

Frequently Asked Questions

1) What is the Chicago Climate Exchange (CCX)?

Chicago Climate Exchange (CCX), launched in 2003, is the world's first and North America's only active voluntary, legally binding integrated trading system to reduce emissions of all six major greenhouse gases (GHGs), with offset projects worldwide.

2) What is the European Climate Exchange (ECX)?

The European Climate Exchange (ECX) manages the marketing and product development for ECX Carbon Financial Instruments (ECX CFIs), listed and admitted to trading on the ICE Futures Europe's electronic platform. ECX / ICE Futures Europe is the most liquid platform for carbon emissions trading, attracting over 85% of the exchange-traded volume in the European carbon market. ECX CFI Contract include standardised futures and options based on EU Allowances (EUAs) and Certified Emission Reductions (CERs). More than 90 leading businesses have signed up for membership to trade ECX products. In addition, several thousand ICE clients can access the emissions market daily via banks and brokers. **To this day, the ECX has not accepted Certified Emission Reductions (CER's) based on Forestry Projects.**

3) What are the goals of the Chicago Climate Exchange (CCX)?

- To facilitate the transaction of GHG allowance trading with price transparency, design excellence and environmental integrity
- To build the skills and institutions needed to cost-effectively manage GHGs
- To facilitate capacity-building in both public and private sectors to facilitate GHG mitigation
- To strengthen the intellectual framework required for cost effective and valid GHG reduction
- To help inform the public debate on managing the risk of global climate change.

4) What is the role of the CCX Committee on Forestry?

The CCX Forestry Committee, comprised of forestry experts from the CCX Membership, is responsible for reviewing forest offset project proposals and recommending approval. The Committee is also responsible for recommending interpretations of rules relating to quantification of forest carbon stocks, as well as recommending additional methods to be employed to quantify and verify changes in forest carbon stocks. All managed forest project proposals must be submitted to the CCX Forestry Committee for approval. Project proposals should provide pertinent information regarding project design and inventory, sampling, forest management and quantification techniques.

5) How do project participants demonstrate long-term commitment to maintain enrolled land under forestry?

Project participants must sign a contract attesting that the land will be maintained as forest for at least 15 years from the date of enrollment in CCX. In addition, all participants are required to sign a letter of good faith stating that they will maintain enrolled land in forest beyond the 15 year contract period required by the program. A sample copy of this letter may be requested from CCX.

6) What evidence of sustainable forest management is required?

Project participants must provide evidence that all of the registered forest land is sustainably managed through certification from agencies or schemes endorsed by the Programme for the Endorsement of Forest Certification schemes (PEFC) Council or through other certification schemes that have been approved by the CCX. Approved certification schemes for the United States include Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI) and American Tree Farm System Group Certification.

7) How do CCX rules address the loss of carbon due to catastrophic events such as hurricanes or forest fire?

All CCX eligible soil and forestry offset projects are required to maintain a carbon reserve pool to manage risks including losses from catastrophic events. Twenty percent of the CCX CFI contracts generated annually by the project will be placed in the reserve pool. A forest carbon reserve pool is established for each pool registered by an aggregator or individual projects from offset providers. At the end of the CCX market period, CCX CFI contracts remaining in the forest reserve pool will be released back to the participants. The maximum catastrophic loss recognized by CCX will be no greater than the amount of offsets in the reserve pool at the time of annual environmental compliance.

8) Can I acquire and enroll new forest land in the project or dispose of enrolled land from the project?

CCX forestry program rules are structured so as not to restrict participants from land acquisition or disposition. On an annual basis, the quantification of changes in forest carbon stocks will be adjusted to reflect acquisitions or dispositions. When eligible new land is acquired, the project owner may be eligible for issuance of CCX CFI contracts corresponding to sequestration in the new enrolled acres. When enrolled land is disposed, the total CCX CFI contracts issued from that parcel of land has to be surrendered back to CCX. Under certain circumstances when land disposed by one project participant continues to remain enrolled in the CCX program, surrender of CCX CFI contracts from previous years may be warranted.

9) What is an Offset Aggregator?

An Offset Aggregator is a CCX-registered entity that serves as an administrative and trading representative on behalf of multiple project owners. Individual projects which may not generate enough offsets to overcome administrative costs may find it advantageous to work with an Aggregator in bringing a project to CCX. Aggregators are responsible for interacting with CCX, explaining CCX rules and requirements to project owners and coordinating with CCX approved verifiers. In addition, Aggregators are responsible for trading activities and the maintenance of the Registry Account. Individual landowners are encouraged to contact Aggregators directly, as the contracts are signed directly between those parties. Aggregators, with links to their respective websites, are listed on the CCX website at: www.theccx.com/content.jsf?id=64.

10) What are the verification requirements?

Managed forest projects require an annual verification through a CCX approved forestry verification firm. The annual verification process aims at verifying the validity of the forest carbon stock baselines including baseline adjustments, validity of the database, accuracy of data collection, applicability correct use of forest carbon quantification techniques employed and accuracy of carbon calculations. The costs for the verification are borne by the registered CCX Offset Provider or Aggregator. A complete list of approved verifiers is available on the web at: www.chicagoclimateexchange.com/content.

11) How are trades executed and registered?

All trades occur on the Internet-based CCX Electronic Trading Platform, and are linked directly with the CCX Registry. The Registry is comprised of Member accounts and is the official holder of record and transfer mechanism for the CCX.

12) What is the governance structure of CCX?

Standing Committees comprised of CCX Members provide oversight of specific market functions. Committees include the Executive Committee, Environmental Compliance Committee, Trading and Market Operations Committee, Offsets Committee, Membership Committee and Forestry Committee.

11) What is cap and trade and how can it help reduce emissions?

A cap-and-trade emission trading system is successful from both environmental and economic viewpoints because:

- It relies on a stipulated environmental goal—an emissions limit, or cap. Direct monitoring of emissions is used to verify that the cap is achieved so as to insure the value of the tradable allowances.
- It provides emitters with the flexibility to apply the least-cost emission reductions sooner than they might otherwise.
- It provides direct financial incentives for new low-cost control technology and other approaches to reduce emissions.
 - Banking and sale of allowances provides an incentive to make larger than required reductions in a given time period.
 - It establishes a price signal to help minimize waste of scarce resources.

12) What gets traded?

The tradable contract at CCX is the Carbon Financial Instrument® (CFI®). CFI contracts are comprised of Exchange Allowances and Exchange Offsets. Allowances are issued to emitting Members in accordance with their Baseline and the CCX Emission Reduction Schedule. Offsets are generated by qualifying offset projects. One CFI contract is equal to 100 metric tons of CO₂e.

14) How do I find more information about the CCX and/or ECX?

- For more information on the Chicago Climate Exchange (CCX) please visit their website at www.chicagoclimateexchange.com.
- For more information in the European Climate Exchange (ECX) please visit their website at www.europeanclimateexchange.com.