



Evolution Markets & Greenhouse Gas Programs

Andy Kruger
Director – Carbon Markets Origination

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 - B. Federal ,RGGI and VER GHG Markets
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Evolution Markets Overview



Evolution Markets provides strategic financial and transactional services to participants in global environmental markets and the clean energy sector.

- **Founded in 2000**
- **Headquarters: White Plains, NY**
- **Offices in New York – London – San Francisco – Calgary**
- **World's Largest Environmental Brokerage**
 - More than 70 Professionals Worldwide
 - Structured \$50 billion in energy & environmental transactions
 - Strong leadership position
 - Unparalleled market knowledge
 - Multiple industry awards
- **Green Investment Banking: *Evolution Markets Financial Services LLC***

Unparalleled Market Coverage and Know-how



Evolution Markets Inc. has a deep and broad coverage of all core energy & environmental markets

ENVIRONMENTAL MARKETS

- Renewable Energy Credits
 - GHG Credits & Allowances
 - SO₂ Emissions Allowances
 - NO_x Emissions Allowances
 - Houston/Galveston NO_x
 - RECLAIM (L.A. NO_x & SO₂)
 - Weather Derivatives
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ENERGY MARKETS

- Green Power
 - Biofuels
 - Ethanol
 - Biodiesel
 - OTC Physical Coal
 - OTC Coal Derivatives
 - Natural Gas
 - Nuclear Fuels
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Environmental Markets Pioneer



Evolution Markets' Firsts

- Jul. 2002: First SIP NOx Allowance Trade
- Dec 2002: First Trade of Kyoto Allowances (green-AAUs)
- Apr 2003: First Brokered EU ETS Trade
- Aug 2003: First Green-e™ Certified Broker
- Aug 2003: First Connecticut RECs Trade
- Jun 2004: First EU ETS Trades Using the ISDA Contract
- Nov 2004: First Large-Scale EUA Transaction (400K EUAs)
- Nov 2004: First EUA Trade for settlement in 2008
- Sep 2005: First Brokered EUA Option
- Mar 2006: First Indexed CER Trade
- Mar 2007: First "Phase Three" (post-2012) EUA Trade
- Jun 2007: First RGGI Offset Trade
- Sep 2007: First CER Option

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2000 2001 2002 2003 2004 2005 2006 2007



Magazine Customer Survey

Top SO ₂ Allowance Broker	🏆	🏆	🏆	🏆	🏆	🏆	🏆
Top NO _x Allowance Broker		🏆	🏆	🏆		🏆*	🏆†
Top EU GHG Allowance Broker				🏆	🏆	🏆*	🏆
Top U.S. GHG Credit Broker						🏆*	🏆
Top U.S. Renewables Broker				🏆†	🏆	🏆	🏆
Top RECLAIM NO _x Allowance Broker					🏆	🏆	🏆
Top U.S. Emission Reduction Credit Broker						🏆	🏆
Top Kyoto Credits Broker							🏆†
Top Weather Derivatives Broker				🏆†	🏆†	🏆†	🏆†



House of the Year:

- European Emissions (2007)
- Weather / Emissions (2004)

Best Broker, US Physical Forwards (Coal)					🏆	🏆	🏆	🏆
Best Broker, Europe ETS Carbon Credits						🏆	🏆	🏆†
Best Broker, U.S. Environmental Products					🏆		🏆	🏆†
Best Broker, Western U.S. Nat Gas Short-term							🏆	🏆†
Best Broker, Western U.S. Nat Gas Long-term							🏆	🏆†
Best Broker, U.S. Weather Swaps Brokerage					🏆*	🏆*	🏆†	🏆†
Best Broker, European Weather Derivatives Brokerage							🏆†	🏆*



