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Catching Up On Climate | Episode 2
Alexia Kelly, Managing Director of Carbon Policy and Markets Initiative, High Tide Foundation

We continue *Catching Up On Climate* this week by welcoming Alexia Kelly back into the SmarterMarkets™ studio. Alexia is Managing Director of Carbon Policy and Markets Initiative at High Tide Foundation. David Greely sits down with Alexia to discuss what's been happening beneath the quiet surface of the voluntary carbon markets in order to get them ready for prime time and unlock the institutional capital these markets need.

Alexia Kelly (00s):
One of the things that we have been working a lot on right now is something that we are calling the Verified Carbon Market Roadmap, which is a clear and collective vision for the entire carbon market over the next five years to really say, okay, if we want this market to matter from our climate change mitigation perspective, and we have set that target as 5 gigatons of abatement by 2030 collectively, then here are all of the pieces of the puzzle, and this is the vision for the market of the future that we really want to work towards.

Announcer (31s):
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?
This episode is presented by Base Carbon, sensible carbon investing. For more information, visit basecarbon.com.

David Greely (01m 11s):
Welcome back to Catching Up On Climate On SmarterMarkets. I am Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Alexia Kelly, Managing Director, Carbon Policy and Markets Initiative at the High Tide Foundation. We will be discussing what's been happening beneath the quiet surface of the voluntary carbon markets in order to get them ready for prime time and unlock the institutional capital these markets need, including the work being done on the new verified carbon market roadmap. Hello Alexia. Welcome back to SmarterMarkets.

Alexia Kelly (01m 45s):
Hi David. Thanks so much for having me. Great to be here.

David Greely (01m 48s):
It's good to have you back on the podcast, Alexia. We are in the back to school season and it's the time of year to reassess the big picture and get refocused on what's important, what are the challenges we face and what we would like to accomplish. I would like to start our conversation with you there, Alexia. How are you assessing the big picture in carbon markets today?

Alexia Kelly (02m 09s):
Yeah, thanks David and great to be back. There is a lot going on in carbon markets right now. We are really seeing a significant convergence between voluntary and regulatory markets. We are starting to see, I think, enhanced convergence around what quality really looks like. So when I was on last time, we talked a lot about the Integrity Council for voluntary carbon markets and its work to really bring the market together around a set of consolidated integrity and transparency requirements and threshold benchmark standards and what we have also really seen, I think especially with the Trump administration and some of the political changes that are happening internationally, we have seen a rise in the continued commitment and importance of voluntary action by companies to act on climate but also increasing amounts of green hushing. So as we have been kind of making the rounds talking to our friends who are leading sustainability initiatives within Fortune 500 companies, particularly those that tend to be climate leaders and are domiciled in the US, what we are seeing is that they are really committed to staying the course on their sustainability goals and objectives.

Alexia Kelly (03m 26s):
I think they have collectively identified that it's a pretty steep path and the path obviously just got a lot steeper with a number of the incentive changes in what I refuse to call the big beautiful bill, but the budget bill that just passed Congress and I think as we look forward, really charting a new path towards just quiet, intentional focused work to deliver without a lot of the noise and so while there will likely always be noise around the carbon markets, I think this moment right now is really focused on just building the durable systems that are going to work within the capital markets and institutional infrastructure that we rely on for the global economy and to do it in a way that's a lot less about sort of a cute little artisanal experiment of a market and really pulling that through into the mainstream in a clear, incredible way.

David Greely (04m 24s):
I would love to get into that with you. I want to come back to a couple things you raised a couple interesting points I wanted to follow up on. One is with the notion of green hushing. So I think when Green Hushing first came out, it seemed to be people being shamed in a sense for green washing. I get the sense that with maybe not the increasing but the changing nature of the politicalization of climate action green hushing might be coming from a different direction now. Is that right?

