



Demand for blue carbon benefits.

International Partnership for Blue Carbon Dialogue

VEDA FITZSIMONS

OCTOBER 2024

COMMERCIAL IN CONFIDENCE

Over the last 5 years, we have built a leading global concentration of climate and nature advisors and investors, as well as groundbreaking partnerships

CLIMATE, NATURE AND INVESTMENT EXPERTS ACROSS A GLOBAL TEAM OF

180+

MAJOR ADVISORY CLIENTS

>150



8 offices 6 countries with Pollination presence 25+ languages spoken

JOINT VENTURE



HSBC Pollination Climate Asset Management joint venture established to create the world's largest Natural Capital asset manager, with Natural-based Carbon and Natural Capital funds in market and >\$700m AUM.

AUG 2020

TERRA CARTA



We've been awarded the Terra Carta Seal which recognises global corporations that are actively leading the charge to create a climate and Nature-positive future.

NOV 2023

BLUE CHIP ADVISORY CLIENTS



WE ARE A CERTIFIED B CORP



As a B Corp, we're part of a global community of businesses that meet high standards of social and environmental impact.

DEC 2023

FOUNDING MEMBER



Pollination announced as Founding Member of a new centre for climate change innovation, Undaunted, at Imperial College London.

MAR 2021

NATURAL CAPITAL ALLIANCE



HSBC Pollination Climate Asset Management was selected as a Founding Partner of the Natural Capital Investment Alliance, established by His Majesty, King Charles III.

JAN 2021

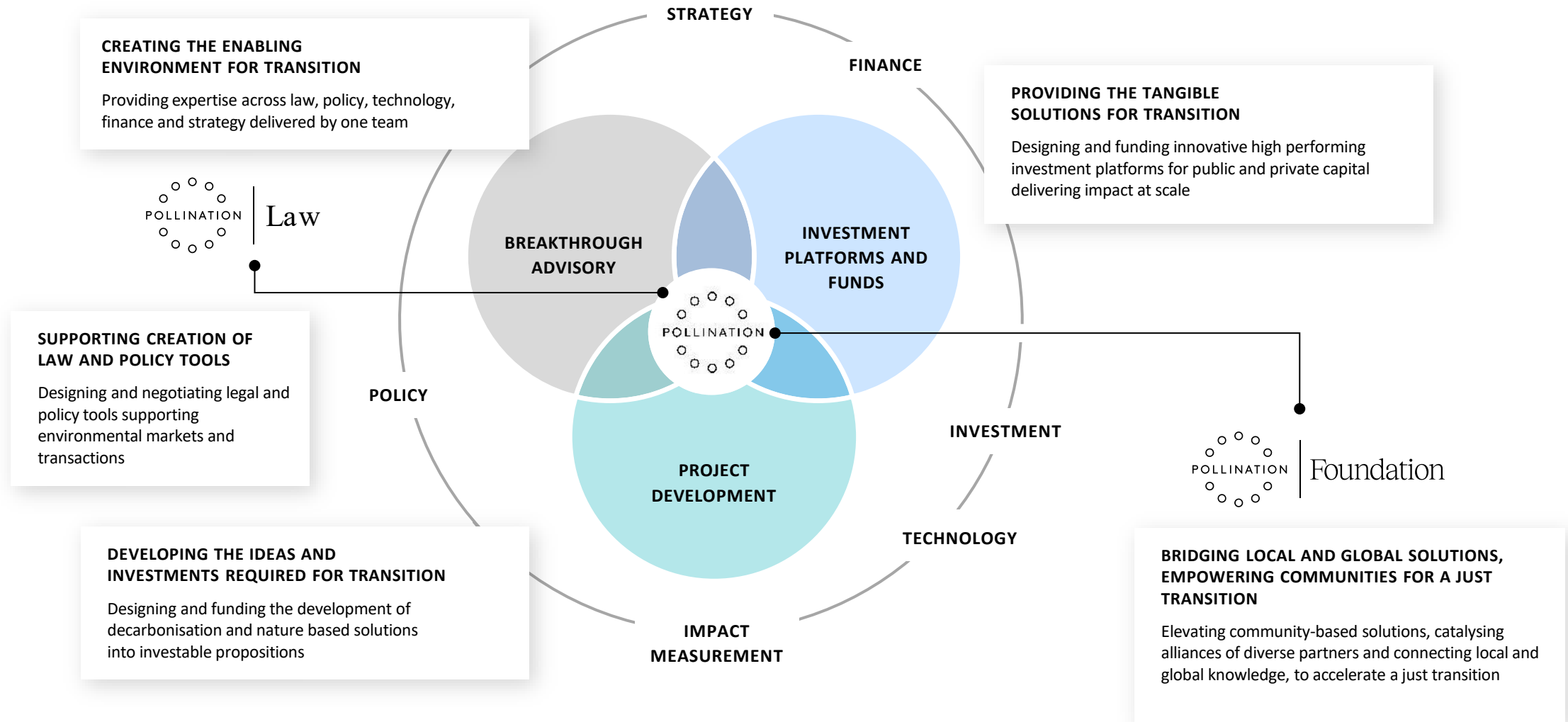
STRATEGIC PARTNERSHIP



ANZ strategic partnership secured, underpinned by a US\$50m investment for a minority equity stake.

FEB 2022

We have a unique proposition combining climate and nature as well as investment, advisory and projects



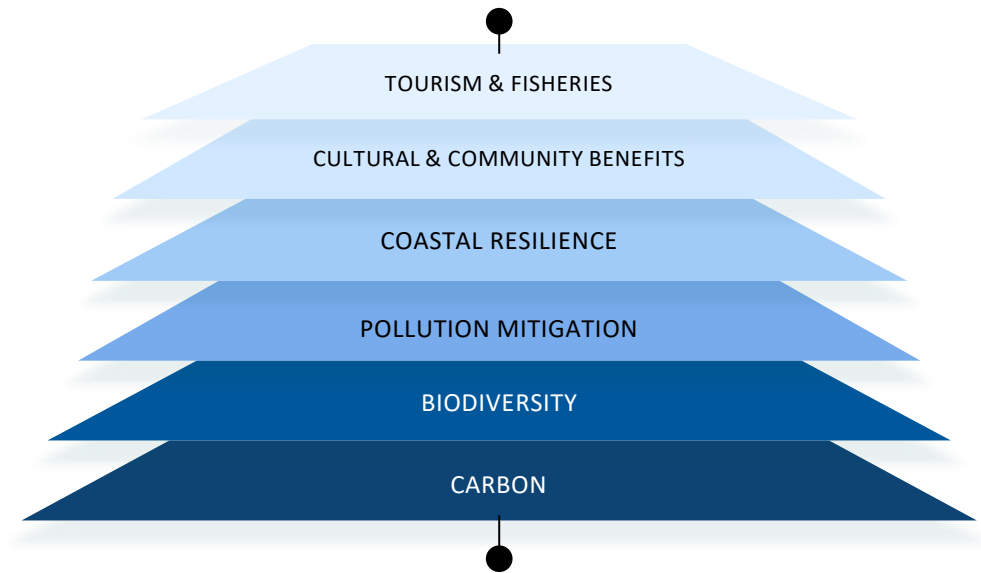
- The unitisation of benefits.

