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Document reference number and title: (Recommendation from the MEP to SBM020)
Concept note: Options for implementing the provisions in paragraph 62 of the "Standard: Requirements for activities involving removals under the Article 6.4 mechanism (version 01.0)

Item	Section no. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)
1	-	Cross-Cutting Comment	TNC appreciates the thorough analysis presented in the concept note and agrees that robust mechanisms are needed to address reversal risk. However, the concept note often frames the discussion as a choice between continued reliance on the Reversal Risk Buffer Pool Account and the adoption of alternative instruments that must independently provide an equivalent level of assurance. TNC encourages the MEP to consider a broader portfolio-based approach to reversal risk management in which buffer pools, insurance products, guarantees, monetary reserves, legal attestations, and monitoring obligations may operate as complementary and mutually reinforcing tools. We particularly suggest referring to SHIFT-CM's "Buffer Pools & Beyond" whitepaper that catalogs and synthesizes approaches for managing reversal risk in carbon markets (https://nature4climate.org/wp-content/uploads/2026/06/Buffer-Pools-Beyond.pdf). While some of these instruments remain at an early stage of development and require additional testing, experience from emerging pilots and market initiatives suggests that they warrant continued exploration. Rather than assessing alternatives solely as substitutes for the Reversal Risk Buffer Pool Account, the MEP should also evaluate how these instruments could strengthen overall system resilience when used alongside buffer pools and other safeguards.	TNC appreciates the thorough analysis presented in the concept note and agrees that robust mechanisms are needed to address reversal risk. However, the concept note often frames the discussion as a choice between continued reliance on the Reversal Risk Buffer Pool Account and the adoption of alternative instruments that must independently provide an equivalent level of assurance. TNC encourages the MEP to consider a broader portfolio-based approach to reversal risk management in which buffer pools, insurance products, guarantees, monetary reserves, legal attestations, and monitoring obligations may operate as complementary and mutually reinforcing tools. We particularly suggest referring to SHIFT-CM's "Buffer Pools & Beyond" whitepaper that catalogs and synthesizes approaches for managing reversal risk in carbon markets (https://nature4climate.org/wp-content/uploads/2026/06/Buffer-Pools-Beyond.pdf). While some of these instruments remain at an early stage of development and require additional testing, experience from emerging pilots and market initiatives suggests that they warrant continued exploration. Rather than assessing alternatives solely as substitutes for the Reversal Risk Buffer Pool Account, the MEP should also evaluate how these instruments could strengthen overall system resilience when used alongside buffer pools and other safeguards.

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2	3. Key issues and proposed solutions	Paragraph 17	TNC supports the proposal for developing a procedure for periodic stress testing of the Reversal Risk Buffer Pool Account. However, the stress test procedure should be accompanied by another procedure clarifying how buffer pool management will respond to the stress test results, including the adjustment to buffer pool capitalization requirements where necessary. This procedure could include increasing contribution requirements if the buffer pool is determined to be undercapitalized, as well as reviewing and potentially reducing requirements if evidence demonstrates sustained overcapitalization. A predefined response framework would help ensure that the buffer pool remains both adequately capitalized and proportionate to observed and projected reversal risks.	Add a new subparagraph to paragraph 17: (d) Develop procedures for responding to the outcomes of stress tests, including criteria and governance arrangements for adjusting buffer pool capitalization requirements where stress testing indicates material undercapitalization or sustained overcapitalization.
3	3. Key issues and proposed solutions	Paragraph 32(b)	Paragraph 32(b) correctly identifies the need for procedures governing how insurance payouts would be used to remediate reversals. However, the analysis focuses primarily on whether claims are paid in A6.4ERs or in financial compensation and gives less attention to the institutional arrangements needed to ensure that claim payments ultimately result in timely and verifiable remediation of reversals. Existing insurance products operate through established claims processes, but insurers may not control how compensation is used after payment is made. As a result, an insurance-based approach under Article 6.4 would require clear governance arrangements identifying who is responsible for procuring, transferring, cancelling, and documenting replacement A6.4ERs following a covered loss. Potential approaches could include the use of designated loss payees, contractual remediation obligations, or other accountability mechanisms.	Add the following subparagraph after paragraph 32(b)(ii)(b): (iii) Regardless of whether compensation is provided through the delivery of A6.4ERs or through a financial payment, procedures shall clearly identify the entity responsible for ensuring that reversal remediation is completed, including the procurement, transfer, cancellation, and documentation of any replacement A6.4ERs, as applicable.

