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| **Document reference number and title: A6.4-MEP007-A04. Draft Standard: Addressing non-permanence/reversals (version 01.0)** |
| **Section number** | **Paragraph/Table/Figure number** | **Comment**(including justification for change) | **Proposed change**(including proposed text) |
| **Structure and Scope of the regulatory documents to address reversals.** | Cover note. Section 3.1, Paragraph 11-13  | **Appendix 1 and 2** lack provisions on the end of the post-crediting monitoring period. The rationale for this appears to be the belief that otherwise the reliability of such credits cannot be guaranteed. This in particular affects nature-based activities, and it does seem unrealistic to expect that nature based activities remain viable.  Whilst Appendix 2, Section 1.1., Paragraph 2 seems to intend to provide for some protection from late claims by setting a term of 30 days after becoming aware of an observed event, in reality this provision leads to substantial uncertainty, as any climate related event is likely to be complex, not reduced to a simple perception and depend on a multitude of assessments which in different jurisdictions are likely to be more or less difficult to evidence. Imposing unrealistic monitoring requirements, in particular disqualifying nature from participation in Article 6.4, undermines the increased ambition Article 6 was designed to foment. This approach diverts climate finance away from natural climate solutions at a very important time for climate action. It seems increasingly doubtful whether the climate goals can be reached. Art. 6.2 projects have proven slow in forthcoming. Accordingly, whilst some national and multinational carbon markets such as the European ETS have provided valuable guidance on pricing of emission reductions on national and multinational level, the international level has not progressed. Also, from now until 2050 a very substantial amount of investment is likely be particularly helpful to mitigate climate action, so that increasing stability in the period thereafter to the detriment of earlier investment appears to be particularly counterproductive. Furthermore, the more project activity occurs under Art. 6.4, the easier the obligations contained in the various NDCs can be aligned. Last not least, the negative approach of the Trump administration towards climate change policy suggests furthering quick action, which Appendices 1 and 2 do not support. Existing models, such as durability requirements (E.g: 40 years from the start of the project), combined with **options** for post-crediting assurance, including reasonable monitoring periods **or** buffer cancellations **or** all sorts insurance mechanisms **or** permanence trust funds to manage long-term reversals **or** other innovations **or**   commitments by sovereigns or quasi-sovereigns– offer a more realistic and enforceable means of managing non-permanence risk, while allowing high-quality nature credits to benefit from much-needed finance to meet the goals of the Paris Agreement. The more the mentioned mechanisms are used in particular in an environment as regulated the one Art. 6.4 provides, the more such mechanisms can be priced and further other climate related markets, which given the climate crisis is of major importance.**Appendix 3** provides a more workable requirement - a fixed monitoring period of 45 years from the date of final verification. Whilst this, depending on the project, may still be out of proportion, in particular if the crediting period of the project is already long. Furthermore, as mentioned for Appendix 1 and 2 above, Appendix 3 should also allow for the numerous alternatives for post-crediting assurance.  | I generally support the adoption of **Appendix 3** as being much more likely to further projects, allowing different types of projects, simplifying reporting responsibilities, noting that further work to make Article 6.4 open to a broad range of nature and engineering-based activities would be favored. |
| **Negligible Risk of Reversals:** | Cover note, paragraph 19Appendix 1. Section 2, paragraph 3 (g)Appendix 2, Paragraphs 42 - 50 | I believe the threshold for reversal set at a possible 0.1% is much too low. Post-crediting monitoring should remain the most important element of monitoring, and land and technology activities should be required to engage in monitoring to a degree adequate for the relevant project. Engineering-based approaches to capturing CO₂ are still relatively untested at scale, so it is essential that they be subject to particularly robust monitoring. This is the only way to ensure they are actually delivering climate benefits as intended—and not causing unintended harm to people or the environment. As these technologies evolve, ongoing oversight will be critical to maintaining public trust and ensuring their contribution to real, measurable climate solutions. A focus on reversals could divert attention from monitoringIn addition, there must be flexibility provided as to **how activity participants compensate for any lost mitigation** from post-crediting reversals.  