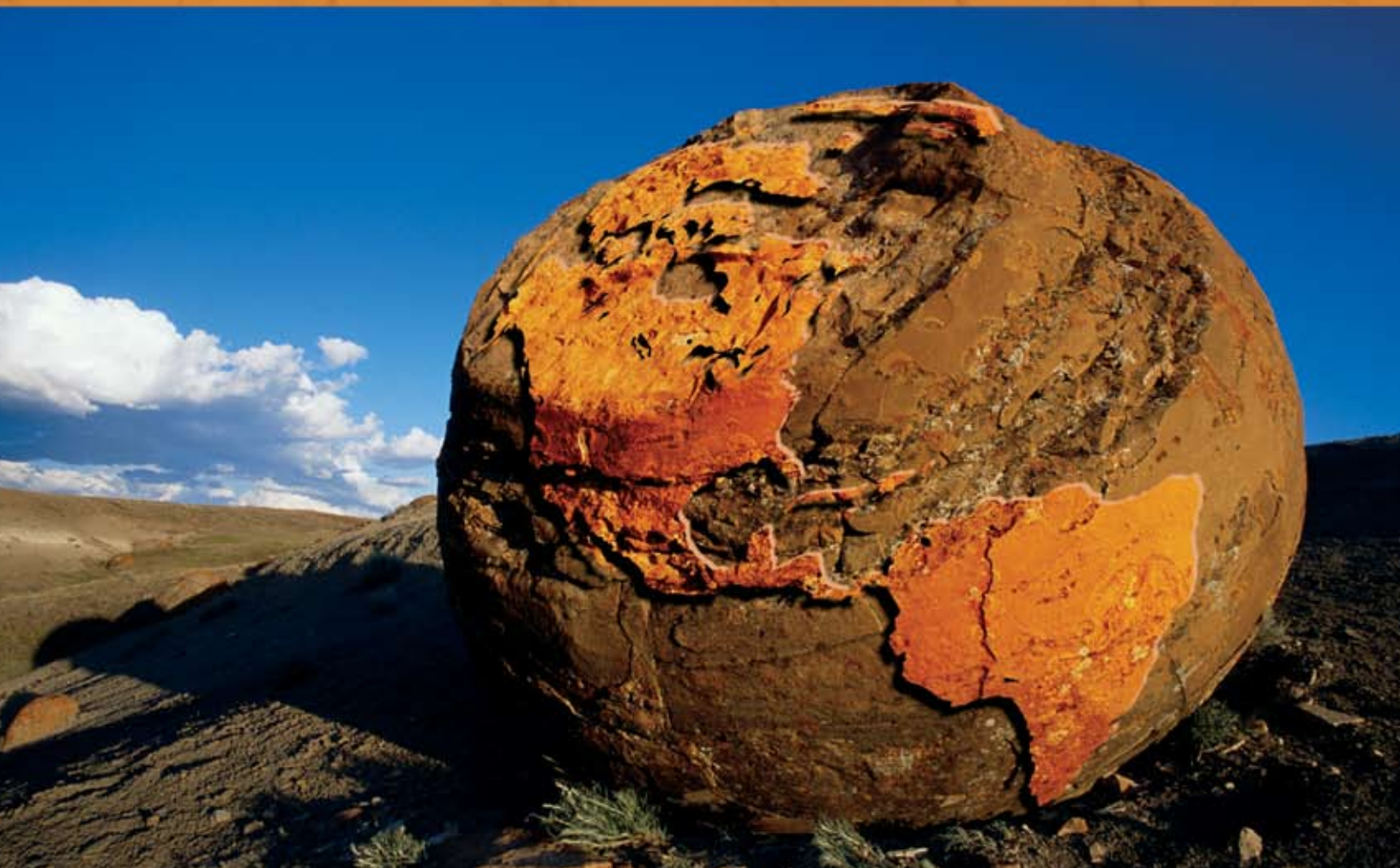


THE CLIMATE TRUST  
2005  
ANNUAL REPORT



## What does The Climate Trust do?

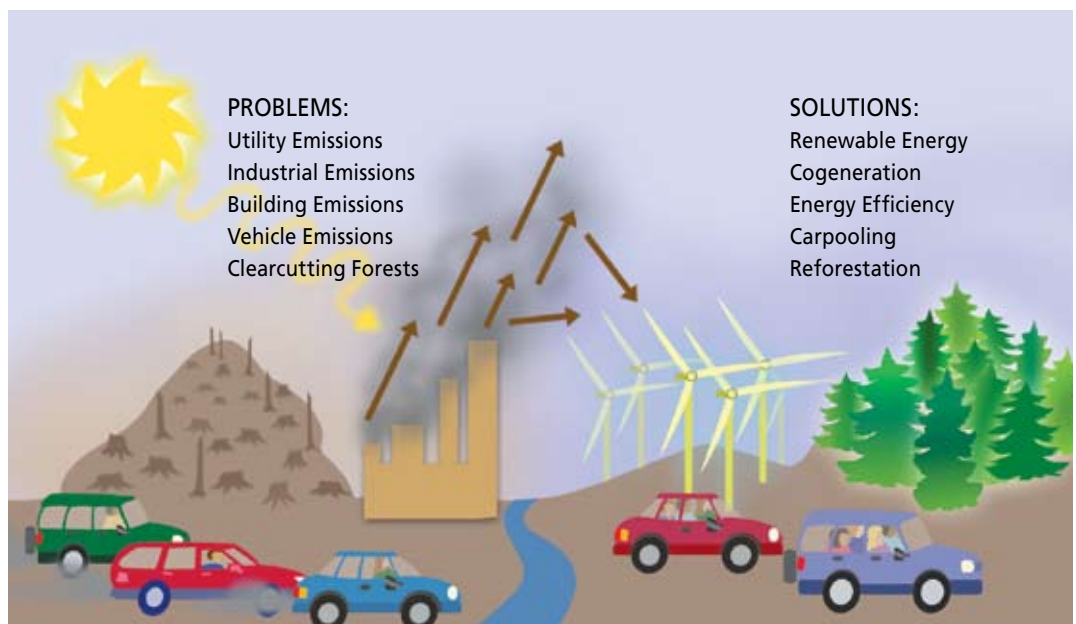
The Climate Trust invests funding from power plants, businesses, and individuals into high quality project-based emissions reductions that offset greenhouse gas (GHG) emissions. Project-based emissions reductions play an important role in fighting global warming, because they allow society to address climate change at the lowest overall cost, which leaves more money for everything else we want, such as food, shelter, health care, security, and recreation. Also known as offsets, they are an effective means of acting against global warming now, while we develop advanced technology to power a lower-carbon economy in the future.

## The Climate Trust's Mission

The mission of The Climate Trust is to promote climate change solutions by providing high quality greenhouse gas offset projects and advancing sound offset policy.

## What is a Greenhouse Gas offset?

A project-based emission reduction or GHG offset, is a project implemented specifically to reduce the level of GHGs in the atmosphere. GHG offsets are so named because they counteract or offset the purchaser's GHG emissions. The end effect is as if the cancelled emissions had never occurred.





## LETTER FROM THE CHAIR

2005 was a 'tipping point' for awareness of the impacts of global warming pollution and perhaps the climate system as well. Hurricane Katrina made global warming a household term. Consequently, people's willingness to act and reduce greenhouse gas emissions is increasing rapidly. Project-based emissions reductions, and The Climate Trust, are receiving well-deserved attention. As citizens, businesses, and governments move to reduce their impact on climate change, The Climate Trust continues to deliver GHG offsets and provide sound GHG offset policy advice.

