Article 6 carbon markets at COP29

Carbon Market Watch's recommendations

Article 6 is a key priority of Azerbaijan's COP29 presidency, putting high pressure on countries to come to an agreement at the upcoming climate summit. At the same time, the role that Article 6 carbon markets play in the wider context of achieving our Paris Agreement goals hinges on the quality of the agreement. This is why it is imperative to not adopt simply anything on Article 6 for the sake of 'finalising the rulebook': anything that is adopted must serve a just transition to rapid decarbonization.

Carbon Market Watch has developed recommendations on Article 6.2 and Article 6.4 topics under SBSTA/CMA's mandate, as well as recommendations to CMA on the work of the Article 6.4 Supervisory Body. We also identify specific options and paragraphs from the latest negotiation texts in support of our recommendations.

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Key issues and recommendations on Article 6 topics under SBSTA's mandate

For Article 6.2, the following outcomes are crucial:

Transparency

- **Authorisation of cooperative approaches:** cooperative approaches must be authorised, alongside ITMOs, and accompanied by a mandatory authorisation statement. This would benefit all Parties to establish clear cooperation terms (mitigation sharing, split liability for monitoring/reversals) and enhance transparency.
- **First transfer:** 'first transfer' should be defined at the earliest possible stage to ensure timely information disclosure and allow for review before the ITMOs are used.
- **Agreed electronic format (AEF):** provide detailed and disaggregated information (ITMO characteristics, review & inconsistency status, authorisation, OMGE/SOP cancellations).
- **Confidentiality:** this mandate should not be closed at COP29 unless provisions are established requiring: i) confidentiality justification, ii) assessment of justification and development of procedures for inconsistencies in confidential information, by the TERT.

Quality

- **Sequencing:** a clear, stepwise process is needed to ensure ITMOs are used only after the completion of a review without remaining inconsistencies.
- **Inconsistencies:** inconsistencies in all reporting should carry consequences depending on the nature of the issue, including for ITMO actions. Inconsistencies must be publicly flagged, including in the AEF. Persistent inconsistencies should trigger involvement of the Paris Agreement Implementation and Compliance Committee.
- **Double counting:** no revocations or revisions to the authorization should be permitted after ITMOs have been transferred, retired, or cancelled for NDC or OIMP.
- **Permanence:** guidance on non-permanence and reversals under Article 6.2 is urgently needed, as these unaddressed gaps pose significant risks to environmental integrity.

Equity

- **Voluntary contributions:** for voluntary SOP and OMGE contributions, first transfer should be defined as the earliest of the contribution (to the Adaptation Fund or cancellation account) or the first transfer definitions specified by participating Parties.
- **Prioritising host country terms:** host country terms should be prioritised in 6.2 cooperative approaches and should be contained in the authorisation statement.

- **Safeguards:** the current lack of environmental and social safeguards should be addressed by establishing minimum standards to prevent negative impacts.

For Article 6.4, the SBSTA mandate is closely linked to outcomes in Art 6.2 and should be aligned, e.g. authorisation statement and revisions/revocations. A6.4ER authorisation should not change after issuance – if it is permitted, procedures to avoid double counting are needed.

Key issues and recommendations to CMA on the Article 6.4 Supervisory Body's work

Regarding the work of the Article 6.4 Supervisory Body, CMW urges CMA to carefully consider how the adopted standards uphold the RMPs and recommend that if the new approach is accepted by CMA, guidance is given to the Supervisory Body on the following issues.

Removals

- **Definition:** require minimum durability standards for storage under the Article 6.4 mechanism.
- **Post-crediting monitoring:** require minimum post-crediting monitoring period; develop a science-based, conservative risk assessment tool that specifically evaluates when the risk of reversal is negligible or not. Remedial measures for reversals must be grounded in the latest peer-reviewed science and maintain a conservative approach.
- **Buffer pool:** specify that buffer pool contributions and cancellations must match project type and at least the risk rating of the A6.4ERs they back.
- **Monitoring period reporting:** define a strict two-step time frame for delayed reports: first, a suspension period where participants can resolve issues with justification, and then a final period after which all issued A6.4ERs are deemed reversed if unresolved, requiring remediation by the participant.

