

November 30, 2007

To: North Carolina Global Warming Commission
From: EcoSecurities, Ltd.

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To Whom It May Concern:

EcoSecurities is excited about the opportunity to work with farmers in North Carolina on providing sustainable solutions to animal waste systems. We look forward to the possibility of working with the North Carolina Global Warming Commission on providing opportunities for carbon offset projects to serve swine farms. Enclosed in the memo is information on EcoSecurities, the voluntary carbon market, and project development opportunities in North Carolina.

About EcoSecurities

EcoSecurities is a leading company in the business of sourcing, developing and trading emission reductions worldwide. With over 10 years of experience in the international carbon market, EcoSecurities is a world leader in generating carbon credits from greenhouse gas (GHG) emissions reduction projects. EcoSecurities structures and guides GHG emission reduction projects through the Kyoto Protocol, and in the US voluntary market, working with both project developers and buyers of carbon credits. Also, EcoSecurities boasts a consulting arm that has assisted Fortune 500 companies with carbon market strategy and supply chain analysis. With a network of offices and representatives in over 20 countries on five continents, EcoSecurities has amassed one of the industry's largest and most diversified portfolios of carbon projects. Today, the company is working on 402 projects in 36 countries using 18 different technologies, with the potential to generate more than 142 million carbon credits.

EcoSecurities and North Carolina

The US is a large market for EcoSecurities' project development, and EcoSecurities has global expertise in many sectors, including landfill gas capture and utilization, renewable energy, agricultural and urban waste management, industrial efficiency, and forestry. Within the US, EcoSecurities is interested in working with North Carolina swine producers to develop lagoon cover and anaerobic digestion opportunities. North Carolina, a leading national producer of pork, generally does not have a significant agricultural base to absorb nutrient-laden waste water from swine operations. EcoSecurities can work with farms to provide support for and development of anaerobic digestion projects. These projects would not only provide North Carolina swine producers with valuable income and a hedge against rising energy prices, but they could also provide environmental benefits for the entire state beyond emission reductions.

US Voluntary Market

In the voluntary carbon market, projects that reduce GHG emissions produce Verified Emission Reduction 'credits' (VERs) that can then be sold by project developers to companies, organizations, or individuals who wish to meet their GHG reduction targets for carbon neutrality, corporate social responsibility, or pre-compliance risk management.

As the appetite for VERs has grown, so too have the opportunities for developers of emission reduction projects. Between 2005 and 2006 alone, the voluntary carbon market grew by at least 200%, and all estimates project even greater growth for 2007. New Carbon Finance and Ecosystem Marketplace

estimated the size of the global voluntary market in 2006 to be \$91 million.¹ Currently, the US represents over half of the transacted MT CO₂e volume, making it a big player in the voluntary carbon market.² In the US, waste projects (e.g. agricultural and landfill methane) represent the largest supply of carbon credits and greatest number of voluntary carbon projects.³ North Carolina's dominance in national pork production makes it an important market for anaerobic digestion carbon offset projects.

Project Development with North Carolina's Swine Farms

EcoSecurities is planning to develop verified emissions reductions (VER) projects that address all five criteria under SB1465. The SB1465 provides options for better electricity prices along with digester funding that will help make projects viable, which could help North Carolina become a leader in making digesters possible. This will allow EcoSecurities to benefit from the funding sources within and outside of North Carolina. We would like to partner with local development groups and continue to work with North Carolina State, Duke University, and University of North Carolina on their research and development. We plan on working with Environmental Defense and other stakeholders to garner their insights and to provide our expertise in carbon offset project development to ensure swine facilities receive the best technology. In working on anaerobic digestion projects in North Carolina, we hope to work with farmers to create additional revenue streams for them in conjunction with providing opportunities to reduce GHG emissions.

Ways to stimulate investment for carbon offset projects

In EcoSecurities' experience, we have seen issues for permitting and federal grant delays. Many grant recipients have seen long delays in receiving the money that have led to inflation and price overruns, making the need for a transparent grant process a must. We would suggest a process that ensured timely distribution of funding to recipients. Additionally, we would suggest the following:

- Programmatic project approach (linking several smaller projects into one big one);
- Using a mix of both grant and private funding (new Lieberman-Warner Bill mark-up removed caveat that it would not accept credits from projects that received federal funding);
- The ability to use energy produced on-site or sell to the grid, which gives the projects a much more favorable payback period, making them more attractive for investment

Carbon Credits and North Carolina's Swine Farms

In the voluntary market, carbon credits are generated by projects that reduce GHG emissions and are referred to as Verified Emission Reductions (VERs). On the project development side, carbon credits help a project reach financial viability and they increase the environmental credibility of the facilities. The financial return from VERs help hedge risks in the development of the projects.

¹ State of the Voluntary Carbon Market 2007 – Picking up Steam. [New Carbon Finance and Ecosystem Marketplace](#). July 17, 2007

² Carbon Market Analyst: Voluntary carbon markets: Lost in transactions? [Point Carbon Research](#). October 24, 2007

³ Carbon Market Analyst: Voluntary carbon markets: Lost in transactions? [Point Carbon Research](#). October 24, 2007