



# CARBON MARKETS FRAMEWORK FOR THE KINGDOM OF BHUTAN 2025

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

---

# CARBON MARKETS FRAMEWORK FOR THE KINGDOM OF BHUTAN

---



**Department of Environment and Climate Change  
Ministry of Energy and Natural Resources  
Royal Government of Bhutan  
2025**

## Contents

<b>List of Abbreviations</b> .....	<b>1</b>
<b>Terms and Definitions</b> .....	<b>4</b>
<b>Carbon Markets Framework – Introduction</b> .....	<b>7</b>
<b>1. Strategic policy context and guiding principles for Article 6 participation</b> .....	<b>8</b>
<b>2. Carbon market structure and governance framework</b> .....	<b>9</b>
2.1 <i>Institutional arrangements</i> .....	9
2.1.1 <i>Policy Oversight and Rule Making – NEC / NCCC</i> .....	12
2.1.2 <i>Strategic Advisory – C4</i> .....	12
2.1.3 <i>Implementation – DECC / CCD / CMU</i> .....	13
2.1.4 <i>Operational and Administrative Units – CCD / CMU / Registry Operator</i> .....	13
2.1.4.1 <i>CCD</i> .....	13
2.1.4.2 <i>CMU</i> .....	13
2.1.4.3 <i>Registry Operator</i> .....	13
2.2 <i>Carbon market infrastructure and ecosystem</i> .....	14
2.2.1 <i>Bhutan National Carbon Registry (BNCR)</i> .....	14
2.2.2 <i>Bhutan Climate Fund</i> .....	15
<b>3. Key processes for carbon asset development and transactions</b> .....	<b>16</b>
3.1 <i>Project development phase</i> .....	18
3.1.1 <i>Project Submission in BNCR</i> .....	18
3.1.2 <i>Participation of CDM Project activities in Article 6</i> .....	18
3.1.3 <i>Positive List of Activities</i> .....	19
3.1.4 <i>Optional Pre-Authorization</i> .....	19
3.1.5 <i>Mitigation Activity Design Document (MADD) Preparation</i> .....	20
3.1.6 <i>Validation</i> .....	21
3.2 <i>Implementation phase</i> .....	22
3.2.1 <i>Project Implementation</i> .....	22
3.2.2 <i>Verification</i> .....	22
3.2.3 <i>Issuance and Positive Examination</i> .....	23
3.3 <i>Authorization</i> .....	23
3.3.1 <i>Types of Authorization</i> .....	24
3.3.2 <i>Authorization Process for Bhutan</i> .....	24
3.3.2.1 <i>Pre-Authorization Phase (LOI)</i> .....	25
3.3.2.2 <i>Authorization Phase – “Authorization of the Mitigation Activity”</i> .....	25
3.3.2.3 <i>Step 1: Preparation of the MADD</i> .....	25

3.3.2.4	Step 2: Submission of MADD and Request for Project-Level Authorization .....	26
3.3.2.5	Step 3: Issuance of the LoA.....	26
3.3.2.6	Authorization of MOs and First transfer .....	26
3.3.2.7	Step 4: Submission of Monitoring and Authorization Request.....	27
3.3.2.8	Step 5: Evaluation of the MOs.....	27
3.3.2.9	Step 6: Issuance of the LOA for MOs .....	27
3.3.2.10	Step 7: First Transfer of ITMOs and Application of CA .....	28
3.3.3	Authorization Interlinkages with CCPs and Emission Reductions.....	28
3.3.3.1	Projects Not Seeking Authorization – MCUs .....	28
3.4	First transfer phase .....	29
3.4.1	Key Activities in the First Transfer Phase.....	30
3.5	LoA.....	30
<b>4.</b>	<b>Pre-Approved List of CCPs.....</b>	<b>31</b>
<b>5.</b>	<b>Schedule of fees/charges levied for participation under Article 6 .....</b>	<b>31</b>
5.1	Overview and Rationale.....	31
5.2	Types of Fees .....	32
5.2.1	Administrative and Management Fees.....	32
5.2.2	Corresponding Adjustment (CA) Fees .....	33
5.2.3	Share of Proceeds for OMGE and Adaptation .....	33
<b>6.</b>	<b>Legality of Carbon Credits and Benefit Sharing Approaches for Projects .....</b>	<b>33</b>
6.1	Legal Nature of Carbon Credits.....	33
6.2	Benefit-Sharing Arrangements and Approaches .....	34
6.3	Recommended Best Practices for Benefit Sharing.....	35
6.3.1	Community-Based Project Requirements .....	35
<b>Annexure A:</b>	<b>Letter of Acknowledgement Template.....</b>	<b>36</b>
<b>Annex B:</b>	<b>BCF Governance Framework .....</b>	<b>37</b>
<b>Template (I):</b>	<b>Mitigation Activity Note (MAN) .....</b>	<b>39</b>
<b>Template (II):</b>	<b>MADD/PDD Format - .....</b>	<b>41</b>
<b>Template (III):</b>	<b>ITMOs issuance template .....</b>	<b>41</b>

## Preface

The Carbon Market Framework 2025 for Bhutan represents a significant milestone in the nation's continued commitment to climate leadership, environmental stewardship, and sustainable development. As a country that has long championed ecological conservation and carbon neutrality, Bhutan now stands at an important juncture, where global market mechanisms under the Paris Agreement offer new opportunities to mobilize finance, enhance mitigation ambition, and support resilient, low-emission development pathways.

This framework provides a comprehensive, forward-looking blueprint to guide the Royal Government of Bhutan and Project developers including public agencies, private sector entities, civil society organizations, and development partners in navigating the rapidly evolving landscape of carbon markets. It outlines the institutional arrangements, regulatory processes, safeguards, and technical requirements necessary for Bhutan to participate effectively in international and domestic carbon transactions, ensuring environmental integrity, transparency, and equitable benefit-sharing.

Developed through extensive consultation and grounded in Bhutan's developmental philosophy of Gross National Happiness, this framework aims to strengthen national capacities, foster responsible investment, and unlock climate finance for priority sectors, not limited to sectors such as energy, forestry, transport, agriculture and livestock waste, and industry. It reflects Bhutan's ambition to operationalize high-integrity carbon projects and tap into emerging opportunities under Article 6 of the Paris Agreement and voluntary carbon markets.

The Carbon Market Framework 2025 underscores Bhutan's aspiration not only to contribute meaningfully to global climate action but also to ensure that the revenues generated through carbon markets support communities, protect ecosystems, and advance national climate and socio-economic goals. This framework will serve as a strategic guide for all stakeholders as Bhutan embarks on a new chapter in its climate and development journey.



(Karma Tshering)  
Chairman, National Environment Commission  
&  
Secretary, Ministry of Energy and Natural Resources

## List of Abbreviations

Abbreviation	Definition
ACR	American Carbon Registry
ART	Architecture for REDD+ Transactions
BAU	Business As Usual (baseline concept)
BCF	Bhutan Climate Fund
BNCR	Bhutan National Carbon Registry
BTR	Biennial Transparency Report
BT-ERs	Bhutan Tradable Emission Reductions/Bhutan Emission Reductions (ITMOs Issued from Bhutan)
CA	Corresponding Adjustment
CARP	Centralized Accounting and Reporting Platform (UNFCCC)
CCD	Climate Change Division
CCP	Carbon Crediting Program
C4	Climate Change Coordination Committee
CCS	Carbon Capture and Storage
CMA	Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement
CMR	Carbon Market Registry
CMU	Carbon Market Unit
COP	Conference of the Parties (UNFCCC)
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
DECC	Department of Environment and Climate Change
DNA	Designated National Authority
DOE	Designated Operational Entity
DOEs	Designated Operational Entities
EE&C	Energy Efficiency and Conservation
ERU	Emission Reduction Unit
ETS	Emissions Trading System
FCPF	Forest Carbon Partnership Facility

<b>Abbreviation</b>	<b>Definition</b>
GHG	Greenhouse Gas
GS	Gold Standard
VER	Voluntary Emission Reduction
IPCC	Intergovernmental Panel on Climate Change
ITMO	Internationally Transferred Mitigation Outcome
KYC	Know Your Customer
LEDS	Long Term Low Emission Development Strategy
LOA	Letter of Authorization
LOI	Letter of Intent
MADD	Mitigation Activity Design Document
MCUs	Mitigation Contribution Units
MiFID2	Directive on Markets in Financial Instruments (EU regulation)
MA	Mitigation Activity
MAP	Mitigation Activity Proponent
MO	Mitigation Outcome
MRV	Monitoring, Reporting, and Verification
NCCC	National Climate Change Committee
NDC	Nationally Determined Contribution
NEC	National Environment Commission
NEPA	National Environment Protection Act
NFMS	National Forest Monitoring System
NIR	National Inventory Report
OMGE	Overall Mitigation in Global Emissions
PACM	Paris Agreement Crediting Mechanism
PDD	Project Design Document
PMR	Partnership for Market Readiness
RGoB	Royal Government of Bhutan
SB	Supervisory Body (Article 6.4 Paris Agreement)
SBSTA	Subsidiary Body for Scientific and Technological Advice (UNFCCC)

<b>Abbreviation</b>	<b>Definition</b>
SDGs	Sustainable Development Goals
SCALE	Scaling Climate Action by Lowering Emissions (World Bank program)
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market
VER	Voluntary Emission Reduction
VERRA	Verified Carbon Standard
VVB	Validation and Verification Body

## Terms and Definitions

Term	Definition
Article 6.2 Guidance	The relevant decision(s) of the CMA providing guidance on cooperative approaches referred to in Article 6.2, of the Paris Agreement, as may be agreed or subsequently amended from time to time.
Article 6.2 Registration	Formal acceptance and listing of an MO activity as an eligible activity for the purposes of this Carbon Market Framework by the Department of Environment and Climate Change (DECC), published in English and made publicly available on the website of the DECC.
BT-ERs	This is a common term for tradable units that account for GHG emission reductions or net GHG removals expected to be achieved by a MA in each year of the crediting period. These are referred to carbon credits under the respective Carbon Crediting Programs (CCPs), MOs under Article 6.2 and A6.4ERs under the Article 6.4 mechanism, GS VERs under Gold standard and VERs and VERRA, etc.
Bhutan Climate Fund (BCF)	A sovereign fund established by the RGoB for collecting CA and other fees with option for aggregating capital and intermediating purchase/ sale of correspondingly adjusted credits.
Carbon Credit Program	A GHG program that is accepted and approved under RGoB's Carbon Market Rules, and which, among other things, provides the underlying infrastructure to facilitate listing and registering of MO activities, issuing, holding, transferring and retiring MOs, provides records of all MO activities and MOs issued, and provides public access to all MO activities and MOs information.
Climate Change Coordination Committee (C4)	In the context of Carbon Market, this is a technical body comprising of highlevel representation from stakeholder agencies and organizations to support operationalization of carbon markets. It will provide strategic advisory on a positive list of activities, technical standards, carbon asset development process and accreditation and authorization process.
Cooperative Approach	The arrangements outlined in a bilateral agreement as agreed to and adopted by Bhutan and another Paris Agreement Party under Article 6.2 of the Paris Agreement, in respect of the mutual recognition, acceptance, use of and dealing in MOs including enhancing removals of Sinks and reservoirs/ enhancement of removals/avoidance of GHGs, involving GHGs that are generated from the specified activity type, involving a specified sectoral scope.
CA	An accounting mechanism established under Article 6 of the Paris Agreement intended to ensure that MOs are not "double counted", i.e., trading of MOs should not result in more than one country using the same MO to demonstrate achievement of their Nationally Determined Contributions (NDCs).

