

THE GHANA-SWITZERLAND CASE STUDY



Advancing the Paris Agreement Through Cooperative Approaches



THE UNDP NDC SUPPORT PROGRAMME

The NDC Support Programme provides technical support for countries to pursue a “whole-of-society”, integrated approach that strengthens national systems, facilitates climate action and increases access to finance for transformative sustainable development. The programme helps countries address these financial barriers by deploying a structured approach for scaling up sectoral investments and putting in place a transparent, enabling investment environment. Beyond direct country support, UNDP facilitates exchanges and learning opportunities on NDC implementation at the global and regional level by capitalizing on our close collaboration with the UNFCCC and other strategic partners. The Programme, which works in contribution to the NDC Partnership, is generously supported by the German Federal Minister for the Environment, Nature Conservation, and Nuclear Safety (BMU), the German Federal Ministry of Economic Cooperation and Development (BMZ), the European Union and the Government of Spain.

Authors

Nature, Climate and Energy team from UNDP’s headquarters

Alexandra Soezer, Climate Change Technical Advisor
alexandra.soezer@undp.org

Louis Nunes da Costa, Private Sector Research Consultant

louis.nunesdacosta@undp.org

Environment and Climate cluster from UNDP Ghana

Stephen Kansuk, Programme Analyst
stephen.kansuk@undp.org

Citation

UNDP. (2020). Advancing the Paris Agreement Through Cooperative Approaches: The Ghana-Switzerland Case Study. New York, USA, UNDP 14 pp.

Cover photo: ©Curt Carnemark / World Bank

Contents

Introduction	3
The challenge: financing NDC implementation	
How do Article 6 instruments differ from the Kyoto carbon finance mechanisms?	
How Ghana and Switzerland are pioneering the application of cooperative approaches	
Ghana’s National Clean Energy Access Programme	6
National Enabling Conditions	
The Ghana-Swiss implementation and financing framework	9
Overview of steps and milestones needed for ITMO transactions to occur	
Technical Committee	
The financing framework	
UNDP’s Readiness Support	12
Preparing countries to engage in ITMO transfers through the design and implementation of cooperative approaches	

Acronyms

BAU	Business as Usual	MAAP	World Bank’s Mitigation Action Assessment Protocol
BTR	Biennial Transparency Report	MOPA	Mitigation Outcome Purchase Agreement
CDM	Clean Development Mechanism	MoU	Memorandum of Understanding
EPA	Ghana’s Environmental Protection Agency (EPA)	NCEP	Ghana’s National Clean Energy Access Programme
GHG	Greenhouse Gas	PBP	Performance-Based Payment
ITMOs	Internationally Transferrable Mitigation Outcomes	SDGs	Sustainable Development Goals
ITR	International Transfer Readiness	UNFCCC	United Nations Framework Convention on Climate Change
MADD	Mitigation Activity Design Document		

Introduction

The challenge: financing NDC implementation

The amount of climate finance needed for achieving the Paris Agreement goals is inherently hard to calculate. Many estimates have tried to quantify the costs of implementing solutions to the most complex and severe challenges humanity has ever faced. In 2018 the University of Tasmania calculated it would cost US\$ 4.4 trillion for developing countries to implement their NDCs, but these costs are constantly swelling as climate impacts become more prevalent. What is clear is that governments using public money cannot shoulder the burden of adequately mitigating climate change. The vast majority of emission reduction activities as well as climate adaptation interventions need to be implemented and financed by private sector and businesses. Implementing NDCs is no longer solely about reducing a country's emissions. Implementing the plans set out in countries NDCs, especially the latest round of revised NDCs, is symbiotic with achieving sustainable development and many targets countries are aspiring to reach through their commitments to the Agenda 2030 and the Sustainable Development Goals (SDGs). For the world to give itself a chance to prosper in the midst of a global pandemic and political and economic uncertainty, we need to find innovative, effective and context-sensitive ways to stimulate and scale up investment and finance for NDCs and national development plans. Many well thought-out and carefully designed plans are in place. We now need to identify suitable finance approaches so these plans can be implemented.

Article 6 of the Paris Agreement details a set of tools and mechanisms, such as cooperative approaches and the transfer of Internationally Transferrable Mitigation Outcomes (ITMOs), that can stimulate investments into mitigation activities and NDC implementation. Ghana and Switzerland have been engaging on a bilateral basis to develop an approach – in-line with the Article 6.2 of the Paris Agreement on ITMOs and the subsequently developed **San Jose principles** – that will result in a cooperative relationship and set of commercial transactions between the two countries, yielding numerous benefits for both countries. Moreover, such an approach will allow both countries to make progress on their respective international commitments to the Paris Agreement, accelerating its implementation.



