

Climate Policy Department  
International Climate Cooperation Unit

# **Strategic guidelines for the Swedish Energy Agency's programme for international climate cooperation under Article 6 of the Paris Agreement**

## **1 Introduction**

This document aims to provide general guidelines for the Swedish Energy Agency's selection of host countries, activities and partner organizations for international climate cooperation as part of the implementation of Sweden's Article 6 programme.

The aim is to create conditions for an effective and well-grounded selection of cooperations.

### **1.1 Assignment – appropriation letter and budget**

The Swedish Energy Agency has been assigned the task of developing international cooperation and result-based climate finance within the framework of the Paris Agreement, particularly Article 6 that regulates international trade with emission reduction units. The aim is to contribute to a system that creates incentives for countries and other parties to raise climate ambitions and achieve larger emission reductions and greater climate benefit. The aim is also to, through supplementary measures<sup>1</sup>, contribute to the fulfilment of the climate goals in Sweden's climate policy framework. In addition to reduced emissions of greenhouse gases, the Swedish Energy Agency shall especially follow up how the measures contribute to economic, social and environmental sustainability in the host country and thereby strengthen their development.

The Swedish Energy Agency has the mandate to enter into agreements with countries in order to regulate cooperation related to climate measures. The Swedish Energy Agency can also participate in multilateral cooperation and initiatives and enter into agreements related to measures with other relevant parties.

The Swedish Energy Agency's assessment is that measures shall primarily be focused on low- and middle-income countries and concern energy related

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<sup>1</sup> According to Sweden's climate policy framework, there are three supplementary measures that Sweden can use to achieve the climate goals, namely increasing carbon sinks, verified emission reductions through investments in other countries, and separation and storage of biogenic carbon dioxide (Government Communication 2017/18:238 A Climate Strategy for Sweden, in Swedish)

emissions. The Agency has been allocated an authorisation framework of SEK 1.5 billion, that runs until 2036.

## **1.2 Priorities and choices**

The Swedish Energy Agency will continue to work with both bilateral and multilateral cooperation. Based on experience gained from 20 years within emissions trading, the agency sees strategic benefits of working both bilaterally and multilaterally. The multilateral commitments provide a good complement to the measures that are handled bilaterally by the Swedish Energy Agency.

Bilateral cooperation contributes to the Agency gaining more knowledge, experience in the 'craft', and a deeper understanding of the challenges that countries and project parties face when developing emission reduction projects. The benefit of working through multilateral organisations is that we can scale-up the activities more quickly. By participating in international carbon funds, we have the possibility of supporting more countries and a greater number of projects as well as creating a natural platform for both cooperation with other purchasing countries and to discuss possibilities, challenges and to exchange experience. This acts as a way of spreading risks and by working with both a breadth and depth we can increase the possibility of fulfilling the assignment tasked to the Swedish Energy Agency by the Government.

The last few years has seen an increase in interest for Article 6 carbon finance, and there is now a significant number of countries showing interest. Priorities and choices are therefore even more important for each new potential cooperation.

When choosing host countries and activities the Swedish Energy Agency should, in line with the so-called reform agenda<sup>2</sup>, consider possible synergy effects with Swedish aid and/or Swedish commercial interests.

## **1.3 Sustainability and responsible implementation**

International climate cooperation under Article 6 shall promote sustainable development. Negative impacts on environmental, economic or social conditions shall be avoided or minimised. When assessing climate cooperation, the global sustainable development goals shall be taken into consideration, along with aspects related to environmental impact, corruption, human rights, and democratic development.

Sustainable development is integrated into the different processes and agreements that regulate the different types of climate cooperation. The Swedish Energy Agency's guidelines for working with sustainable development within

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<sup>2</sup>[Development assistance for a new era – freedom, empowerment and sustainable growth - Regeringen.se](https://www.regeringen.se/491315/1/development-assistance-for-a-new-era-freedom-empowerment-and-sustainable-growth)

international climate cooperation under Article 6 are given in the Sustainability Policy.<sup>3</sup>

#### **1.4 Environmental integrity**

International climate cooperation under Article 6 shall guarantee environmental integrity. Environmental integrity is defined as the absence of any increase in global aggregated greenhouse gas emissions as a result of the cooperation and the activities established.

