

Emissions Market A Canadian Perspective



Montréal Climate Exchange

Forum on Hydropower 2009

Ottawa , November 3 , 2009

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Research and Development*

Competing in a Carbon – Constrained World: Risks and Opportunities

- Successful firms will be those that best understand the **business risks and opportunities** of climate change.
- Carbon management is a matter of good governance given the associated **legal liabilities**.
- Companies need to have a complete understanding of the **financial dimensions of carbon emissions management** beyond their own corporation's environmental department.



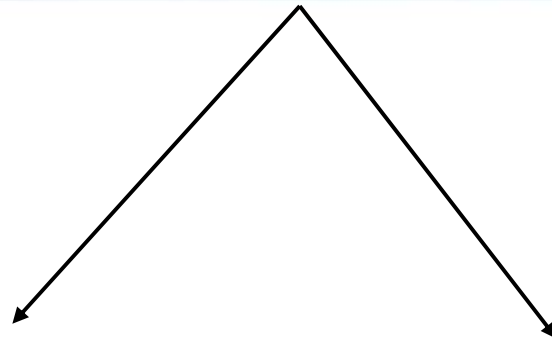
Advantages of a Market Based Solution

- Market-based mechanisms are proven tools for **cost-effective** management of environmental challenges.
- A market place helps generate a **price signal** which incentivizes maximum reductions due to revenue potential through trading.



Montréal Climate Exchange (MCeX)

A Joint Venture



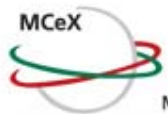
**Montréal
Exchange**

A leader in building and operating markets with an established trading and clearing infrastructure.



Chicago Climate Exchange

A leader in environmental markets.



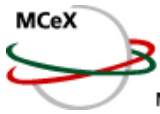
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TMX Group



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CDCC



TORONTO stock
EXCHANGE



TMX group



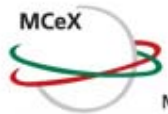
TSX venture
EXCHANGE



TMX group



TMX group



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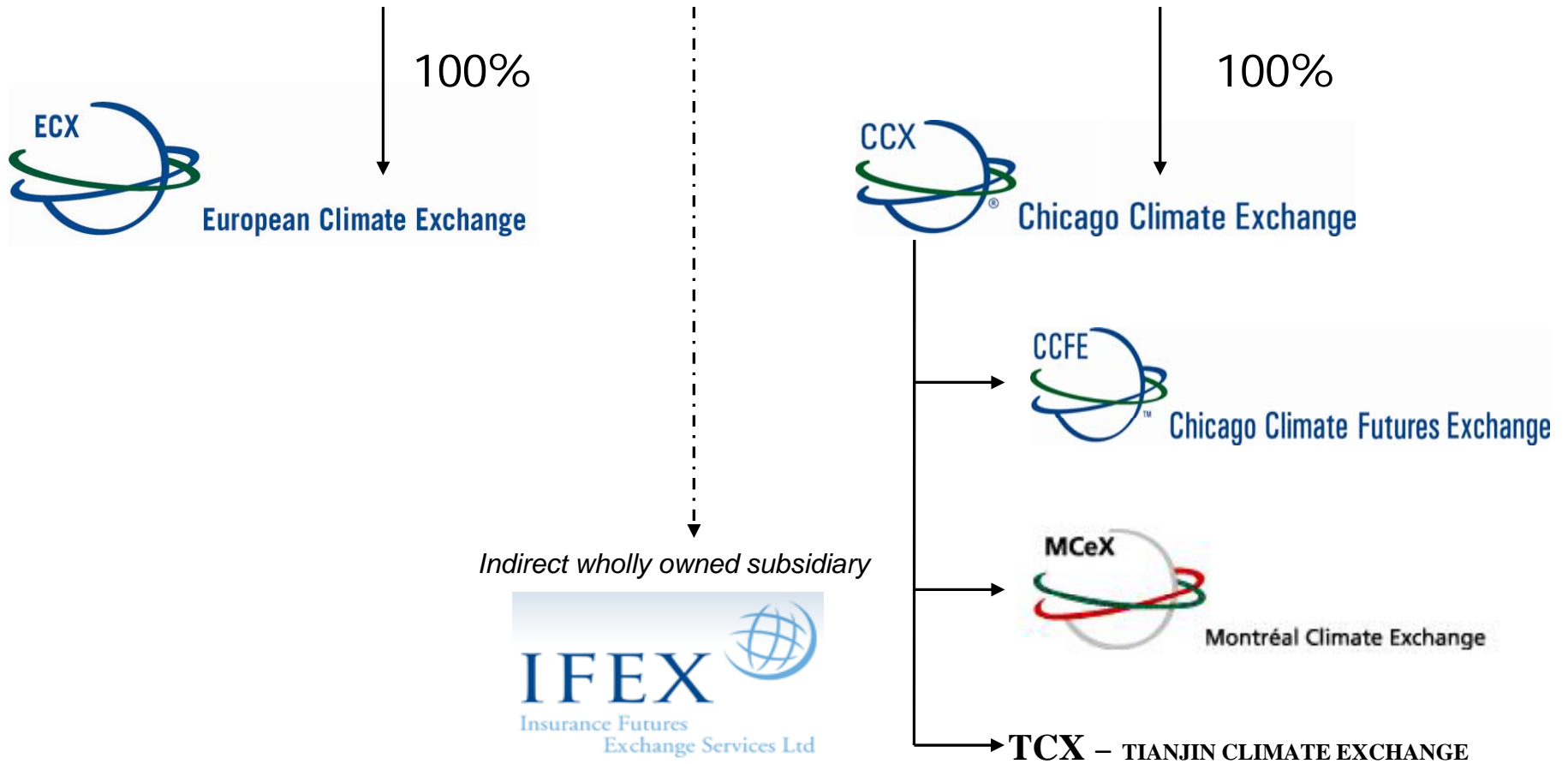
Collaboration between TSX Cleantech Group and MCeX

