

Overview of the Climate Action Reserve

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Forestry Offsets Workshop

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Presentation Overview

1. What are Offsets?
2. Background on the Climate Action Reserve
3. What is different about the Reserve?
4. Our protocols
5. The project registration process



What is an Offset?

- An offset represents a reduction, avoidance, or removal (sequestration) of one metric ton of carbon dioxide equivalent emissions resulting from a specific project activity that is used to compensate for an equivalent emission occurring elsewhere.
- It is intangible, so its existence is determined by its ability to satisfy definitional tests.
- The Big 5 Tests:
 - *Real, Permanent, Additional, Verifiable, Enforceable*



The Big 5 Tests

- REAL
 - It can be accurately measured.
- ADDITIONAL
 - Occurs outside of any regulatory requirement
 - Including outside capped sector
 - Would not have occurred but for the incentive provided by a GHG market.
- VERIFIABLE
 - It can be independently verified.
- ENFORCEABLE
 - Its ownership is undisputed.
- PERMANENT



Role of Offsets

- Offsets are part of the solution to climate change
 - Obtain reductions in unregulated sectors
 - Spur/demonstrate new technologies
- Must ensure environmental integrity to be effective
- Voluntary Market
 - Support climate neutral claims
- Compliance Programs
 - Provide economic efficiency, price pressure relief
 - Reduce more emissions faster

Background on the Climate Action Reserve



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- Chartered by state legislation in 2001
 - Mission is to encourage early voluntary actions to reduce emissions and to have such emissions reductions recognized
 - Initially focused on emission reporting and reductions by member organizations
 - Now on emission reduction projects generating offsets
- Balances business, government, and environmental interests



Key Principles

- Accuracy
 - Rely on best available science to quantify greenhouse gas effects of project activities.
- Conservativeness
 - Where there is uncertainty, err on the side of conservative accounting to prevent overcrediting.
- Transparency
 - Provide open, public processes and information.
- Practicality
 - Ensure that the program can be used as broadly as possible to encourage activities that reduce greenhouse gas emissions.



Objectives of the Reserve

- Encourage and recognize actions to reduce greenhouse gas emissions
- Address public concerns about the voluntary carbon market
 - Our reputation for high-quality accounting standards can address these concerns
- Intended to be the premier place to register carbon offset projects for North America
 - Be the recognized “seal of approval” for offsets



What We Do

- Develop High Quality Standards
- Manage Independent Third Party Verification
 - Training and oversight of independent verification bodies
 - Convene stakeholders and lead development of standardized protocols for carbon offset projects
- Operate a Transparent Registry System
 - Maintain registry of approved projects
 - Issue and track serialized credits generated by projects

What makes the Reserve different?

Recognition



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Recognized and Supported by:

- California Air Resources Board
- State of Pennsylvania
- Voluntary Carbon Standard (VCS)
- Leading environmental organizations:
 - Environment America
 - Natural Resources Defense Council (NRDC)
 - Environmental Defense Fund
 - Union of Concerned Scientists
 - Sierra Club
 - Wilderness Society

What makes the Reserve different?

Transparency



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- Unparalleled transparency makes the Reserve unique
- Public reports include:
 - All protocols and associated documents
 - List of all account-holders
 - List of all projects and all project documents
 - List of all issued CRTs for every project
 - All retired CRTs

What makes the Reserve different?

Performance Standard



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- Why a performance standard is different
 - The hard work is upfront
 - Assess industry practice as a whole, rather than individual project activities
- Less subjective determination to qualify
- More certainty in amount of credits
- Lower risk for developers and investors
- Faster project processing

What makes the Reserve different?

Separation of Roles

- Reserve does not fund or develop projects
- Does not take ownership of offsets
- Is not an exchange
- Is a 501(c)3 not-for-profit organization
- Independent third-party verification
 - Consistent with international standards
 - Accreditation done by ANSI
 - Conflict of interest analysis on every project
 - Assiduous oversight of verifiers



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What makes the Reserve different?

