



MARKETS IN CO₂ EMISSIONS PERMITS

***APGAS FORUM 2007
San Diego, California***

***Todd Jones
AgCert International plc***





Who is AgCert?



- About AgCert (AGC – London Stock Exchange)
 - Founded in Sebastian, Florida in 2002 for the purpose of generating large scale GHG emission reductions
 - United Nations approved GHG reduction methodology
 - Largest reducer of GHG emissions in agriculture worldwide
 - Over 600 project sites completed
 - Reducing over 2 million tonnes of GHG emissions annually
- DrivingGreen and FlyingGreen are divisions of AgCert that allow consumers and organizations the ability to calculate and offset the greenhouse gas emissions of their flights, vehicles and events
 - Over 24 million pounds of CO₂ have been offset through the sites
 - The sites and service have been featured in
 - The Wall Street Journal
 - NPR/BBC Radio
 - Real Simple Magazine
 - Woman's Day Magazine
 - Merge Magazine
 - The Washington Times
 - Numerous local newspapers

Offset Your Flight ▼

From where will you be departing ?

Country:

City:

What is your destination?

Country:

City:

Round-trip?

GHG Emitted this flight:

Click to offset the GHG emissions of your flight

Offset Your Car ▼

Drive Green! Calculate and offset the annual greenhouse gas emissions of your vehicle!

Year:

Make:

Model:

Distance car is driven per year: Miles per year Km per year

Total GHG Emitted Per Year:

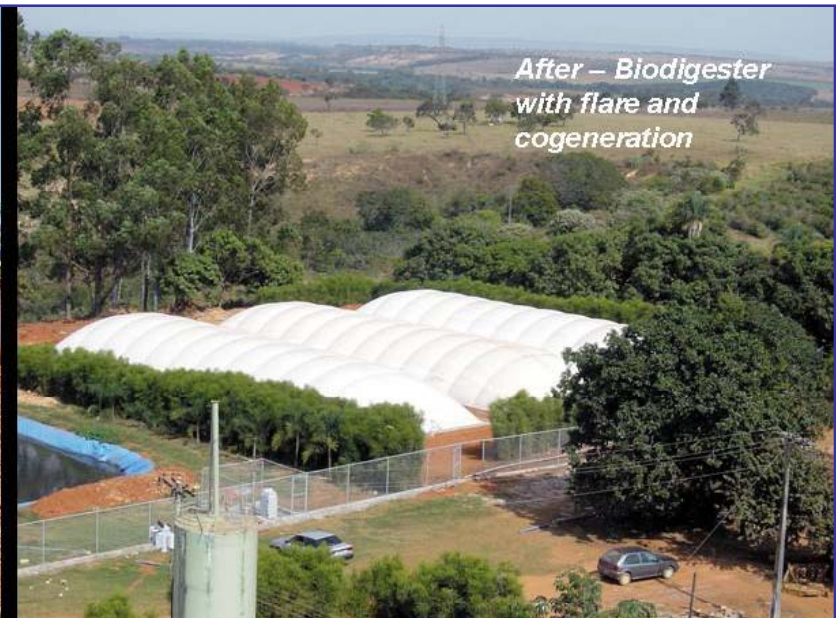
Click to offset the GHG emissions of your vehicle



Waste Methane Project



Before – Open Lagoon



*After – Biodigester
with flare and
cogeneration*



Other Project Opportunities



- AgCert also manages projects in other industries
 - Steel
 - Cement and Minerals
 - Coal Mines
 - Utilities and Power Plants
 - Oil and Gas
 - Diversified Industrial





Why Enter Emissions Trading?



