

**SM209 | 12.21.2024****Inside the Coffeehouse | Episode 7****Steve Zwick, Host and Producer, Bionic Planet and Renat Heuberger, CEO & Co-Founder, Terra Impact Ventures**

**We close out our Inside the Coffeehouse series this week with Steve Zwick and Renat Heuberger. Steve is Host & Producer of Bionic Planet, and Renat is CEO & Co-Founder of Terra Impact Ventures. David Greely sits down with Steve and Renat to discuss the paradoxes of the carbon markets – and what we can be doing better to bridge the gap between the complex realities and simple messages to move the conversation forward and support meaningful climate action.**

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**Renat Heuberger** (00s):

I believe this whole industry has to be fundamentally more honest about what we have here. Let's try our best. Let's learn along the way. Let's accept that we are gonna do mistakes. Let's learn from those. Let's try again. And that narrative I think is very important because once again, we are running out of time. We cannot possibly wait 20 more years until we find that perfect project that has no mistakes. By then, we're gonna have a four degrees world.

**Announcer** (29s):

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 brought to you in part by Abaxx Exchange, where trading in centrally cleared, physically deliverable LNG and Carbon futures contracts is now underway, ready for smarter markets.

**David Greely** (01m 12s):

Welcome back to Inside the Coffeehouse on SmarterMarkets. I am Dave Greely, Chief Economist at Abaxx Technologies. In this podcast series, we are introducing you to Coffeehouse, SmarterMarkets' new social media platform for advancing the conversation on climate energy markets and technology. It's a space where the executives and icons you listen to on our podcast can engage with each other in thoughtful conversations, disagree without being disagreeable, and discuss how our market systems can be redesigned and improved to address the most important challenges of our time, including climate change and the energy transition. That feeling of grabbing a cup of coffee with colleagues to catch up on the important issues is what we're creating on this platform and our SmarterMarkets members are invited to follow the conversation. If you would like to learn more about SmarterMarkets Coffeehouse or join our wait list, visit [coffeehouse@www.smartermarkets.media](mailto:coffeehouse@www.smartermarkets.media).

**David Greely** (02m 09s):

Building new markets begins with the exchange of ideas. Many of today's great exchanges were born in coffeehouses, including the New York and London Stock Exchanges at SmarterMarkets. We are building our virtual coffeehouse to facilitate the exchange of ideas that will lead to the smarter markets of tomorrow. Our guests today are Steve Zwick, Host and Producer of Bionic Planet and Renat Heuberger, CEO and Co-Founder of Terra Impact Ventures. We will be discussing the paradoxes of the carbon markets and what we can be doing better to bridge the gap between the complex realities and simple messages to move the conversation forward and support meaningful climate action. Hello Steve and Renat, welcome to SmarterMarkets.

**Steve Zwick** (02m 50s):

Hey David.

**Renat Heuberger** (02m 53s):

Hi David, great to be here.

**David Greely** (02m 54s):

Glad to have you both here. It's great to have you back Steve, and thank you for introducing us and thank you for joining us Renat, you two have teamed up this holiday season to try to focus the conversation around the carbon markets on some of the hard problems in

these markets, what you call the carbon paradoxes and Steve, I wanted to start with you. You describe this joint new Carbon paradox project that you are both doing as a global platform for bridging the gap between reality and public discourse on climate finance. So I wanted to start off asking you, what do you see as the gap and how do you hope to bridge it?

**Steve Zwick** (03m 35s):

My favorite subject when I am on your show, basically carbon markets have, I would argue they work better than almost anything else that we have seen before in terms of delivering targeted finance, catalytic finance to solutions that can really drive the transition to a low carbon economy at scale. But that doesn't mean they are perfect and this is something else you and I have also discussed at infinitum. In fact, in my view, they never can be perfect. They're always gonna be a work in progress. They are riddled with uncertainties as opposed to inaccuracies, uncertainties, their giant learned by doing a fair and their strength is that they push all their flaws into the open. You know where these flaws become lessons learned and that generates confusion, especially when the people who are dominating public discourse are trying to evaluate these evolving, viable, but imperfect solutions, again, imagined states of perfection and people who are proponents of the markets, I think they seem to fear the mainstream.

