



Pacific Carbon Trust

# Annual Report 2012/2013



June 2013





## Message from the Board Chair to the Minister Responsible

The Honourable Michael de Jong  
Minister of Finance  
Government of British Columbia

Dear Minister,

On behalf of the board of directors and employees of Pacific Carbon Trust, I am pleased to present our *2012/13 Annual Report*, which outlines our activities over the last year.

Pacific Carbon Trust actively supports the growth of the low carbon economy in British Columbia by acquiring carbon offsets as a part of the *BC Climate Action Plan*. Our work supports the government's commitment to environmental leadership and innovative emission reductions efforts, while catalyzing millions of dollars in public and private sector investment in communities across BC.

The organization was in a solid financial position at the end of fiscal year 2012/13, with net financial assets of \$24.7 million, signifying a prudent and financially sound operation. Revenues and expenditures were aligned with forecasted amounts, and there were no significant unplanned variances to the budget from previous fiscal years. The organization is able to continue operations based on current financial standings.

Pacific Carbon Trust offset the BC government and broader Public Sector Organizations' 2011 greenhouse gas emissions in June of 2012. Also during this reporting period, Pacific Carbon Trust was able to source the required amount of BC-based carbon offsets to meet the demand for the BC government and Public Sector Organizations' 2012 emissions. Pacific Carbon Trust made further headway in diversifying its portfolio and identifying the environmental, social, and economic benefits that its projects provide to the Province of British Columbia and its people.

In the 2012/13 fiscal year, there were no significant variations from the service plan, nor were there any major shifts in the business or its internal policy direction. Pacific Carbon Trust did, however, improve its disclosure practices, which now includes pricing information on projects in addition to their technical documents.

The Office of the Auditor General of British Columbia undertook a performance audit of carbon neutral government in 2012/13, including a review of two projects from Pacific Carbon Trust's 2010 portfolio. The Auditor General questioned the 'credibility' of these two projects. The government and Pacific Carbon Trust accepted the broad recommendations of the report, which will strengthen the system overall, but rejected the report's conclusions, based on a number of independent assessments of the projects. The government has indicated that it will look at ways to improve the carbon neutral program and Pacific Carbon Trust is working with the Climate Action Secretariat to identify ways in which it can better serve its clients.

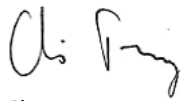
The last fiscal year saw significant development of carbon markets across the world, in particular in North America; California and Quebec formally launched carbon markets, creating the second-largest carbon market in the world; Alberta improved its system and increased the oversight on its carbon offset market. At the global level, the European Union continued to see economic uncertainty spilling over into its carbon markets while markets in Australia, South Korea, China, and Japan continued to develop. These market developments did not have any major effect on Pacific Carbon Trust's ability to meet its mandate, but they have presented opportunities for the organization to engage with the larger carbon markets in North America.

Looking forward, Pacific Carbon Trust will work with the Climate Action Secretariat and its other stakeholders to investigate and implement ways to improve the carbon neutral government program and BC's overall transition to a low-carbon economy. Pacific Carbon Trust will continue to source carbon offsets from a diverse range of greenhouse gas (GHG) projects, as well as explore other opportunities to support the growth of a low-carbon economy in BC.

Pacific Carbon Trust's 2012/13 Annual Report was prepared under the direction of the board of directors in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including the information and how it is prepared. Subsequent to March 31st, 2013, Mike Watson has resigned from the board. Myself, the other board members, and Pacific Carbon Trust staff thank him for his wisdom and guidance over the past several years.

The information presented reflects the actual performance of the Pacific Carbon Trust for the twelve months ended March 31, 2013 in relation to the service plan published February 2012. The board is responsible for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion.

All significant assumptions and risks identified as of June 1, 2013 have been considered in preparing this report, and the information contained herein is complete, accurate, and in compliance with the shareholder's directions regarding the November 2012 expenditure measures. The performance measures are consistent with Pacific Carbon Trust's mandate and goals, and focus on aspects critical to the organization's success. The financial and performance-based information in the plan have been determined based on an assessment of Pacific Carbon Trust's operating environment, forecast conditions, risk assessment and expected performance.



Chris Trumpy  
Chair, Board of Directors

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## I. Organization Overview

Pacific Carbon Trust (PCT) purchases and retires carbon offsets on behalf of the BC government, broader Public Sector Organizations (PSOs), and private clients to help meet emission reduction goals and grow the low-carbon economy in BC.

Operating out of Victoria, Pacific Carbon Trust is responsible for purchasing carbon offsets from BC-based greenhouse gas reduction projects that is in compliance with the BC emission offsets regulation, ensuring world-class offsets built on recognized international standards.

A carbon offset represents a reduction of one tonne of greenhouse gas emissions, resulting from activities such as improved energy efficiency, which can be used to balance the emissions from another source, such as travel. Pacific Carbon Trust delivers carbon offsets to over 120 clients, including the BC government and broader public sector organizations.

### Enabling Legislation

Pacific Carbon Trust was incorporated as a provincial Crown corporation in 2008 under the *Business Corporations Act*. The corporation is owned by the province of British Columbia and reports to its shareholder, the Minister of Finance.

### Mandate

To deliver quality BC-based greenhouse gas offsets to help clients meet their carbon reduction goals and to support the growth of the low-carbon economy in BC.

### Vision

Pacific Carbon Trust is a leader in the global low-carbon marketplace.

### Values

1. Entrepreneurial: PCT is an innovative company that puts results above process, seizing opportunities and taking the risks necessary to drive the growth of the low-carbon economy.
2. Sustainable: PCT is a champion for sustainable business practices and a role model for low-carbon operations.
3. Credible: PCT is recognized for its expertise, professional standards, and high-quality carbon offsets.

## Benefits to the Public

Pacific Carbon Trust benefits the public and the economy of BC by purchasing carbon offsets from projects that reduce emissions while also benefitting the economy and society in general. Additionally, offsets benefit BC by:

- Creating jobs in both rural and urban areas through investment;
- Providing new economic opportunities for BC business in both the clean technology sector and traditional BC industry sectors;
- Helping traditional industries, such as pulp and paper, remain competitive and innovative; and
- Facilitating innovative industry investment in the low-carbon economy.

A September 2012

PricewaterhouseCoopers report showed that 31 GHG reduction projects in PCT's portfolio stimulated approximately \$317 million in capital spending between 2008 and 2012, and an estimated:

- \$243 million in provincial GDP
- \$29 million in government tax revenues
- Over 2,800 jobs created or supported.

## Our Stakeholders

Pacific Carbon Trust engages with many organizations and groups in the province. Overall, Pacific Carbon Trust considers any who have a significant interest in the corporation as stakeholders. This includes our shareholder, the Minister of Finance; our clients; our partners within government and industry; the First Nations communities of BC; the greater public; and our employees.

### Clients

The BC government and broader public sector organizations make up the bulk of our clients. Under the Province's carbon neutral commitment, the public sector measures its carbon footprint and reduces its emissions as much as possible, offsetting the remaining emissions at year-end. Pacific Carbon Trust provides the carbon offsets to meet this legislated commitment.

Municipalities, private organizations, and individuals also purchase offsets from Pacific Carbon Trust on a voluntary basis. We ensure that we have capacity to meet these extra demands in addition to the volumes required by the BC government and broader public sector.

In June of the 2012/13 fiscal year, Pacific Carbon Trust retired 775,988 carbon offsets to balance the emissions generated by public sector operations in 2011. It was the second year that government committed to carbon neutrality. To date, Pacific Carbon Trust has retired 1,570,896 carbon offsets on behalf of its public and private sector clients, making Pacific Carbon Trust one of the largest providers of offsets by volume in North America.

### Partners and Suppliers

To deliver the carbon offsets and solutions our clients require, Pacific Carbon Trust works with a wide variety of professionals, including project developers, engineers, environmental consultants, information technology providers, and specialized auditors. Over the past year, Pacific Carbon Trust has continued to strengthen these partnerships to ensure a robust support industry for GHG projects exists. 2012/13 saw a fully operational carbon market in BC with continued growth as more companies, organizations and talented individuals joined in supporting the low-carbon economy in BC. Pacific Carbon Trust holds industry workshops and working groups each year and often seeks advice from industry concerning how it can continue to better serve its partners, suppliers, and clients.

Pacific Carbon Trust also works with municipalities, First Nations, environmental groups, and other non-government organizations to discuss opportunities and challenges in the carbon market. Similarly, active dialogue with other carbon market organizations in California, Quebec, as well as organizations such as the International Emissions Trading Association, ensures that Pacific Carbon Trust is engaged with regional and global markets.

To deliver on its primary and secondary mandates, Pacific Carbon Trust maintains a close working relationship with the Ministry of Environment's Climate Action Secretariat (responsible for the Climate Action Plan, the *Greenhouse Gas Reduction Targets Act* and government's carbon neutral program) and Shared Services BC, which provides emissions measurement services for public sector organizations in the form of the SMARTTool.

During the 2012/13 fiscal year, Pacific Carbon Trust engaged with regional districts and municipalities to help create a waste diversion protocol that could be used to help them reduce emissions locally.

