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Commodities in Asia | Episode 9

Ken Newcombe, Chairman & CEO, C-Quest Capital

This week on our *Commodities in Asia* series, we welcome Ken Newcombe, Chairman & CEO at C-Quest Capital, into the SmarterMarkets™ studio. Host David Greely sits down with Ken to discuss the energy transition as lifestyle transformation, as well as the catalytic and transformative role of carbon finance in the developing countries of Asia, Africa, and across the global south.

Ken Newcombe (00s):

To my mind, the fastest, easiest, and cheapest way to address climate change is investing in the sustainable development, the energy efficiency, the decarbonization of the developing countries and especially the poorest countries. So, creating markets, making these markets work and accepting that they're not perfect, but they're the cheapest, fastest way to address climate change is the most important challenge of our time.

Announcer (28s):

Welcome to SmarterMarkets, 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?

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David Greely (01m 08s):

Welcome back to Commodities in Asia on SmarterMarkets. I'm Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Ken Newcombe, Chairman and CEO at C-Quest Capital. We'll be discussing the energy transition as lifestyle transformation and the catalytic and transformative role of carbon finance in the developing countries of Asia, Africa, and across the global south. Hello, Ken. Welcome to SmarterMarkets.

Ken Newcombe (01m 36s):

I'm so pleased to be here, Dave.

David Greely (01m 38s):

And I'm very pleased to have you here. It's been a long time coming. We've been trying to sit down together since the IETA North America Climate Summit back in September, but now talking with you in the middle of COP28, I mean, timing couldn't have been better.

Ken Newcombe (01m 52s):

Well, yes, it's good timing for me. I just got in from Dubai into Los Angeles, and so left from the zoo of 70,000 people in Dubai, and a lot of excitement, a lot of churning. We don't know the outcome yet, but it's a, it's a very important event.

David Greely (02m 08s):

And I'd love to talk with you about that and get some of your impressions. You know, one thing that's been coming out in the reporting from COP 28 has been the spotlight that's been put on the need among emerging markets and developing countries. One report that they'll need \$2.4 trillion per year in investment to cap emissions and adapt to the challenges posed by climate change. For context, that's about 10% of US annual GDP, and of course, we're nowhere near meeting that need. On top of that, it's been a very difficult year for climate finance with media and legal attacks on the integrity of the voluntary carbon markets, in particular leading to a pullback in carbon finance. I'm hoping maybe we can start there and you might be able to put some of that need in context for us at your company. C-Quest Capital, you refer to energy transition as lifestyle transformation in the global south, including south and Southeast Asia, where you have a number of projects underway. This means a transformation in how people cook, how they grow food. In essence,

climate finance is a source of capital for economic development. So I wanted to ask you, how important is this source of finance in the countries in which you operate, and could you give us some examples of, of what that type of finance develops?

Ken Newcombe (03m 28s):

Yes, it's incredibly important and the context here is there's really two worlds operating in parallel. There's the move to decarbonize in the industrialized sector and to transform power systems from fossil fuel base to renewables based. But our clients aren't connected to the grid. Our clients two and a half billion or so, are really reliant on wood fuels for the most part, and I'm talking here about firewood and charcoal. They dream of having access to electricity and perhaps some of them do with solar panels, but their world is one of declining access to firewood, declining tree cover reduction gradually in the, the fertility of their soils and more and more precarious living with respect to whether or not they're gonna be able to grow the food they need simply for their subsistence in that context. Carbon finance for us in what we do in the poorest communities, in the poorest countries, has to do with transforming their technologies in terms of the way they cook and transforming the way they produce food so that they're better adapted to a world that is inevitable inexorable of climate change and increasing climate risk.

Ken Newcombe (04m 49s):

And the most important part of the post Paris Agreement world for the private sector in support for these communities to make the, the transformation to a beyond carbon world of financially sustainable alternatives that are adapted to climate change, is that private capital is now motivated for the first time to work with the poorest communities. Not just to go to developing countries for extractive industries like oil and gas or mining or perhaps agricultural products like tobacco and, and other food stuffs, but to focus with surgical precision on poverty alleviation for the base of the pyramid. Communities who suffer that dilemma of having to walk further and further every day to collect fuel and who suffer mightily in terms of the health impacts of the traditional way that they cook on open, on smoky open fires, and the massive uptick in charcoal production as Africa urbanizes and because of the declining fertility of the soils, these people have to migrate to cities with the prospect of jobs, which of course are scarce, but as they do, they increase tremendously their demand on, on firewood in this vicious cycle because they switch from wood to charcoal.

