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Sylvera interview: Baselines, storytelling & incentivizing high-integrity carbon credits

We spoke to Polly Thompson from Sylvera about how transparency in the VCM helps people and organizations take more efficient climate action.

**Toucan**

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At Toucan, we are building technology that helps make carbon markets more efficient and transparent. But there are many levers to pull to equip the VCM as an instrument for scalable climate action. One of the key challenges we're facing: It's often confusing to evaluate what actions result in meaningful climate action and which ones don't. Everyone needs to be able to quickly and independently evaluate which carbon credits are of high integrity and which ones aren't. Rating agencies play a key role in addressing this challenge.

To learn more about the valuable work they are doing, we spoke to [Polly Thompson](#) from [Sylvera](#) about how transparency in the VCM helps people and organizations take more efficient climate action.

Learn more about [Sylvera](#) or follow them on [LinkedIn](#).

Polly Thompson explains:

- What role rating agencies play for credit developers (carbon supply)
- How buyers (carbon demand) can leverage rating agencies

- How a more transparent carbon market holds actors accountable and can lead to an improvement in the quality of demand – which in turn incentivizes credit quality on the supply side

Let's get started!

Can you briefly introduce yourself?

Sure! I'm [Polly Thompson](#), and I'm a Policy Associate at [Sylvera](#). [Sylvera](#) provides trusted carbon data for genuine climate action – our mission is to bring more transparency to carbon markets. I'm working in particular with the team that's looking at external relationships. We're fulfilling a market advocacy role, and are working with the wider VCM (voluntary carbon market) ecosystem to build a high-integrity VCM.

The climate emergency is a very urgent issue. We need to leverage every tool we have available to address it, and cannot afford to neglect initiatives that could potentially have a big impact.

Carbon markets have a huge potential, but there is widespread recognition that the VCM has problems, and credits don't always deliver on their promise."

Let's start by defining key terms: Can you explain what "quality of supply" and "quality of demand" in the VCM are, and how they're connected?

What we see in the market is a separation when people think about quality on the demand side and quality on the supply side. So, for example, we've got a very distinct separation between market initiatives that focus on integrity: [VCMi](#) is looking at quality on the demand side, and [JCVC](#) is looking at the supply side. But in reality – at least how we perceive it at Sylvera – demand and supply are two sides of the same coin. Especially on the demand side, we need buyers to act with high integrity.

How can a corporation or buyer act with high integrity?

Buyers need to think about how they can embed carbon credits in a climate strategy that's genuinely having a positive impact on the climate, instead of just using carbon credits for marketing purposes. Part of this obviously has to do with demanding that the credits they're buying are high quality:

- Do these credits genuinely represent one tonne of carbon dioxide or greenhouse gas equivalent that has been avoided or removed from the atmosphere?
- Will those emissions stay out of the atmosphere for a meaningfully long period of time? We're talking centuries or even 1000s of years.
- Have those removals or the avoidance happened as a direct result of the project?
- Is this additional to what would have happened if the project was never developed?

All those questions are quite complex. We recognize this, and part of our mission is to gather all available information and simplify it for our customers (the carbon credit buyers), in order to guide them. But ultimately, it's really down to the buyers to drive both the demand and supply side integrity, because they are the ones purchasing carbon credits.

What role do rating agencies play in the VCM, and how do they help improve the quality of demand?

Rating agencies are an important part of the ecosystem and bring transparency to credit quality. They provide the expertise and time to do a detailed analysis at the project level, to identify high-quality credits. Buyers can work with rating agencies to look for accountability for credit quality. In a [recent study](#), we found that only around a third or less of credits in the market are genuinely good quality. In order for the VCM to have a positive impact, there needs to be a way to identify these high-quality credits, so that buyers are only spending money on carbon credits that create a positive impact.

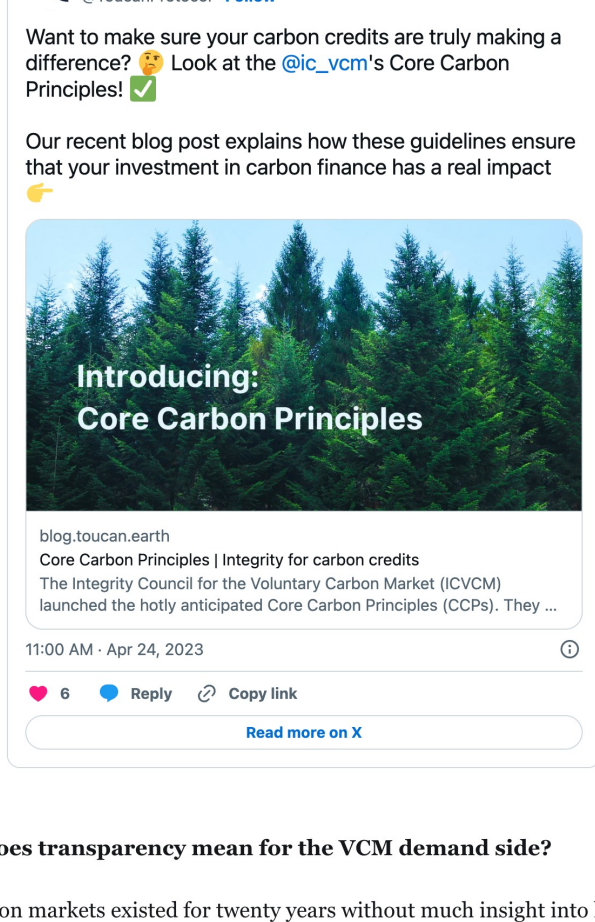


To what degree are organizations relying on rating agencies?

