

**Greenhouse Gas Reporting Rule Advisory Committee**  
**Meeting Notes for January 8, 2009**  
*(Fifth Meeting)*

**Location:** SeaTac Airport, Beijing Room

**Time:** 9:00 AM – 3:20 PM

***Meeting Objectives:***

- Review and comment on draft rule language for various topics, including: Definitions, Reporting Schedule, and Verification.
- Gain information and understanding of The Climate Registry reporting data base.
- Agree on next steps and focus for Meeting 6.

***Advisory Committee Members Present:***

Sheri Sawyer (Association of WA Cities), Dave Moore & Tetyana Lysak (Boeing), Rebecca K. Cate (Climate Solutions), Janet Benish (Costco Wholesale), Kelly Green (Enterprise Rental Car), Russ Simonson (Port of Seattle); Dale Morin (United Parcel Service), Matt Kuharic (Washington Association of Counties), Greg Hansen (WA Department of Transportation), Ken Johnson (Weyerhaeuser), Conan O’Sullivan (WA Refuse & Recycling Association), Matt Cohen (WSPA, ALCOA, Nucor Steel).

***Staff Members Present:***

Ecology Staff: Nancy Pritchett, Sarah Rees, Alan Newman, Neil Caudill, Gail Sandlin, Kathy Sundberg, and Kasia Patora.

Attorney General’s Office: Kay Shirley, Assistant Attorney General.

***Observers Present:***

Shawn Pownall (City of Bellevue), Randy Gregg (Benton PUD), Suzanne Grassell (Chelan PUD), Tim Newcomb (Envirometrics), Allen Fiksdal (EFSEC), David Newsad (Hoefler Consulting Group), Linda VerNooy (Independent); Dave Weber (Independent), Judy Snyder (LRI), Nicolas Garcia (Tacoma Power), Maren Seibold (Trinity Consultants), Keith Faretra (PSE), Tom Payant (Snohomish PUD), Frank Holmes (Western States Petroleum Association), Anthony Chavez (Weyerhaeuser)

***Facilitator:*** Bonnie Snedeker

### **Morning Session:**

The meeting convened at 9:04 with an agenda overview, round of reintroductions and a plea to all to sign in legibly on the appropriate meeting sign-in sheet.

During the morning session, Nancy Pritchett provided an overview and addressed questions and issues from Advisory Committee members and observers on draft rule language for the following topics: *Purpose, Definitions, Reporting Schedule, Verification, and Compatibility* (only partially covered.) See draft rule document by going to

[http://www.ecy.wa.gov/programs/air/globalwarm\\_RegHaze/Stakeholder\\_Meetings.htm](http://www.ecy.wa.gov/programs/air/globalwarm_RegHaze/Stakeholder_Meetings.htm) and clicking on “Draft Rule Language” under Meeting #5.

Due to time constraints, discussion of draft rule language on *Quantification Methods* was postponed to a later meeting (most probably the next meeting in February). Meanwhile the Department requested that people send in email questions and comments on the “quantification” draft language and the other sections and agreed to email draft language on “applicability”.

Discussion questions and comments from the morning sessions are noted below by topic.

### **Definitions**

**C:** *Please provide a definition for “bio-fuels”.*

**Q:** *What is the purpose for the “facility” definition? It is not the way facility has been defined in the past.*

**A:** We wanted to include mobile sources – to conform to both the WCI definition and the reporting requirements of the statute. (a) Includes on-site mobile sources and (b) includes other mobile sources such as rail, trucks or marine vessels.

**C:** *The word “facility” has been defined differently for Clean Air usage; it’s confusing when you redefine it to include mobile sources.*

**Q:** *Does “facility” include multiple buildings/uses as a single facility?*

**A:** Yes, it can in many situations – like a university campus or a multi-unit industrial process. The key here is in the common operational control and common industrial classifications – as defined in the rule.

**Q:** *Why is “carbon dioxide equivalent” defined differently from how other protocols have done it?*

**A:** We are using the definition that was adopted in HB 2815. We need to use the definitions that were adopted by statute.

**C:** *There should be a separate definition for “fugitive emissions”.*

**R:** Okay, We could do that.

- C:** *For “material misstatement”: I’m leery about fixing this definition before we have a clear idea of how we’re going to use it. I don’t think we should lock this in until we have greater clarity and consistency in our calculation and reporting methodologies.*
- Q:** *The greater than 5% discrepancy it mentions, that would be a discrepancy between the reported number and what?*
- A:** Between the reporter and the verifier.
- Q:** *Does the verifier have to use the same protocol as you (the reporter) did?*
- A:** Yes, if you used a method that was deemed appropriate. The discrepancy could be based on your calculation result *or* on the use of an inappropriate method.
- Q:** *For the “verification cycle” definition: could the word “streamlined” be substituted for “less intensive”?*
- A:** Yes, that might make for better internal consistency in our use of language.
- Q:** *When the rule uses words that have been specifically defined in the rule could those words please be capitalized?*
- A:** Capitalizing defined terms is done in contracts, but not in rules.

