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Demystifying the Carbon Markets | Episode 7
David Antonioli, CEO Verra

How do carbon projects turn into carbon credits, and how are those credits verified to ensure they are permanent, additional, measurable and real? David Antonioli, CEO of Verra, joins David Greely in the Smarter Markets studio this week as we continue to explore the ins and outs of carbon markets — from the architects and practitioners who know them best.

David Antonioli (00s):
You know, I think that's one of the, the big challenges that we face, which is to, you know, explain and make clear how this all works and how it does generate real reductions, because a lot of times people can assume that, oh, it's just, you know, they don't really do much. It's all green washing and so I think that there's certainly a lot behind it and that's certainly a big misconception that people have about what we do.

Announcer (00:26):
Welcome to Smarter Markets, a weekly podcast featuring the icons and entrepreneurs of technology, commodities and finance ranting on the inadequacies of our systems and riffing on ideas for how to solve them. Together, we examine the questions are we facing a crisis of information or a crisis of trust and will building smarter markets be the antidote?

David Greely (53s):
Welcome back to demystifying the carbon markets on Smarter Markets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is David Antonioli. The CEO of Verra whose verified carbon standard program is the world's most widely used greenhouse gas program with over 1,775 certified projects that have collectively reduced or removed more than 865 million tons of carbon and other greenhouse gas emissions from the atmosphere. Hello, David, welcome to Smarter Markets. While the voluntary carbon markets share many similarities with commodities markets unlike a typical commodities market, there's no physical commodity being bought and sold. Instead what's being bought and sold is a claim, a claim to have reduced or removed carbon or other greenhouse gas emissions from the atmosphere because of this organization, such as Verra perform a central role in carbon markets connecting the supply of carbon reduction projects to the demand for carbon offsets. David, how would you describe Verra's role in the carbon market ecosystem?

David Antonioli (02m 00s):
Well, first of all thank you for the invitation to speak here today. It's a real pleasure to share my thoughts about the market and the role that Verra and the BCS program play. But to answer your question in many ways, what we provide is the glue that holds a market together. Like you mentioned, you know, there's buyers and sellers and as a buyer, you wanted to make sure that what you are purchasing actually has rigor and something that has integrity and it's gonna help you achieve your goal. In this particular case, buyers in the long term market are looking for something that helped them make the claim that they're reducing their greenhouse gas footprint beyond what they might have done internally. So they need to make sure that there's something that holds water, if you will in terms of having integrity.

David Antonioli (02m 46s):
And of course on the, on the supply side, if you are an investor or a project developer, you want to make sure that you are following a set of rules and procedures that will make sure that imposes the sort of rigor that you need to follow in order to have a product at the end, that someone on the buying side will value. So that's why we sit in the middle of this market I call it the glue, holding the markets together, but we play a pretty pivotal role because without organizations like us in the market wouldn't be able to, to work as well and as efficiently as it does.

David Greely (03m 22s):
And it really is. I said, I like the, the phrase, the glue, because you know, Verra's verified carbon standard, the VCs program, you know, effectively it transforms a carbon reduction project into a set of tradable carbon offsets. Can you walk us through the components of the VCs and how do you go from a, a carbon reduction project to a set of carbon offsets?

David Antonioli (03m 47s):
It's a big question. It's actually two, two parts to that. Let me start off first with the components of the VCs program, the verified carbon standard. And there are essentially four parts to that at the core of it is the standard, which is the set of principles that all units that we should have to follow it's principles like the credits have to be additional, which means they have to have environmental integrity. I will try to limit the number of jargon words I introduced to this podcast, but this one is important because it underlies the value between a credit and what additional means is that the project would not have happened had it not been for carbon finance. So projects in order to credit, in order to be counted as offsetting an emission really has to have some sort of element of justification that wouldn't have happened.

David Antonioli (04m 41s):
So there is a number of procedures and rules that you have to follow to demonstrate additionality, but that's one of the principles that the standard has. Another one is that the credits need to have occurred. So we will never issue a credit to something that's not yet occurred in the lingo of what we talked about and something has to be real. So if you plant a tree, we will only give you credits for the amount of reductions that you've demonstrated to have occurred by the growth of the tree. In the early days of the market, people would say, oh, I'll plant a tree and it'll grow to such and such a size and which require so much carbon and giving credits for that full, you know, generation of, of carbon and so that is a complete no-no. So we will only issue credits to projects that have already occurred.

