

# PROCEDURES FOR ISSUANCE AND WITHDRAWAL OF CARBON CREDITS AND DOUBLE ACCOUNTING PREVENTION POLICIES



VERSION 1.0

# INTRODUCTION

For climate change mitigation actions to be real and effective, it is necessary to ensure compliance with the principles of transparency and environmental integrity of the certified carbon credits "Carboncer" generated by such actions (which include activities to reduce, remove, destroy, displace or avoid GHG emissions) under the development of mitigation programs or projects, which are part of Cercarbono 's registration and certification processes.

This document establishes the procedures for the issuance and registration of Carboncer to ensure, to the extent possible, that such credits have not been issued under other programs, registries, or standards.

In this sense, Cercarbono seeks to guide efforts to cooperate in the construction of a reliable and transparent market, a scenario in which the need to align the program's own policies with the national climate strategies established in the different countries that participate in the carbon market becomes evident to achieve the objective of preventing double accounting of carbon credit (Cercarbono 's Carboncers) emissions.

Complementing this objective, the United Nations Framework Convention on Climate Change (UNFCCC) convened (under Article 6 and Decision 2/CP.17, paragraph 79) to exercise robust accounting by carbon market participants to ensure that there is no double accounting or double use of such credits.

Double use is prevented through mechanisms implemented by the certification program through its registry platform and guidelines; double claims are prevented through coordinated actions between different governments, project holders, carbon compensation and reduction schemes, and certification programs.



# CARBONCER ISSUANCE PROCESS

In accordance with Cercarbono 's voluntary certification program and the provisions of its protocol, the issuance and registration of Carboncers corresponds to the eighth stage of its certification process (see Figure 1). To reach this stage, mitigation initiatives must have successfully completed the following phases of the project cycle: design, formulation, implementation, validation, and verification, which are documented and reviewed during certification.



Figure 1. Cercarbono certification process

Therefore, the issuance of the Carboncer is generated when the certifier of the mitigation project issues a report (see Figure 2) on the review of the main elements contained in the Project Description Document (PDD), those generated in the validation processes and in the verification processes (when applicable). It also reviews the supporting documentation or additional information that guarantees compliance with the climate change mitigation actions foreseen in these initiatives.

During the review process, the certifier may identify findings that need to be documented, justified, corrected, mainly because they go against the activities proposed by the project.

Certification Report	
<b>CERCARBONO</b> CERTIFICADORA DE CARBONO	
<b>Project</b>	<b>Project name</b>
responsible	Name of project owner
<b>reviser</b>	<b>Name of technical reviewer</b>
Initial review date	Day.month. year
<b>Evaluation criteria</b>	<b>Name of evaluation criteria</b>
<b>Review criteria</b>	<b>Version of Cercarbono's Protocol</b>
Template version	Template version

Figure 2. Certification Report



These findings must be notified to the developers, titleholders or the VVBs, which must be remedied in the corresponding instance to generate the certification report. Once the certifier is sure that all the documentation of the mitigation project is complete or that the different identified corrections have been made, the report is duly completed and signed.



Figure 3. Credit Emission Certificate

Once the report has been issued, a Carboncer emission certificate is generated (see Figure 3), which includes the assignment of serial numbers for each tCO<sub>2</sub>e removed, reduced, destroyed, displaced, or avoided by the project. This certificate states the amount of Carboncer emitted under a unique serial number generated by EcoRegistry, a determined period of validity, an indefinite validity of the carbon credits emitted, a total duration of the project, as well as the VVBs that validated or verified the project. In the case of land use projects, serial certificates are generated corresponding to the GHG emission removals buffer. This certificate is signed by Cercarbono CEO, verifying that the certification report has been completed.

Both the report and the Carboncers emission certificate become available on EcoRegistry website. To generate the Carboncer issuance certificate, the certifier must confirm the information related to the number of credits per year and their eligibility. In this way, Cercarbono ensures that compensation credits are correctly qualified under the compensation schemes or programs in which they are eligible.