Methodologies

- **Downward adjustment:** ensure that any exceptions to the downward baseline adjustment are strictly based on the best available peer-reviewed science.
- **Additionality:** clarify that a common practice analysis must always complement either the investment or barrier analysis to reinforce the current standards. For a performance-based approach, require it to be at least as conservative as financial additionality criteria. Additionally, mandate an analysis of additionality likelihood for different activity types for annual reporting to CMA.

Recommendations on SBSTA's mandate

Article 6.2

Article 6.2 has been, for some time, far beyond a paper reality: countries are actively getting cooperative approaches off the ground and even issuing and trading Internationally Transferred Mitigation Outcomes (ITMOs). The real-life implications of the 6.2 guidance that has been adopted at COPs so far has raised concern among civil society, but also among researchers, market proponents and governments. And rightly so: the rules are so minimal and toothless that Article 6.2 has become a Wild West framework for international carbon markets. This is illustrated by the opaque deals of the UAE-based company Blue Carbon, the millions of largely hot air ITMOs that Guyana has started to authorise for use by airlines, attempts to turn UN REDD+ results into millions of ITMOs despite their incompatibility, and the additionality questions raised around the cooperative approach between Switzerland and Thailand. The only path towards limiting the damage as a result of this weak framework is to adopt an ambitious package of rules at COP29 that will ensure transparency, quality, and equity.

Transparency

The transparency of cooperative approaches and their ITMOs is critical for ensuring trust in Article 6.2. However, the current guidelines and requirements do not provide enough transparency.

Authorisation of cooperative approaches and accompanying authorisation statement

At COP29, Parties should i) clarify that cooperative approaches must be authorised in addition to ITMOs, and ii) require upfront disclosure of information about cooperative approaches in a comprehensive mandatory authorisation statement, to be provided at the same time as the authorisation of the cooperative approach.

To begin with, it is worth noting that the first batch of submitted initial reports all have effectively decided to authorise the cooperative approach as a first step, and will only subsequently authorise individual ITMOs in the future. There are two main reasons why it should be required for Parties to authorise cooperative approaches first.

First, authorising the cooperative approach is a crucial step to ensure transparency to all stakeholders regarding how Parties intend to use Article 6.2, which means it should be accompanied by a mandatory authorisation statement covering a range of

comprehensive information. If the same information is included in both the authorization statement and the initial report, namely when submitted at the same time or with minimal time delay, automatic re-population of information can be considered to avoid potentially redundant reporting requirements. However, if the initial report (or other reporting elements) are submitted years after the authorization statement, and new information is required that was not included in the authorization statement, the initial report would need to be updated with this new information to uphold principles of transparency, accuracy, completeness, comparability and consistency.

If, however, there is only a requirement to authorise ITMOs, with no provision to authorise cooperative approaches, this can have negative consequences for transparency and the application of corresponding adjustments. When ITMOs are authorised for other international mitigation purposes (OIMP), Parties can effectively decide to authorise the ITMOs whenever, and potentially as late as the "use or cancellation of the mitigation outcome" – in other words, a Party defining "use or cancellation of the mitigation outcome" as the trigger for the first transfer, could establish a process to authorise the ITMOs moments prior to the use/cancellation.

If such a scenario transpires, then the initial report will not be submitted until after the ITMOs have already been used. Paradoxically, this also means that the Article 6.2 technical expert review team would then only review the initial report after the ITMOs have been already used, raising significant governance and accountability problems. For example, if the review team determines the ITMOs are not actually in compliance with Article 6.2 rules, it will be extremely complex, and potentially impossible, to rectify the situation since the ITMOs will have already been used.

Second, the process of authorising a cooperative approach, accompanied by the publication of a mandatory authorisation statement, can importantly serve the involved Party(ies) in conducting due diligence. For host countries in particular, this can support efforts to establish or refine carbon market frameworks and regulations domestically as well as set out clear terms (e.g. for mitigation sharing, for split liability for monitoring and reversal) before engaging in cooperative approaches and deciding to authorise ITMOs.

A requirement to authorise a cooperative approach in turn provides a clear opportunity to set out terms under which Parties will cooperate well ahead of trading ITMOs. Host Parties in particular may wish to set out their conditions around mitigation sharing (or partial authorisation of ITMOs) as well as splitting liability and costs for long-term

monitoring and remediation of reversals between the project developer, the buyer and seller of the ITMOs, so that host Parties are not burdened with the full liability.