Alexia Kelly (04m 53s):
I think that is right and I think it's been really interesting with companies because I have been really surprised at their continued commitment and dedication to the market despite all of the noise on both the right and the left. So I think sustainability teams and companies that are really leading the way have been getting squeezed for different reasons, right from the political left and the political right. And what's happening is I think a lot of the companies really recognize that this work needs to happen. It's very important that we continue it and that there is no reason not to do the work because of both the need to take action on climate change, but also the need to shore up and protect supply chains against climate shocks and to be thinking comprehensively about the risks that climate change poses to their core business and so I think they have sort of collectively decided that we are going to keep doing the work, we are just not really gonna talk about it very much and that's I think, unfortunate, but it's less unfortunate than it would be if everybody just said, well we are just going to stop doing the work. So I think the good news, and this is true of the broader kind of global cover market trends as well, there is a much more workman-like attitude being brought to the whole endeavor, which is really, this work has to happen, we need to keep iterating, we need to keep working to get it right and we are just going to put our heads down and power through is my favorite phrase from rest of development.

David Greely (06m 19s):
Well, and it's such an important turnaround, right? Because it seemed like not so many years ago the skeptical response was, well there is a lot of talk and not a lot of action that people want the marketing benefits of saying they're taking climate action but not actually backing it up and now it's an interesting reversal that now you've got people doing the work but not wanting to talk about it.

Alexia Kelly (06m 40s):
Totally and I think it's also really important to note that there is a big schism in companies, right? So the vast majority of companies, let's say I think 80% globally, still don't have any form of voluntary climate commitment. We have a huge gap to address, which is just most companies in their business as usual planning are not actively thinking about climate change. But of the leaders, you know, and let's say there is maybe generously a thousand of them globally, they really are doing the work and I think it's difficult to overstate the role and importance that those climate leaders play in pulling through some of these early markets and technologies. So I don't know if you saw the deal that was recently announced by EFM, which is a sustainable forestry management fund out of the Pacific Northwest that just cut a big deal with both Microsoft and Meta to preserve purchase and preserve one of the largest tracks of land I think ever backed by a carbon market deal, which is just an example I think of the maturation of this space and the impact that these companies are having on the capital markets, which is we are willing to make a long-term off take agreement for carbon and that's then going to enable institutional investors to come in and say, yep, I am going to loan you my money at x percent a year, or I am going to invest in this asset class that I hadn't really considered to be real, but because I have one of these big deep balance sheet and deep pocketed companies on the other side of that transaction who I know are very creditworthy, I am going to come in and take a flyer on this market that I haven't been too sure about before.

Alexia Kelly (08m 23s):
So those are the types of early indicators that I am particularly excited about because they really are demonstrating that this market is starting to grow up and get much closer to something that we would consider to be a a traditional asset market.

David Greely (08m 37s):
And that's a really interesting change, right, because it seemed that the tech companies in the US in particular, whether it's the Microsofts, the Metas, they were very much insisting on removals, like they seem very much perhaps not surprisingly technologically oriented carbon capture. So to do a forest preservation deal, that seems like a change for them. Is that right?

Alexia Kelly (09m 03s):
Well you are right and I would actually say that a lot of these companies, if you talk to them quietly, they will all know that they really recognize the need for both avoided emissions or reductions and removals but because the prevailing wisdom around net zero, particularly the definition of net zero that's been pushed by some of the NGOs is that you have to reduce your own greenhouse gas emissions that are reported on your inventory by 80% or 90% and only then should you be balancing the residual with 10 or 20% of removals based on what is, in my opinion and misinterpretation of what the IPCC says on the definition of net zero, which is their actual definition of net zero is that you are counterbalancing your emissions with removals over a period of time. The IPCC, which is the international panel of scientists who provide a FIC analysis and synthesis around climate change, they do not say it has to be 80% by 2050.

Alexia Kelly (10m 15s):
That's not what the IBCC has said about what net zero is. But I think there is NGOs who were concerned that companies would only offset their way out of or into a net zero claim and they wanted to make sure that didn't happen. So they pushed these very stringent and onerous definitions of net zero onto the companies and now we have a bunch of companies who have set net zero targets and are looking around going, there is no way we can deliver this level of reductions within our own supply chain and inventories. So that shift is happening slowly, but it is happening and I think people are starting to just come to sort of reconcile themselves with the fact that we're going to need to actually take a different approach if we want these companies to deliver on these net zero targets in any kind of meaningful timeframe.