In 2012/13, Pacific Carbon Trust was visited by delegations and researchers from Japan, China, Australia, Singapore, and Quebec, who sought our input into the design of their own emissions reduction planning.



## First Nations

In 2012/13, Pacific Carbon trust purchased offsets from two First Nations projects on the coast that have implemented ecosystem-based management. The projects are the result of efforts by the First Nations, the Crown, and Pacific Carbon Trust to implement a method of forest management that will help conserve one of the most ecologically significant temperate rainforests in the world. Thirteen First Nations communities were involved with the projects, and Pacific Carbon Trust is grateful that it is able to support these communities in achieving their goals for environmental stewardship and a promising new model of sustainable economic development.

## Core Business Areas

*Business Development* builds and manages relationships with suppliers, partners, and other interested parties, e.g. the public or partner ministries and agencies. This area is responsible for marketing and communications, working with industry to educate clients about emission reductions and offsets, and managing client offset purchases. It also manages education and outreach activities across industry sectors, including holding industry meetings, workshops and conferences to build awareness of Pacific Carbon Trust and help organizations learn about carbon offset development and opportunities in their sectors. These activities help to support the development of this emerging marketplace.

*Strategic Acquisitions* is responsible for evaluating proposals and purchasing offsets from BC-based projects that meet the requirements of the BC emission offsets regulation. Issuing and managing offset procurement calls, negotiating contracts, and monitoring project performance are key responsibilities of this department. It works with project developers and suppliers to buy offsets. Another key focus is to develop specific investment strategies to enable responsiveness to the market, such as acquiring large volumes of offsets.

*Finance and Operations* focuses on the operations of the company to ensure an effective, accountable and environmentally responsible organization. Key corporate activities include implementing and managing financial accounting and information technology systems; managing governance and board meetings; and managing human resources, facilities and records management requirements. This area is also responsible for strategic and operational planning, including the Government Letter of Expectations, the service plan and annual report, statement of financial information, internal business planning and implementing the Crown corporation's Carbon Neutral Action Plan.

## Service Delivery

Pacific Carbon Trust purchases offsets on behalf of its clients and retires them against their GHG emissions. This process is implemented through an open call for GHG project proposals, which are evaluated by Pacific Carbon Trust. If projects that have the potential to meet Pacific Carbon Trust's portfolio needs and BC's regulatory requirements Pacific Carbon Trust will move forward to a commercial agreement for the delivery of offsets. Before purchasing offsets, however, Pacific Carbon Trust must receive assurance from two independent auditors that the projects have met the requirements of the BC emissions offsets regulation. In BC, offset audits are provided by firms accredited to audit greenhouse gas projects by either the American National Standards Institute (ANSI) or the Standards Council of Canada (SCC).

Once the projects have satisfied all requirements, Pacific Carbon Trust takes ownership of the carbon offsets and registers them on a third-party system run by Markit Environmental Services. Offsets are serialized, tracked, and stored there until they are used. At the end of June each year, Pacific Carbon Trust retires carbon offsets on behalf of the BC government and broader public sector, matching their reported emissions and rendering them carbon neutral.

## 2. Corporate Governance

Pacific Carbon Trust is owned by the Province of British Columbia and its shareholder is the Minister of Finance. As a Crown agency registered under the *Business Corporations Act*, it operates under the governance and accountability system set out by government. This process includes a regular review of the corporation's mandate and activities, guided by a Government's Letter of Expectations (GLE). The letter outlines the corporation's and government's responsibilities and is jointly signed by the Minister of Finance and the chair of the Pacific Carbon Trust board.

### The Board of Directors and Supporting Committees

Consistent with the Board Resourcing and Development Office Best Practices Guidelines, the board of directors occupies a central position in the governance of Pacific Carbon Trust. The board does this by overseeing the affairs of the organization, supervising management, which is responsible for day-to-day operations, and setting the standards of organizational conduct through the CEO.

The board meets at least four times per year in addition to monthly conference calls. During quarterly meetings the board sets aside time for an in-camera session where corporation management staff are not present. It also holds monthly conference call updates. The board is responsible for the overall direction of the corporation, including:

- Setting its strategic direction;
- Ensuring appropriate financial and operational controls are in place;
- Ensuring Pacific Carbon Trust has the appropriate resources to meet its mandate;
- Monitoring key activities;
- Reporting to the Minister of Finance on activities, accountabilities and performance, and providing clients and the public with relevant and timely information about Pacific Carbon Trust's intentions and operations.

Pacific Carbon Trust is governed by a six-member Board supported by the corporate secretary. Pacific Carbon Trust Board members are:

- Chris Trumpy, Chair
- Heather Holden, Director and Chair the of Audit and Finance Sub-committee
- Michael H. Watson, Director
- James S. Mutter, Director
- Steven Hnatiuk, Director
- H. Anne Lippert, Director

Information on board members can be found on the Pacific Carbon Trust website. Also available on the website are key accountability documents, including the Government's Letter of Expectations, service plans, annual reports, financial statements, and board policies and schedules.

## Audit and Finance Committee

The audit and finance committee, established by the board, meets at least four times per year. The committee assists the board in fulfilling its financial accountability and oversight responsibilities by reviewing financial information and financial systems, monitoring the systems of risk management and internal controls, and overseeing the external and internal audit functions. As required, the committee provides recommendations to the board. Heather Holden chairs the committee and all board members participate in the audit and finance committee.

## Senior Management

- D. Scott MacDonald, Chief Executive Officer
- David Moffat, Managing Director, Business Development
- David Muter, Managing Director, Strategic Acquisitions
- Raymond Chan, Managing Director, Strategic Partnerships and Client Relations

## Governance Principles

The Pacific Carbon Trust board of directors adopted the Province of BC's governance principles as outlined in the Province of British Columbia's Governance Framework for Crown Corporations. Pacific Carbon Trust follows the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations and has developed a corporate governance manual that includes formal guidelines on corporate governance policies. Information on corporate governance can be found on the Pacific Carbon Trust website, at [www.pacificcarbontrust.com](http://www.pacificcarbontrust.com).



### 3. Report on Performance

#### Goals, strategies, performance measures and targets

Pacific Carbon Trust's mandate is to deliver quality BC-based carbon offsets to help clients meet their carbon reduction goals and to support growth of the low carbon economy in BC. This direction arises from the goal of BC's Climate Action Plan to reduce greenhouse gas emissions by 33% from 2007 levels. See Appendix A for measure descriptions, rationales and benchmarks.

<b>GOALS</b>	<b>Goal 1</b> An organization that delivers quality, cost-effective offsets.	<b>Goal 2</b> An organization that is highly valued by its clients and industry.	<b>Goal 3</b> An effective, environmentally responsible organization known for its industry expertise.
	<b>Objective 1.1: Build a portfolio of diverse and innovative offsets.</b>	<b>Objective 2.1: Deliver offsets to a broad base of clients.</b>	<b>Objective 3.1: Maintain the capacity and infrastructure to support operations.</b>
	Streamline procurement process and buy offsets in a competitive manner while ensuring offset quality and diversity.	Implement a sales strategy to deliver offsets to a broad base of clients.	Streamline business processes to improve operations efficiencies and service for clients and suppliers.
<b>OBJECTIVES and STRATEGIES</b>	Monitor an appropriate level of risk in the portfolio of offset projects.	Provide quality service to our clients, including delivering quality offsets in a timely manner and promoting accuracy and transparency in offsetting greenhouse gas emissions.	Promote PCT as a centre of offset expertise. Encourage staff development and build industry relationships to develop expertise across the sector.
	Manage inventory levels in a transparent manner on a publicly accessible registry.	Retire offsets for our clients in an open and transparent manner.	Build a team of high-performing professionals by developing shared values to guide decisions, opportunities for professional growth, and performance rewards.
	Develop and implement investment strategies that advance GHG reductions and stimulate growth of a low-carbon economy in BC.	<b>Objective 2.2: Accelerate growth of the BC carbon market.</b>	Continue building the corporate infrastructure and governance structures to enable effective operations.
	Implement strategies to support and grow BC-based clean technologies.	Work with offset market participants and industry stakeholders to build expertise and drive growth in the carbon market.	Be transparent and accountable. Monitor and report on financial and corporate performance.

