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ITMO trading under Article 6 of the Paris Climate Agreement – helping or hindering global climate action?

At the climate conference in Baku a year ago, the international community adopted new rules on the trade of Internationally Transferred Mitigation Outcomes (ITMOs) between countries. Some countries are hoping to attract investments, others are using ITMOs to achieve their nationally determined contributions. Taking the example of Switzerland, Alliance Sud and Fastenaktion question whether Article 6 of the Paris Agreement, which regulates ITMO trading, is really leading to more climate action.

Switzerland considers itself a pioneer under the Paris Agreement which, 10 years ago, was widely hailed as a breakthrough in international climate policy. The Swiss Confederation was the quickest to implement Article 6, under which countries may trade in ITMOs in order to achieve their climate goals: the first bilateral agreements have been concluded, first projects approved, and the first ITMOs have been bought. On paper, Switzerland can achieve its climate targets by purchasing ITMOs despite only a negligible decline in Swiss greenhouse gas emissions. In exchange, climate action projects are being implemented in the Global South – e.g., by selling efficient cooking stoves, and promoting e-buses and e-bikes; the resulting emission reductions are then attributed to Switzerland. What does this trade in ITMOs mean for global climate action? Criticism of carbon offset projects is often countered with the assertion that they are expressly contemplated in the Paris Agreement. This is true on the sole condition that, overall, the trade in ITMOs generates more, not less climate action.

The experts from Alliance Sud and Fastenaktion investigated and analysed just how far Switzerland meets this condition as a pioneer of the Article 6 mechanism and unearthed a surprising number of puzzle pieces relevant to answering this question.

10 questions and answers regarding ITMO trading under Article 6 of the Paris Climate Agreement

1. Why does Article 6 of the Paris Agreement exist?

The Paris Agreement stipulates both a clear upper limit for global warming and a mechanism for verifying whether the world community is on track. This mechanism is known as the Paris Ambition Cycle. The underlying idea is that all countries will gradually raise their ambitions until climate neutrality is achieved. The Paris Agreement was drawn up in this spirit and the famous Article 6 is conceived in a similar vein, allowing for market mechanisms and the trade in emission certificates. It is designed as a tool with which to further raise the climate ambitions of countries. Accordingly, Article 6.1 also states:

"[...] some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity."

This formulation clearly shows that the international market mechanisms are not designed to grant countries greater flexibility in shaping their climate policy, but are aimed instead at raising ambitions in global climate action. The New Climate Institute, for example, stated: "These should be ambition-raising mechanisms rather than flexibility mechanisms."

2. In what circumstances does ITMO trading under Article 6 help boost global climate action?

Through the Paris Agreement, the world community committed itself to net zero by 2050, because, according to the Intergovernmental Panel on Climate Change (IPCC), this is the only way to achieve the 1.5-degree limit. This means that a market for tradable emission reductions can only be a transitional solution as, in a net zero world, global emissions should be as low as is technically possible. This means that in 2050, Switzerland will no longer be able to use cooking stoves and e-bikes in the Global South to offset its transport emissions.

Because many countries in the Global South rightly point to their low emission levels to date and their need for greater leeway to advance their economies, industrialised countries must achieve net-zero emissions even far earlier (2035 or 2040 at the latest). In the long term, therefore, this leaves very limited scope for trading in carbon removals, as problematic issues arise around secure long-term carbon storage, and responsibilities for this.

The trade in ITMOs under Article 6 can offer added value in the short term if countries use them to mitigate their emissions beyond what is agreed in their Nationally Determined Contributions (NDCs) – and in that way outperform their national climate targets. In such a case, they would be helping to cut global emissions faster. Switzerland, for example, is funding decentralised solar energy solutions in Vanuatu, but is not counting the resulting ITMOs towards its climate targets (this being a major exception, admittedly – see below).

