

Chicago Climate Exchange[®]

General Offset Program Provisions

The General Offset Program Provisions provide an overview of the Chicago Climate Exchange (CCX[®]) Offset Program, including project and member qualifications, program principles, rules and governance and CCX Offset Project procedures. The CCX Offset Program Verification Guidance Document and individual CCX Offset Program Protocols can be downloaded by visiting www.theccx.com. Requests for further information or comments may be directed to offsets@theccx.com.

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CHICAGO CLIMATE EXCHANGE

General Offset Program Provisions

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ACRONYMS, TERMS AND DEFINITIONS¹

ANSI	American National Standards Institute
CCX	Chicago Climate Exchange
GHG	Greenhouse Gas
IPCC	Intergovernmental Panel on Climate Change
WBCSD	World Business Council on Sustainable Development
WRI	World Resources Institute

Affected GHG Source, Sink or Reservoir:	A GHG Source, Sink or Reservoir influenced by a project activity, through changes in market demand or supply for associated products or services, or through physical displacement ¹ . This concept is commonly referred to as leakage.
Authorized Trader:	Either an employee or a contracted agent of a CCX Registry Account Holder that is authorized to receive access privileges to the CCX Trading Platform and CCX Registry as determined by the relevant Registry Account Holder.
Baseline Scenario:	Hypothetical reference case that best represents the conditions most likely to occur in the absence of a proposed GHG project.
Carbon Financial Instrument:	(also referenced herein as “CFI”) A CCX Exchange Allowance (“XA”), Exchange Offset (“XO”), or Exchange Early Action Credit (“XE”) which represents one-hundred metric tons of carbon dioxide and that is issued by CCX to the Registry accounts of CCX Members and are surrendered to the Exchange by Members to annually achieve compliance with the CCX Emission Reduction schedule.
Carbon Sequestration	The removal of carbon dioxide from the atmosphere and retention in a terrestrial system (e.g. forests and soils) or in a geologic formation.
Carbon Stock	A quantity of carbon stored in soils or biomass, expressed in metric tons carbon dioxide equivalent.
CCX Emission Reduction Schedule:	The quantitative schedule of direct emission reductions that each CCX Member commits to undertake
CCX Market Period:	The time period during which CCX Registry Account Holders commit to the terms of the <i>CCX Rulebook</i> , as amended from time to

¹ Please refer to individual CCX Offset Project Protocols for additional “Acronyms, Terms and Definitions”

time. (2006)

CCX Member:	(also referenced herein as “Members”) include corporations, municipalities and other Entities that emit GHGs from facilities located in countries and regions approved by CCX and commit to the CCX Emission Reduction Schedule for the Phase I and, or Phase II Programs. CCX Members are one of the four classes of CCX Registry Account Holders.
CCX Participant Member:	Offset Providers, Aggregators, Liquidity Providers and intermediaries that trade or transact on CCX but do not have an Emission Reduction Schedule.
CCX Registry Account Holder:	(Also referenced herein as “Registry Account Holder”) is a CCX Member, Associate Member, Participant Member or Exchange Participant.
CCX Registry Account:	A data file in the CCX Registry that provides a record of all holdings and Transfers of CCX Carbon Financial Instruments for each CCX Registry Account Holder.
CCX Registry:	(Also referenced herein as “Registry”) is an electronic database that will serve as the official holder of record and transfer mechanism for Allowances, Offsets and Exchange Early Action Credits owned by CCX Registry Account Holders.
CCX Trading Platform:	An electronic, internet-accessible system for posting and accepting bids to buy and offers to sell CCX Carbon Financial Instrument contracts.
Controlled Greenhouse Gas Source, Sink or Reservoir:	A GHG Source, Sink or Reservoir whose operation is under the direction and influence of the GHG Project Proponent through financial, policy, management or other instruments.
Eligible Commercial Entity:	An entity or person that meets the conditions established in paragraph 1(a)(11) of the U.S. Commodity Exchange Act.
Eligible Offset Projects:	Offset Projects that conform to CCX rules and thus can be registered with CCX, allowing the Project Owner to receive Offsets.
Exchange Allowance:	(also referenced herein as “Allowance”) A tradable Carbon Financial Instrument issued: <ol style="list-style-type: none">1) to each CCX Member in accordance with its Emission Baseline and Emission Reduction Schedules;2) to a CCX Member that elects to include electricity purchases as a supplemental reduction objective if such Member reduces electricity purchases beyond the CCX Purchase Reduction Schedule; and,3) to CCX Members in the commercial forestry sector that realize net increases in Carbon Stocks using the model-based accounting approach. (2006)

