WSPA

Western States Petroleum Association

MRR Amendments

Change of Verification Deadline
Measurement-related Concerns

May 17, 2016

Agenda

- **Overview of a Typical Verification**
- **Timeline of MRR Report Verification**
  - Data Collection Process
  - Data Reporting Process
  - Verification Planning/Preparation
  - Verification Process
- **Measurement-related Recommendations**

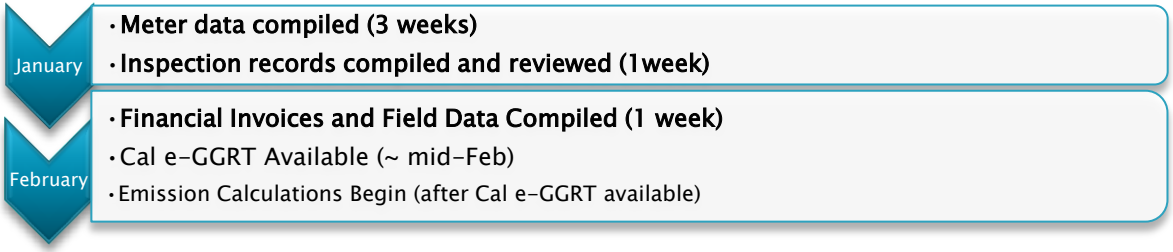
Overview of a Typical Verification

- **A Typical Report for a Major Facility includes:**
  - Data pulled from hundreds of data sources
  - Emissions reported for tens to hundreds of sources

- **Most companies submit reports for multiple facilities**

- **Most companies hire one (1) verifier to review all affected facility reports**
  - In many cases, a given verifier also works with several companies

Data Collection Process



- Meter data, especially December, not available until mid-January
- Typically, data quality, instrumentation inspection/calibration records are re-reviewed
- Financial invoices (electricity, natural gas, etc) are not typically available until early February for month of December

Data Reporting Process

February
- Financial Invoices and Field Data Compiled (1 week)
- **Cal e-GGRT Available (~ mid-Feb)**
- **Emission Calculations Begin (after Cal e-GGRT available)**

March
- **Emissions Calculated and QC'd (2 weeks)**
- **Data uploaded into Cal e-GGRT (2 weeks)**
- **Data uploaded into EPA e-GGRT (1 week)**

April
- **Final ARB guidance reviewed and reports adjusted accordingly**
- **Reports Submitted (April 10th)**
- Monitoring Plans and SOPs updated for guidance or Ops changes (1-2 weeks)
- Calculation spreadsheets formatted to ease review (2-3 day)

- Cal e-GGRT is made available in mid February
  - Before this, a given facility will not know what exact data needs to be reported and in which format
  - Every year there are changes in the data requested and/or the format it must be reported in (Examples include COI data)
- To ensure accurate GHG data, it must be compiled and undergo multiple layers of review
- ARB has consistently made changes to guidance documents through the beginning of April

Verification Planning/Preparations

April

- Final ARB guidance reviewed and reports adjusted accordingly
- Reports Submitted (April 10th)
- **Monitoring Plans and SOPs updated for guidance or Ops changes (1-2 weeks)**
- **Calculation spreadsheets formatted to ease review (2-3 day)**

May

- **Calculation spreadsheets and monitoring plan sent to verifier (sent usually in early May)**
- **Verifier prepares Sample Plan (1-2 weeks)**
- **Verifier site visits scheduled and facilities coordinate meeting with on-site personnel (1-2 weeks)**

- Monitoring Plans updated right after report submittal
  - To include changes in ARB guidance or changes that might have occurred at the end of the year
- Organize data and back-up information to facilitate the verifiers review
- Verifier reviews data to prepare the sampling plan and site visit agenda. Facilities must schedule site visits based on verifier and key staff availability
  - Scheduling of a site visit can take weeks with multiple facilities and plant tours, and may be changed or adjusted; safety training may be required
  - The verifier procurement process also requires time

Verification Process

June
- On-site visit at all facilities occur (can occur in June/July depending on verifier schedule)
- Verifier follow-up questions begin

July
- More Follow-up questions (1-2 weeks)
- Correctable errors identified by verifiers and discussed with facility (1-2 weeks)

August
- Correctable errors are resolved (1 week)
- Verification reports and statements finalized (1 week)
- Verification finalized (by Sept 1st)

- Site visits may require 3-4 days per facility
  - Most verifiers are only able to conduct a few site visits at a given time
- Verifiers typically have several questions after the site visit due to:
  - Questions regarding potential differences with other similar facilities
  - ARB guidance given during verification may require significant iterative questions
  - Data issues that evolve after the site visit
- When verifying several facilities at once, a verifier usually requires a few weeks to identify all correctable errors
  - Resolving most correctable errors requires reviewing multiple sets of data and/or making several updates to data

Complete Verification Timeline

January
- Meter data compiled (3 weeks)
- Inspection records compiled and reviewed (1week)

February
- Financial Invoices and Field Data Compiled (1 week)
- Cal e-GGRT Available (~ mid-Feb)
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Note: The timeline represents approximate workload for each step. The actual time may vary by complexity and facility

Limited Number of Qualified Verifiers

- Conflict of Interest (COI) requirements eliminate a lot of potential verifiers
  - WSPA member companies work with MANY of the companies that are qualified verifiers

- WSPA member companies, as a general rule, require verifiers with:
  - Enough staff to do the work
  - Multiple Lead Verifiers certified under “Transactions” AND “Oil and Gas”
  - Sophisticated enough to meet several procurement requirements (insurance, safety practices, etc.)
  - Experience working with a reasonably sized, similar type facility

- The above criteria results in the following:
  - A given WSPA member company may only have 2-6 qualified verifiers to pick from
  - Delays in the contracting process may occur since WSPA members want to be sure that qualified verifiers are knowledgeable and experienced.

