

Summary Notes of EPA Climate Leaders Partner Meeting, June 10-11, 2003

The most recent Climate Leaders Partners Meeting was held in Washington, DC on June 10th and 11th, 2003. The meeting was an opportunity for Climate Leaders Partners and other companies to learn more about the program, hear about Partner successes, provide technical feedback on programmatic issues, and network with their peers. Below is the agenda, followed by the Q & A's from the plenary sessions, and lastly, the summaries of the breakout group discussions. Copies of all referenced presentations are available on the Climate Leaders website at www.epa.gov/climateleaders/news.html#6. In addition, a link to each presentation is provided in beginning of each Q & A section.

Agenda:

General Session: Day One

Climate Leaders Update, Cynthia Cummis, EPA

GHG Protocol: Janet Ranganathan, World Resources Institute

Update on DOE's 1605b Revision Process: Margot Anderson, DOE

Update on ISO GHG Standard and other GHG accounting efforts: Tom Kerr, EPA

Review of ERT's Draft Third Party Verification Guidance for GHG Inventories: Wiley Barbour, Environmental Resources Trust

Climate Leaders Partner Experience with Third Party Verification: Jim Keating, BP

Breakout Groups on Verification Guidance

Innovative Strategies to Reduce GHG Emissions: Johnson & Johnson, Harry Kauffman, Johnson & Johnson

Innovative Strategies to Reduce GHG Emissions: SC Johnson, Frank Ericson, SC Johnson

Demonstration of ClimateBiz Website

Developing an Effective Energy and GHG Tracking System – Kristin Zimmerman, GM

Developing an Effective Energy and GHG Tracking System – Quinton Hancock, Miller

General Session Day 2

Overview of Climate Leaders Reporting Options: Vince Camobreco, EPA

Breakout Groups on Reporting Options

Luncheon Keynote: Former EPA Administrator Whitman

Update on Climate Leaders Offsets Activities: Joe Kruger, EPA

Overview of WRI/WBCSD GHG Project Protocol: Janet Ranganathan, World Resources Institute

Overview of Climate Leaders Offset Pilot Projects: Jayant Sathaye, Lawrence Berkeley National Laboratory

Plenary Discussion on Offset Projects, Joe Kruger, EPA

Open Discussion on Program's Progress

GHG Protocol: Questions and Discussion, Janet Ranganathan, WRI (<http://www.epa.gov/climateleaders/pdf/ranganathan1-2.pdf>)

- Q Have the five basic principles of the protocol changed (consistency, completeness, relevance, transparency, accuracy)?
A: *No, they remain the same, there is some additional guidance, and there is a new principle that pertains to projects rather than corporate inventories*
- Q Have emission factors changed?
A: *Emission factors are not presented in the GHG Protocol standards and guidelines, only in the calculation tools. Climate Leaders customizes this for the US (including emission factors) and provides them in their guidance documents.*
- Q Is there still an ownership threshold for the equity approach (it used to be 20%)?
A: *No, this is removed, the company chooses the level for reporting*
- Q I applaud the change in how purchased electricity for resale is handled. Should reporting of purchased green power be handled differently?
A: *It could be reflected in reporting under the project accounting module.*

Update on 1605b Revision Process: Questions and Discussion, Margot Anderson, DOE (<http://www.epa.gov/climateleaders/pdf/Anderson-2.pdf>)

- Q Will data be maintained for companies that have reported in past years?
A: *Yes, data is recorded both in hardcopy and electronically, the key component of your question is probably what is the significance of that historic data moving forward into the new registry, and I can't comment on that now*
- Q Will you be encouraging financial incentives?
A: *There are many incentives in various current legislation HR6, SR14, continuation of tax credits & incentives for cleaner fuels and energy efficiency*
- Q Would you compare the reporting burden for the new program versus the old?
A: *The current program has an easy form as well as a more detailed long form. EIA – we are hoping to ease the burden, but it is hard to comment until the final product is released.*
 - So will that be double the reporting burden, 10 times?
 - A: *For some reporters it will more, for others, less.*
- Q Two comments 1) There has been lots of learning about new approaches, many companies are investing in Climate Leaders– one way to minimize the burden has been to make your program consistent with existing programs (like Climate Leaders) 2) there are many different reasons to report (voluntary, trading credits, etc.) – the current program has an EZ form, have you considered different forms for voluntary versus credits, since it is unlikely voluntary would want to go to same level of detail.
A: *everyone in the program is voluntary, but we note the difference you describe. Eventually state and federal programs may morph to be consistent, but maybe not since their goals may be different. State and federal programs can still work together.*

Q Is the final goal of 1605b and Climate Leaders to come together such that Climate Leaders can accept numbers from 1605b? Will both programs be used in conjunction to register/demonstrate progress?

