

Person in the News:

## Renat Heuberger Climate Tycoon

A Tycoon: what's on that word that awakes our imagination, and suddenly paint images of ambition, money and power in our mind? Oxford Dictionary describes it as a *"wealthy, powerful person in business or industry"*.

However, when Renat enters to the beautiful yet low key café where we met in his natal Zürich, and despite wearing a costume (no tie), I get the impression of being in front of a university professor. Calm, gentle, he has the aura of a maths teacher rather than someone who would yield his power and money against others.

People's imagination paint business people as selfish and ambitious crooks, rather than as creators. I think this is even more true in the environmental and conservation circles. Therefore, I embarked in this interview without judging, or trying not to, trying to discover the man behind the press releases and newspaper stories. Trying to discover the entrepreneur behind the tycoon.

Renat is mostly known as the co-founder and long-time CEO of South Pole, developing the company from being a minuscule climate venture kick-started by climate geeks at a university lab in Switzerland to becoming the world's first global climate corporation whose core business is reducing CO2 emissions.

South Pole has been one of the companies caught in a controversy after several media outlets such as the Guardian heavily attacked carbon credits. We shed light in other aspects so you can make your own opinion.



**South Pole** has grown from a minuscule climate start-up funded in 2006 to become the world's first climate corporation whose core business is to reduce CO2 emissions, globally.

The company operations span through three continents, embarking within its ranks some of the brightest minds from the best universities in Europe, Asia and Latin America.



Renat Heuberger, a climate entrepreneur who founded the world's first global climate corporation, South Pole.

An interview by Juan Carlos Gonzalez Aybar

## Renat Heuberger, climate tycoon

A Swiss national and happy husband, Renat grew up in Zurich and lived in Asia, mostly in Indonesia, a country to which he is personally connected. He is deeply connected to entrepreneurship, climate action and international development.

**Juan Carlos Gonzalez Aybar (JCGA):** Renat, President Obama wrote in his memoirs that *"every man is trying to live up to his father's expectations or make up for their father's mistakes..."*. Where do you come from Renat? Who was your father? Your mother? Can you tell us a little bit about you?

**Renat Heuberger (RH):** My father is a mathematician and teacher, but also a pioneer. He developed the first software for a geometry program in the late 1980s. He left his paid job to pursue his passion, which was very inspiring, for developing this unique software, fully dedicating himself to something he loved, basically creating that software piece that nobody else had. He was ahead of his time, and it was a big open battle. I remember it as a child, but ultimately, he succeeded. It was not very lucrative financially, but it was very satisfying for him emotionally and I admired him for doing that.

My mother is a psychologist and I believe that I have a bit of both inside myself. I can be very techie, very data driven as a I like science. I love to understand the problems down to its scientific roots, but I also have this psychological.... I wouldn't say skills, but more like a passion for it.

I like to try to see people beyond people's intentions. What is driving them. Why they are doing this. What was behind all that. And then, you often realise that science can bring you so far but at the end of the day, it's all psychology which decides whether some things get done or not. Especially in climate change: its scientifically proven [the harm] but not happening [the action] because of psychological reasons.

**JCGA:** Like in markets, psychology drives prices?

**Renat:** Absolutely.

**JCGA:** Sometimes not the fundamentals...

**Renat:** Exactly.

*"Science can bring you so far but at the end of the day, it's all psychology which decides whether some things get done or not. Especially in climate change: its scientifically proven [the harm] but not happening [the action] because of psychological reasons."*

**"My dream was always to make a difference in places like Indonesia by unlocking the power of economics to solve problems"**

Renat talking about his origins

**"We were forced to think of a new model when Kyoto collapsed, the model we chose was the voluntary market"**

Renat on the beginning of South Pole

**"South Pole was a very strange start up from the beginning. We were five people on three continents at the start"**

Renat on the global DNA of South Pole

**JCGA:** But, probably, at the end, fundamentals will prevail.

**Renat:** In the end, you can't beat science, right? So, solutions that are just not working from a technical point of view will ultimately not work. Nonetheless, it's interesting how sometimes decisions get highly influenced by politics, by psychology, by soft factors and sometimes, in some cases, they actually prevail, even if, scientifically, a different solution would have been more appropriate. It doesn't work out [like that].

It's quite... I think... it's like a dance, science and psychology are dancing with each other and you have to, basically, master both if you want to win.

**JCGA:** Renat, for entrepreneurs like you, people often say they are dreamers. That they start things that, you know, all the odds are against. For me, from the outside, I remember back in 2008, 2009, 2010, at the time of the CDM, South Pole was already a player. Looking back to what it has become [South Pole], it's quite amazing. How was that journey from the university lab in Switzerland to become such a fundamental institution? How psychology played on that journey?

**Renat:** It was, of course, absolutely [quite] a journey. Psychology played a big role indeed, and science as well. Before building companies, I've spent quite a few years in Asia, most of them in Indonesia, and I saw and learnt that environmental, social and economic problems are linked. My dream was always to make a difference in places like Indonesia by unlocking somehow the power of economics to solve problems, environmental problems. And in a way, when the concept of carbon credits was created in the Kyoto Protocol, me and a few friends of mine saw that [and said], "this is it!". This is it what we've been looking for, an instrument, a financial instrument that pays and reward farmers, or project developers, or forest owners on the ground in places like Peru or Indonesia or even Switzerland, who are doing the right thing. You're getting paid for every ton of CO<sub>2</sub> you reduced. That is the dream. That is an option to use capitalism as a force for good. Remember, capitalism has been a driving force for the problem, for climate change, for the extractive industry. How about using the same forces which have been so powerful in destroying the world to rescue the world! That was really the dream that was driving us, and the first years of South Pole have been a huge growth journey. Sadly, after the global financial crisis in 2008, the whole Kyoto Protocol went down... Those were hard days.

