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Name of submitter	Larissa Albino
Affiliated organization of submitter	Future Climate Group
Email of submitter	larissa.albino@futureclimate.com
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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	-	Paragraph	Reversal Risk Buffer Pool Account insurance should not require the insurer or its agents to receive any administrative, transactional, custody or disposition rights over the Account. The insurer needs reliable information and audit rights, rather than control of Buffer A6.4ERs. An authenticated, permissioned and read-only API should be sufficient if it provides the information necessary for underwriting, exposure monitoring and claim settlement, including account balances, contributions, cancellations, vintages, unit type and authorization status, reported reversals and relevant stress-test outputs. The insurer should have no ability to transfer, cancel, encumber or instruct the disposition of Buffer A6.4ERs. Such an arrangement would be consistent with paragraph 54 of the Removals Standard if the regulatory text expressly distinguishes “access to the Account” from “access to information concerning the Account”. The Verra Durability Pilot provides a useful analogue: the published framework assigns confirmation of the reversal and issuance of the policy-trigger notice to Verra, rather than granting the insurer control over registry assets. For Brazilian-hosted activities, information access should also be compatible with applicable domestic registry-interoperability, confidentiality, data-protection and safeguard requirements	For the avoidance of doubt, the provision by the Article 6.4 mechanism registry administrator of authenticated, permissioned and read-only information concerning the Reversal Risk Buffer Pool Account to an approved insurer or its authorized agents shall not constitute access to, or administration of, the Account for the purposes of paragraph 54 of the Removals Standard. No transactional, cancellation, transfer, encumbrance or other dispositive right shall be granted to the insurer or its agents. The secretariat shall specify minimum data fields, frequency of data provision, confidentiality, cybersecurity, audit-logging and data-retention requirements. Digitally signed periodic reports may be used where an API is not available

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2	3. Key issues and proposed solutions	Paragraph 54	Paragraph 54 should be updated to reflect two material developments in other carbon crediting mechanisms. Under version 5 of the Verified Carbon Standard, Verra is operating a three-year Durability Pilot in which eligible AFOLU and geological carbon storage projects may use insurance or a fund-based approach instead of contributing to the pooled buffer account for the covered issuances. In addition, on 30 June 2026, the Climate Action Reserve adopted a revised permanence approach under which eligible insurance products may reduce or potentially eliminate project buffer-pool contributions. The detailed eligibility and implementation criteria are, however, still being developed. These are genuine programme-level pilots or frameworks, but they do not yet demonstrate the availability of mature, routinely approved, full-duration activity-level insurance that provides the same level of assurance as the Article 6.4 Reversal Risk Buffer Pool Account throughout both the crediting and post-crediting periods. For Brazilian AFOLU activities, the appropriate initial pathway would be a controlled hybrid pilot, with a minimum residual buffer contribution, limits on exposure concentration by insurer, biome and peril, transparent identification of insured vintages and independent periodic performance reviews.	Replace the final part of paragraph 54 with the following: The MEP has identified emerging programme-level precedents, including pilots in which insurance may temporarily replace buffer-pool contributions and frameworks under which eligible insurance products may reduce or potentially eliminate such contributions. However, the MEP has not identified evidence of a mature and routinely approved activity-level insurance product that provides full, enforceable and uninterrupted equivalence to a pooled buffer over the complete crediting and post-crediting period. Any initial approval under the Article 6.4 mechanism should therefore be limited to controlled pilots or hybrid arrangements, subject to minimum residual buffer contributions, concentration limits, transparent identification of covered issuances and periodic review by the Supervisory Body.

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3	3. Key issues and proposed solutions	Paragraph 55	Current market practice does not support the existence of a single standardized, off-the-shelf reversal-risk insurance product that would be equivalent to the Article 6.4 Reversal Risk Buffer Pool Account. Underwriting generally remains activity-specific because reversal risk depends on the activity type, applicable methodology, location, physical hazards, management arrangements, legal enforceability, monitoring system and the allocation of responsibility between the relevant parties. The MEP should, however, distinguish between a "standardized insurance product" and "standardized approval and contractual criteria". Verra's Durability Pilot already establishes common minimum requirements relating to insurer regulation and credit quality, minimum renewable coverage, identification of covered risk categories, programme-triggered claims, the payout process and minimum liability. The actual insurance policy, exclusions, pricing and underwriting remain subject to case-by-case review. The Climate Action Reserve has similarly indicated that insurance will be subject to product-level review under programme-wide criteria. In Brazil, case-by-case assessment should consider biome-specific fire and drought exposure, spatial correlation of losses, land and resource rights, succession of contractual obligations, environmental compliance, community safeguards, monitoring quality, local insurance and reinsurance requirements and the financial capacity of the insurer.	Add the following text after paragraph 55: "The Supervisory Body shall distinguish between standardized insurance products and standardized approval criteria. Although underwriting, pricing and certain policy conditions may remain activity-specific, every approved instrument shall comply with a common minimum policy schedule and coverage matrix addressing, at a minimum: (a) the A6.4ERs and risk categories covered; (b) the definition and classification of reversals; (c) permitted and prohibited exclusions; (d) the coverage period; (e) renewal and non-renewal conditions; (f) the claim and payout trigger; (g) the type and quantity of replacement units or funding; (h) claim assessment procedures and timelines; (i) insurer solvency, reinsurance and collateral requirements; (j) audit and data-access rights; (k) applicable law and enforceability; and (l) conflicts of interest. Any deviation from the minimum policy schedule shall be expressly identified and justified."