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4	3. Key issues and proposed solutions	Paragraph 51	Paragraph 51 sets a licensing requirement that may be unnecessarily restrictive and inconsistent with how insurance products are typically regulated. Insurance providers generally need only to be licensed or authorized in the jurisdiction of the insured, rather than in every jurisdiction associated with the underlying activity. Requiring an insurer to be approved both in the location of the insured and in the host Party of the activity, as well as potentially in other relevant jurisdictions, could create significant regulatory and administrative barriers. Such requirements may reduce the number of eligible providers, limit available insurance capacity, reduce competition, increase costs, and ultimately constrain the viability of insurance-based approaches under the Article 6.4 mechanism. The MEP should ensure that any licensing requirements are sufficient to protect policyholders and maintain regulatory oversight without creating unnecessary barriers to participation.	Para 51: The insurer would need to be a regulated provider of insurance 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 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.

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5	3. Key issues and proposed solutions	Paragraph 60; Section 3.4, Paragraph 91 and 92	Sections 3.2.1 and 3.4 focus primarily on the risks that insurance products, guarantees, and monetary permanence reserves may pose to the Reversal Risk Buffer Pool Account, while giving limited consideration to the opportunities these instruments may create. The analysis places particular emphasis on adverse selection and potential impacts on buffer pool solvency but does not similarly assess potential benefits such as more tailored risk management, additional sources of financial resilience, improved capital efficiency, and increased private-sector confidence in reversal-risk management. Rather than only assessing the risks presented by these mechanisms, the MEP should also evaluate their opportunities, including how they may function alongside the Reversal Risk Buffer Pool Account as part of a broader portfolio of complementary risk-management measures. Emerging pilots and market experience suggest these approaches warrant continued exploration, even where additional evidence is still needed before they can be considered equivalent substitutes for the buffer pool.	Add the following sentence after paragraph 91: "The Supervisory Body may also wish to evaluate whether alternative reversal-risk-management measures can provide complementary benefits, including improved risk diversification, enhanced financial resilience, increased access to private capital, and more tailored risk-management approaches for different activity types." Add a new subparagraph to paragraph 92: (f) Evaluate the opportunities associated with alternative reversal-risk-management measures, including how such measures may complement the Reversal Risk Buffer Pool Account as part of a broader portfolio-based risk-management framework.

6	3. Key issues and proposed solutions	Paragraph 60	Paragraph 60 identifies a valid concern that allowing insurance as a complete substitute for the Reversal Risk Buffer Pool Account could result in adverse selection, whereby lower-risk activities migrate to alternative mechanisms while higher-risk activities remain in the buffer pool. However, this concern depends on assumptions regarding both the design of alternative mechanisms and their relationship to the buffer pool. The analysis appears to assume that insurance or other alternative mechanisms would fully replace buffer pool participation. A more robust approach would evaluate how these tools could operate alongside the Reversal Risk Buffer Pool Account as complementary layers within a broader reversal-risk-management framework. 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, such as when activity participants take out insurance, complemented by insurance at the Buffer level. Moreover, each activity could also still be required to 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. In addition, the concern regarding concentration of higher-risk activities in the buffer pool is most relevant where reversal risks are systematically underestimated or where alternative mechanisms are not designed to maintain equivalent levels of protection. These issues should be evaluated through stress testing, scenario analysis, and monitoring of market uptake rather than assumed ex ante. However, the need for stress testing is not a reason to not test alternative reversal compensation mechanisms. If the alternatives are successful, it could mean the role of buffers is reduced. Overall, The MEP should assess not only the risks that alternative mechanisms may pose to buffer pool solvency, but also the extent to which these mechanisms could strengthen the overall resilience of the reversal-risk-management system when used in combination with the buffer pool. This could include considering whether the buffer pool itself could utilize complementary risk-management tools,	Para 60 Replace: "it is highly likely that Article 6.4 activities with relatively low reversal risks would be able to preferentially access approved third-party insurance instruments..." with: "The extent to which Article 6.4 activities may utilize approved third-party insurance instruments or other alternative reversal-risk-management measures will depend on the design of those measures, their interaction with the Reversal Risk Buffer Pool Account, and the distribution of reversal risks across activity types." Then add: "The Supervisory Body may wish to evaluate whether alternative measures can complement, rather than replace, the Reversal Risk Buffer Pool Account, and whether the combined use of multiple risk-management tools could improve overall system resilience while maintaining buffer pool solvency."

