



UK Carbon Code of Conduct Registry Procedures:

UK Carbon Code of Conduct: Customer Screening, Registry Audit, and Compliance Evaluation Process

Introduction

The UK Carbon Code of Conduct (UKCCC) is committed to maintaining a credible and secure carbon registry. This document outlines the screening process for onboarding new customers, periodic audit procedures for the registry, and measures for evaluating compliance and security. These processes ensure that all participants in the UKCCC registry adhere to high standards of integrity and contribute to a secure, transparent, and trustworthy carbon market.

1. Customer Screening Process for New Registry Participants

The screening process for new customers ensures that all individuals and organizations participating in the UKCCC registry meet the required standards for ethical conduct, financial integrity, and environmental responsibility. This process is designed to prevent fraud, safeguard data, and uphold the credibility of the carbon credit market.

1.1 Application Submission

- **Application Form:** All new customers (including project developers, investors, and credit buyers) must complete an application form providing detailed information on their identity, business operations, financial standing, and intended activities within the registry. This can be carried out by a third party broker.
- **Document Requirements:** Applicants must submit key documents, including:
 - Proof of identity (for individuals) or business registration documents (for organizations).
 - Financial statements or proof of funds for investment.
 - A declaration of any previous carbon credit or environmental project involvements.

1.2 Due Diligence and Background Checks



- **Identity Verification:** The UKCCC verifies the identity of all applicants through government-issued IDs, company registration details, and other official documents.
- **Anti-Money Laundering (AML) Checks:** Background checks are conducted to ensure compliance with AML regulations. This includes screening against global sanctions lists, politically exposed persons (PEP) databases, and adverse media reports.
- **Environmental and Social Responsibility Assessment:** Applicants are evaluated based on their track record in environmental stewardship and social responsibility. Project developers must provide information on their past projects, including any environmental violations or human rights issues. Those organisations that continue to invest in oil and gas exploration shall automatically be denied access to the registry.
- **Reputation and Credibility Check:** The UKCCC conducts checks on the applicant's reputation within the carbon credit and environmental sectors, assessing public records and industry feedback.

1.3 Risk Assessment and Approval

- **Risk Scoring:** Each applicant is assigned a risk score based on factors such as compliance history, financial standing, and the nature of their intended activities. High-risk applicants may undergo additional scrutiny or be required to provide further documentation.
 - **Approval or Rejection:** Based on the risk assessment, the UKCCC determines whether to approve or reject the application. Approved customers are granted access to the registry, while rejected applicants receive a written explanation of the decision and information on the appeal process if applicable.
 - **Onboarding:** Approved customers receive orientation materials, including guidance on registry usage, compliance requirements, and best practices for data security.
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2. Periodic Audit Process for the UKCCC Registry

To ensure the continued integrity, accuracy, and security of the registry, the UKCCC conducts regular audits. These audits are designed to identify and mitigate risks, verify compliance with registry protocols, and evaluate the effectiveness of security measures.

2.1 Frequency and Scope of Audits

- **Annual Full Audits:** A comprehensive audit is conducted annually to assess all aspects of the registry's operations, including customer compliance, data integrity, and security protocols.



- **Quarterly Spot Audits:** In addition to the annual audit, the UKCCC conducts quarterly spot audits on a random sample of registry participants to identify potential issues on an ongoing basis.
- **Ad-Hoc Audits:** Ad-hoc audits may be initiated in response to specific incidents, complaints, or suspicious activities reported within the registry.
- **Credit retirement:** Once credits have been retired on the registry that cannot be transferred or sold. If a company that holds retired UKCCC credit certificates is sold then the acquiring company can apply to the UKCCC registry to transfer any retired certificates. The UKCCC shall decide how many claims may be communicated by the acquiring party.

2.2 Audit Procedures

- **Data Integrity Verification:** The audit team verifies the accuracy and completeness of data entries within the registry, including credit issuance, transfer records, and retirement data.
- **Compliance Review:** Auditors assess whether registry participants are adhering to UKCCC's standards for transparency, reporting, and ethical conduct. This includes reviewing project documentation, MRV reports, and customer transaction histories.
- **Security Assessment:** The audit includes a thorough review of the registry's security measures, such as data encryption, access controls, and incident response protocols. This step ensures that sensitive data is protected against unauthorized access or breaches.
- **Stakeholder Interviews:** Auditors may conduct interviews with registry participants, UKCCC staff, and third-party verifiers to gather insights on registry operations and identify areas for improvement.

