PRIVATE SECTOR ENGAGEMENT IN ARTICLE 6:
OVERCOMING BARRIERS TO INVESTMENT

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INTRODUCTION

When it comes to Article 6 of the Paris Agreement, guidelines and documentation frequently emphasize the relationship between countries and the public sector, focusing on how national governments cooperate to meet their Nationally Determined Contributions (NDCs) goals and broader climate commitments. The NDCs may identify conditional targets which rely on international support for its achievement, and/or unconditional targets which can be achieved through domestic efforts. Both targets can be accomplished with the help of the private sector. However, the role of the private sector, though essential, is not always given as much attention in these discussions. The private sector is a critical player in the implementation of Article 6, especially in terms of driving investments, technology innovation, and developing the mitigation projects that generate Internationally Transferred Mitigation Outcomes (ITMOs).

Under Article 6.2, project developers from the private sector can engage in cooperative agreements that involve bilateral or multilateral cooperation between countries. In this modality, developers work closely with host country authorities to secure the necessary ITMO authorization for their emission reduction projects. ITMO authorization enables and formalizes the official transfer of ITMOs from the seller to the buyer country once mitigation outcomes have been verified. Moreover, developers may implement activities under other types of bilateral deals between countries, such as Japan's Joint Crediting Mechanism (JCM), which expand the private sector's participation in international carbon market mechanisms. Additionally, private developers can collaborate with carbon aggregators, development banks, and specialized funds that pool projects and manage the complexity of securing ITMO status. Examples include the World Bank's Transformative Carbon Asset Facility (TCAF) or private carbon market funds.

Regarding Article 6.4, it establishes a UN-supervised carbon market mechanism designed to offer transparency and broader market access, serving as a successor to the Clean Development Mechanism (CDM). Within this approach, project developers from the private sector must first obtain project approval and authorization from the host government before registering their mitigation activities directly with the Supervisory Body. To obtain this, projects must comply with the stringent methodological and sustainability criteria set out in the mechanism. Once approved and verified, these projects can generate tradable ITMOs. The mechanism also allows for programmatic approaches, enabling multiple small-scale activities to be bundled under a broader program framework. This facilitates market access for developers whose individual project sizes might otherwise be insufficient.

Considering the role of project developers, this note provides an overview of the often-underexplored link between the private sector and the market approaches proposed by Article 6, highlighting feasible paths to overcoming the barriers experienced by companies when designing and implementing mitigation activities. It examines how businesses, through their participation in international carbon markets, can align with country strategies to support both short-term NDC objectives and long-term goals. Understanding the dynamics between Article 6 and the private sector is essential to maximizing the potential of carbon markets, fostering innovation, and ensuring the financial sustainability of mitigation activities across borders.

1 WHY THE PRIVATE SECTOR MATTERS: ADDRESSING THE CLIMATE FINANCING GAP

The United Nations Framework Convention on Climate Change (UNFCCC) regularly produces the „Report on the Determination of the Needs of Developing Country Parties related to Implementing the Convention and the Paris Agreement", commonly referred to as the NDR. The second NDR, which was released in 2024, shows that the NDCs from 143 Parties would require a total of USD 5.036-6.876 trillion for achievement. However, in 2022, it is estimated that global climate finance only reached USD 1 trillion for the first time. This shows how the world is still clearly lacking in climate finance.

Estimations also underscore that among the costing needs from 98 Parties, USD 2.4 trillion will be needed for conditional activities (48% of the total required budget), and USD 882 billion will be needed for unconditional activities (17% of the total required budget).

The other 35% does not specify whether it is conditional or unconditional. The countries also estimated that 44% may need to be financed by both international and domestic, and public and private sources, while only 8% is purely international sources, and 1% is from domestic sources. The largest segment of 47% does not specify the source of finance.