Connecting Markets



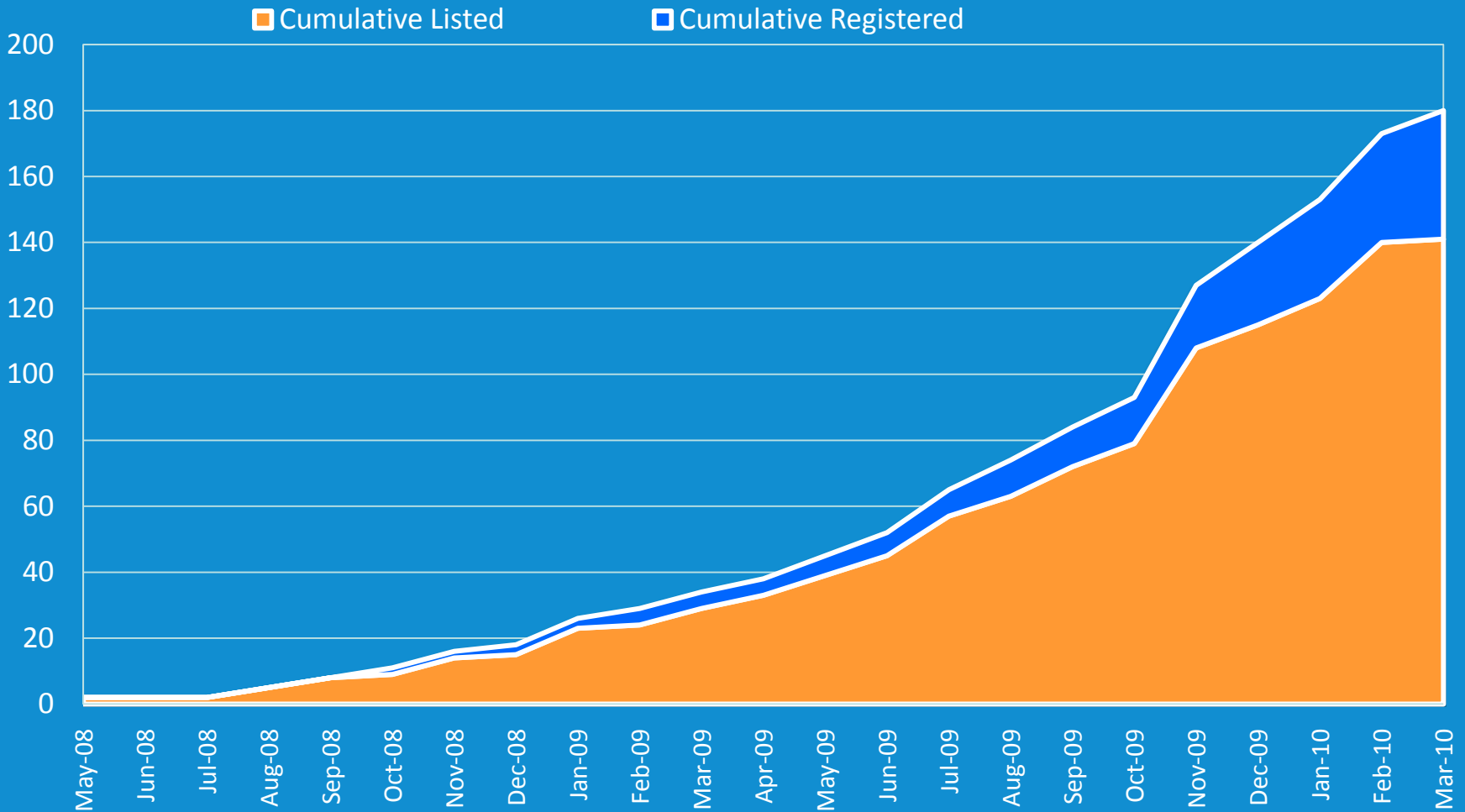
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- CRTs are used in voluntary market today
 - Some investors view CRTs as a pre-compliance instrument
- In the future, projects may be usable for compliance in California, Western Climate Initiative or in a national system
 - Regulators have yet to make decisions
 - But, the Reserve “is considered the premier pre-compliance offset standard.” (*State of the Voluntary Carbon Markets 2009*)

