Dear Friends and Colleagues,

2015 was truly a historic year for climate change policy and initiatives. From the Paris Agreement to the Clean Power Plan to the end of the first compliance period in California’s cap-and-trade program, we made tremendous strides in addressing climate change as a global community. The Climate Action Reserve was proud to be a member and active participant in that community.

The Reserve also showed its own continued growth and strength as an organization. Among the many highlights from 2015, it adopted two new protocols – the Mexico Ozone Depleting Substances Project Protocol and the Grassland Project Protocol – bringing the total number of its protocols to 17. It remained a major force in California’s regulatory carbon market and continued to serve as the largest accredited offset registry for the state’s cap-and-trade program. And, it was honored to welcome Nancy Sutley, Chief Sustainability and Economic Development Officer for the Los Angeles Department of Water and Power, and Melissa Lavinson, Vice President of Federal Affairs at PG&E Corporation, to its Board of Directors.

To cap off a truly successful year, the Reserve recognized the work and many contributions of Gary Gero, who retired as President of the organization. Gary was at the helm when the organization transitioned from the California Climate Action Registry, and he led the organization’s growth into the leading offset project registry in North America. Today, the Reserve’s standards and integrity are internationally recognized and its work is integrated into the world’s most comprehensive cap-and-trade program. It was Gary’s leadership that helped earn this reputation and success.

We are excited to take the momentum from 2015 and continue making great strides together to address climate change in 2016. We are honored to be a part of such a driven, innovative and collaborative community.

Sincerely,

Linda Adams
Chair, Climate Action Reserve Board of Directors

About the Climate Action Reserve

The Climate Action Reserve is a pioneer in carbon accounting and the most experienced, trusted and efficient offset registry to serve the carbon markets. With deep roots in California and a reach across North America, the Reserve encourages actions to reduce greenhouse gas emissions and works to ensure environmental benefit, integrity and transparency in market-based solutions to address global climate change.

The Reserve operates the largest accredited registry for the California compliance market and has played an integral role in the development and administration of the state’s cap-and-trade program. For the voluntary market, the Reserve establishes high quality standards for carbon offset projects, oversees independent third-party verification bodies and issues and tracks the transaction of carbon credits (Climate Reserve Tonnes) generated from such projects in a transparent, publicly-accessible system.

The Reserve program promotes immediate environmental and health benefits to local communities and brings credibility and value to the carbon market. The Climate Action Reserve is a private 501(c)(3) nonprofit organization headquartered in Los Angeles, California with satellite offices around the U.S.
In 2015, the Reserve continued strengthening its core work in carbon accounting and rigorous standards. For its own program, it surpassed the milestones of issuing over 70 million offset credits and retiring over 20 million offset credits. It further expanded the reach of its standards in the U.S. with the adoption of its Grassland Project Protocol and further developed its presence in Mexico with the adoption of the Mexico Ozone Depleting Substances Project Protocol. The Reserve was proud to continue serving as an Offset Project Registry and Early Action Offset Program for California’s pioneering cap-and-trade program. Over the course of the year, the Reserve issued 60 percent of the ARB Offset Credits (ARBOCs) awarded by the California Air Resources Board and registered 83 percent of the projects that were issued ARBOCs. And, the first mine methane capture (MMC) ARBOCs ever issued were to two early action projects registered by the Reserve.

The Reserve was honored to collaborate with and receive the support of strong partners to help continue developing its work and expanding its reach. One strong show of collaboration and support was through the receipt of Conservation Innovation Grants (CIGs). The Reserve proposed and was awarded funding for four different projects through the CIGs from the Natural Resources Conservation Service (NRCS) under the U.S. Department of Agriculture. Along with several partner organizations, the Reserve’s work under these grants will seek to increase or improve grassland conservation, forest inventory methods and protocols for nutrient management and rangeland management.
Reserve Highlights

GROWTH OF THE RESERVE

The Reserve was honored to have Nancy Sutley, Chief Sustainability and Economic Development Officer for the Los Angeles Department of Water and Power, and Melissa Lavinson, Vice President of Federal Affairs at PG&E Corporation, elected to its Board of Directors.

On the international front, the Reserve formed a partnership with the China Beijing Environment Exchange, The Climate Registry and the Innovation Center for Energy and Transportation to design and implement carbon market training programs in China. This initiative aims to equip professionals with the experience and understanding needed to create functioning carbon markets.

PROTOCOL DEVELOPMENT

The Reserve made the following achievements in regards to its ongoing protocol development and use:

- The Mexico Ozone Depleting Substances Project Protocol, Version 1.0, was adopted by the Reserve Board of Directors. It is the Reserve’s third project protocol for use in Mexico and was developed with support from the Instituto para la Protección Ambiental.
- Continuing to strengthen its work in Mexico, the Reserve began the protocol development process for the Mexico Boiler Efficiency Project Protocol.
- The Grassland Project Protocol, Version 1.0, was adopted by the Reserve Board of Directors.
- The Reserve informed and supported the adoption of the Rice Cultivation Compliance Offset Protocol by the California Air Resources Board.

