

OFFICE OF THE CITY CLERK
OAKLAND


OAKLAND CITY COUNCIL

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RESOLUTION No. 79135 C.M.S.

MA **REVISED**
17 2005

INTRODUCED BY COUNCILMEMBER JANE BRUNNER



RESOLUTION AUTHORIZING THE OAKLAND CITY ADMINISTRATOR TO ESTABLISH MEMBERSHIP IN THE CHICAGO CLIMATE EXCHANGE (A MARKET FOR REDUCING AND TRADING GREENHOUSE GAS EMISSIONS) FOR THE CITY OF OAKLAND, AND TO EXPEND THE FUNDS NECESSARY TO INITIATE AND MAINTAIN SUCH MEMBERSHIP AND THE COST OF TRADING EMISSIONS, NOT TO EXCEED \$10,000 WITHOUT RETURNING TO COUNCIL FOR APPROVAL.

WHEREAS, the City of Oakland, through the management of its facilities and operations, is committed to leadership in sustainability for the benefit of the planet and of the citizens of Oakland; and

WHEREAS, in 1998, the City Council established a policy and goal of achieving a 15% reduction of green house gases from City facilities and operations by the year 2010; and

WHEREAS, energy efficiency engineering, upgrades and retrofits have reduced energy consumption in City-owned facilities by approximately 19%, saving the City money and reducing pollution; and

WHEREAS, The Chicago Climate Exchange, established in 2003, is a national platform for demonstrating the commitment of over 70 private and public sector entities, including cities, to reduce green house gas emissions; and

WHEREAS, membership in the Chicago Climate Exchange commits the City of Oakland to reduce greenhouse gas emissions from its facilities and operations in accordance with the terms of the Chicago Accord, for the period 2003-2006; now

WHEREAS, as a member of the Exchange the City will be entitled to buy and sell emissions in the Chicago Climate Exchange market. If the City reduces its green house gas emissions beyond 1% annually, the City will be able to sell emissions allowances on the Exchange, which will bring revenue into the City. Funding of \$10,000 is available to be used for purchasing emissions credits only in the event that the City fails to reduce its emissions; now

THEREFORE, BE IT RESOLVED that the Oakland City Council authorizes the Oakland City Administrator to establish membership in the Chicago Climate Exchange for the City of Oakland, and to expend the funds necessary to initiate and maintain such membership and the cost of trading emissions, not to exceed \$10,000 without returning to council for approval.

IN COUNCIL, OAKLAND, CALIFORNIA, ~~MARCH 22, 2005~~ APR 05 2005


PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, AND
PRESIDENT DE LA FUENTE - 7

NOES- 0

ABSENT- 0

ABSTENTION- 0

ATTEST: 
LATONDA SIMMONS
Interim City Clerk and Clerk of the Council
of the City of Oakland, California

CHICAGO CLIMATE EXCHANGE® (CCX) MEMBERSHIP APPLICATION FORM

'05 JUN 06 PM 1:46

Please thoroughly complete this application form. Chicago Climate Exchange Members must comply with the terms and any and all laws, rules, regulations or orders applicable to Member's access to and use of the Exchange systems, the Exchange, and Exchange Data. This application form documents that each CCX Member qualifies as such under the rules and regulations of the Exchange as stated below and in the CCX *Rulebook*.

Application procedure:

Upon completion this form is to be sent to:
Chicago Climate Exchange
190 S. LaSalle St., Suite 800
Chicago, IL 60603

Chapter 2 of the CCX *Rulebook* provides rules governing enrollment as Members in CCX.

The Membership application services of the CCX are contracted through the NASD, which will determine:

- a. That all required documents of the application packet have been submitted;
- b. Whether your organization does or does not meet the CCX eligibility requirements;
- c. Whether your organization presents a future risk of failing to meet these eligibility requirements; and,
- d. Whether your organization has indicated that it qualifies as an Eligible Commercial Entity (ECE).

The Committee on Membership or the Executive Committee of CCX may request additional information or a personal appearance in order to support the application.

Required Documentation:

Please include with this application the following:

- a. Organizational documents giving evidence that your company meets the eligibility criteria;
- b. Most recent certified financial statements (balance sheet and income statement); Publicly held entities must include a copy of their most recent 10K and 10Q filings;
- c. Initiation fee;
- d. Annual fee; and,
- e. Proof of Eligible Commercial Entity (ECE) status.

Eligible Commercial Entity Questionnaire

Eligibility:

The following questionnaire is to be used as an aid in the process of determining if the applicant qualifies under section 1a(11) of the Commodity Exchange Act (CEA) as an eligible commercial entity. The term “eligible commercial entity” (ECE) means, in part, with respect to an agreement, contract, or transaction in a commodity:

- I. An eligible contract participant (ECP) that in connection with its business :
 - has a demonstrable ability, directly or through separate contractual arrangement to make or take delivery of the underlying commodity; or
 - incurs risk, in addition to price risk, related to the commodity; or
 - is a dealer that regularly provides risk management or hedging services to, or engages in market making activities with, the foregoing entities involving transactions to purchase or sell the commodity or derivative agreements, contracts, or transactions in the commodity; or,

- II. An ECP that -
 - regularly enters into transactions to purchase or sell the commodity or derivative agreements, contracts or transactions in the commodity; and is a collective investment vehicle with either - total assets of
 - \$1,000,000,000 under common management; or,
 - \$100,000,000 under common management if limited to qualified eligible persons, accredited investors or qualified purchasers.

- III. Registered floor brokers and floor traders that are ECPs, or whose trades are guaranteed by a clearing member of a CFTC registered derivatives clearing organization.

