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It's the Law: Mandatory reporting, verification of greenhouse gas emissions

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This year, reporting annual greenhouse gas (GHG) emissions became mandatory in California, impacting many industries and businesses of all sizes, from multinational corporations to mom-and-pop operations. On Sept. 22, the U.S. Environmental Protection Agency (EPA) published a national GHG reporting rule, which will affect even more sources. Therefore, starting on Jan. 1, 2010, a bewildering, sometimes overlapping, array of additional state requirements and federal regulations take effect. And while specific industries are targeted, the regulations ultimately affect everyone, from the corporate boardroom to consumers.

In practical terms, many facilities in regulated industries not only are required to report their emissions, those regulated under California's Global Warming Solutions Act of 2006 -- commonly known as AB 32 -- will need their data verified by accredited third-party environmental professionals or possibly the local air quality management district (AQMD). Under both the state and federal rules, additional data monitoring, collection and quality assurance/quality control requirements will apply to the data used to calculate GHG emissions.

California statutes

Industries that fall under GHG regulation range from semiconductor manufacturing, electricity generation and cement manufacturing, to petroleum refinement and supply, stationary combustion sources and auto repair. The goal of California's AB 32, which is administered by the California Air Resources Board (CARB), is to return the state's greenhouse gas emissions to 1990 levels by 2020, a reduction of roughly 25 percent from current levels. The mandatory reporting program is the first step in this process.

Exempt from these requirements are primary and secondary schools; hospitals; nuclear, hydroelectric, wind and solar power plants; portable equipment; and backup or emergency generators (if permitted by an AQMD).

EPA requirements

Federal standards require all sector-specific facilities and industries to install GHG monitoring equipment and begin collecting data on Jan. 1, 2010, with the first reports due March 31, 2011, for first-time reporters. Those facilities already reporting quarterly for existing mandatory programs will continue to report quarterly. First-time reporters also have a three-month grace period before they must begin collecting emissions data under the new monitoring standards.

A key difference, for now, between state and federal regulations is that the EPA does not require third-party verification. Another difference is that in California, reports are filed at facility and/or

retailer/marketer levels, while the EPA requires reports at facility and/or supplier levels. Also the EPA rule regulates additional sources not covered under AB 32, including, for example, landfills.

For all businesses in regulated industries, this means keeping accurate records, and it may require the installation and maintenance of monitoring systems that accurately collect analytical data. Although business owners bemoan the additional expense, the fact is, it's the law. Licensed environmental consultants are available throughout California to provide guidance and assistance with all aspects of compliance with these state and federal regulations. Before contracting these services, do your due diligence -- make sure the service provider and its employees are properly licensed and have the experience to perform the work accurately and reliably. Note that for third-party verification services, the selected firm and its GHG staff must be properly accredited by CARB.

Voluntary reporting

Some businesses and organizations that are not required to report GHG emissions do so voluntarily through non-government and nonprofit organizations, such as the California Climate Action Registry -- now the Climate Action Reserve (CAR) -- and The Climate Registry (TCR).

They do this to better understand their corporate carbon footprints, and for public disclosure of their footprints and liabilities as part of their corporate social responsibility programs, which could be beneficial in the growing clean-energy economy. Voluntary reporting also helps advance GHG accounting standards and build organizational expertise, establish a baseline, prepare for emissions trading and prepare for mandatory reporting, at both state and federal levels. This reporting is at the entity, not facility level, and is generally required to be third-party verified.

The city of Chula Vista, for example, voluntarily reports its GHG emissions as a participant in the CCAR program, and jeans maker **Levi Strauss & Co.** (NYSE:) is a participant in TCR and a member of a growing pact of businesses supporting a clean-energy economy to combat climate change.

In conclusion, all businesses should determine if they are required to report GHG emissions under these state and federal mandates, and take the necessary steps to ensure compliance. And even those not required to report should consider doing so voluntarily. It could pay dividends in terms of public perception as well as new business opportunities.

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