3 Things to Know about the Carbon Markets

Using the Carbon Markets to Increase the Value of Gas STAR Projects

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Who We Are

Verdeo group

Founders experienced in global carbon markets…

…with financial backing from leading institutional investors

Founders	Investors
• Founded by former executives from Climate Change Capital • Experience developing projects around the world as part of $1B carbon fund • Offices in Washington, Austin and Denver	BLACK RIVER™ WOLFENSOHN & COMPANY

What We Do

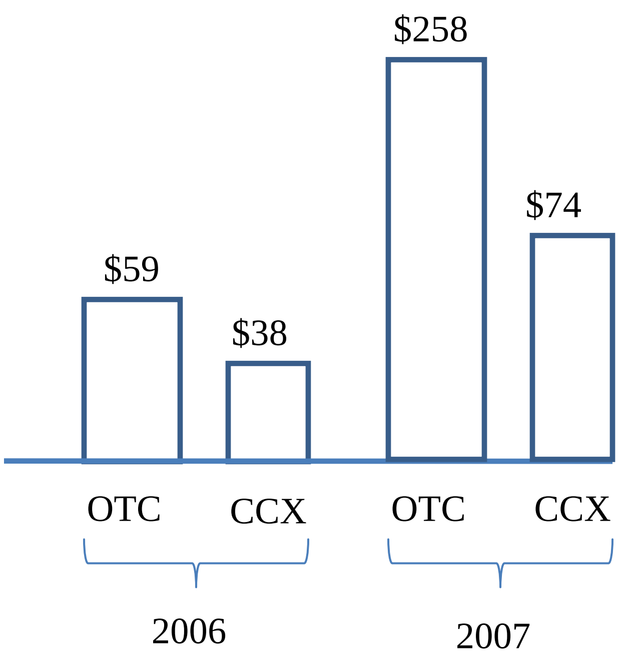
Verdeo provides project development and technology solutions that help US natural gas companies profit from the value that emerging carbon markets place on emission reduction projects

The US Carbon Market

Voluntary and emerging compliance markets serve as a catalyst for project development

Voluntary carbon markets are alive and trading…

US Voluntary Systems
(Volume traded in $MM)



…while the first US mandatory system begins in 2009

US Mandatory Systems

Name	Geographic Region	Effective Date
Regional Greenhouse Gas Initiative (RGGI)	CN, DE, ME, MD, NH, NJ, NY, VT, NH	Jan 2009
Western Climate Initiative (WCI)	AZ, CA, CO, NW, OR, UT, WA plus BC, Manitoba and Quebec	TBD
Midwest Regional GHG Accord	IL, IA, KS, MI, MN, WI, Manitoba	TBD
State of California	CA	2011
Federal cap & trade system	US	2012 (est.)

