



SUSTAINABILITY



ENERGY | ENVIRONMENT | ECONOMICS



Chicago Climate Exchange

Chicago Climate Exchange®



A global financial institution advancing social, environmental and economic goals



WHERE THE
World
TRADES
CARBON

Dr. Richard Sandor, Founder and Chairman



Richard Sandor

THE WALL STREET JOURNAL

March 13, 2008

CARBON KING
Economist Strikes Gold In Climate-Change Fight



Free Market, Cleaner Air



Newsweek



It Can Pay to Be Green

Cleaner air means profits at the Climate Exchange.

DONNA SACCHARIDIS/EPIC IMAGES
 ...under the terms of the 1997 Kyoto Protocol, leading to "carbon credits" or strictly voluntary ones. From as far as the market has seen, Kyoto remains. Since it began in 2005, the ETS has generated 400 million tonnes CO₂ equivalent, including Ford and DuPont, says a positive headline for a "carbon marketplace" (think: CCX trading volume is still massive—about \$30 million last month, the European Climate Exchange, or EEX, reported roughly \$60 billion in volume last year). But CCX founder Richard Sandor, a major shareholder in EEX, sees how clear ahead. "It's a pressure on for the single largest marketplace in the world" he says. The firm plans carbon trading some time since the release of all ETS.



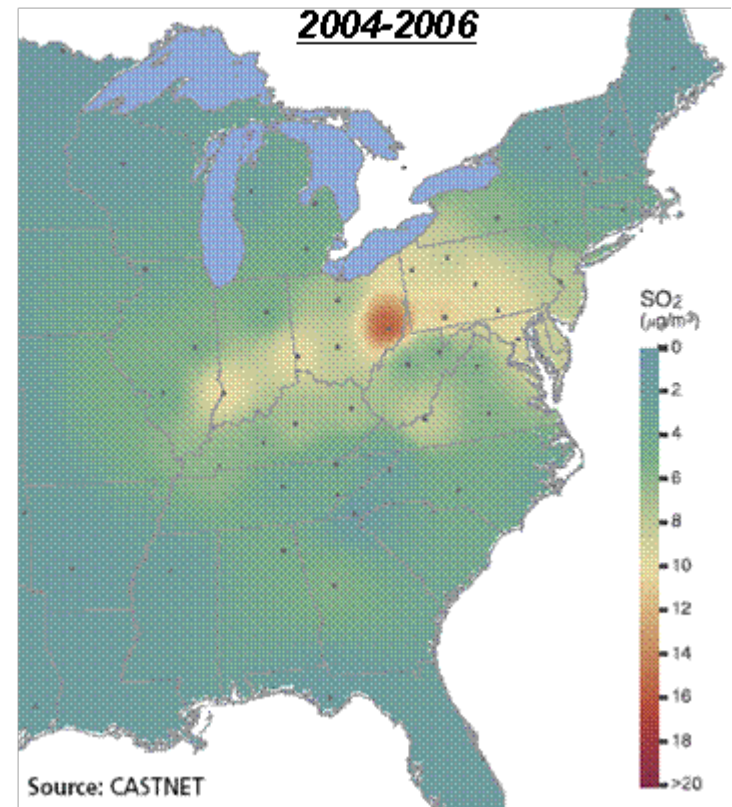
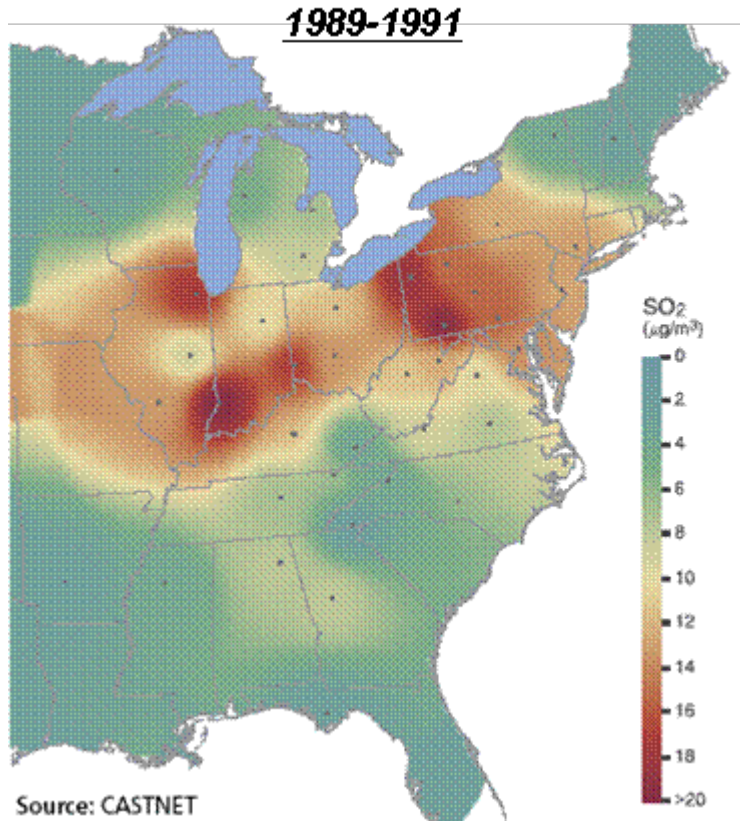
Regulatory Tools

