

Green Tech and Sustainability – Its Growing Relevance to the Digital Asset Conversation



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Can you give me a quick introduction to Chintai and your carbon-neutral blockchain solutions that are suitable for ESG-centric clients?

So, Chintai is a regulated digital asset service provider, and we’re built from the ground up to be able to provide configuration for different types of assets. And one of them is ESG space sustainability, which includes things like carbon and hydrogen as well as ways of raising for green tech. We’ve therefore, had to put it on a blockchain that is very, very performant, can handle high transaction volume, but can do so in a way that is not going to have a large carbon footprint. And actually, the way we’ve done this is to use a proof of state protocol because that’s obviously a lot better than proof of work for that side of things. We’ve further then taken steps that we’re using one of our clients to actually offset the very small amount of carbon that the chain produces from operations, so, we can operate on a carbon-neutral basis for our clients as well. That’s very important than when you’ve got ESG-centric clients because they can obviously factor that into the decision making regarding what they’re doing in this space as well.

Chintai has a few clients in the ESG space, including Carbon Credits tokenisation and the Hydrogen marketplace. Could you tell us more?

We’ve really found sustainability to be a major vertical for Chintai in the last six months. There’s a lot of movement in ESG and different types of projects that are looking to do things with carbon credit, tokenisation, issuance, as well as other kinds of emerging clean energy markets, including specifically hydrogen.

We actually have a number of clients, there is a compelling series of reasons why we’re well-placed to provide solutions for them. And what that comes down to is that there are a lot of inefficiencies with regard to the carbon credit market. It does not work properly. There’s no proper traceability, and there’s the ability to resell carbon credits to have effectively stale carbon credits, which is problematic. Whereas tokenisation that links to that origination

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obviously, when you've got that offset event taking place, it's recorded on the blockchain, there's a burn and a reduction of supply. It keeps the entire system honest, which is very powerful for moving the system there.

Similarly, for things like hydrogen, there's some major investment going into this space right now, and it has some really unique features that really lend themselves well to tokenisation. There is no hydrogen industry solution currently, and it has unique features like leakage and conversion into other types of commodities as well for onward use and energy. All of that lends itself extremely well to tokens because of the programmable digital assets. So, Chintai as a platform is designed for that type of flexibility for our clients, and so they're going to be utilising them in these cases to be able to do the issuance and distributions, but also then to operate these as secondary markets.

Another one is definitely on the green tech fundraising side. We're built for finance and have the licensing for that too. And one of our clients, for example, is using us to carry out a series of targeted investments in green tech as well out of Singapore. And I think, really, it's a very interesting area. It's fast-growing mostly because of the macroeconomic and geopolitical drivers behind this space, and I think that's only going to increase in the years ahead.

Why do you think the Chintai Blockchain platform is suitable for these clients?

I think suitability really comes down to the needs of the clients, and what we've seen with regards to the whole ESG space and the carbon-hydrogen space, for example, is there a need, obviously, as we discussed, to operate on a carbon-neutral blockchain which we provide. That's important. But then they also have the need to be able to configure their tokens, very often specifically for their precise needs. They need to be able to validate with external providers the validity of either a hydrogen token or a carbon token and be able to say, "Look, this is where it came from." This is externally validated, and we can plug in and enable that for them too.

But more importantly, they need to be able to actually do this as an issuance and liquid trade it and be able to operate that in a way that's cost-effective, and we're built from the ground up to be able to provide that for our clients. A technology enabler of the innovators, as it were. And so, it lends itself extremely well for them. If you think about what's actually required to build out your own issuance process and secondary market process for any asset, it's substantial. And so, for many of our clients, the fact that they can skip that entire step and simply partner with

us is exactly the solution they need to then focus on building out their businesses, which is why we're well-placed to service this kind of market.

Why is a regulated security token important for assets like carbon or hydrogen?

This is actually a very interesting area generally because currently, in many jurisdictions globally, carbon and hydrogen are considered to be utility tokens. A utility token is a great catchall for, generally, it has some sort of usage; therefore it's not a security token, it doesn't need to be regulated accordingly. It's a contentious area, and we're seeing a lot of regulations globally arguing over what is a security token and what is not, including most noticeably the SEC recently and the recent ruling that the XRP token by Ripple is not a security, for example.

Now, going back to carbon and hydrogen, actually, if you analyse what they most probably are, it's clearly a commodity because the commodity is ultimately something that has onward usage. It's typically a resource of some sort, and it has economic use related to resourcing. That clearly is what carbon and hydrogen generally are, particularly hydrogen. The question, therefore, comes, if you're actually operating, let's say, a carbon or a hydrogen tokenisation exchange on a public chain with no regulations, no anything, what is the risk for you if



regulators do then finally catch up and start to categorise an asset class like this as a commodity with associated rules and controls around that? Well, the problem then that you have is that you are going to have to migrate your markets probably onto a different blockchain protocol. You're going to have to completely shut down the existing market and migrate that in some structural process.

Our clients are obviously future-proof from that because we're able to implement controls with a flip of a switch. It's very quick for us to do that. We're actually encouraging them to front-run and actually treat these as commodities from day one. And generally, that is fitting the model of most of the clients as well. But generally, it's a great way to future-proof yourself as a company and not find yourself exposed to a change in regulations that leads you reactively scrambling later down the line to try and bring yourself back into compliance and avoid fines and other problems.

How do you guide your clients in this process?

The guidance of clients in this process is really something that applies to all asset classes, not just sustainability and green tech, which is to say there's a large amount of education as an ongoing process related to digital assets. There's a lot of learning still to be done across the world regarding both how they can be used, how they should not be used, what kind of rules are required and not. We actually have a partnership with the Asia Carbon Institute, as an example. And this is a very important one, for example, for that guidance process with our clients in Southeast Asia because they're able to get that support infrastructure from them. Generally, though, it's about ensuring that they fully appreciate both the legal status of things like carbon and hydrogen. How are these actually going to be potentially treated in the future? And, more importantly, what do they want to do with them? So, are they an issuer, or are they going to be a market operator? What is their

long-term strategic plan? Is it to grow out some sort of carbon issuance process, or is it just to be part of a wider market?

We tend to work with our clients step by step through that process to ensure that whatever solution they're looking to utilise us for actually fits within their long-term strategic aims. So, as an example, there's no point in every single client operating their own carbon market because what that will do is fragment the liquidity across the wider carbon credit market, and therefore you end up in a suboptimal situation where none of the markets has got enough liquidity. It makes far more sense that lots of clients who are issuers primarily simply just participate in a wider, more liquid, deeper carbon market. And so that's the type of discussion we're also having with them. There is, obviously, a range of then complexities around the ESG side of things as well. And again, the Asia Carbon Institute has been fantastic for us in assisting with client discussions in that regard as well. ■