**Steve Zwick** (04m 37s):

The legitimate debate is opening a can of worms. So what they have tended to do is respond with these simplistic answers or you try to wrap everything up in a nice neat bow or they all say, ah, yeah, you know, we got it wrong there, but now it's perfect. Everything's gonna get better, everything is going to be great. And you know, it's, it's not really the answer because there's always gonna be, there are certain elements, certain risks and uncertainties that underpin all of these solutions that are always gonna be there. And I have always argued we need to mainstream these legitimate areas of debate rather than, than hide from them. But the problem I always faced as, again, we've talked about this a lot, is just how do you do it? I have really found it difficult to try to frame this, these issues in a way that will resonate with the general public and help them to understand where the legitimate areas of debate and what's just gibberish. And then when Renat showed me how he'd broken everything out into these 25 paradoxes and he is got a whole narrative around them, I was like, you know, that's, that's so simple. Why didn't I think of that? I felt like every challenge to communicating this was laid out in all of these paradoxes. So I just jumped at the chance to work with him on it.

**David Greely** (05m 44s):

That's great time to turn to you Renat. I was curious why this project and why now?

**Renat Heuberger** (05m 50s):

Adding on what Steve just said, I am a scientist and I studied in the late 90s, so I am talking about the time that the Kyoto protocol got established. Now fast forward to 2024, we have spent 25 years' worth of thinking about climate change, thinking about climate action. In the meantime, we have invented the iPhone. We have invented AI, we have, we put rockets on Mars and we are still having the same debate exactly as we had 25 years ago. Look, I mean, you know this better than me, but we are running out of time. 2024 has been another record breaking year in terms of climate extremes. Carbon emissions are still climbing. We are not getting it right and carbon credits, car markets have so far been the only instrument, the only financial instrument which has at least reached a little bit of scale. I'm not saying at scale at all, it's still tiny up, it's ridiculously small, but at least it has the potential to scale, let's say.

**Renat Heuberger** (06m 56s):

And my question then was, what's wrong? What's going wrong? Why doesn't it scale? And what are we getting wrong? And I thought about that for quite a while this summer and I started realizing that the fundamental problem of carbon credits actually lies in quite an astonishing number of inherent paradoxes. And when I say paradox, I mean things that essentially have no answer. And you can argue both sides of the story. You can absolutely create the massive big news story on the one argument and you can create a big news during the other side of the argument. And when I realized that I found some of those, I started digging deeper. I talked to a lot of people in the industry in the market and in the end we came up with no less than 26 paradoxes fed to shorten mid to 24 for the Christmas calendar.

**Renat Heuberger** (07m 48s):

But here we are. And the idea behind it is of course to change the way we talk about carbon credits. Steve just mentioned it, people tend to apologize for all the flaws and mistakes and promise to do better next time, more transparency, more integrity. And that's of course all great and all needed. We have to learn. But we should not forget that underneath carbon credits are a number of fundamental paradoxes, which we just have to accept and we have to be aware of them so that we are not all the time surprised again when the same conversation opens up again.

**David Greely** (08m 30s):

I have been enjoying the daily carbon paradoxes that you have been putting out so far. It's like my own little advent calendar running up to Christmas here. But I was hoping you could share with our listeners a few examples of some of these paradoxes.

**Renat Heuberger** (08m 44s):

One I find most astonishing is the baseline paradox. It's actually very simple. You can only earn carbon credits from let's say a forest if there has been deforestation before. If there hasn't been any deforestation, you have no baseline and if you have no baseline, you don't get carb credits. That leads to a fundamental paradox, which is only if you behaved badly in the past can you earn something if you did not behave badly, if you protected your forests, you don't earn carbon credits. Now it's a paradox because of course when we talk about carbon, we want additionality we want to make sure that those credits are invested in avoided deforestation or in tree planting. We don't want the money just to go to places where nothing happened. But the paradox nonetheless is here that essentially you only get money if your behavior was bad in the past.

