Glossary of terms

Additionality

Additionality means that carbon credits may only be issued for projects that would not take place without the revenue from selling those credits. For example, a solar energy installation that would be profitable to build without the sale of carbon credits is not considered additional. Different project methodologies have specific modules for determining additionality.

Article 6 of the Paris Agreement

Article 6 of the Paris Agreement establishes international cooperation approaches to implement national climate targets, known as Nationally Determined Contributions (NDCs) and enhance their ambition. It includes market and non-market approaches.

- **Article 6.2:** Establishes requirements for countries that are using internationally transferred mitigation outcomes (ITMOs), including that they shall promote sustainable development, ensure environmental integrity and transparency, apply robust accounting. These requirements are further defined in subsequent decisions by the Parties to the Paris Agreement.
- **Article 6.4:** Establishes carbon crediting mechanism governed by the UNFCCC, the Paris Agreement Crediting Mechanism (PACM) that issues carbon credits, known as Article 6.4 Emission Reductions (AER).
- **Article 6.8:** Establishes a framework for countries to collaborate outside of market-based approaches (non-market approaches, NMA). These approaches emphasise the use of cooperative and innovative solutions to address climate change, such as capacity-building, technology transfer, and climate finance, without involving carbon credits.

Authorisation

Article 6.3, Paris Agreement establishes the concept of authorisation by requiring that the use of ITMOs must be authorised by participating Parties. This ensures that Parties have control over the NDC accounting implications of transactions that occur. Authorisation includes three potential uses cases for ITMOs (specified in Decision 2/CMA.3) including:

- **Authorised for use towards an NDC** This authorisation and subsequent corresponding adjustments are required from both the transferring and using Party.
- **Authorised for use for international mitigation purposes other than the achievement of an NDC** This refers to international treaties that receive mitigation outcomes from the Paris accounting system. The only current example is the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) established by the International Civil Aviation Organization (ICAO), which requires authorisation and corresponding adjustments by the transferring Party.
- **Authorised for other purposes** These purposes are determined by the host Party and may include use by companies towards goals established on a voluntary basis. Where a transferring Party has elected to authorise such use under Article 6 and a first transfer event occurs, the Party is required to apply corresponding adjustments in its NDC accounting.

Authorisation was further clarified at CMA 6 (Baku, 2024) to include three subjects of the authorisation:

- **Authorisation of the cooperative approach**. This Protocol assumes that a Party's notification of the cooperative approach to the UNFCCC constitutes its authorisation of a cooperative approach.
- **Authorisation of the use of ITMOs**, as originally foreseen in Article 6.3.
- **Authorisation of Party(ies) and entities** participating in a cooperative approach.

Authorised Article 6.4 emissions reductions (AERs)

"Authorised A6.4ERs (AERs)" refer to A6.4ERs that are authorised by the host Party of the Article 6.4 mechanism activity for which the A6.4ERs are issued, for use towards the achievement of nationally determined contributions (NDCs) of Parties and/or for other international mitigation purposes pursuant to paragraph 42 of the RMPs.

Baseline emissions

In the context of carbon markets, a baseline refers to the reference point or starting condition that represents the expected level of emissions in the absence of a specific intervention or project. It is used to measure and assess the impact of emission reduction projects, ensuring that the reductions achieved are additional, meaning they would not have occurred without the project or action. The baseline serves as a benchmark to evaluate the effectiveness of emission-reduction initiatives by comparing actual emissions to this established reference level (Michaelowa et al 2021).

A standardised baseline is a baseline that has been predetermined and accepted for a specific sector, activity, or geographic region. It provides a common methodology and set of assumptions for calculating emissions in a way that is consistent across multiple projects or entities. Standardised baselines reduce the complexity and costs of establishing a baseline for each individual project, promoting efficiency and fairness in carbon markets.

