ECO SECURITIES

Sixth Annual Workshop on Greenhouse Gas Emissions Trading

EcoSecurities Group

Sept 2006

Who we are

EcoSecurities is a leading company in the business of sourcing, developing and trading carbon credits in the global carbon market.

Founded in 1997, EcoSecurities' project portfolio today comprises of:

> **Over 235 projects at different stage of the CDM cycle**

> spanning **26 countries**, using **17 technologies**

> Over **60 projects registered or submitted for registration** with the CDM executive board

> Over **110 projects validated or submitted for validation**

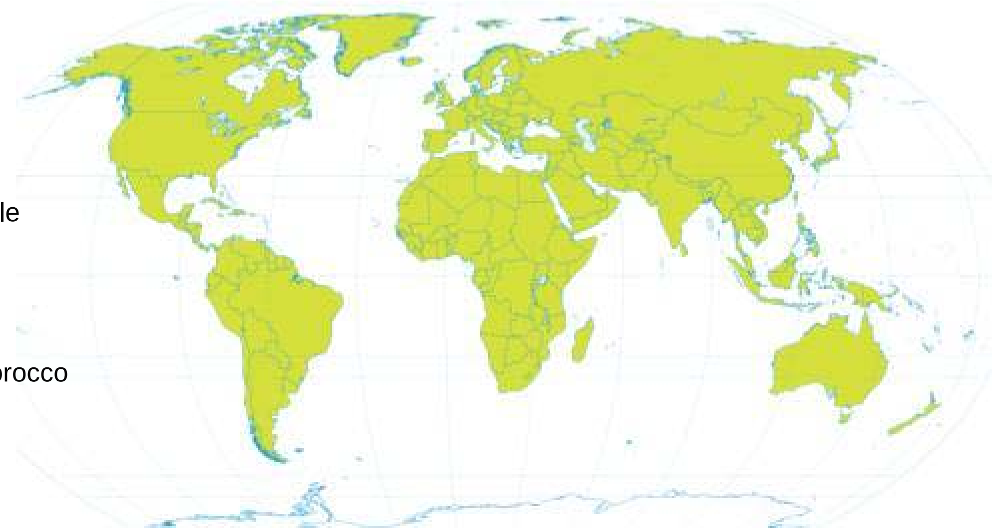
> Developed and/or contributed to more than 10 UN approved methodologies

> Over 160 of the projects have secured financing and over 110 are under construction or operational

Global presence and experience

Presence in 22 locations in 20 countries, worked in more than 80 countries and structured CDM or JI projects in projects in 26 countries

Oxford
New York
Los Angeles
Mexico City
Rio de Janeiro
Santiago de Chile
Dublin
Paris*
Madrid*
The Hague
Casablanca, Morocco
Johannesburg



Karachi, Pakistan*
Mumbai
Bangkok
Beijing
Chengdu
Philippines
Kuala Lumpur
Jakarta
Guatemala
Jordan

* No legal presence but EcoSecurities has entered into contracts with individuals to act as EcoSecurities representatives

