



CLIMATE
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RESERVE

California Climate Action Registry 2008 Annual Report



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Letter from the President

The California Climate Action Registry is committed to solving climate change through emissions reporting and reduction. It serves as a voluntary greenhouse gas (GHG) registry for entity-wide emissions inventories.

The State of California originally created the California Registry in 2001 to promote and protect businesses' early actions to manage and reduce their GHG emissions. Through this mandate, the California Registry established protocols to guide emissions inventories and an online tool, the Climate Action Registry Reporting Tool (CARROT), to serve as a central public database for our members' emissions reports.

"I have always strongly believed in the mission and purpose of the California Climate Action Registry, and I am very proud of its achievements. I look forward to continuing to support its work here in California, and at the same time, I am very excited to help guide this organization as it spreads its wings across the U.S. and beyond as the Climate Action Reserve. I have no doubt that the Climate Action Reserve's greenhouse gas offsets program is surely one more of those great California exports that the rest of the country will soon adopt as its own."

Linda Adams Chair, *California Climate Action Registry*
Secretary, *California Environmental Protection Agency*

www.climateregistry.org

For the California Climate Action Registry, 2008 was a monumental year marked by outstanding accomplishments, maturation and transition.

More than 350 leading corporations, universities, cities, counties, government agencies and environmental organizations belonged as members to the California Registry. Many of them worked to voluntarily calculate and publicly report their GHG emissions according to the California Registry's standards. On behalf of its members, the California Registry continued striving to influence California climate change policy through significant policy discussions and continued representing members' work for recognition by the state. In 2008, though, we accepted our last new member. Emissions reporting belongs on an international level, not a state level, and, as such, the California Registry officially began transitioning all emissions reporting to our sister organization, The Climate Registry. Reporting emissions on this level allows for a more comprehensive opportunity for emissions reporting on a broader scale.

Through this transition, the California Registry remained committed to its leadership role in helping to solve climate change through emissions accounting and reduction. We expanded on our reputation for and expertise in GHG accounting and began to engage more fully in the voluntary carbon market to continue and grow our efforts to address climate change. In May 2008, we successfully launched the Climate Action Reserve to provide the registration and tracking of U.S. carbon offset projects and their associated emissions reductions. The Reserve has quickly established itself as the standard for high quality and integrity in the voluntary carbon market. Less than six months after its launch, independent reports cited the Reserve's carbon credits, Climate Reserve Tonnes (CRTs), as ranking in the top tier of all credits in the U.S. voluntary market.

We also completed the groundwork for the establishment of the Center for Climate Action. The Center will be a new program of the California Registry with a mission to advance climate action in the West. With its successful launch in 2009, the Center will engage partners in the policy-making process and reduce GHG emissions by bringing together environmental experts, business leaders and policy makers to develop, promote and implement voluntary and market-driven climate policy solutions.

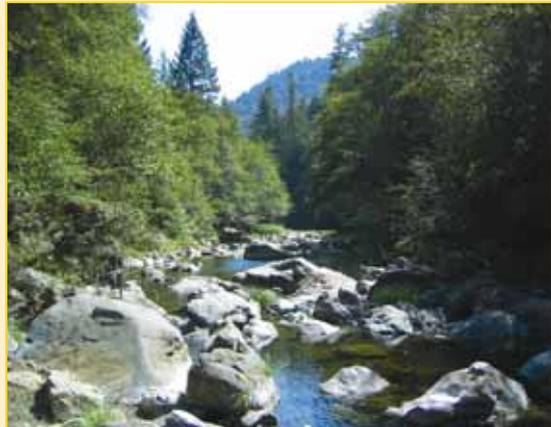
As we celebrate the 2008 accomplishments of the California Registry, I am excited about the continued progress we will make in the upcoming year to bring significant change and further action on climate policy issues. I look forward to working with you to further enhance our environment's sustainability through the Climate Action Reserve.