David Antonioli (05m 23s):
That demonstrated that they have reduced the emissions. Other kind of more, you know, more easily understandable concepts are they have to be measurable. They have to be independently audited. They have to be uniquely numbered. They have to be transparently listed and one more term I'll introduce because this is important given the interest in nature based solutions is that they have to be permanent. So as you can imagine, if you're planting a tree or conserving a forest, there's a risk that tree could actually get cut down or it could catch fire, or it could end up in the atmosphere somewhere. So what we do is that we have a set of rules governing these kinds of projects and you have to set aside a certain percentage of your reductions into an account it's called a buffer account and we then use that to back up any reductions that have occurred, but that have suffered those reversals.

David Antonioli (06m 14s):
So if a treat does get cut down, we have a store of reductions that we can use to back up and make sure that the credits are permanent and are equivalent to a project that's reducing emissions from a landfill gas project or whatever, it's. It essentially serves as an insurance pool. So that was a long answer to that, that first bit of that question, which is the standard, what sort of principles we followed. But as you can imagine, all of those principles or many of those require you to have a whole programmatic element to what we do. So the second main part of the VCS program is the accounting methodologies. So these are all about how you demonstrate additionality and how you measure the reductions and there's an accounting methodology for every single project type out there and they get developed, but they're important because they're critical to make sure that there's consistency in respect to the kinds of data and parameters that have been gathered by the project proponents so that they can then demonstrate that they've reduced the emissions.

David Antonioli (07m 12s):
The third kind of pillar of the VCS program is independent auditing. I mentioned that it's one of the principles and of course you need to figure out who can audit what sort of training they need, what sort of accreditation they need, what sort of oversight we need to have over them. So independent auditing is a key element of the program and we have a whole part of our staff working with auditors to make sure that they're, you know, doing the reviews of the project properly and the final part is the registry. So you remember I said that one of the principles is that the units have to be uniquely numbered. They have to be transparently listed. So that is where the registry comes in. All of the project documentation gets listed on the registry. It sets out all of the monitoring reports, all of the auditor's reports, all of the representations, et cetera.

David Antonioli (08m 00s):
And it tracks all the units with the unique serial number that avoid stole accounting. So it kind of ensures transparency and avoids double counting. So that's, you know, the, the first part of the question, which is how does this, what is the, what is the VCS program and how does those four pillars again, just to repeat it's the standard, the accounting methodologies, independent auditing and the registry and then your second question was, well, how do projects go from kind of a concept to generating credits. So there's a number of steps that they have to go through. The first one is they have to prepare the project. They have to a document that sets out a full

description of the activity and uses as I mentioned before, an existing approved accounting methodology, that indicates how data and information will be gathered over time and again, as I mentioned before, one of the key elements here is the justification for why this project is essentially deserving of carbon finance and how carbon finance will actually help make this project happen.

David Antonioli (08m 59s):
Then you have to have your project document audited by independent third party through the auditors and once it's approved by us, then it gets registered on the registry. So then you have a project that's registered and you can register your project but then of course, as you remember, I said that one of the principles is that we will not issue any credits until they've actually occurred. So in order to issue credits, you need to operate the project and at some point, whenever the project developer decides they submit a monitoring report as defined in the accounting methodology and to have that audited by an independent auditor, that again gets reviewed by our staff and if approved, we will then issue credits into the account of the project proponent who then can put them up for sale, trade them and do whatever they want. So it's a long process, but, you know, as you see, as I described the process, it relies on a lot of the elements that I described at the program.

David Greely (09m 52s):
Absolutely, it's fascinating to hear how much machinery is behind this. I think often people think of, you know, organizations like Verra and think mainly in terms of the registry, but as you've said, there's an entire program behind it with multiple elements and I'm curious in your interactions with people, like what would you see as some of the misconceptions that people in the marketplace might see about what Verra does and how you do it?

