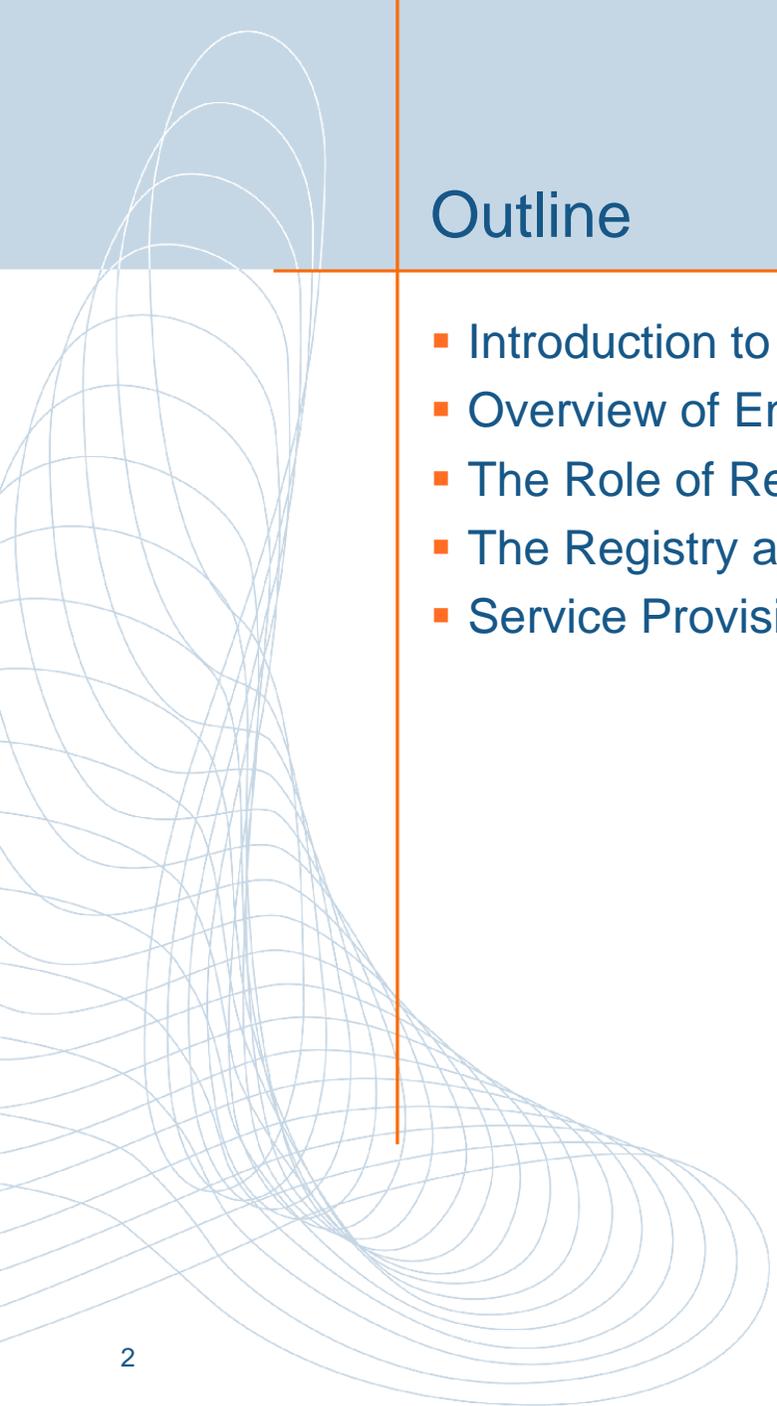


The Essential Elements in Creating Effective Environmental Markets

September 2010



markit™



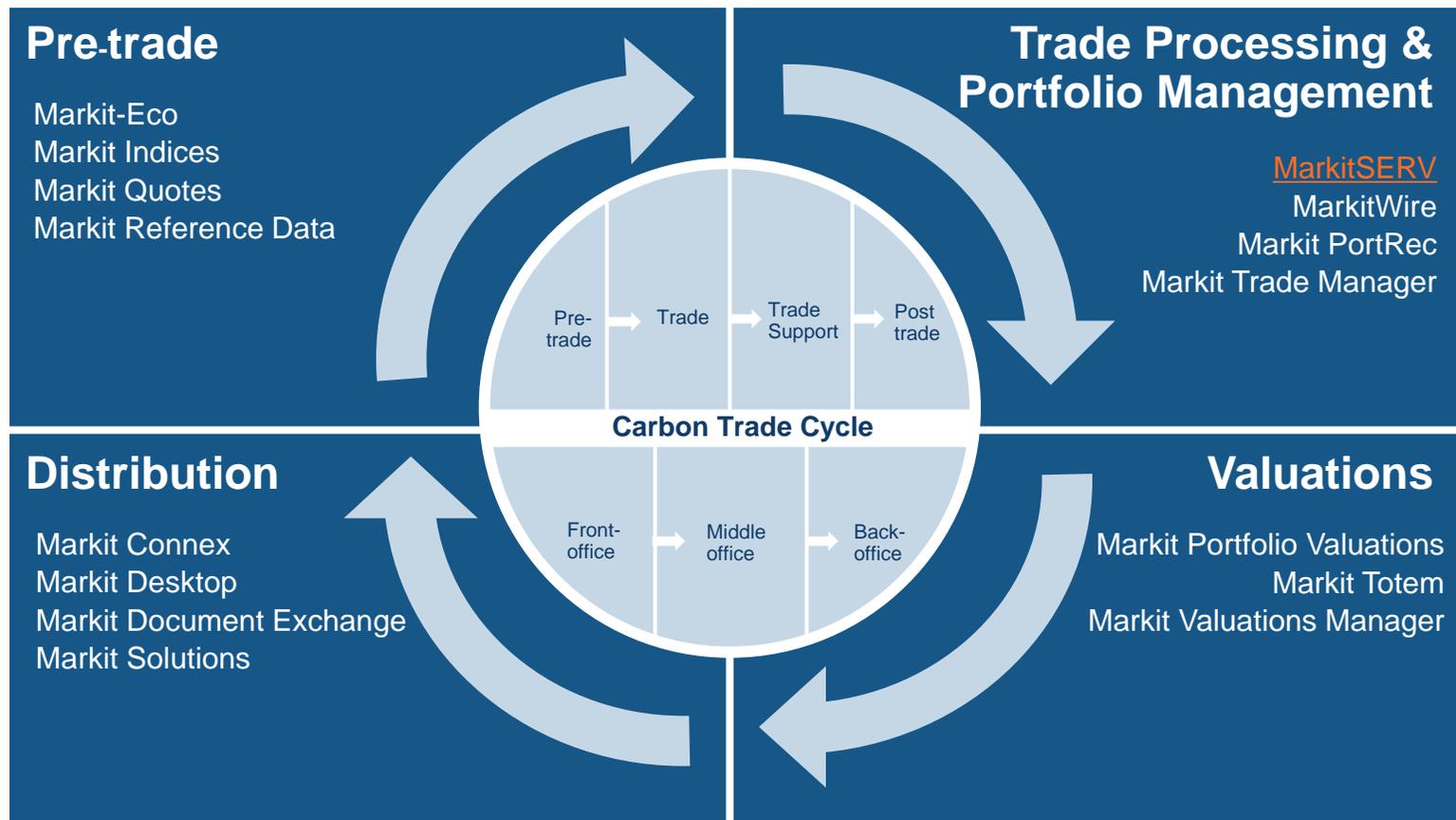
Outline

- Introduction to Markit
- Overview of Environmental Markets
- The Role of Registry Infrastructure
- The Registry a Closer Look
- Service Provision Options

About Markit

- Markit is a leading global financial information services company with over 1,900 employees and 21 offices worldwide
- We provide data, valuations and services across all asset classes to enhance transparency, reduce risk and improve operational efficiency
- Our client base includes the most significant institutional participants in the financial and commercial market place
- Markit Environmental Registry is the largest environmental registry in the world and the only registry to track carbon, water, and biodiversity

The Markit Solution for Environmental Assets



Markit Environmental Registry

- The only all-encompassing registry hub for carbon and ecosystem markets to provide transparency and confidence in the provenance and singularity of listed credits
- The largest carbon registry in the world with an 75% market share*, over 600 customers, and 80 million credits listed. It lists all environmental assets and is the registry of choice for most international standards
- Lists eight of the ten primary market standards, four of which on a sole provider basis. Listings include: Voluntary Carbon Standard, Carbon Fix, ISO14064, Plan Vivo, Social Carbon, and Climate, Community and Biodiversity Alliance
- Takes a lead role in developing transparency in ecosystem markets such as water, wetlands, conservation banking and other biodiversity projects



Overview of Environmental Markets



Emergence of Market Mechanisms

Market Mechanisms in essence is based on the concept of paying for or putting a price on services that were previously provided for free.

