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Virtual Event Series

Can Blockchain Banish Greenwashing?

Guest Speakers:



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DiffuseTap: Can Blockchain Banish Greenwashing?

Last time on DiffuseTap, Gabby Kusz and Chris Kohler of Innovo Markets Inc. talked to us about how Innovo markets is streamlining renewable energy purchasing through blockchain, the age-old problem of greenwashing, and how the paradigm around ESG investing has shifted over the last few decades.

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DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas)... straight from your armchair like a boss.

Meet the Speakers



Gabby Kusz is a thought leader with 17 years of experience in financial services, public policy, and sustainable programming innovation. She is on the Advisory Board of [Innovo Markets Inc.](#), a blockchain and climate tech company that decentralizes market access for buyers and sellers.

Linkedin: [@gabriella-kusz](#)



Chris Kohler, who is Head of Growth at Innovo Markets Inc., has 15+ years of experience in institutional investing and consulting. He raised more than \$60m at a startup digital assets hedge fund, and helped scale and institutionalize the digital assets prime brokerage [FalconX](#).

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About Diffuse

We are an alternative fund platform offering differentiated investment products. From digital assets, to VC funds, and beyond, we identify green field investment opportunities we feel will have market beating returns and turn them into professionally managed funds. For more information visit www.diffusefunds.com.



KENNY ESTES: We're here to talk to Ms. Gabby and Mr. Chris. Gabby, you're on top. Do you want to kick it off and tell the good folks a little bit about your background and what you're up to over at Innovo?

GABBY KUSZ: Sure. Just to kick it off, I'm Gabby Kusz, formerly the CEO of the Global Digital Asset and Cryptocurrency Association. But before that, I did a lot of work in ESG. I worked for the World Bank and helped set up the country climate assessment that fed into and looked at assessing the degree to which state-owned enterprises or SMEs – which typically tend to be things like your petrochemicals, your extractives industry, your transport industry, your big carbon producers – the degree to which they were aligning with TCFD. We'll get into that and define some of these different types of reporting standards.

But basically, the degree to which they were reporting and operating in line with environmental social governance or ESG requirements. That's a little bit about my background. I also previously worked for the International Federation of Accountants, which is one of the core sponsors of the International Sustainability Standards Board or ISSB, which operates today and has issued its first two standards that will help globally create comparable consistent and auditable standards for the ESG reporting environment. That's just a little bit about my background. I'll throw it over to Chris to introduce himself.

CHRIS KOHLER: Thanks, Gabby. Chris Kohler here. I've gone through the whole gamut from being a hedge fund manager, researcher, investment consultant, and running outsourced CIO programs for our university endowments and pensions. I fell down the crypto rabbit hole around 2017, and that has transversed across to blockchain and now, climate.

It's funny. Ten years ago, I recall distinctly going around the country with a colleague and doing a road show, talking about impact and ESG sustainability. We packed rooms and conferences, and people would talk to us all day long, but nobody would buy our products. It's interesting because now it has come full circle, how things have changed over the last decade to where they are today.

My world has combined now into climate blockchain institutional investing. I never expected that to happen, but that is who we are and where we are today. I'm excited to be here and have this conversation.

KENNY: All right, awesome. Thank you both. To start things off a little bit, maybe you could give us a high level on the status quo. Chris, you mentioned that the environment has changed a lot since you started. Where are we in terms of renewable energy standardization? Honestly, it's all a bit murky to me, from a casual outsider's perspective.

CHRIS: Well, as an internal perspective, it's murky as well. To be clear, I think the best way to level-set it is to take a step back. When I was looking at this 10 years ago, it was very much at the policy level. Boards and committees were driving not just billions but trillions of dollars in the US. And what they were trying



to do with their money is now on the ground floor. Things have shifted quite a bit. I think the priority, regardless of people's perspective on climate change, is more about an energy transition.

What's happening is that most of these markets are fairly immature, but dynamic and complex. That's what we're dealing with right now. A lot of the greenwashing is not just because people are saying it's greenwashing. When we're confused about something new, we naturally want to say, well, this must be fake, or this must be wrong, or whatever it may be. We have a long history in society of just getting scared of things.

