



CLIMATE
ACTION
RESERVE

2019 ANNUAL REPORT



Letter from the President

2019 was the second hottest year on record. From unprecedented and record-shattering heatwaves across Europe to devastating wildfires from Australia to Alaska, our changing climate is causing destructive and irreversible damage to life as we know it. And these disasters are primed to increase in frequency, intensity, and duration as the heat-trapping climate pollution in our atmosphere continues to rise.

It is up to us to prevent and reverse the unrelenting upward trend in temperatures as greenhouse gas emissions trap heat in the atmosphere and change our global climate. There is much work to be done, and climate leaders across North America - from states, provinces, cities, businesses, universities, nonprofits, and members of the public - are very much engaged in the urgent fight to address climate change. Public concern about climate change is already being reflected in new and ambitious state and local climate proposals and policies, in corporate climate strategies, and in every aspect of life from agriculture and land use, buildings and energy use, and international air travel.

Here at the Climate Action Reserve we forged ahead in our work to advance climate solutions and help achieve emissions reductions at the urgency and scale needed. In 2019, we continued the expansion of our program to new geographies and sectors across North America. We adopted the Canada Grassland Protocol - our first protocol for use in Canada, greatly strengthened opportunities in Mexico through protocol updates and collaborations with communities, and began work to develop protocols in new sectors, including adipic acid production and soil enrichment.

The Climate Forward program, which accelerates action on climate change by encouraging companies and organizations to proactively invest today in projects that mitigate future greenhouse gas emissions, grew significantly with the adoption of the first three methodologies for the program, addressing emission reductions through the use of solar PV panels, dairy digesters, and cookstoves. Additional methodologies are scheduled for adoption in 2020, including reforestation and mature forest management.

Thank you for the partnerships, collaborations, and support that make our achievements possible. We look forward to continuing and strengthening our collaboration in the year ahead.

Best regards,
Craig Ebert, President

About the Climate Action Reserve

The Climate Action Reserve is an environmental nonprofit organization that encourages the reduction of greenhouse gas (GHG) emissions by working to ensure environmental benefit, integrity, and transparency in market-based policies and solutions.

The Reserve serves as an approved Offset Project Registry (OPR) for the State of California's Cap-and-Trade Program, playing an integral role in supporting the creation and administration of compliance offsets. The Reserve also establishes high quality standards for offset projects in the North American voluntary carbon market and operates a transparent, publicly-accessible registry for carbon credits generated under its standards.

Drawing from its experience and knowledge in GHG accounting, the Reserve also operates two innovative programs that advance climate solutions and emissions reductions opportunities. The Climate Impact Score program provides a standardized approach to quantify an investment's expected GHG reductions. By quantifying and assessing the climate impact of projects financed by investments, Climate Impact Score brings transparency and confidence to an investment's impact on the environment.

Climate Forward issues emission reduction credits on an ex ante basis to encourage proactive investment in a wide variety of innovative, creative projects that mitigate future GHG emissions. It encourages companies to accelerate action on climate by addressing future emissions now rather than waiting for emissions to be generated and then addressed after the fact.

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

2019 Achievement Highlights

Board and staff

- ✿ Welcomed Teveia Barnes, former Executive Director of the California Infrastructure and Economic Development Bank (IBank), to the Reserve Board of Directors in May 2019. After retiring from IBank, Ms. Barnes serves as Executive Director of Lawyers for One America, a nonprofit organization that promotes diversity in the legal profession and offers free legal advice and services to underserved communities in the San Francisco Bay area.
- ✿ Welcomed Katie Sullivan, Managing Director of IETA, to the Reserve Board of Directors in August 2019. Ms. Sullivan leads efforts at IETA to inform market solutions to address environmental challenges across the Americas and globally.
- ✿ Anita Yombo joined our team as Office Manager.
- ✿ Aurelia Casarrubias joined our team as Reserve Administrator.

Protocols

- ✿ Adopted our first offset protocol available for use in Canada. The Canada Grassland Protocol prevents emissions of GHGs by conserving grassland carbon stocks and avoiding crop cultivation activities on eligible lands in Canada. The protocol was made possible by support from the Canadian Forage & Grassland Association and Viresco Solutions.
- ✿ Released the following updated protocols: Forest Protocol Version 5.0, U.S. Landfill Protocol Version 5.0, Nitric Acid Production Protocol Version 2.2, and Urban Forest Management Version 1.1.
- ✿ Launched the protocol development process for the Adipic Acid Production Protocol.
- ✿ Began the protocol update process for Mexico Forest Protocol to Version 2.0.
- ✿ Started proceedings to launch development for a Soil Enrichment Protocol. Protocol development is being funded by Indigo Ag.
- ✿ Kicked off Mexico ODS protocol update consideration – research and scoping for potential expansion of eligible substances.

