“The Climate Trust has been a well-respected and thoughtful leader in the offset market for a decade.”

—Diane Wittenberg
Executive Director, The Climate Registry
The Climate Trust celebrates 10 years as a leader in climate change solutions

The Climate Trust celebrated its 10th anniversary in 2007—a remarkable milestone in such a nascent industry as the greenhouse gas (GHG) offset market.

As pioneers in the industry, we were the first institutional buyer of GHG offsets in the United States. Today we remain an active purchaser of high-quality GHG offsets, as well as one of the leading nonprofits shaping regulatory offset policy in the United States.

Our leadership in the offset industry stems from our roots as the first—and only—qualified provider of GHG offsets that meet Oregon’s Carbon Dioxide Standard. In 1997 Oregon enacted the first legislation in the United States aimed at reducing GHG emissions.

In recent years there has been a move toward the regulation of GHGs at the state, regional and federal levels, including the states of Washington and California, the Northeast with the Regional Greenhouse Gas Initiative, the Midwest with the Midwestern Greenhouse Gas Reduction Accord and the West with the Western Climate Initiative. There has also been an explosion of climate policy deliberations at the federal level, with national legislation expected in the next few years.

The voluntary GHG offset market also has experienced exponential growth over the past decade. In its report titled, “Forging a Frontier: State of the Voluntary Carbon Markets 2008,” Ecosystem Marketplace and New Carbon Finance have provided conservative estimates of 42.1 million tons of carbon dioxide equivalent worth $258.4 million traded on the voluntary carbon market in 2007. That is nearly triple the volume of carbon dioxide equivalent reported in 2006.

The same report called 2007 the “year of the standard,” meaning that as many as 50 percent of the transactions conducted in 2007 involved a third-party standard such as the Voluntary Carbon Standard, which we played a key role developing.

The Climate Trust has long promoted quality standards both by participating in and by helping shape the GHG offset market. We firmly believe that our commitment to quality is the key to our success. We also believe that quality is the key to ensuring a robust and viable offset marketplace that provides verifiable and enduring reductions in GHG emissions.

As part of our ongoing effort to promote high quality principles in the offset market and advance sound offset policy, we have created a National Board of Directors and spearheaded creation of the Offset Quality Initiative, a coalition of six leading nonprofit organizations formed to provide leadership on GHG offset policy and best practices. We believe both of these developments will position us to meet the challenges and opportunities we will face in our next 10 years.

Finally, we would like to use our 10th anniversary as an opportunity to thank the visionaries in the state of Oregon, as well as our financial supporters, partners, developers, concerned citizens and other stakeholders for their support throughout the years. Together we are making a difference in combating global climate change.

Sincerely,

Mike Burnett
Executive Director

Diana Bodtker
Board Chair
The Climate Trust's dual mission is unique in the offset market

The Climate Trust’s mission is to promote climate change solutions by providing high-quality greenhouse gas (GHG) offset projects and advancing sound offset policy. That dual mission sets us apart. As a pioneering practitioner in the regulatory and voluntary offset markets, we provide an important experience-based perspective as a nonprofit to policy proceedings at the state, regional and federal levels.

**REGULATORY OFFSET MARKET**

**We operate the Oregon Power Plant Offset Program.** The Climate Trust was founded in 1997 to enable Oregon’s new fossil-fired power plants to meet their regulatory requirement to offset CO₂ emissions by funding new, high-quality GHG offset projects. Ten years later, our Oregon Power Plant Offset Program continues to flourish and grow. In 2007 we added two innovative projects to our Oregon portfolio: the Oregon State University cogeneration project and the Biotactics geothermal project (see page 7).

**We operate the Large Emitter Offset Acquisition Program.** Entities in other states come to us requesting services similar to those of our Oregon program. They are drawn by our experience as the first state-sanctioned provider of offsets in the United States and our reputation for quality. We identify and secure GHG offset projects for regulatory purposes for entities in Washington, Montana and Massachusetts. One example is a fuel replacement project in Montana (see page 7).

**VOLUNTARY OFFSET MARKET**

**We help companies and individuals offset their carbon footprints.** Increasing awareness and concern about climate change has led both individuals and organizations to seek to reduce and offset the GHGs they produce and are responsible for, commonly called a carbon footprint. The Climate Trust accepts donations from individuals, businesses and institutions. The donations are used to fund our high-quality offset projects and programs.

