

# Letter of Authorization and Acknowledgement



WORLD BANK GROUP



Climate  
Warehouse



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**Note:**

This Letter of Authorization provides a common template to be used with schedules that may be specified by each Member Country. It includes an illustrative schedule of terms that is most likely to maximize investment and value for the Member Country in the Guidance Document. The Guidance document allows each Member Country to actively choose whether the project is intended to be authorized (subject to corresponding adjustments and a Letter of Authorization) or outside the scope of authorization (ideally subject to a Letter of Acknowledgement in order to increase certainty and corresponding investment value). This common template (with schedules) is intended to simplify the process for authorization, reduce transaction costs, and allow flexibility for bilateral arrangements. It is intended to be used for all authorizations to be granted under Article 6 of the Paris Agreement (6.2 and 6.4).

## LETTER OF AUTHORIZATION UNDER ARTICLE 6 OF THE PARIS AGREEMENT

[To be placed on letterhead of Government Authority with attached Schedule 1 (Project Description, and Schedule A (Terms and Conditions) and Schedule B (Summary of Cooperative Approach), where the Host Country may choose to keep Schedule A and B confidential.]

**TO:** [Insert all Investors, names and addresses] (the “**Investors**”)

**THROUGH:** [Insert name of the Focal Point(s) for all communications], who shall be the sole entities designated as the “**Focal Point(s)**” that are authorized to communicate with [COUNTRY].

**FROM:** Government of [COUNTRY], [Minister/Ministry/Department/Designated National Authority official's name and title] that is duly authorized to provide authorizations and undertake the functions required in accordance with Article 6.2<sup>1</sup> and related reporting and tracking obligations of the Paris Agreement; and

[Name and Title of duly authorized representative empowered by the Government of [COUNTRY] to support the related authorizations, acknowledgements, adjustments and undertake the functions required in accordance with Article 6.2 and related reporting and tracking obligations of the Paris Agreement.]<sup>2</sup> (the “**Government Authority**”).

**WHEREAS** [COUNTRY] is a Party to the Paris Agreement, adopted at the twenty-first Conference of the Parties to the United Nations Framework Convention on Climate Change as Decision 1/CP.21, which entered into force on 4 November 2016, and [COUNTRY] has ratified the Paris Agreement on [DATE];

**AND WHEREAS** the Government Authority of [COUNTRY] is duly authorized and has full and exclusive authority to issue this Letter and the authorization contained herein for and on behalf of the Government of [COUNTRY];

**AND WHEREAS** the Government Authority is aware that the Investors are undertaking the project activity more fully described in the detailed project documentation attached as **Schedule 1** to this Letter and the authorization attached as a schedule to this Letter (the “**Project Activity**”).

**NOW, THEREFORE**, in consideration of the mutual representations and covenants set out in this Letter of Authorization, the Government of [COUNTRY] has determined, and the Investors accept and agree that:

1. The Project is being undertaken pursuant to the Cooperative Approach [summarized in Schedule B] or for the purpose of Cooperative Approaches that [COUNTRY] may enter into.
2. The Government of [COUNTRY] hereby acknowledges that the Project will contribute to sustainable development and reduce emissions or enhance removals in [COUNTRY].
3. The Government Authority hereby authorizes the GHG emission reductions and removals resulting from the Project, [to be] issued and certified, to create internationally transferred mitigation outcomes (“**ITMOs**”). This authorization is limited to emission reductions and removals from the Project that occur in the period

<sup>1</sup> This may also be used for units created under Article 6.4 of the Paris Agreement when they are authorized for use by the Host Country towards a NDC or other international mitigation purposes.

<sup>2</sup> It may be useful to ensure both political entities responsible for Article 6 authorizations and Articles 13-15 (Transparency Framework, reporting, and compliance reporting) are signatories in light of need for covenant to undertake corresponding adjustments.

from [ ] and to a maximum volume of [ ]tCO<sub>2</sub>e [in each calendar year] [for the duration of the Project] (“Authorized ITMOs”).

4. The Government of [COUNTRY] shall not use the Authorized ITMOs to implement and achieve its nationally determined contribution (“NDC”).
5. The Government of [COUNTRY] shall account for the Authorized ITMOs by applying corresponding adjustments in accordance with Article 6.2 of the Paris Agreement.
6. The Authorized ITMOs may be used towards (**check one or both**):

- 
- ☐ The “**NDC**” of a Party to the Paris Agreement in accordance with Article 6.2 of the Paris Agreement;
- 
- ☐ Other international mitigation purposes (“**OIMP**”) as defined in Decision 2/CMA.3 under the Paris Agreement [or the following OIMPs stipulated by the Government Authority of [COUNTRY] [INCLUDE POSITIVE LIST OF OIMPS or LIST OF EXCLUSIONS];
- 

on the strict understanding that:

1. The Investors (including the Focal Point) and [COUNTRY] shall comply with the Terms and Conditions of this Authorization as set out in **Schedule A**;
2. All information and reports provided by the Investors through the Focal Point are true, accurate, and free from any material error;
3. All activities of the Investors and the Focal Point [and their sub-contractors] in relation to the Project Activity are in compliance with all applicable laws, including, without limitation, any and all applicable laws pertaining to bribery, corruption, money laundering, child labour, modern slavery and other human rights; and
4. In the event that any of the Investors contravenes any of Sections 1 through 3 of this Letter of Authorization, the Government Authority of [COUNTRY] shall have the sole and absolute right to revoke this authorization and any [subsequent] ITMOs to be issued pursuant to it.

