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# **Guidance Manual For Internationally Transferred Mitigation Outcomes (ITMOs) Projects in Vanuatu**

**Identifying, Developing,  
Implementing and Managing  
ITMOs Projects in Vanuatu**

**Draft Version 1.1  
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# Contents

Acronyms.....	4
Introduction .....	5
Background.....	5
Vanuatu's NDC .....	6
Switzerland's NDC .....	7
Switzerland's Bilateral Agreements .....	7
Switzerland-Vanuatu Bilateral Agreement .....	8
ITMOs Governance and Oversight.....	9
Governance Structure .....	9
Authorizing Entity .....	10
Technical Review Committee .....	10
Steering Committee .....	11
Validation and Verification Body.....	11
Eligible Sectors and Sub-sectors Aligned to Conditional NDC.....	12
Eligible Baseline and Monitoring Methodologies.....	12
Procedures for Engaging Project Proponents.....	13
ITMOs Project Implementation Process .....	14
User Registration Process.....	16
ITMO Project Idea Note (ITMO-PIN) Approval Process.....	16
ITMO Design Document (ITMO-DD) Approval Process.....	18
ITMOs Monitoring Report (ITMO-MR) Approval Process.....	19
ITMOs Transfer and Settlement, and Corresponding Adjustment Process .....	21
Annexures.....	23
Annexure 1 – Important Definitions .....	23
Annexure 2 - Forms and Templates .....	25
Annexure 3 – Roles & Responsibility Matrix .....	26
Annexure 4 – Indicative VVB Assessment Criteria .....	28

# Figures

Figure 1: Climate Change-Organizational and Institutional Structure in Vanuatu.....	9
Figure 2: ITMOs Project Implementation Process – Registration of ITMO Project.....	14
Figure 3: ITMOs Project Implementation Process – Issuance of ITMOs, Transaction & Settlement, and Corresponding Adjustment .....	15
Figure 4: User Registration Process.....	16
Figure 5: ITMO-PIN Approval Process .....	16
Figure 6: ITMO-DD Approval Process.....	18
Figure 7: ITMO-DD Approval Process.....	19
Figure 8: ITMOs Transfer and Settlement and Corresponding Adjustment Process.....	21

# Acronyms

AE	Authorizing Entity
BTR	Biennial Transparency Report
CDM	Clean Development Mechanism
CMA	Conference of the Parties serving as the meeting to the Parties of the Paris Agreement
COP	Conference of the Parties
CSOs	Civil Society Organizations
DoCC	Department of Climate Change
DoE	Designated Operational Entity
GHG	Greenhouse Gases
GS	Gold Standard Foundation
HR	Human Rights
ITMOs	Internationally Transferred Mitigation Outcomes
ITMO-DD	ITMO Design Document
ITMO-MR	ITMO Monitoring Report
ITMO-PIN	ITMO Project Idea Note
LOA	Letter of Authorization
MRV	Monitoring, Reporting & Verification
NDC	Nationally Determined Contributions
NAB	National Advisory Board
SOP	Share of Proceeds
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VVB	Validation and Verification Body

# Introduction

## Background

The Paris Agreement a legally binding international treaty on climate change, set out a collective goal for international climate change action – to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas (GHG) emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

The Paris Agreement embodies a new approach to international climate policy by requiring all parties to undertake and communicate ambitious efforts as response to climate change as their nationally determined contributions (NDCs). The NDCs shall include efforts to reduce national emissions and adapt to the impacts of climate change, shall also represent a progression over time, while recognizing the need to support developing countries for the effective implementation of this agreement and the achievement of the long-term goals.

Article 6 of the Paris Agreement provides an opportunity for countries to achieve or improve the ambition of their NDCs, to promote sustainable development and environmental integrity. Article 6 provisions use of voluntary cooperation in the implementation of NDCs via market and non-market-based approaches i.e., the implementation of climate change mitigation and adaptation plans.

The Article 6 includes two market approaches, and one non-market approach

- A voluntary cooperative approach included in the use of Internationally transferred mitigation outcomes (ITMOs<sup>1</sup>) (Article 6.2 and 6.3).
- A new market mechanism, sometimes referred to as a “sustainable development mechanism” (Article 6.4 to 6.7); and
- A framework for non-market approaches mechanism (Article 6.8).

**Cooperative approaches under Articles 6.2 and 6.3:** The Article 6.2 and 6.3 provisions application of voluntary cooperative approaches (collaborative market mechanisms) and involve the use of ITMOs towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the COP/MOP. They offer a “decentralised” and country-led approach to the governance of cooperative approaches, but place safeguards at the level of the UNFCCC<sup>2</sup> to ensure the integrity of mitigation outcomes when they are transferred internationally and used to help achieve NDCs.

<sup>1</sup> ITMOs use a carbon dioxide equivalent [CO<sub>2</sub>e] metric for a new set of market provisions or other greenhouse gas (GHG) mitigation outcomes that are defined under Article 6 of the Paris Agreement. Under Article 6.2, ITMOs differ from previous offset schemes, as they count toward countries' Nationally Determined Contributions (NDCs), support overall mitigation in global emissions (for Article 6.4)

<sup>2</sup> Modalities, procedures and guidelines for the transparency framework for action and support

**The UNFCCC-governed crediting mechanism under Articles 6.4 to 6.7:** This recognises the value of having a centralised, international crediting instrument under the UNFCCC, with assured quality and fungibility of the emission reductions, that may be used by all countries to help achieve their NDCs and support their sustainable development.

**The framework for non-market approaches under Articles 6.8 and 6.9:** This recognises that the substantial portion of climate action does not engage market approaches, contributes to the achievement of NDCs, and needs promotion and coordination.

Article 6 paves the way for evolved priorities and new innovative approaches and guidance for how this cooperation may function and to ensure that appropriate safeguards are in place.

## Vanuatu's NDC

The Vanuatu's enhanced NDCs includes activity-based mitigation targets, sectoral and policy targets in key sectors, including emissions reduction in some sub-sectors, as follows:

- **Energy Industry (Electricity Generation):** By 2030, Renewable Energy Capacity Addition and substituting (replacement) of fossil fuels with Coconut (Copra) Oil based Electricity Generation: transitioning to close to 100% renewable energy in the electricity generation sector.
- **Transport:** By 2030, 10% improvement in transport (land and marine) energy efficiency; Electric Vehicles (e-Mobility): by 2030, (a) Introduce Electric Vehicles (e-buses) for public transportation (10% of total Public Buses); (b) Introduce Electric Cars (e-Cars) in Vanuatu (10% of government fleet); and (c) 1000 Electric Two wheelers (e-bikes) /Three Wheelers (e-rickshaw); By 2030, 20 % Bio-diesel (bio-fuel) Blending in Diesel; and by 2030, Milage and Emission Standards for Vehicles.
- **Other Sectors - Commercial, Institutional and Residential:** By 2030, (a) 100% electricity access by households in off-grid areas; (b) 100% electricity access by public institutions (on- and off-grid); (c) 13% electricity sector end-use efficiency; (d) 14% improve biomass end use (improved cook stoves and drying) efficiency; (e) 65% renewable electricity use by rural tourism bungalows; By 2030, installation of 1000 numbers of Biogas Plants for Commercial and Residential Use; By 2030, Increase Energy Efficiency in Commercial and Residential Sector, (a) 5% increase in Energy Efficiency in Commercial and Residential Sector; and (b) 10 Numbers of Energy Efficient Building (Green Building); and By 2030, Increase Ecotourism Supported by Local Communities
- **Livestock:** By 2030, Training and capacity building for livestock farming and pasture management; By 2030, Converting Pastures to Silvopastural Livestock Systems; and by 2030, International Collaboration to Improve Livestock Efficiency.
- **Forestry:** Vanuatu is committed to maintaining its forest cover in the country and is expected to remain net carbon negative in future as well. The REDD+ programme is currently being implemented in Vanuatu to improve sustainable forest management practices.

