



Clean Development Mechanism Transactions - Working with TFS

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1 About Tradition Financial Services

Founded in 1985, Tradition Financial Services (TFS) is a market leader in the brokering of financial and non-financial products. With offices worldwide, the Company covers currency options, equity derivatives, freight, precious metals, energy and environmental markets. TFS brokers a full spectrum of OTC energy and energy-related physical and derivative products (including electricity, natural gas, crude oil and refined products, coal, environmental products and weather derivatives) and exchange-traded futures and options. TFS is a subsidiary of Compagnie Financière Tradition, one of the world's top three brokers in financial and commodity-related products.

With a network of offices in London, New York, Frankfurt, Tokyo, Sydney, Singapore and Guangzhou. TFS is well placed to use its experience in the emissions and energy markets worldwide to structure transactions and offer advice from the inception of a project idea through to negotiation of the Emissions Reduction Purchase Agreement.

In 2005 TFS was awarded numerous awards including Energy Broker of the Year and the Silver Award for Excellence in Emissions Markets in the Energy Business Awards.

2 The Process

Our aim is to represent your project in the best possible light, truthfully and accurately, in order to extract the most value for your Certified Emission Reductions (CERs).

The first step is to compile information about your company and the project to form the basis of the term sheet. Much of the information will be gathered during conversations between you and your broker at TFS, such as establishing your expectations as to the price you are looking to achieve. We will require the following documentation in electronic or hard copy, if available:

- ⇒ Project Information Note (PIN)
- ⇒ Project Design Document (PDD), validated if possible
- ⇒ Host Country Approval letter
- ⇒ Proposed delivery schedule

We will also require:

- ⇒ A completed CDM project information form (please see enclosed).
- ⇒ Financial information – recent audited annual report and financial statements, ratings information and available information on the parent company and subsidiaries.
- ⇒ Background information – business profile and position within the local market, company history, company management and organisational structure and ownership structure.

This information will allow us to present the project in its most marketable form. Other information addressed in the termsheet will be:

Project Description	Principal Terms	Additional Terms
· Project Category	· Volume	· Conditions precedent
· Project	· Delivery dates	· Events of default
· Host Country	· Price	· Representations and warranties
· Project Approvals	· Preferred agreement type	· Taxes
	· Delivery schedule	· Project participants
	· Delivery failure repercussions	· Communication with the CDM executive board
		· Registry accounts
		· Costs and fees
		· Governing law
		· Assignment
		· Confidentiality

Once we have drafted the term sheet, we will return it to you for your comments and revisions. Once you are comfortable with everything in it, we will issue it to our clients. We will never issue a term sheet for your project without your permission.

The term sheet will usually be left with Buyers for a period of 7-10 days, during which time we will work with the Buyers to encourage them to submit bids for the CERs. Often Buyers will seek to amend the term sheet to reflect their requirements. The Buyer and Seller will work together to negotiate an agreement that suits both parties. Please see the TFS timeline below for an indication on the time required for this process.

TFS and its associated companies will act as name passing broker only and will not under any circumstances stand as principal to the trade being entered into.



Costs & Fees

For specific project transactions, brokerage will either be a percentage of the contract value, or a price per CER, to be agreed on a project specific basis.

3 The TFS Approach

TFS will enter into contractual arrangements with the Buyer and Seller which will outline agreed brokerage and confidentiality terms for each project. These documents will be provided by TFS.

TFS has strong relationships throughout the emissions market, with both Buyers and Sellers of CERs. A variety of approaches are used to secure projects and buyers of CERs:

- Utilising existing global client relationships within the environmental, financial, and commodity markets – our broad international customer base across a multitude of financial and non-financial products allows us to utilise existing relationships to secure both Buyers and Sellers in the CDM market. For example, many of our Buyers are existing clients in the Emissions, Coal, Gas and Power markets to whom we are able to offer combined products.
- International missions, conferences and trips to CDM host countries – we know there is a real need to meet face to face with Buyers and Sellers in the CDM market. We regularly meet with our clients in India, China, Southeast Asia and Europe. This close contact allows us to provide a high level of due diligence. Wherever possible we visit project sites where CERs are being generated and meet the project developer or visit the corporate offices of the Selling entity. This enables us to have the utmost confidence in the Sellers we represent in CDM transactions, but also bring together consultants, technology providers and financiers who can work together to structure a good quality project.
- Worldwide distribution of offices – our global presence allows us to bring together a diverse range of market participants linking companies that would not necessarily have exposure to one another. At the moment we are transacting business with American financial firms through relationships developed in our U.S. office in Stamford.

Conclusion/facilitation of ERPAs

TFS will run the contracting process from negotiation of the term sheet through to the successful completion of the ERPA. We have extensive experience of a wide variety of contracts, and draw on our relationships with experienced lawyers in the CDM market, who we keep on retainer for this purpose. We expect ERPAs to be successfully signed within 4 – 6 weeks from term sheet signature.

Implementation of the contract

TFS believes its duty as broker is not complete until obligations under the contracts it negotiates are fulfilled. As most contracts run for a number of years, this extends the role of TFS out well beyond contract signature, and right up to the moment the last delivery is made. As such, TFS will work with both Buyer and Seller to ensure all deliveries and payments are successfully made each year, and work to resolve any problems which may arise.

What TFS need from you

TFS will provide you with documentation which will need to be signed and return in order for us to represent you:

- Confidentiality agreement
- Brokerage agreement
- Mandate to market CERs on your behalf

4 TFS Background and Track Record

Our Background

TFS is part of Compagnie Financière Tradition (CFT), one of the world's top three brokers in OTC financial and non-financial products and number one in continental Europe. Headquartered in Lausanne, Switzerland, CFT has a presence in 18 countries worldwide. With over 2,000 employees, CFT services its 7,000 clients, which include global banks, financial institutions, and local authorities, major industrial and commercial corporations.

Compagnie Financière Tradition reaffirms its position as a world leader with consolidated turnover reaching 786.1 million euro in 2003. CFT's shares have been listed on the Swiss Stock Exchange (CFT) since 1973, on the Paris Stock Exchange since 1988, and on the third compartment of the Frankfurt Stock Exchange since 1999.

Both TFS and CFT are subsidiaries of VIEL & Cie which is based in Paris, France, and is continental Europe's top financial brokerage firm. We are transaction intermediaries and therefore are not credit rated.

Track Record in Supplying CERs

TFS extended its business in the second half of 2005 to cover the CDM and JI markets, setting up a new business to compliment its existing emissions businesses in Europe and the US. Since then, we have built up a well-recognised brand name in the CDM market and a strong team of experienced brokers in Europe and China. We intend to expand our CDM business through our offices in Santiago and Japan, and have associates in the Philippines and Vietnam originating projects. This growth has been driven by our recent success despite our relatively new entry into the market.

Other Business Activities

In the environmental and emissions market we have been actively broking transactions in all major arenas since 2001. These include:

- European Union Allowances
- UK Emissions Trading Scheme
- UK Renewable Obligation Certificates
- UK Levy Exemption Certificates
- Swedish Renewable Certificates
- Renewable Energy Guarantee of Origin Certificates

Our coverage of environmental products and also our extensive coverage of other financial and non-financial products worldwide means that TFS has developed extensive cross-product relationships that will ensure the supply function on CER transactions is handled expertly and professionally.

As we are not acting as principals and therefore there will not be any conflict of interest. TFS acts as intermediaries only and will ensure privacy and confidentiality on all transactions.