

# Integrating Article 6 ITMOs into the EU's CBAM

*The Case for Integrating Article 6 ITMOs into the EU's CBAM in Support of the Paris Agreement*



August 18, 2024 - By Michael Mathres, CMO, ITMO Ltd

As Carbon Credits from Article 6 of the Paris Agreement could be used in regulated carbon markets, a new report written by HFW and Climate Action Center of Excellence (CACE) proposes how these ITMOs could be integrated into the EU's Carbon Border Adjustment Mechanism (CBAM). It also explains its challenges, which ITMO Ltd. addresses through the world's first issuance of Article 6 Sovereign ITMOs.

**Key Insights**

- **2026**  
Starting year of the Carbon Border Adjustment Mechanism
- **CBAM**  
European Union's Carbon Border Adjustment Mechanism
- **Article 6.2**  
Article 6.2 of the Paris Agreement allowing countries to issue ITMOs

A new paper "[Bridging mechanisms for synergistic impact](#)" by HFW and Climate Action Center of Excellence (CACE) explores the potential synergies between the [European Union's Carbon Border Adjustment Mechanism \(CBAM\)](#) and [Article 6.2 of the Paris Agreement](#) to accelerate climate action. The CBAM aims to level the playing field for EU industries by imposing a carbon price on imports, aligning with the [EU's Emissions Trading System \(EU ETS\)](#) prices. It seeks to shield EU industries from non-EU industries that externalize the carbon costs of production while encouraging non-EU countries to establish carbon pricing mechanisms in line with the Paris Agreement.

***Policymakers, governments, and the private sector are encouraged to begin promptly exploring the synergies between Article 6.2 and CBAM.***

"Bridging mechanisms for synergistic impact" by HFW & Climate Action Center of Excellence

The paper details the operational aspects of CBAM and further delves into Article 6.2 of the Paris Agreement, which introduces a cooperative mechanism allowing countries to meet their climate targets by generating and selling Internationally Transferred Mitigation Outcomes (ITMOs), crucial for driving investments toward commercial activities that meet market needs while reducing greenhouse gas emissions globally.



**Graph 1:** CBAM & EU ETS timelines - Source: HFW & CACE

ITMO Ltd. has helped source and is currently distributing the world's first Article 6.2 Sovereign ITMOs of the Paris Agreement. Therefore such a co-operative mechanism and integration could already be implemented.

Furthermore, to maximize the effectiveness of CBAM-Article 6 integration, the authors considered several challenges which ITMO Ltd.'s first Article 6.2 carbon credits already address:

1. **Ensure Robust Additionality:** Sovereign ITMOs are part of the Paris Agreement and part of a country's NDC, therefore they would not be issued unless the country went beyond its NDC and were additional.
2. **Align with NDCs:** Under Article 3 of the Paris Agreement, a country must align with its NDC, and this ensures that they contribute to its national climate goals.
3. **Prioritize High-Impact Projects:** Sovereign Carbon ITMOs are not projects as they can only be issued at the national level. Under the UN Climate Change Cancun Safeguards, Sovereign Carbon ITMOs offer other national impacts such as national biodiversity conservation UN Biodiversity Convention, addressing United Nations Sustainable Development Goals, and UN Climate Change Local Communities and Indigenous Rights.
4. **Monitor and Adjust.** Sovereign ITMOs are continuously monitored, reported and verified transparently as part of a country's NDC under Article 13 of the Paris Agreement and adjusted in the Paris Global Stocktake under Article 14.

In conclusion, because the world's first Sovereign ITMOs already tackle all these challenges posed in the paper, ITMO Ltd. strongly supports and encourages the integration of Article 6 carbon credit ITMOs into the EU's CBAM. As such the EU Environment and Climate Commission and its Commissioner Wopke Hoekstra should work on a pilot trade immediately to incentivise the success of the Paris Agreement Carbon Market.

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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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**Sources:**

- UN Climate Change Cancun Safeguards
- UN Biodiversity Convention
- United Nations Sustainable Development Goals
- UN Climate Change Local Communities and Indigenous Rights
- Paris Global Stocktake under Article 14

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