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Document reference number and title: (Recommendation from the MEP to SBM020)

Concept note: Options for implementing the provisions in paragraph 62 of the "Standard: Requirements for activities involving removals under the Article 6.4 mechanism (version 01.0)

Item	Section no. (as indicated in the document)	Paragraph/Table/Figure no. (as indicated in the document)	Comment (including justification for change)	Proposed change (including proposed text)
1	-	Paragraph 54, question 2	Several carbon credit registries currently operate or otherwise are piloting insurance as an alternative to the buffer pool: - As per a June 2026 revision, The California Action Reserve will now allow project developers to use insurance instead of or in complement to contributions to the buffer pool. - Verra is currently running a 3-year pilot program in which participants can either use insurance or contribute to a permanence trust instead of contributing to the buffer pool. - The Open Carbon Protocol requires developers to hold a policy with a registered carbon insurer while running a programme-level buffer, and a buffer depletion policy has been placed on a voluntary standard's buffer. There are thus already several registries that recognize the role insurance can have as an alternative/complement to buffer pool contributions. Still, even if insurance as a substitution for buffer pools is not yet widespread in the market, this is not evidence that it is unworkable, it is evidence that there are not yet standardized conditions under which it would be accepted. Insurers underwrite against defined requirements; where none exists, no product is built. Paragraph 62 is self-fulfilling: alternatives are barred because the market has not produced them, and the market does not produce them because they are barred. A buffer contribution is paid in credits, withheld at source, unsellable, unpledgeable, forgoing all price appreciation over up to 45 years. A premium is paid in cash. Equivalent insurance in cash rather than withheld volume is materially more efficient at no cost to integrity.	We suggest that the Supervisory Body frame paragraph 62 as a staged pathway, not a permanent limitation and thereby: - recognise in para. 54 that insurance can be used as a complement, and operationalise para. 57(a), with buffer contributions reduced to the extent insurance provides equivalent assurance; and - define now the conditions under which insurance would be recognised as a partial or full alternative, so the market has a target to build against.

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2	3. Key issues and proposed solutions	Paragraph 55, question 3	Based on our understanding of the current market there are no standardized reversal risk insurance products. This is unsurprising since: - Risk of reversal varies greatly between project types, carbon crediting methodologies, and geography. - Even within the same project type, project design and risk management practices can greatly influence reversal risk. A case by case underwriting approach allows insurers to reflect these differences and reward participants that implement additional risk mitigation measures. - Insurance in the carbon market is still relatively new. Nevertheless, if the MEP were to specify certain minimum requirements that insurance products should meet (e.g., regarding which risks are covered, under what conditions claims are paid, how long coverage lasts), the market could develop products that meet these requirements, while retaining project-specific underwriting and risk-based pricing where suitable.	That para. 55 provide: "The Supervisory Body shall specify the minimum terms an insurance policy or guarantee must satisfy to be recognised, including duration, covered losses, exclusions, renewal provisions and payout mechanics, with requirements of public disclosure and independent verification, so as to provide the market with a defined set of eligibility criteria against which products may be developed."
3	6. Recommendations to the Supervisory Body	paragraph 100(b), question 7	Paragraph 100(b) raises the question of a scenario in which the monitoring third party and the insurer are the same or affiliated, and a conflict can arise: the entity detecting and reporting reversals is the entity liable to pay for them. The concern is that there is an incentive not to report a reversal, or to understate it. We agree that it is important for the monitoring to be conducted by a third party that meets certain qualifications.	We recommend that para. 100(b) requires monitoring in the post-crediting period to be carried out by a third party, but that this may be subcontracted by the insurer, guarantor, or monetary permanence reserve as long as - monitoring and reversal reports are independently verified. - remuneration for monitoring is fixed. As much as possible, existing solutions in the market should be used so as to reduce friction and draw from existing expertise. For example, independent carbon rating agencies have the capabilities to track reversals, fire risk, drought risk, and other hazards on an ongoing basis, including through the advanced use of geospatial data. Moreover, they have governance structures in place to maintain independence from developers and insurers, with regulation of rating agencies coming in the near future to provide further assurance of this independence.

