Article 6.2 Ambition Dialogue

Authorizing ITMOs in support of ambition

On behalf of RINGO

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Transparency and robustness

The transparency of the authorization process is key to ensure trust in the contribution of ITMOs to the Paris Agreement goals.

> **>> Disclosing eligibility criteria for authorization ex-ante** is critical to enable stakeholders to assess the consistency of ITMO generation with reaching targets of NDCs and LT-LEDS.

Parties should not assume that mitigation outcomes are environmentally sound merely because they have been issued under an established private crediting programme. The world's biggest programmes have issued credits with questionable integrity in the past.

> **>>** Authorisation decisions should rely on **robust baseline and monitoring methodologies** and **criteria aligned with Article 6.4**. They **should not automatically convert voluntary carbon market credits into ITMOs.**

However, a sovereign assessment of methodologies and mitigation outcomes' alignment with NDCs, environmental integrity and safeguards is resource-intensive and requires significant human capacity.

> **>> Buyers of ITMOs should contribute to capacity-building for this**, in addition to ensuring that they do not buy hot air.

Raising ambition

How can ITMO authorization actively support further ambition in host Parties?

One key instrument available for this is to differentiate authorization shares according to mitigation costs, rather than applying a uniform 50% share that would be easy to manage but crowd out higher cost mitigation options.

> **>>** Host Parties could **retain a larger share of mitigation outcomes from activities with low marginal abatement costs,** while **authorizing a larger share of outcomes from higher-cost activities.**

And if Marginal Abatement Cost Curves (MACC) are not available nationally :

> **>>** Host Parties could **adopt a low default authorization share** but enable an **increase of the share based on the level of evidence provided** by project developers regarding an activity's contribution to long-term domestic mitigation.

Sustainable development and just transition

Authorization decisions should go beyond assessing mitigation outcomes and explicitly consider the mitigation activities' sustainable-development and just-transition impacts.

>> This requires **meaningful opportunities for civil society and affected communities to contribute** to authorization processes, particularly in decisions concerning **benefit-sharing and the management of potential negative impacts.**

Conclusion

In contrast to the past, where approval of CDM projects did not have accounting implications for the host countries, authorization triggers corresponding adjustments and thus needs to be done wisely.

Simple approaches to authorization will lead to inefficiencies, while applying a differentiated, optimal approach requires human capacity and generates transaction costs.

The resulting trade-off requires **proactive management by host countries** and calls for **willingness in buyer countries to contribute to the higher-cost mitigation outcomes.**