

CER Monetization Program

Update on Carbon Markets

June 15, 2010

Agenda

CER Price Levels

Regulatory Developments

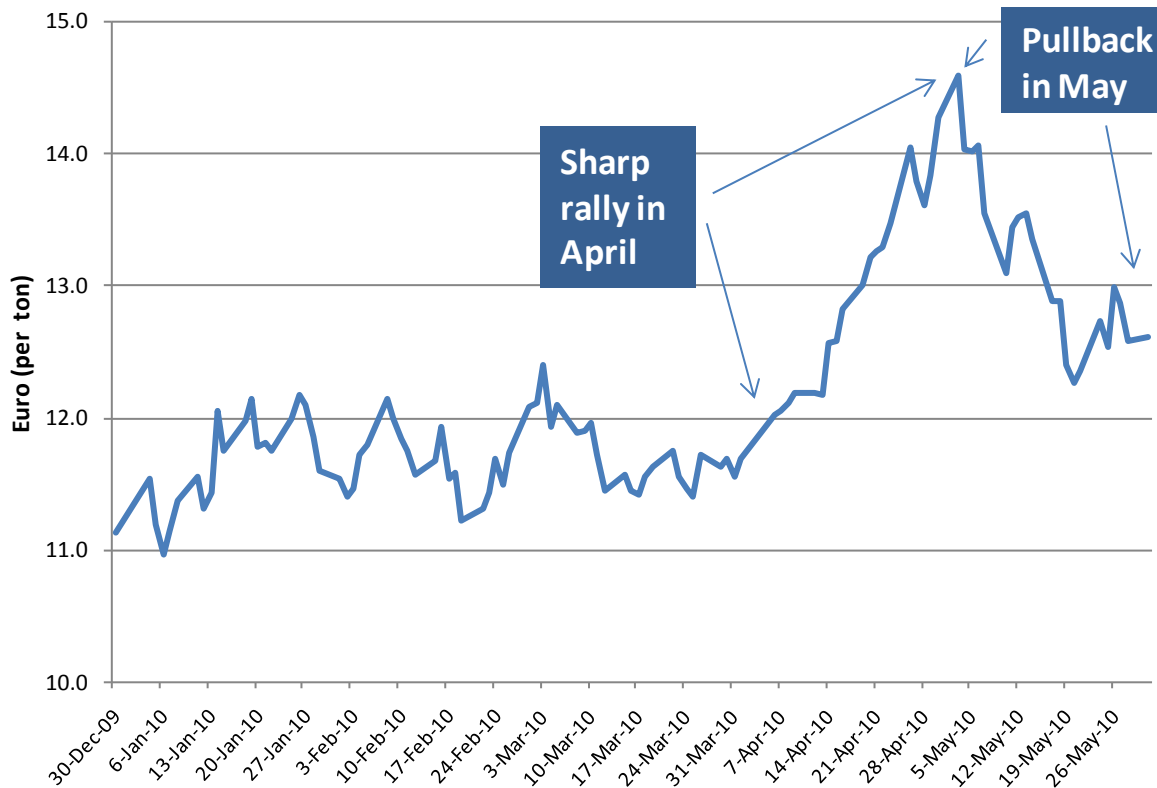
CER Monetization Program

CER Price Levels

One Year Daily Prices

CER BlueNext Spot Price

January 2010 to May 2010



April Rally

- 2009 EU Emissions in line with expectations.
- Post 2012 demands.
- Oil, coal and other commodities up.

