



C.F.T.C.  
 OFFICE OF THE SECRETARIAT  
 2010 MAR 17 PM 2 34

March 17, 2010

**VIA E-MAIL**

Mr. David Stawick  
 Office of the Secretariat  
 Commodity Futures Trading Commission  
 Three Lafayette Centre  
 1155 21st Street, N.W.  
 Washington, D.C. 20581

**Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #10-060: Notification Regarding the Listing of Climate Action Reserve (CAR) Futures and Option Contracts**

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of five Climate Action Reserve (CAR) Futures contracts for trading on Globex® and for submission for clearing through CME ClearPort® on trade date Monday, March, 22, 2010. Additionally, the Exchange is notifying the Commission that it is self-certifying the listing of Climate Action Reserve (CAR) Option contract for trading on the NYMEX trading floor and for clearing through CME ClearPort on trade date Tuesday, March 23, 2010.

The five (5) futures contracts, commodity codes, listed months, first listed contract month, and rule chapter are listed below:

Contracts	ClearPort Code	CME Globex Code	Listed Months	First Listed Contract Month	Rule Chapter
Climate Action Reserve (CAR) Futures-Non Vintage	CR	CR	Six (6) consecutive quarterly and seven (7) December contracts	June 2010	917
Climate Action Reserve (CAR) Futures - Vintage 2009	92	92X	Six (6) consecutive quarterly and five (5) December contracts	June 2010	917
Climate Action Reserve (CAR) Futures - Vintage 2010	93	93X	Six (6) consecutive quarterly and five (5) December contracts	March 2011	917
Climate Action Reserve (CAR) Futures - Vintage 2011	94	94X	Six (6) consecutive quarterly and four (4) December contracts	March 2012	917
Climate Action Reserve (CAR) Futures - Vintage 2012	95	95X	Six (6) consecutive quarterly and three (3) December	March 2013	917

The option contract, commodity code, listed months, first listed contract month, and rule chapter are listed below:

<b>Contract</b>	<b>Code</b>	<b>Listed Months</b>	<b>First Listed Contract Month</b>	<b>Rule Chapter</b>
Climate Action Reserve (CAR) Option	CO	Six (6) consecutive quarterly and seven (7) December contracts	June 2010	918

The Exchange is also notifying the Commission that it will be waiving transaction fees for the Climate Action Reserve (CAR) Futures and Option products until May 31, 2010.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.6, the Exchange hereby certifies that the attached contracts and fee waiver comply with the Act, including regulations under the Act. The listing of Climate Action Reserve (CAR) Futures and Option contracts will become effective on trade date March 22, 2010 and March 23, 2010, respectively.

Should you have any questions concerning the above, please contact Brad Leach at (212) 299-2609, or me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack  
Regulatory Counsel

Attachments: Contract Terms and Conditions  
Supplemental Market Information

## **Chapter 917**

### **Climate Action Reserve (CAR) Futures**

#### **917.01 SCOPE**

The provisions of these Rules shall apply to all Climate Reserve Tonnes™ (CRT™) bought or sold for future delivery on the Exchange with the Delivery at the Reserve.

#### **917.01A DEFINITIONS**

- A. The terms "Seller" and "Buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.
- B. The terms "Seller's Customer" and "Buyer's Customer" shall mean the seller and buyer of the physical product or swap transaction.
- C. The term "Settlement Price" shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the last trading day of the expiring delivery month. The settlement price for the last trading day shall be determined in accordance with the procedures set forth in Rule 813.
- D. The Climate Action Reserve (CAR) is a private non-profit organization originally formed by the State of California. CAR serves as a voluntary greenhouse gas (GHG) registry to protect and promote early actions to reduce GHG emissions by organizations.
- E. Climate Action Reserve (CAR) defines a Climate Reserve Tonnes (CRT) as being equal to an emission reduction that is equivalent to one metric tonne of verified greenhouse gas emission reductions.
- F. Carbon Dioxide Equivalent (CO<sub>2</sub>e): The universal unit of measurement used to indicate the global warming potential of each of the six greenhouse gases. Carbon dioxide a naturally occurring gas that is a byproduct of burning fossil fuels and biomass, land-use changes, and other industrial processes is the reference gas against which the other greenhouse gases are measured.
- G. The Reserve: The CAR accredited System, by which CRT is issued, held, transferred or retired.

