Simon Mainwaring:

Hey, everyone. Simon here. And I wanted to let you know that we are wrapping up season four with a special episode with Ralph Chami, the assistant Director of the International Monetary Fund, a global organization dedicated to creating a framework for sustainable growth and prosperity by supporting economic policies that promote financial stability and monetary cooperation.

I can't believe how quickly season four has flown by with all of our interviews with global CEOs, CMOs, and CSOs, as well as dynamic founders at the helm of purpose-led companies authentically leading with, "We." I want to thank our producer of Lead With We, Goal 17 Media, for their amazing partnership over all four seasons. Most importantly, we want to thank you for your support. Especially, as our audience continues to grow. I'm really excited about the guests we already have lined up for season five.

And in the meantime, check out the more than 100 episodes we have from the first four seasons on Apple, Spotify, or Google Podcasts. Thank you for your support. Before we dive into today's episode, I wanted to share the exciting news that we've now launched the Lead With We Launchpad online course that shows you step by step how to engage and inspire all of your stakeholders to build your business and its impact with you. Check it out at leadwithwecourse.com.

From We First and Goal 17 Media, welcome to Lead With We. I'm Simon Mainwaring, and each week, I talk with purposeful business and thought leaders about the revolutionary mindsets and methods you can use to build your bottom line and a better future for all of us. Today, I'm joined by Ralph Chami. Ralph is assistant director for the International Monetary Fund, a global organization dedicated to creating a framework for sustainable growth and prosperity for its member countries by promoting financial stability and monetary cooperation.

We'll discuss how business creates markets that serve nature and its restoration to solve for the climate crisis, and what the future of business will look like, where humanity and the planet work together in a way that rewards investors and stewards of the planet. Ralph, welcome to Lead With We.

Ralph Chami:

Thank you. Thanks for having me.

Simon Mainwaring:

I am so happy to have you on the podcast, because you're this glorious, curious creature that lives at the intersection of financial economics and environmental economics. We'll get into that more in a moment, but tell us exactly your role at the IMF, what the IMF is, and how it led you to sit at the intersection of those two points of view.

Ralph Chami:

IMF and World Bank are what's referred to as Bretton Woods Institutions. They were created at the end of the Second World War. The idea behind creating them was to ensure that the global payment system would be stable, that there'll be free and open markets for trade. Basically, sharing the wealth and good fortunes across the globe and ensure financial stability. That was the idea. The IMF is more of a financial institution. The World Bank is much more of a development institution.

Simon Mainwaring:

And so, your role in the IMF for the last several years ... I believe you're on sabbatical right now. Is that correct?

Ralph Chami:

Yes. I am on sabbatical. I at IMF did almost everything. I did research. I did capacity development, training, technical assistance, and I also did operational work. I did work on what's referred to as fragile states. These are countries that have gone through turmoil, that are still going through turmoil. I became an expert in this area.

Simon Mainwaring:

And so, you're probably to many as far removed as you possibly could be from the environmental motives that are so top of mind. Yet, you are an architect for a whole new paradigm, a whole new way of looking at this.

Over the last 100-plus episodes of the podcast, we've seen there's these inflection moments in people's lives that really course correct or course change or shift where they're headed. I think yours had something to do with a large body of water and the world's largest mammal. Can you tell us about that?

Ralph Chami:

So the story goes like this. I had worked on fragile states for a number of years. I was on the ground in many countries that, let's just say, are quite dangerous to operate in. Eventually, I became fragile myself and I needed a break. I bumped into a friend that I hadn't seen in a number of years and she asked me, "Where have you been?" I said, "Well, I've been working in these countries and I'm really feeling tired."

She said, "Well, you look very tired. Do you need a break?" I said, "Yeah." "What would you like to do on your break?" Out of the blue, I just said, "I would love to see the great whales." The reason I said that ... I actually don't know why I said that to her, but the reason it popped out is because when I was 14, I wanted to be an oceanographer.

