



## Submission by Belgium and the European Commission on behalf of the European Union and its Member States

Brussels, 15/04/2024

### Subject:

Answer to the call for input regarding the recommendation from the Article 6.4 Supervisory Body on the development and assessment of methodologies and on activities involving removals

### Summary of Key points:

The EU welcomes the decision of the Supervisory Body of the Article 6.4 mechanism to launch a call for input on the following recommendations, in order to improve the understanding of the concerns raised by Parties at CMA.5:

- The recommendation on "Requirements for the development and assessment of Article 6.4 mechanism methodologies" (A6.4-SB009-A01) and
- The recommendation on "Activities involving removals under the Article 6.4 mechanism" (A6.4-SB009-A02).

The world needs a rapid overall reduction of emissions in the short term, and net enhancement of removals over the short to mid-term, in order to balance emissions and removals by mid-century and deliver negative emissions thereafter. The use of Article 6 should neither defer nor replace these necessary deep cuts in emissions, and both demand and supply sides of the carbon market equation need to adjust to this necessity.

In this regard, the EU expects the Article 6.4 mechanism to establish a benchmark for crediting, and commends the Supervisory Body for its ongoing efforts in aligning this crediting mechanism with the long term goals of the Paris Agreement.

As stated at COP 28, the EU welcomes the recommendation regarding methodologies, in particular how they reflect some of the principles embodied in the Glasgow Decisions, such as the equitable sharing of mitigation benefits, the alignment with the long-term goals of the Paris Agreement through baseline adjustment factors, and the provision to avoid lock in in the additionality test.

Regarding the recommendation on activities involving removals, as stated at COP 28, we consider that this recommendation does not provide enough guarantee that reversals will be adequately monitored, quantified and compensated. It is moreover difficult to understand and does not provide a sufficiently clear direction for further work.

If credits with risks of non-permanence are to be used as 'offsets', they must deliver mitigation outcomes equivalent to (permanent) emission reductions. When those offsets rely on carbon storage, this storage needs to be permanent, and any potential loss or reversal needs to be fully and transparently addressed. In this regard, we have several key concerns that were not addressed in the recommendation on removals, that are detailed in this submission together with concrete proposals, that we would like to see addressed in a new iteration of this recommendation.



## Introduction

We welcome the opportunity to provide input on the two recommendations that remain under development by the Supervisory Body of the Article 6.4 mechanism, and look forward to further recommendations to the CMA this autumn.

The EU expects the Article 6.4 mechanism to establish a benchmark for crediting, and commends the Supervisory Body for its ongoing efforts in aligning crediting practices with the long term goals of the Paris Agreement, and with Nationally Determined Contributions and Long Term Strategies of host parties.

The world needs a rapid overall reduction of emissions in the short term, and net enhancement of removals over the short to mid-term, in order to balance emissions and removals by mid-century and deliver negative emissions thereafter. We consider that Article 6 and offsetting must not be used either to defer or to replace the necessary deep cuts in emissions needed in the short term, and that both demand and supply sides of the carbon market equation need to adjust to this necessity.

The Article 6.4 mechanism can contribute to further ambition only on the basis of clear and credible standards, that are both effective and fair, enabling mitigation benefits to be shared by both buyers and host parties.

Crediting should be confined to emission reductions and enhancements of removals, and should not include emission avoidance. We do not consider that crediting of carbon stocks is credible. Emission avoidance should not be credited, including because additionality and robust quantification of these activities pose serious challenges.

## Recommendation regarding the Article 6.4 mechanism methodologies <sup>1</sup>

As stated at COP 28/CMA 5, the EU welcomes the recommendation regarding baseline, methodologies and additionality. We noted the need for further development of these methodologies in the form of more specific guidance, guidelines, and tools. We welcome the approach to address the principles embodied in the Glasgow Decisions through the recommendation regarding baselines and additionality.

We urge the Supervisory Body to move expeditiously to develop further guidance, and to give particular attention to elements on which there is less experience and yet are important to address in the context of the Paris Agreement, i.e. where host countries have emissions targets, with an expectation of progression over time.

