

International Carbon Project Opportunities



The Global Context – Carbon Markets

Kyoto Protocol

EU ETS Market

Objective
8% reduction in CO2 emissions from 1990 levels in the EU at minimal cost

Market participants
5 industrial sectors

Carbon credits
EUA
CER
ERU

Objective

5.2% reduction from 1990 levels of all greenhouse gas emissions in developed countries that have ratified the Kyoto Protocol

Market Participants

174 countries and the European Economic Community

Flexibility mechanisms

Joint Implementation (JI)
Clean Development Mechanism (CDM)
International Emission Trading (IET)

Carbon credits
ERU
CER
AAU

Canada

Japan

Australia

New Zealand

Voluntary Markets

Objective

Offset greenhouse gas emissions on a voluntary basis

Market Participants

Companies, local authorities, individuals

Carbon credits

VER, VCU

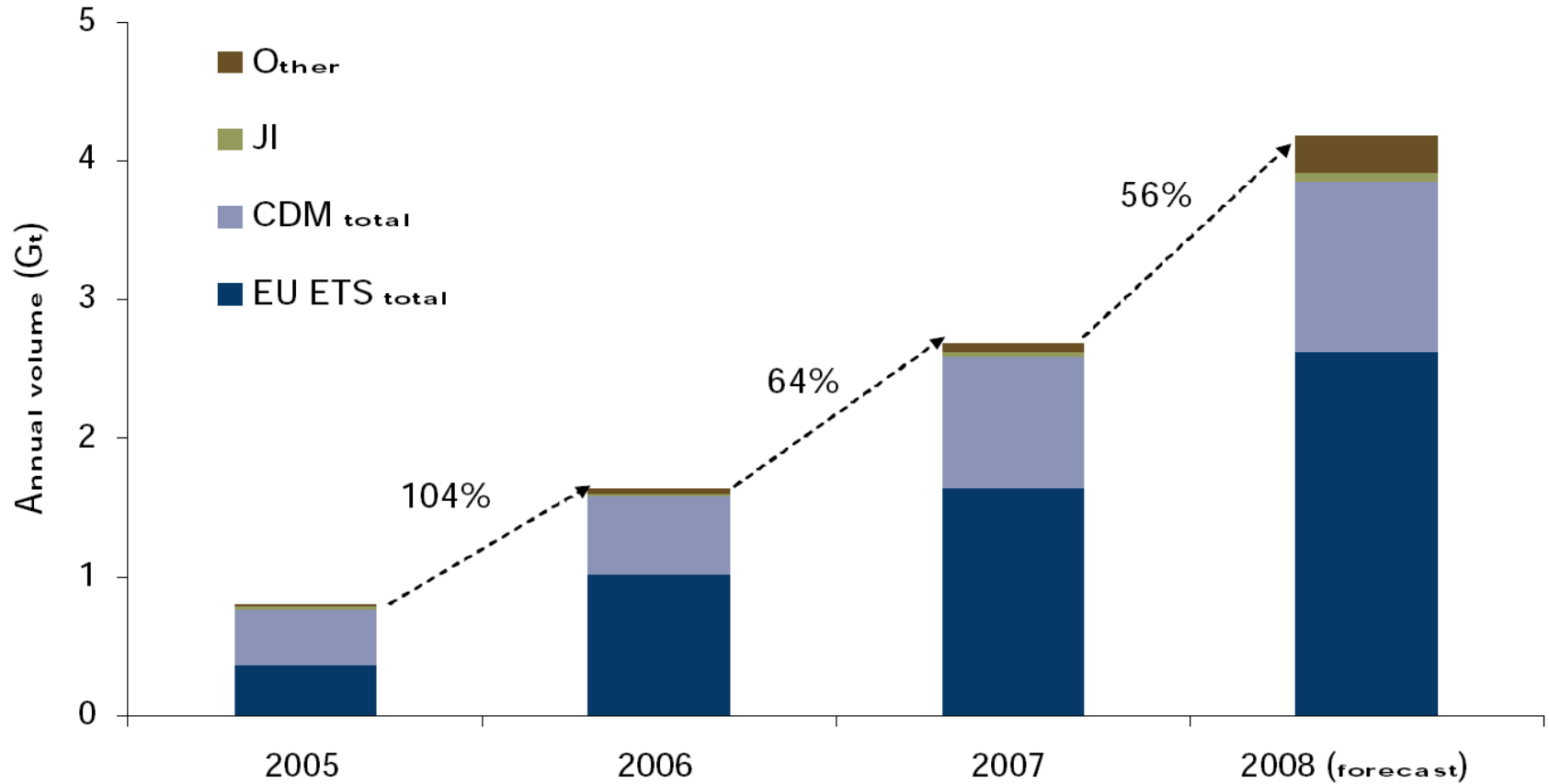
Other local markets

United-States: RGGI, WCI etc
Australia

Global Carbon Markets –current state of play

- 2007 global carbon markets
 - Value US\$62 bn, (US\$34 bn2006 -80%)
- EU ETS -US\$50 bn
- CDM –US\$13 bn
- JI –US\$499 million
- NSW GGAS –US\$224 million
- National and regional emissions trading systems are being developed rapidly. The US, Japan and Australia are expected to be particular areas of growth.
- 18 months until Copenhagen (Bali roadmap).

