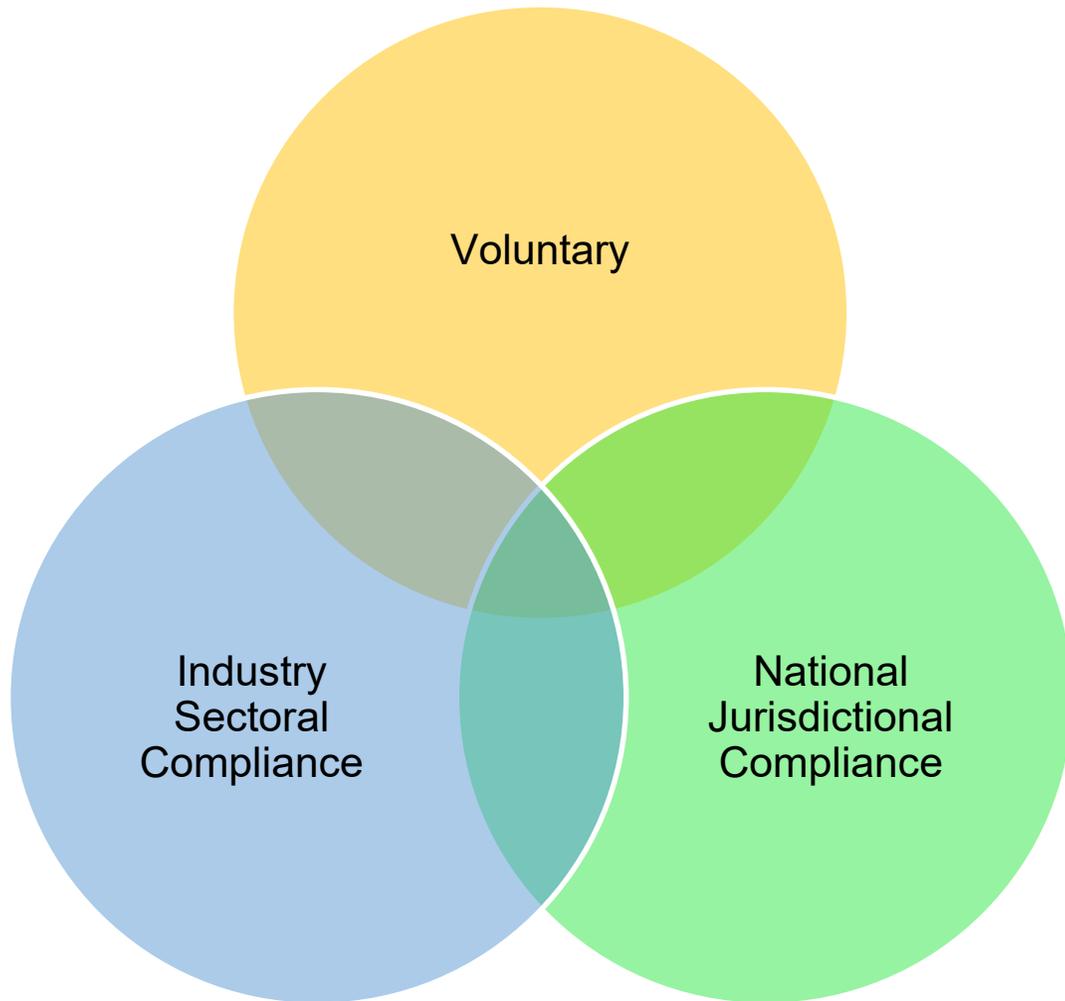


Overview of the international carbon markets and the JCM implementation in line with Article 6