Climate finance typically includes loans, grants, equity investments, or guarantees, with grants being the least available form of funding. Carbon finance can complement these financial instruments by offering an additional funding stream that recognizes and incentivizes projects for their positive climate impact. A key advantage of carbon revenues is that they do not require repayment. When structured effectively, these revenues can strengthen project viability, attract private sector investment, and accelerate climate-related initiatives. Channeled to developing countries through international carbon markets, carbon finance has the potential to mobilize capital from a wide range of sources, including private investors. Indeed, private sector involvement is essential for strengthening the carbon market ecosystem, in particular approaches under Article 6 of the Paris Agreement.

Wind park in Atacama desert, Chile

2 KEY ADVANTAGES OF PRIVATE SECTOR PARTICIPATION IN ARTICLE 6

The primary advantage of participating under Article 6 of the Paris Agreement is that ITMOs are carbon assets that are authorized by host countries for use toward NDC compliance or other international mitigation purposes. This official backing significantly enhances the credibility of mitigation activities and ensures generated ITMOs are recognized in international transactions, positioning them to achieve a high market value.

2.1 High Market Credibility and Value

ITMOs benefit from official government authorization and the corresponding adjustment against a host country's NDC, which together grant them credibility and recognition. This government endorsement provides assurance that ITMOs contribute to a higher level of ambition, boosting buyer confidence and positioning them for premium pricing compared to other carbon units.

As ITMOs can be applied toward meeting NDCs and other compliance obligations, these units hold significant value for compliance-driven buyers, who belong to a market segment often willing to pay a premium for policy-aligned, internationally recognized credits. This demand is expected to drive higher market prices, particularly in jurisdictions where governments and corporations actively seek high-integrity credits to fulfill their climate commitments.

2.2 Robust Accounting and Risk Mitigation

As carbon markets evolve, credibility and transparency are paramount for ensuring that emission reductions contribute meaningfully to global climate goals. Article 6 establishes strict rules on double counting, transparency, and robust accounting. This regulatory oversight aims to prevent the risk of counting the same emission reduction multiple times across different jurisdictions, safeguarding the effectiveness of carbon markets. As a result, Article 6 approaches hold the potential to become reliable and robust trading mechanisms that deliver high environmental integrity outcomes.

Enhancing investor confidence largely depends on the extent to which cooperative agreements under Article 6.2 strive for the utmost environmental and social integrity standards. This include the use of internationally recognized accounting methodologies, a robust verification process, stringent social and environmental safeguards, comprehensive stakeholder engagement, and equitable community involvement and benefit-sharing. By reducing reputational risks associated with carbon offsetting, ITMOs could offer greater certainty for investors, governments, and corporations seeking to engage in high-integrity climate action.

2.3 International Collaboration and Market Integration

Article 6 presents a transformative opportunity for governments, private companies, and international organizations to collaborate on market-based climate solutions. By facilitating cross-border partnerships, Article 6 enables knowledge sharing, technology transfer, and market expansion, fostering a more interconnected and effective response to climate change.

Article 6's ability to unlock cross-border opportunities may encourage public-private collaboration, allowing companies to work alongside governments and international institutions to develop and scale high-integrity emission reduction projects. These partnerships not only accelerate the deployment of low-carbon technologies but also strengthen institutional capacity in host countries, ensuring long-term sustainability.

Additionally, by participating in an internationally recognized system with standardized rules and robust accounting mechanisms, companies can access a growing market for high-quality, policy-aligned credits. This engagement enhances market credibility, investment security, and long-term business positioning, ensuring that companies remain at the forefront of the evolving carbon economy.

2.4 Climate Commitments and ESG Impact Enhancement

Participation under Article 6 offers private sector actors a strategic opportunity to align their climate initiatives with national and global sustainability goals. ITMO projects provide tangible benefits for host country climate commitments as reflected in their NDCs. By investing in Article 6-compliant projects, private sector actors contribute to the host country's climate targets, strengthening their political and social license to operate. This alignment fosters trust and collaboration between businesses, governments, and local communities, positioning companies as responsible partners in global decarbonization efforts.