Instructions:

Each entity that applies to be a CCX Registry Account Holder must answer the following questions. Please read the questions carefully and indicate your selection in the gray (yes/no) boxes to the right, along with a brief explanation (where necessary).

	YES	NO
A. Under CEA §1a(11)(A), an Eligible Commercial Entity(ECE) is an entity listed below that is engaged in commercial activity or is a dealer¹ and is acting for its own account.		
1. Is the applicant a financial institution?		X
2. Is the applicant an insurance company that is regulated by a State or foreign government and is subject to comparable regulation as determined by the Commission, including a regulated subsidiary or affiliate of such an insurance company?		X
3. Is the applicant a corporation, partnership, proprietorship, organization, trust, or other entity that, meets either of the following enumerated requirements: a. applicant has total assets exceeding \$10,000,000; or b. has a net worth exceeding \$1,000,000 and enters into an agreement, contract, or transaction in connection with the conduct of the entity's business or to manage the risk associated with an asset or liability owned or incurred or reasonably likely to be owned or incurred by the entity in the conduct of the entity's business?	X	
	X	
Please Explain: The City of Oakland (City) is a municipal government incorporated under the Charter City laws of the State of California. The City has numerous assets, including over 120 buildings with greater than 1,000 square feet of floor area each, totaling approximately 2.7 million square feet of total floor area, along with many acres of open space. Our city includes several hundred miles of road and sewer infrastructure, along with approximately 36,000 streetlights and 600 traffic signals. Our fleet includes over 1,000 vehicles, many of which are powered by alternative fuels.		
4. Is the entity: a. a governmental entity (including the United States, a State, local or a foreign government); or b. a political subdivision of a governmental entity; a multinational or supranational government entity; or c. an instrumentality, agency, or department of an entity described herein.	X	
5. Is the applicant a Broker Dealer, i.e. a. a regulated broker or dealer; b. an associated person of a registered broker or dealer; c. an investment bank holding company; Please Explain _____	YES	NO
		N/A
		N/A
		N/A

¹ An applicant is engaged in commercial activity is a dealer if, in connection with its business:
 (i) it has the demonstrable ability (directly or through separate contractual arrangements) to make or take delivery of the underlying commodity; or
 (ii) it incurs risk (in addition to price risk) related to the commodity; or
 (iii) it is a dealer that regularly provides risk management or hedging services to, or engages in market making activities with the commercial entities involving transactions to purchase or sell the commodity or derivatives agreements, contracts, or transactions in the commodity.

<p>6. Is the applicant a futures commission merchant – if a natural person or proprietorship – which is not eligible unless the FCM is;</p> <p>a. A corporation, partnership, proprietorship, organization, trust, or other entity and meets the requirements in block 3 above; or</p> <p>b. An individual who has total assets in excess of \$10,000,000 or \$5,000,000 and enters into the agreement, contract, or transaction to manage risk associated with an asset owned or liability incurred or reasonably likely to be owned or incurred by the individual?</p>		
		N/A
		N/A

<p>B. Under CEA §1a(11)(B) an entity that is not engaged in commercial activity and is not a dealer can qualify as an ECE if it is an Eligible Contract Participant (ECP), other than a natural person or instrumentality, department or agency of a State or local governmental entity, that regularly enters into transactions involving the commodity and:</p>		
1. is a collective investment vehicle with aggregate total assets of \$1,000,000,000 or,		N/A
2. has under common control or management aggregate total assets of \$100,000,000 if limited to accredited investors with \$2,000,000 in assets, qualified eligible participants or qualified purchasers. ²		N/A

<p>C. By CFTC order, registered floor brokers and floor traders can qualify as an ECE for trading on an exempt market if the following requirements are met. The requirements are that the member:</p>		
	YES	NO
1. is an ECP or that its trades are guaranteed by a clearing member of a CFTC registered derivatives clearing organization;		N/A
2. is a member of, or has trading privileges on a designated contract market (DCM);		N/A
3. is acting in proprietary capacity; and		N/A
4. is, as a part of its business, acting as a floor broker or trader on a DCM.		N/A
<p>Please Explain _____</p> <p>_____</p> <p>_____</p> <p>_____</p>		

² A collective investment vehicle whose participants are not qualified eligible persons (QEPs) under rule 4.7 of the CEA, accredited investors under Regulation D of the Securities Act of 1933 or qualified purchasers (QPs) under section 2(a)(51)(A) of the Investment Company Act must have in the aggregate \$1,000,000,000 in total assets to trade on CCX. Accredited investors must have total assets of \$2,000,000. The total asset requirements for QEPs and QPs are at least, and in most instances greater than, \$2,000,000.

Please note: As an electronic trading facility providing for the execution of transactions on a principal to principal basis between eligible commercial entities in exempt commodities, CCX qualifies as an "exempt commercial market" as defined in Section 2(h)(3) of Commodity Exchange Act and in Part 36.3 of the regulations of the Commodity Futures Trading Commission (CFTC). CCX is not registered with, or recognized, designated, licensed or approved by the CFTC. All CCX Members entering into transactions on the CCX Trading Platform must be an "eligible commercial entity" as defined under section 1a(11) of the Commodity Exchange Act.

General Information

Organization's Full Legal Name:

City of Oakland

Business Description:

Municipal Corporation operating as a Charter City

Name of Primary Contact for CCX:

Scott Wentworth, P.E. Energy Engineer

Registered Address (for primary contact individual for CCX)³:

7101 Edgewater Drive, Building No. 2

Oakland, CA 94621-3001

Mailing Address (for primary contact individual for CCX):

Same

Phone Number (for primary contact individual for CCX):

Office: (510) 615-5421, mobile (510) 772-9404, e-mail swentworth@oaklandnet.com

Web Site: oaklandpw.com/energy

³ If the applicant does not maintain an office in the U.S. responsible for preparing and maintaining financial and other reports required to be filed with the Commission, it must prepare all required reports and documentation in U.S. dollars, reimburse CCX for any expense incurred in connection with the examinations of the Member in excess of the cost of examining a Member located within the continental U.S. and ensure the availability of appropriate staff.