A: *1605b is the only federal registration program. We recognize differences between Climate Leaders and Climate Vision (one is company-level, one is industry-level), and there may be different requirements. Will completing one form fulfill obligations under other program – not necessarily. There may still be extra work for Climate Leaders or Climate Vision or 1605(b). Different goals for different agencies, but still commonality.*

Q Technical Guidelines – Are you planning to issue guidelines for natural gas T&D (Transmission and Distribution)?

A: *Not broken up by type of source, rather by type of company. But hope that guidelines cover technical aspects of T&D.*

Update on ISO GHG Standard and other GHG accounting efforts: Questions and Discussion, Tom Kerr, EPA

<http://www.epa.gov/climateleaders/pdf/kerr-2.pdf>

Q Is EPA involved with Climate Resolve (BRT initiative)?

A: *Yes, EPA is involved in many of the BRT's Climate Resolve meetings. EPA participated in the kick-off workshop in DC in February and will participate in other workshops in the future.*

Q How closely is ISO working with WRI/WBCSD? How consistent? Why is ISO moving forward when the GHG Protocol is moving forward?

A: *We want to see harmonization between GHG Protocol and ISO. We recognize there is more hassle for companies if they are not harmonized. ISO is now moving closer to GHG Protocol.*

Q Since both programs are moving into the comment period, how closely will the requirements be aligned?

A: *EPA is concerned with reduction in reporting burden and likely will harmonize on entity standards. Climate Leaders will provide assistance for partners wishing to report to DOE.*

Q Is EPA the only government agency involved with ISO?

A: *Yes*

Q Concerned about differences between ISO vs. GHG Protocol. Question to audience, how many involved with ISO 9000/ 14000? ISO is very cumbersome. We like GHG protocol much better, as we don't need the ISO auditor, and buy-in to a whole new culture.

A: *EPA has heard this from many companies – hope multinationals can make same comment to other countries' delegations.*

Q For ISO, initial concern with the validation protocol draft which is 55 pages. Therefore there is potential for a cost impact to companies. We welcome EPA involvement.

Q It takes great manpower for administration of this “stuff”. In discussion of the Lieberman bill, what is the likelihood of a mandatory program swallowing all the voluntary programs. Is there any talk of harmonizing the electronics of reporting for the purposes of information sharing across programs?

A: For Climate Leaders, contractors will help with reporting burden. As for the proposed legislation, by joining a program like Climate Leaders, you have a good transparent record that should help with any mandatory program. Many bills focus on the power sector and the first step under any of the voluntary programs is inventory and identification of areas for improvement.

Review of ERT's Draft Third Party Verification Guidance for GHG Inventories: Questions and Discussion, Wiley Barbour, Environmental Resources Trust

<http://www.epa.gov/climateleaders/pdf/barbour-2.pdf>

Q Does ERT see themselves as a 3rd party verifier?

A: ERT is a very small NGO, there is no way to do all the work. ERT saw confusion about what it took to do a third party verification. ERT is hoping that the tiered approach will help companies determine the level of effort needed to perform a wide range of activities. This is a collaborative effort from a group that has conducted verification efforts, hoping that these shared experiences will come up with one common approach.

Q How would verifiers be certified as competent? Will there be standards?

A: There are multiple voluntary programs, some requiring 3rd party certification, some that are not. This is not a guideline for one standard, ERT hopes it will represent a variety of programs. ERT hopes to lay out the framework for any registration. The exact requirements are up to each registration program. California, for example, has a list of approved verifiers for the program.

Q Will you be soliciting feedback from brokers in this program to ensure that they give opinion on level of rigor needed for market based solutions?

A: Yes, we have worked with brokers. Brokers are not requiring one standard of quality. However, one set of standards would help them. It is hard to know now whether "verification" meets market standards, but it is certainly a goal that the market can turn to for credibility

Q How do the guidelines apply to overseas operations? Specifically, CO2 emission factors are most important to many GHG inventories and the emission factors used can have a significant effect on the inventory. How do you know which factor is correct / verifiable?

A: This is a program decision, not a decision for a standard. Instead of figuring out what is the right factor, verifiers would verify that a standard meets the goals / requirements of the program.

Q We appreciate the tiered approach, that not one size fits all. We encourage the team to think about how to integrate with other initiatives (ISO, California, EU) to develop some common vocabulary. Also, it is relevant that the Global Reporting Initiative is following a similar track.

A: We are trying to share ideas early and get feedback by getting in front of other organizations like we are doing today.

Climate Leaders Partner Experience with Third Party Verification: Questions and Discussion, Jim Keating, BP

<http://www.epa.gov/climateleaders/pdf/keating-2.pdf>

Q How much investment from BP?