After that collapse, but perhaps we have to talk about that later on... we were shifting from compliance markets, which the Kyoto Protocol was, to voluntary markets. Not because we wanted that, but because there was no other option.

**JCGA:** because you started with the CDM...

**Renat:** Yes, we started with the CDM. Actually, our first clients were purely compliance driven. We were selling to governments and two companies in the European emissions trading scheme. And we basically were forced to think of a new model when the protocol collapsed, and the model we chose was the voluntary market. Once again, it was not driven because we wanted that, but we had to do it. That was because we wanted to continue with the dream to fund projects. So, we turned to companies and said, "hey, do you want to support those approaches on the voluntary basis?". And that's how the voluntary carbon markets started to grow.

**JCGA:** how a company in Switzerland, which is an important country but in the middle of Europe, without, let's say, a history of colonies abroad, without an historical heritage like Spain, France... How curious is to have South Pole, a global corporation with global outreach coming from Switzerland? How was that start?

**Renat:** South Pole was a very strange start up from the beginning. We were seven people on three continents at the beginning. So South Pole started here, but more or less immediately I went out to China and teamed up with Marco, an old friend I had there. So, we build up our China office from the beginning. A second founding partner, Ingo, was in Thailand already. The second office was a one man show in the beginning, in Thailand. I very soon then moved to Indonesia to build our office there. So, I spent the first few years of South Pole always in Asia. So, the first three years I was just a visitor here in Zürich. I was constantly building up offices in Asia and a fourth guy, one of our co-founders, went to Mexico and then to Colombia.

**JCGA:** Christian...!

**Renat:** yes, Christian Dannecker. He built our offices there. So, South Pole, even with a handful of people, was already on three continents in the start up time. So, this global DNA was there from the very, very beginning. It started as an international company.

**JCGA:** so, what came first, the projects or your determination to be there and get projects from there? I say this because some companies just wait to have business before open shop somewhere.

**Renat:** You have to remember that back in Kyoto days the entire market was completely short. Governments had agreed to the Kyoto Protocol to reduce their carbon emissions by XYZ percent. And they knew they were allowed to use the CDM as a mechanism to achieve their targets, but they had no projects. It was absolutely a sellers' market. Back then, there were a few big companies, EcoSecurities was there, Camco was there, those were the guiding stars, I mean... they were big and we were small. What we did was ... to try to find out where there was a niche. For example, Thailand. We knew that very few projects came from Thailand. So, basically, we went to countries where we had a niche, where nobody else was doing projects. So, thus far, that was a big driver. We went to those countries and tried to find out what were efficient ways to reduce carbon.

**JCGA:** Across the board?

**Renat:** Yes, across the board. For example, in Thailand, we figured out that methane emissions from agriculture was a big problem. So, we teamed up with companies who sold biodigesters and other wastewater treatment equipment and started to go together to see the clients and say: "hey, if you buy a biodigester, I have a subsidy through carbon markets for you and we can make it cheaper". And therefore, basically, we were a perfect partner for all those equipment suppliers. They could ramp up their business because of carbon finance. So, it was a very cool story how carbon finance did ignite a huge amount of new projects, which would have not been viable without carbon funding.

**JCGA:** yes, yes yes... and then, everything, overnight, stopped. Because I remember back in June 2011 the price of the CER was like 18 dollars and then was like 2 dollars or less in few weeks.

**Renat:** Supply and demands dynamics, right? So, two things happened. First, the Kyoto Protocol did not get extended. Only very few countries agreed to extend [it]. Plus, the second problem, even bigger, was that the EU ETS decided to no longer accept CERs at all. The two main drivers of demand [ended]... So, the tap [was] turned off and all of a sudden the market completely changed from a sellers' market to a buyers' market. It was very short at the beginning and very long later on. So, all project owners around the world got into trouble and could no longer sell the credits, and many climate companies back then remained without business. Then, basically, many of them folded operations or went into hibernation.

**JCGA:** The Clean Development Mechanism was magic, isn't ? in addition to have the creation of the carbon markets it had the "development" word in its name.

**Renat:** Exactly. And the idea was, of course, that every project has to be approved by the host country, by the national government. We could now debate for two hours, and we should, perhaps, do that in the next session, about pros and cons of the CDM. And of course, it got criticised massively by a lot of people for this and that. But if you look back in hindsight, with all its problems and all its flaws, the CDM was actually revolutionary. It was the first time a UN regulated climate finance mechanism actually existed. And one thing I find very interesting which has not been discussed a lot, is that the CDM was a constantly learning process. So, you had a set of methodologies, but whenever science advanced and you add new data and new information, the methodologies got updated. So, some methodologies went to version 1, version 2, version 3, version 4, version 5...

There was a constant learning process and that's perhaps something we have to discuss, also, in light of the recent attacks on Verra last year. A system that is verifying carbon credits is, of course, never perfect. It's a constant learning process. Methodologies need to get updated regularly according to science, and that's what the CDM already had built in it. And it's very important that this learning curve is constant there. Keep in mind that technologies advance, with new monitoring technologies, new data, new satellites. It's getting better and better.

**JCGA:** And it has a governance. A governance of cooperation between the UN, the host country approval, the developer working with the host country government.

**Renat:** Plus a system of the so-called DOEs, Designated Operational Entities, meaning external verifiers. I don't know if you member.

**JCGA:** Which were approved by the U.N!

**Renat:** Yes, exactly.

**Renat:** They were approved by the U.N, and they were companies like TÜV Süd and SGS and others, who were providing a third-party verification to the whole system. So, I think in principle the design of the CDM was... actually... very advanced given the little time they had to create it. It was essentially created in 2001 with the Marrakech accords. So, if you look at it, it was pretty smart what they did back then. Far from being perfect, it had problems of course, but this system design was actually quite advanced.

