

# Overview of the Climate Action Reserve



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# Background on the Climate Action Reserve



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- Chartered by California 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



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# Board of Directors

- California EPA
- Duke University
- Environmental Defense Foundation
- Goldman Sachs
- Metropolitan Water District
- National Institute of Ecology of Mexico
- Natural Resources Defense Council
- New Resource Bank
- NRG Energy
- Pacific Gas & Electric
- Shell Oil Company
- Sierra Club



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## Objectives of the Reserve

- Show that carbon offsets can be a useful tool in addressing climate change
- Be a model offset program that has environmental integrity but is not burdensome to use
- Be the premier place to register carbon offset projects for North America
  - For project developers: Add value to their projects
  - For buyers: Give them more confidence in the offsets they are buying
- Be a technical resource, not an advocacy organization



## What We Do

1. Develop High Quality Standards
  - Convene stakeholders and lead development of standardized protocols for carbon offset projects
2. Manage Independent Third Party Verification
  - Training and oversight of independent verification bodies
3. 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?*

## Scalability



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- In 12 months, we have increased from 40 to 350 projects with just three additional staff.
  - We still process submitted documents in two weeks
  - Performance standard: Once the standards are in place, not much staff time to review a project
  - Verification: 15 verification bodies and more going through ANSI program
  - Software: Very robust system, operated by APX
- We can continue to expand to meet compliance market needs



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*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
  - Assiduous oversight of verifiers

*What makes the Reserve different?*

## **Provides Project Developers with Multiple Options**

- Leading standard in voluntary market today (65% of trading volume)
- California GHG compliance market will launch in January 2012
- Western Climate Initiative expected to launch at same time as California.



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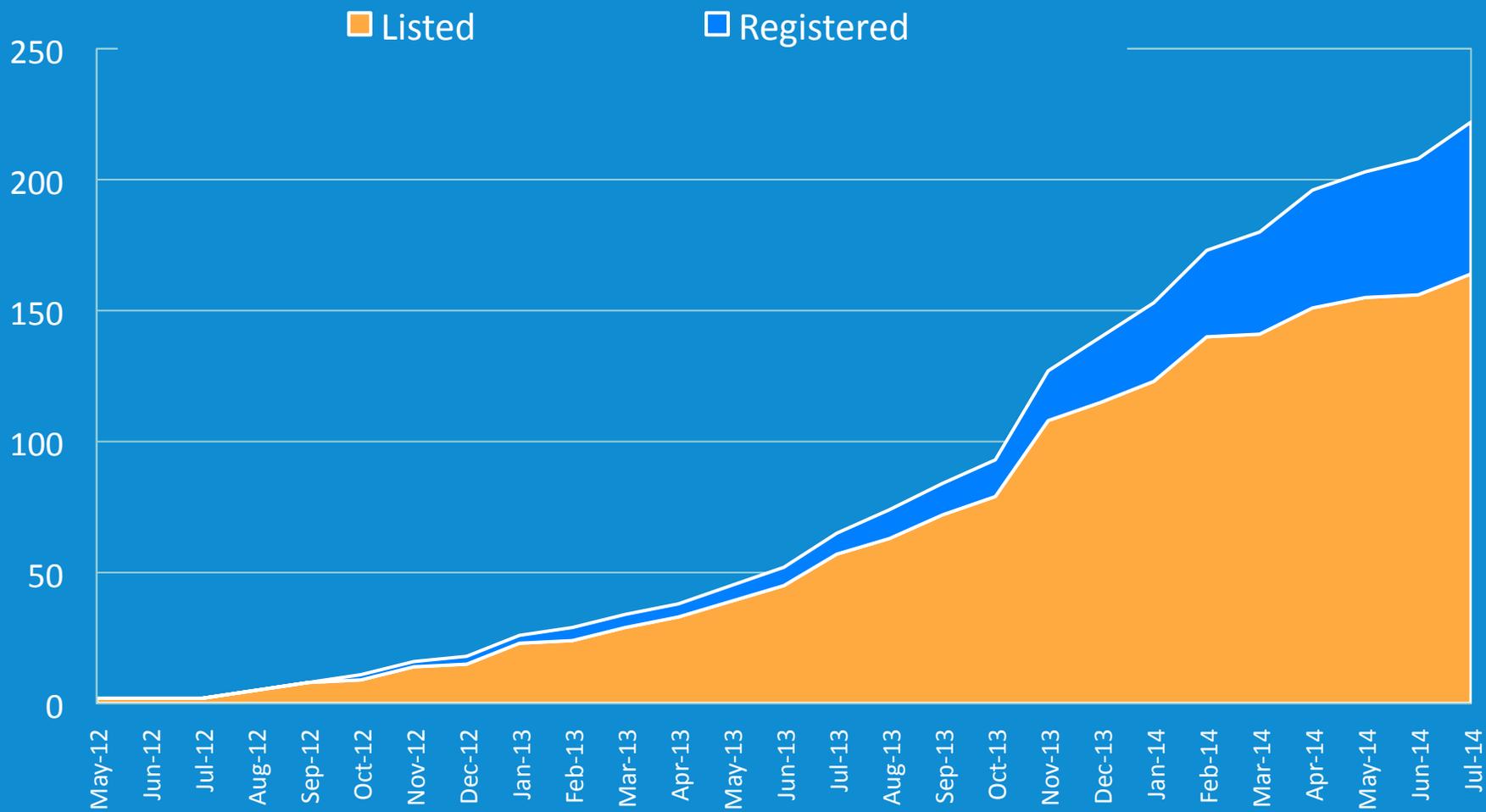