- Environmental markets essentially involve the trade of a *unitised* form of benefit, often referred to as a “credit”.



1 ENVIRONMENTAL
MARKET CREDIT

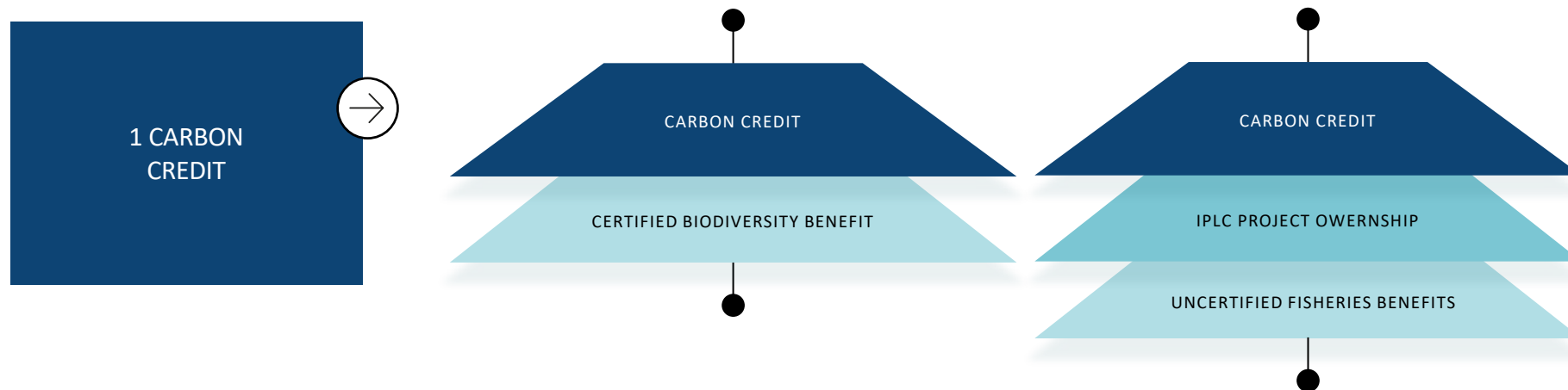
We know that blue carbon projects provide a suite of benefits.



For each credit type, there are several ways the overall benefits delivered by a project can be packaged and sold.

PREMIUMS FROM ADDITIONAL BENEFITS

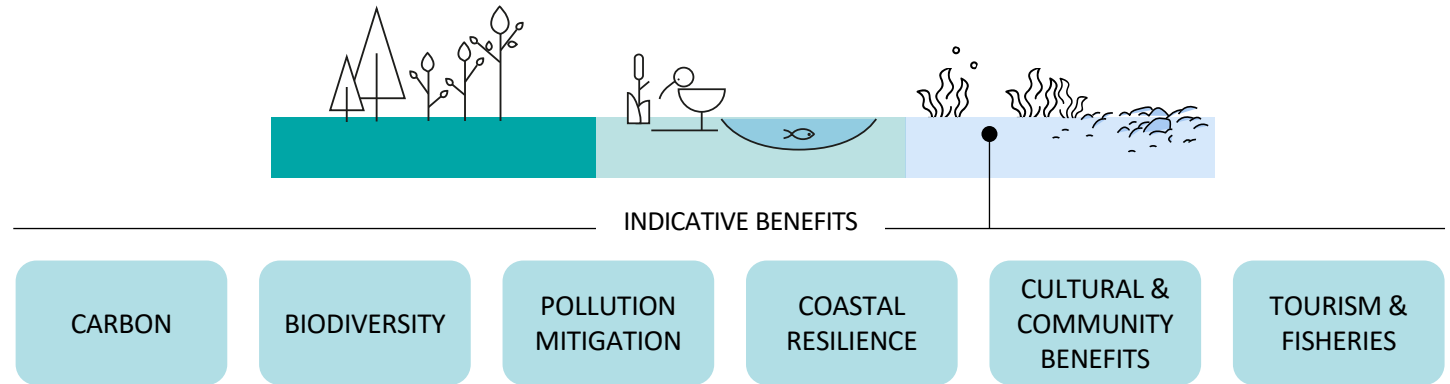
A credit may be sold with a suite of additional characteristics. This point is illustrated below for carbon credits, but is applicable to other NbS credits including biodiversity and pollution mitigation credits.



We're seeing environmental markets mature to consider benefits that have traditionally been 'co-benefits' to be standalone units.

Doing so may improve project economic viability or allow finance to be directed to activities that are not eligible for carbon finance.

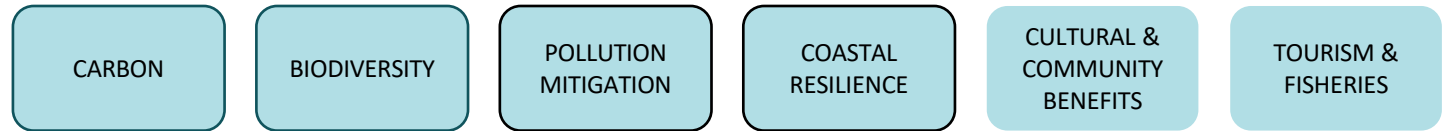
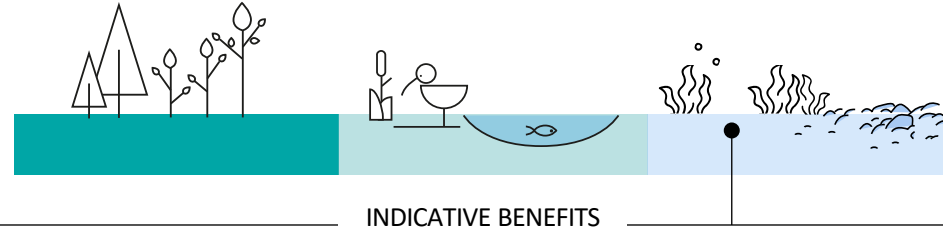
However, not all benefits delivered by a project can be traded in environmental markets as a standalone credit.



