

A6.4 SB MEETING REPORT

A6.4 SB-008
30 October – 02 November 2023
A6.4 SB-009
08 – 09 Nov and 17 – 18 Nov 2023



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Website

www.carbon-mechanisms.de/en

Contact

Christof Arens

Tel. +49-(0)202-2492 170

Email: christof.arenis@wupperinst.org

Wuppertal Institut für Klima, Umwelt, Energie GmbH

Döppersberg 19 • 42103 Wuppertal

www.wupperinst.org

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Report

Article 6.4 Mechanism Supervisory Body Eighth and Ninth Meeting

30 October to 02 November 2023
08-09 November and 16-17 November 2023

Christof Arens

Summary

- SB008 saw major breakthroughs regarding the activity cycle framework, the main components of which have now been adopted. However, this did not leave enough time to finalize the outstanding recommendations for methodologies and removals. The Body therefore scheduled an additional virtual meeting (SB009), which was conducting in four online sessions in November.
- Regarding the activity cycle framework, both the activity standard and the activity cycle procedure were adopted, as were the validation and verification standard and the accreditation standard and procedure. On most cases discussed at SB008, the SB opted for the more robust options, p.ex. on double registration, or stakeholder interaction.
- On CDM transition, the related standard is also fully operational now. On the controversial cook stove issue, a more conservative option on reassessing fNRB values and leakage discount factors was chosen, while at the same time only “encouraging” this measure.
- Outstanding regulation comprises the Sustainable Development tool as well as the grievance and appeals procedures. Regarding the SD tool, a good basis was laid at SB008. Some issues remain open, such as how to balance positive and negative impacts in the SD impacts section. It is also unclear if and how the SD tool could cover social and environmental safeguards of removals activities, which was declared desirable by SB members at the session.
- On grievances and appeals, the SB discussed, among others, the so-called *standing* in the appeals process, i.e. who can file appeals. It changed the wording from persons who are “invited” to the local stakeholder consultation to “eligible”, in order to make it more inclusive. On grounds, the text was sharpened to make it clear that it is the *application* of the SB’s rules that can be challenged by appellants. How to include reductions in the intended fee structure for stakeholders from LDCs and SIDS was also discussed, as well as a waiver for the restriction to use English as the only language for appellants.
- Both grievances / appeals and the SD tool drafts were put out to calls for inputs from stakeholders and will be taken up again at the first SB session in 2024.
- On the methodology requirements, SB009 finally saw the adoption of a final recommendation. Two issues shaped the discussion on the requirements for methodologies at SB 008 and 009: setting baselines and checking additionality. On the other issues, only slight changes were made, and at the end of SB 009 a well-balanced final set of recommendations to the CMA was adopted. An important decision in this context was not to allow that “transformative” activities enabling deep decarbonization would be exempted from downward adjustments, as this would have potentially opened the door for ‘storytelling’ and thus risking a loophole in the regulation.
- Regarding the inclusion of removals, SB009 also was able to finalize the SB’s recommendation to the CMA. The final text addresses all major crunch issues, but leaves the details of the solutions to many of them up to further guidance by the SB. This accounts, for example, for the length of the post-crediting period monitoring, the concrete details of the reversal risk assessment tool, as well as the buffer pool arrangements. However, the obligation for avoidable reversals to remedy through cancellation of Art. 6.4 ERs from other Art. 6.4 activities and not from the buffer pool marks a strong preventive measure – even if a robust distinction between “avoidable” and “unavoidable” is yet to be fleshed out.

- All in all, the ground is laid for CMA decisions on the overarching issues removals and meth requirements. How the CMA discussions will unfold is hard to predict. Yet it bears noting that the two issues are not chained to each other, so that in order to make the Art. 6.4 mechanism operational, it is possible in principle that the CMA decides on methodological requirements only and shelves the question of including removals for later.

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Standards and procedures for the Art. 6.4 mechanism

Activity cycle framework regulation

At SB 008, the Supervisory Body discussed and adopted the regulatory framework governing the activity cycle, i.e. the Activity Standard (AS) and the Activity Cycle Procedure (ACP), as well as the Validation and Verification Standard (VVS). These documents had been revised based on stakeholder feedback obtained via a call for inputs and a webinar, cp. the SB 007 report. As previously reported, the current regulation covers project-based activities only, while the PoA documents will be developed at a later stage. On the main outstanding open issues, SB 008 took the following decisions:

Host Party approval

Host Parties shall approve an Art. 6.4 activity within 60 days, or any other time indicated by the host Party, after the PDD has been published for global stakeholder consultation. This period was reduced from 90 days based on feedback by stakeholders, while the flexibility for the host Party to opt for a longer timeframe was kept.

