



**NOTICE OF INVITATION TO TENDER nº 001/2007**

**SELLER: SÃO PAULO MUNICIPAL GOVERNMENT**

**MARKETPLACE: BRAZILIAN MERCANTILE & FUTURES EXCHANGE  
(BM&F)<sup>1</sup>**

**AUCTION FOR THE SALE OF CERTIFIED EMISSION REDUCTIONS (CER)**

The Brazilian Mercantile & Futures Exchange (BM&F), enrolled under the Corporate Taxpayer Registry (CNPJ) number 54641030/0001-06, headquartered in the City and State of São Paulo, at Praça Antonio Prado, 48, Brazil, hereinafter referred to as **BM&F**, publicly announces that it shall hold a public **AUCTION** to sell the Certified Emission Reductions (**CER**) held by the Municipal Government of São Paulo, hereinafter referred to as the **MUNICIPAL GOVERNMENT**, pursuant to current Brazilian legislation and applicable international rules governing the Clean Development Mechanism (**CDM**), created in accordance with article 12 of the Kyoto Protocol.

The **AUCTION** and its respective procedures shall be governed by the provisions set forth in this **NOTICE OF INVITATION TO TENDER** and its Annexes, while observing all other applicable national and international rules and regulations.

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<sup>1</sup> "Bolsa de Mercadorias & Futuros-BM&F", located in São Paulo, Brazil.

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## CHAPTER 1 – LEGAL BASIS

- 1.1 The sale of **CER** held by the **MUNICIPAL GOVERNMENT** shall occur pursuant to the provisions set forth in article 41 of São Paulo Municipal Law 14256, of December 29, 2006, which authorizes their sale.
- 1.2 In view of its particular specialization in managing unique technical services involving trading systems and developing the carbon credit market, particularly with respect to the Brazilian Market for Emission Reductions (MBRE)<sup>2</sup>, **BM&F** shall provide its services to the **MUNICIPAL GOVERNMENT**, in order to organize and hold the **AUCTION** for the sale of **CER**.
- 1.3 The Brazilian Securities and Exchange Commission (CVM)<sup>3</sup> a governmental body constituted pursuant to the terms of Federal Law 6385, of December 7, 1976, considering its competence to regulate the Brazilian commodity and futures exchanges, has approved the **AUCTION**, pursuant to the terms of this **NOTICE OF INVITATION TO TENDER** and its Annexes, through Official CVM Letter SMI/52/2007.
- 1.4 The **NOTICE OF INVITATION TO TENDER**, its Annexes and all other documents related to the **AUCTION** shall be duly published in the **MUNICIPAL GOVERNMENT**'s Official Gazette and Website ([www.capital.sp.gov.br](http://www.capital.sp.gov.br)), and on the **BM&F** Website ([www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction)) at least thirty (30) days before the **AUCTION** date.

## CHAPTER 2 – OBJECT, MINIMUM PRICE, DATE AND TIME

### 2.1 OBJECT

- 2.1.1 The purpose of the **AUCTION** is to sell eight hundred and eight thousand, four hundred and fifty (808,450) **CER** held by the **MUNICIPAL GOVERNMENT** in one single lot corresponding to the total **CER** offered for sale.
- 2.1.2 **CER** are carbon credits duly issued by the **CDM** Executive Board in connection with registered **CDM** project activities that reduce greenhouse gas emissions.
- 2.1.3 The **CER** held by the **MUNICIPAL GOVERNMENT**, which are the object of the **AUCTION**, were duly issued by the **CDM** Executive Board, in connection with methane gas emission reduction activities implemented in the context of the Bandeirantes Landfill Gas to Energy Project in São Paulo,

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<sup>2</sup> “Mercado Brasileiro de Reduções de Emissões”.

<sup>3</sup> “Comissão de Valores Mobiliários”.

Brazil<sup>4</sup> (**PROJECT**), registered with the **CDM** Executive Board under number 0164 on February 20, 2006.

2.1.3.1 The **CER** which are the object of the **AUCTION** have been issued into the pending account of the **CDM** Registry, awaiting further instructions to be forwarded to the **WINNING BIDDER** of the **AUCTION**.

2.1.4 The **PROJECT** was duly approved by the Brazilian Government on September 12, 2005, through the Inter-ministerial Commission on Global Climate Change<sup>5</sup>, whose original **CDM** Project Participants (**PROJECT PARTICIPANTS**) were the **MUNICIPAL GOVERNMENT** and Biogás Energia Ambiental S.A. (**BIOGÁS**), both authorized by the Brazilian Government to participate in the **PROJECT**, along with KfW Bankgroup in the capacity of **CER** buyer authorized by the German Government, pursuant to version II of the Modalities of Communication as per Annex I to this **NOTICE OF INVITATION TO TENDER**, dated November 22, 2006.

2.1.5 Technical information related to the **PROJECT** is available on the following Websites: the **BM&F** Carbon Facility's ([http://www.bmf.com.br/portal/pages/MBRE/banco\\_projetos.asp](http://www.bmf.com.br/portal/pages/MBRE/banco_projetos.asp)), the Inter-ministerial Commission on Global Climate Change's (<http://www.mcf.gov.br/index.php/content/view/16052.html>) and the **CDM** Executive Board's (<http://CDM.unfccc.int/Projects/DB/DNV-CUK1134130255.56/view.html>).

## 2.2 MINIMUM PRICE

2.2.1 The minimum bid price to purchase the **CER** lot shall be calculated based on the application of a forty percent (40%) discount to the simple arithmetic average of the December 2008 settlement prices for forward sales of European Union Allowances traded on the European Climate Exchange (**ECX**) during the last ten trading sessions preceding the day before the **AUCTION** date, as published on the **ECX** Website: [www.europeanclimateexchange.com](http://www.europeanclimateexchange.com).

2.2.2 The minimum price shall be disclosed by **BM&F** on its Website ([www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction)) as at 10:00 a.m., Brasília time, on the last working day preceding the **AUCTION** date.

## 2.3 DATE AND TIME

2.3.1 The **AUCTION** shall take place on the 26<sup>th</sup> of September of 2007, at 10:00 a.m., Brasília time (1:00 p.m. UCT).

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<sup>4</sup> "Projeto Bandeirantes de Gás de Aterro e Geração de Energia em São Paulo, Brasil".

<sup>5</sup> "Comissão Interministerial de Mudança Global do Clima".

## 2.4 ACCESS TO THE AUCTION SYSTEM

- 2.4.1. Access to the **BM&F** Electronic Trading System (**SYSTEM**), through which the **AUCTION** shall take place, shall be provided online via the Website [www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction), where **PARTICIPANTS** duly registered in advance as **BIDDERS, BROKERS, TRADING PLATFORM OPERATORS, SPECIALIZED COMPANIES** and **FINANCIAL INSTITUTIONS**, as defined in sub-items III and IV of item 3.2.3, shall have the opportunity to submit bids, whereas the public in general shall have the opportunity to follow the **AUCTION** in real time.
- 2.4.2 In the event of problems or difficulties entering bids, **PARTICIPANTS** shall be required to contact the **SUPERVISOR** by e-mail ([supervisor@bmf.com.br](mailto:supervisor@bmf.com.br)) to request registration of bids in their names.
- 2.4.2.1 A request, as set forth in item 2.4.2, shall necessarily include the **PARTICIPANT's** login, password and identification code.

## CHAPTER 3 – AUCTION PARTIES AND PARTICIPANT QUALIFICATIONS

### 3.1 PARTIES

- 3.1.1 The following **PARTICIPANTS** shall be present at the **AUCTION**:
- I – **SUPERVISOR**, or the **BM&F**, in whose headquarters the **AUCTION** shall take place;
  - II – **SELLER**, or the **MUNICIPAL GOVERNMENT**, to be represented by the Adjunct Administration Secretary;
  - III – **BIDDERS**, or the parties interested in purchasing the **CER** duly qualified in advance by the **SUPERVISOR** to participate in the **AUCTION** either directly or indirectly;
  - IV – **BROKERS**, the **BM&F** member Commodities Brokerage Houses duly qualified in advance by **BM&F** to specifically participate in the **AUCTION**;
  - V – **TRADING PLATFORM OPERATORS**, or the system managers duly qualified in advance by the **SUPERVISOR** to participate in the **AUCTION**; and
  - VI – **SPECIALIZED COMPANIES** and **FINANCIAL INSTITUTIONS** referred to in sub-items III and IV of item

3.2.3, duly qualified in advance by the **SUPERVISOR** to participate in the **AUCTION**.

### 3.2. PARTICIPANT QUALIFICATIONS

3.2.1 Any and all legal entities established in Brazil or abroad may participate in the **AUCTION**, either directly or indirectly, as long as they meet the requirements set forth in this **NOTICE OF INVITATION TO TENDER**.

3.2.2 The interested parties that fulfill the requirements set forth in one of the following categories shall be entitled to qualify to directly participate in the **AUCTION**:

- I – national, state and municipal governments, as well as governments of administrative regions within Parties included in Annex I of the Kyoto Protocol;
- II – multilateral financing organizations, investment promotion agencies, and national and international development banks which may be involved in developing and financing **CDM** projects and/or **CER** trading;
- III – investment funds active in the international carbon market duly authorized in advance to operate by the regulatory agency of their respective countries.
- IV – holders of accounts in the CDM Registry, the Japanese National Registry or a national registry of a European Emission Trading Scheme (EU ETS) member state.

3.2.3 Interested parties that do not qualify in any of the categories listed in item 3.2.2 may indirectly participate in the **AUCTION** through a **REPRESENTATIVE PARTICIPANT**, such as:

- I – **BROKER**, duly authorized in advance to trade in the **BM&F** Carbon Market;
- II – **TRADING PLATFORM OPERATOR**, duly authorized in advance to operate in the **BM&F** Carbon Market;
- III – **SPECIALIZED COMPANY**, with expertise in originating, structuring and/or intermediating CER purchase and sale transactions, which must be a member of the International Emissions Trading Association (**IETA**), or have access to an established exchange where carbon credits are traded, and also be duly authorized in advance to trade in the **BM&F** Carbon Market; or

IV – **FINANCIAL INSTITUTION**, duly authorized in advance to trade in the **BM&F** Carbon Market, which must also be an **IETA** member or have access to an established exchange where carbon credits are traded.

3.2.3.1 The **PARTICIPANTS** referred to in sub-items I to IV of item 3.2.3 may also take part in the **AUCTION** as **BIDDERS**, submitting bids in their own names.

3.2.4 The interested parties that wish to participate in the **AUCTION** as **BIDDERS**, either directly or as a **REPRESENTATIVE PARTICIPANT**, shall be required to submit a prior authorization request from the **SUPERVISOR** accompanied by the documents listed in item 3.2.5 by no later than sixteen (16) working days prior to the **AUCTION** date.

3.2.4.1 Authorization requests delivered and/or registered with the **SUPERVISOR** after the time period set forth in item 3.2.4 of this **NOTICE OF INVITATION TO TENDER**, even if posted before that deadline, shall not be accepted.

3.2.5 The authorization request must be sent to the **SUPERVISOR** by mail or any express courier system, along with the articles of incorporation of the interested institution and the following documentation duly signed by its legal representative through the proper instrument of representation:

I – Registration Form, duly filled out, as per the model in Annex II;

II – statement confirming knowledge and acceptance of, adherence to, and compliance with the requirements for participation and the trading rules set forth in this **NOTICE OF INVITATION TO TENDER**, as per the model in Annex III;

III – documents evidencing compliance with one of the categories set forth in item 3.2.2 or 3.2.3, as the case may be; and

IV – for the interested parties incorporated abroad, Know Your Client form issued by a financial institution of which the interested party is a client, containing the latter's registration and financial data; or

V – for the interested parties incorporated in Brazil, the following certificates: (a) certificate attesting that there are no outstanding municipal fiscal debts, issued by the Municipal Government of the locality where the interested

party is headquartered; (b) proof of registration in the National Corporate Taxpayer Registry (CNPJ) of the Ministry of Finance (MF); (c) certificate of good standing in the Government Severance Indemnity Fund for Employees (FGTS)<sup>6</sup>; (d) certificate of good standing in the National Social Security System (INSS)<sup>7</sup>; and (e) statement by the interested party, signed by its legal representative, attesting that no debt is owed to the São Paulo Municipal Government, in the event the interested party is not registered as a taxpayer of this municipality.

3.2.6 The documentation required for the authorization process must be sent in the following manners:

- I – containing the name of the interested party, the address of its headquarters and its e-mail address through which all communications with the **SUPERVISOR** shall occur;
- II – in print, in Portuguese or English;
- III – without any corrections, erasures or spots;
- IV – containing the interested parties' legal representative's initials on the sequentially numbered pages; and
- V – in a closed envelope or package sent to the following address:

Bolsa de Mercadorias & Futuros-BM&F  
Praça Antonio Prado, 48, 4 andar  
São Paulo, SP 01010-901  
BRASIL  
ATTN: *DEPARTAMENTO DE CADASTRO*<sup>8</sup>  
Re: *LEILÃO DE RCE*<sup>9</sup>

3.2.7 The interested parties wishing to qualify and be authorized as **BIDDERS** to participate indirectly by submitting their bids pursuant to the provisions of item 3.2.3 of this **NOTICE OF INVITATION TO TENDER** must request their authorization through a **REPRESENTATIVE PARTICIPANT** within the time period set forth in item 3.2.4.

3.2.7.1 In addition to the documentation referred to in items 3.2.5 and 3.2.6, the authorization request, pursuant to item 3.2.7, should necessarily be accompanied by a private power of attorney, in the form of the model in

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<sup>6</sup> Fundo de Garantia por Tempo de Serviço.

<sup>7</sup> Instituto Nacional de Seguridade Social.

<sup>8</sup> Participant Registration Department.

<sup>9</sup> CER Auction.

Annex IV, whereby the **REPRESENTATIVE PARTICIPANT** shall be granted specific powers to represent the **BIDDER** in the **AUCTION**.

