is implemented through a levy of carbon credits going to the Adaptation Fund (and other financial levies).<sup>4</sup> The guidance for Article 6.2 cooperative approaches does not include a mandatory contribution from countries engaging in bilateral carbon trading pursuant to that guidance, but countries are strongly encouraged to do so, or to otherwise commit resources to adaptation.<sup>5</sup>

The CCP Assessment Framework recognises that adaptation finance also flows from independent carbon projects to adaptation finance in project-specific instances and so allows for a “CCP Attribute”<sup>6</sup> to be added to a CCP-labelled carbon credit to indicate that a share of proceeds has been contributed.<sup>7</sup> This CIWP explored how the voluntary carbon market could consider alignment with provisions for both the voluntary and mandatory SOPA that are set by Article 6 rules.

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## 3. CIWP 3 - Baselines and NDCs

Baselines are emissions reference levels against which project emission reductions and removals are measured and verified. These levels can be calculated based on performance metrics or on actual present or past emissions levels. Under the Clean Development Mechanism of the Kyoto Protocol, carbon credits could be earned only in developing countries that did not have targets under the Kyoto Protocol, for reductions from estimated “business as usual” baselines, because any action to reduce emissions or increase removals was more than was required of the country under the UNFCCC treaties. In contrast, the Paris Agreement required all countries to set targets based on their nationally determined ability to contribute, i.e., the NDC. When Parties submit their NDCs under the Paris Agreement, these commitments can be argued to have become equivalent to the minimum level of performance in relation to which the baseline for carbon crediting in a given carbon project needs to align. Under the PACM, mechanism methodologies are required to be “...below ‘business as usual’; [...] and align with its NDC, if applicable, its long-term low GHG emission development strategy if it has submitted one and the long-term goals of the Paris Agreement.”<sup>8</sup>

4 [Decision 3/CMA.3](#), Annex, paragraph 58

5 [Decision 2/CMA.3](#), Annex, paragraph 37

6 As per the [CCP Assessment Framework](#), CCPs also enable the tagging of CCP-labelled carbon credits with additional attributes that attest to other verifiable features associated with the mitigation activity. Attribute 1 relates to ‘Host country authorisation pursuant to Article 6 of the Paris Agreement.’ Attribute 2, ‘Share of Proceeds for Adaptation,’ refers to whether the mitigation activity makes a voluntary contribution to the Adaptation Fund of the UNFCCC. The CCP Assessment Framework contains specific requirements for Attributes in Part III, Section 4.

7 [CCP Assessment Framework I ICVCM](#)

8 [Decision 3/CMA.3](#), Annex, paragraph 33.

The CIWP considered issues related to the alignment of a carbon project's baseline to the relevant NDC, and how that issue could be relevant to the CCP Assessment Framework and broader market, including when baseline alignment with the Paris Agreement goals, the host country NDC and the Long-term Low-Emission Development Strategies (LTS) of the host country should impact crediting by independent carbon-crediting programs.

The three CIWP groups convened throughout February-July 2024 and were comprised of market participants, technical experts, NGOs and members of local communities, as well as including representatives from the ICVCM Governing Board and independent Expert Panel. The recommendations of these CIWPs and any more recent evolutions in the market will inform further refinement of the CCP Assessment Framework. Since the work of these CIWPs, the market has continued to develop, and those developments are reflected in this report to the extent public.

Annex 2 contains a summary of relevant program rules of CCP-Eligible Programs and how CCP Attributes are implemented in relation to corresponding adjustments/SOPA to assist readers in understanding how these issues are currently being addressed by CCP-Eligible Programs.



# Key takeaways

## ■ CIWP 1 – Corresponding Adjustments

**CIWP** participants deliberated on the benefits and costs of requiring a corresponding adjustment for carbon credits transacted for voluntary use (retirement against corporate emissions as part of decarbonisation or for other voluntary purposes). The CIWP recommended that the ICVCM **should continue to not require a corresponding adjustment per Article 6** in the Assessment Framework, and **continue to allow optional CCP Attribute tagging for CCP-labelled credits that are Article 6-authorized (i.e., that are subject to a corresponding adjustment)**. For CORSIA-eligible programs, it is a CORSIA requirement that they have processes in place related to corresponding adjustments.

The CIWP participants recommended that the ICVCM continue to monitor emerging regulation and Article 6 project host country activity, and pursue timely and ongoing engagement with relevant countries in any refinements to the Assessment Framework to understand how these actors are evolving their policies on Article 6 authorisation/corresponding adjustments.

The CIWP also concluded that more work is needed to further explore and understand country perspectives on the role of corresponding adjustments in non-UNFCCC use cases, and recommended that the ICVCM continue this inquiry through a dedicated working group.

## ■ CIWP 2 – Share of Proceeds

**CIWP** participants expressed a range of views on any mandatory share of proceeds for adaptation and concluded that the **ICVCM should continue to support voluntary contributions** through the use of the relevant CCP Attribute and recommend that the share be set at 5% to match the levy part of share of proceeds in the Article 6.4 rules for the PACM.<sup>9</sup> Participants considered options for the share to be levied at the time of retirement. The CIWP did not provide

<sup>9</sup> See [Decision 3/CMA.3](#), Annex, paragraph 67: The share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation shall be comprised of: (a) A levy of 5 per cent of A6.4ERs at issuance; (b) A monetary contribution related to the scale of the Article 6, paragraph 4, activity or to the number of A6.4ERs issued, to be set by the Supervisory Body; (c) After the mechanism becomes self-financing, a periodic contribution from the remaining funds received from administrative expenses as per paragraph 68 below, after setting aside the operating costs for the mechanism and an operating reserve, at a level and frequency to be determined by the CMA.



recommendations in relation to matching or aligning with other aspects of the PACM share of proceeds, which also requires a monetary levy and a periodic financial transfer to the Adaptation Fund.<sup>10</sup> The CIWP participants noted that if SOPA were to become mandatory under the CCPs, then exemptions should be considered. These exemptions could be based on developing country status (particularly for Least Developed Countries),<sup>11</sup> project size, and by reference to projects' existing contribution to adaptation, benefit-sharing and sustainable development.<sup>12</sup> It was recommended that any SOPA should be directed to the Adaptation Fund, but that further options could be explored in any future work of the ICVCM.

### ■ CIWP 3 - Baseline and NDCs

CIWP participants produced a package<sup>13</sup> of recommendations. The CIWP recommended that the **ICVCM should require that project baselines be aligned to the Paris Agreement goals even if the host country's commitments (under its NDC) are not, and that "net zero by 2050" should be taken as a default minimum ambition for such baselines.** The participants recommended that clear guidance should be drafted for the development of such baselines and there should be substantive guidance provided for any exemptions.

The group recommended that the **ICVCM should establish a process to review and update the list of activities identified as incompatible with net zero under Criterion 13.1 of the CCP Assessment Framework.** It also recommended that the ICVCM introduces provisions for CCP-Eligible Programs to require that methodologies (or related documents) provide for project developers to demonstrate the alignment of baselines to net zero. The group noted the need for further work in order to develop the above package.

The full report contains additional context for these recommendations and summarized discussions, while Annex 1 contains the recommendations in full as they will be considered by the ICVCM and relevant stakeholders.

<sup>10</sup> [Decision 3/CMA.3](#), Annex, paragraph 67-68

<sup>11</sup> LDCs are a category of countries that have low levels of income and face severe structural impediments to sustainable development. The countries are categorised as LDCs by the UN Economic and Social Council (ECOSOC). A full list of such countries can be found here: [List of LDCs and country fact sheets](#)

<sup>12</sup> Under Article 6, paragraph 4 rules, activities in the least developed countries and small island developing States are exempt from the share of proceeds for adaptation. [Decision 6/CMA.6](#), paragraph 20

<sup>13</sup> Meaning all recommendations would need to be implemented together to have the recommended impact.



# What's next?

The outputs of the CIWPs will inform further development and refinement of the ICVCM's Assessment Framework. They will also support broader evolution of carbon markets and can be implemented by entities other than the ICVCM.





# Paris Alignment

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# Introduction

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The Integrity Council for the Voluntary Carbon Market's (ICVCM) Continuous Improvement Work Programs (CIWPs) ensure that carbon markets continue to evolve by bringing together leading experts and key stakeholders in a collaborative effort to address complex challenges, provide thought leadership, and chart the next generation of solutions to accelerate high-integrity carbon markets that benefit both people and planet. The CIWPs harness the latest science, emerging technologies, and innovative approaches from across the market to inform the next generation of carbon market integrity systems and standards.

The recommendations of these multistakeholder, expert working groups will inform further development and refinement of the ICVCM's rulebook (i.e., the CCP Assessment Framework) and may make recommendations for action by entities other than the ICVCM.

The first three CIWPs focused on alignment with the Paris Agreement. The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in 2015 and entered into force in 2016. Its overarching goal is to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.” The Paris Agreement marked a historic milestone in international climate efforts, uniting all countries under a legally binding accord to collectively tackle climate change and adapt to its impacts.