40 years later, I bump into my friend and out of the blue she says to me, "You want to see the great whales? Well, I belong to this group that studies the great whales." I had known her for a number of years. She never ever mentioned that to me.

Simon Mainwaring:

You're like, "What have you been doing? Holding out on me? Do we know each other?"

Ralph Chami:

Exactly. I said, "Really?" She said, "You want to study the great whales?" I said, "Yes." She called them up and they said, "We have one place." And then, they said, "Can he swim?" I can swim. "Does he get seasick?" Not often. "Okay. Can you get yourself to Loreto, Mexico?"

Literally, imagine me. On a daily basis, you're wearing a suit and tie and you're eating with officials. I thought to myself, "What did I get myself into?" And I joined a group of whale experts and scientists who were studying the blue whale at the time in the Sea of Cortez.

Simon Mainwaring:

Just with that in mind, your emotional state at that point. You said that you were pretty depleted and so on. But do you think in hindsight there was anything else going on? Because I often find that these inflection moments come when you are searching for something. You mentioned that love of oceanography all way back when. What was happening kind of in your interior life, shall we say?

Ralph Chami:

In retrospect, I was always asking myself, "Is this what I'm supposed to be doing?" I have no idea why I told her I wanted to see the great whales, but that's the best thing that ever happened to me. I ended up on a boat with a bunch of strangers in the Sea of Cortez who were tracking and studying the blue whales at the time. I know nothing about whale. At that point, I'm nothing. Absolutely. I'm not an oceanographer.

Simon Mainwaring:

Above. Underwater. That's it.

Ralph Chami:

Exactly. I'm thinking, "What am I doing here?" And then, the skipper is an expert. He kind of knew there was a blue whale in the vicinity, but when we arrived and suddenly she came out of the water.

Simon Mainwaring:

I've never seen a blue whale. I think it's one of those things that lives in people's mind's eye. It's one of those things I'd love to see. But how did it strike you? That moment where you saw this majestic creature and so on? What is that personal experience?

Ralph Chami:

Well, I always tell people, you have to understand what I was staring at. I was staring at the largest creature that has ever lived. You can fit an African elephant inside her mouth. It would disappear completely. Forget the rest of the body. That's just the mouth.

Simon Mainwaring:

Wow. Wow.

Ralph Chami:

She was swimming around us. She swam under the boat ... When I saw her, when I finally saw her, that's when everything changed. It was really an amazing moment for me.

Simon Mainwaring:

What then caused you to actually do something with that? I think many of us have this sort of powerful moving experience, but it's another step altogether to go and say, "Well, how can I act differently on that basis?" What was your next step?

Ralph Chami:

My job on the boat was to clock when the whale comes up and when the whale goes down, because I didn't know anything else. I was completely useless to them. At night, after 11 hours on the boat, we'd go back to the house where we would have dinner altogether.

We were about 12 people sitting around the dinner table and we're having a conversation. I was trying to get into the conversation and one of them mentioned whale carbon. When they mentioned whale carbon, my first degree is in physics, in sciences. So I said, "Whale carbon? We're all carbon units." They said, "Yeah, Ralph. But do you think you have as much carbon as on yourself as a great whale?"

I said, "No, of course not. But what are we talking about here?" Of course, I'm a financial economist. Economists, we always think, "On average, how much is carbon on the whale?" But scientists don't think like that. I created an Excel spreadsheet on my bed. I didn't sleep that night. The first number that popped up was nine tons of carbon on the body of a whale. If you convert that to carbon dioxide, that's 33 tons of carbon dioxide being kept out of the atmosphere. I literally fell out of my bed. I was like, "What?"

Simon Mainwaring:

Literally, a whale is sequestering that much carbon ...

Ralph Chami:

On its body.

Simon Mainwaring:

On its body.

Ralph Chami:

Because you see ... Not only that. Now, the question is, "What does it do with it?" Well, when they perish and they die, they're so heavy, they sink. Anything that goes below 1,000 meters, that carbon is sequestered for life. That's where that number becomes significant, because that means that carbon never goes back up into the atmosphere. It never becomes carbon dioxide.