One key way people are able to donate to offset their GHG footprint is through our companion web site, CarbonCounter.org. This site allows users—both individuals and businesses—to calculate their GHG emissions, donate money to offset their emissions and learn ways to reduce their emissions. The site experienced a whopping 360 percent growth in donations in 2007. We attribute that explosive growth to a redesign and re-launch of the site in late 2006 and to a growing awareness and desire to take action on global climate change.

More and more organizations and businesses are electing to offset their emissions through donations to our offset program, and it has been gratifying to see some of those organizations increase their commitment. In 2006, for example, Transamerica Insurance offset its business travel. A year later the company offset its entire GHG footprint through our programs.

**We develop and implement voluntary offset programs.** We also provide organizations with customized voluntary GHG offset program development and implementation.

“We are proud to partner with The Climate Trust in the creation of the Offset Quality Initiative. We believe this initiative will substantially contribute to the development of robust, effective and comprehensive regulatory offset programs.”

—Eileen Claussen
President, Pew Center on Global Climate Change
For example, in 2007 the Sacramento Municipality Utility District asked us to provide an analysis and recommendations for establishing a voluntary offset program for its customers, and to perform a market assessment to identify potential GHG offset projects in its region. Transamerica Insurance had different needs. The company asked us to help establish a program in which employees could elect to offset their personal carbon footprints through a customized page on our web site. In both cases we provided specialized services to meet the unique goals of those organizations.

**We inform climate policy that promotes offsets and market integrity**

The Climate Trust continues to serve as a leader and advocate for quality and environmental integrity in the GHG offset market. As part of our ongoing effort to advance sound offset policy and promote high quality principles in the offset market, we initiated the Offset Quality Initiative (OQI) in early 2007.

The six organizations of the OQI are: The Climate Trust, Pew Center on Global Climate Change, California Climate Action Registry, Environmental Resources Trust, Greenhouse Gas Management Institute and The Climate Group. The nonprofit organizations represent a broad spectrum of engagement in the offset market, including offset project selection and acquisition, protocol and standard development, registration, validation and verification of offset projects and policy analysis.

The four primary objectives of the OQI are:

- To provide leadership, education and expert analysis on the issues and challenges related to the design and use of offsets in climate change policy.

- To identify, articulate and promote key principles that ensure the quality of GHG offsets.

- To advance the integration of those principles in emerging climate change policies at the state, regional and federal levels.

- To serve as a source of credible information on GHG offsets, leveraging the diverse collective knowledge and experience of OQI members.

The official launch of the OQI took place in November 2007 and the remainder of the year was spent laying the foundation for 2008 activities.

In addition to the OQI, The Climate Trust has been an active participant in helping inform and shape climate change policy at the regional and state levels, including the Western Climate Initiative and California’s Assembly Bill 32, which spells out California’s plan for reducing its GHG emissions. We have participated in meetings, submitted testimony regarding the role of offsets in emerging regulatory regimes and helped promote key aspects of offset quality.

Finally, we have contributed to the standardization and advancement of high-quality offset standards in the international offset market. We served on the steering committee of the Voluntary Carbon Standard, which adopted our additionality assessment tool as the foundation for its additionality test. Released in late 2007, the Voluntary Carbon Standard is expected to play an important role in providing standardized and transparent guidance and criteria for offset sellers and purchasers in the global voluntary offset market.

The Climate Trust is reducing emissions from coal by implementing energy efficiency measures at a coal-fired steam plant.
The Climate Trust sets the standard for quality among offset providers

The Climate Trust believes that use of greenhouse gas (GHG) offsets is an important market-based solution to mitigating climate change. An offset represents the reduction, removal or avoidance of greenhouse gas emissions from a specific project that is used to compensate for emissions occurring elsewhere. Offsets can help transform our economy to a low-carbon future by providing real and verifiable reductions in global GHG emission levels and by providing investment in new low-carbon technologies.

Offsets must be of the highest quality in order for them to ensure the integrity, accountability and stability of the global GHG offset market. That is why we utilize and promote stringent quality standards. We have pioneered and refined a rigorous five-step process for evaluating, selecting and overseeing the performance of offset projects:

1. **Evaluating offset quality** by using widely accepted offset evaluation criteria such as project additionality, quantification, permanence and leakage. Additionality requires proving emission reductions from a project are “in addition to” reductions that would have occurred without the incentive provided by offset funding. Additionality is one of the most important—and one of the most difficult—evaluative criterion. We use three tests to determine additionality:
   a. **Regulatory surplus**—Ensure that the project is not mandated by law or regulation.
   b. **Implementation barriers**—Prove that a financial, technological or institutional barrier to a project’s implementation exists.
   c. **Common practice**—Examine market penetration of mitigation technology or measure to ensure that it is not commonplace.