David Greely (11m 00s):
And that brings me to another point you raised earlier that I want to ask you about, which is the improvements on how we define quality. Obviously that's been a huge issue. It's probably one of the top issues for why the 80% as you said have not come into the market yet. What have you seen in terms of advances in how we define and agree on what we mean by quality?

Alexia Kelly (11m 27s):
I think quality is always going to be an evolving conversation in the carbon market, just like any other field where you have evolving science and we are continuously learning and adapting our regulations as we get that new information in the door. I think one of the things that's interesting and important from a capital markets and a capital formation perspective is that we are starting to see convergence through the work of the Integrity Council of Voluntary Carbon Markets, around a fewer set of kind of key methodologies for specific credit category types. So if you think about landfill gas or if you think about high GWP, high global warming, potential gas destruction or improved forest management, what we are seeing is that the ICVCM has looked across all of the existing methods that are out there and says, we really think this is the best combination of, of what these methodologies have that's going to be important for comparability, it's going to be important for fungibility, it's going to be important for transparency.

Alexia Kelly (12m 27s):
So I think that's a really big structural shift that's happening in the VCM and that's going to help us chart a path forward to a more aligned, voluntary and regulatory system as well. Because as Article 6 starts to take effect and be implemented, you will see what we are hoping will become a virtuous cycle between the regulatory and the voluntary space where the voluntary space is actually leading in terms of definitions of quality and the regulatory spaces is watching and adapting and leveraging that work because the voluntary sector can move a little more quickly at this point.

David Greely (13m 05s):
And what are some of the most interesting developments you are seeing in terms of that, I guess you put it a better way in terms of the convergence between voluntary and compliance markets because It certainly seemed like the compliance markets have kind of been out front for the past year or so.

Alexia Kelly (13m 21s):
Yes and no. I think like we are actually starting to see a, a sort of a renaissance of interest in carbon markets as companies or as countries get more serious about implementing their nationally determined contributions under the Paris Agreement. So the commitments that everybody made, they are just as they sound nationally determined. So every country is deciding for itself the way in which it plans to deliver both how much it's contributing and also how it's going to deliver its emission reduction goals and many of them I think are doing the same sort of calculus exercise that the companies are doing, which is, boy we have a lot of work to do to decarbonize the global economy and we are going to need to be thinking about net cost of that trajectory overall and so integration of international emissions trading where I am allowed to take advantage of lower cost opportunities in other countries should actually be a part of our strategy.

Alexia Kelly (14m 20s):
And so that work is really just getting going. You know, it took us a decade to write all of the rules at the UN for Article 6, but that process has largely concluded. And so now we're really putting I think the last details on the six four system, which is the internationally managed carbon crediting program. So there's a centralized body that decides which methodology is get approved and which ones get the kind of UN label as opposed to Article 62, which is the bilateral trading between countries. So countries are free under Paris to enter into agreements themselves with how they define and set these rules. So in a sense, everything under the Paris agreement is voluntary even though it isn't an international treaty, but it is designed to be very flexible and that was what was required to get all of the developing countries on board to having a level playing field for developing and developed countries.

David Greely (15m 16s):
And how would you assess the speed at which the implementation of these Article 6 markets is going?

Alexia Kelly (15m 25s):
Well, there is a lot of governments involved, so that gives you any indication how quickly things are going. I think it varies by country. Singapore has emerged as a real leader in this space. I think they see, you know, they have a very high marginal cost of abatement domestically. They have made an ambitious international commitments and I think they really see the value of the market from a kind of national interest perspective in creating new economic development opportunities for Southeast Asia particular. So it's been interesting to see they are really leading the charge from a governmental perspective along with the UK, which face a similar constraints in terms of their internal decarbonization opportunities and then we are seeing players like Kenya step in who are also really active and interested. Kenya actually hosts an enormous number of very high integrity projects that are just delivering incredible impacts on the ground.

