Strategy for establishing a working group to support the development of a blockchain solution for international emissions trading

EXECUTIVE SUMMARY

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Introduction

The purpose of this project is to outline a strategy for the establishment of a working group to assist in the development of a blockchain solution for the operationalization of Article 6 of the Paris Agreement. Article 6, the only article of the Paris Agreement yet to be finalized, will eventually provide an accounting framework for international cooperation in emissions trading and cross-border transfer of carbon credits known as internationally transferred mitigation outcomes (ITMOs)[1]. ITMOs are integral components of country-specific action plans to achieve national climate targets, known as nationally determined contributions (NDCs)[2]. Blockchain for Climate Foundation (BfCF) is developing a prototype known as the BITMO platform to serve as a universal solution to Article 6: a secure, transparent blockchain registry for ITMO transactions.

Background

The problem at hand

If the global community hopes to make meaningful progress on our international emission reductions targets as laid out in the Paris Agreement, it is imperative that the accounting infrastructure supporting countries' use of ITMOs as part of their NDCs is secure, reliable, transparent, and above all, has checks in place to prevent double counting. Article 6 is the critical piece of this international climate policy that will eventually lay out the administration and accounting rulebook for these ITMO transactions.

In the meantime, national parties with their unique carbon inventories face barriers to participating in an international carbon market struck by inefficiency as they lack a universal tool to facilitate these exchanges. There is significant capital available around the world to support emissions reductions projects that is not being connected to projects in need of funding. Furthermore, increased access to cross-border collaboration on emissions reductions projects enabled by a robust Article 6 registry can ensure capital is appropriately allocated to where it can be used most cost-effectively in realizing environmental and social outcomes.

Blockchain for Climate Foundation's solution

Blockchain for Climate Foundation recognizes that today's blockchain technology encompasses all the desirable characteristics and functionality required in an Article 6 registry. Furthermore, there is no reason to wait for an official United Nations ITMO ledger to be built to begin implementing more effective cross-border climate solutions. BfCF is employing the tools already

at our disposal and is leading the way enabling countries to collaborate on ITMO projects while eagerly awaiting the final negotiations of Article 6 at COP26 in November 2021.

BfCF's BITMO platform is a blockchain-based registry that enables the generation, trade, and tracking of blockchain-internationally transferred mitigation outcomes (BITMOs). It is designed to be compliant with the yet-to-be finalized official Article 6 rulebook and will help parties to the United Nations Framework Convention on Climate Change (UNFCCC) meet their NDCs. The BITMO platform features all the desirable characteristics of an accounting mechanism for international emissions reductions: The Triple Threat of public Blockchain: *transparency* to guarantee environmental integrity of all tokens produced (all project details encrypted in every non-fungible token produced), *immutability* (a token cannot be altered once inputted), and *secure* as it is 100% verifiable. Trust is another major perk of the BITMO platform as it facilitates interactions between countries without need for a pre-existing level of trust between them, given that all tokens on the BITMO platform are trustworthy. Once production ready, the universal BITMO platform will enable public access to every BITMO transaction and wallet for all national parties using the platform.

National Parties Working Group

Blockchain for Climate Foundation is establishing a working group known as the National Parties Working Group (NPWG) to collect feedback on the BITMO platform prototype from national parties to the UNFCCC, its end users. This feedback will be used to inform the platform's roadmap to take it from a prototype to a production ready implementation tool. This refinement process will allow BfCF to resolve usability issues and ensure the BITMO platform properly meets user needs in preparation for public release. In this sense, the NPWG has elements of a beta trial working group as its primary aim is for an entrepreneur (BfCF) to collect feedback on its solution from its potential users and key stakeholders (national parties).

An additional motivation behind the NPWG is to raise a community of BITMO platform champions who will become the actual users of the tool once it is released to the public. It is anticipated that their use and championing of the tool within their networks will facilitate its adoption by other national parties as their ITMO registry of choice. Here, the NPWG operates like an advocacy coalition comprised of members who share a common vision for a policy outcome.

Research Approach

The National Parties Working Group engagement strategy prepared for Blockchain For Climate Foundation (BfCF) has been influenced by the work of Paul Sabatier and colleagues in the development of their Advocacy Coalition Framework (ACF). An ACF is typically used as an organizational structure for a specific governmental policy issue[3]. It is characterized by having two opposing coalitions on either side of a policy issue, the coalitions each with their own value set which informs the stance of the actors in the coalition and unifies them[3]. The members of an advocacy coalition coordinate among themselves to organize and advocate to the government on specific issues in hopes of informing the decision-making process[3]. The ACF is a heavily researched, tried and true policy framework for the implementation of environmental policies, with notable examples including forestry policy and California's marine protected area policy[4]. The ACF offers useful guidance to inform BfCF's NPWG strategy as participating national parties will ideally be championing the use of the BITMO platform for the operationalization of Article 6 of the Paris Agreement - an important determinant of the overall effectiveness of implementation of this international climate policy.

Summary

BfCF is building the initial NPWG from national parties who have previously expressed interest in the BITMO platform through demonstrations and presentations at international climate conferences over the last few years. Insights into the continued evolution and expansion of the working group are discussed in this strategy, including considerations for achieving different forms of diversity within the working group, recruitment strategies and identification of national parties with notable potential suitability for early engagement with the BITMO platform. Other working groups and international organizations working on the operationalization of Article 6 are compared and contrasted with the NPWG. Drawing from the Advocacy Coalition Framework, the collection of qualitative data surrounding national parties' perceptions and expectations for the working group is emphasized[5]. Building flexibility into the design of the NPWG is a focal point of the strategy. As such, the structure for the working group accounts for varying preferences among the national parties in terms of learning styles and methods of offering feedback. Ensuring ability to accommodate specific needs and interests of the national parties is identified as a salient aspect of a successful stakeholder engagement strategy.

References

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