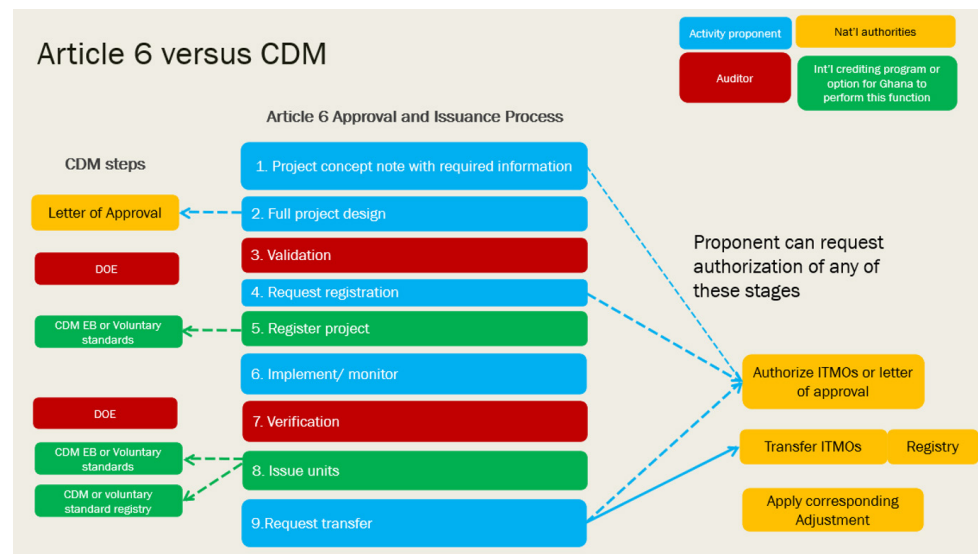
The payments for ITMOs through the cooperative approaches under Article 6.2 provide financial incentives designed to encourage investments into an emission reduction activity; de-risking the financing of mitigation activities and enabling projects to get up and running. This additionality is integral to the Paris Agreement goals.

The transfer of ITMOs requires a Buyer country, such as Switzerland, to be willing to pay for emission reductions. These payments create an additional revenue stream to a project or country that is producing emission reductions. For example, installing a wind farm will displace fossil fuel produced energy and therefore help reduce emissions. It will also generate revenue through the sale of the renewable energy it produces. However, in some cases these two benefits alone aren't enough for investors to take on the risk of financing the wind farm. If an additional revenue stream was added to this financial structure, it will attract more investors and could make the difference between financing the wind farm or not.

How do Article 6 instruments differ from the Kyoto carbon finance mechanisms?

Article 6 activities are likely to follow a project cycle similar to earlier carbon markets under the Kyoto Protocol with the most prominent being the Clean Development Mechanism (CDM).

FIGURE 1: STEPS INVOLVED IN ITMO PROJECTS



Source: World Bank, Article 6 Approach Paper, Climate Warehouse Programme

Newly added steps are related to **authorization** and **transfer** which are not contained within 6.2 but determined based on needs identified to operationalize 6.2 of mitigation outcomes and **corresponding adjustments**. The responsibility of the host country could vary depending on the extent to which the cooperating Parties rely on elements of international crediting programmes for the activity cycle. However, in general, the host country bears more responsibility under Article 6.2 of the Paris Agreement than under the Kyoto Protocol. Host countries need to ensure full transparency during the authorization and registration, monitoring and verification, and transfer processes. These tasks were previously fulfilled by the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat through highly specialized staff and therefore their delivery will require the building of robust technical capacity within the host country.

For the **authorization** to happen, a project document will have to be submitted to each participating government and each government will review the authorization request against key criteria outlined in a bilateral agreement: a political agreement key to this process which outlines the framework under which future projects will be eligible and ITMOs can be transferred bilaterally. The bilateral agreement, discussed in further detail under the Political Track section, is largely concerned with sustainable development and environmental integrity. The formal approval of the document will be published by each government and the entity authorized to transfer the resulting ITMOs is officially defined as well. The bilateral agreement - that will open the door for subsequent project-level commercial agreements - will follow 4 key principles of the underlying ITMO transfers: (1) double counting; (2) environmental integrity; (3) sustainable development; and (4) transparency. The bilateral agreement will be binding for both parties and require a ratification at national level and will provide a framework for several mitigation activities. Its timeline will be aligned with the Paris Agreement timelines. The nature of the bilateral agreement and its binding nature will ensure robust governance for transparent monitoring, verification, reporting and transfers.

For an independent, third party verification of the ITMOs, a list of approved accredited independent verifiers will be publicly announced, and the **final monitoring and verification report** will be approved and published by both governments. The transfer will be reviewed against all requirements by the transferring and receiving government. The transfer will be reported in the biennial transparency report (BTR), including qualitative and quantitative information on the transfer's corresponding adjustments. The NDC achievement will reflect the **corresponding adjustments** each year.

