

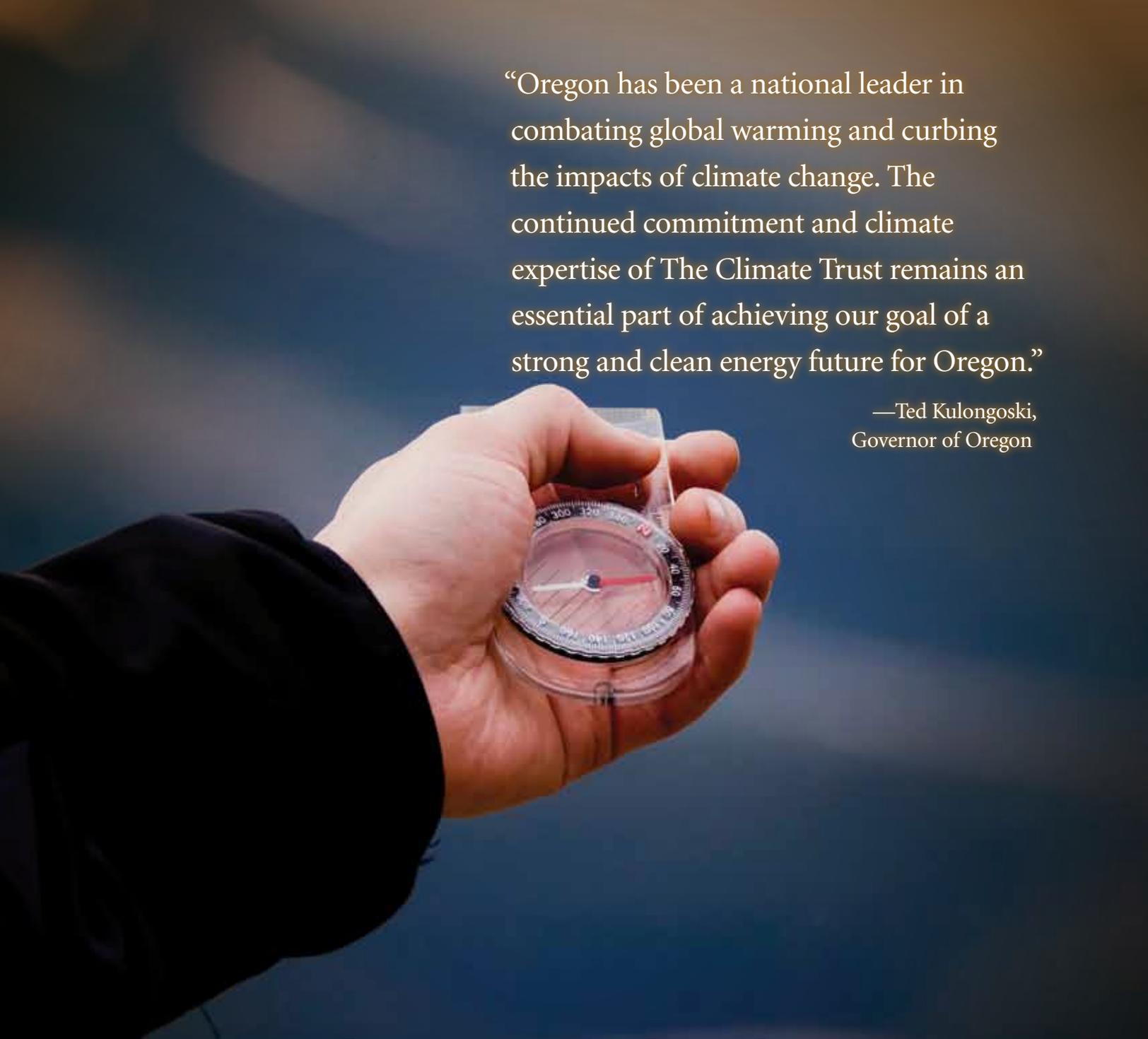
The Climate Trust

2009 Annual Report



“Oregon has been a national leader in combating global warming and curbing the impacts of climate change. The continued commitment and climate expertise of The Climate Trust remains an essential part of achieving our goal of a strong and clean energy future for Oregon.”