# Status of Cap and Trade in California Today

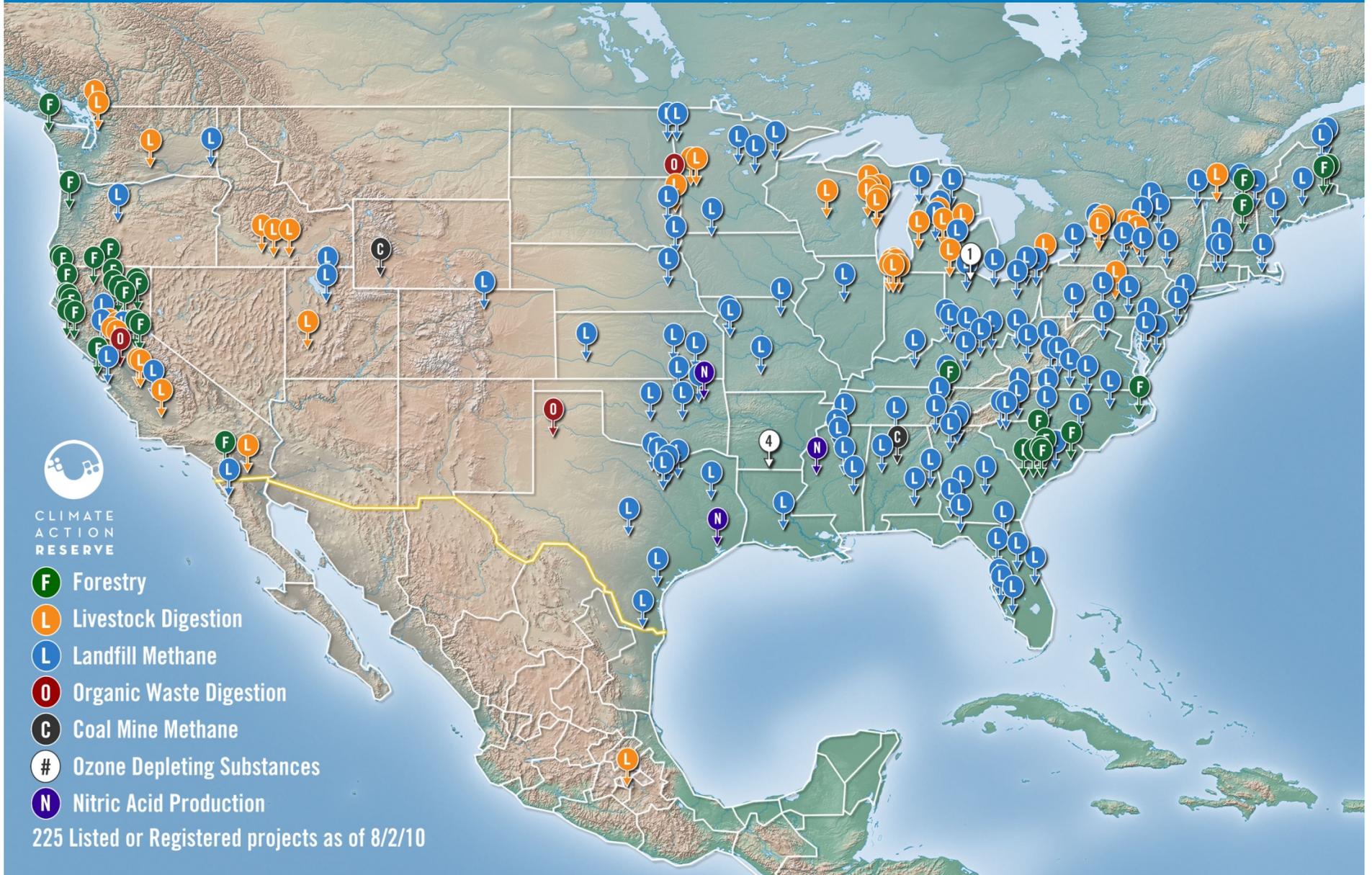
- After recent election, carbon market has strong political support in California
  - Prop 23, to halt cap and trade, lost by 22 points
  - Newly-elected Governor Brown is strongly supportive of carbon markets
- California Air Resources Board recently released final blueprint for the cap and trade regulation
  - Many of the Reserve's offsets will be usable for compliance
  - They are considering CMM projects and will probably make a decision early next year
  - Market is expected to be short on offsets and state is under pressure to adopt additional project types



# Offset projects in the Reserve



# Listed & Registered Projects





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## Reserve stats

Launch date	<b>May 2008</b>
CRTs registered	<b>8.3 million</b>
Account holders	<b>330</b>
Projects submitted	<b>358</b>
Exchanges	<b>CRT futures are traded on:</b> <ul style="list-style-type: none"><li>•Chicago Climate Futures Exchange (CCFE)</li><li>•Green Exchange</li></ul>
Recent prices	<b>\$5-10 per CRT</b>



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## 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



