

Carbon Credit Trading Opportunities for Family Forest Owners and Managers – The U.S. Carbon Market Outlook

Forestry Issues Forum Teleconference, January 13, 2010



About Blue Source

Blue Source has built the largest portfolio of North American emission reduction credits and projects.

Blue Source is comprised of two primary businesses:

Carbon Credit Portfolio


- 100-200M tonne portfolio (*function of specs*)
- Over 20 project types in 48 states and Canada
- Net-back structure aligns incentives between Blue Source and suppliers
- Federal and state carbon advocacy leadership
- Developed the first protocols in numerous carbon categories

Carbon Infrastructure Investment

- Over \$1 billion project equity capital source
- Blended engineering, finance and transactional skills
- 60+ projects in the pipeline domestic and international; the carbon highway

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World Class Partners

Blue's strategic partners are best-in-class in energy, carbon and emerging markets. Each is an early mover in carbon.

Partners

- **First Reserve** the largest private equity firm focused on the energy sector and one of the oldest.
- **Och-Ziff Capital** one of the largest and most successful multi-strategy asset managers and energy investors world-wide with strong international carbon experience.
- **Goldman Sachs** is a leader in commodities sales & trading and best-in-class financial institution

Senior management team comprised of industry leaders in climate change, CO2, energy, M&A and project development.

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North America Portfolio Scale & Diversity

Blue Source's portfolio has been amassed over the past 10 years and totals 100s of million tonnes in the US (48 states) and Canada.

- Agriculture
- Forestry
- Carbon Capture & Storage
- Landfill Methane Capture
- Coal Mine Methane Capture
- Anaerobic Digestion
- Industrial Gas Destruction
- Biomass
- BioFuels


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Forestry Project Commercialization

Blue Source has extensive experience in creating *and selling* tonnes in the market. Speed, technical E&P knowledge, premium pricing and top tier partners are central to the service offering


- Protocol Development
- Inventory
- Management Plan
- Project Design Document (PDD) Development
- Validation
- Verification
- Registration
- Marketing

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Forestry – 2009 Highlights

Blue Source has emerged as a leader in both above and below ground carbon sequestration

- Blue Source lists first project under CAR’s Forestry V3 Protocol: Alligator River project in North Carolina.
- Blue Source announces sale of tonnes from Alligator River project within 2 weeks of listing on CAR. Part of \$12M transaction, the largest in North America to date.
- Blue Source announces alliance with The Nature Conservancy and launches the Working Woodlands program in Pennsylvania.

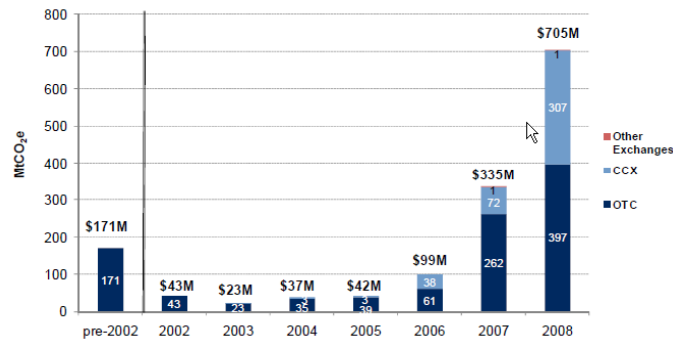
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Carbon Market – 2010 Outlook

The voluntary carbon market surpassed \$700 million in 2008

- ~30-40% in North America
- \$3-9/tonne for VCS/CAR registered credits

Historic Values for the Voluntary Carbon Markets



Source: Ecosystem Marketplace, New Carbon Finance.



Carbon Market – General Trends

- Advances in forestry protocol development
 - Coming to terms with permanence, leakage, etc.
- Operational Registries – market ‘infrastructure’
- Not a question of ‘if’ but ‘when’ we’ll have a federal compliance market



Carbon Market – 2010 Outlook; Key Regulatory Issues

- Post Copenhagen
- Senate Bill: pace and form
- Regional/State Programs
- EPA – endangerment finding; regulating GHG's as a pollutant
- Political momentum to include land based offset projects
 - Stabenow Bill
 - Early Action Credits

Carbon Markets: 2010 Outlook

2010 growth expected from regulatory clarity and economic recovery: two distinct sub-markets add resilience

- Voluntary: corporate purchase of offsets to meet Corporate Social Responsibility goals
 - Strong baseline demand regardless of regulatory developments
 - Market follows overall economy down and up, many companies still buying
 - Preference for forestry offsets
- Pre-Compliance: betting on future compliance obligations
 - Helping make up for voluntary market weakness
 - Foreign and financial sector players active
 - Sensitive to policy developments (ACES, Senate), including state/regional