Several such avenues were identified and endorsed by the conference of parties in Baku and included in the Removals guidance in section 4.6.3.1, paragraph 62. | We suggest that a negligible risk of reversals is established at 5%. I also suggest that the options for managing reversals after crediting periods (e.g., canceling buffer pool credits, monitoring of a reasonable length, insurance mechanisms, permanence trust, etc. rather than being overly prescriptive in requiring reversals only at this point.All in all, this could be achieved through the following language:“Activity participants may submit, at any time in the post-crediting period or after the minimum post-crediting period defined in an activity’s mechanism methodology has elapsed, a request to the Supervisory Body to terminate post-crediting period monitoring and reporting, demonstrating that:a. The stored greenhouse gases, or precursors of greenhouse gases, are at a negligible risk of reversal or that another robust form of post-crediting assurance is being used, including, but not limited to, canceling buffer pool credits, or insurance mechanisms, or monitoring of a reasonable length, or transferring the responsibility to a third party with sufficient capacity and resources to compensate for any lost mitigation from post-crediting reversals; andb. All conditions or criteria set in the mechanism methodology for termination of post- crediting period monitoring have been fulfilled. |
| **Monitoring reports / annual reversal reports:** | Cover note. Paragraph 24, 25Cover note, Paragraph 34 (a)Appendix 2, paragraphs 10-14 | While I appreciate the intent to create more frequent communication for Article 6.4 activities, I find the proposal of an “annual reversal report” according to the terms in paragraph 10 ss of Appendix 2 unfortunate.First, in order to make a useful conclusion on whether a reversal has occurred or not, in effect activity participants will need to conduct annual monitoring, so the burden on them is not materially less than what would be required of a formal monitoring report, and all the expense that requires. Whilst Paragraph 24 of the Cover Note suggests that if no event occurred the annual reversal report constitutes no burden, paragraph 13 of Appendix 2 requires evidence of no event having occurred, which presumably has to be evidenced by the consent of the other parties to the project including those disputing the occurrence of the event as well as by verifiers and validators, which constitutes a substantial additional burden.Secondly and more importantly, we are concerned that the MEP may be underestimating the amount of capacity required to process and validate such reports within such a timeframe. Already in the current voluntary market there are delays from standards bodies in processing these kinds of reports that extend beyond (in some cases) 12 months. Third, nature-based projects may very well experience year-by-year fluctuations but still have net positive climate benefits over time. Annual reporting, which are then associated with suspension of the project registry and tapping the buffer pool, may be misleading if the project can regrow and make good on the losses of the prior year.  | I suggest Appendix 3 to be amended to require* Monitoring reports to be submitted for verification every five years.
* An “annual reversal report”, which requires only records and logs of the observed events of GHG release, and information on how he risks of reversals were assessed and addressed. This methodology would allow for a less burdensome and more predictable reporting, as it does not require quantification annually.
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| **Post crediting monitoring** | Cover note, paragraph 28Appendix 1. Section 7.4 Paragraph 45 – 47Appendix 3. Paragraph 17 and 18 | **OPTION A****Appendix 1** does not set a clear time limit for post-crediting monitoring obligations in the land use sector.  Such projects will inherently have risks of reversals above the current threshold considered “negligible”.It is unwise to set up a system which cannot reasonably be expected to operate. The number of institutions of any kind that have persisted on the time scales imagined in this paragraph (effectively, for perpetuity) are very limited in number. It is unreasonable to expect a participant to take on or be able to compensate for any lost mitigation from post-crediting reversals. There are two options to address this: * limit the post-crediting monitoring period to a timeframe for which those institutions could reasonably be expected to persist; and/ or
* Include insurance mechanisms or equivalent guarantees; and/or
* allow the cancellation of credits in a buffer pool to cover the anticipated post-crediting risk; and/or
* for the transfer of this obligation to third parties. It is particularlz important to leave flexibility for the rapid innovations occurring in this space. It is possible to imagine specialized entities forming to absorb this obligation from participants. However, this flexibility must be explicitly allowed for in the standard.

