



**Establishing a registry:
first considerations for PMR Implementing Country Participants**

This document is not complete and accurate without oral comments from the authors

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Why to build a registry ?

A new and specific registry is not always required

- A *new* carbon tracking registry is *not* absolutely needed in following cases:
 - GHG inventory reporting (Corporate / jurisdictional / national levels)
 - ⇒ Such inventories may be published without a “carbon registry”
 - Incentivize emitters to offset their emission using existing crediting standards
 - incentivize projects development under existing standards (CDM, VCS, GS...)
 - ⇒ Use existing registries provided by each standard
- A *new* registry is *required* when a country
 - Implements a domestic “Cap and trade”
 - implements new crediting rules for domestic projects
- Arrangements may be found to use existing registries when a country joins a wider scheme, provided that the registry is centralized
 - E.g.: New Market Mechanisms, where one may hope the UNFCCC to provide each participating country with an access to a single registry

Where are registries needed in carbon market mechanisms?

Registries record units held on accounts and verified emissions

- **The Registry records the following**
 - Allowances periodically allocated by Government and held by Market Participants
 - Verified emissions periodically measured and linked to compliance participants
 - Surrender, retirement, cancellation of any unit
- **Market participants must be able to transfer allowances (“trade”)**
 - Delivery only, post-trade
- **Participants surrender allowances in accordance with their respective verified emissions**
 - If an insufficient quantity of allowances is surrendered, the Registry will publish that he is non-compliant (image issue)
- **The Registry does not record**
 - Prices
 - Market volumes
- **The registry do not provide contribution for supply to meet a demand or reciprocal**

What is the purpose of a Registry?

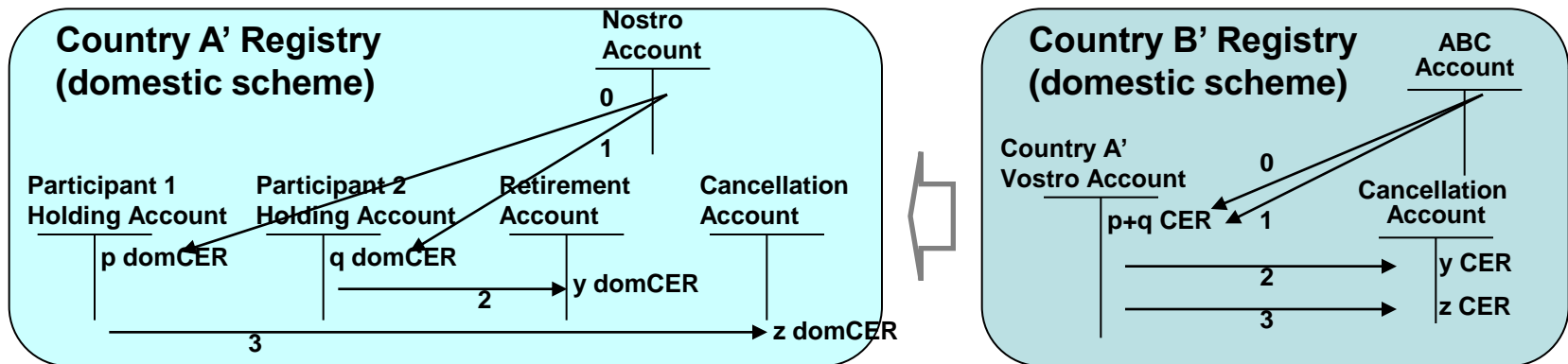
Integrity and transparency

- **Market integrity to gain market participants confidence**
 - The registry is liable for executing transfers on demand and in a timely manner
 - The registry is liable for the security of its infrastructure and protection of confidentiality
 - The registry is liable for the accuracy of the public reports it provides
 - E.g., the account balance statement issued by registry Administrator is proof of ownership of carbon units it holds
- **Environmental integrity: no double-counting**
 - Allowances are issued consistently with caps
 - Credits are issued consistently with verification reports
 - The registry must guarantee that once transferred, the unit is no longer held by the seller, but held by the buyer (e.g., similar to stock market)
 - Surrendered units are no longer tradable (permanence of the environmental benefits)
- **Transparency**
 - Central repository for applicable regulation, methodologies, compliance participants
 - Public reports: verified emissions, compliance status, aggregated transactions...
 - The registry may provide “ad hoc” authorities with read-only access to data (e.g. financial regulator, criminal intelligence services)