- **Solid Waste (Municipal Solid Waste):** By 2030, Implement Waste to Energy Plant for Municipal Solid Waste (MSW): (a) Waste to Energy Plant for Port Vila; (b) Waste to Energy Plant for Luganville; and (c) Waste to Energy Plant for Lenakel. By 2030, Introduce Composting for municipal organic waste to produce soil enhancer; By 2030, Implement Collect, Sort and Export of Recyclable Materials (first phase) for Port Vila; and by 2030, Develop and Implement National Plastics Strategy.
- **Waste Water:** By 2030, Implement Waste Water Management System in Vanuatu: (a) Centralised Waste water collection and treatment system in municipal area including awareness and capacity building; and by 2030, Improvements to Public and Communal Toilet Facilities including Bio- Toilets.

The Vanuatu's enhanced NDCs includes activity-based mitigation targets, sectoral and policy targets in key sectors, including emissions reduction in some sub-sectors. The Vanuatu's sector specific target includes, transitioning to close to 100% renewable energy in the electricity sector by 2030. This single target would replace nearly all fossil fuel requirements for electricity generation in the country and be consistent with the National Energy Road Map (NERM), this contribution would reduce GHG emissions in the energy sector by 72Gg CO<sub>2</sub>e by 2030 in comparison to 240 Gg CO<sub>2</sub>e in BAU scenario.

With the additional mitigation measures under the enhanced NDC, the total GHG emissions from all the mitigation sectors is expected to be around 550.32 Gg CO<sub>2</sub>e in 2025 and around 524.33 Gg CO<sub>2</sub>e by 2030 (which is approximately 12.5% less than the estimated total GHG emissions form in the BAU Scenario).

The GHG emission reduction targets listed above are all conditional upon international support (financial and technical support) made available. Further, Vanuatu uses opportunities for climate resilient socio-economic development with international cooperation and support including carbon market under Article 6.

## Switzerland's NDC

The Switzerland's NDCs<sup>3</sup> (first and updated in December 2020) highlights the commitment under the Paris Agreement, which is a reduction of its GHG emissions by 50 percent in 2030 compared to 1990 levels, corresponding to an average reduction of GHG emissions by 35 percent over the period 2021-2030. Further, Switzerland has formulated an indicative goal to reduce GHG emissions by 2050 by 70 to 85 percent compared to 1990 including partly use carbon credits from international market mechanisms.

## Switzerland's Bilateral Agreements

As per the NDCs, Switzerland will realize its NDC mainly domestically and will partly use Internally Transferred Mitigation Outcomes (ITMOs) through cooperative approaches under Article 6.2 with following attributes:

<sup>3</sup> [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Switzerland%20First/Switzerland\\_Full%20NDC%20Communication%202021-2030%20incl%20ICTU.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Switzerland%20First/Switzerland_Full%20NDC%20Communication%202021-2030%20incl%20ICTU.pdf)



- **Use of carbon credits with high environmental standards:** Switzerland will use ITMOs from Article 6.2 that deliver real, permanent, additional and verified mitigation outcomes and meet high environmental standards. Quality criteria which are at least in line with those of Switzerland's current national legislation will be applied. Switzerland intends to use the voluntary cooperation under Article 6 of the Paris Agreement. In this context, until further international guidance is adopted under the UNFCCC, Switzerland commits, in line with the San José principles<sup>4</sup> for high ambition and integrity in international carbon markets, to apply robust rules that avoid any form of double counting, ensure environmental integrity and promote sustainable development, including the protection of human rights, and not to use pre-2020 units towards the achievement of its NDC.
- **Avoidance of double counting:** Switzerland intends to include the above-mentioned ITMOs in accounting for its emission reduction commitment. With the above highlighted aim and provision under Article 6.2 on use of ITMOs, Switzerland concluded are the world's first bilateral agreements (with Peru, Ghana, Senegal and Vanuatu - under signing). The Article 6.2 bilateral agreements govern the framework conditions for the cooperation and define the requirements for the recognition of international transfers of ITMOs. Thereby, the Agreements establish the legal framework for commercial agreements between seller and buyer of ITMOs.

## Switzerland-Vanuatu Bilateral Agreement

The Republic of Vanuatu is already in advanced stages of engaging in a bilateral agreement with The Swiss Confederation for ITMOs transfer through implementation of green and low carbon technologies as part of its NDC targets. The United National Development Programme (UNDP) is providing further support to Vanuatu to assist in setting up the enabling environment for future ITMOs transfer through targeted readiness support, including following:

- Manual of Procedure for ITMOs activity cycle and ITMO Process
- Emission transaction registry and third-party verification system for ITMO Projects
- Corresponding Adjustment in GHG accounting and avoidance of double counting

## About the ITMOs Manual

This ITMO manual intended to provide clear guidance, approaches, procedures and steps to prepare the Government of Vanuatu on implementation of Article 6 (6.2 and 6.4) or any other bilateral/multilateral voluntary cooperation for market and non-market-based approaches. This manual is a living document and will be updated in consistent with further guidance to be adopted by the Conference of the Parties serving as the meeting to the Parties of the Paris Agreement (CMA) and guidance of the National Advisory Board (NAB) or Department of Climate Change (DoCC).

<sup>4</sup> <https://cambioclimatico.go.cr/sanjoseprinciples/about-the-san-jose-principles/>



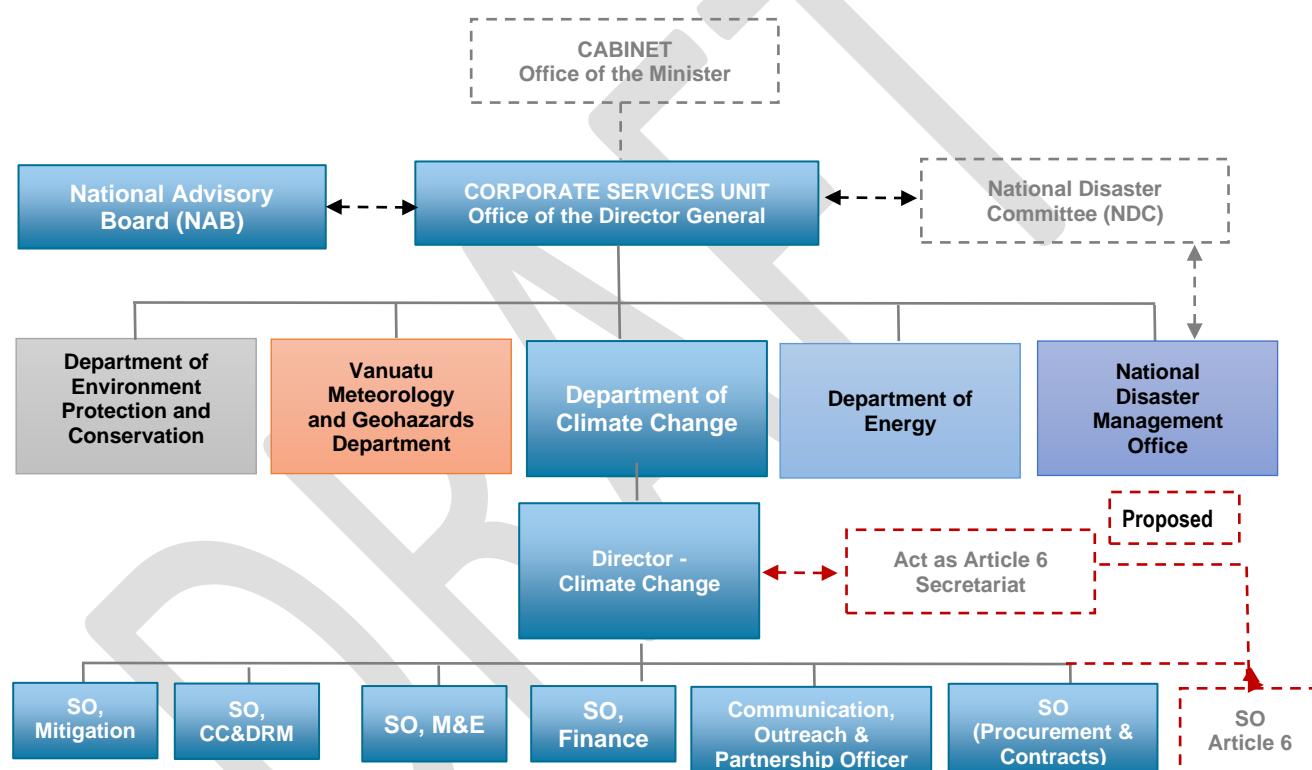
# ITMOs Governance and Oversight

The implementation of Article 6 of the Paris Agreement in Vanuatu shall have a defined Governance and oversight structure. The key aspects of the governance and oversight structure are described below:

## Governance Structure

The Government of Vanuatu has a well-defined and established governance structure for climate change actions as per the 'Meteorology, Geological Hazards and Climate Change Act No. 25 of 2016 (Climate Change Act)', Vanuatu's Climate Change and Disaster Risk Reduction Policy (CCDRR) 2016-2030 and National Sustainable Development Plan (NSDP):2016-2030. The framework of institution structure as follows:

**Figure 1: Climate Change-Organizational and Institutional Structure in Vanuatu**



The National Advisory Board (NAB), is the supreme policy making and advisory body for all disaster risk reduction and climate change programs, projects, initiatives and activities in Vanuatu. Further, the Ministry of Climate Change Adaptation (MoCC), Meteorology & Geo-Hazards, Energy, Environment and National Disaster Management is the nodal agency as part of the Government's efforts to streamline Vanuatu's climate change natural disaster responses and sustainable development of the environment.

