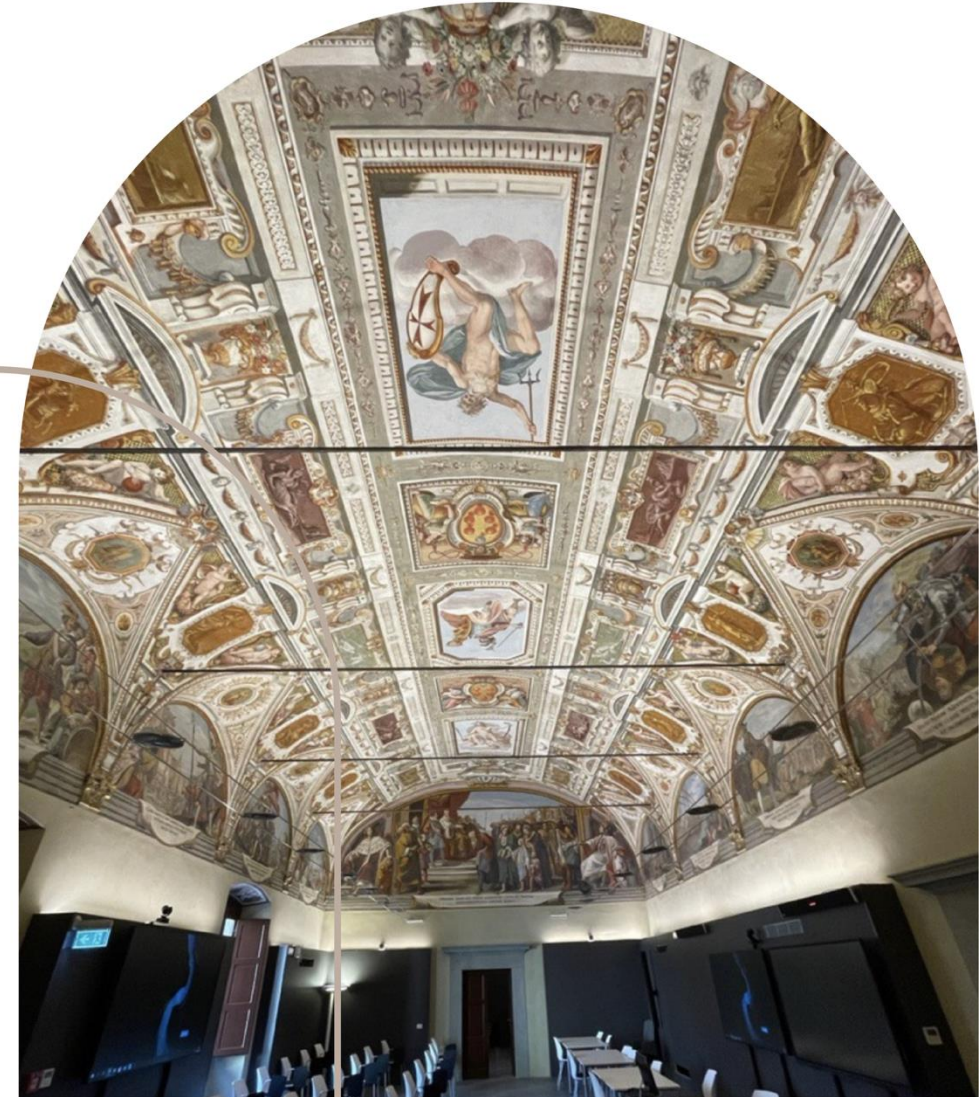


From Pilot to Policy Options for the EU re-opening to international carbon credits

Zurich, 23.03.2026

Jacopo Bencini

Research Associate, STG Climate



Our work on the topic

Presentation based on, *inter alia*:

- EUI STG Policy Brief 2026/01
BENCINI, J., DELBEKE, J., "*The state of carbon credit policy post-COP30*"
- EUI Carbon Markets Hub HLPD, 17-18 March 2026

Context: Why Article 6 Matters Now

- **Paris Agreement** Reaching net-zero requires many more countries to engage in carbon pricing - driving a global need for robust market mechanisms in (temporary?) absence of the US.
- **Article 6 Operationalised** COP29 and COP30 consolidated Article 6 of the Paris Agreement as the global benchmark for carbon credits, radically changing the market landscape.
- **EU's Historic Shift** The EU announced that up to 5% of its 2040 climate target can be met through high-quality international Article 6 carbon credits - a major market-&-diplomatic signal.



