

State of California
AIR RESOURCES BOARD

**STAFF REPORT: INITIAL STATEMENT OF REASONS
FOR RULEMAKING**

**PROPOSED AMENDMENTS TO THE
REGULATION FOR THE MANDATORY REPORTING
OF GREENHOUSE GAS EMISSIONS**

Date of Release: July 29, 2014

Scheduled for Consideration: September 18, 2014

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EXECUTIVE SUMMARY

Air Resources Board (ARB or Board) staff is proposing to amend the Regulation for the Mandatory Reporting of Greenhouse Gas (GHG) Emissions (reporting regulation or MRR) to ensure the reported GHG data are accurate and fully support the California Cap on Greenhouse Gas Emissions and Market Based Compliance Mechanisms (title 17, California Code of Regulations, section 95800 et seq.) (Cap-and-Trade Regulation). Staff is also proposing revisions to integrate the AB 32 Cost of Implementation Fee Regulation (title 17, California Code of Regulations, section 95201 et seq.) (COI Fee Regulation) data reporting requirements into MRR to streamline reporting, and to collect information needed for the ARB's statewide greenhouse gas emission inventory and other ARB climate change programs.

This staff report presents ARB staff's proposal to amend the reporting regulation. The staff report discusses the reasons for the proposed amendments and the potential impacts from the regulatory changes. The proposed amendments represent minor but necessary revisions to the current reporting regulation. The proposed changes correct or clarify the reporting requirements necessary for submittal of complete and accurate emissions data reports, and add or clarify data elements for product and other data reporting necessary to support the Cap-and-Trade Regulation, integrate the COI Fee Regulation data reporting requirements into MRR, and collect additional information for legacy contract generators and methane leaks from natural gas distribution systems. In addition, staff has proposed minor method changes to harmonize with the U.S. Environmental Protection Agency (U.S. EPA) greenhouse gas reporting rule changes for the oil and gas sector and to improve data collection.

Background

The Global Warming Solutions Act of 2006 (Assembly Bill 32, or AB 32) requires California to cut greenhouse gas emissions to 1990 levels by 2020, to continue and maintain reductions beyond 2020, and to develop a comprehensive strategy to reduce dependence on fossil fuels, stimulate investment in clean and efficient technologies, and improve air quality and public health. AB 32 also requires ARB to adopt regulations for the mandatory reporting of greenhouse gas emissions in order to monitor and enforce compliance with ARB's GHG emissions reduction actions, including market based compliance mechanisms. The reporting regulation was originally developed and adopted by ARB in December 2007. In December 2010, the Board adopted amendments to the reporting regulation in order to harmonize with the GHG reporting requirements of U.S. EPA, to support California's Cap-and-Trade Regulation, and to ensure consistency with the Western Climate Initiative (WCI) reporting structure. In September 2012, the Board adopted amendments to the reporting regulation in order to continue harmonization with U.S. EPA, as well as add conforming definitions to the Cap-and-Trade Regulation and the COI Fee Regulation. In September 2013, the Board adopted amendments to clarify the reporting requirements, support the Cap-and-Trade Regulation, and other updates.

Since the Board's October 2013 action, ARB staff has identified additional clarifications to the California regulatory requirements that are needed to support the Cap-and-Trade

Regulation and harmonize MRR and COI Fee Regulation reporting. Also, as with previous amendments to the reporting regulation, ARB is continuing to harmonize with U.S. EPA rule revisions, to the extent feasible and where appropriate.

Objectives of the Proposed Amendments

ARB staff has proposed amendments to the regulations in order to:

- Support California's Cap-and-Trade Regulation by requiring further information in order to ensure consistency with allocation and the calculation of compliance obligations.
- Integrate the COI Fee Regulation data reporting requirements into MRR to provide for streamlined and more consistent data reporting.
- Ensure that reported GHG emissions data are accurate and complete in order to support California's GHG reduction programs, including the statewide GHG emissions inventory.

The proposed amendments to MRR do not change the overall reporting structure. These proposed amendments improve upon, clarify, and add to the existing requirements.

Overview of the Proposed Amendments

Table ES-1 provides a summary of the key amendments proposed to the regulations. More complete descriptions of the proposed amendments are found in the succeeding chapters of this report.

Table ES-1
Summary of Proposed Regulatory Amendments to the
Regulation for Mandatory Reporting of Greenhouse Gas Emissions

Topic/Sector	Proposed Regulatory Updates
General	<ul style="list-style-type: none"> • Minor updates for typographical errors and clarity that do not materially affect the reporting requirements • Definition updates and additions, as needed • Updates to the changes in methodology section (section 95103(m)) for clarity and include updates to product data methods
Integrate COI Fee Reporting	<ul style="list-style-type: none"> • Provide consistency and reduce complexity of reporting • Minimal new requirements • Transferring existing data reporting requirements to MRR
Product Data Reporting for Refineries, Hydrogen, and Others	<ul style="list-style-type: none"> • Product data definition and reporting clarifications for several sectors including milk production, tomato products, dehydrated products, and tissue to align with the Cap-and-Trade Regulation • Correction to refinery complexity weighted barrel equation to be consistent with the Cap-and-Trade Regulation • Clarify definitions of on-purpose and by-product hydrogen • Clarify that primary refinery product does not include products produced by another facility • Specify that sales data or inventory data can be used for reporting product data for the petroleum and natural gas systems sector
Petroleum and Natural Gas Production	<ul style="list-style-type: none"> • Clarify reporting requirements • Exempt small equipment blowdowns • Report emissions associated with compressor start-ups • Add voluntary reporting of steam used for enhanced oil recovery produced using renewable methods
Fuel Suppliers	<ul style="list-style-type: none"> • Clarify reporting requirements for biofuel delivered outside the bulk transfer/terminal system • Include renewable diesel as a reportable fuel • Clarify the LPG reporting requirements for NGL fractionators • Clarify biomethane deliveries reporting requirements
Electric Power Entities	<ul style="list-style-type: none"> • Specify that entities must use a transmission loss factor of 1.02 for busbar measurement • Narrow applicability of meter data reporting and specify lesser of analysis • Include reporting elements on non-IOU electrical distribution utility sales into California Independent System Operator (CAISO) market
Legacy Contracts	<ul style="list-style-type: none"> • Specify reporting requirements for legacy contract transition assistance applicants • Provide additional detail in energy flow diagrams required per

Topic/Sector	Proposed Regulatory Updates
	section 95112(a)(6)
Natural Gas Transmission and Distribution Leaks	<ul style="list-style-type: none"> • Add requirement for natural gas providers to report emissions associated with methane leaks • Provide residential, commercial, and industrial gas meter counts • Provide estimated emissions associated with inadvertent dig-ins to pipelines
Verification	<ul style="list-style-type: none"> • Made clear that natural gas purchase data is subject to verification • Made clear that erroneous NAICS codes must be corrected prior to final report submission • Improved clarity of conflict of interest and verification duration requirements

Staff Recommendation

Staff recommends that the Board adopt the proposed amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

I. INTRODUCTION AND BACKGROUND

This staff report presents proposed amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas (GHG) Emissions, developed pursuant to the California Global Warming Solutions Act of 2006 (Assembly Bill 32 or AB 32).

A. Overview of Prior Regulatory Actions

The Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (reporting regulation or MRR) was originally developed pursuant to AB 32, and adopted by the Air Resources Board (ARB or Board) in December 2007 (ARB MRR 2007). In December 2010, ARB adopted substantial revisions to the original regulation to harmonize with the U.S. Environmental Protection Agency (U.S. EPA) federal mandatory GHG reporting requirements contained in title 40, Code of Federal Regulations (CFR), Part 98; to support the California Cap-and-Trade Program; and to align with the Western Climate Initiative (WCI) reporting structure, which became effective on January 1, 2012.

Revisions were made in 2012 to continue alignment with U.S. EPA, further support the Cap-and-Trade Program, the COI Fee Regulation and the statewide GHG inventory. These revisions became effective January 1, 2013. Further revisions were made in 2013 to clarify the reporting requirements and support Cap-and-Trade Program needs which became effective on January 1, 2014. The full regulatory record and background for these four previous GHG reporting regulation rulemakings is available here:

<http://www.arb.ca.gov/regact/2007/ghg2007/ghg2007.htm> (ARB MRR 2007)

<http://www.arb.ca.gov/regact/2010/ghg2010/ghg2010.htm> (ARB MRR 2010)

<http://www.arb.ca.gov/regact/2012/ghg2012/ghg2012.htm> (ARB MRR 2012)

<http://www.arb.ca.gov/regact/2013/ghg2013/ghg2013.htm> (ARB MRR 2013)

B. Specific Purpose for the Adoption of the Proposed Regulatory Revisions

ARB staff has proposed amendments to the regulations in order to:

- Support California's Cap-and-Trade Program by clarifying reporting requirements to support the calculation of compliance obligations, product data verification procedures, and adding additional product and other data reporting to support allowance allocation;
- Integrate the COI Fee Regulation data reporting requirements into the reporting regulation to provide for streamlined and more consistent data reporting; and
- Clarify that reported GHG emissions data are accurate and complete in order to support California's GHG reduction programs, including the statewide GHG emission inventory.

Similar to past rulemakings, ARB staff is continuing efforts to harmonize with U.S. EPA rule revisions to the extent feasible and where appropriate. The proposed amendments to the reporting regulation are necessary to further ensure complete and accurate GHG reporting by clarifying reporting requirements, updating emission estimation methods, clarifying verification requirements, and including additional or

modified definitions reflecting the other modifications. The proposed amendments do not change the overall reporting structure or requirements of the reporting regulation.

II. STATEMENT OF REASONS

A. DESCRIPTION OF PROBLEM PROPOSAL IS INTENDED TO ADDRESS

In order to carry out the goals of AB 32, a robust and accurate greenhouse gas reporting program is necessary to track emissions from reporting entities over time and to demonstrate progress in reducing GHG emissions. Additionally, the reported data are the foundation of the California Cap-and-Trade Program and must be complete and accurate in order to successfully implement the market program.

The proposed amendments clarify the existing requirements, harmonize the mandatory reporting and COI Fee Regulation data reporting requirements, add targeted new requirements necessary to support the GHG emissions reduction goals of AB 32 and the Cap-and-Trade Program, and support the GHG annual inventory and other ARB inventory and climate change programs.

In addition to the summary information in this chapter, each update is discussed individually in Chapter VII, Summary and Rationale.

B. PROPOSED SOLUTIONS TO THE PROBLEM

This section summarizes the key proposed revisions to the reporting regulation. The general rationale for the updates is to support the Cap-and-Trade Program, the Cost of Implementation Fees program, and to support the GHG emissions inventory and other ARB programs. In supporting the Cap-and-Trade Program, data are needed to calculate reporting entities' compliance obligations and for allowance allocation. For GHG emissions inventory support, additional requirements (particularly for methane leaks) give a clearer picture of the current portfolio of GHG emissions in the state, and a better understanding of the progress towards future GHG emissions goals.

General: Staff has proposed modifications in a number of sections to correct typographical errors, clerical oversights, and internal referencing. None of these minor modifications are intended to alter the requirements. Staff also updated the section related to changes in methodology (section 95103(m) to clarify the procedures for changing methods, and to explicitly identify that the provisions also apply to product data methods.

Applicability: Staff proposed revisions in this section to clarify reporting applicability for biofuel production facilities that produce and deliver transportation fuels outside the bulk terminal/transfer system. The changes do not impose any new requirements.

Definition Clarifications and Additions: Staff proposed clarifications to existing definitions to minimize ambiguity. Staff added a small number of new definitions to support updated provisions described in the ISOR and to harmonize with Cap-and-Trade Regulation definitions.