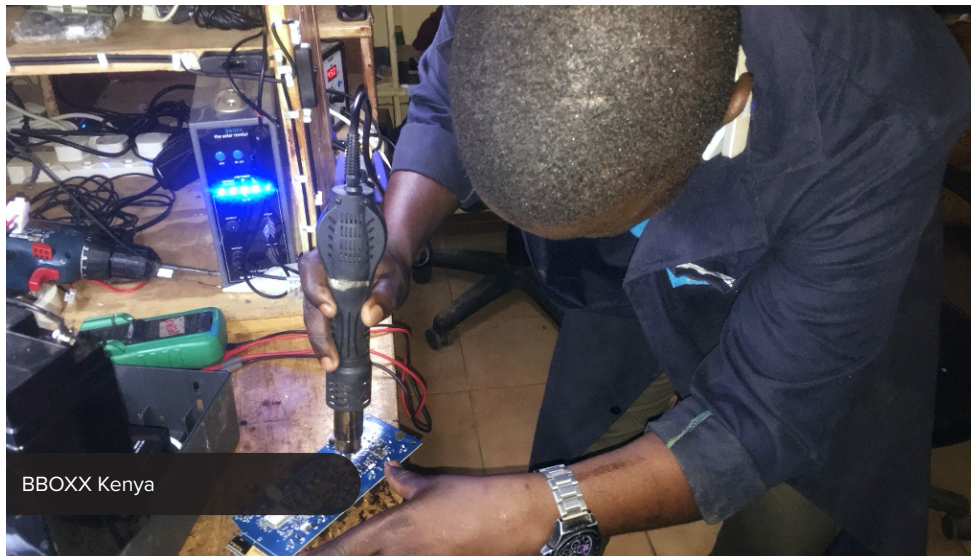
Cooperative approaches defined through a bilateral agreement will bring additional public finance and accelerate private sector engagement in mitigation projects in developing countries, building on the experiences gained under the Kyoto Protocol's flexible mechanisms. However, in contrary to the flexible mechanisms under the Kyoto Protocol, ITMO projects are not implemented under a central mechanism overseen by the UN. The technical oversight as well as issuance of internationally transferable mitigation outcomes is administered by the participating countries. This will require more capacity from participating countries and well-established national procedures and accounting systems to operationalize a national Article 6 implementation scheme in the context of the country's NDC.

How Ghana and Switzerland are pioneering the application of cooperative approaches

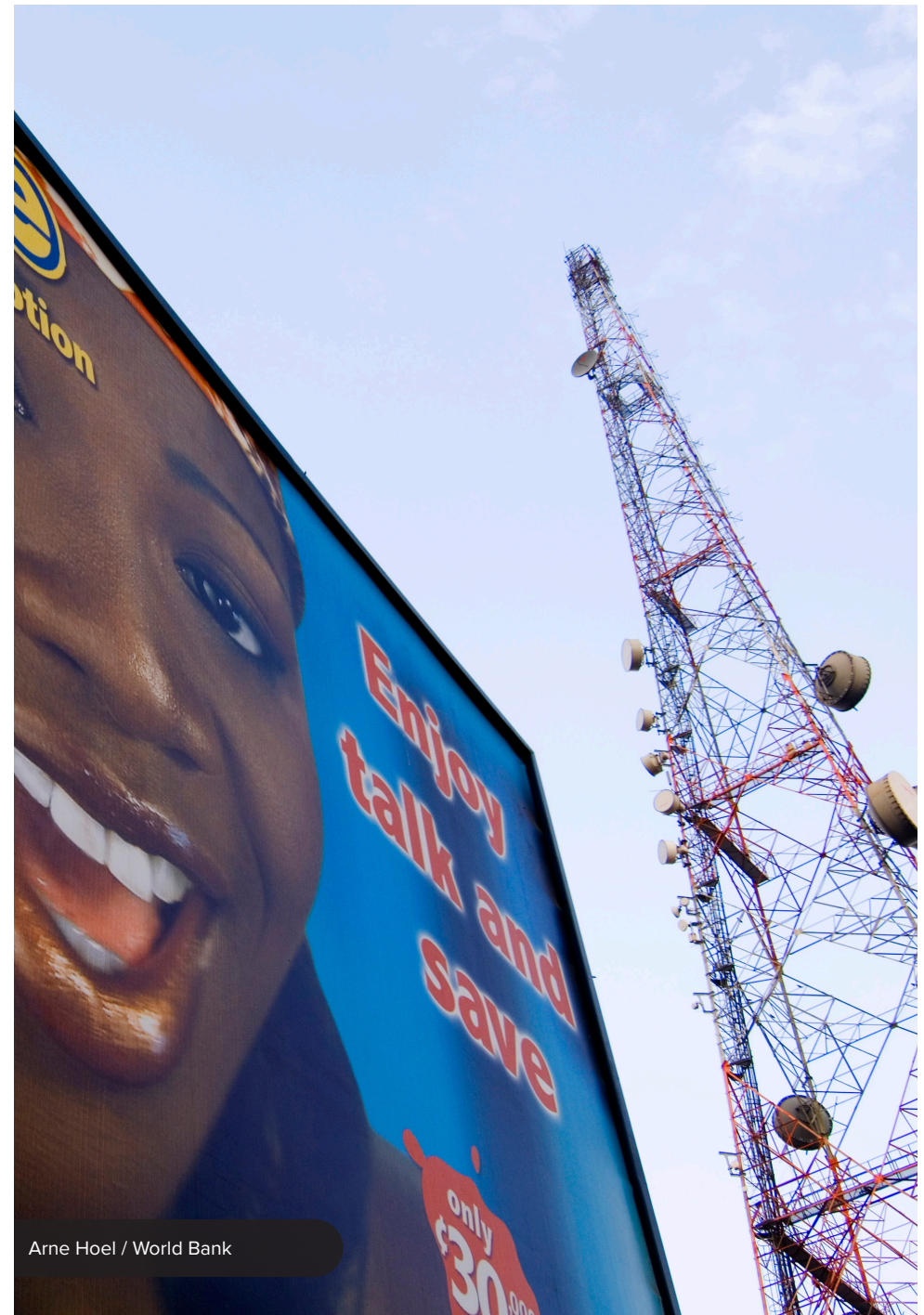
In February 2020 Ghana and Switzerland signed a Memorandum of Understanding (MoU) outlining their cooperation approach under the Paris Agreement, and intent to design a framework for ITMO projects in Ghana. **This ITMO agreement is the first ever to have been facilitated by an international intermediary – UNDP – and the second of its kind globally.**

Under the ITMO agreement, Switzerland will agree to buy a certain volume of emission reductions – ITMOs – from Ghana. This commitment from Switzerland, ahead of time (although conditional upon independent verification of results, ex-post) acts as an incentive for project developers in Ghana to finance projects that deliver mitigation outcomes, such as installing a renewable energy facility.

