Compliance report

This report covers carbon credit credibility and FMC Act compliance of Kiwi CO2 (KCO2) carbon credits, issued by NETZERO.KIWI LIMITED, on the Stellar network.

Contents:

Resources:

a) Ministry for the Environment. 2022. Interim guidance for voluntary climate change mitigation. Wellington: Ministry for the Environment
b) https://www.fma.govt.nz/business/services/cryptocurrencies/
c) https://www.fma.govt.nz/business/legislation/fair-dealing/
d) https://www.pwc.co.nz/pdfs/2023/in-brief-march-2023.pdf

FMC Act compliance:

NETZERO.KIWI LIMITED is obligated to comply with the fair dealing provisions in Part 2 of the FMC Act. These provisions prohibits NETZERO.KIWI LIMITED from making misleading, deceptive or unsubstantiated statements.

Kiwi CO2 carbon credit representations are substantiated by public profiles containing verifiable CO_2 sequestation data.

Disclosure:

Claim	CO_2 sequestration via soil carbon increase.
Voluntary action undertaken (where/what/why)	Soil management resulting in measurable soil carbon increase.
Does this action contribute to helping a country meet its climate change targets or does it go beyond a country level target?	It goes beyond a country level target.
How is this action additional to compliance, policy or mandatory obligations and how does it go beyond your business-as-usual activities?	This action is not required by compliance, policy or mandatory obligations. Soil management is directed at increasing soil carbon levels.
How is the voluntary action measured and verified?	Soil samples are lab tested. Results and calculations are published on a public registry.
How is double usage prevented?	Double usage is prevented by verifying land ownership, contractual obligations, opt-out solutions and publicly verifiable unit cancellation.
How is permanence assured?	Permanence is assured by published CO_2 sequestration data and by contractual obligations that restrict land use changes.
How is leakage addressed?	The activity of reducing or removing emissions within the boundary of the voluntary climate change mitigation activity does not result in increases to emissions elsewhere.

Appendix:

Principle 1: Transparent

The details of the source of voluntary climate change mitigation and how the voluntary action meets the other five principles for claiming voluntary climate change mitigation should be clearly stated and publicly available.

The organisation claiming the voluntary climate change mitigation should also transparently disclose whether the action taken contributes towards a national level target (ie, helps New Zealand meet its Nationally Determined Contribution (NDC)[5]) or goes further.

Figure 1: Resource a, Page 7

Principle 2: Real, measurable and verified

The voluntary climate change mitigation claimed as the offset represents a tonne of carbon dioxide (CO_2) (or equivalent) emissions reduced or removed from the atmosphere, from tangible activities that have been implemented.

The reduction or removal is supported by evidence from credible monitoring and reporting and should be verified by a third party to a reputable, and publicly disclosed, carbon standard (including the New Zealand Emissions Trading Scheme).

Figure 2: Resource a, Page 7

Principle 3: Additional

The greenhouse gas (GHG) emissions reductions or removals are due to a specific intervention and would not have occurred under business as usual. This means the voluntary climate change mitigation cannot be an action or activity that was going to happen anyway, something that is already required under existing regulation, or incentivised by other policy measures.

Figure 3: Resource a, Page 8

Principle 4: Not double used

Organisations must ensure the GHG emission reductions or removals are only used *once* to achieve emissions reduction targets or for compliance.

Ensuring that a unit used for claims of voluntary climate change mitigation is registered and cancelled only one time in a registry means the associated claim of emissions reduction cannot be reused elsewhere by the same or another organisation and evidence of its cancellation is available for transparency.

Note, double use does not refer to climate change mitigation claimed at the organisation and country level. Units representing voluntary climate change mitigation which also contribute towards a country's NDC, should be transparently disclosed in the claim made by the organisation.

Figure 4: Resource a, Page 8

Principle 5: Address leakage

The activity of reducing or removing emissions within the boundary of the voluntary climate change mitigation activity does not result in increases to emissions elsewhere. If leakage does occur, the project should be measuring and deducting any leakage related emissions from the total voluntary climate change mitigation claimed.

Figure 5: Resource a, Page 9

Principle 6: Permanent

Reductions or removals must be maintained over time and be unlikely to be reversed. Any subsequent reversal of credited climate change mitigation must be fully compensated for.

An organisation will need to consider how their claimed voluntary climate change mitigation demonstrates permanence and state how the voluntary climate change mitigation will be managed if, for unforeseen circumstances, the voluntary action is reversed.

This will differ depending on the activity being claimed.

Figure 6: Resource a, Page 9

What are asset backed tokens?

Asset backed tokens are a type of cryptoasset that typically give investors an ownership right to an underlying tangible or intangible asset, like gold or real estate, where the distributed ledger is used as a record of ownership. Investors usually have the right to redeem the token in exchange for the underlying asset – exchanging one token for one gram of gold for example.

Are cryptoassets backed by assets financial products?

While each ICO must be looked at on an individual basis, cryptoassets that give investors a right to redeem the token in exchange for the asset are not considered debt securities (unless the asset is cash). This is because the cryptoasset does not give an investor the right to be repaid ‘money’.

Do asset backed token ICOs involve financial services?

When you offer asset backed tokens through an ICO, you are providing the financial service of ‘operating a value transfer service’. You may also be providing the financial service of ‘issuing and managing a means of payment’ – where tokens can be used to obtain products or services otherwise acquired using legal tender (such as NZ dollars). These services are regulated by us.

Figure 7: Resource b

How do I comply?

If your asset backed token ICO is providing a financial service, you must comply with the fair dealing provisions in Part 2 of the FMC Act. These provisions prohibit you from making misleading, deceptive or unsubstantiated statements, for example about the extent to which the tokens are backed by the asset. So if you state in a white paper that an asset backed token is '100% gold backed' there must be enough gold available (at an official mint, for example) to allow all investors to redeem their tokens.

Figure 8: Resource b

Key principles

We expect all providers of financial products and services to develop and embed the principles underpinning the fair dealing and stop order provisions into their risk management processes – consider what processes need to be in place to ensure that customers are not liable to be confused or misled and to ensure that all representations have a sound basis in fact. In addition, we encourage directors, senior managers and those involved with providing financial products and services to also consider how their conduct can help investors and consumers make appropriate financial decisions taking into account their particular circumstances (such as vulnerable customers).

Figure 9: Resource c

Substantiate your claims

The fair dealing provisions generally require representations to be substantiated, although some exceptions exist (such as for representations in a disclosure document or a register entry). Substantiation requires having a reasonable basis at the time the representation is made. Anecdotal evidence, unsupported opinions and assumptions do not constitute a reasonable basis. We are particularly interested in representations regarding the nature, suitability and characteristics of a financial product or service.

A representation remains unsubstantiated at the time it was made, even if the representation turns out to be true or is subsequently substantiated.

Figure 10: Resource c