



CLIMATE  
ACTION  
RESERVE

# 2016 ANNUAL REPORT



Dear friends and colleagues:

The climate community experienced some significant ups and downs in 2016. We saw the Paris Agreement coming into force, the Montreal Protocol signatories agreeing to phase out hydrofluorocarbons in Kigali, and the International Civil Aviation Organization agreeing to begin reducing airline emissions – all important milestones in the advancement of climate solutions. But 2016 also brought the warmest year in recorded history, global carbon dioxide levels permanently passing the symbolic milestone of 400 ppm, and a new U.S. President with a decidedly anti-climate science slate of policies and appointments.

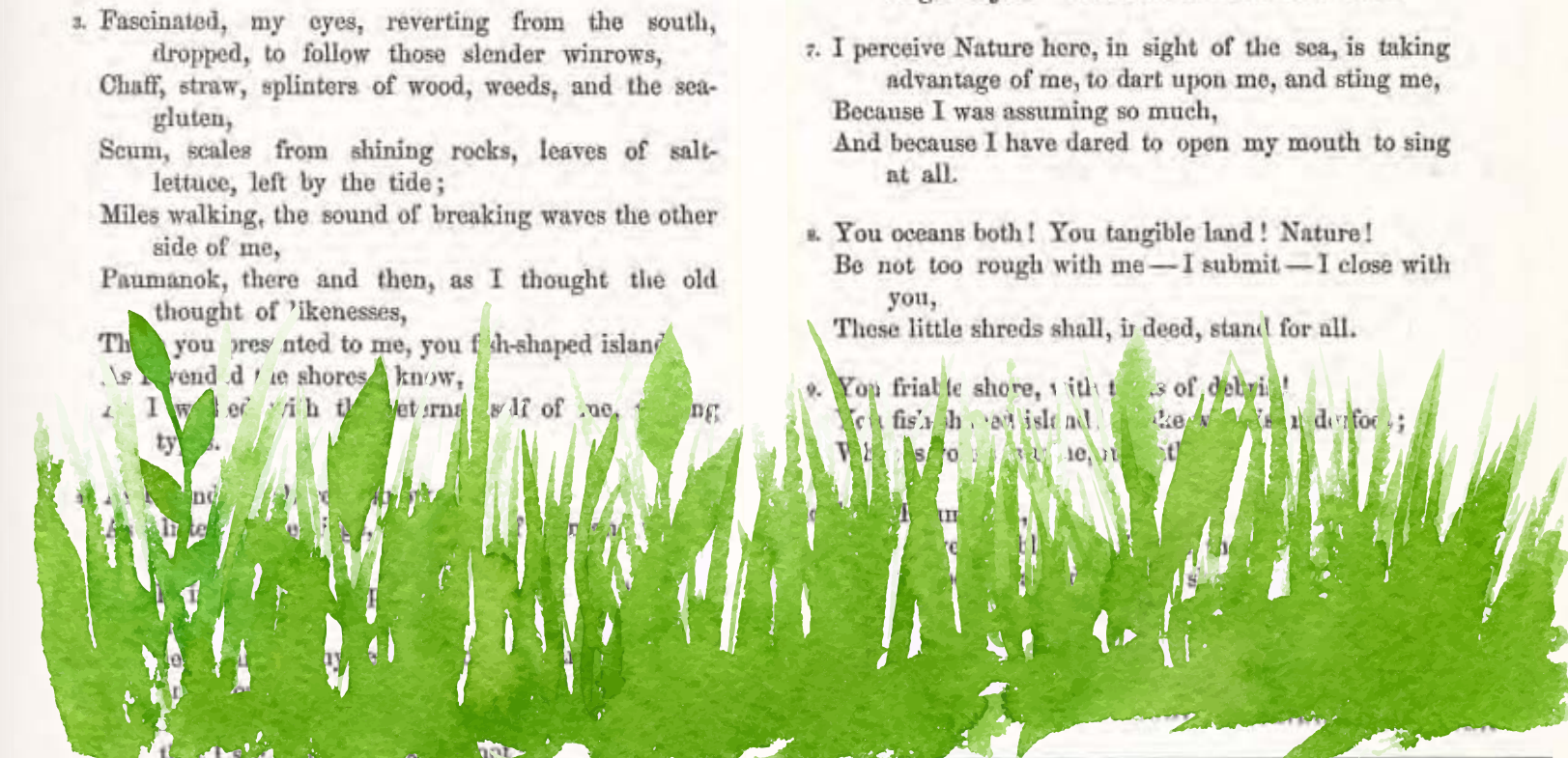
In response to the changing political atmosphere in Washington DC, the climate and carbon community in the U.S. and around the globe have strengthened their commitment and resolve to push forward with pioneering climate change initiatives. The challenge we face demands no less. Subnational and other governments are stepping up to the challenge and making stronger commitments to emissions reductions and clean energy investments. We are honored and humbled to be working with subnational governments throughout North America, including California, Washington, Ontario, Quebec, and San Juan Lachao, to develop, promote, and support innovative, credible market-based climate change solutions that benefit economies, ecosystems and society.

