

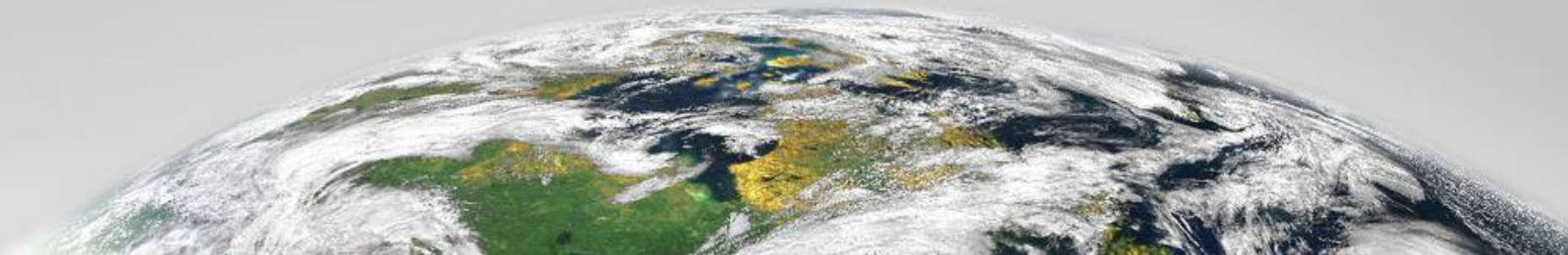


MERCURIA

Jessica Orrego

Yale Forest Forum

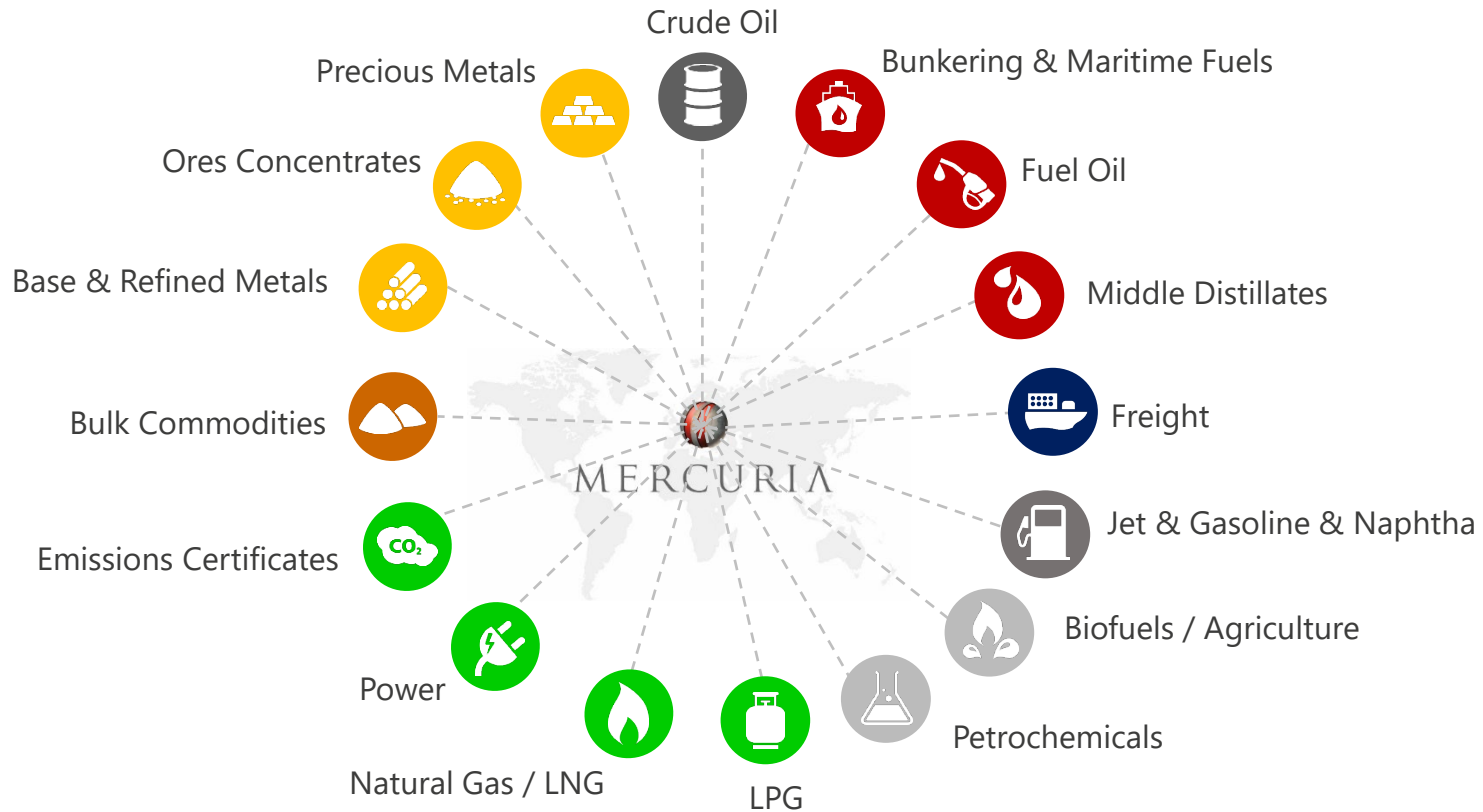
February 23, 2023



Today's presentation

- Introduce Mercuria
- Describe our JREDD activities
 - Lessons learned