This document sets out to explain how Article 6 can help countries finance NDC implementation as well as national development plans. It takes a deep dive into the Ghana-Switzerland example to see the real impact the cooperative approaches can have on sustainable development and how UNDP can play a vital role in facilitating these cooperative approaches.



BBOX Kenya



Arne Hoel / World Bank

Ghana's National Clean Energy Access Programme

Ghana has adopted a two-tiered greenhouse gas (GHG) mitigation commitment in its NDC. The commitments cover a 15 percent unconditional and additional 30 percent conditional target below its 2030 business as usual (BAU) GHG emission scenario of 74 million tonnes compared to 2016 levels. The aggregate 45 percent mitigation goal translates into 2.2 million tonnes of emission reductions per annum until 2030. Twenty mitigation actions have been identified for implementation to achieve the 45 percent mitigation commitment over the lifetime of the NDCs. Natural gas for electricity generation and reforestation/afforestation of degraded lands are the two unconditional commitments with the most funding from national budget and public funds. The NDC states that with external support available to cover the full cost of implementing the conditional mitigation actions (finance, technology transfer, capacity-building), an emissions reduction of an additional 30 percent is attainable. In the 10-year period of its post-2020 enhanced climate action plan, Ghana has estimated up to US\$22.6 billion in investment from domestic and international public and private sources is needed to finance its conditional and unconditional NDC actions.

Ghana's conditional targets in the energy sector are detailed in the **NDC**, as follows:

- Scale-up renewable energy penetration by 10% by 2030;
- Promote clean rural household lightings;
- Expand the adoption of market-based cleaner cooking solutions

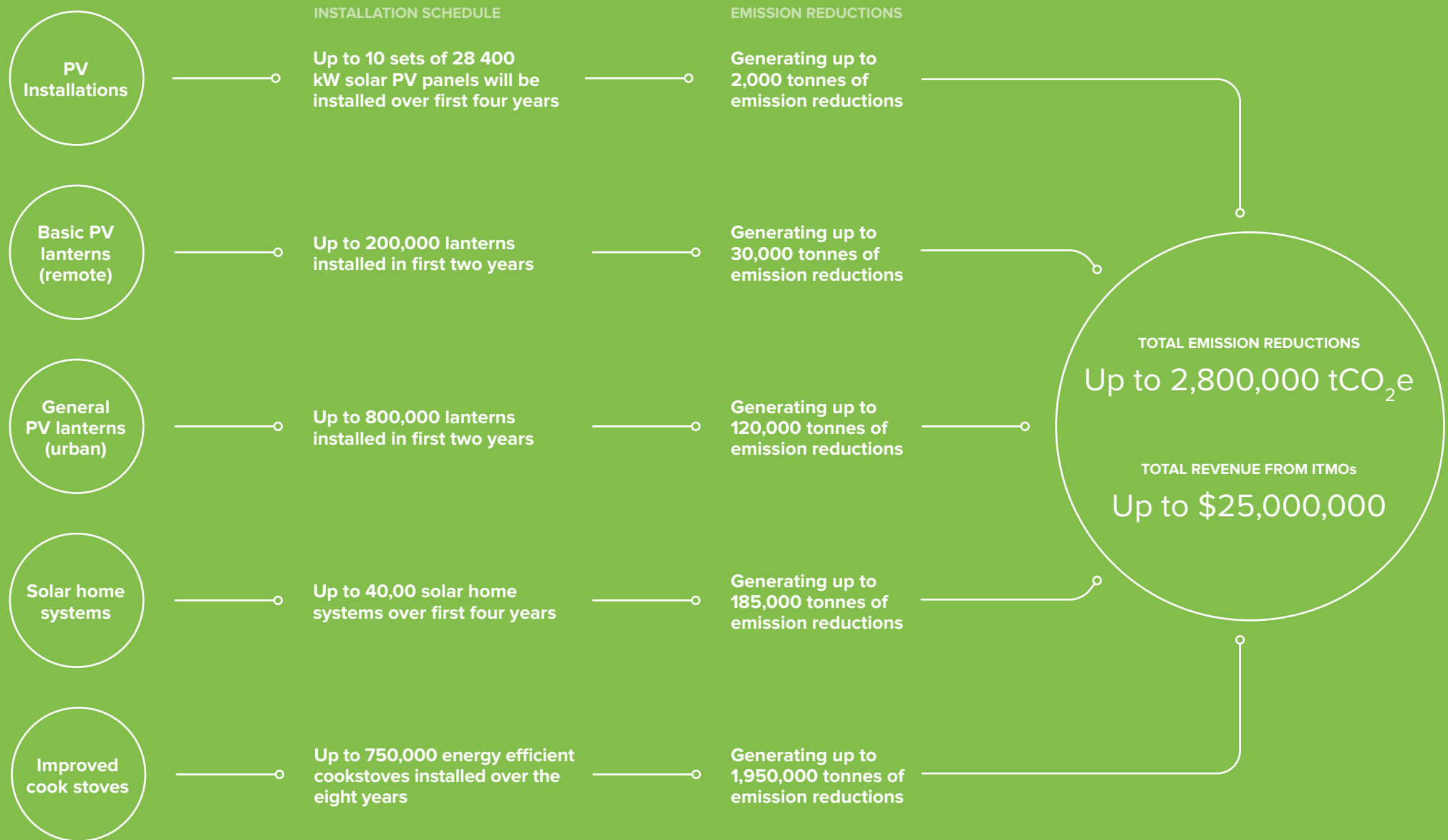
Ghana's National Clean Energy Access Programme (NCEP) can be considered the primary means of delivery of the specified conditional targets and is thus the programme that will produce the ITMOs that will be sold to Switzerland. However, crucially, the time frame through which Switzerland will be buying the ITMOs, will likely be considerably shorter than the time frame that the NCEP is operational and delivering mitigation outcomes for. For example, Switzerland is likely to buy the ITMOs produced by the NCEP each year for five years. Whereas, much of the technologies deployed under