In 2016, the Reserve made tremendous strides in the growth and expansion of our programs and services. Our core offsets program grew to surpass the milestones of 85 million offsets issued and 25 million Climate Reserve Tonnes (CRTs) retired. Under California’s compliance offset program, the Reserve surpassed the milestone of 19 million Registry Offset Credits (ROCs) issued.

The Reserve also expanded into new sectors by beginning verification of the first pilot forest carbon offset project under the Mexico Forest Protocol and adopting the Mexico Boiler Efficiency Project Protocol, which provides another opportunity for businesses in Mexico to participate in the North American carbon market. In another cross-border collaboration, the Reserve is supporting the expansion of the North American carbon market by adapting 13 protocols to facilitate the creation of high quality offsets for use in GHG cap and trade programs that have been or may be implemented in Ontario and Quebec with our partners Viresco Solutions, Brightspot Climate, Cap-Op Energy, Green Analytics, and ÉcoRessources.

We appreciate the importance and opportunity to collaborate with our neighbors, build upon the knowledge and experience of successful emissions reduction programs, and expand the reach and scope of actions that combat global climate change. Thank you to our partners and colleagues for your leadership and commitment to action, collaboration, and innovation. We look forward to continue working with all of you on new challenges and opportunities in 2017!

Warm regards,  
Craig Ebert



# About the Climate Action Reserve

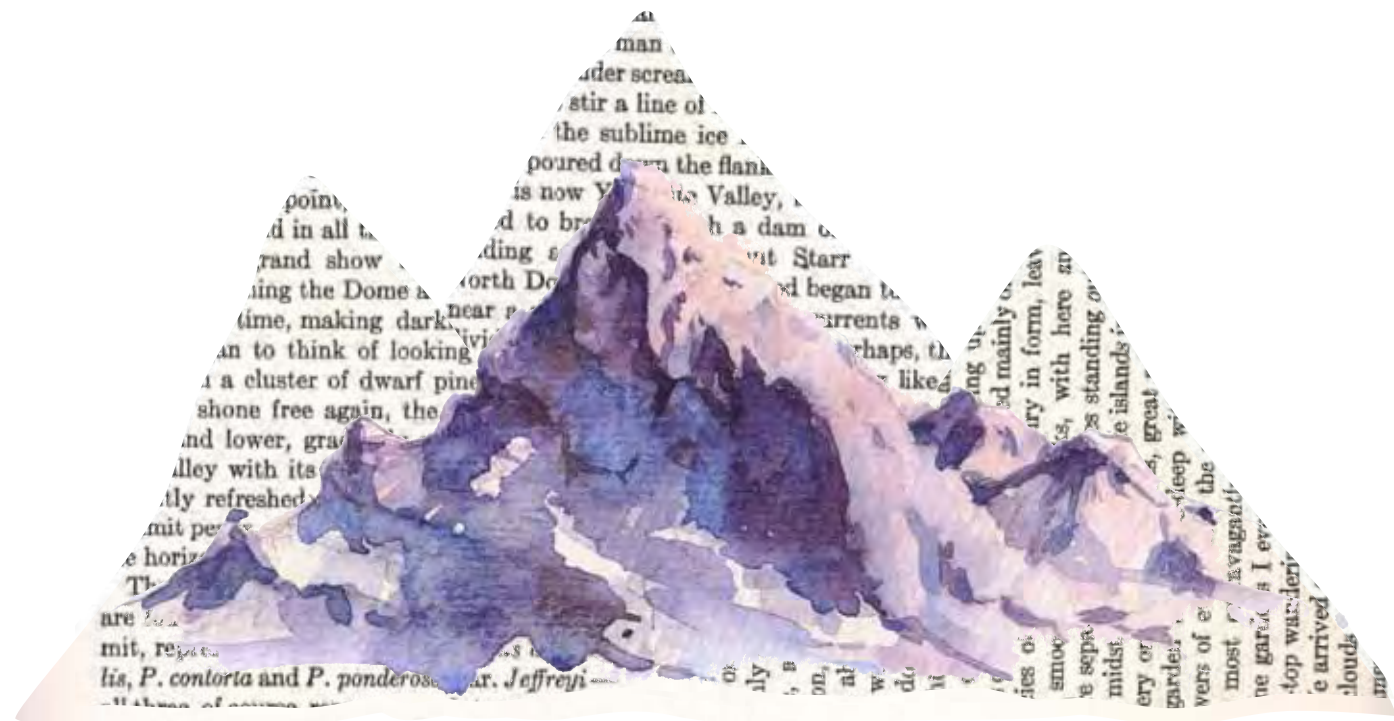
The Climate Action Reserve is a pioneer in carbon accounting and the most experienced, trusted and efficient offset registry to serve the carbon markets. With deep roots in California and a reach across North America, the Reserve encourages actions to reduce greenhouse gas emissions and works to ensure environmental benefit, integrity and transparency in market-based solutions to address global climate change. It 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. 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.