Sincerely,



Gary Gero President, *California Climate Action Registry*

Key Achievements



- Launched the Climate Action Reserve as the premier offset registry in the United States and quickly established it as a program known for quality, transparency and integrity
- Promoted the advancement of comprehensive emissions reporting on an international level by encouraging complete North American emissions reporting through The Climate Registry
- Assisted in the smooth transition of nearly 85 members of the California Registry (nearly one-fourth of total membership) to The Climate Registry
- Registered three offset projects and issued more than 300,000 CRTs through the Reserve
- Attained recognition by the States of California and Pennsylvania for voluntary emission reductions resulting from the use of Climate Action Reserve protocols
- Signed a Memorandum of Understanding with six Mexican states, the State of California and PG&E to extend the Reserve protocols for use in Mexico
- Gained formal recognition by the Voluntary Carbon Standard (VCS) for the Climate Action Reserve as the first independent offset program to meet VCS standards
- Successfully launched a pilot program with the American National Standards Institute (ANSI) to accredit and oversee independent third-party Verification Bodies in accordance with International Standards Organization (ISO) standards
- Adopted new protocols for local government operations and urban forest projects and adopted revised protocols for livestock methane and landfill methane projects
- Achieved adoption of the Livestock Project Reporting Protocol, Urban Forest Project Reporting Protocol and Local Government Operations Protocol by the California Air Resources Board
- Successfully staged, in partnership with Point Carbon, the largest California Registry annual conference yet with nearly 900 attendees over two days
- Hosted a delegation of nearly 30 high level policymakers and regulators, business and environmental leaders, and academics to the United Nations Conference of the Parties in Poznań, Poland

California Registry Member Services

Providing the highest levels of support services to its members is a fundamental value of the California Registry. In 2008, the organization provided members with a variety of services throughout the reporting and verification process and offered members opportunities to learn and participate in climate policy developments.

Reporting Support: Staff on the Member Services team provided technical assistance, trainings and CARROT software updates to assist members in successfully reporting and verifying their emissions inventories in CARROT. They also assisted 167 members in reporting and verifying their 2006 emissions inventories in CARROT and presented each successful reporter with a Climate Action Leader award. For the 2007 reporting year, over 200 members worked to verify their emissions inventories. CARROT updates and software changes were developed and deployed pursuant to publishing the new General Reporting Protocol (GRP), and an updated CARROT Getting Started Guide also was published.

Events: The California Registry continued building on its reputation for hosting some of the most recognized, influential and informative events for emissions and climate change. Over 500 individuals attended training events on topics including verification, reporting and using CARROT, and a new members-only policy conference call series featuring discussion on national and international climate change policy was launched. The 2008 annual conference, Navigating the Carbon World, was attended by nearly 900 delegates representing business, government and environmental organizations. On the international front, the California Registry organized a delegation of environmental leaders, scientific experts and elected officials to the UN Climate Change Conference in Poznań, Poland.

Center for Climate Action: Member Services staff began the process to launch the new Center for Climate Action program. The Center's mission will be to advance climate policy in the West and will expand many of the California Registry membership benefits, including workshops, webinars, study trips and access to policy makers.



Top: Climate Action Champion presentation, Navigating the Carbon World 2008

Bottom: UNFCCC delegation, Poznań, Poland



Launch of the Climate Action Reserve

In May 2008, the Climate Action Reserve was launched in a market that needed an independent forum that could bring together the business, financial and environmental sectors and, at the same time, provide the necessary integrity, transparency, credibility and financial and environmental value that the market would need to be successful. At the time of its launch, the Climate Action Reserve received its first two projects and its software was being developed. Market prices for its carbon credits and industry-wide support indicated the Climate Action Reserve was well on its way to accomplishing what it set out to do. By the end of the year, the Climate Action Reserve had established a fully-operating system and achieved global recognition as a leading offset registry in North America.

Projects: By the end of 2008, 34 projects were submitted from a range of project types in states across the U.S. This was an increase from only two California-based projects at the time the system was launched in May. Four projects had been verified and of those, three had been registered. Another 15 projects had been listed.

