



The
ClimateTrust[®]

2010 Annual Report



“We consider The Climate Trust an important partner, helping us meet our compliance requirements in Oregon through quality offset projects and promoting good public policy. We appreciate working with a carbon manager that shares PGE’s values and goals for Oregon.”

—Dave Robertson,
Vice President of Public Policy,
Portland General Electric

mission

The Climate Trust’s mission is to provide expertise, financing, and inspiration to accelerate innovative climate solutions that endure.

Piloting and Accelerating Climate Solutions

In 2010 The Climate Trust® made positive progress in meeting our new mission and annual goals set by our new leadership. First, we identified values to help guide what we do, why we do it, and how we do it. Then we started the process of weaving our mission and principles into our actions and established programs. In this report we detail our six guiding principles: collective action, stewardship, service, sustainability, integrity, and innovation. We also highlight tangible examples of how we incorporate the principles into our business practices in ways that provide value to our partners and provide lasting benefits that protect our vulnerable climate. We would like to thank our partners and supporters that enabled us to accomplish the major highlights that follow and that helped us to fulfill our mission over the past year.

Expertise. Private and public institutions turn to The Climate Trust because of our technical and financial expertise built over more than a decade of working in the compliance and voluntary carbon markets. In 2010 we continued to manage compliance and voluntary project portfolios for utilities, corporations, and governments. In addition, we provided climate consulting services for clients as diverse as the Port Authority of New York and New Jersey, the Government of the District of Columbia, and the West Coast Regional Carbon Sequestration Partnership (WESTCARB).

Financing. We are a critical source of funding and knowledge for project developers that reduce greenhouse gas emissions and require assistance to navigate the ins and outs of environmental markets and policies. For example, in 2010 we financed two biodigester projects in Oregon and Washington and two solar hot water projects in Colorado.

Inspiration. The Climate Trust continues to pioneer new protocols, practices, and technologies to stimulate climate action on multiple scales. We are creating a model for low-carbon farms that outlines how adoption of climate-saving technology such as biodigesters and changes in farming practices such as nutrient management can help the economic and environmental sustainability of U.S. agricultural operations.

Late in the year we welcomed Richard (Dick) Kempka to our new satellite office in Memphis, Tennessee, as our Vice President of Business Development. Formerly Vice President of Environmental Markets at Equator and Director of Energy and Technology for Ducks Unlimited, Dick was an important strategic addition to The Climate Trust team, providing a wealth of experience in revenue generation, business development, and project origination that will benefit our work and our partners.

The progress we made and the partnerships we developed in 2010 position us to do much more in the years to come. We will continue to lead by example, generating innovations and financing projects that help meet our collective energy, economic, and greenhouse gas reduction goals.

Sincerely,



Ben Vitale
President




Laura Beane
Board Chair

Mission in Action

Carbon Asset Management.

A carbon portfolio requires a manager who understands how policies, market rules, and technical aspects impact the generation and management of carbon assets over time. The Climate Trust has been providing cost-effective services, including risk management and assessment, monitoring and verification oversight, registry management, and emissions reporting for more than a decade. We work to protect the environmental and economic integrity of these vital assets to ensure the quality of our clients' portfolios and the stabilization of our climate. In 2010, we helped diverse clients meet their needs, including Iberdrola Renewables, Invenergy, and the Colorado Governor's Energy Office.

FACING PAGE: The Climate Trust has been managing carbon portfolios for utilities since 2001.



“The Climate Trust has been an important part of Oregon’s years of work developing homegrown clean energy expertise that creates good local jobs, boosts our economy, and reduces our dependence on imported fossil fuels – and the greenhouse gas emissions that come with them.”

—Oregon Gov. John Kitzhaber

collective action

We develop productive partnerships with public, private, and nonprofit organizations, and their stakeholders, that serve as models and that generate lessons learned to inform policy and market development.

Our Programs

Oregon Program

The flagship Oregon Program has been investing since 2001 and has managed over \$18 million in mitigation funding. Utilities have relied on The Climate Trust to finance and effectively manage numerous greenhouse gas reduction projects in eight different sectors. The Climate Trust is responsible for managing carbon funds; originating, contracting, and managing carbon projects, and registering and retiring carbon credits on behalf of regulated utilities.

NW Natural Smart Energy

Since 2007 when NW Natural selected The Climate Trust to help design and launch their Smart Energy® program, the partnership has financed the acquisition of carbon credits from four projects. The program invests in biogas projects located in the Pacific Northwest that convert methane emissions from cows into renewable energy. Halfway into the five-year pilot, the program has enrolled about 11,000 residential and commercial customers and surpassed the original goals of the program.



