Bhutan's Approach to ITMO Authorisation

Authorisation, integrity and equitable benefit sharing

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Presented by Mr. Dechen Dorji

Environment Officer and Markets Co-Lead

Department of Environment and Climate Change, Ministry of Energy and Natural Resources,
Royal Government of Bhutan

Guiding questions for the dialogue

Peer-to-peer dialogue on ITMO authorisation – Bhutan's experience

A · Whether, what and how much to authorise

What key considerations inform Parties' decisions on whether, what and how much to authorise as ITMOs, including in relation to multiple NDC implementation periods and longer-term climate strategies and net zero targets?

Addressed on slides 4 and 5

B · Integrity, safeguards and benefit sharing

How do Parties consider environmental integrity, safeguards and other relevant national circumstances when making authorisation decisions? How is equitable sharing of benefits considered?

Addressed on slides 7 and 8

Guiding Question 1

What key considerations inform decisions on whether, what and how much to authorise as ITMOs, across NDC implementation periods, long-term strategies and net zero targets?

Bhutan's strategic approach to ITMO authorisation

Guiding Question 1 · From mitigation potential assessment to informed authorisation decisions

A	**Commitment.** Bhutan's voluntary pledge to remain Carbon-Neutral at all times to come in 2009 at COP 15 in Copenhagen is a fundamental consideration informing its carbon market participation and ITMO authorisation decisions.
B	**Granular mitigation assessment.** Bhutan has undertaken a detailed, sector-level assessment of its mitigation potential to identify which emission reductions and removals could potentially be authorised and which should be retained towards achieving national climate commitments.
C	**Evidence-based Positive List.** This assessment builds on the Positive List developed with technical support from the UNFCCC Regional Collaboration Centre for MENA and South Asia, providing a basis for identifying eligible mitigation activities.
D	**Balancing national and international priorities.** Authorisation decisions are informed by the need to preserve sufficient mitigation outcomes for domestic NDC implementation while identifying opportunities for international cooperation under Article 6.

Key message. Bhutan's approach is not to maximise the volume of ITMOs authorised, but to authorise mitigation outcomes based on a careful assessment of national mitigation requirements and available potential.

Determining what and how much to authorise

Guiding Question 1 · Sectoral mitigation potential, crediting periods and long-term climate alignment

A	**Sector-level assessment.** Potential emission reductions and removals have been assessed against existing national policies, mitigation measures and the identified project pipeline.
B	**Assessment period.** The analysis considers mitigation outcomes generated between 2022 and 2030, taking into account the respective crediting periods of individual project activities.
C	**Crediting-period alignment.** Different project crediting structures, including five-year and ten-year crediting periods and renewable crediting periods, are considered to ensure that the assessment reflects the actual mitigation potential over the relevant period.
D	**Long-term climate strategies.** The assessment takes into consideration Bhutan's longer-term climate objectives, ensuring that authorisation decisions do not compromise future NDC implementation or the country's long-term low-emission development pathway.
E	**Transparency and information access.** Information about the country's carbon market framework and related assessments is available through Bhutan's Carbon Market Information Platform.

Key message. Authorisation is informed by a time-bound and sector-specific assessment rather than a blanket allocation of mitigation potential for international transfer.

Guiding Question 2

How do Parties consider environmental integrity, safeguards and national circumstances in authorisation decisions, and how is equitable sharing of benefits considered?

Environmental integrity and safeguards

Guiding Question 2 · Protecting carbon-negative status while enabling low-carbon development

A	**Safeguarding carbon-neutral status.** Bhutan's voluntary commitment to remain carbon neutral serves as a fundamental safeguard in determining the mitigation outcomes that can be considered for international authorisation.
B	**Accounting for changing national circumstances.** Bhutan's graduation from Least Developed Country (LDC) status in 2023 brings evolving development priorities and the need to sustain its climate commitments alongside economic growth.
C	**Alignment with national development priorities.** Authorisation decisions consider the contribution of mitigation activities to the country's energy transition, low-carbon development and broader sustainable development objectives.
D	**Long-term environmental integrity.** The sectoral assessment helps ensure that internationally authorised mitigation outcomes do not undermine the achievement of Bhutan's national climate targets and longer-term climate strategies.
E	**Balancing climate ambition and development.** Bhutan's approach recognises that international carbon market participation should complement, rather than constrain, its domestic climate ambition.

Key message. Environmental integrity for Bhutan extends beyond the quality of individual carbon credits; it also involves protecting the country's constitutional climate commitment and long-term development pathway.

Equitable benefit sharing and the role of the BCF

Guiding Question 2 · Ensuring carbon market revenues contribute to inclusive national development

A	**Institutional anchor.** The Bhutan Climate Fund (BCF) is envisaged as an important institutional mechanism for facilitating the equitable mobilisation and distribution of carbon market revenues.
B	**Inclusive benefit distribution.** The approach aims to ensure that carbon market benefits reach communities and beneficiaries at the bottom of the pyramid, rather than being concentrated among project developers or market intermediaries.
C	**Linking carbon revenues to national priorities.** Carbon market proceeds can support climate action, sustainable development and community-level interventions, strengthening the domestic value of Article 6 participation.
D	**Article 6 Accelerator.** Bhutan has secured funding support towards its Article 6 Accelerator initiative, to develop 'Smart Contracts' currently at the conceptualisation stage.
E	**Moving towards implementation.** This approach seeks to connect international carbon market opportunities with tangible local development benefits through appropriate financial and institutional mechanisms.

Key message. Bhutan's ambition is to ensure that the benefits of international carbon market participation translate into tangible and equitable outcomes for its people.

Bhutan’s experience for other Parties

Conclusion

> *“Bhutan’s experience demonstrates that ITMO authorisation should be guided by a country’s national circumstances, long-term climate ambition and a careful assessment of its available mitigation potential. For a carbon-negative country like Bhutan, the priority is to ensure that international cooperation under Article 6 complements its constitutional commitment and domestic development priorities. Equally important, the benefits generated through carbon markets must translate into meaningful and equitable outcomes for communities and the wider economy.”*

A · Differentiated approach	B · Methodology	C · Benefit sharing
Being carbon negative does not automatically mean that all available mitigation outcomes can be authorised; deciding what to retain domestically is central.	Sectoral assessment, project pipeline, the 2022–2030 assessment period and project-specific crediting periods offer practical lessons for other Parties.	The Bhutan Climate Fund and the proposed Article 6 Accelerator ‘Smart Contracts’ connect carbon market revenues with inclusive development.

Kadrinche La!