In this regard, the Supervisory Body should prioritize its work on the development of methodologies that ensure the equitable sharing of mitigation benefits between buyer and host country, baseline adjustment factors that align with the long-term goals of the Paris

---

<sup>1</sup> Document [A6.4-SB009-A01](#) - Recommendation: Requirements for the development and assessment of Article 6.4 mechanism methodologies (v.01.1): <https://unfccc.int/sites/default/files/resource/a64-sb009-a01.pdf>



Agreement, additionality tests that avoid the lock in of low ambition, and the identification of national and sectoral mitigation pathways for covered activities.

We underline the urgent need for the Secretariat to engage appropriate internal and external expertise to support the Supervisory Body in this work, and to support host countries, to address all those issues.

## **Recommendation on activities involving removals under the Article 6.4 mechanism<sup>2</sup>**

At COP 28, the EU expressed its concern that the recommendation on removals did not provide enough guarantees that reversals will be adequately monitored, quantified and compensated. It did not provide a sufficiently clear direction for further work and in more general terms was difficult to understand and interpret. This lack of clarity undermined our confidence that removals would be addressed appropriately, and for this reason we sought a revision of elements of the proposed recommendation.

We consider it is important for a guidance on removals to address the specific issues of carbon storage. The use of credits with risks of non-permanence as 'offsets' must deliver mitigation outcomes equivalent to (permanent) emission reductions. When those offsets rely on carbon storage, this storage needs to be permanent. Any potential loss or reversal needs to be fully and transparently addressed.

There were several **key concerns** which led us to request a revision of the recommendation on removals at CMA.5.

### *Accounting for removals and reversals, and baselines*

In paragraph 27, we find the provisions on accounting for (or calculation of) removals and reversals extremely unclear. It is difficult if not impossible to understand the logic of the paragraph and its relationship to other paragraphs. Clarity is needed to provide a sound basis for further guidance and implementation.

These provisions could benefit from unpacking and redrafting, perhaps on the basis of a formula, clearly separating the calculation of removal from the calculation of reversal. The relationship of emissions inside and outside the activity boundary should be clear.

We suggest the following framing of distinct elements:

- First, some emission reductions and removals enhancement credits rely on storage of removed carbon built up - cumulatively - with reference to a baseline. The regular monitoring of the carbon stock will enable the issuance of credits on the basis of an increase in carbon storage as a result of continued emission reductions or removal enhancement during the monitoring period.

---

<sup>2</sup> Document [A6.4-SB009-A02](https://unfccc.int/sites/default/files/resource/a64-sb009-a02.pdf) - Recommendation: Activities involving removals under the Article 6.4 mechanism (v.01.1): <https://unfccc.int/sites/default/files/resource/a64-sb009-a02.pdf>



- Second, emissions reductions or removals enhancement need to be calculated as “net”, therefore including all relevant emission sources and carbon pools. This should also be done on a regular and consistent basis.
- Third, addressing reversals is related but a separate question. In our view, reversal occurs where the cumulative emission reductions or net removals from a mitigation activity are lower in period X as compared to period X-1 .
- Fourth, addressing emissions outside of the activity boundary (leakage) is also a separate question, to be addressed in the calculation of emission reductions, net removals, and of reversals.

We suggest that the provisions on accounting are re-considered, and a definition of reversal is provided. We propose that:

*Net removals are calculated as:*

The difference between removals occurring with the implementation of the mitigation activity and removals occurring in the baseline scenario,

- plus (+) the difference between emissions from other relevant sources occurring in the baseline scenario and emissions from other relevant sources occurring with the implementation of the mitigation activity

- minus (-) any emission increase outside of the mitigation activity boundary linked to the activity.

*Reversals are calculated as:*

The difference, i.e. any negative value, between the cumulative emission reductions or net removals resulting from the mitigation activity until the end of monitoring period “p” and the cumulative emission reductions or net removals from the mitigation activity until the end of the previous monitoring period “p-1”. The cumulative emission reductions or net removals should be calculated since the beginning of the mitigation activity.

In other words, reversals are ‘negative’ net removals or emission reductions.

We note that reversals are quantified over a period. We recommend that the Supervisory Body further defines an appropriate minimum and maximum length of this period, taking into account different contexts.

