

# How EU Countries & Companies Can Use ITMOs

## The Case for Using ITMOs to Achieve EU Countries' & Corporations' Carbon Targets



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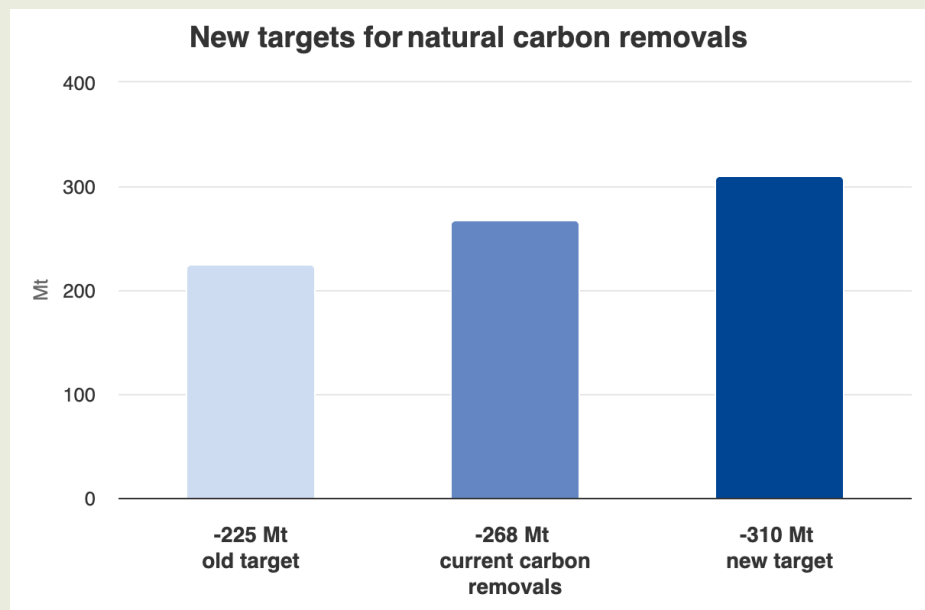


Now that the world's first Sovereign Article 6 ITMOs have been issued under the *Paris Agreement*, how can EU Member States and European Corporations use them to achieve their climate targets? In this brief, ITMO Ltd. explores this option, available today, for European Member States and the European private sector.

### Key Insights

- 310m tCO<sub>2</sub>e**  
 Amount of nature carbon removals needed by the EU by 2050
- OIMP**  
 Other International Mitigation Purposes
- Article 6.2**  
 Article 6.2 of the Paris Agreement allowing countries to issue ITMOs

The European Union (EU) has set a target to reduce greenhouse gas emissions by 55% by 2030, a goal it will achieve through policies under the European Green Deal.(1) And, as the world's largest carbon market, the EU ETS is currently the biggest source of demand for international credits, making it the main driver of the international carbon market and the main provider of climate finance in developing countries and economies in transition. This demand includes carbon removals by natural sinks that will increase to 310 million tonnes of CO<sub>2</sub> equivalent by 2030.(1)



Graph 1: EU Carbon Removal Demand until 2050 - EU

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Furthermore, one of the main requirements and drivers of EU's Carbon Neutral policy by 2050, is that each single tonne of CO<sub>2</sub>eq emitted into the atmosphere will have to be neutralised by a tonne of CO<sub>2</sub> removed from the atmosphere.(2)

### **So how can ITMOs help meet these targets?**

A paper written by Dr. Lambert Schneider, published by Oeko-Institut e.V. and sponsored by the Swedish Energy Agency illustrates this potential option: "Using International Carbon Credits to Achieve National Mitigation Targets of EU Member States – Options for Accounting under Article 6 of the Paris Agreement".

The paper explains that although the EU's single NDC does not allow the use of international carbon credits to achieve its single EU target, Article 6 ITMOs can be used to account for both the exchange of emission trading system allowances with non-EU countries ETS (such as Switzerland and Norway) and individual EU member states' national mitigation targets.

