



Business Council of
British Columbia

February 6, 2009

SUBMITTED TO: www.westernclimateinitiative.org

Mr. Jim Norton
Chair, Reporting Committee
Western Climate Initiative

Dear Mr. Norton:

Re: Western Climate Initiative (WCI) Reporting Essential Requirements

The Business Council of British Columbia is pleased to comment on the WCI's proposed Essential Requirements for Mandatory Reporting.

By way of background, the Business Council of British Columbia, established in 1966, is an association representing approximately 260 large and medium-sized enterprises engaged in business in British Columbia. Our members are drawn from all major sectors of the provincial economy. Taken together, the corporate members and the associations affiliated with the Business Council are responsible for roughly one-quarter of all jobs in British Columbia.

The comments which follow are general in nature and reflect the diverse sectoral membership of the Business Council. Our affected member organizations (individual companies and their industry associations) may provide more detailed comments in the technical areas relevant to them.

Ongoing consultation

At the outset, we note the extension to February 6, 2009 of the deadline for comments. The additional time is appreciated and allows stakeholders and directly affected facilities to analyse the document, compare reporting processes with current obligations, and begin to determine any additional exposure and expense. However, due to the complexity apparent in the proposed essential requirements and several key matters that have yet to be settled, the Reporting Committee is urged to undertake ongoing engagement on a sectoral basis with businesses and industries who find their reporting obligations to be substantially beyond what is presently covered by federal, provincial and state regulations.



Mr. Jim Norton
February 6, 2009
Page 2

Treatment of Canadian industry

The Business Council is concerned that in attempting to set reporting parameters that will deal with all covered sources, the WCI's proposed requirements are unwieldy and in some cases do not follow established methodologies for GHG emissions data-gathering and reporting. This appears to be further complicated by the existence of diverse established reporting systems in Canada and the United States. The background document incorporates by reference several US-based reporting standards and requirements (the intended effect of which is unclear). No evidence is provided in the document that Canadian methods or protocols have been taken into account, particularly where these represent industry best practices, to ease the reporting burden of Canadian facilities. This is puzzling and from the perspective of Canadian industry, worrisome.

More specifically, the Business Council believes the WCI needs to clarify its intentions concerning the purpose of reporting biomass emissions. The WCI should treat the reporting of biomass emissions in a manner consistent with internationally accepted norms regarding the carbon dioxide (CO₂) neutrality of biomass. To our knowledge, biomass emissions are not presently reported for the purposes of calculating compliance thresholds in other emissions reduction programs, and in our view they should not be reported by the WCI. In addition, to require reporting of biomass at the low 10,000 tonne threshold will place a particularly onerous burden on small BC and Canadian forest products firms, who would not otherwise meet the threshold and whose inclusion in the reporting regime would have a negligible effect on emissions reductions.

The reporting document remains silent on co-generation, other than to note that it is to be subjected to "category specific" reporting requirements (Table 1 on page 7). Stakeholders would benefit from clarification of this issue, and the WCI Reporting and Electricity Committees are urged to work together with appropriate industry experts to propose a method of treatment of co-generation. Combined heat and power sources should be encouraged and incentivised via the allocation function, and be subjected to simplified reporting methods.

The Business Council has several comments around the proposed treatment of elements of the oil and gas industry. The proposed 3,000 tonne reporting threshold for upstream oil and gas facilities is extremely onerous. The effort required to quantify and report emissions at such low levels would not capture significant additional emissions and is not justifiable from the perspective of balancing administrative effort (and cost) with environmental benefit.



Mr. Jim Norton
February 6, 2009
Page 3

In the non-vertically integrated Canadian natural gas industry, the point of regulation will be critical to achieving fairness in treatment of emitters, and also in fostering behavioural change at a consumer level. The further upstream the point of regulation, the less likely it is that the price signal will be fully passed down to consumers, due to regulatory, market and institutional impediments. The Business Council's view concerning the inclusion of the residential, building and commercial sectors, as well as transportation, is that these sectors should not take part in the cap & trade system, and therefore that the reporting burden should be considerably less onerous than is presently proposed. To effect behavioural change, treatment of facilities in the natural gas sector below the proposed 25,000 tonne compliance threshold should include other regulatory measures, such as efficiency standards and capital cost incentives for switching to high-efficiency equipment.

