Private Adaptation Finance

Private Capital Financing Options for Climate Relevant SMEs and Startups Beyond Equity Deals

A Discussion Paper on Instruments and Approaches with a Focus on Africa and Applicability to Emerging Markets

Introduction

The evolving landscape of global financing options presents both opportunities and challenges for startups and SMEs, particularly in emerging markets. Traditional bank financing is often limited, and private financing sources tend to focus primarily on classic equity deals, which involve investments in exchange for shares in the company (further described in Chapter 1). However, these funding types frequently fall short of addressing the unique needs and constraints faced by these enterprises. Startups and SME vary not only due to the diverse markets in which they operate but also in terms of their unique structures and growth stages, necessitating a broader range of financing instruments to foster economic growth across all economic segments – especially those that are relevant for development cooperation.

Thus, exploring alternative financing options is essential for fostering innovation, driving economic growth, and achieving sustainable development. This paper describes options such as Corporate Venture Capital (CVC), Venture Studios, Venture Debt, Web3.0-based financing through Decentralized Autonomous Organizations (DAOs), and Carbon Credit-based financing, all of which offer unique solutions for the contexts of emerging markets.

This paper provides an overview of these emerging financing options, with a particular emphasis on their applicability within the African ecosystem. However, these strategies are equally valid and relevant to the broader segment of emerging markets. Ultimately, this paper aims to equip stakeholders, primarily entrepreneurs and development cooperation practitioners, with insights into alternative financing options. By enhancing the capacity of startups and SMEs to secure funding, overcome financial barriers, and contribute to broader economic and social development goals, these instruments can drive significant progress in emerging markets.

1. Equity Financing: The good and the bad

Over the past decade, global entrepreneurial ecosystems have experienced a significant increase in funding, driven by the rise of digital technologies, the associated innovation potential, and the availability of inexpensive capital until the onset of inflation in major economies. This trend is evident not only in established markets but also in emerging markets, such as Africa. The African startup ecosystem, though still in its nascent stages, has demonstrated remarkable growth, with the collective ecosystem raising $2.8bn in 2023. Of the funds raised in 2023, a significant portion has come in the form of equity funding, which remains the predominant method of financing for startups in Africa[1]. This reflects trends also in other markets across the world. Equity funding, which is provided by renowned venture capital funds such as Sequoia Capital or Khosla Ventures but also smaller niche funds and even individuals, involves raising capital through the sale of company shares to new or existing investors. This capital does not need to be repaid, nor does it accrue interest. However, investors receive a proportionate share of the company's future profits and any proceeds from a potential sale, based on their ownership percentage in the company. Consequently, the better the company performs, the higher the return for the investors. Investors, therefore, have a vested interest in the success of the companies they fund, often contributing not just financially but also providing valuable networks and expertise. This "skin in the game" approach has been pivotal in the success of the tech industry, driving companies to overcome challenges and capitalize on growth opportunities effectively.

One reason for the consistently high importance of equity deals as the preferred instrument, especially in early growth stages, is relevant contractual innovations that significantly have simplified equity deals, such as Simple Agreements for Future Equity (SAFEs). SAFEs offer a simpler alternative to traditional equity funding, allowing startups to secure investment without immediate valuation pressures, thus streamlining the funding process and making it easier for startups to attract investors.

[1] The Big Deal's proprietary database, Africa. *Accessible here*

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1 Explainer: SAFE (Simple Agreement for Future Equity)

SAFEs are an early-stage venture funding instrument that allow startups to secure investment without immediate valuation. Created by Y Combinator, SAFEs grant investors the right to future equity under specified conditions without accruing interest or having a maturity date, making them simpler and more favorable for startups than convertible notes. In capital-constrained markets, SAFEs are particularly attractive as they avoid immediate valuations. There are different types of SAFEs:

1. **Valuation Cap, No Discount:** Sets a maximum valuation for the next funding round with no discount on the future share price.
2. **Discount, No Valuation Cap:** Offers a discount on the future share price without setting a valuation limit for the next funding round.
3. **MFN (Most Favoured Nation) Clause, No Discount, No Valuation Cap:** No discount or valuation limit is agreed on, but investor gets the right to switch terms if another investor gets offered better ones later.