This means in practical terms that the Swedish Energy Agency can only consider Article 6 activities that can demonstrate that they contribute to surpassing the unconditional commitment in the host country's Nationally Determined Contributions (NDC), as well as being financially additional, credited against a conservative baseline, and avoid double counting and double claiming. To ensure environmental integrity, established calculation methods shall be used.

## **2 Host countries**

### **2.1 General position**

The regulations for Article 6 were adopted in 2021 at COP26 in Glasgow. Many countries are still in an initial phase of implementing the framework and structure to enable the purchasing and selling of emission reductions with other countries as well as to be able to transfer rights to other countries. In order to manage risks, the Swedish Energy Agency will invest in establishing parallel cooperation with a number of countries.

The Swedish Energy Agency's general position is to prioritise low- and middle-income countries when selecting host countries. During the initial phase of the Swedish Energy Agency's work there was a relatively low level of interest amongst potential partner countries. Cooperation was therefore established with countries where there was a political interest in market-based cooperation under Article 6. These countries were primarily low- and middle-income countries. Bearing in mind the growing interest for Article 6, it is important that the Swedish Energy Agency can motivate why a specific country has been chosen.

In order to ensure a diversified portfolio and thereby spread risks it is important that the Agency selects, to an increasing degree, middle-income countries with large and growing greenhouse gas emissions. The Agency should strive towards a good balance between taking risks, geographical diversification, and different types of activities.

Before the Agency takes a decision regarding a partner country, relevant parties shall be consulted, including the Government Offices and the Swedish International Development Cooperation Agency (Sida), primarily concerning risk

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<sup>3</sup> Sustainability Policy – for the integration of sustainable development in international climate cooperation under Article 6 of the Paris Agreement (estimated completion autumn 2024)

assessment. The Swedish reference group for Article 6 consisting of a broad range of stakeholders, formed in 2024, plays a key role in the exchange of information and coordination.<sup>4</sup> It is the Swedish Energy Agency that takes the final decision regarding the choice of partner countries.

## **2.2 Factors to take into consideration**

Alongside the basis that the general focus is on low-income countries and above all middle-income countries with large and growing greenhouse gas emissions, the following factors are of great importance in the assessment and evaluation of a potential host country:

- Political interest
- Institutional capacity
- NDC commitments
- Potential impact on energy related emissions
- Sustainable development
- Economic status and financial stability
- Swedish presence/Swedish relationships with the country

### **2.2.1 Political interest**

The host country's political interest for cooperation under Article 6 is an important factor. Interest in Article 6 cooperation should be apparent in the country's NDC, as well as be communicated from a higher political level, not just at the technical civil servant level. It is key that the technical staff in the host country, who will be the point of contact for the Swedish Energy Agency, have a relatively strong and clear mandate from the political level allowing them to establish cooperation with other countries.

### **2.2.2 Institutional capacity**

In order to authorize parties and approve cooperation as well as to conduct subsequent transactions of emission reduction units, a host country needs to have a certain degree of institutional capacity. The Swedish Energy Agency can provide support in the form of focused capacity-building measures (for example via GGGI) to develop Article 6 infrastructure in the country, however this is under the assumption that the country has the capacity to meet these needs relatively quickly themselves. It is therefore important to take the host country's institutional capacity and prerequisites into consideration. The host country's possible previous experience of (national or international) emissions trading or other pricing of carbon dioxide emissions can contribute to the effective establishment of the institutional framework necessary for the implementation of an Article 6 cooperation.

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<sup>4</sup> The reference group was formed and held its first meeting in April 2024. The group currently consists of 16 participants from authorities, companies from different sectors, stakeholders in civil society, and academia. The Swedish Energy Agency's ambition is to convene the reference group twice a year to provide updates on on-going activities and to receive input, thoughts and ideas.

### 2.2.3 **NDC commitments**

A cooperation within the framework of Article 6 shall be in accordance with the host country's national priorities and contribute to surpassing the country's climate goals beyond the unconditional commitment in the country's NDC<sup>5</sup>. Even the issue of a country's general climate ambition should be taken into consideration; it can be questioned if countries that continue to have a large-scale and long-term commitment to fossil fuels with a high lock-in effect, are suitable host countries. Further, it is advantageous if the country's NDC expresses a willingness to utilize Article 6, and that the targets in the NDC are divided amongst different sectors. It should also be possible to understand from the NDC how Article 6 measures can contribute. An individual assessment needs to be made in each case.

