



State of Nevada Conservation Credit System

2022 PERFORMANCE REPORT

**STATE OF NEVADA
CONSERVATION CREDIT SYSTEM**

The *Performance Report* is an annual product of the Nevada Conservation Credit System (CCS). The Sagebrush Ecosystem Technical Team (SETT) produces the report for the Sagebrush Ecosystem Program (SEP), and the SETT and Sagebrush Ecosystem Council (SEC) use the report to inform future improvements to the Credit System.

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Eriogonum caespitosum. (SETT)

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FROM THE SAGEBRUSH ECOSYSTEM TECHNICAL TEAM

The annual CCS Performance Report provides a summary of the program's mitigation achievements over the past year. In addition to informing the SEC and all stakeholders on the achievements of the SEP relevant to mitigation and the CCS, the report highlights the continued commitment of the Sagebrush Ecosystem Program (SEP) to function transparently and implement mitigation uniformly.

In 2019, the Sagebrush Ecosystem Council (SEC) adopted a permanent mitigation regulation that was subsequently passed by the Legislative Commission. This regulation requires compensatory mitigation for greater sage-grouse using the Nevada Conservation Credit System (CCS). Mitigation is required for certain man-made disturbances on public lands as defined within the Nevada Greater Sage Grouse Conservation Plan. The CCS was intended to ensure consistent and durable mitigation in Nevada.

Due to the regulation, the Sagebrush Ecosystem Program (SEP) has seen a significant increase in the number of Debit Projects entering the CCS. Twenty debit projects entered the system in 2022, primarily exploration projects, bringing the total number of debit projects in the CCS to 73. An additional fourteen mitigation transactions occurred in 2022. These transactions achieved net conservation gain encompassing 6,067 acres of greater sage-grouse habitat in Nevada, bringing the total number of acres conserved to just under 29,000.

One new credit project was entered into the CCS this year, and two are waiting for next year to begin, accounting for nearly 1,650 new credits. This brings the total number of credit projects in the CCS to 23, as three credit projects withdrew from the System in the last two years. The total number of available or anticipated credits is just under 40,000. The Sagebrush Ecosystem Technical Team (SETT) also conducted the 5-year qualitative assessments on six credit projects and visited three others. This allowed the SETT to meet with the Project Proponents on a more personal level, discuss the challenges and opportunities within the projects, and answer questions from the landowners. These meetings also allowed the families to provide input into the management, maintenance, and additional conservation opportunities. The SETT also scheduled on-site meetings with prospective credit project proponents to address questions and opportunities in consideration of their private land entry into the CCS.

While there were no significant changes to the CCS in 2022, changes being considered include:

Identifying and designating core areas for conservation within the sagebrush biome.

Incorporating new science on population and lek demographics into the CCS Habitat Quantification Tool

We express our sincere gratitude and appreciation for the many partners who provided assistance, guidance, and support of the implementation of the CCS and the conservation of Nevada's sagebrush ecosystem.

Additional achievements not specifically related to conservation mitigation are highlighted in the SEP Semi-Annual Reports.

Kelly McGowan

Program Manager

Sagebrush Ecosystem Program

INTRODUCTION • PERFORMANCE REPORT & CREDIT SYSTEM OVERVIEW

2022 PERFORMANCE REPORT

The CCS's 2022 *Performance Report* provides a summary of the program's achievements over the past year and includes key outcomes from credit and debit projects as well as the program in general.

CREDIT SYSTEM OVERVIEW & GOVERNANCE

The CCS is a market-based compensatory mitigation program that aligns the objectives of landowners, industry, and the State of Nevada. The CCS ensures that negative impacts to greater sage-grouse habitat from anthropogenic disturbances (*debits*) are fully offset by long-term habitat enhancement and protection (*credits*) that results in a net benefit for Greater Sage-grouse in the State of Nevada.

The CCS preserves the state's ecological, cultural and economic integrity by providing important contributions to the conservation of the sagebrush ecosystem. The CCS also provides regulatory certainty to industry and provides an opportunity for landowners to fund additional stewardship of their land and diversify their incomes. The program is designed to accommodate many regulatory mechanisms. The figure below illustrates the use of the CCS by key participants – resource managers, mitigation buyers and credit developers.

The CCS uses a governance structure, which includes

- **Oversight Committee** – Sagebrush Ecosystem Council
- **Administrator** – Sagebrush Ecosystem Technical Team
- **Science Committee** – Scientists and experts with critical knowledge of the sagebrush ecosystem in the State of Nevada

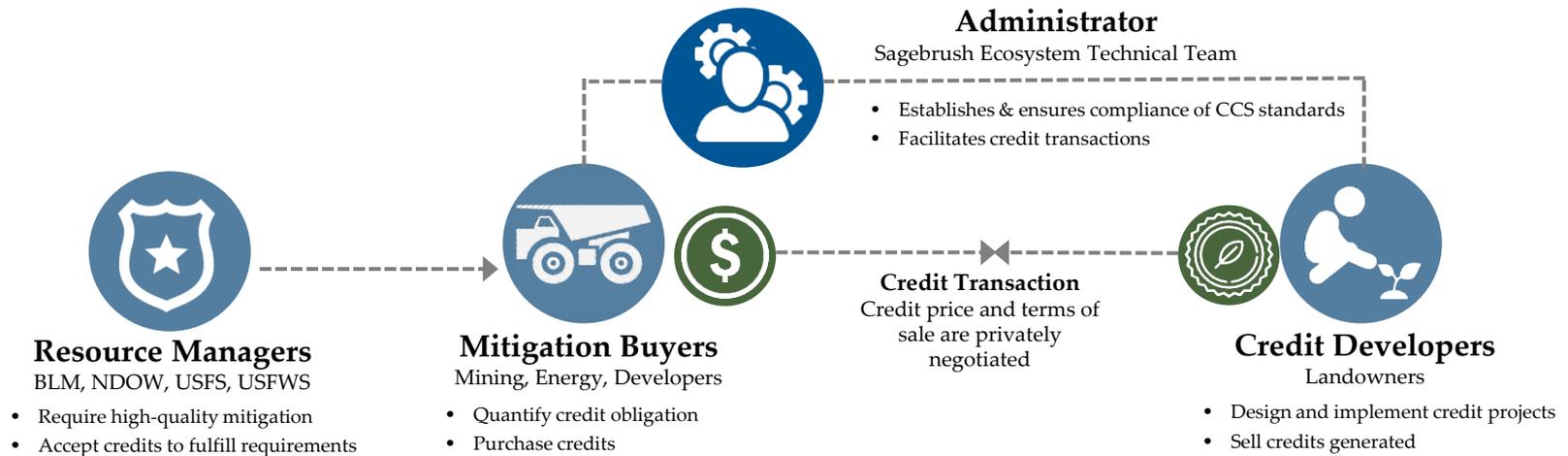


FIGURE 1: Credit System Operations

INTRODUCTION • CREDIT SYSTEM OVERVIEW CONT.

