



SESSION B1 GLOBAL DIALOGUE

State of International
carbon markets and
seeing the opportunity

Fireside Chat

H.E. Ambassador Ali Mohamed

Special Envoy for Climate Change Executive Office of
President
Kenya

H.E. Marie Nyange Ndambo

Minister of Environment, Sustainable Development and
New Climate Economy
Democratic Republic of the Congo

Moderated by **Mark Kenber**, Executive Director, Voluntary Carbon
Markets Integrity Initiative (VCMI)

Knowledge Update



Seoyoung Lim

Program Officer, Mitigation, **UNFCCC**

Harikumar Gadde

Minister of Senior Climate Change Specialist, **WBG**

PACM

Paris Agreement Crediting Mechanism

Recent Developments and the Way Forward

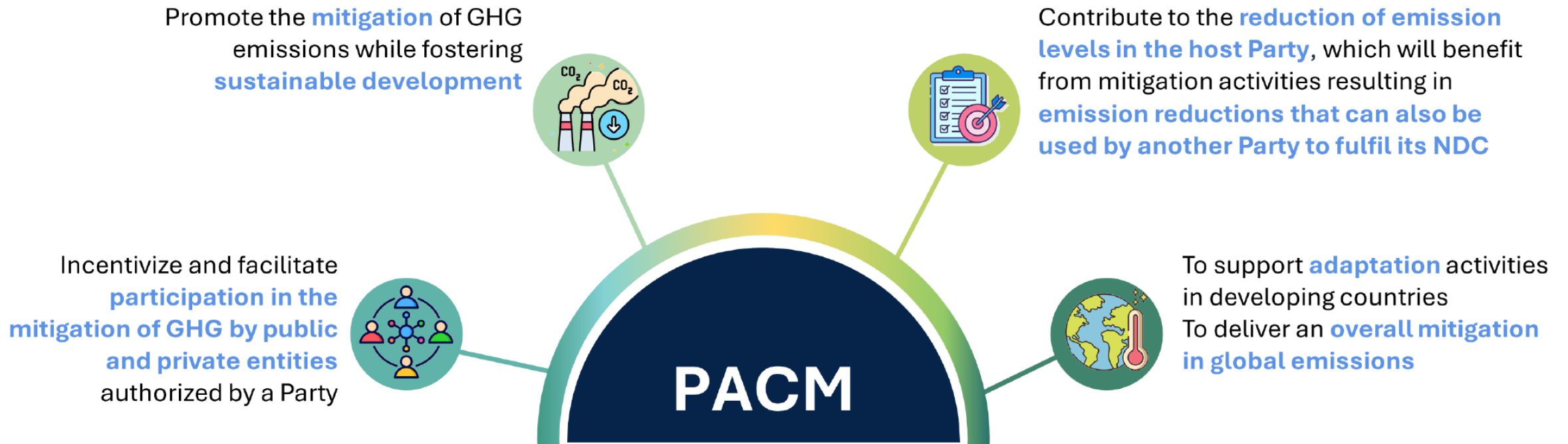
19 May 2026, Singapore



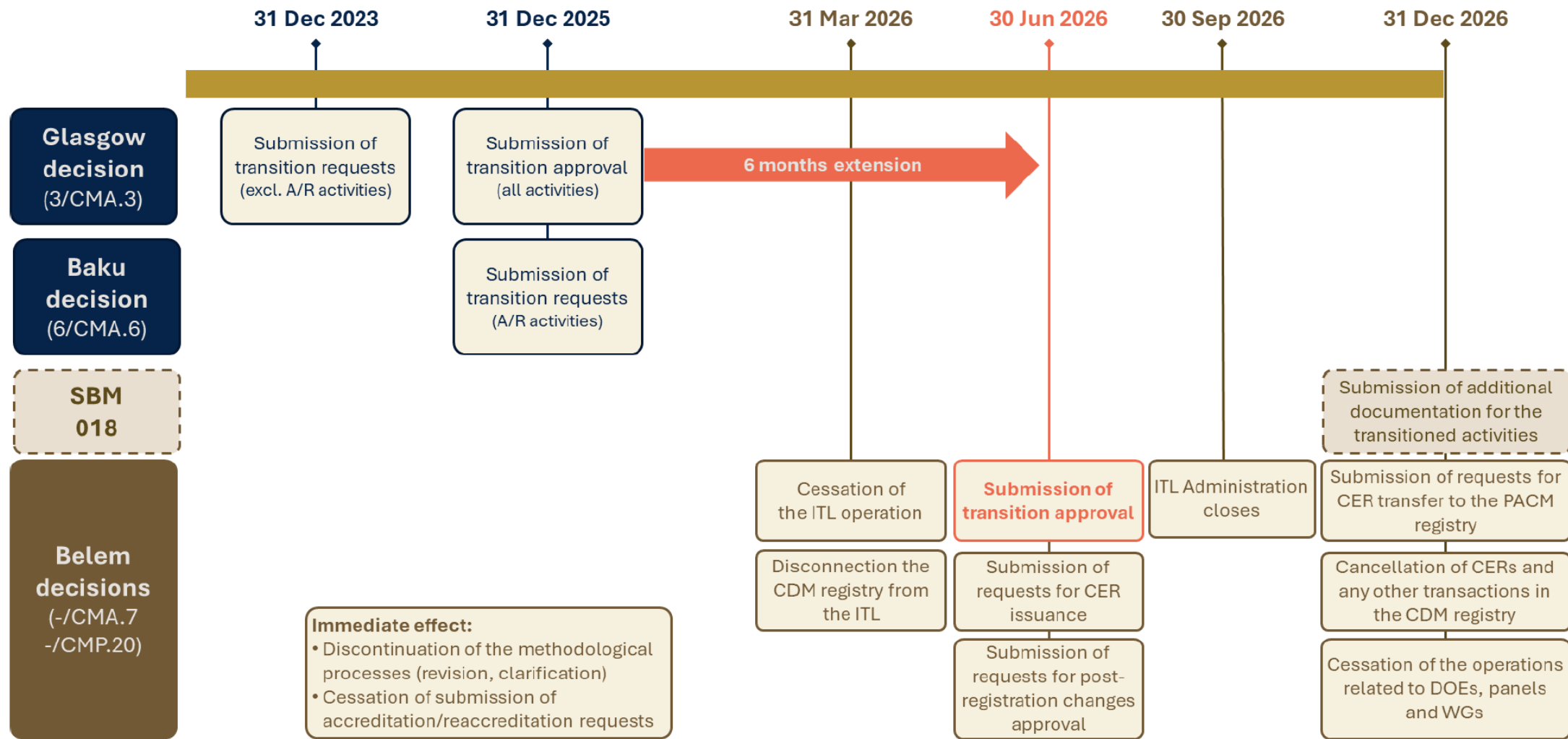
United Nations Markets and Non-Markets Support and
Climate Change Stakeholders Interaction Subdivision

Paris Agreement Crediting Mechanism (PACM)

- Paris Agreement Crediting Mechanism (PACM) is the **new centralized UNFCCC** baseline-and-credit mechanism and **the only multilateral mechanism** with universal applicability for public and private sector



CDM to PACM: CDM Wind Down Timelines



PACM Implementation Status (as of 18 May 2026)



Host Parties

- **127** of 194 Parties to the Paris Agreement have designated their **DNAs**
- **55** Parties submitted **Host Party Participation Requirements** Forms



Activities / DOEs

- Out of **1,511 CDM transition requests**, **213** have received **host Party approval**, with **22** of these **registered** as PACM activities
- **1,150 prior consideration notifications** from **107 host Parties** underway
- **14 DOEs accredited** out of 28 applicants



Methodologies

- **First PACM methodology** (A6.4-AMM-001: Flaring or use of landfill gas) adopted at SBM 19 (29-30 Oct 2025)
- Methodology development will continue to be prioritised in 2026