Colorado Carbon Fund



We Have The Power
ColoradoCarbonFund.org

In 2008 the Colorado Governor's Energy Office selected The Climate Trust to design and implement the Colorado Carbon Fund, the first voluntary state carbon program. After only 18 months, the program raised more than \$450,000 and invested in a landfill methane-to-energy project that has delivered more than 20,500 carbon credits. In 2010 the program also provided community reinvestment funding to support the installation of solar hot water systems at a public recreation center in Arvada and an affordable housing community in Loveland. These projects will reduce dependence on fossil fuels, lower carbon emissions, and save residents money on their energy bills.

Climate Legacy Program

In 2010 The Climate Trust launched our Climate Legacy Program that provides utilities and businesses access to a portfolio of high quality, affordable carbon credits from local projects that conform to existing climate standards and regulations. The program gives participating companies the ability to direct their investments into projects based on their preferred sectors, geographic locations, standards, and other project characteristics. The program enables participants to benefit from The Climate Trust's proven risk management processes and financial governance.

Collective Action

Updating Oregon's climate

law. In 2010, The Climate Trust worked with the Bullitt Foundation, Energy Facility Siting Council, Oregon Department of Energy, and many utilities and stakeholder groups to update the rules governing the Oregon Carbon Dioxide Standard. Broadening the standard would allow investment into additional project types such as biogas projects that destroy methane from landfills, dairies, and other sources while generating reliable renewable energy.

FACING PAGE: Updating Oregon's climate law would allow investment in additional project types such as nutrient management on farms.

“The Climate Trust has long focused on quality to make sure that climate benefits are real and lasting.”

—Michael Hertel,
Director of Corporate Environmental Policy,
Southern California Edison

stewardship

We are responsible stewards of precious global resources—natural, financial, and human—for the benefit of current and future generations.

2010 Year in Review

Investing in Low-Carbon Farms

The Climate Trust financed two dairy biodigester projects, which were aligned with our low-carbon farm innovation model and with funding from programs such as NW Natural Smart Energy. The dairies were eager to pursue the projects because of the improved manure management systems that result in lower costs and reduced environmental impacts. The first was in partnership with Revolution Energy Solutions for its digester at a four-generation family farm in Junction City, Oregon. The second was in partnership with Farm Power Northwest for its project near Lynden, Washington.

Updating Oregon's Climate Law

The leading policy initiative was expanding the rules governing the 1997 Oregon Carbon Dioxide Standard to include other internationally recognized greenhouse gases. This change would allow utilities and The Climate Trust to greatly expand investment in additional project types, which would allow Oregonians to enjoy the multitude of economic and environmental co-benefits of these new projects. The Bullitt Foundation awarded a generous grant to support this work.

Advising Port Authority of New York and New Jersey

The Port Authority of New York and New Jersey renewed its contract with The Climate Trust to evaluate carbon projects, provide strategic advice on environmental markets, and help design high quality carbon projects.

Exploring the Feasibility of Biochar

The Climate Trust worked on developing innovation models that included assessing new project types and sectors that have the potential to generate significant emission reductions. The Biophysical Society made a generous donation to support this effort to design and implement innovative carbon project types that can be scaled up. One innovation model focused on the feasibility of biochar, which is a charcoal-like substance generated by burning biomass that can be used as a soil amendment to store carbon and provide other benefits to farmers. The study highlighted barriers to implementation such as project financing, quality issues due to differing types of biochar, and heavy reliance on an emerging biochar market.

Designing a New Carbon Program

The District of Columbia Office of Planning contracted with The Climate Trust to design a voluntary program that would help meet the goals of the district's new climate action plan. The Climate Trust provided its findings and recommendations in three detailed reports on voluntary program best practices, design, and financing and administration.


Honoring Traffic Signals Project

The Climate Trust and the City of Portland were presented with the inaugural Intelligent Transportation Society (ITS) of America Smart Solution Spotlight award for a project that improved traffic signal timing on 17 Portland area arterials. Optimized traffic flow resulted in more than 157,000 metric tons of carbon dioxide emissions reductions from fuel usage associated with idling and acceleration. "This is the kind of innovative project we're hopeful will be emulated by other communities around the country," said Scott Belcher, President of ITS America.

Stewardship

Climate Legacy Program. We all must take action today in order to preserve our climate legacy for future generations. The Climate Legacy Program provides businesses access to a portfolio of high quality, cost-effective carbon credits to help meet regulatory requirements and voluntary commitments. In addition, the program aspires to provide enduring climate benefits that will accrue to future generations. We honor these dual responsibilities by being good stewards of the funds, projects, and portfolios we manage to safeguard their environmental and economic benefits well into the future.