HABITAT ASSESSMENT & DURABILITY STANDARDS

The Credit System defines standards to ensure mitigation achieves net conservation gain, provides business certainty to industry and landowners, and streamlines administrative operations. The standards include consistent ways to measure habitat loss and gain, as well as clearly defined provisions to ensure durability of credits through time. Figure 2 depicts the primary elements of a credit.

For additional background and details on the CCS, please see the latest version of the [CCS Manual](#) and [HQT Methods Document](#) on the [CCS website](#).



FIGURE 2: Composition of a CCS Credit

CONTINUAL IMPROVEMENT

Making continual improvements to the CCS is crucial to ensure the Credit System fulfills participant needs and achieves program objectives over time. The CCS uses a transparent, structured continual improvement approach to identify important opportunities for program improvement and implement approved improvements every year.



FIGURE 3: CCS Continual Improvement Process

2022 PROGRAM RESULTS • NET BENEFIT GENERATED

The goal of the CCS is to offset impacts from certain anthropogenic (man-made) disturbances with habitat enhancements and protections resulting in a net benefit for Greater Sage-grouse habitats in the State of Nevada.

The CCS ensures net benefit to Greater Sage-grouse habitat in multiple ways. The CCS uses a scientifically rigorous habitat quantification tool (HQT) to assess both debit (degradation of habitat) and credit (conservation of habitat) projects. Mitigation ratios applied to the three habitat management zones (Priority, General, and Other) and a five percent factor added to debit projects occurring within any management zone ensures more functional-acres are gained than lost, and standards are used to ensure habitat quality remains for the planned life of credit projects.

In addition, the to the Mitigation Ratio, the Proximity Ratio is multiplied to the final debit score to account for how far the offsetting credit project is located from the disturbance. The Proximity Ratio can increase the credit obligation (debits) from 0% to 15%. The purpose of the Proximity Ratio is to encourage mitigation to occur near to where habitat is being displaced or impacted.

The combination of Mitigation and Proximity Ratios results in a net benefit for sage-grouse habitat in Nevada.

Standards that Ensure Net Benefit

- ✓ **Consistent metrics** are used to measure both credits and debits

- ✓ **A mitigation ratio** ensures that functional-acres gained are greater than functional-acres lost

- ✓ **A reserve account** contribution of 5-14% of credits in excess of the amount needed to offset any disturbance is required at the time of sale/transfer within the CCS. Reserve account credits are maintained to ensure that credits lost (e.g. acts of nature) can be replaced as necessary, and provide durability as well as continued net benefits

- ✓ **Advanced mitigation** is required to replace habitat before impacts occur

- ✓ **Additionality provisions** that ensure credits are based on habitat enhancement and protection that were not funded by public sector investments

2022 PROGRAM RESULTS • CREDIT DEVELOPMENT

STATE OF NEVADA SEED FUNDING OF CREDIT PROJECTS

The SEP has facilitated successful solicitations for credit project development in 2016, 2017, and 2019 that attracted nearly 40 applications and resulted in seed funding to thirteen credit project proponents totaling approximately \$2M. The funding was or will be used to quantify habitat quality, develop management plans, and implement on-the-ground habitat improvements.

The SEP utilized a Pay for Performance procurement strategy to solicit and provide seed funding to credit projects in 2016, 2017, and 2019. The seed funding contracts defined payments associated with key milestones, rather than reimbursement of costs as typically seen in traditional grants. Reimbursement of state funds by landowners using the funds follows each sale of credits per their funding agreement. The procurement strategy illustrated below incentivized credit developers to maximize credit generation at the lowest cost, allowed the SEP to fund the projects expected to generate the greatest number of credits per dollar of state funds awarded, and minimized financial risk and uncertainty for the state. This procurement strategy also allows for a revolving fund which will continue to fund new projects.

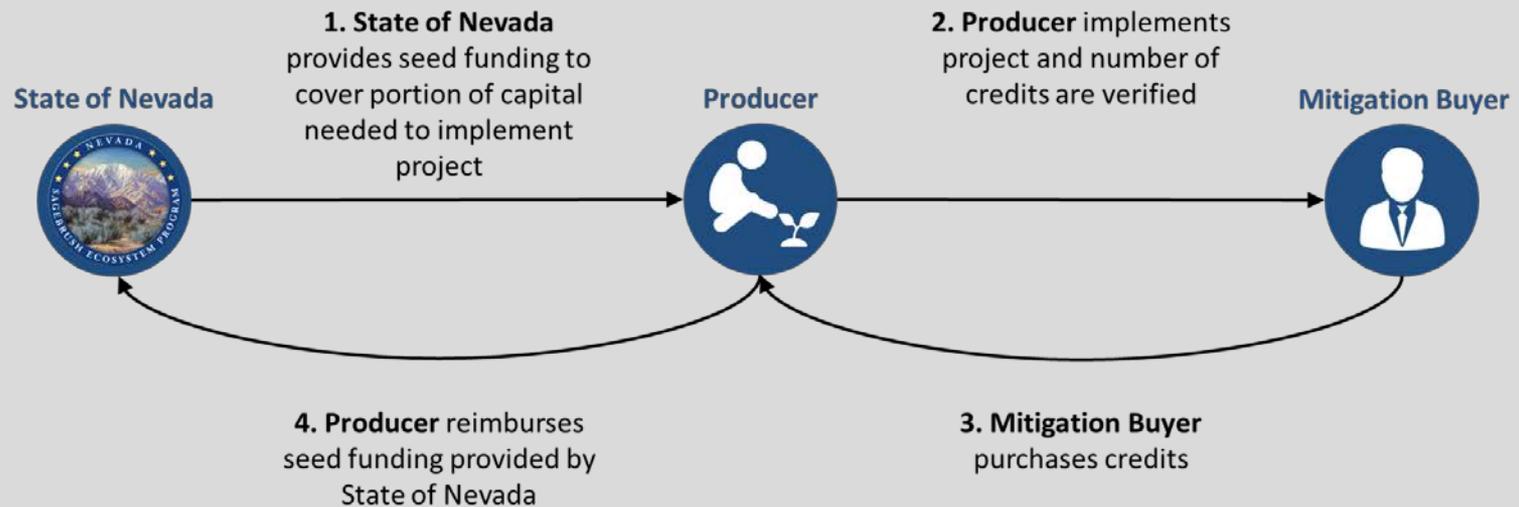


FIGURE 4: Illustration of the Pay for Performance procurement strategy utilized by the State of Nevada

