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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	-	33	Question 1: Does Reversal Risk Buffer Pool Account insurance require the Article 6.4 mechanism registry administrator to provide any type of access or administrative rights to the Reversal Risk Buffer Pool Account to an insurer or its agent(s)? Would a read-only application programming interface (API) be sufficient, and would that be consistent with paragraph 54 of the Removals Standard? How are these considerations managed in other crediting mechanisms?	Insurance or guarantee products should not be presumed automatically comparable to the Reversal Risk Buffer Pool Account. Comparability should be assessed according to the function being performed: whether the approved product or combination of products provides equivalent or superior assurance that reversals will be detected, quantified and remediated without undermining the environmental integrity of issued A6.4ERs A buffer pool provides in-kind, pooled coverage, but its sufficiency depends on ex ante risk estimates, diversification, stress testing and actual future reversal rates. Insurance provides regulated contractual coverage, but coverage may be limited by term, exclusions, renewal conditions, pricing and availability. Fund-based or trust-based mechanisms can provide financial resources and adaptive management capacity, but require strong governance, investment, solvency and procurement safeguards IETA therefore recommends that the Supervisory Body apply a functional equivalence test across all proposed reversal compensation mechanisms. The Reversal Risk Buffer Pool Account, insurance, guarantees or fund-based arrangements should each clearly and succinctly explain: -volume of A6.4ERs covered; -relevant reversal risks considered; -type of reversals covered and how coverage may change given certain scenarios; -claims triggers aligned with Article 6.4 reversal determinations; -delivery of eligible replacement A6.4ERs or cash into an approved procurement/cancellation mechanism; -treatment of authorized and non-authorized A6.4ERs; -policy lapse and non-renewal provisions; -insolvency and fallback arrangements; - registry transparency. Duration is one of the most important challenges. IETA agrees with the MEP that insurance contracts in private markets are often annual or short-term, and that renewal may not guarantee future price or availability. For this reason, short-term insurance should only be considered comparable if it is supported by strong renewal, proof-of-coverage and fallback requirements The PACM could recognize different comparability thresholds depending on the use case: A-During the crediting period, rolling coverage may be acceptable if proof of coverage is required before each issuance and lapse automatically triggers buffer contributions or issuance suspension. B-During the post-

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				crediting monitoring period, stronger assurance should be required, such as guaranteed coverage for the remaining post-crediting period, tail coverage, pre-funded reserves, trust-backed warranties or other approved long-term guarantee structures. C-For buffer-level insurance, comparability should be assessed at portfolio level, including whether the product protects against severe depletion events and correlated losses. Verra's pilot provides a useful example of lapse protection. If a project proponent stops paying its insurance premium and the policy lapses or is cancelled, the proponent must revert to contributing to the pooled buffer account for the affected period. CAR's revised approach is also relevant because it contemplates alternative approaches such as insurance, conservation easements and permanence trusts, and requires registry disclosure of how projects monitor stocks and compensate for reversals.

2	3. Key issues and proposed solutions	54	Question 2: The MEP seeks stakeholder feedback on any existing uses of insurance as an alternative to buffer pool contributions in other carbon crediting mechanisms	Public examples remain limited, and IETA agrees with the MEP that insurance as a full activity-level substitute for buffer pool contributions is not yet prevalent across carbon crediting mechanisms. However, several emerging approaches are highly relevant for the PACM First, Verra's VCS Durability Pilot provides a direct example of insurance and fund-based approaches being tested as alternatives to pooled buffer contributions. The pilot allows eligible AFOLU and Geological Carbon Storage projects to use either insurance or a fund-based approach instead of contributing to the pooled buffer account during the pilot period. Verra requires projects to apply the relevant non-permanence risk tool and excludes projects with unacceptably high risk ratings Second, the Climate Action Reserve's Revised Permanence Approach, adopted in June 2026, provides another relevant precedent. The Reserve's revised approach requires projects to manage reversal risk through buffer pool contributions and/or alternative approaches such as insurance. It also contemplates post-commitment permanence management through long-term conservation easements, cancellation of credits with negligible reversal risk, or permanence trust structures Third, buffer-level insurance is emerging as a complementary tool to protect the solvency of buffer pools themselves. Kita announced what they describe as a buffer insurance policy designed to protect Wilder Carbon's buffer pool against depletion events, including unexpected levels of reversal in underlying carbon projects. This type of product is especially relevant to the PACM because it supports the resilience of the Reversal Risk Buffer Pool Account without necessarily replacing activity-level buffer contributions Fourth, permanence trust and fund-based structures are being developed as system-level approaches to long-term durability. The American Forest Foundation's Permanence Trust concept proposes setting aside and investing financial resources to manage non-permanence risk through monitoring, prevention and compensation for observed reversals, rather than relying only on a fixed quantity of buffer credits set aside at issuance. The 2026 feasibility study by AFF, Kita and Climate Resilient Solutions describes the trust as a centralized, financially resourced mechanism that prices non-permanence risk,