The MoCC is also a designated national authority (DNA) for Clean Development Mechanism (CDM) and over the period of time developed capacity for implementation of requirements and communication mechanism under UNFCCC.

The Department of Climate Change (DoCC) within the MoCC mandated to: ensure that high quality services are provided in relation to climate change in Vanuatu; promote capacities of governments, communities and organizations to understand and respond to risks arising from

climate change; and ensure that the government and the public are informed of matters related to climate change, and are able to make effective use of such information and data, to respond to such events, in order to protect the environment and the safety and welfare of the community.

The DoCC is also responsible for ensuring that climate change programmes and projects are carried out within their specified timeframes and for ensuring activities meet the necessary public participation and stakeholder requirements. The DoCC also has the authority to act as a Financial Management Agent for externally funded programmes and projects and will thus, on behalf of the NAB and the MoCC, be responsible for project financial management and administration.

## Authorizing Entity

An Authorizing Entity (AE) is the organization granted responsibility by the Government of Vanuatu to authorize and approve participation in Article 6 projects (mitigation actions/activity). The main task of the AE is:

- (i) to assess potential mitigation projects to determine whether they will assist the Government of Vanuatu in achieving its NDCs commitments and sustainable development goals, and
- (ii) to provide a letter of authorization to project participants in Article 6 projects. This letter of authorization shall confirm that the project activity contributes to sustainable development in the country, that the country has ratified the Paris Agreement, and that participation in Article 6 mechanism is voluntary. It is issued to confirm the registration of the project and published on the national ITMO registry (web-portal).

With reference to the implementation of Article 6 in Vanuatu (including the Swiss bilateral agreement under Article 6.2) the Authorizing Entity will be the Department of Climate Change (DoCC). The DoCC shall act as **“Article 6 Secretariate”** and supervises the implementation and operationalization of Article 6 of the Paris Agreement under the authority and guidance of the National Advisory board (NAB). The Article 6 Secretariate will be fully accountable to the NAB and Council of Ministers (COM).

The Article 6 Secretariate will be the ultimate point of contact for ITMOs Project proponent for the authorization (LOA/LOI), registration of ITMO projects or programmes and the issuance and transfer of ITMOs. The Article 6 Secretariate may establish committees, panels or working groups to assist it in the performance of its functions.

The Article 6 Secretariate shall draw on the expertise necessary to perform its functions, including from the technical review committee, steering committee, group of consultants, advisors, roster of experts, approved validators and verifiers etc. (as and when necessary).

## Technical Review Committee

The technical review committee will be an ad hoc group of nominated (internal or external) experts, to be set up for ITMO projects or programmes (as and when required) that assist the Article 6 Secretariate by:

- Assessing requests for registration of ITMO projects or programmes, actions as well as requests for issuance of ITMOs for which review has been requested (as and when required).

- Recommendations to the Article 6 Secretariate on guidelines on methodologies for baseline establishment, monitoring plans, emission factors, standardized baselines and prepare recommendations on any new submitted proposals.
- Recommendations and facilitates the decision making of the Article 6 Secretariate in nomination/selection/removal etc. of Validation and Verification Body (VVB).
- Any other technical support and recommendation (as and when requested by the Article 6 Secretariate).

## Steering Committee

The National Advisory Board (NAB) constitutes the steering committee for implementation of Article 6 in Vanuatu. The NAB is a group of high-level advisors who shall govern the implementation of Article 6 in Vanuatu and shall provide directions to the Article 6 Secretariate. The NAB will make sure every ITMOs project supports Vanuatu's NDCs goals and objectives.

The NAB shall be updated by the Article 6 Secretariate on status, progress and workplan for implementation of Article 6 (at least once in a month). The NAB shall provide approval on decisions taken by the Article 6 Secretariate for implementation, to ensure the work plan/decisions/activities are aligned with Vanuatu's National Development Plans and commitments under the Paris Agreement, as well as long term climate change goals towards mitigation and adaptation.

Other possible functions and objectives of a steering committee may include:

- Building a business case for an ITMOs project for bilateral/international cooperation.
- Encouraging a collaborative work environment with different line ministries, departments.
- Monitoring progress towards NDCs goals.
- Controlling scope and resolving conflicts.
- Any other function as defined under the climate change act of Vanuatu

## Validation and Verification Body

The Validation and Verification Body (VVB) for ITMO projects are independent auditors accredited by the Article 6 Secretariate and approved by the NAB to validate ITMO project proposals or verify whether implemented projects have achieved planned greenhouse gas (GHG) emission reductions. More specifically, the two key functions of VVB are:

- **Validation:** assessing whether an ITMO project proposal meets the eligibility requirements and subsequently request registration of the ITMO project by the Article 6 Secretariate.
- **Verification/certification:** verifying GHG emission reductions from an ITMO project, certifying as appropriate, and recommend to the Article 6 Secretariate the amount of ITMOs that shall be issued.

Usually, for large scale projects, a VVB may only conduct either validation or verification of the same project. However, upon request, the Article 6 Secretariate may allow a single DOE to perform both functions (validation and verification/certification).

The Article 6 Secretariate may appoint/enlist local private audit/certification agencies/companies as VVB (on request). However, there are various international organizations enlisted as DoEs

under carbon market mechanisms (e.g., CDM, GS, Verra); those will be eligible to conduct the validation and verification under this mechanism in Vanuatu. However, the international DoEs should appoint a local expert in their validation/verification team for the assessment and stakeholder inputs.

The list of eligible VVBs is available here:

- [List of DoEs approved by CDM](#)
- [List of DoEs approved by GS](#)
- [List of VVBs approved by Verra](#)

## Eligible Sectors and Sub-sectors Aligned to Conditional NDC

The eligible sectors and sub-sector for ITMO generation under the Article 6 in Vanuatu, includes all GHG mitigation projects under IPCC sectors and sub-sectors (since Vanuatu's NDCs are conditional, hence all GHG mitigation projects are eligible for ITMOs generation):

- **Energy Sector**
  - Energy Industry (Electricity Generation)
  - Transport
  - Other Sectors - Commercial, Institutional and Residential
  - Manufacturing
- **IPPU**
- **AFOLU**
  - Agriculture
    - Livestock
  - Land Use and Land Use Change
  - Forestry
- **Waste**
  - Solid Waste (Municipal Solid Waste)
  - Waste Water

The Article 6 Secretariate may use the latest version of [positive list of technologies approved by the EB](#) of CDM; however the list may be updated (on approval by NAB) with Vanuatu's specific list of technologies, activities under the above listed sub-sector/sector to facilitate project proponents, stakeholders, partners etc. (if required).

## Eligible Baseline and Monitoring Methodologies

The currently eligible baseline and monitoring methodologies for the ITMO project is Vanuatu, include:

- [All approved methodologies under the CDM projects \(latest version\)](#)
- [All approved methodologies under the Gold Standard \(latest version\)](#)
- [All approved methodologies under the VCS Program \(latest version\)](#)

- ISO (14064) standards - Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.
- All approved methodologies under the Article 6 (as when approved)

**Note:**

- The project proponent may use any of the above approved standards to establish the baseline and monitoring methodology; however, the specific circumstances of Vanuatu shall apply while using these methodologies.
- The project proponent may submit a new baseline and monitoring methodology to the Article 6 Secretariate for approval and user for potential ITMO projects. The Article 6 Secretariate shall seek approval from NAB, prior to approve the new baseline and monitoring methodology.

