



BC Carbon Stakeholder Meeting
January 12th, 2023

Agenda



- Opening remarks from Jim
- Joni Carswell, CEO of Texan by Nature
- Ian Burgess, President of Validere
- Jim on BCarbon entering 2023
- Open discussion



TEXAN  **NATURE**™



LAURA W. BUSH

Former First Lady & Founder, Texan by Nature

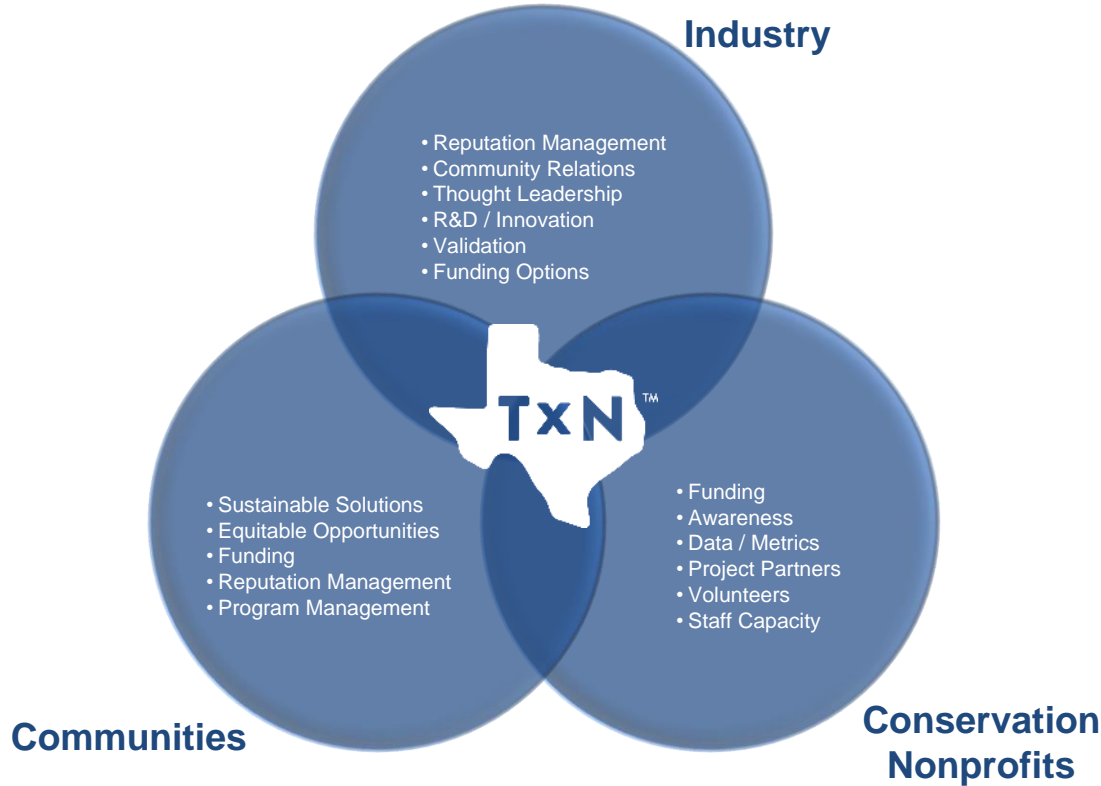
In 2011 Mrs. Laura Bush founded Texan by Nature to unite **conservation** and **business** leaders who believe our state's prosperity is dependent on the conservation of our natural resources.

WE EXIST TO ADVANCE CONSERVATION

Texan by Nature brings **conservation** and **business** together. We connect the brightest minds and projects with the strongest resources and funding to make the biggest impact for Texans, our economy, and our natural world.

Accelerator. Strategic Resource.

TxN ROLE IN CONSERVATION





TEXAS WATER ACTION COLLABORATIVE (TxWAC)

Matches companies and funders with conservation projects to positively benefit Texas' water resources.

1. Benefit the quality and volume of water of Texas waterways
2. Spread awareness and education regarding the need for water conservation and successful projects
3. Build collaborative relationships to align goals, metrics, and timelines between all parties
4. Create matching methodology for funding, activity, measurement, and reporting of water conservation



WHAT BUYERS WANT

- Certainty (Verifiable Impact)
- Economic Viability
- Operational Clarity
- Strategic Alignment



Certainty - Verifiable Impact

- Trusted methodologies for verification
- Trusted / Accepted 3rd party partners or analysis



Economic Viability

- Comparable cost to open market, penalty avoidance, etc.
- Clear distribution of credits based on funding input (*shared funding*)



Operational Clarity

Clear understanding of project phase (developing, shovel ready, etc.)