**JCGA:** Who are the persons, the people, who, from your perspective, contributed most to it? I asked this because we have... today... many new faces in the carbon market. A little bit our idea to interview people like yourself and others is to ... somehow... make the public know a little bit this story because if not, we are condemned to... you know... do not learn, to repeat the mistakes, not learning from what works. So, who do you think are the people we should listen?

**Renat:** So, there's a few interesting people. One of them is certainly Mark Kenber who is currently heading the VCMi initiative. Mark was already launching the Climate Group and later on it was involved also in launching of Verra and another important initiatives back then. So, he has a lot of experience. Another person, of course, who is also an expert here in Zurich is Axel Michaelowa. He has been around from the very beginning and has been constantly around.

**JCGA:** What he's doing right now?

**Renat:** He's running his consultancy company called Perspectives.

**JCGA:** Ahh... Perspectives... I see.

**Renat:** Yes, he is still here. He has a lot of knowledge. Then, also my co-founder Ingo Puhl has been around for a very long time. He was actually at the World Bank when they launched the very first ERPA (Emissions Reduction Purchase Agreement) back in 2003. Then, of course, there's a lot more people. And a lot of those people who have been around back then are actually still here.

**JCGA:** Renat, I'm amazed by this debate: a lot of people say that reducing emissions or removing emissions using nature is not permanent, is bad, is a scam. I feel, sometimes, with these debates, that people somehow are hating nature a little bit... On the other side, there are a lot of NGOs saying we should be only focusing on nature-based solutions, that the carbon premium or carbon subvention must be only for these kinds of activities. So, there is a strong debate, somehow a battle, between technology versus nature in terms of solutions at our disposal. What do you think of this? Is this a healthy debate or more like a religion war? Do you think we just must use one or the other? How do you see things?

**Renat:** So, first of all, let me start by saying that any debate is, of course, important, because only through debates we uncover the truth. So, I'm a big defender of debating, basically challenging each other and trying to, you know, push the boat out as far as possible. The problem starts when the debate becomes really destructive. And unfortunately, this has happened a little bit in the environmental space in general. It's not only affecting carbon, by the way, I think it's a feature that you observe all across the environmental groups. ESG, for example, has been heavily debated: is it greenwashing and so on. Green bonds have been heavily criticised too, some people like them, some people hate them. The same is in the whole carbon space. It's a big debate inside the environmental community and unfortunately some of this debate is not constructive, but it's really an angry debate. Honestly speaking, that's not helpful because, on the other side, we have the fossil fuel industry, which is very, very, veeeeeeeryyyy well organised, [with] huge PR budgets. And I keep asking the question: have you ever seen one fossil fuel company attacking another fossil fuel company? Have you ever seen a gas company attacking a coal company or a chemical company attacking a logistics company? they don't do that. So, big industrial companies don't attack each other. They've learned that they should be having debates, but they should, basically, have them inside and not doing it in the public because it makes you vulnerable. That's a little bit what's happening in our environmental space.

**JCGA:** Cannibalization...

**Renat:** We have this debate in public... And of course, this is jackpot for journalists who want to jump on those topics and create stories around it, and that's just not helpful. Again, the key point, in my opinion, [is that] debate is very, very important, but the way we're debating is not healthy and creates lose-lose situations for all of us.

**JCGA:** It's becoming kind of a show...

**Renat:** It's becoming kind of a show, yes. To answer your question from the beginning, of course the answer is: We need everything. We need nature-based solutions, we need restoration, we need forest

conservation, we need mangrove restoration, we need tree planting, we need engineered solutions, we need the CDR, we need biochar, we need methane avoidance... we need everything! So, let's get everything, let's try everything, and let's be optimistic about it, and let's just push the boat out on all those topics instead of constant debating, which one is better than the other.

**JCGA:** It seems our political society debate has permeated into, let's say, our climate agenda.

**Renat:** Right, a little bit, yeah, it's true. And, there is a topic I think you're coming to, which I call the innovation paradox: On the one hand, innovation is key for advancing climate action. So, we need new startups, we need new technology, we need entrepreneurs for going all out, growing their companies, that's absolutely true. On the other side, however, as soon as you have a lot of entrepreneurs and startups and innovative ideas in the same space, these start-ups tend to start competing against each other... They think "I want to convince the investors to support my start up, I'd better go a little bit against other start-ups" and say "look, I'm much better than the others". Because we had so many startups created over the past years, and because funding is not as abundant in 2024 as it was in 2021 or 2022, there's a bit of a struggle between different startups. And that's where the paradox comes from: despite innovation, in principle, being highly welcome at the moment, you also see all the fighting between different solution providers trying to convince investors and the public that their solutions are the best and everything else is not great.

**JCGA:** All right. It makes me think a little bit about Thomas Kuhn, the philosopher of science, when he wrote [in the Structure of Scientific Revolutions] about the new paradigms of science. How the newcomer [with the new paradigm] fight with the old ones [the old paradigm]. Then things settle with time, probably. Do you think it will settle with time or this battle will continue? Maybe there will be consolidation in terms of the startups, the biggest companies, for example, South Pole or others, being able to survive, and then we'll come back to a somehow more structured market. Or how do you see things?