A mental map



Time as
Stress element

The 5% Flexibility

- **5%** of EU's 90% 2040 climate commitment Estimated range: 237 - 700 Mt CO₂eq (*depends on calculation method*)
- **Market Dimension** Global carbon credit market (2024): less than €1 billion, EU ETS annual volume: more than €800 billion
- **Climate Law Conditions for credits - must be:**
 - "High-quality" and verifiable, focus on permanence and human rights
 - International in origin ("trajectories compatible with PA"..?)
 - Under Article 6 of the Paris Agreement
 - Commission shall consider *complementing* Article 6.4 criteria



Market State: Fragmented & Limited

- **Fragmented Standards** - Multiple frameworks: ICVCM, VCMI, SBTi, ISO, GRI, national VCM and compliance systems
- **Limited Volume** - Market peaked in 2022; 2024 global VCM worth less than €1 billion; EU aims to create “new market”
- **Domestic Bias?** - Most countries accept only credits of domestic origin - international trade restricted (→ internationalisation?)
- **Integrity Concerns** - Negative press coverage eroded trust; new governance frameworks are rebuilding it



Architecture: Article 6

A Spectrum of Ambition?

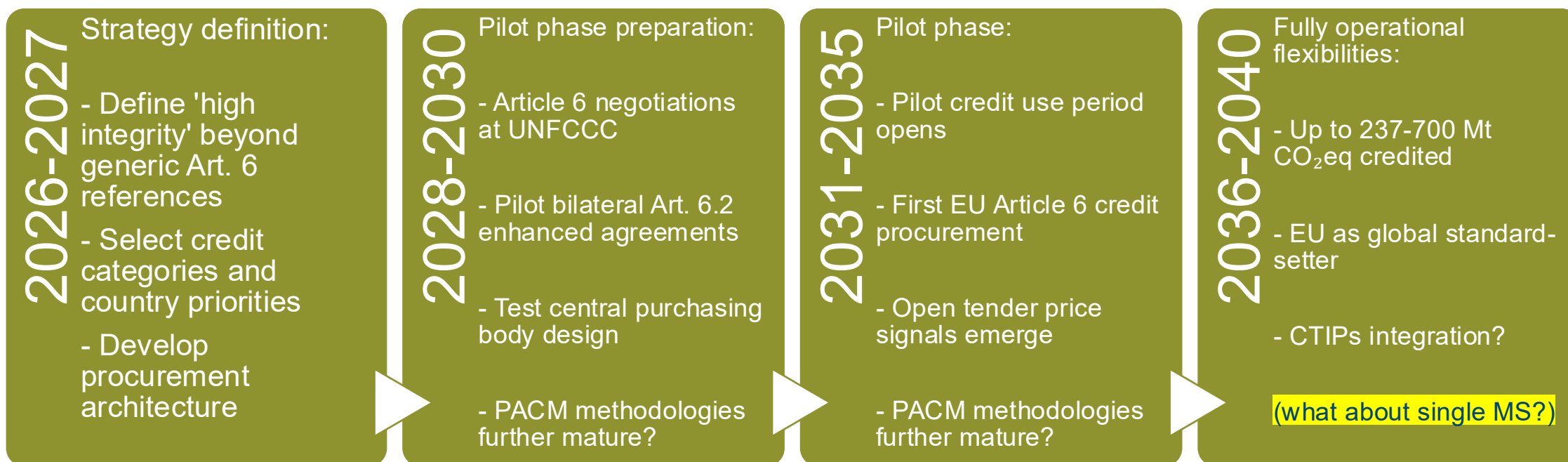
← Minimum integrity — AMBITION CONTINUUM — Highest ambition →

- **Voluntary Carbon Markets** [Baseline] ICVCM Core Carbon Principles, VCMI, CORSIA. Minimum standard baseline. Limited EU appetite without additional quality filters.
- **Article 6.2 – Bilateral ITMOs** [Growing] State-to-State agreements. Switzerland and Singapore lead. **'Enhanced Art. 6.2'** as PACM-eligible outcomes via bilateral deals: could represent a flexible approach.
- **Article 6.4 – PACM** [EU Focus] Most stringent framework globally; successor to the CDM. Supervisory Body (SBM) and Methodological Expert Panel (MEP). Strong permanence, MRV, and additionality rules. EU's preferred quality anchor (how does that interact with CRCF rules?).

Which Credit Types Should the EU Prioritise?

