Forest Carbon Partnership Facility

5b. Update on Developing Specifications for Registries

Twelfth Meeting of the Carbon Fund (CF12)

Paris, France

April 28-30, 2015

FOREST CARBON PARTNERSHIP FACILITY

Defining 'Transaction Registry'

- A transaction registry is a system that
  - Creates (i.e., issues) emission reduction units with unique serial numbers
  - Supports the transfer of these units between account holders within the registry and to other linked trading registries
  - Allows account holders to manage positions and transactions
  - Generates reports on ownership of emission reduction units and transactions
  - Supports accounting for non-permanence risk management (buffer reserves)

… and is linked to and draws on information in a REDD+ program data management system which provides *inter alia*

- Geo-referenced information pertaining to the program (e.g., maps)
- Reference level information
- Monitoring reports
- Benefit sharing information

Requirements in the Carbon Fund Methodological Framework

Criterion 38: Based on national needs and circumstances, ER Program host country selects an appropriate arrangement to ensure that any ERs from REDD+ activities under the ER Program are not generated more than once; and that any ERs from REDD+ activities under the ER Program sold and transferred to the Carbon Fund are not used again by any entity for sale, public relations, compliance or any other purpose.

- ***Indicator 38.1:*** *Based on national needs and circumstances, the ER Program host country has made a decision whether to maintain its own national ER transaction registry, or instead to use a centralized ER transaction registry managed by a third party on its behalf.*

- ***Indicator 38.2:*** *The national or centralized ER transaction registry reports ERs for the Carbon Fund using the accounting methods and definitions described above in the MF.*

- ***Indicator 38.3:*** *An independent audit report certifying that the national or centralized ER transaction registry performs required functions is made public.*

- ***Indicator 38.4:*** *Operational guidance exists, or is in advanced stage of preparation, that clarifies the roles and responsibilities of entities involved in the national or centralized ER transaction registry, as well as rules for operation of the registry.*

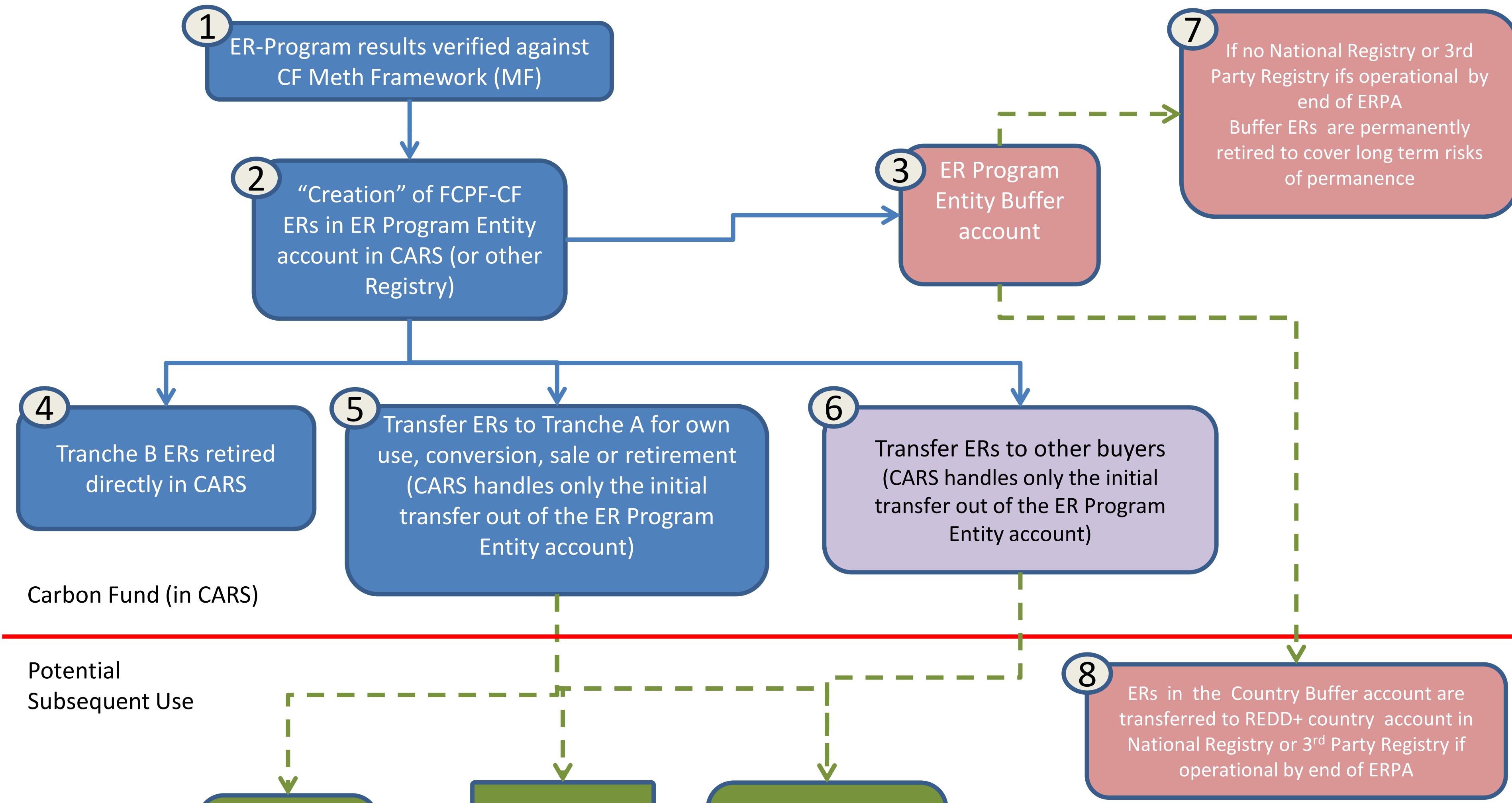
Considerations of Carbon Fund Methodological Framework Requirements in CARS