Considerations for linking (1)

Unilateral

- Country A accepts credits coming from country B, but country B does not accept credits coming from country A
- Country A
 - must open an account in the registry of the country B: “Vostro” account
 - will hold and set-aside those “real” credits in this Vostro Account, and issue an equivalent quantity of “mirrored” credits in its own national registry, on a “Nostro” account
 - Such issuance occurs on country A’s Nostro Account which reflects
- Country A is responsible for ensuring that linking does not compromise the environmental integrity of both schemes
 - Each retirement or cancellation of a domestic “mirrored” credit in country A’s Scheme must trigger the cancellation of an equivalent quantity of “real” credits out of country A’s account in country B’ registry



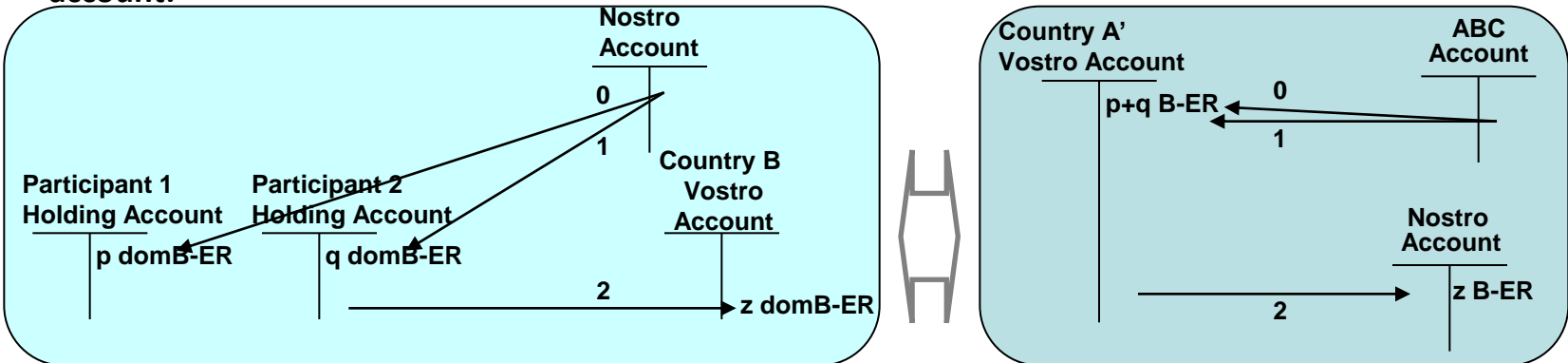
Considerations for linking (2)

Bilateral

- Country A accepts credits from Country B, and Country B also accepts credits from country A
- In order to ensure consistency of accounting across both schemes (and thus environmental integrity), two options can be considered for “linking” their respective registry infrastructures:
 - Connect both registries with a common transaction log, through which a unit can be transferred from one registry to another. Units may leave one registry to join the other one (e.g. : Kyoto registries)

Or

- No connection between the two registries: units never leave a registry but are set-aside on a Vostro account:



Country A' Registry

Country B' Registry

Nostro: “mirrors” the country’s holdings in the external scheme

Vostro: holds the credits that are used in another scheme (holds the “real” units)

Main considerations to build a registry (1)

Main considerations

- **Institutional framework: regulation entities, control entities, registry administrator**
 - Respective roles and responsibilities
- **Legal framework:**
 - what is the Registry liable for
 - who must open an account, who may open an account and under which conditions
- **Operational framework**
 - End-user “business-cases” using the registry, and compliance cycle (workflow and milestones)
 - Accounts architecture and registry processes design
 - Data to be collected, and reporting expected
- **Tools**
 - Procedures
 - IT (including security and costs)