- 3.2.8 The submitted documentation shall be examined by the **SUPERVISOR**, which shall inform the interested parties of whether or not they have been authorized within eleven (11) working days before the **AUCTION** date, whereas within this same period the **SUPERVISOR** may request, via e-mail, any supplementary clarifications which are deemed appropriate.
- 3.2.8.1 The answers to any clarification requests must be sent by the interested party within two (2) working days following their receipt to e-mail supervisor@bmf.com.br or facsimile number (55-11) 3242-7622.
- 3.2.8.2 The interested parties that submit supplementary clarifications shall be informed of their authorization or rejection within eight (8) working days before the **AUCTION** date.
- 3.2.9 A decision denying authorization to an interested party may only be appealed once to the **SUPERVISOR** within five (5) working days following the date on which such decision was notified.
- 3.2.9.1. The appeal shall be decided within two (2) working days before the **AUCTION** date, whereas the appeal award shall be informed to the interested party through the e-mail referred to in item 3.2.6.
- 3.2.10 The login and password to access the **SYSTEM** and the **BIDDERS'** identification code shall be sent by the **SUPERVISOR** to the **PARTICIPANTS** authorized for direct access to the **AUCTION**, or to their representatives identified in sub-item I, II, III or IV of item 3.2.3 by e-mail within one (1) working day before the **AUCTION** date, following proof of fulfillment of the pledge of initial collateral, in accordance with the conditions set forth in item 4.1.

## **CHAPTER 4 - COLLATERAL**

### **4.1 COLLATERAL TO BE PLEDGED BY BIDDERS**

- 4.1.1. All **BIDDERS** shall be required to pledge initial collateral in the amount of one million Euros (€1,000,000) within five (5) working days before the **AUCTION** date.

- 4.1.1.1 For **PARTICIPANTS** wishing to pledge collateral in Brazil, this amount shall be converted into Brazilian Reals by using the PTAX closing bid quotation for the exchange rate of Reals per Euro corresponding to the fifteenth (15<sup>th</sup>) working day preceding the **AUCTION** date.
- 4.1.2 The **REPRESENTATIVE PARTICIPANT** may take responsibility for all the obligations of the represented **BIDDERS**, pursuant to item 3.2.7, in which case the **REPRESENTATIVE PARTICIPANT** may pledge a single collateral, in the **REPRESENTATIVE PARTICIPANT**'s own name and in the amount referred to in item 4.1.1, which shall guarantee the obligations arising from the **REPRESENTATIVE PARTICIPANT**'s and the represented **BIDDERS**' participation in the **AUCTION**.
- 4.1.2.1 The responsibility taken pursuant to item 4.1.2 shall not include the obligations assumed by the **WINNING BIDDER**, whereby the **WINNING BIDDER** must pledge additional collateral in the **WINNING BIDDER**'s own name.
- 4.1.3 The **SUPERVISOR** shall undertake to obtain advanced confirmation of the collateral constituted by the **BIDDERS** or their **REPRESENTATIVE PARTICIPANTS**, and shall inform its acceptance via e-mail, in the manner and period set forth in item 3.2.10.
- 4.1.4 The following assets shall be eligible as collateral:
- I – securities issued by the National Treasury of the Federative Republic of Brazil: National Treasury Bills (LTN)<sup>10</sup>, Treasury Financial Bills (LFT)<sup>11</sup>, National Treasury Notes C Series (NTN-C)<sup>12</sup> or National Treasury Notes B Series (NTN-B)<sup>13</sup>, which must be pledged in favor of the **SUPERVISOR** pursuant to Annex V and transferred to the custody account of the BM&F Settlement Bank<sup>14</sup> maintained in the Special Settlement and Custody System (SELIC)<sup>15</sup> under number 79700540-8; or

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<sup>10</sup> "Letra do Tesouro Nacional".

<sup>11</sup> "Letra Financeira do Tesouro Nacional".

<sup>12</sup> "Nota do Tesouro Nacional Série C".

<sup>13</sup> "Nota do Tesouro Nacional Série B".

<sup>14</sup> "Banco BM&F de Serviços de Liquidação e Custódia S.A."

<sup>15</sup> "Sistema Especial de Liquidação e de Custódia".

- II – standby letters of credit, pursuant to the models in Annex VI, and submitted as collateral to Bank of Brazil<sup>16</sup>, London branch, England, United Kingdom.
- 4.1.5 The federal securities referred to in sub-item I of item 4.1.4 pledged as collateral shall be accepted according to their market prices verified on the date of their pledge and the haircut criteria established by the **SUPERVISOR** and published on its Website [www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction).
- 4.1.6 The standby letters of credit referred to in sub-item II of item 4.1.4 shall necessarily be issued by one of the banks listed in Annex VII of this **NOTICE OF INVITATION TO TENDER** and confirmed by Bank of Brazil, London branch.
- 4.1.7 Pledged collateral, net of any amounts due to the **SUPERVISOR**, shall be released following a communication to be made by the **SUPERVISOR**:
- I – on the working day subsequent to the **AUCTION** for the losing **BIDDERS** or their **REPRESENTATIVE PARTICIPANTS**; or
  - II – on the payment date of the **CER** for the **WINNING BIDDER**.
- 4.1.8 By no later than the tenth (10<sup>th</sup>) working day after the **AUCTION** date, the **WINNING BIDDER** shall be required to submit additional collateral, in the form of the eligible assets referred to in item 4.1.4, up to the total financial amount of the purchased **CER**, which shall be calculated by multiplying the winning bid price by eight hundred and eight thousand, four hundred and fifty (808,450) and the subsequent application of the **AUCTION**'s trading costs, defined as twenty five hundredths of a percent (0.25%) of the total financial amount of the acquisition.
- 4.1.9 Pledged collateral may be executed by the BM&F Settlement Bank:
- I – in the event that the **WINNING BIDDER** fails to deposit the total financial amount of the purchased **CER** added by the trading costs, as set forth in items 5.7.1 and 5.7.2; or
  - II – in the event that the rules set forth in this **NOTICE OF INVITATION TO TENDER** are violated and the corresponding fines, if any, are not paid.
- 4.1.10 The **BIDDERS** may, at their own discretion, pledge cash collateral (in Reals), in the amount set forth in item 4.1.1 and in

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<sup>16</sup> "Banco do Brasil S.A."

observance of the exchange rate set forth in item 4.1.11, in which case they shall be exempted from the obligation to pledge initial collateral in any of the forms referred to in item 4.1.4.

4.1.10.1 Cash collateral pledged pursuant to the provisions of item 4.1.10 shall be considered an initial payment for the **WINNING BIDDER**.

4.1.11 At the **WINNING BIDDER**'s own discretion, the **WINNING BIDDER** may also deposit cash (in Reals) in the account set forth in item 4.1.12, in an amount corresponding to the balance of the total amount payable for the purchased **CER**, in which event the **WINNING BIDDER** shall be freed from the obligation to submit the additional collateral referred to in item 4.1.8. The cash amount to be deposited shall be calculated by converting the value referred to in item 4.1.8 into Reals, through the multiplication of that value by the PTAX closing bid quotation for the exchange rate of Reals per Euro corresponding to the day preceding the **AUCTION** date.

4.1.11.1 Cash deposited pursuant to the provisions of item 4.1.11, plus cash deposited pursuant to the provisions of item 4.1.10 shall be considered an advance payment.

4.1.11.2 In the events referred to in items 4.1.10 and 4.1.11, **BM&F** shall pay interest on cash deposited by applying the Interbank Deposit Overnight Rate (DI CETIP rate) rate from the date of the actual deposit to the date of its transfer to the **MUNICIPAL GOVERNMENT**, including fines, or the date when pledged collateral is returned to the **BIDDERS**, observing in both cases the applicable taxation.

4.1.12 The amounts referred to in items 4.1.10 and 4.1.11 shall be deposited in the account number 189-0 held by **BM&F** at the BM&F Settlement Bank<sup>17</sup> (bank 096), branch 0001.

4.1.12.1 The losing **BIDDERS** shall have their funds returned to their corresponding payment source accounts within the time frame set forth in item 4.1.7.

## CHAPTER 5 – AUCTION PROCESS

### 5.1 AUCTION ORGANIZATION

5.1.1 The **AUCTION** shall be held through the **SYSTEM**, under the command of the **SUPERVISOR**, and it may be accessed by the

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<sup>17</sup> See note 16.

**PARTICIPANTS** and the public in general through the Website [www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction).

- 5.1.2. **AUCTION** and **AUCTION**-related proceedings shall meet the conditions set forth in this **NOTICE OF INVITATION TO TENDER**.
- 5.1.3 The **SYSTEM**'s technical specifications are defined in the document "Functionalities of the BM&F Carbon Credit Trading System – User's Manual," which is included in Annex VIII of this **NOTICE OF INVITATION TO TENDER**.
- 5.1.4 The **AUCTION** shall only take place if at least three (3) **BIDDERS** qualify within the time frame and in the form set forth in this **NOTICE OF INVITATION TO TENDER**.
- 5.1.4.1 In the event that the minimum number of **BIDDERS** referred to in item 5.1.4 is not present, the **AUCTION** shall be cancelled, and the collateral pledged shall be returned on the working day following the date scheduled as the **AUCTION** date, while no indemnity of whatever kind shall be due, by the **SUPERVISOR** or the **MUNICIPAL GOVERNMENT**, to the **BIDDERS** or to any other interested party.
- 5.1.5 The **SUPERVISOR** shall bear all costs related to the trading and settlement of the transactions referred to in this **NOTICE OF INVITATION TO TENDER**, and it shall be responsible for compliance with the corresponding rules, as well as for the following activities:
- I - **AUCTION** organization and management;
  - II - assessment of the documentation required from the parties interested in qualifying as **PARTICIPANTS**;
  - III - **PARTICIPANT** registration;
  - IV - analysis of pledged collateral;
  - V - operation of the **SYSTEM**;
  - VI - cash settlement of performed transactions;
  - VII - any treatment of pledged collateral; and
  - VIII- exclusion of **PARTICIPANTS** that shall violate the rules set forth in this **NOTICE OF INVITATION TO TENDER**.
- 5.1.6 The **AUCTION** shall be held in a single Trading Session.
- 5.1.7 Bids shall be offered by the **BIDDERS**, directly or through their **REPRESENTATIVE PARTICIPANTS**, by placing orders into the **SYSTEM**, in observance of the conditions set forth in this **NOTICE OF INVITATION TO TENDER**.

- 5.1.8 The specification of quantity, price and **BIDDER** identification code shall necessarily be included in the bid for order registration purposes.
- 5.1.8.1 The specified quantity shall always be eight hundred and eight thousand, four hundred and fifty (808,450) **CER**.
- 5.1.8.2 The price must be set in Euros and shall be equal to or higher than the minimum price referred to in item 2.2 of this **NOTICE OF INVITATION TO TENDER**.
- 5.1.8.3 The tick size shall be in multiples of ten Euro cents (€0.10).
- 5.1.9 Each **BIDDER** shall be entitled to one bid during the **AUCTION**, which may subsequently be modified provided such modification is intended to increase the price previously submitted by the corresponding **BIDDER**.
- 5.1.10 A submitted bid shall not be subject to cancellation unless by decision of the **SUPERVISOR** against a substantiated request from the corresponding **PARTICIPANT**.
- 5.1.10.1 The cancellation request must be sent to the **SUPERVISOR** by using the **SYSTEM** messaging tool, or e-mail (supervisor@bmf.com.br), immediately after insertion of the corresponding bid into the **SYSTEM**.
- 5.1.10.2 A possible decision by the **SUPERVISOR** to deny a cancellation request shall not be subject to appeal.
- 5.1.10.3 Should a bid be cancelled, the **SUPERVISOR** shall notify the other **PARTICIPANTS** through the **SYSTEM**.
- 5.1.11 The **AUCTION** shall last not less than sixty (60) minutes, but it might be extended for an additional sixty (60)-minute period in the event that:
- I – a price dispute takes place pursuant to the provisions of item 5.2.7 of this **NOTICE OF INVITATION TO TENDER**;  
or
- II – technical problems are experienced by the **SYSTEM**.
- 5.1.12 At the end of the **AUCTION**, the **SUPERVISOR** shall register in the **SYSTEM** an order to sell the **CER** in the name of the **MUNICIPAL GOVERNMENT**, in the same quantity and at the

same price as those of the best bid registered in the **AUCTION**, solely for matching purposes.

5.1.12.1 The sale order registration in the name of the **MUNICIPAL GOVERNMENT** shall imply the closing of both the transaction and the **AUCTION**.

5.1.13 By no later than the working day subsequent to the **AUCTION** date, the **SUPERVISOR** shall disclose on its Website ([www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction)) the minutes of the **AUCTION** describing its events, such as submitted bids, the electronic messages sent by the **SUPERVISOR** and the **PARTICIPANTS**, and should the transaction be closed the corresponding data with the name of the **WINNING BIDDER** and the price.

5.1.14 The **SUPERVISOR** shall send to the **WINNING BIDDER** a statement showing transaction details by no later than the working day following the **AUCTION**.

## 5.2 AUCTION PROCEDURES

5.2.1 The **AUCTION** trading session shall be initiated by the **SUPERVISOR** at the time defined in this **NOTICE OF INVITATION TO TENDER** by means of a message to be sent to the **PARTICIPANTS** through the **SYSTEM**, in order to officially open the **AUCTION**.

5.2.2 After that message is sent by the **SUPERVISOR**, bids shall be entered into the **SYSTEM** by the **BIDDERS**, and they shall be classified in a decreasing priority order for trading purposes, under the exclusive criterion of price.

5.2.3 In the event that more than one order presents equal bid prices, the chronology of the orders entered into the **SYSTEM** shall prevail for trading purposes, at all times prioritizing the oldest bid.

5.2.4 **BIDDERS** can only modify their orders by submitting new bids at a price higher than those previously presented by the corresponding **BIDDER**.

5.2.4.1 No modifications to reduce a price previously submitted by the **BIDDERS** shall be accepted.

5.2.4.2 A bid cancellation shall be subject to a prior concurrence of the **SUPERVISOR**, pursuant to the provisions of item 5.1.10 of this **NOTICE OF INVITATION TO TENDER**.