Aim:

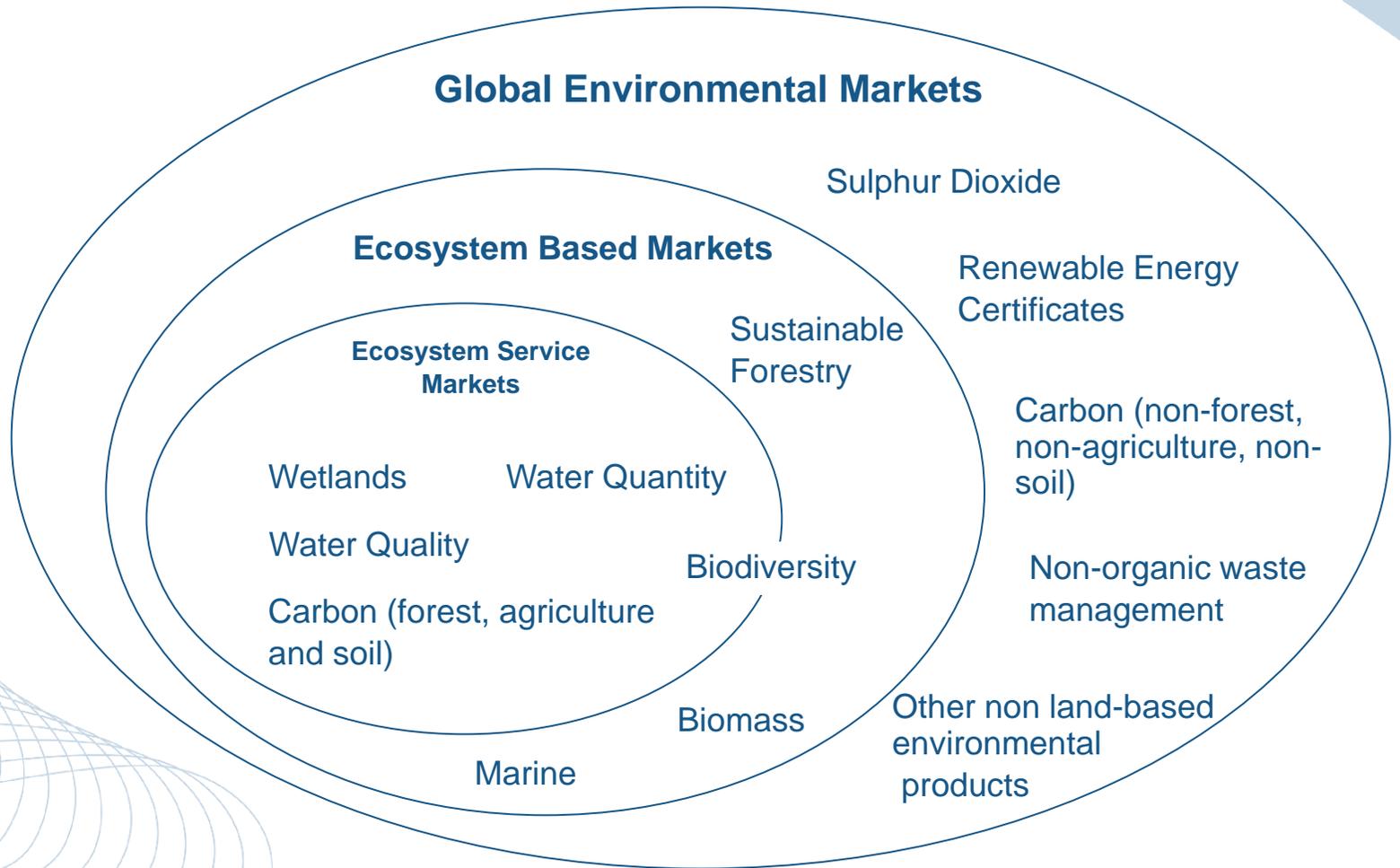
Abatement at lowest cost (let the market find the price) where:

