



Dear Colleagues,

Carbon Credit Capital is pleased to send you its *Markettracker*, which will provide an edited weekly snapshot of global climate change news.

## Market News

### Cover Story

#### Will Forestry Prevail as the Next Source for Carbon Credits?

By Stephen J. Donofrio (Business Development Associate - *Carbon Credit Capital*)

August 18, 2007

Dear Readers,

Last week's cover story written by Ms. Olivia Fussell, President of Carbon Credit Capital, focused on the details of her presentation at the Institutional Investor's Forum in New York City, NY on September 11, 2007. This week can be seen as a follow up, as news on and attention to forest-related carbon credits is gaining momentum.

Support for forest credits is growing.

As of late, developing world governments and environmental groups are taking the lead in developing a system for avoided deforestation credits.

Action is likely motivated from figures stating between 20-25% of all GHG emissions worldwide is attributed to the clearing of tropical forests (*Carbon Positive*).

In particular, eight nations that collectively hold 80% of the world's tropical rainforests; Brazil, Indonesia, Malaysia, Papua New Guinea, Gabon, Cameroon, Costa Rica and Congo have decided to meet sometime late September in an effort to unify with a collective stance on including avoided deforestation in a

### Market Pricing EUA

12/2008 - forecast  
€20.80

9/18/07 - present  
€0.06

9/11/07 - wk prior  
€0.08

8/21/07 - mo prior  
€0.11

9/18/06 - yr. prior  
€16.73

\*Source: Point Carbon - The prices above are equivalent to one metric tonne of carbon dioxide emissions



post-2012 climate agreement, before meeting in Bali in December.

Environmental Groups have also taken a proactive stance of recognizing forest preservation as a means for developing carbon credits. Examples of organizations are: The Global Canopy Programme, with 200 member organizations urging for policy and positive incentive programs to preserve forests, the World Wildlife Fund, and the International Institute for Environment and Development.

On a similar note, Environmental Finance has recognized forestry management as a viable climate change mitigation method as it proclaimed Sustainable Forestry Management (SFM) and Credit Suisse's joint venture special purpose vehicle, announced in May 2007, the "runner-up" Carbon Finance Transaction of the Year.

The joint portfolio will ultimately be comprised of a mixture of forestry carbon credits. Some are certified emission reductions under the Clean Development Mechanism of the Kyoto Protocol as afforestation, and the others are avoided deforestation credits.

The transaction is important to note since it is understood to be the largest single forestry carbon deal to date in a segment where not much carbon finance has flowed yet. (*Environmental Finance*)

On September 13, 2007, The World Bank called for "sustained and collective action by the international community to address land degradation and desertification, [and] action must be guided and defined at the country level." Already having had committed \$701M from 2001-2006, the bank is calling for development of frameworks and country strategies, which would ultimately be the backbone for standalone land-based projects.

From The World Bank calling for the development of a framework for land-based management to local governments and environmental groups unifying for a shared goal of establishing a system for avoided deforestation credits, and also, the example of direct equity investment into a special purpose vehicle to produce land-based credits; activity in this segment should not be ignored. Rather, it is an opportunity that needs to be followed closely.

(Sources: *Environmental Finance Sep. 2007*, *PointCarbon*, *Carbonpositive.net*)

## Market Developments Tracker

### Norway Government enters carbon market with 200M nkr of funds September 12, 2007

Norway has committed to entering the carbon trading community and will dedicate 200M nkr (approximately \$35,5M US) to acquiring carbon credits this year, explicitly those that are UN-approved and tradable on the European market. To facilitate Norway's plan, the government has established a website to serve as a carbon credit post ([www.CarbonNeutralNorway.no](http://www.CarbonNeutralNorway.no)), with a November 1 cut-off, at which point the government will realize its acquired carbon credits. 100M nkr for acquiring carbon credits in 2007 has already been allocated, and authorization has been given for the remaining 100M nk

*(Sources: Forbes.com - AFX News Limited 2007)*

## Renewable / Alternative Energy Tracker

### **NYMEX to establish new alternative energy equity futures index contract**

September 2007

The New York Mercantile Exchange has set September 30 as the launch date of its new, cash-settled, alternative energy equity futures index contract. This contract will be traded on the CME Globex and NYMEX Clearport electronic trading platforms and is based on the Ardour Global XL Index, which is comprised of 30 publicly traded alternative energy market companies. The contract will be listed as AX.