FACING PAGE: Forestry projects provide climate benefits that can be enjoyed today and for generations to come.

A close-up photograph of industrial machinery, likely a compressor or turbine, featuring large, polished metal components. In the center, there are two prominent, multi-faceted components painted in bright red and yellow, secured with numerous silver bolts. The background shows a perforated metal surface.

“It was easy to work with The Climate Trust to maximize our carbon revenue opportunities in a very flexible way.”

—Alan Tank, CEO/Managing Partner,
Revolution Energy Solutions

service

We are passionate about providing excellent service to our partners, our communities, and our planet that result in meaningful, quantifiable, and enduring impacts.

Our Portfolio of Carbon Projects


PROJECT CATEGORY	PROJECT NAME	CONTRACT SIGNING DATE	PROJECT TERM (YEARS)	PROJECTED CARBON CREDITS OVER TERM (METRIC TONS)
BIODIGESTER Capturing and combusting methane from dairy farms into renewable energy.	RES Lochmead	2010	10	30,000
	Farm Power Lynden	2010	10	70,000
	Farm Power	2009	10	60,000
	Whitesides Dairy	2009	1	17,067
	TOTAL			177,067
LANDFILL GAS TO ENERGY Capturing and converting methane from landfills into renewable energy.	Larimer	2009	2	20,518
	TOTAL			20,518
MATERIAL SUBSTITUTION Substituting less carbon-intensive material in industrial applications.	Cool Climate Concrete—Phase 2	2009	3	300,000
	Cool Climate Concrete—Phase 1	2004	6	249,195
	TOTAL			549,195
SEQUESTRATION Removal of CO ₂ through biological or geological processes.	Deschutes Riparian Restoration	2002	52	233,333
	Ecuadorian Rainforest Restoration	2002	99	58,890
	Preservation of a Native NW Forest	2001	100	263,159
	TOTAL			555,382
FUEL REPLACEMENT Displacing the use of high-carbon fuel with a lower carbon one.	Biotactics Geothermal Heating	2007	10	25,500
	Montana Fuels for Schools	2007	15	59,100
	TOTAL			84,600
TRANSPORTATION EFFICIENCY Changing technology or systems to reduce CO ₂ emissions without compromising mobility.	Truck Stop Electrification	2005	16	90,000
	Traffic Signal Optimization	2002	10	178,572
	Internet-Based Carpool Matching	2001	10	1,021
	TOTAL			269,593
ENERGY EFFICIENCY Changing technology or systems to use less energy while maintaining the same or increasing the level of output.	Duluth Steam Plant Upgrade	2006	15	210,328
	Blue Heron Industrial Efficiency Upgrade	2004	10	191,232
	Portland Building Efficiency Program	2002	5	327,776
	TOTAL			729,336
COGENERATION Producing electricity from wasted steam after use in an industrial process.	Oregon State University Cogeneration	2007	20	338,790
	TOTAL			338,790
RENEWABLE ENERGY Electricity created by renewable sources such as sun, wind, or biomass.	Innovative Wind Financing	2001	2	23,892
	TOTAL			23,892
TOTAL CARBON CREDITS (METRIC TONS)				2,748,373

Service

Navigating the carbon

markets. Project developers have the technical savvy and entrepreneurial spirit required to plan and launch projects that reduce greenhouse gas emissions. The Climate Trust has deep insights into the technical and financial aspects of the carbon market that can be very tedious and difficult to manage. This is why project developers have asked The Climate Trust for support to unlock the carbon value to enhance project financing. Some of the services we provide project developers include project evaluation, standards assessment, carbon valuation and financing, monitoring and verification plan development, and registration and marketing of emission reductions.

FACING PAGE: Our robust project pipeline includes a host of biogas projects.



“The Climate Trust understands that sustainability means developing a successful business model as well as delivering positive environmental impacts.”

—Lura Schmoyer, Senior Financial Manager,
West Main Consultants, LLC

sustainability

We promote environmental, economic, and social sustainability, beginning with our own actions.

Our Project Pipeline Saves Partners Time and Money

Utilities, businesses, and other institutions have limited time and resources, so they have turned to The Climate Trust to access high quality carbon projects. Our expertise and pipeline focus on anaerobic digestion on dairy farms, forestry, nutrient management, organic waste digestion, and soil carbon sequestration, among others.