Government Authority of [COUNTRY]

\_\_\_\_\_ [insert signature]

I am duly authorized to bind the Government Authority

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

ACCEPTED AND AGREED BY:

\_\_\_\_\_ [insert signature]

I am the duly authorized Focal Point, authorized to execute this agreement on behalf of the Investors

Focal Point Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

On behalf of [Investors, insert names and positions]

\_\_\_\_\_

**SCHEDULE 1:**  
**DETAILED PROJECT DESCRIPTION**

[Investors/Focal Point to insert Project Documentation and Government Authority to review.]

## **SCHEDULE A: TERMS AND CONDITIONS**

[Insert applicable Terms as Conditions. We include **Illustrative Terms and Conditions** intended to maximize investment and value for the Host Country in **Schedule A of the Guidance Document**.]

**[Note to Country:** The Terms and Conditions inserted in this Letter of Authorization should be aligned with existing legislation or policy related to carbon markets. **Illustrative Terms and Conditions** are set out in Schedule A of the Guidance Document to (i) present sample terms and conditions that can be adapted to each country's form of Letter of Authorization, (ii) facilitate Paris compliance, and (iii) present terms that are likely to enhance attractiveness for potential buyers of credits. Each Member Country may choose to publicly disclose the Terms and Conditions or have them remain confidential.]



## **SCHEDULE B:**

### **COOPERATIVE APPROACH DOCUMENTATION**

**[Note to Member Country:** Each of the Parties to a Cooperative Approach, or the Party and the Program, acting under Article 6.2 of the Paris Agreement may wish to provide information on the Cooperative Approach. It may take various forms including, without limitation, a summary or copy of any International Framework Agreement, or a Memorandum of Understanding documenting the cooperative approach. We understand that each Member Country may choose to publicly disclose the Cooperative Approach or have it remain confidential.]

## ANNEX 1:

### GUIDANCE MANUAL FOR LETTERS OF AUTHORIZATION AND SUPPORTING DOCUMENTS UNDER ARTICLE 6.2<sup>3</sup> OF THE PARIS AGREEMENT

**This draft Guidance Manual is provided solely for information purposes. It does not constitute an offer or binding intent of the World Bank, or any of its member entities.**

#### Introduction and Overview.

This Guidance Manual is intended to support Parties to the Paris Agreement intending to host emission reduction or removal Project Activities in their jurisdiction (each a “**Host Country**”) in the process of developing their form of Letter of Authorization and supporting documents under Article 6.2 of the Paris Agreement.

All elements of the draft Letter of Authorization and this Guidance (including the proposed supporting documents), are intended to facilitate certainty and predictability for the Parties and Investors involved. Specifically, the Letter of Authorization and the Supporting Documents set out in this Guidance, are intended to:

- (i) recognize the sovereign rights and jurisdiction of each Party to the Paris Agreement (noting that any Letter of Authorization is subject to the same);
- (ii) enhance transparency, accuracy, completeness, comparability, and consistency for Parties, project developers, regulators, and investors;
- (iii) facilitate the enforceability of the resulting legal rights and obligations associated with GHG reductions and removals that are real, independently verified, and additional (“**Credits**”), Internationally Transferred Mitigation Outcomes (ITMOs), and Host Country authorizations and acknowledgments.

This Guidance accompanies the draft Letter of Authorization and it is organized as follows.

**Part 1. The Sovereign Decision to Authorize Project Activities and Supporting Documentation**

**Part 2. Terms and Conditions**

**Part 3. Reporting and Tracking in Accordance with Article 6.2**

**Part 4. Definitions.**

All elements of this Guidance Manual are intended to be consistent with the Paris Agreement and decisions made pursuant to it. This Guidance Manual will be updated from time to time in order to reflect the ongoing decisions and templates made under and in accordance with Article 6.2 of the Paris Agreement.

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<sup>3</sup> This may also be used for units created under Article 6.4 of the Paris Agreement when they are authorized for use by the Host Country towards a NDC or other international mitigation purposes.

## Part 1. The Sovereign Decision to Authorize Project Activities and Supporting Documentation

Each Party to the Paris Agreement has the sovereign right to determine whether it intends to authorize a Project Activity (and resulting Credits) as part of a cooperative approach that results in internationally transferred mitigation outcomes (“ITMOs”) for use (i) towards [a] NDC<sup>4</sup> or (ii) for other international mitigation purposes (“OIMP”) in accordance with Article 6.2 of the Paris Agreement.<sup>5</sup> Each Host Country may wish to keep a record of its decision on specific Project Activities and related entities by actively determining whether:

☐ A. The Project Activity and the resulting Credits are authorized to create ITMOs for use towards (i) a nationally determined contribution (“NDC”) and/or (ii) other international mitigation purposes (“OIMP”) [stipulated by the Government Authority of [COUNTRY]]. The Government Authority of [COUNTRY] will then provide the Focal Point of the Investors with the **Letter of Authorization** (Form 1), including **[COUNTRY’S] terms and conditions** of such authorization in **Schedule A**, and the Investors all agree with the Letter of Authorization and terms and conditions of such Letter of Authorization, which is issued in furtherance of the **cooperative approach** with other Parties or Programs<sup>6</sup> set out in **Schedule B**.

OR

☐ B. The Project Activity and the resulting independently verified, certified, and issued GHG emission reductions and removals (“Credits”) are not authorized by [COUNTRY] for use towards another NDC or OIMP as defined in Decision 2/CMA.3 under the Paris Agreement. [In this case, the Government Authority of [COUNTRY] may provide the Focal Point of the Investors with the **Letter of Acknowledgment** attached in Form 2 with any stipulated terms and conditions.]

