Topic A: Mitigating the Impact of Cryptocurrency Mining on Climate Change

Introduction

Bitcoin, Ethereum and other cryptocurrencies are fast becoming more accepted and widespread within international finance. The appeal of these cryptocurrencies lies in digital technology that encrypts ownership and transactions in an immutable ledger known as a "blockchain". Blockchains are shared, decentralized and tamper resistant, thus increasing the security and transparency of financial transactions.[1] Some United Nations bodies – such as UNICEF - have begun to use cryptocurrencies in their operations.[2] According to UNICEF, the advantage of cryptocurrency for UN work is threefold:

> "1) leveraging innovative financing models to distribute resources; 2) increasing the efficiency and transparency of internal processes, and; 3) incentivising and encouraging the creation of open-source digital public goods."[3]

The World Food Programme is also experimenting with blockchain and has seen some positive results.[4]

Despite the promise of cryptocurrency, its creation and use create challenges – particularly in its climate impacts.[5] The supply of blockchain currencies is largely increased through digital "mining" – a process through which computerized systems devote considerable time and energy to solving complex mathematical problems. Estimates for just one currency – Bitcoin – indicate that mining activities consume more energy than the Netherlands.[6] Much of this energy is generated by fossil-fuels and is contributing to carbon emissions. Bitcoin's energy usage translates into "an estimated 22 to 22.9 million metric tons of CO2 emissions each year—equivalent to the CO2 emissions from the energy use of 2.6 to 2.7 billion homes for one year."[7] Cryptocurrency mining produces water waste and electronics waste (e-waste), potentially causing significant environmental impact.[8] At issue is what role the United Nations can play in

[1] Mulligan, Cathy. "Blockchain and Sustainable Growth." *UN Chronicle*. 11 September 2019. https://www.un.org/en/un-chronicle/blockchain-and-sustainable-growth. Accessed 22 December 2021,
[2] UNICEF. "UNICEF launches Cryptocurrency Fund." Press Release dated 9 October 2019. https://www.unicef.org/press-releases/unicef-launches-cryptocurrency-fund. Accessed 21 December 2021.
[3] UNICEF Office of Innovation. "Blockchain: Exploring blockchain applications to accelerate impact." https://www.unicef.org/innovation/blockchain. Accessed 21 December 2021.
[4] UN News. "Sustainability solution or climate calamity? The dangers and promise of cryptocurrency technology." 20 June 2021. https://news.un.org/en/story/2021/06/1094362. Accessed 20 December 2021.
[5] Ibid.
[6] Ibid.
[7] Cho, Renee. "Bitcoin's Impacts on Climate and the Environment. State of the Planet." Columbia Climate School. September 20, 2021. https://news.climate.columbia.edu/2021/09/20/bitcoins-impacts-on-climate-and-the-environment/ Accessed 14 December 2021.
[8] Ibid.

ensuring that blockchain currency can be created and used in ways that limit negative impacts on the climate.

Current Situation

China – recognizing that cryptocurrency mining in and of itself could prevent it from reaching its target to become carbon neutral by 2060 – severely curtailed and ultimately banned the industry in 2021.[9] One unintended consequence of this ban has been the relocation to other countries – such as Kazakhstan – which rely even more on fossil fuels to generate the required electricity, thus increasing the climate impact.[10] As a result, simply banning the practice is not likely to work and would deprive the global financial system of a potentially powerful tool for transparency and efficiency.

Leaders in the industry have begun to push self-regulation in an attempt to curb climate impacts and avoid government intervention. The Crypto Climate Accord (CCA) is an effort to reach net-zero carbon emissions by 2030 and to develop 100% renewably-powered blockchains by 2025.[11] The CCA is creating an open-source toolbox for the industry to apply in order to reach the stated goals.[12] Nevertheless, while some companies are substantially reducing their carbon footprint, not all blockchain creators are signatories to the accord and it is an open question as to whether industry-led regulation will be successful.[13]

Questions to Address

- Are industry-sponsored initiatives going to be enough to adequately address the climate impacts of cryptocurrency mining?
- How can the UN facilitate adoption of net-zero practices in the industry?
- Is the UN's use of cryptocurrency justifiable given its climate impacts?

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[9] Campbell. Charlie. "Why China Is Cracking Down on Bitcoin Mining and What It Could Mean for Other Countries." *TIME Magazine*. 2 June 2021. https://time.com/6051991/why-china-is-cracking-down-on-bitcoin-mining-and-what-it-could-mean-for-other-countries/. Accessed 28 December 2021.
[10] Cho, Renee. "Bitcoin's impacts…"
[11] Crypto Climate Accord. "What are the objectives of the Crypto Climate Accord?" https://cryptoclimate.org/accord/ Accessed 22 December 2021.
[12] Crypto Climate Accord. "Powering Crypto with 100% Renewables." https://cryptoclimate.org/solutions/ Accessed 22 December 2021.
[13] Piven, Ben. "Crypto Climate Accord: Bitcoin greenwashing or game-changer?" *Al Jazeera*. 27 April 2021. https://www.aljazeera.com/economy/2021/4/27/crypto-climate-accord-bitcoin-greenwashing-or-game-changer Accessed 23 December 2021.