Under the Paris Agreement, countries can voluntarily engage in carbon trading to help them reduce or remove greenhouse gas (GHG) emissions as part of their Paris Agreement obligations (called Nationally Determined Contributions, NDCs). The two market-related instruments available to countries are set out in Article 6. Through what is known as ‘cooperative approaches’, and described in Article 6, paragraph 2 (6.2), countries can agree to transact mitigation outcomes and count the transaction against their NDCs. In this way, carbon credits can be transferred between countries and accounted for. There is a requirement to avoid double counting in Paris Agreement NDC accounting, and for Article 6 transactions, an accounting approach called “corresponding adjustments” is used.<sup>14</sup> Article 6, paragraph 4 (6.4) established the Paris Agreement Crediting Mechanism (PACM),<sup>15</sup> a mechanism for generating carbon credits that can then be transacted between countries through the Article 6.2 infrastructure or otherwise used. PACM established new rules on baselines (requiring an activity to be aligned with Paris temperature goals) and requires a 5% share of proceeds to be levied on issuance on carbon credits issued under the mechanism (called A6.4ERs) for use toward mobilising finance for the Adaptation Fund.

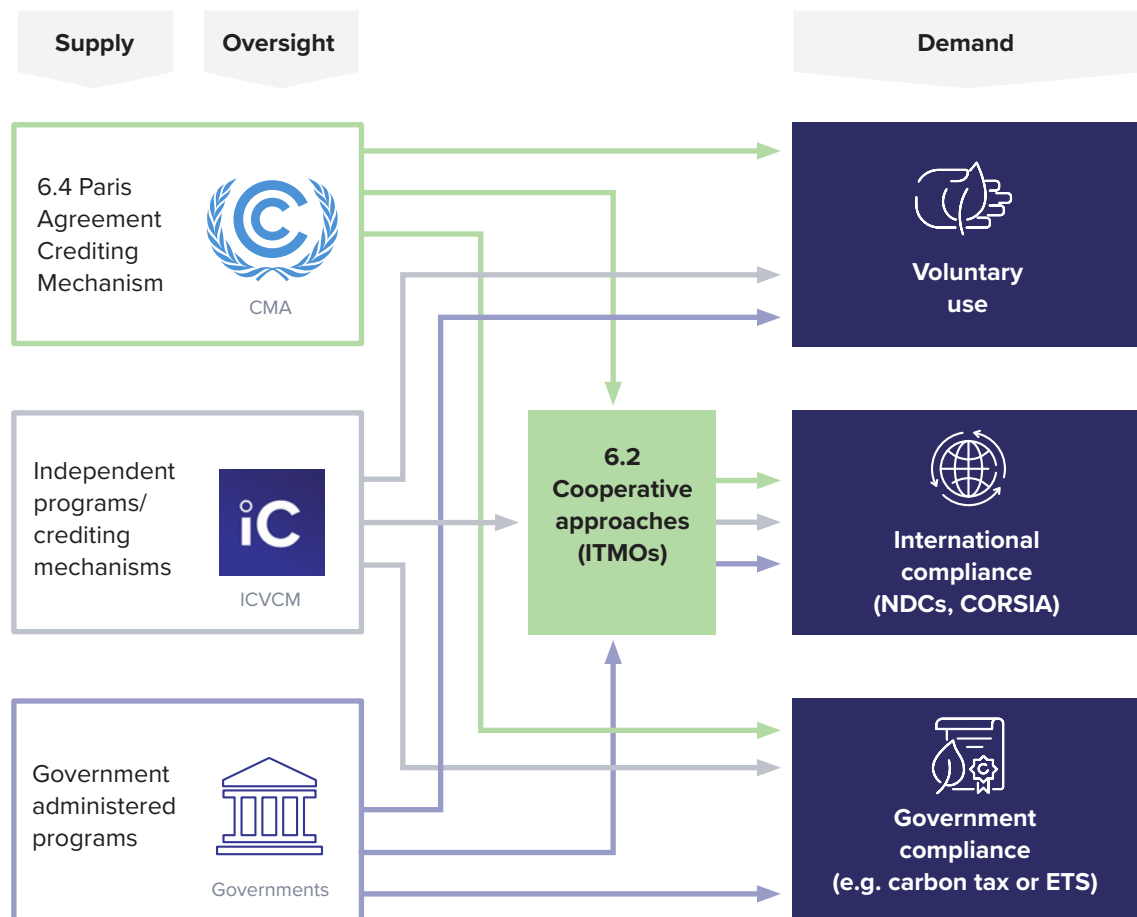
<sup>14</sup> [Decision 2/CMA.3, Annex, paragraph 6](#)

<sup>15</sup> [Article 6 of the Paris Agreement | UNFCCC](#)



The CIWPs on Paris Alignment explored the implications of these decisions on the voluntary carbon market. Optimal levels of alignment and standardisation between Article 6.2, the PACM and independent carbon-crediting programs avoid market fragmentation and enhance transparency, efficiency, and trust. As such, the work of the Parties to the Paris Agreement (CMA) on 6.2 and 6.4 and the work of the ICVCM on the Core Carbon Principles (CCPs) are complementary. The PACM, under the CMA, delivers carbon credits for use by Parties to the Paris Agreement, and in a more limited sense, credits that can be used by corporates as part of decarbonisation (voluntary use). Independent carbon-crediting programs that are overseen by the ICVCM (called CCP-Eligible Programs) operate mechanisms that generate carbon credits that can be used by Parties (when accounted for by them) for domestic compliance systems and by corporates as part of decarbonisation (voluntary use). It is crucial to ensure that carbon credits, regardless of source, are all high integrity.

## Carbon market mechanisms



# Background and scope of work

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As set out in the Assessment Framework's Summary for Decision Makers,<sup>16</sup> the work programs explored three major areas of Paris alignment:

## 1. Corresponding adjustments

It is broadly understood that double counting must not occur where carbon credits are transferred internationally for use towards NDCs under the Paris Agreement. This is reflected in Article 6 guidance agreed at the UNFCCC COP26 in 2021.<sup>17</sup> This specifies the implementation of corresponding adjustments as the accounting tool to avoid double counting between countries (and related international agreements and mechanisms, such as ICAO). There has been an active debate about the relevance of such accounting where carbon credits are used by corporates for voluntary purposes.

The ICVCM led a CIWP co-convened with VCMI,<sup>18</sup> to consider:

- Identification and assessment of scenarios related to corresponding adjustments; and
  - Impacts of corresponding adjustments and implications for accounting integrity.
- 

## 2. Share of proceeds for adaptation

The CCP Assessment Framework already has the option for a CCP Attribute to be added to a CCP-labelled credit to indicate where a Share of Proceeds for Adaptation (SOPA) has been contributed. The ICVCM established a CIWP on whether and how the voluntary carbon market could align with the voluntary and mandatory SOPA provisions set out in Article 6 rules.

<sup>16</sup> [Summary for Decision Makers, CCP Assessment Framework | ICVCM](#)

<sup>17</sup> [Decision 2/CMA.3](#)

<sup>18</sup> [Voluntary Carbon Markets Integrity Initiative \(VCMI\)](#)



The work program considered:

- Whether SOPA should be mandatory or voluntary;
- Potential exemptions based on mitigation activity type or size based on the mitigation and adaptation impacts, and on benefits and revenues to communities participating in GHG mitigation activities/programs in developing countries;
- The readiness of buyers of carbon credits to make such a contribution;
- The merits of voluntary compared to mandatory approaches;
- The appropriate destination of any carbon credits/revenue; and
- The impact on market participants and the incentives created.

### 3. Baselines and NDCs

Crediting baselines, often referred to simply as “baselines”, are emissions reference levels against which project emission reductions and removals are measured and verified. Baselines determine the level of performance at which a mitigation activity can start to earn carbon credits. Before the Paris Agreement, under the Kyoto Protocol, and in the voluntary carbon markets operating in developing countries, carbon credits could be earned by any reduction or removal compared to the estimated “business as usual” (BAU) baseline. This is because, under the Kyoto Protocol, developing countries did not have any emission reductions targets, and this was also true for developed countries that did not have a Kyoto Protocol target because they did not ratify it or withdrew from it, or did not take a target for its second compliance period. In those scenarios any improvement from BAU was potentially eligible for crediting.<sup>19</sup> Under the Paris Agreement, once Parties had submitted their formal NDCs, these (individual and collective) commitments became a de facto reference point for a minimum level of performance in respect of which crediting for carbon markets could henceforth be framed. In relation to the operational requirements of Article 6.4, under the PACM mechanism methodologies are required to be “...below ‘business as usual’; [...] and align with its NDC, if applicable, its long-term low GHG emission development strategy if it has submitted one and the long-term goals of the Paris Agreement.”<sup>20</sup>

The Supervisory Body of the PACM has issued a number of standards and guidance operationalising these requirements for that mechanism (see Table 1). In Article 6.2 guidance relating to cooperative approaches, when countries engage in cooperation that involves the transfer of ITMOs (Internationally Transferred Mitigation Outcomes), they are required to report on how the baselines are conservative and below BAU, as a component of the initial report and updated initial report.<sup>21</sup>

This CIWP considered some the core issues related to baseline alignment, including whether the above baseline alignment would be relevant or appropriate for independent carbon-crediting programs, given the overarching context of the Paris Agreement and NDCs in any given mitigation activity.