- As of year end 2009:
 - Over 100 cleantech companies listed on the TSX and TSX Venture Exchange.
- Positions TMX Group as a leading developer of market solutions helping industry reduce greenhouse gas emissions efficiently.



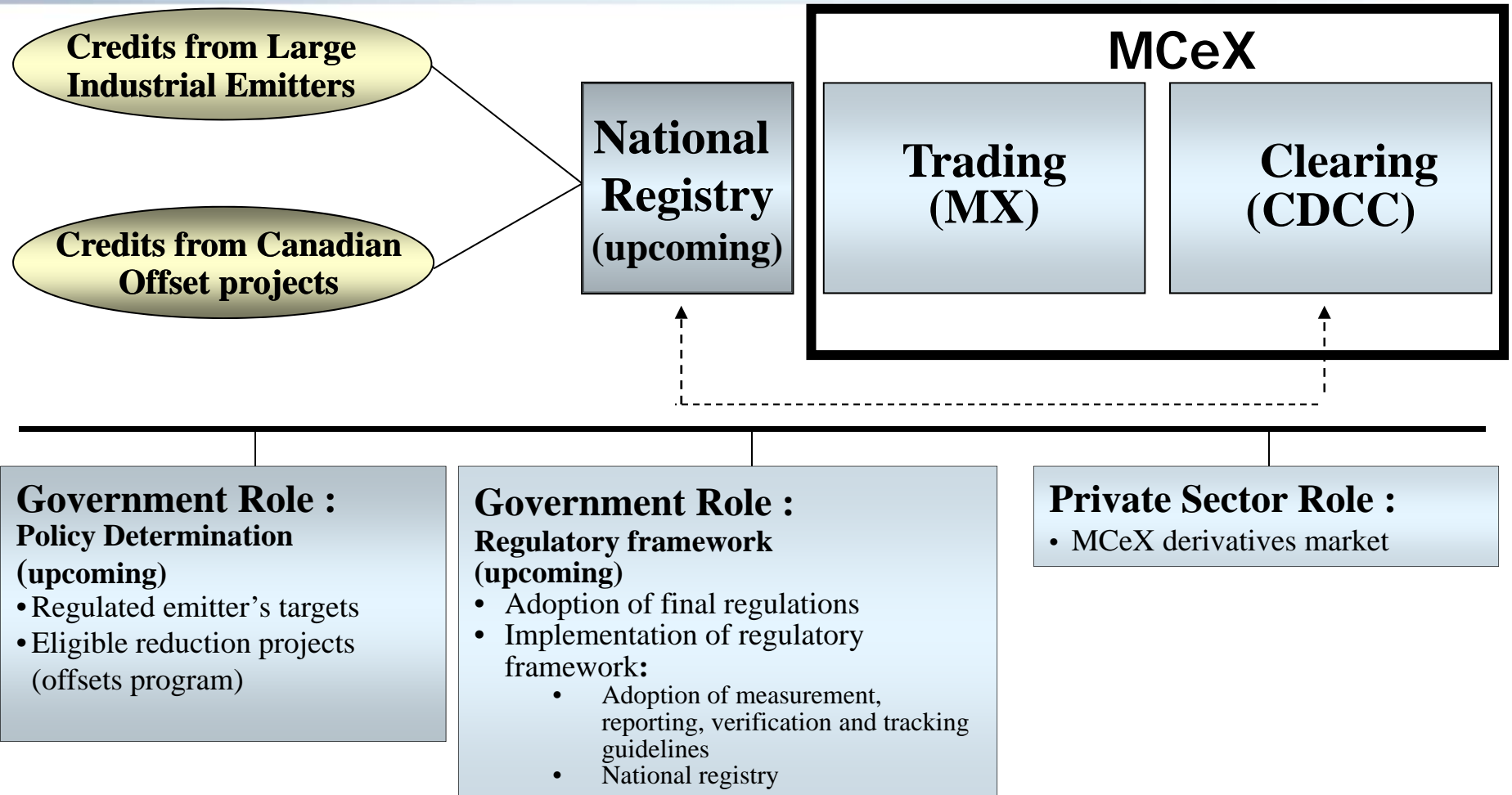


Climate Exchange PLC

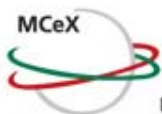
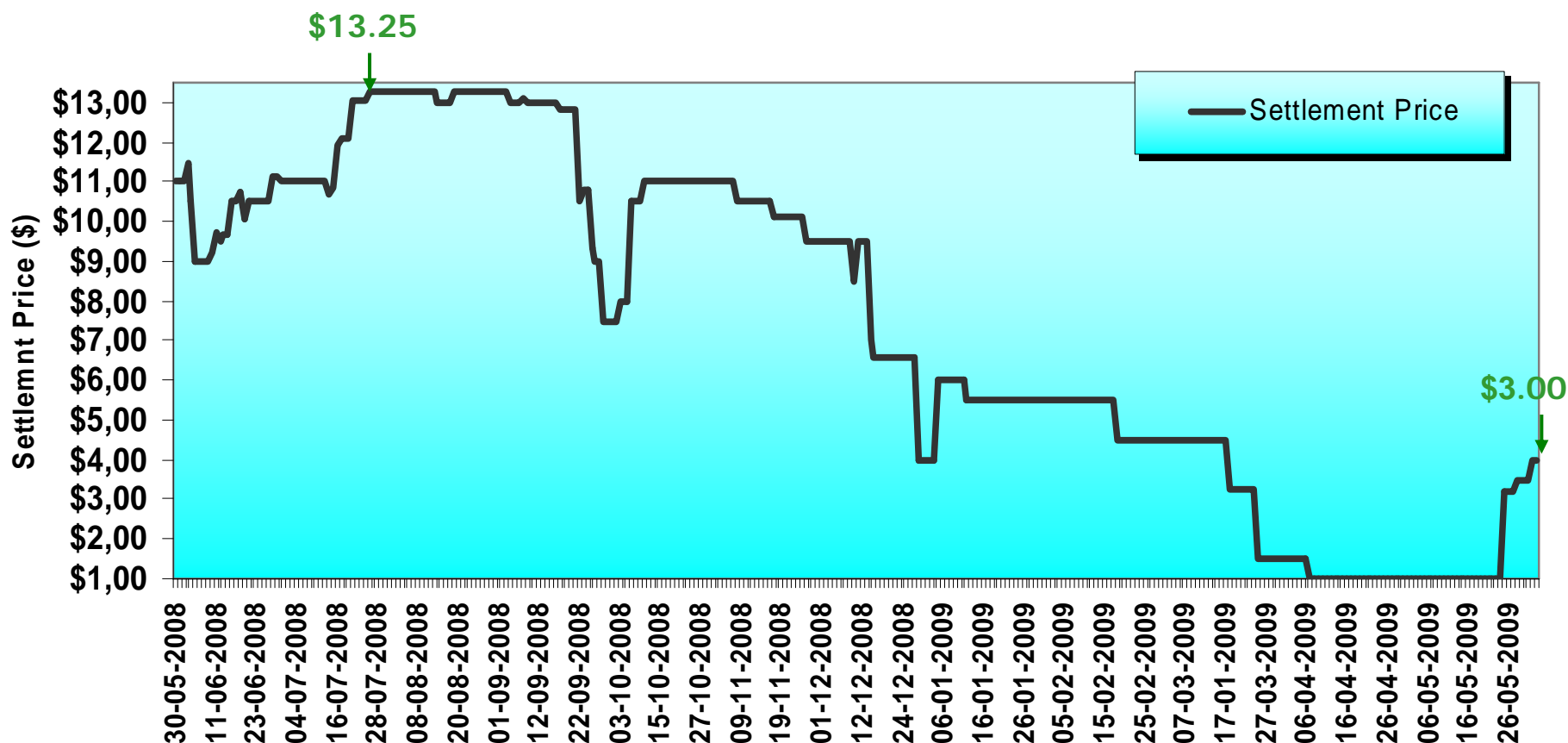


