

Climate Action Reserve Program & Process Overview



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EPRI Offset Policy Dialogue Workshop #8
Washington, DC
June 24, 2010

Background on the Climate Action Reserve



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- Chartered by state legislation in 2001
 - Mission is to encourage early voluntary actions to reduce emissions and to have such emissions reductions recognized
 - Initially focused on emission reporting and reductions by member organizations
 - Now on emission reduction projects generating offsets
- Balances business, government, and environmental interests



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Board of Directors

- California EPA
- Duke University
- Environmental Defense Foundation
- Goldman Sachs
- Metropolitan Water District
- National Institute of Ecology of Mexico
- Natural Resources Defense Council
- New Resource Bank
- NRG Energy
- Pacific Gas & Electric
- Shell Oil Company
- Sierra Club



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Objectives of the Reserve

- Show that carbon offsets can be a useful tool in addressing climate change
- Model an offset program that has environmental integrity but is not burdensome to use
- Create value for the North American carbon market
 - For project developers: High value projects
 - For buyers: Confidence in offsets they are buying
- Provide technical resources on offset standards and policy



What We Do

- Develop High Quality Standards
 - Convene stakeholders and lead development of standardized protocols for carbon offset projects
- Manage Independent Third Party Verification
 - Training and oversight of independent verification bodies
- Operate a Transparent Registry System
 - Maintain registry of approved projects
 - Issue and track serialized credits generated by projects

