

**INTERNATIONAL LEADERSHIP COUNCIL  
NOVEMBER 17 TO 19, 2003  
San Antonio, Texas**

**SUMMARY**

Linking Climate, Community and Biodiversity

At the Fall meeting of the International Leadership Council (November 17-19 in San Antonio, Texas), members learned about an emerging standard that will help companies evaluate investments in land-based carbon projects. The Nature Conservancy and a group of partners<sup>1</sup> are developing a standard to score projects in terms of their expected impact on climate change, community welfare and biodiversity conservation. Potential investors can use the scores to measure the expected results of a project against other opportunities.



Love Creek Preserve, Texas  
© Lynn McBride

The scores will enhance project transparency and minimize the risk to potential investors of negative public relations, an issue that has created uncertainty in the carbon markets. Greater transparency may also attract additional project financing from sources such as the World Bank, the Global Environmental Fund and the U.S. Agency for International Development.

In break-out sessions, members provided valuable feedback on ways to make the standard more accessible and attractive to the business community. Among other things, they recommended improved governance, harmonization with other carbon certification systems, and continued attention to costs. Members were joined by the manager of the World Bank's Bio-Carbon Fund and the Managing Director of Natsource's Global Emissions Market Group.

Other meeting highlights include:

- The keynote by Erroll Davis, CEO of Alliant Energy, on his company's experience balancing environmental performance with economic growth. The utility seeks to

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<sup>1</sup> The group includes BP, Conservation International, Hamburg Institute of International Economics, Intel, The Nature Conservancy, Pelangi, and S.C. Johnson.

demonstrate environmental responsibility through environmental stewardship, operational improvements and the promotion of sound energy policy.

- An update by Alfred Berkeley, a member of the Conservancy's Board of Governors, on the organization's new ten-year goal.
- Presentation by three members on ways in which they have measured the returns from their investments in carbon projects.

### Site Visit

Jim Sulentic, Director of The Nature Conservancy of Texas, guided members on a virtual tour of the spectacular biodiversity of the state as preparation for the visit to Love Creek Preserve. The 1,400 acres of the preserve include excellent examples of the terrestrial and aquatic biological diversity of Texas Hill Country. The sanctuary includes the headwaters and more than 2 miles of the creek, which feeds the main aquifer for San Antonio and much of the southern Hill Country.



ILC members at Love Creek Preserve  
© Nigel Homer

We are deeply indebted to the staff of The Nature Conservancy of Texas for their contributions to the success of the Fall 2003 meeting. For more information about the Conservancy's work in the state, please visit [www.nature.org/wherewework/northamerica/states/texas/](http://www.nature.org/wherewework/northamerica/states/texas/).

## NEW TEN-YEAR GOAL FOR THE CONSERVANCY

**Alfred R. Berkeley**, Board of Governors, The Nature Conservancy



© Steve Barrett

*We have supplemented Al Berkeley's original remarks with updated information on the Conservancy's new ten-year goal.*

The business community will continue to be a key partner of The Nature Conservancy under a new ten-year goal that challenges the organization to conserve places that represent 10 percent of the world's major habitat types.<sup>2</sup> The goal intentionally focuses on *every* major habitat type to compel the Conservancy to conserve a fully representative sample of biodiversity and not merely biological hotspots. It adopts the World Wildlife Fund's classification of the world into 26 major habitat types (e.g., flooded grasslands).

The previous ten-year goal directed the Conservancy to conserve 600 landscapes – 500 in the United States and 100 in 35 countries abroad. While it helped shift the Conservancy's focus from small parcels of land to large landscapes, the previous goal fell short of helping the organization measure progress against its mission of saving the diversity of life on Earth. The new ten-year goal expands the context of the Conservancy's work by nesting landscapes within ecoregions and those ecoregions within major habitat types worldwide. *Conservation by Design* will remain the Conservancy's global framework for planning, prioritizing, acting and measuring.

The new ten-year goal emphasizes partnerships with local communities, NGOs, governments and business. The Conservancy will engage the business community as an important stakeholder group through the International Leadership Council, the Board of Governors and other relationships.

Business has been a significant contributor to the Conservancy's achievements to date. In October 2003, the Conservancy marked the end of the five-year Campaign for Conservation, which raised \$1.4 billion. Corporate supporters played a key role – as contributors of land, funds, expertise or leadership – in the conservation of many of the places covered by the campaign.