 - Challenges and opportunities
- VCM market outlook for JREDD

Mercuria - Markets covered

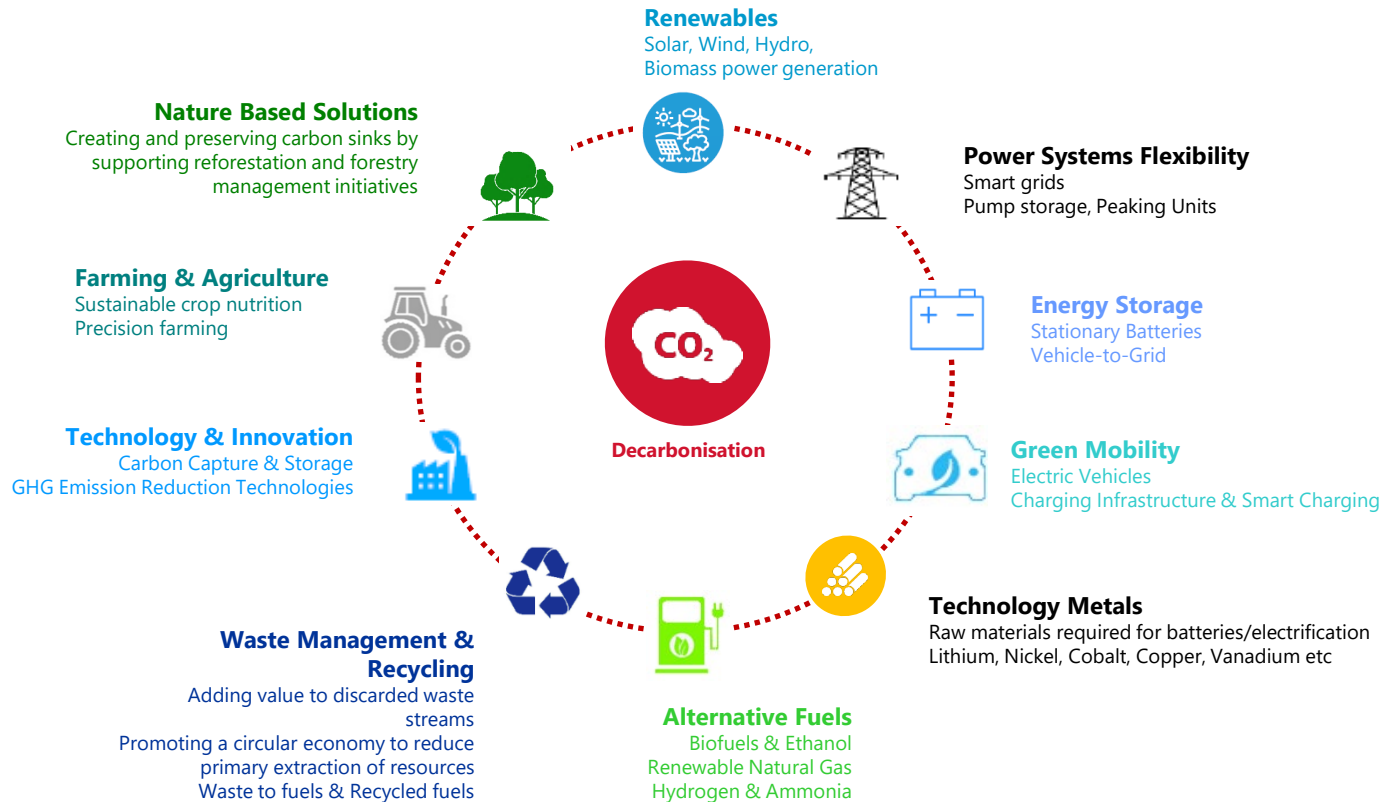


Energy Transition

Making cleaner power, cleaner fuels for transport and industry, a cleaner planet and cleaner oceans