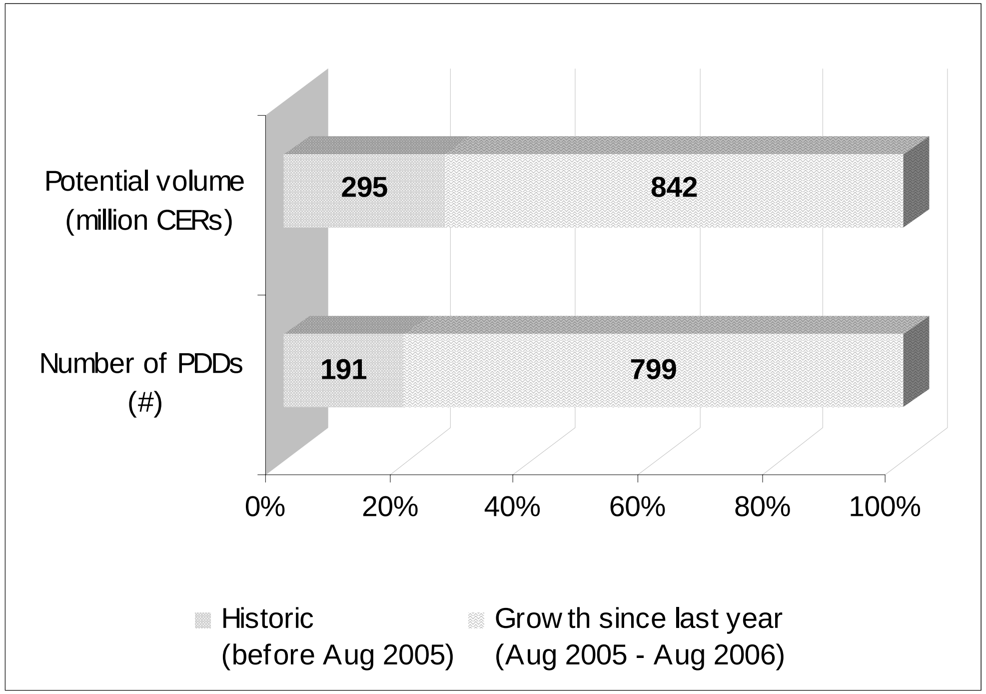
Review of Performance

Role of the CDM

- The clean development mechanism (CDM) defined in Article 12 provides for Annex I Parties to implement project activities that reduce emissions in non-Annex I Parties, in return for certified emission reductions (CERs).
- The CERs generated by such project activities can be used by Annex I Parties to help meet their emissions targets under the Kyoto Protocol.
- Article 12 also stresses that such projects are to assist the developing country host Parties in achieving sustainable development and in contributing to the ultimate objective of the Convention.

- Are the objectives being achieved ?

CDM uptake and potential output



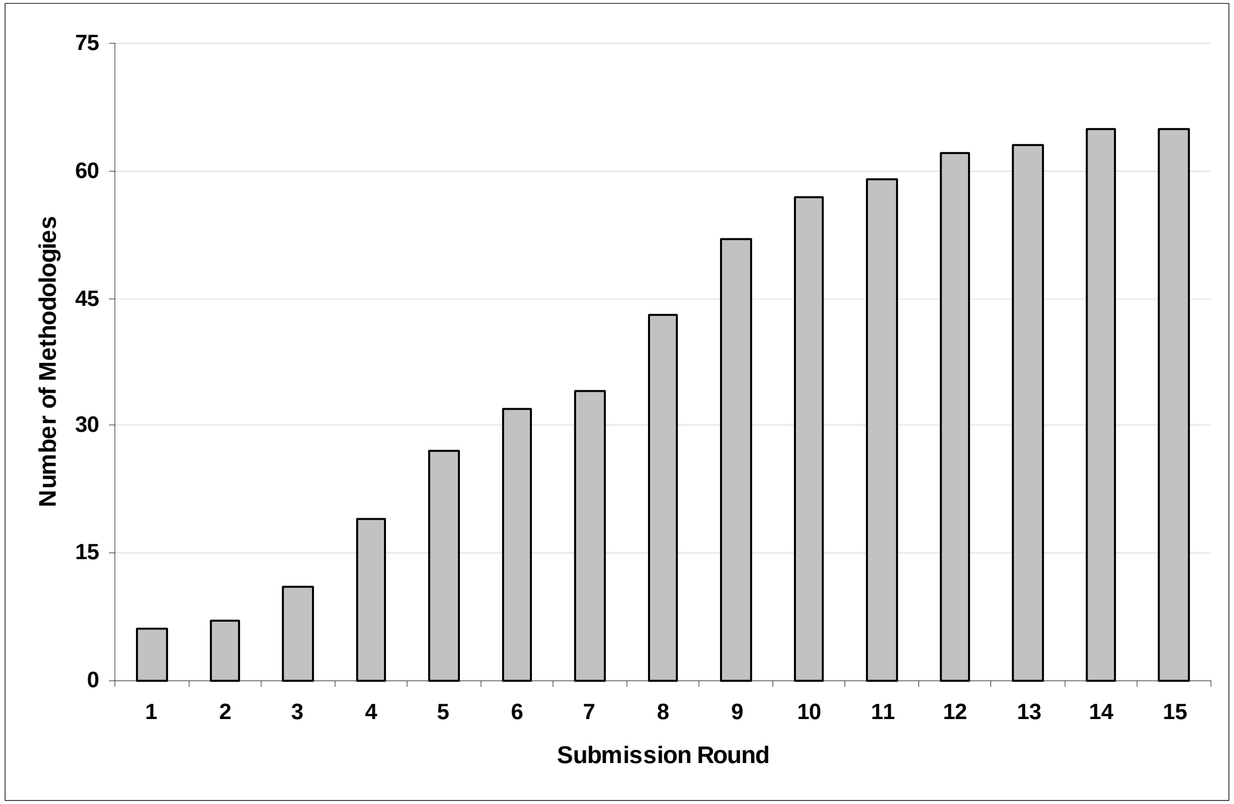
Source: UNEP-RISOE 09/08/2006

Over the last year, submission of projects to the CDM has increased significantly:

