

# CCX progress report

The Chicago Climate Exchange (CCX), an 18 month-old project with the goal of designing and implementing a voluntary 'cap-and-trade' market for greenhouse gases (GHGs), began its first industry meetings last month.

These meetings, coming after 15 months of research that included site visits to virtually all of the participants, signify the beginning of a new stage of the research that will continue to build consensus among the members and finalise the design of the exchange.

This project was initially funded by the Chicago-based Joyce Foundation through a special Millennium Initiative grant to the Kellogg Graduate School of Management at Northwestern University. New funding was granted six months ago when the success of the exchange was deemed to be likely. As promised, this is our semi-annual update on CCX's progress.

Since our last progress report (see *Environmental Finance*, June 2001, page 11), 23 new entities have agreed to participate in the design process. Table 1 contains the current full list of participants.

The new additions are of interest for three reasons: CCX's increased penetration of existing sectors in both the United States and Canada as well as European Union-based companies with North American operations; new participants in Mexico and Brazil; and the addition of a totally new sector – municipalities.

Six new companies have joined from the power sector including three of the top 10 US utilities. The participants from this sector now account for 180,000 MW of capacity representing 20% of US generation. This is equivalent to the entire generating capacity of France. In Canada we have expanded to include OPG and Manitoba Hydro from the power sector. In the EU, the inclusion of Nuon adds to our design

capabilities. Furthermore, Finland-based Stora Enso (the second largest forest products company in the world) is an important addition to the CCX forest products sector which already includes International Paper, Temple Inland and Mead.

We now also have the first Brazilian company, Cataguazes-Leopoldina, a leading generator of electricity based in the state of Minas Gerais, joining the CCX. Cemex, the largest Mexican cement company and the second largest cement company in the US, and Grupo IMSA de Mexico, a leading diversified steel and manufacturing group, have recently agreed to participate. Pronatura de Mexico, a major national conservation group, is joining us as well.

One of the most exciting new developments has been the addition of two major cities in North America – Chicago and Mexico City. The commitment of these two municipalities provides us with the expertise to deal with GHG emissions from transportation systems as well as city-operated energy and power production. Cities also manage landfills, offering opportunities for the capture and destruction of methane, a major greenhouse gas.

The advisory group of the CCX also continues to expand. Table 2 provides a complete list of current members.

The addition of Mary Schapiro, President of NASD Regulation, and Robert Wilmouth, President of the National Futures Association, provide us with the acknowledged leaders among US-based self-regulatory organisations (SROs). The CCX is devoted to market architecture that will unambiguously emphasise transparency and oversight. Finally, the Honourable Richard M Daley, mayor of the City of Chicago, has agreed to become the honorary chairman of CCX. His energy plan, released last November, emphasised the role of

financial institutions in facilitating the city's goal of becoming the "greenest city" in the US.

Look for some important new additions in all of these areas in the next few months.

On 10 January 2002 the electricity generation and gas transmission/distribution sectors committee of the CCX held its first meeting. The next day the landfill gas sector committee also met. Both agendas were driven by broad issues of baselines, the facilities covered, monitoring, reporting and verification.

Why were these the first groups chosen? The answer is simple. CCX will be an allowance-based system but will also include offsets. The electricity sector is a major participant in the emission allowance segment of the market, and the landfill gas (LFG) sector can be a significant source of offsets generated from the destruction of methane, which is 21 times more potent than carbon dioxide as a GHG. Furthermore, they are related because the destruction of methane is a principal source of renewable energy, and some members of the electricity generation sector are also in the LFG business.

Members of both groups recognised that this was only the beginning of what would be a long series of meetings. Nevertheless there was a great sense of optimism. However, this was the time for questions rather than answers. We'll report on some of those questions and answers in this column in the future.

*I would like to thank Michael Walsh, Alice LeBlanc and Rafael Marques for their assistance in the preparation of this article*

## 1. Current list of CCX participants

### Energy

Alliant Energy  
American Electric Power  
BP  
Calpine  
Cinergy  
CMS Generation  
DTE  
Exelon  
FirstEnergy  
Manitoba Hydro  
Midwest Generation  
NiSource  
Ontario Power Generation  
PG&E National Energy Group  
Pinnacle West Corporation (APS)  
Suncor Energy  
TXU Energy Trading  
Wisconsin Energy

### Industry

Cemex  
DuPont  
Ford Motor Company  
Grupo IMSA de Mexico  
Interface  
ST Microelectronics  
Waste Management Inc  
  
**Offset providers**  
Agriliance  
Cataguazes-Leopoldina  
Ducks Unlimited  
Growmark  
Iowa Farm Bureau Federation  
National Council of Farmer Cooperatives  
Navitas Energy  
Nuon

### Ormat

Pronatura de Mexico  
The Nature Conservancy

### Service providers

American Agrisure  
IT Group  
Swiss Re  
Carr Futures/Crédit Agricole

### Forest products companies

International Paper  
Temple-Inland  
Mead Corp  
Stora Enso

### Municipalities

City of Chicago  
Mexico City

*Names in italics denote additions since June 2001*

## 2. Current advisory board members

### Honorary chairman

*The Honourable Richard M Daley, Mayor, City of Chicago*

David Boren	President of University of Oklahoma; former US Senator and Governor of Oklahoma
Ernst Bruggner	Founding Partner and Chairman of Bruggner Hanser & Partners
<i>Elizabeth Dowdeswell</i>	<i>Former Executive Director of UNEP</i>
Jeffrey E Garten	Dean of Yale School of Management
Lucien Y Bronicki	Chairman of ORMAT International
Donald P Jacobs	Dean, Kellogg School of Management, Northwestern University
Dennis Jennings	Global Risk Management Solutions Leader, PricewaterhouseCoopers
Jonathan Lash	President, World Resources Institute
Joseph P Kennedy II	Chairman and President of Boston-based Citizens Energy Group; former US Congressman
Israel Klabin	President, Brazilian Foundation for Sustainable Development
Bill Kurtis	National broadcaster, host of Arts & Entertainment cable TV show
Thomas E Lovejoy	Chief Biodiversity Advisor to the President of the World Bank
David Moran	President of Dow Jones Indexes
<i>R K Pachauri</i>	<i>Director-General of the Tata Energy Research Institute</i>
Les Rosenthal	Former Chairman, Chicago Board of Trade; principal, Rosenthal Collins
<i>Mary L Schapiro</i>	<i>President of NASD Regulation Inc</i>
Maurice Strong	Chairman of the Earth Council, former UN Under-Secretary General
James R Thompson	Former four-term Gov. of Illinois
Sir Brian Williamson	Chairman, LIFFE
Robert Wilmouth	President and CEO of the National Futures Association (NFA)

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