

Natural Forest Standard Statement on the utilization of Blockchain and transition of NCCs for tokenization to on-chain platforms for NFS projects

The Natural Forest Standard (NFS) acknowledges and welcomes the emergence of blockchain technology and the appetite for its utilization within the Voluntary Carbon Market. The NFS recognises the value of providing a responsible, transparent and legitimate transition function option for project developers and NCC account holders.

Without expressing an opinion as to the legal nature of any activities or tokens within the market, nor any endorsement of any of these activities, NFS hereby states its intention to provide a secure, transparent and credible mechanism for Project Developers and NFS Registry Account Holders to establish a blockchain-based token that enables the transition of all carbon, social and biodiversity values attributed to NCCs to an on-chain token, upholding the integrity of their underlying environmental value.

Blockchain

The NFS considers blockchain as a reliable system of recording information regarding the tracking transfer and retirement of NCCs as its technology makes it difficult or impossible to change. It is a digital ledger of transactions that is distributed across the entire blockchain network; the ledger is publically available via the relevant blockchain explorer and all transactions can be interrogated publically and openly.

Blockchain is a tamper-proof, shared digital ledger that records transactions in a decentralized network. The decentralized nature of blockchain provides its most crucial concept, providing transparency, immutability and trustless transacting. The NFS considers these blockchain features as trustworthy attributes suitable for upholding the principles of singularity, full lifespan tracking and negating the possibility of double-counting. As such, the NFS considers blockchain as a suitable technology for ensuring these principals.

NFS Vault Function

The NFS is providing the option of a secure Vault function which safely and securely locks NCCs away from transacting within the NFS Registry. The option to Vault NCCs enables the opportunity for owners of NCCs to create a digital token and transition the underlying environmental values to these tokens, with the assurance they are not transacting in tandem on multiple platforms, and without the need to cancel or retire the NCCs prior to tokenization.

This allows the underlying off-chain NCC values to transition into on-chain tokens, thereby retaining the full off-chain environmental values into an on-chain system.

It is imperative that a legitimate function is provided from the NFS Registry to facilitate the transition with integrity and transparency, and that the function allows NCCs to retain their full environmental values for tokenization within a blockchain platform and for their lifespan therein.

The NFS Registry Vault securely and permanently removes NCCs from circulation in the NFS Registry. The Vault is a null sub-account within the NFS Registry, where the NCCs shall remain securely locked away in perpetuity, guaranteeing they cannot continue to be transacted on the NFS Registry.

Upon transacting the NCCs to the Vault account and at the point of receipt into the Vault account, the instigating Account Holder has no further access to these NCCs within the NFS Registry and the NCCs cannot be released back into the NFS Registry. From the point of the timestamped transaction, the instigating Account Holder assumes full responsibility for any further tracking and recording of NCCs within the third-party blockchain platform.

The Vault function requires written request and confirmation prior to the Vault transaction being performed, to ensure the transaction is made legitimately and with full disclosure to the NFS Registry from the Account Holder.

NFS Registry Responsibilities for the Vault Function

The NFS shall be responsible for the safe and secure storage of Vaulted NCCs, guaranteeing they will not be made available within the NFS Registry.

NFS shall no longer record nor provide any assurances for the onward tracking of the further transaction, transfer or retirement of the underlying values of the NCCs from the point at which the NCCs enter the Vault. The Vault function solely confirms that the number of NCCs have left the NFS Registry legitimately, with full environmental value retained, and for transition to an on-chain token and/or blockchain platform. No further tracking will be provided nor recorded by the NFS Registry.

Additional Information

The NFS has curated an accompanying document detailing the Vault function, its requirements and processes. This document is entitled NFS Registry Vault Function and is accessible [here](#).