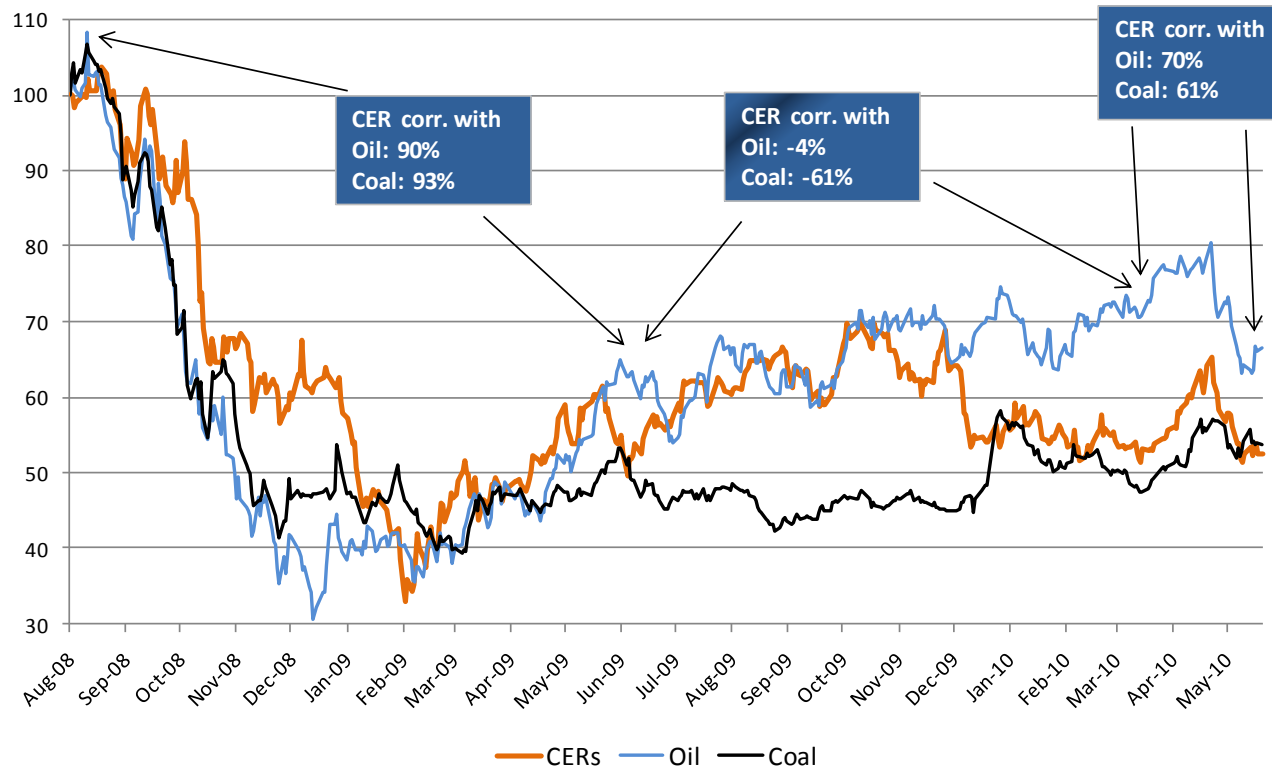
May Pullback

- Crisis in Greece.
- Prices rose too high too quickly.
- Oil and other commodities fell.

