# March 2022

AirCarbon Exchange

*The Future of Carbon Trading*

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Environmental Finance
Voluntary Carbon Market Rankings 2021
Winner

# MARKET REALITY

Governments are imposing regulatory carbon constraints and constituents are demanding concrete mitigation efforts from companies.

**01**

**02**

Increasingly, investors are using **Environmental, Social, Governance (ESG)** criteria when screening companies.

Industries are incapable of curtailing carbon emissions internally without disrupting profitability.

**03**

**04**

Industries are turning to carbon markets to identify the most efficient carbon reductions.

Carbon markets are fragmented and inefficient as they are segmented based on their individual characteristics and not the market they serve.

**05**

MARKET PRESSURE ON

# ESG REPORTING

1

SGX and other Global Exchanges already **mandate** that all listed companies report on **ESG**.

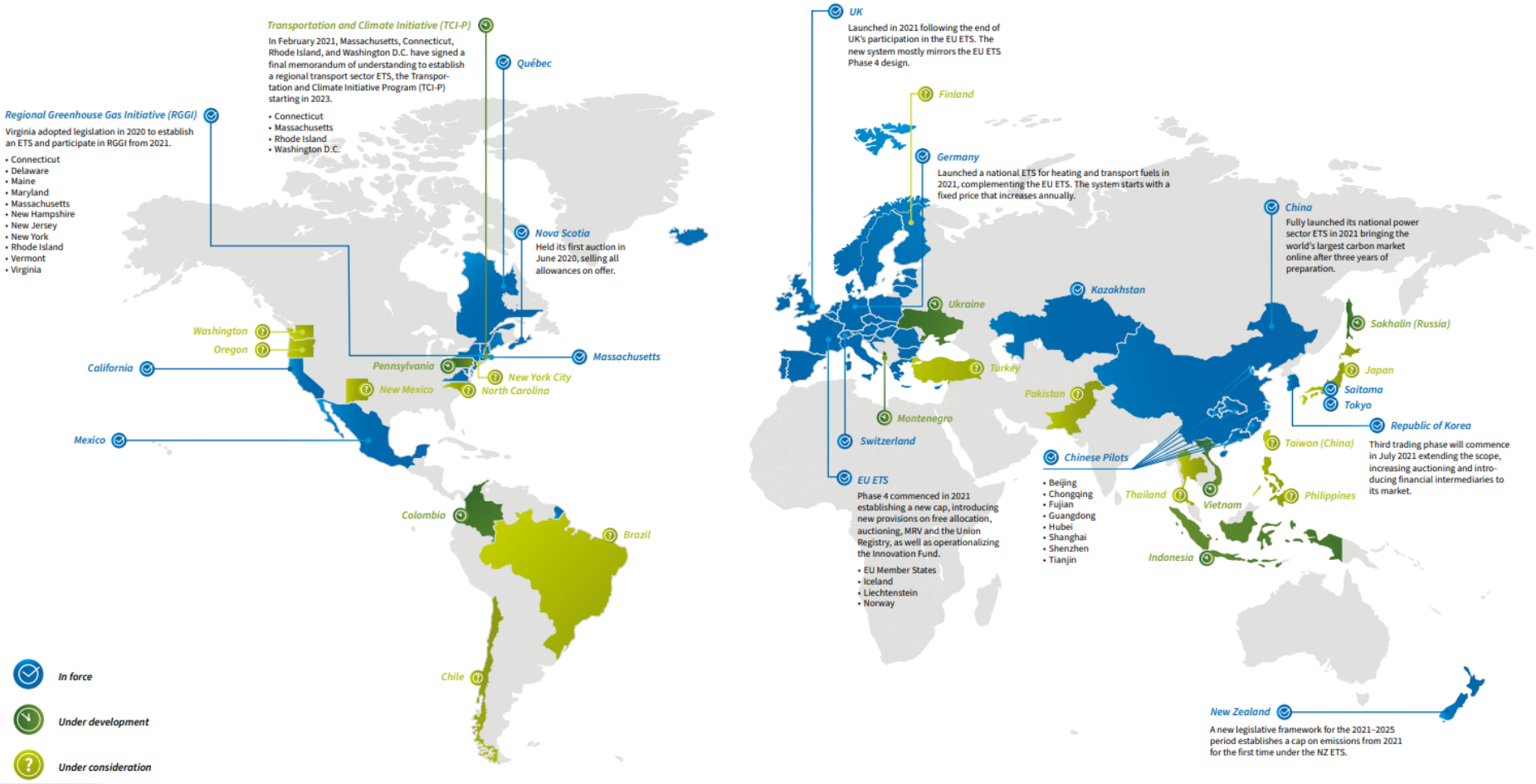
2

There is increasing pressure on companies to develop a transparent policy for carbon neutrality.

