Chicago Climate Exchange, Inc.

Creating a Market for Greenhouse Gas Emissions Trading

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Chicago Climate Exchange

What is Chicago Climate Exchange (CCX®)?

- An unprecedented demonstration that a cross-section of North American private and public entities can design and implement a voluntary, legally binding market-based GHG emissions reduction program

- A self-regulatory exchange based on the Chicago Accord, a set of principles agreed upon by 28 North American greenhouse gas emitting companies

- CCX® will administer a voluntary, binding pilot greenhouse gas emission reduction and trading program for emission sources, carbon sinks and offset projects in North America and Brazil

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Goals of CCX®

- Proof of concept: establish the viability of a multi-sector GHG emissions cap-and-trade program, supplemented by offsets, to reduce GHG emissions cost-effectively
- Price discovery and dissemination of market information
- Standardization of the commodity and building of market infrastructure and institutions— e.g. registry, clearing, settlement
- Facilitation of trading with low transactions costs
- Harmonization and integration with other trading regimes

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CCX® Key Features

- Voluntary cap and allowances for emitters
- Project-based offsets: farm and forest sinks, methane destruction and eligible offset projects in the U.S. and Brazil
- Include all GHGs, use IPCC global warming potentials
- Registry, Electronic Trading Platform, Financial Clearinghouse
- NASD market oversight
- Self-regulatory organization overseen by Committees of Members, directors and staff

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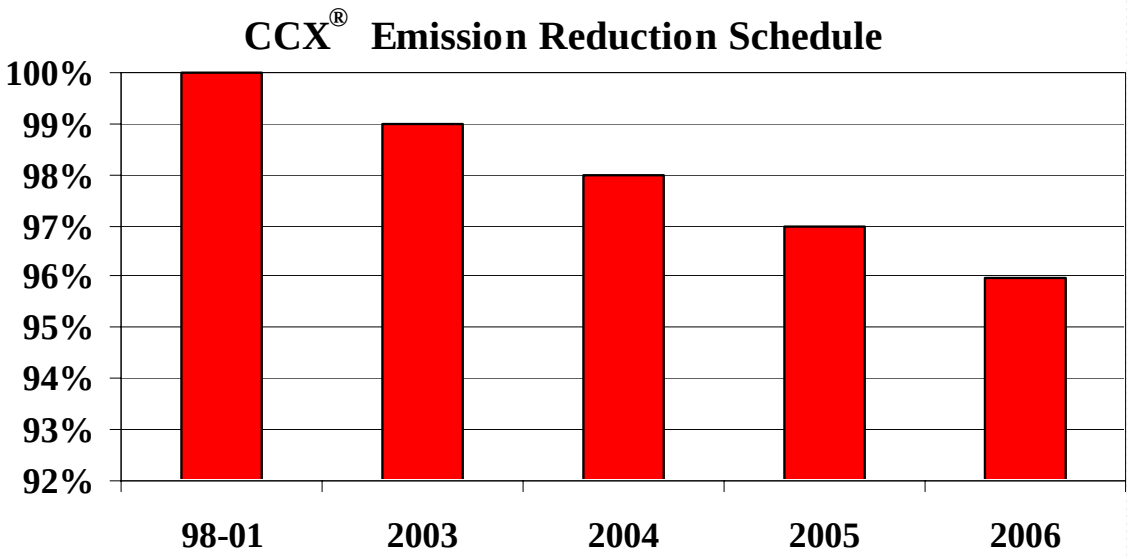
Standardized Reduction Timetable

- 2003: Reduce emissions to 1% below 1998-2001 levels
- 2004-2006: target falls additional 1% per year (from 1998-2001)



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CCX® Members

Aerospace and Equipment
Rolls Royce

Automotive
Ford Motor Company

Chemicals
Dow Corning
DuPont

Consulting
Domani LLC
Global Change Associates
Natural Capitalism, Inc.
Rocky Mountain Institute

Diversified Manufacturing
Bayer Corporation

Electronics
Motorola, Inc.

Environmental Services
Waste Management, Inc.

Electric Power Generation
American Electric Power
Manitoba Hydro
TECO Energy, Inc.

Energy Management Services
Sieben Energy Associates

Forest Products
International Paper
MeadWestvaco Corp.
Stora Enso North America
Temple-Inland Inc.