## Procedures for Engaging Project Proponents

The Article 6 Secretariate shall implement procedures for engaging project proponents and other stakeholders. The key aspects of the engagement process include:

- Development of a toolkit for ITMO projects including eligibility, processes, forms and templates, and any other documents available on-line
- Transparent ITMO projects approval process: The web-based application for ITMO project application, approval process and the ITMO registry.
- Dedicated desk at the Article 6 Secretariate for communication with project proponents and stakeholders (along with email id and contact number).
- Grievance mechanism for ITMO projects.
- Incorporate Article 6 (status/progress/action plan) in already established DOCC communication, capacity building and knowledge networking structure.
- Any other mechanism with support of multilateral, bilateral and other development partners.

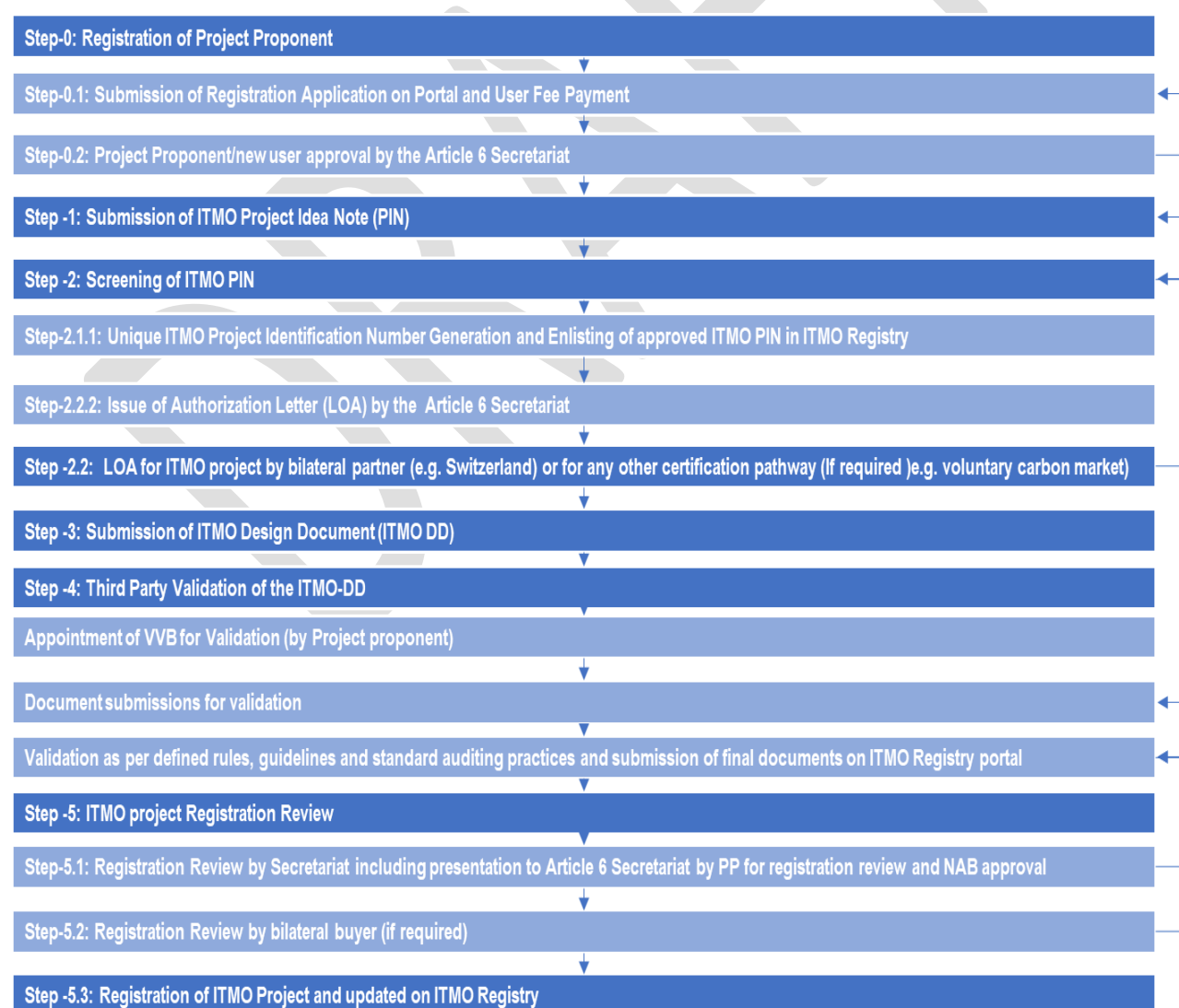
# ITMOs Project Implementation Process

The ITMOs project implementation procedures are being developed in the light of Article 6 of the Paris Agreement and decisions of the CMA (available as of August-2021), the enhanced NDCs submitted by the Government of Vanuatu and the bilateral agreement with the Government of Switzerland. The ITMO project implementation procedures have also adopted the learnings from existing carbon market-based mechanisms such as the CDM, Gold Standard, Verra, ISO-14064, Standardized Crediting Framework (SCF) etc. (and referenced here).

However, the ITMO project implementation procedures are subject to revisions and updates over time based on new international guidance by the CMA and Government of Vanuatu for Article 6, future bi-lateral, multilateral agreements with other countries or development partners and updated NDCs of Vanuatu. In such a scenario, the Article 6 Secretariat shall propose changes and the NAB shall approve the revisions and updates which shall be applicable post-facto.

An electronic ITMO registry will be developed to implement and organize the ITMO projects implementation process in Vanuatu and accounting of the ITMOs issued and transferred. The ITMO project implementation steps are detailed below:

**Figure 2: ITMOs Project Implementation Process – Registration of ITMO Project**



**Figure 3: ITMOs Project Implementation Process – Issuance of ITMOs, Transaction & Settlement, and Corresponding Adjustment**



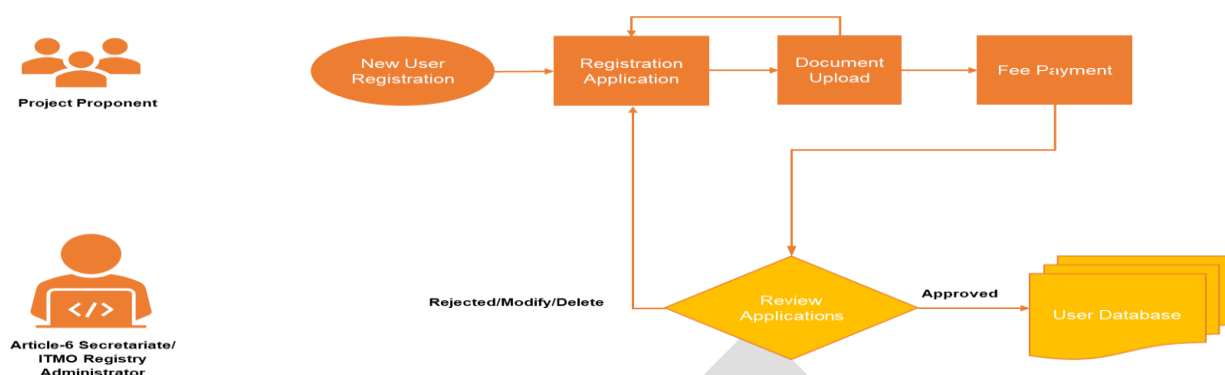
The ITMOs implementation process has been further divided in key process, as follows:

- User Registration Process
  - The Article-6 Secretariate (official users)
  - Bilateral Partner (official users)
  - Development Partner (Official user)
  - Project Proponent/Developer (UNDP)
  - Validation and Verification Body (VVB)
- ITMO Project Idea Note (ITMO-PIN) Approval i.e. Preliminary approval and LOA issuance
- ITMO Design Document (ITMO-DD) Approval i.e. Validation of ITMO Project
- ITMOs Monitoring Report (ITMO-MR) Approval i.e. verification and issuance of ITMOs
- ITMOs Transfer and Settlement and Corresponding Adjustment



# User Registration Process

Figure 4: User Registration Process



## Step-0: Registration of Project Proponent

The ITMO Project proponent (Public/private/independent entity) proposing an ITMO project in Vanuatu to be registered on the ITMOs Registry (National Mitigation Action Registry) Portal.