That was a eureka moment for me, because I was like, "33 tons? 33 tons of carbon dioxide? How many trees is this?" You see? I started thinking like that. Because this is not my area of expertise at all. I'm a financial economist, man.

Simon Mainwaring:

And so, why was that important to you though? Because we hear about carbon being a bad thing. We hear about carbon offset. Give us the context for what was going on in your mind then.

Ralph Chami:

Sure. Sure. So I'm sitting at the IMF and the IMF is working on climate change. Climate mitigation is all about reducing the flow of carbon into the atmosphere and draining the tub. Draining the amount of carbon that is already in the atmosphere. And then, IMF is working on really the pricing. What ought to be the pricing of carbon, so that people's behavior would change and we'd become more climate sensitive?

That's why I was just first calculating the carbon. Trying to understand, "How much carbon is on the body of a whale?" Just because they challenged me to it. And then, when I got the carbon dioxide, I thought to myself, "Wait a minute." One whale is equivalent to potentially thousands of trees in terms of its carbon ability. How much has the whale ... They like to eat krill, and they have a huge appetite to eat a lot of krill.

Think of a triangle in your head. The base of the triangle is whale eats krill. The second arm of the triangle is krill likes to eat phytoplankton, and phytoplankton is very important, because that's really the biological life of the ocean. It starts with the phytoplankton.

Simon Mainwaring:

Right.

Ralph Chami:
These are microscopic organisms that everybody likes to feed on, but they do something really cool. They absorb about 33 gigatons of carbon dioxide per year from the atmosphere. And that's equivalent to the work of four Amazon forests per year.

Simon Mainwaring:

Wow. Imagine.

Ralph Chami:
Remember at dinner I said, "Wait. Wait. Wait. Wait a minute, guys. The whale grabs carbon on their body?" They said, "Yes." "And indirectly, through the fertilization of phyto?" The scientists were like, "Yeah. So what?" I said, "So these guys are a great allies in the fight against climate change."

Simon Mainwaring:

That's what I was thinking. Because we all sit there going, "Business and humanity has caused this problem. They've put so much carbon in the atmosphere. We've got to pull it out of the atmosphere. We've got to reduce the amount we're producing." But beyond planting trees and forests and so on and carbon offsets, we haven't really heard about the rest of the natural systems out there. Is that what really went off in your mind?

Ralph Chami:
That was the first one, which is fauna. Because we always think of trees and greens. This is animals. Animals are actually, in this case citation, the whale is helping us in the fight against climate change. That's the first thing that occurred in my head.

Simon Mainwaring:

They're literally a carbon offset. All of these living systems.

Ralph Chami:

Exactly. They're grabbing carbon on behalf of you and me. Even a guy who's living in Nebraska, who's landlocked, is somehow being saved by the work of the whales in the ocean.

Simon Mainwaring:

I think it's worth reminding folks, Ralph ... At this point, that the way that economic models to date are, not to oversimplify, is they typically exclude these externalities. The cost to the living system outside their calculations. Correct?

Ralph Chami:
Yep. If I tell you, "What is the value of a salmon?" The first thing comes to most people's minds is, "Well, I had a salmon at a restaurant yesterday and they charged me $30 per plate." But that's not what I'm

talking about. I'm talking about, "What is the value of a living and thriving salmon in the water left alone for its own sake?"

Simon Mainwaring:

Right. No. I think that's very fair. How did you extrapolate from the blue whale? What is this? How can we have an economic system where you actually factor in all of nature? Is there an economic model where we can have nature at its core? Can that work?

Ralph Chami:

Sure. Sure. Sure. Well now, in retrospect, what I'm really doing with my colleagues is what I refer to as science-based finance. That's the beauty of it. Let me just say in general what it is. Here's a whale and it lives a certain amount of time. May give birth, if she's a female. You're basically building a population growth model.

