



CLIMATE  
ACTION  
RESERVE

2010 ANNUAL REPORT



## ABOUT THE CLIMATE ACTION RESERVE

The Climate Action Reserve, a nonprofit organization, works to ensure environmental benefit, integrity and transparency in greenhouse gas (GHG) emissions inventory and reduction accounting, as well as progressive movement in climate change policy. Its name is widely respected as the organic seal of approval for real, permanent and additional GHG emissions reductions. This has been earned, in part, because of its transparent processes, multi-stakeholder approach and rigorous standards. The success of the Reserve's work was clearly evident in 2010 as it upheld its role as North America's largest carbon offset registry and was adopted into California's cap-and-trade program.

## 2010 BOARD OF DIRECTORS

Linda Adams <i>Chair</i>	Secretary for Environmental Protection, California Environmental Protection Agency
Kathleen Brown <i>Secretary</i>	Head of Public Finance for the West Region, Goldman Sachs & Co
Jeffrey Kightlinger <i>Treasurer</i>	General Manager, Metropolitan Water District of Southern California
Jan Schori <i>Audit Committee Chair</i>	Retired, General Manager, Sacramento Municipal Utility District
Randy Armstrong	Environmental Issues Director, Shell Oil Company
Steve Corneli	Senior Vice President, Market and Climate Policy, NRG Energy
Dr. Adrián Fernández Bremauntz	President, National Institute of Ecology (INE), Mexico
Peter Liu	Founder & Vice Chairman, New Resource Bank
James Mack	Head of the British Columbia Climate Action Secretariat, Ministry of Environment
Nancy McFadden	Executive Secretary for Legislation, Appointments and Policy, Office of the Governor, State of CA
Peter M. Miller	Senior Scientist, Natural Resources Defense Council
Elizabeth Moler	Retired, Executive Vice President, Government Affairs and Policy, Exelon Corporation; Former Chair, Federal Energy Regulatory Commission
Tim Profeta	Director, Nicholas Institute for Environmental Policy Solutions, Senior Associate Dean, Duke University
Dr. Stephan Schwartzman	Director, Tropical Forest Policy, Environmental Defense Fund
Carl Zichella	Director of Western Transmission, Natural Resources Defense Council



President Bill Clinton congratulates Gary Gero for the Climate Action Reserve's commitment to address deforestation announced at the Clinton Global Initiative (CGI) 2010 Annual Meeting.



Governor Arnold Schwarzenegger presents British Columbia Premier Gordon Campbell with the Reserve's Climate Action Champion Award at the Governors' Global Climate Summit.



Linda Adams, Secretary of the California Environmental Protection Agency and Chair of the Reserve Board of Directors, delivers welcome remarks at Navigating the American Carbon World.





## LETTER FROM THE PRESIDENT

Despite the lack of a national cap-and-trade program and questions over regional, national and international policy, the Reserve continued to experience solid growth in 2010. Because of our commitment to quality and integrity, we continue to be a safe harbor for those market participants seeking to weather the current storm. And, since the launch of the organization, we have looked back on every year and marveled at our growth and maturation, and we are proud to reflect on our successes and achievements once again.

The Reserve's achievements during 2010 include reaching the milestone of 10 million Climate Reserve Tonnes (CRTs) issued and one million CRTs retired. Participation in the program grew and we finished the year with 350 account holders and 371 projects. We approved two new protocols, Ozone Depleting Substances Project Protocol and Organic Waste Composting Project Protocol, and continued updating and managing our existing protocols. We were also very honored to welcome three new members to our Board of Directors: Dr. Stephan Schwartzman, James Mack and Elizabeth Moler.

One of the most significant areas of growth in 2010 was the Reserve's entrance into a compliance carbon market. In December, the California Air Resources Board adopted four of our protocols and recognized offset credits issued under these protocols for use in the state's cap-and-trade

program. It is truly a privilege to play such a role in the first economy-wide program in the country and one that will undoubtedly serve as a model for other states, regions and countries. This honor is a testament to the Reserve's singular focus on establishing rigorous, transparent and credible standards for carbon offset projects.