Alexia Kelly (16m 20s):
And so those three governments, in fact the UK, Singapore, and Kenya, have come together in a new voluntary carbon market initiative to really help catalyze and think through how the voluntary market can help developing countries and develop countries, deliver on their nationally determined contributions and how we start to create just that virtuous cycle and enhanced connectivity between the emerging article six and UN systems and the voluntary action that we know companies are taking out there. So that's been a big turning point I would say since you and I spoke last, is really what's changed is that we are seeing governments step up and much more vocally say, hey, we think these things are important. We know that we need them to be working well and we need to think through just what are the rules of the road for doing it in a high integrity and transparent way.

David Greely (17m 11s):
And to me that's such a source of strength that rather than trying to get one committee together to kind of make decisions for everyone, we're kind of seeing these individual laboratories of countries trying out different things, seeing what works. And as you said, it's Singapore, UK, Kenya, are there certain elements of the implementations that they're doing that you think others could learn from?

Alexia Kelly (17m 37s):
Yeah I think the big interesting space to watch in the next few years is going to be how aligned we can get around that, what I consider sort of framework, institutional architecture and rule sets, right? So countries right now are actively thinking about how much should I be taxing these transactions in both the voluntary and the regulatory space? What kind of data do I need to be collecting? What kind of registration process should be in place? Do I need to set up a registry so that I can track what's happening in my country and what gets traded outside and I don't know if you know this, but like the US federal government doesn't have an official registry to track any kind

of internationally traded mechanisms that we might be using and so I used to work on this when I was at the State Department and I think it's really interesting when you step back and think about just how early a lot of this infrastructure and process is in many of these countries and even countries who you would expect to be pretty sophisticated on some of this core foundational elements of building a market really aren't because it hasn't been a serious part of the conversation yet.

Alexia Kelly (18m 47s):
So in this instance, I actually think the developing countries in some places are going to be the ones leading the way and then we will come around if we ever get ourselves sorted out here on this stuff, countries like the US will be coming in behind and sort of saying, oh yeah, that looks like a good set of roles. I think we will consider adopting those or our own flavor. So that's a lot of the work that's gonna be happening right now is just putting that basic market interoperability in our connectivity and core infrastructure in place in all of these different places. And the hope is that we can drive some convergence around what those look like so that you don't have 190 different versions of what a carbon markets registry looks like because that really shouldn't be the case. It's fairly standard in terms of the type of information you would need and the processes that you need to undertake.

Alexia Kelly (19m 38s):
This is also, I will just note, you know, I live in philanthropy land now and I think this is a really important place for philanthropy to come in because we tried and failed when I was at the state department to get the UN to put some of this infrastructure in place and we just, countries just weren't willing to sort of say, okay, yes, United Nations from American Convention on Climate Change Secretary, you guys help us build this. But I think this is one, we have this moment in time now where I think we can build it and philanthropy is fully empowered to go out and sort of just build the things and they will come because we will solve a bunch of headaches for regulators who are really trying to just wrap their head around how does this all work and how does it fit together?

David Greely (20m 18s):
And as you said, there is just a tremendous amount of work to be done and I think it's for how long carbon markets have been around. I think people don't realize how early it still is in terms of having all the systems and processes in place that would make them institutional grade kind of ready for institutional investment or more colloquially ready for prime time and ready to unlock that institutional capital and be a true asset investment area that they need to be. What do you think are some of the critical pieces needed to getting these markets ready for primetime?

Alexia Kelly (20m 58s):
Yeah, it's a great question and one that we're spending a lot of time thinking about right now and a lot of time working with more traditional capital markets, actors who are coming up this, we now have folks in this space who are former securities brokers and bankers at Goldman Sachs and who have been in the commodities markets for, you know, 20 or 30 years and are looking for their next interesting project and I have really benefited a lot from the opportunity to sit down and have a conversation with them about, okay guys, you know, we have built this kind of artisanal market on the back of well-meaning NGOs who have stepped into this space to help fill this regulatory void and what do we need to do in order to really get this market ready, as you say, for primetime and how do we think about building the transparency system?