The Canadian Carbon Market

"An Emerging Reality"



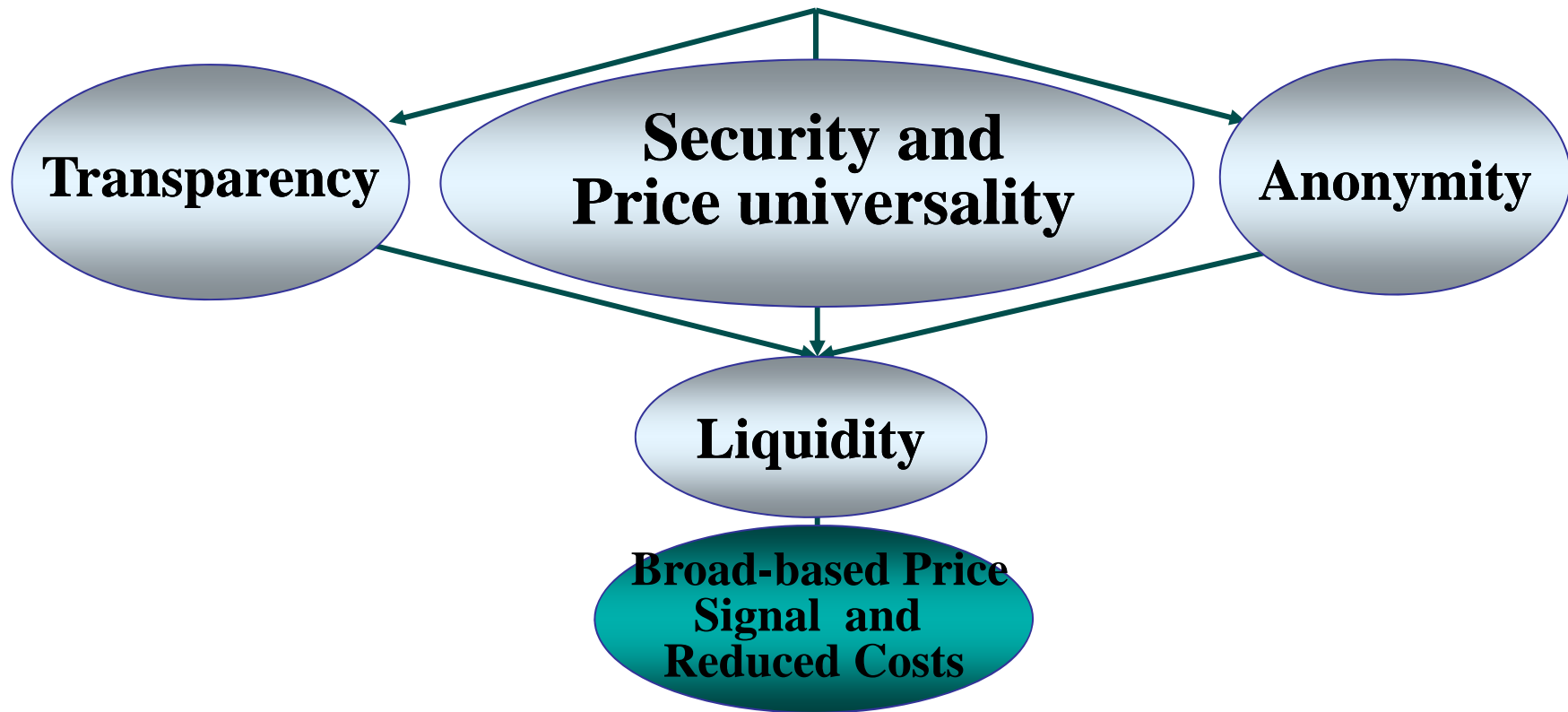
MCX - Futures Contract on Canada Carbon Dioxide Equivalent (CO2e) Units Daily Settlement Price



