



Structured call for inputs on recommendations for activities involving removals

Comments from Osservatorio Parigi

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Dear Supervisory Body,

Thank you for enabling submissions on this critical piece of the Art 6.4 articulation.

Before addressing the specific questions it is necessary to iterate three anchors to any decision the Supervisory Body makes on these issues.

1) Mandate to deliver OMGE

To deliver this currently the low proscribed cancellation rate of 2% and leakage rates in crediting activities can result in significant leakage. Of course, leakage rates depend on. However, the majority of ITMO crediting projects in the near term are likely to be in project categories subject to the highest rate of leakage. The MRV rules must be designed to reflect the overall

2) Mandate to ensure Environmental Integrity

Environmental Integrity is central to Art 6.4, as per its initial conception in the Paris Agreement, as well as subsequent guidance from the CMA.^{1,2} Unit quality is recognised by respected academic and epistemic actors as being an intrinsic element of Environmental Integrity. How leaky a unit is, and what safeguards there are to correct this are an intrinsic part of this. Given the overall purpose of the UNFCCC is to avert dangerous warming, at a level which the Paris Agreement translates to pursuing efforts to 1.5 while remaining well below 2 degrees.^{3,4} Ensuring that removals are sufficiently durable to affect the warming signal is an overarching imperative.

Durability cannot be considered separately from the other elements of unit quality, such as additionality, and it should not merely be an abstract concept; instead, it must be anchored to a precise timescale. Projects predicated on ephemeral, "short

¹ See Lambert Schneider and Stephanie La Hoz Theuer "Environmental integrity of international carbon market mechanisms under the Paris Agreement" 2019 19(3) Climate Policy at 389.

² World Bank *Ensuring environmental integrity under Article 6 Mechanisms* (2020) at II.

³ United Nations Framework Convention on Climate Change, May 9, 1992, S. Treaty Doc No. 102-38, 1771 UNTS 107, Article 2.

⁴ Paris Agreement to the United Nations Framework Convention on Climate Change, Dec. 12, 2015, T.I.A.S. No. 16-1104, Article 2(1).



term" reductions, which may invoke the potential for repeatability or temporary positive feedback as a guise for efficacy, must not be given equal standing with truly durable initiatives.

We must also bear in mind the stark disparity between project timescales and the vastly greater geological timescales upon which climate processes operate. As such, an overreliance on long-term monitoring, in lieu of initial guarantees of durability, is not a viable or responsible approach. Durability, as a cornerstone of environmental integrity, should be affirmed and quantified at the outset of any project.

3) Mandate to ensure systemic incentives point towards mitigation

In designing MRV rules it is essential that, as Schenider and Loz, deem essential for environmental integrity the residual systemic incentives are aligned with mitigation. On this basis it is illogical and harmful to place higher obligations on projects that remove carbon from the atmosphere- especially as this is the only type of project that can counterbalance the significant residual emissions on the horizon and ultimately fulfill a Net-Zero objective.^{5 6 7}

2.1. Monitoring and reporting

5. Should the activity proponent be required to periodically update its monitoring plan every five years and/or at the end of the crediting period?

Given the significant R&D into monitoring tools, and advances in machine learning and satellite data, the activity proponent should review its monitoring plan annually, and then update it every five years.

6. Should monitoring reports be submitted within the first [2] [5] [X] years of activity implementation? After the first report, at least once every [2] [5] [X] years?

The first monitoring report should be submitted within the first year of activity. This will reveal different results for different types of projects, but is nonetheless essential to get an early indication of the robustness of a project as the emissions it leaks, or any reversals that occur, at the earlier point in time, will lead to increased cumulative radiative forcing even if in 5 years time that reversal is addressed. Monitoring reports should then be submitted annually. This also enables robust information for the emerging carbon credit rating agencies to also update their own risk ratings of the same credits.

7. Do the “reversal notification” reports referred to in SB 003 recommendations involve, e.g. digital notification of an observed event that could lead to a possible reversal of removals; submission of notification within

⁵ Buck, H.J., Carton, W., Lund, J.F. and Markusson, N., 2023. Why residual emissions matter right now. *Nature Climate Change*.