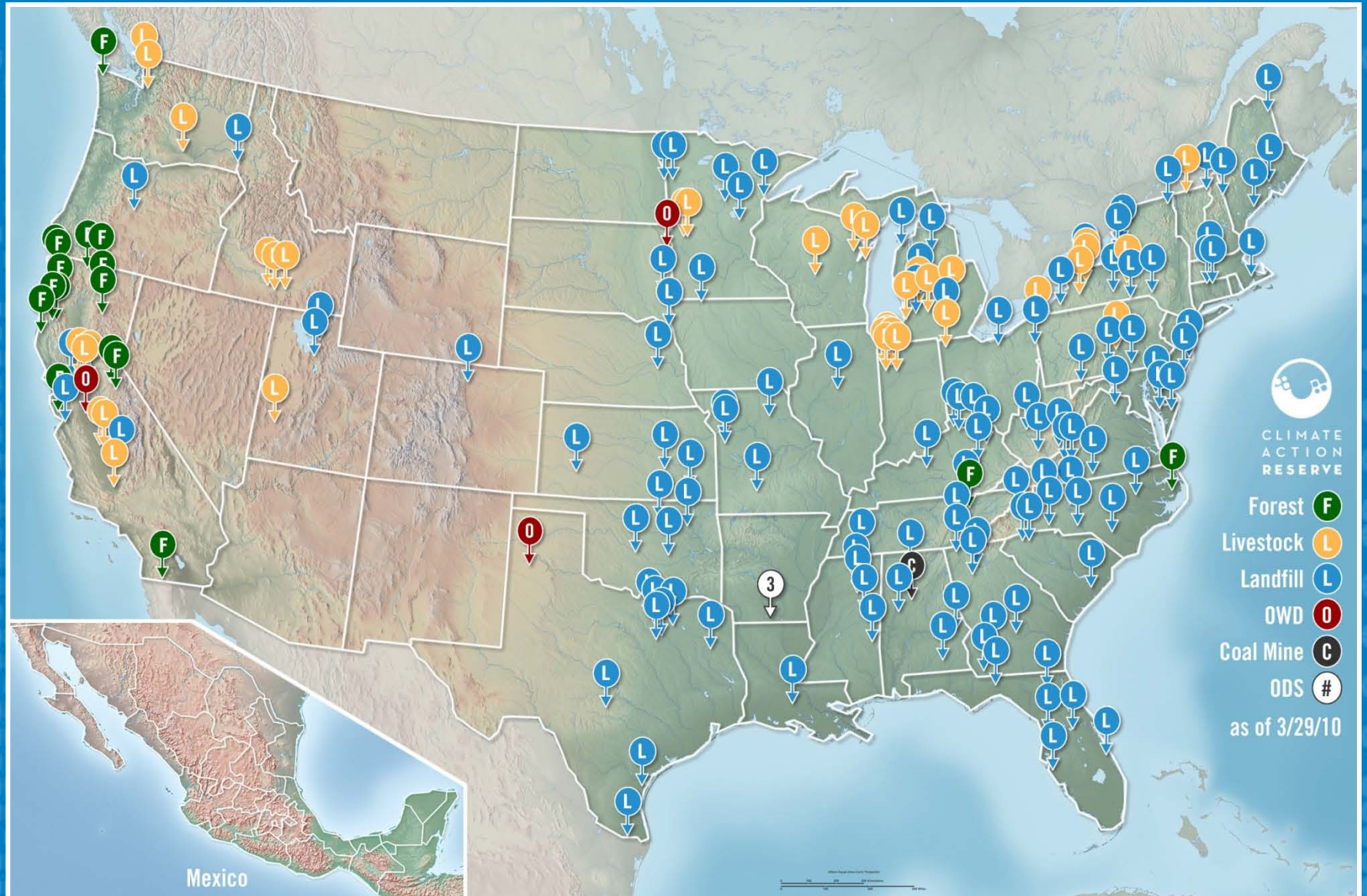
Offset projects on the Reserve



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Listed & Registered Projects





Reserve stats

Launch date	May 2008
CRTs registered	3.15 million
Account holders	247
Projects submitted	224
Forest	30
Livestock	52
OWD	3
Landfill	131
Coal Mine	3
ODS	5
Recent prices	\$5.25 per CRT <i>CCFE contracts for Mar10 V09</i>



Our Protocols

- Developed with broad public input
- Goal is to create a uniform standard that is widely recognized and builds on best practice
 - We incorporate the best elements of other protocols
 - We do not adopt protocols from other programs (i.e. CDM, Gold Standard, VCS, etc.)
- Designed as step-by-step instructions on project development



Protocol Development Process

1. Literature review
2. Scoping/kick-off meeting
3. Multi-stakeholder workgroup formation
4. Draft protocol to workgroup
5. Revised draft released for public comment
6. Public workshop
7. Adoption by Reserve board in public session
 - It is unique for a non-profit Board to meet in public
8. Possible adoption by California Air Resources Board or other government agency in public session



Existing Protocols

- Forestry
 - Improved forest management
 - Avoided conversion
 - Reforestation
- Urban forestry
- Landfill gas capture (US & Mexico)
- Livestock methane capture (US & Mexico)
- Organic waste digestion
- Coal mine methane
- Nitric Acid Production
- Ozone Depleting Substances (US & Article 5 sources)

Protocols under consideration for 2010



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Agriculture and Biological Sequestration

- Composting*
- Soil sequestration
 - Cropland
 - Rangeland
 - Biochar
- Tidal wetlands restoration

