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From UAE Climate Finance to Article 6 Cooperative Approaches

Considerations for Structuring ITMO-Ready Mitigation Activities

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Table of Contents

Executive Summary

This study examines how the United Arab Emirates, acting primarily as a provider of climate and development finance, can use Article 6.2 of the Paris Agreement to structure overseas mitigation projects in ways that are both high-integrity and investable. It is set against the backdrop of the UAE Consensus on tripling renewables and doubling energy-efficiency improvements, which underscore the need to align public and private capital with credible transition pathways.

The analysis treats Article 6 first and foremost as a climate-finance and investment-structuring tool, rather than as a stand-alone carbon market. It focuses on how UAE public and quasi-public actors can design grants, concessional loans, guarantees, equity and performance-linked instruments so that UAE-backed activities abroad satisfy Article 6.2 requirements, support host-country nationally determined contributions (NDCs), and generate internationally transferred mitigation outcomes (ITMOs) consistent with high-integrity safeguards. The study is organised around three pillars: (i) structuring for Article 6 eligibility at the project and country level (additionality, conservative baselines, monitoring, reporting and verification (MRV), authorisation and corresponding adjustments, and transitions from voluntary markets and International Renewable Energy Certificates (I-RECs)); (ii) deploying non-market and market-based instruments that improve risk-return profiles for projects in the Global South, including concessional finance, grants and performance-linked mechanisms; and (iii) building market and data infrastructure – registries, interoperability, and trusted data layers – that allow mitigation outcomes to become credible, tradable assets.

Cross-cutting patterns and implications emerge. Article 6 "readiness" is multi-dimensional and context-specific, depending on the interaction of integrity standards, financing architecture and infrastructure readiness. The most defensible use cases for Article 6-compatible UAE finance are those where cooperative approaches play a clearly catalytic role, enabling more ambitious configurations, accelerating deployment or supporting system-level improvements, rather than simply overlaying carbon revenues on already bankable projects. Host-country systems and preferences are decisive enablers and constraints, shaping authorisation pathways, accounting choices and market access.

Taken together, the pillars and empirical illustrations provide a practical basis for framing a first-generation of UAE Article 6 pilots. They point to priority archetypes (such as hybrid assets in constrained systems, programme-based renewables and large transition projects in carbon-intensive grids) and to the importance of early, structured dialogue and targeted technical assistance with partner countries. The study concludes by calling for a screening and design framework that applies these insights systematically, in partnership with host governments and in line with evolving United Nations Framework Convention on Climate Change (UNFCCC) guidance.

Introduction

The operationalisation of Article 6 of the Paris Agreement is unfolding at a time when the global energy transition has been anchored in clear, quantitative targets. The UAE Consensus adopted at COP28 invited Parties to contribute, in nationally determined ways, to tripling global renewable-energy capacity and doubling the average annual rate of energy-efficiency improvement by 2030. Subsequent tracking by International Renewable Energy Agency (IRENA) and partners confirms that renewable deployment has accelerated markedly, with several hundred gigawatts of new capacity added in 2024 and most new renewable generation now out-competing new fossil-fuel capacity on cost, yet analysis also shows that progress remains uneven and the world is not yet on a tripling-compatible trajectory.

COP29 and COP30 have further consolidated this focus on finance and implementation. At COP29 in Baku, Parties agreed a new collective quantified goal on climate finance of at least USD 300 billion per year for developing countries by 2035, within a broader objective to scale total international climate finance towards USD 1.3 trillion annually over the same period[1]. The Baku-to-Belém roadmap, taken forward under the Brazilian COP30 Presidency, has framed this goal in terms of scaling public and private capital for mitigation and adaptation, including through new risk-sharing instruments and more efficient use of multilateral balance sheet[2]. In parallel, policy dialogues around COP30 have underscored that cooperative approaches are increasingly viewed as part of the broader climate-finance architecture, provided that integrity and equitable access are preserved.

A first-generation of Article 6.2 arrangements already illustrates how countries are beginning to use cooperative approaches to support the energy transition. Norway and Indonesia have established a framework in which a dedicated Norwegian climate-action facility will purchase mitigation outcomes from grid-connected renewable-energy projects in Indonesia, with a notional target of around 12 million tonnes of CO_2 reductions and an explicit aim to crowd in private investment alongside carbon revenues[3]. Morocco and Switzerland have authorised the Solar Rooftop 500 (SR500) programme under Article 6.2, a 500 MW rooftop solar initiative designed to generate ITMOs while supporting Morocco's clean-energy transition and testing a distributed, retail-level model for cooperative approaches. These examples demonstrate how financing countries are beginning to align targeted public finance and

are beginning to align targeted public finance and purchase commitments with host-country mitigation strategies, using Article 6.2 as a structuring framework rather than a stand-alone market.

The United Arab Emirates enters this phase with a distinct profile that has articulated long-term net-zero ambitions and has become a significant investor in renewable energy. It has adopted a 2050 net-zero emissions target and, by the end of 2022, held the largest installed renewable-energy capacity in the Gulf Cooperation Council (GCC), around 3.6 GW, with a further 3.85 GW tendered. National energy-transition strategies foresee cumulative investments in clean and renewable energy running into tens of billions of US dollars over the coming decades, domestically and overseas[4]. This outward-facing dimension is reflected in the portfolio of state-owned and state-backed entities. Masdar, the country's flagship clean energy and green hydrogen company, now operates in more than forty countries across six continents, with an installed capacity exceeding 20 GW and an international investment portfolio estimated at over USD 30 billion. TAQA, a majority state-owned integrated utilities and energy company, owns and manages renewable assets in markets including India, Ghana, Morocco, Saudi Arabia, the United Kingdom and the United States, and has announced plans to invest around USD 1.6 billion in Morocco's renewable-energy sector by 2030, targeting nearly 1,000 MW of capacity. At the multilateral level, the UAE's role as host of IRENA and its capital commitments to initiatives such as the Energy Transition Accelerator Financing Platform (ETAF) further illustrate its position as a provider of climate-aligned finance to developing countries.

The UAE has consolidated its role as a significant provider of development co-operation and climate-related finance, with a strong emphasis on bilateral partnerships and approaches that mobilise private capital and philanthropic actors alongside official flows. Despite this trajectory, the academic and policy literature has devoted limited attention to how a country such as the UAE, acting primarily as a financing state, might use its outbound climate and development finance to operationalise Article 6 through overseas projects. Existing work on Article 6 readiness has tended to focus on host-country governance, safeguard systems and registry design, or on theoretical allocation models for credits under project-investment approaches. There is thus a gap between, on the one hand, conceptual discussions of sovereign carbon markets and, on the other, the concrete structuring of UAE-backed investments so that they become ITMO-ready, high-integrity pilots.

This study addresses that gap by treating Article 6 primarily as a climate-finance and investment-structuring tool for UAE-backed overseas mitigation projects. The focus is on how UAE public and quasi-public actors, when financing projects in partner countries, might design and deploy instruments such as grants, concessional loans, guarantees and equity so that the resulting activities satisfy Article 6.2 requirements, support host-country NDCs, and generate ITMOs consistent with high-integrity safeguards. The research sits at the intersection of climate finance and investment, environmental and energy economics, and global carbon markets, and draws on UNFCCC guidance, emerging practice under bilateral Article 6.2 agreements and the broader literature on climate-finance risk and bankability.

