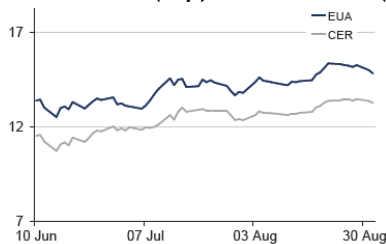


# MONTHLY CARBON REPORT



## MARKET INDICATORS:

### EU Allowances (top) & sCER Prices (€)



Source: Point Carbon 1 September 2009

### Primary CER Prices (€)

		Scen. (a)	Scen. (b)	Scen. (c)	Scen. (d)
Results (€)	Upper	9.20	10.00	11.00	13.00
	Avg.	8.13	9.04	10.12	11.50
	Lower	7.00	8.00	8.50	10.00

Source: IDEACarbon, 28 August 2009

[Scenario A buyer takes validation, registration and volume risk, Scenario D seller takes all risk]

### EUA and Crude Oil Prices



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

Source: From EIA and Point Carbon, August 2009

### VER Prices

Gold Standard	€6 - €11
Non-Specific VCS VCUs	\$2.50 - 3
Renewable VCS01/2007 VCUs	\$4 - \$5
Climate Action Reserve (CAR)	\$7 - \$8
Chicago Climate Exchange	\$0.20

Source: MF Global, 1 September 2009

## Japanese Election Results in Party Change, Greater Climate Ambitions

From Point Carbon

An opposition party backing an ambitious climate target won a key Japanese election on Sunday. The Democratic Party of Japan (DPJ), led by Yukio Hatoyama, grabbed 308 seats in the 480-member House of Representatives, the more powerful lower house of Japan's bicameral parliament. The election outcome has ousted the current coalition led by Prime Minister Taro Aso's Liberal Democratic Party (LDP), which has ruled the country almost uninterrupted for more than half a century.

Hatoyama is expected to attend a UN-sponsored, high-level conference on climate change on 22 September in New York, where he will mark his diplomatic debut on the world stage.

The DPJ has vowed to pursue a more ambitious target of cutting Japan's GHG emissions by 25 per cent by 2020 from the 1990 level, which means a 30 per cent cut from the 2005 level.

As specific measures to achieve the medium-term GHG target, the DPJ has pledged, among other things, to create a cap-and-trade system in the world's second-biggest economy and major carbon dioxide (CO<sub>2</sub>) emitter and consider introducing an "anti-global warming tax."

However, the DPJ's tough climate stance has highly alarmed corporate Japan. In their meeting with senior DPJ officials on 4 August, many members of the Japan Business Federation voiced strong concerns about the party's GHG target, which they claimed would impose too heavy a burden on the Japanese people and economy.

But DPJ Secretary General Katsuya Okada showed no sign of budging.

"Global warming is a grave threat to humanity. We must make cuts (in GHG emissions) based on scientific knowledge at any cost, instead of just doing what we can," he told the members of the Japan Business Federation, the nation's most powerful business lobby.

## VER Standards for CMM and LFG Multiply

From Point Carbon, Reuters and CBM Notes

The California Climate Action Reserve (CAR), a leading U.S. voluntary market standard, announced this August a call for comments before finalizing a proposed methodology for crediting coal mine methane projects.

Meanwhile, the U.S. EPA announced that participating companies in its Climate Leaders program of voluntary greenhouse reduction commitments may use landfill methane offsets to meet their targets, the first source of project-based emission reductions under the program. EPA approved an emission reduction methodology and now participating companies can use credits from a project in New York developed by Casella Waste Systems. Carbonfund.org will sell the 100,000 generated credits.

As reported last month, the Voluntary Carbon Standard has presented a modification to the CDM methodology for coal mine methane emission reductions (ACM 0008) that incorporates emission reduction measures from abandoned mines.

## Chinese Legislature Passes Climate Resolution

From The Guardian

China's top legislative body, the National People's Congress, approved the first climate change resolution and

announced plans to create new climate change laws. This move is seen as a way to demonstrate Chinese resolve to address climate change in advance of the UN talks to be held in Copenhagen in December.

