

Overview of the Climate Action Reserve



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History of the Climate Action Reserve



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- Founded as the California Climate Action Registry by state legislation in 2001
 - Encourage voluntary reporting and reductions
 - Develop protocols to track GHG emissions and reductions

Objectives of the Climate Action Reserve



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- Address public concerns about the voluntary carbon market that:
 - Projects aren't additional
 - Credits are being double counted or sold
- Our reputation for high-quality accounting standards can address these concerns
 - Show that carbon offsets can be a useful tool in addressing climate change
- Intended to be the premier place to register carbon offset projects for North America
 - Be the recognized “seal of approval”



Role of Offsets

- Offsets are part of the solution to climate change
 - Obtain reductions from 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
 - Allows for more stringent cap.



What Makes a Good Offset?

- It occurs outside of any regulatory requirement (incl. outside capped sector).
- It would not have occurred save for the incentive provided by a GHG market.
- It can be accurately measured.
- It can be independently verified.
- Its ownership is undisputed.
- It is permanent.

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)
 - 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
 - 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 = Ease of use*



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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
- Faster project processing

What makes the Reserve different? *Separation of Roles*



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- Reserve develops protocols but does not develop projects
- Does not take ownership of offsets
- 501(c)3 non-profit status
- Third-party verification
 - Consistent with international standards
 - Accreditation done by ANSI
 - Conflict of interest analysis on every project

What makes the Reserve different? *Linking voluntary and compliance markets*



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- For now, main demand is from the voluntary market
- In the future, projects may be usable for compliance in California, Western Climate Initiative or federally
 - Regulators have yet to make decisions on these questions
 - The Reserve “is considered the premier pre-compliance offset standard.” (*State of the Voluntary Carbon Markets 2009*)



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 accept protocols from other programs (i.e. CDM, Gold Standard, VCS, etc.)
- Designed as step-by-step instructions on project development

Protocol Development Process



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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. Adoption by California Air Resources Board in public session

History of the Mexico Protocols



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- August 2008: California, PG&E, and border states sign memorandum on carbon projects
- November 2008: Reserve board decides to accept projects in Mexico and Canada
- July 2009: First Mexico protocols adopted



Mexico Protocols

- Currently
 - Landfill gas capture
 - Agricultural methane capture
- Next in line
 - Forestry



Under development for U.S

- Organic waste digestion
- Coal mine methane
- N₂O destruction from acid plants
- ODS destruction



Steps to eligibility

1. Location – U.S. or Mexico
2. Project started operation after 8/15/08 (for Mexico projects)
3. Regulatory screen – not legally required
4. Performance standard for additionality
5. Compliance – must meet all applicable environmental regulations



Verification

- Developer selects an accredited verifier
 - Accreditation being done by ANSI with CCAR oversight
 - Accredited DOEs may also conduct verification
- Verifier submits conflict of interest form
- Developer hires verifier
 - Verifier makes determination how many tonnes of reduction have taken place
 - Project documents, verification report and verification opinion submitted to CCAR



Crediting reductions

- Developer opens an account on the Reserve
 - Reserve software is operated by APX
- Reserve credits the project developer's account with the appropriate number of CRTs (climate reserve tonnes, pronounced “carrots”)
 - Project documents are visible to the public
- Each CRT has a unique serial number for tracking
 - Includes embedded information about the project, project type, vintage, and location



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 can now be traded on the CCFE