Paris Agreement Article 6
Implementation Partnership Center

Types of International Carbon Markets



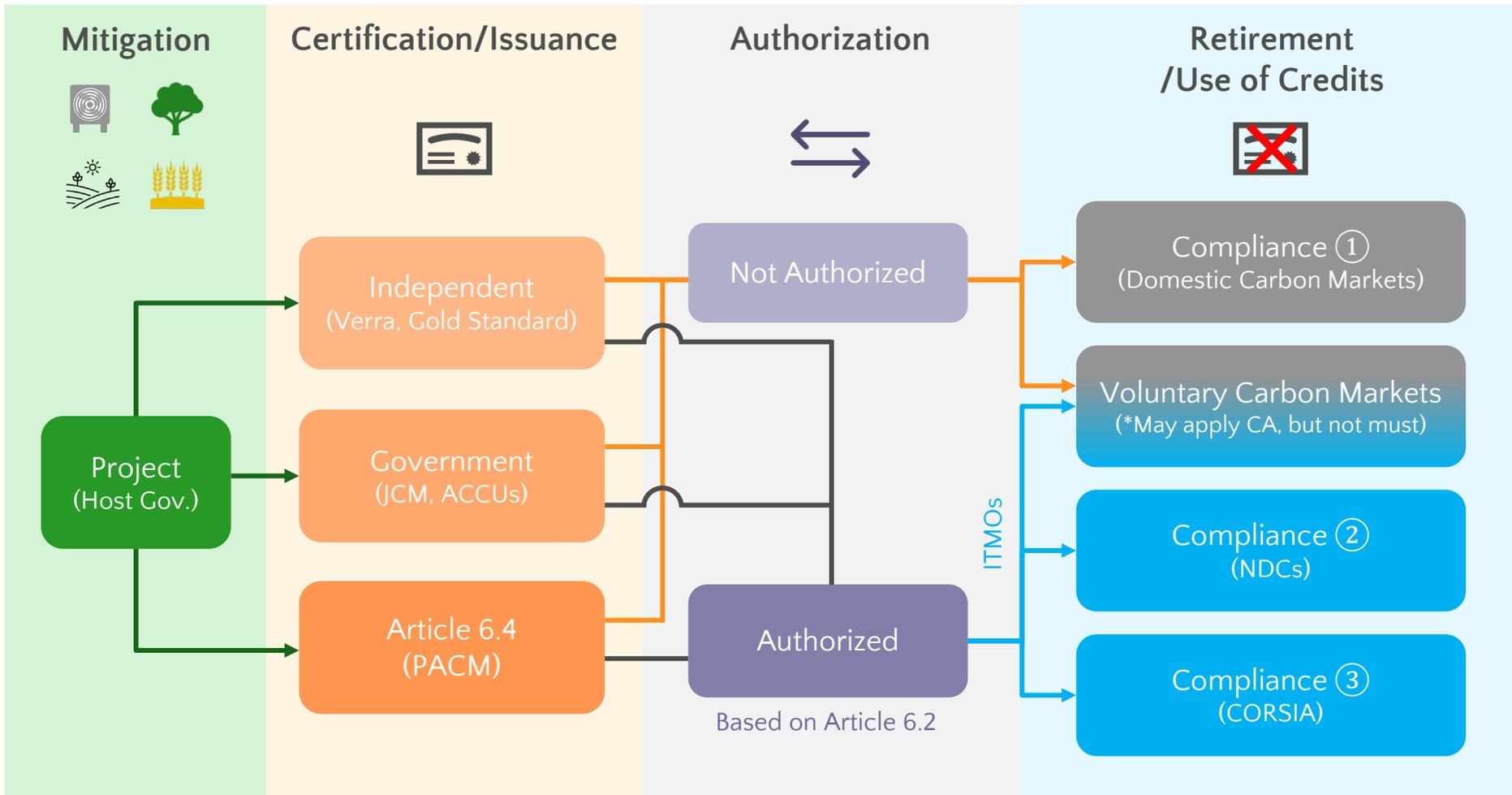
| | Voluntary | Compliance | |
|-----------------|---|---------------------------------|--|
| What's | Corporates' voluntary use of carbon credits | National jurisdictional markets | Industry sector wide markets |
| Examples | Verra, Gold Standard | Cap & Trade ETS, NDC | CORSIA |
| Scale of Demand | -190 Mt (2024) | -60 Mt (2024) | 150-200+ Mt for CORSIA Phase I (2024-2026) |