Integrate COI Fee Regulation Reporting: In order to provide consistency and reduce the complexity of reporting, staff has proposed including the GHG data reporting requirements that were previously in the COI Fee Regulation into MRR. This change does not impose new requirements, but only shifts the reporting requirements to MRR.

Product Data Reporting: In addition to clarifying and adding selected product data definitions to align with the Cap-and-Trade Regulation and industry standards for reporting, the product data reporting requirements for tissue producers and tomato processors were modified to more specifically identify the reportable products and required data, and product data requirements were added for wineries.

Refinery Product Data: Staff proposed updates to reporting primary refinery products to clarify that refineries do not report products produced by another facility as product data, and that sales data must be adjusted to reflect a facility's actual production. Also, staff updated the Complexity Weighted Barrel (CWB) data reporting requirements for clarity, but do not impose additional reporting requirements.

Hydrogen Production: Staff modified the product data definitions for "on-purpose hydrogen" and "by-product hydrogen" to clarify that they refer to pure molecular hydrogen gas, and explicitly exclude impurities that are not hydrogen gas.

Petroleum and Natural Gas Systems: For this sector, staff has proposed several edits for clarity, and to correct errors and typos. Staff also added an exemption so equipment blowdowns that are less than 50 standard cubic feet are no longer subject to reporting. Staff also proposed amendments to the flare emissions equations to provide greater clarity.

Staff added a requirement to report the natural gas emissions associated with starting up centrifugal compressors, which will affect only a few reporters. Staff also clarified the existing product data reporting requirements for petroleum and natural gas systems. Finally, staff included a mechanism for voluntarily reporting the quantity of enhanced oil recovery steam produced via renewable methods, which can be used to begin evaluation of the use of renewable methods, such as solar, for oil and gas production.

Fuel Suppliers: Staff proposed amendments to clarify that enterers and in-state biofuel production facilities must report biofuel delivered outside the bulk transfer/terminal system. Staff also added renewable diesel as a reportable biomass-derived transportation fuel and provided clarifications to LPG reporting requirements for NGL fractionators. Staff also clarified how, and under what circumstances, natural gas suppliers should report biomethane deliveries.

Electric Power Entities: For electric power entities (EPE), staff proposed revisions to require that EPEs use a transmission loss factor of 1.02 for specified source claims, and to clarify data sources used in the calculation of specified source emission factors.

In section 95111(g)(1)(N), staff also included an equation in the regulation that reporters must use to determine the amount of generated and scheduled power that can be reported as specified source power, also known as a "lesser of" analysis. Using this analysis, reporters would determine the amount of power that can be reported as specified if there is a difference between the amount of electricity generated within an hour and the amount of electricity scheduled or metered into a California balancing

authority within that same hour. Reporters must only report the lesser of the two amounts as directly delivered specified source power. The lesser of analysis is only applicable to certain types of imports, and staff has identified the types of imports that are exempt from the analysis.

In addition, staff proposed including reporting elements in section 95111(a)(12) on electricity sales into the CAISO market by non-IOU electric distribution utilities to quantify the electricity sales that would be subject to the prohibition on uses of allowance value specified in the Cap-and-Trade Regulation.

Legacy Contract Generators: To better evaluate emissions and help ARB identify the correct amount of transition assistance associated with legacy contracts, staff proposed that legacy contract generators provide additional detail in the energy flow diagrams that are currently submitted.

Natural Gas Transmission and Distribution Leaks: For natural gas providers and pipelines, in order to collect additional methane emissions data, staff proposed a reporting requirement to submit meter count information and emissions associated with dig-ins to pipelines. These data will be provided to ARB from existing operator records and the amendments do not require additional monitoring or testing.

Verification Requirements: To ensure the quality and completeness of data collected under MRR, staff clarified that natural gas purchase data by facilities are subject to verification for conformance with reporting requirements. Also, staff added that if an incorrect North American Industry Classification System (NAICS) code is not corrected prior to final report submission, the report will receive an adverse verification opinion. Staff also added provisions to improve the clarity and strength of conflict of interest requirements and the requirements concerning the duration for which verifiers may serve a reporting entity.

Reporting 2014 data in 2015: Because the proposed amendments to this reporting regulation will become effective after the data have been collected for 2014, staff describes how the new reporting requirements are applied to 2014 data reported in 2015. Staff included provisions for indicating which requirements are applicable for 2015 data reported in 2016, and when best available methods (BAM) are acceptable for 2015 data reported in 2016.

C. RATIONALE SUPPORTING THE PROPOSED SOLUTIONS

The amendments are being made to ensure the most accurate GHG data are reported and verified to support the Cap-and-Trade Program, COI Fees program, ARB's GHG emissions inventory, and other ARB emissions and climate change programs. Anticipated benefits of the proposed amendments include improved clarity for reporting entities as to their reporting requirements, more complete and accurate GHG emissions estimates, improved clarity and data to support the statewide greenhouse inventory program, and continued robust methods for reporting emissions and product data in order to support ARB's Cap-and-Trade Program and other related programs.

D. ALTERNATIVES CONSIDERED

California Government Code section 11346.2 requires ARB to consider and evaluate reasonable alternatives to the proposed regulatory action and provide reasons for

rejecting those alternatives. This section discusses alternatives evaluated and provides reasons why these alternatives were not included in the proposed revised regulation. ARB staff did not find any of the alternatives considered to be more effective in carrying out the purpose for which the revised regulation is proposed, or to be as effective or less burdensome to affected businesses, than the proposed revised regulation.

Take No Action Alternative for Complete Regulation. An overall “no action” alternative means that no revisions would be made to the existing California GHG reporting regulation. Under this alternative, ARB and reporting entities would continue to operate pursuant to the requirements of the existing regulation. If ARB were to take no action, reporting entities subject to the existing GHG regulation would prepare California-specific emissions data reports which are not fully supportive of ARB GHG inventory and Cap-and-Trade Programs. In addition, without action, the clarifications and updates proposed would not be implemented, leading to incomplete and potentially incorrect data reporting. For these reasons, the take no action alternative is neither practical nor beneficial to ARB and its affected reporters.

The following sections provide additional discussion of alternatives considered for proposed changes that may lead to additional requirements or costs for reporters.

Performance Standards in lieu of MRR Amendments.

California Government Code 11346.2(b)(4)(A) provides that “In the case of a regulation that would mandate the use of specific technologies or equipment or prescribe specific actions or procedures, the imposition of performance standards shall be considered as an alternative.” A non-prescriptive performance standard would not meet the purposes required by MRR, or the underlying statute. The reporting regulation must set forth a well-defined and consistent set of procedures for emission estimation, reporting, and verification in order to meet specific ARB requirements under AB 32 and in support of the Cap-and-Trade and Cost of Implementation Fees programs. A general performance standard, which does not define specific means of compliance, would not be reasonable because it would not allow ARB to maintain the necessary GHG reporting and verification requirements that support critical ARB program requirements. Therefore, because these core requirements are not compatible with flexible performance standards, it was not considered further.

Additional Qualitative Data Collection Requirements.

Staff has proposed requirements to include additional descriptive and qualitative information that has a minimal impact on reporters or costs, but which significantly improve the usefulness of collected data. This primarily includes clarifications or minimal additional data for hydrogen product data, refinery product data, fuel suppliers, wineries, electric power entities, and legacy contract data.

Two alternatives were considered in making these revisions. The first was to not collect the additional data (no action alternative). This alternative would reduce the utility of data being collected and needed for the Cap-and-Trade Program and GHG inventory analysis purposes. The second alternative considered was to collect the data from

other sources. This alternative would require contacting affected facilities, air districts, or obtaining other data sources, which would be extremely resource intensive for both ARB and for the reporting entities. Instead, the most efficient and cost effective approach is to update the regulation as proposed, and require reporting of the additional information via the existing GHG mandatory reporting regulation, through the existing ARB greenhouse gas reporting tool. Therefore, neither of these alternatives considered by the agency would be more effective in carrying out the purpose for which the revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed revisions.

Integration of COI Fee Regulation Reporting Into MRR

Staff has proposed revisions to incorporate the data reporting requirements of the COI Fee Regulation into MRR in order to streamline and simplify reporting. The updates do not require reporting of new or additional data, but consolidate the reporting requirements into MRR. One alternative was considered in making these revisions. This alternative would retain the current overlapping and somewhat confusing reporting requirements between the COI and MRR, which produces increased workload for reporters, requires additional ARB staff time to evaluate data used for the COI program, and leads to potentially inaccurate data. This option would reduce the reporting efficiency, completeness, and accuracy of data being collected and needed for the COI Fees program. Therefore, this alternative was rejected since it would be less effective in carrying out the purpose for which the revisions are proposed, and more burdensome to affected private persons than the proposed revisions.

Product Data Reporting Updates for Industry Sectors

In order to support the Cap-and-Trade Program and provide free allocation to reporting facilities, it is crucial to collect accurate and complete production data. The proposed changes include clarifications to product data reporting for tomato processors, dairies, hydrogen producers, and refineries. Also, product data requirements were added for wineries, and they were modified for tissue manufacturers to provide production of individual tissue products. Other minor changes and additions to product data definitions were made to conform to the Cap-and-Trade Regulation.

Two alternatives were considered in making these revisions. The first was to not include the clarifications or collect the additional data (no action alternative). This alternative would reduce the utility of data being collected, lead to inaccurate data reporting, and prevent certain sectors from receiving free allowances under the Cap-and-Trade Program. The second alternative considered was to collect the data from other sources. This alternative would require separately contacting affected facilities individually, which would be extremely resource intensive and duplicative for both the ARB and for the reporting entities. Instead, the most efficient and cost effective approach is to update the regulation as proposed, and require reporting of the information via the existing GHG mandatory reporting regulation, through the existing ARB greenhouse gas reporting tool. Therefore, neither of these alternatives considered by the agency would be more effective in carrying out the purpose for which the

revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed revisions.

Requirements for Petroleum and Natural Gas Systems. The proposed changes for this sector were included to clarify the reporting requirements, update typographical errors, exempt very small blowdown sources, add compressor natural gas start-up emissions, and add voluntary reporting for reporting steam produced using renewable methods. The two alternatives considered were taking no action and directly adopting the associated U.S. EPA regulations, not exempting small equipment blowdowns, or including compressor startup emissions. Not taking action would provide incomplete and inaccurate data reporting. Adopting the associated U.S. EPA requirements is an inadequate alternative because the data collected would not be sufficiently accurate or complete to meet ARB program needs, including the Cap-and-Trade Program. By not exempting small equipment, an unnecessary reporting burden is created. Not including compressor startup emissions in the proposed revisions prevents collection of data necessary to quantify methane GHG emissions from the source. Therefore, neither of these alternatives considered by the agency would be more effective in carrying out the purpose for which the revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed revisions.

Fuel Supplier Revisions

Staff proposed updates to the regulation to clarify and improve the fuel supplier data reporting requirements as discussed previously. Two alternatives were considered in making these revisions. The first was to not include the clarifications or collect the additional data (no action alternative). This alternative would provide incomplete and potentially inaccurate data needed to support ARB programs. The second alternative considered was to collect the data from other sources. This alternative would require separately contacting affected facilities individually, which would be very resource intensive and duplicative for both the ARB and for the reporting entities. Instead, the most efficient and cost effective approach is to update the regulation as proposed, and require reporting of the information via the existing GHG mandatory reporting regulation, through the existing ARB greenhouse gas reporting tool. Therefore, neither of these alternatives considered by the agency would be more effective in carrying out the purpose for which the revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed revisions.

