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Date of submission	22/07/2026

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	To secure the initial insurance policy terms and quote adjusted for the PACM Reversal Risk Buffer Pool Account specifically, Kita – speaking as an insurance provider able to offer this specific insurance policy – would need an informational snapshot of the existing buffer. As the Reversal Risk Buffer Pool Account is in its infancy, the snapshot would need to include projections of near-term Buffer growth. A read-only API (or other form of access to the Buffer) will be preferred in the future to enable Kita to offer more sophisticated insurance and exposure monitoring. A read-only API may be partially consistent with paragraph 54 of the Removals Standard. A read-only API would certainly not mean an insurance provider is performing any administration of the Reversal Risk Buffer Pool Account. Depending on the interpretation of 'access', this may not be consistent with paragraph 54 of the Removals Standard. The important point is if an insurance provider were providing an insurance policy for the Reversal Risk Buffer Pool Account, the provider's data needs would not interfere with operations of the Reversal Risk Buffer Pool Account. The description above is the preferred method of engagement for existing carbon crediting mechanisms where Kita offers buffer-related insurance and services.	-

2	3. Key issues and proposed solutions	54	1/2 Comment is long so broken into 2 comments. The MEP's conclusion that the use of insurance as an alternative to buffer pool contributions is currently not prevalent in carbon crediting mechanisms is correct. As an insurance provider, Kita completed multiple rounds of market research since 2023 to understand carbon crediting mechanisms' appetite for allowing the use of insurance as an alternative to buffer pool contributions. This includes direct conversations with various mechanisms and analysis of public documentation. Kita's latest comprehensive review of carbon crediting mechanisms' public documentation concluded at the end of March 2026. After reviewing 19 different mechanisms, only 9 mechanisms made any explicit reference to the use of insurance (these references may extend beyond buffer pool alternatives). While results of public documentation analysis largely did not change 2023 through March 2026, what did change is the narrative around insurance in direct conversations with carbon crediting mechanisms. Across the 19 different mechanisms reviewed, Kita had at least one direct conversation on the topic of insurance – typically multiple conversations over the two-year time span. For all 19 mechanisms, the narrative changed over time and can be summarized as such: 2023 and 2024 – Crediting mechanisms acknowledged they may allow for the use of insurance. However, insurance has not been implemented to date, and the mechanisms lack relevant expertise in-house to review insurance policies or providers. Inclusion of insurance in a mechanism's public documentation is largely for future-proofing purposes. Early 2025 – Crediting mechanisms acknowledge insurance providers are bringing to market relevant insurance policies (and in some case supportive services), and Voluntary Carbon Market stakeholders are showing early interest. There is an increase in urgency for mechanisms to start growing in-house knowledge about insurance within relevant teams. Mid-2025 – Crediting mechanisms are actively growing their in-house knowledge about insurance. This knowledge is likely growing across several relevant teams. Attitudes toward insurance are	-

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			largely curious. Some crediting mechanisms hire external insurance advisors. Late 2025 – Crediting mechanisms acknowledge they need to, in the near term, develop a stance regarding how insurance is allowed to be used. A small portion of mechanisms are skeptical on the value-add of insurance. Most mechanisms find the appeal of allowing insurance to be increased flexibility for activity participants regarding reversal risk management. Coming to present day (July 2026), three carbon crediting mechanisms have approved the use of insurance as an alternative to buffer pool contributions AND created processes to review insurance such this can move from theory to practice. These mechanisms include Verra's Verified Carbon Standard (VCS), the International Carbon Registry (ICR), and the Climate Action Reserve (CAR). VCS launched a Durability Pilot December 2025 which allows activity participants to use insurance in place of buffer pool contributions. The pilot runs through 2028. ICR revised its Requirement Document in November 2025 allowing the use of insurance. CAR revised its permanence approach which was fully adopted June 2026. It also allows the use of insurance in place of buffer pool contributions.	