Term	Definition
Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)	A global market-based initiative developed by the International Civil Aviation Organization (ICAO) to address and mitigate the growth of carbon dioxide (CO <sub>2</sub> ) emissions from international aviation. Under CORSIA, airlines are required to offset any increase in CO <sub>2</sub> emissions above 2019 levels by purchasing and cancelling eligible carbon credits, with the aim of stabilizing net aviation emissions.
Designated National Authority (DNA)	The DNA of Bhutan for the purposes of Article 6.2 and Article 6.4 of the Paris Agreement that has been formally designated and registered with the Secretariat as required by the Article 6.2 Guidance. The DECC serves as the DNA for Bhutan.
Greenhouse Gas (GHG)	Carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, Sulphur hexafluoride, perfluorocarbons, nitrogen trifluoride, halogenated ethers, trifluoromethyl Sulphur pentafluoride, and any other halocarbons subject to the '2019 Refinement to the 2006 IPCC Guidelines for National GHG Inventories' as published by and updated from time to time by the IPCC.
Internationally Transferred Mitigation Outcome (ITMO)	Any MO arising in respect of any MO activity for which Bhutan has issued a Letter of Authorization (LOA) and is first transferred outside by Bhutan to a Paris Agreement Party pursuant to a Cooperative Approach in a manner that is consistent with the Paris Agreement and Article 6.2 Guidance.
LOA	The letter through which the DECC authorizes the relevant Activity Participant's participation in the proposed MO activity for the purposes of any Cooperative Approach.
Letter of Intent (LOI)	The letter through which the DECC provides certainty to the activity participant/project developer that their project can be authorized and that the proposed MOs from the project can be converted to ITMOs, based on successful implementation of the project for the purposes of any Cooperative Approach.
Mitigation	A reduction in the anthropogenic emission of GHG to reduce global warming.
Mitigation Activity (MA)	Eligible mitigation activity, action, project or groups of activities that lead to the achievement of an MO, including joint projects with other countries and projects from non-government entities. This can be understood as a project before being registered as a carbon project in Bhutan.
Project Developer (PD)	Any private and/or public entity that has obtained a LOA from the DECC and is either listed as a project participant in the relevant MOs design document or is otherwise expressly evidenced to the National Environment Commission (NEC).

Term	Definition
Mitigation Outcome (MO)	One or more of the following outcomes resulting in emission reductions or removals, including mitigation co-benefits resulting from adaptation actions and/or economic diversification plans, or the means to achieve them and which are capable of being represented in a form of a unit of measure
Mitigation Outcome activity or MO activity	Eligible mitigation activity, action, project or groups of activities that lead to the achievement of any MO, including joint projects with other countries and projects from non-government entities.
Monitoring, Reporting, and Verification (MRV)	MRV refers to the process of measuring the amount of GHG emissions avoided, reduced, or removed by a specific MA over a period of time, and independently verifying the results to ensure robustness and accuracy.
NDC	The NDC of a Paris Agreement Party, as prepared, communicated and maintained from time to time in accordance with Article 4.2 of the Paris Agreement and Decision 4/CMA.1.
NDC Period	The five-year period specified in Article 4.9 of the Paris Agreement, Decision 1/CP.21 and any relevant decisions of the CMA, during which the Paris Agreement Parties shall achieve their respective NDC.
National Climate Change Committee (NCCC)	The highest body for decision making on matters related to climate change in Bhutan. The NEC acts as the NCCC.
Other International Mitigation Purposes (OIMP)	A purpose for the use of an ITMO that is other than the achievement of a Paris Agreement Party's NDC, as determined by a Paris Agreement Party [including a delivery of overall mitigation/voluntary cancellation].
Paris Agreement	The agreement adopted by the parties to the UNFCCC at its 21st meeting in Paris as reflected in Decision 1/CP.21 (Adoption of the Paris Agreement).
Paris Agreement Party/Parties	A country/Countries that is/are signatory/signatories to the Paris Agreement and who has deposited their instrument of ratification, acceptance, approval or accession to the Secretary-General of the United Nations in the capacity of depository of the Paris Agreement. For the avoidance of doubt, a country that has withdrawn from the Paris Agreement shall no longer be considered a Paris Agreement Party after its withdrawal takes effect pursuant to Article 28(2) of the Paris Agreement.
Validation and Verification Body (VVB)	A third-party, independent organization accredited and recognized by the relevant carbon credit program to conduct the validation and verification of mitigation activities, emission reductions, or removal outcomes under climate mechanisms.

## Carbon Markets Framework – Introduction

The Bhutan Carbon Markets Framework 2025 builds upon the country’s enduring commitment to sustainable development and climate action. It operationalizes the principles and provisions established under the National Environment Protection Act (NEPA) 2007, the National Strategy and Action Plan for Low Carbon Development 2012, and the Carbon Market Rules 2023. The framework, along with Bhutan’s carbon market rules, establishes the processes, institutional arrangements, and governance mechanisms required for effective participation in international carbon markets.

The framework further complements the *Climate Change Policy 2020* by strengthening the implementation of Policy Objective 1: Pursue Carbon Neutral Development. It integrates key provisions of the climate policy, including clause 1.5: The utilization of relevant mechanisms under the Paris Agreement, such as cooperative approaches, the mechanism for mitigation and sustainable development, and the framework for non-market approaches, to advance Bhutan’s carbon-neutral goal and the clause 1.6: The allocation of emission reduction credits through mutually agreed arrangements, ensuring that a portion of credits is retained by the Government to meet administrative and transaction costs and to support national climate funds.

The framework outlines Bhutan’s strategy to leverage the provisions of Article 6 of the Paris Agreement, encompassing the structure and governance of the national carbon market, processes for carbon asset development and transactions, and associated reporting requirements. Technical schedules accompanying the framework provide detailed guidance on critical elements such as authorization procedures, eligible sectors and methodologies, project development and registration, environmental integrity principles, approaches for the sale of Internationally Transferred Mitigation Outcomes (ITMOs), and benefit-sharing arrangements.

Bhutan has made notable progress in establishing the foundational systems and institutions necessary for active participation in international carbon markets. Key milestones include the adoption of the Bhutan Carbon Market Rules (2023), the launch of the National Carbon Registry (2024), the identification of priority mitigation activities for authorization, the signing of the inaugural bilateral cooperation agreement under Article 6.2 with the Republic of Singapore, and the establishment of the Bhutan Climate Fund (BCF) to manage carbon market transactions. These initiatives collectively provide a strong foundation for high-integrity carbon trading and transparent market governance.

Building on these achievements, the Bhutan Carbon Markets Framework 2025 consolidates national efforts by clarifying the interlinkages between the National Carbon Registry, the Bhutan Climate Fund, and other market actors, while defining key operational procedures such as corresponding adjustments and fee structures. Bhutan has also undertaken a comprehensive assessment of carbon market potential across key sectors, identifying mitigation opportunities and formulating a National Project Portfolio to guide developers and investors under various crediting mechanisms. To facilitate private sector participation, a Private Sector Engagement Toolkit has been developed to enhance market accessibility and foster effective collaboration.

With these readiness initiatives largely completed, Bhutan is now well-positioned to attract investment and operationalize carbon market projects under suitable crediting mechanisms. The Carbon Markets Framework provides a strategic platform to demonstrate Bhutan’s carbon market readiness, promote dialogue among key stakeholders, and strengthen partnerships that contribute to achieving both national and global climate objectives.

## **1. Strategic policy context and guiding principles for Article 6 participation**

The Royal Government of Bhutan (RGoB) has implemented its Carbon Market Rules (2023) that provides a regulatory requirement to leverage international carbon markets; in accordance with the provisions of Article 6.2, 6.4, and 6.8 of the Paris Agreement. Engaging in Article 6 can help Bhutan meet its NDCs and attract investment for mitigation and adaptation activities and undertake technology transfer. Bhutan’s NDCs will be updated every five years in line with guidance from the Conference of the Parties (COP). These updates will be complemented by the Long-Term Strategy (LTS) 2025 and the sectoral Low Emission Development Strategies (LEDS), which will also be revised in alongside the NDCs. For the period 2026–2035, NDC 3.0 and LTS/LEDS 2025 will serve as the key strategic frameworks, with LTS 2025 providing a national mitigation outlook extending to 2050.

To enable the RGoB’s participation in international Article 6 mechanisms, Bhutan mentions in its NDC and understands the strategic considerations for its fulfillment including the approach for transfer of authorized and non-authorized credits, development of governance framework and establishment of requisite market infrastructure. In the Article 6 participation strategy, Bhutan will primarily be a seller of ITMOs and support its mitigation and adaptation interventions through fair pricing of ITMOs, leveraging Bhutan’s high integrity emission reductions / removals.

This carbon markets Framework intends to support private sector players to leverage carbon finance and participate in Article 6 market mechanisms as set forth by the Paris Agreement. The framework suggests the process for private sector entities to develop carbon assets as Project Developers, request and receive authorization of the MOs from the RGoB, which ensure environmental integrity, and facilitate the sale of ITMOs to an entity from a purchasing party.

### **Guiding Principle**

#### **Principle #1: Governance Frameworks**

This framework further defines the institutional arrangements within the RGoB responsible for designing and implementing Bhutan’s Article 6 strategy, providing oversight, and ensuring rulemaking and implementation functions. The NEC serves as the NCCC and is responsible for setting the overall scope and direction of Bhutan’s Article 6 engagement. The DECC, through its Climate Change Division (CCD), functions as the Carbon Market Unit (CMU) for Bhutan and is mandated to implement all day-to-day carbon market activities, including the execution of Article 6-unit transfers. To maintain national uniqueness, MOs authorized by the RGoB are termed BT-ERs. The NEC/NCCC is supported by the C4, which provides strategic and technical advisory functions (refer to section 2.1 Institutional arrangements for further details).

