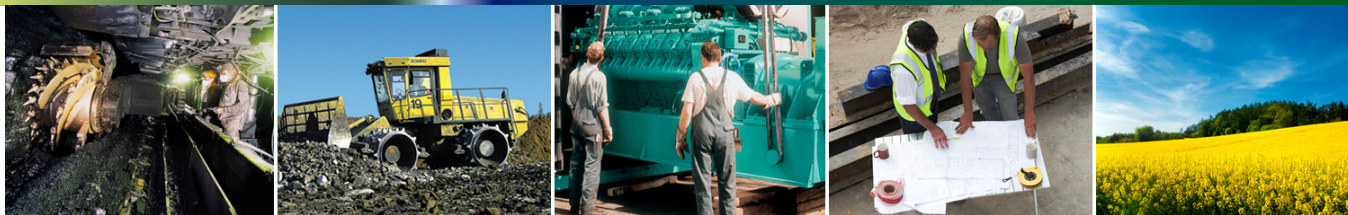
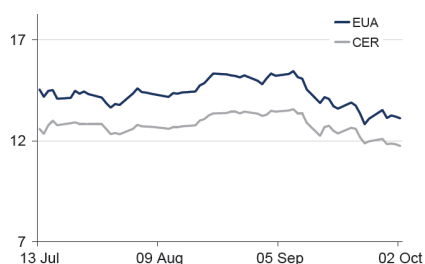


MONTHLY CARBON REPORT



MARKET INDICATORS:

EU Allowances (top) & sCER Prices (€)



Source: Point Carbon 2 Oct. 2009

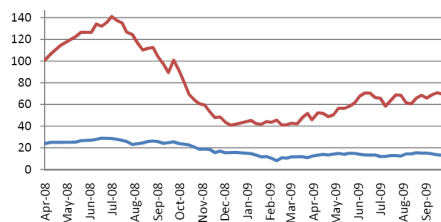
Secondary CER Prices (€)

OTC secondary CER closing prices and change (€/t)

Delivery	Bid	Offer	Close	+/-	Diff
Spot	11.75	11.85	11.80	-0.10	1.29
Dec-09	11.70	11.80	11.75	-0.08	1.37
Dec-10	11.29	11.39	11.34	-0.03	2.04
Dec-11	11.18	11.28	11.23	-0.06	2.73
Dec 12	11.47	11.57	11.52	0.08	3.22
Dec 09-12	11.41	11.51	11.46	-0.02	2.62

Source: Point Carbon, 2 Oct. 2009

EUA and Crude Oil Prices



Red = Oil Prices (\$), Blue = EUA Prices (€) Source: Sources: EIA and Point Carbon, Sept. 2009

VER Prices

Gold Standard	€8.50
Non-Specific VCS VCUs	\$3 – 4
Renewable VCS01/2007 VCUs	\$3 – 5
Climate Action Reserve (CAR)	\$3 – 7.50
Chicago Climate Exchange	\$0.20

Source: MF Global 28 Sept. 2009

China Announces Emissions Intensity Target in Advance of Copenhagen

In the run-up to the international climate meetings in Copenhagen, China has made a series of major statements on how it intends to manage its domestic greenhouse emissions. These announcements appear aimed to show the international community that China is willing to take concrete steps to tackle emissions. China is the largest greenhouse gas emitter and has been criticized, most vocally by the U.S., for not having binding targets under the Kyoto Protocol.

President Hu Jintao promised during the UN climate change summit in New York that China would cut CO₂ output by a “notable margin” below 2005 levels by 2020. At the meeting he also indicated that China will work to develop nuclear and other non-fossil energy resources to reach 15 percent of total consumption by 2020, and increase forest coverage by 40 million hectares.

While no numerical emissions goals were announced, by announcing an emissions intensity target (reductions in greenhouse gas emissions per unit of gross domestic product), China has for the first time indicated that greenhouse emissions should be directly limited. Previous targets have focused on energy intensity or on share of energy from renewable sources.

In addition to President Hu’s commitment, China has in

September made some other announcements that appear aimed to demonstrate it is serious about climate change.

China’s National Development and Reform Commission (NDRC) announced it will extend approvals of CDM projects beyond 2012 to any future phase of a climate agreement. However, buyers have to show, that they are willing to meet the government’s minimum price, currently set at €8/t, a price few are likely to commit to prior to the Copenhagen meeting.

The Chinese Environment Ministry also announced that it will include a pilot emissions trading system in its five-year plan from 2011, but was careful to not explicitly indicate if the scheme would include greenhouse gas emissions.