Within this overall framing, the analysis is organised around three interlinked pillars, each representing a core dimension of ITMO-readiness for UAE-financed projects. Pillar 1 (Structuring for Article 6 Eligibility) examines project-level integrity and eligibility: additionality, conservative baseline setting, MRV, and host-country authorisation processes (including letters of authorisation and corresponding adjustments), as well as potential transition pathways from existing voluntary-market or I-REC-based models to Article 6-compliant approaches. Pillar 2 (Delivering Article 6.2-Compliant Projects in the Global South) reviews the spectrum of non-market and market-based financing instruments that can improve risk-return profiles and mobilise private capital into mitigation projects, with particular attention to concessional finance, grants and performance-linked structures suitable for higher-risk contexts. Pillar 3 (Market Intermediation and the Role of Technology) focuses on the digital and market infrastructure needed to convert high-integrity mitigation outcomes into reliably tradable assets, including registries, interoperability frameworks, data architectures and connectivity to exchanges and intermediaries.

Pillar 1: Structuring for Article 6 Eligibility

Pillar 1 examines what it means, in practical terms, for UAE-financed international mitigation projects to be structurally eligible under Article 6 of the Paris Agreement, and how they can generate ITMOs in a way that is consistent with high-integrity safeguards. It focuses on the project-level conditions that underpin eligibility, additionality, conservative baselines, MRV, and host-country authorization, and on whether existing initiatives that currently rely on voluntary carbon markets or instruments such as I-RECs can be repositioned onto compliance-ready Article 6 pathways. In doing so, the pillar responds directly to the overarching question in the work plan of how UAE-backed projects can be made "transaction-ready" for Article 6.2 cooperation.

Framing Article 6 cooperation and eligibility

Article 6.2 enables countries to engage in "cooperative approaches" whereby mitigation outcomes generated in one country can be transferred and used by another, provided that the units are authorised, tracked and accounted for as ITMOs. ITMOs are mitigation outcomes generated from 2021 onwards that must be subject to corresponding adjustments and to reporting and tracking rules designed to prevent double counting. Authorisation by the host country is a central concept: when a government authorises the use of mitigation outcomes toward another country's NDC, Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) or other purposes, it commits to applying a corresponding adjustment and to reporting this in its Article 6.2 submissions.

Eligibility under this architecture arises from the interaction of several layers. At the activity level, mitigation outcomes must be generated by interventions that are additional to business-as-usual, quantified using methodologies that err on the side of conservatism, and supported by credible MRV systems. At the country level, there must be institutional arrangements that define how activities are assessed and authorised, how mitigation outcomes are recorded in registries, and how corresponding adjustments are applied in NDC accounting. The combination of these layers determines whether mitigation outcomes from a given UAE-backed project could credibly be recognised as ITMOs.

Technical integrity: additionality and baseline setting

The integrity of Article 6 cooperation rests heavily on the treatment of additionality and baselines. Empirical work synthesising more than 2,000 carbon crediting projects and approximately one billion tonnes of issued credits concludes that, across the project types assessed, less than one-sixth of credits correspond to real emission reductions, with particularly weak performance in some renewable energy and land-use categories[5]. These findings point to systemic issues in traditional project-based mechanisms, including optimistic baseline assumptions, flexible methodological choices and limited scrutiny of additionality.

In the context of UAE-backed clean and renewable energy projects abroad, additionality therefore cannot be treated as a generic assertion. It needs to be grounded in a clear explanation of how UAE involvement, through concessional elements, guarantees, long-term offtake, or other forms of climate-aligned finance, changes the investment decision, accelerates deployment, or shifts the technology choice relative to a plausible counterfactual. Where projects are already commercially attractive or mandated under domestic regulation, the case for additionality becomes more demanding and may require a focus on incremental features (such as higher performance standards, system-integration investments or social co-benefits) rather than on capacity alone.

Baseline setting carries similarly important implications. Baselines must reflect what would reasonably have occurred in the absence of the cooperative approach, taking into account existing and anticipated policies, grid decarbonisation trends, technology cost declines and sectoral plans. Overly generous baselines can lead to credit volumes that far exceed actual emission reductions, a risk that the literature documents across several project types. For UAE-financed projects, this suggests a preference for baseline methodologies that use conservative grid emission factors, explicit treatment of policy developments over the crediting period and periodic updates where warranted, rather than locking in static assumptions.

The combination of robust additionality tests and conservative baselines is particularly important given that ITMOs are intended to be used toward NDCs. Any over-crediting undermines environmental integrity and also erodes the credibility of the UAE's role as a financing state and of the host country's NDC accounting. Pillar 1 therefore treats additionality and baseline integrity as core filters: only those activities that can be justified under more stringent standards than typical voluntary-market practice should be considered candidates for ITMO generation.

Case Study: Article 6 as a catalyst for a hybrid project in West Africa

A UAE-backed hybrid wind–solar–storage project in a West African power system illustrates a context in which Article 6 cooperation can plausibly play a catalytic role. The project is being prepared under a bilateral engagement with the national utility as part of a wider renewable-energy programme, with financial close targeted later this decade. The indicative capital structure combines sponsor equity with prospective long-tenor debt from development finance institutions, and there is explicit interest from stakeholders in exploring blended-finance and risk-mitigation instruments during lender engagement.

From an integrity and additionality perspective, several features make this a promising candidate for Article 6. The project is designed to reduce reliance on thermal generation while supporting grid stability in a system that is already experiencing congestion and variability. Early biodiversity surveys have identified the need for curtailment measures and habitat-protection investments, which, if fully implemented, would lower energy output and increase costs relative to a purely least-cost configuration. In this setting, structuring a portion of cooperative finance under Article 6 around results-based payments for storage performance and net-gain biodiversity outcomes would allow the project to adopt a more ambitious configuration than would likely be financed on commercial terms alone. Empirically, the case shows how clearly defined incremental features, rather than the entire project, can satisfy more stringent additionality and baseline criteria and thus form a credible basis for prospective ITMO generation.

MRV, authorisation and accounting infrastructure

MRV systems translate the design of a mitigation activity into quantified outcomes over time. Under Article 6.2, MRV requirements are linked both to the methodologies used to calculate emission reductions and to the information that countries must report in their biennial transparency reports and Article 6.2 submissions. For UAE-backed projects in partner countries, this implies that monitoring plans, data collection protocols and verification arrangements need to be consistent with independent standards and also with national inventory systems and NDC accounting frameworks.

Authorisation procedures are equally vital to this infrastructure. Countries are developing processes for reviewing proposed activities, assessing their alignment with national priorities and integrity criteria, and issuing letters of authorisation that specify how mitigation outcomes may be used and by whom. While the UNFCCC has developed a voluntary template, there is no single mandatory format, and countries retain discretion over how they structure their authorisation processes and the conditions they attach. Complementary guidance from initiatives such as the World Bank's Article 6 transaction framework emphasises the value of clear criteria for sectoral scope, positive and negative lists, and processes that link activity approval to NDC trajectories in order to manage overselling risk.