## Principle#2: Market infrastructure

Bhutan has developed its own Carbon Market Registry (CMR), which will be administered by CCD and technically managed by a registry operator. Set up a Bhutan Climate Fund for collecting CA and other fees with an option for aggregating capital and intermediating the purchase/ sale of correspondingly adjusted credits

This framework and its aligned annexures may be amended, as necessary, to ensure consistency with the Carbon Market Rules 2023, Article 6.2 guidance, and any relevant decisions of the COP serving as the meeting of the Parties to the Paris Agreement (CMA).

## Principle #3: Processes for transfer of authorized and non-authorized credits

This Carbon Market Framework provides clarity on Bhutan's Article 6 strategy, outlining the processes for authorization and non-authorization of MOs generated within the country's geography. The framework defines the authorization framework and sets out the procedures for relevant RGoB institutions responsible for authorizing credits and executing transfers.

The procedures established under this framework aim to provide clarity to key stakeholders, including:

- Project developers from both the private sector and government operating within Bhutan's geography; and
- Entities from buyer countries seeking to engage in cooperative approaches under Article 6.
- Regarding key considerations and steps for undertaking a successful transaction of ITMOs.

## 2. Carbon market structure and governance framework

### 2.1 Institutional arrangements

The Carbon Market Rules 2023, established by the RGoB, designates the NEC as responsible for rulemaking and oversight functions related to carbon market participation. The C4 serves as the technical advisory body, comprising high-level representatives from stakeholder agencies and organizations, and is tasked with coordinating and deliberating on matters of climate change. The DECC, through its CCD acting as the CMU, is responsible for implementing carbon market activities on behalf of the RGoB. The table below illustrates the institutional arrangements and specifies the entities responsible for executing key functions to operationalise Article 6 of the Paris Agreement in Bhutan.

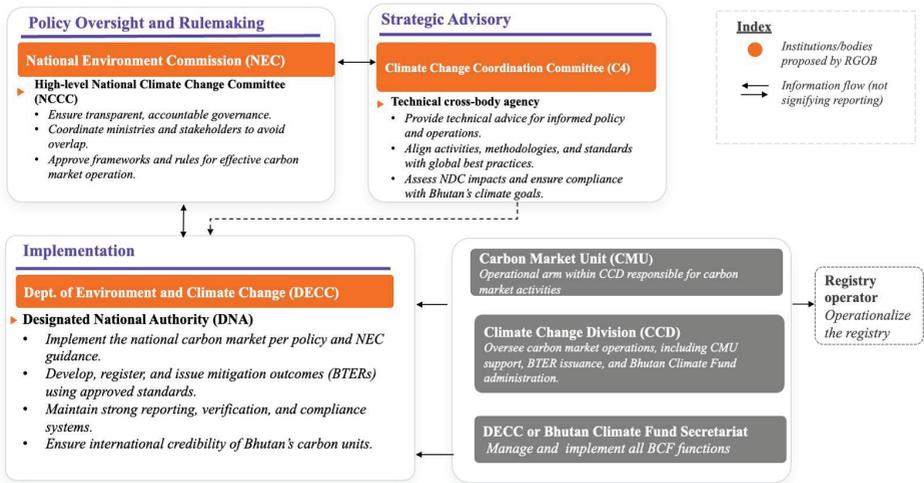


Figure 1: Institutional Arrangements

Entity	Role / Function	Key Responsibilities	Reporting Lines	Meeting Frequency / Notes
NEC / NCCC	Apex body for climate governance and high-level policy oversight	<ul style="list-style-type: none"> <li>Set strategic direction for Article 6 engagement</li> <li>Approve rules and regulations for carbon market participation</li> <li>Oversight of carbon asset development and authorization</li> <li>Approve fees for CA</li> <li>Ensure coordination among ministries and climate initiatives</li> <li>Approve reports to UNFCCC on authorized mitigation actions</li> <li>Approve positive lists of eligible sectors, technologies, and methodologies</li> </ul>	Reports to RGoB / Cabinet-level oversight	Meets at least annually; adhoc meetings for urgent decisions or reporting obligations
C4	Strategic technical advisory body	<ul style="list-style-type: none"> <li>Provide technical guidance on Article 6 participation</li> <li>Propose positive list of eligible activities for NEC/NCCC approval</li> <li>Review international methodologies, technical guidelines, and default factors</li> <li>Approve technical standards, guidelines, and accreditation rules for auditors/verifiers</li> </ul>	Advises NEC/ NCCC and DECC	Regular meetings (quarterly or biannually); technical sub-committees as needed

Entity	Role / Function	Key Responsibilities	Reporting Lines	Meeting Frequency / Notes
		<ul style="list-style-type: none"> <li>Define criteria for certification and issuance of BT-ERs</li> <li>Approve project authorization and ITMO participation</li> <li>Assess NDC impacts of potential projects/transfers</li> <li>Address grievances and technical disputes</li> </ul>		
<b>DECC</b>	Government authority overseeing climate and environmental programs; DNA	<ul style="list-style-type: none"> <li>Implement strategic guidance from NEC/NCCC</li> <li>Review project progress and methodology updates</li> <li>Supervise CCD and CMU operational activities</li> <li>Report progress of Article 6 participation and projects to NEC</li> </ul>	Reports to NEC/ NCCC	Regular coordination meetings with NEC/NCCC; convenes as needed for strategic guidance
<b>CCD</b>	Division within DECC handling climate-related programs and operational oversight	<ul style="list-style-type: none"> <li>Provide operational oversight for carbon market initiatives</li> <li>Support CMU in project management, registry operations, and issuance of BT-ERs</li> <li>Administer BCF</li> </ul>	Reports to DECC	Regular internal coordination meetings; supports CMU operations
<b>CMU</b>	Operational arm within CCD responsible for carbon market activities	<ul style="list-style-type: none"> <li>Execute day-to-day carbon market operations</li> <li>Manage the transfer of Article 6 units (ITMOs / BT-ERs)</li> <li>Establish carbon asset development process</li> <li>Publish positive list of eligible activities</li> <li>Certify and authorize emission reductions</li> <li>Propose national methodologies and accredit auditors</li> <li>Register eligible projects and maintain Bhutan National Carbon Registry</li> <li>Implement CAs and propose fees</li> <li>Execute transfer of units</li> </ul>	Reports to CCD / DECC	Regular operational meetings; ongoing project approvals, registry management, and reporting

Entity	Role / Function	Key Responsibilities	Reporting Lines	Meeting Frequency / Notes
<b>Registry Operator</b>	Administrative management of Bhutan National Carbon Registry	<ul style="list-style-type: none"> <li>Manage registry operations Liaise with account holders</li> <li>Ensure compliance checks</li> <li>Maintain registry accounts</li> </ul>	Reports to CMU / CCD	Operational as required; ongoing administrative functions

*Table 1: Institutional Arrangement and Governance Framework*

### 2.1.1 Policy Oversight and Rule Making – NEC / NCCC

The NEC, functioning as the NCCC, is Bhutan’s apex body for climate governance and policy oversight. It sets the strategic direction for the country’s participation in Article 6 of the Paris Agreement, ensuring alignment with national priorities, cross-sectoral policies, and NDC commitments.

<p><b>Purpose</b></p> <ul style="list-style-type: none"> <li>Provide high-level governance to maintain transparency and accountability.</li> <li>Ensure coordination across ministries and stakeholders to prevent duplication of efforts.</li> <li>Authorize the frameworks and rules necessary for the carbon market to function effectively.</li> </ul>	<p><b>Operational aspects</b></p> <ul style="list-style-type: none"> <li>Convene at least once annually to review policies, approve rules, and ensure alignment with RGoB priorities.</li> <li>Call ad-hoc meetings as needed for urgent decisions or international reporting obligations.</li> <li>Approve positive lists of eligible sectors, methodologies, fees for CAs, and reports to the UNFCCC.</li> </ul>
--	--

*Box 1: Purpose and Operational Aspects of NEC/NCCC*

### 2.1.2 Strategic Advisory – C4

The C4 is a multi-stakeholder technical advisory body providing NEC/NCCC and DECC with expert guidance on technical and methodological aspects of carbon markets and climate mitigation projects.

<p><b>Purpose</b></p> <ul style="list-style-type: none"> <li>Support informed policy and operational decisions through technical advice.</li> <li>Ensure the positive list of activities, methodologies, and verification standards align with international best practices.</li> <li>Evaluate NDC impacts of projects and transfers, ensuring compliance with Bhutan’s climate commitments.</li> </ul>	<p><b>Operational aspects</b></p> <ul style="list-style-type: none"> <li>Convene regularly (quarterly or biannually), with technical sub-committees as needed.</li> <li>Provide recommendations on methodology selection, positive lists, accreditation of auditors/verifiers, and project authorization.</li> <li>Serve as a forum for grievance redressal and technical dispute resolution.</li> </ul>
---	--

*Box 2: Purpose and Operational Aspects of C4*

### 2.1.3 Implementation – DECC / CCD / CMU

The DECC is Bhutan’s National Designated Authority (DNA) under Article 6, operationalizing strategic guidance from NEC/NCCC. DECC is supported by the CCD and its CMU to manage day-to-day carbon market activities, including registry management, credit authorization, and execution of Article 6-unit transfers (BT-ERs).

Purpose	Operational aspects
<ul style="list-style-type: none"><li>• Implement the national carbon market in accordance with framework and NEC guidance.</li><li>• Ensure development, registration, and issuance of MOs (BT-ERs) follow approved standards and methodologies.</li><li>• Maintain robust reporting, verification, and compliance systems to support international trust in Bhutan’s carbon units.</li></ul>	<ul style="list-style-type: none"><li>• DECC convenes regular meetings to review project progress, methodology updates, and registry operations.</li><li>• CCD manages implementation support, including administering the BCF.</li><li>• CMU handles operational tasks: carbon asset development, project authorization, registry updates, issuance of BT-ERs, CAs, and transfer of units.</li></ul>

*Box 3: Purpose and Operational Aspects of DECC / CCD / CMU*

### 2.1.4 Operational and Administrative Units – CCD / CMU / Registry Operator

The Operational and Administrative Units ensure effective delivery of day-to-day carbon market functions, maintain registry integrity, and support overall framework implementation. They translate strategic and technical guidance from NEC/NCCC and C4 into actionable processes and operational outcomes.

#### 2.1.4.1 CCD

- Division within DECC responsible for operational oversight of carbon market and climate initiatives.
- Acts as CMU and administers the BCF.

