

COP29 APPROVES LONG-AWAITED GLOBAL CARBON MARKET STANDARDS: OPPORTUNITIES FOR CANADIAN COMPANIES

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Following nearly ten years of work, member states reached a significant milestone at the 29th United Nations Climate Change Conference (COP29), by approving international carbon market standards under Article 6.4 of the Paris Agreement. While significant work remains to be done to develop and operationalise the standards, the milestone is noteworthy and has the potential to address some of the challenges currently facing parties seeking to enter the global carbon market.

This bulletin is Part 3 of McMillan's series on carbon markets and discusses both the approval of Article 6.4 of the Paris Agreement as well as its impacts on Canadian businesses and those doing business with them.

Article 6.4 and the Carbon Market Standards

Article 6.4, commonly referred to as the Paris Agreement Crediting Mechanism, sets out guiding principles for the establishment of a global carbon credit market in which countries can achieve their Nationally Determined Contributions (**NDCs**) and net-zero targets through the buying and selling of carbon offset credits. Until this year, the parties to the Paris Agreement had yet to finalize the technical rules and procedures necessary to operationalize the Article 6.4 mechanism.

Prior to October 2024, the UN-backed Supervisory Body — tasked with establishing the framework for the Paris Agreement Crediting Mechanism — finalized two key standards linked to carbon removals and developing and accessing carbon crediting projects. The [first standard](#) establishes the requirements for developing and assessing projects under the Paris Agreement Credit Mechanism. The [second standard](#) establishes the requirements for projects that remove greenhouse gases from the atmosphere.

Taken together, the standards provide necessary guidance for carbon crediting project developers with respect to creating and submitting methodologies for their projects thereby allowing the projects to be registered under the Paris Agreement Crediting Mechanism with the aim to boost the vitality of the global carbon market by ensuring verifiable emission reduction projects. The Crediting Mechanism should also help facilitate direct funding to implement these projects, encouraging both countries and private companies to reduce their carbon footprints.

The Supervisory Body will resume its work in 2025, notably on clarifying rules around the non-permanence risk of credits. Interestingly, the recent decision provides that the Supervisory Body's work must be guided by the "best available science."

The approval of Article 6.4 standards at COP29 represents a pivotal step towards a more integrated and efficient global carbon market. However, parties to the Paris Agreement have yet to agree on a number of remaining Article 6 components, including Article 6.2, which would allow different parties, such as countries and private sector companies, to exchange emission reductions and removals through bilateral agreements.

Implications for Canadian Business

As discussed in Part 2 of our series "[Energy Insight – Making Dollars and Sense of Carbon Markets](#)", Canada has in place regulated carbon markets both federally and provincially. The concept of approved carbon market standards is therefore not new or novel for Canadian companies but the establishment of a global centralized carbon market can be expected to bring further opportunities for Canadian companies looking to generate and trade carbon credits outside of Canada's borders.

More widely, a centralized carbon market and the recently approved standards have the potential to fill in the void caused by the current lack of alignment in global carbon markets and therefore their utilization. The prospect of requiring additional assurances as to the quality of carbon credits could open new pathways for further revenue streams and achieving climate targets, including compliance obligations in certain Canadian jurisdictions, as a result of having this additional security. New opportunities for a Canadian company collaboration with global companies to jointly develop or fund carbon emission reduction projects may also emerge.

McMillan will continue to monitor the implementation of Article 6 of the Paris Agreement and its impact on the carbon markets in Canada and abroad.

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A Cautionary Note

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