



CFTC Second Voluntary Carbon Markets Convening July 19, 2023





Overview

- At its core, IncubEx is a product and business development firm. We model, develop, and market commodity contracts, services, and technology solutions in global environmental, climate risk, and related commodities for exchange-traded and OTC markets.
- IncubEx has a unique mission to advance and improve new and existing environmental commodities with our exchange and technology partners. These products include global environmental, reinsurance, and weather-related commodities.
- Founded in 2016 the leaders of IncubEx were part of the same team that developed the world's first exchange-traded environmental markets in the early 2000s. We continue to bring that innovative spirit and expertise in supporting existing and building future markets to navigate the worlds growing demand for climate impact markets.
- Learn more [here](#)



Chicago Climate Exchange (CCX)


2003-2010

The world's first and only voluntary, legally binding greenhouse gas reduction and trading program

CCX Program Summary

- CFTC Exempt Commercial Market (ECM)
- Nearly 500 Members
- **680M** ton peak emissions baseline; over **700M** in recorded GHG reductions 2003-2010
- 150M tons traded in CCX spot; Weighted average price **\$3.26**

<u>Agricultural Methane Collection and Combustion</u>
<u>Agricultural Best Management Practices - Continuous Conservation Tillage and Conversion to Grassland Soil Carbon Sequestration</u>
<u>Agricultural Best Management Practices - Sustainably Managed Rangeland Soil Carbon Sequestration</u>
<u>Avoided Emissions from Organic Waste Disposal</u>
<u>Coal Mine Methane Collection and Combustion</u>
<u>Forestry Carbon Sequestration</u>
<u>Landfill Methane Collection and Combustion</u>
<u>Ozone Depleting Substances Destruction</u>
<u>Renewable Energy Systems</u>
<u>Small Scale Renewable Biogas</u>

The background image shows a field of tall grass in the foreground, with several wind turbines in the middle ground under a cloudy sky. A semi-transparent green rectangle is overlaid on the image, containing the text.

Chicago Climate Futures Exchange (CCFE)

The world's first environmental
derivatives exchange

Overview

- Designated as a Contract Market by CFTC in 2004
- Part of Climate Exchange PLC
 - CCX and ECX – EUA Futures
- Listed the **first** environmental commodity futures in 2004
 - SO₂ futures – based on EPA Acid Rain Program
- Listed CFI futures on CCX CFI in 2007
- Listed the first RGGI futures contract in 2008
- Listed the first REC futures contracts in 2009
- Climate Exchange – Acquired by ICE 2010
- CCFE contracts ➡ ICE US Environmental contracts 2012



Strong Partners

- IncubEx utilizes our long-term expertise and market knowledge in partnering with exchanges and other market providers to develop and enhance overall product lines, connect with customers and bring better solutions to the global marketplace.
- In 2017, IncubEx partnered with European Energy Exchange (EEX), to build, support and expand its EUA derivatives market.
- In 2018, IncubEx partnered with Nodal Exchange, an EEX subsidiary, to help build the world's broadest suite of listed environmental futures and options contracts.
- In 2021, IncubEx and Trayport collaborated to launch The Voluntary Climate Marketplace (TVCM) for OTC voluntary carbon offset projects.





OVERVIEW

- VCM has traditionally been complex, bespoke and opaque
- TVCM is a platform for participants providing best-in-class market access, transparency, neutrality and trade efficiencies
- This innovative marketplace enables participants to place bids and offers on a live market on Trayport's Joule screen
 - a proven technology in global energy markets
- A wide range of project types are available for trading, allowing participants to choose the specific attributes of offsets including technology type, vintage, geography, size, registry and price
- TVCM creates a neutral platform to expand market access and connect more participants in a fair and transparent way
- Viewable alongside a global suite of exchange traded environmental and energy markets (subject to exchange authorization)
- TVCM Settle offers centralized, streamlined payment versus delivery
- Bilateral settlement of contracts allows for transactional flexibility

TRAYPORT
A TMX COMPANY

The Voluntary Carbon Market (VCM)

