



CLIMATE
ACTION
RESERVE

2012 Annual Report





Board of Directors

Advisory Board

Right Honorable Kim Campbell
Hon. Gray Davis
Hon. Fran Pavley
Diane Wittenberg
Ed Begley Jr.

Former Prime Minister of Canada
Former Governor, State of California; Of Counsel, Loeb & Loeb
California State Senator
Founding President, California Climate Action Registry
Actor and environmental activist

Governing Board

Linda Adams - *Chair*

Peter M. Miller - *Secretary*
Jeffrey Kightlinger - *Treasurer*
Jan Schori - *Audit Committee Chair*
Randy Armstrong
Dr. Francisco Barnes Regueiro
Dr. Jason Clay
Steve Corneli
Cynthia Cory
Peter Liu
James Mack
Nancy McFadden

Former Secretary for Environmental Protection,
California Environmental Protection Agency
Senior Scientist, Natural Resources Defense Council
General Manager, Metropolitan Water District of Southern California
Retired General Manager, Sacramento Municipal Utility District
Environmental Issues Director, Shell Oil Company
President, National Institute of Ecology (INE), Mexico
Senior Vice President Market Transformation, World Wildlife Fund
Senior Vice President, Market and Climate Policy, NRG Energy
Director, Environmental Affairs, California Farm Bureau Federation
Founder & Vice Chairman, New Resource Bank
Head of the British Columbia Climate Action Secretariat Ministry of the Environment
Executive Secretary for Legislation, Appointments and Policy,
Office of the Governor, State of California
Retired Executive Vice President, Government Affairs and Policy, Exelon Corporation;
Former Chair, Federal Energy Regulatory Commission
Director, Nicholas Institute for Environmental Policy Solutions,
Senior Associate Dean, Duke University
Director, Tropical Forest Policy, Environmental Defense Fund

Elizabeth Moler

Tim Profeta

Dr. Stephan Schwartzman



Letter from the President

2012 was nothing less than a remarkable year for the Climate Action Reserve.

We had much to celebrate. 2012 marked our 10-year anniversary. Our organization originally launched as the California Climate Action Registry with the purpose of creating regulatory-quality standards for measuring and managing greenhouse gas emissions. Over the past decade, we have forged a strong reputation for the quality and comprehensiveness of our work, and I am proud to say the organization still carries the same values for encouraging climate action, environmental integrity and transparency that it did on the day we opened our doors. The high quality of our work was validated in 2012 when the California Air Resources Board adopted four of our offset project protocols to serve under the state's Cap-and-Trade Program and approved the Reserve to serve as an Offset Project Registry. We were also proud that Quebec adapted three of our protocols for use in their climate program.

We also had much to be thankful for in 2012. We were honored to welcome Jason Clay, Senior Vice President of Market Transformation at the World Wildlife Fund, to our

Board of Directors. We also formed a new Advisory Board with five prominent climate leaders and activists taking the first seats. As with every year, we were thankful for the support and collaboration we received from fellow environmental groups, businesses, academic institutions and government agencies who helped us work towards our mission.

As remarkable as 2012 was, the future is even more promising as we find paths to support strong state and federal action on climate change. And, while we were created 10 years ago and have had tremendous success during the past decade, we carry forward with a far deeper level of knowledge, experience, and trust thanks to the ongoing support of friends like you.

Warm regards,
Gary Gero
President, Climate Action Reserve



About the Reserve

The Reserve's carbon offsets have been highly valued in the carbon market due to the integrity, transparency and multi-stakeholder participation in its program. Reserve offsets have been used to meet the sustainability goals of major businesses, organizations and events including Google, the NHL, UPS and the 2012 Olympic Games.

The Climate Action Reserve works to ensure the environmental benefit, integrity and transparency of greenhouse gas (GHG) emissions reduction projects. The Reserve is the most experienced, trusted and efficient offset registry to serve the California Cap-and-Trade Program and the voluntary carbon market.

The Reserve operates the largest accredited registry for the California compliance market and has played an integral role in the development and administration of the state's Cap-and-Trade Program. To date, the California Air Resources Board (ARB) has adopted four of the Reserve's 13 offset protocols (livestock, forest, urban forest and ozone depleting substances) for use in the state's Cap-and-Trade Program.

For the voluntary market, the Reserve establishes high quality standards for carbon offset projects, oversees independent third-party verification bodies and issues and tracks the transaction of carbon credits (Climate Reserve Tonnes) generated from such projects in a transparent, publicly-accessible system. Climate Reserve Tonnes (CRTs) serve as an important resource for organizations to meet emissions goals voluntarily and bring additional sectors into the fight against climate change by providing financial incentive for the voluntary development of projects that reduce or sequester GHG emissions.

