

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”



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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*



- 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*)



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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 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



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Mexico Protocols

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



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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

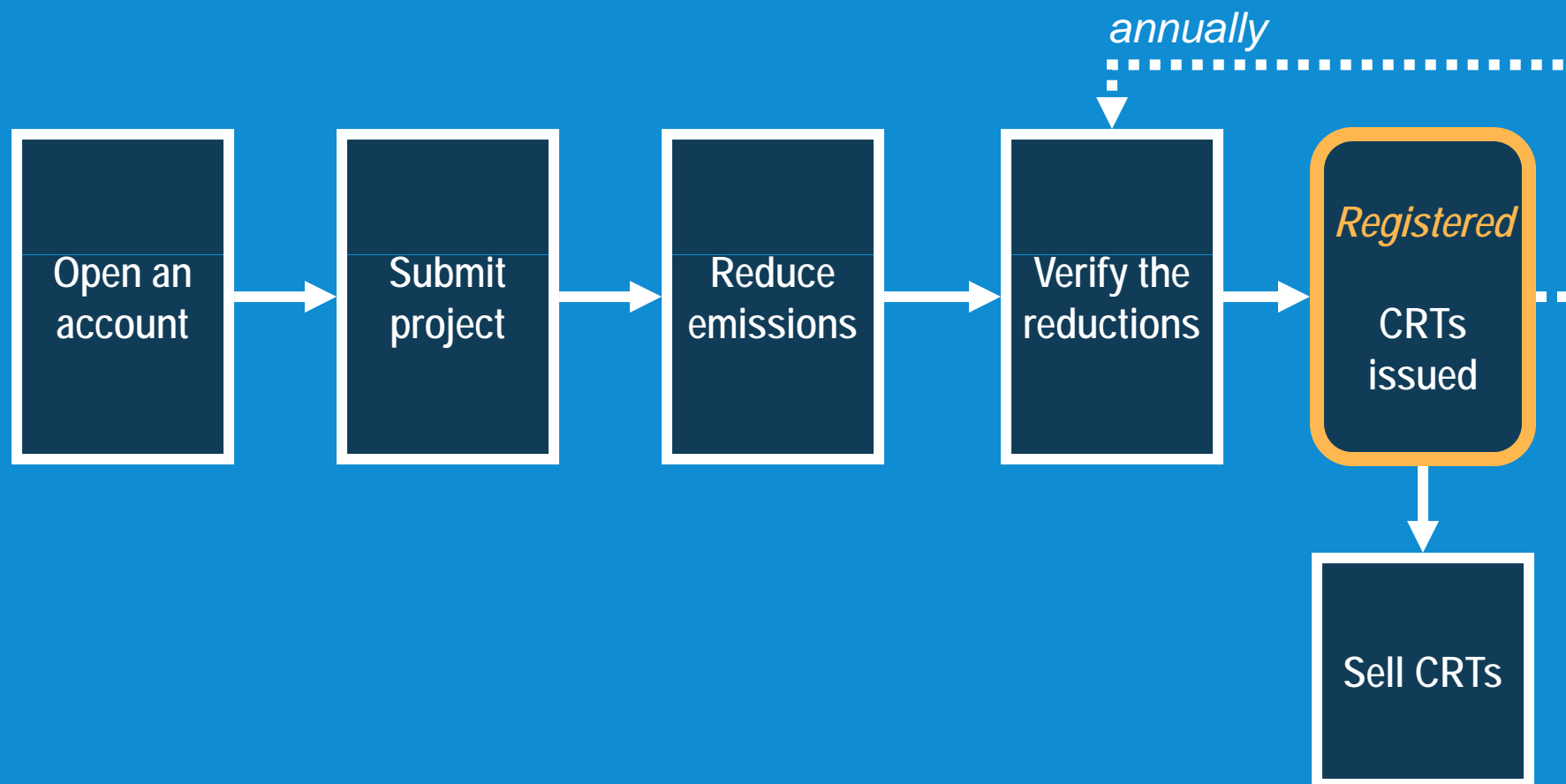


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1. Open an account on the Reserve
2. Submit project for listing
 - Project submittal form and documents
3. Conduct project activities
4. Select verifier
 - Verifier submits conflict of interest form
5. Submit project documents, verification report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