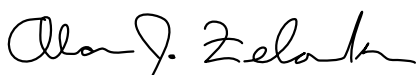
### **2005 was a year of growth for The Climate Trust:**

- A growing recognition of the important role that project-based emissions reductions can play in mitigating global warming pollution has led policy makers in the Northeast, California, and Congress to solicit input from The Climate Trust, which is the most experienced U.S. organization in acquiring GHG offsets.
- Growing interest in GHG offsets from concerned individuals and businesses has increased participation in our Partnership Program.
- Our diverse portfolio of high quality GHG offset projects continues to grow.
- In January, The Climate Trust released a request for proposals designed to spend at least \$4.3 million to capture GHG offsets.
- In September, The Climate Trust signed a new GHG offset contract with Shurepower, LLC to reduce emissions at truck stops by installing the first truck stop electrification technology in Oregon and Washington.
- In December, the largest industrial efficiency project in Oregon began commercial operation at the Blue Heron Paper Company.

In addition to our pioneering work in delivering high quality GHG offsets, we on the Board are most proud of the efficiency with which we provide our environmentally beneficial services. Over 92% of all the money we have spent has gone to our GHG offset-related programs. We look forward to continuing our outstanding environmental and financial performance in the years to come.

The Climate Trust expects to carry this momentum into 2006. We anticipate doubling the size of our GHG offset portfolio by adding up to ten new projects. To date, our GHG offset projects will reduce GHG emissions by 1.6 million tons, and with these new projects we will decrease GHG emissions by nearly 3 million tons. You can also expect to see The Climate Trust remaining active in policy discussions at all levels. Please keep track of The Climate Trust's progress in 2006 by subscribing to our new electronic newsletters at [www.climatetrust.org/about\\_us\\_press.php](http://www.climatetrust.org/about_us_press.php).

Sincerely,



Alan Zelenka  
Board Chair



# 2005 ACCOMPLISHMENTS



## Reducing Diesel Emissions through Truck Stop Electrification

The Climate Trust awarded a GHG offset purchase agreement to Shurepower, LLC to support the launch of a truck stop electrification network at truck stops in Oregon and Washington.

Each night thousands of truckers idle their diesel engines during government mandated rest periods to power heating, air conditioning, and appliances for their sleeper cabs. Shurepower's technology provides electrical power, allowing truckers to shut down and plug in to cleaner power from the electric grid.

The project will not only help prevent global warming but also clean the air, reduce unnecessary fuel consumption, and save truckers money.



Third graders from Clatskanie Elementary school help break ground for the new Port Westward Power Plant.

## Solicitations for \$4.7 Million in New Projects

Seeking to expand our portfolio of projects, The Climate Trust released two solicitations worth approximately \$4.7 million. The Climate Trust seeks high quality, additional, future, quantifiable GHG offset projects. Solicitations will be completed in 2006.

### • *International Solicitation*

The Climate Trust released a Request for Proposals worth \$4.3 million. Funding for this solicitation was provided by Portland General Electric to meet compliance with the Oregon Carbon Dioxide Standard.

### • *Montana Solicitation*

The Climate Trust released a Request for Proposals worth \$360,000 with a preference for projects based in Montana. Basin Creek Power Services provided the funds as a means to offset a portion of the global warming emissions from a new power plant they are building in Montana.

## The Trust Joined California Climate Action Registry

Dedicated to the cause of reducing greenhouse gases and advancing global warming policy, The Climate Trust joined the California Climate Action Registry (CCAR). On an annual basis, The Climate Trust will calculate our greenhouse gas footprint and report it to CCAR.

## The Climate Trust Goes Carbon Neutral

In addition to measuring and reporting our GHG footprint, The Climate Trust has taken the process a step further and will offset our annual GHG footprint to become carbon neutral. In 2005, The Climate Trust purchased 58 tons of GHG offsets from our portfolio.



The Climate Trust's downtown Portland office, 65 SW Yamhill St., Suite 400, Portland, OR 97204

## We're Growing

To help keep up with all our growth, The Climate Trust has hired new top-notch employees.

Welcome to:

Bjorn Fischer  
*Business Development  
Manager*

Thad Miller  
*Research Associate*

Matthew Tidwell  
*Project Coordinator  
(new in 2006)*

Elise Town  
*Office Manager*



Bjorn Fischer

## New Office

We outgrew our old office space and moved to one of the oldest buildings in downtown Portland. Please stop by next time you are in the neighborhood.