Finally, China has expressed openness to EU proposals to set up international “sectoral” targets on certain industries. A NDRC spokesman said “sectoral emissions cuts are an important part of dealing with climate change. For China, they are the main focus of reducing greenhouse gases.” At issue in the negotiations, will be the benchmark, or the degree to which industries in China will need to make cuts, with the EU pushing for absolute targets, whereas China prefers relative targets.

While the series of announcements coming from China are significant, it is unclear if they are sufficient to break the global deadlock. More concessions may be needed in Copenhagen.

From Point Carbon and Reuters.

U.S. Senate Bill Includes CMM/LFG Offsets

The U.S. Senate's Environment Committee released its draft Climate and Energy bill on the 30th of September, that includes stricter emissions limits, allows for offset credits from CMM and LFG projects, and proposes de facto price caps, all policy departures from the U.S. House of Representatives' bill.

The bill, sponsored by Sens. Barbara Boxer and John Kerry, calls for a 20% reduction in U.S. emissions from 2005 levels by 2020, compared to the House's 17%. The bill also preserves the U.S. Environmental Protection Agency's right to unilaterally regulate emissions, a power that was challenged by some Republican Senators in proposed legislation over the summer.

The bill allows for up to two billion offsets/year, but favors domestic offsets, allowing for only one quarter of this number to come from international projects. The bill allows for an additional 750 million if there are insufficient domestic ones for compliance. Five international offsets will be required to equal with four domestic offsets starting in 2018.

The bill directs officials to create a list of eligible offset project types that would include a variety of project types including, at a minimum, methane collection from coal mines, landfills, and natural gas systems, non-landfill methane projects that involve collection, combustion, or avoidance of emissions from organic waste streams, and a variety of other agricultural, forestry and waste minimization projects.

The bill also contains a "soft collar" for carbon prices that would, if

prices reach \$28, trigger an increase in the supply of allowances.

Senator Kerry, in announcing the bill, said he was confident the bill would be passed out of the Environment Committee before Copenhagen. Thus, it is almost official that there will not be climate legislation made into law by Copenhagen, as a full Senate vote and a "conference" with the House to hammer out the differences is required before President Obama could sign the bill into law.

From Point Carbon and Los Angeles Times.

CMIA Papers

The Carbon Market Investors Association has published policy papers on CDM Reform and Post-2012 Frameworks for the UN negotiations. Feel free to contact Karl.schultz@greengas.net for copies.

Commentary: Where is the Road to Copenhagen Leading?

By Karl Schultz, Climate Policy Advisor

The "climate debate" is now a major news item, both for policy commitments coming out of national governments, and for the growing focus on the negotiations that are supposed to result in an international agreement this December in Copenhagen. The disparate views and announcements can be bewildering. What is happening now, and what has to happen for a viable climate treaty to come out of Copenhagen?

A number of meetings have been set to tackle key potential stumbling blocks. Two weeks ago, the UN Secretary General hosted a summit that brought in 100 national heads of state. The questions that Secretary-General Ban Ki-moon asked the world leaders to address included:

"What kind of conditions for life do you envisage acceptable in the long term?"

"What kind of long-term climate change goals would they imply, and how should these guide our efforts in addressing climate change and achieving sustainable development?"

Judging from these two questions, one can sense the urgency the Secretary General has to get the world to forge a viable agreement in Copenhagen. Now negotiators are in Bangkok, Thailand where they are trying to reduce 200 pages of conflicting, heavily bracketed text into a viable treaty document. The Kyoto Protocol was 20 pages.

Next, there are the announcements from governments. The U.S. is insisting that without serious action from countries like China and India, the U.S. won't act. President Obama knows that Congress won't pass legislation if U.S. competitiveness is seen as threatened by countries without binding commitments. China has, as noted earlier, announced a series of climate policies, without showing its hand on numerical targets. India has given out targets, but said that they are not to be binding under a treaty. The developing countries all insist on financial assistance to help reduce emissions and to cope and adapt to climate changes' consequences - generally more than \$100 billion/year, levels the wealthy nations have yet to collectively meet.

The Kyoto Protocol has its supporters and its detractors, for good reasons on both sides. Back in 1997 when agreement was struck, many were surprised that a treaty with binding targets could be negotiated. This time the science is clearer and the consensus is greater that action must be taken. But, as the science-led targets are steeper and require real shifts in how economies are fuelled and lifestyles lived; governments and their political leaders need to take steps that while collectively result in net common benefit, also face criticism for their costs and impacts on many industries. And while Copenhagen is just around the bend, it is unclear what we shall see there and what we might leave with afterwards. Stay tuned.

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