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 eighth 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.

HIGH-LEVEL COMMENTS

A. Monitoring

Location: 3.1 Monitoring

Text	Proposed edits in blue	Justification
16. Monitoring shall also be conducted after the end of the last active crediting period of the activity for a period of time that is commensurate with the degree and nature of the residual reversal risk based on the results of the reversal risk assessment, the remediation measures applied, and any specifications and arrangements voluntarily provided by the host Party for post-crediting period monitoring of removals attributed to the activity and remediation of reversals of removals in accordance with this guidance. The Supervisory Body will develop further guidance in this regard.	16. Monitoring shall also be conducted after the end of the last active crediting period of the activity for a period of time that is commensurate with the ~~degree and nature of the~~ residual reversal risk based on the results of the reversal risk assessment, the remediation measures applied, and any specifications and arrangements voluntarily provided by the host Party for post-crediting period monitoring of removals ~~attributed to the activity and remediation of reversals of removals in accordance with this guidance~~. The Supervisory Body will develop further guidance in this regard.	In the phrase "period of time that is commensurate with the degree and nature of the residual reversal risk" is very subjective and it is unclear what the term "residual risk" refers to. Post crediting monitoring periods should be consistent across all project types and should not depend on the nature of a reversal risk.
17. [Monitoring may be stopped only when the risk of reversal of removals for which 6.4ERs have been issued is eliminated or deemed negligible. In this regard, evidence is provided that the removals will be stored with negligible to no reversal	~~17. [Monitoring may be stopped only when the risk of reversal of removals for which 6.4ERs have been issued is eliminated or deemed negligible. In this regard, evidence is provided that the removals will be stored with negligible to no reversal~~	Post-crediting monitoring should be feasible and realistic in order to incentivize removals activities to occur, as well as consistent across all project types.

risk [or that the volume of potential future reversals of removals for which 6.4ERs have been issued has been remediated by taking measures specified in this guidance. The Supervisory Body will develop further guidance in this regard.]	~~risk [or that the volume of potential future reversals of removals for which 6.4ERs have been issued has been remediated by taking measures specified in this guidance. The Supervisory Body will develop further guidance in this regard.]~~	

B. Reversals

Location: 3.5 Addressing Reversals

Text	Proposed edits in blue	Justification
29. Activity participants shall minimize the risk of the release of stored removals and, where such reversals of removals occur, ensure that these are addressed in full, in accordance with guidance in this document.	29. Activity participants shall minimize the risk of ~~the release of stored removals and, where such~~ reversals of removals, and ~~occur,~~ ensure that these are addressed in full, in accordance with guidance in this document.	The current formulation is redundant, edits are suggested to simplify the text.
33. Activity participants shall review and revise the risk assessment every five years from the start of the first crediting period, as well as in any of the circumstances specified in paragraph 15 (a)–(c) [and any extreme weather event, such as fire activity, drought or typhoon within the activity boundary].	33. Activity participants shall review and revise the risk assessment every five years from the start of the first crediting period, as well as in any of the circumstances specified in paragraph 15 (a)–(c) ~~[and any extreme weather event, such as fire activity, drought or typhoon within the activity boundary].~~	Singling out specific nature related events is unhelpful and misleading since types of risks have already been outlined in the form of examples under paragraph 30.
34. The Supervisory Body will develop a reversal risk assessment tool. Methodologies may include additional guidance on the application of the tool.	No specific text proposal.	The purpose of the risk assessment tool should be to identify risks so that they can be minimized, monitored, managed and ultimately, to support determining the size of the buffer pool. The design of the risk assessment tool should take this into consideration and not be used as an exclusionary tool.
35. (d) The observation of an event that could potentially lead to a reversal during the verification/certification process shall temporarily suspend the processes until the reversal event is adequately assessed and corrective actions are taken where necessary.	~~35. (d) The observation of an event that could potentially lead to a reversal during the verification/certification process shall temporarily suspend the processes until the reversal event is adequately assessed and corrective actions are taken where necessary.~~	Any potential reversals will be assessed via the risk assessment tool, reported in the monitoring reports, and addressed if needed through the use of the buffer pool. Therefore, there is no need for additional measures like temporarily suspending the verification/certification process.