In 2023, Techstars, the most active investor in African startups, used SAFEs in 51 investments. Y Combinator also engaged in 12 deals with African startups, utilizing SAFEs[2]. This approach has been crucial in providing African startups with the resources needed to fund operations without the complexities of immediate valuations.

Box 1: Explanation of SAFE: Simple Agreement for Future Equity

However, equity investments come with significant shortcomings for both investors and investees, particularly in emerging economies, as African markets show. For investors in many African ecosystems, the challenging market environment results in weak returns on venture capital investments—less than 3% on average across the region over five years, compared with around 11% in Asia-Pacific and nearly 16% in Europe.[3] For investees in Africa, the availability of capital remains a primary challenge, highlighted by the fact that less than 5% of startups receive funding from angel investors.[4] Additionally, rising interest rates in the Global North shift money down the risk curve, further decreasing available funds for high risk venture capital. Despite its prevalence, equity financing in the African continent has decreased by 39% year-over-year,[5] a trend that can be also observed in other parts of the world. For companies that do secure equity capital, this form of financing comes with very high costs. In the early stages of growth, investors often demand significant ownership stakes for relatively small amounts of capital, which means that future profits are heavily diluted and not retained by the company. This is a substantial drawback, as it limits the company's ability to reinvest in its growth further down the line.

From the perspective of development cooperation, another disadvantage is that only companies with high growth prospects or trajectories attract investor interest. These companies are typically tech-based, as they offer high growth potential. Traditional SMEs, on the contrary, usually face limited growth potential, scalability issues, lower profit margins, less innovation, and fewer lucrative exit opportunities. However, from a development cooperation standpoint, these traditional SMEs are crucial as they often produce relevant goods or services (e.g. for energy transition, agriculture / food supply chains, etc.), form the backbone of the economy and contribute the largest share to the workforce.

Thus, the following provides an overview of emerging funding types and actors, both within and beyond traditional equity funding typically offered by conventional VC funds. While this overview is not exhaustive or mutually exclusive and collectively exhaustive, it aims to provide an educational perspective on the diverse funding landscape for different Startups and SME as well as development cooperation actors.

2. New actors in venture equity capital

Traditionally, venture capital, particularly venture equity, is provided by dedicated venture capital funds that manage investments on behalf of their investors (individuals or institutions) in exchange for management and performance fees. However, these funds are not the only actors any more interested in equity investments in startups.

2.1 Corporations

Besides VC funds, large corporations also invest in startups to bolster their own innovation management. These investments, called Corporate Venture Capital (CVC) aim not only for financial returns but also to access innovative technologies, new regions, and ideas, enhancing the corporations' R&D efforts and maintaining competitiveness. This strategic approach allows corporations to expand product offerings, enter new markets, and diversify business models with reduced risk. Additionally, investing in startups grants access to top talent, valuable market intelligence, and synergies through strategic partnerships.

The potential for corporate venturing is high in many emerging markets, but it particularly lends itself to many African economies, according to BCG.[6] Despite entrepreneurs managing to circumvent structural barriers such as fragmented markets, low consumer purchasing power, complex regulations, and inadequate data communications infrastructure, they often encounter the harsh realities of Africa's competitive landscape. Key sectors, especially business-to-consumer ones like financial services, retail, and energy, are dominated by large business groups or state monopolies that are

[2] The Big Deal's proprietary database, Africa. *Accessible here.*

[3] BCG (2021): Overcoming Africa's Tech Startup Obstacles. How established enterprises can help the region's innovators scale up. *Accessible here.*

[4] World Business Outlook (2021: Startup Boom in Africa. *Accesible here.*

[5] The Big Deal's proprietary database, Africa. *Accessible here.*

[6] BCG (2021): Overcoming Africa's Tech Startup Obstacles. How established enterprises can help the region's innovators scale up. *Accessible here.*

considered national champions. These enterprises, while expected to advance national interests, often use their market power and connections to hinder new entrants with disruptive business models. Therefore, rather than competing directly for consumers, tech innovators in emerging markets stand a better chance of success by collaborating with these larger entities, e.g. through Corporate Venturing. However, for this to be effective, the corporate sector must be willing to open up and engage with new businesses as true partners. This collaboration can drive mutual growth and foster a more dynamic and competitive market environment.