3

Companies deemed as environmentally unfriendly will see a direct impact on the cost of debt, capital and share price.

# CARBON TRADING MARKETS EXPANDING




**There are 24 Emissions Trading Systems (ETS) in force across 38 different countries.**

Another 8 jurisdictions are putting in place their systems that could be operating in the next few years, including Indonesia and Colombia.

14 jurisdictions are also considering the role an ETS can play in their climate change policy mix, including Chile, Thailand and Philippines.

**The AirCarbon offers all these markets a liquid hedging instrument linked to a global basket of carbon credits.**

Source: ICAP. (2021). Emissions Trading Worldwide: Status Report 2021. Berlin: International Carbon Action Partnership.

# TOTAL ADDRESSABLE MARKET

“

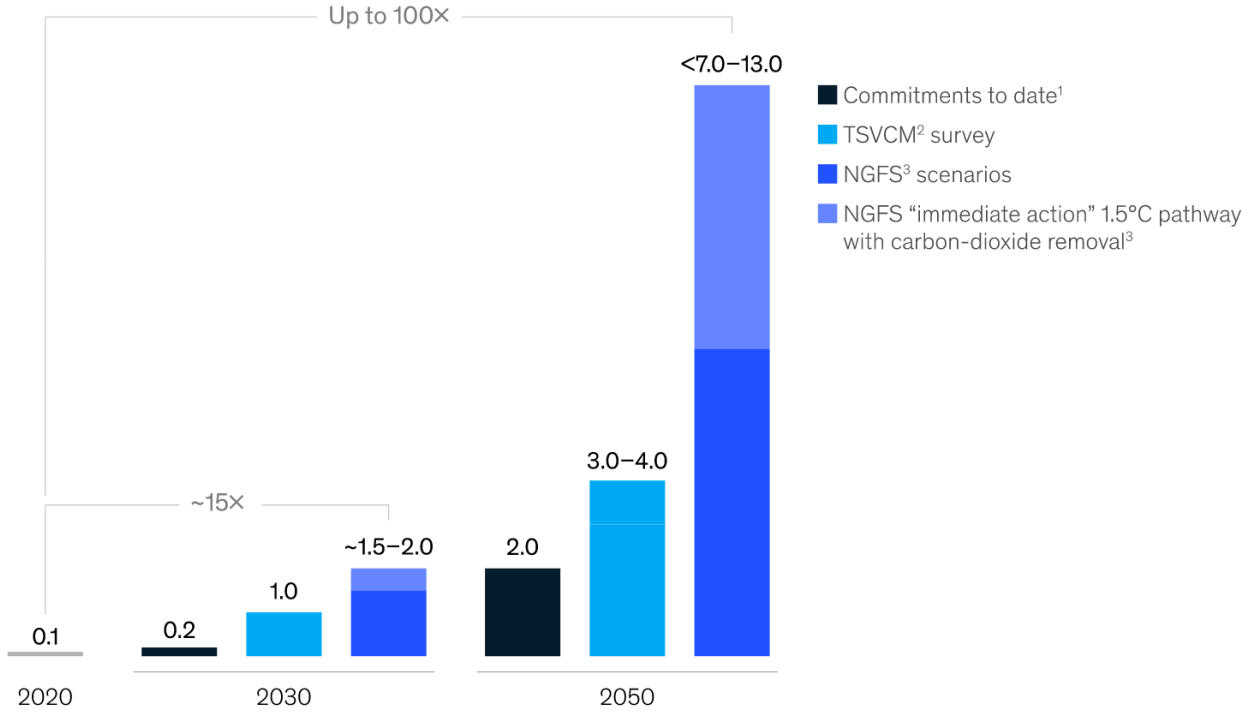
McKinsey estimates that **annual** global demand for carbon credits could reach up to **1.5 to 2.0 gigatons of carbon dioxide ($GtCO_2$) by 2030** and up to **7.0 to 13.0 $GtCO_2$ by 2050**.

