

CDM and Future Flexible Mechanisms Post-2012

A Carbon Investor's Perspective

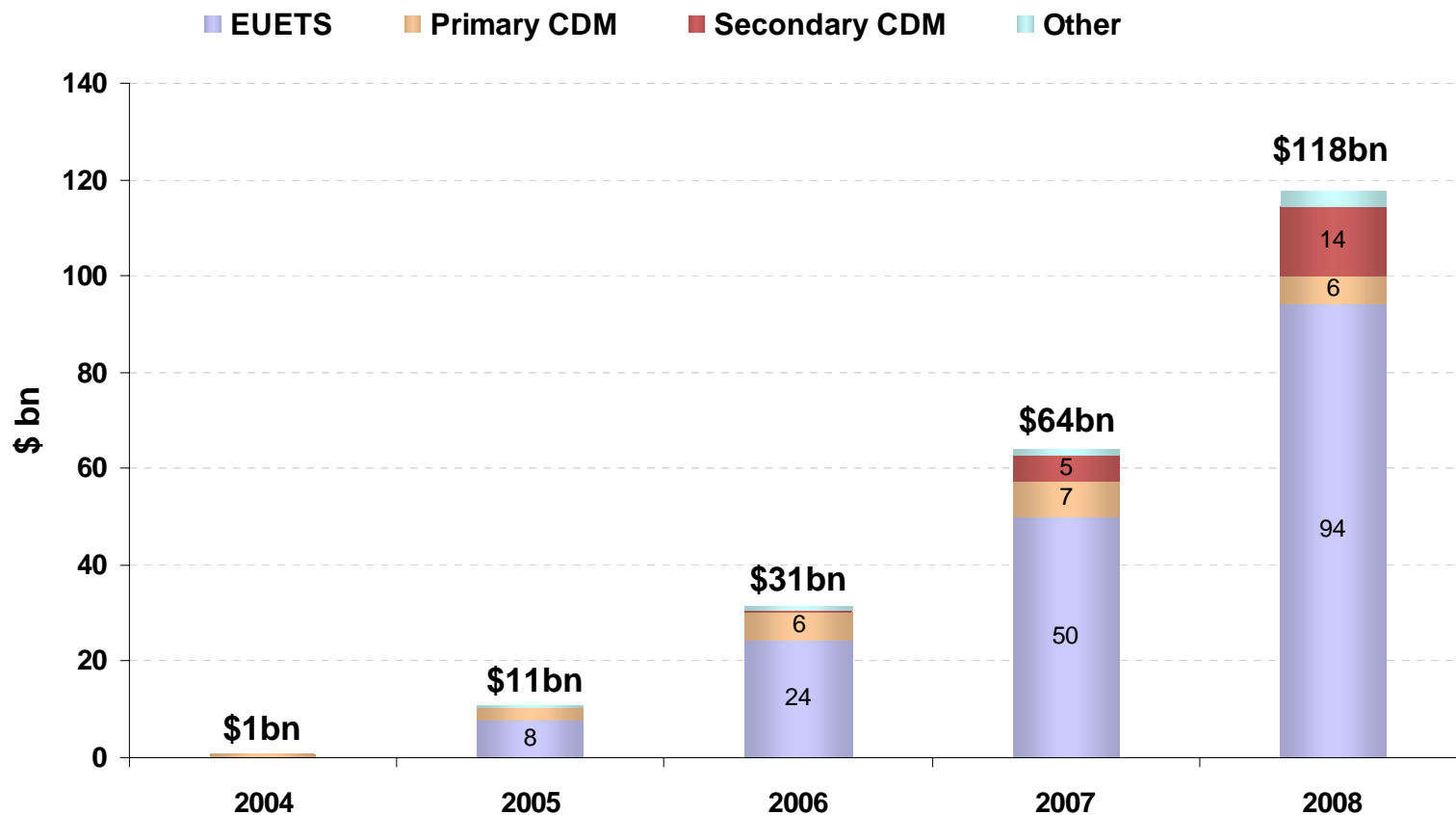
CEPS

Aimie Parpia
19th February 2009



The CDM market grew both in absolute terms and as a share of the global carbon market in 2008