- Tax
- Command and Control
- Cap and Trade



Impact of Trading on SO₂ Pollution

Annual Mean Ambient SO₂ Concentration



- The US Acid Rain Program's annual benefits in the year 2010 are expected to be \$122 billion (Yr. 2000 \$)
- Based on EPA's latest air quality trends data the national composite average of SO₂ annual mean ambient concentrations decreased 48 percent between 1990 and 2005.

What is Chicago Climate Exchange?

Chicago Climate Exchange (CCX[®]) is the world's first and North America's only active voluntary, legally binding integrated trading system to reduce emissions of all six greenhouse gases, with offset projects in North America and worldwide



CCX is a Complete System

- **QUANTIFY**
Establish annual entity-wide GHG emissions using standardized protocols
- **VERIFY & REGISTER**
CCX Registry account established, FINRA verification
- **REDUCE**
Adopt CCX annual emission reduction schedule, develop internal emissions management policies
- **TRADE**
Buy and sell CCX Carbon Financial Instrument contracts on web-based platform, trades cleared by CCX and entered into Registry



Quantify

- Prescribed Reporting Format:
- Use WRI/WBCSD GHG Calculation Tools for:
 - Stationary fuel combustion
 - Mobile fuel combustion
 - Industry-specific processes
- Power Generation Sector – Continuous Emission Monitors
- Opt-ins:
 - Purchased Electricity
 - Small Emission Sources
 - Facilities Under Minor Ownership



Verify & Register

- Baseline and annual emission reports submitted for verification to FINRA
- FINRA uses sampling tool to generate documentation requirements
 - ✓ Source documents must be presented-e.g., energy purchase receipts, meter readings, conversion formulae, coefficients
- Corporate officer must sign emissions attestation
- FINRA reports reviewed by Environmental Compliance Committee



CCX Registry

CCX Registry Reports: Holdings Report - Microsoft Internet Explorer provided by Chicago Climate Exchange

You are logged in as mstern_ccx
Logout

Select Organization: **CCX Test Company 1**

CHICAGO CLIMATE EXCHANGE
Registry Holdings Report Page v1.1.2

Chicago Climate Exchange Holdings Statement
Organization: **CCX Test Company 1**
as of **Fri, Jun 24, 2005**

Chicago Climate Exchange

CCX Test Company 1
 Organization Summary
 Holdings Summary
 Transaction History
 Emission Summary
 Daily Clearing Statement
 Monthly Clearing Statement
 Admin

Vintage:	2003	2004	2005	2006
Current holdings of Exchange Allowances	9779	9656	9604	9496
Current holdings of Exchange Offsets	0	0	0	0
Current holdings of Exchange Early Action Credits	0	0	0	0
Total current holdings of CFIs	9779	9656	9604	9496