A. When the Host Country makes the decision to authorize a Project Activity and its resulting outcomes for these purposes, Host Countries may use and adapt the draft **Letter of Authorization** to their local laws and circumstances. However, to enhance investment and the value of Credits in the Host Country, the complete Letter of Authorization should include:

- (i) the template **Letter of Authorization (Form 1)** that accompanies this Guidance Manual;
  - (ii) a detailed **description of the Project Activity** containing, at a minimum, the information set out in **Schedule 1**;
  - (iii) the **Host Country’s Terms and Conditions** for the Authorization **in the form set out in Schedule A**, noting that the proposed terms and conditions are intended to both increase investment and activity by both the public and the private sectors;
- and, where applicable and available,
- (iv) a summary [or copy] of Host Country’s **supporting cooperative approach** with another Party or Program **(in the form set out in Schedule B)**<sup>7</sup>.

<sup>4</sup> While the wording of Article 6.2 is use of ITMOs “towards nationally determined contributions”, which would include the Party’s own NDC, this text may be interpreted as requiring authorisation for use towards another NDC (or OIMP).

<sup>5</sup> This includes the Article 6.2 Decisions and Guidance adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

<sup>6</sup> This may take various forms including, without limitation, an International Framework Agreement or a Memorandum of Understanding between Parties or between a Party and a Program.

<sup>7</sup> This may take various forms including, without limitation, an International Framework Agreement or a Memorandum of Understanding between Parties or between a Party and a Program.

Each of these supporting documents is included in this Guidance Manual. The Letter of Authorization may also include the **Host Country's reporting form to the UNFCCC Secretariat** outlining its authorization(s) and intent to make corresponding adjustments to its GHG accounting. This should reflect the final reporting template to be agreed by the Parties to the Paris Agreement for reporting and tracking Article 6.2 activities through the agreed electronic format ("AEF") when such decision is made.

- B. The Host Country may determine that the Project Activity and resulting Credits are not authorized for use towards (i) its nationally determined contribution ("**NDC**")<sup>8</sup>; (ii) another NDC; or (iii) for other international mitigation purposes.<sup>9</sup> In this case, Investors in such Project Activities are often left with uncertainties and contingencies that hinder both their investment in the Host Country and the value of resulting Credits for the Host Country. In these cases, the Host Country may issue a **Letter of Acknowledgement** (in the form set out in **Form 2**) in order mitigate these uncertainties and enhance value.

## Part 2. Terms and Conditions

The Terms and Conditions of any authorization may have a significant impact on the value of any related ITMOs associated with a Project Activity and therefore the investment and finance available to such Project Activity. Illustrative Terms and Conditions are set out in **Schedule A of this Guidance Document**, with the recognition that Host Countries may wish to adjust the terms and conditions to more accurately reflect their local legal context.

## Part 3. Reporting and Tracking in Accordance with Article 6.2.

This Portion of the Guidance Manual is intended to be completed when the Parties to the Paris Agreement take a final decision on the form of the reporting and tracking required under Article 6.2 of the Paris Agreement. In the interim, we recommend that Parties use the draft reporting templates provided for in Decision 2/CMA.3.

## Part 4. Definitions.

Common definitions used throughout this Guidance and the Letter of Authorization (including the Terms and Conditions set out in the Guidance), and Letter of Acknowledgement are set out in Schedule 2 of this Guidance.

<sup>8</sup> As defined in the Paris Agreement.

<sup>9</sup> All references to a "Project Activity" in this draft shall include a project activity or a or categories of project activities, to be confirmed by the Host Country. This template may be used to authorize or acknowledge a single or multiple project activity/ies, categories of project activities, the Credits or ITMOs resulting from such project activities, and the non-state actors and investors participating in such projects. The language in this draft template shall be tailored accordingly to fit the specific acknowledgment or authorization.

## SCHEDULE 1: DETAILED PROJECT DESCRIPTION

[Investors/Focal Point to insert Project Documentation and Government Authority to review. This may take the form of a full Project Design Document and must include the following minimum elements to be determined by the Country.]

Key Element	Description	Further Information
<b>Project Name</b>		
<b>Location</b>		
<b>Owner</b>		
<b>Entities and Local Stakeholders Involved</b>		
<b>Standard and Methodology</b>		
<b>Baseline Year</b>		
<b>Crediting Period</b>		
<b>Anticipated Outcome (expected reductions or removals)</b>		