# POLICY



## How Project-Based Emissions Reductions Fit into Policy

As greenhouse gas (GHG) emissions—and their impacts—continue to grow throughout the world, it is becoming clear that we need “all hands on deck” to reduce emissions. With limited leadership from the federal government, state and local governments are tackling global warming by implementing new policies and GHG offsets will hold a prominent role in state initiatives.

Any market-based GHG regulatory system (e.g. cap-and-trade), contains four generally understood mechanisms for compliance:

- internal reductions
- purchase of allowances in an auction
- trading of allowances
- purchase of GHG offsets

As policy-makers develop market-based GHG regulatory systems, GHG offsets are one cost-effective tool for achieving GHG reduction targets. GHG offsets offer an established policy option that offer real and cost-effective reductions from “un-capped” sectors.

While GHG offsets are not a panacea, they can play a valuable role as a complimentary compliance mechanism to bridge the gap to the next generation of cleaner power generation. The Energy Information Agency and others project that the amount of GHGs, particularly from new coal-fired generation, may increase dramatically over the next ten to twenty years. To address this challenge we have several tools at our disposal: renewable energy, energy efficiency, low-carbon generation, and cogeneration. Unfortunately, these technologies alone cannot reduce projected demand enough to forestall the development of fossil-based energy generation. By implementing GHG offsets now, we can bridge the gap to a future low-carbon economy.



## The Climate Trust's Contribution to Policy Development

2005 saw a flurry of activity in climate change policy at the state and local levels. In order to ensure that the substantial benefits of GHG offsets are included as an element of climate policy, The Climate Trust actively participated in the Northeast's Regional Greenhouse Gas Initiative (RGGI), Oregon Governor's Advisory Group on Global Warming, and the West Coast Governors' Global Warming Initiative.

In 2005, The Climate Trust continued its role in RGGI by reiterating the importance and viability of GHG offset projects. We also engaged with California energy sector leaders regarding Governor Schwarzenegger's GHG reduction targets announced in June 2005. To assist in the West Coast Governor's Initiative on Climate Change, The Climate Trust focused its contributions on Oregon's efforts to formulate GHG reduction goals through our seat on the Governor's Advisory Group on Global Warming and the Carbon Allocation Task Force. The Climate Trust sent four representatives to the two-week XI Conference of Parties (COP) of the United Nations Framework Convention on Climate Change in Montreal in December, 2005. We were invited to present on two separate panels regarding U.S.-based reduction activity in the regulatory and voluntary arenas, one sponsored by the International Emissions Trading Association (IETA) and the Carbon Fund at the World Bank and the other sponsored by the U.S. Climate Action Network.

All of this activity should make for a busy 2006. For instance, in May 2006, The Climate Trust will submit its final comments on the RGGI model rule, which will lead to the first regional GHG regulatory system in the U.S. The Climate Trust also expects to become more involved in climate change policy on the national stage as 2006 is sure to see renewed activity on the federal level. The Climate Trust stands ready to share our unique experience with policy-makers and other stakeholders to help develop high quality GHG offset programs and policy.



# PROJECTS

## **Truck Stop Electrification** (New)

Shurepower LLC will install truck stop electrification equipment at seven truck stops in Oregon and Washington. Truckers will be able to shut down their diesel engines and plug in to grid electricity to power their sleeper cabs. The GHG offsets are generated by the use of electricity, which is a lower carbon energy source than diesel engines.



## **Reforestation in the Deschutes River Basin**

The Deschutes Resource Conservancy (DRC) is recruiting private landowners to reforest rivers and streams in an effort to generate GHG offsets and repair the overall health of this riparian area that has been impacted by logging and livestock grazing. GHG offsets are generated by the carbon sequestered in the planted trees. Two large sites have been rehabilitated under the program and the Climate Trust is tracking their progress through periodic monitoring and verification site visits.



## **Ecuadorian Rainforest Restoration**

This project has reforested more than 680 acres of highly degraded rainforest in northwest Ecuador. The project is located in one of the more biologically diverse areas on Earth. The planting phase of the project has been completed. Now the project implementation team, Conservation International and Jatun Sacha Foundation, will continue to maintain and manage the site.



