



Forest Carbon Partnership Facility

REDD+ Transaction Registries

Guidance on Development and Management

Fourteenth Meeting of the Carbon Fund (CF14)

Paris, France

June 20-22, 2016

FCPF Methodological Framework: Data Management Systems and Registries

- **Criteria 37 & 38**

- Recording and accounting of GHG emissions reductions (ERs) supported by data management systems AND transaction registries



Data Management System

- Track emission reductions to specific REDD+ projects/programs
- Record REDD+ project/program information such as location, reference level, MRV, benefit sharing, safeguard standards and tenure information.

Transaction Registry

- Issue carbon units with unique serial numbers
- Allow carbon units to be transferred internally between account holders, or externally to another transaction registry

- Countries may develop their own Data Management Systems and transaction registries, or use centralized systems managed by third parties (37.1; 38.1)
- Roles, responsibilities, and rules for systems administration and operations are defined and documented (37.4; 38.4).
- The World Bank's Carbon Asset Registry Systems (CARS) can serve as a centralized registry system for the Carbon Fund

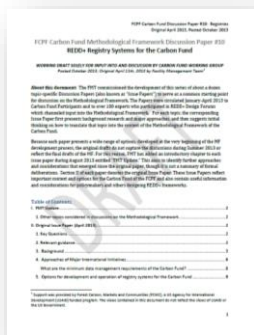
FCPF Guidance Documents on Data Management Systems and Registries

2013

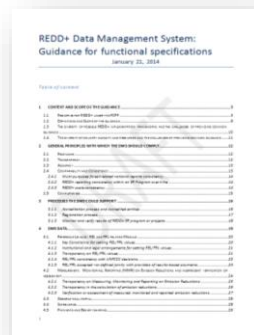
2014

2015

2016



*Discussion Paper
#10 REDD+ Registry
Systems for the
Carbon Fund
(FCPF, 2013)*



*REDD+ Data
Management System:
Guidance for
Functional
Specifications
(FCPF, 2014)*



*GHG Emissions
Registries: Regulation,
Administration, Design
and Procurement
(PMR & FCPF, 2016)*



*REDD+ Transaction
Registries: Guidance
on Registry
Development and
Management
(FCPF, 2016)*



FCPF Guidance Documents on Registries (1/2)

- ***GHG Emissions Registries: Regulation, Administration, Design and Procurement (PMR & FCPF, Sep. 2016)***



- Three key questions for policy makers:
 1. *What type of registry does my country need?*
 2. *What are the legal, institutional, and technical frameworks for this registry?*
 3. *What resources are available for registry development and operation?*
- Discussion on emissions accounting systems (i.e. GHG inventories, registries, data management systems) in the post-2020 context
- Timeline:
 - Peer-review (July 2016)
 - Publication (Sept. 2016)

FCPF Guidance Documents on Registries (2/2)

