

Consideration of Reserve Account Use

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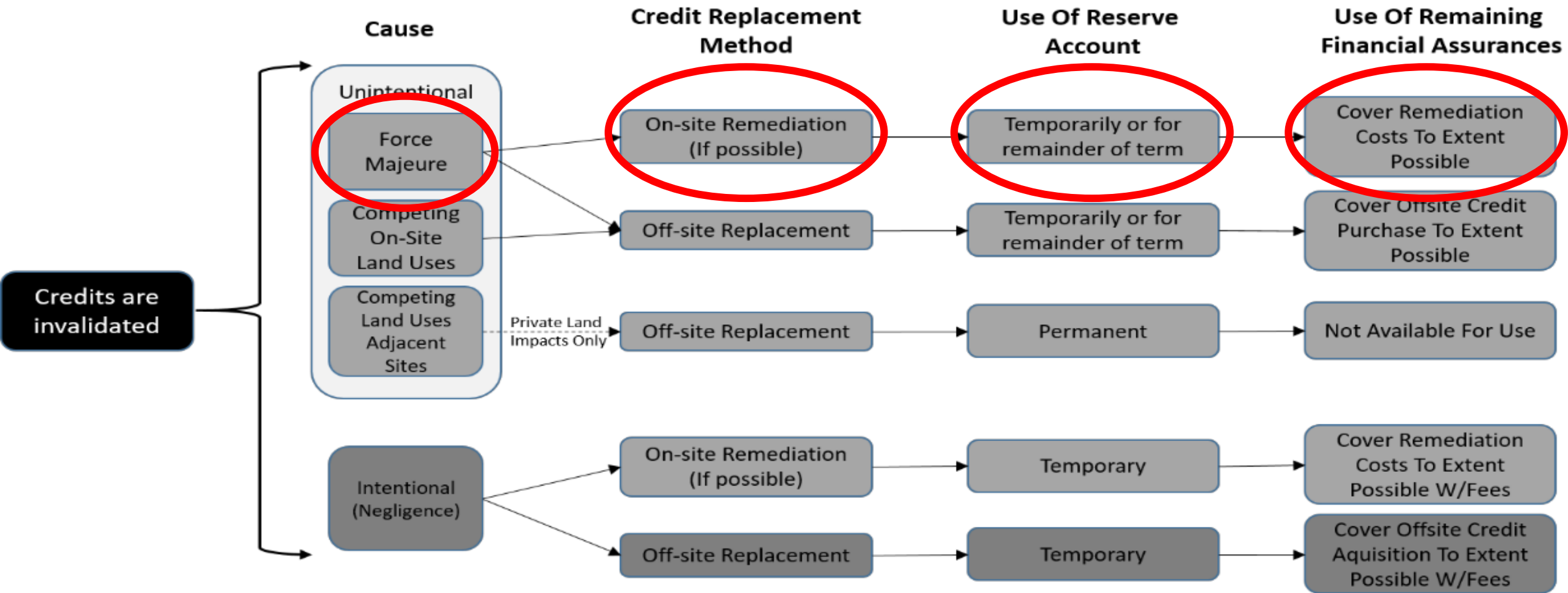
Reserve Account – What is it?

- The CCS creates a reserve account of credits and requires Credit Projects to provide financial assurances so that the Administrator can ensure the CCS generates net benefit.
- The reserve account is not a financial assurance method to hold a Credit Project Proponent financially responsible in the event of project failure.
- Serves as an insurance mechanism for the overall CCS. Each credit transaction contributes a percentage of credits generated based on the probability of the credits being invalidated

Reserve Account – How is it Used?

- The Administrator manages the reserve account and uses credits in this reserve account to temporarily cover credits invalidated due to intentional or unintentional reversals.
 - For a force majeure (e.g., wildfire) impact invalidating credits on private land, credits used will be from contributions made by Credit Projects on private lands.
- Reserve credits withdrawn to cover invalidated credits are intended to revert to the reserve account, when possible, when the invalidated credits have been replaced either using financial assurances associated with the invalidated credits, or natural site recovery occurs.

Credit Invalidation Replacement Process



Current Reserve Account

- The reserve account currently holds 1,615 credits.
- The total reserve account credits generated by all projects is 8,504.
- Based on the fires, it is estimated that almost 8,500 credits were affected throughout the three fires that were discussed.

Reserve Account Solutions

1. Reserve Account Contribution Released
 - A. Upon signature of Management Plan.
 - B. After the sale of one credit for each ranch.
 - C. After the first sale in a specific map unit.
2. SETT will Use Grants or State Seed Funding for Public Lands Credit Projects to Generate and Contribute Reserve Account Credits.
3. Combine Reserve Account for Public and Private Land Credit Projects.
4. Dissolve Reserve Account.

Option 1.A

This option would allocate all credits to the reserve account upon signature of Management Plan

Pro:

- Would release reserve account contributions to cover the recent wildfires.
- Backend management of reserve account credits would be simpler for staff.
- Would not affect the credit project proponent in any way. (As this is only backend accounting)
- Unfair to ranches that have already sold credits.

Cons:

- Unfair to ranches that have not sold credits yet.
- Would require an amendment to the State Plan.
- Ranch has option to unenroll if no credits have been sold after a period of 4 years.

Option 1.B

- This option would allocate all credits to the reserve account after the sale of one credit for each ranch.

Pro:

- Would release reserve account contributions to cover the recent wildfires in a timelier manner.
- Backend management of reserve account credits would be simpler for staff.
- Would not affect the credit project proponent in any way. (As this is only backend accounting)

Cons:

- Ranches could still potentially back out of map units that have not sold.
- Credit projects that have not made many sales can still use the reserve account for as many credits as would be required to offset for lost credits

Option 1.C

- This option would allocate the reserve credits, tied to the map unit, to the reserve account upon the first sale in that map unit.

Pro:

- Would release reserve account contributions to cover the recent wildfires in a timelier manner.
- Would not affect the credit project proponent

Cons:

- Backend management would be more complicated for SETT staff than 1.A or 1.B
- There would not be a large release and may not cover the deficit

Credit Proponent Thoughts

Consideration and Motion

Option 2.

- This option will allow the SETT to use grants and seed funding for Public Lands Credit Projects to generate and contribute Reserve Account Credits

Pro:

- Reserve account would be bolstered by each project
- SETT would create a net-gain for GRSG habitat
- Long-term benefit of increased reserve account

Cons:

- Public Lands Projects completed by SETT would still use shared reserve account if affected
- Long-term benefit, but not a solution to the current deficit

Consideration and Motion

Option 3.

- This option would increase the reserve account total for each credit project, starting in Version 2.1 (January 2026)

Pro:

- Would increase reserve account funds across the entirety of the NVCCS.

Cons:

- Ranches would get less credits to sell.
- Would disincentivize private landowners from joining the CCS.
- Would not be a short-term solution to the reserve account deficit and would likely not make much of a difference to the total number of reserve account credits.

Consideration and Motion

Option 4.

- This option would dissolve the reserve account

Pro:

- Increase credits to proponents
- Slows the time it will take for debits to outgain credits in the system

Cons:

- Credit proponents bare the burden for post-fire rehabilitation
- Proponents may end up paying large sums in the long-run if there is a fire in the credit project area.
- No “insurance” for credit projects.
- Would require amendments to management plans that have already been signed and many releases of credits.

Consideration and Motion