2012 Achievements

Approved by the California Air Resources Board to serve as an Offset Project Registry in the state's Compliance Offset Program.

Celebrated the 10-year anniversary of the Climate Action Reserve and its predecessor program, the California Climate Action Registry.

Achieved the milestone of issuing more than 30 million carbon offset credits, which is the equivalent of removing 6.25 million passenger vehicles from the road for one year.

Reached milestone of over 5 million CRTs retired. Retired CRTs are permanently removed from further transactions to offset carbon emissions.

Dr. Jason Clay, Senior Vice President Market Transformation at World Wildlife Fund, joined the Reserve Board of Directors, strengthening the Board's global environmental perspective and agriculture expertise.

Formed a new Advisory Board of Directors comprised of five prominent climate leaders and activists: former Canadian Prime Minister, Rt. Hon. Kim Campbell; Hon. Gray Davis, the former governor of California; California State Senator Fran Pavley; Diane Wittenberg, former founding president of the California Climate Action Registry; and actor and environmental activist Ed Begley, Jr.

Became the first registry to begin accepting offset projects under ARB's compliance offset protocols for California's Cap-and-Trade Program.

Adopted the Nitrogen Management Project Protocol Version 1.0.

Adopted updated versions of three protocols to provide technical changes, clarifications and improvements:

- Forest Project Protocol Version 3.3
- Coal Mine Methane Project Protocol Version 1.1
- U.S. and Article 5 ODS Project Protocols Version 2.0

Released updated guidance for quantifying and verifying forest project carbon stocks.

Updated the environmental and social safeguards policy, which ensures that the projects the Reserve registers not only help to mitigate climate change but also avoid causing environmental or social harms more broadly.

Registered the first project under the Organic Waste Composting Project Protocol. The Cedar Grove Composting Project in Everett, Washington composts approximately 200,000 tons of organic waste annually.

Registered the first reforestation project under the Forest Project Protocol. The Cuyamaca Rancho State Park Reforestation Project involves the restoration of a conifer forest which was destroyed by a significant natural disturbance in 2003. The goals of the project are to restore the biodiversity and ecosystem functioning of the park and protect it from threats of damaging wildfire, disease, and invasive exotics.

Gary Gero provided testimony on opportunities for Mexico offset credits before the California State Senate Select Committee on California-Mexico Cooperation.

Successfully hosted the 10th annual Navigating the American Carbon World conference, providing key updates and analysis on climate policy and carbon markets to nearly 600 attendees.