**Renat Heuberger** (09m 44s):

And you can imagine I could write article after article about that situation. How unfair that is another one I personally like a lot. It's very controversial. It's the so-called control paradox. It's still coming, it's still upcoming in a few days from now. The question is this, if you are a buyer of carbon credits, yes or no, should you control where exactly the money goes? If your answer is yes, absolutely it's important because I want to avoid corruption, I want to avoid wrongdoing. The counterargument is, well you are a neocolonialist. Who are you as a, let's say a person from the global north to tell the entrepreneur in the global south what to do with the money. But if your answer is I don't need to control everything you are criticized for exactly supporting potentially bad behavior, perhaps corruption. So the problem with the control paradox is no matter whether you control or you don't control the use of funds in both situations, you can get criticized.

**Renat Heuberger** (10m 49s):

And so there is 22 more that are similar in shape. You can argue this side or the other side. In both situations you can get criticized and that is to sum up, once again, that is just a huge source of potential points of criticisms and now come to the most fundamental paradox, which is underpinning all of them. It's, I call it the ethics paradox. The question there is, is carbon a good thing at all? Is it ethically correct to use capitalism to solve a problem, the climate problem? And there of course you have a lot of groups NGOs who say absolutely fundamentally, no, its unethical capitalism destroyed the planet. You cannot use capitalism to fix it now and because of the other paradoxes, those groups tends to argue their story by showcasing all the flaws in carbon and this is why the conversation is spinning and spinning and spinning and has been spinning for the past 25 years.

**David Greely** (11m 49s):

I really appreciate how you are able to put this so succinctly, right? Because there has been no lack of ink spilled writing about carbon markets over the past 25 years. But I think being able to draw it down in these bite-sized pieces that really kind of points out where the fault line is between people who are supportive and people who are critical on these issues, it just really helps to create a balanced conversation around it where we can understand why we disagree and hopefully move beyond it. But I wanted to ask you Steve, because you have been working hard to try to create a different conversation around these types of issues. And I am curious, what kind of engagement are you trying to create with this project?

**Steve Zwick** (12m 34s):

For me, it's phasic. You actually have to give re not credit for coming up with the whole project idea, but the first phase that we are in now when we are rolling out a paradox a day is really just to throw them out into the community of people who have already thought about this for whom it's all going to be familiar. I don't think anybody who looks at these on LinkedIn and has done any kind of work is going to go, oh, I never heard of that before. But they are going to start to see, oh wow, yeah, I see what they are doing. They are bringing these out individually, distinctly putting them into context. Then the next phase is when it really ramps up and reaches out to people for whom this is totally new and in that phase there is a book that we are putting together. Renat has come up with a draft and it's actually pretty ingenious.

**Steve Zwick** (13m 13s):

It's a fictionalized account of three naive young kids who get involved in the carbon markets and they come in thinking they are going to save the world, get involved in trying to meet the climate challenge. And along the way they start to develop a carbon project and they encounter each of these paradoxes along the way. And in that kind of a context, it really is super clear. So anybody who comes into

this has never heard of it before or has only seen say certain parts of the debate that you know, that we think are the false ones, they are going to read this and they are going to go, oh, okay, now I get it. Now I see what the challenges are and I understand why things work the way they do because I, that's the other thing too is these paradoxes are inherent. None of them are hidden and they are inherent to the way the markets have evolved. The markets have evolved explicitly because these paradoxes exist and they're trying to address them and I think people will see that. So that's essentially from my end, that's the engagement

**David Greely** (14m 06s):

As we talk about the messaging versus the reality of the carbon markets kind of brings to my own mind another carbon market paradox, which is the fundamental issues in the carbon markets are often complex, often nuanced, and as you say, often paradoxical. However, carbon marketing has often been simplistic going back to making claims that products were carbon neutral. So I wanted to, as we are talking about how we talk about carbon markets, we are not, how do you think about what responsibility do carbon market participants have to make sure that the marketing of carbon offsets matches the reality and how can they do it better?

**Steve Zwick** (14m 48s):

Well I think you are touching on one of the most fundamental paradoxes indeed, which is actually also very simple. If you want to market a product, anything, a shampoo, a book, a microphone, whatever, it must be simple, right? You need three words describing why it's good, otherwise you are not selling it. And the beauty of the term carbon neutral, if you just put it on Google, you will see it's got about 50 million unique hits on Google. So it has become one of the only terms in our environmental space that ever reached a certain audience. If you now show that overboard and say, well in the future we are going to call this beyond value chain mitigation outcome, nobody is going to understand it. So even if that second of core much more correct and much more robust in a sense, the problem is that people have heard about carbon neutral, they have never heard about beyond value chain mitigation outcomes. And that is paradox indeed.