Program and resources

- ✿ Updated the Reserve Offset Program Manual with expanded language and improved clarity.
- ✿ Conducted a stakeholder survey on non-GHG impacts (such as co-benefits) of carbon projects.
- ✿ Participated in a multi-year, multi-stakeholder working group to support development of the Guidelines on Avoiding Double Counting for the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which were released in June 2019.
- ✿ Under a USDA NRCS Conservation Innovation Grant and in partnership with the Environmental Defense Fund, K-Coe Isom, The Climate Trust, SCS Global Services and C-AGG, the Reserve issued a CIG report: Stimulating Grassland Conservation through GHG Emissions Markets to identify and address barriers to grassland project development.
- ✿ Submitted a program application to ICAO to participate in the CORSIA emissions units program.
- ✿ Developed a formalized process in coordination with the California Air Resources Board for ROC cancellation for LCFS credits.



CLIMATE
ACTION
RESERVE

ACHIEVED THE MILESTONES OF

140 MILLION

... METRIC TONS OF ...

GHG REDUCTIONS

REGISTERED

40 MILLION

OFFSET CREDITS RETIRED

306

PROJECTS

in 44

US STATES

and 6

MEXICO STATES

STATES WITH THE MOST OFFSET PROJECTS

OHIO



77

67 ODS
6 LANDFILL
4 LIVESTOCK

CALIFORNIA



69

45 FOREST
18 LIVESTOCK
2 LANDFILL
2 ODS
1 COMPOSTING
1 OWD

ARKANSAS



41

39 ODS
2 FOREST

WISCONSIN



26

24 LIVESTOCK
1 FOREST
1 LANDFILL

TWENTY
ADOPTED
PROTOCOLS

14 FOR USE IN U.S.
5 FOR USE IN MEXICO
1 FOR USE IN CANADA

CLIMATE FORWARD

THREE

METHODOLOGIES
APPROVED



DAIRY
DIGESTER



IMPROVED
COOK STOVE



SOLAR
PHOTOVOLTAIC

5

PROJECTS REGISTERED

289k
FMUs

REGISTERED

97k
FMUs

RETIRED

METHODOLOGIES

IN DEVELOPMENT



REFORESTATION



POOL COVERS



MATURE FOREST
MANAGEMENT



NACW
NORTH AMERICAN
CARTOON WORLD

NACW DELEGATES
ARRIVED FROM
4 CONTINENTS
10 countries: Australia, Canada,
India, Mexico, Netherlands, USA,
Norway, Switzerland, Taiwan, UK



2019



50% Delegates from California



39% Delegates from 33 other
states in the United States



11% International delegates

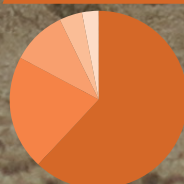


3% Delegates from Mexico



5% Delegates from Canada

Attendees work in the following sectors:



3
TOURS



11
PRECONFERENCE
WORKSHOPS



6
BREAKFAST
DISCUSSIONS



4
KEYNOTE
ADDRESSES



4
PLENARY
SESSIONS



23
BREAKOUT
SESSIONS



53

HOURS OF
CUMULATIVE
CONTENT



8+

HOURS OF
NETWORKING
OPPORTUNITIES

34%

FIRST TIME ATTENDEES

Achievements in Forest Carbon

The Reserve updated its Forest Protocol to Version 5.0 in October 2019. The protocol update includes the addition of a default baseline option for Improved Forest Management projects, updated leakage values, a revised minimum verification schedule, inclusion of the quantification guidance as an appendix to the protocol, and several other updates to enhance usability.

The Reserve also updated its Urban Forest Management Protocol to Version 1.1. Numerous minor updates were made to enhance usability and work toward improving project feasibility.

To help facilitate a more complete and accurate understanding of how offsets are generated under the forestry protocol, we prepared an educational paper - Key Accounting Principles for Improved Forest Management Projects within the Forest Protocol - summarizing the history of the development of the protocol, the context for additionality, and the application and challenges of leakage.

Released the Climate Action Reserve Inventory Tool (CARIT) for forest carbon projects. Developed through a Conservation Innovation Grant awarded by the USDA NRCS, CARIT is a pre-approved, validated tool for forest carbon inventory data that reduces time, effort, and cost for project development, management, and verification.