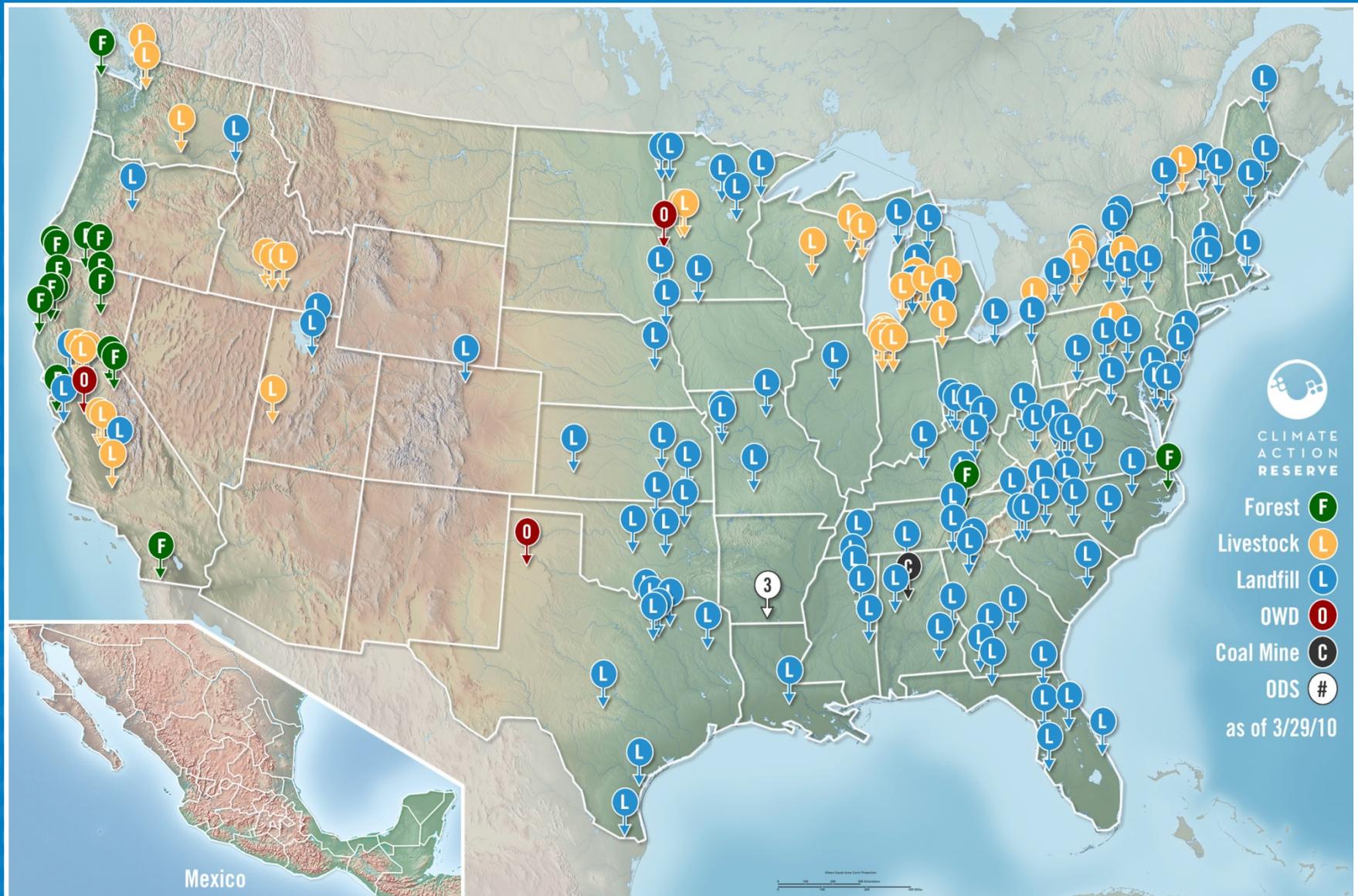


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Existing Protocols

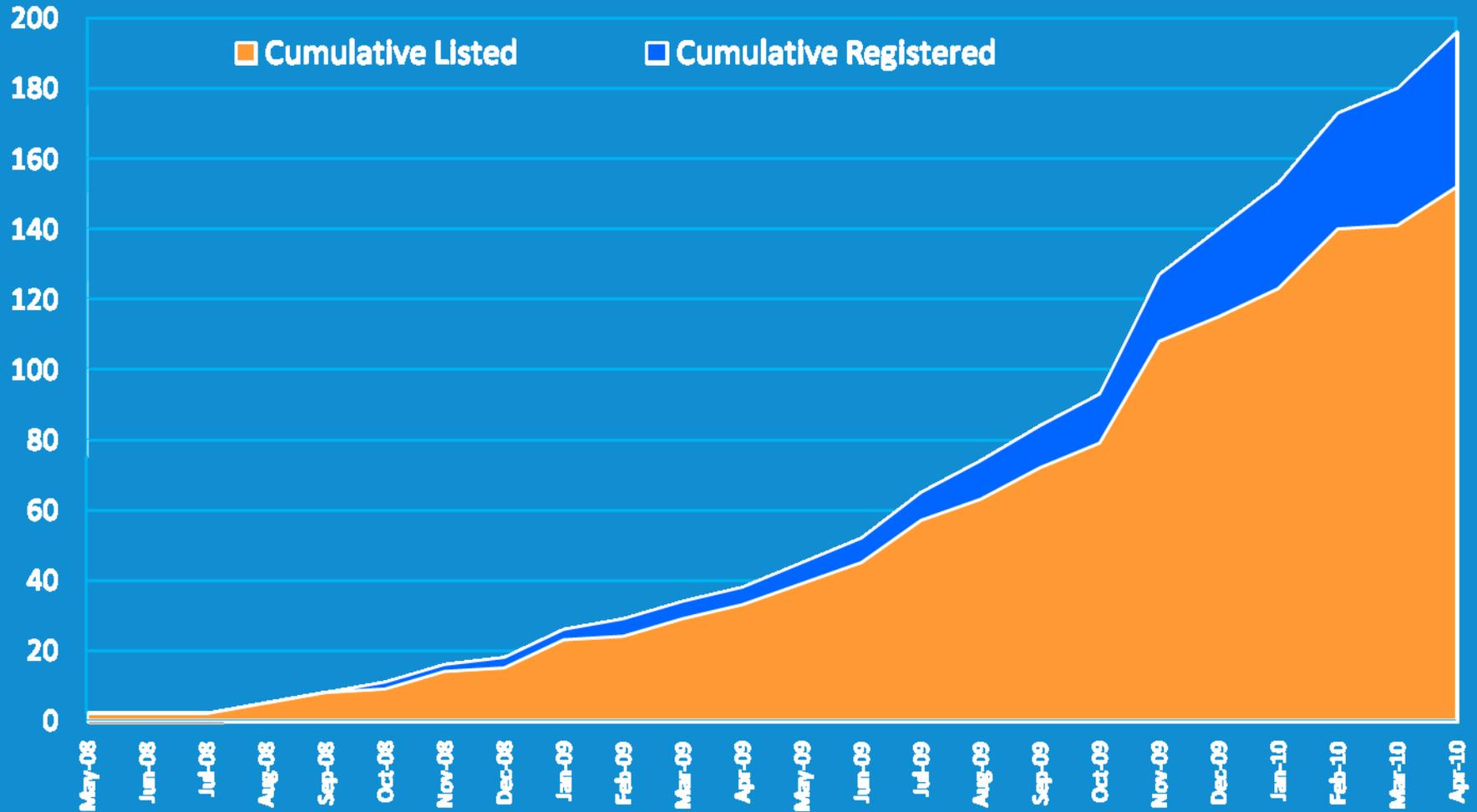
- Forestry
 - Improved forest management
 - Avoided conversion
 - Reforestation
- Urban forestry
- Landfill gas capture (US & Mexico)
- Livestock methane capture (US & Mexico)
- Organic waste digestion
- Coal mine methane
- Nitric acid production
- Ozone depleting substances (US & Article 5 sources)

