

Dear Members of the Supervisory Body,

As a leading corporate buyer of carbon removal, Microsoft recognizes the significance of Article 6 towards achieving global climate goals and believes that robust mechanisms are crucial to ensure the effectiveness, transparency, and environmental integrity of its implementation. We welcome the further opportunity to contribute to the work of Article 6.4 mechanism Supervisory Body ahead of your sixth meeting. Due to the short window for comment, and drawing on the Supervisory Body's [guidance](#), we have focused our comments on definitions, leakage, environmental and social impacts, and stakeholder roles. These four topics are particularly relevant given Microsoft's position in the market as a corporate purchaser of high-quality carbon dioxide removal (CDR). As Microsoft's CDR procurement grows, it seeks to remain an equitable portion of the broader CDR market. For Microsoft to succeed in its goals, the global CDR market must expand its high-quality offerings.¹ Clear guidance from the Supervisory Body on the following four topics will bring higher quality and environmental integrity to the global carbon removal market:

1) Definitions – separately track removals and avoided emissions²

As discussed in [Microsoft's submission](#) to the March 16th call for input, Microsoft strongly recommends differentiating between removals and avoided emissions. In projects with both avoidance and removals occurring simultaneously, they should be tracked and labeled independently and not co-mingled for reporting purposes. Clearly distinguishing reduction from removal credits is an important step to improve project transparency, which, if addressed, will facilitate greater investment and market development through long-term offtake agreements.

Cogently decoupling removal from avoidance credits is also critical for remediation of historical emissions. For instance, Microsoft has committed to remove from the environment all the carbon the company has emitted since it was founded in 1975. Only removal credits should count towards remediating historical emissions. With clear crediting for removals, companies can continue to focus on driving deep emission reductions and separately purchase carbon removals to cover emissions from hard-to-abate sectors and historical emissions.

As discussed in [Microsoft's submission](#) to the May 18th call for input, Microsoft strongly recommends the inclusion of nature-based and engineered carbon removal pathways. The world needs an Article 6 mechanism that will remain relevant and dynamic as scientific understanding and consensus continues to grow and change. And given the long project development timelines in this space, simultaneously pursuing both nature-based and engineered removal pathways is critical towards meeting the long-term temperature goals of the Paris Agreement. An “all of the above” strategy is needed to meet these ambitious global goals.

2) Leakage – replace supply displaced by removal activity³

As mentioned in [Microsoft's submission](#) to the March 16th call for input, Microsoft suggests stronger inclusion of leakage considerations related to nature-based credits. Sufficiently accounting for activity and market leakage within, and beyond, the jurisdictional boundary of the project scope is required to meet Microsoft's [criteria](#) for

¹ Given Microsoft's goal for a high-quality CDR market, it has submitted several [previous submissions](#) to the Subsidiary Body on the topic which are also referenced in this third submission.

² In response to [Information Note](#) question 2.A

³ In response to [Information Note](#) question 2.F

high-quality carbon removal. The most robust way to address leakage is for project developers to work with other producers to replace the supply displaced by the project (e.g. cattle, wood, etc.).

3) Impacts – avoidance of other negative environmental and social impacts⁴

Climate change has and will continue to impact communities differently. Microsoft believes carbon removal projects should exceed the “do no harm” principle and actively advance economic and social development as well as other non-carbon benefits. Microsoft prioritizes projects that provide more than just carbon removal, such as advancing sustainable livelihoods, environmental justice, climate resilience and biodiversity.

At a minimum, in order to avoid negative social impacts, local communities must have free prior and informed consent related to any market activities or Article 6.4 Emission Reductions (A6.4ERs) produced within their territories. Going beyond the minimum of doing no harm, local communities should economically benefit from the production of A6.4ERs through revenue sharing. A6.4ERs should ideally be produced in a manner that advances procedural justice (fairness in decision making) as well as distributive justice (equitable allocation of project risks, benefits and impacts).⁵ Stakeholder engagement must occur throughout the duration of the project lifetime.

4) Roles and functions of entities involved in Article 6⁶

- **A) Article 6.4 Mechanism Supervisory Body (6.4SB):** The Article 6.4 Mechanism Supervisory Body (6.4SB) plays a critical role in overseeing the functioning of Article 6 mechanisms. Microsoft supports 6.4SB alignment with existing methodologies whenever possible. Many market entrants will not have the capacity to distinguish, cross compare, or track multiple conflicting methodologies. The need for streamlining across various existing methodologies will be key for equitable and clear adoption of quality removals. The 6.4SB must offer clear guidance for how the Nationally Determined Contributions (NDCs) and private sector registries interact. Lack of alignment threatens to create fragmented markets with conflicting guidance on what constitutes high quality. Microsoft observes many situations where both public and private funds are necessary to make new projects economically viable: were it not for both public subsidies and corporate offtake agreements, many projects expected to generate high-quality removals would not get built.
- **B) Activity proponent(s):** Activity proponents are vital to initiate and implement projects or activities under Article 6.4. Activity proponents, or project developers, must be responsible for developing high-quality projects that adhere to, or exceed, guidance and methodologies established in the Voluntary Carbon Market (VCM) and the Supervisory Body (6.4SB). Project developers will need clear guidance on how to register projects with both a Host Party and the 6.4SB. Activities, or A6.4ERs, must be additional, ensure accurate reporting and verification of removals, and consider social and environmental safeguards that respect and empower local communities.
- **C) 6.4 Mechanism Registry Administrator:** A well-defined role and accountability framework for the registry are essential. Transparency is the backbone of the Paris Agreement. Under the Agreement, emission reduction targets are politically binding, not legally binding. This shifts pressure toward the

⁴ In response to [Information Note](#) question 2.G

⁵ “[From the Ground Up](#)”, Carbon 180

⁶ In response to [Information Note](#) question 2.2

reporting and verification mechanisms embedded in the Agreement. The Enhanced Transparency Framework (ETF) in Article 13 of the Agreement will only be robust when the article 6.4 mechanism has clear definitions, builds consensus on what comprises a “high quality” removal credit, engenders trust that removal activities have actually resulted in a drawdown of CO₂, and finally mitigates the effects of leakage and reversals. The 6.4 Mechanism Registry Administrator should ensure the accurate accounting, tracking and verification of A6.4ERs, avoiding potential for double counting between Parties, and synergize with, not duplicate, aspects of the Enhanced Transparency Framework of the Paris Agreement. The 6.4 Mechanism Registry Administrator should transparently validate data reported by parties by utilizing data hubs, AI, and dashboards on the UNFCCC website.

- **D) Host Party:** Host Parties should make the process for activity proponent registration of A6.4ERs transparent and accessible. Cumbersome reporting or registration requirements will perpetuate inequity within the market. Host Parties should encourage and support a diversity of activity proponents, particularly for local, indigenous or underrepresented communities.
- **E) Stakeholders:** Other stakeholders include local communities, Observers (non-governmental organizations, academia etc.) and entities without Observer status such as private sector actors like project developers or corporations. Local communities must be consulted and involved throughout the duration of any A6.4ERs. Communities should benefit economically through revenue sharing from the sale of any A6.4ERs produced within their communities (see section 3, above). NGOs, academia and the private sector should be invited for regular consultation as Article 6 will interact with the VCM. Leveraging private sector finance will be crucial for closing the funding gap for NDC implementation.

Finally, to ensure robust input from industry stakeholders, we recommend that the Committee publish a forward-looking calendar showing expected calls for inputs over the coming 6 months. Thank you for considering Microsoft’s inputs, and we look forward to continuing to work with the Supervisory Body.