Drawing from this experience and knowledge in creating and encouraging regulatory-quality standards for greenhouse gas assessment, the Reserve expanded its work into the arena of assessing the climate impact of projects financed by investments. Its Climate Impact Score program quantifies the greenhouse gas impact of investments and supports the growth of investments that positively impact the environment.

The Climate Action Reserve is a private 501(c)(3) nonprofit organization headquartered in Los Angeles, California.





# The Reserve's Growth & Expansion

## GROWTH OF THE RESERVE

In June 2016, Craig Ebert was named President of the Climate Action Reserve by the Board of Directors. As President, Craig oversees the organization's continued leadership and commitment to ensuring offsets are a trusted and powerful economic tool for reducing emissions. He also leads the organization in identifying and entering into other opportunities that build upon the its knowledge and expertise and further its work under its mission and vision. Craig joined the Reserve in summer 2015 as Vice President of Policy, and prior to that he advised the Western Climate Initiative (WCI) and served at ICF for nearly 34 years.

We expanded our team with the addition of Amy Kessler as Policy Associate, Lauren Johnstone as Reserve Administrator, Jon Remucal as Senior Forest Policy Manager, and Trevor Anderson as Policy Associate.

Gary Gero joined the Reserve Board of Directors. Gary retired as President of the organization at the end of December 2015 after serving for nearly nine years. During his tenure, he helped launch the Reserve from the California Climate Action Registry and led the organization's development to become North America's leading offset registry, a respected collaborator and an internationally respected pioneer in rigorous offset standards.

## EXPANSION OF PROGRAMS

The Reserve won a bid from the government of Ontario to develop 13 protocols to facilitate the creation of high quality offsets for use in GHG cap and trade programs that have been or may be implemented in Ontario and Québec. The Reserve's Canadian partners for the work include Viresco Solutions, Brightspot Climate, Cap-Op Energy, Green Analytics and ÉcoRessources. Ontario has identified 3 priority project types for protocol development: mine methane capture and destruction, landfill gas capture and destruction, and ozone depleting substances capture and destruction. In addition, the Reserve will be adapting GHG offset protocols for livestock, organic waste digestion, organic waste management, forest, afforestation, urban forest, grassland, conservation cropping, refrigeration systems, and fertilizer management in agriculture.