#### **917.02 TIME REFERENCES**

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in New York.

#### **917.03 CONTRACT UNIT**

The contract unit shall be one thousand (1,000) Climate Reserve Tonnes (CRT) for a delivery made by transfer through the Reserve.

#### **917.04 DELIVERABLE CRTS**

- A. For contracts without a specified vintage year, CRTs acceptable for delivery are those having a vintage 2009 or later.
- B. For contracts with a specified vintage year, CRTs acceptable for delivery are those having a vintage corresponding to the specified vintage year.

**917.04A DELIVERY**

Climate Reserve Tonnes (CRT) delivery shall comply with all requirements for the electronic transfer through the Reserve. All deliveries made under these Rules shall be final and there shall be no appeal.

**917.05 DELIVERY MONTHS**

Trading shall be conducted in contracts providing for delivery in such periods as shall be determined by the Exchange.

**917.06 MINIMUM PRICE FLUCTUATIONS**

Prices shall be quoted in dollars and cents per Climate Reserve Tonnes (CRT). The minimum price fluctuation shall be \$0.01 per CRT (\$10.00 per contract). There shall be no maximum price fluctuations.

**917.07 TERMINATION OF TRADING**

No trades in Climate Action Reserve (CAR) Futures deliverable in the current month shall be made after the termination of the last business day of the contract month. Any contracts remaining open after the last day of trading must be either:

- (a) Settled by delivery no later than the second business day after the termination of the contract month.
- (b) Liquidated by means of a bona fide Exchange of Futures for Related Position (EFRP), no later than two hours after trading terminates on the last day of trading of the expiring futures contract.

**917.08 DELIVERY PROCEDURES**

**(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS**

Notice of Intention to Accept

By 10:00 a.m. on the first business day after the final day of trading, a Buyer having an open position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange and shall include: Name of the Buyer's Customer, Number of contracts to be accepted, Reserve Account Number, Name, Phone Number and e-mail address of the Account Holder for that Reserve account, and any additional information as may be required by the Exchange;

**(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS**

Notice of Intention to Deliver

By 10:00 a.m. on the first business day after the final day of trading, a Seller having an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form prescribed by the Exchange and shall include: Name of the Seller's Customer, Number of contracts to be delivered, Reserve Account Number, Name, Phone Number and e-mail address of the Account Holder for that Reserve account, and any additional information as may be required by the Exchange.

**(C) USE OF SETTLEMENT PRICE**

The final settlement price used for the delivery shall be the settlement price from the final day of

trading.

(D) NOTICE DAY

(1) The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, to the extent possible.

(2) The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members on the first business day after the final day of trading.

(3) The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(E) PAYMENT AND DELIVERY MARGINS

(1) Definitions

(a) The Buyer and Seller shall deposit with the Exchange margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the Buyer's Customer and Seller's Customer shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(b) "Payment" shall include the settlement price times the number of contracts times 1,000.

(c) "Payment Date" shall mean the business day after the Buyer's Customer receipt of proper notification from the Climate Action Reserve System that CRTs have been transferred from the Seller's Customer account to the Buyer's Customer account, provided documentation is supplied to the Buyer's Customer by no later than 2:00 p.m. Documentation supplied to Buyer after 2:00 p.m. on any Exchange business day, shall be considered received on the following Exchange business day.

(d) On the first business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(e) The Buyer shall pay the Seller at the office of the Seller by a certified check or electronic funds transfer, or any other method acceptable to both parties by 12:00 p.m. on the Payment Date.

(f) On the Payment Date, The Seller shall deliver a Notice of Payment to the Buyer with a copy to the Exchange by 4:30 p.m. Upon receipt of such notice, the delivery shall be complete.

(g) Any payment made on Payment Date shall be based on CRTs actually delivered.

(F) DELIVERY DAY

The day the Buyer receives the CRTs shall be referred to as the Delivery Day.

**917.09 DELIVERY PERIOD**

Delivery shall take place on the second business day after the final day of trading.

**917.10 VALIDITY OF DOCUMENTS**

The Exchange makes no representation respecting the authenticity, validity or accuracy of any of Tender Allocation Notice, Notice of Intention to Accept, Notice of Intention to Deliver, check or of any document or instrument delivered pursuant to these rules.

