

## MDB Working Group comments on the annotated agenda of the third meeting of the Supervisory Body – A6.4-SB003-AA-A03 Draft recommendation: Removal activities under the Article 6.4 mechanism

The MDB Article 6 Working Group (MDB WG) would like to make use of the opportunity to provide comments on the annotated agenda of the third meeting of the Supervisory Body, specifically on A6.4-SB003-AA-A03 Draft recommendation: Removal activities under the Article 6.4 mechanism. The MDB WG apologizes that it was unable to submit these comments earlier during the call for inputs.

These comments focus on land-based removal activities and reflect the lessons learned from the first two tranches of the BioCarbon Fund<sup>1</sup> which supported 21 A/R CDM projects in 16 countries, as well as the lessons learned from jurisdictional programs in the Carbon Fund of the Forest Carbon Partnership Facility<sup>2</sup> and the BioCarbon Fund Initiative for Sustainable Forest Landscapes<sup>3</sup>. The comments cover the following topics:

- Allowing for a wide range of AFOLU activities under the Article 6.4 Mechanism
- Addressing reversals in land-based removal activities
- Participation requirements for land-based removal activities in an area covered by an activity under the jurisdictional approaches
- Accounting requirements

### **Allowing for a wide range of AFOLU activities under the Article 6.4 Mechanism**

Land use is both a source and sink of greenhouse gases with the IPCC estimating that Agriculture, Forest and other Land Uses (AFOLU) accounts for 23% of anthropogenic emissions from 2007 to 2016. The AFOLU sector can therefore play an important role in reaching the objectives of the Paris Agreement. The MDB WG therefore welcomes that the Information note on removal activities under the Article 6.4 mechanism (A6.4-SB003-AA-A04) in paragraph 24(a) recognized a wide range of land-based removal activities. However, the draft recommendation on Requirements for the development and assessment of mechanism methodologies (A6.4-SB003-AA-A05) does not necessarily reflect that same wide range in section 3.7 (aligning with long-term temperature goals of the Paris Agreement) and the associated Appendix (List of sectoral scopes). The MDB WG would therefore like to encourage the Supervisory Body to ensure that host Parties can use a wide range of land-based removal activities under the Mechanism.

### **Addressing reversals in land-based removal activities**

The MDB WG welcomes that the draft recommendation proposes innovative approaches for addressing reversals that would replace the temporary crediting approach that was used in the CDM.

The draft recommendation has two approaches, the tonne-year crediting and the tonne-based crediting. The exact implementation of the tonne-year crediting is not fully clear in the recommendations. The crediting factor used is important for the implementation of this approach, but the recommendation does not contain details on the factors to be used or the elements that affect the crediting factor such as time horizon and discount rate. Furthermore, details on the practical implementation of the tonne-year crediting approach are also missing. For example, it is not clear how to apply this approach over multiple verifications (where each subsequent verification extends the permanence period of the achieved carbon stocks). In addition, since there is a difference between the number of verified tonnes of achieved carbon stocks and the issued credits, it is not clear how this affects the country's reporting requirements and the process of corresponding adjustments in case the A6.4ERs have been authorized for use towards international mitigation purposes. In the context of international mitigation purposes, the Supervisory Body might want to consider approaches where the crediting factor is applied by the country receiving the A6.4ERs for the purpose of accounting. The

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<sup>1</sup> [https://web.worldbank.org/archive/website01379/WEB/IMAGES/BIOCF\\_PA.PDF](https://web.worldbank.org/archive/website01379/WEB/IMAGES/BIOCF_PA.PDF)

<sup>2</sup> <https://www.forestcarbonpartnership.org/about>

<sup>3</sup> <https://www.biocarbonfund-isfl.org/who-we-are>

MDB WG considers that it would be important to consider these aspects before definitely including the use of the tonne-year crediting approach as part of the Article 6.4 Mechanism.

The tonne-based crediting approach in that context would be more straightforward and the option 1, where credits issued shall be equal to the number of tonnes of carbon stocks achieved and verified, is more in line with the current practices in the voluntary markets as well as the jurisdictional approaches tested for REDD+. The MDB WG welcomes the addition of the compensation options (Permanence buffer backed up by host Party guarantee and Commercial insurance) but, in case of A6.4ERs that have been authorized for use towards international mitigation purposes, would encourage the supervisory Body to also consider options where the risk could be taken on by the Party that receives the A6.4ERs (so not just the Host Party). Moreover, MDB WG encourages the Supervisory Body to consider the use of a pooled buffer approach whereby buffers from different SDM project activities are pooled together, instead of having individual buffers. This would enable the SDM to better service any risk of reversal across the “portfolio” of registered SDM project activities, and reduce the requirements with regard to host Party guarantees.

### **Participation requirements for land-based removal activities in an area covered by an activity under the jurisdictional approaches**

Section 3 of Appendix 1 of the recommendation addresses the situation where an Article 6.4 land-based removal activity takes place in an area covered under the jurisdictional approaches to enhance forest carbon stocks. It is our understanding that the recommendation is to geographically separate the area of the Article 6.4 land-based removal activity from the jurisdiction (no overlap where the Article 6.4 land-based removal activity has to be cut out of the jurisdiction). If this understanding is correct, the WBG would encourage the supervisory Body to consider some of the approaches that have been developed under REDD+ to ‘nest’ projects within jurisdictional programs.<sup>4</sup> These approaches allow to keep the integrity of a jurisdictional accounting approach while still avoiding double counting. For countries this approach allows for a more comprehensive strategy that can optimize removals and mitigate risks in a systemic manner.

Moreover, the above seems to imply that jurisdictional approaches would not be eligible under Article 6.4. If this understanding is correct, the MDB WG would encourage the Supervisory Body not to limit Article 6.4 to project activities but also to Jurisdictional programs<sup>5</sup>.

### **Accounting requirements**

Paragraph 26 of the draft recommendation states that ‘the activity boundary for the accounting of removals and project emissions shall include in-situ carbon stocks, the ex-situ carbon stocks, the equipment and the material used, and any sources of emissions related to implementation of the activity’. The experience with CDM A/R methodologies has been that methodologies ended up being very conservative when it came to the inclusion of emissions from material used and implementation. This resulted in a situation where a lot of effort was required for determining relatively small sources of emissions (such as the carbon in fence posts used or emissions from fuel use for transporting seedlings to the site). Paragraph 9 of the recommendations allows for the estimation of carbon stocks to employ conservative default factors that allow flexibility in monitoring or monitoring with lower costs. We would encourage to apply the same to the emissions from equipment and materials used, and the implementation of the activities. In addition, the Supervisory Body might want to consider a threshold that would allow exclusion of certain sources of emissions if relatively small.

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<sup>4</sup> A REDD+ Nesting manual may be found at <https://openknowledge.worldbank.org/handle/10986/36363> and a paper on the lessons learned from country experiences with REDD+ Nesting can be found at <https://openknowledge.worldbank.org/handle/10986/29720>

<sup>5</sup> Differences between project and jurisdictional models may be found at <https://openknowledge.worldbank.org/handle/10986/36363> and