Alexia Kelly (21m 42s):
So I think that's first and foremost the most important thing. We don't even have basic pricing discovery in the carbon markets, right? Most trades are over the counter. They tend to be through private bilateral deals. We don't have standardized what we call emission reduction purchase agreements, which means that there is not one universal sort of legal contract for exchanging carbon. Every deal is this sort of bespoke belabor process to actually do the contracting. We don't have an internationally agreed definition around what the thing actually is. Is it a ton of voided emissions? Is it something else? How are we defining it from a legal perspective under which kind of legal system are we defining it and where is that codified? All of that is still sort of up in the air and, and there is a number of processes right now where we're working to drive enhanced international alignment around the legal definition.

Alexia Kelly (22m 36s):
But that's obviously a pretty fundamental part of being able to take title to something is that you know, you have legal ownership demonstration and chain of custody. So the chain of custody is another big piece of the puzzle that we are going to have to figure out because of the way that the registries work today. So I think there's a lot of work to upgrade, enhance, standardize, and converge the ways in which the registries are functioning and operating. Today we need standard data protocols for how you issue serial numbers. So like really just boring kind of nuts and bolts, fundamental building blocks of an actual capital market. All of that we're really working

to put in place right now, but it's happening, the work is happening, it's moving forward. I am very excited about this because I think once we start getting some of these fundamental pieces in place, people are going to be, institutional investors are going to kind of stop looking over the transom and going, Oh, that seems a little messy down there and actually saying, oh yeah, okay, here is the clear set of legal and accounting and policy frameworks and documents and guidance that I need in order to really engage with this market as a serious opportunity both for investment and as an asset in and of itself. So getting this stuff right for this emerging asset class is fundamental to really growing it to a scaled commodity market.

David Greely (24m 03s):
And everything you have said sure sounds important in terms of critical infrastructure. I was wondering when you have conversations with the bankers, like it seems like you were having with the folks at Goldman, are there certain areas that they say like, oh, you need to have this or there is certain things that they kind lit up as a priority?

Alexia Kelly (24m 21s):
Absolutely, and I think there is this convergence around fewer methodologies, the just standard data interoperability and, and naming conventions is a core piece of the puzzle doing better and more streamlined KYC work at the registry level. Like when, when I was a buyer I had to open, I don't know, six different accounts at different registries and I had to go through a completely different KYC process for every single one of them. It was unbelievable pain in the, you know what and that's just going to need to be fixed. There is no reason why that's the case. It's just a nature of the fragmented kind of early years of this market. So all of that work really needs to accelerate and that's something we are very focused on, but I think increasingly philanthropy is, is starting to dig in there and recognize the need and importance for that and governments as well. So it's going to be an exciting couple of years for the market as we move into this next phase of what I call sort of moving out of our, our awkward teenage years and into becoming a full-fledged adult who's functioning to society and addressing climate crisis at scale.

David Greely (25m 34s):
I know you are involved in a number of new initiatives, some are in in motion, some might not be able to come to fruition for a little bit, but I was curious if you could give us a little sense of some of the new initiatives that are in motion to get some of these critical pieces in place?

Alexia Kelly (25m 51s):
Yeah, so one of the things that we have been working a lot on right now is something that we are calling the verified Carbon market roadmap, which is a clear and collective vision for the entire carbon market over the next five years to really say, okay, if we want this market to matter from a climate change mitigation perspective and we've set that target as 5 gigatons of abatement by 2030 collectively, then here are all of the pieces of the puzzle and this is the vision for the market of the future that we really want to work towards, which is a market that's grounded in scientific and technical rigor. There is a lot of work that needs to happen around just basic science and data because these are often areas where people just haven't bothered to dig in and there's a lot of work that needs to be done to make sure we have the best underlying data and methods, the equitable and robust market oversight that we were just talking about.

Alexia Kelly (26m 43s):
So those core market function pieces and making sure that you have protections in place so that local communities so that developing countries and host country governments are protected from what we call carbon cowboys and that we really have good robust transparency and approval processes in place is core to making sure that this market really scales because if this market isn't working for frontline communities, it's not working for frontline ecosystems and it's not serving people in addition to the planet, then we aren't doing our job. So that's a really big focus of the work that we're doing. You noted that there was a lot of negative press about the markets, you know, the trusted and transparent communications piece is core. So really making sure that when we're talking about the market, we do a better job of talking about the incredible impact it drives in various places.