Exchange Offset:	(also referenced herein as “Offset”) A tradable commodity grouped into lots of 100 metric tons of carbon dioxide equivalent generated by qualifying mitigation GHG projects and registered with CCX by a CCX member.
GHG Project Proponent:	Individual or organization that has overall control and responsibility for a GHG project on the CCX. This could either be the entity that owns the GHG project or an Aggregator.
GHG Project:	Activity or activities that alter the conditions identified in the baseline scenario which cause GHG emission reductions or GHG removal enhancements
GHG Sink:	A physical unit or process that removes a GHG from the atmosphere ¹ .
GHG Source:	A physical unit or process that releases a GHG into the atmosphere ² .
Greenhouse Gas (GHG):	Gaseous constituent of the atmosphere, both natural and anthropogenic including carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulphur hexafluoride (SF ₆) and Ozone Depleting Substances (ODS).
Metric Tons Carbon Dioxide Equivalent (Mt CO₂e):	The quantity of GHGs, expressed in carbon dioxide equivalence, equal to 2,205 pounds. Metric tons of non-CO ₂ GHGs are converted using the IPCC 100 year global warming potential conversion factors.
Offset Aggregator:	A Participant Member that serves as an administrative representative, on behalf of Project Owners, of multiple CCX-qualifying Exchange Offset Projects..
Offset Project Protocol:	CCX standardized rules for implementing Offset Projects and issuing Offsets.
Offset Project:	CCX-registered project that is issued Offsets in reflection of the amount by which the project reduces, sequesters, or avoids GHG emissions according to CCX Offset Project Protocols and CCX General Offset Program Guidelines. Also referred to as a “Project”.
Offset Provider:	May be a Project implementer or a CCX-registered Aggregator, that registers CCX-eligible Projects with the Exchange and can sell Offsets.

² As defined in ISO 14064-2: Specification with guidance at the project level for quantification, monitoring, and reporting of GHG emission reduction or removal enhancements

Pooled Projects:	The multiple Projects that are represented in CCX by a single Aggregator.
Project Category:	A grouping of functionally similar Projects. The following are examples of CCX Project categories: Methane Projects; Forestry Projects, Soil Carbon Projects.
Project Owner:	The entity that is the legal owner of Offsets produced by a CCX-eligible registered Project. A Project Owner may represent one or more ultimate owners of Offsets produced by one or more Projects.
Provider of Regulatory Services:	An entity designated by the Exchange to: audit Emission Baselines, annual True-up and Offset Project verifications; provide market oversight and compliance procedures; and utilize market surveillance technologies to monitor trading activity and prevent fraud and manipulation.
Related GHG Source, Sink or Reservoir:	A GHG Source, Sink or Reservoir that has material or energy flows into, out of, or within the project.
Validation:	CCX projects are validated using one of two methods: (1) Projects that adhere strictly to the requirements of CCX protocol are validated by CCX staff and do not require a separate Validation by CCX Offsets Committee.. (2) Projects seeking to deviate from specific components of a standardized protocol are subject to approval of either the CCX Offsets Committee or CCX Forestry Committee.
Verification:	Systematic, independent, and documented process for evaluation of a GHG assertion against agreed verification criteria.
Verifier:	An entity that is approved by CCX to conduct verification of CCX Exchange Offset Projects. With the exception of certain small Projects, each Project Registration Filing and Periodic Project Report must be accompanied by a verification statement signed by a CCX-Approved Verifier.

1. CCX OFFSETS PROGRAM OVERVIEW

1.1 Introduction

In 2007 the Intergovernmental Panel on Climate Change (IPCC) identified approximately three dozen currently viable Greenhouse Gas (GHG) mitigation actions, many of which can be implemented at low or negative cost.³ At least half of these mitigation options are not natural for inclusion under the “cap” portion of a cap-and-trade system due to legal, social, institutional or technical reasons. Instead, these mitigation actions are most appropriately activated through the incentives provided by an offset project crediting system. Every Chicago Climate Exchange (CCX) Offset Project advances a “currently viable” mitigation action identified in the IPCC report.

