



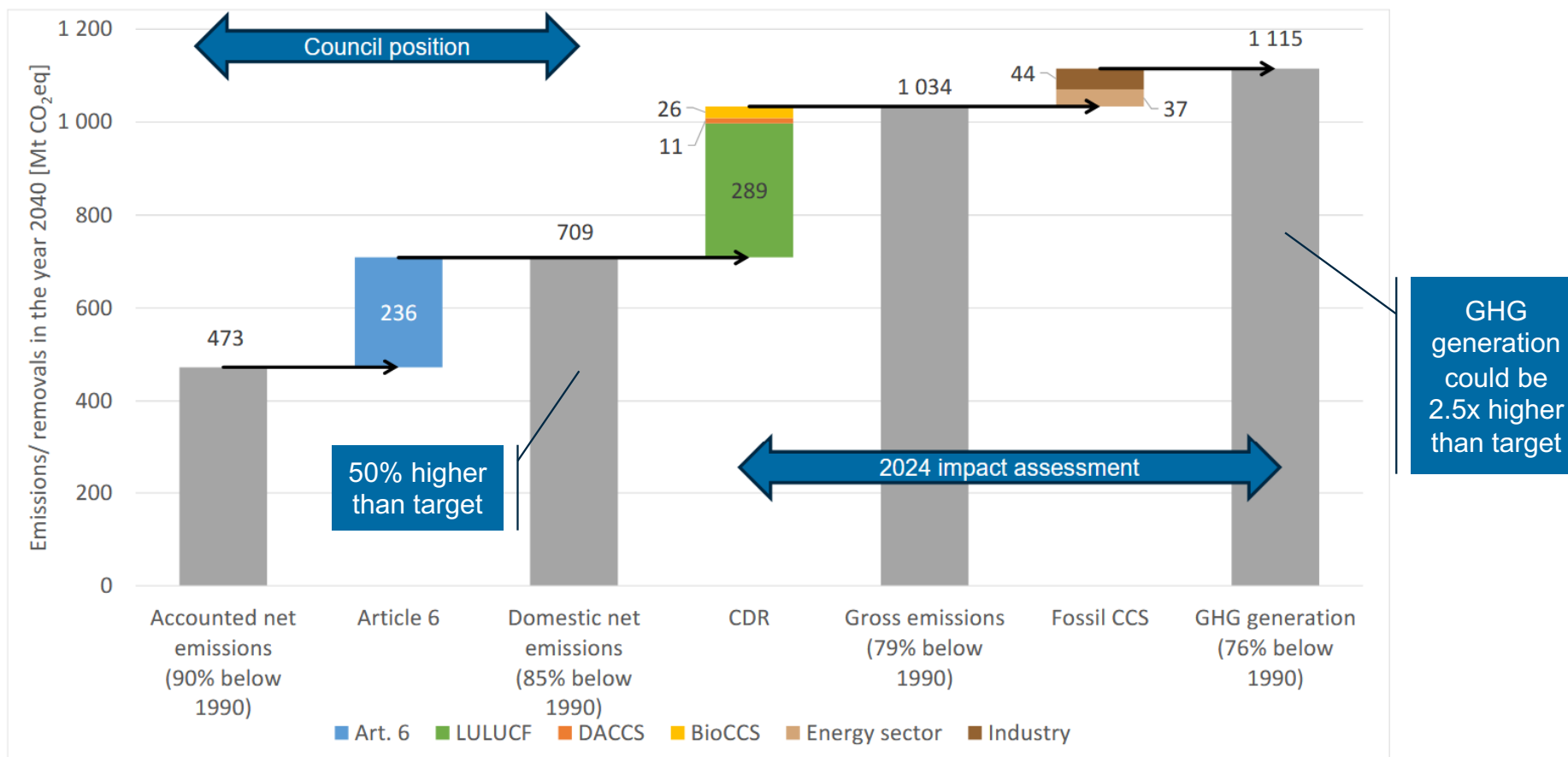
## Key issues for using Article 6 towards the EU 2040 climate target

