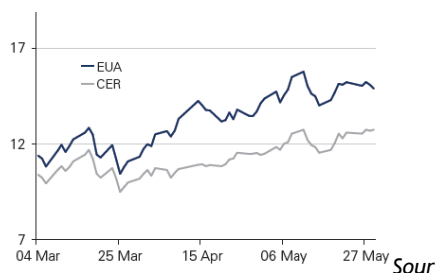


MONTHLY CARBON REPORT



MARKET INDICATORS:

EU Allowances (top) & sCER Prices (€)



Source: Point Carbon 29 May 2009

Secondary CER Prices (€)

Delivery	Bid	Offer	Close	+/-	Diff
Spot	12.70	12.80	12.75	0.05	1.85
Dec-09	12.70	12.80	12.75	0.05	2.15
Dec-10	12.60	12.70	12.65	-0.10	2.79
Dec-11	12.80	12.90	12.85	-0.10	3.28
Dec 12	13.25	13.35	13.30	-0.05	3.80
Dec 09-12	12.84	12.94	12.89	-0.05	3.09

Source: Point Carbon, 29 May 2009

EUA and Crude Oil Prices



Red = Oil Prices (\$), Blue = EUA Prices (€)

Source: From EIA and Point Carbon, May 2009

VER Prices

Gold Standard	€8.00 – 9.00
Renewable VCS01/2007	\$5.25
Climate Action Reserve (CAR)	\$7.02
Chicago Climate Exchange	\$1.20

Source: MF Global 1 June 2009

FYI, see figure on page two prepared by New Carbon Finance tracking VER prices over time and project type.

US House Passes Climate Bill

From Point Carbon and Reuters

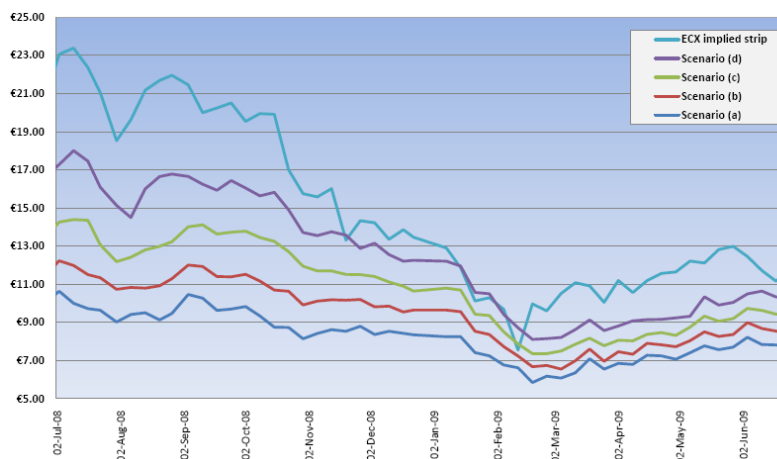
* There have been plenty of numbers thrown around on how much the legislation will cost consumers. Republican opponents have claimed \$3,100 or more per household annually in higher prices for energy and other goods. Conversely, some supporters have said it will save consumers money as energy efficiencies are achieved. The nonpartisan Congressional Budget Office estimated an average cost of \$175 annually for households. It said the poor would enjoy a \$40-a-year

benefit from rebates and other aid.

* New protections for agriculture were included to win the support of farm-state lawmakers. Among them: Department of Agriculture oversight of carbon-reduction efforts by farmers, instead of the Environmental Protection Agency; obstacles to corn-based ethanol that EPA had proposed would be put off for at least five years and probably longer; some rural electric utilities would get free pollution permits from the government.

* Many coal-fired utilities would enjoy exemptions on carbon emission reductions for new plants

IDEAcarbon CER Survey: Prices for Different Risk Allocations



- (a) The validation, registration and volume risk are taken by the buyer
- (b) As (a), but the seller takes the validation risk
- (c) As (b), but the seller takes the registration risk
- (d) As (c), but the seller takes the volume risk

Source: IDEAcarbon Price Survey, 3 July 2009

being planned for construction. Environmental groups complain this will seriously weaken the pollution-reduction goals of the bill. U.S. emissions of carbon dioxide and other greenhouse gases would be reduced 17 percent by 2020 from 2005 levels. That is less ambitious than the 20 percent initially sought, but slightly more aggressive than the approximately 15 percent Obama proposed.

The legislation sets further pollution reduction goals -- 42 percent by 2030 and 83 percent by 2050, with the latter just slightly higher than Obama suggested.

* About 85 percent of pollution permits under the program would be given out, and around 15 percent would be sold. Local electric distribution companies would get 30 percent of all permits for free and would have to protect consumers from electricity price increases.

Other recipients of free permits: 15 percent to cement, steel, glass and other big energy-using industries; 9 percent to local natural gas distribution companies; 3 percent for companies making electric and advanced technology vehicles and 2 percent for oil refiners.

The free permits are designed to ease industry's burden and prevent large energy price increases for consumers. In 2026, many of the free permits would begin switching to those that must be purchased. Obama wanted all of the permits to be sold, but has indicated flexibility.

* Under "cap and trade," fewer and fewer pollution permits would be available to companies over the next several decades. Also, companies that pollute less than their limit could sell some of their permits to others struggling to meet environmental requirements.

* Utilities would have to generate 15 percent of their electricity from renewable sources such as wind or solar power and show a 5 percent gain in energy efficiency by 2020. Governors could lower the 15 percent target to 12 percent with 8 percent efficiency gains if they determine the national goals are unattainable for their states.

