Ensuring High-Integrity Carbon Markets

Vi Agroforestry

Carbon Expert Desk

Key considerations for sustainable climate change mitigation and Article 6 implementation

What factors should be the main focus for development actors engaging with carbon projects and markets? This briefing note summarises key insights emerging from a seminar on finance for climate action, organised by Vi Agroforestry's Carbon Expert Desk, bringing together experts from Sida, the Swedish Energy Agency and Vi Agroforestry. The discussions highlighted the importance of combining environmental integrity, social safeguards, institutional readiness and inclusive governance. Together, these elements help ensure that both Article 6 mechanisms and voluntary carbon markets contribute to climate mitigation and sustainable development outcomes. Article 6 markets are linked to countries' climate commitments and require government authorization, while voluntary carbon markets are primarily driven by private actors but face many of the same integrity challenges. Furthermore, while carbon markets can mobilise additional finance for mitigation and sustainable development, they should be viewed as one tool within a broader climate finance portfolio rather than a standalone solution.

1 High integrity carbon credits

High-quality credits depend on robust project design, transparent governance and credible verification.

ADDITIONAILITY

Projects must demonstrate that emission reductions would not happen without carbon finance and are not already required under host-country policies or NDCs.

CONSERVATIVE ACCOUNTING

Conservative approaches can help avoid overestimating emission reductions and removals as circumstances and project conditions evolve.

AVOID DOUBLE ACCOUNTING

Robust accounting and clear attribution can help ensure that emission reductions are only claimed once, including situations where multiple funding sources or actors are involved.

PERMANENCE & REVERSAL RISKS

For nature-based projects, carbon storage can be vulnerable to reversal from events such as fire, drought, pests and land-use change. Risk assessment, monitoring and appropriate measures to address reversals can help safeguard the durability of climate benefits.

INDEPENDENT VERIFICATION & TRANSPARANCY

Independent third-party validation and robust Monitoring, Reporting and Verification (MRV) can help strengthen confidence in project quality and reported emission reductions. Information should be made accessible for public scrutiny.

2 Robust safeguards and sustainable development

High-integrity projects must contribute positively to sustainable development while doing no harm

INCLUSIVE & CONSULTATIVE

Engage affected stakeholders and local communities meaningfully throughout the project cycle. Where relevant, ensure Free, Prior and Informed Consent (FPIC).

ACCOUNTABILITY & GRIEVANCE MECHANISMS

Accessible and transparent mechanisms for raising concerns and seeking remedy can strengthen accountability and trust throughout the project cycle.

PROTECT RIGHTS & ENSURE BENEFIT-SHARING

Safeguards can help protect the rights of Indigenous Peoples and Local Communities (IPLCs), promote inclusive participation and support transparent and equitable benefit-sharing.

ENVIRONMENTAL & SOCIAL SAFEGUARDS

Assessment and monitoring of environmental and social impacts, including biodiversity outcomes, are recommended throughout the project cycle. Where appropriate, recognised safeguard frameworks and indicators, such as the Sustainable Development Tool under Article 6.4, can support this process. Related costs should be considered in project design and budgets.

3 Strenghtening host-country readiness

Strong institutions and clear frameworks are essential for countries to make informed decisions and participate effectively in carbon markets.

INSTITUTIONS & COORDINATION

Institutional support can help strengthen the capacities and coordination mechanisms needed for Article 6 implementation, including coordination among relevant ministries, agencies and other stakeholders.

MRV SYSTEMS & INFRASTRUCTURE

Strengthening capacities for Monitoring, Reporting and Verification (MRV), including data management systems, can improve transparency, accuracy and trust.

INCLUSIVE POLICY FRAMEWORKS

Developing clear rules on authorisation, corresponding adjustments and benefit-sharing arrangements through transparent and consultative processes can help create certainty and support responsible market participation.

STRATEGIC PRIORITISATION

Capacity building can support countries in assessing which activities may be suitable for carbon trading and how carbon markets could complement other climate finance instruments. Carbon markets are one tool among a broader spectrum of financing options.

4 Reducing risk for local stakeholders

Volatility and quality concerns in carbon markets can threaten projects and disproportionately affect local stakeholders. Risks can be reduced by addressing the following areas.

DRIVE QUALITY & INTEGRITY

Support both supply- and demand-side actors in adhering to core integrity principles, ensuring that credits deliver genuine climate mitigation, robust safeguards and sustainable development benefits.

ENCOURAGE DIVERSIFIED REVENUE STREAMS

Projects are encouraged to combine carbon finance with other revenue sources to support long-term sustainability, rather than relying solely on carbon credit sales

BUILD LOCAL CAPACITY AND BARGAINING POWER

Investing in skills, legal support and contract negotiation capacity can help communities and local developers engage more effectively in carbon projects. Transparent benefit-sharing arrangements can reduce the risk of project failure and disproportionate exposure when markets fluctuate.

FINANCING CONSIDERATIONS

Article 6 payments are generally delivered after verified emission reductions have been achieved ("payment upon delivery"). Upfront and blended finance mechanisms can therefore play an important role in bridging financing gaps.

KEY CONSIDERATIONS FOR DEVELOPMENT ACTORS

- Support countries to determine if, when and where carbon trading is an appropriate financing mechanism.
- Support the establishment of Article 6 institutions, MRV systems and regulatory frameworks.
- Promote inclusive rules on authorisation, corresponding adjustments and benefit-sharing.
- Ensure IPLC rights, safeguards and stakeholder participation are integrated into carbon market frameworks.
- Position carbon markets as a complementary source of climate finance, alongside public finance, concessional funding and other investment mechanisms.

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CARBON EXPERT DESK

Learn more about our work on carbon markets, visit our Website

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