Ken Newcombe (06m 16s):

So what's pleasing, if you can think of anything that's pleasing, is that in the period 2020 to 2022, there was proof of concept that capital would flow to the least developed countries. Trove research showed that in that period, the developing countries attracted \$17 billion worth of investment, and remarkably, India and China were the minority of that. 9 billion of that went to developing countries other than India and China, who in the Kyoto era for probably 70 to 80% of total carbon finance. And even inside that 9 billion, 2.2 billion went to the least developed countries. So that showed the promise of the future carbon markets actually recognizing that there was an opportunity to not only have relatively low cost emissions reductions, but to transform the lives of the poor to be better adapted to climate change.

David Greely (07m 17s):

And when you look at the, there was the proof of concept, large amounts of capital flowing into some of the poorest countries to help them. How has that changed, if at all this year we've seen that there's been a disruption in that flow of finance. How big has that disruption been from your point of view, and what has it been disrupting when those dollars stop flowing?

Ken Newcombe (07m 37s):

It's been a virtual collapse. So that was a buoyant period, 20 to 22. But since 22, I would say from about 15 months ago because of criticism of carbon credits, carbon offsets as it now is pejoratively called as an asset class. Prices in the market that we see in our products have dropped to 40%, and investment has pretty much collapsed. So everybody talked about going from 5 billion to \$150 billion of flows through the carbon markets, through the voluntary carbon markets between 2020 and 2030. But the impact of the criticisms of the asset class of carbon offsets, carbon credits has led to a virtual collapse. What that's meant is that we, no, we can no longer go naked long. When we raised capital, we raised more than \$400 million over the last two years. The idea was if we build it, they will come. If we create the emissions reductions in these high development impact areas with the extraordinary opportunity to transform the lives of the poor permanently and not temporarily, because we could underwrite the risk of the future in the sense that we could go to scale, demonstrate the alternatives and provide them on a financially sustainable basis for a very low cost, once willingness to pay was established through exposure at scale, we can't do that anymore because we're not confident that we can sell the emissions reductions that are created.

Ken Newcombe (09m 22s):

And in our business, we built clean cooking solutions, two stoves per household in 3 million households over the last three years, gradually building up to 1.2 million households across the world, mostly in Sub-Saharan Africa. This year, next year we'll go from 1.2 million or more to a couple of hundred thousand. And even then, that's not all hedged either. So the impact that we can have and that we can demonstrate that the private sector uniquely can have as an agent of economic development is now stymied. It's stalled because of the collapse of confidence in the, in the global voluntary carbon markets.

David Greely (10m 04s):

And can you put the, like in context, that flow of capital, I know you've spent over two decades earlier in your career at the World Bank. What are the carbon markets or what can carbon markets do in terms of providing that finance that helps with economic development in some of the poorest countries that institutions like the World Bank cannot?

Ken Newcombe (10m 27s):

Yeah, it's a very interesting question. Of course, having been inside the World Bank for 24 years, and a lot of it as a senior manager and a position of being able to catalyze change as an entrepreneur, I know well what the bank can do, but I also know, well, what the bank can't do or development finance institutions or NGOs and what we can do as the private sector when we have the motivation that's driven by being able to create and sell emissions reductions in the post Paris world is to literally face the client for extended periods to bring about this transformation. The World Bank and other development finance institutions deal through governments. They do not face the client directly. They try and build capacity in developing countries so that they can be effective implementing agents of change. But in the poorest countries, the further you get away from an urban area, the less likely you'll see a visible presence of competent agents that can deliver truly transformative change.

Ken Newcombe (11m 36s):

The private sector can do that because it's motivated to recover its capital and make a return that's commensurate with the risk that we face. And we have to be on the job, we have to deliver a quality product, and we have to be able to talk to the client and understand what's working and what's not. And because we have that direct interface we can bring about change, we can improve data capture, we can improve monitoring and verification, and we can change the product as we see deficiencies in it over time. That's a very important opportunity for the private sector. In my business, we, we call that private sector led economic development on the basis of mutual prosperity, that our license to serve these communities depends on an outcome of their increased prosperity as we obtain a return on our capital that is needed to continue to mobilize capital at scale.