Depending on different price scenarios and their underlying drivers, the market size in 2030 could be between $5 billion and $30 billion at the low end and **more than $50 billion** at the high end.

”

**Global demand for voluntary carbon credits could increase by a factor of 15 by 2030 and a factor of 100 by 2050.**

**Voluntary demand scenarios for carbon credits,** gigatons per year




[1]These amounts reflect demand established by climate commitments of more than 700 large companies. They are lower bounds because they do not account for likely growth in commitments and do not represent all companies worldwide.
[2]TSVCM = Taskforce on Scaling Voluntary Carbon Markets. These amounts reflect demand based on a survey of subject-matter experts in the TSVCM.
[3]NGFS = Network for Greening the Financial System. These amounts reflect demand based on carbon-dioxide removal and sequestration requirements under the NGFS's 1.5°C and 2.0°C scenarios. Both amounts reflect an assumption that all carbon-dioxide removal and sequestration results from carbon credits purchased on the voluntary market (whereas some removal and sequestration will result from carbon credits purchased in compliance markets and some will result from efforts other than carbon-offsetting projects).
Source: NGFS; TSVCM; McKinsey analysis

McKinsey & Company

Source: https://www.mckinsey.com/business-functions/sustainability/our-insights/a-blueprint-for-scaling-voluntary-carbon-markets-to-meet-the-climate-challenge

# CURRENT FRICTIONS

## HIGH TRANSACTION COST

Traditionally, project developers have used third parties to sell their carbon credits paying fees anywhere from **20-40% of the notional value of the transaction.**

## OPAQUE MARKET

In the absence of a transparent marketplace, project developers seldom know the **true market value** of their credits.

## INEFFICIENT MARKET STRUCTURE

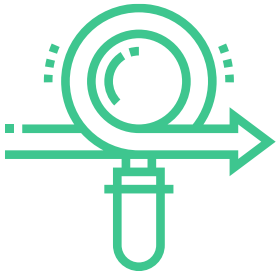
Traditional OTC transactions often involve unique buyers that aren't properly vetted or screened, and bespoke agreements for project developers to sign, making carbon trading a **very inefficient** and **slow** process.

## LONG TERM CONTRACTS

Project developers are offered **long-term off take agreements**, which provide a cash injection but lock in opaque pricing and reducing **potential upside in the future**.

THE MARKET NEEDS

# Direct Access to an Exchange / Marketplace that provides



Transparency

Flexibility

Low Cost

# AirCarbon's SOLUTION


A global digital carbon exchange bringing **efficiency**, **transparency** and **security** to the voluntary carbon markets at an **extremely low cost**.

# AIRCARBON'S VALUE PROPOSITION

**Transparency**: Bids/offers & transacted prices are fully transparent vs. opacity of OTC transactions

**Efficiency**: Eliminates the complexity and resources needed for OTC transactions

**Liquidity**: Standardised contract specifications with a price on an exchange platform allow an unprecedented level of liquidity

**Cost-Effective**: Lowest transaction costs in the market

AirCarbon Exchange

**No settlement risk**: Eliminates settlement risk for buyers and sellers through real-time settlement

**Secure**: All transactions on the blockchain are recorded immutably

**Creation of price signal** for the carbon market, facilitating flow of investment dollars into carbon projects

Introduction of **futures contract will provide a valuable tool for risk hedging** and will provide price stability and liquidity

# TOKENS BY MARKETS

**Credits from different projects are sorted based on their project characteristics and minted into AirCarbon Tokens of different types**

### AirCarbon CORSIA Eligible Token

- A token backed by carbon credits is eligible under the 2021-2023 pilot phase of Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) established by International Civil Aviation Organization (ICAO)
- Airlines, Financial Institutions, Brokers, Fuel Companies, Speculators.
- Projected to be US$6 bn p.a.

### AirCarbon Sustainable Development Token

- A token backed by carbon credits with additional certifications for UN Sustainable Development Goals (SDGs).
- Voluntary (CSR) buyers, Financial Institutions, CSR Speculators.

### AirCarbon Renewable Energy Token

- A token backed by carbon credits generated from renewable energy projects.
- Voluntary (CSR) buyers, Financial Institutions, CSR Speculators.
- Has one of the largest accumulative issued volume

# TOKENS BY MARKETS

## AirCarbon Global Nature Token

The GNT was created for buyers with a specific focus on nature-based solutions. Each GNT represents a Carbon Emission Unit generated by a nature-based project.

