

Chicago Climate Exchange[®] Inc.



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What is Chicago Climate Exchange?

*Chicago Climate Exchange (CCX[™])
is the world's first and North America's
only voluntary, **legally binding**
greenhouse gas reduction and trading
program for emission sources and offset
projects in North America and Brazil.*

2

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CCX Members

Now over 120 multi-sector Members:

Aerospace and Equipment

Rolls-Royce

Automotive

Ford Motor Company

Beverage Manufacturing

New Belgium Brewery

Chemicals

Dow Corning

DuPont

Diversified Manufacturing

Bayer Corporation

Interface, Inc.

Ozinga Bros

Electric Power Generation

American Electric Power

Central Vermont Public Service

Green Mountain Power

Manitoba Hydro

TECO Energy, Inc.

Electronics

Motorola, Inc.

Environmental Services

Waste Management, Inc.

Food Processing

Premium Standard Farms

Forest Products

Abitibi-Consolidated

Aracruz Celulose S.A.

International Paper

Klabin S.A.

MeadWestvaco Corp.

Stora Enso North America

Temple-Inland Inc.

Information Technology

IBM

States, Municipalities

State of New Mexico (In process)

City of Aspen (In Process)

City of Berkeley (In Process)

City of Boulder

City of Chicago

City of Oakland

City of Portland (In process)

Pharmaceuticals

Baxter Healthcare

Private University

Tufts University

Public Universities

The University of Iowa

University of Minnesota

The University of Oklahoma

Recreation

Aspen Skiing Company

Semiconductors

ST Microelectronics

Steel

Roanoke Electric Steel Corp.

Transportation

Amtrak

San Joaquin Regional Rail

Commission

3

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Associate Members

Architecture/Planning

Mithun, Inc.

Associations

Confederation of British Industry

Brokerage Services

Amerex Power

Consulting

Domani LLC

Global Change Associates

Natural Capitalism, Inc.

Rocky Mountain Institute

Energy and Management Services

Orion Energy Systems Ltd

Sieben Energy Associates

Thermal Energy International

Engineering

Vanasse Hangen Brustlin, Inc.

Financial Services

Access Industries, Inc.

MB Investments, LLC

4

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Information Technology

Open Finance LLC

Intercontinental Exchange

Legal Services

Foley & Lardner

Sullivan & Cromwell

Non-Governmental Organization

American Coal Ash Association

American Council on Renewable

Energy

Delta Institute

Houston Advanced Research Center

Midwest Energy Efficiency Alliance

World Resources Institute

Private College

Presidio World College

Risk Management

The Professional Risk

Managers' International Association

Religious Organization

Jesuit Community of Santa

Clara University

Renewable Energy

Airtricity

Intergy

Reknewco Ltd.

Retiring/Offsets

Carbonfund.org

Terrapass

Social Investment

KLD Research & Analytics

Pax World

Technology

Millennium Cell

Polar Technology

TerraPass

Trade Associations

Confederation of British

Industry

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Participant Members

Offset Aggregator

Environmental Credit Corp.
Iowa Farm Bureau

Offset Provider

Precious Woods Holdings
Resource Technology Corp.
Sustainable Forestry Management, Ltd.

Liquidity Providers

AGS Specialists LLC
Michael R. Anderson
Stanley Bedows
Breakwater Trading LLC
Raymond S. Cahnman
Calyon Financial, Inc.
Thomas H. Dittmer
Eagle Market Maker, Inc.
FCT Europe Ltd.
First New York Securities LLC.
Goldenberg, Hehmeyer & Co.
Joe Gressel
Grey K. Environmental Fund
Haley Capital Management

Liquidity Providers Cont.

Robert L. Hamilton
ICAP Energy LLC
Christopher J. Johnson
Kottke Associates, LLC
The League Corporation
Marquette Partners, LP
Glenn M. Miller
Douglas M. Monieson
Natsource LLC
Peregrine Financial Group
Rand Financial Services, Inc.
REFCO LLC
Brian Rice

Liquidity Providers Cont.

Zachary Safrin
Joseph Schmit
Serrino Trading Company
Shatkin Arbor, Inc.
Josh Skolnik
C. Richard Stark, Jr.
Swiss Re
Daniel B. Stern
Jeffery B. Stern
Lee B. Stern
TradeLink LLC
Tradition Financial Services
TransMarket Group LLC



CCX State and Municipal Members

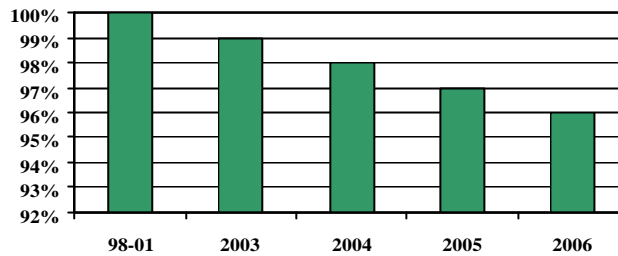
- **State of New Mexico** (In Process)
- **City of Aspen, Colorado** (In Process)
- **City of Chicago, Illinois**--Founding Member
- **City of Oakland, California**
- **City of Boulder, Colorado**
- **City of Berkeley, California**
- **City of Portland, Oregon** (In Process)



CCX Phase I Market Architecture (2003-2006)

Phase I: Members make a legally binding commitment to **reduce or trade** 1% per year from 2003-2006 below a baseline average of 1998-2001.

