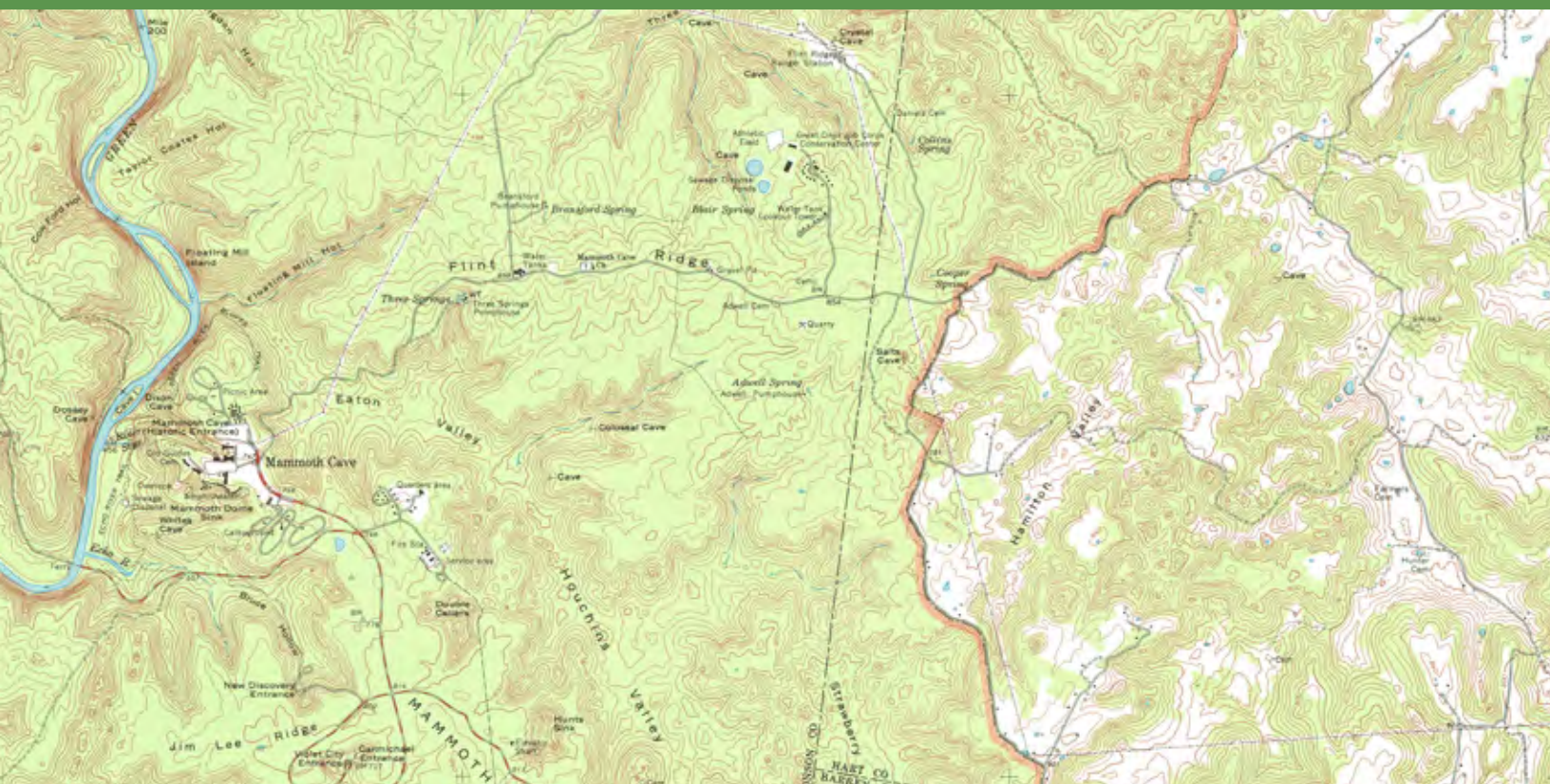




CLIMATE
ACTION
RESERVE

2020 ANNUAL REPORT





Letter from the President

2020 was a difficult year. The COVID-19 global pandemic took many lives and upended how we work, learn, and interact. In order to prioritize the health and safety of our staff, account holders, and partners, the Reserve switched to an all-remote workforce in early March, replaced our annual in-person NACW conference with a virtual webinar series, and developed new policies and guidance for project registration to ensure safety during the pandemic. While our workforce may have been remote, we continued to connect, collaborate, and innovate with our account holders and partners virtually.

