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**Catching Up On Climate | Episode 3**
**Dirk Forrister, President & CEO, International Emissions Trading Association (IETA)**

**On our third installment of *Catching Up On Climate*, we welcome Dirk Forrister, President & CEO of IETA, back into the SmarterMarkets™ studio. David Greely sits down with Dirk to discuss what he and IETA have been focused on this past year – and what he sees as some of the most important things happening in climate and the carbon markets ahead of IETA's North America Climate Summit 2025.**

**Dirk Forrister (00s):**

I think these efforts at harmonization are signs of seriousness that if you are going to really try to achieve net zero, you are going to need to do that with global trading and with cooperation across international borders at a grand scale. If you don't care about getting to net zero by mid-century, you can continue to operate independently. But if you really want to get there cost effectively without destroying your industries, you're gonna need this cooperative model.

**Announcer (27s):**

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This episode is presented by Base Carbon, sensible carbon investing. For more information, visit [basecarbon.com](https://basecarbon.com).

**David Greely (01m 07s):**

Welcome back to *Catching Up On Climate* on SmarterMarkets. I am Dave Greely, Chief Economist at Abaxx Technologies. Our guest today is Dirk Forrister, President and CEO of IETA. We will be discussing what he and IETA have been focused on this past year and what he sees as some of the most important things happening in climate and the carbon markets ahead of IETA's North America Climate Summit 2025, which will take place September 23<sup>rd</sup> through 25<sup>th</sup> at Convene 360 Madison Avenue in New York City. Hello Dirk. Welcome back to SmarterMarkets.

**Dirk Forrister (01m 43s):**

David, great to be back with you.

**David Greely (01m 45s):**

Well it's great to have you here. I always appreciate catching up with you ahead of IETA's North America Climate Summit. I think this is probably our third year in a row doing this before you head off to New York City, before we get to talking about the summit, however, I would like to catch up with what's been happening over the past year and so I wanted to ask you, what have you been working on at IETA over the past year and what issues have you been focusing on?

**Dirk Forrister (02m 13s):**

It actually is turning out to be a phenomenal year. While there is a lot of noise in Washington about program cuts and funding cuts, that kind of thing on the other side of the globe, markets are starting to blossom and in particular, I pinch myself sometime to think that five years ago we would have dreamed that India would be setting up a national carbon market, but they are implementing a national carbon market. So early in the year I was, I was in India for celebrating the upcoming launch of the India carbon market, Indonesia. It's also massive jurisdiction that's moving forward on a national carbon market, Thailand, where we had our Asian summit a little over a month ago. Again in the thick of it in setting up a national carbon market. Vietnam is also busy at work. Singapore, Japan and Korea all already have market infrastructure in place where they are advancing programs.

**Dirk Forrister (03m 12s):**

And then the big Kahuna of course is China where the national power sector market is deepening and becoming more serious because it's gonna be moving to absolute targets from the sort of intensity based targets of the past. At the same time, they are adding ETS

requirements for some of their largest industrial sectors, those that kind of reflect Europe's carbon border adjustment mechanism, the CBAM. So all of this happening at the same time as we are getting ready for a COP in Brazil where new national targets will be put on the table where climate finance commitments are supposed to be forthcoming and domestically where the Brazilian government is setting up the largest emissions trading system in Latin America, which could be a real game changer. And it's kind of demonstrating how emissions trading in the future is gonna work and Latin America. So that's quite a lot to keep track of.

**Dirk Forrister** (04m 15s):

And that's just the emerging economies. There is also the European Union, which is deepening the targets on existing sectors. It's adding a new ETS to cover fuels from transport and buildings. It is also legislating its 2040 target where they have expressed interest in opening their market to international credit of highest quality. So it's really game on in all of these jurisdictions. So the North America seems a little less vibrant because Trump administration is going the opposite direction. But at the state level, California's looking at its program extension and as is the program for the northeastern states and then all the Canadian provincial programs are also advancing. So we have got a lot of important market development work underway on the policy side and the market side is certainly gonna follow and pick up esteem as we get more clarity about some of those policies.

**David Greely** (05m 21s):

And that's what I find so interesting because I think if you look back over the past couple of years there was a lot of focus and a lot of excitement and also a lot of noise around carbon markets, particularly on the voluntary side. It seems like that's gone a little bit quiet, might be curious on your opinion to that. But it seems like from everything you have mentioned, the focus, the intensity is really on the compliance side and a lot of it sounds like in developing countries, whether it's India, Indonesia, Thailand, Brazil, China, how big a shift do you think that's been, that it's really kind of compliance leading the way?

