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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	-	13-17	Kita agrees that regular stress testing of the Reversal Risk Buffer Pool Account across all hazards is critical, especially under intensifying climate scenarios. The cadence for such stress testing will largely depend on a) PACM's ability (or an independent provider) to compile and process relevant data; and b) frequency of which the buffer composition and / or reversal risk factors change. For reference, Kita offers a service to its clients to stress test buffers. Depending if the buffer is established or in the process of being set up and the frequency of buffer composition change, the stress test is recommended to run annually. However, it can be done less frequently and on demand as needed. A stress test should quantify any additionally required A6.4ERs for the Reversal Risk Buffer Pool Account if it is found to be undercapitalized. This can ensure the Buffer is prepared for scenarios of extreme losses from low probability / high impact and correlated but independent events. Kita recommends identifying the historical occurrence of such events and simulating their future occurrence using methods such as Monte Carlo simulations. This would enable an understanding of the return periods associated with such events to model the frequency of their occurrence moving forward and enable the quantification of sensitivities. When combined with forward looking projections around key risk factors, such an approach also enables frameworks to make allowances for correlations as they stand today between various perils while accounting for the shifts and sensitivities in said correlations that are anticipated under various climate change scenarios.	-

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2	3. Key issues and proposed solutions	20	To support the MEP's consideration of this issue, Kita responds to the following question - How does an insurance provider address the issue of an activity participant not complying with the process to compensate for an avoidable reversal? For activity level insurance regarding avoidable reversals, Kita's insurance is aligned to the terms and conditions of the carbon crediting mechanism, and therefore a loss would only be eligible for an insurance claim after the activity participant has complied with all relevant rules dictated by the carbon crediting mechanism that outline how such losses should be addressed. For insurance applied to a buffer, Kita covers all causes of reversal. This means Kita accepts the risk of activity participants not complying with crediting mechanism rules. Kita can accept this risk because buffer insurance is deployed at a portfolio level and thus the portfolio diversification means this individual risk per each activity participant is aggregated to an extent which is insurable. For PACM specifically, in consideration of the UNFCCC enforcement capacity outlined in section 3.1.2, this underscores the need for multiple reversal compensation mechanisms. 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.	-

3	3. Key issues and proposed solutions	32(a)	The MEP's understanding of insurance for the Reversal Risk Buffer Pool Account as laid out in paragraphs 28 to 31 is correct. For the avoidance of doubt, regardless of how funds are secured for such an insurance policy, the insured must be the entity paying the insurance provider for the insurance policy. This is true across all types of insurance. That means the UNFCCC Secretariat, as identified in paragraph 32(a)(i), would need to pay any insurance provider directly. The MEP identifies two options for securing the funding of such an insurance policy in 32(a)(i) and 32(a)(ii) - both valid approaches. If the UNFCCC can allocate the funds to the PACM budget, the approach in paragraph 32(a)(i) is the easiest. However, the approach in paragraph 32(a)(ii) may be better for the PACM when considering the context of scalability. As the PACM grows over time, the method for collecting funds to pay for insurance can grow with it. This may raise concerns regarding costs borne to activity participants and complexity of establishing another process. However, Kita brings attention to the International Carbon Registry (ICR). ICR integrated activity ratings, provided by MSCI, and risk assessments, provided by Kita, directly into its carbon crediting mechanism. Outsourcing activity ratings and risk assessments created a new cost for ICR operations. However, both services were accepted as a value add-on by its activity participants. This allowed ICR to successfully integrate the cost of both services into the fees regularly paid by its activity participants. Integration can also lower the overall cost of these services, since data and documentation flow once through a shared process instead of each activity participant arranging assessments separately. Follow the links below to learn more about ICR's fee schedule, process requirements, and activity ratings and risk assessments. ICR clearly explains a) What these services provide and timing of the services in relation to the activity cycle; b) How activity participants must engage, and c) Role of the service providers along with specification on independence, limitations, and relationship to validation, verification,	-