PointCarbon
Carbon Market Awards 2005: Best Broker



*category runner-up

Activity at the Federal level



- Numerous Congressional initiatives
- Most mandatory, market-based programs

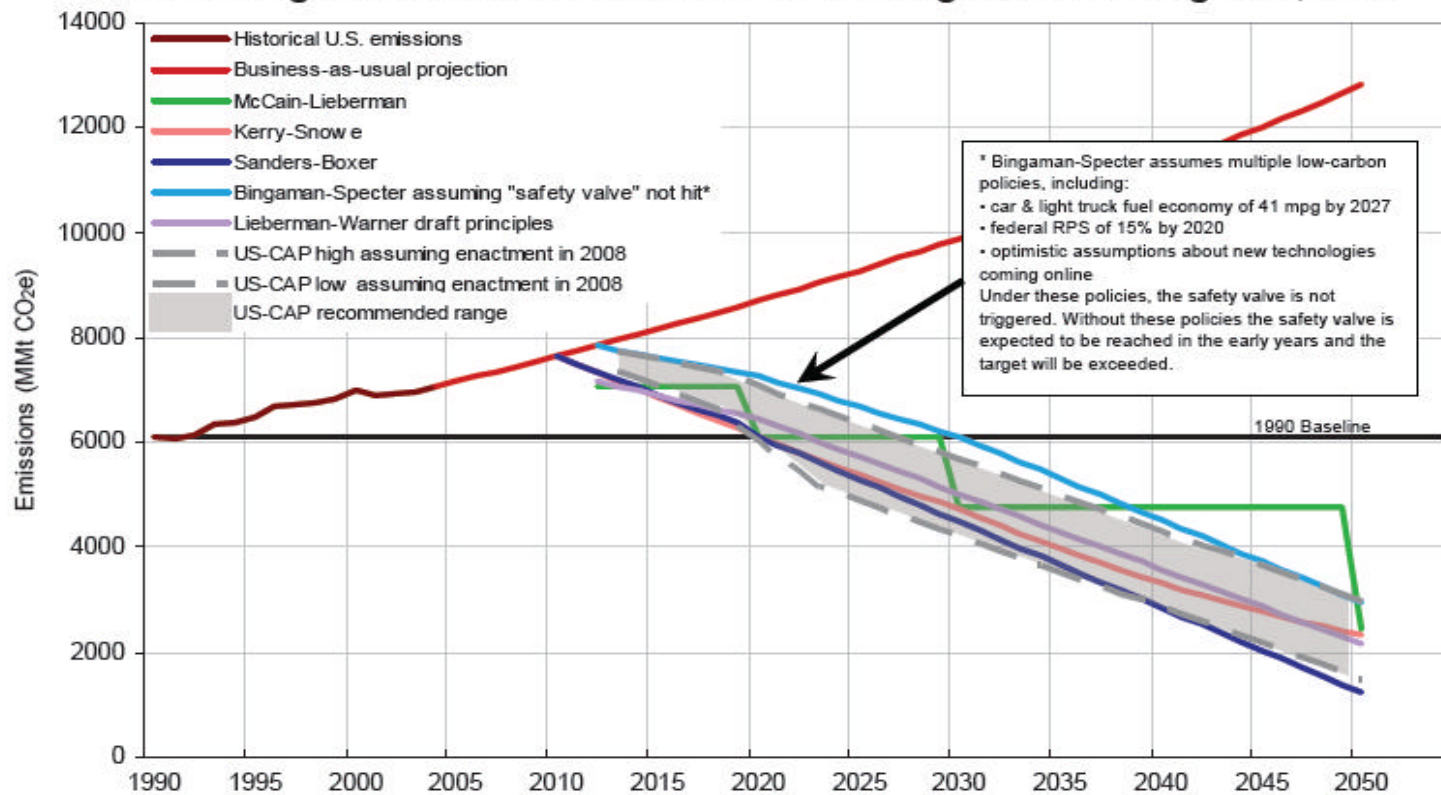
Lieberman- Warner	Bingaman-Specter	McCain-Lieberman
<ul style="list-style-type: none">• 10% below 2005 in 2020• Limited offset use	<ul style="list-style-type: none">• 2006 levels by 2020• 15% offset use	<ul style="list-style-type: none">• 1990 level in 2020• 30% limit on offsets

- No mandatory GHG compliance in short-term
 - President Bush standing against legislation with mandatory reductions
- Cap & trade likely in long-term
 - Increasing Committee resolutions and conferences

This graph illustrates the relationship between greenhouse gas emissions targets proposed this year in Senate legislation and by the U.S. Climate Action Partnership (USCAP).

Comparison of Senate Proposals and USCAP Emissions Targets

Includes Legislation Introduced in the 110th Congress as of August 2, 2007



Regional Greenhouse Gas Initiative (RGGI)



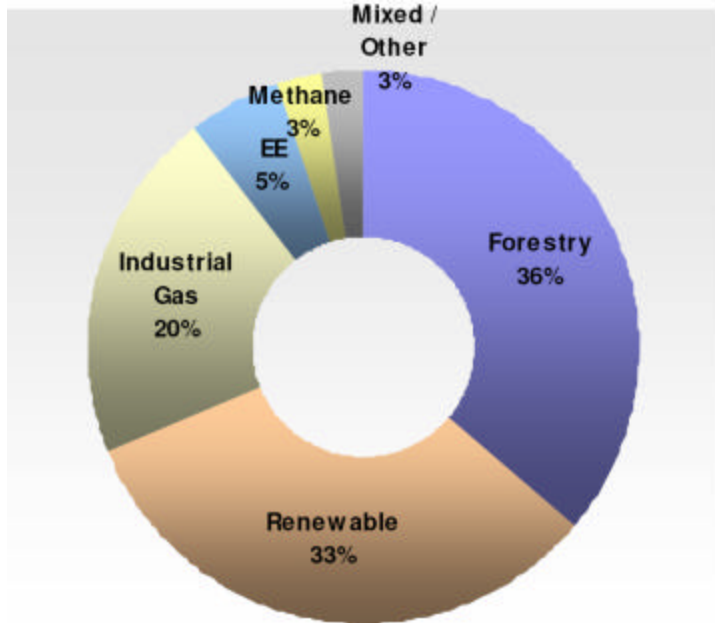
- January 1, 2009 start date
- CO2 only, 25MW+ generators only
- Regional Cap of 183 million tons (roughly 1990 emissions)
 - Level emissions 2009-2014; 2.5% reduction per year 2015-2018
 - Relatively few offset project types allowed
 - Price triggers
 - Few facilities covered, modest cap
 - Cost uncertainty due to price triggers and allocation
- Outstanding questions
 - Few facilities covered, modest cap
 - Cost uncertainty due to price triggers
 - Region may be over-allocated with credits (Similar to Phase I of EU ETS)