Ahead of those crucial climate talks in December, the government appeared to be leaning towards a mid-term target for carbon intensity

This would represent progress from China's current policy of reducing energy use relative to gross domestic product in the latest five-year economic plan.

But even the setting of a carbon intensity goal for 2020 would disappoint hopes that China will set a target for overall emissions to peak. Last week, an influential research panel said this might be possible by 2030, but the government has given no suggestion it will make this into policy.

The draft resolution called for the government to strengthen its early warning systems and make better preparation for extreme events, such as typhoons. It recommends greater investment in water-saving technologies and low carbon energy.

"We should make carbon reduction a new source of economic growth, and change the economic development model to maximise efficiency, lower energy consumption and minimise carbon discharges," the draft says.

Lawmakers are also discussing a revision of the renewable energy law that could set the stage for the government to raise its target for wind, hydro, nuclear, solar and biomass, currently set at 15% of the total energy mix by 2020.

## Australian Climate Politics Heat Up

*From Reuters and Point Carbon*

The proposed Australian Emissions Trading Scheme, which passed through the lower house of parliament earlier this year, failed to pass out of the Senate this August. And while this could be seen as a setback for the government and for climate action, the complexities of Australian politics make it far more interesting and wide reaching than climate policy.

Following the failure to pass out of the Senate, the government has announced it will work to pass the bill by the end of the year, in order to demonstrate to the world Australia's commitment to greenhouse gas targets.

If the bill fails to pass next time, then government could call elections, elections polls indicate the government could easily win. The leading opposition party, the liberals is thus motivated to come up with a compromise plan but this is opposed by some other opposition parties.

The Australian emissions trading scheme, as presently proposed, is significant for global carbon markets because analysts believe as much as half of the carbon reduction target will be met through the CDM. Of the roughly 80 million tonnes that must be cut in 2020, more than 40 million tonnes will be from international credits as their costs are anticipated to be significantly lower than domestic actions. Unlike the EU Emissions Trading Scheme or the Waxman Markey Bill in the U.S., the scheme places no limit on the quantity of credits brought in from overseas.

Meanwhile a related law encouraging renewable energy has passed and will come into effect on January 1 to target production of 45,000 gigawatt hours of electricity, 20 percent of the total, over the next decade. As part of a compromise deal with the opposition conservatives, "coal seam methane gas" will count as a renewable energy source in a transitional measure that will not count toward the 20 percent renewable target.

## AAU Sales, Fired Environment Ministers, and FBI Investigation

The market in Assigned Amount Units (AAUs) continues to be dogged by controversy over not only their environmental integrity, but also by alleged irregularities in sales practices. AAUs are the allowances that governments hold and may be traded between governments to meet national compliance targets. For countries with surplus allowances, the sale is in effect a windfall for the government.

The Slovakian government has announced it is suspending all sale of AAUs following a controversial sale of 15 million AAUs for what many in the government believe was a below-market price of €5.05 per AAU last year. The Ministry of Environment arranged the sale to U.S. trading company Interblue. Since then, two environment ministers have been sacked for the deal and the current Minister has announced they will not allow the option for 50 million more AAUs to be executed by Interblue.

According to Slovakian press reports, the U.S. Federal Bureau of Investigation (FBI) is investigating Interblue, whose headquarters is a private residence in Washington state.

## Chinese Government will approve CMM CDM projects to support of new emissions standard

There has been considerable debate and speculation over the past year regarding the future of coal mine methane projects qualification for the CDM in China following publication by the State Environmental Protection Agency (SEPA) of emissions standards requiring abatement of all methane gas from coal mines over 30% concentration. A recent announcement puts to rest the concern that this will disqualify CMM projects from receiving approval from the Chinese government as the projects could, in theory, no longer be additional.

According to an official statement on the Chinese National Development and Reform Commission website, "it is the government's intention to use all incentives, including CDM, to help enforce the emissions standards."

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