
DETERMINING ADDITIONALITY

All carbon market activities are required to demonstrate additionality. This means that there must be evidence showing that these activities would not have been undertaken without the incentives provided by the market mechanism. Carbon credits generated under the Paris Agreement Crediting Mechanism (A6.4ER: AER and MCUs) need to follow the requirements of the PACM additionality standard to demonstrate additionality. Under Article 6.2, it is the responsibility of the transferring country to ensure that activities are additional.

Under the architecture of the Paris Agreement, in which each Party has a mitigation target, the demonstration of additionality involves conducting a thorough and robust assessment at activity level, as well as taking into account all pertinent national policies existing or expected in the activity crediting period. Effective additionality assessment not only enhances the credibility of climate actions but also instils confidence in stakeholders and investors, reinforcing the overall success of climate initiatives.

Additionality demonstration under PACM

The Paris Agreement Crediting Mechanism (PACM), adopted the Standard: *Demonstration of Additionality in Mechanism Methodologies* ([A6.4-SBM015-A11, Version 01.0](#)) which provides the formal requirements for how additionality must be demonstrated in methodologies developed for Article 6.4 activities under the PACM (see Figure 1). It entered into force upon publication in February 2025.

Core definition of additionality in the PACM context

An Article 6.4 activity is considered **additional** if at least all of the following conditions are met:

1. It represents mitigation that exceeds any mitigation required by law or regulation.
2. It avoids lock-in of high-emission technologies, practices, or infrastructure that are incompatible with the long-term goals of the Paris Agreement.

3. It would not have occurred in the absence of incentives from the Article 6.4 mechanism, considering all relevant national policies and incentives. This sets a clear benchmark for what qualifies as additional under the PACM, requiring demonstration that mechanism incentives are the decisive factor in implementation.

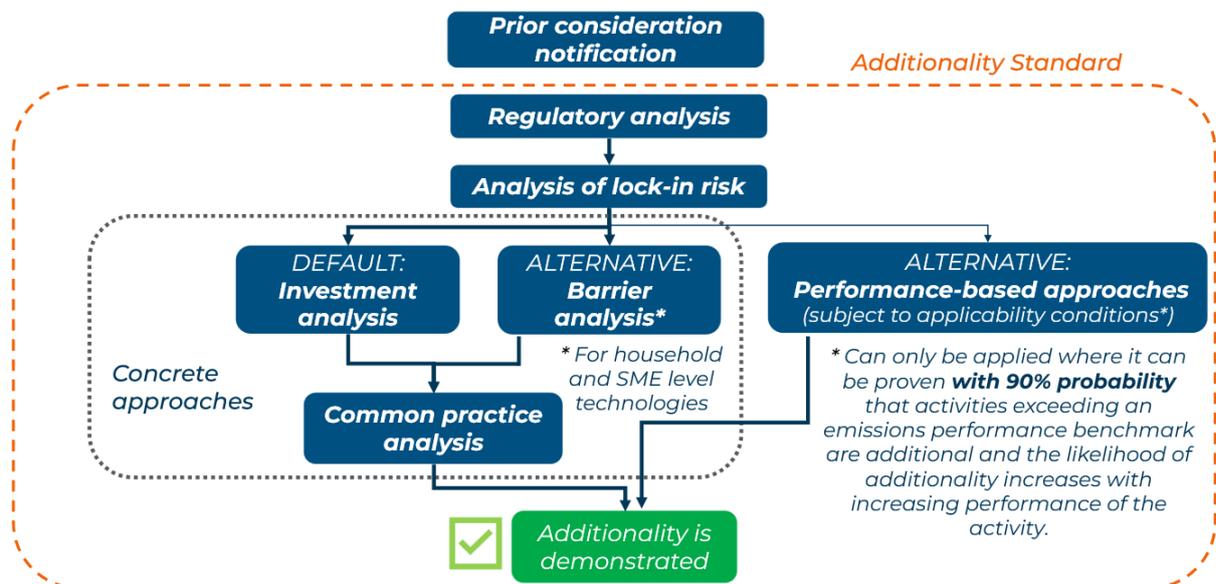
The standard mandates that demonstration of additionality must be:

- **Relevant:** using data and assumptions appropriate to the activity.
- **Complete:** all relevant information must be provided.
- **Consistent:** similar activities are assessed using consistent approaches.
- **Accurate:** uncertainty is minimized where possible.
- **Transparent:** assumptions and data sources must be clearly documented.
- **Conservative:** methods should err on the side of caution to avoid over-crediting.
- **Policy-comprehensive:** all applicable laws, subsidies, taxes, carbon pricing schemes, and other incentives must be taken into account

Approaches to demonstrate additionality

The standard outlines **multiple approved approaches** that methodologies may use (in whole or in combination) to demonstrate additionality (Figure 1).

Figure 1. Flowchart of the approaches to demonstrate additionality



Source: Perspectives Climate Group (2025)



Short description of the approaches

a. Regulatory analysis serves to demonstrate that the activity exceeds any mitigation mandated by law, regulation or other binding mandates. For this, the regulatory environments and specific national compliance requirements must be carefully analysed.

b. Analysis of lock-in risk requires demonstration that the activity does **not** lock in emissions-intensive technologies or practices that conflict with the Paris Agreement's long-term goals. It must consider technology lifetimes, host country strategies (e.g., LT-LEDS), and the risk profile of different practices.

c. Investment analysis is the default approach and requires assessing whether the activity would be financially viable *without* the incentives provided by Article 6.4 credits (A6.4ERs). It includes simple cost analysis, benchmark analysis, and investment comparison analysis. It requires inclusion of all relevant costs (CAPEX, OPEX) and revenues, excluding transaction costs specific to generating credits.

d. Barrier analysis can substitute or complement the investment analysis in specific cases and is used to determine whether non-monetary (e.g., institutional, technological) or financial (e.g. lack of access to loans) barriers would prevent implementation absent the mechanism incentives. It requires justification and documentation showing how such barriers are overcome through mechanism incentives.

e. Common practice analysis is applied if either an investment or a barrier analysis has been performed. It is used to demonstrate that the activity's technology or practice is *not common practice* (e.g., low market penetration) and must be supported by evidence that the activity differs meaningfully from typical industry practice.

f. Performance-based approaches can be applied as an alternative to investment and barrier analysis. It includes alternative approaches that use performance indicators as a proxy to confirm additionality (e.g., outperforming benchmarks) and is applicable only under specific conditions and with appropriate justification.

Application and implementation considerations

- Methodologies **may combine multiple approaches** (e.g., regulatory analysis + lock in risk analysis of + investment analysis).
- The chosen approaches must be justified as suitable for the specific activity type and context.
- Where investment analysis is not used, methodologies must justify why and provide alternate evidence of additionality.



Additionality demonstration for Article 6.2 cooperative approaches (e.g., bilateral cooperation):

Under Article 6.2, there are no specific requirements for additionality demonstration. It is the responsibility of the cooperating Parties to ensure additionality. Host countries may choose to develop positive lists of mitigation activities deemed additional, which could be proactively communicated to project developers and potential buyer countries. This approach ensures that the host country has a clear understanding of what constitutes additionality and sends a signal to activity developers.

Furthermore, host countries and acquiring countries can determine or agree on methodological approaches to determine how additionality is demonstrated, relying on the specific PACM standard or on one or several of the general additionality elements (regulatory analysis, analysis of lock-in risk, investment analysis, barrier or common practice analysis).

Source: [UNFCCC 2023](#), [PACM Additionality Standard \(A6.4-SBM015-A11\)](#)

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