Ken Newcombe (12m 35s):

The World Bank can complement that everybody understands the role of the private sector. If you live inside a development finance institution like the World Bank, it's all about mobilizing private capital for development in public-private partnerships. But that's a pretty fuzzy boundary and needs to be perfected over time. So perfecting the collaboration between the private sector in the new era when the private sector can be an agent directly of poverty alleviation and economic development and what the World Bank can do in what's called the enabling environment needs to be better defined. And I am in discussions with the World Bank about what that means in the context of mobilizing carbon finance.

David Greely (13m 23s):

And when I hear you talk about some of these lifestyle transformations, you know, simple example is getting people to use cook stoves instead of open wood fires. It doesn't seem entirely different in concept from what we see in more developed countries of switching over from a fossil fuel using solar panels where it's cheaper, it's cleaner once you've made the transition, but there's a cost to doing it and there's kind of a hurdle to get over. And the carbon finance can be a way of catalyzing people to make that change, which over the long run, once they make the adjustment, can improve, not only, you know, reduce their carbon emissions, but improve quality of life. Is that an accurate way to think about it, or how do you think about your role?

Ken Newcombe (14m 09s):

That's absolutely perfect. As a characterization of the challenge, you know, I reflect on rooftop solar here in the US and in Australia where I originally came from. These are all supported by subsidies, by opportunities to sell back into the grid. It's imperfect, but there are drivers in tax relief and all kinds of incentives varying from place to place, which bring about this really important transformation. What carbon finance allows us to do, always with the view of financially sustainable futures beyond carbon, 'cause carbon projects in cook stove world, for example, are seven to 10 years. You have to be sure that after a seven to 10 years exposure to cleaner, more

efficient cooking, which changes health outcomes and increases the productivity especially of women and empowers women, you have to be sure that you can continue to supply the clean cooking solutions at a price which these communities and women and families are prepared to pay.

Ken Newcombe (15m 16s):

And so what you are really doing with carbon finance is introducing new technologies at scale, introducing training in behavior change with the reasonable expectation that it's so much better than traditional practice. That the young women who grow up in the hundreds of thousands of households where we provide our clean cooking solutions country by country across Sub-Saharan Africa, would never think twice, are going back to cooking on a three stone fire on an open smoky fire that they saw their parents doing or they heard of their parents and grandparents doing because they can buy a clean cooking solution for the price of a cooking pot. That's our objective in our factories in Cape Town where producing low cost solutions, which can be sold through distribution channels, we're helping to create with village savings and loans focused on creating women's entrepreneurs and a last mile connection to all of our households with people we call stove champions or the farmers.

Ken Newcombe (16m 19s):

We, for those we call farm champions, we have to provide that opportunity, but it can only be done at scale. Likewise, in urban environments, we can offer the most amazing efficient cook stoves, which are cleaner, faster, and cheaper. But people don't recognize that technology, nor do they recognize the special fuels like paled, biomass residues. They have to be introduced quickly with a subsidy to get to the point, a tipping point in the communities where everybody recognizes this is a better way of doing it. And then they would not want to go away from that technology because they recognize the payback periods are months. And if it comes to a choice when carbon finance subsidies have gone away, they'll make the obvious choice of continuing to save money and save time and have a healthier existence.

David Greely (17m 14s):

And then the ultimate goal is that at some point, much like happened in rooftop solar in the west, it becomes so cheap because you're producing it scale that it'll be more affordable for people to buy a cook stove than not in some sense.

Ken Newcombe (17m 28s):

Yeah, I just heard from you know, head of manufacturing our manufacturing affiliate energy Africa, that we've been able to bring down the price of a 20 watt solar panel, which we produce in our factories in Cape Town from \$24 as a recommended wholesale price in our countries like Malawi, for example, to \$12 over the last year. And obviously that's a big break for a German certified technology, and it's illustrative of the transition and the journey we're on. But that has to be supported directly or indirectly by carbon finance. And it's very different from the world of renewable energy in the OECD, it's tailor making clean energy to the needs of the rural poor and the peri-urban poor in the developing countries.

David Greely (18m 25s):

And on this podcast, we've heard a lot and discussed a lot with other guests. The notion, as you said, there are different energy transitions in different parts of the world. I imagine there are also different lifestyle transformations. I'm curious, in the various countries you operate, what are some of the other examples of transformations or projects? You talked a lot about cook stoves in Africa. Are there others in other countries that you know, you think are, are crucial?