**Renat:** So, in my opinion, what currently hobbles the growth of carbon markets is a weakness in regulation. Back in the Kyoto days, we had the UN itself as the back stopper. So, in a sense, even if some of the methodologies were not great and some projects went wrong, and they were criticised, at the end of the day it was the U.N who approved or rejected methodologies and projects, and who basically improved the system based on past learnings. That created a level of basic trust in the system in spite of the criticism. These days we are lacking a powerful regulator. As we all know, the voluntary market has more or less been dominated by two standards, the Gold Standard and Verra, which was the biggest or is still, but of course in the last year 2023 Verra was criticised dramatically by The Guardian and other news outlets for having methodologies that were not up to speed. And ever since, there is a proliferation of new carbon standards. We have now about 200 standards globally but what we're lacking is government regulation or the U.N coming back, somebody to basically create that base trust again through its power. That's the problem with this market. You can see this in some places, like Australia for example. They have a carbon market, and of course it's criticised too. There are some projects that have gone wrong, and some methodologies are not great. But because it is the Australian government behind, it's kicking on, it has a lot of self-resilience [the system]. That shows me that if this whole voluntary market wants to grow, there must be a proper regulation behind it that people trust.

**JCGA:** But... how that can happen Renat in the current context. In the Kyoto days, we recognized that there were historical emitters, vulnerable countries and the opportunity to finance the [climate] transition through transfer of technology and finance while at the same time countries help themselves to reach their climate targets. Very clear, magic. Today, in my opinion, we have the return of nationalism. The NDCs could also be put on that bag too, because it's the countries who decides on their emissions targets and how they reach that. The cooperation is more difficult in my opinion. Some people say, also in previous interviews, that Indonesia needs to take care of Indonesia, Peru the same, France as well. What do you think of all that? Where are we going with this national-based international climate cooperation?

**Renat:** I think you are touching a very important point, which in itself would probably fill out all the blog or a whole book. I'll try to summarize.

It's important to remember when the Kyoto Protocol was signed. It was signed in 1997. The 90s were, historically, a very special moment. This was just after the end of communism, and back then you had political scientists who predicted that this was the end of history.

**JCGA:** [Francis] Fukuyama!

**Renat:** Yes, Fukuyama, remember? he predicted, and many others followed, that the collapse of the Soviet Union meant that the world was embarking on liberal markets and democracies, led by the United States. The Kyoto Protocol, essentially, was a child of that thought process. It was an historic decision for rich countries to say: *“We have mainly caused the problem and therefore we as rich countries are agreeing to be listed in Annex II as countries with a binding obligation to reduce emissions”*. But only rich countries, no poor countries, had a binding obligation to reduce emissions. That was absolutely historic. And of course, the compromise didn’t last long, most importantly because very soon after China’s economy was raising. China, at the time, was considered a developing country. And very soon, certainly rightfully so, Europeans and Americans said: *“No more, we’re not going to accept any more the Kyoto Protocol that puts an obligation on us but not on China and other raising emerging economies”*. And that basically meant that the whole historic compromise fell apart. The Paris Agreement, of course, is a global agreement involving all countries, which is great, but essentially the Paris Agreement is only an umbrella inviting every country individually to come out with a pledge. So, the Paris Agreement is a move away actually from a global effort to jointly combat climate change with one global framework, towards letting national governments decide on what’s best. In principle, this is great, and it allows all countries to choose the most appropriate policies. But it’s not surprising that, as a consequence, Indonesia is creating rules, Peru is creating rules, Switzerland is creating rules, and so on. Now, of course, I, as a globalist, I slightly regret that. I would find it more efficient if there was a global mechanism. But in absence of that, I think that’s the world we have, and it is possible to also work with national regulators. So, when I say we need regulation for voluntary markets, I’m not necessarily saying we need global regulation, it could also be that the voluntary carbon markets evolve in each country individually regulated by their own governments. That is absolutely possible. It’s a bit less efficient, but it’s an option as well, probably the only option we have right now.

**JCGA:** So, you are still believing that we can do it and international cooperation can still thrive in this new framework.

**Renat:** In my opinion, there’s no other way to do it because a lot of countries, honestly speaking, don’t have the financial means nor the technology to even fulfil their NDCs. It’s actually interesting. If you look at the IMF data, a lot of countries are overindebted. They can’t even theoretically fulfil their NDC’s just on their own, because doing so would require huge investments, while they are overindebted.

**JCGA:** They can’t fulfil their basic social agenda, in education, health...

**Renat:** Exactly. There is the need for international cooperation, and rightfully so. Climate is a global topic, and we have to solve it globally.

**JCGA:** It could be a good leverage, to somehow use the potential of countries, like South Pole was doing at the beginning. Places with no projects but with the potential to do so, channelling funds to support countries after the fiscal crunch they have after COVID and all that.

**Renat:** Exactly. And then perhaps the last point on this topic.

What has been a bit forgotten in this whole debate is that the purpose of the voluntary carbon markets has always been to inspire people, industries, and governments, to advance climate action.

Voluntary Markets were not meant to stay there forever. The goal of the voluntary markets is to...

**JCGA:** Die?

**Renat:** Exactly, to die. It’s a bit ironic, probably the only market like that, but the idea of the voluntary market is to make technologies commercially viable that previously haven’t been viable to a point where either a government is regulating them or the industry is just taking them up. And the voluntary market then moves to new topics.

It happened, for example, with renewable energies. Back in the days when we started South Pole, a lot of our projects were on renewables. Because back then renewables were extremely expensive, and they were in need of additional funding to bring down the costs. But that has more or less been solved because renewables in most countries are among the cheapest options, so they no longer qualify [for carbon finance], which is fantastic. So, the whole market now looks at new topics.

**JCGA:** I remember at that time, a carbon due diligence on a renewable project was not only on the PDD and the potential of carbon avoidance, we wanted to look at the technology and the equipment proposed because there was much more risk at time.