Note: OTC = Over The Counter, CCX = Chicago Climate Exchange

Source: Ecosystem Marketplace, *State of the Voluntary Carbon Markets 2008*

Demand and Pricing

Three distinct market segments…

Customer Segments

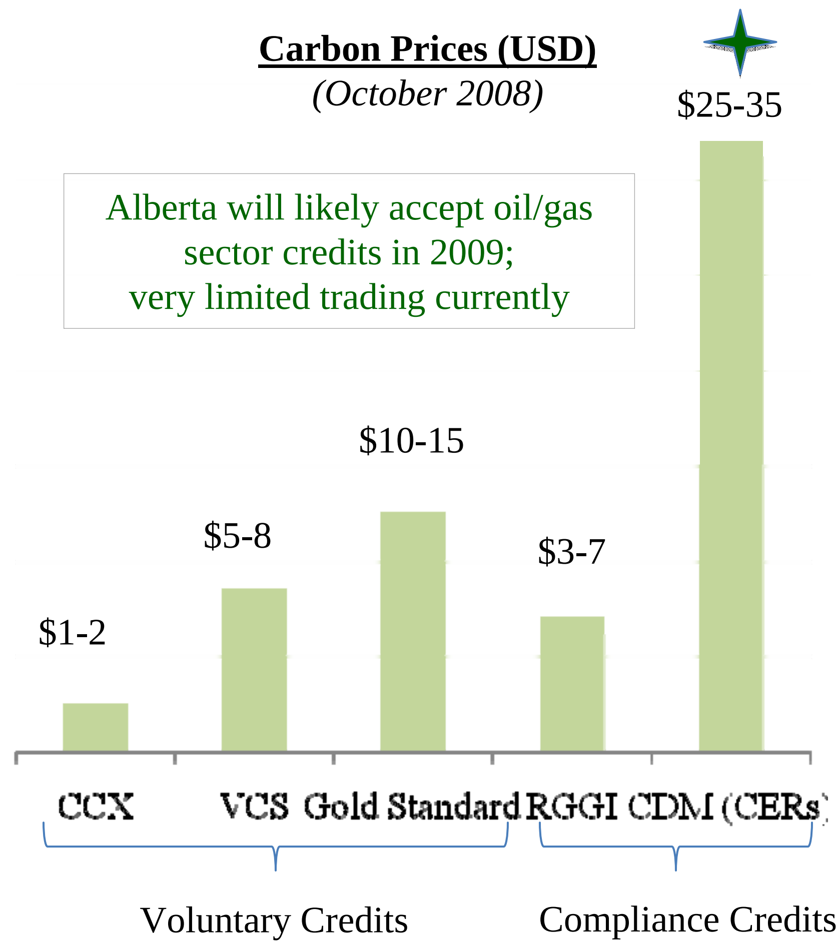
Buyer	Examples	Criteria
Voluntary	Google, News Corp., Offset Retailers	“Charismatic” projects w/ multiple benefits
Pre-Compliance	Utilities, IPPs	Likelihood of regulatory eligibility, volume, credibility
Financial	Carbon/hedge funds; Commodity traders/banks	Price, option value, volume, low delivery risk