In general terms, for a benefit to be traded in environmental markets as a standalone unit there must be:

1. A standard for unitising the benefit;
2. Business rationale for purchasers to buy the credit;
3. Business rationale for the project proponent to sell the benefit as a credit.

Not all benefits delivered by a project can be traded in environmental markets a standalone credit.



	CARBON	BIODIVERSITY	POLLUTION MITIGATION	COASTAL RESILIENCE	CULTURAL & COMMUNITY BENEFITS	TOURISM & FISHERIES
Standard exists for unitisation	● <i>Methods available for a number of blue carbon activity types</i>	● <i>Methods exist for certain activities</i>	● <i>Methods exist for certain activities</i>	● <i>Under development for wetlands</i>	●	●
Business rationale exists for credit purchase	●	●	●	●	●	●
Business rationale exists for credit sale	<i>Note that this will depend upon a range of project-specific considerations including project scale, project costs, available credit prices, and considerations of purchaser integrity/reputation</i>					

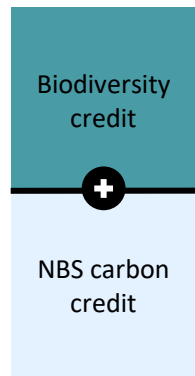
1. Unitised forms of benefits are not always referred to as "credits". A range of other labels, including "unit" and "certificate" are also used

There may be opportunities for credits of different types to be bundles, stacked and staples.

HYPBRID MODELS: BUNDLING, STACKING & STAPLING

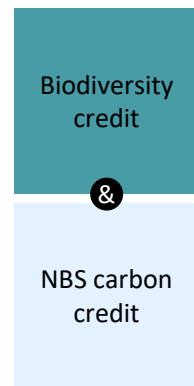
Different credits may be “bundled”, “stacked” and “stapled”. These models are indicatively demonstrated below with carbon and biodiversity credits.

BUNDLED



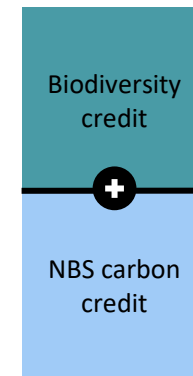
Bundled products involve multiple benefits produced by nature-based projects within a project area being sold as a single product to a single buyer.

STACKED



Stacked products involve various ecosystem services provided by nature-based projects within a project area being sold as a range of different credit types or units of trade that together form a stack (for example, separate carbon credit and biodiversity credits). The components of the stack can then be sold individually to different buyers and separate payments received for each set of services.

STAPLED



Stapled products involve the pairing of various benefits achieved through different projects being sold together as a single unit (for example, a carbon credit and a biodiversity credit from different projects).

- Carbon markets: *What are investors seeking?* ○

Market integrity is determined by both demand and supply side factors.



DEMAND SIDE INTEGRITY

Carbon offsets must only be used as part of an overall, ambitious decarbonisation strategy and not delay action to achieve net zero

Common features of high-integrity use of NBS credits include the following:¹

- Maintain and publicly disclose an annual emissions inventory
- Disclose the types, quantity and sources of credits used
- Clarity on how credit use aligns with overall decarbonisation pathway
- Publicly disclose validated science-based near-term emissions reductions targets
- Obtain third-party assurance of reported information following the Monitoring, Reporting & Assurance (MRA) Framework

SUPPLY SIDE INTEGRITY

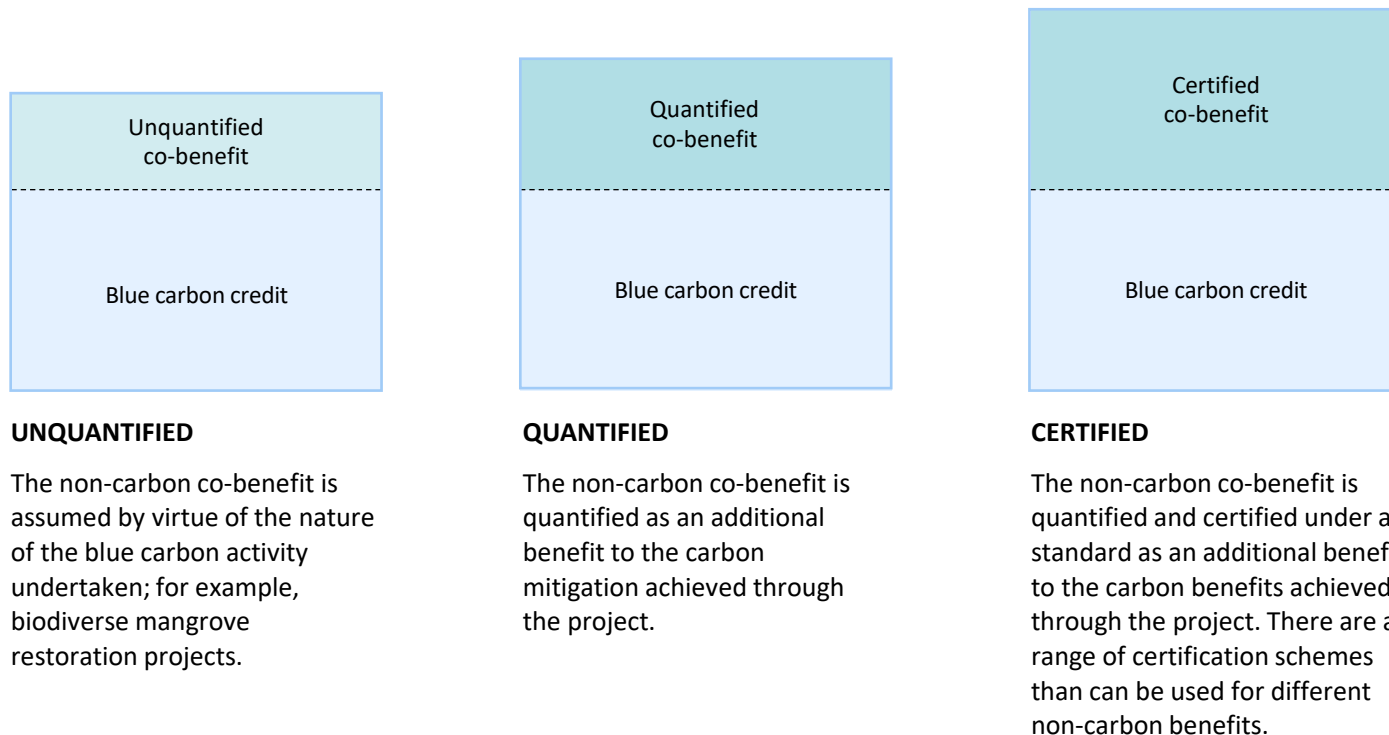
High quality emissions credits should meet minimum environmental integrity principles – real, measurable (e.g., accurate), additional, permanent, no double-counting and with no negative social or environmental harm.