## **Lumber Mill Cogeneration**

The project will install a back-pressure steam turbine at one of the facilities of Collins Pine, a lumber products manufacturing company. Electricity from the turbine will displace grid electricity and thus generate GHG offsets.



## **Portland Building Energy Efficiency Program**

The Portland Office of Sustainable Development (POSD) is managing a program that seeks to install energy efficiency measures—such as EnergyStar® windows, floor and ceiling insulation, and sophisticated thermostat contracts—in multifamily housing (apartments) and new commercial buildings. The GHG offsets are generated through reduced use of electricity. The project continues to perform exceptionally well and has registered more than 250,000 tons of offsets to date.



## **Preservation of Native Northwest Forest**

This project uses GHG funding to support the work of the Lummi Indian tribe to acquire previously logged forest land and manage it to permanent old growth.





### Cool Climate Concrete®

This project encourages the use of blended cement by concrete manufacturers and ready-mix companies. This project replaces Portland cement, the binding agent in concrete, with equally effective industrial byproducts. Cement manufacturing causes very high emissions from energy use and chemical reactions. The GHG offsets are generated by the lower energy intensity of making the blended cement, as well as, the avoided process emissions. This program continues to generate offsets from a growing number of concrete companies who are increasing the use of blended cement as a result of their participation in the program.



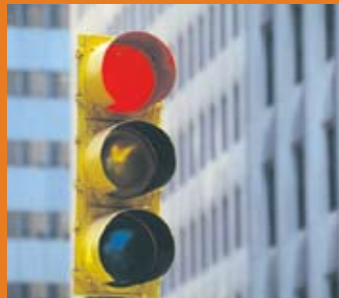
### Internet Based Carpool Matching

This project developed and operates an interactive web site to help commuters conveniently and easily arrange carpools. Each participant in the carpooling program saves fuel, which generates the GHG offsets.



### Traffic Signals Optimization

This project improves the timing of traffic signals allowing cars to reduce time spent idling at and accelerating from stop lights. The expedited travel times will decrease overall fuel use resulting in reduced emissions of carbon dioxide from gasoline and diesel fuel. A total of seven corridors in the Portland metro area have been optimized under the program thus far. The Climate Trust is now measuring the performance of these corridors through their monitoring and verification program.



### Oregon Wind Farm (Complete)

This project helped fund the construction of an Oregon wind farm and helped the Bonneville Environmental Foundation consummate their first major purchase of the environmental benefits of wind power.



### Efficiency Upgrade at Paper Manufacturing Facility

Blue Heron Paper Manufacturing Company, an Oregon-based company, completed the installation of retrofits and upgrades to their paper manufacturing equipment in order to increase the plants overall operating efficiency. Among other upgrades, the project significantly increased Blue Heron's ability to use recycled paper in their production process which will lead to a dramatic decrease in energy use. The GHG offsets are generated through reduced use of electricity. This project is one of the larger industrial energy efficiency projects ever implemented in the state.



# YOU CAN HELP STOP GLOBAL WARMING NOW!

The Climate Trust's high-quality projects are available to everyone:

- power generators
- large corporations
- small businesses
- individuals

Whether a small, one-time direct purchase or a large-scale co-investment in GHG emissions reduction projects, we can find a way to work with you to meet the challenge.

In 2005, we welcomed Portland Energy Conservation, Inc. (PECI) as a partner to a growing list of repeat customers who annually offset all or part of their carbon footprint with us. Repeat customers, Nike and Progressive Investment Management, once again offset their emissions with The Climate Trust. Such relationships are a testament to those companies' commitment to reducing their contribution to global warming and our ability to provide quality services and offsets.

We also began working with two large U.S. utilities outside of the Oregon Program in 2005, helping them develop cost-effective programs on climate change. Basin Creek Power of Montana provided funding to offset emissions from a new power plant. On behalf of Basin Creek Power, The Climate Trust issued a solicitation for Montana-based offset projects worth \$360,000.