Start of the crediting period

The start date of the crediting period has to be within 2 years from the submission of the PDD for global stakeholder consultation. This limit is introduced to avoid a mismatch of methodological conditions at the time of registration, especially as concerns baseline setting, and the time when crediting actually takes place. Yet changes to the start date are possible, as long as the 2-

year-timeframe is kept and possible changes of methodologies and / or standardized baselines are taken into account and applied.

Start of validation

In order to provide flexibility for activity participants on when to start validation, the SB ruled that validating may also be based on a later PDD than the one published at the global stakeholder consultation. However, the DOE has to make sure that it also audits how inputs received at the global stakeholder consultation were addressed by the activity participants.

Double or revived registration

On double registration, the SB developed a comprehensive solution based on the option previously discussed. A written confirmation from the activity proponents is now required that the activity is one of the following:

- a) not registered under another crediting scheme
- b) not deregistered or excluded from another scheme before the end of crediting period
- c) *is* [emphasis by the author] registered under another crediting scheme

For case (b), the date of deregistration and the remaining crediting period in the other scheme needs to be provided by the other scheme. Should case (c) be applicable, the other crediting scheme shall confirm the effective date of registration (or coverage), beginning and end of the crediting period, and the monitoring periods for

which credits have been issued under the other scheme.

It should be noted that this decision has to be seen in context with the provisions to prevent double issuance, which remain unchanged. This is relevant, for example, for activities that also are or would like to register under the Gold Standard.

Consulting stakeholders

Regarding the local stakeholder consultation, the SB to make filling the “gap” of host Party rules mandatory, i.e. following the SB’s rules in case the rules of the host country have more lenient provisions. On the question of continuous engagement of stakeholders, the SB decided to take up suggestions made in the call for inputs and shifted this process to the local level. Activity proponents now have to open and operate a “window” for local stakeholders comments after registration and until the end of the crediting period. How comments are addressed is to be noted in the monitoring report. This process is also to take up comments from the global level after registration.

Post-registration changes

On how to deal with post-registration changes that increase the capacity of the facility or installation of an activity (*scale increase*), the SB adopted the following maximum thresholds that are deemed acceptable (revised PDD required):

- 0.5 % of the emission reductions (or removals) achieving a total emission reduction to or more than 500,000 t CO_{2eq} per year;

- 1 % of the emission reductions achieving a total emission reduction or of between 300,000 and 500,000 t CO_{2eq} per year;
- 2 % of the emission reductions achieving a total emission reduction of 300,000 t CO_{2eq} per year or less;

Any exceedance of these thresholds is possible, but needs host Party approval.

On-site inspections

As for criteria that trigger mandatory on-site inspections by DOEs, the SB opted for the following:

- Validation: the project emission reduction scale is more than 100,000 t CO_{2eq} per year; or there is pre-project information relevant to the requirements for registration which is not traceable after the implementation of the project
- Verification: it is the first verification of the DOE; more than 3 years have elapsed since the last on-site inspection; or the activity achieved emission reductions of more than 300,000 t CO_{2eq} since the last on-site inspection

All three documents – Activity Standard¹, Activity Cycle Procedure², Validation and Verification Standard³ – have now been fully approved and will be effective as of 1 January 2024. However, changes could still become necessary depending on the outcome of the methodology requirements discussion at CMA5.

Sustainable development tool

SB 008 also discussed the sustainable development tool. This mandatory tool is to cover the assessment of sustainable development benefits

¹ Download the Activity Standard at <https://unfccc.int/sites/default/files/resource/a64-sb008-a04.pdf>

² The Activity Cycle Procedure is available at <https://unfccc.int/sites/default/files/resource/a64-sb008-a06.pdf>

³ View the VVS at <https://unfccc.int/sites/default/files/resource/a64-sb008-a05.pdf>

<i>P2 Water</i>		<i>Host country regulations</i>	<i>Generic risk assessment</i>
Principle level question	Does the proposed activity involve any activity that can result in adverse impacts on water resources and water-related ecosystems, including mountains, coasts, oceans, forests, wetlands, rivers, aquifers and lakes?	<input type="checkbox"/> Yes <input type="checkbox"/> Potentially <input type="checkbox"/> No <input type="checkbox"/> N/A	