—Ted Kulongoski,
Governor of Oregon

A close-up photograph of a hand holding a clear plastic compass. The hand is wearing a dark jacket. The compass is open, showing the needle and the degree markings on the bezel. The background is a soft, out-of-focus blue sky.

leadership

Everyone must act to rapidly reduce the accumulation of greenhouse gases in our atmosphere to prevent the most catastrophic impacts of climate change. However, many companies are uncertain about which actions to take in anticipation of climate legislation or regulation. That is why The Climate Trust is providing utilities and other companies access to a portfolio of cost-effective carbon credits that have the potential to be recognized under a variety of state, regional, and federal climate rules and regulations. Our partners benefit from The Climate Trust's 10 years of leadership developing and operating successful compliance and voluntary programs, such as the pioneering Oregon Carbon Dioxide Standard and the innovative Colorado Carbon Fund.

New Leadership, Vision for the Next 10 years

The Climate Trust enjoyed many accomplishments in 2009, chief among them acquiring a clean energy project for the Colorado Carbon Fund, committing new funds to the successful Cool Climate Concrete program, and exceeding the goals of the Offset Quality Initiative grant from the Energy Foundation.

What makes these accomplishments even more noteworthy is that they were accomplished during a leadership transition. Founding Executive Director Mike Burnett stepped down after a decade of service during which the organization grew into a nationally respected leader and innovator in the carbon market.

Ben Vitale, formerly Managing Director of the Conservation and Community Carbon Fund at Conservation International, was named President of The Climate Trust in December. Mr. Vitale was attracted to The Climate Trust because the organization has been pioneering effective climate actions that benefit local communities for over 10 years. During that time, The Climate Trust has invested about \$10.5 million in a diverse project portfolio throughout the United States and one in Ecuador that are expected to deliver over 2.65 million carbon credits.

Under this new leadership, the organization has developed a new vision and mission appropriate to drive growth over the next 10 years. The Climate Trust envisions swift collective action to protect the integrity of the Earth's climate and safeguard against climate impacts to ensure a secure, resilient, and just future. In order to achieve that goal, The Climate Trust's mission is to provide expertise, financing, and inspiration to accelerate innovative and effective climate solutions that endure.

This new mission allows The Climate Trust to honor our history by building on our existing programs,

carbon portfolio, and policy work, as well as to bridge us to a low-carbon future by stimulating growth in new climate solutions. The Climate Trust is shaping financial and project development models that can be replicated and scaled up to reduce emissions at a faster rate because the scale of the problem is large. So in addition to being an innovator, The Climate Trust acts as a project accelerator for project developers and local governments that are implementing programs in all sectors of the economy.

Combating climate change is the greatest challenge of generations to come, and we must move quickly now to preserve a stable global climate. This requires us to unleash American optimism, ingenuity, and hard work to innovate our way out of this global problem.

The Climate Trust is prepared to help demonstrate that action is possible and required today, but we cannot do it alone. This work requires collective action on the part of individuals, businesses, nonprofit organizations, foundations, and local governments. We want to thank all of those who have supported The Climate Trust in the past and we look forward to your continued support in the future. Together we can meet this climate challenge.

Sincerely,



Ben Vitale
President



Bob Therkelsen
Board Chair



“The Climate Trust’s applied experience and financial capabilities can help spur the deployment of agriculture-based energy and climate solutions. We value such efforts in the development of innovative business models to help make America’s farms and businesses more efficient and sustainable.”

—Roger George,
North America General Manager for GE Jenbacher

innovation

Agriculture accounts for about 6% of total U.S. greenhouse gas emissions. The Climate Trust is among those who envision farms as a rich source of climate solutions as well as sustainable environmental products. Many innovations are needed to unlock the potential of low-carbon farms, such as development of ways to measure how practices like conservation tillage, improved fertilizer management, and biochar can reduce emissions and sequester carbon. The Climate Trust has agricultural experience, having developed the carbon assets for anaerobic digester projects that turn methane waste from dairy farms into renewable energy. Such experience positions The Climate Trust to support farmers and project developers and to strengthen sustainable business models that rely on new revenue streams and cost reductions while at the same time improving air, soil, and water quality.