Exchange Allowances:

Vintage:	2003	2004	2005	2006
Allocation of Exchange Allowances on the basis of emission reduction targets	9900	9800	9700	9600
Auction pool withholdings	-99	-98	-97	-96
Net Delivered Exchange Allowances from trades via CCX Trading Platform	-22	-46	1	-8
Current holdings of Exchange Allowances	9779	9656	9604	9496

Exchange Offsets:

Vintage:	2003	2004	2005	2006
Net Exchange Offsets bought or sold via the CCX Trading Platform	0	0	0	0
Current holdings	0	0	0	0

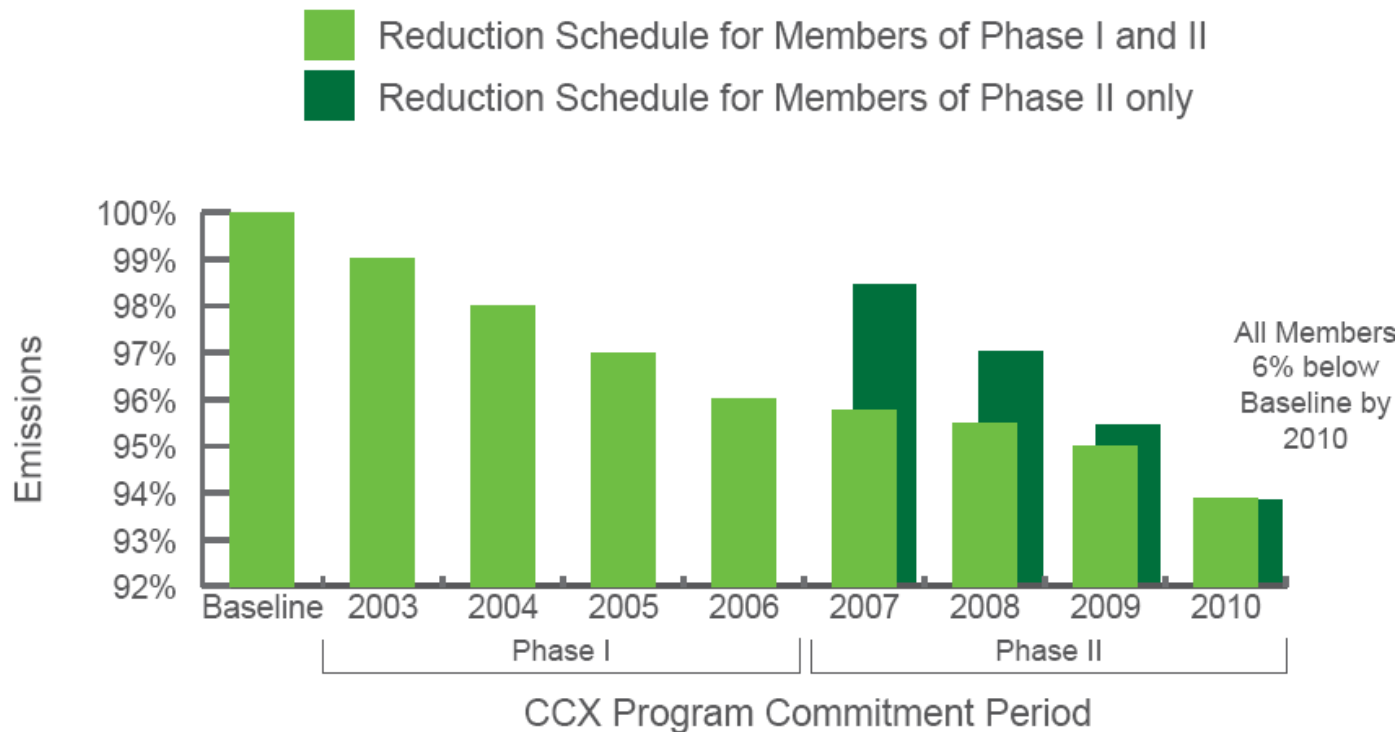


Reduce

Phase I: Members made legally binding commitments to reduce or trade 1% per year from 2003-2006, for a total of 4% below baseline.

