



MINISTRY OF GREEN ECONOMY AND ENVIRONMENT

Designated National Authority

**Guidelines for the Submission and Evaluation of
Proposed Mitigation Activities under Article 6 of
the Paris Agreement**

Part I of the Carbon Market Framework for Zambia



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ABBREVIATIONS

AFOLU	Agriculture, Forestry and Other Land Use
AGB	Above Ground Biomass
AP	(Mitigation) Activity Proponent
BAU	Business-as-Usual (scenario)
BGB	Below Ground Biomass
BTR	Biennial Transparency Report
BUR	Biennial Update Reports
CA	Corresponding Adjustment
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CDM	Clean Development Mechanism
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of the Parties
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CSO	Civil Society Observers
DNA	Designated National Authority
ETF	Enhanced Transparency Framework
FPIC	Free, Prior, Informed Consent
GCF	Green Climate Fund
GEF	Grid Emission Factor
GHG	Greenhouse Gas
GHGI	GHG Inventory
GS	Gold Standard
HWP	Harvested Wood Product (pool)
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
IPPU	Industrial Production and Product Use
ITMO	Internationally Transferred Mitigation Outcomes
LCOE	Levelized cost of electricity



MAC	Marginal Abatement Cost
MADD	Mitigation Activity Design Document
MCTI	Ministry of Commerce, Trade and Industry
MGEE	Ministry of Green Economy and Environment
MIT	Mitigation
MAIN	Mitigation Activity Idea Note
MADD	Mitigation Activity Design Document
MRV	Monitoring, Reporting and Verification
NC	National Communications
NDA	National Designated Authority (GCF)
NAMA	Nationally Appropriate Mitigation Action
NDC	Nationally Determined Contributions (in Paris-Agreement)
NDP	National Development Plan
uNDC	unconditional NDC
N ₂ O	Nitrous Oxide (laughing gas)
OMGE	Overall Mitigation in Global Emissions
PA	Paris Agreement
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SBSTA	Supervisory Body for Scientific and Technological Advice
SD	Sustainable Development
SDG	Sustainable Development Goal
TCC-MIT	Technical Climate Change Committee for Mitigation
UNFCCC	United Nations Framework Convention on Climate Change
VCS	Verified Carbon Standard
ZEMA	Zambia Environmental Management Agency



GLOSSARY

Term	Definitions
Acquiring party	Country government receiving authorized mitigation outcomes, ITMOs, and uses them for purposes of NDC compliance.
[A6] [Mitigation] Activity	The A6 mitigation activity (e.g., projects, programs, or other actions) described in the MADD that can generate mitigation outcomes
Activity Proponent (AP)	The public or private entity that is the developer or owner of the mitigation activity and/or has the legal right to the mitigation outcomes.
Authorization	The host Party's decision to make mitigation outcomes eligible for transfer to another country or for other mitigation purposes, based on the Article 6.2 guidance
Corresponding adjustment (CA)	The requirement under Article 6 that both countries involved in any transferred mitigation outcomes adjusted their reported emissions (or other metric) for purposes of NDC compliance; the acquiring country subtracts the amount of the transfer to adjust their reported emissions, while the host country adds the amount of the transfer to adjust their reported emissions.
Crediting Period	The period of 10 years, for which the mitigation activity may have ITMOs issued, attributable to the mitigation activity, based on its performance as documented in the activity's monitoring report and as successfully verified by a DOE.
Designated Operational Entity (DOE)	An accredited third party that conducts validation and verification of mitigation activities under Article 6.4 or the Clean Development Mechanism.
Host party	The country that hosts an activity that generates the mitigation outcomes that are transferred (also called "transferring" or "seller" country or party).
Internationally Transferred Mitigation Outcomes (ITMOs)	Mitigation outcomes that are authorized and transferred out of the host country, for use by another country towards their NDC, for use in other international mitigation systems (e.g., CORSIA for international aviation) or for use for other purposes (e.g. voluntary carbon markets)
Issuance	Creation of mitigation outcome units for an Activity in a registry account based the protocols or procedures of the relevant crediting mechanism or framework.
Mitigation activity design document (MADD)	The formal documentation of an Article 6 mitigation activity, including technical issues such as baselines, additionality, quantification of mitigation outcomes, and an MRV plan.
Mitigation activity identification note (MAIN)	Documentation of the mitigation activity, prepared by the AP containing high-level description of the proposed mitigation activity, in an early design phase.



Mitigation outcome purchase agreement (MOPA)	A legal contract for the purchase and transfer of mitigation outcomes authorized under the rules of Article 6.2 of the Paris Agreement.
Mitigation Outcomes (MO)	Emission reductions and emissions removals, measured in tonnes of carbon dioxide equivalent (tCO ₂ e), generated by a mitigation activity. MOs include emission reductions that may be i) transferred to Acquiring Parties and/or ii) (partially) counted towards the unconditional NDC of the Transferring Party.
Start date [of the mitigation activity]	Date on which the AP commits to making significant expenditures for the construction or modification of equipment of the mitigation activity (e.g. a wind turbine; minor expenses such as lease or purchase of land, cost of feasibility studies etc. do not qualify as significant). Where a contract is signed for such expenditures, the start date is the date of the signature of the contract. If the activity involves more than contracts or expenditures, then the start date is the forest of the respective dates.
Start date [of the crediting period]	Start date of the period during which an A6 activity generate ITMOs. The start date of the crediting period shall be i) equal or after the start date of the A6 activity and ii) equal or after the date of authorization, whatever is later. Retroactive issuance is not foreseen.
Registry	A database that records serialized carbon units and any other information specific to a carbon credit, including changes in ownership.
Transfer [of ITMOs]	The change of legal ownership of mitigation outcomes from one Party (current country with ownership) to another Party or another owner (e.g., an international airline under CORSIA).
Validation	Systematic, independent, and documented process for the ex-ante evaluation of the contents of the mitigation activity design document by a DOE.
Verification	Systematic, independent, and documented process for the ex-post evaluation of mitigation outcomes according to the monitoring plan by a DOE.



1. INTRODUCTION

1.1. INTRODUCTION

The Paris Agreement (PA) introduces international market mechanisms to unlock green investments for the collaborative achievement of the Nationally Determined Contributions (NDC) under Article 6, specifically Articles 6.2 and 6.4. The goal of these mechanisms is to increase private sector participation and to contribute to the global mitigation goals, which aim to limit global temperature rise to well below 1.5 degrees.

According to Article 6 (A6), Parties to the UN Framework Convention on Climate Change (UNFCCC) can authorize the transfer of carbon credits – called Internationally Transferable Mitigation Outcomes (ITMOs) – for three uses:

- ❖ NDC compliance by the acquiring party (i.e., the country that receives the ITMO transfer);
- ❖ Compliance in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) by international airlines;
- ❖ Counting towards net-zero or carbon neutral goals by buyers in the voluntary carbon market (VCM).

The international carbon market created by A6 offers opportunities for Zambia to collaborate with other countries, international organisations, and private sector entities to reach the target it lays out in the most ambitious portion of its NDC, the conditional targets: to reduce 26 million tonnes¹ of greenhouse gas emissions and beyond. Within the framework of A6, countries that have high marginal abatement costs (i.e., Acquiring Parties) can engage in cooperate approaches with countries where marginal abatement costs are lower, like Zambia (i.e. a “Transferring Party”), by providing results-based co-funding for emissions-reducing mitigation activities that can demonstrate sustainable development co-benefits and promote transformational impact. Such transactions will enable Zambia’s private sector to structure investments in emissions reductions that it would not have otherwise been able to implement. The overall gain from the cooperation will allow both parties to increase their ambition to reduce GHG emissions.

Transferring Parties who intend to host mitigation activities must take steps to develop their national policy, regulatory, and institutional frameworks to participate in ITMO transactions. Zambia has taken some steps to operationalise its participation accordingly and is currently on a path to developing its comprehensive Carbon Market Framework. Progress made so far includes:

- ❖ In its NDC, Zambia highlighted sectoral and strategic priorities for its own contribution to reduce emissions and build resilience against climate change as well as priority areas that could be pursued with the support of international finance and voluntary cooperation under A6². Through its Eighth National Development Plan for 2022-26 (GoZ, 2022), Zambia also has explicitly announced its intention to participate in the international carbon market as an important avenue to achieve its NDC targets, to increase its mitigation ambition, to

¹ Zambia emitted 120.6 M tCO₂ in 2010 and committed to reduce emissions unconditionally to 90.5 (i.e.-25%) and conditionally with substantial financial support to 63.6 Mt CO₂e (cf. GoZ, 2021). The conditional abatement potential to progress from an emission level of 90.65 to 63.6 MtCO₂e amount to approx. 26 M tCO₂.



implement new technologies with higher abatement costs and generate new carbon finance revenue streams.

- ❖ The Government of Zambia has some legacy institutional arrangements in place from the Kyoto Protocol period and the Clean Development Mechanism (CDM) – such as the Technical Climate Change Committee for Mitigation (TCC-MIT) – that will play a key role in decision-making on proposed A6 mitigation activities. The TCC-MIT is responsible for reviewing and evaluating proposals for mitigation activities, including CDM projects that would like to transition to Art. 6 and new incoming proposals for Art. 6.2 and 6.4 activities.
- ❖ In December 2022, the Ministry of Green Economy and Environment (MGEE) published the “Interim Guidelines for Handling of Carbon Markets and Trading in Zambia” (MGEE, 2022). The document aimed at providing initial guidance to first-movers for A6 activities, information on the requirements for existing and ongoing CDM projects and programs, and guidance for projects developed and registered in the voluntary carbon markets.
- ❖ Zambia’s National Policy on Climate Change 2016 and the associated legislation, the Climate Change Act (whose enactment is pending and is expected in 2023), incorporates provisions for regulating the carbon markets. The Climate Change Act will also play a key role in further strengthening the country’s carbon market framework.

Trading carbon credits based on mitigation activities, even at the earliest stages of market engagement, requires both a common framework for decision making (the “governance framework”) and a clear set of guiding criteria and related indicators to assess which mitigation activities are suitable according to the rules of the Paris Agreement, and those which should be prioritised for carbon trading based on the country’s strategic needs (an “Article 6 strategy”). While the governance framework can build on existing institutional processes and may evolve and strengthen over time, such a Carbon Market Framework must, at a minimum, clearly identify which are the hard-to-abate mitigation activities (e.g., those which demonstrate positive marginal abatement cost and/or activities that are technically difficult to implement, e.g., emission reductions in the cement production sector) and which activities can be authorized to transfer mitigation outcomes.

The Article 6.2 guidance also requires that Transferring Parties or host countries implement corresponding adjustments (CA) for any transfers of ITMOs to demonstrate avoidance of double counting of emissions reductions. This will require robust accounting and tracking of units created as a result of implementing mitigation activities. In addition, Zambia needs to establish rules for assessing the proposals it receives for A6 activities that ensure that transfers with corresponding adjustments do not compromise the achievement of its unconditional NDC targets. Other elements of a carbon market framework may include activities, mechanisms or approaches that focus on the best use of A6, such as those which reduce overselling risk, maximize co-benefits or manage finance in innovative ways.

The Government of Zambia, under the leadership of the Ministry of Green Economy and Environment (MGEE), with the review and approval of the TCC-MIT, is currently improving its capacity to engage and oversee participation in the international carbon market created under A6. MGEE aims to create opportunities for public and private sector investment in GHG mitigation while ensuring green growth and sustainable development, and remains committed to pursuing the development of its comprehensive Carbon Market Framework.

