

Greenhouse Gas Reporting Rule Advisory Committee
Meeting Notes for October 24, 2008
(Third Meeting)

Location: Washington Public Utility Districts Association

Time: 9:00 AM – 4:00 PM

Meeting Objectives:

- Provide an update on Western Climate Initiative (WCI)
- Follow-up on Emissions Factors Calculations – using Ecology fleets example
- Share information and get initial input on:
 - Indirect Emissions
 - De Minimis and Simplified Estimation Methods
 - Verification
- Agree on topics for next meeting.

Advisory Committee Members Present:

Collins Sprague (Avista), Dave Moore (Boeing), Svea Truax (Burlington Northern Santa Fe), Rebecca K. Cate (Climate Solutions), Janet Benish (Costco Wholesale), Alissa Bolla for Shane Skinner (Enterprise Rental Car), Pamela Barrow (NW Food Processors Association), Richard DeBolt (TransAlta), Rick Jordan (United Parcel Service), Matt Kuharic (WA Association of Counties/King County), Debbie Gaetz (Washington Construction Industry Council), Stuart Simpson (WA Department of General Administration), Greg Hansen (WA Department of Transportation), Dave Warren (WA Public Utility Districts Association), Conan O’Sullivan (WA Refuse and Recycling Association), Matt Cohen (WSPA, ALCOA, Nucor Steel).

Staff Members Present:

Nancy Pritchett (Ecology), Sarah Rees (Ecology), Alan Newman (Ecology), Neil Caudill (Ecology), Gail Sandlin (Ecology), Kathleen Sundberg (Ecology), Cathy Curruthers (Ecology), Marshall Taylor (Ecology), Eli Levitt (Ecology), Kay Shirey (Assistant Attorney General).

Observers Present:

Liz Klumpp (BPA), Dean Sutherland (Clark Public Utilities), Tim Newhart (Enviornmetrics, Inc.), Allen Fiskdal (EFSEC), David Newsit (Hoefler Consulting Group), Keith Faretra (PSE), Emily McMason (Public), Lisa Reiner (Quinault), Tom Pitts (Qwest Communications), Tom Payant (Snohomish PUD), Dale Morin (UPS), Scott Inloes (Wafer Tech), Pete Hildebrandt (Public)

Facilitator: Bonnie Snedeker

Getting Started

The meeting was convened shortly after 9:00 AM. Dave Warren (Washington Public Utility Districts Association) welcomed the group to the state's first LEEDS Platinum Standard Building. Reintroductions and a brief agenda review followed.

Western Climate Initiative (WCI) Update (9:20)

Sarah Rees (Ecology) provided an overview of the Western Climate Initiative's essential requirements for mandatory reporting, (based on WCI drafts released 9-03-08.) (See: http://www.ecy.wa.gov/programs/air/pdfs/ghgwci_mtg.pdf for the PowerPoint presentation.) WCI is the most expansive cap and trade program designed to date and will cover nearly 90 percent of the GHG emissions for this region (Western U.S. and selected Canadian provinces) by 2015. Sarah emphasized the need for basic reporting requirements, points of regulation and quantification methods to be consistent with WCI design, though specifics of implementation will be determined by individual states and provinces.

Questions & Answers:

Q: *Will the State of Washington need to amend 2815 in order to be consistent with WCI?*

A: Probably not – at least no fatal flaws have been identified to date.

Q: *Who from our state and others participates on WCI?*

A: Staff from Ecology and CTED, as well as other state and local air quality agencies.

Q: *Where do fugitive emissions fall within WCI?*

A: They will be included, along with some quantification methods – though implementation specifics will be left up to the state.

Q: *What's happening with federal rule making from EPA?*

A: Not sure about this – possibly early December. There may be a draft out for review in other federal departments, but it's not clear whether this will be an actual "rule" or more like a list of options.

Concerns:

- Verification at the level needed for voluntary reporting systems (ala the California prototype) may not be appropriate or match the level of rigor needed for financial reporting associated with mandatory systems.
- Will natural gas distributors and power plants be subject to double-counting under evolving requirements?