A: *For the initial audit (1990, 1998) – about \$1.2 million. But we started from scratch, with no GHG protocol, and no guidance. Subsequent audits – about \$0.5 million each. This is 20-30 site audits and additional limited audits. This is external cost only. This is not cheap but the level of certainty acquired is worth it.*

Q What were de minimus levels for reporting on baseline (considering you have so many service stations)? How many sites reported data?

A: *There wasn't a de minimus level, but rather a materiality threshold by type of source. e.g. mobile sources. We included about 130 business units, each can be more than one site, which probably equates to thousands of sites.*

Q How were business units encouraged to reduce?

A: *No units came in above targets, out of "fear of Lord Brown". "you don't miss financial targets, and you don't miss GHG targets".*

Innovative Strategies to Reduce GHG Emissions – Johnson & Johnson: Questions and Discussion, Harry Kauffman, Johnson and Johnson

<http://www.epa.gov/climateleaders/pdf/kauffman-2.pdf>

Q How significant are fleet emissions?

A: *Less than 10%, about 7%.*

Q What is each business unit's expected rate of return for reductions?

A: *10-20% Something that beats the cost of capital. We developed a project list to help us evaluate where to prioritize.*

Q What are your criteria for projects and who validates? Does this apply to all facilities?

A: *We follow the GHG protocol and have established boundaries based on that protocol. We validate through direct monitoring (e.g. solar) and indirectly (based on theoretical calculations).*

Innovative Strategies to Reduce GHG Emissions – SC Johnson: Questions and Discussion, Frank Ericson, SC Johnson

<http://www.epa.gov/climateleaders/pdf/ericson-2.pdf>

Q How did you get WE Energies to the table to make this happen?

A: *SCJ contacted WE early and they were very interested in helping.*

Q To get your company to take action, do you have strong leadership / buy-in?

A: *Yes, very much so! Scott Johnson, my boss, reports directly to Fisk Johnson, the president of SCJ. SCJ is persistent on this project. Very much top down. SC Johnson is very committed to achieving this goal.*

Demonstration of New ClimateBiz Web Site: Questions and Discussion

(view the beta version of the climatebiz website at <http://www.climatebiz.com/go/climateleaders>)

Q The site looks terrific. Will the site have a US or international focus?

A: Started out conscious of the fact that there will be “two worlds”. Not a policy-oriented site, rather is Basic 101+ information on GHG inventories. We don’t differentiate between the U.S. and other countries. We plan to expand to an international focus in the future.

Q Will there be news and events, or just background?

A: Yes, we will have news and columns every week.

Developing an Effective Energy and GHG Tracking System – Kristin Zimmerman, GM: Questions and Discussion

<http://www.epa.gov/climateleaders/pdf/zimmerman-2.pdf>

Q What is the cost of collecting the data?

A: An estimated \$1 million over four years, but savings here was about \$4 million in data collection with this new process. This was a cultural shift that had to occur.

Q Seems like the cost reductions would be incremental, how did you get buy-in?

A: In rolling out this tracking system, we did workshops. Because they were driving down cost, it was a culture shift driven by our purchasing program

Q Explain the 3rd party data collection, and the reason to go that route?

A: We decided to centralize because it was easier for a third party to deal with our purchasing system and there was some foresight into having the same party collect the data and negotiate the energy contracts.

Developing an Effective Energy and GHG Tracking System – Quinton Hancock, Miller: Questions and Discussion

<http://www.epa.gov/climateleaders/pdf/hancock-2.pdf>

Q Need to record time of meter readings, even when outsourcing the data collection (need to be collected at the same time). We needed help from EPA folks as well as CH2M HILL to look at our data and make sure they were on the right track.

Q How do you know if the data is accurate?

A: No verification at this point. We do have an end of the year validation exercise to match invoices and meter readings.

Q What is the frequency of which meters are calibrated?

A: Not sure, but it is plant specific.

Q Miller is tracking both waste and water – why?

A: We track all environmental impacts in addition to CO2.

Q We have shown a bit of reduction in water usage, so there are downstream benefits (pumping) and recycling at the plants that show energy savings. We needed help from EPA and CH2M HILL to look through the data to give the ok that they were headed in the right direction.

A: Suggestions for data collection savings: Hire an intern.

General Session: Day Two

Overview of Climate Leaders Reporting Options: Questions and Discussion, Vincent Camobreco, EPA

<http://www.epa.gov/climateleaders/pdf/camobreco-2.pdf>

Q Is there a definition for the facility?

A: There is no set definition – will be left up to the company to define. Essentially, a facility is the lowest level aggregate data that the company has (i.e. fleet vehicles might be a “facility”).

Q Do you have criteria for the type of organization that is acceptable as a third party verifier?

