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Rhodia Energy Services

Philippe Rosier – President

Creating value in
Energy and CO₂
emerging markets





Agenda

- Rhodia Energy Services at a glance

- How Rhodia's commitment to Sustainable Development became a significant business opportunity

- Kyoto mechanisms and CO₂ market perspectives

- Our strategy going forward

Rhodia Energy Services at a glance

Create value
thanks to
pioneering and
innovative actions
in Energy and
CO₂ emerging
markets

Energy: A strategic issue for Rhodia

Energy managed: ~ €700m/year (incl. third parties in pool)

- €495m/year for Rhodia
- 14% of Rhodia's purchasing spend
- 2/3 in Europe with half in France

2nd largest purchaser of gas in France (15 TWh in 2008)

- Gas used as energy and raw material
- Pool leader of Hexagas (gas purchasing pool in France, ~ 15% of free market)

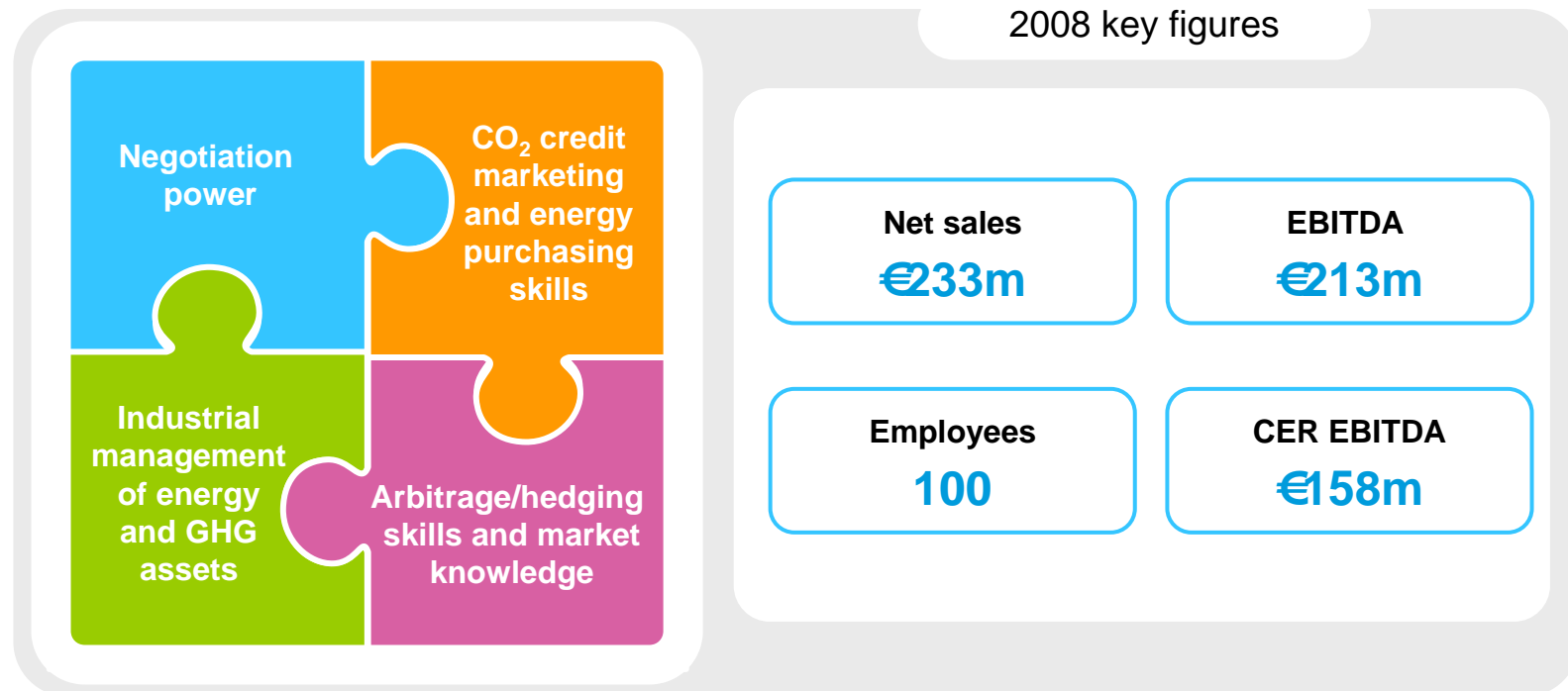
Among top 10 electricity purchasers in France