**Dirk Forrister** (05m 58s):

I think this has been the Holy Grail for many of us working in carbon markets because it's so much more stable when you have national policies in place, when you have legislation and that's still what we prefer in Washington rather than sort of executive orders and more like subsidy programs as we had in the Biden administration. We can be supportive of those things because they help advance voluntary action. But what we really would like is to see the stability of a national carbon market design and the thing that's just phenomenal is that we are starting to see that yes, it's got some relationship to the European proposal on carbon border adjustments, but I also think these are jurisdictions that aren't doing this willy-nilly because Europe wants them to, they are doing it for their own purposes and they've been evaluating options for years and they're also cognizant of the fact that there is voluntary market demand building.

**Dirk Forrister** (07m 00s):

I think particularly from some of the hyperscalers that are coming in, particularly the data center world that got phenomenal power needs, but they can't get all of the power they need just through renewables and sort of existing clean energy. They need additional clean energy they need for the time being. They are going to be using some fossil fuels in all likelihood as we have this race on AI underway. But they are going to need to take responsibility for missions associated with that in all likelihood or else the power suppliers will need to take responsibility. And that is just another, particularly if it is on the data center guys, I think we can see that a way building. We already see them in the market, but I think, I think it could be a strong tide of investment in action from those companies. So the markets are actually thriving voluntary market.

**Dirk Forrister** (07m 55s):

It's hard to tell to you, to your question, it's hard to, for me to tell. I know anecdotally of people working on deals and I see the same trade press that you guys follow I'm sure about deals underway. But the full on, we don't know what the full year is gonna look like. Usually the last quarter of the year is a pretty vibrant time, especially for taking delivery and settling contracts. So I expect it is gonna be a better year this year for volunteering markets. But that's not the story. The real story is what's going on in the compliance markets.

**David Greely** (08m 29s):

And I want to come back to a phrase you said because I think it's really important. You mentioned these countries are doing it for their own purposes. You're traveling around the world talking to all these different countries and their policy makers and leaders. Is there some commonality in how they are describing their own purpose or their own reasons for why they're implementing these schemes?

**Dirk Forrister** (08m 52s):

Well I do think they take their Paris obligation seriously. And so they have gone to the effort of putting together a national target. And I think in many of these countries, you know, the polling I have seen in the past, I haven't seen, seen it recently. The polling I have seen in the past shows that for some reason in Asia there has been a history of believing the climate science and believing the need for action is there, which provides a political pressure. If the public is there, the politicians will reflect that. The only place that that or the place that it's most dramatically different is in the United States but as I travel around, again, I think people recognize this is a movie they have seen before. The Bush administration pulled out of Kyoto Trump pulled out of Paris, Trump's going to pull out of Paris again. So it sort of feels like every time there's a Republican president, the US retrenches and it's really creating, that's not what leadership looks like obviously.

**Dirk Forrister** (09m 54s):

So the leadership is falling to other places. I would say the second piece of this, so they are doing because they believe in climate change. The second piece of it is that they also recognize business opportunity in it. And it's not just for selling credits. China's tooled up to deliver the world renewable energy and to deliver the world electric cars, electric buses, et cetera. And I think there is a growing recognition in the developing world that there is a technology race underway and a sort of a race for the future industries of who is going to supply the things that the world needs for getting to net zero. Some developing countries have, they are endowed with wonderful natural climate assets or they're endowed with some of the rare earth minerals that are needed for the transition. They are, it's kind of changing the trade dynamic both in terms of that opportunity for gaining market share for the industries of the future.

**Dirk Forrister** (10m 58s):

But secondly for meeting these border adjustment requirements in Europe and in the UK and potentially in Canada, US and Australia, these are all changing, I think the picture for international trade that are the fundamental changes, right? So that you are seeing this big repositioning occurring and it appears that a part of being seen as a leader and being seen as engaged in the true cause on climate change, having a national pricing policy is a fundamental component of it. Whether it's a tax and offset program or an emissions trading system or one of the many hybrids that are emerging. So, so I think the pricing, the response to the carbon pricing need is, is a key element of international leadership at this stage.

**David Greely** (11m 59s):

And as you said earlier, we have had a change in leadership in the United States and new administration this year. When you look at it from outside the United States and how these other countries are responding, how big of an impact is the change in policy under the Trump administration having on behavior outside the US when it comes to climate and carbon markets?