A: No. We will not provide certification of third party verifiers, rather, we provide a set of guidelines and requirements as to the appropriate procedure for third party verification.

Q You mentioned that the contractor reviews the inventory management plan. Would the contractors mentioned yesterday suffice for this purpose?

A: Yes.

Q What about accounting for traded reductions?

A: We are waiting for WRI guidance. If you sell or trade reductions obtained internally, then yes, you would need to add reductions back into the inventory.

Q I suggest that a true-up approach is more logical vs. a netting approach. Fundamentally inventory and offsets are two different instruments.

A: Netting is really to track progress toward our goal.

- Can do a side-by-side bar graph comparison rather than a true subtraction.

Q Are the expenses for verification under Option 3 funded by EPA?

A: No, the companies would need to fund this.

Q How do companies account for business travel? What about if the flight is cancelled?

A: EPA will eventually develop guidance on this. Up until now, we have been focused on main sources of emissions. Currently, business travel is an optional source. WRI has some guidance on this, though. Cancelled flight issue is a topic for a different discussion.

Q For Option 2, interim years are not reported. However, wouldn't major changes, for example acquisitions or mergers need to be reported?

A: The annual reporting form would still need to be reported. Major changes in the interim years that affect the inventory management plan would also need to be addressed.

Q What is the timeline for completing the reporting forms, and when do partners need to submit their first report?

A: We expect to have the reporting forms ready at the end of this summer/fall. Reports will probably be due in June for the previous year. Same timeline as 1605(b).

Q I am unclear about the concept of “final year”.

A: Final year means final year of the goal. After that, we would start over and develop a new goal

Q For Option 3, what level of verification would be required?
A: During the breakout groups today, we will need to discuss verification guidance.

Q For the data that is kept onsite, will EPA come onsite to see the data?
A: Yes. Anything that comes to EPA is “FOI-able” (Freedom of Information Act). Anything at a company's site will be viewed by EPA or our contractors onsite and not taken from the site.

Overview of WRI/WBCSD GHG Project Protocol: Questions and Discussion, Janet Ranganathan, World Resources Institute

<http://www.epa.gov/climateleaders/pdf/ranganathan2-2.pdf>

Q What is the process for identifying additionality?
A: For retrofit - straight forward – assume you would have carried on with old equipment. Performance standard – setting standard – effective and efficient if proposed by agency. Project specific – series of tests, barriers, investment ranking tests – what would have been the most likely course of action without the project. Investment additionality test – prove the project would still be viable even without the financial gain. This is as compared to investment ranking test (developer makes case about most likely course of action). Have to remember that it is impossible to ever set actual level of what would have happened, because it never happened.

- Finding common rules will be challenging.

Q Will there be an error correction mechanism?
A: Yes, there will be guidance to identify uncertainty...probably need to be conservative when doing projections.

Q Is there a mechanism in place to account for climatic changes?
A: No, the standard is not that sophisticated. Reductions are based on activity x intensity.

Q Baseline versus future – is this a comparison of actual to potential or actual to actual?
A: Historic emissions will help define the baseline. It is not actual because it never really happens. It is a theoretical actual.

Q Any guidance for using control groups to set baseline?
A: WRI has not gone down that road at this point. No one has raised that question.

Overview of Climate Leaders Offset Pilot Projects: Questions and Discussion, Jayant Sathaye, Lawrence Berkeley National Labs

<http://www.epa.gov/climateleaders/pdf/sathayeboiler-2.pdf> and
<http://www.epa.gov/climateleaders/pdf/sathayelandfill-2.pdf>

Q Landfill Gas – CO₂ from Combustion should not be counted? Please comment.
A: Source of landfill gas – if it comes from organic products, then the carbon is a closed loop. Should not be counted. Paul Gunning, EPA – When we do our national inventory, the decay of waste is considered to be part of the natural carbon cycle. In combusting methane – the released CO₂ would have been released anyway as part of the natural cycle.

Q Average emissions – Have you ever thought about comparing potential emissions to potential emissions. Potential to potential may provide a more accurate reflection. Invite you to look at a potential-to-potential system.

A: Right now we do not have a regulatory framework, so we are leaving it open.

Q Please comment on following example: A company is doing a CHP project, but someone else will own and operate. Please comment on sharing offsets.

A: In principle, it is a negotiating issue between the parties. There are formulas that can help the organizations determine this - it is based on the amount of resources expended.

Q Hypothetical Situation: If I have a 40-year life of a boiler that is 35 years old, giving me potential for 5 more years. If I waited 5 years, could I get 40-years worth of credit.

A: You would not get credit if you waited 5 years.

Plenary Discussion on Offset Projects

1) What types of offset projects are companies most interested?

Cogen and heat and power.

