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Document reference number and title: (Recommendation from the MEP to SBM020)

Concept note: Options for implementing the provisions in paragraph 62 of the "Standard: Requirements for activities involving removals under the Article 6.4 mechanism (version 01.0)

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1	-	General – Applicable to all alternative solutions	Several of the questions asked to stakeholders or strategic topics in the concept note concern topics that (i) are either too demanding for individual stakeholders to suggest robust and in depth proposals capable of properly addressing complex and innovative matters in a short period of time, such as the call for inputs or (ii) are already practiced in different carbon market mechanisms or in related institutional settings, e.g. activity-level insurance, monetary reserves based on endowments, sovereign guarantees to public-private assets, inter alia. Even though the concept note has made progress on some of these matters, we believe there is room for substantive improvement, considering: (i) existing experiences in the market, e.g. insurance products that are rapidly evolving and (ii) the fact that several of the requirements are completely new and, as such, governments and markets may not yet have related products/solutions, but could certainly develop them in case clear guidelines are provided. It is premature to restrict options on the basis of inexistence of prior experiences. As a solution we suggest the development of a technical paper by the Secretariat with the objectives of: (i) Providing a more thorough and transparent analysis of existing practices based on a comparative analysis (benchmark), (ii) clearly defining criteria and potential solutions to the barriers for some of the challenges identified throughout all of the proposals to increase the resilience of the buffer pool account or to provide alternatives solutions at the activity level and, most importantly, (iii) providing an analysis of how could such solutions impact the amount of units to be placed in the buffer account, e.g. to what extent they would: (a) have a cumulative effect (buffer discounts + enhanced measures) or (b) would contribute to reduce the burden of buffer discounts, since an alternative measure would manage risks through other means, which should be the main reason for the development of other risk management provisions. We believe a centralized technical paper, as per a common practice under the UNFCCC, would be highly beneficial to the debate, building upon (i) a wider range of proposed solutions for	Request a mandated from the Supervisory Body to enable the MEP, with the support of the Secretariat, to develop a technical paper to (i) explore potential solutions to the challenges inherent to new approaches or to provide the full set of requirements for implementation by government and the private sector, so that products/solutions could be designed and (ii) develop a transparent comparative analysis of existing experiences in the carbon market regarding reversal risk assessments for removal activities, covering not only the questions directly asked to stakeholders in MP-014-08 but also, the major parameters and criteria for the assessment of reversals and its risks.

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			innovative aspects (to be developed and hence never practice before) and (ii) a proper assessment of empirical evidence over more than 20 years of operations in voluntary carbon markets.	
2	3. Key issues and proposed solutions	Paragraph 33 / Question 1	A read-only interface, or periodic audited reporting, is sufficient for an insurer to price and monitor exposure, and is consistent with paragraph 54. An insurer needs visibility of issuance, contribution and cancellation data; it does not need to transact. This is already demonstrated in practice: a buffer depletion policy has been placed on the buffer of a voluntary carbon standard, so insurers' informational needs are evidently satisfiable without ceding registry control. Registry access should not become a reason to defer buffer pool insurance.	Amend paragraph 33: "Insurer access shall be limited to a read-only interface or periodic audited reporting, which the Supervisory Body considers sufficient for underwriting and monitoring. No insurer or agent shall hold administrative or transactional rights over the Reversal Risk Buffer Pool Account, consistent with paragraph 54. Registry-access considerations shall not of themselves constitute grounds for deferring the use of insurance."
3	3. Key issues and proposed solutions	-	While we understand the concerns the MEP has in relation to not being able to remediate an early reversal since it has not yet collected a large stock of buffer pool credits, it is our view that insuring the buffer is not necessary since: - There are already periodic stress tests required to assess whether it is sufficient to cover liabilities, which has been strengthened by the mandate requested to the SB in the current document. - This would likely involve passing on an additional fee to developers who already face high administrative costs, next to foregoing income on the portion of the credits they contribute to the buffer pool. - This is a temporary situation that only exists in the first few years.	We suggest that the MEP not take out insurance on the buffer pool. If the MEP concludes that the stress tests show that the buffer pool is not sufficient, then a temporary insurance policy can be taken out for the first years of the mechanism, but this should be capped (at for example 3 years) so as not to outlive its need.