2009 Year in Review

Colorado Carbon Fund finances clean energy

The Climate Trust financed the first clean energy project through our partnership with the Colorado Carbon Fund. The project will convert methane gas from the Larimer County Landfill into enough electricity to power about 900 local homes. “This new facility will offer tremendous benefits to the county and the surrounding community,” said Stephen Gillette, solid waste manager for Larimer County. “This makes an important local resource even more valuable to taxpayers, utility customers and residents.” The project’s emission reductions are equivalent to taking about 7,500 cars off the road each year.

NW Natural Smart Energy achieves milestones

The NW Natural Smart Energy program, which allows customers to offset their natural gas use by reducing emissions on dairy farms, has enjoyed growth year over year in donations and impact since 2007. The program has enrolled more than 7,000 participants, which will lead to over 44,000 tons of greenhouse gas reductions, the equivalent emissions from combusting 4.5 million gallons of gasoline. The Smart Energy participants include organizations like the Portland Trail Blazers who offset their emissions from the Rose Garden Arena, helping them become the nation’s first major sports team to earn LEED Gold status for their facility.

Project makes building green even greener

Cool Climate Concrete delivered nearly 250,000 metric tons of carbon credits through a program that provides incentives for ready-mix cement facilities to utilize lower-carbon concrete. The program was so successful that The Climate Trust committed additional funds to the program in 2009. The Cool Climate Concrete program increases the adoption of blended cement in an economic sector that accounts

for 3.4% of global emissions. The second phase of the program is designed to achieve more emission reductions in less time.

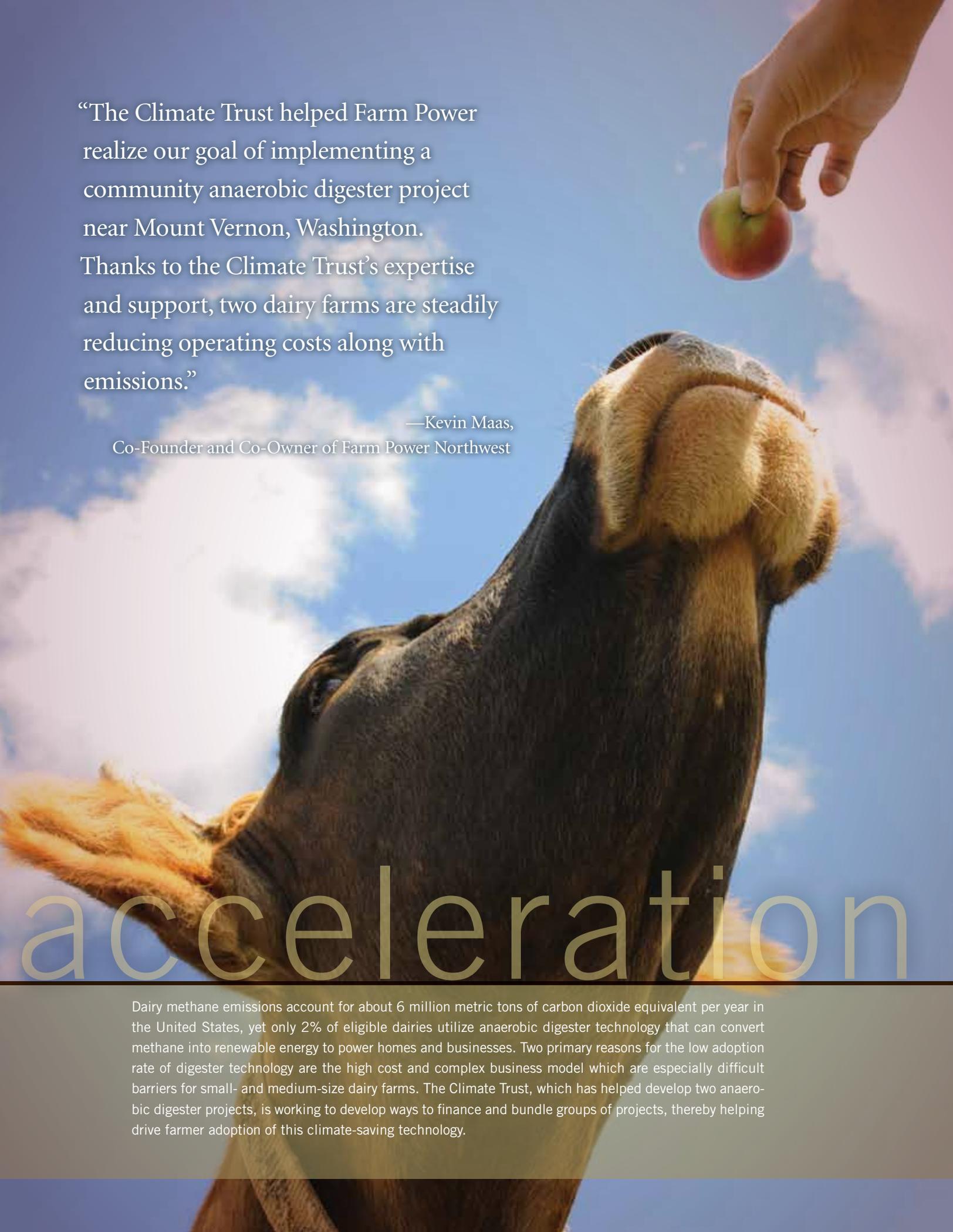
Offset Quality Initiative informs policy makers

