

Chicago Climate Exchange®
A Voluntary Pilot Carbon Market for North America



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CCX® Overview

The Chicago Climate Exchange® is a voluntary pilot greenhouse gas trading program for emission sources and offset projects in North America and offset projects in Brazil.

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Goals of CCX®

- Proof of concept: demonstrate viability of a multi-sector cap-and-trade program supplemented with project-based offsets
- Cut GHG emissions cost-effectively
- Price discovery and dissemination of market information
- **Build institutions: market infrastructure, human capital**
- Standardize the commodity— e.g. emission audits, registry, clearing, settlement: facilitate trading with low transactions costs
- Harmonize and integrate with other trading regimes

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CCX® Members (1 of 2)

Aerospace Rolls Royce	Electronics Motorola, Inc.	Forest Products International Paper MeadWestvaco Corp. Stora Enso North America Temple-Inland Inc.
Automotive Ford Motor Co.	Electric Power Generation American Electric Power Manitoba Hydro	Information Technology IBM Open Finance LLC
Chemicals Dow Corning DuPont	Energy Services Sieben Energy Associates	Environmental Services Waste Management
Consulting Domani LLC Natural Capitalism, Inc.	Food Processing Premium Standard Farms	Legal Services Foley & Lardner

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CCX® Members (cont'd.)

Liquidity Providers Amerex Energy Ltd. Carr Futures Evolution Markets Goldenberg, Hehmeyer. ICAP Energy LLC Jeffrey B. Stern Kingtree Trading Kottke Associates LLC Lee B. Stern Marquette Partners LP Natsource LLC Refo LLC Serrino Trading Co. Tradelink LLC Tradition Financial Transmarket Group	Municipalities City of Chicago	Public Universities University of Iowa University of Oklahoma
Offset Aggregator Iowa Farm Bureau	Non-Governmental Organization World Resources Institute	Semiconductors STMicroelectronics
Pharmaceuticals Baxter Healthcare	Private University Tufts University	Steel Roanoke Electric Steel
		Technology Ecoenergetics srl Millennium Cell
		Transportation Amtrak

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CCX® Public Directors

Maurice Strong (Vice-Chairman)
 Chairman, Earth Council and former Undersecretary-General of the United Nations

Les Rosenthal (Vice-Chairman)
 Principal, Rosenthal Collins and former Chairman, Chicago Board of Trade

Warren Batts
 Professor, University of Chicago Graduate School of Business, former CEO of Tupperware

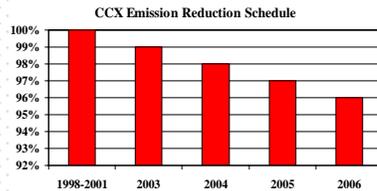
Governor James R. Thompson
 Chairman, Winston & Strawn, former four-term Governor of Illinois

Governor Christine Todd Whitman
 Former US EPA Administrator and Governor of New Jersey

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CCX[®] Reduction Timetable

- 2003-2006: Reduce emissions to 1%, 2%, 3%, 4% below 1998-2001 baseline
- Includes major direct emissions; sources small sources (e.g. fleets) and electricity purchases can be opted-in: green power exempted



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Initial list of CCX[®] eligible offset projects

- Landfill and agricultural methane destruction
- Sequestration: reforestation and agricultural soil projects
- Brazil: energy, methane, forestry projects
- CCX[®] protocols: eligibility, quantification, verification
- Early Action Credits

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Agricultural soil sequestration offsets in CCX[®]

- Focus first on well-documented actions with clear ownership
- CCX Special Committee on soil carbon provided guidance on annual carbon gains, geography
 - Rattan Lal, Ohio State
 - Chuck Rice, Kansas State
 - Lee Burras, Iowa State
- Simplified crediting: verify practices, credit at discount *issuance quantities*:
 - Continuous no-till (2003-06) in central U.S.:
0.5 metric tons CO₂/acre/yr
 - Grasses, planted after 1-1-99, central U.S.:
0.75 metric tons CO₂/acre/yr

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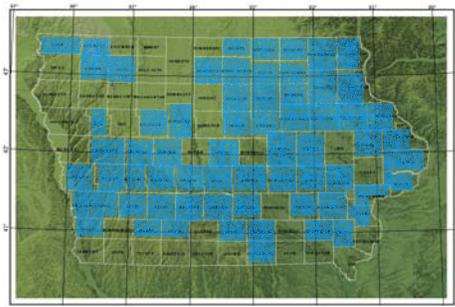
U.S. Central Region for CCX[®] Agricultural Soil Offsets



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Iowa Counties With CCX-Enrolled Farms

- Total enrollment: 82,160 acres



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CCX[®] Auctions and Live Trading

- First sealed-bid auction September 30, 2003
 - Successful Bidders: American Electric Power, Baxter, City of Chicago, DuPont, Ford, Manitoba Hydro, Stora Enso
 - 2003 auction is oversubscribed by 22%
 - 2005 auction is fully subscribed
- 2003 Vintage average successful bid price: \$0.98
 2005 Vintage average successful bid price: \$0.84
 Total volume: 136,000 mtCO₂
- CCX electronic trading platform + registry activated Dec. 12, 2003
 - Steady bids and offers, frequent trading around \$1/mt CO₂