Once you understand the relationship between the population and the amount of carbon that is being sequestered over the lifetime of the whale, then you can basically bring in the finance machinery. That's my area of expertise. Basically, you're looking at it ... You're valuing a share of stock that pays dividends, except that these dividends are baby whales that give birth to other dividends.

And so, you have to keep track over time that you have this whale living, let's say, 60 years. She's going to give birth. And this baby is going to grow up and going to give birth. And so, you keep track till you reach the amount of whales that we used to have in nature. We used to have about 4.5 million or four million whales. We are now at, let's say, a million. A million and some. What you're doing is you're building that profile of the population going from where it is right now to its potential.

Simon Mainwaring:

And so, let me telescope out from this and go ... The issue that we're all very focused on is the climate emergency, because it's going to affect all of our lives. Yet to date, we're kind of looking through a limited lens, a blinkered lens as to how we can sequester the carbon and reduce the amount of carbon that we're putting out into the world.

What you're saying is if we look at the whole living systems out there and the role that everything plays, then we can leverage kind of the same financially-driven model to the advantage of nature and ourselves in terms of climate?

Ralph Chami:

Think of it this way. The oil-producing countries sat on a black goo for 1,000 years. Didn't know what to do with it. Until Henry Ford said, "Listen, I need to move my machine from here to here, and I need that black goo." That black goo went from a price of zero to price of $100 a barrel. You were sitting on something. You had no value for it. You didn't know what to do with it until somebody else needed it and was willing to pay a price for it. And that price basically went from zero to $100.

We've been sitting on living nature for a very, very long time. You have your iPad and your iPhone and your car. Your footprint on this planet, on this gorgeous planet, is much bigger than our ancestors. If you were to think nature was infinite, it's actually finite. Add to it that the science itself is telling you, "If you want to fight climate change, you need a living nature." Because a living nature can help us in the grabbing of carbon by at least 38%.

That is the latest IPCC report. That is not my opinion. That is work of the scientists. Why is that also important? Because we are not only facing climate calamity, we're also facing the potential loss of

nature itself and biodiversity. You have one million species on the verge of extinction. If you just focus on the climate side, do you think, "It's all about grabbing carbon. Why don't I get a machine that'll grab carbon? I would be okay." Well, what's the use of building that machine? Let's say, theoretically, you could do that. If the oceans die, we die. Whether you grab carbon or you don't grab carbon. We die.

Simon Mainwaring:

How do you frame the case now to business leaders, small and large? How do you frame it? Because you've ported the natural world into our profit motive world.

Ralph Chami:

Yes.

Simon Mainwaring:

You've got to compel them in that profit motive world to look after the natural world, in a way.

Ralph Chami:
Wonderful. The first thing I had to do. By the way, to write the first paper, I had 18 iterations. Because I couldn't figure out with my colleagues how to write it. Are you telling the story of the whales? Are you telling the story about what they do? Are you talking about carbon? Are you talking about oxygen?

Well, it turns out, science tells you if you invest in nature, you will reduce the risk to nature, living nature. If you were to protect, restore, rejuvenate, nature, then nature will reward you by reducing climate risk by at least 38%.

Simon Mainwaring:

It's such a powerful idea.

Ralph Chami:

Exactly.

Simon Mainwaring:

It's right in front of us. It's right in front of us.

Ralph Chami:
So I'm like, "There's this plan, but here's the issue. If nature is that important, we should be funding it." Then, I looked at how much funding is nature receiving. And it's woefully short. The financing gap to protect, restore nature is in the hundreds of billions of dollars per year. How am I going to bridge that gap? I thought, "Can I present an investment proposition? Is nature investible?" The answer is, of course, it is.

Simon Mainwaring:
Walk us through that. Because how to connect sustainable business practices and share prices and business performance is critical. Otherwise, no one's going to participate.

Ralph Chami:

Exactly.

Simon Mainwaring:

How does that work?

Ralph Chami:

Exactly. All right. What I'm saying is nature is investible. Now, when you say investment, that means there's an investor that's going to invest in a project. That means there's somebody that has a project or has technology, but doesn't have the money. And somebody is sitting on money, is interested in the project. You have to have demand. You have to have supply.

