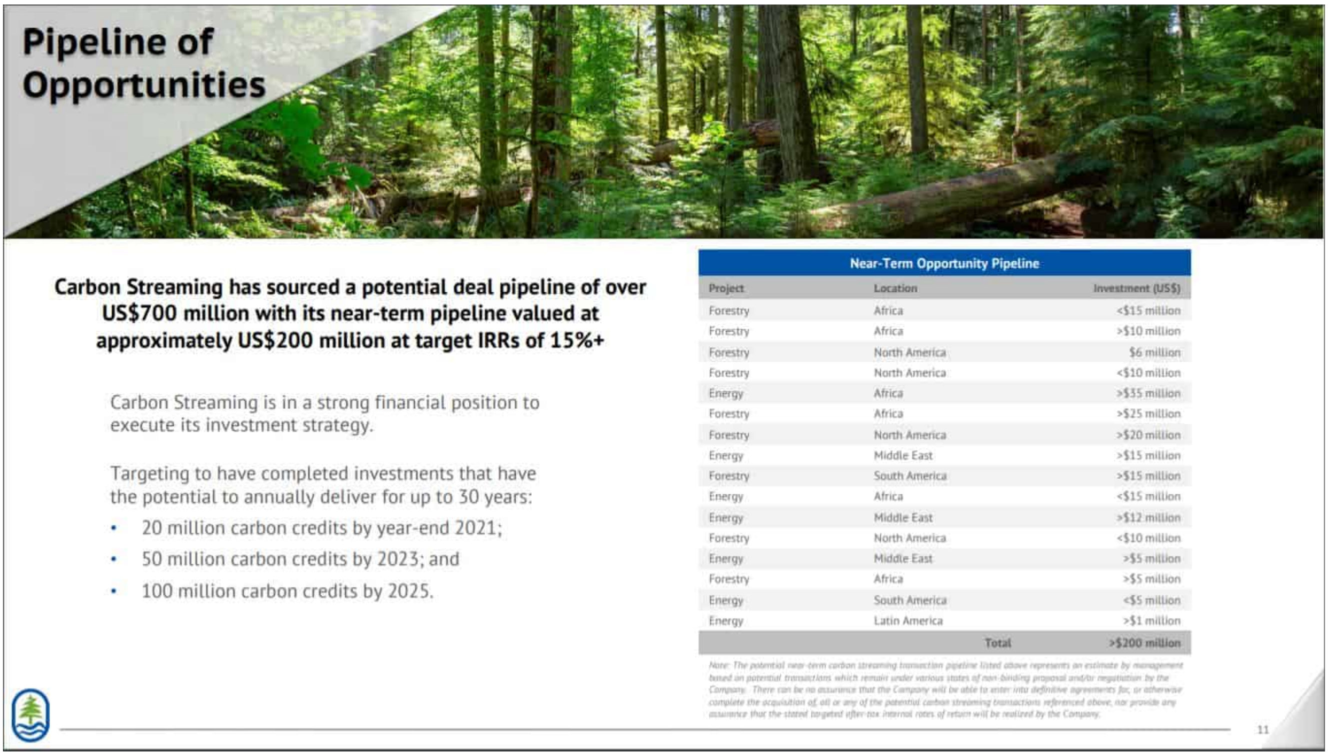
Carbon Streaming is cashed up and ready to save the world

You may have heard numerous companies around the world talking about setting net-zero carbon emissions goals, in fact over 1,500 companies have announced plans to be carbon net-zero by 2050 or sooner. 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 carbon credits. A carbon credit represents one tonne of carbon dioxide or the carbon dioxide equivalent of another greenhouse gas (defined by the amount of heat it traps in the atmosphere) that is prevented from entering into or being absorbed from the atmosphere. Carbon credits are anticipated to be integral to meet global net-zero goals, especially in hard-to-abate sectors such as oil, aviation, steel and cement.

No matter how you slice it, the carbon credit world is big now and destined to get a lot bigger. The estimated size of 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 US$473 million in 2020, although UN Special Envoy for Climate Action, Mark Carney, the former Governor of the Bank of England, has said that the voluntary market "needs to be $50-100 billion per annum." And that's where Carbon Streaming Corporation (NEO: NETZ) comes to the rescue, so to speak. Carbon Streaming is a unique, ESG principled, investment vehicle offering investors exposure to carbon credits. Its stated business model is to focus on acquiring, managing and growing a high-quality, diversified portfolio of investments in projects and/or companies that generate or are actively involved with carbon credits. The Company invests 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.