Corresponding adjustments close the accounting loop between project-level outcomes and national targets. When ITMOs are transferred, the host country adds the transferred volume to its emissions balance, while the acquiring country subtracts the same volume from its own accounts, so that the reduction is counted only once. The implementation of corresponding adjustments is also subject to technical expert review under the Paris transparency system, with early reviews expected to shape how concepts such as "significant or persistent inconsistencies" are interpreted in practice. This adds a further layer of uncertainty that UAE actors need to take into account when considering ITMO-linked structures.
For UAE-backed projects, these elements together define what "Article 6-ready" infrastructure in a partner country looks like: MRV that can feed into national systems, authorisation processes that are predictable and transparent, registries capable of tracking units and adjustments, and an emerging track record of interaction with the UNFCCC review process. Where such systems are nascent, eligibility assessments will need to be more cautious, even if project-level design appears robust.

Transitioning from voluntary markets and I-RECs to Article 6 pathways

A significant share of UAE-linked international renewable energy investments already monetise environmental attributes through voluntary carbon markets or through instruments such as I-RECs. These arrangements provide a starting point for Article 6 engagement, in the sense that they rely on codified methodologies, third-party verification and operational registries. At the same time, the conditions for using units as ITMOs are more stringent than those typically applied in voluntary settings.

In the Article 6 context, a unit issued under a voluntary standard becomes an ITMO only when it is authorised by a government for use toward another country's NDC, CORSIA or other purposes and is subject to a corresponding adjustment. The same underlying mitigation outcome can in principle support different use cases, domestic mitigation, contribution claims or ITMO transfers, but the accounting and integrity requirements diverge once international transfers and NDC use are involved. Emerging practice, reflected in trackers of Article 6 activities, shows that several countries are beginning to authorise projects based on methodologies originally developed for voluntary markets, while emphasising that such authorisation does not by itself guarantee quality.

For UAE-backed projects, transitioning from voluntary crediting or I-RECs to Article 6 pathways can therefore be understood as a structured sequence. An initial screening assesses whether the activity type and context are consistent with high-integrity standards, drawing on empirical evidence of performance and over-crediting risks across project classes. Methodologies and MRV plans may then need to be refined to align with host-country NDC accounting—by revisiting baseline assumptions, harmonising monitoring boundaries with national inventories and clarifying leakage treatment. Finally, project sponsors and host governments must determine how authorisation will be handled, including the allocation of units between domestic use and export, and the registry arrangements through which transferred units will be tracked.

This transition is not automatic and will not be appropriate for all projects. In some cases, integrity gaps, uncertainty around host-country authorisation or limited registry capacity may suggest that activities are better suited to non-ITMO routes, such as domestic mitigation contribution units. The analytical task in Pillar 1 is thus to distinguish between those UAE-backed projects that can credibly move toward ITMO generation and those for which a voluntary or domestic contribution model is more appropriate.

Pillar 2: A Review of Financing Options

The global south's climate financing challenges

A significant disparity in climate finance flows exists between developed and developing countries, often referred to as the global south. According to the Climate Policy Initiative, developed countries attracted almost half of tracked climate finance capital in the two-decade period between 2000 and 2019, while the ten most climate change-challenged developing countries received under 2% of the tracked total[6]. Given that addressing climate change necessitates major investments in low-carbon projects in the global south, the obstacles to financing such investments warrant closer examination.

It is important to recognise that public and external funding initiatives, including those led by multilateral development banks, cannot by themselves satisfy the financing needs of the Global South. The magnitude of the necessary capital illustrates the importance of designing financing systems capable of attracting large-scale private capital. The 2023 World Investment Report from the United Nations Conference on Trade and Development estimate that developing countries require up to USD $4 trillion in annual financing by 2030 to attain the UN Sustainable Development Goals (SDGs)[7]. Since 80% of climate finance is now sourced domestically, with concentrations in China, North America and Western Europe[8], the challenge of climate finance in the global south, therefore, translates into the strategic deployment of public, external and donor funding to leverage private capital. In the context of this study, this implies that UAE-backed instruments and Article 6 cooperative approaches need to be designed with a clear catalytic role in mind, rather than as stand-alone sources of finance.

Private capital is typically driven by the balance between risk and return; hence, effective financing instruments should consider this balance, striving to match potential project cash flows with their related risks. Non-private finance from a variety of sources, including local government budgets and multilateral development bank (MDB) grants and concessional loans, can offer mitigations for these risks, thereby making previously unfeasible projects more attractive for private investment. Blended approaches are therefore particularly relevant in the Global South context. Funding instrument design must also take into account the need in many of these countries to prioritise projects that address immediate needs such as poverty reduction, infrastructure development, and improved energy access. This underscores the importance of intertwining climate action with economic development.

Although evidence suggests that investors may prefer short-term returns over long-term sustainability goals, leading to hesitance in investing in risky projects, there are also substantive obstacles that result in elevated risk levels for investors in many developing countries. These include constrained and sometimes volatile public budgets and funding, and the lack of sufficient incentives for private sector participation and risk-taking given competing policy priorities. Regulatory framework uncertainties and political contexts can pose significant barriers. Long-term commitments from investors often hinge upon political and regulatory stability, and the unbiased execution of existing laws, conditions that are still evolving in many jurisdictions. Operational inconsistencies, such as limited clarity on the implementation of agreed NDCs and other targets contributes to this regulatory challenge. Other complications include gaps in critical project development data and nascent or incomplete carbon and energy pricing systems, which complicate the allocation of emission reduction efforts. These issues are reflected in the scarcity of climate projects in the Global South that simultaneously meet integrity standards and bankability thresholds.

The following section discusses non-market and market-based financing instruments that can help address these obstacles in specific project environments. In particular, the section consider how these risk factors can be reflected in project structuring and capital costs, and how this can inform the design of appropriate financing instruments for Article 6-aligned investments.

Financing Instruments

Non-market financing instruments

This section discusses two non-market instruments for their suitability to the global south context.

Concessional finance

Concessional finance is an important element of the drive to encourage private sector participation in parts of the Global South, where capital access is limited compared to high-income countries. By offering capital at rates lower than the market or under better terms, it mitigates investment risk, making climate-related projects more attractive to private investors. This improves private sector involvement in important areas, such as renewable energy and climate adaptation, helping crucial initiatives progress despite financial constraints. The benefits are manifold; it lowers financial barriers with its favourable terms such as low-interest rates and extended repayment periods, diminishing the financial strain on projects and consequently making them more appealing for private sector investment. Through strategic application of incentives such as tax reductions and subsidies, it supports expansion and novelty in sectors with far-reaching implications for the transition to an lower-emissions global economy, such as green energy and energy efficiency. Moreover, these financing mechanisms ensure the alignment of investments with wider developmental objectives, balancing economic growth and societal wellbeing with low-carbon innovation.