Let's talk about demand first. Where does the demand come from? Well, these enlightened countries met at some point, and made commitments to go carbon zero or negative or neutral by 2050. If they had made commitments to go carbon-neutral by 2100, you would not be interviewing me right now. Because that means it's far enough into the future that the price of carbon would've been zero. But they made a commitment to go carbon zero by a close enough date. They had no idea how to do it.

Simon Mainwaring:

They were creating market forces, because there's scarcity. There is a time limit.

Ralph Chami:

That's it. And so, what happened? When they made those commitments for 2050, it was predicated on having to take action at that point or a series of actions at that point in time. But as we all know, no one did anything. They shook hands. They hugged each other. They cried. And then, everybody went on to pollute and extract some more.

What happened? The 2050 moved up against us, because you're making a commitment to a date and time and time is dynamic. You said, "I'm going to do things today that will solve the problem by 2050, but I didn't do anything today. Now, the problem is 2040." We said, "We're going to do what we're going to do," and governments didn't do anything. Suddenly, the IPCC reports are talking about 2030. You see? What does that mean?

That means the urgency to deal with the problem has skyrocketed, which means that the demand for the technology or the ways to reduce carbon emissions and to drain the tub ... I usually call it draining the tub of what is up in the atmosphere. It's urgent. It's right now. Which means a lot of corporations and countries are willing to pay a lot of money for anyone that can help them. Who can help them?

There's the demand side. Who can help them? Well, all these countries, all these communities. Anybody who's sitting on the technology that can grab carbon from the atmosphere. Well, there are two ways there. There's something called high-tech approach, which is carbon capture machines, and something that a dear friend of mine likes to call, "Earth-Tech approach." The Earth-Tech approach, different than the high-tech approach, is three billion years old. Tried and true technology. It's called nature.

Simon Mainwaring:

Of which we are but one expression, but one expression.

Ralph Chami:

Exactly. Exactly. IPCC is telling you, if you restore nature, protect nature, it will grab for you at least 38%. We need the price at which supply and demand will meet, and we need them to meet. Just because you have supply and demand, sometimes they don't meet. Because the problems could be so severe. My work really is focused on bringing the parties together and showcasing that we are going to live happily ever after.

Because what you're really going to do is those that need the carbon are going to pay those that are sitting on the technology that grabs carbon. Because that technology is a living technology. That means you need to keep it alive and well, so the money comes in to invest in protection of nature. See? You solve the problem. By protecting nature, countries that have that nature that can grab on behalf of the rest of us, will get all that money, will look after nature in perpetuity.

When you look after nature in perpetuity, you're looking after the people. Because nature stewards and nature, their lives are intertwined. Suppose you want the carbon. You want me to sequester carbon on your behalf, and I'm using, let's say, seagrass to do so. I need to keep the seagrass alive and well and thriving, because that's the only way the seagrass can grab the carbon on your behalf and you are paying me for it. So I get the payment and I look after the seagrass on your behalf.

Simon Mainwaring:

Right.

Ralph Chami:

By stabilizing the seagrass, I stabilize the communities that need the seagrass for fish. Communities that lead the seagrass to stave off flooding. You see? All these island economies that have no hills to run to when the waves come, and they need the seagrass, they need the mangroves, they need the corals that will break the movement of the waves and stave off flooding.

You have demand. Who's demanding it? Well, let's say Microsoft, Google, Walmart, all these corporations that made commitments to go carbon zero, carbon negative, carbon-neutral. They're looking around saying, "Who's going to help me meet this commitment?" You have The Bahamas sitting on the other side. Sitting on 30% of the world's seagrass, saying, "Hey. I will sell you the carbon."

Simon Mainwaring:

Ralph, can you give us a concrete example of what progress is being made? How is this being brought to life? Is there a pilot program you could point to?