CER Price Levels

Comparison with Other Commodities

Comparison of CER, Oil and Coal Prices
Indexed Prices in USD - Sept 08 = 100

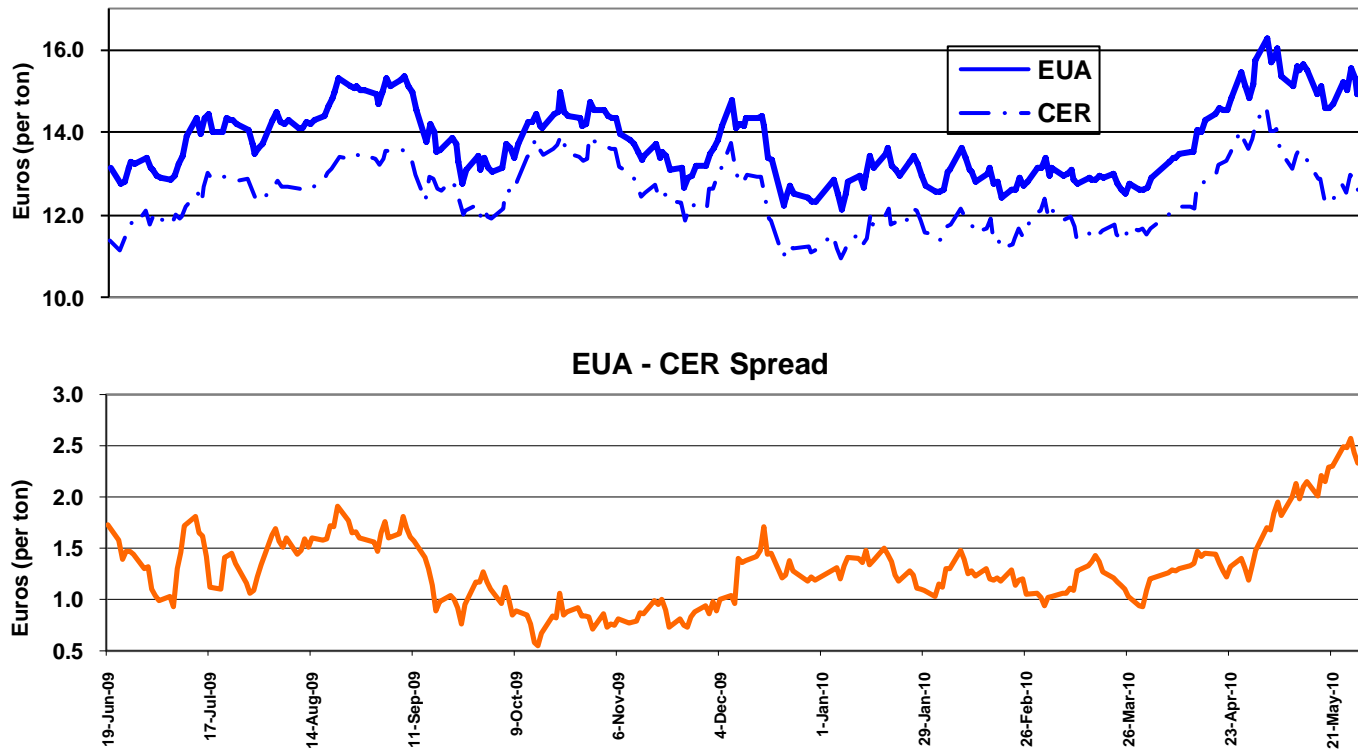


CER correlation with other commodities such as oil and gas can range from highly positive to negative, depending on market conditions.