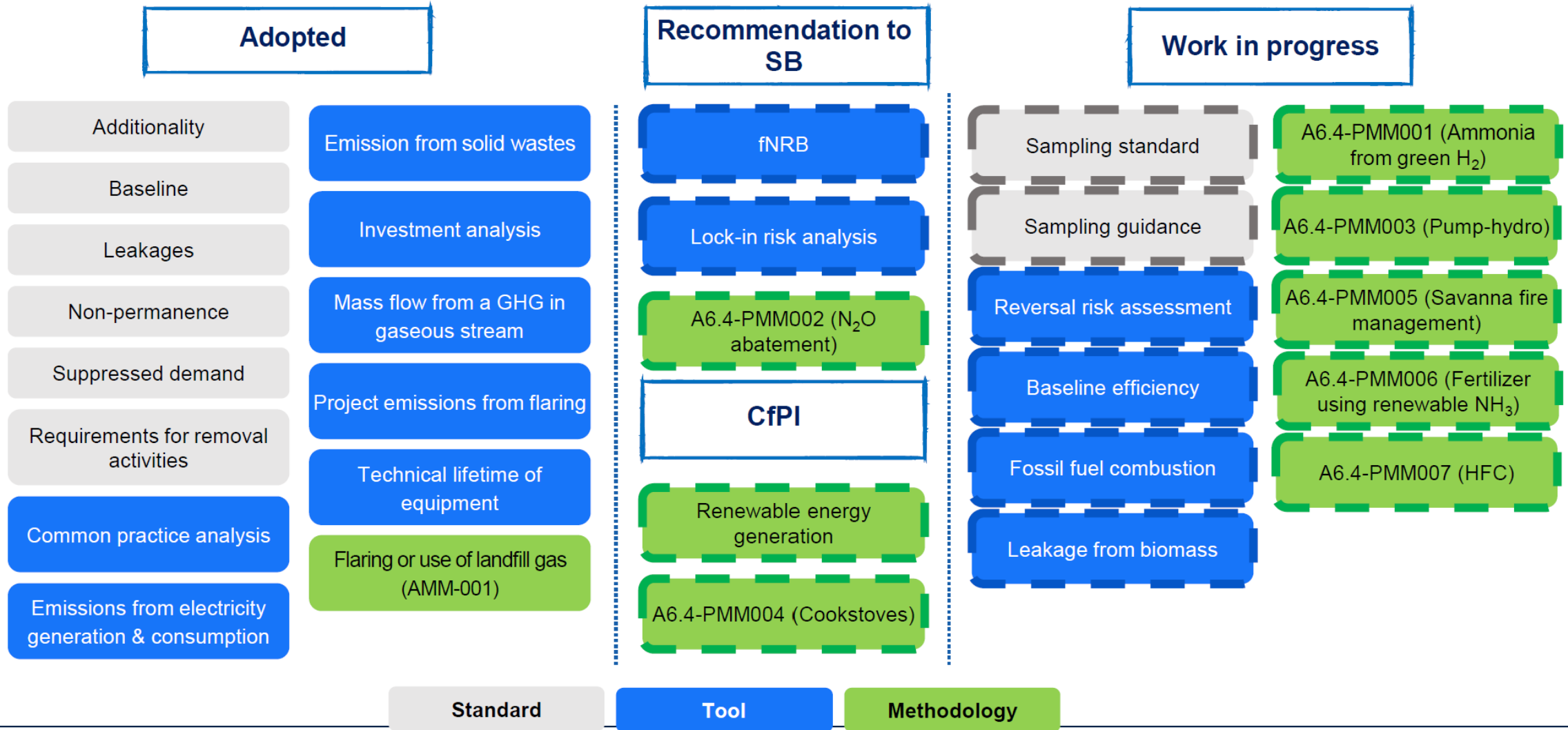


Issuance

- **Four issuance requests** have been submitted from transitioned CDM activities

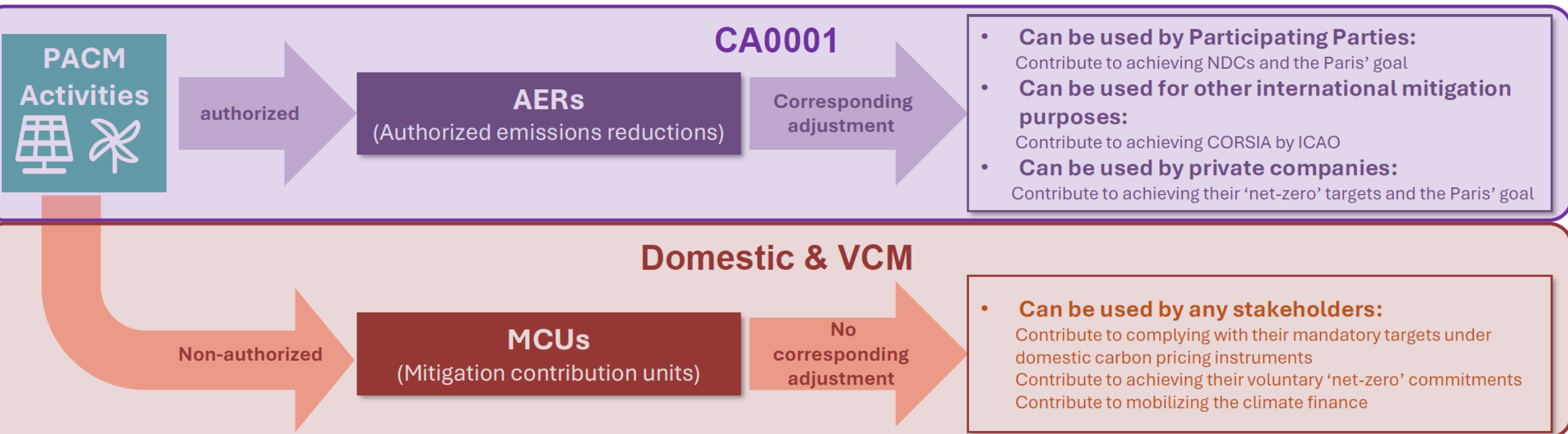


PACM Methodological Progress (as of 18 May 2026)