Climate Reserve Tonnes (CRTs) Pricing and Market Share: In 2008, the Reserve issued 302,192 CRTs, and reports indicated they were selling in the market's highest tier of pricing. In November, New Carbon Finance reported the average price for CRTs was \$ 10.20 / tonne — the highest among North American programs — and that the Reserve, together with Gold Standard, comprised 58% of all trading in the North American voluntary carbon market.

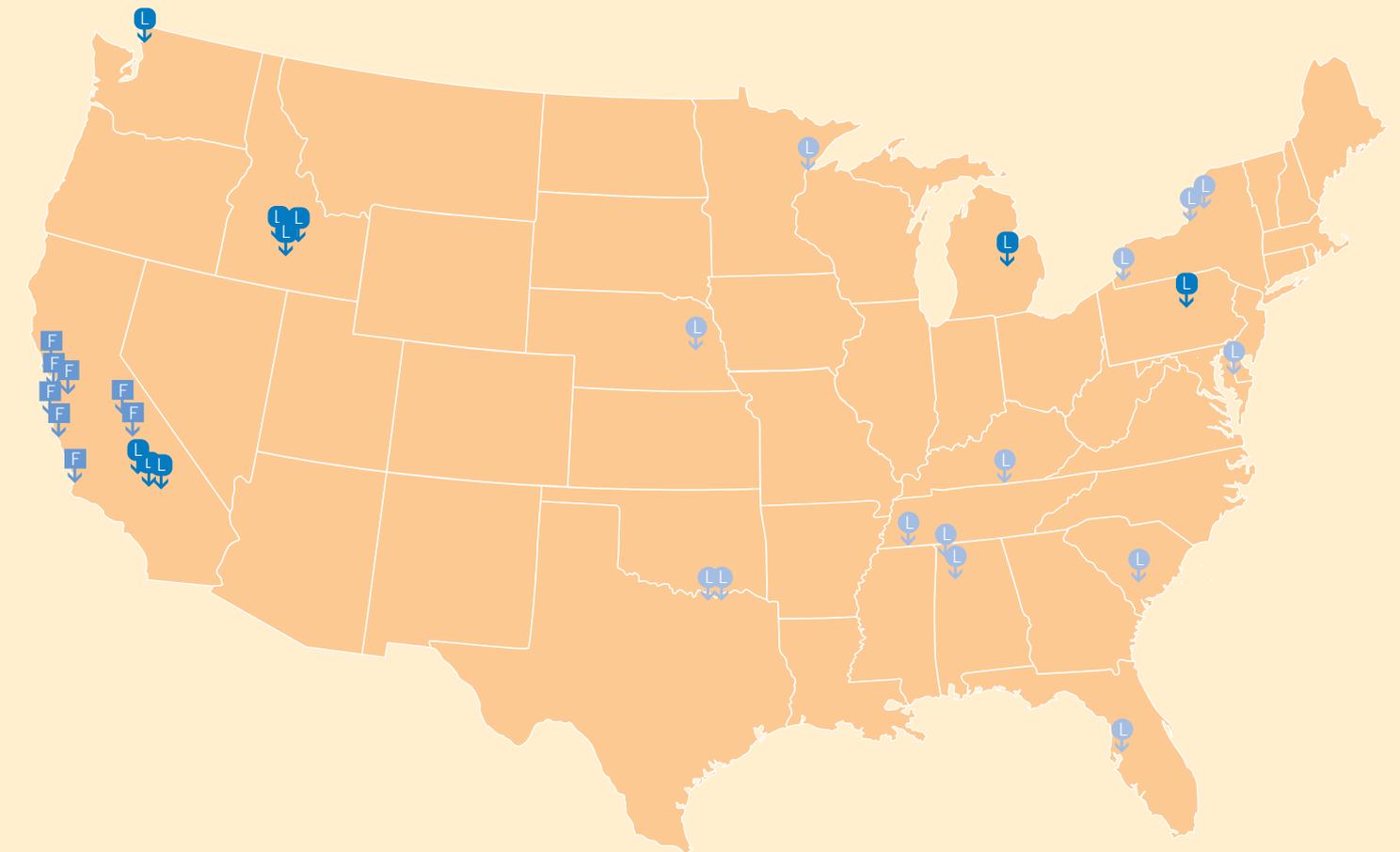
Account Holders: Fifty four organizations opened accounts on the system. Account holders included a broad range of project developers, brokers and other carbon market participants.