Steps to Register a Project



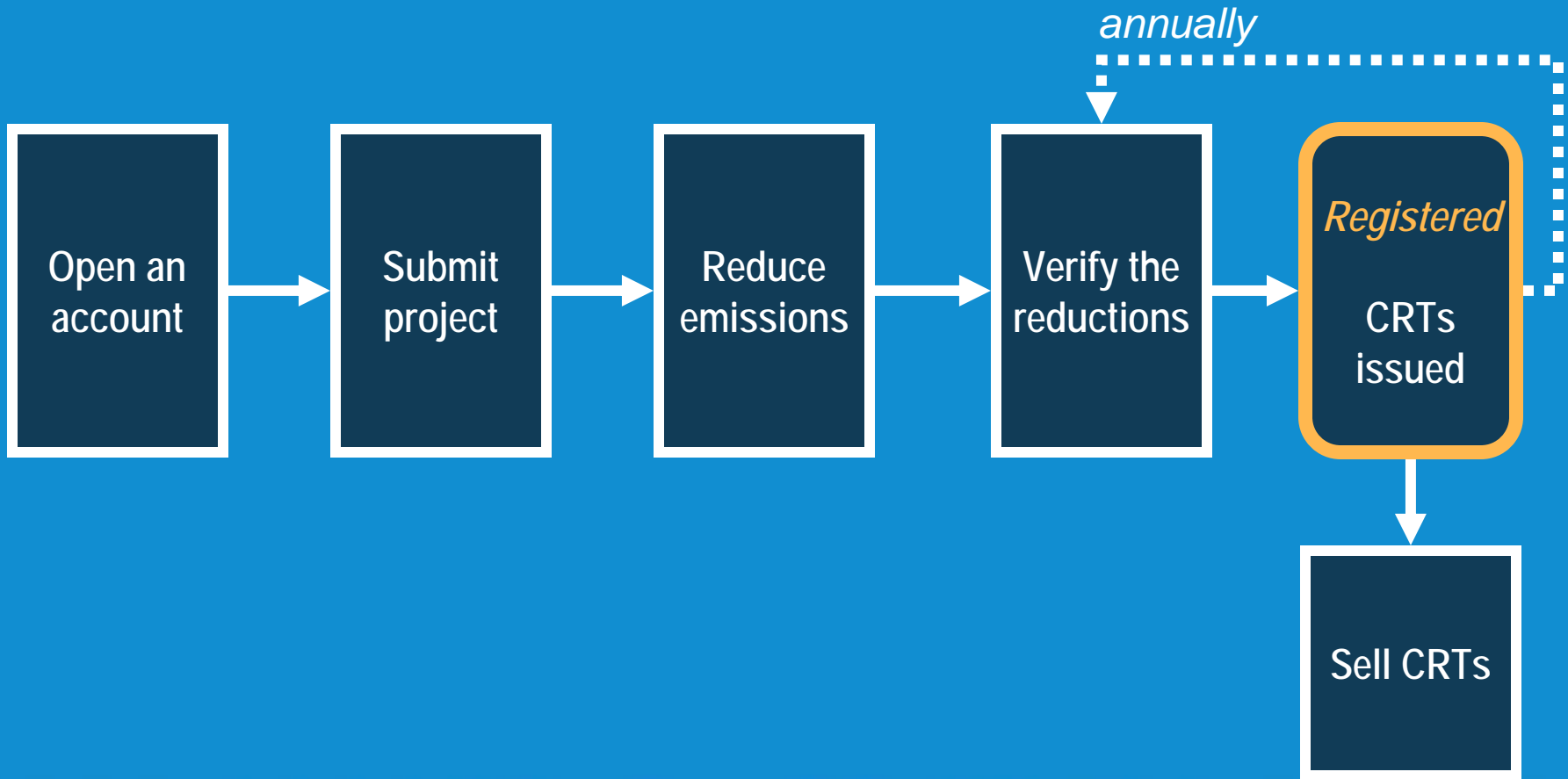
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1. Open an account on the Reserve
2. Submit project for listing
 - Project submittal form and documents
3. Conduct project activities
4. Select verifier
 - Verifier submits conflict of interest form
5. Submit project documents, verification report and verification opinion
6. Project registered and CRTs issued

The Reserve process



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Fee Structure

- Account Maintenance: \$500/year
- Project Listing: \$500/project
- CRT Issuance: \$.15/tonne*
- CRT Transfer: \$.03/tonne
- Retirement: Free

