IETA Input to the Article 6.4 Supervisory Body

Comments on the Draft Recommendation on Activities Involving Removals under the Article 6.4 Mechanism

September 2023

INTRODUCTION

IETA commends the efforts by members of the Article 6.4 Supervisory Body (SB) and the Secretariat in advancing work on removal activities in the Article 6.4 Mechanism, and note the progress made through deliberations at SB006. We specifically welcome the consideration given to input by observer organisations to advance the work of the SB. We reiterate the positions shared by IETA in previous calls for input and would like to provide the following comments in response to the version of the Draft Recommendation on Activities involving removals under the Article 6.4 mechanism (A6.4-SB007-AA-A15) made available as an annex to the upcoming 7th meeting of the SB.

MONITORING POST CREDITING PERIOD

[26-28] In terms of post crediting monitoring period for activity participants, IETA would like to reiterate that, given the diversity of carbon removal activities, different monitoring and reporting requirements may be necessary. We support paragraph 27, which highlights the specific conditions under which monitoring may be terminated. We would, however, suggest caution in considering how such conditions may be demonstrated in the case of biological carbon sinks. Furthermore, we question the formulation of para 28 and its potential implications when operationalised. In the CCS CDM Modalities and Procedures (Appendix B.4), project participants were required to establish a financial provision in respect to the host country's national laws and regulations. In particular, project participants were required to cover the cost of post-closure monitoring for 20 years. In hindsight, these requirements may have been overly onerous and may not constitute the best way to control risks. Such provisions have proved prohibitive in some developed countries. For instance, financial security requirements in the EU under the CCS Directive have been noted as a barrier to CCS deployment and the guidance documents are currently being revised to address these concerns. IETA therefore believes that this aspect would benefit from further deliberations before moving to conclusions. We would also note that because host Parties are obliged to report any emissions from managed enhanced GHG sinks and reservoirs in their national GHG inventory's (under the MPGs), they are intrinsically bound to take corrective actions in order to meet their commitments under the relevant NDC. As such, it may not be necessary to prescribe specific requirements in this area.

[46] We would like to express concern about the option of potentially transitioning the responsibility for enforcement of liability in the event of not receiving the required monitoring report from the host Party to the acquiring Party. In our opinion, such an approach may risk causing additional confusion in the market and is likely to prove challenging to implement in practice. We therefore consider that any provisions relating to the failure of activity proponents to submit monitoring reports would benefit

from further consideration of potential market impacts and possible alternatives (e.g. penalties and sanctions, use of the buffer pool) before being adopted as a recommendation.

ADDRESSING REVERSALS

When it comes to addressing reversals, we believe that there might be a need to provide a clear definition and potentially identify a threshold for *what constitutes a reversal event*. Otherwise, even miniscule (and potentially temporary) reductions in carbon stocks (e.g. the destruction of a single tree in a large forest), could trigger the provisions related to reversals. If not specified, this could risk causing an unnecessary burden on market participants and administrators, making the mechanism less attractive.

A similar concern arises with the provisions differentiating between intentional and unintentional reversals. While certain cases can clearly be assessed as constituting an intentional or unintentional reversal, there may be situations where deliberately poor management or lax safety conditions (intentional factors) would result in a higher degree of reversals from a natural disturbance (e.g. an unintentional forest fire). If reversals are treated differently (e.g. in terms of buffers) depending on the nature of the event, there may be a need to further specify *what constitutes an intentional/unintentional reversal* and if there needs to be provisions (e.g. for a certain share of credits to be addressed as one or the other). This may require further thinking from the Supervisory Body. That said, we support paragraph 109. Intentional reversals must be managed diligently, or they may risk undermining the integrity of the mechanism.

[45bis] We believe that technical risks should also feature within any reversal risk assessment framework. Factors to consider in these respects – which extend beyond typical methodological aspects – can include, for example, forest design and management, tree species, soil type, climate, geology, other land uses/users and so on. Notably, both the CDM modalities and procedures for geological storage (Appendix B.2) and the CDM modalities and procedures for A/R (Appendix B) contained a range of specific technical and socio-economic risk factors and safeguards for such activities that could be drawn upon to further inform this thinking. We therefore recommend the 6.4SB to review these documents and consider how and where technical risk factors could/should feature.

[73] We believe that the revision and review of activity risk assessment and rating can be made at the earliest of (a), (b), (c), (d) and (f). However, we strongly question the applicability of (e) referring to economic and socio-political shocks in the project region triggering a revised risk assessment. As highlighted in previous submissions, economic and sociopolitical shocks are difficult to define and quantify. Hence, this provision risks causing unnecessary burden on project developers, verifiers and the SB, leading to confusion and uncertainty in the market. Updating the risk assessment at (a), (b), (c), (d) and (f) would still provide enough clarity to stakeholders and for buffer contributions to be adjusted as necessary.

NEGATIVE LIST

[139] IETA does not support the development of a negative list for removal activities. Reaching the goals of the Paris Agreement requires us to find new and innovative solutions to reduce and remove GHGs in the atmosphere. Developing a negative list for unproven technologies at this stage could risk limiting research and innovation in new activity types, negatively impacting our ability to achieve the goals of the Paris Agreement. Instead, all scientifically proven technologies which fulfil the environmental and social safeguards, follow the methodological requirements and any additional overarching guidance for Article 6.4 removal activities should be eligible under the mechanism.

ABOUT IETA

IETA is a non-profit business organisation with a membership of over 300 companies operating in compliance and voluntary carbon markets. Since its foundation in 1999, IETA has been the leading voice of business on market-based ambitious solutions to climate change. We are a trusted adviser to governments to support them in building international policy and market frameworks to reduce greenhouse gases at lowest cost, increase ambition, and build a credible path to net-zero emissions. See www.ieta.org for more information.

IETA and its members look forward to further engaging with the Article 6.4 Supervisory Body. Do not hesitate to contact Björn Fondén (fonden@ieta.org) or Andrea Bonzanni (bonzanni@ieta.org) for any questions.