This document provides the general provisions governing the CCX Offsets Program and the development of CCX Offset Project Protocols, Validation, Verification, and Registration of Offset Projects at CCX. Project specific protocol guidance can be found in the individual CCX Offset Project Protocols.

CCX regularly receives creative and environmentally important proposals to allow new project types to earn Offsets. The procedures used to assess these proposals as candidates for now offset project types are also described in this document.

1.2 General Qualifications

Offset Projects can be registered at CCX directly by the Project Owner (as Offset Provider) or through a CCX Offset Aggregator. An Offset Provider is an owner of a registered Offset Project that sells the Project’s Offsets directly on the CCX Trading Platform. Offset Aggregators may serve as administrative agents for multiple small Project Owners in order to minimize transaction costs. Aggregators manage project documentation, arrange for independent verification by CCX-Approved Verifiers, conduct market trades on behalf of Project Owners, and distribute sales proceeds back to the Project Owners.

Entities wishing to register eligible Offset Projects with CCX must first qualify as a CCX Member, Offset Provider or Offset Aggregator. Any entity with an emissions profile of greater than **10,000** metric tons CO₂ equivalent (Mt CO₂e) annually must join as a CCX Member and must commit to the Emissions Reduction Schedule as provided in the CCX Rulebook, prior to registering Offsets with the Exchange.⁴ Emission reductions realized at facilities that are included in a Member’s CCX emission inventory are not Offset Projects as

³ Intergovernmental Panel on Climate Change, 2007, Contribution of Working Group III to the Fourth Assessment Report of the IPCC, available at <http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-spm.pdf>

⁴ Governmental entities with direct emissions below 25,000 metric tons of CO₂ equivalent annually are allowed to register CCX-eligible landfill methane offset projects without having to commit to the CCX reduction schedule. Further details on this provision are provided in the Protocol for Landfill Methane Offset Projects.

they cause a decrease in recognized emissions and a decrease in the number of Carbon Financial Instrument (CFI™) contracts needed for compliance.

1.3 Ownership

CCX will not accept registration of Offset Projects that are owned by an entity that is eligible to be a CCX Member but is not a member. This prohibition also extends to entities that may have no direct ownership but have a beneficial interest in such Offset Project(s). A CCX Member that is a partial Owner of an eligible Offset Project may register with CCX its legally-owned portion of the Offsets from the Project, regardless of whether the other Owner(s) of the Project are CCX Members. For such projects, the CCX Member may register a quantity of Offsets up to the amount that corresponds to its percentage ownership share or beneficial interest of the project.

1.4 Use of Offsets

The quantity of mitigation achieved by each Offset Project shall be quantified on the basis of metric tons of carbon dioxide equivalent (MtCO_{2e}). Each Offset represents one MtCO_{2e}, is registered in lots of 100, and is identified by annual Vintage. The minimum trading unit is one CFI contract.

CCX may issue Offsets on the basis of annual emission mitigation. CCX may also issue Offsets for certain projects more frequently with the submission of the required project verification documentation to CCX. In order to ensure that at least half of the total emission reductions realized through operation of CCX occur at the facilities operated by its Members, CCX rules limit total allowed use of Offsets from CCX Offset Projects for compliance to no more than 50% of required program-wide emission reductions.

1.5 Project Types

CCX, in cooperation with experts from the academic, industrial, government and non-governmental sectors, has developed and continues to establish eligibility and technical criteria for a variety of Offset Project categories. Currently, the following mitigation activities have prescriptive eligibility, evaluation and verification requirements:

- Landfill Methane Collection and Combustion
- Avoided Emissions from Organic Waste Disposal
- Agriculture Methane Collection and Combustion
- Coal Mine Methane Collection and Combustion
- Agricultural Best Management Practices
 - Continuous Conservation Tillage

- Grassland Conversion Soil Carbon Sequestration
- Sustainable Rangeland Soil Carbon Sequestration
- Forest Carbon Sequestration
 - Afforestation and Reforestation
 - Sustainable Forest Management
- Small-Scale Renewable Biogas
- Renewable Energy Systems
- Ozone-Depleting Substance Destruction

In addition to the project types for which CCX has prescriptive protocols, CCX has evaluated and approved several projects using eligibility criteria, evaluation and verification methodologies developed by the United Nations Clean Development Mechanism (CDM).