Clear start and stop points

- When do credits start
- How long are credits viable

Clear articulation of risks / gaps



Strategic Alignment

- Ties to geography - operations, workers, etc.
- Holistic view and summary - Biodiversity, water, carbon, community engagement

The logo features the words "TEXAN" and "NATURE" in a bold, blue, distressed font. The word "by" is written in a smaller, white, sans-serif font and is positioned inside a dark brown silhouette of the state of Texas. The entire logo is centered horizontally across the image. The background is a scenic landscape with a blue sky, white clouds, and a range of mountains. In the foreground, there are several tall, thin plants with clusters of small red flowers.

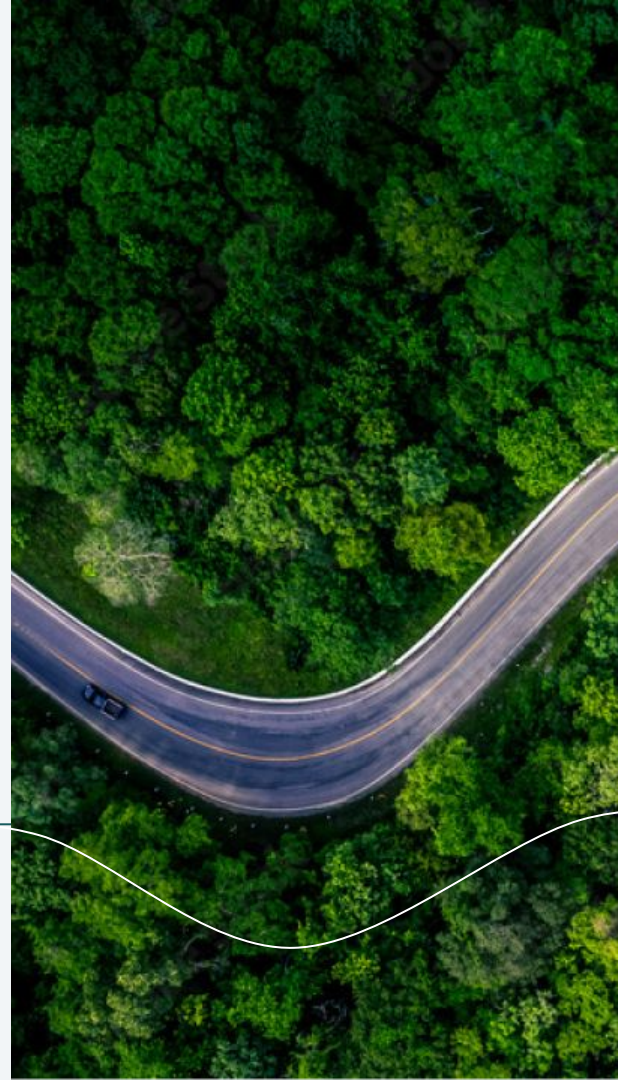
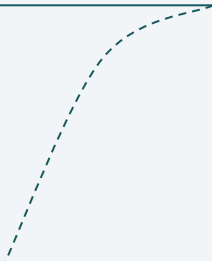
TEXAN by NATURE™

Learn more at www.texanbynature.org
Joni Carswell | joni@texanbynature.org

Crossing the funding chasm

Navigating a carbon market with three distinct buyer personas

Jan 12, 2023





Brief Overview of Validere

Operationalizing measurement in hard-to-abate industries



Oil & Gas



Agriculture



Cement



Utilities



Transportation



Mining



Manufacturing



Waste



Steel



Construction



Offerings

PROFESSIONAL SERVICES: Design an MRV program built for scale

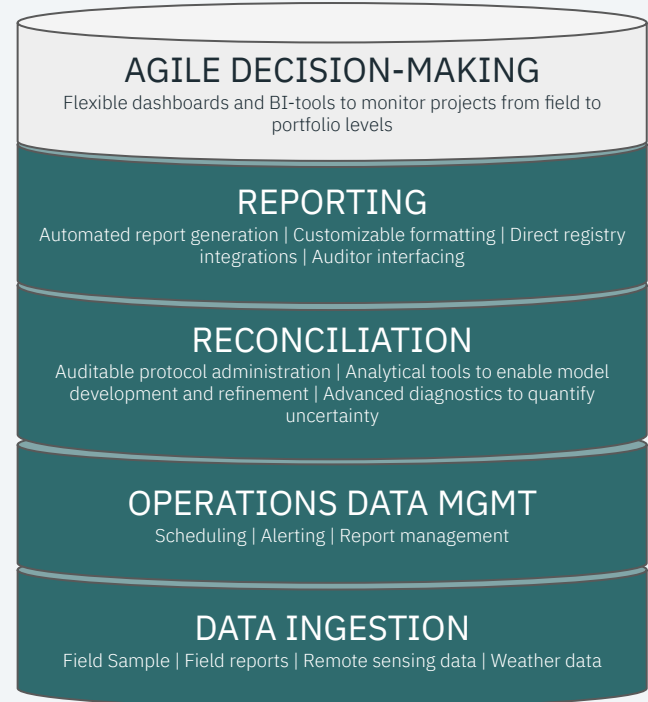
Program design: Identify suitable sources of data for your carbon capture & abatement projects and determine the primary sources of uncertainty and how they can be managed.