CCX Emission Reduction Schedule



- Independent verification
- Annual true-up
- Pre-defined offset projects
 - Sequestration: reforestation, agricultural soils
 - Landfill and agricultural methane destruction

Phase II: Additional 2% reduction from 2007-2010;
All Members 6% reduction by 2010

7

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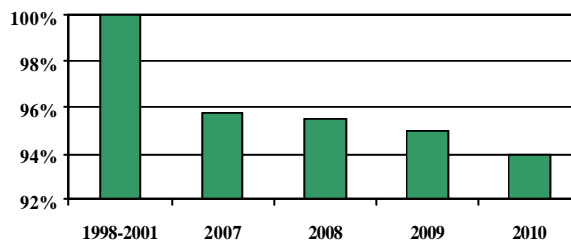


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CCX Phase II Market Architecture 2007-2010

- Members make legally binding commitment, for 2006 through 2010, to cut emissions **OR TRADE** to achieve a 6% below baseline reduction by 2010

CCX Emission Reduction Schedule



- Independent emissions verification, self-governance system
- Electronic trading, annual true-up
- Pre-defined offset projects
 - Landfill and agricultural methane destruction
 - Carbon sequestration: reforestation, agricultural soils

8

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CCX Phase II Targets

- For continuing Phase I Members, Phase II reduction targets are an additional:
 - -0.25% in 2007, for a total of 4.25%
 - -0.25% in 2008, for a total of 4.5%
 - -0.5% in 2009, for a total of 5.0%
 - -1.0% in 2010, for a total of 6.0%
- For new Phase II Members, annual reduction commitments will be a linear reduction path from their first commitment year resulting in a 6% reduction by 2010
- Baseline choice: Avg emissions in 1998 - 2001 or 2000 emission levels
- Economic Growth Provision - maximum increase in emissions recognized for True-up purposes
 - 3% of Member baseline in each year of Phase II

9

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Scale of CCX Thus Far

- CCX total emissions baseline of 226 million metric tons CO_{2e} is equivalent to the United Kingdom's annual allocation under the EU trading system and would make CCX one of the **largest "countries"** in the EU CO₂ market.
- CCX total emissions baseline thus far is equivalent to 4% of the United States annual GHG emissions.
- Total reductions thus far in the CCX program are roughly equal to 1/3 the annual emissions of Norway.

10

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CCX Registry

Chicago Climate Exchange Position Statement
 Organization: CCX View Only Company
 as of Sun, Feb 15, 2004

Direct Emissions Baseline: 0 metric tons CO₂ equivalent (unaudited)

1. Total Holdings of CCX Carbon Financial Instruments
 (Exchange Allowances plus Offsets plus Early Action Credits, in hundred metric tons CO₂)

| Year | 2003 | 2004 | 2005 | 2006 |
|----------------|------|------|------|------|
| TOTAL Holdings | 3 | 3 | 0 | 0 |

2. Exchange Allowance Holdings

| Year | 2003 | 2004 | 2005 | 2006 |
|--|--------|------|------|------|
| Original Allocation of Exchange Allowances | 3 | 3 | 0 | 0 |
| This | Active | | | |
| 1% reserve post-withholding | debit | 3 | 3 | 0 |
| height in age 2003 sector | credit | 3 | 3 | 0 |
| current holdings | 3 | 3 | 0 | 0 |

3. Exchange Offset Holdings

| Year | 2003 | 2004 | 2005 | 2006 |
|------------------------------|------|------|------|------|
| Holdings of exchange offsets | 3 | 3 | 0 | 0 |

4. Exchange Early Action Credit Holdings

| Year | 2003 | 2004 | 2005 | 2006 |
|---|------|------|------|------|
| Holdings of Exchange Early Action Credits | 3 | 3 | 0 | 0 |

11

All Carbon Financial Instrument quantities are rounded to the nearest hundred metric tons CO₂