We are particularly proud of our ongoing success in 2005 in bridging the concerns and needs of the public and private sector on this issue. With a diverse offset portfolio we are able to offer clients a variety of options in purchasing high quality offsets. In 2006, we plan to build on our past success and continue to offer quality offsets to various clients while enhancing the quality and diversity of our portfolio with new offset projects. Our first step will be to engage in our first international partnership in 2006.

**Over 92% of all money  
The Climate Trust has  
spent directly supports  
GHG offset-related  
programs.**

Contact The Climate Trust  
at 503.238.1915 (Tel)  
503.238.1953 (Fax)  
[info@climatetrust.org](mailto:info@climatetrust.org)  
[www.climatetrust.org](http://www.climatetrust.org)





## Options to offset emissions with The Climate Trust

- **Large Scale**—We customize GHG offset purchases from high-quality projects for large emitters who may face future regulations of their emissions. Partners can take ownership of the GHG offsets or keep them in trust with us to meet current and future reduction goals. See Large Emitter Partnerships at [www.climatetrust.org/programs\\_emitter.php](http://www.climatetrust.org/programs_emitter.php).
- **Medium Scale**—We offer high-quality GHG offsets to small firms from our existing portfolio of projects. Because we retire the GHG offsets on buyers' behalf, the purchase is tax-deductible. See our "Donate-to-Offset Program" at [www.climatetrust.org/programs\\_donate.php](http://www.climatetrust.org/programs_donate.php).
- **Small Scale**—You can quickly learn about your own impact on global warming and directly address it, again with a tax deductible donation. Go to our personalized website [www.CarbonCounter.org](http://www.CarbonCounter.org) for a two-minute insight into your carbon footprint. Also look for an exciting new launch of our [CarbonCounter.org](http://CarbonCounter.org) in June 2006!

**"We at Basin Creek Power see real potential for small energy companies and other project developers in this young carbon market and The Climate Trust is the most credible organization out there for small and large firms alike."**

**James L. Williams**  
President, Basin Creek Power Services  
Montana

**"As an energy efficiency company working closely with electric and gas utilities, we believe The Climate Trust has the most credible and innovative programs for reducing emissions in ways that we can use to help our clients and the environment."**

**Phil Welker**  
Executive Director  
Portland Energy Conservation, Inc. (PECI),  
which offset business related emissions  
in 2005 with The Climate Trust.  
Oregon

## New in 2006:

**"3C is proud to be the first European carbon offset provider to cooperate with The Climate Trust. Bridging the climate policy gap between the U.S. and Europe is essential and such a cooperation is an important first step in this direction. In my view, The Climate Trust employs the highest quality criteria for emission reductions currently available in the U.S."**

**Dr. Sascha Lafeld**  
Managing Director 3c  
Frankfurt, Germany



# FUNDERS

## **Oregon Power Plant Program**

Avista  
Calpine  
City of Klamath Falls  
Northwest Natural  
PacifiCorp Power Marketing  
Portland General Electric

## **Large Emitter Offset Acquisition Program**

Portland General Electric

## **Donate-to-Offset Program**

Jennifer Allen  
Michael Ashford & Wendy Bloger  
Atter Wynne  
Axis Performance Advisors  
Elyssa Back  
The Bill Healy Foundation  
City of Portland Office of Sustainable Development  
Ecotrust  
Great Pacific Iron Works  
Cathy Higgins  
Hot Lips Pizza  
Individual Tree Selection Management  
Ferris Kawar  
Karen Leigh & Keith Oldham  
The Lemelson Foundation  
Metafore  
Natural Capital Center  
Nike  
Kristin Ohlson  
Dorothy Paton  
Portland Energy Conservation Inc.  
Progressive Investment Management  
Quantec

ShoreBank Corp  
ShoreBank Pacific  
Sustainable Harvest, Inc.  
The Climate Trust  
The Climate Trust Advisory Council  
Three Pin Productions  
World Cup Coffee

## **Foundations**

The Energy Foundation  
Meyer Memorial Trust  
M.J. Murdock Charitable Trust  
Surdna Foundation

## **Leadership Circle**

Members of this elite group evidence a strong desire to counter the impacts of global warming and make an annual donation of \$500+ from individuals or \$1000+ from corporations.

