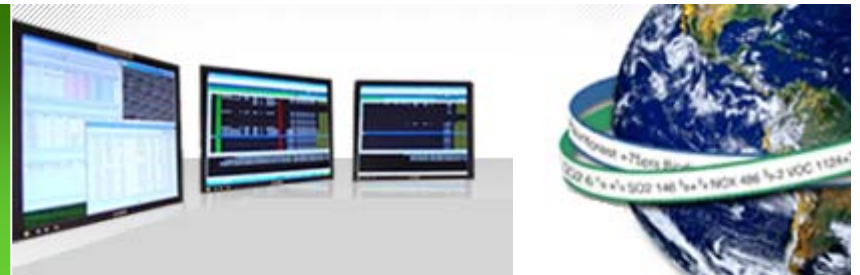


# Overview of CCX Offset Protocol Development and Approval Process

Chicago Climate Exchange



# CCX Program Overview

- Voluntary but legally binding Cap-and-Trade program
- Launched in 2003
- Primarily US focused with some International participation
- Requires 6% reduction from 2000 baseline by end of 2010



# Offsets Program Overview

- America's largest and longest running offsets program
- Focus on IPCC identified currently viable GHG mitigation options
- Offsets may be purchased by CCX members
- May be used to fulfill up to 50% of the compliance obligation
- Currently account for ~15% of the reductions achieved under the program



# Offsets Administrative Structure

- CCX management and staff- day to day operation
- 12 member Offsets Committee
- Committee on Forestry Offsets
- Technical Advisory Sub-committees
- Regulatory Services Provider
- Third-party Verifiers