1.2. OBJECTIVES

With the establishment of the “Guidelines for the Submission and Evaluation of Mitigation Activities under Article 6 of the Paris Agreement: Part I of the Carbon Market Framework for Zambia,” the



Government of Zambia aims to catalyse private sector mitigation activity development in Zambia by clarifying key components of the decision-making process. This document builds on the previously released “Interim Guidelines for Handling of Carbon Markets and Trading in Zambia.”

The Submission and Evaluation Guidelines define the framework conditions and requirements for A6 activity approval in Zambia, thereby enabling a quick start of new A6 projects and programmes in the country. In this way, the guidance complements the existing domestic and international climate finance resource mobilisation efforts. The new guidelines also describe key components of Zambia’s forthcoming comprehensive Carbon Market Framework, which have been developed by the relevant authorities in the Government of Zambia to further operationalise the country’s participation in the international carbon markets. The Carbon Market Framework for Zambia is still under development, this document clarifies two key components of the **decision-making process** including:

- ❖ Criteria for mitigation activity proposal assessment at two stages in the activity design process: (1) no-objection and (2) authorization (or rejection) by the TCC MIT. This includes detailed indicators for assessment; and
- ❖ Processes and infrastructure associated with A6 operationalisation.

The criteria allow the government to assess a mitigation activity proposal against its requirements for demonstrating additionality, accuracy, and conservativeness of emission reductions, as well as to assure that the proposed A6 mitigation activity contributes to Zambia’s green growth and sustainable development objectives.

The guidelines could also be applied during the government’s assessment of non-A6 mitigation activities (e.g. for the voluntary carbon markets) which request an authorization for a corresponding adjustment.

1.3. SCOPE AND USE OF THIS DOCUMENT

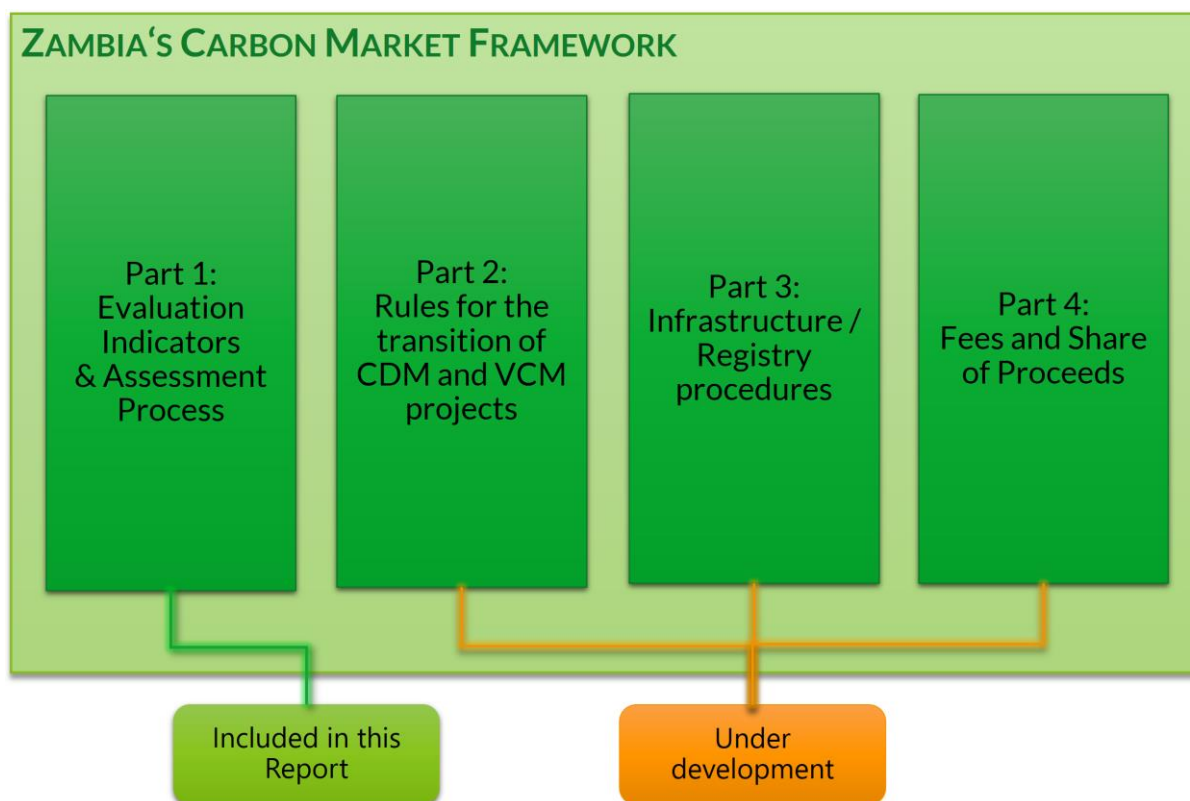
The document focuses on the key elements required for making A6 operational. These include:

- ❖ **Evaluation Criteria and Indicators:** Indicators are elaborated to assess whether A6 opportunities comply with the criteria of the TCC MIT based on the key criteria of environmental integrity, ambition raising and Sustainable Development Goals (SDGs).
- ❖ **Mitigation Activity Process:** Detailed description of processes, rules and obligations on reporting of information between activity proponents (APs), MGEE and TCC-MIT, as well as the rights and obligations of all entities involved assuring an efficient and informed implementation of A6 in Zambia.
- ❖ **Registry:** In the absence of an operational A6 registry under UNFCCC, decision 12a/CMA3 requires Transferring Parties to either operate their own registry, or to use an existing registry. TCC-MIT has decided that the registry shall be part of Zambia’s integrated Monitoring, Reporting and Verification (MRV) system, which is operated by the Zambia Environmental Management Agency.



The above scope and use of the document is illustrated by the figure below.

Figure 1: Progress towards completion of Zambia's Carbon Market Framework



The Guidelines for Submission and Evaluation of A6 Activities clarify some key elements needed for making A6 operational. Additional elements of the Zambian Carbon Market Framework will include Rules for the transition of CDM projects to A6, Stipulations on fees and Share of Proceeds (SoPs), and detailed Regulations on A6 registry operations and Monitoring, Reporting and Verification (MRV) obligations. These components are still under development by the MGEE and TCC-MIT, which is continuously reviewing the framework's functionality. The Guidelines include the following contents:

- ❖ Chapter 2 describes the three fundamental criteria forming the basis for the assessment of A6 opportunities.
- ❖ Chapter 3 defines a set of indicators (derived from criteria in Chapter 2) to be used by decision makers in the assessment of proposed A6 activities. Chapter 3 establishes criteria for assessment at different stages of A6 activity development: general and simple indicators during the early development or "idea" phase and more complex and stringent indicators to applied during the more advanced "design" phase.
- ❖ Chapter 4 defines the institutional process for assessing potential activities, approving, or rejecting ideas, and authorizing transactions by the TCC-MIT.
- ❖ Chapter 5 lays out the next steps for testing and formalizing the Carbon Market Framework.
- ❖ The annexes offer templates that could be used by activity proponents to submit their A6 ideas to the TCC-MIT (cf. Annex I and Annex II) and complementary information on the scope of the Carbon Market Framework (cf. Annex III-V).



2. CRITERIA GUIDING PARTICIPATION IN THE CARBON MARKETS

Three common terms and key criteria that are key to A6 and the accompanying rules (often called the “Paris Rulebook”) are those of (1) environmental integrity, (2) ambition raising and (3) promotion of sustainable development. For example, Article 6.1, which introduces all the forms of cooperation on climate change mitigation and adaptation, recognizes that Parties may choose to pursue international cooperation to “promote sustainable development and environmental integrity”. Both the Article 6.2 guidance and Article 6.4 rules agreed at COP26 in Glasgow refer to the importance of safeguarding environmental integrity and specify measures to achieve it. These criteria are, therefore, key to Zambia’s participation in A6 cooperation and are at the core of Zambia’s Carbon Market Framework authorisation criteria. The subsections below explain these criteria in more detail.

This guidance will also be applicable for mitigation outcomes authorized for use in the voluntary carbon market, where these units are authorised under the Article 6.2 framework, i.e., come along with a Corresponding Adjustment.

2.1. ENVIRONMENTAL INTEGRITY

The objective of the Paris Agreement is to reduce GHG emissions in line with the global goal. The concept of “environmental integrity” refers to efforts aimed at ensuring that the use of carbon market mechanisms results in lower GHG emissions.

Environmental integrity includes several key elements, some of which are explicitly mentioned in the Article 6.2 guidance and Article 6.4 rules. The 6.2 guidance refers to “robust, transparent governance, quality of mitigation outcomes, conservative reference levels, baselines set in a conservative way and below ‘business as usual’ emission projections... addressing uncertainties in quantification...and potential leakage” as well as “minimizing the risk of non-permanence...”. Article 6.2 also refers to robust accounting of international transfers as a key prerequisite for ensuring environmental integrity. This is because, if the transfer of mitigation outcomes is not accounted for robustly (e.g., if MOs are double counted), then global GHG emissions could increase as a result of the MO transfer.

A key measure that Parties and activity proponents must take in the process of developing and approving mitigation activities is to confirm that the proposed activities could not be implemented through domestic resources without international cooperation or the introduction of carbon finance. This assessment of the stringency of A6 baselines compared to the UNDC target and demonstration of “additionality” is an explicit requirement for any ITMO transaction. Buyers of carbon credits rely on additionality to know that their finance has catalysed real MOs and will meet the objectives of the Paris Agreement to lower global GHG emissions.

Once the mitigation activity has been implemented, Article 6.2 guidance requires Parties to report on key environmental integrity issues for each cooperative approach (e.g. how the quality of mitigation outcomes has been ensured).

2.2. RAISING AMBITION AND TRANSFORMATIONAL CHANGE

Raising ambition in the context of A6 commonly refers to the idea that international cooperation should be used to stimulate an increase in ambition to further reduce GHG emissions. Ambition raising has different meaning for different Parties (for host countries, acquiring parties, and for



developers). There are several ways by which Article 6 cooperation could stimulate ambition raising, either directly or indirectly. These include by:

- ❖ Supporting the Party's conditional NDC and Long-term Low Greenhouse Gas Emission Development Strategies (LT-LEDS)
- ❖ Contributing to adaptation financing
- ❖ Promoting more advanced technologies and skills development
- ❖ Setting more conservative baselines
- ❖ Cancelling ITMOs to support Overall Mitigation in Global Emissions (OMGE)
- ❖ Wider, more inclusive participation in the mitigation activities
- ❖ Ensuring catalysing significant sustainable development co-benefits

The Article 6.2 guidance requires Parties to report on how A6.2 cooperative approaches contribute to overall mitigation, although only the Article 6.4 mechanisms requires a cancellation of units for OMGE (i.e., the Article 6.2 guidance “strongly encourages” parties to do so). Under the PA, voluntary cooperation under A6 allows Parties to increase their climate ambition, which for some Parties could mean targeting sectors/technologies with high marginal abatement cost. At the mitigation activity level, multiple approaches could be included for raising ambition, including by setting dynamic baselines, by introducing new and emerging technologies, by promoting actions that trigger behavioural change and by leveraging significant sustainable development co-benefits.