# CARBONCER REGISTRATION PROCESS

The development of a transparent market requires unbiased information through the application of standard processes and registry systems that publish the right information at the right time. Each user must be able to recognize where a credit has come from, how it has been traded and who is the ultimate beneficiary of each carbon unit. EcoRegistry supports Cercarbono 's efforts in this area by implementing a technological platform that publishes the necessary information so that the end user can recognize the origin, traceability, and final beneficiary of each carbon unit. EcoRegistry supports Cercarbono 's efforts in this matter, through a platform based on blockchain technology, where holders enter the information of their mitigation initiatives required by the Certification program.

In EcoRegistry, carbon units are also registered and emitted through flowchains approved by Cercarbono. The total volume of carbon credits supported in the certification, which corresponds to the total volume of carbon credits issued by Cercarbono, is issued, and listed in the project registry on the EcoRegistry platform. Likewise, transfers and withdrawals are made by users through automatic processes.

EcoRegistry safely guarantees the issuance, monitoring, transfers, and withdrawals of all Carboncers, in accordance with the principle of transparency and avoiding double use and double claim. Likewise, it makes public the necessary information so that users can recognize the origin, traceability, and the final beneficiary of the credits.

Information on each project is always available on the EcoRegistry website ([www.ecoregistry.io](http://www.ecoregistry.io)). All projects are listed, with their general information, as well as supporting documentation for each stage. Once credits are generated, the amount of credits available, as well as information on the redemption of each credit is displayed on the project account webpage, so that anyone can audit the amount of compensations that are issued and withdrawn. The system provides a serial for each ton of GHG emissions reduced. The serial contains all relevant information about the project, as shown in the figure below.

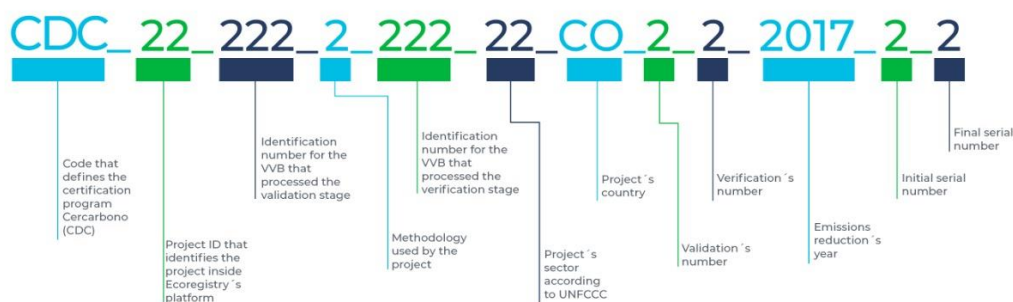


Figure 4. Description of the serial components assigned to each Carboncer.



# CARBONCER WITHDRAWAL AND CANCELLATION PROCESS

The user who owns the initiative or the project developer who has the respective authority may use the GHG emissions reduction certificate to be withdrawn on behalf of the taxpayer or end user.

The withdrawal process consists of the permanent removal of a carbon unit from the registry system in favor of a final beneficiary. In other words, a carbon unit can only be removed once. In this way, said unit cannot be circulated again and it is being deducted from the total available certificates of the initiative.

To make withdrawals or cancellations, the custodian user of the carbon unit must enter the platform with their username and password and click on the option to withdraw certificates and provide the following information:

- a) Project from which carbon units will be withdrawn or cancelled
- b) Production period / cycle of carbon units
- c) Number of carbon units to remove
- d) Reason for withdrawal: voluntary compensation, carbon tax or other specific market type
- e) Certificate language
- f) End user information: name, document type and document number
- g) Information on the taxpayer, if applicable: name, type of document and document number
- h) Verification code that is sent to the email to carry out the transaction

The withdrawal certificate to be issued has the following information:

- a) Date of withdrawal of the Carboncer.
- b) Name and ID of the project.
- c) Name and ID of the project owner.
- d) Amount of Carboncer withdrawn.
- e) Serials of the retired Carboncer.
- f) Period / production cycle of the withdrawn Carboncer.
- g) Company name and identifier of the taxpayer's company for the purposes of not accruing the carbon tax.

Carbon credit certificate is generated in electronically signed PDF format and can be printed without losing its authenticity, as soon as it is verified against the original issued electronically by EcoRegistry, which can be accessed at the e-mail address provided by EcoRegistry, using the verification code assigned by EcoRegistry.