Zurich Carbon Market Association Workshop „EU demand for Article 6 credits – quantities, activity types, timings and pathways“

Lambert Schneider | 23 March 2026

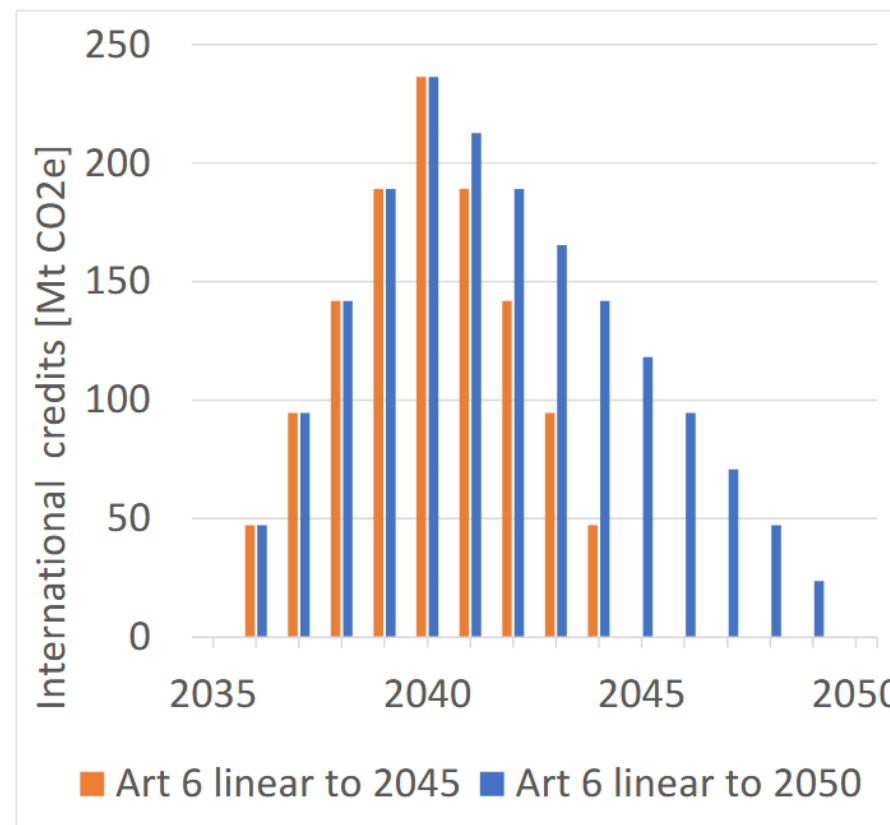
NOVEMBER 10-21, 2025

# What does the EU 2040 climate target mean for EU's emissions?



## How many ITMOs might the EU purchase?

- **Two NDC periods** (orange bars)
  - Linear increase from 2036, peak in 2040, linear decline up to 2045
  - **About 1.18 billion ITMOs**
- **Three NDC periods** (blue bars)
  - Linear increase from 2036, peak in 2040, linear decline up to 2050
  - **About 1.77 billion ITMOs**
- **Caveats**
  - 5% in 2040 is an **upper limit**
  - **Pilot phase** could increase use



## Key considerations for how to use international credits (1)

Issues	Possible solutions
<b>Carbon credit quality</b>	<ul style="list-style-type: none"> <li>• Option 1: Use <b>PACM</b> credits</li> <li>• Option 2: Use <b>PACM</b> credits with <b>additional EU criteria</b></li> <li>• Option 3: Establish <b>own benchmark</b> and <b>approve credit types</b> (similar to CORSIA and ICVCM)</li> </ul>
<b>Who buys the credits</b>	<ul style="list-style-type: none"> <li>• Option 1: <b>Central EU purchase facility</b></li> <li>• Option 2: <b>Member States</b></li> <li>• <b>No direct purchase by ETS entities</b></li> </ul>
<b>Ensuring partner countries benefit from cooperation</b>	<ul style="list-style-type: none"> <li>• <b>Strategic partnerships</b> with partner countries</li> <li>• Support “high-hanging” rather than “low-hanging” mitigation</li> <li>• <b>Sharing of mitigation outcomes</b> with partners (e.g. 30%), Adaptation Fund and Overall Mitigation in Global Emissions</li> <li>• Regular assessments of <b>overselling and compliance risks</b></li> </ul>