- 5.2.5 Should a **BIDDER** modify the bid price pursuant to the provisions of item 5.2.4, the order shall be reclassified by the **SYSTEM**, which shall take into account the new price and registration time of the modified bid for trading purposes.
- 5.2.6 At the end of the **AUCTION**, it shall be closed by the **SUPERVISOR** through a signaling procedure called “under the electronic hammer” to be sent through the messaging tool, whereby each “fall of the hammer” is fed into the **SYSTEM** to alert the **PARTICIPANTS**.
- 5.2.7 The **AUCTION** shall be closed after three (3) consecutive electronic hammerings. The counting shall be reinitiated within two (2) minutes, before the third electronic hammering, in observance of the maximum **AUCTION** duration time frame set forth in item 5.1.11 of this **NOTICE OF INVITATION TO TENDER**, whenever any of the following events occur:
- I – a new order with the highest bid price is registered; or
  - II – the order with the highest bid price registered till that time is cancelled.
- 5.2.8 In the event of a **SYSTEM** failure:
- 5.2.8.1 during the first sixty (60) minutes of the **AUCTION**, the **AUCTION** shall be suspended and reinitiated in order to ensure its sixty (60)-minute duration. Should the **SYSTEM** not restart operations in two (2) hours, the **AUCTION** shall be reinitiated on the following working day at the same hour by considering the events which occurred on the day the **SYSTEM** failed; or
  - 5.2.8.2 during the additional sixty (60) minutes of the **AUCTION**, the **AUCTION** may be reinitiated, at the **SUPERVISOR**’s own discretion, in which case it shall last the time needed to ensure its additional sixty (60)-minute duration. Should the **SYSTEM** not restart operations in two (2) hours, the **AUCTION** shall be reinitiated on the following working day at the same hour by considering the events which occurred on the day the **SYSTEM** failed.

### 5.3 TRADE SETTLEMENT

- 5.3.1 Trade settlement shall consist of:
- I – the physical delivery of the purchased **CER**, with their ownership transferred to the **WINNING BIDDER**; and

II – the cash settlement of the total financial amount of the purchased **CER**, with transfer of the amount traded in the **AUCTION** to the **MUNICIPAL GOVERNMENT**.

- 5.3.2 The **MUNICIPAL GOVERNMENT** shall take responsibility for the proper and orderly **CER** forwarding to the **WINNING BIDDER**. The **WINNING BIDDER** must then provide all documentation evidencing approval of the **WINNING BIDDER's** participation in the **PROJECT** issued by the **WINNING BIDDER's** country's Designated National Authority (**DNA**), under the **CDM** rules.
- 5.3.3 Cash settlement shall be coordinated by the **SUPERVISOR** and shall only occur after **AUCTION** physical delivery is effected.
- 5.3.4 The **SUPERVISOR** shall resort to the services of a financial institution, which shall be paid and contracted by the **SUPERVISOR**, at its own discretion, in order to effect the **AUCTION** cash settlement.
- 5.3.5 The transaction shall be settled, in accordance with the procedures set forth in this **NOTICE OF INVITATION TO TENDER**, by means of the forwarding of the **CER** into the temporary or permanent account within the scope of the **CDM** Registry, as informed by the **WINNING BIDDER**, and the subsequent funds transfer from the **WINNING BIDDER** to the account of the **MUNICIPAL GOVERNMENT**, to be carried out by order of the **SUPERVISOR**.
- 5.3.6. Under no circumstances shall **BM&F** and its Clearinghouses take the counterparty position for the purpose of the settlement of the transaction closed at the **AUCTION**, in conformity with Law 10214, of March 27, 2001, and applicable regulation.

#### **5.4 PHYSICAL DELIVERY**

- 5.4.1 Within five (5) working days after the **AUCTION** date, the **MUNICIPAL GOVERNMENT** shall provide the **SUPERVISOR** with the documentation which the **SUPERVISOR** shall then send to the **DNA** of the country of origin of the **WINNING BIDDER** of the **AUCTION**, so that the **WINNING BIDDER** can obtain the letter of approval to act as a **PROJECT PARTICIPANT**.
- 5.4.1.1 In the event that the **WINNING BIDDER** is incorporated in Brazil, the **SUPERVISOR** shall send the **DNA** the documentation needed to update the **PROJECT**, in order to add the **WINNING BIDDER** as its new Participant.
- 5.4.1.2 The **MUNICIPAL GOVERNMENT** and **BIOGÁS** shall remain as the Focal Point for all communications

related to the **CDM** Executive Board and Secretariat to the UN Framework Convention on Climate Change (**SECRETARIAT**) with respect to any and all issues concerning the **PROJECT**.

5.4.1.3 The **WINNING BIDDER** hereby declares that it shall not be involved in the decision making of any kind related to the issuance and distribution of the **CER**, except for those purchased in the **AUCTION**, and that it shall specifically and irrevocably authorize the **MUNICIPAL GOVERNMENT** and **BIOGÁS** to decide on any subject matter related to **CER** resulting from the **PROJECT**.

5.4.1.4 The **MUNICIPAL GOVERNMENT** and **BIOGÁS** shall remain as the sole parties authorized as Focal Point to communicate with the **CDM** Executive Board and **SECRETARIAT** with respect to any amendments to the **PROJECT PARTICIPANTS** and/or any relevant subject matters concerning the **PROJECT**, specially with respect to any and all instructions concerning **CER** issuance and distribution and/or allocation, as well as the Modalities of Communication which shall be jointly signed by the **MUNICIPAL GOVERNMENT** and **BIOGÁS** as Focal Points.

5.4.2 Within ninety (90) days after the **AUCTION** date, the **WINNING BIDDER** shall be required to provide the **SUPERVISOR**, at the address referred to in item 3.2.6 of this **NOTICE OF INVITATION TO TENDER**, a copy of the letter of approval duly issued by the DNA of the **WINNING BIDDER**'s country of origin, which shall contain the authorization for the **WINNING BIDDER** to act as a **PROJECT PARTICIPANT**.

5.4.2.1 The **SUPERVISOR** shall acknowledge receipt to the **MUNICIPAL GOVERNMENT** of the documentation referred to item 5.4.2 within two (2) working days after its receipt.

5.4.3 The **SUPERVISOR** shall send the **CDM** Executive Board within five (5) working days after their receipt, the amended Modalities of Communication duly filled out and initialed by the parties responsible for the **PROJECT**, accompanied by the letter of approval issued by the **WINNING BIDDER**'s country of origin requesting the inclusion of the **WINNING BIDDER** as a **PROJECT PARTICIPANT**.

5.4.3.1 The Modalities of Communication shall be signed by the **PROJECT**'s Focal Points and make reference to the exact number of **CER** traded in the **AUCTION**. It

shall be incumbent on the **MUNICIPAL GOVERNMENT** to obtain the signatures of all other Participants within ten (10) working days after the documentation receipt referred to in item 5.4.2.1.

5.4.3.2 The **WINNING BIDDER**, like all other **PROJECT PARTICIPANTS** shall be required to sign the new version of the Modalities of Communication, notwithstanding that under no circumstance will the **WINNING BIDDER** be considered a Focal Point of the **PROJECT**.

5.4.4 Should the **WINNING BIDDER** not hold a temporary or permanent account in its name in the **CDM** Registry, the **WINNING BIDDER** shall be required to issue a request for the opening of such account within five (5) working days after its inclusion by the **CDM** Executive Board as a **PROJECT PARTICIPANT**.

5.4.5 Establishing an account in the **CDM** Registry must be notified by the **WINNING BIDDER** to the **SUPERVISOR** within the time frame referred to in item 5.4.4.

5.4.5.1 The **SUPERVISOR** shall notify the **MUNICIPAL GOVERNMENT** that the **WINNING BIDDER** holds an account in the **CDM** Registry within two (2) working days after the communication referred to in item 5.4.5.

5.4.5.2 Within five (5) working days after the communication referred to in item 5.4.5.1, the **SUPERVISOR** shall send to the **CDM** Executive Board the request, signed by the **PROJECT**'s Focal Points, to forward the **CER** traded in the **AUCTION** to the account indicated by the **WINNING BIDDER**.

5.4.6 The **MUNICIPAL GOVERNMENT** shall be responsible for the proper and correct forwarding of the **CER** traded in the **AUCTION**, undertaking whatever measures are necessary vis-à-vis all other **PROJECT PARTICIPANTS** and the **CDM** Executive Board, in order to transfer the **CER** ownership in the manner set forth in this **NOTICE OF INVITATION TO TENDER** and in applicable national and international regulations.

5.4.6.1 The procedures set forth in this **NOTICE OF INVITATION TO TENDER** to forward the **CER** may be altered through prior concurrence of the **MUNICIPAL GOVERNMENT** and the **WINNING BIDDER** in the event the International Transaction Log (**ITL**) becomes operational by the date of the **AUCTION** or the trade settlement procedures, provided the National Registry

of the **WINNING BIDDER**'s country is already connected with the **ITL** at the time of the **CER** forwarding.

5.4.6.2 The **MUNICIPAL GOVERNMENT** and **BIOGÁS**, both in the capacity of **PROJECT PARTICIPANTS** and Focal Points, hereby commit, irrevocably and irreversibly, to effect the **CER** forwarding to the **WINNING BIDDER**, pursuant to the Term of Responsibility delivered to the **SUPERVISOR**, which is an integral part of this **NOTICE OF INVITATION TO TENDER**, as per Annex IX.

5.4.7 The **MUNICIPAL GOVERNMENT** and the **WINNING BIDDER** shall be responsible for undertaking all measures that are incumbent on them under the provisions of this **NOTICE OF INVITATION TO TENDER**, for physical delivery and cash settlement purposes.

5.4.8 After the **CER** are forwarded to the account of the **WINNING BIDDER** in the **CDM** Registry, the **MUNICIPAL GOVERNMENT** shall inform the **SUPERVISOR** that the physical delivery procedures have been effected, which shall subsequently be informed by the **SUPERVISOR** to the **WINNING BIDDER**.

## 5.5 CASH SETTLEMENT

5.5.1 The **AUCTION** cash settlement and any collateral execution shall both be performed through the **BM&F Settlement Bank**<sup>18</sup>.

5.5.2 Within seven (7) days after the communication referred to in item 5.4.8, the **WINNING BIDDER** shall transfer the funds corresponding to the bid price accepted for the **CER** in the **AUCTION**, plus the **AUCTION**'s trading costs, in observance of the provisions set forth in item 5.7.

5.5.2.1 Should cash settlement be effected in Brazil, the corresponding Real amount must be transferred to the account held by **BM&F** at the **BM&F Settlement Bank**<sup>19</sup> through an Available Electronic Transfer (**TED**)<sup>20</sup>.

5.5.2.2 Should cash settlement be effected abroad, payment must be made by using the following information: "Pay To: **HSBC Bank PLC**, London [**SWIFT: MIDLGB22**], Account Name: **Banco do Brasil**, London [**SWIFT: BRASGB2L**], **IBAN: GB96 MIDL 4005 1558 7475 65**,

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<sup>18</sup> See note 16.

<sup>19</sup> See note 16.

<sup>20</sup> "Transferência Eletrônica Disponível".

For Further Credit to: Banco BMF de Servicos de Liquidacao e Custodia [SWIFT: BMMFBRSP], IBAN: GB67 BRAS 4050 4720 3539 99.”

- 5.5.3 Should payment be made by the **WINNING BIDDER** in Brazil, the amount to be transferred shall be calculated based on the conversion of the amount due in Euros into Reals, at the exchange rate prevailing on the day preceding the payment date.
- 5.5.3.1 The exchange rate to be used in the conversion of the amount due into Reals shall be the PTAX closing bid quotation for the exchange rate of Reals per Euro prevailing on the day preceding the payment date.
- 5.5.4 Confirmation of the funds transfer shall satisfy the **WINNING BIDDER**'s obligations and shall be a precondition for releasing the initial and additional collateral pledged by the **WINNING BIDDER**.
- 5.5.4.1 Cash pledged or deposited by the **WINNING BIDDER** pursuant to items 4.1.10 and 4.1.11 shall be deemed an advance payment and shall exempt the **WINNING BIDDER** from making a new pledge or deposit.
- 5.5.5 Within five (5) working days after the transfer referred to in item 5.5.2, the **SUPERVISOR** shall settle the payment by transferring the corresponding amount in local currency, at the exchange rate prevailing on the day preceding the payment date, to the account indicated by the **MUNICIPAL GOVERNMENT**.

## 5.6 HANDLING SETTLEMENT ERRORS

- 5.6.1 Errors in the settlement process may be characterized by the failure of one or more of the following events to occur within the time frame and conditions specified in this **NOTICE OF INVITATION TO TENDER**:
- I – confirmation of the pledge of the additional collateral referred to in item 4.1.8;
  - II – delivery of the letter of approval referred to in item 5.4.2;
  - III – request for inclusion of the **WINNING BIDDER** as a **PROJECT PARTICIPANT** pursuant to in item 5.4.3;
  - IV – request to open or make available an account in the **CDM** Registry pursuant to item 5.4.4;

V – request for the **CER** forwarding referred to in item 5.4.5.2; and/or

VI – payment referred to in item 5.5.2.

5.6.2 In the event that the **WINNING BIDDER** does not pledge the additional collateral referred to in item 4.1.8, the initial collateral pledged pursuant to the provisions of item 4.1.4 shall be executed, and the proceeds shall be transferred to the **MUNICIPAL GOVERNMENT** by taking into consideration the discount needed to cover the **SUPERVISOR**'s related costs.

5.6.3 Should the **WINNING BIDDER** not obtain the letter of approval from the **DNA** of its country of origin, or should the **WINNING BIDDER** not inform its account in the **CDM** Registry within the time frame referred to in this **NOTICE OF INVITATION TO TENDER**, the **WINNING BIDDER** shall be subject to a fine corresponding to thirty percent (30%) of the initial and additional pledged collateral, to be payable to the account informed by the **SUPERVISOR** by e-mail, registered letter or any other means of communication chosen by the **SUPERVISOR**, at its own discretion.

5.6.4 In the event that, after the **CER** forwarding, the funds transfer referred to in item 5.5.2 is not made, the initial and additional collateral pledged by the **WINNING BIDDER** shall be executed by the **SUPERVISOR**, and the proceeds shall revert to the benefit of the **MUNICIPAL GOVERNMENT**.

5.6.5 Should the **CDM** Executive Board, for whatever reason, refuse to accept the inclusion of the **WINNING BIDDER** as a **PROJECT PARTICIPANT**, this refusal shall also be considered a settlement error and shall subject the **WINNING BIDDER** to a fine corresponding to ten percent (10%) of the initial and additional pledged collateral, to be payable to the account informed by the **SUPERVISOR** within five (5) working days after such information is given to the **SUPERVISOR** by e-mail, registered letter or any other means of communication chosen by the **SUPERVISOR**, at its own discretion.

