A New Market Option to Accelerate Climate Action

June 18, 2019
Climate Action Reserve

GHG Accounting Experts

- Pioneered standardized GHG accounting, leading to robust, reliable, and transparent compliance and voluntary carbon markets
- 78% of North American offset credits used by companies and individuals in 2017 in the voluntary market* are issued by the Reserve
- Design innovative GHG accounting frameworks that are user-friendly, and financially feasible

Beyond Carbon Offsets

- **Climate Forward**
  - Climate Impact Score
  - GHG policy consulting
    - Mexico
    - Ontario
    - Quebec
    - World Bank, USDA, USAID
    - California agencies, and more

*Ecosystem Marketplace 2018 data
WE ARE RUNNING OUT OF TIME

MORE STRATEGIES AND INVESTMENTS IN CLIMATE MITIGATION IS NEEDED

ALL FUTURE PROJECTS THAT INCREASE GREENHOUSE GASES SHOULD BE CARBON NEUTRAL
Invest now in emissions reduction projects to mitigate future emissions
  • Credits recognized today to address future impacts

Expands the scope and scale of feasible climate action across the economy
  • Enormous potential for diverse, creative climate solutions

Issues Forecasted Mitigation Units (FMU) to projects that follow Reserve-approved methodologies
  • 1 FMU = one metric ton of anticipated CO$_2$e reduction, to counter anticipated GHG emissions

Tracks FMUs and project activities in a publicly accessible database
  • A registry of forward-looking GHG reductions to balance against forward-looking GHG impacts
Who should use Climate Forward?

<table>
<thead>
<tr>
<th>Companies and organizations mitigating future emissions</th>
<th>Examples of future mitigation needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Any new investment creating additional GHGs</td>
<td>• New manufacturing facility</td>
</tr>
</tbody>
</table>
| • Not appropriate for addressing current emissions in a compliance program  
  o e.g., cap-and-trade | • New transportation projects     |
| • Not appropriate for mitigating historical emissions  | • New data center                 |
| • Companies seeking CEQA compliance                     | • New retail complex              |
|                                                        | • New residential/commercial developments |
|                                                        | • Future needs from current investments |
Why forward crediting?

A new paradigm, reducing barriers to entry for innovative, targeted climate solutions that can also achieve sustainability goals beyond climate impacts

- Customized climate projects with specific **co-benefits** tailored to align with organizational goals and values
- **Local** projects in communities directly affected by operations
- New opportunities: demonstrate climate **leadership**
Case Study: Reforestation

High upfront costs due to labor intensive tree planting and site preparation

+ Many years before significant carbon recognition

= Project type is not financially feasible
Unlike existing offset frameworks, reforestation projects under Climate Forward can be financially feasible.
Program Details
Pilot Phase

• Started in early 2017
• Began with a diverse batch of project ideas
  • Cook Stoves
  • Solar PV
  • Dairy Digester
  • Forestry
  • Pool Covers
• Informed design of critical program elements
• Current “Version 1.0” methodologies out for public comment based on methodologies developed in pilot phase
Project proponents can develop projects using existing methodologies.

Methodologies provide standardization across project type and can be customized to enable unique place-based projects.

1 FMU = one metric ton of anticipated CO$_2$e reduction, to counter anticipated GHG emissions.
<table>
<thead>
<tr>
<th>Level</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Level</td>
<td>• Methodology Suitability Screening</td>
</tr>
<tr>
<td></td>
<td>• Programmatic Risk Pool</td>
</tr>
<tr>
<td></td>
<td>• Guidance on Appropriate Use of FMUs</td>
</tr>
<tr>
<td>Methodology Level</td>
<td>• Conservative Quantification Assumptions</td>
</tr>
<tr>
<td></td>
<td>• Conservative Crediting Period</td>
</tr>
<tr>
<td></td>
<td>• Performance Decline Deduction</td>
</tr>
<tr>
<td></td>
<td>• Abandonment Deduction</td>
</tr>
<tr>
<td>Project Level</td>
<td>• Project Resilience Measures</td>
</tr>
<tr>
<td></td>
<td>• Project Confirmation Timing</td>
</tr>
</tbody>
</table>
Project Monitoring and Confirmation

- **No** ongoing monitoring requirement
  - Voluntary monitoring incentive
- **One time** “Project Implementation Report”
  - Project inputs, project information, and quantification
- **One time project** “Confirmation”
  - Confirmation Bodies: ISO14065 accredited VVBs + additional Reserve requirements
  - Confirmation against approved methodology and program rules
Voluntary Transition to Ex Post Credit Issuance

- After completion of ex-ante crediting period, **projects may opt to receive ex-post FMUs** upon project renewal and ongoing monitoring, reporting, and verification.
- Projects that opt-in to the voluntary incentive program are eligible for this option.

### Climate Forward project timeline and crediting opportunities

<table>
<thead>
<tr>
<th>Initial crediting period</th>
<th>Ex-post crediting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement project activity</td>
<td></td>
</tr>
<tr>
<td>Confirmation of activity</td>
<td></td>
</tr>
<tr>
<td>Optional monitoring data submission</td>
<td>Ex-post verification of monitoring and reporting data</td>
</tr>
<tr>
<td>FMU credits issued</td>
<td>FMU credits issued</td>
</tr>
<tr>
<td></td>
<td>Periodic monitoring and reporting + ex-post verification by Confirmation Body</td>
</tr>
</tbody>
</table>

Time
1. **COMMIT** to mitigating your future emissions

2. **VIEW** program documents available online at http://www.climateactionreserve.org/climate-forward/

3. **DEVELOP & SUBMIT** innovative methodologies

4. **INVEST** in projects now. Contact the Reserve to explore and be connected with project opportunities

5. **SIGN UP** for our program newsletter at https://climateforward.org/sign-up/
Thank you!

Contact us: info@climateforward.org

Upcoming methodology webinars

- **Improved Cook Stove Forecast Methodology v1.0 Public Webinar**
  Thursday, June 20, 2019
  9:30 am - 11:00 am PT

- **Dairy Digester Forecast Methodology v1.0 Public Webinar**
  Wednesday, June 26, 2019
  9:30 am - 11:00 am PT

- **Solar PV Forecast Methodology v1.0 Public Webinar**
  Thursday, June 27, 2019
  9:30 am - 11:00 am PT

All webinars will be recorded and posted on https://climateforward.org/resources/presentations/