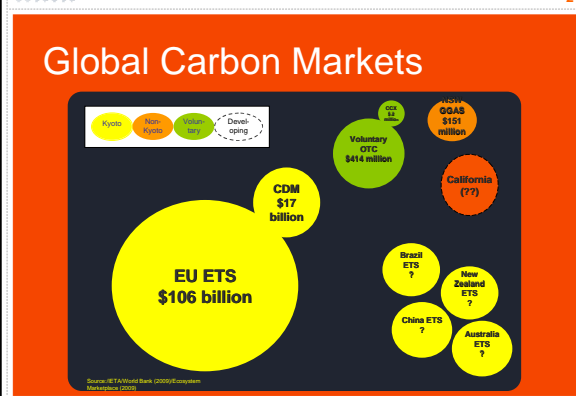


1

Environmental Markets: A primer...

EKO Asset Management Partners

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Global Carbon Markets

Legend: Kyoto, Non-Kyoto, Voluntary, Developing

- EU ETS: \$106 billion
- Voluntary OTC: \$414 million
- CDM: \$17 billion
- GGAB: \$151 million
- California (??)
- Brazil ETS: ?
- New Zealand ETS: ?
- China ETS: ?
- Australia ETS: ?

Source: IETA/World Bank (2009) Ecosystem Marketplace

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Global Carbon Markets

Markets	Volume (MtCO ₂ e)		Value (US\$ million)	
	2009	2010	2009	2010
Voluntary OTC	55	128	354	414
CCX	41	2	50	0.2
Other Exchanges	2	2	12	10
Total Voluntary Markets	96	131	415	424
EU ETS	5,510	5,529	105,746	106,024
Primary CDM	135	94	2,858	1,325
Secondary CDM	889	1,005	15,719	15,904
Kyoto [AAU]	135	19	1,429	265
RGGI	768	45	1,890	436
Total Regulated Markets	7,437	6,692	127,642	123,954
Total Global Markets	7,533	6,823	128,057	124,378

Source: Ecosystem Marketplace, Bloomberg New Energy Finance
Note: Totals may not add up due to rounding.

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CA Carbon Market Overview

- California's ARB was always expected to set the 2012 emissions cap equal to the expected business-as-usual (BAU) level of emissions (i.e. zero demand for offsets). However, AB-32 includes a series of mechanisms and characteristics which are likely to drive additional demand:
 - AB-32 regulations include provisions to create scarcity by removing a fixed portion of allowances (~1%, or 1.7M tonnes, in 2012 – increasing over time) to be placed in strategic reserve – this will create market-wide demand for the equivalent volume of credits.
 - In addition, EKO believes that a combination of long-term considerations and market participant behavior will contribute to a proportionally greater demand. Fear of future price increases will drive funds to internal emissions abatement projects in the hope of controlling costs down the road.

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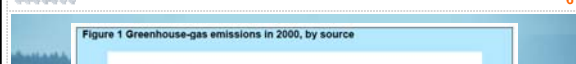


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California Emissions Market

AB-32 GHG Emissions Projections

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Figure 1 Greenhouse-gas emissions in 2000, by source

ENERGY EMISSIONS

- Power (24%)
- Industry (14%)
- Other energy related (5%)
- Transport (14%)
- Buildings (8%)

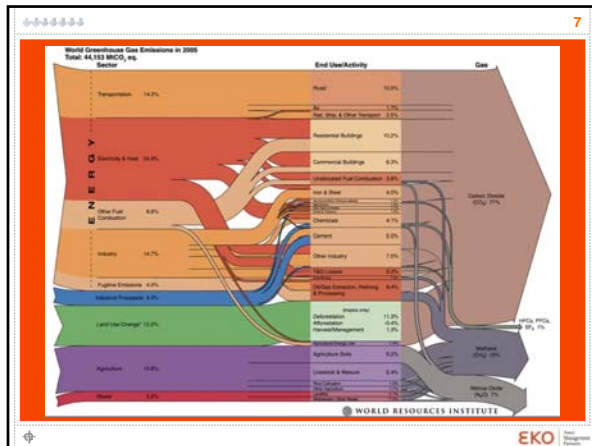
NON-ENERGY EMISSIONS

- Land use (16%)
- Agriculture (14%)
- Waste (3%)

Total emissions in 2000: 42 GtCO₂e
Energy emissions are mostly CO₂ (some non-CO₂ in industry and other energy related). Non-energy emissions are CO₂ (land use) and non-CO₂ (agriculture and waste).

Source: Prepared by Stern Review, from data drawn from World Resources Institute Climate Analysis Indicators Tool (CAIT) on-line database version 3.0.

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“Green Carbon”

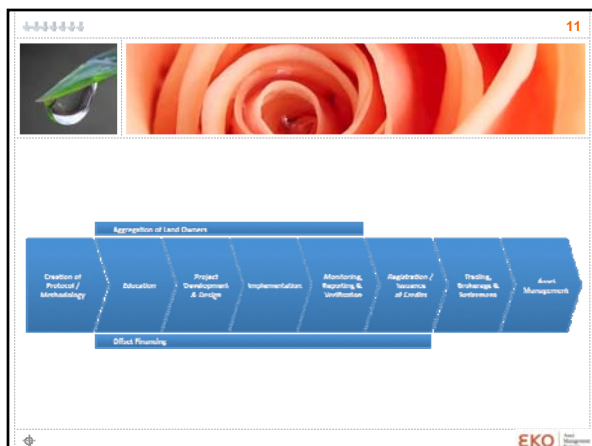
- Forests, agriculture and soil carbon offsets have historically been excluded from the carbon market
- Green carbon is now considered part of the solution:
 - International recognition that forestry and ag carbon make up 25-30% of global GHG problem (around 6-7% in the US)
 - Green carbon a major part of proposed federal carbon market and already a part of California’s compliance market
 - Ag states and interests have a powerful voice in US legislative process - used it to shape the Waxman-Markey Bill, changing the politics of climate change

Role of Forests, Soil and Ag

- Play a crucial role both as source of emissions and sinks (sequester emissions)
- Landowners and farmers are critical stakeholders in the political process
- As a sink, have a tremendous role to play in balancing carbon flows:
 - Reducing emissions is not enough
 - Need to reduce atmospheric concentrations of CO₂
 - Sinks are a key part of the solution to reverse build up of GHG’s
- As part of a market based solution to climate change, green carbon tons are under-utilized

Types of Offsets for Investment

- Agricultural practice changes**
 - Conservation tillage / No-till
 - Crop rotations
 - Modified fertilizer techniques
 - Winter cover crops
 - Perennial crops
 - Biochar
- Forestry**
 - Sustainable forest management
 - Afforestation / Reforestation
 - Avoided deforestation
- Other land-use changes**
 - Grasslands restoration
 - Rangeland management
 - Wetlands restoration / peat bogs



California Dreaming

CAR Agriculture Protocols:

- Reducing fertilizer use
- Cropland Management
- Rice
- How do we measure?