1.6 Principles of the CCX Offset Program

Since the inception of the CCX Offsets Program in 2003, CCX has established programmatic rules designed to provide easy to understand performance criteria for potential Project Proponents. Such criteria allow CCX and CCX-Approved Verifiers to distinguish best-in-class projects from business-as-usual projects and to reduce the subjectivity of project-specific reviews. CCX weighs a variety of factors related to each potential project type such that eligibility would be based on whether or not a particular category of actions provides the following characteristics:

- Rare (e.g. best-in-class actions)
- Voluntary (e.g. not legally required)
- Recent
- Verifiable
- Properly addresses permanence
- Avoids the creation of perverse incentives that would result in increases in GHG emissions on or off the project site
- Conservative

CCX rules ensure that all of the identified principles outlined in ISO 14064-2 *Specification with guidance at the project level for quantification, monitoring, and reporting of Greenhouse Gas emission reductions or removal enhancements* are adopted for projects to ensure that offsets are issued based upon industry accepted standards. The following summarizes the CCX treatment of these issues:

1.6.1 Relevance

CCX Protocols are designed to balance requirements for adequate documentation and verification of environmental effectiveness with the goal of minimizing transaction costs while maintaining environmental integrity.

1.6.2 Completeness

CCX Protocols are developed to ensure all emissions sources are appropriately included and quantified, project leakage is addressed, negative environmental and social impacts are avoided, and reporting requirements are well-defined.

1.6.3 Consistency

CCX project types obtain consistency through the development and use of standardized protocols and to ensure compatibility with emerging national and international standards.

1.6.4 Accuracy

CCX Protocols are designed to generate unbiased estimates of emission reductions. Emission reduction estimates represent the best available scientific and technical information, as evidenced by peer-review published studies and high-quality research findings.

1.6.5 Transparency

CCX Protocols and verification procedures are designed in a transparent fashion to evaluate and incorporate input from multiple stakeholders. Protocols are designed through a tiered committee, peer review and public comment process. First, frameworks are designed through an expert technical design committee based on peer-reviewed literature and scientific research. If the framework is deemed satisfactory, a protocol is then created after review of the framework by either the CCX Offsets Committee or CCX Forestry Committee. The CCX Offsets Committee or CCX Forestry Committee will provide a recommendation to the CCX Executive Committee for official approval subsequent to the development of a draft protocol. Once approved by the CCX Executive Committee the Protocols are posted on the CCX website and comments for revisions can be submitted to CCX at any time. Responses to public comments are provided in the form of Frequently Asked Question documents, also provided on the CCX website.

1.6.6 Conservativeness

Conservative quantification methodologies are adopted to ensure that accurate estimates will, if any potential deviations occur, undercount the quantity of actual GHG mitigation through the application of discounts to parameters used to calculate offset values.

1.7 General Terms and Conditions

By registering a Project with CCX, each Project Owner acknowledges and agrees to the CCX terms and conditions required by a particular project type, as well as the general terms and conditions provided below:

1. The enrolled Offset Project meets all applicable eligibility rules of the CCX.
2. CCX will issue to the CCX Registry Account of the Project Proponent a quantity of Offsets based on the entire recognized mitigation tonnage approved by CCX and that conforms to CCX Rules, rounded to the nearest 100 metric tons.
3. Each sale of Offsets executed through the CCX shall represent a complete transfer of all legal rights associated with the Offsets sold. The transferred legal rights are those corresponding to the quantity and Vintage of the Offsets issued in accordance with the terms and conditions provided in this section and other applicable Rulebook sections.
4. The Project Proponent may sell or retain the Offsets earned under these provisions.
5. The Project Proponent may elect to deregister the Offsets once registered with CCX. The Project Owner or its CCX Offset Aggregator must deregister Offsets prior to entering into an agreement to sell the associated emission reductions outside of CCX.
6. CCX makes no warranty as to the marketability or market value of CCX Offsets.
7. The Project Owner(s), and, when applicable, the CCX Offset Aggregator, is required to submit a signed Project Verification Report through a CCX-Approved Verifier that confirms conformance with the terms herein. Representatives of CCX may conduct onsite inspection of registered Projects and related documents. Each Project Owner agrees to provide access in such cases in a prompt and cooperative manner. All CCX Offset Projects, Project reports and verification reports are subject to inspection and review by the Provider of Regulatory Services designated by CCX, and by other independent experts as may be engaged by CCX.
8. Failure to conform to the rules provided herein may result in termination of enrollment in CCX and prohibition from all further participation in CCX.