2022 PROGRAM RESULTS • TRANSACTIONS

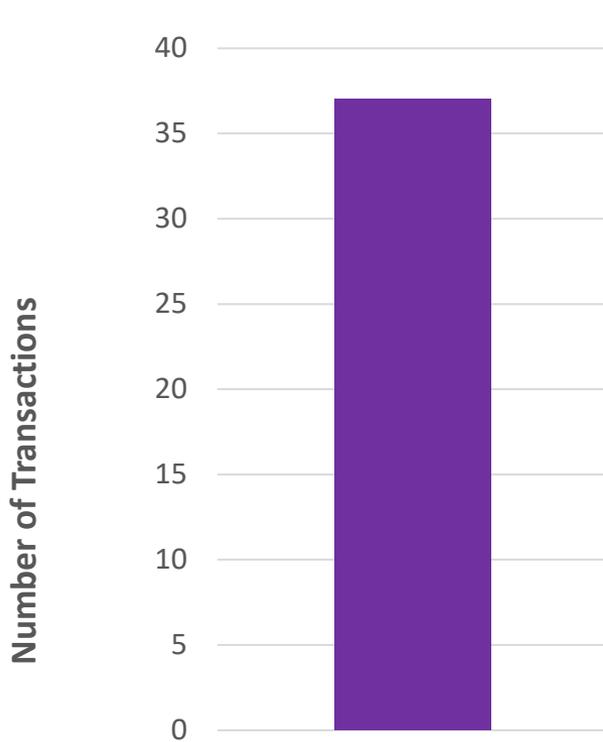


FIGURE 5: Number of total Transactions

TABLE 1: Description of all transactions through the CCS as of December 2022

- Reserve account contributions associated with transfers are excluded from this table. Proximity factors associated with the transactions are included.
- ** "Acres Included in other Transaction" refers to acres already accounted for in a previous transaction, as all credits within a Credit Project map unit are required to be managed in their entirety, regardless of the number of credits transferred within.

DEBIT PROJECT	CREDITS TRANSFERRED OR SOLD	CREDIT PROJECT	ACRES CONSERVED**	WAFWA MGMT. ZONE
Transactions*				
Bald Mountain Mine	2,514	Tumbling JR Ranch	9,717	III
Greater Phoenix Mine	243	West IL Ranch	6,279	IV
Greater Phoenix Mine - Philadelphia Canyon	5	West IL Ranch	Acres Included in other Transaction	IV
Coeur Rochester Mine	467	Crawford Cattle - Sonoma	1,498	III
Coeur Rochester Mine	186	Crawford Cattle - Snowstorms	1,313	IV
Baltazor Geothermal	292	Crawford Cattle - Snowstorms	1,033	IV
Midas Exploration	22	Estill Ranch	346	V
Avocado Exploration	44	Crawford Cattle - Snowstorms	254	IV
Newcrest Exploration Phase I	3	Cottonwood Ranch	13	IV
Fish Springs Solar	59	Heguy Ranch	26	IV
Western Oil Exploration	5	Crawford Cattle - Snowstorms	Acres Included in other Transaction	IV
Jerritt Canyon Exploration	45	Cottonwood Ranch	103	IV
Snow Canyon Mine Closure	2	Cottonwood Ranch	Acres Included in other Transaction	IV
Twin Creeks Mine - Sage Tailings	35	West IL Ranch	Acres Included in other Transaction	IV
Tungsten Mountain Solar	5	Crawford Cattle - Snowstorms	1,332	IV
Dixie Meadows Geothermal	104	Crawford Cattle - Snowstorms	Acres Included in other Transaction	IV
South Railroad Exploration	9	Heguy Ranch	Acres Included in other Transaction	IV
Peterson Mountains Mine	1	Heguy Ranch	Acres Included in other Transaction	IV
White Pine Hydropower Pump Exploration	9	Secret Pass Ranch	226	III, IV
Cherry Creek Tower	3	Secret Pass Ranch	Acres Included in other Transaction	III, IV

2022 PROGRAM RESULTS • TRANSACTIONS

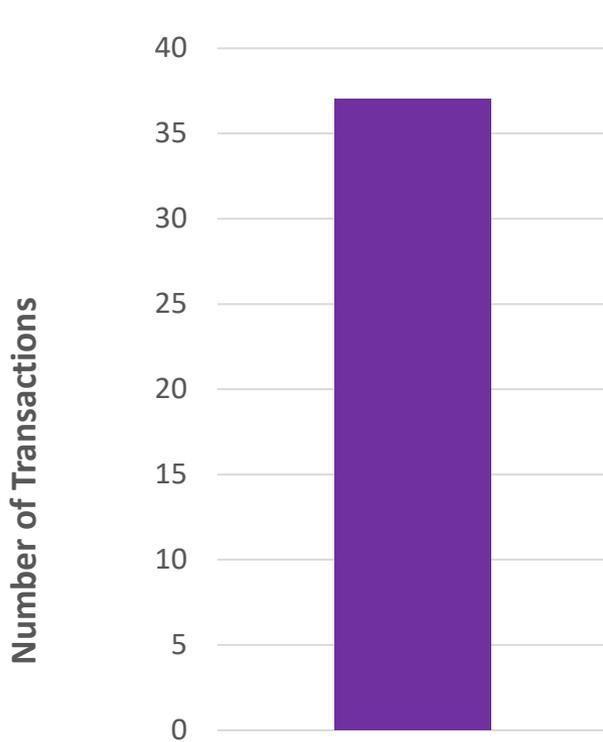


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DEBIT PROJECT	CREDITS TRANSFERRED OR SOLD	CREDIT PROJECT	ACRES CONSERVED**	WAFWA MGMT. ZONE
Transactions*				
Round Springs Tower	3	Secret Pass Ranch	Acres Included in other Transaction	III, IV
Lincoln Hill Exploration	9	Heguy Ranch	Acres Included in other Transaction	IV
Round Mountain Mine	45	Tumbling JR Ranch	Acres Included in other Transaction	III
SW Energy Road	13	Cottonwood Ranch	Acres Included in other Transaction	IV
Big Ledge - Dry Creek Mine Closure	310	Mary's River Ranch	463	IV
Western Lithium Mine	550	Estill Ranch	1,901	V
Baker Ranch Powerline	1	Cottonwood Ranch	Acres Included in other Transaction	IV
Gold Bar South Mine	662	Heguy Ranch	3,397	IV
South Railroad Exploration	24	Heguy Ranch	Acres Included in other Transaction	IV
Beehive Telephone Fiber Optic	2	Heguy Ranch	Acres Included in other Transaction	IV
Gold Bar South Mine	127	Cottonwood Ranch	306	IV
White Pine Hydropower Pump Exploration	6	Secret Pass Ranch	Acres Included in other Transaction	III, IV
Bald Mountain Mine	462	Tumbling JR Ranch	Acres Included in other Transaction	III
Robinson Mine	201	Owl Creek Ranch	631	III
Marigold - Valmy Mine	59	Owl Creek Ranch	Acres Included in other Transaction	III
Great Basin Diamond 1-27 APD Exploration Only	5	Owl Creek Ranch	Acres Included in other Transaction	III
Crescent Valley Exploration	5	Crawford Cattle - Snowstorms	Acres Included in other Transaction	IV
TOTAL	6,537		28,838	

2022 PROGRAM RESULTS • CREDIT SUMMARY

BACKGROUND

Credit development involves quantification of habitat values (credits), enhancement or restoration of habitat, development of a management plan, securement of financial assurances and signing a participant contract. After available credits are determined, the sale price of credits is based on market value and determined through a private negotiation between landowners with credits available and debit project proponents needing credits to offset a disturbance. When credits are sold, the purchaser fulfills a mitigation obligation, and the credit seller commits to maintaining performance standards for the term of the contract. Landowners can continue agricultural and livestock operations compatible with Greater Sage-grouse habitat needs throughout the contract term.