Corporate Venture Capital (CVC)	What are the benefits?
Benefits for SMEs/Startups	Seeking CVC makes sense for startups and SMEs when there is alignment with the corporate's strategic goals, and a need for resources beyond capital, such as expertise and infrastructure. It is beneficial for scalable businesses ready to expand into new markets, and for those that can leverage corporate R&D and innovation synergies. The right preconditions include a validated business model, strong market fit, an experienced management team, aligned interests, and thorough preparation and due diligence. Given that Corporate Venture Capital (CVC) is not yet prevalent in many emerging economies, it is essential for startups and SMEs to plan thoroughly. This involves allowing sufficient time to raise funds from corporates, particularly in identifying those whose strategic interests align with the startup's goals. Pitch decks should highlight both the potential financial returns and the strategic benefits for the corporate investor. Additionally, startups must educate corporate decision-makers about the advantages and processes of CVC. By meticulously planning and aligning with the right corporate partners, startups and SMEs can effectively leverage CVC to accelerate their growth and achieve long-term success.
Development cooperation agencies	Development cooperation agencies like GIZ can foster corporate venturing in partner countries by facilitating partnerships, enhancing capacity, and advocating for supportive policies. Cooperation agencies can organize networking events and innovation forums to connect corporations with startups, creating opportunities for strategic partnerships. Additionally, they can provide training for startups on business development and scaling and offer workshops for corporations on open innovation. Cooperation agencies can also work with governments to streamline regulations and provide incentives for corporate investments in startups. By connecting stakeholders, building capacity, and promoting favorable policies, they can enhance corporate venturing in partner countries, driving innovation and economic growth.

Table 1: The benefits of Corporate Venture Capital (CVC) for SMEs and Development cooperation agencies

2.2 Venture Studios

Venture studios have emerged as a crucial innovation in the startup ecosystem, addressing the limitations of traditional venture capital (VC) funds. Unlike VC funds, which primarily provide capital and strategic guidance, venture studios take a more hands-on approach by offering comprehensive operational support. This includes managing finance, legal, HR, marketing, sales, IT, and other essential business functions, allowing founders to focus entirely on product development. By reducing the time required for product development and improving sales, venture studios significantly enhance a startup's likelihood of success.

In Africa, venture studios are gaining traction as an effective model for nurturing startups amidst the continent's unique challenges, such as market fragmentation and regulatory complexities. One notable example is Fast Forward Ventures, a US and Nigeria-based firm that has successfully built six large Africa-based startups like the e-Commerce Tool Bumpa. The firm is considered the Shopify for Africa and raised USD 4m in Seed funding in 2022 just two years after its foundation and collaboration with the venture studio.[7] Fast Forward often collaborates with prominent investors like Y-Combinator, Techstars, and Plug & Play, demonstrating the potential for significant impact in the African startup ecosystem. Venture studios provide the necessary capital and operational support at an early stage, reducing financial pressures and accelerating growth. The success rates of startups emerging from venture studios are notably higher than those of traditional startups. A study from 2021 which analyzed 53 studios from five continent concluded that 84% of startups coming out of studios go on to raise a seed round, and 72% make it to Series A, compared to 42% of traditional ventures. Additionally, the time from inception to Series A is significantly shorter for venture studio startups, averaging 25.2 months compared to 56 months for traditional startups. The average internal rate of return (IRR) for venture studio startups is also higher, at 53% compared to 21.3% for traditional startups. These metrics highlight the effectiveness of the venture studio model in driving the growth and success of startups.[8]

[7] Tech Crunch, *accessible here.*

[8] GSSN, *accessible here.*

Venture Studios	What are the benefits?
SMEs/Startups	Startups and SMEs can significantly benefit from venture studios, which provide comprehensive operational support, allowing founders to focus on product development. This model is particularly advantageous for early-stage startups needing infrastructure, innovative ideas requiring rapid execution, and SMEs looking to scale. Preconditions for success include a strong founding team, a scalable business model, market validation, a collaborative mindset, and alignment with the studio's focus. Venture studios increase the likelihood of securing funding and accelerating growth, making them a valuable resource for navigating the unique challenges in many emerging markets, particularly in Africa.
Development cooperation agencies	Development cooperation agencies can play a pivotal role in accelerating the adoption and success of venture studios in Africa by mapping existing studios and collaborating to develop incubation and accelerator programs for founding new ones. Additionally, promoting the expansion of existing international venture studios into entrepreneurial ecosystems in partner countries markets can significantly bolster the ecosystem. To enhance the readiness of startups and SMEs in partner countries for venture studio funding, cooperation agencies can organize entrepreneurial bootcamps, and innovation hub matching events, thereby preparing startups to effectively leverage venture studio resources and support.