1.8 Role of Aggregators

For-profit entities, cooperatives, governmental bodies and non-profit organizations may act as CCX Offset Aggregators. Eligible entities must apply to become a CCX Offset Aggregator by completing and submitting the applicable CCX forms. CCX Offset Aggregators may charge fees for services they provide to Project Owners. CCX Offset Aggregators shall have the discretion to refuse to represent individual Projects.

CCX Offset Aggregators are assigned an account in the CCX Registry and must meet the Eligible Commercial Entity requirements in order to have access to the CCX Trading

Platform.⁵ A CCX Offset Aggregator shall undertake the following actions on behalf of CCX-registered Offset Projects it represents:

1. Accept initial registration forms from owners of CCX-Eligible Offset Projects.
2. Assemble Project Reports from Project Owners and retain copies of Offset Project verification records.
3. Submit Offsets registration fees to CCX.
4. Have sole authority to access the Registry Account(s) holding the Offsets issued to Projects it represents and to access the CCX Trading Platform as an Authorized Trader.
5. Execute sales on the CCX Trading Platform on behalf of Project Owners and distribute sales proceeds to Project Owners in accordance with the terms agreed between the Aggregator and Project Owners. The terms of the business and legal relationships between Offset Aggregators and Project Owners are left to the discretion of those parties.

1.9 Prevention of Double-Counting

CCX provides a public listing of all registered Offset Projects. CCX requires that all registered Projects attest that they have not been registered in other offsets registries or emissions trading programs for the same crediting period in which they seek to register at CCX. Verifiers must confirm this attestation has been made and search the other known registries (i.e. CDM, RGGI, CAR and VCS, etc.). CCX encourages other offsets registries and emissions trading programs to review the CCX public listing of projects prior to issuance of offsets on their registries. Additional requirements to address double-counting are contained in each of the respective CCX Offset Project Protocols.

⁵ The Eligible Commercial Entity questionnaire is included in the CCX Membership Application

2. RULES AND GOVERNANCE STRUCTURE

2.1 Overview

The CCX Offsets Program is overseen by three standing committees that govern and oversee the rules of the offsets program. The CCX Forestry Committee governs and oversees all issues pertaining to Forestry Carbon Sequestration Offset Projects. The CCX Offsets Committee governs and oversees all issues pertaining to all non-Forestry Carbon Sequestration Offset Projects. The two committees are responsible for protocol development, rule interpretation and refinement, case-by-case review of non-standardized projects, and oversight of technical subcommittees. Recommendations by the CCX Forestry Committee and CCX Offsets Committee for rule modifications and protocol developments are subject to final approval by the CCX Executive Committee prior to being adopted by CCX.

2.2 Committee Member Composition

Members of the CCX Offsets and Forestry Committees are comprised of representatives from CCX members and include academic experts, verification experts, and individuals representing both domestic and international perspectives. All proposed candidates for membership of the CCX Offsets Committee and CCX Forestry Committee are subject to the approval by the CCX Executive Committee. The CCX Offsets Committee and CCX Forestry Committee may also have non-voting advisors to assist them with their responsibilities.