CREDIT TYPES

TRANSFERRED CREDITS

Transferred credits refers to those credits that have been sold or transferred to a debit producer to satisfy their mitigation obligation.

AVAILABLE CREDITS

Available credits are based on verified habitat quantifications and have an approved management plan. These credits are “available” for transaction.

ANTICIPATED CREDITS

Anticipated credits are those credit projects in the initial stages of development that have not finalized a management plan. These credits are not “available” for transaction, yet.

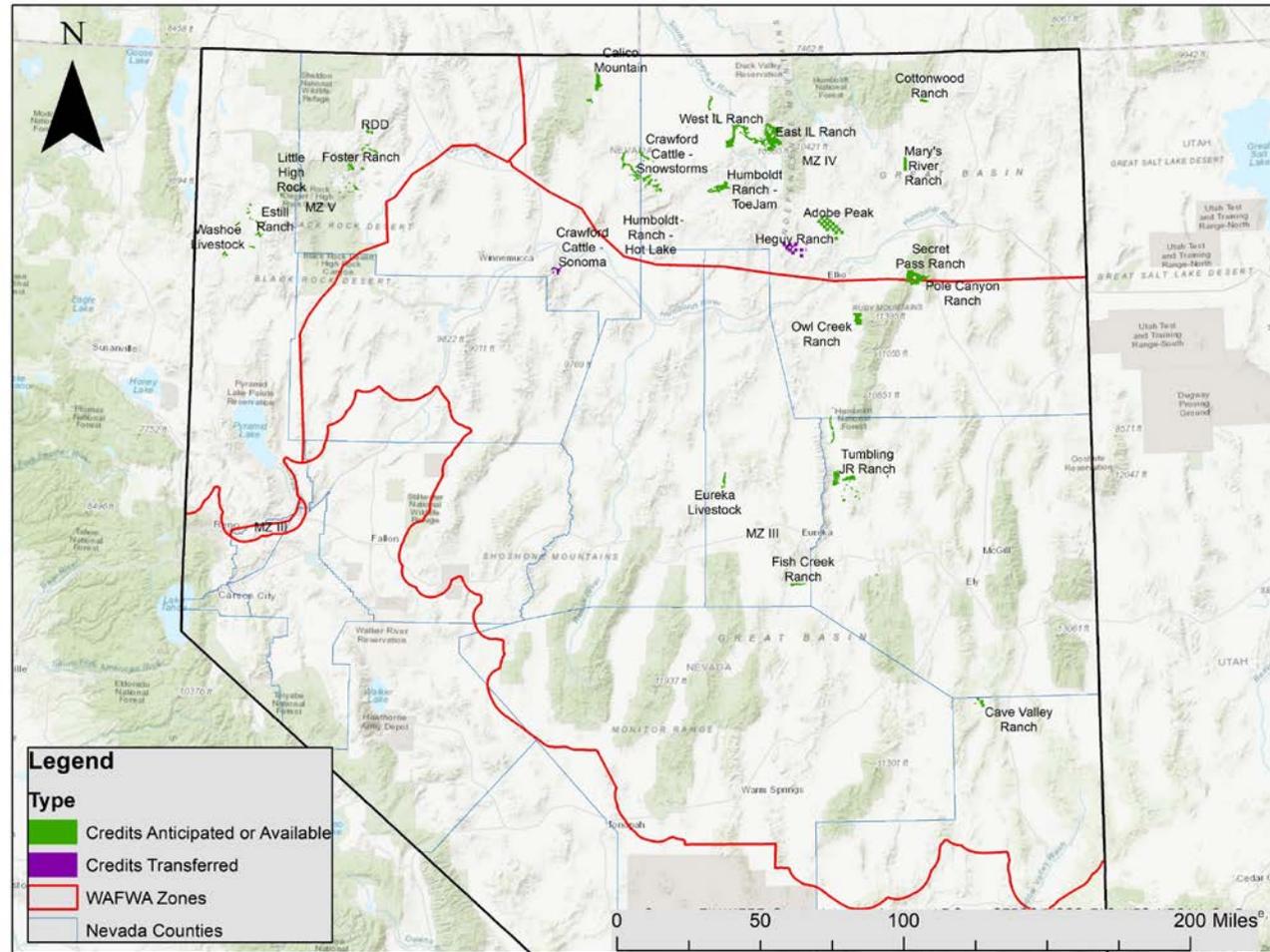


FIGURE 6: Map of all credit projects. Credits Transferred refers to Credit Projects that have completely transferred all available credits.

2022 PROGRAM RESULTS • CREDITS AVAILABLE

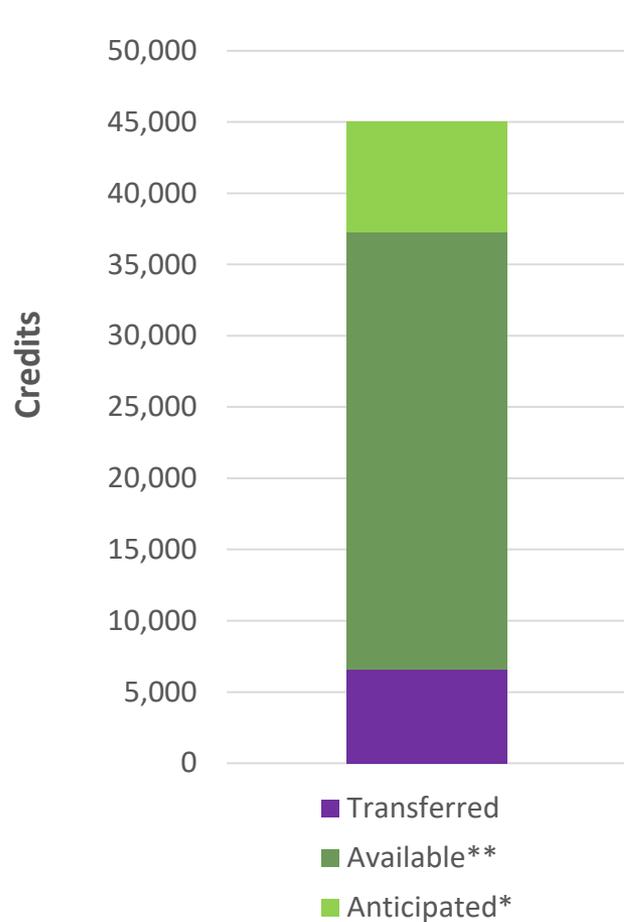


FIGURE 7: Total credits by development phase

PROJECT NAME	CREDITS	COUNTY	ACRES	WAFWA MGMT. ZONE	STATE SEED FUNDED***
AVAILABLE CREDITS					
Tumbling JR Ranch	1,143	Elko, White Pine	All Acres Conserved	III	State Seed Funded
Cottonwood Ranch	638	Elko	685	IV	State Seed Funded
West IL Ranch	2,609	Elko	All Acres Conserved	IV	Privately Funded
Crawford Cattle - Snowstorms	1,234	Humboldt, Elko	6,598	IV	State Seed Funded
Estill Ranch	68	Washoe	804	V	Privately Funded
RDD	740	Humboldt	1,094	V	State Seed Funded
Eureka Livestock	1,718	Eureka	1,623	III	State Seed Funded
Adobe Peak	3,618	Elko	10,901	IV	Privately Funded
Humboldt Ranch - Hot Lake	694	Elko	198	IV	Privately Funded
East IL Ranch	8,873	Elko	23,721	IV	Privately Funded
Secret Pass Ranch	3,621	Elko	10,043	III, IV	State Seed Funded
Owl Creek Ranch	2,664	Elko	4,732	III	State Seed Funded
Foster Ranch	1,624	Humboldt	6,170	V	State Seed Funded
Mary's River Ranch	1,441	Elko	2,236	IV	Privately Funded
TOTAL	30,685		68,805		