The Reserve launched the Climate Impact Score program to assess the greenhouse gas impact of climate investments. The pioneering new program is first being applied to the green bonds market, and the Reserve completed quantifications of greenhouse gas emissions reductions for green bonds issued by the Connecticut Green Bank and Rhode Island Infrastructure Bank.

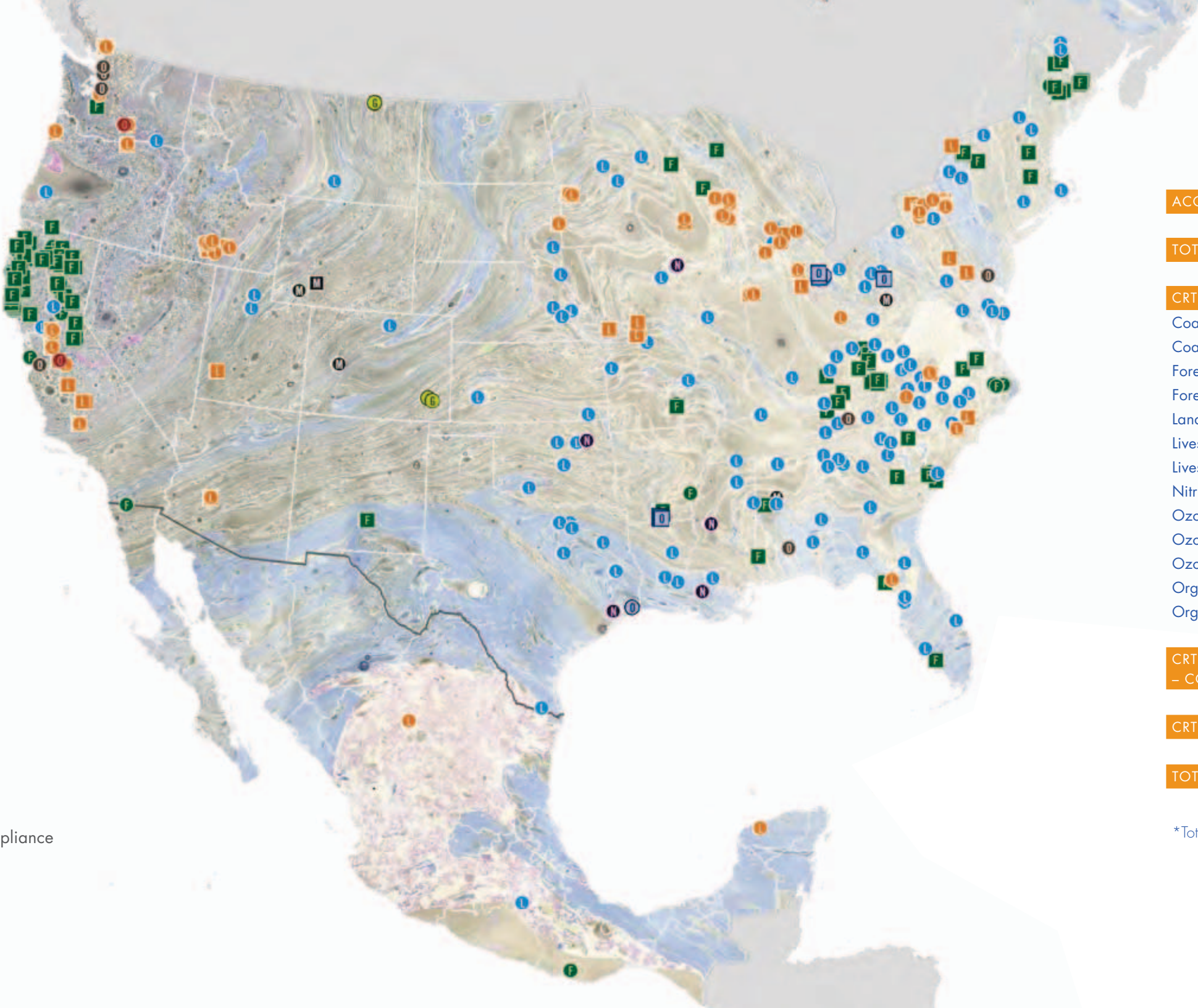
The Reserve began development of a Direct Reduction Program for offsite activities of development projects, which entail approving methodologies and projects, overseeing independent third parties, and issuing and tracking credits. The Direct Reduction Program is designed to be consistent with widely recognized GHG project accounting principles including relevance, completeness, consistency, transparency, accuracy, and conservativeness. The program requires greenhouse gas emissions reduction projects to be additional, unique, conservatively estimated, and not cause adverse environmental, social, or economic impacts.