## SCHEDULE A: ILLUSTRATIVE TERMS AND CONDITIONS

Suggested Term	Details
<b>Term of Authorization and Renewals</b>	Government Authority hereby expressly and irrevocably permits, consents to and authorizes the transfer, sale, export or any other disposition of the Authorized Quantity (defined below) of ITMOs from the Project Activity and any co-benefits associated therewith, to any other person or entity including outside of [COUNTRY], by the Investor, [by any person to whom the Investor has made such transfer or disposition, or by any other future transferee or assignee of the Credits and resulting ITMOs, in each case in conjunction with the transfer and assignment of the rights under this Letter of Authorization, and any such future transfers or dispositions of the Credits] shall, subject to the revocation terms, be free and clear of any liability to the Government of [COUNTRY].
<b>Renewal and Amendment</b>	This authorization is valid until [date] [years from date of issuance]. It may be renewed with the written consent of [COUNTRY] [upon the request of the Focal Point] for a period of up to [number of years] [NDC period] [carry-over provisions]. No amendment shall be made to this Letter of Authorization unless it is: (i) mutually agreed to in writing by [COUNTRY] and Focal Point or (ii) necessary to implement a change of law in COUNTRY, in which case Focal Point and Investors shall be provided with at least [6] months notice. [COUNTRY] and Focal Point agree that any ITMOs resulting from emission reductions or removals that occurred prior to the date of the amendment to the LoA shall not be affected by the amendment to the LoA (no retroactivity) unless agreed to in writing by both [COUNTRY] and Focal Point.
<b>Revocation</b>	Investor acknowledges that Government Authority may [upon X days of written notice to the Focal Point(s)]:  (i) revoke a cooperative approach with another Party or Program, in which case: (a) all ITMOs issued prior to the revocation date shall remain valid and authorized for use under such cooperative approach; and (b) no subsequently issued ITMOs may be used for the revoked cooperative approach; and  (ii) revoke this authorization for the Project Activity or the Investors if either have breached the terms of the Letter of Authorization, in which case: (a) in the absence of fraud or a breach of applicable laws by the Investors [or their subcontractors] in the Project Activity, all ITMOs issued prior to the revocation date shall remain valid and authorized for use; and (b) in the event of fraud or a breach of applicable laws by the Investors [or their subcontractors] in the Project Activity, the ITMOs issued pursuant to such fraud or breach prior to the revocation date shall be revoked and shall not be authorized for use.
<b>Contribution to Sustainable Development</b>	The Government Authority confirms that the Project Activity will promote sustainable development, greater climate ambition, environmental integrity, and transparent climate governance for [COUNTRY] in accordance with the Paris Agreement.

<b>Certification Body</b>	Any and all Credits giving rise to the ITMOs from the Project Activity shall be created and issued in accordance with the rules and requirements of [insert name of carbon credit standard, registry, and certification body] (the “ <b>Certification Body</b> ”).
<b>Maximum ITMO Quantities</b>	The authorization to transfer issued Credits and ITMOs from the Project Activity is limited to a maximum quantity of the issued Credits and ITMOs from the Project Activity (the “ <b>Authorized Quantity</b> ”) specified in the Letter of Authorization. Any and all quantities of Credits or ITMOs in excess of the Authorized Quantity shall remain in, and for the sole and exclusive use of, [COUNTRY] [for its use toward any or all of its NDC, share of proceeds, adaptation, overall mitigation of global emissions, administration, or such other uses that Government of [COUNTRY] may advise.]
<b>Enforceable Rights and Restrictions on Country Use</b>	Government and Investors agree that the [issued] Authorized Quantities [of ITMOs] constitute enforceable property rights, regardless of whether they take the form of a tradeable license, financial instrument, security, commodity or any other construct under the domestic laws of [COUNTRY]. [COUNTRY] shall not use any of the Authorized Quantity to implement and achieve its NDCs or any other domestic climate change mitigation targets.
<b>Communications</b>	<p>All communications regarding this Letter of Authorization shall be in writing and through:</p> <p><b>For [COUNTRY]:</b> [insert two (2) contact names, positions, and contact information]</p> <p><b>For Investors:</b> [insert the name, address, and contact information of the Focal Point(s)] “Focal Point(s)”</p>
<b>Corresponding Adjustments, Timing, and Sequencing</b>	The Government Authority shall make and report corresponding adjustments for the issued ITMOs that are Authorized Quantities when they are [[issued and first transferred to (or retired on behalf of) the Focal Point or entity designated by the Focal Point]]. <sup>10</sup> It shall do so in each of the [Draft] Agreed Electronic Format, the Annual Information Form, the National Inventory Report and the Biennial Transparency Report(s) stipulated under and in accordance with Article 6.2 of the Paris Agreement, including without limitation Decision 2/CMA.3 and Decision 6/CMA.4. [The Government Authority confirms that “first transfer” shall occur upon the date that [both] the authorization and issuance of Credits giving rise to the mitigation outcomes has occurred.]
<b>Records, Reporting, and Tracking</b>	The Focal Point shall promptly notify the Government Authority of: (i) issuance of any and all Credits from the Project Activity within three (3) business days of such issuance; (ii) first transfer of any and Credits or ITMOs within three (3) business days of such transfer to, or retirement by the Focal Point; and (iii) the status of the Project Activity and any and all related Credits and ITMOs issued on an [annual] basis on or before [insert annual date] each year that the Project Activity is [authorized and] operating.
<b>Fees and Charges</b>	Investors shall pay any and all fees and charges that may apply related to administration, adaptation, validation and verification of the Project Activity, the Certification Body, issuance and first transfer of the Credits and ITMOs, and overall mitigation of global emissions.

<sup>10</sup> It is preferable to have the corresponding adjustment made upon issuance to the Focal Point.

