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Regulatory Update

COP30 Delivers Minimal Progress for Carbon Markets Amid Low Expectations

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The 30th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP30) carried lower expectations than some prior COPs. Without an official delegation from the U.S. in attendance and the 2015 Paris Agreement rulebook completed, the focus of COP30 was on implementation of previous commitments.

As anticipated, the conference held in Belém, Brazil, did not produce major new decisions. Key agenda themes for COP30 included revised nationally determined contributions, forestry conservation, finance for developing countries for adaptation and carbon pricing. The developments for carbon markets were to support prior decisions.

Nationally Determined Contributions

The main purpose of COP is to oversee the implementation of the Paris Agreement with the objective of “holding the increase in global average temperature to well below 2°C above pre-industrial level and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change”. The central tool for achieving this goal is a requirement on parties to individually prepare and report successive Nationally Determined Contributions (NDCs) defining how much each party will reduce their emissions by a specified year to collectively keep global temperatures in line with the limits set by the Paris Agreement. NDCs must be submitted every five years, and 122 out of 195 countries had submitted updated NDCs by the end of COP30.

So what have some of the world’s largest emitters of greenhouse gases committed in the latest round of NDCs? China committed to reduce emissions by 10% compared to 2005 levels by 2035. The EU provided “an indicative contribution of a reduction of net GHG emissions of between 66.25% to 72.5% compared to 1990 levels by 2035”. One month before President Trump took office, President Biden’s administration communicated a U.S. commitment to reduce greenhouse gas emissions by 61-66% below 2005 levels in 2035. This pledge is ineffective as the U.S. withdrawal from the Paris Agreement is underway and is due to take effect on 27 January 2026.

The Global Stocktake

Global stocktakes are established under the Paris Agreement to assess gaps between global initiatives and emissions reductions to determine whether parties are making progress aligned with meeting the goals of the Paris Agreement and to inform the next round of NDCs. Global stocktakes are to take place every five years with the first stocktake concluded at COP28 in 2023. The 2023 global stocktake informed the NDCs that were due for submission ahead of COP30.

The UN Environment Programme (UNEP) findings from the global stocktake, as reported in the *Emissions Gap Report 2025: Off Target*, are that based on submitted NDC commitments for 2035 (with a cutoff of 30 September 2025), the global temperature is expected to increase by 2.3-2.8°C and parties are not on track to meet their 2030 emission reduction targets. The NDCs submitted for 2035 provide just 12-15% emission reductions compared to 2019 levels while, according to UNEP, reductions of 35-55% are needed to limit the temperature rise to 1.5°C. As a result, UNEP expects that the global average temperature shall increase by at least 1.5°C in this decade.

Key COP30 Outcomes

Aside from NDCs, a centrepiece document from COP30 is the *Global Mutirão: uniting humanity in a global mobilization against climate change* reflecting the focus of this COP on delivering support to developing countries. This is nonbinding document that encourages parties to the Paris Agreement and other stakeholders to support its initiatives which included a decision to urgently advance actions to enable the COP29 commitments to scale up finance for climate adaptation for developing country parties to $1.3 trillion per year from public and private sources by 2035 and for at least $300 billion per year by 2035 with developed country parties taking the lead; and, a two-year work plan to detail how the finance shall be provided.

At COP30 the Belém Action Mechanism was launched with initiatives including technical assistance, capacity building and knowledge sharing, as well as efforts to address labour rights.

Beyond negotiated agreements, under the framework of the Action Agenda, COP30 also included the following voluntary commitments:

- The Tropical Forests Forever Initiative was launched to pledge a total of $25 billion to pay countries to protect their forests with at least 20% of resources going to indigenous persons; $5.5 billion was raised with 53 participating countries.
- The Forest and Land Tenure pledge was renewed with $1.8 billion in funding to protect savannas, mangroves and ecosystems.
- The Intergovernmental Land Tenure Commitment was launched to recognise the rights of indigenous peoples to land in Brazil and Indonesia.
- The Blue NDC Challenge expanded its membership, adding six more countries committing to deliver ocean climate actions.

Fossil Fuels

A highly charged issue going into COP30 was how to create a roadmap away from fossil fuels. The EU called for a global phase-out of unabated fossil fuels and fossil fuel subsidies at COP28 which led to recognition of "the need for deep, rapid and sustained reductions in greenhouse gas emissions in line with a 1.5°C pathways and *calls* on Parties to contribute to the following global efforts, in a nationally determined manner, taking into account the Paris Agreement their different national circumstances, pathways and approaches: … (d) Transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science" and a commitment to triple renewable energy.

At COP30, more than 80 countries (including EU Member States and the UK) tried to draw on this and capture a decision on transitioning away from fossil fuels, but the negotiations nearly collapsed over this point. Even the words "fossil fuels" did not make it into the final text. The final wording included in paragraph 9 of the Global Implementation Accelerator was that the Conference of the Parties "acknowledge the global transition towards low greenhouse gas emissions and climate-resilient development is irreversible and the trend of the future". The COP30 President Andre Correa do Lago committed to create a roadmap away from the COP process through discussions with the petrostates and international organisations. The expectation is to make progress at the First International Conference on the Just Transition Away from Fossil Fuels planned for April 2026 in Colombia.

Carbon Markets

There is not a great deal coming out of this COP in respect of the Paris Agreement carbon market tools despite some initiatives intended to bolster the market.

Article 6.2 of the Paris Agreement enables parties to use “cooperative approaches that involve the use of internationally transferred mitigation outcomes” (ITMOs) to meet their NDCs while providing for “robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the Conference of the Parties”. ITMOs include mitigation outcomes for use towards an NDC or for other international mitigation purposes which mean international compliance schemes such as the CORSIA aviation scheme. ITMOs can also be purchased by private sector participants.