### 2.2.4 **Potential impact on energy related emissions**

There is a potential to contribute to significant reductions in emissions for countries with large and growing emissions from the energy sector. This is above all relevant for countries with a strong dependence on fossil fuels that have adopted ambitious goals related to energy transition. A broad energy-sector analysis and assessment of suitable Article 6 activities that can be implemented within the relevant NDC-period, is an important basis for the choice of host country.

### 2.2.5 **Sustainable development**

As stated in section 1.3 above, climate cooperation under Article 6 shall promote sustainable development and minimise any negative environmental, economic or social impacts. When choosing host countries these risks and possibilities shall be taken into consideration. A particular focus shall be placed on corruption, human rights and democratic development as well as risks for local environmental impacts. Consideration of sustainable development shall not solely be connected to the decision of whether the Swedish Energy Agency enters into a cooperation with a country or not. For the host countries we select, our consideration of sustainable development can also serve as the basis for the risk assessment that will later need to be conducted regarding specific projects.

### 2.2.6 **Economic status and financial stability**

A country's economic status can provide an early indication of whether the prerequisites are present for participating in an Article 6 cooperation. The recent global financial and economic crises have had particularly significant impacts on many developing countries. Resulting in high levels of inflation and defaulted payments to foreign lenders. The Agency should carefully weigh up the risks of entering into an Article 6 cooperation in countries with a lower economic status that are also experiencing an economic and financial crisis. With regards to this, EKN's country risk analyses provide important information.<sup>6</sup>

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<sup>5</sup> [https://www.perspectives.cc/public/fileadmin/user\\_upload/PCG-CF\\_Art6\\_Readiness-NDCs\\_27.10.21.pdf](https://www.perspectives.cc/public/fileadmin/user_upload/PCG-CF_Art6_Readiness-NDCs_27.10.21.pdf)

<sup>6</sup> [Country Risk Analyses | Countries | EKN](#)

### 2.2.7 Swedish presence/Swedish relationships with the country

A Swedish presence in a country, in the form of an embassy or similar, facilitates for the Swedish Energy Agency both in connection with the choice of host country and the resulting host country process, but also when it comes to the implementation and follow-up of diverse Article 6 activities. Synergies with other Swedish activities in the country should be pursued. In general, Sweden's relationship to the country should be taken into consideration<sup>7</sup>, particularly in the case of bilateral cooperation.

### 3 Multilateral cooperation

### 3.1 General position

In addition to bilateral cooperation with host countries, where the Swedish Energy Agency enters into a bilateral agreement with the country, the Agency shall also work towards scaling up the implementation of Article 6 cooperation through global partnerships, for example with multilateral climate funds.

The Agency believes that strategic cooperation with different international parties will form an important part of this work, partly to spread risks and partly for geographical diversification. Regardless of whether we work bilaterally or multilaterally, the Swedish Energy Agency needs to take a position regarding different host countries and activities. The guidelines in this document regarding the choice of host countries and activities are therefore relevant regardless of the type of cooperation.

The growth of new climate funds and other multilateral Article 6 facilities is closely monitored.

### 3.2 Factors to take into consideration

When selecting strategic cooperation with multilateral partner organisations and global climate initiatives the Agency should pay particular attention to the following factors:

- Relevance
- Experience and competence
- Governance and efficiency
- Sustainable development

As a basis for assessment, the Agency shall review the organisation strategies and organisation assessments that have been compiled by the Swedish government, as well as other relevant parties such as Sida, MOPAN<sup>8</sup> and similar-minded donor/purchaser countries of emission reduction units.

<sup>7</sup> Sweden's relations with the world - Regeringen.se (in Swedish)

<sup>8</sup> MOPAN stands for Multilateral Organisation Performance Assessment Network and is an independent evaluation body for multilateral organisations. [MOPAN | Multilateral Organisation Performance Assessment Network \(mopanonline.org\)](#)

### 3.2.1 **Relevance**

The organisation and the specific cooperation shall be judged to be relevant for the goal that is to be attained. The organisation's identity, values, and long-term strategy should be in line with the specific goals of the cooperation.

### 3.2.2 **Experience and competence**

The organisation shall have the experience and competence required in order to act in accordance with the goal of the cooperation. It is, in general, not sufficient that a specific individual has the relevant experience and competence.

