

Kateri[🌿]

Choosing the Best Carbon Partner



Choosing to pursue a carbon program is a big decision for you and your family. It has the potential to generate meaningful revenues, gather new insights into your soil, and improve the health of your livestock. But if done incorrectly, it can be a headache of confusing requirements, mixed results, and missed payments.

This guide from the Kateri team serves to help you ask the right questions and consider all the variables when determining the best carbon partner for your operations. In each of these sections, we will highlight why it is important, what to ask your potential carbon partner, and how Kateri approaches it.



Cost Risk

Carbon partners should take on upfront costs.
Your family shouldn't take on carbon risk.



Price upside

Get paid when carbon prices go up. Don't just accept a flat fee for your hard work.



Technology

Carbon partners should pay for tech. If you're not GPS tracking cattle, you're taking a risk



Soil Sampling

Proving carbon requires rigorous soil samples.
Don't join a program that is cutting corners.



Ranch Advisory

No tech will ever replace boots on the ground.
You should have a 1-on-1 advisor. Not a seminar



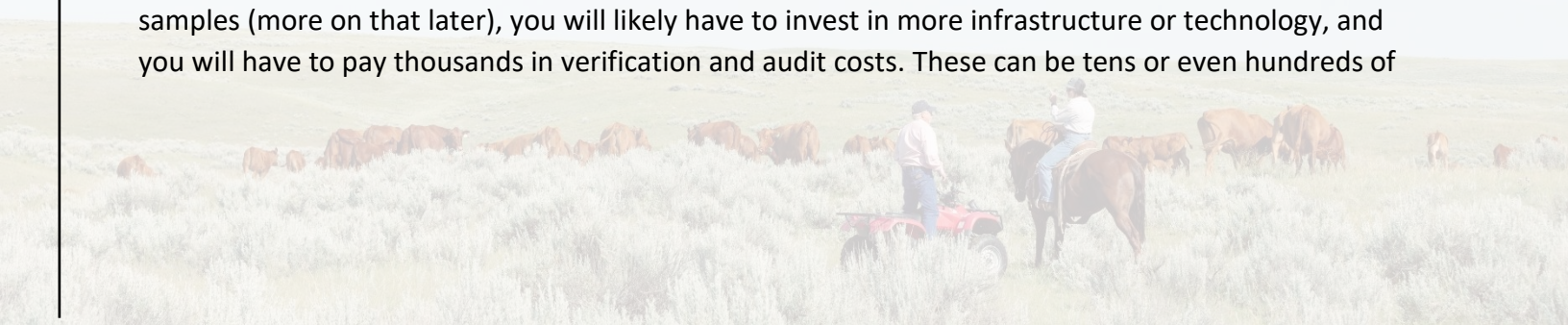
Protocol

Some protocols are hard to sell, others are being retired. Your partner should know which.

(1) Upfront Cost Risk

Select a carbon partner that best matches your risk profile.

Why is this important? Conducting a carbon program can be expensive! You have to take rigorous soil samples (more on that later), you will likely have to invest in more infrastructure or technology, and you will have to pay thousands in verification and audit costs. These can be tens or even hundreds of



thousands in costs before a single carbon credit is issued. You could be left holding all these costs if the program doesn't pan out.

What to ask? Make sure you understand exactly what costs are covered. The biggest line items are soil sampling, verification fees, technology (e.g. virtual fencing), infrastructure (e.g. fencing + water), and ranch advisory. It's important to ask, if they do cover these costs, how are they paid back? Also it's very important to understand if carbon is not captured, will you owe them money out of pocket?

How does Kateri approach this? Kateri believes there are too many unknowns in the carbon market to expect ranchers to take cost risks. Kateri covers soil sampling, technology like virtual fencing, ranch advisory, and all verification costs. We can also support infrastructure investments. Kateri gets paid back by keeping a portion of your first carbon credits. However, if you don't issue carbon, we eat the downside loss. This incentivizes us to only bring on ranches that we believe can succeed!

(2) Upside Potential

Carbon markets have a lot of potential to increase in price – make sure you share in that upside.