Website: A detailed and comprehensive website for the Reserve was launched. The website included step-by-step information on how to open an account, operate the system and register a project.

Software: APX was selected to build and operate the Reserve system. The system was launched in May and received a positive response from users, particularly for its simplicity of use and the high degree of transparency and information available in the public reports.

Reputation: Because of its high standards, transparency, ease-of-use and recognition by California, other states and the environmental community, the Reserve began building strong recognition as the leading offset registry in North America.

Projects Listed or Registered with the Climate Action Reserve



Key

-  Forestry
-  Landfill
-  Livestock

Climate Action Reserve Protocols

One important factor that clearly distinguishes the Climate Action Reserve from other offset registries is its offset project protocols. The recognized quality, transparency and integrity of these protocols not only gave an organic seal of approval that offset projects provide real environmental benefit but also helped drive the market value of offset credits generated from them. This distinction is clearly demonstrated by the recognition that the Reserve has received from the States of California and Pennsylvania, environmental organizations and the carbon market.

The Climate Action Reserve was very active with project protocol development in 2008. Each of these protocols was developed through a comprehensive public process involving an expert stakeholder workgroup to help guide and advise the process. The resulting project protocols represent the highest standards for quality, integrity, accuracy and conservativeness in quantifying GHG emissions and emissions reductions.

‡ **Livestock and Landfill Project Reporting Protocols:** Both the Livestock and Landfill Project Reporting Protocols, originally adopted in 2007, underwent revisions to improve their accuracy and applicability. Updates to the Livestock protocol were adopted by the California Registry's Board in August 2008, and updates to the Landfill protocol were adopted in November 2008. The revisions clarified and expanded the applicability of these protocols and improved their accuracy and credibility in quantifying GHG emissions reductions.

‡ **Urban Forest Project Reporting Protocol:** In August, the California Registry's Board formally adopted the Urban Forest Project Reporting Protocol, which quantifies the net sequestration from urban tree planting projects. The Urban Forest Project Reporting Protocol allows municipalities, universities and utilities with urban tree planting programs to receive GHG offset credit for increasing carbon sequestration in urban trees. The protocol was the culmination of a two-year public development process led by the U.S. Forest Service Center for Urban Forest Research (CUFR) and involving stakeholders from municipalities, universities, utilities and academia. This is the first offset protocol of its kind, and its adoption created a unique opportunity for the voluntary carbon market to support urban forestry activities with multiple local benefits beyond carbon sequestration.

‡ **Local Government Operations Protocol:** Also in August, the California Registry's Board adopted the Local Government Operations Protocol, which provides a standardized set of guidelines to assist local governments in quantifying and reporting GHG emissions associated with their operations. The protocol was developed through a partnership with the California Air Resources Board (CARB)

and ICLEI — Local Governments for Sustainability and in collaboration with The Climate Registry and dozens of stakeholders.

Adoption of Livestock, Urban Forest and Local Government Operations Protocols by CARB

‡ In September 2008, the California Air Resources Board (CARB) formally adopted the California Registry's protocols for livestock methane, urban forest projects and local government operations. CARB's adoption of the project protocols followed its 2007 adoption of the California Registry's protocols for forest projects and is a strong testament to the protocols' quality, credibility and suitability for use in the voluntary carbon offset market.

Extension of Reserve protocols to six Mexican states through historic climate pact

‡ The Mexican states Baja California, Sonora, Chihuahua, Coahuila, Nuevo León and Tamaulipas signed a Memorandum of Understanding (MOU) with the State of California, the California Registry and PG&E in August 2008 to cooperate on efforts to cut greenhouse gas emissions. Under the MOU, the signatories will engage in projects focused on reducing global warming pollutants; apply Reserve protocols and offset credit guidelines to the projects to ensure integrity, transparency and environmental benefit; and allow PG&E customers to voluntarily offset their global warming emissions through the purchase of project offsets. The MOU helps lead the way toward increasing green investment, increasing green jobs and reducing the pollutants contaminating our atmosphere.