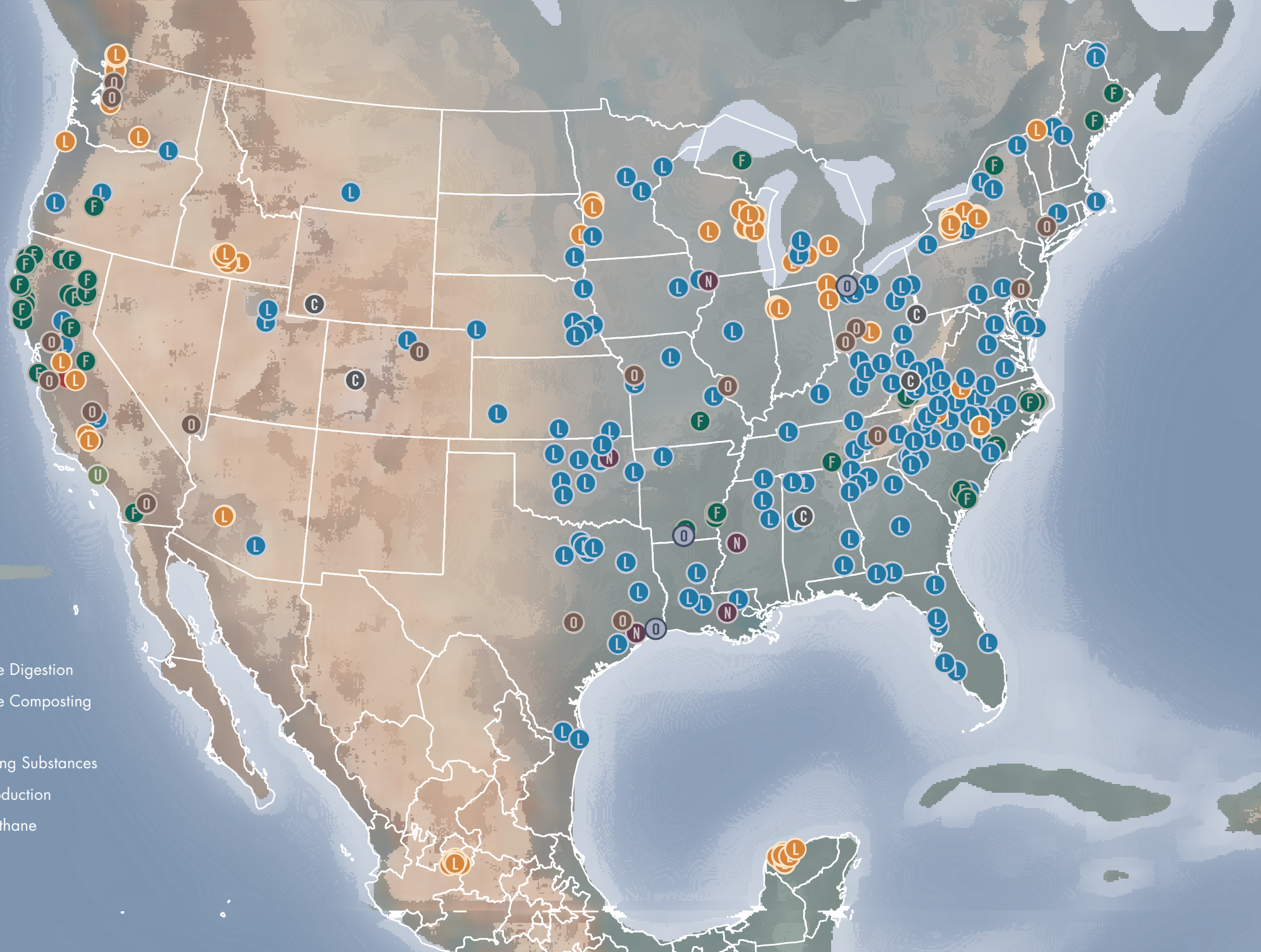
Co-hosted a well-attended official side event at UNFCCC COP 18 in Doha with the World Business Council for Sustainable Development (WBCSD) on new and bottom-up approaches to carbon markets. Derik Broekhoff, VP of Policy, spoke on the panel and presented information on the California carbon market.

The Reserve was featured in several key media publications, including the New York Times, Thomson Reuters Point Carbon, E&E TV, Environmental Finance, Forbes, Carbon Trading Magazine, AOL Energy, KQED, Ecosystem Marketplace, Corn & Soybean Digest, and KPCC.



Project Map

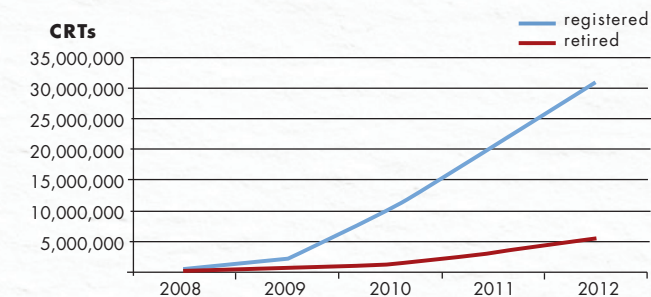
- F Forest
- L Livestock
- O Organic Waste Digestion
- O Organic Waste Composting
- L Landfill
- O Ozone Depleting Substances
- N Nitric Acid Production
- C Coal Mine Methane
- U Urban Forest



Reserve Statistics 2012

ACCOUNT HOLDERS	353
TOTAL PROJECTS	494
Total Registered	174
Total Listed	150
Total New	158
Total Completed	12
CRTs ISSUED	30,853,367
Landfill	11,604,331
Livestock	852,902
Ozone Depleting Substances	9,636,675
Coal Mine Methane	238,954
Nitric Acid Production	3,053,155
Organic Waste Digestion	44,457
Organic Waste Composting	79,091
Forest	5,343,802
CRTs RETIRED	5,583,360

Growth of the Reserve



10th Anniversary

In 2012, the Climate Action Reserve celebrated its 10th anniversary as an organization and a decade of striving to create and implement high quality standards and collaborative approaches to manage and reduce GHG emissions. The organization was created as the California Climate Action Registry by the State of California in 2001 with the purpose of protecting and promoting early actions to reduce GHG emissions. The California Climate Action Registry was a trailblazer. It served as a model for other programs and influenced climate change policy, including California's landmark clean energy and climate change law, AB 32. And, it helped over 415 pioneering corporations, organizations, government agencies and

municipalities to voluntarily calculate and publicly report their annual emissions. On April 1, 2009, it went through a restructuring and the Climate Action Reserve became the parent organization of the California Climate Action Registry. The Reserve applied its internationally-recognized work in GHG accounting standards to emissions reduction projects and quickly established itself as the largest domestic offset registry in the U.S. and the most trusted and efficient registry to serve the carbon markets. At the end of 2012, it had issued over 30 million carbon offset credits and had nearly 500 offset projects in its system in 45 U.S. states and Mexico. And, it was officially approved to serve California's groundbreaking Cap-and-Trade Program.