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4	3. Key issues and proposed solutions	Paragraph 58	Insurance coverage is not comparable to the Reversal Risk Buffer Pool Account if it can expire annually, be non-renewed after deterioration of the insured risk or be repriced to a level that the activity participant cannot or will not pay, without a pre-funded fallback mechanism. The minimum three-year renewable term adopted for the Verra Durability Pilot illustrates the current commercial horizon for this type of product. It does not provide the decades-long continuity contemplated by paragraphs 46 and 48 of the concept note. Conversely, requiring a single insurance policy with a fixed premium and a term of 45 years plus the post-crediting monitoring period is unlikely to be commercially workable. Comparability should therefore be assessed on the basis of an overarching, legally binding continuity arrangement. Such an arrangement could permit rolling multi-year policies and annual premium adjustments, provided that uninterrupted coverage for the entire required period is guaranteed through automatic renewal, substitute insurance, segregated collateral, escrow, a shadow buffer or another immediately executable financial backstop. Premiums need not be fixed for several decades. However, the premium-adjustment methodology should be transparent and agreed in advance, and continued availability and adequacy of coverage must either be guaranteed or fully secured. For Brazilian-hosted activities, the structure should also comply with domestic insurance and reinsurance requirements and address inflation, currency, enforceability and insurer licensing.	Add the following text after paragraph 58: "Shorter-duration insurance policies and annual premium adjustments may be accepted only where an overarching, legally binding arrangement guarantees uninterrupted coverage for the full period required under paragraph 48. Such arrangement shall include: (a) at least 12 months' advance notice of non-renewal or material reduction of coverage; (b) provisions for replacement of the insurer and step-in rights; (c) run-off or tail coverage for events arising during the policy term; and (d) automatically executable collateral, escrow, shadow-buffer arrangements or equivalent financial security sufficient to address the covered exposure before any lapse becomes effective. Premium adjustments may follow a transparent and pre-agreed methodology. Where continued insurance is not renewed or the adjusted premium is not paid, the financial security shall be automatically converted into an equivalent contribution to the Reversal Risk Buffer Pool Account before the existing coverage expires."

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5	3. Key issues and proposed solutions	Paragraph 59	Moral-hazard and enforcement concerns are present throughout the activity lifecycle, but they intensify toward the end of the crediting period and are greatest during the post-crediting monitoring period. During the early crediting period, an activity participant may monetize the additional A6.4ERs made available by avoiding buffer contributions, while leaving long-term replacement obligations underfunded. Toward the end of the crediting period, future issuance may be insufficient to satisfy a retroactive buffer contribution. After the crediting period ends, there may be no further issuance or carbon revenue, and the project company, landholder or contractual structure may have changed or ceased to exist. Annual proof of renewal is therefore a monitoring control, rather than an equivalent financial remedy. The Verra Durability Pilot's rule requiring a project to revert to buffer contributions when an insurance policy lapses illustrates the issue, but the Article 6.4 mechanism should not rely on an unsecured future contribution that may exceed future issuance. For Brazilian AFOLU projects, the security supporting any insurance alternative should survive changes in project control or land ownership to the maximum extent permitted by domestic law. A developer's, insurer's or guarantor's default should not result in financial liability being transferred to Indigenous peoples, traditional communities or small landholders that did not cause or control that default.	Replace the proposed retroactive approach in paragraph 59 with the following: "Any reduction or elimination of Reversal Risk Buffer Pool Account contributions based on an approved alternative measure shall be prospective and shall, at each issuance, be matched by bankruptcy-remote and automatically executable financial security equal to the buffer contribution avoided. Failure to provide timely evidence of continued coverage shall, before the existing coverage expires: (a) trigger execution of the financial security and transfer of the corresponding A6.4ERs or funds to the Reversal Risk Buffer Pool Account; and (b) result in suspension of any further issuance. Compliance shall not depend on future issuance or unsecured retroactive contributions. A lapse of insurance shall be treated as a failure of the approved reversal-risk-management arrangement and shall not, by itself, constitute evidence that a physical reversal has occurred."

