

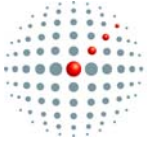
camco

The Offset Procurement Process: Project Developers

*EPRI GHG Emissions Offset Policy Dialogue
Washington, DC*

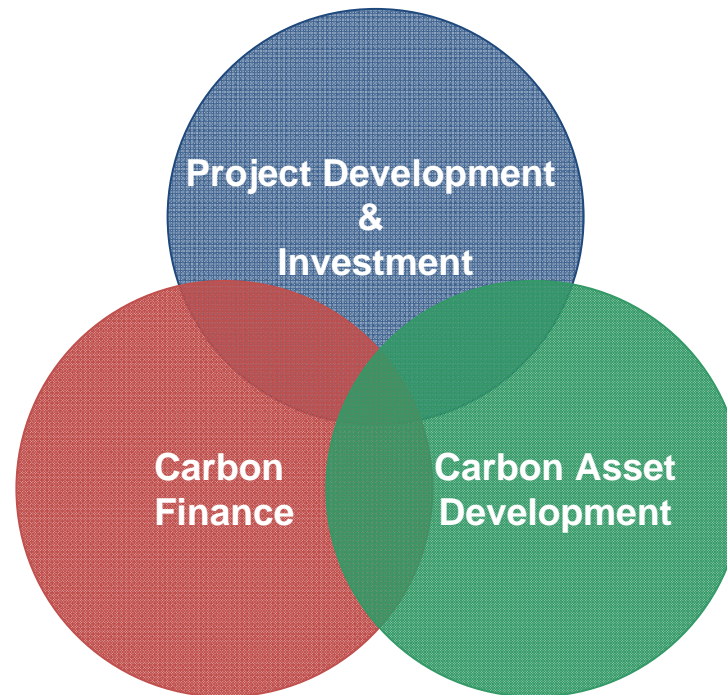
Rick Adcock

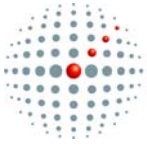
October 2010



Carbon Project Development: An Overview of the Business

Each developer typically provides tailored **offerings**, including project development support, direct project investment, carbon finance, and carbon asset development, to help project sponsors capture the “carbon value” from their energy and carbon-emissions-reduction projects.





A Brief History of Carbon Project Developers

- **The First Decade: 1995-2004**

CAA amendments as precedent, Kyoto negotiations, corporate positioning, USJI, carbon industry begins to evolve, ...

Econergy

Camco

AgCert

- **Market Launch: 2005-2009**

Kyoto enters into force, EU ETS, a price for carbon, market infrastructure growth, capitalizing on complexity, the IPO spring of 2006, all eyes turn east, all eyes turn west, ...

Ecosecurities

GE/AES

Tricorona

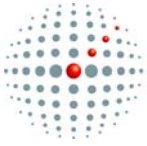
MGM

- **Re-entering the Atmosphere: 2010**

The false summit, a hard landing...

Blue Source

- **Going Forward**



An Overview of Typical Carbon Project Development Activities

Project Development & Investment

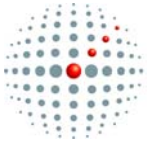
- A full range of project development support activities, based on individual project needs
- Funding for early-stage project development activities
- Direct capital investment in projects and assets from the company's own funds, or from funds managed for third parties
- Access to debt financing tailored to energy and carbon-emissions-reduction projects

Carbon Finance

- Structured carbon credit off-take agreements to provide early-stage project funding
 - Carbon pre-pay and forward purchase agreements
 - Fixed-price carbon purchases with shared upside potential
- Project development support *at risk* in return for share in the resulting carbon asset

Carbon Asset Development

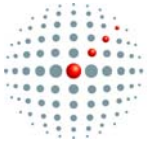
- Identification of carbon project opportunities within business operations and investment portfolios
- Quantification of carbon asset generation opportunities and emissions reduction potential
- Qualification of projects to generate the highest-quality carbon assets
- Management and commercialization of asset portfolios to optimize price and terms
- Carbon development and qualification services *at risk* in return for share in the resulting carbon asset



Project Development & Investment

Involves the full range of project development activities, based on the individual needs of each project. Project types include low-carbon energy generation, energy efficiency, and GHG emissions reduction.

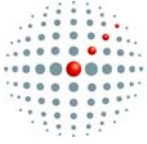
- **Collaborate** and **co-invest** with project hosts, other project developers, technology providers and/or investor groups.
- Provide the management infrastructure, financial structuring, business planning, **development support**, and **project finance** to take each project, as required, from early-stage development through to closing.
- Provide **direct equity funding** to projects on a selective basis.
- Source **debt financing** tailored for low-carbon energy and GHG emissions reduction projects, if needed.
- Apply **carbon market expertise** to extract maximum value from the environmental attributes of the projects.



