

Input to the draft Recommendation: Activities Involving Removals Under the Article 6.4 Mechanism

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), by its decision 3/CMA.3 “Rules, modalities and procedures for the mechanism established by Article 6.4”, requested the Supervisory Body to elaborate and further develop, on the basis of the rules, modalities and procedures of the mechanism, recommendations on “activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts (...)”.

This submission presents Conservation International’s recommendations for consideration by the Article 6.4 Supervisory Body as it continues its work to develop guidance to the CMA on removal activities under the mechanism. It is presented in response to the Call for input 2023-Issues included in the annotated agenda and related annexes of the seventh meeting of the Article 6.4 Supervisory Body, and it addresses specifically Annex 15-Draft Recommendation: Activities involving removals under the Article 6.4 mechanism.

INTRODUCTION AND HIGH-LEVEL COMMENTS

In our review of the draft recommendation, Conservation International emphasizes the importance of encouraging the anthropogenic enhancement of biological sinks and the protection of the natural processes that currently provide uptake of GHGs in the biosphere.

We stress the ongoing role that biological sinks have played in climate mitigation efforts and the potential to enhance those sinks. For example, Parties to the Kyoto Protocol were able to account for removals from the land sector under IPCC Guidance (i.e. LULUCF or AFOLU sector) as a means of meeting their targets and after extensive negotiations agreed on Afforestation and Reforestation (A/R) methodologies under CDM (AR-ACM0003, AR-AM0014, AR-AMS0003, AR-AMS0007), further adopted by independent standards as Verra and Gold Standard. The land sector is also crucial for meeting the goals of the Paris Agreement, and Article 6.4 provides a useful tool toward that end. As such, ***any provisions that unduly or disproportionately discourage the enhancement of biological removals should not be adopted under the Article 6.4 mechanism.***

The suite of mechanisms that ensure integrity of the Article 6.4 mechanism can be designed and implemented in a way that 1) preserves flexibility, while ensuring that reversals will be rare and the associated risks, when present, will be managed, 2) ensures that reversals will be monitored, detected and quantified when they occur, and 3) guarantees that the affected parties will be made whole again whenever reversals occur – including the global climate system.

Measures that require onerous monitoring periods, that impose overly burdensome buffer reserves, or that over-penalize reversals will discourage the implementation of enhancement activities, leading to underperformance of the mechanism and a failure to activate the mitigation potential of the biosphere. These mistakes have already been witnessed in the CDM mechanism, and the underlying problems were clearly diagnosed and remedies proposed by the BioCarbon Fund¹. In Article 6.4, the successor to the CDM, we cannot afford to make those same mistakes again. We urgently need to utilize all available mitigation opportunities. The lessons of past experiences should inform everything we do in the context of Article 6.4. In many instances, the draft recommendations appear to ignore those lessons – to the detriment of future stakeholders and all who stand to benefit from effective climate mitigation.

¹ https://www.biocarbonfund.org/sites/default/files/documents/57853_ExecSumm_Final.pdf.

We see ample scope for building systems into the Article 6.4 mechanism that will ensure its integrity without unduly or disproportionately affecting the role of nature-based removals. Many of the proposals laid out in the draft recommendation text can be applied to both technological and nature-based removals in a balanced way that ensures the integrity of both. On the other hand, others, while well-intentioned, would clearly have the effect of discouraging the enhancement of nature-based removals. We address those specific proposals in detail below.

A. MONITORING

Location: 4.1 Monitoring, Paragraphs 25 and 26

Text	Proposed edits in blue	Justification
<p>26. Activity participant shall be responsible for post crediting period monitoring for a minimum period of:</p> <p>(a) Option 1: 15/20/25/40/100 years;</p> <p>(b) Option 2: A timeframe specified by the Host Party;</p> <p>(c) Option 3: until the reversal risk is eliminated or deemed negligible;</p> <p>(d) Option 4: a time period determined by the risk of non-permanence or substituted with appropriate domestic regulatory monitoring arrangements;</p> <p>(e) Option 5: [Monitoring is required only during the crediting period; no post crediting period monitoring is required].</p>	<p>Paragraph 26 should be revised, accepting Option 4 and deleting the other options, to read as follows:</p> <p>26. Activity participant shall be responsible for post crediting period monitoring for a minimum period of:</p> <p>(a) Option 1: 15/20/25/40/100 years;</p> <p>(b) Option 2: A timeframe specified by the Host Party;</p> <p>(c) Option 3: until the reversal risk is eliminated or deemed negligible;</p> <p>(d) Option 4: a time period determined by the risk of non-permanence or substituted with appropriate domestic regulatory monitoring arrangements;</p> <p>(e) Option 5: [Monitoring is required only during the crediting period; no post crediting period monitoring is required].</p>	<p>Monitoring capacity should be in place at the onset of any activity that is intended to generate credits to be used under Article 6.4. Under no circumstance should credits be generated for results that may have occurred before monitoring was in place. Monitoring should continue over the course of the period in which the activity seeks to generate credits, and it should be sufficiently robust to verify that the activity is ongoing and to detect and quantify any reversal that occurs.</p>