**917.11 ALTERNATIVE DELIVERY PROCEDURE**

A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or the Seller's Customer with which it has been matched by the Exchange under Rule 917.08(D) to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default there under. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

**917.12 LATE PERFORMANCE, FAILURE TO PERFORM, AND FORCE MAJEURE**

(A) DEFINITION. As used in this Rule 917.12 the following terms, as well as variations thereof, shall have the meaning described below.

- (1) "Late Performance" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, the Rules. Late Performance shall be restricted to three business days. Late Performance beyond three business days by, a Seller or a Buyer will be deemed a Failure to Perform.
- (2) "Day of Late Performance" shall mean the twenty-four hour period commencing immediately after a Buyer or a Seller was to have performed. Each subsequent Day of Late Performance shall commence twenty-four hours after the beginning of the prior Day of Late Performance. When a Party is late in performance, the day when the act was to have performed shall be a Day of Late Performance.
- (3) "Failure to Perform" shall mean the failure of a Buyer or a Seller to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.
- (4) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times 1,000 (the number of CRTs per contract) times the number of contracts to be delivered.

- (5) (a) "Party" shall mean a Buyer or Seller and such Buyer and Seller are each responsible to the Exchange for their obligations under these Rules and further responsible to the Exchange for the obligations of their respective customers under the Rules of this Chapter.  
(b) "Other Party" shall mean the corresponding Buyer when the Seller is late in performance or has failed to perform and the corresponding Seller when the Buyer is late in performance or has failed to perform.
- (6) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such Buyer or Seller, and which prevents the Buyer or Seller from making or taking delivery of product when and as provided for in these Rules.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

- (1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a Party has failed to perform.
- (2) A Party which has failed to perform its obligations may no longer perform such obligations; provided, however, that a Buyer which has failed to make a payment shall make such payment.

(C) EMISSIONS ALLOWANCE DELIVERY COMMITTEE

- (1) Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Emissions Allowance Delivery Committee as set forth below. The Chairman of the Emissions Allowance Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:
  - (a) When the Chairman of the Emissions Allowance Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that the performance of a Party to the delivery is late;
  - (b) Upon written request of both the Buyer and Seller;
  - (c) When the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or
  - (d) If either Party to the delivery notifies the Exchange that circumstances constituting a Force Majeure prevent the performance of delivery obligations.
- (2) The Chairman of the Emissions Allowance Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman of the Emissions Allowance Delivery Committee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.
- (3) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether Force Majeure exists or whether a Buyer or Seller has failed to perform its

obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

- (4) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable order: an extension of time not to exceed ten days from the date of the scheduled delivery; or, refer the delivery to the Exchange, represented by the Market Regulation Department, for emergency action pursuant to Exchange Rules.

(D) EXCHANGE ACTION

- (1) Whenever a Buyer or a Seller is found by the Panel to be late in the performance of a delivery obligation, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment, assessing a penalty of 10% of contract value for each applicable day of Late Performance.

- (2) Whenever a Buyer or Seller is found by the Panel or otherwise deemed to have a "Failure to Perform" the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment assessing penalties of twenty percent (20%) of the contract value, in addition to any penalties assessed pursuant to subparagraph (1) above, to be paid to the Exchange.

- (3) (a) A Party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Department, within two business days of receipt of the Notice of Assessment from the Market Regulation Department. The Party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Market Regulation Counsel.

(b) The Market Regulation Department may file with the Appellant and Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to appeal, or waives the opportunity to appeal, a Notice of Assessment, the Assessment and Findings of the Emissions Allowance Delivery Committee shall constitute a final disciplinary action of the Exchange.

- (4) Within ten (10) days after receipt of Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied upon by Market Regulation Department or are otherwise relevant to the matter.
- (5) In the event of an appeal by a Party, the Market Regulation Department, or its designee, shall appoint a Performance Appeal Panel to hear and decide the appeal. No member of



the Performance Appeal Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the Market Regulation Department, or its designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Performance Appeal Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Performance Appeal Panel.