System architecture: Design a defensible carbon abatement MRV program that satisfies audit and verification requirements, while minimizing data burden through automation.

Protocol Development: Develop protocols that fit your project's requirements while ensuring compliance of existing methodologies.

SOFTWARE: Operationalize MRV at scale

Carbon Hub maximizes the return of abatement strategies by streamlining the data aggregation and analytics required to establish an auditable and defensible record of a project's carbon footprint, enabling automated report generation, agile decision-making, and increased productivity.

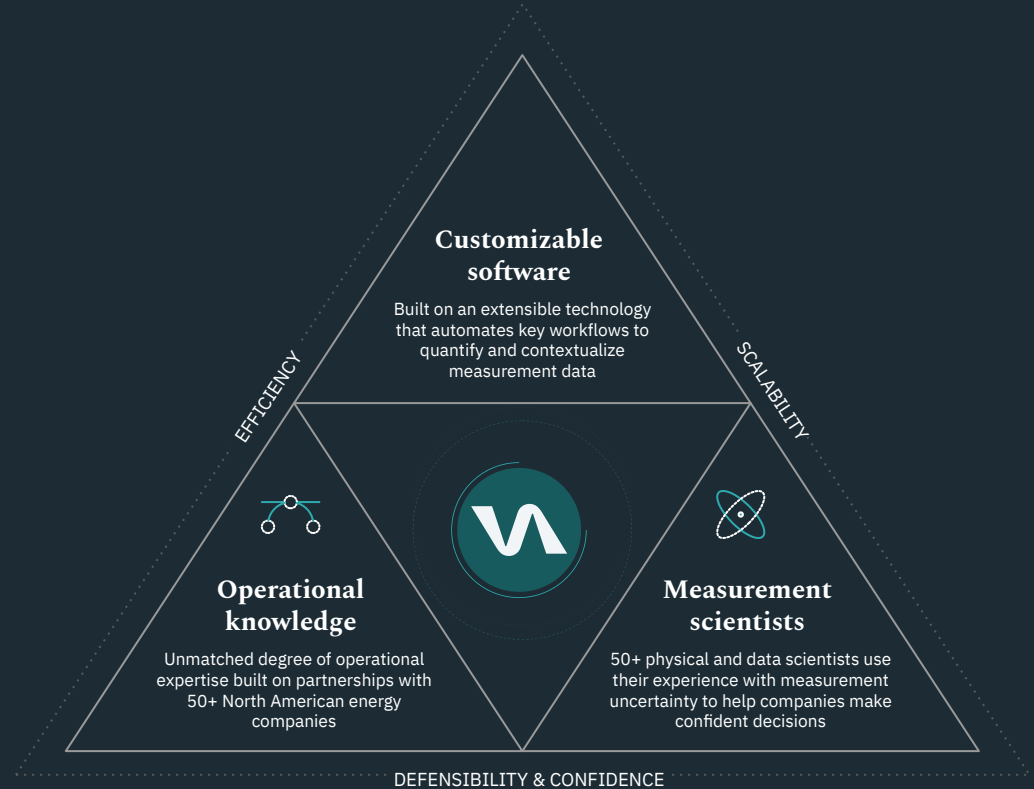




DIFFERENTIATORS

A flexible operating system for MRV, backed by deep expertise in measurement science, and supported by subject matter experts

Improve efficiency through workflow automation and increase confidence in decisions using refined and validated data.



Supported by leading energy and technology investors



BLACKROCK

greylock

WiNG





A Three-Phase Model for Carbon Markets

The energy transition in three phases

- **Phase 0: Awareness** (Should we do anything?)
 - Triggering event: Scientists identify the link between GHG emissions and climate change. Awareness of the problem grows.
- **Phase 1: Exploration** (What should we do?)
 - Triggering event: Sufficient consensus is reached that something should be done.
- **Phase 2: Execution** (What is our progress?)
 - Triggering event: Incentives combining clear criteria and clear outcomes provide enough certainty for investment at scale and positive feedback loops of capital deployment (Invest → Measure → Monetize → Invest...).