Left: MOU signing

2008 Media Highlights

California adopts carbon reporting protocols

“California’s Air Resources Board (CARB) has adopted three voluntary carbon reporting protocols designed to prepare local government and environmental projects for the introduction of its wide reaching AB32 climate control legislation... All of the projects were developed in conjunction with the California Climate Registry.”

Business Green, September 30, 2008

California signs climate pact with Mexican states, PG&E, Registry

“California, six Mexican states, PG&E Corp. (PCG) and the California Climate Action Registry signed an agreement Friday to cooperate on efforts to cut greenhouse-gas emissions.”

CNN Money, August 15, 2008

Businesses measure carbon footprints ahead of laws

“‘The California Climate Action Registry has the best emissions calculator for businesses,’ said Shannon Hatcher, air quality, climate change and noise project manager for ICF Jones & Stokes in Sacramento.”

Sacramento Business Journal, August 29, 2008

Forests break green ground by selling offsets

“The Garcia River forest is made up of 23,780 acres of redwoods, Douglas fir, tan oak and madrone hugging the coastal hills of Mendocino County between Boonville and Point Arena. The smaller Van Eck forest has 2,200 acres of old-growth redwoods in the far north of the state, near Arcata (Humboldt County). Both were approved to sell carbon offsets in February by the California Climate Action Registry, a nonprofit set up by the state to develop reliable standards for reporting greenhouse gas emissions and reductions.”

San Francisco Chronicle, September 7, 2008

ARB adopts new protocols for climate change program

“ARB worked with the California Climate Action Registry and a number of other stakeholder groups in developing the protocols to quantify greenhouse gas emissions and emissions reduction projects throughout the state for use in voluntary actions, while specifics of the Global Warming Solutions Act (AB32) are still being developed.”

Environmental Expert, September 29, 2008

Pennsylvania officials endorse three voluntary carbon standards

“Among US market participants, CCAR, VCS and Gold Standard are considered the most stringent environmental protocols of the voluntary carbon market, which has been valued at over \$ 300 million in 2007.”

Point Carbon, October 6, 2008

Financial Summary

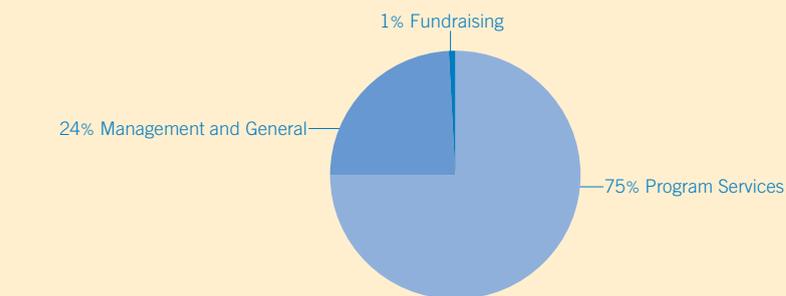
The California Registry received a clean audit by a professional auditing firm for Fiscal Year 2008. To ensure that the California Registry’s funds are properly managed, a system of strong internal controls is in place.

‡ The California Registry benefits from a diverse revenue stream and is in a strong financial position as it transitions from entity reporting to offset project registration.

‡ Our Fiscal Year 2007–2008 IRS Form 990 is available online at www.climateregistry.org.

Statement of Financial Position	2008	2007
Total Assets	\$ 2,141,871.00	\$ 2,012,911.00
Liabilities	\$ 117,672.00	\$ 293,212.00
Net Assets	\$ 2,024,199.00	\$ 1,719,699.00
Total Liabilities and Net Assets	\$ 2,141,871.00	\$ 2,012,911.00

Operating Expenses



Revenue and Support

