



IMPACT

2019



It is our pleasure to present and publicly share TerraCarbon's 2019 results, and our goals for the future.

As a Certified B Corp, and as passionate conservationists, it's important to us that our work is having a positive impact in addressing the challenges of global climate change.

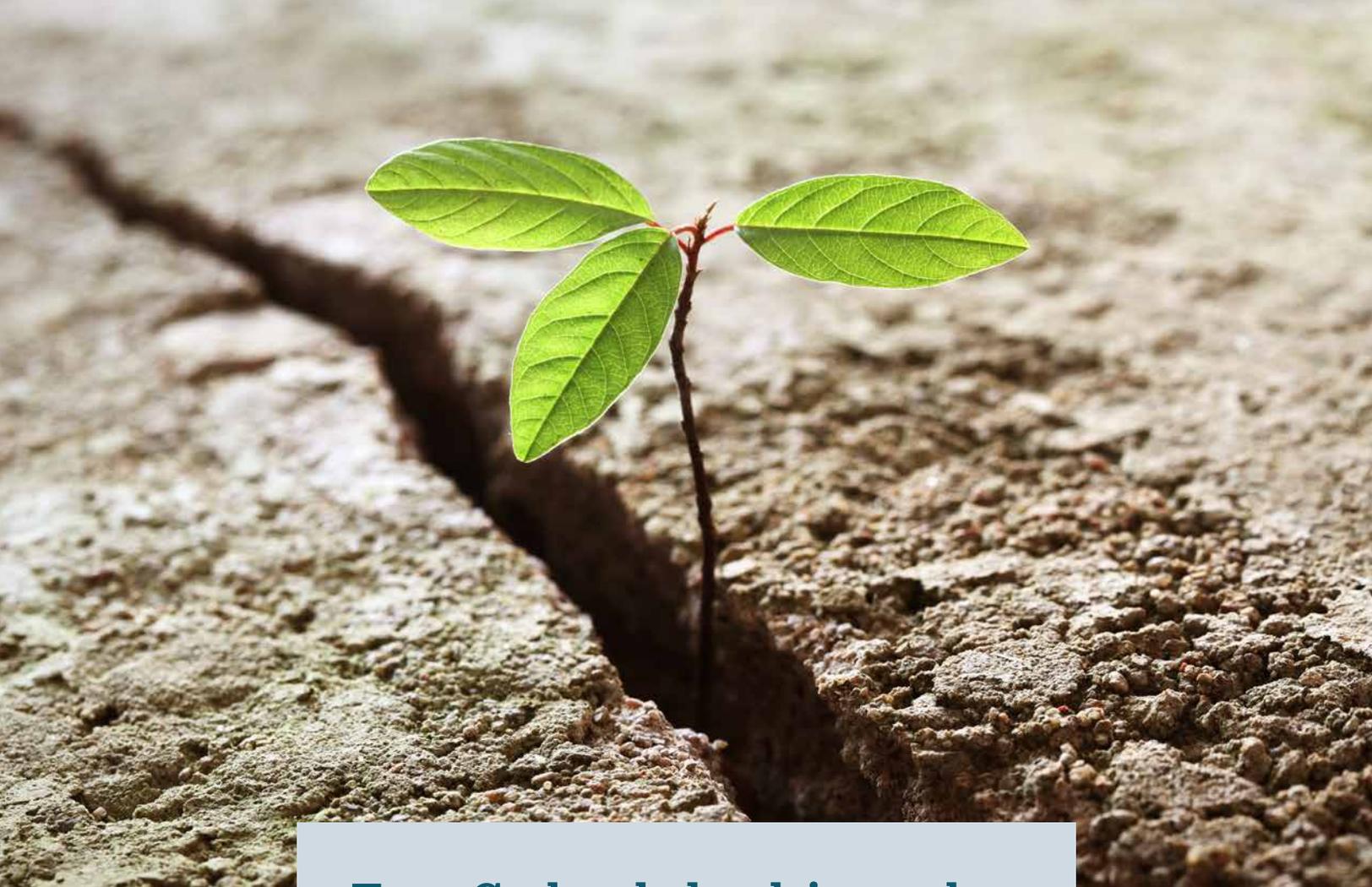
As we reflect on 2019, we are especially grateful to be supporting the extraordinary conservation work of our clients and partners around the world.

Our clients and partners are not only helping reduce climate change and restore and protect vital ecosystems, but they are also changing the way conservation is financed by engaging in new markets that value the climate services provided by forests and natural ecosystems.

We thank our employees for their passion, their professionalism, and personal sacrifices that they make to support our client and partners. We're excited about the future and growing opportunities to use carbon finance to fund nature-based solutions for the benefit of the world's climate, wildlife, and people.