- Significant self-production capacity (320 MW)
- Funding member of Exeltium (LT power pool in France)

Rhodia Energy Services: Integrated CO₂ and energy management skills

Mission

- Optimize the Group's energy supplies
- Manage Rhodia's greenhouse gas (GHG) emission reduction projects and maximize value from the sale of CO₂ certificates

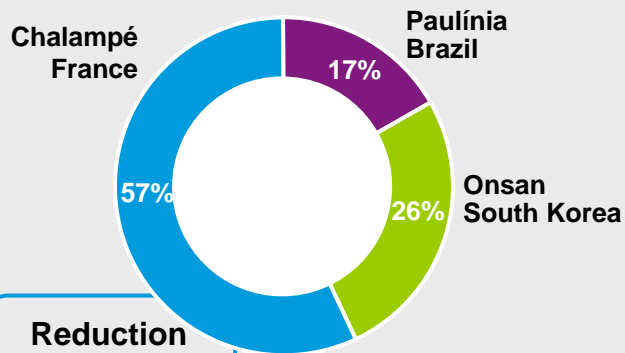


How Rhodia's commitment to sustainable development became a significant business opportunity

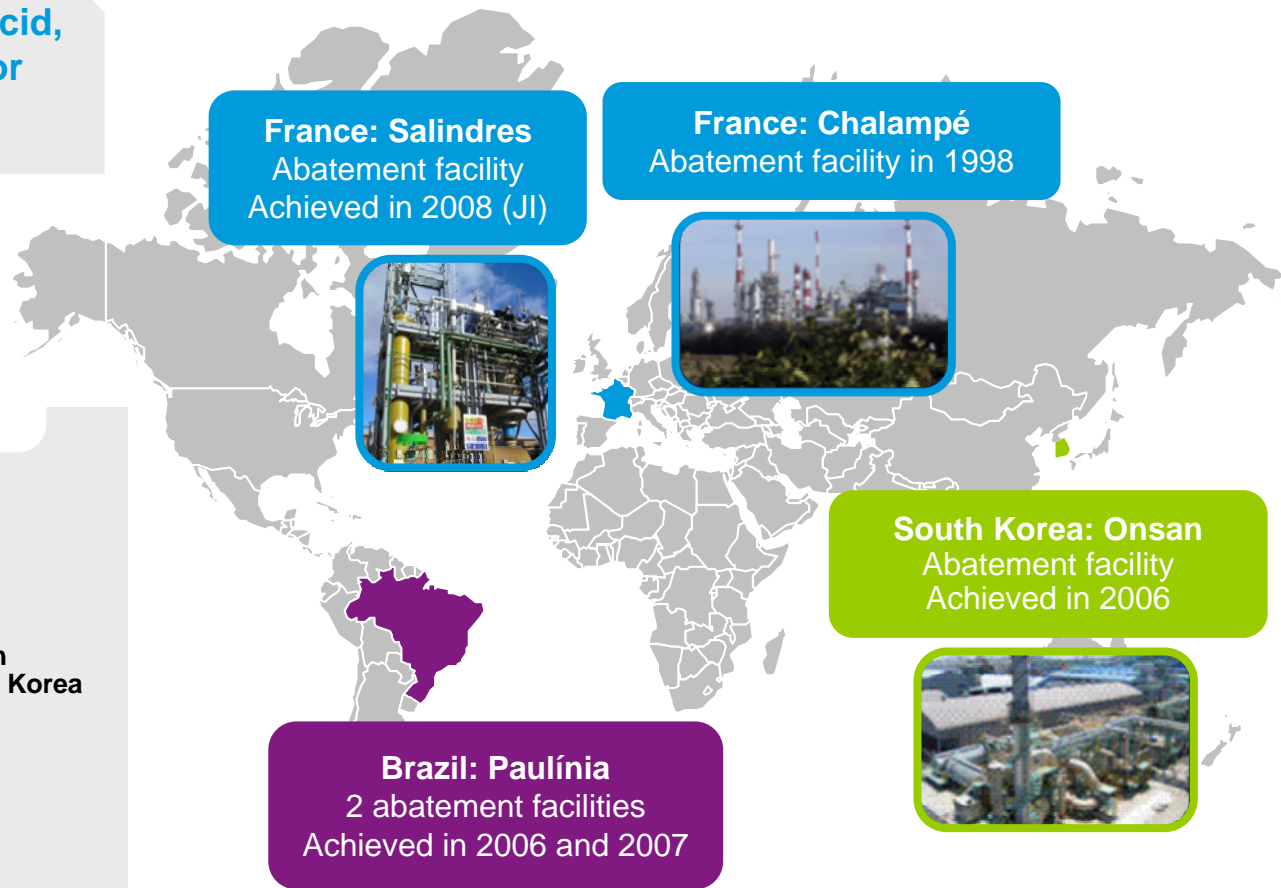
Rhodia, among the largest GHG emission reduction contributors