Alexia Kelly (27m 34s):
And we talk about the need for better, more transparent, more trusted communications across the board. And then we start digging into some of the transformative finance pieces. So because this is such a new market, we really need to do a better job of designing and deploying capital at the right prices, in the right shapes at the right time. And that's going to require, I firmly believe a blend of philanthropic concessionary capital combined with private finance that comes in. And so making sure that we have all of those pieces of the puzzle in place is going to be really interesting and important. And then lastly, you know, there is no market without demand. So

how are we giving companies a reason to buy these things, particularly on a voluntary basis, and how are we making sure that they are baked into regulatory policies and structures as they emerge into developing and developed countries in a way that really builds that, that robust demand so that we can get to that 5 gigaton plus of abatement over time. So that's what we have been working on a bunch.

David Greely (28m 41s):
And you mentioned a few times now philanthropy and what we have seen in these markets over the years is there are many aspects of the markets that just, they require a little bit of a jumpstart, whether it was the investment in renewables like solar and wind where early government investments could help drive down the cost curves and then make them much more economically competitive. It sounds a little bit like you see philanthropy as another source of investment that might not be looking for the most competitive returns, but could help drive through the fundamental change that's needed to make these markets more competitive. What areas would you think would be the best targets for philanthropy right now?

Alexia Kelly (29m 27s):
So there is a lot of different places that philanthropy is active in this space and will continue to be active. This work around this, what I call backbone kind of fundamental infrastructure is definitely an area where the more kind of business-minded philanthropies are digging in and spending a lot of time kind of thinking through how do we get all those pieces in place and so writing grants to just make sure that that work happens and is as good as it needs to be and has the best legal minds and the best financial accounting minds really at the table is a core part of the work. Also really doing this kind of trusted, really leaning in on the communications pieces. So how do we tell the story of these markets? That's not a story of fraud and waste and exploitation, but really telling the story of the incredible impact that these markets today are delivering on the ground in terms of transformative and life-changing finance for frontline communities.

Alexia Kelly (30m 22s):
I am so passionate about this market because I have had the privilege of going and visiting these places and seeing the impact firsthand and talking to the communities who used to have to boil brackish water and now have access to clean drinking water from solar desalinization plants in Kenya with our friends at gift power because carbon market revenue was available or who used to be cooking with wood and are now cooking with clean fuels where a forest got cut down and is now replanted and being re forested with natural vegetation or a standing forest that was going to be cut down and isn't because we were able to use carbon market revenue to keep it standing. So the transformative impact of this money in this market is difficult to overstate and is incredibly important and so philanthropy just continuing to champion both the reform agenda and making sure that we have that core reform infrastructure and work happening, which is not a small task by any means combined with this broader effort to really help drive this new vision and set of real world implementation systems in place is a big place for them to come in.

Alexia Kelly (31m 28s):
I think the other big place, and we're starting to see this and pockets but really on a small scale is around concessionary capital provision through things like program related investments. So often philanthropies will do these things called reimbursable grants where it's a grant if the project fails, but if it doesn't fail and you are able to raise money or stand up your fund or deploy the capital and get it back again as low cost debt that then you get paid back and so those types of revolving debt facilities and revolving capital management programs that philanthropies can be incredibly impactful in getting cost-effective kind of proof of concept first of its kind types of financial structures out into the world that the private capital markets just won't touch until they have been proven and de-risked. Philanthropy often will come in with a first loss tranche, so we will say, look, we will provide a guarantee.

Alexia Kelly (32m 25s):
And we are starting to see some really exciting work in that space with sovereign debt guarantees and debt for nature swaps that are happening where large, very wealthy individuals have come in and said, look, I will put up $25 million of kind of at risk money to provide a first loss guarantee in case this sovereign government defaults on its debt likelihood of it actually defaulting very low, but that really helps unlock other money. So that catalytic role of philanthropic dollars and unlocking other money is really fundamental in my mind to helping us build to a integrated and truly transformative capital market stack that gets the market going.