CER Price Levels

EUAs and CERs

Comparison of EUA and CER Prices
Spot Prices - June 09 to May 10



Source: Bloomberg

Agenda

CER Price Levels

Regulatory Developments

CER Monetization Program

Regulatory Developments

Possible U.S. Climate Legislation

**SENATE CAP & TRADE BILL –
AMERICAN POWERS ACT**

**ENVIRONMENTAL PROTECTION
AGENCY (EPA) REGULATION**

**STATE SPONSORED REGIONAL
PLANS**

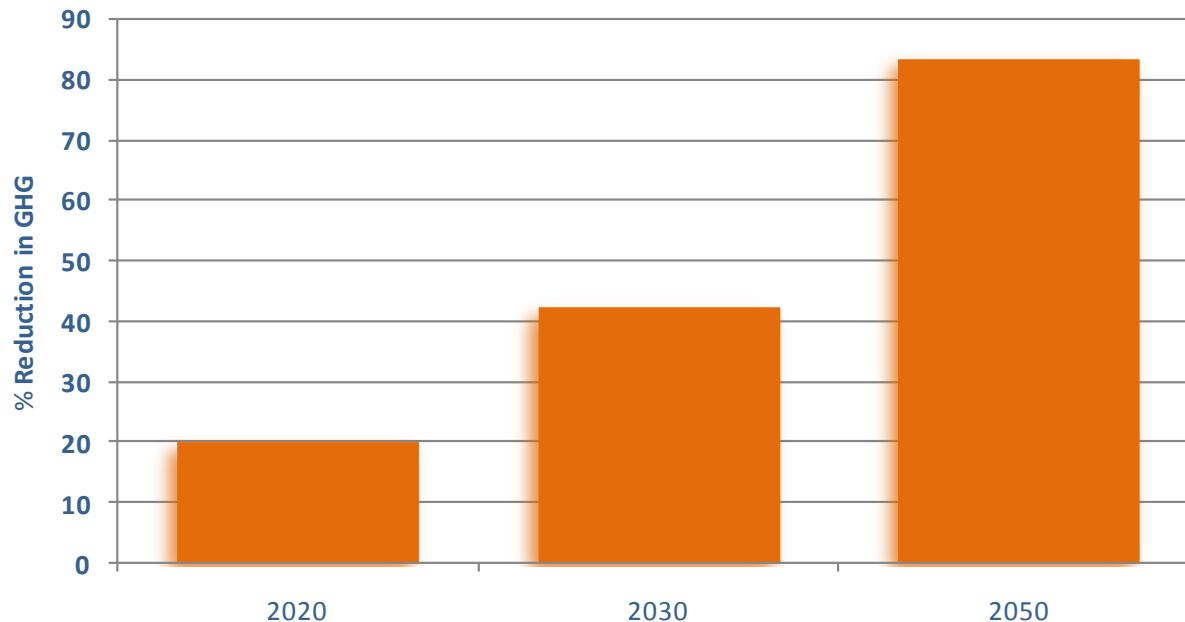
CARBON TAX

**U.S. Climate
Legislation**

Regulatory Developments

U.S. Senate Cap & Trade Bill

U.S. Cap & Trade Bill
% GHG Reduction vs 2005 Levels



**Utilities start in 2013,
Manufacturing Co. in 2016.**

**Initially free allowances,
but phased with complete
auctioning by 2030.**

**Start with floor price of
\$12 and cap of \$25.**

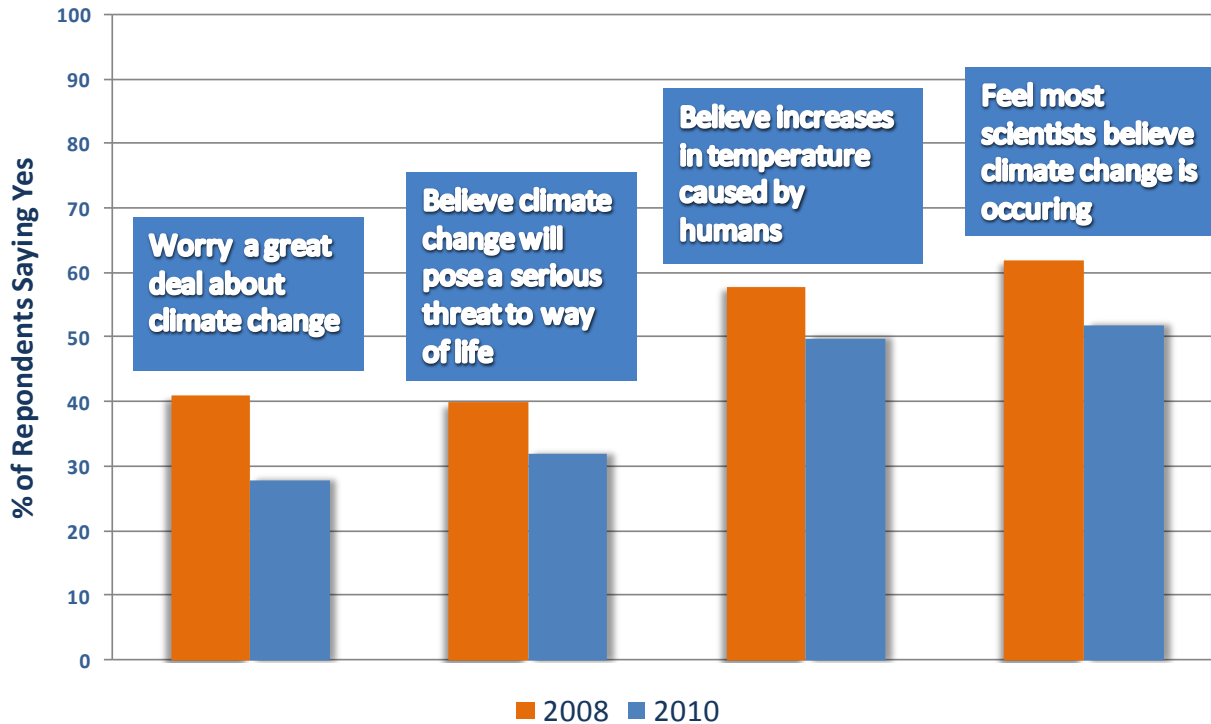
**Would allow
international offsets –
possibly up to 1 billion
tons.**

Source: Point Carbon, Barclays

Regulatory Developments

Issues with Passage of U.S. Senate Bill

U.S. Attitudes Toward Climate Change
Gallup/Barclays Poll - 2008 vs 2010



60 out of 100 votes needed in Senate.

Republican Senator Graham withdrew.

Effect of Gulf Oil spill.