Carbon sequestration.

Energy efficiency.

Biggest concerns/uncertainties regarding today's methodologies focus?

Ownership when there are other parties involved.

Offsets are created by the various jurisdictional or program requirements – not necessarily given to every project. Is there a mechanism to create an offset from a reduction?

A: Once there are standardized protocols out there (1605(b) and WRI, and the reductions meet those standards, they would be treated as offsets under Climate Leaders.

What mechanism is in place to make sure sustainability will continue to happen (re-creating the offsets)?

A: There is no policy on sustainability, but the baseline may change over the years. The frequency of reporting will likely be on the same track as that for corporate reporting.

Who decides what is confidential and what isn't and what is business as usual?

A: It will be based on the protocols, i.e. WRI. Janet Raganathan, WRI, indicated that they are not setting what the benchmarks are for various industries, rather they are setting the protocol for setting the benchmarks. Stay tuned for the upcoming guidelines.

Thinking of the relevance of the methodologies that Jayant laid out in the Climate Leaders program, which is not a crediting program, the bar seems to be set higher than even regulated programs.

A: These are just examples of how an offset project might work, they are not meant to be the protocol.

If you cannot get credit from regulatory driven mandates, aren't you penalizing companies in states that are more rigorous?

States do have different standards, it is a valid issue.

A: You can achieve reductions internally, or you can go get offsets. There is just more certainty in entity emissions. Reductions are different for projects. We do not want this to be the weaker route for getting reductions. The state regulations will just force you to look at states where the less rigorous regulations exist.

In many countries, it is normal to use waste in cement kilns. In the type to cover, by using the waste fuel, you would save fossil fuel and save incineration of waste fuel?

A: Depends on what the base case looks like for the waste. You will not get extra credit if the waste would have been combusted anyway.

Is there any additional material that would be helpful in order to promote cost-effective and environmentally credible emission reduction projects?

It might be useful to look at avoided emissions. For example, have a large nuclear facility with no fossil generation, but have nothing in that region to offset the emissions. That is a possibility, per EPA, and information can be provided on it.

This is a moving target, and should keep closely aligned with both WRI and 1605(b). Is there a way for the Climate Leaders program to help keep companies abreast of the most current changes/issues, i.e. via e-mail?

A: EPA said they can try to figure out the right vehicle to do this.

Open Discussion Program's Progress, Cynthia Cummis, EPA

Is there anything we can do to improve the transparency of the program and the progress we are making?

Would like more advanced comment period, i.e. submit a draft in advance for review and more frequent communication. Prefers either conference call or e-mail.

Also supports greater communication/involvement. There is still a steep learning curve and a lot of change going on.

Have we been responsive in answering your questions and concerns?

Very much so. Remembers when we first discussed reporting and the issues involved, which landed us to where we are today with the three reporting options.

Yes, this is reflected in the reduction of reporting burden, especially the new IMP option as opposed to the original documentation sheets.

Openness to considering purchased power. EPA has really been willing to listen and take action.

Has Climate Leaders helped your company reduce climate change risk, what can we do differently to motivate management?

Would be helpful to have even minimal guidance on “business as usual” for different sectors, not just the descriptions, but the numbers.

Very basic learning tools to help non-Environmental Managers to understand the risks we face, what some of the motivations are, what it will mean for the partners to become involved. It will help to have power point slides, handouts, etc. vs. just information on the website.

A: Cynthia indicated that this is in the works.

Recognition in the media would be great.

EPA is doing a fantastic job with this Climate Leaders program. Case study examples on the website that can be shared with the partners (offset projects) would be helpful.

What types of media coverage are you looking for?

Reporting to one registry is critical, but so is reporting to the state (from that one registry).

Local and national press.

Financial community.

Have heard how proud companies get when there is a spread in the NY Times.

A: EPA indicated that it wasn't appropriate use of government funds, but will explore other ways to cover these types of things.

Will individuals be highlighted, or will recognition be given as a group? Maybe first selection should be given to partners that have done more.

A: EPA is looking to do this both ways, but they need to be careful between differentiating between partners, as they are all Climate Leaders.

Doesn't think should differentiate between Climate Leaders – all are leaders. Need to be recognized in the media.

How is the technical assistance that you are getting?

So far so good, but the test will really be when the Inventory Management Plans are out.

Many felt that review of Inventory Management Plans will be very helpful.

Would want a contractor to draft the plan from what they already have, based on their breakout groups.

A: Cynthia clarified that the plan does not need to be separate or different from what companies already have, rather, all the components need to be there.

Plug for the website. A lot of the presentations were really good, and they could be posted on the website. Also the administrator photos, information from the last meeting, etc.