## **Emissions Reporting Schedule**

- C:** *The proposed April reporting deadline is really too tight! May – or even June – would be much better.*
- C:** *Yes, there is a big issue about how timely the power companies may be in providing data to us.*
- Q:** *Yes, what if we don’t have data on time – through no fault of our own – is there any “out” or allowance for this situation?*
- A:** No, at least not presently. We are trying to be consistent with WCI on this.
- Q:** *Can we estimate if data are not available at the time – and then go back later and correct the report, after the deadline?*
- A:** This is something that may be getting worked out now – by sector – within the WCI protocol.
- Q:** *Aren’t we really being asked to report twice – once with “raw” data in April or May and again with the verified report by October 31?*
- A:** Not really, the idea is to get your information from you in a timely way – and then allow enough time for verification
- Q:** *That seems pretty arbitrary and adversarial. We all want to get this right. We’d like to use the verification process to help us do that... rather than struggling to get something in early that may then be “proved” faulty. What is the public policy rationale for two reporting events?*
- A:** Our concern is that we have objective or neutral third party verification. It’s the operating entity that “owns” the reporting data. We don’t view this as collaboration between the reporter and verifier.

- C:** *We disagree. Look at the “auditor” model. The verifier can have standards – just like the auditor. But they also work with and for the entity*
- A:** We want independent verification – at least when third party verification is required. We wouldn’t want to see this work like a “consultant” model.
- C:** *Getting back to the reporting schedule: Our statute in Washington allows more time for the reporting cycle. This should trump any timelines set by WCI. Summer reporting deadlines would be much better than April!*

## **Verification:**

**General Comment:** *As stakeholders, we see that the Ecology Department – trying to be consistent with WCI – has added third party verification – which is not required in the legislation. We hope the Department is aware that it must prove that the extra costs associated with third party verification must meet the “costs/benefits” test. You’re going to have to demonstrate that it will be worth it.*

**Department Response:** Third party verification is a common practice and we are not asking for it across the board. But, yes, we will need to do a cost-benefit analysis to demonstrate the benefits.

- Q:** *Does the 25,000 metric ton threshold (for mandated yearly third party verification) include both direct and indirect emissions?*
- A:** Yes. This is compatible with WCI.
- C:** *Aligning with WCI is important. But remember, we are going to have reporters in Washington who are new to all this and who are not included in WCI. Please keep in mind the difference between upstream and downstream sources.*
- Q:** *Is the 25,000 tons applied at the facility or at the entity level?*
- A:** For now, at the facility level.
- Q:** *WCI treats biomass emissions as “carbon neutral”. Why are we exerting effort to measure these emissions if they won’t be included in cap and trade?*
- A:** Because we will still want a complete report of GHG emissions. This will require a separate report.
- Q:** *Okay, but why include these emissions in third party verification?*
- A:** Because we will still want to verify accuracy in reporting for total emissions.
- C:** *Some of us feel strongly that we should not have third party verification in the rule at this point. There is no statutory mandate for it. It carries enormous financial impact. And I don’t believe it will give us better – or more accurate numbers for overall GHG emissions – at least not in the near future. It is really premature until we have cap and trade.*
- R:** We are trying to ensure that we are all ready and have a good system in place for cap and trade. We *are* proposing self-certification for those with emissions less than 25,000 but above 10,000 metric tons.

- C:** *My concern goes in the opposite direction. Isn't there an incentive built in this approach for people to underestimate their emissions in order to avoid third party verification. (Climate Solutions believes that third party verification should be applied across the board for a full, accurate count.)*
- C:** *I can see the point of third party verification if you have 25,000 tons in direct emissions and come under cap and trade – but not if you meet this threshold only with the inclusion of both indirect and direct emissions.*
- C:** *I'm concerned that we may need some leniency for 2010 reporting for people who are not familiar with this kind of reporting and have not been covered by air quality program in the pasts.*
- C:** *Let's not spend a lot of time word-smithing this section until we have new applicability language for phasing in... and a better idea of who has to report when.*
- Q:** *Verification section 3(b)ii says that more than 5% change in annual emissions triggers full verification. But this could be a perpetual situation for some entities, like utilities, who are subject to lots of year-to-year changes. Why have this requirement when such changes are a fact of business and there is no question of error?*
- A:** We will take a closer look at this.
- Q:** *When it comes to certifying vendors, we can cite TCR requirements at a given point in time but what if this changes?*
- Q:** *Can't we have own Washington list of approved verifying bodies?*
- A:** The American National Standards Institute offers training (like ISO) and TCR accredits verifiers.
- Q:** *Are any from Washington State? Can we have our own list?*
- A:** Ecology will think about this and propose how an accreditation list might be handled.
- C:** *It would be useful to have an accredited verifier come in and talk to us.*
- C:** *I have a problem with requiring "full verification" for partial years of operation/emissions.*
- C:** *It seems like the proposed language will overly restrict the use of "streamlined verification".*
- Q:** *What is the difference between streamlined and full verification?*
- A:** Streamlined verification is essentially the same process but on a partial scale. You would look just at what was at highest risk for inaccuracy. This provision comes from TCR.
- C:** *Both "risk assessment" and streamlined verification are too nebulously defined in the rule.*

