



## Not Convinced on Carbon Offsets

Carbon offsets, noble as it seems, is a concept that my green heart struggles with. A carbon offset is a credit that is bought to reduce carbon footprint. The credit represents financed projects that reduce or absorb harmful emissions. In essence, a business can reduce (or claim to reduce) its carbon footprint without reducing own emissions.

This, to me, sounds like, "I can carry on with my own pollution so long as I help to reduce pollution elsewhere." While it is fine that on a net basis there is neutrality or carbon reduction, if (and this is a big "IF") the emissions are indeed deemed "bad", there is no room for offsetting anything. You penalise what is bad and incentivise, or reward, what is good.

Imagine a world where murderers, cheating partners or drug dealers could buy credits to offset their own nefarious activities - would that work? Offsetting does not apply in these situations.

It can be argued that moving to a greener, safer environment requires a transitional phase and the financial resources required are insurmountable. Considering that money to finance wars has never run out, it appears to be more of a willpower question. Intentionality is also a challenge, because as long as you continue designing aeroplanes that require jet fuel, you cannot fathom reducing crude oil usage.

## Investment Insight

Identifying investment opportunities is a key element of what we do at Seed. Given growing efforts to move to net zero emissions, tradeable carbon offsets offer an interesting opportunity. The KraneShares Global Carbon Offset Strategy ETF is an example of a strategy in this space.

The ETF lost 90% in USD over the last year and returned -84% since inception (27 April 2022). Given my reservations towards carbon offsets, I don't mind much that performance has so far been poor. However, it will not be a surprise if the asset takes off and does well in the future.

This is an opportunity to keep an eye on - for better or worse.



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