

Conservation Innovation Grants
2009 Final Progress Report
October 1, 2009



Grantee Name: Beartooth Capital Partners, LLC	
Project Title: RANGELAND CARBON SEQUESTRATION PROGRAM: MARKET-BASED SOLUTIONS FOR CONSERVATION	
Agreement Number: NRCS-69-3A75-7-106	
Project Director: Courtland M. Smith	
Contact Information: 7 W. Main St., Ste 202 Bozeman, MT 59715	Phone Number: (406) 551-4104 E-Mail: court.smith@beartoothcap.com
Period Covered by Report: April 1, 2009 - September 30, 2009	
Project End Date: September 18, 2009	

A) Summarize the work performed during the project period covered by this report:
During this period Beartooth Capital Partners, LLC (BCP) along with our partners the National Carbon Offset Coalition (NCOC) and Todd Graham (Aeroscene Land Logic range consultant), concentrated on completing ranch enrollment in the Rangeland Carbon Sequestration Program. Our primary focus was on completing verification for all projects enrolled to date, including ranch verification visits per the Chicago Climate Exchange regulatory guidelines. We also secured contracts on several additional pools of ranches in Montana and Colorado.

B) Describe significant results, accomplishments, and lessons learned. Compare actual accomplishments to the project goals in your proposal:

Project Verification

Continuing market uncertainty surrounding carbon markets have kept the trading price of carbon very low during this period on voluntary exchanges such as the Chicago Climate Exchange (CCX). We continue to closely tracking pending legislation and assisting policy makers to ensure that rangeland carbon sequestration projects will have a future in any new trading scheme that may be forthcoming. Despite these uncertainties, we continued completing enrollment for several of the large acreage ranches we had secured contract with. Meeting the rigorous standards set forth by the Chicago Climate Exchange is a complex process for ranchers to negotiate and barrier costs (i.e., verification costs) are high, especially in light of current low carbon trading process. The funding provided by this CIG grant helped reduce this cost burden and helped us complete enrollment 654,932 acres on only four ranches (see previous semiannual report for additional details. Verification of these ranches as well as additional smaller pools of ranches was completed through the summer of 2009 after greenup and livestock turnout. We anticipate the CCX will release the credits for sale by the end of this year.

Program Enrollment

Additionally, NCOC and BCP closed on two additional pools of smaller projects at the end of April 2009, which brought in more producers and several hundred thousand more acres (Table 2). We are pleased to report that we have exceeded all of our deliverable goals by the end of the CIG contract period this contract (refer to Table 1 for details)! The only notable exception was our projected volume of work in Nebraska. Early in the program, we determined that there

were several other verifiers working in that region that were better positioned to service that market area. We, on the other hand, had a better network within the ranching communities in Montana, Idaho, Wyoming, and Colorado so we chose to focus our efforts here. As you can see from Table 1, we greatly exceeded our target number of ranches enrolled as well as total acreage and carbon sequestered.

Table 1. Table showing actual versus projected goals for the project. ¹Aggregate acreage includes all previous years' ranches since carbon credits are generated annually. ²Actual amount of CO₂ sequestered will vary based on Land Resource Region in which the project ranch is located. In creating the target goals, we have assumed an average coefficient of sequestration of 0.2mTons CO₂/acre/year across aggregated ranch acreages. Actual amount of CO₂ stored in project ranches may be much higher. The figure reported for the 2008 Actual amount of CO₂ sequestered was calculated as the total ranch acreage times the LRR coefficient as defined by the CCX. This figure reflects the total amount credited for all aggregated projects. ³Under CCX protocol, several ranches qualified for "back credits" from 2003-2007. This figure reflects the total amount of carbon credited on the CCX.

	<u>2009 To Date</u>	<u>Program Goals</u>
<u># New Projects in:</u>		
Montana	44	13
Idaho	9	9
Wyoming	4	7
Colorado	15	7
Nebraska	0	9
Total # Ranches Enrolled	72	16
New Project Acreage	247,849	-
Total acres (aggregated) ¹	1,426,808	960,000
CO ₂ Sequestered (mTons) ²	716,936 ³	192,000

C) Describe the work that you anticipate completing in the next six month period:

Over the next 6 months, BCP and NCOC will continue to enroll ranchers in this program as well as sell approved and verified credits on the Chicago Climate Exchange, thus providing payments to ranchers for their sequestration of carbon on well-managed rangelands. We will also continue to verify current ranches we have in that stage of the process. Furthermore, we will work to inform policy makers regarding the valuable roll of offsets in a mandatory emission policy. Currently, there is considerable concern regarding upcoming policy changes regarding mandated greenhouse gas emissions caps. While it is certain this country will have mandatory caps, it is unclear what types of projects will be accepted. As we move forward, NCOC and BCP will work to shape policy so that producers can participate in climate solution through biosequestration projects such as this. BCP is currently completing a white paper on the potential and future of rangeland carbon markets for ranchers in Montana by the Rural Landscape Institute that will be published in the fall of 2010. Hopefully these efforts will assist in keeping these types of programs viable. We are also exploring other markets for the sale of verified carbon offset credits.

D) In the space below, provide the following in accordance with the Environmental Quality Incentives Program (EQIP) and CIG grant agreement provisions:

- 1. A listing of EQIP-eligible producers involved in the project, identified by name and social security or taxpayer identification number.**

A list of all ranch producers involved in the project is provided in Table 2. No producers received direct CIG funds.

- 2. The dollar amount of any direct or indirect payment made to each individual producer or entity for structural, vegetative, or management practices. Both semiannual and cumulative payment amounts must be submitted.**

\$69,000 was paid to SES, Inc. (TIN: 48-1200547) for approximately half of the ranch verification expenses incurred during this time period. The remainder of the verification expense was matched with cash contributions from producers, NCOC, and BCP.

SES, Inc.
6750 Antioch Road, Suite 303
Merriam, KS
66204

- 3. Beartooth Capital Partners, LLC acknowledges that to the best of their knowledge, each individual or entity receiving a direct or indirect payment for any structural, vegetative, or management practice through this grant is in compliance with the adjusted gross income (AGI) and highly-erodible lands and wetlands conservation (HEL/WC) compliance provisions of the Farm Bill.**

Table 2. Table showing all producers involved in this reporting period.

Project Name	Acres	State	County
Eschen Ranch	233	CO	Washington
Nein Ranch	1,583	CO	Sedgwick
Rhodes Ranch	10,788	CO	Kit Carson
Cullinan Ranch	9,760	MT	Dawson
Nelson Ranch	5,875	MT	Teton
LaCense Ranch	30,392	MT	Beaverhead
Fort Peck Landowners	189,218	MT	various
Total	247,849		