

Climate Change Briefing

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State/Regional Activity

Regional Greenhouse Gas Registry Verification White Paper Summary

The Regional Greenhouse Gas Registry (RGGR) released a white paper on verification recently that was produced by the Environmental Resources Trust (ERT). The document entitled, "Verification System Design for RGGR and RGGI" outlines recommendations on verification issues for RGGR's voluntary, mandatory and Regional Greenhouse Gas Initiative (RGGI) reporting functions.

Recall that the Northeast States and several Mid-Atlantic States are currently developing a Regional Greenhouse Gas Registry (RGGR), a policy and accounting framework capable of quantifying and registering greenhouse gas emissions and project-related offsets. This registry framework will be used to support the following program types: (1) a regional voluntary reporting program, (2) mandatory reporting programs developed by individual States, (3) a mandatory regional cap-and-trade program—the Regional Greenhouse Gas Initiative (RGGI), and (4) a project offset program under RGGI.

The process of assuring the quality of data reported to an emissions registry is generally referred to as a verification.

The goal of the verification system recommended and outlined in this white paper is to provide a high level of data quality assurance to all mandatory, voluntary, and RGGI programs—that will be useful to current and future regulatory efforts—while minimizing both public and private costs.

RGGR and the verification system design in this white paper are unique in that they present the first example of integrating so many different program types together. As a result, there are opportunities and challenges with developing a comprehensive verification system. Both are addressed, in part, through a recommendation for a centralized verification system for all program types that, in addition to assuring data quality and improving efficiency, will better ensure that consistent and harmonized data is entered and maintained in the registry.

The strongest recommendation in the white paper is that the reporting and verification system for all program types should be focused on facility-level data versus corporate-level data. This focus does not preclude the aggregation of facility-level data into corporate totals, but it does avoid a number of complications with the verification of corporate-level reporting (e.g., verifying and tracking organizational boundaries over time) that are likely to increase the costs of

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verification, present problems for the design of registry software, lower the level of data quality assurance achieved, and result in data that is less useful for current and future regulatory efforts.

The white paper contends that the model for verification followed by many existing voluntary reporting programs which operate at the corporate-level has proven to be expensive and has provided a low level of assurance as to the accuracy and transparency of emission reports.

The approach recommended in this paper is based on a compliance risk model where verification activities (i.e., audits) are based on facility-level data and a measure of the risk that a material discrepancy (i.e., a combination of likelihood and magnitude) is above a particular risk threshold for the each program.

In summary, the paper recommends that the verification system for all program types be based on the following process:

1. A centralized accreditation board creates and maintains a pool of accredited 3rd party verifiers for all programs to draw upon;
2. A risk-based rating that determines the rigor of verification activities assigned to each facility report submitted to a program;
3. A verifier is assigned from the pool to each facility;
4. A conflict of interest evaluation committee determines if the selected verifier is appropriate;

5. A verification/certification body reviews the final emissions inventory report and verification statement; and
6. The verification/certification body then certifies and registers the facility-level inventory report.

The white paper contends that cost savings of the verification system design recommended here derive, in large part, from the application of this risk-based approach in combination with facility-level reporting. It allows program administrators to control verification costs without significant sacrifices in terms of data quality. Finally the paper also outlines and recommends a fee-based funding scheme for the verification system that can be tailored by program administrators to balance the allocation of costs between public and private parties.

The white paper can be downloaded at
<http://rggr.us/documents.html>

Lake Michigan Air Directors Consortium to Design Voluntary GHG Registry

The Lake Michigan Air Directors Consortium (LADCO) recently closed a Request for Proposals (RFP) for support to develop a framework for a voluntary regional greenhouse gas registry in the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin.

LADCO identified the first phase of the work to prepare an options paper and the second phase to develop program guidance and other appropriate products,

consistent with direction provided by the states. The fundamental objective of the registry is to provide for the organized reporting and recording of information on a voluntary basis for greenhouse gas emissions.

Issues to be addressed by this project include:

- Registry Location: Options include joining an existing registry; creating a regional voluntary registry at LADCO; or create a new, non-profit organization to operate the registry.
- Emissions: The registry will likely address CO₂ and may address other GHGs and pollutants.
- Target Sources: The source sectors which may be included in the registry will be identified.
- Spatial Coverage: The geographic coverage of emission sources will be defined .
- Protocols: Reliable and verifiable procedures for calculating, reporting, certifying, and tracking emissions will be established.
- Emission Reductions: Opportunities will be identified for early, voluntary actions to reduce GHG emissions.

The work on registry design is expected to start in late October 2005 and continue through the end of August 2006. For more information see <http://ladco.org/>

National Activity

Summary of Environment and Public Works Committee Hearing on Kyoto Protocol Implementation

On October 5, the Senate Environment and Public Works Committee (EPW) held a hearing entitled "Kyoto Protocol: Assessing the Status of Efforts to Reduce Greenhouse Gases". The Committee's objective was to examine the Kyoto Protocol and status of efforts to reduce GHG emissions.