⁶ See definition of net-zero. IPCC, 2018. Special Report: Global Warming of 1.5 degrees- Glossary. Accessible at: <https://www.ipcc.ch/sr15/chapter/glossary/>.

⁷ Paris Agreement, above n 2, at Article 4.1.



[90] [120] [X] days of the observation; follow-up submission of a full monitoring report within [6 months] [1 year] [X timeframe]?

Similar to point 6. Reversal notification should be within 30 days of the observation, and follow-up within 6 months to ensure that end-users have sufficiently long-lead time to adjust to ensure the reversal is addressed, and any claims made on the back of them do not cause legal and/or reputational risk to them.

8. To ensure and demonstrate the continued existence of removals, are activity proponents required to undertake monitoring and address reversals:

(a) Only during active crediting period(s) or

(b) Also [15] [X] years after the last active crediting period?

(c) The longer of [9(a)] [9(b)] or a timeframe specified by the host Party (e.g. communicated in LoA or earlier)

The timeframe should be specified, at minimum and to align with Core Carbon Principles, this should be 25 years. This is based on a crediting period of 15 years as indicated previously by the Supervisory Body and the ICVCM's guidance of a minimum 40 years. Implementing this will require alignment. However, all projects require much longer-term monitoring and obligation to fulfil their ultimate climate impact, and this should be priced accordingly.⁸ Indeed the ICVCM has indicated it will shift next to look at 100 year permanence levels, and potentially extend MRV obligations until the latest date of expiry of the monitoring and compensation period of all registered and completed mitigation activities. This may be, for example, when the carbon-crediting program ceases to exist or is otherwise prevented from operating the pooled buffer Reserve.⁹

9. Is simplified annual reporting required to ensure and demonstrate the continued existence of removals? In what cases and how long?

Yes, for at least 100 years. Preferably this would be set based on the crediting project, with the objective it stabilise emissions to the atmosphere.

10. Are measures required to address the residual risk of reversals beyond the monitoring timeframe? If so, for how long, and what are the options for, e.g. the mechanism(s), responsible entity(ies), oversight?

Yes, although it may be difficult to place a 100 year obligation on the project developer (at least without the inclusion of insurance to manage situations of bankruptcy etc) an independent and expert Reversal Commission should be created. They can act as both investigators and as an ongoing buffer pool of last resort. Contributions to the Reversal Commission should be funded as a levy on a carbon credit, with the levy rate adjusted based

⁸ Given these additional MRV needs it is likely for instance that conventional removals could become cost-competitive with technological removals if a levelised cost is put forward. See: Prado, A. and Mac Dowell, N., 2023. The cost of permanent carbon dioxide removal. *Joule*, 7(4), pp.700-712.

⁹ Page 86 - CCPs



on the risk of reversal of the project type which the Supervisory Body or Reversal Commission could revise annually as scientific understanding evolves.

The objectives of a Reversal Commission are two fold:

- 1) To undergo the monitoring once the period past 25 years past the crediting period has ended (see above)
- 2) Compensate for the reversals using their own buffer stock of durable removals

11. What type of risk rating is used to calculate an activity's buffer contributions?

(a) The results of an individual activity's risk assessment;

(b) A standard rate determined by the 6.4SB;

(c) Either measure could be appropriate, depending on the circumstances (in this case, what factors should determine the use of an activity-specific or standard risk rating)?

A mix of (a) and (b) - Art 6.4 SB should set a minimum standard rate per activity type, that can be revised and adjusted as needed. Then based on an individual's activity's risk assessment, project developers can then be encouraged to top up the buffer pool as necessary, and as well as an incentive to induce more purchasers.

12. What are the options for circumstances/triggers and/or periodic milestones for reviewing and possibly updating activity baselines, risk assessments (so, risk ratings), and monitoring plans, including in relation to:

(a) Verified reversals of removals; and

Annually reporting should be the norm, and enable it to feed through to published risk ratings enabling purchaser information.

(b) The stages of activity cycle implementation?