Common features of high-integrity NBS projects include the following:²

- Robust measurement, reporting & verification (MRV)
- Free, prior and informed consent
- Equitable benefit sharing
- Decision-making responds to rights of all stakeholders
- Legal rights and interest holders accounted for
- Project proponents must be fit and proper
- Ecosystem benefits must be additional
- Project learnings are used for transformative change

There are different ways that non-carbon benefits can be positioned by a carbon project. Investors have demonstrated a willingness to pay premiums for carbon credits with co-benefits.

CERTIFICATION OF NON-CARBON BENEFITS



PRICING PREMIUMS

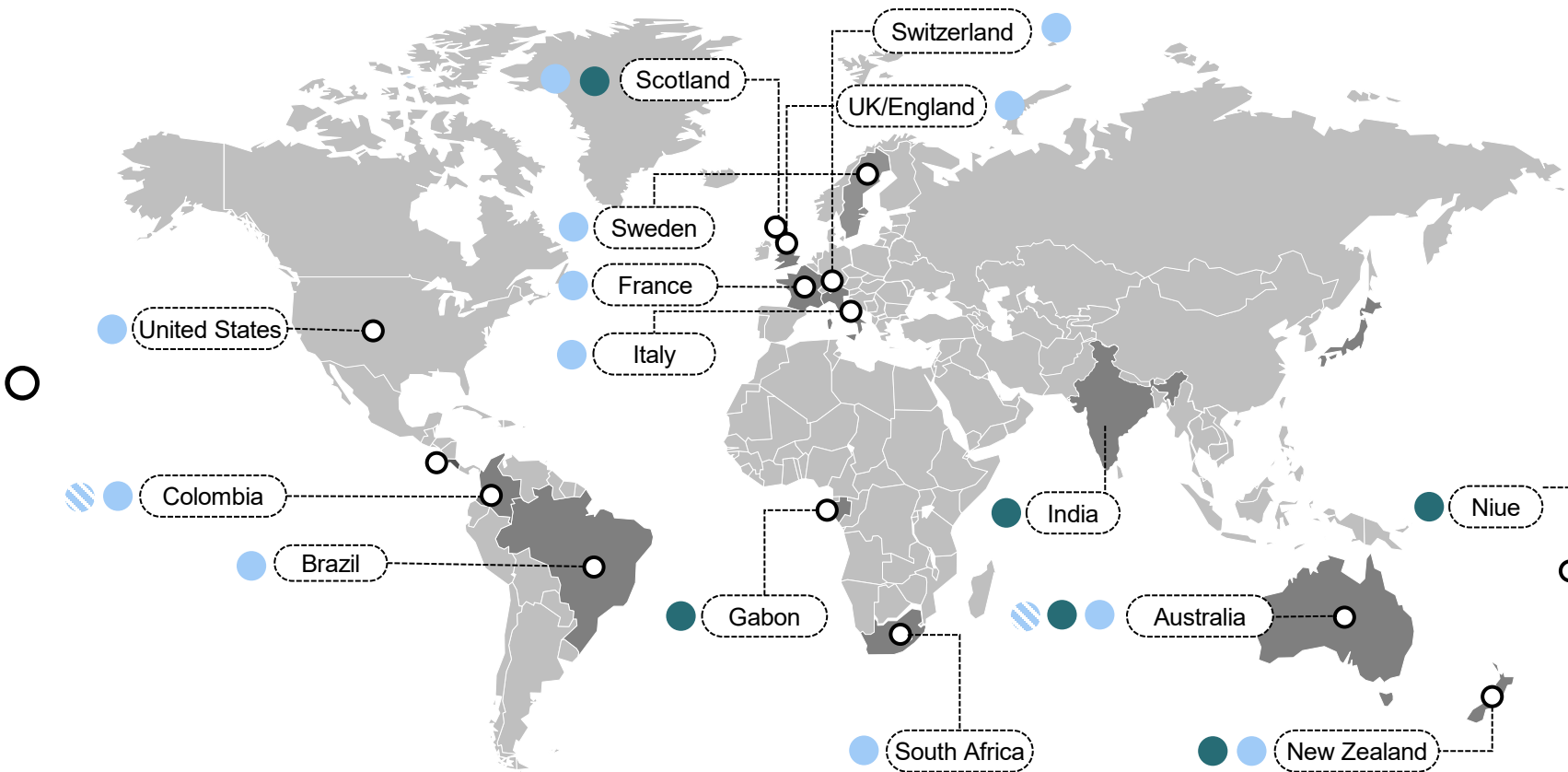
Ecosystem Marketplace - State of the Voluntary Carbon Market 2024

	2022	2023
Has co-benefits	\$10.51	\$8.11
No co-benefits	\$6.46	\$5.91
Blue carbon credits	\$11.58	\$8.33

Note that purchasers’ willingness to pay a premium for carbon credits will depend upon a range of factors, including the credit’s use and role in the purchaser’s overall decarbonisation strategy.

○ Biodiversity credit markets *How is the market shaping up and what are investors seeking?*

Globally, a significant number of biodiversity credit initiatives and schemes are emerging*



NATIONAL PROGRAMS

- Gabonese Govt, Biodiversity Credits (*Gabon*)
- NZ Govt, Biodiversity Credits (*New Zealand*)
- CreditNature, Biodiversity Credits (*Scotland*)¹
- Indian Govt, Green Credits (*India*)
- Niue Ocean Wide (NOW) Trust², Ocean Conservation Commitments (*Niue*)
- Australian Govt, Biodiversity Certificates (*Australia*)

PRIVATE/NOT-FOR-PROFIT PROGRAMS

- 3Bee, Biodiversity Credits (*Italy*)
- BioCarbon Registry, Biodiversity Credit (*Colombia*)
- Botanic Gardens Conservation International, Biodiversity Impact Credits (*United Kingdom*)³
- CarbonZ, CarbonZ Biodiversity Action Credits (*New Zealand*)
- CreditNature, Nature Impact Tokens (*England*)
- Ekos, Sustainable Development Units (*New Zealand*)
- Environment Bank, Biodiversity Credits (*England*)
- ERA Brazil, Biodiversity Stewardship Credit (*Brazil*)
- Gold Standard – Organization for Biodiversity Certificates, Biodiversity Certificates (*France*)
- GreenCollar, NaturePlus™ Credits (*Australia*)
- OpenEarth, Marine Biodiversity Credits (*United States*)
- Plan Vivo Foundation – Pivotal (Pivotal-for-PV Nature), Plan Vivo Biodiversity Certificates (*Scotland*)
- Rebalance Earth, Biodiversity Tokens (*Africa*)
- Recelio, Dynamic Biodiversity Tokens (*Switzerland*)
- South Pole, Biodiversity Credits⁴ (*International*)
- Swedish University of Agricultural Studies (Orsa Besparingskrog), Biodiversity Credits (*Sweden*)
- Terrasos, Voluntary Biodiversity Credits (*Colombia*)
- Terrain NRM, Cassowary Credits (*Australia*)
- Toha Network, MAHI Credit (*New Zealand*)
- The LandBanking Group-African Parks, Verified Nature Units (*Germany*)
- ValueNature, Nature Investment Certificates (*South Africa*)
- Verra, SD ViSta Nature Credits (*United States*)
- Wallacea Trust, Biodiversity Credits (*England*)
- Wilderlands, Biological Diversity Units (*Australia*)