Going through this process via the authorisation of a cooperative approach, prior to authorising ITMOs, thus helps minimise unforeseen negative outcomes and establish a more level playing field when host Parties negotiate their terms with project developers and buyers (whether Parties or companies).

It is thus crucial for countries at COP 29 to i) clarify that cooperative approaches must be authorised in addition to ITMOs, and ii) require upfront disclosure of information about cooperative approaches in a comprehensive mandatory authorisation statement, to be provided at the same time as the authorisation of the cooperative approach.

First transfer

Currently, the submission of the initial report can be provided as late as the authorisation of the underlying ITMOs from a cooperative approach. If there is no requirement to authorise cooperative approaches themselves, as we have called for above, this means that for OIMP, the authorisation of ITMOs could be provided at, or just before, the latest possible trigger for first transfer, “use/cancellation of ITMOs”. This creates a risk of significantly delayed initial reports, taking place after the ITMOs have already been used, thereby obstructing transparency and potentially rendering the review process irrelevant.

To address this, Parties should require a separate authorization for the cooperative approach, with comprehensive and specific information included in the authorization statement, to ensure transparency early in the process, as mentioned above (see specific paragraph and options from negotiation texts below).

In addition to requiring the authorisation of the cooperative approach with an accompanying statement, Parties must also clarify rules around first transfer. Current provisions around first transfer, especially for OIMP, have created a complex web of interconnections that risk undermining transparency and the application of corresponding adjustments for which the first transfer is the trigger.

If the definition of 'first transfer' remains as flexible as it currently is, an ITMO (or yet to be authorised MO) could be transferred multiple times without triggering the first transfer. For OIMP, this may only occur when an entity uses the ITMO, at which point they would need to inform the host party to apply the corresponding adjustment, but which creates risks including because it may come near the end of the Nationally Determined Contribution (NDC) period or a CORSIA compliance phase. The situation is

further complicated by the fact that Parties may resort to using a decentralised registry system, where the ITMOs or Mitigation Outcomes (MOs) are traded between accounts in voluntary carbon market registries, or in national registries with limited provisions for public disclosure. There are legitimate concerns around how first transfer will be consistently defined and notified in time for corresponding adjustments to be appropriately applied.

To prevent this, Parties should mandate that the 'first transfer' be defined at the earliest possible stage. This means that first transfer should be at the earliest of either the first international transfer to another Party or the first transfer specified by either Party (e.g. for OIMP). Moreover, in cases of OIMP where the first transfer is specified as “use/cancellation”, clarifications are required to ensure all participating Parties are notified immediately upon the use/cancellation of the ITMOs and that the participating Party and/or any entities authorised to be involved in the use/cancellation have robust arrangements to ensure such notification is immediately effected.

The cases described here and in the preceding section also illustrate why there must be an authorization process for any entity allowed to issue/transfer/hold/use/cancel MOs and ITMOs and otherwise participate in cooperative approaches. Without this, there is a risk of losing track of MOs and ITMOs and failing to apply the necessary corresponding adjustments.

Agreed electronic format

The agreed electronic format in which the annual information is submitted is one of the key reporting requirements for 6.2 through which stakeholders and the broader public will be able to access information about ITMOs. Therefore, the AEF should contain publicly accessible, disaggregated and clearly structured information, including but not limited to:

- Unique identifier and name of cooperative approach;
- Full information on ITMOs (unique identifier(s), mitigation sector and activity type (where applicable), quantity, vintage, permanence risk (where applicable), GHG metric);
- Review status (initial report reviewed satisfactorily, any inconsistencies resolved);
- Full information on authorisation (authorisation ID, authorising Party and other Participating Parties, acquiring Party or entity, date of authorisation statement, hyperlink to authorisation statement, authorised entities, authorised uses, definition of first transfer); and
- Reporting on voluntary cancellation of ITMOs for overall mitigation of global emissions (OMGE) and Share of Proceeds (SOP) for adaptation purposes.

Confidentiality

Parties should not consider the issue of confidentiality resolved, as suggested by SBSTA, since the current 6.2 guidance still allows for the possibility of classifying all information as confidential without any meaningful guidance on the matter.

