# **Gold Standard Consultation autumn 2022 ‘CONDITIONS FOR CONSENTING TO TOKENISATION OF GOLD STANDARD-ISSUED CREDITS’**

# Input from experts at the Cambridge Centre for Carbon Credits (**4C**) at the University of Cambridge, United Kingdom. The opinions do not represent the opinions of the University. Contact: Harriet Hunnable - email hh555@cam.ac.uk

# Questions and responses:

# **PROCESS**

**Do you agree that Gold Standard should explore and enable organisations to**

**create digital tokens representing Gold Standard credits, using blockchain**

**technology? Why?**

Yes but only where it genuinely adds value, e.g results in more money going up the chain and/or adds to transparency of use.

We have concerns about use for retail (individuals purchasing for speculation or investment) and use of digital tokens for speculation generally.

Any digital token wrapping must be done with the consent of the originating project and this should be opt-in rather than opt-out.

**Do you consider there to be potential advantages or disadvantages for your**

**organisation if this were enabled?**

Indifferent unless there’s some collaboration with GS.

**Do you consider there to be uses of blockchain technology that should be**

**distinguished and treated differently from others?**

We think there’s an important distinction between wrapping carbon credits for trading and blockchain-based systems that aid in transparency of use/retirement.

An example of the latter would be being able to tie retirement data in the Gold Standard registry with on-chain fine-grained metadata associated with the retirement (we have developed a system which is an example of that).

# **MODEL**

**Do you consider the custodial account model to be workable in the short-term**

**while other solutions are explored?**

We don’t see any immediate problems with the custodian model.

**Do you consider it appropriate for Gold Standard to explore ‘native tokenisation’**

**in the future?**

It’s unclear to us what this actually would entail. Would Gold Standard be the custodian in this case?

# **HOLDING, RETIREMENT AND REPORTING**

**Do you consider these proposals to be workable and proportionate?**

These seem reasonable.

**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?**

If it’s digital we don’t see why it couldn’t be nearly instant unless there needs to be aggregation.

**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?**

We do indeed have experience here. There should be allowances for fractional portions of one carbon credit. It should be up to on-chain token custodian to aggregate and retire credits in tonnes and the Gold Standard registry retirement metadata needs to link to an on-chain record that shows the retirements that sum up to the GS tonne.

# **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?**

Clarification is needed. The following statement is unclear: “*Gold Standard is mindful that by the nature of pools or contracts, carbon credits entered into the pool or contract would all be expected – in the absence of new innovation – to attract the same price. If Gold Standard credits were pooled with credits from other standards, this may therefore be disadvantageous to many projects registered with Gold Standard, if they are currently able to sell credits at higher prices.*”

Our concern is that it is not clear what the incentive would be for mixed credits pools for anything other than speculation.

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

It’s worth pointing out that technically once a token is on-chain there is nothing that can be done to stop this. The on-chain custodians don’t really have users agree to terms that prevent them doing things like this.

You can essentially take any token and put it in a box, then box that box and do whatever you want.

# **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?**

KYC requirements should be consistent. Gold Standard will need to have an understanding of this sector and organisational types to be able to make determinations.

**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?**

There’s two issues here, one is whether it is desirable to have people or entities holding GS credits that haven’t gone through KYC and the other is whether you want people or entities *retiring* GS credits that haven’t gone through KYC.

We think there’s genuine reputational concerns around the former case being used for e.g money laundering. For the latter there are potential credibility issues with allowing anonymous retirement - Gold Standard should consider opt-in KYC for retirement so an organisation can prove the tokens it ultimately retired were from them.

# **SUSTAINABILITY**

**Do you agree that Gold Standard should apply restrictions related to the emissions**

**footprint of blockchain technologies?**

Yes. It would be silly if the emissions involved in trading a tonne of carbon were material.

# **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?**

Not really, we don’t think anything prescribed here would be more than theatre.

# **PERMITTED UNITS**

**Do you agree with the proposal not to initially permit the tokenisation of these**

**categories of credit, until tailored safeguards are developed?**

This is correct and prudent.

# **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?**

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