

# Overview of the Climate Action Reserve

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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



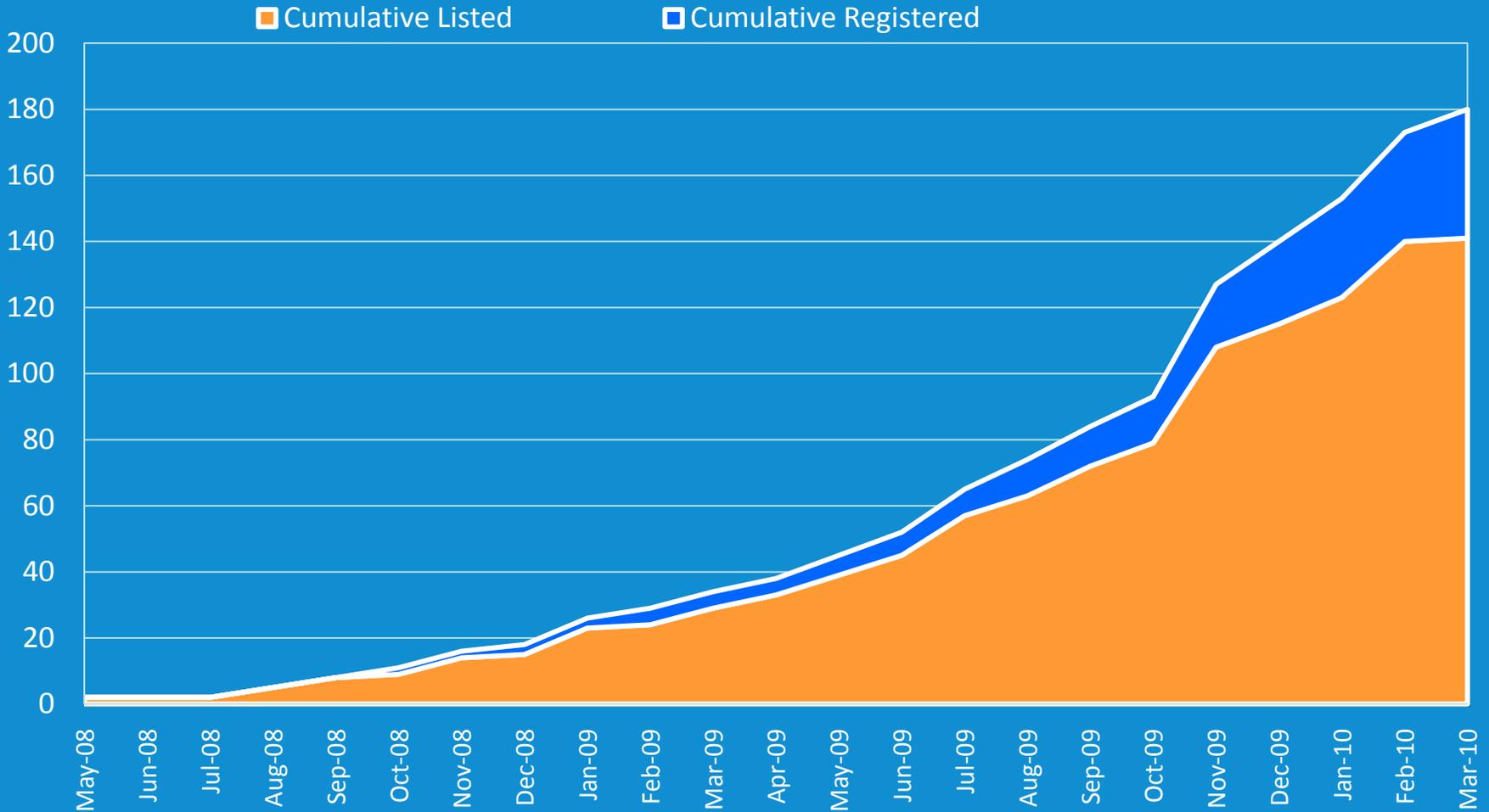
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- CRTs are used in voluntary market today
  - Some investors view CRTs as a pre-compliance instrument
- In the future, projects may be usable for compliance in California, Western Climate Initiative or in a national system
  - Regulators have yet to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

