Letter from the President

2022 ushered in significant progress on climate policy and carbon markets. Nationally, US climate policy and investment got a big boost from the Inflation Reduction Act, which will direct billions of dollars into fighting climate change. Internationally, negotiations on the Article 6.4 global voluntary carbon market framework moved forward and the agreed-upon guidelines for the Article 6.2 crediting scheme allow for countries to start transacting Internationally Transferred Mitigation Outcomes. The carbon market landscape continued to expand and strengthen, with an effusion of new technologies and investments. Market participants contributed to the development of guidance from international governance bodies, such as ICVCM and VCMI, to build coalitions to scale and support markets with equity and ambition.

Here at the Reserve, we worked to grow and strengthen emission reduction opportunities into new jurisdictions and sectors. We kicked off development for new protocols for low-carbon cement, biochar, and Panama forestry under the Reserve carbon credits program and initiated development of a methodology for reduced emissions from megafires under the Climate Forward program. The Reserve closed 2022 with 185 million offset credits issued to date and 55 million credits retired. We achieved many exciting firsts, including the registration of the first mangrove project and first agroforestry project under our Mexico Forest Protocol, and the first projects under our Soil Enrichment Protocol.

High quality customer service remains a top priority for the Reserve. During the past year, the Reserve added local engagement opportunities to our world-renowned multi-stakeholder protocol development process, surveyed our account holders to support reporting co-benefits of offset projects, added language translation features to our website and listserv, and continued to develop and update tools, guidance, and resources to increase ease and efficiency during project registration.

We are committed to the continued growth and strengthening of carbon markets here in North America and throughout the world. Carbon credits serve a key role in delivering much-needed greenhouse gas reductions, galvanizing innovation in the low-carbon economy, and funding sustainable development and climate equity globally. Thank you for a fabulous year of collaboration on climate solutions and please join us on our journey for greater climate action and innovation in the upcoming year.

Best regards,
Craig Ebert, President

“We are committed to the continued growth and strengthening of carbon markets here in North America and throughout the world.”
About the Climate Action Reserve

The Climate Action Reserve is the most trusted, efficient, and experienced offset registry for global carbon markets.

A pioneer in carbon accounting, the Reserve promotes and fosters the reduction of greenhouse gas (GHG) emissions through credible market-based policies and solutions. As a high quality offset registry for voluntary carbon markets, it establishes rigorous standards and issues carbon credits under those standards. The Reserve also supports compliance carbon markets and serves as an approved Offset Project Registry for the State of California’s Cap-and-Trade Program.

The Reserve also supports GHG reductions at the scale and urgency necessary to meet the climate challenge with its Climate Forward program, which fosters proactive investment in future GHG reduction projects through ex ante crediting as a means to address emissions that are forecasted to occur. Additionally, the Reserve hosts the annual North American Carbon World conference, North America’s premier event to learn, collaborate, and network on carbon markets and climate policy.

The Reserve is an environmental nonprofit organization headquartered in Los Angeles, California with satellite offices around the world.

MISSION
To develop, promote and support innovative, credible market-based climate change solutions that benefit economies, ecosystems, and society.

VISION
A global economy that accelerates climate actions through full and accurate accounting of their costs and benefits.