MERCURIA





Mercuria's work with Jurisdictional REDD+ programs

Assess



- ✓ Identify gaps
 - MRV
 - Safeguards
 - REDD+ Strategy

Finance



- ✓ ERPA
- ✓ Upfront payments

Implement



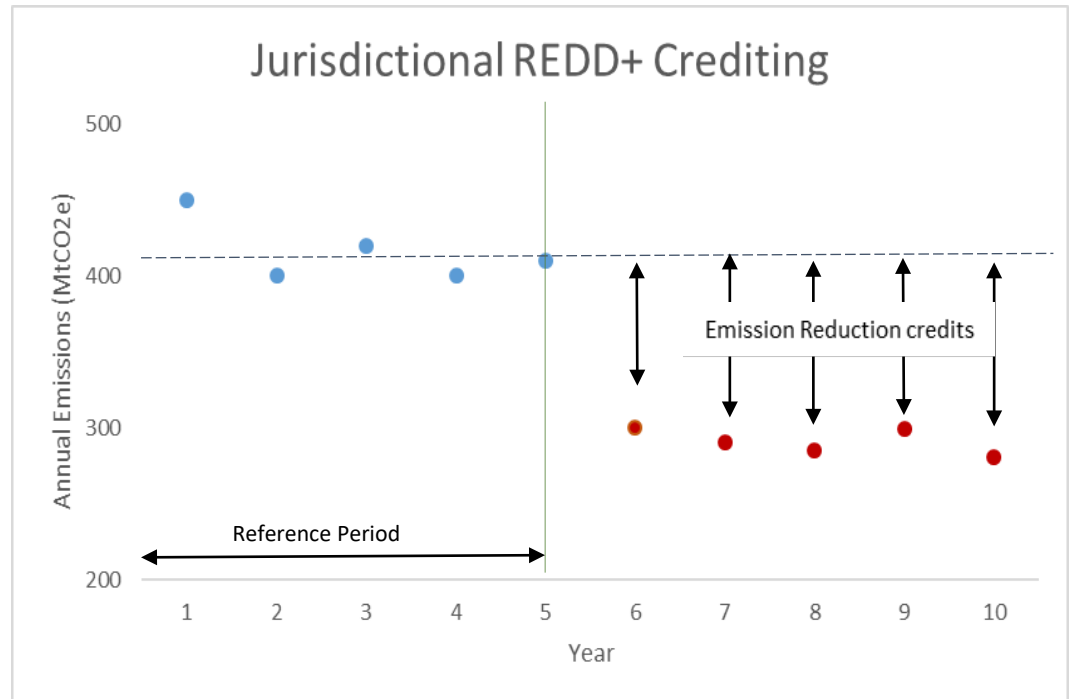
- ✓ MRV
- ✓ Safeguards
- ✓ REDD+ Strategy
- ✓ Standard documents
- ✓ Verification

Monetise



- ✓ Sale of credits
- ✓ Payments to jurisdiction to finance REDD+ activities

- Programs that managed by governments trying to reduce deforestation and degradation across an entire national or subnational jurisdiction
- Includes implementation and enhancement of policies and improved forest governance
- Implementation of Cancun Safeguards
- Development of benefit sharing framework with landowners