PROJECT MAP

- F Forest
- G Grassland
- L Landfill
- L Livestock
- M Mine Methane
- N Nitric Acid Production
- O Organic Waste Composting
- O Organic Waste Digestion
- O Ozone Depleting Substances
- F Forest - compliance
- L Livestock - compliance
- M Mine Methane - compliance
- O Ozone Depleting Substances - compliance



Reserve Statistics

As of December 31, 2016

ACCOUNT HOLDERS255

TOTAL PROJECTS\*492

CRTS ISSUED86,748,471

Coal Mine Methane - compliance	189,455
Coal Mine Methane - voluntary	1,209,440
Forestry – compliance	14,356,067
Forestry – voluntary	17,303,725
Landfill	25,120,835
Livestock – compliance	1,342,937
Livestock – voluntary	2,607,683
Nitric Acid Production	10,136,624
Ozone Depleting Substances – U.S.– compliance	3,376,270
Ozone Depleting Substances – U.S.– voluntary	6,465,385
Ozone Depleting Substances – Article 5	4,009,926
Organic Waste Composting	527,374
Organic Waste Digestion	102,750

CRTS/ROCS CONVERTED TO ARBOCS  
– COMPLIANCE AND EARLY ACTION35,862,195

CRTS IN THE FOREST BUFFER POOL161,602

TOTAL CRTS RETIRED25,085,555

\*Total includes new, listed, registered, and completed projects



## PROTOCOLS

On November 1, the Reserve Board of Directors adopted the Mexico Boiler Efficiency Project Protocol Version 1.0, which provides a standardized approach for quantifying, monitoring, and verifying GHG emissions reductions from energy efficiency upgrades to boilers in Mexico. The protocol development effort was supported by funding from the Mexico’s Secretariat of Energy (SENER) through the Fund for Energy Transition and Sustainable Use of Energy (FOTEASE), as well as the U.S. Agency for International Development (USAID), who provided funding through their Mexico Low Emission Development Program, implemented by Tetra Tech.

The Reserve published the Mexico Forest Protocol Version 1.2 in May and Version 1.3 in November. The Mexico Forest Protocol went through several modifications during the pilot testing of a project in Oaxaca. Those changes involved several clarifications and modifications to improve the implementation of the protocol, which provides standardized guidance for carbon enhancement projects while addressing social and environmental safeguard requirements.

The Reserve revised the Nitric Acid Production Project Protocol to Version 2.1 after a stakeholder consultation and public comment period process.

Version 2.0 of the Grassland Project Protocol began development. The draft protocol was released for a 30-day public comment period in November.

The Reserve began the protocol revision process for the Forest Project Protocol. The update is expected to allow for forestry projects located in Hawaii to earn carbon credits in the North American voluntary carbon market.

## OFFSETS PROGRAM

The Reserve surpassed the exciting milestones of 85 million CRTs issued and 25 million CRTs retired for environmental benefit.

Under California’s compliance offset program, the Reserve surpassed 19 million ROCs issued, with more than one million ROCs and ARBOCs issued to livestock compliance projects and three million ROCs and ARBOCs issued to ODS compliance projects.

During 2016, the Reserve registered 47 compliance projects; that’s 11 more than in 2015 and 46 percent of the Reserve’s total of 103 registered compliance projects.

Climate Reserve Tonnes (CRTs) from offset projects located in the State of Washington under the Reserve’s Landfill, Livestock, Organic Waste Digestion, Organic Waste Composting and Nitric Acid Production Project Protocols are eligible as State of Washington Emission Reduction Units (ERUs) under the state’s Clean Air Rule. The Reserve has registered 11 offset projects that meet the Clean Air Rule criteria and has issued 755,437 CRTs to those projects to date.