VALUES
Environmental Leadership • Integrity • Transparency • High Quality Customer Service • Multi-Stakeholder Support • Market Value
Climate Action Reserve offset protocols:
- Launched process to develop the U.S. Low-Carbon Cement Protocol to incentivize the production and use of alternative, more environmentally friendly cementitious products that are too cost prohibitive and inefficient to pursue currently.
- Launched development process for Panama Forest Protocol that will focus on the crediting of activities that sequester CO2e from the atmosphere through increasing carbon stocks in trees over time.
- Launched development process for Dominican Republic Livestock Protocol that will focus on the crediting of emissions reductions associated with installing a manure biogas control system.
- Continued work on the development of the U.S. Biochar Protocol. Issued a market analysis on biochar and the potential for biochar to produce high quality offset credits in partnership with Blue Forest, Pacific Biochar, and UC Berkeley.
- In addition to the technical workgroup, we added a local engagement opportunity for stakeholders to inform the protocol development process by identifying and incorporating applicable laws, norms, conditions, community concerns, or cultural sensitivities specific to the jurisdiction of the protocol location.
- Updated existing protocols:
  - Mexico Landfill to Version 2.0
  - Mexico Forest Protocol to Version 3.0
  - U.S. Landfill Protocol to Version 6.0
  - Soil Enrichment Protocol to Version 1.1
  - Started the process to update the Mexico Forest Protocol to Version 3.1
- Issued errata & clarifications to provide guidance:
  - Mexico Forest Protocol V2.0
  - Canada Grassland Protocol V1.0

Program tools and resources:
- Developed and/or updated tools and resources, including:
  - Reserve Offset Program Manual
  - Reserve User Guide, English and Spanish
  - PIA for Mexico Forest 3.0
  - Mexico Forest Carbon Monitoring Tool, Forest Inventory Management Tool (CALCBOSK), and Cost Benefit Analysis Tool
  - Grassland Calculation Tool and Project Parameters
  - Policy memo regarding the transition to global warming potential (GWP) values from the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5) for all offset protocols
  - Spanish translations of Reserve Offset Program
2022 Achievement Highlights

Manual and Verification Program Manual
- Conducted the Account Holder Survey on Non-GHG Impacts of Carbon Projects.
- Signed an MOU with SEMARNAT (Secretary of Environment and Natural Resources of Mexico) along with other registries to cooperate on strengthening the voluntary carbon market in Mexico and strengthen safeguards.
- Signed an MOU with MiAmbiente (Ministry of Environment of Panama) along with other registries in support of the development of Panama’s carbon market.
- Updated protocol development proposal process to bring greater efficiency to collaboration opportunities.
- Participated in numerous carbon market working groups to share our registry expertise and experience:
  - IETA digital assets working group
  - ICVCM
  - VCM
  - Climate Warehouse

Organization highlights
- Added translation feature to make the website content available in other languages including Spanish and Chinese.
- Launched the Spanish newsletter to share news and updates with our Spanish-speaking audience.
- Launched the Carbon Connection Podcast featuring in-depth interviews on protocols and methodologies.
- Published articles on additionality and permanence in CaliforniaCarbon.info and an article on mangroves in Ecosystem Marketplace.
- Published blog posts on our site on: reducing emissions from cement production, reading recommendations from climate friends, protecting mangrove forests, and corresponding adjustments.
- During the Mexico Carbon Forum, an event hosted by MexiCO2, Amy Kessler of the Climate Action Reserve was awarded for her outstanding role in the carbon market. Congratulations also to Lorena Espinosa of ANIQ OFICIAL and Rajinder Sahota of the California Air Resources Board for their exemplary work.
- Moved to a new office location: 600 Wilshire Blvd. Ste 202, Los Angeles, CA 90017.
- New hires in 2022:
  - Abbey Garcia, Analytical Associate
  - Judy Gallegos, Reserve Administrator
  - Reid Lee, Director of Operations
  - Celeste Melendez, Analytical Associate
  - McKenzie Smith, Analytical Team Manager
  - Claudia Jurado, Analytical Associate
22
PROTOCOLS

185m
REGISTERED OFFSET CREDITS

55m
RETIRED OFFSET CREDITS

SUSTAINABLE DEVELOPMENT GOALS

26
PROJECTS REPORTING SDG IMPACTS

552
REGISTERED PROJECTS IN 45 U.S. STATES AND 15 MEXICO STATES

185m
REGISTERED OFFSET CREDITS

9
PROTOCOLS

91m
CREDITS

9
PROTOCOLS

91m
CREDITS

WASTE HANDLING & METHANE DESTRUCTION

6
PROTOCOLS

48m CREDITS

INDUSTRIAL PROCESSES & GASES

7
PROTOCOLS

45m CREDITS

REGISTERED THE FIRST OFFSET CREDITS FOR SOIL ENRICHMENT TO 2 PROJECTS SPANNING ACROSS 100,742 ACRES IN THE U.S.