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			and ICR decisions. Ratings & Risk Assessment - https://documentation.carbonregistry.com/documentation/icr-program/ratings-and-risk-assessment Process Requirements: https://documentation.carbonregistry.com/documentation/icr-program/project-development/procedural/icr-process-requirements-v6.3#id-10.-ratings-and-risk-assessment https://documentation.carbonregistry.com/documentation/icr-program/project-development/procedural/icr-process-requirements-v6.3#id-6.6-project-rating-and-risk-assessment Fee Schedule - https://documentation.carbonregistry.com/documentation/icr-program/terms-and-conditions/fee-schedule	

4	3. Key issues and proposed solutions	32(b)	The general insurance claims process, regardless of form of claims payment, is as follows: 1. The insured will provide a form of loss notification to the insurer, providing evidence of the loss. In the context of the carbon markets and reversals, this evidence is generally from an unbiased third party, with example documents including – loss report, verification report, monitoring results, etc. 2. The insurer will acknowledge the loss notification and make clear the next stages of the claims process to the insured. 3. There is then generally a waiting period during which the insured will seek to resolve the loss. In the context of the carbon markets and reversals, this may be waiting for the activity participant to follow reversal compensation procedures as dictated under the PACM. 4. Following the waiting period, if there has not been a resolution, the insured provides a final 'proof of loss' to the insurer. Following which, there are updates to/from both entities as needed to finalize any outstanding questions. 5. The insurer will then make a claim determination. 6. A claim is then paid. 7. Insurer then has the right to recovery, if required / relevant. Kita specifically, as a carbon insurance provider, can pay claims in cash or A6.4ERs. If paying in cash, typically the claim amount is valued at the number of credits multiplied by the Credit Claim Price. The Credit Claim Price is agreed between the insured and Kita in the insurance policy documentation at time of binding the insurance policy. Regarding reversals related insurance specifically, the valuation mechanism may differ depending on if the insured is the activity participant or another entity. There is potential for variability because if the insured is the activity participant, they may need to recover costs beyond the value of the lost A6.4ERs. If paying claims in A6.4ERs, Kita provides a "like-for-like" replacement for the reversed A6.4ERs. Kita will follow its Best Match Method to source and determine the applicable quantity of replacement A6.4ERs. Only replacement credits determined using the Best Match Method shall be eligible for delivery to the insured. The insured has the right to request payment in cash instead of replacement A6.4ERs. If the Best Match Method is unable to source any replacement A6.4ERs	-

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			similar in value to the claim amount, Kita reserves the right to pay the full claim amount in cash. Kita uses this approach across all its insurance policies. Under the Verra Durability Pilot, Verra provides the replacement credit criteria to its activity participants which is required to be incorporated into the insurance policy. It is important to understand, regardless of the form of claims payment, across all insurance policies the claims process will be fully dictated at the time of binding the insurance. That means when a claim occurs, all entities are following a pre-agreed process.	
5	3. Key issues and proposed solutions	32(b)(i)(a)	Insurance claims are paid to the insured unless the insurance policy identifies a loss payee (i.e. another entity, other than the insured, who would receive the insurance claim payment directly).	-
6	3. Key issues and proposed solutions	32(b)(i)(b)	The insurance provider does not control how the claim payment is used. Once the insured or loss payee receives their claim payment, the insurer ceases any rights or control as to how the payment is used.	To ensure cancellation of A6.4ERs is done appropriately, the PACM could adopt a process like other carbon crediting mechanisms. These include stipulations the crediting mechanism is listed as the loss payee and / or an additional agreement signed between the activity participant, or other relevant stakeholders, and crediting mechanism dictating the activity participant is expressly responsible for reversal compensation. The latter approach allows activity participants flexibility on the route of compensation while ensuring they hold appropriate liability.

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7	3. Key issues and proposed solutions	32(b)(ii)(a)	Insurance claims will be paid to the insured unless the insurance policy identifies a loss payee. The insurance provider does not control how the claim payment is used. Once the insured or loss payee receives their claim payment, the insurer ceases any rights or control as to how the payment is used.	If the insured receives the payment, the PACM could require an additional agreement signed by the insured dictating the insured is expressly responsible for reversal compensation. The insured could be an activity participant or another entity (potentially the A6.4ER retiree). Allowing flexibility on who could sign this agreement can help with addressing variability of insurance uses during and post-crediting periods. If a loss payee receives the payment, PACM could consider requiring itself being the loss payee or an independent third party with the express responsibility of converting cash into A6.4ERs.