- The two-step process will follow:

### Step-0.1: Submission of Registration Application on Portal

- Sample Project Proponent Registration Form (please refer to Annexure-2)

***A Nominal User Registration Fee (Proposed USD 250) will be charged to avoid unnecessary project creation and willingness/commitment of Project Proponent towards taking up project under the mechanism.***

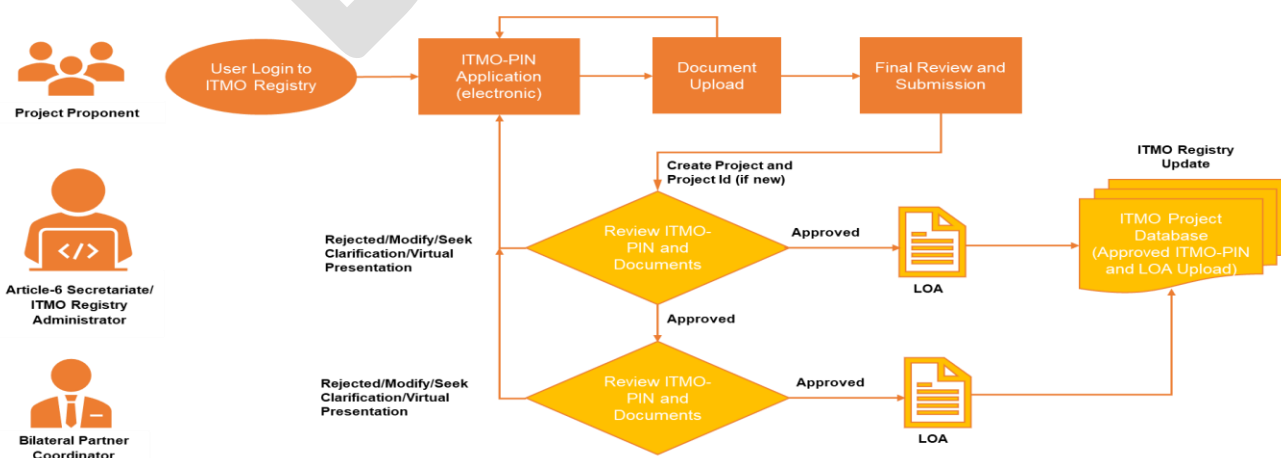
### Step-0.2: Project Proponent/new user approval by Article 6 Secretariat

The Article 6 Secretariat approves/rejects or seeks more information/clarification/documents for approval process (electronically or physical meeting, if required).

***Tentative timeline: 2 Weeks***

# ITMO Project Idea Note (ITMO-PIN) Approval Process

Figure 5: ITMO-PIN Approval Process



### **Step -1: Submission of ITMO Project Idea Note (PIN)**

Before the ITMO project starts, project proponent shall submit the ITMO PIN via the ITMO Registry. Sample ITMO PIN template (please refer to Annexure-2)

### **Step-2: Screening of ITMO PIN**

The Article 6 Secretariat reviews ITMO PIN document and requests clarifications from the project proponent (if required).

***The Article 6 Secretariat may appoint external consultants from Roster of Experts (RoE) for preliminary screening***

Article 6 Secretariat approves/rejects or seeks more information/clarification/documents for ITMO PIN approval.

***The Article 6 may seek physical presentation/meeting with project proponent prior to approval. Roster of Experts – External consultants/experts approved/selected by Article 6 Secretariat/bilateral / multilateral agency to support Article 6 Secretariat.***

***Tentative timeline: 3 Weeks***

#### **Step-2.1.1: Unique ITMO Project Identification Number Generation and Enlisting of approved ITMO PIN in ITMO Registry (Web Portal)**

- Transparency: Key to ITMO project implementation, hence each step will be updated on ITMO registry (web-portal).
- On approval of ITMO PIN the ITMO project will be assigned a unique project identifier and updated on ITMO portal for partners/public/private view/potential cooperation/financing etc.
- Approval of ITMO PIN will also allow project proponent to move to the next step, the development of the ITMO Project Design Document and validation initiation process.

***Tentative timeline: 4 Weeks***

#### **Step-2.1.2: Issue of Authorization Letter by the Article 6 Secretariate**

The Article 6 Secretariat shall issue the letter of authorization for the ITMO project

***Tentative timeline: 2 Weeks***

#### **Step-2.2 Approval/Authorization of ITMO project by bilateral partner(s) (e.g., Switzerland) or for any other certification pathway (If required e.g., voluntary carbon market) and issue the authorization)**

The respective bilateral partner shall review ITMO PIN and LOA issued by the Article 6 Secretariat (Government of Vanuatu); also, as per the pre-defined requirements under the bilateral agreement seek clarification/virtual-meeting etc and approve/reject ITMO project for consideration. The respective partner shall issue letter of authorization for the ITMO Project.

***Tentative timeline: 2 Weeks***

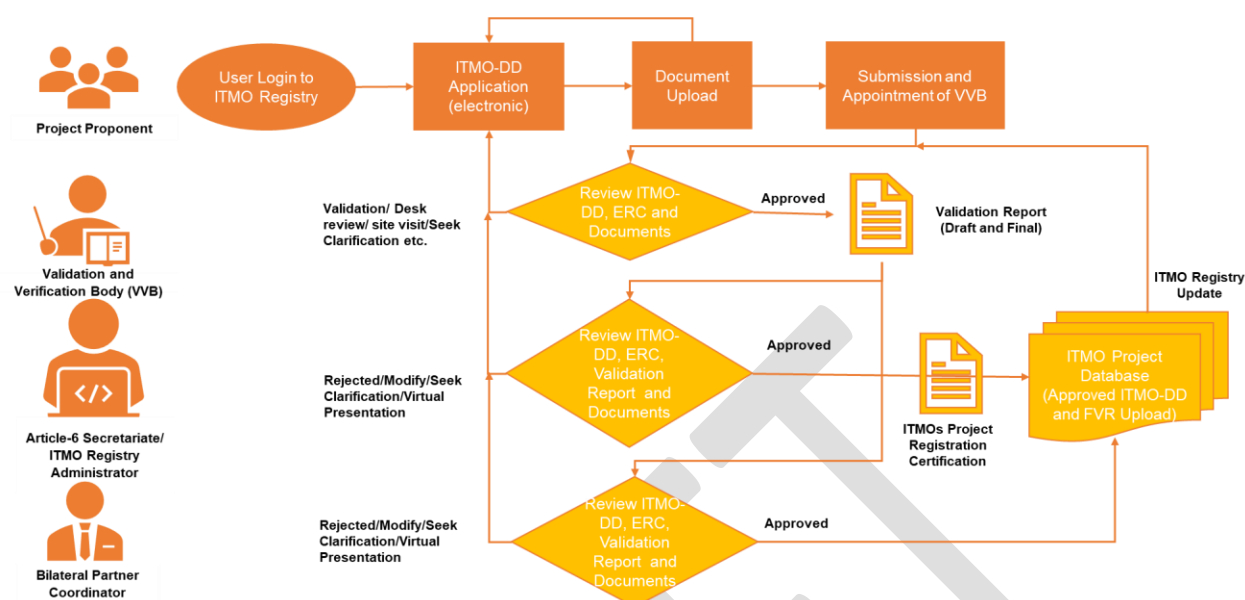
#### **Step-2.3: Approval/Authorization for ITMO project will be updated on portal**

The Article 6 Secretariat shall upload both the LOAs on ITMO registry (web- portal).

***Tentative timeline: 1 Weeks***

# ITMO Design Document (ITMO-DD) Approval Process

Figure 6: ITMO-DD Approval Process



## Step-3 Submission of ITMO Design Document (ITMO-DD)

The project proponent shall prepare the ITMO Design Document (ITMO-DD) using Government approved emission baseline and monitoring methodologies (e.g., CDM, GS, Verra, ISO Standard). The ITMO-DD template shall be used and uploaded on ITMO portal.

- Sample ITMO-DD template (please refer to Annexure -2).

## Step-4: Third Party Validation of the ITMO-DD

An independent assessment shall be conducted by a Government approved VVB (list of approved VVBs can be found here). The project proponent shall appoint VVB for validation of ITMO DD.