<b>GOALS</b>	<b>Goal 1</b> An organization that delivers quality, cost-effective offsets.		<b>Goal 2</b> An organization that is highly valued by its clients and industry.		<b>Goal 3</b> An effective, environmentally responsible organization known for its industry expertise.	
	Manage a pipeline of offset projects across the province and its industries.		Work towards a balanced offset portfolio to stimulate a low-carbon economy.		<b>Objective 3.2: Analyze emerging GHG regulations and carbon markets to help BC take advantage of expanding market opportunities.</b>	
Monitor and analyze carbon markets to identify implications for BC and identify opportunities to position BC to benefit from new carbon markets.						
<b>OBJECTIVES and STRATEGIES</b>	<b>PM 1:</b> Meet offset purchase orders on time		<b>PM 2:</b> Average price paid for offsets per tonne		<b>PM 3:</b> Percentage of customers, suppliers, and partners satisfied / very satisfied	
	<b>PM 4:</b> Lower than average organizational carbon footprint		<b>PM 5:</b> Annual overhead as a percent of revenue <sup>1</sup>			

### Changes to Goals and Strategies

The 2013/14 service plan simplified the goals and strategies of the organization to align closely with the 2013/14 Government’s Letter of Expectations. The simplified goals and strategies were published in the 2013/14 service plan, and are summarized here:

<b>GOALS</b>	<b>Goal 1</b> An organization that delivers a high quality, cost effective and diversified carbon offset portfolio.		<b>Goal 2</b> An organization that is highly valued by the public sector, the broader public, and industry.		<b>Goal 3</b> An effective, environmentally responsible organization known for its industry expertise.	
	Competitively negotiate offsets deals while ensuring offset quality and diversity.		Implement and execute a sales strategy to deliver offsets to a broad base of clients.		Continually find ways to improve operational efficiencies and service for clients and suppliers.	
<b>STRATEGIES</b>	Monitor and maintain an appropriate level of risk in the portfolio of offset projects.		Promote accuracy and transparency in offsetting greenhouse gas emissions.		Continue to foster offset expertise by encouraging staff development and building industry relationships.	
	Implement mechanisms that support the growth of BC-based clean technologies.		Work with offset market participants and stakeholders to build expertise and drive growth in the carbon market.		Build a team of high-performing professionals by developing shared values to guide decisions.	
	Manage a portfolio of offset projects that are sourced from across the province and its industries.		Maintain a balanced offset portfolio to stimulate a low-carbon economy.		Be transparent and accountable in all business activities.	
<b>PERFORMANCE MEASURES</b>	<b>PM 1:</b> Meet offset purchase order on time		<b>PM 2:</b> Average price paid for offsets		<b>PM 3:</b> Percentage of customers, suppliers, and partners satisfied / very satisfied	
	<b>PM 4:</b> Lower than average organizational carbon footprint		<b>PM 5:</b> Number of partnership agreements			

<sup>1</sup> This performance measure was replaced in the 2013/14 Service Plan with a new measure: number of partnership agreements. This change was implemented to more accurately reflect Pacific Carbon Trust’s goals and measure their success.

## Performance Results

### Goal I: An organization that delivers quality, cost effective carbon offsets

**Key Accomplishments:** Pacific Carbon Trust continued to deliver quality BC-based carbon offsets from across different industries and regions of the province. The 2011 carbon neutral government portfolio saw an increase in the number of projects and project type diversity. Projects from landfills, as well as the lumber, pulp and paper, manufacturing, agriculture, hospitality, and the oil and gas industries contributed to emission reductions that rendered the BC government carbon neutral. These projects spanned seven of the eight economic development regions in BC, and involved more than 25 communities.

Pacific Carbon Trust retires offsets based on calendar year reporting by core government and PSOs in June of the next year. For example, 2011 emissions were offset in June of 2012, and thus reported in the 2012/13 Annual Report. The 2011 portfolio consisted of 775,988 carbon offsets from 19 projects. The 2012 portfolio is anticipated to comprise 26 projects, achieving further diversification. Pacific Carbon Trust is currently well positioned to continue meeting public and private sector demand in years ahead, with 19 projects under contract for future years.

Pacific Carbon Trust further increased the capacity of the carbon markets by developing a waste protocol over the 2012/13 period, to help with landfill and waste diversion projects across the province. Additionally, a “Program of Activities” – a programmatic project capturing multiple small sources of emissions – was developed, marking a first of its kind in BC. 2012/13 also saw the first GHG projects with First Nations communities along the coast come to fruition, implementing ecosystem-based management.

Table 1: 2011 Carbon Neutral Government Portfolio (Retired in June 2012)

Project	Location	Validator	Verifier	Number of offsets
Improved Forest Management – Timberwest	Vancouver Island/ Coast	KPMG	Scientific Certification Systems (now SCS Global Services)	468,139
Greenhouse EE/FS – Sunselect	Delta, BC	Stantec	Ernst & Young	19,097
Biomass Fuel Switch – Interfor	Adam’s Lake, BC	KPMG	Conestoga Rovers & Associates	15,211
Cement Plant Fuel Switching – Lafarge	Richmond, BC	Conestoga Rovers & Associates	KPMG	18,825
Hybrid Heating Systems - Enbala	Whistler, Vancouver, Revelstoke, BC	Envirochem	KPMG	2,764
Energy Efficiency and Fuel Switch – Canfor Pulp	Prince George, BC	Ernst & Young	KPMG	22,523
Cleantech – Kruger Products	New Westminster, BC	Ernst & Young	Ruby Canyon Engineering	17,423
Fuel Switching – Canfor Lumber	Fort St. John, BC	KPMG	Ernst & Young	11,884
Fuel Switching – Canfor Lumber	Mackenzie, BC	KPMG	PwC	6,483

Table 1: 2011 Carbon Neutral Government Portfolio (Retired in June 2012)

Project	Location	Validator	Verifier	Number of offsets
Fuel Switching – Canfor Lumber	Prince George, BC	KPMG	PwC	15,494
Oil and Gas Aggregation – Blue Source	Northeast BC	Stantec	Ruby Canyon Engineering	31,846
Greenhouse Fuel Switch – Katatheon Farms	Langley, BC	Stantec	Ernst & Young	2,552
Greenhouse Fuel Switch - Randhawa Farms	Abbotsford, BC	Williams Engineering Canada, Inc.	Ernst & Young	1,474
Portland Limestone Cement – Lafarge	Richmond, BC	Conestoga Rovers & Associates	KPMG	4,368
Foothills Boulevard Region Landfill	Prince George, BC	Ruby Canyon Engineering	NSF International Strategic Registrations	36,896
ARC Resources Gas Plant	Dawson Creek, BC	Ruby Canyon Engineering	KPMG	61,314
Spectra Energy	Northeastern BC	Stantec	Ernst & Young	39,695
<b>Total:</b>				<b>775,988</b>

In June 2011 Pacific Carbon Trust began retiring carbon offsets on the Markit Environmental Registry, a public registry that uniquely identifies each offset to create transparency and ensure offsets are only counted once. In coordination with this, Pacific Carbon Trust also published a Standard Guidance document on the Markit website which provides information on the procedures and requirements for registering carbon offsets for the BC government and other clients.





**Performance Targets & Results:**

Performance Measure 1	Actual 2010/11	Actual 2011/12	2012/13 Target	Actual 2012/13	2013/14 Target	2014/15 Target	2015/16 Target
Meet offset purchase orders on time	100%	100%	100%	100%	100%	100%	100%

This data is reliable and verifiable by direct inspection  
 Source: Pacific Carbon Trust and Ministry of Citizens' Services and Open Government

**Discussion of Results:** Pacific Carbon Trust achieved the 2012/13 target of meeting 100% of purchase orders on time. The organization has also secured necessary carbon offsets to ensure the government of BC and the broader public sector is carbon neutral for calendar year 2012 by June 30th, 2013. The anticipated PSO demand for the calendar year 2012 is approximately 750,000 carbon offsets. Pacific Carbon Trust has the capacity to meet additional private sector demand for offsets within the province.

**Performance Targets & Results:**

Performance Measure 2	Actual 2010/11	Actual 2011/12	2012/13 Target	Actual 2012/13	2013/14 Target	2014/15 Target	2015/16 Target
Average price paid for offsets per tonne	\$17.17	\$12.83	Less than \$25	\$11.92	Less than \$25	Less than \$25	Less than \$25

This data is reliable and verifiable by direct inspection  
 Source: Pacific Carbon Trust accounting and registry systems. All pricing information is available at <http://pacificcarbontrust.com/assets/Uploads/Pricing/PCT-pricing2009-2011Feb-13-2013.pdf>

**Discussion of Results:** Pacific Carbon Trust maintained a prudent purchase price of less than \$25, negotiating procurement prices to ensure the best value for taxpayer dollars. With a more mature, stable carbon market in BC, Pacific Carbon Trust continued to develop pricing strategies, and in 2012/13 transitioned to an open and transparent pricing scheme. This includes both publishing existing prices paid for carbon offsets, as well as signaling price bands for offsets, which provides greater levels of certainty to project developers. Pacific Carbon Trust maintained its carbon offsets selling price of \$25 as set by BC government, which aligns with the current average Canadian retail offset price of \$27.<sup>2</sup>

<sup>2</sup> Based on available data from the following Canadian offset retailers: Offsetters, Carbonzero, Air Canada, Less.ca, Cause.ca, Planetair, Carbon Credit Canada, Fundy Carbon Fund, and Green Power Action.





## Goal 2: An organization that is highly valued by its clients and industry

Key Accomplishments: Adding value to clients and industry is a major priority for Pacific Carbon Trust. In pursuing this goal over the last fiscal year, Pacific Carbon Trust has worked with public sector organizations and voluntary clients to ensure that the carbon offsets we purchase meet their needs.

### Public Sector Organizations

In 2012/13 Pacific Carbon Trust continued to work with Public Sector Organizations to assess potential for developing offset projects related to emissions activities that are not already counted toward carbon neutral government and that are feasible under the emission offsets regulation.

Pacific Carbon Trust continued to fund SMARTTool operations and improvement costs for all public sector organizations, and also hosted numerous webinars for PSOs to provide updates on the Pacific Carbon Trust portfolio of projects, to ensure climate leaders within stakeholder groups could share their successes and outcomes.

