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Name of submitter	David Antonioli
Affiliated organization of submitter	Transition Finance
Email of submitter	dantonioli@tranfin.com
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Document reference number and title: (Recommendation from the MEP to SBM020) Concept note: Revision of methodological standards and tools for application to programmes of activities (version 01.0) and its appendices				
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	-	Paragraph 15 (Section 5.1, Overview of approaches to demonstrate additionality)	The list of approaches to demonstrating additionality fails to mention one of the most effective means of using carbon finance in a thoughtful and impactful way: positive lists, which strike a good balance between integrity and simplicity, on the one hand, and scalability on the other. Positive lists are constructed by taking into account fundamental elements considered already for the demonstration of additionality (i.e., regulatory analysis, lock-in risk), and then adding the most relevant elements related to the project activity (e.g., investment, barrier or common practice analysis). The key benefit of positive lists is that they clearly set out which project activities are considered additional without having to go through an extensive review process, both by an auditor and then the crediting program, saving loads of time and resources. Importantly, positive lists provide stakeholders much more confidence about whether they can secure carbon finance, something which has undermined the carbon market ever since it was begun more than two decades ago. The use of positive lists also would enable the UNFCCC to address a systemic risk facing the carbon markets – the lack of planning around what happens when carbon credit sales end ("end-game risk", or "durability" which is being used these days). Left unaddressed, failure to plan for what happens when carbon finance ends poses systemic risks to the market and to the environment. For example, projects whose only or main revenues depend on the sale of carbon credits could find their ability to operate severely jeopardized if there are no plans to ensure their long-term operational viability. We've seen this happen already; projects that were operating while they sold carbon credits came to abrupt halts when those sales ended. Fortunately, this is a solvable problem, and can be addressed by breaking out project types into two categories. The first category are projects that can eventually stand on their own economically, but need bridge financing in the beginning to overcome high costs, technical risks, general skepticism about the innovation and/or immature markets and supply chains. For these projects, carbon finance should serve as a catalyst that drives long-term	Positive list approach: Demonstration that an Article 6.4 activity (i.e., technology or practice) is unlikely to be implemented without the incentives from the mechanism based on a comprehensive macro assessment (i.e., across the whole sector) that the activity is: not financially viable in the absence of revenues from A6.4ERs; being prevented by barriers that would be overcome with the incentives from the mechanism; or not common practice (e.g. it has a low market penetration). Activities using a positive list approach must set out the point in the future at which new activities are no longer considered additional.

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			adoption of innovative climate solutions, supporting truly transformational impacts on the local economy that don't have to rely on carbon finance forever. The second category of projects are those that do not have a long-term underlying economic rationale nor any other means of maintaining their operations once their crediting period ends. For these projects, carbon finance can serve as a catalyst that introduces new technologies and practices, including critical capital equipment, but failure to secure long-term support would likely mean shuttering operations. For these types of projects, one can envision governments taking over responsibility for project operations once there are no more revenues from the sale of carbon credits, whether through financial support or enforcement of regulations. Another solution could involve the creation of durability endowment funds managed by either governments or independent third parties to underwrite project activities out into the future, after the revenues from the sale of carbon dry up. Such an endowment fund could be created with regular contributions from the sale of credits while the carbon project is operational. In the case of Nature-based Solutions (NBS), the long timeframe of those projects (e.g., 30-40 years) provides ample time to build up a robust resource base that could support long-term project operations. Positive lists can play a critical role, both because they provide the ability to build in solutions to end-game risk and also streamline the approval process. I therefore recommend that positive list approaches be added to the list options for developing mechanism methodologies.	

2	Appendix 5. Draft Standard: Addressing non-permanence and reversals in mechanism methodologies (version 2.0)	Para 3 (Section 2, Definitions)	The UNFCCC needs to address a systemic risk facing the carbon markets – the lack of planning around what happens when carbon credit sales end ("end-game risk", or "durability" which is being used these days). To do this, it needs to define post-crediting activities so that stakeholders can develop corresponding plans. Left unaddressed, failure to plan for what happens when carbon finance ends poses systemic risks to the market and to the environment. For example, projects whose only or main revenues depend on the sale of carbon credits could find their ability to operate severely jeopardized if there are no plans to ensure their long-term operational viability. We've seen this happen already; projects that were operating while they sold carbon credits came to abrupt halts when those sales ended. We seem to be missing the most obvious solution when trying to address non-permanence and reversals in mechanism methodologies we – figuring out how to continue project activities once the last carbon credit is sold. Instead, we have put an extraordinary amount of effort into ensuring the integrity of the instruments (e.g., the credits sold), but have ignored the underlying objective of the enterprise, which should be about building enduring climate solutions. One potential solution revolves around creating DURABILITY ENDOWMENT FUNDS that would underwrite project activities out into the future, after the revenues from the sale of carbon dry up. Such an endowment could be managed by either governments or independent third parties and would be governed by strict requirements. Similar endowments funds have been used effectively to fund long-term projects in a whole host of situations, and are the operating model for foundations; why not use them for carbon projects? A durability endowment fund could be created with regular contributions from the sale of credits while the carbon project is operational. In the case of Nature-based Solutions (NBS), the long timeframe of those projects (e.g., 30-40 years) provides ample time to build up a robust resource base that could support long-term project operations. Implementing durability endowments would enable the carbon market to maintain and/or	Post-crediting activities: The activities implemented after the last active crediting period ends but for which no A6.4 ERs or removals shall be generated.

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			build natural infrastructure that meets the mechanisms definition of "Negligible risk of reversal . . . "total emission reductions and/or net removals achieved by the activity during its active crediting period, calculated over a 100-year timeframe starting from no earlier than the end of the last active crediting period. Durability endowments can be structured to meet the particular needs of individual projects. For example, a native species reforestation project that will not generate any revenues would likely need to have 100 percent of its operational costs covered once the crediting period ends. However, an agroforestry project may not be able to sustain itself from the revenue from the sale of timber, food crops and/or animal products, and could supplement its revenues from a durability endowment. The discussion around non-permanence and reversals (in mechanism methodologies) needs to come back to the underlying purpose of what we are trying to achieve. While I strongly support efforts to improve the existing mechanisms (e.g., buffers), unless we figure out how to ensure projects can continue to operate once the crediting period ends we might be deluding ourselves. So, for instance, rather than focusing exclusively on setting aside resources to cover losses from a fire, we should be figuring out how to prevent a fire in the first place. Durability endowments are the only solution I have come across that can come close to addressing the non-permanence and reversals as set out in the overall guidance (i.e., negligible risk of reversal). I therefore recommend that the MEP define post-crediting activities and consider durability endowments when assessing the non-permanence and reversal risk of activities supported by the mechanism.	