TABLE 2: Description of all credit projects with available credits in the CCS as of December 2022

* Anticipated credits are estimated, but not finalized or eligible for transfer/sale.

** Available Credits are finalized and eligible for transfer/sale to mitigate for anthropogenic disturbances.

*** Projects receiving state seed funding also included varying amounts of matching funds from the landowners.

2022 PROGRAM RESULTS • CREDITS ANTICIPATED

PROJECT NAME	CREDITS	COUNTY	ACRES	WAFWA MGMT. ZONE	STATE SEED FUNDED
ANTICIPATED CREDITS					
Eureka Livestock	24	Eureka	1,623	III	State Seed Funded
Cave Valley Ranch	548	Lincoln	1,769	III	Other
Washoe Livestock	179	Washoe	799	V	Privately Funded
Humboldt Ranch - Toejam	1,941	Elko	5,330	IV	Privately Funded
East IL Ranch	23	Elko	23,721	IV	Privately Funded
Calico Mountain	2,970	Humboldt	5,120	IV	State Seed Funded
Little High Rock	64	Washoe	322	V	Privately Funded
Pole Canyon Ranch	382	Elko	2,068	IV	Privately Funded
Fish Creek Ranch	1,648	Eureka	1,180	III	Privately Funded
TOTAL	~7,800		41,931		

Lewisia rediviva. (SETT)

TABLE 3: Description of all credit projects that have yet to finalize credits in the CCS as of December 2022

2022 PROGRAM RESULTS • CREDIT SPOTLIGHT

FEATURED PROJECT – HEGUY RANCH

Heguy Ranch is a working ranch in Elko County in the Fish Creek Mountains. The Project area is primarily used for grazing cattle. However, the livestock operation relies heavily on the BLM grazing allotments. The current management practices on private land promote sagebrush cover with a perennial understory to provide cover and feed for sage grouse, other wildlife, and livestock. The approved grazing management proposed to maintain or improve land health and enhance biodiversity in the Project Area by restoring, enhancing and/or maintaining riparian habitats, sagebrush steppe habitat, and habitat for Special Status wildlife species, including the Greater Sage-grouse and other sagebrush obligates through revised livestock grazing management, structural projects and/or implementation of vegetative treatments. A five-year qualitative assessment was conducted by the SETT on the Heguy Ranch in 2022, as the team met with the landowners to tour and discuss the successes of the project. Not many programmatic discussions were needed on the tour as the Heguy Ranch is the second credit project in the CCS to completely sell all the available credits. As of 2022, the entire project area of nearly 6,500 acres is contracted to be managed for conservation for the next 30 years. Magnolia Land Partners was a project partner in this endeavor.

SITE DESCRIPTION



- Working livestock ranch
- High-quality late brood-rearing habitat over the entirety of the project area
- Adjacent to 5 active leks and public/private lands in the Fish Creek Range north of Elko
- Project area of nearly 6,500 acres located entirely in PHMA

MANAGEMENT ACTIONS



- Implementation of an approved grazing plan
- Maintain the newly installed stock water troughs to improve dispersion
- Implementation of weed and invasive grass treatments
- Maintenance of fencing infrastructure



Heguy Ranch Credit Project. (SETT)

2022 PROGRAM RESULTS • DEBIT SUMMARY

The CCS is a mitigation tool used to offset impacts to Greater Sage-grouse from certain anthropogenic (man-made) disturbances, such as mines, geothermal facilities, energy development, transmission lines, and other temporary or permanent infrastructures which directly or indirectly impact Greater Sage-grouse habitat. Ranching and farming activities are not considered impacts and can contribute to conservation objectives.

MITIGATION HIERARCHY

The CCS uses a mitigation hierarchy (Avoid, Minimize, Mitigate) within or near sage-grouse habitat management areas. Impacts from proposed anthropogenic disturbances are analyzed for potential avoidance first, if avoidance is not possible, then opportunities are examined to aid in minimizing impacts, and finally any residual unavoidable impacts (*debts*) are mitigated using the CCS. The CCS also applies financial incentives that support avoidance and minimization.