the NCEP, such as solar PV panels, will keep generating mitigation outcomes beyond the five-year time frame. All emission reductions achieved by the NCEP that aren't sold to Switzerland – once five years of transactions have taken place – will count towards the achievement of Ghana's NDC targets.

It is important to note that the NCEP is much more than a set of numbers and a means to achieve NDC targets. The access to clean and affordable energy that this programme will provide will create jobs, transform lives, communities and economies throughout the country. It will unlock improvements in health, education, sanitation and food production. This will advance Ghana's sustainable development objectives and in an affordable manner, while engaging domestic businesses and suppliers to finance, produce or import, distribute, install and maintain the equipment and technologies involved.



THE NATIONAL CLEAN ENERGY ACCESS PROGRAMME IN NUMBER



National Enabling Conditions

The implementation of ITMO projects will require the establishment of a comprehensive set of Ghana's enabling conditions to ensure the institutional arrangements and procedures for authorization, accreditation of verifiers, approval of verification reports and corresponding adjustments are in place. The enabling environment will further require the establishment of a national carbon registry which allows for registration of projects to track mitigation outcomes as well as the issuance and transfer of mitigation outcomes.

National registry

Under the leadership of the Ghana's Environmental Protection Agency (EPA), Ghana is currently in the process of reviewing the design options for the national carbon registry. Where necessary, integrating a registry into an already existing monitoring system. Full transparency and international best practice standards shall be achieved and therefore, special attention will be given to governance, avoiding of double accounting and potential upgrading of the system for further services in the future. The proposed design will allow the user to manage and control the transactions in the registry.

Several key design details will be incorporated in the enhanced MRV system to ensure full compliance of the carbon registry with other registries to allow for future linking of systems:

- Set-up a fee system for transactions to ensure sustainability of the system.
- A general legal framework to cover the entire process and specifics for individual projects will be developed.
- A commercial manual as well as standard operation procedures for emission transaction options on the registry will be developed to avoid double counting.
- All payments will be done using national banking systems already running that would respect international and local ways of managing funds.
- All ongoing and new private sector-led mitigation actions will have to be recognized. However, there is the need to define the parameters of recognition.

- The system will capture NDC transactions but will also make room for projects that are outside the NDCs and link with other relevant data sites that are useful for emission reductions computation.
- System security features will consider firewalls, registration procedures against different types of hacking and a risk assessment matrix will be developed which will inform the disaster recovery plan.



Renate Wefers / Adobe Stock

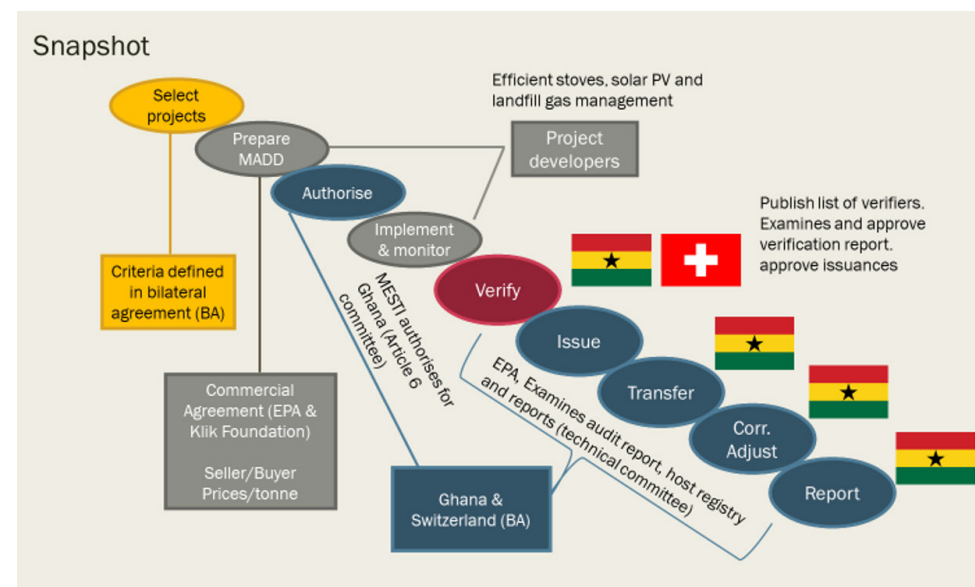
The Ghana-Swiss implementation and financing framework

