

A Snapshot of Global Carbon Trading

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- ☑ There is no SINGLE carbon market
- ☑ Value is driven by legislation, the expectation of legislation, product differentiation and public commitments
- ☑ A CO₂e report for the World Bank released in July revealed that volumes in 2002 were *four times* those in 2001
- ☑ Commodity: Verified Emission Reductions & soon – Certified Emission Reductions

- ☑ Activity:
 - ✓ Transactions driven by expectation of legislation or voluntary approaches
 - ✓ Limited rules and guidelines
 - ✓ Buyers and sellers develop frameworks through discussion and negotiation
 - ✓ Volume
- ☑ Typical Contract structures:
 - ✓ Spot, Forward, Options, Direct project investment
- ☑ Payment profile:
 - ✓ Upfront
 - ✓ Delayed

- ☑ **Hedging Risk (low-cost insurance** against expected legislation, environmental tax, future price increase of carbon credits ... etc)
- ☑ Complying With Voluntary Corporate Commitments
- ☑ Demonstrating Leadership
- ☑ Informing Public Policy (trading is better than taxes or regulations)
- ☑ Learning by Doing

☑ Unique – one-off transactions

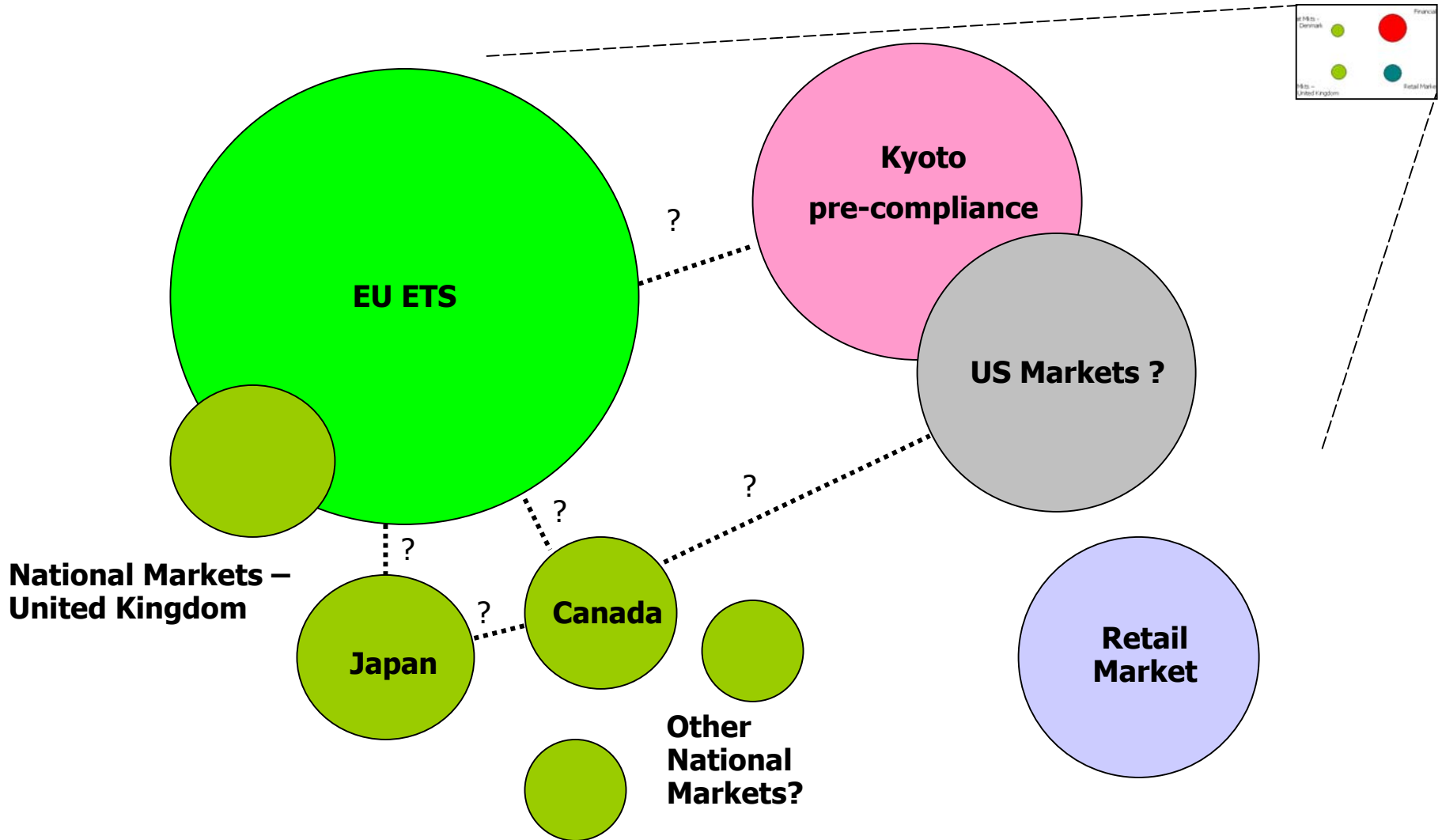
- ✓ Not commodities - contractual agreements to reduce greenhouse gas emissions that may qualify under future legislation
- ✓ Price drivers
 - Risks & uncertainty related to the impact of the Kyoto Protocol and other planned domestic programs
 - Recognition of project/emission reduction types
 - Creditability under future trading systems
 - Quality/volume of projects
 - US position on Kyoto Protocol