## CARBONCER TRANSFER PROCESS

The transfer process consists of moving a certain number of carbon units between different existing EcoRegistry accounts. This process involves the change of custodian and ownership of the Carboncer. The transfer functionality allows the buying and selling dynamics of the carbon market to be reflected in the registry, ensuring the traceability of the information.

The Carboncer transfer process is carried out automatically under a logic of self-management by the user. To do so, the custodian user of the carbon unit must enter the platform with the corresponding username and password and click on the option for transferring certificates.

The following information must be provided:

- a) Project from which carbon units will be transferred
- b) Period or production cycle of the carbon units to be transferred
- c) Number of carbon units to be transferred
- d) Selection of the receiving account
- a) Verification code that is sent to the email to carry out the transaction.

The operation can be confirmed through the Transfer History tab, which records the following information on all transfers sent and received by the user:

- a) Type of transaction: sending or receiving carbon units
- b) Source project
- c) Serial transferred
- d) Number of carbon units transferred
- e) User interaction of the transfer
- f) Date of transfer.

Each of the transfers and their information, including the custodians that each unit may have, is traceable by the platform through blockchain technology. Historical transfer reports can be generated automatically for the registry manager.



## PROCESS OF CONVERSION TO CARBONCER

When a holder of a project has carbon credits obtained by the mitigation actions of said initiative and they have been issued by another certification program in which they have not been traded and wishes to convert them to Carboncer, the project must be re-certified under the Cercarbono program, for which a program change declaration form must be filled to support:

- a. The veracity and transparency of all the information provided on the project.
- b. The authority and right of all carbon credits subject to conversion to the Cercarbono program.
- c. The withdrawal or cancellation of carbon credits from the original certification program that are subject to conversion to the Cercarbono program.
- d. That the carbon credits subject to conversion to the Cercarbono program have not been sold, used for compensation or compliance purposes in any mandatory or voluntary carbon market.

In addition to the program change declaration form, the project must comply with all stages of the certification process of the Cercarbono program established in its Protocol. The carbon credit converted to Carboncer will have a unique serial that contains the elements described in Figure 4.

## DOUBLE ACCOUNTING

Double accounting is a practice in which carbon credits generated by projects are accounted for or claimed more than once, resulting in a deviation from the optimal use of resources for climate change mitigation, a situation that certification programs such as Cercarbono must control and avoid. Double accounting of credits is often represented by double issuance, double use and double claiming. Therefore, it is necessary to understand them separately, as the prevention mechanisms implemented in each case are different.

To prevent units that are used or accounted for by an entity from being accounted for at the same time by the host country where the projects are developed, it is necessary to ensure that the host country makes the necessary corresponding adjustments so as not to include them in its national accounting. The concept of corresponding adjustments refers to the corrections to reported emissions that countries must make in order not to include in their accounting units that have already been claimed by another entity.





# DOUBLE ACCOUNTING

## Double issuance

Occurs when more than one credit is generated for the same reduction.

Example:  
Emissions are generated from two projects in the same forest area (overlap).

## Double Use

Occurs when a certified carbon credit is used on more than one occasion.

Example:  
a carbon credit is registered in EcoRegistry and at the same time in another registry of a certification program.

## Double Claim

It occurs when a carbon credit is used or accounted for by different countries or entities to meet their mitigation targets.

Example:  
a credit is used under CORSIA and accounted for by the host country within its national accounting.

1

## **Information available on the titleholder and project location:**

Whenever a project is registered, all project owners must be identified, as well as their exact location using Shape or KML formats. Ownership of credits is always defined in the issuance certificates and withdrawal certificates.

2

## **Contractual statement of the project titleholder:**

By means of a contract signed between the two parties (titleholder and certification program), the titleholder declares that the project is its legitimate and exclusive property. Additionally, he/she declares that, at the time of requesting the certification and subsequent registration of the Certified Emission Reductions, he/she declares that he/she has no knowledge that these have been, or are being or will be certified or registered in other national or foreign registry systems, or that concurrent benefits contrary to the law have been obtained on them, or that multiple accounting processes are being carried out to obtain additional benefits.

