

Perspectives of an Offset Project Developer on the Positive List Approach

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Blue Source

About Blue Source

Since 2001, Blue Source built the largest portfolio of North American emission reduction credits and projects.

- 2 primary businesses

1. Carbon Credit Portfolio

- >200 million tonnes, >10 million tonnes sold
- 11 project types in 45 states, Canada

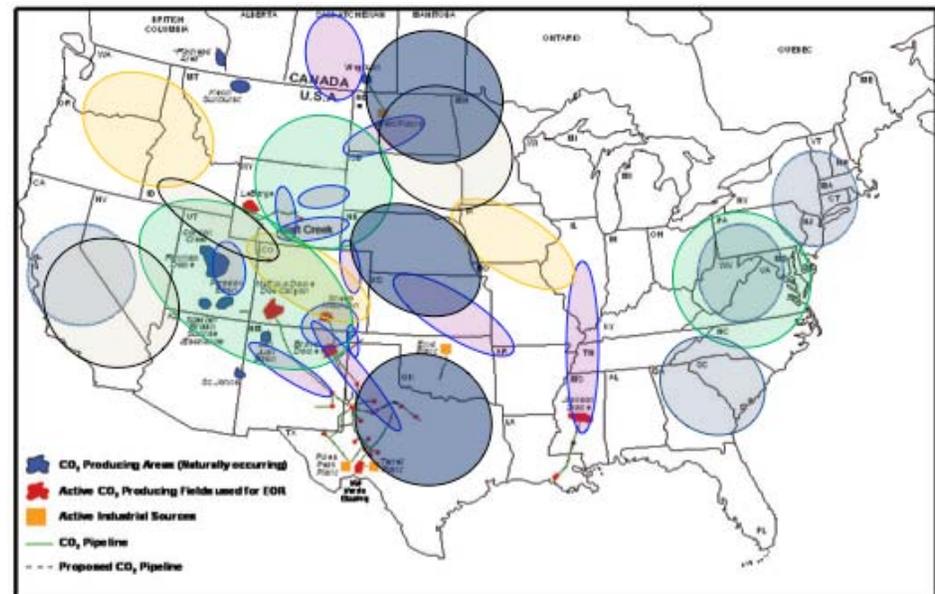
2. Carbon Project Investment

- >\$500 million project equity
 - Recent announcement of partnership with Och-Ziff Funds
 - Developed, owned or operated all North American CO2 pipelines
- 7 offices: SLC, Houston, Calgary, SF, NYC, Denver, NC

Blue Source's Carbon Credit Portfolio

At >200 million tonnes, our North American portfolio includes 11 project types across US and Canada.

- Renewable energy
- Energy efficiency
- Transportation
- Fuel switching
- Carbon capture & storage
- Landfill gas
- Coal mine methane
- Wastewater treatment
- Manure management
- Agriculture
- Forestry



Definition and Objective of Positive List Approach

- Definition: a list of projects eligible for streamlined procedures for petition, approval, verification and issuance of offset credits. Not merely a list of eligible project types.
- Assumption: A positive list may or may not include actual rules for additionality. E.g. RGGI vs. Climate Security Act.
- Objective: To provide project developers with clear procedures for project registration and certainty that a given project will be registered and ultimately issued credits if properly implemented.

Examples of “Positive Lists” Blue Source supports

- (1) methane capture and combustion at nonagricultural facilities, including landfills and coal mines;
- (2) manure biogas capture and combustion;
- (3) the reduction, destruction, or avoidance of sulfur hexafluoride emissions that are not otherwise covered under the limitation on the emission of greenhouse gases under this Act, including from electrical transformation and distribution equipment, and magnesium manufacturing processes;
- (4) afforestation or reforestation of acreage not forested as of October 18, 2007, provided that such afforestation or restoration use—
 - (i) native plant species; and
 - (ii) a conservation easement with a duration of at least 50 years; and
- (5) such other types of offset projects that the relevant Administering Agency determines, by rule, meet the criteria of paragraph (a).

Advantages to Positive List

- Can be more attractive than financial additionality, barrier test, etc, or proving additionality with every project. Is similarly interesting, and related to, performance or benchmark test.
- Can reduce uncertainty and transaction costs to project developers and market.
- Can reduce delays in market up-take – i.e. first few years of development methodologies and standards.
- Can incentivize certain sectors and technologies
- Allows for market control and analysis – size of total market, pricing.

Disadvantages to Positive List

- Can be restrictive
- Can be misleading or ultimately never deliver perceived benefits
- May deter inclusion of new project types
- Requires upkeep
- Devil is in the details....

Closing Thoughts

- Three examples:
 - CDM Small-scale procedures
 - RGGI LFG example
 - CCS example
- A Positive List, in and of itself, does not imply perfect market conditions or behavior. The rules concerning compliance, non-compliance and deviance must be transparent and trust-worthy.
- Thus far, the RGGI Positive List and associated rules have been too restrictive and deterred market participation.
- The discussions and drafts in Federal legislation have helped to build confidence and begun to place boundaries around acceptable project types and their characteristics but have hardly begun to address certainty around volume of credits and issuance likelihood.

Questions?

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