Listed & Registered Projects





Offset Projects in the Reserve





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Reserve stats

Launch date	June 2008
CRTs registered	~5.3 million
Account holders	325
Projects submitted	355
Exchanges	CRT futures are traded on: <ul style="list-style-type: none">• Chicago Climate Futures Exchange (CCFE)• Green Exchange
Recent prices	\$5-8 per CRT



Protocol Development

- The Reserve is a “Top Down” Program
 - Staff (with input from Board) select protocols to develop
- Criteria for Selecting Project Types
 - State of science / quantifiability
 - Amenability to standardized baselines & additionality tests
 - Data availability
 - Presence of existing methodologies
 - Total emissions reduction potential (outside of proposed caps)
 - Direct emission reductions (or clear ownership)
 - Significant positive (or negative) secondary impacts
- Protocols Developed with Broad Public Input



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Protocol Development Process

- Internal research and scoping
- Kick-off/scoping meeting
- Multi-stakeholder workgroup formation
- Reserve staff produces draft protocol
- Draft protocol considered by workgroup
 - Provides technical expertise and practitioner experience
 - Periodic meetings and individual consultation when needed
- Revised draft released for public comment
- Public workshop
- Final version adopted by Reserve Board in public session



Standardized Protocols



Project-
Specific

Parameters & assumptions tailored for each project.



"Hybrid"

Some standard parameters & assumptions.



Standardized

Mostly standard parameters & assumptions.





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Standardized Additionality

- Goal: Establish eligibility criteria such that additional projects will qualify but non-additional projects won't
- No project-specific assessments (e.g., barriers analysis, investment analysis)
- Typical criteria:
 - Project location
 - Start date
 - Exceeds legal requirements
 - Exceeds performance standard (or “common practice”)
 - Other criteria as appropriate



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Rationale for Standardization

- Less subjective determinations of additionality and eligibility
- Avoid case-by-case review of monitoring & verification methods
- More certainty in amount of credits
- Lower risk for developers and investors
- Faster project processing



Approach to Leakage

- All protocols define a comprehensive “GHG Assessment Boundary” that incorporates sources of leakage
- Leakage must be accounted for where it is potentially significant
- Accounting methods depend on project type and source(s) of leakage, but methods are generally standardized
 - E.g., Standard leakage rates are defined for Reserve forest projects that result in reduced harvests (improved forest management) or displacement of other land uses (reforestation, avoided conversion)



Approach to Permanence

- Forest Project Protocol Version 3.0:
 - Carbon must be maintained (stored) for 100 years after credit is issued
 - Project owner is liable for avoidable (intentional) reversals (i.e., net reduction in carbon relative to baseline)
 - Contributions to Reserve-administered “Buffer Pool” required to insure against unavoidable (unintentional) reversals
 - No liability for credit buyers
- Future protocols (e.g., in agriculture sector) may or may not follow the same approach