The first panel featured Dr. Harlan Watson, the chief negotiator for climate issues for the United States. The second panel featured Lord Nigel Lawson, who co-authored a House of Lords report that calls for far more scrutiny in climate

decisions in many respects. Also appearing on the second panel was Dr. Margo Thorning, an economist with the American Council for Capital Formation, and Professor Michael Grubb of the Imperial College London.

Chairman Senator James Inhofe (R-Ok) opening statement set the tone for the hearing. "Let me be clear at the outset. I believe the countries that have ratified the Kyoto Protocol are wasting their economic resources because the science does not justify it – anthropogenic climate change is the world's greatest hoax....But they will not meet their targets....I will not mince words – the Kyoto Protocol is a failure. And the basic approach it embodies is a failure."

Dr. Watson largely discussed the Bush Administration's overall climate change policy. Lord Lawson was largely critical of the IPCC and the Kyoto Protocol and was adamant that countries must fully evaluate the costs and benefits of reducing GHG emissions. Dr. Thorning stressed that the EU is not likely to meet its GHG reduction targets, reducing emissions will likely negatively impact GDP and job growth, and establishing a mandatory cap and trade system in the U.S. would impede, not promote, U.S. progress in reducing emissions intensity. Professor Grubb acknowledged that the Kyoto Protocol was not perfect but that if implemented appropriately should prove to provide economic benefits.

Testimony can be found at http://epw.senate.gov/hearing_statements.cfm?id=246815

Summary of EPA Annual Report on Voluntary Programs

On October 5, EPA released its annual report for 2004 of the Energy Star program and EPA's suite of voluntary partnership programs.

The report stresses that these voluntary partnership efforts are helping the U.S. to meet President Bush's goal of an 18 percent reduction in greenhouse gas intensity by 2012 and that the partnerships are key elements of the near-term strategy that address market barriers, accelerate the adoption of proven technologies and

practices, and deliver substantial emissions reductions.

The report indicates that the partnerships prevented 57 million metric tons (in MMTCE) of GHG emissions in 2004. 50 MMTCE per year will be avoided during the next decade due to investments and actions already taken by partners in EPA's voluntary climate programs.

2004 highlights and 2005 commitments are outlined below for the three major voluntary programs: Climate Leaders, Landfill Methane Outreach Program, Natural Gas Star and the Coal Mine Methane Outreach Program.

In 2004, Climate Leaders:

- Welcomed 14 new corporate partners for a total of 66 partners.
- Announced 7 additional corporate greenhouse gas emissions reduction targets. Through 2004, 27 Climate Leaders partners have publicly stated greenhouse gas targets.
- Placed a public service announcement (PSA) in six national publications to recognize the environmental leadership of Climate Leaders partners.
- Published four cross sector and one sector specific greenhouse gas inventory core module guidance documents.

In 2005, EPA will:

- Attract 20 additional corporate partners.
- Announce 20 new Climate Leaders corporate greenhouse gas emissions reduction targets.
- Publish the first edition of *Climate Leaders Design Principles*.
- Develop a new Climate Leaders Program Guide and various sector fact sheets.
- Continue to recognize Climate Leaders through PSAs in national publications.
- Begin to develop inventory guidance for projects addressing offsets of GHG emissions.

In 2004, LMOP:

- Assisted in the development of 26 new landfill gas energy projects and 7 project expansions, with more than 30 additional projects under construction and expected online soon.
- Welcomed 53 new partners.
- Provided landfill gas energy opportunities to more than 20 U.S. corporations, representing

over 275 manufacturing facilities nationwide.

In 2005, EPA will:

- Assist in the development of 33 new landfill gas energy projects.
- Release new and updated resources to advance project development, including a streamlined version of LMOP's LFG project evaluation tool (LFGcost) and the third edition of *Funding Landfill Gas Projects: A Guide to State, Federal, and Foundation Resources*.

In 2004, Natural Gas STAR:

- Achieved 66 percent industry participation across all major sectors (production, processing, transmission, and distribution).
- Achieved 100 percent participation of the American Petroleum Institute member companies.

In 2005, EPA will:

- Work with the oil and gas industry to expand the Natural Gas STAR Program, specifically in the area of small to medium size natural gas production companies.

In 2004, CMOP:

- Reduced methane emissions at 15 of the gassiest mines in the country, including the first recovery projects in the western United States.
- Supported efforts to design, install and operate the first test scale demonstration of ventilation air oxidation technology in the United States.
- Published the first summary report of abandoned mine methane emissions in the United States, including identification of approximately 400 gassy abandoned mines that may offer development potential.

In 2005, EPA will:

- Increase mine methane capture and use in Colorado, New Mexico, and Utah.
- Conduct further analysis of abandoned mine methane emissions to refine methodologies for estimating project specific emissions.
- Initiate more detailed assessment of coal mine methane emissions from surface mines.