One of the main advantages of this instrument is its impact on the cost of capital – the core indicator investors often base their investment decision on. Since the cost of capital corresponds to the expected rate of return an investor demands of a project, the favourable terms of engagement concessional finance brings to bear on previously non-bankable projects act to lower the expected rate of return – thus making projects with low yielding prospects viable. Thus, many of the effective examples of concessional financing use by the likes of Green Climate Fund (GCF), Climate Investment Funds (CIF), International Development Association (IDA), European Fund for Sustainable Development Plus (EFSD+), International Finance Corporation (IFC) Blended Finance Program target this developmental context. Amplifying concessional finance is important to address the current shortfall in funding for Article 6.2 compliant projects, especially in emerging and lower-income countries where financial risks and infrastructural limitations pose major hindrances. Considering the need for an annual 286 billion USD by 2050 solely for climate adaptation and the fact that the substantial portion of present funding is sourced from public institutions, a substantial increase in private investment, supported by such concessional mechanisms, will be required.

Subsidies and grants

While concessional finance can encourage private sector participation by lowering the threshold for breakeven and profit, it may not be sufficient for the highest-risk or most innovative projects. In this context, using public or donor funding to take a direct stake in projects, including, where appropriate, in conjunction with ITMO transfers under Article 6.2. From an economic perspective, these instruments help address market inefficiencies associated with unpriced climate externalities: in the absence of effective carbon pricing, many low-carbon innovation projects would not proceed without some form of support. Consequently, subsidies and grants are most suitable for early-stage and speculative projects that are unlikely to be implemented without a direct injection of non-private sector funding. Indeed, it is telling that the financing structure for an early case of ITMO-linked cooperation involving Japan and Thailand[9] is made up of grants and subsidies through the Joint Crediting Mechanism Programme for Model Projects – a Japanese Ministry of Environment initiative. The project, which involves the installation of 5MW floating solar power system on an industrial water reservoir in Thailand displaces industrial reliance on fossil fuel-generated grid electricity, thereby contributing to the case for additionality. Equally important is the technology transfer and local industry developmental aspects of the project, considering that a Thai firm installs the Chinese-pioneered technologies unpinning the system.

However, if subsidies and grants are not applied correctly to directly address market inefficiencies, they can create pricing distortions that may disincentivise innovation. Design flaws and regulatory capture may also siphon much needed resources away from more effective projects. Well-designed subsidy reforms that reallocate support from fossil fuels toward clean energy and social protection, alongside targeted grant programmes

such as the earlier Japan–Thailand example, illustrate that, when applied judiciously, these instruments can help correct market inefficiencies and support low-carbon transitions.

Market financing instruments

Market-based financing instruments for projects in the global south are less developed than in many high-income countries, reflecting gaps in institutional capacity, regulatory frameworks and financial-market depth. Specifically, economically sound incentive-based market instruments, such as upstream and downstream emissions trading schemes do not yet consistently provide sufficient, predictable price signals. Therefore, this section focuses on performance-indexed mechanisms, which have emerged as a practical option for financing climate projects in higher-risk environments.

Performance-linked financing models enhance counterparty responsibility by linking payments for projects to the attainment of precisely determined, quantifiable outcomes. This approach strengthens incentives for beneficiaries in the Global South of investments that are driven to reach specific benchmarks since their recompense is influenced by validated results. The mandate for comprehensive tracking and confirmation systems in performance-based financing frameworks compels transparency, diminishes the probability of resource waste and helps to ensure that finance is used efficiently. Performance-linked financing is particularly relevant for projects in low-income countries because a lack of an established record of performance and infrastructure is often a barrier to securing finance. Thus, conditioning continued financing on the achievement of milestones can in some cases be one of the most practical market-based financing structures open to external funders. Nevertheless, the delivery of projects under these conditions still faces obstacles, such as ill-equipped infrastructure for tracking and confirming outcomes, restricted funding availability, and potential problems in syncing with local policy frameworks[10]. Mitigating these issues necessitates sturdy organisational backing, capability enhancement, and customised financial procedures that consider the distinct conditions of these economies[11].

One emerging example of the use of performance-based financing structure relate to an innovative emerging project under Article 6.2 focusing on capacity building rather than infrastructure deployment – lack of capacity building remains a significant impediment to transition finance in the global south. The 5001 Promotion of climate-smart agriculture practices for sustainable rice cultivation in Ghana is authorised under Article 6.2 and is a mitigation-focused programme implemented by UNDP on behalf of the Ghanaian government. Supported through upfront and subsequent payments aligned to the achievement of milestones by Switzerland in return for ITMO transfers, it is designed to generate a performance-indexed revenue stream directly tied to farmer behaviour change. The programme therefore relies on carbon revenue as the core economic incentive to overcome behavioural and cultural barriers, rather than on capital investment subsidies. The initiative, spanning eight years from 2022 to 2030, involves seven major rice-producing regions and is projected to yield 1,125,655 tCO2e in emissions reduction. Importantly, the reductions are in excess of Ghana's NDC commitments, given that the habit of flooding their fields throughout the growth period is common among Ghanaian rice farmers. Thus, steps to lessen methane emissions from agriculture are left out from the conditional and unconditional NDC benchmarks.

Financial structuring for Article 6 approaches

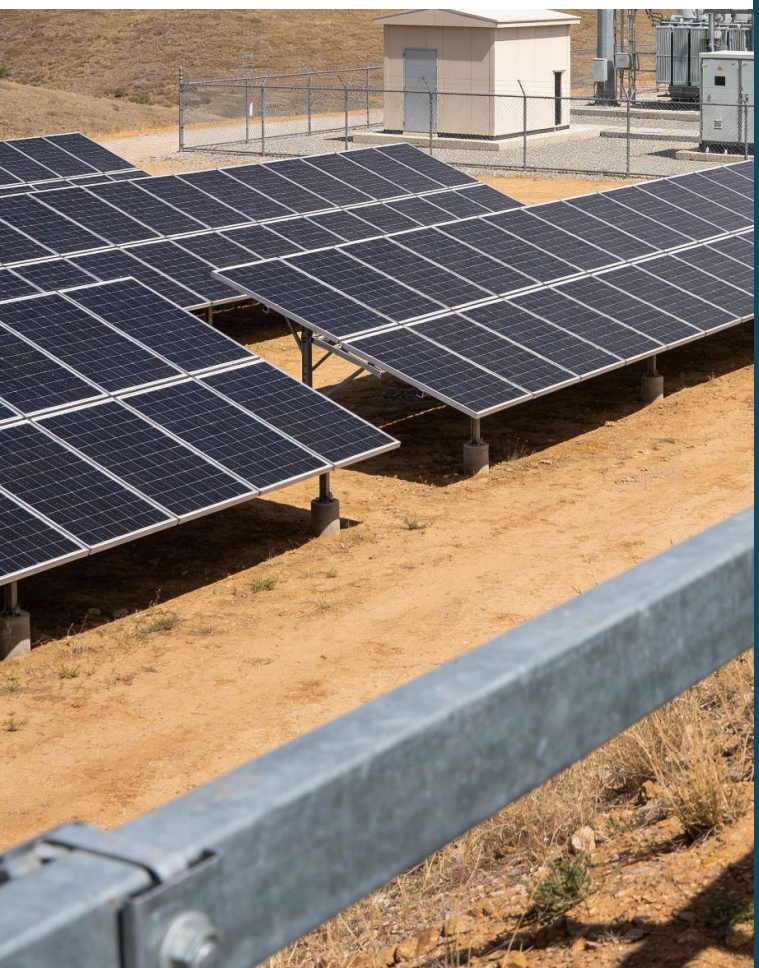
Financial structuring provides an additional lever for making Article 6-aligned projects in the Global South both bankable and environmentally robust. By combining instruments such as grants, concessional loans, guarantees, equity and performance-based payments, public and catalytic capital can be targeted at the specific risks that currently prevent otherwise sound mitigation projects from reaching financial close. In many cases, these risks relate to offtaker creditworthiness, construction and completion risk, foreign-exchange volatility or uncertainty around policy implementation. Structuring finance so that these risks are explicitly addressed can strengthen the case that Article 6 cooperation is critical to project viability, rather than simply providing an incremental revenue stream.