Benefit sharing

Benefit sharing in the context of carbon markets refers to the allocation of the financial proceeds or other benefits derived from carbon credits to local stakeholders involved in a carbon credit project or program. The goal is to ensure that local communities, landowners, and other relevant parties benefit from the development and success of the carbon credit project, especially when it impacts their land, livelihoods, or resources. Effective benefit-sharing arrangements are critical for the sustainability and long-term success of carbon credit initiatives, promoting social equity and incentivising local participation. There exist various types of benefit sharing arrangements (BSA) including:

- **Revenue sharing**: A percentage of carbon credit sales is allocated to local stakeholders, based on land or resource contribution.
- **Direct compensation**: Local stakeholders, like landowners, receive direct payments for their participation or land use restrictions.
- **Social development programs**: Proceeds are invested in local infrastructure, healthcare, or education to benefit communities.
- **Capacity building and training**: Local communities receive training in skills such as sustainable farming or project management.
- **Equity or ownership models**: Stakeholders gain a stake in the project or carbon credits, allowing long-term financial benefits.
- **In-kind benefits**: Non-monetary benefits, such as materials, tools, or infrastructure, are provided to the community.

Biennial Transparency Reports or BTR

Refers to the reports submitted by a Party to the Paris Agreement pursuant to Article 13 of the Paris Agreement with the modalities, procedures and guidelines referred to in Article 13, paragraph 13, of the Paris Agreement. Biennial Transparency Reports (BTRs) are critical for Article 6 of the Paris Agreement because they provide the mandatory, transparent framework for tracking, authorising, and reporting on Internationally Transferred Mitigation Outcomes (ITMOs). BTRs help ensure environmental integrity by enabling the application of Corresponding Adjustments (CAs) and preventing double-counting of emission reductions. Most countries that are party to the Paris Agreement must report on their progress every two years.

Buffer pools

An approach for addressing non-permanence, in which to require that projects maintain adequate buffer reserves of non-tradable carbon offsets to cover unforeseen losses in carbon stocks. These non-tradable carbon offsets are pooled into a commingled buffer pool with each project having its own buffer pool account (Mongabay, 2012).

Cancellation

When a carbon credit no longer represents a verified reduction in, or removal of, one tonne of CO2 equivalent. For example, a reversal such as a release of CO2 from geologic storage for a CCS project. The carbon credit is removed from circulation within a registry system and no claim can be made against the environmental benefit. *Note:* **Retirement** is used to remove a credit from circulation and record a claim against the environmental benefit.

Co-benefits

Social or environmental benefits provided by a project in addition to the greenhouse gas emission reductions/removals that generate carbon credits. For example, a project that restores natural ecosystems and has benefits for carbon storage, biodiversity, and local communities. Crediting programmes or standards can indicate if a project provides certain co-benefits through independent certifications (e.g., Verra's Climate, Community, and Biodiversity certification for projects that contribute to biodiversity) or by indicating which UN Sustainable Development Goals (SDGs) the projects contribute towards.

Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

A compliance program for offsetting emissions from international aviation, operated by the International Civil Aviation Organization (ICAO). Only certain credits that meet ICAO's eligibility criteria—specific standards, methodologies, co-benefits, project locations, and vintages—can be used as offsets for CORSIA. CORSIA's pilot phase ran from 2021 to 2023, and its first implementation phase began in 2024.

Carbon Tax

A carbon tax sets a price on carbon by defining a tax rate on greenhouse gas emissions. Unlike Emissions Trading Schemes (ETS), where the emission reduction outcome is set in advance through cap-and-trade mechanisms, a carbon tax focuses on defining the carbon price, leaving the exact reduction outcome open. This makes the carbon price predictable, but the level of emissions reductions varies depending on the response to the tax. A carbon tax can complement carbon markets, either as a domestic measure or in conjunction with international carbon trading systems. It can create a source of compliance demand for carbon credits

Carbon Credits

The individual units of greenhouse gas emissions reducing/removing activities that are issued by carbon market standards, and then bought, sold, and retired by the various carbon market actors (project developers, intermediaries, end users, etc.). Each credit is denominated as one metric ton of CO2 equivalent (tCO2e) and corresponds to the estimated amount of greenhouse gas emissions that a project removes or reduces from the atmosphere.

Corresponding adjustment

Adjustments applied by a Party to the Paris Agreement in the context of reporting on its national inventory to avoid double-counting in the implementation of Article 4, paragraph 13, Article 6, paragraph 2, and Article 13, paragraph 7, of the Paris Agreement, in line with Part III of the Article 6.2 Guidance and further relevant decisions adopted by the CMA.