**OPTION B****Appendix 3** requires participants to monitor reversals for 45 years after the date of the final verification. Clear timelines like this are essential for making land use projects investable. Nevertheless for a project that operates for 30 years, this would mean a 75-year contractual commitment, which is far longer than what is common even in long-term financial markets like home mortgages and is only sometimes reached with life insurances. This requirement could be workable if paragraph 18 allowed post-crediting obligations to be transferred or cancelled once reversal risks have been addressed—either as sufficient cancellation of buffer pool credits, insurance mechanisms or transferrance of the monitoring and compensation responsibility to a credible third party  | I recommend the following provisions to be included into Appendix 31. The obligation to monitor and report in the post-crediting period to be ongoing until a) 40 years have passed from the beginning of the project, or b) activity participants can demonstrate either i) that the stored greenhouse gases or their precursors have a negligible risk of reversal; or that ii) the potential future reversal of this storage has been remediated, including through alternative mechanisms such the cancellation of credits in the buffer pool, or utilization of insurance mechanisms or the transfer of the obligation for monitoring and compensation to a credible third party established for such a purpose. 2. Activity participants may submit, at any time in the post-crediting period duringor after the minimum post-crediting period defined in an activity’s mechanism methodology has elapsed, a request to the Supervisory Body to terminate post-crediting period monitoring and reporting, demonstrating that:a. The stored greenhouse gases, or precursors of greenhouse gases, are at a negligible risk of reversal or that the responsibility for ongoing monitoring and compensation for reversals has been fulfilled with insurance mechanisms or equivalent guarantees; or transferred to a third party with sufficient capacity and resources to compensate for any lost mitigation from post-crediting reversals; or all crediting period buffer credits have been cancelled at the end of the crediting period, and evidence has been provided to demonstrate that cancelled credits will be sufficient to cover any lost mitigation from anticipated post-crediting reversals.b. All conditions or criteria set in the mechanism methodology for termination of post-crediting period monitoring have been fulfilled. |
| **Below baseline reversals:** | Cover note, Paragraph 31 (b) | This paragraph seems to suggest that participants would be responsible not only for monitoring and maintaining the storage of greenhouse gases that have been removed and / or maintained through their activities, but also the historical storage (or “carbon stocks”) that existed prior to their activities. This is not a reasonable, and if taken literally would likely make many nature-based projects impossible. This paragraph also makes no sense from a carbon accounting perspective, as no credit or claim is created based on the baseline itself. As no credit, claim, or asset is created based on the baseline itself, it is logically inconsistent to create a corresponding liability, and no reasonable commercial entity would want to take on this liability.  A liability only exists when an asset (a credit) is created through the project scenario exceeding the baseline scenario. If the project scenario does not exceed the baseline scenario, no assets are created (or, if assets have been created, they are nullified), and thus no liability should exist.Further, this approach will overly tax the buffer pool, unnecessarily retiring credits that were never claimed as climate mitigation.  | We suggest deleting this paragraph as it implies that baselines are measured in terms of GHG pools (“stocks”). This paragraph is inconsistent with the definition of crediting baseline, which is defined in units of GHG fluxes or changes in storage. |
| **Reversal risk assessment tool:** | Cover note. Paragraph 42.Cover Note. 3.1 Procedural Background, paragraph 8(a) | These provisions are key to define the role of land use activities in Article 6.4. However, the current draft of the non-permanence Standard does not go into detail on all of these items, leaving an open question on when these will be developed and when stakeholders will have an opportunity to provide feedback ahead of any decisions.The inclusion of an upper limit to risk appears to set a threshold beyond which no credit category would be accepted in 6.4. Since any threshold would be arbitrary, as there is no science to justify the choice of a given upper limit, the threshold could be used to discriminate against credit categories, which may be crucially needed in the short and medium term in order to avoid the worst impacts of climate change, for example, nature based solutions.    | Clarify when and how the reversal risk assessment tool will be developed, and whether this tool will be static or evolve as the science improves. Delete the application of upper limits. |