Ken Newcombe (18m 51s):

Well, I should explain why we enter these markets to provide clean cooking solutions. It's not just to transform permanently the way people cook. It's not just the beyond carbon clean cooking solution, which they realize they not only can afford, but should afford, but it's empowering women with extra time, two to three hours a day of extra time. Because with our clean cooking solution, they no longer have to go and cut trees. They can use crop residues and the twigs and branches of perennial shrubs, and that time is essential for them to transform the way they produce food. So for us, it's what we call in the pollens of the carbon market and avoidance removals transition. But in practical terms, it's enabling and empowering women who are the gardeners, the caregivers who keep family units functional and productive to change the way they produce food and that essentially is adaptation to climate change and not just a mitigation outcome in terms of creating and selling emissions reductions.

Ken Newcombe (20m 04s):

That transformative regenerative agriculture is really the focus of our business. The direction of travel of C-Quest is to create opportunities for productivity through improved health comes and time savings for the real change agents, which are women to change the way they produce food, and they produce cash crops to take climate risk off the table despite the challenge the ever-growing challenge of climate change. So regenerative agriculture and sustainable agriculture is a real focus now and our ambition is to get by 2030 to 3 million households, 3 million small holder farmers that are practicing a form of agriculture, which is radically different from tradition, but enables them to be prosperous in the face of climate change.

David Greely (20m 55s):

And what do farmers need to be able to make that transition?

Ken Newcombe (20m 58s):

That transition is fundamentally about changing from a colonial set of practices, which said, clean the fields, burn all of the residue, make it look nice, ridge all of the soils, expose the soil and then pile it up in, in nice ridges across the field. And over time, that's meant a decline in organic matter to dramatic proportions, less than half a percent soil, organic carbon in the soils in the communities that we are working with. And that means they can only produce food now by buying chemical fertilizer. And guess what, over the last two years triggered by the Ukraine war fertilizers in Africa have gone up three or fourfold. And it literally is true that if you don't get hold of your allocation of chemical fertilizer from the government that recognizes that fertilizers are absolutely fundamental to food production and to avoid hunger, then you literally do stuff.

Ken Newcombe (22m 03s):

Your crops look anemic, chlorotic, as they say, yellow stunted maize stalks and so life is now dependent on a commodity which is more expensive, it's self-generating climate change, and governments just cannot afford the foreign exchange to do it. So what's happening in our world is introducing intensive nitrogen, fixing agroforestry intensive for the food crops of maize, could be cassava, whatever it is across the agricultural ecosystems of Sub-Saharan Africa, literally 18,000 trees, nitrogen fixing trees planted as an annual crop every year with maize and harvested killed at 11 months, shaved off at the ground and laid down in the hop weather of October, November before the rains in Eastern and southern Africa shaking off their leaves. Leaf matter is piling up as a mulch, the crop residue is just laid down, not burned, there's no tillage anymore. The world of spending 170 days cleaning and burning is gone.

Ken Newcombe (23m 17s):

The crop has been, has become a photosynthesis machine capturing atmospheric carbon and storing it below ground in massive amounts of roots, which decompose to long-term storage, 95% of which does not go back to atmosphere and will stay in the soil for hundreds to thousands of years and for the farmers after three years, they don't need chemical fertilizers to get the four tons of maize yield per hectare that they have in a world of chemical fertilizer. So they save the money, they save the time, and they have a surplus and our obligation switches then to a fair trade, a route to market for these crops. But at the same time, this biomass through agroforestry is an energy crop. 10 tons of dry biomass per hectare per year of the stems of these nitrogen fixing trees allows us the opportunity of creating an energy product, different kinds of energy products, the further you are from a capital city.

Ken Newcombe (24m 23s):

But if we do our job well, all of the cooking fuels that are necessary for a large city in Africa can be grown in these intensive agroforestry systems on 10% of the land within a 100 kilometers of the city, creating a closed loop economy, which is not only based on an agricultural system, which climate proofs small holders and takes hunger off the table, but creates a carbon source. We share the carbon revenue with them as a new virtual crop and a real crop of energy, which can serve the burgeoning needs for cooking fuels and institutional cooking in the urban markets.

