



The Verra Registry – challenges and opportunities for recognizing security interests in VCCs

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Photo by Lisa Murray. Bale Mountains Eco-Region REDD+ Project, Ethiopia (Verra Project 1340).

Verra

Verra is a standard setting body and registry for climate action and sustainable development projects:

- We build standards for activities such as reducing deforestation, to improving agricultural practices, to addressing plastic waste, and to achieving gender equality.
- We manage programs to certify that these activities achieve measurable high-integrity outcomes, including carbon reductions or removals.
- We issue verified carbon credits (VCCs) once a project is certified via a third-party auditing and internal approval process.



The Verra Registry

The Verra Registry is the central repository for all information and documentation relating to Verra projects and units (called VCU). The Verra Registry also ensures the uniqueness of projects and credits in the system.

- Verra Registry tracks and manages carbon emissions reductions and environmental assets.
- Facilitates issuance, transfer, and retirement of carbon credits.
- Allows organizations to register activities to generate carbon credits.
- Credits reflected in the Registry can be bought and sold on carbon markets to offset emissions.
- Widely recognized platform for managing emissions in compliance with international standards.

Welcome to the Verra Registry

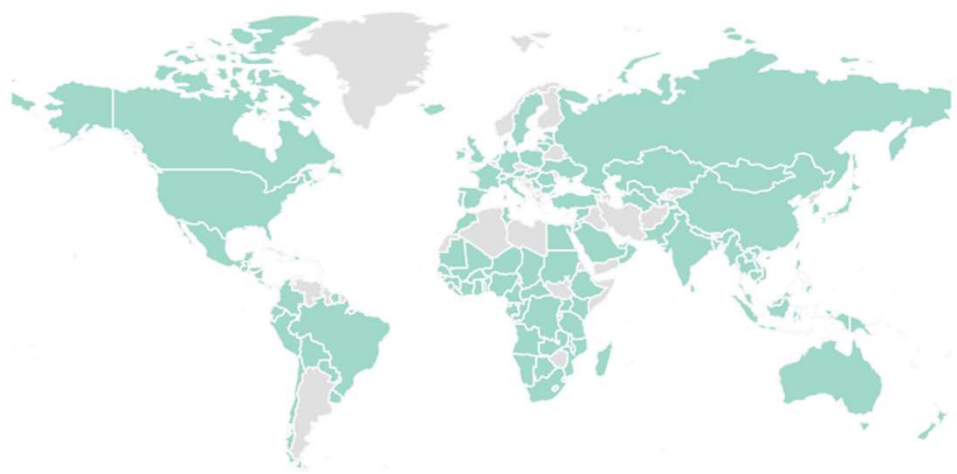
The Verra Registry is a cornerstone for the implementation of Verra's standards and programs. It facilitates the transparent listing of information on certified projects, issued and retired units, and enables the trading of units. The Verra Registry also ensures the uniqueness of projects and credits in the system. Information on projects and credits can be accessed by scrolling down and clicking on one of the program-specific modules below.

An active Verra Registry account is required for any entity wishing to register projects or issue, retire, or transfer units. Account applications may be submitted by clicking on the "Open New Account" button. Note that all registry account applicants will be subject to strict "Know-Your-Customer" background checks.

For more information on Verra and its programs, please visit www.terra.org

Program	Units Issued	VCUs Issued	VCUs Retired
Verified Carbon Standard	1,231,293,006	708,216,993	523,076,013
Plastic Waste Reduction Program	2,192	1,512	680
Climate, Community & Biodiversity Standards	376,225,686	204,423,443	171,802,243
Sustainable Development Verified Impact Standard	32,167,190	14,489,338	17,677,852
California Offset Project Registry	396,084	396,084	0

**Over 3,400 active projects spanning
125 countries.**



Verra's role as a Registry Operator

Verra is the issuer of Verified Carbon Units ("VCUs") which are verified carbon credits (VCCs) as well as the operator of the Verra Registry. Verra administers and directly controls the Registry using a third-party technology platform.



Registry Terms of Use ("TOU") are the agreement directly between Verra and each "User" (i.e. each Registry account holder). The User is the holder of the VCUs in the relevant account.



VCS Program Definitions v4.4, definition of a VCU:

*"A unit issued by and held in the Verra Registry representing the right of an account holder in whose account the unit is recorded to claim the achievement of a GHG emission reduction or removal in an amount of one (1) metric tonne of CO2 equivalent that has been verified by a validation/verification body in accordance with the VCS Program rules. **Recordation of a VCU in the account of the holder at the Verra Registry is evidence of that holder's entitlement to that VCU**".*

A person wearing a light-colored shirt and dark pants is standing in a field of tall, thin grasses. They are reaching up with their right hand towards the top of a grass stalk. The background is a clear blue sky with some light clouds. The overall scene is bright and natural.

Challenges and Opportunities for recognizing security interests in Verified Carbon Units (VCUs)

Recognition of third-party/security rights

Section 9.1 TOU:

Verra "does not in any way guarantee legal title to the Instruments (VCUs) and the User relies on any content obtained through the Verra Registry at its own risk."

- Verra does not make any statement to the transferee that it holds the VCUs (VCCs) exclusively to its order.
- Verra does not guarantee that the account holder has title to the VCUs (VCCs) in its account.

Account authority, access control, custody and encumbrance

3.2 of the User Guide: The User generally controls who has login rights and privileges (including to transfer VCU's)

- Apart from rights to suspend a User's access to its account under specific circumstances set out in the TOU and to cancel VCU's, **Verra has no rights to intercept or deal in VCU's (VCCs)** without written instruction from the User or to assert any encumbrance over VCU's in an account

Third-party interests (including security interests) – not generally recognized

Section 9.2 TOU:

"Verra is under no obligation to verify or otherwise enquire into the validity of, or legal title to, the Instruments or any Related Instruments and does not recognize any interest in an Instrument or any Related Instruments other than the interest of the entity named as the holder of the Instrument in the Registry or any Approved Sub-Register."

- **Section 9.2 of the TOU:** Verra presently does not recognize security interests (or the interests of other third parties) in VCCs. Distinct from a recognition that VCCs are capable of being the object of property rights and therefore the ability to take security over VCCs.
- **Section 17.3 of the TOU:** A User "may not transfer, assign or sublicense its rights, licenses or Verra Registry Account(s)... to any third party without the prior written consent of Verra, which consent Verra may withhold in its sole discretion".

Taking security over VCCs and how this would be 'perfected'

Perfection of security is generally relevant in the following situations:

- Where the User has become insolvent and there is an issue as to whether the security is enforceable against the liquidator or other insolvency administrator
- Where there are competing claims between creditors of the User and it is necessary to determine the priority between these competing claims

Verra is not in a position to advise on perfection of security since these are jurisdictional legal matters and in particular the applicable rules governing perfection would depend on the following matters:

- How VCUs are characterized under applicable law, which affects the types of security that can be validly granted over them
- What type of security is to be perfected
- The laws applicable to the User and the laws applicable to the VCUs themselves

(Some) Benefits and Challenges

- **Benefits:**
 - Scaling – efficient and robust global voluntary carbon market (VCM)
 - Liquidity – ability to secure climate finance
 - Certainty – over ownership and enforcement of security arrangements due VCM registry fragmentation
- **Challenges**
 - Legal – control, dispute, guarantee of title (perfecting title), conflict of laws
 - Regulatory – effect of recognizing security interests
 - Operational – registry functionality, publication of beneficial owner





THANK YOU

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