IPLC programs

- AbCF, Cultural Fire Credit (*Australia*)⁵
- Cercarbono – Savimbo, Voluntary Biodiversity Credits (*Colombia*)⁶

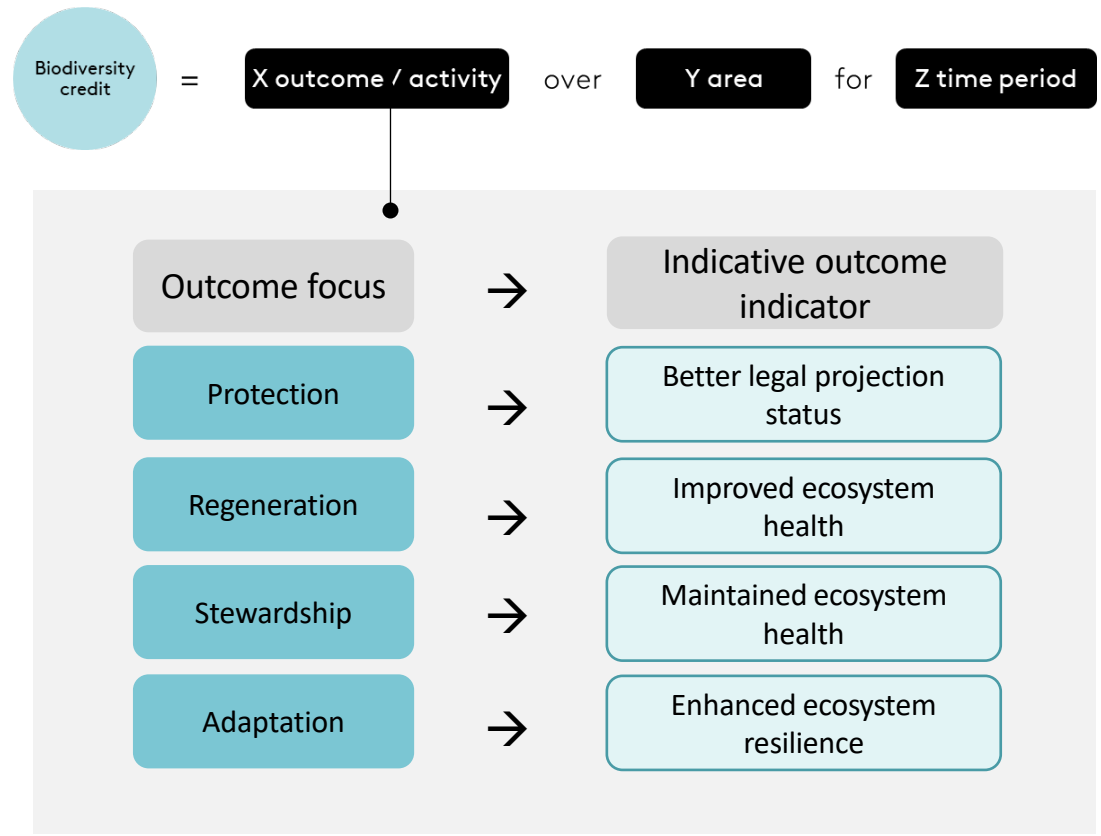
* This map is based on desktop research by Pollination and may not be exhaustive. Location names indicate countries of origin for programs, not countries where projects can be developed ; 1. CreditNature has won a contract with the Scottish Government to develop a biodiversity credit system; 2. Niue and Ocean Wide Trust (“NOW Trust”) is a charitable trust under New Zealand law; 3. BGCI has developed a methodology and has partnered with others, including Plan Vivo Foundation, to develop the Global Biodiversity Standard; 4. Includes EcoAustralia™ credits and biodiversity credits generated from the Connecting wildlife in the Alicante River Canyon project; 5. The development of Cultural Fire Credits derives from a partnership between Aboriginal Carbon Foundation and Firesticks Alliance. The Scheme recognises “core benefits” – environmental, economic, social and cultural. The Program is currently active; 6. The Savimbo method is indigenous-led.

As noted, though there is significant diversity in the formulation of biodiversity credits patterns can be observed across the market

TYPES OF BIODIVERSITY CREDITS

Pollination has been closely involved in the development of voluntary biodiversity credit markets. We have identified four core *archetypes* across biodiversity credits.

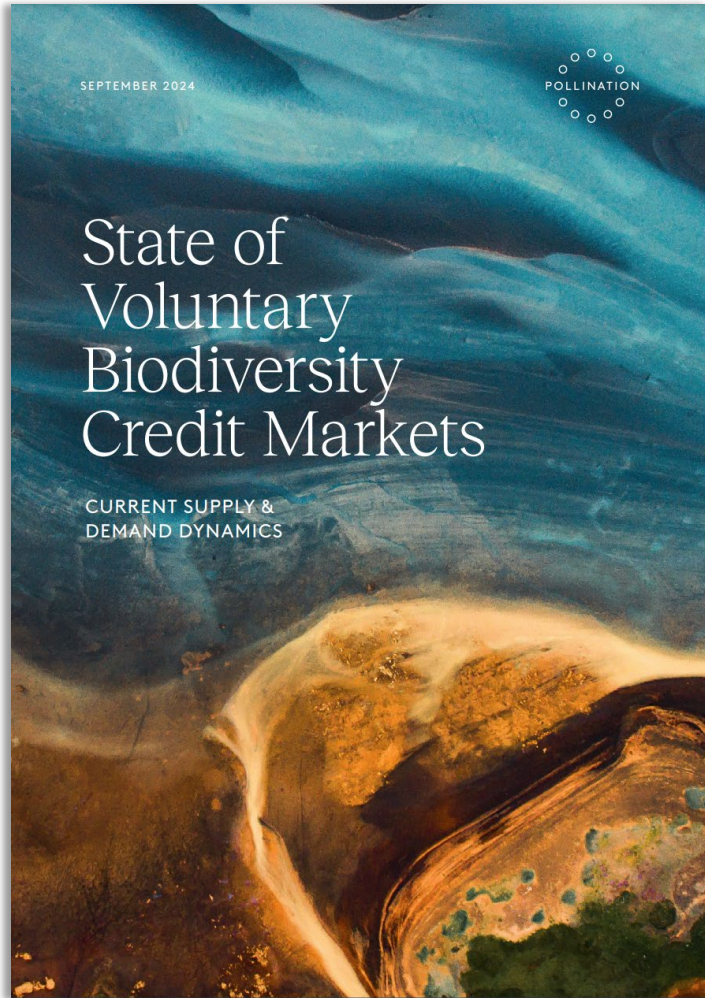
<p>REGENERATION CREDIT</p> <p>Issued based on a verified improvement in the condition in land over time from a measured baseline, this could be applied to areas of degradation associated with mining and agriculture, for example.</p>	<p>ADAPTATION CREDIT</p> <p>Issued through the creation of novel ecosystems such as climate change resilient ecosystems (e.g. coral ecosystems resilient to warming temperatures).</p>
<p>PROTECTION CREDIT</p> <p>One issuance of a tranche of credits based on a verified designation of protected area status (e.g. through a conservation easement, conservation covenant, Indigenous Protected and Conserved Area, Marine Protected Area instrument).</p>	<p>STEWARDSHIP CREDIT</p> <p>Issued on demonstrated stewardship of land condition over time, this would primarily be applied to the high-value ecosystems.</p>