David Greely (25m 03s):

And you can really start to see that circular system taking place. I wanted to go back, you had brought up earlier, you know, I think often in more western countries we think of, we're very focused on reducing emissions to reduce the harm to the climate. But of course, in the many countries in the global south, they're experiencing the harm that's already been done to the environment in terms of their own daily lives. And so there's a real need for carbon finance, not only to reduce emissions, but climate finance to help with mitigation of a changing environment to help with restoring degraded ecosystems like the depleted soils that you discussed. I was hoping you could tell us a little bit about, you know, how important is finance to climate adaptation and ecosystem restoration, and where do you see it being needed the most right now?

Ken Newcombe (25m 51s):

Well, what I've just been describing to you as regenerative agriculture, stabilizing food production despite increasing intensity and decreasing certainty of the risk of rainfall is actually adaptation and in fact, we've decided that we should market the carbon that comes out of the soil organic carbon, the monetizing soil, organic carbon from all of that carbon that is stored below ground in roots and in organic matter and with a healthy soil microbiome. These activities are adaptation to climate change. So we're creating climate resilience and so we are creating a product in the, the verified carbon standards SSD Vista Sustainable Development verification program that measures effectively adaptation and we're thinking through the ways in which this adaptation product, this overlay can allow us to confirm that the changes in smallholder agriculture through the regenerative practices that we are promoting and that farmers are willingly adopting, is actually adaptation and that if you invest in this product, you are investing in adaptation.

Ken Newcombe (27m 11s):

It's a de facto market for adaptation and I think you probably realize it's been extremely difficult for the global community, the development finance institutions to come up with a tradable adaptation product because adaptation takes so many varied forms, it's just not possible to commoditize it. But in this particular instance, we feel we can, we feel that anybody that's investing in restoring carbon stocks in the form of permanent trees across working landscapes, that is supporting through buying soil organic carbon as opposed to direct air capture soil organic carbon at \$25 a ton or \$30 a ton virtue, you know, compared to 300 to \$500 a ton in direct air capture, is actually investing in adaptation at the same time as really purchasing very high quality storage credits in the form of soil organic carbon or in Biochar, which is also a byproduct of these systems.

David Greely (28m 14s):

You had said earlier in the conversation that in earlier incarnations of the carbon markets, much of the finance flowed into countries like China and India, and this time more has been flowing into more developing countries outside of China and India. Is that mainly Africa or do you see it flowing into other countries in Asia, outside of India and China as well? And how do their needs compare?

Ken Newcombe (28m 38s):

You know, it's very interesting. We, we have projects in in Lao and Cambodia and Thailand and Vietnam in the northeast of India and across Bangladesh as well as in Central America. So we're not just focused on Sub-Saharan Africa, although most of the least developed countries are in Sub-Saharan Africa. There are least developed countries in Asia as well and in those countries, once you get outside the cities, even for example, outside Ho Chi Minh City, which formerly Saigon, it doesn't take you long to realize that poverty is just as present there and the needs of the rural poor are very similar to those everywhere else in the world and the solutions are different, but not in principle. In principle, you have to think about regenerative agricultural practices because they too live on a knife edge. They too live hand to mouth, depending, you know, on the fate of their food production, subsistence food production, and whether it's going to be disrupted by late rains, by rains that stop short or rains that are so intensive that they create floods and wash away their crops. The picture is not very different. And the solutions, while technically they may vary in terms of what kinds of trees, what kind of agricultural systems, the story is exactly the same.

David Greely (30m 03s):

And I wanted to go back, you know, because I talked a lot about the criticism that the voluntary carbon markets in particular came under this year, and the effect that's had, I guess to be fair, need to kind of understand, you know, the line between legitimate criticism because we want to make sure that money's actually flowing into useful things versus flowing into things that aren't useful. But I was curious, you've been a pioneer and a veteran of the carbon 1.0 so to speak in the 2000s, so I was kind of curious, what do you make of this criticism and the line between what's legitimate and what's just counterproductive? Do carbon markets suffer, you know, from a tyranny of high expectations? Do we expect things to, to be too good? You know, what can we reasonably expect of these markets?

