



July 15, 2008

VIA ELECTRONIC AND U.S. MAIL

Doug Thompson
Manager, Climate Change Reporting Section
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95814

Re: Comments on California Air Resources Board -- Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, June 30, 2008

Dear Mr. Thompson:

El Paso Corporation (El Paso) respectfully submits the attached comments on the *Regulation for the Mandatory Reporting of Greenhouse Gas Emissions* released on June 30, 2008.

El Paso (NYSE: EP) provides natural gas and related energy products in a safe, efficient, and dependable manner. We are organized around two core businesses — pipelines and exploration and production. We own North America's largest natural gas pipeline system, transporting approximately one quarter of the natural gas consumed in the U.S. each day. In fact, El Paso provides over 30% of the natural gas consumed in California. In addition, our planned Ruby Pipeline will deliver well over an additional billion cubic feet per day of natural gas to meet California's immediate clean energy needs. Our exploration and production company ranks among the top 10 domestic independent natural gas producers operating in key onshore and offshore basins.

As an industry leader, we share the concerns being expressed by public and governmental stakeholders over the issue of greenhouse gases (GHGs). El Paso has been actively participating in national policy discussions and has instituted internal guiding principles on the issue of addressing climate change¹. In fact, we have announced that it is our goal to make our multi-billion dollar Ruby pipeline a carbon-neutral project, reducing or offsetting total GHG emissions by incorporating a number of GHG reduction/mitigation measures into the project. To El Paso's knowledge, the Ruby project is the first major natural gas pipeline to incorporate such GHG mitigation efforts in its plans.

We are also members of the California Climate Action Registry (CCAR) and have the honor of being the first natural gas transmission company to certify its California GHG emissions. Being an industry leader we understand the regulatory, technical and the commercial complexities associated with GHGs related to the natural gas sector. We have participated and communicated our experiences and recommendations

¹ <http://elpaso.com/CSR/neighborhoodhave.html>.

under both the AB32² and Western Climate Initiative (WCI) rule development. Additional leadership credentials are provided in Attachment 1.

Our commitment related to environmental issues carries out our core value of Stewardship as we always strive to be good stewards of the environment and within our communities.

El Paso previously commented on the draft Preliminary Regulations for the Mandatory Reporting of Greenhouse Gas Emissions released on August 10, 2007³. We appreciate and support the California Air Resources Board's (CARB) considerations of our comments. We offer these additional comments for your consideration and look forward to working with you on making the general reporting program a success. We hope you find these comments useful in your important work. As CARB deliberates the contours and content of a world-class cap-and-trade program in California and the WCI region, please feel free to contact me at (713) 420-7913 or fiji.george@elpaso.com, with questions or for further information or clarification.

Sincerely,

Fiji George

A handwritten signature in black ink, appearing to read 'Fiji George', with a stylized flourish at the end.

Manager, Corporate Development
El Paso Corporation

Attachment 1: El Paso's GHG Leadership Credentials

Attachment 2: El Paso Comments on the California Air Resources Board Regulation for Mandatory Reporting of Greenhouse Gas Emissions

² Multiple comments filed with California Public Utility Commission (CPUC), California Energy Commission (CEC) and California Air Resources Board (CARB).

³ El Paso Comments on Preliminary Draft Regulations for Mandatory Reporting of Greenhouse Gas Emissions dated September 5, 2007.