B. CREDITING PERIOD

Location: 4.4. Crediting period, paragraph 60

Text	Proposed edits in blue	Justification
<p>60. New versions of methodologies should highlight and explain any changes from previous versions of applicable methodologies to provide visibility for all stakeholders, implications for monitoring and measurement.</p>	<p>Paragraph 60 should be replaced with new text, to read as follows:</p> <p>60. New versions of methodologies should highlight and explain any changes from previous versions of applicable methodologies to provide visibility for all stakeholders;</p>	<p>Approaches for managing changes in methodologies are already well-established and should be utilized, to promote confidence in the integrity of credits and consistency with national accounts, among other reasons.</p>

	<p>implications for monitoring and measurement.</p> <p>60. Any changes in methodologies across or within crediting periods should be clearly documented, and the methodological consistency of crediting should be demonstrated for all crediting periods, through the application of approaches such as those listed in the 2006 IPCC Guidelines for national Greenhouse Gas Inventories, Volume 1, Chapter 5, or any subsequent revision thereof.</p>	
--	---	--

C. ADDRESSING REVERSALS

Location: 4.5. Addressing reversals, Paragraphs 65 and 66

Text	Proposed edits in blue	Justification
<p>65. Activity participants shall minimize the risk of non-permanence of removals over multiple nationally determined contribution implementation periods and, where reversals occur, ensure that these are addressed in full, following requirements to be developed by the Supervisory Body.</p> <p>66. A permanence period of [<40] [40] [50] [100] [200] [300] years [after the activity has ceased to operate] [after the year when removals occurred] as a minimum duration of storage shall be applied.</p>	<p>Paragraph 65 should remain and paragraph 66 should be deleted, to read as follows:</p> <p>65. Activity participants shall minimize the risk of non-permanence of removals over multiple nationally determined contribution implementation periods and, where reversals occur, ensure that these are addressed in full, following requirements to be developed by the Supervisory Body.</p> <p>66. A permanence period of [<40] [40] [50] [100] [200] [300] years [after the activity has ceased to operate] [after the year when removals occurred] as a minimum duration of storage shall be applied.</p>	<p>Decision 3/CMA.3² provides that the activities shall “<i>Minimize the risk of non-permanence of emission reductions over multiple NDC implementation periods, and, where reversals occur, ensure that these are addressed in full</i>”.</p> <p>Paragraph 65 is consistent with the approach agreed upon by Parties at COP26 as it refers to the need to a) minimize risks and b) ensure that any reversals are addressed and accounted for.</p> <p>A discussion around a number of years to be considered as a “permanent” period is a contradiction in itself and is not relevant, as long as there are mechanisms to address any reversals (e.g buffers, insurance, etc.), which are already included under section 4.5.3. Remediation of reversals.</p>

² Decision 3/CMA.3 “Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement”, paragraph 31(d)(ii)