- R:** There are criteria for defining risk assessment in the verification training and guidelines (e.g. ISO). Department will go back and look at adding clarifying detail.
- Q:** *I'm wondering about the costs of verification. What can you tell us about estimating verification costs?*
- A:** That's hard to say. It would depend upon the type of facility/process and the record-keeping. The highest cost TCR has seen has been about \$40K.
- C:** *That would be direct cost, right? But direct verifier costs may be less than half of a company's internal cost of dealing with verifiers and supporting their work.*
- C:** *Besides, there would seem to be an incentive for verifiers to expand their scope and areas of "professional judgment".*
- R:** The Department is proposing a three-year verification cycle for Washington; TCR recommends a 5 year cycle.
- Q:** *What happens if you disagree with your verifier?*
- A:** There is a dispute resolution process. We need to address that in the rule.
- C:** *Once again, I'd like to strongly suggest that we work through the kinks and await WCI cap and trade before requiring third party verification in Washington.*
- A:** The Department thinks that verification is an important part of working toward an accurate system even before – and beyond – cap and trade.
- Q:** *Are we adopting the entire TCR protocol?*
- A:** For the most part – with some exceptions. We are citing specific requirements or provisions that apply to Washington emitters.
- Q:** *What is "conflict of interest" exactly? Who determines this?*
- A:** This is spelled out in the TCR protocol.
- C:** *Some of us disagree with defining conflict of interest to include any overall consulting relationship. The issue is GHG reporting, right?*
- R:** The guide here is to reduce incentives for verifiers to over/under report and to promote objectivity and accuracy.
- C:** *But we're concerned about restrictions that would reduce the already small pool of potential verifiers for our business. And we're also uncomfortable with Ecology making judgments about conflict of interest. We want to be able to "favor" outfits that actually know our business. At minimum there needs to be some objective criteria we can agree on for Ecology to use in making such judgments.*
- R:** We'll take these comments back and look at this. We do envision some criteria and not just arbitrary judgment.

**Q:** *Will there be enough verifiers out there to handle the need in Washington? How many Washington-based verifiers are there currently?*

**A:** We don't know, but we have a year to figure it out.

**Q:** *Will there be any process in place to review or audit "self-certified" reports?*

**A:** There will likely be some process. But it will not be outlined in the rule.

### **Afternoon Session:**

Following the lunch break, Tymon Lodder from The Climate Registry presented an overview and answered questions about the TCR reporting data base. (See powerpoint presentation by going to

[http://www.ecy.wa.gov/programs/air/globalwarm\\_RegHaze/Stakeholder\\_Meetings.htm](http://www.ecy.wa.gov/programs/air/globalwarm_RegHaze/Stakeholder_Meetings.htm)

and clicking on "TCR Presentation" link under Meeting #5). Questions and comments from the afternoon session are noted below.

**Q:** *You've said that TCR's work and protocol have "strongly informed" the federal process. Could you give us some idea of how that has worked?*

**A:** EPA has been at the table providing input and has stated intentions to use the work.

**Q:** *Can factors be adjusted to reflect differences in process and equipment?*

**A:** Yes, this has been done for voluntary users. They must specify why. The State can choose to use TCR-developed industry factors or make its own special adjustments.

**Q:** *What happens when an enterprise has different technology or equipment (like boilers) with different emission profiles?*

**A:** There are various methodologies. You can sample, lump them together and average. You can aggregate across facilities. But you do need to use an appropriate method for doing this.

**C:** *We've already cited problems using the E Grid data when we're paying for cleaner energy.*

**C:** *My observation is that it seems like lots of work for larger companies to enter information and populate data base for their reporting.*

**R:** Yes, but that's where the "bulk upload" feature will help. (This is process that TCR is defining to help automate and upload data vs manual entry of that data)

**Q:** *How simple can TCR make it to estimate and report on refrigerants leaked at a small rate from various sources? Or do we need to pursue this issue under de minimis?*

- A:** The Climate Registry is currently investigating potential emissions factors and simplified methodologies to address smaller units if mass balance data is not available.
- C:** *The “screen” method for refrigerants is still too onerous. The problem is that there are not processes in place for tracking refrigerant losses from many various sources that are in service for varying lengths of time.*
- R:** If you need a more simplified “simplified” methodology, Washington State can work with us (TCR) to develop an appropriate customized method. This may be important because HFC emissions can be significant (above 5% for fleets).
- C:** *The issue here is with smaller sources in facilities for which reporting hasn’t been done before.* If we can’t come up with something that works for that, Industry will request exemptions.

**TCR:** Our goal is a TCR system that can serve both WCI and State-mandated requirements with one submittal.

**Q:** *If states can customize and do their own calculation methodologies, how can you make comparisons across states?*

**A:** This could be an issue if the states are not well coordinated. In the voluntary reporting system, we encourage the highest possible level calculation and reporting methodologies.

### **Next Meeting:**

It was agreed that the Department would poll advisory committee members about changing the meeting date for February and adding an additional April meeting. The next meeting agenda will include Quantification Methods and Applicability (among other topics). Draft language will be distributed in advance, and comments are welcome.

***Meeting Adjournment:***

***3:20***