#### 2.1.4.2 CMU

- Operational arm within CCD, responsible for executing carbon market activities.
- Manages the full carbon credit lifecycle: project registration, issuance, verification, transfer (ITMOs/BT-ERs), and CAs.

#### 2.1.4.3 Registry Operator

- Administrative unit managing Bhutan’s National Carbon Registry.
- Handles account management, compliance verification, and day-to-day registry operations.

Purpose	Operational aspects
<ul style="list-style-type: none"> <li>• CCD and CMU ensure operational delivery in line with policy and NEC guidance.</li> <li>• Registry Operator ensures a secure, transparent, and auditable record of carbon units and transfers.</li> </ul>	<ul style="list-style-type: none"> <li>• CCD and CMU report to DECC, which in turn reports to NEC/NCCC.</li> <li>• Registry Operator reports to CMU/CCD.</li> <li>• Regular operational meetings are held for project approvals, issuance of units, registry updates, and fund management.</li> </ul>

Box 4: Purpose and Operational Aspects of the Registry Operator

## 2.2 Carbon market infrastructure and ecosystem

The RGoB will establish a digital National Carbon Registry and the BCF to operationalize Article 6 implementation in the country, aligned with the **Bhutan Carbon Markets Rules 2023** and the respective international rules, modalities, and procedures agreed under the Paris Agreement. Figure 2 maps the various elements comprising Bhutan’s carbon market infrastructure design.

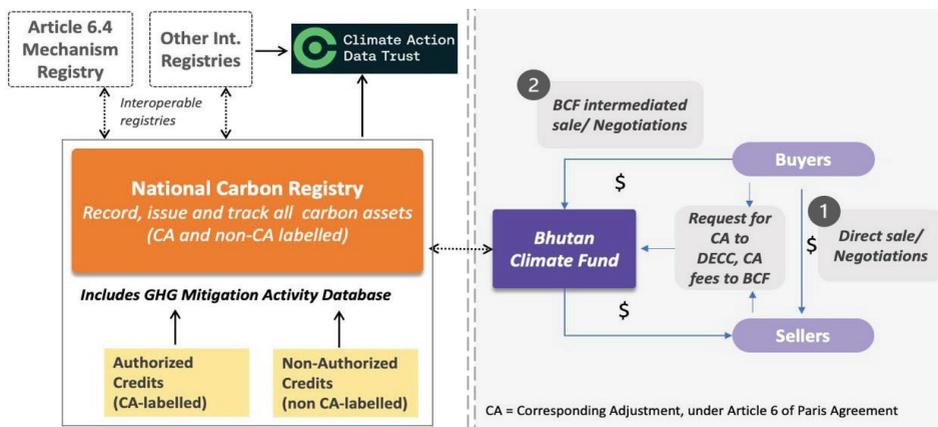


Figure 2: Carbon Market Infrastructure and Ecosystem

### 2.2.1 Bhutan National Carbon Registry (BNCR)

Under its Carbon Market Rules 2023 and in accordance with the respective international rules, modalities, and procedures agreed under the Paris Agreement, Bhutan has established a National Carbon Registry that meets the reporting and tracking requirements of the Paris Agreement. The registry will be interoperable with international registries connected to the Climate Action Data Trust.

The key functions of a registry include initial creation or issuance, transfer and tracking of ownership, cancellation, and retirement of ITMOs/MOs. Additionally, all required reporting information on cooperative approaches, CAs, and ITMOs are recorded and updated in the registry and communicated with participating countries for bilateral cooperation<sup>1</sup>.

<sup>1</sup> This reflects the process defined in the Bhutan – Singapore bilateral cooperation agreement.

Functions of the registry include:

- Unit identification: The registry will be capable of transparently identifying units, in all account types;
- Unit transfer and tracking: The registry will facilitate the transfer of unit ownership and/or holding; and transparently identify unit status, including issuance, cancellation, and issuance status;
- Unique serialization: It will have policies in place requiring the registry to assign to each unit a unique serial number; identify units' country and sector of origin, vintage, and original (and, if relevant, revised) project registration date;
- Registry account creation and screening: It will have provisions to support opening new accounts for users, establish the KYC process and procedure that includes ensuring the screening of requests for registry accounts; and restricting registry accounts to already registered businesses and individuals; and,
- Registry security review: It will have protocols to ensure the periodic audit and evaluation of registry compliance with security requirements.

Bhutan's National Carbon Registry will be designed to interoperate with both these UNFCCC registries — the Article 6.2 international Carbon Registry and the Article 6.4 mechanism registry — to enable seamless exchange of data and transparent tracking of authorized and non-authorized A6.4ERs. This linkage will facilitate Bhutan's participation in both cooperative approaches under Article 6.2 and activities under the Article 6.4 mechanism, ensuring integrity, consistency, and traceability of all carbon market transactions conducted by the RGoB.

### **2.2.2 Bhutan Climate Fund**

The BCF is a sovereign fund established by the RGoB to serve as the primary financial mechanism supporting the country's participation in carbon markets under Article 6 of the Paris Agreement.

1. The BCF functions as an aggregating and transaction platform, bundling smaller mitigation activities into larger carbon mitigation programs to enhance efficiency, reduce transaction costs, and improve market access.
2. Acting as an interface between project developers and buyers, the BCF facilitates the sale and transfer of authorized emission reductions or MOs to both domestic and international buyers, following authorization by the RGoB.
3. The BCF is also mandated to collect and manage fees related to CAs and other transaction-related charges, ensuring transparent financial flows and the reinvestment of carbon revenues into national mitigation and adaptation priorities aligned with Bhutan's NDCs.

At a broader level, finance mobilized through the BCF will be used to support Bhutan's sustainable development and enhance its climate ambition through investment in mitigation and adaptation projects aligned with national climate goals and NDC commitments.

To further support the RGoB in monetizing credits and reinvesting proceeds effectively, the BCF will:

- Reduce high transaction costs associated with small-scale carbon project development through aggregation;
- Pool capital from various donor and partner contributions;
- Secure a fair market price for correspondingly adjusted credits demonstrating environmental integrity; and
- Ringfence proceeds from carbon revenues to reinvest in activities that sustain Bhutan’s carbon neutrality and advance its climate and development objectives.

The BCF will operate under the strategic oversight of the DECC, in coordination with the NEC, ensuring coherence between financial operations, policy direction, and national carbon market governance.

### 3. Key processes for carbon asset development and transactions

The DECC has set out the carbon asset development process in accordance with the decisions laid under CMA, with three important phases as given in the table below.

Phase	Responsible Entity /Unit	KeyActivities/ Responsibilities	Operational Notes / Outputs	Fees / Administrative Actions <sup>2</sup>
<b>1. Project Development Phase</b>	<b>Project Developer</b>	<ul style="list-style-type: none"> <li>• Identify eligible mitigation activities</li> <li>• Prepare Mitigation Activity Note (MAN) and submit to DECC/CMU</li> <li>• Prepare MADD in line with opted crediting program</li> <li>• Select baseline and monitoring methodology</li> <li>• Conduct environmental and social safeguard assessment</li> <li>• Submit Authorization request</li> </ul>	MAN, MADD and Validation Report submitted to DECC	Project Development Fee applicable for VCM
	<b>DECC/ CMU</b>	<ul style="list-style-type: none"> <li>• Screening for eligibility</li> <li>• Ensure alignment with Bhutan’s NDCs and Article 6</li> <li>• Review baseline and methodology.</li> <li>• Review MAN, MADD and other relevant documents</li> <li>• Issuance of Letter of Acknowledgement/ LoI and LOA</li> </ul>	<ul style="list-style-type: none"> <li>• Letter of acknowledgement/LoI and LOA.</li> <li>• Project listed in National Carbon Registry</li> </ul>	Listing Fee payable upon registration (Registry Operator)

<b>2. Implementation Phase</b>	<b>Project Developer</b>	<ul style="list-style-type: none"> <li>Implement MA on- ground</li> <li>Monitor emissions reductions using approved methodology</li> <li>Submit ITMO issuance request</li> </ul>	Verification Report submitted to CMU/DECC	-
	<b>Accredited Verifier/ Auditor</b>	<ul style="list-style-type: none"> <li>Conduct independent validation verification emissions reductions</li> </ul>	Emission Reductions /MOs verified	
	<b>DECC/ CMU</b>	<ul style="list-style-type: none"> <li>Review verification reports</li> <li>Certify emission reductions</li> <li>Authorize units for issuance and transfer</li> </ul>	<ul style="list-style-type: none"> <li>Issuance of letter of Positive Examination</li> <li>Issued and authorized MOs</li> <li>Issuance of ITMOs/BT-ERs upon RGoB approval</li> </ul>	<b>Authorization Fee</b> for review and approval
<b>3. Authorization; First Transfer and ITMO Transaction Phase</b>	<b>DECC CMU</b>	<ul style="list-style-type: none"> <li>Execute transfer of authorized ITMOs/BT-ERs</li> <li>Apply CAs (CA)</li> </ul>	<ul style="list-style-type: none"> <li>ITMOs/BT-ERs transferred and recorded</li> <li>CA reflected in Bhutan's NDC accounts</li> </ul>	<b>CA Fee</b> levied per transaction
	<b>Registry Operator</b>	<ul style="list-style-type: none"> <li>Record transfers in Bhutan National Carbon Registry</li> <li>Maintain accounts registry</li> <li>Facilitate interoperability with UNFCCC A6.2 and A6.4 registries</li> </ul>	Transparent and auditable registry operations	-
	<b>BCF</b>	<ul style="list-style-type: none"> <li>Collect fees for CA and other</li> <li>transaction charges</li> <li>Aggregate small mitigation activities</li> <li>Serve as interface between project developers and buyers</li> </ul>	Revenue managed and reinvested for national mitigation and adaptation priorities	-

*Table 2: Key Processes for Carbon Asset Development and Transactions*

<sup>2</sup> Fees and charges will be amended from time to time

### 3.1 Project development phase

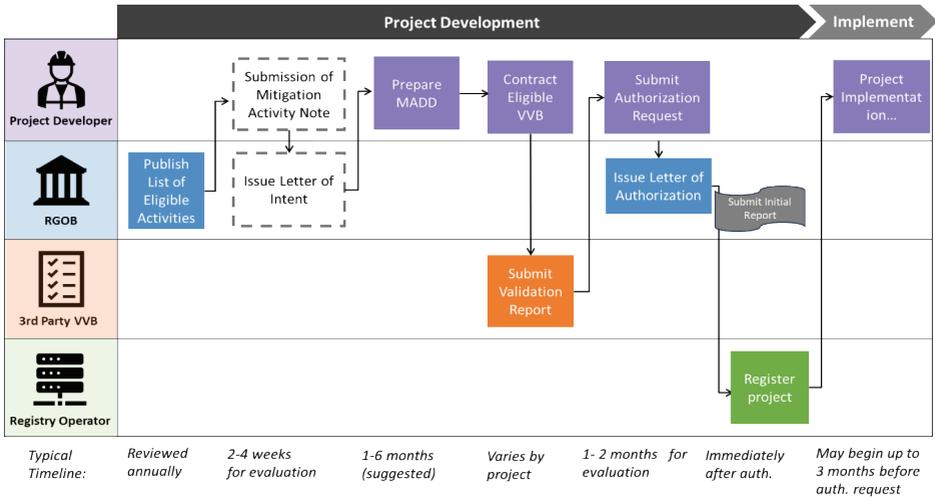


Figure 3: Project Development Phase

#### 3.1.1 Project Submission in BNCR

Any mitigation project intending to participate in carbon markets—be it under compliance or voluntary purposes—must be listed in the BNCR.

