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Document reference number and title: (Recommendation from the MEP to SBM020) **Draft Methodological tool: Reversal risk assessment**				
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	-	18	Kita recommends quantification of all natural and human-induced risk factors using peer-reviewed studies. This ensures that values used are not subjective while enabling risk modelling that is reproducible and can be built upon over time. Risk metrics should not be qualitative or self-reported where possible. They should be centrally managed and monitored. This removes potential conflicts of interest specifically as they relate to human-induced reversal risk factors. The Reversal Risk Assessment tool should refer to actuarial modelling of risk factors where possible. This allows for comparability across various risk factors while utilizing well-established and tested models. A further potential benefit of using actuarial models is metrics structured and designed to enable comparison across various hazard types. Kita does not believe it is reasonable to assume natural and human-induced reversals are entirely independent of one another. The actuarial modelling approach enables the deduction of loss functions to test this hypothesis in a structured manner. A better approach to view these risk factors correlation is looking for spatial autocorrelation for different perils. This allows a standardized view of the dynamics for every peril, regardless of the source. For example, a region with extreme heat has different severity to fire (different surface fuel). The output of actuarial modelling will be loss models, which are normalized globally and across activity types – allowing for added comparability and supporting portfolio management for a robust buffer. This approach also accounts for correlations present between various hazards – ex. wildfire risk would typically have a higher correlation with drought events. It also accounts for different types of exposure – ex. wildfire risk would be higher in peatlands. Further, actuarial modelling enables the inclusion of regrowth within the modelling of the vulnerability curves for an activity. This is possible across various activity types.	-
2	5. Reversal risk assessment	22	Kita's recommendation is to account for historically reported human-induced reversals, such as deforestation at the per-country/regional level. Quantitative values should be applied with confidence intervals. Following the example of deforestation,	-

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			which may apply to clean cooking activities and other activities subject to this tool in the future, this assumes most human-induced reversal risks are related to deforestation. Global deforested area datasets are available publicly which support metrics such as annual rate of deforestation, or time-series analysis of deforestation rate, and many other proxies. Human-induced reversal risks can be exposed using actuarial risk modelling concepts. For example, countries with high deforestation risk, such as conversion of peatland to palm oil plantation, will have the same level of hazard but different exposure (grassland will be less favorable to conversion to palm plantation than peatland), and different vulnerability (peatland degradation is more irreversible). Where country-level values are missing, there are two alternatives: a) Regional benchmarks; or b) Peer group benchmarks deduced by identifying climatic and political condition similarities across countries. For the latter, Kita anticipates the climatic and political data is available and already published by peer-reviewed, highly credible public sources. Finally, appropriate defaults should be more aligned with recent quantitative measures. Forecasting can be applied for shorter future time horizons. Weightage to forecasting should be applied on the basis of confidence intervals/sensitivities. Any quantification should be regularly reviewed and updated as new info becomes available.	

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3	5. Reversal risk assessment	22	No major carbon crediting mechanism currently provides a streamlined list of recommendations for mitigation measures, whether natural or otherwise. If the PACM seeks to adopt such a framework, it would benefit from providing activities with a list of appropriate mitigation measures (as they relate to the specific risks applied to specific activity types), associated costs, and their impact on the reduction of the risk factor. This would provide a structure to reduce unpredictability. In instances where the metrics and impact are quantifiable, these and their net benefit on the risk reduction should be noted as such with certainty. Where quantification is possible, a higher weight should be applied to such factors in the overall scoring. In instances where the metrics and impact are not presently quantifiable, convert the qualitative impact to a simple scoring. Scoring allows for consistency across activity assessments. Under this approach, a lower weight should be applied to such factors in the overall scoring. Converting the qualitative impact to a simple scoring system enables active monitoring of mitigation measures applied as they correspond to a recommended structured set of mitigation measures. Monitored values can subsequently feed back into the provision of quantitative features in the future. All applied mitigation measures, whether quantifiable or not, should be well documented and verifiable.	-

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4	3. Normative and informative references	47	It is appropriate not to apply an upper limit for reversal risk ratings. Within carbon market dynamics, activities with enough risk will be inherently disincentivized and non-competitive or will have to pay accordingly for permanence management (through a high buffer contribution or alternative mechanism). Thus, it is not necessary to have a maximum reversal risk rating, and by not having one, the Supervisory Body avoids unnecessarily restricting activity eligibility. If the Supervisory Body is concerned allowing very-high-risk activities may negatively impact the Reversal Risk Buffer Pool Account, additional assurance past a maximum risk threshold could be required with, or in lieu of, the buffer, such as through insurance or a monetary permanence reserve. That would protect the Reversal Risk Buffer Pool Account while enabling high risk activities, which may have other benefits that motivate their deployment. This comment applies to future iterations of a Reversal Risk Assessment that extend to other activities.	-
5	Cover note	Entire document for Draft Methodological Tool	Kita supports comments submitted by Conservation International, IETA and The Nature Conservancy.	-