Ralph Chami:

Sure. The Bahamas would be an excellent example. This scientist a few months ago published a paper called, Using Tiger Charts to Map the Sea Floor of The Bahamas. They actually fitted tiger sharks with cameras, and the tiger sharks hunt sea turtles and the sea turtles feed on seagrass.

The tiger sharks mapped the amount the seagrass of The Bahamas, and the scientist discovered that The Bahamas is sitting on 30% of the global mass of seagrass. Now, why is that important? Because I am doing work with colleagues showing that the seagrass globally is worth over a trillion dollars in carbon sequestration alone.

Simon Mainwaring:

Wow.

Ralph Chami:

All right. That's market valuation. That's not environmental economics. This is pure market. Why? Because seagrass grows exponentially for 50 years, and then continues to grow at a constant rate forever. Imagine.

And so, you can calculate how much carbon the seagrass will grab over time. That's why I call this science-based finance. And then, if Bahamas is sitting on 30% of it, you can imagine potentially that The Bahamas is sitting on a couple of $100 billion potentially in carbon.

Simon Mainwaring:

Right.

Ralph Chami:

All right. We are working with the government of The Bahamas to take this seagrass to the markets. They know exactly what they have, and they've also passed the law, which is in order for nature markets to take hold, you need to ascertain who can speak on behalf of nature.

Because if I'm going to buy the carbon of the seagrass, who's on the other side of the contract? With whom am I contracting with? The ownership, who can speak on behalf of nature, is very important. They passed all the laws. It basically says any carbon that is produced, whether green or blue, fauna or flora in The Bahamas belongs to the government. Those laws have been passed. Everything is done.

What they're doing now is basically working on what the certificate would look like. Hopefully, it'll be a resilience certificate that basically says, "You're not only purchasing carbon credits, but you are getting biodiversity credits." Because you're saving the sea turtles and you're saving the tiger sharks. And by creating resilience in nature, you're creating resilience in the people of The Bahamas.

Simon Mainwaring:

Such a powerful thing.

Ralph Chami:

It's an incredible thing and it's complete. The government gets revenue. Nature is looked after in perpetuity. Local communities gets employment, gets stability, you alleviate poverty and whoever is buying the carbon credits get support on their website as, "I'm helping to save the sea turtles and the tiger sharks. And I'm getting my carbon credits." I call it the win-win win model. There are no losers in this. How close are we? We're a few months away from basically launching it.

Simon Mainwaring:

It's not only the one-to-one benefit. There's a knock-on effect of the connectivity inside the ecosystem.

Ralph Chami:

Exactly. You've got the biodiversity. What I am working with The Bahamas, I am involved in it, is basically coming up with the resilience certificate that tells Microsoft, "You are not just purchasing carbon. You are actually investing in biodiversity. You are protecting the sea turtles and the tiger sharks, because they're on the endangered species list." By investing in seagrass, you're ensuring that the tiger sharks and the sea turtles will be protected forever.

Simon Mainwaring:

Ralph, I'm going to put on my cynic's hat. Because we all know that financial markets aren't necessarily predisposed to invest in such instruments or systems. But my larger concern is it's a very fast-moving dialogue that's going on right now. We've gone from sustainability to regeneration, to climate to carbon, to biodiversity to nature-positive. There's also the whole concern around greenwashing and so on.

There are also deadlines, which have been set for very real reasons. After which, there's a cascading effect that's going to compromise all of our lives. My larger question is, with this breakthrough and insight, are we moving far enough, fast enough? Is adoption being embraced? Will we get there in time? How are we overcoming these very self-serving or cynical obstacles that have caused so much of the problem in the first place?

Ralph Chami:

Wonderful. So I've worked in financial market development for 30 years. There is no case of a nascent market that is not subject to gold rush behavior. Every market you can think of went through that teething problem.

Now, your question is, do we have enough time? We don't have a choice. Because if we lose nature, I don't care what machine you're going to build to grab carbon. You are not going to be around to enjoy it. Maybe the microbes will be.