Source: Gallup, Barclays

Regulatory Developments

U.S. Regional Initiative

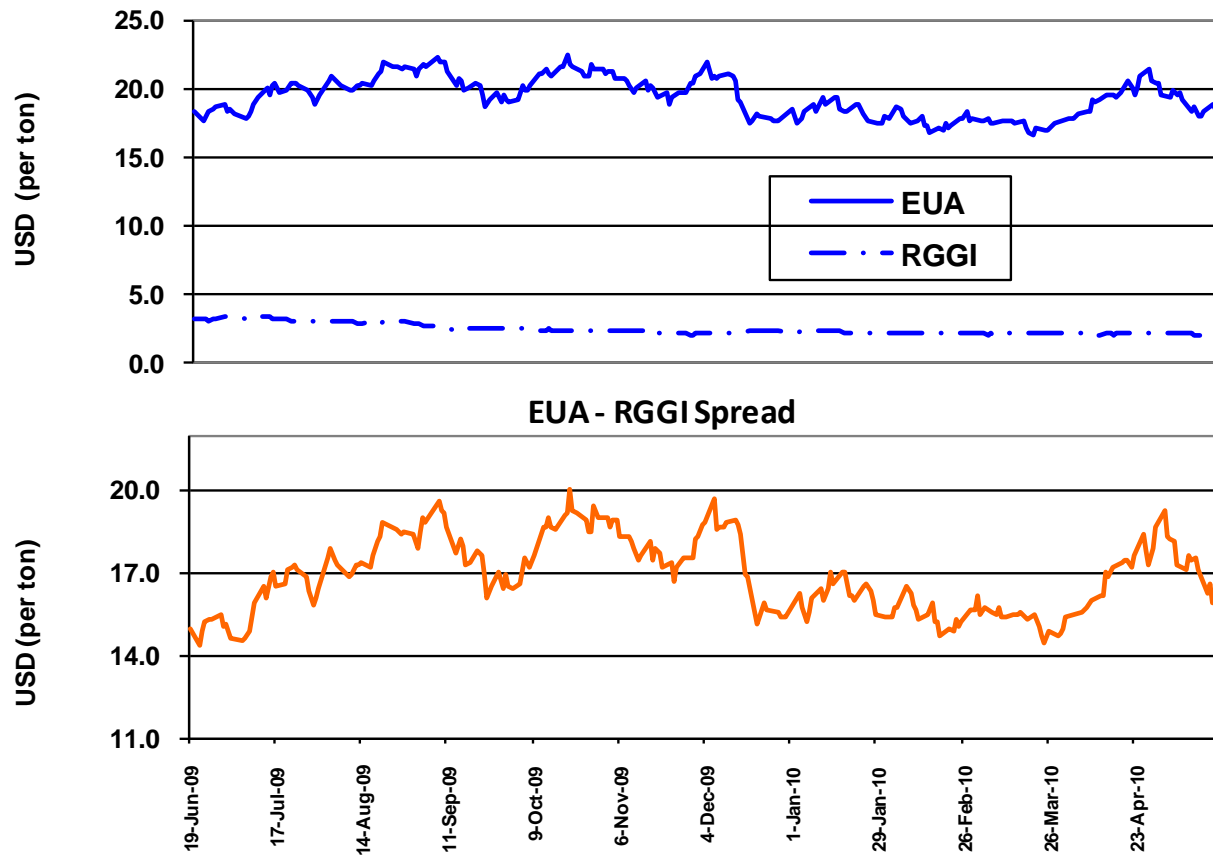
Regional Greenhouse Gas Initiative (RGGI)

- Made up of 10 Northeastern and Mid-Atlantic States.
- Cut emissions 10% by 2018 vs 2002-2004 average.
- Only regulates large electric power companies.
- Auctions all allowances.
- Uses approximately 70% of revenues for clean-energy programs.
- Quarterly auctions held since September 2008.
- Through March, have sold 214 million tons and raised \$582 million.

Regulatory Developments

EUAs and RGGI

Comparison of EUA and RGGI Prices
Spot Prices - June 09 to May 10



RGGI Price de-linked from EUAs and other carbon credits.

Source: Bloomberg

Regulatory Developments

European Union Post-2012

Considerations for Phase III

- **Increasing 2020 reduction target from 20% to 30% despite lack of international agreement.**
- **Conditions for accepting CERs.**
 - **Those issued before Dec 2012, must be used by Mar 2015.**
 - **Those registered before Dec 2012, but issued after that date, can be used until 2020.**
 - **Those registered and issued after Dec 2012 must be from least developed countries.**
- **HFC 23 destruction not likely to be accepted.**
- **Possible use of “multiplier” concept.**

