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## INTERVIEW: Startup founded by ex-BP risk boss aims to streamline net zero commodity trading

Published 11:01 on June 23, 2021 / Last updated at 11:02 on June 23, 2021 / Africa, Americas, Asia Pacific, China, Conversations, EMEA, EU ETS, International, Kyoto Mechanisms, Middle East, Other APAC, Shipping, South & Central, US, Voluntary Market / No Comments

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Major energy companies and trading houses are pursuing net zero by mid-century, and have kicked off their campaigns through measures including selling LNG cargoes with their embedded emissions offset.

But as more and more players seek to neutralise their carbon footprints, verification begins to assume greater importance amid mounting concerns about 'greenwashing', according to Geir Robinson, co-founder and director of Climate Neutral Commodity (CNC).

"It's still a bit 'Wild West' at the moment," said Robinson, who in December left his role as chief risk officer at BP's trading business after 12 years with the firm.

While other elements of the carbon markets – offset projects, for example – have developed more unified processes for verification, calculating corporate footprints remains largely unregulated, as does the monitoring and reporting emissions from supply chains.

"The calculation of embedded emissions [in the commodity and energy trading industry] is subject to multiples of variants depending on how people do it," Robinson told Carbon Pulse.

"There are different liquefaction and regasification processes for LNG, for example, different refrigeration systems. You need a third party informed in that particular commodity to do the assessment of the calculation," he added.

"When you're claiming net zero, who knows what scopes you're talking about? Only the informed and industry observer. Who's checking? Who's making sure that the checkers are qualified?"

Robinson acknowledged that there are numerous initiatives looking to standardise the footprinting process, such as the Science-Based Targets Initiative, and while their growing membership "is a major step forwards ... [it] is a relatively small, elite group, with inherent subjectivity across the calculations."

He pointed out that internationally-recognised and regularly-used standard ISO 14025, which covers self-declared environmental claims, says those claims should be based on transparent criteria that are publicly available, with third-party verification.

"So when companies announce that they have sold carbon-neutral LNG, they could be opening themselves up to greenwashing claims. If you look into the detail, it might not be what you think. Big companies like Shell, Vitol and Cheniere do not want to take that risk."

"They may write a full page of explanations, but there's not a defined standard," Robinson added.

CNC aims to change this by offering independently-verified certification covering the calculation and offsetting of the embedded emissions of raw materials transactions.

The company has published a protocol with input from an expert group of advisors, and is seeking public feedback on the document through the end of June.

“We’ve specifically taken a transactional point of view,” says Robinson.

“ISO 14064 (the international standard for lifecycle emissions calculations) allows you to define the cycle in two ways: cradle-to-gate, which could mean from extraction to liquefaction, storage, and shipping to the power station customer; or cradle-to-grave, which includes the end use.”

“This doesn’t necessarily mean Scope 1, 2 or 3,” he added. “That depends where you sit in the value chain. Our current standard is cradle-to-gate, but we have decided to also offer cradle-to-grave as well, since that removes a lot of uncertainty on scope.”

Robinson notes that a cradle-to-gate certification neutrality dovetails neatly into markets like the EU ETS, which covers only combustion or process emissions that arise from the use of fuels like natural gas or crude oil.

The second half of CNC’s offering concerns the offsets used to make these transactions climate-neutral.

“There is a whole raft of offset types that you could use, that go from €0.30 to as much as €370,” said Robinson.

“How do companies choose? If there’s no checking, any business would go for the cheapest one because you want the environmental credential for the lowest cost. You do the calculation in a conservative way that minimises the amount of CO<sub>2</sub>, and you offset that with the cheapest ones that won’t get you heavily criticised.”

“We will go and check that they’ve done the calculations correctly and offset them with quality offsets as per our protocol, and ensure that they’ve retired those credits,” he added.

Robinson notes the private sector-led Task Force on Scaling the Voluntary Carbon Market is currently working on standardising the voluntary offset trade, and this he said will make CNC’s work easier by setting transparent standards for high-quality credits that are easier to follow.

“Our protocol will refer to what’s become the standard at the time of writing,” he said.

“But we’ve built in some views of the offset market. We will allow things that are certified as long as they’re on a registry like ACR where you can track retirement, and we won’t certify the use of offsets older than four years.”

At the same time, CNC is keen to ensure that the goal of climate neutrality isn’t beyond the reach of most companies.

With some offset standards requiring more intensive monitoring, this can make the effort unaffordable to many buyers.

“We want to be able to define the acceptability on each of the two legs (calculation and offsetting) to be something that people can aspire to and actually achieve,” Robinson said.

“There’s no point being a high-level standard that can only be achieved with, for example, satellite monitoring. 99% of industries won’t have that capability.”

Since launching earlier this year, CNC has been working to assemble its net zero transactions protocol with input from industry experts specialising in certification, auditing, offset markets, energy trading, and sustainability.

Robinson said CNC will monitor developments in both footprint calculations and in the offset market to ensure that its protocol stays up to date with best practices.

And with some energy buyers beginning to put ESG-related criteria into their purchasing tenders, Robinson believes CNC certification is also an effective way for energy suppliers to differentiate their offering and meet the increasingly demanding disclosure requirements from the financial sector.

“Banks and trade finance houses that enable these transactions are also under pressure from shareholders and regulators to address their carbon footprint,” he said.

“If they can get climate neutrality around the things they finance, that helps with their Scope 3 emissions. They can even offer discounted loans for carbon-neutral transactions.”

CNC is targeting energy transactions as the most immediate market for certification, but Robinson points out that it can also apply to many other commodities.

“Copper, iron ore, coffee, rapeseed, grains ... There are different emissions from farming techniques associated with energy and fertiliser use. Land-use and land-use change associated with farming has certain emissions. Then there are the differences between livestock, soils, regions, different feeds, fertilisers, whether the soil is tilled or irrigated, and forms of irrigation.”

“As long as you can define the transaction, you can calculate the GHG emissions across the lifecycle.”

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