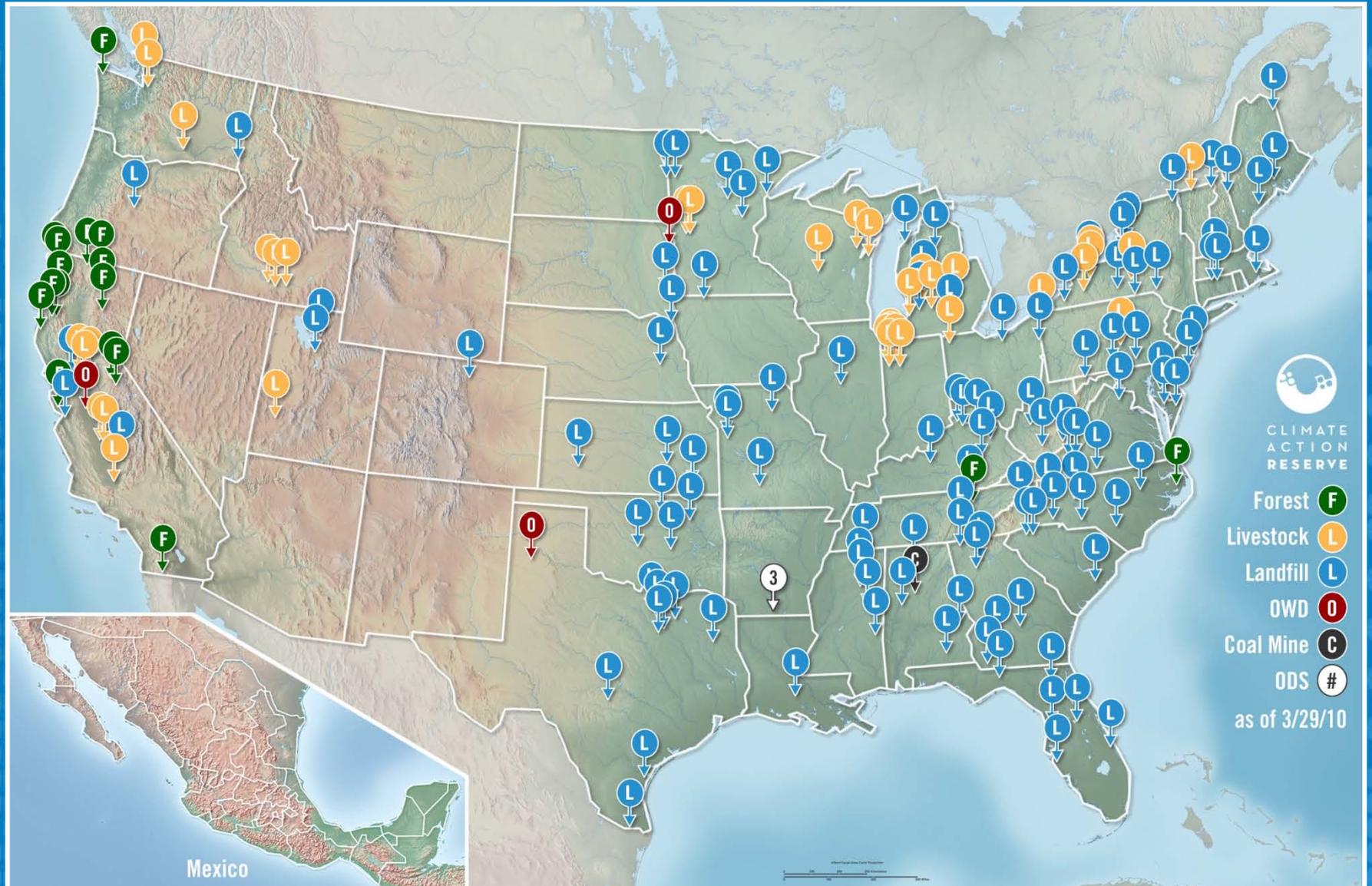
# Offset projects on the Reserve



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# Listed & Registered Projects