Figure 1: Balancing host country regulations and safeguards requirements by the SB in the SD tool. Source: UNFCCC secretariat

of Art. 6.4 activities as well as social and environmental safeguards. The secretariat presented an outline of the draft tool it had developed based on the deliberations at SB 007. The main changes since the previous meeting are:

- Clarifications regarding activity-level SD indicators as well as environmental and social indicators through examples
- On safeguards, a reference for REDD+ activities was included, while a module on REDD+ safeguards is pending due to the ongoing discussions regarding removals and eligible activity types
- Also on safeguards, host Party priorities and safeguards principles of the tools are now more balanced (cp. Figure 1).
- With regard to the impacts to sustainable development, the consideration of SD priorities of the host Party is now the first step of the tool. If nationally-defined SD objectives / targets / indicators exist, their inclusion in the assessment is compulsory.
- The SD monitoring requirements were streamlined based on the Art. 6.4 RMP. They include descriptions of activity-level SD indicators, sources of data, information on measurement procedures, and monitoring frequency.
- New sections with guidance for DOEs on how to validate and verify were added in the safeguards risk assessment form, the environmental and social management plan, and the sustainable development form.

The SB members welcomed the work of the secretariat, but underlined that the national prerogatives regarding sustainable development priorities / policies must not be put in question. While this is part of the respective section of the tool, it turned out that

the language must be made clearer and more explicit.

The main change compared to the SB 007 version of the tool concerns the relation between positive and negative aspects in the assessment of SD benefits. While the original draft presented by the Secretariat put weight on overall positive impacts to the sustainable development, the final text is more neutral on this and merely requires to list all impacts, both positive and negative, and have these validated and verified. On the other hand, the reference to the SDGs is given more emphasis now.

The SB also discussed safeguards on REDD+ and removals. The former had been challenged by an input by Honduras on behalf of the Coalition for Rainforest Nations, claiming the lack of clear COP decisions with regard to the existing REDD+ / Cancún safeguards framework. While this issue remained open, some SB members expressed a strong wish that the SD tool covers environmental and social safeguards for removal activities. However, this was shelved for the revisions in 2024, after a CMA decision on removals will have been taken.

The draft SD tool adopted at the meeting⁴ is now put out for a call for public inputs with a view to adopting a revised tool at SB 010 in early 2024.

⁴ View the SD tool draft at <https://unfccc.int/sites/default/files/resource/a64-sb008-a10.pdf>

Grievances and Appeals

SB 008 also advanced the development of the Appeals and Grievance process. The secretariat had revised the related procedure based on the SB’s feedback at the previous meeting, including:

Procedural arrangements for appeals

- an option enabling appeals against SB decisions on methodologies and Standardized Baselines was added
- a ground was added: an error which the SB based its decision on
- the appeal panel is to comprise three members
- on fees, a standard fee of USD 5,000 is proposed (reduced to 2,500 for LDCs and SIDS); reimbursement in full for successful cases with deductions in case of rejection
- possible consequences of the appeal might be (a) affirm the SB’s original decision or remand the SB to reconsider, (b) SB may issue a revised decision

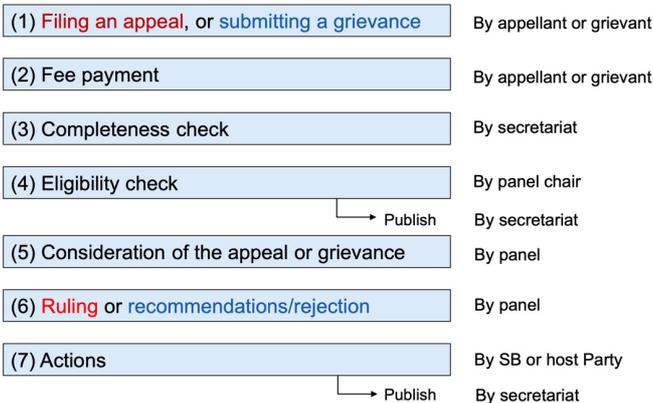


Figure 2: Procedural sequence of the Appeal and Grievance Process. Source: UNFCCC secretariat

Grievance process

- On standing, it is clarified that the grievant has to have residency or domicile as well as presence in the geographic area and suffers direct adverse effects
- On fees, the same fee structure than for the appeals is proposed
- Possible consequences include recommendations to the national authority, recommendations to the SB, p. ex. suspend issuance and renewal until issue is addressed, or revise rules

The SB discussed, among others, the so-called *standing* in the appeals process, i.e. who can file appeals. It changed the wording from persons who are “invited” to the local stakeholder consultation to “eligible”, in order to make it more inclusive. On grounds, the text was sharpened to make it clear that it is the *application* of the SB’s rules that can be challenged by appellants.