N₂O is a by-product of Adipic Acid, major GHG emission contributor
1t of N₂O = 310t of CO₂

Share of emission reductions by project



Reduction not monetized



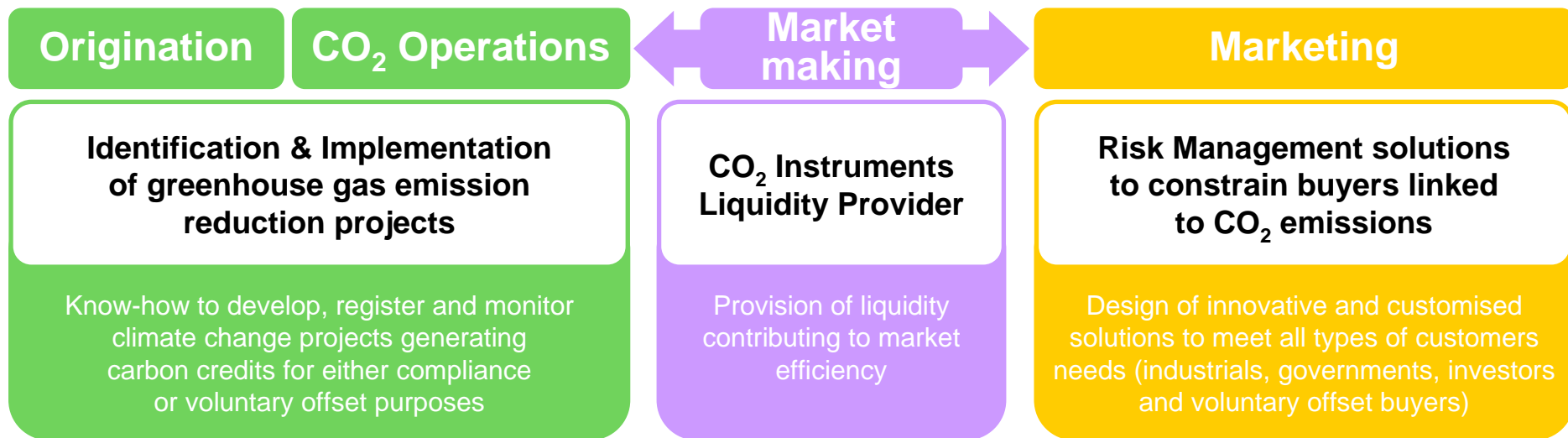
c. 14 million CER/ERUs production capacity/year



In 2006 Rhodia creates a 50/50 JV with SG

- Purely dedicated to CO₂ markets
- Unique combination of industrial & financial expertise capitalising on
 - Rhodia's large CDM projects (~ 100M tons CERs / ERUs over 2007-2012) →
 - Société Générale's CO₂ trading and risk management know-how

14%*
m.s. in
2008



Intelligence on environmental regulatory frameworks and emission trading schemes addressing climate change worldwide

* Energy Services received 14% of overall CER awards attributed by UNFCCC (United Nations Framework Convention on Climate Change)