A second possibility to help bring down global emissions through Article 6 was created under the rules in the form of the *Mitigation Contribution Units (MCUs)*. MCUs are generated, for example, in an e-bike project in country X (partner country) funded by Switzerland (purchasing country). Unlike ITMOs, MCUs are not left out of the partner country's CO_2 budget and transferred to that of the purchasing country, but remain in the partner country itself. That country can then attribute the emission mitigation achieved to its own climate target. In this way, the purchasing country makes a contribution towards additional emission mitigation in country X.

If such projects also transfer innovative cleantech solutions and thereby aid their dissemination, they could have a transformative impact in the partner country. In June 2025, a group of experts associated with Oxford University published the *Oxford Principles* for the responsible handling of Article 6 possibilities so that they help boost global targets and climate action beyond the status quo.

3. When does ITMO trading weaken global efforts to boost climate action?

Delaying effective climate policy in Switzerland

Without effective rules to prevent this, Article 6 emissions trading could also lead to the diminishment of global climate action. Rich countries are afforded a backdoor via which to delay needed action on the domestic front. There is a great temptation that, instead of restructuring their own economy and infrastructure with well-conceived strategies and effective action, they could turn to the purchase of ITMOs in order to achieve their national climate targets – many of which are already rather modest. This delay in implementing an effective domestic climate policy undermines the Paris climate targets.

The question arises as to how the trade in ITMOs impacts the development of cleantech in partner countries. The ITMOs generally arise from projects that are technologically "simple" and not very innovative, deemed "low hanging fruit". Examples of these are projects to popularise efficient wood and coal-burning cooking stoves, which have already been sold cheaply around the world for many years now. More complex and costly climate action is being neglected. Valuable potential for a thoroughgoing transformation is therefore being squandered.

Risk of disincentives in partner countries

Disincentives could also arise in partner countries, in that these countries have a financial incentive to structure their national climate plans so that they deliberately exclude some fields of activity (such as clean cooking or hydrogen projects) in order to make way for Article 6 projects. This is especially problematic when it comes to low-hanging fruit, as those emission mitigation actions could also be carried out by the partner country on its own, without the application of Article 6. Moreover, the obstacles facing the partner country in achieving its climate targets become greater when it must tackle more complex and costly climate activities. This also adds to the risk that fewer measures are implemented overall, and that less climate action occurs globally.

Also problematic is the ever-more frequent portrayal of ITMO purchases as international climate finance. That is misleading. The Paris Agreement requires industrialised countries to provide climate funding for developing countries without requiring in exchange that the resulting emission mitigation is counted towards their own climate targets. The purchase of ITMOs is not climate funding, but simply the outsourcing of domestic climate measures to a partner country. The purchase of these certificates under Article 6 should not conceal the fact that industrialised countries are not honouring their funding obligations.

4. Is Article 6 serving its purpose?

ITMO trading under Article 6 serves its purpose only when it leads to increased climate action. To that end, participating countries must observe clear criteria:

1. Countries must want to use the trade in ITMOs as a means of increasing climate action, rather than a way of outsourcing emission mitigation more cheaply abroad. This requires all countries, and the industrialised ones in particular, to decide on the most ambitious possible climate activities domestically, and to make their historically fair contribution to the requisite global effort. This further requires that each country's planned domestic activities should therefore place it on a development path consistent with the 1.5-degree target. Only thereafter can there be talk of higher ambitions through Article 6 mechanisms.
2. The focus must be on innovative and ecologically ambitious projects, or "high-hanging fruit", that will exert a long-term transformative impact on the partner country.
3. All activities must be aligned with a partner country's development path consistent with the 1.5-degree target.
4. Alternatively, the partner and donor countries may fund climate action through mitigation contribution units, thereby strengthening climate action in the partner country.

Failing this, Article 6 ITMO trading could have the opposite effect to its true purpose, in that rather than facilitating effective climate activities and sustainable development, it helps to water down climate targets and delay the urgently needed transformation.