Carbon Streaming has been raising capital and signing up projects to build up an inventory of carbon credits. In fact, in July the Company was able to raise an impressive US$104.9 million based on the momentum they had been gaining over the first half of 2021. The latest information from the website shows the Company has a near term opportunity pipeline of 16 projects around the world totaling roughly US$200 million in investments. Longer term the deal pipeline is over US$700 million and the best part is, the target IRR for these projects is greater than 15%.



Source

The value proposition at Carbon Streaming is three fold:

1. Enter into streaming agreements with individuals, companies, and governments to stream carbon credits from their asset or property that can be sold in either the voluntary or in the compliance markets;
2. Purchase carbon credits in the voluntary and compliance markets for long-term price appreciation with selective

trading as opportunities arise; and

3. Invest in or acquire companies, assets or properties involved in the origination, generation, monitoring or management of carbon credits (in other words M&A).

Strategy #1 is pretty straight forward, you simply sell your earned carbon credits to whatever market is willing to pay the most. Strategy #3 is probably similar to almost every publicly traded company on the planet. However, strategy #2 intrigues me the most from an upside potential. Having spent plenty of time in the trenches of commodity trading, I know that being long a commodity that is in demand can be very lucrative. If you are of the opinion that demand for carbon credits is potentially going to grow faster than supply, then having an enormous pipeline of carbon credits coming on stream (targeting 100 million per annum by 2025), can be a very good thing. A modest price swing can create huge leverage. Just look at natural gas prices over the last 4 months as an example for a much more than modest price swing.

The carbon emission contract that trades on the Intercontinental Exchange (ICE) known as EUAs (European Union Allowance) has a 52 week trading range of €23 to just under €66 on a per tonne of CO_2 equivalent basis. If you have an inventory of 100 million of annual credits being generated each year, imagine if you keep 5% to float with the spot price (preferably with a floor in place to assure breakeven). A $5 move could add $25 million to your top line. That’s why I think Carbon Streaming could be in the right place at the right time, depending on how they manage their “selective trading”.

Upon the exercise of the special warrants issued to raise the above noted US$105 million, the Company will have roughly 231 million shares outstanding. Based on yesterday’s close of $2.38 that puts the market cap at $550 million with approximately $141 million (US$112) in cash at the end of August. Back of the envelope math suggests that with 20 million in carbon credits by year end, that could generate roughly $1.7 billion (US$1.36 billion) in top line revenue based on yesterday’s EUA close of €59. I don’t know what carbon price assumption Carbon Streaming is using to calculate their 15%+ IRR but it might be worth digging a little deeper to find out.