**Renat:** Absolutely.

**JCGA:** Do you remember that?

**Renat:** Yes, investing in renewables back then was a risk, and it was solved. That’s actually a success story. Of course, the carbon was not the only driver, but carbon was one of the drivers to make renewables viable in a lot of countries around the world.

**JCGA:** Renat, discussing about all these dilemmas, we touched the national versus international, technology versus nature-based solutions. There is also a debate regarding who should contribute and who should not. The debate between “dirty” companies and “clean” companies. There are some companies, for example, in the oil and gas sector or in the mining sector that want to engage but they are blamed, and some people think they shouldn’t participate, that just clean companies should participate. For me, this is a bit contradictory because we need to have them to clean the dirt, but at the same time to avoid the greenwash. I think this big debate have, somehow, frozen action. What is your take on that?

**Renat:** I’ll give you a question back: if on the highway some car drivers are speeding, and others are not. Who should pay the fines for speeding?

**JCGA:** The speeding ones, I guess...

**Renat:** Of course. No question, right? So, why should not those companies that pollute pay the bill? And why should, absurdly, the clean companies pay? If you think about it that way, with the speeding analogy, the answer is quite clear. The polluting companies should absolutely pay the bill. Now, the question is: Why then do we have this debate? The only reason I can think of is the fear that polluting companies, like oil companies, could use their engagement in carbon markets or in tree planting and so on as a form of greenwashing.

So, obviously, we need to work on this risk of greenwashing. And we need to find ways how companies can and must engage in [carbon]markets without being able to greenwash. Coming back to my regulation point: the problem that we have is that currently most of the climate action is voluntary. As soon as it is voluntary it has the touch of a donation. And as soon as it has the touch of a donation, it is basically seen as something you feel good about, and that’s where the greenwashing issue comes from. So, if only we could create regulation where instead of a voluntary contribution, it becomes a mandatory, a compliance obligation, then the whole debate stops.

**“Voluntary Markets were not meant to stay there forever. The goal of the voluntary markets is to die”**

Renat talking about the need of compliance markets

**“If on the highway some car drivers are speeding, and others are not. Who should pay the fines for speeding?”**

Renat on who should contribute to pay for pollution

**“As soon as it is compliance, it just becomes normal. A normal thing you have to do. All this drama, all those emotions go away”**

Renat on the need to have compliance mechanisms to avoid greenwashing

I make an example. In European ETS, many big emitters have to pay for their pollution, and nobody talks about greenwashing, it is just what it is, because it's the regulation. So, it shows that the problem is in this voluntary character, and we have to move from voluntary to pre-compliance and then compliance markets. I am quite sure this discussion would go away.

**JCGA:** So, voluntary is just a pre-compliance phase that is meant to die...

**Renat:** To be replaced by compliance. Because then the whole debate evaporates.

**JCGA:** And that was the original idea.

**Renat:** Absolutely.

**JCGA:** For example, in the case of forestry, to test methodologies in forests, to make credits permanent when you plant trees, to test buffers and other risk management tools to surpass the temporary status [of those credits] under the CDM to be tomorrow compliance [grade].

**Renat:** Exactly. The idea of the voluntary market was, really, [to act] as a bridge. It was meant as a bridge towards compliance schemes. And I can only [keep] repeating once again, as soon as it is compliance, it just becomes normal. It becomes a normal thing you have to do and you're doing. And all this drama, all those emotions go way a little bit.

**JCGA:** How do you think it can work [globally] if you have countrywide commitments to CO2 emissions reduction [on the government] on one side, and you have corporates that are not a party to the Paris Agreement on the other side, without emissions reductions commitments or targets. How do you combine both? How should the countries pass back their own commitments to the corporations, like in the EU ETS with many more sectors entering it, so everybody will be put to contribution.

**Renat:** That's another big misunderstanding, a big debate, an unfruitful debate which has been going on for too long now, which is: if a country has set itself an emission reduction trajectory, then any actions inside these countries are considered double counting? Well, the question back is: "What is a country?" A country is the sum of all its actors. In every country, emissions are essentially the sum of every company and every individual and every government emissions. That's the country. So, a country with an emissions reduction target can only fulfil this target if it's actors, the companies, the NGO's, the people, are basically acting and reducing. So, there shouldn't be a fight between government action and private sector action. That's two sides of the same coin. So, the only way to solve that problem is to create simple mechanisms by which individual actors can be accommodated, for example, by changing the claims. In hindsight, it would have been better not to use claims like "climate neutral" or "carbon neutral" because that triggers the thought that my product is now emissions free. Instead we should be moving towards claims such as "climate contributions". So, it's very clear that I'm doing this emissions reduction here in Switzerland's and by doing that I contribute to my government targets to reduce emissions, which is exactly what the Paris Agreement wants from us. By that small change, we could just put that fruitless debate to bed and say: Of course, we are all contributors, we are working together to meet the Paris Agreement and there is no fight between government action and private sector action,. That's a misunderstanding which is not fruitful.

**JCGA:** In the case of a Swiss corporation contributing to emission reductions in Colombia, let's say, or in Peru, how that would be framed? The contribution of the corporation in Switzerland will help the Colombian government's targets or will help the Swiss targets?

**Renat:** It would help the Colombian targets, of course. I think that's very clear. If a Swiss company contributes to a project in Colombia, it's contributing to the Colombian targets. And again, just a small analogy to make it very clear. If a Swiss company is contributing financially to, let's say, an orphanage in Kenya. Nobody would debate that the contribution, of course, happens in Kenya. These kids in a refugee camp are now going to school and have a bed to sleep. This is not a contribution [for Switzerland]; the Swiss kids aren't affected. It's a contribution of a Swiss company to Kenya for Kenyan people.

