The UN's Paris Agreement Crediting Mechanism: balancing integrity and pragmatism for climate action

Setting the scene

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Zurich Carbon Market Association event, 25 August 2026

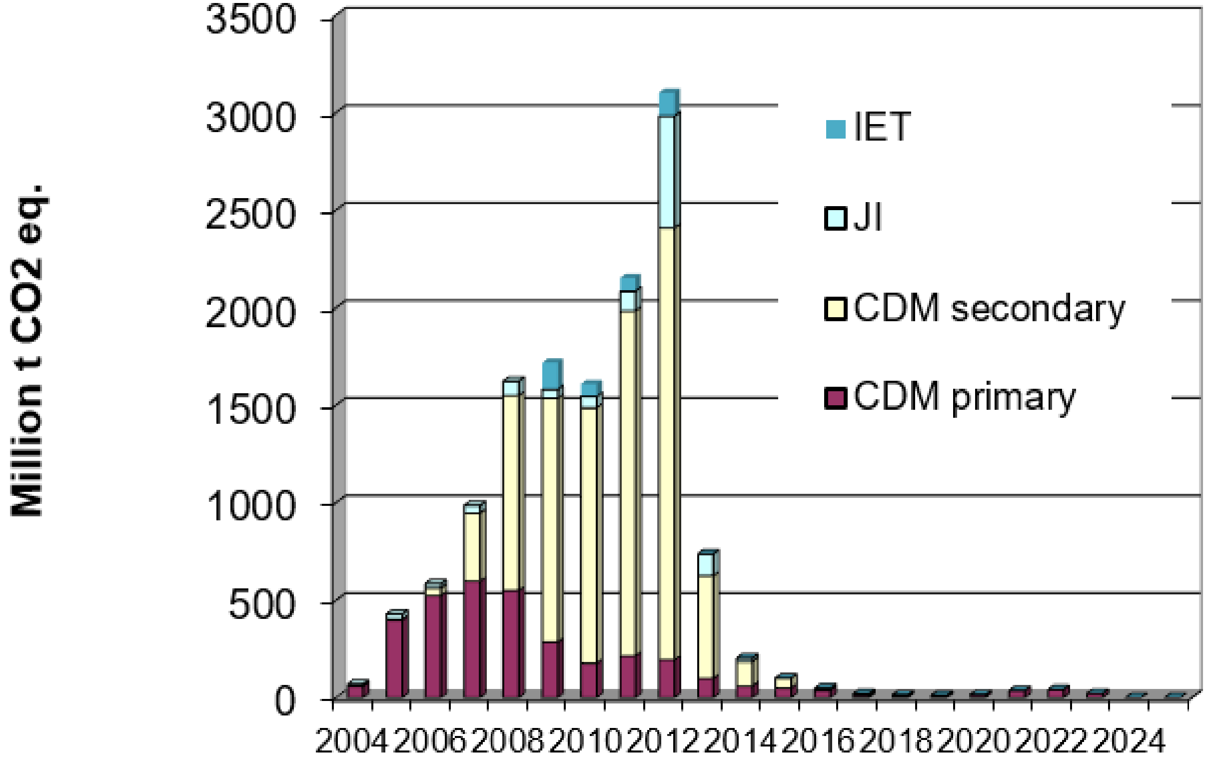
Agenda of our event

- Setting the scene
  - Axel Michaelowa, Perspectives
- 5:10 – 6:10 pm: Inputs
  - Simon Fellermeyer, Federal Office for the Environment, Switzerland
  - Ben Rattenbury, Sylvera / IETA
  - Federica Dossi, Carbon Market Watch
  - Sarah Leugers, Gold Standard
- 6:10-7:00 pm: Discussion
- 7:00 pm- : Reception

