

Exclusive: Innovative carbon credit that pays to decommission oil fields in \$10m funding round

22 November 2023



By Peter Cripps

A carbon market firm is looking to raise \$10 million to enable it to roll out a new type of carbon credit that will pay oil companies not to extract reserves.

Onyx Transition – whose CEO, Caitlin Sparks, is a former founding director of carbon certification and standards body Gold Standard – says the 'elimination credits' will incentivise the early retirement of oil fields.

As part of the deal, some of the money fossil fuel companies receive will be invested in green energy projects, such as carbon capture and storage, hydrogen or sustainable aviation fuels, and none of the credit revenues will flow to oil and gas exploration or extraction.

Toronto and California-based Onyx claims its elimination credits are more impactful than many of the 'avoidance credits' that currently proliferate in the market.

The start-up has seed funding from Ontario Teachers' Pension Plan via its venture foundry Koru, and in the first half of 2024 will seek 'late seed/pre series A financing' from other investors to help it scale up. It plans to issue its first credit in 2025 and break even by 2027.

Sparks told *Environmental Finance* that Onyx is looking for "mission-aligned capital". She believes the venture has "high potential return on investment, commensurate with venture capital".

She described the concept of the elimination credit as a "win-win solution that aligns incentives and delivers value across stakeholders".

Onyx forecasts that the elimination credits can be sold for upwards of \$30 to incentivise the decommissioning of some of the most carbon-intensive, heavy oil fields.

Sparks said the credits will be of high quality, as they will be helping to drive change, and will therefore command a premium over many other types of credit in the market.

"The Elimination Credits are of high-quality because they hit all criterion for credit quality - additionality, quantifiability, permanence, net of leakage, co-benefits - and they deliver outsized climate impact, by eliminating emissions now, when it matters, and can help to avoid climate tipping points. They also drive change by helping to speed the transition off fossil fuels and scaling needed climate-positive and transition critical projects," she added.

She said the company is in talks with numerous parties including oil and gas firms, policymakers and regulators, and the Gold Standard, which bodes well for its first issuance.

The development comes at a time when the voluntary carbon market continues to be hit by waves of criticism and attacks on its credibility, with projects that claim to avoid emissions through activities such as forestry often in the firing line.

Meanwhile, efforts to bring an end to fossil fuel production are making slow progress. Numerous Just Energy Transition Partnerships (JETPs) have been launched to speed countries' transition plans. But, when it comes to shutting down fossil fuels, just one deal of note has been announced, [when a year ago Indonesia struck a deal to retire a coal plant](#).

Sparks argued that carbon finance can be used to drive change that is clearly additional – in this case retiring an economic oil field at least 10 to 15 years before the planned end of its life - activity that would not have taken place if the finance had not been provided. In the absence of the Onyx intervention, the oil fields would continue to produce for at least another decade, if not two.

Sparks believes the carbon market needs innovation to help drive impact: "Onyx has been designed with a new methodology and based on an abundance of data. We said: 'We are going to create something entirely new'. I view it as a panacea for some of the market challenges."

"It is important to think courageously and pragmatically and design solutions for what the climate crisis requires," she added.