The Offset Quality Initiative, a coalition of six leading national nonprofit organizations convened by The Climate Trust, successfully exceeded the goals of its 18-month grant awarded by the Energy Foundation. The initiative’s chief accomplishments in 2009 included publishing two white papers titled “Maintaining Carbon Market Integrity: Why Renewable Energy Certificates Are Not Offsets” and “Assessing Offset Quality in the Clean Development Mechanism,” holding briefings for policy makers, and submitting comments on state, regional, and federal policy initiatives. (More on page 9.)

Compliance program reports 5 years of success

The Climate Trust presented its five-year performance report to the Oregon Energy Facility Siting Council as required under the administration of the Oregon Carbon Dioxide Standard. The report outlined the Oregon Program’s successes since 2004 including:

- ◆ Building a portfolio anticipated to deliver over 2.3 million tons of emission reductions, the equivalent of removing 10% of all passenger vehicles in Oregon from the road for a year
- ◆ Developing nine projects in Oregon that provide additional benefits such as cleaner air, preservation of biodiversity, energy savings, and improved watershed quality
- ◆ Ranking in the top tier of nonprofit organizations in efficiency, having spent 91% of funds for programs

A hand holding a red apple above a cow's head against a blue sky with clouds.

“The Climate Trust helped Farm Power realize our goal of implementing a community anaerobic digester project near Mount Vernon, Washington. Thanks to the Climate Trust’s expertise and support, two dairy farms are steadily reducing operating costs along with emissions.”

—Kevin Maas,
Co-Founder and Co-Owner of Farm Power Northwest

acceleration

Dairy methane emissions account for about 6 million metric tons of carbon dioxide equivalent per year in the United States, yet only 2% of eligible dairies utilize anaerobic digester technology that can convert methane into renewable energy to power homes and businesses. Two primary reasons for the low adoption rate of digester technology are the high cost and complex business model which are especially difficult barriers for small- and medium-size dairy farms. The Climate Trust, which has helped develop two anaerobic digester projects, is working to develop ways to finance and bundle groups of projects, thereby helping drive farmer adoption of this climate-saving technology.

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. | Farm Power | 2009 | 10 | 60,000 |
| | Whitesides Dairy | 2009 | 1 | 17,067 |
| | TOTAL | | | 77,067 |
| SEQUESTRATION Removal of CO ₂ , either through biological processes (e.g., plants & trees) or through geological processes such as CO ₂ storage in underground reservoirs. | 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 |
| LANDFILL GAS TO ENERGY Capturing and converting methane from landfills into renewable energy. | Larimer | 2009 | 1 | 27,000 |
| | TOTAL | | | 27,000 |
| MATERIAL SUBSTITUTION Replacing a carbon-intensive material with one that is less carbon-intensive in industrial applications. | Cool Climate Concrete—Phase 1 | 2004 | 6 | 249,195 |
| | Cool Climate Concrete—Phase 2 | 2009 | 3 | 300,000 |
| | TOTAL | | | 549,195 |
| FUEL REPLACEMENT Displacing the use of a higher carbon intensity fuel with a lower carbon intensity fuel. | 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 while maintaining the same or higher mobility. May also include reducing the need for transportation services. | 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 High-efficiency method of 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 energy sources such as sun, wind, biomass, and other sources. | Innovative Wind Financing | 2002 | 2 | 23,892 |
| | TOTAL | | | 23,892 |
| TOTAL CARBON CREDITS (METRIC TONS) | | | | 2,654,855 |

A close-up photograph of a person's hand holding a small, vibrant green pine branch. The background is a soft, out-of-focus green, suggesting a forest setting. The lighting is natural, highlighting the texture of the pine needles and the skin of the hand.