Carbon Markets - volumes



Source: Point Carbon

Kyoto Project Based Mechanisms

CDM

- The Clean Development Mechanism is one of two project based mechanisms under the Kyoto Protocol
- The Kyoto project mechanisms stimulate sustainable development and emission reductions, while giving industrialised countries some flexibility in how they meet their emission reduction limitation targets
- The goal is for developing countries without a target to:
 - Reduce their emissions
 - Attract foreign investment in projects
 - Promote sustainable development
 - Provide access to new technologies

The flexible mechanisms in closer detail – CDM

Principle

A project-based approach whereby parties in 'developed' countries can create carbon credits from GHG reduction projects implemented in 'developing' countries.

Requirements

- Create real, measurable, and long-term emission reductions
- Be 'additional'
- Contribute to sustainable development in host country

Carbon asset

Certified Emission Reductions (CERs)

Buyers

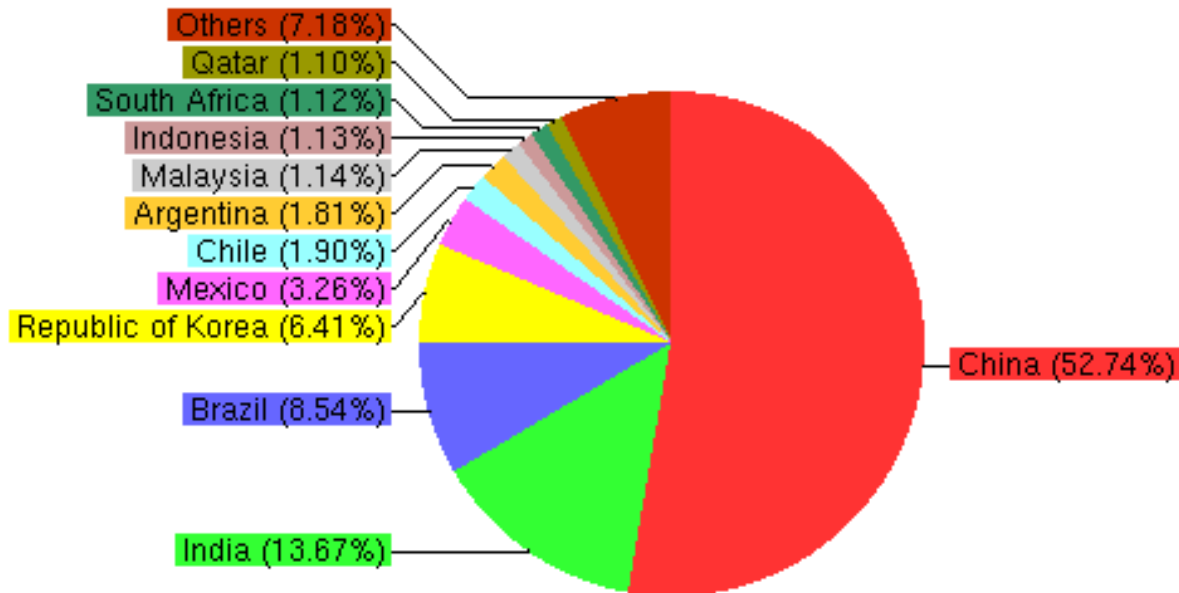
- Annex 1 Governments, companies under the EU ETS.
- Voluntary buyers
- Future regional schemes (US, Australia) will accept CERs for compliance.

CDM Update

- 1,181 projects have been accredited, generating some 196,627,885 of issued CERs.
- From 2006 to 2007 the CDM market grew by 68 per cent in volume terms and 200 per cent increase in value terms. European buyers represented some 90% of this activity.
- Demand for post 2012 CERs is encouraging:
 - Point Carbon estimates that the total demand for reductions in 2013-2017 will be 10.5 Gt and 23 Gt for the succeeding five-year period.
 - New measures recently announced by the EU parliament will allow companies covered by the EU ETS to import 1.6 billion Kyoto Credits from 2008 through to 2020. Member States are able to use roughly 250 million Kyoto Credits.
 - US developments are encouraging. A draft bill recently released by the US House of Reps (building on the former Lieberman-Warner bill) aims to introduce a cap-and-trade system, covering some 88 per cent of emissions. The draft bill allows companies to use credits 'international' offset projects for compliance with their caps. CERs are to be used for regional schemes: Western Climate Initiative, Regional Greenhouse Gas Initiative.
 - Australian and New Zealand schemes also both allow for the use of CERs.