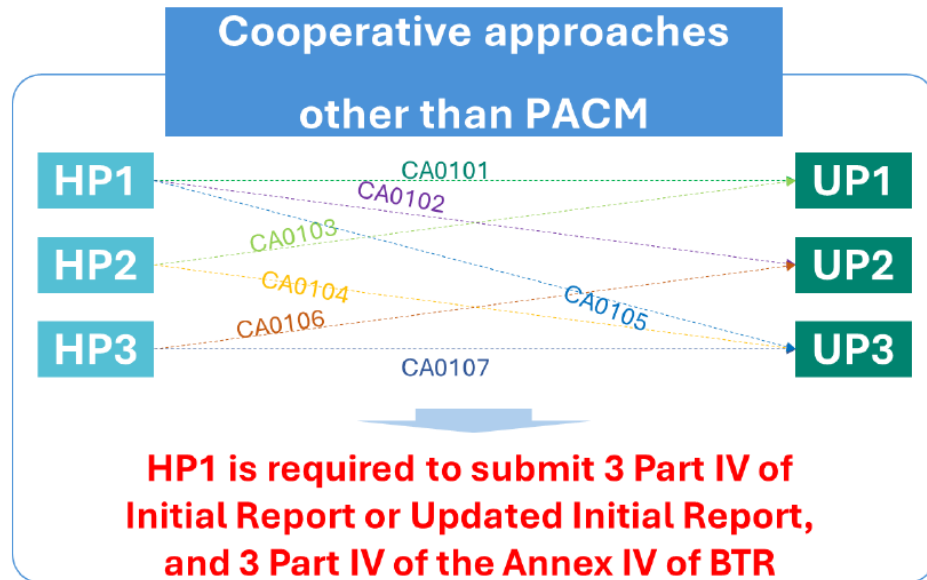
PACM: Universal Use for Contributing to the Paris Goals

- Article 6.4 Emission Reductions (**A6.4ERs**) can be used in **both compliance and voluntary carbon markets**, subject to **authorization** by the host Party
- Mitigation Contribution Units (**MCUs**) can be used for **domestic purposes, including carbon pricing instruments**, without triggering Article 6.2 reporting and accounting requirements for the host Party, while enabling users to contribute to the Paris goals

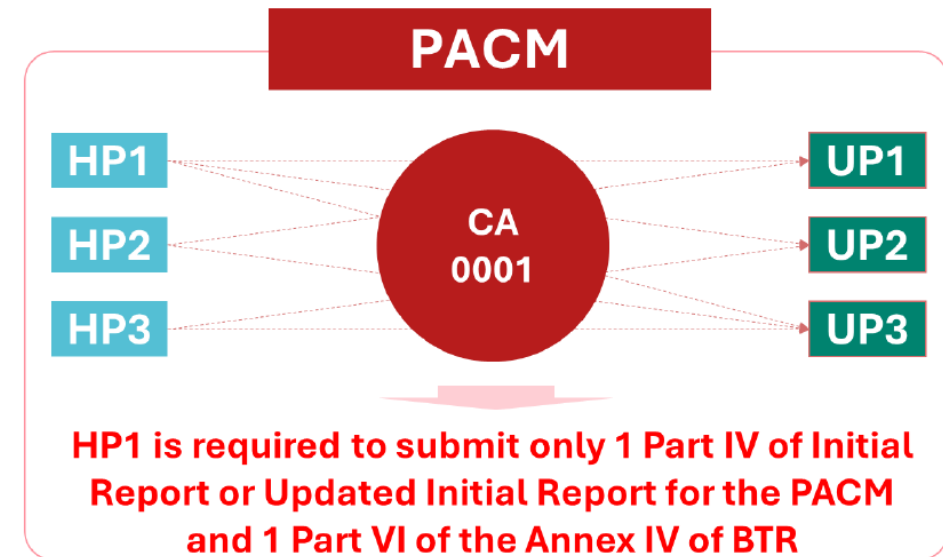


Engaging with PACM as Cooperative Approach CA0001

- Participation in the PACM offers several benefits, inter alia, including the **flexible use of emission reductions** and the **ease of Article 6 reporting** through **full interoperability** between the Article 6.2 infrastructure and the PACM registry



HP: Host Party / UP: Using Party



Engaging with PACM for Domestic and Voluntary Markets



Compliance credits for domestic carbon pricing policies
(e.g. offset credits for ETSs and carbon taxes)