418% growth in PDDs submitted (to a total of 990);

286% growth in potential CERs output, to a total of 1,137 Mt

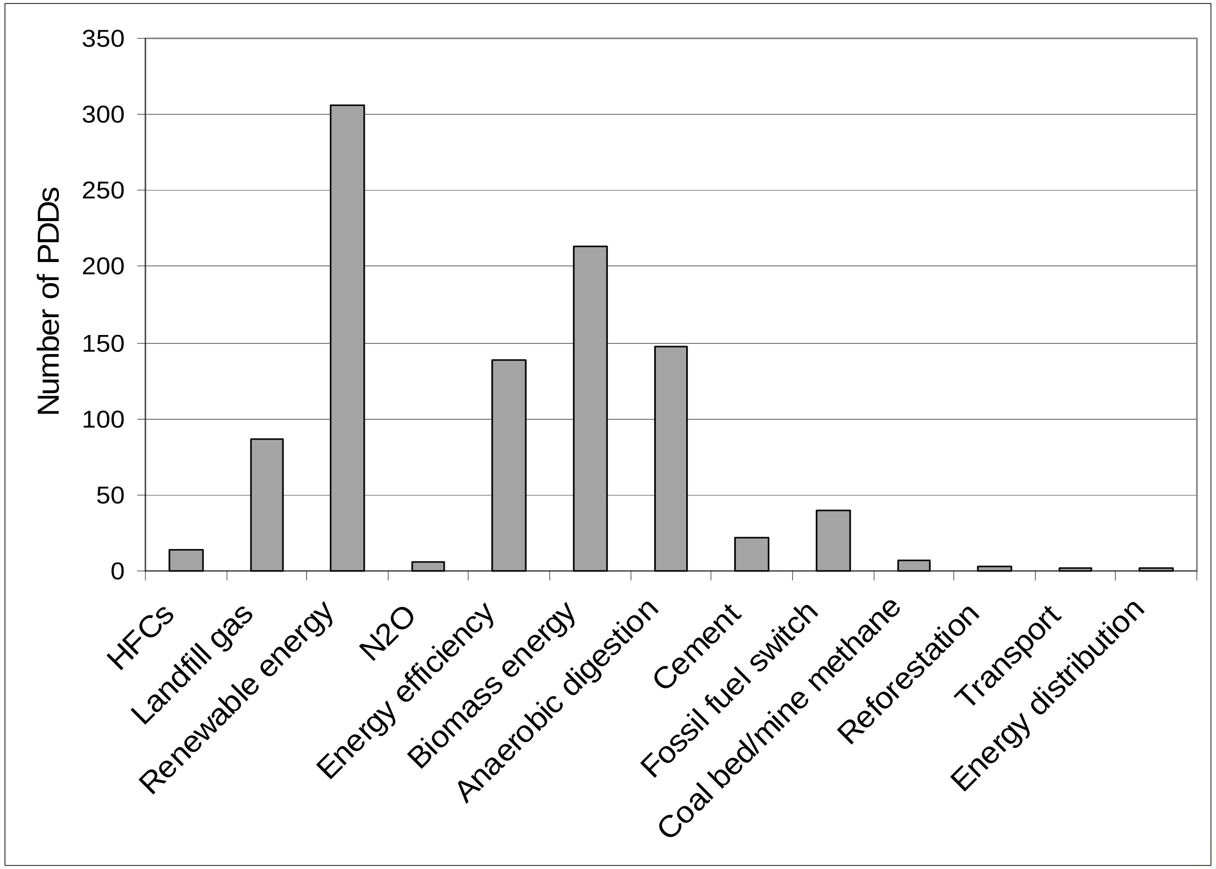
Increasing buildup of methodologies



> 65 methodologies have already been approved by the CDM Executive Board

Source: UNEP-RISOE 09/08/2006

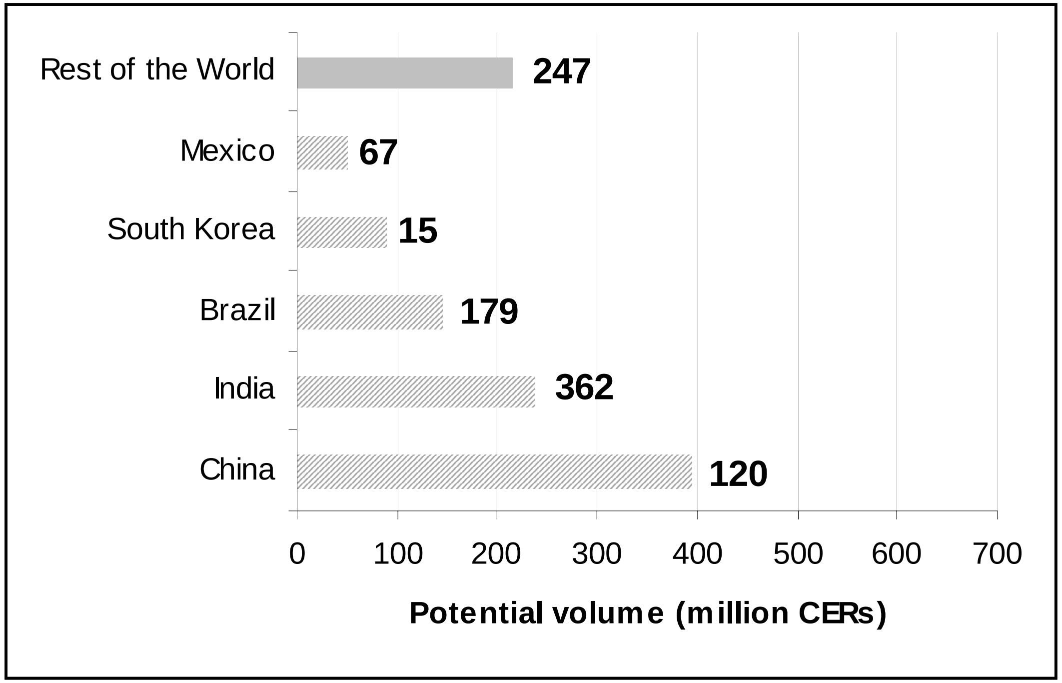