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				pools fees, monitors evolving risk and deploys capital to prevent or remedy reversals. IETA recommends that the PACM distinguish among at least four different use cases: - Buffer-level insurance, to protect the Reversal Risk Buffer Pool Account against depletion or insolvency. - Activity-level insurance, where feasible, to cover specific reversal risks for specific activities or vintages. - Fund-based or trust-based approaches, including Monetary Permanence Reserve and permanence trust models. - Third-party guarantees, including regulated guarantees, host Party-backed arrangements or approved institutional risk-transfer structures.

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3	3. Key issues and proposed solutions	55	Question 3: The MEP seeks stakeholder feedback on whether any standardized reversal risk insurance products exist, or whether offerings generally require a case-by-case assessment by the insurer	IETA understands that standardized reversal risk insurance products are not yet widely available across activity types, geographies and carbon standards. Existing and emerging products generally appear to require case-by-case assessment by the insurer, taking into account activity type, methodology, geography, risk profile, crediting mechanism, project design, legal enforceability and historical loss exposure IETA does not consider this a reason to exclude insurance from the PACM. Rather, it suggests that the Supervisory Body should avoid requiring a single standardized product form at this stage. A more practical approach would be to develop standardized approval criteria for non-standardized insurance, guarantee and fund-based products. These criteria should include: -the provider's regulatory status and financial strength; -covered risks and exclusions; -treatment of avoidable, unavoidable and intentional reversals; -contract term and renewal provisions; -claims trigger and claims settlement process; -form of payout, whether A6.4ERs, eligible replacement units or cash; -treatment for authorized and non-authorized A6.4ERs; -no liability for the UNFCCC, Supervisory Body or secretariat; -fallback arrangements if coverage lapses, becomes unavailable or is insufficient; - disclosure requirements sufficient to demonstrate coverage adequacy while protecting commercially sensitive information. Verra's Durability Pilot provides useful minimum criteria. For insurance, Verra requires, among other things, that the product come from a regulated insurer with an investment-grade credit rating or equivalent assurance, be renewable, cover a minimum of three years of non-permanence risk, specify covered risk categories, be triggered by notice from Verra upon confirmation of a reversal event, and include a defined process for payouts for replacement VCUs

4	3. Key issues and proposed solutions	58	Question 4: The MEP seeks feedback from stakeholders on the comparability of insurance product coverage and the coverage conditions of the Reversal Risk Buffer Pool Account as per paragraphs 46 and 48 above. The MEP seeks feedback on topics including the duration of insurance contract terms, contract coverage provisions, and the nature of contract renewal provisions, including whether the price and availability of renewed coverage is guaranteed in carbon market applications.	Insurance or guarantee products should not be presumed automatically comparable to the Reversal Risk Buffer Pool Account. Comparability should be assessed according to the function being performed: whether the approved product or combination of products provides equivalent or superior assurance that reversals will be detected, quantified and remediated without undermining the environmental integrity of issued A6.4ERs. A buffer pool provides in-kind, pooled coverage, but its sufficiency depends on ex ante risk estimates, diversification, stress testing and actual future reversal rates. Insurance provides regulated contractual coverage, but coverage may be limited by term, exclusions, renewal conditions, pricing and availability. Fund-based or trust-based mechanisms can provide financial resources and adaptive management capacity, but require strong governance, investment, solvency and procurement safeguards IETA therefore recommends that the Supervisory Body apply a functional equivalence test across all proposed reversal compensation mechanisms. The Reversal Risk Buffer Pool Account, insurance, guarantees or fund-based arrangements should each clearly and succinctly explain: -volume of A6.4ERs covered; -relevant reversal risks considered; -type of reversals covered and how coverage may change given certain scenarios; -claims triggers aligned with Article 6.4 reversal determinations; -delivery of eligible replacement A6.4ERs or cash into an approved procurement/cancellation mechanism; -treatment of authorized and non-authorized A6.4ERs; -policy lapse and non-renewal provisions; -insolvency and fallback arrangements; - registry transparency. Duration is one of the most important challenges. IETA agrees with the MEP that insurance contracts in private markets are often annual or short-term, and that renewal may not guarantee future price or availability. For this reason, short-term insurance should only be considered comparable if it is supported by strong renewal, proof-of-coverage and fallback requirements. The PACM could recognize different comparability thresholds depending on the use case: A-During the crediting period, rolling coverage may be acceptable if proof of coverage is required before each issuance and lapse automatically triggers buffer contributions or issuance suspension. B-During the post-