On grievances, the SB included other options for possible consequences: recommendations to activity participants on corrective actions addressing the grievance.

On both processes, the SB, after a lengthy debate, included more options for the fees, including reducing the standard fee to USD 2,500 and not levying fees for LDCs and SIDS (both for grievances and appeals). Moreover, an option was included that appeals or grievances can be brought forward in any of the five official UN language, thus waiving the restriction to English, which had been criticized by stakeholders.

Like with the SD tool, the final document⁵ was put out to public consultation with a view to adopt a final version at SB 010. In the meantime, the secretariat shall assess, among others, the fee structure (prohibitive level of fees for global south?), how SB members can raise issues or

⁵ Download the draft Appeals and Grievance process at <https://unfccc.int/sites/default/files/resource/a64-sb008-a09.pdf>

concerns, and how to prohibit vexatious appeals and grievances.

Accreditation framework and availability of auditors

At SB 008, the SB discussed revised drafts of the Accreditation Standard and the related Procedure and adopted them without changes⁶. Prior to adoption, the secretariat reported from the call for public inputs, which had yielded mainly questions which the secretariat could answer without seeing the necessity of revisions (how to safeguard impartiality if outsourcing occurs, the level of assurance vis-à-vis small errors / omissions, provisions for reaccreditation). Also, slight changes based on a legal review had been incorporated, including the use of prescriptive language, consolidated requirements, and a consistency and uniformity check.

The secretariat will now develop all necessary forms and develop the necessary IT infrastructure by the end of the first quarter 2024. The SB noted that the sectoral scopes might have to be revised once the CMA had decided upon the inclusion of removals.

Also at SB 008, the SB discussed the availability of auditors (DOEs). As reported previously, a temporary solution is sought due to the lack of available DOEs in the current phase of the operationalizing of the Art. 6.4 mechanism activity cycle. The SB had thus decided to rely on CDM DOEs, especially with a view to projects transitioning from the CDM. At SB 008, the secretariat reported that there are currently 28 CDM DOEs accredited, while four DOEs are currently applying for the CDM system. The following temporary solutions for Art. 6.4 auditors were presented by the secretariat:

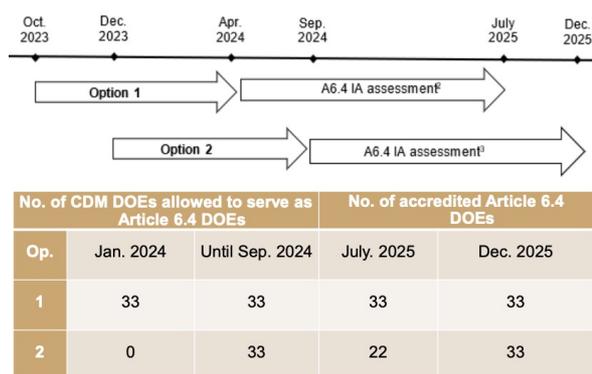


Figure 3: Timelines and scenarios for temporarily accrediting CDM DOEs. Source: UNFCCC secretariat

1. CDM DOEs temporarily serve as Art. 6.4 DOEs without Art. 6.4 accreditation assessment
2. CDM DOEs temporarily serve as Art. 6.4 DOEs but undergo simplified Art. 6.4 accreditation assessment

The SB discussed the different options, also with regard to the timelines (cp. figure), and opted for implementing option 1. According to the ruling, CDM DOEs will be allowed to verify and certify issuance requests from transitioned activities until 30 September 2025. From 01 April 2024 on, CDM DOEs are encouraged to apply for Art. 6.4 accreditation (cp. above).

CDM Transition

The regulatory framework for the transition of CDM projects to the Art. 6.4 mechanism (Transition Standard / Transition Procedure) is nearly complete except for a few outstanding issues. The SB discussed the following aspects:

Non-permanence

SB 007 had discussed CDM activities involving biomass and other activities where the risk of negative emission reductions exists. The SB had

⁶ View the Accreditation Standard at <https://unfccc.int/sites/default/files/resource/a64-sb008-a11.pdf>,

the Accreditation procedure is available at <https://unfccc.int/sites/default/files/resource/a64-sb008-a12.pdf>

requested the secretariat to dive into the case of cookstove activities and its peculiarities.