Technology diversification



Source: UNEP-RISOE 09/08/2006

In terms of PDDs, renewable energy projects are the most numerous

Geographical distribution

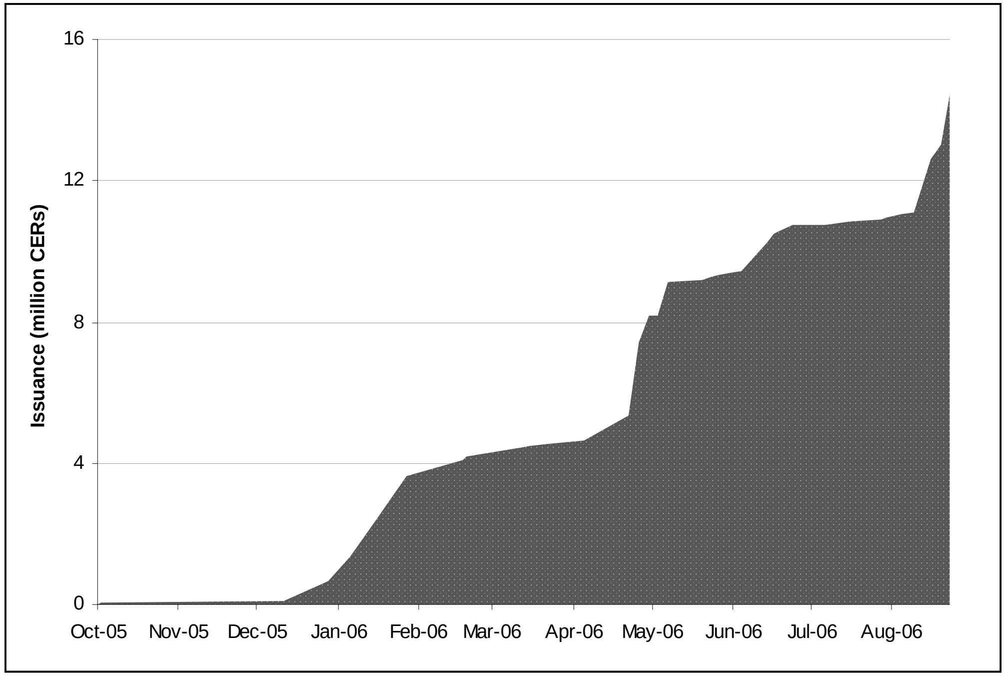


Figures denote number of projects

Source: UNEP-RISOE 09/08/2006

China, India and Brazil very active in developing CDM projects.

