



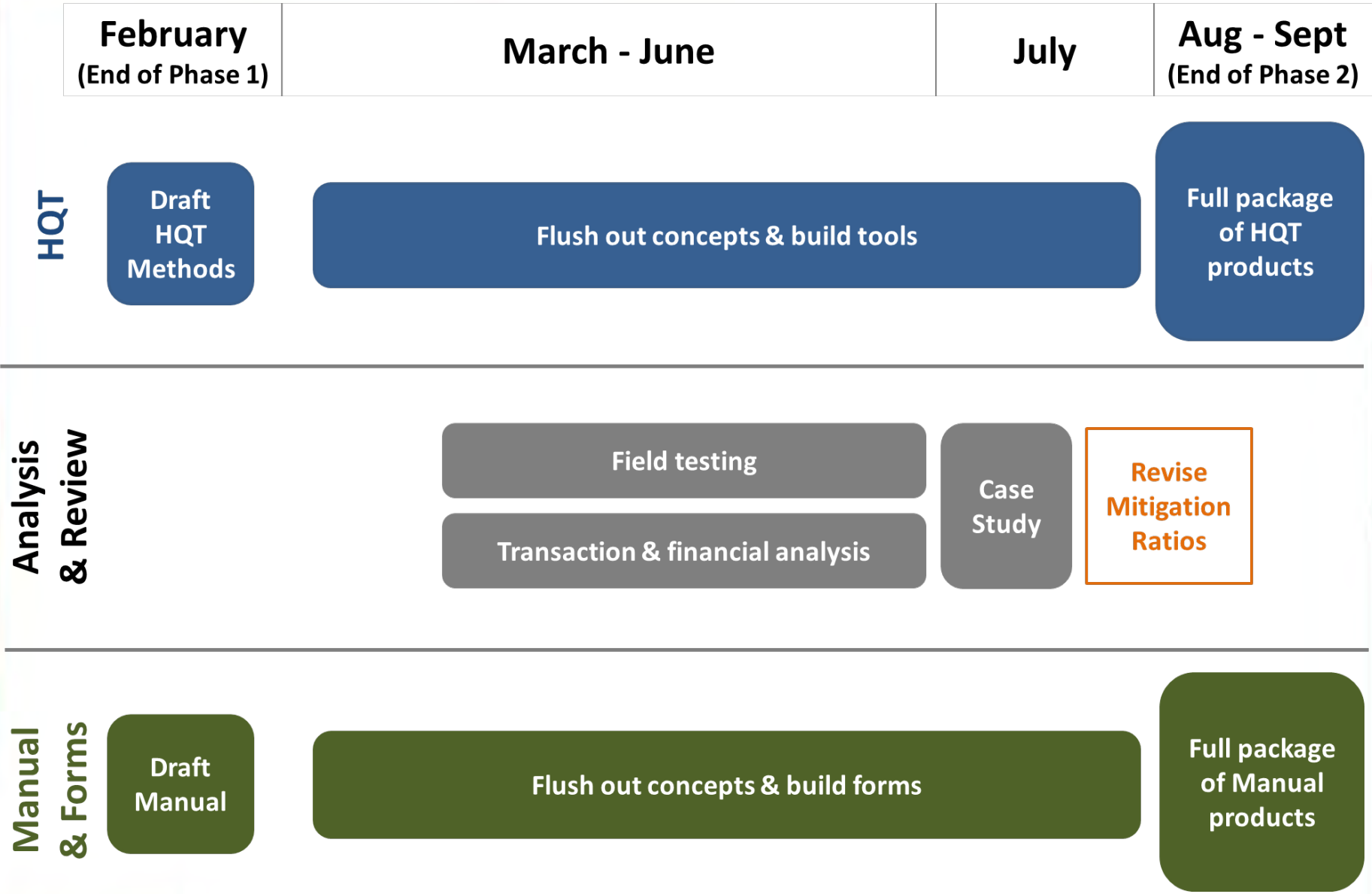
Nevada SEC Meeting

Preliminary Credit System Scenario Analysis Findings

June 23, 2014

Today's Objectives

- 1) Gain understanding of preliminary scenario analysis findings, including those relevant to FWS comments and recent disturbance cap discussions
- 2) Gain familiarity with white paper under development
- 3) Set expectations for July SEC meeting

