

Carbon Cap and Trade Opportunity

Failsafe Canada has been involved in the Alberta Carbon Emission Reduction program for the last four years. The Alberta market place is estimated at being a \$55 billion dollar industry with the North American market being \$3 trillion,

Offset Emission reductions are calculated on the basis of 1 tonne of Carbon Dioxide (CO₂) being reduced from the atmosphere. All greenhouse gases are converted into CO₂ equivalents. Each tonne of reduction are referred to as an offset and purchased by “Large Final Emitters” or the big polluters in order to offset their emission reduction requirements as legislated by the Alberta government. Alberta has lead the way in North America and is the only province/State that has a mandatory system in place similar to Europe. Over the next five to six years all provinces and States will be under a mandatory program to reduce their Greenhouse Gas Emissions.

In addition to providing complete ERP systems to the Carbon Cap and Trade industry Failsafe has identified a unique investment opportunity with returns varying from 25% to 300%. The investment capital required can also vary from one million to one hundred and fifty million dollars. The reason for the variance is that the opportunity involves the purchasing of carbon offset inventory, thus inventory would be purchased for the total amount of capital available to the organization.

A “carbon bank” would be created for the purchasing of this inventory. This is in preference to an Exchange. In a regulated market such as present in Alberta and being put forward by all other levels of government in North America, this makes a carbon offset (the inventory) government backed. The cap on the carbon offset is really a tax on large final emitters (LFE’s) for the pollution that they emitting into the atmosphere, thus it is highly unlikely that it will ever go down. Any government lowering this cap would be giving tacit approval to industry to pollute. This also makes the investment opportunity as inflation proof as possible. The cap in Alberta, at the moment, for an offset credit is \$15.00 and we know that the intention is to raise that to \$20.00 by 2010, \$25.00 by 2012 and there is speculation that it will be \$65.00 by 2014.

The investment strategy of the bank will be to purchase offsets under a short term, medium and long term investment scheme. Offsets can now be purchased in Alberta for \$10.00/offset and resold under a short term investment strategy for \$12-\$13.00. Offsets could be purchased in other parts of the country for \$2.00/cdn and actually held till they could be resold for \$65.00. Obviously the opportunity presents various options to generate ongoing cash flow and multiple turn around of capital. The pay out to suppliers would be accomplished through a preloaded interac card or smart card.

The EOS team includes an excellent well balance team of individuals with over fifty years in complete leadership and direction expertise, which includes eleven years experience in offset market involvement and 35 years of application development and project management experience.