



Carbon Market Report
NOV Month End 2007

North America Carbon Wrap-Up

A Federal Cap and Trade program came one step closer to coming to fruition with the Lieberman-Warner Climate Security Act passing the EPW committee in an 11-8 vote that will bring the issue to the Senate Floor. The next benchmark is a required 60 votes in order to pass the Senate Floor and avoid a bill-killing filibuster. Senators Lieberman and Warner have been joined by Max Baucus (D-MT) and the EPW chair Barbara Boxer (D-CA) in being the key supporters of this Bill. The 4 senators have fought hard to keep a number of potentially contentious provisions out of the Bill for fear of upsetting the delicate balance obtained in the run up to vote on the Senate floor.

While several proposed amendments were rejected, a few significant changes were accepted, including support of a Low Carbon Fuel Standard (LCFS). This would require a 5% cut in the carbon content of transportation fuels by 2015 and 10% by 2020.

In regional news, California set its 1990 emissions levels at 427 million tons of CO₂e. Under the confines of the climate bill AB32, the state would need to bring its 2020 emissions level down to meet this target. Current emissions levels have been recorded at close to 500 millions tons for the calendar of 2007. Approximately 800 separate GHG sources fall under the new reporting rules. These include, electricity generating facilities, electricity retail providers and power marketers, oil refineries and cement plants. Beginning in 2010, emissions reports will be subject to third party verification, which will take place annually, or every 3 years, depending on the type of facility.

The board is in the process of setting up a cap-and-trade program which is planned to go into effect in the 1st quarter of 2012.

In the voluntary carbon offset market, the Chicago Climate Exchange's (CCX) Carbon Financial Instrument (CFI) traded down beneath the key \$2 level intra-month before recovering to come back to \$2.15 per ton for the prompt 2007 Vintage. The forward curve is flat to this level through 2010.

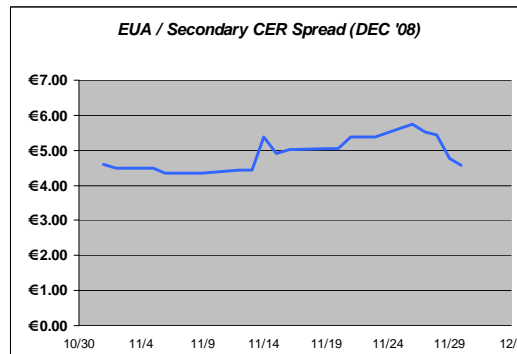
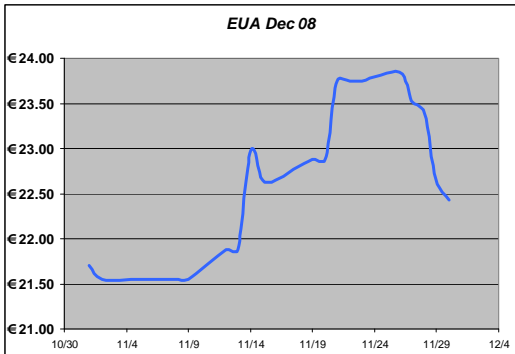
In the OTC market, there continues to be strong bid interest for carbon offsets verified under the latest rendition of the Voluntary Carbon Standard (VCS). In the Forestry space, participants are closely watching progress at the COP in Bali. The expected outcome regarding recognition of Forestry projects is poised to propel this portion of the market forward.

TFS Energy will market 2 forestry projects under the CCB / VCS verification on the back of this news within the 1st quarter of 2009.

Global Market Wrap-Up

Pricing in the Dec 08 EUA ran up through the month to reach a high of €23.85 on November 26th. This was in tandem with strength in the European power markets. Pricing came off as the month came in, with this bearish trend mirroring the broad sell-off in the energy commodity space. The month end drop in coal pricing signified that there wasn't a fuel switch situation playing out.

The spread on the Secondary CER for delivery in Dec 08 vs. the Dec 08 EUA stayed within a €2 range over the course of the month, reaching the widest of €5.75 in tandem with the EUA intra-month high, before pulling back to €4.58 at month end. The Dec 08 Secondary CER is now bid 76.50% and offered 78%. The 2008 – 2012 Secondary CER Strip contract is bid 73% and offered at 74.50%.



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