

IETA RESPONSE TO CALL FOR INPUT

Activities involving removals under the Article 6.4 mechanism

11 October 2022

Introduction

IETA welcomes the decision of the Article 6.4 Supervisory Body (A6.4SB) to launch a **call for inputs** on the issue of removals under the Article 6.4 mechanism as part of the work on the request in paragraph 6 (c) of decision 3/CMA.3¹. IETA wishes to make the following observations in relation to Annexes 5 and 6 of the Annotated Agenda to the second meeting of the A6.4 SB and the issue of removal activities under the Article 6.4 mechanism. The observations are grouped as general comments and specific comments.

General comments

- **The Recommendations presented to the A6.4SB second meeting appear too prescriptive to be proposed to the CMA:** IETA supports the interventions from members and alternates during the second meeting of the A6.4SB that recommendations need to be high-level, as noted in paragraph 12 of the Meeting Report. Current recommendations appear too prescriptive and limiting in terms of removal activity types, crediting types, permanence approaches and leakage mitigation techniques. Recommendations to the CMA should be pitched to allow the CMA to confirm the direction of travel, enabling further work by the A6.4SB next year that would include sufficient stakeholder discussion and external expert input.
- **Recommendations should contextualize removal activities within the wider UNFCCC framework:** Recommendations to the CMA should contextualize removal activities within the Article 6.4 mechanism and within the UNFCCC framework: for example, at the Article 6.4 mechanism level, ensuring better alignment with recommendations on methodologies such as addressing separate accounting for removals and reductions when they are both achieved in one activity; and at the UNFCCC level, addressing the relationship with Article 6 and NDC accounting rules, REDD+ rules and jurisdictional approaches in host Parties, etc.
- **Some Recommendations are not common practice in the markets and have been rejected in other crediting programmes:** IETA recommends that the UNFCCC secretariat consider the experience of the many non-UNFCCC crediting programmes that have been working with removals in the last decade. Tonne-year crediting, radiative forcing, and credit discounting have had limited adoption and evaluation, and cannot be considered common practice. However, more than half of the Information Note (Annex 6 to the Annotated Agenda to the second meeting) is

¹ Paragraph 6 (c) of decision 3/CMA.3 Requests the A6.4 SB to make recommendations for consideration by the CMA at CMA.4 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, in addition to the activities referred to in chapter V of the annex (Article 6, paragraph 4, activity cycle)”; emphasis added.

dedicated to these approaches. Tonne-year crediting has been the subject of consultation and consideration in other crediting programmes but in some cases has been rejected. Moreover, the market diverges on tonne-year crediting and equivalency ratios. Further public consultation on this issue is needed before decisions are taken. Pooled buffers for land-based activities, without discounting, have worked well to date in other programmes.

- **Certain Options are theoretical, untested, and require market/stakeholder testing:** Recommendations such as host Party guarantees for buffers or commercial insurance, which are currently positioned as options to each other, need market testing and stakeholder (including host Party) testing. It is not clear that a host Party would be in a position, from a regulatory or policy perspective, to guarantee a buffer. It is not clear whether commercial insurance is or would be sufficiently available at commercially reasonable prices in all host Parties. Options such as these have a material impact on investment decisions as well as the choice of crediting programme and so this market/stakeholder testing is needed before such approaches are recommended for adoption to the CMA.
- **Equal treatment between removal activity types and scales:** The Recommendations and Information Note focus on only some removal types, and do not fully address all removal activity types, such as direct air capture and carbon utilisation in industrial downstream applications. The same is true for scale – the Recommendations and Information Note assume that smaller activities are lower risk and thus ‘better’, without explanation. Scaled activities are necessary if there is to be any chance of meeting the challenge of constraining climate change, and the role of removal activities has been clearly highlighted by the IPCC. It is thus important to ensure that recommendations made to the CMA are neutral as to the type and scale of removal activity. Recommendations should also avoid burdening certain types of removal activity more than others; for example, methods for ensuring permanence, addressing reversals may need to be considered in terms of the burden on project developers of different types of removal activities. Straightforward reading of some recommendations as currently drafted would be constrictive of innovation and/or difficult to meet and may exclude some removal activity types, making the Article 6.4 mechanism unattractive compared to other crediting programmes.
- **The market context matters:** The Article 6.4 mechanism is a start-up in a busy crediting programme world. If the recommendations made to and adopted by the CMA are not commercially sensible and feasible, removal activities will choose to operate under other programmes, and opportunities to generate the share of proceeds (SoP) for adaptation and contribute to overall mitigation in global emissions (OMGE) under the Article 6.4 mechanism will be lost. This market context means that in developing the Article 6.4 rule base for areas of technical complexity or innovation such as for removals, external expert and stakeholder views are particularly important and well-timed calls for inputs and interactive engagement with stakeholders should be built in to planning.