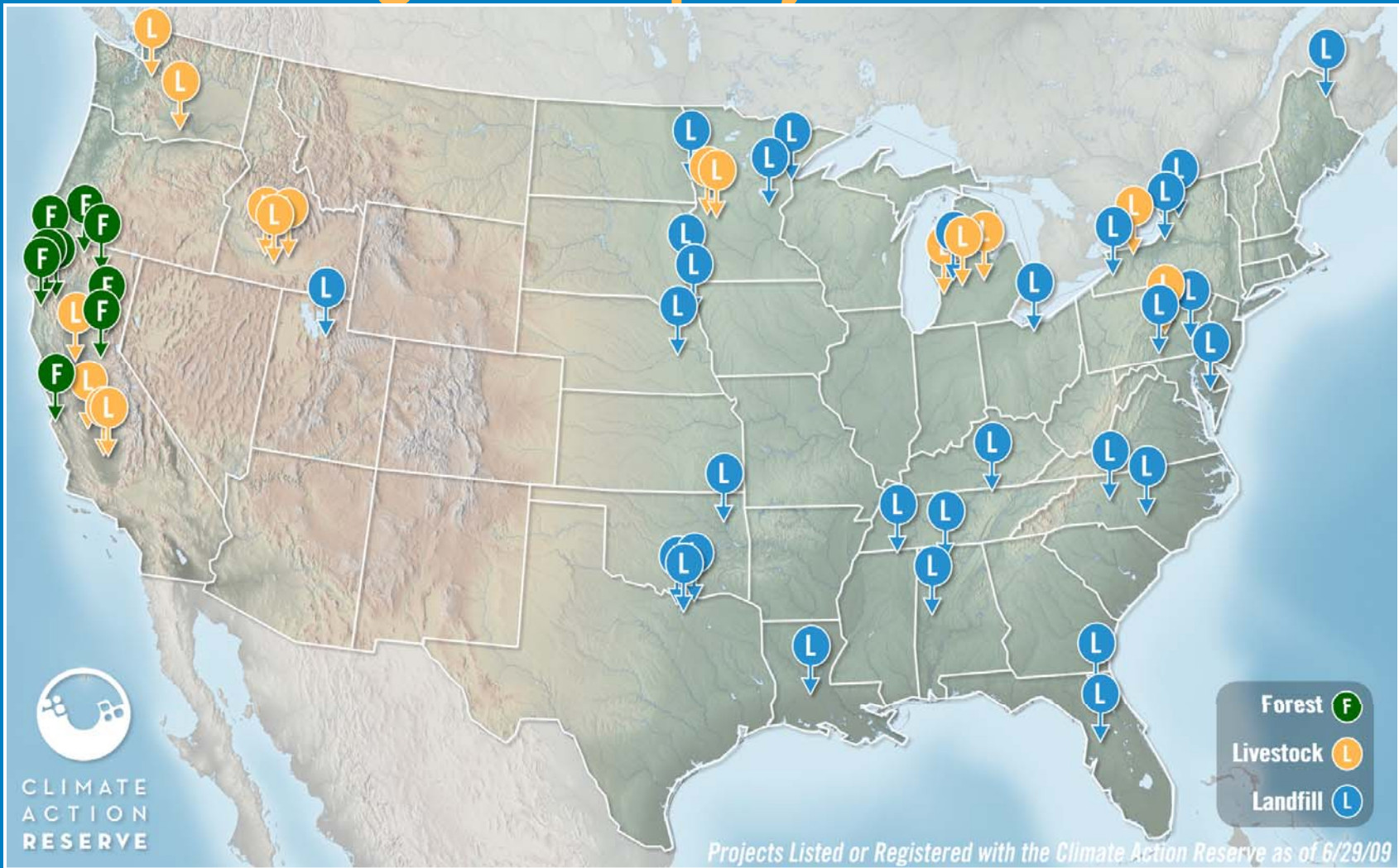
*Increasing to \$.20 on 10/1/2009



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: **119**
- Total submitted projects: **92**
 - 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

Contact Information



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