** In-progress*

Industrial Processes

- Boiler efficiency
- Natural gas T&D systems

Transportation

- Truck stop electrification

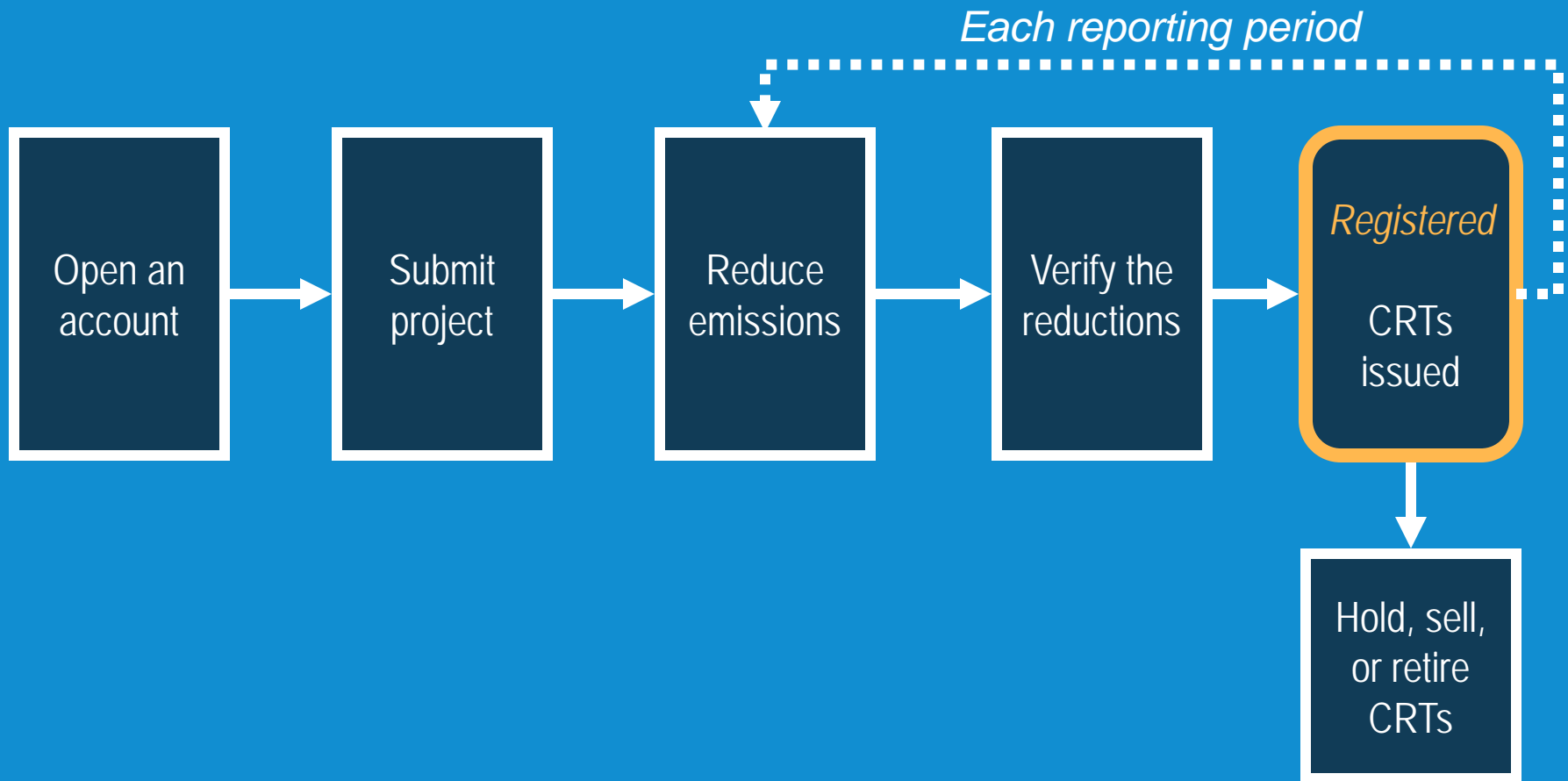
International Expansion

- Mexican Reforestation
- Canadian protocols

The Reserve process



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Transferring Credits

- Developer contracts to sell CRTs with an interested buyer
 - Financial transaction is outside of the system
 - Buyer must have an account on the system or seller can retire them on behalf of buyer
- Developer instructs the system to transfer the CRTs into the buyer's account
- Buyer can hold them, retire them or transfer them to someone else
- CRT futures and options can be traded on the CCFE



Fee Structure

- Account Maintenance: \$500/year
- Project Listing: \$500/project
- CRT Issuance: \$0.20/tonne
- CRT Transfer: \$0.03/tonne
- Retirement: Free

Contact Information



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