The Campaign for Conservation was the largest private campaign of its kind. Through the experience, the Conservancy learned that, with the support of partners, audacious goals are possible to achieve. This lesson is reflected in the global vision of the new ten-year goal.

Working at larger scale requires innovation. The Conservancy is pioneering new approaches to conservation that require taking well-evaluated risks. These include developing new opportunities for collaboration with the business community. The Conservancy, for example, has developed a portfolio of carbon projects in the United States to help participants of the Business Roundtable's Climate Resolve program meet their targets for voluntary emissions reductions.

Innovative approaches and new partnerships invite scrutiny. The Conservancy has been in the spotlight since the *Washington Post* in May 2003 ran a series on the organization and some of its

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<sup>2</sup> The target of 10 percent is provisional. The figure reflects the ambitious (but scientifically arbitrary) goal adopted by more than 186 countries through the Convention on Biological Diversity's Plant Conservation Targets. The Conservancy intends to define more specific goals for each major habitat type.

practices. The public attention has tremendous implications for all non-profits, especially those in the land trust movement that rely on conservation easements. There are hundreds of land trusts – many are small and do not have the resources to monitor easements over time. The Conservancy can be a positive force by helping the government tighten rules on conservation easements to ensure that they are applied only to properties with legitimate conservation value.

Recent public attention has also accelerated internal discussions on ways to make the Conservancy a model for the non-profit sector in the areas of governance, transparency and accountability. A decentralized organization, the Conservancy has many staff making decisions at the local level. The Conservancy's leadership recognizes the need to have standardization of values, procedures and approaches and has enlisted a panel of outside experts to review everything the Conservancy is doing in terms of governance.

The Conservancy is treating current public scrutiny with the seriousness it deserves. However, it will not stop pursuing innovative solutions to the enormous challenges facing biodiversity. The wrong response would be to stop trying sustainable ways of having human beings and conservation work together. Instead, the Conservancy is seeking constructive changes that will make its practices even more transparent, innovative and effective.

## **KEYNOTE ADDRESS**

**Erroll B. Davis, Jr.**, Chairman, President and CEO, Alliant Energy



Balancing environmental and economic performance is a major challenge facing the business community. In theory, everyone wants clean air and water, reliable energy and good customer service at low price, but no one wants to pay for the benefits. The cost of protecting and sustaining natural resources must be weighed against the cost to customers, employees and shareholders. The utility industry sits at the nexus of where economic reality meets desired environmental outcomes. Alliant Energy is seeking new ways to enhance its environmental performance while meeting the needs of its three million customers worldwide for reliable energy.

Following the Enron scandal, all companies have come under increasing pressure not only to be more transparent but also to publicize the impact their products have on the environment. Alliant is providing greater amounts of information about its social and environmental activities as part of its commitment to “walk the talk.” The Wisconsin-based utility channels its efforts to support conservation through environmental stewardship, operational improvements and the promotion of sound energy policy.

- **Environmental stewardship.** Alliant established the non-profit Riverland Conservancy to steward 2,200 acres of land in southern Wisconsin. The utility purchased the property 30 years ago with the intent of building a power plant, but decided not to develop the land because of its unique ecological features. Instead, it made the commitment to preserve and restore the area for recreational and educational use. The land is near Baraboo Bluffs, a stretch of upland forests The Nature Conservancy is working to protect.

Alliant is promoting a some conservation ethic in Brazil and China. In Brazil, the utility helped develop a feasibility study for carbon sequestration on 12,000 acres of degraded land in the Atlantic Rain Forest. If funded, the project could sequester 1.5 million metric tons of carbon over 40 years.

- **Operational improvements.** Approximately half of the electricity Alliant produces is generated by coal-fired plants. Coal is cheap and reliable but environmentally challenging. Alliant is developing new processes to mitigate the environmental impact of burning coal. “Smart-burn” is a combustion technology developed in association with BP. It increases boiler efficiency and lowers nitrogen oxide by 50 percent. In addition to helping the environment, higher boiler efficiency saves the company money because there are fewer maintenance problems.