#### *Permanence and compensation for reversals*

The use of a removal (or emission reduction) credit to offset emissions relies on the assurance that emissions removed are stored permanently or that there is a means for accounting for and compensating for reversals. This means that as a matter of principle:

- the risk of reversal needs to be reliably assessed, found to be manageable, and the removal (or emission reduction) is ‘durable’;
- there are strong incentives to store GHG permanently, and address any ongoing risks;
- responsibility for replacement is clear, and mechanisms are adequate to cover any risk;
- monitoring and liability provisions are both long term and credible;



- potential reversals are detected early, and reversals are fully compensated until the risk is negligible.

While noting those principles, arrangements also need to be practical, workable and equitable, recognizing that there are limits to insurance, and to what either the business community or host countries alone can guarantee.

However, for the reasons explained below, we find the recommendation on permanence and compensation unsatisfactory, containing significant gaps and narrowing the scope for further implementation.

#### Issues with risk and risk assessment

Closer consideration of, and more careful description and categorization of reversal risks, could help frame provisions on responsibility and liability for reversal (addressed in paragraph 33). There may be:

- risks attributable to the project proponent, that are avoidable,
- risks attributable to the host country, that are avoidable, and
- third-party risks, or environmental risks, that may or may not be manageable and avoidable.

The risk of reversal associated with particular activities or activity classes should inform the application of provisions to compensate for reversals.

Recommendations should require, and guidance should establish, a level of risk of reversal beyond which projects should not be eligible to issue permanent credits.

#### Addressing a failure in monitoring

The consequences of failures in monitoring, need to be clearly pinned down. At a minimum, there should be a recognition that a reversal will generate a requirement to replace issued credits within a specific period.

#### Narrow application of buffer and replacement obligations

We cannot accept that in the mechanisms to address reversal, the buffer pool is reserved exclusively for 'unavoidable' reversals, while private insurance is reserved exclusively for 'avoidable' reversals. We do not see the reason for this sharp distinction and believe that further thinking is needed.

More consideration is needed on how two imperatives can be satisfied through application of a buffer pool and/or through insurance and replacement requirements:

- how we can guarantee that reversals are addressed in full, since there are limitations to insurance;
- how incentives to maintain removals and stocks are preserved, where full insurance is offered.

It should be clearer in the text that both the buffer pool and the direct replacement obligations might be combined, and be available for avoidable reversals.



- Buffer contributions, and contributions by activity participants to any other mechanisms to ensure replacement, need to be adequate to cover the risk of reversal.
- Buffers and mechanisms insuring against reversal, need to be regularly stress tested and contributions updated accordingly.

#### Ultimate responsibility for monitoring and replacement obligations

Provisions on expiry or passing of monitoring responsibility and replacement obligations to the host country need further thought. We recognize that the private sector may not be capable of underwriting continuing risk of reversal, but shifting this risk to other parties, particularly to host parties, needs to be carefully considered.

We consider that:

- The relationship between ongoing insurance offered by the buffer, and/or other mechanisms, as well as when and how responsibilities are passed to the Parties, needs to be comprehensively addressed; as well as whether the replacement obligations fall ultimately on the host Party and/or the user Party.
- Arrangements to backstop activity participants responsibility for monitoring and replacement, should include provisions for Parties to take up monitoring, buffer access and responsibilities, and should address replacement obligations.
- This should only kick in after a minimum period of time and, though voluntary for the Parties involved, should be a necessary precondition of crediting activities with a risk of reversal.
- Provision for a backstop placing replacement obligations on the host Party and/or on the user Party for residual liabilities (beyond those covered by a buffer or replacement insurance) should be considered separately.
- We note the reference to corresponding adjustment as an alternative to replacement in the recommendation, but this needs further consideration before it is offered as a potential solution. Under the Kyoto Protocol, such accounting based solution to reversal was framed as temporary crediting, where buyer countries backstop afforestation and reforestation projects with a replacement obligation to compensate for reversals. The Paris Agreement currently does not have a similar accounting structure.

## **Relationship between the recommendation on methodologies and the recommendation on activities involving removals**

There is a need to carefully consider and address linkages between emissions reductions and removals, and how to address projects that may involve both emission reductions and removals. We would like to see clarified that:

- the methodological guidance applies to both removals and emission reductions;
- some emission reductions projects are subject to reversal risks and must therefore also apply elements of the removal's guidance.