8	3. Key issues and proposed solutions	50	Kita confirms the MEP's desired liability waiver is possible. A similar approach is already in place for the Verra Durability Pilot. Activity participants engaging in the Pilot must sign an additional agreement with Verra confirming the activity participant holds ultimate responsibility for compensating any reversals and that Verra is not held liable for any aspect of reversal compensation. Regarding the UNFCCC Secretariat being listed in the insurance contract as a beneficiary, this is possible. The UNFCCC Secretariat could be listed as the loss payee if they wish to receive claims payments. However, if the UNFCCC Secretariat is not receiving the claims payments, then there is no reason for the insurance provider to include the UNFCCC in the insurance policy. If the MEP's motivation for beneficiary status is to ensure information sharing about insurance policy continuity, then that requirement would need to be placed on the insured – not the insurance policy or insurance provider – or an information sharing agreement needs to be approved between the PACM, insured, and insurance provider. Insurance policies are confidential information which means the insurance provider generally cannot share information about a policy with any entity other than the insured, unless an information sharing agreement is arranged. Verra takes the latter approach regarding insurance used for the Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA). Verra's rules state: The insurance provider must enter an information sharing agreement with Verra committing to periodically provide information to be agreed, and amended from time to time, regarding at minimum: A list of all VCUs covered by each insurance product and all relevant terms of such coverage, including the term of the insurance, insured amount per VCU for insurance policies that provide a financial payment, etc.; Timely notification of any change or lapse in coverage; Timely notification of any claim made for VCUs/EEUs covered under the insurance; Ability of Verra to send demand notices, at its sole discretion, to the insurer.	Remove "The UNFCCC secretariat would also need to be listed in the insurance contract as a beneficiary". Potential to amend language depending on the motivation for the original language inclusion. Understanding the motivation will inform how to amend the language appropriately.
9		51	Insurance providers only need to be approved to underwrite insurance policies in	Change "The insurer would need to be a regulated provider of insurance services, duly

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	3. Key issues and proposed solutions		the country, or relevant subnational unit, of the insured's location. This is standard across all types of insurance and consistent with current regulations. A requirement for the insurance provider to be approved in the location of the insured AND the activity would be unduly burdensome to insurance providers. This could severely restrict, if not fully eliminate, the number of insurance providers able to provide sufficient capacity the PACM could generate. Keeping this requirement will limit the viability of any insurance used for the PACM.	licensed or otherwise approved in the host Party(ies) of the activity and, where necessary, in any other Party concerned by the implementation of the activity or the establishment of the insured. The insurer would need to operate under the supervision of a competent regulatory authority and have the legal and financial capacity to fulfil its obligations for the required coverage period." to "The insurer would need to be a regulated provider of insurance services, duly licensed or otherwise approved in the host Party of the establishment of the insured. The insurer would need to operate under the supervision of a competent regulatory authority and have the legal and financial capacity to fulfil its obligations for the required coverage period."

10	3. Key issues and proposed solutions	60	Introduction of insurance, or any alternative mechanism to the Reversal Risk Buffer Pool Account, does not mean the Buffer will bear more risk than it would if it were operated in isolation. The MEP's concern raised in paragraph 60 leads Kita to highlight three key points: 1. The introduction of insurance can be structured in such a way that the Reversal Risk Buffer Pool Account will not bear more risk than it would if it operated in isolation. This can be done via risk stacking – e.g. activity participants taking out insurance, complemented by insurance at the Buffer level and/or a "Buffer Fee" + insurance approach. This could translate to each activity must still contribute a smaller amount to the Buffer, even if they take out insurance, such that the Buffer does not become a pool of uninsurable risk. That said, the Kita team believes the concern raised by the MEP is best managed by a central insurance policy taken out at the Buffer level, versus insurance at each individual activity. 2. This underscores the importance of Reversal Risk Buffer Pool Account stress testing. Of relevance, the Permanence Trust Feasibility Study Kita is currently supporting reveals other carbon crediting mechanisms share these same concerns. However, the crediting mechanisms do not feel that is a reason to not test alternative reversal compensation mechanisms. If the alternatives are successful, it could mean the role of buffers is reduced. 3. The overall trend across carbon markets regarding risk of any type is improved risk quantification. As new tools arise to replace or complement buffer contribution alternatives, in parallel the models and approaches for quantifying risk are improving. As it relates to the Reversal Risk Buffer Pool Account, some activities may receive quite high reversal risk scores. However, improved risk quantification also means greater confidence can be placed in the resulting score. An additional consideration is that not all activity participants will be able to access insurance, or other reversal compensation mechanisms, due to regulatory limitations. This could mean activities with low reversal risk must use the Reversal Risk Buffer Pool Account. In the insurance industry, the insurance provider must gain approval at a	Remove paragraph 60.