Rhodia monetization strategy

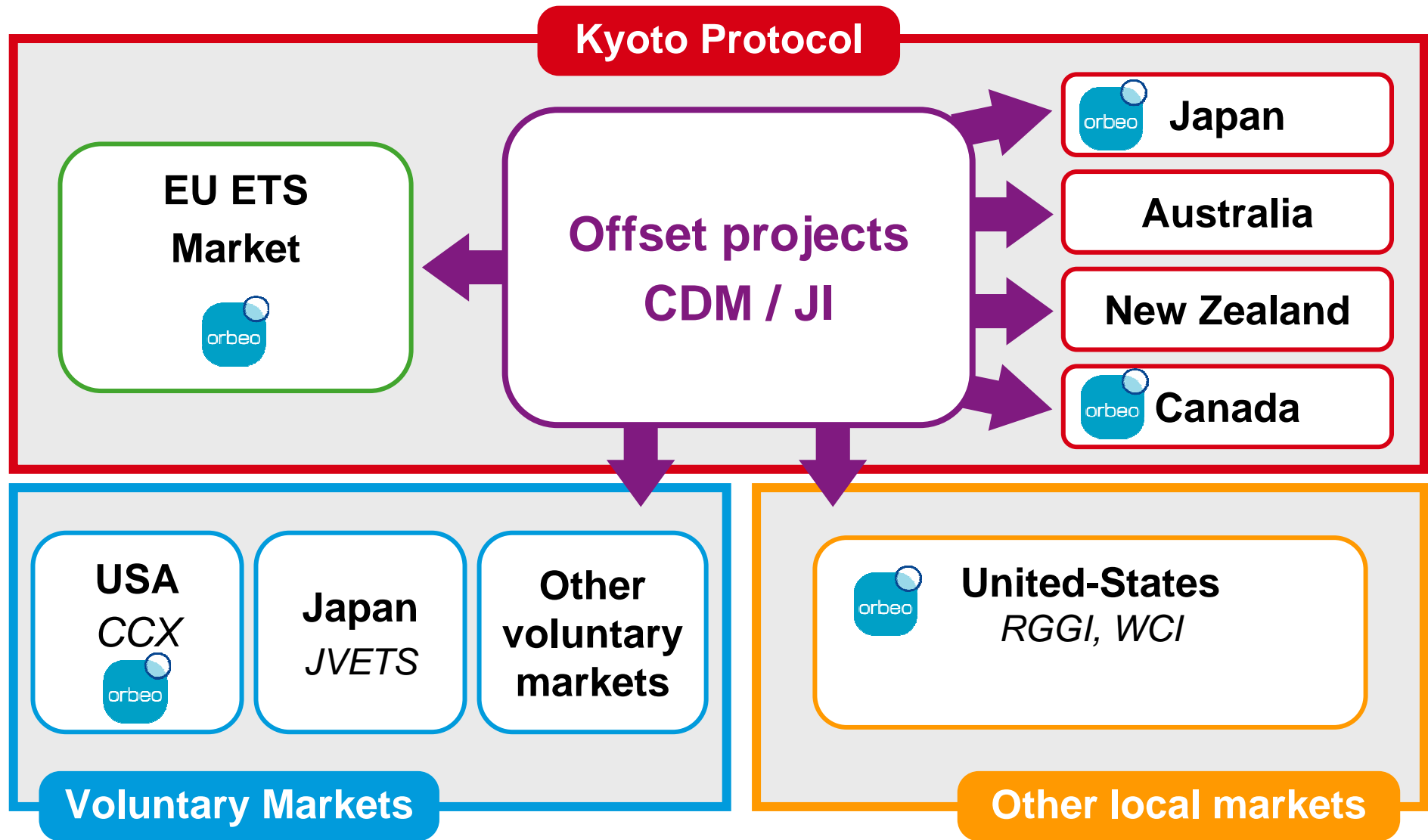


- With **Orbeo**, Rhodia has an **efficient structure to execute our hedging strategy** at the best conditions
- Both, our South Korean and Brazilian projects are well rated and as such **benefit from strong liquidity**
- **Progressive hedging on different maturities:** from 2009 until 2012
- **Diversified hedging counterparts:** European corporations and financial institutions, as well as Japanese Government and corporations
- Our **technical and CO₂ operations experience** is widely recognized as **Best-in-Class**
- Rhodia retains full control of monetization strategy