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				crediting monitoring period, stronger assurance should be required, such as guaranteed coverage for the remaining post-crediting period, tail coverage, pre-funded reserves, trust-backed warranties or other approved long-term guarantee structures. C-For buffer-level insurance, comparability should be assessed at portfolio level, including whether the product protects against severe depletion events and correlated losses. Verra's pilot provides a useful example of lapse protection. If a project proponent stops paying its insurance premium and the policy lapses or is cancelled, the proponent must revert to contributing to the pooled buffer account for the affected period. CAR's revised approach is also relevant because it contemplates alternative approaches such as insurance, conservation easements and permanence trusts, and requires registry disclosure of how projects monitor stocks and compensate for reversals.

5	3. Key issues and proposed solutions	59	Question 5: The MEP seeks stakeholder feedback on the potential moral hazard concerns that may arise if alternatives to the Reversal Risk Buffer Pool Account are approved but not fully implemented, such that retroactive liability may be triggered from non-compliance with approved alternative measures. The MEP seeks stakeholder feedback on whether these concerns are present during an activity's crediting period, toward the end of an activity's crediting periods, during an activity's post-crediting period, or during multiple of these options.	IETA agrees that moral hazard is a real concern and should be addressed explicitly in the approval criteria for alternatives to the Reversal Risk Buffer Pool Account. However, moral hazard should not be used as a reason to exclude alternative or complementary instruments. It should be managed through eligibility criteria, proof-of-coverage requirements, registry controls, transparency, fallback rules and stress testing. The main moral hazard risks include: -non-renewal or lapse risk, where a participant obtains approval to use insurance but later allows coverage to lapse; -under-reporting risk, where a participant delays or fails to report a reversal; -adverse selection or cream-skimming risk, where lower-risk activities exit the buffer pool, leaving higher--risk activities concentrated in the Reversal Risk Buffer Pool Account; -end-of-crediting-period risk, where participants may no longer have future issuance from which retroactive buffer contributions can be deducted The MEP correctly identifies the risk that lower-risk activities may preferentially enrol in alternative mechanisms, concentrating higher-risk activities in the buffer and increasing the probability of buffer insolvency. IETA recommends the following safeguards: A-proof of active coverage before issuance; B-periodic proof of continued coverage; C-suspension of issuance if coverage lapses; D-mandatory fallback to buffer contributions or an approved Monetary Permanence Reserve if coverage fails; E-registry flagging of units backed by alternative instruments; F-clear remedy rules for reversals affecting units backed by different instruments; G-no release or transfer of buffer contributions already deposited, unless explicitly permitted under future rules and consistent with NDC accounting; H-stress testing of the buffer pool and approved alternatives; I-periodic review of whether alternatives are creating adverse selection against the buffer pool. Verra's Durability Pilot provides useful precedent. It requires evidence of insurance or fund-based coverage, proportional remedy where both buffer and alternative approaches apply, and restrictions on further issuance where a reversal is not remedied
6	3. Key issues and proposed solutions	85	Question 6: The MEP seeks stakeholder feedback on whether, or under what conditions, potential moral hazard considerations would be different as	IETA considers that moral hazard considerations differ materially between the crediting period and the post-crediting monitoring period. During the crediting period,