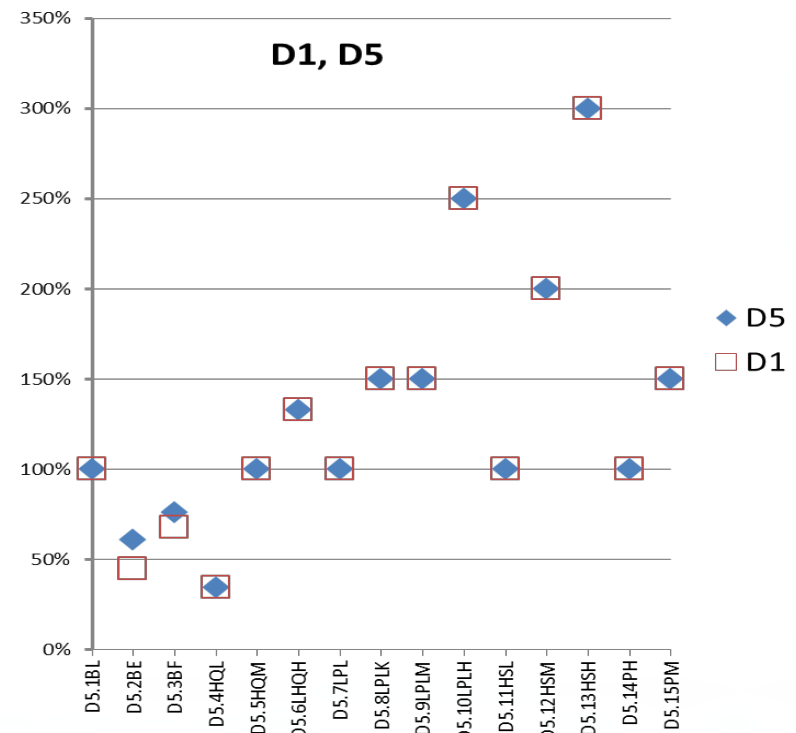


Scenario Analysis Update

Goal: Analyze range of scenarios using real field sites in order to thoroughly understand and improve the HQT and Manual

Status:

- 1,700+ scenarios
- Findings
- Potential solutions



White Paper Overview

Purpose: Facilitate inclusion of Credit System in the GrSG Sub-Regional Planning Strategy/EIS

Thesis: To ensure the viability of the greater sage-grouse (GrSG), conservation planning and regulation must:

- Account for habitat quality
- Account for both direct and indirect effects
- Require full mitigation

Audience: Decision-makers and natural resource managers with GrSG and mitigation experience

Timeline: Final needed next week

White Paper Briefing Content

Framing: A framework for

- a) full mitigation
- b) targeting conservation investments
- c) reporting all changes to GrSG habitat

Outline:

- Policy context & summary of threats
- Credit System overview
- Questions & Answers

