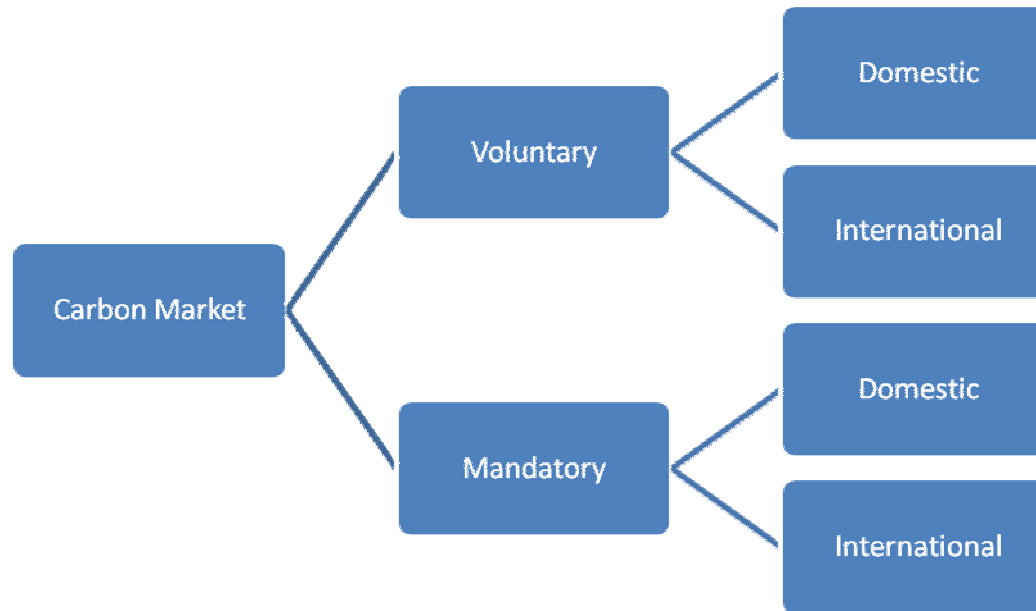


# Pooling carbon and biomass a traditional approach to a new industry



# Carbon Markets



valued at  
\$136 billion  
in 2009.  
*(Reuters)*

Markets are governed by standards that set rules and regulations around eligibility, methodologies, reporting etc

# Carbon Markets

- Regulated Voluntary market - 17 key buyers
  - Range from 200,000t to 300t
- Grey Voluntary Market - ? (1-2Mt/yr)
  - Range from 1-100,000t
- Mandatory Market – 1000 key buyers
  - Range from 25,000t – 1Mt+

# What drives people to invest in forestry /farm abate

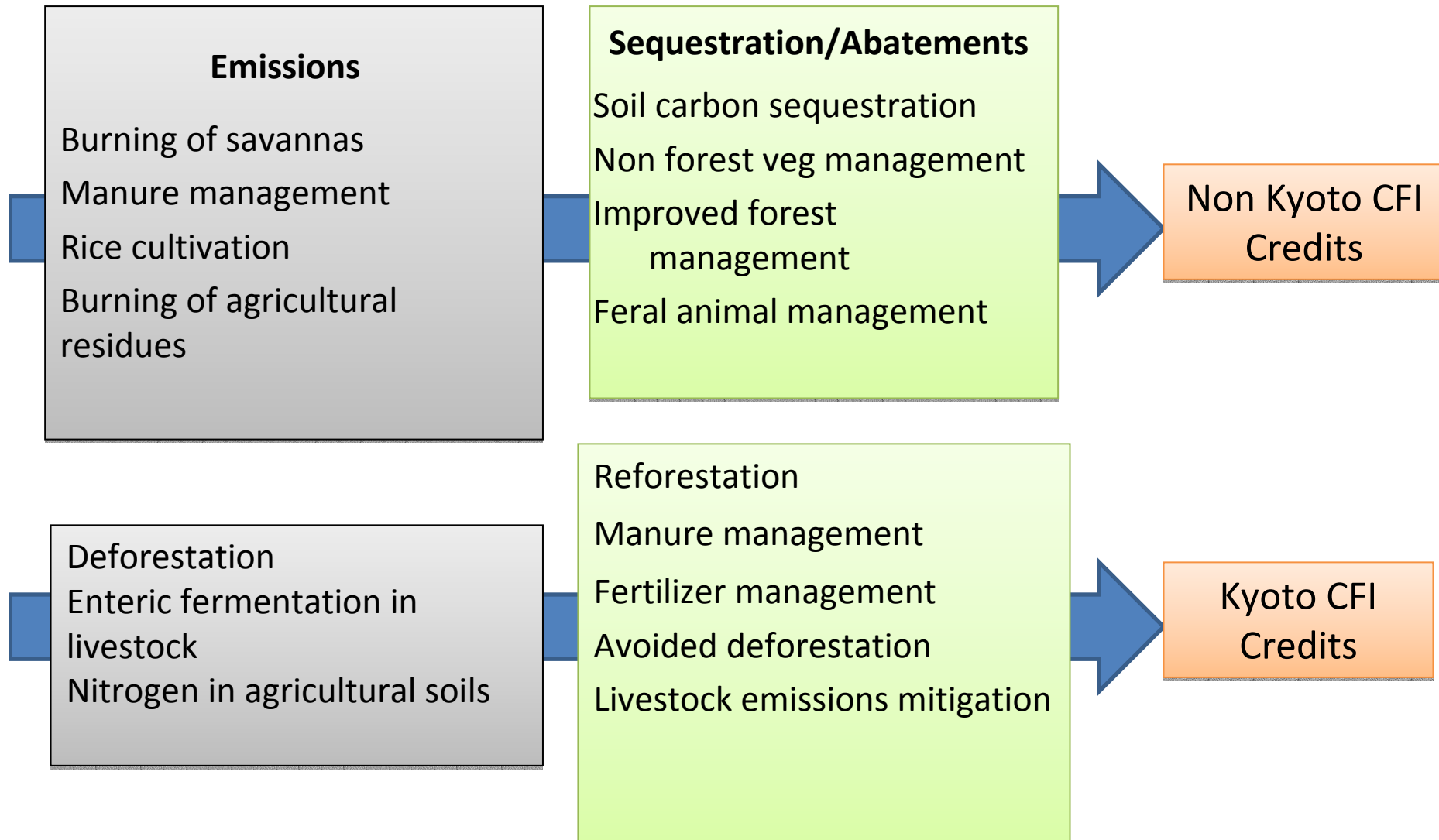
- Purchase for pre compliance markets
- Strongly tied to marketing campaigns
  - point of difference at point of purchase
  - cultural, economic and environmental outcomes
- Strong performance in the voluntary market
  - *82% of Australasian respondents to ecosystem marketplace State of the Forest Carbon Market 2010 buy forestry offsets*