##### Submission Process

- Project Developers submit the required project information and documentation through the BNCR interface.
- The BNCR verifies the completeness and eligibility of the submitted details.
- Upon successful listing, the project activity is formally recognized as a Mitigation Activity, making it eligible to participate in Bhutan’s carbon market under the applicable rules and frameworks.

This listing serves as the first step in the carbon asset development process, enabling subsequent stages such as authorization, issuance of MOs, and transfer of ITMOs.

#### 3.1.2 Participation of CDM Project activities in Article 6

The Royal Government of Bhutan (RGoB) currently has three Clean Development Mechanism (CDM) projects that are eligible for transition to the Article 6.4 mechanism. These projects have obtained the necessary transition approval from the Department of Environment and Climate Change (DECC). Once transitioned, these projects will be recognized as mitigation activities and may be eligible for authorization to participate in cooperative approaches under Article 6.2 of the Paris Agreement.

### 3.1.3 Positive List of Activities

The RGoB has published a positive list of mitigation activities eligible for generating ITMOs. This list is designed to support the achievement of Bhutan’s NDC targets while providing clarity and guidance to project developers. It classifies mitigation activities occurring within Bhutan’s boundaries and specifies the intended uses of the associated MOs at the stage of authorization.

The positive list reflects the RGoB’s strategy in line with its conditional NDC targets, considering the cost of mitigation activities and the opportunity cost of transferring MOs as ITMOs. The list is dynamic and may be updated periodically to align with evolving national priorities and Bhutan’s long-term low- emission development strategy.

Activities included in the positive list are automatically eligible for authorization. Once authorized, the MOs from these activities can be converted into ITMOs, and CAs will be applied by the RGoB.

Activities not included in the positive list are ineligible for authorization. These typically correspond to measures already contributing to Bhutan’s NDC targets. Emission reductions from such activities will not be subject to CAs.

### 3.1.4 Optional Pre-Authorization

Project developers can pursue an optional step of pre-authorization from the RGoB. Pre-authorization through the issuance of a LoI acknowledges the receipt of proposal and that preliminary requisites are fulfilled. However, it does not guarantee authorization of mitigation projects and conversion of underlying MOs to ITMOs.<sup>3</sup>

The key activities are:

- Project developer will submit a Mitigation Activity Note based on a template formulated by the RGoB (Refer to Template (I): Mitigation Activity Note (MAN) for format).
- The DECC, with support from CCD will evaluate the note. The DECC can consider the provision of pre-authorization considering the demand for ITMOs and alignment with Bhutan’s LTS and NDC strategy. The note may be jointly evaluated by the RGoB and a purchasing party for authorization of ITMOs as per the requisites defined in the bilateral implementation agreement.<sup>4</sup>
- The DECC will issue a LoI post successful evaluation of the note in case the project developer seeks pre-authorization.

---

<sup>3</sup> The optional step of pre-authorization reflects a process similar to the one developed in the Bhutan – Singapore bilateral cooperation agreement.

<sup>4</sup> This joint evaluation reflects a process similar to the one developed in the Bhutan – Singapore draft bilateral cooperation agreement.

### 3.1.5 Mitigation Activity Design Document (MADD) Preparation

The project developer is responsible for preparing the MADD, which outlines key project details, and specifies the application of methodologies and the relevant CCP as approved by the RGoB. For projects under bilateral cooperation, the project developer must adhere to a pre-approved list of CCP and methodologies established by the host country, participating country, or joint committee.

The DECC will periodically publish a list of relevant CCPs applicable under Article 6, reflecting updates to existing methodologies or newly developed methodologies under global carbon crediting standards.

**Key Components of the MADD** (based on the selected CCP template):

- **Overview of Mitigation Activity:** General project information, including a summary of the mitigation activity, its sector and geographic coverage, and other relevant details.
- **Methodological Approach for MOs:** Description of baseline emissions in the absence of the mitigation activity, following DECC-prescribed methodologies with conservative assumptions.
- **Avoiding Double Claiming of MOs:** Identification of potential overlaps with other climate finance sources and details of financial and government support expected.
- **Promoting Sustainable Development:** Demonstration of contributions to sustainable development and compliance with environmental and social norms prescribed by DECC.
- **Determination, Monitoring, and Reporting of MOs:** Detailed procedures for quantifying MOs relative to the crediting baseline, including monitoring, reporting, and data acquisition.
- **Institutional Arrangements:** Governance structure of the mitigation activity, including roles, responsibilities, operational procedures, and management hierarchy.
- **Financing Model:** Sources of funding, financial sustainability, identification of risks and mitigation measures, and the role of carbon finance.
- **Implementation Schedule:** Roadmap detailing timelines and key milestones for the activity.

Project developers must clearly define the benefit-sharing mechanism among stakeholders to safeguard carbon rights (refer to Benefit-Sharing Arrangements and Approaches). For projects seeking CAs, additional requirements may apply at the discretion of DECC.

### 3.1.6 Validation

All mitigation activities must undergo validation by an eligible third-party auditor to ensure that the project’s methodologies, assumptions, and documentation comply with RGoB requirements, the selected CCP, and robust environmental standards. Validation is linked to the CCP selected for the mitigation activity, ensuring that the project meets the standards, procedures, and requirements specific to that program. The validation process includes:

- Third-party review: Desk review and on-site assessment (if applicable) of the MADD, project assumptions, and operational plan.
- Validation report submission: The auditor submits the validation report to the RGoB. Reports must comply with RGoB and CMA specifications.

Final approval of the validation report requires endorsement by both the RGoB (host country) and, in the case of bilateral cooperation, the purchasing party, completing the validation process and enabling the project to proceed toward registration and issuance of MOs.

#### **Process for existing projects to apply under Article 6.2**

Existing mitigation projects that have already commenced implementation may apply to participate under Article 6.2 of the Paris Agreement. To be eligible, such projects must:

- Comply with the requirements of the CCP selected for the project.
- Have a valid crediting period starting from 1 January 2021 to qualify for participation under Bhutan’s Article 6 framework.

#### **Application Procedure:**

1. Submission of Request for Authorization: The Project Developers must submit
  - The MADD detailing project design, methodologies, and operational information.
  - A validation report from an accredited third-party verifier confirming adherence to the selected CCP and RGoB requirements.
  - Any available monitoring data or verification reports to date, demonstrating the MOs achieved.
2. Project Authorization: The RGoB will review the submitted documentation following the authorization process and criteria established under Bhutan’s Article 6 framework.
3. ITMO Issuance: Upon authorization, the Project Developers may submit an ITMO issuance request. Once approved, the corresponding MO units will be issued to the project developer’s account in Bhutan’s National Carbon Registry, enabling the transfer or use of the units in compliance with Article 6 requirements.

### 3.2 Implementation phase

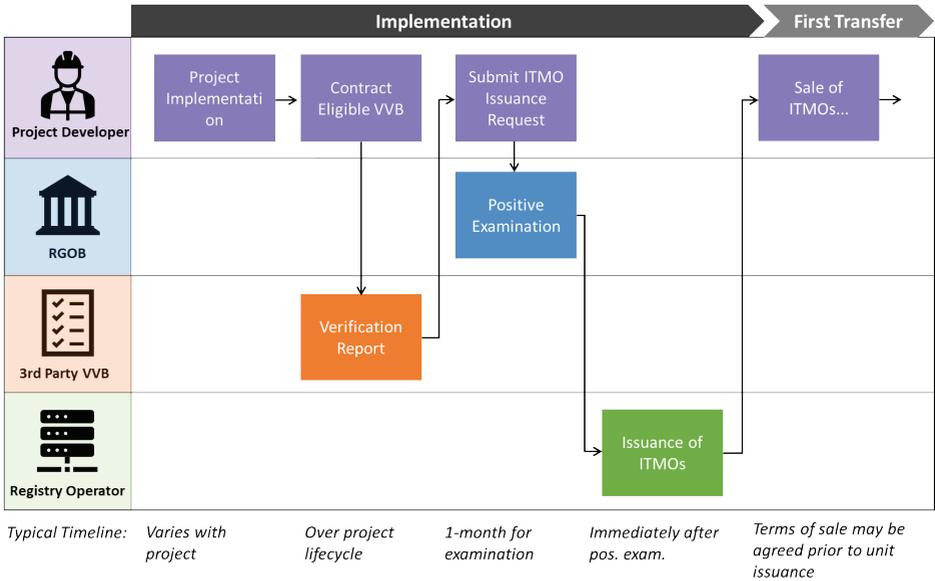


Figure 4: Implementation Phase

#### 3.2.1 Project Implementation

The duration of project implementation may vary depending on the scale and complexity of the mitigation activity. Project developers are required to execute the MA in accordance with the implementation plan and monitoring plan outlined in the MADD.

Project Developers, under the guidance of the DECC, must maintain continuous engagement with local stakeholders, beneficiaries, and partners to ensure that the project contributes to Bhutan’s sustainable development objectives while protecting the rights and interests of affected communities.

#### 3.2.2 Verification

During the project’s operational phase, and at regular intervals, project developers engage an accredited third-party entity to verify the emission reductions achieved within each monitoring period.

In the case of large-scale projects, as defined under the CCP, the verifier or auditor must be different from the entity that conducted the initial validation.

The verifier/auditor will:

- Assess the mitigation activity’s emissions reductions against the approved methodologies and standards set by DECC.

- Ensure compliance with applicable CCP requirements.
- Submit a verification report to DECC through the project developer.
- Verification ensures the environmental integrity of MOs and forms the basis for subsequent issuance of ITMOs.