3

## **Program conversion procedures:**

Cercarbono has procedures in place to register and monitor projects wishing to migrate from a certification program to Cercarbono. These procedures declare that the carbon credits being converted to the Cercarbono program have not been sold, used for compensation purposes, surrendered for compliance purposes in any mandatory or voluntary carbon market, nor have they been used for carbon tax exemption purposes. Likewise, the titleholder declares that the carbon credits subject to conversion to the Cercarbono program have been cancelled or withdrawn from the certification of origin program, presenting evidence (documentary and published) of the cancellations made by the registry of the previous certification program or standard.

# PREVENTION MECHANISMS TO AVOID DOUBLE USE

A robust registry system or platform is a fundamental tool to ensure accuracy in accounting for mitigation actions and to prevent double accounting.

Cercarbono uses the EcoRegistry platform to securely guarantee the issuance, tracking, transfers, and withdrawals of all Carboncers, in accordance with the principle of transparency and avoiding the double use of credits.

Cercarbono 's certified carbon credits are only issued once. This means that a given credit can only be used within the framework of an established approach within the voluntary carbon market, i.e. the titleholders of a given project must previously assign the market to which they are going to direct the credits generated by it.

EcoRegistry has an efficient operation that allows the user to enter information on the final destination of the credits. This is how Cercarbono issues its credits specifying their final use in national, corporate, and independent mitigation initiatives such as the carbon tax, CORSIA, ETS Mechanisms and other voluntary mechanisms. So far Cercarbono has implemented this mechanism for all credits that have as final destination the Colombian carbon tax.

Dual use is also avoided using the EcoRegistry platform. The removal process consists of the permanent removal of a carbon unit from the registration system. In other words, a carbon unit can only be removed once. In this way, said unit cannot be circulated again and it is deducted from the total available certificates of the initiative and contributes to the fact that a carbon unit cannot be used twice.



Everything is backed by the assignment of a unique serial number to each credit, which is assigned by the EcoRegistry platform, thus guaranteeing that no double use of these credits is generated. In this way, each certified credit has a visual and registered differentiation as to its final use that allows its identification in the certificates issued.



In due course, the registration platform:

Publicly indicates whether a given compensation credit has been qualified by the certification program for use under a carbon compensation and reduction scheme.



# PREVENTION MECHANISMS TO AVOID DOUBLE CLAIMS

In the scenario under which a country with established domestic mitigation targets operates at the same time and space as international carbon market programs, there is the distinct possibility of double-claiming, as credits can be transferred for use within the country's commitments and used at the same time to meet the targets of a carbon scheme.

Cercarbono requests all participants or project titleholders who wish to be part of a compensation scheme where double-claiming is possible to occur to provide a written statement from the host country where the emission reductions or removals occurred. This occurs once compensation credits have been issued and once Cercarbono has qualified these credits under the selected scheme.

"The established tools for avoiding double-claiming are focused to be used primarily under Carbon Compensation and Reduction Plans or Schemes that involve several countries in their development and end-use."

The request is for the host country to issue a statement authorizing that carbon credits certified by Cercarbono can be used under a certain compensation scheme and declaring that they will not claim the associated emission reductions for the purpose of accounting for them in their mitigation targets.

The declaration issued by the host country will be made publicly available.

**When must the written declaration of the host country be submitted?**

When the owner of a project is going to make a withdrawal, it is necessary to indicate through the registration platform the end use that these credits will have, this end use must be selected as previously approved by the certification team. When selected, the system will require the project owner to upload the declaration of the host country to the platform.



To illustrate an example: in the specific case of CORSIA, once Cercarbono has received the declaration letters from the countries and compliance with all CORSIA provisions and eligibility criteria has been verified, it may authorize the use of such compensation credits under CORSIA.

Cercarbono is always willing to adjust its procedures and requirements under the provisions of the Paris Agreement with respect to each country's NDCs and the time periods that apply to those targets. However, it is important to clarify that it is only possible to accept credits under any compensation scheme in cases where all information related to the use of such credits and all stakeholders involved is available.

As a prevention mechanism, Cercarbono ensures that the information needed by countries to understand whether project activities and emission reductions/removals are covered by NDC targets is publicly available and thus facilitates the application of corresponding adjustments through its registration system.