Agenda

CER Price Levels

Regulatory Developments

CER Monetization Program

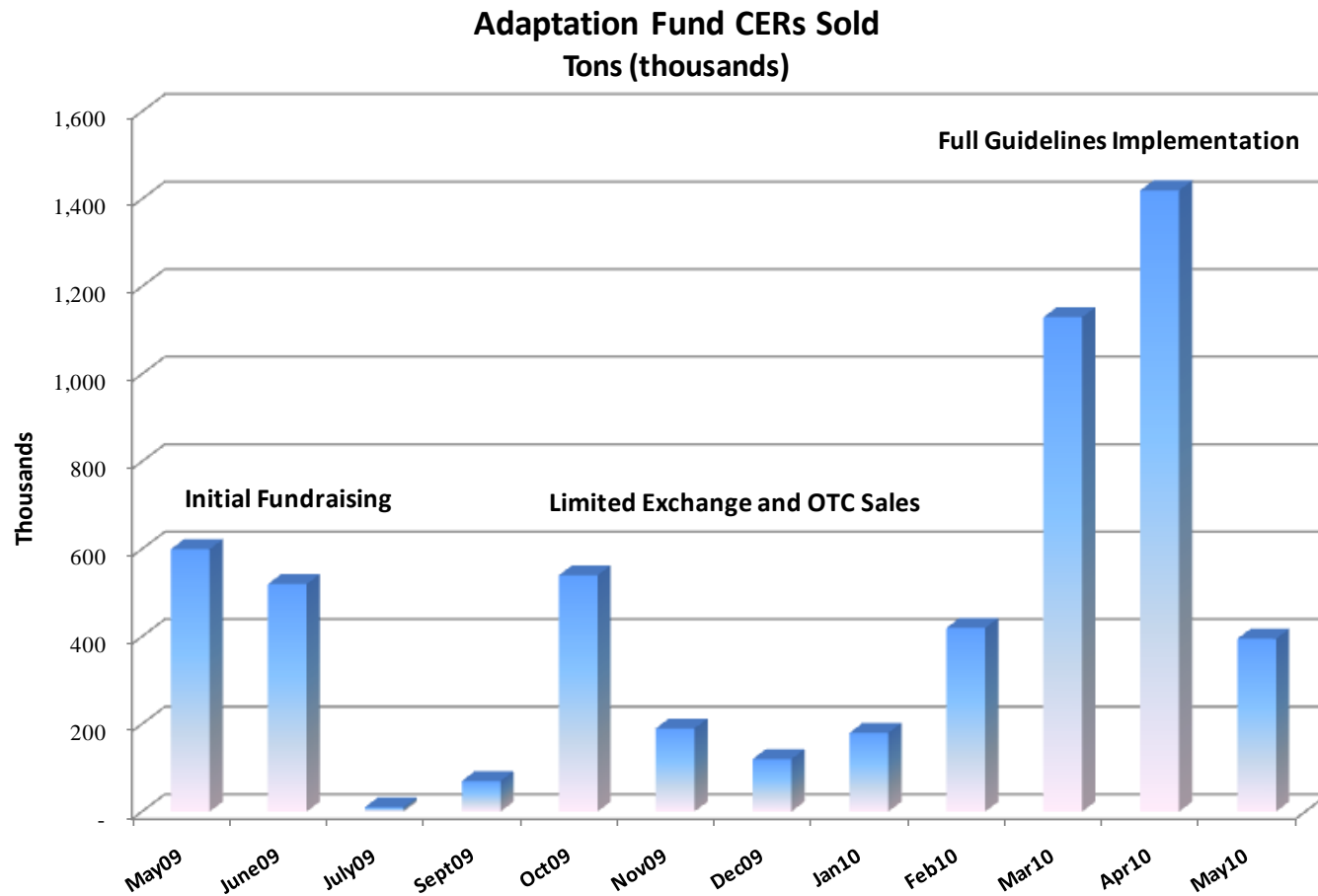
CER Monetization Program

Sale Record as of May 31, 2010

	Month	Sale Method	Quantity	Weighted Average Price	Total Euro	Actual USD	
2009	May	OTC	600,000	12.17	7,300,000	10,290,810	
	June	OTC	500,000	11.45	5,730,000	7,954,077	
		Exchange	20,000	10.79	215,700	302,455	
	July	Exchange	10,000	11.80	118,000	164,858	
	September	Exchange	70,000	13.37	936,000	1,368,393	
	October	OTC	400,000	12.41	4,965,000	7,372,659	
		Exchange	80,000	13.67	1,093,900	1,636,002	
	November	Exchange	240,000	12.97	3,112,000	4,635,167	
	December	Exchange	130,000	12.73	1,654,700	2,417,971	
	2010	January	Exchange	160,000	11.58	1,853,400	2,631,251
		February	OTC	300,000	11.60	3,480,000	4,760,592
			Exchange	140,000	11.57	1,619,600	2,209,498
March		OTC	1,000,000	12.03	12,025,000	16,458,760	
		Exchange	130,000	11.62	1,510,300	2,049,521	
April		OTC	970,000	13.02	12,626,000	16,717,265	
		Exchange	450,000	13.01	5,854,900	7,833,137	
May		OTC	200,000	14.21	2,842,500	3,635,478	
	Exchange	195,000	13.37	2,607,550	3,269,559		
	Total		5,595,000	12.43	69,544,550	95,707,452	

