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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)

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	-	Cross-cutting comments	Cross-cutting comments - MEP approach to invalidating alternative measures: In A6.4-MEP014-A08 the MEP concludes in general terms that none of the alternative measures (insurance, comparable products, Party guarantees, Party remediation, third party guarantees and the monetary permanence reserve) are recommended for implementation. These alternatives play a fundamental role in enabling the termination of post-crediting monitoring and are especially relevant for those cases where the negligible risk threshold cannot be met. The concept note identifies important implementation issues; however, this approach risks turning the immaturity of some of carbon insurance and permanence reserve markets into a reason to delay or marginalize the very instruments needed to make nature-based activities workable under Article 6.4. We urge the MEP to provide recommendations that would enable the use of alternative measures as originally prescribed by previous SBM decisions. The MEP should not require carbon insurance, permanence trusts or other alternatives to already exist at full scale before Article 6.4 recognizes them. Markets mature after standards define eligibility, covered events, claims procedures, counterparty quality, term requirements, renewal rules, and fallback obligations. This is particularly important given that Article 6.4 is simultaneously developing rules for engineered CDR and carbon storage pathways that are also nascent or not deployed at climate scale. Moreover, nature-based activities should not be held to a uniquely mature-market test for the financial instruments needed to manage reversal risk. A scientifically credible permanence framework should ask: What losses are expected? What tail losses could occur? Which layer covers routine reversals? Which layer covers catastrophic or correlated losses? What legal or financial backstop applies if an activity participant disappears? How are funds governed? What replacement credits or equivalent climate value must be delivered? The MEP should focus on these design questions, all of which are solvable, and convert them into Article 6.4 requirements instead of relying on arguments to justify a single buffer-pool	-

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			pathway. - Flexibility in the use of alternative measures: The current framing of the concept note is too binary: either an instrument fully substitutes for the Reversal Risk Buffer Pool Account under demanding equivalence conditions, or the mechanism continues relying primarily on the buffer pool. A more robust approach would treat buffers, insurance, third-party guarantees, monetary reserves, legal attestations, and post-crediting monitoring as complementary layers in a portfolio risk-management system. We recommend that the PACM provides flexibility so the alternative measures can be used either to entirely replace the use of the buffer pool or be use as complementary measures to the buffer (stacking). The concept note seems to be inconsistent, as in paragraph 43 it states that the use of insurance policies, comparable guarantee products or third party guarantees during the post credit monitoring period would justify an activity participant terminating its obligation to monitor in the post-crediting monitoring period, without replacing the use of the Reversal Risk Buffer Pool Account. Later it selectively enables some of these measures to replace the use of the buffer but does not provide equal treatment to all measures.	

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2	-	Overall document	Paragraph 62 of the Removals Standard explicitly asks the Supervisory Body to consider insurance, comparable guarantees, third-party guarantees, and a monetary permanence reserve. The concept note treats these as possible measures, but the analytical tone is not objective, primarily cautionary and oriented around why alternatives may not yet be workable, which is against what has already been agreed on in the Removals Standard. Similarly, within its interpretation of paragraph 62, the MEP does not take the wider context of the Removals Standard into account. For example, paragraph 59 (which is directly related to the same topics as paragraph 62), provides as clear “should” related to the need for activity participants to obtain coverage under insurance policies and comparable guarantee products to cover risks of reversals. This context should inform the MEP’s analysis of these alternatives to ensure they can become workable with the Article 6.4 framework.	Reframe the document from “whether alternatives are mature enough” to “what Article 6.4 requires so these instruments can mature.”
3	-	Overall document - comparison to CDR/CCS pathways	The draft scepticism toward insurance and permanence reserves because they are nascent is not applied consistently across mitigation pathways. Article 6.4 is developing rules for engineered removals and carbon storage pathways that are also not deployed at climate scale. The regulatory posture should be enabling with safeguards, not exclusionary because market infrastructure is young.	Apply equal treatment across pathways: if Article 6.4 can create rules that enable nascent engineered removals, it can create rules that enable nascent financial instruments for permanence.