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4	3. Key issues and proposed solutions	Paragraph 54 / Question 2	Several carbon credit registries currently operate or otherwise are piloting insurance as an alternative to the buffer pool: - As per a June 2026 revision, The California Action Reserve will now allow project developers to use insurance instead of or in complement to contributions to the buffer pool. - Verra is currently running a 3-year pilot program in which participants can either use insurance or contribute to a permanence trust instead of contributing to the buffer pool. - The Open Carbon Protocol requires developers to hold a policy with a registered carbon insurer while running a programme-level buffer, and a buffer depletion policy has been placed on a voluntary standard's buffer. There are thus already several registries that recognize the role insurance can have as an alternative/complement to buffer pool contributions. Still, even if insurance as a substitution for buffer pools is not yet widespread in the market, this is not evidence that it is unworkable, it is evidence that there are not yet standardized conditions under which it would be accepted. Insurers underwrite against defined requirements; where none exists, no product is built. Paragraph 62 is self-fulfilling: alternatives are barred because the market has not produced them, and the market does not produce them because they are barred. A buffer contribution is paid in credits, withheld at source, unsellable, unpledgeable, forgoing all price appreciation over up to 45 years. A premium is paid in cash. Equivalent insurancein cash rather than withheld volume is materially more efficient at no cost to integrity.	We suggest that the Supervisory Body frame paragraph 62 as a staged pathway, not a permanent limitation and thereby: - recognise in para. 54 that insurance can be used as a complement, and operationalise para. 57(a), with buffer contributions reduced to the extent insurance provides equivalent assurance; and - define now the conditions under which insurance would be recognised as a partial or full alternative, so the market has a target to build against.

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5	3. Key issues and proposed solutions	Paragraph 55 / Question 3	Based on our understanding of the current market there are no standardized reversal risk insurance products. This is unsurprising since: - Risk of reversal varies greatly between project types, carbon crediting methodologies, and geography. - Even within the same project type, project design and risk management practices can greatly influence reversal risk. A case by case underwriting approach allows insurers to reflect these differences and reward participants that implement additional risk mitigation measures. - Insurance in the carbon market is still relatively new. Nevertheless, if the MEP were to specify certain minimum requirements that insurance products should meet (e.g., regarding which risks are covered, under what conditions claims are paid, how long coverage lasts), the market could develop products that meet these requirements, while retaining project-specific underwriting and risk-based pricing where suitable.	That para. 55 provide: "The Supervisory Body shall specify the minimum terms an insurance policy or guarantee must satisfy to be recognised, including duration, covered losses, exclusions, renewal provisions and payout mechanics, with requirements of public disclosure and independent verification, so as to provide the market with a defined set of eligibility criteria against which products may be developed."

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6	3. Key issues and proposed solutions	Paragraphs 46 and 48 / Question 4	Paragraph 48 requires cover across up to 45 years plus post-crediting. Dedicated carbon insurance did not exist before 2022. Within four years the market has produced ten-year tenors, at limits in the tens of millions, underwritten through Lloyd's with major reinsurers behind it. A framework governing 45-year activities should not be calibrated to a snapshot of a four-year-old market. The question is not what the market offers today, but what it would offer against a defined requirement. The MEP has already resolved this in its own document. Paragraphs 87(d) and 100(a)(iii) expressly accept that the term may be met through annual premium adjustments and term renewals, provided the policy guarantees coverage for the remainder. Guaranteed-renewable rolling cover is therefore already accepted as satisfying a continuous-coverage requirement. No justification is offered for why the identical mechanism is admissible post-crediting and barred under paragraph 48. Applying the 87(d) standard to paragraph 48 would not reduce assurance - continuity remains binding, but would close the tenor gap, because rolling renewable cover is what the market already writes. Para. 46(b) requires cover of avoidable reversals, which para. 56 concedes insurers exclude. Para. 57(a) already contemplates the fix: insurance covers what it can bear, the buffer covers the rest.	Amend para. 48 to align with 87(d) and 100(a)(iii): "The required term may be satisfied through guaranteed-renewable coverage, including annual adjustments of premiums and term renewals, provided the policy guarantees continuity of coverage for the full crediting and post-crediting monitoring period; or through a combination of insurance and buffer pool contributions together providing continuous coverage." Amend para. 46(b) to permit avoidable and unavoidable reversals to be covered by distinct instruments, consistent with para. 57(a); and provide that where insurance covers a defined portion of an activity's reversal risk, the activity's buffer contribution shall be reduced proportionately.