2.3 Reporting and Follow-Up

- **Audit Report:** Upon completion, the audit team produces a report detailing findings, including any non-compliance issues, security vulnerabilities, and recommendations for corrective actions.
- **Corrective Action Plan:** If any issues are identified, the UKCCC develops a corrective action plan and notifies affected participants. Actions may include updating security protocols, retraining staff, or enforcing penalties for non-compliance.
- **Follow-Up Audit:** A follow-up audit may be conducted within six months to ensure that all corrective actions have been implemented and are effective.

3. Evaluation of Registry Compliance and Security Measures



The UKCCC regularly evaluates compliance with registry protocols and assesses the adequacy of security measures to ensure the ongoing safety and credibility of the registry.

3.1 Compliance Monitoring

- **Continuous Compliance Checks:** The UKCCC monitors registry activities in real-time, flagging unusual transactions, high-risk behaviors, or discrepancies in data. Automatic alerts notify the compliance team of potential issues that require further investigation.
- **Periodic Compliance Reviews:** In addition to continuous monitoring, a comprehensive compliance review is conducted every two years. This review assesses the overall compliance landscape within the registry, identifying trends and areas requiring enhancement.

3.2 Security Measures Evaluation

- **Vulnerability Assessments:** The UKCCC conducts regular vulnerability assessments, which include penetration testing and security audits, to identify and address potential weaknesses in the registry's IT infrastructure.
- **Access Control Evaluation:** The registry's access controls are reviewed annually to ensure that only authorized personnel have access to sensitive information. Role-based access and multi-factor authentication are among the protocols evaluated for effectiveness.
- **Data Backup and Recovery Testing:** The UKCCC tests data backup and recovery protocols quarterly to ensure that registry data can be restored in the event of a security breach, data corruption, or other incidents.

3.3 Regulatory Compliance Assessment

- **Legal and Regulatory Review:** The UKCCC periodically reviews its registry operations to ensure compliance with relevant national and international regulations, including GDPR for data protection, AML laws, and environmental compliance requirements.
- **Third-Party Security Audit:** Every three years, the UKCCC engages an independent third-party auditor to conduct a security audit. This audit provides an objective assessment of the registry's security posture and compliance with industry standards.

3.4 Stakeholder Feedback and Continuous Improvement

- **Customer Feedback Mechanism:** The UKCCC provides a feedback mechanism for registry participants to report concerns or suggest improvements regarding compliance and security.



- **Registry Updates and Improvements:** Based on audit findings, security assessments, and stakeholder feedback, the UKCCC implements updates to registry protocols, compliance measures, and security controls. Continuous improvement is integral to maintaining the trust of registry participants and ensuring the registry's resilience.

Addressing Erroneous Issuance of Carbon Credits

1. Introduction

The UK Carbon Code of Conduct (UKCCC) sets the framework for the accurate issuance, monitoring, and verification of carbon credits. This procedure outlines the steps to be followed when an erroneous issuance of carbon credits is identified, the remedial measures to address such errors, and the entities responsible for implementing corrective actions. Erroneous issuance can result from factors such as inaccurate project data, non-compliance with monitoring requirements, or miscalculated emissions reductions.

2. Objective

The primary objective of this procedure is to establish a clear, transparent process to rectify errors in carbon credit issuance, ensuring the integrity of the carbon market, and maintaining trust among stakeholders. Remedial measures may include the cancellation of invalid credits, compensation through replacement credits, or other appropriate actions.

3. Identification of Erroneous Issuance

Erroneous issuance of carbon credits may be identified through:

1. **Verification Audits:** Independent third-party audits and verifications carried out as part of regular monitoring.
2. **Internal Reviews:** Reviews conducted by the UKCCC registry.
3. **External Complaints:** Reports from stakeholders or market participants who identify potential discrepancies.
4. **Monitoring Data:** Ongoing monitoring of project activities revealing discrepancies in the reported emissions reductions or removals.

4. Entities Responsible for Detection

- **Third-Party Verifiers:** Responsible for assessing project performance and identifying discrepancies during verification stages.