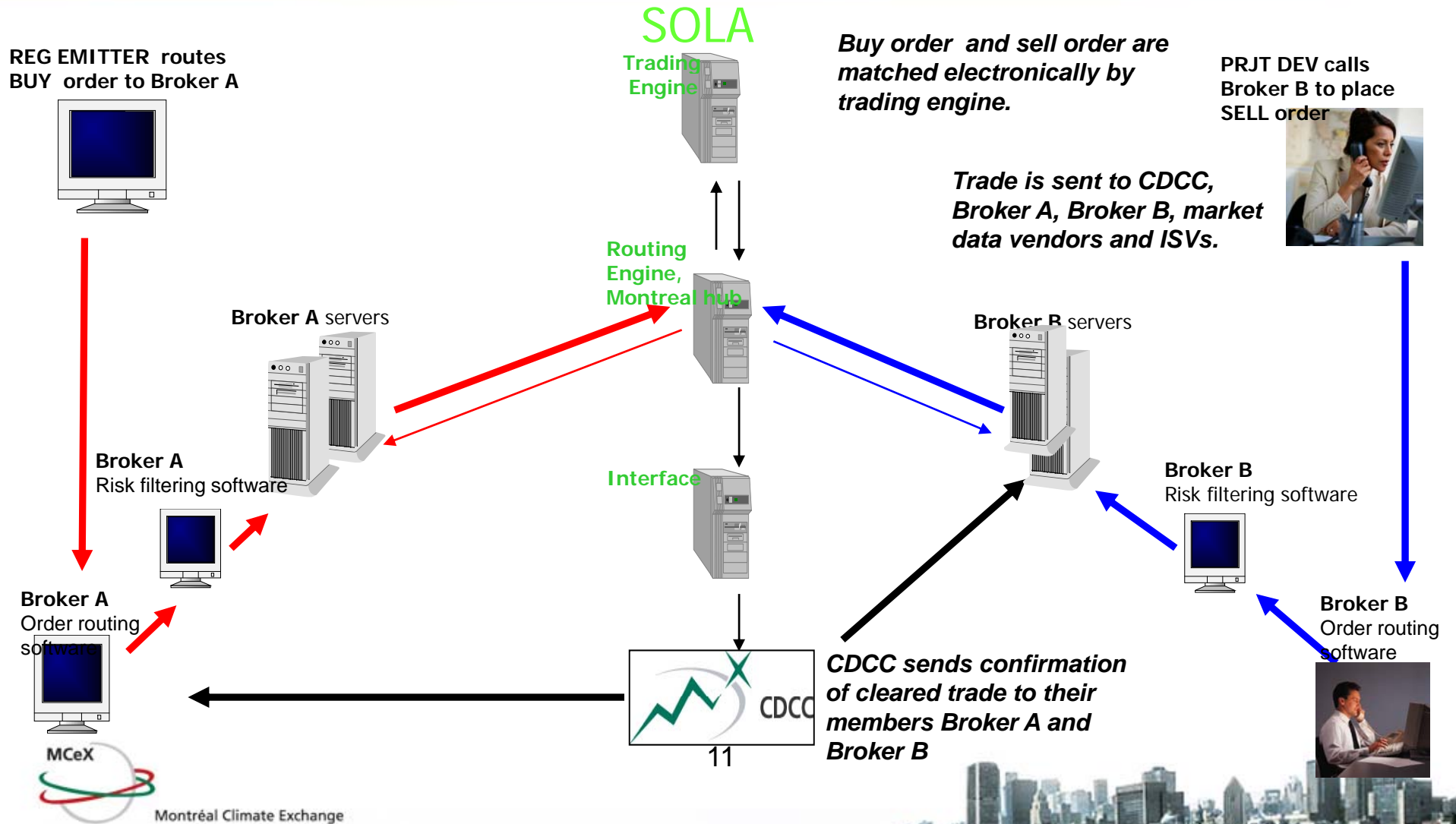
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Advantages of a Regulated Exchange