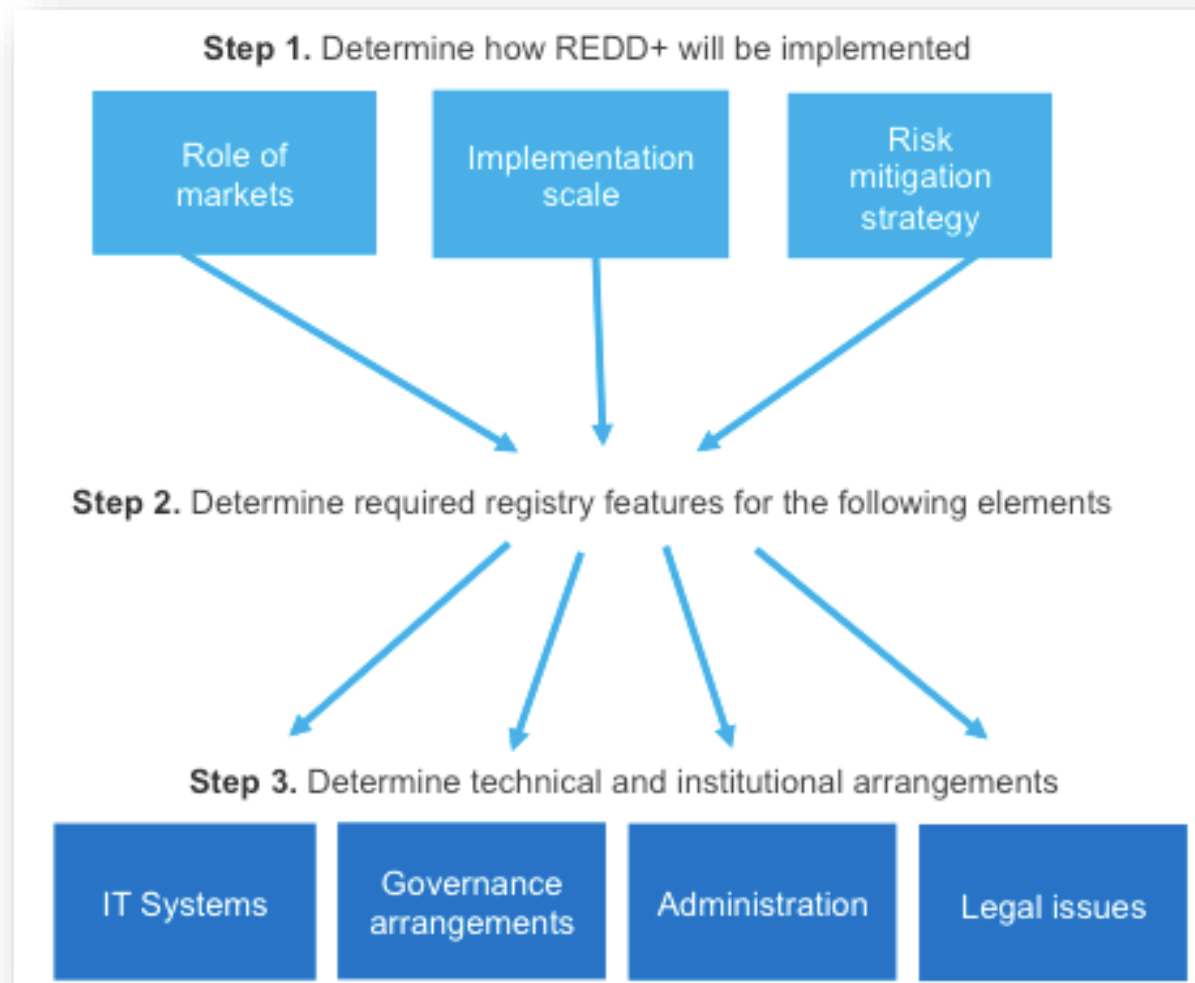
- ***REDD+ Transaction Registries: Guidance on Registry Development and Management (FCPF, June 2016)***



- One chapter of the PMR & FCPF Report (Sept. 2016)
- Focus on REDD+ specific issues and their impacts on registry technical, legal, and institutional frameworks
- In-depth analysis of experience from existing forest carbon programs
 - *E.g. Australia’s Carbon Farming Initiative, New Zealand ETS, UK woodland Carbon Code, California Cap-and-Trade Program, Verified Carbon Standard etc.*
- Timeline:
 - Draft circulated to CF14 Participants
 - Presentation at CF14 (June 2016)

Deciding on a REDD+ Transaction Registry

- Proposed Approach for Decision Making



REDD+ Implementation Choices: What Impacts on Registry Features?