Advantages of JREDD

Promote larger scale impacts

Robust baselines

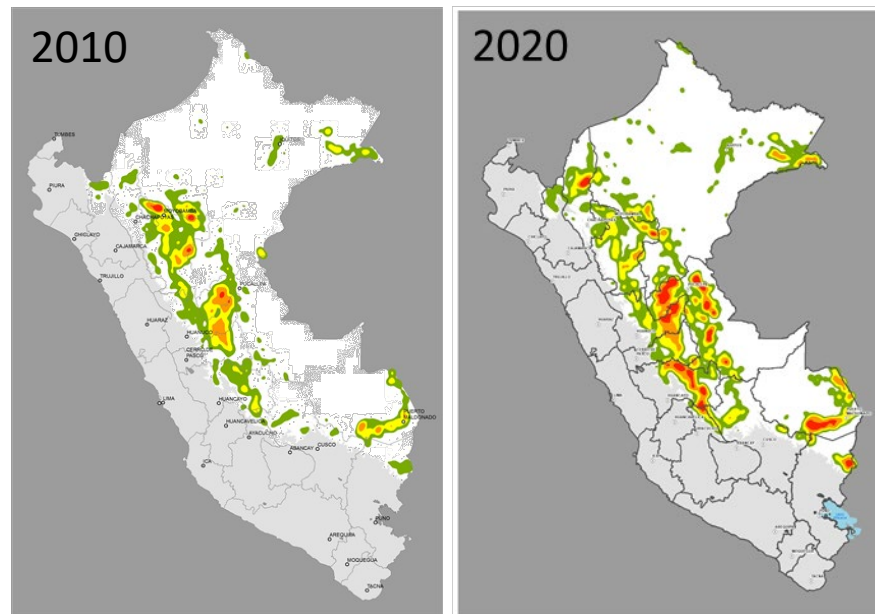
Leakage mitigation

Reversal risk is spread

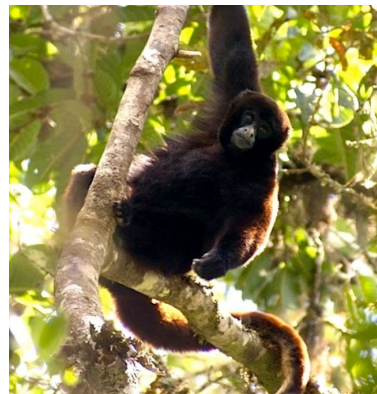


Where we work: Ucayali, Peru

- Deforestation has increased in past several years
- Driven by expansion of agriculture
- Increased migration to region
- Illegal and legal logging
- Illegal coca
- Poor governance & institutional barriers



Key activities:
Public consultations
Develop of a benefit sharing system



Where we work: Misiones, Argentina

Located in the northeast of Argentina

Largest remaining tract of Interior Atlantic Forest
(Paranaense Forest)

Deforestation from agricultural expansion and forestry
plantation (illegal and legal)



Stakeholder consultations underway

MRV system in nearly complete

Draft REDD+ Strategy, SIS, benefit sharing
scheme

Plans to begin verification under JNR in next
few months

JREDD Observations

Need for champions within gov't

Need to align with national gov't

Financing: initial stage is critical if readiness financing hasn't been received in past