## AirCarbon Global Nature + Token

Each GNT+ represents a carbon offset generated by a nature-based project additional certifications for co-benefits.

## AirCarbon Household Offset Token

Each HOT represents a carbon offset generated from an improved cooking solution projects that have been certified to have at least 2 SDGs.

Voluntary (CSR) buyers, Financial Institutions, CSR Speculators.

Voluntary (CSR) buyers, Financial Institutions, CSR Speculators.

Volume in the Forestry and Land Use sector grew 152% from 54 $MtCO_2e$ in 2018 to 136 $MtCO_2e$ in 2021*.

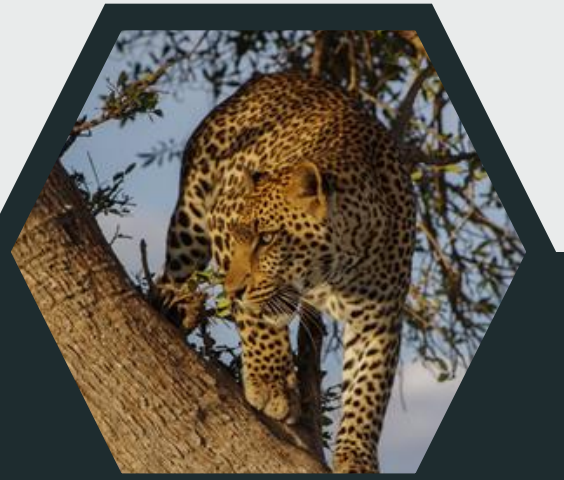


* According to Trove Research Data as of 2021 Q3.

# SAMPLE PROJECTS ON AIRCARBON

Reducing emissions from deforestation and forest degradation (REDD+) project in Borneo Indonesia that addressed
**17 of 17 SDGs**

REDD+ Project in Pikounda in Congo that addressed
**2 of 17 SDGs**



REDD+ Project in Cardamom in Southern Cambodia that addressed
**8 of 17 SDGs**

Cookstove Project in Malawi in East Africa that addressed
**3 of 17 SDGs**

# SECURITY AND TRANSPARENCY

bsi.

- First National Standard body and a founding member of International Organization for Standardization (ISO)

Pacific Trustees

- A fully licensed Trustee regulated under the Monetary Authority of Singapore

AirCarbon adopts a **transparent fee structure** published on its website.

AirCarbon does not trade for its own account and unlike most brokers in the market is therefore **not conflicted** as a **pure exchange platform**.

All carbon projects listed in the AirCarbon Exchange are **vetted by BSI** to confirm they meet the required standards.

Exchange members' **assets** are **held in custody or trust.**

# AIRCARBON TRADING PLATFORM

## SPOT

### Spot Exchange

Carbon is traded via standardised contracts through the Spot Exchange. Clients have full control over their bid/ask price and full transparency on transaction fees.

**Benefits**:

- Fast trades
- Invest in a portfolio of projects
- Lowest fees in the industry
- Familiar interface for traders
- Instant trade settlement and clearing