1. Role of Markets in REDD+ Implementation Strategy (1/2)

APPROACH	REGISTRY IMPLICATIONS
Result-based payment (public sector)	<ul style="list-style-type: none"> • ERs used as performance metric related to the effective use of public finance • No carbon unit is issued or transferred • No registry needed
Regulated international carbon markets (public and private)	<ul style="list-style-type: none"> • ERs used by countries to meet national targets through market-based transactions • Issuance and transfer of carbon units • Registry +/- sophisticated
Regulated national markets (private)	<ul style="list-style-type: none"> • Regulated entities (incl. forest owners) use ERs to meet their obligations • Issuance and transfer of carbon units • Registry +/- sophisticated
Voluntary markets (private)	<ul style="list-style-type: none"> • Private entities voluntary purchase ERs • Issuance and transfer of carbon units • Registry +/- sophisticated

REDD+ Implementation Choices: What Impacts on Registry Features?

1. Role of Markets in REDD+ Implementation Strategy (2/2)

- REDD+ (UNFCCC) allows for market and non market-based approaches, subject to further UNFCCC SBSTA guidance
- Any ER program must ensure no double counting occurs
- All REDD+ countries will require a DMS but only some will require a transaction registry
 - ✓ DMS required to track REDD+ project/program performance, record information on methodologies, help to avoid multiple payment for the same result
 - ✓ Transaction registry required where REDD+ implementation is market-based in order to uniquely identify and track carbon units
 - ✓ Transaction registries are more complex where REDD+ is linked to regulated subnational or national emissions trading systems

REDD+ Implementation Choices: What Impacts on Registry Features?

2. Scale of Implementation of REDD+ (1/2)

APPROACH	REGISTRY IMPLICATIONS
National REDD+ implementation	<ul style="list-style-type: none">• Simple, single account where government is the sole owner and beneficiary of the forest carbon units• Link to registries of buyer countries if international transfer
National and subnational REDD+ implementation	<ul style="list-style-type: none">• Subaccounts for public and private intermediaries• Link to registries of buyer countries if international transfer
National and subnational implementation with REDD+ projects	<ul style="list-style-type: none">• Accounts for private entities in subnational or national registry (i.e. nesting of projects)• Intermediary step: link to registries of voluntary carbon standards

REDD+ Implementation Choices: What Impacts on Registry Features?

2. Scale of Implementation of REDD+ (2/2)

- If REDD+ is accounted for on various levels, it must be reflected in the transaction registry
- If private sector implementing REDD+ is not issued with carbon units:
 - ✓ No need for accounts for private project proponents
 - ✓ DMS can be used to store the ERs achieved and calculate payment levels
- If private sector implementing REDD+ is issued with carbon units:
 - ✓ Need for nesting private sector accounts into national/subnational registries
 - ✓ Enhanced security and data protection
 - ✓ Assessment on benefits of private sector involvement vs. transaction costs
- DMS needed to apply the program rules and communicate the number of units to be issued and canceled to the registry

REDD+ Implementation Choices: What Impacts on Registry Features?

3. Risk Management Strategies (1/2)

- Emissions reductions from forest and land-based activities subject to uncertainties and risks
 - ✓ Risk of displacing emissions (“leakage”)
 - ✓ Reversal of ERs and carbon removals
 - ✓ Uncertainties in accounting for ERs
 - ✓ Transfer of title to ERs
- Addressed through either issuing less carbon units than measured or retiring a certain number of units from sale, and through purchasing lower ER volumes and providing for contractual remedies
 - ✓ E.g. Buffer accounts, discounting, conservative approaches, temporary units, legal replacement, adjustment of future issuance, contractual remedies
- Risk management strategies with implications on registry design: buffer accounts, discounting, and temporary credits

REDD+ Implementation Choices: What Impacts on Registry Features?

3. Risk Management Strategies (2/2)

APPROACH	REGISTRY IMPLICATIONS
Buffer accounts	<ul style="list-style-type: none">• Buffer accounts at the entity or project level, or pooled across projects/programs• Issuance of buffer carbon units into a buffer account• Serialization of buffer carbon units• Process for cancelation and release of carbon buffer units
Discounting	<ul style="list-style-type: none">• Automatic cancelation of a share of ERs• Linking of carbon units to identifiable canceled emissions reduction to prevent resubmission for verification (i.e. importance of the DMS)
Temporary units	<ul style="list-style-type: none">• Serialization of temporary forest carbon units• Temporary unit account• Automatic expiration of units at determined time, and notification for replacement

What Technical and Institutional Arrangements for a REDD+ Registry?