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			national level, sometimes sub-national, to underwrite any insurance policy based on the location of the insured. The process for securing approval is lengthy and varies by country. Plus, insurance usually cannot be provided for countries with sanctions. This regulatory barrier is not unique to Kita; it will be the same across all carbon insurance providers. The regulatory barrier is important due to the global nature of carbon markets and A6.4 activities.	
11	3. Key issues and proposed solutions	74(c)	A Monetary Permanence Reserve does not need to only cancel A6.4ERs with negligible or no reversal risk. Keeping this requirement will limit the viability of any Reserve as it would significantly constrain supply of eligible A6.4ERs used for compensation. A Monetary Permanence Reserve should be allowed to provide reversal compensation in at least two ways: 1. Cancel A6.4ERs with negligible or no reversal risk. This would absolve all entities of any reversal liability. 2. Cancel A6.4ERs with reversal risk AND establish a warranty for each cancelled A6.4ER. Future cancellation of additional A6.4ERs may be required. This is equivalent to horizontal stacking. The cost of any additional warranty would be part of a Monetary Permanence Reserve's operating cost.	Change "Making the collected funds available to purchase and cancel A6.4ERs with negligible or no reversal risk, distinguishing between authorized and non authorized A6.4ERs (as appropriate) and potentially purchasing A6.4ERs through centralized procurement strategies." to "Making the collected funds available to purchase and cancel A6.4ERs, distinguishing between authorized and non authorized A6.4ERs (as appropriate) and potentially purchasing A6.4ERs through centralized procurement strategies."
12	3. Key issues and proposed solutions	78	Sensitivity to the timing of reversals is probably lower than that noted in paragraph 78. Simulations and stress testing are performed over a wide range of possible loss histories, including those where extreme losses occur early. Warranty pricing is set to include safety margins, and this pricing is dynamic, changing over time to include actual historic losses, forecasting and confidence intervals on such forecasts.	-

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13	3. Key issues and proposed solutions	80	Kita agrees with the points made in paragraph 80 around requirements for regulation and external expertise, both for integrity, compliance with law, and to secure low-cost funding. The costs of the additional compliance would be included in the business model for any Monetary Permanence Reserve and incorporated into warranty fees. Kita also notes that, depending on jurisdiction, the sales of warranties may also be a regulated financial activity, requiring compliance within each region where warranties are sold. This may introduce restrictions in some cases, for example, within sanctioned countries, but will also offer independent oversight on the legal wording of warranties and their sale.	-

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14	3. Key issues and proposed solutions	73-81	Kita is aware of five Monetary Permanence Reserves already implemented at the activity level. Three Reserves are public knowledge, and you can learn more at the links below. 1. American Forest Foundation's Family Forest Carbon Program - https://www.forestfoundation.org/why-we-do-it/family-forest-blog/determining-a-true-carbon-benefit-part-4-permanence/ 2. Soil Capital - https://www.soilcapital.com/news/soil-carbon-permanence-fund-why-monitoring-alone-isnt-enough 3. Trees for Global Benefits - The Fund uses 10% of each farmer's revenue generated by the sales of Plan Vivo Certificates to recruit substitute farmers where farmer dropouts or other business as usual losses create a deficit in the project's carbon stocks. There's more information in the PDD. https://www.planvivo.org/projects/trees-for-global-benefits-uganda Kita is also part of a cohort preparing to pilot a Monetary Permanence Reserve at a portfolio level by the end of 2026. You can learn more here - https://www.forestfoundation.org/permanence-trust/.	-