**Steve Zwick** (15m 51s):

And there is no simple plans to this because once again, if you are doing marketing, if you try to create scale, if you try to involve the public, a ton of people who might not even know much, you have to speak in a simple language, which is not a hundred percent correct. It's one of those paradoxes that doesn't have an obvious answer to it. Of course, one answer and it comes in many paradoxes, one approach to go about it would be regulation. For example, in Australia, the Australian government has actually regulated how companies are supposed to use the carbon neutral term. It has created regulations and rules. Of course people still criticize it, but it's the government which has put out the rules. Companies are know that if they follow those rules the government has their back and I think that is an important first step.

**Steve Zwick** (16m 38s):

We, this whole market suffers from a serious lack of trustable regulation. So that would go a long way. That would be my first part of the answer. And the second part leads a bit to the whole reason why I am pushing out these paradoxes. I believe this whole industry has to be fundamentally more honest about what we have here and my guiding star here is, you know how Pat the golden does the marketing, right Pat the gold doesn't say I'm an environmentally perfect company and everything is doing perfect as you the opposite, they say, look, let's be absolutely honest. My pullover, my t-shirt has polluted environment and that's bad. So if you don't need a t-shirt, don't buy one. However, if you do need a t-shirt, we have tried our best effort to create as sustainable as possible. We're failing all the time, we are not perfect, but we are giving our best.

**Steve Zwick** (17m 34s):

Now that is a very robust, nearly uncustomizable approach and has been very, very good for Patagonia. It's a huge success and I think that Patagonia example should be applied also in our carbon industry carbon where we say, look, let me be very frank with you David. This carbon credit comes from a project which has risks. Things go wrong on the ground, things go wrong all the time and there's problems everywhere. But having said that, I still do the project and I hope you'll join me because doing nothing cannot be an alternative. Let's try our best. Let's learn along the way. Let's accept that we are gonna do mistakes, let's learn from those, let's try again and that narrative I think is very important because once again we are running out of time. We cannot possibly wait 20 more until we find that perfect project that has no mistakes. By then we're gonna be the four degrees world.

**David Greely** (18m 32s):

I am glad you brought up that approach because one of the gaps that I often see in the discourse is that people can look at a particular carbon project, even one that they might be very critical of and say it did a lot of good, like it preserved a forest, an ecosystem

supported a community. At the same time they can be upset that it didn't offset the carbon released by other activities. And that's a gap I wanted to ask you about Steve, because I think when I talk to people on the project development side, it's all about, about the carbon finance being so important and then on the other side it's arguments about the demand piece. Like did it really offset? So how do we engage with that gap? Is it an approach like Renat has suggested that we just need to reframe the language about exactly what we are doing but still make it intelligible and accessible?

**Steve Zwick** (19m 24s):

I would argue a couple of things there. One is I think we need to explain the language that we have used because right now there is this trend towards rephrasing changing. I think from my perspective, what we are trying to do is to go one step back from what the debate should be and to help to frame it because I think if we sit here and we can have this conversation about should we call it an offset, should we call it beyond value chain mitigation, what should we call it? We are immediately going out of where the public is. From my perspective at least emphasizing the reasoning behind these concepts and these ideas and helping people understand why we think the way we do is a step in that direction. When you start talking about offsetting, some of the people are always gonna say, oh, it's not like for like it's not, it's a forest, it's not permanent. There are reasons that people are going to bring up, but we address that in some of the paradoxes so people can understand the nature of the debate. Renat do you have anything to add to that?

**Renat Heuberger** (20m 17s):

No, I think that's exactly right. What we have tried to do really, David here in the paradoxes, we have tried to compile more or less every thinkable argument that anybody has brought up in favor or against carbon credits because honestly a lot of these arguments are justified. I mean, I personally have my trouble, my doubt as well, is it ethical to use capitalism for, for solving a problem? I have a lot of understanding for many of the counter arguments or for example, that offsetting fossil fuel emissions with tree planting is questionable. I understand this argument. Absolutely understand it. So our ambition was to not only, and that's perhaps what our industry got wrong, our industry was constantly defending itself. We were fighting those arguments and said, ah, it's not true or whatever, or you are getting it wrong and I think that's the wrong approach. A lot of these arguments are actually absolutely justified.