## 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)
- Organic Waste Composting



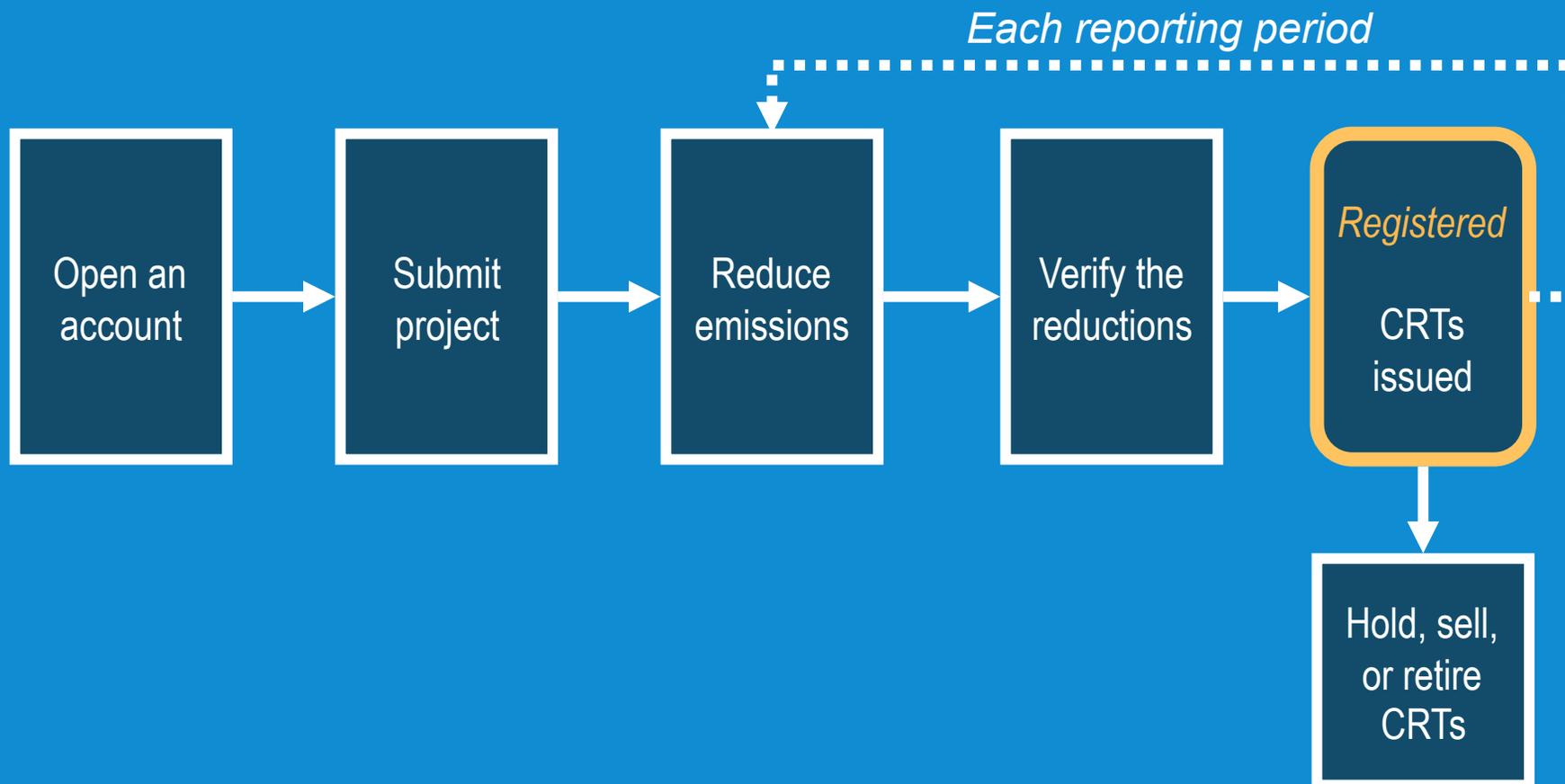
## Steps to Register a Project

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



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# The Reserve process





## Verification

- Verification bodies (VBs) must get accredited to ISO standards by American National Standards Institute (ANSI)
- Lead Verifiers must take protocol-specific and general Reserve training
- Developer hires accredited and trained VB
  - VB makes determination as to the accuracy of reported CRTs
  - Project documents, verification report and verification opinion submitted to the Reserve
- VB submits NOVA/COI form and receives approval from Reserve to proceed



## Transferring Credits

- Developer contracts to sell CRTs to a buyer
  - Financial transaction is outside of the system
  - Buyer must have an account on the system
- Developer instructs the system to transfer the CRTs into the buyer's account
- Buyer can hold them, retire them or transfer them
- Financial transaction can be done through:
  - Broker
  - Exchange: CCFE or Green Exchange
  - Directly
  - Public auction



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## Fee Structure

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



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## Contact Information

- Protocol questions
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