THE CARBON RESERVE

Climate Policy

THE CARBON RESERVE
1 Place de Longemalle, 1204 Geneva, Switzerland
E: info@thecarbonreserve.org | W: thecarbonreserve.org

1. What does the Carbon Reserve do?

The Carbon Reserve maintains a trusted financial network to expand and improve carbon markets to accelerate atmospheric carbon reduction.

2. Background

Climate change is caused by human activities that produce greenhouse gases (GHGs) including, but not limited to, carbon dioxide (CO_2).

The Paris Agreement is a legally binding international treaty on climate change and sets out to reduce emissions to keep global warming below 2 degrees Celsius. It was adopted by 196 Parties at The Conference of Parties (COP) 21 in Paris, on 12 December 2015 and enacted on 4 November 2016 according to the United Nations Framework Convention on Climate Change (UNFCCC). As stated by the UNFCCC, to achieve this long-term temperature goal, countries' rising levels of emissions must peak as soon as possible, and then begin a rapid decline to achieve a carbon-neutral world by mid-century.

Despite various commitments by countries, corporations, and individuals to become carbon neutral, global efforts are largely failing. We currently do not meet the Paris Agreement goals to reduce GHG emissions and limit global warming below the 2°C target set by the international community.

In many ways, climate change arises from a market failure - a consequence of the price of goods and services not reflecting their true cost to society. In this sense, carbon markets and the trading of carbon assets are important mechanisms for achieving carbon-neutrality, but yet participation in these markets has been limited, as has their effectiveness.

Increasing the scale of carbon markets is the one of the most effective and low-cost ways to incentivise atmospheric carbon reduction.

3. How will the Carbon Reserve help combat global warming?

The Carbon Reserve supports the Paris Agreement and aims to assist with reaching its goals by:

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- Providing the institutions and systems needed for everyone to easily participate in trading carbon assets.
- Providing a global, efficient, and trusted market infrastructure to reduce friction and eliminate the limitations of the carbon markets.
- Actively managing a portfolio of carbon mitigation assets to reduce overall risk and improve price stability.
- Providing a homogenous international trading unit (1 tonne of CO_2e) backed by a portfolio of carbon mitigations that can function as money.

The Carbon Reserve will do so by pursuing its three main priorities:

- Increase the retail and wholesale demand for its carbon-backed money (toco) by making it functional as a store of value, a means of exchange, and a unit of account for carbon offsets.
- Hold, maintain, and expand a portfolio of carbon mitigation assets (CMAs, see definition below), in line with increases in the money supply, which will include only CMAs of the highest standard to ensure the integrity of the portfolio.
- To work with globally recognized climate actors and with industry representatives to expand the infrastructure needed to broaden participation in carbon markets.

4. What is a carbon mitigation asset (CMA)?

A carbon mitigation asset (CMA) is any instrument generated as part of a scheme, project or program whether for compliance purposes or voluntarily that has a mitigation impact arising from a mitigation action. CMAs are measured in metric tonnes of carbon dioxide equivalent greenhouse gas (tCO2e) where the Global Warming Potentials (GWP) of other greenhouse gases (GHG) are used to give the equivalent number of tonnes of CO2. CMAs can be obtained in various classes:
It is typically represented by a certificate, which confirms the avoidance or removal of 1tCO2e from the atmosphere.

The three main families of CMA instruments can be defined as:

- Carbon offsets, that will include 'reductions,' 'offsets' and 'credits.'
- Allowances, relating to the 'official amount an entity can pollute' in jurisdictions with firm GHG pollution caps.

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- Sub-instruments, including but not limited to the ‘Derivatives’, ‘Futures’ and ‘Options’ of the above are considered CMAs.

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