### 3.2.3 Issuance and Positive Examination

Following successful verification, the Project Developer may submit an ITMO issuance application using the RGoB-prescribed template (Refer to Template III for the ITMO Issuance Application format).

The RGoB, along with any participating purchasing party, will conduct a positive examination of the MOs to confirm compliance with:

- The LOA,
- Any relevant bilateral agreement, and
- Domestic Article 6 frameworks/regulations.

Upon a positive assessment, DECC will issue a Positive Letter of Examination, authorizing the issuance of ITMOs in the Project developer’s account on Bhutan’s National Carbon Registry. Each ITMO will be assigned a unique serial number specifying:

- Country and sector of origin,
- Vintage, and
- Other relevant registry information.

The Project Developer is responsible for paying applicable fees to cover administrative costs, including issuance on the National Carbon Registry and any mandated share of proceeds or cancellations (refer to Section 5).

## 3.3 Authorization

Authorization is the process by which mitigation outcomes (MOs) generated from a MA are approved for conversion into Internationally Transferred Mitigation Outcomes (ITMOs), following the application of corresponding adjustments (CAs) by the RGoB. This ensures environmental integrity and prevents double-counting.

Authorization can occur before or after MOs are generated but must precede their first international transfer. Bhutan may also grant pre-authorization to provide early assurance to project developers and investors that their activities are eligible for ITMO conversion under bilateral or multilateral cooperative approaches.

To provide predictability, Bhutan maintains a positive list of eligible project types—such as renewable energy, community forestry, and waste management—ensuring consistency with its NDC and sustainable development priorities.

### 3.3.1 Types of Authorization

- A. Cooperative Approaches (Type A):** Approval of bilateral or multilateral arrangements under Article 6.2 that define the transfer and use of ITMOs, ensuring alignment with Bhutan’s national policies and the Paris Agreement.
- B. Entities (Type B):** Approval of project developers, to participate in MAs that generate ITMOs, guaranteeing compliance with Bhutan’s regulatory standards.
- C. ITMOs (Type C):** Final approval for the issuance and transfer of emission reductions or removals as ITMOs to another Party, accompanied by the application of CAs.

### 3.3.2 Authorization Process for Bhutan

Bhutan’s strong institutional coordination between Project developer, DECC, ensures that only credible, sustainable projects—such as those mentioned in the positive list generate internationally transferable credits.

Phase	Key Action	Responsible Entity	Bhutan-Specific Relevance	Authorization Document
Pre-Authorization	Prepare Mitigation Activity Note & MADD	CMU of DECC	Ensures alignment with Bhutan’s NDC & sustainable development goals	LOI
Authorization of the Mitigation Activity	Validation & Government Approval (LoA)	CMU of DECC	Guarantees transparency & Article 6 compliance	LOA
Authorization of the MOs	Verification, ITMO issuance & transfer	CMU of DECC	Enables Bhutan to generate and trade ITMOs responsibly	Letter of Positive Examination

Table 3: Authorization Process

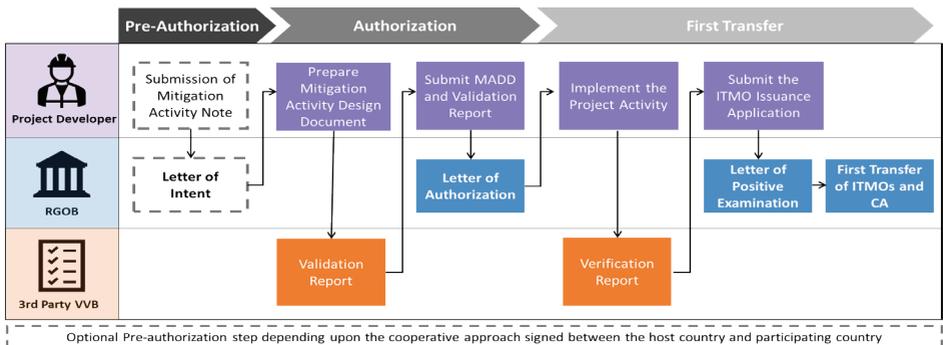


Figure 5: Authorization Process for the RGOB under the Article 6.2

### **3.3.2.1 Pre-Authorization Phase (LOI)**

At this stage, project developers conceptualize mitigation activities consistent with the positive list approved by RGoB. The DECC conducts initial screening to ensure that proposed activities align with national priorities and or the cooperative approaches Bhutan has entered.

- The Project Developer for the project activity prepares a MADD, detailing, expected emission reductions, and monitoring plan.
- The third-party Validator/Verifier Body (VVB) is engaged to validate the project activity in line with approved methodologies as per the requisite carbon credit program.
- If the project activity “meets the requisite conditions”, RGoB, issues the ‘LOI’ and this letter is subject to pre-approved terms and conditions.

This early engagement ensures that the project aligns with the national priorities, and the cooperative arrangements Bhutan has authorized under Article 6.2.

### **3.3.2.2 Authorization Phase – “Authorization of the Mitigation Activity”**

The Authorization Phase represents the formal stage where a MA is reviewed and approved by the DECC under the RGoB, to generate MOs that may subsequently be converted into ITMOs. This phase corresponds primarily to Authorization of the MA under Bhutan’s Article 6 framework.

This stage ensures that mitigation activities align with Bhutan’s NDC, sustainable development priorities, and any bilateral or multilateral cooperative approaches that Bhutan has entered under Article 6.2. The process consists of structured steps leading to the issuance of a LoA, which formally recognizes the activity for implementation and future ITMO transactions.

### **3.3.2.3 Step 1: Preparation of the MADD**

The Project Developer initiates the process by preparing a comprehensive MADD. This serves as the primary technical document that describes the activity in sufficient detail to allow the DECC to assess its eligibility, sustainability, and compliance.

The MADD typically includes:

- A clear project description, scope, and boundaries;
- The baseline and monitoring methodology applied in line with approved CCP;
- The estimated emission reductions and a monitoring plan defining data collection and reporting procedures; and
- The sustainable development contributions, including social, environmental, and economic co- benefits, and confirmation of safeguards compliance.

The MADD thus forms the foundation for MA level authorization and subsequent government review.

### **3.3.2.4 Step 2: Submission of MADD and Request for Project-Level Authorization**

As illustrated in the figure, the Project Developer submits the MADD along with the positive validation report to the DECC, along with all supporting documentation, requesting project-level authorization. The submission demonstrates how the proposed MA aligns with Bhutan's national priorities and, where applicable, with the cooperative approaches established under bilateral agreements.

Upon receipt of the submission, the DECC undertakes a structured evaluation process which may include:

- Assessing the project's conformity with Bhutan's Carbon Market Framework and sustainable development criteria;
- Verifying that the project aligns with Bhutan's NDC targets and does not result in double counting of emission reductions; and
- Conducting a joint review, in case where the MA is part of a cooperative approach, or bilateral implementation agreement.

This evaluation ensures that the MA meets the technical, environmental, and policy requirements before any authorization is granted.

### **3.3.2.5 Step 3: Issuance of the LoA**

Following a successful evaluation, the DECC issues a LoA to the Project Developer for the specific mitigation activity. The LoA serves as the formal government approval required for participation in cooperative approaches under Article 6.2 and confirms the following:

- The MA is authorized to generate MOs;
- The project entity or entities are authorized participants for the purpose of Article 6 implementation; and
- If the MA is implemented under or linked to a cooperative approach, the DECC's evaluation may include a joint review by the RGoB and the purchasing Party, in line with the applicable bilateral implementation agreement.

### **3.3.2.6 Authorization of MOs and First transfer**

This stage corresponds to the Authorization of MOs (Type C) under Bhutan's Article 6.2 framework. It concerns the authorization of emission reductions or MOs generated from a MA that has already been authorized by the DECC.

The stage culminates in the issuance and first transfer of ITMOs for an agreed purpose under a bilateral or multilateral cooperative approach or OIMP. This phase ensures that only verified and government-endorsed MOs are converted into ITMOs, maintaining environmental integrity, transparency, and compliance with Bhutan's national and international commitments.

### **3.3.2.7 Step 4: Submission of Monitoring and Authorization Request**

Following the implementation of the authorized mitigation activity, the Project Developer compiles a Monitoring Report summarizing the achieved emission reductions over a defined period. This report, supported by all required documentation as per the approved crediting program, is submitted to the DECC along with a formal request for authorization of the generated MOs.

The submission must demonstrate that:

- The MOs were generated in accordance with the approved MADD and baseline methodology;
- Monitoring was conducted as per the parameters defined in the authorization phase; and
- The outcomes are consistent with the cooperative approach and bilateral implementation agreement (if applicable).

This submission marks the beginning of the process to convert verified MOs into ITMOs eligible for transfer.

### **3.3.2.8 Step 5: Evaluation of the MOs**

Upon receipt of the request, the DECC undertakes a thorough review and evaluation of the Monitoring Report and related documentation. The evaluation ensures that the MOs are real, measurable, and additional, and that their issuance aligns with Bhutan's Article 6.2 framework and NDC commitments. Where the MA is implemented under a cooperative approach, the DECC may conduct a joint review with the purchasing Party as specified in the relevant bilateral implementation agreement. This joint evaluation helps ensure consistency between national procedures and the international reporting obligations of both Parties.

### **3.3.2.9 Step 6: Issuance of the LOA for MOs**

Upon successful evaluation, the DECC issues a LoA for the MOs generated by the activity. This LoA formally authorizes the conversion of verified emission reductions into ITMOs and confirms the following:

- The MOs generated from the authorized MA are recognized by the RGoB as eligible for issuance as ITMOs;
- The transfer of ITMOs shall be undertaken in accordance with the applicable bilateral or multilateral cooperative agreement; and
- The RGoB and the Purchasing Party will apply the required CAs upon the fulfillment of positive examination and reporting requirements.

The issuance of this LoA signifies the formal approval of the ITMO issuance and enables the project developer and the RGoB to proceed with the first transfer of ITMOs to the purchasing Party, as recorded in BNCR

### 3.3.2.10 Step 7: First Transfer of ITMOs and Application of CA

Following the issuance of the LoA, the authorized ITMOs are recorded and transferred in accordance with BNCR procedures. The first transfer of ITMOs represents the official transaction through which ownership of the authorized emission reductions is transferred to the Purchasing Party.

Simultaneously, the CA is applied by the RGoB to Bhutan’s national greenhouse gas inventory and NDC accounting balance, ensuring full compliance with Article 6.2 transparency and accounting rules.

This step completes the cycle of an authorized MA— from design and implementation to issuance, transfer, and accounting — ensuring that each unit is traceable, credible, and aligned with Bhutan’s national and international commitments.