Follow-up on Fleet Calculations

(9:45)

Neil Caudill followed up on requests from the last meeting by presenting his calculations of emissions using actual data on Department of Ecology fleets. (See: http://www.ecy.wa.gov/programs/air/pdfs/ghgfleet_calculations.pdf for the PowerPoint presentation.) This example uses fuel consumption data by fuel type to calculate carbon dioxide emissions; mileage data with default emission factors (by control technology) to calculate methane and nitrous oxide; and the screening method from The Climate Registry (TCR) General Reporting Protocol (<http://www.theclimateregistry.org/downloads/GRP.pdf>) to calculate hydro fluorocarbons. It took Neil a total of 10 hours to get, organize, compute, check and format his calculations.

Questions & Comments:

Q: *The Ecology example and data base may not reflect other fleet examples.*

A: That's true. It's just one example from an actual fleet.

Q: *I notice you use mileage. But our vehicles do a lot of idling. What about idling?*

A: Some idling may be factored into mileage estimates. The desired data are fuel use and mileage – or mileage estimates.

Q: *Why do we need mileage as well as fuel use?*

A: Fuel consumption data is used to calculate carbon dioxide emissions; while mileage data is used to compute methane and nitrous oxide emissions.

Q: *This seems too complex. Considering the low emission numbers and percentages for methane and nitrous oxide, couldn't we consider some kind of simplified calculation method?*

A: Yes. We'll be looking at this later today when we take up the subject of de minimis and simplified estimation methods.

Q: *On (HFCs), if there is a leasing agent, shouldn't they be responsible for reporting HFC leakage estimates?*

A: No. We are looking to eliminate duplicative reporting and to assign responsibility to whoever has *operational* control. Most HFC emissions come from use over time. There is an easy calculation method, and the equation is based on time/percent of the year over which vehicle is leased or owned.

Q: *In that case, we should only have to report on our actual period of usage then – excluding the purchase, sales and when the lease is turned back.*

A: That makes sense as long as the HVAC system is pre-charged when obtained and remains in service after it leaves your fleet.

- Q:** *Does biodiesel (fuel) fall into a separate reporting category according to the legislation?*
- A:** Yes, but only for carbon dioxide emission calculations.
- C:** *Converting biodiesel to biomass can be tricky. We may want to use a more detailed calculation for this.*
- Q:** *Do the default methods and numbers provide enough accuracy to drive policies and practices to reduce emissions. Are they accurate enough for a mandatory reporting and verification system?*
- A:** Maybe not over the long term. But our immediate purpose is to get a handle on current emissions and their sources.
- Q:** *We use less air conditioning in our vehicles in the Northwest. Is this factored in somehow in the HFC calculations?*
- A:** Not currently. We haven't yet looked into this. So far we've not seen region-specific factors. All the data we've looked at is at the national level or higher.
- Q:** *In your view, does the data gathering and calculation process lend itself to standardization over time?*
- A:** Yes. In subsequent years this should get even more streamlined and quicker.
- Q:** *The (relatively short) time it took you to calculate Ecology fleet emissions is impressive. But this process can get a lot more complicated – especially in larger statewide or regional fleets where record-keeping and data functions are decentralized. Also, this covers only the mobile part of required reporting. Many entities have a long way to go to be able to calculate and report these emissions.*
- A:** We appreciate the difficulty. If you have specific examples, circumstances or recommendations you'd like to have considered in the drafting of the reporting rule, please get them to us in writing.

Indirect Emissions

(11:00)

Gail Sandlin (Ecology) gave an overview presentation on indirect emissions associated with electricity use. The presentation on indirect emissions from steam, heat and cogeneration was deferred to the next meeting, as Alan Newman was unable to attend this meeting. (See: http://www.ecy.wa.gov/programs/air/pdfs/ghgmissions_electricity.pdf for the electricity PowerPoint presentation.) The presentation showed how indirect emissions could be calculated by different methods, including use of (1) Northwest Power Pool eGrid emission rates; (2) NWPP default fuel mix data; and (3) utility-specific verified fuel mix data. The results varied considerably across the methods.