Example Credit System Overview Section

Durable Mitigation

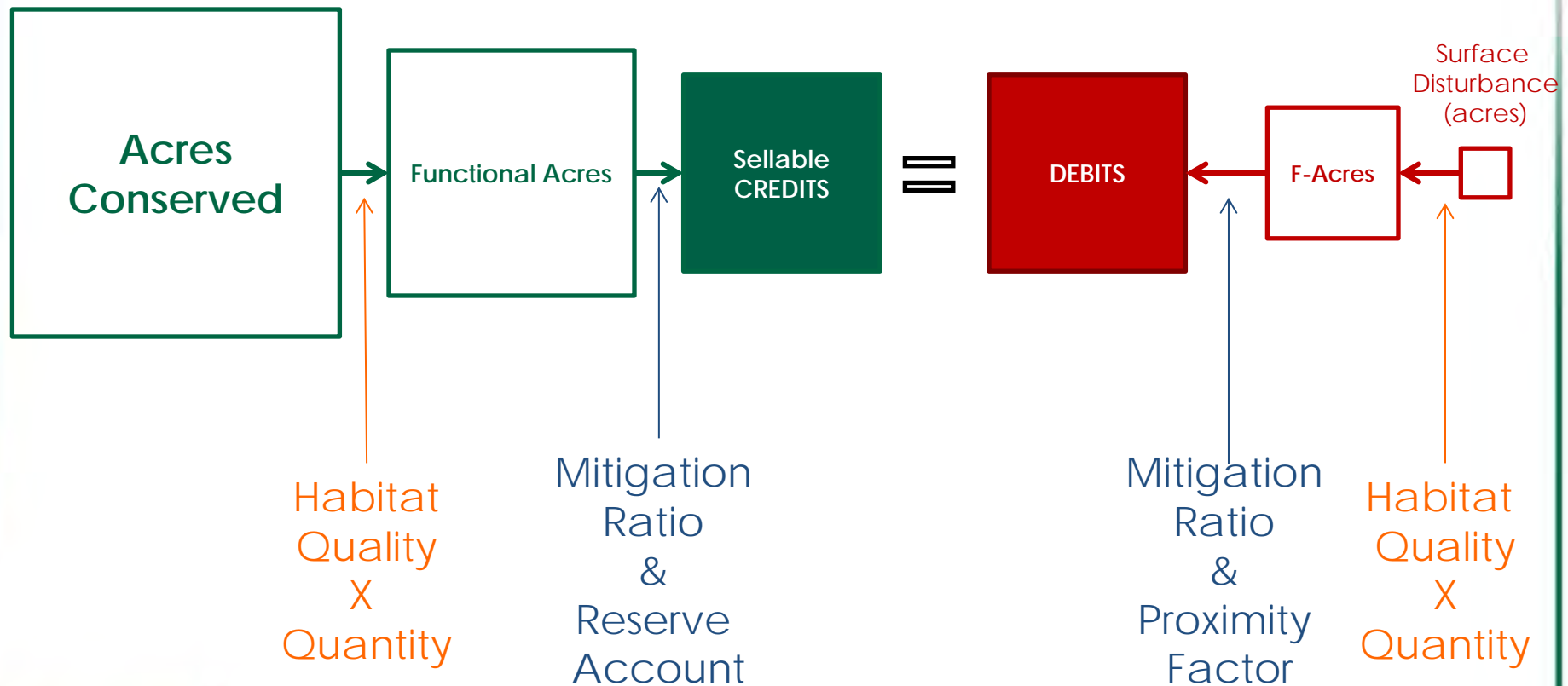
- Land protection instrument
- Reserve account
- Contract life
- Financial assurances

USFWS Comments

- "...Nevada's plan does not recognize need to avoid the loss of good, occupied GrSG habitat..."
- "...on BLM lands it is important that actions are not permitted that would result in loss of good, occupied GrSG habitat..."