We looked back at this at Innovo. If you think about the early 1900s, around when electricity was first coming out, people were fearful of it, thinking that because you had all the wires tied up, kids were going to fall from windows and choke to death. We're just naturally scared of things. Then, when email came about, it was the exact same thing. People were afraid of email and all the things that it was going to do. There's an article someone sent me just today that said in the early 2000s, people thought that email was going to distract you so much, it was worse than smoking marijuana.

So, we see this history of how things are introduced, and how it's murky, and it's confusing, and people are fearful. The reality today is with the standards that exist, it's being formed right in front of us. You see it now with carbon credits. But where we focus on at the front end of the market is the renewable energy certificates.

What we're trying to solve is just that. It's a solution to how corporations can buy renewable energy in a way that actually helps them, and helps society at large. But it helps us through the energy transition, which is really the focus.

KENNY: Okay. There was one word you said that maybe we can define, before we kick it over to Gabby. What is greenwashing?

CHRIS: Greenwashing. A good example would be, back in the early 90s, Conoco rolled out this one commercial, and it was penguins just clapping as this oil tanker rolled by. They had a new, friendly, environmentally friendly tanker they were rolling out and they wanted to showcase it. Everyone jumped on them saying that they were greenwashing, which you could arguably say they were. It was definitely PR, it was a commercial. But they were also trying to take steps in the right direction. That said, they knew internally that what they were doing was actually causing some damage.

So, the word greenwashing net can be used in different ways. I think the thing we should call out and be careful about is oftentimes, unlike Conoco, companies that are trying to do something and start tiptoeing in get called out for greenwashing, when in fact, they're the ones trying to make change. Calling everything greenwashing sometimes antagonizes the leaders of the space. It's something I think we should be aware of when we have this conversation.



KENNY: Yeah. Gabby, do you want to add anything to that, as far as the status quo from your perspective? You obviously have a bit of a different background than Chris.

GABBY: Sure. I'll talk a little bit about the policy that we're looking at. Contextually, I think whenever we look from the US as an anchoring point, we're looking at at a state level, at a national level, and then at a global level. I think that's important to understand what Innovo Markets is doing, and some of what Chris will dive into, just to kind of give perspective.

At a state level, as you've seen with GDPR and some of the other more cutting edge, either with edge technologies or edge-issued areas, California is really taking the lead. This past September, you saw significant climate and ESG regulations being introduced, mandating large companies to disclose greenhouse gas emissions and climate-related financial risks.

What these are seen as, and how Innovo Markets' products fit into this is, you're looking at a growing important trend that will likely take its first roots at a state level, just as we've seen with some of the more edge technology-issue areas. And that state level legislation and regulation will likely overflow into what you're seeing in some of the other states, and then across the country as a whole. That's no surprise, especially given the political stance from some in California. You're seeing that take place in California first.

Companies that are looking to be on the cutting edge, as well as investors that are considering how and in what way they're going to engage, are keeping a careful eye on what California and some of those first-mover states are doing. At a national level, about roughly a year ago, we've seen the US Securities and Exchange Commission propose a rule that would enhance and standardize climate disclosures.

If you're a public company, this would require your organization to provide certain climate disclosures in your registration statements, and in your annual reports. And that would require climate-related financial impact and expenditure metrics, as well as talking about estimates, assumptions, and any type of potential contingent liabilities that would be outstanding.

So, you're starting to see these broad state level, national level, and if you go a little bit further, into the global level. We've already talked a little bit about some of the background that I have with the International Sustainability Standards Board. Some of what we're looking at are in terms of broad global shifts around enhancing, revision, reflection, measurements, and evaluation of countries as it relates to sustainability standards.

In addition to that, you're seeing the European Union with their non-financial reporting directive, taking active steps and measures for that legislation to be transposed down at a national level in order to create a certain degree of consistency across the various member states of the EU. And that, of course, continues to trickle down. We've seen the Committee of Sponsoring Organizations of the Treadway Commission, or commission COSO, trying to take first steps and having a framework.

Generally speaking, it's a very important trend from an investment perspective. And then also, from a business preparation and readiness perspective, in terms of strategic positioning. This is very much the



viewpoint and why I think it's especially clever to have this conversation at the end of December, as we push towards 2024.