Alliant also is pursuing renewable energy sources to produce electricity. By the end of 2003, it will have 6 percent of the total capacity for wind-produced energy in the United States under contract. Although six percent is equivalent to only 336 megawatts, it helps diversify Alliant’s energy portfolio. Another renewable energy source Alliant is developing is biomass (animal waste) to produce methane.

Alliant has also made great strides in recycling fly ash from coal. Fly ash can be used to make road concrete rather than burying it in a land fill. As an additive, fly ash reduces the amount of concrete needed, which in turn reduces the carbon emitted from the production of concrete. In one year, fly ash from Alliant reduces carbon emissions from concrete production equivalent to the emissions from 20,000 cars.

- **Public policy.** Alliant partners with various stakeholders to promote sound energy policy. It is supportive of legislation that will create greater certainty around environmental protection. In particular, the utility supports air quality legislative that takes a holistic approach to emissions reductions. It believes that renewable portfolio standards can provide certainty and create a more stable investment environment for energy development. Alliant also believes that the best way to ensure cleaner air is to take a multi-pollutant approach on a national level.

Alliant has facilitated discussions among policymakers in the belief that the margins often crowd out fruitful debate by the middle. In April 2003, the company hosted a conference on climate change at its headquarters with the aim of linking environmental science to sound business and political strategies. The utility is also working with the Electric Power Research Institute to explore the creation of a credit market for ecological assets beyond carbon such as wetlands. Alliant believes that creating marketplaces for trading biological assets is one of the best ways to encourage their protection.

## LINKING CLIMATE, COMMUNITY AND BIODIVERSITY

### Why Create a “Triple-Benefit” Standard?

The Nature Conservancy, together with a group of partners known as the Climate, Community and Biodiversity Alliance (CCBA), is developing a standard that will score the carbon, community and biodiversity impacts of land-based carbon projects. The standard is expected to promote greater confidence in the benefits of the projects and to reduce the cost of carbon credits from land-based projects by leveraging other sources of funding, according to Tia Nelson, Director of The Nature Conservancy’s Climate Change Initiative. The CCBA expects to have the draft finalized by December 2004.



Tia Nelson, Director of the Conservancy's Climate Change Initiative  
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The CCBA standard is designed to evaluate the biodiversity impacts of all three types of land-based carbon projects: (1) projects that reduce emissions by conserving threatened ecosystems and their carbon stocks; (2) projects that sequester carbon through ecosystem restoration, plantations, agroforestry and some types of forest management; and (3) project that substitute bio-carbon for fossil fuel or energy-intensive products.

The work of the CCBA is timely given the proliferation of climate change regimes at the local, national and international level. Land-based carbon offsets are allowed under several U.S. state programs targeting greenhouse-gas emissions. Many large U.S. companies are also pursuing land-based carbon offsets as part of voluntary commitments under the Department of Energy’s 1605(b) program. The CCBA standard may have implications overseas as well, such as land-based offsets

traded through the Kyoto Protocol’s Clean Development Mechanism (CDM). Although land-based carbon offsets are not allowed in phase one of the EU’s emissions trading system, they might be included in future phases.

**General Motors**  
GM’s Atlantic Rainforest Restoration Project focuses on the protection and restoration of 30,000 acres of endangered habitat in Brazil’s Atlantic Rainforest. Kristin Zimmerman, Manager of Energy and Environment Strategy at GM, said that preliminary estimates put the amount of carbon benefits at 1.2 million metric tons. GM is seeking to develop a process to measure the added value of the project’s co-benefits. Among other things, the project is meant to enhance an understanding by the public and the company itself of land-based carbon offsets and emissions trading. The company has built a community center at the site for visitors. It has also focused on jobs creation, employing 32 workers at the tree nursery, hiring preserve rangers, and encouraging the production for sale of organic bananas by local farmers.

Michael Intrator, Managing Director of the Global Emissions Market Group at energy broker Natsource, warned that the proliferation of climate change regimes is fragmenting the market for carbon. He pointed to the different designs of trading systems across Europe as well as the distinction between voluntary and mandatory programs. Intrator noted that even buyers in systems that are not compliant with the Kyoto Protocol still tend to prefer credits that have a proxy value in markets that are compliant.