<sup>19</sup> [TOOL02: Combined tool to identify the baseline scenario and demonstrate additionality](#)

<sup>20</sup> [Decision 3/CMA.3](#), Annex, paragraph 33

<sup>21</sup> [Decision 2/CMA.3](#), Annex, paragraph 18 (h) (ii)

## Detailed scope of each CIWP

### CIWP 1: Corresponding Adjustments

If countries choose to engage in carbon trading to achieve their NDCs, they are required to account for the international transfer of emission reductions or removals to other countries in order to ensure that each emission reduction or removal is claimed and accounted for by only one country under the Paris Agreement accounting rules – avoiding double counting. This is important to ensure that global collective progress on climate action can be accurately measured and reported.

This CIWP looked at the relevance of the Paris Agreement accounting rules, known as “corresponding adjustments”, to voluntary carbon credit use (meaning use for purposes outside the NDC use by Parties, or other related international treaty-based uses).

Corresponding adjustments are implemented through the “structured summary” in the Biennial Transparency Reports submitted by Paris Agreement countries in order to track each country’s respective progress against implementing and achieving its NDC.<sup>22</sup> Countries must report information<sup>23</sup> on net transfers of mitigation outcomes alongside their quantified greenhouse gas (GHG) emissions inventory and their NDC targets. This information together creates an “adjustment” and is used to calculate a total “emissions balance”.<sup>24</sup> The opposite action by the country on the other side of the transaction makes the adjustment a “corresponding” one.

Under Article 6, countries are required to “authorise” mitigation outcomes to be internationally transferred mitigation outcomes (ITMOs), whereby they commit to making an adjustment for the ITMOs transferred internationally.<sup>25</sup> There are three specified purposes for such authorisations that are related to the eventual use:

- **Transfers from one country to another for use toward NDCs (NDC use).**

Countries account for their emissions following the 2006 IPCC guidelines for national greenhouse gas inventories.<sup>26</sup> National inventories include only territorial emissions (scope 1 & 2). As inventories only include direct emissions, carbon credit use (whether correspondingly adjusted or not) is not reflected in the actual inventory, but rather is reported alongside that inventory in the biennial transparency report.<sup>27</sup>

- **Transfers for other international mitigation purposes, such as CORSIA.**

Countries agreed that emissions from international aviation should be excluded from UNFCCC reporting and reported separately.<sup>28</sup> Therefore, for accounting purposes under the Paris

<sup>22</sup> [Decision 2/CMA.3](#), Annex, paragraph 23

<sup>23</sup> [Decision 6/CMA.4](#), Annex VI. Outline of annex 4 (Information in relation to the Party’s participation in cooperative approaches, as applicable) to the biennial transparency report referred to in decision 2/CMA.3, annex, chapter IV.C (Regular information), paragraphs 21–22)

<sup>24</sup> [Decision 2/CMA.3](#), Annex, paragraph 8

<sup>25</sup> The specific timing and implementation of authorization requirements are related to the application of “first transfer”. The practice of authorizations, first transfers and corresponding adjustment is evolving, including in the light of processes and procedures under development in the PACM. This evolving practice needs to be taken into consideration for any further continuous improvement work by the ICVCM. For recent decision related to the application of first transfer, see: [Decision 4/CMA.6](#), section II

<sup>26</sup> [2006 IPCC Guidelines for National Greenhouse Gas Inventories I IPCC](#)

<sup>27</sup> [2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories I IPCC](#)

<sup>28</sup> [Decision 18/CMA.1](#)



Agreement, the International Civil Aviation Organisation (ICAO) Carbon Offset and Reduction Scheme for International Aviation (CORSIA) can be considered to have similar qualities as a country, for accounting purposes. ICAO is responsible for accounting for international aviation emissions (based on information reported to it by countries and airline operators) and for reporting these emissions to the UNFCCC secretariat per the Paris Agreement rules to compile global emissions accounts.<sup>29</sup> As international aviation emissions are not captured in national inventories, but do contribute to global emissions accounting, there is a corresponding adjustment requirement for any carbon credits transferred for CORSIA purposes.

■ **Transfers for other purposes, including (voluntary) corporate use.**

The Greenhouse Gas Protocol (GHGP) provides guidelines for corporate accounting of emissions across scope 1, 2 & 3.<sup>30</sup> It is a voluntary system, although referenced in some regulatory documents around the world, and is separate from the Paris Agreement country-level accounting system. Corporate emissions accounting may overlap in specific instances with national level emissions accounting through UNFCCC national inventories and with accounting for emissions from international aviation and maritime transport (so-called “bunker fuels”), also under the UNFCCC. This means that emission reductions or removals reported by corporates under the GHGP or similar (whether through claiming the use of a carbon credit against a company’s emissions balance or through measures to reduce and remove business emissions) may in some instance be argued to be “double claiming” where the same emission reductions or removals are also reported under national inventories and bunkers. Corporate accounting is independent from global emissions accounting and depending on the level of detail at which a corporate reports emissions and the level of detail of national emission reporting in the countries where the corporate operates and reports emissions, there may or may not be any overlap. The Paris Agreement does not require a corresponding adjustment between national accounting systems and corporate accounting systems to avoid double counting. However, if a country so wishes, the guidance for Article 6 accounting outlines how countries can choose to account for transfers where the end use of the carbon credit is a corporate use: countries can decide to authorise these carbon credits and undertake an accounting adjustment for them (a corresponding adjustment). In this case, the emission reduction is added<sup>31</sup> to the host country’s emissions balance (foregoing the benefit of the reduction) and is thus not counted towards reduction efforts made by the country in delivering its NDC.

The CCP Assessment Framework recognises the above optionality for all countries to decide not to take on the accounting burden for carbon credits intended for use cases that are outside Paris Agreement NDC accounting, by not requiring carbon credits for voluntary use to be authorised (and so be subject to a corresponding adjustment). The optionality that countries enjoy is reflected in the use by the Assessment Framework of the CCP Attribute - an optional “Host country authorisation pursuant to Article 6 of the Paris Agreement” attribute which enables the identification of carbon credits that have been authorised and will be subject to a corresponding adjustment by the host country.

However, there has been an active debate as to whether a corresponding adjustment could be required for carbon credits used for voluntary purposes as a means of enabling voluntary action to help countries to go beyond existing commitments in their NDC under the Paris Agreement. The CIWP on Corresponding Adjustments explored corresponding adjustments in terms of: integrity; ambition and progression of climate goals and action; equity and distribution; and feasibility.

<sup>29</sup> [Assembly Resolution A38-18](#)

<sup>30</sup> [Corporate Standard | GHG Protocol](#)

<sup>31</sup> In the case of a removal, it is deducted from the emissions balance.

## CIWP 2: Share of Proceeds for Adaptation

UNEP estimated in 2024 that the annual cost of adaptation for developing countries this decade will be US\$215bn, and that this is expected to rise towards 2050. However, as of 2022, international public adaptation finance was only US\$27.5bn a year.<sup>33</sup> Carbon markets present a significant opportunity to help close this gap and mobilise carbon market finance through both directly supporting adaptation outcomes through carbon credit activity design and potentially through a “share of proceeds”, i.e. a percentage-based levy.

A “Share of Proceeds” for adaptation (SOPA) was established under the Kyoto Protocol as a means of redistributing finance from the mitigation obligations under the Kyoto Protocol’s Clean Development Mechanism (CDM) towards adaptation finance, to help developing countries adapt and build resilience to the impacts of climate change. Under the Paris Agreement, countries established the Global Goal on Adaptation to enhance capacity, strengthen resilience and reduce vulnerability to climate change with a view to contributing to sustainable development and ensuring an adequate adaptation response in the context of the Paris Agreement’s temperature goal.<sup>34</sup>

In the context of using mitigation to help finance adaptation, and balance the finances needed for these two causes, it was agreed that the PACM carbon-crediting mechanism established under Article 6.4 would require a share of proceeds to support adaptation costs.<sup>35</sup> Through this mechanism, when a project issues credits, 5% of these credits are set aside in a “share of proceeds for adaptation” registry account.<sup>36</sup> Credits are then transferred to the Adaptation Fund, which monetises them in the market in order to use the proceeds for qualifying projects under the Adaptation Fund.<sup>37</sup>

Governments engaging in 6.2 cooperative approaches are not subject to a mandatory share of proceeds like the above. However, the relevant decisions strongly encouraged them to commit to contribute resources for adaptation, in particular through contributions to the Adaptation Fund.<sup>38</sup> Share of Proceeds for 6.2 was a major issue during discussions on the implementation of Article 6. Countries can choose whether to use cooperative approaches per Article 6.2 or the 6.4 mechanism, or both, and so substantial differences between the two types of cooperation risks unbalancing flows of mitigation finance into, and adaptation finance from, each. Therefore, many Parties (particularly in the Global South) wanted the share of proceeds to apply equally to 6.2. and 6.4. to prevent any incentive to use one mechanism over the other and to support the mobilisation of adaptation finance. However, because 6.2 captures a wide variety of cooperative approaches and not only crediting mechanisms like 6.4, such as linked Emissions Trading Systems (ETS), other countries felt it would be impractical to implement a share of proceeds equally in 6.2 and 6.4.<sup>39</sup>

The ICVCM does not currently require a contribution or a share of proceeds from a project to be made for carbon credits issued from that project to be CCP-labelled. All CCP-labelled carbon credits meet requirements relating to sustainable development given Core Carbon Principle 9: “Sustainable

33 Gaps in funding climate adaptation have also been noted in the outcomes of COP29, including Decision 1/CMA.6 on the new collective quantified goal on climate finance

34 [Paris Agreement](#), Article 7

35 Paris Agreement, Article 6 paragraph 6: [Paris Agreement](#). The levies also cover administration costs. See [Decision 3/CMA.3](#) for the detail of implementation of the Share of Proceeds.