The criterion of transformational change from international cooperation on mitigation refers to “a fundamental, sustained change of a system that ends high-carbon practices and contributes to a zero-carbon society, in line with the Paris Agreement goal to limit global warming to 1.5–2°C and the UN SD Goals” (Olsen, 2022). Some of the features of the transformational change include system-wide impacts, driven by large-scale outcomes that reinforce zero-carbon practices, up-scaled direct investments in low-carbon technologies, digitalisation, and digital payments etc. Mitigation activities can incorporate transformational ideas such as up-scaled crediting activities, the alignment with country-specific LT-LEDS and the use of dynamic baselines. (Olsen, 2022)

2.3. SUSTAINABLE DEVELOPMENT

A6 mitigation activities must contribute to sustainable development and avoid negative environmental and social impacts. The Article 6.2 guidance mandates reporting of information about sustainable development in the initial report and in subsequent regular biennial transparency reports under the enhanced transparency framework (ETF) (UNFCCC 2021a). The decision mandates that developers shall provide information about how each cooperative approach contributes to the sustainable development objectives of the host Party, avoids negative impacts as well as respects human rights and other rights to health, indigenous people, women, local communities, and others.

It is in a host country (or Transferring Party) government's interest to assess how proposed mitigation activities will support national development objectives. In 2023, the Supervisory Body (SBSTA) has decided to include a mandatory sustainable development tool into the activity cycle for Article 6.4. Gold Standard requires projects to contribute positively to at least three SDGs including SDG 13. In early 2021, GS piloted a new SDG Impact tool.



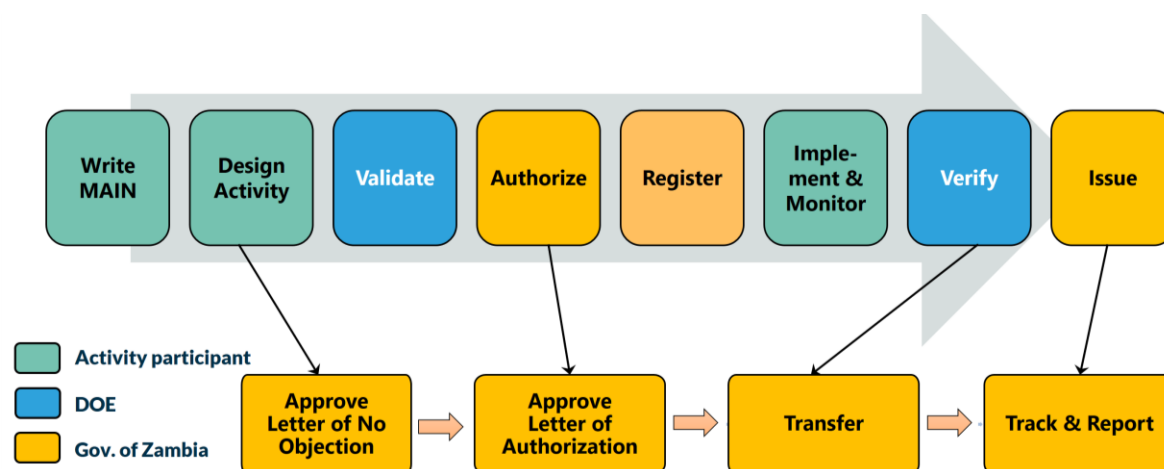
3. INDICATORS FOR ASSESSING A6 OPPORTUNITIES

3.1. ASSESSMENT PROCESS

The process for developing a mitigation activity has several steps, which are outlined in Figure 2, below. After screening of design opportunities, mitigation activity proponents (AP) will write and present progressively more advanced proposals. The initial concept is presented as the Mitigation Activity Information Note (MAIN)³ and the final proposal is the Mitigation Activity Design Document (MADD). Between the initial design and final proposal, the methodology used to measure mitigation outcomes of the activity must be selected and validated by a third-party. Then, once authorisation is secured, the activity can be registered and implemented. Finally, after it is implemented, verification of mitigation outcomes (emissions reductions) and issuance and transfer of Internationally Transferable Mitigation Outcome (ITMOs) can take place. The Guidelines for Selection and Evaluation herewith clarify two critical evaluation processes:

- ❖ **No-Objection.** At the concept phase, the Activity Proponent (AP) shall submit the MAIN to the TCC-MIT for a first review, based on the initial activity design. If the activity appears, in general terms, to be aligned with the criteria for authorization, the TCC-MIT will issue a Letter of No Objection. This letter provides a signal to activity developers/proponents to continue their investment preparation activities, but does not guarantee authorisation for transfer of MOs.
- ❖ **Authorisation.** After the successful external validation (based on a positive validation report), the AP shall submit the MADD and its validation report to the TCC-MIT for review. The TCC-MIT will carry out another assessment which leads to a proposal for approval, signalling that the mitigation activity can be implemented and MOs achieved as a result can be transferred to an Acquiring Party or another authorized entity as per the conditions of the Carbon Market Framework, or rejection of the authorization request.

FIGURE 2: GENERIC A6 ACTIVITY DEVELOPMENT PROCESS



³ This is similar to a “project information note” or “project idea note” (PIN) for CDM projects.



Source: Adopted from forthcoming “Guide 5: Developing Article 6 activities,” part of the Article 6 Toolbox of the Supporting Preparedness for Article 6 Cooperation (SPAR6C) program.

3.2. OVERVIEW ON INDICATORS AND THEIR STAGE OF APPLICATION

Considering above two phased approaches, the indicators are stratified as follows:

- **MAIN phase:** In the MAIN, APs must explain how their proposed mitigation activity address the criteria of environmental integrity, ambition raising and promotion of sustainable development against 5 key indicators.
- ❖ **MADD phase:** As the AP continues to develop the mitigation activity, more data and information will become available to measure the activity's performance against the remaining indicators. The MADD will be assessed against 14 criteria, which must be successfully validated to receive transfer authorisation from TCC-MIT. Some information, such as financial cash flow and resulting additionality assessment, needs to be refined during the development from MAIN to MADD. Such information shall be submitted twice, during MAIN and during MADD phases.

The table below provides an overview of which indicators shall applied be submitted at what assessment stage.

TABLE 1: OVERVIEW ON INDICATORS AND THEIR STAGE OF APPLICATION

N°	Description of Indicators for A6 selection criteria	Stage
Criterion 1: Environmental Integrity		
Indicator 1	Eligible mitigation activity type i.e., alignment of mitigation activities with the NDC.	MAIN
Indicator 2	Additionality demonstrated through investment analysis and regulatory surplus	MAIN & MADD
Indicator 3	Activity baselines in compliance with NDC target	MADD
Indicator 4	Estimation of the required carbon price to achieve financial viability	MAIN & MADD
Indicator 5	Accounting for non-permanence risks	MADD
Indicator 6	Alignment with IPCC methodologies and best practices for GHG estimations	MADD
Indicator 7	Blending of financing sources	MADD
Indicator 8	Minimization of uncertainties of GHG estimations	MADD
Indicator 9	Leakage risks shall be minimized	MADD
Criterion 2: Sustainable Development		
Indicator 10	Contribution to SDGs	MAIN
Indicator 11	Obtain an EIA or Strategic EIA	MADD
Indicator 12	Asses ex-ante SD impacts	MADD
Indicator 13	SD as a monitoring parameter	MADD
Indicator 14	Agreed benefit sharing plan	MADD



Indicator 15	Comprehensive stakeholder consultations	MADD
Criterion 3: Ambition Raising		
Indicator 16	Contribution to transformational change	MAIN & MADD

3.3. LIST OF INDICATORS

The following table presents a list of indicators along with the stage at which they should be applied, the rationale for their application and the means of verification TCC-MIT will guide for the assessment of the proposed mitigation activities. During the MADD phase, TCC-MIT will receive support to assess proposed activities from a Designated Operational Entity for validation and verification.

TABLE 2: LIST OF INDICATORS

ID	Stage	Description and Rationale for the Indicator	Means of Verification
Criterion 1: Environmental Integrity			
1- Eligible mitigation activity type i.e., alignment of mitigation activities with the NDC.	MAIN	<p>The A6 activity is based on an eligible activity type. The following mitigation activity types are excluded:</p> <ul style="list-style-type: none"> ❖ Mitigation activities which lead to a lock-in of fossil fuel technologies such as e.g., refurbishment of an oil boiler; ❖ Mitigation activities reducing HFC-23 or adipic N₂O, ❖ Nuclear power and ❖ Large scale (i.e., > 20 MW) grid-connected dam hydro power. <p>Rationale: Even when reducing GHG emissions, mitigation measures that extend the lifetime of fossil fuel technologies are not in line with the PA objective.</p> <p>While being financially additional, HFC-23 and adipic N₂O activities are excluded, as these activities may lead to perverse incentives (cp. Commission Regulation (EU) no 55/2011, §7).</p> <p>Large scale dam hydro power plants are excluded from carbon finance because such activities may have severe negative environmental impacts and as hydropower, due to an increase of the variation of precipitation (cf. ERB, 2022, Spalding-Fecher, 2018), and because the Government of Zambia aims to diversify power sources.</p>	Activity description in MAIN



ID	Stage	Description and Rationale for the Indicator	Means of Verification
2 - Additionality demonstrated through investment analysis and regulatory surplus	MAIN & MADD	<p>The A6 activity used financial analysis to demonstrate additionality⁴ reflecting current and planned future policies (e.g., the introduction of a carbon tax etc.).</p> <ul style="list-style-type: none"> ❖ Investment Analysis: Article 6 cooperative activities can help provide accessible finance for climate mitigation activities that might not otherwise meet the risk and return expectations of investors, but are critical to achieve the emissions reductions and removals necessary to help stabilise the global temperature at 1.5°C. This could include nature-based solutions that are difficult to commercialise, for example. The investment analysis shall exhibit i) a negative net present value ⁵(NPV) and ii) an internal rate of return⁶ (IRR), which is below the commercial bank lending rate, as published by Bank of Zambia⁷. And ❖ Regulatory Surplus: This implies proving that activities are additional to, and not required or enabled by, policies and measures that the host government has introduced. <p>Rationale: The application of “barrier analysis”, “first of its kind” or similar is inadequate for the demonstration of additionality under the Paris Agreement.</p> <p><i>A negative NPV implies that the investor will lose money (w/o carbon finance e) over the lifetime of the investment.</i></p> <p><i>An IRR below a commercial lending rate (w/o carbon finance) indicates that the investor will</i></p>	<p>MAIN Phase:</p> <ul style="list-style-type: none"> - Investment analysis in Excel file exhibits negative NPV and IRR below commercial lending rate for activity without carbon revenue. <p>MADD Phase:</p> <ul style="list-style-type: none"> - Investment analysis in Excel file exhibits negative NPV and IRR below commercial lending rates; - Analysis of existing and planned future regulation in MADD.

⁴ **Additionality:** Some countries and project developers may prioritize low-cost mitigation opportunities that would have happened regardless of the existence of a carbon market. In these cases, the credit claimed for emissions reductions may not reflect the true impact of the activity. Additionality principle implies that the mitigation outcomes would not have occurred in the absence of the incentives created by the carbon credit revenues. This helps to ensure that the emissions reductions are real and not simply a result of business-as-usual activities.

⁵ The NPV estimates the current value of an investment considering investment costs and discounted, future revenues and costs. A negative NPV implies that the investor would lose money over the lifetime of the investment.

⁶ The IRR estimates the internal return a project generates for the investor. If the IRR is below the lending rate, the investor would lose money, if he has to take a loan for financing the project.