2. **Evaluating the offset project design** by performing due diligence on the project, including monitoring and verification, offset ownership and co-benefits.

3. **Applying rigorous quantification procedures** through the use of conservative measurement methodologies and verification of project performance by independent third-party experts.

4. **Negotiating strong contracts** by developing a rigorous Emission Reduction Purchase Agreement that addresses performance risk and the clear and uncontested transfer of offset ownership.

5. **Providing ongoing project oversight** through regular contact with developers and work with third-party verifiers to evaluate offset delivery, certification and registration.

**U.S. Greenhouse Gas Offset Acquisition Initiative: Valuable lessons learned**

In 2007, in partnership with M.J. Bradley and Associates, The Climate Trust facilitated the U.S. Greenhouse Gas Offset Acquisition Initiative, in which five power companies with combined annual revenues of more than $60 billion sought offset proposals for more than 10 million metric tons of carbon dioxide. The power companies were most interested in offsets that could satisfy the requirements of the Regional Greenhouse Gas Initiative (RGGI).

Several project developers were invited to negotiate Emission Reduction Purchase Agreements, but the initiative ended without an acquisition. Participants of the initiative are sharing the valuable lessons learned with RGGI and other policy leaders, in the interest of developing high-quality GHG offsets as a viable part of U.S. climate change policies.
The Climate Trust is reducing emissions from the transportation sector by implementing truck stop electrification projects. Transportation, which accounted for nearly 30 percent of U.S. greenhouse gas emissions in 2006, is the fastest growing source of emissions, according to the Environmental Protection Agency.

College of the Atlantic: Quality is why The Climate Trust offsets were chosen

College of the Atlantic in Bar Harbor, Maine, chose to offset its GHG emissions with The Climate Trust because of our rigorous evaluation of offset quality.

In October 2006, College of the Atlantic declared it would reduce and offset all its GHG emissions by the end of 2007. College staff, students and faculty spent the year both calculating the campus carbon footprint and working to reduce and avoid GHG emissions wherever possible.

The college community spent quite a bit of time discussing whether to purchase GHG offsets, debating their theoretical implications, the difficulties entailed in making sure they are additional and verifiable, and whether offsets represent an appropriate usage of college funds. Ultimately, they decided to purchase offsets provided by The Climate Trust based on our rigorous adherence to high quality standards and strong additionality tests.

The College of the Atlantic donation helped fund our traffic signal optimization project, which improved traffic flow on 17 major arteries in Portland. Reducing the amount of time vehicles spend idling decreases carbon dioxide emissions. The project was chosen because it met the stringent tests of additionality.

Doubletree Hotel: Guests can offset their carbon footprint

The Doubletree Hotel Portland, which has received significant national recognition for its sustainable practices, sought a partner that shared its commitment to quality and the environment. Doubletree chose The Climate Trust to create what is believed to be the first carbon calculator tailored for a hotel. Doubletree’s carbon calculator allows guests to determine the carbon footprint of their stay and offset their GHG emissions.

Doubletree donations have supported a Climate Trust project that reduces emissions caused by idling at truck stops in Oregon and Washington. The program allows long-haul truck drivers to plug into an electric grid to power their trucks during their 8- to 10-hour mandated rest periods.

The six key lessons derived from the U.S. Greenhouse Gas Offset Acquisition Initiative are:

1. Several market factors could be impacting the liquidity of the RGGI offset market due to:
   a. higher prices on voluntary market,
   b. higher volume of offsets from non-RGGI methodologies, and
   c. uncertainties of who will be capped.

2. Regulatory uncertainties are impeding market development.

3. Offset projects that meet regulatory requirements of RGGI are currently limited in number.

4. Most offset projects require upfront financing, while most initiative participants were interested in purchasing offsets upon delivery.

5. Third-party participants are needed to bridge the financing gap outlined above.

6. A standardized Emission Reduction Purchase Agreement for RGGI-eligible GHG offsets is critical.
“When we decided to become the first local natural gas company in the nation to launch a voluntary carbon offset program, we needed a partner who shared our innovative vision and our commitment to excellence. We looked no further than The Climate Trust.”

