From Forests to 2035 Goals:

Shaping COP30

Introduction

The decisions made at COP29 on Article 6 have pushed the Paris Climate Agreement to the forefront of international carbon credit markets, even before the first trade has taken place. Not only as “Article 6 alignment” become a byword for “quality” among voluntary carbon credit buyers, voluntary standards like Gold Standard and Verra have moved to align their registries with UN rules. Despite no formal negotiations on the issue scheduled at COP30, there are ongoing debates that will shape the future of the Paris Agreement Crediting Mechanism (PACM). COP30, located in Belém, Brazil is expected to focus heavily on forests and land use, while also addressing the newly-submitted Nationally Determined Contributions (NDCs).

Part 1: COP 30 Preparations

Brazil is expecting around 50,000 people to attend the UN COP30 climate summit in Belém (officially named Amazonia) at the mouth of the Amazon River. The conference has thematic pillars covering energy transition, forest/ocean/biodiversity stewardship, agriculture and food systems, resilient cities and water, human development and cross-cutting enablers (finance, technology, capacity). Within this broader agenda, the Brazilian Presidency is set to focus on nature, biodiversity and forestry as the key themes to the conference.

Many countries missed the September deadline to submit their updated 2035 emissions reduction target, including both the China and the EU, although China did submit theirs a few weeks behind schedule. While more pledges are expected to arrive before COP opens, many of the pledges that have been announced so far have proved underwhelming and fall short of expectations. This has raised concerns among climate advocates and raised questions about the efficacy of the Paris NDC process. The EU has run into an additional problem after a vote on its proposed 2040 90% reduction target was postponed after a number of countries – including France, Germany, Italy and Poland – called for further deliberation at the head-of-state level. Without the formalisation of the 2040 target, the EU will struggle to set an NDC.

Following the withdrawal of the US from the Paris Agreement in January, both the EU and China will be under intense pressure to step up and take a bigger role in climate cooperation as the two largest remaining economies party to the treaty. Washington has been actively slashing support for climate finance mechanisms and international aid, which means that support for lower income countries – among the most exposed to climate risks – will struggle to finance their transitions and address the costs and damages associated with climate change.

What’s on the Menu?

- *Funding*: Financing is set to be a major part of the negotiations again, where one of the central issues will be the annual ¤1.3 trillion in climate financing by 2035 which was agreed at COP29. Current pledges are still woefully short, with only $300 billion per year committed so far. At COP30, negotiators are expected to push for greater clarity, predictability, and equity in how climate finance is mobilized and distributed. Brazil is introducing a more ambitious framework called the Globally Determined Contribution (GDC) in order to monitor climate achievement and the appropriateness of the nfforts made by individual member states. The goal is to create a more inclusive framework that engages cities, indigenous people, youth and business to create a more collective progress towards the Paris targets.

- *Updated NDCs:* Signatories to the Paris Agreement should have submitted their third round of NDC targets, covering the period to 2035. Despite an extended deadline, only 30% of the signatories actually managed to submit one, with China, India and the EU all behind schedule. Additionally, many NDCs that have been submitted fall short of the expected level of ambition.

- *Forest Initiatives & Programs:* Brazil is putting forestry front and centre as part of the "Amazon COP". At the core of the agenda is the Tropical Forests Forever Fund (TFFF), where Brazill hopes to mobilize $4 billion annually to incentivize the conservation of tropical forests, with a portion of financing earmarked for Indigenous people and local communities.

- *Operationalization of Article 6*: Article 6 has officially entered the implementation phase, and hopefully COP30 will see the first execution of an actual trade. There are still lingering gaps in infrastructure and rules that are expected to be addressed in Belém.

Part 2: Tracking Progress

While Article 6 is not on the main agenda for COP, continuing discussions are likely to significantly influence the direction of the Paris Agreement Crediting Mechanism. PACM still faces challenges that re not unfamiliar to concerns of projects past. The issue of carbon permanence is emerging as a key concern within the UN's Framework and will be a familiar one to those that looked closely at the UN's first climate crediting frameworks: the Joint Implementation (JI) and Clean Development Mechanism (CDM). None of the PACM methodologies have adopted so far, and at least one must be approved by COP30 In Late October, the Methodological UN Panel (MEP) recommended the initial draft methodology on landfill gas usage, which will now be reviewed ahead of COP30.

Initial issuances are likely to come from transitioned CDM projects through prior consideration, which also runs a small risk of bringing the problems faced by the CDM into the new carbon market, no matter how careful the Supervisory Body is with the new methodologies. Not all – perhaps not even most – of the projects that have applied for transition will be transferred between mechanisms, but PACM is likely to face questions about the quality of the credits underpinning it.

Host country approval remains a challenge for PACM credits, as many countries are still in the process of establishing the infrastructure needed to support the corresponding adjustment paperwork. Of the roughly 2,500 CDM activities seeking transition under Article 6.4, only a small fraction have received formal approval from host countries, with an initial approval deadline in December 2025.

Offsets due for a comeback?

Article 6 is breathing new life into carbon credit markets after years of declining use driven by concerns over quality and additionality. Even the EU has given indications that it may eventually permit international, UN-approved offsets to be used towards its still unconfirmed 2040 target. The EU deliberately removed credits from the EU ETS during the transition to Phase 4. In parallel, Article 6 credits are set to play a key role in supply for CORSIA.

The increasing alignment of voluntary carbon standards with the crediting rules under Article 6 is set to reshape these markets significantly in the near future, creating a system that could overlap with domestic enforcement of NDCs and other regulatory frameworks. Both Gold Standard and Verra have taken steps to align their certification frameworks with Article 6 of the Paris Agreement through the application of corresponding adjustments.

Conclusion

An uncertain geopolitical environment will be a deciding factor in moving decisions from negotiation to implementation at COP30. The need to bridge the gap between climate ambition and action is imperative to make measurable progress toward 2035 climate goals and beyond.

For the full report and additional insights from LSEG Commodities Research, please email market.response@lseg.com.

Analysis

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