



# **Meeting Compliance Obligations under AB-32 with Livestock Methane Offsets**

**CAR Webinar**  
May 2012

# BofAML positioning in the carbon markets

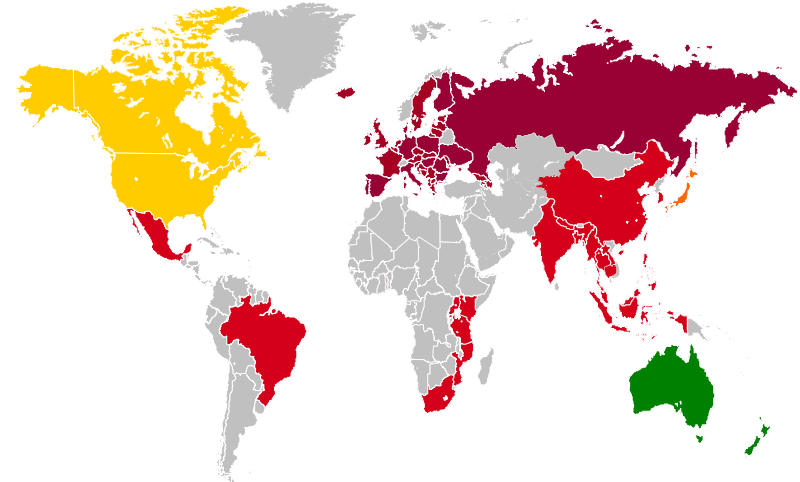
## BofAML is a fully integrated player in the global carbon emissions markets

- **BofAML originates, structures and trades all carbon emission products:**

- ✓ **EU ETS:** BofAML is a large liquidity provider of EUA and provides trading and risk management solutions
- ✓ **CDM/JI:** BofAML has originated a CER portfolio and provides CDM and JI risk management services to its clients
- ✓ **California and Quebec:** BofAML is originating AB-32 compliant offsets and has begun trading in CCA (allowances)
- ✓ **Other Markets and Structures:** BofAML is also active in Australia and New Zealand, the voluntary market, and the emerging REDD+ mechanism; we are also developing bonds and other institutional investor products linked to carbon market instruments.

US/Canada
<ul style="list-style-type: none"> <li>• RGGI and CCA trading</li> <li>• California and Quebec compliant offset origination</li> </ul>

EMEA
<ul style="list-style-type: none"> <li>• EUA/CER/ERU/AAU trading &amp; risk management</li> <li>• JI origination</li> <li>• Carbon principal investment</li> </ul>



Emerging Markets
<ul style="list-style-type: none"> <li>• CDM origination</li> <li>• CDM risk management service</li> <li>• REDD+ finance for avoided deforestation projects</li> </ul>

Australia/NZ
<ul style="list-style-type: none"> <li>• Early mover in Australian and New Zealand carbon markets</li> </ul>

Japan
<ul style="list-style-type: none"> <li>• CER, ERU, AAU risk management</li> </ul>



# BofAML activities and services in North America

## Activities

- **BofAML closed its first California-compliant offset portfolio transaction with Terrapass in October 2011**
  - ✓ Now has direct and indirect access to volumes of **livestock methane offsets** that will be compliant in the California and Quebec emission markets
- **BofAML has begun trading CCA (California Carbon Allowances) on Exchange and OTC**
  - ✓ Our intention is to provide a full carbon risk management for liable entities in California and Quebec
  - ✓ Our carbon risk management services will be a part of a broader suite of power-fuel-emissions hedging for market participants active in the power markets

## Services

- **Primary Market Service**
  - ✓ Origination of stand-alone transactions
  - ✓ Structuring of compliant carbon offsets
    - Fixed price offtake
    - Fixed price offtake + upside profit sharing
    - Floor + profit sharing against an index
    - Unit contingent call options
- **Secondary Market Service**
  - ✓ Bespoke products for clients interested in reducing compliance costs through participating in offset markets



## Perspectives on counterparty requirements

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### **BofAML sees value in teaming with project developers like Terrapass**

- ✓ Terrapass brings significant experience from years of working with dairy farms and piggeries across North America
- ✓ Terrapass has invested early efforts in developing offset segment in the North America carbon markets
- ✓ BofAML brings sales outreach through broader commodity sales operation in power, fuels, and emissions
- ✓ BofAML has existing relationships with liable entities in California and Quebec through investment and commercial banking services
- ✓ Liable entities are looking for risk diversification through access to portfolios instead of one-off projects
- ✓ Liable entities need bespoke contracting structures to reflect their differences in: counterparty credit risk appetite, price risk, hedging sophistication, access to markets