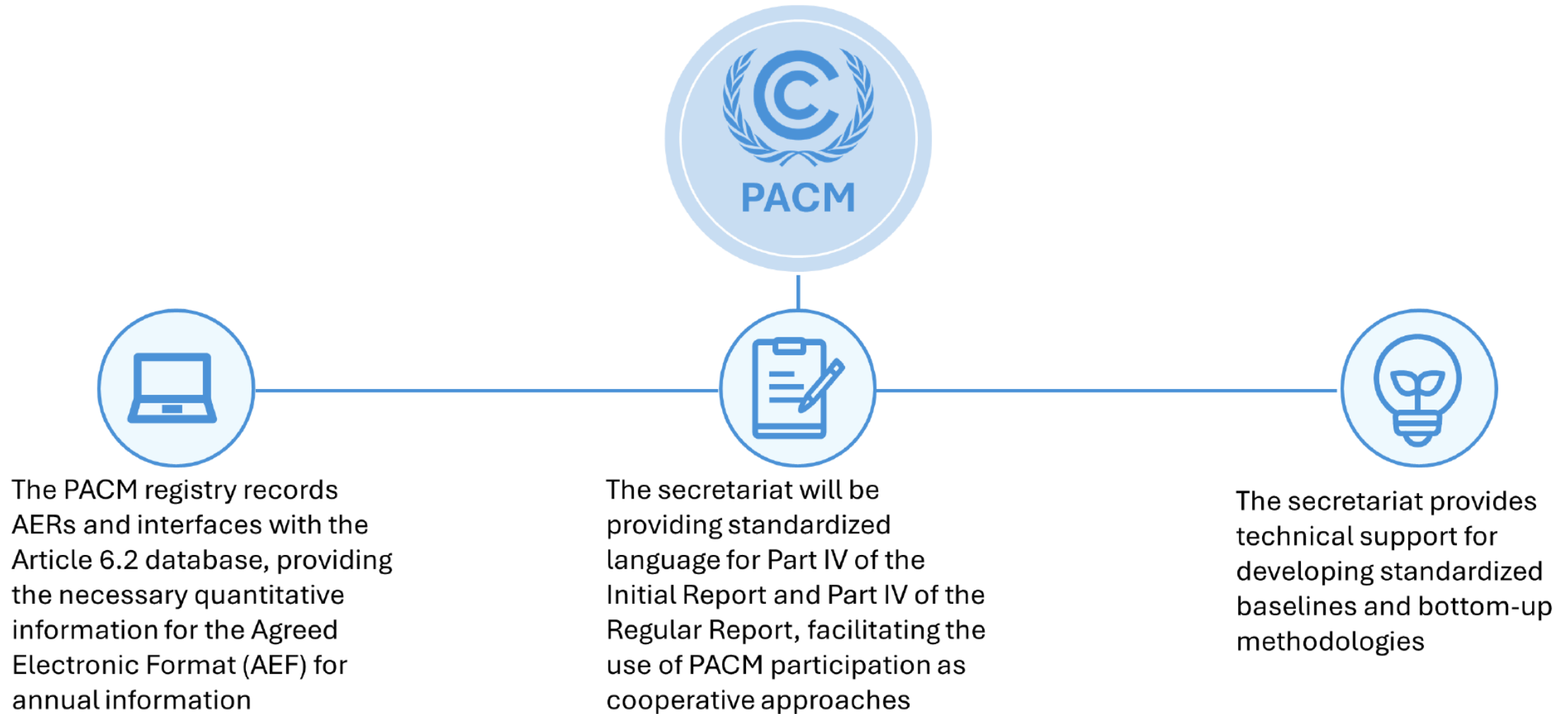
Voluntary commitments for private sector
(e.g. ESG, voluntary net-zero commitments)



Results-based finance
(e.g. REDD+)