Many individuals and organizations deserve our thanks and recognition for fostering the Reserve's continued growth in 2010. We have a deeply committed, highly knowledgeable, and very engaged Board of Directors that has provided us with strong and steady strategic guidance. Our peers and partners who stand firm with us in support of high quality standards for offsets have helped demonstrate the viability and value of the North American carbon market. And we owe particular thanks to the voters of California, who soundly voted to defeat Proposition 23 in the November election. We were very proud to stand together in a coalition of responsible and forward-thinking businesses and organizations in the No on 23 campaign, and we know that together we will continue to advance progress in climate policy in 2011 as we build a real and credible carbon market in California under the leadership of the Air Resources Board.

Sincerely,  
Gary Gero  
President, Climate Action Reserve



## ACHIEVEMENTS

- ✧ **Adopted two new protocols:**  
Ozone Depleting Substances 1.0 *(Feb. 3)*  
Organic Waste Composting 1.0 *(Jun. 30)*
- ✧ **Adopted updated versions of four existing protocols:**  
Forest 3.2 *(Aug. 31)*  
U.S. Livestock 3.0 *(Sep. 29)*  
Mexico Livestock 2.0 *(Sep. 29)*  
Urban Forest 1.1 *(Mar. 10)*
- ✧ **Began development process for four additional protocols:**  
Cropland Management  
Nutrient Management  
Rice Cultivation  
Mexico Forest
- ✧ **Reached milestone of 10 million Climate Reserve Tonnes (CRTs) issued in December**
- ✧ **Reached milestone of one million CRTs retired in December**
- ✧ **Issued first CRTs for coal mine, ozone depleting substances and nitric acid production project types**
- ✧ **Appointed three new members to Board of Directors:** Dr. Stephan Schwartzman, Elizabeth Moler and James Mack
- ✧ **Adopted guidelines for aggregating forest projects in order to facilitate greater participation by small forest landowners**
- ✧ **Accepted the last of the California Climate Action Registry emissions reports and closed the program to support emissions reporting in a consistent and integrated system that stretches beyond California's borders through The Climate Registry**
- ✧ **Joined the No on 23 Coalition and actively worked to defeat Proposition 23, the Dirty Energy Proposition, on the California ballot which would have suspended the state's clean energy and air pollution reduction standards; the Reserve held numerous phone banks, hosted informational webinars and published op eds and blog posts**
- ✧ **Hosted a delegation and five side events at the UNFCCC COP16 in Cancun, including "R20 – Regions of Climate Action," an official UN side event**
- ✧ **Was recognized by President Bill Clinton for the Reserve's commitment to address deforestation in Mexico at the Clinton Global Initiative 2010 Annual Meeting in New York**
- ✧ **Hosted the eighth annual Navigating the American Carbon World conference, which was attended by over 800 delegates and maintained its status as North America's largest carbon event**