Topic B: The Pandora Papers: Uncovering the Hidden Assets of the Global Elite

Introduction

In 2021 the International Consortium of Investigative Journalists (ICIJ) released findings from the so-called "Pandora" papers – the largest leak to date of international financial data focused on the attempts of the global elite to hide assets and avoid taxation.[14] The papers revealed the "beneficial ownership" (in other words, who really owns the assets though the title might be under another name) of billions of dollars in property.[15] Pandora was the latest in a series of leaked data on the murky world of illicit financial flows (IFFs). The Panama papers were leaked in 2016 and the Paradise papers the following year.[16] Following the public release of these papers, journalists and investigators throughout the world cooperated to uncover the unethical and often illegal ways that the global elite try to hide their wealth.[17] Together, these investigations have uncovered the "secret deals and hidden assets of the world's richest and most powerful people"[18] – including presidents, prime ministers and heads of state.

Offshore banking and the use of foreign intermediaries have been used for decades to launder money garnered from illegal activities and avoid paying local taxes. One UN body estimates that as much as 2.7% of global GDP is laundered annually.[19] Attempts by the elite to hide wealth from taxation and public scrutiny are nothing new. What these leaks represent is an unprecedented opportunity to see how precisely such behavior is accomplished and – hopefully – lead to effective changes in international coordination and regulation to catch illicit financial activity. The true cost of IFFs can be seen by the investments governments must forego from lost revenue:

> "Recovering annual loss to tax avoidance and evasion would, for example, allow Bangladesh to expand its social safety net to nine million more elderly, permit Chad to pay for 38,000 classrooms, and enable Germany to build 8,000 wind turbines…" [20]

The failure to act on this drain of resources endangers the achievement of the 2030 SDGs.

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[14] "Pandora papers: biggest ever leak of offshore data exposes financial secrets of rich and powerful." *The Guardian*. 3 October 2021. https://www.theguardian.com/news/2021/oct/03/pandora-papers-biggest-ever-leak-of-offshore-data-exposes-financial-secrets-of-rich-and-powerful Accessed 2 January 2022.
[15] ICIJ. "Pandora Papers." https://www.icij.org/investigations/pandora-papers/ Accessed 22 December 2021
[16] "Pandora papers: biggest…"
[17] ICIJ. "Pandora Papers."
[18] "Pandora papers: biggest…"
[19] UN News. "Financial transparency, 'sound governance and accountability' essential to reach Global Goals." 25 February 2021. https://news.un.org/en/story/2021/02/1085752 Accessed 22 December 2021.
[20] Ibid.

Current Situation

In early 2020, H.E. Tijani Muhammad Bande, President of the General Assembly, announced the launch of the High-Level Panel on International Financial Accountability, Transparency and Integrity (FACTI):

> "It is our belief that an independent review of existing institutional and legal frameworks related to financial accountability, transparency and integrity can identify gaps, impediments and vulnerabilities in their design and implementation, including with regard to their comprehensiveness, effectiveness and universality."[21]

The FACTI released its report in February 2021. The report called for – among many recommendations – the creation of a Global Pact for financial integrity – "a compact through which all countries agree to take comprehensive action to foster and strengthen financial integrity for sustainable development, and commit to using the proceeds released by this action to make additional investments in achieving the SDGs."[22]

As part of this Global Pact, FACTI recommended the creation of a Global Beneficial Ownership Reporting Registry. This would encourage member states to collect and share beneficial ownership information, though it stopped short of calling for these registries to be made public.[23] Another FACTI recommendation is the implementation of better transnational tracking of IFFs. This mostly involves increased coordination and sharing of information among member states and harmonizing the way these flows are tracked and reported.[24] These are just two ideas among many, but they will not be realized unless member states are committed to act.

Questions to Address

- How can the United Nations encourage participation in strengthened collection and sharing of data on financial flows?
- How can the global financial system balance issues of privacy and the prevention of illicit financial flows? Should beneficial ownership registries be made public?

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[21] Bande, H.E. Tijani Muhammad. "Statement on the Launch of the FACTI Panel". General Assembly. https://www.un.org/pga/74/2020/03/02/launch-of-the-high-level-panel-on-international-financial-accountability-transparency-and-integrity-for-achieving-the-2030-agenda-facti-panel/ Accessed 3 January 2022.
[22] FACTI. *Financial Integrity for Sustainable Development*: *Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda*. February 2021. United Nations: New York., p. 9.
[23] Rose-Ackerman, Susan. *Beneficial ownership registries: Implementation note on FACTI panel recommendation 3a*. July 2021. FACTIPANEL.ORG
[24] Ocampo, Jose Antonio. *A global coordination mechanism on illicit financial flows: Implementation note on FACTI panel recommendation 14a*. July 2021. FACTIPANEL.ORG