### 3.3.3 Authorization Interlinkages with CCPs and Emission Reductions

Emission reductions or MOs generated through any recognized CCP may or may not seek authorization as ITMOs under Article 6.2. The Figure 6 below illustrates the use cases for emission reductions, depending on whether they are authorized for transfer or retained as an MCU.



Figure 6: The figure below illustrates the use cases for emission reductions, depending on whether they are authorized for transfer or retained as an MCU.

#### 3.3.3.1 Projects Not Seeking Authorization – MCUs

Emission reductions or MOs that do not seek authorization under Article 6.2 will be treated as MCUs. These units represent Bhutan’s contribution to global mitigation efforts without triggering CAs.

Buyers of MCUs may apply these units towards results-based climate finance, corporate or domestic compliance, or voluntary contributions toward Bhutan’s NDC implementation. However, such buyers cannot make offset claims; instead, they may make mitigation contribution claims, acknowledging their financial support in advancing Bhutan’s national mitigation actions and sustainable development objectives.

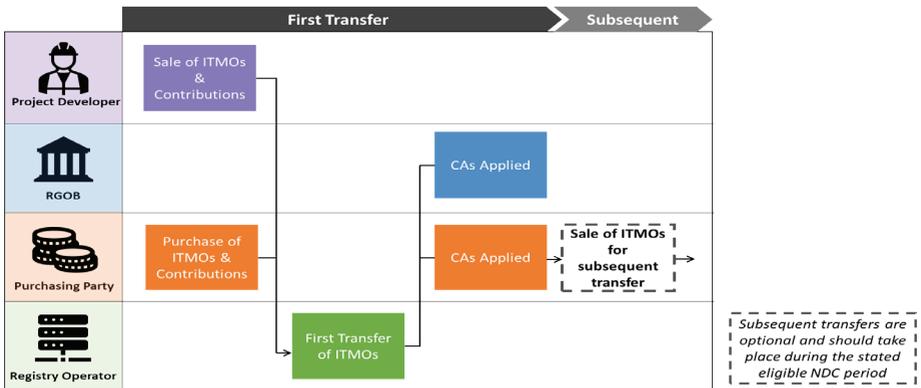
The applicability, terminology, and claims associated with MCUs will remain consistent with UNFCCC guidance and relevant CMA decisions and may be updated by the RGoB to reflect evolving international best practices and domestic policy priorities.

This formulation ensures that Bhutan retains flexibility across multiple carbon crediting mechanisms, while maintaining a clear distinction between authorized (ITMO) and non-authorized (MCU) outcomes — fully consistent with Article 6 guidance and national framework discretion.

Feature	Authorized ITMOs	MCUs
Authorization	Yes – via Article 6.2 process with RGoB and purchasing party approval	No – not authorized for international transfer
Conversion	Emission reductions are converted into ITMOs	Remain as national mitigation contributions (MCUs)
Use by Buyers	Can be used for international compliance, NDC achievement by another Party, or other Article 6.2 approved use cases	Can be used for results-based climate finance, voluntary contributions, or domestic/commercial reporting; cannot be used for offset claims
Accounting/ CA	Requires CAs in Bhutan’s national accounts	No CAs required
Purpose / Claim	Supports international transfers and compliance	Demonstrates financial support for Bhutan’s national mitigation and SDGs
Flexibility	Supports participation in international carbon markets	Supports voluntary or domestic mitigation contributions while retaining national discretion

Table 4: Difference between Authorised ITMOs and Non-authorized MCUs

### 3.4 First transfer phase



Typical Timeline: Following positive examination, each step depicted will take place immediately after one another

Figure 7: First Transfer

The first transfer phase primarily implements the Authorization of ITMOs (C). Once a project is authorized, the Project Developer proceeds with the implementation of the MA according to the approved project design. Upon achieving measurable emission reductions, the following steps are undertaken:

1. **Submission of ITMO Issuance Application:** The project developers submit the ITMO Issuance Application along with the Verification Report from an accredited third-party VVB.
2. **Review by RGoB:** The DECC, on behalf of the RGoB, reviews the verification results and issues a Letter of Positive Examination, confirming the project's eligibility for ITMO issuance and transfer.
3. **First Transfer and CA:** Upon completion of verification and issuance:
  - a. The first transfer of ITMOs occurs.
  - b. CA is applied in Bhutan's national GHG inventory to ensure no double counting.

The CA ensures that the transferred ITMOs are subtracted from Bhutan's emissions balance, while the purchasing party adds the equivalent units to its own inventory. This guarantees that emission reductions are counted only once for NDC achievement.

#### **3.4.1 Key Activities in the First Transfer Phase**

- **Transfer Request Submission:** Project developers submit the transfer request to RGoB, including terms and conditions for authorized units as defined in the LoA and any bilateral agreements. Provisions may also include cancellations or contributions required by Bhutan.
- **Intermediation of Sale:** Project developers can either sell ITMOs directly to the purchasing party or intermediate the sale via the BCF (refer to Annex B: BCF Governance Framework).
- **Registry Transfer:** The registry operator transfers the correspondingly adjusted ITMOs to the purchasing party's account after RGoB acknowledges receipt of payments by the purchasing party or project developer.
- **Payment of CA Fee:** Project developers pay a CA fee to RGoB to compensate for the opportunity cost of meeting Bhutan's NDC and any other contributions as stipulated in the bilateral agreement or LoA.
- **Application of CAs:** RGoB applies the CA to its emissions balance within the relevant NDC period upon the first transfer of ITMOs. Subsequent transfers follow the same procedure and must occur within the NDC period for which the units are deemed eligible.

### **3.5 LoA**

The DECC shall provide authorization for MOs under Article 6 of the Paris Agreement through one of the following templates with relevance to section 3.3.1 above, as per the request from the project developers:

- Template 1<sup>5</sup>: Authorization may be granted using the UNFCCC-issued template “Voluntary Standardized Template for Authorization of Use of the ITMOs from a Cooperative Approach”.
- Template 2: Authorization may be granted through a LoA developed under the cooperative approach established between the RGoB and any other Party to the Paris Agreement, in accordance with the authorization template specified under the respective cooperative arrangement.

#### 4. Pre-Approved List of CCPs

The DECC maintains a pre-approved list of CCP that are eligible in Bhutan under Article 6 of the Paris Agreement, specifically towards authorization purposes. These programmes have been assessed for compliance with environmental integrity and sustainable development requirements, as well as the bilateral cooperation agreement. CCPs will be continuously updated based on requests from project developers or cooperating parties to ensure coherence in the development of mitigation activities in the country. Box 5 below; present the current indicative list of CCPs and as mentioned above the list will be amended regularly or on a need basis.

##### List of pre-approved CCPs

- Paris Agreement Crediting Mechanism or Article 6.4 Mechanism
- Gold Standard for the Global Goals (GS4GG)
- Verified Carbon Standard (VCS)
- American Carbon Registry (ACR)
- Global Carbon Council (GCC)
- Architecture for REDD+ Transactions (ART)

*Box 5: List of Pre-Approved CCPs*

Methodologies will be directly aligned with these CCPs and correspond to the active positive list of eligible activities in Bhutan at any given time.

#### 5. Schedule of fees/charges levied for participation under Article 6

##### 5.1 Overview and Rationale

To sustain the implementation of Article 6 mechanisms, including operational infrastructure, oversight, and administrative processes, the RGoB will introduce a fee structure for activities transacted under cooperative approaches.

These fees are intended to:

- Cover the administrative and management costs incurred by the DECC in processing and monitoring mitigation activities

<sup>5</sup> <https://unfccc.int/sites/default/files/resource/Authorization%20template.docx>

- Reflect the opportunity cost to Bhutan for transferring MOs to purchasing parties; and
- Generate revenues to support Bhutan’s broader climate action, NDC implementation, and adaptation priorities

Bhutan’s Carbon Market Rules 2023 outline the guiding principle that:

- “MOs with CAs will entail a two-part payment: the market price (USD m) paid to the seller and an additional share (USD +) paid to the RGoB.” The DECC will specify applicable fees and charges at the time of issuing the LoA for mitigation activities.

## 5.2 Types of Fees

### 5.2.1 Administrative and Management Fees

These fees cover the procedural and institutional costs associated with project registration, authorization, and registry maintenance. The RGoB may revise or expand applicable fees as Article 6 implementation matures.

Fee Type	Purpose	Applicability/ Responsible Entity
Project Development Fee (Flat Fee)	Covers project submission, evaluation, and listing in the BNCR.	Paid by project developers
Account Creation Fee	For registration and creation of a project developer account in the BNCR.	One-time, paid upon account creation.
Registration Fee	For submission of each MA for approval and listing.	Paid for each additional activity.
Entity Identification Fee	For issuance of a formal letter of identification to service providers, auditors, or brokers.	One-time, per entity.
Listing Fee (Per Unit)	For maintaining registry services for issuance and transfer of ITMOs.	Paid per unit of ITMO listed.
Authorization Fees	Covers costs of evaluating and approving authorization requests.	Paid at respective authorization stages.

Table 5: Types of Fees

#### Subcategories of Authorization Fees

- LoA Fee: Covers review and issuance of formal authorization to participate under Article 6.
- Lol Fee (Optional): For pre-authorization requests indicating project readiness.
- Letter of Acknowledgement Fee (Optional): For voluntary market projects seeking official recognition from RGoB.

### 5.2.2 Corresponding Adjustment (CA) Fees

The CA fee reflects the opportunity cost of transferring MOs to external buyers instead of using them toward Bhutan’s own NDC. As per the Carbon Market Rules 2023, this fee:

- Will be determined by the DECC at the time of granting the LoA;
- Must be paid directly to the RGoB or BCF; and
- Will be payable by the project developer, or as agreed with the purchasing party in bilateral arrangements.

CA fees will be applied per unit of ITMO and may vary based on the type, sector, or cost of mitigation activity. To maintain fairness and transparency, Bhutan may revise the fee per NDC implementation period, acknowledging the increasing cost of mitigation actions.

#### Illustrative Band-Based CA Fee Structure:

Volume of ITMOs Transferred	Illustrative CA Fee (USD/tCO <sub>2</sub> e)
Up to 5 million tons	\$5
5-6 million tons	\$10
6-7 million tons	\$15
7-8 million tons	\$20
8-9 million tons and above	\$25

*(Illustrative; to be determined by RGoB based on mitigation cost analysis.)*

### 5.2.3 Share of Proceeds for OMGE and Adaptation

To align with Article 6 guidance, Bhutan encourages the application of a Share of Proceeds (SOP) from ITMO transactions as follows:

- 2% of issued ITMOs to be cancelled for OMGE; and
- 5% of issued ITMOs to be contributed to Bhutan’s national adaptation fund managed through the BCF or equivalent mechanism.