Secretariat support for participation in the PACM



Knowledge Update: State of International Carbon Markets



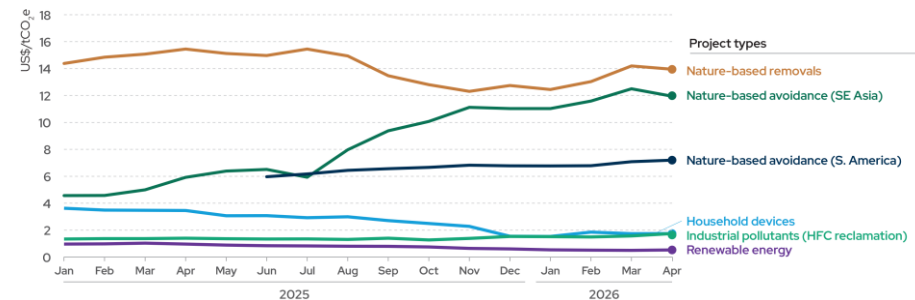
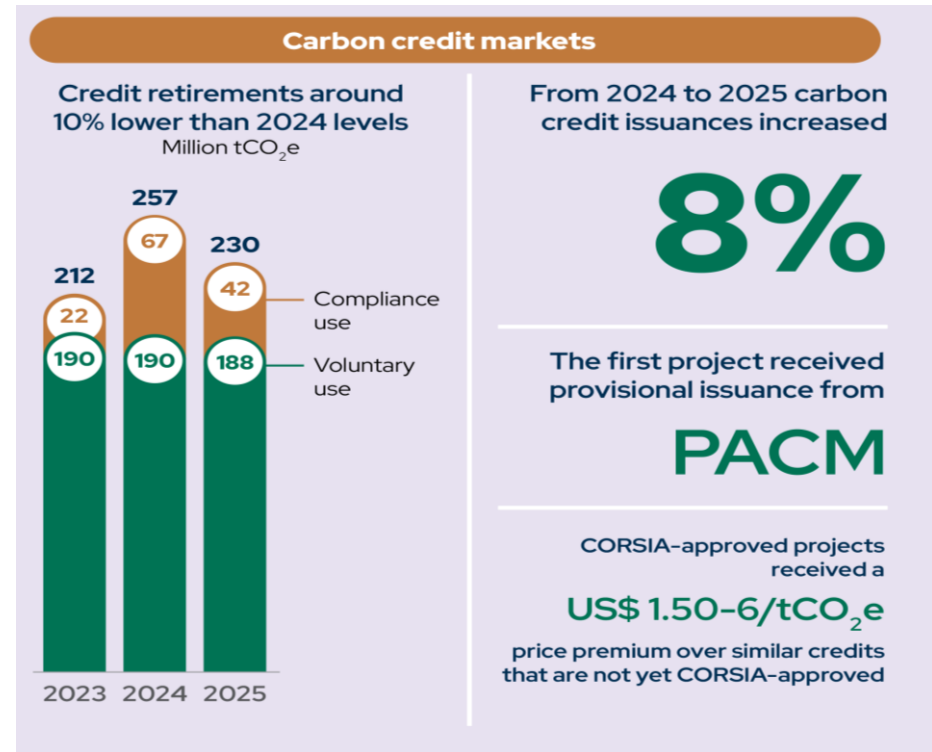
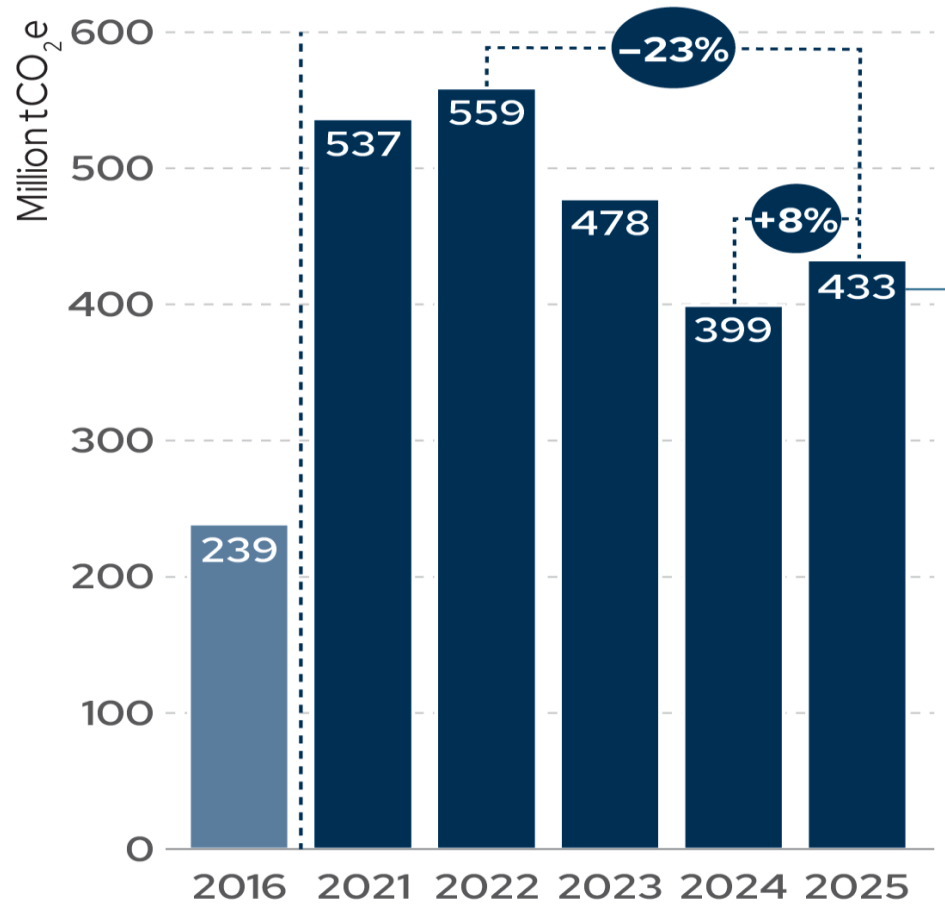
Harikumar Gadde, World Bank Group
May 19, 2026