Intrator also pointed to uncertainty about the projects that produced the carbon offset as one reason why the market is slow now. While some buyers are interested in buying credits, they are concerned about hidden risks, especially with respect to credits that are derived from a “basket” of projects. Even if the projects have passed screening by credible organizations like the World Bank, investors often do not know what risks will emerge until after they have purchased the offsets. This concern has been heightened as a result of greater scrutiny by NGO “watchdog” groups. The CCBA standard seeks to manage the risk of controversy by promoting projects that deliver “triple benefits” in terms of carbon sequestered, community welfare and biodiversity conservation.

Adding social and environmental considerations to land-based carbon offsets has financial implications as well. By contributing to a public good, these projects are eligible for financing from public sources such as the Global Environmental Fund and the U.S. Agency for International Development, or private sources such as a socially responsible investment fund.



Benoit Bosquet, Manager of the World Bank's Bio-Carbon Fund  
© Alisa Borland

Raising new sources of funding is important in light of recent World Bank statistics showing that the market for carbon credits from “land-use, land-use change and forestry” (LULUCF) is shrinking despite strong interest within the United States. Benoit Bosquet, Manager of the Bio-Carbon Fund at the World Bank, suggested that highlighting the connection between land-based projects and the environment and development agendas of other countries, particularly EU members, would strengthen the market for LULUCF carbon.

The CCBA standard may help make the link. The World Bank's Carbon Finance Business has expressed an interest in the CCBA standards, and has asked TNC and partners to present and discuss the standards in January. World Bank staff would like to ascertain how the standards could be applied to proposed projects in the Bio-Carbon Fund, and potentially other funds.

Bosquet also suggested more positive actions by NGOs like The Nature Conservancy to provide favorable guidance to European policymakers. NGOs need to highlight that better land management can be part of the solution to climate change as well as contributing to improved livelihoods. Bosquet cited a letter to the EU from 18 Latin American NGOs as an example. Finally, he identified the need to engage the beneficiaries of land-based projects, such as net sellers like the countries in Latin America, in strategies to promote the value of carbon credits from land-based carbon projects.

#### How Does the CCBA Standard Work?

Two speakers from The Nature Conservancy's Climate Change Initiative, Deputy Director Bill Stanley and Senior Program Officer Cathleen Kelly, provided an overview of how the CCBA standard would apply to a land-based carbon project. The standard scores projects in terms of climate, community and biodiversity in both the design and implementation phases. The scores provide developers and investors a tool by which to measure results against those of other potential projects. Scores are certified by third party.

- *Climate*: Score based on certainty of carbon estimate, “additionality” (i.e., would this project have occurred anyway for other reasons), leakage, and permanence.
- *Community*: Score based on community participation in design and implementation, net benefits in terms of income generation and quality of life, and capacity building/training.
- *Biodiversity*: Score based on project location, native species and landscape management, and habitat and water quality.

**American Electric Power**

AEP has invested in several land-based carbon projects, including the Noel Kempff Mercado Climate Action Project in Bolivia and the Guaraqueçaba Climate Action Project in the Brazilian Atlantic Rainforest. Diane Fitzgerald, Vice President for Governmental and Environmental Affairs at AEP, stated that, in addition to carbon offsets, the purpose of the utility’s investments are to influence public policy on global climate change. Shareholder resolutions on climate change are on the rise: In 2003, 20 major corporations including AEP were petitioned with climate-change resolutions by state pension funds and faith-based institutional investors. The company believes that the projects in Brazil and Bolivia demonstrate land-based carbon projects are a cost-effective, viable way to mitigate greenhouse-gas emissions in the short term. The company also uses the projects as a way to foster environmental learning.

Two sets of criteria apply in the design phase. Initial “threshold” criteria are applied to make a go/no-go decision. Taking community as an example, the threshold criteria include: meaningful consultation with the community, accounting for local culture, and not evicting families. Depending on the project, there may be additional requirements such as whether or not it will have a credible monitoring plan.

Once the threshold criteria are met, the expected benefits of the project are scored. The project must receive a score of at least 50 out of a possible 100 to be eligible for CCBA certification. The score provides project developers and investors with an opportunity to make adjustments to address potential weakness prior to implementation. Project location, for example, contributes to the biodiversity scores. Although project size is important, location plays a key role in terms of the surrounding landscape, what may be encroaching on the site, whether or not the project contributes to a biological corridor, etc. A small area may score high in terms of spatial quality because of its location.