Phone Number (for primary contact individual for CCX):

Office: (510) 615-5421, mobile (510) 772-9404, e-mail swentworth@oaklandnet.com

Web Site: oaklandpw.com/energy

Name & Address of Bank (for settlements of CCX transactions)

Bank of America Sacramento, Northern California Government Services #1436

555 Capitol Mall, Suite 1555, Sacramento, CA 95814

Primary Bank Contact (for settlement of CCX transactions).

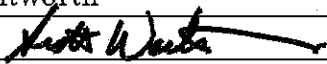
Nancy Streukens (916) 321-4818

Account Number and Wiring Instructions (for settlement of CCX transactions)
14720-01750 (Contact B of A for Details; City must approve wiring payments)

CCX Registry, Trading Platform, Clearing and Settlement Systems

Each of the individuals listed below agrees to abide by all CCX rules and conditions provided herein and in the CCX *Rulebook*, including but not limited to Appendix 5.2: Chicago Climate Exchange Trading Platform and Registry System Agreement for Registry Account Holders. The individuals listed below are authorized by the applicant to use the CCX Trading Platform and Registry System.

Contacts

Name: Scott Wentworth
Signature/Date:  6/13/05
Title: Energy Engineer
Address: 7101 Edgewater Drive, Building No. 2
Oakland, CA 94621-3001
Phone Number: (510) 615-5421
Fax: (510) 615-5411
Email: swentworth@oaklandnet.com

Other individuals authorized to use the CCX Trading Platform:

Name:
Signature/Date:
Title:
Address:

Name:
Signature/Date:
Title:
Address:
Phone Number:
Fax:
Email:

To add additional authorized individuals, please attach another sheet.

Please note that, in accordance with Chapter 5 of the *CCX Rulebook*, all CCX Members are obligated to inform CCX of any addition, reduction or other change of primary contact or other people authorized to use the CCX Trading Platform.

Type of Organization (check one)

Corporation organized under the laws of California for Charter Cities

Limited Liability Company organized under the laws of _____

Limited Partnership organized under the laws of _____

General Partnership organized under the laws of _____

Other (please specify) _____

Financial Information

Independent Auditor

Name: Roland Smith, City Auditor (elected independently by Oakland voters) _____

Mailing Address: One Frank H. Ogawa Plaza, 4th Floor _____

Applicant's Fiscal Year End: June 30th _____

The following questions pertain specifically to the applicant’s activities related to trading on regulated exchanges and over-the-counter markets:

A. Has your organization ever been denied exchange registration, or had a registration suspended, revoked, or conditioned by a governmental or regulatory authority during the past 5 years?

Yes

No

B. Has your organization been denied membership or clearing privileges by any commodity or securities exchange/clearing organization or had any membership or clearing privilege suspended, revoked, or conditioned during the past 5 years?

Yes

No

C. Has your organization ever been convicted, pled guilty, entered a plea of “no contest” or entered into a voluntary settlement as to any violation of any criminal or penal code during the past 5 years?

Yes

No

D. Is your organization subject to any investigation or have any charges been brought against it by any governmental or regulatory authority or exchange/clearing organization for violation of its laws or rules during the past 5 years?

Yes

No

E. Does your organization currently have any judgments, liens, attachments or other encumbrances filed against it during the past 5 years?

Yes

No

If your response is “Yes” to any of the above, please describe below and provide supporting documentation.

CITY OF OAKLAND



1 FRANK H. OGAWA PLAZA • 3RD FLOOR • OAKLAND, CALIFORNIA 94612

Office of the Mayor
Jerry Brown
Mayor

(510) 238-3141
FAX: (510) 238-4731
TDD: (510) 839-6451

COMMITMENT LETTER

April 19, 2005

Dr. Richard Sandor
Chairman and CEO
Chicago Climate Exchange
190 S. LaSalle St., Suite 800
Chicago, IL 60603

Dear Dr. Sandor:

This letter represents the City of Oakland's legally binding commitment to participate in the Chicago Climate Exchange (CCX) as a City of Oakland Member, in accordance with the terms and conditions listed in the Chicago Accord. The City of Oakland also agrees to trade its CCX Greenhouse Gas Emissions Allowances and CCX-registered Certified Emission Offsets exclusively through the Chicago Climate Exchange with other CCX Registry Account Holders.

This agreement shall be effective as of the date hereof and shall continue through December 31, 2006.

Signed

Name

Jerry Brown

Title

Mayor

Entity

City of Oakland

Address

1 Frank Ogawa Plaza, 3rd Floor

Oakland, CA 94612

Phone

(510) 238-3141

Date

April 19, 2005

The Chicago Accord

Introduction

The Chicago Climate Exchange® (CCX®) design phase participants have reached agreement on the architecture of a greenhouse gas trading program involving multiple industrial sectors, emission sources and carbon sinks. The comprehensive nature of this voluntary pilot program makes it unique among the existing cap-and-trade programs. This Summary Term Sheet reflects the agreement that has emerged from the efforts of thirty companies in the power generation, forest products, manufacturing, oil and gas and agricultural industries. The CCX® market architecture also incorporates input from technical experts representing eighteen design phase participants in the engineering, forestry, agricultural, academic, NGO and public sectors. Additionally, it reflects expertise drawn from domestic and international capital, commodity and environmental markets. In total, more than fifty corporate entities and hundreds of experts have contributed to the design phase.

