

Carbon Markets and Land Use and Forestry Activities

EUEC

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Scott Settelmyer
TerraCarbon LLC



Agenda

1. Why Forestry Matters
2. Forestry Activities
3. Compliance Landscape
4. Investment Considerations

Why Forestry Matters for Climate Change

	GtCO ₂ e
GHG Emissions in 2000	40
Increase under BAU	18
GHG Emissions in 2030	58
Targeted GHG Emissions to stabilize at 450 PPM (2°C warming)	32
Need for Reductions	26
Potential Supply from Forestry	6

Forestry up to 25% of Supply



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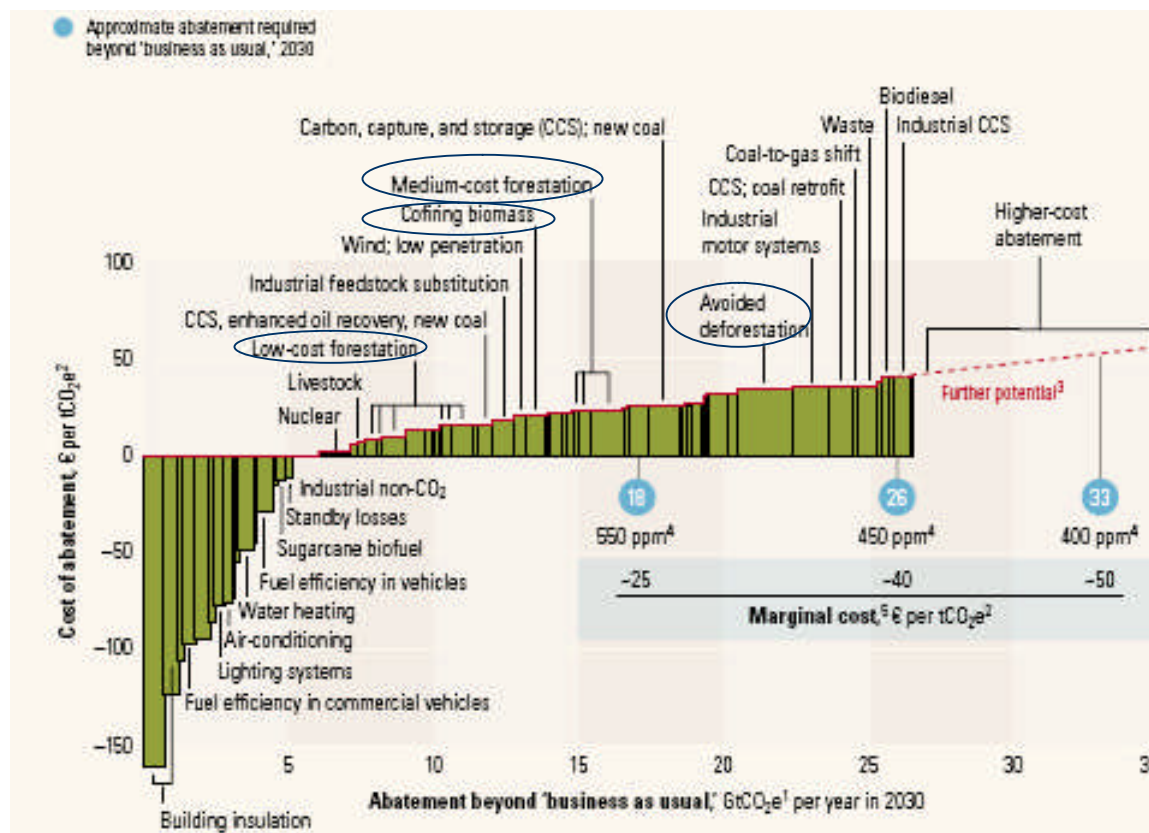
Forestry C Activities

- Afforestation/Reforestation (AR)
 - Storing C by planting new forests
- Reduced Emission from Deforestation (RED)
 - Preserving C stocks in existing forests under threat of deforestation
- Improved Forest Management (IFM)
 - Increasing C stocks in existing forests
 - E.g., Reduced impact logging, extending rotations

Why Forestry Matters for Utilities

- More mitigation options means lower costs
- Hedge against long-term carbon liabilities
- Increasing importance of CSR (especially critical for new plants)
- Opportunity to combine with biomass energy