—Mark Dodson
CEO, NW Natural

### The Climate Trust’s Portfolio of Offset Projects

By the end of 2007, The Climate Trust had placed $8.3 million in a diverse portfolio of projects that are expected to offset 2.4 million metric tons of carbon dioxide. That is equal to taking 478,088 cars off the road for a year.

<table>
<thead>
<tr>
<th>PROJECT CATEGORY</th>
<th>PROJECT NAME</th>
<th>CONTRACT SIGNING DATE</th>
<th>PROJECT TERM (Years)</th>
<th>CO₂ OFFSETS OVER PROJECT TERM (Metric Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENERGY EFFICIENCY</strong></td>
<td>Duluth Steam Plant Upgrade</td>
<td>2006</td>
<td>15</td>
<td>210,328</td>
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<tr>
<td></td>
<td>Blue Heron Industrial Efficiency Upgrade</td>
<td>2004</td>
<td>10</td>
<td>191,232</td>
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<tr>
<td></td>
<td>Portland Building Efficiency Program</td>
<td>2002</td>
<td>5</td>
<td>392,035</td>
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<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
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<td><strong>SEQUESTRATION</strong></td>
<td>Deschutes Riparian Restoration</td>
<td>2002</td>
<td>52</td>
<td>233,333</td>
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<tr>
<td></td>
<td>Ecuadorian Rainforest Restoration</td>
<td>2002</td>
<td>99</td>
<td>58,890</td>
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<tr>
<td></td>
<td>Preservation of a Native NW Forest</td>
<td>2001</td>
<td>99</td>
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<tr>
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<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>555,382</strong></td>
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<td><strong>COGENERATION</strong></td>
<td>Oregon State University Cogeneration</td>
<td>2007</td>
<td>20</td>
<td>338,790</td>
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<tr>
<td></td>
<td>Newark Group Cogeneration</td>
<td>2006</td>
<td>15</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>453,049</strong></td>
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<tr>
<td><strong>TRANSPORTATION EFFICIENCY</strong></td>
<td>Truck Stop Electrification</td>
<td>2005</td>
<td>16</td>
<td>90,000</td>
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<tr>
<td></td>
<td>Traffic Signal Optimization</td>
<td>2002</td>
<td>10</td>
<td>171,786</td>
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<tr>
<td></td>
<td>Internet-Based Carpool Matching</td>
<td>2002</td>
<td>10</td>
<td>1,021</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>262,807</strong></td>
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<td><strong>MATERIAL SUBSTITUTION</strong></td>
<td>Cool Climate Concrete</td>
<td>2004</td>
<td>6</td>
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<td></td>
<td><strong>TOTAL</strong></td>
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<td></td>
<td><strong>250,000</strong></td>
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<td><strong>RENEWABLE ENERGY</strong></td>
<td>Innovative Wind Financing</td>
<td>2002</td>
<td>2</td>
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<tr>
<td></td>
<td><strong>TOTAL</strong></td>
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<td><strong>23,893</strong></td>
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<tr>
<td><strong>FUEL REPLACEMENT</strong></td>
<td>Biotactics Geothermal Heating</td>
<td>2007</td>
<td>10</td>
<td>25,500</td>
</tr>
<tr>
<td></td>
<td>Montana Fuels for Schools</td>
<td>2007</td>
<td>15</td>
<td>59,100</td>
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<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>84,600</strong></td>
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<tr>
<td><strong>TOTAL CO₂ OFFSETS (metric tons)</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>2,423,326</strong></td>
</tr>
</tbody>
</table>
**NW Natural: Biogas creates energy from cow manure**

NW Natural chose The Climate Trust to partner with on its new Smart Energy Program, the first voluntary greenhouse gas (GHG) offset program in the nation created by a local gas company. Smart Energy allows customers to offset their natural gas use by paying an additional $6 a month, or a fee based on the amount of natural gas they use. The funds will be used to support projects, such as the installation of biodigesters on dairy farms, that reduce GHG emissions.

Biodigesters capture methane gas from decomposing cow manure and avoids its release into the atmosphere. That captured methane can then be combusted to generate additional electricity. Biogas projects have other benefits, including keeping manure and bacteria out of ground and surface water and reducing odor and infections on farms.

**Oregon State University: Cogeneration encourages energy independence**

Oregon State University sought to build a cogeneration plant on its Corvallis campus as a means of reducing its environmental impact and becoming more energy independent. The combined heat and power plant, which utilizes fuel-efficient cogeneration technology, will reduce the university’s use of grid-generated electricity by an estimated 50 percent annually.