Electric Power Entity Updates

Staff proposed updates to MRR for electric power entities as previously described. The proposed changes require minimal additional resources across the sector and provide data necessary to support the California Cap-and-Trade Program. In evaluating amendments for this sector, several alternatives were evaluated including taking no action (retaining the existing requirements). In the current reporting regulation, several provisions required clarification to ensure accurate and complete reporting. Without the proposed changes, ARB would have to provide guidance on these points, but clarifying the issues through the full regulatory process better ensures consistency of reporting. Provisions on the transmission loss factor, calculation of emission factors, and the

meter data requirement were somewhat ambiguous, or in the case of the emission factor calculations, the specified federal data were insufficient. To date systematic reporting data had not been collected to monitor and enforce the prohibited use of allowance value in the Cap-and-Trade Regulation. Therefore, none of the alternatives considered by the agency would be more effective in carrying out the purpose for which the revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed regulation.

Legacy Contracts Energy Flow Data

As discussed previously, staff has proposed adding a minor additional reporting requirement for legacy contract transition assistance applicants. Staff considered the take no action alternative and the option to collect the data separately from individually affected reporters. Taking no action would not provide data required by the Cap-and-Trade Program to identify the correct amount of transition assistance associated with each legacy contract. Collecting the data separately from the MRR requirements would be extremely inefficient and burdensome, because the additional requirement is a minor enhancement to data currently required under the existing MRR. Therefore, neither of these alternatives considered by the agency would be more effective in carrying out the purpose for which the revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed revisions.

Natural Gas Transmission and Distribution Leaks

Staff has proposed collecting additional data from natural gas suppliers and pipelines for the purpose of better quantifying methane leaks from these sources. Two alternatives were considered in making these revisions. The first was to not collect the additional data (no action alternative). This alternative would reduce the ability for the ARB to collect data needed to improve both GHG and criteria pollutant emission inventories. The second alternative considered was to collect the data from other sources. This alternative would require contacting affected entities, air districts, or obtaining other data sources individually, which would be very resource intensive for both the ARB and the reporting entities, and would provide data that are incomplete and potentially inaccurate. Instead, the most efficient and cost effective approach is to update the regulation as proposed, and require reporting of the additional information via the existing GHG mandatory reporting regulation, through the existing ARB greenhouse gas reporting tool. Therefore, neither of the alternatives considered by the agency would be more effective in carrying out the purpose for which the revisions are proposed or would be as effective or less burdensome to affected private persons than the proposed revisions.

III. SUMMARY OF PROPOSED ACTION

Staff proposed the amendments to the reporting regulation to continue to support the Cap-and-Trade Program through the reporting of complete and robust GHG emissions data, harmonize the reporting requirements for MRR and the COI Fee Regulation, and to continue supporting the statewide GHG emissions inventory, to the extent feasible. A summary of the proposed amendments is included previously in Section B of Chapter II

(Proposed Solutions to the Problem) and in detail in Chapter VII. Staff is recommending that the Board approve the revisions to the regulation, as proposed.

IV. ENVIRONMENTAL IMPACTS ANALYSIS

A. Introduction

The portion of ARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans for the protection and enhancement of the State's ambient air quality has been certified by the Secretary for Natural Resources pursuant to Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA Guidelines section 15251(d)). Public Resources Code section 21080.5 exempts public agencies with certified regulatory programs from certain CEQA requirements, including but not limited to, preparing environmental impact reports, negative declarations, and initial studies. Under its certified program, ARB as a lead agency prepares a substitute environmental document (referred to as an Environmental Analysis or EA) as part of the Staff Report to comply with CEQA's goals and policies and to provide public review of the analysis. (California Code of Regulations, title 17, sections 60000 – 60008).

B. Proposed Amendments

ARB staff has determined the proposed amendments to MRR are exempt from the requirements of CEQA under CEQA Guidelines section 15061(b)(3) ("common sense" exemption) because it can be seen with certainty that there is no possibility that implementation of MRR as modified by the proposed amendments, would result in any significant adverse environmental impacts. The regulation, as modified by the proposed amendments, continues to provide regulated entities with a reporting program for submitting GHG emissions data reports to ARB. The proposed amendments affect only program administration and contents of databases, and do not involve or result in any changes to the physical environment. The proposed amendments make administrative and procedural changes to clarify and amend existing requirements and definitions in MRR. These changes do not alter the compliance with MRR in any way that could affect air emissions, the physical environment, or result in adverse impacts to the environment. After the amendments are finalized, a Notice of Exemption will be filed with the Office of Planning and Research and the Secretary of Natural Resources for public inspection.

V. ENVIRONMENTAL JUSTICE

State law defines environmental justice as the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies (Senate Bill 115, Solis; Stats 1999, Ch. 690; Government Code § 65040.12(c)). The Board approved Environmental Justice Policies and Actions on December 13, 2001, to establish a framework for incorporating environmental justice into the ARB's programs consistent with the directives of State law. These policies apply to all communities in California,

but recognize that environmental justice issues have been raised more in the context of low-income and minority communities.

Actions of the ARB, local air districts, and federal air pollution control programs have made substantial progress towards improving the air quality in California. However, some communities continue to experience higher exposures than others because of the cumulative impacts of air pollution from multiple sources.

Adoption and implementation of the proposed amendments to the reporting regulation will have no negative environmental impacts on environmental justice communities. Facilities throughout the state will be required to report their GHG emissions, with the focus on those facilities producing the highest levels of emissions. The amended regulations continues to include mandatory reporting for over 90 percent of the stationary source GHG emissions in California, including specified combustion, process, and fugitive emissions. Emissions information from these reports is made available to the public.

VI. ECONOMIC IMPACTS ANALYSIS/ASSESSMENT

In this chapter, ARB staff provides the estimated costs to businesses and public agencies to comply with staff's proposed amendments to the reporting regulation. The amendments are expected to affect approximately 118 business entities, including 31 local government entities and one state government entities. The total cost impact to all affected entities, including private businesses and local and state government entities is projected to be a cost savings of approximately \$2,100 over an 8-year period.

The cost estimates are based on approximations of the amount of time required to comply with each of the amended provisions for each affected industry sector. The approximations of costs provide a general estimate of the economic impacts that typical businesses subject to the proposed amendments might encounter. Individual companies may experience different impacts than those projected here, depending on various factors such as complexity of operation, types of emission units on-site, and existing compliance practices.

Because of the overall cost savings, and minimal additional costs for those that do have increases, ARB staff does not expect businesses to be affected adversely by the costs of the proposed amendments. As a result, staff does not expect a noticeable change in employment, business creation, expansion, or elimination, or business competitiveness in California.

A. ANALYSIS OF ECONOMIC IMPACTS

1. Summary of Economic Impacts

The primary costs associated with complying with the proposed amendments to the reporting regulation are costs incurred for recordkeeping activities and preparation of an annual emissions data report.

In developing the amendments to the GHG reporting regulation, staff attempted to minimize costs, while complying with the specific reporting requirements of AB 32 and

collecting data of high quality to support the market-based Cap-and-Trade Program and the Cost of Implementation Fees Program. The amended regulation will have minimal cost impacts for reporters affected by the revisions, and the vast majority of reporters will not experience a noticeable change in cost of compliance.

Over eight years, ARB staff estimates that the amended requirements will lead to a statewide net cost decrease of \$2,100 due to the proposed revisions. The overall savings to affected local government agencies is approximately \$900/year, and the savings to state government agencies is \$225/year.

In total the amendments will affect 31 local government entities. This includes approximately 26 local government entities that are in the business of delivering and importing electricity will realize a minor cost savings of about \$120/year, and five local government entities that deliver natural gas will have a slight cost increase of about \$450/year. The net fiscal effect on all local government entities is a cost savings of \$900/year. For the one affected state agency, a cost savings of \$225/year is expected.

The proposed amendments will not require additional ARB funding. The amendments will be implemented using existing ARB staffing. Any ARB fiscal expenses needed for implementing the proposed amendments are already accounted for in the current operational budget that was approved as a part of the previous rule amendments.

None of the businesses affected by the proposed amendments are small business. The cost of this amendment is not expected to have a significant material impact on any affected businesses. As a result, ARB staff does not expect a noticeable change in employment, business creation, elimination or expansion, consumer prices, or business competitiveness in California due the reporting requirements. ARB staff also expects no job or business losses due to the reporting regulation because most of the job creation associated with GHG reporting was gained following implementation of the original rule in 2007.

The reporting regulation amendments would have no discernable impact on the ability of California businesses to compete with businesses in other states. This is because the regulation does not impose a significant cost impact on California businesses, and overall, provides a cost reduction.

2. Legal Requirements for Fiscal Analysis

Section 11346.3 of the Government Code requires that, in proposing to adopt or amend any administrative regulation, State agencies must assess the potential for adverse economic impacts on California business enterprises and individuals, including the ability of California businesses to compete with businesses in other states. The assessment must also include the potential impact of the regulation on California jobs, business expansion, elimination or creation, and the ability of California business to compete with businesses in other states.

Also, State agencies are required to estimate the costs or savings to any State or local agency and school district in accordance with instructions adopted by the Department of Finance. The estimate shall include any non-discretionary cost or savings to local agencies, and the cost or savings in federal funding to the State.

Health and Safety Code section 57005 requires ARB to perform an economic impact analysis of submitted alternatives to the proposed regulation before adopting any major regulation. A major regulation is defined as a regulation that will have a potential cost to California business enterprises in an amount exceeding ten million dollars in any single year. ARB staff has determined that the amendments to the proposed regulations are not a major regulation as defined above.

The following is a description of the methodology used to estimate costs, as well as ARB staff's analysis of the economic impact on California businesses and State and local agencies.

3. Costs to State Government and Local Agencies

GHG reporting is mandatory for any facility or entity that meets the regulation's applicability requirements, including state and local agencies. The proposed amendments affect approximately 26 public power entities (electric power entities), five public natural gas fuel suppliers, and one state entity (also an electric power entity).

Only one State agency, the Department of Water Resources, which imports electricity, is affected by the proposed updates. The revisions are estimated to provide a cost savings of approximately \$225/year, based on a slight reduction in the time required to assemble required data.

Two groups of local government entities are affected. Those that are in the business of delivering and importing electricity will realize a minor cost savings of about \$120/year, which affects approximately 26 reporters. Also, local government entities that deliver natural gas will have a cost increase of about \$450/year, which affects 5 local government reporters. The net fiscal effect on all local government entities is an estimated cost savings of \$900/year.

Adoption of the proposed amendments is expected to require continued funding for ARB to administer the program. The amendments will be implemented using existing ARB staffing, and no change in staffing level is needed to administer the program under the amended rule. Any ARB fiscal expenses needed for implementing the proposed amendments are already accounted for in the current operational budget that was approved as a part of the previous rule amendments.

4. Costs to Small Businesses

ARB staff verified the small business status of each reporting entity by conducting a detailed review of their corporate owner information, as well as conducting research on their parent company to determine the size and dominance. It was determined that none of the affected reporters qualify for small business status based on the California Government Code Section 11342.610 definition.

5. Estimating Costs for Compliance

As a part of developing the regulatory amendments, ARB staff estimated the costs of compliance for facilities subject to the amendments.

The reporting regulation focuses on the largest stationary sources of GHG emissions and other sources that provide for an effective Cap-and-Trade Program. The specific

cost for a facility subject to GHG reporting can vary significantly depending on each facility's unique situation in terms of its sector designation, type and size of its fuel combustion equipment, facility complexity, emissions level, and its current monitoring and sampling practices as compared to its requirements under this proposal.