**Renat Heuberger** (21m 10s):

Our ambition was to have a platform where all arguments are on the table in favor and against offsetting so that we can have a look at both and say, look, there are two sides of the coin and the end of the day the question that we have is should we now do something or should we do nothing? Understanding all those issues, being fully aware of all the paradoxes, being fully aware and mindful of all the problems, should we still go ahead with the projects or should we not? I think that's what it boils down to. But there is no point in trying to fight all those arguments because frankly a lot of them are absolutely justified. I read comments by Carbon Market watch, I read comments by just now. We had this big debate at ICVCM where two of the board members dropped out, as you may have seen. And they have good arguments for quitting and there is also good arguments for staying. I think the important point is that we are honest that these cultures exist. We have a platform where it's totally transparently laid out there and then we decide should we now still go ahead with the projects or should we not? But just debating and debating the same arguments over and over again is just not leading anywhere.

**David Greely** (22m 23s):

I am glad to have you here because as you said, you come at this with the mindset of a climate scientist. I am an economist by training, so when I look at a number of these carbon paradoxes, I see a lot of hard problems that I see as incentive problems more than scientific problems and there are incentive problems that are unfamiliar. Like we've seen versions of these in other markets, not just carbon markets. Now Steve and I have had a conversation in the past about problems at validation and verification bodies and kind of not dissimilar to what we saw with credit rating agencies in the housing market and the mortgage-backed security market leading to the financial crisis. And when I hear people talk about problems with assessing whether or not a carbon project was additional, the baseline paradox, it kind of reminds me of problems that you see in financial markets with how do you benchmark a, an asset manager's performance and are they adding value or not?

**Renat Heuberger** (23m 21s):

So like these problems or we have wrestled is part of the circularity that we keep wanting it to be a scientific problem and that we will have a scientific answer. Like, if we just get better MRV or this or that or whatever, there will be an answer that is the truth and what we're really wrestling with is more, you know, just human incentives and trying to balance kind of competing value. So it's a long way of asking, I guess we're not, would we be better off spending our time focusing on these incentive problems rather than the scientific ones in our efforts to resolve these paradoxes?

**Renat Heuberger** (24m 02s):

I think you are raising, again, one of the most fundamental points of the entire debate. Why is it that these paradox and these conversations are rolling around car markets, which are tiny, but they're not affecting anything like copper or steel or palm oil. It doesn't really affect those markets. And interestingly enough, by the way, if you look at the European ETS, which is a much bigger card market, it's not controversial. I mean it has been criticized the beginning when it was established, but the European Union has decided to rescue it and now for the past, I would say decade, it has been relatively boring, right? It's just there, why is that and I think the, the, the reason is that the European ETS is mandatory, it's not voluntary, it is managed by the government. So the incentives are very clear. You have to comply with the, with the law, you go for the least cost option.

**Renat Heuberger** (25m 00s):

It's all about price. It's about this robust monitoring and that's it. It's, it's not emotional, but the voluntary carbon market, because it's voluntary and we have this paradox by the way today, the voluntary paradox. As soon as something is voluntary, a lot of emotions coming to the game and if it's voluntary there is course always a risk that it could be greenwashing because you are doing something and you are expecting, what do you expect, right? You expect some, some applause from people. If you do something voluntarily, let's say you donate some money to your football club, right? You expect that your boy will love you even more because you support his football club, right? So that's the way voluntary works and I think that has been a reason why there is such a lot of controversy in this market because of its voluntary nature. So if only, and this is of course Steve, I would like to have your view too, but my big hope is of course that now true article six and the UN system, what today is the voluntary market could potentially be rolled up in some sort of a large compliance market.

