Tokenization of carbon credits — an explainer

Tokenization is a digital representation of an asset which makes it the equivalent of a digital token. Tokenization of carbon credits is a digital representation of carbon credits.

Author
Tokenize Team

Table of contents

What exactly does "tokenization" mean?
What happens when you tokenize carbon credits?
How are carbon tokens different from cryptotokens?
How can carbon credit tokenization help the VCM?
Common concerns about tokenized carbon credits
Carbon credit tokenization — introducing different models
Which utility do tokenized carbon credits provide?
Conclusion

What exactly does "tokenization" mean?

Tokenization is a digital representation of an asset which makes it the equivalent of a digital token. Tokenization of carbon credits is a digital representation of carbon credits. Let's unpack that a little.

> Tokenization is a digital representation of an asset which makes it the equivalent of a digital token. Tokenization of carbon credits is a digital representation of carbon credits.

Let's understand what this exactly means. Let's first understand what a digital token is. Tokenization is a process of converting rights to an asset into a digital form. Tokenization makes it easier to transfer ownership of assets, fractionalize ownership, and increase liquidity. Tokenization makes it easier to access and participate in assets, and liquidate capital locked in a dormant asset. Tokenization makes it easier to do all of this because it makes the process of ownership and transfer digital.

Digital certificate equivalent

Tokenization makes it equivalent to blockchain. The following is an example of how tokenization makes it equivalent to blockchain. Let's take the example of a digital certificate. Let's say that you own a digital certificate. Let's say that the digital certificate, stored on the blockchain, represents the ownership of a house. Let's say that you want to sell the house. Let's say that you want to transfer the digital certificate to the new owner. Let's say that the new owner wants to transfer the digital certificate to the new owner. Let's say that the new owner wants to transfer the digital certificate to the new owner. Let's say that the new owner wants