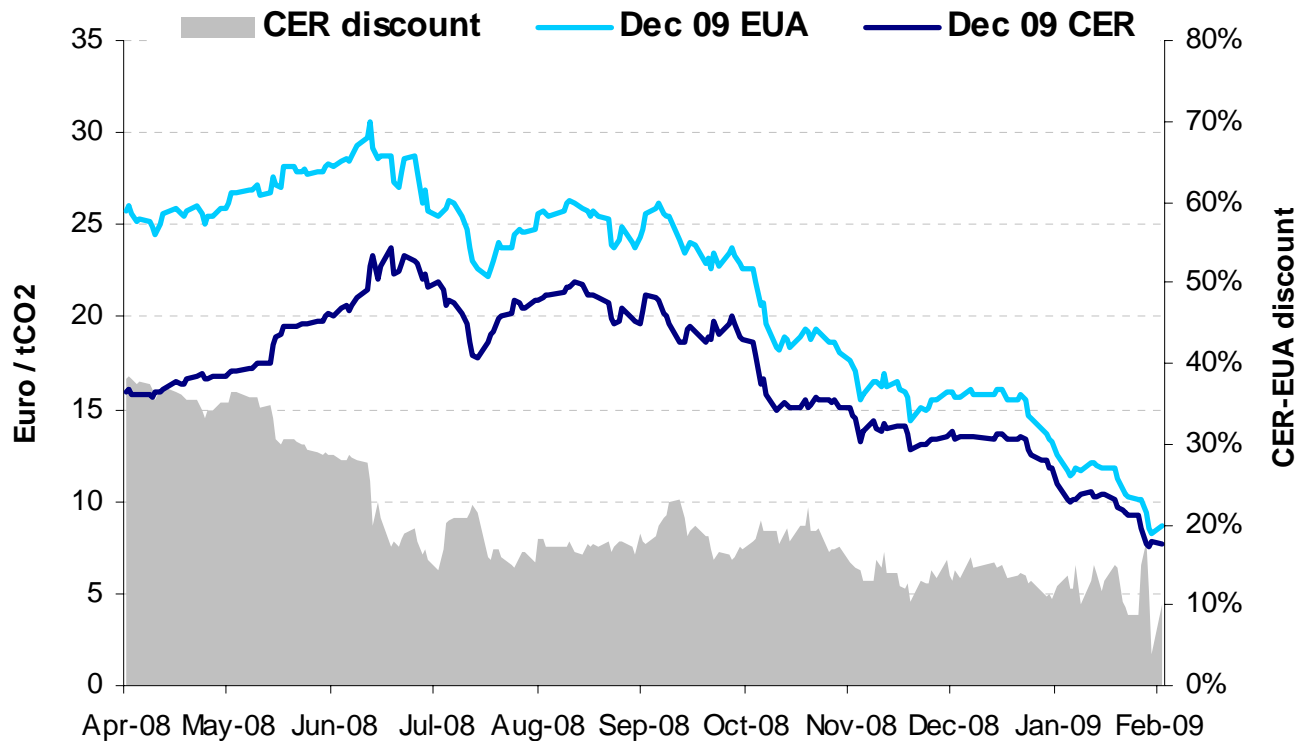
Growth in Global Carbon Market Size



Source: New Carbon Finance

With the intensification of the economic crisis prospects for CDM in the short term have become more bearish