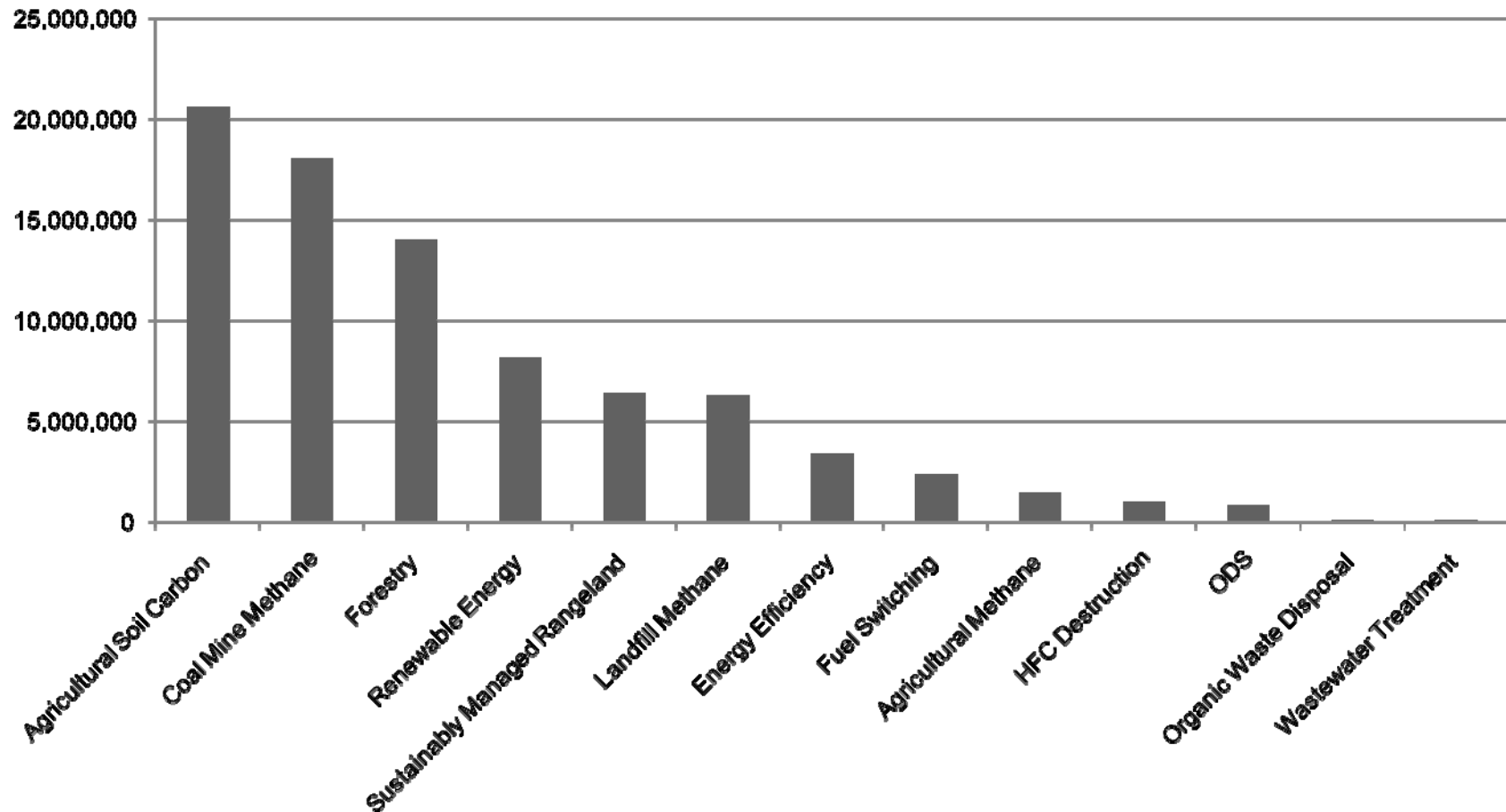


# Offsets Market Size and Scope

- Approximately 82 million tons registered since 2004
- Registered tons from 13 project types
- 327 registered projects
  - 214 U.S.
  - 86 International- 14 countries
- Approximately 9,000 farmers and foresters enrolled on nearly 16 million acres



# Registered Offsets by Type



# Positive List of Project Types

- 12 Standardized protocols
  - Agricultural methane collection and combustion
  - Coalmine methane collection and combustion
  - Landfill methane collection and combustion
  - Avoided emissions from organic waste disposal
  - Continuous conservation tillage
  - Sustainable rangeland soil carbon sequestration
  - Grassland conversion soil carbon sequestration
  - Afforestation and reforestation
  - Sustainable forest management
  - Small-scale renewable biogas
  - Renewable energy
  - Ozone depleting substance destruction



# Protocol Development

- Protocols are developed by staff with the assistance of technical advisory committees or may be submitted by an outside party.
- Technical advisory committees consist of experts from academia, government, NGO's, industry, etc.
- All protocols must be approved by the CCX Offsets or Forestry committee prior to implementation.
- CCX solicits and receives public feedback
- Responses to questions posed to CCX through the feedback process are posted in the Q&A section of the offsets webpage