Double counting

A situation in which a single emission reduction and/or removal is counted more than once towards achieving mitigation targets or goals (adapted from (ICVCM, 2022). This situation undermines the environmental integrity of climate action and carbon markets. In

the context of climate change mitigation and carbon markets, **double counting** can occur in various forms (Michaelowa & Schneider, 2017):

- **Double claiming:** Where multiple countries or entities claim credit for the same emissions reductions toward their respective climate goals, which could violate the principle of "one unit, one claim."
- **Double issuance:** Where carbon credits or offsets are issued multiple times for the same emissions reduction, potentially due to inadequate tracking or accounting systems.
- **Double use:** When credits are used simultaneously for different compliance mechanisms (e.g., an offset used for both national climate commitments and an international carbon market).

Emissions Trading Schemes (ETS)

Often referred to as a cap-and-trade system, ETS cap the total level of greenhouse gas emissions and allow those industries with low emissions to sell their extra allowances to larger emitters. By creating supply and demand for emissions allowances, an ETS establishes a market price for greenhouse gas emissions. The cap helps ensure that the required emission reductions will take place to keep the emitters within their pre-allocated carbon budget.

First transfer

First transfer of a mitigation outcome, as defined under Decision 2/CMA.3. The transfer of an ITMO is an accounting process by which the party that is transferring the ITMO and the party that is acquiring the ITMO officially apply a corresponding adjustment (CA) in their national registries. A CA involves the transferring party removing the effect of the ITMO from their own national climate registry/NDC and the acquiring party applying the effect of the ITMO to their own national climate registry/NDC. This has the effect of increasing the overall measured emission levels in the transferring party and reducing the overall measured emission levels in the acquiring party. The Article 6.2 Decision passed at COP29 provided a definition of the “first transfer” of an ITMO. This is now defined as the earlier of either (a) the first international transfer of the mitigation outcome (if that mitigation outcome is authorised to be used for the achievement of an NDC), or (b) the (1) authorisation, (2) issuance, or (3) use or cancellation of the mitigation outcomes, as specified by the first transferring party (if that mitigation is authorised to be used towards OIMPs). Further, if (b) applies, then while the authorising parties may choose when first transfer occurs, parties must apply a consistent definition of “first transfer” for each cooperative approach they engage in. This ensures a degree of flexibility for ITMOs that are to be used towards OIMPs, but greater transparency and certainty when an ITMO is to be used to achieve an NDC. First transfer must be recorded by no later than 31 December of the year prior to the submission of the biennial transparency report (BTR) for the NDC period.

Greenhouse Gases (GHGs)

Gases that trap heat in the atmosphere and lead to global warming. Carbon dioxide (CO2), methane, and nitrous oxide are the primary greenhouse gases emitted into the atmosphere by human activities contributing to climate change.

Internationally Transferred Mitigation Outcomes (ITMO)

An ITMO is defined as real, verifiable, and additional emission reductions, achieved from 2021 onwards. They are expressed in metric tonnes of carbon dioxide equivalent (tCO_2e). The unique identifier of an ITMO as required by 6/CMA.4 para 4 and composed of the elements described 6/CMA.4 para 5 that renders ITMO traceable to the mitigation outcome it represents. This accounting concept was developed for Article 6 to translate unit transactions into the accounting implications for the achievement of Parties' NDCs under the Paris Agreement.

Issuance

Following a project's registration, once it begins to generate emissions reductions or removals, a third-party auditor will verify that the methodology applied in the project design is being followed and confirm that the climate impact of the project is in line with expectations, allowing the standard to issue credits to the project developer.

Mitigation Activity Design Document (MADD)

The formal documentation of an Article 6 mitigation activity, which is expected to cover technical aspects such as baseline setting, additionality, emission reduction quantification, and an MRV plan. The scope and requirements of the MADD will be defined by the two countries involved in the potential transfer, along with any non-state actors participating in the MOPA.