2.3 Protocol Development

CCX may elect to develop a formal, standardized protocol for beyond business-as-usual projects that adhere to best management practices. The design of a draft framework is typically assisted by a technical subcommittee comprised of CCX Members and representatives from governments, non-governmental organizations, academia, and industry experts. Technical subcommittees have been developed to advise on the following protocols:

- Landfill methane collection and combustion
- Agriculture methane collection and combustion
- Avoided methane emissions from organic waste disposal
- Continuous conservation tillage and cropland to grassland conversion
- Sustainable rangeland soil carbon sequestration
- Forestry verification
- Avoided tropical deforestation
- Ozone-depleting substance destruction

2.4 Public Feedback and Protocol Revisions

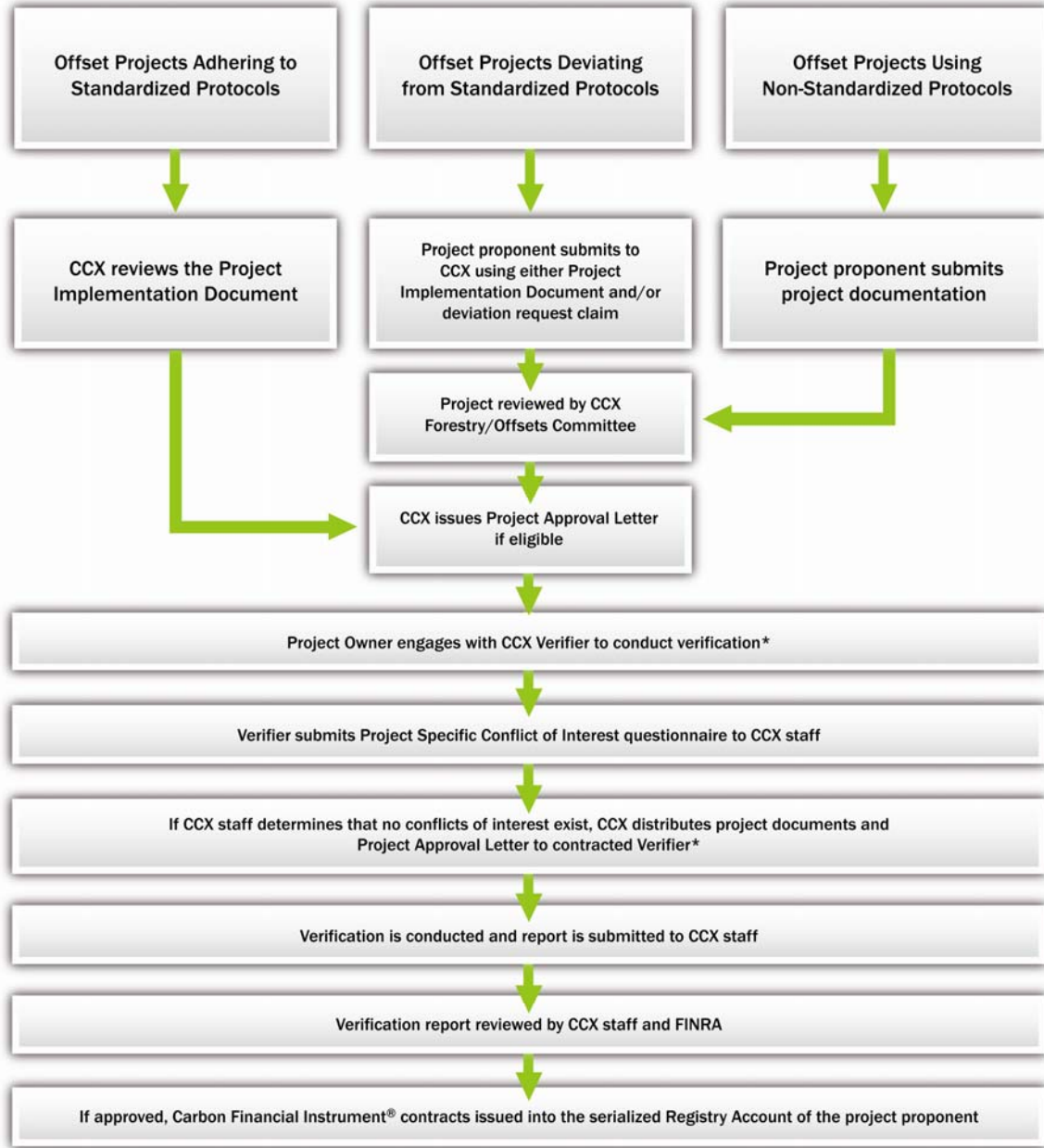
CCX Protocols are available on the CCX website (www.theccx.com) for public review and comment. CCX Protocols are revised regularly by the CCX Offsets and Forestry Committees incorporating input based on the insights gained through practical project-related experience, public feedback, and the emergence of new technologies, scientific information and market regulations.