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			including insurance or other forms of financial backstop protection.	
7	3. Key issues and proposed solutions	Paragraph 49	The concept note appropriately identifies the need for clear governance arrangements that ensure insurance payouts, whether in cash or credits, result in timely and verifiable remediation of reversals. Future exploration of insurance-based approaches should focus not only on claim payment mechanisms, but also on the institutional arrangements necessary to guarantee that replacement credits are procured, transferred, and canceled in a manner consistent with Article 6.4 requirements.	Add an additional subparagraph under paragraph 49: (c) Establish institutional arrangements and accountability mechanisms to ensure that insurance claim payments, whether delivered in financial form or as A6.4ERs, are used for the timely remediation of reversals in accordance with Article 6.4 requirements, including the procurement, transfer, cancellation, and documentation of replacement A6.4ERs where applicable.

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8	3. Key issues and proposed solutions	Paragraph 78	Paragraph 78 may overstate the extent to which a Monetary Permanence Reserve depends on accurately predicting the timing of individual reversals. While the timing of reversals is relevant to reserve design, uncertainty regarding reversal timing need not be a barrier to implementation. First, a Monetary Permanence Reserve could be designed to accumulate sufficient assets to retire its liabilities before many potential reversals occur. Under such an approach, the reserve would not need to predict the timing of every future reversal in order to meet its obligations. Second, uncertainty regarding reversal timing can be incorporated into reserve design through stress testing, scenario analysis, and conservative fee-setting approaches. For example, reserve capitalization requirements could be calibrated to account for adverse scenarios, including concentrations of reversals early in the reserve's lifetime when assets have had less time to grow. Third, a growing body of research can inform assumptions regarding the timing and distribution of future reversals and remediation obligations. The MEP should draw upon emerging literature and empirical evidence when evaluating the feasibility and design of a Monetary Permanence Reserve.	Add following sentence to para 78. "The Supervisory Body may wish to consider reserve designs that explicitly account for uncertainty in reversal timing through stress testing, conservative capitalization requirements, and evidence-based assumptions regarding the expected distribution of future reversals."

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9	3. Key issues and proposed solutions	Paragraph 79	Paragraph 79 appropriately identifies challenges associated with managing a Monetary Permanence Reserve, including prudential management and assumptions about long-term financial returns. However, the discussion focuses primarily on risks and implementation difficulties without acknowledging that analogous institutions, including pension funds, endowments, sovereign wealth funds, and other long-lived fiduciary vehicles, have developed governance structures and investment practices to manage similar challenges over decades or centuries. The existence of these institutions suggests that the challenge is not whether long-term financial stewardship is possible, but rather how a Monetary Permanence Reserve can adopt and adapt established best practices. The concept note would benefit from recognizing both the risks and the opportunity to leverage lessons from existing long-lived financial institutions when designing a Monetary Permanence Reserve.	Add the following sentence after paragraph 79: "The Supervisory Body may wish to draw upon the experience of long-lived financial institutions, including pension funds and endowments, when developing governance, investment, and risk-management arrangements for a Monetary Permanence Reserve."

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10	3. Key issues and proposed solutions	Paragraph 92	Paragraph 92 focuses on evaluating the risks that alternative reversal-risk-management measures may pose to the Reversal Risk Buffer Pool Account. However, the framework should also evaluate the costs of excluding such measures. In addition to assessing impacts on buffer pool solvency, the Supervisory Body should consider whether alternative mechanisms could deliver equivalent or improved reversal-risk management at lower overall cost for certain activity types. Cost-effectiveness should be evaluated as a distinct criterion. Different activities may face markedly different reversal-risk profiles, financing constraints, and compliance costs. A portfolio of risk-management approaches may allow reversal risks to be managed more efficiently than a single mechanism applied uniformly across all activities. Limiting the mechanism to the Reversal Risk Buffer Pool Account alone could increase costs, reduce flexibility, constrain investment, and ultimately limit the scale of high-integrity mitigation and removals activities able to participate in the Article 6.4 mechanism.	Add a new subparagraph to paragraph 92: (f) Evaluate the comparative cost-effectiveness of alternative reversal-risk-management measures and the potential costs of restricting their use, including whether different mechanisms may provide more efficient or appropriate risk-management solutions for different activity types while maintaining environmental integrity.