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4	-	Overall document	The document implicitly gives the buffer pool privileged default status, while alternatives must prove equivalence. For nature-based activities, that matters because the buffer pool alone may not be sufficient or cost-effective for correlated wildfire, drought, pest, governance, or post-crediting risks. To manage long-term reversal risk, the buffer pool, guarantee and insurance products, fund-based approaches, and other yet-to-be-developed mechanisms should be used as a suite of alternative pathways. This design would offer a more realistic and enforceable means of managing non-permanence risk, while allowing high-quality carbon credits to benefit from much-needed finance that are needed to meet the goals of the Paris Agreement.	Treat buffer-only design as one option, not the benchmark against which all other tools must prove perfection. The approach for the design of remedial actions should be based on diversified risk architecture, which is more robust. The buffer pool should be redesigned as a diversified risk portfolio, utilizing the actuarial science and robust structures from regulated risk management industries such as insurance and fund management. In addition to the buffer, insurance, guarantees, monetary reserves, and, where needed, adaptive step-up requirements would provide ways to ensure all risks are covered over the long-term, while keeping the buffer pool solvent. Guidance for each instrument should specify the covered event, claims process, term, counterparty quality, coverage amount, exclusions, and relationship to the buffer pool. Activity participants would need to select the option(s) that works for a specific scenario to cover risks.
5	3. Key issues and proposed solutions	Paragraphs 46 to 51	The proposed equivalency test is too strict if insurance must replace the buffer pool entirely. In other words, the alternatives need to be used alongside the buffer pool to function as intended. The MEP says insurance would need to cover all issued A6.4ERs subject to reversal risk, cover avoidable and unavoidable reversals, and cover the full crediting plus post-crediting period. This effectively designs a product that is unlikely to exist.	Do not require insurance to be a full substitute for the buffer. Allow insurance to cover specified layers: catastrophic wildfire, regional correlated loss, non-renewal risk, project insolvency, or post-crediting monitoring failure.

6	3. Key issues and proposed solutions	Paragraphs 41 to 45, 84, and 87	The concept note is inconsistent in its treatment and interpretation of “appropriate measures and procedures that may provide suitable alternative means to remediate reversals”, which creates an unequal assessment standard that introduces bias into the MEP’s findings. In para 41, the MEP presents a narrow interpretation of alternatives as replacements for the buffer pool. However, in para 43, it states that the use of insurance policies, comparable guarantee products, or third-party guarantees during the post-crediting monitoring period would justify an activity participant terminating its obligation to monitor in the post-crediting monitoring period, without replacing the use of the Reversal Risk Buffer Pool Account. Later, it selectively enables some of these measures to replace the use of the buffer, but does not provide equal treatment to all measures. Para 84 states that insurance in the post-crediting monitoring period can be either proposed as an alternative to the ongoing use of the Reversal Risk Buffer Pool Account (and seek the return of all or some of the A6.4 ERs contributed to the buffer) or be used as a complement to it. However, para 87 provides that third-party insurance would only be allowed as a complement to the buffer (and not to replace its use). Finally, for the monetary permanence reserve, it provides that it would serve as an alternative to the buffer pool, so we infer that it would replace the use of the buffer. We recommend that the PACM proposes a consistent interpretation of “appropriate measures and procedures that may provide suitable alternative means to remediate reversals” that provides flexibility to enable alternatives to be used either to entirely replace the use of the buffer pool or as complementary measures to the buffer (stacking). A layered structure that allows for flexibility would be more effective, as well as mitigate many of the concerns raised by the MEP about some of the alternative measures. For example, the approach could allow for ordinary losses to be covered by the buffer, larger losses by insurance or guarantees, and extreme residual losses by a reserve or backstop, etc.	Revise the approach to assessing how appropriate measures and procedures could work within a layered system of alternative pathways, including with the buffer pool, to remediate reversals and provide necessary assurances. In doing so, treat insurance, guarantees, buffer pools, and permanence reserves as layers, not mutually exclusive alternatives, which activity participants can choose from to design remedial action plans that match the activity’s level and types of risks. This is similar to the way other insurance markets operate.
7		Paragraphs 52 to 62	The concept note central critique of activity-level insurance is that products are nascent,	Article 6.4 should establish enabling criteria and pilot pathways rather than waiting for a