Cercarbono is always willing to adjust its procedures and requirements under the provisions of the Paris Agreement with respect to each country's NDCs and the time periods that apply to those targets. However, it is important to clarify that it is only possible to accept credits under any compensation scheme in cases where all information related to the use of such credits and all stakeholders involved is available.

#### ATTRIBUTES ASSIGNED TO THE COMPENSATION CREDITS

The main attributes of the serials assigned by the registration system that facilitate the process of identifying compensation credits to avoid double claims are the identification of the country where the project was developed, and the year associated with the occurrence of the reduction or removal.

The objective of Cercarbono when requesting the declarations of the host countries for the withdrawal of the credits is that the base information of the transfers is the real estimate of the reductions generated by the projects, which facilitates the process of adjustments of the countries in their national accounts.



The format and content of the declarations of the host countries is defined according to the circumstances and needs of each country, so it is the authority of each nation to do so. However, seeking to comply with procedures that guarantee the principle of transparency in accounting for global emissions, Cercarbono establishes recommendations on the information that it considers necessary to include in the declarations issued by the countries.

- Specify the project with name and identification.
- Establish the period in which reductions or removals are authorized, as well as identify the periods of time in which the objectives of the NDC are included.
- Determine the project activities covered by the objectives of the NDC.
- Specify the scheme, mechanism, or program under which the emissions that will not be included in the national accounts will be used.
- Describe the adjustments to be implemented in accounting, where applicable.
- Include any additional restrictions that the host country deems necessary to support the transaction.



# PROCEDURES FOR DOUBLE ACCOUNTING OCCURRENCES

In the eventual case in which double accounting is identified, Cercarbono through its registry defines procedures to invalidate the compensation credits that were doubly claimed.

As soon as Cercarbono identifies the occurrence of double counting, the parties involved are immediately informed.

Depending on the situation and the seriousness of the occurrence, Cercarbono's board of directors will define what sanction to apply:

- ▶ **Minimum sanction:** invalidation of compensation units or credits that were subject to double accounting.
- ▶ **Moderate sanction:** forced compensation of occurrence, which consists of the recording system taking a certain amount of credits defined by Cercarbono to compensate for the occurrence of double accounting.
- ▶ **Severe sanction:** invalidation of the entire project.
- ▶ **Maximum sanction:** in addition to the invalidation of the entire project, the titleholder of the project subject to double accounting is disqualified indefinitely from registering the project in the Cercarbono program.

In the minimum and moderate sanctions, it is possible that the board of directors may request the titleholder to take additional actions to help compensate for the occurrence of double accounting. Depending on the determination of the board of directors, the user may be blocked or conditioned to be authorized by Cercarbono every time he/she is going to make any movement on the platform.

All the procedures established in this document are focused on preventing double accounting, but if a double issuance or a double use of credits that were previously commercialized should occur, Cercarbono will interpose to the titleholder involved some compliance actions that will have as only objective the compensation of the damages caused to the buyer of the credits.

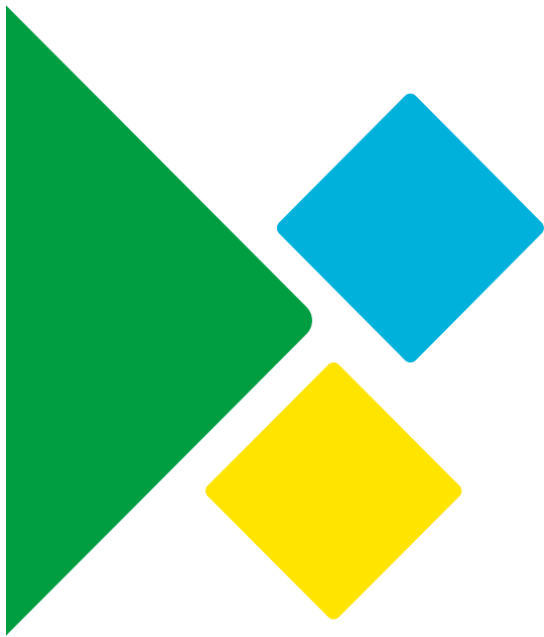




# DOCUMENT HISTORY

Version	Date	Comments/changes
1.0	05/02/2021	Initial version





**CERCARBONO**  
CERTIFICADORA DE CARBONO