

GENERAL FEEDBACK

Do you agree that Gold Standard should explore and enable organisations to create digital tokens representing Gold Standard credits, using blockchain technology? Why?

We believe that the use of blockchain technology can help to streamline carbon credit transactions and make them more efficient, given that most carbon credits today are transacted on an OTC basis. Blockchain can also help to enhance accessibility of carbon credits to the wider market and help to maintain robust accounting of carbon credits.

That said, any incorporation of blockchain and crypto tokens in the carbon credit space should serve to enhance the integrity and quality of carbon credits to drive greater positive climate change and not take away its fundamental purpose which is to mobilise capital more efficiently to project owners and accelerate efforts to reach net zero. As such, situations where carbon credit tokens are held and repeatedly traded to take advantage of volatility in pricing might run contrary to the original intention of carbon credits, which is to put money back in the hands of project owners to incentivise greater positive climate actions.

Do you consider there to be potential advantages or disadvantages for your organisation if this were enabled?

STACS is a Singapore based ESG Fintech that aims to help inject greater transparency and traceability into the carbon space, so as to ensure that maximum benefit goes to project owners.

We see an opportunity to balance integrity and quality of the carbon credit by leveraging on blockchain technology to maintain a digital ledger of all carbon credit transactions. This ensures transparency and traceability of all carbon credits and transactions that happen on the blockchain, ultimately preventing double counting. At the same time, blockchain increases the accessibility of carbon credits to a broader market that, otherwise, would have no access to such credits, creating a more inclusive market that allows more to partake in the fight against climate change.

Would you like to share any additional comments not covered by questions included in this consultation?

NIL

Do you consider there to be uses of blockchain technology that should be distinguished and treated differently from others?

There exists a high risk of carbon credit tokens becoming like Bitcoin which are traded at high frequencies in order to generate profits. As such, it is important for Gold to consider implementing rules to discourage speculative trading, especially regarding the retirement of credits where we can tap on blockchain technology to ensure retirement once the token is transferred or spent. Increasing prices should ultimately flow back to project owners and drive positive climate change.

MODEL

Do you consider the custodial account model to be workable in the short-term while other solutions are explored?

Custodial accounts assist in preventing double counting as it ensures that underlying carbon credits are secured by Gold. An API solution would assist in visibility as it connects Gold with the token providing real-time data updates of custodial information such as the number of credits retired and as such the amount of credits left in the custodial account.

Do you consider it appropriate for Gold Standard to explore 'native tokenisation' in the future?

Native tokenization by Gold Standard could help alleviate many of the problems surrounding KYC and the reputational risks that it would face from external platforms. This would be because Gold would be able to implement it in a more controlled environment, allowing it to keep to its original purpose as a use to offset carbon emissions, with the token being able to be directly retired by the owner without a need for an intermediary which would previously be the tokenisation platform

Would you like to share any additional comments on this topic?

NIL

HOLDING, RETIREMENT AND REPORTING

Do you consider these proposals to be workable and proportionate?

If an option of de-tokenizing GS VERS were allowed, platforms may disregard the true quality of credits and propagate the circulation of outdated credits. Consumers would be less concerned about the quality of credits they are buying given that there would be an option to reactivate it if the carbon credit is left undesirable eventually. This runs contrary to carbon credit's true purpose of driving positive climate change.

As such, guidelines should be in place, where previously immobilized carbon credits that no longer meet current standards are discouraged from reactivation, since they no longer bring about positive climate change, being undesirable to corporates and individuals. Reactivation should also be transparent for its purposes, which may be for bona fide reasons like reversal of errors etc.

What do you consider to be an appropriate timeframe in which retirements must be made on the Gold Standard Registry, following their retirement on a third-party platform?

Ideally, the Gold Standard VERs should be retired immediately in real time after they are retired on the third-party platform to prevent the issue of double counting. As such it would be immensely useful should there be APIs developed to facilitate the real-time, seamless transfer of such information.

We are aware that some organisations may wish to create and market tokens that represent fractional portions of one carbon credit. Do you have experience or ideas for how requirements may need to vary in such cases, for instance related to retirement in the Gold Standard Impact Registry?

Currently, Gold's minimum retirement unit is 1 carbon credit. Blockchain technology could come in to make it technologically feasible to record retirement of fractionalised credits (< 1), while ensuring a streamlined and digital record of retirement activity. In such circumstances, Gold could possibly look to facilitating the seamless record of individual fractionalised transactions through providing APIs for platforms to push data to Gold seamlessly. This helps to promote full transparency amongst individuals, where consumers can even go onto the Gold Registry view their own retirement activity. This helps to further engage the masses in the net zero movement.