5.6.6 Should the **WINNING BIDDER** not pay the fines within the time frame referred to in this **NOTICE OF INVITATION TO TENDER**, the **SUPERVISOR** shall execute the initial and additional pledged collateral proportionately, releasing the remaining balance to the **WINNING BIDDER** after the conclusion of the execution of the amount due.

5.6.6.1 The **WINNING BIDDER** that had decided to pledge or deposit cash pursuant to items 4.1.10 and 4.1.11 shall authorize the **SUPERVISOR** to use the corresponding

funds to pay the fines applied to the **WINNING BIDDER**.

## 5.7 TRADING COSTS

- 5.7.1 The **WINNING BIDDER** shall bear a cost equivalent to twenty five hundredths of a percent (0.25%) of the transaction amount, to be payable within the time frame and in the manner referred to in item 5.5 of this **NOTICE OF INVITATION TO TENDER**, due to the utilization of the **SYSTEM**.
- 5.7.2 The amount referred to in the previous item shall be an integral part of **AUCTION**'s cash settlement amount as described in item 5.5.2 and shall be added to the value of the transaction upon payment by the **WINNING BIDDER**.

## CHAPTER 6 – LIABILITIES AND OBLIGATIONS

6.1 The **SUPERVISOR** shall not be responsible for:

- I – problems resulting from errors relating to Internet access, the Internet service provider adopted by the **BIDDER** or by the **BIDDER**'s **REPRESENTATIVE PARTICIPANTS**, telecommunications services and/or any other events that impede Internet access to the **SUPERVISOR**'s service network;
- II – any technical incompatibilities of the equipment and/or software used by the **BIDDER** or the **BIDDER**'s **REPRESENTATIVE PARTICIPANTS**, as well as related to the equipment/software origin; or
- III – losses, damages or failure by the **REPRESENTATIVE PARTICIPANTS** referred to in sub-items I to IV of item 3.2.3, including vis-à-vis third parties, resulting from the **AUCTION**.

6.2 The **WINNING BIDDER** shall not be charged for any additional expenses arising from the **AUCTION** physical delivery and cash settlement, except for those expressly referred to in this **NOTICE OF INVITATION TO TENDER**.

6.3 Nothing contained in this **NOTICE OF INVITATION TO TENDER** or any other prior or future understanding held between the interested parties shall be construed so as to mean that the **SUPERVISOR**, the **PARTICIPANTS** or any other party or third party are members of a same economic group or joint venture.

6.3 Unless otherwise provided in this **NOTICE OF INVITATION TO TENDER**, each one of the parties shall be responsible for the taxes to which they are subject by applicable tax legislation. Should one party be

required to bear another party's tax obligation, the former shall be duly reimbursed for the expenses thus incurred.

- 6.4 The **SUPERVISOR** is not a **PROJECT PARTICIPANT**. The **SUPERVISOR** shall only provide the necessary environment for the trading of the **CER**, having no interference in the **PROJECT** whatsoever, whether technically or legally, directly or indirectly, in such a manner that it is directly or indirectly involved with the **CER** generation activities object of the **AUCTION**.

## **CHAPTER 7 – SUPERVENING FACTS AND FORCE MAJEURE**

- 7.1 The procedures and acts referred to in this **NOTICE OF INVITATION TO TENDER** shall be directly subordinated to the success of the different phases of the **AUCTION**. In the emergence of supervening facts after publication of this **NOTICE OF INVITATION TO TENDER**, such as changes in the applicable national or international legal system, or legal or administrative decisions that may adversely affect the **AUCTION**, the **MUNICIPAL GOVERNMENT**, at its own discretion, shall:

- I – postpone the **AUCTION**;
- II – modify either partially or totally this **NOTICE OF INVITATION TO TENDER**, which must then be republished with new time frames;  
or
- III – rescind this **NOTICE OF INVITATION TO TENDER**.

- 7.1.1 The occurrence of any of the acts referred to in item 7.1 of this **INVITATION TO TENDER** shall not directly or indirectly imply, at any time and under whatever conditions, an obligation of the **MUNICIPAL GOVERNMENT** or the **SUPERVISOR** to reimburse or indemnify the **BIDDER** or any third parties that may possibly have been harmed.

- 7.2 Should any information contained in this **NOTICE OF INVITATION TO TENDER** and its Annexes be modified and/or amended after publication of this **NOTICE OF INVITATION TO TENDER**, the modified and/or amended information must be made public through the same means as those through which this **NOTICE OF INVITATION TO TENDER** was first published.

## **CHAPTER 8 – GENERAL PROVISIONS**

- 8.1 The authorization of any **PARTICIPANT** in the **AUCTION** shall imply unconditional, irrevocable and irreversible acceptance of its terms, rules and conditions, as well as of its Annexes and of all other documents that

shall be disclosed and/or published as a result of this **NOTICE OF INVITATION TO TENDER**.

- 8.2 Any and all additional clarification requests related to this **NOTICE OF INVITATION TO TENDER** and its Annexes may be directly sent to the **SUPERVISOR** at its e-mail address ([supervisor@bmf.com.br](mailto:supervisor@bmf.com.br)).
- 8.3 Any and all additional clarifications that may be published by the **SUPERVISOR** shall be considered as supplementary documentation to the **AUCTION**, and they shall not imply any change in the **AUCTION** date or in the time frames referred to in this **NOTICE OF INVITATION TO TENDER**.
- 8.3.1 The **SUPERVISOR** shall make the supplementary information deemed necessary available on its Website ([www.bmf.com.br/carbonauction](http://www.bmf.com.br/carbonauction)) no later than the working day immediately preceding the **AUCTION** date.
- 8.4 The **CER** acquisition and the exercise of the rights and obligations resulting therefrom shall at all times be subject to applicable legislation and to the regulations of competent national and international governmental agencies.
- 8.5 Reference in this **NOTICE OF INVITATION TO TENDER** to “working day” shall mean a day that shall not be a national holiday in Brazil, a holiday in the City of São Paulo, a Saturday, or a Sunday.

## **CHAPTER 9 – JURISDICTION**

- 9.1 Any and all disputes arising from this **NOTICE OF INVITATION TO TENDER** and the **AUCTION** must be settled by mutual understanding negotiated amicably and in good faith between the interested parties.
- 9.2 This **NOTICE OF INVITATION TO TENDER** and the **AUCTION** shall be governed by Brazilian Law. In the event that it is not possible to settle any **PARTICIPANT** disputes amicably, the Court of the Capital City of the State of São Paulo shall be the only one competent to examine and try any matters arising from or related to this **NOTICE OF INVITATION TO TENDER** or this **AUCTION**.

Annex I



**CARBON MARKET**

**MODALITIES OF COMMUNICATION**

## To the Executive Board and the Secretariat

**Project 0164** : Bandeirantes Landfill Gas to Energy (BLGE) registered on 20 February 2006.

### Agreement on post-registration change in Project Participants in the Project

The existing Project Participants – Biogás Energia Ambiental S.A. (BIOGÁS) and Prefeitura Municipal de São Paulo (PMSP) – herein undersigned agree to include KFW as an additional Project Participant in the Project BLFGE.

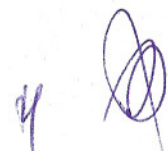

### New Statement on the Modalities for Communicating with the Executive Board and the Secretariat ( Statement II)

The existing Project Participants –BIOGÁS and PMSP – and the new Project Participant undersigned agree that:

- 1- **BIOGÁS** and **PMSP** shall remain serving as the focal points for all communications with regard to the Executive Board and the UNFCCC Secretariat with respect to all and any matter(s) concerning the Project **BLFGE**.
- 2- The New Project Participant **KFW** declares that it does not wish to be involved in taking decisions of any kind regarding the Issuance and Distribution of Certified Emissions Reduction (CERs) other than the 1 million CERs as per the CER Purchase Contract dated April 6, 2006 between BIOGÁS and KFW and that it specifically and irrevocably authorizes **BIOGÁS** and **PMSP** to decide on all and any matters regarding CERs derived from the Project **BLFGE**.
- 3- **BIOGÁS** and **PMSP** shall remain solely authorized to communicate with the Executive Board and the UNFCCC Secretariat regarding any change of Project Participants an/or any relevant project matters- especially to any and all instructions regarding Issuance and Distribution and/or Allocation of Certified Emission Reductions (CERs) and Communication shall be jointly signed by the focal points **BIOGÁS** and **PMSP** as follows :

**For BIOGÁS** : Antonio Carlos Delbin and Carlos Sasaki  
(joint signature)

**For PMSP** : Eduardo Jorge Martins Alves Sobrinho  
Secretary of Green and Environment



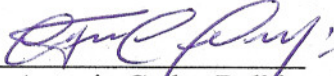
4- Instructions for the forwarding of Certified Emission Reductions (CERs) generated by the Project **BLFGE** remain valid as below indicated and any future changes shall be given by a joint authorization of **BIOGÁS** and **PMSP** :

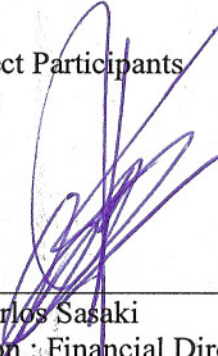
- a. **50% of the total CERs shall be forwarded by BIOGÁS**
- b. **50% of the total CERs shall be forwarded by PMSP**

This **Statement II** shall be valid until a new statement has been submitted to the Executive Board and the UNFCCC Secretariat superseding this Statement and provided that the New Statement has been jointly signed by the Project Participants above nominated.

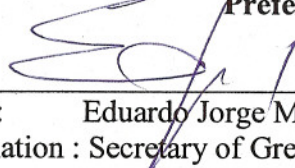
**DULY SIGNED** by the authorized representatives of the Project Participants

Signed for and on behalf of  
**Biogás Energia Ambiental S.A**

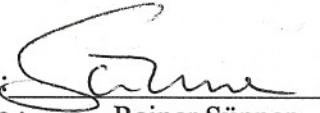
Sign :   
Name : Antonio Carlos Delbin  
Designation : Technical Director  
Date : November 22, 2006

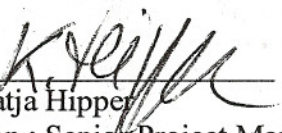
Sign :   
Name : Carlos Sasaki  
Designation : Financial Director  
Date : November 22, 2006

Signed for and on behalf of  
**Prefeitura Municipal de São Paulo**

Sign :   
Name : Eduardo Jorge Martins Alves Sobrinho  
Designation : Secretary of Green and Environment - PMSP  
Date :

Signed for and on behalf of  
**KFW**

Sign :   
Name : Rainer Sünnen  
Designation : Vice President  
Date : November 22, 2006

Sign :   
Name : Katja Hipper  
Designation : Senior Project Manager  
Date : November 22, 2006

Organization:	KfW
Street/P.O.Box:	Palmengartenstr. 5-9
Building:	
City:	Frankfurt
State/Region:	
Postfix/ZIP:	60325
Country:	Germany
Telephone:	+49-69-7431-4218
FAX:	+49-69-7431-4775
E-Mail:	<a href="mailto:carbonfund@kfw.de">carbonfund@kfw.de</a>
URL:	
Represented by:	
Title:	Senior Project Manager
Salutation:	
Last Name:	Hipper
Middle Name:	
First Name:	Katja
Department:	KfW Carbon Fund
Mobile:	
Direct FAX:	
Direct tel:	
Personal E-Mail:	

São Paulo, 21st of September 2005

**Statement on The Modalities for Communicating with The Executive Board and  
The UNFCCC Secretariat**

**Reference: Bandeirantes Landfill Gas to Energy Project**

Following the instructions established by the "Procedures for Registration of a CDM Project Activity" (version 02, EB11), Biogás Energia Ambiental S.A., Brazilian private entity, and the municipality of São Paulo (Prefeitura Municipal de São Paulo), Brazilian public entity, hereby come to declare that:

1. As per definitions in chapter A.3 of the Project Design Document and in item 5 of the Validation Final Report, the **Project Participants** are as follows:

- a. Brazilian Private Entity: **Biogás Energia Ambiental S.A.**
- b. Brazilian Public Entity: **Municipality of São Paulo.**

2. As per definitions in chapter A.2 of the Project Design Document and in item 3.1 of the Validation Final Report, the Certified Emission Reductions generated by the project shall be split and forwarded to the individual account of each of the project participants, as follows:

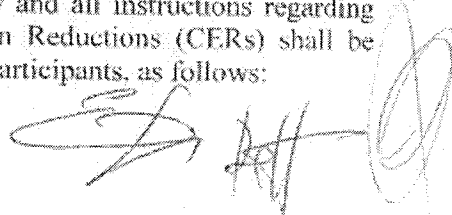
- 50% of the total CERs shall be forwarded to the account of Biogás Energia Ambiental S.A.;
- 50% of the total CERs shall be forwarded to the account of Municipality of São Paulo.