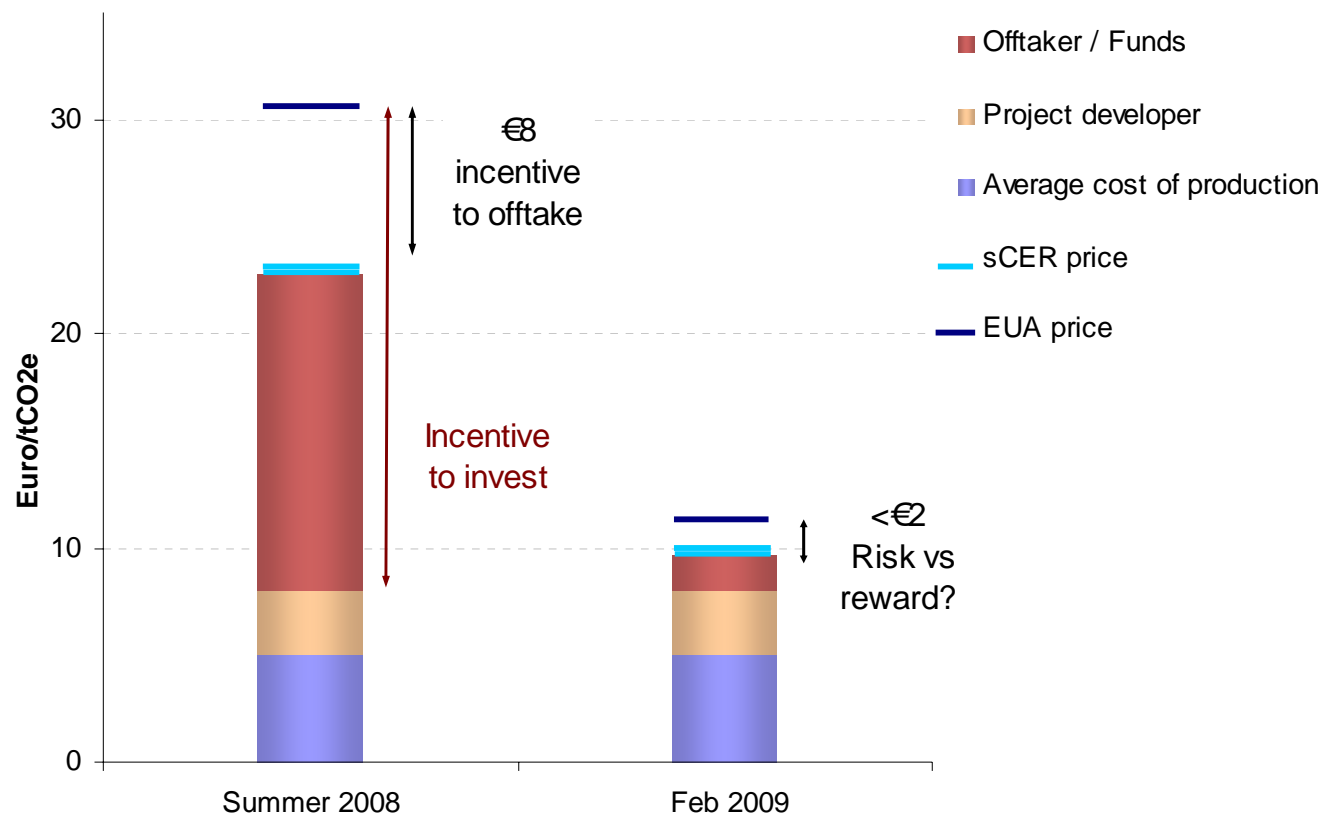
Carbon Prices and CER-EUA spread (Apr.08-Feb.09)