Questions & Comments:

- Q:** *When our utilities are part of the rent, or covered under our lease, do we still need to report on that?*
- A:** Yes, the operator will still need to calculate indirect emissions.
- Q:** *The power plant that generates the electricity is a direct reporter and the end user is an indirect reporter...and then there's the utility that distributes the power. Do they report? How do you avoid double or triple reporting on the same power?*
- A:** We are bound here by the legislation which requires threshold reporters to report on both direct and indirect emissions. Indirect emissions by definition are double-counted/reported, but this is different from double-regulation. They won't be covered by cap and trade.
- Q:** *Can we get credit for buying "green" power?*
- A:** Yes, but only if you use a method that is not based on default calculations but takes into account the actual mix of electricity.
- C:** *For companies who are trying to get "green", it can be difficult to get accurate information from utilities. Tracing electrons to their source can be hard.*
- C:** *We need more direction from Ecology: What are trying to get here? What does Ecology envision doing with mandatory reporting of indirect emissions?*
- A:** Right now we are just trying to find out what the indirect emissions from threshold reporters are. Where are they being used?
- C:** *Well, you can't really get this if we are using very different (and sometimes widely inaccurate) methods. Reporters are going to choose the easiest method (eGrid) unless there is a reason and some support for getting more accurate.*
- C:** *EGrid and NWPP fuel mix are way too coal-based to give us accurate emission estimates for Washington electricity users. They won't work here.*
- A:** Okay, but that means we will need to come up with utility-specific data. There is no doubt that utility-specific reporting is best – but you need emission factors by fuel mix verified to the CCAR standard. CTED may have information that would make it possible to do this.
- Q:** *What about mitigating indirect emissions? Won't we need to get more rigorous and more accurate in the future?*
- C:** In 2012 when the market for cap and trade starts, customers will have an interest in reducing their energy use and indirect emissions.
- Q:** *Should end users get credit for reductions in energy use? Or should the utilities? Who will get credits for offsets?*

Suggestions:

- *We need accurate, consistent reporting of indirect emissions for our mandatory reporting, and we also need to minimize the reporting burden.*
- *We need to get clearer direction from Ecology on how they intend to use indirect emissions reporting when cap and trade starts.*
- *Ecology should sit down with CTED and calculate and list emission factors for all utilities within the state.*
- *Customers who have to disclose indirect emissions should get accurate numbers from their utilities. Put the burden of accuracy on the utilities.*
- *Could reporters just list the kilowatt hours of electricity used and who they were purchased from – and then Ecology could compute the emissions? Could we do the same for natural gas usage?*

De Minimis & Simplified Estimation Methods (1:00)

Neil Caudill gave a presentation on de minimis and how it has been defined and used in other GHG reporting protocols. He pointed out that WCI and other protocols are moving away from de minimis that excludes emissions from reporting and focusing instead on simplified estimation methods, which reduce the reporting burden for small sources while allowing a more complete emission footprint. He suggested that Ecology may ask the legislature to update Washington's de minimis to be more consistent with WCI and other protocols, and he showed how simplified estimation could work with the example of Ecology fleet emissions. (See: <http://www.ecy.wa.gov/programs/air/pdfs/ghgdeminimis.pdf> for the PowerPoint presentation.)

Questions & Comments:

- Q:** *Why do we need to be consistent with WCI on de minimis exclusions over the threshold?*
- A:** There may be both fairness and accuracy issues here. We are looking at this now. Also, there is the situation that you would need to calculate these amounts anyway (even if they were to be excluded) to determine whether they fall within the allowable percentage exclusion.
- Q:** *If a new law or rule requires a change in your operational process that results in a small percentage increase in your emissions, can you apply de minimis and just ignore the change?*
- A:** Good question. I don't know but it is not likely.
- Q:** *Why can't we just exclude certain uses – like pop machines or refrigerators or lawn mowers? We could just create a list of excluded units that don't matter. After all most of these uses aren't getting reported because the entities that use them are nearly all under the reporting threshold.*

A: That could mean a really complicated rule. If you have specific recommendations you'd like to have considered in the drafting of the reporting rule, please get them to us in writing.

R: *It might increase the complexity of writing the rule, but it could significantly reduce the complexity of reporting!*

Q: *How does this relate to “materiality”? Could materiality be used in addition to de minimis?*

A: Materiality is the flexibility allowed in verification for error due to method uncertainty and will be covered in the next presentation. It is different from de minimis and is not intended to be used to exclude or simplify emission calculations.

Q: *Might there be instances when it is appropriate to use “simplified” estimation methods – beyond the 3-5% limit we’ve talk about?*

A: Yes, if it makes sense in certain areas, the “simplified” method could become the standard or preferred method for estimating – fleet HFC emissions are one example.

Q: *Why use a simplified method for HFCs?*

A: They are a small percentage of carbon dioxide equivalent and would be difficult for most reporters to determine or estimate in a more specific or accurate way.

