

Guiding Principles

Initial Recommendations



Credible Standards

- Where tokenization is associated with carbon, the carbon credits should be tokenised from projects that are validated, verified and registered under endorsed and conditionally endorsed standards by ICROA or government-approved carbon crediting schemes (the “Standards”)

Registry Control

- The authority to decide whether or not to allow market participants tokenize carbon credits and retire them should reside with the Standards.

Carbon Tokens

- Tokens should be minted only for issued ex-post verified carbon credits, not cancelled or retired credits nor forward, un-verified mitigation outcomes.

Transparency / KYC / AML

- A system for full transparency and for managing KYC/AML requirements in the digital carbon trading markets needs to be part of the underlying best practices for market participants.

Investor Safeguards

- Token issuers and DAOs in particular have the responsibility to ensure that trades in tokenized assets are suitable for the customer’s goals, needs and risk tolerance and appropriate for the customer’s knowledge and experience.

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Sustainable

- Any digital technology deployed must be truly sustainable. This means it must be inclusive, open, resilient and secure as well as have a low carbon footprint.

IT Security

- Digital technology should be deployed safely using proven methods of protection against cyber-crime including cyber-attacks

Carbon Token Transparency

- Tokenized carbon credits should be recorded in a publicly accessible registry linked to the Standard, and shall be reflected in the relevant data repositories to avoid duplicate claims and non-authorized tokens

Claims

- Claims relating to carbon neutrality, offsetting, and/or compensation of emissions, shall only be made after the token has been permanently removed from circulation and the underlying carbon credits associated with the token(s) have been retired in the registry linked to the relevant Standard.

Digital MRV Interigfty

- The transition to digital MRV needs to draw upon best practices while leveraging the new capabilities in the digital realm.