A: ERG indicated that all the speaker presentations will be posted on the website, and all participants will be notified via e-mail (once the presenters agree).

Are you happy with the workshops?

Think they are a really good forum, great energy, and twice a year is appropriate.

Good to get the updates and get the dialogue going, and should definitely happen at least every 6 months.

People have gotten confused between what is Climate Leaders, and what is the discussion around Climate Leaders (i.e. verification). Tends to get a bit confusing.

A: Cynthia indicated that next time we can have a primer for a few hours in the beginning of the workshop to bring people up to speed.

Maybe doing the program stuff first, then the non-program stuff.

Suggested having a conference call to promote more communication on industry-specific issues.

Reporting Breakout Groups Summary

There were four breakout groups to discuss three proposed Climate Leaders reporting options. The questions posed to the breakout groups are attached in a separate document in the e-mail. Comments made in the breakout groups are summarized below. The comments are broken down into feedback on each reporting option and some general comments.

Option 1

Option 1 Summary: Complete an annual report that includes emissions in terms of total CO₂-Eq by facility, broken out by direct, indirect, optional, and offsets. Provide supporting detailed data in every year of their reduction goal to support the annual emissions report.

- Several companies indicated that Option 1 is a good first step because some companies might not have a full Inventory Management Plan (IMP) in place and would not be able to do Option 2.
- Several participants indicated that some sort of IMP is needed to do an inventory even if the plan is not complete.
- One person thought that the credibility of Option 1 would not be as high as other options because there was no IMP in place.
- One company felt that the credibility of Option 1 would be highest because all the data is transparent.

Option 2 / Inventory Management Plan

Option 2 Summary: Complete an annual report that includes emissions in terms of total CO₂-Eq by facility, broken out by direct, indirect, optional, and offsets. Provide supporting data in the base and final years of the reduction goal to support the annual emissions report. Submit in the first year documentation that a high-quality inventory management plan (IMP) is in place.

- One industry group felt that Option 2 is less burdensome than Option 1 because it is sometimes difficult to gather all the detailed data every year.
- One company felt that once you collect the data it would not be a problem to report every year.
- One company noted that it is easy to get data, but didn't know what to do with it. They tried to make the data collection very broad and common, so it would be useful to cover many possibilities.
- Several participants thought that the IMP is needed for credibility.
- Several participants agreed that the components listed in the draft reporting requirements IMP seem complete.
- One company felt that EPA (and contractors) should help companies develop an IMP.
- Several companies indicated that the GHG IMP could actually be part of a company's broader environmental plan.
- Several companies indicated that contractor help and review of inventory is very helpful. Having contractors review data reduces reporting burden because the company can keep data in any format rather than transferring it to a set of standard forms.
- One company indicated that companies will be in different stages of developing an IMP. It is unreasonable to assume that companies will have a full IMP in place in the first year of reporting.

Option 3 / Verification:

Option 3 Summary: Complete an annual report that includes emissions in terms of total CO₂-Eq at a corporate level, broken out by direct, indirect, optional, and offsets. Obtain 3rd party verification annually and submit an audit opinion document and a completed checklist of what was looked at in the verification.

- Several companies felt that EPA needs to clarify what will be needed for Option 3 verification and what level of verification will be required.
- Several companies thought that verification does not need to be done every year.
- One company indicated they do verification every year focusing on high risk areas.

- Several companies thought that the level of credibility and verification does not need to be as rigorous for Climate Leaders as it would be for trading.
- Several participants thought that the Inventory Management Plan should be required as part of verification.
- Several companies wanted the verification checklist to be coordinated with the verification guidance.
- One company mentioned that when developing verification guidance, EPA could look at existing verification procedures (e.g., corporate sustainability reports are verified).
- Several participants supported self-verification.
- One company had a concern that self-audits would not be credible enough.
- One person had a concern with EPA contractors doing both inventory and verification (conflict of interest, credibility).
- One company thought that an independent review of inventory (by EPA, EPA contractors, or third party) is helpful to the inventory process.
- One company had a comment that there are really two questions 1. Who reviews the inventory? and 2. What do they review?
- One company noted that one reason to verify could be relief from burdensome data requirements.

General Comments

- Several participants agreed that all options should be equal in terms of confidence and credibility.
- One person thought that instead of reporting options, EPA could have modules or stages where partners can pick and choose from components of IMP, audit, detailed data, etc.
- Several companies thought that the 3 options are good but need clarification about differences.
- One company thought that there should be less data reported in interim goal years.
- One company felt that some of the detailed data described in the reporting options is asking for too much.
- Several participants felt that offset projects should be clearly listed separately.
- One person thought that the reporting form and goal tracking needs to be clarified.
- One person thought that there should be a distinction between direct and indirect and offset emissions in total reporting summary.
- Several companies feel there needs to be a way to track organizational changes from year to year inventories but aggregate facility level data may not be the best way to do this. Need some sort of supporting data reported every year to document changes to inventory.
- Several companies had a concern that reporting aggregate level facility data would still compromise confidentiality.