## **Individual Members:**

Elyssa Back  
Eli and Madeleine Lamb  
Peter Samson  
Mike Burnett and Mary E. Henry  
Henry Mark Klein & Mary Wagner

## **Corporate Members:**

Natural Capital Center  
Nike  
Portland Energy Conservation Inc.  
Progressive Investment Management  
Quantec  
ShoreBank Pacific

## Advisory Council

### Gail Achterman

Director of the Institute for Natural Resources for Oregon State University

### Dale Bryk

Senior Attorney, Natural Resources Defense Council

### Tom Casten

President of International Cogeneration Alliance  
Chairman and CEO of Private Power

### Christine Ervin

Former President & CEO, U.S. Green Building Council

### Ross Gelbspan

Retired Boston Globe reporter and the author of "The Heat is On"

### Jan Hamrin

Executive Director of the Center for Resource Solutions

### Joel Makower

Executive Producer of the Green Business Network

### Andrei Marcu

Executive Director, International Emissions Trading Association

### Hal Nelson

Lecturer in Political Science, Portland State University

### Tia Nelson

Executive Secretary, Board of Commissioners of Public Lands

### Ken Newcombe

Head of Strategic Development, Climate Change Capital

### Jonathan Pershing

Program Director, Climate and Energy, World Resources Institute

### Glenn Prickett

Executive Director of the Center for Environmental Leadership in Business, and Senior Vice President of Conservation International

### David Sandalow

Environment Scholar, The Brookings Institution

### Diane Wittenberg

President of the California Climate Action Registry

## Board of Directors

### Voting

#### Alan Zelenka

Board Chair

#### Martha Dibblee

Vice Chair

#### Susan Anderson

Secretary

#### Bettina von Hagen

Treasurer

#### Diana Bodtker

#### Rick Colgan

#### Bob Therkelsen

### Non-Voting

#### Tim Carlberg

#### Peter Hansen

#### Michael J. Hayward

#### Wayne Lei

#### Roby Roberts

## Staff

#### Mike Burnett

Executive Director

#### Michael Ashford

Deputy Director

#### Sean Clark

Offset Portfolio Manager

#### Björn Fischer

Business Development Manager

#### Erica C. Graetz

Program and Operations Manager

#### Thad Miller

Research Associate

#### Matthew Tidwell

Project Coordinator

#### Elise Town

Office Manager

# FINANCIAL STATEMENT

December 31, 2005 & 2004

Audited Statements of Financial Position

<b>Assets</b>	<b>2005</b>	<b>2004</b>
Cash	\$914,786	\$869,603
Accounts receivable	\$87,746	\$104,311
Grants receivable	\$87,500	\$153,500
Other current assets	\$69,333	\$31,741
Investments	\$8,325,329	\$6,677,101
Office equipment, net depreciation	\$19,908	15,081
<b>TOTAL ASSETS</b>	<b>\$9,504,602</b>	<b>\$7,851,337</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$30,416	\$17,856
Offset contracts payable	\$2,098,840	\$2,785,326
Unearned offset contract revenue	\$7,139,750	\$4,819,778
<b>TOTAL LIABILITIES</b>	<b>\$9,269,006</b>	<b>\$7,622,960</b>
<b>Net Assets</b>		
Unrestricted	\$96,110	\$63,188
Temporarily restricted	\$139,486	\$165,189
Total net assets	\$235,596	\$228,377
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$9,504,602</b>	<b>\$7,851,337</b>