David Antonioli (10m 20s):
I think you mean you've got, you've captured it pretty well and that folks don't always appreciate the complexity behind everything and how it all fits together. You know, it is complicated and that's something that people complain about. A lot of folks would like to see their process be much more streamlined and simple, et cetera, but the reality is that in order to generate a high quality credit, you do need to follow a set of procedures. So you have to go through a number of steps and so forth. I think oftentimes people don't appreciate people who are on the outside. If you're a project developer, you know, it very well that if you go to whether it's the VCS program or you go to gold standard of the climate action reserve, pretty much the, the elements of the program that ascribed that are part of the VCs program, they exist in the same or very similar shape or fashion in the other main queen house gas crediting programs.

David Antonioli (11m 10s):
But if you're from the outside, it's easy to discount the complexity or easy to kind of ignore how it all works. You know, I think that's one of the, the big challenges that we face, which is to, you know, explain and make clear how this all works and how it does generate real reductions because a lot of times people can assume that, oh, it's just, you know, they don't really do much, it's all green washing and so I think that there's certainly a lot behind it and that's certainly a big misconception that people have about what we do.

David Greely (11m 44s):
Yeah. I imagine there's a large tension in that. There's been such an increase in the market over the past few years and such an increase in demand for carbon offsets with the companies that have made net zero pledges and I think there's a real demand for speed. Right and as you said, these, these programs and the methodologies, it takes time and even the projects themselves take time and I'm curious just in your experience, what's it been like over the past couple of years versus you've been doing this for 20, 25 years, right?

David Antonioli (12m 18s):
Yeah. I mean, obviously in the last few years there's been an increasing focus and demand for this work. So it's just been growing tremendously. We're seeing, you know, huge amounts of projects coming through. The prices are going up. So that's a good sign. It's basically giving a positive signal to the market and people are starting to identify and dust off those projects that maybe they thought about a while ago but really could make happen with prices back then, but now with the prices going up, we're seeing more activity and just a lot more interest and a lot more promise. So there's really just quite a bit more of activity today. I think what has changed in my mind is that back then it was very much of a niche market, voluntary, oh yeah, these guys are, you know, they're trying to do the right thing, but it was a very small part of you know, economy.

David Antonioli (13m 09s):
But I think today we're now at a point where companies essentially are, you know, at least the ones that are consumer facing or have some level of commitment to sustainability, you know, they kind of have to submit or, you know, measure their footprint and they kind

of have to publish it and once they do that, they essentially have a liability on the books. They have got to do something about it. So we're really in a unique position here in that we're, you know, we can play a key role in helping to drive finance to climate action. When the reality is the governments are moving much more slowly. So there's a real opportunity I think, here for the volunteer market to make a real impact and if we can combine that with internal reductions, that companies are making to meet kind of that long term trajectory of, you know, getting to net zero over time, but in the meantime if they can offset their residual emissions. I think we can make a real dent on the problem.

David Greely (14m 07s):
And I think one thing we've seen governments struggle with is that, and the market struggle with is the notion of how to set the standard and of course you, you've talked through many of the principles that you apply in creating your own standards. I want to get to the piece of the program though where we could talk about the methodologies in a little bit more detail because you know, standards and high level principles are certainly necessary and a guiding force, but to me, the methodologies are really where the rubber hits the road. So to speak as a methodology, lays out the detailed procedures for determining a project's eligibility, its baseline emissions, and being able to measure those emissions reductions and I was hoping you could take us through how is a methodology developed and approved because I don't think there's always an appreciation for the level of rigor and detail that goes into developing these methodologies.

David Antonioli (15m 03s):
I think that's probably gonna be a recurring theme throughout the podcast, right. That oftentimes people think, oh yeah, there's a methodology that exists, but if you look at these documents, they can be really complicated and sometimes they're quite long. So yeah, you're right it is a fairly detailed process, but basically I'd say there's maybe like nine steps, right to approving the methodology. The first thing we do is we require proponents to submit a concept note. So here's a concept, here's an idea of what I'd like to do. We review that and then at some point we either decide to accept it into the methodology approval process or not and so obviously if we approve it, then the proponent then goes ahead and submits a formal methodology document and we have templates, there's obviously a lot of models out there and you know, in that discussion, there's a lot of back and forth and discussions.