5. Is Switzerland's trade in ITMOs boosting its climate action or having the opposite effect?

Under the Paris Climate Agreement, Switzerland has set a 50 per cent emission reduction by 2030 as its national climate target. This is enshrined in the CO_2 Act. Switzerland plans to achieve a third of this emission reduction target by purchasing ITMOs under Article 6. The matter of extending this practice up to 2035 or even 2040 is up for debate. Switzerland is allocating 98 per cent of the certificates purchased to its Nationally Determined Contribution (NDC). The federal government projects that by 2030 it will be able to offset 34 million tonnes of CO_2 through the trade in ITMOs. But is the purchase of these certificates strengthening or weakening Switzerland's climate action?

Approached by Alliance Sud, the Federal Office for the Environment (FOEN) takes the view that Switzerland is enhancing its climate action in this way. ITMO trading under Article 6 has "allowed Switzerland to set more ambitious climate targets than would have been possible through domestic measures alone". The FOEN justifies the highest possible ambition by citing the democratic mandate it has received legitimising such climate action: "Switzerland's climate goals were legitimised democratically by voters in referendums. Today's climate targets therefore reflect the highest politically viable ambition."

The analysis of the following questions tests whether Switzerland is already pursuing the highest possible ambition domestically, and reveals the reasons for Switzerland's purchases of ITMOs under Article 6.

6. Does Switzerland's NDC reflect a level of ambition consistent with the Paris Agreement?

No. According to the Intergovernmental Panel on Climate Change (IPCC), if there is to be any likelihood of limiting global warming to 1.5 degrees, the world must cut its greenhouse gas emissions on average by 43 per cent by 2030 and by 60 per cent by 2035 (both compared to 2019.). Reduction targets of 50 per cent by 2030 and 65 per cent by 2035 (compared to 1990 place Switzerland just about close to average. According to the international weekly magazine The Economist, Switzerland is the world's richest economy. As a rich country it bears special responsibility and must make faster cuts so as to allow poorer countries more time for the necessary adaptation. With these climate targets, Switzerland is completely ignoring its responsibility as a wealthy industrial country. The Climate Alliance (a coalition of more than 150 Swiss organisations) has pointed out that, on a *per capita* basis, Switzerland is claiming a much larger share of the remaining CO_2 budget than it is allowing other countries. Switzerland is thought to have already exhausted its CO_2 budget and should therefore be aiming for net zero by 2035 or 2040 at the latest. In other words, Switzerland's climate target is anything but ambitious. On the contrary, the current target figures indicate that Switzerland plans to continue consuming at the expense of other countries.

7. Are Switzerland's mitigation targets being implemented optimally?

No. The FOEN maintains that Switzerland is already pursuing the most ambitious climate action possible, as it has no democratic mandate to undertake further measures in Switzerland. Democratic legitimacy is undoubtedly needed in order to progress further with climate action. For Switzerland, this means that the electorate has the last word. That notwithstanding, Switzerland is not implementing all the climate action that has been authorised by the voting public. This is evident from various current legislative proposals. A closer look reveals that carbon emissions would be mitigated much faster in Switzerland if the Federal Council undertook the democratically legitimised measures and made use of the legislative leeway available to it.

By the democratic legitimacy of climate goals, the FOEN is referring to the clear acceptance of the Climate and Innovation Act in June 2023 by 59.1 per cent of the Swiss electorate. First, the Act confirmed the mitigation targets to which Switzerland already committed by ratifying the Paris Agreement. Second, the Act states that the emission mitigation must, as far as possible, take place in Switzerland and that the actions must be economically viable. According to a McKinsey study, 93 per cent of the mitigation occurring throughout the entire decarbonisation process in Switzerland will be financially viable. This suggests that the planned 2040 mitigation targets are feasible in Switzerland. To achieve net zero thereafter, negative emission technologies must then be deployed to offset the last 7 per cent of emissions that are currently hard to avoid. No ITMO purchases are therefore needed to cut emissions. This contrasts starkly with the Federal Council's estimate that emissions can only be mitigated by a maximum of 34 per cent by 2030 and that consequently, a 50-per cent reduction by that year can only be achieved by purchasing ITMOs under Article 6. The Federal Council also plans to have recourse to such instruments to realise the 2040 mitigation target of 75 per cent.