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	3. Key issues and proposed solutions		not standardized, not widely used as buffer-pool alternatives, and may not currently cover all Article 6.4 reversal obligations. That is true, but it is also circular. Carbon insurance cannot become standardized until mechanisms define covered events, claims processes, beneficiaries, monitoring obligations, and acceptable alternative instruments.	mature market to appear before recognizing the instrument.
8	3. Key issues and proposed solutions	Paragraphs 56 and 57	The document correctly notes that insurance markets usually do not cover avoidable losses because of moral hazard. But the conclusion should not be that insurance is unsuitable. The conclusion should be that different instruments should cover different risks. Avoidable reversals can be addressed through legal attestations, security interests, performance bonds, escrow, buyer-held insurance, deductibles, or continued buffer obligations.	Separate avoidable and unavoidable reversals. Use insurance mainly for catastrophic events and use governance, enforcement, and contractual obligations for avoidable reversals.
9	3. Key issues and proposed solutions	Paragraphs 58 and 59	The concept note treats annual or short-term insurance renewal as a major weakness because Article 6.4 obligations may extend over decades. That is a legitimate issue, but many financial and insurance systems manage long liabilities through rolling coverage, reserves, capital requirements, renewal triggers, and adaptive premiums.	Permit rolling coverage if paired with mandatory proof of coverage, escrowed reserve contributions, step-up buffer obligations, and automatic default rules if coverage lapses (e.g., defaults on previous credits issued or buffer reserves).
10	3. Key issues and proposed solutions	Paragraphs 13 to 17	The buffer pool should be treated as an actuarial portfolio instrument.	Recommend defining expected loss, tail loss, correlated loss, confidence level, recalibration frequency (e.g., 10 years), and trigger conditions for additional contributions or insurance attachment.

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11	3. Key issues and proposed solutions	Paragraph 17	While the MEP correctly identifies that the buffer stress test must be designed, it also should consider how buffer contributions and alternative remedial actions should respond as a result of the stress test. This is a critical interaction that will affect both the design of the remedial actions' architecture and the solvency of the buffer pool. For example, the stress test could determine the buffer pool is resilient with a surplus of credits as well as deficient. In response to the variety of possible results, there could be consideration of designing a mechanism for decreasing buffer contribution if risk falls over time and the buffer is holding too many credits, or requiring an increase in buffer contributions if the buffer stress test fails or risk increases over time.	The MEP should request the SBM to enable it to consider how the stress test, buffer pool contributions, and alternative remedial actions should work most effectively in an ecosystem of risk management, so that the results of the buffer stress test can be reacted to appropriately, whether it has a surplus or deficiency of credits among other results.
12	3. Key issues and proposed solutions	Paragraph 62	The concept note concludes that activity-level insurance is technically challenging and recommends continued reliance on the buffer pool while monitoring insurance market development. That is too passive. Article 6.4 should not merely wait for the market; it should define the standards that allow the market to respond.	Suggest piloting an approval process with clear minimum criteria for inclusion. Develop reporting obligations, and conservative fallback rules.
13	3. Key issues and proposed solutions	Paragraph 68 (c)	The assumptions in this paragraph are inconsistent with the rules, modalities, and procedures (RMPs) and subsequent decisions that enable Parties with single or multi-year NDCs to ensure environmental integrity within their NDC accounting for authorized A6.4ERs (as ITMOs). Annual accounting for reversals could be achieved through the same ITMO metrics and methods for applying corresponding adjustments for NDC accounting within their NDC period. Similar provisions could be created to ensure environmental integrity within NDC accounting for non-authorized A6.4ERs.	Replace the paragraph to specify the provisions that would be needed to enable all NDC target types to account for annual reversals of both authorized and non-authorized A6.4ERs, consistent with previous decisions about accounting related to single and multi-year targets.

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14	3. Key issues and proposed solutions	Paragraphs 69, 70 and 72	The MEP presents several limitations that are not specific to this approach as insurmountable difficulties rather than complexities that area already addressed through existing RMPs and guidance. As noted above, the tone used here is not objective and oriented toward why this approach is not workable rather than presenting how limitations can be addressed or analysing the relative scope of the limitations.	Reframe this section to provide a more analytical assessment of challenges, the relative scope and impact of each, and how challenges are already addressed through existing RMPs and guidance, or what additional measures would be needed to address them.
15	3. Key issues and proposed solutions	Paragraph 69 (a)	The examples provided are presented as issues specific to this approach, when they are rather issues applicable to all A6.4ERs, and already addressed through the RMPs and further guidance related to ensuring environmental integrity. As A6.4ERs must already be calculated using IPCC metrics and methodologies, the absence of methods for all GHG reservoirs is not only a limitation for this specific scenario, but the generation of A6.4ERs overall (and subsequent remediation of any reversals). Furthermore, the 2006 IPCC Guidelines and their supplements cover the vast majority of GHG reservoirs, so this impact of this limitation is overstated. Once the IPCC publishes its report in 2027, the limitation no longer exists, so its small impact and short duration do not represent a considerable difficulty in this approach. Furthermore, the lack of granularity in GHG inventories is similarly not only an issue for this approach, but the ability for Parties to accurately account for all A6.4ERs within their BTRs and other relevant reporting instruments.	Revise the paragraph to clarity the scope of the identified limitations and reflect how existing RMPs and guidance would be applied to mitigate them.

