



BUYING OFFSETS FOR COMPLIANCE

CLIMATE ACTION RESERVE WEBINAR

Shell Energy North America
US, LP

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SHELL ENERGY'S ENVIRONMENTAL SOLUTIONS

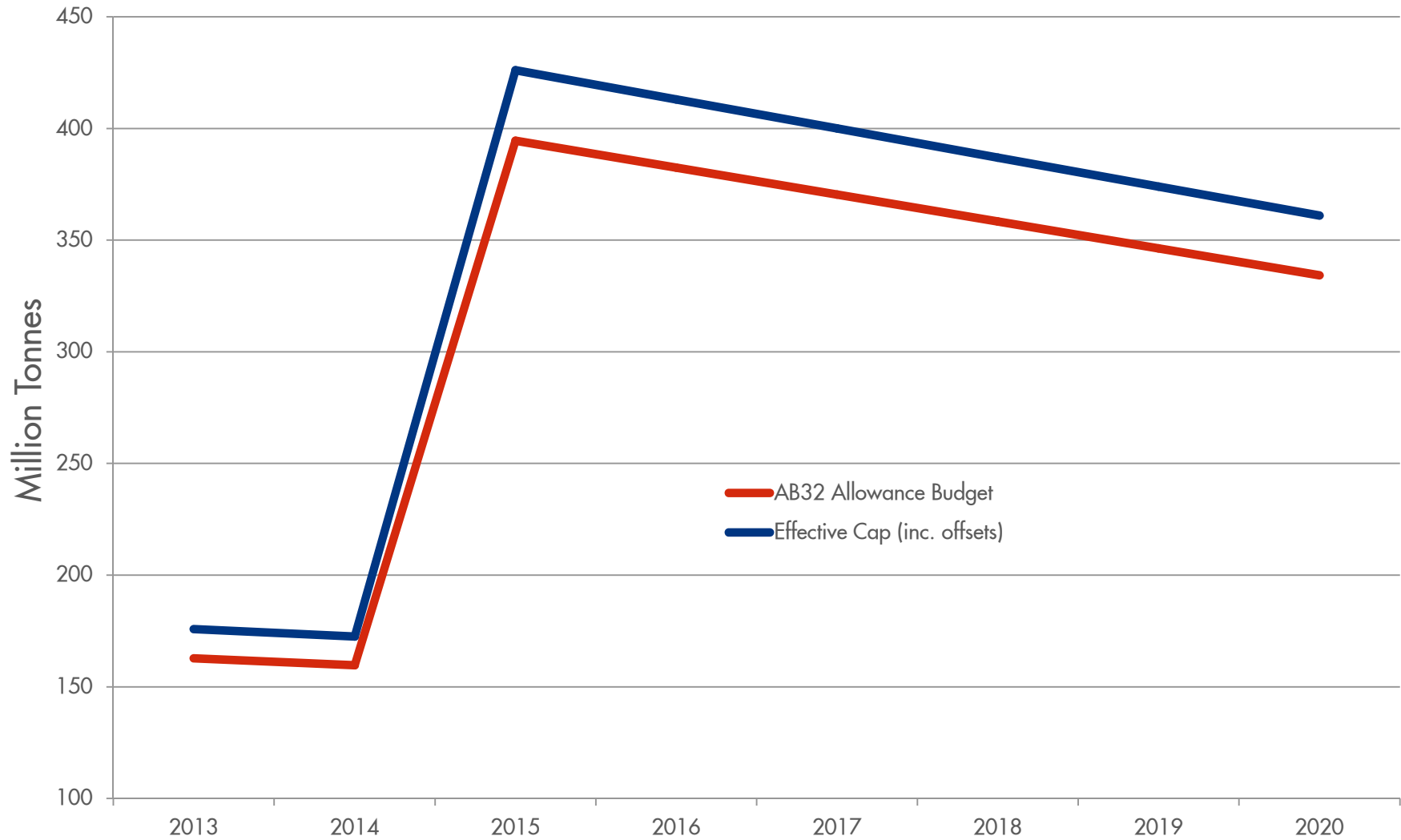
- Renewable Energy and emissions marketing and trading
- Renewable Energy
 - State compliance markets
 - Voluntary RECs
 - Eligible renewable fuels
- Emissions
 - Alberta GHG program
 - WCI carbon
 - Voluntary carbon
 - SO₂ and NO_x markets