| **Appendix 1 and 2** |
| **Observed events that could lead to a reversal**Appendix 2. Section 1.1. | Appendix 2. Paragraph 8 (a) | Using a 95% confidence level to quantify reversals is overly stringent and unnecessary. Lowering the confidence level to a value like 90%, strikes a better balance between rigor and practicality, allowing for more realistic and achievable verification without compromising environmental integrity. | “ *Assess and quantify the amount of the reversal by using the higher bound of the uncertainty interval at a ~~95%~~* ***90%*** *confidence level, with an explanation as to how that estimate was quantified; “* |
|  | Appendix 1, Paragraph 28 | In the removals guidance adopted at COP 29, the parties clearly endorsed not only a buffer pool account but also (4.6.3.1, paragraph 62): "other appropriate measures and procedures that may provide suitable alternative means to remediate reversals, including the following:   (a) Requirements and approval procedures for the use of insurance policies, or comparable guarantee products, or third-party guarantee approved by the Supervisory Body to cover the risk that reversals occur;(b) Procedures for establishing, managing, and using a monetary permanence reserve enabling remediation of reversals through the direct or potentially centralizedpurchase and cancellation of A6.4ERs with negligible or no reversal risk."If Appendix 1 were adopted, it should similarly make allowances for these potential pathways alongside a buffer pool account, and to allow that they be further developed. | Add a new paragraph 29:“Alternatively, mechanism methodologies may rely on other means to remediate reversals, so long as such mechanisms have been reviewed and approved by the Supervisory Body. Such means may include but are not limited to: (a) Requirements and approval procedures for the use of insurance policies, or comparable guarantee products, or third-party guarantee approved by the Supervisory Body to cover the risk that reversals occur;(b) Procedures for establishing, managing, and using a monetary permanence reserve enabling remediation of reversals through the direct or potentially centralized purchase and cancellation of A6.4ERs with negligible or no reversal risk.”c) cancellation of credits in the buffer pool |
|  | Appendix 2, paragraph 55 | According to the current text, when presented with reversals at any kind of scale, activity participants will simply accept the suspension of their registry account, effectively leaving the market, and leaving the atmosphere to absorb the liability.   | Transfer of monitoring and compensation obligations to third parties, in particular to institutions explicitly designed to execute this function, insurance mechanisms or equivalent guarantees; and/or the cancellation of credits in a buffer pool to cover the anticipated post-crediting risk should be allowed. |
| **Appendix 3** |
| **Unintentional and intentional or avoidable/unavoidable reversals**Appendix 1, Section 7.3, paragraphs 40ssAppendix 3. Section 6.1  | Appendix 3. Paragraphs 37 - 69 | Whereas Appendix 1 appears to propose a rigid distinction to be included into methodologies for projects and uses the seemingly objective terms avoidable/unavoidable for them, Appendix 3 seems to propose a preferrable ongoing risk distribution among the participants in the project and more appropriately proposes to benchmark this risk distribution against the degree of intent of the parties. By way of example, the risk of a fire will largely differ from project to project, and the degree to which a fire can be attributed to a party as well. At the beginning of a project, parties will have relevant expectations based on historical data and specific features of the project, for instance, on whether an afforestation decreases the danger or fire or whether the country in question is planning improved firefighting, and a shortfall in such intentions gives a benchmark for a specific fire to be considered intentional. In order to, with the buffer, be able to professionally mitigate risks, information disclosure should be regularized and delegated to the parties. By way of example, if there has been no disclosure relating to the risk of a fire, no buffer amounts should be available if a fire occurred, at least not if the risk of a fire was generally not to be considered remote.This type of mechanics are particularly important for land-use projects as opposed to tech-based ones, because land projects face a much wider range of risks related to how the land is managed.  | To my mind, Appendix 3. paragraph 68, should be worded as follows**:** Activity participants shall strive to obtain full insurance coverage of intentional reversals not including such risks for which there is no clear timeline to end the post-crediting monitoring, and there is no viable insurance coverage available in the insurance market.  |