# Landholder supply

- Size?
- Range?
  
- 150,000 landholders
- Range 5t/yr to ?
  
- Buyers do not want many small contracts
- Must aggregate landholders or contracts to satisfy buyers

# Creating Credits on land



# The Challenge

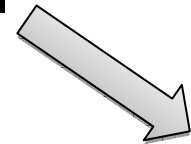
- Small/varied supply volumes and large/varied demand
- Multiple project streams on multiple sites
- Multiple landholders with changing preferences
- Multiple buyers with changing preferences
- Managing delivery risk

# Why Pool?

- Economies of scale
- Sharing of delivery risk amongst participants
- Bargaining power
- Market power and preferences
- Information sharing
- Administrative power and function
- Traditional approach - landholders are comfortable with the approach

# Pooling and Aggregation Models

- Pooling history
  - Developed under “old” carbon rules
  - Security over title
  - Delivery risk shared
  - Economies of scale



- New carbon rules
  - Open new opportunities

# Trading Credits and Business Models

## Self Managed/Agency

Small projects increase transaction costs, direct investment, post issuance sales, pre issuance sales

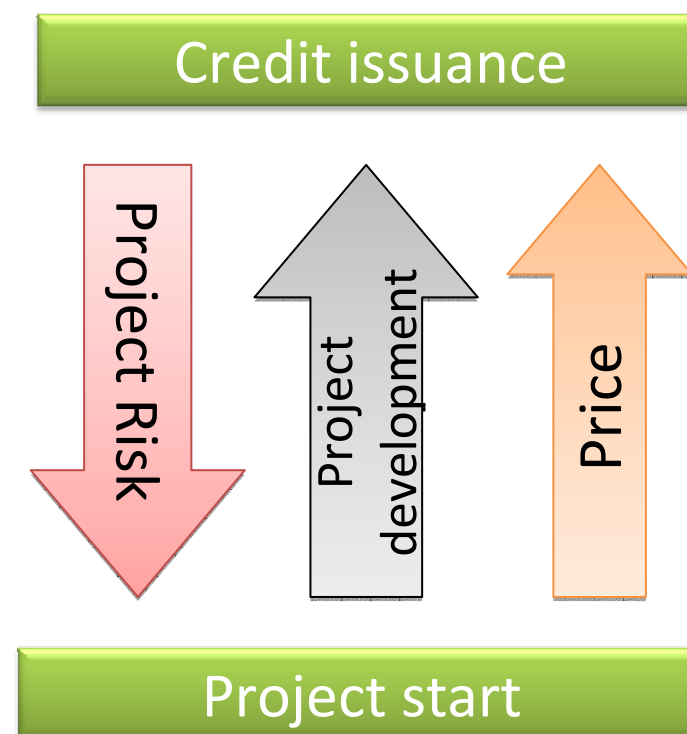
## Carbon Pooling

Exchange of carbon rights, Transfer of scheme obligations  
Shared responsibility

## Aggregations

Post issuance, pre issuance  
Access to carbon in exchange for service,  
Reduces transaction costs

- Direct Investment
  - Exchange of property rights for project costs
- Forward Purchasers
  - Pre issuance purchasers, delivery risk
- Post Issuance
  - spot market transactions at a higher price



# New pooling models

- Benefits of new technologies
- Record keeping
- Information sharing
- Methodology development
- Sharing risk
- Capitalise on change of rules
- More choice for the producer and user

# Market blending

- Carbon
- Environmental markets
- Biomass markets
- Directing specific stands to best market outcome





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