The adversity of 2020 continued as George Floyd lost his life under the knees of police while pleading “I can’t breathe.” Social and environmental advocates reflected that “I can’t breathe” connects both the racism of police brutality and the racism of air, water, and hazardous pollution which disproportionately impact people of color and disadvantaged communities. The Reserve strongly supports the Black Lives Matter movement and we are committed to addressing racial equity and promoting diversity in the climate sector. We established an internal diversity committee a few years ago and are working on revising our programs, policies, and processes to better reflect our commitment to diversity and benefit all communities.

2020 ended on a hopeful note with election results that reflect a turning point for U.S. leadership on climate change. The new administration is committed to climate policy, action, and diplomacy, from rejoining and raising ambition in the Paris Agreement to making appointments that prioritize science-based climate considerations throughout the executive departments. We are excited for the U.S. to provide innovation and thought-leadership to achieve greenhouse gas (GHG) reductions at the scale and urgency required.

The Reserve’s programs achieve significant GHG reductions and demonstrate how innovative and collaborative GHG reduction opportunities can bring trusted emissions reductions, financial benefit, environmental co-benefits, and economic investment to communities across North America. In 2020, the Reserve expanded its offsets program with the adoption of two new protocols addressing soil carbon and adipic acid production, worked to expand and adapt protocols to new jurisdictions, continued to research new offset protocol types, and achieved over 159 million offset credits that provide climate, environmental, and financial benefits.

Through all the challenges of 2020, we hope that you continue to do well, stay safe, and manage your physical and mental health successfully. Thank you for your climate action and leadership. We look forward to a productive and hard-working 2021!

Best regards,
Craig Ebert, President

About the Climate Action Reserve

The Climate Action Reserve is an environmental nonprofit organization that promotes and fosters the reduction of GHG emissions through credible 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 issuance 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 Forward program issues emission reduction credits on an ex ante basis in order to foster early proactive investment and early financial returns in emissions reduction projects, which allows companies to accelerate action on climate by addressing future, Scope 3, or complete historical emissions immediately. Climate Forward allows maximum flexibility and creativity as companies can custom develop methodologies and projects that meet their emissions reduction goals. The Climate Impact Score program quantifies and assesses the climate impact of projects financed by investments to bring transparency and confidence in investments that positively impact the environment.

Additionally, the Reserve hosts the annual North American Carbon World (NACW) conference, the premier event for climate and carbon professionals to learn, discuss, and network.

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

2020 Achievement Highlights

Reserve offset program milestones:

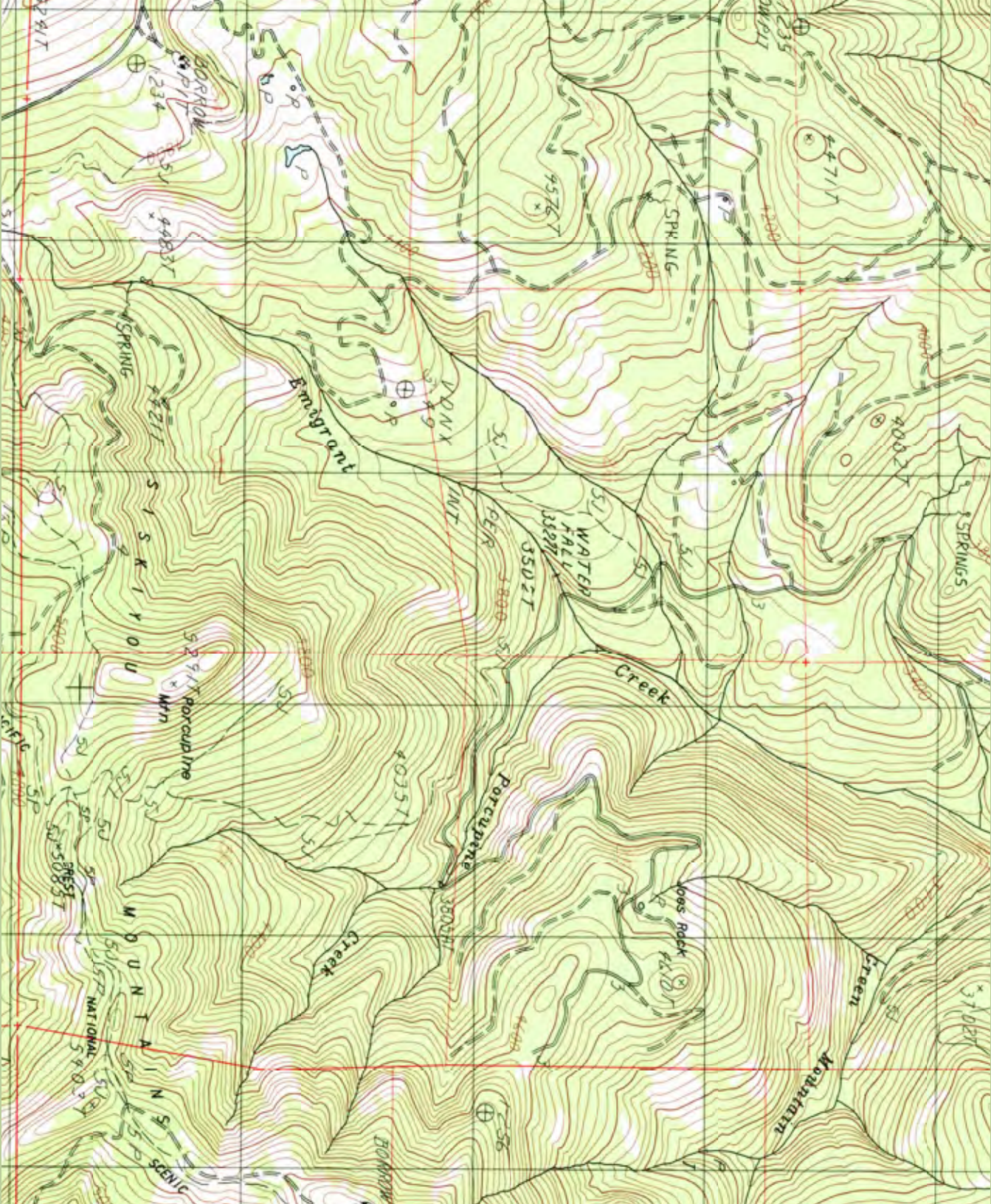
- ✂ Reached the milestone of achieving over 150 million metric tons of GHG emissions reductions in May
- ✂ Registered the first project in the state of Durango, Mexico, bringing the total number of Mexican states in which Reserve projects are registered to 7
- ✂ Registered the first two projects in the state of Vermont, bringing the total number of U.S. states in which Reserve projects are registered to 45
- ✂ Listed the first soil enrichment project

Organization activities and achievements:

- ✂ Reorganized the departmental structure of the Reserve to combine the Programs and Policy teams into the Analytical team for greater efficiencies, opportunities, and synthesis
- ✂ Engaged with numerous external advisory groups to share input and collaborate on advancing offsets
- ✂ Welcomed Britta Dosch as an Associate; she supports work on carbon offset projects in both the voluntary and compliance markets

Protocol achievements:

- ✂ Adopted the Soil Enrichment Protocol (SEP) Version 1.0, creating a new way for farmers to improve the health, profitability and resilience of their agricultural lands while helping address climate change, which continues to have a significantly negative impact on their work and livelihoods
- ✂ Adopted the Adipic Acid Production Protocol (AAPP) Version 1.0, opening the opportunity for GHG emissions reductions from the manufacture of adipic acid in the United States, which is among the top 50 synthetic chemicals produced in the country each year
- ✂ Updated protocols to continue reflecting best available science and data: Grassland Protocol updated to Version 2.1 and Mexico Forest Protocol updated to Version 2.0
- ✂ Launched the revision process for the Mexico Ozone Depleting Substances (ODS) Protocol



