



Forest Carbon Partnership Facility

4g. FCPF Transaction Registry Country survey results. Discussing Next Steps

Seventeenth Meeting of the Carbon Fund (CF17)

Paris, France

January 29 – February 1, 2018

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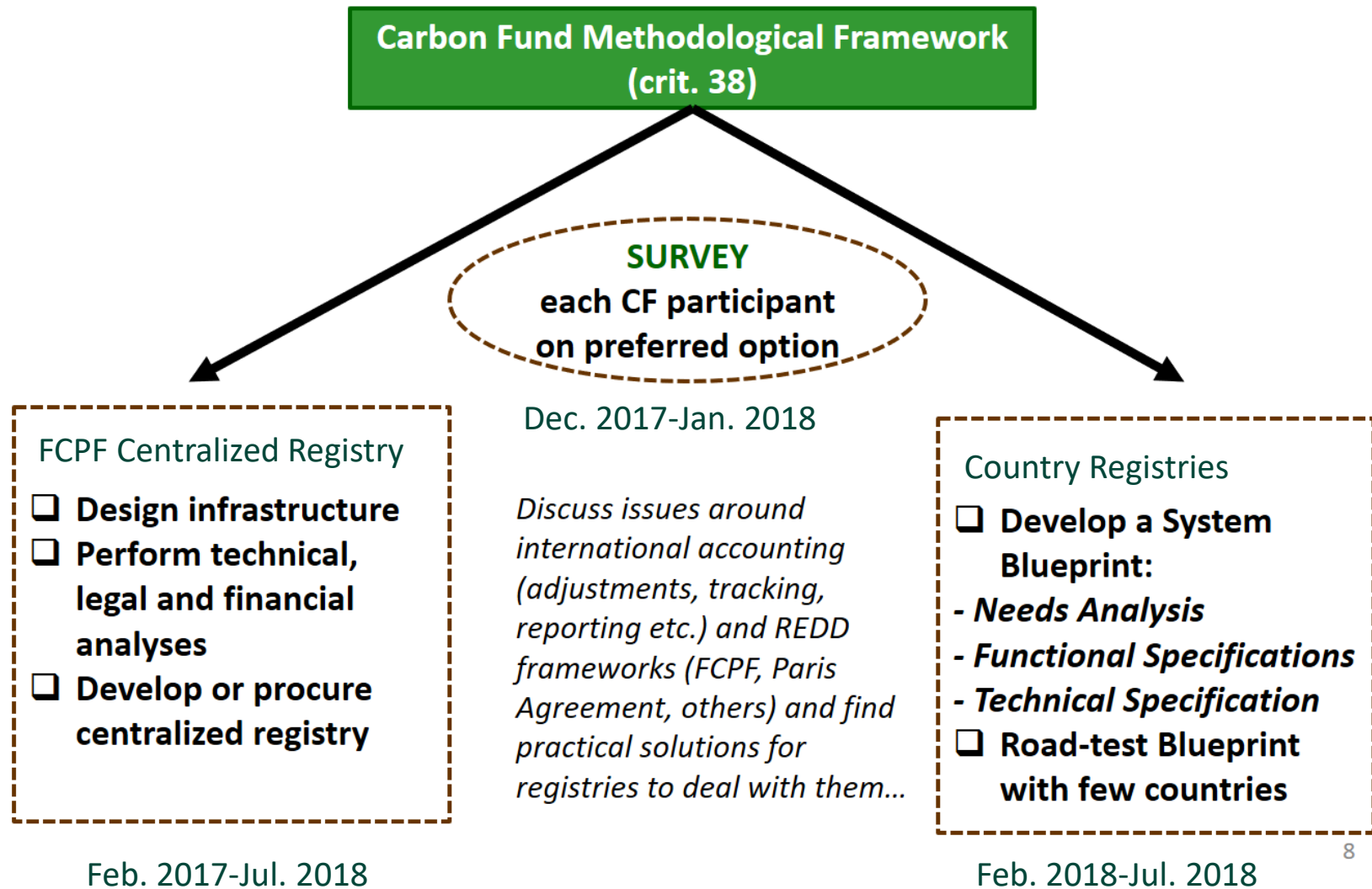
QUICK REVIEW

A **Transaction Registry** is a (online) database that **issues, records** (+ other relevant info), **transfers** (between multiple account holders on the system - internal transfer - or to another transaction registries - external transfer) and **tracks** the **serialized carbon units** that are financed through Results-Based Climate Finance (RBCF) and / or exchanged within market mechanisms.

