

January 26, 2009

ATTY. PETE MALABANAN
Head, Disclosure Department
PHILIPPINE STOCK EXCHANGE
4/F PSE Center, Exchange Road,
Ortigas Center, Pasig City

Re: Clarification to January 26, 2009 BusinessMirror article

Dear Atty. Malabanan,

This has reference to your letter asking us to confirm the veracity of the information contained in the January 26, 2009 *BusinessMirror* article entitled, "Aboitiz-owned firms tap carbon credit market", a portion of which is quoted hereunder:

"TWO companies controlled by the Aboitiz family have applied for carbon credits to bankroll plans to acquire power plants, its executives said. Rodolfo T. Azanza Jr. of Statkraft Norfund Power Invest AS (SN Power) told reporters that the joint-venture company with the Aboitizes, SN Aboitiz Power (Snap), aims to secure 50,000 tons of Certified Emissions Reduction (CER) credits annually for the next seven years through the clean development mechanism of the Asian Development Bank (ADB). If approved, Snap is expected to get \$750,000 in extra cash every year up to 2016 just by operating its two geothermal plants..."

We are not privy to the statements made by Mr. Rodolfo Azanza Jr. of Statkraft Norfund Power Invest AS (SN Power) to *BusinessMirror*. However, if he was referring to the ongoing registration and accreditation of the Certified Emission Reduction (CER) credits for the rehabilitation of the 100 megawatt (MW) Binga hydropower plant, please be advised of the following:

1. SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet), a joint venture between SN Power and Aboitiz Power Corporation (AP), is the owner and operator of the 175 (MW) Ambuklao-Binga hydroelectric power complex.
2. SNAP-Benguet is currently undertaking a refurbishment and rehabilitation of the 100 MW Binga plant, for which a potential carbon credit can be obtained upon compliance with the proper national and international certification process. As mentioned, SNAP-Benguet is in the process of registration and accreditation of its projected CER credits for the rehabilitation of the Binga plant, which is expected to generate CER credits in the approximate amount of 50,000 tons of CO₂e (carbon dioxide equivalent) per annum. Total monetary value of the CER credits expected to be generated is not yet determinable at present.
3. The refurbishment and rehabilitation of the 100 MW Binga plant is being funded by a loan extended by a consortium of international and domestic financial institutions which includes the International

Finance Corporation. SNAP-Benguet has not availed of any financial or technical assistance from the Asian Development Bank in connection with the Binga rehabilitation and CER accreditation.

Furthermore, we wish to clarify that our wholly owned subsidiary, Hedcor, Inc., has no CER credits for any of its existing 15 mini hydro power plants.

However, the two run-of-river hydropower plants with combined generating capacity of 42.5 MW presently being constructed in Santa Cruz, Davao del Sur by our other wholly-owned subsidiary, Hedcor Sibulan, Inc., is clean development mechanism (CDM) project registered with the United Nations Framework Convention on Climate Change under the Kyoto Protocol. The plants are expected to generate CER credits of approximately 95,000t CO₂e annually. However, the amount of revenues that can be generated from the estimated CER credits are not yet determinable since no trading agreements have been entered into at present.

Finally, we wish to advise the Exchange that AP is not relying on the potential revenues to be generated from the CER credits of its CDM projects to bankroll its expansion plans.

We hope we have sufficiently clarified this matter.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By



M. JASMINE S. OPORTO
Corporate Secretary