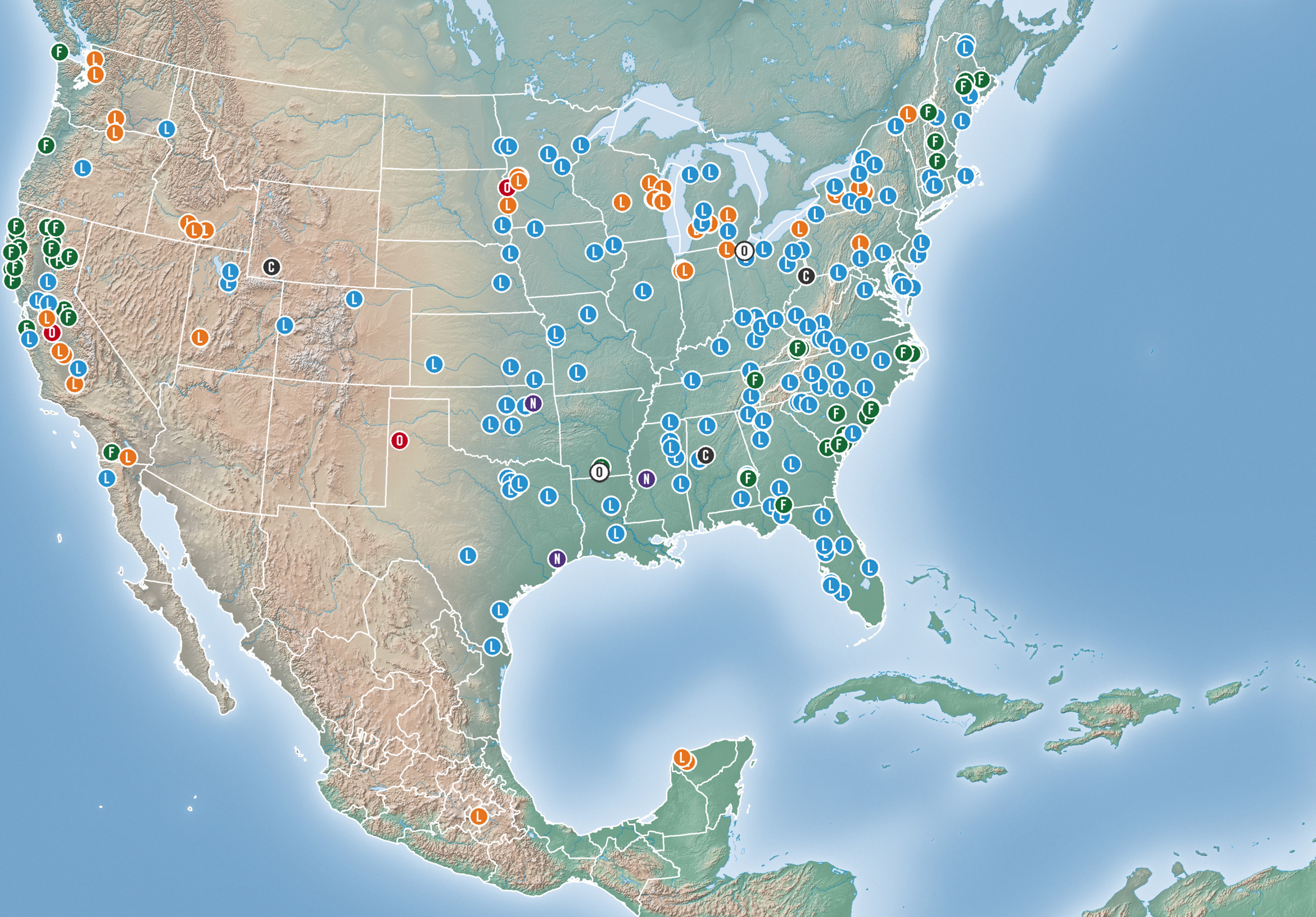
PROJECT MAP

Map Legend

- F Forest
- L Livestock
- O Organic Waste Digestion
- O Organic Waste Composting
- L Landfill
- O Ozone Depleting Substances (ODS)
- N Nitric Acid Production
- C Coal Mine Methane

Reserve Statistics

Account Holders	350
Total Projects	371
Total Registered	73
Total Listed	184
CRTs Issued	10,325,828
Landfill	4,100,143
Livestock	186,289
Forest	1,735,436
Nitric Acid Production	764,358
Coal Mine Methane	25,931
ODS	3,513,671
CRTs Retired	1,111,649







## CLIMATE POLICY EVENTS

The Climate Action Reserve held numerous events in 2010, including webinars, workshops and training courses to offer account holders and stakeholders the opportunities to obtain information about developments and initiatives in carbon and climate policy. Speakers included Senator Fran Pavley, author of California's landmark climate change legislation AB 32; Mary Nichols, Chair of the California Air

Resources Board; and Dr. Adrián Fernández Bremauntz, President of the National Institute of Ecology for Mexico.

The Reserve's annual conference, Navigating the American Carbon World (NACW), was held in San Francisco and attended by over 800 delegates representing business, government and environmental organizations. The conference program delved into a range of

climate leadership topics from state policies to international action, with speakers from California government being joined by key national and international thought leaders. With each year, NACW continues to grow and has earned the reputation of being the premier climate policy event in North America, unrivaled for innovative discussions, outstanding networking and opportunities for collaboration.