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16	3. Key issues and proposed solutions	Paragraph 69 (c)	As stated previously, the challenges presented by NDC targets expressed as a single year are already mitigated by existing RMPs, and therefore the challenges are overstated here. Additionally, challenges posed by the disconnect between NDC periods and activity crediting and post-monitoring periods are mischaracterized as risks about how subsequent NDCs will treat reversals, rather than risks that Parties will fail to meet their existing or future obligations related to ensuring compatibility of its participation in cooperative approaches with their NDCs, especially for authorized A6.4ERs (ITMOs), such as by ensuring participation in cooperative approaches does not lead to a net increase in emissions between NDC implementation periods. The MEP should analyse these existing obligations and identify any gaps that may need to be addressed by defining obligations that Parties would need to assume to apply this approach, especially for non-authorized A6.4ERs.	Revise the paragraph to be consistent with existing guidance related how Parties with different NDCs should account for cooperative approaches within their BTRs, as well as existing obligations related to NDC compatibility with cooperative approaches. Suggest any additional guidance that may be needed to enable NDC accounting approaches to be workable for non-authorized A6.4ERs.
17	3. Key issues and proposed solutions	Paragraphs 73 to 81	The Monetary Permanence Reserve is treated as difficult because it depends on reversal-risk estimates, timing of reversals, fund returns, and future A6.4ER prices. Those are real issues, but they are not unique to carbon. Pension funds, endowments, catastrophe funds, and insurance reserves all manage uncertain future liabilities.	Develop fiduciary requirements for a permanence reserve: regulated custodian, investment policy, risk limits, actuarial review, solvency stress tests, transparent reporting, and periodic recalibration.
18	3. Key issues and proposed solutions	Paragraphs 89 to 92	The document is concerned about adverse selection is valid: low-risk activities might leave the buffer pool for cheaper alternatives, leaving higher-risk activities behind. But this is a design problem, not a reason to avoid alternatives. Insurance markets and pooled funds manage adverse selection through mandatory minimum participation, risk-based premiums, underwriting rules, and reinsurance.	Require minimum buffer participation for all reversible storage, with optional insurance or reserve layers above that minimum. Use risk-based contributions and concentration limits to protect buffer solvency.

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19	4. Impacts	Paragraphs 93 (plus Section 5 Paragraph 94 and Section 6 Paragraphs 100 to 104)	The recommendations focus on post-crediting insurance conditions, stress-test procedures, and legal attestation forms. These are useful but incomplete. The document does not recommend a workplan to develop insurance criteria, permanence reserve governance, pilot approval pathways, or layered remedial architecture.	Add a recommendation to develop operational criteria for approved insurance, guarantees, permanence reserves, and layered risk structures.
20	3. Key issues and proposed solutions	Paragraph 33 - Question 1	Examples: 1. Verra's Durability Pilot requires evidence of insurance or a fund-based approach, but Verra retains control over approval, reversal confirmation, registry treatment and remedy procedures. 2. Kita, as an insurance provider, requires informational snapshot of the existing buffer to include projections of near-term buffer growth, but the provider's data does not interfere with operations of the buffer pool account.	-

21	3. Key issues and proposed solutions	Paragraph 54 - Question 2	Verra's Durability Pilot Initiative, launched in December 2025, showcases insurance as an alternative approach to managing non-permanence risks, instead of a buffer pool account. The alternative is applied to VCS Programs, which takes into consideration that the risk mechanism is already well-known and highly regulated in most financial markets, and will enable the unlocking of a higher level of finance through high-quality carbon markets, while guaranteeing environmental integrity. To be eligible to participate in the durability pilot, projects must fulfil specific threshold of risk rating (considering internal risk, external risk, natural risk, and overall risk), that are differentiated depending on the sector (agriculture, forestry, and other land use (AFOLU) and geological carbon storage (GSC)), as well as specific criteria for AFOLU projects (considering e.g., project longevity, adaptative management plan including monitoring, payback period, monitoring plan). This approach also establishes the following minimum criteria for insurance products: i) investment-grade credit rating, ii) renewability, iii) trigger by notice from Verra upon reversal, iv) defined process for payouts for replacement of VCUs, v) ensure Verra's non-liability, and vi) minimum coverage. Verra also showcases the option of combining the buffer pool with the insurance, which case the remedy will follow a proportional split based on VU issuance under each approach. In case evidence of the alternative approach is not available at the time of the project submission, early-stage evidence may be submitted (e.g., insurance term sheet), which will be reviewed by Verra, to approve the approach as conditional. Full approval is granted once the complete supporting evidence is submitted. Other examples include Kita's Non-Permanence Risk Insurance (NPRI) policy, which was approved by Verra early July 2026 and is currently seeking its approval under the Climate Action Reserve. Similarly, CarbonPool has also developed an insurance policy to manage permanence and durability risk, which has been approved by Verra. The insurance policy provides an eligible, cost-effective alternative, by unlocking additional supply of	