New and updated resources, tools, and procedures to support project registration:

- ✂ Enacted numerous COVID considerations, including developing an extraordinary circumstances policy for project related requests
- ✂ Developed the Canada Grassland calculation tool to assist with the quantification of projects using the Canada Grassland Protocol
- ✂ Adopted a new verification accreditation policy to bundle together protocols with similar verification approaches, which provides opportunities to streamline accreditation and lower costs
- ✂ Updated existing tools and resources, including the GrassTool and Grassland Project Parameters spreadsheet, Grassland Project Handbook v2.1a, Mexico Forest calc monitoring workbook and user manual, Reserve Offset Program Manual, and Reserve offset project registry software to feature Sustainable Development Goals/co-benefits reporting
- ✂ Began the revision process for the Verification Program Manual
- ✂ Worked with the Land Trust Alliance to develop two carbon market guides: “Carbon Markets – Are They Right for Your Land Trust?” and “Carbon Offsets in Conservation Easements – the Essentials for Land Trusts”

International and government work:

- ✂ Approved by the ICAO Council to provide eligible emissions units for CORSIA and updated our program to accommodate cobenefits/SDG reporting to meet the criteria for CORSIA credits
- ✂ Worked collaboratively with several international markets groups to share input and insights, strategize on opportunities to grow and strengthen carbon markets, and help craft key underlying decisions on carbon markets in the lead up to COP26. Reserve staff participated in strategic talks and discussions with the Carbon Markets Club, the Taskforce on Scaling Voluntary Carbon Markets, Mobilizing Voluntary Carbon Markets, International Carbon Reduction and Offset Alliance (ICROA), and contributed to the Carbon Credit Buyers Guide, and provided extensive comments on the Carbon Offset Guide.
- ✂ Supported the potential future development of offset protocols for New Brunswick and Nova Scotia with research, review of existing protocols and their applicability to those provinces, reports, stakeholder engagement webinars
- ✂ Provided comments on Canadian government offset protocol development guidelines
- ✂ Provided comments on California ARB Offset Protocol Task Force recommendations



Achievements in Mexico

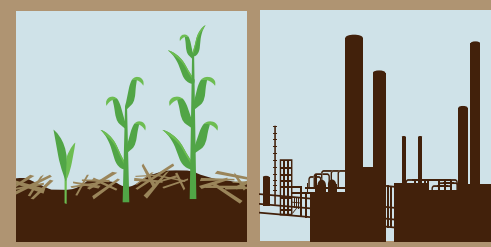
- ✦ Under the Mexico Forest Protocol, the Reserve has registered nine projects for a combined 99,961 CRTs to date, and another 49 projects are currently listed in the registry. Notable firsts include the first aggregate to receive credits (Mexico State), the first mangrove projects listed (Yucatan and Tabasco), and the first urban forest project listed (Chapultepec, Mexico).
- ✦ The Reserve supported development of offset protocol proposals for Mexico's national Emissions Trading System (ETS) pilot program through work with the World Bank's Partnership for Market Readiness (PMR) and the Secretary of Environment and Natural Resources (SEMARNAT). The Reserve, in partnership with WRI Mexico and MÉXICO₂, provided technical advice for the development of a forest protocol proposal for SEMARNAT's consideration to use in their compliance program. The Reserve also supported the Carbon Trust and MGM Innova in the development of agriculture and livestock protocol proposals for SEMARNAT's consideration.
- ✦ In partnership with Pronatura Mexico and WRI Mexico, the Reserve is supporting a project funded by USAID to build technical capacity within the forest sector in Mexico and enable forest communities and ejidos to participate in the carbon market and develop forest carbon projects under the Reserve's Mexico Forest Protocol.
- ✦ The Reserve completed a training on the Mexico Livestock Protocol and carbon markets for the State Government of Jalisco.