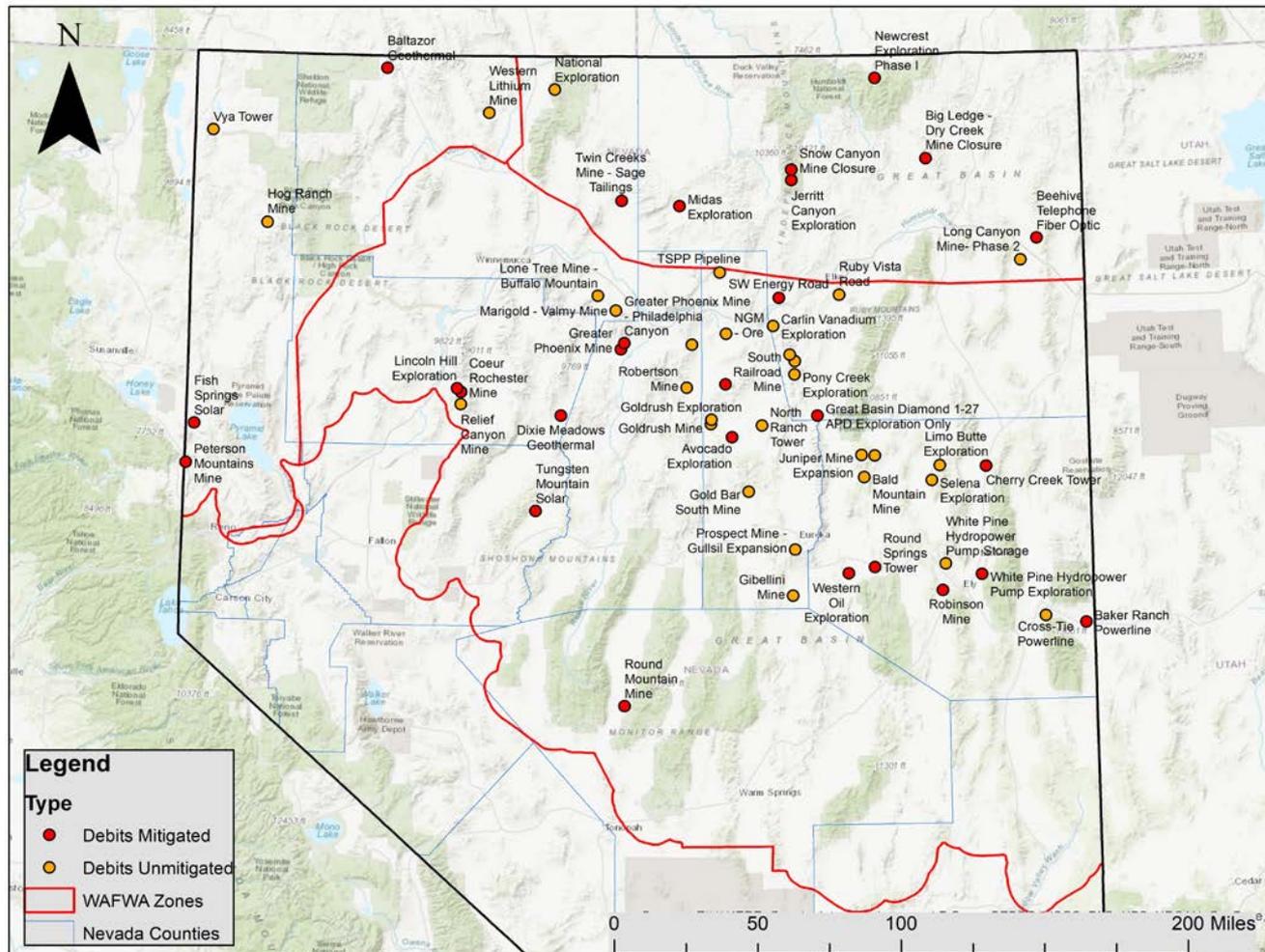


FIGURE 8: Map of all debit projects having offset disturbance through the CCS mitigation or anticipated to be offset in the future.

FEDERAL AGENCY COLLABORATION

The State of Nevada, BLM, and USFS have signed a memorandum of understanding detailing the collaborative implementation of the CCS. Project proponents seek authority to conduct business on federal lands, and once approved they use the CCS to fulfill their mitigation obligation, if applicable. Project proponents can use the CCS to verify mitigation (*credits*) that they generate themselves or they can acquire credits from other credit developers in Nevada.

2022 PROGRAM RESULTS • DEBITS ANTICIPATED/OUTSTANDING

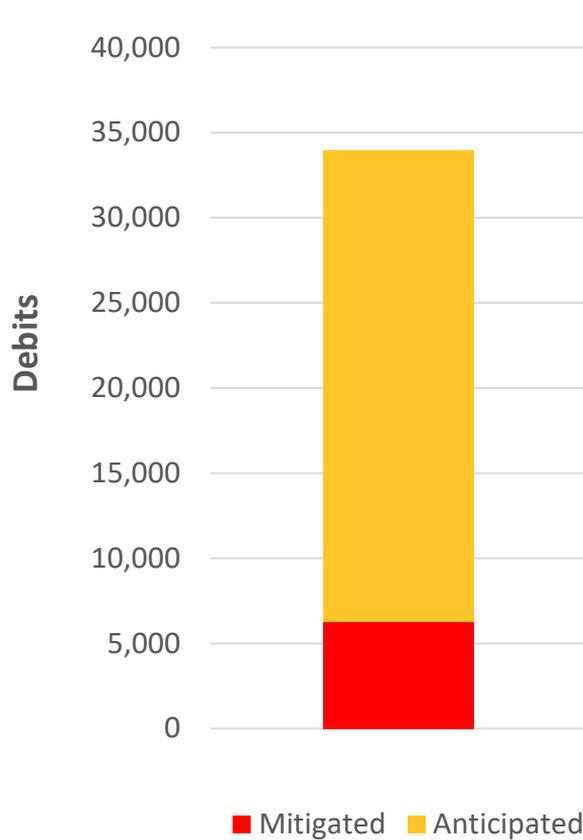


FIGURE 9: Total debits mitigated or anticipated through the CCS. Debits represent functional acres lost.

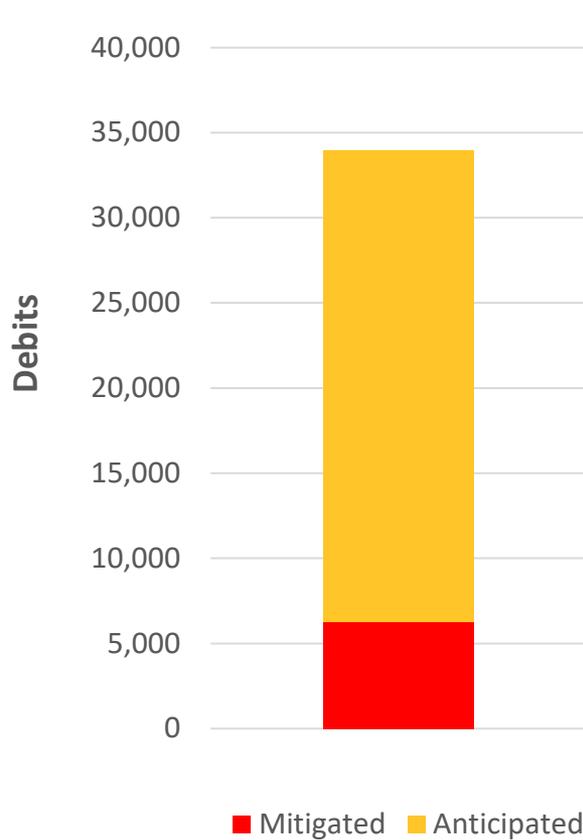
TABLE 4: Description of all debit projects participating in the CCS as of December 2022

PROJECT NAME	DEBITS	COUNTY	ACRES OF DIRECT IMPACT*	WAFWA MGMT. ZONE
ANTICIPATED DEBITS**				
Bald Mountain Mine	2,356	White Pine	5,734	III
Western Lithium Mine	875	Humboldt	5,169	V
Long Canyon Mine- Phase 2	1,676	Elko	815	III, IV
Lone Tree Mine - Buffalo Mountain	675	Humboldt	284	III
Gibellini Mine	1,932	Eureka, Nye, White Pine	328	III
Goldrush Mine	2,197	Eureka, Lander	1,341	III
Pony Creek Exploration	131	Elko	150	III
Relief Canyon Mine	33	Pershing	0	III
Carlin Vanadium Exploration	71	Elko	85	III
National Exploration	28	Humboldt	40	IV
TSPP Pipeline	4	Elko, Eureka	1	IV
Jerritt Canyon Exploration	39	Elko	384	IV
Ruby Vista Road	1	Elko	2	III
South Railroad Exploration	41	Elko	122	III
Prospect Mine - Gullsil Expansion	31	Eureka	28	III
Rossi Mine	410	Elko	1,094	IV
Gold Bar South Mine	1,372	Eureka	210	III
Juniper Mine Expansion	863	Elko, White Pine	2,300	III
Marigold - Valmy Mine	285	Humboldt, Lander	542	III
White Pine Hydropower Pump Storage	295	White Pine	860	III
Selena Exploration	39	White Pine	100	III
Hog Ranch Mine	6,050	Washoe	456	V

- Direct impact refers to the disturbance footprint associated with a project. It does not account for the indirect impacts to Greater Sage-grouse habitats.