Mitigation Activity Idea Note (MAIN)

Preliminary document outlining the concept of an Article 6 mitigation activity. It provides an overview of the proposed activity, including orientations such as baseline emissions, additionality, the expected emission reductions, and a monitoring, reporting, and verification (MRV) envisaged. The MAIN serves as a foundational tool for further project development and evaluation, helping assess the project's feasibility and its alignment with relevant regulatory frameworks, and helps determine if the mitigation activity is of

interest to potential buyers. Additionally, it plays a key role in preparing for the Mitigation Activity Design Document (MADD), which is necessary for the formal approval and implementation of the project.

Mitigation outcome purchase agreement (MOPA)

A legal agreement for the purchase and transfer of mitigation outcomes, authorised under the provisions of Article 6.2 of the Paris Agreement.

Methodology

The technical documentation that describes the procedures and requirements for specific types of project activities, including procedures for quantifying the volume of greenhouse gas emissions reduced and/or removed by the project. Some projects will use multiple methodologies to cover different elements within a single project. Crediting programmes and standards may develop their own methodology documentation and/or provide a list of methodologies from other standards that they will accept.

Mitigation Contribution Units (MCUs)

If an A6.4ER is not authorised for transfer, it remains within the mechanism registry as an MCU. These units contribute to the host Party's Nationally Determined Contribution (NDC) and cannot be used by other Parties. However, MCUs can support climate finance and domestic environmental programmes. Under specific conditions, MCUs may later be authorised and converted into AERs (UNFCCC, 2025).

Nationally Determined Contribution (NDC)

NDCs represent efforts by each country to reduce national emissions and achieve set goals around climate ambition. The Paris Agreement requires each Party to prepare, communicate, and maintain NDCs that it intends to achieve.

Other International Mitigation Purposes (OIMP)

This term refers to the use of Internationally Transferred Mitigation Outcomes (ITMOs) for purposes other than meeting the climate targets outlined in a country’s Nationally Determined Contributions (NDCs) under the Paris Agreement.

Overall Mitigation in Global Emissions (OMGE)

The delivery of OMGE is achieved through cancellation of Article 6, paragraph 4 emission reduction (A6.4ERs), in accordance with chapter VIII of the annex to decision 3/CMA.3, or trough cancellations of internationally transferred mitigation outcomes (ITMOs), in accordance with chapter VII of the annex to decision 2/CMA.3.

Mandatory cancellation of A6.4ERs for OMGE is effected through a first transfer of a minimum of 2 per cent of the issued A6.4ERs to the cancellation account in the mechanism registry for OMGE. The mechanism registry administrator initiates this transfer to the OMGE cancellation account of the mechanism registry.

Paris Agreement Crediting Mechanism (PACM)

A registry of projects approved for international credit trading and is overseen by the UN's 6.4 Supervisory Body, which will approve methodologies, register projects, and maintain the registry.

Project Registration

When a credit issuing programme or standard determines that a prospective project meets the necessary criteria established in a published methodology, including third-party validation and assurance, and gives official approval to list the project in that programme's registry. Once registered, a project can submit requests for credit issuances (see Issuances).

REDD+

Reduced Emissions from Deforestation and Degradation in Developing Countries. These Forestry and Land Use projects are developed based on the voluntary REDD+ framework, developed by the UNFCCC to encourage financing of forest conservation and management in lower income countries where forests are at risk of land-use change or reduced carbon storage.

Reduction Credits

Credits generated by projects from the volume of greenhouse gas emissions that were reduced or avoided through project activities. For example, a project that improves building weatherisation and thereby reduces the burden of emissions from heating or air

conditioning. Some nature-based carbon projects both reduce and remove (see Removal credits) greenhouse gas emissions, and credits from these projects are considered to include both reduction and removal credits.

Removal Credits

Credits generated from the volume of greenhouse gas emissions that a project removed from the atmosphere or ocean through the creation of a carbon sink/pool. For example, an afforestation/reforestation project that increases vegetation to sequester carbon. There are various types of credits within this broader category, including engineering-based removals and nature-based removals.

Registration

Carbon projects must pass through a series of design validation and auditing steps, including potential public comment periods, before they are approved by standards and given registered status.

Registry

A registry is an official tracking tool that ensures emissions reductions are accurately recorded, monitored, and used as intended. It can refer either to databases of registered projects and issued and retired credits maintained by crediting programmes standards, or to aggregations of credits meeting certain criteria, such as eligibility for use in a compliance carbon market.