For an individual reporting entity (which may either be an industrial facility or a fuel supplier, as defined in the reporting regulation), the cost per entity may range widely. Additional costs for typical businesses subject to the proposed amendments will generally be small, because the bulk of the baseline costs are incurred complying with the existing ARB reporting regulation.

The main steps taken to estimate costs for facilities and entities are as follows:

- Review individual amended requirements to identify those that may have noticeable cost impact on affected reporting entities.
- Identify the new tasks that each facility type will need to perform to comply with the amended regulation, as well as the existing tasks that each facility type will no longer need to perform.
- Estimate the incremental time requirements of different compliance tasks that are expected for each amended rule provision.
- Compile the cost components and calculate the cost impacts for each amended requirement that has been identified to lead to a noticeable cost impact.
- Review the list of reporting entities (facilities and fuel suppliers) and the information they included in their previous emissions data reports to identify the reporting entities affected by each amended requirement.
- Review the list of affected facilities to identify those owned by local and state government entities. Group these facilities by their common local government entity owner. Quantify costs similar to private industry sector described above.
- Calculate the total costs over eight years.

Some of the proposed updates produce a minor cost savings, while others impose minor additional costs. The proposed amendments that lead to changes in cost to comply with the regulation are described below for each affected industrial sector.

- Petroleum and Natural Gas Systems (Oil and Gas Production)
 - Included an exemption for small equipment blowdowns, which reduces cost.
 - Added a requirement to include the pressurized natural gas emissions from starting up centrifugal equipment. Few, if any reporters use this technique, so additional reporting costs will be very minor.
 - Reinstated the requirement to report sorbent emissions, which will likely affect three reporters and have minimal costs.
- Natural Gas Fuel Provider Equipment Leaks
 - Proposed updates will require reporting of the number of meters in the natural gas distribution network, and leaks resulting from inadvertent damages to pipelines (dig-ins).

- Reporting costs are minimal because required data are already collected and maintained under other programs and business practices.
- Legacy Contract Generators
 - For those subject to the new requirement, reporters will need to provide additional detail and information on the energy flow diagram that is already submitted under the current regulation. This produces a one-time minor administrative cost to update the diagram
- General Manufacturing (Product Data Reporting)
 - A requirement has been proposed to require product data reporting by wineries subject to the regulation. This affects one facility in the state, and requires only reporting data that are routinely maintained as part of normal facility operations.
- Electric Power Entities
 - Provisions have been added to apply a fixed transmission loss factor to all imports. This will reduce report preparation and costs due to the use of a default value for imports.
 - The amendments narrow the meter data requirements to apply only to zero emission imports and renewable portfolio imports. For some reporters, less data will be required, but for others, traditional analysis time is required.

B. Major Regulations

For a major regulation proposed on or after January 1, 2014, a standardized regulatory impact analysis is required. (A major regulation is one “that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars (\$50,000,000), as estimated by the agency.” (Govt. Code Section 11342.548) – Note: Health and Safety Code Section 57005(b) For purposes of this section, “major regulation” means any regulation that will have an economic impact on the state’s business enterprises in an amount exceeding ten million dollars (\$10,000,000), as estimated by the board, department, or office within the agency proposing to adopt the regulation in the assessment required by subdivision (a) of Section 11346.3 of the Govt. Code. ARB staff has determined that the amendments to the proposed regulations are not a major regulation as defined above.

C. Reasonable Alternatives to the Regulation and the Agency’s Reason for Rejecting those Alternatives

Before taking final action on the proposed regulatory action, the Board must determine that no reasonable alternative considered by the Board or that has otherwise been identified and brought to the attention of the Board, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Because the proposed amendments are made to the existing reporting regulation, and given that these proposed amendments do not have a significant adverse fiscal or economic impact, no alternatives, other than making no changes, or attempting to obtain required data from other third-party sources were considered. Alternatives considered and staff's recommendations regarding these alternatives are found in section D of Chapter II of this report. In conclusion, no alternative considered by the agency would be more effective in carrying out the purpose for which the regulation is proposed or would be as effective or less burdensome to affected private persons than the proposed regulation.

D. Significant Adverse Economic Impact Directly Affecting Business

The proposed regulatory action would not have a significant statewide adverse economic impact directly affecting businesses. The cost impacts for affected reporters range from a cost savings of about \$120/year (electric power entities) to an additional cost of \$450/year (natural gas fuel suppliers).

E. Justification for Adopting Regulations Different from Federal Regulations

The U.S. EPA requires mandatory GHG reporting (Mandatory Reporting of Greenhouse Gases; Final Rule. 40 CFR Parts 86, 87, 89, 90, 94, and 98. United States Environmental Protection Agency. October 30, 2009). Staff believe the proposed regulation is consistent with existing federal law. In fact, this proposed amended regulation was developed to minimize, to the greatest extent possible, any redundant State and federal reporting, while also ensuring that ARB is collecting the necessary additional information required by California's various GHG programs, including the Cap-and-Trade Regulation, COI Fee Regulation, and the statewide GHG inventory.

VII. SUMMARY AND RATIONALE FOR EACH REGULATORY PROVISION

This section discusses the requirements and rationale for each provision of the proposed amendments to the reporting regulation.

Subarticle 1. General Requirements for Greenhouse Gas Reporting.

Section 95101. Applicability.

Summary of Section 95101(c)(2)

Existing section 95101(c)(2) is revised to clearly specify that both enterers of transportation fuels and in-state biofuel producers are required to report emissions from fuel that is delivered outside the bulk transfer/terminal system, subject to the reporting threshold of 10,000 MT CO₂e.

Rationale for Section 95101(c)(2)

This change is necessary to ensure consistent interpretation of applicability criteria for enterers of transportation fuels and in-state producers of biomass-derived fuels.

Section 95102. Definitions.

Summary of Section 95102(a) through (c)

Additions and edits to the definitions in sections 95102(a) through 95101(c) are included to ensure consistent interpretation of the reporting requirements

Rationale for Section 95102(a) through (c)

These sections including definitions are necessary to ensure that those subject to the regulation are able to understand and interpret the regulation correctly, and to avoid ambiguity and improve compliance with the regulation. ARB staff has attempted to include all key terms used in the regulation. Deletions, additions, reordering, and modifications are necessary to ensure clear interpretation of terms related to the other amendments to the regulation in this rulemaking.

Section 95103. Greenhouse Gas Reporting Requirements.

Summary of Section 95103(h)

Existing section 95103(h) is modified to describe methods for reporting new requirements and information for 2014 data reported in 2015, and removes obsolete historical references.

Rationale for Section 95103(h)

This change is necessary to remove outdated language and to indicate which changes take effect for 2014 data reported in 2015, and when best available methods may be used for 2014 data. Because the proposed updates do not require additional monitoring or capital expenditures, all updates become effective for 2014 data reported in 2015, except for quantifying natural gas from compressor startups, which may use best available methods for 2014 data.

Summary of Section 95103(h)(1)

Original requirements in section 95103(h)(1) were deleted and replaced with new requirements to specify that best available methods may be used for centrifugal compressor start-up emissions for 2014 data reporting in 2015.

Rationale for Section 95103(h)(1)

Original requirements in this section were deleted because they applied to 2013 data reported in 2014 and are no longer needed. The update to this section is needed to allow additional time to establish monitoring or methods to meet the full requirements for centrifugal compressor start-ups. For the first year of reporting best available methods may be used.

Summary of Sections 95103(h)(2) through (h)(11)

Sections 95103(h)(2) through (h)(11) were deleted to remove requirements no longer relevant to future GHG reporting.

Rationale for Sections 95103(h)(2) through (h)(11)

These sections were deleted because they applied to 2013 data reported in 2014 and are no longer needed.

Summary of Section 95103(k)(2)

Section 95103(k)(2) is modified to correct a non-substantive typographical error.

Rationale for Section 95103(k)(2)

This change is needed to improve accuracy of this section.

Summary of Section 95103(l)

Section 95103(l) is modified to remove the requirement to allow the *voluntary* exclusion of inaccurate covered product data, so that the reporter *must* exclude inaccurate product data.

Rationale for Section 95103(l)

This change is needed because it provided an inconsistency under the regulation for assessing whether reporters are in compliance with the regulation. As previously written, the provision allowed reporters to elect whether they wanted to exclude inaccurate product data; however, reporting inaccurate data would mean that reporters would risk violation of the requirement that they attest they are providing accurate data under the regulation. The proposed revision requires that inaccurate covered product data be excluded from reporting, removing this inconsistency to ensure reporters are not put in a position to attest to the accuracy of data when they may have reason to believe some data may not be accurate.

Summary of Section 95103(m)

Section 95103(m) is modified to clarify the existing requirements, identify which elements required ARB approval, and to provide additional description of when ARB must be notified of changes. Also, the subsections of this section were reordered for clarity. The specific updates to the (m) paragraph only identify that date changes must be made and that the provisions in this section also apply to monitoring methods.

Rationale for Proposed Updates Section 95103(m)

The overall changes to the section are included to make the requirements more transparent, clear, and complete, and to clarify their applicability to product data. The updates to the (m) paragraph are to clearly specify when changes to methods must be made, and to clarify that the provisions apply to not only calculation methods, but also monitoring methods.

Summary of Section 95103(m)(1)

Section 95103(m) is revised to specify which types of methodology changes require ARB approval and which do not.

Rationale for Section 95103(m)(1)

This change is needed to clarify which types of method changes require ARB approval and to clarify that methodology changes for product data reporting is covered under these requirements.

Summary of Section 95103(m)(2)

New section 95103(m)(2) is added to replace the requirements in original section 95103(m)(3), which has been deleted. The new requirements now include a more complete description of which data are to be supplied when proposing changes in methods.

Rationale for Section 95103(m)(2)

This change is needed to provide more explicit instructions regarding what information should be provided if a method update is proposed, than what was in original section 95103(m)(3).

Summary of Section 95103(m)(3)

New section 95103(m)(3) is added to replace the requirements in original section 95103(m)(4), which has been deleted. The new revisions more completely identify when a change in method must be performed.

Rationale for Section 95103(m)(3)

This change is needed to clarify when changes in methods may be made. This provision clarifies the original requirements that were in original section 95103(m)(4).

Summary of Section 95103(m)(4)

Original section 95103(m)(2) was renumbered to section (m)(4). The revisions to this section specify the procedures that reporters must follow if there is an unforeseen breakdown in monitoring equipment and for using temporary methods.

Rationale for Section 95103(m)(4)

This change is needed to improve clarity regarding the requirements that must be met if methods are temporarily modified and now explicitly identifies what actions reporters are required to take and which options are available to reporters. This section was renumbered to fix the order of requirements in this section.

Summary of Section 95103(n)(1)(B)(4.)

Section 95103(n)(1)(B)(4.) is modified to correct an inaccurate reference in this section.

Rationale for Section 95103(n)(1)(B)(4.)

This change is needed to ensure that a correct reference is used in this provision.

Section 95104. Emissions Data Report Content and Mechanism.

Summary of Section 95104(a)

Section 95104(a) is modified to require reporting of a billing address and the official responsible for paying fees.

Rationale for Section 95104(a)

This change is needed to integrate reported information previously required under the COI Fee Regulation into the reporting regulation. Integrating reporting requirements of the COI Fee Regulation into MRR streamlines and simplifies reporting activities for entities that must meet the requirements of both ARB regulations.

Subarticle 2. Requirements for the Mandatory Reporting of Greenhouse Gas Emissions from Specific Types of Facilities, Suppliers, and Entities.

Section 95111. Data Requirements and Calculation Methods for Electric Power Entities.