System to provide **assurance against double accounting and double payments** (CF MF Criterion 38).

The FCPF CF country has made a **decision** whether to maintain its **own national ER transaction registry**, or to use a centralized one managed by a **third party** (38.1). The registry reports ERs for the CF using the **MF accounting methods and definitions** (38.2). An **independent audit report** certifying that performs the required functions is made **public** (38.3). **Operational guidance** exists, clarifying roles, responsibilities, and rules for operation (38.4).

QUICK REVIEW



QUICK REVIEW

3 proposals of architecture of a Centralized Registry and Key Functions

1. Proposal based on a FCPF Centralized Registry Model

- Issuance, transfer, cancelation/retirement of ERs
- Linkages to third-party registries (e.g. VCS)
- Administration ‘Pooled Reversal Buffer’’: Buffer Registry
- Tracking/reporting of ERs (portfolio level)

FCPF
Centralized
Registry

- Tracking/reporting of ERs (country level)

Country
Registries

QUICK REVIEW

3 proposals of architecture of a Centralized Registry and Key Functions

2. Proposal based on a Country Registries Model

- Issuance, transfer, cancelation/retirement of ERs
- Linkages to third-party registries (e.g. VCS)
- Administration ‘Pooled Reversal Buffer’’: Buffer Registry
- Tracking/reporting of ERs (country level)

Country
Registries

- Tracking/reporting of ERs (portfolio level)

FCPF
Centralized
Registry

QUICK REVIEW

3 proposals of architecture of a Centralized Registry and Key Functions

3. Proposal of a Hybrid Model

- Potentially designed as transaction modules added to existing or planned REDD+ Projects & Programs; management systems should be adapted to integrate FCPF CF requirements
- Complete functionality at country level

Country
Registries

- FCPF Centralized Registry holds country accounts of those CF Countries that prefer not to develop their own registries
- Country and third-party registries communicate with the FCPF Centralized Registry for tracking/reporting purposes (portfolio level) and coordinate operations of the Pooled Reversal Buffer

FCPF
Centralized
Registry

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Objectives

- 1) To conduct a survey on transaction registries, collect the results from country focal points, analyze the results and produce an analytical note, including a summary note of REDD+ Countries' decisions and needs, lay out options, and pros and cons of each option.
- 2) To disseminate the survey results and findings to REDD+ Countries and Carbon Fund Participants and other stakeholders at CF17.

Survey Forms

- Programmatic and legal related aspects *(to understand first the degree of maturity on the path of REDD+)*
- The role of the carbon markets in REDD+ implementation *(to help to design a conceptual note about the complexity and the options within the carbon system in the country and to identify the implications for the registries)*
- The scale of implementation of REDD+ *(to conceptualize the REDD+ scheme in the country)*
- REDD+ and land use-related risks *(to know how the risks related to the project or program implementation and accounting system will be managed)*



Registry design decision based on the scenarios

Survey Forms

- Programmatic and legal related aspects *(to understand first the degree of maturity on the path of REDD +)*

SURVEY

Survey Forms: Programmatic and legal related aspects

COUNTRY		DATE
FCPF Readiness	FCPF Readiness Preparation Grant	
	FCPF Additional Readiness Preparation Grant	
	Readiness Package - R Package	
FCPF Carbon Fund	Emission Reductions Program Idea Note - ERPIN	
	Letter of Intent - LOI	
	Emission Reductions Program Document – ERPD (VERSION)	
	Emission Reductions Payment Agreement - ERPA	
BioCarbon Fund	ISFL Project Information Documents - PID	
	ISFL Project Appraisal Document - PAD	
	ISFL Grant Agreement	
	ISFL Implementation Status Report - ISR	

Legal aspects related to the ER Programs	Description / Identification
Legal nature and ownership of the ERs	
Ability of the ER program entity to enter into the ERPA signature	
Ability to create or legally issue titles/units on ERs according to a national legal framework	
Ability to transfer titles/units of avoided emissions to a third party	
Ability to receive and distribute financial resources (benefits)	