1. Purpose of the Exchange

The Chicago Climate Exchange® is a self-regulatory organization that will administer a voluntary pilot greenhouse gas emission reduction and trading program for emission sources, carbon sinks, offset projects and liquidity providers in the United States starting in January 2003. Offset providers in Brazil can participate from the outset. Emission sources and offset providers in Canada and Mexico will be integrated into the market during 2003. There are two distinct CCX® affiliations:

1. **CCX® Members** will include corporations, municipalities and other entities that emit greenhouse gases. Members will adopt emission mitigation commitments that apply during the years 2003, 2004, 2005 and 2006.
2. **CCX® Participants** will include offset providers and liquidity providers.

The goals of the Exchange are to:

- (1) demonstrate unambiguously that a cross-section of U.S. industry can reach agreement on a voluntary commitment to reduce greenhouse gases and implement a market-based emission reduction program;
- (2) establish proof of concept by demonstrating the viability of a multi-sector greenhouse gas emissions cap-and-trade program supplemented by project-based offsets;
- (3) establish a mechanism for achieving price discovery as well as developing and disseminating market information;
- (4) allow flexibility in the methods, location and timing of emission reductions so that greenhouse gas emissions can be reduced cost-effectively;

- (5) facilitate trading with low transaction costs;
- (6) build market institutions and infrastructure and develop human capital in greenhouse gas emissions trading;
- (7) encourage improved emissions management;
- (8) harmonize and integrate with other international or sovereign trading regimes;
- (9) develop a market architecture that rewards innovative technology and management and encourages sustainable farming and forestry practices.

2. **Geographic Coverage** Emitting sources and offset providers in the U.S. and its territories, as well as offsets providers in Brazil, (as outlined in Section 16) can participate from the outset of the program in early 2003. Emitting sources and offset projects in Canada and Mexico will be integrated during 2003.
3. **Pilot Market Time Period** CCX® reduction commitments and trading will apply for years 2003 through 2006. CCX® Members may choose to extend the pilot beyond 2006, but Members for the 2003-2006 time period will have no obligation to participate beyond 2006.
4. **Gases Covered** Emissions of the following greenhouse gases from facilities owned by CCX® Members will be included, as applicable:
 - carbon dioxide (CO₂);
 - methane (CH₄);
 - nitrous oxide (N₂O);
 - hydrofluorocarbons (HFCs);
 - perfluorocarbons (PFCs); and
 - sulfur hexafluoride (SF₆).

All greenhouse gases will be converted to carbon dioxide equivalent using the one hundred year global warming potential values established by the Intergovernmental Panel on Climate Change (IPCC).

5. **Instruments, Vintages, Banking** The instruments are:
 - Greenhouse Gas Emission Allowancessm (GGEAssm);
 - Certified Emission Offsetssm (CEOssm) generated by mitigation projects; and
 - Certified Early Action Creditssm (CEACssm).

Each instrument will represent one hundred metric tons of CO₂ equivalent and will be designated with a specific serial number and annual vintage. Each instrument will be recognized as equivalent when surrendered for compliance. Instruments may be used for compliance in their designated vintage year or in later years, subject to constraints described in Section 22 below.

- 6. CCX[®] Emission Baseline** Each CCX[®] Member's emission baseline will be the annual average emissions from facilities included in the baseline during 1998, 1999, 2000 and 2001. Baselines will be adjusted to reflect acquisition or disposition of facilities. The emission baseline for facilities placed into service after January 1, 1998 but before January 1, 2000 will be the annual average of the first two years of the facility's emissions. The emission baseline for facilities placed into service on or after January 1, 2000 and before January 1, 2002 will be the emissions of such facilities during the first complete calendar year of operation.
- 7. CCX[®] Emission Reduction Schedule, Greenhouse Gas Emission Allowancesm Allocations** CCX[®] Members will be issued Greenhouse Gas Emission Allowancessm, at the inception of the program, for the four-year period in an amount reflecting the CCX[®] emission reduction schedule:

Year	CCX [®] emission reduction schedule
2003	1% below Member's baseline
2004	2% below Member's baseline
2005	3% below Member's baseline
2006	4% below Member's baseline

- 8. Economic Growth Provisionsm (EGPsm)** The maximum increase in CO₂ equivalent emissions that will be recognized in determining the annual true-up for each CCX[®] Member will be 2% above that Member's baseline emission level during each of the years 2003 and 2004, and 3% above its baseline during each of the years 2005 and 2006.

When combined with the CCX[®] Emission Reduction Schedule, this provision implies that the maximum amount of net purchases of Greenhouse Gas Emission Allowancessm and/or Certified Emission Offsetssm required for compliance is limited to 3% of each CCX[®] Member's emission baseline during 2003, 4% of its baseline during 2004, 6% of its baseline during 2005 and 7% of its baseline during 2006.

This provision will be symmetric. The maximum recognized emission reduction below each Member's emission reduction target will be limited to 3% of the Member's emission baseline during 2003, 4% of its baseline during 2004, 6% of its baseline during 2005 and 7% of its baseline during 2006. Net sales and banking of Greenhouse Gas Emission Allowancessm by CCX[®] Members will also be subject to limits described in Sections 22B and 22C below.

