March 15, 2024

Dear members of the Supervisory Body,

In response to your call for input regarding document A6.4-SB009-A01, we have included a two-part response below:

1. Issues with the status quo mechanisms
2. Proposed alternative solution: Carbon 2.0

Thank you for your invitation and consideration,

Will Clayton
CEO, Sky Harvest

A. Issues with the status quo mechanisms

We applaud the Supervisory Body's thoughtful approach to designing solutions with the broadest of possible inputs. Moreover, we are concerned that the Supervisory Body is headed down a path that will compromise the integrity of Article 6.4 – that is maintaining the broken status quo of today's carbon market.

The questions posed in this call for input inherently point to flaws in the proposed system:

- There is no assurance that reversals will be identified.
- There is no assurance that reversals, if identified, will be reported.
- There is an overt conflict of interest for the project proponent not to report reversals.
- There is no assurance that the buffer pool mechanism will adequately address reversals, if they are identified and reported.
- There is no assurance that the buffer pool will be sized appropriately.
- There is no assurance that the buffer pool, if sized appropriately, will have appropriately designed mechanics.
- There is no assurance that the buffer pool, if sized appropriately with properly designed mechanics, will be managed appropriately… over a period of several decades… with changing leadership.
- There is an inherent liability in the buffer pool mechanism.
- There is no accountability for who will bear that liability; the only backstop is the common global citizen who will bear the cost in the form of climate change.

These flaws point to the first conclusion of the Supervisory Body's recommendations to the rules, modalities, and procedures of Article 6.4, as proposed: **We cannot ensure the integrity of credits issued for impacts that have not yet been delivered.**

There are two more, equally problematic conclusions from the SB's recommendations, as proposed, which are not raised by the questions in this call for input:

- **The Supervisory Body has not equated the climate impact of credits to the climate impacts of emissions they are purported to offset.**
- **As a standard setting body, the Supervisory Body has not standardized removals of varying durations.**

These three conclusions undermine the integrity of the Supervisory Body's recommendations to the rules, modalities, and procedures of Article 6.4. In its Fifth Meeting, the Supervisory Body chose to maintain the status quo by adopting conventional mechanisms from today's broken voluntary carbon market, such as buffer pools for reversals.

We believe this decision in the Fifth Meeting was, in large part, due to a vocal minority (only 14 of 104 responses received) submitting criticism at the behest of its own interests – namely, lobbying for high-cost, engineered solutions that will take a decade or more to ramp up. These corporations, startups, and trade groups currently benefit in two ways: (i) upfront cash flow from selling credits prior to delivering climate impact, and (ii) ambiguity in how the permanence of those credits should be valued.

On behalf of the silent majority that did not recommend the Supervisory Body's Fifth Meeting decision (90 of 104 responses), we think the Supervisory Body must revisit this decision to answer the questions posed in this 'call for input' and address the climate integrity of its recommendations regarding Article 6.4.

B. Proposed alternative solution: Carbon 2.0

We call today's broken status quo "Carbon 1.0". Carbon 1.0 – despite its use by standards bodies such as Verra and The Gold Standard – fails to resolve the problems identified in the three conclusions above:

- **We cannot ensure the integrity of credits issued for impacts that have not yet been delivered.**
- **Credits with limited monitoring periods neither equate nor offset the climate impacts of emissions that endure into perpetuity.**
- **The standards do not standardize credits across removals of *varying* durations**

For example, in the world of Carbon 1.0, a 10-year soil removal credit – assuming no reversals – generates only 26% of the removals needed to offset one tonne of CO_2 emissions; yet that action is issued a carbon removal credit in today's Carbon 1.0 model[1].

Fortunately, there is an alternative to Carbon 1.0.

Leaders, such as The Climate Action Reserve and Quebec's compliance market, are early adopters of a better solution — "Carbon 2.0" — that resolves these problematic conclusions. Whereas Carbon 1.0 accounts for *volume* of greenhouse gases alone, Carbon 2.0 issues credits after accounting for *volume* and *duration* and *timing* of impact. In short, Carbon 2.0 is a more robust framework for ensuring the environmental integrity of carbon credits.

The Supervisory Body has already demonstrated its knowledge of this better solution here: A6.4-SB005-AA-A09.

Therefore, we humbly request that the members of the Supervisory Body consider the adoption of Carbon 2.0. Specifically, we request that they reconsider the adoption of a tonne-year accounting framework with the following characteristics:

- An infinite time horizon, not a limited time horizon of 100, 200, or 300 years. Infinity can be logically approximated as 1,000,000 years.
- A discount rate of 2-3.5%. We think there are arguments for rates throughout this range. More importantly, the only discount rate that we know is not right is the one used by the status quo: 0%. The UN is well situated to establish a precedent discount rate, reserving flexibility to adjust it as needed in the future.

[1] Assuming a 10-year duration of CO_2 storage, an infinite time horizon, and a 3.0% discount rate. See calculator

- *Ex-post* measurement, reporting, verification, and issuance.
- Minimum storage durations, determined on a methodology-specific basis.
- Lashof model of accounting, not Moura Costa model.

This will not be a popular decision. It will be opposed by the vocal lobby for engineered removals who currently benefit from *ex-ante* issuance and ambiguity in the value of permanence. It will also be opposed by incumbent project developers in the AFOLU space, who benefit from *ex-ante* issuances and yet unaccounted-for shorter storage durations.

However, the UN's role is not to facilitate a market that caters to the profitability of developers. The UN's role is to ensure climate integrity for its member nations. Namely, in this context, its role is to ensure that its definition of a carbon removal credit equates to the cost of the emissions that credit is purported to offset.

Doing so will reduce transaction costs, decrease confusion, minimize market manipulation, boost market integrity and thus credibility, and ultimately enable carbon markets to scale, mitigating climate change.

In conclusion, we ask that you, the members of the Supervisory Body, adopt Carbon 2.0 as a more robust carbon accounting framework to resolve the problematic conclusions of Article 6.4, as proposed. Please know that we would welcome the opportunity to answer questions and/or work with you and others towards this better solution. Thank you for your effort, time, and thoughtful consideration.

For further details we submit the following resources as part of this letter:

- Carbon 2.0: A Better Yardstick for Carbon Markets
- Carbon 2.0 Calculator