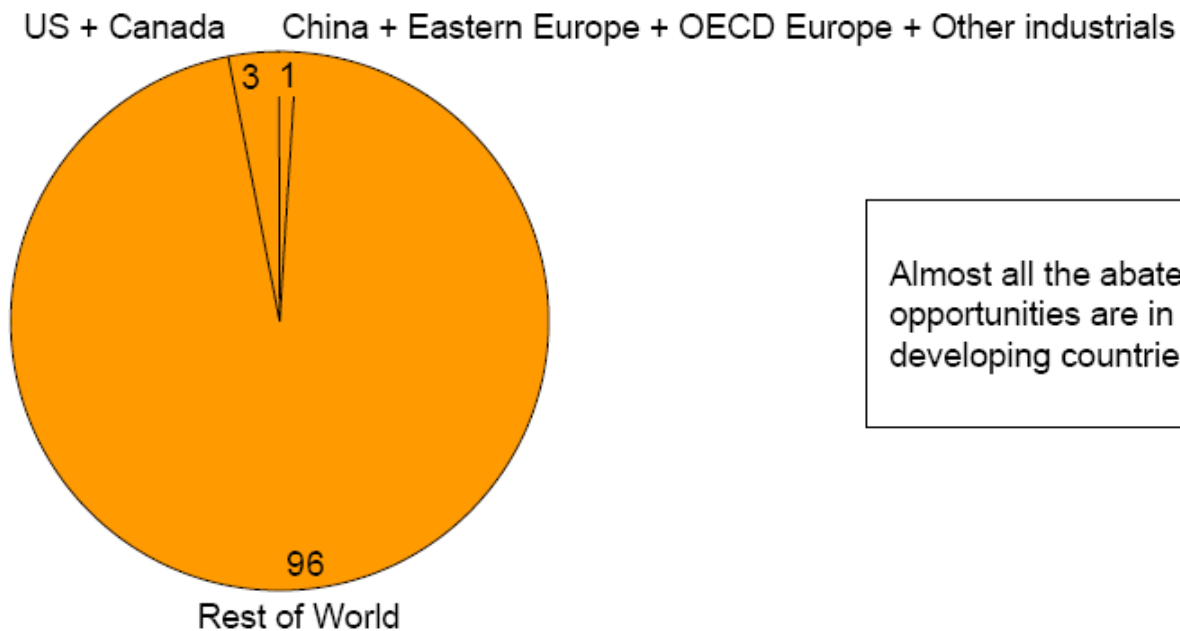
Relative GHG Cost of Forestry



Why International Forestry Matters

Percent, 2030, opportunities below 40 EUR/tCO₂e

100% = 6.7 Gt CO₂e



Almost all the abatement opportunities are in developing countries

Regulatory Context- International

- Kyoto Protocol
 - Only AR Activities are allowed
 - RED being considered for the post-2012 period
- EU ETS
 - Allows credits from Kyoto Protocol
 - But....not AR credits






Regulatory Context - Domestic

- CCX
 - Allows AR, IFM, and some RED
- RGGI
 - Allows AR (more difficult in non-RGGI states)
- Federal bills - Lieberman-Warner
 - Would allow AR, RED, and IFM
 - Would permit both U.S. and International projects

Investment Considerations

- Additional
 - Carbon finance should be important at beginning
- Permanent
 - Low risk of natural disasters, legal risks
- Minimal Leakage
 - Low emissions resulting outside of project area
- Co-Benefits
 - Environmental and social benefits

US Forestry Projects

	Tensas,La NWR	Arkansas NWRs
Acres	2,300 acres	500 acres
Estimated CO2 (100 yr)	1,035,000 t	225,000 t
Project Participants		
Permanence	US Fish and Wildlife will own and manage project lands	
Co-Benefits	  	

Summary

- Forestry offsets will likely be an important element of a U.S. cap and trade system
- International projects provide an important source of cost-effective supply
- U.S. companies are at a comparative advantage in seeking forestry projects
- Forestry offsets provide CSR benefits and a long-term carbon hedge

Contact Information

Scott Settelmyer
scott.settelmyer@terracarbon.com

Office: +1-309-693-9303

Mobile: +1-309-361-9363

www.terracarbon.com