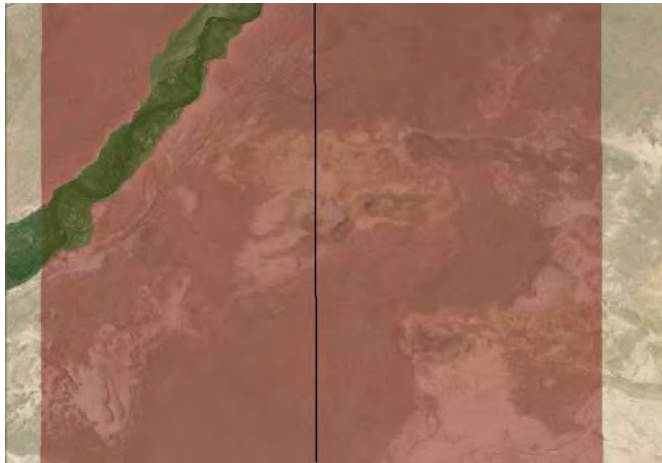
Credit to Debit Relationship

Box sizes only illustrate direction of change, they are NOT to scale

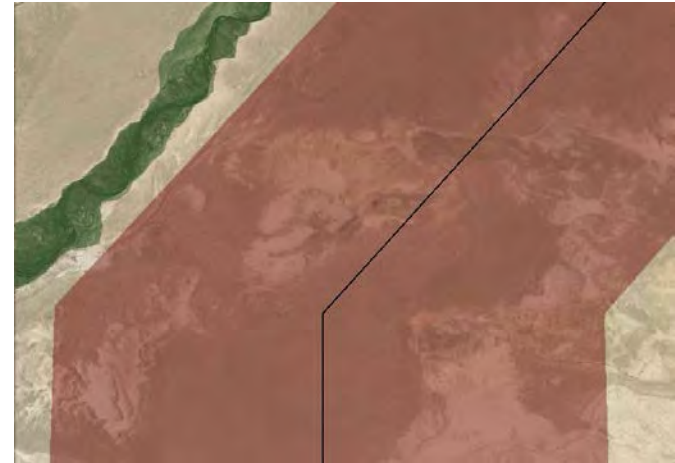


Credit System uses significant cost drivers to support avoidance and minimization

- 6 mi. improved gravel road in Priority habitat
- 400 acres of limited late brood-rearing habitat and adjacent high quality habitat
- Project 1 generates approximately 50% more debits



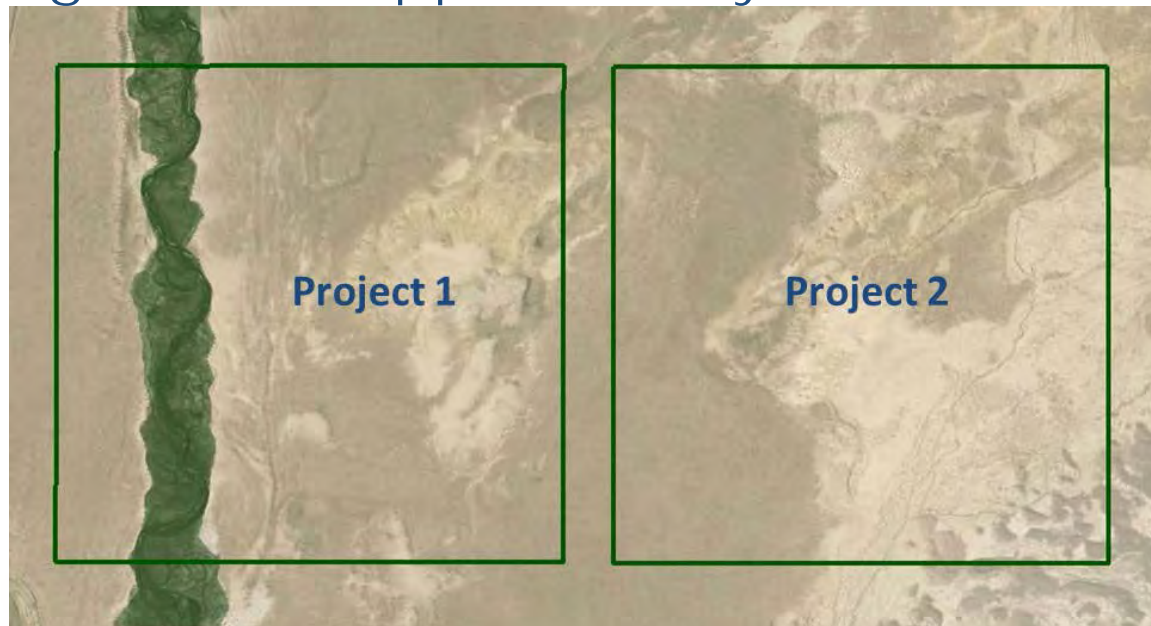
Project 1



Project 2

Credit System uses significant revenue drivers to enhance and protect the “best of the best” habitat