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7	3. Key issues and proposed solutions	Paragraph 59 / Question 5	If insurance were allowed to replace buffer pools, and there was a case in which a project participant is not able to renew insurance coverage, para 59 sets out a mechanism to deal with the issue: - A mandatory contribution to the buffer pool deducted prior to issuance of further A6.4ERs. - Contribute to the buffer pool credits to cover historical A6.4ERs that were covered by insurance instead of the buffer pool. A contribution which also covers historical credits issued.	That para. 59 provide: "Where a participant demonstrates good-faith efforts to maintain coverage and renewal is not reasonably available on commercial terms, it shall transition to buffer pool contributions on prospective issuance, and such non-renewal shall not of itself constitute an avoidable reversal. Any retroactive contribution arising from non-renewal shall not exceed the volume of A6.4ERs remaining to be issued to the activity."
8	3. Key issues and proposed solutions	Paragraph 85 / Question 6	We agree with paragraph 85 and support its confirmation. Post-crediting, the participant no longer actively manages the activity and no further A6.4ERs are issued, so both the means and the incentive to bring about or tolerate a reversal are reduced. For ARR this is reinforced: a well-executed restoration reaches this phase established and largely self-sustaining, so residual risk is materially lower, and it is the only phase where monitoring costs are borne against no issuance revenue. Section 3.3 should be treated as the mechanism's first operational test of insurance and the evidence base for extending it, not as the outer limit of what insurance may do.	Confirm para. 85: "During the post-crediting monitoring period, covered losses may include avoidable reversals, including deemed avoidable reversals arising from missing reports, in light of the reduced moral hazard once active management and issuance have ceased." That the Supervisory Body provide for collection and publication of performance data from insurance used in the post-crediting period, to inform the conditions under which insurance may be recognised as a partial or full alternative during the crediting period.
9	6. Recommendations to the Supervisory Body	Paragraph 100(b) / Question 7	Where the monitoring third party and the insurer are the same or affiliated, a conflict arises: the entity detecting and reporting reversals is the entity liable to pay for them. The concern is that there is an incentive not to report a reversal, or to understate it. This differs from the participant, whose liability is defined by the mechanism and enforced through suspension of registry operations, whereas an insurer's is defined by its own contract. This is readily soluble and should not become a further ground for deferral: separating monitoring from underwriting is standard across insurance lines, and independent MRV providers already exist.	That para. 100(b) requires the third-party entity conducting post-crediting monitoring to be independent of the insurer or guarantor - no common ownership, control or corporate affiliation, unless the host Party has approved a documented conflict-of-interest management protocol.

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10	3. Key issues and proposed solutions	Paragraph 73-81 (and para. 62(b) of the Removals Standard)	Paragraph 62(b) forms half the mandate for this concept note, yet the Monetary Permanence Reserve appears to have been deferred as a tool to remediate reversals alongside insurance, despite the two options presenting different implementation considerations. The monetary permanence reserve presents several advantages: - The issues implementation considerations raised in paras 76-81 can be addressed through design choices. Indeed, the MEP itself notes in para 79 that there is a precedent for managing pooled funds against long-dated liabilities in pension and endowment funds. At the same time, the prerequisite outlined at para 77, is already under development in the same mandate cycle. - Since participation in such a fund would require a one-time fee per credit, it has the same operational simplicity of the buffer pool in that it requires no ongoing renewal and places no additional compliance burden on the developer. - The issue suggested in para 78 of the reserve not having enough funds to remediate a reversal that happens early on, can, as already suggested in para 81 be mitigated through centralized procurement (e.g., RFP for offtake agreement).	We urge the Supervisory Body to mandate the development of a Monetary Permanence Reserve on the basis that: - it be an optional alternative to contributing to the buffer pool, in which a participant may elect to pay a fee and have its A6.4ER contribution reduced in proportion to the risk thereby covered. - Fee calculation should be based on individual project risks, including accounting for supplementary mitigation actions meant to reduce the risk of reversal post-crediting (for example, a project-level endowment fund dedicated to funding preventive land management activities post-crediting). - funds only being released for the purchasing of carbon credits to remediate a reversal, and not for the funding of on-the-ground land management activities to prevent reversals (as suggested by some groups working on permanence trusts), since: - On-the-ground operations require a detailed knowledge of the project and land which is best left to a local entity, for example the project SPV. - Releasing funds for these activities are fundamentally different. The former is triggered and ex-post, while the latter is continuous and ex-ante. They require different procedures for verification, transparency, and so forth. - Funding of land management operations does not benefit from risk pooling in the way that compensating for reversals does. - its development not be deferred on the grounds applicable to insurance, the constraints being different in kind.