

Notes from the Lab.

To the UNFCCC Supervisory committee on Article 6.4 and insurance

ITMO's represent a large environmental asset activity with associated risks

we believe that ITMO's as performative carbon instruments will require the acknowledgement of environmental effect for some duration. The forward effect of removals is a risk in 2050 associated with 5-10 GT/yr of removal activity and 70-225 Gt removed means trillions of \$'s worth of economic removals activity and performative risk. Capital only moves at the speed of risk.

The current article 6.4 and 6.2 documentation may not acknowledge fully the handling of performative risks associated with ITMOs after they are applied to NDCs. Insurance and risk management are acknowledged briefly in 6.4. Getting the balance correct between carbon risk cost efficiency, performative efficacy and transparency will be vital for scale and likely require a "soft" ecosystem of capacities to emerge and adapt rapidly requiring clarity around ITMO performance expectations and reversal outcomes.

Many types of risks require "soft" risk infrastructure innovation at scale

The risks of carbon reversal, premature facility closure (accrual failure) and many other types of risk require technical, financial and regulatory innovations such as insurance. This soft infrastructure innovation requires coordinated activity among multiple actors, environmental regulators, insurance regulators, re-insurers, insurers, govts., MRV, financial and data providers.

The time durations and capital involved combined with the international nature of the risk transfers and capital flows involved likely requires supra-jurisdictional co-ordination and insurance facilities development while minimizing environmental and fiscal moral hazard issues.

Carbon Risk Observatory as a research solution for coordinating innovation

To address these issues Carbon Finance Labs is launching today a project called the Carbon Risk Observatory in conjunction with IETA: document attached to research the

roles, actors and actions required to develop this critical soft infrastructure to match the physical infrastructure (technical and nature based) for removals.

The initial kick-off meeting for this occurred at 2-3 pm May 24th in Bilbao.

Suggestion establish an ITMO Risk Work Group

We suggest the UNFCCC establish a working group to explore removals risks and solutions like insurance across the fiscal, environmental impact lifecycles and SDG dimensions of these projects. The goals are to get the right balance, between public and private actors to develop the risk management ecosystem for efficient, effective and transparent ITMO risk solutions at scale.

Carbon Finance Labs as support resource

Carbon Finance labs offers its resources to serve in support of such a committee in a capacity deemed most useful by the UNFCCC and its mission to reduce climate change impacts.

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