Need for robust benefit sharing

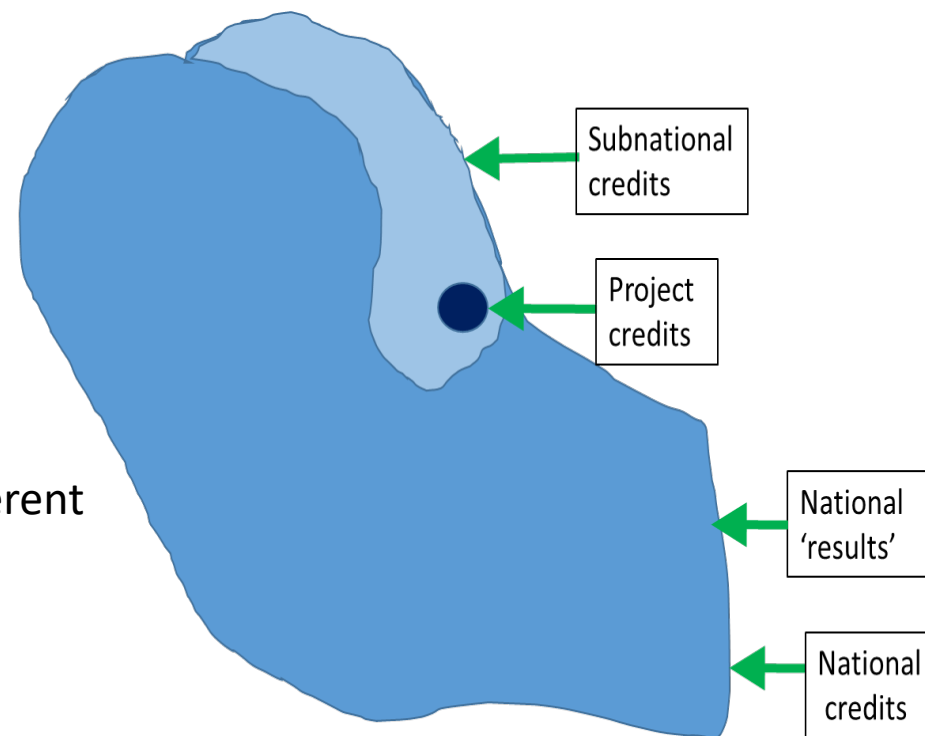
Safeguards are extremely important

Double counting with RBPs and projects



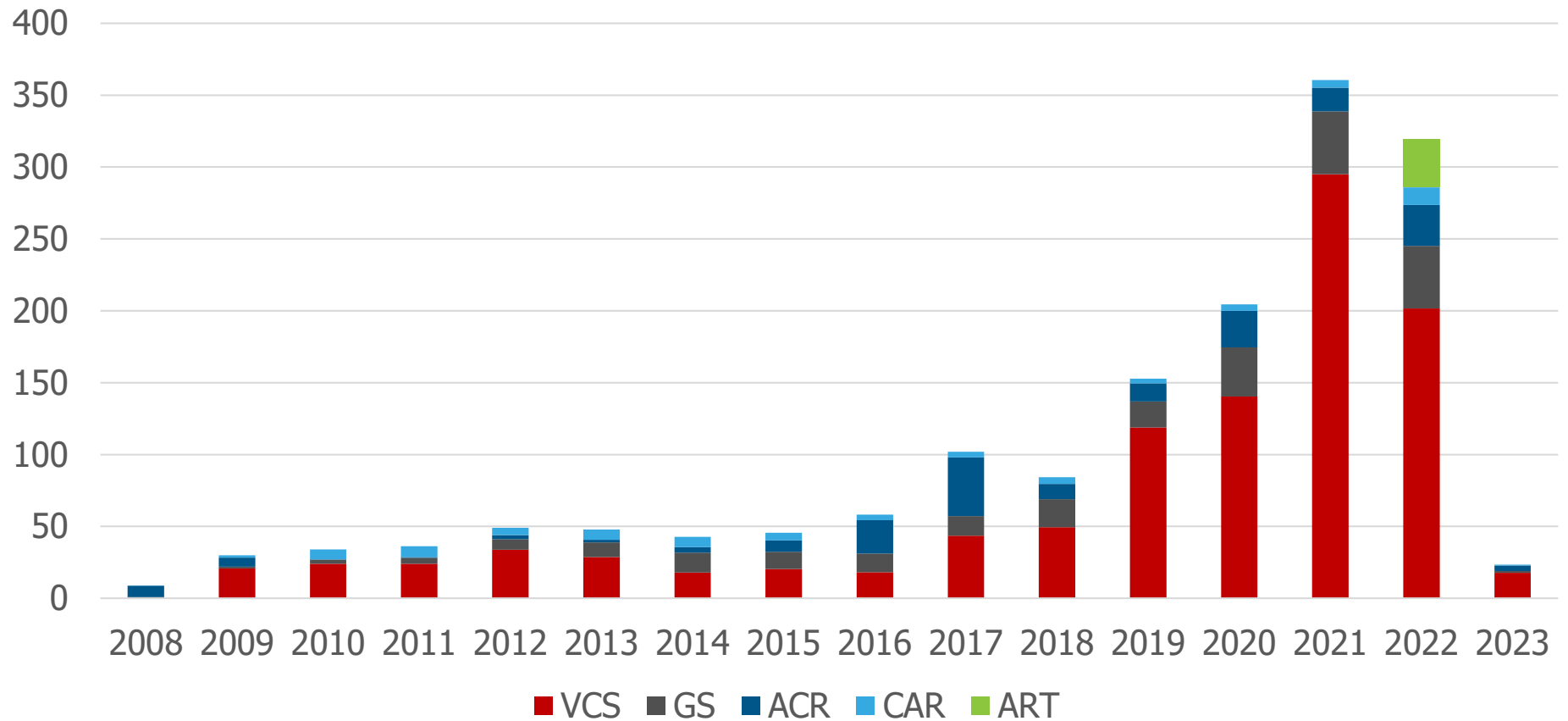
Nesting and double counting

- Project credits must be subtracted for JREDD issuance
- Not required by all JREDD standards
- Projects can have significant local impacts and benefits
- Current project accounting results in very different crediting
- Nesting critical for transition to jurisdictional approaches
- No clear mandate for projects to nest in most places
- Complex quantification/generation of activity data
- Transition period is starting now