The Voluntary Market

Voluntary GHG Markets



Transaction by Project Type

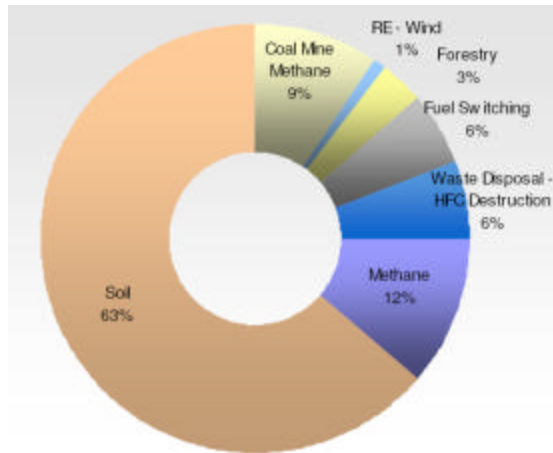


- Increasing interest in voluntary Verified Emissions Reductions (VERs)
 - Verification protocols critical
 - Great diversity of projects and structures
 - Growing sophistication of both bids & offers
 - Project values dependent on buyer preferences:
 - Technology
 - Vintage
 - Location
 - Social side-benefits

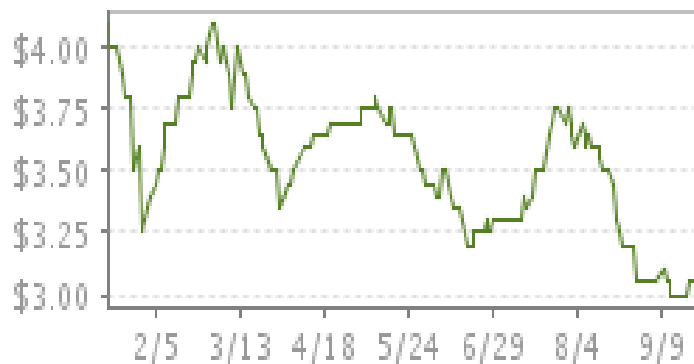
Chicago Climate Exchange (CCX)



Distribution of Project Types on the CCX



CCX CFI Vintage 2007



- A voluntary member-run market
- Low price and volumes – few significant players
- Note that Evolution is a Broker, not an exchange.
- Potential baseline impact for regional and/or national programs
- Questionable environmental quality of reductions

Professional Services to the Environmental Markets



- Broker/Advisor
 - Assist with due diligence, contract preparation and negotiations, transaction structure
 - Review Risk Parameters/Support with Project Screening
- Strong Client Base
 - >85 of Fortune 500
- More CDM Deals Completed than any other broker
- Greater than \$50 Billion in Environmental Transactions
- Confidentiality is Paramount
- Senior Professionals with Unmatched Experience

Evolution Difference



- Traditional Brokerage
 - Structure transactions – Know the Regulations/Know the Risks
 - Represent only quality projects
 - Publish price information
 - Protect the Deal
- Service more like a Marketer
 - Manage Unique Risks
 - Counsel Customers on Creating Value – Position Reductions for Future Markets
- Deep knowledge of:
 - Regulations
 - Markets
 - Participants
 - Terms & Conditions
 - Customer Goals & Standards for Success

14 • We know the risks, and how to help you make rational choices

Trading Opportunities with Evolution



- NO_x, SO₂, ERCs, RTCs
- RECs
- BioFuels ; Natural Gas; Weather
- GHG markets Different Than Other Emissions Markets
 - Size – and potential
 - Price variability across products
 - Diverse state of programs themselves
- Primary Market CERs
 - Evolution's unmatched experience with GHG projects
- Secondary Market CERs
 - Dominant Market
- Voluntary Market Structures and Opportunities
- Forward trading under CA, RGGI

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Contact:

Andy Kruger
Director – Carbon Markets

Evolution Markets Inc.

10 Bank Street
White Plains, NY 10606

P: +1 914.323.0265
F: +1 914.328.3701
M: +1 203.915.90005
akruger@evomarkets.com