

Article 6 - Northmore Gordon

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Article 6

Article 6 of the Paris Agreement establishes flexible mechanisms for international carbon offset trading between countries. It enables nations to trade carbon credits and offsets, allowing emissions reductions achieved in one country to be credited toward another country's climate commitments. This framework creates a market-based approach to climate action, recognizing that emissions reductions can be achieved cost-effectively across borders. The trading mechanisms under Article 6 are designed to facilitate the transfer of environmental attributes and carbon instruments between parties, supporting broader decarbonization goals while maintaining environmental integrity and accountability.

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What is Article 6 of the Paris Agreement?

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What is the double-counting problem in Article 6 offset transactions?

Double counting occurs when an emissions reduction credited under Article 6 is counted toward both the host country's and the purchasing country's climate targets. The central debate concerns whether the country hosting the offset project must add the emissions back into their national inventory when selling the offset to another nation. This accounting treatment is critical because it affects the genuine net environmental benefit of the transaction. If offsets are not properly removed from the host country's inventory, the same reduction could be claimed by multiple parties, undermining the credibility of international climate commitments and the environmental integrity of the flexible mechanisms.

Why are accounting rules crucial for Article 6 effectiveness?

Accounting rules determine how carbon credits and offsets are tracked, retired, and claimed under Article 6 mechanisms, directly affecting whether emissions reductions represent genuine environmental

benefit or statistical artifacts. Clear rules prevent double counting, establish ownership of environmental attributes, and ensure that purchased offsets correctly reduce a country's or organization's reported emissions inventory. Without standardized accounting frameworks, Article 6 transactions risk becoming disconnected from real physical reductions. These rules guide how organizations separate renewable electricity attributes from carbon offsets in their boundary statements, following GHG Protocol standards to maintain credible environmental claims.

How does Article 6 relate to organizational carbon management?

For organizations conducting corporate emissions inventories and carbon accounting, Article 6 is relevant when considering carbon offsets to support decarbonization claims or net-zero commitments. An organization purchasing offsets from Article 6 transactions must understand the underlying accounting treatment: whether the offset represents a genuine emissions reduction from the host country and how it should be recorded in Scope 1, 2, or 3 inventories. Article 6 mechanisms offer a pathway for organizations to access international emissions reductions, but they must be evaluated alongside physical efficiency improvements, renewable energy procurement, and transition planning to build credible carbon strategies.

What role did COP26 play in establishing Article 6 accounting rules?

COP26, held in November 2021, was scheduled as a critical focal point for finalizing and operationalizing the accounting rules governing Article 6 mechanisms. The conference aimed to resolve outstanding technical questions, including the double-counting prevention framework and how credits would be tracked and retired internationally. These decisions were essential to making Article 6 functional in practice, establishing the governance structures and quality criteria that would enable reliable offset trading. The finalized rules determine the integrity and credibility of international carbon instruments, affecting both the environmental validity of transactions and their commercial viability for organizations seeking to purchase offsets.

How should organizations evaluate Article 6 offsets for emissions accounting?

Organizations evaluating Article 6 offsets for their carbon inventories should document the specific instrument, host country, underlying project methodology, and ownership of environmental attributes before retirement. The offsets must be distinguished from physical energy savings, renewable electricity certificates, and other environmental instruments in the accounting boundary statement. Key questions include: which approved method established the eligible abatement, whether prior government incentives affected the project, and how the offset's retirement will be recorded in the organization's emissions reporting. Our carbon advisory services include environmental-attribute due diligence and transition planning to help organizations integrate purchased offsets credibly alongside engineering and procurement decisions.

What practical challenges do organizations face with Article 6 offsets?

Organizations face several practical challenges: identifying credible Article 6 projects with transparent accounting treatment, verifying that the host country's inventory adjustment is properly documented, confirming ownership of the specific credits being purchased, and understanding the legal and commercial terms of the transaction. Price volatility, delivery timelines, and the emerging nature of secondary markets create additional complexity. Organizations must also ensure that offset purchases do not substitute for genuine operational improvements or renewable energy procurement. Our instrument selection and due diligence services help organizations navigate these challenges by assessing Article 6 offsets alongside other carbon reduction pathways as part of a credible transition workplan.

How do Article 6 offsets fit within corporate sustainability reporting obligations?

For organizations subject to ASRS (Australian Sustainability Reporting Standards) or other mandatory sustainability reporting frameworks, Article 6 offsets purchased must be correctly recorded in the reported emissions inventory with transparent disclosure of the accounting treatment. The offsets should be reported separately from Scope 1, 2, and 3 emissions reductions achieved through operational changes, and the organization must explain which part of its claimed reduction or carbon-neutral status comes from purchased instruments versus physical improvements. Boundary statements must clarify whether offsets support an emissions reduction claim or a separate net-zero commitment. Our carbon advisory and reporting-support services help organizations prepare audit-ready documentation linking offsets to their intended purpose and accounting basis.