

15 April 2024

**For consideration by the Article 6.4 Supervisory Body:**

API appreciates the opportunity to provide feedback to the Article 6.4 Supervisory Body (“Supervisory Body”) on the *Requirements for the development and assessment of Article 6.4 mechanism methodologies (version 01.0)* and *Activities involving removals under the Article 6.4 mechanism (version 01.0)* (“the drafts”).

API represents all segments of America’s oil and natural gas industry. Its approximately 600 members produce, process, and distribute the majority of the nation’s energy. As laid out in API’s [Climate Action Framework](#), API and its members are committed to delivering solutions that reduce greenhouse gas (GHG) emissions while meeting society’s growing energy needs. Many API members actively participate in compliance and voluntary carbon markets as both suppliers and purchasers of high-quality carbon credits.

The effective, harmonized implementation of Article 6 can support international emissions reductions and the scale-up and deployment of low-carbon technologies. API supports the Supervisory Body taking a technology-neutral approach in their recommendations that allows participating countries to channel financial resources towards all GHG emissions reduction and removal projects. The commercialization of carbon dioxide removal (CDR) technologies is integral to achieving the aims of the Paris Agreement,<sup>1</sup> however emerging CDR technologies such as direct air capture (DAC) and bioenergy with carbon, capture, and storage (BECCS) are currently very high-cost.<sup>2</sup> Nature-based solutions (NBS) provide a scalable emissions removal pathway that can provide additional environmental, social, and economic co-benefits. Technology-neutral recommendations on removals and methodologies can support the deployment of both technology-based and nature-based emissions reductions and removals.

In developing their recommendations, API urges the Supervisory Body to consider existing carbon market best practices to promote global harmonization and alignment of voluntary, national compliance and Article 6 carbon markets. The Supervisory Body should develop a mechanism to support collaboration and peer learning with standard setting organizations and other market actors to inform the development of the Article 6 mechanisms.

Effective Article 6 implementation can help enable investment into critical emissions reduction and removal projects, support the deployment and commercialization of key technologies, and promote social and environmental co-benefits. We provide the below comments on the drafts and are eager to continue engaging with the Supervisory Body on Article 6 implementation.

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<sup>1</sup> IPCC, 2023: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, 184 pp., doi: 10.59327/IPCC/AR6-9789291691647.

<sup>2</sup> See <https://www.cdr.fyi/blog/2023-year-in-review>, which lists the average price per ton of carbon removal in 2023 at \$715 per ton for DAC purchases and \$300 per ton for BECCS purchases. For comparison, see <https://www.ecosystemmarketplace.com/articles/new-state-of-the-voluntary-carbon-markets-2023-finds-vcm-demand-concentrating-around-pricier-high-integrity-credits/#:~:text=To%20date%20in%202023%2C%20the,driver%20of%20high%20market%20value.>, which found the average carbon credit price (per ton of CO<sub>2</sub> equivalent) to be \$6.97.

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## 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**4** = Proposed change – suggest the text if possible

| 0                 | 1                                | 2         | 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 4                                                                                                                                          |
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| Meths or Removals | Section no.                      | Para. no. | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Proposed change<br>(Include proposed text)                                                                                                 |
| Methodologies     | Entire document                  |           | Climate action is needed now. Other organizations have spent substantial time reviewing existing methodologies to increase quality and transparency and this work is well underway. Rather than create a total separate market with separate methodologies under Art. 6.4, API encourages the Supervisory Body to engage and collaborate with existing market standards and initiatives to promote global alignment. The more market approaches align, the more efficient the entire market will be, encouraging efficient use of resources. Multiple methodologies and standards in the market promotes inefficiencies. | Align with existing market practices and develop a mechanism for engagement and collaboration with existing market actors and initiatives. |
| Methodologies     | 4.2, 4.3, 4.6, 5.0, 6.0, and 7.0 |           | These principles are already fully covered in other carbon credit methodologies. Article 6.4 should focus on areas not addressed elsewhere, i.e. sections 4.4, 4.5, and 4.12.                                                                                                                                                                                                                                                                                                                                                                                                                                            | Align with existing market practices and develop a mechanism for engagement and collaboration with existing market actors and initiatives. |
| Methodologies     | 4.1                              | 19        | It is unclear how this will be implemented in practice. We support increasing ambition over time however this should be addressed at the time of project crediting period renewal. It will be challenging to have the method of calculating ERs change within a crediting period, e.g. getting progressively more conservative each year. Methodologies should instead be set up from the outset to ensure net mitigation e.g. by taking conservative approaches and applying conservative assumptions.                                                                                                                  |                                                                                                                                            |
| Methodologies     | 4.4                              | 31        | Methodologies are not (or should not be) country-specific, therefore it is unclear how this would work. Benefits-sharing is better addressed at project level or through approving standardised baselines.                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                            |
| Methodologies     | 4.5                              | 37        | Unless methodologies are country specific (which we would not support given the high level of associated burden), it is unclear how this can be done.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                            |