### 3.2.3 **Governance and efficiency**

The organisation shall be in good order and have well-functioning structures. This shall also be reflected in how individual measures (for example funds) within the organisation are governed. Regulations related to mandates and decisions shall be clear and comprehensible. Further, for the measures that we are involved in, it shall be clear how we can play an active role and influence both the direction and the tangible work undertaken.

### 3.2.4 **Sustainable development**

The organisation and the specific cooperation shall be judged to have a good capacity to work in line with the global goals for sustainable development and to be able to contribute to sustainable development and minimise any negative environmental, economic or social impacts.

## 4 Article 6 activities

### 4.1 **General position**

A concrete Article 6 activity<sup>9</sup> is a climate investment, project, technology or measure that is implemented and leads to a reduction of emissions in the host country. The Swedish Energy Agency does not develop such activities, rather they work in their capacity as a purchaser of emission reductions in order to facilitate for other parties (in general private companies) to implement activities that are in line with the chosen direction. The Swedish Energy Agency can either act as a purchaser directly from a company, in which case this must be preceded by a public procurement, or through a fund (see section 3 regarding multilateral cooperation).

The Swedish Energy Agency primarily focuses on energy-related emissions. The reasoning for this is that energy-related emissions account for two thirds of the global greenhouse gas emissions.<sup>10</sup> An additional reason is that the Agency has relevant competence within this field.

In the selection of activities, the Swedish Energy Agency uses five fundamental criteria: environmental integrity, sustainable development, transformative effect,

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<sup>9</sup> We use the term "activity" as it is more general than for example "project". An Article 6 activity can be of any type and scale.

<sup>10</sup> IEA (2016), Energy, Climate change and Environment. 2016 Insights. OECD/IEA.



feasibility, and price. The different criteria are presented in more detail in section 4.3 below.

## 4.2 Scale, sector and technology

The portfolio should be diversified in a number of ways. Three aspects that need to be considered in an evaluation of activities are what scale the activity has, which sector it focuses on, as well as what forms of technology are used.

With regards to scale, an activity can be either project-based, a programme, or policy-based. A project is characterised as tending to be a limited intervention of varying size, whereas a programme covers several similar projects that are grouped together into an administrative entity. Our current position is that so called policy crediting, where emission reductions are generated by a policy change that the purchasing country has contributed to, are too complex. Within the framework of certain climate funds, the issue of policy measures can however be relevant.

The Swedish Energy Agency should strive to find a balance between the advantages of working on a large scale with the manageability of working with more limited measures. In summary, the portfolio should contain programmes and/or relatively large projects.

The Swedish Energy Agency believes that the measures should contribute to a transition at the sector level and, as previously stated, be focused on energy-related emissions. The notion of “energy-related emissions” is broadly defined and can encompass renewable energy, energy efficiency, energy storage, transport emissions, and measures regarding electricity infrastructure, see appendix.

The starting point is technological neutrality and therefore no single form of technology should be prioritised or avoided in advance. The host country can, however, have limitations regarding which technologies can be included in an Article 6 activity and we, as a purchaser, need to take this into consideration. At the same time, we must not turn a blind eye to the fact that all forms of technology have advantages and disadvantages, something that should be possible to identify in an objective and neutral way in accordance with the five fundamental criteria/principles. Our position is that Article 6 is more suitable for the implementation and up-scaling of mature technology rather than for testing new and untested technology.

## 4.3 Factors to take into consideration

The most important general principles that need to be considered when selecting a specific activity are the following five criteria:

- The activity contributes in a positive way to **sustainable development** in the host country and the local community, and negative impacts on environmental, economic or social conditions are avoided or minimised.



- The activity has ensured a high level of **environmental integrity**
- The activity is clearly **feasible**
- The activity has a **transformative effect**
- The activity has a reasonable **cost** per emission reduction (measured in tonnes of carbon dioxide equivalents)

#### 4.3.1 **Sustainable development**

Article 6 activities shall promote sustainable development and take into account social, economic and environmental aspects - especially gender equality. This means that firstly, the activities shall not result in, or exasperate, any negative environmental, economic or social impacts. Secondly, the activities shall have ambitious targets for their contribution to sustainable development and actively improve local conditions as well as, to the greatest possible extent, contribute to transformative changes.