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11	3. Key issues and proposed solutions	Paragraph 74(c)	TNC encourages the MEP to reconsider the Reversal Standard's expectation that a Monetary Permanence Reserve (MPR) must remediate reversals through the purchase and cancellation of A6.4ERs with negligible or no reversal risk. This expectation appears to impose a higher standard on the MPR than on other reversal management mechanisms currently contemplated under the Article 6.4 framework. Under the Reversal Risk Buffer Pool Account, reversals are remediated through the cancellation of an equivalent quantity and type of A6.4ERs, but there is no corresponding requirement that those replacement units originate from activities with negligible or no reversal risk. Similarly, the alternative approaches considered in the concept note, including Party guarantees, insurance arrangements, and other remediation measures, do not appear to require replacement units to have negligible reversal risk characteristics. Applying such a requirement exclusively to the MPR could create an uneven playing field between approaches and substantially increase implementation complexity and cost.	TNC suggests that the MEP either (1) justify why a higher standard is necessary specifically for the MPR, or (2) apply a consistent principle across all reversal remediation mechanisms. If the objective is to ensure tonne-for-tonne remediation, it may be sufficient for the MPR to purchase and cancel the appropriate quantity and type of A6.4ERs required under the reversals framework, regardless of whether those units are associated with negligible reversal risk. This would promote consistency across remediation approaches while avoiding unnecessary constraints on the future operation of a Monetary Permanence Reserve. Proposed 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

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12	3. Key issues and proposed solutions	Paragraphs 36-40	We note that the MEP identifies at para 39(a) the risk that a Party providing a guarantee of replenishment might not be able or willing to satisfy its responsibility when a reversal occurs in the future, and at para 39(b) the information asymmetry and divergent interests between the activity and the guaranteeing Party. We agree that those are the central difficulties. What this section does not yet set out, by contrast with the treatment of Party remediation at para 68, is a set of conditions a Party would need to meet for the arrangement to provide assurance comparable to the Reversal Risk Buffer Pool Account. Given that para 37 notes the approach may require a decision by the CMA, the conditions under which it would operate may be worth articulating before that question is put.	The MEP may wish to develop for section 3.1.4 a set of conditions comparable to those at para 68, addressing in particular the form the undertaking takes and whether it binds successor administrations, the consequences if a Party does not replenish when called upon, and how the arrangement interacts with the accounting of NDCs referred to at para 40.
13	3. Key issues and proposed solutions	Paragraphs 67-72, in particular paragraphs 68, 69(b), 69(c), and 70	We welcome the analysis in this section, and in particular the five conditions at para 68 and the observation at para 70 that a Party meeting those conditions may or may not achieve the additional tonne-for-tonne mitigation needed to remediate a reversal. Our comment concerns what follows from that. Two of the difficulties at para 69 appear to us to operate as threshold questions rather than as matters of degree. Where a Party's NDC does not cover the forest sector (para 69(b)), there may be no accounting vehicle through which a forest-sector reversal can be absorbed at all. The time-horizon disconnect at para 69(c) is structural: on the MEP's own illustration, submitted NDCs run to 2035 and subsequent NDCs to 2040, while an Article 6.4 activity may carry two 15-year crediting periods followed by a post-crediting monitoring period. The concept note identifies both as difficulties, but does not indicate how either would be managed if the option were adopted.	The MEP may wish to consider whether eligibility for this option should be assessed against the para 68 conditions at the point of authorization, rather than tested when a reversal occurs. On the time-horizon point, it may be worth considering whether reliance on Party remediation should be accompanied by an undertaking that survives the current NDC period, for example one renewed at each NDC cycle, with an alternative instrument taking effect if it is not renewed. Absent something of that kind, it may be difficult to treat this option as providing assurance comparable to instruments whose duration matches the liability

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14	3. Key issues and proposed solutions	Cross-cutting; Paragraphs 10, 16, 35, 40, 86 and 98	The concept note returns at several points to the implications of these measures for the accounting of NDCs, at paras 16, 35 and 40, each cross-referring to para 10. Para 10 records that the Supervisory Body has asked the secretariat to prepare a concept note on buffer pool contributions of authorized A6.4ERs, including potential implications for the accounting of NDCs, and that the secretariat's concept note was under development at the time of writing. Para 86 provides a concrete illustration, noting that where A6.4ERs that were first transferred are returned after the emissions balance for an NDC period has closed, this could lead to double counting if those A6.4ERs were subsequently used. Para 98 further notes that some issues in sections 3.1 and 3.2 may raise legal and policy considerations that may be more appropriately addressed by the Supervisory Body or the CMA. We raise this because the three Party-based options at sections 3.1.4, 3.2.2 and 3.2.3 appear to depend on that accounting treatment rather than to be merely qualified by it, so it may be difficult to assess them on their merits while the accounting question is developed separately.	We would suggest that the MEP either set out, in a future iteration of this concept note, the NDC accounting conditions under which each Party-based option would and would not operate, or state that the assessment of those options is provisional pending the secretariat's concept note, with a further opportunity for comment once it is available. The outcome to avoid is one in which the options are assessed as viable here, the accounting treatment is settled separately, and neither process considers whether the two are compatible.