In the same Act, voters also approved a model role for the federal government and cantons. Their emissions must therefore be cut to net zero by 2040. This is a powerful climate action lever, especially with regard to upstream and downstream emissions (e.g., those stemming from public procurement). Although this law is now in force and several years have passed since its elaboration, the Federal Council is delaying implementation of this net zero target for the public sector. An implementation proposal has been repeatedly postponed under the pretext of the need for further clarifications. The provision that domestic and international finance flows should be more closely aligned with the Paris climate goals is also not being implemented. The federal government has decided nothing along those lines, despite the express approval of voters.

A similar pattern emerges in the case of several draft laws that were approved by Parliament, with no counter-referendum being launched. Under the current cost-cutting programme, recently decided measures such as the programme of building refurbishment to enhance energy efficiency will be scaled back, despite never having been challenged by the electorate. The WWF too concludes that the Federal Council is not making full use of its democratically legitimised action leeway in regard to climate.

This is also clear from public opinion polls. In a representative survey commissioned by SRF (Swiss Radio and Television) in the autumn of 2024, 72 per cent of respondents were in favour of Switzerland reducing its emissions at home rather than offsetting them abroad. Democratic legitimacy therefore means more climate action at home, not less.

8. Is carbon offsetting abroad being used to enable more climate action?

No. It is not the case that Switzerland first decides a domestic mitigation target and then tops it up with the portion of ITMOs to be bought. What actually takes place instead is illustrated by the revision of the CO_2 Act, for example, where the Federal Council and Parliament discuss domestic climate action to achieve the climate target, and in the process determine, based on the decisions taken, the emission mitigation that will *not* be effected in Switzerland.

In the spring of 2024, the Parliament adopted the CO_2 Act laying out measures for 2025-2030. The National Council and the Council of States wrangled long and hard over whether the Act should continue to stipulate a 75-per cent domestic portion of emission mitigation. The Federal Council calculated that the measures foreseen in the Act could only achieve two-thirds of the domestic emission mitigation target. Retaining 75-per cent domestic mitigation would therefore compel the Federal Council to take further domestic measures, whereas another formulation of the legislative text under revision opted for the purchase of more ITMOs.

The following analysis of the parliamentary debate therefore elucidates how carbon offsets abroad are perceived and justified domestically.

Background: In the autumn of 2022, the Federal Council tabled in Parliament the draft of a revised CO_2 Act, which opted to offer positive incentives to use more climate-friendly technologies rather than to "penalise" climate-damaging behaviour, and this in order to avoid a fresh referendum following the narrow rejection of the CO_2 Act in the summer of 2021. In presenting the draft law to the press, the then Federal Councillor Simonetta Sommaruga promised: "This will enable us to achieve our 2030 climate target." However, that draft already stipulated that only two-thirds of the emission mitigation would take place in Switzerland, and one-third through Article 6 emission certificates.

The point at issue: The CO_2 Act then in force stipulated that Switzerland had to achieve at least three-quarters of its emission mitigation targets domestically. In the new draft legislation, the Federal Council proposed that it should no longer stipulate a percentage share of domestic emission mitigation, but that such mitigation should instead be calculated as a function of the action decided upon, then written into the ordinance. In that scenario, the real domestic share would be about two-thirds. While the Council of States supported this, the National Council favoured retaining the 75-per cent domestic share in the Act, thereby keeping up the pressure for more climate action in Switzerland. This point of contention also reflected the general attitude of both chambers to the Act. While the National Council attempted to reinforce domestic action, the Council of States supported several amendments to further water down the Act.

