
ITMO PRICE GENERATION

ITMO prices are typically documented in the mitigation outcome purchase agreement (MOPA)¹ and not publicly disclosed. In the case of project-based activities, negotiations usually occur directly between the activity developer and the buyer(s). For upscaled activities, such as sectoral and policy crediting, negotiations can take place directly between the host and buyer country. Next to the threshold of the buyer's willingness to pay, negotiations for ITMO prices can be influenced by benefit-sharing requests. These may include a price premium, a share of the MOs remaining in the host country and/or the incorporation of the host country's framework and infrastructure costs into the price.

Approaches to set ITMO price

ITMO price generation can be based on numerous approaches influencing MOPA price negotiations. One approach is to establish a fixed price, unaffected by market price fluctuations or an indexed price, which shifts depending on prices in other markets. A combination of both includes setting a minimum price (floor) and allowing it to increase based on market conditions. Index prices often incorporate a price floor and ceiling, creating a lower and upper limit for price fluctuations. Another potential approach is to opt for an escalating price, changing periodically depending on a predefined set duration. The agreed-upon price generation is recorded in the MOPA².

Factors influencing ITMO pricing

The pricing of ITMOs involves several factors, and it is influenced by the principles of supply and demand within the international carbon market. Key considerations include:

¹ This strategic orientation is further detailed in the Information Note MOPA on the Article 6 page *How to evaluate activities and cooperative approaches?*

² GGGI (2023): Mitigation Outcome Purchase Agreements, https://gghi.org/wp-content/uploads/2023/05/GGGI_Tech_Guidelines_7-1.pdf (accessed November 3, 2023)



- **Market Dynamics** ITMO prices are influenced by market dynamics, reflecting the overall balance between the supply of and demand for these mitigation outcomes. Factors such as project types, regional contributions, and global emission reduction goals contribute to market forces shaping ITMO prices.
- **Project-Specific Variables** The nature of the mitigation activity, the scale of emissions reductions achieved, and the methodological robustness of the project impact the price generation. Projects with high environmental integrity and additional sustainable development benefits may command premium prices.
- **Policy and Regulatory Environment** ITMO prices can be influenced by the policy and regulatory landscape. Regulatory frameworks, carbon pricing mechanisms, and governmental support for climate action all play a role in determining the value of ITMOs.
- **International Climate Finance** The availability of international climate finance can impact ITMO prices. Projects receiving financial support from international sources may have a different pricing structure compared to those relying solely on the carbon market.

Transparency in ITMO pricing is essential for the effective functioning of Article 6. Parties involved in the generation, transfer, and utilisation of ITMOs are encouraged to adhere to transparent reporting mechanisms. Market mechanisms, including standardised approaches and robust accounting practices, contribute to price discovery and market integrity.

ITMO price negotiation

When entering in bilateral negotiation with a potential buyer country, the specific details regarding the pricing can vary and may not be consistently disclosed across all transactions. However, the following information is typically disclosed or made available publicly, which can help having a benchmark to negotiate the terms of the agreement:

- The **identities of the parties** participating in the transaction (buyers and sellers) may be disclosed. This information helps in understanding which countries or entities are actively engaged in ITMO transactions. Such information can be beneficial to assess whether countries with similar circumstances as a given country has previously engaged in ITMO transactions.
- The **terms and conditions** of the transaction, including any specific requirements or commitments by the parties involved.
- The **total quantity or volume of ITMOs** involved in the transaction is often disclosed. This indicates the amount of emission reductions or removals associated with the transferred units.
- While **specific pricing details for ITMOs** are typically treated as confidential due to commercial considerations, there have been reported price indications that provide a basis for subsequent price agreements. The following reported ITMO prices per unit can be considered:



- Through the JCM, 0.127 million credits generated so far. Subsidy programmes under JCM provide costs of up to USD 36/tCO₂ e, which means that ITMO prices would also lie in this order of magnitude³.
- As of July 2023, Klik Foundation sets ITMO prices at 21 CHF (USD 23.50), with the ITMO portfolio standing at 8.7 million ITMOs⁴.
- Vanuatu voiced challenge of lock-in price under Swiss international carbon trade deal which was set at USD30/tCO₂ e⁵.

It's important to note that, at this stage, the level of disclosure can vary, and some information, especially sensitive commercial details, may not be made public. Additionally, disclosure practices may evolve, influenced by international agreements, standards, and the development of market mechanisms.

It is recommended that Parties intending to engage in ITMO transactions familiarize themselves with the latest MoUs and bilateral agreements signed between countries. Extracting and comprehending all available information, including the terms and conditions outlined in these agreements, is crucial for informed decision-making.

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³ MOEJ (2021): [Guidebook for formulating JCM projects utilizing the JCM Financing Programme](#).

⁴ Gourlay, Paddy (2023): [Swiss paying an average of \\$23.50 for Article 6 carbon credits](#), far below domestic costs, Carbon Pulse, June 21, 2023.

⁵ Padin-Dujon Padin, Alejandra (2023): [COP28: Vanuatu voices challenge of lock-in price under Swiss international carbon trade deal](#), Carbon Pulse, December 8, 2023.