EVENTS

The Reserve was proud to host its 13th annual Navigating the American Carbon World conference and welcome an impressive lineup of speakers, including California Governor Jerry Brown, His Excellency Gérard Araud, Ambassador of France to the U.S., Honorable Bill Ritter, Director of the Center for the New Energy Economy, and Rear Admiral Len Hering (U.S. Navy, retired). Nearly 600 delegates were the first to hear Governor Brown announce California’s emissions reduction goals for 2030.

The Reserve was proud to help facilitate discussion and collaboration on an international level when it hosted a delegation to COP21 in Paris. The Reserve’s delegation included many state officials, including the entire State of California delegation. The organization hosted one official UN side event with the Georgetown Climate Center and three other side events at COP. Other international events included leading a delegation of Chinese decision makers in the forest sector on a series of field workshops to increase knowledge of forest carbon activities and markets in California and Mexico.

With grant funding from Energy Foundation the Reserve organized and presented the first of several workshops to legislators, agency staff and utility regulators outside of California on the design and implementation of cap-and-trade programs. The first workshop was delivered to legislators in Oregon in September.

MEDIA AND COMMUNICATIONS

In 2015, the Reserve was featured and mentioned in over 100 stories in key media publications, including the Los Angeles Times, Sacramento Bee, CBS, BBC, Bloomberg, CALMatters, KPCC, Carbon Pulse, E&E, CaliforniaCarbon.info, ICIS, Argus, The Hill, Brick News, Los Angeles Business Journal and Portland Business Journal.


The Reserve developed infographics to help inform carbon professionals on a variety of topics, including reading recommendations from distinguished climate leaders, rice cultivation offsets in California’s compliance program, managing offset risk and forest carbon in California’s cap-and-trade program.
Financial Summary

Board of Directors

ADVISORY BOARD

Right Honorable Kim Campbell
Former Prime Minister of Canada

Hon. Gray Davis
Former Governor, State of California
Of Counsel, Loeb & Loeb

Hon. Fran Pavley
California State Senator

Diane Wittenberg
Founding President, California Climate Action Registry

Ed Begley, Jr.
Actor and environmental activist

Governing Board

Linda Adams, Chair
Former Secretary for Environmental Protection, California Environmental Protection Agency; Partner, Clean Tech Advocates

Peter Liu, Vice Chair
Managing Director, Clean Energy Advantage Partners; Founder, New Resource Bank

Peter M. Miller, Secretary
Senior Scientist, Natural Resources Defense Council

Jeffrey Kightlinger, Treasurer
General Manager, Metropolitan Water District of Southern California

Jan Schori, Audit Committee Chair
Retired General Manager, Sacramento Municipal Utility District

Steve Corneli
Senior Vice President, Policy, Strategy & Sustainability, NRG Energy

Cynthia Cory
Director, Environmental Affairs, California Farm Bureau Federation

Rodolfo Lacy Tamayo
Undersecretary for Environmental Policy and Planning, Mexico Secretariat of Environment and Natural Resources

John Laird
Secretary, California Natural Resources Agency

Melissa A. Lavinson
Vice President, Federal Affairs, PG&E Corporation

Betsy Moler
Retired Executive Vice President, Government Affairs and Policy, Exelon Corporation; Former Chair, Federal Energy Regulatory Commission

Heather O’Neill
Vice President, Strategic Partnerships, Advanced Energy Economy

Tim Profeta
Director, Nicholas Institute for Environmental Policy Solutions; Assoc Prof of the Practice at the Sanford School of Public Policy, Duke University

Dr. Stephan Schwartzman
Director, Tropical Forest Policy, Environmental Defense Fund

Nancy Sulley
Chief Sustainability and Economic Development Officer, Los Angeles Department of Water and Power

FISCAL YEAR 2015 REVENUE AND SUPPORT

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<th>Source</th>
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<tr>
<td>Conference</td>
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<td>Contracts</td>
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<td>Reserve Fees</td>
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<tr>
<td>Workshop Income</td>
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<tr>
<td>Grants/Contributions</td>
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<tr>
<td>In-Kind/Miscellaneous/Interest</td>
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FISCAL YEAR 2015 EXPENSES

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<td>Program Services</td>
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<tr>
<td>Management and General</td>
<td>21%</td>
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<tr>
<td>Fundraising</td>
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CONDENSED STATEMENT OF FINANCIAL POSITION

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<td>Net Assets</td>
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<td>Total Liabilities and Net Assets</td>
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<tr>
<td>Total Revenues and Other Support</td>
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<tr>
<td>Expenses</td>
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<td>Changes in Net Assets</td>
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