⁷ Bank of Zambia publishes commercial bank lending rates here: <https://boz.zm>



ID	Stage	Description and Rationale for the Indicator	Means of Verification
		<p>lose money over the lifetime of the investment, if he has to finance the activity with a loan.</p> <p>Both indicators must be met to clearly demonstrate additionality.</p> <p>To reflect the uNDC efforts, the activity must consider planned future policies.</p>	
3 - Activity baselines in compliance with NDC target	MADD	<p>The A6 activity employs a baseline, which is (a) below the transferring Party's uNDC target and (b) clearly below business as usual (e.g., best available technology, ambitious benchmark approach, historical emissions adjusted downward). To assess the relationship with the unconditional NDC, the AP may use a linear interpolation from current emissions (i.e., at the time of the activity start) to the emissions at the end of the NDC period (e.g., 2030).</p> <p>Rationale: Simple BAU scenarios assuming constant baseline GHG emission intensity may be inconsistent with an uNDC committing to a decrease of total and/or specific emissions.</p> <p>A single-year target value of the uNDC needs to be interpolated between activity start (e.g., 2023) and the end of the crediting period (e.g., 2030).</p>	<ul style="list-style-type: none"> - Baseline based on i) projected below BAU, or ii) best available technology, or iii) performance penetration approach included in MADD; - Description on baseline alignment with uNDC target included in MADD.
4- Estimation of the required carbon price to achieve financial viability. (Not a go/no go requirement)	MAIN & MADD	<p>The AP shall provide an estimate of the required carbon price to achieve financial viability. The required carbon price shall be calculated following the guidance provided by Annex V.</p> <p>Rationale: The government of Zambia has committed to an unconditional NDC target and may decide against giving away "low hanging fruits", i.e., authorizing activities with low abatement costs (cf. Annex IV).</p>	<p>MAIN Phase:</p> <ul style="list-style-type: none"> - Investment analysis in Excel file; <p>MADD Phase</p> <ul style="list-style-type: none"> - Investment analysis in Excel file.
5-Addressing non-permanence risks	MADD	<p>In case of a Land Use, Land Use Change, and Forestry (LULUCF) activity, the activity needs to take the risk of non-permanence into account by</p>	<ul style="list-style-type: none"> - Implementation contracts document



ID	Stage	Description and Rationale for the Indicator	Means of Verification
		<ul style="list-style-type: none"> ❖ Assuring a minimum activity longevity of 40 years (according to the most recent version of the Verified Carbon Standard (VCS); and ❖ Applying a non-permanence risk tool either from the Forest Carbon Partnership Facility, VCS or Gold Standard; and ❖ Applying a cap corresponding to the long-term average of carbon sequestration, as prescribed by the Gold Standard; and ❖ Monitoring of- and fully account for reversals. <p>Rationale: The issuance of permanent mitigation outcomes/carbon removal certificates for reversible forest carbon sinks is partially assured through the uNDC achievement⁸, At the same time, A6 opportunity shall assure against-, and monitor loss event</p>	<p>activity longevity;</p> <ul style="list-style-type: none"> - Long term average is considered in MADD; - Non permanence risk tool is applied; - Monitoring plan includes the monitoring for loss events.
6- Alignment with IPCC methodologies and best practices for GHG estimations	MADD	<p>The activity features GHG estimates that are consistent with IPCC GPG 2006 methodologies and the 2019 update.</p> <p>This shall be achieved by:</p> <ul style="list-style-type: none"> ❖ Using methodologies and tools from A6.4 works streams, where applicable; or ❖ Using CDM methodologies and tools; ❖ Using VCS and GS methodologies and tools; ❖ Developing GHG emission estimates in alignment with IPCC good practice guidance, approved by the Transferring- and the Acquiring Parties. <p>Rationale: The activity needs to estimate GHG emissions and related emission reductions in line with the IPCC good practice for national GHG inventories, which will assure consistency with the national GHG inventory and all related</p>	<ul style="list-style-type: none"> - Choice of an appropriate methodology, documented in MADD; - In case of no approved methodology: Approval of GHG emission estimation approach from Transferring and Acquiring Parties.

⁸ Similar to Joint Implementation, the risk of reversal is assured by national efforts to achieve the uNDC target for the LULUCF- and other sectors covered under the NDC. If a loss event occurs within the mitigation activity area, and if the transferring country has issued ITMOs for the carbon sinks in that area, then it must overcompensate the loss through other removals and/ or reduction of emissions. Otherwise, it will fail to deliver on its uNDC target.



ID	Stage	Description and Rationale for the Indicator	Means of Verification
		communications with UNFCCC including the NDC.	
7- Blending of financing sources	MADD	<p>In the case of blending of financing sources: The relationship between the grant-equivalent financing already provided/pledged and the funding mobilized through ITMO transaction shall be clearly explained.</p> <p>Where activities use a combination of climate finance and carbon finance, the mitigations outcomes shall be attributed to climate and carbon finance based on the proportion of grant equivalent financing provided to cover the abatement cost of the activity.</p> <p>Rationale: The blending of climate finance with carbon finance may lead to a reduction of carbon price. This may reduce the volume of climate finance, which is then not available to fund other mitigation measures. Hence, blending climate finance and carbon finance has a negative effect on the reduction of emissions, which may compensate or overcompensate the ITMO volume. To avoid such setups, mitigation outcomes shall be attributed accordingly, if applicable.</p>	<ul style="list-style-type: none"> - Statement from equity, mezzanine and/or loan providers, wherever the provided funding qualifies as climate finance. - If yes: Attribution is of MOs is done.
8- Minimization of uncertainties of GHG estimations	MADD	<p>Uncertainties in GHG estimations and calculations shall be identified and minimized.</p> <p>Rationale: Uncertainties associated with GHG estimations arise due to scientific uncertainty (e.g., the actual emission and/or removal process is not sufficiently understood), and estimation uncertainty (associated with quantification of GHG emissions).</p> <p>In the activity context, the systematic identification and minimization of GHG estimation uncertainties, as required by the IPCC GPG, increase accuracy, and assures transparency. The uncertainty assessment can also support an activity proponent to better</p>	<ul style="list-style-type: none"> - Identification of key uncertainties included in MADD; - Strategy of minimizing key uncertainties included in MADD.



ID	Stage	Description and Rationale for the Indicator	Means of Verification
		<i>understand the causes and thereby ways of improving the GHG inventory quality.</i>	
9- Leakage risks shall be minimized	MADD	<p>Significant leakage risks shall be identified, monitored, and minimized and/or discount factors for crediting approach should be introduced.</p> <p>As a general provision, market leakage risk may be ignored.</p> <p>Rationale: <i>The systematic identification and minimization of leakage risks in the GHG emission estimates increase accuracy and assures transparency.</i></p> <p><i>Significance shall be assessed following the tool for testing the significance of GHG emissions in A/R CDM project activities, CDM EB 31.</i></p> <p><i>Non-Nature Based Solutions shall apply another suitable approach to test for the significance.</i></p>	<ul style="list-style-type: none"> - Identification of significant leakage risks included in MADD; - If relevant: Strategy for leakage minimization and accounting is included in MADD.
Criterion 2: Sustainable Development			
10- Contribution to SDGs	MAIN	<p>The A6 activity shall document its contributions to the SDGs prioritized by the host country beyond SDG 13 and considering the host country's strategies for SDGs (including for SDG5 – Gender equality).</p> <p>Rationale: <i>Taking SD seriously, sustainable development must not be constrained to impacts to SDG13 (e.g., adipic N2O or HFC-23 project-like impacts do not suffice). The documentation of SD impacts e.g., on SDGs, including possible negative impacts is required.</i></p>	Description of key SDG targets related to the activity for MAIN and checking Yes/No for contribution towards them by the activity
11- Obtain an EIA or Strategic EIA	MADD	<p>The mitigation activity obtains an Environmental Impact Assessment / Strategic Environmental Assessment: All A6 activity proponents are required by law to undertake an environmental impact assessment or strategic environmental assessment.</p> <p>As a result of the identification of various</p>	A decision letter or a letter of no objection - depending on the activity type - obtained by Zambia Environmental



ID	Stage	Description and Rationale for the Indicator	Means of Verification
		<p>environmental and social impacts in the EIA, the activity proponents are required to have safeguards in place to reduce/mitigate the impacts and provide monitoring reports to follow-up on the same during the project lifecycle.</p> <p>Rationale: <i>It is a legal requirement in Zambia (EMA Act No. 12 of 2011) that all activity developers of the industrial facility or plant, agricultural scheme, business or undertaking to carry out an environmental impact assessment and submit report to ZEMA for approval.</i></p> <p><i>In addition, the mitigation activity that could have an adverse effect on environmental management or on the sustainable management and utilisation of natural resources shall conduct a strategic environmental assessment of the draft policy, programme or plan and present a strategic environmental assessment report to the Agency, for approval.</i></p>	Management Agency (ZEMA).
12- Asses ex- ante SD impacts	MADD	<p>The mitigation activity to include the expected quantitative and qualitative SD impacts using an internally acknowledged tool from below list:</p> <ol style="list-style-type: none"> 1. Sustainable Development tool for the mechanism established by Article 6.4; 2. Gold Standard SDG Impact Assessment Tool 3. VERRA Sustainable Development Verified Impact Standard 4. Verra Climate, Community & Biodiversity Standards <p>Rationale: <i>Considering that mitigation measures generate mitigation outcomes, but these are then transferred to outside of Zambia, the true benefits are the mitigation activity's contribution to sustainable development. Consequently, mitigation measures are required to document their expected impacts and developmental co-benefits.</i></p>	SD impacts are assessed using an internationally acknowledged tool and documented in the MADD.



ID	Stage	Description and Rationale for the Indicator	Means of Verification
13- SD as a monitoring parameter	MADD	<p>The mitigation measure shall monitor its SD impacts. These include the economic impacts (such as the creation of jobs, poverty alleviation and enhancement of income and financial inclusion, especially among women), social impacts (such as improvements in gender equality, health and safety, access to education, cultural preservation, improved access to energy, social inclusion, improved sanitation facilities and improved quality of and access to other public utilities such as water supply), and environmental impacts (including increased air, water and soils quality, conservation, and biodiversity).</p> <p><i>Rationale: Mitigation measures have positive as well as negative impacts on social, ecological and/or biodiversity spheres. Some of these impacts may be strictly linked with the performance of the mitigation measure (which may be fixed ex-ante).</i></p>	SD impacts are defined as monitoring parameter in the MADD.
14-Agreed benefit sharing plan	MADD	<p>The mitigation activities for which a Benefit Sharing Mechanism is applicable, have agreed on a benefit-sharing plan with local communities respecting the Free, Prior and Informed Consent (FPIC) principles.</p> <p>Applicable mitigation activities include i) Reducing Emissions from Deforestation and Forest Degradation (REDD+) and ii) Non Industrial- afforestation reforestation, or restoration involving local communities.</p> <p><i>Rationale: FPIC processes assure that local communities are well informed before giving their possible consent to participating in REDD+-like activities.</i></p> <p><i>An approved benefit sharing plan, after through FPIC processes, documents that all parties are in agreement on how possible revenues shall allocated amongst parties.</i></p>	Benefit sharing plan signed by communities, and other parties is provided.
15- Comprehensive	MADD	The mitigation activity conducts comprehensive stakeholder consultations ,	Stakeholder consultation



