“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

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

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

“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
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.
“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

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

<table>
<thead>
<tr>
<th>PROJECT CATEGORY</th>
<th>PROJECT NAME</th>
<th>CONTRACT SIGNING DATE</th>
<th>PROJECT TERM (YEARS)</th>
<th>PROJECTED CARBON CREDITS OVER TERM (METRIC TONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIODIGESTER</td>
<td>RES Lochmead</td>
<td>2010</td>
<td>10</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td>Farm Power Lynden</td>
<td>2010</td>
<td>10</td>
<td>70,000</td>
</tr>
<tr>
<td></td>
<td>Farm Power</td>
<td>2009</td>
<td>10</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td>Whitesides Dairy</td>
<td>2009</td>
<td>1</td>
<td>17,067</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>177,067</td>
</tr>
<tr>
<td>LANDFILL GAS TO ENERGY</td>
<td>Larimer</td>
<td>2009</td>
<td>2</td>
<td>20,518</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>20,518</td>
</tr>
<tr>
<td>MATERIAL SUBSTITUTION</td>
<td>Cool Climate Concrete—Phase 2</td>
<td>2009</td>
<td>3</td>
<td>300,000</td>
</tr>
<tr>
<td></td>
<td>Cool Climate Concrete—Phase 1</td>
<td>2004</td>
<td>6</td>
<td>249,195</td>
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<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>549,195</td>
</tr>
<tr>
<td>SEQUESTRATION</td>
<td>Deschutes Riparian Restoration</td>
<td>2002</td>
<td>52</td>
<td>233,333</td>
</tr>
<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>100</td>
<td>263,159</td>
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<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>555,382</td>
</tr>
<tr>
<td>FUEL REPLACEMENT</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>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>84,600</td>
</tr>
<tr>
<td>TRANSPORTATION EFFICIENCY</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>178,572</td>
</tr>
<tr>
<td></td>
<td>Internet-Based Carpool Matching</td>
<td>2001</td>
<td>10</td>
<td>1,021</td>
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<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>269,593</td>
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<tr>
<td>ENERGY EFFICIENCY</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>327,776</td>
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<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>729,336</td>
</tr>
<tr>
<td>COGENERATION</td>
<td>Oregon State University Cogeneration</td>
<td>2007</td>
<td>20</td>
<td>338,790</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>338,790</td>
</tr>
<tr>
<td>RENEWABLE ENERGY</td>
<td>Innovative Wind Financing</td>
<td>2001</td>
<td>2</td>
<td>23,892</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td></td>
<td>23,892</td>
</tr>
<tr>
<td></td>
<td>TOTAL CARBON CREDITS (METRIC TONS)</td>
<td></td>
<td></td>
<td>2,748,373</td>
</tr>
</tbody>
</table>

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.

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

“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
Financial Summary

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

### REVENUES

<table>
<thead>
<tr>
<th>Source</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon contract revenue</td>
<td>$822,519</td>
<td>$2,200,718</td>
</tr>
<tr>
<td>Other contract revenue</td>
<td>$274,836</td>
<td>$588,669</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>$377,341</td>
<td>$329,791</td>
</tr>
<tr>
<td>Other income including investments</td>
<td>$336,303</td>
<td>$367,524</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>$1,810,999</strong></td>
<td><strong>$3,486,702</strong></td>
</tr>
</tbody>
</table>

### EXPENSES

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$1,562,669</td>
<td>$3,174,134</td>
</tr>
<tr>
<td>Management and general</td>
<td>$516,837</td>
<td>$493,780</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$74,078</td>
<td>$59,053</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$2,153,584</strong></td>
<td><strong>$3,726,967</strong></td>
</tr>
</tbody>
</table>

### ASSETS

- **BEGINNING ASSETS**: $13,914,871
- **ENDING ASSETS**: $12,956,602

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### 2010 Revenues

- **Carbon Contract Revenue**: 45%
- **Grants & Contributions**: 21%
- **Other Contract Revenue**: 15%
- **Other Income Including Investments**: 19%

### 2010 Expenses

- **Program Services**: 73%
- **Management & General**: 24%
- **Fundraising**: 3%

---

**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

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

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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
Laura Beane, Board Chair and Market Structure Manager, Iberdrola Renewables
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Susan Anderson, Board Secretary and Director, Portland Bureau of Planning and Sustainability
Bettina von Hagen, Board Treasurer and CEO, Ecotrust Forest Management Inc.
Bob Therkelsen, Energy Consultant, Therkelsen Energy and Environmental Consulting
Trey Senn, Executive Director, Klamath County Economic Development Association

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.