			between the crediting period and post-crediting monitoring period.	the activity participant is actively managing the activity, receiving issuance revenues and making operational decisions that may affect reversal risk. In this period, insurance for avoidable or intentional reversals may be more challenging because the activity participant may have direct influence over the risk being insured. During the post-crediting monitoring period, the nature of the risk changes. The activity participant may no longer receive issuance revenues and may have weaker incentives to continue monitoring or remedy reversals. The principal risk may shift from active mismanagement to orphaned liability, lack of incentives to monitor, underfunded remediation and weak enforceability. In this context, third-party mechanisms may reduce moral hazard if properly designed. A regulated insurer, approved guarantor, Monetary Permanence Reserve or permanence trust may be better positioned to assume monitoring, reporting, prevention and remediation obligations after the activity participant's active role has ended. The MEP recognizes that moral hazard considerations may be different in the post-crediting monitoring period where the activity participant no longer plays an active role, potentially making coverage for avoidable reversals or missing monitoring reports more commercially feasible. IETA supports the possibility of transferring post-crediting obligations to an approved third party, provided that: -the third party is approved by the Supervisory Body and the host Party or host Parties; -the third party has sufficient financial, legal and technical capacity; -the obligations are legally enforceable; -monitoring and reporting are independently verified; -annual reversal and monitoring reports are submitted; -a clear claims/remediation waterfall is established; -registry disclosure identifies the entity responsible for post-crediting obligations; -fallback arrangements apply if the third party becomes insolvent or unable to perform. The Permanence Trust model is particularly relevant for this issue. The AFF/Kita/CRS feasibility study describes a trust as a system-level mechanism that continues beyond the crediting period, monitors projects continuously, models evolving risks and deploys capital to maintain climate outcomes
7		100(b)(v)	Question 7: The MEP is interested in feedback from stakeholders on whether there would be any moral hazard	IETA considers that potential moral hazard and conflict-of-interest concerns may arise where the entity responsible for post-crediting

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	6. Recommendations to the Supervisory Body		considerations if the third-party responsible for the post-crediting monitoring and reporting were the same entity as (or a subsidiary or corporate affiliate of) as the entity providing the insurance or guarantee. If so, are these considerations any different from the case where the activity participant is responsible for monitoring and reporting in the postcrediting monitoring period?	monitoring and reporting is the same entity as, or an affiliate of, the entity providing insurance or a guarantee. An entity with financial exposure to claims may have incentives to delay detection of a reversal, understate reversal magnitude, dispute causation, classify an event as excluded from coverage, or delay reporting. However, these concerns are not unique to insurers or guarantors. Similar conflicts may arise when the activity participant is responsible for monitoring and reporting while also bearing reversal liability. IETA therefore does not recommend a blanket prohibition on affiliated entities. Such a prohibition could unnecessarily prevent efficient integrated models, especially in early-stage markets. Instead, the PACM should adopt a risk-based conflict-of-interest framework. Such a framework should include: -disclosure of ownership, affiliation and contractual relationships; -functional separation between monitoring, claims assessment and financial exposure functions; -independent verification by a DOE or other approved validation/verification body; -audit rights for the Article 6.4 mechanism registry administrator, Supervisory Body or designated body; -standardized attestations; -public or semi-public reporting of monitoring outcomes, reversals, claims and remediation actions; -requirements for independent monitoring agents in high-risk cases; -clear indemnity and liability provisions. The MEP's draft criteria already point in this direction by requiring third-party entities responsible for post-crediting monitoring and reporting to demonstrate monitoring capacity, obtain host Party approval, submit annual reports, submit standardized attestations and indemnify the UNFCCC and the UNFCCC secretariat

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8	3. Key issues and proposed solutions	28	IETA recommends clarifying that references to insurance products available in “private markets” should be understood as referring primarily to regulated private insurance and reinsurance markets, rather than to voluntary carbon markets or emissions trading systems as such. Voluntary and compliance crediting mechanisms may authorize, recognize or interact with insurance products, but the insurance itself is generally provided by regulated insurance entities The PACM should therefore distinguish between: (i) insurance products offered by regulated private insurers; (ii) buffer pool arrangements established by crediting mechanisms or compliance programmes; and (iii) public, quasi-public or Party-backed guarantees that may require separate legal and policy treatment.	-
9	3. Key issues and proposed solutions	48	IETA cautions against requiring a single insurance policy to cover the full crediting period and post-crediting monitoring period. Such a requirement would likely be inconsistent with how insurance markets operate and could make otherwise useful risk-transfer instruments unavailable under the PACM	The relevant requirement should be continuity and sufficiency of coverage, not the existence of a single/unique long-term policy. The Supervisory Body should allow coverage to be demonstrated through a combination of renewable insurance, tail coverage, prefunded reserves, comparable guarantees, Monetary Permanence Reserve arrangements, permanence trust structures and residual buffer contributions