<b>Taxation</b>	The ITMOs are [not] subject to [any] production taxes in [COUNTRY] [but [are] subject to the prevailing sales tax of [X%] when first transferred.] [Insert applicable tax treatment of ITMOs in COUNTRY].
<b>Restricted Countries and Other Uses</b>	[Insert any Countries Sanctioned by [COUNTRY] or Jurisdictions or programs with which trade is prohibited.]
<b>Governing Law</b>	This Letter of Authorization is governed by the laws of [COUNTRY] and constitutes legal, valid and binding obligations of the [COUNTRY] and Investors, enforceable in accordance with its terms.
<b>Dispute Resolution</b>	Any dispute related to this Letter of Authorization shall be resolved first, through [x (#)] days of negotiation between the Focal Point and the Government Authority, and in the event that the dispute remains through binding arbitration through [and in accordance with [UNCITRAL Arbitration Rules] [ICC Arbitration Rules]]. The number of arbitrators shall be [x]. The place of the arbitration shall be [y]. The language of the arbitration shall be [z]. The Government of [COUNTRY] and Investor(s) agree that the outcome of any arbitration relating to this Letter of Authorization shall be final, binding, and enforceable on the parties. If the Government of [COUNTRY] fails to comply with its commitments set forth in this Letter of Authorization, it shall compensate the Investor for the reasonable losses resulting from such non-compliance. [The scope and amount of such compensation will be determined in a manner that is equitable, transparent and consistent with prevailing industry standards and regulations in consideration of, among others, the prevailing market value of the affected Credits/ITMOs and estimated revenue losses by the Investor attributable to the Government of [COUNTRY]'s failure to meet its commitments under this Letter of Authorization.]
<b>Assignment</b>	Investors may assign the Project Activity and/or any Credits and ITMOs resulting from it if such assignment is communicated in writing (a) directly by the Focal Point or (b) through a power of attorney or other duly authorized representative of the Focal Point should such communication involve a change in the Focal Point.
<b>Local Communities and Indigenous Peoples</b>	The Project Activity and Investors shall respect the rights of Indigenous Peoples and ensure benefit sharing of at least [x% of the value of the Project Activity] is shared with local communities and Indigenous Peoples in [COUNTRY].



## FORM 2: LETTER OF ACKNOWLEDGEMENT

[To be placed on letterhead of Government Authority and attached to the Common Language and Schedule 1]

**TO:** [Insert all Investors, names and addresses] (the “**Investors**”)

**THROUGH:** [Insert name of the Focal Point(s) for all communications], who shall be the sole entities designated as the “**Focal Point(s)**” that are authorized to communicate with [COUNTRY].

**FROM:** Government of [COUNTRY], [Minister/Ministry/Department/Designated National Authority official’s name and title] that is duly authorized to provide all related authorizations, acknowledgements, adjustments and undertake the functions required in accordance with Article 6.2 and related reporting and tracking obligations of the Paris Agreement; and

[Name and Title of duly authorized representative empowered by the Government of [COUNTRY] to support the related authorizations, acknowledgements, adjustments and undertake the functions required in accordance with Article 6.2 and related reporting and tracking obligations of the Paris Agreement.] (the “**Government Authority**”)

The Government Authority is aware of the Project Activity set out in **Schedule 1** and hereby acknowledges that:

1. The Project Activity and the independently verified, and Issued greenhouse gas emission reductions and removals (“**Credits**”) resulting from it are not authorized by [COUNTRY] for use towards another NDC or other international mitigation purposes;
2. It provides **no authorization for use of such Credits to be claimed by any other Party to the Paris Agreement or used towards another NDC or program** that is the subject of a cooperative approach under Article 6.2 of the Paris Agreement.
3. Such Credits will not be correspondingly adjusted by [COUNTRY], and they will remain reported as reductions or removals in the National Inventory Report of [COUNTRY], the Biennial Transparency Reports and other reports of [COUNTRY] issued under the Paris Agreement.

The Investors shall not use or claim the Credits resulting from the Project Activity in a manner that compromises the acknowledgements of the Government Authority set out in this Letter of Acknowledgement.

Government Authority of [COUNTRY]

\_\_\_\_\_ [insert signature]

I am duly authorized to bind the Government Authority

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

ACCEPTED AND AGREED BY:

\_\_\_\_\_ [insert signature]

I am the duly authorized Focal Point, authorized to execute this agreement on behalf of the Investors

Focal Point Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

On behalf of [Investors, insert names and positions]

\_\_\_\_\_

## SCHEDULE 2: DEFINITIONS<sup>11</sup>

Term	Definition
<b>Agreed Electronic Format or “AEF”</b>	Means the agreed electronic format for reporting a Cooperative Approach, Credits and/or ITMOs in accordance with the Paris Agreement and the decisions of the CMA made thereunder.
<b>CMA</b>	Means the conference of the Parties serving as the meeting of the parties to the Paris Agreement.
<b>Credits</b>	Means the resulting legal rights and obligations associated with GHG reductions and removals that are real, quantified, independently verified, and additional.
<b>Cooperative Approach</b>	Means the agreed cooperative approach between parties to the Paris Agreement or a Party to the Paris Agreement and a program in accordance with Article 6 of the Paris Agreement and decisions made thereunder as documented in writing in a MOU, IFA or otherwise, and as summarized or set out in Schedule B to the Letter of Authorization.
<b>Designated National Authority or “DNA”</b>	Means the entity/ies within the Government of [COUNTRY] that is designated to provide and interact on authorizations under Article 6 of the Paris Agreement.
<b>“Emission Reductions”</b>	Shall have the meaning provided to it in the applicable decisions under the Paris Agreement, as modified by any applicable Standard stipulated by [COUNTRY].
<b>“Emission Removals”</b>	Shall have the meaning provided to it in the applicable decisions under the Paris Agreement, as modified by any applicable Standard stipulated by [COUNTRY].
<b>First Transfer</b>	Has the meaning set out in FCCC/PA/CMA/2021/10/add.1 section 2, and for clarity the [COUNTRY] and Focal Point agree that for Credits and ITMOs authorized under this LoA, it shall occur upon the date that [both] the [Authorization] [and] [Issuance] of Credits giving rise to the mitigation outcome has occurred. <sup>12</sup>
<b>Focal Point(s)</b>	Means the person(s) designated or otherwise duly authorized in writing to represent and communicate for the Investors authorized by or listed on the Letter of Authorization (or, in the alternative, the Letter of Acknowledgement if applicable).
<b>Government Authority</b>	Means the duly authorized representative(s) empowered by the Government of [COUNTRY] to support the related authorizations, acknowledgements, adjustments and undertake [or support] the functions required in accordance with Article 6 [6.2 and/or 6.4, as applicable] and related reporting and tracking obligations of the Paris Agreement.
<b>Greenhouse Gas or “GHG”</b>	Means the atmospheric gases responsible for causing global warming and climate change as stipulated by the UNFCCC and included in the Paris Agreement, as may be updated from time to time by the Intergovernmental Panel on Climate Change.