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3	3. Key issues and proposed solutions	54	2/2 - In response to the VCS Durability Pilot, Kita developed a Non-Permanence Risk Insurance (NPRI) policy. Verra approved this policy early July 2026, and Kita is already working with multiple activity participants to implement Non-Permanence Risk Insurance. Verra also approved an insurance policy with CarbonPool. Kita is already working to secure approval of the Non-Permanence Risk Insurance policy for Climate Action Reserve as well. Kita believes the MEP should not discount growing carbon market awareness, education, and interest in the use of insurance for reversal risk management. In Kita's experience, this growth has rapidly accelerated in the last 6 months and there is no reason to expect a slowdown. Relevant links: https://verra.org/verra-to-pilot-innovative-approaches-to-addressing-durability/ https://documentation.carbonregistry.com/documentation/icr-program/project-development/criteria/icr-requirement-document-v6.1#a.ii.2-requirements-for-the-insurance-policy https://climateactionreserve.org/blog/2026/06/30/climate-action-reserve-adopts-revised-permanence-approach/ https://www.kita.earth/non-permanence-risk-insurance https://verra.org/verra-approves-insurance-policies-for-use-under-durability-pilot/	-

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4	3. Key issues and proposed solutions	55	To Kita's knowledge, there are currently two standardized reversal risk insurance products that can be applied at the activity level. Kita's Non-Permanence Risk Insurance and CarbonPool's Carbon Reversal Insurance. Several other carbon insurance providers are currently active and may also be developing standardized reversal risk insurance products. Kita also offers a Buffer Depletion Insurance policy, which is utilized as a wrap around the buffer, paying a claim when buffer depletion hits a pre-agreed level. This policy has been utilized in the UK, see here. For the avoidance of doubt, even if an insurer offers a standardized insurance product, the potential insured is still subject to due diligence checks and a risk assessment. For reversal risk insurance, that means an insurer will still conduct its own risk assessment of the activity to determine if insurance will be offered and at what price. Relevant links: https://www.kita.earth/non-permanence-risk-insurance https://www.carbonpool.earth/casestudy/permanence/?_gl=1*1hhk2r2*_up*MQ..*_ga*MTYwODA3Mzg5Ni4xNzgzOTY5ODE2*_ga_TP0YDEH5XX*czE3ODM5Njk4MTUkbzEkZzEkdDE3ODM5Njk4NDYkajI5JGwwJGgw https://www.kita.earth/blog/wilder-carbon-and-kita-announce-world-first-buffer-insurance-policy	-

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5	3. Key issues and proposed solutions	58	The interpretation of ‘covered losses’ will vary across insurance providers and insurance policies. For Kita specifically – speaking as an insurance provider - ‘covered losses’ will vary for reversals related insurance policies depending on if the insurance is applied at the activity level or buffer level and who is the insured. If insurance is applied at the activity level and the activity participant is the insured, ‘covered losses’ will essentially be interpreted as “events beyond the control of the activity participant.” This is due to the concept of moral hazard which the MEP correctly identifies within the Concept Note. This interpretation would not align with the Article 6.4 mechanism’s definition and treatment of reversals, including reversals reported in monitoring reports as well as deemed avoidable reversals from missing report submissions. If insurance is applied at the activity level and an entity other than the activity participant is the insured, ‘covered losses’ would have a broader interpretation. This would likely align with the Article 6.4 mechanism’s definition and treatment of reversals, including reversals reported in monitoring reports as well as deemed avoidable reversals from missing report submissions. If insurance is applied at the level of the Reversal Risk Buffer Pool Account, likely making the UNFCCC Secretariat the insured as identified in the Concept Note, 'covered losses’ would be interpreted to include all risks. That means all causes of reversal are covered by the insurance policy, including events within and beyond the activity participant’s control. This interpretation would align with the Article 6.4 mechanism’s definition and treatment of reversals, including reversals reported in monitoring reports as well as deemed avoidable reversals from missing report submissions.	Align Concept Note with standard insurance industry practice for interpretation of ‘covered loss’. Allow all forms of reversal compensation mechanisms to cover select categories of reversal with exact coverage specified per mechanism use. This approach ensures each mechanism is adopted appropriately. This approach potentially requires activity participants, or other relevant stakeholders such as A6.4ER buyers or the UNFCCC Secretariat, to use multiple mechanisms and clarify which portion of reversal risk they are managing.