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6	3. Key issues and proposed solutions	Paragraph 85	The presumption that moral hazard is generally lower during the post-crediting monitoring period should not be adopted. The nature of the incentive changes, but the risk does not necessarily decline. During the crediting period, relevant risks may include overstatement of results, delayed disclosure of losses and management choices intended to maximize issuance. During the post-crediting period, the absence of future issuance can reduce the financial resources available for monitoring, fire prevention, restoration, territorial protection and long-term land stewardship. It can also increase the risk of abandonment, changes in management practices or changes in land use. This is particularly relevant for Brazilian AFOLU activities, where the landholder or land manager normally continues to control the relevant greenhouse gas reservoir and the principal measures capable of preventing a reversal. Moral hazard may be lower only where the activity participant no longer controls the reservoir or relevant land-use decisions, management and monitoring are fully funded for the entire remaining period, obligations bind successors, the monitoring entity is independent from the insurer, loss determinations are independently verified and the insured retains a meaningful deductible or first-loss exposure. The risk of missing or deficient monitoring reports should also be distinguished, for insurance-design purposes, from the risk of a physical loss of carbon stocks. Reporting risk is more appropriately supported by performance security and professional-liability coverage. Current market frameworks similarly retain long-term management, monitoring and legal-control requirements rather than presuming that post-crediting moral hazard disappears.	Replace paragraph 85 with the following: "The demonstration of sufficiency shall not presume that moral hazard is lower during the post-crediting monitoring period. It shall include an activity-specific assessment of: (a) continuing control over the greenhouse gas reservoirs and relevant land-use decisions; (b) financial incentives and funding for long-term stewardship, monitoring and management of fire and other disturbances; (c) succession of obligations following changes in ownership or control; (d) independence among the activity participant, insurer or guarantor, monitoring entity and verifier; (e) the insured's deductible, retention or first-loss exposure; and (f) independent verification of monitoring reports and loss determinations. Risks arising from missing or deficient reports shall be addressed through appropriate performance security and professional-liability arrangements, in addition to any insurance or guarantee covering physical reversals."

7	6. Recommendations to the Supervisory Body	Paragraph 100(b)(v)	he same entity should not simultaneously provide the insurance or guarantee and perform post-crediting monitoring and reporting. An insurer, guarantor or corporate affiliate of either has a direct financial interest in the detection, timing, quantification, causation and classification of a reversal that may trigger its own payment obligation. This conflict is more acute than ordinary activity-participant self-monitoring because the entity could influence both the evidentiary record and the outcome of the insurance claim. Furthermore, during the post-crediting period there is no new issuance to provide the same compliance leverage that exists during the crediting period. The same legal entity should therefore be prohibited from performing both functions. A corporate affiliate should be permitted only exceptionally and subject to full disclosure, functional and data separation, independent DOE review of every monitoring report and loss determination, remuneration that is not linked to claim outcomes, audit rights and an effective mechanism for replacing the monitoring entity. In addition, the obligation in paragraph 100(b)(v) to "indemnify the UNFCCC and the UNFCCC secretariat" is excessively broad and undefined. As drafted, it could make the monitoring entity responsible for an underlying physical reversal, the conduct of the activity participant, registry failures, changes in methodology, carbon-price movements or other matters outside its control. The indemnity should be limited to direct losses caused by the monitoring entity's own contractual breach, negligent act or omission, gross negligence, wilful misconduct or fraud. The clause should establish causation, claim procedures, exclusions and reasonable liability caps, except in cases of fraud or wilful misconduct. A broad and potentially uninsurable indemnity could unnecessarily exclude qualified Brazilian technical firms, universities, civil-society organizations and other local monitoring providers from participating in the mechanism.	Replace paragraph 100(b)(v) with: "(v) Maintain professional-indemnity insurance commensurate with its monitoring and reporting responsibilities and indemnify the UNFCCC and the UNFCCC secretariat solely for direct losses demonstrably caused by the entity's breach of its monitoring or reporting obligations, negligent act or omission, gross negligence, wilful misconduct or fraud, subject to a defined claims procedure and reasonable liability caps, except in cases of fraud or wilful misconduct. The indemnity shall not extend to an underlying physical reversal or to the acts or omissions of third parties, except to the extent that the reversal or loss was caused or materially aggravated by the conduct of the monitoring entity." Add a new paragraph 100(b)(vi): "(vi) Be legally and operationally independent from the insurer or guarantor. The same legal entity shall not perform both the insurance or guarantee function and the monitoring and reporting function. A subsidiary or corporate affiliate may be approved only exceptionally and subject to: (a) full disclosure of ownership, control and remuneration arrangements; (b) effective organizational, decision-making and data separation; (c) independent DOE review of all monitoring reports and reversal determinations; (d) remuneration that is not linked to the occurrence, denial, reduction or amount of an insurance claim; (e) audit and information-access rights for the secretariat and the host Party; and (f) the right of the secretariat or host Party to require replacement of the monitoring entity where its independence is compromised."