Successful monetization strategy
→ 14.5€/T average selling price over 2006/09

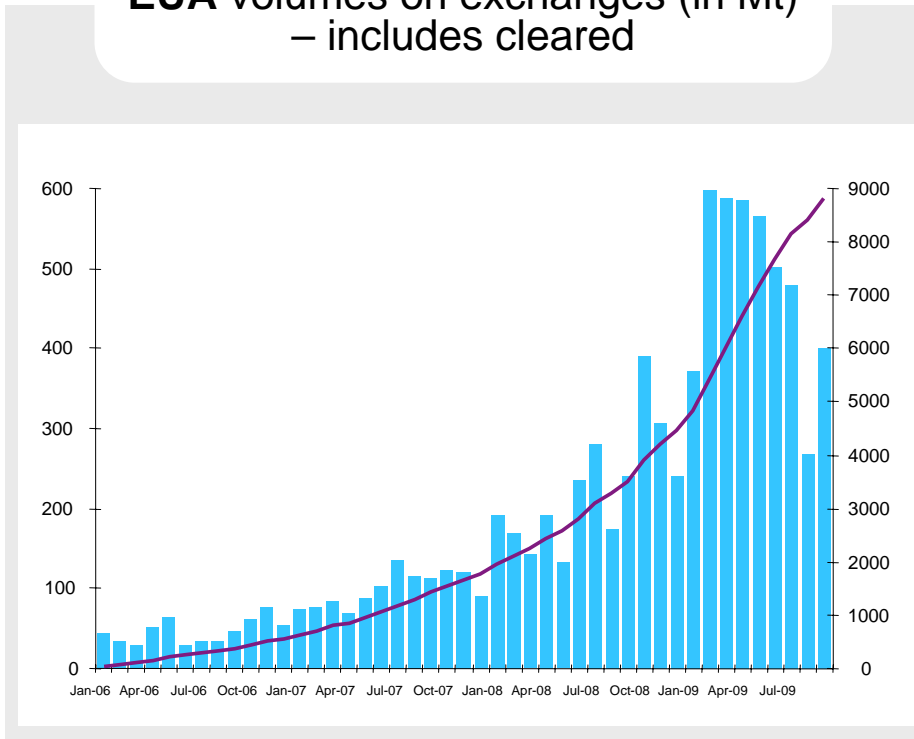
Kyoto mechanism and CO₂ market perspectives