The validation process shall consist of both, a desk review and field visit (may be optional for certain cases e.g., micro-scale projects or till COVID-19 travel restrictions are in place) and provides independent confirmation (Validation opinion) that the project is in line with the guideline and requirements (Annexed).

The ITMO project must:

- Have ITMO project must have LOA from the Article 6 Secretariate
- The project proponent shall provide a fully completed ITMO-DD and all relevant supporting documentation required by VVB for validation
- Facilitate validation site visit and stakeholder interviews as needed

***In certain cases, the Article 6 Secretariat can appoint VVB on behalf of project proponent for 3rd party validation.***

VVB shall submit the validation report to project proponent and the Article 6 Secretariat on ITMO registry portal with a validation opinion (approve/reject or conditional approval)

***Tentative timeline: Maximum 8 Weeks***

### Step-5 ITMO project Registration Review (ITMO-DD, Validation Report, supporting documents) by Article 6 Secretariat / bilateral partner/buyer(s) (if required) or any other certification pathway (e.g., Gold Standard, Verra etc.)

The project proponent or VVB shall submit the ITMO-DD, Validation Report, GHG Emission reductions calculations, SDG calculation (as applicable) and other supporting documents on ITMO registry portal for registration; ITMO project must:

- Have a positive validation opinion from VVB – Submit VVB approved ITMO-DD and
- Submit VVB final validation report
- Submit all relevant supporting documentation as relevant
- The Article 6 Secretariat will review the documentation (ITMO-DD, validation report, Emission Reduction Calculation, other documentation as relevant) and may request further clarifications.

#### Step-5.1- Presentation to Article 6 Secretariat for registration review (ITMO-DD, validation report, other documents as relevant) and to NAB for approval, prior to enlisting the ITMO-DD on ITMO registry portal under registered/approved status.

**Tentative timeline: 4 Weeks**

#### Step 5.2 – The ITMO project registration review by bilateral buyer(s) (e.g., Switzerland) or any other certification pathway (e.g., Gold Standard, Verra) – This process shall be parallel to Vanuatu Article 6 Secretariate registration review

The bilateral party shall review the ITMO-DD, validation report and seek clarifications/provide inputs/approval/reject.

**Tentative timeline: 4 Weeks**

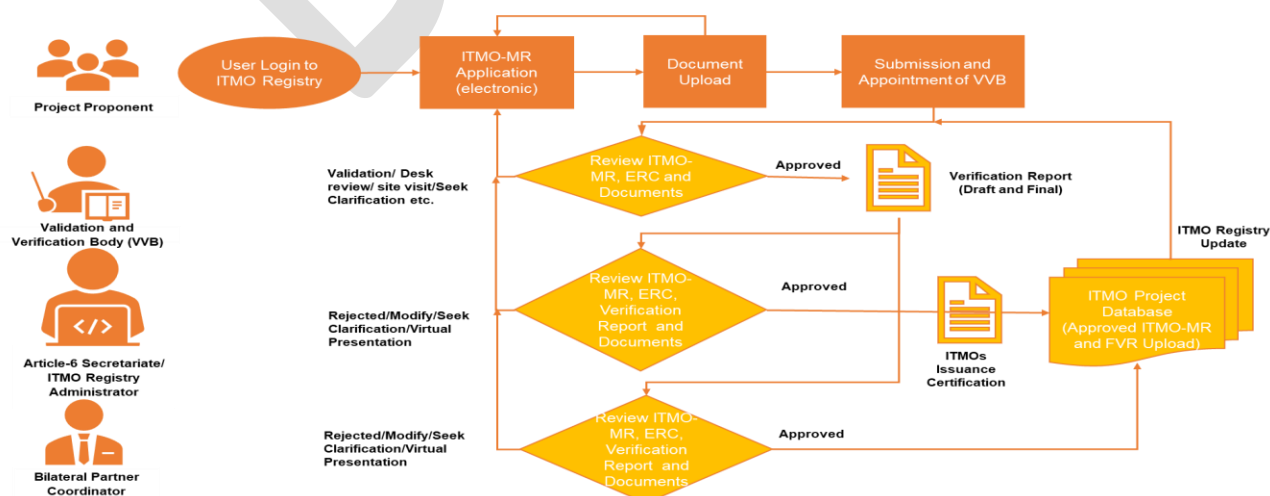
#### Step-5.3 Registration of ITMO Project and updated on ITMO Registry

The Article 6 secretariate shall update the project status as registered ITMO project on ITMO registry portal.

**Tentative timeline: 1 Weeks**

## ITMOs Monitoring Report (ITMO-MR) Approval Process

Figure 7: ITMO-DD Approval Process



## Step-6: ITMO Project Implementation and Monitoring

The Project proponent shall implement the project as per design and monitors project according to the approved and registered monitoring plan as defined in the ITMO-DD.

Project proponent must:

- Implement and monitor the ITMO project as per the ITMO-DD; any change in project design and monitoring should be communicated and approved by to the Article 6 Secretariate
- Continuously engage with stakeholders and implement grievance mechanism
- Submit annual reports to the Article 6 Secretariate for inclusion in integrated Monitoring, Reporting and Verification Tool of Vanuatu (even when verification does not occur) and to bilateral buyer (if required)
- Seek and maintain all necessary clearances from Government of Vanuatu for installation and operation of the ITMO project (as per requirement)

### Step 6.1 – ITMO monitoring update on iMRV Tool

The project proponent shall submit annual monitoring data and information to the integrated Monitoring, Reporting and Verification Tool of Vanuatu (even when verification does not occur).

### Step 6.2 – Preparation and submission of ITMO Monitoring Report (ITMO-MR)

For the issuance of ITMO, the project proponent shall prepare an ITMO monitoring report (ITMO MR) and submit to the Article 6 secretariate along with Emission reduction calculation sheets and other relevant documents.

## Step-7: Verification through VVB

Independent 3<sup>rd</sup> party assessment must be conducted by a VVB. *As a good practice validator and verifier VVB shall be different to avoid a conflict of interest; depending on availability/capacity of VVBs.*

The verification process must consist of both, a desk review and a field visit and provides independent confirmation that the ITMO project is in line with the *requirements-as defined in the registered ITMO-DD*. The ITMO project must:

- Have ITMO project registration status
- The project proponent shall identify, contract and pay VVB to carry out verification
- Provide a fully completed ITMO monitoring report and all relevant supporting documentation for VVB verification
- Facilitate verification site visit and stakeholder interviews as needed

**Tentative timeline: Maximum 8 Weeks**

**Step-8: Performance Review by Article 6 Secretariate and by bilateral buyer(s) (e.g., Switzerland) or any other certification pathway (e.g., Gold Standard, Verra). These processes may be in parallel.**

Article 6 Secretariate reviews verification report, ITMO-MR and may requests clarifications where required. ITMO project proponent must:

- Have a positive verification opinion from VVB – submit VVB approved ITMO-MR and all relevant supporting documentation
- Submit VVB final verification report and emission reduction calculation

**Tentative time-line: 4 Weeks**

**Step-8.1: The ITMO Issuance/Performance Review by bilateral buyer(s) (e.g., Switzerland) or any other certification pathway (e.g., Gold Standard, Verra) – This process may be in parallel to Article 6 Secretariate Issuance/Performance review**

**Step-8.2: Internationally Transferred Mitigation Outcomes (ITMOs) Certification**

The Article 6 secretariate, post verification review confirms and certify the vintage wise ITMOs generated from the ITMO Project. The Article 6 secretariate may present the ITMO project and ITMOs issuance request summary to the NAB and seek approval (if required).

The ITMO certification confirm following:

- The ITMO project is in adherence to the requirements set for ITMO project in Vanuatu, adherence to stakeholder inclusivity as defined in ITMO project, Climate and sustainable development/NSDP/Gender impacts achieved by the ITMO project during the monitoring period.