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10	3. Key issues and proposed solutions	51	IETA supports an appropriate role for host Parties in confirming that insurance, guarantee or third-party monitoring arrangements are compatible with domestic legal requirements. However, host Party approval should not become an additional discretionary approval layer that creates uncertainty for activity participants or delays implementation.	The Supervisory Body should clarify that an insurer or guarantor may satisfy the regulatory requirement by demonstrating that it is regulated and supervised in a reputable jurisdiction and legally able to provide the relevant coverage to the activity participant, including through cross-border arrangements where permitted. Host Party approval should be limited to confirming domestic legal compatibility and should be subject to transparent criteria and reasonable timelines. For programmes of activities involving multiple host Parties, the approval requirement should be operationalized in a way that avoids requiring duplicative or inconsistent approvals for the same insurance or guarantee product in each jurisdiction, unless materially required by domestic law
11	3. Key issues and proposed solutions	81	IETA supports the MEP's view that the fee structure of a Monetary Permanence Reserve should reflect reversal risk, timing of expected reversals, expected financial returns and future prices of eligible A6.4ERs. However, the fee structure should be designed to preserve financeability and avoid excessive upfront costs, especially for smaller activities and activities in developing countries	Fees should be risk-based, linked to issuance, periodically recalibrated, and informed by portfolio-level risk diversification. The Supervisory Body should also consider staged payments, minimum capitalization rules, conservative but realistic price assumptions, and centralized procurement strategies such as forward contracts, reverse auctions or offtake agreements for A6.4ERs with negligible or no reversal risk
12	3. Key issues and proposed solutions	87(d)	Same as the comment on para. 81	Same as the comment on para. 81

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13	6. Recommendations to the Supervisory Body	98	IETA recommends that the Supervisory Body establish a phased pilot pathway for approved alternative and complementary permanence instruments, including insurance, comparable guarantees, third-party guarantees, Monetary Permanence Reserve arrangements and permanence trust structures. The pilot should be designed to test these instruments under controlled conditions, generate practical evidence, and avoid locking the PACM into a single permanence risk management model before sufficient implementation experience has been gathered	-
14	6. Recommendations to the Supervisory Body	99(b)	Add pilots.	(b) Consider information about the performance of other carbon crediting mechanisms' buffer pools and alternative permanence instruments, including insurance, fund-based approaches, permanence trust structures and other pilot arrangements, with attention to evidence on actual and reported reversals, remedy procedures, registry treatment, non-renewal events and buyer/investor acceptance;
15	6. Recommendations to the Supervisory Body	99(d)	Rephrase to add other measures	(d) Evaluate the performance of alternative measures in the market, including learnings from pilots currently underway in other carbon crediting mechanisms, and engage directly with insurers, reinsurers, standards, registries, project developers, buyers, monitoring providers and financial institutions to assess how such measures could apply to different activity types within the Article 6.4 mechanism;
16	6. Recommendations to the Supervisory Body	99	Add a new (f) point	(f) Develop a functional equivalence framework to assess whether an insurance product, comparable guarantee, third-party guarantee, Monetary Permanence Reserve or permanence trust structure provides sufficient coverage, enforceability, solvency, transparency, registry operability, renewal protection and fallback arrangements to complement or, where appropriate, replace specific functions of the Reversal Risk Buffer Pool Account;