The arguments: The Federal Council requested the Parliament to dispense with the specific 75-per cent domestic share, above all so that it would have the flexibility needed to achieve the climate targets. Moreover, Federal Councillor and Environmental Minister Albert Rösti stated repeatedly in Parliament that ITMOs were a way of reaping low-hanging fruit abroad, at a lower cost than taking action in Switzerland. These arguments were also repeated in Parliament by opponents of the 75-per cent domestic share. Its supporters advocated for increased domestic investments in order to attain at least 75 per cent of the targets in Switzerland, which they viewed as feasible.

Does Parliament want to use ITMOs to raise ambitions? No. Not a single member of parliament proposed that Switzerland should use Article 6 to outperform its targets or that Switzerland should not use the ITMOs to achieve its nationally determined contribution. Only one National Councillor had the following to say: "Actually, we should be overcompensating abroad, as we do import some emissions with goods." But of course, "actually" was as far as it got.

We began by highlighting that Article 6 emissions trading should be used for technology transfer and sustainable development, and not to buy cheap ITMOs abroad. That was clearly how the matter of cost was treated in the parliamentary debate, however. Federal Councillor Rösti said that the carbon footprint is the same if offset projects take place elsewhere, "in some instances, simply for less money." One Council of States member, too, was unambiguous in her statement: "We are mitigating emissions abroad so as to pay less, not to enhance mitigation. One could have said that because it costs less abroad, we should do more, but that is not the case." Interestingly, virtually no-one doubted that foreign offsets cost less than climate action in Switzerland, although no-one pointed to any supporting data.

The outcome: The Council of States scored a resounding success. The Act was adopted in the spring of 2024 without the 75-per cent domestic portion and with even less effective climate action than had been proposed by the Federal Council. The disillusionment was great not just within the defeated minority in Parliament. The media also criticised the Act as inadequate. The daily newspaper NZZ opined that opting for foreign offsets made it possible for Switzerland's climate action "not to affect people's comfort zone". This could be described as “entirely pragmatic – or simply fainthearted.” The Tamedia newspapers, too, criticised the Act as a “barebones climate protection proposal, which signified that Parliament was ignoring its international and domestic commitments."

The Federal Council and Parliament therefore see the potential of Article 6 emissions trading primarily in the greater flexibility it affords them to achieve their climate targets and to save money in the short term by reaping low-hanging fruit abroad. Besides, there had never been any intention to use ITMOs to outperform climate targets.

9. Why is Article 6 being used to replace climate action in Switzerland?

During the debate, some parliamentarians pointed out that it would really serve Switzerland's economic interests to invest more in domestic climate action. Why then does Switzerland still rely so heavily on carbon offsets abroad? The use of Article 6 to achieve Switzerland's targets has much to do with the lobby for the fossil fuel-based economy, as Alliance Sud has recently demonstrated. For decades the oil lobby has opposed decarbonisation in Switzerland and has managed to persuade a parliamentary majority that purchasing ITMOs abroad can be regarded as equivalent to domestic mitigation.

The role of the oil industry lobby

The three-step influence of Avenergy Suisse – formerly the Swiss Petroleum Association – on Swiss climate policy to date is clear to see:

- Following years of wrangling over a CO_2 levy, in 2005 the Federal Council acted on the suggestion of the oil lobby and adopted the "climate cent" *(Klimarappen)* as a voluntary measure for Swiss industry, and as a way of obviating the introduction of a CO_2 incentive (or steering) tax on motor fuels. This minimal charge on petrol and diesel was later enshrined in law. It serves to fund foreign offset projects under the Kyoto Protocol. It means foregoing the effect of incentivising reduced motor fuel consumption in Switzerland, with the resulting stagnation of the country's transport emissions.
- After Parliament decided in 2020 to increase the charge levied on petrol and diesel and also the CO_2 levy on thermal fuels, the oil industry lobby and the SVP together launched a referendum, and spent millions to campaign against the CO_2 Act. They succeeded. The Federal Council promised, that it would not be introducing any higher levies thereafter, then went on to propose a CO_2 Act providing for a one-third component of ITMO trading under Article 6.
- Avenergy opposes climate action in Switzerland even today. Its budget is not known, but, in addition to political lobbying (in lockstep with major business associations), its activities also encompass involvement in cantonal referendum campaigns and election campaign funding. Besides, it uses various social media channels to disseminate extremely one-sided information regarding the energy transition, as well as publicity inciting people to continue using vehicles with combustion engines and even to install new oil-fired heating systems in their houses.