The Climate Trust was able to provide vital funding for the project, which is expected to reduce CO₂ emissions by about 340,000 metric tons over its lifetime.

**Biotactics: Geothermal power reduces emissions**

Biotactics is reducing its GHG emissions, thanks to GHG offset funding from The Climate Trust. The California company cultivates predatory mites that eat spider mite eggs, eliminating the need to use chemical pesticides.

Biotactics’ process requires a substantial amount of heated space, leading the company to seek a less expensive and less carbon-intensive heating source than propane. The solution was to build greenhouses heated by geothermal systems in Klamath Falls, Oregon. We provided the critical funding that allowed Biotactics to move its operations from California to Oregon and install the geothermal system, reducing CO₂ emissions by approximately 25,000 metric tons over 10 years.

**Montana: Schools eliminate fossil fuels as heat source**

The Montana Department of Natural Resources and Conservation sought funding for its Fuels for Schools program, in which wood waste materials from forest management practices are burned to generate heat instead of fossil fuels. High costs were a barrier preventing some schools from participating. The Climate Trust’s offset funding allowed those schools to participate in the program when they otherwise would not have been able to.

In 2007, we provided funding for four schools to participate in the project, which is expected to produce about 60,000 metric tons of offsets over 15 years. Other benefits include job creation and school savings on heating costs.

The Climate Trust is reducing emissions from heat production by implementing projects with renewable heat sources such as geothermal systems.
Regulatory uncertainty and lack of standardization cloud U.S. offset market

In 2007, the U.S. greenhouse gas (GHG) offset market continued a period of rapid development and advancement. However, growing uncertainty about the shape and scope of climate change regulation in the United States is having a ripple effect throughout the GHG offset market.

Regulatory uncertainty has contributed to delayed investment in certain sectors. Some reasons cited for such delays have been price differentials between voluntary and expected regulatory markets, lack of standardized Emission Reduction Purchase Agreements and stockpiling of potential projects in anticipation of higher prices in the future.

In the meantime, the voluntary offset market continues to grow rapidly. While sales of voluntary emission reductions are increasing, so, too, are questions about the integrity of the carbon market and distrust of GHG offsets as a viable means of achieving real reductions in GHG emissions.

Such questions have arisen because the development of both regulatory and voluntary markets has preceded the establishment of universal quality standards for offsets. This has left the industry vulnerable to criticism and has led to negative mainstream news coverage of voluntary GHG offset projects and programs.

Due, in part, to the inherent challenges in the commoditization of GHG reductions, the GHG offset market in the United States stands at a critical juncture. The Climate Trust believes that offsets are not a panacea for the climate crisis, but, when correctly implemented, they can be an efficient and cost-effective means of achieving real reductions in GHG emissions.

The precedent set now, in both voluntary and regulatory markets, will greatly influence the role that GHG offsets will play in global climate change mitigation. We are positioning ourselves to ensure that we can contribute our 10 years of experience and expertise to creating robust GHG offset markets that are effective and of the highest quality.

The Climate Trust increases its national presence

The Climate Trust continues to select and fund high-quality GHG offset projects that meet the Oregon Carbon Dioxide Standard and the rigorous project assessment methods we have developed over the past decade. We continue to lead the market through the implementation of high quality standards and to refine our business practices when necessary to reflect important changes in industry standards and norms.

We also continue to advocate for sensible climate solutions that include GHG offsets as one part of GHG-reduction measures, and to promote the groundwork necessary for a rigorous, robust and effective offset market in the United States.
In September 2007, the Business Council for Sustainable Energy recognized The Climate Trust as a valuable example to inform development of federal GHG offset policy. Such a commendation was very opportune, because two months later we launched the Offset Quality Initiative, a coalition of six leading nonprofit organizations created to provide leadership on GHG offset policy and best practices.

Our engagement in a wide variety of policy activities at the state, regional and federal levels through the Offset Quality Initiative is an important component of our growth strategy. We expect that policy engagement will play a larger role in our overall activities and funding in the next few years. Much of the groundwork is now being laid for future regulatory regimes, and our early engagement in these processes is the most effective way to ensure market stability, integrity and effectiveness.

To that end, we have created a National Board of Directors, which will complement the work of our Oregon Board of Directors. The Climate Trust’s National Board of Directors includes four members of the Oregon board: Alan Zelenka, Bob Therkelsen, Susan Anderson and Bettina von Hagen.