At minimum renewal of the crediting cycle should be a milestone to reassess all documents. Whereas the 6.4 SB should retain the right to 'call-in' a project type or category for assessment before this, should best practice shift to avoid unnecessary lock-in of harmful project types.

13. On what basis could requirements provide for the use of simplified / standardized elements or mandate the use of more frequent, full, or activity-specific elements and what are the requirements that may be relevant?

(a) Activity type or category;

(b) Risk rating level (e.g. above versus below a given %-based threshold);

(c) Risk assessment contents (e.g. nature, number, variety of risk factors);

(d) Monitoring plan (e.g. complexity, frequency, responsible entity).



The risk rating level of the activity type should be the basis. For example, reporting for longer-term geological storage is likely to be significantly more pro forma than that of other types.

14. Should procedures take the same or different approaches to instances of reversals that are

(a) intentional/planned versus

(b) unintentional / unplanned?

(a) How/would other tools to address reversals involving direct credit replacement

(including use of insurance / guarantees) be used in combination with a buffer pool?

While the fundamental atmospheric balance is agnostic as to whether it was unintentional or planned, the latter should be factored in with appropriate liability procedures. Including the use of Offset Insurance. This proposal goes into detail about how such a proposal could work.

2.2.2. Reversal risk tools—General: Buffer pools, direct credit replacement, insurance guarantees

15. Regarding reversal risk buffer pools, direct credit replacement, and insurance / guarantees:

(a) What is the current practice with these reversal risk tools, including the extent and nature of their use (respectively and in combination), transaction costs and how these are financed, and potential roles of the Host Party in multi-decadal compensation Requirements;

Insurance is very nascent, but needed. See Kita for example.¹⁰ See also proposal for Offsetting Insurance more broadly.¹¹

(b) The circumstances under which the use of a given tool may be required or supplemental—for example, for intentional versus unintentional reversals, or during versus beyond the last active crediting period—and rationales.

Again legal liability that is attached with an insurance claim triggering and recovery procedures are vital.

2.2.3. Reversal risk tools: Specific

¹⁰ Kita, 2023. Accessible at: <https://www.kita.earth/>.

¹¹ Johnstone, I., 2023. De-risking Net-Zero through Offset Insurance: A Proposal. De-risking Net-Zero through Offset Insurance: A Proposal. Conference Paper. Accessible at: <https://sustainablefinancealliance.org/blog/paper/de-risking-net-zero-through-offset-insurance-a-proposal/>.



16. What are options for robust buffer pool design, including conditions and procedures for its use, ER composition, replenishment, and administration.

Buffer pools are not a monolith. Depending on the project type some may need to be much larger, and others much smaller (mineralization).

17. The need for additional procedures and guidance for the 6.4SB, PPs, insurers/ guarantors to implement options for direct ER replacement, including for insurance or guarantees.

Review Offset Insurance Proposal

2.2.4. Treatment of uncanceled/unused buffer ERs

18. Are uncanceled ERs in the buffer pool returned to the activity proponent to incentivize performance and/or automatically cancelled, and is this done periodically throughout the activity cycle or only after the end of the activity lifecycle or the host Party NDC timeframe?

They should be automatically cancelled. “Incentivising Performance” needs to be met with legal liability for default (again which can be supported with an insurance model).

19. Whether the options for treatment and timing are mutually exclusive or could be applied in combination (e.g. returning some but not all ERs to proponents).

The only case some should be returned are where there is ongoing demonstrable low-risk of reversal - mineralization. All other types should be subject to automatic cancellation.

20. Possible basis for periodically returning ERs to proponents (e.g. metrics for activity performance, activity cycle milestones).

There should be no basis for returning ERs to proponents, especially for them to be resold- at this point they are not additional and thus do not meet the standards of environmental integrity.

21. Procedures for the SB’s periodic review and ongoing management of buffer contributions (e.g. buffer composition, stress-testing the sufficiency of risk coverage)

Buffer contributions and stress-testing should occur seasonally to be in line with scientific practice and the precautionary principle of international law given the climatic extremes in future.

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