- Have fun, make money, change the world



Changing the world (in process)

- Over 100 Letters of Approval
- Over 50 Registered Projects
- Approximately 700 Completed Sites





Kyoto Protocol



- Participants
 - 146 states
- Reductions
 - Developed countries
 - Target: 5% below 1990 levels, 2008 – 2012
 - 1,050,000,000 t/CO₂e cuts per year to meet targets
- Mechanisms
 - Emissions Trading
 - Joint Implementation (JI) - ERUs
 - Developed countries sponsor GHG reduction projects among themselves
 - ERUs are not available for use until 2008
 - Clean Development Mechanism (CDM) - CERs
 - Developed countries sponsor GHG reduction projects in developing countries
 - Helps developing countries achieve sustainable development.
 - CERs valid for Kyoto and in EU ETS





EU Emissions Trading Scheme (EU-ETS)

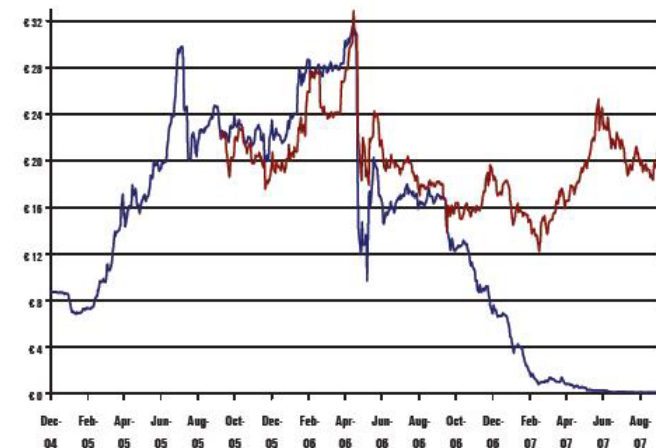


- **Scope**
 - Legally mandated cap-and-trade system for 25 EU states
 - Covers >12,000 emitters
 - Power, refining & industrial
- **Timing**
 - Phase I: 2005-2007
 - Phase II: 2008-2012
 - Further 5-year expected
- **National Allocation Plans (NAPs)**
 - Allocates allowances among industries and among specific companies
- **Fines**
 - € 40/tonne + compliance (Phase I)
 - €100/tonne + compliance (Phase II)