PACM SBM in February 2026

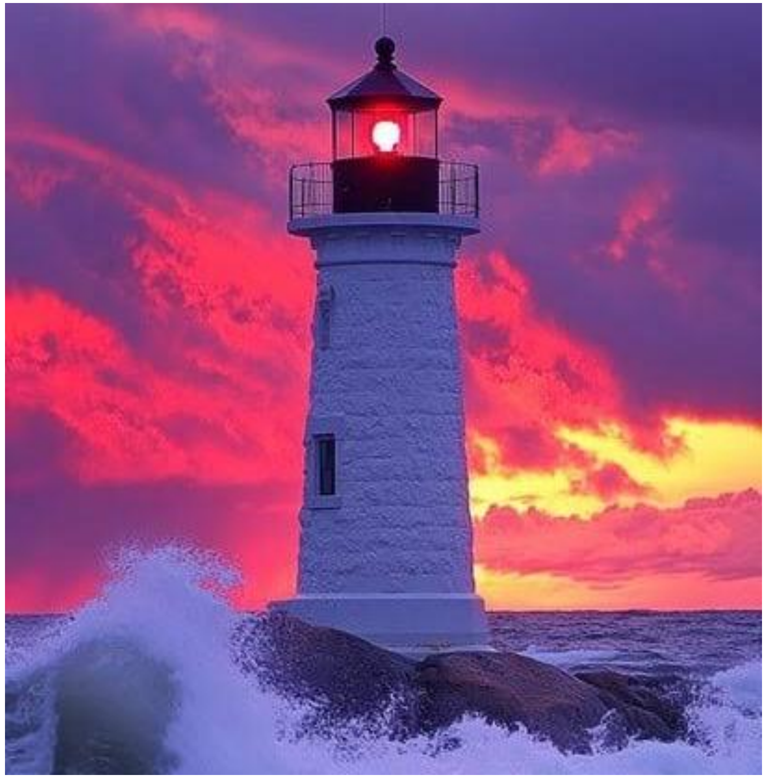
Looking backwards to understand PACM

- What lessons have we learned from the CDM for the design of international carbon markets?
  - Additionality is key for the long-term credibility of the market
  - Baselines need to be improved over time in a learning by doing process Address perverse incentives. Set default parameters carefully
  - Sloppy independent auditors need to be sanctioned in a strict manner
  - Private sector demand for credits can drive prices and unleash supply very quickly even in host countries normally deemed as unattractive
  - Sustainable development benefits are not automatic by-products of projects



The PACM as lighthouse

- How did PACM take up the lessons from the CDM to become a "lighthouse" in the eye of many observers?
  - After two years of bickering, in 2024 consensus within the SBM to take bold regulatory decisions
    - Probably driven by downfall of the voluntary carbon market due to the same problems that the CDM faced
  - Additionality testing: investment testing as basis, barrier test relegated to specific activity types
  - Baseline setting: full coverage of uncertainty. Downward adjustment increasing over time. Consistent approach to leakage
  - Mandatory sustainable development tool and monitoring
  - Grievance process for stakeholders



Current challenges for the PACM

- Is the PACM fast and pragmatic enough to remain the vanguard of international carbon markets?
  - Slowing down of methodology work
  - Deferral of contested decisions to ever lower levels of regulation: reversal risk
  - Funding likely to be exhausted in mid-2027
- How can the PACM situate itself in the tug of war between activity developers and environmental NGOs regarding the balance of integrity and pragmatism? Can it find low transaction cost yet high integrity solutions?
  - Methodology clusters
  - Standardised baselines
  - Upscaled approaches, focusing on programmes
  - Lottery for allocating auditors to activities?

The elephant in the room: A6.4ER prices

- To what extent does the degree of integrity (and the resulting reduction of A6.4ER volumes compared to CDM and VCM approaches) depend on the willingness to pay of credit buyers?
  - No pricing point for A6.4ERs yet
  - Historic ITMO prices between 9.5 and 50 USD – x2-x20 higher than VCM prices
  - When does significant ITMO –A6.4ER demand actually materialize?
    - EU
    - Japan
    - China
- Will such demand need a scandal on the Art. 6.2 market as a driver?