

**MEMORANDUM OF UNDERSTANDING**

**between**

**SWEDISH ENERGY AGENCY, ON BEHALF OF THE GOVERNMENT OF SWEDEN**

**and**

**MINISTRY OF FORESTS AND ENVIRONMENT, ON BEHALF OF THE GOVERNMENT OF  
NEPAL**

**RELATING TO COOPERATION FOR THE IMPLEMENTATION OF ARTICLE 6 OF THE PARIS  
AGREEMENT**

**The Swedish Energy Agency on behalf of the Government of Sweden and the Ministry of Forests and Environment on behalf of the Government of Nepal (Hereinafter the “Parties”)**

Recalling Article 4, 6 and 13 of the Paris Agreement, adopted on 12 December 2015, and the relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (“**CMA**”) created a framework for cooperative approaches whereby greenhouse gas removals or reductions (“**Mitigation Outcomes**”) produced by or on behalf of one party may be transferred to another party as Internationally Transferred Mitigation Outcomes (“**ITMOs**”);

Recognising the Parties joint interest in cooperating on the development and robust implementation of mitigation activities that may generate Mitigation Outcomes that support higher mitigation ambition and that may be transacted as ITMOs;

Noting that voluntary cooperation in the implementation of Nationally Determined Contributions (**NDCs**) under Article 6 of the Paris Agreement allows parties to pursue higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity;

Noting the commitment of the Parties to promoting sustainable development, ensuring environmental integrity and transparency, including in governance, and applying robust accounting, including to ensuring avoidance of double counting of ITMOs;

Recognising the need to establish efficient and institutionalised national systems to enable participation in the cooperative approaches under Article 6 of the Paris Agreement;

Seeking to explore opportunities to cooperate to put in place nationally appropriate processes, procedures and institutional arrangements to enable participation in the cooperative approaches under Article 6 of the Paris Agreement, including with respect to the identification of capacity building and technical assistance needs.

**The Parties have reached the following Understanding:**

**ARTICLE 1 Purpose**

1. The purpose of this Memorandum of Understanding is to:
  - a) establish the basis for the Parties to cooperate on mutual areas of interest related to the implementation of Article 6 of the Paris Agreement, including in the development and evaluation of opportunities to generate Mitigation Outcomes that may be transacted as ITMOs under the Paris Agreement; and
  - b) identify key processes and elements that may inform the bilateral negotiations of a legally binding Framework Agreement to facilitate transactions under Article 6 of the Paris Agreement between the Parties.

**ARTICLE 2 Objectives**

1. The Parties have identified the following strategic goals and objectives:
  - a) to promote bilateral cooperation between the Parties with respect to the implementation of Article 6 of the Paris Agreement, on the basis of reciprocity and mutual benefit, taking into account the national circumstances of the Parties;
  - b) to enhance understanding of how cooperation under Article 6 of the Paris Agreement can contribute to the implementation of the Parties’ Nationally Determined

- Contributions to allow for higher ambition in their mitigation and adaptation actions and in the promotion of sustainable development and environmental integrity;
- c) to engage with a range of public and private stakeholders to advance the development of practical modalities in order to achieve Mitigation Outcomes; and
  - d) to identify areas for further exploration with respect to technical assistance and support required to develop nationally appropriate processes, procedures and institutional arrangements to facilitate Article 6 transactions, including related Corresponding Adjustments, that are in the interest of both Parties.

### **ARTICLE 3 Cooperation**

1. The Parties will undertake cooperation aimed at identifying those priority areas for bilateral collaboration that will be required to be advanced through the negotiation of a Framework Agreement for the development and implementation of mitigation activities that are or may become eligible to generate ITMOs under the Paris Agreement.
2. It is anticipated that the areas of bilateral collaboration may include the following:
  - a) technical cooperation to understand the opportunity presented by the cooperation and how it may support higher ambition;
  - b) technical assistance to develop the institutional architecture and processes to enable ITMOs to be Authorized, transferred and reported upon in accordance with the Paris Agreement Rules; and
  - c) support to enable the development of Mitigation Activity Design Documents, working with public and private sector stakeholders and technical consultants.
3. Cooperation under this Memorandum of Understanding and any subsequent Framework Agreement may take the form of policy dialogues and meetings between the Parties and stakeholders; the development of joint work plans, activities and programmes; and joint support for technical analysis and policy evaluation.
4. It is anticipated that the negotiation of a Framework Agreement for bilateral cooperation will include provisions addressing the mechanisms by which both Parties may make resources available for technical and/or capacity support (as applicable) to implement this cooperation.
5. The Parties acknowledge and agree that:
  - a) in the event a separate Framework Agreement is negotiated and agreed between the Parties, any proposal for the transfer of ITMOs between the Parties will be documented in a separate Mitigation Outcome Purchase Agreement; and
  - b) cooperation under this Memorandum of Understanding does not obligate either Party to enter into a Framework Agreement or any Mitigation Outcome Purchase Agreement related to the mitigation activities developed as a result of this cooperation.
6. In the event that cooperation results in the execution of a Mitigation Outcome Purchase Agreement, Sweden intends to acquire ITMOs generated in accordance with the Paris Agreement Rules and reserves the right to use the ITMOs generated through this cooperation for compliance with its national targets and/or to have the ITMOs cancelled.

