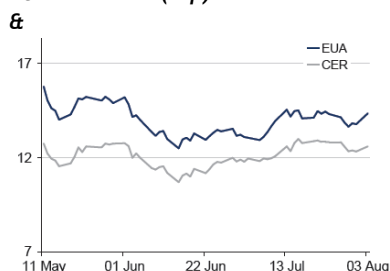


MONTHLY CARBON REPORT



MARKET INDICATORS:

EU Allowances (top)



sCER Prices (€)

Source: Point Carbon 3 August 2009

Primary CER Prices (€)

Results (€)		Scen. (a)	Scen. (b)	Scen. (c)	Scen. (d)
	Upper		9.50	10.50	11.00
Avg.		7.90	8.78	9.75	10.89
Lower		6.85	7.90	8.25	10.00

Source: IDEACarbon, 31 July 2009

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

EUA and Crude Oil Prices



ed = Oil Prices (\$), Blue = EUA Prices (€)
Source: From EIA and Point Carbon, July 2009

VER Prices

Gold Standard	€6 - €9
Renewable VCS01/2007	\$4 - \$5
Climate Action Reserve (CAR)	\$7 - \$10
Chicago Climate Exchange	\$0.45

Source: MF Global, 2 August 2009

“Green Investment Schemes” Grow. But are they Green?

From Point Carbon and Reuters

Latvia, Slovakia, Czech Republic, Hungary, Romania, and Ukraine have done it. And now Russia and Poland all are looking to sell “assigned amount units” (AAUs, the allowances to emit greenhouse gases issued to governments) under what they all call the “green investment scheme.” What does this mean?

Countries in Eastern Europe and the former Soviet Union took on caps on their emission in the Kyoto Protocol that were based on a 1990 baseline. Overall, emissions dropped throughout the 1990’s and continue to be significantly below 1990 levels. As such, each of the countries looking to sell AAUs has a surplus that most experts think amounts to between six and eight billion tones for the Kyoto period of 2008 - 2012.

Meanwhile, other countries with caps, in particular Western Europe and Japan, are taking measures to lower their own emissions or a facilitating or directly purchasing project based credits (CERs and ERUs), but experts think they may still have a gap of between one and two billion tones of AAUs (although as the recession continues this declines). In theory, then, countries with a shortage of AAUs could purchase AAUs from the countries with surpluses to meet their targets.

The problem is that these surplus AAUs are not viewed as being real emission reductions, and hence the “Green Investment Scheme” (GIS) arose to connect the sale of AAUs to

tangible emission reduction activities. All current AAU sales agreements are in some shape or form GIS.

But the devil is in the details. Currently, only the Czech Republic has taken revenues from sales and allocated it to projects that reduce domestic emissions, in its case energy efficiency for buildings.

Ukraine has received at least €150 million from the Japanese government but it has yet to announce how it will specifically disburse this money. Reluctance to earmark AAU-cash to projects is denting the credibility of seller countries in a market where the price of emission rights is determined by when and how the money is spent.

Hungary, another AAU seller, has also yet to spend funds raised from selling 8.6 million AAUs to Belgium and Spain, despite the deals going through last year.

And Latvia, which sold rights in March, is also lagging behind. Slovakia, which sold emission units last December does not even have a legal framework in place to guarantee AAU-cash flow to emission reduction projects. All told, about 500 million AAUs have been contracted: much more than the total of CDM CERs and JI ERUs issued to date.

Poland, a laggard in AAU sales has just passed legislation authorizing GIS, and Russia, the giant in the game with up to 4 billion tones, could join the game in the future.

While the potential for an avalanche of surplus AAUs to enter the market, the nature of AAUs and growing

skepticism of the GIS are perhaps the two factors that limit GIS'

potential. AAUs, for instance, cannot be used by private

companies to meet their cap in the EU ETS, and governments are accountable to a public that has voiced concerns over any type of AAU sales that are not, indeed, green.