Survey Forms

- The role of the carbon markets in REDD+ implementation *(to help to design a conceptual note about the complexity and the options within the carbon system in the country and to identify the implications for the registries)*

Survey Forms: Role of carbon market

Triggering Event
RBCF not related to carbon markets (public sector). International public RBCF for ERs (no carbon unit is issued or transferred).
Regulated international markets (public and private sector). It includes transfer of mitigation outcomes (NDCs, forestry as eligible activity), Afforestation and reforestation credits under the CDM of the Kyoto Protocol, FCPF Carbon Fund Tranche A)
Regulated national markets (private sector). Regulated forest owners can buy and sell forest carbon units to meet their obligations. Regulated entities in a national ETS can offset their obligations by purchasing forest carbon units.
Voluntary markets (private sector). Private entities voluntarily purchase forest carbon units that are issued across voluntary standards (VCS, Gold Standard, American Carbon Registry, Climate Action Reserve)
Please describe

Survey Forms

- The scale of implementation of REDD+ *(to conceptualize the REDD+ scheme in the country)*

Survey Forms: Scale of implementation

Triggering Event
National REDD+ implementation: Implementation at the national level with a national RL and without any lower accounting levels.
National and subnational REDD+ implementation: Implementation with subnational RL/MRV in advance of or parallel to national RL/MRV.
National/subnational implementation with REDD+ Projects: Project level accounting in addition to the above.
Please describe

Survey Forms

- REDD+ and land use-related risks *(to know how the risks related to the project or program implementation and accounting system will be managed).*

SURVEY

Survey Forms: Risks

Triggering Event
Buffer accounts. A portion of ERs generated can be set aside in a “buffer account” instead of being sold. In case of reversal, leakage, or underestimation, ERs within the buffer can be used to compensate for this loss. Buffer accounts may additionally be pooled to ensure that there are sufficient buffer credits to account for any reversal that any one project or program may experience.
Discounting. Permanently sets aside a portion of generated ERs and only the remainder are actually used. ERs are simply retired or remain unaccounted.
Conservative approaches. REDD+ agreements or financing modalities require conservative definitions of REL, MRV systems, or other elements.
Temporary units. Temporary carbon units can be issued for forest ERs. These are units that expire at a set time after issuance and need to be replaced by the holder, with either another temporary or permanent unit. Temporary units will typically be usable for one crediting period, but expire in the subsequent crediting period.
Legal replacement obligation. Those selling REDD+ carbon units can be asked to replace them in the case of reversal.
Adjustments on future issuance of units. ERs lost in a reversal event are subtracted in equal quantity from any future issuance of forest carbon units to the project developer.
Please describe