STACS is currently deeply involved in partnering with a global brand to increase accessibility of carbon credits to end consumers, where we record fractional carbon offset transactions on a digital ledger. We would love to share more with Gold about our experiences in deploying the infrastructure and operational capabilities needed in such implementation for fractionalization of credits.

Given the increased demand for carbon credit activity within APAC, especially with fractionalisation of carbon credits expected to drive retail demand, it also would be helpful for Gold to set up a chapter within APAC to cater to increased volume.

Would you like to share any additional comments on this topic?

NIL

POOLING

Do you think that Gold Standard should consider restrictions on the ability of organisations to pool its issued credits with credits from other standards. Why?

Pooling of carbon credits may undeniably increase the liquidity of carbon credits. However, it comes with its own set of considerations that Gold can possibly look to consider.

Pooling of carbon credits would mean that there could possibly be differing types of carbon credits within a pool, in terms of the type of carbon credits, the vintage period, the additionality and permanence factors as well. Furthermore, given that standards vary across different organisations, the lack of harmonisation of terminologies would serve to make carbon credits highly incomparable across standards. This could possibly be even more confusing from a buyer perspective as to what exactly are they buying and investing into, should they want to look further into the underlying attributes of the pooled carbon credits. This may also facilitate the bundling of lower quality credits into a pool, to make it more investable and attractive to investors. As such, it would be helpful if Gold can consider the comparability and consistency of carbon credits across standards to facilitate a more transparent market.

If the answer to the above question is yes, do you have views on how any restrictions could operate?

To ensure there is no miscommunication of the value of the token in relation to the underlying carbon credit, there could be a requirement where pooling would only be allowed given that the carbon credits are, for example, from the same type of project, same vintage periods, at the same value. It would help in mitigating part of the problem, although there would still be issues in the actual metrics of the token not matching up with carbon credits from different projects.

It is also critical to maintain transparency in this process, where creators or pooled carbon credits should be mandated to clearly disclose the underlying carbon credits in the pool so that investors are clearly aware of what they are investing into.

Furthermore, a fair amount of work has been done, as part of the Climate Warehouse initiative, to push for the harmonisation of terminologies to facilitate comparability of carbon credits across standards. We believe this is something that Gold Standard can potentially leverage on as they look into pooling of carbon credits.

Would you like to share any additional comments on this topic?

NIL

DUE DILIGENCE

Is it sufficient for organisations intending to create original on-chain representations of Gold Standard credits to undergo our existing KYC checks, or should further due diligence requirements be introduced? If so, for whom?

Gold should apply KYC checks that have an ESG/Sustainability component, such that companies are required to have such initiatives in place if they wish to create or transact tokens. It would also help drive positive demand if credits were backed by a company with strong sustainable and social responsibility standards.

More operationally, Gold should audit the robustness of the platform's KYC, and understand the purpose of their engagement in carbon credit activity so as to ensure that the fundamental purpose of carbon credits is not lost through speculative trading when prices are volatile.

Do you think that Gold Standard should introduce requirements related to the due diligence checks that organisations creating digital tokens representing Gold Standard credits apply for their own users?

Should there be a creation of alternative assets by third-parties, responsibility shall be assumed by the tokenizer to audit and monitor said assets in ensuring that similar requirements that they themselves comply with are met. The robustness of a tokenizers policy in regards to this can be then be made into a key KYC requirement.

Are there examples from other sectors that you believe could be learned from?

NIL

Would you like to share any additional comments on this topic?

There is also the problem of how fractionalized carbon credits will ultimately be retired in Gold given that it must be retired as 1 and how such individual data will be reflected. In this, STACS can help Gold meet this need, through technology solutions that assist in acting as digital registry for fractionalised credits and streamline the process of retirement, channelling this seamlessly into Gold's registry.

SUSTAINABILITY

Do you agree that Gold Standard should apply restrictions related to the emissions footprint of blockchain technologies?

Gold Standard should apply restrictions as sustainability is a key issue, with a key consideration being additionality as emissions are generated each time a token is minted or traded.

Do you consider these proposals to be workable and, if not, why?

These solutions are workable, especially for solutions not utilizing proof-of-stake mechanism. To ensure that emissions of alternatives are lower, Gold can consider utilising DMRV providers to assist in tracking the token each time there is a transaction to ensure that it does not take away from the purpose of a carbon credit, in offsetting carbon emissions.

