

Clarification Regarding Reversal Accounting in First TREES Monitoring Report (TMR) Submission

TREES 2.0 includes a robust process for mitigating the risk of reversal and accounting and compensating for a reversal if it occurs. The process in TREES addresses the most likely case whereby a reversal is not known to have happened, but rather occurs at a future date. While not anticipated by ART and unlikely, a Participant may submit its first TREES Monitoring Report (TMR) covering a timeframe in which a reversal is known to have occurred. In such circumstances, the following assumptions and processes apply:

General TREES Requirements

1. Data for each calendar year of the crediting period must be accounted for and verified as a standalone year. Emissions reductions and removals and any reversals must be quantified and verified for each calendar year. It is not permitted to sum results across the years or to quantify results in multiple-year blocks.
2. A 5% increase in buffer pool contribution is required for the 5 calendar years after the year in which a reversal occurred.
3. Following a successful verification of the results for each year, the following steps will be taken:
 - a. If emission reductions and/or removals were achieved in one or more years, ART will issue an invoice for the associated issuance fees.
 - b. Once the invoice is paid, ART will issue the credits to the Participant. These credits will not be available for transaction or retirement until the reversal is addressed by ART.
 - c. ART will immediately address the reversal by:
 - i. Canceling the buffer pool credits contributed by the Participant equal to the amount of the reversal.
 - ii. If the buffer pool credits contributed by the Participant are insufficient to cover the reversal, ART will cancel issued credits from the Participant until the reversal is fully compensated. Credits issued from years before or after the reversal in the same verification may be used until the reversal is fully compensated.

Clarification for a Reversal in the First TREES Monitoring Report Submitted

1. If a reversal is known to have occurred, no mitigating factors outlined in Section 7.1.1. of TREES may be claimed for the years prior to the reversal as it will be assumed that these measures were unsuccessful in mitigating the risk of reversal. The buffer pool contribution must be 25% for each of the previous years.
2. Similarly, no mitigating factors may be claimed for five years following the reversal to permit time for substantive changes to be documented and verified as being successful. The buffer

pool contribution based on the risk assessment must be 25% for the 5 calendar years following a known reversal. When added to the required 5% increase in buffer pool contribution following a reversal, this equals a 30% buffer pool contribution for 5 calendar years following the reversal.

3. If the total amount of claimed credits plus the buffer pool contribution would not fully compensate for the reversal, no emissions reductions or removals have been achieved and ART will not accept the TMR submission.