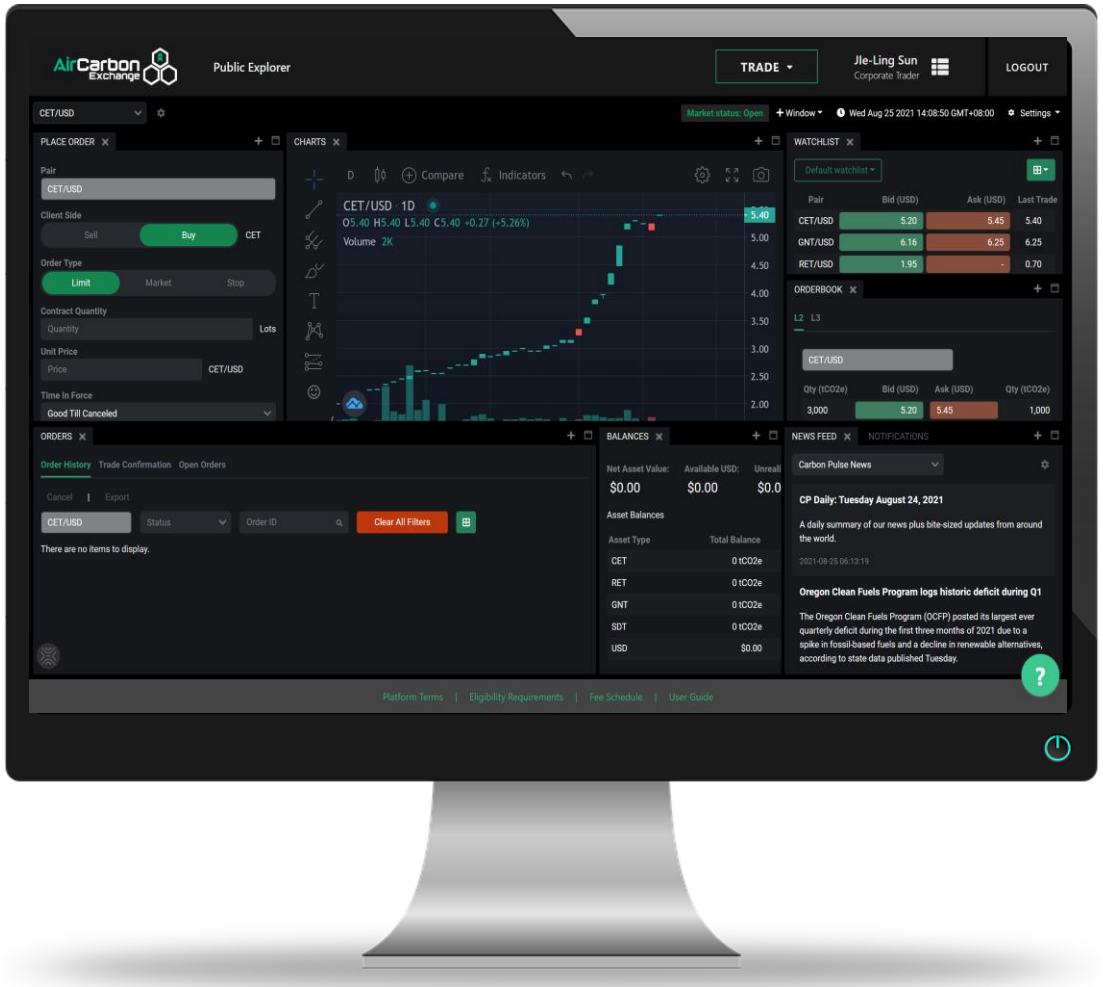
Bid/Ask

Charts

Cash Management

Account Management

Public Explorer



# AirCarbon CARBONFINDER

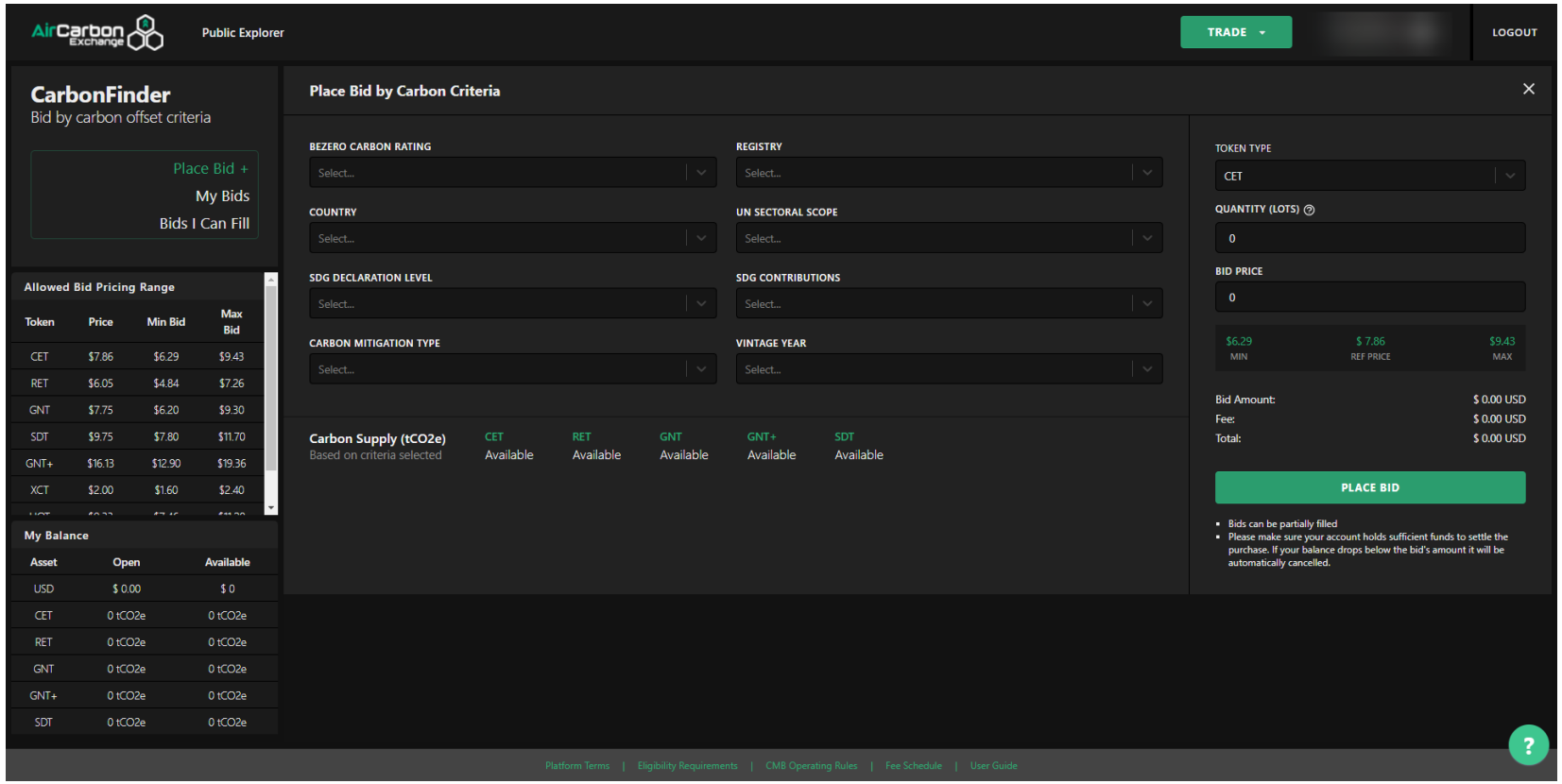
Carbon Finder

## CarbonFinder

Carbon is traded via a standardised contract, that meets additional specific criteria (e.g. registry, project location, vintage, etc) set by the client.

**Benefits:**

- Buyers may bid on credits that meet specific criteria
- Sellers can command a premium for specific types of credit
- Instant trade settlement and clearing