Engaging in ITMO transactions also enhances a company's Environmental, Social, and Governance (ESG) profile, which eases its path to achieving net zero operations. Projects that align with national climate priorities demonstrate a commitment to high-integrity emissions reductions, reinforcing corporate sustainability credentials. This, in turn, appeals to investors, consumers, and other stakeholders who prioritize climate responsibility, helping companies differentiate themselves in a competitive, sustainability-focused market.

2.5 Strategic Positioning for Future Markets

As countries ramp up efforts to achieve their NDCs and strengthen carbon regulations, the demand for ITMOs is set to rise. This growing market presents a significant opportunity for companies looking to engage in high-integrity carbon transactions.

By taking an early position in Article 6 projects, businesses can establish themselves as market leaders, secure access to premium carbon credits, and build resilience in an evolving regulatory landscape. Proactive participation not only enhances compliance strategies but also future-proofs climate commitments, ensuring long-term success in the global carbon markets.

Sino-German Urbanisation Partnership Project

3 PRIVATE SECTOR VIEWS: BRIDGING BARRIERS TO ENGAGEMENT

As mentioned earlier, private investments play a crucial role in mobilizing carbon finance to achieve and increase national climate ambition. However, several barriers must be addressed to enhance private sector participation.

3.1 Technical Capacity Barriers

A key requirement for engaging in carbon markets is technical capacity. Neyen's experience highlights that while some private sector actors, such as project developers and investors, possess knowledge of carbon market opportunities and processes, they represent only a small portion of the broader private sector. In fact, a significant number of stakeholders from host countries are either unfamiliar with or have limited knowledge on how carbon credit market mechanisms operate, including voluntary markets, despite their intention to engage in carbon markets. [1] The literature also reports on stakeholders' limitations in adequately reporting on climate action, as well as their limited understanding of the impacts of climate change and potential solutions.[2]

This barrier often affects the bankability of projects. In particular, developers struggle at the pre-financing stage, where capacity is essential for formulating mitigation activity idea notes (MAIN) that attract investors and financiers, both at the national and international setting. There is confusion around interpreting methodologies and additionality requirements, for instance. To illustrate this, there are countries which regulations mandate that oil companies cease gas flaring, raising questions about whether gas-flare reduction projects are eligible for carbon credits.

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This scenario underscores the need for capacity enhancement across the public and private sectors, as well as commercial and local/regional development banks. Training activities can be designed to provide basic knowledge or tailored information on the criteria and processes to identify, prioritize, and design mitigation activities, along with financial aspects such as carbon pricing trends and ITMO warranty instruments. Moreover, a clear policy framework, including detailed processes for project implementation, can help reduce uncertainty for project developers regarding activity design and requirements for approval and authorization. A strong understanding of policy enforcement and sector practices is crucial for addressing knowledge gaps.

3.2 Financing Sources for Mitigation Activities

Commercial banks in developing countries continue to approach carbon projects from a traditional loan perspective, where perceived risks remain high regardless of the company's size. As a result, banks and funders typically invest only in the later stages of carbon project development, leaving early-stage projects without sufficient funding. In addition, banks that require collateral guarantees from project developers are generally unwilling to accept carbon revenues as one. Moreover, national or government-led projects tend to attract more financing from development banks due to their greater capacity for early-stage funding, putting smaller or private developers at a disadvantage. Another challenge is the cost of risk premiums, wherein banks would lend to start-ups at higher interest rates than to established companies, as start-ups have less stability and weaker credit records.

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To address the issues on financing for small companies and early-stage projects, it is crucial to implement de-risking policies that reassure investors about the viability of mitigation projects. In particular, de-risking financial instruments that involves multilateral development banks, donor governments, climate funds, and other funding sources are essential to share some of the risks through equity, guarantees, and microfinancing.[3] Equally relevant is advancing the technical knowledge of domestic commercial banks on carbon projects and how future carbon revenues reduce their risks.

1 Long, Imogen et. al. 2022. Stakeholders' Perspectives on Carbon and Climate Finance in West Africa: Barriers and Opportu-nities.