Phase II: Members make a legally binding commitment to reduce to 6% below baseline by 2010.

Baseline = Avg. emissions from 1998-2001, emissions in 2000 (Phase II)



TRADE

ChicagoClimateExchange - mstern_ccx @ CCX View Only Company

View Admin Help Logout

Kill All Activate All Live Only Hold Bids Hold All Hold Offers

Orders Deals Greenhouse Gases

Strip	+	-	Sell	Qty	Bid	Offer	Qty	Buy	High	Low	Last	WVAP	Volume	+	-
Vintage 2003	+	-		100	1.17	1.24	20		1.17	1.10	1.17	1.15	125	+	-
				100	1.16	1.25	100				1.15				
				50	1.14						1.13				
				10	1.11						1.10				
				100	1.10										
Vintage 2004		-		50	1.17	1.23	20		1.18	1.15	1.18	1.17	100		-
				100	1.17	1.25	50				1.17				
				20	1.15						1.16				
				100	1.12						1.15				
Vintage 2005	+	-		100	1.17	1.23	20		1.19	1.17	1.17	1.17	435	+	-
				100	1.16	1.25	50				1.19				
				20	0.95						1.17				
											1.17				
											1.17				
Vintage 2006	+	-		100	1.17	1.24	10		1.19	1.16	1.17	1.18	351	+	-
				50	1.16						1.19				
				100	1.14						1.18				
											1.17				
											1.17				

Completed trades (each contract is 100mt CO₂)

- CCX CFI - Carbon Financial Instrument - Vintage 2006, 100 @ 1.17 (Oct 04, 2004 11:56:00 CDT) <<BLOCK>>
- CCX CFI - Carbon Financial Instrument - Vintage 2005, 100 @ 1.17 (Oct 04, 2004 11:55:00 CDT) <<BLOCK>>
- CCX CFI - Carbon Financial Instrument - Vintage 2005, 100 @ 1.19 (Oct 04, 2004 10:54:37 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2006, 100 @ 1.19 (Oct 04, 2004 10:53:18 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2006, 1 @ 1.18 (Oct 04, 2004 10:24:48 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2004, 20 @ 1.18 (Oct 04, 2004 10:17:23 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2004, 20 @ 1.17 (Oct 04, 2004 10:14:24 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2003, 10 @ 1.17 (Oct 04, 2004 10:14:21 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2006, 20 @ 1.17 (Oct 04, 2004 10:13:40 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2006, 100 @ 1.17 (Oct 04, 2004 10:13:07 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2006, 20 @ 1.17 (Oct 04, 2004 10:13:07 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2005, 100 @ 1.17 (Oct 04, 2004 10:12:41 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2004, 50 @ 1.16 (Oct 04, 2004 10:12:20 CDT)
- CCX CFI - Carbon Financial Instrument - Vintage 2005, 100 @ 1.17 (Oct 04, 2004 10:12:06 CDT)

12:28:53 CDT



Who Participates?

- Members: have direct emissions, take on 6% reduction commitment
- Associate Members: Indirect emissions only, fully offset annual emissions
- Offset Providers/Aggregators: Register/sell projects that sequester or destroy GHGs
- Liquidity Providers: Trade for purposes other than compliance

New

- Registry Participant: Inventory and registration of emissions on a yearly basis; no trading privileges