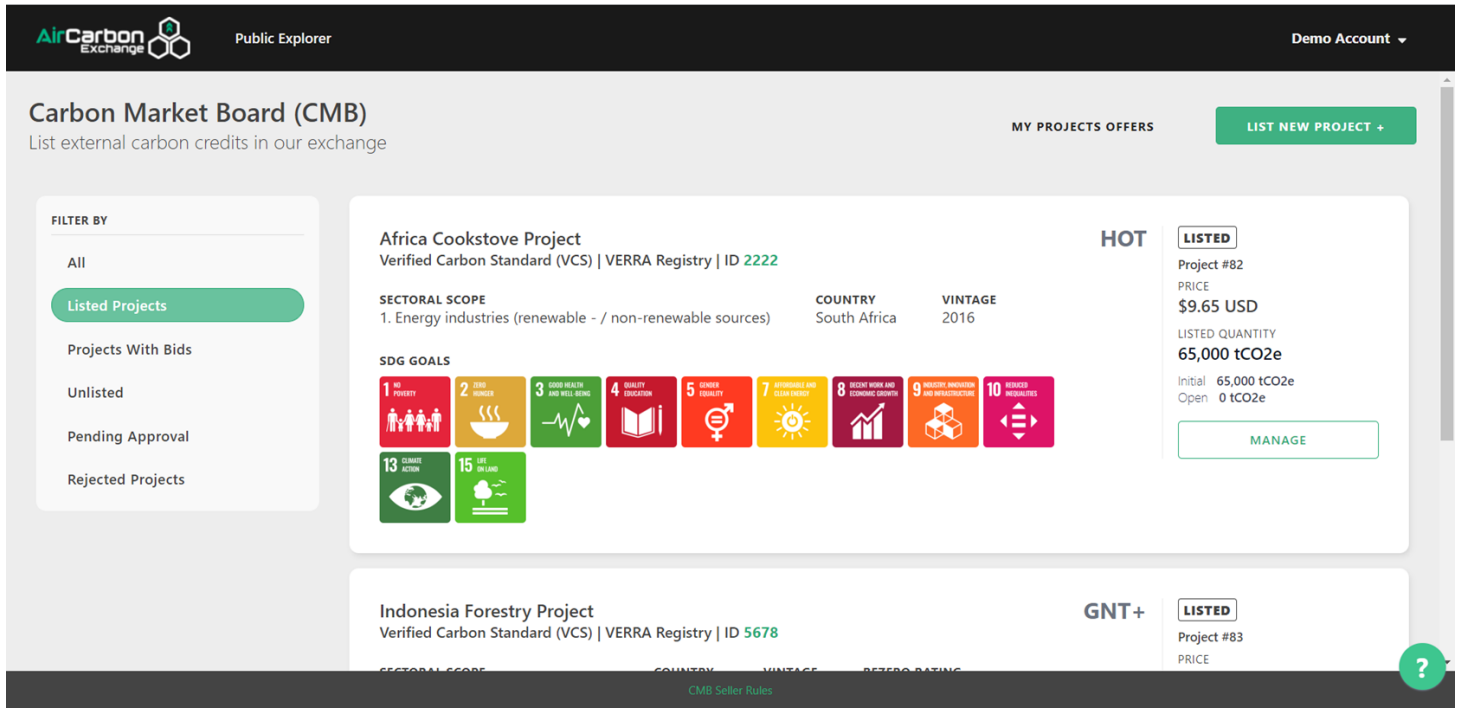
# AirCarbon CARBON MARKET BOARD

## Carbon Market Board

The CMB offers a frictionless process for sellers to easily transact with trusted counterparties efficiently and with the flexibility to share offers at their chosen price.

**Benefits:**

- Buyers can purchase project specific credits with flexibility on volume and price.
- Reduce paperwork and time spent negotiating OTC trades.
- Quick and safe settlement with trusted counterparty.



# COST COMPARISON

For a purchase of **5,000 $tCO_2e$** at **$8/tonne**

## 1

AirCarbon Exchange

**Spot Exchange**

**USD5/1,000 $tCO_2e$**

**AirCarbon Trading Fees**
5,000 tonnes × $5/1,000 tonnes

**$25**

## 2

AirCarbon Exchange

**CarbonFinder / CMB**

**USD50/1,000 $tCO_2e$**

**AirCarbon Trading Fees**
5,000 tonnes × $50/1,000 tonnes

**$250**

## 3

**Brokers**

**10% to 20% or more of notional**

**Broker Commission**
5,000 tonnes × $8/tonne × 10%

**$4,000**

The difference of **$3,750 to $3,975** is money which is not going to environmental projects when the trade is conducted through brokers

# AirCarbon Presence

**Our client base consists of traders, project developers, and corporates from more than 30 countries.**

## Singapore

The Centrepoint,
176 Orchard Rd,
#05-05,
Singapore
238843

## Abu Dhabi

4th Floor WeWork Hub71,
Al Khatem Tower,
Adgm Square,
Al Maryah Island,
Abu Dhabi,
United Arab Emirates

## Brazil

AirCarbon Exchange and BlockC have full support from Rio's City Hall to develop a carbon marketplace for Brazil which is set to launch in 2022

# TEAM OVERVIEW

**The AirCarbon team brings together subject matter experts seasoned in Exchange Architecture, Carbon Trading, and Startups**

**Thomas McMahon**, **CEO**, has 30 years experience building commodities exchanges under US and Asian Exchange and Regulatory frameworks including building and running NYMEX Asia and the Hong Kong Mercantile Exchange. Thom is also the chairman of the Digital Exchange Association.

**William Pazos**, **Managing Director**, has over 30 years experience in the financial markets with an emphasis on environmental markets for the past 20 years. He built the one of the world's largest carbon aggregators under the Kyoto Protocol regime. In fact, in 2007, 20% of all the carbon credits issued under the protocol (excluding HFCs) were done by his company.

**Kevin Khoo**, **COO & General Counsel**, has over 15 years of experience in the legal and banking sectors. With his unique background including senior legal as well as commodities banking roles, Kevin brings a wealth of experience in legal and regulatory matters, commodities and finance.

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Reach out to us to trade your carbon credits on our Exchange.

We are also readily available for a demo and further information.

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