In addition we are proud to announce the recruitment of three new members: Winston Hickox, Truman Semans, and Carter Bales. Winston Hickox’s experience in environmental policy and regulation includes serving five years as Secretary of the California Environmental Protection Agency and seven years as Special Assistant for Environmental Affairs for California Governor Jerry Brown. Truman Semans has worked to advance sustainability through business, government and technology, serving on the Executive Committee of the U.S. Climate Action Partnership and growing the Business Environmental Leadership Council of the Pew Center on Global Climate Change. Carter Bales, formerly a Director of McKinsey & Co., is a trustee of such venerable groups as The Nature Conservancy, the Grand Canyon Trust and the Echoing Green Foundation.

The National Board of Directors was created in response to the growing uncertainty and rapid changes affecting the emerging U.S. regulatory and voluntary GHG offset markets. The National Board is wasting no time, working to develop a new strategic plan that will ensure our continued national growth and impact. The plan will leverage our 10 years of experience and secure our position as a market and policy leader. In 2008 we look forward to finalizing the plan for this exciting new chapter in our history.

With the experience and commitment of our Boards of Directors, our new strategic goals and the expertise and passion of our staff, we are prepared to grow with the burgeoning offset market and continue to contribute our practitioner’s experience and expertise to the rapidly developing landscape of offset markets and policy.

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,425,904</td>
<td>$1,023,785</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$107,021</td>
<td>$91,788</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>$24,500</td>
<td>$23,750</td>
</tr>
<tr>
<td>Other current assets</td>
<td>$81,755</td>
<td>$53,666</td>
</tr>
<tr>
<td>Investments</td>
<td>$8,795,623</td>
<td>$10,305,863</td>
</tr>
<tr>
<td>Office equipment, net depreciation</td>
<td>$47,848</td>
<td>$38,245</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$10,482,651</strong></td>
<td><strong>$11,537,097</strong></td>
</tr>
</tbody>
</table>

#### LIABILITIES AND NET ASSETS

**Liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$42,220</td>
<td>$74,393</td>
</tr>
<tr>
<td>Offset contracts payable</td>
<td>$3,621,529</td>
<td>$3,406,977</td>
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<tr>
<td>Unearned offset contract revenue</td>
<td>$5,850,410</td>
<td>$7,533,283</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$9,514,159</strong></td>
<td><strong>$11,014,653</strong></td>
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**NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$906,054</td>
<td>$471,783</td>
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<tr>
<td>Temporarily restricted</td>
<td>$62,438</td>
<td>$50,661</td>
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<tr>
<td><strong>Total net assets</strong></td>
<td><strong>$968,492</strong></td>
<td><strong>$522,444</strong></td>
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**TOTAL LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$10,482,651</strong></td>
<td><strong>$11,537,097</strong></td>
</tr>
</tbody>
</table>

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**Offset Funds Tracking — December 31, 2007 (US $)**