Biodiversity credits differ substantially in their spatial element and, consequently, price.

				
Unit size	1m²	1 hectare	10m²	1 hectare
Average credit price	~\$3	US\$5	US\$30	US\$100
Funds committed	\$18,000+	US\$4.2 million	US\$1.6 million	US\$1 million

Hot off the press: *State of Voluntary Biodiversity Credit Markets Report*



Between approximately
**US\$325,000 and
US\$1,870,000**
worth of credits are estimated to
have been sold to date.⁷

The majority of credits that have been sold were priced at US\$25 per credit or less.

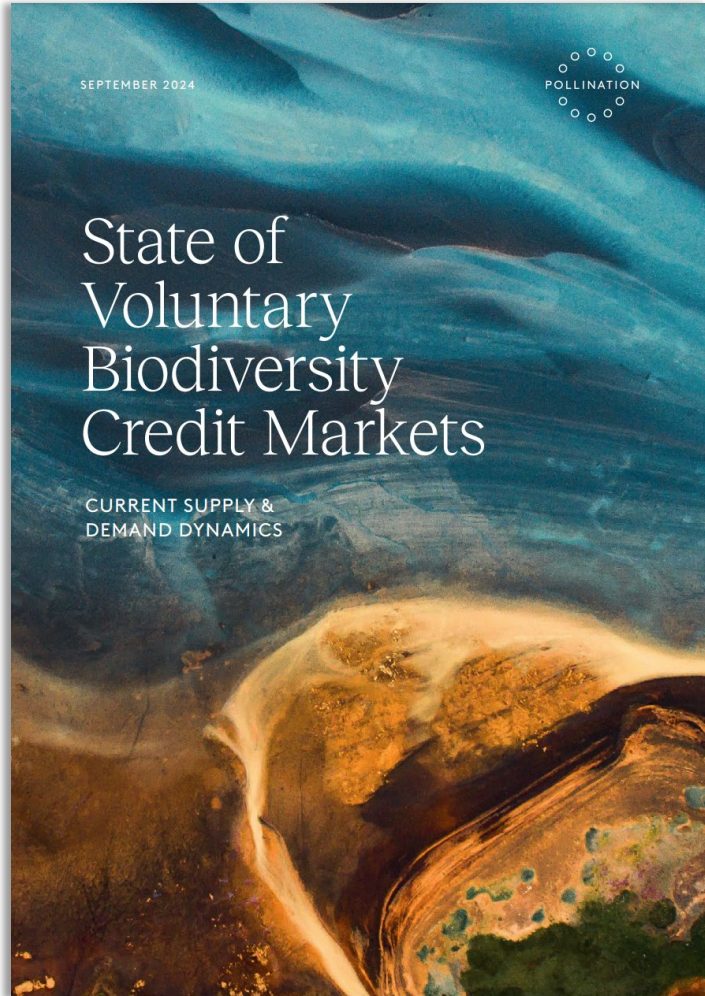
Pricing was informed by multiple factors, including recouping project costs plus a margin and buyers' willingness to pay.

Some projects involving IPs and LCs have attracted price premiums, with respondents reporting premiums of 15% and 300%.

Between approximately
**26,000 and
125,000 hectares**
of positive biodiversity outcomes/activities have been directly financed by the sale of biodiversity credits to date.⁸

The majority of schemes expect to sell more than 100,000 biodiversity credits over the next five years.

Hot off the press: *State of Voluntary Biodiversity Credit Markets Report*



PERSPECTIVES ON SOURCES & DRIVERS OF DEMAND

European buyers are the greatest perceived source of demand.

The perceived top sources of demand are multinational corporations, financial institutions and small to medium sized enterprises.¹⁰

Contribution claims are key claims that purchasers are seeking to make.¹¹

Marketing / brand is the strongest perceived driver

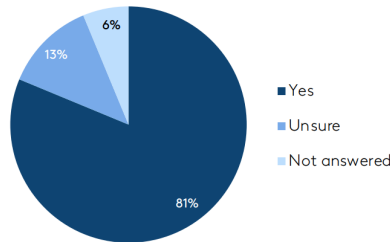
of demand for biodiversity credits, followed by risk mitigation (i.e. mitigation of nature-related transition risks, physical risks and/or systemic risks).

Buyers have been observed to be motivated by / interested in whether biodiversity credits are generated by projects proximate to their operations, investments and/or sourcing areas.

PERCEIVED PREFERENCE FOR GEOGRAPHIC NEXUS

Have you observed purchasers of biodiversity credits to be motivated by / interested in whether the biodiversity credits are generated by projects that are proximate to their operations, investments, and/or sourcing areas?