In order for cooperative approaches to occur and the sale of ITMOs to be transacted between one country and another, a bilateral agreement with the text on parties agreeing to an approach needs to be in place between the two countries' governments. Ahead of any bilateral agreement, an MoU that defines what each party needs to do beforehand, can really help fast track the process that leads to the agreement. This was the case with Ghana and Switzerland, that signed an MoU confirming their intent to enter an agreement in February 2020. The way the agreement and process are designed is at the discretion of the two countries involved. Cooperative approaches are bilateral and therefore the details of the implementation approach is shaped entirely by the two countries cooperating, within the bounds of the UNFCCC guidance around Article 6.2 and the San Jose Principles.

Overview of steps and milestones needed for ITMO transactions to occur

The approach Switzerland and Ghana have adopted has two tracks that are necessary for such an ITMO agreement or framework to be established and ultimately result in the transaction of ITMOs between a Buyer and a Seller. The first track is the political track through which both governments need to agree on a bilateral agreement that details the parameters of and guidelines for all future mitigation actions and subsequent ITMO transfers that will take place over the course of the cooperation period. The second track is the commercial track, which will operate under the guidelines established by the bilateral agreement concluded through the political track. The commercial track will establish the details of the actual ITMO transactions, the payments for ITMOs and the financing of the projects.

FIGURE 2: ILLUSTRATION OF STEPS AND ROLES



Source: Environmental Protection Agency, Ghana

Political track - The political track focuses on the establishment of a bilateral agreement

In order to ensure the required quality of the ITMOs to allow for corresponding payments, Ghana and Switzerland need to establish a legally binding bilateral agreement that frames the scope of collaboration, the principles on how to ensure environmental integrity of the mitigation outcomes (e.g. corresponding adjustment) and the modalities for registration, issuance and transfer of ITMOs. The bilateral agreement is a generic agreement that can be applicable for a broad range of possible mitigation activities in Ghana.

1. Setting-up the Steering Committee

A Steering Committee has been set-up to oversee and provide strategic advice to the development of a critical document: the Mitigation Activity Design Document (MADD) that will guide the whole cooperative approach process. The Steering Committee will have the political decision power to provide guidance on matters

that relate to positioning and sovereignty of the transferring country. It is composed of representatives of the relevant ministries of Ghana, including the ministry overseeing the implementation of the NDC, the Private Enterprise Federation as well as the ministry regulating the sector in which the mitigation activity is implemented.

2. Negotiation of legal text for the bilateral agreement

A key feature of the bilateral agreement is to establish an approach through which the production and transfer of ITMOs and the whole cooperative approach can ensure environmental integrity and be conducive for sustainable development.

Environmental integrity can be achieved through:

- Non-exhaustive list of minimal criteria (e.g. “be in line with the sustainable development strategy”);
- The review and fulfillment of these criteria before authorization, by each country;
- Each country may include in its authorization decision further criteria, as adequate (e.g. from national frameworks: environmental integrity and sustainable development criteria; validation as requirement).

Principles for baseline setting from which ITMOs may be created:

- Conservativeness, including the consideration of lower end of business as usual scenario/ emission projections in the area/sector of cooperation;
- Consideration of the NDC and of existing and planned policies and measures in the area/sector of cooperation;
- Consideration of other factors incentivizing enhanced climate action in transferring country;
- Attribution to sources of international climate finance, if relevant.

3. Government Consultation

A formal national negotiation team has been established and the three formal negotiation dialogues on the details of the legal text of the bilateral agreement have been completed. Government consultations have commenced after the 3rd dialogue in August 2020. The bilateral agreement is expected to be signed by the Presidents of Ghana and Switzerland on 23rd November 2020.

Commercial track

The commercial track focuses on the establishment of a commercial agreement. **The Foundation for Climate Protection and Carbon Offset (“KliK”)** leads the commercial track of the ITMO projects and works with the EPA from Ghana to design the mitigation actions that are acceptable to KliK’s procurement strategy, but that also achieve Ghana’s development objectives.

KliK has been formed in Switzerland. It is the sector-wide carbon offset grouping for fossil motor fuels, established within the framework of the Swiss CO₂ Law. The Swiss CO₂ Law requires mineral oil companies responsible for releasing fossil motor fuels for consumption to offset part of the CO₂ emissions resulting from the use of these motor fuels. The KliK foundation fulfils this legal obligation on their behalf. To this end, it supports projects that are eligible according to national and multilateral rules. From 2021 the obligation will be extended to international offsets as stipulated by Article 6 of the Paris Agreement. The KliK foundation aims to procure eligible emission reductions in the form of ITMOs. The current draft of the Swiss CO₂ Law implies a total amount of 54 Mt of CO₂e in compliance requirement for the KliK foundation.

Through the involvement of the KliK foundation, Switzerland has engaged a number of countries, on a bilateral basis, in a process that is intended to lead to commercial agreements and the exchange of ITMOs.

