



Emerging US Offset Market

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Overview

Legislation in a historical context

Choke points in developing offset projects

Three requirements for a robust domestic offset market:

–Scale

–Prices

–Regulatory Stability

A Historical Context

Environmental legislation is developed over four year cycles

Economy wide regulation is an unusual first step

Mobile sources don't complain

Hit the largest stationary sources first

Choke Points

EPA/USDA role(s)

Protocols and Standards

Verification

Clarity

3 Requirements for a Robust Offset Market

Scale

Prices

Regulatory Stability

Scale

Pace of capital investment is not adequate to meet the need

Early projects do not lend themselves to scale

Just beginning to develop projects that are scalable

Scale

Natural buyers with the largest shorts



Power Sector

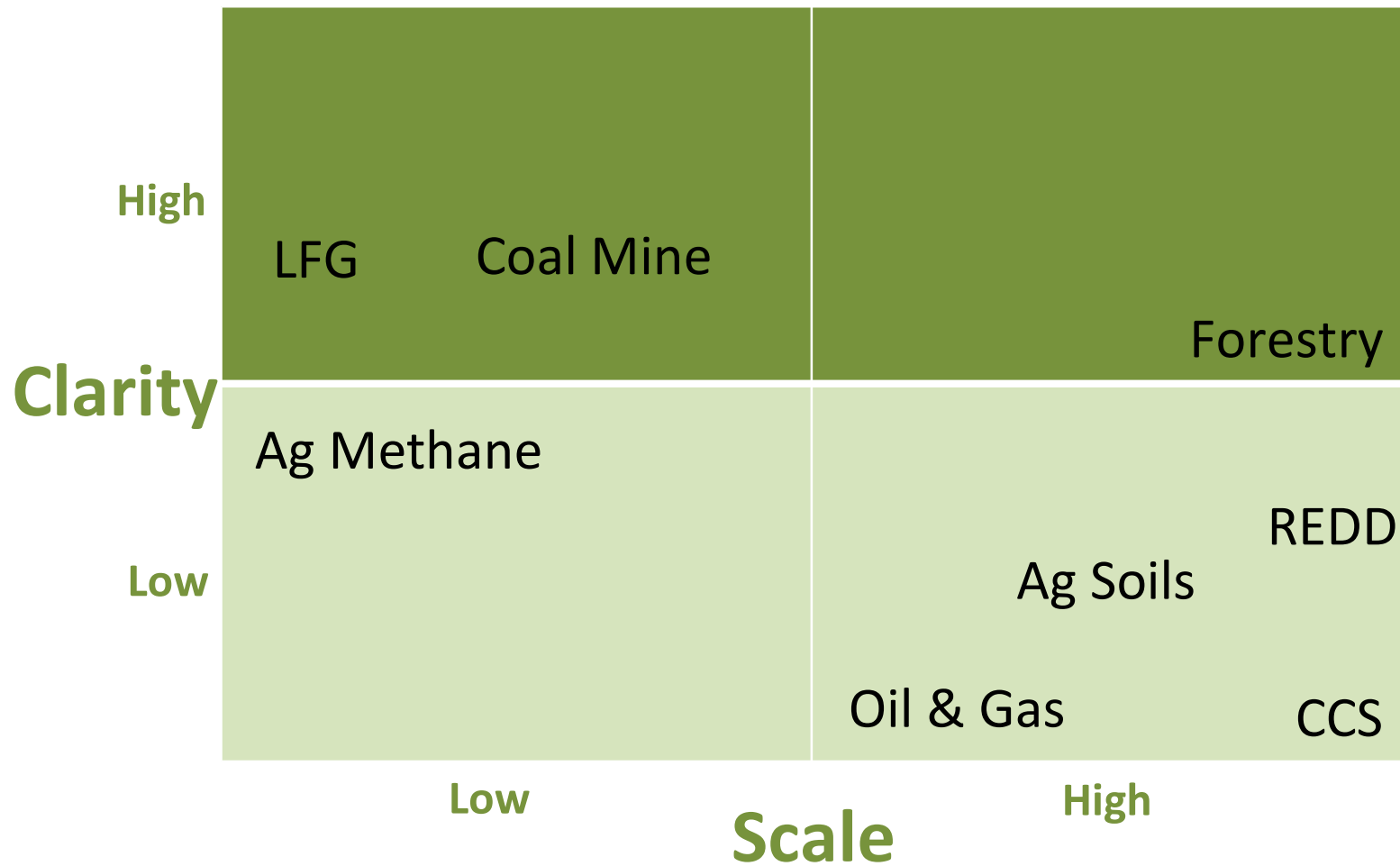
Company	Estimated Short (MtCO ₂ e/year)
AEP	156
Southern	149
Duke	101
MidAmerican	65
Ameren	61
Xcel	56
Dominion	54
Progress	47
NRG	39
Edison	35

Oil Sector

Company	Estimated Short (MtCO ₂ e/year)
ExxonMobil	393
Chevron	358
ConocoPhillips	324
BP	238
Royal Dutch Shell	204

Source: Point Carbon

Scale vs. Clarity



Prices

Prices are surrogates for capital

High prices attract capital

Traders are good – not evil

RGGI's dismal example

Stability

Regulation

Rules

Defined role for the EPA/USDA

Conclusion

We are two years into a four-year legislative cycle

Choke points are a critical risk to adequate supply

Market needs:

- Larger projects

- High prices per ton CO₂e

- More stability in regulation

About CE2 Capital Partners

- Founded in 2005
- One of the largest North American carbon investors
- Extensive transactional experience in major North American GHG protocols including:
 - Forestry, Agricultural Soils, Coal Mine Methane, Agricultural Methane, Landfill Methane
- 2009 Emissions House of the Year – Energy Risk Magazine
- 2009 Carbon Deal of the Year – Energy Risk Magazine