- (6) The procedures for the hearing of the appeal before the Performance Appeal Panel shall be as follows:
- (a) At a date to be set by order of the Performance Appeal Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.
  - (b) At such hearing, the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.
  - (c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.
  - (d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.
  - (e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.
  - (f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Performance Appeal Panel by either Party shall constitute the record of the hearing. The decision of the Performance Appeal Panel shall be based upon the record of the hearing.
  - (g) The Performance Appeal Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.
  - (h) The Performance Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefore.
  - (i) The decision of the Performance Appeal Panel shall be a final decision of the Exchange and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

- (8) The Performance Appeal Panel shall consider, and make recommendations to the Exchange concerning acceptance, or rejection, of any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Exchange shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

- (1) Any claim for damages arising between a Buyer and a Seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.
- (2) Notice of Intent to Arbitrate must be submitted to the Market Regulation Department within three business days of the occurrence upon which the claim is based or the decision of the Emissions Allowance Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such a delivery dispute under the special or Regular Arbitration Rules.
- (3) The Arbitration will be governed by Chapter 6 of the Rules with the following exceptions:
  - (a) The Market Regulation Department or its designee shall appoint an Arbitration Panel.
  - (b) The Arbitration Panel shall render its award, if any, in writing, which award shall be based on the damages proven by the injured party which may include such other relief which the Panel deems just and equitable.
  - (c) The award of the Arbitration Panel shall be final and binding upon each of the parties to the arbitration.
  - (d) Failure to comply with the terms of the award may subject the party that fails to comply with such terms to disciplinary proceedings pursuant to Chapter 6 Rule 618.

## Chapter 918

### Climate Action Reserve (CAR) Option

#### 918.01 EXPIRATION

A Climate Action Reserve (CAR) Option contract listed on the Exchange shall expire at the close of trading three business days prior to the expiration of the underlying Climate Action Reserve (CAR) Futures contract.

#### 918.02 TRADING UNIT

The option contract is a European-style option. A Climate Action Reserve (CAR) put or call Option contract traded on the Exchange represents an option to assume a short or long position in the underlying Climate Action Reserve (CAR) Futures contract traded on the Exchange.

#### 918.03 TRADING MONTHS

Trading in the option contract shall be conducted in contract months as shall be determined by the Exchange. Trading shall commence on the day fixed by resolution of the Exchange.

#### 918.04 HOURS OF TRADING

The option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The option contract is available for clearing through CME ClearPort® from 6:00 p.m. Sunday through 5:15 p.m. Friday (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

#### 918.05 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

- (A) On the first business day of trading in an option contract month, trading shall be at the following strike prices: (i) the previous day's settlement price for Climate Action Reserve (CAR) Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this Rule 918.05(A) and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this Rule 918.05(A).
- (B) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be ten increments above and below the at-the-money option.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in the option contracts will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of an option contract in which no new strike prices may be introduced.

#### 918.06 PRICES AND PRICE FLUCTUATIONS

Prices shall be quoted in Dollars (\$) and cents (¢) per Climate Reserve Tonnes™ (CRT™). The minimum price fluctuation is \$0.01 per CRT. A cabinet trade may occur at a price of \$1.00 per contract, however, if it results in the liquidation of positions for both parties to the trade.

#### 918.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in Climate Action Reserve (CAR) Option contracts shall not be subject to price fluctuation limitations.

## **Supplemental Information**

### **Overview**

The California Climate Action Registry is a program of the Climate Action Reserve and serves as a voluntary greenhouse gas (GHG) registry to protect and promote early actions to reduce GHG emissions by organizations. The California Registry develops accurate and consistent GHG reporting standards and tools for organizations to measure, monitor, and third-party verify and reduce their GHG emissions consistently across industry sectors and geographical borders. California Registry members voluntarily measure, verify, and publicly report their GHG emissions.

The California Climate Action Registry was formed in 2001 when a group of CEOs, who were investing in energy efficiency projects that reduced their organizations' greenhouse gas emissions, requested the state create a place to accurately report their greenhouse gas emissions history. These farsighted CEOs saw eventual regulation of greenhouse gas emissions (GHG's) and wanted to protect their early actions to reduce emissions by having a credible and accurate record of their profiles and baselines. Subsequently, the bill [SB1771](#) was introduced to the legislature by Senator Byron Sher and the California Climate Action Registry was formed. Technical changes were made to the statute in [SB527](#) and eventually it was signed by Governor Gray Davis on October 13, 2001, finalizing the structure for the California Registry.

The California Registry started with 23 Charter Members and currently has over 300 of the world's largest and leading corporations, universities, cities & counties, government agencies and environment organizations voluntarily measuring, monitoring, and publicly reporting their GHG emissions using the California Registry's protocols and working together to solve climate change.

