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Well-Defined Asset Rights

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***On this page:** Clear and unambiguous legal definitions of ERCs are essential. Read more below, or visit [Strategic Guidance for Country System Assessments](#), [Guidance for Countries in Assessing ERC Projects](#), or [Mobilizing ERC Finance](#).*

S1: Well-defined asset rights. It is essential for developers to be granted legal safeguards that assign them the rights to ERC asset(s) on specific lands or assets to facilitate ERC project development. This criterion assesses whether existing country policies provide clear and unambiguous legal definitions of ERCs, along with the transactions that may be conducted with them. Such policies must also define the activities and assets from which the ERCs may be created or issued and establish the necessary security of tenure for ERC project stakeholders involved in these activities and assets.

Guideposts for best practice

- Clear legal definition of ERCs as tradable financial instruments with the relevant asset type based on the country's legal framework, subjected to market trading or security law—backed by the sovereignty/authority of the issuing country.
- Legal acknowledgement of ERC generation, measurement, reporting, and verification (MRV), and trading as recognized business activities within local regulatory context.
- Clear provisions assigning ownership and the relevant rights thereto of carbon avoided/removed to the underlying asset or business activity in relation to ERC projects.
- To avoid confusion, describes the interaction and/or linkages between ERCs and compliance-driven domestic carbon pricing instruments whenever such arrangements exist (i.e., how ERCs can be purchased in lieu of carbon tax payments or what percentage of the allowances in emissions trading systems can be met through the purchase of ERCs)
- [Country-dependent] Established and well-defined asset laws that make for simple acquisition and/or lease of land or other assets necessary to the conduct of ERC projects; Effective mechanism to resolve dispute related to asset and land rights.

Impact

High-Key stakeholders in the process (e.g., investors, developers, verification bodies, and buyers) consider asset right protection as go/no-go decision drivers

Phase 1: Establishing the foundations of an ERC supply market

Resources needed

Low-Frameworks for recognizing of new instruments and business activities generally already in place within most policy regimes

Related Content

- [Strategic Guidance for Country System Assessments \(Download PDF version\)](#)
- [Guidance for Countries in Assessing ERC Projects \(Download PDF version\)](#)
- [World Bank Emissions Reduction Program: Mobilizing ERC Finance \(Download PDF version\)](#)

Additional Resources

- [Translating Risk Allocation into Contract Structure](#)

- [?Sector-Specific Content on Climate-Smart](#)
- [Climate-Smart PPP Legal and Regulatory Framework](#)

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