

New Forests' Comments on A6.4-SBM014-AA-A08 & A6.4-SBM014-AA-A09

1 October 2024

New Forests appreciates the opportunity to provide feedback on the annexes of the fourteenth meeting of the Article 6.4 Supervisory Body. Finalising the Article 6.4 mechanism is a crucial component of the Paris Agreement and scaling credible climate action.

New Forests is a global investment manager of nature-based real assets and natural capital strategies, with AUD 11 billion in assets under management across 4.1 million hectares of forestry and agriculture investments. Founded in 2005, we manage a diversified portfolio of sustainable timber plantations and conservation areas, carbon and conservation finance projects, agriculture, timber processing and infrastructure. We are the largest forestry investor in Australia, have developed carbon-based projects in both government regulated and voluntary markets, and have made innovative investments in carbon finance for nearly 20 years in regulated markets across Australia, the United States, and New Zealand. New Forests' vision is to see investment in land use and forestry as central to the transition to a sustainable future.

While there are many robust elements of the draft annexes, New Forests calls on the Supervisory Body to further refine the requirements for entities to engage in the Article 6.4 mechanism to support and encourage the development of emissions reduction and carbon removals projects to progress towards achievement of the Paris Agreement. As currently written, the requirements are unclear, do not achieve the appropriately stringency for commercial viability, and do not align with best practice for carbon accounting. This will likely lead to fewer projects being developed and restrict the contribution that emissions reduction and carbon removals projects can make to climate change mitigation. At a time when urgent climate action is needed, this would be a damaging outcome and a significant missed opportunity.

The requirements as currently outlined are overly burdensome for calculating emission reductions and removals compared to globally accepted best practices for calculating and reporting emissions. These more stringent requirements could disincentivise investment into emissions reductions and removals, stymying climate mitigation. This is particularly true for projects in emerging markets, creating a potential barrier to engagement in the Article 6.4 mechanism.

New Forests strongly recommends streamlining the requirements and aligning them with agreed upon best practice (e.g., existing carbon credit methodologies and emissions accounting standards). The points below summarise New Forests' high-level feedback on the draft annexes; the tables on the following pages provide detailed comments and recommendations. In particular, the following should be resolved:

1. Monitoring frequency, including the requirement for an immediate monitoring report for any potential reversal events; see comments for Annex 8, section 3.2.
2. Monitoring scope, including the requirement that records of observed events are maintained. New Forests would recommend that the concept of observed events is removed; see comments for Annex 8, section 3.2.

3. Project developers should not be required to calculate uncertainty. This requirement is overly complex and burdensome and not aligned with the requirements related to emissions accounting; see comments for Annex 8, paragraph 10.
4. Requiring annual removals to be calculated compared to a hypothetical baseline is not best practice for carbon accounting and could result in barriers to engage in the Article 6.4 mechanism, particularly for projects in emerging markets. New Forests recommends that baselines are used in the project development phase only; see comments for Annex 8, section 2.2c.
5. The requirements related to the buffer pool, particularly the guidance that, should a reversal occur, and the buffer pool is insufficient, the burden falls on the activity; see comments for Annex 8, paragraph 57.
6. The terms used throughout the annexes are not clearly defined and used interchangeably; this needs to be resolved so that reviewers can understand what is required to comply with the Article 6.4 mechanism. In particular, see comments for Annex 8, paragraph 8.
7. It may be necessary to identify topics where the requirements vary based on different removals project types. As currently written, it is unclear if the requirements apply to land-based removals only, or all carbon storage projects.

New Forests welcomes further engagement with the Supervisory Body as useful and commend the work that has been done to-date to develop the Article 6.4 mechanism.

Sincerely,



Jo Saleeba
Global Head of Sustainability, New Forests

Detailed Feedback for A6.4-SBM014-AA-A08 (Annex 8)

