

3 October 2025

To:

The Article 6.4 Supervisory Body and Methodology Expert Panel

Paris Agreement Crediting Mechanism (Article 6.4)

Per email: A6.4mechanism-info@unfccc.int

Subject: **A Project Developer Forum case study – applying PACM baseline rules to an improved cookstove project**

Dear Members of the Article 6.4 Supervisory Body and the Methodology Expert Panel

The International Emissions Trading Association (IETA) and the Project Developer Forum – whose joint membership spans the full carbon market value chain, including project developers, investors, buyers, and methodology experts – share a commitment to the development of robust global carbon markets. Together, we are particularly committed to the advancement of Article 6 mechanisms, which support the achievement of Nationally Determined Contributions and enable countries to increase the scale and pace of their climate action.

Global South countries require financial support to deliver their climate commitments, and well-functioning carbon markets are a crucial mechanism for doing so. When designed and implemented effectively, they can also support a just transition by building local knowledge and capacity.

To this end, we are writing to **share findings from the first in a planned series of analyses undertaken by the Project Developer Forum** applying the methodological requirements under the Paris Agreement Crediting Mechanism (PACM), and to offer our support and expertise in strengthening these important standards. We hope these initial and subsequent findings will provide valuable insights for the PACM Supervisory Body and Methodological Expert Panel.

Project Developer Forum Analysis and Findings

To better understand the practical implications of PACM requirements, the Project Developer Forum members applied the PACM baseline rules to an improved cookstove project.

Our analysis shows that newer cookstove methodologies already apply conservative parameters (including, for example, fNRB, stove efficiency, and emission factors). The PACM rules impose further structural adjustments to ensure conservativeness. In our test case, **applying PACM adjustments on top of already conservative parameters reduces credit volumes by approximately 27% compared to conservative market practice.**

We fully support the principle that a science-based conservative approach is essential for environmental integrity, and we endorse PACM's high-integrity objectives. Yet, the Project Developer Forum analysis from this case study suggests a potential challenge: while PACM's structural adjustments aim to address generous baselines, when applied to methodologies where baselines are already conservatively set, they may reduce crediting potential in ways that deliver only limited additional integrity benefits, while affecting project viability.

Such impacts may be particularly significant for certain project types and geographies, and could create tension with other objectives set out in the mechanism's governing texts – to “encourage broad participation” (RMP, paragraph 33) and to “consider ways to encourage participation by small and micro-businesses... in particular in the least developed countries” (Decision 3/CMA.3, para 5(g)). These indicative findings suggest that the balance between accuracy and conservativeness merits careful consideration.

In sharing these initial insights, we wish to support a constructive dialogue to ensure the PACM framework continues to uphold both integrity and broad feasibility.

Recommendations for consideration

Based on the Project Developer Forum analysis, we respectfully request that the PACM Supervisory Body and Methodology Expert Panel consider the following approaches to ensure methodological accuracy:

1. **Over-correction risk analysis:** Assess the cumulative impact of all adjustments towards a conservative baseline setting, to consider the risk of over-correction.
2. **Accuracy over conservativeness:** Allow well-justified deviations from the baseline standard's stepwise baseline determination and default adjustments - to ensure credits reflect actual project performance.
3. **Sector and regional specificity:** Recognise and facilitate the development of robust sectoral or national values or defaults, where such data is available.
4. **Proportionate flexibility:** Incorporate proportionate flexibility for small-scale activities or data-constrained contexts, including developing countries that require the flexibility, Least Developed Countries and Small Island Developing States, while maintaining environmental integrity.

Proposed Collaboration

Further, the private sector's extensive field-based experience can complement the Methodology Expert Panel's technical expertise. We would like to constructively assist, and to this end, we propose:

1. **Technical dialogue forum:** Establishing a structured mechanism for ongoing technical exchange between practitioners and the Methodology Expert Panel, building upon the current consultation processes to enable deeper engagement on methodological development. The current consultation process presents challenges and could be further strengthened to enable more effective technical engagement.
2. **Evidence sharing:** Work with practitioners to strengthen the link between environmental integrity and economic feasibility.
3. **Market integration support:** Ensure a structured dialogue between PACM and ICAO governing bodies to enable timely recognition of PACM credits in CORSIA Phase 1, supporting convergence between supply and demand frameworks.

Next Steps

The Project Developer Forum has prepared a technical summary of our improved cookstoves case study (attached as Annex 1) and would welcome the opportunity to share these findings with the Supervisory Body and Methodology Expert Panel. We believe this type of evidence-based exchange can help inform PACM's continued development, ensuring credits remain both environmentally robust and effective in mobilising climate finance.

We greatly appreciate the important work being undertaken by the Supervisory Body and Methodology Expert Panel, and we stand ready to contribute our practical experience and expertise to support the development of methodologies that are both rigorous and implementable in diverse contexts. We look forward to your reflections and to opportunities for constructive engagement on these issues.

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