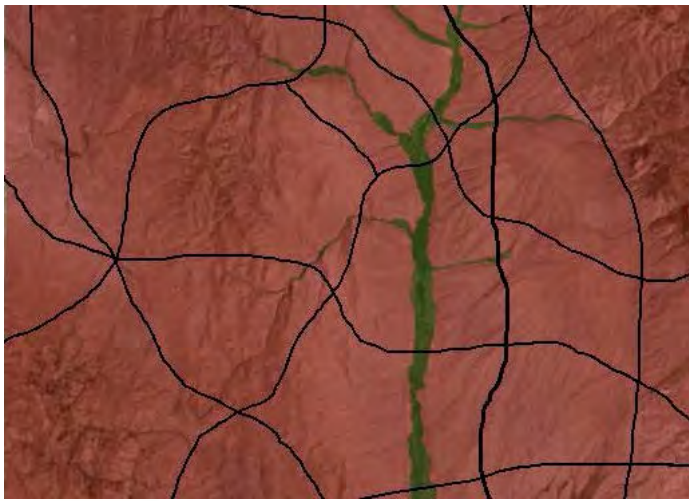
- Enhancement and protection of 2,000 acres in Core habitat
- 40 acres of limited late brood-rearing habitat and adjacent high quality habitat
- Project 1 generates approximately 150% more credits



Surface Disturbance Caps Illustrated

3% surface-disturbance cap could result in either

- Total loss of functional habitat, including limited late brood-rearing habitat due to fragmentation from a dense network of roads, see Project 1
- Moderate loss of functional habitat from a mine sited to avoid impact to limited late brood-rearing habitat, see Project 2
- Both project scenarios result in 3% surface disturbance



Project 1

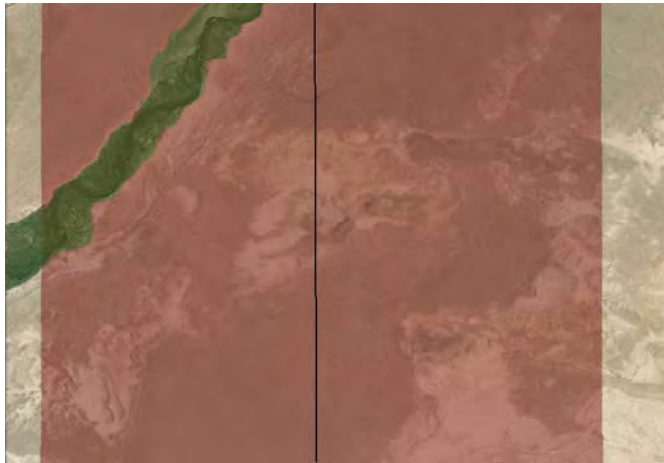


Project 2

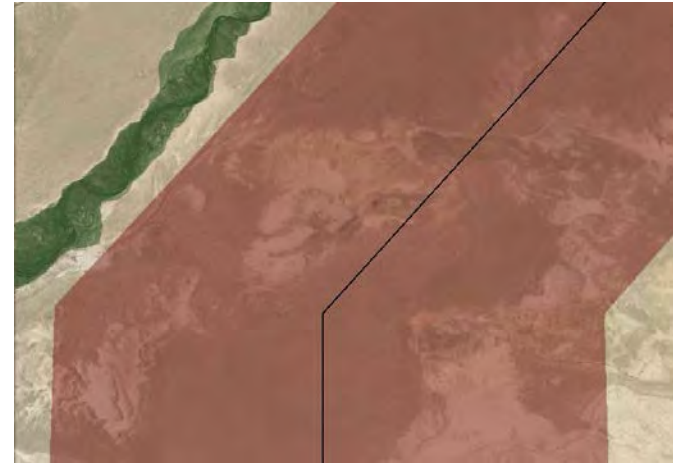
Surface-disturbance based mitigation ratios can result in significant net loss in function

4:1 surface-disturbance mitigation ratio would result in

- Approx. 85% net loss in habitat function for Project 1
- Approx. same net gain in habitat function for Project 2



Project 1



Project 2

Disturbance Caps & Surface-Disturbance Mitigation Ratios do not address USFWS comments