Table 2: The benefits of Venture Studios for SMEs and Development cooperation agencies

Scio Network and GreenTec have developed an innovative venture studio platform that is open to multiple fund managers. Traditionally, investors seek profitable investments above a certain threshold (e.g., $250k), which often exceeds the needs and capacity of startups, particularly traditional SMEs. This "open" Investment Manager platform, supported by a non-profit Technical Assistance Facility (TAF) funded by a grant from a development cooperation agency, addresses this issue by matching private capital with technical support of equal value to the invested capital. This incentivizes fund managers to lower their ticket sizes and introduce micro-investments into frontier markets. Additionally, this mechanism encourages fund managers to focus on women-led businesses. Unlike traditional financing schemes, this model offers comprehensive support to SMEs throughout the entire investment cycle, regardless of sector. It leverages collaboration with multiple Investment Managers to provide a scalable approach. The TAF plays a crucial role by offering essential support such as capacity building, market research, risk mitigation, and monitoring. Meanwhile, PE fund managers concentrate on deal sourcing, due diligence, investment structuring, portfolio management, and exit planning. By lowering financial barriers and providing structured support, this platform helps create a more robust and inclusive startup ecosystem in Africa, fostering innovation and sustainable growth. An exemplary and streamlined organizational design of this model can be found below.