Specific comments

- **Definitions**

IETA suggests that further work be done to clarify the use of the term carbon stocks throughout the Recommendations document. Currently, the definitions are difficult to understand and would benefit

from greater dialogue with stakeholders that could help clarify the necessary stock and flow measurements involved in effective removals quantification and crediting. For example, the term ‘ex situ carbon stocks’ seems to be referring to the *flow* of carbon out of a carbon stock, rather than being a measurement of *stock* per se. It would also be helpful to clarify why stocks must be measured for land-based removals solutions (it is assumed this is because flows cannot be directly measured).

- **Monitoring**

IETA would welcome greater dialogue on the possibilities for, and implication of, using the recommended method of conservative default factors to account for measurement uncertainty. Such methods need to ensure that the environmental integrity of the resultant credits remains high, and that approaches support robust accounting against NDCs.

Monitoring requirements for geological storage should rely wherever possible on existing regulatory regimes, where such regimes meet agreed minimum requirements, to avoid a complex layered structure of domestic legal and Article 6.4 requirements.

- **Boundaries and leakage**

IETA notes the recommendation to use of adjustment factors as a simplified method to account for leakage. However, we also note that there is limited experience with these factors, their use can present opportunities for regulatory arbitrage, and can impact upon the robustness of accounting of transfers against NDCs. IETA would therefore welcome a wider dialogue on the range of potential approaches to manage leakage risks.

- **Baselines and additionality**

The definition of financial additionality in the Information Note (paragraph 76) relies on barrier analysis with the carbon revenues themselves being the difference maker. As a result, this definition seems overly restrictive. We recommend giving further consideration to the definition of additionality beyond its application to removals.

The recommendations do not cover baselines for removals. IETA assumes this is because it is covered in the broader methodological recommendations under discussion by the A6.4SB. We note, however, that any baseline that includes future emissions (i.e. the baseline is >0) will result in credits being awarded for both emission reductions/avoided emissions and removals if net flows go below zero.

- **Permanence and liability for carbon reversals**

As noted above, tonne-year crediting, radiative forcing, and credit discounting are not common practice and have not been well tested or evaluated to date. However, more than half of Annex 6 is dedicated to these approaches. Tonne-year crediting has been the subject of consultation and consideration in other crediting programmes, but in some cases has been rejected. Moreover, the market diverges on tonne-year crediting and equivalency ratios. Pooled buffers have worked well in other programmes dealing with permanence of removals. Further public consultation on this issue is needed before decisions are taken.



IETA welcomes the proposal to adopt the ‘regulatory safeguards’-style approach for geological CO₂ storage, which draws upon approaches previously agreed under the CDM.

In relation to proposals to discount due to uncertainty, applying conservative default factors to address uncertainty assumes that the estimate of uncertainty reflects systematic errors. However, almost always, the estimation of uncertainty mostly reflects random errors, i.e. normal variation of carbon stocks due to inherent natural conditions. This variability is usually mid-high for land-based removals, and this is normal. Therefore, we propose to the A6.4SB that activity proponents follow IPCC guidelines and guidance to reduce any systematic error in the estimation of carbon stocks at times 1 and 0, and to report uncertainties, without the need to adjust the final removals estimate based on uncertainty as such would result in a loss of accuracy and create an artificial reduction of eligible A6.4 removals. Rather, the estimation of carbon stocks should be technically assessed to ensure there is no bias in the estimates.

- **Avoidance of other negative environmental and social impacts**

IETA recommends that more consideration be given to this issue, using external expertise, as the Information Note and Recommendations 41-45 do not appear to address this aspect of implementation for removals activities as deeply or in a sufficiently nuanced manner as would be necessary to keep the Article 6.4 mechanism aligned with best practice from other programmes. The context of environmental and social impact, and ensuring it is positive rather than neutral or negative, in any given activity is usually very nuanced and short “shall” provisions (see Recommendations 41-45) do not lend themselves to that nuanced implementation. Recommendation 44 is unclear as to whether it applies only to land areas doing both biodiversity conservation and food production or to land areas doing one of these.