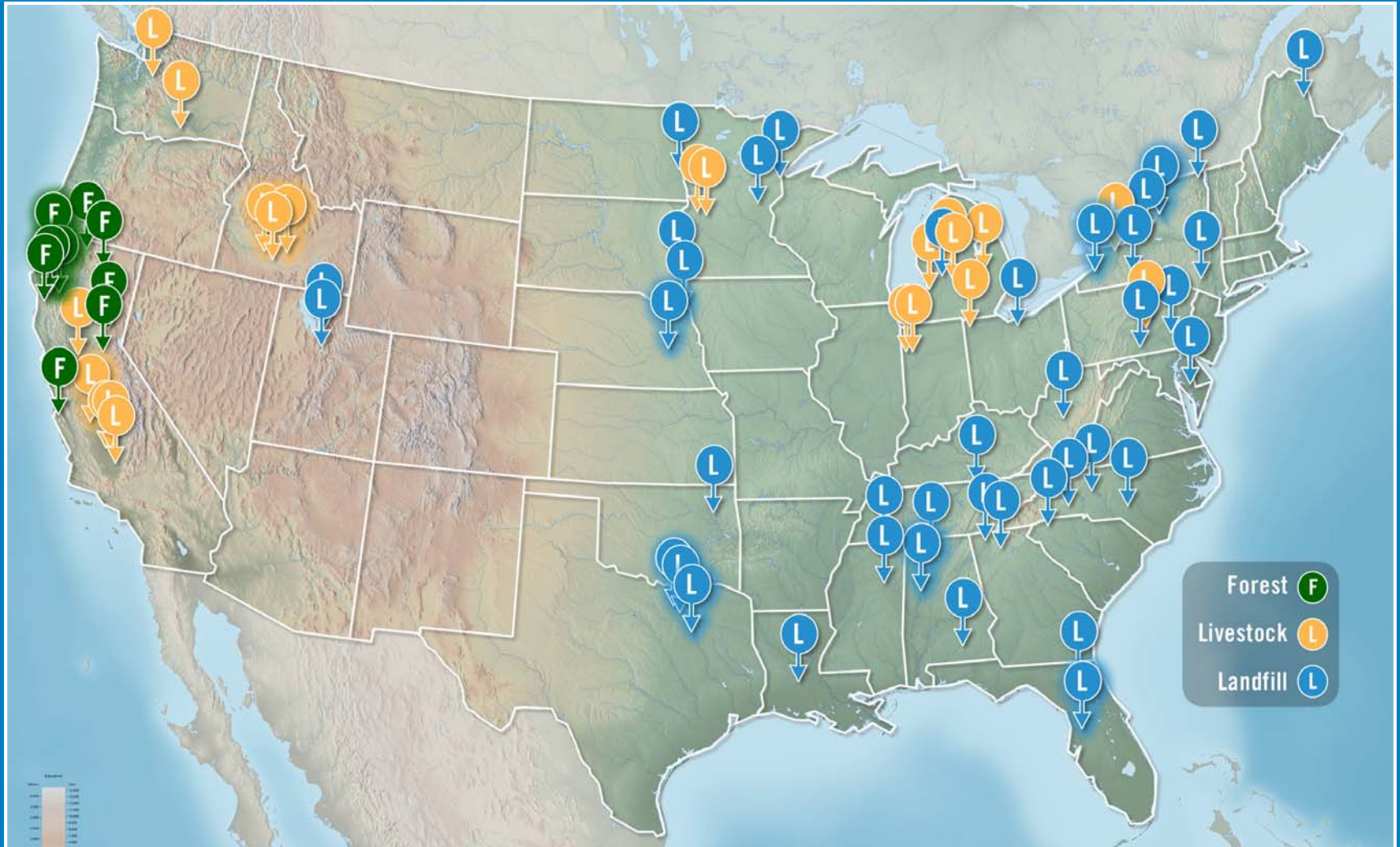
*Increasing to \$.20 on 10/1/2009



Connection to CDM?

- Our program is outside of the CDM
- Projects may transfer programs but can't get double credits for any vintage
 - Example: early credits through the Reserve then option to move to CDM

Listed & registered projects





Current Stats

- Reserve launched: **May 2008**
- Account-holders: **116**
- Total submitted projects: **91**
 - Located in **28** states
- CRTs issued: **~1.6 million**
- Recent average price: **\$6.80/tonne**
 - According to *New Carbon Finance, Voluntary Carbon Index*, July 2009

Website demo



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www.climateactionreserve.org

