



CHICAGO CLIMATE EXCHANGE®

CCX® Forestry Carbon Emission Offsets

Introduction

Chicago Climate Exchange (CCX) is North America's only, and the world's first, legally binding multi-sectoral, rule-based and integrated greenhouse gas (GHG) emission registry, reduction and trading system. CCX employs independent verification and includes all six GHGs. CCX Members include corporations such as Ford, DuPont, Baxter and Bayer; utilities such as American Electric Power and Tampa Electric; universities such as Tufts and University of Minnesota; non-governmental organizations such as World Resources Institute and Rocky Mountain Institute; cities such as Chicago, Illinois and Oakland, California; farmers in Iowa and Nebraska and the Iowa Farm Bureau; and the state of New Mexico, the first U.S. state to join CCX.

CCX Members that cannot reduce their own emissions can purchase Carbon Financial Instruments (CFIs) from those who make extra emission cuts or from verified Offset Projects. Eligible forest projects include forestation and forest enrichment, combined forestation and forest conservation projects, and urban tree planting.

CCX has developed simple, standardized rules for issuing Carbon Financial Instrument™ (CFI™) contracts for forest carbon sequestration. CFIs are GHG emission offsets or reductions that are issued in increments of 100 metric tons of CO₂.

Eligible projects include:

- **Forestation and forest enrichment**
- **Combined forestation and forest conservation projects in specified regions**
- **Urban tree planting**

NEW INCOME SOURCE

REWARD SUSTAINABLE FOREST MANAGEMENT

IMPROVE ENVIRONMENTAL QUALITY

Basic CCX Specifications for Forestry Offset Projects

- Forestation and forest enrichment projects initiated on or after January 1, 1990 on unforested or degraded forest land.
- Forest conservation projects may be eligible to earn CCX CFI offsets if they are undertaken in conjunction with forestation on a contiguous site.
- Demonstration that entity-wide forest holdings are sustainably managed.
- Demonstration of long-term commitment to maintain carbon stocks in forestry.
- Use of approved methods to quantify carbon stocks.
- Independent third-party verification of carbon stocks (where required).

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Frequently Asked Questions About CCX Forestry Offsets

⇒ What are CCX Forestry Offset Projects?

CCX Forestry Offset Projects fall under three categories: forestation and forest enrichment, combined forestation and forest conservation and urban tree planting. Forestation and forest enrichment projects, including urban tree planting, initiated on or after January 1, 1990 on unforested or degraded forest land can earn CCX CFI offsets at a rate based on the annual increase in the carbon stocks of above-ground, living biomass during the CCX program years (2003-2010). Forest conservation credits will be provided for combined forestation and forest conservation projects in specified locations provided the two activities occur on contiguous sites. Crediting is quantified on the basis of avoided deforestation rates specified for eligible geographic regions.

⇒ What evidence of sustainable management is required?

Forest owners need to provide evidence that all their forest holdings are sustainably managed. This may be demonstrated in the form of certification from CCX approved third-party verification programs. In addition, the project owners must attest that they sustainably manage their non-project forest carbon stocks, and that their non-project forest holding are not converted to non-forest uses.

⇒ How are CCX forest carbon stocks quantified?

Quantification methods vary by project size. Small forestation projects have maximum annual gross accumulation of carbon stocks less than 2,000 mt of carbon dioxide equivalence (CO₂). Medium forestation projects have annual carbon stock accumulations between 2,000 mt and 12,500 mt of CO₂. Large forestation projects have annual carbon stock accumulation above 12,500 mt of CO₂. Quantification of carbon stock accumulation in small and medium forestation projects is achieved through CCX carbon accumulation tables or use of direct methods (direct in-field sampling and measurement). Carbon accumulation in large forestation projects is done through direct measurement or properly parameterized growth models. Included carbon pools are limited to above-ground living biomass on the project land.

⇒ What is the role of an Independent third-party verifier? Who are approved third-party verifiers for forestry?

All medium and large scale forest offset projects must be verified by a CCX-approved verifier. CCX-approved verifiers provide independent third party review of project reports, maintenance of project activity and attest for the accuracy of the data. CCX approves forest verifiers if they meet specified financial and technical criterion. Interested verifiers can contact CCX for information on the application process.

⇒ Do I have to account for any future catastrophic losses in forest carbon?

To account for any net losses in forest carbon stocks, a quantity of CCX CFI offsets equal to 20% of all forest offsets generated by CCX eligible forestry projects is held in a CCX forest carbon reserve pool. All CCX CFI offsets in the reserve pool shall be released to project owners at the end of the program.

⇒ How long do I have to commit my project to the CCX rules?

CCX Forestry Projects commit to long-term permanent maintenance of forest carbon stocks by the project. Options for demonstrating this include establishment of long-term conservation easements for forest maintenance, legal protection through transfer of ownership to recognized conservation entities, or other means deemed acceptable by the CCX Offsets Committee and CCX Forestry Committee.

⇒ How much money will I receive for my CCX Forestry Offsets?

CCX CFIs are sold at market prices on the CCX trading platform. Prices have ranged from \$1 to \$5 per metric ton of CO₂. Total trading volume on CCX as of May, 2006 exceeded nine million metric tons. Up-to-date and historic CCX market data can be found at www.chicagoclimatexchange.com.

Global Distribution of Original and Remaining Forests