3. Focal points for the above mentioned CDM initiative are:

**Biogás Energia Ambiental S.A.**  
Antônio Carlos Delbin  
Technical Director  
R. Guararapes, 1909 cj 41  
04561-004  
São Paulo - SP  
Tel: +55 11 3918 4833 ext. 21  
Fax: +55 11 3918 4833 ext. 20  
[delbin@biogas-ambiental.com.br](mailto:delbin@biogas-ambiental.com.br)

**Prefeitura Municipal de São Paulo**  
Eduardo Jorge Martins Alves Sobrinho  
Secretary of Green and Environment  
Rua do Paraíso, 387 3º. Andar - Paraíso  
04103-000  
São Paulo - SP  
Tel: +55 11 3372 2205  
Fax: +55 11 3372 2200  
[eduardojorge@prefeitura.sp.gov.br](mailto:eduardojorge@prefeitura.sp.gov.br)

4. All communications with the Executive Board and the UNFCCC Secretariat relating to project matters and especially to any and all instructions regarding Issuance and Distribution of Certified Emission Reductions (CERs) shall be valid only if jointly signed by the above Project Participants, as follows:



**For Biogás Energia Ambiental S.A:**


Antônio Carlos Delbin and Carlos Zenhiti Sasaki (joint signature)

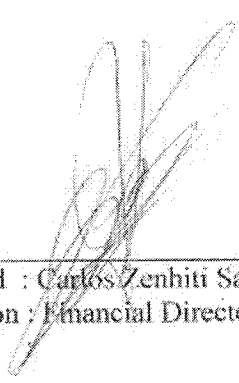
**For the Municipality of São Paulo:**

Eduardo Jorge Martins Alves Sobrinho  
Secretary of Green and Environment

**DULY EXECUTED**

**For Biogás Energia Ambiental S.A**

  
Signed : Antônio Carlos Delbin  
Position : Technical Director  
Dated :

  
Signed : Carlos Zenhiti Sasaki  
Position : Financial Director  
Dated :

**For the Municipality of São Paulo**

  
Signed : Eduardo Jorge Martins Alves Sobrinho  
Position : Secretary of Green and Environment  
Dated : 

**Annex II**



**CARBON MARKET**

**REGISTRATION FORM FOR LEGAL ENTITIES**

<b>Request for qualification as a PARTICIPANT in the Auction for the Sale of CER in the following category(ies):</b>			
<input type="checkbox"/> Direct Bidder <input type="checkbox"/> Indirect Bidder (*) <input type="checkbox"/> Representative Participant (**) <input type="checkbox"/> Broker <input type="checkbox"/> Trading Platform Operator <input type="checkbox"/> Specialized Company <input type="checkbox"/> Financial Institution			
Name		Short Name	
Corporate tax (CNPJ) No. (Or equivalent company or business registration No.)			
Address of main office Street		No.	Complement
City	State	Country	ZIP Code
Website			
<b>Authorized Person Information</b>			
Name		Position	
E-mail		Phone No.	
Fax No.			
<b>(*)</b> Indicate the name of the Representative Participant at the Auction for the Sale of CER:			
<b>(**)</b> List the names of the Indirect Bidders that will be included under the collateral pledged by the Representative Participant: 1. 2. 3. [...]			
Notes			
<p>We take full responsibility for the information provided in this form and agree to provide any updated information in the event of any changes to the information provided.</p> <p>We hereby declare that we are fully aware of the rules set out in the Auction for the Sale of Certified Emission Reductions, and that we subject to and are in agreement with all of its terms.</p> <p>Place and date <span style="float:right">Duly authorized legal representatives</span></p>			

## Annex III



### CARBON MARKET

#### COMPLIANCE FORM TO THE AUCTION FOR THE SALE OF CERTIFIED EMISSION REDUCTIONS

Through this instrument, the Undersigned, [*company name and description*], hereby represented by its duly authorized legal representative, [*name and description*], requests authorization as a PARTICIPANT in the Auction for the Sale of Certified Emission Reductions (AUCTION), in the following category(ies):

- ( ) Direct Bidder
- ( ) Indirect Bidder
- ( ) Representative Participant (Brokers, Trading Platform Operator, Specialized Company, or Financial Institution)

To this end, the Undersigned hereby states that it is a company duly constituted and established in accordance with the laws under the jurisdiction of [*country*], and further declares that:

1. It meets all the material and formal qualification requirements (including as regards documentation) for authorization as a PARTICIPANT in the above indicated category(ies);
2. The information contained in this Compliance Form and in the enclosed articles of incorporation are correct and true, and the Brazilian Mercantile & Futures Exchange (BM&F) is hereby authorized to verify, by any and all means, the veracity of such information;
3. It is committed to promptly inform, by writing, any and all alterations to such information, as well as to provide, whenever required by BM&F, any and all information/documentation deemed necessary;
4. It knows, accepts and agrees with all of the rules, procedures and provisions contained in the NOTICE OF INVITATION TO TENDER – BM&F CER AUCTION No. 001/2007 (NOTICE) and its Annexes, adhering to them irrevocably and irreversibly, and agreeing to fulfill all the obligations assumed as a result of its role as a PARTICIPANT;
5. It recognizes that all costs inherent to its participation in the AUCTION are its sole responsibility, and that neither the SÃO PAULO MUNICIPAL GOVERNMENT nor BM&F are, under any circumstance, to be liable for those costs, regardless of the AUCTION results;

6. It is aware of and agrees with the fact that its authorization to act as an AUCTION PARTICIPANT, in addition to being limited to the duration of the AUCTION or until the AUCTION procedures and obligations are concluded, does not constitute an authorization to act as a participant in any other markets managed by BM&F;
7. BM&F is not responsible for losses and damages or failures, including towards third parties, arising from any transactions executed through the AUCTION, or the impossibility of their execution, neither for the timing and convenience of executing such transactions;
8. It will pledge the initial collateral required for its authorization as a PARTICIPANT, in the amount, within the time frame and in the manner specified in the NOTICE, hereby stating that said collateral is free of all duties, mortgages, bonds, charges, liens or encumbrances of whatever form or nature, and acknowledging that said collateral may be rejected by BM&F if it is deemed inadequate under the rules established in the NOTICE; and
9. The PARTICIPANT that is declared the WINNING BIDDER of the AUCTION shall pledge the additional collateral required in the amount, within the time frame and in the manner specified in the NOTICE, being subject to the penalties referred to in the NOTICE in the event of any breach in the rules established therein.

The Undersigned finally declares that it is legally vested in all the necessary powers to execute, deliver and fulfill the duties and obligations assumed as a result of being bound by the rules of the NOTICE by means of this Compliance Form, pursuant to the provisions of its articles of incorporation or other valid instruments which authorize the Undersigned to act as specified hereunder.

Place and date

---

(Duly authorized legal representative's signature)

## Annex IV

### POWER OF ATTORNEY

#### PRINCIPAL:

[*Company name and description*], a legal entity duly constituted and established in accordance with the laws under the jurisdiction of [*country*], holder of registration number [*number*], hereby represented by its duly authorized legal representative, [*name and description*], and authorized to participate in the Auction for the Sale of Certified Emission Reductions (AUCTION), to be held on [*day/month/year*], in the category of INDIRECT BIDDER.

#### PROXY:

[*Company name and description*], a legal entity duly constituted and established in accordance with the laws of [*country*], hereby represented by its duly authorized legal representative, [*name and description*], and authorized to participate in the AUCTION in the category of REPRESENTATIVE PARTICIPANT.

#### RULES:

The above nominated Principal is vested in the following specific powers, being able to represent the Proxy, before the BM&F, for the one and only purpose of meeting the requirements and performing the procedures in connection with the AUCTION.

#### GRANTED POWERS:

(a) Send documents; (b) provide clarification; (c) pledge collateral; (d) make deposits; (e) place bids; (f) request the cancellation of registered bids; (g) sign purchase orders; (h) make communications during the AUCTION; and (i) perform all other acts which might be needed so as to represent the Principal in the AUCTION.

Place and date

---

(Duly authorized legal representative's signature)

## Annex V



### CARBON MARKET

#### BOND PLEDGE INSTRUMENT

[*Company name and description*], through this instrument and hereby represented by [*name and description of company's representative*], in its capacity as PARTICIPANT in the Auction for the Sale of Certified Emission Reductions (CER) to be sold by the Municipal Government of São Paulo, offers as a pledge to the Brazilian Mercantile & Futures Exchange (BM&F), an association registered under corporate tax number (CNPJ) 54641030/0001-06, hereby represented by its [*name and description of representative*], the bonds listed below, of which it is the holder, in the amount of [*insert value*], in accordance with the haircut applicable to the value of bonds published by BM&F on [*insert date*], in order to serve as a first priority collateral to any debt whatsoever incurred with BM&F and arising from the company's participation and that of the Indirect BIDDERS [*insert names*] it represents in the CER AUCTION to be held by BM&F for the Municipal Government of São Paulo, particularly debt resulting from fines applied for failure to comply with the obligations assumed by participating in the aforesaid AUCTION, as provided for under the relevant NOTICE OF INVITATION TO TENDER.

To that end, the PARTICIPANT notifies that, on [*day/month/year*], the bonds listed below were placed in the custody account number 79700540-8 held by the BM&F Settlement Bank in the Special Settlement and Custody System (SELIC).

#### List of bonds pledged as collateral:

[*List indicating: (i) bond; (ii) bond code; (iii) issuance date; (iv) maturity date; and (v) quantity*] (government bonds issued by the National Treasury of the Federative Republic of Brazil: National Treasury Bill (LTN), Treasury Financial Note (LFT), National Treasury Note C Series (NTN-C) or National Treasury Bill B Series (NTN-B)).

The PARTICIPANT further states that the bonds hereby given as a pledge are free from any liens or encumbrances whatsoever, and the PARTICIPANT undertakes to replace them for as long as the pledge lasts, should they become subject to any judicial constraint or should a bond expire during the term of this pledge.

In the event the PARTICIPANT defaults, as per the terms defined in the NOTICE OF INVITATION TO TENDER, BM&F is hereby authorized to sell the bonds given as a pledge, either directly to any interested party or through an auction, as it deems appropriate.

Furthermore, the above-mentioned PARTICIPANT and BM&F shall register this instrument, as signed by their duly authorized legal representatives in three identical counterparts with the relevant Registry of Documents. The Central District Court of the Capital City of the State of São Paulo has been chosen as having exclusive competence to settle any doubts or disputes arising from or in connection with this instrument.

Place and date

---

Brazilian Mercantile & Futures Exchange (BM&F) (Duly authorized legal representative's signature)

## Annex VI(a)

### TERMS OF THE STANDBY LETTER OF CREDIT

#### TO BE PRESENTED BY ALL INTERESTED PARTICIPANTS

[ VIA SWIFT MT7XX Series Message ]

From: [ ] (*Issuing Bank*)

To: Banco do Brasil S.A., London Branch (SWIFT BIC: BRASGB2L)

**Standby Letter of Credit Number: [NUMBER]**

We are pleased to issue our Standby Letter of Credit in favour of the Beneficiary as detailed below:

Date of issue : [ ]  
Applicant : [ ]  
Beneficiary : Banco BM&F de Servicos de Liquidacao e Custodia S.A.  
[ ]  
[ ]  
Date of Expiry : As defined in clause 3 below  
Place of Expiry : Banco do Brasil S.A., London Branch  
Advising/Confirming Bank : Banco do Brasil S.A., London Branch  
Amount: : EUR 1,000,000.00 (EURO ONE MILLION)

1. This Standby Letter of Credit Number [ ] is issued in favour of the Beneficiary at the request of the Applicant in the maximum aggregate sum of EUR 1,000,000.00 (EURO ONE MILLION), in connection with "INVITATION TO TENDER BM&F No. 001/2007 – AUCTION FOR THE SALE OF CERTIFIED EMISSION REDUCTIONS (CER)" (the "Auction").
2. This Standby Letter of Credit is available at sight at the counters of Banco do Brasil S.A., London Branch against presentation of the Beneficiary's first demand subject to the following conditions:
  - 2.1 Any demand made by the Beneficiary under this Standby Letter of Credit must be received on or before the Date of Expiry (as defined in paragraph 3 below); and
  - 2.2 Any demand made by the Beneficiary must be in substantially the form set out below headed "Form of Demand" and sent in writing, purportedly signed by an authorised signatory.
3. Unless previously cancelled by the Beneficiary via authenticated notice from the Beneficiary to Banco do Brasil S.A., London Branch, this Standby Letter of Credit shall expire upon the earliest to occur of (a) at the closing of normal banking hours at the office of Banco do Brasil S.A., London Branch on [ date = to 30-days after the date of the auction ] or (b) the

date the first payment is made under this Standby Letter of Credit in respect of a demand made under this SBLC (the "**Date of Expiry**").

4. Neither the Applicant, Issuing Bank, the Confirming Bank nor the Beneficiary may transfer, assign, charge, or otherwise dispose of any of their respective rights under this Standby Letter of Credit. For the avoidance of doubt, nothing in this Standby Letter of Credit shall confer on any third party any benefit or the right to enforce any term of this Standby Letter of Credit.
5. The Advising Bank is asked to advise the Beneficiary and to add its confirmation to this Standby Letter of Credit.
6. All banking charges related to this Standby Letter of Credit other than those of the issuer are for the account of the Beneficiary.
7. This Standby Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007) UCP 600. This Standby Letter of Credit shall be governed by, and construed in accordance with, the laws of England and only the English courts shall have exclusive jurisdiction to hear any dispute in relation to this Standby Letter of Credit.
8. Banco do Brasil S.A., London Branch is authorized to claim reimbursement for presentations made in compliance with the terms and conditions of this Standby Letter of Credit via authenticated SWIFT and we undertake to honour such reimbursement claims on the next banking day in London after dispatch of such claim by Banco do Brasil SA, London Branch.
9. This SWIFT message is the operative Standby Letter of Credit and no further advice of the issue of this Standby Letter of Credit will be given.



**Annex VI(b)**

**TERMS OF THE STANDBY LETTER OF CREDIT**

**TO BE PRESENTED BY THE SUCCESSFUL BIDDER**

[ VIA SWIFT MT7XX Series Message ]

From: [ ] (**Issuing Bank**)

To: Banco do Brasil S.A., London Branch (SWIFT BIC: BRASGB2L)

**Standby Letter of Credit Number: [NUMBER]**

We are pleased to issue our Standby Letter of Credit in favour of the Beneficiary as detailed below:

Date of issue : [ ]  
Applicant : [ ]  
[ ]  
[ ]  
Beneficiary : Banco BM&F de Servicos de Liquidacao e Custodia S.A.  
[ ]  
[ ]  
Date of Expiry : As defined in clause 3 below  
Place of Expiry : Banco do Brasil S.A., London Branch  
Advising/Confirming Bank : Banco do Brasil S.A., London Branch  
Amount: : EUR [●]

1. This Standby Letter of Credit Number [ ] is issued in favour of the Beneficiary at the request of the Applicant in the maximum aggregate sum of EUR [●] (EURO.....), in connection with "INVITATION TO TENDER BM&F No. 001/2007 – AUCTION FOR THE SALE OF CERTIFIED EMISSION REDUCTIONS (CER) ("the Auction)".
2. This Standby Letter of Credit is available at sight at the counters of Banco do Brasil S.A., London Branch against presentation of the Beneficiary's first demand subject to the following conditions:
  - 2.1 Any demand made by the Beneficiary under this Standby Letter of Credit must be received on or before the Date of Expiry (as defined in paragraph 3 below); and
  - 2.2 Any demand made by the Beneficiary must be in substantially the form set out below headed "Form of Demand" and sent in writing, purportedly signed by an authorised signatory.
3. Unless previously cancelled by the Beneficiary via authenticated notice from the Beneficiary to Banco do Brasil S.A., London Branch, this Standby Letter of Credit shall expire upon the earliest to occur of (a) at the closing

of normal banking hours at the office of Banco do Brasil S.A., London Branch on [ *date = to 210-days after the date of the auction* ] or (b) the date the first payment is made under this Standby Letter of Credit in respect of a demand made under this SBLC (the "**Date of Expiry**").