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			credits while ensuring high-quality and reducing reputational risk. Resources: American Forest Foundation. The Permanence Trust. Available at: https://www.forestfoundation.org/permanence-trust/ CarbonPool. Insurance for Verra's Durability Pilot. Available at: https://www.carbonpool.earth/insurance-for-verras-durability-pilot/?_gl=1*tkcbtl*_up*MQ..*_ga*MTQ0MzYzODg2LjE3ODQ2NDAwNDM.*_ga_TP0YDEH5XX*czE3ODQ2NDAwNDIkbzEkZzAkdDE3ODQ2NDAwNDIkajYwJGwwJGgw Kita. Non-permanence Risk Insurance. Available at: https://www.kita.earth/non-permanence-risk-insurance VCS Program Durability Pilot to Address Non-permanence Risk: Overview and Application Process. Available at: https://verra.org/wp-content/uploads/2025/12/VCS-Program-Durability-Pilot-Overview-and-Application-Process-1.pdf VERRA. Overview of Verra's Durability Pilot. May 27, 2026. Available at: https://verra.org/events/overview-of-verras-durability-pilot/ VERRA. Verra Approves Insurance Policies for Use under Durability Pilot. July 8, 2026. Available at: Verra Approves Insurance Policies for Use under Durability Pilot - Verra	

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22	3. Key issues and proposed solutions	Paragraph 55 - Question 3	1. Kita's Non-Permanence Risk Insurance (NPRI) policy, which was approved by Verra early July 2026. Kita is currently seeking approval for this insurance policy under the Climate Action Reserve, as well as working to with several activity participants to support the implementation of the NPRI. Resource: Kita. Non-permance Risk Insurance. Available at: https://www.kita.earth/non-permanence-risk-insurance 2. CarbonPool's Insurance Policy, also approved by Verra to manage permanence and durability risk. Resource: CarbonPool. Insurance for Verra's Durability Pilot. Available at: https://www.carbonpool.earth/insurance-for-verras-durability-pilot/?_gl=1*tkcbtl*_up*MQ..*_ga*MTQ0MzYzODg2LjE3ODQ2NDAwNDM.*_ga_TP0YDEH5XX*czE3ODQ2NDAwNDIkbzEkZzAkdDE3ODQ2NDAwNDIkajYwJGwwJGgw Both insurance products are examples that this risk management approach provides an eligible, cost-effective alternative, by unlocking additional supply of credits while ensuring high-quality and reducing reputational risk.	-

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23	3. Key issues and proposed solutions	Paragraph 58 - Question 4	The remedial actions should not be mutually excluded but enabling an approach of layered system of alternatives for reversal risk management. This approach would allow activity's participants to choose, based on the activity's level and types of risks, the most adequate remedial actions. Therefore, considering that insurance, guarantees, permanence reserves and buffer pool may be best allocated in different types of activities, risks, and moments in time, these should not be automatically considered equivalent. On the duration matter, many financial and insurance systems manage long liabilities through rolling coverage, reserves, capital requirements, renewal triggers, and adaptive premiums. Therefore, permitting rolling coverage if paired with mandatory proof of coverage, escrowed reserve contributions, step-up buffer obligations, and automatic default rules if coverage lapses should be considered by the PACM.	-

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24	3. Key issues and proposed solutions	Paragraph 59 - Question 5	Although the raised concerns are reasonable, they can be mitigated through the PACM adopting a systematic and principles-based approach to reversal risk management – including adoption of multiple reversal risk management alternatives (buffer pool account, insurance, guarantees, and monetary permanence reserve) to allow activities participants the flexibility to select the most appropriated option, based on the specific activity type, use, and time. This flexibility enables activity's participants to choose the best suited alternative for the activity or adopt a layered risk management approach by combining two or more reversal risk management tools. As a result, this flexibility will lower prospect of the concerned scenarios. The time dimension is also an important consideration, some of these measures may be best placed for use in short to mid-term, while others can be more appropriate in long-term, for example, a monetary permanence reserve can provide an effective solution for addressing long-term retrospective liability concerns. Related to the period of concerns, we understand them most likely to arise towards the end of an activity's crediting period and post-crediting period, considering these concerns are related to the long-term nature of reversals risk.	-