Year	Economic Growth Provision sm : Maximum amount of net purchases of Greenhouse Gas Emission Allowances sm and/or Certified Emission Offsets sm required for compliance
2003	3% of Member's baseline
2004	4% of Member's baseline
2005	6% of Member's baseline
2006	7% of Member's baseline

- 9. Annual True-up** Subsequent to each compliance year, each CCX[®] Member must surrender any combination of Greenhouse Gas Emission Allowancessm, Certified Emission Offsetssm and Certified Early Action Creditssm in an amount equal to the CO₂ equivalent emissions released from that Member's included facilities during the compliance year (subject to the Economic Growth Provisionsm and constraints on the use of CEOssm and CEACssm).
- 10. Registry and Electronic Trading Platform** An internet-accessible CCX[®] Registry will be managed and administered by the CCX[®] and will contain all Greenhouse Gas Emission Allowancessm, Certified Emission Offsetssm and Certified Early Action Creditssm. The CCX[®] Registry will be used as the official holder of record and transfer mechanism and will be integrated with the CCX[®] electronic trading platform. All transactions involving these instruments must occur on the CCX[®] electronic trading platform.
- 11. Auctions** CCX[®]-administered auctions will occur on a regularly scheduled basis.
- 12. Facilities Included, Emissions Monitoring** CCX[®] Members primarily engaged in electric power production will include in their baseline and quarterly emission reports CO₂ emissions from all power generation facilities having a rated capacity of 25 megawatts or larger. These Members may opt-in emissions from facilities having a rated capacity of less than 25 megawatts, but must include all such facilities if this option is chosen. Electric power generating units will use CO₂ emissions data from continuous emission monitors (CEMs) as reported to the U.S. Environmental Protection Agency. If CEM data is not available, Members will quantify CO₂ emissions by using the fuel consumption methods contained in the U.S. Code of Federal Regulations 40 CFR Part 75 or equivalent methods.

CCX® electric power sector Members may opt-in SF₆ emissions from electric power transmission equipment. Emissions from such systems will be quantified using protocols provided by the U.S. Environmental Protection Agency.

These Members may also opt-in emissions from vehicles they own and operate or lease by using the protocols for mobile sources developed by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) initiative.

CCX® Members not primarily engaged in electric power production, including Members in the forest products, chemicals, cement, manufacturing, and municipal sectors will report GHG emissions as follows:

- CO₂ emissions from stationary source fossil fuel combustion will be quantified using the protocols developed by the WRI/WBCSD;
- Process emissions (e.g. N₂O, PFCs and CO₂) will be quantified using the applicable WRI/WBCSD protocols;
- CO₂ emissions from vehicles will be included in the Member's baseline and quarterly emission reports if these emissions are greater than 5% of total entity-wide emissions and represent an integral part of the Member's operations. Otherwise, CCX® Members have the option to include emissions from vehicles in their baseline emissions and quarterly emission reports. Vehicle emissions will be quantified using the WRI/WBCSD protocols.

The CCX® will specify methods for monitoring emissions and/or emission reductions for:

- the oil and gas sector;
- gas pipelines;
- landfill methane;
- changes in carbon stocks in above-ground biomass in industrial forests;
- offset projects including forestry, renewable energy and fuel switching.

13. Greenhouse Gas Emission Allowancesm issuance for carbon sequestration by CCX® Members in the forest products sector

CCX® Members in the forest products sector that have wood harvesting operations will quantify and report net changes in carbon stocks (expressed in metric tons of CO₂ equivalent) held in above-ground biomass on land owned by the Member or on land for which the Member owns carbon sequestration rights. Greenhouse Gas Emission Allowancessm will be issued on an annual basis to these Members during the 2003-2006 time period in an amount reflecting net increases in stored carbon from the previous year. These allowances will have the vintage of the year in which the increase in carbon storage occurred.

These Members must surrender GGEAssm, CEOssm or CEACssm on an annual basis in an amount reflecting net decreases in carbon stored in above-ground biomass during the 2003-2006 time period.

Quantification of changes in carbon stocks held in above-ground biomass will be based on standardized models and sampling procedures to be used by all Members in the forest products sector. The calculation of changes in carbon stocks will be adjusted to reflect acquisition or disposition of forest land.

As per Section 8 above (the Economic Growth Provisionsm), the maximum amount of net reductions in carbon stored in above-ground biomass on company land recognized is limited to 3% of each CCX[®] Member's emission baseline during 2003, 4% of its baseline during 2004, 6% of its baseline during 2005 and 7% of its baseline during 2006. The maximum recognized quantity of net increases in carbon stored in above-ground biomass will be limited to 3% of the Member's emission baseline during 2003, 4% of its baseline during 2004, 6% of its baseline during 2005 and 7% of its baseline during 2006. Net sales and banking of Greenhouse Gas Emission Allowancessm by CCX[®] Members will also be subject to limits described in Sections 22B below.

14. Emissions Reporting and Verification

CCX[®] Members must submit quarterly emission reports. For CCX[®] Members primarily engaged in electric power production the quarterly reports must be signed by the Member's designated representative as defined in Title IV of the 1990 Clean Air Act Amendments. For other CCX[®] Members the quarterly reports must be signed by a corporate officer. Reporting on forest carbon storage by Members in the forest products sector will occur annually. Reporting on offset projects will occur annually or quarterly, as specified by the CCX[®]. Emissions and offset project reports and their underlying data will be subject to verification and audits. Verification and audit activities will be undertaken by entities approved by the CCX[®].

15. Expansion of CCX[®] Membership

The CCX[®] Membership base will be enlarged as additional entities seek to enroll. Expansion will be managed with a view to furthering the goals of the Exchange and avoiding price congestion. New Members will be bound to the same terms and obligations as Original Members.