## Key considerations for how to use international credits (2)

Issues	Possible solutions
<b>Robust accounting</b>	<ul style="list-style-type: none"> <li>• EU and partner countries to use <b>linear multi-year accounting</b> approaches (not averaging)</li> <li>• Avoid <b>double counting</b> with <b>conditional NDCs</b></li> </ul>
<b>Non-permanence risks</b>	<ul style="list-style-type: none"> <li>• Use a <b>‘like-for-like’ approach</b> (offsetting temporary emissions with temporary sequestration or emission reductions)</li> </ul>
<b>Climate finance accounting</b>	<ul style="list-style-type: none"> <li>• Do not count ITMO purchase as <b>climate finance / ODA</b></li> </ul>
<b>Timing of engaging in Article 6</b>	<ul style="list-style-type: none"> <li>• <b>Early engagement</b> helpful for buying high-integrity credits</li> <li>• <b>No banking</b> of ITMOs possible</li> </ul>

# Relevant publications

## Policy Brief: The EU's climate target – Commission proposal

Policy Brief | 02.07.2025

**The EU's 2040 climate target**  
Assessment of the proposal by the EU Commission

Authors: Jakob Grachev, Lambert Schneider, Hannes Bötcher

On 2 July 2025 the Commission published its proposal for the EU's climate target for 2040. This target and its implementation will determine the EU's climate ambition for the next decades. This policy brief assesses the proposal and compares it with the recommendations of both the previous Commission under President von der Leyen and the European Scientific Advisory Board on Climate Change. This includes the provisions on international credits, natural and industrial carbon dioxide removal, flexibility between sectors and national targets.

**Key findings**

- The proposed target includes the usage of international carbon credits. These credits will increase net emissions in 2040 by 30%. Gross emissions, i.e. emissions without the accounting of removals, might only be 80% below 1990 levels.
- While the proposal includes important safeguards for using international carbon credits under Article 6 of the Paris Agreement, we recommend that international credits are only used to raise ambition beyond 90%, rather than deterring domestic climate action.
- Carbon Dioxide Removal might play a role in the ETS after 2035. Restoring CDRs in the ETS to permanent domestic removals as proposed by the Commission ensures that mitigation will remain the first priority for operators.
- Enhanced flexibility between sectors might reduce costs but could endanger the 2040 target. In addition, flexibility should only be allowed on a "like-for-like" basis, i.e. not mix uncertain reductions or removals from land-use sectors with permanent CO<sub>2</sub> emissions.
- The proposal foresees national targets for Member States after 2030 based on solidarity and cost efficiency. This is a key building block for achieving the 2040 target.
- The overall ambition of the EU will strongly depend on the legislative proposals. Adopting the proposed 2040 target will only be the first step.

## Policy brief: Conditions for Using International Carbon Credits towards the EU's 2040 Climate Target

Policy Brief | 30.06.2025

**Conditions for Using International Carbon Credits towards the EU's 2040 Climate Target**

Authors: Lambert Schneider, Felix Faltsch, Anne Siemens, Sophia Lauer, Isabel Haase

On 2 July 2025, the European Commission is expected to make a proposal for an EU climate target for 2040. The proposal could involve the use of international carbon credits under Article 6 of the Paris Agreement. Based on our extensive research, including the [ACHIEVE](#) project, the [Oxford Principles for Responsible Engagement with Article 6](#) and our [Carbon Credit Quality Index](#), this policy brief outlines the conditions that should be met if international carbon credits were to be used towards the EU's 2040 climate target. These proposed conditions aim to ensure that any use of international carbon credits enhances, rather than undermines, EU climate action and that the EU continues to adhere to the principles of the Paris Agreement.