It's definitely a huge spectrum. Some companies have experience in this area and put a lot of resources towards it, and are picky with the credits that they purchase. And other, maybe less mature or smaller buyers just don't have the option of doing that. Quite a lot of buyers, we've seen, also have started to work with consultants or external advisors to purchase carbon credits.

Can't a buyer assess the quality of credits independently?

There's really no good proxy for this. You can't just look at price or project type and assume that it is correlated with good quality. You need to drill in and do huge amounts of detailed top-down/bottom-up analysis at the project level, to be able to understand and identify the quality of a credit. This takes an incredible amount of expertise, time, and resources.

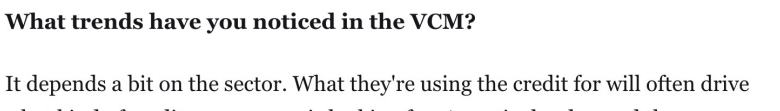


What does transparency mean for the VCM demand side?

The carbon markets existed for twenty years without much insight into how projects performed and what environmental impact they had. That's why our co-founders created [Sylvera](#): to bring transparency to the market. After only 3 years, we're already seeing early signals that transparency enables impact. Improving transparency means improving credit quality. Buyers can make informed decisions, and ultimately, money flows to the projects that are delivering genuine impacts. If we think in the long term, this will create a positive incentive for quality. We'll see a monetary incentive to develop high-quality projects, and the bar across the market will rise. And we'll no longer see just a third of credits that are high quality, but hopefully a much, much higher proportion.

What are the risks of participating in a non-transparent carbon market?

The key issue for buyers is that they just don't have visibility into what they're buying. They cannot identify and demand credits that genuinely represent one tonne of CO₂e, which could lead to failure to mitigate climate change. Since the buyer doesn't have visibility, they can't be confident that the credits they're buying are of high integrity. There are risks of wasted spend, and also a risk to their reputation: Claims of greenwashing, failure to achieve targets, or supporting harmful practices. But the biggest risk really is that we fail to mitigate climate change. And that's pretty bad for all of us.



What trends have you noticed in the VCM?

It depends a bit on the sector. What they're using the credit for will often drive what kind of credits a company is looking for. A particular demand that we see: Consumer products sector buyers don't want to only offset or compensate for their emissions, but also tell a story. In that case, they're often paying more attention to co-benefits, like the impact on biodiversity or community, as well as ways to tell stories between the credit and their supply chain, for example, if they are in similar areas geographically. On the other hand, if you have companies that don't really face consumers, they might prioritize different things, like price or volume, instead of choosing smaller projects with limited issuance. Also, scrutiny has increased, and we're starting to see an increased focus on integrity. There are also more corporate disclosures. And a range of organizations are looking into credit purchases and claims. Despite the recent scrutiny, buyers are still very interested in REDD+ credits, but they are being even more cautious about attributes like baselines and over-crediting. And some buyers are increasingly moving towards removals credits.

What are the benefits of a 100% transparent carbon market?

Buyers can buy with confidence, be sure that they are getting what they paid for, and achieve the impact they are claiming. There is also a big benefit in terms of price discovery. And projects are being rewarded for achieving genuine impacts. In the long term, this will also create a positive incentive for quality, and the bar across the market will rise.

Trusted ratings agencies are key for buyers to learn about the quality of a particular carbon credit. This addresses a larger industry trend that's demanding more transparent carbon markets. Our role in the VCM complements the work Toucan is doing – they are scaling transparency by developing suited market infrastructure. Increased transparency and trust enable accessibility and wider participation in VCMs and climate finance, which is something that's crucial to addressing climate change.

What advice would you give to carbon credit buyers for selecting and purchasing carbon credits?

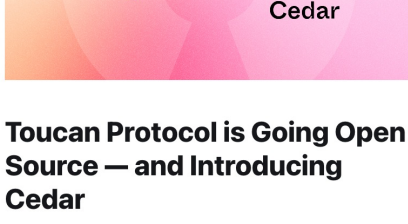
Buyers need to find the right partners to work with, and do extensive due diligence before purchasing credits. They need to acknowledge that this is not a simple environment and that ongoing due diligence is necessary to be confident in credit quality. They should also provide clear and transparent information about what they're doing, how they're using credits, and how this fits into their wider strategy.

How can we make it easier for everyone to participate in the VCM?

We really see the importance of corporate climate disclosures. Market initiatives like TCFD (the task force for climate-related financial disclosures), and regulators like the SEC in the US are also playing a key role. Initiatives and regulators are really encouraging companies to do the right thing through accountability, but they also give them frameworks, so they know how to do the right thing, instead of just telling them what they are doing wrong, and leaving them with that.

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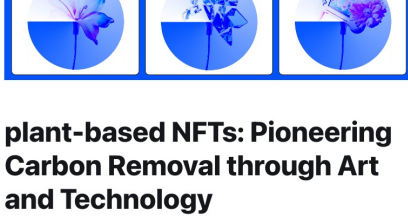
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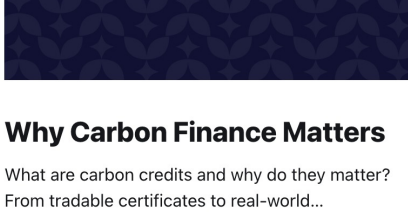
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