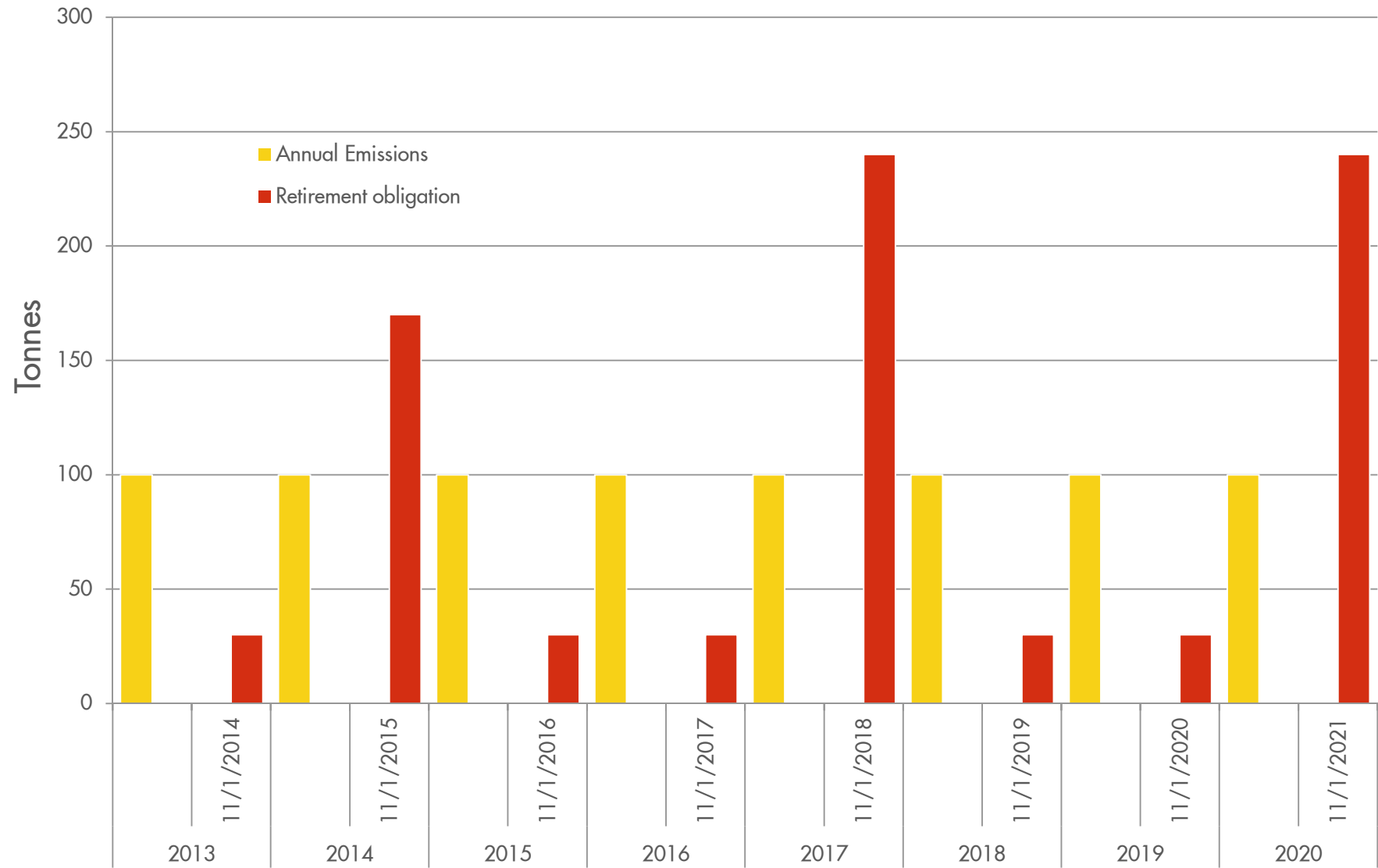
AGENDA

- Context
 - California's cap
 - Retirement obligation timeline
- Possible compliance strategies
- Offset structure considerations

CALIFORNIA - EMISSIONS OVER TIME (MM TONNES/YR)