**Key recommendations**

- Using international carbon credits only to enhance ambition beyond what is achievable domestically, i.e. beyond reducing emissions by 80-85% by 2040 compared to 1990.
- Establishing strategic partnerships with partner countries to promote integrity and ambition, including with regard to the ambition of Nationally Determined Contributions (NDCs), Article 6 engagement strategies, sectors and types of mitigation activity, authorization arrangements and reporting.
- Implementing a fair sharing of emission reductions or removals between the partner country, the Adaptation Fund, global mitigation and the EU.
- Generating carbon credits through the Paris Agreement Crediting Mechanism (PACM) or standards with at least equivalent integrity.
- Implementing multi-year accounting approaches in the EU and in its partner countries.
- Implementing a "like-for-like" approach for carbon credits subject to reversal countries.
- Not counting payments for international carbon credits as climate finance.
- Conducting a thorough impact assessment before using any international carbon credits, taking into account climate integrity, lock-in risks, and competitiveness.

## The EU ETS and the 2040 Climate Target

Policy Brief | 16.06.2025

**The EU ETS and the 2040 Climate Target**

Authors: Jakob Grachev, Renata Skitkova, Sabine Gores, Sophia Lauer, Hans-Henning Oeko-Institut

On 2 July 2025, the European Commission is expected to make a proposal for an EU climate target for 2040. The proposal could involve the use of international carbon credits under Article 6 of the Paris Agreement. Based on our extensive research, including the [ACHIEVE](#) project, the [Oxford Principles for Responsible Engagement with Article 6](#) and our [Carbon Credit Quality Index](#), this policy brief outlines the conditions that should be met if international carbon credits were to be used towards the EU's 2040 climate target. These proposed conditions aim to ensure that any use of international carbon credits enhances, rather than undermines, EU climate action and that the EU continues to adhere to the principles of the Paris Agreement.

## Policy Brief: The EU's climate target – Council position

Policy Brief | Update 19.11.2025

**The EU's 2040 climate target**  
Assessment of the proposal by the European Council

Authors: Jakob Grachev, Sabine Gores, H. Bötcher, K. Schumacher, P. Kasten, L. Schneider

On 5 November Member States agreed their position on the 2040 climate target in the Environment Council<sup>1</sup>. This policy brief analyses this outcome and builds upon our Policy Brief 'Discussed 2040 climate target for the EU' (Oeko-Institut 2025) which assessed the proposal by the European Commission<sup>2</sup>. Issues which remain unchanged are not discussed here again.

**Key findings**

- The Council supports the binding Union target of 80% below 1990 but with up to 5% international carbon credits in the year 2040 increasing net domestic emissions by 50%.
- The total amount of international carbon credits in the EU would increase net emissions by 20% to 30% compared to a purely domestic target in the period 2036 to 2050.
- The Council is looking at an inclusion of Article 6 credits in past 2030 national targets as part of a 5% limit. Almost one quarter of these credits might be used for that purpose.
- The Council promotes an unbalanced inclusion of LULUCF net emissions into the target. It would lead to higher emissions in other sectors in the case of surpluses but no compensation in case of a shortfall of natural removals.
- The Council's proposal does not ensure an achievement of an accounted net reduction of 80%. On the contrary, it foresees procedures to weaken the ambition if needed.
- Delaying ETS 2 will lead to higher price pressure in 2028. Member States will forgo approx. 450 billion in auction revenues in 2027.
- The overall climate ambition of the EU still depends on the legislative proposals to implement the 2040 target through policies and measures.

## Oxford Principles for Responsible Engagement with Article 6

Oxford Principles for Responsible Engagement with Article 6

June 2025

Thank you for your attention!

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