Q: *How important is it really for us to move in the same direction as WCI? Most of the new reporters in Washington State are not even reporting under WCI.*

A: I'm not sure that's true – especially if we end up using a *facility* as our reporting base. We do need to keep in mind what WCI is doing.

Suggestions:

- *Why would we have to document exclusionary de minimis? For example, we occasionally rent generators on a temporary basis. Documenting and verifying emissions for this kind of minor use defeats the purpose. We end up using all our time on small “nightmare” uses – rather than getting more accurate on 95% of our emissions.*
- *We have a long history of using exclusionary de minimis in this state for air quality reporting. It's useful and user-friendly for insignificant emissions. It saves time and money and doesn't result in large tonnages of emission escaping regulation. That is what the legislature had in mind with GHG reporting under 2815—not simplified estimation.*
- *A small amount of uncertainty is just the price you pay to keep this program from becoming too onerous. Regardless of where WCI goes, judicious use of de minimis exclusions makes sense.*
- *We should ask ourselves, what are the real consequences of under-reporting through TCR? None, really, compared to the real results associated with a*

mandatory, verifiable reporting system in Washington that will be used as a policy and decision-making base and have real financial impacts.

- *It has taken decades to evolve mandatory reporting systems for air quality. We can't do it all overnight with GHG. Couldn't we use de minimis to help us get there? In the past, we have "left out" minor pollution factors and brought them on line later. That's the approach we should follow here.*
- *Let's look for a palatable, acceptable starting place – without too many detailed requirements for getting out of the gate. It's not yet clear where EPA/WCI will end up. Things could change a lot over the next few years.*
- *I really like the simplified estimation method you showed for fleets. And I think there are ways it could be even more simplified and streamlined.*

Verification

(3:00)

Nancy Pritchett gave a presentation on verification for mandatory reporting of GHG emissions. The goal of verification under Washington's reporting rule is to ensure a comprehensive inventory that will support GHG emission reductions established in RCW 70.235 and a market based system, such as cap and trade. Nancy reported that third party verification is becoming widely accepted as a "best practice" by WCI and other protocols. Options for "limited" or less intensive verification were presented as a way to reduce verification costs for reporters under a certain threshold (such as WCI's proposed 25k ton cap and trade threshold). A materiality threshold, such as the 5% used by TCR, CCAR and CARB, was presented for discussion.

(See: <http://www.ecy.wa.gov/programs/air/pdfs/ghgverification.pdf> for the PowerPoint presentation.

Questions & Comments:

Q: *Who might be accredited to be a third party verifier?*

A: Consulting firms, engineers, possibly air quality agencies.

Q: *Can reporters do self-certification with our own certified people?*

A: Not under ISO guidelines. This would generally not pass the test of objectivity or impartiality.

Q: *What about entities beneath the cap and trade threshold (10,000 – 25,000)?*

A: They may have less stringent verification requirements. Oregon uses self-verification for reporters not meeting cap and trade threshold.

Q: *Will most local governments be excluded (not meet the threshold) for cap and trade?*

A: Yes, except for those with their own utilities.

Q: *Don't we need to be concerned about overall accuracy – the total emissions inventory?*

- A: Yes, quality data is critical. Over/under allocation issues are something to look out for.
- C: *Third party verification/audits can be expensive – especially for de-centralized systems that present a greater burden for auditing.*
- C: *There’s a big issue with qualifications for third party verifiers. I’m afraid that most will use more financial type auditors – rather than technically qualified people for emission reporting verification. Will they be industry savvy? History says they’ll be better at auditing a specific process – rather than at reviewing the completeness of the total reporting picture. Verification should include whole system/organizational boundaries and industry-specific knowledge and expertise. Local air districts may or may not have a good grasp on industries under their purview.*

Suggestions:

- *Forgo third-party verification – it’s onerous for smaller entities and of doubtful quality – at least initially. Don’t impose this burden on business in bad times.*
- *How about phasing this in – so there is no verification the first year?*
- *Can we come up with a draft “data trail” – so participating entities can implement record-keeping systems well in advance of verification audits?*
- *Let’s develop a Washington State verification/certification program so we can have locally trained verifiers and won’t need to import people from California.*

Next Meeting:

The next meeting will be held on Thursday, November 13 at the Ecology Northwest Regional Office in Bellevue. This meeting will focus on: Indirect Emissions (completing the presentation and discussion); follow up on organizational boundaries; and initial discussion and input on Phasing and Fees.

Meeting Conclusion

(3:50)