C. Addressing reversal risk and reversal

Location: 3.5.3.1. Buffer pool and its operation

Text	Proposed edits in blue	Justification
41. In [some] circumstances [where activity participants wish to stop monitoring post-crediting period but cannot provide evidence that the reversal risk is eliminated or deemed negligible], the host Party may provide, on a voluntary basis, a sovereign guarantee.	41. In [some] circumstances ~~[where activity participants wish to stop monitoring post-crediting period but cannot provide evidence that the reversal risk is eliminated or deemed negligible],~~ the host Party may provide, on a voluntary basis, a sovereign guarantee as an alternative to post-crediting monitoring by activity participants	Reversal risks are addressed through systems like buffer pools throughout the crediting cycle. For post-crediting monitoring requirements, having an alternative provided by the host Party may reduce the burden to activity participants and therefore incentivize removals activities while maintaining the integrity of the mechanism. Additionally, the current formulation of the text is confusing since there is no clarity regarding what risks are deemed to be negligible and how to prove that a risk has been eliminated.
43. [The activity participant may directly replace [issued] 6.4 ERs [for which potential reversals cannot be remediated by measures previously taken] [with ERs for which the risk of reversal is negligible or absent].	43. [The activity participant may directly replace [issued] 6.4 ERs [for which potential reversals cannot be remediated by measures previously taken] ~~[with ERs for which the risk of reversal is negligible or absent].~~	All removals carry risks of reversals; there are no removals for which the risk of reversal is negligible or absent. Hence, the last phrase should be deleted.
49. Following a notification by [to define], the registry administrator shall effect a cancellation of Buffer 6.4 ERs equal to the amount of reversals requiring remediation. Where possible, reversals should be compensated with ERs from the same [activity type,] vintages, [and location].	49. Following a notification by [to define], the registry administrator shall effect a cancellation of Buffer 6.4 ERs equal to the amount of reversals requiring remediation. ~~Where possible, reversals should be compensated with ERs from the same [activity type,] vintages, [and location].~~	Credits from all sectors have inherent risks of reversals, therefore the phrase “Where possible, reversals should be compensated with ERs from the same [activity type,] vintages, [and location]” should be deleted.
52. [The Supervisory Body will develop further procedures for the Buffer’s use and operation pertaining to the following, inter alia: (a) [Treatment of planned versus unplanned reversals;] (b) [Treatment of uncancelled / unused 6.4 ERs;] (c) [Buffer composition and security;] (d) [Measures to address buffer Insufficiency and/or activities with negligible reversal risk.]]	52. [The Supervisory Body will develop further procedures for the Buffer’s use and operation pertaining to the following, inter alia: (a) [Treatment of planned versus unplanned reversals;] (b) [Treatment of uncancelled / unused 6.4 ERs;] (c) [Buffer composition and security;] (d) [Measures to address buffer Insufficiency ~~and/or activities with negligible reversal risk.~~]]	There is no clarity in relation to what is meant by “activities with negligible reversal risk”. Furthermore, all activities and sectors have inherent risks of reversals, therefore this phrase should be deleted.

53. [Where a full monitoring report indicates that a planned reversal has occurred, the mechanism registry account of the activity proponent may be frozen such that all issuances / transfers / retirements of any ERs from the [activity] [participant] [, including those from other projects and previously issued ERs, are halted until the reversals are remediated as specified in this guidance and further guidance the Supervisory Body will develop in this regard.] 54. [Where a full monitoring report indicates that an unplanned reversal has occurred and if an activity incurs a reversal that requires the cancellation of Buffer ERs in excess of the activity's total contributions to date, the participant may be required to contribute all subsequently issued ERs to the Buffer until such contributions equal the excess amount cancelled.]].	~~53. [Where a full monitoring report indicates that a planned reversal has occurred, the mechanism registry account of the activity proponent may be frozen such that all issuances / transfers / retirements of any ERs from the [activity] [participant] [, including those from other projects and previously issued ERs, are halted until the reversals are remediated as specified in this guidance and further guidance the Supervisory Body will develop in this regard.]~~ 54. [Where a full monitoring report indicates that ~~an unplanned~~ a reversal has occurred and if an activity incurs a reversal that requires the cancellation of Buffer ERs in excess of the activity's total contributions to date, the participant may be required to contribute all subsequently issued ERs to the Buffer until such contributions equal the excess amount cancelled.]].	Whether reversals are planned or unplanned is irrelevant as long as there are systems to address the reversals. Punitive measures that would apply to planned reversals are unnecessary, beyond replacing the lost ERs or otherwise making the affected parties whole again. Freezing of accounts are unnecessarily harsh and should be advised against.