ATTACHMENT 1

EL PASO'S GHG LEADERSHIP CREDENTIALS

- El Paso has been actively participating in national and international policy discussions and has instituted internal guiding principles on the issue of global climate change.⁴
- El Paso has been a member of the California Climate Action Registry (CCAR) since 2006. In June 2007, El Paso became the first natural gas transmission company to file an emissions inventory covering all applicable greenhouse gases (GHGs), including methane, N₂O and CO₂. On July 16th of 2007 El Paso became the first natural gas company to certify its GHG emissions and earn the status of Climate Action Leader. Indeed, we were also the first CCAR member to report and certify an emissions inventory for 2006.⁵ On December 31, 2007, El Paso registered its 2006 GHG emission estimates under DOE 1605(b) requirements.
- El Paso is a member of The Climate Registry's Advisory Committee.⁶ As part of the Advisory Committee, El Paso provides input on technical elements associated with The Climate Registry's design and implementation, and may also provide feedback on broader policy issues that could affect the organization's support of state and provincial climate programs.
- El Paso is part of the Natural Gas Protocol Workgroup facilitated by the CCAR and the World Resources Institute (WRI) with the goal to produce a guidance document and protocol for estimating GHG emissions from Natural Gas Transmission, Storage and Distribution sectors. The protocol and calculation tool(s), which will be developed through a stakeholder workgroup process, will supplement the *California Climate Action Registry's General Reporting Protocol*⁷ and the WRI/World Business Council for Sustainable Development Greenhouse Gas Protocol - A Corporate Reporting and Accounting Standard.⁸
- The El Paso Pipeline Group's GHG emission reductions from participation in the EPA Natural Gas Star Program total over 55 billion cubic feet, or approximately 20 million tons of CO₂e, since 1993. These and many other internal initiatives have ensured that the El Paso Pipeline Group's Lost And Unaccounted For (LAUF) gas was less than 0.15% for 2006.

⁴ El Paso's first internal (2004) GHG inventory was completed in 2005. El Paso's 2005 GHG inventory for the pipeline group successfully underwent a third-party verification process. In addition, El Paso has produced a corporate GHG Inventory Management Plan and a pipeline GHG Inventory Technical Manual, and is in the process of developing a GHG Information Management System.

⁵ El Paso's 2006 entity-level emissions report is available at <http://www.climateregistry.org/CARROT/public/reports.aspx>.

⁶ El Paso was nominated for this position by California Environmental Protection Agency.

⁷ http://www.climateregistry.org/docs/PROTOCOLS/GRP%20V2-March2007_web.pdf.

⁸ <http://www.ghgprotocol.org/templates/GHG5/layout.asp?type=p&MenuId=ODg4&doOpen=1&ClickMenu=No>.



- El Paso is part of the Coalition for Emission Reduction Projects (CERP), which aims to educate policy-makers about the key role that offsets can play in a U.S. cap-and-trade program. The CERP is a unique group, which brings together leading companies in the energy, financial and offset provider sectors.
- El Paso maintains leadership positions in the Interstate Natural Gas Association of America (INGAA) on GHG and in the development of the INGAA Greenhouse Gas Emissions Estimation Guidelines for Natural Gas Transmission and Storage.
- El Paso is part of the Liquefied Natural Gas (LNG) Protocol Workgroup facilitated by the Cleaner Fossil Energy Task Force of the Asia Pacific Partnership and lead by the American Petroleum Institute.
- El Paso was recognized for its technical, regulatory, and policy leadership on GHG issues by Southern Gas Association (SGA), and became a recipient of the 2007 SGA's Environmental Stewardship Excellence Award.

El Paso's expertise with respect to GHG emissions inventory and reporting has been documented several times at various workshops and conferences. Some recent presentations include:

- Annual California Climate Action Registry Conference, Dana Point, CA, April 2006⁹;
- Greenhouse Gas Emissions Estimation & Inventories, Brussels, Belgium, January 2007¹⁰;
- EUCI, Charlotte, NC, December 2007;
- 14th Annual Natural Gas STAR Implementation Workshop, Houston, TX, October 2007¹¹;
- EUEC, Tucson, AZ, January 2008;
- API, Denver, March 2008;
- Pipeline and Gas Forum, Houston, TX, March 2008;
- LDC Forum, Houston, TX, April 2008;
- EUCI, San Diego, CA, May 2008;
- California Climate Registry Annual Conference, San Diego, CA, May 2008;
- U.S. Chamber of Commerce Climate Change Conference, Washington DC, May 2008;
- Carbon Finance and Investment Summit, New York, May 2008; and
- Carbon Counting 2008, Chicago, July 2008.