Biodigestion

U.S. dairy farms emit nearly 6 million metric tons of carbon dioxide equivalent annually. Biodigesters destroy methane emissions and produce reliable renewable energy. These projects use proven technology, provide economic incentives for dairy farmers and rural communities, and result in environmental co-benefits including improved air and water quality. In 2010 The Climate Trust invested resources to build a robust pipeline of biogas projects throughout the United States.

Forestry

Industrial activity often results in dramatic land-use changes particularly when best-in-class forest management practices or conservation measures are not applied. Improved forest management and avoided conversion projects have the potential to sequester additional carbon as well as provide many other environmental co-benefits. The Climate Trust is working to expand our support and financing to U.S. forestry projects that have the potential to generate carbon credits.

Nutrient Management

Nearly three-quarters of U.S. nitrous oxide emissions are from agriculture. Careful management of fertilizer, known as “nutrient management,” can significantly reduce greenhouse gases if farmers adopt the new management practices and if industry carbon standards are adopted. The Climate Trust is working to analyze and test protocols and develop pilot projects to spur carbon investment, which would provide a financial incentive for farmers to adopt and maintain improved nutrient management methods while maximizing crop yields.

Organic Waste Digestion

The production, transportation, and disposal of food waste in the United States accounts for an estimated 152 million metric tons of carbon dioxide equivalent emissions annually. The Climate Trust is identifying local projects that process food waste and provide a reliable source of renewable energy, thereby diverting waste from landfills and avoiding methane emissions.

Soil Carbon Sequestration


Soils provide the largest terrestrial store of carbon on Earth, with twice the carbon stored in soil to a depth of 1 meter than in all the vegetation aboveground. The Climate Trust is piloting projects that provide carbon financing to farmers and ranchers for managing their lands in a way that stores additional carbon. Providing incentives for soil carbon sequestration can help preserve a way of life for farmers, ranchers, and wildlife.

Sustainability

Voluntary Program Design.

The District of Columbia Office of Planning selected The Climate Trust to create a Voluntary Greenhouse Gas Reduction Program Design and Implementation Report that outlined a program to fund projects that provide meaningful emission reductions and social benefits. The Climate Trust provided options that included a recommended design and implementation plan after researching best practices of existing voluntary programs; assessing program administration options; addressing legal, regulatory, and budgetary barriers to implementation, and outlining start-up budgets and the scope of work for the program administrator.

FACING PAGE: Our Cool Climate Concrete project promotes use of a lower-carbon cement that is used in more than 400 facilities.

A close-up, high-angle photograph of a cow's face, showing its black and white fur. The cow's eyes are partially visible, looking towards the right. The lighting is soft, highlighting the texture of the fur.

“The Climate Trust continues to build on its legacy to help set standards that ensure integrity while being practical.”

—Gary Gero,
President, Climate Action Reserve

integrity

We uphold the highest levels of integrity and quality in our work, business transactions, and partnerships.

Financial Summary

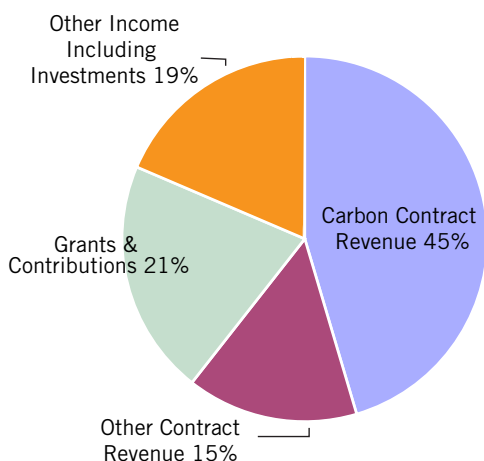
The Climate Trust has a record of clean annual audits conducted by a professional auditing firm, including for fiscal year 2010.

REVENUES	2010	2009
Carbon contract revenue	\$822,519	\$2,200,718
Other contract revenue	\$274,836	\$588,669
Grants and contributions	\$377,341	\$329,791
Other income including investments	\$336,303	\$367,524
TOTAL REVENUE	\$1,810,999	\$3,486,702

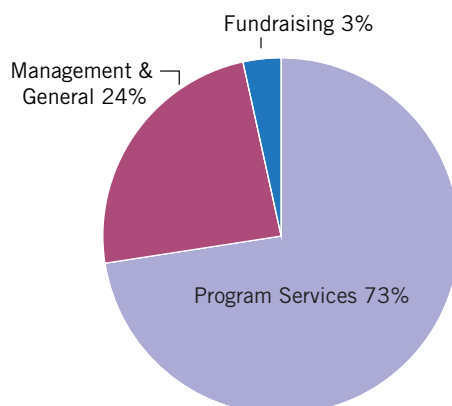
EXPENSES	2010	2009
Program services	\$1,562,669	\$3,174,134
Management and general	\$516,837	\$493,780
Fundraising	\$74,078	\$59,053
TOTAL EXPENSES	\$2,153,584	\$3,726,967