Parties should review the UNFCCC Secretariat's code of conduct (Version 1.0) for handling confidential information related to Article 6.2 reporting. Parties should request an update of the code of conduct to specifically include provisions for the technical expert review team (TERT) to assess the appropriateness of confidentiality justifications. If a justification is not provided or is deemed unclear or questionable, the TERT should recommend that the Party either justify or remove the confidentiality designation. If the Party fails to act on this recommendation or does not provide a valid justification, the TERT should be able to flag that there is an inconsistency regarding confidentiality information (the flag should be made public but this can be done without disclosing the information that is being claimed as confidential). These provisions would help ensure that the use of confidentiality does not overly impede transparency or compromise the integrity of the process.

The final decision text in COP29 should include a paragraph requiring Parties to disclose to the review team why they have deemed information to be confidential, which the review team shall assess and on which it can formulate recommendations. In addition, CMA should request SBSTA to continue its consideration on the matter of confidentiality with a specific mandate to: i) clearly define which information can be treated as confidential and which should be made public, along with a requirement to justify why certain information is deemed confidential; ii) establish guidance on cases where the basis for confidentiality is not clear or is questionable or has not been provided, including a provision for the technical expert review team to assess whether a justification is appropriate; iii) determine how to address and report on information that has been marked as confidential but which contains inconsistencies.

Technical recommendations on transparency under SBSTA mandate

Concretely, to resolve the issues around transparency, negotiators should opt for the following options and paragraphs in the SBSTA 60 12/06/2024 11:00 version of the negotiation text:

Authorisation of cooperative approach and mandatory authorisation statement

- Para 10, with all sub-paras under para 8 and para 9

First transfer

- Para 28-30
- Para 32

AEF

- Para 37(a)-(f)(viii)
- Annex I: Unbracket all rows in Table 1
- Annex I: Unbracket all columns in Table 2, 3, and 4, especially "[Quantity (tCO_2eq)[k]]" in Table 3
- Annex I: Unbracket Table 5 and 6

Confidentiality

- Add a paragraph under section XI. Work programme:
  "*Requests* the Subsidiary Body for Scientific and Technological Advice to continue its consideration on the modalities for reviewing information that is confidential in response to paragraph 16(a)(ii) of decision 6/CMA.4, with a specific mandate to: i) clearly define which information can be treated as confidential and which should be made public, along with a requirement to justify why certain information is deemed confidential; ii) establish guidance on cases where the basis for confidentiality is not clear or is questionable or has not been provided, including a provision for the technical expert review team to assess whether a justification is appropriate; iii) determine how to address and report on information that has been marked as confidential but which contains inconsistencies."

Quality

In setting up a framework for international carbon trading that is supposed to deliver 'real, verified and additional' results and uphold all Paris Agreement commitments, rules should be clear on quality criteria and should ensure those criteria are met by all cooperative approaches. These rules are currently lacking severely. There are opportunities to amend them on the topics of sequencing and inconsistencies in the review process, double counting (revocations and averaging corresponding adjustments), and permanence. Our recommendations on these topics are outlined below.

Sequencing and inconsistencies

First of all, clear rules entail a clear, step-wise process for participants in a cooperative approach. This means that the Initial Report should be submitted, and the quality of a cooperative approach should be reviewed and ensured before next steps, such as transfer, can occur. Merely halting the reporting of information, such as through the AEF, does not increase either quality or transparency.

In case a cooperative approach comes under question during the review process, it must be mandatory to address any shortcomings and inconsistencies swiftly. The review of an Article 6.2 cooperative approach and its ITMOs must go beyond a box-ticking exercise. “Persistent” and “significant” inconsistencies should be defined in such a way that it captures all critical quality deficiencies, for both qualitative and quantitative information, and include provisions to involve the Paris Agreement Implementation and Compliance Committee if they are not addressed.

When it concerns the review of the Initial Report, a satisfactorily completed review with no remaining inconsistencies should be a requirement before any transactions are effected, as mentioned previously; when it comes to the annual information, halting transactions may not always be practicable when ITMOs have already travelled out of the host Party account, but inconsistencies must be clearly identified and publicly flagged in the AEF and on the centralized accounting and reporting platform (CARP), and the ITMOs in question must be invalidated for use towards NDC achievement and/or OIMP, until inconsistencies have been appropriately addressed.