- - **UKCCC Registry admin or UKCCC Commissioner:** Ensure compliance with carbon credit issuance rules and monitor the integrity of credits listed within the registry.
 - **Project Developers:** Must conduct internal audits and report any errors or discrepancies in their project activities or credit calculations.
 - **UKCCC Oversight Body:** Supervises market compliance, ensures regulatory alignment, and enforces remedial actions when errors are detected.
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5. Remedial Measures for Erroneous Issuance

When erroneous issuance of carbon credits is identified, the following remedial measures may be applied:

5.1 Cancellation of Erroneous Credits

Description:

All carbon credits issued in error will be cancelled from the UKCCC registry. This ensures that invalid credits are not traded or used to meet emissions reduction obligations.

- **Process:**
 - The UKCCC registry immediately freezes the affected credits to prevent trading.
 - An investigation confirms the erroneous issuance and calculates the total number of invalid credits.
 - The registry cancels the credits, and stakeholders are notified.
- **Entities Responsible:**
 - **UKCCC Registry:** Executes the cancellation of credits.
 - **Project Developer:** Notified and required to cooperate with the investigation.
 - **UKCCC Oversight Body:** Ensures compliance with cancellation procedures.

5.2 Compensation through Replacement Credits

Description:

Project developers responsible for erroneous credit issuance may be required to replace invalid credits with valid ones. The replacement credits must come from the same or another project that meets the required standards.



- **Process:**
 - The UKCCC determines the number of invalid credits and the timeframe for replacement.
 - Replacement credits may be sourced from existing projects or newly generated from the project (once issues are resolved).
 - Replacement credits are transferred to affected parties or retired, depending on the situation.
- **Entities Responsible:**
 - **Project Developer:** Sources and provides valid replacement credits.
 - **UKCCC Registry:** Monitors and verifies the replacement of credits.
 - **UKCCC Oversight Body:** Ensures the replacement meets the original credit criteria and is properly executed.

5.3 Financial Compensation

Description:

If the issuance of erroneous credits has led to financial damage for buyers or other market participants, financial compensation may be required. The compensation amount will be based on the value of the invalid credits and the market impact of their issuance.

- **Process:**
 - Affected parties submit claims to the UKCCC Oversight Body or project developers.
 - Investigations are conducted to determine the financial loss resulting from the invalid credits.
 - Compensation is arranged either through direct payment or the acquisition of new valid credits.
- **Entities Responsible:**
 - **Project Developer:** Compensates affected parties financially.
 - **UKCCC Oversight Body:** Mediates and ensures fair compensation.

5.4 Project Suspension or Delisting

Description:

In severe cases of non-compliance, the project may be suspended from generating new carbon credits or permanently delisted from the carbon registry.

- **Process:**
 - A review of the project's compliance is conducted to determine if the project can continue.
 - If necessary, the project is suspended, preventing further issuance of credits.



- In extreme cases, the project is delisted, and all issued credits are permanently frozen or cancelled.
 - **Entities Responsible:**
 - **UKCCC Oversight Body:** Decides on the suspension or delisting.
 - **UKCCC Registry:** Implements the suspension or delisting of the project.
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6. Implementation Procedure for Remedial Measures

Once an erroneous issuance is confirmed, the following implementation steps are taken:

1. **Error Notification:**

The UKCCC Oversight Body will formally notify the project developer, carbon registry, and other stakeholders of the error, along with the findings and remedial actions required.
2. **Corrective Action Plan:**

The project developer, in collaboration with the UKCCC, prepares a corrective action plan to address the root cause of the error and prevent its recurrence. This plan includes timelines and responsibilities for implementing the required measures.
3. **Timeline for Remedial Measures:**

The UKCCC will set a timeline for the implementation of remedial measures. Timely action is critical to prevent market disruptions and ensure credit integrity.

 - Cancellation: Immediate upon confirmation.
 - Replacement: Must be completed within a specified timeframe, typically within 6-12 months.
 - Compensation: Financial compensation or replacement credits must be provided within the set period to avoid penalties.
4. **Monitoring and Reporting:**

The UKCCC Oversight Body will closely monitor the implementation of remedial measures and require periodic reporting from project developers to ensure compliance.
5. **Penalties for Non-Compliance:**

If the project developer fails to implement the corrective measures, additional penalties, such as fines, project delisting, or legal action, may be enforced. These penalties will be proportional to the severity of the error and the impact on the market.