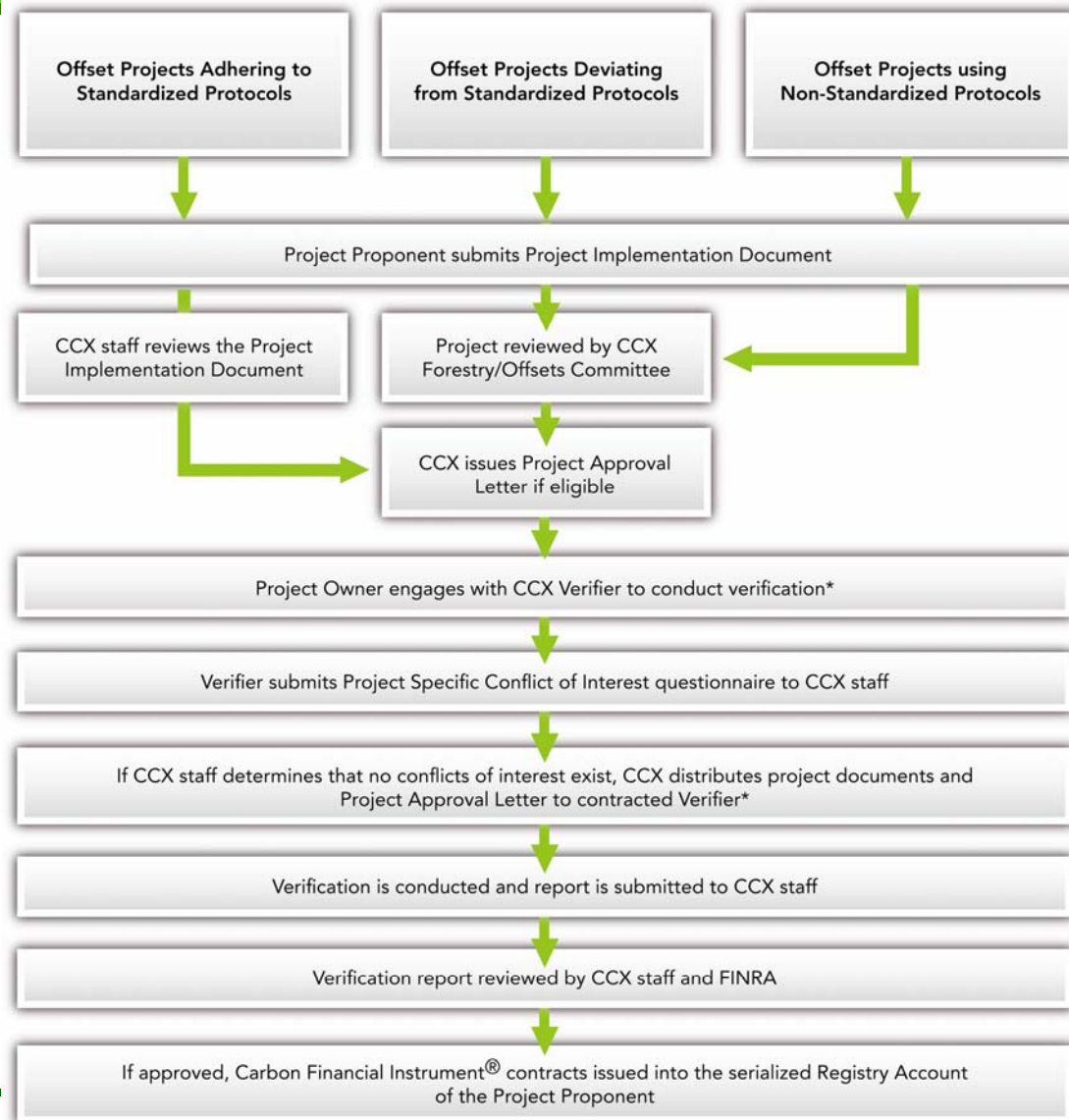


# Additionality and Baseline Determinations

- Standardized additionality screens specified by project type
- Must demonstrate that they are not required by law-federal, local or other.
- Must demonstrate that they are not common practice in the industry/sector.
- Baseline quantification and monitoring requirements are standardized and predefined for each project category



