

Carbon Offsets - An Aggregator's Perspective

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Carbon Offsets as a Tool for Climate Change Policy
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Blue Source

Integrity of Offsets

- Offsets should be real, permanent, verifiable and verified, transparent, additional, and unique.
- Integrity can be ensured by uniform quality standards, developed and administered by a regulatory agency with full stakeholder input.
- Offset projects have a strong track record of integrity.
- Delivery of qualified offsets, like any commodity, can be effectively managed by free market mechanisms, including standard contract principles, diversified project portfolios, and insurance.

Offsets tap the free market system to:

- Encourage individuals, companies, and governments to **reduce their own GHG emissions** first, where cost effective.
- Provide **flexibility** in achieving emission reductions.
- Spur **new technology** advances.
- Avoid premature **retirement** of assets, preserve **competitiveness**, and improve resource **allocation**.

Offsets tap the free market system to:

- Enable reductions from **all sources** of GHG emissions, including those not regulated under the cap.
- Reduce **overall costs** of mitigating climate change.
- Provide clear, direct financial incentives and market signals for technological and business **innovation**.
- Enlist the American system of **entrepreneurship** in mitigating climate change.

Blue Source Portfolio

- With hundreds of millions of tonnes of VERs (CO₂e) in the portfolio, Blue Source boasts the largest single source of ghg VERs in North America.
- VERs are sourced in 45 states in vintage years from 2000 to 2019.
- The Company has approx. 45 million tonnes of VERs on existing public registries in North America.
- Blue Source has sold over 10 million tonnes and has firm forward demand for several million more tonnes generated in 2007, 2008 and 2009.
- Corporate and environmental leaders purchasing from Blue Source pool include NGO's, international investment banks, companies that have undertaken CSR commitments, energy and manufacturing companies, transportation providers, among others