The upshot of all this is that the oil lobby is using its political networks and spending huge amounts of money to embed the interests of international oil corporations in Switzerland's climate policy. Offset projects abroad therefore amount to no more than a fig leaf behind which to advance the interests of the fossil fuel industry in Switzerland.

10. Are ITMOs delivering on their promise?

If the strategy of the Federal Council and the parliamentary majority is to succeed, Switzerland must be able to purchase ITMOs for 34 million tonnes of CO_2 by 2030 and ensure that they are effective. It is doubtful whether this is possible.

A meta-study published by an international research group in *nature communications* in 2024 has revealed that over recent years, only 16 per cent of one billion emission certificates has produced additional emission cuts. In other words, certificates for over 800 million tonnes in emission mitigation were sold, although the mitigation has not taken place, or would have taken place anyway without funding through the trade in ITMOs.

There is an appreciable risk that emission mitigation could be systematically overestimated even in new projects under Article 6. For decades, players in carbon offsetting have been pledging quality improvements, but many problems are structural and remain unchanged. In our view, buyers of ITMOs should therefore purchase several times the requisite emission reductions. This is the only way for them to be sure that they have in fact realised the planned mitigation. However, that would also mean that purchasing carbon credits abroad to meet climate targets would be distinctly more costly. Given the price-sensitiveness of buyers in a market, there is also little incentive to implement projects that entail more complex procedures to achieve a transformative effect.

Implementation of Swiss bilateral climate agreements on trade in ITMOs is sluggish. There are delays at project level and also in regard to setting up the requisite processes in partner countries. Peru was the first country to conclude an agreement with Switzerland. Yet Peru and Switzerland still have not managed to approve the sale of ITMOs under the "Tuki Wasi" cooking stove project, which has now been operating for some time. As of September 2025, Switzerland has purchased a mere 0.04 per cent of the ITMOs that it needs to achieve its 2030 climate targets. Doubts have already surfaced over the capacity of the first projects approved by Switzerland and its partner countries to deliver on their promises. It is no secret that the e-buses in Bangkok are not likely to fulfil the additionality criteria and that the cooking stoves in Ghana will achieve half the amount of emission mitigation originally announced. Besides, the Federal Council has still not yet secured the funds to buy the 11 million ITMOs still presumably needed to attain the 2030 targets.

Conclusion

Switzerland is using Article 6 not to boost global climate action but as a means of postponing climate action at home, even though they have been democratically approved and would be financially viable. Considering the country's responsibility and economic capabilities, additional measures to contribute appropriately to limiting global warming to 1.5 degrees are long overdue. Swiss lawmakers are keen to save money and reap "low-hanging fruit" instead of using Article 6 to pursue additional climate mitigation and promote technologically more ambitious projects. Both politicians and society are being influenced by the oil industry lobby, which is deploying funds from international corporations to thwart the energy transition in Switzerland. The country is therefore acting contrary to the spirit and purpose of the Paris market mechanisms.

If the use of ITMOs under Article 6 is to enhance climate action, Switzerland would have to opt for more ambitious climate targets and, in particular, effective climate action at home. Besides, projects funded in this way would have to aid the implementation of climate action plans by countries in the Global South, and should count towards the partner country's climate target rather than that of Switzerland.