### **Climate Action Reserve**

California Registry reporting is being transitioned to The Climate Registry, the California Registry's parent organization. The Climate Action Reserve is a national offsets program which establishes regulatory-quality standards for the development, quantification and verification of greenhouse gas (GHG) emissions reduction projects in North America; issuing carbon offset credits known as Climate Reserve Tonnes™ or (CRT™) generated from such projects; and tracking the transaction of credits over time in a transparent, publicly-accessible system. Adherence to the Reserve's high standards ensures that emission reductions associated with projects are real, permanent verifiable, enforceable and additional, thereby instilling confidence in the environmental benefit, credibility and efficiency of the U.S. carbon market.

### **Adopted Protocols**

The Climate Action Reserve develops standardized, performance-based project protocols that provide specific guidelines for calculating, reporting and verifying greenhouse gas (GHG) emissions reductions from GHG offset projects. The protocols are created through a comprehensive, transparent public process with participation from multiple stakeholders. The Reserve has established a reputation for creating regulatory-quality protocols to ensure the offsets issued are real, permanent, additional, verifiable and enforceable.

Generally, steps in the protocol adoption process include:

- Technical evaluation of project activity (sector analysis)
- Key issue identification and assessment
- Consensus-based multi-stakeholder expert workgroup
- Stakeholder review and comment
- Public review and comment
- Review and public response to comments
- Climate Action Reserve Board of Directors review and adoption
- Ongoing opportunity for public feedback and comment

The Climate Action Reserve only registers GHG reduction projects that are developed and verified according to its protocols.

The existing protocols include the following:

- Reforestation
- Avoided forest conversion
- Conservation-based forest management
- Urban forestry
- Collecting and combusting methane at landfills (U.S. and Mexico)
- Capturing and destroying methane from livestock manure management systems (U.S. and Mexico)
- Organic waste digestion and methane destruction (including co-digestion)
- Coal mine methane capture and destruction

### **Climate Reserve Tonnes™ or (CRT™)**

A CRT is the unit of offset credits used by the Climate Action Reserve. One Climate Reserve Tonne is equal to one metric ton of GHG reduced/sequestered.

### **Climate Action Reserve**

The CAR is the accredited System, by which CRT is issued, held, transferred or retired.

Table 1 below contains the number of CRTs that have been issued as of December 21, 2009.

**Table 1**

<b>Vintage</b>	<b>CRT issued</b>
2005	136,961
2006	151,844
2007	385,274
2008	944,532
2009	294,147
<b>Total</b>	<b>1,912,758</b>

## **Position Limits**

Table 2 below provides the number of Carbon Reduction Tonnes (CRTs) to be issued for vintage 2009, which amounts to an estimate of 1.8 million CRTs vintage 2009 for issuance by July 1, 2010. The CRTs to be issued for vintage 2009 will be issued by July, 1 2010. Under the Climate Action Reserve (CAR) process, approved carbon offset projects are subject to third party verification before issuance of CRTs. According to CAR staff, most project operators verify the projects annually following the operational year. A limited number of projects operate with a biannual verification schedule. After receipt of the project verification information, CAR issues a related number of CRTs after its internal review, which can be delivered under the standard delivery rules of the CAR contracts. According to CAR staff, the timeframe from start of the verification to the issuance of CRTs is approximately six months. CAR staff estimates that 75% of 2009 CRTs will likely be issued by July 1, 2010. Regarding 2010 – 2012 vintage contracts, the Exchange plans to review the issuance of current year CRTs at the conclusion of the second quarter of 2010 and in succeeding years. Following this review, Exchange staff will consult with the Commission staff as to position limit aggregation of the current year vintage into the non-vintage CAR futures contract.

**Table 2**

<b>Vintage</b>	<b>CRT issued</b>	<b>Quarterly Adjustment</b>	<b>Contract equivalent</b>
2009	1,800,000	600,000	600

Table 3 below provides the Exchange's proposed position limits for the Climate Action Reserve (CAR) Futures and Option contracts.

**Table 3**

<b>Contract</b>	<b>Proposed Position Limits</b>
Non-vintage	100
Vintage 2009	100
Vintage 2010	100
Vintage 2011	100
Vintage 2012	100
Option	100

## **Reference**

<http://www.climateactionreserve.org/>