2 Climate Policy Initiative. 2022. Landscape of Climate Finance in Nigeria.

3 Choi, Zhou, and Valerie Laxton. 2022. How to de-risk Low-carbon.

Financing misalignment also hinders private sector participation in carbon markets for specific sectors. Since some sectors attract more investment than others, this may create an imbalance with those prioritized for greater financial allocation within a country. For instance, renewable energy projects have easier access to finance due to the growing global interest in renewables. However, they are not always attractive for carbon finance, as most renewable project types are currently considered financially viable without subsidies, and where subsidies do exist, additional support from carbon finance is either not required or possible. As for the AFOLU sector, despite its vast mitigation potential, it is often avoided due to perceived or real complexities in measurement, verification, and permanence, as well as concerns about social and environmental safeguards. This dynamic produces a financing gap that is projected to get larger for the sectors that are not as commercially mature as energy, including harder-to-abate areas such as industry.

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Beyond de-risking instruments, accessing carbon finance is also a matter of having accurate information on financing options for mitigation activities, their prioritized sectors, and availability. Many project developers struggle to access financing due to a lack of awareness about funding sources and their requirements, as well as difficulty distinguishing carbon finance from other forms of climate or conventional finance. Additionally, institutional investors and asset managers—such as pension funds and the bond market—represent an untapped source of capital that developers often overlook. Platforms like Abatable and annual reports from the World Bank provide accesible and easy-to-understand insights into carbon market trends.

3.3 Institutional Barriers

There is still a misunderstanding among government officials and relevant ministries in host countries who perceive mitigation actions as purely environmental rather than as a development matter. This perception leads to failures in securing finance from sources such as development banks. Without investments from such institutions, the attractiveness of climate-related projects—particularly for private sector actors—can be further diminished. Additionally, line ministries responsible for NDC sectors often lack the capacity to align sectoral projects and plans with NDC commitments and targets, as well as to handle them in connection with the corresponding adjustment requirement. It is also common for project developers to be unaware of the country's national climate priorities and commitments, including the targets outlined in the NDCs.

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To clear this landscape, it is important to have an institutional framework that brings together all relevant institutions to agree upon and disseminate a common understanding of how mitigation action should be conducted. This is essential for setting a solid foundation for attracting carbon finance through market mechanisms. In this regard, the early appointment of a Designated National Authority (DNA) is key, as it serves as the entity responsible for coordinating and communicating decisions relevant to carbon market implementation, including Article 6 mechanisms, to line ministries and other stakeholders, such as project developers. Equally important is to clearly define the roles and responsibilities of each entity within the institutional arrangement, ensuring that private developers know whom to approach at each stage of project implementation. Some international and regional partnerships support the enhancement of a country's institutional capacity, aiming to send sings to the market on a robust and transparent administration that can attract carbon finance and encourage private sector engagement.

Along with institutional arrangements, it is crucial to define clear, publicly available processes, enabling all carbon market stakeholders to understand how to implement mitigation projects and which authorities are responsible for approving and authorizing them. If needed, knowledge products can be developed to explain these processes in plain language, making them accessible to a wider au-

3.4 Policy Barriers

Establishing policy frameworks is fundamental for operationalizing carbon market strategies in host countries, as these instruments provide guidance on the principles to manage international carbon trading. However, as many countries are still in the early stages of carbon market framework development, a key challenge is the uncertainty surrounding newly developed policies, which remain subject to change in response to changes in the international regulatory landscape.

Then, a critical element within these frameworks is the introduction of administrative charges, levies, and mandat-

ed contributions imposed on carbon projects. Developers must navigate these financial obligations amid an evolving regulatory environment. In many cases, such fees are established without a thorough analysis of whether projects can absorb them. Often, they are calculated based on revenue rather than operating margins, failing to account for the significant variations in project profitability. A clear example of this is the uniform application of levies across all projects, despite the fact that some project types generate higher profits than others.