**Renat Heuberger** (26m 03):

Again, where it is governments who ultimately decide that they have to meet their pledges in the Paris agreement, they are going to meet them domestically and the part of them they are going to meet by investing abroad and there's an international certification standard and the emotion is going a little bit out because it's no longer all voluntary, but it's now mandated by governments. So many of the paradox would by the way, still persist even in a compliance market, but it would be a little less emotional. And Dave, to your point, we would have probably more in a situation like you in financial industry compliance, right? Something goes right, sometimes things go wrong, but it's just a normal feature of any market and we don't have to emotionally debate it all the time.

**Steve Zwick** (26m 50s):

I guess the voluntary paradox is one of them and to me, I do think we need, we need compliance markets, we need more government driving this. I would like to see the voluntary market getting back to what it was initially intended to be, which is not the big thing, not carrying the heavy load like it is now, but instead the voluntary market was supposed to be a way to encourage action beyond what's required by law and also to test new methodologies where maybe the uncertainties were a little bit too high and they weren't quite ready for compliance. I think they will always be a need for voluntary markets. I feel like it's, we are a little bit misguided sometimes in intentionally saying setting up the scaling of the voluntary market as an objective. We have to increase the voluntary market a hundred fold. Whereas to my thinking, we should just be increasing the compliance market and let the voluntary market continue to be what it is.

**Steve Zwick** (27m 39s):

It just shouldn't be the dominant market. It should be a small part and I think that it speaks to, it's a government failing. So something Mark Kimber always talks about when people talk about, gee, it's so great that the voluntary market is getting bigger, as Renat pointed out is actually not that big, but it only has the profile that it has because everything else failed and I think that's something we need to work and that's something to, I think that gets to what creates this antagonism towards the voluntary markets. Some of the groups that oppose it this group Somad of the Netherlands here, they have actually stated openly that in their view people are promoting a voluntary market explicitly to prevent government action. They say it as some kind of a plot and my experience within the voluntary market is no actually people in the voluntary market want to see government action. They want to see, you know, they want to see more compliance, but it's saddled with this sort of equated with the pure free market fundamentalists. Like we want no government action. And that's just not the case.

**Renat Heuberger** (28m 36s):

Which by the way is a paradox we had a few days ago, the ambition paradox. And it's a nasty one because there is an argument that indeed governments could have an incentive to have less stringent of a target to allow more space for private sector markets, at least in theory that could actually happen. And that paradox is of course a constant debate also in the media.

**David Greely** (28m 58s):

I love this conversation today and in the spirit of our new Smarter Markets coffee house, which is our new social media platform where we are trying to encourage these types of conversations, thoughtful, engaged, being able to disagree without being disagreeable and try to find a way to stop going in circles but chart a path forward between folks like yourselves. I thought maybe I would take a step back and just let each of you ask a question of the other though. I am sure you talk all the time now, but maybe I will ask you first. Steve, what would you like to ask Renat.

**Steve Zwick** (29m 28s):

Actually, it's something I should have asked a long time ago and you touched on it today. What was the process of identifying these 25 paradoxes? When you brought them to me, I was just like, oh my god, he has hit every single, it's almost like the whole game of whack-a-mole has ended with 25 little hammers that are gonna hit the 25 problems that keep popping up. How did you do that?

**Renat Heuberger** (29m 48s):

So it was in spring this year when I started really reflecting more deeply to the question, what happened in 2023 when a market was also for first time, keep in mind the market was growing in the Kyoto time, then it collapsed, it was going sideways for long, it grew between 2021 and 2023 and then it crashed again and I was just wondering what caused that crash. I mean, nothing has fundamentally been different. Nothing has happened. You cannot point to any single topic. And that's when I discovered that a couple of first very obvious paradoxes with which I started like the baseline paradox is a very obvious one and also the additionality paradox. So I had four or five which were quite obvious and I started to showing those to a few friends in the market and say, what do you think about that and the more I show them around, the more people said, well that's interesting, but they have another one, how about this one?

**Renat Heuberger** (30m 45s):

And then that's all good, but have you thought about that one? So over time, by just throwing them around they, it's like a snowball in the mountains it's rolling down. The more it's scrolling down, the bigger it gets. Because there was a time where we had the figure was even much larger when I realized that this is really something fundamental. I tried to be very specific and say I only want, I don't want to repeat paradoxes, you could publish nuances of each paradox and go to a hundred, but the intellectual challenge was then to narrow it down to individual case, which are really separate paradoxes and not repeating each other. And that's how we in the end came to that number and I believe out of those 25, they are all really different topics. They are, none of them is just the same in different verse, they are different fundamental issues. But it was a process of starting with a few, realizing that actually there's much more and then narrowing them down again to really individual topics.