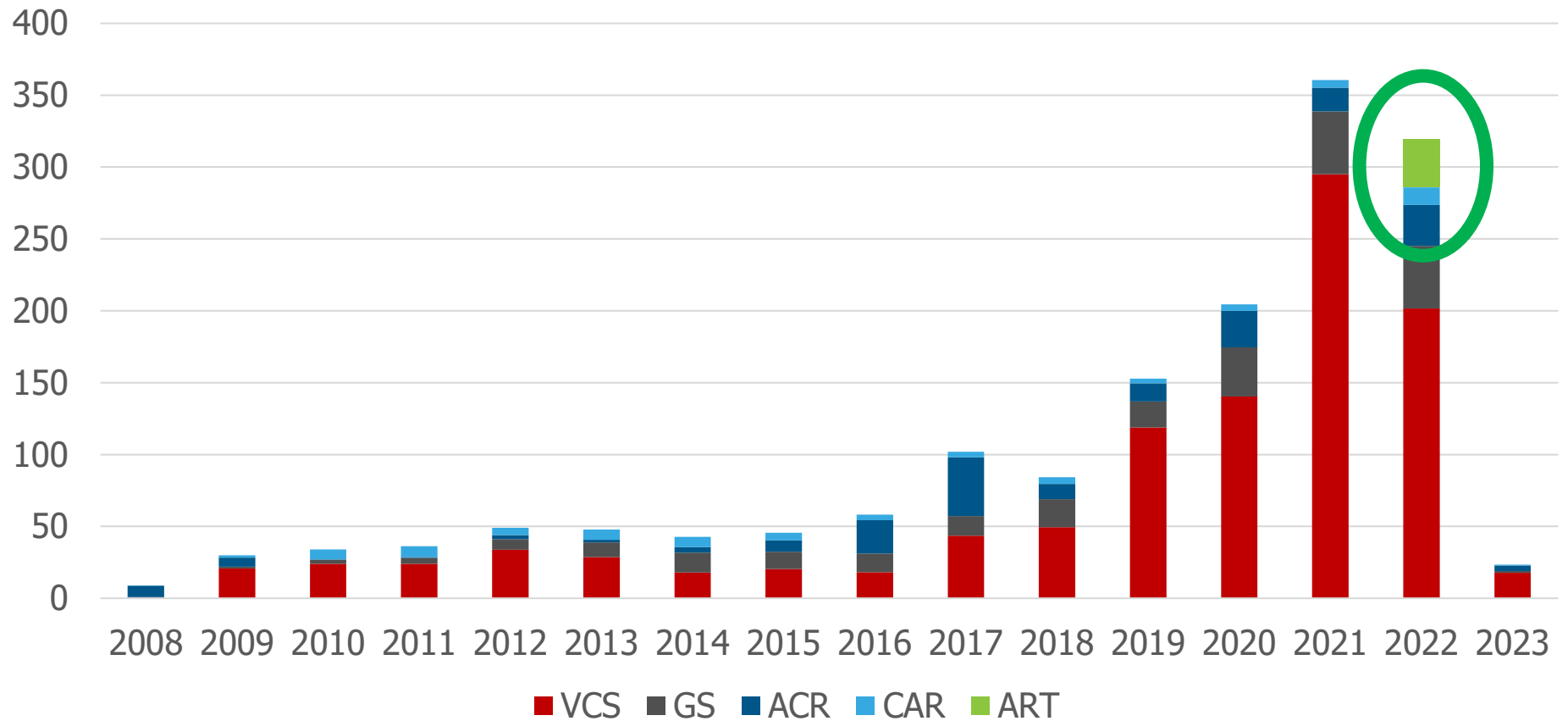
Annual offset issuance

Annual offset issuance by registry (million t)



Annual offset issuance

Annual offset issuance by registry (million t)



Voluntary market

- Demand from over 4300 companies with net-zero targets

Paris Agreement

- Potential for demand under offset provisions in Article 6.2 of Paris Agreement
- Details are still under development
- 'Pilot' bilateral agreements in place

ICAO CORSIA

- Potential demand from aeroplane operators to offset emissions from international routes



- Prices and volumes of standardized contracts on exchanges are down, thus no transparent benchmark for VCM pricing
- Weighted average market price in 2022 was \$8.8 (source: Trove Research) with Nature based credits still selling at premium to that.
- Market slowed in 2022, 2023 has had a slow start, market will likely continue to grow
- Buyers are seeing offset purchases as non-discretionary
- Buyers conducting significant DD and want to understand project details, with a strong focus on robust MRV systems and quality
- Growing preference for removals

Thank you!