MEXICO FOREST PROTOCOL

1m+
CREDITS ISSUED

200+
PROJECTS LISTED

REGISTERED THE FIRST MANGROVE PROJECT PROTECTING & REGROWING STOCKS IN 691 HECTARES OF MANGROVE FOREST AND AGROFORESTRY PROJECT INCREASING CARBON STOCKS ON COMMUNITY SHADE GROWN COFFEE FARMS

15
MEXICO STATES

15
MEXICO STATES

26
PROJECTS REPORTING SDG IMPACTS

22
PROTOCOLS
CLIMATE FORWARD

6
APPROVED METHODOLOGIES

8
CONFIRMED PROJECTS

18
ACCOUNT HOLDERS

503k
REGISTERED FMUs

205k
RETIRED FMUs

12
EPISODES

1079
LISTENS IN 2022

LISTENERS FROM 44 COUNTRIES
- UNITED STATES: 54%
- MEXICO: 12%
- CANADA: 8%
- BRAZIL: 4%

160 PLAYS
THE SIGNIFICANCE OF MEXICAN MANGROVE FORESTS

720+
ATTENDEES

31% FROM CALIFORNIA

18% INTERNATIONAL FROM 14 COUNTRIES

51+ HOURS OF CONTENT

7+ HOURS OF NETWORKING

10
PRE-CONFERENCE WORKSHOPS

4
KEYNOTE ADDRESSES

21
BREAKOUT SESSIONS

41
SPONSORS

99
SCAVENGER HUNT BOOTH SCANS

865
NETWORKING MESSAGES

8294
CHATS

269
#NACW2022 OR #NACW TWEETS

116
UNIQUE PARTICIPANTS

2M
SOCIAL MEDIA REACH
Natural Climate Solutions .................................................. 91,298,441
- Forest .......................................................... 19,272,249
- Forest (CARB) ............................................. 71,773,474
- Grassland .................................................. 230,458
- Nitrogen Management ....................................... 3
- Soil Enrichment ............................................. 22,257

Waste Handling & Methane Destruction ..................... 48,529,095
- Landfill ..................................................... 38,778,466
- Livestock .................................................. 5,626,726
- Livestock (CARB) ......................................... 5,626,151
- Organic Waste Composting ................................ 754,421
- Organic Waste Digestion .................................. 202,398

Industrial Processes & Gases .............................. 45,189,233
- Adipic Acid .................................................. 5,391,669
- Mine Methane ................................................ 1,209,440
- Mine Methane (CARB) .................................. 1,750,464
- Nitric Acid Production ..................................... 17,909,980
- Ozone Depleting Substances ............................. 10,475,311
- Ozone Depleting Substances (CARB) .............. 8,452,369
The 19th annual North American Carbon World (NACW) conference returned to an in-person gathering April 6-8 in Anaheim, CA, providing 720+ leading climate professionals throughout North America the opportunity to gain actionable insights for bold climate solutions, build connections with an active and engaged audience, and participate in outstanding discussions to advance compliance and voluntary carbon markets in the U.S., Canada, and Mexico. Attendees gained insights from key thought-leaders in climate, including:

- Gov. David Ige, State of Hawaii
- Patricia Espinosa, Executive Secretary of the Secretariat, UNFCCC
- Liane Randolph, Chair, CARB
- Fred Krupp, President, Environmental Defense Fund

As the world community focused on raising ambition to meet climate goals, NACW 2022 provided key insights and analyses on reducing emissions with more urgency and at a larger scale, including sessions on the status and future of carbon markets and climate policy; how new technologies, investments, and innovations can support scale and integrity; local empowerment and land use; and low carbon transportation and fuels.