Carbon markets: regional organization linked with international offset credits

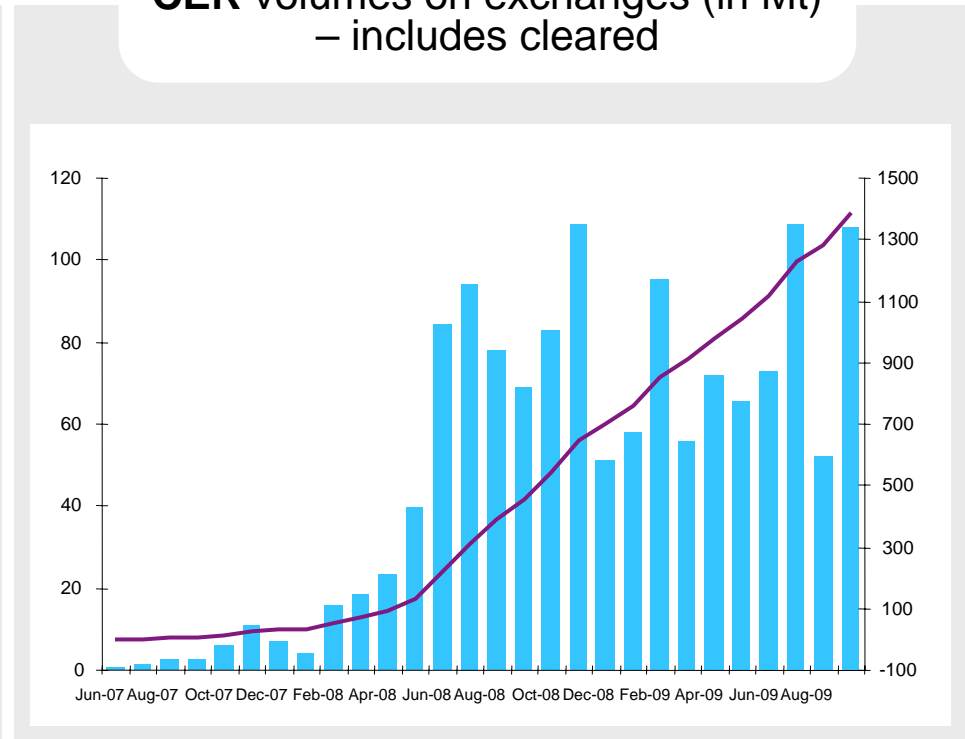


Rapid expansion of CO₂ markets driven by European EUA and CER market activities

EUA volumes on exchanges (in Mt)
– includes cleared



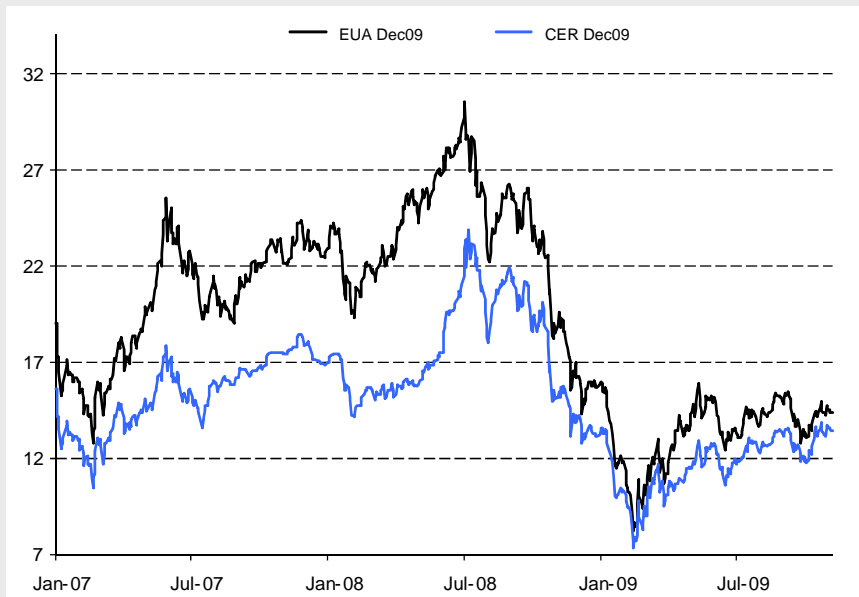
CER volumes on exchanges (in Mt)
– includes cleared



Volume of EUA/CER exchanges doubling YoY since '06

EUA and CER market pricing dynamics

EUA and CER prices on ECX (in €/t)



Source: orbeo / ECX

Dynamics supporting CER pricing

- CER production estimates over 2005/12 → 1.1 bn tonnes
- CER authorised imports
 - EU ETS ~ 1.5 bn tonnes
 - Japan & other countries ~ 300m tonnes

Demand > Offer

EU27 EUA and CER	2007	2008	Q1 09	Q2 09	Q3 09	Q4 09f*	2009f*
EUA (€/t)	19.6	22.6	11.2	13.9	14.4	14	13.4
CER (€/t)	15.1	17.5	10.5	11.6	12.8	13	12.0

* Rhodia's estimates

EU ETS Phase III: What has been decided?

Key decisions

- "20-20-20" objectives confirmed
- 10% perimeter increase: Aluminum, chemical industry, and possibly shipping
- CER Phase II will be exchangeable for EUA up to 2015

First implications

- EU ETS exists up to 2020, one continuous trading period, full EUA banking from Phase II to Phase III ensured
- Large increase in auctioned volumes, despite concessions made to accommodate economic crisis
- Some key points to be finalized only by 2010 (e.g. CER phase III eligibility criteria), leaving still some uncertainty

European CO₂ market to continue up to 2020
Project-based mechanisms will continue as flexibility tools

What to expect from Copenhagen?

- “Framework agreement” featuring some emission reduction targets and minimal pledges for emerging countries financing
- No “full-fledged Protocol” with detailed mechanisms or burden sharing possible
- US domestic legislation needed for completion of the international discussions
- Some developing countries now proposed targets for 2020
 - Korea: -4% versus 2005
 - Brazil: -20% versus 2005

Copenhagen
a “step”,
not the end
of the story

- Regional markets will emerge **in any case**
 - Europe
 - USA/Canada
 - Australia/New Zealand
 - Japan
 - Korea
- They will be the driving force behind an international framework
- A “Copenhagen bis” will be organized in Q3 '10 to reconvene on more solid grounds

Our strategy going forward

Our vision: Dedication to Climate Care with two synergetic pillars being developed

CO₂ origination development

Become with **orbeo** a key participant on CO₂ markets worldwide:

- Rhodia Energy Services industrial project management capabilities
- SG's capabilities in project financing
- **orbeo's** skills in CO₂ operations (registration, monitoring) and in marketing & trading