36 [Decision 3/CMA.3](#)

37 [Ibid.](#)

38 [Decision 2/CMA.3, Annex](#), paragraph 37

39 [Operationalizing the Share of Proceeds for Article 6 | Climate Focus](#)



Development Benefits and Safeguards”, which include safeguards related to resource efficiency, environmental protection and bringing benefits to communities on the ground. In addition, there is an optional “Share of Proceeds for Adaptation” CCP Attribute which enables a CCP-Eligible Program to add this Attribute to CCP-labelled carbon credits, offering transparency on where adaptation contributions are being made at the project level.

Other work initiated by the ICVCM engages with this issue at a broader level – including the continuous improvement work done to date on sustainable development and safeguards, including the relevant CIWP, and through the independent and self-led Indigenous Peoples and Local Communities Engagement Forum.<sup>40</sup>

<sup>40</sup> The ICVCM has set up and is supporting the self-led Indigenous Peoples and Local Communities Engagement Forum, with the goal of facilitating Indigenous Peoples’ and local communities’ participation in the carbon market and upholding their status as rights holders. The Forum enables Indigenous Peoples and local communities to provide guidance on the development of the Core Carbon Principles and the carbon market more broadly, helping to ensure that the rights and interests of Indigenous Peoples and local communities are respected. You can read more about the Indigenous Peoples and Local Communities Engagement Forum here: [About the Engagement Forum | ICVCM](#)

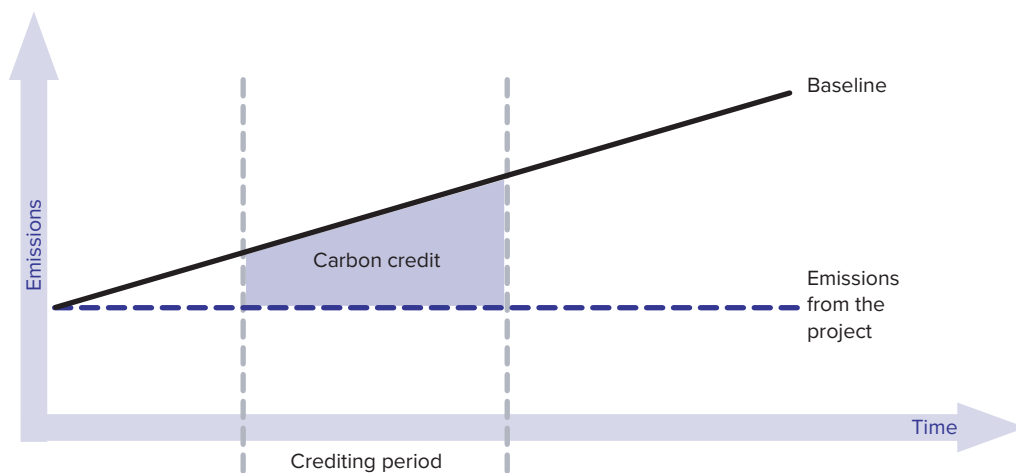
## CIWP 3: Baselines and NDCs

One of the most critical steps in the life cycle of a mitigation activity is the determination of the crediting baseline. Baselines provide the basis upon which to estimate the amount of emission reductions or removals a mitigation activity may be able to achieve, which are then verified so that carbon credits can be issued - making baselines a critical component of robust quantification, and therefore the environmental integrity of a carbon credit. Baselines are also a major factor in determining the performance incentives to the relevant sector/technology in terms of GHG emissions (i.e., any emission reductions beyond that level could be credited and sold, disincentivising further ambition). Thus, the concept of “Paris Agreement alignment” would mean a baseline methodology will have to consider both whether the counterfactual scenario is robust and whether the performance incentive is appropriate.

### BOX 1

#### What is a baseline?

*A carbon credit is generated through quantifying the difference between the actual emissions from the activity and emissions from a baseline scenario, which represents projected emissions that it is assumed would have occurred in the absence of the carbon credit activity.*



Crediting baselines, often referred to simply as “baselines”, are emissions reference levels against which project emission reductions and removals are measured and verified. Baselines determine the level of performance at which a mitigation activity can start to earn carbon credits. Before the Paris Agreement, under the Kyoto Protocol, and in the voluntary carbon markets operating in developing countries, carbon credits could be earned by any reduction or removal compared to the estimated “business as usual” baseline. This is because, under the Kyoto Protocol, developing countries did not have any emission reductions targets, and this was also true for developed countries that did not have a Kyoto Protocol target because they did not ratify it or withdrew from it, or did not take a target for its second period. In those scenarios any improvement from “business as usual” was potentially eligible for crediting.<sup>41</sup>

<sup>41</sup> [TOOL02: Combined tool to identify the baseline scenario and demonstrate additionality](#)



Under the Paris Agreement, the collective objective is understood as to achieve net zero by mid-century.<sup>42</sup> Parties have mid-term commitments per the NDC submission and implementation cycle (meaning between 2015 and 2050), and Parties took on obligations to try to implement those NDCs. Many countries have also communicated their Long-term Low Emissions Development Strategies (LTS),<sup>43</sup> often with different trajectories implied by each of these.

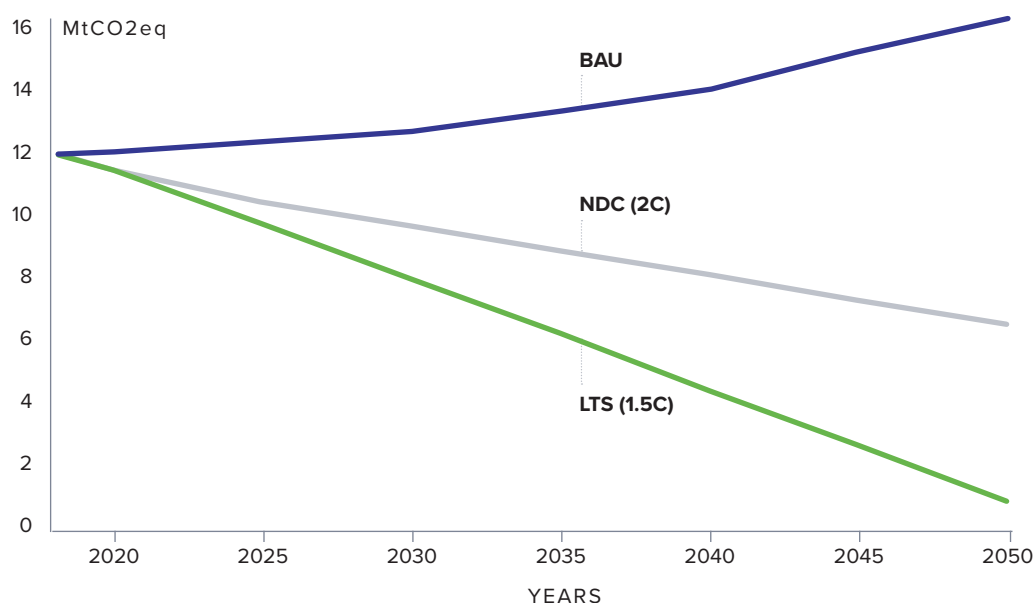
Under the Paris Agreement, once Parties had submitted their formal NDCs, these (individual and collective) commitments, became a de facto reference point for a minimum level of performance in respect of which crediting for carbon markets could henceforth be framed. In relation to the operational requirements of Article 6.4, under the PACM mechanism methodologies are required to be “...below ‘business as usual’; [...] and align with its NDC, if applicable, its long-term low GHG emission development strategy if it has submitted one and the long-term goals of the Paris Agreement.”<sup>44</sup>

Furthermore, as the Paris Agreement goals sets timelines for emission reductions at a global level and while business as usual is not a default appropriate counterfactual, identifying which counterfactual approach to be taken is a complex task (Box 2).

In the context of the Paris Agreement, baseline methodologies now have to determine how to estimate a counterfactual for quantification of emission reductions which accounts for current action and commitments under the Paris Agreement, and ensuring it avoids providing incentives that undercut the level of ambition required for the long-term goals of the country and of the Agreement.

## BOX 2

### Estimated emissions trajectory for the evaluated scenarios



<sup>42</sup> Set out in full in Article 4 as “[...] to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty”.