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17	6. Recommendations to the Supervisory Body	99	Add a new (h) point	(h) Develop registry and data access requirements for approved insurance, guarantee and reserve mechanisms, based on the principle that third-party providers may require access to relevant data for underwriting, monitoring, claims assessment and stress testing, but should not receive administrative rights over the Reversal Risk Buffer Pool Account
18	6. Recommendations to the Supervisory Body	100(a)(i)	Revised text as follows:	(i) Clearly identifies the A6.4ERs, vintages, volumes and reversal risks covered by the insurance product, comparable guarantee, third-party guarantee or other approved instrument, and demonstrates that any A6.4ERs or risks not covered by such instrument remain covered by the Reversal Risk Buffer Pool Account or another approved remediation mechanism;
19	6. Recommendations to the Supervisory Body	100(a)(ii)	Revised text	(ii) Clearly defines covered losses, exclusions and claims triggers, including how the instrument treats avoidable reversals, unavoidable reversals, intentional misconduct, negligence, failure to monitor and deemed reversals from missing monitoring reports. Where the instrument does not cover all reversal categories, the activity participant shall demonstrate that the uncovered categories are covered by the Reversal Risk Buffer Pool Account or another approved mechanism;
20	6. Recommendations to the Supervisory Body	100(a)(iii)	Revised text - continuity of coverage	(iii) Demonstrates continuity and sufficiency of coverage for the remaining post-crediting monitoring period, as defined in the applicable mechanism methodology. Such demonstration may be provided through a single long-term policy, renewable insurance with enforceable renewal or replacement provisions, tail coverage, prefunded reserves, comparable guarantees, Monetary Permanence Reserve arrangements, permanence trust structures, or a combination thereof, provided that lapse, non-renewal or insufficiency of coverage triggers an approved fallback mechanism;

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21	6. Recommendations to the Supervisory Body	100(a)(vii)(a)	Revised text (Insurer licensed in host Party)	a. Is a regulated provider of insurance or guarantee services, operating under the supervision of a competent regulatory authority in a jurisdiction acceptable to the Supervisory Body, and is legally able to provide the relevant insurance or guarantee services to the activity participant, including through cross-border arrangements where permitted under applicable law. Host Party approval should confirm domestic legal compatibility and should be based on transparent criteria and reasonable timelines;
22	6. Recommendations to the Supervisory Body	103	Stress test mandate - Revised text	(a) Develop a draft procedure for the Reversal Risk Buffer Pool Account stress test, including consideration of correlated loss risks, authorized and non-authorized A6.4ERs, liquidity of eligible replacement units, performance of approved alternative instruments, and potential adverse selection effects arising from the use of insurance, guarantees, Monetary Permanence Reserve arrangements or permanence trust structures;

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23	3. Key issues and proposed solutions	Paragraphs 19, 46(b), 56–57 and 84–85, particularly paragraph 57(a)	IETA recommends that the Supervisory Body further clarify the operational definitions of avoidable and unavoidable reversals before requiring insurance, guarantee or fund-based instruments to align fully with those categories. In practice, the classification of a reversal may only be determined after a loss event has occurred and has been assessed through monitoring and verification. This creates challenges for underwriting, pricing and claims settlement The PACM should therefore allow combined coverage structures, where different instruments cover different categories of risk, provided that the overall package delivers full and transparent remediation coverage. The concept note should avoid assuming that "avoidable reversal" is equivalent to intentional misconduct. Avoidable reversals may include negligence, failure to implement required risk management actions, breach of contractual obligations, failure to monitor, or failure to submit required reports. Clear definitions are essential to avoid disputes between activity participants, insurers, guarantors, DOEs and the registry administrator	-
24	3. Key issues and proposed solutions	para. 63–72, particularly para. 68–70	IETA supports constructive host Party involvement in permanence and reversal risk management, particularly where domestic authorities can support enforceability, land tenure clarity, monitoring infrastructure, and alignment with national accounting. However, IETA cautions against relying on Party guarantees or NDC accounting as a substitute for direct remediation unless robust legal, accounting and operational conditions are met	Host Party guarantees should remain optional and should not become a prerequisite for private sector participation. Similarly, NDC accounting should not be treated as equivalent to immediate cancellation of A6.4ERs unless the relevant reservoirs are included in the Party's inventory and NDC, the NDC structure captures reversals over the relevant period, and there is a clear obligation and capacity to undertake compensatory mitigation

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25	-	para. 60 and 89–92; para 91 and 92(e); para. 99(e)	IETA recognizes the potential adverse selection risk identified by the MEP. However, this risk should not prevent the PACM from testing alternative or complementary instruments. Instead, it should be managed through careful design	Potential safeguards include residual buffer contributions during a pilot phase, risk-equalization fees, buffer-level insurance, portfolio-level stress testing, limits on the proportion of low-risk activities that may exit the buffer during early implementation, and periodic recalibration of buffer contribution rates based on the observed risk profile of activities remaining in the Reversal Risk Buffer Pool Account