Onerous, duplicative reporting burden

The result of the proposed reporting requirements for many of our member firms and sectors will be an unacceptably costly duplicative reporting scenario. It is optimistic to expect that all participating states and provinces will bring non-congruent reporting requirements into alignment with the WCI's essential requirements, as envisioned in the background document. Further, this approach, even if successful, fails to take into account existing Canadian federal GHG reporting methods and requirements under the *Canadian Environmental Protection Act*, for which larger facilities have established systems in place, nor does it consider the forthcoming US Environmental Protection Agency mandatory reporting rule.

At the outset of this project, WCI partners committed to found its cap and trade on the principle of administrative simplicity. The essential reporting requirements as presently drafted will add layers of complexity for covered facilities. The Business Council strongly recommends that the WCI revisit aspects of its reporting requirements and work with interested jurisdictions and industry sectors to minimise the administrative burden of GHG reporting for WCI purposes. From the perspective of reporting facilities, the only acceptable outcome is a **single window reporting regime** where emissions are reported to their own jurisdictions. This approach would also reduce potential legal conflicts in compliance and enforcement matters.

The extensive proposed requirements to prepare and file GHG management and reduction plans and to keep reports – including all ancillary source data – for seven years should also be reviewed, as they represent unnecessary burdens on facilities. Data should not have to be held for more than five years, a period that will adequately cover information that may be relevant to the proposed three-year trading periods.



Mr. Jim Norton
February 6, 2009
Page 4

Low reporting threshold

The Business Council wishes to reiterate a concern outlined in previous comments about setting a 10,000 tonne reporting threshold. The data collection and quantification methods, the ancillary document production, and the seven-year record keeping requirements add up to an excessively onerous and cumbersome exercise to meet the rationale presented by WCI to determine whether the compliance threshold (at 25,000 tonnes) is set at the right level. As the Business Council has noted, the effort expended (and therefore the cost) should be commensurate with the expected environmental benefit. This is not the case with the WCI reporting framework as now proposed. Put another way, the methodologies for reporting necessitate unreasonable effort to quantify sources whose emissions may be lower than the permitted variance in more substantial sources. This will provide no meaningful contribution to meeting the overall carbon reduction goal of the WCI.

Also in this area, a more robust rationale and clarification are needed for the proposed *de minimis* approach for certain pollutants that represent three percent of total GHG emissions. For reporting entities in a position to choose the *de minimis* reporting option, the threshold should be higher than three percent – no less than five percent – otherwise the work involved in quantifying emissions via alternate methodologies may be more onerous than the proposed relief.

Treatment of sensitive information

From a Canadian business perspective, we have concerns about the potential legal implications of data storage in the United States via The Climate Registry for Canadian reporters. While a centralized approach to certain aspects of the cap and trade would have some advantages, the possible adverse legal implications of how data is treated under a different country's laws override any benefits of such an approach. Unless these issues can be resolved, our view is that Canadian entities should report (via the single-window principle) under their own provincial or existing federal mechanisms.

In general, more detail and better assurances over the handling of sensitive information should be produced by the WCI Reporting Committee. Extensive requirements to report emissions in great detail, and for processes or inputs that are not essential to determining overall emissions levels, mean unnecessary risks over the possible release of proprietary confidential information. Disclosure of details of fuel source, quantity and type could place entities at a disadvantage vis-à-vis competitors as it facilitates the estimation of production costs. This concern extends to the verification of emissions reports – the third party verifiers can play a “screening” role so that sensitive information may be verified for compliance but not necessarily made public by the regulator.



Mr. Jim Norton
February 6, 2009
Page 5

Related to this point, inadequate attention has been given in the document to the coordination and timing of release of such information, particularly as to how it will affect the operation of a carbon market post-2012.

Economic conditions

Last but not least, the Business Council emphasises that in the present recessionary economic climate, where many businesses and entire industries are struggling to survive, there is no appetite and little capacity among our member industries to bear additional administrative and/or cost burdens. The WCI's proposed reporting rules would impose both administrative and real cost burdens: the reporting requirements as drafted appear to go well beyond what is necessary to determine emissions levels to establish a properly functioning cap and trade system.

The Business Council of British Columbia appreciates this opportunity to provide comments on the Western Climate Initiative's proposed essential requirements for reporting.

Yours sincerely,

*Original signed by
Jock Finlayson*

Jock Finlayson
Executive Vice President – Policy

KG/vjc

cc: Mr. Doug Konkin, Deputy Minister, BC Ministry of Environment,
Mr. Tim Lesiuk, Co-Chair, Western Climate Initiative