Summary of Section 95111(a)(12)

New section 95111(a)(12) is added to require electrical distribution utilities (EDU) that are not investor-owned utilities to report MWh and associated emission factors of electricity sold into the CAISO market, and to require reporting of 2013 and 2014 data in 2015. This requirement applies to all types of sales into the CAISO market and not just wholesale or retail sales.

Rationale for Section 95111(a)(12)

This reporting is necessary to ensure that publicly owned utilities and cooperatives that are EDUs are not using freely allocated allowances to cover the compliance obligation for wholesale or retail electricity sold into the CAISO market, since this is a prohibited use of allowance value in the Cap-and-Trade Regulation. In 2015, reporters must provide data for the entire first compliance period, 2013-2014. Starting in 2016, reporters will provide annual data.

Summary of Section 95111(b)(2)

Section 95111(b)(2) is modified to require EPEs to use of a transmission loss factor of 1.02 for all specified source imports. In addition, this section is modified to require ARB to use net generation data published by the Energy Information Administration (EIA) for determining specified source emission factors.

Rationale for Section 95111(b)(2)

The change related to the transmission loss factor is necessary to ensure the accurate reporting of transmission losses associated with imported electricity from specified facilities or units. Section 95111(a)(4) currently requires the reporting of specified source MWh to be measured at either (1) the generation source busbar, or (2) at the First Point of Delivery (POD) inside California. When measuring at the generation busbar, the transmission loss factor of 1.0 is used. When measuring at the First Point of Delivery inside California, the transmission loss factor of 1.02 is used. The common industry practice is to electronically tag power for transmission using the NERC e-tagging system, but e-tags do not account for transmission loss. Using a consistent transmission loss factor will ensure that transmission losses associated with imported electricity from specified facilities or units will be accurately reported.

The change related to emission factors is required to ensure the use of unified and consistent data to determine emission factors across the sector.

Summary of Section 95111(b)(2)(B) through (b)(2)(D)

Sections 95111(b)(2)(B) through (b)(2)(D) are modified to require ARB to use data published by EIA for determining specified source emission factors.

Rationale for Section 95111(b)(2)(B) through (b)(2)(D)

These changes are required to ensure the use of unified and consistent data to determine emission factors across the sector.

Summary of Section 95111(g)(1)(N)

Section 95111(g)(1)(N) is modified to include an equation that reporters must use to determine the amount of generated and scheduled power that can be reported as specified source power.

Rationale for Section 95111(g)(1)(N)

This change is necessary to provide a method for reporters to determine the amount of power that can be reported as specified power, if there is a difference between the amount of electricity generated within an hour, and the amount of electricity scheduled or metered into a California balancing authority within that same hour. Reporters would only be able to report the lesser of the two amounts as directly delivered specified source power. This ensures accurate reporting for specified imports and the associated emissions. There could be situations where a renewable source, which may not have a compliance obligation, is scheduled, but not actually delivered to California. For the integrity of the Cap-and-Trade Program, it is important to accurately assign compliance obligations on actual delivered electricity.

Section 95112. Electricity Generation and Cogeneration Units.

Summary of Section 95112(a)

Section 95112(a) is modified to specify that applicants for, and recipients of, the Cap-and-Trade Program exemption for qualified thermal output and legacy contract assistance cannot be exempt from 95112(a)(4)-(6) reporting requirements.

Rationale for Section 95112(a)

This change is needed because annual reporting on electricity and thermal output is required for all applicants for and recipients of the Cap-and-Trade Program exemption for qualified thermal output and legacy contract assistance. This information is required in order for ARB to assess applications and determine the amount of any legacy contract assistance.

Summary of Sections 95112(i) through 95112(i)(1)(C)

New sections 95112(i) through 95112(i)(1)(C) are added to require legacy contract applicants to provide more detailed diagrams of their electricity and thermal output production. These sections identify the specific elements to be provided.

Rationale for Sections 95112(i) through 95112(i)(1)(C)

These sections are needed to support the increased level of detail required in legacy contract applicants' electricity and thermal output diagrams which will allow ARB to better understand their operations and accurately identify the appropriate amount of any legacy contract assistance to be provided. These sections are necessary to provide specificity to reporters regarding which additional elements must be provided for legacy contract applicants. These data are required to confirm that reporters are legacy

contract applicants and to identify which components of the facility are subject to legacy contract assistance.

Section 95113. Petroleum Refineries.

Summary of Section 95113(l)(1)

New section 95113(l)(1) is added to include the reporting requirement for primary refinery product data that used to be in the same section as new section 95113(l)(3). It includes new language that clarifies that refineries must report primary refinery product quantities by EIA number that reflect material actually produced at the reporting facility during the data year. Operators must exclude from primary refinery product data the volume of imported (i.e., produced off-site and brought on-site to the refinery) primary refinery product and blending component if the imported quantities are solely used as blendstocks for primary refinery products. However, reporters are allowed to report imports of blending components as part of their primary refinery product if some of the imported quantity was used for purposes other than primary refinery product blendstock, and if it is not possible to quantify the amount used for that purpose. Reporting of both blending component imports and primary refinery product imports by EIA number is now required. For each imported primary refinery product and blending component, the operator must designate if any was used for a purpose other than blending into a primary refinery product, such as being used as a fuel or as a process unit feedstock.

Rationale for Section 95113(l)(1)

This change is needed to clarify how reporters report primary refinery products. ARB needs primary refinery product data and complexity weighted barrel (CWB) data that are directly comparable in order to compare equitability between CWB-based and primary refinery product-based benchmarks and allocation. To allow for comparability between primary refinery product and CWB data, the regulation was updated to clarify that, to the extent possible, only products produced at the facility are to be reported. To provide additional flexibility, sales data may be used in reporting production quantities of primary refinery products, but only if the reporter includes adjustments for inventory.

Summary of Section 95113(l)(1)(A)

Original section 95113(l)(1)(A) is removed because these data are now required to be reported pursuant to new section 95113(l)(2).

Rationale for Section 95113(l)(1)(A)

This change is needed to support renumbering of the section and clarity.

Summary of Section 95113(l)(2)

New section 95113(l)(2) is added to place all information on reporting of calcined coke covered product data in its own section, and to provide the correct units for reporting calcined coke.

Rationale for Section 95113(l)(2)

This section is needed for clarity and conformance with the calcined coke benchmark in the Cap-and-Trade Regulation.

Summary of Section 95113(l)(3)

Original section 95113(l)(1) was renumbered to section 95113(l)(3), and is modified to remove all reporting of primary refinery products and calcined coke under this section because those products will now be reported pursuant to sections 95113(l)(1) and 95113(l)(2), respectively. This section was also modified to clarify the reporting requirements for CARBOB as RBOB.

Rationale for Section 95113(l)(3)

These edits are needed to provide clarity on how calcined coke, petroleum products, and RBOB should be reported. The change related to RBOB is made to avoid misclassification of reported CARBOB, and to explicitly identify the quantity for use in California and the oxygenate percentage, which are needed to support the COI Fee Regulation.

Summary of Section 95113(l)(4)

Section 95113(l)(4) is renumbered from original section 95113(l)(2), and includes no changes to the actual text.

Rationale for Section 95113(l)(4)

This change is needed to support renumbering of the section due to the addition of new reporting requirements in (l)(1) and (l)(2).

Summary of Section 95113(l)(5)

Section 95113(l)(5) is renumbered from original section 95113(l)(3), and includes no changes to the actual text.

Rationale for 95113(l)(5)

This change is needed to support renumbering of the section due to the addition of new reporting requirements in (l)(1) and (l)(2).

Summary of Section 95113(l)(5)(A)

Section 95113(l)(5)(A) is modified to clarify the units that reporters must use for reporting CWB unit throughputs and coke-on-catalyst data.

Rationale for Section 95113(l)(5)(A)

This change is needed to provide reporters with clarity concerning reporting CWB unit throughputs and coke-on-catalyst data.

Summary of Section 95113(l)(5)(B)

Section 95113(l)(5)(B) is modified to correct the total facility CWB equation.

Rationale for Section 95113(l)(5)(B)

This change is needed to modify the CWB equation to include a missing term and make it consistent with the equation in the Cap-and-Trade Regulation.

Summary of Section 95113(l)(5)(C)

Section 95113(l)(5)(C) is modified to clarify the calculation of the CWB factor for fluid catalytic cracking units.

Rationale for Section 95113(l)(5)(C)

These edits were made to clarify the CWB calculation for fluid catalytic cracking units without changing the fundamental calculation, and to clarify that coke-on-catalyst volume percent should be reported to three significant figures.

Summary of Section 95113(m)

Section 95113(m) is added to specify the reporting requirements for the COI Fee Regulation data.

Rationale for Section 95113(m)

This section is needed to specify the data reporting requirements for CARBOB, gasoline, and diesel which are used to support the COI Fee Regulation.

Summary of Section 95113(m)(1)

Section 95113(m)(1) is added to specify that the quantity of CARBOB produced and imported for use in California and the designated amount of oxygenate that is blended with CARBOB must be reported.

Rationale for Section 95113(m)(1)

For the COI Fee Regulation invoicing, CARBOB and the designated amount of oxygenate are used to calculate the fees required; therefore this information must be collected.

Summary of Section 95113(m)(2)

Section 95113(m)(2) is added to specify that the quantity of finished California gasoline produced and imported for use in California must be reported.

Rationale for Section 95113(m)(2)

For the COI Fee Regulation invoicing, finished California gasoline is used to calculate the fees required; therefore this information must be collected.

Summary of Section 95113(m)(3)

Section 95113(m)(3) is added to specify that the quantity of California diesel and the quantity of biodiesel/renewable diesel that is blended with California diesel for use in California must be reported.

Rationale for Section 95113(m)(3)

For the COI Fee Regulation invoicing, California diesel and biodiesel/renewable diesel quantities blended with California diesel are used to calculate the fees required; therefore this information must be collected.

Summary of Section 95113 Table 1

Table 1 is modified to clarify the entries required in the “CWB Factor” column of the “Fluid Catalytic Cracking” and “Mild Residual FCC” rows. The “Total Refinery Input” and “Non-Crude Input” rows were eliminated from Table 1.

Rationale for Section 95113 Table 1

This change is needed to clarify the calculation of the total facility CWB.

Section 95114. Hydrogen Production.

Summary of Section 95114

Section 95114 is modified to clarify who must report under this section.

Rationale for Section 95114

This change is needed to clarify that the reporting requirements in this section apply to producers of molecular hydrogen (H₂).

Summary of Section 95114(a)

Section 95114(a) is modified to clarify who must report under this section.

Rationale for Section 95114(a)

This change is needed to clarify that the reporting requirements in this section apply to producers of molecular hydrogen (H₂).

Summary of Section 95114(e)(1)

Section 95114(e)(1) is modified to specify that reporters are required to report the atomic hydrogen content (all hydrogen atoms, excluding those in steam) and the molecular hydrogen (all H₂) content of feedstocks to hydrogen production units, except steam.

Rationale for Section 95114(e)(1)

This change is needed to specify that the reporting requirements for feedstocks to hydrogen production units include the molecular hydrogen (H₂) content, in addition to the atomic hydrogen content (all hydrogen atoms).

Summary of Section 95114(e)(1)(A)

Section 95114(e)(1)(A) is modified to specify that reporters are required to report the atomic hydrogen content (all hydrogen atoms, excluding steam) and the molecular hydrogen (H₂) content of gaseous feedstocks to hydrogen production units.

Rationale for Section 95114(e)(1)(A)

This change is needed to specify that the reporting requirements for gaseous feedstocks to hydrogen production units include the molecular hydrogen content (H₂) in addition to the atomic hydrogen content (all hydrogen atoms, excluding that in steam).