**JCGA:** That's a strong statement and it's interesting. A lot of companies are saying [nowadays] *"I want to contribute but the market is risky. But maybe you can get me the corresponding adjustment so I can sell this credit here to my country"*. And the host country says, *"why should I do that if you're not a party to the Paris Agreement, why are you asking me a corresponding adjustment?"* *"Why don't you just contribute and help me to reach my NDC?"*. So, what you are saying is let's help the host countries reach their NDCs targets.

**Renat:** Specially in the voluntary carbon markets, but also the compliance. Both. The whole idea behind carbon markets is indeed that you are reducing your own footprint and on top, with your funding, you're contributing to create a positive impact somewhere else. Yes, that is the whole idea behind carbon credits. So, very obviously the contribution and the impact you are contributing to is happening somewhere else. But the whole idea, absolutely, is that you contribute to achieve the target outside of your own value chain. And once again, this must happen in addition to the reductions within your own value chain activities. The concept is very simple, very clear actually.

**JCGA:** There's also this dilemma between profit and non-for-profit. For example, at least in Peru, but I think this can be generalised [to at least Latam], some people are trying do emissions reduction and [sustainable] development projects [on a] for profit [basis], and they are being seen with bad eyes by some. Whereas, if you say that you do it not-for-profit you are regarded as you're doing it for the good causes. How do you see things on that regard?

**Renat:** On that regard, also that dilemma is actually quite simple to solve if only people want it. Of course, once again, we need both. There are instances where only donations and non-for-profits can work out. For example, if you're going to a very risky country that has hardly any infrastructure and no legal security, it is typically advisable to come in with philanthropic money and first invest in capacity development, to ensure that the right type of entrepreneurs and NGOs are being built up, to even create the basic infrastructure to run a potential for profit project later on. So, non-for-profits are always very important as the pioneers, to come in first where you have to explore, take risks that other people can't take. But later on when it is about scaling, you need business cases. For a very simple reason, and I think the past 50 years of development aid have shown that: if you create pure non-for-profit schemes, the beneficiaries and recipients of your money will forever be depending on your donations. You're making people in Peru, in Indonesia, in Switzerland, depending on your ongoing donations and that is not what I believe is development.

**JCGA:** Development is to create jobs...

**Renat:** Exactly, development is creating jobs, growth, that happens driven by commercial business models. So, once again, non-for-profits, donations, are important to kick-start things, to take away the biggest risks initially, but if you want to scale, if you really want to have systemic change, if you want transformation, you need economically viable models, that run by their own, that local entrepreneurs are actually becoming real business people. People need to be able to get rich with it too. There's nothing wrong with a Peruvian forest developer, who is doing his job right, to become rich. Why not? He is helping us saving the planet, reducing emissions. Why should the guy next door who's running a mine become rich but the guy who is protecting the forest stays poor? I don't understand that. That's unfair!

**JCGA:** It's true, and somehow, it has become a religion-like debate. We are somehow told *"you should be doing good out of sacrifice"*. And if you are doing money, it's not that good...

**Renat:** This is a very important point. I think that is propaganda from the fossil fuel industry. This train of thought has been instilled in people's brains through a decades long PR campaign by the fossil fuel industry. They say *"Oh yes, if you want to be impactful for the environment you will remain poor forever, live from donations. If you want to become rich, you have to work with us here at the fossil fuel industry"* and that's why a lot of people have this idea in their mind. I think it's fundamentally wrong! They implicitly tell us that the only way to become rich is to continue with our classic ways of business. I think that is their interests. In my opinion, we need the most talented entrepreneurs with the potential to be creators, to create opportunities in the space of protecting the environment.

**JCGA:** Have you seen these dynamics in places like Indonesia? How do you see things developing there? We have Latin American readers and I think they will be interested to hear about Indonesia because the country is growing quite fast. Indonesia is becoming very important in the group of developing countries, having its own place right now in the decision-making system in Asia. Can you tell us a bit about it, generally speaking, and related to carbon, biodiversity and natural capital? Because we're talking here beyond carbon, right, we're talking about development or clean development, and that's beyond carbon.

**Renat:** I think it's a very important question. The world has moved on, right? Countries like Indonesia or Vietnam, they cannot be considered developing countries anymore. These are emerging economies, and in many areas are actually developed countries or actually more developed or more advanced than here in Europe. Absolutely. The world is no longer the same.

Let me be very clear here, the future of climate, biodiversity and all those many topics, plastics, are decided in places like Southeast Asia. Those governments are absolutely aware of that. There are regulations coming up in many of those places around plastics, around forests, around land use, but, of course, there is a constant ongoing debate between different interest groups. It is very clear that there is still a large part of people who are making money by cutting trees, by extracting coal and so on. So, it's not that people are unaware. It is an economic reality. And I think, once again, carbon and payment for ecosystems services have a role to play in the big scheme of things to move the needle from a destructive-type economy to a sustainable economy.

Let me give you one example. At South Pole, we are quite involved in the topic of decommissioning of coal plants. It's a big topic. It's called transition finance. We're exploring how the Paris Agreement, the funding mechanism, could be used to accelerate the transition in places like the Philippines or Indonesia away from coal towards more renewables. It's very complex, it involves a huge amount of actors, but I think that will be the Holy Grail of climate finance if that instrument could be used to really kick off the transformation and move away from coal towards renewables without, basically, creating hardships for local people or people depending on those industries, but actually by creating new jobs, clean jobs, clean supply chains, and, in the end, adding more economic value to the country that they had before. That is, in my opinion, very ... very exciting.