In developing the scoring system, the CCBA aimed to follow several principles to enhance the acceptance of the standard by others.

- evaluate and score projects to maximize climate, community & biodiversity benefits
- quantitative where possible
- credible and cost-effective
- applicable to all land-based carbon projects eligible under emerging policy frameworks

In addition to helping investors compare potential projects, the scores may contribute to the sustainability of the investment. Depending on how widely the CCBA standard is recognized, projects with high scores might attract financing from other sources such as the Global Environmental Fund. Because projects lose points if there is significant uncertainty about the expected benefits, carbon credits from high-scoring projects might trade at a premium because of

the lower risk involved. Finally, third-party certification of the scores will enhance public confidence in the benefits of the project.

For a more detailed example of how the CCBA standard might score a project in terms of biodiversity, please see the presentation **tnc.ccba standard.ppt** on this CD.

Once the project is implemented, the actual outcomes are assessed periodically over its lifetime – usually every three years – using the same scoring system. To help contain costs, one auditor will assess the project’s performance in all three areas.

### Promoting the CCBA Standard with Key Stakeholders

Widespread adoption of the CCBA standard will require engaging key stakeholders from government, industry, development agencies, NGOs and others, according to John O. Niles, Project Manager of the CCBA. The CCBA has identified five principal audiences for the new standard:

- **Carbon offset buyers:** Primarily corporations, governments with national greenhouse-gas emission reduction targets, and brokers. The CCBA will first approach “innovators” within the business community about conducting field tests of the standard. The results will be shared with companies that have made voluntary commitments to reduce greenhouse-gas emissions as well as business and trade associations like the Business Roundtable.
- **Carbon offset producers:** Project developers (including companies) and multilateral agencies like the World Bank. The CCBA will encourage these organizations to apply the standard, in part or in whole, to the projects they support. The World Bank's Carbon Finance Business, for example, has expressed an interest in the CCBA standards, and has asked TNC and its partners to present the standards for discussion. Bank officials would like to ascertain how the standards could be applied to proposed projects in the World Bank’s Bio-Carbon Fund, and potentially other funds.
- **Policy-makers/leaders of voluntary initiatives:** National, regional or state greenhouse-gas trading programs with offsets (e.g., Commonwealth of Massachusetts), Clean Development Mechanism Executive Board, and voluntary greenhouse-gas reduction programs (e.g., Chicago Climate Exchange). Promoting the CCBA standard will be difficult because a number of these regimes already have their own

#### **Monsanto**

Tillage practices by farmers can have a profound impact on carbon levels, according to Bruno Alesii, Manager of Technology Development at Monsanto. Of terrestrial ecosystems, soil holds the greatest amounts of carbon. Traditional plowing can release significant amounts of carbon into the atmosphere and reduce the organic content of the soil. Conservation tillage means planting into the previous year’s residue – a natural mulch. Herbicides are still used to control weeds, but the change in practice reduces erosion by 90 percent and run-off by up to 70 percent. No-till agriculture can sequester 0.18 to 0.5 ton of carbon per acre each year. If 70 percent of land farmed worldwide were switched to this practice, 40 to 100 million tons of carbon would be sequestered each year. Promoting conservation tillage fits with Monsanto’s commitment to sustainable agriculture and creates demand for company products and technologies.

standards in place. As these standards are modified over time, there will be opportunities to incorporate elements of the CCBA standard.

- **Other actors influencing the design of trading and offset programs:** World Business Council for Sustainable Development, Pew Center on Global Climate Change, environmental NGOs. The CCBA will hold a dialogue with other stakeholders to share the standard and receive feedback.
- **Carbon offset certifiers:** SGS, DNV, etc.