Scott Settelmyer and David Shoch

DIRECTORS OF TERRACARBON



TerraCarbon helps drive carbon market funding to nature-based climate solutions.

We were founded in 2006 and have helped register more than 40 carbon projects on 5 million acres around the world that are restoring, protecting, and improving management of natural forests, wetlands, and working lands.



TerraCarbon has been a Certified B Corp since 2012 to demonstrate that our business has a higher purpose than profit. We have been recognized as a B Corp Best for World Environment Honoree in each of the last 3 years.



We believe that we are in the midst of a climate crisis.

The science is clear that global greenhouse gas emissions must ratchet down quickly and significantly to avert the worst impacts of climate change to the earth's ecosystems, wildlife, and people.

We believe that nature-based solutions, including the restoration, protection, and improved management of forests, wetlands, and working lands, are a critical part in responding to this crisis, providing more than 30% of the mitigation required to avoid the worst impacts of climate change.

OUR MISSION

TerraCarbon's mission is to deliver robust, science-based analysis, metrics, and insights to drive carbon market funding to nature based climate solutions.

OUR CLIENTS AND PARTNERS

We are grateful and excited to work with our clients and partners who are supporting and implementing nature-based climate solutions around the world. We look forward to continue working with them to scale up their efforts to address the urgent challenges posed by climate change.

Carbonfund.org

Carbon Tanzania

Centro de Conservación, Investigación y Manejo de Areas Naturales

The Climate Trust

Conservation International

Indigo Ag, Inc.

L&C Carbon

Mikro-Tek

The Nature Conservancy

The Nature Conservancy of Tennessee

The Nature Conservancy of Hawaii

The Nature Conservancy of Pennsylvania

The Nature Conservancy of Virginia

The Nature Conservancy of North Carolina

RenewWest

Restore America's Estuaries

Restore the Earth Foundation

Silvestrum

State of Hawaii Department of Forestry and Wildlife

UPM Blandin



OUR GOALS

We aim to work with passionate, mission-aligned organizations to drive climate funding to the restoration, improved management, and conservation of natural ecosystems. Our role as a partner generally falls into four categories:

- 1 **Build market capacity** for nature-based projects by supporting development of new methodologies, standards development, and research.
- 2 **Build project capacity** for nature-based projects by conducting feasibility assessments and leading workshops.
- 3 **Increase the areas restored and protected** by nature-based projects by designing new carbon offset projects for registration.
- 4 **Increase carbon funding to nature-based projects** by monitoring and reporting project results and marketing carbon offsets.



Makame Wildlife Management Area, Tanzania

FORESTS

Forests represent the largest nature-based climate solution with an estimated mitigation potential of 16 billion tons per year. Protecting forests around the world from conversion, especially in tropical countries, and improving forest management practices can generate significant low-cost emission reductions. Reforestation activities, while typically higher cost, represent an increasingly important opportunity for removing carbon from the atmosphere and are necessary in most climate models to limit global warming to well below 2 degrees C.

Market capacity

TerraCarbon is partnering with The Nature Conservancy and American Forest Foundation to develop a new GHG methodology and program to promote improved forest management activities for small landowners (Family Forest Carbon Program).

TerraCarbon assisted the Climate Action Reserve (CAR) in the development of an innovative accounting protocol for reforestation under CAR's Climate Forward program that could accelerate climate funding and help cover the upfront costs of these projects.



Makame Wildlife Management Area, Tanzania

Areas restored/protected

TerraCarbon partnered with The Climate Trust to support development of improved forest management projects in Maine (100,000 acres) and at the Lower Green Swamp Nature Preserve in Florida (5,000 acres).

TerraCarbon is also supporting Carbon Tanzania in the development of two large scale projects to reduce deforestation in the Makame Wildlife Management Area and in village lands near the Mahale National Park in Tanzania (in validation)(104,000 hectares, 256,000 acres).

Funding

TerraCarbon monitored GHG impacts of forest projects for our partners in Tanzania, Maine, Florida, Tennessee that total more than 3 million tons.



Upper St John Forest, Maine, USA

PEATLANDS

Peatlands cover just 3% of the world's surface, but store more than 550 billion tons of carbon that have accumulated in their soils over the centuries. Protecting peatlands from conversion, particularly in tropical regions, and restoring the hydrology of drained peatlands has the potential to generate up to 1.5 billion tons of emission reductions per year. Healthy peatlands are also able to absorb large amounts of water and can reduce the flooding impacts of increasingly heavy precipitation events on nearby communities.

