



CALL FOR INPUT

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Dear Sir or Madam,

With reference to the call for input on the 'Issues included in the annotated agenda and related annexes of the eighteenth meeting of the Article 6.4 Supervisory Body', Kita is pleased to provide input on the Draft Standard: Addressing non-permanence and reversals v2.2. [Kita Earth Limited](#) ("Kita") is a UK carbon insurance company and Lloyd's of London Coverholder. Kita's mission is to enable carbon projects to scale by offering a suite of insurance policies and active risk monitoring services to the carbon markets. Reducing risks in carbon transactions increases confidence for those engaged with these projects and thus unlocks greater flows of capital, allowing carbon projects and their positive climate impacts to scale.

Kita's input relates to:

- Stress testing the Reversal Risk Buffer Pool Account
- Annual public reporting on the composition of the Reversal Risk Buffer Pool Account
- Negligible risk of reversal

We do have input to provide regarding reversal-risk-related management provisions as alternatives to the Reversal Risk Buffer Pool Account, the reversal risk assessment tool, and transfer of liability. However, as dictated in the Cover Note of the Draft Standard: Addressing non-permanence and reversals v2.2, we shall withhold commentary until the relevant future call for input.

We trust this input will be deemed relevant and taken into consideration by the Supervisory Body (SBM).

Yours sincerely,

Kita Earth Limited

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Document reference number and title: A6.4-MEP008-A03. Draft Standard: Addressing non-permanence and reversals (version 02.2)

Item	Section no. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)
1	Not currently listed	Not currently listed	Kita supports reincorporating the draft text from v1.0 regarding regular stress testing of the Reversal Risk Buffer Pool Account. The stress test should assess the Reversal Risk Buffer Pool Account resilience to the range of risks potentially leading to a reversal event proposed within the risk assessment tool. It is also important to regularly report on the results of stress testing, to provide transparency and enable trust within the market. Active buffer pool management helps reduce the risk of the Reversal Risk Buffer Pool Account becoming unable to perform as intended while increasing operational efficiency. This would be an ongoing specialised task for the Supervisory Body which could also be managed by a qualified third party. We believe this recommendation aligns with paragraph 62 of the Standard: Requirements for activities involving removals under the Article 6.4 mechanism where it specifically states, “ensure the resilience, sufficiency, and solvency of the Reversal Risk Buffer Pool Account”.	The composition of the Reversal Risk Buffer Pool Account, including the share of A6.4ERs by vintage, region and country, type of activity, authorization status, risk rating, and methodology, shall be published annually. The Supervisory Body shall oversee a regular stress-test of the Reversal Risk Buffer Pool Account to assess the resilience of the pool to a range of reversal risk scenarios and to consider and implement any potential remedial actions necessary to manage risks to the robustness of the Reversal Risk Buffer Pool Account. The stress-test shall assess the resilience of the Reversal Risk Buffer Pool Account to a range of reversal risk scenarios based on, inter alia, the range of risk ratings as well as significant loss event(s), affecting the activities linked to the Reversal Risk Buffer Pool Account. The stress-test shall occur at least every three years and in an event of a significant loss event. The results of any Reversal Risk Buffer Pool Account stress test shall be published publicly. Stress testing of the Reversal Risk Buffer Pool Account may be managed by an independent third-party subject to approval by the Supervisory Body and any other relevant entities.

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2	Not currently listed	Not currently listed	We strongly urge the SBM to explicitly state the intended level of confidence for the sufficiency of the Reversal Risk Buffer Pool Account. This will bring transparency and confidence to the operation of the buffer and allow meaningful comparison of other risk mitigation alternatives such as insurance, which are calibrated to a specific confidence level by financial regulators globally. It is also a natural extension to the draft's definition of the probability of negligible risk of reversal over a 100-year period. We believe this recommendation aligns with paragraph 62 of the Standard: Requirements for activities involving removals under the Article 6.4 mechanism where it specifically states, “ensure the resilience, sufficiency, and solvency of the Reversal Risk Buffer Pool Account”.	The intended level of confidence for the sufficiency of the Reversal Risk Buffer Pool Account is [X]*. *To be defined by the SBM or other relevant entities.

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Item	Section no. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)
3	2. Definitions	Paragraph 3(g)	It is impossible to state with any certainty an activity has a negligible risk of reversal over a 100-year timespan. Insurers like Kita know well that changing climatic, weather, and geologic circumstances over time can dramatically shift the risk profile of activities in unexpected ways. By way of just one example, in a 1991 peer-reviewed study, scientists predicted, using the latest models at the time, the average burned area of Canadian forests would be 2.9 million hectares by 2040 (Flannigan, Mike & Wagner, C.E. (1991)). As of 2024, 16 years before 2040, the average burned area of Canadian forests is 4.0 million hectares (Curasi et al., 2024). This is one reason why insurers do not offer 100-year insurance policies, due to the need to frequently reevaluate risk. This dynamic exists for both “low durability” activities like forestry projects, as well as activities relying on geologic storage, where changing conditions may increase the risk of reversal via leakage of storage sites over time. Kita is comfortable with the negligible risk of reversal being defined as no more than 2.5%. We believe selecting this value of the given options is best aligned with balancing climatic and market realities of carbon projects.	Negligible risk of reversal: A risk of reversal that would result in a loss of no more than 2.5 percent of all the A6.4ERs issued with respect to the total emission reductions and/or net removals achieved by the activity during its active crediting period,³ calculated over a 100-year timeframe starting from no earlier than the end of the last active crediting period;