CCX Members: Corporate and Utility Leaders

A Selection of Members

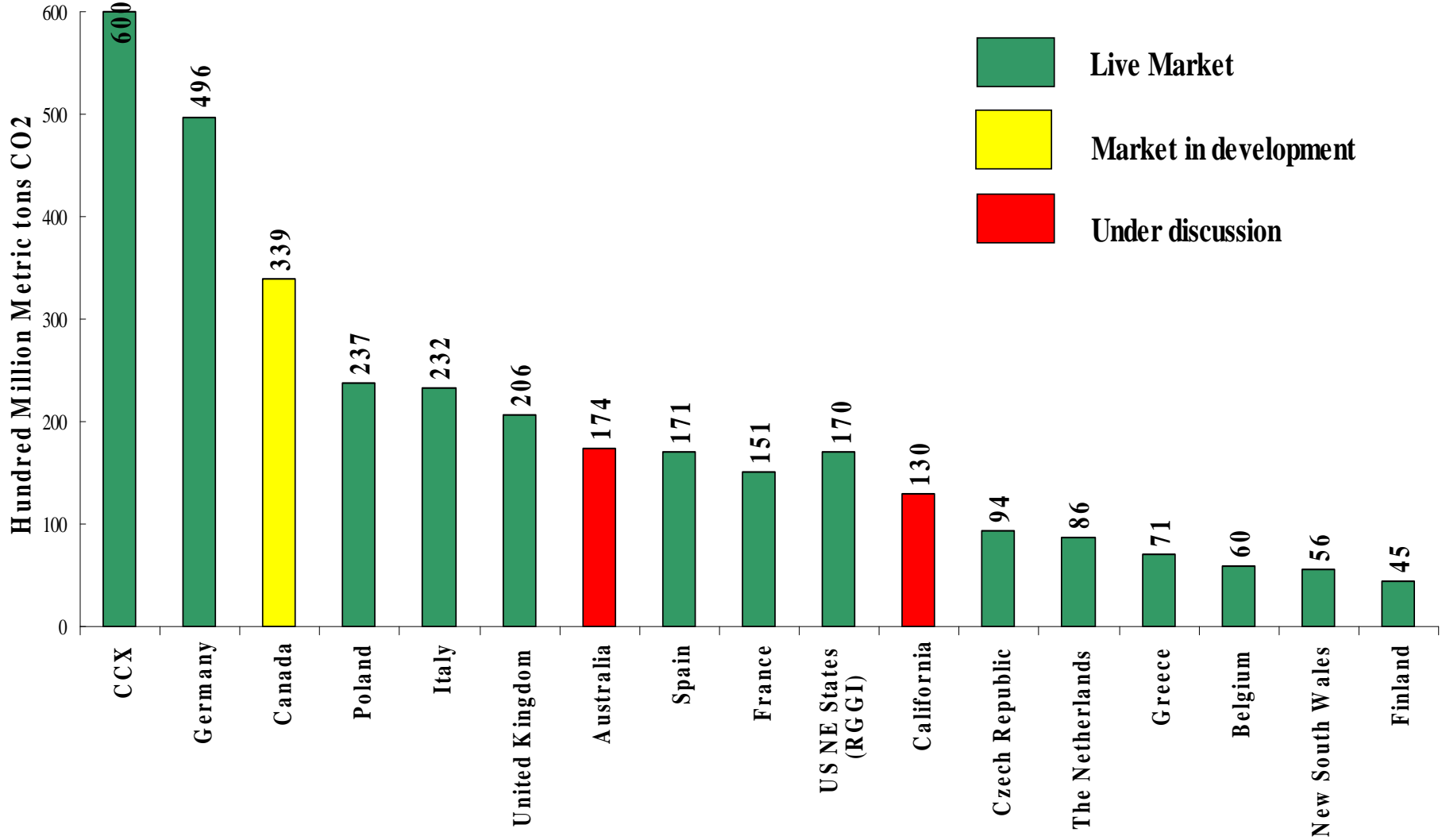


CCX Scale

- CCX Member-wide emissions are equivalent to:
 - 15% of U.S. stationary emission sources
 - 25% of emissions covered under EU ETS
- CCX Members represent:
 - 10% of Fortune 100 Companies
 - 17% of Dow Jones
 - 20% of U.S. power sector