Indicates program has approved oil/gas sector projects

…with prices influenced by demand and quality

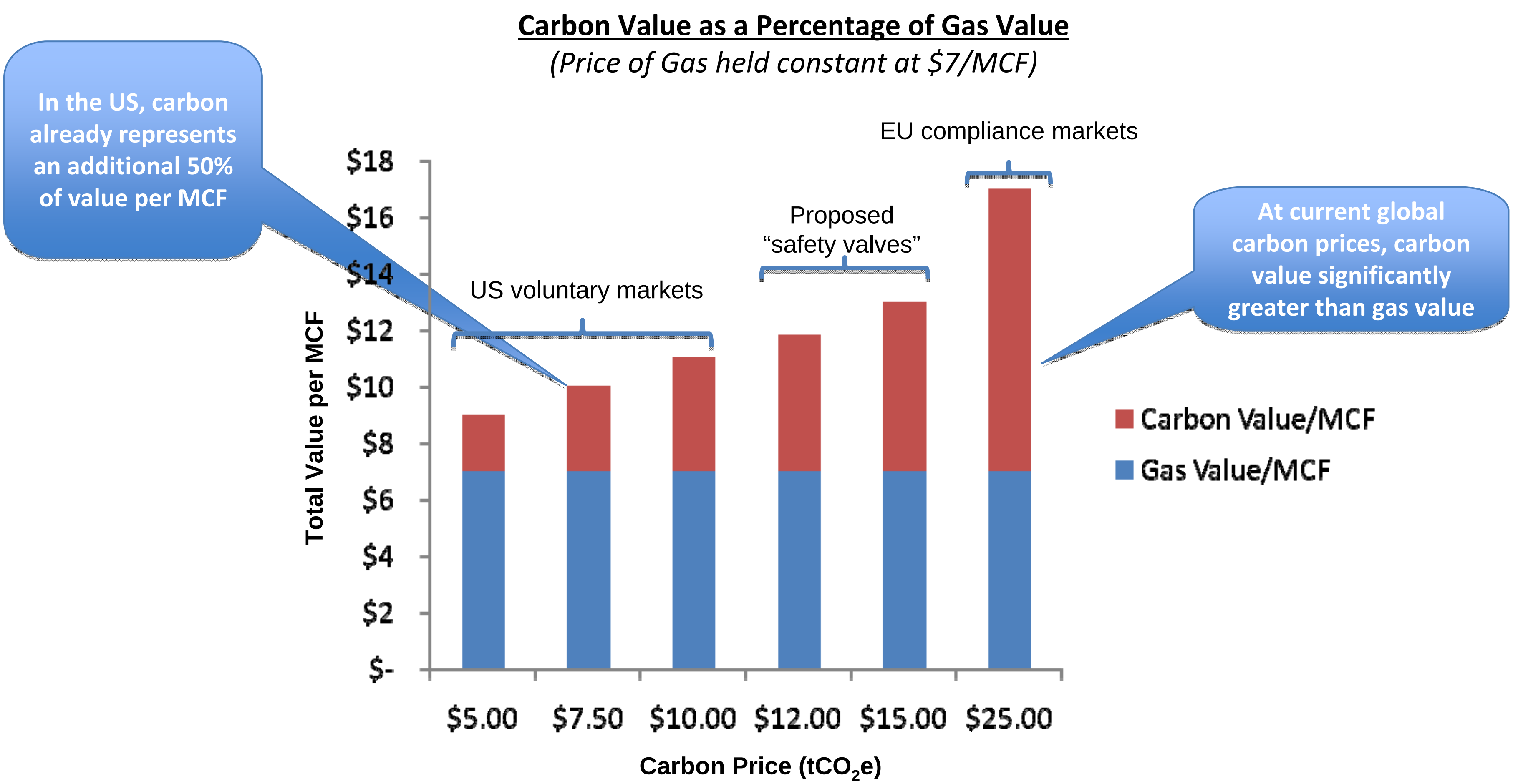
Carbon Prices (USD)
(October 2008)

Alberta will likely accept oil/gas sector credits in 2009; very limited trading currently