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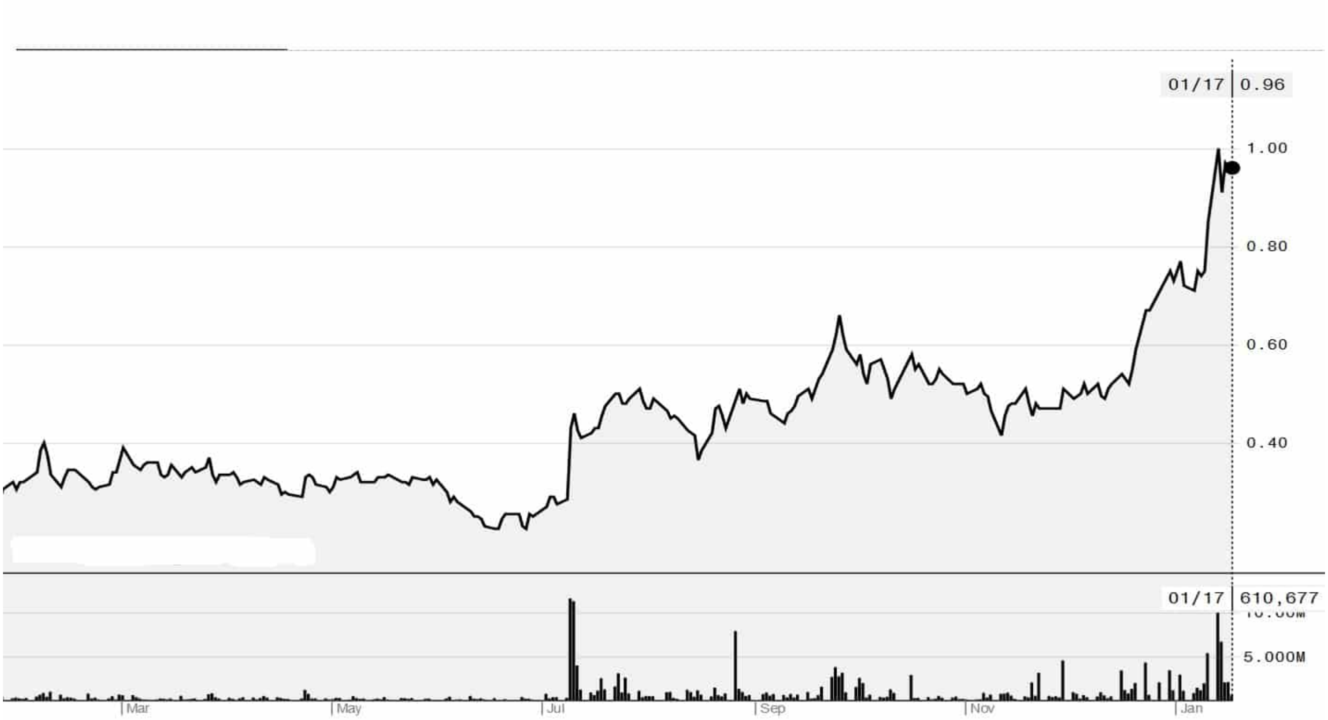
dynaCERT price surges 100% over the past ~2 months as Eric Sprott jumps onboard

dynaCERT Inc.‘s (TSXV: DYA | OTCQB: DYFSF) stock price is surging. Since I last wrote on them back on November 15, 2019, the stock price has surged higher by 100% (from C$0.48 to C$0.96). You can read that article here. In this article, I take a look at some of the reasons for the price surge and can it keep going.

dynaCERT’s flagship product ‘HydraGEN™’ reduces fuel use by up to 20% and carbon emissions by over 50%. Transportation that uses diesel urgently needs ‘HydraGEN™’ to reduce emissions as China and Europe tightened emission standards from January 1, 2020.

dynaCERT (TSXV: DYA) stock price surging higher



Why has dynaCERT stock surged by 100% over the past 2 months

There are several reasons for the stock price surge.

1. On November 28 it was announced that an entity controlled by Eric Sprott became a ‘significant new shareholder’. Effectively the Sprott entity bought 28,000,000 units at $0.50 per unit ($14,000,000). Each Unit consists of one (1) common share (a “Share”) and one-half (1/2) of one common share purchase warrant (exercisable at $0.65), on or before November 26, 2021.

Mr. Eric Sprott stated:

“dynaCERT presents an unusual once-in-a-lifetime opportunity to participate at the commercial stage of what is a proven and compelling transformative technology to reduce carbon emissions in diesel engines, globally. I support the successful international mission of dynaCERT and I see this new investment as a means to participate in the important world-wide demand for Carbon Credits resulting from socially-conscious users of mining equipment, trucking, transportation and power generation.”

2. DynaCERT announced a Strategic Investment by Mosolf in Europe. Mosolf SE & CO. AG ("MOSOLF"), a significant European dealer of dynaCERT is making a strong and strategic financial commitment to the Company with the expansion of dealer operations across Germany and neighboring European countries. As well, Dr. Joerg Mosolf, President and Chief Executive Officer of MOSOLF, has made an additional personal equity investment of $1 million. Dr. Joerg Mosolf advises that MOSOLF has already hired twenty-three (23) new employees dedicated 100% full-time to the marketing, sales and installations of dynaCERT's HydraGEN™ Technology in Germany, France, Benelux and Poland.

3. On January 1, 2020 the new European tougher emissions standards commenced. Added to this is China's ramping up of their NEV credit scheme in 2020. From January 1, 2020, car manufacturers in both Europe and China need to significantly reduce emissions or face huge fines. One report estimates these fines could reach 34 billion euros (~US$37.5 billion) just in Europe if car manufacturers don't rapidly reduce emissions.