David Antonioli (15m 55s):
You know, one thing that we try to do for example, is try to encourage projects or developers to develop what we call standardized approaches. So these are approaches where the additionality piece is much more streamlined and so rather than doing kind of on a project by project justification you might take a category of projects and California kind of was one of the big innovators of this and I think I take my hats off to the climate action reserve for really kind of helping to drive the concept where you would create a set of activities that are generally understood to be additional like they are just not happening. I'll give you an example. You know, 15 years ago it was really not very common to see digesters on pig or dairy farms and so they said, you know, actually let's just credit this and you can go rather than having to make, come up with a detailed justification for, you know, oh, I got, I need carbon finance to make this digester.

David Antonioli (16m 51s):
Let's just credit it and allow it into the system automatically. So it's what we call a positive list. It's a very elegant, streamline way of doing that. What we've done on the back of that is study that and say, okay, let's do that, but let's put a limit on it. Let's say we can use that sort of justification up until a certain percentage of penetration in the market. So provide some rigor and some capping on the back end. So you just can't forever do this because at some point these activities, that theory is that they become common practice. So that's, you know, some thinking that has to be underlying on the concept but anyway, so we have a lot of discussions with the developers encouraging them to do more standardized approaches, because of course the more standardized approach is clear, can be, seems more objective sometimes and also cost less, right.

David Antonioli (17m 35s):
Because you don't have to have an auditor come in and look at your justification. If it's kind of on a positive list, you're good to go. So anyway, that gets submitted, it gets reviewed again by our, our staff, the, the methodology and at some point it goes out for a 30 day public consultation and then that's where, you know, anybody can look at this and we publish this again, many of the rules that we, that we set out have to follow this public consultation process. So methodology is subject to that after they come back from that consultation, then we hire an independent auditor to independently look at that methodology and depending on the kind of methodology we may require that they hire a specific expert. So maybe there's some nature based solutions, types of methodologies that require experts. Some of these standardized approaches also require experts. So we have kind of a list of experts. So you need to

hire an expert to make sure you've got the requisite expertise looking at the methodology and then at some point, you know, it comes back, gets reviewed by if it's approved, then it's approved and there you have a methodology that's now available to be used for that kind of project.

David Greely (18m 42s):
I think that's a really important point, right, so once it's approved, then it's available, so over time, hopefully you have a compounding action where you you're increasing the methodologies as more developers come in, they can take an off the shelf methodology that fits what they're doing and apply it. So they don't have to go through the approval process and I imagine that just as you said, streamlines things and helps speed it up over time and then I was curious, you brought a point about it sounds like having a specific expert. It's not like a specific independent auditor depending on the project. So matching the auditor who has expertise in the specific project, whether it's a digester or a forestry project, or, you know, something more technical.

David Antonioli (19:28):
Yeah. I mean, sometimes, you know, the auditors are approved by kind of sector of the economy. So you may have an auditor that's expert in the waste sector or an expert in agriculture or forest, but even so you need to hire the appropriate auditor to begin with, but in some cases we require an additional expert to be part of that assessment team, because some of these concepts, you know, require detailed understanding of a particular sector. So it may be that, you know, as an auditor, you are qualified to, to look at the waste sector, but maybe there's, maybe this methodology has to do with the, a particular approach dealing with compost, for example and so you may need kind of a, a real expert on compost rather than just an auditor that's approved for working on waste. So that's good. That gets kind of covered on a case by case basis, but we're careful to make sure that the right set of eyes are looking at these methodologies.

David Greely (20m 23s):
Now, once the methodology's approved it, it's still subject to change over time. How do you handle these updates and can you walk us through an example?

David Antonioli (20m 33s):
Yes, that's a great example because, you know, as a program, we need to stay relevant and we need to make sure that we're following latest scientific evidence, best practices, you know, evolving of projects, et cetera, et cetera. So it's a key question and projects really are subject to two kinds of changes. First are those related to methodologies themselves and the other one are changes to the program and I'll give you an example of each. So for methodologies, you know, one example when we think about red or avoided reduced emissions from avoided deforestation, forced degradation in the early days of the market, you know, we were trying to encourage a lot of different approaches and so we saw a number of different methodologies be developed for what's called avoided unplanned deforestation and avoid and forced degradation. So these are small scale farmers that are cutting down for, to provide livelihoods for their families.