In the context of Article 6 of the Paris Agreement, the use of registries plays a critical role in facilitating international cooperation and ensuring transparency, accountability, and the integrity of carbon market mechanisms. Parties can engage with these registries in different ways based on their participation in Article 6 established by the Paris Agreement.

National Registry

- National Registry refers to a nationally managed and controlled system that tracks and records the issuance, transfer, and retirement of carbon credits, such as Internationally Transferred Mitigation Outcomes (ITMOs), for a country participating in the Paris Agreement's cooperative mechanisms. The National Registry ensures that each country's participation in carbon trading is transparent, accurate, and aligned with their Nationally Determined Contributions (NDCs). Parties can choose to set up a national registry instead of using the International registry (see International registry)

International Registry

- International Registry refers to a global system or platform that facilitates the tracking, recording, and oversight of carbon credits, such as Internationally Transferred Mitigation Outcomes (ITMOs), across countries and entities involved in carbon market mechanisms. It is available to Parties and entities authorised by Parties. Being part of the centralised accounting and reporting platform (CARP), the international registry tracks ITMOs from their point of issuance either directly within the registry or upon transfer from a connected registry, through to their use or transfer out of the international registry. The international registry also automatically prefills ITMO information into the agreed electronic format (AEF). The UNFCCC International Registry ensures that carbon credits transferred between countries or entities are transparently accounted for, preventing double counting and maintaining the integrity of the global carbon market under the Paris Agreement. The international registry is also connected to the Article 6.4 mechanism registry and allows for authorised Article 6.4 emissions reductions (AERs) to be transferred to the international registry once they become ITMOs upon first transfer.

Article 6.4 Mechanism Registry

- The Article 6.4 Mechanism Registry is a specific type of registry created under the Paris Agreement. It records the emission reductions and removals (called A6.4ERs) generated by activities approved under the Paris Agreement Crediting Mechanism (PACM). These reductions and removals are assigned unique identifiers, making it easy to see when and where they were created, who owns them, and how they are used—whether for trading, meeting climate commitments, or being retired from use. An interim mechanism registry (IMR) has been set up to provide support while the Article 6.4 Mechanism Registry is being developed. For guidance on how to use the IMR, please see the user guide.

Retirement

A credit may pass through many hands from the project's developer, or it may be sold directly to its end user, who will "retire" the credit by requesting the standard to add the specific credit to its registry of retired credits.

Reversals

In the context of carbon markets and carbon sequestration refer to the situation where previously sequestered carbon is released back into the atmosphere, effectively undoing the mitigation efforts. Reversals undermine the effectiveness of carbon offset programs by potentially causing carbon credits to be overstated. When a project generates carbon credits based on the amount of carbon it is sequestering but then experiences a reversal, the credits may no longer represent real, long-term carbon reductions.

Revocation (of a carbon credit)

When a carbon credit never represented a verified reduction in, or removal of, one tonne of CO2 equivalent. For example, in the case of fraudulent misrepresentation of a project. If a credit is found to be invalid or problematic, it can be revoked from the registry. This essentially means that the credit is no longer recognised and cannot be used for meeting NDCs.

Revocation (of an ITMO authorisation)

In the context of Article 6 authorisation, based on the Baku Decision of the Paris Agreement, refers to the process of canceling or withdrawing previously authorised carbon credits or emission reductions under Article 6. COP29 finalised Article 6.2 rules, establishing that authorisation for ITMOs can be revoked or changed by host countries, but generally not after the credits are "first transferred" (i.e., when a Corresponding Adjustment is made). The agreed framework requires Letters of Authorisation to clearly define terms for changes, enhancing market certainty.

Independent Crediting Programmes or Standards

The organisations that define the project activities that can produce carbon credits and publish methodologies outlining the calculation of credits generated by a project, as well as approving and tracking project registration and credit issuance and retirement.

Vintage

The year in which project emissions reductions or removals were determined to have occurred (or estimated to occur in the future). This does not have to match the year that the credits were issued; there can be lags between the actual reductions/removals and the issuance of credits, and some standards issue credits for future estimated reductions/removals.

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