- Damaging outputs are capped
- Beneficial inputs are rewarded with 'offsets' (increasing supply)
- Trading occurs
 - Those below cap can trade with those in excess of cap
 - Those exceeding cap can buy from those below cap + those with offsets to sell
- Provide environmental certainty at lowest cost
- Price signals change behavior and reward (not just punish)

“The first essential element of climate change policy is carbon pricing”

Sir Nicholas Stern

Market Types

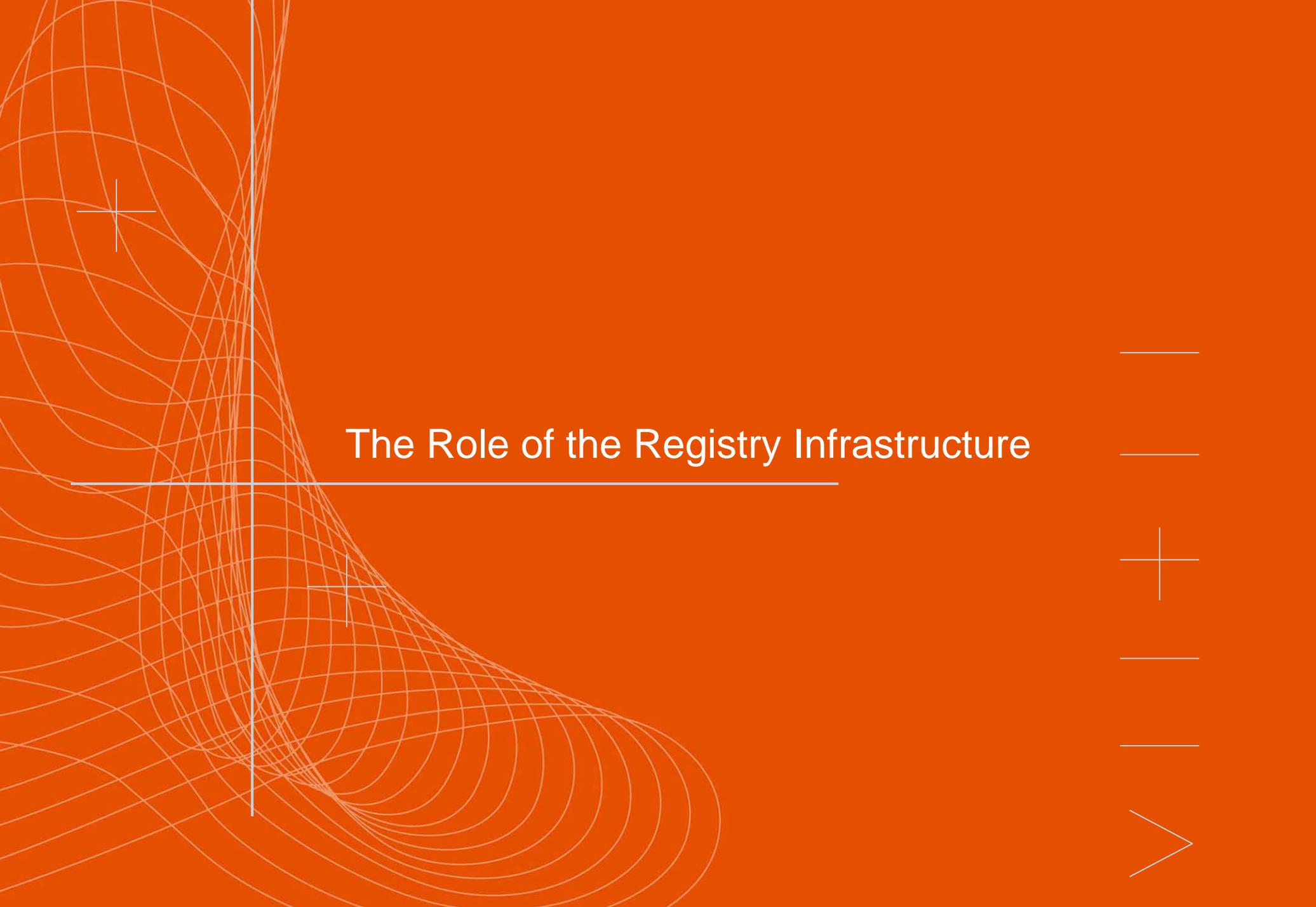


Efficiency, Liquidity and Transparency

- Credible, transparent and efficient markets
- Effective environmental outcomes
- Wealth-creating options for project participants
- Increase investment (incentives and ROI for investors – local and international)
- Reduce costs for regulators and policy-makers
- Efficient identification system to track ownership
- Reporting on environmental outcomes versus investment dollars spent
- Tracking progress against our priorities in a meaningful way