Simon Mainwaring:

It's the ultimate incentive, Ralph. It's the ultimate incentive. Existential.

Ralph Chami:

We belong to nature. If we lose nature, there's no sense in grabbing any carbon or doing anything else. We're not going to be around.

Simon Mainwaring:

You know what though, Ralph? I'm going to double-down on my cynic's hat for a second and go, if that was compelling, in and of itself, and won the day, we wouldn't see all these destructive behaviors persisting.

Lobbyists behind the scenes, coercing politicians to even speak against their own values, irrespective of your political views. How are we going to wake up through the government policymaking lens in time to what is so self-evident? But that hasn't been enough up till now.

Ralph Chami:

Absolutely. My approach is I'm focusing on the business community. I'm focusing on the financial markets, because the resources are there. And if you speak their language, if you do their cost benefit analysis, they can move faster. I've realized a long time ago, unfortunately, that politicians is the tail that wags the dog. They see where the money is coming from and they get on the bandwagon, and they say, "I saw it."

But how do we act in the short time that we have? We need funding to come into this market. The proposition that I make to the Microsoft and others, "I don't want your philanthropic money. I want you to look at this as an investment." Let's take a company that says, "Okay, Ralph. What money am I going

to make out of this proposition?" You're going to buy these carbon credits. You can use them to offset whatever you have. Or you can trade them if you like, because the price of carbon is going up.

If I have a field of seagrass and I sell you the carbon ... I never sell you the asset. I sell you the service of the asset. If I sell it to you at $40 and you trade it at $100, that means the rest of my field now is repriced at $100. Either they meet their obligations and/or they can benefit from trading up. And by investing in nature, they are investing in biodiversity.

They're creating new resilience in nature. They're stabilizing people in their land. How much is that worth to them? Well, I'll tell you how much. That's worth a lot of them. Because their consumers are asking them, "What are you doing to save nature and to fight climate change?" The regulators are coming very quickly. I know much about Europe and Europe is far ahead of us.

Simon Mainwaring:

Ecocide legislation. It will hold corporate offices liable for willfully damaging the planet.

Ralph Chami:

Exactly. TNFD, the high seas, all of this. It's coming. It's coming very quickly saying, "It's not enough to tell me that you're grabbing carbon. What else are you doing to avoid hurting nature?" There's climate issue and there's nature. What are you doing to preserve, protect, restore nature? Companies need to come up with this new narrative that they are good citizens of this planet.

What I'm doing, I'm helping them by telling them, "I can help you with that narrative." I want to make sure that you don't get egg on your face. You don't claim things. What I'm focusing most of my efforts these days is how to provide, how to verify, how to certify the circuit fire. How to create transparency. I've been in the markets long enough to understand this is what really kills a good idea is the execution of it.

Simon Mainwaring:

No. Absolutely. It's all in the doing. And to that point, what needs to happen for this to be embraced from a market opportunity point of view more quickly? And if it is, what do you see as the future of financial markets and our relationship with nature as a result?

Ralph Chami:

Beautiful. Let me start from the end. If we survive this self-inflicted climate calamity, who will we be? We all be better stewards of this beautiful planet. Because you see, I can play games with you, I can try to cheat you, but you cannot cheat nature. We can build all kinds of games and webs and all this stuff, but nature is coming at you. Nature says, "I don't care who you fool, but you can't fool me."

Nature and climate and these risks are real constraints that we have to face. If we were to survive those, that means we will be better stewards of this nature. What I'm doing right now is I'm bribing this generation to be better stewards of nature. I'm using this investment motive to bring on board this generation that caused the damage. If it's an investment motive, they'll bring on board. What we need is to scale up this effort.

Simon Mainwaring:

Absolutely, Ralph. But how do we scale up nature?

Ralph Chami:

I'll explain to you. I've never really explained it before, but I'll reveal it today. The reason we haven't been able to scale up is because ... What does it mean to scale up this effort? You need the money forward in order to build the business. In order for you to build the business, to tell the investor, "Give me your money now," you have to present to the investor the future. What the future is going to look like.