Voluntary Carbon Standard Proposes Methodology for Abandoned Mine Methane Projects

From CBM Notes and Voluntary Carbon Standard

The Voluntary Carbon Standard (VCS) Association recently announced a proposed methodology revision to the UNFCCC approved consolidated methodology ACM008 titled, "Consolidated methodology for coal bed methane, coal mine methane and ventilation air methane capture and use for power (electrical or motive) and heat and/or destruction through flaring or flameless oxidation".

The proposed revision will modify ACM008 to include a calculation methodology for estimating baseline emissions of methane from abandoned/decommissioned coal mines. Comments are due to VCS by 13 August 2009.

The VCS is one of the most actively employed standards and accepts the CDM methodologies. VCS prices have been around \$4 to 5 recently. Another standard, the Climate Action Reserve (CAR) is also working to develop standards for coal mine methane projects.

China and U.S. Sign Climate Agreement

From Point Carbon and U.S. State Department

The US and China signed an agreement Tuesday, pledging to cooperate on international climate talks and on a variety of clean energy and other activities.

Lead US climate treaty negotiator Todd Stern and Chinese Vice

Chairman Xie Zhenhua signed the memorandum of understanding (MOU) at the State Department in

Washington DC. This followed visits and dialogue on climate change by a number of senior U.S. officials to China, including Secretary of State Hillary Clinton.

A read of the MoU shows some commitment to work together on climate negotiations, with the statement that: "Consistent with equity and their common but differentiated responsibilities, and respective capabilities, the United States and China recognize they have a very important role in combating climate change. The United States and China will work together to further promote the full, effective and sustained implementation of the *United Nations Framework Convention on Climate Change*."

The issue of China's involvement, and meaningful commitments is key to a successful treaty in Copenhagen as the U.S. has insisted China take leadership. China has sent mixed messages regarding what it is likely to agree to during the climate negotiations.

Australia Climate Vote: What Does it Mean?

From Point Carbon

Following passage by Australia's lower parliament of climate legislation including a comprehensive domestic emissions trading scheme, allowing for unlimited use of international credits, the upper house, the Senate, is to vote on the bill on August 13.

The ETS bill as it currently stands looks certain to fail as the government rejects opposition proposals to amend it. Climate Change Minister Penny Wong has ruled out demands made by the opposition coalition on how the planned carbon pollution reduction scheme (CPRS) should be amended.

If the Labor government fails to strike a deal with the coalition on the CPRS, the emissions trading scheme will not have the support needed to pass.

Opposition leader Malcolm Turnbull

last month published a list of nine demands that the government must

meet before his Liberal party can support the scheme. Wong dismissed every one of the nine demands. One of these was to remove methane emissions from the cap set on the coal sector.

The interesting political dynamic that might motivate the opposition to compromise is that if the legislation fails twice, then the government could call elections, elections polls indicate the government could easily win.

U.S. Senate Delays Committee Votes until Autumn

From Point Carbon

Following passage of the U.S. legislation to limit greenhouse gas emissions by the House of Representatives, the U.S. Senate aimed to move quickly on formulation of its version and has committed to passage in the Fall before the upcoming climate talks in Copenhagen are held this December.

Delays in enacting comprehensive legislation on health care have threatened to put the climate bill on the backburner. But key Senators including chairs of the Finance and Environment Committees are committed to drafting legislation, based on the House's Waxman Markey, by September. Senate Leader Harry Reid has set a deadline of 28 September for completion of each Committees portion of the bill, with a continued commitment to put the bill to a vote in October.

EU Allowance Price Estimates (€/t)

	2009	2012
Barcap	11.75	24
Citi	12	25
Daiwa	8	12
Deutsche Bank	25-30	N/A
Point Carbon	12	26
Sagacarbon	10	26
SocGen/orbeo	13	20
UBS	N/A	35

Source: Reuters