Source: World Bank, ICAO, IATA

Article 6 and International Carbon Markets

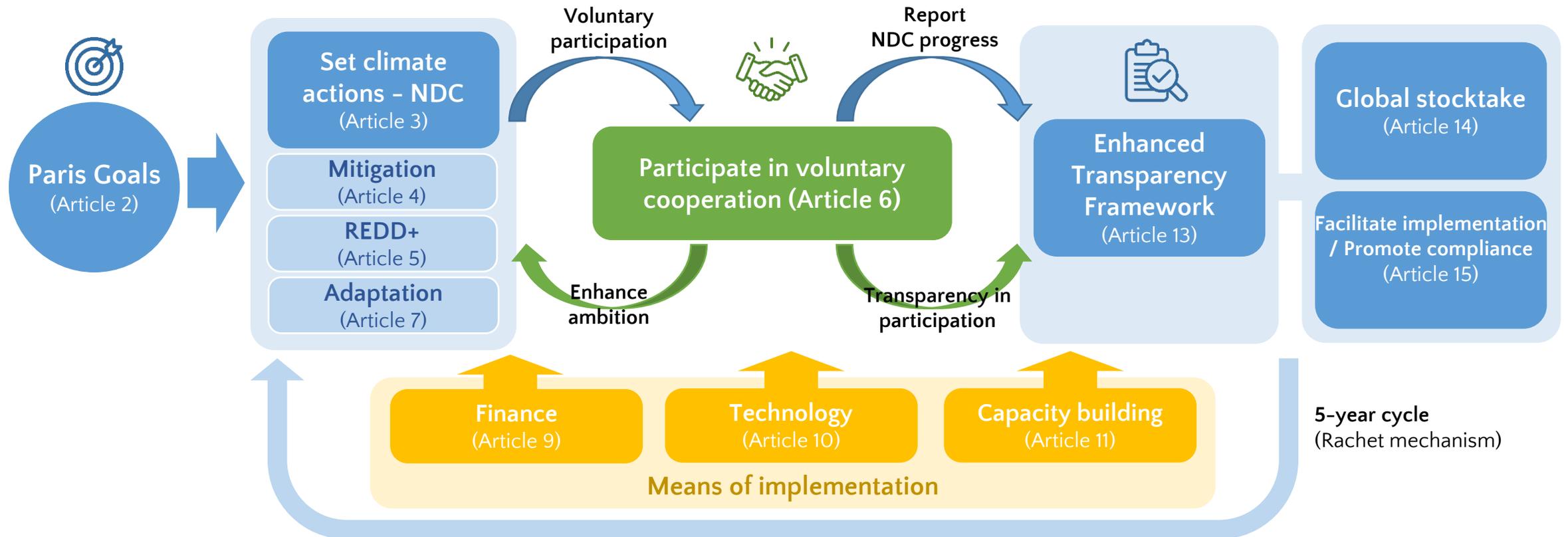
- Applying corresponding adjustments based on Article 6.2 converts carbon credits into ITMOs^(*).
- ITMOs can be used for compliance purposes, including NDCs and CORSIA.

(*) ITMOs: Internationally Transferred Mitigation Outcomes



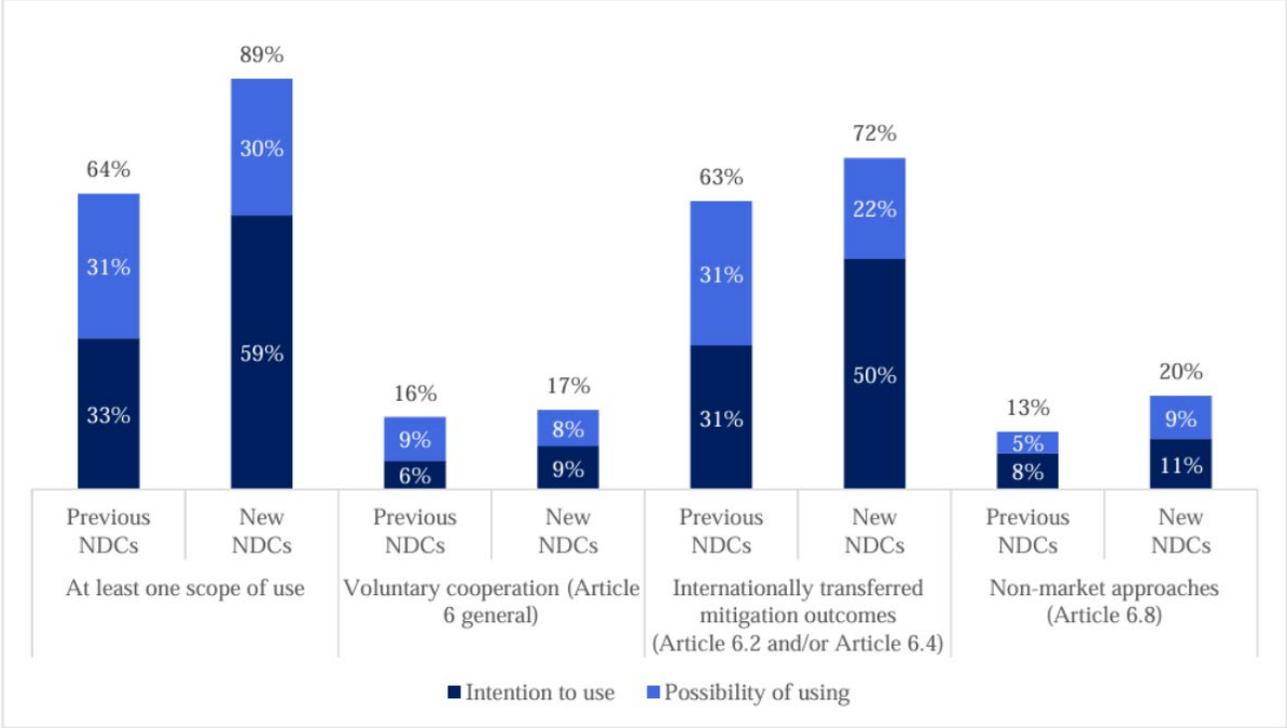
Paris Agreement Overview and Article 6

- The Paris Agreement sets the long-term temperature goal of limiting global temperature to 1.5 - well below 2°C.
- Under the Paris Agreement, countries must communicate their **Nationally Determined Contributions (NDCs)** describing actions to reduce GHG emissions and build climate resilience in order to reach the goals of the Paris Agreement.
- In implementing the NDC, **countries may choose to pursue voluntary cooperation (Article 6)** to, among others, allow for higher ambition in their actions. In doing so, countries must also report transparently on their participation.



