May 17, 2013

CARBON PARTNERSHIP FACILITY

Proposed Revision to CPF Pricing Approach

1. The proposed revisions to the CPF Pricing Approach are intended to take into account the substantial decline of secondary market Certified Emission Reduction prices since July 2012.

2. At a September 2012 meeting of CPF Buyer Participants, the Buyers accepted the view that pricing cannot be linked at this time to a market reference. They agreed that the price for each program should be based on an analysis of the revenue requirements required for the financial viability of CPAs under the program and an informed assessment of the revenue needed for CPAs to become interested in joining the program. However, there are limits to how high the Buyers will be willing to price programs, and that if Buyers are paying above market prices for the entire duration of the contract, fixed pricing would be appropriate.

3. The Revised CPF Pricing Approach, to be effective from June 2013 through May 2014, is proposed to include the following elements.

Benchmark Price

4. Given the absence of market information regarding primary CER transactions, the use of a *benchmark price* based on a market reference will continue to be suspended during the period from June 2013 to May 2014.

Fixed Pricing

5. ERs will be transacted at a pre-determined, negotiated *fixed price*. The *fixed price* would be determined by agreement of the Buyers and the Seller, based on a proposal from the Trustee:

- The main principle guiding CPF pricing will be to safeguard the interests of both Buyers and Sellers of carbon assets and ensure the long-term sustainability of investments in emission reductions and the effective delivery of CERs. The fixed price should facilitate a mutually beneficial outcome for Buyers and the Seller.

Procedure for Reaching Agreement on Pricing for a Program

6. The Seller would provide the Carbon Finance Document to the Trustee, including a delivery plan and information on the status of the Program in the CDM regulatory process.

7. The Trustee would then prepare a risk analysis of the Program to be provided to the Buyers and the Seller, together with the CFD. This would provide the basis for Buyers' consent to the CFD and inclusion of the Program in the Tranche portfolio. Buyers would have minimum of 15 Business Days to register any objection to inclusion of the Program in the Tranche portfolio. Buyers and the Seller would have the opportunity at this time to comment on the Trustee's risk analysis of the Program.

8. The Trustee would then propose commercial terms, including the fixed price, to Buyers and the Seller, on a no objection basis, with a minimum of 15 Business Days to respond. If there is an objection, the Trustee would seek to find a solution through additional consultations with the Participants.

9 The ERPA contract will include maximum value and maximum volume terms, and a minimum volume term.

10. Section 10 (3) (a) (iii) of the CPF Instrument provides that the Pricing Approach may be reviewed at the Annual Meeting at the request of two or more Participants. The Trustee proposes that the Revised Pricing Approach be reviewed at the 2014 Annual Meeting.