Survey Forms

Registry design decision based on the scenarios

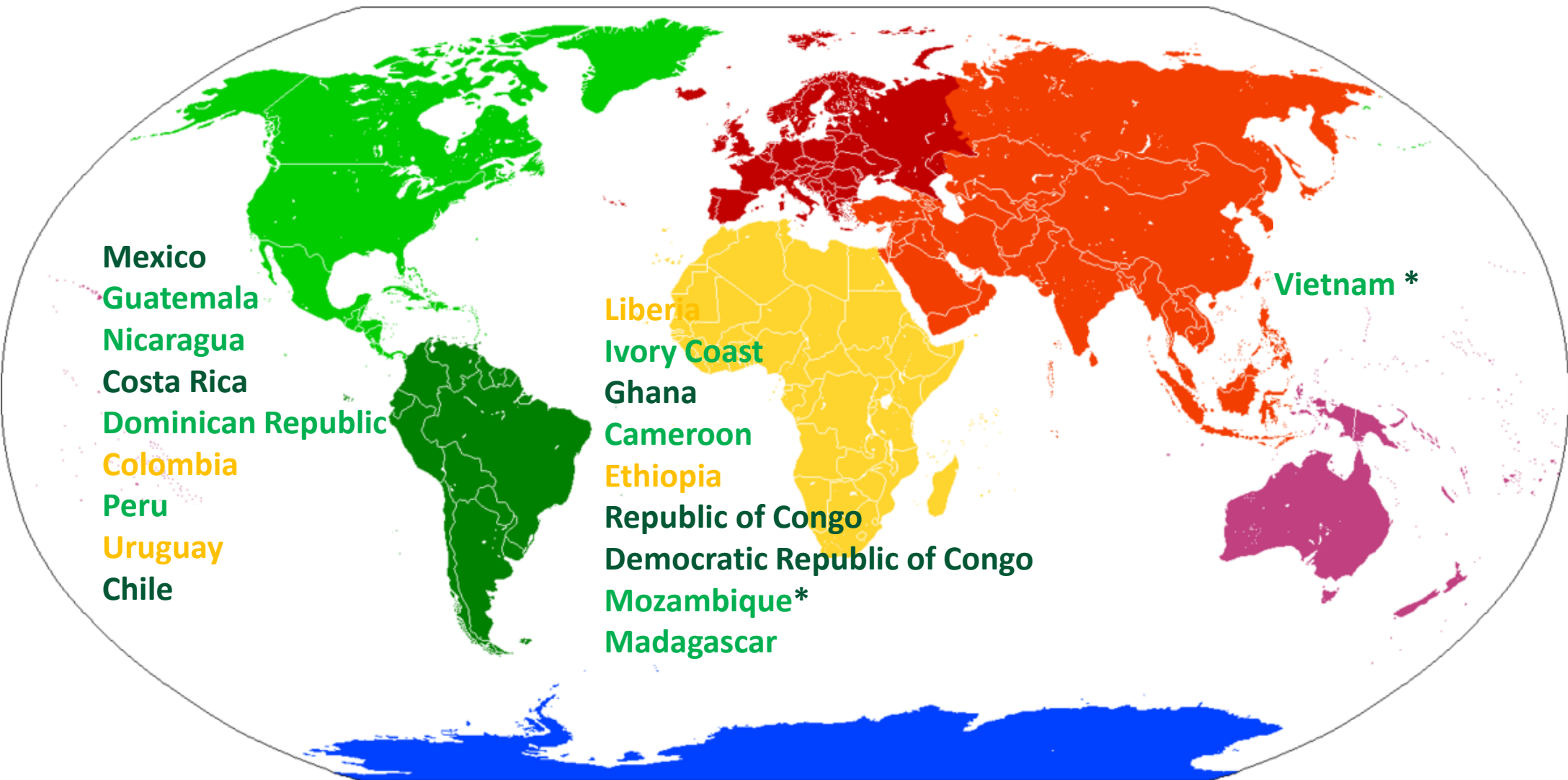
SURVEY

Survey Forms: Registry design

Triggering Event
The country still has not made a decision.
The country has decided to build an own registry in-house, operating it in-house
The country has decided to buy an off-the-shelf registry, operating it in house
The country has decided to buy an off-the-shelf registry, having it operated by a third party
The country has decided to use an existing registry (i.e. not owning it) operated by a third party
Potential interest in using a FCPF centralized registry
Please describe (Has the country identified potential IT or services provider? Please specify)

SURVEY RESPONSES

Countries (9 LATAM, 9 Africa, 1 ASIA)



SURVEY – LAC COUNTRIES

- 6 The country has decided to build their own **registry in-house, operating it in-house**
- 5 The country has decided to buy an **off-the-shelf registry, operating it in house**
- 4 The country has decided to buy an **off-the-shelf registry, having it operated by a third party**
- 3 The country has decided to use an **existing registry** (i.e. not owning it) **operated by a third party**
- 2 Potential interest in using a **FCPF centralized registry**
- 1 The country still has not made a decision

Chile	X	X	X						
Colombia	X								
Costa Rica	X								
DR				X					
Guatemala					X				
Mexico									
Nicaragua						X			
Peru							X		
Uruguay									X

Registry design decision based on the scenarios

SURVEY – AFRICA & ASIA

6	The country has decided to build their own registry in-house, operating it in-house	X		X	X	X	X	X	X		
5	The country has decided to buy an off-the-shelf registry, operating it in house					X	X	X			
4	The country has decided to buy an off-the-shelf registry, having it operated by a third party										
3	The country has decided to use an existing registry (i.e. not owning it) operated by a third party										
2	Potential interest in using a FCPF centralized registry						X	X			
1	The country still has not made a decision	X	X			X		X			
		Cameroon	DRC	Ethiopia	Ghana	Ivory Coast	Liberia	Madagascar	Mozambique	ROC	Vietnam

Registry design decision based on the scenarios

SURVEY – FINDINGS (1/2)

- Information collected from **19 countries** (FCPF: Readiness, CF, BioCF) from Latin America (9), Africa (9) and Asia (1).
- Regarding the last section of the survey on registry design decisions based on the scenarios:
 - **47% of the countries still have not made a decision**
 - **53% have decided to build their own registry in-house**, operating it in-house (also to buy an off-the-shelf registry, operating it in-house could be an option for most of them; 60%)
- **Overall, 11% of the countries have expressed potential interest in using a FCPF centralized registry** (this number could increase considering that 47% still have not made a decision if an operative solution is found).