The secretariat thus reported on the significance of cookstove activities in the transition, including water purifications activities, which the secretariat had found out, have the same non-permanence risk. This is because they also use biomass collected from woodlands in the baseline scenarios. Cook stove activities account for 1 per cent of all activities eligible for transition, while the number for water purification stands at 40%. However, in terms of emission reduction, both categories taken together account for merely 17%. The secretariat also reported that cookstove activities yield considerable co-benefits for households and local communities, including health, environment, gender, and humanitarian (replacing fossil fuel use in refugee camps).

Based on this and the requests from SB 007, the secretariat proposed:

- For all transitioning activities: assess if fossil fuel for co-firing or back-up is used and if this is covered in the monitoring plan
- For transitioning activities where negative emission reductions could occur: analyze all past monitoring reports and check whether there were negative emission reductions
- For cookstove activities: drop the originally proposed requirement of re-evaluating the fNRB and discount factor, due to lack of data and negative impact on crediting

The SB decided to take up the secretariats suggestions, with the exception of the fNRB. Here, not least because of ongoing discussions in the CDM Executive Board on reliable and conservative fNRB values, the SB reinstated a provision encouraging project participants to ensure that fNRB values and leakage discount factors are based on latest data and information.

Environmental and social impacts

On how to assess environmental and social impacts, which is not required by the CDM rules, the SB followed the secretariats proposal and ruled that activity participants have to analyse these impacts, including SD co-benefits, using the Art. 6.4 sustainable development tool. As the tool is still being developed, activity participants can revert to the CDM SD tool but are required to develop monitoring plan to follow up on the claimed impacts.

Compliance with applied methodology

An attestation by activity participants that the CDM methodology and GWPs are correctly applied is already required. A small aspect on post-registration changes (PRC) was added at SB 008, in order to cater for post-registration changes after 2020. In this case, the activity shall undergo the PRC process under Art. 6.4 once the activity transitioned.

The transition framework is now fully operational⁷ and was made effective from 01 January 2024. Transition requests have already been possible from 30 June 2023.

⁷ View the transition standard at <https://unfccc.int/sites/default/files/resource/a64-sb008-a07.pdf>,

the transition procedure can be downloaded at <https://unfccc.int/sites/default/files/resource/a64-sb008-a08.pdf>

Discussion of overarching issues and principles

The discussions on methodology requirements and the inclusion of removals were significantly advanced at SB 008, but as the adoption of the activity cycle framework had consumed considerable time, the deliberations on the overarching issues could not be finalized. Therefore, an additional SB meeting was scheduled (SB 009), which was held virtually on 8-9 November and 16-17 November. These meetings eventually saw the adoption of recommendations to the CMA for both work streams.

Given the multitude of sessions and in-meetings documents, the following presents the main advancements compared to SB 007 and the final outcome for selected issues.

Methodological requirements

Two issues shaped the discussion on the requirements for methodologies at SB 008 and 009: setting baselines and checking additionality. On the other issues, only slight changes were made, and at the end of SB 009 a well-balanced final set of recommendations to the CMA was adopted⁸.

Baseline setting and ambition raising

How to frame baseline-setting in accordance with §§ 33 and 36 of the Art. 6.4 RMP has been subject to heated debates throughout the deliberations on methodologies. Several approaches for raising ambition over time have been

discussed and refined, but none found the support of all members.

At SB 008, one delicate provision was discussed, which would have exempted “transformative” activities enabling deep decarbonization from downward adjustments as required by § 36 (iii) of the RMPs. However, this would have, many feared, opened the door for ‘storytelling’ and thus risking a loophole in the regulation. Dropping this proposal was therefore greeted with relief by many SB members and observers alike. The final text requires downward adjustments for all baseline approaches. Adjustments may be operationalized through factors or quantitative methods

- included in the methodologies
- developed jointly by the SB and the host Party
- developed by the host Party and approved by the SB

These factors or methods must be included in the PDD and updated upon renewal of the crediting period (the differentiated description of related methods / approaches developed at SB 007 was dropped, however). Calculation must be based on estimations on emissions reductions needed to achieve the NDC / LT-LEDS and the Paris long-term goal. The three elaborated methods

⁸ View the final recommendations text on methodologies at <https://unfccc.int/sites/default/files/resource/a64-sb009-a01.pdf>

Additionality

Another long-term crunch issue has been adjusting the concept of additionality to the changed Paris Agreement circumstances. Here as well, the notion of the special character of transformative activities had found its way into the paragraphs on additionality: an inclusion of possible positive lists that would contain transformative technologies or approaches was foreseen, which would . These, according to the suggested text, would not need to undergo (parts of) the additionality testing. However, this was rejected by the majority of SB members and did not become part of the final recommendations text.