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CCX® Registry

2. Total Holdings of CCX Carbon Financial Instruments
 Exchange Allowance prior to 2004 or Early Action Credits in Banked reserve time (CO2)

	Vintage	2003	2004	2005	2006
Total CC Holdings		0	0	0	0

2. Exchange Allowance Holdings

Original Expiration of Exchange Allowance	Vintage	2003	2004	2005	2006
None		0	0	0	0
15 months post withdrawal	none	0	0	0	0
30 days to Sept 2002 review	none	0	0	0	0
Active Holdings		0	0	0	0

3. Exchange Other Holdings

Vintage	2003	2004	2005	2006
	0	0	0	0

4. Exchange Early Action Credit Holdings

Vintage	2003	2004	2005	2006
	0	0	0	0

All Carbon Financial Instrument positions are recorded in the account based name: user CO2
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CCX® Order Entry and Confirm Screens

Order Entry - CCX Test Company 2

CCX Allowance Exchange Allowance (XA)
 Vintage 2003

USD/mt mt USD/mt

Bid: 2.00 Qty (x 100): 1 Offer:

Active

Good For: OTD

ChicagoClimateExchange - Deal Pre Confirm

PRE-CONFIRM: YOU SELL Chicago Climate Exchange

Product: CCX Allowance Exchange Allowance (XA) Quantity: 100

Strip: Vintage 2005 Price: 1.00 USD/mt

Total Quantity: 10,000 mt

ACCOUNT: 1772-Chicago Clearing Co.

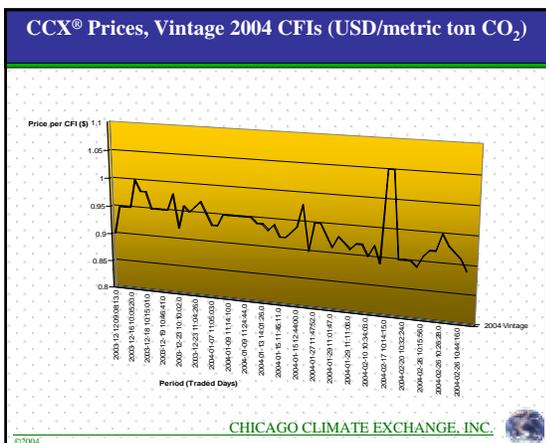
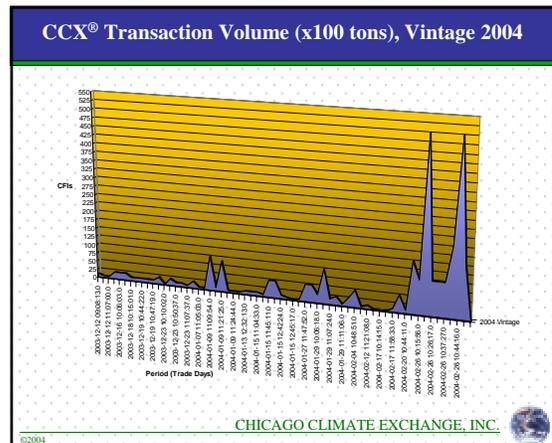
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CCX® Market Screen (1-29-04)

bids and offers

completed trades (each contract is 100mt CO₂)

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- ## Benefits Now Being Realized by CCX® Participants
- First-mover advantages: design, test and refine protocols
 - Building management and trading skills
 - Better understanding of energy usage and material flows
 - Building basis for realizing low-cost GHG management
 - Enhanced reputation among stakeholders:
 - customers, shareholders, employees, regulators, families, communities
- CHICAGO CLIMATE EXCHANGE, INC.**

Views on CCX®

"... I'm thrilled to see that the new Chicago Climate Exchange is warming up for the next wave in environmental protection—and economic innovation. I want to congratulate the Exchange, which is the first comprehensive voluntary pilot program for domestic trading of greenhouse gases, on the announcement of its founding members. Their progress is great news for Chicago's economy and for America's environment." **Senator Joe Lieberman (D-CT) January 16, 2003**

"This voluntary market-based program is precisely the kind of private sector initiative that the Bush Administration has been calling for in response to the climate change challenge."
U.S. Energy Secretary Spencer Abraham (Chicago, September 30, 2003)

"CCX represents an innovative market-based approach to solving our energy issues and improving air quality." **Chicago Mayor Richard M. Daley (Chicago, September 30, 2003)**

"That's why programs like Chicago's -- and others in development across the country -- are so important. Some environmental groups criticize CCX, saying it's no substitute for a mandatory federal program. But in reality the exchange will help ease the transition to a nationwide cap-and-trade system by establishing a viable regional market for carbon transactions. The CCX program looks to be a winner for Chicago, businesses, farmers, and the environment. Other locales and financial centers would be wise to follow its example." **Senator Tom Carper (D-Del.) (Nov. 20, 2003)**

"... you could help to create the conditions for efficient emission trading systems, standardized accounting methods and the like. The successful launch of the Chicago Climate Exchange here in the United States is one example of an initiative to create a carbon market. We need more such innovative thinking on financing mechanisms and new insurance products." **UN Secretary-General Kofi Annan (12-21-03)**

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