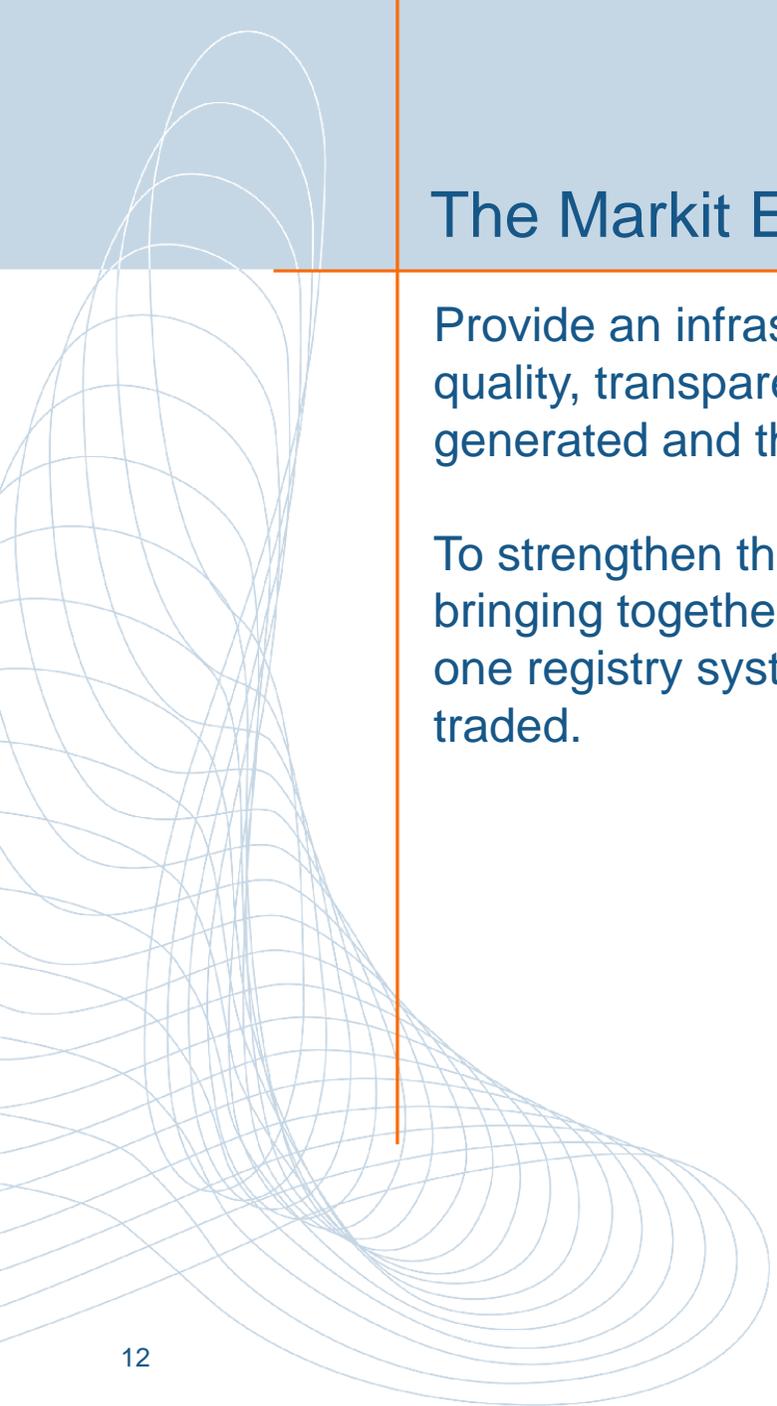
Markit's Infrastructure Requirements

- To ensure the integrity of Compliance market/s (Federal and State) and Voluntary Market/s (Verified Emission Reductions - VER) and to facilitate and incent efforts and actions in mitigating greenhouse gas emissions by:
 - utilizing world-class proven infrastructure
 - ensuring secure market platform/s for state and nationally produced compliance credits and VERs accessible to national or international buyers;
 - developing credibility and preventing double counting of carbon credits from state and federal agriculture, forestry and/or REDD projects;
 - using infrastructure to provide visibility to foster local demand for carbon credits through specialized carbon foot-printing and reporting software that supports corporate carbon mitigation.



