

Energy and Climate Change Objectives

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By Elin D. Miller
Regional Administrator
USEPA Region 10

Good Afternoon,

Today I am here to address EPA's plans for developing its mandatory greenhouse gas reporting rule. Before diving into the details, I want to mention something about my background. I want to explain how the work on this new rule fits into the bigger picture at EPA. My career includes having senior level positions both with the state of California and in the private sector. So I can say with a degree of confidence that I am familiar with your perspective on the Environmental Protection Agency – the good and the bad -- and appreciate that your approach to the important and difficult work of protecting human health and the environment is often different than EPA's approach.

I can also say, having been on the job for nearly a year and a half now, that my respect for the folks I work with at EPA -- which was substantial before I started -- has grown. EPA is blessed with an abundance of talented people who are both passionate about the agency's mission and, in particular, are determined to combat climate change. So it might not surprise you that Clean Energy and Climate Change are one of the Administrator's top four priorities. The Administrator is one of those determined people. I serve as co-chair for this priority, along with Bob Meyers AA of OAR, who will be with the full committee tomorrow, and Jason Burnett in the Administrator's Office.

EPA's Energy & Climate Objectives

EPA's priority aims to achieve four objectives: Improve energy efficiency and affordability; Speed up transition to cleaner energy sources; Improve energy security; Reduce greenhouse gas emissions.

Strategy & Focus

This slide illustrates the comprehensive approach we at EPA are taking, utilizing both collaborative and regulatory approaches and looking at all aspects of our economy for ways to produce clean energy and to reduce greenhouse gas emissions. I will share with you just one program that illustrates what EPA is doing in each of the four focus areas. We actually have over 20 workgroups with hundreds of people working in the focus areas.

Energy Efficiency

One leading example is the ENERGY STAR program which promotes our focus on Energy Efficiency in homes, cities, businesses and industry. The table presented here shows that investments in Energy Star products save both on utility bills and emissions: 2007 was the most successful year to date for the ENERGY STAR program. Americans, with the help of ENERGY STAR, prevented greenhouse gas emissions equivalent to the annual emissions from 27 million vehicles—and saved more than *\$16 billion* on their utility bills -- \$16 billion in 2007 alone.

Savings are on track to nearly double again in 10 years as more households, businesses, and organizations rely on ENERGY STAR for guidance on investing in energy-efficient products, practices, and policies.

Energy Production & Supply

Under Energy Production & Supply: in response to EPA's nationwide challenge issued in December 2006, 53 Fortune 500

companies led by Intel Corporation are now collectively purchasing more than six billion kilowatt-hours (kWh) of green power annually. These purchases surpassed the goals set by EPA's Green Power Partnership and equal the avoided carbon dioxide emissions of more than 570 million gallons of gasoline each year or the equivalent amount of electricity needed to power nearly 670,000 average American homes annually.

Manufacturing & Industrial Processes

Under Manufacturing & Industrial Processes, EPA's Climate Leaders program is a collaborative program that in partnership with some of the nation's largest industries is achieving real results. Last month, I visited Caterpillar's headquarters in Peoria Illinois. Caterpillar is the world's largest maker of construction and mining equipment, diesel and natural gas engines, and industrial gas turbines in the world. As member of EPA's Climate Action Partnership, Caterpillar has already met this program's goal of reducing GHG Intensity by 20% in 2010—Caterpillar has reduced its GHG emissions per dollar of revenue by 38.65%. This has led to Caterpillar taking on the even more ambitious goal of reducing its *absolute* GHG emissions in the coming years.

Fuels and Transportation

And speaking of diesel engines, The CLEAN DIESEL CAMPAIGNS AND REGIONAL COLLABORATIONS like the West Coast Collaborative focus on retrofitting older engines, developing and promoting cleaner fuels, reducing idling of engines and streamlining transportation practices to keep trains, trucks and ships moving efficiently. The President's '09 budget proposes \$ 49 million to promote the clean diesel campaign. I appreciate NACAA's leadership in promoting these collaborations.

Other EPA CC programs

The programs I have discussed and many others all demonstrate that EPA is actively engaged in mitigating climate

change. EPA has lots of people involved with lots of expertise to tap into.

GHG Rule Outline

Having set the Greenhouse Gas reporting rule in the context of EPA's broader climate change strategy, I now will focus on it and the work EPA is doing to develop it. Specifically, I will highlight:

1. the FY 2008 appropriations language
2. the Clean Air Act authorities we are using for the rule
3. our initial views on the purpose and scope of the rule
4. our work with states and other groups on data exchange standards
5. and our timing and process to complete the proposed and final rules.