Reference	Comment
Section 2.2	Definitions do not include “permanence” or “leakage.” Suggest including definitions for permanence and leakage in this section.
Paragraph 8 (a)	<p>The common definition for removals is “the absorption/withdrawal of greenhouse gases and/or their precursors from the atmosphere over a specified period of time”. This is consistent with, and naturally opposite to, common definition of emission which is “the release of greenhouse gases and/or their precursors into the atmosphere over a specified area and period of time”.</p> <p>New Forests recommends retaining the common definition of removals, rather than the definition used in 8 (a) which adopts instead a subset of the recent definition of carbon dioxide removals (CDR) from the IPCC.</p> <p>Redefining removals in this way is problematic. This appears to be a broader issue of defining activities within the scope of the standard.</p>
Paragraph 8 (c)	<p>Using the terms ‘creditable removals’ and ‘net removals’ creates confusion, as these terms are seemingly used interchangeably within the draft. New Forests would recommend that the term ‘net removals’ is used, as this is more widely adopted in other standards, and removing the use of the term ‘creditable removals.’</p> <p>New Forests proposes the following definitions are used for ‘land-based removals’ and ‘net removals.’ Other definitions should be provided for product removals, and removals generated from technological and geological storage.</p> <p>‘Land-based removals: the change in carbon stock over the reporting period, calculated as the sum of carbon stored due to growth plus net debris with harvest and other carbon stock losses deducted.’</p> <p>‘Net removals: the removals generated due to the activity that are above the removals that would have been generated in the baseline scenario. Biogenic emissions (e.g., from fire) should be deducted from the total removals but fossil-fuel based emissions should not be deducted from the total removals.’¹</p>
Paragraph 8 (c)	Requiring annual removals to be calculated compared to a hypothetical baseline is not best practice for carbon accounting and should only be used during the project design and planning phases. During the annual crediting phase, removals should not be calculated from a hypothetical baseline (i.e., project developers should not be required to create new, annual baselines that extend into the future based on a hypothetical alternative scenario). The rationale for this recommendation is that:

¹ ‘Net removals’ for the purposes of the Article 6.4 mechanism should not require organisations to net out fossil-fuel based emissions, as determining the value to be netted out (i.e., emissions from the activity) would require a consistent approach to emissions accounting, which has not been defined within the document. In the absence of a standard methodology for calculating net removals that are net of fossil-based based emissions, ‘net removals’ should follow the definition provided above.

	<ul style="list-style-type: none"> • Calculating removals based on a baseline is not an accurate reflection of the actual annual change in carbon stocks. • Baselines cannot be evidenced, and therefore audited, in an inventory reporting context. • If the use of baselines is required, the integrity of the system is undermined as: <ul style="list-style-type: none"> ○ Inventories across projects cannot be compared, as different baselines would be used by different project developers. Project developers may be incentivized to use a baseline that results in higher removals (e.g., a baseline that shows high levels of harvest). ○ The system becomes overly complex and doesn't provide useful information on actual removals generated during the reporting period. • Requiring comparisons against hypothetical baselines for annual reporting creates barriers for project developers that do not have the extensive resources required to credibly define the baseline on an annual basis; this could result in these projects not obtaining funding or being able to be registered.
Section 3	There is no consideration of permanence, which is commonly defined and required in carbon projects.
Paragraph 9	The added phrasing, "and emissions reduction activities with reversal risks," is vague and requires further definition and explanatory application.
Paragraph 10	<p>The terms presented in this paragraph are vague (e.g., measurements, statistically representative, etc.) and require defining.</p> <ul style="list-style-type: none"> • The use of field sampling data, including national/provincial forest inventory data, should be preferred over remote sensing, as remote sensing cannot accurately calculate carbon stocks in most instances.
Paragraph 10	<p>Requiring uncertainty estimates adds a significant burden to project developers. There is currently insufficient guidance on how this should be done. It will, however, require extensive knowledge and modelling, which is not widely available, especially in some geographies. Additionally, calculating uncertainties is not required for emissions accounting; therefore, requiring uncertainty calculations for removals sets a higher bar and adds an additional reporting burden for removals.</p> <p>We recommend that the Supervisory Body remove this requirement.</p> <p>If the requirement is retained the Supervisory Body would need to provide a consistent and comprehensive methodology on how to complete this assessment including a list of resources. It would be more appropriate for the Body to provide a publicly available tool used to calculate uncertainty.</p>