Why is this important? The Fortune 500 companies have made public commitments of up to ~3-4 billion tonnes of CO₂ reduction by 2030. The carbon market offset less than 300 million tonnes last year. That means the market should grow by 10-15x in the next decade which should drive high prices. Locking into a price today means zero or limited upside for your family.

What to ask? Make sure you understand exactly the mechanism that determines your payments. If its not a percentage of gross credit sales or profits, then ask how you receive upside if the market improves. Also ask what happens if the price goes down or you capture less than expected. Will you still receive the payments they've listed? How are they calculating the price that they've shown you – are those guaranteed by buyers already or just a projection? Also it is very important to ask "Are these confirmed prices that you have guaranteed with buyers or are these just a projection" – don't be fooled by big numbers 10-years out – anyone can make up a large number.

How does Kateri approach this? Kateri shares 70% of the carbon profits with the rancher. We believe it's critical for the rancher to share in the upside of the market. Since we share in the profit as well, we are incentivized to find the highest possible prices and keep program costs in line. Kateri is fortunate to have buyers that recognize our quality and have committed millions in upfront purchases – this allows us to provide you transparent expectations about the opportunity.

(3) Technology & Data

True quality carbon programs require rigorous verification and management improvements driven by real insights. Don't work with a program that cannot support you in finding the right technology.

Why is this important? A quick Google search of "greenwashing" or "fake carbon credits" will show you dozens of news articles about carbon programs that scammed investors or landowners. Anyone claiming to be able to verify your grazing practices with just "observations" or tracking your animals only at a granularity of 1,000+ acre pastures is putting your property at risk. How can a buyer really

trust that the carbon in your soil is from improved livestock mgmt. if we can't actually demonstrate where your livestock were?

What to ask? Make sure you ask if your carbon partner will support payments for technology. Ask them how they will validate your practice change and that you've met sufficient criteria for "additionality". Ask how they can really improve your property if their insights are only driven by human observations.

How does Kateri approach this? Kateri believes pairing the right technology with ranchers can be fundamental to helping them achieve the next level of forage growth and soil carbon sequestration. Kateri has active partnerships with:

- Virtual fencing provider, Vence, to enable ranchers to manage cattle on terrain and at scales that would be too expensive or time-consuming with fence or polywire.

In-field camera

- analytics provider, EnrichedAg, to enable automated insights into your forage growth throughout the season to help quantify your impact between soil samples
- GPS ear tag provider, Moovement, to verify animal movements and behaviors
- Soil data analytics firms, Seqana and Perennial, to help stratify your soils and provide deep insights

There's no one correct technology solution for any ranch. We work with you to identify the right solutions that can help evaluate your landscape and we cover the costs.

(4) Soil Sampling

Ultimately getting paid for carbon credits is built on verified measurements of the soil organic carbon stock in your soil. You can do all the right things – but if your developer can't quantify the impact, you won't get credit.

Why is this important? The carbon markets are under a lot of scrutiny right now. The standards for evidence of your impact continue to climb. Soil samples, at least for now, are the only true way to quantify soil carbon stocks. If your developer is not using the most rigorous methods, your property could be out of luck!

What to ask? First and foremost, confirm that your carbon developer takes soil samples – DO NOT sign a contract with someone claiming to verify carbon with satellites or remote only sources. Remote sources can be decent indicators, but they cannot verify. Second, ask how they are stratifying your property. Its not possible to sample every acre of your property – so they have to take a statistically significant # of samples. But where do they take those samples and how many? This is where stratification is important. A property that is a perfectly flat, highly homogeneous prairie grass might only need one sample every 100 acres. A property that is in a mountainous, mixed terrain rangeland might need one sample every 10 acres. If your carbon partner does not have a clear and concise

answer to stratification, be skeptical. If your carbon partner is proposing less than one sample per 100 acres you should be skeptical.