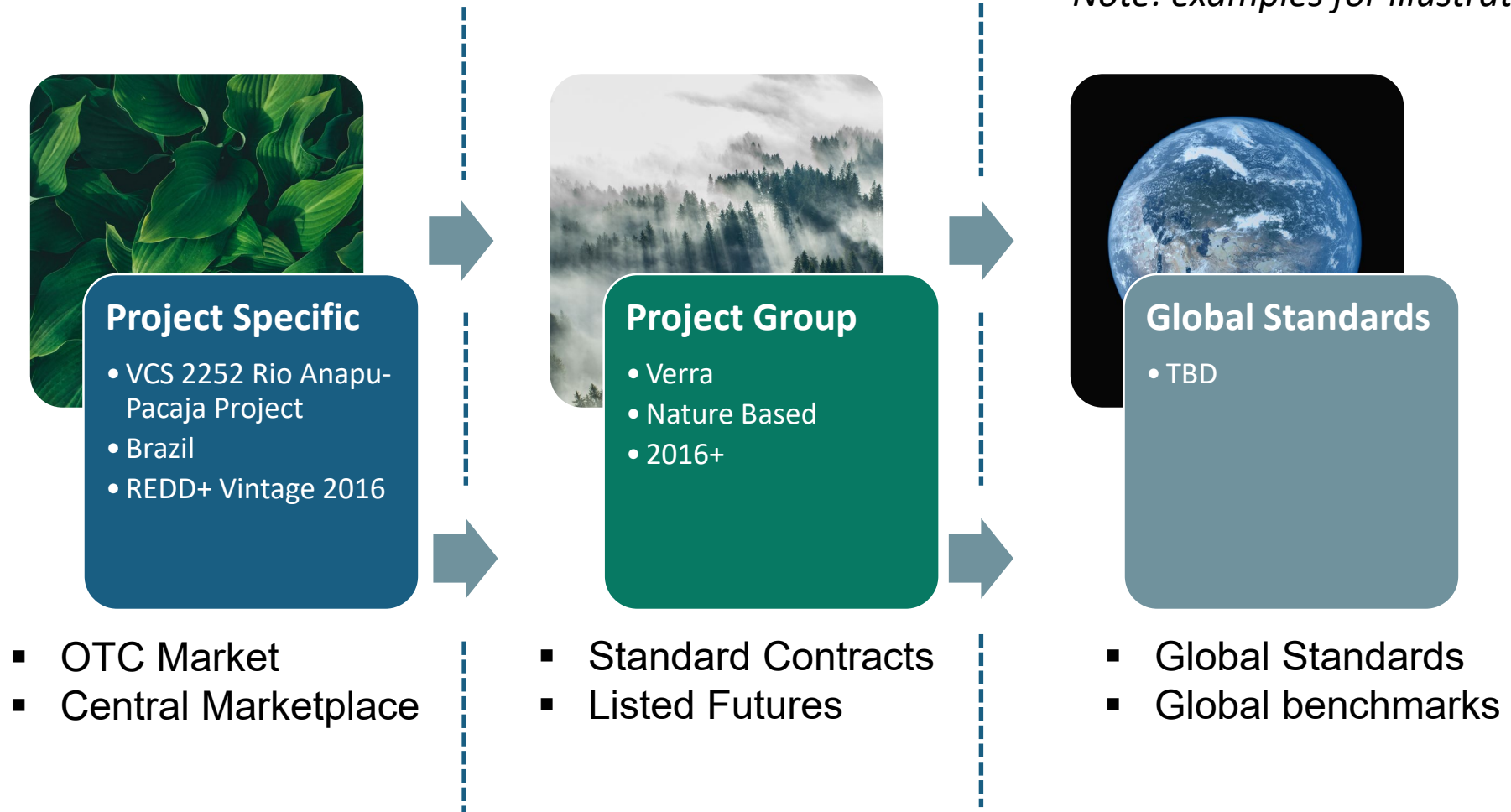
The VCM has evolved over the past 30 years but many core tenets remain the same.

Carbon offsets are issued in accordance with the protocols of leading independent registries with the following general attributes:

- Projects that avoid or remove greenhouse gas emissions
 - Technology or nature-based
- Independent 3rd party verification; precise issuance & tracking in registries
- Protocols differ by registry / standard but many commonalities
- **Market Infrastructure Providers include:**
 - Protocol Governance & Credit Issuance (including 3rd party verification) & Tracking
 - Derivatives Exchanges & Spot Marketplaces
 - Brokers & other intermediaries
 - Data, Technology & other Service Providers

Offsets – Bespoke to Standardized

Note: examples for illustrative purposes



Scaling and advancing the VCM

- Like any well-functioning market, the VCM should have a market structure that looks like other commodities
- CFTC has played a vital role as derivatives market regulator for nearly 50 years, and regulator of exchange traded environmental commodities for nearly 20 years
- Building market consensus / confidence on offset “quality” and GHG reduction best practice use cases
 - Compliance markets provide framework – standards are emerging
 - CERs previously under EU ETS; Offsets under California Cap & Trade, RGGI, Washington Cap and Invest; CORSIA
 - Private initiatives like the ICVCM
 - Public initiatives like the USDA Climate-Smart Agriculture and Forestry
- **Market Infrastructure Providers – scaling VCM markets:**
 - Regulatory framework – best practices and strong governance
 - Operational best practices including IT security, KYC & AML
 - Stakeholder engagement and focus on innovation
 - Neutrality – reducing conflicts of interest
 - Increasing transparency throughout full VCM offset lifecycle

Thank You

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