- **CDR Credits** ✓ EU priority Carbon Dioxide Removal - permanent and temporary removals. Aligns with EU's own domestic removal policies. Priority candidate for EU demand (based on Climate Law text).
.. But, engineered CDR still bears incredibly high prices per ton
- **Renewable Energy** Clean power credits. Widely available but require careful additionality screening.
- **REDD+** Forest and land use - jurisdictional REDD+ under robust frameworks. Nature-based projects face permanence and reversal risk challenges under PACM.
- **Avoidance Credits?** Currently excluded from Art. 6.2 and PACM. Under review for 2028 negotiations. Remain a live option under other frameworks.

Timings: Phased Roadmap to 2040



Key uncertainties:

- **Article 6 Package Stable Until ~2028** The SBM reserved rights to revisit post-crediting monitoring periods and negligible reversal risk definitions before 2028. Nature-based and technology removal projects differ significantly in durability - methodology development by project proponents is now the primary path forward.
- Use of credit-based flexibilities by single Member States might differ from the EU strategy if not well coordinated in advance



Multilateral Carbon Initiatives

- **Open Coalition on Compliance Carbon Markets** - Members: EU, China, UK, Canada, Chile, Germany, Mexico, France, New Zealand, Singapore, Norway Focus: MRV systems, accounting methodologies, high-quality offset rules in compliance schemes. **EU position: Full member, key engagement priority.**
- **Article 6 Ambition Alliance (AAA6)** - Members: Chile, Germany, Ghana, Luxembourg, Mongolia, Norway, Peru, Sweden, Zambia (Netherlands observer) Focus: Beyond-NDC use, finance climate action to fill the ambition gap. **Several EU Member States joined individually.**
- **Coalition to Grow Carbon Markets** - France/Kenya/UK/Singapore/Panama Partners: World Bank, IETA, ICVCM Focus: Shared principles for high-integrity credit use; bridges PACM, CCPs, and CORSIA standards. EU position: France a founding member.
- **BRICS Partnership on Carbon Markets** - Launch: Kazan 2024. Members: 8 of 11 BRICS+ countries have national voluntary carbon markets. Focus: Possible Art. 6.2/6.4 cooperation framework; limited interoperability.



Strategic Options for the EU

- **1 - Revitalise the PA through (*inter alia*) a high-ambition use of Article 6** Set implicit market standard. Boost the struggling carbon credit market through credible, large-scale EU demand.
- **2 - Set Quality Standards** Launch an 'Article 6 Ambition Cooperation Club' with key buyer countries.
- **3 - Prioritise Credit Types** Focus on CDR credits (permanent and temporary) as part of a wider portfolio approach.
- **4 - Open Tendering** Procure via centralised, open competitive tenders to create transparent price signals. A central purchasing body could dispatch credits across the existing EU climate policy tools (MSR, ETS?).
- **5 - External Relations** Integrate carbon credits into Clean Trade and Investment Partnerships (CTIPs). Reward low-carbon policies in partner countries and rebuild multilateral alliances through and towards stronger UNFCCC engagement.



Key Policy Questions for the EU

- **Quality & Integrity** - How should 'Paris alignment' be operationalised?
- **Credit Categories** - How to handle temporary CDR versus the EU's preference for permanence? Moreover, where to find these credits?
- **Country Prioritisation** – How will the EU prioritise specific partner countries? If so, based on which criteria? Ambition, diplomatic relationship, or administrative capacity?
- **Procurement Design** – Can the centralised tendering via a purchasing body and decentralised Member State engagement coexist? How to ensure Member State activity reinforces rather than fragments EU-level demand?
- **Rating agencies insurances** - Should the EU use the Pilot to test the robustness of existing private bodies, or start develop its own instruments already?
- **Coalition Engagement** - Should the EU launch its own 'Article 6 Ambition Cooperation Club' alongside existing coalitions? How to position relative to MS individually going beyond the continental approach?



Conclusions: The EU's Unique Opportunity

- **Inject sizeable, credible demand.**
- **Shape global standards.**
- **Rebuild climate diplomacy.**
- **Act before 2028 and 2030.**



Conclusions: The EU's Unique Opportunity

The EU must develop a Strategy on carbon credits, because:

- Fragmentation (several MoUs) drives higher transaction costs
- Standardisation drives investment
- Investments and projects need time (10 years is not a long timeframe)

Moreover, developing a Strategy is key in both mitigation (NDC) and geopolitical terms.

Conclusions: The EU's Unique Opportunity

The Pilot phase (if any) shouldn't be overlooked.

What is *Important* for the pilot will be *Existential* for the policy,

and decisions on what to decide, and when, should be taken now.

Thank you

jacopo.bencini@eui.eu

