GEO™

Frequently Asked Questions

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1. What is the GEO™?

The Global Emissions Offset™ (GEO) is the first standardized spot contract for voluntary carbon offsets that provides buyers with a straightforward way to acquire offsets that meet specific criteria for quality and integrity. Each GEO contract delivers one eligible unit from an Approved Registry equivalent to one tonne of carbon reduced.

The GEO contract overcomes fragmented market-supply options. It screens carbon-offset projects to ensure all units delivered meet a uniform threshold of eligibility. The GEO spot contract aligns such screening criteria with the CORSIA-eligibility framework. This GEO feature enables buyers to purchase offsets without the need to perform the extensive, time-consuming, resource-intensive due diligence on a project-by-project basis that is required when purchasing offsets directly.

The GEO broadens access to companies that would like to participate in the voluntary carbon market, but do not have the staff resources to vet offset projects.

2. What is CORSIA? How does it work?

CORSIA refers to the [Carbon Offsetting and Reduction Scheme for International Aviation] established by the International Civil Aviation Organization (ICAO). The scheme is the first global mechanism designed to reduce greenhouse gas emissions (GHGs) from the international aviation sector. The objective is to cap emissions at 2019 levels beginning in 2021 through 2035.

The CORSIA framework empowers covered entities to reduce emissions via four pillars: Technological Improvement, Operational Efficiency, Sustainable Aviation Fuels (SAF), and a Market-Based Mechanism (MBM). The MBM provides airlines with the ability to offset greenhouse gases through the purchase of credible, high-quality emission units.

In March 2020, on the [recommendation of its Technical Advisory Board (TAB)], ICAO approved the following six carbon offset programs as being capable of delivering eligible emission units (EEUs) for purchase and use under a pilot phase of the MBM (2021–2023):American Carbon Registry (ACR), China GHG Voluntary Emission Reduction (VER) Program, Clean Development Mechanism (CDM), Climate Action Reserve (CAR), The Gold Standard, and Verified Carbon Standard (Verra/VCS).

Starting in 2021, airlines domiciled in ICAO member states that opted into the pilot phase are required to reduce emissions below the 2019 baseline. If the sector's GHG emissions exceed the 2019 baseline, airlines will be required to purchase EEUs to meet compliance obligations under CORSIA.

3. Operationally, how are volumes being flagged as "GEO" compliant in the CBL system/screen?

The GEO spot contract will be listed on the "compliance" tab on the CBL platform, alongside US RECs, RGGI, and CCAs. Initially, in order to list a GEO offer, a participant will need to transfer eligible GEO units into the dedicated GEO CBL account at Verra. CBL operations staff will then do another check/verification in conjunction with the registry's approved list of projects and update the GEO holdings within the CBL Platform. This process will also apply to other eligible standards, and we are working with our registry partners to expand the pool of eligible units to be delivered via the GEO. In time, we also expect that the Approved Standards will create CORSIA-eligible "tags" within their registries in order to facilitate identification and trading of these units.

4. How is the GEO set up to reflect the changing nature of ICAO's decisions on Eligible Emission Units (EEUs)?

The GEO spot contract is administered under the CBL Standard Instruments Program, where the standard screening criteria independently aligns with the CORSIA framework. CBL therefore has discretion and reserves the right to amend the screening criteria or other GEO specifications. Based on market-participant input under the CBL Rules and Procedures, CBL will consider whether or not to include newly recognized eligible emissions programs in line with the ICAO TAB annual review of program applications.

5. Is the GEO available beyond just airlines looking to meet CORSIA compliance?

Yes. While the GEO spot contract aligns with ICAO-eligibility criteria and can certainly be used by airlines looking to meet CORSIA compliance, it has been created with a view of offering a standardized contract for *all* market participants. CBL has already received interest from Telecommunications, Technology, and Manufacturing companies—to name a few. Many corporates recognize the deliberate and comprehensive review process of the ICAO TAB, and view it as a proxy for ensuring quality offsets are deliverable under the GEO.