<sup>43</sup> [Long-term strategies portal | UNFCCC](#)

<sup>44</sup> [Decision 3/CMA.3, Annex, paragraph 33](#)

In Article 6.2 guidance, when countries engage in cooperation that involves the transfer of carbon credits, they are required to report on how the baselines are conservative and below business as usual, as a component of the initial report and updated initial report.<sup>45</sup> Since the decisions at COP29 in Baku in 2024, countries are also requested to provide supplementary information to such reports, including on how the baseline(s) used in the cooperative approach has taken into account the host country's nationally determined contribution and LTS, if it has submitted one, as well as any relevant climate policies, laws, regulations or targets.<sup>46</sup>

In the Article 6.4 PACM, the rules require mechanism methodologies to be aligned with countries' NDCs and the long-term temperature goal of the Paris Agreement.<sup>47</sup> The specific technical requirements for the implementation of that rule have been elaborated in further standards developed by the Article 6.4 Supervisory Body and its Methodological Expert Panel (see Table 1). The two standards in Table 1 were adopted after the CIWPs concluded their meetings, further work can be informed by the elaborated requirements.

**Table 1: Summary of PACM rules on crediting baselines**

Source	Requirement
<b>Rules, modalities and procedures</b> for the A6.4 mechanism (RMP), Decision 3/CMA.3, Annex. <sup>48</sup>	Requires mechanism methodologies to be "below 'business as usual'; align with the long-term temperature goal of the Paris Agreement; and align with each Party's NDC, if applicable, its long-term low GHG emission development strategy, if it has submitted one, and the long-term goals of the Paris Agreement" (para 33).  Requires that methodologies, when setting the baseline, include information on how the proposed baseline approach is consistent with para 33 above (para 36).
<b>Methodology standard</b>  Standard: Application of the requirements of Chapter V.B (Methodologies) for the development and assessment of Article 6.4 mechanism methodologies. <sup>49</sup>	Requires that methodologies require baselines to be below BAU and that the difference between BAU and the chosen baseline is calculated as an annual amount and a total for the whole crediting period. The calculation is part of the Project Development Document (PDD) and has to be demonstrated at every renewal of the crediting period (Section 4.3).  Methodologies must require that activity participants demonstrate that the activity "does not constrain, but aligns with the policies, options and implementation plans" related to NDCs, LT-LEDS and the long-term temperature goal of the Paris Agreement (Section 4.5).  To align with requirements in para 33 of the RMPs, methodologies must require downward adjustment of the baseline based on factors or quantitative methods (Section 4.7).  Downward adjustments need to consider "economic viability of critical mitigation activities, large-scale transformation and decarbonisation technologies, negative emission approaches" (para 46).
<b>Baseline standard</b>  Standard: Setting the baseline in mechanism methodologies. <sup>50</sup>	For all baselines, requires annual downward adjustment of the baseline of at least 1%.  For baselines determined based on existing or actual emissions, requires initial downward adjustment of the baseline based on the lower bound of uncertainty or a 10% adjustment, whichever is lower (Section 7.1).

<sup>45</sup> [Decision 2/CMA.3](#), Annex, paragraph 18 (h) (ii)

<sup>46</sup> [Decision 4/CMA.6](#), Annex 1

<sup>47</sup> [Decision 3/CMA.3](#), Annex 1

<sup>48</sup> Ibid.

<sup>49</sup> Standard: Application of the requirements of Chapter V.B (Methodologies) for the development and assessment of Article 6.4 mechanism methodologies ([A6.4-STAN-METH-001](#)) | UNFCCC

<sup>50</sup> Standard: Setting the baseline in mechanism methodologies ([A6.4-STAN-METH-004](#)) | UNFCCC



**BOX 3** <sup>51</sup>**Approach to baselines in the CCP Assessment Framework**

ICVCM's Core Carbon Principle 10 relates to the Contribution Towards Net Zero Emissions and requires that "the mitigation activity shall avoid locking in levels of GHG emissions, technologies or carbon-intensive practices that are incompatible with the objective of achieving net zero GHG emissions by mid-century."

**Criterion 13.1** of the current Assessment Framework specifies that:

Carbon credits issued under Categories listed below are not eligible to be CCP-Approved:

- Mitigation activities that directly lead to an increase in the extraction of fossil fuels, such as Carbon Capture and Storage technologies used for Enhanced Oil Recovery;
- Mitigation activities relating to coal-fired electricity generation;
- Mitigation activities that involve any other unabated fossil fuel-powered electricity generation other than new gas-fired generation as a part of increased zero-emissions generation capacity in support of national low-carbon energy transition plans;
- Mitigation activities focussed on road transport that rely on the continued use of solely fossil fuel-powered engines.

**Criterion 13.2** of the Assessment Framework requires that:

"Carbon-crediting programs shall ensure that new or revised methodologies require mitigation activity proponents to assess compatibility of the mitigation activity with transition to net zero by reference to the net zero objectives of the host country."

The CCP Assessment Framework also signposts issues that will be considered for the next iteration; **Table 13.3** of the Assessment Framework states:

"In relation to criterion 13.2, the ICVCM will consider extending assessment of compatibility with transition to net zero to existing active methodologies, by requiring a dedicated section in all methodologies requiring that mitigation activities using the methodology describe how the mitigation activity is compatible with a transition towards net zero in the relevant host country, including the potential contribution of the mitigation activity".

<sup>51</sup> [CCP Assessment Framework | ICVCM](#)

# Outcomes and recommendations

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The following recommendations are based on the discussions of the CIWP working groups. The operationalisation of these recommendations will require a combined effort from the ICVCM, carbon-crediting programs, project developers, and validation and verification bodies.





## Recommendations CIWP 1: Corresponding Adjustments

- 1.1 The ICVCM should continue to not require a corresponding adjustment** for carbon credits in the Assessment Framework, and continue to allow optional CCP Attribute tagging for CCP-labelled carbon credits that are authorised per Article 6 guidance.
- 1.2 The ICVCM should pursue timely and ongoing engagement with relevant host countries** in the context of refining the Assessment Framework to understand how countries are evolving their policies on Article 6 authorisation and corresponding adjustments.
- 1.3 The ICVCM should explore and understand country perspectives on the role of corresponding adjustments in voluntary markets.** Such work could include subject matter experts, host countries and other market representatives, potentially in cooperation with other initiatives and groups, such as VCMI, as relevant.

The objectives of this work could include to build greater understanding and provide further recommendations on the role of corresponding adjustments for voluntary use cases, in light of the evolving nature of the carbon market landscape, the Paris Agreement NDC cycle, and Paris Agreement CMA guidance on cooperative approaches and the Paris Agreement Crediting Mechanism. For example, in November 2024 at COP29, further clarifications were made by Parties on the timing of corresponding adjustments, which might be relevant.<sup>52</sup>

- 1.4 The ICVCM should continue to monitor country activity** both in terms of regulatory requirements for the voluntary markets relating to corresponding adjustments and to track the number of correspondingly adjusted carbon credits available, as compared to other volumes.

<sup>52</sup> [Decision 4/CMA.6](#)

## Recommendations CIWP 2: Share of Proceeds for Adaptation

### 2.1 The CIWP recommended that the ICVCM should:

- 2.1.1 Continue to recognise voluntary contributions to adaptation through the use of the CCP Attribute.
- 2.1.2 In future evolutions of the Assessment Framework, for provisions relating to CCP Attributes, align the CCP Attribute to the PACM level of contribution, by setting it at 5%.<sup>53</sup>

Some CIWP participants underlined that any additional or mandatory SOPA needs to manage concerns about impact on project development, market development and geographical distribution of projects, demand elasticity, equity, and fairness amongst market participants. However, others considered that the financial implication of a 5% levy would not be significant and, therefore, unlikely to impose costs so substantial as to undermine the financial viability of these projects or suppress demand.

In terms of timing of any levy, if SOPA was required at issuance, some members considered that this could be unfair for the project types that are by design focused on community benefits or SDG achievement and/or may undertake significant benefit sharing to local communities.

The CIWP considered a SOPA at the time of retirement (by buyers) so that the burden would fall on the buyer rather than the seller. The participants noted that further work would be needed to understand how this could be implemented in practice; what impacts it might have on the market; whether it would make a material difference to the project developer (pass through of SOPA at issuance cost to buyer); and any implications of having a different approach to PACM.

### 2.2 While not recommending mandatory SOPA, the CIWP recommended that if SOPA were to be made mandatory, there should be consideration of exemptions based on parameters such as LDC status,<sup>54</sup> project size and existing contributions already being made.

Participants agreed that a clear definition of adaptation efforts would be required for it to apply as a mandatory criteria for any exemption or eligibility and that further work and/or public consultations are needed for the above.

- The group arrived at the above recommendations because they considered sector-based exemptions (e.g., types of activities) to levies to be harder to define, especially on the supply side. They noted that sectoral eligibility criteria may be easier to define on the demand (buyer) side.
- Geography was deemed the most objective way to determine exemptions to any mandatory requirement, followed by mitigation activity size.

<sup>53</sup> The ICVCM notes that [Decision 3/CMA.3](#) paragraph 8 requests evaluation by PACM of this no later than in 2026 and every five years thereafter and, following such review, to make recommendations on possible improvements in order to optimize the resources available to the Adaptation Fund.