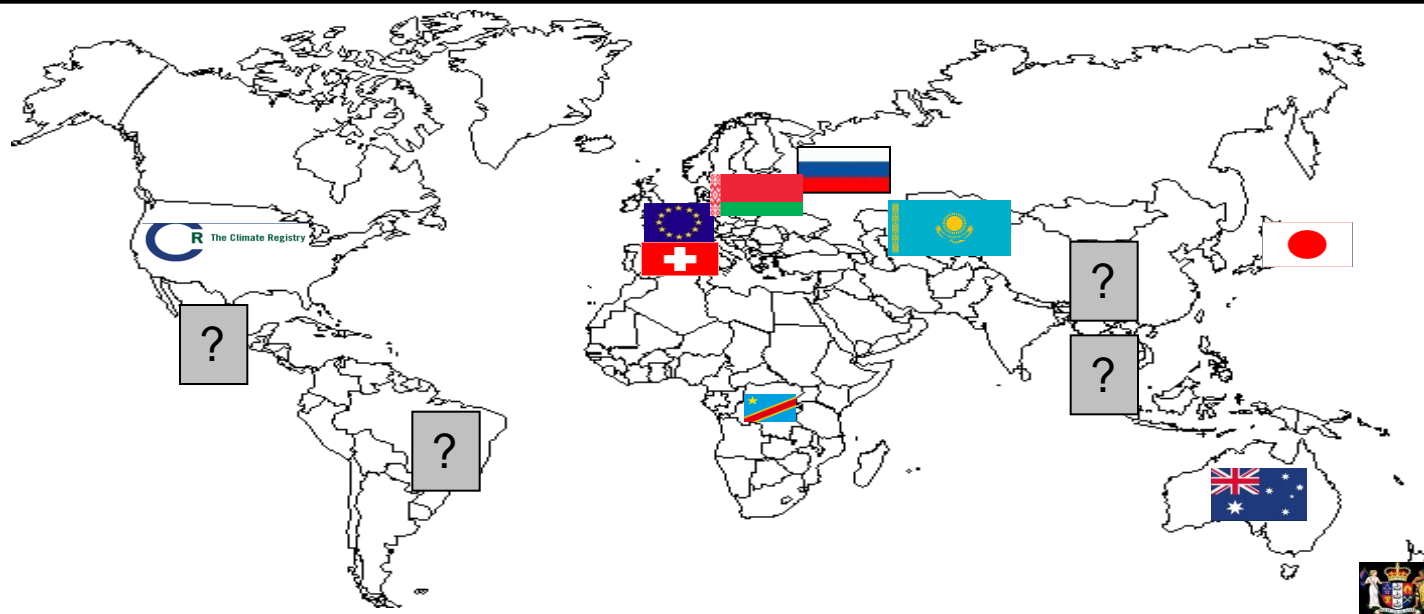
Main considerations to build a registry (2)

Legal and Accounting issues

- **Legal issues**
 - **The legislation must provide clarity on the role of the registry versus that of the regulator (or other authorities)**
 - **The registry administrator must be a reliable entity designated by law**
 - He may refuse to open an account, and he manages end-user relationship
 - **Link between registry holding and legal ownership of any unit**
 - **A contract must exist between the registry and its users**
 - **Applicable fees must allow for wide access to market, and avoid high transaction costs**
- **Accounts architecture**
 - **The registry may provide several types of accounts to serve different users:**
 - **Regulator's account: issuance, cancellation, retirement...**
 - **Compliance participant's account: transfer, surrendering**
 - **Auctioning / Trading platform accounts: allocation/transfers**

National / State-level registries in the world

World-Map of National Registries (in progress)



- **Approx. 40 National registries, 2 international logs,**
 - **NMM Registry expected to be developed by the UNFCCC**
- **Approx. 5 Registry IT software developers**

Thank you !

Questions ?

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(Please refer to 'PMR Workshop follow-up' in the subject of the message)