<table>
<thead>
<tr>
<th>Offset Funding Source</th>
<th>Total Commitment</th>
<th>Offset Contract Amount</th>
<th>Obligated Contract Amount</th>
<th>Balance Left to Obligate</th>
<th>Total For Offset Mgmt. Funds</th>
<th>Offset Mgmt. Funds Spent</th>
<th>Offset Mgmt. Funds Unspent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Klamath Cogeneration</td>
<td>1,197,697</td>
<td>958,158</td>
<td>795,650</td>
<td>162,508</td>
<td>239,539</td>
<td>166,738</td>
<td>72,802</td>
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<td>Hermiston Power</td>
<td>4,218,760</td>
<td>3,375,008</td>
<td>1,578,897</td>
<td>1,796,111</td>
<td>843,752</td>
<td>493,128</td>
<td>350,624</td>
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<td>Coyote Springs 2</td>
<td>2,643,098</td>
<td>2,114,478</td>
<td>1,518,260</td>
<td>596,218</td>
<td>528,620</td>
<td>413,448</td>
<td>115,171</td>
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<tr>
<td>NW Natural</td>
<td>23,567</td>
<td>18,853</td>
<td>4,857</td>
<td>13,996</td>
<td>4,714</td>
<td>760</td>
<td>3,953</td>
</tr>
<tr>
<td>Klamath Expansion</td>
<td>262,537</td>
<td>210,029</td>
<td>5,704</td>
<td>204,325</td>
<td>52,508</td>
<td>798</td>
<td>51,709</td>
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<tr>
<td>Hermiston Power Phase 2</td>
<td>434,142</td>
<td>347,313</td>
<td>260,485</td>
<td>86,828</td>
<td>86,829</td>
<td>50,708</td>
<td>36,120</td>
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<tr>
<td>Port Westward</td>
<td>5,400,565</td>
<td>4,320,452</td>
<td>3,639,713</td>
<td>680,739</td>
<td>1,080,113</td>
<td>236,153</td>
<td>843,960</td>
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<tr>
<td>Klamath Cogen True Up</td>
<td>500,462</td>
<td>400,462</td>
<td>0</td>
<td>400,462</td>
<td>100,000</td>
<td>0</td>
<td>100,000</td>
</tr>
<tr>
<td>Molalla Gate True Up</td>
<td>33,641</td>
<td>26,913</td>
<td>0</td>
<td>26,913</td>
<td>6,728</td>
<td>0</td>
<td>6,728</td>
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<tr>
<td>Massachusetts</td>
<td>551,162</td>
<td>450,000</td>
<td>450,000</td>
<td>0</td>
<td>101,162</td>
<td>25,481</td>
<td>75,681</td>
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<tr>
<td>Montana</td>
<td>475,785</td>
<td>360,000</td>
<td>360,000</td>
<td>0</td>
<td>115,785</td>
<td>21,514</td>
<td>94,271</td>
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<tr>
<td>Partners</td>
<td>454,292</td>
<td>373,658</td>
<td>343,658</td>
<td>30,000</td>
<td>80,634</td>
<td>39,924</td>
<td>40,710</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16,195,708</strong></td>
<td><strong>12,955,324</strong></td>
<td><strong>8,957,224</strong></td>
<td><strong>3,998,100</strong></td>
<td><strong>3,240,384</strong></td>
<td><strong>1,448,652</strong></td>
<td><strong>1,791,729</strong></td>
</tr>
</tbody>
</table>
UNEARNED CONTRACT REVENUE

All offset contract revenues received under the Oregon Program are restricted for selecting, contracting, acquiring, and managing offset contracts. Offset contract revenues are recognized 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:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
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</thead>
<tbody>
<tr>
<td>Offset contract revenue</td>
<td>$2,888,404</td>
<td>$2,310,547</td>
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<tr>
<td>Other contract revenue</td>
<td>$236,823</td>
<td>$89,107</td>
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<tr>
<td>Investment income, net of expenses</td>
<td>$540,323</td>
<td>$484,566</td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>$802,714</td>
<td>$204,108</td>
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<tr>
<td>Other income</td>
<td>$11,040</td>
<td>$32,000</td>
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<tr>
<td><strong>TOTAL UNEXPECTED REVENUE</strong></td>
<td><strong>$4,479,304</strong></td>
<td><strong>$3,120,328</strong></td>
</tr>
</tbody>
</table>
**Oregon Power Plant Program**
- Avista Corporation
- Calpine
- City of Klamath Falls
- Iberdrola Renewables
- Northwest Natural
- Portland General Electric

**Large Emitter Offset Acquisition Program**
- American National Power
- Basin Creek Power
- Conectiv Energy Supply, Inc.
- Dominion Resources Services, Inc.
- Entergy Corporation
- Northwest Natural Smart Energy Program
- NRG Energy, Inc.
- Public Service Enterprise Group
- Sacramento Municipal Utility District
- Seattle City Light

**Offset Donations (>500)**

**Businesses:**
- Bainbridge Graduate Institute
- British Embassy
- Bumbershoot 2007
- Compton Foundation, Inc.
- DoubleTree Hotel, Lloyd Center, Portland, OR
- Ecotrust
- Great Pacific Iron Works
- Green Car Company
- Hawthorne Auto Clinic
- HDR Engineering, Inc.
- HOK, Inc.
- Irubin Consulting, Inc.
- King Moses Matan Walder Foundation
- Magnolia Thriftway
- The Nature Conservancy
- New York City Partnership Foundation
- Organic Bouquet
- Portfolio 21 Investments, Inc.
- Portland Energy Conservation, Inc.
- Quantec, LLC
- The Rejuvenation Community Plan
- Rodland Toyota
- Ross & Associates Environmental Consulting, Ltd.
- Schwabe, Williamson & Wyatt
- ShoreBank Pacific
- Simon & Associates, Inc.
- SRG Partnership Inc.
- Sundry Organization of the Claremont Colleges
- Transamerica Insurance & Investment Group
- TSD Loreto Partners
- University Temple UMC
- US Green Building Council
- Valley Forge Fabrics
- Village Market Thriftway
- Washington Law School Foundation