In this regard, we suggest that:

- there is only *one* guidance on methodologies, that applies to all projects, which integrates also the elements related to removals that are currently in the recommendation on removals;
- the issue of non-permanence is addressed through tools, applicable to all projects:
  - o A tool to assess the risk of reversal;
  - o A tool to address, quantify and compensate for reversal.

## **Addressing human rights and social and environmental impacts**

Finally, in the recommendation, we would like to see more explicit reference to the protection of human rights, including the rights of Indigenous Peoples and local communities, and to other social and environmental safeguards. We note that mechanisms for addressing human rights and environmental and social impacts, were not fully developed at the time of adoption of the recommendation, but are referred to in the text. While this is welcome, given the importance of the issue to many Parties and stakeholders, there is room to set general expectations in recommendations to the CMA, with detailed safeguards reflected in further implementation.

## **Concluding Remarks**

We trust that the Supervisory Body can in its deliberations consider these policy points when revising the recommendations. We would like also to refer to our previous submission on removals<sup>3</sup>.

We also responded to the very detailed questionnaire provided by the secretariat regarding removals (in the Annex to this submission), which provides more detailed answers to specific questions. We think there is substantial room to improve the quality of the text, and to improve clarity and understanding of what is requested. These more detailed comments are offered as suggestions to improve clarity and understanding of the recommendation on removals and must be viewed as *additional* to the more general policy points explained above.

---

<sup>3</sup> <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202303151603---SE-2023-03-15%20EU%206.4%20Supervisory%20Body%20submission%20Para%2019.pdf>



## Annex

Name of submitter: Belgium and the European Commission on behalf of the European Union and its Member States

Affiliated organization of the submitter (if any): \_\_\_\_\_

Contact email of submitter: \_\_\_\_\_

Date: \_\_\_\_\_

### Legend for Columns

- 0 = A6.4-SB009-A01 (methodologies) or A6.4-SB009-A02 (removals)
- 1 = Section Number in the document
- 2 = Paragraph number
- 3 = Comment – the actual feedback or observation, including justification for what needs changing

0	1	2	3	4
Meths or Removals	Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Removals	2	6 (c)/14/22	<p>Several key definitions are missing or unclear, for instance for: reversals, Project Design Document, monitoring plan, monitoring report, full monitoring report, verified monitoring report, avoidable risk and unavoidable risk</p> <p>In paragraph 14 for instance, it is not clear if the monitoring plan includes the methodologies used to monitor or the monitoring itself. In our view a monitoring plan should include the methodologies used to monitor, the relative timeframe and the actions needed in case of deviation or failure of the monitoring.</p>	
Removals	3	8	„or“ implies that any of these options may be picked. In that case monitoring could be done only by modelling which we don't support.	....measurement through instrumentation, in combination as necessary, <b><u>and may be complemented by modelling.</u></b>
Removals	3	8/9/10/11/12	Concepts such as 'appropriately', 'robust', 'statistically representative', 'conservative', 'uncertainty' need to be clarified. Also, what is considered as default methods and values, and considered higher tier methods, needs to be further elaborated so that it is clear against what requirements the SB will assess submitted methodologies. IPCC guidelines should form the basis for minimum requirements for quantification and reporting of removals.	





0	1	2	3	4
Meths or Removals	Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Removals	3	11		Calculation of removals may employ conservative default values, considering the relative uncertainties and addressing the overall project uncertainty, and ensure that removals are likely not overestimated and reversals are likely not underestimated.
Removals	3	12		Methodologies should include general provisions for the use of higher Tier methods aiming at reducing uncertainties.
Removals	3	13	Verb is missing to make it a mandatory requirement	Methodologies <b>shall</b> contain provisions that require appropriate quality assurance and quality control measures, such as cross-checking the monitoring results with other sources of data and published literature, or calibration of measuring equipment at regular intervals.
Removals	3	15 (a)	The description is too broad. It should be clear under which circumstances verification reveals a need for a revision of a monitoring plan.	
Removals	3	15 (b)	The notion of "reversal event" remains unclear, see other comments on reversals.	
Removals	3	17	The use of 'continued existence of removals' is unclear in this sentence. What needs to be ensured is the continued existence of the carbon stocks resulting from the removal activity (in a stable carbon pool other than the atmosphere).	"... to confirm the continued existence of the carbon storage and/or of increase of carbon stocks resulting from the removal activities ..."
Removals	3	22 (a)	The first part of the sentence seems to be the monitoring plan and the second part the monitoring report. This should be clarified. See also the comment regarding definitions	
Removals	3	<u>22 (d)</u>	The reversal should be the detected from the monitoring and not an estimation. The difference, i.e. any negative value, between the cumulative emission reductions or net removals resulting from the project activity until the end of monitoring period "p" and the cumulative emission reductions or net removals of until the end of the previous monitoring period "p-1". The cumulative emission reductions or net removals should be calculated since the beginning of the project activity.	
Removals	3	23	"...according to the activity participant's implementation of paragraph 22 above". This part of the sentence is not clear. In para 22 there is no description on how activity participant's implementation affect monitoring periods duration.	