Won a USAID grant as a subcontractor to ProNatura to support forestry offset projects in Mexico.

Registered the largest project in the Reserve to date - the Chugach Alaska Forest Carbon Project in the Gulf of Alaska region which earned 7.5 million credits.

Listed the largest aggregate to date - a Mexico forestry aggregate comprised of 20 projects.



CLIMATE FORWARD▶

The Climate Forward program, which encourages companies to take responsibility for future emissions from its investments and mitigate those emissions today, achieved several exciting milestones in 2019 including:

Approved three methodologies to provide standards for reducing emissions:

- ◆ Solar PV Forecast Methodology v1.0
- ◆ Dairy Digester Forecast Methodology v1.0
- ◆ Improved Cook Stove Forecast Methodology v1.0

Three additional methodologies have completed the public comment periods and are in final development as of December 2019:

- ◆ Reforestation Forecast Methodology
- ◆ Mature Forest Management Forecast Methodology
- ◆ Pool Cover Forecast Methodology

In addition to the above achievements, the Climate Forward website was developed, program and project forms were released and the Climate Forward project registry was launched.



Events

NACW 2019

At NACW 2019, we convened carbon market participants and analysts, elected legislators, government regulators, university professors, nonprofit thought-leaders, and executives from all walks of business that are reducing greenhouse gas emissions and building adaptation and resilience into their future. The event continued its long-standing history of providing a valuable venue for collaborating, learning and networking.



COP25

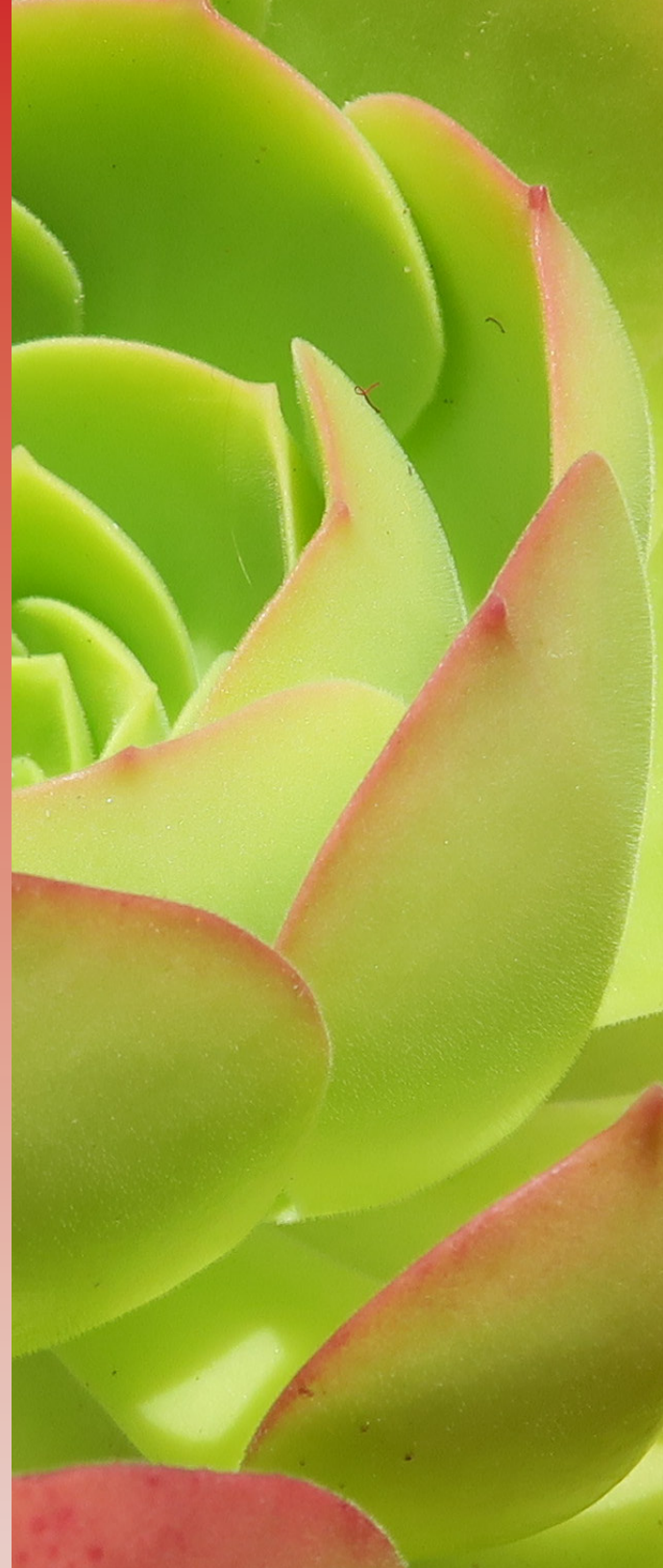
We were honored to once again co-host a joint delegation of U.S. state representatives, regulators, nonprofits, and businesses to COP with The Climate Registry. We hosted a welcome reception, official UN side event, IETA side event, US Climate Action Center side event, UN press conference, and policy briefings. Our delegates discussed subnational strategies, collaboration, and decarbonization; exchanged ideas and best practices among COP participants from around the world; and showcased the successful climate policies working throughout North America.