<sup>54</sup> LDCs are a category of countries that have low levels of income and face severe structural impediments to sustainable development. The countries are categorised as LDCs by the UN Economic and Social Council (ECOSOC). A full list of such countries can be found here: [List of LDCs and country fact sheets](#)



- For any exemptions based on existing adaptation efforts, it was suggested that adaptation benefits could be tagged through a CCP Attribute based on qualifying adaptation options. These options would need to be elaborated on further but could take the form of positive/negative lists, or include, for example:
  - Verified contribution to an organisation performing adaptation activities such as the Adaptation Fund;
  - Verified contribution to a local organisation, community or local government for adaptation activities;
  - The funding of verified activities within the project that support adaptation efforts and are separate from the regular work of the project, e.g. building protection from saltwater incursion, building a rainwater collection system for watering crops, providing funds for a water purification facility.

### **2.3 The CIWP recommended that destinations for adaptation contributions should be explored further.**

The group discussed various options for the appropriate destination of any SOP including:

- Directly to the Adaptation Fund;
- A different fund administered, for example, by an entity set up by actors in the voluntary carbon market for the purpose of managing such funds, or managed by carbon-crediting programs. Participants noted that this could fragment the adaptation finance landscape, and could make it harder for communities to access funding, as well as risking duplicating efforts of already established funds;
- A combination of the two above approaches.

At the close of the CIWP it was noted that while share of proceeds could be provided to the Adaptation Fund, other further work would be needed to understand (inter alia) the above proposals, including:

- Further collation of needs and views of developing countries and local communities;
- How any existing adaptation benefits at project level (including adaptation finance contributions) could be verified;
- How any new fund or funds would be resourced and administered;
- The need for transparency and reporting requirements for the funds;
- How equitable distribution of collected funds could be ensured;
- How the fund(s) could be made accessible and who would be eligible to access them; and
- The impact of new funds on the existing climate finance landscape.

## Recommendations CIWP 3: Baselines and NDCs

CIWP participants emphasised that the group's recommendations should be considered together, and do not work well in isolation. The participants also noted that taking the below recommendations further towards possible implementation would require substantial additional work.

### 3.1 The Assessment Framework further refinements should ensure that mitigation activity baselines are aligned to the Paris Agreement even in the absence of an alignment of the host country NDC and/or LTS to the Paris Agreement.

- Given the importance of ensuring a standardised level of robustness and environmental integrity, the diversity of NDCs, and the fact that NDCs currently do not add up to achieving the long-term temperature goal of the Paris Agreement, NDCs (and LTS, where available) are often not a preferred choice for baseline setting in the VCM.
- Establishing a minimum ambition level for baselines that are aligned to the Paris Agreement that is not dependent on a country's NDC or LTS (Recommendation 3.3), while providing guidance on how to develop robust baselines that meet this threshold (Recommendation 3.5), on any allowable variation of this minimum (Recommendation 3.6), and on how to integrate NDC and LTS, when appropriate (Recommendation 3.7), levels the playing field and enables robust projects to be recognised in any country while promoting ambitious, high-quality NDCs.

### 3.2 The ICVCM should establish a clear process with a minimum frequency and principles to update the list established under Criterion 13.1 of the Assessment Framework.

Criterion 13.1 of the Assessment Framework lists Categories of carbon credits that are not eligible for CCP-Approval as they are deemed incompatible with contribution to net zero transition and contribute to locking-in levels of GHG emissions. The list includes technologies or carbon-intensive practices that are incompatible with the objective of achieving net zero GHG emissions by mid-century.

### 3.3 The ICVCM should update and expand Criterion 13.2 with requirements and guidance to ensure that all methodologies require mitigation activity proponents to demonstrate the compatibility of the mitigation activity with a transition to net zero based on the following recommendations.

The CIWP participants agreed that compatible in this context means “not in conflict with” a reference (emissions) trajectory or pathway. They took the view that, in this context, “aligned” means on the same (emissions) trajectory or pathway. Alignment always implies compatibility, but they noted that the inverse is not necessarily true. When considering multiple potential reference trajectories, they noted that only baselines that are aligned with the most ambitious reference would be compatible with all the others, whereas aligning to a lower ambition trajectory is always incompatible with a higher ambition trajectory.



### 3.4 The ICVCM should establish net zero by 2050 as the default minimum ambition level for baselines aligned to the Paris Agreement.

The IPCC Sixth Assessment Report concluded that in order to meet the temperature goal of the Paris Agreement, emissions need to be at net zero by 2050.<sup>55</sup> Although Core Carbon Principle 10 does not explicitly refer to baselines, “...avoid locking-in levels of GHG emissions [...] that are incompatible with”, speaks to the importance of robust baselines in avoiding lock-in, while “...the objectives of achieving net zero GHG emissions by mid-century” establishes the reference ambition level. In the view of the CIWP participants, this means that under the current Assessment Framework, the default minimum level of ambition should be net zero by 2050. The participants of the CIWP note the importance of further work to assess the implications of this minimum stringency level for emission removal activities, including some nature-based solutions.

By referring to the ambition level of baselines, there was an understanding among the participants that baselines can be considered to be more stringent where they assume a downward trajectory in the scenario in absence of the project activity. The curve of that trajectory, i.e., how rapidly the emissions level is assumed to go down, is, the participants considered, the main substance of the debate on ambition.

In case of removals activities, particularly nature-based removals, ambition in baselines can be understood as the level of removals expected in the absence of the activity. This could mean assuming that no removals would have occurred or, to further ambition and reduce crediting levels, that some might have occurred even in the absence of the mitigation activity.

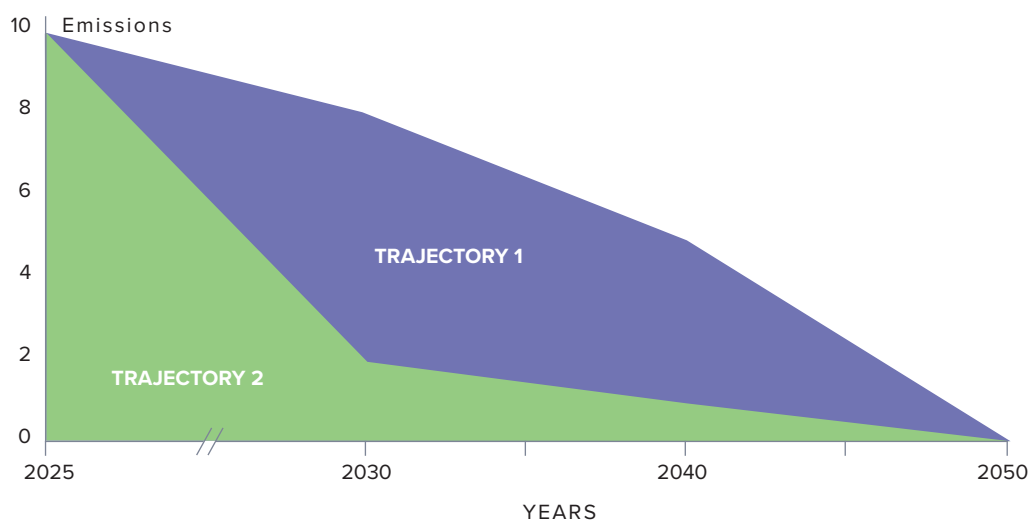
### 3.5 The ICVCM should establish clear guidance on how to develop baselines that are aligned with the Paris Agreement that meet or exceed the minimum ambition level.

- Given that climate change is driven by the accumulation of GHG over time, the CIWP participants noted that alignment with the Paris Agreement must also incorporate the shape of the curve, not just the endpoint (see Figure 1).
- Rather than dictating specific baseline setting methods (such as a downward adjustment/contraction factor, Best Available Technology (BAT), etc.), the CIWP recommends a ‘hybrid’ approach, using top-down elements for robustness, and bottom-up elements to better respond to country priorities and context.
- In addition to ensuring the baselines meet or exceed the minimum stringency level, the CIWP participants recommended that guidance should consider, at minimum, the following elements:
  - Downward sloping in time (noting the shape of the curve may be linear or not);
  - Regular updates and periodic ratchets;
  - Consistency with externally determined science-based pathways for a country or sector (noting that “science-based” indicates that country and sector pathways would add up to a net zero by 2050 or better pathway globally); and
  - Consideration of best available technology (BAT) and other benchmark-based approach to demonstrate the required ambition and rigour.

<sup>55</sup> [AR6 Synthesis Report: Climate Change 2023 | IPCC](#)

**FIGURE 1**

Both emissions trajectories assume the same start and end point, but the difference in the shape of the curve means that the total amount of GHGs emitted into the atmosphere over the course of 25 years would be much higher for Trajectory 1, as demonstrated by the total size of the area underneath the trajectory.



### 3.6 The ICVCM should establish criteria and guidance for any exemptions from any general rules related to Paris-aligned baselines.

- The group agreed that the following could be among the categories that could have exemptions, for which criteria and guidance should be developed:
  - Least Developed Countries (LDC) or Small Island Developing States (SIDS)
  - When considering ambition levels of NDC or LTS (see Recommendation 3.7)

### 3.7 The ICVCM should provide clear guidance on when and how carbon-crediting programs would be expected to require project developers to align mitigation activity baselines with the relevant NDC and/or LTS (if there is one) and identify how carbon-crediting programs would ensure such alignment.