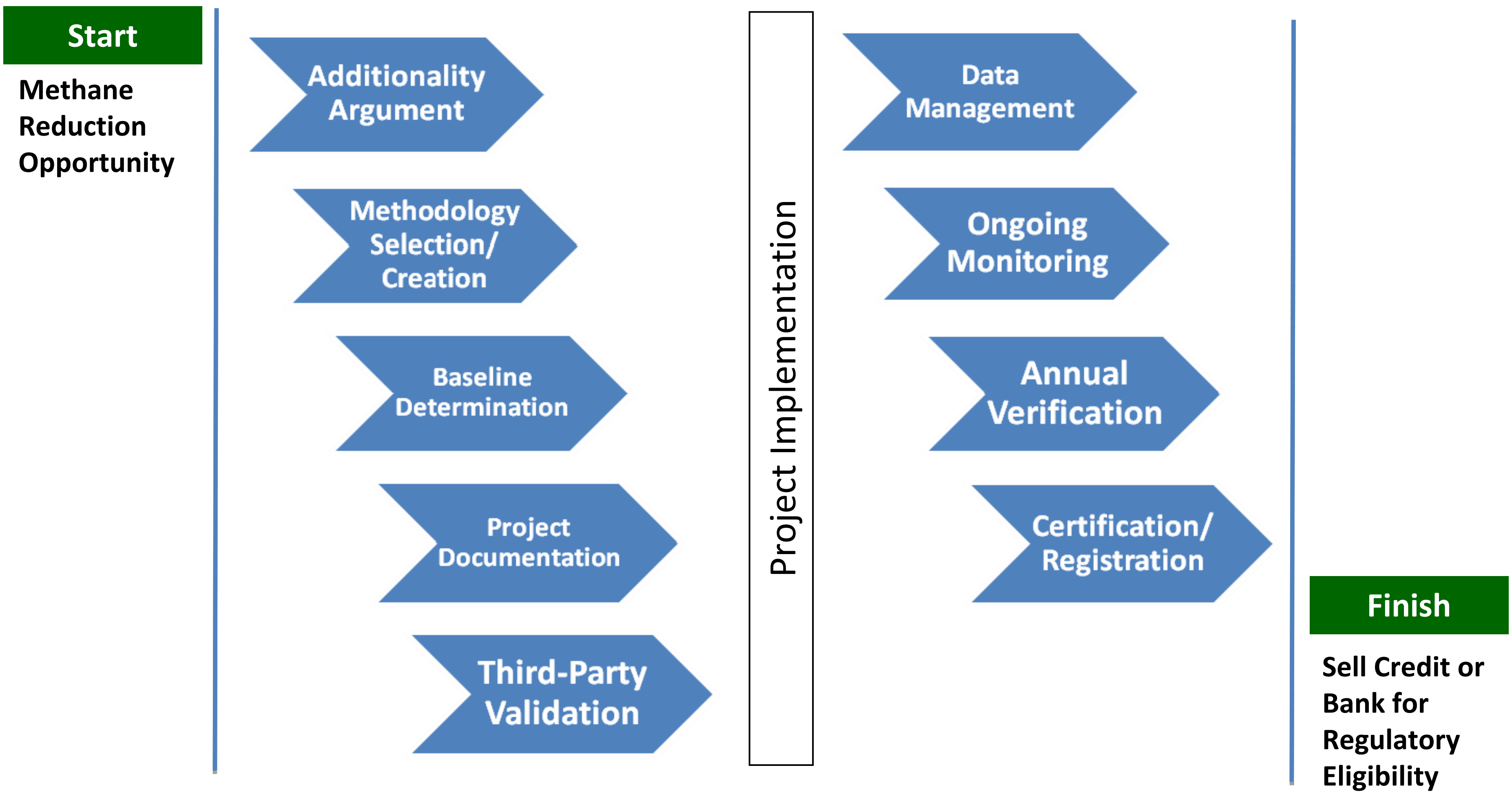
1. Carbon Credits Have Real Value

Carbon credit value can materially impact project economics



2. Carbon Credits Are Built, Not Born

Creating a tradable/bankable carbon credit requires careful planning/execution



3. No Time Like the Present

Significant benefits from incorporating carbon into Gas STAR projects

1 Don't Leave Value on Table
Why not capture carbon value for Gas STAR projects under consideration?

2 High Option Value
Verified reductions can have value as offsets (if unregulated) or as early action credits (if regulated)

3 Corporate Readiness
Build internal capacity to engage carbon markets to advance emission reduction objectives

4 Reduce Internal Emissions
Early action to reduce methane emissions reduces the cost of compliance if operations capped in future legislation

Self-Reporting Insufficient

The voluntary reporting of emissions reductions to EPA via Gas STAR does not guarantee that those reductions will receive any early action credit under future carbon regulation nor does it meet the marketplace criteria required for the sale of carbon offsets.

Conclusions

Carbon is a valuable catalyst for maximizing value from methane assets

- **Deploy existing technologies** - Proven, existing technologies can be deployed to mitigate methane emissions and generate carbon offset credits
- **Generate new stream of revenue** - If properly designed, projects that reduce methane emissions can create a multi-year revenue stream from carbon credits and/or gas production
- **Position to benefit from federal regulations –** A well-executed project will position reductions to achieve value in a variety of regulatory scenarios
- **Standards Matter** – Projects that pursue the highest quality standards command a price premium and increase likelihood of acceptance for early action in a future compliance regime.

Please Contact Us

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