“The Climate Trust shares our vision and supports responsible land use policies and management practices that generate environmental and climate benefits that meet the test of time.”

—Laurie Wayburn,
President, Pacific Forest Trust

sustainability

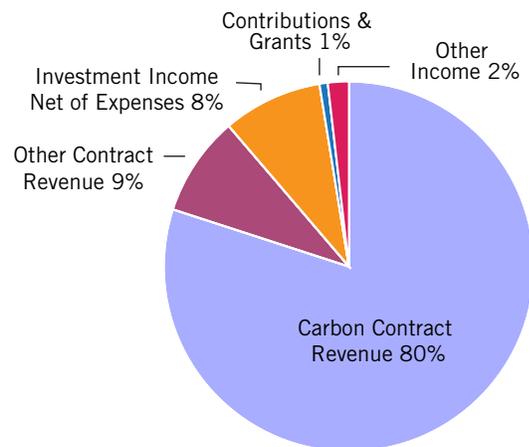
Forests absorb and store carbon dioxide, making their restoration and preservation an important global climate change solution. However, it is estimated that the world lost more than 620,000 square miles of forest between 2000 and 2005, with the United States losing 46,332 square miles, which is the size of Pennsylvania. The Climate Trust, which already has three forestry projects in its portfolio, is moving swiftly to finance agriculture, forestry, and land-use management policies and practices that will preserve our forests and rural livelihoods. The Climate Trust is working with public and private landowners on financing and aggregation mechanisms that will maintain and restore forests in the U.S. for both climate mitigation and the conservation of threatened ecosystems.

Financial Summary

The Climate Trust has a perfect record of clean audits conducted by a professional auditing firm every year, including for calendar year 2009.

| STATEMENT OF FINANCIAL POSITION | 2009 | 2008 |
|-----------------------------------------|---------------------|---------------------|
| Total Assets | \$13,914,871 | \$14,292,197 |
| Liabilities | \$12,897,693 | \$13,034,754 |
| Net Assets | 1,017,178 | 1,257,443 |
| TOTAL LIABILITIES AND NET ASSETS | \$13,914,871 | \$14,292,197 |

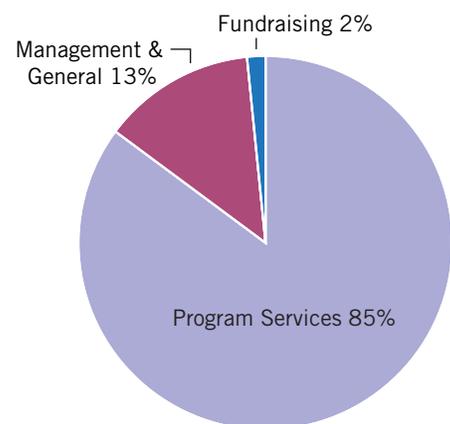
2009 Revenues



Carbon Funds Tracking – December 31, 2009 (US \$)

| Carbon Funding Source | Total Commitment | Balance Left to Obligate | Change from 2008* |
|-------------------------|-------------------|--------------------------|-------------------|
| Klamath Cogeneration | 1,197,697 | 200,222 | 8,621 |
| Hermiston Power | 4,218,760 | 796,111 | -1,000,172 |
| Coyote Springs 2 | 2,643,597 | 508,779 | -159,576 |
| NW Natural Mist | 23,566 | 0 | -14,168 |
| Klamath Expansion | 262,537 | 49,325 | -155,172 |
| Hermiston Power True-Up | 434,141 | 0 | -86,828 |
| Port Westward | 5,400,565 | 1,418,936 | 601,403 |
| Klamath Cogen True-Up | 500,462 | 0 | -400,462 |
| NW Natural Molalla | 33,641 | 0 | -26,913 |
| Klamath Cogen Shortfall | 3,090,759 | 2,649,222 | 0 |
| Massachusetts | 551,162 | 0 | 0 |
| Montana | 475,785 | 0 | 0 |
| NW Natural Smart Energy | 550,284 | 164,888 | -33,197 |
| Invenergy | 821,051 | 184,430 | -50,000 |
| Colorado Carbon Fund | 354,667 | 122,417 | -57,474 |
| Partners | 538,976 | 0 | -30,000 |
| TOTAL | 21,097,650 | 6,094,330 | -1,403,938 |