<sup>11</sup> The definitions are expected to be updated from time to time as further guidance related to Article 6 emerges, and as markets evolve

<sup>12</sup> To be updated to ensure consistency with the guidance that emerges from the CMA.

Term	Definition
<b>Guidance Document</b>	Means the guidance document that accompanies the draft Letter of Authorization to assist Parties to the Paris Agreement in its use, which includes illustrative Terms and Conditions, and a draft Letter of Acknowledgement to be used when authorization is not required.
<b>Host Country</b>	Means a [COUNTRY] that is a Party to the Paris Agreement, which intend to host, or is hosting, an emission reduction or removal Project Activity in their jurisdiction.
<b>International Framework Agreement or “IFA”</b>	Means an international contract or agreement, between parties to the Paris Agreement or a party and a program, which outlines a cooperative approach between same under the Paris Agreement.
<b>Investors</b>	Shall be defined by the [COUNTRY] and the entities relevant to the Project Activity and set out in writing in the Letter of Authorization, and may include the Project developer, the owner of the Project, the financial investors in the project, and the owners of resulting Credits and ITMOs from the project.
<b>ITMO</b>	Means an internationally transferred mitigation outcome created in accordance with Article 6.2 (or as authorized under Article 6.4) of the Paris Agreement as further defined in FCCC/PA/CMA/2021/10/add.1 section 1.
<b>Issued, Issuance</b>	Means the act of a confirming the veracity of an independently verified Credit created in accordance with a Standard and the recording of its unique electronic confirmation into a registry or database existing for such purpose.
<b>Letter of Acknowledgement</b>	Means the draft letter of acknowledgement set out in Form 2 of the Guidance Document, for use when the Host Country determines that the Project Activity and resulting Credits are not authorized for use towards (i) its NDC; (ii) another NDC; or (iii) for other international mitigation purposes; and therefore, no authorization is required.
<b>Letter of Authorization</b>	Means the draft letter of authorization with the associated schedules, including the applicable Terms and Conditions (where illustrative Terms and Conditions are provided in the Guidance Document.
<b>Memorandum of Understanding or “MOU”</b>	Means a memorandum of understanding, between parties to the Paris Agreement or a party and a program, which outlines a cooperative approach between same under the Paris Agreement.
<b>Member Country</b>	Means a Party to the Paris Agreement
<b>Modalities of Communication or “MOC”</b>	Means the written modalities of communication that may be required by a Member Country, a Standard, or the Article 6.4 Supervisory Body setting out the details of who is authorized to make communications relating to the Project Activity and how they are to be made.
<b>NDC</b>	Means a Member Country’s nationally determined contribution as set out pursuant to Article 4 of the Paris Agreement.

Term	Definition
<b>Other International Mitigation Purposes or “OIMP”</b>	Has the meaning set out in defined in FCCC/PA/CMA/2021/10/add.1 Section 1(f), and for clarity includes international mitigation purposes other than achievement of an NDC (international mitigation purposes) or purposes as determined by the first transferring part to the Paris Agreement (other purposes), where international mitigation purposes and other purposes are referred to collectively as other international mitigation purposes.
<b>Paris Agreement</b>	Means the Paris Agreement under the UNFCCC found at <a href="https://unfccc.int/sites/default/files/resource/parisagreement_publication.pdf">https://unfccc.int/sites/default/files/resource/parisagreement_publication.pdf</a> and all Decisions made by the CMA.
<b>Project Activity, or Project</b>	Means the project activity resulting in eligible emission reductions or emission removals under Article 6.2 (or as authorized under Article 6.4) of the Paris Agreement, as more fully described in the detailed Project Documentation attached as Schedule 1 to the Letter of Authorization.
<b>Project Documentation</b>	Means the detailed Project description and supporting documentation required by [Country] and the applicable body or Standard through which the emission reductions or removals are being created.
<b>Standard</b>	Means a governmental body, an independent carbon standard, the Article 6.4 Supervisory Body, or such other entities duly permitted by [COUNTRY] to provide the Credit creation infrastructure to support [COUNTRY’s] Article 6.2 activity (and authorization and use of Article 6.4 authorized units).
<b>Summary of Cooperative Approach</b>	Means the summary of cooperative approach set out in Schedule B to the Letter of Authorization, noting that it may take various forms including, without limitation, a summary or copy of any International Framework Agreement, or a Memorandum of Understanding documenting the cooperative approach between or among the entities.
<b>Taxes</b>	Means any and all value-added tax, goods and service tax and [x] [Note: COUNTRY to add any applicable Taxes that should be included] applicable in the [COUNTRY] or to the ITMOs.
<b>Terms and Conditions</b>	Means the terms and conditions set out in Schedule A to the Letter of Authorization (noting that a template recommended terms and conditions is included in the Guidance Document)
<b>UNFCCC</b>	Means the United Nations Framework Convention on Climate Change found at <a href="https://treaties.un.org/pages/ViewDetailsIII.aspx?src=TREATY&amp;mtdsg_no=XXVII-7&amp;chapter=27&amp;Temp=mtdsg3&amp;clang=_en">https://treaties.un.org/pages/ViewDetailsIII.aspx?src=TREATY&amp;mtdsg_no=XXVII-7&amp;chapter=27&amp;Temp=mtdsg3&amp;clang=_en</a>
<b>Verify, Verified</b>	Shall have the meaning given to it by the applicable Standard or the laws of [COUNTRY], as applicable.