David Greely (33m 08s):
How much have things not been going? When you get down to the project level, the boots on the ground level, how big is the capital shortfall been in terms of impact on the projects that are actually getting done?

Alexia Kelly (33m 23s):
I would say billions. There is interestingly though here the signal from noise question, you know, I hear from folks in the market that there are a lot of investments being made right now in nature-based removal projects in particular. So large scale reforestation, wetland restoration, mangrove restoration, there are investors coming in and sort of making these long-term bets on these capital intensive projects that are likely going to sort of have paybacks in the 10 to 20 year timeframe. So mobilizing those patient capital investors into this market is going to be really important. But the market did contract last year quite significantly actually. So there was a recent report from Ecosystem Marketplace, they do an annual sizing and in 2023 the volume of the market was down significantly. It came back up in 2024, but we are still hovering around $750 million for the market overall. So it really truly is a rounding error at this point. You never know what considering the hysteria in the media about this market but it's from an international capital markets perspective, right? Like we are just a rounding error and so I would like that to change and I want it to be on the back of really high integrity credits and demonstrated atmospheric and environmental impact because that's the purpose of the market. So if it's not doing that, then it's not doing its job.

David Greely (34m 58s):
Well thanks so much for catching up with us and letting us kind of into everything that you see going on in these markets. Really glad we're able to have this conversation because while on the surface it may seem like things are quiet, involuntary carbon market land under the surface, a lot's happening. And so I wanted to ask you, how do you see the carbon markets developing over the next year and are there key milestones that we should be looking out for?

Alexia Kelly (35m 25s):
Yes, the next two years are going to be pivotal for the market overall. The milestones that I would be keeping a particularly close eye on are some of the more boring and mundane things like the FASB updated accounting rules for how we didn't talk about this, but it's, it's really important and top of mind for us is getting the balance sheet treatment of these assets, right? So how they are being recorded, are they intangible assets? Are they assets, are they recognized as an expense upon retirement or upon receipt? All of those things are gonna have really big impacts on the capital formation for the space as a whole. Also looking at the regulatory and compliance systems and the signals that we are hearing from governments like the UK, like the EU who just announced last week that they will be opening their 2040 market to international credits.

Alexia Kelly (36m 16s):
That was a big moment in change and the EU tends to be a real regulatory and policy leader, as you know around climate action and mitigation broadly and so keeping an eye on what's coming out of the EU is going to be very important and then the other big bell weather is just can we keep the big tech companies and the climate leaders in the boat? So we are spending a lot of time making sure that we are doing a good job celebrating the leadership that many of these companies are bringing and making sure that we are helping to continue to give companies a reason to buy because we really, we need them to be writing these checks and continuing to buy. And so as companies hopefully start getting more confident and comfortable around the regulatory structures and the fact that yes, these are going to be in policy, these are going to be allowed, they are going to be accepted, and we have collectively landed on what quality looks like through the work of the ICVCM and others, that that's going to open the door for enhanced action transparency and reporting. So it's going to be a big couple of years for the cover market. Folks should stay tuned and don't be dismayed if things are a little quiet because there is a tremendous amount of work happening behind the scenes to make sure that this market is ready for primetime.

David Greely (37m 32s):
Thanks again to Alexia Kelly, Managing Director of Carbon Policy and Markets Initiative at the High Tide Foundation. We hope you enjoyed the episode. We will be back next week with another episode of Catching Up On Climate. We hope you will join us.

Announcer (37m 48s):
This episode is presented by Base Carbon, a financier of projects involved primarily in the global voluntary carbon markets. Base Carbon endeavors to be the preferred carbon project partner in providing capital and management resources to carbon removal and abatement projects globally, and where appropriate will utilize technologies within the evolving environmental industries to enhance efficiencies, commercial credibility, and trading transparency. For more information, visit basecarbon.com. Base Carbon, sensible carbon investing.
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

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