Source: New Carbon Finance

CDM offtakers are bearing the brunt of the fall in secondary CER prices

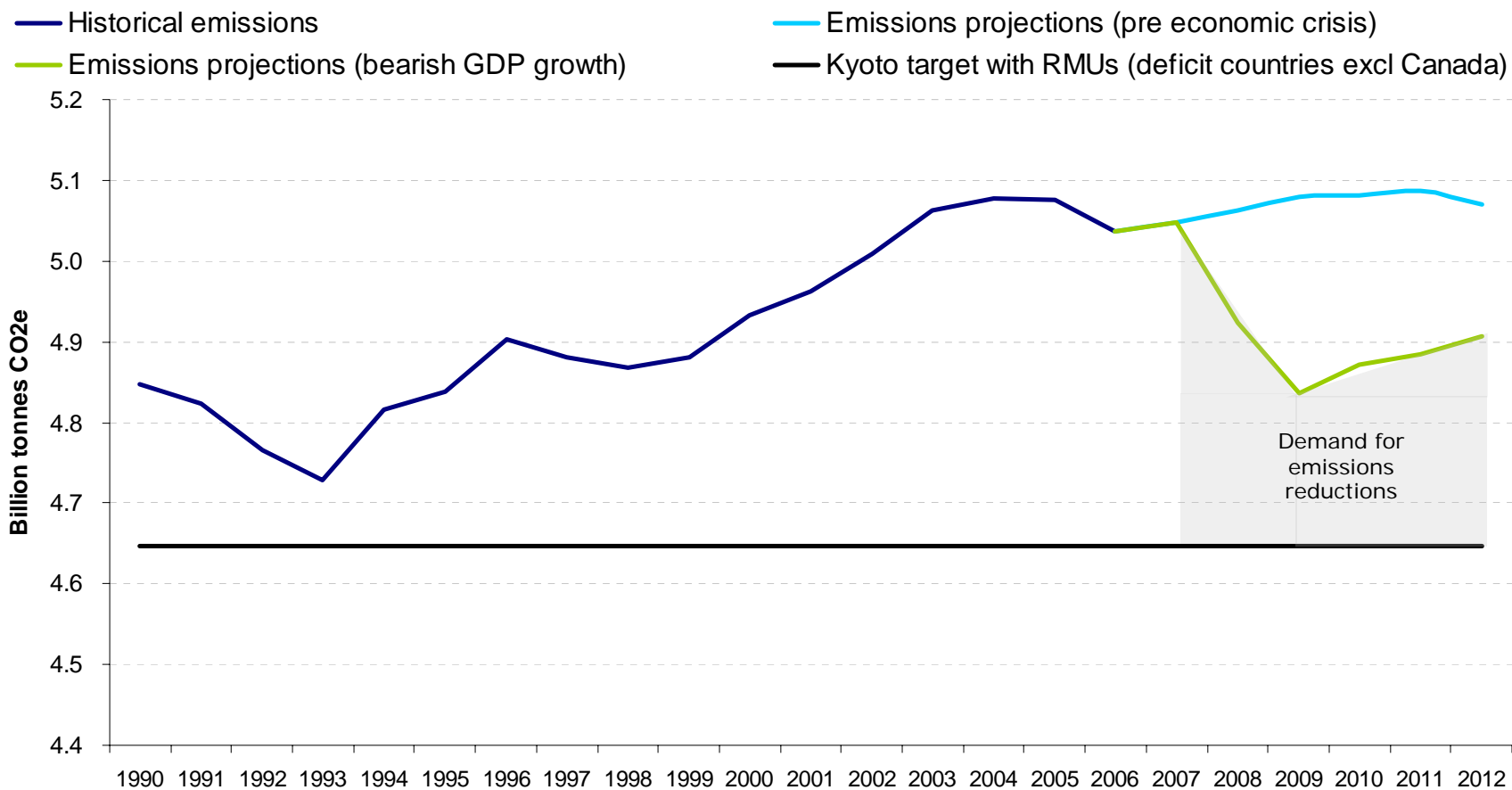
Value Chain Analysis of CER Revenue



Source: New Carbon Finance

Despite economies going into recession, there are still 20 countries with deficits under Kyoto

Deficit Country GHG Emissions (1990-2012)



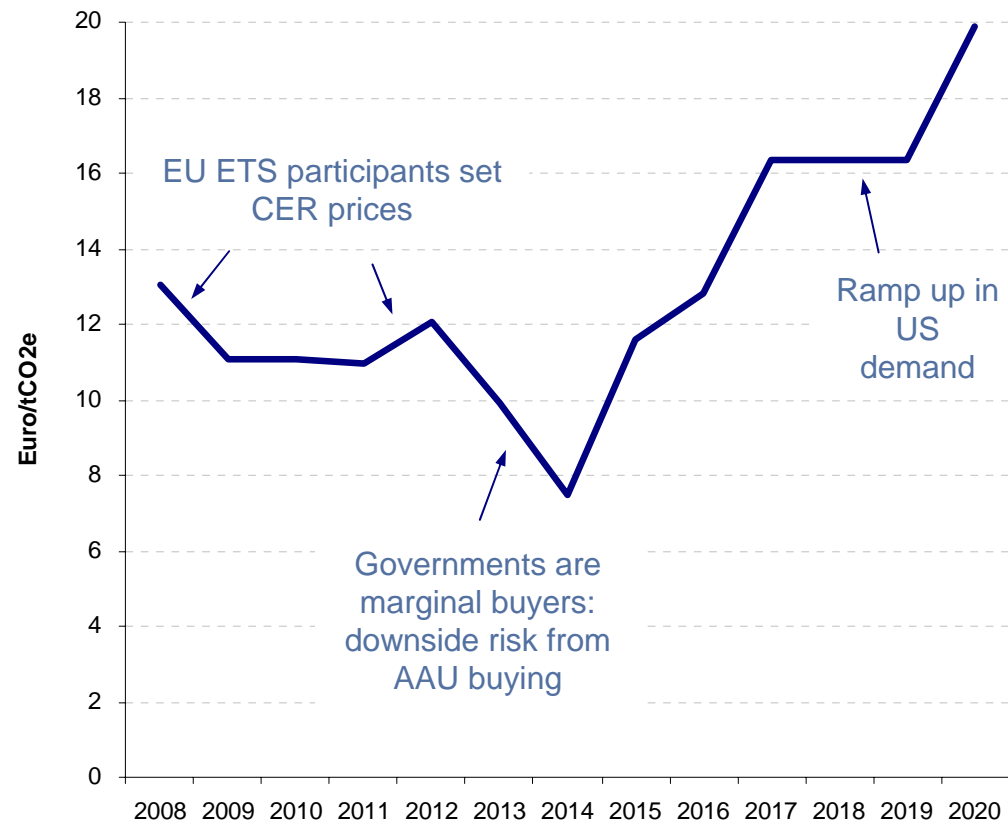
Source: New Carbon Finance

CER prices will remain relatively low for several years but are expected to pick up from 2015 as US demand picks up

