COLORADO

DEVELOPING THE COLORADO CARBON FUND TO SUPPORT CLEAN ENERGY

Overview
Colorado supported the development of clean energy projects through the creation of a voluntary carbon offset program, the Colorado Carbon Fund (CCF), to support energy efficiency, renewable energy, and greenhouse gas mitigation projects in the state. The CCF accepts public donations for the purchase and retirement of carbon offsets in the form of clean energy projects within the state.

The Governor’s Energy Office (GEO) spearheaded the development of the CCF. In doing so, the GEO first contracted with The Climate Trust, an Oregon-based nonprofit that specializes in carbon markets and offsets, to oversee both the financial and programmatic aspects of the CCF. The Climate Trust and GEO also developed a stringent set of criteria for potential projects:

- Projects must be developed within the state of Colorado;
- Projects must require CCF funding to be implemented;
- Projects must reduce emissions through clean energy or energy efficiency projects, as opposed to carbon sequestration;
- Projects must reduce GHG emissions at the project site rather than replacing grid electricity;
- Projects must reduce at least 40,000 metric tons of CO₂ equivalent; and
- Projects must be currently unimplemented.

The CCF also includes the Project C campaign, an educational program designed to promote awareness of greenhouse gas (GHG) emissions and the state’s climate strategy in local communities. The GEO has partnered with 10 communities in Colorado so far and has pledged to invest 20 percent of donations in smaller projects and outreach programs through community-based organizations.

The Clean Energy States Grant allowed the GEO to start the CCF and Project C from scratch and develop it into a fully functioning program. This includes the development of the CCF Web site, which serves not only as an important source of information on the programs, but also as a place where donations can be made directly for the retirement of offsets.

Clean Energy States Grant Goals
The creation of the CCF as a funding source for local clean energy projects supports the state’s climate change mitigation efforts under Colorado Governor Bill Ritter. In April 2008, Governor Ritter issued Executive Order D-004-08 which established GHG reduction goal of 20 percent below 2005 levels by 2020 and 80 percent below 2005 levels by 2050.

The CCF and Project C support implementation of the statewide goals, improving the public awareness and credibility of offsets as a means for financing clean energy projects. The GEO also hopes to encourage Colorado citizens to be more active in supporting state climate goals by measuring their carbon footprints, reducing emissions where possible, and offsetting emissions through donations to the CCF. Such activities are anticipated to generate public support for similar future projects.

Accomplishments and Challenges
A key accomplishment under the challenge grant process was the approval of the CCF’s first project in July of 2009. The Carbon Fund Advisory Committee, on the recommendation of The Climate Trust, approved the development of a 1.6 megawatt landfill methane-to-energy project scheduled to go online in the spring of 2010. The CCF used funds to purchase $230,000 worth of offsets from the project. This will reduce greenhouse gas emissions equivalent to 25,000 metric tons of carbon dioxide per year, which is the same as taking 7,500 cars off the road. As of November 2009, the CCF had reviewed applications for more than 180 projects and received over $400,000 in donations from 600 donors.

While the GEO set a goal of collecting and distributing over $3 million in the first three years of the CCF program, the economic downturn has limited the financing available for clean energy projects nationwide, which has reduced the number and amount of private donations to the CCF. The state also believes that offset developers and donors will continue to be hesitant to move forward until the debate on federal climate legislation is resolved. Despite these challenges, the CCF still hopes to reach $1 million in donations by June 2010.

Next Steps
In part due to the uncertain economic and political outlook nationally, the CCF is restructuring its approach to finding and approving projects. For the next round, the CCF will forgo its previous requirements around project size, emissions reduction potential, and location in order to keep the fund active, to encourage further donations, and to continue lowering statewide emissions. The CCF will give $250,000 in total funds to 5 smaller projects throughout the state for the installation of
solar hot water heaters at commercial sites. Since the individual projects will be relatively small, they will not receive third-party verification from The Climate Registry but will, instead, undergo monitoring and verification from the state and will not be considered as offsets. A request for proposals was released in January 2010. The state expects to announce the project awards in May and have them go online by the end of 2010.

The GEO also has received a request from its partner communities to appropriate a larger percentage of donations back to local projects and efforts through the Project C campaign. The CCF also is considering expanding the potential pool of offsets to include agricultural projects in the future.

Despite market uncertainties, the Colorado Clean Energy States Grant has helped the state and the GEO to continue to think creatively about clean energy deployment and to promote local renewable energy projects in Colorado.