For UAE-backed investments, this implies that the design of co-investment platforms, green bond frameworks and catalytic capital vehicles matters as much as the choice of individual instruments. Clear eligibility criteria, use-of-proceeds rules, and impact-reporting practices can be aligned with potential Article 6 use, while leaving flexibility for

projects to operate in voluntary or domestic contribution modes where ITMO generation is not appropriate. In this sense, financial structuring is an enabling layer that connects the integrity conditions examined in Pillar 1 with the market and non-market instruments reviewed in this pillar, shaping whether Article 6-compatible projects are both additional and attractive to private investors.

A case for a blended, balanced approach

Given the challenges associated with the deployment of individual financing instruments in the Global South, it is likely that the most effective financing and support structures may be a blend of market and non-market instruments. Specifically, hybrid instruments that target lowering the risk profile of projects, while incentivising completion are well placed to support the implementation of Article 6.2-compliant projects in the Global South. This implies that hybrid mechanisms, such as blended finance, which leverages public and private capital to de-risk projects, feed-in-tariffs, and insurance and risk-sharing mechanisms can play an important role in supporting the transition to a low-carbon economy in the Global South.



Case Study : Using Article 6 to deepen a multilateral solar programme

A second illustration comes from a Sub-Saharan African country where a UAE-backed sponsor is developing two grid-connected solar PV plants under a government-led, multilateral development bank–supported programme. Concession agreements have been concluded with the government, and long-term sovereign-backed power-purchase agreements with pre-approved tariffs are in place for both sites. The envisaged capital structure combines sponsor equity with a majority share of senior debt from development finance institutions, complemented by advisory support and, where needed, political-risk and credit-enhancement tools.

In this case, many of the core bankability risks, offtaker creditworthiness, contract standardisation, and basic policy and regulatory uncertainty, are already being managed through the programme architecture. Article 6 cooperation is therefore not needed to make the initial projects financeable; instead, it can be positioned to deepen and extend the programme's impact. For example, a results-based Article 6 component could be designed to support (i) the addition of storage or grid-integration investments that are not covered by the existing tariff; (ii) accelerated roll-out of subsequent programme phases beyond the initial 80 MW-class tranche; or (iii) performance-based incentives linked to system-level indicators such as reduced curtailment or improved reliability in underserved regions. Empirically, this example demonstrates a context where Article 6 can "work" by scaling and upgrading an already bankable platform, aligning cooperative finance with clearly defined incremental outcomes rather than substituting for core programme finance.

Pillar 3: Market Intermediation and the role of technology

Article 6.2 of the Paris Agreement offers an important opportunity for the United Arab Emirates to participate in, and contribute to, the development of high-integrity carbon markets through cooperative approaches. As outlined in Pillar 1, Article 6.2 enables countries to cooperate through ITMOs under a system built on host authorisation, corresponding adjustments (CAs), and internationally recognised reporting.

Yet ITMOs only acquire market value when the infrastructure supporting them ensures transparency, certainty, and seamless interaction with global market participants. Carbon market digital infrastructure such as registries and interoperability mechanisms ultimately determines whether mitigation outcomes become credible, monetisable assets or remain stranded in administrative uncertainty.

This contribution focuses precisely on that infrastructure dimension: how UAE-backed projects can robustly access carbon markets and realise value through Article 6 mechanisms. While the broader governance and policy principles of Article 6.2 have already been addressed, the present contribution concentrates on the practical enablers of value creation for UAE-backed cooperative approaches.

This paper defines carbon-market infrastructure here as the technological systems and tools that facilitate and record the measurement, accounting, transfer, and use of mitigation outcomes. This includes registries and data management systems, MRV and carbon-accounting tools, and other related technologies that enable projects, host countries, and buyers to track mitigation outcomes, verify their integrity, and connect them to market channels.

The central argument is straightforward: infrastructure is not a background element of Article 6, it is a key enabler that helps convert mitigation into revenue, trust, and long-term credibility. The UAE's climate strategy and its growing portfolio of international mitigation activities place it in a position to engage with, support and, where appropriate, help co-develop digital market infrastructure with partner countries and international platforms.

Promoting transparency, integrity and efficiency to enable value

As described in Pillar 1, realising value from mitigation outcomes requires a continuous chain of actions, from activity approval via a Letter of Authorisation (LoA) to credit issuance, transfer, Corresponding Adjustment and final use of an ITMO. Each step is mediated by digital infrastructure, and any delay or inconsistency introduces risk for buyers and project developers. Well-designed infrastructure reduces uncertainty, accelerates transactions, and enhances price confidence.

Conversely, transparency gaps are immediately detrimental. When LoAs are poorly recorded or unit statuses appear ambiguous, buyers impose risk premiums or postpone commitments. For UAE-financed projects in partner countries, many of which are based across Africa and Asia, this challenge is amplified by heterogeneous approval processes, diverse registry systems, and varying institutional capacities. The ability to interact with these variables without duplicating data or creating reconciliation burdens is essential to maintaining transparency and long-term price stability.

Outdated or fragmented infrastructure creates reconciliation difficulties, opaque unit histories, and slow authorisation cycles. Such opacity not only erodes credit premiums but also narrows the pool of eligible buyers and can undermine the credibility of both host countries and financing partners. Automated workflows, machine-readable LOAs, verifiable CAs, and fully traceable unit lineages therefore become indispensable for accurately assessing risk and pricing. Every UAE-backed mitigation outcome should ideally be accompanied by a secure, accessible digital record demonstrating integrity from issuance to retirement.

These factors translate directly into economic outcomes. Early experience from the Voluntary Carbon Market (VCM) and emerging Article 6 discussions suggests that buyers may apply discounts and stricter risk limits when LoA or CA documentation is uncertain or incomplete. Infrastructure is thus not a technical afterthought; it is a strategic instrument for value maximisation. Building on Pillar 1's discussion of Article 6 eligibility and accounting, this section focuses on how registries and related infrastructure can promote integrity, efficiency and complete lifecycle traceability in practice.