How buyer incentives shift in a maturing carbon market



As measurement technology gets better and cheap enough, governments get more confident in scalable standards, mandates, and incentives.

	PHASE 0 AWARENESS	PHASE 1 EXPLORATION	PHASE 2 EXECUTION	
Government Behavior	Studies	Long-term commitments, small-scale incentives and regulations	Draft regulations; Regulators looks to other authorities and voluntary standards for guidance	Firm regulations at scale; expectations are clear with future timelines and goals
Market Behavior	Studies	<p>Early Phase 1 - Luxury goods market emerges: incentive to look qualitatively better than peers.</p> <p>Incentives against standardization (everyone wants to stand out) and scale (test the waters)</p> <p>Example: Corporate social responsibility programs, individual philanthropy</p>	<p>Late Phase 1 - Luxury goods market transitions to futures market.</p> <p>Incentive to adapt to risks & opportunities from future regulations</p> <p>Example: Large emitters in certain jurisdictions who believe net-zero targets will become mandated by 2030</p>	<p>Compliance market: Governments set clear standards/criteria, provide certainty on incentives and price. Market participants can scale investments with this certainty</p> <p>Example: 45Q</p>
Industry Needs	No immediate action needed	Small-scale actions worthy of PR; no concrete ROI expected	Concrete solutions aiming to satisfy regulation; forecasted ROI, but not guaranteed	Continuous improvement aligned with regulation; actual ROI realized

Three distinct end-buyer personas



- **Luxury-goods buyers (Early-mid Phase 1): Investment as brand enhancement**
 - Incentive to buy credits that stand out from others in the market - not incentivized for standardization
 - Incentive to pay for multi-parameter benefits (e.g. carbon + water + land + people, etc) - structuring purchase as a carbon offset often unimportant
 - Incentive to buy at small scale from multiple projects and keep total spend within scale of disposable income - not incentivized for investment at scale.
 - Often want to get to know their projects personally. Concern with brand risk.
 - Relatively price insensitive (willing to pay higher price per T)
- **Buyers in futures markets for regulation (Late Phase 1): Investment as risk management**
 - Concerned with future net-emissions mandates affecting their freedom to operate
 - Focused on jurisdictions and protocols that are deemed likely to gain future regulatory acceptance
 - Interested in participating at moderate scale (can be up to millions of tons per year), but also typically interested in some diversification of investments
 - Typically the most price sensitive persona - often looking for discounts to comparable regulatory price points to account for additional risk of regulatory passage and acceptance criteria
- **Regulatory buyers (Phase 2): Investment as compliance and/or for direct subsidy**
 - Interested in participating at large scale with more certainty in the economics
 - Specific, but clear criteria for eligible projects (type and location), required activities, required verification, tied to specific regulations and incentives

Crossing the funding chasm for project developers



- **Early stage: Be flexible**

- Luxury-good buyers are excellent sources of seed funding (fast decisions, willing to pay premium price)
- Expect buyers' requirements to vary between them and change over time, but to expect defensibility nonetheless
- Bilateral deals are preferred by many (but not all) buyers. Fungibility often adds no value (they want to know who they are buying from). Over commoditization often adds friction
- Be flexible on investment vehicle. Carbon offsets may not be the optimal instrument
- Bigger is not necessarily better. Many small projects may be easier to fund than one massive one

- **Later stages: Understanding scale limiters and costs**

- Understand limiting criteria for demand and their acceptance criteria for investment at scale
- Expect that most early buyers will not invest at scale and those that do will have specific criteria for project type, region, protocol and funding instrument
- Can your projects make money at commoditized voluntary carbon market prices or must they serve a compliance market to be viable at large scale?
- Understand what government incentives exist that can subsidize projects across jurisdictions. Some may be linked to carbon directly, others not
- Understand operational constraints to scale, including: suitable project sites, ease of protocol adoption, project costs, MRV costs

BCarbon entering 2023



Source: Florida Wildlife Federation

- Blue carbon protocol under review
- Methane mitigation protocol under review
- Soil carbon applications picking up
- First forest carbon application expected within next three months
- Focus on buyer cultivation and marketing



Upcoming Meetings

- Living Shorelines Metrics Subcommittee — January 31st at 2 PM CT
- Next BCarbon Full Group — February 2nd at 9 AM CT
- DEI Subcommittee — February 9th at 2 PM CT
- Stacked Benefits Subcommittee — March 1st at 2 PM CT

A photograph of a forest path. The path is made of dirt and is covered with fallen leaves and some grass. The trees are tall and thin, with green foliage. The lighting is bright, suggesting a sunny day. The text "Open discussion" is overlaid in the center of the image in a white, sans-serif font.

Open discussion