16. Certified Emission Offsetssm (CEOssm)

Eligible projects can be recorded in the CCX[®] Registry and will be issued Certified Emission Offsetssm on the basis of mitigation tonnage realized during 2003-2006. CEOssm will be issued after mitigation occurs and required documentation is presented to the CCX[®]. CCX[®] will specify project eligibility, project baselines, quantification, monitoring and verification protocols. With the exception of forestry projects, which will be eligible if undertaken on or after January 1, 1995, projects in the specified categories will qualify if they were

placed into operation on or after January 1, 1999. Some offset projects undertaken by CCX® Members prior to 1999 will be eligible under the Certified Early Action Creditssm provisions described in Section 17.

The initial categories of eligible offset project categories are:

- landfill methane destruction in the U.S.;
- agricultural methane destruction in the U.S.;
- carbon sequestration in U.S. forestry projects;
- carbon sequestration in U.S. agricultural soils;
- fuel switching, landfill methane destruction, renewable energy and forestry projects in Brazil.

CEOssm from projects undertaken in Mexico and Canada will be integrated into the program during 2003. Projects that meet eligibility criteria but are located outside the U.S., Mexico, Canada and Brazil may be registered at the beginning of the program, with the allowed use of such offsets to be determined by the Standing Committee on Certified Emission Offsetssm described below. That Committee will also recommend additions to the list of eligible offset project types and locations, and will consider recommending automatic eligibility for approved Clean Development Mechanism projects to earn CEOssm.

The minimum amount of CEOsm issuance to any project or group of projects in any single category is 10,000 tons CO₂ equivalent per year. Individual projects that achieve mitigation quantities of less than 10,000 tons CO₂ equivalent per year must be combined with other projects within the same project category by a CCX®-registered aggregator. Trading can occur in quantities less than 10,000 tons.

16A. *Certified
Landfill
Offsetssm
(CLOssm)
(U.S.)*

Certified Landfill Offsetssm will be issued to owners of GHG emission reductions achieved by landfill methane collection and combustion systems placed into operation at U.S. locations on or after January 1, 1999 but not required to comply with New Source Performance Standards. CLOssm will be issued on the basis of tons of methane destroyed, net of CO₂ released upon combustion, during the years 2003 through 2006, at a net rate of 18.25 tons CO₂ for each ton of methane combusted.

16B. *Certified
Agricultural
Methane
Offsetssm
(CAMOssm)
(U.S.)*

Certified Agricultural Methane Offsetssm will be issued to owners of GHG emission reductions achieved by methane collection and combustion from manure digesters placed into operation in the U.S. on or after January 1, 1999. CAMOssm will be issued on the basis of tons of methane destroyed, net of CO₂ released upon combustion, during the years 2003 through 2006, at a net rate of 18.25 tons CO₂ for each ton of methane combusted.

16C. *Certified
Forestry
Offsetssm
(CFOssm)
(U.S.)*

Certified Forestry Offsetssm will be issued to owners of GHG emission mitigation achieved by qualifying forestry sequestration projects initiated on or after January 1, 1995. CFOssm will be issued on the basis of increases in tons of CO₂ equivalent carbon storage realized during the 2003-2006 period.

The CCX[®] will specify project eligibility, project baselines, quantification, monitoring and verification protocols.

16D. *Certified Soil
Offsetssm
(CSOssm)
(U.S.)*

Certified Soil Offsetssm will be issued to owners of GHG emission mitigation produced by agricultural soil carbon sequestration activities in designated states, counties and parishes in the Midwest and Mississippi delta regions of the U.S.

- Certified Soil Offsetssm will be issued at a rate of 0.5 metric tons CO₂ per acre per year to farmers who commit to continuous no-till through 2006.
- Certified Soil Offsetssm will be issued to farmers who commit to maintain soil carbon storage realized as a result of grass cover plantings that were undertaken on or after January 1, 1999. The commitment must be maintained through 2006. Under this provision CSOssm will be at a rate of 0.75 metric tons CO₂ per acre per year.

The CCX[®] will specify project eligibility, project baselines, quantification, monitoring and verification protocols.

16E. *Certified
Emission
Reductionssm
(CERssm)
(Brazil)*

Certified Emission Reductionssm will be issued to owners of GHG mitigation produced by qualifying projects undertaken in Brazil. Qualifying projects will include:

- reforestation and/or assisted forest regeneration;
- avoided deforestation together with reforestation and/or assisted forest regeneration;
- fuel switching;
- landfill methane destruction; and
- renewable energy generation from solar, wind, small hydroelectric and biomass systems.

The CCX[®] will specify project eligibility, project baselines, quantification, monitoring and verification protocols.

- 17. Certified Early Action Creditssm (CEACssm)** Certified Early Action Creditssm (CEACssm) will be issued to certain projects undertaken from 1995 through 1998. To qualify, reductions must be:

- off-system;
- originally undertaken or financed by CCX® Members;
- direct emissions reductions or involve sequestration;
- clearly owned by the CCX® Member;
- measured and verifiable;
- registered in 1605b, USIJI, or an equivalent registry system.

CEACssm can be used for compliance only by the CCX® Member that originally owned them.

Certified Early Action Creditssm will be given to the following project types that meet the eligibility criteria:

- reforestation, afforestation and avoided deforestation
- landfill methane destruction in the U.S.
- fuel switching and other energy related USIJI projects

Certified Early Action Creditssm will be issued on the basis of mitigation tonnage realized by the qualifying project during the years 1995 through 2006.

- 18. Electricity Purchase Opt-in Programsm (EPOPsm)** CCX® Members not primarily engaged in the production of electricity may opt-in purchased electricity as a supplemental reduction objective. If this option is elected, reduction commitments for purchased electricity will be identical to the CCX® Emission Reduction Schedule (i.e. 1% below baseline purchased electricity in 2003, 2% below baseline in 2004, 3% below baseline in 2005, 4% below baseline in 2006).