A LOOK AT OUR HIGHLIGHTS 2020

19 YEARS IN BUSINESS | **346** OFFSET PROJECTS IN **45** U.S. STATES & **7** MEXICO STATES

TWO NEW
PROTOCOLS ADOPTED
SOIL ENRICHMENT - ADIPIC ACID

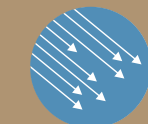


22 OFFSET PROTOCOLS: 16  5  1 

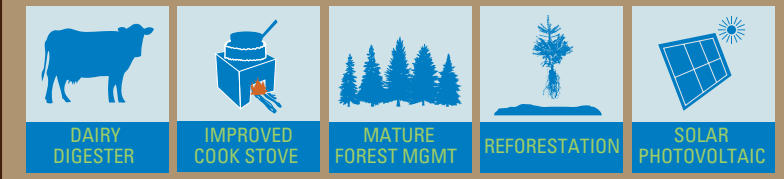
159 MILLION OFFSETS REGISTERED **46** MILLION OFFSETS RETIRED

FOREST	17,862,909	FORESTRY - MEXICO	99,961
GRASSLAND	136,890	LANDFILL - MEXICO	34,267
LANDFILL	34,109,363	LIVESTOCK - MEXICO	575
LIVESTOCK	3,023,445		
NITRIC ACID	15,193,581	FORESTRY - ARB COMPLIANCE	63,021,935
ORGANIC WASTE COMPOSTING	652,727	LIVESTOCK - ARB COMPLIANCE	4,700,609
ORGANIC WASTE DIGESTION	163,787	MINE METHANE - ARB COMPLIANCE	1,221,236
OZONE DEPLETING SUBSTANCES	10,475,311	OZONE DEPLETING SUBSTANCES - ARB COMPLIANCE	7,846,165
COAL MINE METHANE	1,209,440		

∞ **EIGHT** ∞
NACW
NORTH AMERICAN
CARBON WORLD
VIRTUAL SERIES WEBINARS



FIVE **CLIMATE FORWARD** ▶
APPROVED METHODOLOGIES



500k
REGISTERED FMUs
118k
RETIRED FMUs

Events

The Reserve has been honored to host the most august community of climate leaders each year at the North American Carbon World (NACW) conference. In 2020, the COVID-19 pandemic compelled the in-person conference to switch formats to a virtual webinar series held over the course of the year. The NACW 2020 Virtual Series webinars delved into exciting policies, initiatives, opportunities, and challenges for the climate sector, including:

- ✦ Navigating the North American Carbon World
- ✦ California Climate Policy Update
- ✦ Supporting Local Action: the California Climate Investments Program
- ✦ New Frontier: Natural Working Lands
- ✦ Taking Full Stock: Opportunities and Challenges around Reforestation
- ✦ Carbon Capture and Storage: Promising Developments on the Horizon?
- ✦ Maximizing Environmental Value from Sustainable Agriculture (in partnership with IETA Live Series)
- ✦ A Force to Reckon with: Women in the Climate Change Workforce (Climate Week NYC 2020 event)

The Reserve also hosted numerous webinars and trainings throughout the year to help inform our audience on new developments in the carbon landscape:

- ✦ Sustainable Development Goals/Co-benefits Reporting: Helping projects enter the CORSIA market
- ✦ USAID webinars
- ✦ PMR webinars

The Reserve also shared expertise and insights by collaborating and speaking at trainings and webinars hosted by other organizations:

- ✦ CARB Low Carbon Fuel Standard Verifier Accreditation Training for New Verifiers - the Reserve provided support by developing, presenting, and grading portions of the training
- ✦ Carbon market webinar hosted by Keep it Colorado
- ✦ CEQA Best Practices - GHG Thresholds and Mitigation Credits hosted by Association of Environmental Professionals (AEP)
- ✦ Technical Working Group Workshop on Local Greenhouse Gas Offsets hosted by San Diego County