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| Meths or Removals | Section no.                   | Para. no. | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Proposed change<br>(Include proposed text)                                                                                                                            |
| Methodologies     | 5                             | 80        | <p>Mechanism methodologies shall contain provisions to require demonstration of additionality through the following elements': The Supervisory Body should clarify whether this implies that ALL of the following elements must be included, or just a selection. Regulatory additionality should be required in all methodologies/for all projects. However, barriers analysis would not be necessary if a methodology requires a financial analysis approach. Assessment of prevailing practice seems to be missing here - this should be required under any methodology - to ensure the credited activities do not represent common practice already. Finally, performance benchmarks (as mentioned in para 83) should also be mentioned here as a means of demonstrating additionality (as long as a regulatory additionality test is also passed). There is no reason why performance benchmarks can only be proposed top-down from the Supervisory Body. Developers of methodologies could also propose performance benchmarks for the Supervisory Body to consider.</p> |                                                                                                                                                                       |
| Removals          | Entire document excluding 3.9 |           | These provisions duplicate existing principles already available in the voluntary carbon market and considered in existing standards and initiatives. Rather than create a separate market with separate methodologies under Article 6.4, API encourages the Supervisory Body to engage and collaborate with existing market standards and initiatives to promote global alignment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Align with existing market practices and develop a mechanism for engagement and collaboration with existing market actors and initiatives.                            |
| Removals          | Entire document               |           | The order of subsections could be modified to improve the flow of the document. For example, the 3.3 Reporting section comes after 3.2 Post-crediting period monitoring, reporting, and remediation of reversals, whereas it could come before. Additionally, it would be beneficial to include footnotes in the draft with links to referenced documents to provide easy consultation for the reader.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                       |
| Removals          | 3.1                           | 11        | This paragraph should require demonstration of conservativeness of default values.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Calculation of removals may employ default values that are demonstrated to be conservative and appropriately address uncertainty, to allow flexibility in monitoring. |
| Removals          | 3.1                           | 12        | Methodologies should favor the use of higher tier methods to enhance accuracy and robustness in removals estimates, not simply include provision for the use of higher tiers. Default values should be secondary options that can only be used when demonstrated to be conservative and appropriately address uncertainty (see comment about paragraph 11 above).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                       |
| Removals          | 3.1                           | 13        | Methodologies should also include quality assurance and quality protocols within measurements and activity participants, such as standard operating protocols (SOPs), data measurement error checks (such as hot, cold and blind checks), and verifiable checks in data entry and analysis procedures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                       |

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| Meths or Removals | Section no. | Para. no. | Comment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Proposed change<br>(Include proposed text) |
| Removals          | 3.1         | 14        | The Recommendation should further elaborate this paragraph and specify the periodicity of revisiting the risk assessment tool to mitigate risks of reversals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                            |
| Removals          | 3.3         | 25        | This paragraph makes mention to the reporting frequency for activities with “high reversal risk” and reporting frequency for activities with “low reversal risk” but the Recommendation does not define how to characterize whether an activity is considered high or low reversal risk.                                                                                                                                                                                                                                                                                                                                                                                           |                                            |
| Removals          | 3.4         | 27(b)     | This paragraph states that net removals that fall below removals in previous monitoring report shall be considered reversals. This implies that removals must be ever increasing to be considered creditable, and defies the logic of removals achieved by forests, which tend to accrue at a lower rate as the forest stand ages. To illustrate this point: a reforestation activity would eventually produce reversals in its maturity, even if successfully managed to achieve mature age, and properly restore the ecological functionality of the forest. This paragraph should be eliminated from the Recommendation and a clear definition of reversals should be provided. |                                            |
| Removals          | 3.6.2.1     | 38(c)     | This could be simplified by stating that a reversal notification as a full monitoring report shall be provided in next monitoring cycle no later than 360 days after the observed event.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                            |
| Removals          | 3.6.2.4     | 46        | This paragraph should be amended to state that an activity participant shall only be permitted to issue, transfer, and/or cancel 6.4ERs related to the activity upon cancellation of an amount equivalent to reversed removals. It should not reference paragraph 27 due to its flawed definition of what constitutes a reversal (see comments on paragraph 27 under section 3.4 above).                                                                                                                                                                                                                                                                                           |                                            |
| Removals          | 3.6.3.1     | 54        | It is unclear why only ERs equal to the amount of unavoidable reversals requiring remediation shall be cancelled. It should instead be ERs equal to the amount of unavoidable as well as avoidable reversals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                            |
| Removals          | 3.6.3.1     | 55        | The Supervisory Body should clarify why buffer ERs shall not be cancelled to remediate avoidable reversals and how these would be remediated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                            |
| Removals          | 3.6.3.3     | 60        | The recommendation introduces the concept of avoidable and unavoidable reversals and includes different implications for each. It should also include a respective clear definition to enhance clarity of proposed procedures pertaining to each.                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                            |

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| Removals          | 3.7         | 61        | <p>The Recommendation states that participants shall address the risk of leakage. It should also specify which types of leakage must be considered (i.e. activity-shifting, market-based, international).</p> <p>The Recommendation could also explore the consideration of positive leakage (for example as restoration of degraded agricultural lands may shift the landscape developmental path towards a greener, forest-based economy, which may generate removals beyond the accounting boundary of the activity and therefore represent a positive leakage) as a path for reversal risk mitigation.</p> |                                            |
| Removals          | 3.8         | 62        | <p>This paragraph could reference the agreed upon Cancun Safeguards which are recognized as robust safeguards for Natural Climate Solutions.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                            |
|                   |             |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                            |