ID	Stage	Description and Rationale for the Indicator	Means of Verification
stakeholder consultations		<p>especially with local and otherwise affected stakeholders, prior to the start of the activity implementation, in line with international best practices. Where relevant, a grievance process may be established for stakeholders.</p> <p>The AP shall use of one or more of the following tools/options pertaining to stakeholder engagement and consultations:</p> <ol style="list-style-type: none"> 1. IFC Stakeholder Consultations or Stakeholder Engagement Guidebook 2. Gold Standard's 'Stakeholder Consultation and Engagement Requirements' <p>Rationale: The conduction of appropriate consultations increases the assurance that stakeholders' views and needs are considered in the overall activity design.</p>	<p>conducted in consistency with international best practice and is documented in the MADD.</p>
Criterion 3: Transformational Change			
16- Contribution to transformational change	MAIN & MADD	<p>The activity shall document how it contributes to transformational change.</p> <p>The mitigation activity should be able to contribute to transformational change for NDC ambition raising that aligns mitigation activities with pathways to achieve the long-term goal of the Paris Agreement and the 2030 Agenda SDGs by e.g., promoting transformational characteristics of the activity that lead to processes and outcomes for transformational impact, such as: technology change (e.g., R&D/local manufacturing, innovation), introduction of new incentives and regulations (e.g., carbon pricing, subsidies); change in norms (e.g., awareness, behaviour, and social values for sustainability).</p> <p>Rationale: The mere generation of mitigation outcomes will entitle other entities (exhibiting higher marginal abatement cost) to emit more GHG emissions. The procedures stipulated by 12a/CMA3 require activities to report on OMGE, however, this may be equally set to zero. Hence activities are required to document how</p>	<p>MAIN Phase: the activity should indicate one or more of the following options:</p> <ul style="list-style-type: none"> - MA includes an element of technology innovation (to be defined by the AP) - MA includes an element of local manufacturing, assembly, R&D. - MA could lead to significantly high SD co-benefits. <p>MADD Phase: the AP should</p>



ID	Stage	Description and Rationale for the Indicator	Means of Verification
		<p><i>they intend to contribute to transformational change.</i></p> <p><i>On an activity level, it is suggested to consider transformational change, instead of increase of ambition (cp. Olsen et al., 2021). Increase of ambition is defined as the submission and implementation of a more ambitious uNDC, which seems a big ask for a single mitigation activity. To contribute to transformational change seems however to be a reasonable request for A6 activities.</i></p> <p>-</p>	<p>demonstrate one or more of the following options:</p> <ul style="list-style-type: none"> - How the activity could lead to substantial co-benefits. - Scale-up or replicability potential of actions - either through a need for such interventions and/or through business viability proposition. - How the activity can catalyse impact beyond a one-off investment. - How the activity can potentially trigger sector-wide changes or behavioural changes.



3.4. USE OF INDICATORS

An AP is required to report on all 16 indicators, using the templates provided in Annex I and Annex II respectively. Indicators 1-3 and 5-16 are “must criteria”; if the activity type is not eligible or the activity is not additional, etc., it does not qualify for a Letter of No Objection or Authorization. Indicator N°4, however, informs the TCC-MIT on the minimum carbon price. The carbon market framework does not propose a floor price, but the information in indicator N°4 is required to merely inform the TCC-MIT in considering the additional information provided in Annex V.

While the indicators are “must criteria”, the Parties are free to use their own tools, and/or apply the existing approaches (for instance, the CDM SD tool, Verra SD tool etc.), as is consistent with the flexible, bilateral approaches common under Article 6.2. The opportunity also exists for the activity proponents, acquiring parties, and the host parties to use the same guidance and tools under development by the Supervisory Body for the 6.4 mechanism. For instance, the text provisions for what information to report on sustainable development is the same for Article 6.2 cooperation and for the Article 6.4 mechanism. This similarity enables that common frameworks for good practice with regard to the impact of a mitigation activity on sustainable development assessment/reporting may be applied such as the global SDG framework, which is suitable for assessing nationally determined developmental objectives.

Similarly, on methodology under Article 6.2 guidance adopted at COP26, where a mitigation outcome is measured and transferred in tonnes of CO₂ equivalent (i.e., a greenhouse gas metric), the measurement must be in accordance with the methodologies and metrics assessed by the IPCC and adopted by the CMA. Parties must report on the measurement of mitigation outcomes as part of the regular information they provide on their use of Article 6.2. For doing so, there is a repository of approved methodologies and some under review for Article 6.4, which may be applied.

TABLE 3: LIST OF INDICATORS BY USE

Indicators	Type and Level of assessment / Use of Indicators for A6 mitigation activity assessment	Monitoring Requirement
Indicator 1	Yes or No Activity is aligned with the eligible activity type, in line with NDCs or not.	No monitoring required
Indicator 2	Yes or No Yes, if AP includes investment analysis or not	No monitoring required
Indicator 3	Yes or no Yes, if the baseline is based on the options provided and in alignment with uNDC target included	No monitoring required
Indicator 4	AP to include an investment analysis	No monitoring required
Indicator 5	Yes or No Yes, if factors related to non-permanence is considered/documented, and risk tool applied	To be monitored post-MADD
Indicator 6	Yes or no Yes, if choice of methodology documented and applied	No monitoring required



Indicator 7	Yes or no Yes, if statements of evidence provided	No monitoring required
Indicator 8	Yes or no Yes, if the uncertainties are identified and minimized	No monitoring required
Indicator 9	Yes or no Yes, if significant leakage risks are identified and minimized	No monitoring required
Indicator 10	Yes or no Yes, if SDG targets and indicators are included	No monitoring required
Indicator 11	Yes or no Yes, if EIA permit is secured and safeguards are identified.	If the activity design changes, the changed part needs to be approved – if so - to be monitored The implementation of safeguards and the mitigation plan needs to be monitored.
Indicator 12	Yes or no Yes, if ex-ante SD impacts are assessed	No monitoring required
Indicator 13	Yes or no Yes, if SD impacts are defined as monitoring parameter	To be monitored annually post-MADD
Indicator 14	Yes or no Yes, if an agreed benefit sharing plan in line with FPIC principles is available.	No monitoring required
Indicator 15	Yes or no Yes, if stakeholder consultations are conducted and documented	May be monitored post-MADD as part of ex-post assessment
Indicator 16	Yes or no Yes, if one or more of the options suggested have been showcased	No monitoring required



4. INSTITUTIONAL DECISION-MAKING PROCESS

For participation in the international carbon market, there is a need for a clear and efficient institutional setup with clear mandates and levels of accountability and authority to operationalise the ITMO-transfer process on behalf of the government. The various institutions involved will play distinct roles and have certain responsibilities during the assessment, authorisation, transfer and reporting phases.

Zambia's institutional setup for coordinating climate change activities and updating NDCs is comprised of the following core institutions:

- ❖ MGEE is responsible for overseeing the regulation of carbon markets. MGEE shall also oversee bilateral engagements with prospective Article 6.2 Acquiring Parties. The Permanent Secretary of MGEE has the authority to sign Letters of No Objection and Letters of Authorization for proposed mitigation activities upon receiving recommendation for approval/authorization from the TCC-MIT.
- ❖ The Technical Climate Change Sub-Committee for Mitigation (TCC-MIT) serves as the technical working group for operationalising Article 6, and is responsible for assessing mitigation activity proposals (MAIN and MADD) against the criteria provided in the Carbon Market Framework. TCC-MIT provides recommendation for approval or rejection of a proposal to MGEE based on its positive or negative assessment of proposals.
- ❖ An Article 6 Secretariat will be hosted by the Ministry of Green Economy and Environment (MGEE), Department for Green Economy & Climate Change. The Secretariat is responsible for receiving proposals from activity proponents, coordinating assessment and other technical review meetings and communicating results of assessments. Equally the A6 Secretariat will conduct the 'initial' and 'annual' reporting of Article 6 related issues to UNFCCC Secretariat.
- ❖ With directives from MGEE, the Zambian Environmental Management Agency (ZEMA) fulfils technical functions of UNFCCC and the Paris Agreement related work streams including the MRV and accounting, GHG inventory, registry operations, reporting and applying corresponding adjustments.

To enable the development and authorization of A6 mitigation activities, the following section stipulates **an institutional process for decision-making across four stages**, for the steps that the TCC-MIT and mitigation activity proponents should follow, and also outlines the roles and responsibilities for MGEE, TCC-MIT, APs, and ZEMA in assessing, authorising, and reporting of MOs. These steps also incorporate the requirements prescribed by UNFCCC.

Prior to the four stages, MGEE and the TCC-MIT shall also follow certain preconditions to enable the institutional decision-making process. The preconditions are outlined below, followed by the steps entailed across the four stages.

4.1. GENERAL PROVISIONS

1. MGEE (e.g., Department of Green Economy and Climate Change - DGECC) website should provide a dedicated email address for A6 submissions and inquiries. The email account should be managed by the Article 6 Secretariat.
2. TCC-MIT focal points and alternates (1 focal point, one alternate per agency) will be nominated and MGEE will maintain a database including names, functions, email and phone numbers.

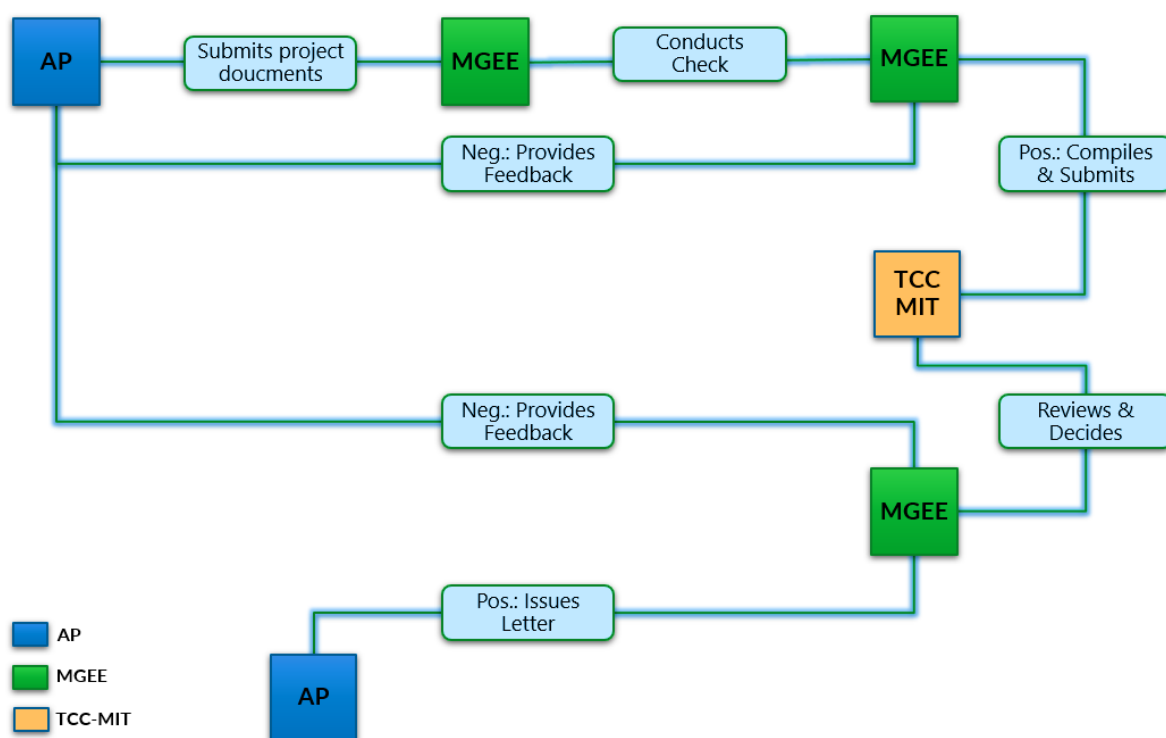


3. In order to request authorization of mitigation outcomes, the AP must provide a positive validation statement by Designated Operational Entity (DOE). The DOE shall assess the MADD making best use of the appropriate standards (e.g., Article 6.4 mechanism, VCM standards or other bilaterally agreed protocols). Furthermore, the DOE shall evaluate the A6 opportunity against the indicators included in Chapter 3.3 and document its findings in the validation report.
4. TCC-MIT shall make A6 related decisions following the below procedure:
 - i. A quorum of 2/3rd members from the TCC-MIT shall be present for the TCC-MIT to be able to make decisions.
 - ii. Indicators 1-3 and 5-16 are “must indicators” and A6 opportunities’ non-compliance to these indicators shall lead to their rejection by the TCC-MIT.
 - iii. While all A6 opportunities must provide the information related to indicator N°4, there is no floor price defined and the indicator is hence “non mandatory” or “*for information only*”. It is up to the TCC-MIT’s expert judgment (Considering Annex V) on whether to approve or reject A6 opportunities with low carbon prices.