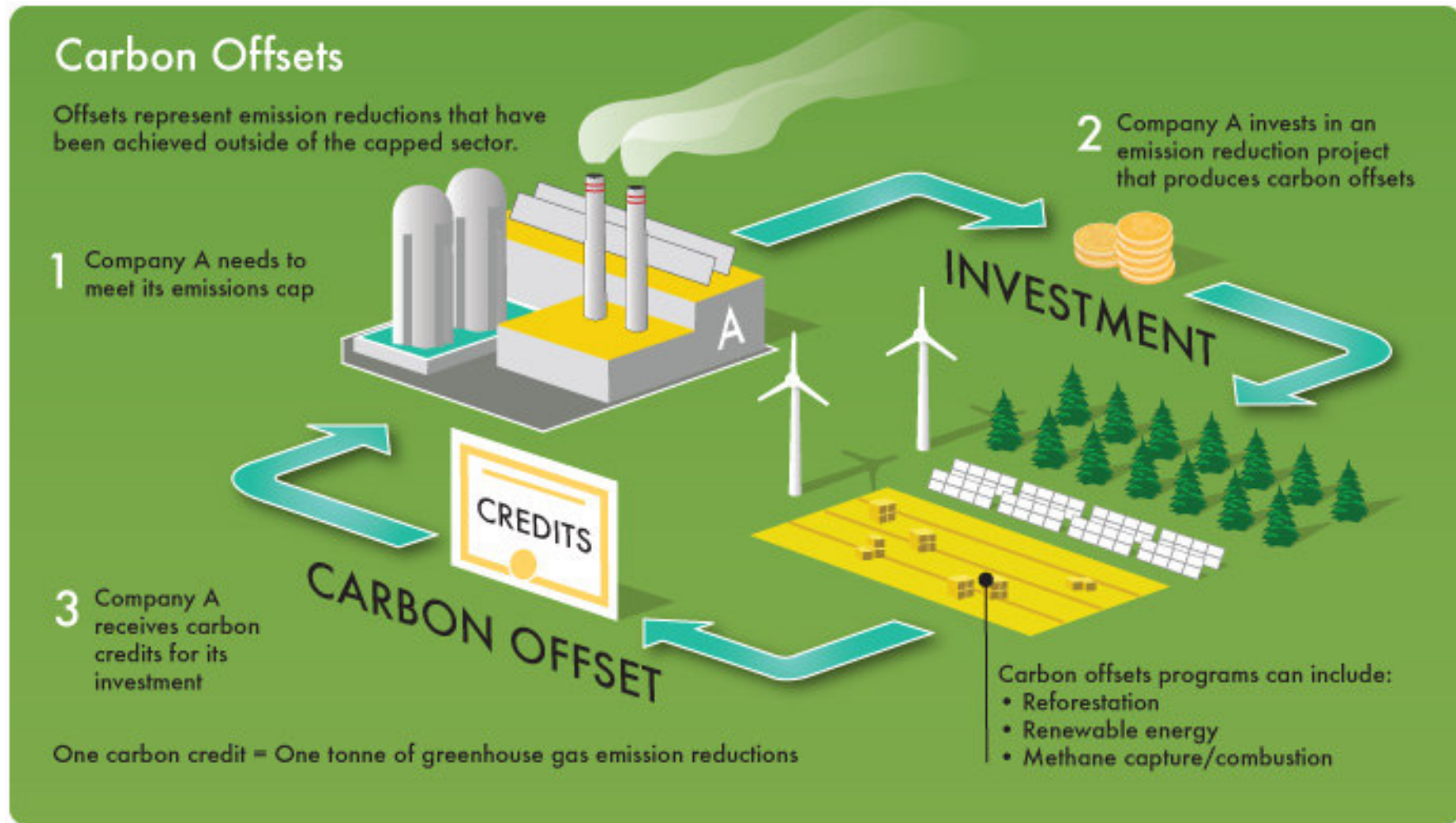
CALIFORNIA - RETIREMENT OBLIGATION TIMELINE



POSSIBLE COMPLIANCE STRATEGIES

- Wait for regulatory certainty
- Internal abatement
- Buy allowances at auction
- Forward-delivery allowance purchase
 - Fixed price forward delivery in Dec 2013 (ICE)
 - Contract financially settles at \$10/tonne if tracking system not in place on delivery date
 - Delivery occurs even if program not “in force”
 - Limited liquidity at present
- Options (puts and calls)
- Offsets

CARBON OFFSETS



OFFSET PURCHASE CONSIDERATIONS

- Product?
 - ARB-issued offset, CRT with conversion etc
- Delivery dates
- Firm volume/project contingent?
- Fixed price/floating price/hybrid?
- Payment structure?
 - “Tear up” - no delivery/payment if program not “in force”
 - Staged payments linked to milestones
- Revocation?
 - No warranty/full warranty
 - Double verification
- Credit

