

## **Submission on emissions removals to the Supervisory Body of the Article 6.4 Mechanism**

July 2023

As removals continue to back net-zero claims in the corporate world, and NDC's at the national level, the scope around how emissions removals are considered and approved through the Article 6.4 Mechanism is of importance globally.

Inputs will inevitably reflect each stakeholder's needs and dependencies, hence I would like to communicate transparently that with 44.moles, as a business we intend and depend on protecting and growing forests globally.

We will advocate for the scope that best creates a strong incentive for high-integrity nature-based removals to ensure growing and protecting nature will not remain an endeavor of enthusiasts, but a financially feasible option for anyone.

Especially, projects in the AFOLU sector require a clear and detailed guideline, as they require long-term decisions that affect the use of land at scale and the financial security of its stewards for generations. As governments and private landowners need to maximize their lands capacity to remove emissions, the Article 6.4 Mechanism needs to provide a definitive incentive and a strong argument for the long-term necessity of nature-based projects, whether that is planting trees, or significantly increasing timber volumes, long-term.

A lack of criteria for high integrity projects in the AFOLU sector leads to a lack of change and implementation. By now, several countries (Sweden, Switzerland, etc.) have explicitly communicated that projects in the forestry sector will not be supported through their Article 6.2 activities. Article 6.4 must provide a framework for transparency and trust to ensure investments in nature-based solutions are maintained and can grow over time.

As long as low quality, high-risk nature-based projects are approved at scale, the incentive for the private sector and governments to invest in those solutions will continue to minimize and eventually cripple the potential of removals through forests globally.

**We advocate for removals that challenge the status quo, to encourage true ambition for nature and nature-based solutions. The Article 6.4 Mechanism should not simply reflect the current state but provide a basis for high-integrity investments in accurately quantified long-term emissions removals.**

## **2.1 Monitoring and reporting**

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

The monitoring plan should not be periodically updated by the activity proponent. As monitoring plans should be reviewed by national authorities and/or the Supervisory Body (SB). Updates should be subject to an identified lack of integrity or accuracy.

National Authorities or the SB should present a guideline that reflects the required best practice around monitoring. The guideline should be updated periodically and only if an activities monitoring plan is not in alignment an update should be required by the activity proponent.

Building trust around removals comes along with a framework for accountability. Through reviews of monitoring plans by a national authority or the SB, the activity proponents are held accountable, and the public in turn can build trust in the Mechanism. Public access to reviews (as in which activity is required to update their monitoring plan) is essential to ensure investors and the public are in the know.

### **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?**

Depending on the activity an initial inventory/monitoring report should be required to start an activity. The report should hence be submitted within the first year.

It should be prohibited for activities in the AFOLU sector to issue removals before the first monitoring report has been published. An initial assessment of current carbon sinks and the activities potential to produce additional emissions removals should be assessed, referencing the first monitoring report.

Assessing the potential for emissions removals without data from the activity area would result in highly inaccurate results, likely misrepresenting the area's true potential.

In addition, removals should not be issued ex-ante. Issuance of ex-ante removals, as in removals issued before the first monitoring report has been published, would significantly increase the risk for over issuance of removals, which in turn would make removals issued by the SB less trustworthy.

After the first report, a new monitoring report should be submitted at least once every five years. The exact time period should depend on the available technology to track statistically significant carbon fluxes specific to the activity. The time period required should be as short as possible.

Again, removals should only be issued after each newly published monitoring report, to ensure only emissions removed and quantified are sold. Removals based on predictive models would encompass a high risk for over issuance of removals.

At 44.moles GmbH we track fluctuations of silvicultural above-ground carbon sinks using terrestrial laser scanners. We can identify statistically significant changes in biomass within a five-year period.

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

Reversal notifications should be submitted as soon as the activity proponent or the national authority has been notified of occurred reversals and has verified the news. Notifications within 24 hours would be ideal. The shorter the notification period the more trustworthy would an investment in removals become.

The follow-up submission of a full monitoring report should occur within one year to quantify the exact amount reversed. The activity proponent should be required to re-sequester the reversed amount within a realistic time frame defined by the national authority if the reversals are found to have been caused by the proponent willfully.

**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)**

Removals should be monitored by the activity proponent during the crediting period. Further monitoring beyond the crediting period is crucial to ensure permanence. We believe that further monitoring of removals past the crediting period should be undertaken by the host party’s national authority.

Financing of said monitoring past the crediting period should be split between the host Party and the buyers. Exact financing mechanisms of ex-post monitoring should be specified by the host party.

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

Simplified annual reporting should not be required if the removals are issued consecutively after each monitoring report, issuing only ex-post emissions removals.

Only if the activity is associated with a “high-risk for reversals” should simplified annual reporting be required.

**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?**

Especially, when it comes to nature-based solutions, the residual risk of reversals beyond the monitoring timeframe is an inevitable characteristic.

Importantly, we believe the risk should be communicated, and distributed fairly. Buyers should be aware that purchased removals can be subject to reversals, also past the monitoring timeframe.

Instead of withholding a “pool” of removals from being sold, to lower the risk for buyers, we believe buyers should instead be encouraged to buy enough removals to build their own buffer, depending on how heavily they depend on the removals to reach their climate goals.

Buyers could build alliances to fuel a common buffer pool, distributing the risk among themselves.

At 44.moles we do not believe that the buffer pool should be maintained by restricting activity proponents in the number of removals they are allowed to sell. The financial incentive for activity proponents to sequester and remove emissions should at no point be sacrificed as this would limit the Mechanisms potential to scale and to impact the climate.

## **2.2 Addressing reversals**

### **2.2.1. General**

**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)?**

b) A standard rate determined by the SB should be used. The rate should group activities not only according to the associated risk, but also the activities potential impact. By discriminating projects simply based on reversal risk, investments in activities with high potential for large quantities of removed emissions, additionally associated with a high reversal risk would be less attractive to buyers and activity proponents.

Forests can potentially remove vast amounts of emissions, due to the activities large area of potential implementation, but with rising global temperatures the reversal risk for forest projects will increase. Standard rates should reflect not only the current and future risk of reversals, but also the potential callable alternatives and their associated risk.

We believe an expert group should be tasked to establish a scheme for risk rating of removal projects.

**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 (b) The stages of activity cycle implementation?**

Risk ratings/categories should be reassessed with each new monitoring report. When removals are issued consecutively after each monitoring report the number of reversals issued should reflect the most recent assessment of reversal risks.

Risk ratings should not be allowed to fluctuate beyond a certain threshold to ensure activity proponents can reliably forecast potential income through the activity and hence whether it will be financially feasible.

**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?**

Reversals should be treated differently depending on their cause.

If reversals are intentional/planned, which should be assessed by an independent third-party, the activity proponent should be required to re-sequester the reversed amount within a given timeframe or finance the removal of said amount through an already established activity of different independent activity proponents, proposed by the national authority.

If reversals are deemed unintentional/unplanned by an independent third party the reversal should be communicated to the removal owner. The owner should not be compensated for said reversal. As stated above the risk of reversal should be communicated before the purchase of removals and the buyer should ensure a buffer is created.

By ensuring buffers are maintained independently by the buyers, investing in a diversity of activities, with differing risk ratings would lower the risk and in turn ensure a variety of activities are supported through the Article 6.4 Mechanism.

Thank you for your consideration and the detailed work you are continuously presenting.

Greetings,

Finn Grundmann