Pacific Carbon Trust received further input from the Carbon Offset Advisory Panel on the offset portfolio objectives and criteria including social, economic, environmental and strategic co-benefits. Pacific Carbon Trust also met with PSO executive groups to update them and receive feedback on the carbon neutral program as administered by the Climate Action Secretariat and delivered by Pacific Carbon Trust.

### Voluntary clients

Local governments are demonstrating climate leadership across BC under the BC Climate Action Charter. PCT provided carbon offset services to several local governments that are pursuing carbon neutrality under the charter. With offset projects in almost every region of province, Pacific Carbon Trust's portfolio not only delivered a cost-effective tool to become carbon neutral, but also for some a means to support clean economic development close to home. Pacific Carbon Trust also consulted with several local governments to assess offset projects that could contribute towards carbon neutrality.

In 2012/13, Pacific Carbon Trust partnered with Climate Smart<sup>3</sup> to help local governments tackle community emissions. Together with FortisBC, Pacific Carbon Trust sponsored a Climate Smart series of 20 seminars for approximately 150 BC businesses. PCT created a Small Business Engagement Fund, accessible to local governments across BC to help reduce training costs for community businesses that are interested in managing emissions. According to Climate Smart, businesses going through their program are reducing emissions on average by 4% in the second year, and by 10% in the third.

### Industry

Pacific Carbon Trust continued to meet with the carbon industry to provide updates on BC carbon policy and business, showcase international presenters about global and North American carbon market developments, and obtain industry input to ensure ongoing improvements to the BC carbon offset system.

During the 2012/13 year, Pacific Carbon Trust also engaged in a round of updates and continuous improvement, based on feedback from industry partners and suppliers. This included updating guidance, providing template documents, offering clarity on issues needing more information, and increasing service delivery quality in general. More information on continuous improvements can be found here: <http://pacificcarbontrust.com/what-we-do/our-standards/continuous-improvement>.

<sup>3</sup> Climate Smart is an organization that helps businesses measure and reduce their carbon footprint.

**Performance Targets & Results:**

Performance Measure 3	Actual 2010/11	Actual 2011/12	2012/13 Target	Actual 2012/13	2013/14 Target	2014/15 Target	2015/16 Target
Percentage of customers, suppliers, and partners satisfied / very satisfied	79% <sup>4</sup>	78% <sup>5</sup>	90%	73% <sup>5</sup>	90%	90%	90%

This data is reliable and verifiable by direct inspection

<sup>4</sup> Source: Ipsos Reid Stakeholder Satisfaction Survey

<sup>5</sup> Source: PCT Stakeholder Satisfaction Survey

**Discussion of Results:** For the 2012/13 fiscal year, Pacific Carbon Trust expanded its survey list for larger volumes of respondents and more stakeholder groups in an effort to increase feedback for the organization. With this larger volume of information, Pacific Carbon Trust can better identify and address the needs of diverse stakeholder groups and more strategically increase overall stakeholder satisfaction.

### Goal 3: An effective, environmentally responsible organization known for its industry expertise

**Key Accomplishments:** Over the 2012/13 year, Pacific Carbon Trust continued to implement internal process improvements. Deloitte Touch LP conducted a performance audit and recommend areas for improvement, which were acted upon throughout the fiscal year. Upon a review of actions, Deloitte found that Pacific Carbon Trust had made considerable progress in a short time. More information can be found in the Deloitte reports at <http://pacificcarbontrust.com/documents-and-forms/carbon-industry-intelligence/>.

With environmental stewardship being one of the driving forces behind the organization, Pacific Carbon Trust prides itself on maintaining a minimal footprint in its operations and ensuring that sustainability thrives within the culture of the organization. Pacific Carbon Trust continued to address its impact on the climate through operational efficiencies and employee engagement. Pacific Carbon Trust's actions to reduce its carbon footprint are detailed in the 2012 Pacific Carbon Trust Carbon Neutral Action Plan.

During the 2012/13 year, Pacific Carbon Trust reduced its business travel volumes and the resulting GHG emissions. This, paired with an energy-efficient office space, allowed Pacific Carbon Trust to maintain a lower than average organizational carbon footprint compared to core government.

**Performance Targets & Results:**

Performance Measure 4	Actual 2010/11	Actual 2011/12	2012/13 Target	Actual 2012/13	2013/14 Target	2014/15 Target	2015/16 Target
Lower than average organizational carbon footprint (tonnes CO <sub>2</sub> e per FTE)	1.4	1.8	Less than 3.2	1.2	Less than 3.2	Less than Core Government	Less than Core Government

This data is reliable and verifiable by direct inspection

Source: Pacific Carbon Trust and Ministry of Citizens' Services and Open Government

**Discussion of Results:** Pacific Carbon Trust achieved its target of maintaining a lower than average organizational footprint for the calendar year 2012 as compared to core government. Total emissions for Pacific Carbon Trust in 2012 were 24 tonnes, including 2 tonnes from operations and 22 tonnes from employee business travel. The target of less than core government, which was 3.21 tonnes of emissions per employee, was significantly surpassed.

### Performance Targets & Results:

Performance Measure 5	Actual 2010/11	Actual 2011/12	2012/13 Target	Actual 2012/13	2013/14 Target	2014/15 Target	2015/16 Target
Overhead as a percentage of revenue	15%	13% <sup>6</sup>	11.7%	14%	N/A <sup>7</sup>	N/A	N/A

This data is reliable and verifiable by direct inspection

Source: Pacific Carbon Trust audited financial statements

<sup>6</sup> Normalized to accurately reflect operating costs associated with revenue generation.

<sup>7</sup> Targets will not be measured due to a change in the performance measure to number of partnership agreements.

Discussion of Results: Overhead as a percentage of revenue is 14%, which did not meet the performance target. This is due to overhead costs remaining stable for the organization, and several one-time cost increases, including re-lease of rental space and information technology improvements. These increases are one-time events, and on an ongoing basis overhead would not be expected to increase as seen in 2012/13.

## Benchmark Comparisons

Where possible, Pacific Carbon Trust compares its performance to other organizations. However, as a Crown corporation with a mandate to ensure that the provincial government is carbon neutral, Pacific Carbon Trust has few similar organizations to look to for benchmarking purposes. In terms of its sale price for offsets, Pacific Carbon Trust remains aligned with available Canadian offset prices. For satisfaction levels amongst stakeholders, Pacific Carbon Trust compares its satisfaction levels to those of other BC Crown corporations. For its additional benchmarks, Pacific Carbon Trust has consistently had a lower carbon footprint than core government.

## Performance Management and Reporting Systems

In addition to the data monitoring procedures for each performance measure (see Appendix A), Pacific Carbon Trust maintained an Enterprise Risk Management (ERM) system that identifies risk and the operational performance of various aspects of the business. Management regularly reviews the ERM system to monitor risks and the performance levels of operations.

Additionally, Pacific Carbon Trust engages in supply chain management and portfolio management through automatically generated reports on its business development platform. This system allows management to view the development of supply and composition of the existing portfolio in real time.

## Related Market Developments

### Climate Change

2012 was the ninth warmest year on record since records began in the 19th century.<sup>8</sup> 2012 also saw considerable weather effects, including massive heat waves in the United States, which caused severe draught. Additionally, events such as Hurricane Sandy and record-low levels of Arctic sea-ice cover once again turned the world's attention to the issue of climate change, even in the face of prolonged global economic uncertainty. In British Columbia, the government reported that to date, the Province has been on track for meeting its 2012 Climate Action Plan Target of a 6% reduction from 2007 levels, even with an increase of 4.4 percent in GDP over the same time period,<sup>9</sup> demonstrating that emissions reductions and economic prosperity are not irreconcilable.

<sup>8</sup> "Press Release No. 972," World Meteorological Organization, 02 May 2013.

<sup>9</sup> "Making Progress on BC's Climate Action Plan," 2012 Report by LiveSmartBC.

## Carbon markets

2012/13 also saw a considerable increase in carbon market activity with the launch of California and Quebec's cap and trade systems. This created the second-largest carbon market in the world. Overall, 2012 saw both growth and retraction in global carbon markets, as the European Union Emissions Trading System delayed implementing any solutions to raise prices in its oversupplied market. At the same time, China, Australia, California and other regions continued to make aggressive strides in implementing emissions trading systems of their own. Similar to the previous year, these factors of stagnation in the major market, paired with considerable growth in emerging markets, make future volumes and values of carbon market difficult to predict.

## BC Industry Involvement

Following the previous year, the 2012/13 fiscal year again saw an increase in industry participation with the carbon market. In addition to more private companies in the logging, pulp and paper, oil and gas, and clean technology sectors showing interest in developing GHG reduction projects, the fiscal year also saw the delivery of two major First Nations-led ecosystem based forest management projects. As of June 2013, Pacific Carbon Trust has received over 100 project proposals from the industries of BC, indicating the level of willingness that organizations have with regards to carbon market participation.