KENNY: Okay. You mentioned a couple of times there the push. Obviously, more legislation is coming down at the national or international level, and you talked a couple of times about standardization and how it's coming, and people need to get prepared for it. Why does that matter? I mean, I can come up with a naive reason, but I'm sure you can give something a lot more detailed. Why do we want this standardization? What type of untapped opportunity or value does that have for the larger market on track?

GABBY: Hinting back at the title of this session, if we talk about greenwashing, part of the reason that exists is because up to this point, there has not been a high degree of standardization, of creating standards that can be applied, and then the outcomes of those applications to be auditable. That means some third party can verify the degree to which you are claiming to have reoriented your business, engaging in offsetting activities, or are integrating that into your business strategy in order to ensure that your operations are not just "What you say, you do", but "What you say you do, you do".

And then, somebody from the outside can come in, validate, and report that back to the public consumer, whether that is somebody who is participating as a investor in the capital markets, or if that's just a day-to-day consumer who is going into the supermarket, picking a box off the shelf, and asking themselves to what degree does this company truly embrace and align with environmental social governance standards and behaviors?

KENNY: Okay, that all makes perfect sense. I guess a natural follow up question is, are investors actually investing this way? How important is this? Is the traditional allocator concerned about whether you're ESG compliant or not? Do you have any metrics or numbers around that?

GABBY: I can push that one over to Chris, but I can also follow up on that afterwards. I'll let him talk to some of the more institutional investor-oriented perspectives.

CHRIS: Yeah. Like I mentioned before, 10 years ago, at least in the US, it was a challenge to have institutions at large actually buy in, because there was a thinking – it still exists to this day – that, "Well, I'm investing for returns. I'm not investing to make myself feel better for the world. It has to be returned and ready." And others think "Well, no, I want to think about the world." It was very much one way or the other. It's mutually exclusive. But in reality, you can do both. That's what we found out.



We're following the lead of Europe. They've been doing this for a better part of a decade now. But they have a big new legislation where you have to have to do it where it's becoming compliant. And that's the big difference here.

As for the investment side of it, you're starting to see two things. One, we're going to move from a voluntary to compliant market. Second, you're starting to see the thing about ESG sensibility impact. You can define that in different ways. One could argue that Tesla is an ESG type company. We're starting to actually have technology catch up with our thinking. In the 70s, Carter had solar panels on the top of the White House. But they were clunky. They weren't efficient. It was just more of just a show.

But now, you actually have the ability to have renewable energy and do it in a tech savvy way that is better, faster, and more efficient. And because of that, once that dollar sign has clicked on, you can make money from it. That was the change agenda we needed. And now, you have people not just looking at it from the perspective of "Oh, I want to make the world a better place" to "Oh, wow, I'm going to make money making the world a better place." That's where you've seen the institutional attitude change quite a bit.

KENNY: That makes sense. And now you see companies like Tesla and obviously, SolarCity trying to drive a lot of that forward as well. Chris, maybe we'll stick with you for a second. I'm curious. What does this have to do with Blockchain? Maybe there's a way for you guys to talk about what you're doing.

CHRIS: At the highest level, I'll give a good example. I think most people are old enough to remember dial-up. Back in the day, dial-up would take a long time. It was very clunky. That's the best way to describe it. And then, luckily we had high speed broadband. What we're doing at Innovo is just like that. We could use an electronic marketplace that could help corporations buy renewable energy certificates from local solar, wind, and hydro, and go through state registries. But it would take a lot of energy and time, and it just wouldn't be as efficient.

Blockchain smart contracts can embed the very beginning at the renewable energy plant, to the state registry, to the brokerage if need be, and then to the corporate instantaneously. You are effectively taking away the middle and back office functions. And currently, what we have today is that a lot of tech stack is reliant on people, spreadsheets, phone calls, and emails. So, the value prop is pretty straightforward. When you use smart contracts, we can make things that usually take 30 to 60 days happen instantaneously. Instead of spending X amount, you can spend 95% less that. It's obviously faster, cheaper, and it's going to be more efficient by nature.