0	1	2	3	4
Meths or Removals	Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Removals	3	18/24/25	The writing of these paragraphs is unclear. What is the difference between para 24 and 25? There seems to be an inconsistency in the use of the minimum time between two monitoring reports	
Removals	3	27	The accounting for removals must be very clear, since this is the provision for defining how A6.4ERs will be quantified, which is a key purpose of this whole recommendation. The current paragraph is difficult to understand, specifically regarding how reversals are defined, monitored and accounted for.	<p>Net removals should be calculated as:</p> <p>The difference between removals occurring with the implementation of the mitigation activity and removals occurring in the baseline scenario,</p> <ul style="list-style-type: none"> <li>- plus (+) the difference between emissions from other relevant sources occurring in the baseline scenario and emissions from other relevant sources occurring with the implementation of the mitigation activity</li> <li>- minus (-) any emission increase outside of the mitigation activity boundary linked to the activity.</li> </ul>
Removals	3	27 (b)	This implicit definition of reversal does not work. A reversal should not be defined in relation to the previous year's removals but in comparison to what would otherwise have happened – i.e. the baseline.	<p><i>Reversals to be calculated as:</i></p> <p>The difference, i.e. any negative value, between the cumulative emission reductions or net removals resulting from the project activity until the end of monitoring period "p" and the cumulative emission reductions or net removals of until the end of the previous monitoring period "p-1". The cumulative emission reductions or net removals should be calculated since the beginning of the project activity.</p> <p><i>In other words, reversals are 'negative' net removals or emission reductions.</i></p>
Removals	3	28	The sentence contradicts the idea of para 17 (no ERs after crediting periods). After the crediting periods, we do not monitor for removals but for the continued existence of additional carbon storage achieved by the mitigation activity.	
Removals	3.6		Structure of section 3.6 is unclear and would benefit from better definitions.	



0	1	2	3	4
Meths or Removals	Section no.	Para. no.	Comment	Proposed change (Include proposed text)
Removals	3	32	The “release of stored removals” is incorrect language.	“release of stored <b>carbon</b> ”
Removals	3	33 (c)	These are specific examples and not complete. The phrasing should be more general.	C) those related to natural disturbances and extreme events
Removals	3	34	Not clear what robust methods are and it should be clear that the risk assessment differentiates between avoidable and unavoidable reversals	
Removals	3	35	This paragraph refers to a plan but it is not clear what type of plan this is and how it relates to the other plans in the recommendations.	
Removals	3	37		“Methodologies <b>shall</b> include additional guidance...”
Removals	3		The title ‘3.6.2.2. corrective actions’ does not seem to correspond with the content in this section.	
Removals	3	47	Unclear if a ‘reversal result’ is the same as a ‘reversal’. See also our main comments regarding reversal.	
Removals	3	49, 54	Reversals of authorized 6.4ERs should only be remediated through the cancellation of authorized 6.4ERs. This is an important element currently missing in the text.	
Removals	3	64 (b)	The application of corresponding adjustment cannot be an “alternative” approach, as the compensation of authorized A6.4ERs with mitigation contribution A6.4ERs leads to double counting.	This should be split into two issues: <ul style="list-style-type: none"> <li>• Elaborating the role of the host party, including further guidance for cases where a Party assume the role of an activity participation in the post crediting monitoring period;</li> <li>• Ensuring that reversals arising from authorized A64ERs can only be remediated by authorized A64ERs.</li> </ul>