D. REVERSAL RISK ASSESSMENT

Location: 4.5.1 Reversal Risk Assessment, Paragraph 69

Text	Proposed edits in blue	Justification
<p>69. Activity participants should demonstrate that the risks have been minimised (e.g. by diversifying removal methods, ensuring that removal projects are strategically located to minimise exposure to these disturbances, maintaining rigorous safety protocols, including regular equipment checks and backup systems). The measures and actions taken to mitigate the risk of reversal should span across different stages: before the project starts, during its operation (e.g. regular monitoring), and even after it has been implemented (e.g. post-closure requirements). Risks that cannot be eliminated shall be addressed as below. The risk assessment should be used to exclude projects with a significant unaddressed reversal risk from being eligible.</p>	<p>Paragraph 69 should be revised, to read as follows:</p> <p>69. Activity participants should demonstrate that the risks have been minimised (e.g. by diversifying removal methods, ensuring that removal projects are strategically located to minimise exposure to these disturbances, maintaining rigorous safety protocols, including regular equipment checks and backup systems). The measures and actions taken to mitigate the risk of reversal should span across different stages: before the project starts, during its operation (e.g. regular monitoring), and even after it has been implemented (e.g. post-closure requirements). Risks that cannot be eliminated shall be addressed as below. The risk assessment should be used to exclude projects with a significant unaddressed reversal risk from being eligible.</p>	<p>The purpose of the risk assessment should be to identify risks so that they can be minimized, monitored and managed.</p> <p>The risk assessment should not be used as an exclusionary tool. Eligibility rules would be difficult to construct in a fair way – they would almost certainly be subjective and variable across geographies and activities. Project proponents are in the best position to manage most risks and they should have the opportunity to do so, without being arbitrarily excluded.</p>

E. REVERSAL RISK ASSESSMENT TOOL

Location: 4.5.1. Reversal Risk Assessment, Paragraph 74

Text	Proposed edits in blue	Justification
<p>74. The Supervisory Body will develop a risk assessment tool and methodologies may include additional guidance on the application of the tool, inter alia; (a) Risk calculation may include standardized formulas and ranges based on the identified risk profile of activity type. (b) From a default risk depending upon activity type/ category/ sector, risk may be adjusted upwards or downwards depending upon the specific circumstances of the activity.</p>	<p>Paragraph 74 should be revised, to read as follows:</p> <p>The Supervisory Body will develop a risk assessment tool and methodologies may include additional guidance on the application of the tool, inter alia; (a) Risk calculation may include standardized formulas and ranges based on the identified risk profile of activity type. (b) From a default risk depending upon activity type/ category/ sector, risk may be adjusted upwards or</p>	<p>The Supervisory Body should develop a risk assessment tool, but we do not believe that standardized or “default” risk based on category or sector are the right starting point. In many cases, the main risk factors are localized and depend on complex interactions of conditions. Such risks are not easily reduced to categorical or sectoral default factors.</p>

	downwards depending upon the specific circumstances of the activity.	
--	--	--

F. POST REVERSAL ACTIONS

Location: 4.5.2. Post reversal actions, Paragraph 75

Text	Proposed edits in blue	Justification
75. In the event of a reversal, the activity participants shall demonstrate that they have undertaken corrective measures, inter alia:	Paragraph 75 should be revised, to read as follows: 75. In the event of a reversal, the activity participants shall should demonstrate that they have undertaken corrective measures, inter alia:	The recommended actions are costly, and project proponents are not always the best to deliver these activities. While desirable, these activities should be optional. We consider them to be aspects of managing future risks, not corrective measures for past reversals.

G. REMEDIATION OF REVERSALS: LIABILITY

Location: 4.5.3 Remediation of Reversals, Paragraph 81

Text	Proposed edits in blue	Justification
81. Addressing reversals shall be based on an assessment of who bears the primary liability for addressing reversals when they occur, for how long they bear this liability and what is the level of risk is for reversals over the time i.e. clear assignment of primary liability for reversals to market actors, clearly defined risk obligations over discretely defined time horizons. [Sovereign guarantees, in particular, could be valuable as a backstop to cover reversal liabilities where it is not possible to enforce obligations on private market actors (e.g. if an actor ceases to exist or goes out of business), but should not be the primary means to address reversals because of the moral hazard this would create]	Paragraph 81 should be revised, accepting some text in brackets and deleting other text, to read as follows: “Addressing reversals shall be based on an assessment of who bears the primary liability for addressing reversals when they occur, for how long they bear this liability and what is the level of risk is for reversals over the time i.e. clear assignment of primary liability for reversals to market actors, clearly defined risk obligations over discretely defined time horizons. [Sovereign guarantees, in particular, could be valuable as a backstop to cover reversal liabilities where it is not possible to enforce obligations on private market actors (e.g. if an actor ceases to exist or goes out of business), but should not be the primary means to address reversals because of the moral hazard this would create].	Liabilities need to be clearly designated for Article 6.4 to work effectively, but mechanisms like insurance, buffer pools, or compensating credit cancellation will require other parties to accept liabilities under certain conditions. The acceptance of liability need not fall to the party with primary responsibility for the project’s success; indeed, these supporting mechanisms are intended to distribute risks over a wider range of actors. As such, any entity should be able to take responsibility for reversals on behalf of projects. The focus should be on establishing a clear cascade of responsibility.