## **ARTICLE 4 Nationally appropriate processes, procedures and institutional arrangements**

1. The Parties recognise and agree that for the purposes of negotiating a Framework Agreement elaborating on the areas of cooperation outlined in Article 3 of this Memorandum of Understanding, the Parties will look to incorporate the principles and criteria outlined in this Article 4.
2. The Parties acknowledge that participation in the cooperative approaches under Article 6 of the Paris Agreement is voluntary. The development of processes, procedures and institutional requirements to enable participation in cooperative approaches under Article 6 of the Paris Agreement will be informed by the Paris Agreement Rules and such other nationally determined criteria adopted by the Parties.

### ***Environmental integrity***

3. The Parties will endeavour to ensure that the following minimum principles and criteria relevant to ensuring the environmental integrity of Mitigation Outcomes are met:
  - a) Mitigation Outcomes are real, verifiable, additional, and permanent or achieved under a system that ensures permanence to the greatest extent possible, including by appropriate accounting for any material reversals;
  - b) Mitigation Outcomes represent emission reductions or removals from 2022 and onwards;
  - c) Mitigation Outcomes originate from activities that:
    - (i) do not lead to an increase in global greenhouse gas emissions
    - (ii) promote enhanced climate action and ambition by the Parties, and safeguard against incentives for low ambition by the Parties;
    - (iii) aim to mitigate the risk of carbon leakage;
    - (iv) consider all existing and planned national policies, including abiding by national legislation;
    - (v) are in line with the [zero/low] emission development strategy or climate change policy of each party;
    - (vi) foster the transition to zero/low emission development, in accordance with net zero carbon emissions by 2050;
    - (vii) do not include activities based on nuclear energy and avoid locking in levels of emissions, technologies or carbon intensive practices incompatible with the achievement of the long-term goal of the Paris Agreement, in particular any activities based on the continued use of fossil fuels;
    - (viii) are based on conservativeness in baseline setting;
    - (ix) include consideration of other factors for incentivizing enhanced climate action by the Parties; and
    - (x) apply attribution of the Mitigation Outcomes to the sources of finance, where adequate.

### ***Sustainable development***

4. The Parties should endeavour to ensure Mitigation Outcomes only originate from mitigation activities that:
  - a) are in line with sustainable development and any related strategies and policies;
  - b) do not create or exacerbate any negative environmental, social or gender impacts, including air quality, biodiversity, worksite safety, social inequality and discrimination against population groups based on gender, ethnicity or age; and
  - c) respect human rights and do not create or exacerbate social conflict.

### **ARTICLE 5 Monitoring, Reporting, and Verification**

1. It is anticipated that the negotiation of a Framework Agreement for bilateral collaboration will include provisions addressing the mechanisms by which the Parties intend to cooperate to utilize robust standards and procedures for monitoring, reporting and verification which will enable both Parties to comply with their reporting obligations under the Paris Agreement as well as promote environmental integrity and transparency.

### **ARTICLE 6 Corresponding Adjustments**

1. The Parties acknowledge and agree that in order to avoid double counting of Mitigation Outcomes transferred as ITMOs, the negotiation of a Framework Agreement for bilateral collaboration and/or any Mitigation Outcome Purchase Agreement developed pursuant to this cooperation will include provisions requiring the Parties to apply Corresponding Adjustments in accordance with Article 6 of the Paris Agreement.