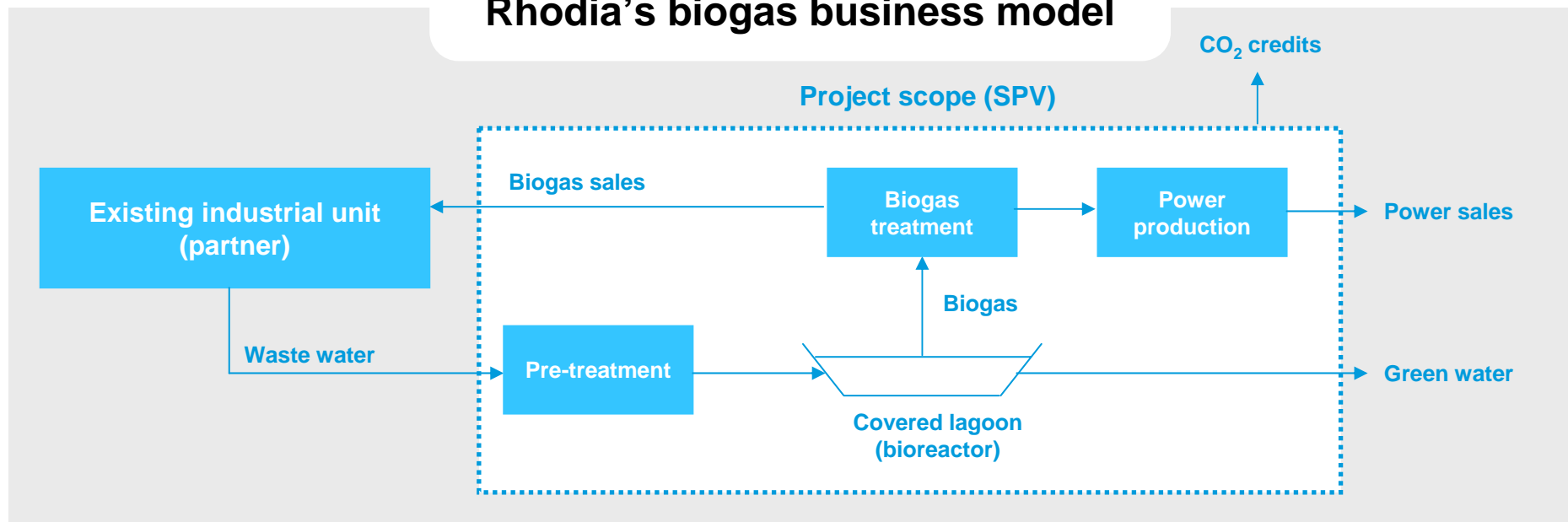
Cleantech

- Business model consisting in developing a network of clean technology facilities to produce clean energy and/or CO₂ credits following 2 features:
 - Ownership and operation of the assets
 - Secured cash flows as projects systematically include long term energy and/or CO₂ off-take contracts
- Short term focus on biogas
- In parallel, exploring Cleantech startup acquisition opportunities to boost the development pipe

Rhodia: First inroads into the promising biogas market

- **Biogas** is a mix of methane and CO₂ obtained from fermentation of biowastes
 - Renewable energy to produce electricity or heat
 - Triple benefit for environment: substitution of fossil energy, reduction of methane emission into the atmosphere, clean treatment of waste
- **Size of the market (Waste water + manure)**
 - 1 Gt CO₂-eq (0.7 Gt for WW and 0.3 Gt for manure)
 - 80m TOE (Tonne Oil Equivalent)

Rhodia's biogas business model



Acquisition projects

Rhodia acquires Econcern biogas project portfolio

Pilot test: Early projects to enhance Rhodia's operational skills and industrial know-how in the renewable energy sector

Focus over next 3-4 years:

- Technology: Develop waste water treatment projects on ethanol, starch and palm-oil effluents
- Markets:
 - South-East Asia, with a special focus on China
 - Latin America, with a special focus on Brazil



to purchase OneCarbon

OneCarbon, international company that generates high quality carbon credits by originating, developing and financing projects that reduce the emissions of greenhouse gases

Remain attentive to other development opportunities

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markets

Glossary

- **CDM** Clean Development Mechanism
- **CER** Certified Emission Reduction (credit CDM's projects)
- **EUA** European Union Allowance (allocation: European industry, just for use in European trading system, not in Kyoto)
- **ERU** Emission Reduction Unit (credit : JI's projects)
- **ETS** Emission Trading Scheme
- **JI** Joint Implementation
- **RGGI** Regional Greenhouse Gas Initiatives
- **WCI** Western Climate Initiatives
- **CCX** Chicago Climate Exchange