Ken Newcombe (30m 49s):

Yes, the truth is the commodity of carbon is radically different from any other commodity that in our different professions that we're used to seeing traded or have been involved in trading, for example, metallurgic coal has very precise specifications. Oil products like Brent crude have very precise specifications. Different grains have precise specifications in the world. Grain trade, they vary, but they vary in ways which are fairly easily quantified and certified and verified. But in carbon emissions reductions, you can't touch it, feel it or smell it. You have to believe that the way in which it's produced has credibility in the sense that without this catalytic force of climate finance, of carbon finance, these emissions reductions would not have happened and then you have to be concerned that the volume

of the claims is commensurate with the emissions reductions that come out and it's really important to get our heads around the fact that this is a new commodity, incredibly diverse in terms of the ways in which you can lead to emissions reductions.

Ken Newcombe (32m 06s):

Even in our own business, we're in the process of distributing 50 million LED light bulbs to the rural poor in India, we're in the process of actually we have cleaned up leaky gas pipes all across Bangladesh by going along the lines, sniffing gas with sophisticated detection instruments and sealing the leaks as we go. That's radically different from putting clean cooking solutions into a, a rural household. But you can talk about landfills and all sorts of energy efficiency. The truth is these methodologies vary and they're all in the process of change as a result of the scrutiny of the market. There is no such thing as perfection in this commodity, but there is always the need to strive for perfection, always the need to get things better, to be more and more careful about measurement and to use as much of the modern technology of satellite imagery, of, of digital technology to demonstrate that, for example, if a stove has been distributed to household, it actually is being used and we actually appreciate this scrutiny.

Ken Newcombe (33m 21s):

What we don't appreciate is if it's based on poor science, if it's based on ignorance, people say ignorance is bliss, but it's not bliss for the poorest countries in the world and the poorest people. If that ignorance of the real cost, the real damage function of the way traditional cooking takes place, or the way traditional fuels like charcoal are produced, is underestimated. And the emissions reductions are underestimated, and developers are, are castigated because they're allegedly claiming more emissions reductions than they should. On the other hand, we take very seriously the issues of measurement, and we are looking back inside our own house and asking, are we confident that the ways in which we monitor and measure and follow up, for example, in cook stoves, is going to tell us that the stoves are being used and the emissions reductions claimed are real. So there's a good side of the criticism across the board, whether it's in the reduced emissions from deforestation and degradation, the red plus sector, or in cook stoves or others.

Ken Newcombe (34m 35s):

We take those criticisms seriously and we realize that in periods of rapid growth, this deployment of capital that I mentioned earlier across the developing countries, unprecedented in scale, even with the World Bank's investment in these sectors leads to, you know, dramatic increases in the numbers of interventions. And it needs to be accompanied by ever increasing precision. So that confidence in the buyers is not only maintained but grows. So that is a challenge and that criticism is legitimate and we take it and we're doing what we can to offer to the market an emission reduction, which really does represent a ton of atmospheric benefits. But on the other hand, we've invested half a million dollars this year demonstrating in effect that the IPCC default factors are real, and that any attempt to make them more conservative in respect of the efficiency of traditional cooking, like open fires or charcoal stoves or the number of tons of wood that are necessary to make a ton of charcoal by traditional means, should not be made more conservative and more punitive in terms of the parameters which allow capital to flow.

Ken Newcombe (35m 48s):

There are big debates around things like what is the proportion of wood that's burnt that gives rise to carbon dioxide, go into atmosphere where the carbon dioxide comes back because the trees regrow. There's a lot of controversy about that. It's called the fraction of non-renewable biomass. We spend a lot of money demonstrating that the damage function is actually high, should not be subject to extreme conservatism because that just simply limits the flow, which can be billions of dollars to transform the lives of the people in the other sector in the other energy transition, which must go in parallel to the move to renewables in the industrialized countries.

David Greely (36m 29s):

It's such a, such an importance of accuracy we don't want to overstate and don't want to understate,

Ken Newcombe (36m 35s):

It's all about measurement and good science and of course then there's the responsibility to make sure that we are doing the right measurement and we are making the right claims inside our company and our fellow developers in this space.

David Greely (36m 50s):

And because you're just back from cop as you said, I want to get some of your thoughts. As I said, you've been in the carbon markets for your share of cops looking at COP 28 with the benefit of your experience and granted that we're not all the way through it yet. Could

you help us read a little bit between the lines, you know, what do you see happening and are there some real accomplishments happening that should give us optimism or not?