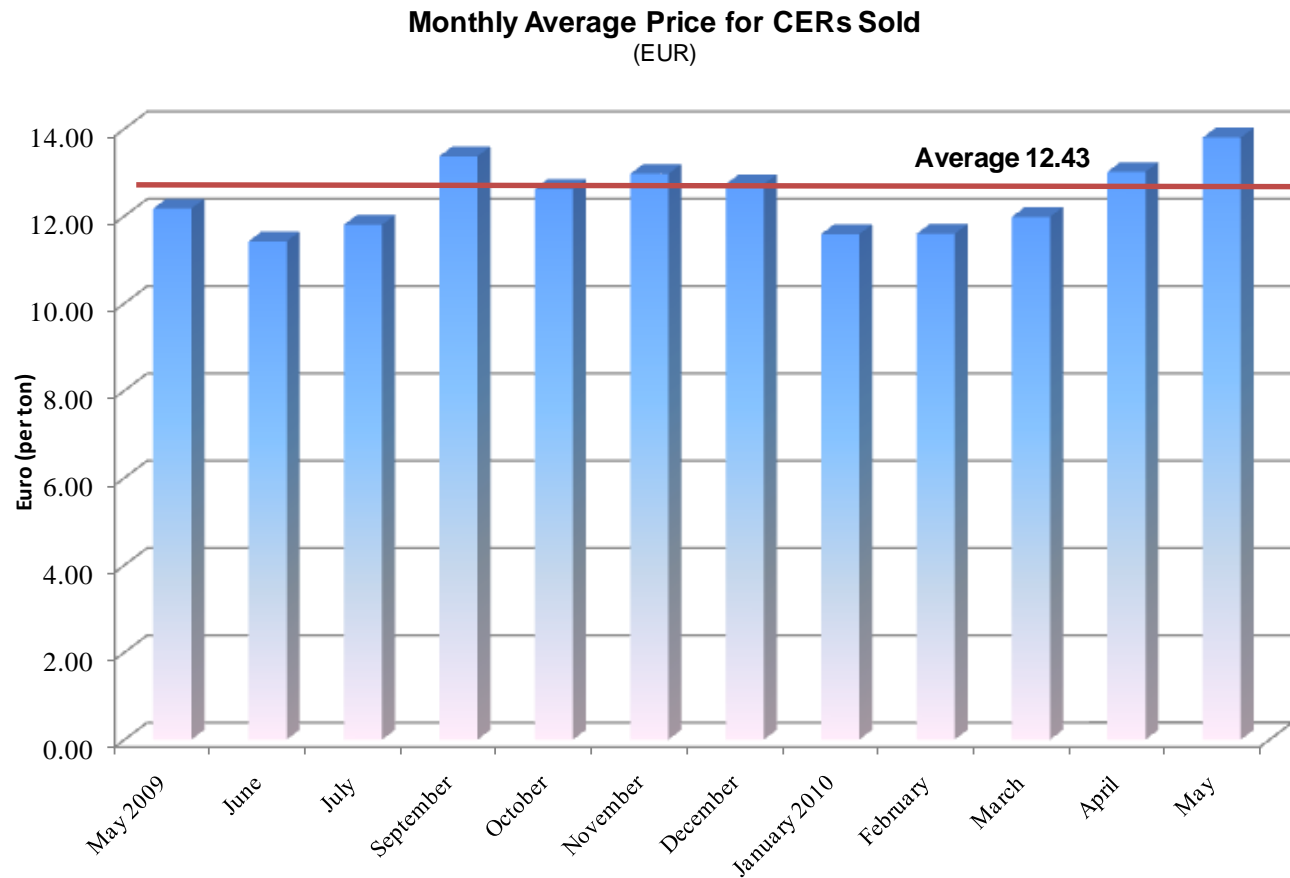
CER Monetization Program

Monthly Sales by Tonnage



CER Monetization Program

Monthly Average Price



CER Monetization Program

Current Guidelines Working Well

Decision 1/CMP.3, Paragraph 28

Monetization of certified emission reductions shall be undertaken in order to:

- (a) Ensure predictable revenue flow for the Adaptation Fund;**
- (b) Optimize revenue for the Adaptation Fund while limiting financial risks;**
- (c) Be transparent and monetize the share of the proceeds in the most cost-effective manner, utilizing appropriate expertise for this task**

CER Monetization Program

Direct Sales

CER Monetization Program Guidelines (Document AFB/B.4/7)

Program Objectives:

- Optimize Revenues
- Minimize Risks
- **Enhance Transparency**
- **Be Inclusive**
- Be Cost-effective

CER Monetization Program Recommendation

Maintain Current Guidelines (Document AFB/B.4/7)