**Dirk Forrister** (12m 20s):

So the climate programs in particular, I think people are discouraged that the US backed away, that the move out of the Paris agreement is the one that is probably more troubling is that it looks like the US just doesn't want play ball on this issue. But the honest truth is that most of the Biden policies were domestically focused. Yes, they had contributions to the UN FCCC and to the Green Climate Fund and we are seen as and major contributors to the multilateral development banks that were active in climate. So a lot of that funding's been pulled. USAID was a force for good and encouraging good climate policy on the ground. And so with the dismantling of that agency, there is a loss. But I don't think that, it's not like there was a lot of trade with the US in carbon market terms because the, even the Biden administration didn't have that.

**Dirk Forrister** (13m 22s):

They were working on voluntary market infrastructure but nothing beyond that. So I think they look at it and they see a diplomatic loss, they see this loss of US leadership in the technology race because those subsidies were aimed at promoting technology and encouraging technology development, a lot of R&D money that was part of that. So yeah, there is some disappointment but at the same time I think they view it as an opportunity to get ahead. It's like, well if the US isn't going to be playing, it's creating opportunity for others. The last thing I will say about it is the Biden programs were good accelerating and extending that the amount of action underway across the country, but US emissions have been falling in part because of natural capital stock turnover. In part because of the wealth of natural gas that the US discovered in this century that we didn't know in the last century.

**Dirk Forrister** (14m 20s):

We didn't even realize we had that much gas. And that's enabled the transformation of much of our electric utility fleet, which has helped to green other industries as well. So actually US emissions have been coming down not as fast as they should and not as

aggressively across the new sectors like the AI related sectors. But I guess if you really step back from it, if China and India and Brazil and Indonesia are addressing their emissions where there has been growth in emissions in a way that's more important than the US side, what they are lacking is the US leadership and the sort of encouragement they would get from the US historically. So all is not lost I guess is what I am saying and I also think that as surrogates for that, I think many of the developing countries I talk to like to see US businesses stepping up and they are encouraged when they see companies that are opening new facilities in their countries bring some of the lessons learned from the US from Europe to show that they are still committed. So I think business leadership is so vitally important as is the leadership from state governments on this issue.

**David Greely** (15m 48s):

Really interesting point. One of the interesting things when you have many different countries pursuing new compliance markets, new schemes is you get that experimentation and trying to figure out what works best and what's best under different conditions. But I am curious if like are you seeing some sort of pattern or template or kind of best practice approach for setting up new markets? When you look across what's happening in all these different countries, are they kind of following a similar approach or is it really different depending on just local needs?

**Dirk Forrister** (16m 25s):

They're definitely differences in each place. So the market instruments are kind of tailored to local conditions and what they think the system can bear. But I think it's something that we are really encouraging countries to participate more in efforts to harmonize their programs. One of the best things that's happened out there is a World Bank program that's operated for the last 15 years or so called the Partnership for Market readiness and recently involved having a parallel program called the Partner Partnership for Market implementation. It provides assistance to countries from experts in market design. They can hire their local folks for local expertise or whatever, but it's also had a regular assembly where those countries could compare notes and it's a kind of a natural evolution of everybody looks at what other people have done or are doing and many of them look back at how did the early carbon markets get set up in Europe, in California, in the Regi states, in Alberta and Canada and in Quebec.

**Dirk Forrister** (17m 39s):

They learn from those examples and they take the best attributes that they think can work for them and then they add the kind of local bells and whistles. Our worry is you don't want to so many local bells and whistles that the systems are difficult to bring together in time because we do think there's in the future markets are going to need to converge into a kind of an international market. At least that's what would enable the international community to gain the best cost effectiveness in the system overall. But important thing at the outset is just to get a system stood up and understand that you can improve it as you go. I will use the Chinese example of what we understand is happening in China on the power sector. It started out with an intensity base program which has been used in other jurisdictions. And in that, in that model, you need to know what the emissions are per unit of production of a given thing.

**Dirk Forrister** (18m 36s):

Now it was in the Chinese first phase, it was for the power sector, right per unit of electricity produced and the challenge on that is the math is more difficult. And I think they were aware that to know your position on whether you are long and short in that sector overall it's slow and you tend not to trade in a big way until you kind of know what your relative position is to the market as a whole. So it's a bit more cumbersome than if you have an absolute target and you know exactly what you have got to work with in terms of an allowance allocation or if you are going to auction for a portion of it. So, but there was an important learning for China to gain comfort and for the power sector itself in China to gain comfort with how an intensity program works and is it getting them where they need to go.