BEGINNING ASSETS	\$13,914,871	\$14,292,197
ENDING ASSETS	\$12,956,602	\$13,914,871

2010 Revenues




2010 Expenses



Integrity

Quality You Can Trust. The Climate Trust understands that environmental markets are only as good as the services that result. We provide our partners with enduring projects based on industry standards which undergo our rigorous due diligence and management. Independent third parties ensure the environmental integrity of our carbon assets and we register projects that have existing protocols with leading standards such as the Climate Action Reserve, American Carbon Registry, and Verified Carbon Standard.

FACING PAGE: The Climate Trust utilizes protocols by leading standards such as the Climate Action Reserve's U.S. livestock protocol.



“We are pleased to partner with The Climate Trust to develop strategies and opportunities to protect and restore critical natural habitats that enhance the ability of landscapes to absorb and store carbon while also providing habitat for waterfowl and other wildlife, improved water quality, income for landowners, and recreational opportunities.”

—Stephen Adair, Ph.D., Director of Operations,
Great Plains Regional Office,
Ducks Unlimited Inc.

innovation

We strive to find, develop, and promote new services, technologies, and processes to accelerate climate solutions, which requires us to manage higher levels of risk.

Funders and Clients

Corporate and Government Clients

Avista Corporation
Calpine
City of Klamath Falls
Colorado Governor's Energy Office
District of Columbia Office of Planning
Electric Power Research Institute
Iberdrola Renewables
Invenergy
NW Natural
Port Authority of New York and New Jersey
Portland General Electric
U.S. Department of Energy and California
Energy Commission

National Board of Directors

Laura Beane, *Board Chair and Market Structure Manager, Iberdrola Renewables*
Sean Penrith, *Board Vice Chair and Executive Director, Earth Advantage Institute*
Bob Therkelsen, *Energy Consultant, Therkelsen Energy and Environmental Consulting*
Susan Anderson, *Board Secretary and Director, Portland Bureau of Planning and Sustainability*
Bettina von Hagen, *Board Treasurer and CEO, Ecotrust Forest Management Inc.*
Winston Hickox, *Partner, California Strategies*
Ben Vitale, *President, The Climate Trust*

Oregon Board of Directors

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Bob Therkelsen, *Energy Consultant, Therkelsen Energy and Environmental Consulting*
Trey Senn, *Executive Director, Klamath County Economic Development Association*

Grant and Foundation Support

Biophysical Society
Bullitt Foundation

Leadership Circle

The following are individuals who contributed \$500 or more, and organizations that contributed \$1,000 or more to support The Climate Trust.

Individuals:

Talia Milgrom-Elcott
Mr. and Mrs. Frederick Beckett

Non-Voting Certificate Holder Appointees

Arya Behbehani-Divers, *Manager, Environmental Services, Portland General Electric*
Tim Carlberg, *Construction Manager, Avista Corp.*
Rick Colgan, *Director of Asset Management, Calpine*
Bill Edmonds, *Director of Environmental Policy and Sustainability, NW Natural*

Staff

Ben Vitale, *President*
Richard Kempka, *Vice President of Business Development*
Lucy Brehm, *Senior Manager, Business Development*
Shanna Brownstein, *Policy & Government Affairs Manager*
Erica Keeley, *Senior Program Manager*
Aurora Martin, *Portfolio Associate*
Randi Moore, *Office Manager*
Amy Phillips, *Marketing & Communications Manager*
Peter Weisberg, *Senior Project Analyst*
Sheldon Zakreski, *Senior Program Manager*

Innovation

Testing new project types. U.S. agriculture is a large untapped source of climate mitigation solutions. The Climate Trust is working to develop and test protocols in pilot projects to steer carbon financing to U.S. farms and rangelands. Carbon payments would provide financial incentives for the nation's farmers and ranchers to adopt and maintain innovative technologies such as dairy biodigesters and practices such as nutrient management. In addition to providing significant reductions in greenhouse gas emissions, these innovations provide a host of additional economic and environmental benefits to struggling rural economies.

FACING PAGE: Carbon investment in preserving native grasslands provides economic as well as environmental benefits to rural communities.

The
ClimateTrust[®]
Financing Innovation and Inspiring Action

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