CCX® Members that elect this option will receive Greenhouse Gas Emission Allowancessm when the reduction objective is exceeded. When CCX® Members opt-in their electricity purchases and their electricity purchase reduction objective is not achieved the Member must surrender Greenhouse Gas Emission Allowancessm, Certified Emission Offsetssm and/or Certified Early Action Creditssm.

The baseline electricity purchase quantity is defined as the average of electricity purchases during years 1998 through 2001. The baseline will be adjusted to reflect acquisition or disposition of facilities that consumed power purchased by the CCX® Member.

- CCX® Members that opt-in electricity purchases and reduce their electricity purchases to levels below the percentage decrease corresponding to the CCX® reduction schedule will be issued Greenhouse Gas Emission Allowancessm at a rate of 0.61 metric tons CO₂ for each megawatt-hour by which actual power purchased is below the reduction schedule.
- CCX® Members that opt-in electricity purchases and realize electricity purchases at a level that is above the percentage decrease corresponding to the CCX® reduction schedule must surrender Greenhouse Gas Emission Allowancessm and/or Certified Emission Offsetssm at a rate of 0.61 metric tons CO₂ for each megawatt-hour by which actual power purchased is above the reduction schedule.
- The Economic Growth Provisionsm described in Section 8 above will apply to the Electricity Purchase Opt-in Programsm.

The 0.61 metric ton rate is applied only to electricity purchased by U.S. facilities as it reflects the U.S. average emission rate for electricity production during 1998-2001. National average emission rates for Canada and Mexico will be applied to facilities in those countries.

The initial pool of GGEAssm available to be issued to CCX® Members under this provision will be 0.1% of the program-wide emission baseline per year. If fully subscribed, this quantity would represent 4% of the four-year program-wide targeted emission reduction (which is defined as the program-wide emission baseline minus the program-wide emission reduction target during 2003 through 2006).

19. Renewable Fuels

Emissions associated with combustion of the following renewable fuels will be excluded from CCX® Members' emission baselines and emission reports:

- wood, wood wastes and wood-derived fuels;
- agricultural residues, grasses;
- landfill and agricultural methane.

20. Jointly Owned Facilities

CCX® Members will be responsible for emissions from jointly owned facilities in proportion to the Member's ownership equity share, subject to the following exceptions:

- CCX® Members not primarily engaged in electric power production will have the option to exclude from their emission baseline and emission reports emissions from all facilities in which the CCX® Member's equity ownership share is less than 20%.

- Exceptions will be made on a case-by-case basis if a CCX® Member's ownership share is less than 50% and emissions data from the jointly owned facility is not accessible to the CCX® Member.
- Entities primarily engaged in electric power production will have the option to exclude from their emission baseline and emission reports emissions from all facilities in which the CCX® Member's equity ownership share is both less than 20% and represents less than 25 megawatts of generating capacity.

21. New Electric Power Generating Units

New electric power generating units are units placed into commercial operation on or after January 1, 2002. Each participating CCX® Member that operates one or more new electric power generating units will be allowed to exempt annually a quantity of emissions that is equivalent to the annual emissions of a 500 megawatt capacity natural gas combined cycle electricity generating plant operated at 55% of capacity and having a heat rate of 7,000 btu/kWh. The exempt emissions cannot exceed emissions from the new electric power generating unit or units. All new unit emissions above this level will be included as part of the Member's annual emissions.

22. Market Efficiency

22A. Objectives

A limited number of market constraints will be employed in order to assure that emission mitigation under the CCX® reflects a balance of emission reductions at CCX® Member facilities and reductions from off-system projects, and to prevent market instability and price congestion. Adoption of these constraints reflects the limited scope and pilot nature of the CCX®. The CCX® does not endorse the imposition of limits on trading or on the use of offsets in large scale GHG trading systems that may emerge in markets created by government regulation.

The CCX® will, on a regularly scheduled basis, report to its Members the specific quantitative limitations, expressed in tons of CO₂, associated with the constraints listed below.

22B. Single Firm Sales Limit

Net sales of Greenhouse Gas Emission Allowancessm by any single CCX® Member will be limited to 0.5% of the program-wide emissions baseline, apportioned over 2003-2006 according to the following schedule:

Year	Net Greenhouse Gas Emission Allowance sm sales limit: percent of program-wide baseline emissions that can be sold by a single firm
2003	0.05%
2004	0.10%
2005	0.15%
2006	<u>0.20%</u>
Total	0.50% of program-wide baseline emissions

Net allowed sales by a single firm will be escalated if program-wide emissions rise above baseline levels. The Escalation Mechanismsm will reflect the extent to which program-wide emissions rise above program-wide baseline emission levels.

22C. *Limitation on Banking During 2003*

During 2003, each CCX[®] Member is allowed to sell and/or bank the quantity of allowances that is the lesser of the quantities determined by the symmetric Economic Growth Provisionsm and the Single Firm Sales Limit.¹ If during 2003 the Single Firm Sales Limit is less than the quantity determined by the symmetric Economic Growth Provisionsm, then the difference between those two quantities shall be placed in a special reserve for possible future release.

During 2004, 2005 and 2006 each CCX[®] Member is allowed to sell and/or bank the quantity that is the lesser of the quantities determined by the Economic Growth Provisionsm and the Single Firm Sales Limit. During these years CCX[®] Members may also bank the amount by which the quantity determined by the Economic Growth Provisionsm exceeds the Single Firm Sales Limit.