4. Neither the Applicant, Issuing Bank, the Confirming Bank nor the Beneficiary may transfer, assign, charge, or otherwise dispose of any of their respective rights under this Standby Letter of Credit. For the avoidance of doubt, nothing in this Standby Letter of Credit shall confer on any third party any benefit or the right to enforce any term of this Standby Letter of Credit.
5. The Advising Bank is asked to advise the Beneficiary and to add its confirmation to this Standby Letter of Credit.
6. All banking charges related to this Standby Letter of Credit other than those of the issuer are for the account of the Beneficiary.
7. This Standby Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007) UCP 600. This Letter of Credit shall be governed by, and construed in accordance with, the laws of England and only the English courts shall have exclusive jurisdiction to hear any dispute in relation to this Standby Letter of Credit.
8. Banco do Brasil S.A., London Branch is authorized to claim reimbursement for presentations made in compliance with the terms and conditions of this Standby Letter of Credit via authenticated SWIFT and we undertake to honour such reimbursement claims on the next banking day in London after dispatch of such claim by Banco do Brasil S.A., London Branch.
9. This SWIFT message is the operative Standby Letter of Credit and no further advice of the issue of this Standby Letter of Credit will be given.

**FORM OF DEMAND**  
**To be presented to Banco do Brasil S.A., London Branch**  
[ on the letterhead of the Beneficiary ]

[ *name and address of Issuing Bank* ]

[ ]

[ ]

[ Date ]

Dear Sirs,

Reference is made to the Standby Letter of Credit no. [ ] issued on [●], 200[ ] by [ *name of issuing bank* ] on account of [ *name of Applicant* ] (the "Applicant") in favour of Banco BM&F de Serviços de Liquidação e Custódia S.A. ("Banco BM&F") in connection with "INVITATION TO TENDER BM&F No. 001/2007 – AUCTION FOR THE SALE OF CERTIFIED EMISSION REDUCTIONS (CER) ("the Auction") ("the SBLC)". Banco do Brasil S.A. London Branch reference [ ].

We hereby demand full and prompt payment under the SBLC of EUR [●] in immediately available funds by wire transfer to the bank account as follows:

Pay To : Banco do Brasil S.A., London Branch (SWIFT BIC: BRASGB2L)

For Account Of: Banco BM&F de Serviços de Liquidação e Custódia S.A

IBAN : GB67 BRAS 4050 4720 3539 99

Ref. : SBLC No. [ ]

We hereby certify that:-

(a) the amount being hereby demanded is due to Banco BM&F as a result of Banco BM&F having determined that it has not received payment from the Applicant of the following amount that is due and owing to Banco BM&F from the Applicant:-

[ EUR [●] being full payment of the penalty/fine referred to in clause 5.6.3 of the Auction, such amount being 30.00% of this SBLC ]

[ EUR [●] being full payment of the penalty/fine referred to in clause 5.6.5 of the Auction, such amount being 10% of this SBLC ]

[ EUR [●] being full payment of the amount due per clause 5.5.2 of the Auction such amount being 100% of this SBLC. ]

(b) Immediately upon payment of the amount demanded as aforesaid, the balance of the SBLC (if any) shall be automatically cancelled and the Date of Expiry of the SBLC shall be considered to have occurred.

Yours faithfully

Banco BM&F de Serviços de Liquidação e Custódia S.A

.....  
Authorized Signer(s)

Annex VII



**CARBON MARKET**

**LIST OF STANDBY LETTERS OF CREDIT ISSUING BANKS**

– For the purposes of the provisions set forth in item 4.1.6 of the NOTICE –

1. ABN Amro Bank N.V.
2. Barclays Bank PLC
3. Banco Espírito Santo S.A.
4. BNP Paribas S.A.
5. Calyon
6. Credit Suisse
7. Deutsche Bank AG
8. Fortis Bank N.V./S.A.
9. Goldman Sachs & Co.
10. HVB (Bayerische Hypo-und Vereinsbank)
11. ING Bank NV
12. J.P.Morgan Chase Bank
13. KfW (Kreditanstalt für Wiederaufbau)
14. Natixis
15. Rabobank Nederland
16. The Royal Bank of Scotland PLC
17. Banco Santander Central Hispano S.A.
18. Société Générale
19. Sumitomo Mitsui Banking Corporation
20. UBS AG

# Functionalities of the BM&F Carbon Credit Trading System

## User's Manual



07/20/2007

## Contents

1. Introduction
  - 1.1 Purpose
  - 1.2 Installation
2. System overview
  - 2.1 Trade processing
  - 2.2 Order types
  - 2.3 Access to the system
  - 2.4 Web trading interface
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  - 5.3 Instrument
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## 1. Introduction

### 1.1 Purpose

The purpose of BM&F's electronic system is to allow for the trading of instruments whose underlyings are related to the carbon market as well as to other Brazilian Mercantile & Futures Exchange (BM&F) markets.

The electronic trading occurs through the processing and matching of orders (bids and asks) by system algorithms which are executed in computers. These algorithms are detailed in this Manual.

The Web trading interface, operating via internet, allows for both the monitoring of transactions by participants and the registration of orders by traders.

### 1.2 Installation

By virtue of being a Web-based application, the the BM&F carbon credit trading system requires no specific installation procedure. However, to ensure its adequate operation, the following minimum installation prerequisites must be fulfilled:

- Minimum hardware: Pentium IV, 1GHz, 512MB of RAM memory, 1GB of free disk space;
- Minimum software: Windows 2000 or Windows XP, Internet Explorer 6, disabled antipop-up, cookies enabled for Internet Explorer, and video configured for 1024 X 768 pixels.

## 2. System overview

In this section, a general overview of the system is presented, including the functionalities and algorithms which are processed in the BM&F central servers, as well as the characteristics of the Web trading interface and the monitoring of trading.

### 2.1 Trade processing

Trading presupposes the existence of traders (buyers and sellers), as well as of the market surveillance activities performed by BM&F.

The electronic trading system allows for the execution of two types of trading, each having its own characteristics and algorithms, as described below.

#### 2.1.1 Best price auction

The type of trading session where orders are continuously registered by traders, but no trades are effectively executed until the end of the auction.

Once the auction is over, trades are executed on a best price basis, which means the highest price in a sale auction and the lowest price in a purchase auction.

At the Supervisor's discretion, provided that all the rules established prior to the auction are observed, more than one trade may be executed at the end of the auction, even at different prices.

#### 2.1.2 Continuous trading

The type of trading which may occur following an auction, as described in the previous item, provided there are lots available for trading. In this type of trading, trades may be executed as bids (asks) are registered at a price higher than (lower than) or equal to the ask (bid) price registered at the opening of the ongoing session.

### 2.2 Order types

There are orders to buy and orders to sell, and traders can only register a single order type. To register an order in the system, the corresponding price must be mandatorily informed.

### 2.3 Access to the system

Users have access to the system's entry page through the following Website link:

<http://www.bmf.com.br/carbonauction>



**1 – Accessing the system**

Each user is identified by a login and a password. The functionalities assigned to users are determined in accordance with their respective profiles, as explained below:

- **Trader:** The carbon credit trader who can access the sell or buy functionalities;
- **Observer:** The participant who can only access the functionalities related to the monitoring of trading, with no authorization to send orders or messages.

## 2.4 Web trading interface

Project	Instrument	Maturity	Bid Qty	Bid Price	Offer Price	Offer Qty	Min Price	Min Qty	Max Qty	Status	Opening date
Energy Efficiency Project	CERP089D	SPOT					10.00	100,000	300,000	Under auction	22/06/2007
Cogeneration Project	CERP092D	SPOT					12.00	500,000	1,000,000	Under auction	22/06/2007
Landfill gas Project	CERP091D	SPOT	200,000	14.00			11.00	200,000	600,000	Under auction	22/06/2007

Hour	Qty	Price	Buyer	Seller
19:03:54	850,000	12.90	959	760

Seq. code	Time	Participant	Qty	Price
13	18:19:54	949	100,000	12.90
12	18:19:17	949	900,000	12.80
11	18:17:43	949	850,000	12.70
10	18:17:12	949	800,000	12.60
9	18:15:06	949	750,000	12.50
8	18:14:22	949	700,000	12.40
7	18:13:17	949	650,000	12.30
6	18:12:23	949	600,000	12.20
5	18:11:05	949	550,000	12.10
4	17:56:49	949	500,000	12.00

Action	Seq. code	Date	Client	Type	Instrument	Order qty.	Price Required	Traded Qty	Remaining Qty
X	9	06/07/2007	955	Buy	CERP092D	750,000	12.50	0	750,000
X	8	06/07/2007	954	Buy	CERP092D	700,000	12.40	0	700,000
X	7	06/07/2007	953	Buy	CERP092D	650,000	12.30	0	650,000
X	6	06/07/2007	952	Buy	CERP092D	600,000	12.20	0	600,000
X	5	06/07/2007	951	Buy	CERP092D	550,000	12.10	0	550,000
X	4	06/07/2007	950	Buy	CERP092D	500,000	12.00	0	500,000

### 2 – Web trading interface

The main system functionalities are listed below:

- Language
- Brasilia time
- UTC time
- Market summary
- Market trades
- Order registration
- Market by order
- Order management
- Messages
- Notification

These functionalities are detailed on the next pages.

## 3. Language

The electronic trading system may be visualized in Portuguese or English. The language for the system interface may be easily altered by clicking on the flag corresponding to the language desired.



3 – Language

## 4. Time

This functionality provides the time furnished by the electronic trading system servers, which are synchronized with the official Brasilia time. The UTC time (Coordinated Universal Time) is also displayed.



4 – Time

## 5. Market summary

This functionality allows the monitoring of trade-related information in a summarized form, including the possibility to monitor multiple instruments in a consolidated manner.

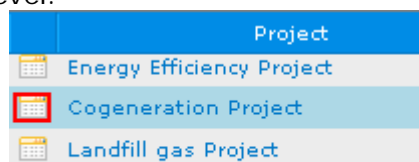
This screen provides a link to instrument details, besides furnishing basic information about the continuous trading session, namely: instrument maturity, quantity for the best bid, quantity for the best ask, price for the best bid, price for the best ask, minimum price, minimum quantity, maximum quantity, instrument status, initial and final trading time. In this section of the screen, the trader chooses an instrument to monitor and trade.

Project	Instrument	Maturity	Bid Qty	Bid Price	Offer Price	Offer Qty	Min Price	Min Qty	Max Qty	Status	Opening da
Energy Efficiency Project	CERP089D	SPOT					10.00	100,000	300,000	Under auction	22/06/200:
Cogeneration Project	CERP092D	SPOT					12.00	500,000	1,000,000	Under auction	22/06/200:
Landfill gas Project	CERP091D	SPOT	200,000	14.00			11.00	200,000	600,000	Under auction	22/06/200:

5 – Market summary

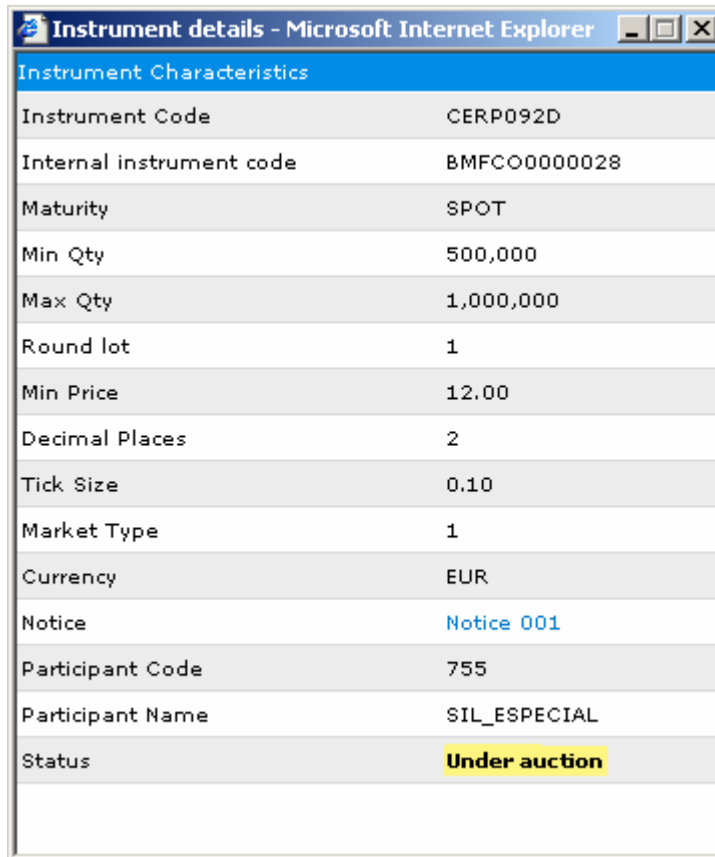
### 5.1 Instrument characteristics

The link to the screen “instrument characteristics” is located left of the respective instrument on the same horizontal level.



6 – Link to “instrument characteristics”

Upon clicking on the link indicated in the above illustration, the window “instrument characteristics” opens up, displaying the information regarding the selected instrument.



Instrument Characteristics	
Instrument Code	CERP092D
Internal instrument code	BMFCO0000028
Maturity	SPOT
Min Qty	500,000
Max Qty	1,000,000
Round lot	1
Min Price	12.00
Decimal Places	2
Tick Size	0.10
Market Type	1
Currency	EUR
Notice	<a href="#">Notice 001</a>
Participant Code	755
Participant Name	SIL_ESPECIAL
Status	<b>Under auction</b>

7 – Window “instrument characteristics”

### 5.1.1 Description of the fields of the screen “instrument characteristics”

1. **External code:** External code, as determined by BM&F.
2. **Internal instrument code:** Internal code for the instrument, as determined by BM&F.
3. **Maturity:** Maturity date for the instrument.
4. **Min qty:** Minimum quantity for the order, expressed in units of Certified Emission Reduction (CER), as defined by the auction notice.
5. **Max qty:** Maximum quantity for the order, expressed in units of CER.
6. **Round lot:** Multiple quantity (or lot size), expressed in CER units, which must be followed by the order.
7. **Min price:** Minimum price for the order, as defined by the auction notice.
8. **Decimal places:** Number of decimal places for the order price.
9. **Tick size:** Minimum variation between the order prices.
10. **Market type:** Code for the market type (spot, futures, options on actuals, options on futures, and forward) where the carbon credits are being traded.
11. **Currency:** Currency utilized as reference for the trading of carbon credits.
12. **Notice:** Link to the notice which describes the rules for the instrument auction.
13. **Participant code:** Code determined by BM&F for a participant who holds carbon credits.
14. **Participant name:** Name of the participant who is placing the carbon orders.
15. **Status:** Indicates the auction phase where the traded instrument is in.