- Aligning crediting baselines with an NDC or LTS is practically feasible and desirable when it provides information to produce baselines at a project level that are either more robust than using the default approach, or baselines that are equally robust and respond better to host country needs than using the default approach.
- The guidance provided by the ICVCM on how to incorporate the NDC or LTS into baseline-setting should consider, among other factors, the mitigation ambition (contribution) of the NDC or LTS, relevant governance arrangements in carbon-crediting programs, including for continuous improvement and regular updates and periodic ratchets, relevance of Article 6-specific arrangements, alignment of baselines with sustainable development, and a just transition.

# Participants

The working groups of the CIWPs on Paris Alignment were comprised of experts from:

## CIWP 1 – Corresponding Adjustments

- Bezos Earth Fund (ICVCM Governing Board)
- Voluntary Carbon Markets Integrity Initiative (ICVCM Governing Board)
- Voluntary Carbon Markets Integrity Initiative – Africa
- The Nature Conservancy (ICVCM Expert Panel)
- INFRAS (ICVCM Expert Panel)
- Verra
- GenZero
- Global Green Growth Institute
- BP
- Ecoeye Korea
- Climate Impact Partners
- Native
- ICVCM Governing Board

## CIWP 2 – Share of Proceeds for Adaptation

- Environmental Defense Fund (ICVCM Governing Board)
- SouthSouthNorth (ICVCM Governing Board)
- Carbon Market Watch (ICVCM Expert Panel)
- Oxford Climate Policy
- Architecture for REDD+ Transactions (Winrock International)
- Clean Energy Policy Institute
- Howden
- Verra
- UNFCCC (ICVCM Expert Panel)
- High Tide Foundation (ICVCM Governing Board)
- ICVCM Governing Board

## CIWP 3 – Baselines and NDCs

- Independent advisor (ICVCM Expert Panel)
- Bezos Earth Fund (ICVCM Governing Board)
- INFRAS (ICVCM Expert Panel)
- Architecture for REDD+ Transactions (Winrock International)
- The Nature Conservancy
- Wildlife Works
- Emirates Global Aluminium
- Perspective Climate Group
- Gold Standard
- Independent consultant
- Senegal Article 6 Representative
- UNFCCC Mitigation Division



# Annexes

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## Annex 1: Table of recommendations

### CIWP 1 – Corresponding Adjustments

Recommendation type	Relevant Assessment Framework criteria	No	Recommendation	Elements
Recommendations for Assessment Framework refinement	CCP Attribute 1	1.1	The ICVCM should continue to not require a corresponding adjustment for carbon credits in the Assessment Framework, and continue to allow optional Attribute tagging for CCP-Approved carbon credits that are authorised per Article 6 guidance.	
Further recommendations		1.2	The ICVCM should pursue timely and ongoing engagement with relevant host countries in the context of refining the Assessment Framework to understand how countries are evolving their policies on Article 6 authorisation and corresponding adjustments.	
Further recommendations		1.3	The ICVCM should explore and understand country perspectives on the role of corresponding adjustments in voluntary markets.	<p>Such work could include subject matter experts, host countries and other market Representatives, potentially in co-operation with other initiatives and groups, such as VCMI, as relevant.</p> <p>The objectives of this work could include to build greater understanding and provide further recommendations on the role of corresponding adjustments for voluntary use cases, in light of the evolving nature of the carbon market landscape, the Paris Agreement NDC cycle, and Paris Agreement CMA guidance on cooperative approaches and the Paris Agreement Crediting Mechanism. For example, in November 2024 at COP29, further clarifications were made by Parties on the timing of corresponding adjustments, which might be relevant.</p>
Further recommendations		1.4	The ICVCM should continue to monitor country activity both in terms of regulatory requirements for the voluntary markets relating to corresponding adjustments and to track the number of correspondingly adjusted carbon credits available, as compared to other volumes.	

## CIWP 2 – Share of Proceeds for Adaptation

Recommendation type	Relevant Assessment Framework criteria	No	Recommendation	Elements
Recommendations for Assessment Framework refinement	CCP Attribute 2	<b>2.1.1</b>	The ICVCM should continue to recognise voluntary contributions to adaptation through the use of the CCP Attribute.	
Recommendations for Assessment Framework refinement	CCP Attribute 2	<b>2.1.2</b>	In future evolutions of the Assessment Framework, for provisions relating to CCP Attributes, the ICVCM should align the CCP Attribute to the PACM level of contribution, by setting it at 5%.	
Recommendations for Assessment Framework refinement		<b>2.2</b>	If SOPA were to be made mandatory, the ICVCM should consider exemptions based on LDC status, project size and existing contributions already being made.	
Further recommendations		<b>2.3</b>	The ICVCM should further explore destinations for adaptation contributions, while recognizing that share of proceeds could be provided to the Adaptation Fund.	

## CIWP 3 – Baselines and NDCs

Recommendation type	Relevant Assessment Framework criteria	No	Recommendation	Elements
Recommendations for Assessment Framework refinement		<b>3.1</b>	The Assessment Framework further refinements should ensure that mitigation activity baselines are aligned to the Paris Agreement even in the absence of an alignment of the host country NDC and/or LTS to the Paris Agreement.	
Recommendations for Assessment Framework refinement	13.1 Categories incompatible with contribution to net zero transition	<b>3.2</b>	The ICVCM should establish a clear process with a minimum frequency and principles to update the list established under Criterion 13.1 of the Assessment Framework.	
Recommendations for Assessment Framework refinement	13.2 Contribution to net zero transition	<b>3.3</b>	The ICVCM should update and expand Criterion 13.2 with requirements and guidance to ensure that all methodologies require mitigation activity proponents to demonstrate the compatibility of the mitigation activity with a transition to net zero based on the following recommendations.	
		<b>3.4</b>	The ICVCM should establish net zero by 2050 as the default minimum ambition level for baselines aligned to the Paris Agreement.	



### CIWP 3 – Baselines and NDCs (cont.)

Recommendation type	Relevant Assessment Framework criteria	No	Recommendation	Elements
		3.5	<p>The ICVCM should establish clear guidance on how to develop baselines that are aligned with the Paris Agreement that meet or exceed the minimum ambition level.</p> <p>In addition to ensuring the baselines meet or exceed the minimum stringency level, the CIWP participants recommended that guidance should consider, at minimum, the following elements:</p>	<ul style="list-style-type: none"> <li>a) Downward sloping in time (noting the shape of the curve may be linear or not);</li> <li>b) Regular updates and periodic ratchets;</li> <li>c) Consistency with externally determined science-based pathways for a country or sector (noting that "science-based" indicates that country and sector pathways would add up to a net zero by 2050 or better pathway globally);</li> <li>d) Consideration of best available technology (BAT) and other benchmark-based approach to demonstrate the required ambition and rigor.</li> </ul>
		3.6	The ICVCM should establish criteria and guidance for any exemptions from any general rules related to Paris-aligned baselines.	
		3.7	The ICVCM should provide clear guidance on when and how carbon-crediting programs would be expected to require project developers to align mitigation activity baselines with the relevant NDC and/or LTS (if there is one) and identify how carbon-crediting programs would ensure such alignment.	The guidance provided by the ICVCM on how to incorporate the NDC or LTS into baseline-setting should consider, among other factors, the mitigation ambition (contribution) of the NDC or LTS, relevant governance arrangements in carbon-crediting programs, including for continuous improvement and regular updates and periodic ratchets, relevance of Article 6-specific arrangements, alignment of baselines with sustainable development, and a just transition.

## Annex 2. CCP-Eligible Program arrangements related to alignment with the Paris Agreement

The table below summarizes publicly available information, as of 15 September 2025, on arrangements of CCP-Eligible Programs related to alignment with the Paris Agreement as discussed by CIWPs 1, 2 and 3. The table does not represent an exhaustive repository of requirements that may be relevant to the broader topic of Paris alignment. This table was prepared to supplement the report with technical information and does not represent any discussions or views from the CIWPs.