22D. *Use of Certified Emission Offsetssm and Certified Early Action Creditssm*

During 2003 program-wide use for compliance of Certified Emission Offsetssm will be allowed in an amount equal to 0.5% of the total program wide-baseline emissions. Certified Early Action Creditssm may be used for compliance starting in 2004. During years 2004, 2005 and 2006, program-wide use of Certified Emission Offsetssm plus Certified Early Action Creditssm will be allowed in an amount equal to 4.5% of the total program wide-baseline emissions, apportioned over 2004-2006 according to the following schedule:

¹ In this context, allowed sales means the net sales by the CCX[®] Member.

Year	Total allowed use for compliance of Certified Emission Offsetssm plus Certified Early Action Creditssm as a percent of program-wide baseline emissions
2004	1.0%
2005	1.5%
2006	2.0%

The total program-wide quantity of Certified Early Action Creditssm used for compliance during 2004, 2005 and 2006 will not exceed 50% of the total quantity of Certified Emission Offsetssm plus Certified Early Action Creditssm used for compliance.

Total allowed use for compliance of Certified Emission Offsetssm during 2003 and Certified Emission Offsetssm plus Certified Early Action Creditssm during 2004, 2005 and 2006 will be escalated if program-wide emissions rise above baseline levels. The Escalation Mechanismsm will reflect the extent to which program-wide emissions exceed program-wide baseline emission levels.

22E. *Offsets from Owned and Operated facilities*

For each CCX® Member, total net sales plus use for compliance of Certified Emission Offsetssm (e.g. Certified Landfill Offsetssm) produced by facilities that it owns and/or operates will be allowed in an amount equal to no more than 0.5% of the total program wide-baseline emissions, apportioned over 2003-2006 according to the following schedule:

Year	Total net sales plus use for compliance of CEOssm generated from a CCX® Member's owned and operated facilities
2003	0.05%
2004	0.10%
2005	0.15%
2006	<u>0.20%</u>
Total	0.5% of program-wide baseline emissions

Allowed sales plus use for compliance by a single CCX® Member under this provision will be escalated proportionately if program-wide emissions rise above baseline levels. The Escalation Mechanismsm will reflect the extent to which program-wide emissions exceed program-wide emission baseline levels.

23. Exchange Governance

Standing Committees comprised of CCX® Members will be formed for the purpose of providing oversight of specific market functions. Additional Committees may be formed as necessary. The following lists the currently envisioned Committees and their anticipated responsibilities:

Exchange Executive Committee:

- oversee the affairs of the exchange;
- receive and act upon recommendations from other CCX® Committees;
- address any unresolved issues emerging from other Committees;
- establish additional Committees as necessary.

Committee on Certified Emission Offsetssm:

- recommend additional project types and locations for CCX® eligibility and develop rules for such projects;
- consider recommending automatic eligibility for approved Clean Development Mechanism projects to earn CEOssm;
- provide guidance on the project registration process;
- provide oversight for the registration of projects undertaken in locations that are not initially eligible for CEOssm;
- monitor the diversity of registered project types and propose methods for maintaining diversity as necessary;
- develop methods for apportioning the use of registered CEOssm and CEACssm by individual CCX® Members if the total quantity of these instruments that Members wish to use for compliance exceeds the quantities established by the market constraints described above.

Committee on Market Efficiency:

- monitor market operations and identify actions that may be needed to enhance market performance and avoid congestion;
- oversee the periodic expansion of the market with a view to assuring efficient market performance.

Committee on Compliance:

- serve as a peer group to monitor compliance with exchange rules;
- evaluate violations of exchange rules and recommend responses;
- establish rules and oversee implementation of emissions and project verification, audits and inspections;
- may provide dispute resolution services.

(Entity) hereby applies to become a Member of the Chicago Climate Exchange (CCX®) and warrants the truthfulness of the answers provided to all questions on this application and to any other questions that may be asked by the staff of the Exchange or NASD or any CCX Committee. (Entity) agrees to maintain the accuracy and completeness of the information contained in this application throughout the application process.

(Entity) acknowledges that it meets all of the requirements for participation as a Member, as is outlined in the CCX Rulebook. (Entity) further acknowledges and agrees to abide by all the requirements and obligations of CCX Membership.

(Entity) undertakes to immediately notify the Exchange in writing of any material change in any information contained in this application for Membership or upon becoming aware of any event that may impact on eligibility for enrollment as a Member.

(Entity) authorizes CCX and the NASD to obtain information from sources that they deem appropriate in order to adequately evaluate and process this application, to conduct required financial reviews in accordance with applicable rules and to ensure the integrity and effective operation of CCX in the future.

(Entity) understands that failure to provide full and accurate information may result in this application being delayed or rendered invalid.

(Entity) has read and agrees to abide by the rules of the Exchange as provided in the CCX Rulebook including, but not limited to, Appendix 5.2: Chicago Climate Exchange Trading Platform and Registry System Agreement for Registry Account Holders.

(Entity) will comply with the Terms and any and all laws, rules, regulations or orders applicable to (Entity)'s access to and use of the System, the Exchange, and the Exchange Data.

Signed and accepted by a duly authorized representative of

City of Oakland
Organizational

Michael Wu 6-9-05
Signature and Date

N. Cocolo De Luca
Print Name

Deputy City Administrator
Title

- | | |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | Organizational documents giving evidence that the applicant meets the eligibility criteria |
| <input type="checkbox"/> | Most recent certified financial statements (balance sheet and income statement) - publicly held entities must include a copy of their most recent 10K and 10Q filings |
| <input type="checkbox"/> | Initiation fee |
| <input type="checkbox"/> | Annual fee |