### 5.2 Project

This column exhibits the name of the projects whose carbon credits are being offered for trading in the auction. Each line corresponds to a hyperlink which, when clicked on, opens up a document that describes the underlying project characteristics.

Project
Energy Efficiency Project
Cogeneration Project
Landfill gas Project

8 – Project

### 5.3 Instrument

This column exhibits the instruments available for trading.<sup>1</sup>

Instrument
CERP089D
CERP092D
CERP091D

9 – Instrument

### 5.4 Remaining fields of the screen “market summary”

- 1. Maturity:** Maturity date for the traded instrument.
- 2. Min qty:** Minimum quantity for the order, expressed in CER units, as defined by the auction notice.
- 3. Bid qty:** Sum total of the order quantities which present the best bid price, as classified by the BM&F system and in observance of the auction notice rules.
- 4. Max qty:** maximum quantity for the order, expressed in CER units, as defined by the auction notice.
- 5. Bid price:** Price of the best bid, as classified by the BM&F system.
- 6. Status:** Indicates the current auction phase where the traded instrument is in.
- 7. Offer price:** price of the best ask, as classified by the BM&F system.
- 8. Opening date/time:** Registration of the exact opening time for the auction.
- 9. Offer qty:** Sum total of the order quantities which present the best ask price, as classified by the BM&F system.
- 10. Closing date/time:** Registration of the exact closing time for the auction.
- 11. Min price:** Minimum price for the credits being offered for trading, as defined in the auction notice.

## 6. Order registration

This window allows users to insert an order for the selected instrument by informing the client code, order quantity and order price.

<sup>1</sup> Refer to the appendix to understand the method by which the instruments are codified.

The icon CLEAR allows the deletion of fields which are inserted but not sent.



10 – Order registration

## 7. Market trades

This functionality exhibits the list of executed trades, for a selected instrument, as they are executed. It exhibits the time, the quantity and the closing trade price, as well as the participant codes for the buyer and the seller.

Hour	Qty	Price	Buyer	Seller
19:03:54	850,000	12.90	959	760

11 – Market trades

### 7.1 Description of fields

- Time:** Registration of the closing time of the trade.
- Buyer:** Buyer's code for the carbon credits traded.
- Qty:** Quantity of carbon credits traded.
- Seller:** Seller's code for the carbon credits traded.
- Price:** Price of the carbon credits traded by participant.

### 7.2 Visualization of the list of market trades

Upon selecting the option SEE ALL, the system exhibits a list containing all the trades, displaying the same fields as the ones in the screen "market trades."

## 8. Market by order

This functionality exhibits all the open bids and asks, including their respective codes, quantities and prices, as well as the codes for the participants involved.

This screen presents two divisions: The upper part (yellow), where the bids for the selected instrument are exhibited, and the lower part (green), where the asks for that same instrument are shown, both are always classified by best price and by arrival time.

MARKET BY ORDER				
Bids - CERP092D				
Seq. code	Time	Participant	Qty	Price
13	18:19:54	949	950,000	12.90
12	18:19:17	949	900,000	12.80
11	18:17:43	949	850,000	12.70
10	18:17:12	949	800,000	12.60
9	18:15:06	949	750,000	12.50
8	18:14:22	949	700,000	12.40
7	18:13:17	949	650,000	12.30
6	18:12:23	949	600,000	12.20
5	18:11:05	949	550,000	12.10
4	17:56:49	949	500,000	12.00
Offers - CERP092D				
Seq. code	Time	Participant	Qty	Price
14	18:22:37	755	850,000	12.50

12 – Market by order

### 8.1 Description of fields

- Seq code:** External code assigned to an order, as defined by BM&F.
- Time:** Registration of the exact time of an order insertion.
- Participant:** External code assigned to a participant making a bid or ask, as defined by BM&F.
- Qty:** Quantity of carbon credits in a bid or ask, expressed in CER units.
- Price:** Order price for the carbon credits, expressed in monetary units.

### 8.2 Mouse trading

Mouse trading is a functionality whose purpose is to facilitate the utilization of the system by the user. By simply clicking on the left-button of a mouse, one can select and act on bids and asks, as well as capture the corresponding counterparty information to insert an order. An order may be selected in two possible ways, as described below.

### **8.2.1 Selecting an order by price**

Upon clicking on the order price corresponding to the bid or ask one chooses to act on, the information for this order is automatically transferred to the “order registration” screen, as demonstrated by the following example:

(a) First the trader clicks on the price corresponding to the order to be hit.

MARKET BY ORDER				
Bids - CERP092D				
Seq. code	Time	Participant	Qty	Price
13	18:19:54	949	950,000	12.90
12	18:19:17	949	900,000	12.80
11	18:17:43	949	850,000	12.70
10	18:17:12	949	800,000	12.60
9	18:15:06	949	750,000	12.50
8	18:14:22	949	700,000	12.40
7	18:13:17	949	650,000	12.30
6	18:12:23	949	600,000	12.20
5	18:11:05	949	550,000	12.10
4	17:56:49	949	500,000	12.00

**13 – Mouse trading: Selecting an order by price**

(b) Following this action, the fields of the screen “order registration” are automatically completed.



**14 – Mouse trading: Order selected by price**

(c) To complete the trade, the trader informs the client code and clicks on the button corresponding to either buy or sell.

**8.2.2 Selecting an order by quantity**

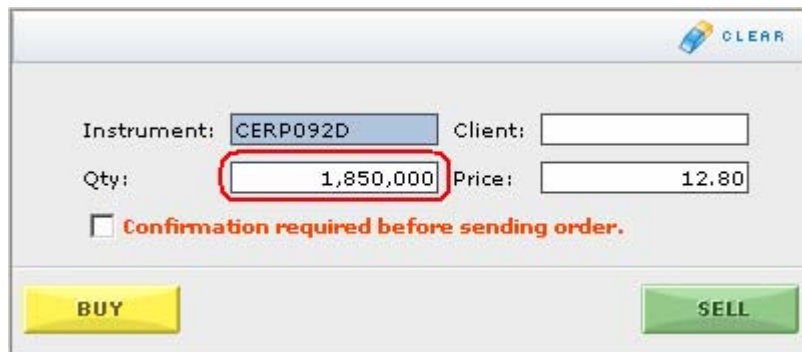
Another way to select an order to hit is by quantity. In this situation, the user indicates the intention to buy or sell a certain quantity of carbon credits, which is equivalent to the sum of the selected order with the other book orders positioned above the selected order. See the following example:

(a) Trader clicks on the quantity for the order to be hit.

Bids - CERP092D				
Seq. code	Time	Participant	Qty	Price
13	18:19:54	949	950,000	12.90
12	18:19:17	949	900,000	12.80
11	18:17:43	949	850,000	12.70
10	18:17:12	949	800,000	12.60
9	18:15:06	949	750,000	12.50
8	18:14:22	949	700,000	12.40
7	18:13:17	949	650,000	12.30
6	18:12:23	949	600,000	12.20
5	18:11:05	949	550,000	12.10
4	17:56:49	949	500,000	12.00

**15 – Mouse trading: Selecting an order by quantity**

(b) Following this action, the fields of the screen “order registration” are automatically completed as follows: (i) The field “quantity” is filled with the sum total of all the orders to be sold by the trader—in this example, it is equal to 1,850,000 credits (that is, 950,000 + 900,000); and (ii) the field “price” corresponds to the selected order—in this example, it is equal to 12.80.















**16 – Mouse trading: Order selected by quantity**

(c) To complete the trade, the trader informs the client code and clicks on the button corresponding to buy or sell.

## 9. Order management



This functionality provides traders with a window to monitor their own orders.

The corresponding window exhibits information related to the orders submitted, such as: Order code, date, client, order type, instrument, quantity and price. It also exhibits information regarding executed trades, such as traded quantity, remaining quantity and traded price. This window also allows for alterations and cancellations of open orders.

ORDER MANAGEMENT										
<input checked="" type="radio"/> Pending Orders <input type="radio"/> Cancelled Orders <input type="radio"/> Executed orders										
Action	Seq. code	Date	Client	Type	Instrument	Order qty.	Price Required	Traded Qty	Remaining Qty	Status
 	9	06/07/2007	955	Buy	CERP092D	750,000	12.50	0	750,000	Ins
 	8	06/07/2007	954	Buy	CERP092D	700,000	12.40	0	700,000	Ins
 	7	06/07/2007	953	Buy	CERP092D	650,000	12.30	0	650,000	Ins
 	6	06/07/2007	952	Buy	CERP092D	600,000	12.20	0	600,000	Ins
 	5	06/07/2007	951	Buy	CERP092D	550,000	12.10	0	550,000	Ins
 	4	06/07/2007	950	Buy	CERP092D	500,000	12.00	0	500,000	Ins
						1	2	3		

17 – Order management

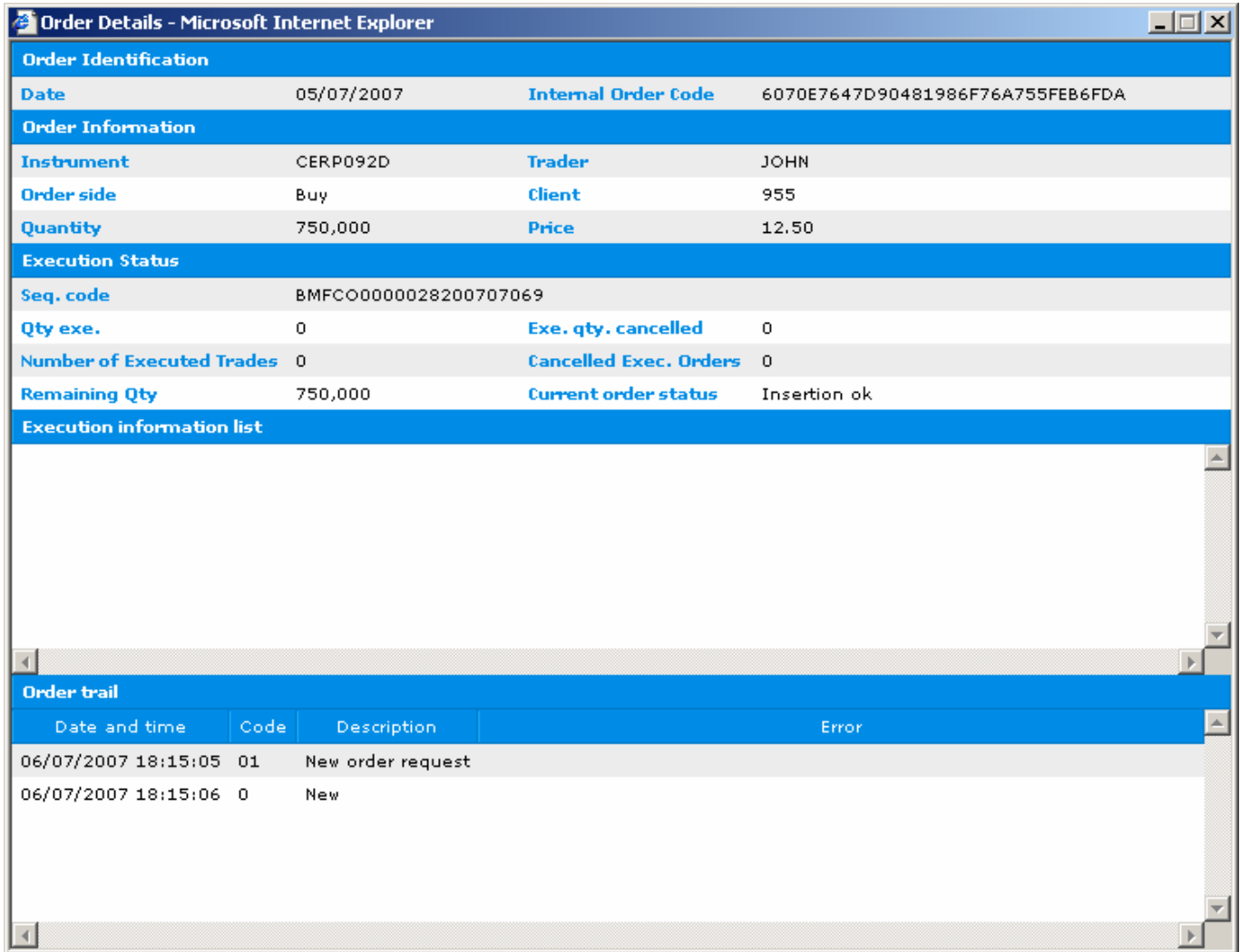
9.1 Description of fields

- |  |   |
|--|---|
| <p>1. <b>Action:</b>  Icon for altering an order</p> <p> Icon for canceling an order.</p> <p>4. <b>Client:</b> Client code.</p> <p>6. <b>Instrument:</b> Instrument Code.</p> <p>8. <b>Price required:</b> Order price.</p> <p>10. <b>Remaining qty:</b> Remaining quantity.<sup>2</sup></p> | <p>2. <b>Seq code:</b> Order code.</p> <p>3. <b>Date:</b> Order insertion date.</p> <p>5. <b>Type:</b> Order type (buy or sell).</p> <p>7. <b>Order qty:</b> Order quantity.</p> <p>9. <b>Traded qty:</b> Traded quantity.</p> <p>11. <b>Status:</b> Current instrument status.</p> |
|--|---|

9.1.1 Order details

Upon clicking on one of the elements of column “order code,” the window “order details” opens up.

<sup>2</sup> The remaining quantity is equivalent to the difference between the order quantity and the traded quantity.