⁹ http://www.climateregistry.org/docs/EVENTS/El%20Paso_041906.pdf

¹⁰ http://www.ipieca.org/activities/climate_change/downloads/workshops/jan_07/5%20George.pdf

¹¹ http://www.epa.gov/gasstar/pdf/14thmeet_agenda.pdf



ATTACHMENT 2

El Paso Comments on the California Air Resources Board Regulation for Mandatory Reporting of Greenhouse Gas Emissions released on June 30, 2008

El Paso Corporation (El Paso) commends California Air Resource Board's (CARB) efforts in developing comprehensive greenhouse gas (GHG) reporting regulations under the authority of AB32. We have always maintained that comprehensive reporting forms the bedrock of GHG management and reduction programs whether as a regulated entity or the regulating agency. The European experience of developing a cap and trade program without adequate emissions inventories is well documented and is an experience we will hopefully avoid in the United States.

We support CARB's approach targeting GHG emission source and activities with reasonably well-established emission calculation methodologies and emission factors. This approach will minimize the reporting burden on affected entities and facilitate verification of emissions with reasonable assurance level. It will also result in a better understanding of actual California GHG emissions and therefore will form the basis of future carbon management programs in both California and the Western Climate Initiative (WCI). Our recommendations continue to be based on balancing the need for comprehensive and transparent reporting with minimizing the reporting burden on regulated entities.

Section I - Comments on Preliminary Draft Regulation for Mandatory Reporting of Greenhouse Gas Emissions (95101-95125);

1. 95101. Applicability

9501(b)(8) states that the proposed regulations apply to "Operators of other facilities in California that emit greater than or equal to 25,000 metric tonnes per year of CO₂ from stationary combustion sources in a report any calendar year after 2007." To avoid any ambiguity in the intent of the proposed regulation, we recommend the following revisions:

"Operators of other facilities in California that have *direct emissions* greater than or equal to 25,000 metric tonnes per year of CO₂ from stationary combustion sources in a any calendar year after 2007. *Fugitive and process emissions at the facility shall not be included in the determination of applicability to this subpart*"



2. 95102. Definitions

El Paso commends CARB on its outstanding efforts in adding new definitions and clarifying, consolidating, and/or refining initially-proposed definitions in this section. El Paso has some suggestions to provide further clarity.

a. 95102(a)(86) “Fugitive emissions” and 95102(a)(158) “Process emissions”.

Fugitive emissions are currently defined as “the unintended or incidental emissions of greenhouse gases from the transmission, processing, storage, use, or transportation of fossil fuels or other materials, including but not limited two to HFCs from refrigeration leaks, SF₆ from electric power distribution equipment, methane from mined coal, and CO₂ emitted from geyser steam and/or fluid used in geothermal generating facilities.”

Process emissions are defined as “greenhouse gas emissions other than combustion emissions occurring as a result of a process”, where a “process” is defined as “intentional or unintentional reactions between substances or their transformation, including but not limited to, the chemical or electrolytic reductions of metal ores, the thermal decomposition of substances, and the formation of substances for use a product or feedstock.”

El Paso understands that fugitive and process emissions shall not be counted in the determination of the applicability threshold of 25,000 MT of CO₂ from combustion sources. However, in the future the regulations may encompass the natural gas transmission and distribution sector, and reporting of GHG emissions may include other categories of direct emissions, such as process and fugitives. El Paso would like to bring to the CARB’s attention that the proposed definitions of fugitive and process emissions do not adequately address certain emission sources encountered in the natural gas sector known as “vented emissions”. “Vented emissions” are direct releases to the atmosphere resulting from equipment design, regular process operations, maintenance activities, or emergency releases. Examples include planned events such as equipment blowdowns, pneumatic devices that utilize gas pressure as a motive source and unplanned events such as emergency shutdowns and pipeline dig-ins. The “vented” emissions clearly do not fall under “process” emissions as defined in this regulation but may not be “unintended or incidental” to meet the definition of “fugitive emissions”. To clarify, El Paso proposes to add a statement to the fugitive emission definition that “*fugitive emissions are any emissions that are not process emissions*”.

b. 95102(a)(89) “General stationary combustion facility”.