**Tentative time-line: 4 Weeks**

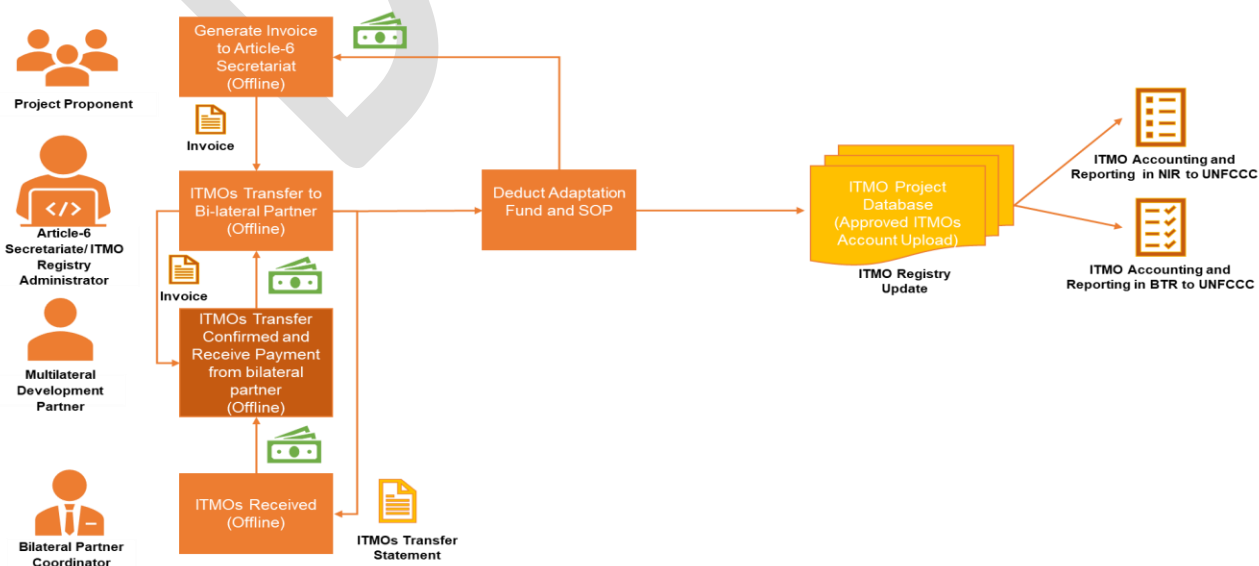
**Step- 8.3: Issuance of ITMOs Certificate for ITMO project and updated on portal**

The Article 6 secretariate shall issue the ITMOs issuance certificate including vintage wise ITMOs generated from the ITMO Project and information shall be updated on ITMO Registry.

**Tentative time-line: 4 Weeks**

## ITMOs Transfer and Settlement, and Corresponding Adjustment Process

Figure 8: ITMOs Transfer and Settlement and Corresponding Adjustment Process



**Step-9: ITMO sales/transaction and settlement with bilateral buyer (as applicable)**

The sales/transfer and transaction of funds shall take place as per the bilateral agreement and ITMO Purchase agreement (and not covered here).

***Tentative time-line: Within 1-4 Weeks***

**Step-9.1: Share of Proceed and Adaptation Fund**

The Article 6 secretariate shall deduct 5 % percentage of ITMOS against:

- The national accounting

***2 % of revenue from sales of ITMOs deducted and deposited in national climate change adaptation fund or similar as recommended by the NAB.***

- Adaptation fund (as recommended by the NAB)

***Tentative time-line: Within 1-4 Weeks***

**Step-9.2: ITMOs Revenue settlement with the Project Proponent**

The Article 6 secretariate and project proponent shall make the revenue settlement as per the ITMO purchase agreement.

***Tentative time-line: Within 1-4 Weeks***

**Step-10: Corresponding Adjustments: Accounting of ITMOS transferred/cancelled to any other registry/country**

The ITMOs transferred to a buyer country shall be recorded in the ITMO Registry. The ITMOs generated, transferred and balance shall be reported in the National Inventory Report (NIR) and shall be part of BTR submitted to UNFCCC.

***Tentative time-line: 2 Weeks***



# Annexures

## Annexure 1 – Important Definitions

**Annual Report:** Report submitted annually to the Secretariat of the Paris Agreement quantitative information on ITMOs transferred, acquired, held, cancelled and used, including the purpose of the use, accompanied by information uniquely identifying the ITMOs including the origin and the Vintage Year and references to the respective Monitoring and Verification Reports.

**Biennial Transparency Report (BTR):** refers to the reports defined under Article 13 of the Paris Agreement. In pursuant to the Article 13.7.b and modalities, procedures and guidelines adopted under Article 13.13 of the Paris Agreement, the following information:

1. In the BTR covering the inventory information on the NDC end year, corresponding adjustment and assessment of whether it has achieved the target(s) of its NDC;
2. In each BTR submitted in relation to the relevant NDC Implementation Period, Party shall provide the following information:
  - a. Annual information on ITMOs first transferred and used;
  - b. Annual emission balances, as applicable;
  - c. Qualitative information on the transferred ITMOs including information on implementation of corresponding adjustment as well as information on the criteria and provisions for ensuring environmental integrity and promoting sustainable development applied.

**Corresponding Adjustment:** is an element in the reporting under the Paris Agreement ensuring avoidance of double counting of ITMOs, implementing Articles 4.13, 6.2, and 13.7.b of the Paris Agreement.

**Internationally Transferred Mitigation Outcome (ITMO):** ITMOs use a carbon dioxide equivalent [CO<sub>2</sub>e] metric for a new set of market provisions or other greenhouse gas (GHG) mitigation outcomes that are defined under Article 6 of the Paris Agreement. Under Article 6.2, ITMOs differ from previous offset schemes, as they count toward countries' Nationally Determined Contributions (NDCs), support overall mitigation in global emissions (for Article 6.4).

- a. "Mitigation Outcome" is defined as one ton of emission reductions or removals measured in metric tonnes of carbon dioxide equivalent (CO<sub>2</sub>eq) applying methodologies and metrics pursuant to Article 4.13 of the Paris Agreement;
- b. An "Internationally Transferred Mitigation Outcomes", is a Mitigation Outcome which has (ITMOs) been transferred and recognized.
- c. ITMOs shall be real, verifiable, additional to any that would otherwise occur and permanent or achieved under a system that ensures permanence, including by appropriate compensation of any material reversals.

**ITMO Project:** ITMO project or programme which mitigates greenhouse gases emission or removals.

**ITMO Registry:** An electronic web-based ITMO project or programme registry with the following properties for the recognition of ITMOs transfer:

- a. The ITMO Registry shall be publicly available;
- b. The ITMO Registry shall be updated pursuant to the publication of Authorizations and the recognition of ITMO transfers;

- c. The ITMO Registry shall include unique identifiers for all ITMOs, information regarding the origin and the Vintage Year, a reference to the Authorizations and documentation required for the recognition of the transfer of ITMOs.
- d. ITMO Registry may jointly use for the Issuance, transfer and tracking of ITMOs.




**Letter of Authorization (LOA):** LOA is the formal statement that each Party publicly issues pursuant to Article 5 of this Agreement and thereby commits to recognize, pending fulfillment of all requirements for transfer pursuant to Article 7, the international transfer of Mitigation Outcomes and their use towards NDC achievement or for mitigation purposes other than achievement of NDC.

**Nationally Determined Contribution:** NDC is the contribution of a Party to the Paris Agreement under its Article 3.

**Vintage Year:** is the year in which a Mitigation Outcome has taken place.

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## Annexure 2 - Forms and Templates

Type of Form/Document	Draft-Templates
Annexure 2.1 - Project Proponent or New User Registration Form	 Annexure-2.1-New User Login Form-V1.docx
Annexure 2.2 – ITMO Project Idea Note (ITMO-PIN) Template	 Annexure-2.2-ITMO-PIN-V1.xlsx
Annexure 2.3 - Letter of authorization (LOA) Template	Under Development
Annexure 2.4 – ITMO Design Document (ITMO-DD) Template	 Annexure-2.4-ITMO-DD-V1.docx
Annexure 2.5 – ITMO-DD Validation Guidance and Requirements	Under Development
Annexure 2.6 – ITMO-Monitoring Report (ITMO-MR) Template	Under Development
Annexure 2.7 – ITMO-MR Verification Guidance and Requirements	Under Development
Annexure 2.8 - Issuance of certified ITMOs impact statements	Under Development
Annexure 2.9 - ITMOs Transfer Certificate Template	Under Development