LCFS trainings

In partnership with GHGMI and The Climate Registry, we conducted in-person trainings for California Air Resources Board-approved verifiers to receive accreditation to perform LCFS verification.

Other events, webinars, and speaking opportunities

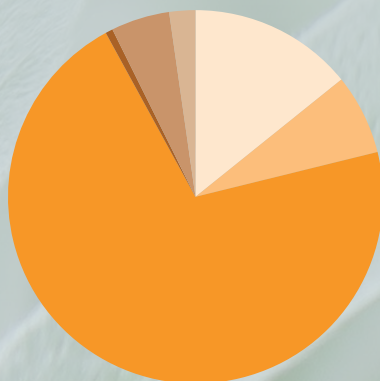
- ✦ Held a workshop in conjunction with Climate Week NYC on Carbon Markets for Soil Carbon Accrual: the State of Play, which showcased challenges and opportunities for soil carbon, with speakers from Nori, Dagan, and Quick Carbon.
- ✦ Met with delegations from China and South Korea to share insights on the Reserve offsets program and California's cap and trade program.
- ✦ Held nine verification trainings.
- ✦ Held over 15 webinars to a total of 624 attendees on a wide range of topics including CEQA best practices, long term management of forest carbon projects, expectations for COP25, protocol public comment webinars, and tool demos.
- ✦ Staff spoke at the Argus Biofuels & Carbon Markets Summit, Society of Environmental Journalists Annual Conference, Association for Environmental Professionals Conference, ESG in Fixed Income featuring Green Bonds Americas, America's Grasslands Conference, Clemson Cooperative Extension Carbon Market for South Carolina Workshop, and Alliance Texas Land Conservation Conference.



Financial Summary

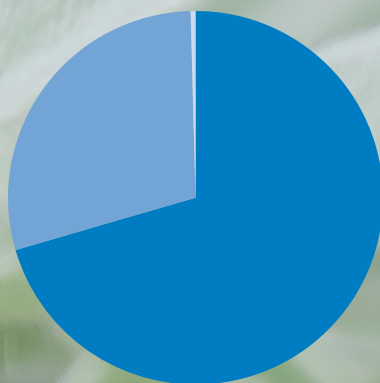
CONDENSED STATEMENT OF FINANCIAL POSITION

Total Assets	\$3,870,030
Liabilities	\$2,101,113
Net Assets	\$1,768,917
Total Liabilities and Net Assets	\$3,870,030
Total Revenues and Other Support	\$3,224,873
Expenses	\$3,782,474
Change in Net Assets	\$(557,601)



REVENUE AND SUPPORT

Conference	14%
Contracts	7%
Reserve Fees	71%
Workshop Income	1%
Grants/Contributions	5%
In-Kind/Miscellaneous/Interest	2%



EXPENSES

Program Services	70%
Management and General	29%
Fundraising	<1%

GOVERNING BOARD

Linda Adams, *Chair*

Former Secretary for Environmental Protection, California Environmental Protection Agency

Gary Gero, *Vice Chair*

Chief Sustainability Officer, County of Los Angeles

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Teveia Barnes

Former Executive Director, California Infrastructure and Economic Development Bank

Peter Liu

Managing Director, Clean Energy Advantage Partners

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President, Advanced Energy Economy

Tim Profeta

Director, Nicholas Institute for Environmental Policy Solutions; Associate Professor of the Practice at the Sanford School of Public Policy, Duke University

Dr. Stephan Schwartzman

Senior Director, Tropical Forest Policy, Environmental Defense Fund

Katie Sullivan

Managing Director, IETA

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Actor and environmental activist

Board of Directors



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