

GAIA  
NATURAL CAPITAL

CARBON  
CREDIT MODEL  
PORTFOLIOS

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# DIVERSIFYING IMPACT AND MANAGING RISK

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## DIVERSIFYING IMPACT

Between Verra, Gold Standard and the Australian Emissions Reduction Fund there are over 3,600 registered carbon projects globally.

In addition to their carbon sequestration and avoidance potential, each of these projects can possess unique impacts. These ancillary co-benefits include biodiversity protection, air and water quality improvement and indigenous employment opportunities.

Each of these project benefits can meet several United Nation **Sustainable Development Goals**. In order to maximise impact across a range of co-benefits, Gaia Natural Capital recommends that both investors and emitters take a **portfolio-based approach** to their carbon offsetting strategy that incorporates co-benefits.

## MANAGING RISK

It is important for an organisation's carbon offsetting strategy to invest in projects that not only achieve carbon sequestration targets, but also have secure property rights. There are many examples globally where projects have been revoked entirely or the level of credit issuance has been reduced or paused.

The Rimba Raya project in Indonesia is an example. The project has been subject to Government intervention. It was announced in May 2022 that the Indonesian Government would halt future credit issuance indefinitely until they had been able to formulate a clear carbon market policy.

This type of government intervention and associated jurisdiction risk is not correctly priced into many projects. There are now many corporates reviewing their offsetting strategy. They are moving to taking a lower risk, research-based, portfolio-based approach.





## OPPORTUNITY IDENTIFICATION

The global carbon market is nascent and opaque - presenting structural and integrity challenges. But conversely it offers significant opportunity for participants to perform detailed research at a project level to identify well priced quality projects with significant co-benefits. There are numerous examples of high-quality projects generating credits trading at a lower price than poorer quality projects in more difficult jurisdictions.

Gaia undertakes a bottom-up **research process**, complemented by top-down **satellite imagery** and change detection to identify projects that are achieving their objectives.

Then to mitigate risk further, we then create **diversified portfolios** of projects for our clients that generate the highest rate of sequestration with the lowest risk and most co-benefits.

These portfolios are monitored regularly to ensure this objective is maintained. This process provides clients confidence their carbon emission offsetting strategy is delivering genuine sequestration as well as reducing exposure to reputational damage from exposure to high-risk projects.

## CLIMATE STRATEGY PROMOTION

Corporates that offset difficult to abate carbon emissions through a carbon offsetting strategy can make a substantial difference to the natural environment and indigenous communities.

This positive action can and should be demonstrated to employees, shareholders and stakeholders. Corporates embarking on an impactful and credible strategy can have a positive influence on other corporates to engage in both committing to reducing carbon emissions - and to the extent they are unable to - implementing a high impact carbon offsetting strategy.

A good example is the leadership from the Carbon Market Institute (CMI). Their carbon offsetting program demonstrates the impact an organisation can have via investment into a high-quality Australian carbon credit project.



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*The Carbon Market Institute (CMI) chose to offset its base year emissions using Australian Carbon Credit Units (ACCUs) from a project in the Tiwi Islands, which are part of the Northern Territory, located 80km to the north of Darwin adjoining the Timor Sea. The project involves strategic and planned burning of savanna areas in the high rainfall zones during the early dry season to reduce the risk of late dry season wildfires that emit large amounts of greenhouse gases.*

*In addition to the avoided emissions, this project also delivers several environmental, indigenous and social co-benefits, which was an important factor in our offset selection process. These co-benefits include additional employment opportunities and income for local Tiwi people, protection of local flora and fauna as well as sacred sites and cultural heritage areas of significance, and continued education and transfer of traditional ecological knowledge by senior rangers to Tiwi College students.*



## GAIA NATURAL CAPITAL MODEL PORTFOLIOS

At Gaia Natural Capital, we have carefully created five model portfolios for customers to purchase that will not only deliver the offsets required to reach climate targets, but also maximise the impact of each credit through its co-benefits - all for the lowest possible cost. We continually monitor each project within the portfolio and if a credit is underperforming it will be removed.

We provide detailed research reports on each project within the portfolio which will assist in climate strategy promotion and internal confidence around the quality of projects that are being supported.

Currently under Climate Active, all carbon neutral certifications must use a minimum of 20% ACCUs, with this requirement due to take effect from 1 July 2023 for new and ongoing certifications equal to or greater than 1,000 tonnes of CO<sub>2</sub>-e; and from 1 July 2024 for certifications less than 1,000 tonnes of CO<sub>2</sub>-e. Although this is not yet a requirement for smaller businesses, we believe it is best to be ahead of the curve and ultimately, have the maximum impact on Australian Carbon Projects by purchasing ACCUs. One of our five model portfolios has been outlined in short form below:

### GAIA NATURAL CAPITAL PORTFOLIO C

Project	Type	Price	No. of credits
Human Induced Regeneration Project #1	ACCU	\$45	15
Human Induced Regeneration Project #2	ACCU	\$40	15
Blue Carbon Project	VCU	\$35	15
Cookstoves Project	VCU	\$10	25
REDD+ Project	VCU	\$18	15
Savanna Fire Management Project	ACCU	\$52	15
<b>Average price per credit</b>		<b>\$31</b>	
<b>Total credits</b>			<b>100</b>



CONTACT US

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