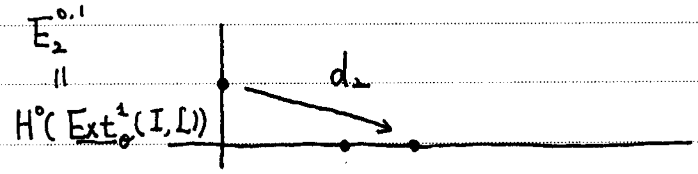
The first approximation to understanding (**) is to look into the spectral sequence relating local and global Ext's.

Using that $E_2^{p,q} = H^p(S, \underline{Ext}^q_{\mathcal{O}}(I, \mathcal{L}))$, the picture of E_2 is



$$E_2^{2,0} = H^2(\underline{Ext}^0_{\mathcal{O}}(I, \mathcal{L})) \cong H^2(\mathcal{L})$$

where the isomorphism results from

$$\left\{\begin{array}{l} 0 \longrightarrow I \longrightarrow \mathcal{O} \longrightarrow \mathcal{O}_Z \longrightarrow 0, \quad \text{and} \\ \underline{Ext}^0_{\mathcal{O}}(\mathcal{O}_Z, \mathcal{L}) = 0 \\ \Rightarrow \mathcal{L} \cong \underline{Ext}^0_{\mathcal{O}}(\mathcal{O}, \mathcal{L}) \cong \underline{Ext}^0_{\mathcal{O}}(I, \mathcal{L}), \end{array}\right.$$

using the exact sequence of $\underline{Ext}$.

$\ulcorner$ $E_2^{2,0} = H^2(S, \underline{Ext}^0_{\mathcal{O}}(I, \mathcal{L}))$.

From $0 \longrightarrow I \longrightarrow \mathcal{O} \longrightarrow \mathcal{O}_Z \longrightarrow 0$, we have

$$0 \longrightarrow \underbrace{\underline{Ext}^0(\mathcal{O}_Z, \mathcal{L})}_{=0} \longrightarrow \underline{Ext}^0(\mathcal{O}, \mathcal{L}) \longrightarrow \underline{Ext}^0(I, \mathcal{L})$$

$$\longrightarrow \underbrace{\underline{Ext}^1(\mathcal{O}_Z, \mathcal{L})}_{=0}, \quad \text{since } \underline{Ext}^0(\mathcal{O}_Z, \mathcal{L})_p \cong \mathrm{Ext}^0(\mathcal{O}_{Z,p}, \mathcal{L}_p)$$