The adopted additionality approach comprises a comprehensive set, including an investment analysis test, an assessment of barriers, a regulatory additionality test, and a demonstration of avoiding lock-in. Further guidance and tools will be developed by the SB, including standardized performance-based approaches for additionality testing in cases where methodologies use BAT or an ambitious benchmark approach. Simplified additionality approaches can be developed upon request by LDCs or SIDS.

Inclusion of removal activities

A major part of the discussion on removals focused, among others, on monitoring issues and addressing reversals. However, the SB did also discuss and revise the definitions adopted at SB007.

Defining removals

While the IPCC reference in the definitions section was kept (which had attracted criticism by some stakeholders for including “products” as a storage option), the definition in the guidance

was extended in order to accommodate the destruction of GHGs while making it clear this does not refer to standard activities such as methane capture. The definition now reads⁹:

„For the purposes of this guidance,

1. (a) **Removals** are the outcomes of processes to remove greenhouse gases from the atmosphere through anthropogenic activities and destroy³ or durably store them.
2. (b) **Activities involving removals** meet the requirements referred to in Paragraph 7. Any examples in this guidance referring to specific activity types or categories are purely illustrative and do not give effect to decisions by the Supervisory Body regarding their use under the Article 6.4 mechanism unless explicitly indicated as such.“

³Does not refer to 6.4 mechanism activities engaging in point-source capture and destruction of GHGs that are eligible for crediting for emissions reductions based on measured volumes.“

Monitoring

On monitoring, SB members discussed, inter alia, how to further elaborate post crediting monitoring, which had been mentioned only in a very general way in the SB007 text. Here, the length of such monitoring (“post-crediting period”, or post-CP) was debated at length, with some SB members suggesting two 15-year timeframes, while others opined that monitoring could be stopped when reversal risks would be eliminated or deemed negligible.

The final text includes a dedicated section on post-crediting monitoring, reporting, and remediation of reversals. On length, no concrete timeframe is given, but post-CP MRV is mandatory, including action on possible reversals as

⁹ Download the final removal recommendations at <https://unfccc.int/sites/default/files/resource/a64-sb009-a02.pdf>

defined in the guidance. Monitoring can be terminated based on evidence of negligible risks submitted by activity participants. The SB will develop further guidance on this.

attractive. Again, detailing these provisions was shelved for later development by the SB.

Reversal risks

Addressing reversals as a key requirement absorbed a major part of the discussion. On a **definition and scope** of risks, different text versions were debated by the SB, with the original language from SB007 being “planned or unplanned risks”, but in order to account for different scenarios and types of risks, the SB opted for “avoidable or unavoidable risks”. This made it easier to prescribe respective action against the former (see below); however, a clear-cut distinction between the two risk categories was not found.

The SB also debated different versions of **rating reversal risks**, discussing ways to assess risks, as well as when to conduct a risk assessment. The final text requires a percent-based reversal risk rating, which is grounded on a risk assessment at activity level, including quantification and scoring. Risk mitigation measures and monitoring need to be laid down in plans, to be reviewed and revised every five years. Here as well, the concrete details of the risk assessment will be developed by the SB in the form of a tool, which will be developed in the future.

On **post reversal action**, insurance policy, and the operation of a buffer pool, several approaches were again discussed with various levels of detail, stringency and robustness. The solution which was adopted in the end foresees that for *avoidable risks* activity proponents need to remedy the reversal by *cancelling* an equivalent amount of *Art. 6.4 ERs from other Art. 6.4 activities*, thus avoiding a link to the buffer pool. The latter will be serving unavoidable reversals only. Furthermore, activities with low reversal risks are exempted from the requirement to feed the buffer pool in order to make them more

Wuppertal Institute

for Climate, Environment and Energy

P.O. Box 100480

42004 Wuppertal

GERMANY

www.wupperinst.org