- Verifier work scope usually not finalized until after April 10th because the requirements can change depending on ARB guidance or rulemaking

Verification Recommendations

- The September 1 verification deadline is the minimum time required.
- Implications of an August 1 due date include:
  - Verification quality could be impacted on key tasks
    - site visits and data checks
    - correctable errors
    - ARB iterative guidance
  - C&T allocations could be impacted by more report issues
  - ARB will be tasked with addressing correctable errors

Measurement-Related Recommendations

- **Internal Component (e.g. orifice plate) Inspection**
  - Amend regulation to require inspection at the same frequency as EPA MRR 98.34(b)(1)(iii), (iv), & (v) during maintenance cycles; reduces need for extension requests
- **Alternative Methods**
  - Amend regulation to allow use without ARB review/approval (as reflected in monitoring plan and subject to verifier review). Allow use of temporary method for full 365 days
- **Missing Data Provisions for CWB**
  - Amend regulation adding provision for use of missing data for CWB, consistent with similar provision for missing data for emissions (using worst case minimums instead of maximums, or a sliding penalty of 10%, 20%, and then 100% deduction)
- **Calibration Requirements**
  - Amend guidance document so that field transmitter calibration satisfies requirement without orifice plate inspection. Other programs such as SCAQMD's RECLAIM accept this practice
- **Methodology Changes**
  - Changes in methodology should be allowed for the reporting year as long as this methodology change is made prior to report submission (April 10 of the year following the reporting year)
- **Regulations and Guidance Document**
  - Should not introduce new requirements beyond what is in regulation or require retroactive action

Unnecessary Reporting Concerns

WSPA supports elimination of unnecessary reporting requirements

- Finished Products for Allocation: No longer used by ARB
- Primary Refinery Products: Not used for allowance allocation or fee assessment purposes
- Atomic Hydrogen and Energy Intensity Index (EII) Reporting Requirements: Such data should be gathered by non-regulatory means
- Additional Schematics and Drawings
- Hydrogen Purchase and Sale
- By-product Hydrogen
- Fuel Export Data: Exported fuels, marine fuels, and aviation fuels are not regulated under the C&T program and, thus, have no place in ARB's database

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Cost Containment

May 17, 2016

Agenda

- Industry Assistance
- Post-2020 Cap Setting
- Price Cap
- Offsets
- APCR
- Post-2020 Allocation of Purchased/Obtained Electricity

Industry Assistance

- Market and economic circumstances remain essentially unchanged
  - Only one linked jurisdiction
  - No comparable programs in other jurisdictions to level playing field
- No bearing on GHG emission reductions
  - "An allowance auction is not necessary to meet the AB 32 goal of reducing GHG emissions statewide to 1990 levels by 2020." (Legislative Analyst's Office letter to Assembly member Henry Perea, August 17, 2012)
- 100% IAF should be extended into third compliance period

Post-2020 Cap Setting

- WSPA supports ARB's proposed Option 1 - set cap to 1990 emissions baseline

- WSPA opposes Option 2 - arbitrary cap reset below 1990 emissions levels
  - EO B-30-15 specifies 40% ***below 1990 levels*** by 2030
  - Starting at lower level would reduce volume of allowances in constrained market
  - Option 2 would undermine cost containment features, including banking

- ARB should consider back-end-loaded approach
  - Allows more time to develop cost-effective technologies and projects

Price Cap

- Current regulation lacks mechanism to address spikes in demand during periods of market stress
- ARB should set maximum price at which it would sell additional allowances
  - Prevent potential market disruption
  - Reduce possibility of market volatility through possible market manipulation
- Market experts support a price cap
  - Emissions Market Assessment Committee
  - Market Simulation Group
  - Others

Offsets

- Greater need as cap declines, market becomes more constrained
  - Current under-use is misleading - due to complexity of requirements, lack of confidence in offset market
  - ARB forecasting supply shortage for third compliance period
  - Stakeholder objections based on concerns about localized criteria and toxics emissions - Cap and Trade is wrong program to address these issues
- ARB should expand offset opportunities, not retain current restrictions
  - Double 8% use limit, relax other restrictions
- WSPA supports ARB's proposals for sector-based offsets with modifications
  - Allow nested project crediting
  - Use existing third-party programs and standards

APCR

- WSPA supports reducing volume of allowances diverted to APCR and/or return of unused allowances to market
  - Establish volume of allowances needed in APCR
  - Index APCR price escalation to rate of inflation – support ARB proposals to eliminate 5% annual increase and collapse price tiers
  - Include process to address depletion of APCR - consider alternatives to restocking (e.g., purchase of offsets above quantitative use limit)

- WSPA opposes early retirement of allowances in APCR
  - Unauthorized reduction of the cap
  - Would create uncertainty and decrease market confidence, participation

Post-2020 Allocation Purchased/Obtained Electricity

- WSPA supports transfer of responsibility from CPUC to ARB for direct allocation to industrial entities.

- WSPA supports equitable refund treatment for entities that obtain power from IOUs, POUs and third parties.