Issuance beginning to take place

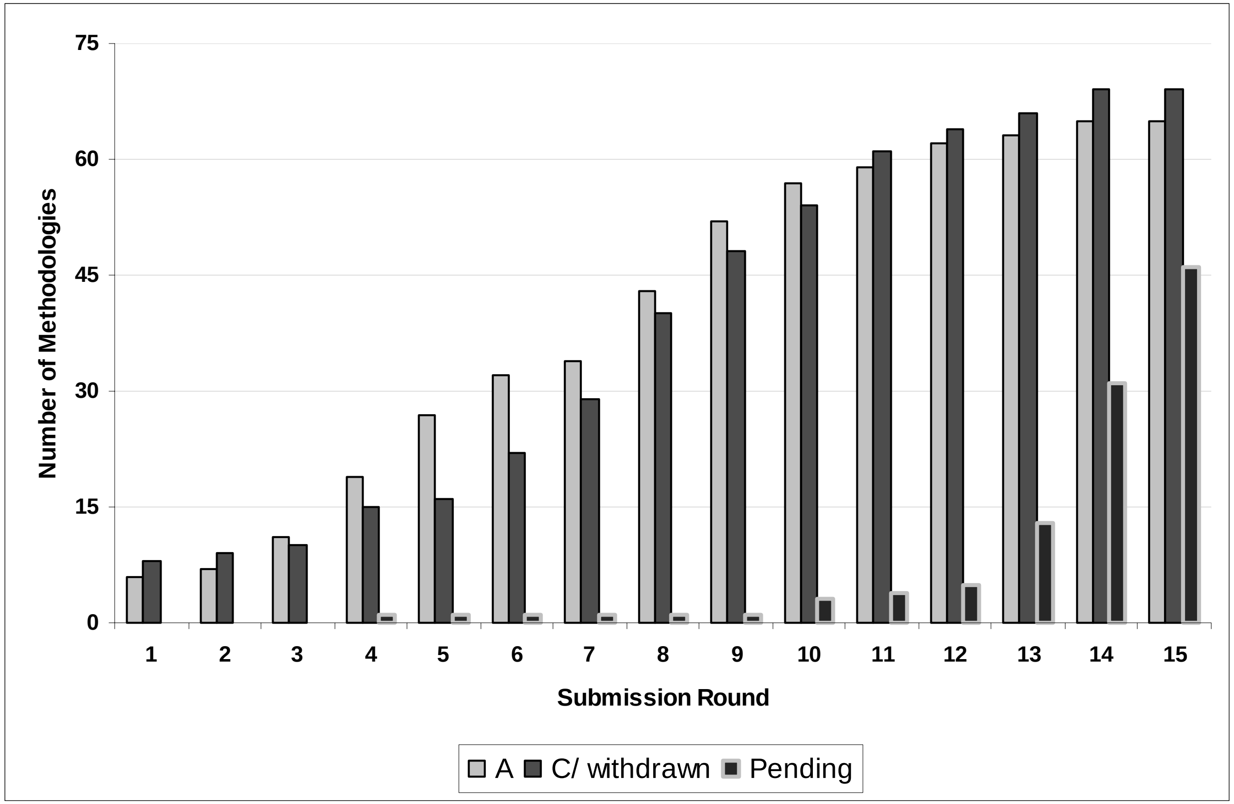


Source: UNFCCC, Sep 06

As of mid September 2006, a total volume of 14.4 million CERs have been issued to CDM project developers.