* Companies could offset up to 2 billion tons of their emissions annually by paying for "green" projects in the United States and other countries, such as preserving tropical rain forests.

* A "clean energy" bank within the Energy Department would be created to provide direct loans and government loan guarantees to encourage projects using clean energy technology.

The UN released a key draft text aimed at securing a deal in Copenhagen this December that is the subject of debate at the UN talks in Bonn this week and next. The text offers options for a target, including a specific limit on carbon dioxide in the atmosphere, a limit to increases in global average temperatures, or global emission reduction targets.

Options for rich nations are for emission cuts of "at least 25-40%" or "by more than 25-40%", "by at least 45%" below 1990 levels by 2020, and longer term options including 75-85% to more than 95% cuts by 2050. Individual countries submitted their proposed commitments in April, which are less ambitious overall than any of the above targets. [See table on page 2.]

The text also proposed a range of between 0.5 and 2% of GDP for industrialized nations to pay poorer countries to reduce emissions and adapt to climate change.

Both rich and poor nations have criticized the text but accept it as a starting point for negotiations.

Carbon Market Doubles in 2008

From Point Carbon

The World Bank estimates that the carbon market grew by 100% in value from 2007 to 2008 to \$126 billion, but also found that direct purchases of CDM and JI projects both shrank in volume and value. Primary CDM transactions on 389 million t were worth \$6.5 billion, down 29.5% in volume and 12.3% in value. JI, the newer Kyoto credit scheme, was also down to a disappointing 20 Mt from 41 Mt and to \$294 million from \$499. Calculating from these numbers, the CDM average price was \$16.71 and the JI price was \$14.55.

Trading in secondary CERs and EU Allowances both increased dramatically, and the sale of "assigned amount units" (AAUs), the government level allowances under Kyoto were up from nothing to 18 million t and \$211 million.

China is Preparing for a Commitment, while U.S. says it doesn't have to be binding

From Point Carbon and Guardian

Wang Yi, deputy director general at the Chinese Academy of Sciences said that the government was prepared to take on a commitment as part of the climate treaty to be agreed in Copenhagen this December. But in what is probably more interesting, the U.S. government has announced on the last day of talks in Bonn early in June that China's commitment does not need to be binding. The U.S. opposition to Kyoto was largely based on the objection that developing countries such as China did not have binding targets.

Jonathan Pershing, head of the US delegation in Bonn, said developing nations - seeking to grow their economies and alleviate poverty - would instead be asked to commit to other actions. These include boosting energy efficiency standards and improving the take-up of renewable energy, but would not deliver specific reductions. He said: "We're saying that the actions of developing countries should be binding, not the outcomes of those actions."

Only developed nations, including the US, would be expected to guarantee cuts. The pledge was included in a US blueprint for a climate change deal submitted to the Bonn meeting, which Pershing said was based on the need for the rich nations to cut greenhouse gases by 80 per cent by 2050.

Australia Passes Climate Bill Out of Lower House: Challenge Now is Senate

From Point Carbon

In a move preceding the vote in the U.S. House, Australia's lower parliament passed an emissions trading scheme bill that would limit emissions, and allow for unlimited compliance using international carbon credits. The scheme would cover 1,000 facilities and is slated to start in July of 2011.

Opposition in the upper house, the Senate, was expected to be stiff. However, with the climate bill's passage out of the House in the U.S., opposition to the bill seems weaker. As reported on 28 June, right after the U.S. vote, opposition changed its view from that it "would not pass a scheme this year," insisting it would wait for the U.S. to vote in a climate bill, to planning on negotiating a scheme this year.

But opposition leader Malcolm Turnbull now says the opposition will be ready to move amendments to the Australian scheme in August, which appears to open the possibility of passing an amended scheme.

'We will be able to present amendments, hopefully the government will accept. If the government doesn't accept them then of course we'll have to work out what happens next.'

Mr. Turnbull indicated key concerns for the opposition are that there must be more support for coal mining in the ETS, and more capacity to reward the storing of carbon in soil and trees. The Senate is due to vote on the government's scheme on August 13. Turnbull said climate issues had become 'more intense' as a result of progress in the US.

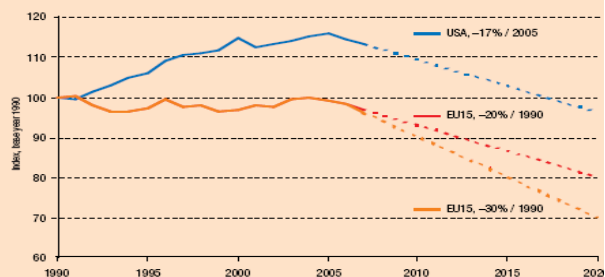
CO₂ Emissions Still Up in 2008

From Point Carbon

Global greenhouse gas emissions rose in 2008 by 1.7%, half the rate of increase from 2007 as the global recession lowered industrial activity and with oil prices much higher than historically. In a historical first, developing countries emissions have become larger (50.3%) than industrialized countries' emissions. Emissions in the EU and US fell, while emissions in China, Russia, and India all rose.

Graph of the month:

USA/Europe: Greenhouse Gas Emissions, 1990-2006 and 2020 Reduction Objectives



Europe has committed to reducing its emissions by 20% relative to 1990 levels (or by 19% relative to 2005 levels). To achieve the same objective relative to 1990 emissions, the US would have to reduce its emissions by 31% compared to 2005 levels. The Waxman-Markey draft calls for 17% emission reductions below 2005 level

Source: UNFCCC, Communications National

Source: Tendences Carbon, June 2009

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