15	6. Recommendations to the Supervisory Body	100(a)	Kita does not support adoption of the recommendation in paragraph 100(a) as currently written. There are several elements that should be adjusted depending on reception of Kita's other comments submitted to the MEP. These include requirement of the activity participant to be the insured, definition of covered losses, duration of insurance coverage, and payment of insurance claims. It should also be made clear this recommendation does not apply to insurance provided to the Reversal Risk Buffer Pool Account. Those insurance requirements may differ and should be treated as such. Paragraph 100(a) defacto requires the activity participant to be the insured. As stated in previous comments, this is an unnecessarily narrow requirement. There are clear scenarios where the insured could, and arguably should, be a different entity. For example, the A6.4ER buyer (or retiree) as raised in paragraph 57(b). Alternatively, the UNFCCC Secretariat if insurance was placed on the Reversal Risk Buffer Pool Account. If such insurance was secured, this could make redundant the recommendation laid out in paragraph 100(a). Please reference response to Question 5 for additional context. Paragraph 100(a)(ii) cannot be adopted if the insured is the activity participant. It can only be adopted if another entity is the insured. The interpretation of covered losses will need to change depending on the insured's relationship to the activity. Please reference response to Question 6 for additional context. Paragraph 100(a)(iii) cannot be adopted as it does not align with standard practice within the insurance industry. Please reference response to Question 4 for additional context. Paragraph 100(a)(iv) specifies "payment arising from a covered loss that would be made to the UNFCCC secretariat". This can only occur for insurance if the UNFCCC Secretariat is listed as a loss payee in the insurance policy. If (a)(vi) is adopted, this should be fine. For paragraph 100(a)(iv)a, insurance cannot guarantee compliance with paragraph 61 of the Information Note. Due to volatility of A6.4ERs price, insurance cannot guarantee the value at time of insurance claim will equal the value of the	Regarding proposed changes to paragraph 100(a), as much comment has been provided in this call for input by Kita that could significantly change any recommendation by the MEP, Kita does not feel it appropriate to propose changes. If required to propose changes today, and without knowing the MEP's response to Kita's comments, Kita could only request full removal of paragraph 100(a)(ii), (iii) and (iv) as they are currently unworkable for the insurance industry. As that is unlikely a desirable proposed change for the MEP, Kita instead suggests the MEP engage with an insurance expert to draft an amended recommendation (if responses to this call for input are unable to support an amended recommendation on their own). Kita does propose a single change to 100(a)(vii)a in line with previous comment submitted regarding insurance regulations. Change "Is a regulated provider of insurance or guarantee services, duly licensed or otherwise approved in the host Party(ies) of the activity and, where necessary, in any other Party concerned by the implementation of the activity or the establishment of the activity participant" to "Is a regulated provider of insurance or guarantee services, duly licensed or otherwise approved in the host Party of the establishment of the activity participant".

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			necessary A6.4ERs. This is true for all types of insurance. Insurance is not meant to be used as a price hedging tool, which is what is indirectly being required. This will be true for paragraph 100(a)(iv)b as well. This gap of alignment underscores the necessity for the PACM to adopt insurance placed at the level of the Reversal Risk Buffer Pool Account and / or separating out the reversal compensation requirements from being placed directly on the insurance policy. For the latter, the PACM can adopt a similar process to that of other carbon crediting mechanisms. Require an agreement signed between the activity participant, or another relevant entity such as A6.4ER buyer, and crediting mechanism dictating the activity participant, or other relevant entity, is expressly responsible for reversal compensation. This allows flexibility on the route of compensation while ensuring the relevant entity holds appropriate liability. This approach also remediates the issues raised with paragraph 100(a)(ii) and (iii).	
16	2. Purpose	Entire Concept Note	It is clear to Kita the MEP did a thorough amount of research, analysis and deliberation in development of this Concept Note. That is well reflected in the level of detail and scenario analysis considered.	-
17	2. Purpose	Entire Concept Note	Kita supports comments submitted by Conservation International, IETA and The Nature Conservancy in relation to the entirety of this Concept Note.	-