## ANNEX 2:

### LETTER OF AUTHORIZATION FOR USE OF EMISSIONS REDUCTIONS UNDER ARTICLE 6.2 OF THE PARIS AGREEMENT FOR INTERNATIONAL MITIGATION PURPOSES OR OTHER PURPOSES

This template Letter of Authorization developed by the Multilateral Investment Guarantee Agency (MIGA) presents illustrative terms that are conducive to facilitating insurance for breach of a Letter of Authorization.

#### **Purpose:**

This template is intended to be used for project activities seeking compliance with requirements for mitigation outcomes authorized for use under Article 6.2 of the Paris Agreement for international mitigation purposes or other purposes.

The main purposes of this template are to (i) support host governments' efforts in facilitating carbon investments into host countries by enhancing transparency and clarity in carbon-related government processes through a standardized template and (ii) assist potential investors in setting out their legal rights over mitigation outcomes, thereby increasing the insurability of projects generating mitigation outcomes.

#### **Note:**

This document is provided solely for information and discussion purposes. If in the future MIGA decides at its sole discretion to consider providing coverage with respect to such a document, such coverage would be subject to MIGA's detailed review and approval in all respects and as such this document cannot be considered as a commitment, offer or intent to be bound in any way on the part of MIGA.

This document does not, and is not intended to, constitute legal, business, financial, investment, regulatory, or any other advice. Any use, and the ultimate acceptance of this template or any variation thereof, is solely within the discretion of, and subject to negotiations between, the parties thereto.

FROM: Government of [COUNTRY]

[Name and Title of duly authorized representative empowered by the Government of [COUNTRY] party to the Paris Agreement to provide all Article 6.2 related authorizations and adjustments]

TO: [Addressee name, title, contact info]<sup>13</sup> [for and on behalf of the Investor(s)]

## LETTER OF AUTHORIZATION [NAME OF PROJECT]

WHEREAS [COUNTRY] is a party to the international treaty on climate change adopted by 196 parties to the Conference of the Parties 21 in Paris on December 12, 2015, and entered into force on

4 November 2016, being Decision 1/CP.21 (*Adoption of the Paris Agreement*) (the “**Paris Agreement**”), and has ratified the Paris Agreement on [DATE];

WHEREAS [COUNTRY] intends to participate in cooperative approaches under Article 6.2 of the Paris Agreement in order to cooperate in the implementation of its nationally determined contributions (“**NDCs**”) to allow for higher ambition in mitigation and adaptation actions, promote sustainable development, and environmental integrity;

WHEREAS [COUNTRY] allows mitigation outcomes to be authorized for (i) the achievement of an NDC other than the NDCs of [COUNTRY], [and/or] (ii) international mitigation purposes other than achievement of an NDC, [and/or] (iii) other purposes as determined by the first transferring participating party (clauses (ii) and (iii) together, “**Other International Mitigation Purposes**” or “OIMP”) as per Decision 2/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement) and Decision 6/CMA.4 (Matters relating to cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement) (together, the “**Article 6.2 Rules**”);

WHEREAS [name of the relevant project developer or other private entity to whom the authorization is being issued] (the “**Investor(s)**”) has undertaken or intends to undertake [PROJECT], as described in the project documentation attached to this Letter of Authorization (the “**Project**”);

AND WHEREAS [name of the ministry/government agency signatory of this Letter of Authorization that is the national focal point of the country to the UNFCCC] (the “**Authority**”) is mandated by the Government of [COUNTRY] and has exclusive authority to issue this Letter and the authorization contained herein for and on behalf of the Government of [COUNTRY].

NOW, THEREFORE, the Government of [COUNTRY] agrees, and the Investor accepts and acknowledges such agreement, as follows:

### 1. Government Authorizations and Commitments

The Government of [COUNTRY] hereby endorses the Project in accordance with *[insert name of applicable legislation or regulation in the host country, and applicable other agreements, if any, between the host country and the investor]* [or any further regulation aimed at implementing requirements for cooperative approaches under Article 6.2 of the Paris Agreement.]

The Government of [COUNTRY] hereby acknowledges and agrees that the Project will contribute to sustainable development and reduce emissions or enhance removals in [COUNTRY] and that [name of carbon credits certification body] (the “**Certification Entity**”) has issued, or has confirmed that it expects to issue, mitigation outcomes for these emission reductions or removals, which have been, or will be verified/certified as per the procedures of the Certification Entity.

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<sup>13</sup> Since this letter is being issued to a counterparty that is not a Party to the Paris Agreement (i.e., a private entity), the issuer of this letter should first obtain legal advice regarding the permissibility of such “unilateral” letters of authorization under the current Article 6.2 Rules.

The Government of [COUNTRY] hereby [irrevocably]<sup>14</sup> authorizes the Project's emission reductions or removals, issued and certified, or to be issued and certified, as mitigation outcomes by the Certification Entity (the "**Credits**"), [and subject to the limitations below it irrevocably authorizes the Credits] to be used by the Investor or by any other private or public entities as Internationally Transferred Mitigation Outcomes ("**ITMOs**") (i) towards an NDC (other than the NDCs of [COUNTRY]) or (ii) for Other International Mitigation Purposes under the Article 6.2 Rules.