**JCGA:** For that you need public money, and private money. But a lot of people say why should we use public money for private sector ventures or profits, and they don't look at all the public money is going to subsidies in the fossil fuels. For example, many development banks could put 20 million [dollar] in a junior tranche, and [private] investors would put 80 million [dollar] in senior tranches, and we'll then have 100 million [dollar] facility that will do riskier investments in community forestry, for example. Some people in the public sector say, and in the public opinion too, "No, we cannot do that because the State cannot subvention the private sector even if we want to". But they're doing that every day with the fossil fuels. For example, in

Peru, we have the stabilization price mechanism for oil products in order to subsidise fossil fuels use every day at the tune of billions of dollars per year. That's Peru, now imagine the whole world... and governments don't realise that they are already supporting the private sector, but only on the "dirty" side. How we do that, Renat, that the governments realise that? It's kind of absurd.

**Renat:** You're mentioning again a very important point. Somehow, that debate is not happening. Somehow people are not aware about the huge dimension of fossil fuel subsidies today. And what is, in my opinion, really absurd and shocking, is last year's massive criticism of project-based carbon markets. Let's look at the dimensions. I calculated the entire value of project-based carbon markets, and it's 1.5 hours' worth of global annual fossil fuel subsidies.

**JCGA:** An entire year value [of the project-based carbon market]?

**Renat:** Yes! So, while we were talking here, we have already spent the entire voluntary carbon market worth of fossil fuel subsidies. Isn't that completely crazy? but people don't talk about that. So, absolutely, you're completely right. The world is already heavily subsidising the private sector, but the fossil fuel sector. We need to level the playing field here. And then, the question on how to solve that, it is not either government or private money. Ultimately, the role of governments is to create the right rules under which private sector can play and unlock much larger sums of money. For this, again, carbon markets play an interesting role because carbon markets can direct capital streams into the right direction. But it's not that carbon markets are going to finance 100% of the projects. The idea is that you use carbon money as a lubricant to unlock even much more private capital.

**JCGA:** But, now, a lot of people are looking at the carbon markets as the core business instead as the incentive to do big business in renewables, in forestry, in forest management. They are looking like the carbon was the main revenue, the core business, whereas back in the days of the CDM the business was not the carbon, the business was your renewable energy power plant that will last 20-30 years right, so the carbon was only the subsidy. Somehow, right now, I see that it's different. Now, people are doing as the whole thing was the carbon.

**Renat:** There is one exception to this which is the engineered removals, direct air capture. They have absolutely no benefits other than storing carbon. So, from the vantage point of the carbon capture industry, that is totally the case, the whole business is carbon, it is their only revenue stream. And, as a consequence, of course, if you're a defender of the engineered removal industry, of course, in your opinion, it is very important that only a tonne that is 100% funded by carbon money is a legitimate one because that's the tonne you are selling. That's why part of the big debate around whether these forest projects are additional or not, this or that, permanent or not, is actually driven by the industry defending engineered removals because for them, a good tonne is only a tonne which is 100% funded by carbon, which is the case in their products. And

once again, as we discussed at the very beginning, in my opinion, that's a dangerous narrative because, again, there should be both. There should be engineered removals that are 100% funded by carbon finance, but there should also be funding available for projects which become business cases. There should be both and not a fight between the two.

**JCGA:** It's interesting to go to the details. There's a lot of great topics that have not been covered by journalists. Now, we're not a journalistic platform, but, if you follow the money, you know, you see oil actors or state oil actors, not naming specific companies or countries, that are also big backers of the climate agenda, big supporters of the direct air capture agenda. I think it will be interesting if people start following the money to see the influence of some foundations in certain newspapers, because it's incredible how the forests topics have been hammered by some media outlets, covering that and no other topics [like direct air capture]. I find that very intriguing...

**Renat:** I cannot comment on the theory that there could be funding involved on that. However, what is clear, and it's proven, and it has been covered times again, that the fossil fuel companies are very smart in allocating their PR budgets. For example, a lot of the debate as to whether climate change is happening or, and all the uncertainty around it, was partly funded by big foundations that were backed by fossil fuels related lobby groups. It has happened in the past, yes. So, of course, your thought is interesting. I mean, it was surprising last year to see how much focus was put on hammering the forestry carbon projects. And it's still ongoing. We had more articles coming out.

**JCGA:** I got the impression that [the direct air capture industry] went saying "*we have the perfect solution. This is permanent, engineered. We can solve the problems*". I think that we need both, but I personally never read in the papers that show the benefits of engineer solutions about the wear and tear of the machinery... We have forests that have lasted for thousands of years if not millions of years, but people, somehow, say that forests are not permanent, that with climate change they will burn. So, it makes no sense [to use them as a solution], that they will be no permanent in any case. But they say that these [magic] machines will be permanent, even if they have been just tested in the last 5-10 years. It's funny.

**Renat:** It's an interesting question why the media has been so heavily focused on nature-based solutions and not more on others. I find that very surprising too. And, in fact, it has not only been on nature-based projects, but it has also had a big focus on other type of projects like cookstoves, for example. You can debate a long time, but the bottom line is that those cookstoves are reducing carbon emissions and they are bringing benefits to the local populations. They have been criticised dramatically. But, indeed, the one topic that has not been criticised was engineered removals, which is interesting.

**JCGA:** And [traditional] finance has also had big scandals with accounting. For example, ENRON. Some accounting firms were punished by the market [and regulators] but the accounting profession continues... But that's another topic...

Renat, to finalise, the last questions. Peru is [quite advanced in terms of carbon public policy and] one of the biggest producers [in the world] of voluntary nature-based carbon credits, financing more or less [the conservation of] five million hectares of rainforest out of circa 66 million ha of rainforest in the Amazon, so, a decent amount, a lot in natural protected areas thus saving money for the government budget. But the government has not participated in the current debate [for different reasons]. Do you think there's a place for governments to intervene in addition to regulation, to enter to the [current] debate, or they just need to get the regulation out and then things will settle?