Individuals wishing to provide feedback on CCX Protocols may submit their comments to offsets@theccx.com.

2.5 Project Validation, Verification, and Registration Procedures

To assure quality and legitimacy of Offsets transacted in CCX, CCX rules require an independent verification report on project eligibility and effectiveness before the exchange will issue Offsets to the Member's CCX Registry account. Every GHG mitigation project enrolled in CCX must be validated as conforming to CCX eligibility standards and undergo independent verification before it can be issued tradable Offsets in the CCX Registry.

The flowchart below provides a summary of the offset registration process in CCX.



*CCX requires verification firms to be accredited by ANSI to the ISO 14065 standard by **August 1, 2010**. Firms which are ANSI accredited have conflict of interest procedures in place which satisfy the ISO 14065 guidelines and CCX shall rely on this accreditation and the procedures therein to assess conflicts of interest. As such, CCX does not need to review and approve the project specific conflict of interest forms for verification firms which have received accreditation by ANSI to the ISO 14065 standard.

Step 1: Determining Eligibility: Project Validation

All projects must submit a CCX Project Implementation Document (PID) or equivalent document. CCX Projects utilizing these guidelines are validated one of two ways. Projects that adhere strictly to the requirements of this protocol are validated by CCX staff and do not require a separate Validation by CCX Offsets Committee. For all Projects seeking to deviate from specific components of this protocol, the Project Proponent must describe the proposed deviation in detail via the deviation request form. Upon receipt and review of the CCX PID and deviation request, the CCX Offsets Committee will review the feasibility and appropriateness of the requested deviation(s) and, as needed, seek guidance from appropriate technical experts. Project Proponents will be notified of the CCX Offsets Committee decision and shall proceed accordingly.

Regardless of whether a project satisfies the standardized protocol, the Project Proponents have requested a specific deviation approval from an existing standardized protocol, or have requested approval for a new category, all Project Proponents seeking to register a project with CCX must receive a CCX Project Approval Letter prior to initiating verification. Verifiers should request a copy of the letter prior to verification to ensure that the project has been approved by CCX for verification.

Requests for CCX Project Approval Letters should be made through the designated CCX Account Representative or by emailing verification@theccx.com.

Direct Registration

Projects are eligible through “direct registration” provided that they strictly satisfy the standardized requirements of a pre-specified project category with no deviations. Projects that adhere strictly to CCX protocol requirements do not require review by the CCX Offsets or Forestry Committee but are required to obtain a CCX Project Approval Letter from CCX prior to Verification. Eligible categories include:

- Landfill Methane Collection and Combustion
- Avoided Emissions from Organic Waste Disposal
- Agriculture Methane Collection and Combustion
- Coal Mine Methane Collection and Combustion
- Best Management Agricultural Practices
 - Continuous Conservation Tillage
 - Grassland Conversion Soil Carbon Sequestration
 - Sustainable Rangeland Soil Carbon Sequestration
- Afforestation and Reforestation (If using carbon accumulation tables)
 - Sustainable Forest Management
- Small-Scale Renewable Biogas

- Renewable Energy Systems

Committee Approval

Alternatively, projects may be approved as eligible by a CCX governing Committee after the review of the PID. An approval can be granted by either the CCX Offsets Committee or the CCX Forestry Committee. If the project is approved, CCX staff will issue the Project Proponent a Project Approval Letter with an explicit description of the conditions under which the project was approved.

Committee review is required for all projects that do not adhere strictly to an established CCX offsets protocol and for all projects in the following categories:

- Afforestation / Reforestation (if not using carbon accumulation tables)
- Sustainable Forest Management
- Energy Efficiency
- Fuel Switching
- Projects under an existing eligible category with non-standardized attributes or requests for approval for deviations from the protocol.
- Projects for which a standardized protocol does not exist.