NDCs and Article 6

Figure 5
Shares of Parties indicating in their nationally determined contributions the intention to use or possibility of using specific scopes of voluntary cooperation under Article 6 of the Paris Agreement



Note: The sums of the shares of Parties intending to use and possibly using voluntary cooperation for previous NDCs and internationally transferred mitigation outcomes for previous NDCs do not match the totals presented owing to rounding.

According to 2025 NDC synthesis report,

- A total of **89 per cent** of Parties, in comparison with 64 per cent in their previous NDCs, communicated that they **plan to or will possibly use Article 6**.
- **72 per cent** referenced **planned or possible use of ITMOs**, including through Article 6.2 or Article 6.4 (PACM), compared with 63 per cent previously.
- 20 per cent referred to the planned or possible use of non-market approaches, compared with 13 per cent previously.

GX-ETS

- Japan's compliance emission trading system (GX-ETS) will take effect from FY2026.
- JCM credits are eligible under the GX-ETS and can contribute to Japan's NDCs.
- JCM credits must obtain corresponding adjustments based on Article 6.2 to be traded in the GX-ETS.

| Item | Details |
|-----------------------|--|
| GHG Covered | CO2 |
| Covered entities | Entities with annual emissions over 100 kt |
| Number of entities | 300-400 entities |
| GHG Coverage | -60% of Japan's emissions (-0.6 Gt) |
| Allocation method | <ul style="list-style-type: none"> • Benchmarking (Large emitters) <ul style="list-style-type: none"> • Starts at top 50% (FY2023-25 avg), tightens to 32.5% by FY2030 • Grandfathering (Other sectors) <ul style="list-style-type: none"> • Based on historical emissions, reduced with 1.7% (energy-origin); 0.3% (process-origin) |
| Penalties | Ceiling Price x 110% |
| MRV | Mandatory third-party verification |
| Price stability | <ul style="list-style-type: none"> • Proposed price range for 2026: Ceiling: ¥4,300 per t-CO2 Floor: ¥1,700 per t-CO2 • The price ranges are escalated every year by 3% in real terms, translating to the ceiling and floor prices of ¥4,840 and ¥1,913, respectively, before the inflation adjustments. |
| Eligible Credits | J-Credits, <u>JCM Credits</u> |
| Use of carbon credits | Up to 10% of actual emissions |

JCM Status of Authorization and Initial Report

| Country | JCM Authorization | Initial Report |
|---------------------|-------------------|------------------------------------|
| Mongolia | △In Progress | ○Submitted |
| Bangladesh | △In Progress | △In Progress |
| Ethiopia | △In Progress | △In Progress |
| Kenya | △In Progress | △In Progress |
| Maldives | ○Submitted | ○Submitted |
| Viet Nam | △In Progress | △In Progress |
| Laos | △In Progress | △In Progress |
| Indonesia | △In Progress | △In Progress |
| Costa Rica | △In Progress | △In Progress |
| Palau | ○Submitted | ○Submitted |
| Cambodia | △In Progress | △In Progress |
| Mexico | △In Progress | △In Progress |
| Saudi Arabia | — | — |
| Chile | △In Progress | △In Progress |
| Myanmar | — | — |
| Thailand | ○Submitted | ○Submitted (Updated IR) |

| Country | JCM Authorization | Initial Report |
|------------------------|-------------------|-------------------|
| Philippines | △In Progress | △In Progress |
| Senegal | △In Progress | △In Progress |
| Tunisia | ○Submitted | ○Submitted |
| Azerbaijan | — | — |
| Moldova | △In Progress | △In Progress |
| Georgia | △In Progress | △In Progress |
| Sri Lanka | △In Progress | ○Submitted |
| Uzbekistan | △In Progress | △In Progress |
| PNG | △In Progress | △In Progress |
| UAE | △In Progress | — |
| Kyrgyz Republic | △In Progress | △In Progress |
| Kazakhstan | △In Progress | △In Progress |
| Ukraine | △In Progress | △In Progress |
| Tanzania | △In Progress | △In Progress |
| India | △In Progress | △In Progress |

Thank you!

**Join the Article 6 Implementation
Partnership today!**



<https://a6partnership.org/>

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