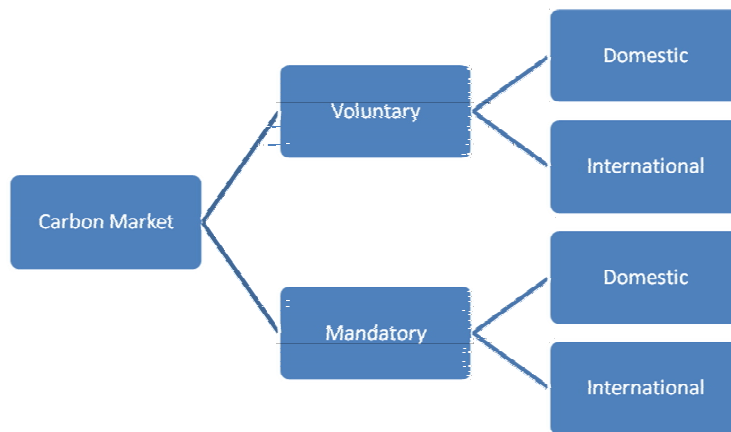


Pooling carbon and biomass a traditional approach to a new industry



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 abatements

- 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*



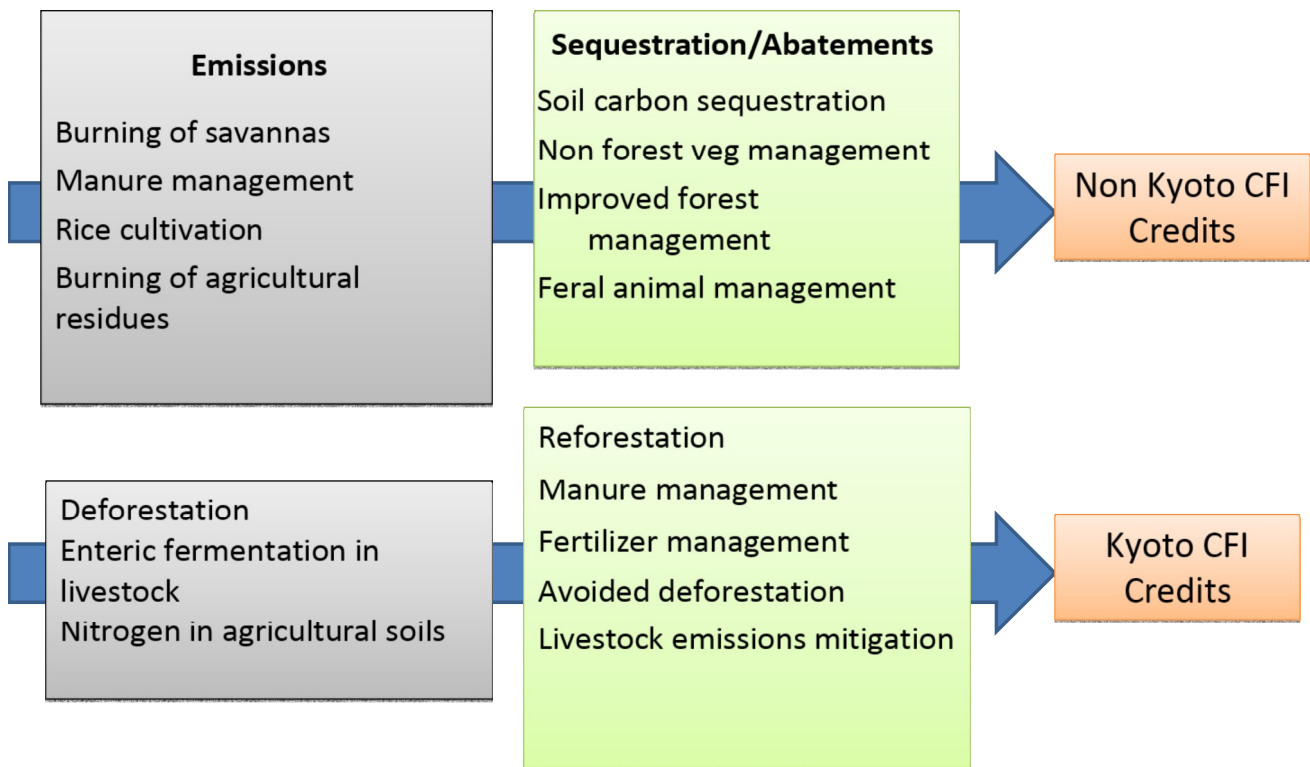
Landholder supply

- 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

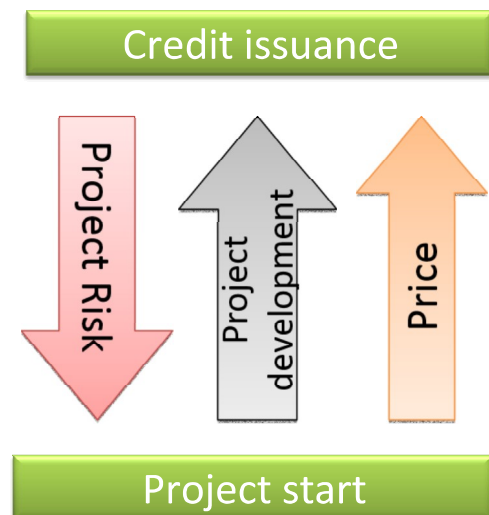
Trading Credits and Business Models

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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