** Anticipated debits only reflect projects that are in an advanced state of project planning.

2022 PROGRAM RESULTS • DEBITS ANTICIPATED/OUTSTANDING



PROJECT NAME	DEBITS	COUNTY	ACRES OF DIRECT IMPACT*	WAFWA MGMT. ZONE
ANTICIPATED DEBITS**				
Goldrush Exploration	27	Eureka, Lander	210	III
Greenlink North Powerline	4,466	Churchill, White Pine, Eureka	599	III
NGM - Ore	2,926	Eureka, Lander, Elko	1,755	III, IV
North Ranch Tower	590	Eureka	1	III
Beck Cottonwood Powerline	21	Eureka	1	III
Limo Butte Exploration	39	White Pine	300	III
McGuinness Hills Optimization - Solar & Exploration	23	Lander	235	III
Pilot Peak	92	Elko	228	III/IV
Green Springs Exploration	97	White Pine	137	
Whirlwind Exploration	5	Lander	29	III
TOTAL	27,690		23,539	

FIGURE 9: Total debits mitigated or anticipated through the CCS. Debits represent functional acres lost.

TABLE 4: Description of all debit projects participating in the CCS as of December 2022

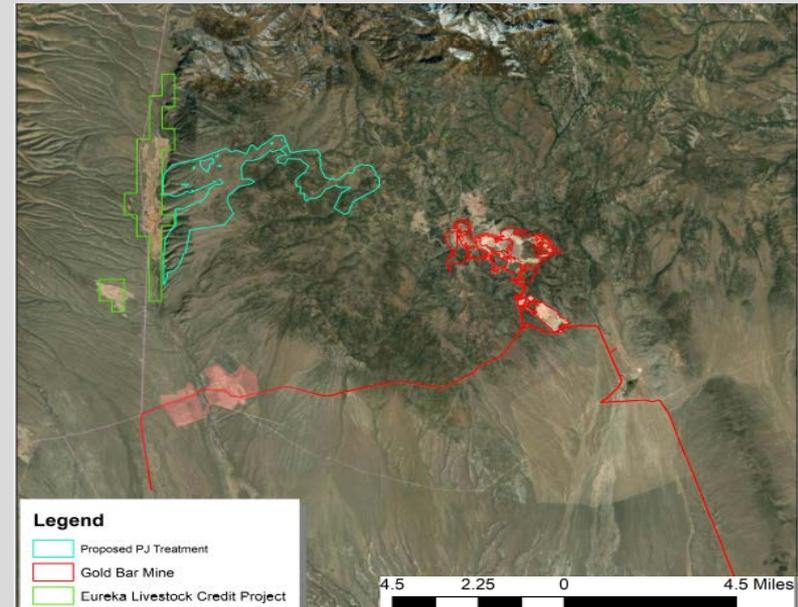
- Direct impact refers to the disturbance footprint associated with a project. It does not account for the indirect impacts to Greater Sage-grouse habitats.

** Anticipated debits only reflect projects that are in an advanced state of project planning.

2022 PROGRAM RESULTS • DEBIT SPOTLIGHT

FEATURED PROJECTS – GOLD BAR & GOLD BAR SOUTH

The Gold Bar Mine is located approximately 30 miles northwest of Eureka, in the South Roberts Mountains. The mine site is over 1,130 acres of proposed disturbance and impacts 7 active leks in the Roberts Mountains. Gold Bar entered the System in 2016, prior to the use of the CCS becoming mandatory. When the SETT conducted a preliminary estimate, it was determined that the mine would generate 6,814 term debits and 21 permanent debits. McEwen Mining Inc. decided to pursue proponent-driven mitigation in partnership with various federal and state agencies, proposing to remove encroaching pinyon and juniper in the nearby Roberts Mountains to restore sage grouse habitat. They worked with the SETT, NDOW, BLM, and Eureka Co. to determine the best locations for the proposed mitigation and plan to begin work soon. In the meantime, Gold Bar South, a 210-acre expansion to the original mine was proposed and has been working diligently through the CCS for their mitigation requirements. Gold Bar South has already purchased 1/3 of their mitigation requirement through Heguy Ranch and Cottonwood Ranch.



MINE SITE DESCRIPTION

- The Roberts Mountain area has a healthy stand of sagebrush between encroaching pinyon and juniper. Invasive annual grasses are minimal, and forbs and grasses are plentiful.
- Located primarily in both Priority (PHMA) and General Habitat Management Areas (GHMA).

PROJECT DESCRIPTION

- Both a new mine and an expansion of existing mining activities projects consisting of just under 1,350 acres of disturbance that generated a total of 8,872 term debits and 21 permanent debits.
- Project term of 30 years.



A meadow transect assessed as part of the Gold Bar Project. (SETT)



2022 PROGRAM OPERATIONS • RESERVE ACCOUNT

A primary responsibility of the SETT is to manage the reserve account. The reserve account serves as an insurance mechanism for CCS transactions and ensures there are always more credits than debits in the CCS in the event of credit project failure due to intentional or unintentional reversals.

A percentage of credits generated by each credit project are transferred into the reserve account at the time that credits are transferred to a Credit Buyer's account. Credits in the reserve account may be used by the SETT to temporarily offset invalidated credits until they can be replaced through corrective actions or using credit developer financial assurance funds to purchase replacement credits for the remaining term. Credits can be invalidated either intentionally or unintentionally, such as a willful destruction or acts of nature. The process of generating and using reserve credits is described in Figure 9.

Table 3 represents the deposits, withdrawals and balance of the reserve account as of December 2022. A positive balance (column 4) confirms there are more credits than debits in the CCS. As of December 2022, no credits have been withdrawn from the reserve account.