- **Governance and Administration**

- A REDD+ transaction registry requires rules and procedures, dedicated and trained staff, and resources to maintain it
- Governance arrangements for registry administration (i.e. in-house vs. third party) depends on the complexity of registry features (steps 1&2) and internal capacity
 - ✓ E.g. REDD program with limited scope, small number of buyers: simple registry or third party registry to reduce costs and increase standardization across programs
 - ✓ E.g. REDD+ program more complex: outsourcing reduces the administrative burden and costs but prevents building internal capacity and retaining sovereignty



In-depth guidance on registry governance and administration provided in the forthcoming PMR & FCPF Report (Sept. 2016)

What Technical and Institutional Arrangements for a REDD+ Registry?

- **Legal Considerations**

- Legal issues in forest carbon unit transactions may arise from legal uncertainty around legal and beneficial ownership of transferred carbon units
- Holding of carbon units in an account/registry may constitute ownership, OR accounting/registration of carbon units is declaratory and the account holder is not automatically the owner of held carbon units
- A transaction registry may not be the place to resolve legal risks relative to carbon unit ownership: entities holding forest carbon units should be uncontested owners with the right to transfer units and to benefit from the sale of these units.



In-depth guidance on registry legal issues provided in the forthcoming PMR & FCPF Report (Sept. 2016)

What Technical and Institutional Arrangements for a REDD+ Registry?

- **Technical and IT Considerations**

- IT systems and capabilities for handling forest carbon units only differ from standard carbon units if the regulatory systems defines them as distinct from other carbon units
 - ✓ May require specific serial numbers for forest carbon units to convey information on limitations and emission reduction activity associated with the unit
 - ✓ May affect the type and number of accounts to be established
- Where buffer accounts are used, the IT system needs to develop a distinct buffer accounting model



In-depth guidance on registry IT system development provided in the forthcoming PMR & FCPF Report (Sept. 2016)

Conclusion: Key Messages for Policy Makers

- **REGISTRIES ARE SIMPLY A TOOL TO MANAGE DATA**
- **REGISTRIES NEED ONLY BE AS SOPHISTICATED AS THE RELATIONSHIPS AND EXCHANGES MANDATED BY A POLICY**

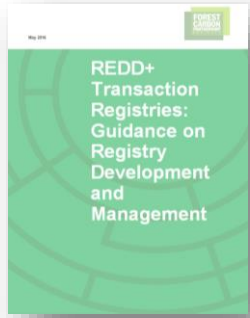
Scenario 1. *A country receives results-based finance for national REDD+ with no issuance and transfer of carbon units, no project or regional level programs, a simple metric for risk management*

- ✓ DMS with limited functionality suffices and raises few legal, administrative or technical challenge
- ✓ Transitioning from DMS to transaction registry allowing for international transfer of carbon units represents limited additional challenges

Scenario 2. *A country wishes to transfer carbon units internationally, allows forest carbon units to be traded within a domestic emissions trading system and to be held by intermediaries, with units generated at the project and jurisdictional level*

- ✓ More complicated registry required, with significant administrative capacity to establish and maintain

Next Steps on Registry Work



- ***REDD+ Transaction Registries: Guidance on Registry Development and Management (FCPF)***

- Discussion with FCPF Participants: CF14 (22 June, 2016)



- ***GHG Emissions Registries: Regulation, Administration, Design and Procurement (PMR & FCPF)***

- Circulation to PMR and FCPF Participants: June 2016
- Period for feedback and comments: July 2016
- Publication: September 2016

- ***Road-testing in countries***
- ***Other(s)?***



THANK YOU!

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