CDM Methodologies

Unless specific circumstances warrant otherwise, CDM-approved projects may be considered CCX-eligible, subject to the terms and conditions provided herein:

1. A crosscheck of the CDM Registry and CCX shall assure that Certified Emission Reductions (CERs) shall only be used for compliance once.
2. Projects that are registered at CDM but have generated emission reductions for the time period prior to their acceptance at CDM, but which adhere to the CDM project standards, may be eligible to register at CCX provided they satisfy the CCX program rules.
3. CDM approval notwithstanding, the following project types are not eligible to be registered on CCX unless the project also satisfies the CCX project methodologies:
 - Hydro power
 - Forestry
 - CDM-approved projects or methodologies that result in net increases in emissions to the atmosphere (e.g. new fossil fuel fired facilities).

Where a project is not CDM approved but uses a CDM project methodology or a methodology other than a CCX Offset Project Protocol, the project must receive an approval by CCX as outlined in this section above.

Step 2: Project Verification

Verification is required of all projects to ensure that the requirements of the applicable protocol, General Provision and Verification Guidance are correctly applied. Project Proponents seeking to register Offset Projects must have the project verified by a CCX-Approved Verifier in accordance with the protocol-specific requirements and General Provisions outlined in this document before offsets may be issued. A list of Approved Verifiers is found on the CCX website. An additional independent review of the verification report is conducted by the provider of regulatory services designated by CCX to ensure completeness and consistency.

CCX-Approved Verifiers must request approval prior to conducting verification through the following process:

1. Obtaining a copy of the CCX Project Approval Letter from the Project Proponent:

All Projects must have a CCX Project Approval Letter that should be provided to the Verifier ahead of verification to demonstrate project eligibility. Project Proponents seeking approval by CCX must submit a completed PID, outlining the attributes of the project. For projects that use the standardized protocols, CCX will issue the Proponent a CCX Project Approval Letter if the project attributes appear to conform to CCX eligibility requirements. For projects that involve Committee review, any approval will come in the form of a letter. In these instances, the CCX Project Approval Letter will outline the date and conditions of approval and include the PID that was reviewed by the Committee.

2. Receiving CCX approval that no conflicts of interest exist:

CCX-Approved Verifiers must submit the project-specific conflicts-of-interest form, signed by the Verifier and the Project Proponent. This submission also serves as confirmation to CCX that the Project Proponent has given CCX staff permission to disclose project-specific information (e.g. PID, CCX Project Approval Letter etc.) to the prospective Verifier.

Requests for confirmation from CCX should be made through the designated CCX Account Representative or by emailing verification@theccx.com.

CCX retains the right to reject any submitted verification report that does not adhere to this process. Project specific conflicts of interest forms will remain valid through the approval period, provided that no substantive change has occurred in the nature of the relationship between the organizations. If such a change has occurred, a new project specific conflicts of interest form must be submitted.

The cost of the annual verification shall be borne by the Project Proponent. All Project registration documents, verification reports, related documents and documentation of quantification methods shall be subject to inspection and review.

Additional provisions governing verification of Offset Projects are provided in the *Chicago Climate Exchange Offset Program Verification Guidance Document*.

Step 3: Project Registration

In order to earn Offsets, the Project Proponent must:

1. Be a CCX Member, CCX Offset Provider or CCX Offset Aggregator.
2. Register the project with CCX.
3. Obtain ongoing independent verification of the project by a CCX-Approved Verifier.

The performance of each project must be quantified and verified in accordance with the provisions of this document. Each Project Proponent must submit their project for verification. Offsets will be issued only if a satisfactory verification report is received by CCX.

Subject to the provisions outlined in this document, Offsets will be recognized as equivalent to Exchange Allowances when surrendered for Compliance. Offsets may be used for compliance in their designated vintage year or in later years. The vintage year assigned to offsets shall correspond to the time period of mitigation realized by the Offset Project in question.

2.6 CCX Serialized Registry

Offset Projects are registered on CCX when Offsets are issued to the Project Proponent's CCX Registry Account. The CCX Registry is a serialized GHG tracking system that provides CCX Registry Account holders a full suite of administration and reporting tools to assist in managing their Allowances and Offsets. The CCX Registry provides full audit trail of each Offset registered on CCX from its creation, transfer through trading, and retirement for compliance.

Additionally, Project Proponents may use their Registry Account to:

1. Manage emissions inventory.
2. Manage CCX Offsets holdings.
3. Search for trades and transfers.
4. Review account statements.
5. Access Member-only information.