*(Sources: The Associated Press)*

## Energy Efficiency Tracker

### **U.S. to help China go green**

September 13, 2007

The U.S. Department of Energy (DOE) and the National Development and Reform Committee (NDRC) of China signed the Industrial Energy Efficiency Cooperation MOU on September 12, 2007. The MOU intends to increase the energy efficiency of China's national, regional, and local industrial sector, which represents 70% of its total energy demand. Up to twelve facilities from the government-identified top 1,000 biggest industrial consumers will be selected for energy audits, and in addition the DOE will train factory personnel on plant audit techniques. Both China and the U.S. also hope to identify best practices in a subsequent DOE study that will cross-compare manufacturing plants of both countries. This MOU builds on an existing agreement between China and the U.S. to share nuclear power plant information and technology.

*(Sources: SFgate.com, newsblaze.com, environmentnewsservice.com)*

## Project Tracker

### **Hugoton - First ethanol plant in US**

September 2007

Project plans for an ethanol plant funded by the Department of Energy have been announced to build the first ever biomass-to-ethanol fuel commercial production facility in the U.S. in Hugoton, KS. Abengoa Bioenergy New Technologies, a construction arm of the worldwide leader in cellulose ethanol research Abengoa Energy, should complete the plant by 2010. 930 tons of cellulosic crop residue, switch grass, corn stover, grain sorghum and wheat straw will be converted into 13M gallons of ethanol per day. Benefits can be seen on a close-to-home basis, for local farmers providing the cellulosic crop residue should profit as income per acre of land is seen to increase by \$8-9, and estimates show

that 125 new jobs will be created in Hugoton, and correspondingly, \$5.5M in payroll.

*(Source: High Plains / Midwest Journal)*

### Policy Tracker

#### Coal-based power units allowed to reap carbon credit benefits September 2007

A recent decision was made by the UNFCCC's Clean Development Mechanism to permit coal-based power plants utilizing "super-critical technology" to receive carbon credits for their ability to achieve 40-42% efficiency, over the 35% efficiency of "older-technology" coal-based plants. The decision allows for only power plants that will supply electricity back to a grid and that operate in countries where at least half of the country's power comes from coal-based plants. The decision also includes a phase-out clause to limit the number of carbon credits the "super-critical technology"-based plants can accumulate. India and China are especially poised to benefit from this decision, particularly the companies of India and China that will provide consulting services as well as the companies that are looking to set up the power plants themselves

*(Source: livemint.com - WSJ)*

### Investment Tracker

#### F and C Investments launches climate change equity fund September 17, 2007

On Tuesday, September 18, F and C Investments launched a £10M fund, or approximately \$20M US, for buying equity in technologies and services that serve to reduce greenhouse gas emissions. Called the Global Climate Opportunities Fund, it has nine investment themes which are: Alternative Energy; Energy Efficiency; Sustainable Mobility; Waste; Advanced Materials; Forestry & Agriculture; Water and Acclimatization; Carbon trading and Consultancy. F and C is a UK-based asset management firm with over £100B (\$199B US) under management.

*(Sources: Point Carbon, Financial Times)*

## Conferences

[Global Change Associates: Introduction to Carbon Market Trading & Finance](#)

09/19/07

NY, NY,

[GreenPower: Carbon Markets USA](#)

San

Francisco, CA, 09/11/07 - 09/12/07

Terrapinn: Carbon Finance World 2007

Chicago, IL, 09/17/07 - 09/20/07

GreenPower: Carbon Markets India  
India, 09/25/07 - 09/26/07

Mumbai,

Infocast: Power Assets  
York, NY, 10/1/07 - 10/3/07

New

Please contact Stephen Donofrio at [sdonofrio@carboncreditcapital.com](mailto:sdonofrio@carboncreditcapital.com) with information about additional upcoming conferences you would like us to share with our readers.

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