



CPFL Board Resolution N.º2001022/CPFL

Report N.º 0/T – 31/07/01

Subject: “Consulting Company hiring to structure a financing derivative (CERs) qualified to be internationally transacted from GHG (Greenhouse Gases) avoided emissions”

1 – Report:

The Global Warming issue made headlines throughout the world after the United Nations Conference on Climate Change held in Kyoto, Japan, from 1<sup>st</sup> to 10<sup>th</sup> December, 1997.

If pollutant emissions to the atmosphere are not controlled, global warming could cause climate changes at many parts of the planet, with unpredictable effects for the environment and for the world economy.

Many of the mathematic models idealized by scientists foresee possible damages caused by this uncontrolled gases emission. Pessimist scenarios about the global warming effect were traced for several regions of the planet by scientists of the United Nations Framework Convention on Climate Change.

The Kyoto Protocol foresaw a global reduction in the next 15 years of 5.2% of the main pollutant gases’ emissions related to the level registered in 1990, through “carbon emission quotas”. The reduction will be done just by the industrialized countries, in differentiated quotas up to 8%.

Seeking the accomplishment of the protocol goals established in Kyoto, the signatories’ countries will be able to use their own forests as sinks or develop projects for emission reduction in the sources, in any economic sector, as well as new sinks creation. The obtained reduction units might be transferred to or acquired from any other party.

CPFL business activities create opportunities of Greenhouse Gases (GHG) Reduction Projects development which contribute to reduce the global climate change. Additionally, in a pioneer way, these projects can increase CPFL’s brand awareness through the environmental benefits achieved. Besides, such projects can also improve the company’s financial results, by the commercialization of the Greenhouse Gases’ Certified Emissions Reductions (CERs).

In order to evaluate the CERs’ potential generated by CPFL’s developed activities, it is necessary to hire a specialized company for the development of these projects that aim to mitigate the Greenhouse gases impact, in accordance with the Article 12 of the Kyoto Protocol.

In the first project phase, object of this **Board of Directors Report**, an analysis of the contractual instruments will be made, which will be used as basis to define appropriate legal mechanisms in order to avoid risks by identifying weaknesses, making suggestions and evaluating the contractual warranty of the credits entitlement.

This phase will be conducted by a technical audit firm, establishing the GHG reduction assumptions, quantifying the environmental additional, economical and financial data. The final report will include the following documents:

Sub-report 1 – Financial Derivative Structuring – Estimative of future CERs production per project site, defining the main assumptions used to support these quantity projections and



terms, as well as the financial guarantees necessary for future trade as an environmental derivative.

Sub-report 2 – Certifications and entitlement of the CERs, through a legal analysis of the current energy purchase contracts.

Sub-report 3 – Propositions for the review of the energy purchase contracts and energy efficiency services provided by CPFL.

## 2 – Costs

The first phase of the project costs – Preliminary Evaluation, to be developed by the company CarboNetwork, will be of R\$ 70,000 (seventy thousand Brazilian Reais) to be paid:

25% at the proposal acceptance

25% at the progress report delivery, to be issued 12 (twelve) weeks after the beginning of the works and,

50% at the final report delivery, to be issued 6 months after the beginning of the works.

## 3 – Conclusions

The CTO and CFO propose to the Board the approval of a consulting services' contract with the company CarboNetwork, at the value of R\$70,000 (Seventy Thousand Brazilian Reais) for the development of the first phase of the project preliminary evaluation.

Annex I – Technical-Commercial Proposal from Carbon Network – July 2001.

This document was signed by Miguel Normando Abdalla Saad (CTO), Otávio Carnello de Rezende (CFO) and Renato de Lima Júnior (Legal Counsellor).