1. Development of Mitigation Activity Design Document (MADD) with KliK Foundation

The MADD accompanies the whole process the cooperative approach; throughout the setting up and preparation phase, until its eventual implementation and operation. It is a living document that serves the involved parties as the basis to communicate expectation, define requirements and endorse the activity along the process. The MADD will serve as the basis for the subsequent decisions to authorise activity by the KliK and the involved parties.

Beyond the distinct purpose of serving as a guiding document and strategy for all parties to work from, the MADD provides the following key functions:

- **Defining ownership and legal title.** The MADD defines who the owner of the mitigation activity; the counterparty to the Mitigation Outcome Purchase Agreement (MOPA) which is the financial contract that defines the transaction of

payments for mitigation outcomes. It also defines the roles and responsibilities of other parties involved in the mitigation activity.

- **Understanding the domestic impact of the activity.** The transferring country needs to understand what perimeter the activity operates in and what interface there exists with governmental agencies, regulations and sovereign actions. This understanding is a pre-requisite for the political backing to enable the official endorsement and authorisation of the MADD.
- **Communicating standards.** Switzerland and all other parties want to transparently communicate how the activity adheres to high quality standards, and how they ensure environmental integrity.
- **Identify benefit sharing.** Many of the elements to be defined in the MADD need to be determined in a mutual understanding between the involved parties. Specifically, the establishment of mitigation outcome baselines will be subject to negotiation and essential to provide clarity over within the MADD.

Technical Committee

The Technical Committee has been established to give guidance on technical matters that relate to the concrete implementation and nesting of the mitigation activity under the national institutions, such as the NDC implementation strategies and the interaction with other government bodies and programmes.

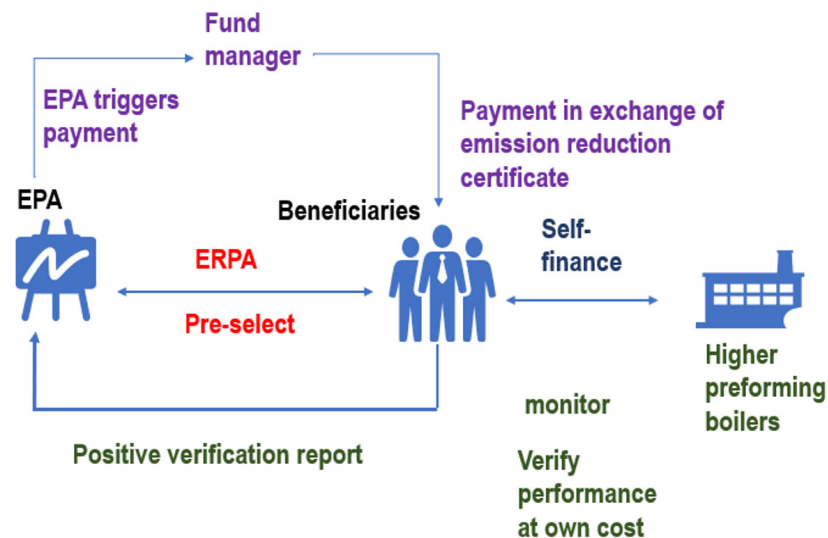
Specific considerations for the Technical Committee are: Ensure that the consultants hired design a workable approach for the implementation of the NCEP.

- Ensure that relevant contacts and data are considered in the elaboration of the MADD.
- Ensure workshops and meetings match the specific circumstances with respect of the invited participants, venue, and timing.
- Review the MADD drafts in a specific schedule as determined at the inception of the consultancy mandate.
- Report progress to the SC at defined milestones as determined at the inception of the consultancy mandate.
- Participate in at least four meetings. Additional meetings may be agreed by EPA and the KliK foundation.

The financing framework

The financing frameworks will be included in the MADD, but there may be different financing structures and instruments depending on the different technologies and mitigation activities that contribute to the MADD. This will be defined during the MADD development.

FIGURE 3: THE PERFORMANCE-BASED PAYMENT MODALITY



Source: Environmental Protection Agency, Ghana

A modality under discussion is the performance-based payment (PBP) modality which will involve several distinct steps in the case of an energy efficiency intervention currently under development for industries to switch to high performing boilers. The key steps will include:

- Pre-selected eligible beneficiaries;
- Self-financing of energy efficient boilers;
- Monitor performance at own costs and preparation of a monitoring report;
- After verification of results, EPA will initiate the payments under the commercial mitigation outcomes purchase agreement;
- Payments will be transferred by fund manager;

UNDP's Readiness Support

As has been the case with Ghana, UNDP has been an essential partner in the process. From the initiation of the process itself and the facilitation of Ghana and Switzerland's first technical engagement on ITMOs, to its role in the implementation and delivery of the planned mitigation activities being discussed as part of the ITMO agreement.

Ghana has recognized UNDP's critical role in the provision of technical assistance and support with strengthening institutional capacity and understanding around the process, that Switzerland has defined and requires compliance with. In fact, it has resulted in reaching the substantive discussions and bilateral agreement negotiations at a much faster pace than a purely bilateral process would allow. Ghana pointed out that the comparative speed and efficiency in which the UNDP facilitated the process between Ghana and Switzerland is taking place, is testament to the value added by UNDP and the need for it to be a central partner throughout the process. Moreover, in the ITMO project in Ghana, UNDP's role was most relevant at an early stage to give governments the necessary confidence to engage in Article 6.