Summary of Section 95114(e)(1)(B)

Section 95114(e)(1)(B) is modified to clarify that reporters are required to report the atomic hydrogen content (all hydrogen atoms) of liquid feedstocks to hydrogen production units.

Rationale for Section 95114(e)(1)(B)

This change is needed to clarify that the atomic hydrogen content (all hydrogen atoms) of liquid feedstocks to hydrogen production units are required to be reported.

Summary of Section 95114(e)(1)(C)

Section 95114(e)(1)(C) is modified to clarify that reporters are required to report the atomic hydrogen content (all hydrogen atoms) of solid feedstocks to hydrogen production units.

Rationale for Section 95114(e)(1)(C)

This change is needed to clarify that the atomic hydrogen content (all hydrogen atoms) of solid feedstocks to hydrogen production units are required to be reported.

Summary of Section 95114(j)

Section 95114(j) is modified to clarify that hydrogen producers must report the annual mass of hydrogen gas that is produced rather than sold, and to require operators to report to whom they are selling or transferring hydrogen and the quantity of hydrogen sold or transferred to each facility.

Rationale for Section 95114(j)

This change is needed to correct errors in wording and make this section internally consistent, and to support regulatory provisions within the LCFS Regulation.

Section 95115. Stationary Fuel Combustion Sources.

Summary of Section 95115(k)

Section 95115(k) is modified to require facilities to identify if the natural gas they received was obtained directly from an interstate pipeline supplier.

Rationale for Section 95115(k)

This change is needed to integrate the COI Fee Regulation data reporting requirements into MRR, which streamlines and simplifies the reporting requirements by having similar reporting requirements incorporated into a single regulation.

Summary of Section 95115(n)(5)

Section 95115(n)(5) is modified to require reporters to report protein meal and fat produced for poultry processing.

Rationale for Section 95115(n)(5)

This change is needed to maintain consistency with the Cap-and-Trade Program where the reportable product was changed from “protein meal” to “protein meal and fat”.

Summary of Section 95115(n)(10)

Summary of Section 95115(n)(10)

Section 95115(n)(10) is modified to clarify and refine the product data reporting requirements for tomato processing facilities.

Rationale for Section 95115(n)(10)

This change is necessary to support the Cap-and-Trade Program and industry needs to more completely describe the product data collected for allowance allocation.

Summary of Section 95115(n)(11)

Section 95115(n)(11) is modified to make the word “pipe” plural.

Rationale for Section 95115(n)(11)

This change is made to conform to the phrasing used in the Cap-and-Trade Regulation.

Summary of Section 95115(n)(12)

Section 95112(n)(112) is modified to remove the first instance of the word “billet.”

Rationale for Section 95115(n)(12)

This change is needed to conform to the phrasing used in the Cap-and-Trade Regulation and the definition of the product being reported.

Summary of Section 95115(n)(14)

Section 95112(n)(14) is modified to clarify the type of facility subject to this reporting requirement.

Rationale for Section 95115(n)(14)

This change is needed to remove ambiguity as to which sector must report product data.

Summary of Section 95115(n)(15)

Section 95115(n)(15) is modified to change the word “rings” to “ring” for forging facilities.

Rationale for Section 95115(n)(15)

This change is needed to fix a non-substantive typographical error.

Summary of Section 95115(n)(16)

Section 95115(n)(16) is modified to more accurately describe the products that must be reported by a dairy production facility. In addition, this section is modified to require operators to report the amount of imported protein.

Rationale for Section 95115(n)(16)

This change is made in consultation with industry representatives to clarify terms used for dairy products, and to require reporting of additional dairy products that are needed to support the allocation of free allowances under the Cap-and-Trade Program. The required data are already collected by the facility operators and do not impose any additional reporting burden.

Summary of Section 95115(n)(19)

New section 95115(n)(19) is added to specify products produced by wineries that are subject to the reporting regulation, including: distilled spirits, dry color concentrate, grape juice concentrate, grape seed extract, and liquid color concentrate.

Rationale for Section 95115(n)(19)

This change is made in consultation with industry representatives to allow for the allocation of free allowances under the Cap-and-Trade Program.

Summary of Section 95115 - Table 1

The footnote to Table 1 in section 95115 is modified to relocate the footnote to be directly below the table, rather than as a page footnote.

Rationale for Section 95115 - Table 1

This change was included for clarity, so the note is more directly associated with Table 1, rather than having it as a page footnote.

Section 95119. Pulp and Paper Manufacturing.

Summary of Section 95119(d)

Section 95119(d) is modified to identify the types of tissue products that reporters must report.

Rationale for Section 95119(d)

This change is needed to specify which tissue products must be reported to support product-based allocation under the Cap-and-Trade Program.

Summary of Section 95119(d)(2)

Section 95119(d)(2) is modified to only require reporters to report water absorption capacity for bathroom tissue.

Rationale for Section 95119(d)(2)

This change is needed to simplify that only bathroom tissue, and not all tissue types, require a water absorption capacity determination, because the information is not necessary for the other tissue types.

Section 95121. Suppliers of Transportation Fuels.

Summary of Section 95121

Section 95121 is modified to specify that the reporting requirements in section 95121 apply to biofuel production facilities that meet the applicability requirements for reporting under section 95103(c).

Rationale for Section 95121

This revision is necessary to ensure consistent interpretation of the reporting requirements for biofuel producers.

Summary of Section 95121(a)(2)

Section 95121(a)(2) is modified to clearly specify that both enterers of transportation fuels and in-state biofuel producers are required to report emissions from fuel that is delivered outside the bulk transfer/terminal system in California. Additional changes are made to clarify that CARBOB blendstocks must be reported as RBOB.

Rationale for Section 95121(a)(2)

This revision is necessary to ensure consistent interpretation of the reporting requirements for enterers and biofuel producers, and to avoid misclassification of reported CARBOB blendstock.

Summary of Section 95121(b)(1)

Section 95121(b)(1) is modified to clarify how enterers of transportation fuels and in-state biofuel producers report emissions from fuels delivered outside the bulk transfer/terminal system in California. In addition, language is inserted to specify which emission factor should be used for calculating the emissions from renewable diesel.

Rationale for Section 95121(b)(1)

This change is necessary to ensure consistent interpretation of the reporting and calculation requirements for enterers and biofuel producers, and to ensure the correct emission factor is used when calculating emissions from renewable diesel.

Summary of Section 95121(b)(3)

Section 95121(b)(3) is modified to clarify that biofuel producers must report methane and nitrous oxide emissions from fuel delivered outside the bulk transfer/terminal system, and Table 1 was amended to include renewable diesel.

Rationale for Section 95121(b)(3)

This change is necessary to ensure biofuel producers report emissions correctly and consistently, and to provide methane and nitrous oxide emission factors for renewable diesel fuel.

Summary of Section 95121(d)(4)

Section 95121(d)(4) is modified to clarify that enterers of transportation fuels and in-state biofuel producers must report fuel delivered outside the bulk transfer/terminal system in units of barrels. In addition, this section is modified to specify that renewable diesel and biodiesel may contain up to 1 percent fossil diesel and still be considered 100 percent biomass-derived fuel.

Rationale for Section 95121(d)(4)

This change is needed to ensure consistent interpretation of reporting requirements for enterers and biofuel producers, and to clearly specify how to report biomass diesel fuels that contain a very small percentage of fossil diesel fuel.

Summary of Section 95121(d)(7)

New section 95121(d)(7) is added to require all transportation fuel suppliers to report the fraction of the fuel supplied in California that was imported from outside the state.

Rationale for Section 95121(d)(7)

This change is needed to integrate data reporting previously required under the COI Fee Regulation into MRR. This streamlines and simplifies the reporting requirements by having similar reporting requirements incorporated into a single regulation. The update does not impose a new reporting requirement, but only changes the regulation requiring the data.

Summary of Section 95121(d)(8)

New section 95121(d)(8) is added to require all transportation fuel suppliers to report the quantity of biodiesel and renewable diesel that they blended with California (fossil) diesel for use in California.

Rationale for Section 95121(d)(8)

This change is needed to integrate data reporting previously required under the COI Fee Regulation into MRR. This streamlines and simplifies the reporting requirements by having similar reporting requirements incorporated into a single regulation. The update does not impose a new reporting requirement, but only changes the regulation requiring the data.

Summary of Section 95121 Table 2

Table 2 is modified to add renewable diesel as a reportable transportation fuel and clarify the how biomass diesel fuels and CARBOB are classified.

Rationale for Section 95121 Table 2

This revision is necessary to ensure that fuel suppliers can report renewable diesel fuel as a biomass-derived fuel, and to ensure consistent interpretation of how CARBOB and biomass diesel fuels are reported.

Section 95122. Suppliers of Natural Gas, Natural Gas Liquids, Liquefied Petroleum Gas, Compressed Natural Gas, and Liquefied Natural Gas.

Summary of Section 95122(a)(1)

Section 95122(a)(1) is modified to clarify that in addition to requirements specified in 40 CFR Part 98.402(a), natural gas fractionators must report only the emissions from LPG products that were supplied in California and that were produced on-site.

Rationale for Section 95122(a)(1)

This change is necessary to ensure consistent interpretation of the reporting requirements for NGL fractionators.

Summary of Section 95122(b)(1)

Section 95122(b)(1) is modified to clarify that NGL fractionators must sum the emissions only from the individual constituents of LPG that were sold or delivered in California and that were produced on-site.

Rationale for Section 95122(b)(1)

This change is necessary to ensure consistent interpretation of the reporting requirements for NGL fractionators.

Summary of Section 95122(b)(8)

Section 95122(b)(8) is modified to specify that local distribution companies (LDC) must report only the biomethane deliveries that are contractually purchased or transported by the LDC on behalf of a facility not covered under the Cap-and-Trade Program. In addition, this section is also modified to specify that emissions from biomethane must be calculated using the emission factor for natural gas.

Rationale for Section 95122(b)(8)

This change is necessary to ensure consistent interpretation of the circumstances under which an LDC can report biomethane gas delivered to end-users, and to clarify the emissions calculation for reported biomethane.

Summary of Section 95122(d)(1)

Section 95122(d)(1) is modified to clarify that reporting requirements only apply to the portion of supplied LPG that was produced on-site.

Rationale for Section 95122(d)(1)

This change is necessary to ensure consistent interpretation of the reporting requirements for NGL fractionators.

Summary of Section 95122(d)(2)(E)

Section 95122(d)(2)(E) is modified to require natural gas suppliers to report the quantities of gas provided to specified end-use categories such as residential and commercial customers in units of MMBtu as well as Mscf.

Rationale for Section 95122(d)(2)(E)

This change is needed to integrate data reporting previously required under the COI Fee Regulation into MRR. This streamlines and simplifies the reporting requirements by having similar reporting requirements incorporated into a single regulation. This change does not impose a new reporting requirement, but only changes the regulation requiring the data.

Summary of Section 95122(d)(6)

Section 95122(d)(6) is modified to specify that LDC's must report only the biomethane deliveries that are contractually purchased or transported by the LDC on behalf of a facility not covered under the Cap-and-Trade Program.

Rationale for Section 95122(d)(6)

This change is necessary to ensure consistent interpretation of the circumstances under which an LDC can report biomethane gas delivered to end-users.

Section 95124. Lead Production.

Summary of Section 95124(c)

Section 95124(c) is modified to fix an incorrect reference for missing data procedures.

Rationale for Section 95124(c)

This change is needed to correct an invalid reference from the nitric acid missing data provisions to the lead production provisions.

Summary of Section 95124(c)(2)(A)

Section 95124(c)(2)(A) is modified to fix an incorrect reference for missing data procedures.