Expected CERs from Registered Projects

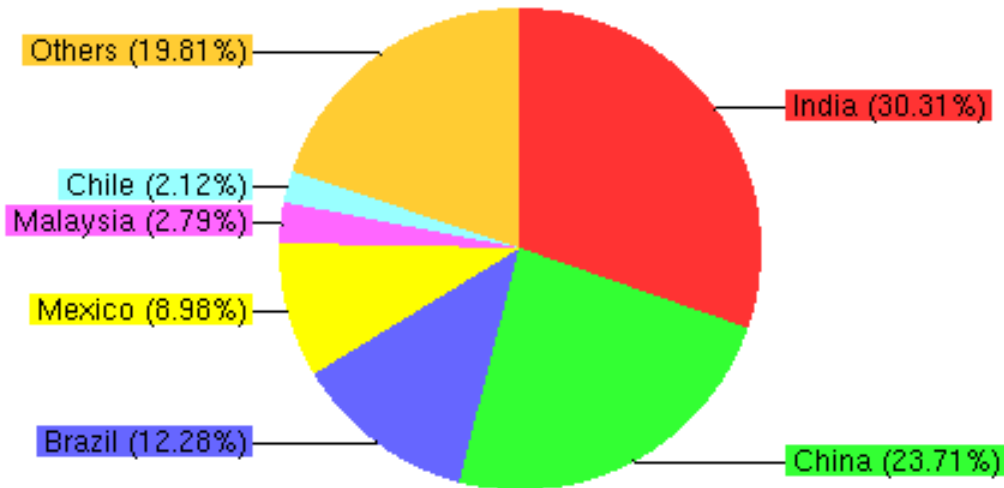
Expected average annual CERs from registered projects by host party. Total: 227,650,515



<http://cdm.unfccc.int> (c) 13.10.2008 19:53

Registered Project Activities by Country

Registered project activities by host party. Total: 1,181



<http://cdm.unfccc.int> (c) 13.10.2008 19:53

Leveraging the CDM for your business

- Actively seeking out and implementing greenhouse gas reduction project activities within global operations will present the following opportunities:
 - Potential to create carbon assets at a low cost that can be used for compliance under various world-wide emissions trading schemes (including the EU and Australia)
 - Improve energy efficiency, reducing expenditure and contributing to security of supply
 - Potential to increase quality and quantity of product as a result of the project;
 - Generate additional revenue streams from creating and selling carbon assets excess to own compliance needs

Leveraging the CDM for your business cont.

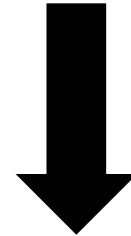
- Actively seeking out and implementing greenhouse gas reduction project activities within global operations will present the following opportunities:
 - Contribution to corporate responsibility and sustainability through technology transfer, reduction in local pollution and possible improvements in living conditions of local inhabitants
 - Potential for creating reduced carbon products
 - Added value for shareholders



Global Carbon Management

Company's Asia Operations

- Identify and implement in-house carbon reduction projects within operations
- Accreditate and verify project according to CDM methodology
- Creation and issuance of carbon assets



Company's Australian Operations

- Meet compliance requirements under CPRS
- Generate additional income through sales of excess carbon assets
- Development of carbon neutral products and services

Financing CDM Projects

- Increasingly, more sophisticated buyers are bringing new financing methods to the market
- Funds such as the European Carbon Fund, Natsource GG-CAP and Trading Emissions Plc employ a portfolio approach to purchasing in order to minimise their delivery risk
- The use of call option premiums as pre-payment, credit enhancement with issued CERs, multi-market hedging models and other structures is becoming more common-place
- Contracting is becoming more precise and attuned to executing business in developing countries
- Carbon is increasingly recognised as an asset class in itself and can contribute to the cash flow financial viability of many Developing Country energy projects

About Sigma Global

- Sigma Global partners with companies to derive value from the emerging climate change and emissions trading arenas. Using the combined commercial, legal, transactional and carbon project expertise of its team, Sigma Global is able to provide a broad range of opportunities for its partners.
- Our activities revolve around our three core activities:
 1. Carbon Strategy Development
 2. Carbon Project Identification and Facilitation
 3. Carbon Asset Creation and Management

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