## Risks and Opportunities

	Impact on Pacific Carbon Trust	Action taken
<b>Opportunities</b>		
BC's Greenhouse Gas Reduction Targets Act	The provincial act and its carbon reduction goals have created a sizable market for carbon offsets in BC.	Pacific Carbon Trust developed a robust pipeline of suppliers.  PCT purchased carbon offsets from 24 BC-based projects in 2012/13 and has contracts for carbon offsets extending into future years.  Successfully supported the public sector in achieving its second year of carbon neutrality.
Climate change regulatory developments	Expectation for a regional regulated carbon market in North America continues to generate interest in managing carbon assets and risks.	In addition to its ongoing procurement process, PCT expanded outreach to the carbon industry and increased partnership agreements with industry-related organizations.
BC's industries	A broad resource-based industry presents opportunities to develop projects across several sectors and regions of the province.	Pacific Carbon Trust continued to explore carbon offset project development in every major sector in BC, making particular headway in 2012/13 in agriculture and waste management.
Emergence of carbon markets in California and Quebec	In 2012/13, the California market officially commenced, with Quebec set to start in 2014.	Pacific Carbon Trust engaged with organizers from both jurisdictions and participated in industry events to ensure a strong understanding of the markets and possible future linkages to a BC system.

	Impact on Pacific Carbon Trust	Action taken
Stakeholder engagement	Stakeholders have requested additional input into the portfolio of carbon offsets that Pacific Carbon Trust purchases for government	Pacific Carbon Trust engaged with a new panel: the Carbon Offset Advisory Panel, represented by clients. It provides input on Pacific Carbon Trust's portfolio development.
Economic recovery	Increasing corporate social responsibility paired with an ongoing economic recovery creates interest in reducing organizational emissions and pursuing energy savings. The potential development of an LNG market in BC will also present opportunities for PCT to participate in the Province's economic future and to help address environmental goals that go along with it.	Pacific Carbon Trust continued to expand its pipeline of potential projects.  Pacific Carbon Trust expanded its existing client base to include BC municipalities that are pursuing a carbon neutral commitment.
Risks		
Uncertainty in BC carbon market	Short term policy uncertainty could create a supply risk.	Pacific Carbon Trust has contracted enough carbon offsets for the 2013/14 year and has identified contingency plans for purchasing additional carbon offsets as needed.
BC's energy sources	BC has relatively clean energy due to hydroelectricity, reducing the potential for GHG reduction projects that are connected to the BC power grid.	Pacific Carbon Trust continues to seek opportunities to purchase carbon offsets in non-electricity generating projects, in the areas of energy efficiency, sequestration, and fuel switching.
Economic downturn	The carbon offset industry in BC continues to be affected by the slow recovery from the global economic downturn.	Business risks such as the global economy are difficult to control for, but Pacific Carbon Trust continues to actively engage GHG project developers in order to maintain a strong pipeline of carbon offset projects.
Office of the Auditor General's report	The Office of the Auditor General's report on carbon neutral government stated that in their opinion, two carbon offset projects that Pacific Carbon Trust purchased offsets from were not credible.	Along with government, Pacific Carbon Trust's board did not accept the conclusions of the Auditor General.

Pacific Carbon Trust had the capacity levels needed to meet its objectives for the 2012/13 fiscal year. The organization was able to meet its operational requirements with its staff of 20 employees. Funds were available for all required purchases and professionally contracted services. Pacific Carbon Trust continued to improve its service delivery model to efficiently meet the demands of its clients.

## 4. Progress against Government's Letter of Expectations

Government direction for Pacific Carbon Trust is provided in the Government's Letter of Expectations (GLE). This is an agreement between the Minister of Finance on behalf of government and the board of Pacific Carbon Trust that established priorities and expectations for the corporation. The chart below lists the expectations outlined in the 2012/13 GLE and the organization's response. To view Pacific Carbon Trust's most current GLE please go to corporate reports at [www.pacificcarbontrust.com](http://www.pacificcarbontrust.com).

Specific Direction to Pacific Carbon Trust	Progress
Acquire a risk-managed, high quality and diversified carbon offset portfolio that meets public and private sector carbon neutrality commitments.	Ongoing: Pacific Carbon Trust has successfully met two years of government carbon neutrality requirements, and has established a robust portfolio to supply future demand. In 2012/13, PCT sought an independent performance review and studies on the performance of the organization and carbon neutral program; PCT was found to operate in compliance with the EOR and economic benefits have arisen from the program. PCT will continue to seek out innovative projects that contribute to a high-quality portfolio.
Secure new customers to purchase carbon products and drive revenue into the province.	Ongoing: PCT has maintained its private client base over the past fiscal years. PCT is currently exploring strategies to help grow the overall market in BC, and to find carbon offset customers in other emerging carbon markets around the world. A key focus will be to ensure that these transactions add value to the province of BC.
Develop and implement investment strategies that grow BC based clean technology and innovations that accelerate GHG reductions.	Ongoing: PCT continues to monitor the industries in BC for viable investment opportunities, while exploring different mechanisms through which investment is prudent and risk-managed. PCT has been successful in purchasing carbon offset from projects in the Clean Technology space, which helps to grow the low-carbon economy in BC.
Engage the carbon market industry to support the growth of the low-carbon economy in BC and position the province to benefit from emerging carbon markets.	Ongoing: PCT has been very successful in bringing a diverse group of stakeholders together to form a BC carbon market; auditing firms, industries, government, and First Nations communities. PCT will endeavour to maintain these connections across stakeholder groups to ensure that all benefit from the developing low-carbon economy.
Climate Change and Carbon Neutrality Initiatives	
Comply with the Government's requirements to be carbon neutral under the Greenhouse Gas Reduction Targets Act, including: accurately defining, measuring, reporting on and verifying greenhouse gas emissions from the corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through its procurement activities.	<p>Pacific Carbon Trust's mandate is to deliver quality BC-based greenhouse gas offsets to help clients, including public sector organizations, meet their carbon reduction goals and to support growth of the industry in BC. Pacific Carbon Trust met the requirement by delivering carbon offsets to the public sector to enable them to be carbon neutral for the second consecutive year.</p> <p>Pacific Carbon Trust maintained a lower than average organizational carbon footprint as compared to core government. In 2012, Pacific Carbon Trust recorded 1.2 tonnes CO<sub>2</sub>e per full time employee.</p>



## 5. Financial Report

### Management Discussion and Analysis

- Pacific Carbon Trust purchased 911,476 carbon offsets in fiscal year 2012/13 and has contracted sufficient amounts of carbon offsets to meet the demand of the broader BC public sector as well as private clients.
- Pacific Carbon Trust retired 779,753 carbon offsets on the Markit Environmental Registry in fiscal year 2012/13. The majority of these retirements were for the BC government and PSOs' 2011 emissions (see Table 1). The recognition of revenue for these volumes has been accordingly appropriated to the fiscal year. Revenue is recognized upon retirement of the volumes on the registry. Pacific Carbon Trust had a net income of \$5.6 million in 2012/13.
- Pacific Carbon Trust has \$25 million in accumulated surplus which is an accumulation of operating grants and net income resulting from operations since the inception of the Crown corporation.
- During fiscal 2012/13, Pacific Carbon Trust transferred short-term pooled fund investments from BCIMC to GICs held at Royal Bank. The GICs have a term of 1.5 years and are required to be classified as investments due to their term to maturity.
- At the end of the 2012/13 fiscal year Pacific Carbon Trust had zero debt.
- Pacific Carbon Trust maintained its internal business structure over the course of the 2012/13 fiscal year, and expanded its range of industry contacts and engagements, creating a growth in the overall business environment in which the corporation operates. There was no change in the policy environment over the past fiscal year that had any significant effect on Pacific Carbon Trust.
- There were no major risks that affected financial performance over the course of the 2012/13 fiscal year. Potential delivery risks were managed through Pacific Carbon Trust's due diligence and risk management system as a part of its service delivery.



## Revenue and Expenditure – Comparison to Budget and Prior Year

### Statement of operations and change in net assets

For the year ended March 31,	Budget 2012/13 (\$000s)	Actual 2012/13 (\$000s)	Budget Variance (\$000s)	Actual 2011/12 (\$000s)	Year Variance (\$000s)
<b>Revenues</b>					
Offset revenue	\$ 20,000	\$ 19,494	\$ (506)	\$ 13,940	\$ 5,554
Interest revenue	350	312	(38)	257	55
<b>Total Revenues</b>	<u>\$ 20,350</u>	<u>\$ 19,806</u>	<u>\$ (544)</u>	<u>\$ 14,197</u>	<u>\$ 5,609</u>
<b>Expenses</b>					
Strategic Acquisitions					
- Salaries and Benefits	571	691	(120)	609	82
- Operating and Administration	10,006	9,477	529	7,336	2,141
- Professional Services	238	696	(458)	1,226	(530)
- Rent	65	100	(35)	71	29
- Amortization	42	28	14	22	6
	<u>10,922</u>	<u>10,992</u>	<u>(70)</u>	<u>9,264</u>	<u>1,728</u>
Business Development					
- Salaries and Benefits	836	790	46	728	62
- Operating and Administration	160	214	(54)	236	(22)
- Professional Services	349	769	(420)	346	423
- Rent	94	109	(15)	90	19
- Amortization	62	31	31	27	4
	<u>1,501</u>	<u>1,913</u>	<u>(412)</u>	<u>1,427</u>	<u>486</u>
Finance and Operations					
- Salaries and Benefits	632	500	132	499	1
- Operating and Administration	121	124	(3)	184	(60)
- Professional Services	264	579	(315)	190	389
- Rent	72	74	(2)	74	0
- Amortization	47	20	27	22	(2)
	<u>1,136</u>	<u>1,297</u>	<u>(161)</u>	<u>969</u>	<u>328</u>
<b>Total Operating Expenses</b>	<u>\$ 13,559</u>	<u>\$ 14,202</u>	<u>\$ (643)</u>	<u>\$ 11,660</u>	<u>\$ 2,542</u>
<b>Surplus (Deficit) for the year</b>	<u>\$ 6,791</u>	<u>\$ 5,604</u>	<u>\$ (1,187)</u>	<u>\$ 2,537</u>	<u>\$ 3,067</u>
<b>Accumulated Surplus, beginning of year</b>		<u>\$ 19,351</u>		<u>\$ 16,814</u>	
<b>Accumulated Surplus, end of year</b>		<u>\$ 24,955</u>		<u>\$ 19,351</u>	