### **ARTICLE 7 Confidentiality**

1. The Parties undertake not to use or disclose any confidential information relating to any person. This does not apply to the disclosure of Confidential Information:
  - a) which is lawfully or will be lawfully brought to public domain other than by breach of this Memorandum of Understanding;
  - b) shown to be known to a Party before receipt thereof from the other Party;
  - c) received by a Third Party which is received from that Third Party without restraints as to the use thereof;
  - d) which is required to be disclosed by court order of competent jurisdiction, by any or in accordance with any rules issued by any governmental regulatory authority of any of Sweden or Nepal; or
  - e) where disclosure is required under the applicable laws, or the laws of Sweden or Nepal. In cases referred to in (a) above, the Receiving Party is not, however, entitled to disclose to third parties that the same information has also been received from the other Party.
2. This confidentiality undertaking shall survive the termination of this Memorandum of Understanding.

**ARTICLE 8 Duration**

1. This Memorandum of Understanding will come into effect on the day of signing with a term of five (5) years.
2. If one Party wishes to terminate this Memorandum of Understanding, it will inform the other Party in written form, and the Memorandum will be terminated six (6) months after the acknowledgement of the receipt of the notification.

**ARTICLE 9 Miscellaneous**

***Anti-Bribery and Anti-Money Laundering***

1. The Parties agree and undertake, in connection with this Memorandum of Understanding, to comply with all applicable anti-corruption laws.

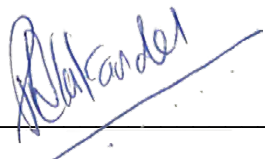
***No exclusivity***

2. The relationship between the Parties under this Memorandum of Understanding is non-exclusive and no exclusivity rights are hereby created. The Parties maintain the right to engage in cooperative approaches described under Article 6 of the Paris Agreement with any and all other parties under the Paris Agreement.

***Other Treaties and Agreements***

3. This Memorandum of Understanding will not affect the rights and obligations of the Parties under any other bilateral or multilateral Treaties and Agreements of which they are a party to.

The Parties declare they have read and understood the present dispositions, proceeding to subscribe this Memorandum of Understanding.



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Pem Narayan Kandel, PhD  
Secretary  
Ministry of Forests and Environment,  
Nepal



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Robert Andrén  
Director General  
Swedish Energy Agency

2022-06-01

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## ANNEX 1

### General definitions

For the purpose of this Memorandum of Understanding, the following definitions apply:

**“Applicable Anti-corruption Laws”** means any anti-corruption laws that are applicable to Sweden, Nepal or this Agreement.

**“Authorization”** or **“Authorized”** means the formal legal approval or sanctioning of the Mitigation Outcomes of the Mitigation Activity to be transferred internationally as ITMOs by Nepal in accordance with the Paris Agreement Rules.

**“Confidential Information”** means certain trade secrets and other confidential and/or proprietary information of the other Party, including but not limited to information derived from reports, investigations, research, work in progress, codes, marketing and sales programs, financial projections, business plans, cost summaries, pricing formulae, contract analyses, financial information, projections, data, drawings, confidential filings with any state or federal agency, computer hardware configurations and all other confidential concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of such Party by its employees, members, managers, officers, directors, agents, representatives, or consultants (the recipient of such Confidential Information, the **“Receiving Party”** and the provider of such the **“Disclosing Party”**) that is valuable, special and a unique asset of the Disclosing Party or its businesses. Confidential Information shall also include the status and all other facts relating to the transactions contemplated hereby.

**“Corresponding Adjustment”** means the accounting adjustment that both Sweden and Nepal are required to make for all Mitigation Outcomes transferred internationally as ITMOs to ensure that double counting is avoided in accordance with Article 6.2 of the Paris Agreement, paragraph 36 of decision 1/CP.21.

**“Internationally Transferred Mitigation Outcome”** or **“ITMO”** has the meaning set forth in the Paris Agreement Rules.

**“Mitigation Activity Design Document”** or **“MADD”** means a description of the Mitigation Action prepared in accordance with the Paris Agreement Rules to be submitted for approval, or having been approved by Nepal for the purposes of Article 6 of the Paris Agreement.

**“Mitigation Outcome”** means the reduction or removal of greenhouse gases resulting from the Mitigation Activity as expressed in tCO<sub>2</sub>e.

**“Mitigation Outcome Purchase Agreement”** or **“MOPA”** means an agreement for the sale and purchase of ITMOs.

**“NDC”** means the Nationally Determined Contribution each party to the Paris Agreement has communicated and intends to achieve under Article 4 of the Paris Agreement.

**“Paris Agreement”** means a legally binding global climate change agreement, adopted on 12 December 2015 at the Paris climate conference (COP21) and which entered into force on 4 November 2016.

**“Paris Agreement Rules”** means the provisions of the Paris Agreement, decision 1/CP.21, all decisions adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement providing guidance, and adopting rules, modalities and procedures for the implementation of Article 6.