4	3. Key issues and proposed solutions	3.2.4, Paragraph 73-81	Alternatives to the buffer pool like the monetary permanence reserve are framed as risks, and thus appear to have been deferred as a tool to remediate reversals alongside insurance, despite the reserve presenting several advantages and opportunities: - Since participation in such a fund would require a one-time fee per credit, it has the same operational simplicity of the buffer pool in that it requires no ongoing renewal and places no additional compliance burden on the developer. - It is possible for reversals to be remediated with higher-durability credits, whereas projects that use the buffer pool to remediate reversals are limited to covering reversals with the credits that were contributed to the buffer pool. - It is possible to have such a reserve housed both in the private market (and indeed a pilot is underway), as well as established and administered within the Article 6.4 mechanism itself. Although it is crucial that there be a competitive and open process for the management of the funds. - The implementation issues raised in paras 76-81 can be addressed through design choices. Indeed, the MEP itself notes in para 79 that there is a precedent for managing pooled funds against long-dated liabilities in pension and endowment funds. At the same time, the prerequisite outlined at para 77, is already under development in the same mandate cycle. - The issue suggested in para 78 of the reserve not having enough funds to remediate a reversal that happens early on, can, as already suggested in para 81 be mitigated through centralized procurement (e.g., RFP for offtake agreement).	We urge the Supervisory Body to mandate the further exploration of Monetary Permanence Reserves with a view that: - It be an alternative option to contributing to the buffer pool, in which a participant may elect to pay a fee and have its A6.4ER contribution reduced in proportion to the risk thereby covered. - The management of the funds be open and flexible, in line with the current Verra durability pilot in which funds can be managed by project developer, a group of project developers, or a separate market actor as long as they are held within a recognized banking institution, since: - This enables a competitive process for the management of funds, and thus competitive pricing. - Trust in the management of the funds is crucial to such a mechanism working. - Fee calculation should be based on individual project risks, including accounting for supplementary mitigation actions meant to reduce the risk of reversal post-crediting (for example, a project-level endowment fund dedicated to funding preventive land management activities post-crediting). - Funds only be released for the purchasing of carbon credits to remediate a reversal, and not for the funding of on-the-ground land management activities to prevent reversals (as suggested by some groups working on permanence trusts), since: - On-the-ground operations require a detailed knowledge of the project and land which is best left to a local entity, for example the project SPV. - Releasing funds for these activities are fundamentally different. The former is triggered and ex-post, while the latter is continuous and ex-ante. They require different procedures for verification, transparency, and so forth. - Funding of land management operations does not benefit from risk pooling in the way that compensating for reversals does. - Its development not be deferred on the grounds applicable to insurance, the constraints being different in kind. - Participants can transfer responsibility for the monitoring for reversals and remediation for these reversals to the monetary permanence reserve in the post-crediting period for as long as the monitoring requirements require.
5	3. Key issues and proposed solutions	3.2.4, Paragraph 73-81	3.2.4 p74 states that a Monetary Permanence Reserve would "deliver the same assurance as the Reversal Risk Buffer Pool Account." However, the MEP	

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			may wish to recognize that a Monetary Permanence Reserve could in some circumstances provide a higher level of permanence assurance. A buffer pool remediates reversals using the credits previously contributed to that pool. In contrast, a Monetary Permanence Reserve could remediate reversals through the purchase and cancellation of A6.4ERs with negligible or no reversal risk. This may allow remediation using credits with a more durable permanence profile, including through multiple layers of replacement if such credits are available. The difference between remediation using pooled buffer credits and remediation using negligible-risk A6.4ERs should be acknowledged as a possible advantage of the Monetary Permanence Reserve approach.	