How does Kateri approach this? Kateri believes soil sampling is our most powerful insight for your program. Kateri goes above and beyond the requirements for the most rigorous carbon protocols. We have taken soil samples on hundreds of thousands of acres across 11 states. We utilize these samples combined with SSURGO and Polaris data sets and deep analytics from Seqana and Perennial to stratify your property. If we don't have prior samples from your area, we will come take pre-samples on your property to confirm our stratification before taking your full baseline. Kateri takes hundreds of soil samples on average, not dozens. Kateri also takes samples down to a meter, not just 30cm which allows us to really understand your soil dynamics.

(5) Ranch Advisory

Ranching is complex. Improving your ranch plan to optimize forage growth and soil health is even harder. A carbon program should help you develop a ranch plan tailored to your exact circumstances with an individual advisor.

Why is this important? Carbon programs can only work if you're able to improve your property's soil carbon stocks. If that were easy, everyone would have already done it. It requires developing an intensive grazing program that can be adaptive to conditions. It requires evaluating your soils, cool season vs. warm season plants, hydrology, wildlife, and herd behaviors. If you're just doing what you've always been doing, not only would you fail the test of "additionality" (a requirement in carbon markets), but you're unlikely to sequester much additional carbon.

What to ask? Ask your carbon development partner how they'll be supporting you. Do you get a 1-on-1 advisor who visits your property every year or just a seminar? How much experience does your advisor have – are they fresh out of a college program and 2 years at the NRCS or have they been advising the biggest ranches in the country for 30 years? How long do they support you in the program?

How does Kateri approach this? Kateri provides every single rancher in our program with a 1-on-1 advisor that will be with them throughout their carbon program. They will visit the property every year and tour the property with you. They will understand your goals and limitations to help develop a plan that will work for you. Our advisors including Matt Ricketts, Jim Gerrish, Kirk Gadzia, Alejandro Carrillo, and Anna Clare Monlezun (to name a few) have over 200 years of combined experience in the field and have advised some of the largest and most regenerative ranches in the country.

(6) Protocol

Not all carbon protocols are created equal. Make sure your carbon development partner is working with one that is here to stay. You don't want your property ending up in the newspaper for being part of a greenwashing scam.


Why is this important? There are multiple “Registries” that issues carbon credits, but they vary considerably in quality and credibility. If your carbon partner is trying to take shortcuts by working with an easier protocol, you will be jeopardizing the long-term viability of your program. The leading protocols are: Verra, Climate Action Reserve, ACR, and Gold Standard. The largest buyers in the world (Shell, Microsoft, Volkswagen, etc.) only buy from these registries – anything else should come with heavy skepticism. A good protocol will have long duration (30+ years), require proof of additionality, and have rigorous modeling/soil sampling requirements. Anyone selling you a five-year program is selling you on a quick buck, but you could disqualify yourself from long-term carbon gains. Even within these standards, there are certain protocols to avoid. In a grazing based program, a static baseline protocol like VM0026 will almost certainly be retired in the near term because its falling behind international standards. If your carbon development partner isn’t aware of this – they’re not a long-term partner.

What to ask? Ask your carbon partner what protocol they are using and how it meets ICVCM standards. If they’re telling you it’s a Verra program but your contract is <30 years, ask them how they plan on meeting Verra permanence requirements. If they’re using a static baselining protocol like VM0026, ask them how they plan to transition to more dynamic protocols like VM0042 when VM0026 is inevitably retired (Hint: there’s a good chance your baseline will be ineligible).

How does Kateri approach this? Kateri is frequently evaluating the latest protocol releases from Verra and CAR (including being an active participant in the Working Group that is writing updates to the protocols). We are also in constant conversation with the largest buyers of carbon credits and are a founding member in the Reykjavik Protocol and ISCIA which are prominent industry collaborations on protocol design and quality. Kateri’s grazing program utilizes the latest VM0042 and CAR SEP protocols.

Conclusion

Carbon programs are a new and exciting way for your family to generate income on your property. But just like any new market, there’s lots of uncertainty and risky profiteers. We developed this guide to help you and your family start asking the right questions so you can pick the best carbon development partner for your operations. This guide is just a start – if you have more questions, please don’t hesitate to reach out to our team.



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