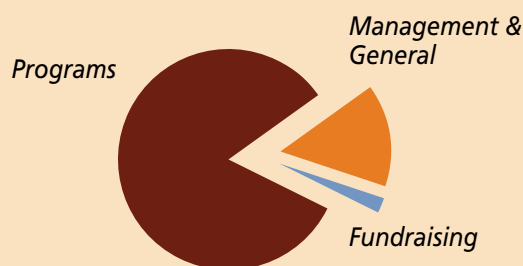
Offset Tracking Report (US \$)		Offset Purchase Agreements			Offset Management		
Offset Funding Source	Total Commitment	Offset Contract Amount	Obligated Contracts	Balance Left to Obligate	Total For Offset Mgt. Funds	Offset Mgt. Funds Spent	Offset Mgt. Funds Unspent
Klamath Cogeneration Project	1,197,697	958,158	565,977	392,181	239,539	110,931	128,608
Hermiston Power Project	4,218,760	3,375,008	1,628,897	1,746,111	843,752	325,120	518,632
Coyote Springs 2	2,643,097	2,114,478	1,609,558	504,920	528,619	255,281	273,338
NW Natural	23,566	18,853	4,857	13,996	4,713	77	4,636
Klamath Expansion Project	262,537	210,029	4,857	205,172	52,508	77	52,431
Hermiston Power True-Up	434,141	347,313	260,485	86,828	86,828	25,293	61,535
Port Westward	5,376,019	4,300,815	350,000	3,950,815	1,075,204	5,553	1,069,651
Massachusetts	550,000	450,000	0	450,000	100,000	0	100,000
Partners	245,137	202,585	202,585	0	42,552	33,357	9,195
<b>TOTAL</b>	<b>14,950,954</b>	<b>11,977,239</b>	<b>4,627,216</b>	<b>7,350,023</b>	<b>2,973,715</b>	<b>755,689</b>	<b>2,218,026</b>



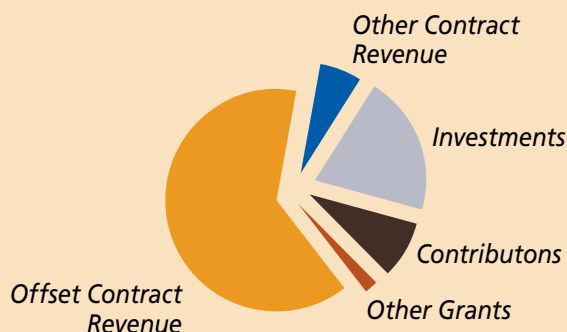
## Audited Statements of Activities

<b>Changes in net assets</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>		
Offset contract revenue	\$688,809	\$1,258,851
Other contract revenue	\$65,505	\$176,726
Interest/Investment income	\$208,550	\$93,914
Contributions and grants	\$78,397	\$222,849
Other income	\$12,502	
<b>TOTAL REVENUE</b>	<b>\$1,053,763</b>	<b>\$1,752,340</b>
<b>Expenses</b>		
Program	\$888,744	\$1,551,295
Management and general	\$141,671	\$95,385
Fund Raising	\$16,129	\$37,102
<b>TOTAL EXPENSES</b>	<b>\$1,046,544</b>	<b>\$1,683,782</b>
Change in net assets	\$7,219	\$68,558
Net assets—beginning of year	\$228,377	\$159,819
<b>Net assets—end of year</b>	<b>\$235,596</b>	<b>\$228,377</b>

### 2005 EXPENSES



### 2005 REVENUES



### Unearned Contract Revenue

All offset contract revenues are restricted for selection and contracting, acquiring, and managing offset contracts. Offset contract revenues are recognized as revenue in the period the offset contracts are obligated and management and oversight services are performed. Offset contract funds received but not yet obligated are recorded as unearned offset contract revenue. Unearned offset contract revenue is summarized as follows:

	<b>2005</b>	<b>2004</b>
Balance at beginning of year	\$4,819,778	\$3,998,712
Funds received	\$3,008,781	—
Offset contract cancellations and revisions	—	\$2,079,917
Funds obligated and revenue earned	(\$688,809)	(\$1,258,851)
<b>Unearned offset contract revenue</b>	<b>\$7,139,750</b>	<b>\$4,819,778</b>



65 SW Yamhill St., Suite 400  
Portland, OR 97204