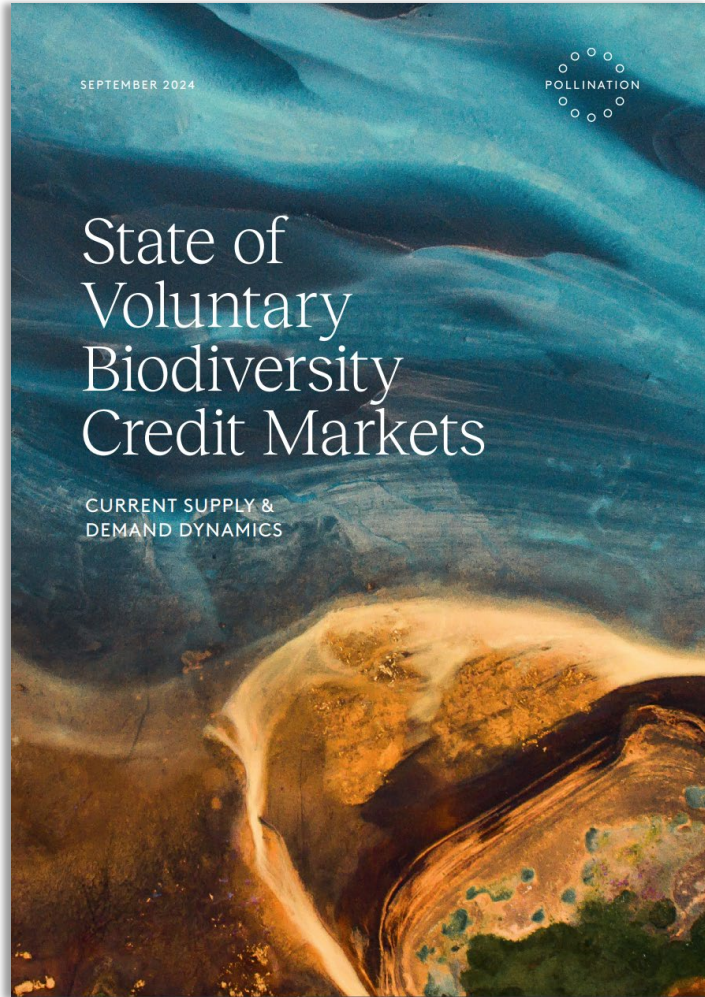
Respondents: 16



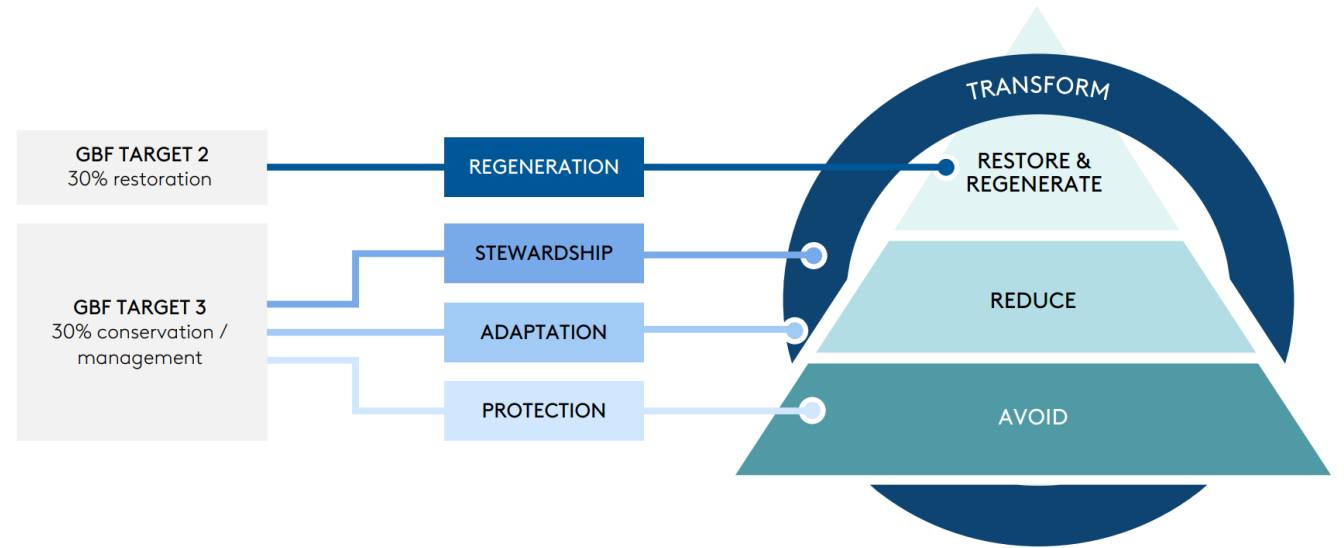
The nexus between purchasers' footprints and locations at which biodiversity credits are generated is perceived to matter for purchasers.

81% of respondents indicated that they have either observed or perceived purchasers of biodiversity credits to be motivated by / interested in whether biodiversity credits are generated by projects that are proximate to their operations, investments, and/or sourcing areas. 13% of respondents were unsure and 6% did not answer the question.

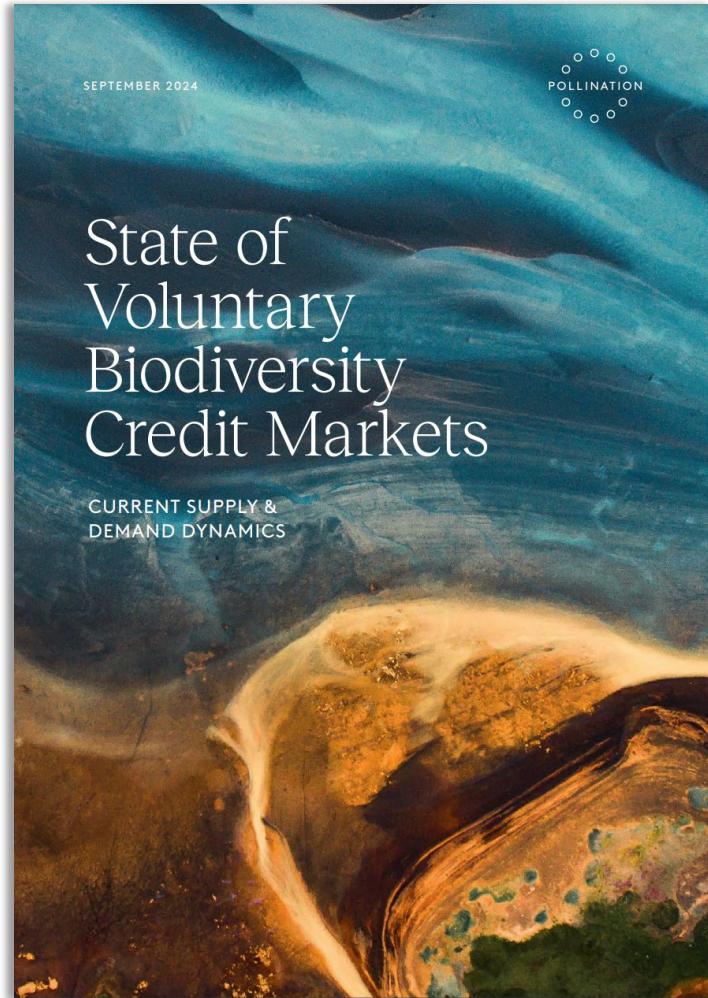
Hot off the press: *State of Voluntary Biodiversity Credit Markets Report*