6. Who certifies the following statements:

a. *The specific verified unit that the Seller has submitted qualifies to be a GEO.*

The CBL Standard Instruments Program administers the initial screening of carbon-offset projects based on the CORSIA framework criteria. In addition, CBL works with Approved Registries, which review individual project documents and offsetting information to screen for GEO eligibility prior to authorizing a seller to deposit VCUs in a GEO Market Registry account. This ensures that only units that meet GEO specifications are offered on the exchange. This review includes checks on project methodology, start date, SDG report, and most crucially, that the units have the necessary designation in the underlying product registry.

b. The specific GEO bought by the Buyer qualifies them to comply under CORSIA.

It is important to clarify that it is the obligation of ICAO-eligible programs (i.e. standards) to demonstrate that the emission units meet CORSIA-eligibility requirements, independent of the GEO spot contract. CBL, as a market operator, does not guarantee that emission units delivered via the GEO qualifies a buyer for CORSIA compliance. Our approved registry partners are working to develop the necessary “tags” to formalize procedures to document eligible emission units.

7. What about the other offset programs that have applied to ICAO TAB to be eligible programs for CORSIA?

At the GEO launch, the contract will source units from the Verra Registry, eventually growing to include four of the six programs/standards recognized by ICAO (VCS, GS, ACR, CAR). While CBL has an established understanding with the UNFCCC to facilitate trading of CERs from the CDM central registry, we have been unable to offer CERs at this stage because the CDM is not set up to offer registry accounts to participants. Instead, the CDM is set up only for voluntary cancellation of CERs. As all GEO participants would like to take delivery of the underlying units and*not*automatically submit for voluntary cancellation, we have decided not to enable the CDM connectivity. As far as the CCER Registry, CBL does not have a connection or agreement in place.

As additional programs are approved by the ICAO TAB, we will explore amending the contract to include them, or potentially create a second GEO contract, if the market demands.

8. What kind of interest are airlines showing in the GEO? Are other market participants considering using it?

We have been in close contact with the airlines, and there's interest in this product leading to greater price discovery/supply availability for the least-cost offset supply that meets CORSIA criteria. There are also discussions at the airlines about using CORSIA-eligible units to support their voluntary (non-CORSIA) commitments. Thus far, 15 of the world's largest airlines have signed up to the IATA **Aviation Carbon Exchange** (ACE), representing 300 million tonnes of annual demand across voluntary and CORSIA obligations. Additionally, non-airline market participants are showing significant interest in the CORSIA standard and the GEO.=

9. In addition to minimizing project due diligence, what benefits does the GEO offer market participants?

The GEO spot contract simplifies carbon-offset procurement for market participants and enables a transparent, benchmark price signal for offset units that meet GEO-eligibility criteria. The GEO also enables intraday market price monitoring, and a reliable daily settlement price participants can use for a host of purposes, including the ability to mark open positions to market, as a mark for other OTC spot or derivatives contracts, and as a basis for project financings or hedging activities.

For market participants, many additional GEO benefits stem from the contract being traded on CBL Markets' open exchange platform:

- A simplified membership process enables exchange trading without the extensive documentation required to trade OTC
- Equal market access for all market participants (not credit dependent)
- Transparent pricing on the exchange's central limit order book
- Diverse participation from companies, producers, financial institutions, and trading firms
- Live market data
- Minimal/zero counterparty, credit, and delivery risksoPost-trade, straight-through processing to registries

10. How does CBL reduce counterparty and delivery risk?

Our clearing-and-settlement process ensures against settlement risk, as we pre-clear both the product and cash sides of the transaction. This ensures that a buyer is guaranteed delivery of units offered on the exchange. Furthermore, sellers are guaranteed payment on a T+0 basis as we require buy-side participants to post cash in an escrow account before a bid can enter the order book, and therefore before a trade can occur. Furthermore, CBL acts as the central counterparty for all GEO transactions, which removes counterparty risk and the need for participants to complete KYC for the other side.

11. What are the fees/costs to trade the GEO?

There are no membership fees to join CBL. The buyer and seller each pay a $0.05 per GEO transaction fee that covers matching, clearing, and delivery/settlement.