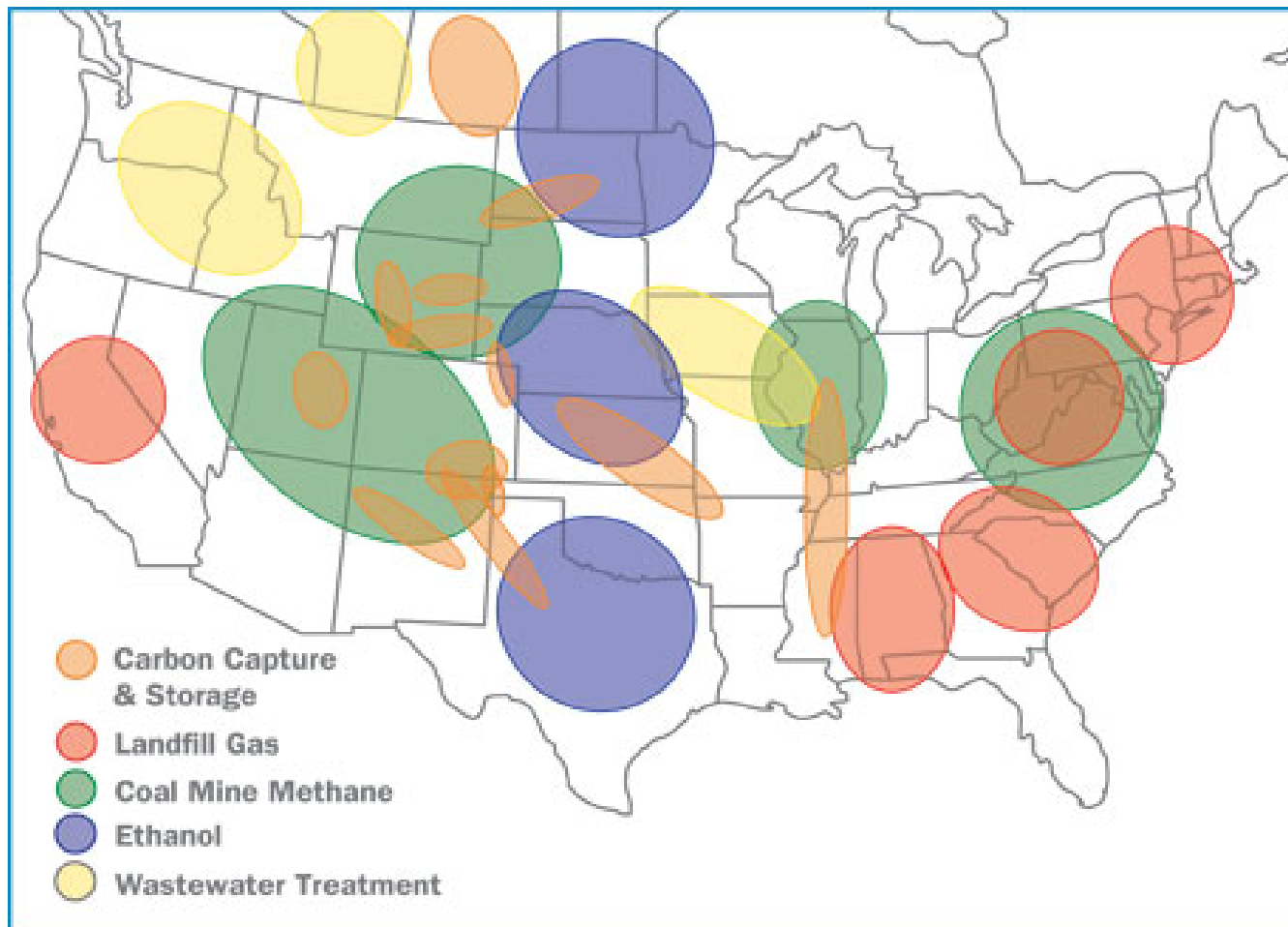
VER Development

Based on principles of ensuring Environmental Integrity & Sustainability

- Projects rely on various standards including the EPA, WRI, ISO, Kyoto Protocol, and the upcoming VCS (Steering Committee member)
- Without exception, all VERs are third party certified and verified;
- Verification done by Ruby Canyon, First Environment, among others;
- All carbon offsets, once verified, are stored on public registries in North America including ERT Registry and CSA Clean Projects Registry; and
- Committed capital up to \$500M/project



Blue Source Project Development Areas



Blue Source Project Development History: CCS

The Company has developed, constructed and/or operated all commercial anthropogenic CO₂ pipelines in North America in the last 20 years.

- Operating or Under Construction:
 - Val Verde CO₂ Pipeline (West Texas, 1998)
 - Weyburn CO₂ Pipeline (Canada 2000)
 - Powder River CO₂ Pipeline (Wyoming, 2002)
 - North Cross CO₂ Pipeline (West Texas 2000)
 - La Veta CO₂ Pipeline (Colorado 2007)

- Carbon Reduction Creation and Trading Experience
 - Sold and delivered approx. 7 million tonnes of ghg VERs from geologic sequestration
 - Sourcing approx. 700 MMCFD of geo-seq CO₂A injection



California CCS in EOR Potential- How Big?

- 80+ large oil reservoirs with up to 4 billion barrels recoverable
- Potential storage capacity of
 - 1 billion tonnes
 - Approx. 5000 MWs of coal-sourced power generation
- CO₂ Sourcing Logistics



Case study: JB Hunt

- Conversion of over-the-road shipments to intermodal (truck and rail) = 60% fuel (and emission) reduction
- Idling Reduction Program = fuel (and emission) reduction
- Criteria (real, surplus, quantifiable, verifiable)
- Incremental? JBI Growth = 2X Industry Growth
- Marketable? US, CAN buyers purchased > 500,000 mt
- Is Hunt now more sustainable?
 - Financial: increased revenue, market share and services
 - Environmental: reduced fuel dependence, carbon emissions
 - Social: reduced accidents, better driver retention

Net result: competitive advantage



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