However, there is still room for improvement

High degree of rejection of methodologies



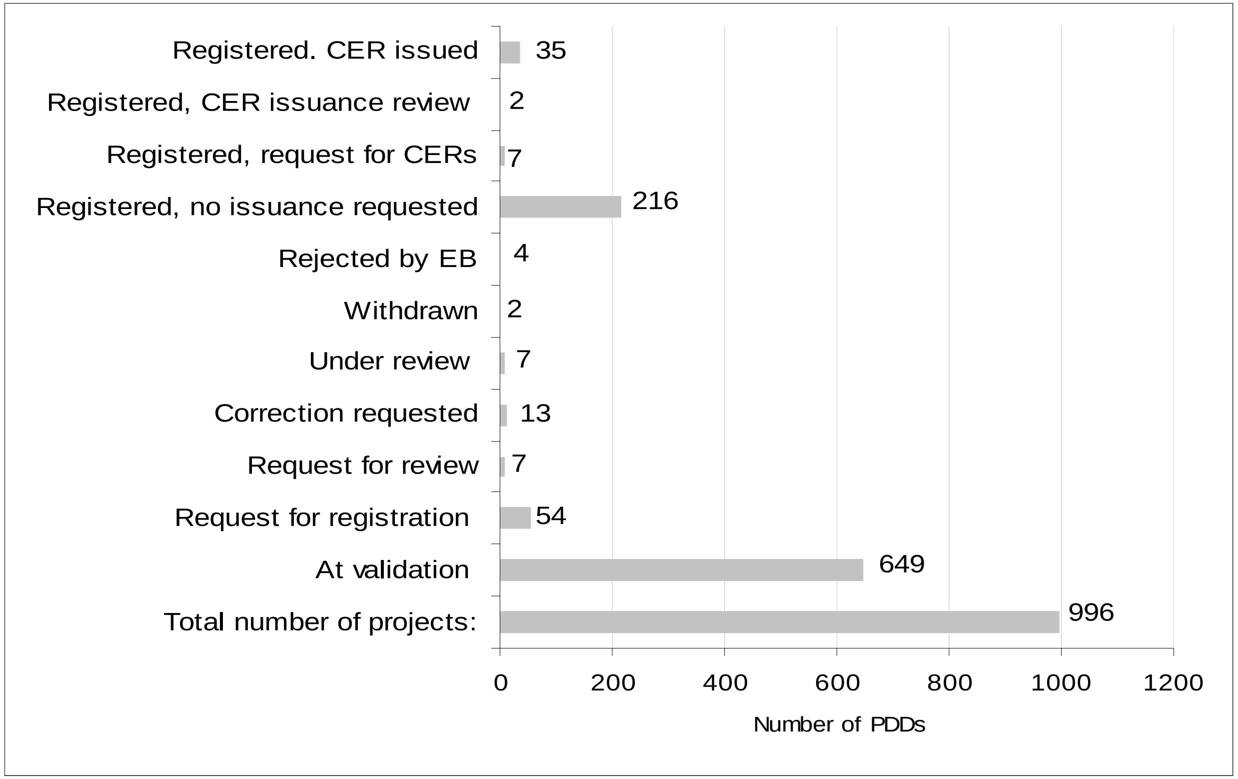
Source: UNEP-RISOE 09/08/2006

- While 166 methodologies have been submitted to date,

  Only 65 approved,

  101 were rejected or waiting to be reviewed

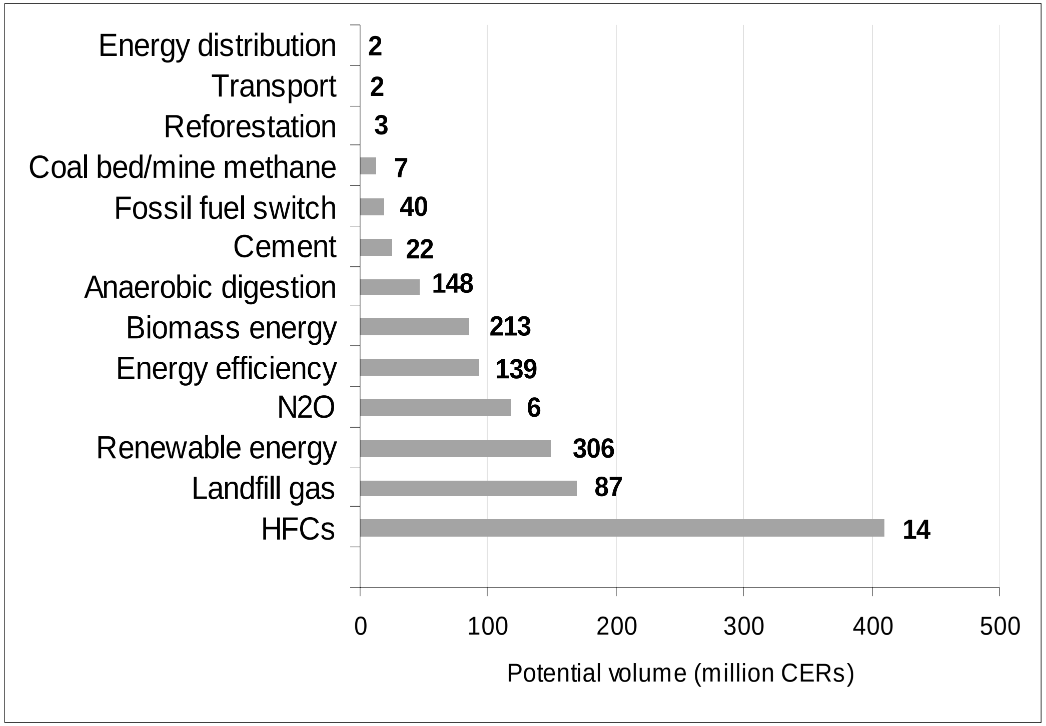
Slow progress through the CDM project cycle



Of the 996 projects, only 35 have received CERs

Source: UNEP-RISOE 09/08/2006

Concentration of volume in a few technologies

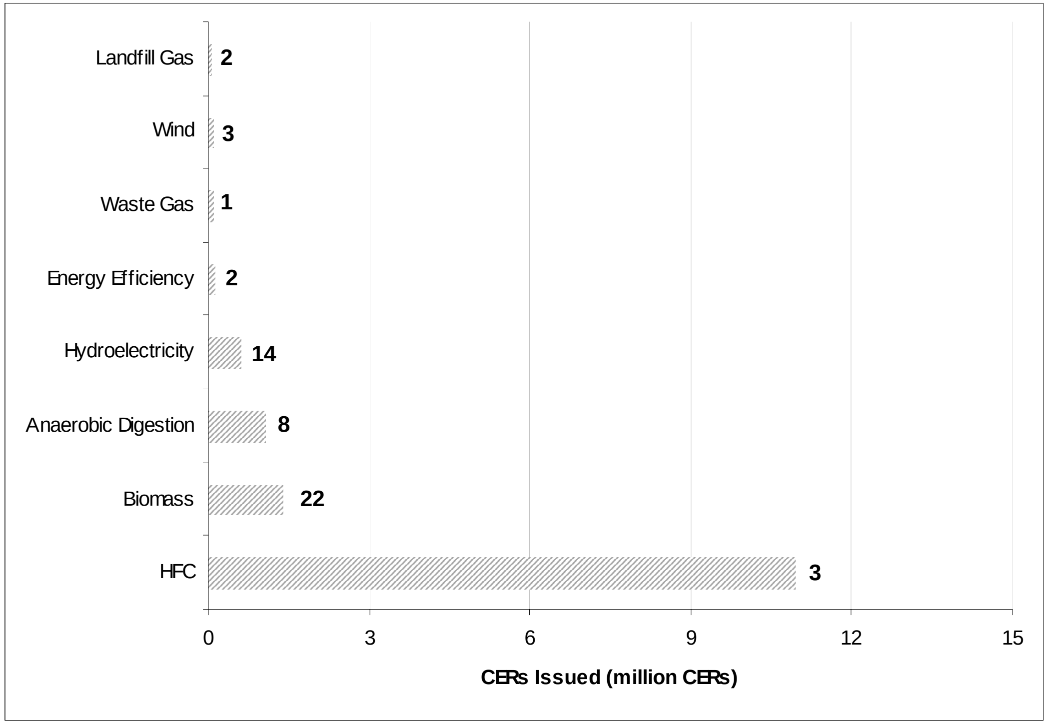


Figures denote number of projects

Source: UNEP-RISOE 09/08/2006

In terms of volume, high dependency on few HFC and industrial gas projects, mostly developed by larger companies

Concentration of volume in a few technologies



Volume issued to date, per technology:

HFCs – 11 m CERs
Others – 3.5 m CERs

Figures denote number of projects

Source: UNFCCC, Sep 06

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Impact on the Market

Categories of CDM risks

Registration Risk:

Bureaucratic risk at every step of the CDM project cycle: Baseline Methodology approval, Host Country Approval, Validation, Registration, Investor Country approval, Review and Issuance

Delivery Risk:

Volume risk & Price risk: pertain to delivery of CERs

Project risks: Country risk (polit./eco./etc.) & Operational risk (credit rating, capability and capacity of staff, infrastructure, etc.)