Simon Mainwaring:

Right. Something tangible.

Ralph Chami:

This is how you value a company, you say, "What are your future cash flows going to look like?" And then, I tell you what your value is today. The problem with conservation work today is it's all spot transaction. Meaning, "The mangrove grew by this much. Okay. I will sell you that carbon." But that's a spot transaction.

In order for you to scale up, you have to tell the investment community, what's that carbon profile going to look like five, 10, 15, 20 years down the road. In order for the investor to say, "I'm willing to take a chance on you." Now, I can go to an investor and say, "Hey. I can sell you carbon output of this seagrass field for the next 10, 15, 20 years. Would you like to invest today?" The guy will say, "Why should I invest today?" I said, "Because you're going to buy low and sell high."

Simon Mainwaring:

And that's the language they listen to. You have to talk to people with what they're willing to hear. What I love about what you're saying is we all talk about the need to shift to long-termism versus short-termism, but you're providing a long-term incentive. Not just a long-term responsibility.

Ralph Chami:

That's it. That's it. You're taking what is typically a consumption-type behavior. When you buy carbon from a machine, what you're really doing, you're consuming. You're buying it today. You're done. What I'm doing is I'm taking someone who may do that and converting them into an investor. A long-term investor. In what? In mother nature. We're all going to be equity holders in this beautiful planet and make money off of it.

Simon Mainwaring:

I think, Ralph, it is poetic justice that our survival as a species turns on restoring the natural world in the abundant ecosystem that it is. Sort of a last thought. If you could give one piece of advice or one insight based on your extraordinary expertise through the financial lens, but also now in the environmental lens, to CEOs or founders of companies of all types as to what the future of financial markets working with nature is going to look like. What they need to do now to take advantage of it. What would your advice be?

Ralph Chami:

Their future is going to be all nature-based. All businesses are going to rejig, such that when they make any decision, nature will not be an afterthought. Nature would be present. Because when we put price on the value of a living nature, it enters your cost equation. It enters your revenue equation. That never

happened before. When you price the services of a living nature, it will enter their budget, it will enter their revenue, depending on which side of the equation they're on.

As a result, any decision they make will take nature and impact of our decisions on nature endogenously. It will never be an afterthought. But the beauty of it is that, by doing so, we ensure that whatever money we make will be sustainable. What we need to do, we need to bake equity into nature markets. You cannot leave it to markets to provide equity, because markets are about efficiency. Equity concerns can be baked into our system, because the market system is flexible enough to allow us to do so.

For example, when I talk about equity, I'm talking about equity towards nature. I'm talking about equity towards the current generation. I'm talking about equity towards future generations that have no voice in today's decisions. What we need to do, we need to bring those concerns as we are developing this nature market, because I believe this is the future.

The future will be a nature-based economy that is sustainable and is shared. We have ways of ensuring that that money is there to look after nature in perpetuity on behalf of our future generations, and to look after nature on behalf of the current generations too. We have all the capabilities to do so. It's just that we never read the science. We never understood what the science was trying to tell us, which is a living nature is incredibly valuable to us.

Simon Mainwaring:

Firstly, it's absurd that something we know so viscerally in our bodies when we go out and experience nature, it's absurd that we have to put a dollar value on it to make us realize that it's valuable again. But I want to thank you, Ralph. I want to thank you for answering that call that you heard in your head to go and see the blue whales for some inexplicable reason, which has unlocked all of this.

But also, we've always been part of nature as a species. But I think what you are helping us do is to make nature part of us again. To integrate it back into our lives and what we value and how we frame our future. It could not be more important. Given the critical stakes that we're all trying to solve for.

I want to just share everybody's respect in terms of the unlock that you've enabled for the financial sector and what that can do for the natural world, which in turn will serve us. Thank you for the insights. Thanks for the leadership and let's go like hell.

Ralph Chami:

Thank you, man. Thank you for giving nature a voice on your program.

Simon Mainwaring:

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