#### 4.3.2 **Environmental integrity**

Environmental integrity is defined as the absence of any increase in global aggregated greenhouse gas emissions as a result of the activity and/or collaboration. This means in practical terms that the Swedish Energy Agency can only consider Article 6 activities that can demonstrate that they contribute to surpassing the unconditional commitment in the country's NDC, as well as being financially additional, credited against a conservative baseline, and avoid double counting and double claiming. To ensure environmental integrity, established methods shall be used and, in the cases where we contribute to the development of established or new methods, strengthened environmental integrity shall be central.

#### 4.3.3 **Transformative effect**

The Swedish Energy Agency strives towards obtaining emission reductions from activities that contribute to transformative changes in the host country. The term "transformative" is interpreted in this context as contributing to long-term system changes, over and above the specific project results. This primarily entails that the activity shall contribute to the host country's transition to a fossil-free and sustainable economy, but it also relates to the host country's general development. Transformative effects can for example be that the activity contributes to: 1) facilitating for the host country to adopt more ambitious emission targets; 2) promoting carbon pricing or other climate policies; 3) removing barriers that inhibit the transition to sustainable energy technology. Transformative effects can also entail that the activity is large-scale, national or sectoral, as well as scalable and replicable.

#### 4.3.4 **Feasibility**

Article 6 activities must be feasible. In practical terms, this means that a technical and economic pre-study, including a plan for the installation phase, shall show that it is reasonable to believe that the agreed volume of emission reductions can be generated during the contract period or crediting period.

#### 4.3.5 **Price per emission reduction**

The fundamental reasoning behind emission trading is that as the price for emission reductions varies between countries it is more cost-efficient to implement mitigation activities in countries where the cost is lower.

As there is not yet a working market for emissions reduction units under the Article 6 regulations, there is no market price to start from. The Swedish Energy Agency wants to contribute to the development of a market and is committed to the market having a high environmental integrity where a host country's own climate targets are not jeopardized<sup>11</sup>. Therefore, price is only one of several evaluation criteria.

As stated previously, Article 6 related initiatives are currently developing at a rapid rate. There are already initiatives where emission reduction units (so called ITMOs, Internationally Transferred Mitigation Outcomes) can be auctioned to the highest bidder and other international parties other than those that the Swedish Energy Agency currently cooperates with and are involved with establishing Article 6 facilities. This development is closely monitored.

## 5 Synergies and cooperation

The Agency can see a great potential for scaling up Swedish and international climate measures through innovative cooperation and funding solutions. This can for example be a mix of climate finance and Article 6 carbon finance, but also the use of Article 6 funding for the mobilisation of private capital. By coordinating funding, but also capacity support, measures can be scaled up and have a greater impact.

To enable synergies, there is reason to coordinate measures in line with the strategic international climate initiatives that Sweden has joined either directly, or indirectly through the EU. Several of these initiatives focus on countries with large and growing emissions and the importance of replacing the use of coal with clean energy.<sup>12</sup>

There are also opportunities for Team Sweden<sup>13</sup> to create synergies within established partner countries, for example countries where Business Sweden, EKN/SEK, Swedfund, and Swedish embassies have a strong presence and work specifically with supporting climate measures. As a consequence of the reform agenda, Sida has been tasked with promoting synergies with trade promotion activities. There are also interesting initiatives at the European level that need to

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<sup>11</sup> Climate targets are defined as the unconditional targets in the host country's NDC.

<sup>12</sup> Examples of such initiatives include IEA's Clean Energy Transitions Program, Just Energy Transitions Program and Leadership Group for Industry Transition (Lead-IT).

<sup>13</sup> Team Sweden is a network of government agencies, organisations and companies that promote Swedish exports and investments.

be closely monitored, such as the EU's Global Gateway or the European Bank for Reconstruction and Development.

### **5.1 Monitoring developments**

Emissions trading under Article 6 of the Paris Agreement is still developing, and the market is limited but in an on-going state of rapid change. During recent years a large number of cooperation agreements have been signed between different countries and parties. The Swedish Energy Agency should strive towards retaining a flexible position and keeping an "ear to the ground" so as not to miss interesting opportunities and potential areas of development. This applies for example to new areas of knowledge, potential cooperative partners, or new trends. A close monitoring of developments is crucial. The Swedish reference group for Article 6 consisting of a broad range of stakeholders, that was formed in 2024, can contribute to this.

**Appendix:** Positive list.

Activities can encompass areas such as:

Renewable energy

Energy efficiency

Transmission and distribution

Energy storage

Waste to energy

Fossil-free transport