**Dirk Forrister** (19m 30s):

And I think they have come to the judgment not because of anything we have said. They came to the judgment independently that this would be valuable for China to make that transition. So I think that we may see that in other places. We have seen an inquiry in in Columbia looking at or bolting on an emissions trading system to the tax and offset program, similar activity underway in Chile and early sounds of it in Mexico. So again, each system kind of learns from others and they are expected to change and evolve going forward. We can't say one more thing about it. There is also some multilateral efforts championed by governments like the UK, Singapore, and Kenya on trying to grow carbon markets. Part of that has to do with the harmonization theme, that same theme as cropped up in the G7 and in the G20 and now the Brazilian presidency for this COP has an initiative underway on trying to encourage better carbon accounting, more complete carbon accounting and to encourage more harmonization of programs so that they can interrelate over time various forms of linking.

**Dirk Forrister** (20m 51s):

We used to call it linking by degrees, but forms, maybe it's mutual recognition of credits or maybe it's recognizing a common pool of offset credits. But I think these efforts that harmonization are signs of seriousness that if you are going to really try to achieve net zero, you're gonna need to do that with global trading and with cooperation across international borders at a grand scale, if you don't care about getting to net zero by mid-century, you can continue to operate independently. But if you really want to get there cost effectively without destroying your industries, you are going to need this cooperative model

**David Greely** (21m 30s):

In prior years you always kind of tell us a little bit about IETA's vision for climate action and the role of carbon markets and I wanted to ask you how that's been changing or evolving, but it sounds to me like the world might be moving a little bit more towards your vision. So I am curious, do you see the world moving towards it or are you having to adjust to the way the world's moving?

**Dirk Forrister** (21m 52s):

I think there's some of both, right? We want to be nimble enough to be relevant and key jurisdiction. So there are places where we will enter a market and understand that they may not take all of our advice on what's an appropriate local design, but they always value our opinion on the international side of things and where things are going. I think, I think we are generally seen as a trusted source of insight from the practitioners in the business. So I do feel like there, there has, as the targets get tougher, the penny drop of we need this cooperation. The place I think that's most dramatic. And I can't say that there, who had the vision first, right was it IETA, was it a European Union? But I think the European Union does, they recognized it early on. They used to accept CDM credits from the Kyoto era of various types of Kyoto credits.

**Dirk Forrister** (22m 49s):

Then they pulled back from them because of quality concern. But now as they look at what does it take to get to 90% reduction by 2040 and you are going to try to get to net zero by 2050, how can you do that inside the borders of the EU and still have a vibrant and thriving industrial base that keeps you secure? It's tough. You need international cooperation because not all of the great storage facilities will be in Europe. Some of them will be in other places with great natural capital assets or with great reservoirs for underground storage. And I think we are going to see mega removal facilities in the future. But right now I think there is a recognition in Europe that cost matters to European consumers, cost matters to industrial competitiveness in Europe, which is all about maintaining that those strategic industries and the jobs that go with them. For that you need to have the most cost effective approach possible and that's going to involve use of international credits. They started with 3%. We don't think that's enough, but we think they need to do some serious economic modeling to determine how much is enough, right and we hope to help them with that. But I think it's, it's the beginning of a conversation that's critically important.

**David Greely** (24m 11s):

And speaking of critically important conversations, I want to turn to the north America Climate Summit itself and the conference. What's on the agenda this year and what will your members be talking about when you get together?

**Dirk Forrister** (24m 24s):

We will be talking about some of the same themes that you and I have been discussing. The rise of markets around the world, something we want to take stock of to provide sort of a global context. We are going to look deeply at these efforts around harmonization of programs, including the way that the registry systems talk to each other, kind of the market infrastructure elements. We will be looking at market oversight components, which is an area that again, I think the G7 and G20 have looked at a bit as have some of the International Securities Organization, IOSCO and UNITDROIT I think is another group that's looking at sort of like the legal nature of carbon credits. So we will have opportunities to discuss some of these things, but it does have a North American focus too. So that tends to involve what's happening in Canada and Mexico as well as US states.

**Dirk Forrister** (25m 23s):

Yes, we'll talk about what's happened federally in the US but as I mentioned before, there wasn't a federal market in the US so the pullback hasn't really affected carbon markets in the US which are either state level or voluntary and at the end we will have a kind of a roundup on the voluntary market front of looking at the various initiatives that aimed at improving quality sort of the system that's been put together for the voluntary market 2.0 and is it where it needs to be or the other elements that need to be added. But we are going to take stock of all of that and what I think you are going to see is this growing recognition that there's opportunity out there for



investors opportunity out there for technologists and opportunity for the project development community to sort of up the game for next wave of growth because I think that's where we are headed.