David Antonioli (21m 29s):
And maybe there's some slash and burn agriculture, but it's unplanned deforestation and there's a number of different methodologies that got developed. But over time we've decided, you know, that actually that's been great. It was a great way to generate different ideas, but we're now trying to create some consistency across those methodologies. So we're in the process of revising the certain approaches related to those methodologies in particular, how you set the baseline and how often you have to go back and review the baseline and so that first one about setting the baseline is a change that happens at the methodology level, but for the program itself, we're now gonna be revising the number of years that have to pass before you go back and revise your baseline because that's a consistent thing that you have to go back and revise, especially given that the dynamics of deforestation in this particular case change.

David Antonioli (22m 17s):
And that's a program level rule. That's an example of a change that happens at the program that affects the project as well. Another good example that's worth mentioning is that at the program level, we often, you know, make decisions about categories of projects and so back in 2019, we decided to stop crediting grid connected renewables in most countries. We still allow them in in least developed countries, but we decided, but we concluded that grid connected renewables were competitive with fossil fuel facilities and they didn't really need carbon finance to make them happen anymore. So we took them off the table. So those that's an example of a project that, you know, no longer is credited or no longer is allowed and yet there are existing projects that were registered before that

deadline that are still perfectly fine because they, you know, they were able to, well, they got registered early on and therefore have the lifetime of the project to live through, but we will not register any new projects, any new, renewable energy projects going forward.

David Antonioli (23m 18s):
But really I think back to your point is that, you know, we need to update our rules and requirements on a regular basis because we need to stay up to date on new scientific evidence best practices and I think the other thing that really need to needs to be taken into consideration is the new regulatory requirements, right. So one of the very first things we ask a project when it comes it through for registration is whether it's required by regulation and so that's the key consideration. As you can imagine, as countries start to regulate climate or greenhouse gas emissions, there will be more and more regulations forcing countries to take action. So soon enough, we'll see and I'm hopeful that this will happen because this is a good thing that the scope of project types will be reduced over time because countries will start to step up their regulation and enforce it. So that does mean that the volunteer market in the long run will need to be constrained. Well, it should be constrained if everything is working properly because we do need governments to step up, but that's something that we're monitoring very closely to make sure where these regulations pop up and where projects may no longer be eligible.

David Greely (24m 32s):
And I think that's, it's, it's so important to understand those updates in that. I think it it's often seen as a risk for someone taking on a project or being an end purchaser of carbon offsets, wanting to know that, oh, the offsets that I purchased are still going to be good in the future and it sounds like from a project perspective a project is in essence, grandfathered in that if a methodology is updated or changed, then you know, a new project won't be approved under the old methodology but one that was approved can continue its life, did I hear that correctly?

David Antonioli (25m 07s):
That's correct. The old project, however, will need to follow the new methodology, the parts that are applicable to it. So the example above with the baseline setting, so old avoided unplanned deforestation projects will have to use the new approach for setting the baseline once that's finalized when they do their baseline reassessment. So not everything but big, you know, some parts of the old projects will be subject and they do need to kind of fall into the new sets of rules in order for the whole system to be consistent, but you know, they have time, there's a grandfathering period. There's a grace period and I think the other thing that's important to consider is that, you know, all of our rules and regulations are follow kind of a regulatory approach. So there's always a consultation. There's always an opportunity to provide feedback. We always encourage feedback and so our decisions are really made throughout this, you know, pretty long, you know, process, but it's very thoughtful and deliberate and provides rigor, but also gets people a chance to kind of adapt to the new realities.

David Greely (26m 09s):
Now it seems like that'll be more and more important with more, more participants coming into the markets and, you know, seeing more potential, you know, futures contracts based on delivery against, or, you know, settled against carbon offsets that are priced with say a Verra standard or a Verra methodology. People just have to understand that these aren't static, I would imagine.

David Antonioli (26m 30s):
Yeah, no, I think it's important to establish that yes the underlying rules have to be dynamic, but they can't be sudden and they can't be the changes can't be drastic, right. So we emphasize that existing credits and those that, that are still the come until changes required, still have the full backing of, of Verra and the VCS. We simply have a way to ensuring that there's constant improvement over time and the credits themselves won't be labeled differently. If anything, you know, volumes might change or even buyers might prefer vintages that reflect new rules, that's really kind of up to the buyer, you know, give you the example of an iPhone, right? You're not using most likely, you know, iPhone 3 today. You're probably using a more upgraded version. You know, things change, they evolve, you know, the old one still probably works, but you want to be moving up to the more recent ones and there's a kind of process for transitioning those.

