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Critics have called the approval of 'climate credits' rules on day one of Cop29 rushed, we disagree

Efforts to agree global carbon market rules took a significant step forward this week, at the Conference of Parties (COP) 29 in Baku, Azerbaijan.

Some have questioned the time scales, but the Project Developer Forum welcomes the decision to 'operationalize' Article 6.4 of the Paris Agreement, marking progress in the development of a global carbon market that can help the world achieve emissions reduction targets – consistent with no more than two degrees of warming against pre-industrial levels.

Article 6.4 envisages the establishment of a centralized Supervisory Body under the United Nations Framework Convention on Climate Change (UNFCCC) to formalize the methodologies for emissions reduction projects, a registration and issuance process for such projects, and a registry to manage project development and issued credits.

Failure to make progress on these key aspects of the Paris Agreement has been a feature of previous COP meetings and the early breakthrough at COP 29 to achieve consensus on standards for the creation of carbon credits under Article 6.4 should be rightly celebrated.

It is quite right that these technical aspects of market regulation should be moved from the international negotiating table to the Supervisory Body for Article 6.4 to operationalize the mechanism. This has been a key ask from market participants to help stimulate demand for carbon credits and drive much-needed investment into emissions reduction projects.

The dissenting voices are also right to question the speed with which this decision has been taken, with everyone keen to ensure that the market retains a high level of integrity.

Despite the fact that the announcement was made on day one of COP29, the decision was not taken without proper consultation and due diligence. The topic has been on the agenda for some time, and a meeting with the COP Presidency in October this year was also held in an effort to expedite this critical decision – partly due to the inaction of prior years.

It is important to also recognize that the standards for Article 6.4 are not set in stone. As they are governed by the Paris Agreement signatories, the Parties will be able to further enhance and develop them as they see fit. This type of regulatory evolution is a hallmark of the carbon market and enables best practice and learning-by-doing to drive greater market integrity in the long term without hindering progress on financing much-needed climate solutions in the shorter term.

For many involved, the past lack of agreement on such crucial regulation has left the market in limbo. Investors and buyers are unwilling to engage with project developers until the rules of the market

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are clear. This has a detrimental impact for host party countries that see Article 6 of the Paris Agreement as one of the key financing mechanisms in the global climate finance architecture. Providing a green light for Article 6 will unlock investment from the private sector into beneficial carbon projects. The public sector is only capable of mobilizing so much to close the financing gap and Article 6 is a crucial element to stimulate the private sector to step up.

But we also guard against complacency. There is still work to do to operationalize Article 6.2, to facilitate bilateral agreements on projects between countries, and to finalize the development of the Article 6.4 mechanism. The early progress at COP 29 is highly encouraging and will undoubtedly support the flow of carbon finance, ultimately helping to meet the Paris Agreement targets on climate change.