# Reserve stats

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

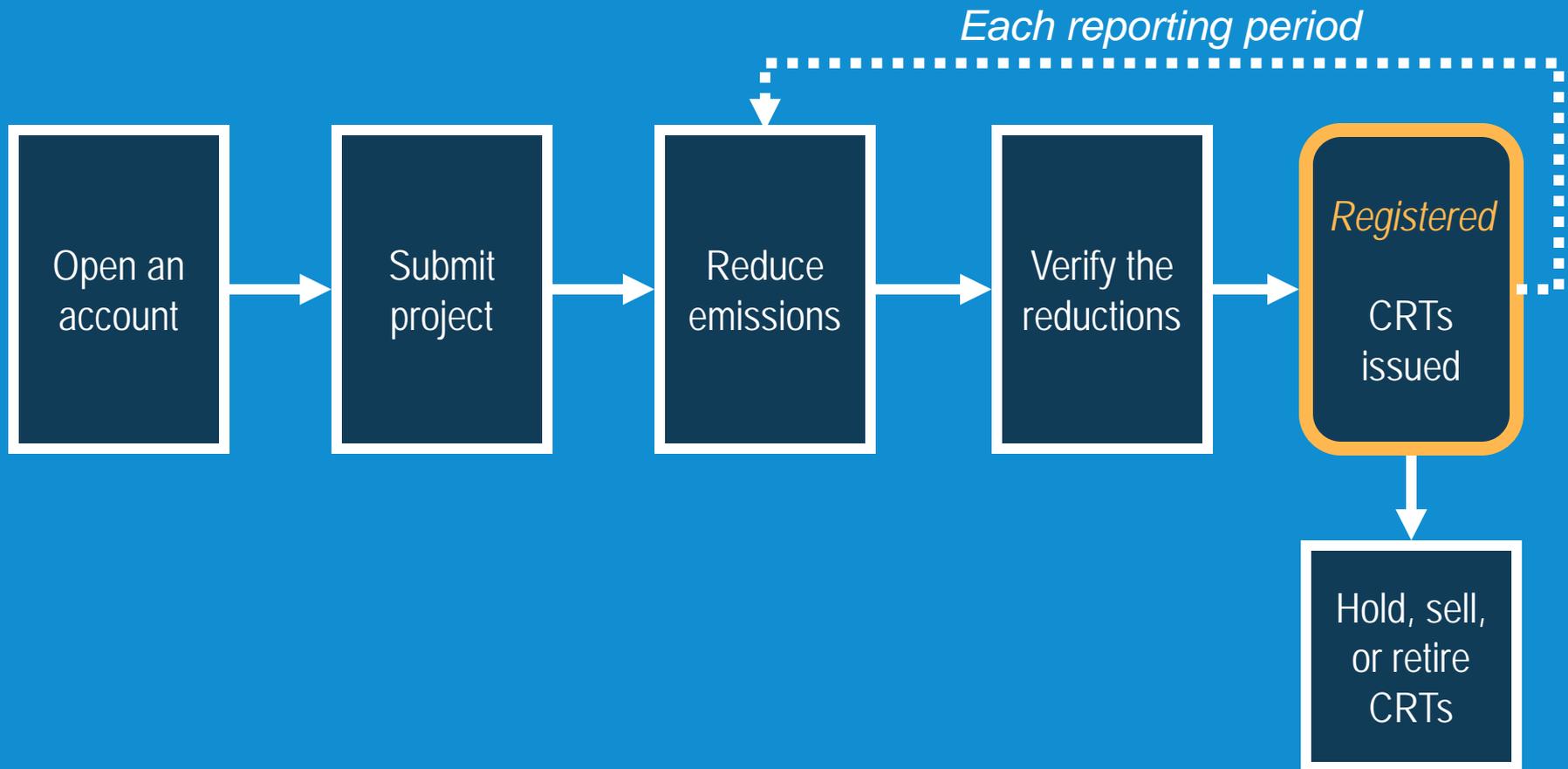
## International Expansion

- 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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