SURVEY - FINDINGS (2/2)

- The most advanced countries in the preparation of the emission reductions programs (ERPD selected in the portfolio) **have decided to build their own registry in-house, operating it in-house** (but would also consider to buy an off-the-shelf registry, operating it in-house).
- For that 47% that still has not made a decision, **a FCPF centralized registry** could be an interesting option (**Hybrid Model proposal**).
- Transaction registries information at the country level should be **strengthened to support decision making**; calls and presentations will be offered to explain to the national teams fundamentals about transaction registries.

SURVEY – SUGGESTIONS BASED ON FINDINGS

- Given the variation in country suggestions, it looks likely that **both an FCPF centralized registry and in-country registries will evolve**
- The FMT also proposes that a centralized registry, even in minimalist form, be available in **case a back-up option is needed in ERPA delivery terms (for uncertainty, reversal and pooled buffers)**

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1. QUICK REVIEW

2. SURVEY

3. STEPS



STEPS - ACTIVITY #1

Study on the architecture of an FCPF Centralized Registry System and its key functions and supporting operational processes and rules

- Lead: Technical registry expert(s) / consultants
- Tasks: Development of the consultants' TOR, procurement, review, presentation, endorsement
- WBG Team: FCPF Secretariat, ITS, LEGEN, WBG Blockchain Lab, CC Unit

Timeline: By June 30, 2018 (according to the FCPF M&E Framework)

STEPS - ACTIVITY #2

Supporting analysis on risks and legal issues related to the operations of the FCPF centralized registry system

- Lead: Legal consultant
- Tasks: ToR preparation, procurement, review, presentation, endorsement
- WBG Team: LEGEN, FCPF Secretariat, CC Unit

Timeline: By June 30, 2018 (according to the FCPF M&E Framework)

STEPS - ACTIVITY #2 (CONT.)

Supporting Analysis on Risks and Legal Issues Related to the Operations of the FCPF Centralized Registry System

- Alignment with multiple frameworks (international, national, FCPF's ERPAs)
- May consider laws, rules, procedures which:
 - Mandate the creation of the registry system and/or broader MRV platform
 - Mandate creation (registration) or issuance (serialization) of ERs
 - Facilitate the consequences of a unit's surrender, cancellation and retirement

STEPS - ACTIVITY #2 (CONT.)

Supporting Analysis on Risks and Legal Issues Related to the Operations of the FCPF Centralized Registry System

- Describe the authority of the registry administrator and transferability of the underlying unit (including tracking) in transaction accounts
- Describe the authority of the registry administrator, as manager of the buffer accounts, to determine the amount of units to be set aside in buffer accounts and to receive/surrender/ cancel/retire related units
- Address the tax consequences of a transfer of a unit
- Describe consequences of non-compliance and access to units
- Determine the insolvency treatment of registry account holders

STEPS - ACTIVITY #3

Procurement/development and implementation of the registry system

- Lead: Vendor(s)
- Tasks: Call for EOI and RFP, selection of vendor, development, testing, implementation
- WBG Team: FCPF Secretariat, ITS, LEGEN, WBG Blockchain Lab

Timeline: By June 30, 2019 (according to the FCPF M&E Framework)

Options tested for FCPF Centralized Registry (by Dec. 2018)

FCPF Centralized Registry Implementation (by Jun. 2019)

STEPS - ACTIVITY #4

Develop a System Blue Print for Country Registries

- Lead: Technical registry expert(s) consultants
- Tasks: ongoing activity for DRC. Analyze if it is required to complete this activity with the development of a prototype (in that case: ToR preparation, procurement, review, presentation, endorsement).
- WBG Team: FCPF Secretariat, ITS, LEGEN, WBG Blockchain Lab

Timeline: By December 31, 2018 (according to the FCPF M&E Framework)

QUESTIONS