El Paso supports the 25,000 MT of CO₂/year applicability threshold for general stationary combustion sources. However we recommend the following revision:



“General stationary combustion facility means a facility not otherwise subject to sector-specific reporting requirements that emits >25,000 metric tonnes of CO₂ in 2008 or any subsequent year from stationary combustion sources. *Fugitive and process emissions at the facility are not to be included in determination of applicability to this subpart.*”

c. 95102(a)(139) “Operator” and 95102(a)(140) “Operational control”

El Paso supports changes to the language addressing the definition of an “operator” and “operational control”. It is El Paso’s opinion that the operational control option for reporting emissions is the best approach.

d. 95102(a)(201) “Verification cycle”.

El Paso supports the concept of multiple year verification cycles with the first year of “Full verification” and less intensive verification activities in the remaining years.

3. 95103. General Greenhouse Gas Reporting Requirements

a. 95103(a)(6) “Calculation and reporting procedures for de minimis sources”.

The collective de minimis threshold is proposed at 3% of the facility’s total CO₂ equivalent emissions, not to exceed 20,000 metric tonnes CO₂ equivalent emissions. El Paso suggests that CARB eliminate the threshold of 20,000 MT CO₂e and rely solely on the 3% threshold. We also recommend including a de-minimis activity list under the Title V Program as qualified de-minimis activities under this subpart that need no further computation or accounting.

b. 95103(e)(1) “Cessation of Reporting after Reduced Emissions”

95103(e)(1) provides provisions for cessation of reporting GHG emissions upon reducing reportable emissions to 20,000 MT CO₂e for three consecutive years. El Paso supports this language change.

c. 95103(b) Reporting Schedule – Existing Facilities

95103(b)(1) provides that most of the affected facilities will be subject to the reporting deadline of April 1 and the verification deadline of October 1. El Paso proposes a reporting deadline of June 30 to mirror California Climate Action Registry (CCAR) and The Climate Registry (TCR) requirements.



4. 95105. Document Retention and Record Keeping Requirement

- a. Document retention.

El Paso supports the proposed document retention period of 5 years.

- b. Recordkeeping location.

El Paso suggests the addition of the following sentence: *“Records required under this section can be maintained at the facility or at the operator’s central recordkeeping facility.”*

5. 95115 – Data Requirements and Calculation Methods for General Stationary Combustion Facilities.

- a. 95115(b)(2) “Calculation of CO₂ emissions”

El Paso suggests that the proposed regulations provide in 95115(b)(2) for an option to use a mass balance method based on actual composition to calculate CO₂ emissions from combustion for facilities other than those identified by the NAICS code 211111. This method is described in 95125(d)(3). The mass balance method would yield accuracy in between method 95115(b)(2)(A) (CEMS) and method 95115(b)(2)(B) (default emission factors and high heating value). Natural gas companies such as El Paso have site-specific information available for natural gas used as fuel. For entities that report GHG emission to other agencies, as El Paso does, this will reduce the burden of using two different methodologies for reporting the same emissions and possibly reporting different emissions to each registry.



Section II - Comments on Appendix A “ARB Compendium of Emission Factors and Methods to Support Mandatory Reporting of Greenhouse Gas Emissions”

- a. Factors to be included in a guidance document. We recommend against inclusion of emission factors in the final regulations. We suggest placing the emission factors in a guidance document instead. Inclusion of the factors in the regulation will make it very difficult to update them without going through regulatory revisions.
- b. Operator-defined factors. El Paso recommends that the proposed regulations permit use of operator-defined factors in place of the default factors. Operator-defined factors are factors established by the operator through measurements/testing or could be any equipment-specific factors documented in literature.