

From: Angela Hepworth <Angela.Hepworth@drax.com>

Sent: Tuesday, 11 October, 2022 19:15

To: Supervisory-Body <Supervisory-Body@unfccc.int>

Subject: Call for input 2022 - activities involving removals under the Article 6.4 Mechanism of the Paris Agreement

Please see attached the Drax response to the A6 consultation.

Best regards,

Angela

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The logo for Drax, consisting of the word "drax" in a lowercase, blue, sans-serif font.



Dear members of the Article 6.4. Supervisory Body,

Thank you for your work aiming to bring quality, standardization and for providing linkage between voluntary carbon markets and jurisdictional carbon accounting. Drax is aiming to be future provider of high-quality engineered carbon removals, and as such highly welcome your draft recommendation for the development and assessment of mechanism methodologies pertaining to activities involving removals. We are looking forward to engaging with you as you move forward in this process. We have provided our initial comments below.

Nature based vs. geological storage: While we highly welcome the development of the carbon removal methodologies, we believe there needs to be a clearer difference between nature based and geological CO₂ storage. We would recommend two entirely separate methodologies for these to be developed. The current draft greatly increases complexity by aiming to be comprehensive. This complexity will only increase once the draft becomes more specific in its requirements.

Additionality: We welcome the approaches outlined to prove additionality. We believe credits arising from engineered carbon removal with permanent geological storage, in contrast to emission reduction credits, are fundamentally additional. This is because there is no incentive for a developer to carry out these activities without the revenues from carbon markets. Both DACS and BECCS benefit from government incentives in many jurisdictions, but these are not sufficient for viability on their own. As such we believe its self-evident that engineered carbon removal with permanent geological storage (i.e., DACS and BECCS) should be on the positive lists that you are working on. This is a critical issue to get right in order to enable billion-dollar scale investments. If it is not clear at the outset that projects will pass additionality tests, investors will not go ahead

Crediting period: In order to provide investors' confidence in investing billions into engineered removals a 15 year time horizon of certainty of revenues is far too low. We would suggest 30 years would be necessary to provide sufficient confidence and align with investment time horizons. Furthermore we do not see any rationale whatsoever for the crediting period to only be renewed once for project which have no other economic reason to keep running other than carbon credit revenues associated to continued operations

Liability transfer, buffers & monitoring: We welcome your proposal for a "guarantee by the host Party or an entity designated by it could assume the liability for intentional reversals and the portion of unintentional reversals exceeding the capacity of the permanence buffer pool". We believe you can and should go even further to align the methodology to the stringent requirements which have been developed in leading jurisdictions, in particular:

- **Liability for reversals:** Across the EU / UK / US there are incredibly stringent requirements on liabilities and remediation responsibilities faced by storage operators in case of CO₂ leaks. National / state-level regulatory regimes often specify when / how liability for CO₂ storage is transferred from capture projects to storage owners / operators and eventually to national / state Governments. The requirements in the voluntary carbon market should not cut across those national / state-level frameworks. To exemplify, a capture operator who is the project proponent / eventual credit

owner, should not be required to include legal liability for leaks in its contracts with storage operators, as these storage operators are already liable to government to make good

- **Integration with ETS / Cap and Trade:** As an addition to the above, in countries with ETS systems in place and CO2 leaks included in these, there should be no necessity for any other recompense to be made in the voluntary carbon market in the event of a future leak from a storage site, since this would be double counting. As these overall ETS markets are capped, if a storage owner is required to purchase ETS allowances in the event of a leak, this will result in emissions being reduced elsewhere, because the volume cap on the ETS scheme will control the total number of emissions. This should be sufficient safeguard for a purchasers of carbon credits, knowing that in the event of a future leak, action will be taken by the storage owner / operator, that will ensure that the effect of the carbon credits purchased remains the same (the leak has been compensated for by emissions being reduced elsewhere, which will have been paid for by the storage owner / operator)
- **Risk rated determination of the buffer:** We welcome your statement regarding “The percentage of credits to be contributed by a removal activity to the permanence buffer could be determined on the basis of the risk rating of the activity.” We also note your statement regarding “It is considered likely that 99% or more of the injected CO2 will be retained for 1000 years” and hence expect any buffer set to be below 1% given participants meet stringent criteria for CO2 storage design.
- **Buffers mandated by regulators:** We also ask you to please note that across the EU / US there are already highly stringent buffer systems / post-closure funds / industry body funds that are required to set aside money for monitoring, mitigation and compensation. These should be taken into account in any standard to avoid unfair double penalization
- **Nature based vs. geological buffers:** As noted above there should be clear separation between the nature based and geological part of the methodology. This is particularly crucial for the buffer pools, given the vastly differing permanence performance of these two categories, we believe they need to have separately managed buffer pools as well.

Exemplification of BECCS: While we appreciate the example you have added to illustrate how BECCS can deliver negative emissions, we would argue that today’s credible BECCS players, including Drax, take measures which go significantly beyond those in your example to ensure environmental integrity and avoidance of leakage. We believe Article 6.4 should only allow for BECCS which has a low risk of negative leakage, and ideally, encourages positive leakage (ie greater than 1 tonne of carbon mitigated per tonne of carbon captured and stored), considering both land and energy system impacts. This relies on ensuring only sustainable sources of biomass are used in BECCS which meet safeguards set by standard setters such as Sustainable Biomass Programme (SBP), the Sustainable Forest Initiative (SFI), Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

Thank you again for your critical work on enabling a VCM of high integrity and for your consideration of our comments

Best regards,
Angela Hepworth