Size of Live, Emerging, Possible GHG Markets



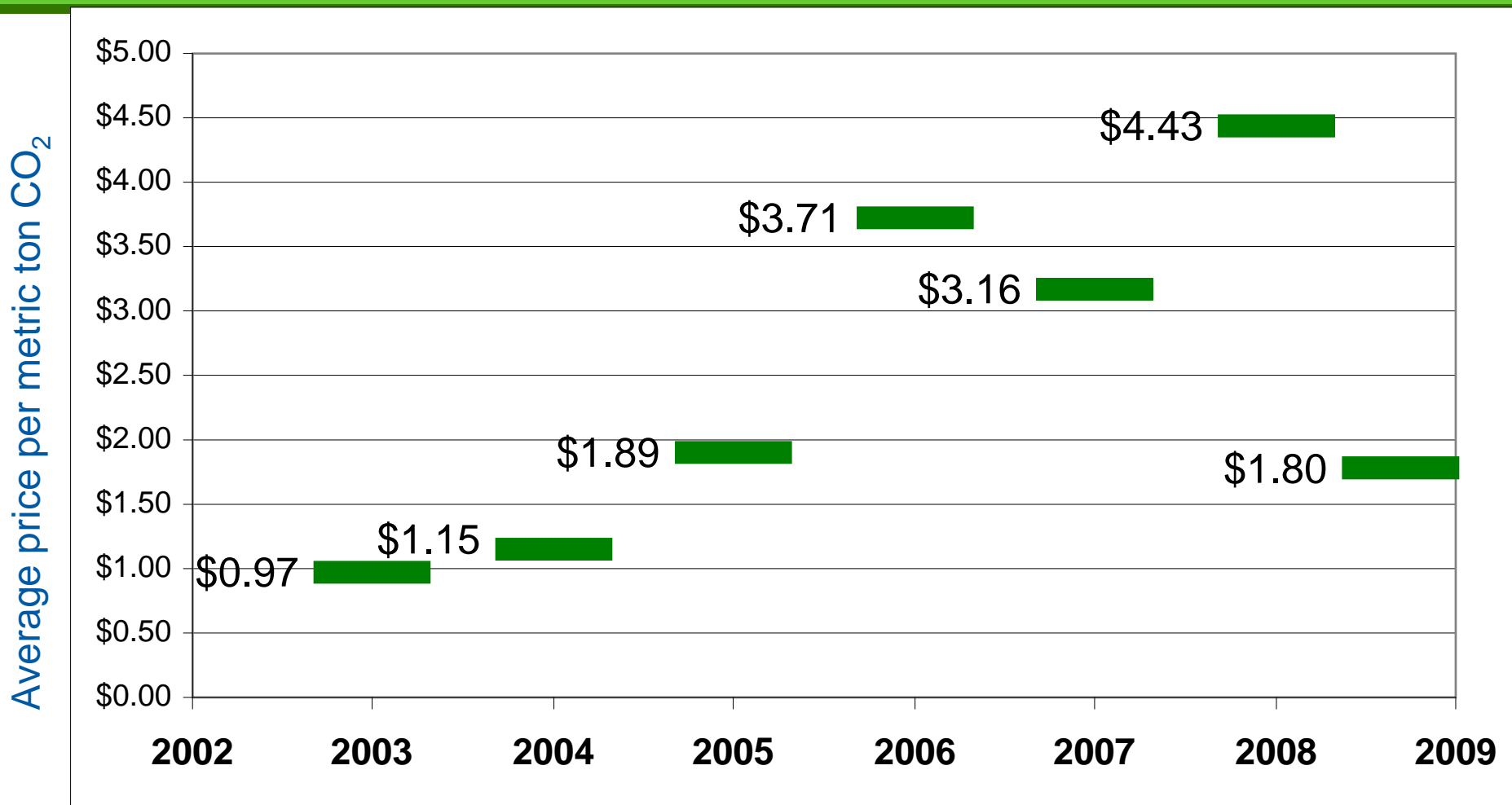
What is Traded?