The Role of the Registry Infrastructure





The Markit Environmental Registry Objectives

Provide an infrastructure arrangement to guarantee the quality, transparency and traceability of the state and nationally generated and their commercial transactions.

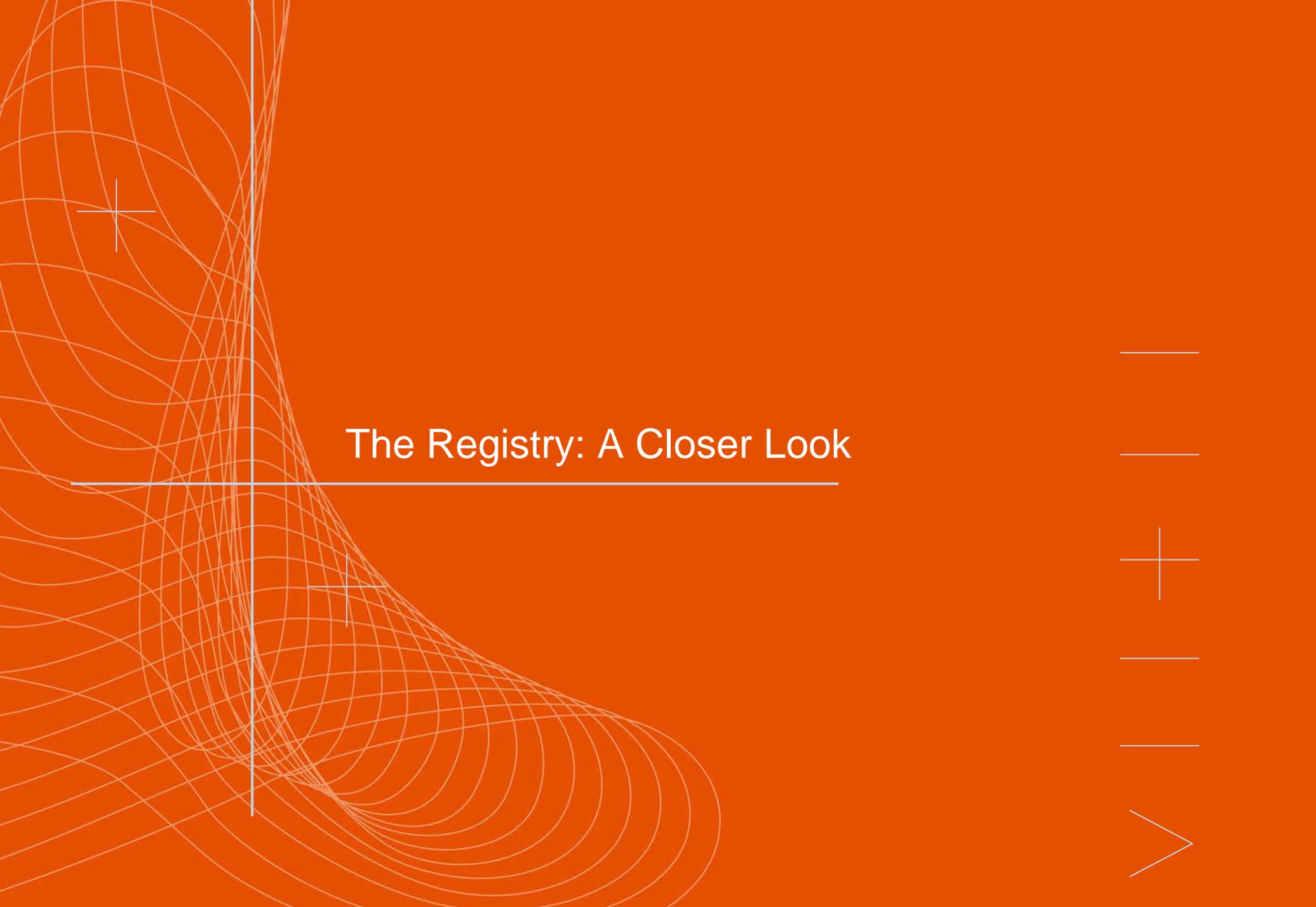
To strengthen the emission reduction at state and national levels bringing together compliance and voluntary market projects under one registry system ensuring a tracking system for all reduction units traded.