Official Use Only

State of International Carbon Markets 2026

Carbon credit issuances, 2016 and 2021–2025



Carbon Markets are Undergoing Structural Transition

What's happening	What's emerging	What this means
Shift: Volume to quality	Article 6 Markets	Policy driven
Weak supply exits	NDC integration	Higher integrity
Price stabilization	Carbon pricing tools	Finance linkage

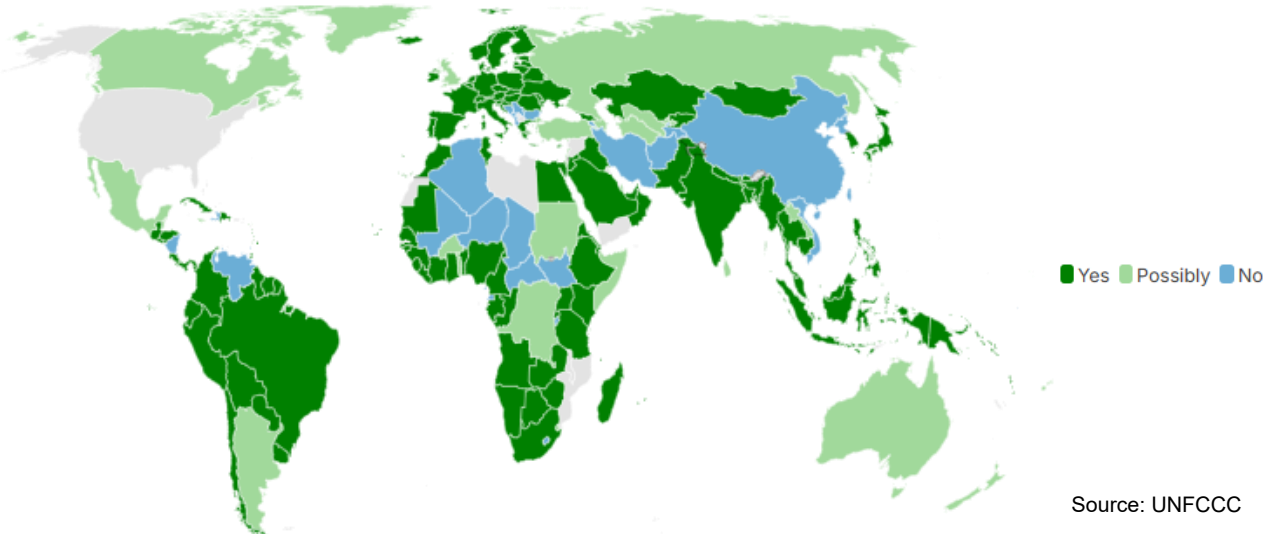
A new phase — **driven by authorization, integrity standards, and compliance demand** — is scaling up.

- **The VCM moved from growth to correction.** The market is smaller but more integrity-focused
- **Integrity labels moved from theory to market infrastructure. ICVCM CCP** (Core Carbon Principles) approvals are starting to define which credit categories are bankable, but the process also shows many methodologies will need revision.
- **Corporate claims rules are being rebuilt. VCMi's** Scope 3 framework and **SBTi** revisions reflect a shift from “offsetting neutrality claims” toward limited, evidence-based use of high-quality credits alongside real evidence-based decarbonization.

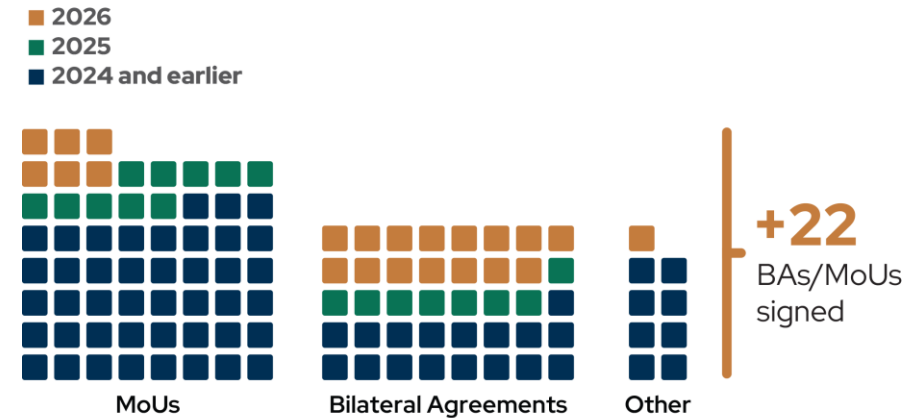
Scale of Carbon Markets will be Determined by Sovereign Authorization