Paragraph 11	Clarity is required around how methodologies will be assessed and considered to meet the requirements defined in section 3.
Paragraph 13	What are the “default values?”
Paragraph 14	This guidance is unclear. If project developers are required to compare their monitoring against others, the Supervisory Body should provide a list of data sources / literature to be used; otherwise, project developers will all use different comparisons, making the quality of monitoring across different project incomparable.
Paragraph 16 (a)	Will the Supervisory Body have defined criteria for determining “concerns?” Otherwise, this seems vague.
Section 3.2	<p>The reporting requirements appear overly burdensome; these requirements need to provide the appropriate balance between maintaining appropriate oversight and being commercially viable. Areas that could be streamlined include:</p> <ul style="list-style-type: none"> • Removing the requirement to calculate uncertainty (Paragraph 18 (b); see comments for Paragraph 10). • Not requiring data collected during the period to be included; a summary is sufficient (Paragraph 18 (c)). • Removing the requirement to record “observed events;” this term is unclear and not required for accurate carbon accounting (Paragraph 18 (d)). • Requiring reporting based on the risk threshold could add an unnecessary reporting burden, particularly for smaller projects and/or those in emerging markets (Paragraph 20). New Forests would recommend a more consistent reporting frequency regardless of the risk classification. • Not requiring a report for each event that could potentially lead to a reversal (paragraph 22); instead, reporting should only be required for actual reversals. This requirement would be particularly burdensome for smaller projects. <p>Streamlining these items would reduce cost burdens and encourage greater investment into projects.</p>
Paragraph 18 (f)	How does this assessment connect to the sustainable development tool?
Paragraph 19	Wording is unclear.
Paragraph 24	In referring to “other activities being implemented by the activity participants,” is this referring to other projects than the one being assessed for reversals? It does not seem appropriate to suspend activities of other projects.

Section 3.3	<p>The requirements around ongoing monitoring require more definition. For example, how long is post-crediting monitoring required? What if the project developer sells the underlying land? In the latter instance, the developer cannot be expected to do ongoing monitoring, as they will not have access to required data.</p> <p>Post-crediting monitoring would also not be relevant for removals associated with harvested wood products.</p> <p>New Forests would recommend that ongoing monitoring is not required following the post-crediting period.</p>
Paragraph 32 (b)(i)	Cannot base creditable removals on removals that would have occurred in a counterfactual baseline; instead, New Forests would recommend following currently accepted carbon accounting best practice principles.
Paragraph 32 (b)(iii)(a)	Is the reference to “GHG” referring to “carbon?”
Paragraph 39	What is the “reversal risk assessment tool?” Will this be open to consultation?
Paragraph 56 (b)	Will the buffer pool be used for projects with avoidable reversals?
Paragraph 57	It is not appropriate that activities are required to remediate reversals in the case where the buffer pool is insufficient. This creates a burden on projects. New Forests would recommend that the Supervisory Body determine a mechanism to ensure the buffer pool can address reversals or an alternative mechanism that sources removals to account for reversals from a source other than the activity.

Detailed Feedback for A6.4-SBM014-AA-A09 (Annex 9)

Reference	Comment
Paragraph 7	These terms do not appear to be interchangeable; suggest being more precise in terms used.
Paragraph 19	The guidance should consider whether this requirement is feasible based on cost across different geographies (e.g., encourage deployment of new technologies in emerging markets may not be feasible).
Paragraph 20	Unclear; suggest defining terms used in this paragraph (e.g., “replicable and scalable mitigation activities”).
Paragraph 24	If a “conservative estimation” of emission reductions and removals is required, is a conservative estimate of emissions also appropriate? Emissions and removals should be calculated using the same requirements so that there is not a greater burden on removals accounting
Paragraph 26 (a)	The reference to “independent third-party verification,” requires more information. What verification is required? Will this vary by methodology?
Paragraph 26 (d)	Methodologies need to avoid double counting if life cycles are considered.
Paragraph 26 (f)	When referring to a “conservative emissions baseline,” does this mean high or low emissions scenario?
Section 4.3	What is the rationale for requiring that the baseline for the emission reduction activity be lower than BAU, rather than using BAU as the baseline? Requiring the baseline to be below BAU seems to add additional burden on emissions reduction activities. In some instances, wouldn’t anything lower than BAU be considered ambitious?
Paragraph 31	What is the connection to the sustainable development tool?
Paragraph 45 Option 2	The term “downward adjustment” needs defining in this annex.
Section 4.7	The requirements in this section are quite stringent and complicated; both could disincentivize investment in emissions reductions/removals.
Paragraph 58	Requiring uncertainty estimates adds a significant burden to project developers; suggest this is not required or that the Supervisory Body provide more information on how to complete this assessment; it would be even more beneficial if the Body had a tool companies could use to calculate uncertainty, or a list of resources.
Paragraph 80 (e)	What is meant by “performance standards?”