

Article 6.4 mechanism: structured call for input on recommendations for activities involving removals

Drax Group Plc response: 1 August 2023

Executive Summary

Drax Group welcomes the opportunity to respond to the structured consultation launched by the Supervisory Body at its sixth meeting. Responses to each of the elements of the consultation are contained in the pages which follow.

Drax appreciates the Supervisory Body's openness to stakeholder feedback and has made several submissions this year on activities involving removals. In those responses, Drax stressed the importance of incentivising the deployment of removals which offer quantifiable and permanent storage of carbon dioxide (CO₂).

The responses to this most recent call for input are anchored around the following themes:

1. Reversals must be addressed in a manner proportionate to the level of risk. Risk should consider the scientifically substantiated durability of storage and the regulatory context within the host country of the project.
2. Monitoring and reporting requirements should enable the deployment of removals which offer quantifiable and permanent storage of CO₂, whilst providing assurance of outcomes for less durable forms of storage.

Given the urgent need to deploy permanent carbon removals at scale, we urge the Supervisory Body to ensure the mechanism enables rather than hinders high-integrity projects from being developed.

Thank you for considering Drax's input.

Yours faithfully

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1. Monitoring and reporting

Monitoring and reporting requirements should consider the durability of storage of removals. For example, a project storing CO₂ in geological reservoirs for centuries should not be subject to the same requirements as an afforestation project with storage lasting decades. Monitoring and reporting requirements may vary according to complexity and frequency.

Monitoring reports should be delivered for all projects within the first two years of activity implementation, due to the heightened risks associated with initial implementation including reversals. Thereafter, subsequent monitoring reports should be required at a rate reflecting the risks of reversal of CO₂ storage. For a project harnessing geological storage, subsequent monitoring reports could be submitted every five years (coinciding with a third of the crediting period). Projects utilising less durable forms of storage should be subject to an increased frequency of reporting. In all cases the responsible entity for submitting the monitoring report should be the project developer.

The complexity of monitoring and reporting may also be eased for projects utilising permanent storage. This could be achieved by allowing qualifying projects to submit information already relayed for demonstrating successful storage of CO₂ to the host country, in compliance with relevant regulations. This would help to avoid requiring double reporting from project participants.

Reversal notification reports should be implemented for speed and clarity. Therefore, notification of reversal must be made within 60-90 days of an observed event, relayed to the Supervisory Body digitally, and followed-up with an updated monitoring report within three months of the notification being served.

To address the residual risk of reversals beyond the monitoring timeframe the Supervisory Body should consider a “post-project monitoring period”. This could commence at the end of the final crediting period and be performed on an annual basis for a time period determined by the risk of non-permanence or substituted with appropriate domestic regulatory monitoring arrangements. For example, projects with geological storage subject to robust regulatory requirements for monitoring of said storage should have either a de minimis or no post project monitoring period at all within the context of the 6.4 mechanism. However, projects utilising less durable storage should be subject to a longer post-project monitoring period, with more detailed reporting requirements.

2. Addressing reversals

Drax would caution against the summary application of buffer contributions to all kinds of removals activities. In the case of removals involving geological storage, the scientifically substantiated risk of reversal is negligible¹. If the likelihood of reversal in a project is extremely low, any buffer contributions beyond the degree of real risk may act as a barrier to deployment, particularly for capital intensive projects. A more proportionate tool would be for the Supervisory Body to rely on the underlying regulatory framework within the host country, assessing whether it provides appropriate monitoring requirements, incentives to maintain

¹ A recent study on geological storage in the UK indicated that under a ‘worst case scenario’ >99.9% of injected CO₂ will be retained within its storage complex over 25 years of injection operations and 100 years of post-injection monitoring: “*Deep Geological Storage of CO₂ on the UK Continental Shelf Containment Certainty*”, Department for Business, Energy & Industrial Strategy, 2023.

storage and remediation mechanisms². Taking such circumstances into account will also help the 6.4 mechanism to avoid duplicating regulation on the project.

Where buffer mechanisms apply, they should be implemented in a manner proportionate to the scientifically substantiated level of risk of reversal. For example, if the likelihood of reversal of totality of CO₂ storage over the determined timeframe stands at 1%, then projects should be required to make buffer contributions equating to 1% of credit issuance over the crediting period. Beyond this contribution, the modalities of operating the buffer pool must not add any additional burden on projects, lest their deployment be negatively affected (especially within the context of the broader mechanism requirements which reduce credit returns and constrain project viability such as contributions for OMGE or Share of Proceeds). This would entail:

- Limiting a project's liability for remediation of reversals to the quantum of 6.4ERs contributed to the buffer pool by said project up to the date of the reversal event. This will ensure that the liability is commensurate with the risk of reversal of the project. Making a project liable for full remediation of CO₂ reversals on a 1:1 tonnage basis effectively renders the buffer a liquidity pool for uncapped liability; making capital intensive projects unfinanceable and reducing deployment of removals.
- Returning uncanceled 6.4ERs in the buffer pool to the project proponent.
- Enabling the possibility for insurance mechanisms to substitute for buffer contributions.

Regarding calculation of risk, Drax recommends against standardised rates determined by the Supervisory Body. This approach could give rise to projects addressing reversals in a manner which exceeds the true risk of their occurrence. To ensure that measures remain proportionate the Supervisory Body should be requiring individual activities to supply their own risk assessments. To ensure quality and consistency, the Body should standardise what those assessments should entail. Flowing from this should then be a bespoke set of requirements which vary according to the risk of reversal identified by the project, with such requirements becoming less onerous the lower the degree of identified risk is.

² [The EU's Directive on the geological storage of carbon dioxide](#) (CCS Directive) provides a robust regulatory framework, which includes a requirement for storage operators to surrender emission trading allowances in the event of leakages (under [Directive 2003/87/EC](#)).