Raven’s Nest and Heartland Ranch, both from the Southern Plains Land Trust (SPLT), are the first two grassland offset projects to be listed with the Climate Action Reserve. The pilot projects were made possible through a USDA

NRCS Conservation Innovation Grant (CIG) and were developed with the assistance of EDF and The Climate Trust.

## EVENTS

The Navigating the American Carbon World conference united climate and carbon professionals from business, nonprofit, academia, and government to network, learn, and collaborate. NACW 2016 took a close look at domestic and international climate policy, carbon markets and green investments. The stellar speaker lineup included key climate leaders, such as keynote speakers Hon. Kevin de Leon, President pro Tempore, California State Senate; Hon. John Chiang, Treasurer of the State of California; Janet McCabe, Assistant Administrator, U.S. EPA; and Diane Regas, Executive Director Environmental Defense Fund.

The Climate Action Reserve was honored to once again jointly host a delegation to the UNFCCC Conference of the Parties (COP) with The Climate Registry. The delegation included California State Senate President pro Tempore Kevin De León, California EPA Secretary Matt Rodriguez, Director of Governor Brown’s Office of Planning and Research Ken Alex, Vermont Natural Resources Secretary Deborah Markowitz and Governor Inslee’s Senior Advisor on Climate Change Chris Davis. The Reserve hosted an official UN side event in partnership with Georgetown University and The Climate Registry, and hosted another side event in the IETA Pavilion.







# Board of Directors

## ADVISORY BOARD

**Right Honorable Kim Campbell**  
Former Prime Minister of Canada

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

**Hon. Fran Pavley**  
California State Senator

**Diane Wittenberg**  
Founding President, California Climate  
Action Registry

**Ed Begley, Jr.**  
Actor and environmental activist

## GOVERNING BOARD

- Linda Adams, Chair**  
Former Secretary for Environmental Protection, California Environmental Protection Agency
- Peter Liu, Vice Chair**  
Managing Director, Clean Energy Advantage Partners; Founder, New Resource Bank
- Peter M. Miller, Secretary**  
Senior Scientist, Natural Resources Defense Council
- Jeffrey Kightlinger, Treasurer**  
General Manager, Metropolitan Water District of Southern California
- Jan Schori, Audit Committee Chair**  
Retired General Manager, Sacramento Municipal Utility District
- Steve Corneli**  
Clean Energy Advisor
- Cynthia Cory**  
Director, Environmental Affairs, California Farm Bureau Federation
- Gary Gero**  
Chief Sustainability Officer, County of Los Angeles
- Rodolfo Lacy Tamayo**  
Undersecretary for Environmental Policy and Planning,  
Mexico Secretariat of Environment and Natural Resources
- John Laird**  
Secretary, California Natural Resources Agency
- Melissa A. Lavinson**  
Vice President, Federal Affairs, PG&E Corporation
- Betsy Moler**  
Retired Executive Vice President, Government Affairs and Policy, Exelon Corporation;  
Former Chair, Federal Energy Regulatory Commission
- Heather O’Neill**  
Vice President, Strategic Partnerships, Advanced Energy Economy
- Tim Profeta**  
Director, Nicholas Institute for Environmental Policy Solutions; Assoc Prof  
of the Practice at the Sanford School of Public Policy, Duke University
- Dr. Steve Schwartzman**  
Director, Tropical Forest Policy, Environmental Defense Fund
- Nancy Sutley**  
Chief Sustainability and Economic Development Officer, Los Angeles Department  
of Water and Power

## FISCAL YEAR 2016 REVENUE AND SUPPORT



## FISCAL YEAR 2016 EXPENSES



## CONDENSED STATEMENT OF FINANCIAL POSITION

Total Assets	\$	\$9,306,671
Liabilities	\$	\$7,176,338
Net Assets	\$	\$2,130,333
Total Liabilities and Net Assets	\$	\$9,306,671
Total Revenues and Other Support	\$	\$3,657,308
Expenses	\$	\$3,221,742
Changes in Net Assets	\$	\$435,566

# Financial Summary



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I

When we see a natural product, we have a distinct but not formal sense of it. We mean the integrity of the natural product.