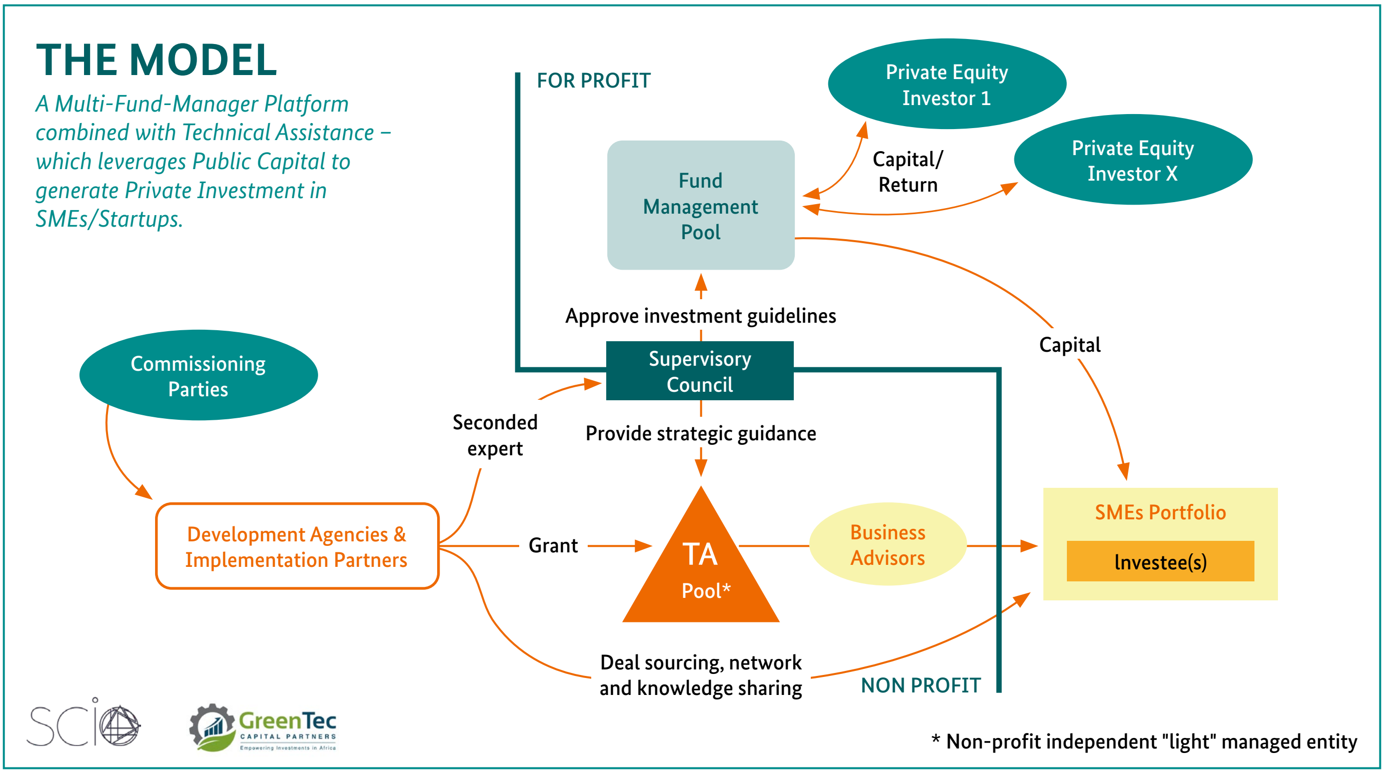

Figure 1: A model of how SMEs can profit from a Multi-Fund-Manager Platform

3. Venture Debt, the underrated instrument in venture capital

3.1 Private Debt Financing

Equity financing remains the predominant form of financing for startups and SME in many emerging markets, particularly in Africa. In 2023, startups on the continent have raised $1.7 billion, debt financing also played a significant role, contributing $1.1 billion.[9] Debt financing involves raising funds through loans from investment funds, individuals, other institutions or groups of the same (e.g. syndicates) rather than traditional banks and typically comes with a fixed tenure and interest rates. Unlike bank loans, debt financing terms can be more flexibly negotiated, allowing for variations in interest rate models and collateral requirements. While equity investments necessitate high growth prospects to justify the risks for investors, private debt financing usually requires stable cash flows for loan repayment or assets that can be used as collateral. This makes debt financing attractive and accessible not only to high-growth tech companies but also to traditional SMEs that often play a critical role in the context of development cooperation.

- Fixed interest vs variable interest rates: Fixed interest loans have a set interest rate (e.g., 20% per annum) on the loan principal. Entrepreneurs benefit from predictable repayments and protection against rising interest rates but face higher costs if market rates decline. Investors enjoy steady, predictable returns but may see lower returns if market rates increase. Variable interest loans adjust rates based on specific factors, either external (e.g. market interest rate such as 10% above 1-year US treasury bills) or internal (e.g., revenue or profit generated). Entrepreneurs might pay lower interest if rates or revenues fall but face uncertainty and higher costs if they rise. Investors can earn higher returns if rates or revenues grow but risk lower returns if they decline. A notable example in venture debt is revenue-based interest, where a startup repays a percentage of its revenue as interest, capped at 1.5 to 3 times the initial investment. This structure ensures startups only pay interest when earning, aiding financial planning and business growth.

- Non-collateralized vs collateralized: An uncollateralized loan, also known as an unsecured loan, is a loan that does not require the borrower to provide physical assets as collateral. For investors, they provide higher interest rates to offset increased risk and streamline processes with less paperwork. For SMEs and startups, uncollateralized loans are accessible without needing physical assets as collateral, preserving their resources and offering flexibility in fund usage. On the other hand, a collateralized loan, also known as a secured loan, is a loan that requires the borrower to provide physical assets as collateral to secure the loan, reducing the lender's risk. Collateral can take various forms, from company assets like cars or machinery to personal assets like the owner's house or the savings or a group of people (lending groups). Given the risks involved, it is not unusual for the collateral value to exceed 100% of the credit amount being raised. However, collateral alone might not be enough to convince an investor, as its value is dependent on accessibility and liquidity in case of loan default. Thus, successfully raising private debt often requires a thoughtful approach to structuring a solution to this collateral problem, such as using a trust-like entity that holds ownership of the collateral instead of the company and is qualified to liquidate it if necessary.

Private Debt Financing	What are the benefits?
SMEs/Startups	For businesses, loans offer the advantage of not requiring the relinquishment of ownership or enabling them to bridge funding rounds until they can secure equity deals at higher valuations. Thus, when raising debt capital, companies need to adjust their traditional pitch deck to highlight their cashflow stability and potential collateral. The focus shifts from demonstrating exponential growth to negotiating favorable interest rates and loan conditions. This means that, when seeking debt financing, the emphasis is on financial stability and repayment capability rather than high growth trajectories. Thus, debt financing provides startups and SMEs a viable option to secure funding without diluting ownership, offering investors a potentially lower-risk investment focused on predictable returns. This type of financing is not only appealing to traditional venture capital funds but also to friends, family, and other individuals, as it requires less expertise than equity investment on the part of the investor. By emphasizing financial stability and the ability to repay loans, startups and SMEs can effectively use debt financing to support their growth and operations while maintaining control over their business.
Development cooperation agencies	Development cooperation agencies can play a crucial role in fostering the availability of venture debt by facilitating collateralization structures, building capacity, and creating networking platforms. Cooperation agencies can support the establishment of collateralization frameworks by partnering with financial institutions and legal experts to create standardized systems for managing collateral, such as trust entities that hold and liquidate assets in case of default. Additionally, they can provide capacity-building programs for startups and investors, offering training on financial planning, cashflow management, and venture debt specifics. This helps both sides better understand and navigate venture debt agreements.