4.2. STAGE 1: MAIN PHASE

The figure below provides an overview on the steps for a successful completion of the MAIN phase.

FIGURE 3: STEPS FOR THE COMPLETION OF THE MAIN PHASE



5. The AP shall submit a complete MAIN to MGEE via email.
6. MGEE conducts completeness checks within 5 work days and inform the AP on the outcome:
 - i. If the submission is incomplete, MGEE will provide the AP with specific feedback on incomplete requirements within 5 workdays.

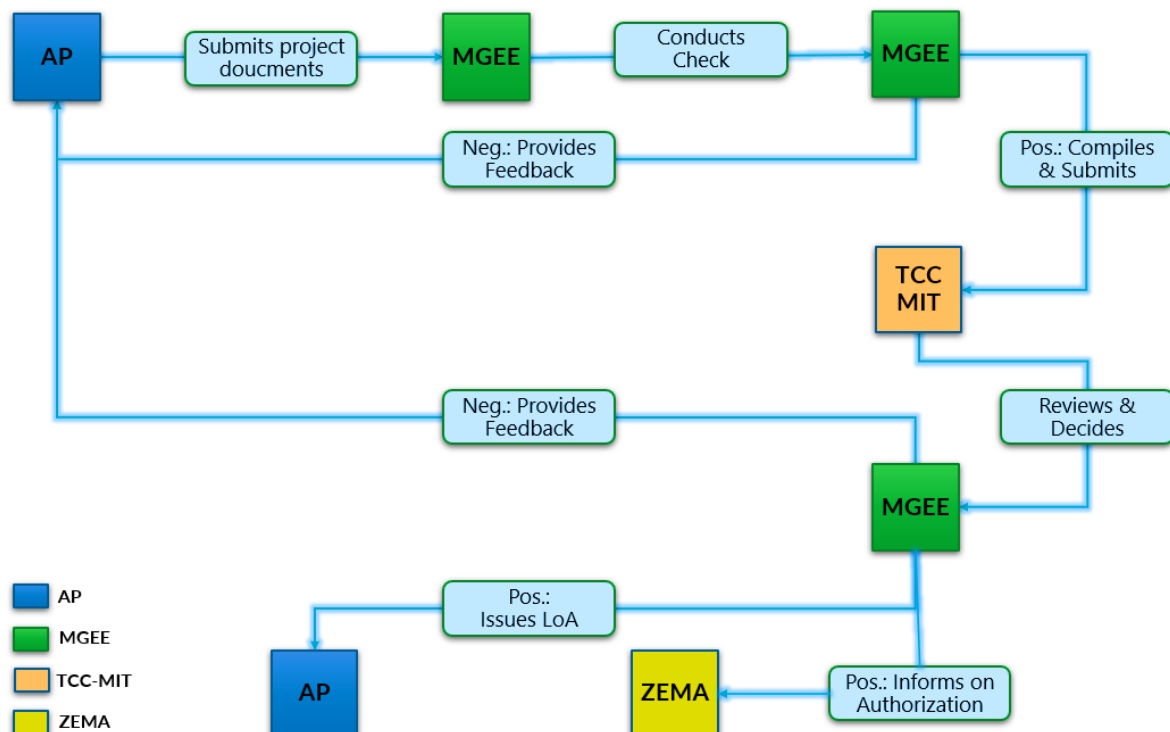


- ii. If the submission is complete, MGEE will provide the AP with a completeness confirmation within 5 work days.
7. The TCC-MIT will convene at least once per quarter and further on need-basis. MGEE will compile all submissions and provide submissions via email to all the TCC-MIT members and alternates at least 14 calendar days before the meeting.
8. The TCC-MIT members will review all submissions before the meeting.
9. During the meeting the TCC-MIT will make decisions on all submissions following the procedure defined in Point 4.
10. MGEE will provide written feedback to the AP on the TCC-MIT's decisions within 5 work days after the meeting.
 - i. In the case of rejection, MGEE will inform the AP on the specific missing requirements, and invite the AP to resubmit with revisions, if of interest.
 - ii. In the case of positive assessment of the MAIN, MGEE will issue Letter of No Objection (please refer to Annex VI for a draft letter).

4.3. STAGE 2: MADD PHASE

The figure below provides an overview on the steps for a successful completion of the MADD phase.

FIGURE 4: STEPS FOR THE COMPLETION OF THE MADD PHASE



11. The AP shall submit the MADD and the following supporting information to MGEE:
 - i. MADD including, mapping of program performance against indicators included in Section 3,3;



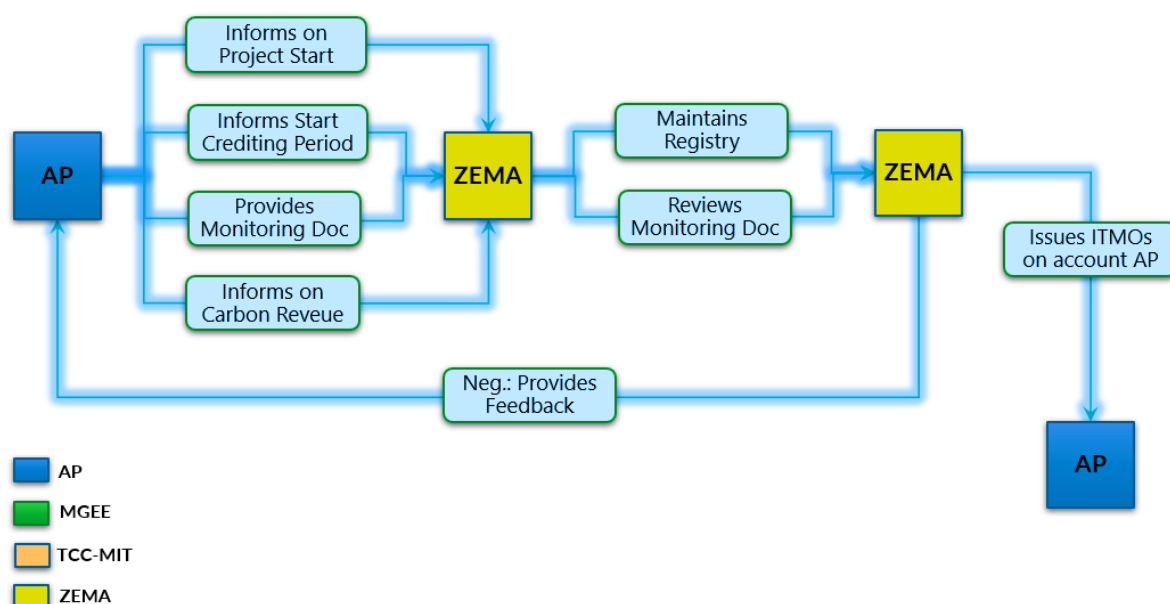
- ii. Excel file on financial additionality proof;
 - iii. Excel file with GHG mitigation outcome calculation;
 - iv. Positive validation report by DOE, accredited for the respective scope of the activity by UNFCCC (please refer to Annex VII for a list of scopes, please refer to [here](#) for a list of DOEs by scope); and
12. MGEE will conduct a completeness check within 5 work days and inform the AP on the outcome:
 - i. If the submission is incomplete, MGEE will provide the AP with specific feedback on the missing requirements within 5 work days.
 - ii. If the submission is complete, MGEE will provide the AP with a completeness confirmation within 5 work days.
13. MGEE compiles all submissions and provides the submissions via email to all the TCC-MIT members and alternates at least 14 calendar days before the meeting.
14. The TCC-MIT members review all submissions before the meeting and takes decisions during the meeting.
15. MGEE, through the Secretariat, provides written feedback to the AP on TCC-MIT's decisions within 5 work days after the meeting:
 - i. In case of negative assessment by TCC-MIT, MGEE will inform through a rejection letter to the AP on specific deficiencies and invite the AP to resubmit with revisions.
 - ii. In case of positive assessment, MGEE will inform AP and issue a Letter of Authorisation (see Annex VIII for a draft letter) within 30 calendar days.
16. MGEE will inform ZEMA about approval before sending the authorization letter to the AP.

4.4. STAGE 3: IMPLEMENTATION

The figure below provides an overview on the steps for a required for the implementation of A6 activities and related issuance of ITMOs.



FIGURE 5: STEPS OF THE IMPLEMENTATION PHASE



17. The AP is required to inform ZEMA on the activity start (please refer to the glossary for a definition) within 5 work days.
18. The AP shall provide ZEMA with information on the gross carbon revenues for each calendar year. The information is due at the 31st January of the subsequent year. ZEMA must treat the related information on confidential basis and may only provide aggregated information to the TCC-MIT.
19. The AP shall inform ZEMA on the start of the crediting period (please refer to the glossary for a definition) within 5 work days.
20. The AP may or may not provide annual monitoring reports and related verification statements by DOEs to ZEMA.
21. ZEMA will maintain a registry including:
 - i. A6 activity ID;
 - ii. A6 activity title;
 - iii. Activity start;
 - iv. Start and end date of the crediting period;
 - v. Store underlying documents (i.e., MADD, validation report, Excel file with financial additionality proof, Excel file with GHG estimate, monitoring report, verification report).
22. If the monitoring report and the external verification statement confirm the successful implementation of the A6 activity, then ZEMA shall assess the monitoring report against the terms of authorization with respect to:
 - i. Accumulated volume of ITMOs generated;
 - ii. Annual cap;
 - iii. Issuance within the crediting period.