David Greely (27m 20s):
That's great and we've been talking a lot about carbon markets and, you know, while each carbon offset or VCU issued by Verra represents a reduction or removal of one ton of carbon dioxide equivalent, this reduction or removal can be done in a number of different ways in different sectors and with additional attributes, you know, whether it's SDG or biodiversity. So there's more than just the carbon dioxide removed aspect to each offset and I'm curious, how do you think about differentiating VCUs issued based on these

types of differences so that while they're all, you know, represent a ton of carbon dioxide equivalent being reduced or removed, you know, nature based versus technology, a reduction versus removal and the additional SDG or biodiversity attributes, how do you think about those in your program?

David Antonioli (28m 15s):
As the market matures I think we're starting to see increasing sophistication by buyers and they all have different motivations for buying and some of these differentiators can help buyers make a decision. So one big differentiator will be between reductions and removals and it's good for the market to know, you know, what each credit represents. Another big, important differentiator increasingly so is whether the projects can demonstrate sustainable development benefits and in fact, some buyers are looking for specific sustainable development benefits, like, you know, gender parity, poverty, alleviation, education, cetera, you know what our approach has been to try to label the units in a way that differentiates that, right now, we actually, in addition to the VCS program, we manage two standards that allow projects to demonstrate their sustainable development benefits. One is the climate community and biodiversity standards and the other is the sustainable development verified impact standard SD Vista.

David Antonioli (29m 16s):
Both of those can be the certifications and they can be added onto a carbon credit such that you can label your carbon credit with these certifications. So a lot of times we understand that buyers will say hey, I want to VCU, but I want it to be labeled with CCB the climate community by diversity standards or SD Vista and so that's an important consideration for the developers to think when they're setting out on their development of their project do I want to actually certify against these other standards as well to be able to claim that in the end and we're finding that a lot of people like to do that and then, you know, there's all the other differentiators, but there's an important initiative out there that is hopefully going to provide a bit more clarity on this, because as you can imagine, you could actually slice and dice this so much that you could end up with multiple different kinds of credits that won't allow the market to really understand what they look like.

David Antonioli (30m 13s):
So this is the challenge that the, the Integrity Council for voluntary carbon markets. So the AC VM is grappling with and hopefully won't come out with some guidance as to how greenhouse gas crediting programs like the VCS ought to label or can label the units that they issue. So one label for sure is gonna be whether it's a removal or reduction another likely label, my guess is whether it's gonna be a nature based solution or a technological solution another one will be whether you're generating sustainable development benefits and there may be others but the point is that I think that differentiators are helpful because they do help buyers choose and in many cases they can identify the kinds of projects that they want, but there's a risk of course, that you go too far into the route hole and you create so many categories that it just gets more confusing. So there's a fine balance and I'm hoping that the VCM is able to walk that and come up with something that's useful, credible and clear to people.

David Greely (31m 08s):
Yeah, there always is that balance in market. So if you want things to be treated enough alike, that you can have a liquid market, but you want things that are different to have different prices and be treated differently and finding that balance is always the challenge.

David Antonioli (31m 21s):
Yeah, exactly.

David Greely (31m 22s):
So I'm curious like those, those are some important initiatives that you just talked with us about, but of course these are very rapidly developing markets and I'm just love to hear, you know, what's next for Verra, what other initiatives do you see on the horizon?

David Antonioli (31m 37s):
Well, you may go back to that one. I think there's two real important initiatives that if you're following this market, you need to be aware of the first one is the, IC BCM the Integrity Council for voluntary code markets, which I like to describe is helping to resolve concerns about the supply set of the market. So the IC BCM its stated purpose is to create a threshold or performance for carbon credits that people can trust. So it's coming, this is the Mark Carney task force that we used to be called the task force for scaring voluntary card markets. They got a lot of attention because Mark Carney was like the head of it and so the IC BCM is the offshoot of that and kind of the incarnation, the real organization, that's gonna make it happen and hiss purpose is to assess all of the greenhouse gas crediting programs out there and come up with a list of ones that they think are credible.