Market Participant Roles

- **Governments Roles in the Market**
 - Sets the environmental priorities through the development of regulations, rules and guidance
 - Established the methodologies by which credits can be created
 - Ensure the integrity of validation and verification protocols
 - Inter-agency and public communication of key program information and statistics
- **Infrastructure Provider Role in the Market**
 - The foundational infrastructure requirement for markets
 - By implementing the rules established by the Governments for the full tracking of credits across their lifecycle (transparency)
 - Work with regulators to provide access and reporting to ensure the appropriate oversight of the markets
 - Ensures the credibility of the credits traded on exchanges
 - Post-trade infrastructure, services and information

Role of the Registry relative to Policy Goals

| | |
|---------------------|---|
| Integrity | <ul style="list-style-type: none">▪ Creates confidence in the provenance and singularity of credits▪ Minimizes risks in the management of the issuance and lifecycle of credits▪ Allows for effective market oversight and auditability▪ Helps prevent fraudulent activity |
| Transparency | <ul style="list-style-type: none">▪ To market participants and the public▪ To governments and regulators |
| Efficiency | <ul style="list-style-type: none">▪ Straight through processing▪ Robust and efficient platform▪ Nimble and easily adaptable with rapid speed to market |
| Liquidity | <ul style="list-style-type: none">▪ Interoperability with financial markets fosters liquidity |



The Registry: A Closer Look

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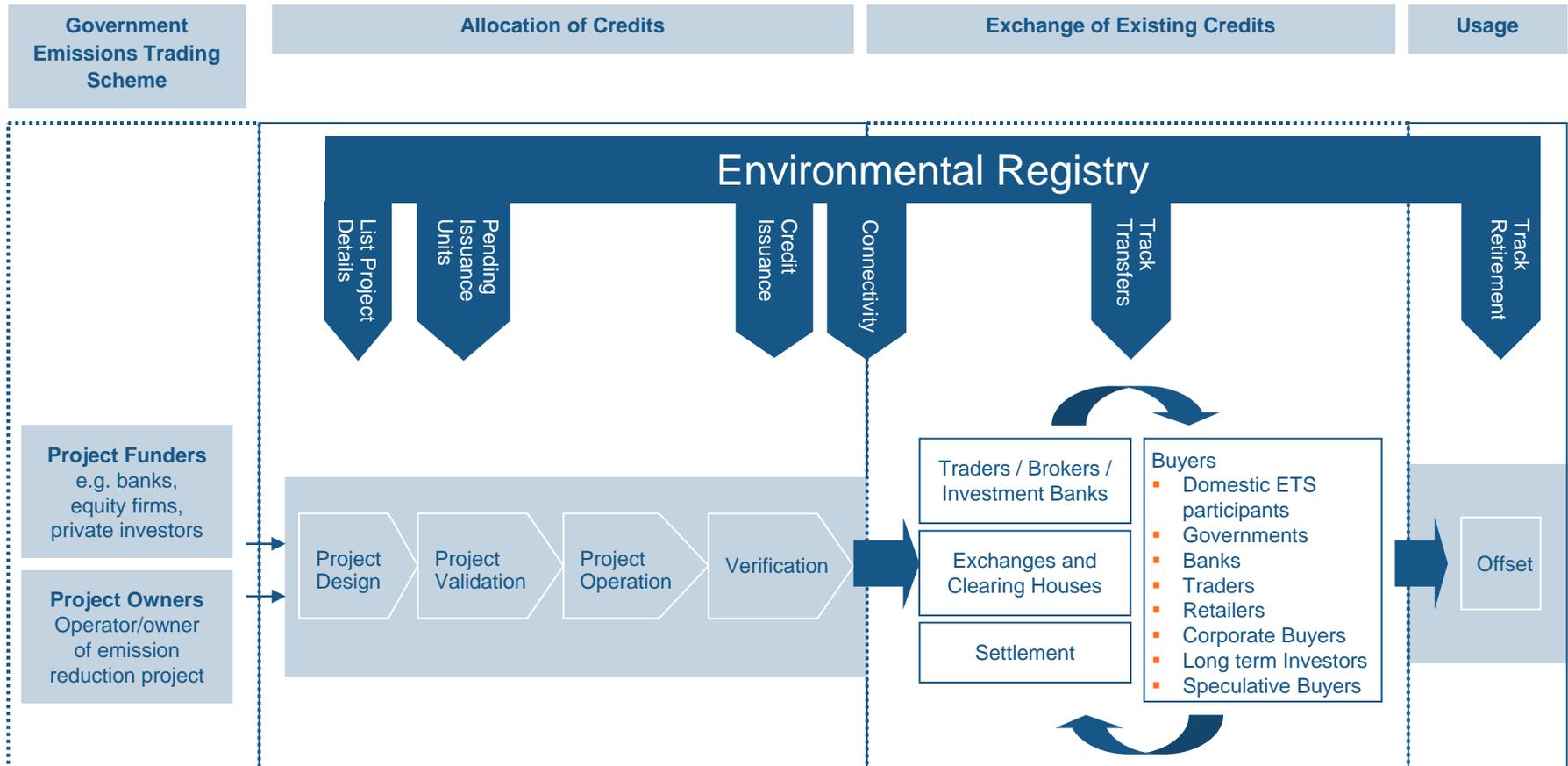
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The Role of the Registry in the Market

