



PG&E Watershed Lands

***Potential to Participate in the
Climate Action Reserve
Carbon Offset Program***

March 25, 2010

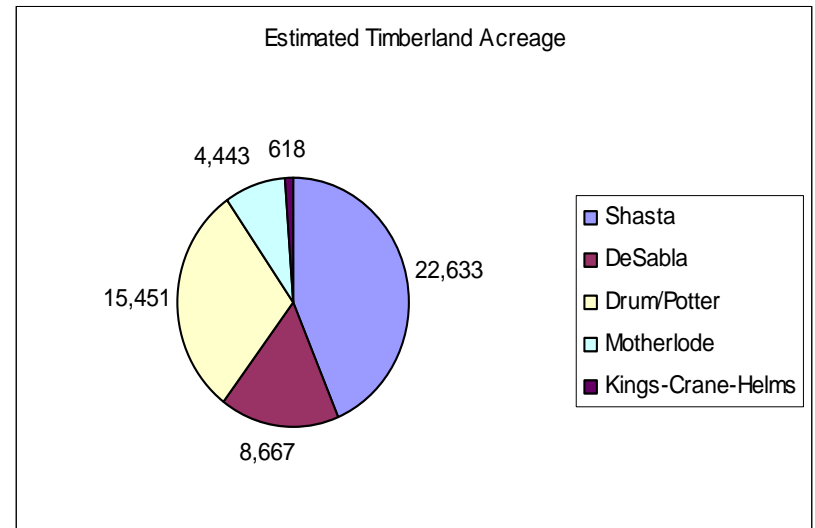
PG&E Watershed Lands Carbon Offset Program Opportunity



Forested Lands

PG&E's watershed lands are currently capable to support approximately 52,000 acres of commercial conifer or hardwood species.

Approximately 40,000 of these acres are on lands currently designated as available for donation in accordance with the Land Conservation Commitment.





Climate Action Reserve

The Climate Action Reserve (Reserve) is a non-profit organization with a mission to ensure the environmental benefit, integrity, and transparency in greenhouse gas (GHG) emissions inventory and reduction accounting, as well as progressive movement in climate change policy. One of the ways it will do this is by providing a rigorous set of protocols, guidelines, and tools to support the voluntary carbon market.

Forest Project Protocol:

The Reserve establishes Forest Project and Verification Protocols to provide guidance to calculate, report, and verify GHG emission reductions associated with reforestation, improved forest management, and avoided conversion projects. Version 3.1 of the protocol was adopted by the Reserve Board in October 2009.

Pre-Existing Projects:

On February 3, 2010 the Reserve adopted a Policy Revision related to the Forest Project Protocol. This revised policy articulates the process for submitting pre-existing projects (projects with a start date as early as January 1st, 2001) to the Reserve for listing. The deadline to submit pre-existing projects is April 30, 2010.

Climate Action Reserve – Forest Project Registration Process Overview

Step 1 – The Point of Entry



1. **Identification of the Forest Project Area**
2. **Completion of a CAR Project Submittal Form**
3. **Establishment of a CRT Account with CAR**
4. **Payment of a Project Submittal Fee**

Step 2 – The Hard Work!



1. PG&E Updates its Forest Inventory
2. PG&E Calculates CRTs on each Project
3. Independent Verifier Evaluates each PG&E Project
4. Independent Verifier Submits Verification Reports to PG&E.
5. Independent Verifier and PG&E meet to Discuss Results
6. Final Verification Reports Submitted to the Reserve

Step 3 – The Results



1. Reserve Reviews and Accepts Project Reports
2. Attestation of Title
3. Reserve and PG&E Execute Project Implementation Agreements
4. Reserve Credits PG&E's CRT Account

Step 1 – The Point of Entry



Listing

- 1. Identification of the Forest Project Area**
- 2. Completion of a CAR Project Submittal Form**
- 3. Establishment of a CRT Account with CAR**
- 4. Payment of a Project Submittal Fee**

What is PG&E Intending to Do?

List potential pre-existing Forest Projects with the Climate Action Reserve.

Why List Projects?

Preserves the opportunity to register vintage CRTs on the watershed lands.

Creates the motivation to explore one of the many options society has for carbon sequestration.

Why List Projects Now?

This is a narrow window of opportunity to preserve the option to register vintage CRTs on the watershed lands. If pre-existing forest projects are not listed by the April 30th deadline, the opportunity to register vintage CRTs will be lost.



PG&E Watershed Lands Carbon Offset Program Opportunity

Next Steps

- 1) By April 15, 2010, PG&E will identify specific Forest Projects based on Stewardship Council input regarding implementation of the Land Conservation Plan, PG&E's operational needs, and the experience and judgment of PG&E's Registered Professional Foresters.
- 2) By April 30, 2010, PG&E will complete the Forest Project listing process with the Climate Action Reserve for identified projects.
- 3) By December 31, 2010, PG&E will collaborate with the Stewardship Council and other stakeholders to determine which Forest Projects it will pursue for verification and registration.
- 4) By October 31, 2012 (30 months from project listing), PG&E will complete the verification and registration process for selected Forest Projects.