Ken Newcombe (37m 15s):

That's a \$64 question. Actually. I think a \$64 billion question. It's very hard to read the tea leaves to be honest and let's see what the presidency comes out in their final statement. What progress there is in the negotiations of the critical Article 6 text, which is still under negotiation and which there's lots of square brackets denoting significant disagreement, but the COP provide a forum for other kinds of change and what was really pleasing to me as a founding director of Vera is that the carbon standards in the voluntary carbon market got together during COP and decided to collaborate rather than to compete, collaborate in terms of unifying and upgrading the ways in which they measured things or the standards of the methodologies. I'm also personally excited finally, by the progress of the Integrity Committee of the Voluntary Carbon Market, where all of the carbon standards now not only submitting their credentials to be high standard, high integrity deliveries of, of carbon products, but also to ensure that what's called CCP labels, labels, which ensure that the products that the verified Carbon Standard Gold standard and others offer the market are consistent with high integrity outcomes methodologies that are uniformly high.

Ken Newcombe (38m 55s):

All the carbon standards got together and said, we're all on board with that. We are not going to appear to compete with each other. What's at stake is far greater than the individual fortunes of the carbon standards. Let's offer the market one high quality standard and let's conform with the Integrity Committee of the Voluntary Carbon Markets Standards. That is a multi-stakeholder process of review as to what constitutes an emission reduction, which is real and additional and verifiable and means atmospheric benefits, but also in the world in which we operate really means sustained development outcomes that speak to adaptation in the face of climate change.

David Greely (39m 39s):

And you may have answered the last question I wanted to ask you today, but I'll ask it anyway. If one believes that climate change is the great crisis and challenge of our time, what do we need to be doing differently to move forward to make meaningful progress? Do you think it's we need to do the things we're already doing better and at larger scale or are there things fundamentally that you think we, we need to shift?

Ken Newcombe (40m 05s):

Well, to me, that's all about making markets work. The reason that I was involved with a fantastic team of people and with support of, of a remarkable president of the World Bank at the time, Jim Wolfensohn and his senior managers in pioneering the concept of North South trade in greenhouse gas emissions reductions was to make markets work. Because you might recall way back in the time of the Earth Summit, this problem was gonna be solved by North South transfers of \$350 billion a year. When at the time development finance as a whole was about \$50 billion a year, it was a pipe dream. So it, the concept of creating a market for greenhouse gas emissions reductions to me and my colleagues at the time was the only way forward. And of course, living inside an institution that is an expert in development economics, the whole concept was, and it's still true today, but it's not panning out that way, is that is the least cost solution for mitigating climate change, is to go to the countries who've not been able to apply the most efficient technologies or move as fast towards renewable energy, even though it's abundant in many of their countries.

Ken Newcombe (41m 21s):

So the trade would be the least cost most effective way of addressing climate change. So it's a little perverse today that many NGOs and academics criticize that market, criticize what is in effect the least cost approach to mitigating climate change because they are focused on perfection rather than a good enough product in the face of enormous challenge. To my mind, the fastest, easiest, and cheapest way to address climate change is investing in the sustainable development, the energy efficiency, the decarbonization of the developing countries, and especially the poorest countries. And it's not insignificant. The charcoal trade is hopelessly inefficient across Africa, and the emissions that arise from the charcoal trade alone today are the equivalent of the entire emissions of Spain. And in 2030, the entire emissions of Germany, that's the rate at which this is going. So creating markets, making these markets work and accepting that they're not perfect, but they're the cheapest, fastest way to address climate change is the most important challenge of our time.

David Greely (42m 43s):

Thanks again to Ken Newcombe, Chairman and CEO at C-Quest Capital. We hope you enjoyed the episode. Join us next week as we wrap up our series on Commodities in Asia. We hope you'll join us.

Announcer (42m 56s):

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Announcer (43m 45s):

That concludes this week's episode of SmarterMarkets by Abaxx. For episode transcripts and additional episode information, including research, editorial and video content, please visit smartermarkets.media. Please help more people discover the podcast by leaving a review on Apple Podcast, Spotify, YouTube, or your favorite podcast platform. SmarterMarkets is presented for informational and entertainment purposes only. The information presented on SmarterMarkets should not be construed as investment advice. Always consult a licensed investment professional before making investment decisions. The views and opinions expressed on SmarterMarkets are those of the participants and do not necessarily reflect those of the show's hosts or producer. SmarterMarkets, its hosts, guests, employees, and producer, Abaxx Technologies, shall not be held liable for losses resulting from investment decisions based on informational viewpoints presented on SmarterMarkets. Thank you for listening and please join us again next week.