Rationale for Section 95124(c)(2)(A)

This change is needed to correct an invalid reference to the missing data substitution procedures for nitric acid production, instead of to the lead production procedures.

Summary of Section 95124(d)

Section 95124(d) is modified to remove a comma from this section.

Rationale for Section 95124(d)

This change is needed to correct a non-substantive typographical error.

Subarticle 3. Additional Requirements for Reported Data.

Section 95129. Substitution for Missing Data Used to Calculate Emissions from Stationary Combustion and CEMS Sources.

Staff proposes no updates to Subarticle 3.

Subarticle 4. Requirements for Verification of Greenhouse Gas Emissions Data Reports and Requirements Applicable to Emissions Data Verifiers; Requirements for Accreditation of Emissions Data and Offset Project Data Report Verifiers

Section 95130. Requirements for Verification of Emissions Data Reports.

Summary of Section 95130(a)(2)

Section 95130(a)(2) is modified to clarify the six-year time limit applied to verification bodies for performing verification services.

Rationale for Section 95130(a)(2)

This change is needed to clarify what types of activities are considered when applying the six-year limit on performing verification services.

Section 95131. Requirements for Verification Services.

Summary of Section 95131(b)(3)(C)(4.)

Section 95131(b)(3)(C)(4.) is modified to clarify that data reported as part of the COI Fee Regulation data integrated into MRR are subject to verification.

Rationale for Section 95131(b)(3)(C)(4.)

This change is needed to ensure complete and accurate data is collected for preparing fees invoices under the COI Fee Regulation.

Summary of Section 95131(b)(4)

Section 95131(b)(4) is modified to require verification of the accuracy of the reported NAICS code.

Rationale for Section 95131(b)(4)

This change is needed to support accurate allowance allocation under the Cap-and-Trade Program.

Summary of Section 95131(b)(8)(F)(1.)

Section 95131(b)(8)(F)(1.) is modified to remove a requirement that is moved to section 95131(b)(3)(C)(4.).

Rationale for Section 95131(b)(8)(F)(1.)

This change is needed to move a requirement to section 95131(b)(3)(C)(4.); therefore it is no longer needed in this section.

Summary of Section 95131(b)(9)

Section 95131(b)(9) is modified to specify that an uncorrected NAICS code will result in an adverse verification statement.

Rationale for Section 95131(b)(9)

This change is needed to ensure accurate allowance allocation under the Cap-and-Trade Program. The NAICS code is very significant and important to be accurate because of the NAICS code is used to determine the type of allocation that a covered entity receives. This requirement will ensure that reporters fix incorrect NAICS codes in order to receive allocation.

Summary of Section 95131(b)(14)(B)(1.)

Section 95131(b)(14)(B)(1.) is modified to clarify which primary refinery products and blending components are covered product data for data year 2014 and subsequent years.

Rationale for Section 95131(b)(14)(B)(1.)

This change is needed to support proposed changes to section 95113(l)(1). Because EII refineries will not receive allocation based on primary refinery product data, these data from these refineries will not be considered to be covered product data. Because non-EII refineries may receive allocation based on primary refinery product data reported through the 2014 data year, these data for these refineries will be considered covered product data. Because primary refinery product and blending component produced elsewhere and brought on-site may be used for both blending into primary refinery product and for other uses, without any quantification of how much product or component goes to which use, those products/components produced elsewhere and brought on-site will not be subject to material misstatement if they are not used solely for blending.

Section 95132. Accreditation Requirements for Verification Bodies, Lead Verifiers, and Verifiers of Emissions Data Reports and Offset Project Data Reports.

Summary of Section 95132(b)(1)(A)(1.)

Section 95132(b)(1)(A)(1.) is modified to replace the word “have” with “employ.”

Rationale for Section 95132(b)(1)(A)(1.)

This change is included to clarify that a verification body must employ and retain at least two verifiers to remain accredited.

Summary of Section 95132(b)(3)(B)

Section 95132(b)(3)(B) is modified to change the word “fulltime” to “full-time.”

Rationale for Section 95132(b)(3)(B)

This change is needed to correct a typographical error.

Section 95133. Conflict of Interest Requirements for Verification Bodies.

Summary of Section 95133(a)

Section 95133(a) is modified to require that all subcontracting companies must be bound by the COI requirements under this article.

Rationale for Section 95133(a)

This change is necessary to clarify that COI requirements extend to other companies that contract with verification bodies on behalf of the reporting entities.

Summary of Section 95133(b)(2)(S)

Section 95133(b)(2)(S) is modified to include trade or membership groups as entities with potential conflicts of interest.

Rationale for Section 95133(b)(2)(S)

This change is necessary to prohibit verification bodies who advocate on behalf of reporting entities from also providing verification services to those entities due to the perceived conflict of interest arising from such activities.

Subarticle 5. Reporting Requirements and Calculation Methods for Petroleum and Natural Gas Systems.

Section 95152. Greenhouse Gases to Report.

Summary of Section 95152(b)

Section 95152(b) is modified to correct the reference to BOEMRE.

Rationale for Sections 95152(b)

This change is needed to correct the reference to BOEMRE, which is the correct federal agency.

Summary of Sections 95152(c)(13), (d)(6), (e)(7), (f)(6), (g)(4), and (h)(4)

These sections are modified to remove the phrase “rod packing.”

Rationale for Sections 95152(c)(13), (d)(6), (e)(7), (f)(6), (g)(4), and (h)(4)

The changes made to these sections are needed to clarify that the requirements in these sections cover all venting and not just venting from rod packing.

Summary of Section 95152(i)(1)

Section 95152(i)(1) is modified to identify all components covered by this section.

Rationale for Section 95152(i)(1)

This change is needed to provide reporters specific information concerning the components which must be screened.

Summary of Section 95152(i)(2)

Section 95152(i)(2) is modified to remove the phrase “from vaults.”

Rationale for Section 95152(i)(2)

This change is needed to clarify that leaks must be quantified at below grade M-R stations.

Summary of Section 95152(i)(3)

Section 95152(i)(3) is modified to more succinctly state which leaks are covered under this requirement.

Rationale for Section 95152(i)(3)

This change is needed to clarify the reporting requirements of this section.

Summary of Section 95152(i)(4)

Section 95152(i)(4) is modified to remove the phrase “from vaults.”

Rationale for Section 95152(i)(4)

This change is needed to clarify that leaks must be quantified at below grade M-R stations.

Summary of Section 95152(i)(5)

Section 95152(i)(5) is modified to specify that this requirement relates to distribution main equipment leaks.

Rationale for Section 95152(i)(5)

This change is needed to clarify that this section deals with equipment in the distribution network, and remove an ambiguity in the reporting requirements. The requirements previously in this section were relocated to 95152(i)(9).

Summary of Section 95152(i)(6)

Section 95152(i)(6) is modified to add the word “distribution.”

Rationale for Section 95152(i)(6)

This change is needed to clarify that this section deals with equipment in the distribution network.

Summary of Section 95152(i)(7)

Section 95152(i)(7) is modified to state that fuel combustion emissions must be quantified.

Rationale for Section 95152(i)(7)

This change is needed to clarify this reporting requirement.

Summary of Section 95152(i)(9)

Section 95152(i)(9) is modified to require reporting of equipment leaks and pipeline blowdowns.

Rationale for Section 95152(i)(9)

This change is needed to reestablish a reporting requirement that had been inadvertently deleted in the last amendments, and relocates a requirement previously specified in section 95152(i)(5) to this section for clarity.

Summary of Section 95152(i)(10) and (i)(11)

Sections 95152(i)(10) and (i)(11) are modified to require reporting of emissions from customer meters and pipeline dig-ins.

Rationale for Section 95152(i)(10) and (i)(11)

These changes are necessary to ensure more complete reporting of emission from natural gas distribution. Based on ARB's survey conducted in 2009, meter leaks and pipeline dig-ins resulted in methane emissions of nearly three quarters of a million metric tons of CO₂e equivalents. Because of the potential magnitude of the emissions and growing interest in reducing short-lived climate pollutant emissions, ARB is interested in collecting better emission estimates for these sources. The additional information will support a complete and more accurate estimate of natural gas transmission and distribution emissions in the statewide inventory and inform regulatory development.

Section 95153. Calculating GHG Emissions.

Summary of Section 95153(c)

Section 95153(c) is modified to add the word "emitted."

Rationale for Section 95153(c)

This change is needed to provide clarity.

Summary of Section 95153(c)(2)

Section 95153(c)(2) is modified to add the phrase "annual average."

Rationale for Section 95153(c)(2)

This change is needed to clarify that the fraction of CO₂ in vented gas refers to the annual average volumetric fraction.

Summary of Section 95153(c)(7)

Section 95153(c)(7) is modified to include a missing space character.

Rationale for Section 95153(c)(7)

This change is needed to correct a typographical error.

Summary of Section 95153(e)(1)

Section 95153(e)(1) is modified to clarify that this method is used for well venting where the well did not employ a plunger lift. In addition, this section is modified to clarify that reporters must report information for each well equipped with plunger lift.

Rationale for Section 95153(e)(1)

This change is needed to provide clarity to reporters when reporting well venting from wells not using plunger lift.

Summary of Section 95153(f)(1)

Section 95152(f)(1) is modified to subtract gas sent to a sales line.

Rationale for Section 95153(f)(1)

This change is needed because this reporting requirement covers gas well venting in cases where no gas is routed to a sales line, and thus the correction for recovered gas is not necessary.

Summary of Section 95153(f)(2)(E)

Section 95153(f)(2)(E) is modified to correct the units for Vs to scf.

Rationale for Section 95153(f)(2)(E)

This change is needed to correct an error in the units included in this section.

Summary of Section 95153(f)(2)(I)

Section 95153(f)(2)(I) is modified to correct an error in the descriptions of the parameters for Equation 12.

Rationale for Section 95153(f)(2)(I)

This change is needed to clarify that the Equation 12 inputs and results apply to any gas associated with the well venting, and it is not limited to natural gas.

Summary of Section 95153(g)(1)

Section 95153(g)(1) is modified to exclude blowdown volumes of less than 50 scf from being reported. In addition, this section is modified to describe in more detail the volumes reporters should consider.

Rationale for Section 95153(g)(1)

This change is needed to eliminate reporting for venting of very small volumes to ease the reporting burden.

Summary of Section 95153(i)

Section 95153(i) is modified to include onshore petroleum and natural gas production within the description of sources for this method.

Rationale for Section 95153(i)

This change is needed for clarity. Within the regulation, dump valve emissions for the sector are reported using the method specified in section 95153(h), which requires use of the method in section 95153(i). The change makes the appropriate method to be used explicit for the sector.

Summary of Section 95153(i)(2)(A)

Section 95153(i)(3) is modified to change the word “calibrate” to “calibrated”.

Rationale for Section 95153(i)(2)(A)

This change is needed to correct a typographical error.

Summary of Section 95153(i)(3)

Section 95153(i)(3) is modified to describe how to report leaking valves under different scenarios for when the leak is detected and repaired.

Rationale for Section 95153(i)(3)

This change is needed to clarify how to estimate the overall leak time duration of a stuck dump valve.

Summary of Section 95153(j)

Section 95153(j) is modified to indicate that this reporting requirement applies to both oil and gas wells.

Rationale for Section 95153(j)

This change is needed so reporters know to calculate both oil and gas wells.

Summary of Section 95153(j)(1)

Section 95153(j)(1) is modified to change the term “gas to oil ratio” to “gas-to-oil ratio.”

Rationale for Section 95153(j)(1)

This change is needed to correct a typographical error.