18 – Order details

### 9.1.2 Description of the fields of the screen “order details”

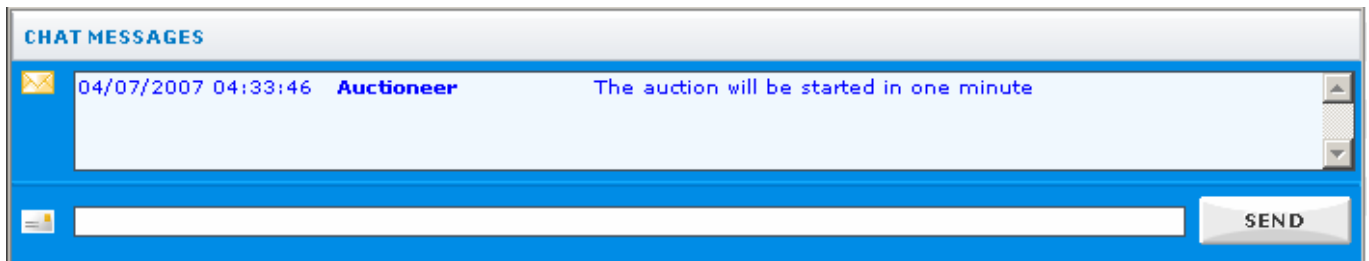
<p><b>1. Order identification</b></p>	<ul style="list-style-type: none"> <li>• <b>Date:</b> Order insertion date.</li> <li>• <b>Internal order code:</b> Internal code of the order.</li> </ul>
<p><b>2. Order information</b></p>	<ul style="list-style-type: none"> <li>• <b>Instrument:</b> Order instrument.</li> <li>• <b>Order side:</b> Buy or sell.</li> <li>• <b>Quantity:</b> Order quantity.</li> <li>• <b>Trader:</b> Trader code.</li> <li>• <b>Client:</b> Client code.</li> <li>• <b>Price:</b> Order price.</li> </ul>
<p><b>3. Execution status</b></p>	<ul style="list-style-type: none"> <li>• <b>Seq code:</b> Sequential order code.</li> <li>• <b>Qty exe:</b> Traded quantity.</li> <li>• <b>Number of executed trades:</b> Number of times the order is executed.</li> <li>• <b>Remaining qty:</b> Balance not executed.</li> <li>• <b>Exe qty cancelled:</b> Cancelled quantity.</li> <li>• <b>Cancelled exe orders:</b> Number of executed trades cancelled.</li> <li>• <b>Current order status:</b> Current order status.</li> </ul>
<p><b>4. Execution information list</b></p>	<ul style="list-style-type: none"> <li>• <b>Trade exe time:</b> Time of trade execution.</li> </ul>

- **Control number:** Sequential order code.
  - **Trade number:** Sequential trade number.
  
  - **Quantity:** Quantity executed.
  - **Traded price:** Price in which trade was executed.
  - **Status:** Current order status.
- 
- **Date and time:** Date and time of the event.
- 
- **Code:** Status code
  - **Description:** Status description.
  - **Error:** Error message.

**5. Order trail information**

## 10. Messages

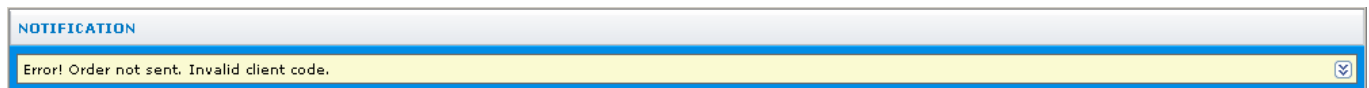
This functionality provides auction participants and market surveillance with a window for sending and receiving messages.



19 – Messages

## 11. Notification

This field exhibits the informational messages related to system actions performed by users.



20 – Notification

## 12. Typical examples

### 12.1 Inserting an order

The following provides a step-by-step description on how to insert a bid in the system.

#### 12.1.1 Select the instrument


To select an instrument, one needs only to click on the corresponding code located on the screen "market summary," as illustrated below.

Project	Instrument
Energy Efficiency Project	CERP089D
Cogeneration Project	CERP092D
Landfill gas Project	CERP091D

**21 – Market summary: Instrument selected**

**12.1.2 Include the order**

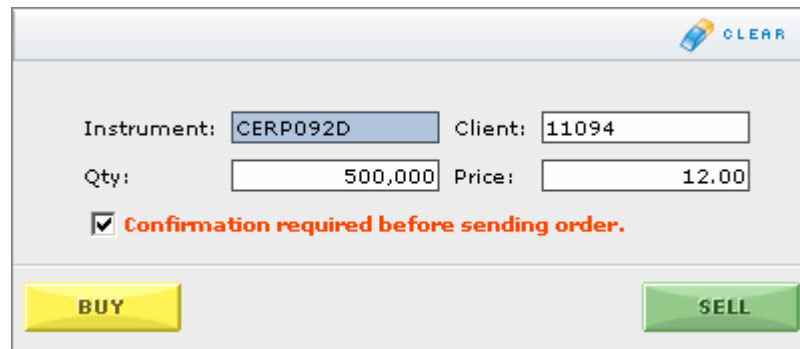
Upon selecting an instrument, the screen “order registration” is filled with the corresponding code, as illustrated below:



The screenshot shows a web form titled "order registration". At the top right is a "CLEAR" button with a trash icon. The form contains the following fields: "Instrument:" with a dropdown menu showing "CERP092D"; "Client:" with an empty text box; "Qty:" with an empty text box; and "Price:" with an empty text box. Below these fields is a checkbox labeled "Confirmation required before sending order." which is checked. At the bottom are two buttons: a yellow "BUY" button and a green "SELL" button.

**22 – Order: Instrument selected**

Next, the user must complete the fields for client, quantity and price.

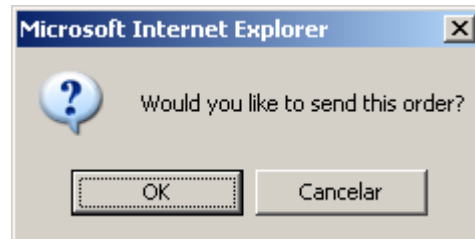


This screenshot shows the same order registration form as in the previous image, but with the following fields filled out: "Client:" contains "11094"; "Qty:" contains "500,000"; and "Price:" contains "12.00". The "Confirmation required before sending order." checkbox remains checked. The "BUY" and "SELL" buttons are still present at the bottom.

**23 – Order: Completing the fields**

To continue including the order, the user must click on the button BUY. The system will exhibit the following message:<sup>3</sup>

<sup>3</sup> To prevent this message from appearing, ensure that the option “confirmation required before sending order,” on the screen “send order,” is not selected.



**24 – Confirmation**

To conclude, the user must select the option OK.

### **12.1.3 Verifying the inclusion of the order**

When including an order, the corresponding information is displayed on the screens "order management," "market by order" and "market summary."

(a) Order management

ORDER MANAGEMENT										
<input checked="" type="radio"/> Pending Orders <input type="radio"/> Cancelled Orders <input type="radio"/> Executed orders										
Action	Seq. code	Date	Client	Type	Instrument	Order qty.	Price Required	Traded Qty	Remaining Qty	
	9	06/07/2007	955	Buy	CERP092D	750,000	12.50	0	750,000	Ins
	8	06/07/2007	954	Buy	CERP092D	700,000	12.40	0	700,000	Ins
	7	06/07/2007	953	Buy	CERP092D	650,000	12.30	0	650,000	Ins
	6	06/07/2007	952	Buy	CERP092D	600,000	12.20	0	600,000	Ins
	5	06/07/2007	951	Buy	CERP092D	550,000	12.10	0	550,000	Ins
	4	06/07/2007	950	Buy	CERP092D	500,000	12.00	0	500,000	Ins

25 – Order included: Order management

(b) Market by order

MARKET BY ORDER				
Bids - CERP092D				
Seq. code	Time	Participant	Qty	Price
13	18:19:54	949	950,000	12.90
12	18:19:17	949	900,000	12.80

26 – Order included: Market by order

(c) Market summary<sup>4</sup>

Project	Instrument	Maturity	Bid Qty	Bid Price	Offer Price	Offer Qty	Min Price	Min Qty	Max Qty	Status	Opening da
Energy Efficiency Project	CERP089D	SPOT					10.00	100,000	300,000	Under auction	22/06/200
Cogeneration Project	CERP092D	SPOT	950,000	12.90			12.00	500,000	1,000,000	Under auction	22/06/200
Landfill gas Project	CERP091D	SPOT	200,000	14.00			11.00	200,000	600,000	Under auction	22/06/200

27 – Order included: Market summary

## 12.2 Alteration of an order

### 12.2.1 Selecting the order to be altered

To select an order to be altered, click on the alteration icon, located at the same horizontal level as that of the selected order, on the screen “order management.”

<sup>4</sup> The order will only be displayed on the screen “market summary” when positioned at the top of the screen “market by order.”

ORDER MANAGEMENT										
<input checked="" type="radio"/> Pending Orders <input type="radio"/> Cancelled Orders <input type="radio"/> Executed orders										
Action	Seq. code	Date	Client	Type	Instrument	Order qty.	Price Required	Traded Qty	Remaining Qty	
	9	06/07/2007	955	Buy	CERP092D	750,000	12.50	0	750,000	Ins
	8	06/07/2007	954	Buy	CERP092D	700,000	12.40	0	700,000	Ins
	7	06/07/2007	953	Buy	CERP092D	650,000	12.30	0	650,000	Ins
	6	06/07/2007	952	Buy	CERP092D	600,000	12.20	0	600,000	Ins
	5	06/07/2007	951	Buy	CERP092D	550,000	12.10	0	550,000	Ins
	4	06/07/2007	950	Buy	CERP092D	500,000	12.00	0	500,000	Ins

28 – Alter order: Selecting an order

The screen “market by order” will immediately display the information on the selected order.

29 – Alter order: Screen “market by order”

### 12.2.2 Informing the new values for price and quantity













Next, the user must inform the new values for the order. Should the current auction rules allow, the alteration may be performed for the quantity, the order price, or both, as follows:

30 – Alter order: New values

After inserting the new values, the user must click on the button MODIFY to confirm the alteration.<sup>5</sup>

The screen “order management” shows the order with the values altered.

<sup>5</sup> The button CANCEL deletes the items inserted but not sent.

ORDER MANAGEMENT										
<input checked="" type="radio"/> Pending Orders <input type="radio"/> Cancelled Orders <input type="radio"/> Executed orders										
Action	Seq. code	Date	Client	Type	Instrument	Order qty.	Price Required	Traded Qty	Remaining Qty	
 	9	06/07/2007	955	Buy	CERP092D	700,000	12.50	0	700,000	Ins
 	8	06/07/2007	954	Buy	CERP092D	700,000	12.40	0	700,000	Ins
 	7	06/07/2007	953	Buy	CERP092D	650,000	12.30	0	650,000	Ins
 	6	06/07/2007	952	Buy	CERP092D	600,000	12.20	0	600,000	Ins
 	5	06/07/2007	951	Buy	CERP092D	550,000	12.10	0	550,000	Ins
 	4	06/07/2007	950	Buy	CERP092D	500,000	12.00	0	500,000	Ins
						1 2 3				

31 – Alter order: Order altered

## 13. Index of illustrations

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- 31 – Alter Order: Order altered

## 14. Appendix

### 14.1 Instrument codification

In the carbon market auctions, each instrument is identified by a code generated by the system.

This code is composed of four blocks of information, as explained in the following examples:

#### **CER P021 D 03**

(a) Block 1: **CER**: This is a fixed block which means Certified Emission Reduction and identifies the carbon market security.

(b) Block 2: **P021**: This block informs the project(s) or the underlying related to the instrument. If the instrument represents an offer of carbon credits related to a single project, it will be identified by the letter "P," followed by the registration number of the project in the BM&F Carbon Facility. If the instrument represents an offer of carbon credits related to several projects, this set (or basket) of projects will be identified by the letter "B" (for basket), followed by the respective sequential number generated by the system. Example: **CERB021D03**.

(c) Block 3: This block informs the type of market and maturity for the instrument, that is:

- For the spot market, the letter **D** is utilized. Example: **CER P021 D 03**.
- For the forward market, the letter corresponding to the month of maturity (see table below), followed by the numbers corresponding to the year of maturity, is utilized. Example: **CER P021 Z08 03**. The letter Z corresponds to the month of December, and the number 08 corresponds the year of 2008, that is, in this case the instrument will mature in December 2008.

Letter	Month
F	January
G	February
H	March
J	April
K	May
M	June
N	July
Q	August
U	Septembe r
V	October
X	November
Z	December

**List of codes for maturity months**

(d) Block 4: This block aims to distinguish, when applicable, the instruments related to the same project, with the same maturity but distinct trading rules. Example: **CER P021 Z08 03**, which can be identified by the trader as instrument number 3 of project number 21, with maturity in December 2008.

## Annex IX

### TERM OF RESPONSIBILITY

[Name of the São Paulo Municipal Government's Focal Point] and [name of the Consenting Intervening Party's Focal Point], in their respective capacities as duly authorized representatives of the São Paulo Municipal Government and Biogás Energia Ambiental S.A. (BIOGÁS) with respect to the certified reduction of methane gas emissions from the Bandeirantes Landfill Gas to Energy Project in São Paulo, Brazil, registered under the Clean Development Mechanism (CDM) to the Kyoto Protocol, do hereby undertake, on an irrevocable and irreversible basis, to adopt, within the time frames and under the conditions set forth in the AUCTION's NOTICE OF INVITATION TO TENDER, any and all necessary measures within their responsibility which may be required under the Kyoto Protocol to transfer the Certified Emission Reductions (CER) (and legal title and ownership thereto) as sold by the Municipal Government in the AUCTION to be held by Brazilian Mercantile & Futures Exchange (BM&F), to the WINNING BIDDER.

To that end, the Undersigned undertake to perform the necessary acts and to prepare the relevant documentation, which shall, upon completion of the AUCTION, be sent to BM&F for submission to the CDM Executive Board and SECRETARIAT. The Undersigned shall also remain responsible for complying with any further requirements that may possibly be made under the Kyoto Protocol until such time as the actual CER and legal title and ownership thereto has been transferred, as per the terms defined in the NOTICE.

São Paulo, August 20, 2007

**[signatures in the Portuguese version only]**

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São Paulo Municipal Government

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Biogás Energia Ambiental S.A