Table 3: The benefits of Private Debt Financing for SMEs and Development cooperation agencies

[9] The Big Deal's proprietary database, Africa. *Accessible here.*

4. Emerging investor types & funding sources

4.1 Crypto and digital asset-based funding

Decentralized Autonomous Organizations (DAOs), at the core of the emerging Web3 paradigm, have emerged as an innovative fundraising instrument for startups, operating as blockchain-based entities governed by smart contracts and decentralized voting. Web3 represents the next evolution of the internet, emphasizing decentralization, blockchain technologies, and token-based economics, which collectively empower users and facilitate new forms of digital interaction. The DAO model allows investors to pool resources and make transparent, democratic decisions on investments, significantly enhancing fundraising efforts by providing a streamlined, efficient, and global mechanism for startups to access capital. Globally, DAOs manage a treasury of US$ 26.5 billion.[10] For example, Mantle DAO manages US$2.7 billion from 17,800 investors worldwide for investments in venture projects.[11]

How do DAOs work? A DAO is created on a blockchain platform like Ethereum, with its rules and governance structures encoded in smart contracts. Startups pitch their projects to the DAO community, and if the community votes in favor, funds are allocated from the DAO's treasury. Investors hold governance tokens, granting them voting rights on key decisions and ongoing project developments. All transactions and decisions are recorded on the blockchain, ensuring full transparency and accountability.

Digital asset and DAO funding are gaining significant traction in many emerging markets, particularly in Africa. Crypto adoption is rapidly growing across the continent, with notable rates in Nigeria (47% in 2023), South Africa (22% in 2024), and Kenya (19% in 2022). These countries are among the highest in the world in terms of respondents reporting that they own or use cryptocurrency.[12] Many startups on the continent are using stablecoins to manage their treasury and protect against inflation.[13] Despite this, the local DAO landscape is still nascent. Initial DAOs with a regional focus, for example on Africa, such as Africa DAO, and those in development cooperation sectors, like Climate DAO, have appeared but struggle to gain traction. Thus, thorough due diligence is necessary before engaging with these DAOs. It's noteworthy that global and investment-focused DAOs, which are sometimes more established, are also open to Startups in emerging markets, aligning with the inclusive nature of DAOs.

Crypto and digital asset-based funding	What are the benefits?
SMEs/Startups	The accessibility, inclusivity, and efficiency of DAOs are particularly appealing in the context of many emerging markets, where regulatory environments can be complex, and access to traditional financing can be limited. However, to succeed in fundraising from a DAO, startups and SMEs need to incorporate digital assets and Web3 infrastructure, though not necessarily at the core of their offering, alongside effective marketing strategies to gain the support of DAO members. To approach DAO funding, startups must first scan the ecosystem for suitable DAOs whose investment thesis aligns with their business vision and mission. A helpful starting point, though not a complete database, is the platform Deep DAO (www.deepdao.io). Once a suitable DAO is identified and it is determined that the DAO is actively seeking investment opportunities, it is critical for the startup to submit a proposal or pitch deck on the DAO's decision-making and governance platform and garner support among Governance Token holders. Engaging with the DAO community through their preferred channels, most often Discord, is key to building this support. By leveraging DAOs, startups and SMEs can access a new realm of funding that offers inclusivity and efficiency, providing a viable alternative to traditional financing methods in complex regulatory environments.
Development cooperation agencies	Development cooperation agencies could consider piloting a project that supports startups and SMEs in partner countries in leveraging DAOs and digital asset-based funding. This initiative would educate entrepreneurs on the benefits and mechanics of DAOs, provide technical assistance for blockchain integration, promote regulatory understanding, and facilitate the creation of local DAOs focused on development cooperation sectors. By connecting startups in partner countries with global DAOs, development cooperation agencies can help them access a wider pool of investors and resources. Such a lighthouse project could demonstrate the potential of DAOs in driving sustainable development and economic growth, setting a benchmark for future evaluations and scaling.