**Workshops and webinars**
The Reserve also held numerous workshops, verification trainings, protocol kickoff webinars, and workgroup meetings throughout the year, including the first multi-hour Mexico Carbon Markets 101 workshop.

Reserve staff spoke at numerous events and webinars, including:

- Mexico Carbon Forum
- Yale School of Forestry
- Society of American Foresters
- Commodity Futures Trading Commission
Climate Forward is a program of the Reserve which issues greenhouse gas emission reduction credits on an ex ante basis in order to facilitate early investment in a wide array of innovative, creative emission reduction projects. Climate Forward accelerates action on climate change by encouraging companies to make proactive investments now to mitigate their future emissions.

Interest in the Climate Forward program continues to grow as companies look for bespoke emission reductions in sectors that often have a delayed return on investment, such as reforestation. Climate Forward offers the flexibility and creativity to invest in the emissions reduction project types, scales, and locations that meet a company’s emissions reduction goals, while also offering the assurance and integrity of rigorous, high-quality GHG accounting standards.

In 2022, the Reserve continued to grow opportunities for early action climate investment through its Climate Forward program:

- Worked on developing a Reduced Emissions from Megafires (formerly Avoided Wildfire Emissions) Forecast Methodology Version 1.0 and sharing a repository of data for project quantification, which is available online.
- Updated Improved Cook Stove Methodology to Version 2.0.
- Updated the Reforestation Forecast Methodology to Version 2.0.
- Updated Solar Photovoltaic Forecast Methodology to Version 2.0.
**FY22 Financial Summary**

### CONDENSED STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$8,572,004</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$5,326,934</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$3,245,070</td>
</tr>
<tr>
<td>Total Liabilities &amp; Net Assets</td>
<td>$8,572,004</td>
</tr>
<tr>
<td>Total Revenues, Gains &amp; Other Support</td>
<td>$4,551,459</td>
</tr>
<tr>
<td>Expenses</td>
<td>$4,812,801</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$(261,342)</td>
</tr>
</tbody>
</table>

### REVENUE & SUPPORT

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve Fees</td>
<td>50%</td>
</tr>
<tr>
<td>NACW Conference</td>
<td>42%</td>
</tr>
<tr>
<td>Contracts</td>
<td>4%</td>
</tr>
<tr>
<td>Grants/Contributions</td>
<td>3%</td>
</tr>
<tr>
<td>Workshop Income</td>
<td>1%</td>
</tr>
<tr>
<td>In-Kind/Misc</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

### EXPENSES

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td>76%</td>
</tr>
<tr>
<td>Management and General</td>
<td>24%</td>
</tr>
<tr>
<td>Fundraising</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>
Board of Directors

GOVERNING BOARD

Linda Adams, Chair
Former Secretary for Environmental Protection, California Environmental Protection Agency

Peter M. Miller, Secretary
Director, Western Region, Climate & Clean Energy Program, Natural Resources Defense Council

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

Steve Corneli, Nominating Committee Chair
Clean Energy Advisor

Teveia Barnes
Former Executive Director, California Infrastructure and Economic Development Bank

Peter Liu
Managing Director, Clean Energy Advantage Partners

Heather O’Neill
President, Advanced Energy Economy

Eduardo Piquero
CEO, MEXICO2

Tim Profeta
Special Counsel, US EPA, Office of Air Quality Planning and Standards

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

Katie Sullivan
Managing Director, IETA

ADVISORY BOARD

Right Honorable Kim Campbell
Canada’s 19th Prime Minister

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

Hon. Fran Pavley
Former California State Senator

Diane Wittenberg
Founding President, California Climate Action Registry

Ed Begley, Jr.
Actor and environmental activist