- Authorization became synonym to high integrity;
- Policy makers are 'inadequately' prepared to navigate the dynamic and multidimensional authorization decision space;
- Need for 'additional' tools such as carbon budget calculations

Countries signalling interest in Article 6



Signed as of April 1:



Note: Bilateral Agreements and MoUs arranged in order of signing date. Includes MoUs under Japan's Joint Crediting Mechanism (JCM)

Of **108** BA/MoUs, to date only 4 projects have issued and transacted ITMOs, with no issuances since 2024

	Host	Buyer	Project type	Issuances (ktCO ₂ e)
1	Thailand	Switzerland	Transport	1.9
2	Ghana	Switzerland	Cookstoves	11
3	Maldives	Japan (JCM)	Energy	0.43
4	Thailand	Japan (JCM)	Energy	1

There are Emerging Market Forces that Will Keep the Demand Side Discussions Promising

Short Term

01

Compliance Markets

29%

global emissions under carbon price

	Maximum percentage of carbon credits allowed	Actual retirements, percentage of maximum allowed	ETS Compliance period end date
Colombia carbon tax	50%	61%	2026
South Africa carbon tax	10%	7%	N/A
Washington cap-and-invest	5%	1%	2025
Republic of Korea ETS	5%	8%	N/A
California cap-and-invest	4%	92%	2026

Note: ETS allowances and carbon credits for a given year are typically retired the following year (e.g., units surrendered for 2025 GHG emissions are surrendered during 2026).

ETS
Carbon tax

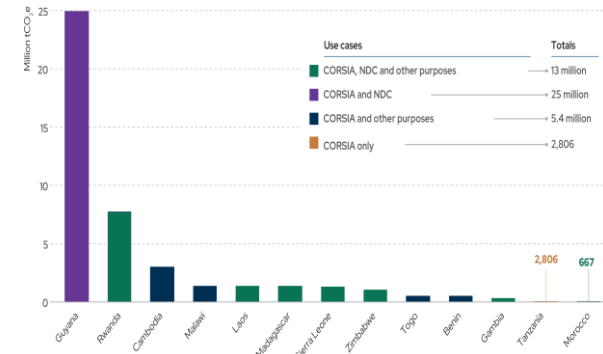
Coalition to Grow Carbon Markets (founded by UK, Singapore and Kenya) picks up momentum to drive demand for carbon credits

02

CORSIA (Aviation)

~100-200 Mt

Phase 1 (2024-2026) demand



* Credits in this stage will become eligible for Article 6.2 (NDC or CORSIA compliance, and other purposes) once a corresponding adjustment is issued

Medium Term

03

EU Credit Policy

~200-400 Mt

Under the EU 2040 target

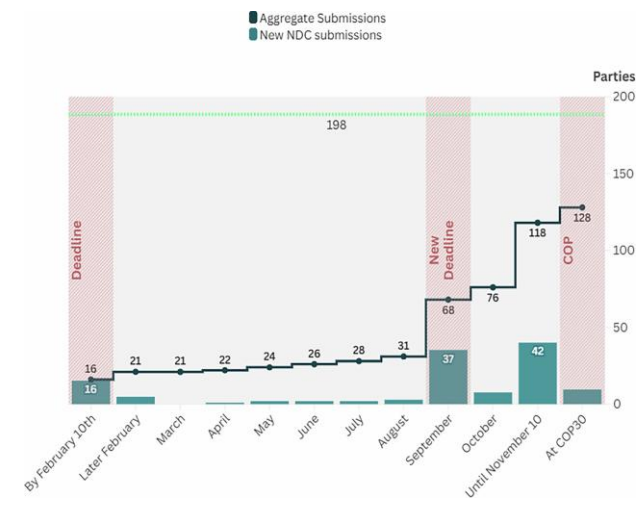
Long Term

04

Next Gen NDCs

170+

countries submitting 2035 targets



Market Infrastructure that Balances interoperability with Country Sovereignty will define the Integrity of the Carbon Market

① Registry Interoperability

National, UN (PACM), and standard registries need seamless data exchange. COP29 two-tier framework + CADT provide the architecture.

② SClaaS

Sovereign Carbon Infrastructure-as-a-Service. Few launched white-label national registry platform for Article 6.2 under full sovereign control.

③ Financial Integrity

Clear ownership rights, indemnity frameworks, and delivery insurance are essential. CORSIA Guarantee Insurance now emerging to unlock supply.

④ Digital MRV + Tokenization

Satellite MRV, AI verification, and blockchain-based credit lifecycle tracking are moving from concept to live deployment.

- **Integrity labels moved from theory to market infrastructure. ICVCM CCP** (Core Carbon Principles) approvals are starting to define which credit categories are bankable, but the process also shows many methodologies will need revision.