D. Treatment of uncancelled/unused buffer

Location: 3.5.3.1.2. Treatment of uncancelled/unused buffers

Text	Proposed edits in blue	Justification
55. Option 1: Uncancelled removals should not be automatically cancelled {Note: for Incentivising performance}. (a) Based on the performance of the activity and a risk assessment completed at the end of the crediting period, the amount of credits that need to be maintained in the buffer pool should be reassessed, with some portion of credits returned to the activity proponent depending on the reversal risk at that point in the project lifetime; or (b) They should be entirely returned to the activity proponent to incentivize good	55. Option 1: Uncancelled removals should not be automatically cancelled {Note: for Incentivising performance}. (a) Based on the performance of the activity and a risk assessment completed at the end of the crediting period, the amount of credits that need to be maintained in the buffer pool should be reassessed, with some portion of credits returned to the activity proponent depending on the reversal risk at that point in the project lifetime; or (~~b) They should be entirely returned to the activity proponent to incentivize good~~	Option 1(a), should be the preferred option since it would provide incentives for investors/buyers. Option 3 could also be an acceptable alternative since the buffer pool credits would contribute to the growth of the buffer, to deliver overall mitigation in global emissions, and lead to a downward adjustment of the rate of contributions for future periods. In no case should there be an automatic cancellation as determined under Option 2.

performance; or (c) They should be kept in a buffer pool to continue to ensure protection against reversal events beyond the project crediting lifetime. Option 2: They should be automatically cancelled. {Note: Addressing liability for default}. Option 3: Removals are neither cancelled nor returned to the proponent under normal circumstances. If most projects do not suffer from reversal, the buffer pool grows over time. {Note: The credits contributed into the buffer pool are not returned to the contributors just as the insurance premium collected is not refunded by insurance companies. Coverage of risk is a service that is already delivered to the contributors. The rate of contribution in the future may be reduced for the entities with good track record of avoiding reversals, just as insurance premium does.}]	~~performance; or~~ ~~(c) They should be kept in a buffer pool to continue to ensure protection against reversal events beyond the project crediting lifetime.~~ ~~Option 2: They should be automatically cancelled. {Note: Addressing liability for default}.~~ Option 3: Removals are neither cancelled nor returned to the proponent under normal circumstances. If most projects do not suffer from reversal, the buffer pool grows over time. {Note: The credits contributed into the buffer pool are not returned to the contributors just as the insurance premium collected is not refunded by insurance companies. Coverage of risk is a service that is already delivered to the contributors. The rate of contribution in the future may be reduced for the entities with good track record of avoiding reversals, just as insurance premium does.}]	

E. AVOIDANCE OF LEAKAGE

Location: 3.6. Avoidance of Leakage

Text	Proposed edits in blue	Justification
56. Activity participants shall address the risk of leakage and account for any remaining leakage in calculations of net removals in accordance with the requirements specified in the “Requirements for the development and assessment of mechanism methodologies”, including by applying the tool to be developed by the Supervisory Body for this purpose. Methodologies and related tools may include additional requirements applicable to specific types of removal activities.	56. Activity participants shall address the risk of leakage and account for any remaining leakage in calculations of net removals in accordance with the requirements specified in the “Requirements for the development and assessment of mechanism methodologies”, including by applying the tool to be developed by the Supervisory Body for this purpose. ~~Methodologies and related tools may include additional requirements applicable to specific types of removal activities.~~	All sectors carry an inherent risk of leakage, which can be addressed by replacing lost ERs through the use of buffers. This is a sufficient response to leakage concerns across sectors, hence the development of type/sector specific requirements is not required.

F. Other negative environmental and social impacts

Location: 3.7. Avoidance of other negative environmental and social impacts

Text	Proposed edits in blue	Justification
58. In addition to above requirements, the Supervisory Body will develop further requirements in respect of specific removal activity categories or types taking into account national and international best practices in environmental and social safeguards, which activity participants shall also apply.	58. In addition to above requirements, the Supervisory Body will develop further requirements ~~in respect of specific removal activity categories or types~~ taking into account national and international best practices in environmental and social safeguards, which activity participants shall also apply.	Rules regarding avoidance of negative and social impact should be sector agnostic and consistent throughout, therefore there is no need for additional type specific requirements.

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