In the report, they use the example of Sweden, where their 2030 net-zero target (63% emissions reduction compared to 1990 levels), can be met by using Article 6 of the Paris Agreement and purchasing internationally transferred mitigation outcomes (ITMOs).(3)

***By 2050 each single tonne of CO<sub>2</sub>eq emitted into the atmosphere will have to be neutralised by a tonne of CO<sub>2</sub> removed from the atmosphere.***  
– European Parliament (2023)

### **Using Article 6 ITMOs towards EU Countries' and Corporates' carbon targets**

Under the Paris Agreement's Article 6, countries are allowed to issue carbon credits known as ITMOs (Internationally Transferred Mitigation Outcomes) as it establishes a framework of accounting for these internationally transferred mitigation outcomes.(4)

The world's first Article 6 Sovereign ITMOs were issued by Suriname this month. As such, these Article 6 ITMOs can be used for both national development goals (NDCs) and other international mitigation purposes (OIMP), such as voluntary goals by private or public entities (European companies and investors).

Therefore any use of ITMOs by EU member states or companies can represent a use towards OIMP, and not a use towards the EU's single NDC.(5)

### **ITMO Accounting with EU Member States & Corporations**

Several paragraphs in the *Paris Agreement* Article 6.2 guidance outlines how ITMOs should be accounted for and whether they should be correspondingly adjusted. These provisions only apply to transferring countries and countries using ITMOs towards National Development Goals (NDCs). This means that no corresponding adjustments are applied for the use of ITMOs towards OIMP.(6)

Therefore when an EU country or corporation uses ITMOs towards OIMP, they (EU Member States or Companies) do not require any corresponding adjustments.

***The decisions under the Paris Agreement imply that, in the case of using ITMOs towards OIMP, corresponding adjustments shall only be applied by the first transferring country (i.e., the country where the emission reductions or removals occur) but not by the entity using the ITMO.***

– Dr. Lambert Schneider (2023)

### **In Conclusion**

EU's demand for carbon removals is growing rapidly due to its ambitious 2030 and 2050 Green Deal targets (>300m tCO<sub>2</sub>e natural carbon removals by 2030). To help meet these ambitious targets, EU member states and the European private sector can do the following:

- **ITMO Usage:** Use Sovereign ITMOs towards achieving their national or corporate climate targets. These ITMOs can also be used by EU corporations and investors.
- **Purpose & Claim:** Since EU's single NDC excludes the use of international carbon credits, the use of ITMOs by EU member states or private entities should constitute an "other international mitigation purposes" OIMP.

- **Corresponding Adjustments & Accounting:** When an EU country or corporation uses ITMOs towards OIMP it does not require any corresponding adjustments to be applied by the buying EU member states or companies.

By using Article 6 Sovereign ITMOs, EU countries and companies can massively scale the new Paris Agreement Carbon Market and help meet the global net-zero target and their national and corporate carbon targets.

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**About ITMO Ltd.** ITMO Ltd. ([www.itmo.com](http://www.itmo.com)) supports nations, corporations and financial institutions transition to Net-Zero, at speed and scale, through the Paris Agreement Carbon Market. ITMO Ltd. sources, structures, and sells Paris-Compliant Sovereign Carbon Credits (ITMOs), at Gigaton Scale, with Economic, Social, and Environmental benefits. ITMO Ltd. is a private company based in the USA and the UK developing the Paris Agreement Carbon Market, its infrastructure, its products and its credibility through three units: ITMO Tech (Structuring, Platform & Registries), ITMO Capital (Selling, Syndication & Distribution) and ITMO Research (Data, Analytics & Research). ITMO Ltd. is an affiliate of the Coalition for Rainforest Nations.

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- (2) European Parliament - "Carbon removals: more efforts needed to achieve carbon neutrality, say MEPs" <https://www.europarl.europa.eu/news/en/press-room/20230414IPR80118/carbon-removals-more-efforts-needed-to-achieve-carbon-neutrality-say-meps>
- (3) Lambert Schneider (2023): Using International Carbon Credits to Achieve National Mitigation Targets of EU Member States – Options for Accounting under Article 6 of the Paris Agreement. Report prepared for the Swedish Energy Agency. Oeko-Institut e.V., Berlin, Germany. January 2023. <https://www.oeko.de/en/publications/using-international-carbon-credits-to-achieve-national-mitigation-targets-of-eu-member-states-options-for-accounting-under-article-6-of-the-paris-agreement/>
- (4) UNFCCC - Paris Agreement - Decisions 2/CMA.3 and 5/CMA.3 provide detailed rules and guidance for operationalizing the enhanced transparency framework
- (5) UNFCCC - Paris Agreement - Annex to decision 2/CMA.3
- (6) UNFCCC - Paris Agreement - Paragraphs of Article 6.2 guidance outlines

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