First, as emphasised in Pillar 1, integrity and trust are foundational. A value-enabling registry must function as an immutable source of truth through secure unit serialization, robust audit trails, and automated conflict-checking that prevents double counting or misuse. Such transparency is essential for sovereign and corporate buyers, and for UAE-acquired ITMOs it directly reduces counterparty risk and reinforces national credibility.

Second, economic and market efficiency depends on infrastructure that removes technical and operational frictions. Systems that minimize reconciliation challenges, accelerate authorisations, and enable seamless connectivity with other registries and MRV platforms materially increase the speed and reliability of transactions.

Third, comprehensive lifecycle traceability is indispensable from an operational perspective. Registries that consolidate all events, from issuance to transfer and retirement, across national crediting schemes, voluntary standards, and Article 6 infrastructures provide a single authoritative record of unit status. This reduces

delivery risk, strengthens transaction certainty, and supports premium pricing for UAE-backed mitigation outcomes entering global markets.

These features are equally critical for both sell-side and buy-side. Under Article 6.2, purchasers include sovereigns seeking NDC-aligned outcomes, entities preparing for compliance schemes, and corporates pursuing Paris-aligned climate strategies. For all of them, digital trust is at the core of risk assessment. When UAE-supported projects can demonstrate these attributes through trustworthy host-country and international infrastructure, their attractiveness increases correspondingly, improving financing terms for project developers and expanding access to high-value market segments.

It is also important to remember that many ITMOs may originate within the VCM before becoming part of Article 6 transactions. Others may be issued in the Paris Agreement Crediting Mechanism (PACM) mechanism registry or via a foreign national crediting scheme. UAE actors such as public institutions, nationally designated authorities (NDAs), corporate buyers, and project developers would benefit significantly from a robust and transparent architecture that can create a unified digital pathway regardless of the issuance source of the credits, provided that host-country Article 6 rules and accounting requirements are respected.

By operationalizing a registry architecture grounded in integrity and efficiency, and by promoting reliable technology with foreign counterparties through its environmental investments, the UAE can help maximise the value of its Article 6 activities and contribute to the development of high-integrity carbon markets at regional level.

Supported by a strong digital-transformation agenda, an innovation-oriented policy environment, and advanced climate governance, the UAE is well positioned to support the deployment and promotion of such infrastructure in cooperation with partner countries. Doing so will not only reinforce bilateral cooperation but also signal to global markets that mitigation outcomes associated with UAE-backed finance are traceable and credible, thereby reducing transaction risk, increasing credit premiums, and ultimately enhancing the overall effectiveness of global carbon markets.

However, beyond transparency and integrity, the true scaling of value depends on the UAE's ability to forge seamless digital connections across systems and jurisdictions.

Connectivity and Interoperability as enablers of scale

Connectivity is the second major determinant of value under Article 6. Ensuring connectivity and interoperability between infrastructure allows data to be trusted, accessed, and used by counterparties without manual reconciliation or procedural delays. A modern registry must be capable of interacting with a wide spectrum of stakeholders: other sovereign registries for bilateral ITMO transfers, VCM standards for hybrid crediting, the UNFCCC interoperability hub, MRV platforms for data ingestion, exchanges and marketplaces for trading, custodians for asset management, and financial institutions providing insurance, ratings, or structured financing.

As the number of connected actors increases, so does the diversity of potential buyers and service providers, creating deeper pools of demand and expanding the channels through which UAE-backed units can circulate, thereby strengthening market liquidity.

A registry architecture capable of interacting with these diverse actors without duplicating data or creating reconciliation risks is therefore essential. Interoperability is the foundation through which liquidity amplifies transparency and enables long-term price stability.

As noted conceptually in Pillar 1, the creation of sound liquidity pathways is indispensable for any tradable asset class, including ITMOs. Exchanges, digital marketplaces, and brokers each play a distinct role in shaping price discovery, increasing market transparency, and improving transaction efficiency. UAE-backed projects are particularly well positioned to benefit from deeper integration with these platforms.

Enhanced price discovery naturally attracts a wider range of buyers. Infrastructure capable of supporting both over-the-counter (OTC) and exchange-based transactions would give UAE

project developers and investors the flexibility to tailor monetisation strategies to evolving market conditions.

As liquidity grows, it reduces price volatility and fosters the emergence of benchmark-like attributes for high-integrity units. With deeper trading volumes and more stable price signals, a broader financial ecosystem can begin to form around these assets, enabling futures, structured offtake agreements, and carbon-linked financing instruments.

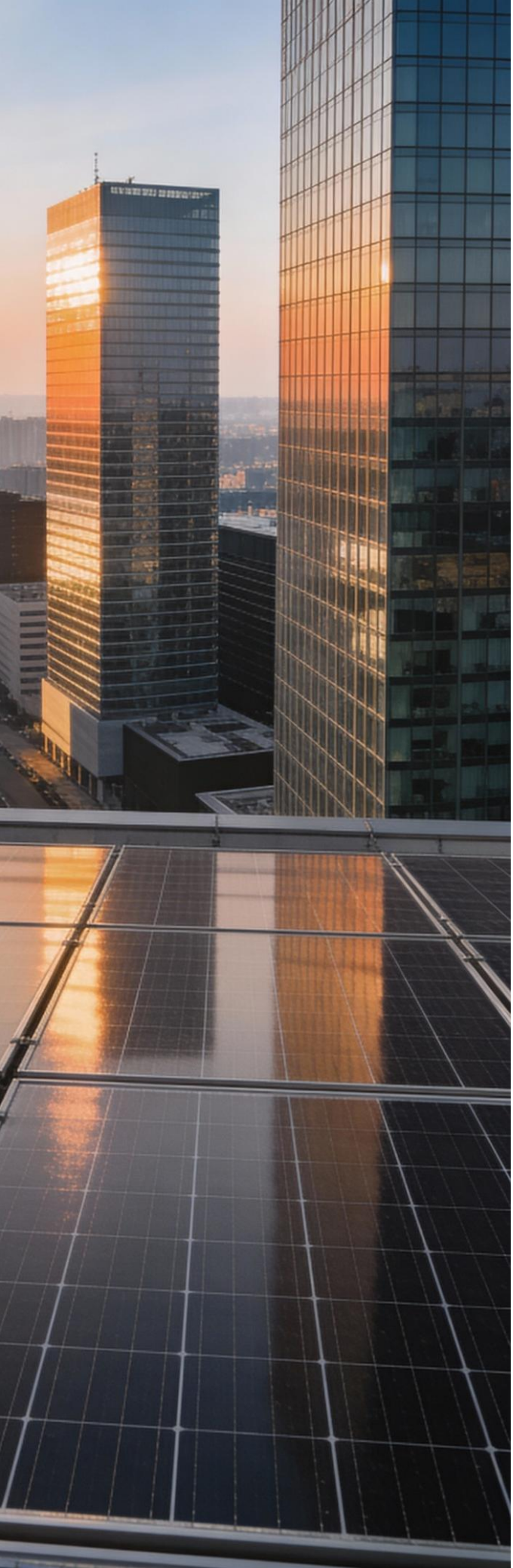
Such an ecosystem could emerge across multiple financial centres, and the UAE, given its financial infrastructure, regulatory sophistication, and growing climate leadership, can play a constructive role as one of the regional nodes for carbon finance.