H. REMEDIATION OF REVERSALS: TEMPORARY CREDITING

Location: 4.5.3. Remediation of reversals, Paragraph 85

Text	Proposed edits in blue	Justification
85. Another approach for addressing reversals in full would be to implement temporary crediting (as was adopted for A/R projects under the Clean Development Mechanism).	<p>Paragraph 85 should be deleted:</p> <p>85. Another approach for addressing reversals in full would be to implement temporary crediting (as was adopted for A/R projects under the Clean Development Mechanism).</p>	<p>The temporary crediting approach under the Clean Development Mechanism (CDM), faced several challenges and demonstrated limited effectiveness. It also created disadvantages for afforestation and reforestation projects compared to other sectors, which ended in reduced demand and supply of these credits³.</p> <p>Different alternatives to address removal reversals have been already extensively debated in the past by Parties and approved observers, leading to the technical paper prepared by the SBSTA FCCC/TP/2014/2, in which most of the options indicated in section 4.5.3 have been outlined, as permanence buffer of credits backed up by host Party guarantee, insurance, a combination of buffers and state guarantees. These mechanisms should be prioritized for consideration over temporary crediting, given the past challenges encountered by the temporary crediting approach.</p>

G. DESIGN OF THE BUFFER POOL

Location: 4.5.3.1 Design of the Buffer pool and its operation, Paragraph 98

Text	Proposed edits in blue	Justification
98. Credits in the buffer should be cancelled whenever a reversal is reported, and the activity becomes ineligible for further issuance until the lost removals are recovered.	<p>Paragraph 98 should be deleted:</p> <p>98. Credits in the buffer should be cancelled whenever a reversal is reported, and the activity becomes ineligible for further issuance until the lost removals are recovered.</p>	<p>Credits can be cancelled from the buffer pool OR the activity can receive no further issuance until lost removals are recovered, but requiring both of these actions would be a double penalty. This would be overly punitive and inconsistent with proper accounting</p>

³ World Bank. BioCarbon Fund Experience: Insights from Afforestation and Reforestation Clean Development Mechanism Projects (2011). <https://openknowledge.worldbank.org/server/api/core/bitstreams/da9a4b7a-bfa0-5d4a-89a5-c41b401fa9b4/content>

		procedures. Only one remedy is necessary, and once one remedy has been implemented, then projects should be able to resume earning credits.
--	--	---

H. INTENTIONAL REVERSALS

Location: 4.5.3.1.1 Intentional vs unintentional reversals, Paragraph 109

Text	Proposed edits in blue	Justification
109. [Where there is an intentional reversal, the mechanism registry account of the activity proponent may be frozen such that all issuances/ transfers/ retirements of any credits from the proponent, including those from other projects and previously issued ERs, are halted until all reversals are fully addressed, a follow-up investigation is conducted to determine the reason and nature of the intentional reversal, and appropriate disciplinary/corrective measures taken. In addition, a public notification/tag should be made available on the mechanism registry]	Paragraph 109 should be deleted: 109. [Where there is an intentional reversal, the mechanism registry account of the activity proponent may be frozen such that all issuances/ transfers/ retirements of any credits from the proponent, including those from other projects and previously issued ERs, are halted until all reversals are fully addressed, a follow-up investigation is conducted to determine the reason and nature of the intentional reversal, and appropriate disciplinary/corrective measures taken. In addition, a public notification/tag should be made available on the mechanism registry]	Punitive measures that would apply to intentional reversals are unnecessary, beyond replacing the lost credits or otherwise making the affected parties whole again. Freezing of accounts, investigations, and public notifications are unnecessarily harsh and costly; moreover, the threat of these actions will discourage project proponents from undertaking mitigation activities in the first place.

CONTACT

Florence Laloe
Senior Director, Climate Policy
Conservation International
flaloe@conservation.org

Mariela Perrone Reed
Senior Manager, International Policy
Conservation International
mperrone@conservation.org