**Variations between budget and actuals for 2012/13:***Revenues*

Revenues from carbon offsets for the period were \$19.8 million. Offset revenues received were slightly lower than budgeted, as an estimated demand of 800,000 was expected, while actual demand for 2011 emissions was 778,544 carbon offsets. The reason for this difference in estimation is largely due to variations in emissions from Public Sector Organizations, which are weather dependent and thus difficult to accurately predict. Interest revenues were also slightly less than budgeted, as the interest budget was also based on estimation.

*Expenses*

2012/13 saw a deviation in expenses from budgeted forecasts. \$0.8 million of the deviation was from Pacific Carbon Trust taking over responsibility for the SMARTTool, which was not anticipated when the budget was developed. Overall, the accumulation of differences resulted in a \$1.2 million difference in annual operating surplus.

**Variations between 2011/12 and 2012/13 actuals:***Revenues*

Carbon offset revenue increased due to the full retirement of 2012 Carbon Neutral Government requirement. Fiscal 2012 had only included a partial carbon offset retirement. This is explained in note 3(a) of the financial statements.

Interest revenue increased due to transfer of funds to higher interest GICs.

*Expenses*

The increase in expenses of \$2.5 million is mainly due to the recognition of a full retirement of carbon offsets in fiscal 2013 versus a partial retirement in fiscal 2012. Carbon offsets are expensed, and revenue is also recognized, at the time they are retired on an externally managed inventory system.



## Financial Outlook

### Statement of Operations and Change in Net Assets

For a list of key assumptions regarding the financial outlook please see our 2013/14-2015/16 Service Plan as posted at [www.pacificcarbontrust.com](http://www.pacificcarbontrust.com).

	Budget 2013/14 (\$000s)	Forecast 2014/15 (\$000s)	Forecast 2015/16 (\$000s)
<b>Revenues</b>			
Carbon offset revenue	\$ 20,000	\$ 20,000	\$ 20,000
Interest revenue	400	430	460
<b>Total Revenues</b>	<b>\$ 20,400</b>	<b>\$ 20,430</b>	<b>\$ 20,460</b>
<b>Expenses</b>			
Strategic Acquisitions			
- Salaries and Benefits	500	500	500
- Operating and Administration	10,681	12,406	13,847
- Professional Services	521	521	521
- Rent	78	65	65
- Amortization	33	36	38
	<b>\$ 11,813</b>	<b>\$ 13,528</b>	<b>\$ 14,971</b>
Business Development			
- Salaries and Benefits	943	943	943
- Operating and Administration	143	143	143
- Professional Services	632	632	632
- Rent	77	65	65
- Amortization	33	36	38
	<b>\$ 1,828</b>	<b>\$ 1,819</b>	<b>\$ 1,821</b>
Finance and Operations			
- Salaries and Benefits	517	517	517
- Operating and Administration	143	143	143
- Professional Services	547	547	547
- Rent	77	65	65
- Amortization	33	36	38
	<b>\$ 1,317</b>	<b>\$ 1,308</b>	<b>\$ 1,310</b>
<b>Total Operating Expenses</b>	<b>\$ 14,957</b>	<b>\$ 16,654</b>	<b>\$ 18,102</b>
<b>Surplus (Deficit) for the year</b>	<b>\$ 5,443</b>	<b>\$ 3,776</b>	<b>\$ 2,358</b>
<b>Accumulated Surplus, beginning of year</b>	<b>\$ 24,955</b>	<b>\$ 30,398</b>	<b>\$ 34,174</b>
<b>Accumulated Surplus, end of year</b>	<b>\$ 30,398</b>	<b>\$ 34,174</b>	<b>\$ 36,532</b>

## Discussion

Pacific Carbon Trust is committed to remaining flexible and serving its shareholder as directed. The organization will continue to supply the BC government with carbon offsets to meet its carbon neutrality commitment. At the same time, Pacific Carbon Trust will continue to engage with its stakeholders and implement opportunities to expand the low-carbon economy. These activities are reflected in Pacific Carbon Trust's financial outlook for steady asset growth. In addition to program enhancements currently underway, Pacific Carbon Trust is continuing to work with the shareholder and public sector clients to identify improvements to the carbon neutral government business model.

Pacific Carbon Trust is contractually positioned to meet the demands of all public sector organizations for the 2012 carbon neutral calendar year, and expects to meet all demands for years thereafter. The majority of Pacific Carbon Trust's expenses will continue to be related to the purchasing of carbon offsets to ensure the portfolio is maintained for the BC government. Projected expenses are dependent on the actual volume of carbon offsets delivered.



## Statement of Management Responsibility

For the year ended March 31, 2013

The financial statements of Pacific Carbon Trust have been prepared by management in accordance with Canadian public sector generally accepted accounting principles as established by the Public Sector Accounting Board and fairly present Pacific Carbon Trust's financial position and results of operations.

The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control (which include policies and procedures) to provide reasonable assurance that Pacific Carbon Trust's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of BC has been appointed by the Board of Directors to audit the financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing an opinion on the financial statements.



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D. Scott MacDonald  
Chief Executive Officer



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Brent Blackhall, CA  
Director of Finance



## INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of Pacific Carbon Trust Inc., and  
To the Deputy Premier and Minister of Finance, Province of British Columbia*

I have audited the accompanying financial statements of Pacific Carbon Trust Inc., which comprise the statement of financial position as at March 31, 2013, and the statement of operations, statement of change in net financial assets and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements present fairly, in all material respects, the financial position of Pacific Carbon Trust Inc. as at March 31, 2013, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, British Columbia  
June 24, 2013

Russ Jones, MBA, CA  
Auditor General

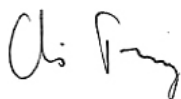
## Audited Financial Statements

**PACIFIC CARBON TRUST**

Statement of Financial Position at March 31, 2013

	2013	2012
<b>Financial Assets</b>		
Cash and equivalents (Note 4)	\$ 4,286,694	\$ 18,818,361
Investments (Note 5)	16,000,000	-
Accounts receivable (Note 6)	354,684	91,618
Carbon offset inventory	8,769,856	7,919,136
<b>Total Financial Assets</b>	<b>\$ 29,411,234</b>	<b>\$ 26,829,115</b>
<b>Financial Liabilities</b>		
Accounts payable and accruals (Note 7)	1,795,482	1,560,606
Deferred revenue (Note 8)	2,855,595	6,177,065
<b>Total Financial Liabilities</b>	<b>\$ 4,651,077</b>	<b>\$ 7,737,671</b>
<b>Net Financial Assets</b>	<b>\$ 24,760,157</b>	<b>\$ 19,091,444</b>
<b>Non-Financial Assets</b>		
Prepaid expenses (Note 9)	61,015	53,031
Tangible capital assets (Note 10)	133,931	206,062
<b>Total Non-Financial Assets</b>	<b>\$ 194,946</b>	<b>\$ 259,093</b>
<b>Accumulated Surplus</b>	<b>\$ 24,955,103</b>	<b>\$ 19,350,537</b>

The accompanying notes are an integral part of these financial statements.



Chris Trumpy, Chair  
Pacific Carbon Trust Inc.  
Board of Directors



D. Scott MacDonald, CEO  
Pacific Carbon Trust Inc.

**PACIFIC CARBON TRUST**

Statement of Operations for the Year Ended March 31, 2013

	Budget	2013	2012
<b>Revenues</b>			
Offset revenue	\$ 20,000,000	\$ 19,493,610	\$ 13,940,291
Interest revenue	350,000	312,677	256,771
<b>Total Revenues</b>	<u>\$ 20,350,000</u>	<u>\$ 19,806,287</u>	<u>\$ 14,197,062</u>
<b>Expenses</b> (Note 11)			
Strategic Acquisitions	10,922,000	10,991,420	9,264,207
Business Development	1,501,000	1,912,440	1,427,209
Finance and Operations	1,136,000	1,297,861	969,129
<b>Total Operating Expenses</b>	<u>\$ 13,559,000</u>	<u>\$ 14,201,721</u>	<u>\$ 11,660,545</u>
<b>Annual Operating Surplus</b>	<u>\$ 6,791,000</u>	5,604,566	2,536,517
<b>Accumulated Surplus, beginning of year</b>		19,350,537	16,814,020
<b>Accumulated Surplus, end of year</b>		<u>\$ 24,955,103</u>	<u>\$ 19,350,537</u>

The accompanying notes are an integral part of these financial statements.

