Defining the Boundaries for Reporting GHG Emissions:

– Overview of reporting thresholds
– Geographic boundaries
– Organizational boundaries
Reporting Thresholds

I. Fleets of on-road motor vehicles
   - 2,500 metric tons of GHGs per year

II. Source or combination of sources
    - 10,000 metric tons of GHGs per year
Reporting thresholds

“Source” means (From HB 2815):

- any stationary source per RCW 70.94.030 or
- Mobile source used for transporting people or cargo

RCW 70.94.030:

“Stationary source” means any building, structure, facility, or installation that emits or may emit any air contaminant.
Triggering the Emissions Threshold

- Based on direct emissions
  - stationary combustion sources
  - mobile combustion sources
  - process emissions and
  - fugitive emissions

- Entity wide direct emissions
  - Include cumulative direct emissions from all sources and/or fleets within the organizational boundary
After Reporting Threshold is Triggered:

- Must report “total annual emissions”

- Total emissions means:
  - Direct emissions and
  - Indirect emissions:
    - Purchase of electricity, heating, cooling or steam
Geographic Boundaries

- **Direct Emissions**
  - Only report emissions generated within Washington state

- **Indirect Emissions**
  - May include power purchased from sources outside of Washington for use within Washington
Organizational Boundaries for Mandatory Reporting Rule

- **Organizational Boundary**
  - The operations, facilities and sources that you own or operate

- **Mandatory reporting rule must establish clear organizational boundaries**
  - **Goal**: Comprehensive and reliable data collection for GHG emissions in Washington
The Climate Registry (TCR) General Reporting Protocols (GRPs)

- Ecology anticipates following TCR GRPs to the extent possible

- TCR is a voluntary reporting system

http://www.theclimateregistry.org/downloads/GRP.pdf
TCR Voluntary Reporting Program vs a Mandatory Reporting Program

- TCR protocols for organizational boundaries too broad for mandatory reporting

- Issue:
  - Can we modify or borrow from TCR’s protocols to define organizational boundaries for mandatory reporting?
The Climate Registry (TCR) General Reporting Protocols

- TCR follows the WRI/WBSCD* GHG Protocol to define boundaries of the reporting entity.

- TCR GRP
  - Chapter 4 – Organizational Boundaries

*World Resources Institute / World Business Council for Sustainable Development
Two Approaches to Determining Organizational Boundaries under TCR

- **Equity Share Approach**
  - Report all wholly owned emissions sources
  - Report all partially owned emissions sources based on your entity’s equity share

- **Control Approach**
  - Report 100 percent of emissions from sources under your control
  - Include both wholly owned and partially owned sources
**Equity Share Approach under TCR**

Source of Table: TCR General Reporting Protocol, Chapter 4

**Table 4.1 Accounting for Equity Share Emissions**

<table>
<thead>
<tr>
<th>Percent of Ownership</th>
<th>Percent of Emissions Attributed to Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly-owned</td>
<td>100%</td>
</tr>
<tr>
<td>90% owned, with control</td>
<td>90%</td>
</tr>
<tr>
<td>90% owned, without control</td>
<td>90%</td>
</tr>
<tr>
<td>10% owned, with control</td>
<td>10%</td>
</tr>
<tr>
<td>10% owned, without control</td>
<td>10%</td>
</tr>
<tr>
<td>Fixed asset investments</td>
<td>0%</td>
</tr>
</tbody>
</table>
Control Approach under TCR – Two Types

- Operational Control – Authority to introduce and implement operating policies

- Financial Control – Ability to direct financial and operating policies

- Typically, if you have financial control, you also have operational control
  - Exceptions include complex joint ventures (e.g. oil and gas industry)
Operational Control under TCR

• One or more of the following conditions will establish operational control:
  
  – Wholly owning an operation, facility or source
  
  – Full authority to introduce and implement operational policies

  ● Holding an operating license usually gives you this authority
Financial Control under TCR

- One or more of the following conditions will establish financial control:
  
  - Wholly owning an operation, facility or source
  
  - Consolidating the financial accounts into your organization’s financial statements
  
  - Governing the financial policies of a joint venture
  
  - Retaining the rights to majority of economic benefits and/or financial risks of the operation or facility
# Financial vs Operational Control under TCR

Source of Table: TCR General Reporting Protocols, Chapter 4

## Table 4.2 Reporting Based on Financial Versus Operational Control

<table>
<thead>
<tr>
<th>Level of Control of Facility</th>
<th>Percent of Emissions to Report Under Financial Control</th>
<th>Percent of Emissions to Report Under Operational Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly owned</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Partially owned with financial and operational control</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Partially owned with financial control; no operational control</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Partially owned with operational control; no financial control</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Joint financial control with operational control</td>
<td>Based on equity share</td>
<td>100%</td>
</tr>
<tr>
<td>Joint financial control; no operational control</td>
<td>Based on equity share</td>
<td>0%</td>
</tr>
<tr>
<td>Subsidiary with operational control</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Subsidiary; no operational control</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>Associated entity (not consolidated in financial accounts) with operational control</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Associated entity (not consolidated in financial accounts); no operational control</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Fixed asset investments</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Not owned but have a capital or financial lease</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Not owned but have an operating lease</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Leased Facilities and Vehicles under TCR

- **Finance or Capital Lease**
  - Lessee operates the asset
  - Lessee has all risks and rewards of ownership
  - Are considered wholly owned assets on balance sheet
  - Report emissions as if you wholly own the asset under the equity share, financial, or operational control approach.
Leased Facilities and Vehicles under TCR

- Operating Lease
  - Lessee operates the asset (e.g. rented office space, leased vehicle)
  - Lessee does not have risks and rewards of ownership
  - Report emissions only if you use the operational control approach
TCR Reporting Options

TCR requires reporters to use one of these reporting options:

- **Option 1**: Report using *both* the equity share approach and a control approach, or

- **Option 2**: Report using *either* the operational or financial control approach
Option 1: Equity Share with Control Approach

- If choose Equity Share Approach –
  - Must also report control-based emissions
    - No additional emissions data needs to be collected
  - Determine if you have control over each of the facilities or operations, using either the operational or financial control approach.
Option 2: Operational or Financial Control Approach

- Choose either the Operational Control or Financial Control Approach
- Consistently apply the approach you choose
- Joint venture/partnership – Report 100% of emissions if you have control
- Typically, if you have financial control, you have operational control
Climate Change
global warming

Questions/Conclusions