Food Processing
Premium Standard Farms

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CCX® Members

Information Technology
IBM
Open Finance LLC

Legal Services
Foley & Lardner

Municipalities
City of Chicago

Non-Governmental Organization
American Coal Ash Association
American Council on Renewable Energy
Houston Advanced Research Center
World Resources Institute

Offset Aggregator
Iowa Farm Bureau

Offset Provider
Klabin S.A.
Restoration Soil & Research, Ltd.

Pharmaceuticals
Baxter Healthcare Corporation

Private University
Tufts University

Public University
The University of Oklahoma
The University of Iowa

Religious Organizations
The Jesuit Community of Santa Clara University

Semiconductors
STMicroelectronics

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CCX® Members

Steel
Roanoke Electric Steel Corp.

Student Organizations
Oberlin Student Cooperative Association

Technology
Ecoenergetics srl
Millennium Cell

Transportation
Amtrak

Liquidity Providers
AGS Specialists LLC
Amerex Power Ltd.
Michael R. Anderson
Raymond S. Cahnman
Calyon Financial Inc.
Thomas H. Dittmer
Eagle Market Makers, Inc.

Liquidity Providers, cont'd
Evolution Markets LLC
FCT Europe Limited
First New York Securities LLC
ICAP Energy LLC
Chris J. Johnson
Kingstree Trading LLC
Glenn M. Miller
Douglas M. Monieson
Natsource LLC
Rand Financial Services, Inc.
Serrino Trading Co., Inc.
Shatkin Arbor, Inc.
C. Richard Stark, Jr.
Jeffrey B. Stern
Lee B. Stern
The League Corporation
Tradelink LLC
Tradition Financial Services
Transmarket Group LLC

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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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Why join CCX® ?

- Become a **leader** in addressing climate change and reducing GHG emissions

- Implications of leadership:
  - Create shareholder value
  - Limit threats to shareholder liability
  - Demonstrate corporate and environmental transparency
  - Obtain first-mover advantage in emissions trading

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Create Shareholder Value

- Recent studies show that making use of sustainability factors when selecting stocks pays off (2.1% return per year – *WestLB Report*, *November 2002*)

- $2.3 trillion (and growing) in the U.S. is dedicated to socially responsible investments

- Proliferation of stock indices for sustainable investing (DJSI, FTSE4Good, Calvert, etc.)

- Proliferation of corporate and government bond funds which use sustainability screeners (Aquinas, Domini, Calvert, etc.)

- Participation in emissions trading programs, carbon accounting

- Sustainability filters will become more important in equity and debt valuation

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Threats to Shareholder Value

- **Carbon Disclosure Project – Innovest Report (February 2003)**
- **Push for greater disclosure of corporate climate change policy**
  - Sarbanes-Oaxley
  - SEC
- **Shareholder activism**
  - CERES
  - Religious groups
  - Pension funds
  - Shareholder resolutions up 100% (ie., GE, ExxonMobil)
- **Liability issues**
  - Threat of lawsuits
  - Shareholder resolutions
  - Director's liability (ie, Swiss Re)

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Trading Highlights to Date

•Cumulative trading volume is 1,620,900 metric tons carbon dioxide, Dec. 12, 2003 – Oct. 6, 2004. Including auction transfers and off-market cash transactions, the total volume of allowances transferred is 1,745,900 metric tons carbon dioxide.

Select Cumulative Market Summary

CCX Carbon Financial Instruments

Vintage	High	Low	Traded Volume	+	Auction Volume
2003	$1.26	$0.73	143,300	+	100,000
2004	$1.26	$0.77	485,400	+	0
•	$1.21	$0.71	562,800	+	25,000
•	$1.21	$0.80	429,400	+	0

Price: per metric ton of CO2

Volume: metric tons CO2

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Recent Developments

European Climate Exchange (ECX)

- ECX products will trade on the London-based International Petroleum Exchange, and will provide a central, cleared exchange platform for trading of carbon dioxide emission allowances issued by EU member states under the EU Emissions Trading Scheme.

Chicago Climate Futures Exchange (CCFE)

- CCFE has applied for "designated contract market" (DCM) status with the CFTC, and will serve as the futures exchange for pollution and environmental commodities.

Other Markets

- Water - Quality and Quantity
- Non-GHG Pollutants
- Wildlife

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Recent Trading

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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	WAP	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				

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