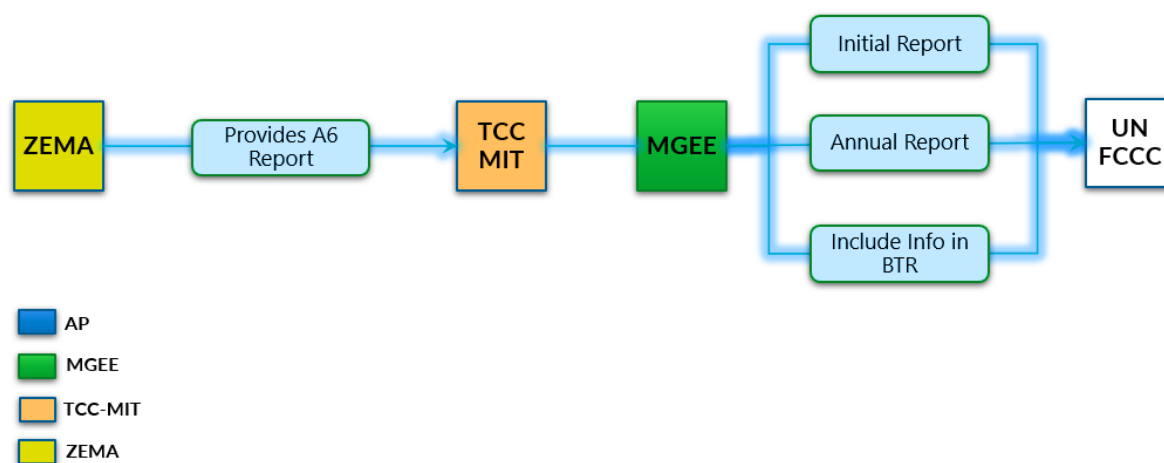
This assessment shall be conducted within 10 work days after the submission of monitoring report and verification statement.

23. If the monitoring report does not comply with the terms of authorization, MGEE shall communicate the findings to the AP within 5 work days after assessment, inviting AP to resubmit an amended monitoring report and verification statement.
24. If the monitoring report and verification statement is in consistency with the terms of the authorization, then ZEMA shall issue ITMOs to the account of the AP within 5 work days after assessment.
25. If an AP activity does not provide a verification statement by 1st July (for the previous year), then the AP must provide a written statement to ZEMA on the activity status.
26. If the AP fails to provide neither verification report nor activity status report, then after three years of non-communication, the TCC-MIT may or may not decide to withdraw the authorization.
27. ZEMA shall store the verification statement and the monitoring report under each activity within 5 work days after receipt.

4.5. STAGE 4: REPORTING

The figure below provides an overview on the steps for the consistent reporting within Zambia and to the UNFCCC Secretariat.

FIGURE 6: STEPS FOR THE REPORTING OF A6 IMPLEMENTATION IN ZAMBIA



28. ZEMA shall provide an annual A6 report to the TCC-MIT. This report is due at the first TCC-MIT meeting in Q3. And shall comprise the following information:
 - Status on A6 implementation in Zambia including information on the number of mitigation activities, sector and activity type, year, unique serial numbers, volume of MOs, investment volume.
 - Use of ITMOs towards NDC and ITMOs used for other mitigation purposes.
 - First transfer, acquisition, holdings, and cancellation
 - Recommendations for the improvement of Zambia's Carbon Market Framework.



29. MGEE shall prepare and submit an A6.2 Initial Report to UNFCCC secretariat before issuing the first authorization letter to the AP. It shall comprise of the following information:
 - Fulfilment of participation requirements
 - NDC related information
 - ITMO metrics and the method for CA for single-year or multi-year NDC targets
 - Information for each cooperative approach
30. MGEE shall prepare quantitative information on A6 transactions in an electronic format and submit information as Annual Report to the UNFCCC secretariat.
31. MGEE shall prepare regular information on Zambia's A6.2 cooperation approach as an Annex to Biennale Transparency Reports. It shall comprise of the following information:
 - CA regarding the progress towards implementation and achievement of its NDC
 - ITMOs acquired and will not be further transferred, cancelled or used otherwise
 - Information of each cooperative approach (i.e., contribution to NDC, SD, EI etc.)
 - Annual level of emissions covered by the NDC on an annual basis and emissions balance reflecting the emissions covered by NDC and CA for transfers
 - Any other information consistent with decisions adopted by the CMA on reporting under Article 6.



CHANGE LOG

Version 2.2, 6th October 2023

- Edits and layout changes to improve clarity
- Amendment of the section scope to improve information on the content of the carbon market framework
- Inclusion of draft letter for authorization in Annex VIII
- Inclusion of MADD outline in Annex II

Version 2.1, 11th August 2023

- Amendment of indicator N°1, specification on dam hydropower plants
- Amendment of indicator N°2, specification of NPV and IRR as additionality criteria.
- Removal of indicator N°14, SD safeguards.
- Addition of new indicator as indicator N°14 on benefit sharing plan.

Version 2.0, 19th May 2023

- Refinement and amendment of indicators to be considered
- Definition when indicators are to be applied
- Addition of institutional processes for decision making

Version 1: Interim Guidelines on Carbon Market and Trading, 19th December 2022



REFERENCES

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GoZ, 2022, Eighth National Development Plan, 2022– 2026, Lusaka, Zambia.

MGEE, 2022, Guidelines for Handling of Carbon Markets and Trading in Zambia, Lusaka, Zambia.

Spalding-Fecher, R., Joyce, B., Winkler, H., 2017, Climate change and hydropower in the Southern African Power Pool and Zambezi River Basin: System wide impacts and policy implications, Energy Policy, 103.

Bloomberg New Energy Finance. January 2010. Carbon Markets – North America – Research Note. [bnef.com/WhitePapers/download/25](https://www.bnef.com/WhitePapers/download/25)

The World Bank, 2020, Country processes and institutional arrangements for Article 6 transactions, World Bank Working Paper, Washington, DC.

Holm Olsen, K., Kolenda, M., Konrad, S., Lütken, S., Censkowsky, P., Espelage, A., Hoch, S., Kessler, J., Michaelowa, A., Singh, A. and Brodmann, U., 2021. Promoting transformational change through carbon markets. Strengthening the transformational impact of carbon market cooperation under Article 6 of the Paris Agreement. Climate Change, 40.

UNFCCC, 2021a, Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement. [cma_auv_12a_PA_6.2](https://unfccc.int/documents/310510), available at: <https://unfccc.int/documents/310510> [accessed 8 December 2021]

Ghana's framework on international carbon markets and non-market approaches, December 2022. The document is available for download at: www.cmo.epa.gov.gh



ANNEX I: MAIN TEMPLATE

ACTIVITY INITIATOR

Name of submitting entity/person	
Organisational category	
Core business	
Role in the activity	
Contact person	
Street/P.O. Box	
Postal Code, City	
Telephone	
Email	

ACTIVITY PARTNERS

(if applicable; for all activity partners)

Name of the activity partner	
Organisational category	
Core business	
Role in the activity	
Address	

GENERAL DESCRIPTION

Activity name	
Objective of the activity	
Activity description	
Project location	
Technology	

ACTIVITY DETAILS

Sector	
---------------	--



Greenhouse gases targeted	
Estimated required financing volume	
Expected GHG abatement potential	
Additionally	
SDG contribution	
Policy framework	
Negotiations with host country	

EXPECTED SCHEDULE

Activity lead time	
Activity lifetime	
Current status	<p><i>The activity is in its preparation stage following key processes as highlighted below:</i></p> <ul style="list-style-type: none"> • Identification and pre-selection phase • Opportunity study finished • Pre-feasibility study finished • Feasibility study finished • Negotiation phase • Contracting phase • Carbon asset development • Validation & verification • Issuance of carbon credits



ANNEX II: MADD TEMPLATE

Chapter 1: Activity Overview

Chapter 2 : Baseline Development

Chapter 2.1: Methodological Approaches

- References to CDM A6.4 methodologies and tools, IPCC approaches used for baseline development

Chapter 2.2: Crediting Period

Chapter 2.3: Project Start

Chapter 2.4: Baseline Development

- BAU scenario
- Baseline scenario, well below BAU / BAT / performance penetration approach

Chapter 2.5: Financial additionality Proof

Chapter 2.6 Project / Activity Scenario

Chapter 2.7: Avoiding Double Counting

Chapter 3: Sustainable Development Impacts

- Discussion of sustainable development indicators of the Zambian Carbon Market Framework
- Discussion of the ambition raising indicators of the Zambian Carbon Market Framework

Chapter 4: Monitoring Plan

Chapter 4.1. Monitoring Plan

Chapter 4.2 Parameters fixed ex ante

Chapter 4.3. Parameters to be monitored

Chapter 4.4: Uncertainties

- Approach to minimize uncertainties
- Leakage assessment, if applicable
- Non-permanence risk assessment, if applicable



ANNEX III: RECOMMENDED RESOURCES

On Additionality:

- Additionality under Article 6.2 of the Paris Agreement (Gold Standard)
- Phase II Report, slides 70-73 (Taskforce on Scaling the Voluntary Carbon Markets, 2021)
- Ensuring additionality of mitigation outcomes transferred through Article 6 of the Paris Agreement (Perspectives Consulting Group, 2019)
- Additionality revisited: guarding the integrity of market mechanisms under the Paris Agreement (A. Michaelowa, W. Obergassel, L. Hermwille, S. Butzengeiger, 2019)

On Baselines:

- Reconciling Pretensions and Reality: The Situation-Ambition Approach for Dynamic Baselines under Article 6.4 (Wuppertal Institute, 2020)
- Best Available Technology and Benchmark Setting under the Article 6.4 Mechanism (Perspectives Consulting Group, 2021)
- Setting Crediting Baselines under Article 6 of the Paris Agreement (Perspectives Consulting Group, 2021)

On Methodological Principles:

- Subsidiary Body for Scientific and Technological Advice Chair's summary, informal consultations/informal technical expert dialogue on Article 6 of the Paris Agreement Reporting and accounting for GHGs and non-GHGs under Article 6. (13/06/2021) Matters relating to Article 6 of the Paris Agreement (unfccc.int)
- CDM Method Transformation: Updating and Transforming CDM Methods for Use in an Article 6 Context (Perspectives Consulting Group, 2021)
- Füssler et al (2019)

On Sustainable Development:

- Indicators for Sustainable Development under Article 6 of the Paris Agreement (New Climate Institute, 2020)
- Newsletter - New SDG Tool Released for Piloting (Gold Standard, 2021)
- Sustainable Development Initiative (UNEP DTU, Gold Standard)

Key UNFCCC Documents:

- Paris Agreement (2015) - Includes Article 6 of the Paris Agreement (page 7)
- Decision 1/CP.21 (2015) - Includes instructions for further work to develop underpinning guidance, rules, modalities, and procedures for Article 6, including guidance to ensure double counting is avoided on the basis of a corresponding adjustment (pages 6-7)
- Decision 18/CMA.1 - Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement (2018) - Includes, in paragraph 77(d), requirements for Parties to make adjustments to their emissions balance to reflect the transfer and use of mitigation outcomes under Article 6, as part of the structured summary they prepare to track progress on the implementation and achievement of their NDC (page 30)
- CDM Executive Board 108th Meeting - meeting report (2020) - Includes temporary measures for the functioning of the CDM pending future guidance from Parties.
- Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement (2021) - Provides guidance to Parties on participation in Article 6.2, including



the application of corresponding adjustments, participation requirements and the regular reporting of information.

- Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (2021) - Outlines rules, requirements and the framework for a new crediting mechanism that will operate in a similar way to the CDM, including the governance and infrastructure (e.g., the registry) supporting the mechanism, requirements that activities must meet, and how activities will be approved and authorised by their host country.
- Guidance relating to the Clean Development Mechanism (2021) - Includes decisions related to the functioning of the CDM beyond the end of the second commitment period of the Kyoto Protocol, and the transition to the new mechanism established under Article 6.4 of the Paris Agreement.