Appropriations Language

Public Law 110- 161 was enacted on December 26, 2007. It is important to note that this is an *emissions inventory reporting requirement*, not a registry that tracks emissions reductions. Registries generally imply "exchanges" and trades. Congress provided EPA with significant discretion- we will go over those areas in more detail on the following slides.

Legal Authorities

EPA is relying on Sections 114 and 208 of the Clean Air Act as the authority for this rule. Section 114 addresses stationary sources. Section 208 covers mobile sources. Reporting does not make GHG "regulated" under the Clean Air Act (therefore, it does not trigger New Source Review). It does not include sinks, offsets, nor reduction projects. The \$3.5 million is 2 year money that can be spent in FY08 and 09. It was inserted as an amendment in December by Senators Feinstein and Boxer.

Purpose and Scope

The rule will be a means of collecting comprehensive and accurate data relevant to future climate policy decisions. The “basket of six” gases are the same ones covered by IPCC (Intergovernmental Panel on Climate Change) and UN Framework Convention on Climate Change documents. Gases included in the Montreal Protocol are not included (e.g., CFCs, HCFCs) in this rule. The rule is expected to focus more on direct emissions, rather than on indirect emissions (such as emissions related to electricity use). We will be looking at existing emissions data and methods related to man-made GHG emissions from:

- Fossil Fuel combustion from stationary sources
- Fossil Fuel combustion from mobile sources
- Fuel Suppliers
- Industrial Gas Suppliers (e.g., producers of HFCs)
- Industrial Processes (e.g., CO₂ from cement calcination)
- Fugitive Emissions (e.g., natural gas pipelines)
- Biological Processes (e.g., landfills)

Emissions Chart

This chart illustrates the primary focus of emissions and sources expected to be included in the rulemaking. We do not expect that the thresholds would be so low as to capture large numbers of small emitters. Power plants are already reporting GHG emissions to EPA so this will not be additional work for them.

Program Features

We are looking for feedback on some critical program features including thresholds, frequency of reporting, need for 3rd party verification, and the interface with existing reporting systems at the state level. The reporting system should be comprehensive but not burdensome—we are trying to take advantage of the current systems

while also trying to ensure there are methodologies in place that are nationally consistent. We have talked extensively with organizations and states that have developed reporting programs –voluntary, such as The Climate Registry, or mandatory such as CARB. Some programs define thresholds by tons of emissions (e.g., CA and WI); others use capacity (e.g., 25 MW for power plants). We have not made any decisions and would like to hear from you.

Data Flows

One of the more interesting challenges is around data. How does data flow and can we make data systems compatible? Here is a graphical illustration of that challenge. The Climate Registry includes both Industry-to-TCR reporting and State-to-TCR reporting. Ten states require industry to report emissions to them. EPA has voluntary reporting programs including State-to-EPA reporting with roughly 25 states participating. The new GHG mandatory reporting rule will require both industries and states to report to EPA.

Data Systems

Naturally with all the different data flows that exist, there are several different data systems in use. The most efficient way to address the data flows and the fact that different data systems exist would be to develop a single data exchange standard—as ECOS pointed out in a March 13, 2008 letter to Marcus Peacock. ECOS is not alone. Several of your members, as well the Climate Registry, have been in touch with EPA to encourage that we establish a single data exchange standard for greenhouse gases. Fortunately, we started work on developing a draft data exchange standard more than a year ago. We have been meeting with the Climate Registry, the Exchange Network, and interested states to develop a single reporting format that could facilitate data exchange without compromising individual state or federal programs. Our goal is to have a standard that will be useable across these programs and thus minimize the administrative burden of reporting incurred by reporters, states, and federal agencies.

Timing and Process

We are on a very ambitious time table with a proposed rule only 5 months away. Meetings and outreach are well underway with different groups– states such as CA; industrial sectors such as oil and gas; trade associations; state-based groups such as NESCAUM and NACAA; environmental groups; federal agencies; and tribal organizations. We are working closely across the various EPA program offices as well as the Regions. We will also be including experts at other agencies, particularly DOE and USDA.

Summary

We are prepared to move forward with this rule and welcome your input on the issues as we begin to develop and analyze options. As a former state regulator, particularly from California, I'd like to challenge us collectively to take advantage of this opportunity and work together to form what I feel will be a strong foundation for any future policy decisions and actions on Climate Changes to come.