## **MEMBER FEEDBACK ON DRAFT CCBA STANDARD**

### Perceived Value of CCBA Standard to Business

- **New asset.** The CCBA standard creates a new and clear asset – a carbon credit with co-benefits for local communities and biodiversity.
- **Filtering tool.** The scoring system will assist companies in making internal decisions about project investments by allowing them to more easily compare potential projects. It may also have applications in screening other opportunities to demonstrate corporate social responsibility, such as mitigation projects or requests for philanthropic support.
- **Public image.** Meeting the standard will enhance the image of the investor by assuring the public that the project will not have negative social and environmental consequences. Third-party certification contributes to the credibility of the results.
- **Risk management.** By incorporating social and environmental benefits upfront, the standard lowers the risk of being targeted by the local community, government or watchdog NGOs for negative effects later. It enhances the investor's license to operate.
- **Reporting.** Helps company in reporting on its corporate social responsibility by providing metrics on the climate, community and biodiversity benefits of the investment. The metrics can be used in communicating directly with targeted stakeholders.

### Suggestions for Improvement

- **Governance.** The standard would benefit from additional consideration of governance issues such as an accreditation body and a board to review the standard over time. Better governance will enhance the standard's legitimacy and help it withstand criticism from other groups. This, in turn, will help attract investors to the standard. The CCBA has a stakeholder and peer review built in, but would benefit from actively bringing in other interested parties.
- **Harmonization.** The CCBA should seek to integrate or at least harmonize its standard with existing standards for land-based carbon projects such as the Edinburgh Center for Carbon Management and SGS Carbon Certification standards. Having multiple, similar standards could confuse buyers and diffuse the impact of the CCBA standard. Competition between the Forest Stewardship Council and Sustainable Forestry Initiative provides an important lesson about the downside of not harmonizing.
- **Consistency.** More guidance is needed to help project developers, investors and third-party certifiers apply the CCBA standard to ensure that two independent reviews arrive at similar



Kathryn Shanks of BP, center, leads a break-out session discussion with ILC members on the “triple-benefit” standard.  
© Alisa Borland

results. Certification is often subjective. The CCBA may need a standards board to guide and train certifiers to ensure uniform application of the scoring system. At the same time, the standard needs a certain level of flexibility to ensure that it can be applied in developed countries as well as developing ones. Job creation, for example, may be a higher priority in a developing region than conservation.

- **Costs.** Continued attention to transaction costs is needed to ensure the standards do not add another layer of costs to the project. The CCBA is working to keep costs low and proponents note that the cost of coping with local opposition – through mediation, independent auditors, etc. – would likely be more expensive than the CCBA certification costs. One suggestion to streamline the cost structure is to make passing the initial “threshold” criteria the minimum bar for CCBA certification (as opposed to subsequently getting a score of 50 or higher). The scoring system would be used to prioritize and rank certified projects. Also, if carbon credits from CCBA-certified projects sold at a premium, this would help offset the costs associated with the standard.
- **Economics.** The standard might benefit from greater emphasis on the overall financial sustainability of the project. The project needs to be self-supporting in order to attract investors. Why not reference the “triple-bottom line” in the standard. Also, CCBA supporters and partners need to work on building markets for community and biodiversity benefits in addition to focusing on the carbon markets. There are limited resources to invest and creating new markets for community and biodiversity benefits would enhance the attractiveness of CCBA-certified projects.
- **Metrics.** The standard would benefit from more quantitative measures that can be easily shared with others.

#### Promoting the CCBA Standard with Key Stakeholders

- **Prioritize.** When targeting stakeholders, the CCBA should prioritize based on the opportunity for leverage. Industry associations, for example have broad networks that can be tapped to promote the standard.
- **Leverage.** CCBA proponents also should take advantage of existing momentum by coordinating efforts with ongoing initiatives like the WRI Protocol, the Global Reporting Initiative, the California Registry, etc. There is also an opportunity to learn from the

experience of applying standards in the forestry sector, specifically the Forest Stewardship Council and the Sustainable Forestry Initiative.

- **Diversity.** Broad stakeholder involvement will ensure that the standard is credible and defensible. At the same time, it is important to keep politics out of the peer-review process by avoiding extremely controversial editors/reviewers.
- **Non-controversial.** The CCBA should work to defuse political sensitivity around the standard by working actively to involve influential NGO partners. The Hamburg Institute is an important sponsor for this reason. It would also help to incorporate the standard into the long-term goals of The Nature Conservancy and Conservation International.
- **Convergence.** CCBA proponents need to move beyond a focus on just the carbon markets and emphasize the standard's relevance to other areas of high-priority to society such as security issues, impacts on human health, poverty alleviation, etc.