Protecting UAE investments through a trusted data layer

The final aspect of value creation, complementing the risk considerations introduced in Pillar 1, rests on safeguarding integrity and mitigating risk for UAE-backed cooperative approaches, both of which rely fundamentally on a trusted data layer. A carbon-market architecture built on an immutable common data model, supported by connected registries and integrated MRV workflows, enables consistent comparison of data across jurisdictions and project types. This allows buyers to conduct rapid and reliable assessments of integrity and value, strengthening confidence in the underlying mitigation outcomes.

When information is structured consistently and interpreted unambiguously, the common data model becomes a central mechanism for validating unit histories, detecting inconsistencies, and preventing the discrepancies that can erode trust in Article 6 transactions.

A fully integrated infrastructure also allows live inventories, MRV records, and NDC tracking systems to converge into a coherent digital narrative, facilitating automatic conflict checks, separating domestic-use and export authorisations, and confirming that no unit has been counted or claimed more than once. Credibility, however, extends beyond accounting accuracy. Market perception of unit quality plays a decisive role in determining price and demand. Mitigation outcomes accompanied by Paris-aligned



labels, quality tags, and digital CA verification are more likely to attract sophisticated buyers[12]. The capacity of a registry to capture and transmit these attributes becomes therefore essential to derisking issuances and demonstrating their integrity.

In turn, such safeguards are indispensable for price protection: when the full lifecycle of a mitigation outcome is transparent, verifiable, and easily comparable, buyers are less inclined to discount its value, and access to premium market segments expands accordingly.

Ultimately, strong value protection mechanisms do more than support individual transactions, they underpin the long-term viability of investment in mitigation activities. When data integrity is assured and risks are systematically minimized, investors can model cash flows with greater certainty, assess performance across project portfolios, and evaluate returns on investment with far higher precision.

Promoting trusted data infrastructure would be expected to encourage longer-term capital allocation into UAE-backed mitigation initiatives, including early-stage project finance and multi-year sovereign agreements. In this way, a trusted data layer does not merely safeguard integrity; it creates the predictable environment required for sustained investment, durable market participation, and the steady scaling of high-quality Article 6 activity.

The UAE's proactive engagement with Article 6 creates an opportunity to contribute to the development of high-integrity carbon markets and to support partner countries in implementing cooperative approaches. Infrastructure will be a critical factor in this effort. By investing in and promoting interoperable registries, automated CA workflows, integrated MRV systems, and seamless connections to global marketplaces, the UAE can help ensure that projects it supports abroad access markets efficiently and capture the full value of high-quality mitigation outcomes. Together with project-level integrity and eligibility conditions (Pillar 1) and appropriate financing and risk-sharing instruments (Pillar 2), such infrastructure will shape whether UAE-backed cooperative approaches under Article 6 are both high-integrity and investable.

In an increasingly competitive global market, the combination of ambition and digital excellence will allow the UAE to participate meaningfully in Article 6 and to play a constructive role in the evolution of high-integrity cooperative approaches.

Emerging Patterns and Implications

Taken together, the three pillars and the empirical illustrations reveal a set of recurring patterns in how UAE-backed cooperative approaches under Article 6.2 can be structured in practice. These patterns cut across project design, financing arrangements and market infrastructure, and they frame the UAE's near-term options as a financing state engaging with partner countries on high-integrity mitigation.

Article 6 readiness is multi-dimensional and context-dependent

A first pattern is that Article 6 "readiness" emerges from the interaction of several distinct layers rather than from a single eligibility condition. Pillar 1 underscores that project-level integrity – additionality, conservative baseline setting, credible MRV and predictable authorisation – is a necessary precondition for any prospective ITMO-generating activity. The empirical examples suggest that the strength of this integrity filter depends on system characteristics. In some settings, such as hybrid projects in constrained grids with explicit biodiversity and storage components, it is possible to identify incremental features that can plausibly satisfy more stringent additionality and baseline criteria. In others, particularly where generation projects are procured through mature competitive frameworks, the scope for Article 6 to hinge on the underlying capacity alone is narrower, and attention shifts to specific enhancements or system-level outcomes.

Pillar 2 adds a second dimension by showing that the feasibility of Article 6 cooperation is shaped by the broader financing architecture. Programme-based solar developed under multilateral frameworks, large-scale renewables in systems seeking to diversify their generation mix, and projects in more nascent markets each present distinct combinations of offtake risk, policy uncertainty and capital-market depth. In some cases, cooperative approaches may plausibly support first-of-a-kind configurations; in others, they are more naturally positioned to scale or deepen programmes that are already bankable on their own terms.

Pillar 3 introduces a third dimension: the availability and quality of infrastructure to register, track and characterise mitigation outcomes over their life cycle. The ability to demonstrate that units have been monitored, authorised, adjusted and transferred in line with evolving UNFCCC guidance is central to both environmental integrity and market confidence, yet the starting point in many partner countries is heterogeneous, ranging from basic registries to more sophisticated architectures capable of interacting with international systems and market platforms.

For the UAE, the implication is that Article 6 engagement will need to be differentiated across contexts. A single template for "Article 6 projects" is unlikely to be appropriate given the diversity of partner-country systems, financing frameworks and infrastructure readiness.

The role of UAE-backed finance is most robust when clearly catalytic

A second pattern is that the most defensible use cases for Article 6-compatible UAE finance are those in which cooperative approaches can be shown to play a clearly catalytic, rather than substitutive, role. Across the pillars, the strongest examples are those where cooperative finance enables configurations that are more ambitious or more resilient than a purely commercial design would support, accelerates deployment beyond an initial phase, or facilitates system-level improvements that are difficult to accommodate within standard tariff or budget frameworks.

By contrast, arrangements in which anticipated carbon revenues simply overlay existing bankable structures, without a clearly articulated incremental outcome, are more exposed to questions around integrity and the appropriate use of scarce concessional and cooperative resources.

The empirical illustrations point to several types of incremental outcome that could be credibly associated with Article 6: storage integration linked to reliability metrics, biodiversity net-gain measures, expanded access in underserved regions, or programme extensions beyond initial tranches, among others.

For UAE actors, this suggests that internal screening and design processes for potential Article 6-linked engagements will need to identify, document and, where possible, quantify the specific incremental outcomes that cooperative finance is intended to support. It also underscores the value of close coordination between entities responsible for outbound climate and development finance and those leading on Article 6 policy and accounting, so that transaction concepts are consistent with host-country NDC trajectories and do not give rise to perceptions of double-claiming or overselling.