UNDP held a webinar on Cooperative Approaches under Article 6 of the Paris Agreement. This webinar shared experiences on the collaboration between Switzerland and Ghana which culminated in a bilateral agreement being signed on 23rd November 2020. This agreement will open the door to a number of commercial agreements and projects in Ghana, that will be financially de-risked to some extent through finance from Switzerland, catalysing private sector investment into emission reduction activities in Ghana. Speakers included representatives from the Environmental Protection Agency, Ghana, UNDPN Ghana CO and the KLIK Foundation, Switzerland.

Preparing countries to engage in ITMO transfers through the design and implementation of cooperative approaches

UNDP has collaborated with the World Bank on the application of the **World Bank's Mitigation Action Assessment Protocol (MAAP)** International Transfer Readiness (ITR) module. It was applied in three countries to identify institutional gaps in line with the utilisation of carbon markets and helped to identify entry points and opportunities for carbon markets and transfer of mitigation outcomes.

Key recommendations based on the pilot applications of UNDP include the need for robust monitoring, reporting and verification (MRV) systems that are essential to avoid double counting and maintain the environmental integrity of markets. Pilot results also showed that significant capacity building is still needed to align countries' institutional frameworks and infrastructure with Article 6.2 requirements. In some countries, regulations will have to be put in place to integrate Article 6.2 instruments in policies.

While the rulebook for Article 6 is still being negotiated, the World Bank has developed the ITR module based on international best practice. A **Summary Report on Lessons Learned from the Pilot Assessments of Countries' International Transfer Readiness under Article 6.2 of the Paris Agreement** has been published by the World Bank and UNDP's readiness assessments have contributed directly to the results of the report.

Through close partnership between UNDP HQ, UNDP Ghana, and the Government of Ghana, UNDP has driven the ITMO project to where it is. Building on this experience in Ghana, UNDP will provide technical assistance to further countries on seven core thematic areas:

- 1. Conduct international transfer readiness assessments** and identify institutional and technical capacity gaps that hinder countries to successfully engage in ITMO project implementation: This support is provided through its **Mitigation Action Assessment Protocol (MAAP)** modules related to
 - ii. Article 6 readiness to engage in cooperative approaches such as ITMO projects and
 - iii. International transfer readiness
- 2. Awareness raising among public and private sector to engage in ITMO projects:**
 - iv. Enhance governments understanding of NDC projects carbon revenue potential;
 - v. Enhance governments understanding of Article 6 processes, including project authorization, project verification and issuance of mitigation outcomes and application of corresponding adjustments;
- 3. Provide technical assistance an integrated MRV system and registry to track each unit of emission reduction:**
 - vi. Assess existing MRV capacity;
 - vii. Provide technical assistance to establish an integrated MRV system to allow for rigorous verification and registry to track each unit of emission reduction, allow for rigorous verification of mitigation outcomes and corresponding adjustments in countries' biennial transparency report (BTR) reporting under the Paris Agreement;
 - viii. Provide technical assistance to develop carbon accounting Excel sheets to ensure consistency of GHG emission reduction calculations;
 - ix. Identify the responsible entity for authorization, verification and issuance processes;
- 4. Provide guidance to governments on recovery of administrative costs** for institutional ITMO project implementation oversight and use of mandatory share of proceeds: Designing a financial recovery system to ensure sustainable carbon revenue streams for effective and transparent institutional oversight of:

- x. ITMO project authorization, approval of verification reports and issuance and transfer of mitigation outcomes;
 - xi. Application of MRV system for project level tracking of mitigation outcomes;
 - xii. Corresponding adjustments and linking ITMO project reporting to BTR reporting under the Paris Agreement;
- 5. Conduct a legal assessment on legal titles of emission reductions for ITMO transfers:**
 - xiii. Assessment of existing emission reduction rights and carbon market and Article 6.2 related legislation;
 - xiv. Identification of potential regulatory gaps and necessary amendments to existing laws, considering the role and mandate of national and subnational governments;
 - xv. Identify the role of the responsible entity for the execution of the bilateral agreement;
 - 6. Conduct SDG Impact Assessment and private sector due diligence** (where applicable) to ensure projects generate co-benefits and are in line with **UNDP's Social and Environmental Safeguards: Country Offices**
 - xvi. Qualitative and quantitative SDG impact assessments to ensure compliance with UNDP's Social and Environmental Standards and demonstrate co-benefits of carbon projects through UNDP's **Climate Action Impact Tool (CAIT)**;
 - xvii. Conduct private sector due diligence of the companies, implementing the carbon projects by completing the Private Sector Risk Assessment Tool (see UNDP's policy on Private Sector Partnerships).
 - 7. Develop modalities for payments of mitigation outcomes to project developers** and explore the possibility of UNDP acting as an intermediary; directly receiving funds from buyers and issuing payments to projects in host countries through its performance-based payment modality:
 - xviii. Develop a transparent ITMO revenue payment modality from the buying Party to the selling Party;
 - xix. Consider country and political risks when developing the payment modalities;
 - xx. Ensure highest possible de-risking function of carbon revenues;

UNDP NDC SUPPORT PROGRAMME

United Nations Development Programme (UNDP)

304 E 45th Street, New York, NY 10017

www.ndcs.undp.org

 @UNDPClimate



Supported by:



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

based on a decision of the German Bundestag



Federal Ministry
for Economic Cooperation
and Development