Table 4: The benefits of crypto and digital asset-based funding for SMEs and Development cooperation agencies

[10] DeepDAO (as of June 2024), *accessible here.*

[11] Mantle, *accessible here.*

[12] Statista (2024): Share of respondents who indicated they either owned or used cryptocurrencies in 56 countries and territories worldwide from 2019 to 2024. *Accessible here.*

[13] Bankless Nation (2023): Africa's Crypto Revolution: Leapfrogging into the Future. Discussing the intersection of Africa and Web3 with Yoseph Ayele and Eche Emole. *Accessible here.*

4.2 Voluntary Carbon Markets

To reach net-zero emissions, energy efficiency, electrify operations, and transition to low-carbon energy sources like hydrogen or synthetic fuels must be improved. Despite these efforts, some emissions will remain unavoidable. Carbon markets address these residual emissions by allowing companies to purchase carbon credits, funding projects that reduce or remove greenhouse gasses, such as reforestation or renewable energy initiatives. Carbon markets are divided into compliance markets, regulated by regimes like the EU Emission Trading Scheme (ETS), and voluntary markets, such as the Carbon Offsetting and Reduction Scheme for International Aviation, where companies and individuals voluntarily offset emissions. Credits in voluntary markets are verified by bodies like Gold Standard or Verra.

The global voluntary carbon market (VCM) has grown at a 30% annual rate since 2015, yet it covers less than 1% of global emissions. By 2030, VCMs are estimated to grow to between $5 billion and $180 billion.[14/15/16] This growth is driven by companies in the Global North, with roughly 1,200 of the 2,000 largest publicly listed companies (Forbes Global 2000) pledging net-zero targets,[17] but 66% relying on carbon offsetting or credits to reach these goals.[18] Article 6 of the Paris Agreement addresses carbon markets as a mechanism for financial transfers from the Global North to the Global South to finance climate change mitigation and adaptation. It promotes international cooperation through market and non-market approaches, allowing countries to transfer carbon credits, facilitating investments in low-carbon technologies and sustainable development projects in less developed regions, thus supporting global climate goals cost-effectively.

SMEs and startups in climate-relevant areas can leverage these developments and participate in these fast-growing VCM to generate additional revenue or fundraising opportunities. For example, the Kenyan company Koko Networks has developed a CO_2 credit scheme tied to its bioethanol cooking fuel project. Koko Networks offers a cleaner alternative to coal stoves by providing bioethanol stoves and sourcing the fuel from sugar production by-products like molasses. The company tracks the emission reductions achieved by using bioethanol instead of coal, earning carbon credits for each ton of CO_2 saved. These credits are traded on international markets, with the proceeds helping to lower the cost of bioethanol for consumers. This has significantly reduced the price of bioethanol, making it cheaper than coal and enabling more residents to switch to cleaner cooking methods, improving both health and environmental outcomes. While still a nascent market, similar examples can be found across the world.

Benefits for SMEs/Startups: Startups, SMEs but also non-profit entities can significantly benefit from participating in VCM by generating additional revenue through carbon credits, attracting investment from companies seeking to offset emissions, and enhancing their sustainability credentials. This makes sense particularly for climate-relevant businesses like those in renewable energy or reforestation, which have scalable projects capable of substantial carbon reductions. To succeed, companies need clear, measurable carbon reduction projects, verification from recognized bodies like Gold Standard or Verra, compliance with regulatory standards, a strong business case, and robust data management system.

[14] Climate Policy Initiative (2021): Delicious and abundant: yes, we're talking about voluntary carbon markets. *Accessible here.*

[15] McKinsey (2021): A blueprint for scaling voluntary carbon markets to meet the climate challenge. *Accessible here.*

[16] Shell (2023): Exploring the future of the voluntary carbon market. *Accessible here.*

[17] Net Zero Tracker (as of June 2024). *Accessible here.*

[18] Columbia Center on Sustainable Investment (2021): Corporate Net-Zero Pledges: The Bad and the Ugly. *Accessible here.*

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