- The Trustee recommends to continue sales on exchanges and through OTCs: most transparent and inclusive, and achieves at least the current market price
- Direct sales by the Trustee to individual buyers is not recommended: not cost-effective (legal, compliance other transactions costs), and could run counter to Para 28 of Decision 1/CMP.3 (esp. Inclusiveness, Transparency)
- Certain CERs in the future may command a premium, notably those likely to be accepted by EU in Post-2012 . Trustee may hold these CERs in inventory until situation becomes clarified.
- Certain CERs may be more attractive to dealers in OTC transactions and may therefore be sold OTC, vs on Exchanges

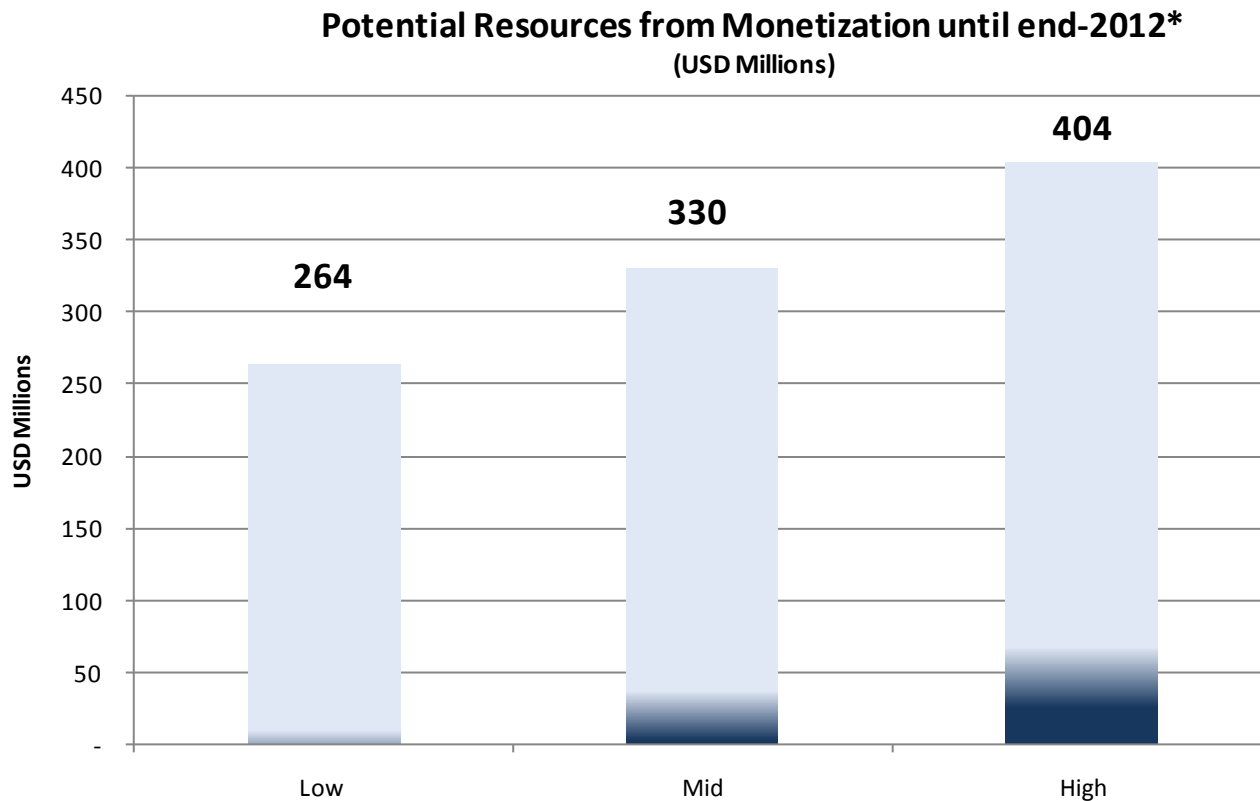
CER Monetization Program

BlueNext Fees – Year Ending May 31, 2010 (Euro)

One-time Membership Fee	7,500
Annual Membership Fee	3,500
Annual License Fee	4,000
Sub Total Fixed Costs	15,000
Pre April '10 per Ton Fee - 980,000 Tons @ 0.02	19,600
Post April '10 per Ton Fee - 645,000 Tons @ 0.01	6,450
Per Trade Fee - 155 trades @ 40	6,240
Sub Total Variable Costs	32,290
Total Costs	47,290
Revenues Raised from BlueNext Sales	20,576,050
Costs as a % of Revenues	0.23%

CER Monetization Program

Potential Resources



Mid-Estimate declined from \$365 million due to lower UNEP forecast – 9.75 million vs. 1.035 billion tons and weaker euro.

Some offset by higher CER prices.

*Excludes donations, interest income and expenses.