**Dirk Forrister** (26m 20s):

Finally, we will also as our custom look ahead to COP 30 in Brazil. This is only a few weeks away. I think it starts the second week of November in Brazil. And all you read about in the press is logistical concerns with it, but we are a little more focused on, on encouraging market harmonization, encouraging improved forms of carbon accounting. That's an emerging topic that's really big right now that we will again explore at our conference and then the headline items for Brazil are, as I said before, the new NDCs that are due next week. By the way, this recording, they are due before we get to New York Climate Week. So hopefully we'll see more big jurisdictions put forward their proposals so that we will know how the COP presidency wants to deal with encouraging greater ambition on the target setting side. And on the international finance side, which is the other big issue at this COP.

**David Greely** (27m 25s):

And I believe you were just in Brazil for another climate summit, right? From that experience both, how do you think the tone or the vibe in New York will differ from what you experienced in Brazil and maybe from what you experienced in Brazil? What do you think the feeling at COP might be?

**Dirk Forrister** (27m 45s):

Well, Brazil's hosting on behalf of the region, right? So it's an opportunity for celebrating success for many countries in the region and so there has been a collaborative effort in a grouping called the Pacific Alliance, which is Chile, Peru, Columbia, and Mexico. It's been a collaborative effort to align their markets so that they could do more together and they have all been working on their own market infrastructure. So I think those countries will be looking for the opportunity of using this gathering to celebrate success. Peru has been sort of like a little slower, but has engagement with and partnerships with sort of these MOUs under Article 6 with some other countries. So we'll learn more about that. Panama and Costa Rica are also jurisdictions that are actively working on carbon market designs. Argentina and Paraguay also working on early stage designs on markets. But the big story is Brazil.

**Dirk Forrister** (28m 48s):

So yes, what I, when we were in Brazil, most of the chatter is around the national program in Brazil. Legislation was adopted a little less than a year ago and the regulators are busy trying to get the implementation rules together and we are hoping it will be a design that can really show Brazil's leadership and reducing domestic emissions. Again, the real opportunity for Brazil is it's got a lot of the minerals people need. It's got a lot of the clean fuel potential that people need, including sustainable aviation fuels for the aviation sector. And it's got these enormous natural capital asset in stopping deforestation and managing forests in a way that absorption of CO<sub>2</sub> and farms, enormous opportunities for farms and both sequestration and for the biofuels world. So hearing more about how Brazil is going to use this leadership opportunity was the highlight of being there was what they are doing domestically, how they are working on international outreach and how they are encouraging their peers in neighboring countries to step up their game. So I think it's going to be a great COP and that that'll be, even with the logistical challenges, there will be a lot to celebrate even with the disappointment of the US pulling back.

**David Greely** (30m 17s):

Well, you're definitely keeping busy. There's a lot going on. Thanks so much for taking time outta your schedule to chat with us. Looking forward to the North America Climate Summit coming up in New York. Before you go, I just wanted to ask you quickly what these big events, the North America Climate Summit and then the COP in Brazil, what would you like to see coming out of those?

**Dirk Forrister** (30m 38s):

I think what I would like to see is an enhanced effort, coordinated market systems that are aligned well enough that they can begin to converge over time and that is probably means that the voluntary markets start to look less like voluntary and more like pre-compliance markets that are aligned with those goals. But I think on the market side, would like to see that the negotiations themselves don't have a real market focus, right this year, because we got the rules done in Baku last year. So now it's about hearing reports from the different countries on how they're using Article 6 and from the new supervisory body for the Paris Agreement crediting mechanism. That's part of Article 6, but it's one of the crediting arrangements. You know, countries can also use the independent crediting standards, but the supervisory body has been meeting this year, they're dealing with some thorny issues and they will be expected to report progress, but also make sure that the countries are behind the decisions that they are taking.

**Dirk Forrister** (31m 53s):

So the main stage for us may be more in what the Brazilian presidency is doing with non-state actors like the business community, how countries are taking action bilaterally and PL laterally. This is stuff you hear about more in the country pavilions than you do on the stage of the cop. But I also expect with all these NDCs coming, a lot of them will have mention of use of carbon market flexibilities to achieve their goals. So there's good stuff happening related to carbon markets, it's just that we don't have a big ask this time in terms of a policy driver that's being decided.

**David Greely** (32m 37s):

Thanks again to Dirk Forrister, President and CEO of IETA. 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** (32m 50s):

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