**PACIFIC CARBON TRUST**

## Statement of Change in Net Financial Assets for the Year Ended March 31, 2013

	Budget	2013	2012
Annual operating surplus	\$ 6,791,000	\$ 5,604,566	\$ 2,536,517
Effect of change in tangible capital assets:			
(Acquisition) of tangible capital assets	-	(7,604)	(56,358)
Disposals of tangible capital assets	-	796	-
Amortization of tangible capital assets	-	78,939	70,701
	-	72,131	14,343
Effect of change prepaid expenses:			
(Acquisition) of prepaid expenses	-	(92,485)	(116,790)
Use of prepaid expenses	-	84,501	96,448
	-	(7,984)	(20,342)
<b>Increase in Net Financial Assets</b>	\$ 6,791,000	5,668,713	2,530,518
<b>Net Financial Assets, beginning of year</b>		19,091,444	16,560,926
<b>Net Financial Assets, end of year</b>		\$ 24,760,157	\$ 19,091,444

The accompanying notes are an integral part of these financial statements.



**PACIFIC CARBON TRUST**

Statement of Cash Flow for the Year Ended March 31, 2013

	2013	2012
<b>Operating Transactions</b>		
Surplus for the year	\$ 5,604,566	\$ 2,536,517
Non-cash items included in surplus:		
Loss on disposal of tangible capital assets	796	-
Amortization of tangible capital assets	78,939	70,701
	<u>5,684,301</u>	<u>2,607,218</u>
<b>Changes in operating accounts</b>		
Accounts Receivable	(263,066)	(91,618)
Accounts payable and accruals	234,876	(250,538)
Prepaid expenses	(7,984)	(20,342)
Inventory	(850,720)	(7,919,136)
Deferred revenue	(3,321,470)	(1,940,475)
	<u>1,475,937</u>	<u>(7,614,891)</u>
<b>Investing Transactions</b>		
Purchase of investments	(16,000,000)	-
	<u>(16,000,000)</u>	<u>-</u>
<b>Capital Transactions</b>		
Tangible capital assets (acquired)	(7,604)	(56,358)
	<u>(7,604)</u>	<u>(56,358)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(14,531,667)</b>	<b>(7,671,249)</b>
<b>Cash and Equivalents, beginning of period</b>	<b>18,818,361</b>	<b>26,489,610</b>
<b>Cash and Equivalents, end of period</b>	<b>\$ 4,286,694</b>	<b>\$ 18,818,361</b>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

For the period ended March 31, 2013

### 1 Authority

The Pacific Carbon Trust Inc. (PCT) is a Crown corporation created by the Province of British Columbia on March 14, 2008 under the *Business Corporations Act*. PCT operates under the authority of the *Greenhouse Gas Reduction Targets Act*, the Emissions Offsets Regulation and the Carbon Neutral Government Regulation. Under the Carbon Neutral Government Regulation, the Provincial government and government organizations are required to purchase carbon offsets from PCT in order to achieve carbon neutrality in each calendar year.

### 2 Nature of Operations

The purpose of PCT is to acquire, deliver and retire greenhouse gas offsets on behalf of its clients, those being: the Government of British Columbia; all other public sector organizations to which the *Greenhouse Gas Reduction Targets Act* applies; and any other public agency, company or individual resident in British Columbia who PCT has agreed to serve.

PCT is obligated to purchase and retire approximately 800,000 tonnes of emission offsets for the province by June 30, 2013. This is based upon the calculated greenhouse gas (GHG) emissions for the province in calendar 2012, as reported according to the Carbon Neutral Government Regulation. PCT is mandated to make future purchases of up to 1,000,000 tonnes of emission offsets per year to satisfy the province's legislated mandate of carbon neutrality.

The Province provided PCT with an initial unrestricted operating grant of \$9 million in fiscal year 2008 and a further \$12 million in unrestricted operating grants which was paid in annual instalments of \$5 million in fiscal years 2009, 2010 and \$2 million in fiscal year 2011.

Accumulated Surplus includes one common share (\$1 par value) of the corporation held by the Minister of Finance on behalf of the province of British Columbia.

PCT is subject to the harmonized sales tax (HST). As a Crown corporation PCT is exempt from income taxes.

### 3 Summary of Significant Accounting Policies

Management has prepared these financial statements in accordance with Canadian public sector generally accepted accounting principles as established by the Public Sector Accounting Board.

Effective April 1, 2012 PCT adopted the Public Sector Accounting Board's new standard on Financial Instruments, PS 3450. This standard has had minimal impact on PCT's financial statements since PCT does not record any of its financial assets or liabilities at fair value and has not elected to record any at fair value. A Statement of Remeasurement Gains and Losses has not been included as PCT has no remeasurement gains or losses to report.

Significant accounting policies followed in the preparation of these financial statements are:

#### a) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occur that gave rise to the revenues.

Revenues for private client sales transactions are recognized when carbon offsets are retired on behalf of the purchasing party. These transactions occur throughout the operating period and are recognized to revenue in the month they occur.

## Notes to Financial Statements

For the period ended March 31, 2013

Revenues for Government of British Columbia Public Service Organizations (PSOs) sales transactions are recognized when carbon offsets are retired on behalf of the PSOs. This is handled as one single retirement once the final requirement has been communicated to PCT and payment has been completed. PCT records this revenue recognition in June each year to coincide with the government's reporting of carbon year emission totals.

In fiscal 2012 there was a partial retirement of 2010 PSO calendar offset requirements as an earlier retirement of the 2010 total had been recorded on March 31, 2011, prior to PCT having its external registry in place. The 2011 PSO calendar offset requirement was fully retired in June 2012 and is recognized in PCT's 2013 fiscal year.

Interest income is recognized in the period in which the interest is earned.

Funds received in advance of delivery of goods or services are recorded as deferred revenue in the Statement of Financial Position.

Government grants are recognized in the period they are received or receivable.

### **b) Expenses**

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Business units expenditures relate to:

Strategic Acquisitions - responsible for purchasing offsets from BC-based projects that meet the requirements of the Ministry of Environment's Emission Offsets Regulation.

Finance and Operations - focuses on the strategic direction and corporate services of the company to ensure an effective, accountable and environmentally responsible organization.

Business Development - builds and manages relationships with clients, suppliers and other interested parties, e.g. the public or ministries.

### **c) Budget Figures**

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Board of Directors and published in the PCT Service Plan.

### **d) Financial Instruments**

PCT's financial instruments consist of its cash, accounts receivable, investments and accounts payable balances. All of PCT's financial instruments are recorded at cost, which approximates market value. PCT does not have any derivative financial instruments or equity instruments.

Investments, described in Note 3(g) below, are recorded at cost. Interest income is reported in the statement of operations and is based upon the effective interest rate method.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

PCT's financial liabilities are described in Note 7 below. PCT's financial instruments included in its financial liabilities comprise its account payable and accrued liabilities balances, both of which are recorded at cost.

## Notes to Financial Statements

For the period ended March 31, 2013

**e) Cash**

Cash includes cash on hand and demand deposits. Cash held in deposit accounts is not subject to a risk of change in value and is held for the purpose of meeting cash commitments rather than for investing.

**f) Accounts Receivable**

Accounts Receivable consists of net HST receivable from the Government of Canada. Accordingly no valuation allowance is necessary.

**g) Investments**

Investments include amounts held in Guaranteed Investment Certificates. These investments mature within two years and are not subject to a risk of change in value. PCT records these investments at cost.

**h) Inventory**

Carbon offset inventories are held for resale and are recorded at the lower of cost or net realizable value. Cost of carbon offsets is comprised of the invoiced value of carbon offsets acquired. PCT only purchases offsets from projects that have received unqualified validation and verification audit opinions regarding assessment of compliance with the BC Emission Offsets Regulation.

**i) Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and Equipment	-	5 years
Tenant Improvements	-	the lesser of five years and the lease term
IT systems and hardware	-	3 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to PCT's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

**j) Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and other expenditures during the period. Items requiring the use of significant estimates include the useful life of capital assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

## Notes to Financial Statements

For the period ended March 31, 2013

### 4 Cash

	2013	2012
Unrestricted cash	\$ 4,286,694	\$ 5,603,433
Short term liquid investments	-	13,214,928
Total	<u>\$ 4,286,694</u>	<u>\$ 18,818,361</u>

### 5 Investments

	2013	2012
Guaranteed Investment Certificates	\$ 16,000,000	\$ -
Total	<u>\$ 16,000,000</u>	<u>\$ -</u>

### 6 Accounts Receivable

	2013	2012
Net HST receivable	\$ 354,684	\$ 91,618
Total	<u>\$ 354,684</u>	<u>\$ 91,618</u>

### 7 Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities consist primarily of carbon offset purchases payable, accrued salaries and benefits and accrued professional services.