Disturbance caps and surface-disturbance based mitigation ratios allow for

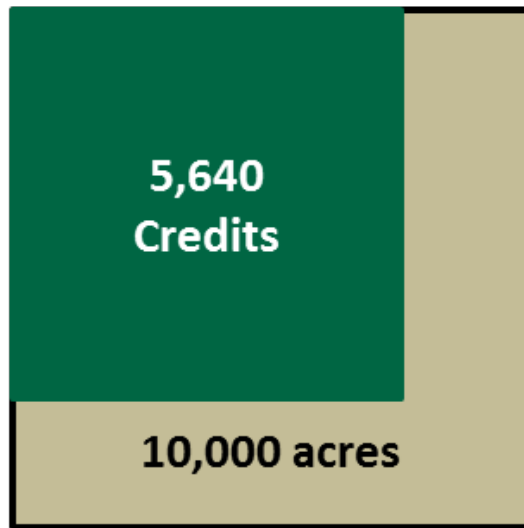
- Increased habitat fragmentation
- Significant net functional habitat loss
- Impacts to scarce seasonal habitat

Preliminary Scenario Analysis Findings

- 1) Credit regional baseline significantly influences credit generation
- 2) Existing anthropogenic disturbances influence credit generation, and incentivize infill/cluster development
- 3) Habitat quality and mitigation ratio factors incentivize credit projects in desired locations
- 4) Indirect disturbance area for debit projects significantly effects credit obligations
- 5) Credit system provides significant habitat function improvement and surface disturbance caps allow significant net loss in habitat function

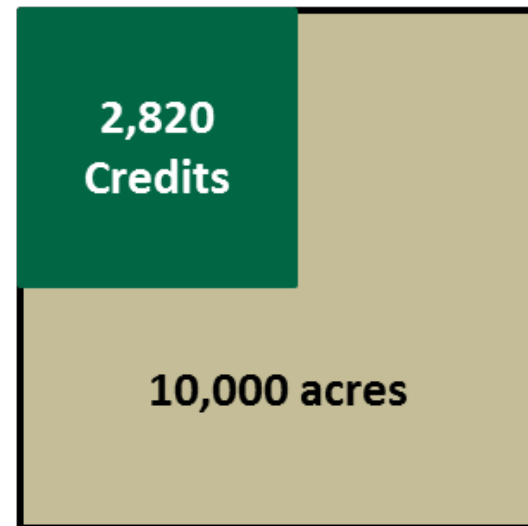
Baseline Matters

Baseline = 20%



10,000 acres

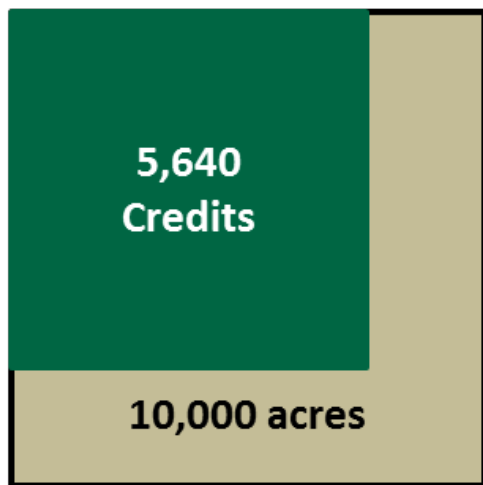
Baseline = 50%



10,000 acres

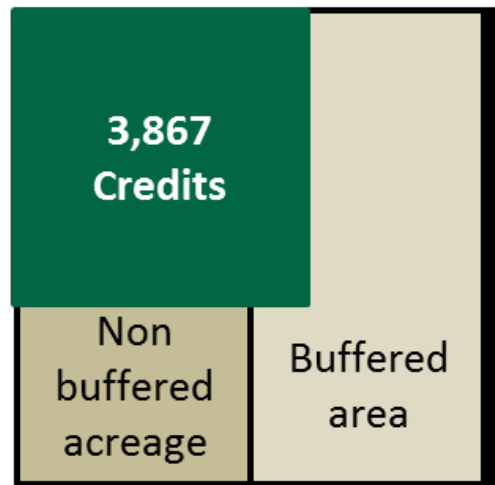
Existing Anthropogenic Disturbances Effect Credits and Debits Generated

No Existing Anthropogenic Disturbance



10,000 acres

Existing Anthropogenic Disturbance



10,000 acres

July SEC Meeting

Goal: Determine near-final mitigation ratios

Content: Proposed mitigation ratio values and supporting rationale will be provided based on scenario analysis