# Project Approval Process

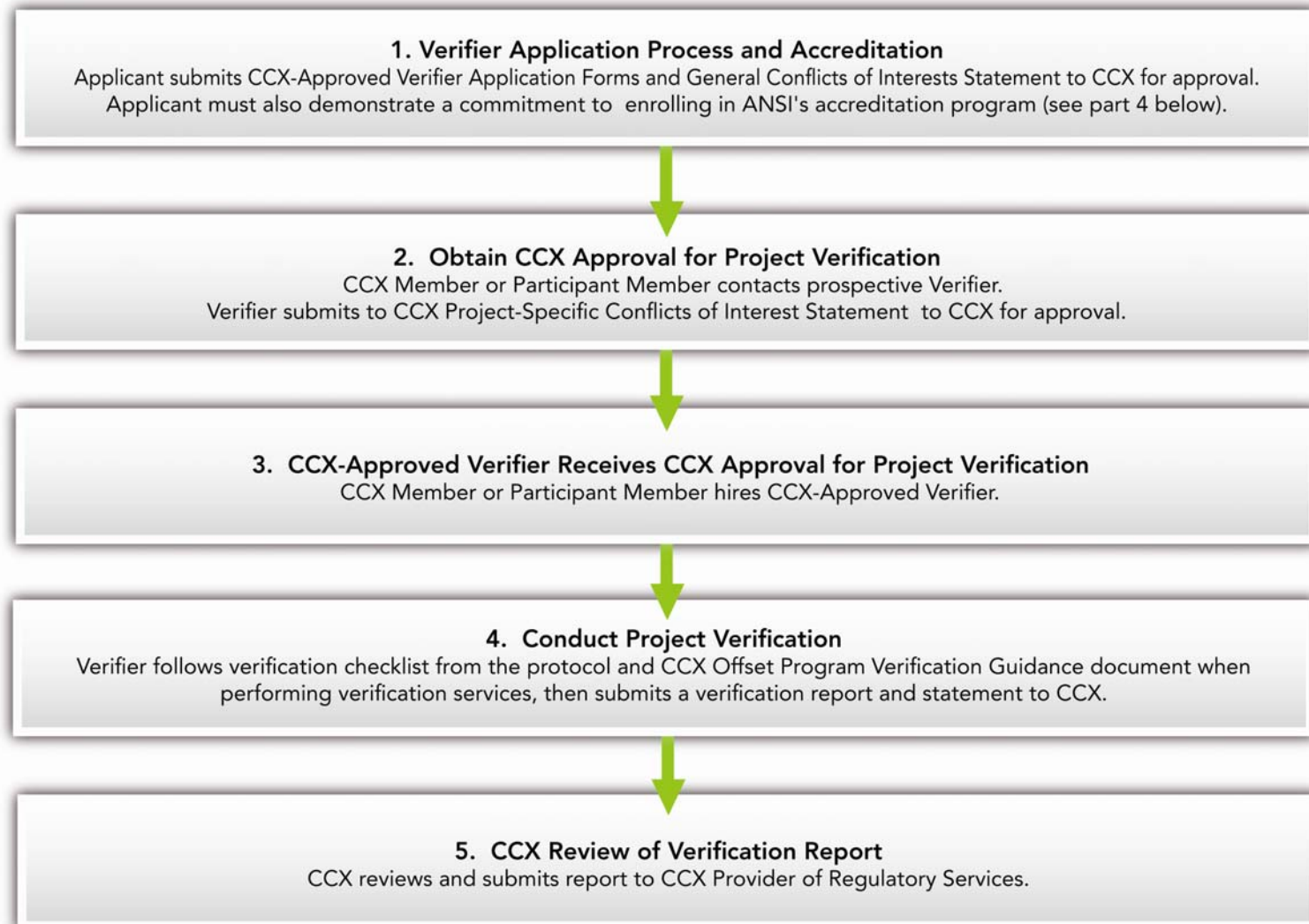


# Validation and Verification Procedures

- CCX staff will evaluate a project to provide a preliminary determination of eligibility.
- Once implemented all projects must hire an ANSI accredited, CCX approved, independent verifier to conduct annual verification.
- Standardized verification requirements are provided in each protocol.
- Verification reports are then submitted to CCX for initial review.
- Upon completion of CCX review, reports are sent to a designated regulatory service provider for Quality Assurance review.



# Verification Process Flowchart



# CCX Partnership with ANSI

- CCX has partnered with the American National Standards Institute (ANSI) to develop a greenhouse gas accreditation program to assess the competency of CCX verifiers against ISO 14065 standards and CCX rules governing offset and commercial forestry projects.
- Deadline for verifiers to become ANSI accredited is August 1, 2010



# CCX and Proposed Legislative Requirements

Kerry Lieberman Program Requirements	CCX Programmatic Response
Program established before 1/1/2009	CCX program began in December 2003
Protocols developed through public consultation / peer review	CCX protocols developed through technical expert subcommittees -- ongoing opportunities for public comment / feedback on protocols
Credits are measurable, additional, verifiable, enforceable, and permanent	Each offset protocol addresses each of these topics individually. Protocols were enhanced in August 2009 to ensure this.
Protocols available to public	CCX offset rules have been publicly posted on CCX website since Fall 2007
Credits verified by state / tribal regulator or accredited independent third-party	CCX partnered with ANSI since June 2008 and is working with ANSI to ensure all verifiers obtain third-party accreditation
Credits registered in publicly accessible registry	CCX posted additional information on public offsets registry in April 2010
Program requires offset project representatives meet financial assurance requirements	CCX has financial requirements offset providers must satisfy to become CCX members. CCX offsets can only be traded on CCX.
No credits issued for projects administrator has funded, solicited, or served as fund administrator	CCX does not fund projects



# Observations

- Most voluntary program requirements have become similar over time
- Despite marketing efforts, there are most similarities that differences between voluntary programs
- Many individual projects are registered at more than one program
- Preliminary EPA/SEI analysis indicates very little discrepancy in quantification of offsets between programs with similar project types
- The voluntary offset programs have demonstrated that offsets work and provide a solid template for legislators and regulators when crating a federal program.