Market capacity

TerraCarbon and The Nature Conservancy of North Carolina were jointly awarded the 2019 Innovation Award from the American Carbon Registry for developing a novel methodology to quantify the GHG benefits of restoring drained peatlands (also known as pocosins) in the US Coastal Plain.

Areas restored/protected

TerraCarbon partnered with The Nature Conservancy of North Carolina to develop the first registered carbon project in the U.S. involving the restoration of drained peatlands (1,300 acres) at Pocosin Lakes National Wildlife Refuge.



Pocosin Lakes National Wildlife Refuge, North Carolina, USA

COASTAL WETLANDS

Coastal wetlands, including tidal marshes, mangroves, and seagrasses, cover just 1% of the world's surface, but store massive amounts of carbon in their water-logged soils. These so-called blue carbon ecosystems also protect coastal communities from flooding impacts from severe storms, and are essential to productive fisheries. Avoided conversion and restoration of coastal wetland can contribute up to 1 billion tons per year in GHG benefits by 2030, with avoided loss and restoration mangroves representing the most significant global opportunity.

Market capacity

TerraCarbon is partnering with The Nature Conservancy, the University of California-Santa Cruz, and partners on the development of a first-of-kind methodology to quantify the flood reduction benefits (and contributions to the UN Sustainable Development Goal for Climate) restoring and protecting coastal wetlands.

Project capacity

Working with Restore America's Estuaries and partners, and supported with funding by NOAA's National Estuarine Research Reserve System Science Collaborative, TerraCarbon assessed the feasibility of carbon offset projects to support marsh restoration in the USA in the Pacific Northwest and in Cape Cod, Massachusetts.



Salt marsh, Cape Cod, Massachusetts, USA



Tidal marsh, Skagit Delta, Washington, USA



AGRICULTURAL LANDS

Agricultural land management represents the second largest Natural Climate Solution, with the potential to provide up to 5 billion tons per year of mitigation potential. Cover cropping, reduced fertilizer application, and improved grazing practices, along with the avoided conversion of grasslands, provide important pathways to reduce GHG emissions and increase soil carbon sequestration.

Market capacity

TerraCarbon is partnering with a large agri-tech firm to develop a comprehensive and globally-applicable methodology to account for the GHG benefits of all agricultural land management activities.



Project capacity

TerraCarbon conducted a feasibility assessment to estimate the GHG benefits of implementing regenerative agricultural practices at a renewable energy site in the U.S. South.

OUR OTHER IMPACTS

Employees. During the year, we provided employment to 4 full-time and 1 part-time staff. We provided health insurance options to all full-time staff and 401(k) benefits to all full-time staff with at least 1 year of service.



Community. We presented several times during the year on climate change and forests to local universities including Bradley University, Eureka University, and Wake Forest University. We also volunteered to teach the Tree Identification Workshop at the University of Virginia and to participate in the The Nature Conservancy's annual census of bird populations in conservation areas in Virginia held by TNC and its state and federal partners.

Environmental. Our biggest environmental impact is the positive impact from our work on funding conservation and activities that reduce climate change. Our biggest negative environmental impact is the climate impact from business-related air travel. We minimize our travel by using video conferencing when appropriate and bundling trips where possible. In 2019, we were responsible for 36 tons of emissions and purchased 36 tons of offsets from projects in Brazil that avoid deforestation.

Vendors. We have local options and use locally-owned providers for office rent, tax and legal fees. We also utilize locally-owned insurance brokers to purchase our insurance.

OUR GOALS FOR 2020

- 1** Support the development of new **large-scale projects to protect tropical rainforests** and the integration of those projects with emerging, national programs.
- 2** Support development of the **first registered blue carbon projects** in the U.S., including a project involving the restoration of seagrasses along the eastern shore of Virginia.
- 3** Complete development of **three new methodologies** to quantify the GHG benefits of small-holder improved forest management and agricultural land management, and to quantify the flood reduction benefits of coastal wetland restoration and protection.
- 4** Expand our work to **support new agricultural land management projects**, including offsetting and insetting projects.
- 5** Support new projects to **improve forest management and to restore forests at scale.**