**Renat:** Very clearly governments need to be involved. And, again, that was always the case back in the CDM days. Back then, every project needed government approval, it was the most normal thing to do. It was only when governments started to withdraw, some of them first, then many of them, they basically closed their DNAs [Designated National Authority]. After the Kyoto Protocol had collapsed, you could no longer get government approvals for your projects, simply because there was no office anymore that would have been able to assess it.

Of course, then, most of the voluntary carbon market went on for a few years without government approvals because there was none, there was no system. I think now, under the Paris Agreement, absolutely, governments should get involved again. And that's the beauty of Paris.

Governments now have the option to come in the way they find most appropriate for their countries. And I think that's actually interesting that governments have different ways they can set priorities. They can decide on what level of detail they would like to get involved. Industry can handle [mostly] everything. From my experience, whatever the rules are, industry players, local entrepreneurs and NGOs can adapt. The important point is that there must be clear rules and regulations on how you can operate as a private sector player. So, the worst is to have a limbo, that you just don't know [how to play], that's really blocking innovation. But, I would welcome any government who creates any kind of rules that are appropriate to the local circumstances so that, as a developer, you have clarity. Once again, the worst thing is that you're developing something, you're taking a risk and then five years later the government comes and say *"oh, by the way, that was illegal, you shouldn't have done that"*, then your investment is lost. That's basically one of key reasons why, currently, so little money is actually invested in projects. It's not because the rules are harsh, it's because in many countries they aren't rules or the rule is the limbo status, and that's the worst for investments.

**JCGA:** Renat, to finalise with something related to entrepreneurship, what would be your advice to the young people, to the dreamers who really want to do what you have done but [caught] in the [current] debate, they are a little bit lost. They may think *"I shouldn't work for the financialization of nature, I should rather work on the construction of an NGO"*. Maybe some others are thinking *"I want to scale, I want to solve problems, I want to create a company..."*. What's your recommendation for them?

**Renat:** Perhaps this is a summary of what we've discussed [just] before. My strong opinion is that we need everybody. We need all actors. We need NGOs, we campaigners, we need companies, we need tech providers, we need Greta Thunberg, we need hundreds of her. We really need everybody to come together. If your passion is to create an NGO, then just create an NGO. If your passion is to grow a tech-driven startup, do that. If your passion is to go to politics, do that. We need everyone according to his or her passion and inspiration.

The only one thing I would argue is to keep the debate constructive and open. Over the past years, we have seen a level of distrust and

aggression that was not helpful to anybody. Remain curious. Talk to people who have been there before, they might have done many mistakes, but they might also have done some things right. You can learn from them. Don't come to the table and say everything that has been before me and next to me and after me is nonsense, and that I'm the only one who's figured out. That typically is not the case anyway. So, that's my only point. Be ambitious. Be inspired. Work hard but be constructive and optimistic. Encourage each other. Don't constantly bash [other people's] credentials. That only helps the other side.

**JCGA:** It reminds me little bit when you say follow your passion, the *"do what you love"* of Steve Jobs. Because, this guy, his passion, pushed boundaries. Like in the Apple commercial *"Here's history crazy ones": "You can quote them, disagree with them, glorify or vilify them. About the only thing you can't do is ignore them. Because they change things. They push the human race forward..."*. And I think we can say a little bit like that of South Pole. South Pole have pushed the boundaries, some people have vilified it, justifiably for some, unjustifiably for others, but you can't ignore South Pole.

How do you see the future of the company you created? How do you see that in the coming years, in this context of debates, dilemmas and contradictions?

**Renat:** Let me start this way. I'm careful about being optimistic about what's going on in climate because the truth is it's not going very well at all. But I'm optimistic that South Pole and many others can still make a difference. And I keep repeating it, even if it becomes clear that we are missing the 1.5° mark, that is not the reason to give it up. On the contrary, that's a reason to double down and to try even harder. Because every ton matters. Every tonne matters and moves us a little bit away from the earth's tipping points. Perhaps I'm a born optimist in a certain sense, but I do believe that in the end entrepreneurs with good qualities and good spirits can still make a difference and help us turning this problem around, even if I think it's also important once again to be realistic.

Right now, we are seriously not on track. And we have no more time for this constant infighting inside the environment community, this fruitless fight between removals against avoidance, tech against nature, government against private, for profit against non-for-profit, it's so fruitless. It doesn't work like that. If we cannot agree on an optimistic platform where we cooperate and inspire each other, I really think it's going to be tough. And we come to the point of the beginning: Both psychology and science matters here.

**JCGA:** And for psychology, we also need references, we need history, we need a past to be attached to. We need to look back and see examples from which we can learn, as we do with our parents, with our family, with our country. I see, really, South Pole as a strong net positive. And I see you Renat as a reference.

It has been a pleasure talking to you and I'm sure that your wisdom, your presence in our journal will help the young audience and also entrepreneurs and investors who read us and other people who really want to get a little bit of history and psychological support to continue this journey.

**Renat:** Absolutely. Thanks a lot for having me and also same to you. Wish you the best of luck and success on your journey, both in your forest projects and with the journalistic activities which are highly, highly appreciated. Thank you.

-End of the interview-

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**"We need all actors. We need NGOs, we campaigners, we need companies, we need tech providers, we need Greta Thunberg, we need hundreds of her"**

Renat talking about the need to come together and end fruitless opposition

**"From my experience, whatever the rules are, players can adapt. The important point is to have clear rules and regulations on how you can operate as a private sector player"**

Renat on the importance to have clear rules to scale up climate action

**"We need examples from which we can learn, as we do with our parents. I see South Pole as a strong net positive. And I see you Renat as a reference."**

Juan Carlos Gonzalez Aybar on the importance to have references