



Members-Only Climate Change Policy Conference Call: ARB's Mandatory GHG Reporting Rule

***April 19, 2007
10:00-11:00am***

Summary

Speaker:

Doug Thompson, Manager, Climate Change Reporting Section, California Air Resources Board (ARB)

Mr. Thompson gave an overview of the requirements in AB 32 as well as an overview of how ARB envisions implementing the bill. Sectors that may be subject to mandatory reporting in the first year include electric power generators and utilities; oil refineries; cement manufacturers; and industrial and commercial combustion exceeding a specified threshold. Oil and gas production, transmission and distribution and landfills will likely be added in the next year, and other sectors will be considered later.

ARB is currently reviewing the Registry's protocols to determine how they will be adapted for mandatory reporting. Mr. Thompson noted that the Registry's protocols are well vetted but they would still need to go through the ARB process which will closely review the technical aspects of the protocols. Currently the Registry and ARB are working together to improve the Electric Power Generation & Electric Utility protocol to adapt it for mandatory reporting. ARB is also working with the Registry to develop an oil refining sector-specific protocol which the Registry intends to complete in the same time frame as ARB regulatory language in 2007.

One main difference between voluntary and mandatory reporting programs will most likely be in the level of reporting. Mandatory reporting will address facility level reporting while the Registry will continue to have reporting at the entity level. ARB may also use a threshold fuel consumption amount and/or emissions level to determine what sectors and sources should be included in mandatory reporting.

The Registry's accounting rules give members two choices for determining ownership: management control or equity share. Mandatory reporting will only include management control as established by operational or financial control criteria. Mr. Thompson indicated that ARB is working on expanding the definition of a facility to provide consistent guidance in situations of e.g., co-ownership of a co-generation plant. In this type of situation, it most likely would be the entity with operational control that would report those plant's emissions.

Mandatory reporting will only include facilities within California and imported power. Each reporter will need to report both direct and indirect emissions. It is anticipated that direct emissions will include stationary combustion, process emissions and fugitive emissions. Mobile emissions may be excluded unless found to be significant at the facility level, although ARB will give further consideration to adding mobile fleets to the regulation at a later stage. Scope 3 emissions, i.e. employee travel, waste disposal, and product life-cycle are not likely to be included. The transportation sector will also not be subject to mandatory reporting for the time being. Renewable energy producers will likely only be included if they are selling power to the

grid; organizations producing and consuming their own renewable energy will not be included in the mandatory reporting scheme.

Mandatory reporting will function on a calendar year basis. In the first year of mandatory reporting, reporters will be required to report on all of the six Kyoto greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆) for which methodologies are specified in the regulation. Consequently mandatory reporters may be reporting CO₂ plus potentially 5 other gases.

Certification may be conducted using third-party verification, as with the Registry's program, or may be completed through an audit process. ARB has still not decided how this will occur. ARB is also not sure if they will include de minimis in mandatory reporting, however if there is a de minimis threshold, this will likely be less than 5%. Alternatively ARB has explored identifying an absolute level of emissions which may not be exceeded.

In terms of the possibility of reporting offsets, ARB may include reporting of offsets at a future point. The Registry's Forest protocols may function as a starting point for ARB when they start looking at offsets.

Currently ARB is working on finalizing a proposal for mandatory reporting that will be presented to their Board in December 2007. The Board requires that ARB present a draft of their proposal at least 45 days prior to the Board meeting. Once the Board has approved the Office of Administrative Law will review the proposal in 2008. Mandatory reporting will then begin in 2009 (for 2008 emissions). Given the constraints of this timeline, ARB is looking at CARROT as a possible tool for mandatory reporters, with modifications as needed to meet the needs of the reporting regulation.

Mr. Thompson closed the call by notifying Registry members of an upcoming ARB Workshop on Mandatory Reporting scheduled for May 23rd from 9 AM – 3 PM in Sacramento.

Summary of Q&A

If a company has one source that is subject to mandatory reporting, does that trigger a requirement for the entire entity to report?

It is more likely that mandatory reporting will be required of facilities, not necessarily of entities.

The slides indicated that industrial/commercial combustion sources may be subject to mandatory reporting. What sources would this include?

It is anticipated that sources exceeding a certain size threshold – based on either the amount of emissions from that source or based on its annual average fuel consumption – will be subject to mandatory reporting. In addition combustion sources of smaller size may be included through sector-specific reporting, which will begin with cement manufacturers, power plants and refineries.

Presentation indicates that stationary combustion sources will be subject to mandatory reporting. We note that transportation is responsible for more than 40% of California's GHG emissions. Why will mobile sources not be included in mandatory reporting?

Transportation is an important source of GHGs, and ARB will consider inclusion of fleets in its requirements in subsequent years. It is not expected that mobile sources will be included in

facility-level emissions reports for the sources currently under consideration, given their very small amount relative to stationary and process emissions.

Will renewable energy providers be subject to mandatory reporting?

It is likely that all electricity providers selling to the grid will be required to report their emissions and generation, regardless of whether or not they use renewable energy, digester gas or other biogenic fuels. Zero-emitting sources would be included in utility emissions reports but would not be required to report separately. Understanding the contribution of non-emitting electricity generation sources is essential to help the State understand the breadth of sources selling power to the grid.

Can a company opt in and/or report more information/sources than required?

Probably yes. This would need to be transparent so the State is certain to not double-count any information from non-required sources.

Will there be a size threshold triggering eligibility for Phase 2 reporters?

This has not been decided yet.

How can Registry members provide ongoing feedback to ARB?

Registry members can participate in public workshops, technical discussions, and/or consult with ARB staff directly. Registry members are also encouraged to provide written comments when requested.

See climateregistry.org/Events/Past for a copy of the presentation slides and a complete list of participants.