	2013	2012
Carbon offset purchases payable	\$ 1,182,604	\$ 1,028,505
Accrued salaries and benefits	271,954	240,898
Accrued professional services	70,528	51,693
Other general payables	270,396	239,510
Total	<u>\$ 1,795,482</u>	<u>\$ 1,560,606</u>

### 8 Deferred Revenue

Deferred revenue primarily consists of funds received by PCT to pay for carbon offsets related to the provincial government and public sector employees. Funds received for offsets are deferred until such time as the offsets are retired on behalf of the purchaser.

	2013	2012
Opening Balance	\$ 6,177,065	\$ 8,117,540
Net Receipts During the Year	16,172,140	11,999,816
Transferred to Revenue	<u>(19,493,610)</u>	<u>(13,940,291)</u>
Closing Balance	<u>\$ 2,855,595</u>	<u>\$ 6,177,065</u>

## Notes to Financial Statements

For the period ended March 31, 2013

### 9 Prepaid Expenses

Prepaid expenses are listed below and are charged to expense in the period in which they are consumed.

	2013	2012
Software Licence	\$ 17,684	\$ 16,222
Rent	-	3,700
Insurance	7,800	2,760
Registry	-	3,333
Prepaid Airfare	35,531	27,016
<b>Total</b>	<b>\$ 61,015</b>	<b>\$ 53,031</b>

### 10 Tangible Capital Assets

March 31, 2013	Furniture & Equipment	Leasehold Improvements	IT Systems & Hardware	Total
Historical cost				
Opening Balance	\$ 184,438	\$ 68,259	\$ 60,187	\$ 312,884
Additions/transfers	5,632	1,971	(795)	6,808
Closing Balance	190,070	70,230	59,392	319,692
Accumulated amortization				
Opening Balance	47,984	33,219	25,619	106,822
Amortization	37,921	22,110	18,808	78,939
Closing Balance	85,905	55,429	44,427	185,761
Net book value March 31, 2013	<u>\$ 104,165</u>	<u>\$ 14,801</u>	<u>\$ 14,965</u>	<u>\$ 133,931</u>

March 31, 2012	Furniture & Equipment	Leasehold Improvements	IT Systems & Hardware	Total
Historical cost				
Opening Balance	\$ 148,630	\$ 68,259	\$ 39,637	\$ 256,526
Additions/transfers	35,808	-	20,550	56,358
Closing Balance	184,438	68,259	60,187	312,884
Accumulated amortization				
Opening Balance	13,490	11,073	11,558	36,121
Amortization	34,494	22,146	14,061	70,701
Closing Balance	47,984	33,219	25,619	106,822
Net book value March 31, 2012	<u>\$ 136,454</u>	<u>\$ 35,040</u>	<u>\$ 34,568</u>	<u>\$ 206,062</u>

## Notes to Financial Statements

For the period ended March 31, 2013

### 11 Expenditures by Type

The following is a summary of expenditures by type.

	2013	2012
Salaries and Benefits	\$ 1,984,236	\$ 1,836,129
Operating and Administration Expenses	9,809,243	7,757,355
Professional Services	2,045,719	1,762,023
Rent	283,584	234,337
Amortization	78,939	70,701
Total	<u>\$ 14,201,721</u>	<u>\$ 11,660,545</u>

### 12 Contractual Obligations

PCT has entered into a number of multiple-year contracts for the delivery of services, carbon offset purchases and leased premises. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	Years		
	2014	2015	2016-2018
General Services Agreements	\$ 839,260	\$ 182,926	\$ 46,570
Offset Purchase Agreements	\$ 9,608,580	\$ 4,339,238	\$ 4,152,078
Leased Premises	\$ 205,970	\$ 173,226	\$ 692,904

## Notes to Financial Statements

For the period ended March 31, 2013

### 13 Risk Management

PCT is exposed to the following credit, liquidity and market risks. PCT uses a corporate risk register to manage and monitor its risks and to report this information to its Board.

#### *Credit Risk:*

Credit risk is the risk of financial loss to PCT if a counterparty to a financial instrument fails to meet its contractual obligations. Such risk arises from the financial assets of PCT, which comprise its cash, investments and accounts receivable.

PCT's investments are held in Guaranteed Investment Certificates issued by the Royal Bank of Canada and its accounts receivable consists of net HST receivable from the Government of Canada.

Accordingly, the risk of default to PCT on its financial assets is low due to the credit worthiness of its counterparties. None of PCT's financial assets are impaired or past-due.

#### *Liquidity Risk*

Liquidity risk arises when PCT is unable to meet its financial obligations as they become due. PCT's policy is to settle all financial obligations within 30 days. PCT's liquidity risk is insignificant since it maintains a sufficient amount of cash in its operating account to meet all financial obligations as they become due.

PCT's maximum exposure to liquidity risk is the carrying amounts of financial liabilities, disclosed in Note 7.

#### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

#### *Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

PCT is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

#### *Interest Rate Risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

PCT has minimal exposure to cash flow interest rate risks through its cash holdings that are at a floating rate. The majority of cash held by PCT is in GIC's with terms of maturity no greater than two years and are not subject to significant risk of a change in value.



## Notes to Financial Statements

For the period ended March 31, 2013

### 14 Pension Plan

PCT and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2011) indicated that the plan has a \$275 million unfunded liability for basic pension benefits.

During the year ended March 31, 2013 PCT contributed \$131,527 (2012 \$104,651) to the plan. These contributions are recognized as PCT's pension benefit expense. No pension liability for this type of plan is included in the financial statements.

### 15 Related Party Transactions

PCT is related through common ownership to all provincial government ministries, agencies and Crown corporations. The majority of PCT's clients are expected to be provincial ministries, agencies and Crown corporations. In addition, executive management, members of the board of directors as well as immediate family members of senior management and board directors are considered related parties.

During the year, PCT had the following transactions with the government and other government controlled organizations:

	2013	2012
<b>Revenue</b>		
Offset Sales to the Government of BC	\$ 19,399,700	\$ 13,886,815
<b>Expenditures</b>		
Salaries & Benefits* (Shared Services, BC Pension Corp.)	\$ 450,599	\$ 1,628,521
Professional Services (Smarttool, Attorney General, Auditor General)	\$ 902,654	\$ 927,607
Operating and Administration Expenses (Workplace Technology Services, BC Stats, Ministry of Finance)	\$ 38,351	\$ 116,104
Rent (ARES)	\$ 245,129	\$ 234,337
<b>Liabilities</b>		
Accounts Payable and Accruals (Shared Services, BC Pension Corp., Auditor General)	\$ 108,191	\$ 103,396
Deferred Revenue (Government of BC)	\$ 2,855,595	\$ 6,177,065

\* Salaries and Benefits related party transactions are lower in fiscal 2013 due to PCT moving its payroll in house and off the government system. The amount for 2013 includes payments to BC Pension Corporation, MSP and the salary for one employee who remains on government's payroll (paid to Shared Services).

## Appendix A: Performance Measures

Measure	Description	Rationale	Benchmarking
% of public and private client demand met	<p>Monitors the company's ability to meet the demands of its clients, either regulated or voluntary.</p> <p>Offset volumes are monitored in the delivery pipeline, and delivered offsets are tracked on the Markit Environmental Registry.</p>	This measure was chosen because it directs corporate strategies toward ensuring Pacific Carbon Trust delivers enough offsets to meet client requirements in a challenging offsets project environment.	Number of offset sales vs. other offset providers, where data is available.
Average price paid for offsets	<p>Monitors the average price paid by Pacific Carbon Trust for offsets.</p> <p>This information is available from Pacific Carbon Trust operations and is collected from its purchase expense accounting information.</p>	This measure was chosen because offset prices constitute the majority of expenses. Providing cost-effective offsets is important for managing public sector funds and helps to keep Pacific Carbon Trust financially viable.	Pacific Carbon Trust monitors industry and market information for prices of various offsets in North America to compare the market value of Pacific Carbon Units (offsets) with other standards.
% of stakeholders with a positive opinion of PCT	<p>Monitors satisfaction levels amongst Pacific Carbon Trust's clients as well as industry partners.</p> <p>This information is collected from an annual survey of customer, suppliers, and partners.</p>	Customer satisfaction measures the value of Pacific Carbon Trust to clients, suppliers, and partners in helping them meet their carbon reduction goals. Throughout the next year, Pacific Carbon Trust will continue to develop strong customer relationships.	Customer satisfaction levels in similar institutions (for example, banks).
Lower than average organizational carbon footprint	<p>Monitors the organization's level of greenhouse gas emissions per full time employee.</p> <p>Information is collected on emissions using SMARTTool and compares with core government results reported through requirements under the public sector Carbon Neutral Program.</p>	This measure is important in demonstrating Pacific Carbon Trust's leadership in a low carbon economy by reducing its own carbon footprint.	The carbon footprint of core government and other similar-sized Crown corporations.
Number of partnership agreements	<p>Monitors the numbers of other organizations that Pacific Carbon Trust engages with for a common goal.</p> <p>Data can be measured through the number of formal agreements in place with other organizations.</p>	This measure is important in demonstrating Pacific Carbon Trust's engagement with like-minded organizations with the long-term goal of growing the low-carbon economy in BC. Pacific Carbon Trust recognizes that working with other organizations leverages additional resources and cooperation to help the province transition to a low-carbon economy.	Number of partnerships established by other Crown corporations, both provincially and federally.



## Pacific Carbon Trust

### **British Columbia**

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Pacific Carbon Trust