Host-country systems are decisive enablers of, and constraints on, cooperation

A third pattern is that many of the key enablers and constraints lie in host-country systems and preferences rather than in UAE arrangements. Pillar 1 highlights that, even where projects are designed with robust integrity features, uncertainty around authorisation criteria, LoA processes and the practical implementation of corresponding adjustments can affect the feasibility and timing of ITMO pathways. Pillar 2 shows that risk-return profiles are shaped by domestic regulatory frameworks, public-finance reliability and the depth of local financial markets, which are largely outside the control of a financing partner. Pillar 3 indicates that registries, data systems and interoperability arrangements are typically operated at the national or multilateral level, and that their evolution will influence how UAE-backed projects can interact with Article 6 accounting and market channels.

In practice, this means that partner countries will differ in their appetite and readiness for Article 6 cooperation. Some may prioritise the use of mitigation outcomes for domestic purposes or contribution claims in the near term, while others may seek to move earlier on ITMO transfers under bilateral agreements. The UAE's ability to engage constructively with both types of counterpart, while maintaining a consistent integrity standard and respecting host-country decision-making, will be central to the credibility and durability of any emerging Article 6 portfolio.

Implications for near-term UAE engagement under Article 6.2

These patterns together point to several implications for how the UAE might approach early cooperative engagements. First, there is a rationale for focusing initial pilots in contexts where at least two of the three dimensions – project-level integrity, financing architecture and market infrastructure – are already relatively well developed, and where the incremental contribution of cooperative finance can be articulated with some precision. The archetypes discussed in this study suggest that hybrid projects in constrained systems, structured programme-based renewables and large-scale transition projects in carbon-intensive systems may each offer such opportunities, albeit in different ways.

Second, early, joint problem-framing with host-country counterparts appears essential. Clarifying how potential Article 6 cooperation relates to national mitigation strategies, how units would be authorised and accounted for, and how any ITMO-linked payments would interact with existing tariffs, guarantees and public funding can help to avoid misaligned expectations and to design structures that are robust to future interpretation of UNFCCC guidance. Technical assistance and capacity-building, for example on MRV integration, registry development or contract documentation, may form a complementary track alongside investment discussions.

Third, the UAE will need to take into account the evolving nature of Article 6.2 guidance and review practice. As the first rounds of reporting and technical expert review proceed, interpretations of key concepts may change. Structuring early engagements on conservative assumptions, with clear documentation and fallback options such as domestic mitigation contribution uses where ITMO pathways are not yet feasible, can help manage this uncertainty for both the UAE and its partners.

Overall, the cross-cutting message is that Article 6 is best understood in this context as a set of disciplines and tools that can help align UAE-backed climate and development finance more

closely with host-country transition pathways, rather than as a stand-alone market to be pursued in isolation. Where integrity, financing and infrastructure are jointly addressed, cooperative approaches can offer a structured avenue for the UAE to support partner-country mitigation while generating high-quality outcomes that may, over time, be integrated into international accounting frameworks.

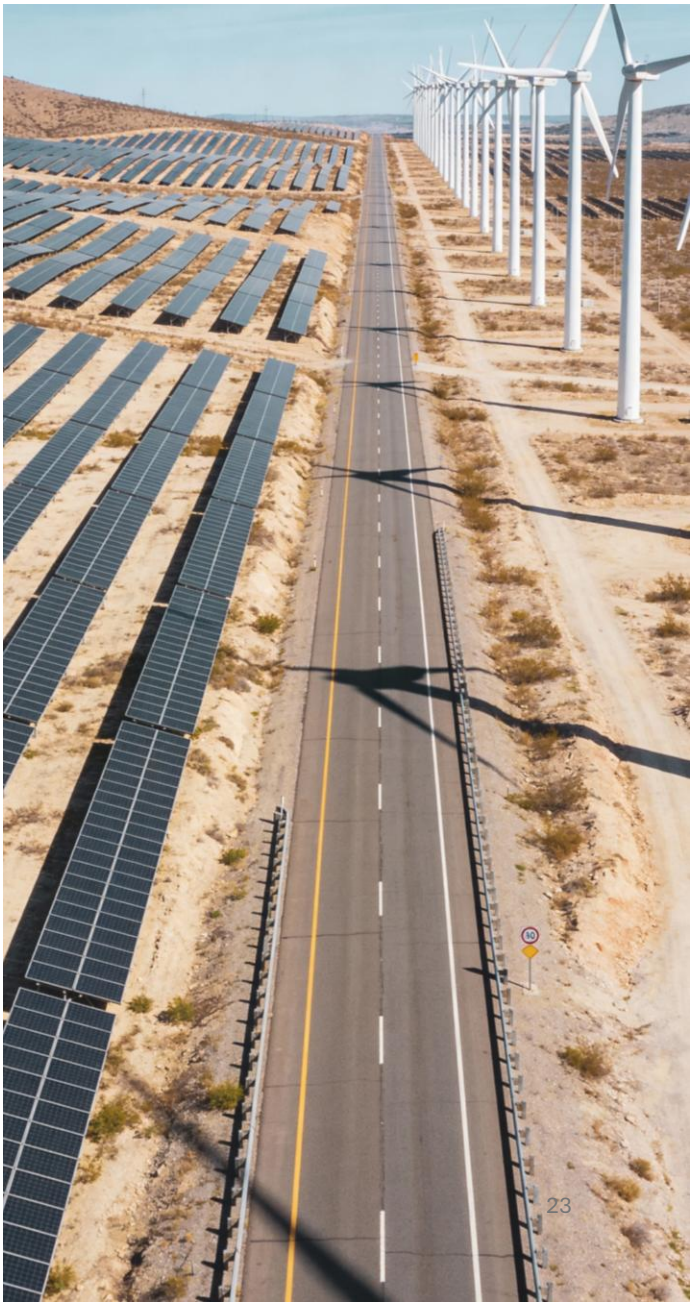
Framing a UAE Article 6 Pilot Agenda

This study has examined how the UAE, acting primarily as a financing state, can use Article 6 of the Paris Agreement to structure cooperation around overseas mitigation projects in a way that is both high-integrity and investable. It has focused on three practical dimensions: project-level eligibility and integrity, financing instruments and structuring, and the market and data infrastructure required to turn mitigation outcomes into credible, usable assets.

Taken together, the pillars and empirical illustrations provide a basis for shaping a first-generation UAE Article 6 pilot agenda. They point to the types of projects where cooperative approaches are most likely to add value – for example, hybrid assets in constrained systems, programme-based renewables that can be scaled or upgraded, and large transition projects in carbon-intensive power systems – and to the incremental outcomes that can credibly be supported through cooperative finance, such as storage integration, biodiversity measures, grid and access improvements, or expansion of subsequent phases.

The analysis also underlines the importance of early, structured dialogue with partner countries on how potential cooperative approaches relate to national mitigation strategies, authorisation choices and accounting preferences, and on how Article 6-linked payments interact with existing tariffs, guarantees and public funding. In many cases, targeted technical assistance on MRV systems, registry development or contract documentation will be a necessary complement to investment.

For the UAE, the next step is to translate these insights into a practical screening and design framework for prospective pilots, to be applied alongside existing climate and development finance priorities. If developed in partnership with host countries and calibrated to evolving UNFCCC guidance, such a pilot agenda can help demonstrate concrete models of high-integrity cooperative approaches that support partner-country transitions and are compatible with emerging international accounting frameworks.



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