ESG Alert: No matter how you slice it, the carbon credit world is big now and destined to get a lot bigger…

written by InvestorNews | June 22, 2021

With the current focus on climate change and the need to reduce our global carbon footprint it would probably make sense to have an economic way for nations and companies to commoditize carbon in order to better track and deal with this problem. Well there is and it may come as a surprise to learn that there has been a fungible carbon emissions trading market since 2005 – the EU Emissions Trading System. Also known as EUAs (European Union Allowance), similar to other commodities, EUAs trade on the Intercontinental Exchange (ICE). The carbon emission contract trades in Euro on a per tonne of CO2 equivalent basis, with yesterday's closing price at just over €52 and a 52 week range of €23 to just under €57.

There are many companies around the world, including financial institutions, utilities, fossil fuel companies, and others, that actually have dedicated carbon emission trading desks transacting things like EUAs and have done so for a long time. However, today we are going to look at a different perspective on this market, one would suggest a natural evolution for a commodity, a streaming company that gives investors exposure to the world of EUAs. Carbon Streaming Corp. (OTC: MXVDF) is a unique ESG principled investment vehicle offering investors exposure to carbon credits, a key instrument used by both governments and corporations to achieve their carbon neutral and net-zero climate goals. The Company intends to invest capital

through carbon credit streaming arrangements with project developers and owners to accelerate the creation of carbon offset projects by bringing capital to projects that might not otherwise be developed.

You may have heard several companies around the world talking about setting net-zero emissions goals, in fact over 1,500 companies have announced plans to be net-zero by 2050 or sooner. Obviously, that is going to prove to be very difficult for those involved in resource extraction, manufacturing and even bitcoin mining that require more energy than is presently available on a renewable basis. But how will they get to net-zero? In the interim the plan is to offset the carbon they put into the atmosphere by buying offsets like EUAs. This can become a pretty complex circle of (carbon) life so we'll try to keep it simple here. You can break down carbon markets into two basic categories: compliance or regulated, where markets for carbon credits are created by the need to comply with a regulatory act; and voluntary, where corporations, governments and even individuals volunteer to offset their emissions by purchasing carbon credits.

No matter how you slice it, the carbon credit world is big now and destined to get a lot bigger. The estimated size for the compliance/regulated market was US$261 billion in 2020, a five-fold increase from 2017. The voluntary carbon market was a much more modest $320 million in 2019, although UN Special Envoy for Climate Action Mark Carney has said the voluntary market "needs to be a $50-100 billion per annum." And that's why Carbon Streaming has been raising capital and signing up projects to build up an inventory of carbon credits.

Since the start of 2021, Carbon Streaming has raised $46 million including $32.5 million in March and another $11.6 million in May. But the Company is not just sitting on that cash having

recently announced commitments to invest in the MarVivo Blue Carbon Conservation Project in Magdalena Bay in Baja California Sur, Mexico, an exclusive term sheet to develop two carbon credit projects within the Bonobo Peace Forest located in the Democratic Republic of Congo and a strategic joint-venture partnership with an established First Nations business in British Columbia to source and finance investment opportunities in collaboration with First Nations and develop projects within their territories to combat climate change through the reduction of greenhouse gas emissions. In all, Carbon Streaming has sourced a potential deal pipeline of over US$500 million with its near-term pipeline valued at approximately US$170 million at target IRRs of 15%+.

Source: Corporate Presentation

So unless you happen to have a working model of a cold fusion generator that you've been keeping from the world, carbon credits are going to be with us for a while and likely to become even more commoditized than they already are. Carbon Streaming represents one of the few opportunities to participate in this space in today's market without having to set up your futures trading account and transacting EUAs.