Base Case

- Bearish GDP projections
- EU demand at 20% reduction on 1990 levels
- Japanese demand at 17% target level
- Australian demand at 5% reduction on 2000 levels
- Implementation of Dingell-Boucher bill
- Governments willing to use AAUs for compliance

NCF January 2009 Base Case CER Price

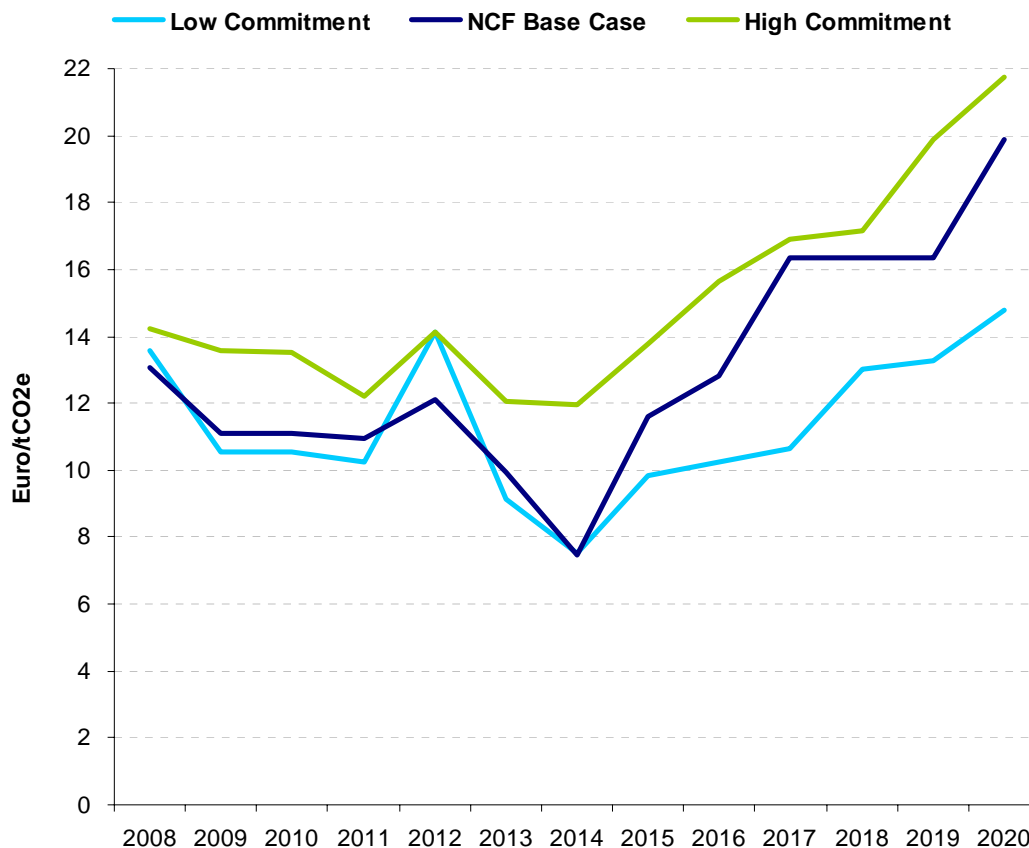


Source: New Carbon Finance

CER prices are highly sensitive to the level of US engagement and treatment of AAUs

Factor	Low	Base case	High
US demand	No federal scheme in place	Implementation of Dingell-Boucher bill	
EU demand	20% reduction on 1990 levels by 2020		30% reduction
Australia demand	5% reduction on 2000 levels by 2020		15% reduction
Japan demand	10% reduction	17% reduction	25% reduction
AAUs	High willingness to both buy and sell AAUs	Medium willingness to use AAUs	Low willingness to use AAUs

CER Price Pathways (2008-2020)



Source: New Carbon Finance

Any questions?

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