Without careful financial planning and risk assessment by government authorities, project developers may find themselves burdened by unexpected costs, ultimately jeopardizing project viability and profitability.

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Carbon trading under Article 6 requires more engagement from host countries than the previous Kyoto Protocol. The shift has significant implications. Host countries must now implement carefully designed procedures for granting authorizations, applying corresponding adjustments, registering and tracking ITMOs, and report on their participation in cooperative approaches. In addtion, recent concerns about carbon market integrity have fur ther emphasized the need for robust national frameworks.

These factors underscore the crucial role of effective national frameworks in guiding a country's institutional and private sector participation in international carbon markets. A set of recommendations for establishing sound and well-grounded policy frameworks for carbon market participation is provided later in this note.

3.5 Political Barriers

Political stability of host countries is a key factor that investors assess in their decision-making process. It is generally associated with increased perceived lending risk for private financiers, thus making loans for projects (especially early-stage ones) more difficult to obtain, as well as making borrowing costs and interest rates higher for developers. Sub-saharan African countries, for example, were considered high-risk investment territories during the CDM era, which contributed to risk-averse behavior among investors.[4]

A country's corruption level is another condition that significantly impacts its reputation, which, in turn, negatively affects the perceived integrity of carbon credits. Many host countries still have a low Corruption Perception Index,[5] which can undermine trust and credibility among market players. This is often seen as an investment risk that shapes investor decisions and perceptions towards certain types of projects.

Periodic and unexpected shifts in authorities, which may lead to changes in mitigation activity implementation processes—such as project approval and authorization—and even the revocation of previously granted approvals and authorizations, also present a barrier to the development of a market that heavily relies on government action.

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To ensure stability and minimize risks associated with sudden, unplanned changes, policy frameworks and processes designed to manage carbon markets should be formalized at a regulatory level that prevents constant alterations, ensuring that any modifications undergo careful analysis before implementation.

4 Blomfield, Alex. 2008. Carbon Reduction Projects in Africa. Norton Rose Fulbright.

5 Transparency International. Corruption Perception Index (2024).

4 RECOMMENDATIONS: THE ROLE OF NATIONAL CARBON MARKET STRATEGIES

Participation in Article 6 approaches could be seen as a balancing act within a market ecosystem shaped by broader economic and regulatory dynamics. On the economic side, the volume of ITMOs currently being transferred remains limited, while projections for future ITMO supply and demand vary widely. This uncertainty makes it challenging to predict long-term market behavior and price trajectories, which complicates long-term project planning. On the regulatory side, many countries are still in the process of establishing the necessary mandates and institutional frameworks, leading to slow market development. Even in countries with established policy structures, ITMO authorization often entails lengthy and complex approval and authorization processes, which may delay project timelines and increase transaction costs.

While a carbon market strategy will not address or solve all these challenges, it will provide valuable guidance to project developers and private sector investors on the country's preferred participation approaches. An easy-to-understand and transparent strategy will help build confidence in the market, encouraging more actors to engage. In this regard, there is a set of operational conditions that host country governments should define on its way to become a trusted counterpart for carbon investments. These include, among others:

- Assessing the actual potential of key economic sectors and NDC sectors to generate emission reductions, and identifying the attractiveness of activity types within those sectors for different carbon market mechanisms.
- Defining the carbon market mechanisms a country intends to participate in. If this includes the voluntary carbon market (VCM), clarifying the extent of government intervention in projects developed under independent carbon crediting programs (ICP).
- Establishing clear direction and participation principles that govern participation at a high level.
- Defining the types of mitigation activities eligible for participation (based on an opportunity cost assessment, for instance) and the conditions and circumstances under which ITMOs generated by specific activities will be authorized for use and transfer.
- Establishing a set of implementation procedures to guide the government and private sector work, including procedures for activity approval, ITMO authorization, and third-party validation and verification.
- Establishing a robust institutional framework with clearly defined roles and responsibilities, including the designation of the National Designated Authority (NDA).