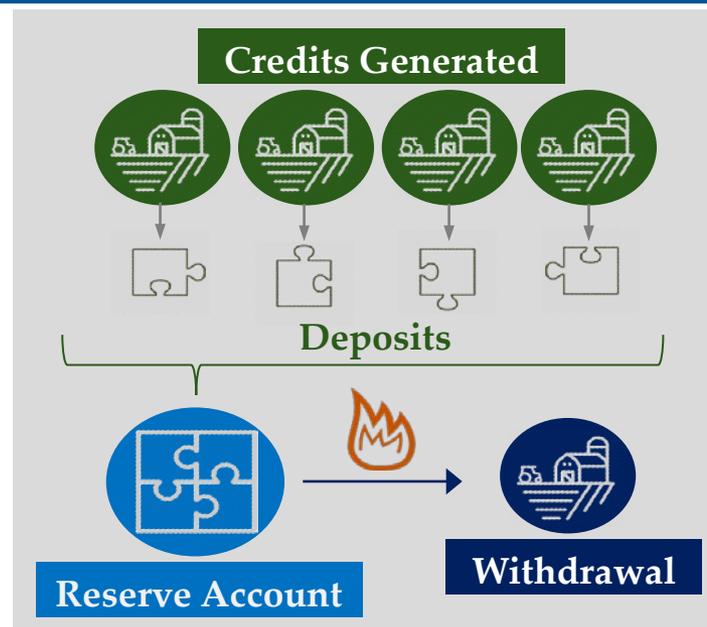


FIGURE 10: Reserve Account generation and use

TABLE 5: Reserve Account Ledger

CREDIT PROJECT NAME	RESERVE ACCOUNT DEPOSIT	RESERVE ACCOUNT WITHDRAWAL	RESERVE ACCOUNT BALANCE	REASON FOR INVALIDATED CREDITS (WITHDRAWALS ONLY)	INVALIDATED CREDITS REMEDIAL ACTION PLAN (WITHDRAWALS ONLY)
Tumbling JR Ranch	412	N/A	412	N/A	N/A
West IL Ranch	358		358		
Crawford Cattle - Sonoma	58		58		
Crawford Cattle - Snowstorms	79		79		
Estill Ranch	71	N/A	71	N/A	N/A
Heguy Ranch	87	N/A	87	N/A	N/A
Cottonwood Ranch	19	N/A	19	N/A	N/A
Secret Pass Ranch	3	N/A	3	N/A	N/A
Mary's River Ranch	33	N/A	33	N/A	N/A
Owl Creek Ranch	27	N/A	27	N/A	N/A
TOTAL	1,147	N/A	1,147	N/A	N/A

2022 PROGRAM OPERATIONS • 5-YEAR REVIEW

Six credit projects were visited for their 5-Year Credit Project Qualitative Assessments in 2022. These visits are interactive reviews where the SETT conducts a detailed desktop review using the latest imagery and vegetation composition analysis provided through the Rangeland Analysis Platform. This gives the SETT a general idea of how the project has performed over the last five years without the need for on-the-ground measurements. The SETT visits with Project Proponents on site. During these face-to-face meetings, the SETT can review the desktop results, discuss how things are going within the project area, answer any programmatic questions, discuss a “next steps” plan, and get feedback regarding their view of the Program. Many times, the meetings consist of not only the project proponent, but the entire family, including the next generation who will likely manage the project in the coming years. After the review and discussions, the SETT tours the projects with the Proponents and assists them with annual monitoring. This allows the Proponent a chance to show uplift areas or areas of concern. It’s a great time to build relationships, have candid discussions regarding the projects, and to answer any questions or concerns about the Program itself.

During these visits, the SETT was also able to meet with three other project proponents, some of whom needed assistance with the next steps in their project development and others who expressed interest in entering land into the Program as credit developers. These assessments are important to maintaining relationships, gaining knowledge and perspectives of the land, people, management goals, and achieving mutually beneficial outcomes. Four projects are slated for 5-year Qualitative Assessments in the spring/summer 2023.



East IL, Sonoma, Heguy Ranch, and RDD Credit Projects. (SETT)

2022 PROGRAM OPERATIONS • ADMINISTRATION OVERVIEW

As the administrator of the CCS, the SETT is responsible for day-to-day operations of the CCS, as well as the many other responsibilities and initiatives of the Sagebrush Ecosystem Program. Key SETT responsibilities related to the CCS include the following.

PROGRAM ADMINISTRATION & COMPLIANCE

- Continue to provide information to the SEC as requested, and to serve as staff to assist them in fulfilling the statutory and regulatory obligations
- Ensure consistent and accurate application of CCS policies and tools
- Award credits, verify debits, and track credit transfers between credit and debit accounts
- Ensure long-term stewardship and periodic verification of credit projects
- Enforce contract compliance, work with credit developers to implement corrective actions as necessary, and manage the reserve account
- Maintain agreements and coordinate with implementing partners

CONTINUAL IMPROVEMENT & REPORTING

- Identify opportunities to improve the CCS based on new science findings, operational experience and changing policy context
- Develop improvement recommendations through analyzing alternatives and engaging science community
- Publish improvement recommendations with supporting rationale, and facilitate review and approval by the Sagebrush Ecosystem Council
- Publish program results in the Annual Performance Report

PARTICIPANT SUPPORT & OUTREACH

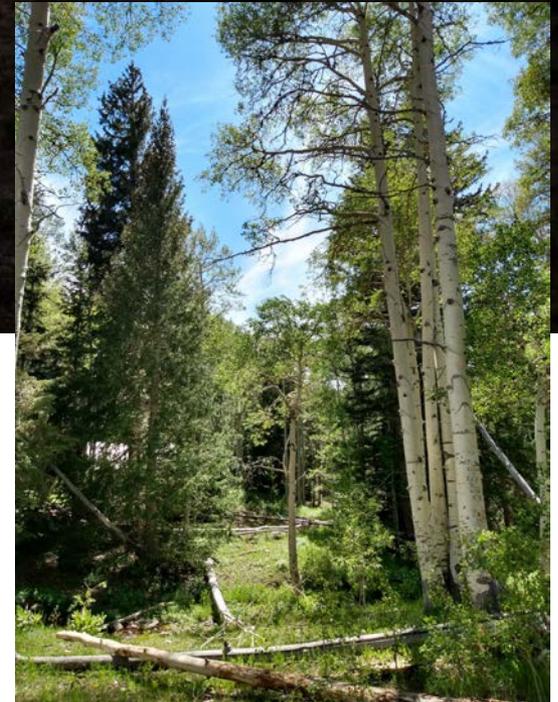
- Support Credit Buyers and Credit Developers through credit generation and debit verification
- Educate stakeholders, and encourage Credit Buyer and Credit Developer participation
- Train Verifiers
- Continued participation in collaborative, multi-jurisdictional meetings statewide



SEC Tour 2022. (SETT)

2022 PROGRAM OPERATIONS • CONTINUAL IMPROVEMENT

Implementing annual improvements to the CCS is a primary responsibility of the SETT and necessary to ensure that the program achieves its goals. The SETT actively engages program participants, verifiers, and agency staff throughout the year to understand how the program is working and where it could be improved. Once a year the SETT synthesizes findings related to CCS operations, achievements, challenges, and new, relevant science. The SETT develops improvement recommendations based on the findings, vets them with the science community and then they are considered for adoption by the Sagebrush Ecosystem Council (SEC). This year, however, no improvements were proposed. New improvements were identified and are in the early stages of development. These include identifying Core (Growing the Core) areas for conservation, incorporating population and lek demographics into the CCS analysis, and potentially adding a fee structure to the Program in order to implement on-the-ground conservation.



Range Camp at Timber Creek near Ely. (SETT)

2022 PROGRAM OPERATIONS • IMPLEMENTING PARTNERS

The Sagebrush Ecosystem Program is grateful for the agency partnerships and support that is critical for program implementation and long-term success of the CCS.