Electronic Order Matching



Contract Expiry - June 27, 2011

Regulated emitter has credits delivered to their account at the National Registry.

Project developer has credits transferred out of their account at the National Registry.



Market Makers



Operating globally, headquartered in Paris, Orbeo combines industrial and financial expertise in the realm of carbon emission trading. Orbeo is also a market maker on BlueNext.



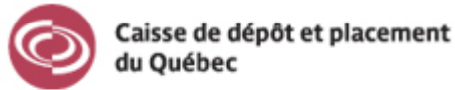
TD Sec. is actively involved as a market maker at MX and is the first major bank in Canada working to ensure their Canadian operations are carbon neutral by 2010.



Headquartered in Chicago, TradeLink Holdings LLC is a diversified alternative investment and proprietary trading firm. Since its organization in 1979, TradeLink has been actively engaged in the securities, futures, options, and commodities trading industries.



MCeX Partners



Actions Required by Canadian Government

- Primary Market Liquidity conditions:
 - Definition of a **broad scope** of regulated sectors and eligible domestic offset projects.
 - Targets must be set at reasonably stringent levels to create the **scarcity** necessary to establish a price signal that will stimulate emissions reduction.
 - Definition of a single credit/unit **standard**.
- Environmental Confidence and Clarity:
 - The integrity of the market rests on the **certainty, predictability and transparency** of the Government carbon policy.



Actions Required by Canadian Government

Key next steps in the development of MCEX

Approval of an **offset** program in the absence of final GHG regulations.

– Will provide a “learning by doing “ experience to allow Canadian industrials and project developers to gain expertise and thus be competitive when a continental market comes into force.

- Establishment of a national **registry**: a registry, is key to track ownership and provide environmental integrity.
- Clarification of intents with respect to **equivalency** agreements with Canadian provinces and U.S. federal and state programs.



Other Products under Consideration

- Futures on a provincial (QC,ON,BC) unit (WCI)
- Futures on Alberta CO₂e units
- Futures on air pollutants in Canada (SOX, NOX)



MCeX Value Proposition “An Integrated Solution”

WE OFFER

- **Know-how** in environmental and financial market
- An existing **trading** infrastructure
- A well capitalized **clearing** corporation
- **Risk management instruments**

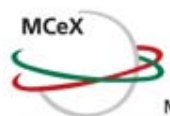




Thank You!

www.mcex.ca

info@mcex.ca



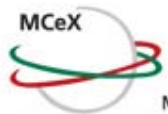
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