International CER Transfer Risk:

Registry risk: registries online (CDM Registry, ITL under development)

Annex I country eligibility risk: incl. registry, 1990 baseline, Monitoring system, GHG inventory, UNFCCC approval

Contract Types

1) Seller does its utmost to deliver a flexible/non-firm volume, buyer guarantees to buy
   - Few preconditions

2) Seller does its utmost to deliver a flexible/non-firm volume, buyer guarantees to buy
   - The contract is only valid on a set of preconditions

3) Seller guarantees to deliver a firm volume, buyer guarantees to buy
   - The contract is only valid on a set of preconditions

4) Seller guarantees to deliver a firm volume, buyer guarantees to buy
   - Non-delivery: seller pays mark-to-market/liquidated damages CERs or cash

EU Allowance Market - status

•NAP II – few submissions sent. Most delayed to September. Final agreement by December

•ETS CER caps (supplementarity, linking directive) – is this a problem ?

UK 8%, Spain 50%,Ireland 50%,Sweden 20%, Germany 12%, Italy 10%...

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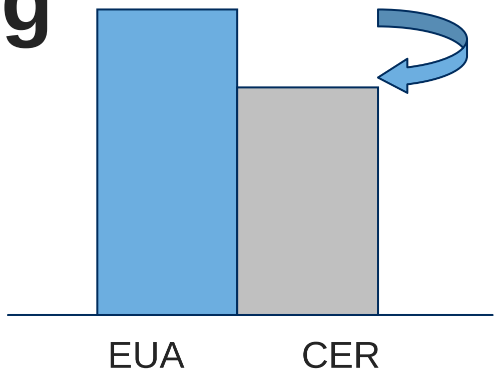
Pricing



Discounted to account for:

•Registration risk

•Delivery risk

•International transfer risk

Currently 2ndry Market CER price strongly linked to EUA pricing but….

Compliance buyers may build in premium for banking

Further convergence as the infrastructure risks reduce

Potential to decouple as alternative uses drive fundamentals

- •Other Compliance markets have potential to start to contribute demand – Japan….U.S ?
- •Voluntary markets

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This presentation contains information on the number of projects EcoSecurities is involved in, its pipeline of new projects, the number of CERs such projects may generate and the potential net value of such projects to EcoSecurities.

The nature of EcoSecurities' involvement in projects includes projects in which an EcoSecurities entity has an equity or joint venture type interest, projects from which EcoSecurities entities purchase emission reductions for themselves and others, and projects to which EcoSecurities provides consultancy and brokerage services. CER figures are calculated estimates only. Some projects may not perform as expected and therefore the volume of independently verified emission reductions achieved by a project (and therefore the number of CERs issued for that project) may not equal the estimated volume of emission reductions in the PDD (whether the PDD is validated or not). Further, despite concerted efforts it is possible that some projects may never become registered as a CDM project. CERs cannot be issued for a project unless the project is registered and operated according to the International Rules, meaning the UNFCCC, Kyoto Protocol, the Marrakesh Accords, Modalities and Procedures of the CDM (decision 17/CP.7 contained in document FCCC/CP/2001/13/Add2), Delhi Decisions, COP 9 Decisions, any subsequent decisions taken by a Conference of the Parties to the UNFCCC and/or a Meeting of the Parties of the Kyoto Protocol and the CDM Executive Board, in each case as amended from time to time. . Figures are presented prior to adjusting for risks associated with the CER project cycle.

In respect of proposals, a number of proposals have been sent but there is no guarantee that such proposals will lead to binding project arrangements. Figures are presented prior to adjusting for risks associated with the CER project cycle. No formal risk assessment was conducted to these projects yet, but risks associated with the CER project cycle could reduce the number of carbon credits to be generated and the potential net value to EcoSecurities. Potential net trading margin to EcoSecurities in respect of proposals does not represent profit to EcoSecurities.

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