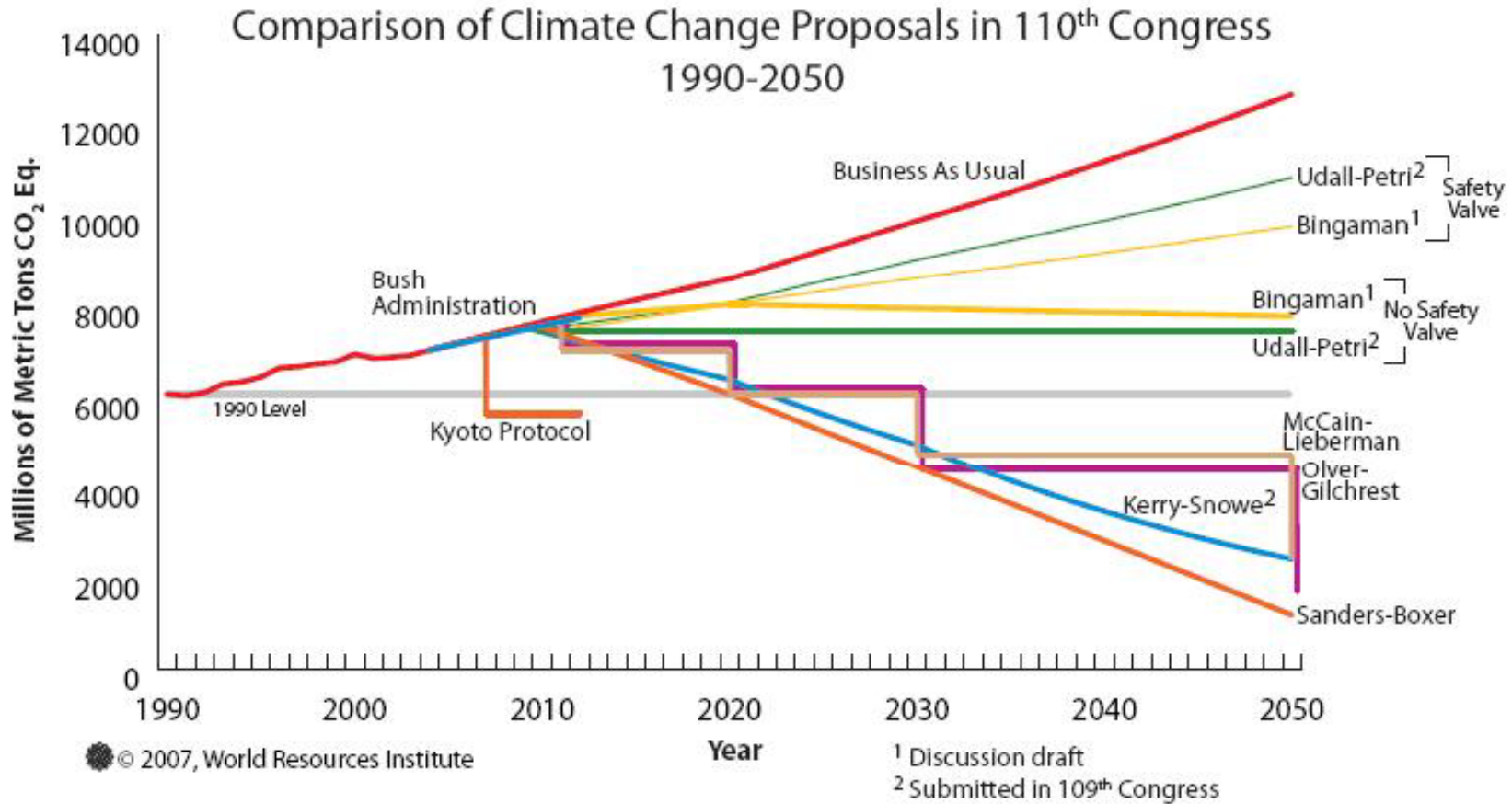
EUA closing prices - historical

EUA prices for December 2007 and 2008 delivery, as assessed by Point Carbon. Prices are published daily at www.pointcarbon.com





US Federal Proposals





Risk Mitigation



- Business Risks
 - Volatile weather conditions
 - Impacts on insurance
 - Legal and regulatory pressure
 - Public and shareholder activism
- Absence of US federal regulation
 - US companies must navigate differing, multiple state regulations
 - Multi-national companies must navigate EU ETS and Kyoto and state regulations

“The potential compensation for climate change impacts would make the tobacco pay-outs look like peanuts”

– Peter Roderick, Climate Justice Programme Lawyer



Shareholder Risks



- There is fiduciary responsibility to address climate change risk
 - At stake
 - Directors and Officers Liability
 - Confidence in level of investments
 - Company reputation
- How is the company evaluating its own risks to climate change?
- How will the company maximize value of probable climate change regulation?
- What are company's greenhouse gas emissions?
 - Wal-Mart
 - Wal-Mart's trucks, stores and refrigerators emit about 19.5 million tonnes per year
 - GE emits approx 11 million tonnes per year
 - Ford Motor emits 8.4 million tonnes per year
 - Dow Chemical emits 32.5 million tonnes per year
 - AEP 146 emits million tonnes per year
 - BP 91.9 emits million tonnes per year



North American Trading



- RGGI – 10 Northeastern States
 - Allowances and offsets (VERs, International offsets (CERs, ERUs, etc. above a certain price point)
- AB 32 – California
 - Trading scheme and rules not finalized yet
- Western Climate Initiative – 6 Western states and 2 Canadian provinces
 - Regional multi-sector market-based mechanisms to reduce all 6 GHGs
 - Actions in all sectors, including but not limited to: stationary sources, energy supply, residential, commercial, industrial, transportation, waste management, agriculture, and forestry
- Voluntary market – VERs are in demand, CDM VERs in great demand (low supply), CERs are in demand, but rarely sold in the US due to the higher price
- Canada – CERs and Canadian VERs. Lobbying for US VER inclusion in national plan



Lessons Learned



- In the development of the North American market
 - Use approved calculations not meters
 - Use meters for QA/Monitoring
 - Be sure process is cost effective to attract capital
 - Keep the rules consistent
 - Allow for methodologies and projects to be approved or disapproved quickly
 - Balance environmental benefits (and co-benefits) with commercial market requirements



What is Needed?



- Accountability
- Transparency
- Integrity
- Consistency