**David Greely** (31m 41s):

And I love how when you start that conversation, it grows, right? You start off, you put the seed out there and as you said, the snowball rolls downhill and more and more people get engaged. Now I would like to come back to that, but maybe first or not, I will ask you, is there anything on your mind that you would like to ask Steve?

**Renat Heuberger** (31:57):

I actually have a question. Steve, you have been around this market for I guess longer than me or at least the same period of time, and you have seen those iterations up and down, up and down. Where do you get your motivation from to still kick around and still believing in it?

**Steve Zwick** (32m 13s):

That's a tough one because it does. There are times where I think of throwing in the towel, there is a little bit of a irony here is that when I, when I left ecosystem marketplace, I was kind of sick of carbon markets intellectually not wanted them to go away, but I was absolutely tired of them and I had left to go to Carbon Pulse where I was gonna be heading up their net zero coverage, which to me was just, okay, let's get beyond the markets and get into internal reductions. And at that point I saw what I am gonna call a disinformation wave coming towards the markets. I saw the kind of antagonism and it was everything that, that you are outlining in your paradox is I saw these bad arguments coming at the markets in a structured way, saw the paralysis of the sector, the inability to answer because it's like, well gee, it's kind of true, but it's the context is wrong.

**Steve Zwick** (33m 02s):

And that kind of pulled me back in because I thought, it's like this is just, we need to find a way to get beyond this. So in, in a way it was, I think what did bring me what's kind of got me hunkering down on this and drawn into, into this is that you just see the same, it's like

Groundhog Day. You see the same things happening over and over again and you know there's an answer to it, you know, it can come to an end. And the same thing had been happening with climate science before where eventually the science won and people came to understand, oh, it's not, people can understand where the legitimate issues were and what and what was agreed upon. I am also anal about a, a narrative. I think that's something too, it, even if something isn't important, if I know that there's a cause effect sequence that's being misrepresented or distorted, it's just a weird quirk in my psychology that I need to say, no, no, no, no, no, this is what happened. I'm telling you this is what happened. That would be the gist of what's keeping me in it. It does get tiring, it gets very tiring.

**Renat Heuberger** (33m 59s):

Steve, I don't know how you see it toping the US but also increasingly in Europe of course it's absolute crazy polarization of opinions. That is really something that box me way beyond carbon, by the way. There's just a little scary, everything is black and white, it's right or wrong and you are good or bad and but people have lost their ability to think in nuances. It's other fashion. And, and I think that's why on purpose with this paradox is we chose a very, it's academic way. If you look at our website, it could be more boring white, not a single picture on it, no colors, just black and white and text. So we are really trying to be a bit contrarian here and say, look, this is the website, which on purpose does not put an answer in front of you, but creates a platform for a, an open debate with a lot of shades of gray in between.

**Renat Heuberger** (34m 50s):

With this, I think we are totally against the trend, Steve, completely out of fashion. We are. But I believe that the people who are pragmatic in the middle of the argument and we have that paradox, well, by the way, the Ideologist paradox, they will come in a few days. We will like that one Dave. It's another fundamental one. I think if you succumb to Ideologists from the right and from the left, and we don't have a pragmatic nuance approach in the middle, we are doomed to fail and I hope even if that's completely out of fashion, what we are doing here, it hopefully attracts some people to at least there again, to be honest, without getting afraid of having their head chopped off. I had people who reacted and said, really, I am glad you do that because that argument you cannot openly make as a market participant these days because your head is going to get chopped off immediately from the right and from the left. So I hope that we are encouraging perhaps also some of the listeners here in the show

**Renat Heuberger** (35m 48s):

Bold and brave and say, I have a nuanced view, a pragmatic view, which incorporates both sides of the argument. I am not taking the sides. I see both arguments. I hope that more people are brave again to do that.