The most serious inconsistencies include failing to report on or comply with key elements of the Glasgow guidance concerning environmental integrity (18.h) or human rights (18.i.i, 18.i.ii, 22.f, 22.g). This includes cases where non-compliance with these elements is brought to light by civil society or other stakeholders. Potential consequences for these instances should include freezing the Party’s existing ITMOs (no further transfers/retirements, including potentially from other cooperative approaches the Party is involved in, depending on the severity of the inconsistency or non-responsiveness) or cancelling and replacing ITMOs (e.g. in case of over-issuance or violation of human rights of an activity). If any such inconsistencies are persistent, then it is necessary to involve the Paris Agreement Implementation and Compliance Committee.

Issues related to double counting

No revocations or revisions to the authorization should be allowed after ITMOs have been transferred, retired, or cancelled, for NDC or OIMP. For OIMP in particular,

revocations or revisions must not happen after first transfer has been effected (the earliest trigger if involving two Parties with different specifications for first transfer). Allowing such changes would significantly increase the risk of double counting, which would not be consistent with paragraph 36 of decision 1/CP.21. The principle of prohibiting revocations or revisions is straightforward to incorporate into the negotiation text and ensures a simpler, clearer application of corresponding adjustments, thereby preventing double counting.

Finally, the work on corresponding adjustments (2/CMA.3, cover, para 3(b)), mandated by the CMA, should be picked up as early as possible, and should be ironed out well before corresponding adjustments start being applied using an averaging approach. The option to make recommendations to CMA by 2025 should therefore be retained. This will be necessary to ensure that different types of NDC targets (single or multi-year) do not result in a lower number of corresponding adjustments applied than needed to account for all ITMOs issued, in order to prevent double counting.

Permanence

The guidance has so far barely addressed issues of non-permanence and reversals under 6.2, which is surprising given the vital role these topics play in ensuring environmental integrity. A work programme on these issues is therefore needed, which is already outlined in the SBSTA 60 text (para 82).

Technical recommendations on quality under SBSTA mandate

Concretely, to resolve the issues around quality, negotiators should opt for the following options and paragraphs in the SBSTA 60 12/06/2024 11:00 version of the negotiation text:

Sequencing and inconsistencies

- Paras: 7, 43, 49, 51 and 52 option B2 (not mutually exclusive), 62-65, 67-69

Revisions/revocations of authorisation

- Para 14

Work programme on corresponding adjustments

- Para 81

Work programme on permanence

- Para 82

Equity

If Article 6.2 is to not only function as a mere transaction of emissions, but as a framework that can actually enhance climate mitigation and adaptation worldwide, and support developing countries specifically (which are more likely to be the host Party involved in 6.2 cooperative approaches), then equity needs to be a leading principle in the further definition of the guidance. This can be done on several key topics, which are further outlined in our recommendations below.

OMGE and Share of Proceeds for Adaptation

A direct way in which 6.2 cooperative approaches can contribute to global climate action is by contributing to the Adaptation Fund through a Share of Proceeds (SOP) or cancelling ITMOs for overall mitigation of global emissions (OMGE). While unfortunately not mandatory for 6.2, voluntary contributions should be the norm and must therefore be facilitated and encouraged. SOP and OMGE contributions should be indicated in the authorization statement (SBSTA 60 para 9(q)-(r)). The annual information should contain separate tables for voluntary contributions to SOP and OMGE both for transfer, cancellation, and first transfer (SBSTA 60 para 37(c)(ii), 37(e)(iii), 37(f)(v)-(viii). It is worth noting that support for adaptation could also take place via direct financial support to the host Party and to the Adaptation Fund, rather than exclusively via ITMOs.

Moreover, late triggers for first transfer when authorised for OIMP must not impede SOP and OMGE transfers. Therefore, for voluntary SOP and OMGE contributions, first transfer should be defined as the earliest of: the contribution (e.g. transfer to SOP for adaptation account or OMGE account) or the first transfer definitions specified. For example, if the overall OIMP first transfer trigger is different or would occur later, e.g. “use/cancellation”, then the first transfer would be at the moment of the contribution.

Prioritising host country terms in 6.2 cooperative approaches

Clear benefit and mitigation sharing arrangements, or other terms and conditions through which a cooperative approach can contribute to the host Party’s development, can lead to more equitable outcomes under 6.2 and should be prioritised by host and buyer Parties. These arrangements should be contained in the authorisation statement.