- Several participants thought that if data were confidential then it would not be as credible.
- An industry group commented that a confidentiality clause is needed if companies are providing data under a voluntary program citing a concern that it might go to the regulators.
- Several participants felt that EPA needs to define the minimum criteria for reporting under the program.
- Several companies thought that for the IMP, EPA could define the minimum criteria and then companies could work towards improving the IMP over time.
- One person indicated that the hurdle needs to be defined high enough to maintain credibility of program but low enough to allow companies who do not have IMP in place.
- Several people thought that EPA should keep all three reporting options.
- Several people thought that it might be possible to limit reporting to 2 options.

Clarifications

- Several companies mentioned the need to define how to deal with materiality.
- One company had a question on where to draw line with facilities and how to include them in inventory. For example should all facilities be reported every year or just justify the exclusion of minor facilities in first year.
- Several companies had questions on how a facility is defined.
- One company indicated that there needs to be a better definition of facility for “facility level” reporting. This could be on a case by case basis with companies. Need more flexibility on what a facility is.
- Several companies felt that currently there seems to be hierarchy with option 3 having higher credibility. If this is the case, companies will be pressured into option 3 due to competition.

EPA Inventory Review Policy

- Several companies questioned at what point does EPA approve the inventory.
- Several companies thought EPA approval or endorsement would increase credibility of inventory.
- Several companies thought EPA could endorse the inventory with a disclaimer so that it would not be misused.

Verification Breakout Groups Summary - Climate Leaders June Event

There were four breakout groups to provide feedback to Environmental Resources Trust on a discussion draft of the Collaborative GHG Verification Guidelines. The questions posed to the breakout groups to help guide the discussion are attached in a separate document located in the e-mail. Comments made in the breakout groups are summarized below. The comments are broken down into feedback on the major issues of discussion that arose in the groups.

Do Verification Guidelines Meet Needs of Verifiers and the Corporate Community

- Generally, people were in agreement that having guidance on verification is a good thing and that guidance would have helped them with their early verification efforts.
- There was a wide range of opinion on the usefulness of this guidance (probably mostly due to the fact that it was presented in incomplete form) ranging from “yes it meets needs,” and “yes, but it needs . . .,” to “it doesn’t spell out how to do a verification,” and “we need a standard like ISO.”

Tier 1 vs. Tier 2 vs. Tier 3 (General Comments on Guidelines)

- There was almost unanimous agreement that a flexible tiered approach is both important and useful to include in verification guidance.
- There were also positive comments that the tiers focused on the objective of the company, something other verification efforts to date have lacked.
- Individual comments on the objective of the tiers generally supported Tier 3 as a “gold standard” of a rigorous and accurate inventory appropriate for emissions trading.
- There was less agreement on the objective of Tiers 1 and 2, including whether Tier 1 is suitable for external communications, with some companies believing that Tier 1 is appropriate for public performance/image purposes and some believing that Tier 1 “doesn’t pass the laugh test.” Many supported additional clarification on this issue.
- There was also discussion on whether the tiers should be a “continuum” or discrete steps that mean something.
- The level of rigor of each tier was discussed with some support for increasing the rigor of Tier 1 and Tier 2.
- A few companies commented that moving from Tier 2 to Tier 3 is a huge leap and that many companies would not be willing to take that step absent a market for greenhouse gas credits.

Tier 1 vs. Tier 2 vs. Tier 3 (Climate Leaders-Specific Discussion)

- Companies noted that the verification guidance is a broad document and Climate Leaders would have to adapt it to fit its needs.
- They also noted that a balance of standardization vs. flexibility is necessary since Climate Leaders is a voluntary program.
- Many companies commented that Climate Leaders is not an emissions trading program and that Tier 3 is beyond the scope of the program.
- There was no consensus from these companies on whether Tier 1 or Tier 2 would be more appropriate for Climate Leaders.

- However, there were also many companies that felt the use of Tier 3 would be necessary if making public statements, mostly due to the credibility of a third party verification.
- There was also no consensus on whether to adopt a phased approach to verification.

Value of Self Certification vs. Third Party Verification

- There was no consensus on this issue.
- Some companies believe that self-certification is appropriate to meet any objective and has sufficient precedent in other schemes, such as ISO.
- The main concerns with third party verification were: (1) who has the best industry-specific knowledge of the data (the company or an outside verifier who might have to be trained); and (2) the cost.
- Many companies noted that the decision depends on the objective and that internal review may be entirely appropriate for Tier 1 and Tier 2.
- Many companies felt that third party is necessary for credibility both internally and for outside stakeholders, such as the financial community.
- There were comments from a few companies indicating that they have undertaken third party verification and that the costs weren't unreasonable.