While around 100 bilateral agreements have been signed under Article 6.2, countries highlighted that very few ITMO transactions have been concluded due to a lack of institutional readiness in many countries to undertake Article 6.2 transactions. A decision was made to request the following COP31 in 2026 to consider and recommend a proposal on financing to support the operationalisation of Article 6.2.

Concerns were raised about technical reporting and accounting inconsistencies in the Article 6.2 reports submitted to the Centralized Accounting and Reporting Platform (CARP). CARP is the United Nations Framework Convention on Climate Change (UNFCCC) platform for receiving annual reports from parties regarding the authorisation of ITMOs towards NDC or for use towards other international mitigation purposes and the first transfer, acquisition, holding and cancellation of such. The existing guidance was confirmed and reports will be scrutinised and further dialogue is planned for COP31 allowing countries to exchange experience without punitive consequences.

Article 6.4 of the Paris Agreement, often referred to as the Paris Agreement Crediting Mechanism (PACM), provides a UN-supervised framework for a company in one country to register a carbon project with its government to be sold to countries or companies or persons and can be used towards the NDC of the buyer’s country. The Supervisory Body is responsible for developing and approving methodologies and establishing and overseeing the Article 6.4 Registry. The first methodology was approved by the Supervisory Body this year in relation to managing methane emissions from landfill sites. PACM credits must be approved by the Supervisory Body and once approved by both the host country and the Supervisory Body are known as Article 6.4 emission reductions or “ERs”. These are generally considered the equivalent of the Clean Development Mechanism (CDM) under the Kyoto Protocol because both schemes are under the auspices of the UNFCCC (and PACM is the scheme which CDM credits may transition into) with key differences to the Kyoto Protocol being that under the PACM, ERs cannot be double-counted and 5% of ERs must be contributed to an Adaptation Fund.

At COP30, further financing of $26.8 million was secured to support Article 6.4 capacity building for 2026-27, with the potential for a further $5 million in funding. This resource is intended to support developing countries to build institutional frameworks, registries and MRV systems. There was a decision to extend the deadline for CDM projects to be able to transition over from the original deadline of 31 December 2025 by a further six months. This move will potentially allow hundreds of millions of tonnes of additional CDM credits to transition over into the Paris Agreement scheme. CDM methodologies have been defunct for more than six years with several CDM methodologies discredited.

In an effort to harmonise compliance carbon markets, the Open Coalition for Compliance Carbon Markets was launched during COP30 backed by 18 countries including the EU Member States, the UK and China. This coalition seeks to strengthen understanding and cooperation for carbon pricing mechanisms and promote transparency regarding MRV systems, accounting methodologies and high-integrity offsets.

Additionally, the Coalition to Grow Carbon Markets launched its *Shared Principles for Growing High-Integrity Use of Carbon Credits by Companies and Other Buyers* at COP30. The principles set benchmarks for credible corporate use of carbon credits and create a link between Article 6 and voluntary carbon markets. The principles were developed by several leading institutions including the WBCSD, ICC, World Bank and IETA. The coalition is supported by the VCMI as secretariat which has established guidance on best practices for voluntary use of carbon credits as part of decarbonisation plans. The objective is to unlock $50 billion annually in climate finance through supporting high-integrity carbon markets. The coalition is composed of the UK, France, Canada, Singapore, Kenya, Panama, Peru, Zambia, New Zealand and Switzerland and is actively seeking to expand.

The final point to note in respect of carbon markets is that the EU found itself under pressure over its carbon border adjustment mechanism (CBAM) with several developing countries criticising it as a protectionist trade measure. Countries that have or are in the process of introducing a carbon price will see the need to introduce similar measures to protect their industries from cheaper imports that are not subject to such measures. This stance on avoiding trade discussions will have subdued interest in seeking deals with the EU to accept international credits after its announcement to use high-quality international credits to meet its NDC commitments.

Future of COP

Not every COP will make tangible progress but it is hard to deny an apparent lack of action from this one.

For carbon markets, there was some attention on financial support for developing countries to operationalise Articles 6.2 and 6.4 but the infrastructure supporting these tools still remains in its nascency. There may be a better understanding and pollination of carbon pricing mechanisms with the advent of the Open Coalition for Compliance Carbon Markets and possibly increased voluntary buyer confidence with the release of the *Shared Principles for Growing High-Integrity Use of Carbon Credits by Companies and Other Buyers*. However, initiatives such as the ICVCM's introduction of Core Carbon Principles integrity framework did not have the anticipated impact and the *Shared Principles* are very high-level.

A real challenge for COP is that any agreement reached must be by consensus, which means any state actor can block a proposal, and this can lead to a tendency to gravitate to the lowest common denominator to accommodate all positions. Proposals have been floated to fix this issue such as the introduction of voting arrangements and providing for more work outside of the COP process involving nonstate actors.

Separately, nonstate action may be spurred on by recent climate jurisprudence. The International Court of Justice (ICJ) issued a unanimous advisory opinion on 23 July finding that state parties to the Paris Agreement have a legal obligation to prepare, communicate and maintain NDCs capable of making an "adequate contribution" to the achievement of the Paris Agreement temperature limits. The ICJ clarified that the wrongful act is not the emission itself but the failure of states to regulate private actors including fossil fuel companies. ICJ decisions are not legally binding but they do establish a foundational understanding of state responsibility and may guide state decision making and/ or further litigation.

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