## Annexure 3 – Roles & Responsibility Matrix

Stakeholders	Roles & Responsibilities
<b>The Article 6 Secretariate (DoCC)</b>	<ul style="list-style-type: none"> <li>• New user registration/user approval (Project/Bilateral and VVB)</li> <li>• Screening of ITMO PIN</li> <li>• Unique ITMO Project Identification Number Generation and Enlisting</li> <li>• Issue the letter of authorization for the ITMO project</li> <li>• Update LOA status on ITMO Registry</li> <li>• Appointment of VVB (in special cases)</li> <li>• Registration Review of ITMO Project</li> <li>• Presentation to NAB for ITMO registration (if required)</li> <li>• Registration of ITMO Project and updated on ITMO Registry</li> <li>• Approve/reject ITMO project design change or monitoring plan change</li> <li>• Performance Review verification report, ITMO-MR</li> <li>• Present the ITMOs issuance request summary to the NAB and seek approval (if required).</li> <li>• ITMO certification and issuance of ITMO certificate</li> <li>• Signing and execution of ITMO purchase agreement</li> <li>• Deduction of Share of Proceed (i.e., 5% ITMOs issued)</li> <li>• Deduction of Adaptation Fund (2% of revenue from sales of ITMOs)</li> <li>• ITMO sales/transaction and settlement with bilateral buyer</li> <li>• ITMOs Revenue settlement with the Project Proponent</li> </ul>
<b>National Advisory Board (NAB)</b>	<ul style="list-style-type: none"> <li>• Approval of list of eligible VVBs</li> <li>• Approval of eligible methodologies</li> <li>• Approval of baseline and monitoring methodology, standardized baseline, emission factors</li> <li>• ITMO Project registration approval (if required).</li> <li>• Guidance on Article 6 rules and requirements for Vanuatu</li> <li>• ITMOs issuance approval (if required).</li> <li>• Approval on ITMO sales/transaction and settlement with bilateral buyer</li> <li>• Guidance on deduction of Share of Proceed (i.e., 5% ITMOs issued) and adaptation fund (2% of revenue from sales of ITMOs)</li> </ul>
<b>Bilateral Partner (Govt of Switzerland/BAFU)</b>	<ul style="list-style-type: none"> <li>• Screening of ITMO PIN</li> <li>• Issue the LOA for the ITMO project</li> <li>• Registration review of ITMO Project (if required)</li> <li>• Approve/reject ITMO project design change or monitoring plan change</li> <li>• Annual review of Monitoring data (if required)</li> <li>• Performance Review verification report, ITMO-MR</li> <li>• Signing and execution of ITMO purchase agreement</li> <li>• ITMO sales/transaction and settlement with seller</li> </ul>
<b>Project Proponent</b>	<ul style="list-style-type: none"> <li>• Registration with ITMOs Registry Portal</li> <li>• Registration /User fee payment</li> </ul>

	<ul style="list-style-type: none"> <li>• Preparation and submission of ITMO project idea note</li> <li>• Preparation and Submission of ITMO Design Document (ITMO DD)</li> <li>• Appointment of VVB and communicate to the Secretariate</li> <li>• Submission of Documents required by VVB for validation</li> <li>• Presentation to the Secretariate for Registration (if required)</li> <li>• Implementation of ITMO project (as per the ITMO-DD)</li> <li>• Monitoring of ITMO project (as per the ITMO-DD)</li> <li>• Communicate any ITMO project design change to the Secretariate</li> <li>• Annual submission of Monitoring data into the iMRV Tool and bilateral buyer (if required)</li> <li>• Preparation of ITMO Monitoring Report (ITMO MR)</li> <li>• Appointment of VVB and communicate to the Secretariate</li> <li>• Submission of Documents required by VVB for verification</li> <li>• Signing and execution of ITMO purchase agreement</li> </ul>
<b>Validation and Verification Body (VVB)</b>	<ul style="list-style-type: none"> <li>• Validation of ITMO project including desk review, site visit, stakeholder interview</li> <li>• Submission of Validation Report and Final ITMO-DD and Documents</li> <li>• Verification of ITMOs generated during monitoring period including desk review, site visit, stakeholder interview</li> <li>• Submission of Verification Report and Final ITMO-MR and Documents</li> </ul>
<b>Multilateral Development Partners (UNDP)</b>	<ul style="list-style-type: none"> <li>• Facilitate signing and execution of ITMO purchase agreement</li> <li>• Facilitate ITMO sales/transaction and settlement with bilateral buyer</li> <li>• Guidance and support for bilateral agreements</li> </ul>

## Annexure 4 – Indicative VVB Assessment Criteria

Environmental integrity	
<b>Real, verifiable and additional – ITMOs (GHG Emission Reductions)</b>	ITMOs shall be real, verified, additional to any that would otherwise occur and permanent or achieved under a system that ensures permanence, including by appropriate compensation of any material reversals.
<b>Vintage year &gt;=2021</b>	ITMOs shall represent GHG emission reductions (mitigation) or removals achieved from 2021 onwards. The Vintage Year of a ITMOs and its use should be in the timeframe of the same NDC implementation period.
<b>ITMO Project Eligibility Requirements</b>	<p>ITMO Project shall:</p> <ol style="list-style-type: none"> <li>Do not lead to an increase in global emissions;</li> <li>Are in line with the low emission development strategy of each Party;</li> <li>Foster the transition to low emission development, in accordance with net zero carbon emissions by 2050;</li> <li>Do not include activities based on nuclear energy and avoid locking in levels of emissions, technologies or carbon intensive practices incompatible with the achievement of the long-term goal of the Paris Agreement, in particular any activities based on the continued use of fossil fuels;</li> <li>Promote enhanced climate action and safeguard against incentives for low ambition by the Parties involved;</li> <li>Mitigate the risk of carbon leakage;</li> <li>Are based on conservativeness in baseline setting, including consideration of the lower end of projected emission development;</li> <li>Consider all existing and planned national policies, including legislation;</li> <li>Include consideration of other factors for incentivizing enhanced climate action by the party which recognizes the Mitigation Outcomes internationally transferred in its Registry as additions to its emission level covered by its NDC;</li> <li>Apply attribution of the Mitigation Outcomes to the sources of finance, where adequate; and</li> <li>Prevent any negative environmental and social impacts, including on air quality and biodiversity, social inequality and the discrimination against population groups based on gender, ethnicity or age.</li> </ol>
Sustainable development	
<b>Sustainable development criteria</b>	<p>ITMO Project:</p> <ol style="list-style-type: none"> <li>Is in line with sustainable development and any respective strategies and policies;</li> <li>Is in line with the long-term low emission development strategies, as applicable, and promote low emission development;</li> <li>Prevent other environmental-related negative impacts and respect national and international environmental regulations;</li> <li>Prevent social conflict and respect human rights.</li> </ol>

Authorization	
<b>Letter of Authorization (LoA)</b>	<p>ITMO Project shall archive letter of authorization from both party; the authorization statement shall reference the ITMO project and include:</p> <ol style="list-style-type: none"> <li>An identification (e.g., Title and unique ID) of the ITMO project from which the ITMOs originate;</li> <li>A definition of, inter alia, the applied standard or baseline methodologies, and requirements for Monitoring and Verification Reports;</li> <li>A definition of the crediting period for the ITMO Project;</li> <li>A definition of the NDC period(s) during which the ITMOs are authorized for use, as appropriate;</li> <li>The total cumulative maximum amount of ITMOs for which transfer and use is authorized;</li> <li>A reference to the corresponding Authorization of the other Party, where applicable.</li> <li>Identification of the Entity Authorized to Transfer ITMOs/</li> </ol>
Double Counting	
<b>Avoidance of Double Counting</b>	<ul style="list-style-type: none"> <li>No double claiming of the ITMOs, GHG emission reductions under other national or international systems or aims;</li> <li>No double counting with international climate finance; shall not be reported as support provided or mobilized under Articles 9, 10 and 11 of the Paris Agreement,</li> </ul>
Other Criteria	
<b>No Discrepancy</b>	No evidence of discrepancy with the provisions in the Authorization statements
<b>No violation of human rights</b>	No evidence of violation of human rights or of national legislation of the country in the implementation of the ITMO project from which the ITMOs originate.
<b>Stakeholder Engagement</b>	Stakeholders and CSO, NGOs shall have been engaged during the ITMO project design, implementation and operations (including communication and grievance mechanism in established and operational).

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