Strengthening safeguards

While not on the agenda currently for SBSTA 61, the lack of minimum requirements around safeguards for cooperative approaches is one of the most crucial shortcomings of the 6.2 architecture. SBSTA should therefore propose, at the very least, a work programme to consider how to prevent negative environmental and social impacts, as

well as how to uphold human rights, by means of stakeholder consultation, safeguard provisions, and a grievance mechanism, among others. Existing relevant decisions, such as the Cancun Safeguards contained in Appendix I of decision 1/CP.16, can potentially be cross-referenced.

Registry arrangements

Lastly, the international registry functionalities have so far proven to be a point of contention for Parties, mainly pertaining to whether the registry can transact ITMOs or merely facilitates the transfer of data (pulling and viewing). From an environmental perspective, it is unclear what the repercussions of either approach will be. Some argue that the registry should not be able to issue and transact ITMOs, because there must always be a mechanism or framework underlying ITMOs that would hold the actual units. The idea being that this underlying framework would provide a guarantee on the environmental integrity of the ITMOs. Full functionality for the international registry, then, would mean that such an underlying framework could be absent, which would be undesirable.

However, such a decision to limit the functionality of the international registry would not affect the possibility of issuing and transacting ITMOs of poor quality in national or private registries: this means that countries without such a national registry will be severely disadvantaged in accessing registry functions. As many Parties, especially in the Global South, lack a national registry due to limited means of implementation, this has equity implications regarding the accessibility of 6.2. Moreover, this would make these countries entirely dependent on voluntary carbon market registries. Relying on these voluntary carbon markets (VCM) registries as a guarantee for environmental integrity seems questionable at best, as the VCM has repeatedly issued credits associated with severe environmental shortcomings as well as human rights infringements. A better way of ensuring higher quality in 6.2 is for Parties to agree to strong rules on authorisation, transparency, sequencing and inconsistencies, and confidentiality, as expressed above.

Technical recommendations on equity under SBSTA mandate

Concretely, to resolve the issues around equity, negotiators should opt for the following options and paragraphs in the SBSTA 60 12/06/2024 11:00 version of the negotiation text:

OMGE & SOP

- Para 9(q)-(r))
- Para 37(c)(ii), 37(e)(iii), 37(f)(v)-(viii)

Mitigation sharing or other terms/conditions

- Para 9(u)
- Add as an additional element to para 9:
  "Information on how other benefits from each cooperative approach are shared between the participating Parties involved;"

Safeguards

- Add a paragraph:
  "*Requests* the Subsidiary Body for Scientific and Technological Advice to consider the need for additional guidance on the application of decision 2/CMA 3, annex, paragraph 18(i)(i)-(ii), with a view to making recommendations for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its seventh session;"

Article 6.4

For Article 6.4, the items on the agenda of the SBSTA link closely to key points in the 6.2 negotiations. Decisions on authorization and links between the international and mechanism registry should therefore similarly promote transparency, quality and equity.

Transparency

Contents of the authorization statement

The authorization statement should contain a minimum level of information for transparency, mirroring our recommendations for the 6.2 authorization statement.

Quality and equity

Revocations and revisions to authorization

To avoid double counting risks and reporting errors, as well as to avoid a situation where mandatory contributions to SOP and OMGE are not correctly accounted for, authorization statements should be given prior to issuance of Article 6.4 Emission Reductions (A6.4ERs). At a minimum, no revisions or revocations to authorisation should be permissible for any A6.4ER that has been transferred or cancelled/retired, in line with our recommendations for 6.2.

Technical recommendations on Article 6.4 topics under SBSTA mandate

Concretely, to resolve the issues we have identified in Article 6.4, negotiators should opt for the following options and paragraphs in the SBSTA 60 12/06/2024 8:00 version of the negotiation text:

Authorisation

- First preference: para 16, complemented with paras 7-8, para 15 , and para 26
- Second preference: paras 1-6

Recommendations to CMA on the work of the Article 6.4 Supervisory Body

The Article 6.4 Supervisory Body, choosing to pursue a different strategy from previous years, has adopted two standards on methodological requirements and activities involving removals. Consequently, CMA will not receive these documents as recommendations - nevertheless, it will still be within CMA's mandate to accept or reject this approach and provide the Supervisory Body with guidance. We urge CMA to carefully consider how these adopted standards on methodologies and removals uphold the rules, modalities, and procedures (RMPs) and recommend that if the new approach is accepted by CMA, guidance is given to the Supervisory Body on the following issues.