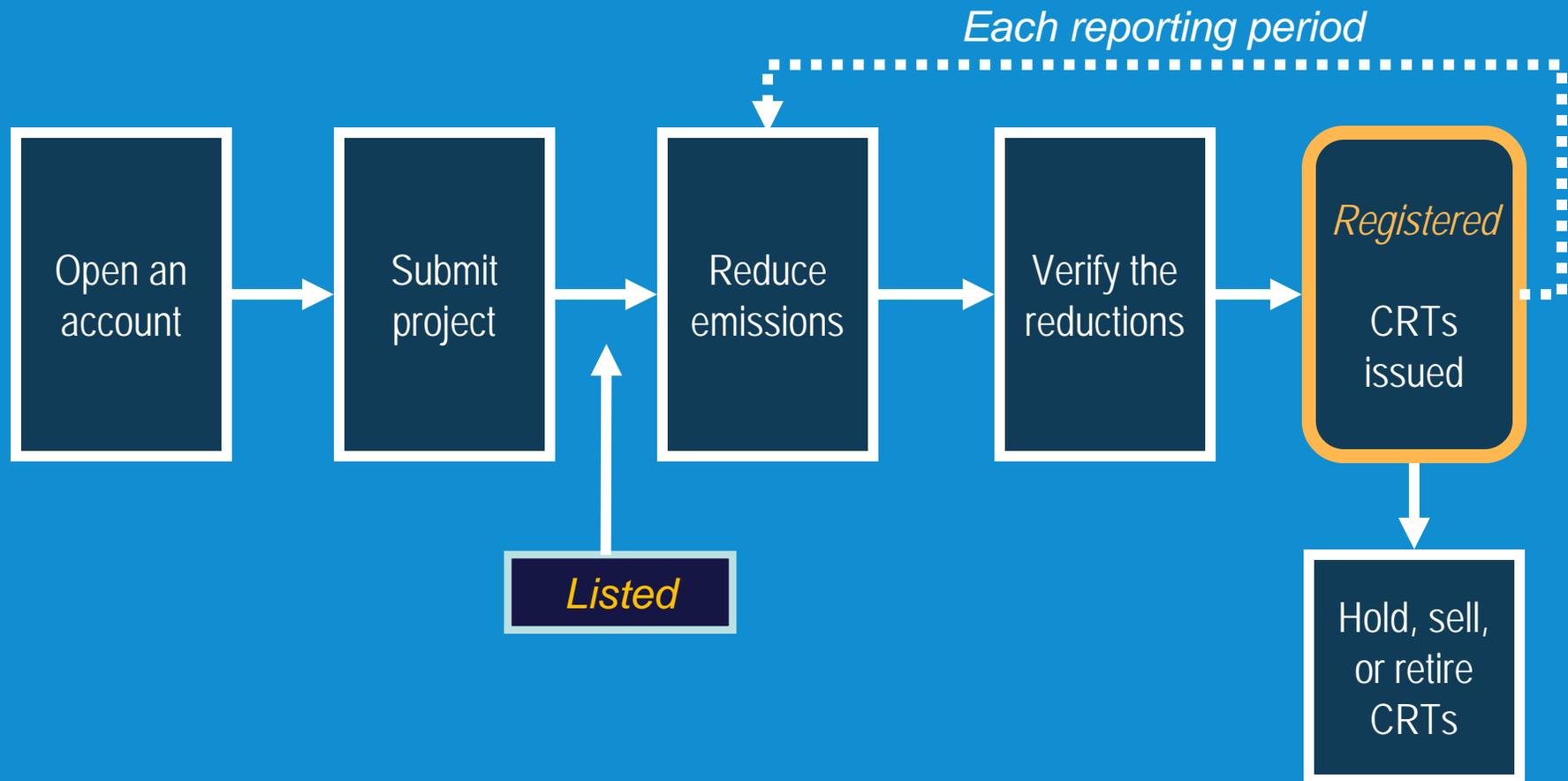


Registration Process

- Open an account on the Reserve
- Submit project for **LISTING**
 - Preliminary determination based on submittal form
 - NOT equivalent to validation
- Conduct project activities
- Select verifier
 - Verifier submits conflict of interest form
- Submit project documents, verification report and verification opinion
- Project **REGISTERED** and CRTs issued



The Reserve Project Cycle





Verification

- Verification bodies must be accredited to ISO standards by the American National Standards Institute (ANSI)
- Lead verifiers must take protocol-specific Reserve training
- Verifier submits conflict of interest form each time a project is verified
- Developer hires verifier
 - Verifier makes determination how many tonnes of reduction have taken place
 - Project documents, verification report and verification opinion submitted to the Reserve



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Future Protocol Development

- Organic Waste Composting (Board consideration on June 30)
- Adaptation of Forest Project Protocol for Mexico
- Adaptation of Existing Protocols for Canada
- U.S. Domestic Agriculture Sector Protocols
 - Soil Carbon Management
 - Nutrient Management
 - Rice Cultivation



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