6	3. Key issues and proposed solutions	58	Regarding duration of insurance coverage, reversals related insurance policies are typically on an annual basis. Some insurance providers may allow coverage for up to three years. The insurance may be renewed, which can add up to a longer total period of coverage desired from the insurance. An annual insurance policy is desirable for all entities for several reasons: No reversal risk assessment conducted by any entity looking at multi-decade periods would be able to provide enough confidence to warrant the insured or insurance provider agreeing to the terms of an insurance policy. Risk changes with time and that change needs to be accounted for properly. This provides explicit points in time (i.e. Annually at insurance renewal) for the insurance policy to be reviewed and adjusted to ensure it provides adequate coverage. Across any type of insurance policy, the terms generally do not change once the policy is bound. For reversals insurance, that means if reversal risk went up or down, the policy could be providing too little or too much coverage. This in turn means the maximum potential claim value may be too small or the insured is overpaying for the insurance. This makes insurance financially feasible. Payment for insurance is generally due at the time of binding the policy. The cost for insurance that is one year long is vastly different from that of a multi-decade policy. The entity that is best suited to be the insured may change over time. Changing of the best suited insured could happen for many reasons. One example, if an activity participant ceased to exist (for any reason) and they were the insured, then the insurance policy will likely void. Another example, an alternative reversal compensation mechanism is utilized which makes the insurance redundant. Another example, the named insured no longer has an insurable interest in the activity.	Remove insurance policy term length requirement in paragraph 48. Align Concept Note with standard insurance industry practice for duration of insurance policies.
7	3. Key issues and proposed solutions	58	Regarding insurance coverage renewal, this is generally 'at will' for both the insured and the insurance provider. An insurance provider may not seek renewal for various reasons including but not limited to the asset insured has become too risky, regulatory requirements have changed, or capacity may not be available (i.e. Amount	-

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			of maximum insurance coverage that could be provided). The insured may not seek renewal for various reasons including but not limited to the insurance provider no longer offers the policy or has gone out of business, another insurance provider may offer better coverage, or the insured no longer has an insurable interest.	
8	3. Key issues and proposed solutions	58	For all the reasons outlined comments submitted for paragraph 58, insurance cannot fully meet the requirements set out in paragraph 46 (and paragraphs referencing paragraph 46). Kita understands why the MEP is seeking such a stringent application. However, it is not consistent with standard practice within the insurance industry, nor does it ensure the appropriate entity is held liable for reversal risk. Kita urges the MEP to consider a more holistic approach that aligns with practical limitations, while still enabling the insurance industry to apply its highly developed risk management experience to this market. Current examples of carbon crediting mechanisms putting this into practice include Verra's Durability Pilot and Climate Action Reserve's revised approach to permanence. Kita supports the enablement of all reversal compensation mechanisms outlined within this Concept Note as well as the options in paragraph 57. Such a flexible approach will allow each entity connected to PACM and concerned with permanence, to secure the correct tool for the correct time. Relevant links: https://verra.org/verra-to-pilot-innovative-approaches-to-addressing-durability/ https://climateactionreserve.org/permanence-work-program/	-