Box 1. 10 Lessons Learned from our Work Supporting Countries in Designing National Carbon Market Frameworks.[6]

10 Lessons Learned from our Experience Supporting Countries in Designing National Carbon Market Frameworks

While specific implementation approaches may vary, Neyen's experience supporting numerous countries in developing carbon market policy frameworks, including Article 6 mechanisms, has identified several shared needs, concerns, and points for discussion, which are summarized in 10 lessons presented below.

Lesson 1. The framework structure should allow for flexibility and adaptability.

Lesson 2. A phased approach may sometimes be more suitable, depending on a country's potential and attractiveness for international carbon market participation.

Lesson 3. The framework should be developed through a co-creation approach, engaging different stakeholders throughout the process.

Lesson 4. The framework should set institutional arrangements to involve key ministries throughout the process.

Lesson 5. The framework implementation should focus on quick wins and building on the existing structures whenever possible.

Lesson 6. The importance of guaranteeing that the authorization of ITMOs is binding.

Lesson 7. Map options for Independent Carbon Programs (ICP), Article 6.2, and Article 6.4 mechanisms considering a country's NDC commitments and how to maximize international finance flows.

Lesson 8. Developing a framework that ensures social and economic integrity.

Lesson 9. Countries have the urge to develop national registries for registering and tracking ITMOs although in

6 Neyen Consulting. 2024. Unlocking the benefits of carbon market participation. 10 lessons learned from our experience supporting countries in designing national carbon market frameworks.

many cases it may not be necessary.

Lesson 10. Maintain control over the authorization of ITMOs while reassuring project developers.

- Defining the legal standing of authorizations granted for mitigation activities and rules for their eventual reversal.
- Defining timelines for decisions, along with a structured process for complaints and appeals.
- Defining the conditions under which a decision can be revoked, particularly regarding the potential cancellation of ITMO transfer authorizations, if applicable.
- Implementing capacity-building programs within both the public and private sectors, including the domestic banking sector, to ensure the strategy's successful implementation and achievement of expected outcomes.

A cross-cutting aspect of these operational conditions is the inclusion of gender-responsive considerations. Integrating gender-responsive measures to a carbon market strategy is essential to ensure that the benefits of carbon market activities are equitably distributed and that women and marginalized groups have a fair opportunity to participate. Examples of concrete provisions for gender equity that can be included in national and local policies governing carbon markets are outlined below:

- **Assess Gender Roles and Needs:** Conduct a thorough analysis to understand how gender roles and responsibilities influence access to resources, decision-making, and participation in sectors like agriculture, forestry, and energy, which are integral to carbon markets.
- **Identify and Address Barriers:** Identify any barriers to women's participation in carbon markets, such as limited access to land, finance, or information. Propose measures to address these barriers; for instance, incentives or dedicated funding streams that prioritize projects and initiatives led by women or benefiting women—e.g., by integrating gender equality goals—could be created.[7]
- **Integrate Gender Targets: I**n the design of the carbon market strategy, set clear gender-responsive targets, such as 1) increasing women's participation in both the implementation and leadership of carbon market activities,[8] 2) ensuring that a significant number of women are involved in capacity-building programs, and 3) guaranteeing fair representation of women and marginalized groups in decision-making bodies, steering committees, and technical working groups that shape carbon market rules and policies.[9]
- **Tailored Training Programs:** Design capacity-building initiatives that cater specifically to the challenges faced by women and marginalized communities to increase their knowledge and skills related to carbon markets, carbon credit generation, and trading mechanisms.[10]
- **Track Gender Outcomes: I**ntegrate gender-sensitive indicators into the monitoring and evaluation system to track the impact of carbon market activities on both men and women. Collect gender-disaggregated data to assess the participation, benefits, and impacts of carbon market projects, and adjust strategies accordingly.[11]
- **Ensure Fair Distribution of Revenues:** Implement mechanisms to ensure that women and marginalized groups share in the economic benefits derived from carbon credits and carbon market projects.
- **Leverage Existing Networks:** Women's organizations can be instrumental in promoting gender-sensitive initiatives, providing insights into local gender dynamics, and ensuring that women's voices are heard in policy discussions.