These shares may be stipulated in bilateral agreements with purchasing countries or incorporated into domestic transaction rules.

## 6. Legality of Carbon Credits and Benefit Sharing Approaches for Projects

### 6.1 Legal Nature of Carbon Credits

**Legal Nature:** Carbon credits shall be recognized as a form of property right, the nature, scope, and treatment of which shall be governed by the applicable laws and regulations of the Kingdom of Bhutan.

**Attribution of Ownership:** Ownership of MOs shall vest in the entity that owns or operates the asset, facility, or activity that generates the corresponding emission reductions or removals.

Clear determination of carbon rights shall be a prerequisite for establishing ownership, benefit entitlements, and the transferability of carbon credits among the stakeholders involved in a mitigation activity.

**Stakeholder Roles:** The principal stakeholders in a carbon project shall include, inter alia, the project developer, project implementers, credit buyers, carbon standard entities, and local beneficiaries. While these roles may, in certain cases, overlap, each role shall be distinctly identified to ensure transparent attribution of carbon rights and equitable allocation of associated benefits.

**Sovereign Nature of Authorized ITMOs:** Where CAs are applied to MOs, the resulting ITMOs shall assume the legal character of sovereign assets under the authority and ownership of the RGoB.

## 6.2 Benefit-Sharing Arrangements and Approaches

The RGoB may require project developers seeking authorization under Article 6 to establish a clear and transparent benefit-sharing mechanism among project stakeholders. Such mechanisms shall ensure:

- Transparency and accountability in benefit allocation; and
- Equitable distribution of carbon-related benefits.

Developers shall comply with all applicable rules and conditions prescribed by the RGoB and the DECC.

Project developers are encouraged to refer to international best-practice frameworks when designing inclusive and transparent benefit-sharing models that promote the active participation of local communities. Projects applying for CAs may be subject to additional requirements at the discretion of the RGoB or DECC.

Benefit-Sharing Mechanism means “the arrangement that specifies project partners, the nature of monetary and non-monetary benefits, the proportions of benefits to be shared, and the mechanisms for their distribution.”

These arrangements shall form part of the MA documentation and constitute the foundation for the project’s Benefit-Sharing Plan. Well-defined benefit-sharing mechanisms enhance the integrity, transparency, and social acceptability of carbon projects.

They should clearly:

- Identify stakeholder roles and responsibilities;
- Specify the type and proportion of benefits to be distributed (monetary or non-monetary); and
- Ensure fair and proportionate allocation among all entitled beneficiaries. Examples of Benefits:

- Monetary Benefits – direct payments, revenue-sharing arrangements, or performance-based transfers.
- Non-Monetary Benefits – capacity building, community infrastructure, education, training, or livelihood enhancement support.

### 6.3 Recommended Best Practices for Benefit Sharing

Project developers shall adhere to the following principles and requirements when establishing benefit-sharing mechanisms:

- Formal Documentation:** Benefit-sharing arrangements shall be legally documented through agreements, memoranda of understanding, or other formal instruments recognized under national law.
- Equitable Distribution:** Benefits shall be distributed fairly and proportionally among all relevant stakeholders, reflecting their roles and contributions.
- Alignment with Standards:** Benefit-sharing practices should align with the guiding principles of relevant CCPs and laws under RGoB.
- Financial Accountability:** Transparent financial management practices shall be incorporated into project operations, including:
  - Public disclosure of financial information;
  - Annual benefit-sharing reports; and
  - Third-party audits or verifications.
- Grievance Redressal:** Accessible and transparent mechanisms shall be established for addressing stakeholder concerns, disputes, and complaints.
- Clarity and Inclusion:** Contractual terms and benefit-sharing provisions shall be clearly communicated and easily understood by all stakeholders. Particular attention shall be given to the inclusion and participation of vulnerable groups, recognizing local communities as partners rather than beneficiaries.

#### 6.3.1 Community-Based Project Requirements

For community-based projects (e.g., clean cooking, forestry, or plantation activities, etc), project developers shall obtain Free, Prior and Informed Consent (FPIC) or a No Objection Certificate (NOC) from local communities prior to project implementation. This process ensures that:

- Communities have the right to give or withhold consent;
- Decisions are made based on complete, accurate, and culturally appropriate information; and
- Local interests and traditional practices are respected.

## Annexure A: Letter of Acknowledgement Template

[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 the **Royal Government of Bhutan**.

**FROM:** The **Royal Government of Bhutan, The DECC** 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 Royal Government of Bhutan 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 GHG emission reductions and removals (“Credits”) resulting from it are not authorized by Bhutan 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 Royal Government of Bhutan, and they will remain reported as reductions or removals in the National Inventory Report of the Royal Government of Bhutan, the BTRs and other reports of the Royal Government of Bhutan issued under the Paris Agreement.**
4. 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.

Authority of Royal Government of Bhutan  
\_\_\_\_\_ [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: \_\_\_\_\_

## Annex B: BCF Governance Framework

The BCF is designed to collect CA and other fees with options for aggregating capital and intermediating purchase/ sale of correspondingly adjusted credits based on the RGoB's policy directive on market mechanisms. The BCF's key function of aggregating and monetizing credits will be supported by various RGoB stakeholders and development partners and include interaction with project developers and buyers in carbon markets across public and private sectors. Contributors to the BCF are envisaged to be both public and private sector players from domestic and international markets (including government counterparts, public sector institutions, financial institutions, electric utilities, industries, oil and gas companies and any other potential buyers).

The BCF can potentially have the following two functions based on the transaction:

- **Sales/negotiations intermediated via BCF:** The BCF aggregates BT-ERs and negotiates the sale of ITMOs with identified buyers (international or domestic) on behalf of the project developer. All transaction costs, CA fee and other fees associated with the transaction will be levied by the BCF.
- **Direct sale/negotiations by the project developer:** The project developer directly negotiates the sale and transfer of BT-ERs with buyers (international or domestic). The BCF will only levy the associated CA fee pertaining to the volume of correspondingly adjusted credits.

The CA fee could potentially be used for activities to support sustainable development of Bhutan and a raising of its climate ambition through, for example, investment in mitigation and adaptation projects in the country. The BCF's core functions will have interlinkages for the carbon asset development process in Bhutan and the RGoB can explore entities for their implementation. The BCF is envisaged to play a role in various stages of the carbon asset development process including but not limited to those listed below. The RGoB could potentially establish a BCF committee/ secretariat to oversee these functions. In order to guide strategic governance and functioning of BCF independently, a separate High-Level Steering Committee to be formed co-chaired by MoENR and MoF by bringing all relevant stakeholders to make it more inclusive.

- **Project identification:** The pipeline of projects in Bhutan can be reviewed periodically to identify projects that can be supported by the BCF.
- **Due diligence:** The operating manual for the BCF can specify any additional due diligence procedures for projects for risk assessment based on consultation and agreement with the BCF Participants.
- **Preparation of Project Design Documents (PDD):** The BCF can coordinate to support the creation of PDD s for each of the projects.
- **Coordination to ensure verification/validation:** The BCF can also ensure the establishment of MRV systems and independent assessments for emission reductions generated by the project.
- **Development of legal agreements:** The BCF can consult with relevant RGoB authorities for the necessary legal agreements (such as an LoA) to authorize the sale of BT-ERs.

- **Facilitate sale of emission reductions:** The BCF can liaise with buyers for the sale of the BT- ERs to BCF participants. The BCF can also ensure execution of the purchase agreement as per the terms agreed.
- **NDC accounting:** The BCF can support the RGoB to ensure that the ITMO meets Paris Agreement requirements in terms of transparency, double-counting avoidance, environmental integrity, and CA.
- **Implementation support:** The BCF can provide support to the project sponsor for project implementation, as appropriate.

## Template (I): Mitigation Activity Note (MAN)

<b>1. Summary of Proposed Mitigation Activity</b>		
<b>2. Background</b>	Title of Proposed Mitigation Activity	
	Introduction	
	Objectives	
	Start Date of the Proposed Mitigation Activity	
<b>3. Linkage with Bhutan's NDC and Relevant Sector Policies</b>		
<b>4. Project Activity Information</b>	Technology	
	Emission Reduction or Removals	
	Project Implementation Status	<input type="checkbox"/> Under Concept <input type="checkbox"/> Under Construction <input type="checkbox"/> Under Operation
<b>5. Project Critical Dates</b>	Project Start Date (as per CCP)	
	Project Commercial Operation Date	
<b>6. GHG Emission Reduction</b>	Targeted GHG Emission Reduction	
	Annual Emission Reduction	
	Applicable Baseline Methodology	
	Applicable Carbon Crediting Program	
	Project Status in the Carbon Crediting Program Cycle	
	Project Crediting Period	<input type="checkbox"/> Fixed <input type="checkbox"/> Renewable
	Crediting Period Information	Start Date:                      End Date:
<b>7. Technical / Financial Additionality Statement</b>		

<b>8. Contribution to Sustainable Development</b>	
<b>9. Monitoring, Reporting, and Verification (MRV) Plan</b>	
<b>10. Governance / Bundling Arrangements</b>	
<b>11. Financial Requirements</b>	
<b>Submitted by</b>	Name of the Organisation
	Name of the Authorised Person
	Designation
	Email
	Contact Number
	Address
	Company Identification Number
	Date
	Signature

## Template (II): MADD/PDD Format -

This will be based on the selected Carbon Credit programmes.

## Template (III): ITMOs issuance template

Mitigation outcomes, generated from a mitigation activity at any given point of time, can request for issuance of ITMOs as per the below template

Name of Participating Entity			
Name(s) of Cooperating or Paris Agreement Party			
Name(s) of other participating entities			
Title of Mitigation Activity			
Mitigation activity reference number as given in BNCR			
Sectoral scope			
Included in the positive list?	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Monitoring period covered by the monitoring report	(Start date dd/mm/yyyy):        – (end date:dd/mm/yyyy) : –		
Is the above monitoring period different from the period in the original monitoring report published on the designated website as per RGoB?	<input type="checkbox"/> Yes <input type="checkbox"/> No  If yes: Period in the original monitoring report (dd/mm/yyyy – dd/mm/yyyy):		
Amount of GHG emission reductions or net anthropogenic GHG removals achieved by the project activity in this monitoring period (tonnes of CO2 equivalent)	Amount achieved before period 1	Amount achieved from period 1 to date to period 2	Amount achieved after period 2
We confirm that this proposed MO activity meets all relevant validation requirements and hereby request for issuance	Date (dd/mm/yyyy – dd/mm/yyyy):		
	Name of participating Entity:		
	Signature		



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