- The World Bank's Carbon Asset Registry Systems (CARS) could possibly serve as a centralized registry system for the Carbon Fund
  - In-house redesign of CARS completed in early 2015 (serves principally other carbon funds operated by the World Bank at the moment)
  - New functionality to accommodate ERs from the Carbon Fund could be developed as an enhancement at a later stage
    - Not an immediate priority (ERs are only expected to be generated when ERPAs are in effect and monitoring has taken place)
    - Enhancements can be performed within a couple of months and after buffer modalities are final

Ongoing Work on Transaction Registries

- The current work focuses on Guidance on the Development and Management of Transaction Registries and is performed jointly with the Partnership for Market Readiness (PMR)
  - The focus of this work is broader, not exclusively focused on REDD+
  - Support countries with decision-making between options such as (i) in-house registry development, (ii) acquisition of an off-the-shelf registry software, or (iii) outsourcing of registry services
  - Provide background on relevant regulatory and legal issues
  - Learn from existing international experience (e.g., EU, China, North America) administering and managing transaction registries
  - Requirements specific to REDD+ and the operation of the Carbon Fund are considered and incorporated, addressing needs in countries that hope to integrate REDD+ transaction in a broader framework for registries (not stand-alone)
  - The work builds on the work done by the FMT in 2013 (while considering other operational and methodological priorities related to the Carbon Fund)

The Path of an FCPF Carbon Fund Emission Reduction (ER)



NB: Any conversion or recognition of ERs under another standard is uncertain. To increase the possibility of conversion or recognition of ERs in the future, coherence with other systems or standards will have to be sought by the ER-Program Entity from the onset of Program design

Guidance on the Development and Management of Transaction Registries (1)

DEVELOPMENT	BUSINESS SPECS.	✓ **Step-by-step guidance on the development of functional specifications** that meet countries' needs
	TECHNICAL SPECS.	✓ **Description of existing registry technologies and their performance** and necessary technical (information technology) requirements
	PROCUREMENT	✓ **Guidance on procurement of registry services** to facilitate transactions with potential registry or technology providers
ADMINISTRATION		✓ **Guidance on registry management and administration** to identify possible institutional arrangements and resources to operate a registry – based on the experience in other jurisdictions (e.g. EU, China, US.)
REGULATION		✓ **Guidance on registry regulation** and pertinent legal matters in developing and operating a registry

Guidance on the Development and Management of Transaction Registries (2)

- Focus on registry specific arrangements for REDD+, such as:
  - Establish accounting rules – including buffer and nesting
  - Operational and procedural regulations – including how to link to program data management systems or other registries
- Who is involved in the development of this guidance material?
  - A team of international registry experts to cover technical, institutional, and regulatory aspects
  - Interested PMR and FCPF country participants
  - PMR and FCPF Staff
- Steps and timetable
  - Desk research and country consultations (i.e., phone calls) – *April/May 2015*
  - Workshop end May 2015 on the margin of Carbon Expo with experts and interested PMR/FCPF participants to discuss findings and next steps – *End-May 2015*
  - Finalization of the Guidance Report – *July/August 2015*

THANK YOU!

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