Summary of Section 95153(j)(3)

Section 95153(j)(3) is modified to indicate that this reporting requirement applies to both oil and gas wells. In addition, this section is modified to add variables to indicate the variable units for $E_{s,n}$ and FR into the equation. Also, “gas to oil” was changed to “gas-to-oil”.

Rationale for Section 95153(j)(3)

This change is needed to provide clarity to reporters concerning which methodologies they must use to report emissions from oil wells and gas wells, and variable units, and to correct a typographical error.

Summary of Section 95153(j)(4)

Section 95153(j)(4) is modified to indicate that this section refers to gas wells.

Rationale for Section 95153(j)(4)

This change is needed to provide clarity for reporting emissions from gas wells using Equation 16.

Summary of Section 95153(k)(3)

Section 95153(k)(3) is modified to update Equation 17 to remove the requirement to sum emissions across multiple hydrocarbon basins. Also, “gas to oil” was changed to “gas-to-oil” to correct a typographical error.

Rationale for Section 95153(k)(3)

The “basin” is the geographical reporting footprint and reporters are required to file separate GHG reports for each basin in which they operate; therefore, the previous requirement to sum emissions across multiple basins was incorrect. A typographical error was also corrected for gas-to-oil.

Summary of Section 95153(l)(2)

Section 95153(l)(2) is modified to allow the use of best available data for instances where a continuous flow measuring device is not installed on a flare.

Rationale for Section 95153(l)(2)

This change is needed to provide the reporter with additional flexibility in estimating volume sent to the flare when a continuous flow measurement device is not installed on a flare.

Summary of Section 95153(l)(5)

Section 95153(l)(5) is modified to combine the two equations for calculating CH₄ emissions from a flare into one equation. In addition, two additional variables have been introduced to cover emissions from both burning and unlit flares.

Rationale for Section 95153(l)(5)

This change is needed to streamline the reporting of combustion related CH₄ emissions from a flare.

Summary of Section 95153(m)(1)(A)

Section 95153(m)(1)(A) is modified to cover operation where natural gas is vented after use as a start-up gas. In addition, staff added Equation 20, which details the calculation method to be used to calculate spin-up gas venting.

Rationale for Section 95153(m)(1)(A)

This change is needed to cover instances where operators use the motive pressure of compressed natural gas to spin-up or start a compressor (i.e. the gas is not combusted). Equation 20 is needed to detail the method that reporters must use to quantify spin-up gas venting.

Summary of Section 95153(o)

Section 95153(o) is modified to indicate that reporters should use the methods in section 95153(t) to convert GHG_i volume to GHG_i mass.

Rationale for Section 95153(o)

This change is needed to point reporters to the methods they must use to convert gas volume to gas mass.

Summary of Section 95153(p)

Section 95153(p) is modified to correct the list of emission sources to which this section applies. In addition, this section is modified to include emissions from customer meters.

Rationale for Section 95153(p)

These changes are needed to correct referencing to the sectors that may use the method and to provide the regulated entity with a method to estimate fugitive emissions from customer meters.

Summary of Section 95153(p)(6)(A)

Section 95153(p)(6)(A) is modified to include emissions from customer meters.

Rationale for Section 95153(p)(6)(A)

This change is necessary to provide the regulated entity with a method to estimate fugitive emissions from customer meters.

Summary of Sections 95153(q) through (q)(4)

Sections 95153(q) through (q)(4) are modified to correct the references to BOEMRE.

Rationale for Sections 95153(q) through (q)(4)

This change is needed to correct the reference to BOEMRE, which is the correct federal agency.

Summary of Section 95153(t)

Section 95153(t) is modified to require reporting in GHG_i mass emissions instead of CO₂e.

Rationale for Section 95153(t)

This change is needed to require reporters to calculate emissions in terms of mass of GHG_i emitted, not mass expressed as CO₂e.

Summary of Section 95153(v)

Section 95153(v) is modified to clarify that this reporting requirement also covers wells where EOR is being used in addition to conventional wells.

Rationale for Section 95153(v)

This change is needed to ensure that reporters understand that both conventional and unconventional wells are covered by this reporting requirement.

Summary of Section 95153(w)

Section 95153(w) is modified to include a method for quantifying emissions from pipeline dig-ins.

Rationale for Section 95153(w)

This change is needed to instruct reporters on the quantification method of pipeline dig-in emissions. It is necessary for reporting entities to report emissions pursuant to 95152(i)(11).

Summary of Section 95153(y)(5)

Section 95153(y)(5) is modified to require reporting of CO₂ emissions from fluidized bed boilers equipped with flue gas desulfurization.

Rationale for Section 95153(y)(5)

This requirement was inadvertently dropped during the last major revisions of this section. This text restores that requirement.

Section 95156. Additional Data Reporting Requirements.

Summary of Section 95156

Section 95156 is modified to specify that sales records may be used to provide covered product data that are produced and sold during the data year if the measurement system meets the criteria for financial transaction meters specified in section 95103(k)(7). This section is also modified to specify that inventory measurements may be used to provide covered product data that is produced but not sold during the data year if the measurement system meets the accuracy requirements specified in section 95153(k)(11). This section is also modified to specify that changes in product data reporting methodologies must conform to all applicable requirements pursuant to 95103(m), and that reporting entities must exclude inaccurate product data pursuant to 95103(l).

Rationale for Section 95156

These changes are necessary to clarify what reporting methodologies are allowed for reporting petroleum and natural gas covered product data.

Summary of Section 95156(a)

Section 95156(a) is modified to clarify that entities should disaggregate their reported covered product data within the basin to the sub-facility level.

Rationale for Section 95156(a)

This change is necessary to clarify the reporting of covered product data for use in the Cap-and-Trade Program.

Summary of Sections 95156(a)(7) and (a)(8)

Sections 95156(a)(7) and (a)(8) are modified to specify that barrels of crude oil produced using thermal enhanced oil recovery (EOR) and methods other than thermal EOR means the volume of crude oil produced within the facility boundary during the data year.

Rationale for Sections 95156(a)(7) and (a)(8)

These changes are necessary to clarify what crude oil production should be reported as covered product data by a facility.

Summary of Sections 95156(a)(9) and (a)(10)

Sections 95156(a)(9) and (a)(10) are modified to specify that associated gas produced using thermal EOR and methods other than thermal EOR may be quantified using production or sales meters as appropriate. These sections are also modified to clarify that associated gas may be quantified using the Gas to Oil Ratio (GOR) method if sales meters are used. These sections are also modified to specify that GOR measurements used for quantifying associated gas should be the most disaggregated data available.

Rationale for Sections 95156(a)(9) and (a)(10)

These changes are necessary to clarify what reporting methodologies are allowed for reporting associated gas covered product data for use in the Cap-and-Trade Program.

Summary of Section to 95156(c)

Section 95156(c) is modified to specify that natural gas liquids (NGL) that are extracted from produced gas, associated gas, or waste and re-injected into barrels of crude oil produced at the same facility should be reported as covered product data pursuant to section 95156(a)(7) or (a)(8). This section is also modified to specify that all other NGLs produced at the facility should be reported as covered product data pursuant to section 95156(c).

Rationale for Section to 95156(c)

This change is necessary to specify that NGLs that are blended into crude oil produced at the same facility should not be reported as both crude oil covered product data and NGL covered product data.

Section 95157. Activity Data Reporting Requirements.

Summary of Section 95157(b)

Section 95152(b) is modified to correct the reference to BOEMRE.

Rationale for Sections 95157(b)

This change is needed to correct the reference to BOEMRE, which is the correct federal agency.

Summary of Sections 95157(c)(10)(B) and (c)(11)(B)

Sections 95157(c)(10)(B) and (c)(11)(B) are modified to change “gas to oil ratio” to “gas-to-oil ratio”.

Rationale for Sections 95157(c)(10)(B) and (c)(11)(B)

These changes are needed to correct a typographical error.

Summary of Sections 95157(c)(12)(F) through(c)(12)(K)

Sections 95157(c)(12)(F) through (c)(12)(K) are modified to reflect changes made to the reporting methodology in section 95153(l).

Rationale for Sections 95157(c)(12)(F) through(c)(12)(K)

These changes are necessary to reflect the changes made to the reporting requirements found in section 95153(l) for flares, in which the reportable emissions

were changed from “uncombusted emissions” to “emissions,” which correspond to the edits to section 95157(c)(12)(F) through (H). Sections 95157(c)(12)(I) through (K) are also renumbered because 95157(c)(12)(H) was deleted for the reason previously mentioned.

Summary of Section 95157(c)(16)(U)

New section 95157(c)(16)(U) is added to report mass-based emissions from customer meters.

Rationale for Section 95157(c)(16)(U)

This section is needed to instruct reporters to submit carbon dioxide equivalent emissions from customer meters in their annual GHG report pursuant to 95152(i)(10). This information will assist ARB in better quantification of fugitive emissions from these sources.

Summary of Section 95157(c)(16)(V)

New section 95157(c)(16)(V) is added to report mass-based emissions from pipeline dig-ins.

Rationale for Section 95157(c)(16)(V)

This section is needed to instruct reporters to submit carbon dioxide equivalent emissions from pipeline dig-ins in their annual GHG report pursuant to 95152(i)(11). This information will assist ARB in better quantification of emissions from these sources.

Summary of Section 95157(c)(16)(W)

New section 95157(c)(16)(W) is added to include reporting of population count of customer meters.

Rationale for Section 95157(c)(16)(W)

This section is necessary to provide activity data as required in equation 27 of subsection 95153(p). It supports California’s annual statewide GHG emission inventory and regulatory development.

Summary of Section 95157(c)(16)(X)

New section 95157(c)(16)(X) is added to include reporting of number of pipeline dig-ins.

Rationale for Section 95157(c)(16)(X)

This section is necessary to provide activity data for estimating average emissions per dig-in accident. It supports California’s annual statewide GHG emission inventory and regulatory development.

Summary of Section 95157(c)(19)(I)

New section 95157(c)(19)(I) is added to include a voluntary reporting option for EOR steam generated using renewable resources has been added to this section.

Rationale for Section 95157(c)(19)(I)

This section is needed to include a voluntary reporting requirement will allow ARB to evaluate the extent to which onshore production facilities use renewable resources to produce steam for EOR operations.

Summary of Section 95157(e)

Section 95157(e) is modified to change “gas to oil ratio” to “gas-to-oil ratio.”

Rationale for Section 95157(e)

This change is needed to correct a typographical error.

Appendix A. Emission Factors and Calculation Data for Petroleum and Natural Gas Systems Reporting.

Summary of Appendix A

Table 7 in Appendix A is expanded to include emission factors for customer meters.

Rationale for Appendix A

These emission factors are needed for estimating volumetric emissions in equation 27 of subsection 95153(p).

Appendix B. Flash Emissions of Greenhouse Gases and Other Compounds from Crude Oil and Natural Gas Separator and Tank Systems.

Summary of Appendix B

Appendix B is modified to change “Gas to Oil Ratio” to “Gas-to-Oil Ratio” and “Gas to Water Ratio” to “Gas-to-Water Ratio” in several locations.

Rationale for Appendix B

These non-substantive updates correct typographical errors.

VIII. PUBLIC PROCESS FOR DEVELOPMENT OF PROPOSED ACTION

Public Outreach

In developing the proposed amendments, staff presented initial ideas for discussion at a public workshop held on June 5, 2014, including providing draft regulation text to receive comments and feedback from stakeholders. Staff also made supplemental information available to stakeholders on June 13, 2014, to obtain additional comments from hydrogen producers, refineries, and oil and gas producers. In response to requests from stakeholders, staff held one-on-one and small group teleconferences to discuss and refine the proposed revisions to the mandatory reporting regulation. Staff considered the informal comments provided during and after these meetings in crafting the staff proposal.

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