9	3. Key issues and proposed solutions	59	Kita acknowledges that the scenario raised by the MEP is possible. However, the anticipated impacts are not likely if the PACM adopts a suitable systematic and principle-based approach. Kita expects these concerns are most likely to be valid towards the end of an activity's crediting period and post-crediting period. This is due to the long-term nature of reversal risk and misalignment of reversal liability with legal enforcement. When considering this and similar scenarios, Kita expects the chance of such a scenario occurring to be near zero so long as a carbon crediting mechanism adopts a systematic and principles-based approach to reversal risk management. This includes adoption of multiple tools to give activity participants, and potentially other stakeholders, flexibility to select the right tool depending on the specific activity type, use case, and time. Such tools include the Reversal Risk Buffer Pool Account, insurance, guarantees, and monetary permanence reserves. Paragraph 59 discussed the scenario in the context of only using insurance or the Reversal Risk Buffer Pool Account – a binary choice. However, inclusion of other tools creates flexibility for more activity participants to secure the tool best for them or to utilize a risk stacking approach (e.g. insurance at the activity level combined with a central Buffer Pool Account insurance wrap for remaining risk) – overall lowering the likelihood the scenario described is realized. The time aspect is also important. Activity level insurance and guarantees can be beneficial in the short to mid-term. While a buffer and monetary permanence reserve will prove more beneficial across longer time horizons. The long-term and retroactive liability of concern can be fully mitigated via a monetary permanence reserve. As noted in paragraph 57(b), it is also important to raise the potential for buyers of A6.4ERs to take on a portion of reversal risk liability. Through Kita's experience and market research, it is the buyer of an A6.4ER that has the most vested interest in compensation of a reversal – specifically the A6.4ER retiree when considering longer periods. The retiree is directly benefiting from any claim made on the A6.4ER. Kita generally finds across all types of activities and carbon	-

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			crediting mechanisms, post-crediting period the retiree should expect to take on some portion of reversal risk liability (unless a warranty from a monetary permanence reserve has already been secured). Ultimately, the most conservative approach that can be adopted is for PACM to list any A6.4ER without a suitable backstop in place to compensate for a reversal, as reversed. This adopts a similar logic to what occurs if monitoring ceases or activity reports are not submitted.	

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10	3. Key issues and proposed solutions	85	If insurance is applied at the activity level and the activity participant is the insured, ‘covered losses’ will essentially be interpreted as “events beyond the control of the activity participant.” This is due to the concept of moral hazard which the MEP correctly identifies within the Concept Note. This interpretation will not change whether considered during the crediting period or post-crediting monitoring period. That means at any point in time, with the activity participant as the insured, insurance will not cover what is within the activity participant’s control. Moral hazard considerations will only change if there is a change in what the activity participant can control. For example, a conceivable scenario is that the activity participant is the insured, the activity has entered the post-crediting monitoring period, and monitoring and report is now the responsibility of a separate third party. For the post-crediting monitoring period, across all carbon crediting mechanisms it is generally more suitable for an entity other than the activity participant to be named the insured (eg. Carbon crediting mechanism, A6.4ER retiree). This is due to legal and practical limitations when considering these long time horizons; i.e. if the activity participant no longer exists, then it cannot maintain an insurance policy. Kita supports the enablement of all reversal compensation mechanisms outlined within this Concept Note as well as the options in paragraph 57. Such a flexible approach will allow each entity connected to PACM and concerned with permanence, to secure the correct tool for the correct time.	-

11	6. Recommendations to the Supervisory Body	100(b)(v)	Kita does not think there is moral hazard if the third-party responsible for the post-crediting monitoring and reporting were the same as the entity providing the insurance or guarantee, as long as it is clear an unbiased third party will be utilized to assess and value any loss. It is common in various insurance markets for insurance companies to utilize monitoring and reporting services as part of/in supplement to their insurance policies. This is because it is in the insurer's best interest to identify and mitigate losses when possible before these losses become insurance claims. That said, there is a difference between ongoing assessment/monitoring (where there is no moral hazard) versus the insurance company being the company that determines whether a valid loss has occurred, such that a claim can be made on the insurance policy (a clear moral hazard). Insurance companies generally utilize a third party assessment during a loss adjustment process to ensure there is no conflict of interest here (i.e. if only the insurance company assesses the loss, arguably the insurance company doesn't have an incentive for the loss to become a claim). As done in other insurance markets (home, motor, etc.), Kita expects the insurance providers will provide ongoing monitoring and reporting of each activity. However, at the point of loss a third-party expert will be utilized to provide a fair claims assessment. Likewise, an entity other than the insurer (likely the insured), will be the one that claims on the insurance policy, thus triggering the loss adjustment process. If there were to be a dispute between the insurer and the insured, then the insurance policy would have clear dispute resolution processes to resolve this. In line with Kita's comment, these considerations may differ if the activity participant is responsible for monitoring and reporting in the post-crediting monitoring period. A large factor will be if an independent review or dispute resolution process exists, as it does with insurance.	-