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CCX Market Screen

Chicago Climate Exchange - systems_ccx @ CCX View Only Company

View Admin Help Logout

Greenhouse Gases

| Strip | Buy | Qty | Bid | Offer | Qty | Buy | High | Low | Last | WAP | Volume |
|--------------|-----|------|------|-------|-----|-----|------|------|------|------|--------|
| Vintage 2003 | 100 | 117 | 1.24 | 20 | | | 1.11 | 1.10 | 1.17 | 1.15 | 125 |
| | 100 | 116 | 1.23 | 100 | | | | | 1.15 | | |
| | 50 | 114 | | | | | | | 1.13 | | |
| | 10 | 111 | | | | | | | 1.10 | | |
| Vintage 2004 | 100 | 110 | | | | | 1.19 | 1.15 | 1.16 | 1.17 | 100 |
| | 50 | 117 | 1.23 | 20 | | | | | 1.17 | | |
| | 100 | 117 | 1.23 | 50 | | | | | 1.16 | | |
| | 30 | 115 | | | | | | | 1.16 | | |
| Vintage 2005 | 100 | 117 | 1.23 | 20 | | | 1.19 | 1.17 | 1.17 | 1.17 | 434 |
| | 100 | 119 | 1.25 | 50 | | | | | 1.17 | | |
| | 30 | 0.95 | | | | | | | 1.17 | | |
| | | | | | | | | | 1.17 | | |
| Vintage 2006 | 100 | 117 | 1.24 | 10 | | | 1.19 | 1.16 | 1.17 | 1.18 | 351 |
| | 50 | 116 | | | | | | | 1.16 | | |
| | 100 | 114 | | | | | | | 1.18 | | |
| | | | | | | | | | 1.17 | | |

completed trades (each contract is 100mt CO₂)

- CCX CF - Carbon Financial Instrument - Vintage 2006, 100 @ 1.17 @ (Oct 04, 2004 11:56:00 CDT) --BLOCK--
- CCX CF - Carbon Financial Instrument - Vintage 2005, 100 @ 1.17 @ (Oct 04, 2004 11:55:00 CDT) --BLOCK--
- CCX CF - Carbon Financial Instrument - Vintage 2005, 100 @ 1.18 @ (Oct 04, 2004 10:54:37 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2006, 100 @ 1.19 @ (Oct 04, 2004 10:53:16 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2006, 1 @ 1.15 @ (Oct 04, 2004 10:24:49 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2004, 20 @ 1.15 @ (Oct 04, 2004 10:17:23 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2004, 20 @ 1.17 @ (Oct 04, 2004 10:14:24 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2002, 10 @ 1.17 @ (Oct 04, 2004 10:14:21 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2006, 20 @ 1.17 @ (Oct 04, 2004 10:13:40 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2006, 100 @ 1.17 @ (Oct 04, 2004 10:12:07 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2005, 20 @ 1.17 @ (Oct 04, 2004 10:13:07 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2005, 100 @ 1.17 @ (Oct 04, 2004 10:12:41 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2004, 50 @ 1.15 @ (Oct 04, 2004 10:12:20 CDT)
- CCX CF - Carbon Financial Instrument - Vintage 2005, 100 @ 1.17 @ (Oct 04, 2004 10:12:06 CDT)

12,2893 CDT

12

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Emissions Quantification in CCX

- Prescribed Emission Quantification Methods: Baseline, Annual
- Electric Power Generation - Continuous Emission Monitors
- WRI/WBCSD methods for:
 - Stationary and mobile fuel combustion
 - N₂O emissions from adipic and nitric acid production
 - PFC emissions from semiconductor manufacture
 - CO₂ from cement, iron/steel, lime, ammonia production
 - Aluminum, HFC-23 production
- CCX rules reference existing tools for SF₆, oil and gas

13

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Early Achievements

- Complete operation implemented: rulebook, trading, clearing, registry, market oversight, governance
- Member Baselines and 2003 emissions independently audited
- Program-wide emission reductions achieved
- Trading and clearing mechanisms fully functional
 - >1,200 trades, over 3.2 million tons exchanged
 - prices mainly range from \$1 - \$2.50/t:
- Methane and agricultural soils offsets verified, issued and sold

14

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Early Achievements (cont.)

- Major pool of private and public sector talent engaged
 - Members
 - Other experts
- Thousands of individuals now far more informed on carbon management and trading
- CCX framework is synergistic and complementary to all policy options and precludes no other reduction or registry initiatives--local, regional, state or Federal
- Detailed rules and methods tested and refined
 - Many second generation procedures now in place
 - Hands-on experience for emissions & project verification experts
 - Detailed expertise accumulated by members

15

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Conclusions: Big Picture Results From CCX

- Carbon now has an initial price in a rules-based program in the world's largest economy
- North American entities with verifiable GHG emission reductions can now receive revenue for that environmental service
- Entities that do not incorporate carbon prices in their decisions risk major mistakes

16

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Future Opportunities

- Work toward towards establishing linkages with other national and international greenhouse emissions trading systems. Initial Steps include:
 - European Climate Exchange (EU ETS)
 - Total Volume EU ETS = 200,251,124 metric tons
 - Total Volume ECX = 51,898,00 metric tons
 - Clean Development Mechanism projects
- Develop and refine standards for renewable energy offset projects
- Established licensing agreement with Multi Commodities Exchange of India Ltd., Mumbai to launch first environmental financial products in Asia