RELEVANCE OF BIODIVERSITY CREDIT ARCHETYPES TO GBF TARGETS AND THE ELEMENTS OF SBTN'S ACTION FRAMEWORK

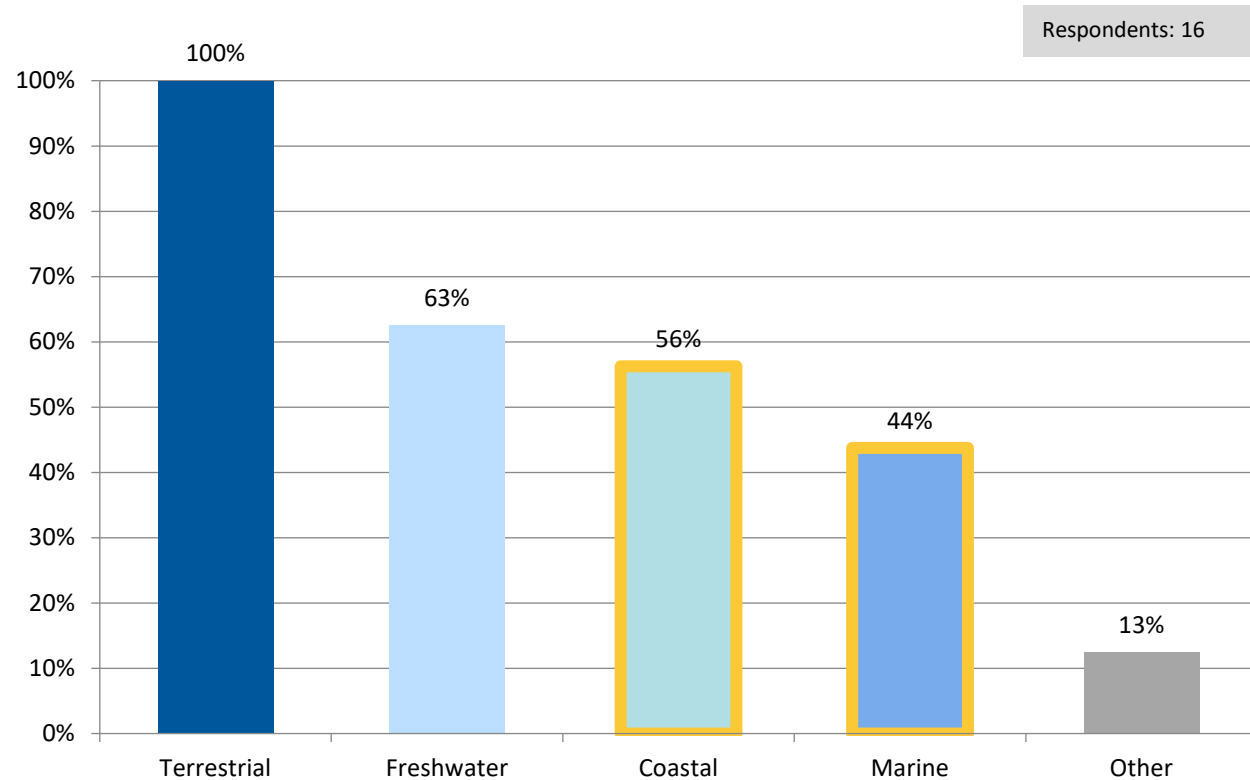


Hot off the press: *State of Voluntary Biodiversity Credit Markets Report*



ECOSYSTEMS TARGETED BY BIODIVERSITY CREDIT SCHEMES

In what ecosystems can biodiversity credits be generated under your biodiversity credit program?



- Recommendations

Questions for governments to consider in seeking to leverage environmental markets to direct finance to blue carbon ecosystems.

CARBON MARKETS

1. Will carbon markets form part of the government's approach to achieving its NDC?
2. Will the government seek to establish its own scheme or adopt international standards, methods and registries?
3. Are blue carbon ecosystems included in the country's GHG inventory and NDC targets?
4. Does the government have legislation in place to clarify rights to carbon?
5. Will the international transfer of mitigation outcomes under **Article 6** form part of the government's plan to achieve its NDC?
6. If so, how will the government ensure it maintains control, receives sufficient benefit and directs international finance to target sectors?
7. Does the regulatory environment enable nature-based solutions?

BIODIVERSITY

1. Will biodiversity credit markets form part of the government's approach to achieving its nature targets and form part of its National Biodiversity Strategies and Action Plans?
2. Will the government seek to establish its own scheme or adopt international schemes, methods and registries?
 - a) Weighing administrative burden vs capacity to direct finance to priority areas
 - b) If yes, how will biodiversity credits interact with carbon credits?
 - c) If no, how can the government endorse/support private sector investments?
3. Is there clarity in legal rights to generate biodiversity crediting schemes?
4. Does the regulatory environment enable nature-based solutions?

Recommendations for the private sector.

- Enduring and patient partnerships are the key to unlocking blue carbon project potential.



CONTACT

Veda FitzSimons
Director

veda.fitzsimons@pollinationgroup.com
+61 413 348 853

This material has been prepared by Pollination Global Holdings Limited and its related entities (**Pollination Group, or we**) and is for general information purposes only and is not an offer, inducement, solicitation or invitation of any kind for the purchase or sale of any financial product or service and under no circumstances is it to be construed as a prospectus or an advertisement. The material has been prepared for wholesale, institutional and professional clients and is not intended to provide you with financial or tax advice and does not take into account your objectives, financial situation or needs. Although we believe that the material is correct, no warranty of accuracy, reliability or completeness is given, except for liability under statute which cannot be excluded and no reliance may, nor should, be placed upon the contents of this material by any person for any purposes whatsoever. Please note that past performance is not indicative of future performance and that no guarantee of performance, the return of capital or a particular rate of return, is given. Pollination Group may hold positions in investments described in this material. This material is proprietary to Pollination Group. The recipient of this material agrees not to reproduce or distribute this material in whole or in part and not to disclose any of its contents to any other person.

If you are subject to Australian law, this material is issued by Pollination Financial Services Pty Limited (ACN 639 669 533) (AFSL No. 539 352) (Pollination Australia). Pollination Australia is part of the Pollination Group.

This material is not intended for use by any U.S. Person (as defined under the U.S. Securities Act 1933) and is not for distribution and does not constitute an offer to or solicitation to buy any securities in the USA.



Delivering *Net Zero*