KENNY: Gabby, is there anything you want to add to that? Any interesting angles you have as far as the interface between blockchain and ESG, and all of the things you're talking about here?



GABBY: I think we've talked about the great wealth transfer between the boomer generation and our millennial generation, and how that shifts. Roughly \$72.6 trillion is going directly to heirs, and it will perhaps cause a bit of a dynamic transfer in thinking around how and in what way to invest.

I think that is, again, another macro level trend that perhaps isn't directly related to ESG and blockchain, but again, you're looking at people who are likely have a greater appetite for the leveraging of technology in some of the investment space, as well as looking at the degree to which their investments and money makes change in the world around them.

And yes, it is a component of the broader perspective on especially taking a more long term view of what your returns really are. I think in the beginning, as Chris mentioned, many companies thought of ESG as a bit of a novelty. A little bit gimmicky. There was some level of toiling, or at least playing with the idea of what this meant, and you saw ESG typically being departments or units or staff reporting to your Chief Marketing Officer. It's a big red flag. That means that the value that they see in that is predominantly around PR, communications, and marketing.

Over time, however, what you're seeing is a transition within a lot of companies away from this being a predominantly marketing function. These people are starting to report to chief operating officers. I'm starting to look at this in terms of having direct links or reporting lines, dashed or bold, to your chief strategy officers, because of the fact that people are starting to understand the importance of integrating ESG activities, including RECs, into how and in what way you're positioning your company to make money.

Because from an integrated thinking standpoint, and an integrated reporting standpoint, which is the next level of ESG and sustainability activities, it's really a recognition. It's an understanding and application of the fact that if you do ESG correctly, you not only are doing something good for the environment or society. You are actually doing something extremely good for your simple bottom line, for your company.

I think that is the sort of transformation we're seeing undergo within corporations, public and private around the world, and also that recognition by regulators that they have to start to either incentivize or create punitive measures for companies to make that transition away from the recognition of its value from a marketing standpoint, to an operational standpoint.

CHRIS: Just to piggyback on that, what you mentioned about reporting up to the COO, what we've seen in our discovery calls with corporations around this is that they are actually reporting many cases to the CFO. We are talking to them, and we eventually have a meeting with a CFO.

While the value prop stands out, what really jumps out to them is that attestation, that auditing and reporting. They recognize all of this. Whether in their current voluntary function or going forward with the compliance and reporting, they recognize that they need to have this, and blockchain smart contracts automates and streamlines all of this. That's where the CFOs just go back to like, "This is exactly what I need", and it jumps out. it's an immediate additive. They want to have it on board.



KENNY: Right, making it that much easier to do it. And Gabby, I will pair back your words to you because I liked it so much when we did our prep call. I think you said something along the lines of, “At this point, it doesn't matter whether you as a consumer believe in climate change, because your insurance company does, and they are voting on your behalf.” Is that roughly correct?

GABBY: I think it might have been Chris's words.

CHRIS: Yeah. I stole that candidly here in Chicago. We had a climate summit back in early October, and there was a gentleman from Michigan who used that line about climate change. He said “You need to believe in climate change or your insurance company will do it for you.” I think those were his exact words, which were spot on right.



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Dennis Chookaszian

Corporate Director, CME Group

DiffuseTap: Institutional Grade Governance

Sharing his decades-long expertise on corporate governance, Dennis talked about how to avoid a co-partnership going sour, the problem with overly idealistic CEOs, and the importance of keeping your board in check. [Read on](#)



Susan Brazer

CEO & Founder, LionShare Media

DiffuseTap: Media Metaverse 2022

Susan described the 2020 digital media landscape; the evolution of media distribution; how converging, emerging technology points to the metaverse; and the prospect of having an open, decentralized, and free Web 3.0 marketplace. [Read on](#)



Raj Mukherjee J.D.

VP/Global Head of Tax, Binance.US

DiffuseTap: Crypto Taxes Decoded with Binance.US

Raj explained the complexities of the US crypto tax landscape, how he built a dynamic tax information system for [Coinbase](#) and [Binance](#) from scratch, and how investors can profit from crypto without getting caught in a taxation mess. [Read on](#)

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