Do you consider these proposals to be sufficient and, if not, why?

While these proposals might be sufficient in the short term, it does not consider the long-term impact especially if tokens are continuously traded with emissions generated each time. To ensure that the value of the token, and by extension, that of the carbon credit, remains consistent, Gold can consider an approach where tokenizers have a set cumulative limit in the amount of emissions they can produce based on their custodial account. With any movement pass, this limit requires tokenizers to purchase their own carbon offsets to bring that value down. Another approach would be for the amount exceeded, to be directly retired from its custodial account on a year-by-year basis.

Are you aware of, or would you recommend, a benchmark that Gold Standard could use to determine whether blockchain technologies have a sufficiently low emissions footprint for consent to be granted?

STACS has a host of data partners which can assist in measuring and analysing emissions from digital streams to the data centers themselves. There is an opportunity for STACS to work alongside Gold, in determining an appropriate set of benchmarks to which blockchain technologies will have to meet before they can be used to tokenise Gold Standard's VERs.

DATA SECURITY

Do you agree that Gold Standard should either introduce conditions or require information related to the IT security measures that an organisation is taking to protect data against breaches?

We believe that additional safeguards should be in place, especially as any data breaches could call into question the integrity of the carbon credit. Not to forget that such data breaches also present a reputational and material risk given that they are backed by Gold Standard VERs.

If so, do you have views or recommendations on what Gold Standard should require?

Gold Standard should require minimum standards in the form of recognized data security certifications (eg. Internationally recognised ISO certification), as well as implementing it as part of their KYC checks to ensure that said platform has a clean track record with regards to data security.

What are the primary risks that you believe Gold Standard should consider when writing its requirements on this topic?

As mentioned previously, reputational and material risks are two to consider. A platform that constantly experiences data breaches, would lead users to doubt the trustworthiness and reliability of it, leading potential users to form the impression that it is not as credible. This impression may also extend to the products on the platform - Gold Standard carbon credit tokens, which could lead to a lower perceived value by consumers, harming the reputation of Gold.

Secondly, it could lead to the question on how ownership of the underlying carbon credits would be decided, given that its new owner did not gain them their legal channels. This puts them into a dilemma and could lead to a portion of carbon credits being stuck in limbo, defeating its original purpose to help offset carbon emissions.

Are there benchmarks, good practice codes or similar reference points for IT security requirements that you would recommend Gold Standard following or taking into account?

Good benchmarks to consider would be as mentioned previously, data security certifications such as ISO, CISSP, CISA, etc. These are recognized globally and provide a safe and reliable way to benchmark their security requirements to a third-party assurer to prevent conflicts of interest.

PERMITTED UNITS

Do you agree with the proposal not to initially permit the tokenisation of these categories of credit, until tailored safeguards are developed?

Safeguards are critical in ensuring that the nuanced differences of the different types of underlying carbon credits are fully accounted for. As such, we agree that before such safeguards are in place to govern the integrity of the carbon credit tokens, there should be boundaries placed on the types of credits that can be tokenised. Should they be currently allowed to tokenise, it would make it hard for consumers to differentiate between them, reducing traceability of the tokens and potentially leading to misleading claims by buyers on the use of the different types of carbon credits. As such, we support the cautious approach that Gold is considering to adopt to ensure the differentiation of carbon credits.

Do you believe there are other types of carbon credits that Gold Standard should consider creating tailored safeguards for? If so, why?

In general, we feel that tokenisation should not reduce the transparency of the underlying carbon credits and that safeguards should be put in place to accurately reflect what the underlying carbon credit actually represents. As such, Gold Standard can work with third party platforms in pilot programs to ensure that such transparency is not compromised even as you open up to the idea of tokenisation.

Would you like to share any additional comments on this topic?

NIL

REPUTATIONAL HARM

Do you consider Gold Standard's existing conditions related to reputational harm to be suitable for the act of creating digital tokens representing Gold Standard credits?

Gold Standard's existing conditions are robust and encompassing to ensure that actions are taken should a partner act contrary to its original purpose or ethos. However, no condition is exhaustive, as such more preventive measures instead can be taken to prevent such a scenario from happening.

If not, what amendments or additions do you believe are needed?

In addition to the additional KYC checks which were mentioned previously, Gold should gain a better understanding of the organization which intends to tokenise its carbon credits. These could be through on-site visits or even through customer references which would assist in giving a clearer overview.

Would you like to share any additional comments on this topic?

NIL