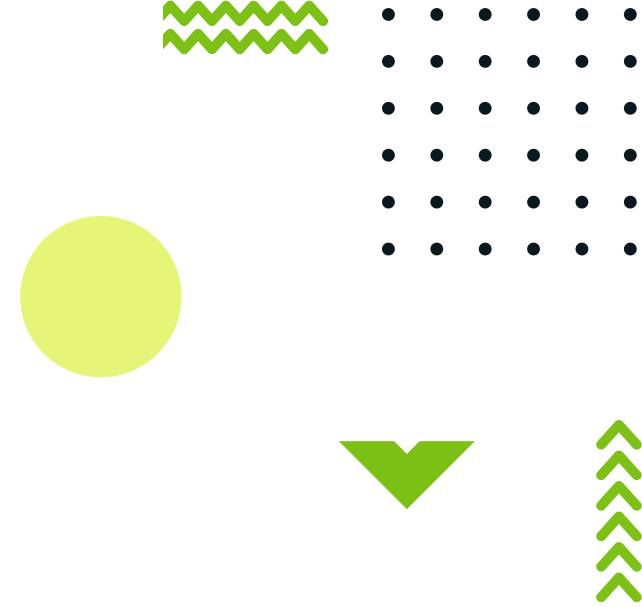


THE CARBON CODE: TRADING, TRACKING AND TRANSFORMING EMISSIONS



WEEK 3 DAY 4

**CARBON MARKET
REGULATION &
ENFORCEMENT
(RULES OF THE GAME – HOW
COMPLIANCE REALLY
WORKS)**



1. THE REGULATORY LANDSCAPE

A) KEY GOVERNING BODIES

Organization	Role	Enforcement Power
ICVCM (Integrity Council for Voluntary Carbon Markets)	Sets Core Carbon Principles for credit quality	Market exclusion for non-compliant credits
ESMA (European Securities and Markets Authority)	Oversees EU carbon market financial instruments	Fines up to €5M for market abuse
CARB (California Air Resources Board)	Runs state cap-and-trade program	Can invalidate credits retroactively

B) MAJOR REGULATIONS

EU Market Abuse Regulation (MAR)
Applies to EU carbon futures/options

Prohibits:

Insider trading (e.g., using unreported project data)
Wash trades (fake volume)

US SEC Climate Disclosure Rules

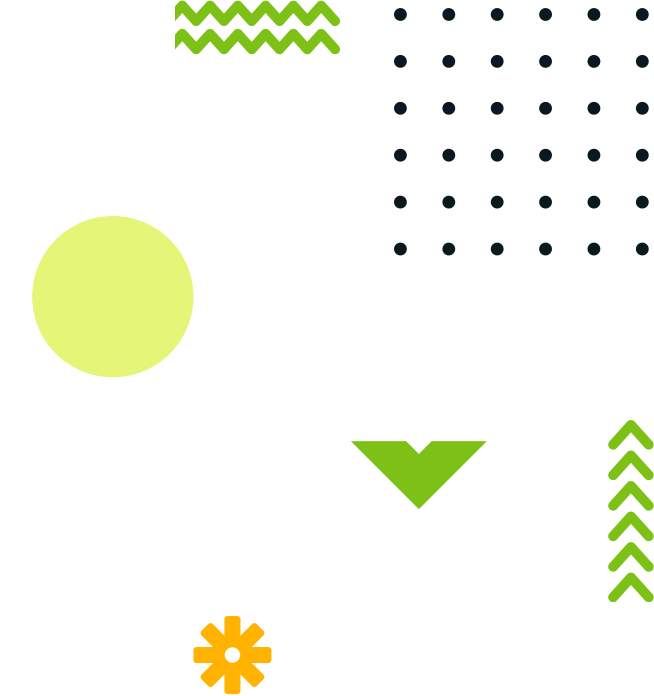
Requires public companies to disclose:

Carbon credit usage

Retirement details

Singapore Carbon Tax Act

Mandates independent audits for all retired credits



2. COMPLIANCE IN PRACTICE

A) Corporate Due Diligence Checklist

Project-Level Checks:

- Verify registry ID in Verra/Gold Standard database
- Confirm buffer pool percentage (minimum 15% for REDD+)

Transaction-Level Checks:

- Ensure retirement receipts match registry records
- Check for lien/encumbrance on credits

Continuous Monitoring:

- Satellite alerts for forestry projects
- Policy change tracking (e.g., ICVCM updates)

B) Penalty Case Studies

Company	Violation	Penalty
Major Oil Co. (2023)	Used invalidated Kariba REDD+ credits	\$8M fine + mandatory replacement
German Utility (2022)	Failed to surrender EU allowances	€100/ton penalty (€42M total)

3. TRADING RULEBOOK – WHAT'S ALLOWED?

A) Permitted Activities

- Arbitrage between markets
- Options hedging
- Forward sales with proper disclosure