David Antonioli (32m 32s):
And I think that's gonna be really good because in the end of the day, if someone asks me, why should I trust VCUs they're gonna get an unsatisfactory answer because I can only say that, you know, we run, we have regular rules, you know, we're mission driven, NGO, all that stuff, but there's nobody that has done an assessment across all of the greenhouse guy standards and made sure that they actually do the things that are needed to make sure that they have reader. So much of that I imagine will be about checking to make sure that do you really check to make sure projects are additional, are you really making sure that their auditors are doing the right job, do you have a transparent registry, are your units transparently listed and are they uniquely numbered. All those kinds of things are gonna be questions that the IC BCM is gonna be asking of the greenhouse gas programs.

David Antonioli (33m 21s):
And at the end of that process, hopefully they'll have a list. They'll say, look, here are the programs that we looked at. We've opened the hood, we check it out and we think it's legit and you can buy these and you can be confident that these are real reductions. I think that will be a very, very useful aspect that will help to clarify for buyers. What kinds of credits they can buy, because that is a current question they have like geez I've heard the VCS good, but how do I really know, so this will be an independent assessment of the program. So that's the first one, which I think will be really, really important and I'm hopeful that they come up with something that that's again, useful, incredible and helps out. The other initiative that I think is really important and is looking at the demand side of things is the VCMI, the voluntary carbon markets integrity initiative and the purpose of the VCMI is to establish a clear set of claims that companies can using carbon credits can make on the back of using those credits.

David Antonioli (34m 18s):
So I heard on NPR the other day that I think it was fat tire beer. I may get it wrong, but there's a big, a big brand. They were talking about the super bowl and say, we're gonna be the first carbon neutral beer. Well, what does that mean, like how are you defining carbon neutral right now there is no consistent set of rules that set out what a carbon neutrality claim is. As we have already identified as part of the Paris agreement, there's, an imperative that companies start to reduce their internal emissions over time and by 2050, you know, you're now at like maybe five or 10% of your greenhouse gas emissions from where you are today. And you have to have a pathway for that, but does carbon neutral need that, you're actually on a pathway or you're buying offsets?

David Antonioli (35m 08s):
The reality is we just can't afford companies to buy offsets and claim carbon neutrality. I think that would be a missed opportunity. We need to make sure the companies are actually signing up to targets, demonstrating their meeting them and then reducing the residual emissions. I think that's kind of the, the sweet spot where we want to go. But the VCMI will start to send out rules on what those claims are so that when you know, a big beer brand or a whatever company says I'm carbon neutral, we know that means, and we can compare it to other claims that may not be quite the same, still may be valuable, but that hierarchy or that set of claims is gonna be really important and so if we pull these together, the demand side claims clarity, and then clarity on the supply side, I think we'll be able to have a, a much more transparent and clear rules for how people engage with the market. And that will allow more people to get in both on the buy side, but also on the supply side.

David Greely (36m 06s):
Thanks again to David Antonioli CEO of Verra. We hope you enjoyed the episode. Join us next week with our guest Norman Ray, Former President of the Governing Council of the Galapagos Islands. We will be discussing the Galapagos sustainability innovation and resilience hub and the role of public private sector partnerships in achieving economic and environmental goals.

Announcer (36m 34s:
That concludes this week's episode of Smarter Markets by Abaxx. For episode transcripts and additional episode information, including research editorial and video content, please visit smartermarkets.media. Smarter Markets is 100% listener-driven. So please help more people discover the podcast by leaving a review on Apple Podcast, Spotify, YouTube, or your favorite podcast platform. Smarter Markets is presented for informational and entertainment purposes. Only the information presented on Smarter Markets should not be construed as investment advice, always consultant licensed investment professional before making investment decisions. The views and opinions expressed on Smarter markets are those of the participants and do not necessarily reflect those of the show's hosts or producer. Smarter Markets it's hosts, guests, employees, and Producer Abaxx Technologies shall not be held liable for losses resulting from investment decisions based on informational viewpoints presented on Smarter Markets. Thank you for listening and please join us again next week.