**Individuals:**
- Michael Arney
- Mr. and Mrs. Frederick Beckett
- Claude Blackburn
- Barbara Boxer
- David Becket
- Yvonne Camacho
- Geoffrey Chapman
- Gun Denhart
- Michael Dussault
- Christine Ervin
- Charles Ewald
- James Fernow
- Michael Grant
- Bert Gregory
- David Johnson
- David Kepler
- Kenneth Kristl
- Walter Kwan
- Alan Linning
- Norris Lozano
- Bruce Maguire
- Kelley McLendon
- Weston Milliken
- Peter Murchie
- Lila Preston
- William Reed
- Karen Reibel
- Jonathan Robbins
- Beth Studley
- Jeremy Wenokur
- Joan Woodward
- Naomi Zikmund-Fisher

**Foundations:**
- M.J. Murdock Charitable Trust
- Surdna Foundation
- The Oregon Community 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:**
- Sheryl Alstrin
- Emily Barry
- Randi Becker
- Mr. and Mrs. Frederick Beckett
- Mr. and Mrs. Ken Chapman
- Michael Dussault
- Paul Harcombe
- Evan Hensleigh
- Kurt Hurley
- Vladimir & Betsy Jelisavcic
- Neil Koehler & Cindy Toy
- Eli & Madeleine Lamb
- Richard May
- Talia Milgrom-Elcott

**Organizations:**
- Steve and Karen Motenko
- Massimiliano Poletto
- Marilyn Richen
- Mark and Mary Seabright
- Julie Steinhardt
- Daniel Tom

- Beef & Pie
- Nametag International
- Threshold Foundation
- The Vervane Foundation
- Wisdom Works Group
Board of Directors & Advisory Council

Oregon Board (Voting)
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Former Energy Facility Siting Council Member (Board Chair)
Bob Therkelsen
Professor, Southern Oregon University (Vice Chair)
Susan Anderson
Director, Portland Office of Sustainable Development (Secretary)
Laura Beane
Market Structure Manager, Iberdrola Renewables (Treasurer)
Jake Polvi
Member, Oregon Energy Facility Siting Council
Bettina von Hagen
Vice President, Ecotrust
Alan Zelenka
Energy Services Leader, Kennedy/Jenks Consultants

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

National Board
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Energy Services Leader, Kennedy/Jenks Consultants (Board Chair)
Bob Therkelsen
Professor, Southern Oregon University (Vice Chair)
Susan Anderson
Director, Portland Office of Sustainable Development (Secretary)
Bettina von Hagen
Vice President, Ecotrust (Treasurer)
Carter Bales
Managing Partner Emeritus, The Wicks Group
Winston Hickox
Partner, California Strategies
Truman Semans
Principal, GreenOrder

Advisory Council
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Director, Institute for Natural Resources, Oregon State University
Dale Bryk
Senior Attorney, Natural Resources Defense Council
Tom Casten
Chairman, Recycled Energy Development
Christine Ervin
Christine Ervin/Company, Former President & CEO, U.S. Green Building Council
Ross Gelbspan
Former Boston Globe reporter and the author of “The Heat is On”
Judith Greenwald
Director of Innovative Solutions, Pew Center on Global Climate Change
Jan Hamrin
Former Executive Director, Center for Resource Solutions
Joel Makower
Executive Producer of the Green Business Network
Andrei Marcu
CEO, BlueNext
David Nemtzow
Consultant, Energy Efficiency and Sustainability
Ken Newcombe
Former Managing Director, U.S. Carbon Emissions Desk, Goldman Sachs
Jonathan Pershing
Program Director, Climate and Energy, World Resources Institute
Glenn Prickett
Executive Director, Center for Environmental Leadership in Business, and Senior Vice President, Conservation International
David Sandalow
Environment Scholar, The Brookings Institution
Diane Wittenberg
President, Climate Action Registry

Staff
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Executive Director
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Craig Diamond
Director of Strategy and Operations
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Senior Manager, Business Development
Drew Bryenton
Offset Portfolio Coordinator
Erica Keeley
Offset Portfolio Manager
Alexia Kelly
Policy Program Manager
Becky Ostrom
Administrative Assistant
Amy Phillips
Marketing and Communications Manager
Monica Thilges
Offset Project Coordinator
Peter Weisberg
Offset Project Analyst
Sheldon Zakreski
Senior Program Manager