



Afforestation Forest Carbon Emission Offsets

Introduction

Chicago Climate Exchange® (CCX®) is the world's first and North America's only active voluntary, legally binding integrated trading system to reduce emissions of all six greenhouse gases (GHGs), with offset projects worldwide. CCX employs independent verification and has been trading GHG emission reductions since 2003. CCX Members that cannot reduce their own emissions can purchase credits from those who make extra emission cuts and from verified offset projects.

CCX issues tradable Carbon Financial Instrument® (CFI™) contracts to owners or aggregators of eligible projects on the basis of sequestration, destruction or reduction of GHG emissions.

- New income source
- Reward forest carbon sequestration
- Improve environmental quality
- Promote sustainable economic development

Basic CCX Specifications for Afforestation Forest Carbon Emission Offset Projects

- Afforestation projects initiated on or after January 1, 1990 on unforested or degraded forest land may qualify.
- Landowners who demonstrate long-term commitment to maintain carbon stocks in forestry.
- Eligible afforestation projects should not involve removal of tree biomass.
- Carbon accumulation in the United States may be quantified using CCX carbon accumulation tables or use other approved quantification methods.
- All projects are subject to third party verification by a CCX-approved forestry verifier.

CCX has developed simple, standardized rules for issuing offsets for emission reductions and sequestration.

Eligible projects include:

- Agriculture, landfill and coal mine methane capture and combustion
- Continuous no-till and strip-till cropping in the U.S. and Canada
- Grass planting
- Improved rangeland management
- Tree planting
- Ozone depleting substance destruction
- Small scale biogas
- Fuel switching
- Renewable energy
- HFC destruction

Eligible forestry offset projects include:

- Afforestation
- Managed forestry
- Carbon stored in long lived wood products
- Reduced emissions from deforestation and degradation
- Urban tree planting

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Frequently Asked Questions About CCX Forest Carbon Emission Offsets

➔ What is a CCX Afforestation Forest Carbon Project?

The project activity involves afforestation on or after January 1, 1990 on unforested or degraded land. Under this protocol, eligible afforestation activity should not involve removal of tree biomass, including harvesting or thinning, during the CCX market period.

➔ What forest carbon pools are eligible for crediting under the afforestation program? How are forest carbon stocks quantified?

The afforestation program allows for annual net gains in carbon stocks from the live tree and soil to be credited. The live tree portion of the forest carbon pool includes the above ground biomass and below ground biomass. Projects in the contiguous United States may quantify sequestered carbon using CCX carbon accumulation tables. The CCX carbon accumulation tables provide net gains in forest carbon stocks by tree species, region, and age class. Project participants also have the option of quantifying using CCX approved growth-and-yield modeling approaches.

➔ How does one demonstrate long-term commitments to maintain enrolled land under forestry?

Landowners must sign a contract with their aggregators 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 forestry beyond the commitment period of the program. Sample copies of the letter may be requested from CCX.

➔ 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.

➔ 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 in which land disposed by a project participant continues to remain enrolled in the CCX program, surrender of CCX CFI contracts from previous years may not be warranted.

➔ What is an Offset Aggregator?

An Offset Aggregator is a CCX-approved entity that serves as an administrative and trading representative on behalf of multiple project owners. Individual projects may not generate enough offsets to overcome administrative costs making 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 agreements 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

➔ What are the verification requirements?

Independent third party verification is required for all projects. Verification requirements for projects include an annual desk audit and a periodic field inspection of at least 10% of enrolled land. The field inspection for projects will occur at the beginning of enrollment, the end of the commitment period, and at additional periodic intervals as requested by CCX Forestry Committee. A list of approved CCX forestry verifiers is available on the CCX website at: www.chicagoclimateexchange.com/content.jsf?id=102

Global Distribution of Original and Remaining Forests