Certification of Verifiers

- There were many comments indicating that guidance on this issue is very important.
- Most suggested adding basic general qualifications (requirements, criteria, training) for verifier, such as a certification tool, and cautioned against getting into accreditation/certified certifiers issues.
- Many companies noted that they needed enough information in order to write a bid spec for these types of services and for industry groups to set up an accreditation program and/or a professional organization to evolve.
- One company noted that certification should be general and common (i.e. similar between companies), while another noted that standards would need to be industry-specific.
- There were a few comments that the protocol to which a company's inventory is verified is of primary importance and that it should be possible to confirm that an auditor has a checklist of protocol requirements against which to verify in place.
- One company noted that conflict of interest issues are very difficult for multinationals (who have likely used multiple consultants on multiple issues over time).
- One person commented that unless building blocks are in place (accrediting agency, courses, protocols) no consultants will want to be verifiers, citing California.

Percentage of Emissions to Verify/Threshold Guidance

- Many companies supported the need for risk-based and/or statistical approach, such as 80/20 or 95/5 approach, and one company felt that the current tables do not get to the level of detail necessary to do this.

- A company noted that a statistical check (i.e. 5%) is sufficient once the system is mature.
- One company suggested considering auditing a percentage of emissions rather than a percentage of facilities.
- There were some suggestions on providing sector threshold guidance or options based on the size of the company, but others noted that even within sectors probably one size doesn't fit all.
- One company commented that unique facilities should be audited, but others cautioned that a representative sample of facilities is required to ensure fairness.
- There was significant concern that chasing after smaller sources can eat up many resources, however, one person noted that there is a need to look at smaller sources which have high uncertainty/risk and that guidance on how (if) to chase mobile sources would be useful.
- Some companies felt they needed more guidance on when site visits are appropriate in cases of centralized data collection or continuous monitoring.
- There were questions on the scope of verification, including whether materiality and de minimis should be verified with established criteria.
- One company suggested additional clarity was required on whether a system review or a rigorous data check is more credible, and some noted that it is essential to have a data component as noted in Tier 3 and Tier 2.

Temporal Issues

- Some companies felt that they need better guidance on verification of dynamic baseline inventories and in assessing fluctuations in data.
- One company suggested verifying small pieces, based on what changes and what doesn't.
- Some companies felt that there may be good reason to back off Tier 3 for repeat verification, especially if there are no major changes.
- One noted that it might make sense to verify to Tier 3 every few years rather than more often, citing concerns about hiring consultants regularly and that it ignores "systems" based verification.

Credibility and Rigor (Depth of Audit vs. Who Performs)

- Some companies and participants noted that rigor and credibility are getting mixed up. They are separate concepts that should be treated separately and the third party discussion should be separated from the level of rigor.
- One person noted the need for guidelines on what makes a credible inventory and another noted that the business case of the inventory drives decisions on credibility and rigor.

Usability of Guidance (General Comments)

- Some companies expressed concern that the Australian audit document is much smaller and simpler and that there is lots of effort going into auditing when the emissions protocol is not completely defined.

- There was discussion on what to verify to (protocol/corporate statement/regulation) and many companies noted that a verification should mean something.
- One noted that tables are good while text is more complicated and it is better to provide quick narratives.
- There was some confusion as to the difference between audit and verification and companies noted that providing definitions would be useful.
- One company commented that the scope needs to be verified and many comments supported disclosing the depth of verification.
- One industry group noted a concern that establishing standards might be driving regulation, but the group noted it was pretty sure that GHG emissions regulation will evolve in any case.
- There was confusion over the concept of baseline protection and what a government agency might consider rigorous enough to be credible for baseline protection.
- There was a suggestion to consider including issues such as dispute resolution and FOIA issues in the guidance.
- One company noted the need to prevent double counting under the same scope, while others noted that it is difficult to handle the double counting issue in a verification protocol especially for project-based emissions reductions.

Monitoring

- There was some confusion on what is meant by CEMS versus a continuous meter.
- One company noted that in discussions with WRI, they defined it as “regular or appropriate monitoring” rather than CEMS.
- One company cited concern with the accuracy of CEMS as the data can vary versus fuel data.
- Another company suggested that their automated stacks (90% continuously monitored) may not need to be verified.
- Some companies noted concern with the level of error and disparity of electricity emissions factors.

Guidelines Peer Review Issues

- An industry group noted that it is absolutely mandatory that this paper be opened up for a technical review and one company agreed noting their concern with a paper developed by consultants about using consultant support.