

Chicago Climate Exchange

December 17, 2007

Background

- Feb. 5 – Regulatory Overview
- March 5 – Regulatory Compliance
- April 23 – Climate Change
- June 25 – Chicago Climate Exchange
- Aug. 6 – Low-Impact Hydro Certification
- Sept. 24 – Climate Change Principles
- Oct. 1 – Climate Change Principles Approved
- Nov. 26 – External Affairs Overview
- Dec. 17 – Chicago Climate Exchange Resolution

Climate Change

- **Climate Change Principle No. 1**
 - Hydropower is renewable and should be included as an eligible renewable resource under a national renewable portfolio standard
- **Climate Change Principle No. 2**
 - Demonstrable increases in incremental hydropower including equipment and operational efficiency improvements, should be encouraged as offsetting greenhouse gases

Chicago Climate Exchange

- Resolution authorizing the general manager to join the Chicago Climate Exchange (CCX) as a participating member
- Authorizing the general manager or his designee to execute all documents necessary to register and sell CCX emission offsets and to pay for all costs or fees associated with CCX membership and transactions

Use of Revenues

- Any net funds received by Chelan PUD through the exchange market will be used to support and enhance the PUD's environmental, conservation and system efficiency improvement programs.



Chicago Climate Exchange

- Defines, verifies and tracks the emissions footprint of **member organizations** (tons of CO₂)
- Helps reduce or minimize a **member organization's** emissions footprint by countermeasures or by offsets (countermeasures by others)
- Defines, verifies and tracks offsets provided by others (**participating members**)

HISTORY

- CCX was initiated in 2000 through a feasibility study funded by the Joyce Foundation, a charitable foundation based in Chicago.
- A subsequent grant in August 2001 funded the initiation of research on market design and formation.
- Chicago Climate Exchange, Inc., a US corporation, launched its trading platform in 2003.

Offset Categories

- Agricultural Methane
- Landfill Methane
- Agricultural Soil Carbon
- Forestry
- **Renewable Energy**
- Energy Efficiency and Fuel Switching
- Clean Development Mechanism-Eligible (CDM) Projects

Renewable Energy Offset Projects

- Offsets from renewable energy displace GHGs emissions from fossil plants
- CCX approves offset providers/projects
- Eligible renewable energy projects include:
 - Wind
 - Solar
 - **Hydro**
 - Biofuel

Renewable Energy Offset Project Requirements

- Projects developed on or after January 1, 1999
- Demonstrate clear ownership rights to the offsets
- Must be verified by an independent CCX-approved engineer
- Past offsets are eligible to be sold through CCX (starting in 2003 - the year CCX was launched)
- All environmental attributes must be surrendered to CCX to prevent double counting
- Carbon Financial Instrument™ (CFI™) contracts are issued at a rate of 0.40 metric tons of CO₂ per megawatt hour

Chelan PUD and CCX

- June 1 - submitted a draft proposal to CCX to determine if certain improvements at Rocky Reach Project qualify as offsets
- August 21 - Rocky Reach Project approved by CCX
- November 28 – Rocky Reach efficiency improvements verified by an independent engineer

Other Issues

- Can we participate in environmental markets using tax-exempt financing? – YES, only past generation for now
- When should the District become active in the environmental markets? – if approved, CCX now
- What environmental markets should we participate in? – renewable and green markets to be determined
- How does one market affect the other? – Once the power is used by one environmental market, it cannot be used again.

Next Steps

- Approval of resolution
- Revise power risk management policy to include trading RECs and offsets
 - This delegated authority to enter into transactions is limited as follows:
 - staff shall inform the Power Risk Management Committee of the plan for selling/trading the CCX offsets;
 - only past-generated offsets shall be sold;
 - all sales must comply with terms of the applicable agreement as reviewed and approved by the District's General Counsel or her designee;
 - offsets shall only be sold one time (no double counting/selling); and
 - all sales shall comply with District bond requirements and tax laws.
- Develop strategy to determine best approach to sell environmental attributes

Questions?