The screenshot shows the homepage of the Climate Action Reserve website. At the top, there is a navigation menu with links for HOME, ABOUT US, HOW IT WORKS, OPEN AN ACCOUNT, RESOURCES, NEWS AND EVENTS, and SUPPORT. To the right of the menu are links for login and public reports, and a search bar. Below the navigation is a large banner image of a tree on a green hill with a path leading to it. The text on the banner reads: "The Climate Action Reserve was founded to ensure integrity, transparency, and financial value in the North American carbon market." Below the banner are three main content areas: "Reserve Facts" with a list of statistics, "News" with a list of recent news items, and "Program Announcements" with a list of upcoming events. To the right of these areas are buttons for "Register a Project" and "Protocols", and logos for the "Center for Climate Action" and "CALIFORNIA CLIMATE ACTION REGISTRY". At the bottom of the page, there is a footer with links for faqs, view projects, contact, help, and entries (rss).

HOME ABOUT US HOW IT WORKS OPEN AN ACCOUNT RESOURCES NEWS AND EVENTS SUPPORT login public reports

The Climate Action Reserve was founded to ensure integrity, transparency, and financial value in the North American carbon market.

Reserve Facts

- 97 Account Holders
- 6 Projects registered
- 40 Projects listed
- 16 New projects
- 1,271,714 CRTs issued

News

- June 4, 2009
Climate Action Reserve exceeds one million offset credits issued
- April 30, 2009
Federal Mexican government official elected to Climate Action Reserve Board of Directors
- April 2, 2009
Climate Action Reserve becomes parent organization to the California Climate Action Registry and two other programs
- April 2, 2009
Environmental organizations line up behind the Climate Action Reserve
- March 23, 2009
Climate Action Reserve makes milestone expansion of carbon credit program

Program Announcements

- June 2, 2009
Forest Protocol Draft Project Implementation Agreement now available for public comment - Comments due June 11
- May 19, 2009
RFP to develop methane project metering recommendations now available - proposals due June 23

Register a Project

Protocols

Center for Climate Action

CALIFORNIA CLIMATE ACTION REGISTRY

faqs view projects contact help entries (rss)



Landfill Project Protocol

- **Project Definition**
 - **Installation of a landfill gas control system for capturing and destroying methane gas**
 - On-site destruction (flare, generator), pipeline injection, etc.
 - End fate of methane *must* be destruction
- **Eligibility**
 - **Start date:** August 15, 2008 for Mexican projects
 - After July 1, 2010—rolling start date
 - **Location:** United States and Mexico
 - **Regulatory compliance:** Compliance with all applicable regulations
 - **Additionality:** Regulatory Test, Performance Threshold (next slide)
- **Crediting Period: 10 years**

Landfill Projects – Additionality



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- **Regulatory Test**
 - Meets an *annual* test demonstrating project reductions would not have occurred as a result of national, state or local regulations
- **Performance Threshold**
 - Installation of a LFG collection and destruction system
 - For landfills with no baseline destruction: all destroyed methane is eligible to generate CRTs
 - For landfills with passive flares, only methane destroyed above baseline levels (passive flares) is eligible to generate CRTs

Project Contact: Tim Kidman, tim@climatereserve.org

Renewable energy generation



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- We do not currently give credit for renewable energy generation using biogas
- We are considering doing this for Mexico



Livestock Project Protocol

- **Project Definition**
 - **Installation of a Biogas Control System (BCS) that captures and destroys methane gas from manure management at livestock operations**
 - Includes “centralized digesters” and “co-digestion”
 - Onsite combustion or offsite pipeline injection
- **Eligibility**
 - **Start date:** August 15, 2008 for Mexican projects
 - After July 1, 2010—rolling start date
 - **Location:** United States and Mexico
 - **Regulatory compliance:** Compliance with all applicable regulations
 - **Additionality:** Regulatory Test, Performance Threshold (next slide)
- **Crediting Period:** 10 years

Livestock Project – Additionality



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- **Regulatory Test**
 - Meets an annual test demonstrating project reductions would not have occurred as a result of national, state or local regulations
- **Performance Threshold**
 - Installation of biogas control system (BCS) to collect and destroy biogas
 - Baseline must be anaerobic decomposition

Project Contact: Syd Partridge, syd@climatereserve.org

Contact Information



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