Removals

Definition

The minimum durability of storage for removals under the Article 6.4 mechanism must be qualified, and storage in products and other short-term temporary storage sites or reservoirs should be clearly excluded.

Post-crediting monitoring

For the post-crediting monitoring period, during which removals or emissions reductions with a reversal risk will be monitored for reversals, uncertainties remain around options to terminate this monitoring requirement. Two options are currently given:

First, when the risk has become negligible, according to the risk assessment tool, which is yet to be defined by the Methodological Expert Panel (MEP). Guidance should be given on the development of the risk assessment tool, to ensure it will: be science-based and conservative, include a minimum default risk rating, and undergo regular revision, taking into account increased risk due to climate change. The definition of negligible risk should also be based on the latest peer-reviewed science and be conservative.

Second, while the risk is (still) not negligible, if the 'potential future reversals' are appropriately remediated. This remediation will most likely be effected through a buffer pool in the first instance. "Other appropriate measures and procedures" yet to be developed or approved by the Supervisory Body, include insurances, third-party guarantees, and a monetary permanence reserve. However, none of these options are

fleshed out, especially for the specific case of 'potential future reversals'. Guidance should therefore be given to ensure these remedial measures: are based on the latest peer-reviewed science and conservative, and undergo regular revision. They should also take into account increased risk due to climate change over the post-crediting period, and remediate accordingly to this projected risk development. Lastly, equitable and fair distribution of responsibilities should be ensured in the case of any third-party guarantees that involve the host Party.

On top of this, guidance should request the development of a minimum post-crediting monitoring period. There should be no possibility of prematurely ending this minimum period through a request from an activity proponent to the Supervisory Body to conclude post-crediting monitoring.

Buffer pool

To ensure the buffer pool accurately represents the A6.4ERs, as well as to ensure the composition of the buffer pool does not degrade over time by lower-quality A6.4ERs, it should be specified that contributions to, and cancellations from, the buffer pool are from projects with at least the same risk rating as the A6.4ERs it serves to remediate (projects of a different type but with a lower risk rating and higher expected durability can also be considered).

Monitoring report

Consequences should be further defined for the instances in which the monitoring report is late, incomplete or missing. The guidance should demand the development of a two-step timeframe for late submission: Within the first timeframe, suspension as currently outlined in the standard enters into force, and the activity participant can resolve the issue by submitting both a valid justification and a monitoring report. After this specified timeframe, all 6.4ERs previously issued to the activity should be deemed reversed, and categorised as avoidable reversals requiring commensurate remediation by the activity participant.

Methodologies

Downward adjustment

The current standard leaves room for possible exceptions to downward adjustment to the baseline, which are requested to be developed by the MEP. Guidance should request any exceptions to the application of downward adjustment to require the MEP to reflect the best available peer-reviewed science when considering potential exceptions.

Additionality

The provisions for demonstrating additionality as contained in the current standard are not robust enough and should be strengthened. Financial additionality can either be proven by an investment analysis or a barrier analysis as contained in para 77, and it is unclear whether the complementary common practice analysis is optional or mandatory. However, a standalone investment or barrier analysis is insufficient to prove financial additionality, and will risk repeating the additionality shortcomings of the CDM. Guidance should therefore request a clarification that the common practice analysis must always be done to complement either the investment or barrier analysis.

In addition, guidance should request that for a performance based approach to be used as an alternative to financial additionality demonstration, the applicability conditions contained in para 78 should include the condition that a performance based approach is at least as conservative as the approaches in para 77.

To further enhance the robustness of the additionality demonstration, guidance should request the Supervisory Body to conduct an analysis of the likelihood of additionality of different activity types, for use as an input in the determination of more specific methodological rules on additionality testing.

Lastly, guidance should request a regular reassessment of the additionality of registered projects, for the Article 6.4 Supervisory Body to report back to CMA yearly. This reassessment should consist of an independently conducted review, with a view to revise the additionality criteria in place where needed.

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