CLIMATE FORWARD▶

The Climate Forward program achieved several exciting milestones in 2020:

- ✦ Approved the Reforestation Forecast Methodology v1.0. The methodology addresses carbon enhancements (sequestration) associated with reforestation activities that encourage restoration of forest cover
- ✦ Approved the Mature Forest Management (MFM) Forecast Methodology v1.0. The methodology is designed to incentivize management to increase carbon stocking on forest lands while promoting mature forest conditions, as characterized by the presence of older and larger trees
- ✦ Released accompanying tools and resources for the Reforestation Methodology including the Reforestation Communities Datafile, the Project Goals Form, and the Project Implementation Report template
- ✦ Released accompanying tools and resources for the MFM Methodology including: the MFM calculation worksheet, the Assessment Area Data File v1.0, and the Project Implementation Report template
- ✦ Updated the Climate Forward Program Manual
- ✦ Updated Reforestation Forecast Methodology to v1.1
- ✦ Currently working on updating the PV Forecast Methodology

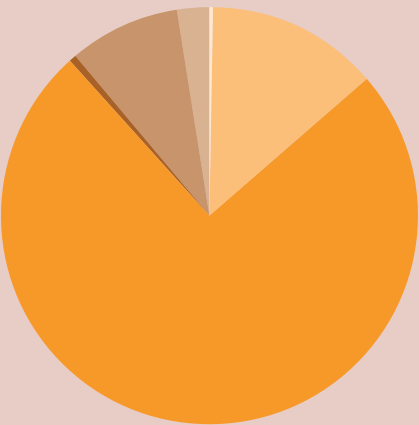
Held Climate Forward webinars to inform and update the public:

- ✦ Climate Forward Reforestation Methodology: a New Approach That Shifts Carbon Project Economics
- ✦ Introduction to the Mature Forest Management Forecast Methodology
- ✦ How to Source GHG Credits as an Offsite Mitigation Measure under CEQA – with AEP

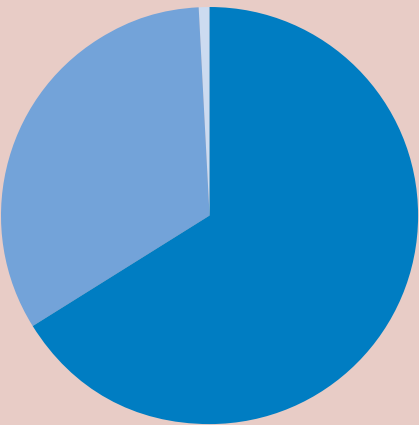
Financial Summary

CONDENSED STATEMENT OF FINANCIAL POSITION

Total Assets	\$5,497,325
Liabilities	\$2,635,327
Net Assets	\$2,809,498
Total Liabilities and Net Assets	\$5,497,325
Total Revenues, Gains and Other Support	\$4,258,227
Expenses	\$3,165,146
Change in Net Assets	\$1,093,081



Conference	<1%
Contracts	13%
Reserve Fees	75%
Workshop Income	1%
Grants/Contributions	8%
In-Kind/Miscellaneous/Interest	2%



Program Services	66%
Management and General	33%
Fundraising	<1%

Board of Directors

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

Peter M. Miller, Secretary
Director, Western Region, Climate & Clean Energy Program, 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, Nominating Committee Chair
Clean Energy Advisor

Teveia Barnes
Former Executive Director, California Infrastructure and Economic Development Bank

Peter Liu
Managing Director, Clean Energy Advantage Partners

Heather O'Neill
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

ADVISORY BOARD

Right Honorable Kim Campbell
Canada's 19th Prime Minister

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

Hon. Fran Pavley
Former California State Senator

Diane Wittenberg
Founding President, California Climate Action Registry

Ed Begley, Jr.
Actor and environmental activist



Climate Action Reserve
818 W. 7th Street, Suite 710, Los Angeles, California 90017

www.climateactionreserve.org
www.twitter.com/climatereserve

Maps courtesy of the U.S. Geological Survey