As carbon markets have often been criticized for lacking rigor in addressing potential social and environmental harms, the need for higher standards of social and environmental integrity is now mainstream. An increasing number of carbon credit purchasers seek reassurance that carbon units come from projects that go beyond a ‚do

7 UN Women. 2016. Implementation of Gender-Responsive Climate Action in the Context of Sustainable Development. Re-port Expert Group Meeting.

8 African Development Bank Group. n.d. Gender and Carbon Markets. Policy Paper.

9 Work and Opportunities for Women. 2024. Integrating Gender into the Design, Implementation, and Monitoring of Carbon Credit Projects. Practical Guidance for Project Developers.

10 ASEAN Low Carbon Energy Programme. n.d. Integrating a Gender Lens in Voluntary Carbon Markets. Volume I. Executive Summary.

11 Work and Opportunities for Women. 2024. Integrating Gender into the Design, Implementation, and Monitoring of Carbon Credit Projects. Practical Guidance for Project Developers.

no harm‘ approach, explicitly contributing to sustainable development goals other than those related to climate change. Social-wise, the protection of human rights and the principles of equity, inclusion, and empowerment for women are reflected in Article 6 of the Paris Agreement. As such, these principles must be embedded in its implementation arrangements.

Host countries that incorporate gender lens into their carbon market participation strategy, along with a clear definition of purposes and targets, will have a definite advantage over those lacking these elements. This advantage may serve as a tacit invitation for an increasing number of private-sector project developers and investors to engage in national climate action. Although challenging to implement—given that the gender gap remains only partially closed in most host countries globally—carbon market strategies present an opportunity to help bridge this gap.[12] This creates a win-win situation where both vulnerable populations and the environment benefit.

5 CONCLUSION

In summary, the primary advantage of Article 6 participation for private sector actors lies in the potential for higher-value, government-backed carbon credits that are integrated into national climate strategies. This positions ITMOs as a robust and financially attractive option. However, the still evolving regulatory landscape, technical capacity barriers, and uncertainty on financing sources, among other factors, underscore the gaps that should be bridged to untap Article 6 market.

Private sector participants must weigh opportunities against barriers, strategically positioning themselves to capitalize on future market growth while managing present-day risks. As regulatory frameworks mature and market activity increases, early movers may benefit from premium pricing and first-mover advantages, but only if they navigate the complexities carefully.

Clear market and regulatory signals are needed in the short term, including financial support mechanisms like grants, concessional loans, government procurement, or advanced market commitments to reduce investment risks. In parallel, both the public and private sectors need adequate training and technical capacity to help them understand how to implement carbon market mechanisms (Article 6 approaches in particular), navigate regulations, and engage in monitoring and reporting processes. Public institutions must develop robust policies and regulatory frameworks, while the private sector should be equipped to generate high-quality carbon projects that meet international standards.

Enhancing the regulatory environment and infrastructure will be critical for attracting investments in mitigation activities, as well as facilitating the growth of the carbon market. Ultimately, a well-structured approach to climate financing, infrastructure improvement, and policy implementation can help a country unlock its full potential as a leader in carbon markets, driving sustainable development and investment.

12 World Economic Forum. 2023. Global Gender Gap Report. Insight Report.

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Registered offices:
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Address:
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
T + 49 6196 -79 – 0
E info@giz.de
I www.giz.de

Programme:
Article 6 Capacity Building Pro-gramme

Contact:
Denise Engel (Head of Project)

On behalf of:
German Federal Ministry for Economic Cooperati-on and Development (BMZ)

Author/Editor:
Neyen Consulting

Contributors:
John Kasiita Ssemulema
Ditebogo Lebea

Calle Cetreria, Num. 28
28232 Rozas De Madrid (Las) - Madrid – Spain

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