

## Background Information

### ARB Mandatory Reporting Requirements and WCI January 2009 Background and Progress Report for Draft Essential Requirements for Mandatory Reporting (WCI January 2009 Reporting Document)

- ◆ **Key to Cap-and-Trade:** Emissions reporting will be the backbone of the California cap-and-trade program. Data from mandatory reporting provide information that assists in establishing the starting allowance budget and rules for distributing allowances.
- ◆ **Regulatory Actions, Timeline:** California's mandatory reporting rule is currently in effect, with reporting beginning in 2009 for 2008 emissions. The WCI Reporting Committee is developing Essential Requirements for reporting, including quantification methods and verification requirements. Once finalized, WCI Partner jurisdictions would adopt or revise mandatory reporting regulations consistent with WCI Essential Elements. **ARB does not plan to revise its mandatory reporting rules until the California cap-and-trade regulation is adopted in late 2010.** (See reverse for how WCI proposal differs from ARB mandatory reporting requirements in key areas.)
- ◆ **Reporting Threshold:** The entities and facilities subject to reporting in the WCI partner jurisdictions would include facilities with annual emissions equal to or greater than 10,000 metric tons of CO<sub>2</sub>e. In California, lowering the current reporting threshold from 25,000 metric tons of CO<sub>2</sub>e would add 200-300 facilities.
- ◆ **The ARB Mandatory Reporting Regulation** was one of the important starting points for work underway by the WCI Reporting Committee. Consequently, the WCI January 2009 Reporting Document is similar. The WCI Reporting Committee and Electricity Committee are continuing to examine options for electric sector reporting, including how best to support First Jurisdictional Deliverer (FJD) as the point of regulation.
- ◆ **Key Additions in the WCI Proposal:** Process emissions for 12 to 15 industrial source categories are included in the WCI January 2009 Reporting Document that are not part of California's reporting regulation. Additional methods are being developed for process emissions in the oil and gas sector; reporting provisions for suppliers of transportation fuels, and residential, commercial and industrial fuels remain to be developed.
- ◆ **Reporting Mechanism:** Under the WCI January 2009 Reporting Document, entities and facilities would report to the jurisdictions in which they are located. Data would then be uploaded to a common platform hosted by The Climate Registry (TCR).
- ◆ **Third-Party Verification:** Under the WCI January 2009 Reporting Document, procedures would establish a uniform accreditation system for verifiers based on ISO standards, plus a mechanism to demonstrate knowledge of WCI requirements.

### **Provisions in the WCI January 2009 Reporting Document that are Different from the ARB Mandatory Reporting Regulation**

- Lower reporting threshold of 10,000 MT CO<sub>2</sub> *equivalent*.
- Does not include an electric-sector threshold, while ARB's rule specifies 2,500 MT and 1 MW, both of which would be lower than WCI's general threshold for all reporters.
- Includes no exemptions for schools, hospitals, backup generators, although the WCI program design discusses that such exemptions may be considered.
- Includes reporting of industrial process emissions for about 10 specified sources with an additional 14 processes under consideration.
- Includes more stringent methods for general combustion facilities not combusting pipeline-quality natural gas that would require some fuel testing rather than default emission factors.
- Has more limited quantification methods for facilities burning biomass and waste-derived fuels when above the cap-and-trade threshold than ARB's regulation. Under the ARB regulation, waste-burning facilities are limited to CEMS monitoring; biomass facilities may conduct carbon testing. Another option under consideration is to add source testing.
- Moves away from electricity transaction reporting required to implement a load-based cap, toward information needed from first jurisdictional deliverers.
- Makes several relatively minor changes in quantification methods, e.g., further specification of sampling techniques.
- Includes fuel production and distribution reporting (transportation, commercial, residential, small industrial fuel usage) and methods to differentiate upstream and downstream coverage will follow in 2010.
- Includes annual third-party verification for all sources subject to the cap, without a triennial option.
- Includes potential changes to the verification administration by deferring some tasks to a central designee or body. All new WCI verifiers will be accredited to the ISO 14065 standard developed under ISO 17011. WCI may add additional accreditation requirements to any existing accreditation process.
- Proposes one reporting deadline (April 1), followed by a five-month verification period. This schedule may be revised as the cap-and-trade program begins.

Greenhouse Gas Reporting in a Cap-and-Trade Program  
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