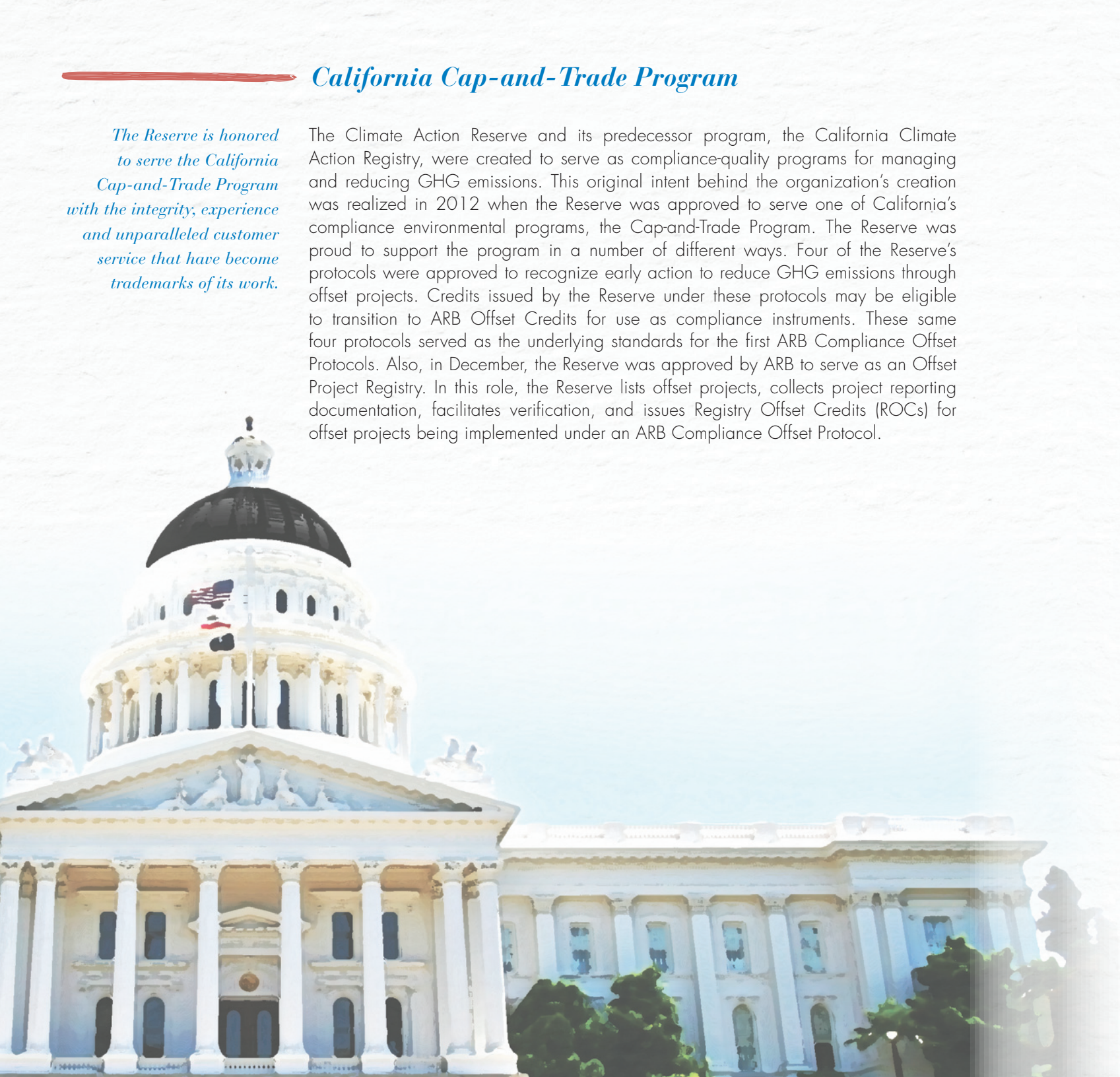
Navigating the American Carbon World

2012 also marked the 10th anniversary of the Navigating the American Carbon World (NACW) conference, North America's largest carbon event. The conference provided key information, insights and collaborative resources for nearly 600 active and pioneering leaders in climate policy and carbon management. By bringing together experts and thought-leaders in all arenas of the carbon landscape - including government, academia, business and advocacy - for the past 10 years, NACW has established itself as the most important forum for stakeholders engaged in climate change policy and markets to learn, share and collaborate.