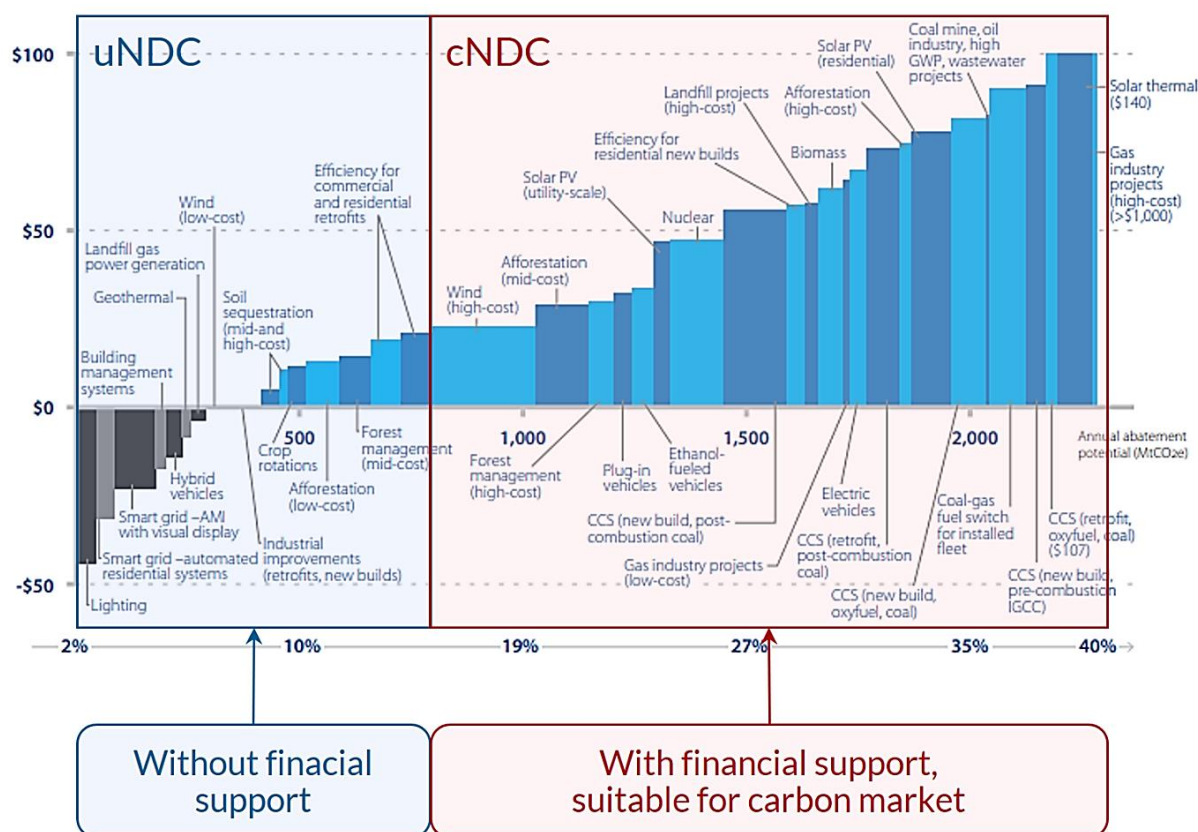
ANNEX IV: CONSIDERING MAC & UNDC TARGET

The government of Zambia committed, through its unconditional NDC target, to reduce its GHG emissions without further external support by 25% (estimated at 30 M tCO₂e, GoZ, 2021). To reduce costs and have a realistic chance to achieve the planned target, stakeholders should focus on implementing mitigation measures with low marginal abatement cost first, before investing into more expensive abatement options.

For such considerations, the marginal abatement cost function is a helpful illustration. On the x-axis, the marginal abatement cost (MAC) function shows abatement potential (i.e., not the emissions, but mitigation outcome potentials). On the y-axis, the function shows the marginal abatement cost, i.e., the cost of one unit of mitigation outcome. Negative marginal abatement cost indicate that it is possible to i) reduce emissions and ii) save money compared to the current status. The marginal abatement cost function ranks the cheapest abatement opportunities (from left) to the most expensive (right).

Of course, governments and stakeholders aim to implement the cost efficient and low-cost abatement options to achieve its unconditional NDC target and keep the more expensive abatement options for the external financial support, including carbon markets. The below graph aims to illustrate this thinking.

FIGURE 7: EXAMPLE OF A MARGINAL ABATEMENT COST FUNCTION



Source: Adopted from Bloomberg New Energy, 2010

In practice, stakeholders and government of Zambia did not assess the marginal abatement costs of all abatement options in detail. However, to inform the TCC-MIT on whether it is approving a



low-cost abatement option for a corresponding adjustment or not, APs are required to provide information on their minimum carbon price.



ANNEX V: DETERMINATION OF THE CARBON PRICE

A6 opportunities require carbon revenues, to become financially viable. Indicator 4 requires APs to provide related information at two levels:

- i) Indicative information on the minimum carbon price required minimum carbon price at the MAIN level / when requesting a letter of no objection from TCC-MIT; and
- ii) An accurate estimate of the minimum carbon price, based on a validated MADD.

This shall inform TCC-MIT on the abatement cost of the A6 opportunity. The below section provides provisions for the estimate of the minimum carbon price.

The carbon price shall be developed in consistency with the provisions of the latest version of the CDM Tool 1: Tool for the demonstration and assessment of additionality (Version 7.0), Step 2b benchmark analysis. The MAC shall be determined by dividing:

- i) The GHG mitigation outcome potential (i.e., ex-ante estimate) over the lifetime of the A6 program, with the
- ii) The carbon payment needed to increase the internal rate of return from its current value to financial benchmark.

BOX 1: EXAMPLE FOR THE CALCULATION OF THE CARBON PRICE

A mitigation measure reduces 1 MtCO₂ emissions over a lifetime of 10 years. Without carbon payments, the project features an internal rate of return of 2%. The prime lending rate in the host country, however, amounts to 10%. Hence, the project cannot be implemented w/o financial support and financial additionality is demonstrated.

In order to increase the IRR from 2% to 10% (i.e., financial viability), the mitigation measure requires carbon payments of 10 M EUR. The carbon is determined as follows:

$$\text{Carbon Price} = \frac{\text{Carbon Payment}}{\text{Emission Reductions}} = \frac{10 \text{ M EUR}}{1 \text{ MtCO}_2} = 10 \text{ EUR}$$

The carbon price estimate shall be provided to the CFP at the time of requesting a Letter of No Objection / CA to allow the CFP to compare the project MAC with the marginal abatement cost of implementing the unconditional NDC target.



ANNEX VI: DRAFT LETTER OF NO OBJECTION

Sample letter to be issued by MGEE to AP seeking authorization of MAIN for corresponding adjustment after preliminary consideration by TCC-MIT

[Ref.]

[Date]

Re.: Letter of No Objection

MGEE, severing as Secretariat for the Technical Climate Change Mitigation Committee (TCC-MIT) acknowledges the interest of the activity proponent [name] in using carbon finance for co-financing of the mitigation activity [name]. The activity proponent [name] has submitted preliminary information on the mitigation activity, which was assessed for completeness, submitted to the TCC-MIT.

After careful evaluation of the preliminary information, TCC-MIT does not have any objections against the proposed mitigation activity. TCC-MIT acknowledges that the mitigation activity in general is aligned with the requirements of Zambia's Carbon Market Framework. Hence, the activity may be considered for being authorized for a so-called corresponding adjustment at a future development stage.

The TCC-MIT will take a decision on the authorization or rejection of the proposed mitigation activity upon the provision of a completed Mitigation Activity Design Document, a positive validation statement by Designated Operational Entity and other supporting documentation, as specified in Zambia's Carbon Market Framework, Chapter 3.

On behalf of the TCC-MIT

[Name of mitigation officer]

Mitigation Officer

MGEE



ANNEX VII: LIST OF A6 ACTIVITY SCOPES

The following list of activity scope is taken from accreditation procedures for DOEs under the CDM (cf. CDM-ACCR-06) and shall assure that DOEs are familiar with specific activity types.

1. Energy industries (renewable - / non-renewable sources)
2. Energy distribution
3. Energy demand
4. Manufacturing industries
5. Chemical industry
6. Construction
7. Transport
8. Mining/Mineral production
9. Metal production
10. Fugitive emissions from fuels (solid, oil and gas)
11. Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride
12. Solvents use
13. Waste handling and disposal
14. Afforestation and reforestation
15. Agriculture



ANNEX VIII: DRAFT LETTER OF AUTHORIZATION

Sample letter to be issued by MGEE to AP seeking authorization of MADD for corresponding adjustment after preliminary consideration by TCC-MIT

Please note, that details of the authorization letter need to be negotiated on a case to case basis.

[Ref.]

[Date]

Re.: Letter of Authorization

1. As stipulated in the Carbon Market Framework of the Republic of Zambia, the Ministry of Green Economy and Environment, Department of Green Economy and Climate Change is mandated to issue a Letter of Approval for an activity to be carried out under Article 6 of the Paris Agreement.
2. MGEE confirms that the **NAME OF THE PROJECT OR PROGRAM** satisfied all the pre-conditions for authorizing mitigation outcomes for international transfers as set out in Zambia's Carbon Market Framework.
3. MGEE hereby grants formal authorization of the Internationally Transferred Mitigation Outcomes (ITMOs) that are generated from implementing the **NAME OF THE PROJECT OR PROGRAM** based on the information outlined in the Mitigation Activity Design Document (MADD) and in the Validation Report. This authorization is applicable for the period 2025 to 2030 with the option to renew for a possible subsequent NDC period.
4. This Letter of Approval guarantees Zambia's recognition of the ITMOs arising from the Article 6 Mitigation Activity and their use towards Nationally Determined Contribution (NDC) commitment of the Acquiring Party or other mitigation purposes as agreed with the Acquiring Party, and commits to transfer the amount of authorized, verified and positively examined ITMOs from this mitigation activity to the Acquiring Party.
5. This Letter of Approval constitutes Zambia's authorisation as defined by the Carbon Market Framework of the Republic of Zambia for the Article 6 Mitigation Activity with the following:
 - i. ITMOs generated in respect of or representing mitigation from 2023 onward, spanning through the NDC implementation period up to 2030;
 - ii. ITMOs generated from the authorized mitigation activity will not be used by the Republic of Zambia to demonstrate the achievement of its own NDC;
 - iii. Mitigation Outcomes from the authorized mitigation activity will be recognized into Zambia's Article 6 registry, and the transfer and use of ITMOs are consistent with the guidance and relevant decisions of the CMA.
6. This Letter of Approval does not imply or provide a commitment on the part of the Republic of Zambia to support or fund the authorised mitigation activity in the event that any parties have legal or environmental requirements for the construction and operation of the mitigation activity not fulfilled and the mitigation activity, therefore, is unable to proceed.



7. Through this Letter of Approval, the Republic of Zambia confirms to follow all requirements of the Paris Agreement, including reporting, preventing double-counting and double-claiming, and undertaking Corresponding Adjustments
8. By this Letter of Approval, the Republic of Zambia commits to apply Corresponding Adjustments (single-year target accounting approach by calculating average annual ITMOs transfers over 2021-2030), consistently with the guidance referred to in Article 6 of the Paris Agreement and relevant future decisions of the CMA, in a transparent, accurate, complete, comparable, and consistent manner.
9. The Letter of Approval shall be applicable until the timing of the authorization elapses, unless under unforeseeable circumstances that may prevent the mitigation activity developer or Acquiring Party from fulfilling the terms and conditions of this letter. In such a situation the MGEE, the mitigation activity participant and the Acquiring Party will agree on an alternative resolution arrangement

Signed by

Date