Carbon Financial Instrument (CFI) Contracts

- CCX Carbon Financial Instrument contracts are standardized tradable instruments
- Each instrument represents one hundred metric tons of CO₂
- Methane, other GHGs converted to CO₂ equivalent
- Each instrument assigned a serial number and annual vintage
- Each instrument is equivalent when tendered for compliance
- Instruments usable in designated vintage year or later years



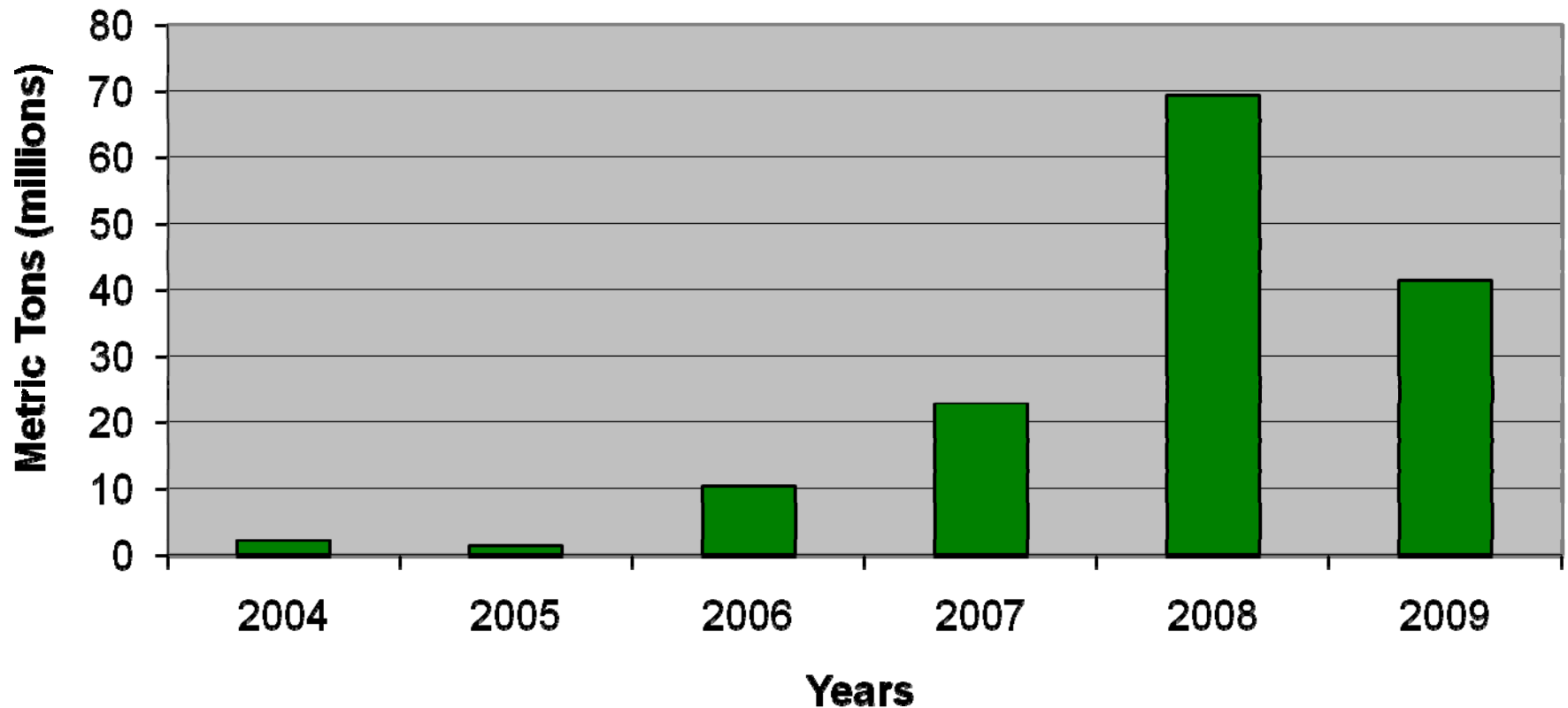
Annual Average* Price for CCX Carbon Financial Instrument Contracts 2003-2009



* Volume-weighted average for spot market trades (as of June 1, 2009)



CFI[®] Historic Volumes (metric tons)



THANK YOU

Questions?

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