Clearly all these events combined to send the stock price 100% higher the past 2 months. My closing comment back in the November article was:

"2020 will be a remarkable year for dynaCERT as Europe, China and others make significant moves to reduce vehicle emissions. The past week of new orders and deals should be just a warm up for 2020."

dynaCERT – 'Driving for a better future'

What's next for dynaCERT?

The MOSOLF dealership should boost European orders. MOSOLF is one of the largest truck servicing companies in Europe. MOSOLF has agreed to purchase one thousand HydraGEN units in 2020. Targeting Europe in 2020 is a great move, and perhaps China will be next.

dynaCERT has ~40 dealers around the world selling their products to small and large truck owners, fleets, and government organizations that use diesel engines. With a billion diesel engines in the world, and 100 million new diesel engines built worldwide every year; dynaCERT's green emission technology is in big demand.

dynaCERT's target markets

There is no doubt the 2020s will bring huge business for innovative companies such as dynaCERT given the global push towards greener energy and less harmful emissions. dynaCERT has already expanded into the large key markets such as Canada, USA, South America, Europe, South Asia, and the Middle East. 2020 should see further orders and global expansion as more and more countries seek to reduce emissions.

dynaCERT now has a market cap of C$323 million, so given the enormous market opportunity, there is still potential for plenty more upside. The latest analysts estimate target price is C$2.00, representing 108% upside.

Lynas defies market to become a super metal heavy weight

It's hard to believe that only a year ago, the fate of Lynas Corporation (ASX: LYC | OTC: LYSDY) ("Lynas") hung in the balance; debts had mounted, Malaysian operations were troubled with opposition, and the market for rare-earth elements (REEs) had never been in worse shape. Today, the company proudly wears the crown of the largest producer outside of China, and as prices begin to recover amid the Chinese crackdown on illicit mining practices, Lynas now reports positive cash flow and record operating efficiency; talk about a turnaround!

The company has been busy undertaking three years of continuous operational improvements and cost management, positioning Lynas to take advantage of the upturn in the rare earths market. This month, the company's quarterly activities report makes for delightful reading, having reached the level of largest supplier of NdPr to the free market with invoiced sales revenue of A$75.6m for the quarter, and producing their neodymium and praseodymium products at above design rate, with 1,343 tonnes for the quarter, up 17.6% on the June 2016 quarter.

China's asking price for NdPr is being driven higher and higher by continued strong demand for magnetic materials and the effects of the China central government's initiatives to enforce stricter environmental controls. Lynas increased cash flows from operating and investing activities to A$15.8m from A$11.6m in the previous quarter, and given that the NdPr price trend is expected to continue in the near term, the company's position should only become stronger throughout 2017.

Neodymium and praseodymium are the company's primary focus. The magnetic elements are experiencing increasing demand due to the rise in the use of magnetic motors in modern technologies such as electric vehicles and wind turbines; two areas in which significant growth is expected over the next decade. In fact, since many scientific groups began warning that carbon emissions must become negative as a matter of global urgency, interest in wind farming has been fueled even further, and some have even predicted that all new vehicles manufactured will be electric by 2030. It seems that the only way really for Lynas is up.

On top of the critical NdPr product, Lynas also produces cerium and lanthanum products which complement its operations. Lanthanum remained in high demand outside China this year, especially for high performance ferrite magnets and NiMH batteries, and all lanthanum produced by Lynas in this quarter was sold. The company also made significant quality improvements to cerium products, allowing them to increase their share of the catalyst and UV cut glass markets. In addition, Lynas have started developing new customized grades for niche applications in order to attract higher prices.

This continued refinement of practices and products is what has kept the company above water during the harsh times of the last half-decade, and there is nothing to suggest that Lynas will change tracks anytime soon. The company enjoys a rare position in that 100% of its assets are commissioned; nothing is sitting on the back burner. Given the hard-won top-dog status the company has achieved, shares are an absolute bargain right now at only A$0.10, and looking forward, it appears that the next few years will be far more fortuitous than the last for this miraculous survivor of some the harshest market conditions we’ve ever witnessed.