(forecasted volumes and prices in 2002)

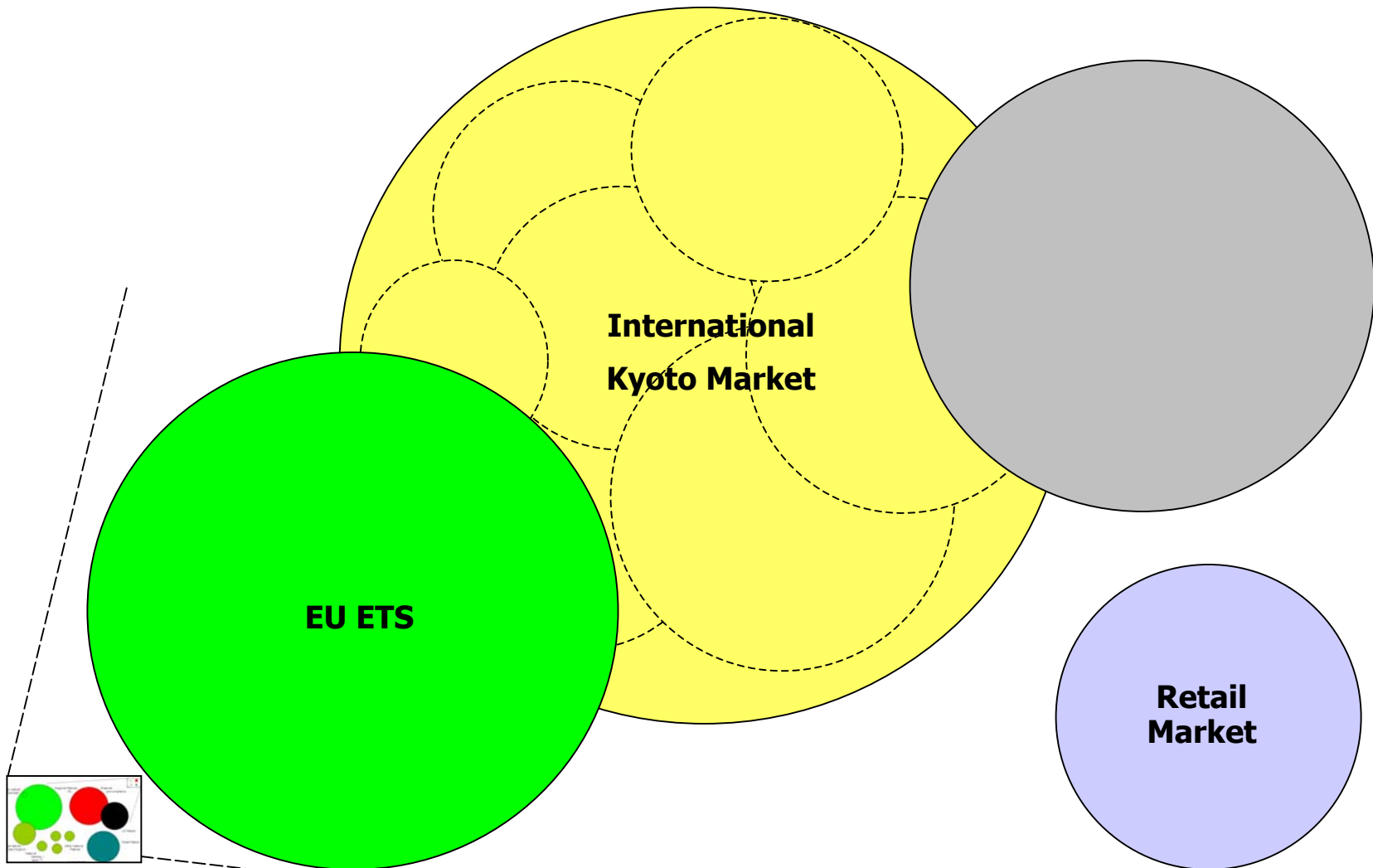
System	Million tC O ₂ e	Price USD/tC O ₂ e
Erupt and Cerupt	12 – 16	4.2 – 5
Prototype Carbon Fund	4.5 – 7.5	3 – 4
UK Market	0.5 - 0.9	6.0 – 7.5
Denmark	0 - 0.8	4 – 4.6
North America	10 – 30	1 – 3
Other	10 – 20	1 – 3

- ☑ Kyoto Protocol - potential entry into force
- ☑ Movement on CDM rules/procedures
- ☑ Japanese Implementation Plan of DET after 2005
- ☑ Canadian Implementation Plan of DET
- ☑ Development of EU ETS
- ☑ Prep for 2nd Commitment Period negotiations
- ☑ New Non-Kyoto programs (US state-level, CCX etc.)
- ☑ Emissions Neutral Activities

GHG market snapshot: 2006



GHG market snapshot: 2008-2012





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