- Tracking credits
 - Project listing
 - Serial numbers
 - Ownership
 - Sub-accounts
- Supporting the market
 - 24 hour online web access
 - Facilitates efficient trading (compliance buyers and others)
 - Supports increased liquidity and participation
 - Supports financial markets and regulatory reporting
 - Low cost, efficient
 - Risk management
- Growing the market
 - Scalability
 - Credibility
 - Transparency

The Role of Environmental Registries



Markit's Registry Landing Page



Registry

Home | Environmental | Equities | Fixed Income | Processing | Commentary

Logged in as: ufe.user2
Profile | He

Home | All Units | Projects/Issuances | RFI Listing | User Admin

Registry > Home

v 0.8.4

Welcome to Markit Environmental Registry

Current User

ufe.user2
ufe.user2@markit.com
 Request New User

Accounts

- New Open
- Barclays Bank Plc**
Sub Account
Active
 - EcoSecurities Internationa**
Master Account
Active
 - Nik's Test Account 1**
Sub Account
Pending Review (Markit)

Credit Summary

| Standard | Class | Issuances | Holdings | Retirements |
|--|-------|---------------|---------------|----------------|
| Account: Barclays Bank Plc (1 Item) | | | | |
| Voluntary Carbon Standard | | 5,600 | 5,600 | 611,100 |
| | | 5,600 | 5,600 | 611,100 |
| Account: EcoSecurities International Limited (1 Item) | | | | |
| Voluntary Carbon Standard | | 44,744 | 68,190 | 71,664 |
| | | 44,744 | 68,190 | 71,664 |

Notifications

- | Date | Subject |
|--------------------------|---|
| Date: 02 Aug 2010 | |
| | Project status change Project "sukanya test" has ch |
| | Project status change Project "sukanya test" has ch |
| | Project status change Project "Sukanya's project2" t |
| Date: 01 Aug 2010 | |
| | Issuance status change Issuance for project "A test pi |
| | Project status change Project "A test project 11" has |

Page 1 of 1





Service Provision Options

Choices: Nature of Service Provision

| | Benefits | Disadvantages |
|--|---|---|
| Outsourced | <ul style="list-style-type: none"> ▪ Fully contracted accountable provider ▪ Speed to market ▪ Leverage experienced provider ▪ Permits governments to focus on policy ▪ Government still have oversight and regulation | <ul style="list-style-type: none"> ▪ No in-house management (lowest cost) ▪ No asset ownership |
| Licensed | <ul style="list-style-type: none"> ▪ Single Proven Infrastructure ▪ Speed to market ▪ Leverage experienced provider ▪ Government registry operation, oversight and regulation | <ul style="list-style-type: none"> ▪ Annual licensing and maintenance fees (moderate costs) ▪ Operational training ▪ In-house management |
| Inhouse Development by Government | <ul style="list-style-type: none"> ▪ Single infrastructure ▪ In-house management ▪ Technology asset ownership ▪ Government oversight and regulation | <ul style="list-style-type: none"> ▪ Software development and hardware costs (most expensive) ▪ Need to set up and manage rules and processes ▪ Resource requirements in-house ▪ Operational process development and training ▪ Slow speed to market ▪ Unproven technology implementation |

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