Carbon Finance

*Provide “creative” alternatives for **leveraging carbon assets** to address **early-stage project funding** needs.*

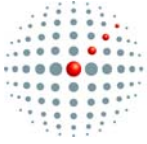
- Carbon pre-pay and forward purchase agreements – early-stage funding in return for a share of the carbon assets eventually generated by a project.
 - Example: A forward contract could be executed for the purchase of all carbon credits that might be produced by a project, with a negotiated percentage paid up-front to finance early-stage project development.
- Fixed-price purchase agreement with shared upside – early-stage funding plus a share in future upside price movements based on certain market conditions and/or price triggers.
 - Example: A forward contract could be executed for the purchase of carbon credits at an agreed price, with a negotiated sharing of revenues if the carbon price subsequently rises a certain amount above the original agreed price.



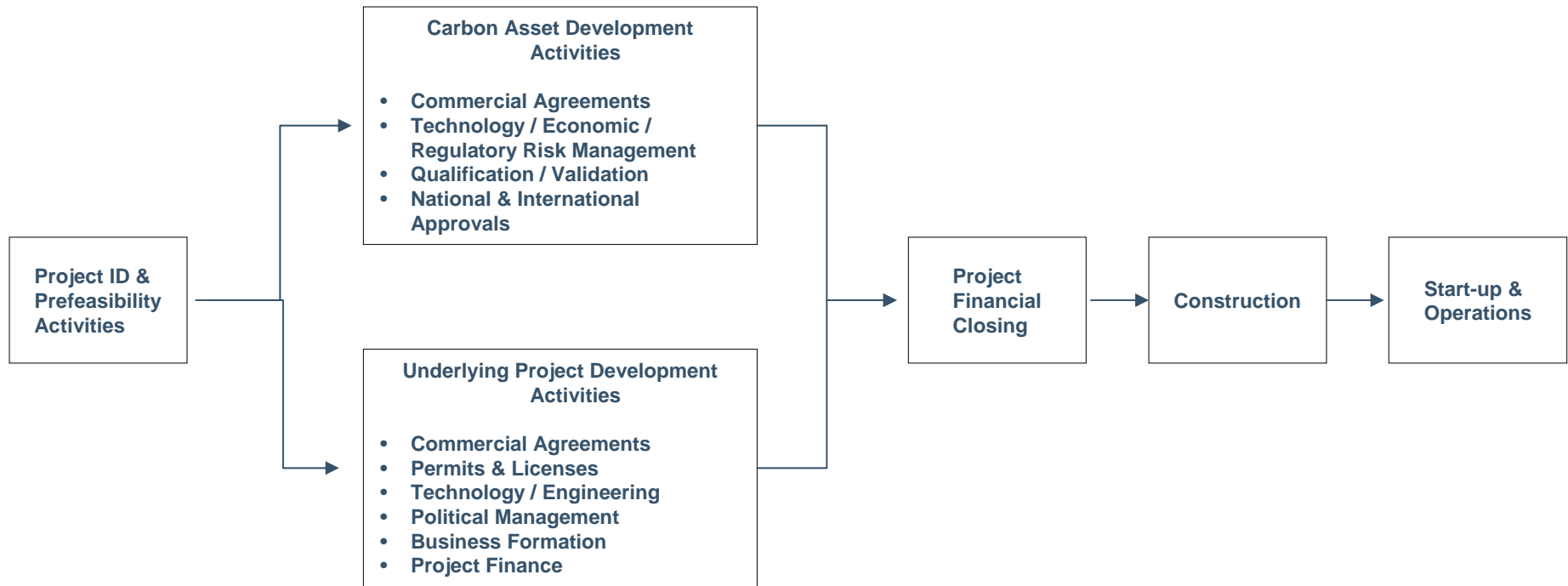
Carbon Asset Development

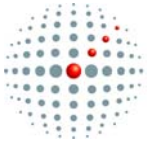
*Leverage experience and knowledge of **regulatory frameworks, technical expertise** and **financial risk management** to qualify the carbon asset in order to achieve its optimal value in a fragmented marketplace.*

- Applied to **Clean Development Mechanism (CDM)** and **Joint Implementation (JI)** projects in the Kyoto markets.
- Applied to Climate Action Registry (CAR), Gold Standard, Voluntary Carbon Standard (VCS), and other certification standards in the pre-compliance markets.
- Manage the “carbon project cycle” -- **project origination through credit commercialization.**



Carbon Asset Development Activities

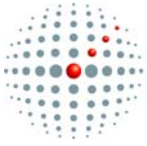




Carbon Asset Development



- Project Identification and Origination
 - Audit of existing assets and development of carbon hierarchy
 - **Quantification and valuation** of identified carbon assets
- Qualification and Generation
 - Selection of appropriate qualification **methodology** and standard
 - Ensure **verification** and ongoing **monitoring** of offsets
- Commercial Structuring and Asset Management
 - Offset **sales**, typically through structured agreements that extract maximum value from the market
- All along, carbon developers often work **at risk** in return for share of carbon credits



Summary Offerings to Support Project Development

Project needs

**Project Development
& Investment**

Carbon Finance

Carbon Asset Development

Developer's Offering

**Project finance, carbon
market expertise**

**Pre-payment and other
structured purchases**

**At-risk services to
qualify carbon assets**

Developer's Compensation

**Equity share, dividends,
success fees**

**Share of carbon credits
or carbon revenues**

Share of carbon credits