**David Greely** (36m 01s):

And I think you might have just answered my last question for you in that what I was thinking about was, you know, we're heading into the holidays, it's a season of hope for the new year, and I wanted to ask you both the same question, which is, what are your hopes for your carbon paradox project? How do you hope it changes the discourse in and around markets and how do you hope it makes carbon markets better and I think Renat gave a great answer to that in a way, but maybe I will turn to you, Steve and ask you the same thing.

**Steve Zwick** (36m 33s):

Pick up on or reiterate what Renat said and it kind of goes back to something I said on a previous episode. We need to raise the level of public discourse and I think the analogy I used last time was, if you look at the public discourse around sports, US would be American football and sure in Netherlands it's probably soccer or you know, whatever sport people in the general public have a relatively sophisticated discussion on who is the best, you know, what's causing this because there is a level of understanding. They understand the basic rules. The main thing is to get, is to push the legitimate areas of discussion out there so that these, what I can only call silly debates, don't keep distracting us because that's 90% of what makes the headlines. You know, there was, I'm trying not to be too specific, but there was one big one where there was a paper that came out a few years ago.

**Steve Zwick** (37m 25s):

It had used a very rudimentary modeling method and that modeling method diverged from Project Baseline. Instead of saying, oh look, here's an interesting anomaly. What does this mean? It became, look, this is a magical crystal ball. It's the absolute right way to look at this and it's different from the baselines. Therefore these baselines that were established through using methodologies that were developed through multiple iterative rounds of expert review and public consultation developed partly under the IPCC and then through win, I mean that somehow this little crystal ball was superior and everything else was wrong. No, but it's also wrong proponents we are also looking at saying, Hey, you know, there is some good work in there, you don't want to dismiss it out of hand and I think if we can push that forward, push that out there and people can make it so that people have enough information to make



intelligent informed decisions and I think the whole science community can, can use this too but like Renat said, the whole everything has become competing slogans. It's not, you know, we are not really having sophisticated discussions in public anymore and hopefully we can, we can change that at least as far as carbon markets are concerned.

**David Greely** (38m 31s):

And I'd love to give you, Renat, the last word here. So I will ask you the same question. What are your hopes for your Carbon Paradox Project in the new year and how do you hope it changes the discourse around the carbon markets and hopefully make them better?

**Renat Heuberger** (38m 46s):

Reframe that question a bit. The carbon markets are a tool to meet an end. Let's be quite clear, it cannot be our goal to scale car markets just for the sake of scaling them. That cannot be our goal. The goal must be that we reach two things in my opinion. One is that we're cutting as much CO2 as possible as we possibly can. And the second is, in my opinion, that by doing that we are establishing businesses, livelihoods elsewhere because the projects we are using do have knock on effects that positively influence society and economy on the ground. If we achieve those goals. Be very clear that already the CDM in the Kyoto protocol had exactly that purpose. The purpose of the CDM was to achieve mitigation and propose sustainable development on the ground. And I think that is still true today, and that's what I hope we ultimately can achieve by rescuing the car markets, make it grow again, that it can deliver to those two goals.

**Renat Heuberger** (39m 49s):

And that's also why our last paradox, by the way, on the Christmas Day is going to be the quality paradox. Because of course there is also a paradox inside the quality debate, which I hope you will enjoy, but that's ultimately, that's also why we put that one to the Christmas Day. Ultimately, we hope since Christmas is a time to reflect the time to, to think what is my purpose. I do hope that car markets ultimately will help this world to become a little bit more of an equal place where opportunities are created for people who are vulnerable, especially for us who are vulnerable and if car markets can contribute to that, it's worth not only rescuing them, but also scaling them. But for this, we need a new and more constructive, more optimistic debate. That's what I hope to achieve.

**David Greely** (40m 36s):

Thanks again to Steve Zwick, Host and Producer of Bionic Planet and Renat Heuberger, CEO and Co-Founder of Terra Impact Ventures. We hope you enjoyed the episode. This concludes our series Inside the Coffeehouse. We will be back next week with our 2024 Holiday Special. We hope you will join us.

**Announcer** (40m 56s):

This episode was brought to you in part by Abaxx Exchange, where trading in centrally cleared, physically deliverable LNG and Carbon futures contracts is now underway. Ready for smarter markets. Contact us at [onboarding@abaxx.exchange](mailto:onboarding@abaxx.exchange).

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