B) Prohibited Practices

Violation	Example	Detection Method
Spoofing	Fake bids to manipulate prices	Order book pattern analysis
Insider trading	Trading on unreported project flaws	Registry access log audits
Double-selling	Pledging same credits to multiple buyers	Blockchain timestamping

4. ENFORCEMENT MECHANISMS

A) Digital Surveillance Tools

1. Registry APIs
 - Real-time credit status checks
 - Automated lien detection
2. Blockchain Tracking
 - Toucan's BCT tokens
 - Permanent retirement records

B) Whistleblower Systems

EU: 30% bounty for reporting market abuse

US: SEC Climate Disclosure Tip Line

5. CAPSTONE: COMPLIANCE SIMULATION

Scenario:

You're a trader at BP

Just bought 500k Kenya REDD+ credits @ \$5.25

Breaking news: Guardian reports methodology flaws

Required Actions:

Immediate:

- Halt further purchases
- Notify compliance officer

24-Hour:

- Demand project developer response
- Initiate independent verification

7-Day:

Decide whether to:

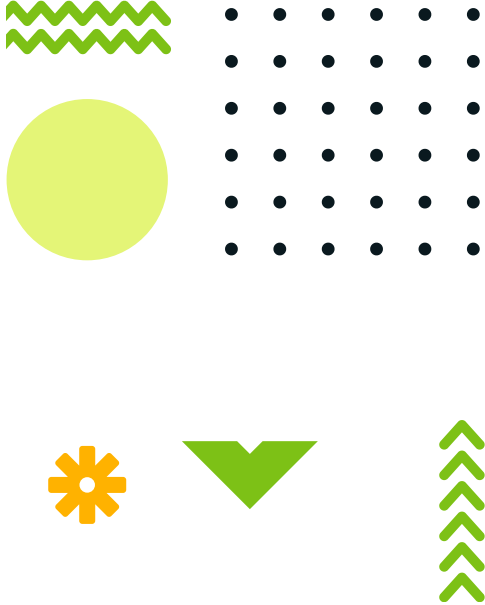
- Hold and monitor
- Sell with full disclosure
- Write down value

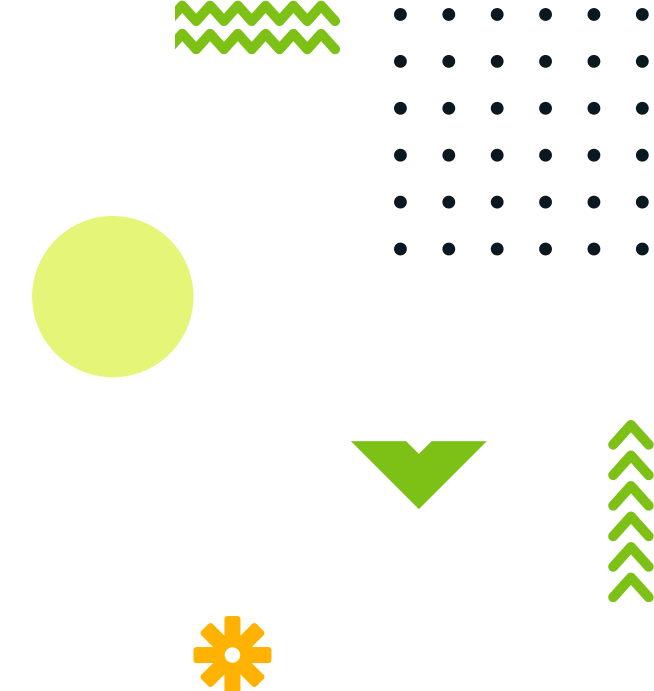
Grading Rubric:

Action	Points
Proper disclosure	30
Timely response	25
Financial impact mitigation	25
Ethical considerations	20

Key Takeaways

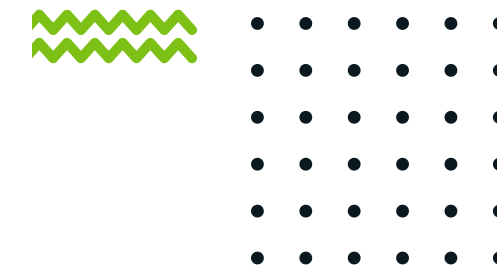
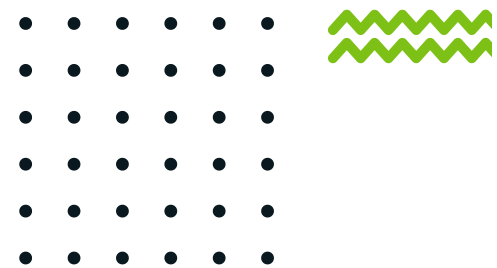
- Rules Vary by Jurisdiction – EU vs US vs Asia
- Document Everything – Audit trails save careers
- When in Doubt, Freeze – Better to miss a trade than break laws





RESOURCES:

ICVCM Compliance Handbook
EU Market Abuse Regulation Guide



THANK YOU