2009 Expenses



* Negative values indicate funds obligated to carbon contracts. Positive values indicate funds de-obligated from underperforming projects or terminated contracts. De-obligated funds are returned to The Climate Trust, where they will be obligated into new carbon contracts. The Climate Trust has never lost any carbon funds.



“At a critical time in the climate debate, The Climate Trust convened a strong set of collaborative partners to highlight the role of high quality carbon credits from non-capped sectors.”

—Michael Lazarus,
Senior Scientist, Stockholm Environment Institute

collective action

The Climate Trust was awarded an 18-month grant of \$235,000 to convene a coalition of leading nonprofit organizations—Pew Center on Global Climate Change, Climate Action Reserve, Environmental Resources Trust/Winrock International, Greenhouse Gas Management Institute, and The Climate Group—to catalyze leadership on offset policy and best practices. Through the collective action of this group of partners, the Offset Quality Initiative (OQI) exceeded the deliverables outlined in the grant proposal, delivering them on time and within budget. The successful and cost-effective partnership generated white papers, presentations, media coverage, and briefings with key policymakers, which had a significant impact on state, regional, and federal policy development. OQI’s findings have been cited by many, including the Western Climate Initiative Offset Group and the California Air Resources Board.

Funders and Clients

Corporate and Government Clients

Avista Corporation
Calpine
City of Klamath Falls
Colorado Carbon Fund
Iberdrola Renewables
Invenergy
New York/New Jersey Port Authority
NW Natural
NW Natural Smart Energy Program
Portland General Electric
Seattle City Light
U.S. Department of Energy and California
Energy Commission

Grant and Foundation Support

McKenzie River Gathering Foundation
Laird Norton Family Foundation
The Energy Foundation

National Board of Directors

Bob Therkelsen, *Board Chair and 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*
Truman Semans, *Principal, GreenOrder*
Ben Vitale, *President, The Climate Trust*

Oregon Board of Directors

Laura Beane, *Board Chair and Market Structure Manager, Iberdrola Renewables*
Sean Penrith, *Board Vice Chair and Executive Director, Earth Advantage*
Bettina von Hagen, *Board Treasurer and CEO Ecotrust Forest Management Inc.*
Jake Polvi, *Member, Oregon Energy Facility Siting Council, Owner, Sustainable Engineering LLC*
Bob Therkelsen, *Energy Consultant, Therkelsen Energy and Environmental Consulting*

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
Richard Landers
Sue Knight
Mr. and Mrs. Frederick Beckett
William Reed & Ellen Lee Teare Reed

Organizations:

Albina Community Bank

Non-Voting Certificate Holder Appointees

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

Staff

Ben Vitale, *President*
Sean Clark, *Director of Programs*
Lucy Brehm, *Senior Manager, Business Development*
Shanna Brownstein, *Policy & Government Affairs Manager*
Erica Keeley, *Senior Portfolio Manager*
Aurora Martin, *Portfolio Associate*
Randi Moore, *Administrative Associate*
Amy Phillips, *Marketing & Communications Manager*
Monica Thilges, *Project Manager*
Peter Weisberg, *Project Analyst*
Sheldon Zakreski, *Senior Program Manager*



The Climate Trust | 65 SW Yamhill Street, Suite 400, Portland, OR 97204 | 503.238.1915 | www.climatetrust.org

service

One of our guiding principles is providing excellent service to our partners, our communities, and our planet that result in meaningful, quantifiable, and enduring impacts. To that end, we have forged public and private partnerships to develop emission reduction projects that are making a difference to so many local communities. For example, our Fuels for Schools project saves the five participating schools in fuel costs, leaving an additional \$288,000 per year for school supplies. Our portfolio is expected to deliver more than 2.65 million metric tons of carbon credits, thereby benefiting the Earth's atmosphere. In addition to climate benefits, our projects provide a host of environmental, economic, and social benefits such as cleaner air and water and preservation of rural livelihoods.