Virginia Coastal Reserve, Virginia, USA

OUR LONG-TERM GOALS—THE BIG PICTURE

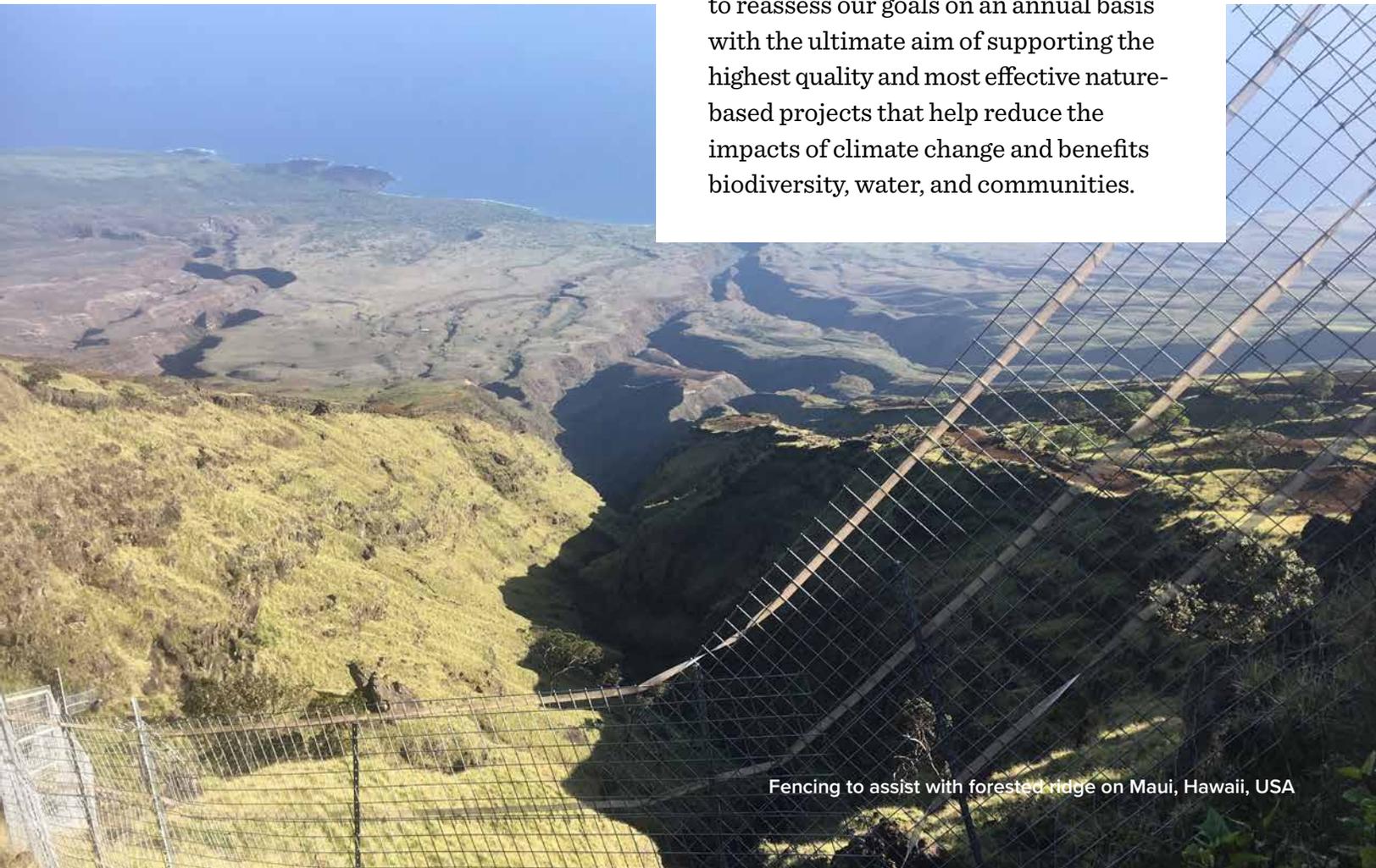
Global targets to limit warming to less than 2 degrees C will require net zero emissions by 2050 and imply emission reductions of up to 75 billion tons per year by 2050 as compared to business as usual.

Nature-based climate solutions could provide up to 24 billion tons of mitigation per year by 2030 and still provide safeguards for food supply and biodiversity. About 11 billion tons per year is achievable at carbon prices less than \$100/ton and 4 billion tons per year is achievable at carbon prices less than \$10/ton.

TerraCarbon aims to assist its clients and partners with rapidly scaling up nature-based climate solutions to meet these targets. Our long-term aspirational goals for TerraCarbon are to support cumulative emission reductions of:

- 50 million tons by 2020
- 100 million tons by 2025
- 500 million tons by 2030
- 1 billion tons by 2040

We acknowledge the roadmaps to achieving the potential of nature-based solutions in each pathway are only starting to be developed and that our goals are without a clear path. We plan to reassess our goals on an annual basis with the ultimate aim of supporting the highest quality and most effective nature-based projects that help reduce the impacts of climate change and benefits biodiversity, water, and communities.



Fencing to assist with forested ridge on Maui, Hawaii, USA