## ARB CAP-AND-TRADE PROGRAM DEVELOPMENT

In December, the California Air Resources Board (ARB) voted to adopt four Climate Action Reserve protocols for use in its regulatory cap-and-trade program and to recognize early action credits under them. The four offset protocols adopted by ARB for compliance use are the Reserve's Forest, Urban Forest, Ozone Depleting Substances and Livestock Project Protocols. ARB's

adoption is a strong validation of the environmental integrity, market value and respect earned by the Reserve for its regulatory-quality protocols.

The ARB staff report states, "ARB recognizes the rigor of the voluntary accounting procedures CAR [Climate Action Reserve] adopted to establish that GHG emissions reductions are real, additional and permanent." This clearly

highlights the Reserve's unparalleled stakeholder-driven approach to developing standards that ensures offset credits maintain financial value and provide environmental benefit.

Under the state's cap-and-trade program, covered entities may use approved carbon offsets to account for up to eight percent of their compliance obligations.



## CALIFORNIA CLIMATE ACTION REGISTRY

2010 marked the end of one of the nation's landmark programs in GHG emissions management. After earning the distinction as an internationally-recognized program that was frequently lauded by businesses and environmental groups, the California Climate Action Registry accepted its last emissions inventory reports from its members and officially closed in December.

Launched in 2001 by mandate from the State of California, the pioneering program was designed to assist and encourage California companies to measure, manage and reduce their emissions. It did not take long for the program's success to earn attention outside of the state and for the program to serve as a model for others. The California Climate Action Registry established a foundation for future registries and GHG accounting standards.

Members of the California Climate Action Registry served as true leaders in environmental responsibility. They were among the first in the world to measure their emissions according to comprehensive and rigorous standards and make their emissions publicly accessible online.

*Since the program's launch:*

**863 verified GHG emissions reports were received**

**Those reports represented 972,802,087.81 metric tons CO<sub>2</sub>e of direct and indirect emissions**

**415 members participated in the program**

**270 Climate Action Leaders were recognized**

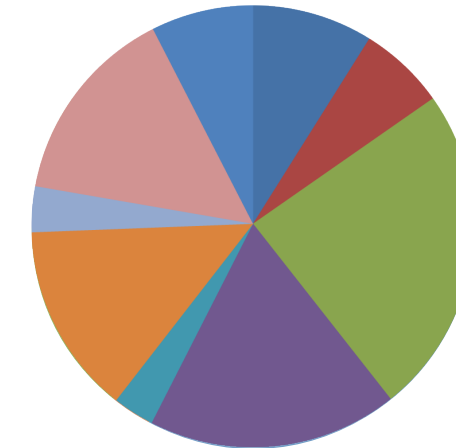
**15 Charter Members supported the program**



## FINANCIAL SUMMARY

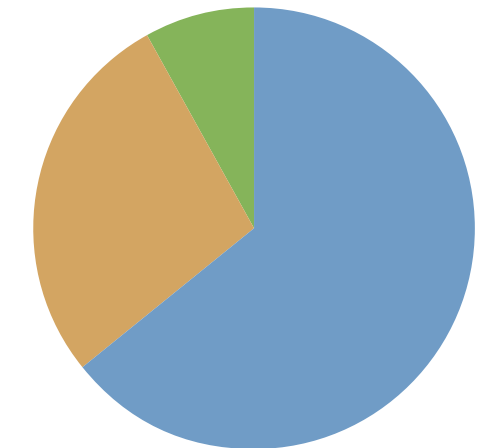
The Climate Action Reserve received a clean audit by an independent professional auditing firm for Fiscal Year 2009-2010.

Revenue and Support



Membership	9%
Conference	7%
Contracts	24%
Reserve Fees	18%
Workshop Income	3%
Member Outreach	14%
Grants/Contributions	3%
Miscellaneous	15%
In-Kind	7%

Expenses



Program Services	65%
Management and General	28%
Fundraising	8%

### Condensed Statement of Financial Position (as of June 30, 2010)

Total Assets	\$1,512,959
Liabilities	\$93,736
Net Assets	\$1,419,223
Total Liabilities and Net Assets	\$1,512,959
Total Revenues and Other Support	\$4,577,023
Expenses	\$4,542,873
Net Income	\$34,150

Our Fiscal Year 2009-2010 IRS Form 990 is available online at [www.climateactionreserve.org](http://www.climateactionreserve.org)





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Photo by Gerald Dollinger