The Reserve welcomed a distinguished lineup of speakers that included: William K. Reilly, Administrator, U.S. EPA (1989-1993); Mary Nichols, Chair, California Air Resources Board; Tim Lesiuk, Executive Director of Business Development and Chief Negotiator, British Columbia Climate Action Secretariat; John Laird, Secretary, California Natural Resources Agency; Matt Rodriguez, Secretary for Environmental Protection, California Environmental Protection Agency; Karen Ross, Secretary, California Department of Food and Agriculture; and Tim Profeta, Founding Director, Nicholas Institute, Duke University.

The support of our speakers, delegates, sponsors and exhibitors helped NACW 2012 live up to its reputation as the premiere national carbon markets conference.





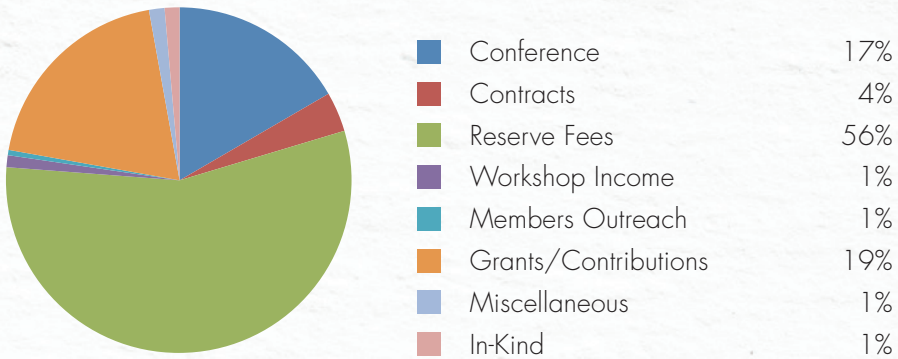
California Cap-and-Trade Program

The Reserve is honored to serve the California Cap-and-Trade Program with the integrity, experience and unparalleled customer service that have become trademarks of its work.

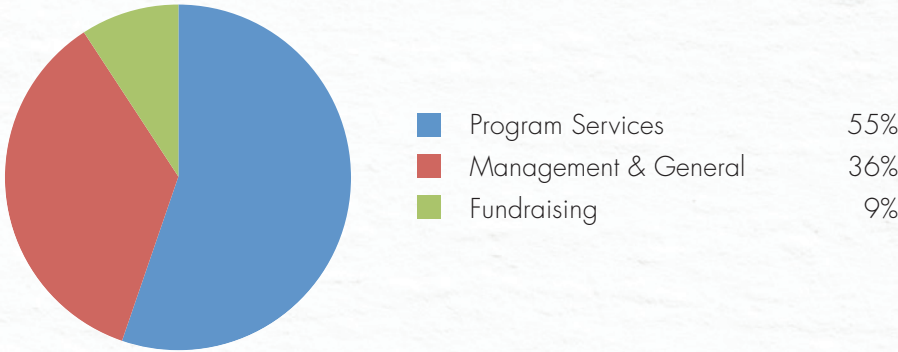
The Climate Action Reserve and its predecessor program, the California Climate Action Registry, were created to serve as compliance-quality programs for managing and reducing GHG emissions. This original intent behind the organization’s creation was realized in 2012 when the Reserve was approved to serve one of California’s compliance environmental programs, the Cap-and-Trade Program. The Reserve was proud to support the program in a number of different ways. Four of the Reserve’s protocols were approved to recognize early action to reduce GHG emissions through offset projects. Credits issued by the Reserve under these protocols may be eligible to transition to ARB Offset Credits for use as compliance instruments. These same four protocols served as the underlying standards for the first ARB Compliance Offset Protocols. Also, in December, the Reserve was approved by ARB to serve as an Offset Project Registry. In this role, the Reserve lists offset projects, collects project reporting documentation, facilitates verification, and issues Registry Offset Credits (ROCs) for offset projects being implemented under an ARB Compliance Offset Protocol.

Financial Summary

Revenue and Support



Expenses



Condensed Statement of Financial Position

Total Assets	\$	4,848,324
Liabilities	\$	3,112,758
Net Assets	\$	1,765,566
Total Liabilities and Net Assets	\$	4,878,324
Total Revenues and Other Support	\$	4,087,593
Expenses	\$	3,821,185
Net Income	\$	266,408

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