[The Investor shall submit annual reports to the Government of [COUNTRY], by no later than [ ] of each year, regarding the latest issuance of the Credits and the use of the Credits' associated emissions reductions or removals by the Investor, other entities or other countries.]

The authorization for use of the Credits as ITMOs is limited to those issued in respect of emission reductions or removals that occur in the period from [ ] to [ ] and to a maximum of [QUANTITY or PERCENTAGE]<sup>15</sup> tCO<sub>2</sub>e of the Project's emission reductions or removals generated [in each calendar year] [for the duration of the Project] ("**Authorized ITMOs**").

Further, the Government of [COUNTRY]:

- (i) shall not use the Authorized ITMOs to implement and achieve its NDCs or any other domestic climate change mitigation targets;
- (ii) shall account for the Authorized ITMOs by applying corresponding adjustments to its National GHG Inventory in accordance with the Article 6.2 Rules;
- (iii) (x) hereby expressly [and irrevocably] permits, consents to and authorizes the transfer, sale, or any other disposition (a "**Transfer**") to any other person or entity of the Authorized ITMOs and the Credits or any rights associated therewith, including outside of [COUNTRY], by the Investor, by any person to whom the Investor has made such Transfer, or by any other future transferee of the Authorized ITMOs and the Credits, in each case in conjunction with the transfer of the rights under this Letter of Authorization, (y) any such future Transfers of the Authorized ITMOs and the Credits shall be free and clear of any liability to the Government of [COUNTRY], and (z) the Government of [COUNTRY] shall consider the [authorization]/[issuance] of the Authorized ITMOs and the Credits to represent "First Transfer"<sup>16</sup>; and

*[(iv) include any other specific commitments requested by the Investor or the Host Country on a project- or country-specific basis].*

In furtherance of the above, the Government of [COUNTRY] shall report on the authorization and, where different, the First Transfer of the Project's emission reductions or removals as ITMOs, in a transparent manner that is consistent with the requirements of Article 13 of the Paris Agreement and Chapter IV A-C (inclusive) of the Annex to Decision 2/CMA.3 (Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement).

## 2. Consideration and Proceeds

As consideration for the authorizations in this Letter of Authorization, the Authority requires that: (i) the following amounts of US\$ be paid by the Investor to the Authority [to compensate [COUNTRY] for its marginal cost of abatement]: [On registration of the project [Insert Amount] in US\$ calculated as [insert amount] per Credit predicted to be issued in total] [On issuance of Credits [Insert Amount] in US\$ per Authorised ITMOs [calculated

<sup>14</sup> The Host Country should consider including this word to provide confidence regarding the authorization.

<sup>15</sup> Such quantity to be net of overall mitigation in global emissions (OMGE) and share of proceeds (SOP) for adaptation.

<sup>16</sup> This has the meaning set out in FCCC/PA/CMA/2021/10/add.1 section 2; to be updated as additional guidance emerges.

by reference to the quantity or % as per the fifth paragraph of Section 1 above] [other]; and (ii) an additional [ ]% of revenues generated from the sale of the mitigation outcomes authorized in this Letter of Authorization be paid to the Authority<sup>17</sup>

### 3. Registration and Issuance of, and Compensation for, the Credits

As a requirement for the authorizations and commitments set forth in Section 1 above, the Credits, including the amount thereof [and any other features/qualities thereof], shall have been certified, registered and issued by the Certification Entity. Such certification, registration and issuance shall be the sole condition precedent to the commitments of the Government of [COUNTRY] specified in [paragraphs [ ] of] Section 1 above. [The Government of [COUNTRY] hereby waives any claim, objection, or defense with respect to such commitments on any grounds other than the non- satisfaction of such condition].

If the Government of [COUNTRY] fails to comply with its commitments set forth in Section 1 above, it shall compensate the Investor for the losses resulting from such non-compliance. [The scope and amount of such compensation will be determined in a manner that is equitable, transparent and consistent with prevailing industry standards and regulations in consideration of, among others, the prevailing market value of the affected Credits [and estimated revenue losses by the Investor attributable to the Government of [COUNTRY]'s failure to meet its commitments under this Letter of Authorization.]]

### 4. Governing Law and Dispute Resolution

This Letter of Authorization is governed by the laws of [COUNTRY] and constitutes legal, valid and binding obligations of the Government of [COUNTRY], enforceable in accordance with its terms.

Any dispute, controversy or claim arising out of, relating to, or in connection with, this Letter of Authorization (including its existence, validity, interpretation, breach, termination or enforcement, and in relation to the compensation for the Credits in accordance with Section 3 above) shall be referred to and finally settled by [ ].<sup>18</sup>

Government of [COUNTRY] Authorized Representative

\_\_\_\_\_ (signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[INVESTOR NAME] ACCEPTED AND AGREED BY:

\_\_\_\_\_ (signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

<sup>17</sup> Parties to this letter to consider adding other references in this section such as percentage of proceeds to be allocated to the Global Adaptation Fund and a certain proportion of mitigation outcomes to be retired on issuance for the purposes of Overall Mitigation in Global Emissions or other fees and pricing mechanism.

<sup>18</sup> This is a required element of the LoA to be negotiated and included by the parties whereby they commit to abide by a final determination by an independent third party. [In addition, a waiver of sovereign immunity clause to be considered].