Questions for structured call for inputs on recommendations for activities involving removals

1. Introduction and mode of work

1.1. Mandate

1. 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, paragraph 4, of the Paris Agreement”, requested the Supervisory Body of the mechanism established by Article 6, paragraph 4, of the Paris Agreement (the Supervisory Body) to elaborate and further develop, on the basis of the rules, modalities and procedures of the mechanism (RMPs, contained in the annex to the decision) 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, in addition to the activities referred to in chapter V of the RMPs (Article 6, paragraph 4, activity cycle).

2. Further, the Supervisory Body at its sixth meeting, requested the secretariat to launch a call for public inputs for 14 days from the week of 17 July 2023.

1.2. Mode of work

3. This document contains refined questions for consideration by stakeholders, seeking their inputs on the general and specific issues related to activities involving removals.

1.3. Approach to these contents and to the structured call for inputs

4. Stakeholders providing input to the structured call for inputs should note the following:

   (a) In producing this document, the Article 6.4 Supervisory Body (SB) has taken account of the interlinkages in these contents and those of other mandated items, which are being developed in parallel. This document focuses on elements that may be particularly relevant to activities involving removals and reversal risks, with the understanding that general requirements apply to all mechanism activities, including these, unless otherwise specified. This is consistent with the approach reflected in the SB’s prior recommendations, outlines, and structured call for inputs and does not prejudice the eventual placement of these elements and their relevance to all 6.4 mechanism activities, or to all removal activities, or to a subset of removal activities.

   (b) Where submitting technical proposals responding to these elements, wherever possible, stakeholders are encouraged to explain how they could be implemented (inter alia, relevant elements, procedures, timeframes, functional interrelationships), as well as to cite sources of information provided and substantiate views expressed.

2. Call for input questions by element

2.1. Monitoring and reporting

5. Should the activity proponent be required to periodically update its monitoring plan every five years and/or at the end of the crediting period?

6. Should monitoring reports be submitted within the first [2] [5] [X] years of activity implementation? After the first report, at least once every [2] [5] [X] years?

7. Do the “reversal notification” reports referred to in SB 003 recommendations involve, e.g. digital notification of an observed event that could lead to a possible reversal of removals; submission of notification within [90] [120] [X] days of the observation; follow-up submission of a full monitoring report within [6 months] [1 year] [X timeframe]?

8. To ensure and demonstrate the continued existence of removals, are activity proponents required to undertake monitoring and address reversals:

   (a) Only during active crediting period(s) or

   (b) Also [15] [X] years after the last active crediting period?

   (c) The longer of [9(a)] [9(b)] or a timeframe specified by the host Party (e.g. communicated in LoA or earlier)

9. Is simplified annual reporting required to ensure and demonstrate the continued existence of removals? In what cases and how long?

10. Are measures required to address the residual risk of reversals beyond the monitoring timeframe? If so, for how long, and what are the options for, e.g. the mechanism(s), responsible entity(ies), oversight?

2.2. Addressing reversals

2.2.1. General

11. What type of risk rating is used to calculate an activity’s buffer contributions?

    (a) The results of an individual activity’s risk assessment;

    (b) A standard rate determined by the 6.4SB;

    (c) Either measure could be appropriate, depending on the circumstances (in this case, what factors should determine the use of an activity-specific or standard risk rating)?

12. What are the options for circumstances/triggers and/or periodic milestones for reviewing and possibly updating activity baselines, risk assessments (so, risk ratings), and monitoring plans, including in relation to:

    (a) Verified reversals of removals; and

    (b) The stages of activity cycle implementation?

13. On what basis could requirements provide for the use of simplified / standardized elements or mandate the use of more frequent, full, or activity-specific elements and what are the requirements that may be relevant?

    (a) Activity type or category;

    (b) Risk rating level (e.g. above versus below a given %-based threshold);

    (c) Risk assessment contents (e.g. nature, number, variety of risk factors);

    (d) Monitoring plan (e.g. complexity, frequency, responsible entity).

14. Should procedures take the same or different approaches to instances of reversals that are (a) intentional/planned versus (b) unintentional / unplanned?

    (a) How/would other tools to address reversals involving direct credit replacement (including use of insurance / guarantees) be used in combination with a buffer pool?

2.2.2. Reversal risk tools—General: Buffer pools, direct credit replacement, insurance / guarantees

15. Regarding reversal risk buffer pools, direct credit replacement, and insurance / guarantees:

    (a) What is the current practice with these reversal risk tools, including the extent and nature of their use (respectively and in combination), transaction costs and how these are financed, and potential roles of the Host Party in multi-decadal compensation requirements;

    (b) The circumstances under which the use of a given tool may be required or supplemental—for example, for intentional versus unintentional reversals, or during versus beyond the last active crediting period—and rationales.

2.2.3. Reversal risk tools: Specific

16. What are options for robust buffer pool design, including conditions and procedures for its use, ER composition, replenishment, and administration.

17. The need for additional procedures and guidance for the 6.4SB, PPs, insurers/ guarantors to implement options for direct ER replacement, including for insurance or guarantees.

2.2.4. Treatment of uncancelled/unused buffer ERs

18. Are uncancelled ERs in the buffer pool returned to the activity proponent to incentivize performance and/or automatically cancelled, and is this done periodically throughout activity cycle or only after the end of the activity lifecycle or the host Party NDC timeframe?

19. Whether the options for treatment and timing are mutually exclusive or could be applied in combination (e.g. returning some but not all ERs to proponent).

20. Possible basis for periodically returning ERs to proponents (e.g. metrics for activity performance, activity cycle milestones).

21. Procedures for the SB's periodic review and ongoing management of buffer contributions (e.g. buffer composition, stress-testing the sufficiency of risk coverage).

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