Program	Corresponding Adjustments	Share of proceeds for adaptation (SOPA)	Paris-aligned baselines
	<b>CCP Attribute 1 - CA</b>	<b>CCP Attribute 2 - SOPA</b>	
<b>VCS</b>	<p>Carbon credits issued in the VCS Program may receive one of three <a href="#">Article 6 labels</a>, where host countries provide authorization for the mitigation outcomes that credits represent. Letters of authorization (LOAs) need to be provided and reviewed by the Program to receive the label. Approved Article 6 labels for credits are publicly visible on the Program registry.</p> <p>The three labels reflect the three purposes of authorization in Article 6.2 guidance: Article 6 Authorized – NDC Use, Article 6 Authorized – International Mitigation Purposes, Article 6 Authorized – Other Purposes.</p> <p>Program documentation acknowledges that corresponding adjustments for voluntary purposes are not required but host countries may authorize credits for such use cases.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>The Article 6 labels allowed by the Program are separate from CCP Attributes. CCP-labelling requirements are outlined in the Program's <a href="#">CCP Label Guidance document</a>. The document sets requirements for activities seeking to tag issued credits as eligible for the CCP label but does not provide specific guidance in relation to CCP Attributes.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>CCP-labelling requirements are outlined in the Program's <a href="#">CCP Label Guidance document</a>. The document sets requirements for activities seeking to tag issued credits as eligible for the CCP label but does not provide specific guidance in relation to CCP Attributes.</p>	<p>No specific references to alignment with host country NDCs or the long-term temperature goal of the Paris Agreement.</p> <p><a href="#">Program consultation</a> on Version 5 of the VCS Standard suggested ways of future alignment of the standard with requirements of CORSIA related to below-BAU baselines and possible alignment with baseline-setting approached developed under PACM. The consultation document requested input with regards to the desirability, extent and specific ways of such alignment.</p>

Program	Corresponding Adjustments	Share of proceeds for adaptation (SOPA)	Paris-aligned baselines
	<b>CCP Attribute 1 - CA</b>	<b>CCP Attribute 2 - SOPA</b>	
<b>Gold Standard</b>	<p>Arrangements for activities seeking compliance with requirements for credits authorized for use under Article 6 of the Paris Agreement are outlined in the Gold Standard's <a href="#">Article 6 Requirements</a>.</p> <p>The Program reviews evidence of authorization for ITMOs provided by host countries to activity proponents against a set of minimum requirements. The Program has indicated that future provisions will ensure that authorizations of ITMOs include all information required in Decision 4/CMA.6 from COP29.</p> <p>Following the review, credits can be labelled as authorized by the host country on the Program registry.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>CCP-labelling requirements are outlined in the Program's <a href="#">Core Carbon Principles Labelling of Gold Standard Verified Emission Reductions</a> document. The document sets requirements for activities seeking to tag issued credits as eligible for the CCP label but does not provide specific guidance in relation to CCP Attributes.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>CCP-labelling requirements are outlined in the Program's <a href="#">Core Carbon Principles Labelling of Gold Standard Verified Emission Reductions</a> document. The document sets requirements for activities seeking to tag issued credits as eligible for the CCP label but does not provide specific guidance in relation to CCP Attributes.</p>	<p>Section 5.5., 5.6, 5.7 of the Program's <a href="#">Requirements for Methodology Development</a> specify the ways methodologies eligible for use under the Program have to align with PACM requirements related to baseline-setting. That includes specific provisions on baselines being below BAU and their downward adjustment. The document details specific sources for any factors or quantitative methods for determining downward adjustment.</p> <p>Section 5.13 of the same document requires that activities demonstrate alignment with host country NDC, LTS and "efforts towards achieving the long-term temperature goals of the Paris Agreement".</p>
<b>ART TREES</b>	<p>Section 13.3 of the <a href="#">TREES 2.0 standard</a> requires a host country letter of authorization (LOA) for any transfers of issued credits for use by another country or entity. A "Corresponding adjustment applied" label is attached to such credit after Program review. Countries may authorize transfers of credits for compliance purposes to by submitting a LOA to the Program and subsequently applying a corresponding adjustment. LOAs are made public in the Program registry.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>No specific guidance in relation to CCP Attributes.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>No specific guidance in relation to CCP Attributes.</p>	<p>The <a href="#">TREES 2.0 standard</a> refers to, as one of the Immutable Principles, "promot[ing] national ambition and contribute to Paris Agreement goals including progress toward the fulfillment of Nationally Determined Contributions (NDCs)". Another Immutable principle posits that the Program shall "...set crediting baselines for deforestation and degradation that initially reflect historical emission levels and thereafter decline periodically to require higher ambition over time".</p> <p>No specific references to alignment of baselines with the long-term temperature goal of the Paris Agreement.</p>



Program	Corresponding Adjustments	Share of proceeds for adaptation (SOPA)	Paris-aligned baselines
	CCP Attribute 1 - CA	CCP Attribute 2 - SOPA	
ACR	<p>The Program <a href="#">requires</a> notification by the owner of issued carbon credits of the intent to transfer the credits for Article 6 purposes and to obtain a host country LOA, with minimum requirements for the contents of such letters. The LOAs are made available on the Program registry and authorized credits are labeled. The Program reports such information to Parties to the Paris Agreement, host countries and, where relevant to CORSIA, to ICAO.</p> <p>Program documentation acknowledges that corresponding adjustments for voluntary purposes are not required but host countries may authorize credits for such use cases.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>ACR is not implementing CCP Attributes at this time as per <a href="#">ACR Registry Operating Procedures</a>.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>ACR is not implementing CCP Attributes at this time as per <a href="#">ACR Registry Operating Procedures</a>.</p>	<p>The ACR <a href="#">Standard</a> requires that project-based GHG emission reductions and removals are above and beyond the “business as usual” scenario, as part of the additionality requirements.</p> <p>No specific references to alignment of baselines with the long-term temperature goal of the Paris Agreement.</p>
CAR	<p>In cases where credits issued in the Program are being transferred to meet Article 6 requirements and/or to meet CORSIA requirements, the Program <a href="#">requires</a> host country authorization, including minimum requirements for the contents of an LOA.</p> <p>The credit holder has to notify the Program of the intent to transfer the credits for such purposes and has to obtain the authorization. The Program collects and reports information on corresponding adjustments. The Program registry reflects the authorization status of credits and maintains host country LOAs.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>The Program has not yet provided for specific provisions on CCP Attributes, acknowledging in a <a href="#">memorandum</a> that these attributes will be included in the Registry as the Program “develops guidance for meeting the criteria”. General information on CCP tagging is provided in the <a href="#">User Guide</a>.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>The Program has not yet provided for specific provisions on CCP Attributes, acknowledging in a <a href="#">memorandum</a> that these attributes will be included in the Registry as the Program “develops guidance for meeting the criteria”. General information on CCP tagging is provided in the <a href="#">User Guide</a>.</p>	<p>No specific references to alignment of baselines with NDCs, LTS or long-term temperature goal of the Paris Agreement.</p>

Program	Corresponding Adjustments	Share of proceeds for adaptation (SOPA)	Paris-aligned baselines
	CCP Attribute 1 - CA	CCP Attribute 2 - SOPA	
Isometric	<p>As part of the Program's <a href="#">CORSIA Eligibility Policy</a>, for any activities seeking credits to be tagged as CORSIA-eligible, activity proponents are required to seek confirmation of host country authorization and that a corresponding adjustment will be applied. This confirmation is required at validation.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>According to the Isometric <a href="#">ICVCM CCP Attribute and Tagging Policy</a>, in order to receive Attribute 1, Project Proponents must submit evidence of Article 6 authorization by the project's host country. This information is reviewed by the Program before the Attribute tag can be applied.</p> <p>The CCP Attribute 1 tag is the only tag for Article 6 authorization used by the Program.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>According to the Isometric <a href="#">ICVCM CCP Attribute and Tagging Policy</a>, in order to receive Attribute 2, at least 5% of the revenue from the credits has been contributed to the Adaptation Fund; and/or at least 5% of the issued Credits have been deposited into an account managed by, or on behalf of, the Adaptation Fund.</p> <p>This information is reviewed by the Program before the Attribute tag can be applied.</p>	<p>No specific references to alignment of baselines with NDCs, LTS or long-term temperature goal of the Paris Agreement.</p>
Equitable Earth (fmr. ERS)	<p>As per the <a href="#">Procedure: Avoiding Double Claiming</a>, where issued credits are used for Article 6 or CORSIA purposes, such credits must demonstrate compliance with requirements for corresponding adjustments. Activities must procure host country authorizations, including minimum required contents of an LOA. Information on those LOAs is made available in the Program registry.</p> <p>Program documentation acknowledges that corresponding adjustments for voluntary purposes are not required but host countries may authorize credits for such use cases.</p> <p><b>CCP Attribute 1 - Host country authorization pursuant to Article 6 of the Paris Agreement</b></p> <p>There is currently no specific guidance in relation to CCP Attributes. General labeling provision are contained in the <a href="#">Registry Procedure</a>.</p>	<p>No specific provisions to require or recognize SOPA.</p> <p><b>CCP Attribute 2 - Share of Proceeds for Adaptation</b></p> <p>There is currently no specific guidance in relation to CCP Attributes. General labeling provision are contained in the <a href="#">Registry Procedure</a>.</p>	<p>The Principles section of the <a href="#">Standard</a> sets out that the Program certifies activities that, among others, "restore natural carbon sinks to help limit the rise in global temperature, in line with the Paris Agreement".</p> <p>No specific references to alignment of baselines with NDCs LTS, or long-term temperature goal of the Paris Agreement.</p>





THE INTEGRITY COUNCIL  
FOR THE VOLUNTARY CARBON MARKET

The Integrity Council for the Voluntary Carbon Market (ICVCM) is an independent, non-profit governance body for the voluntary carbon market, which aims to ensure the voluntary carbon market accelerates a just transition to 1.5°C. The ICVCM aims to set and maintain a voluntary global threshold standard for quality in the voluntary carbon market. The threshold standard is based on the ICVCM's Core Carbon Principles (CCPs) and is implemented through an Assessment Framework that sets out what high quality means by reference to those principles.



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