

# Can States Cooperate on Climate Change?

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# About First Environment

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- Strategic Environment Engineering and Management Consulting Firm
- Corporate headquarters in Boonton, New Jersey
- Offices in GA, MS, IL, DC, CA and Ontario
- Traditional Services
  - Site Investigation and Remediation
  - Mergers and Acquisitions Due Diligence
  - Regulatory and Litigation Support
- Emerging Issues
  - Environmental Management Systems
  - Life Cycle Assessment
  - Corporate Greenhouse Gas Management



# Climate Change and Climate Science

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- In response to a request by the Bush Administration, the U.S. National Academy of Sciences released a report in 2001 assessing the current state of climate science
- NAS supported the Intergovernmental Panel on Climate Change's view that climate change is real and that human activity has been, and continues to be, a contributing factor



# U.S. Climate Change Policy

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- Currently, no federal regulations limiting GHG emissions
- Emphasis on voluntary programs
  - DOE's 1605b Voluntary GHG Registry
  - U.S. EPA's Climate Leaders Program
    - Corporate Inventory
    - Reduction Target
- States have taken lead in developing climate change policy

# State GHG regulations

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- Oregon
  - CO2 performance limit for new or expanded natural gas power plants
- Massachusetts
  - CO2 emission reductions from power plants
- Washington
  - Power plant CO2 increase offset requirements
- California
  - CO2 emission regulations for motor vehicles
  - Also being considered by several states, both east and west



# States and Regional Climate Policy Leadership

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- California Climate Action Registry
- Northeast's Regional Greenhouse Gas Initiative



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# California Climate Action Registry

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# The California Climate Action Registry

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- Non-profit voluntary registry
- Established by CA statute
- Maintains database of GHG baselines and reports submitted by participants
- Develops registry-specific protocols
  - General reporting (entities)
  - Industry-specific



# Voluntary Reporting to the CA Registry

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- Reported according to the General Reporting Protocol
  - Developed from the WBCSD/WRI GHG Protocol
- Geographic Boundaries can be
  - California
  - United States
- Submitted through Climate Action Registry Reporting Online Tool (CARROT)
- To be accepted by the CA Registry, reports must be “certified” by a third party

# Certification of CA Registry Reports

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- CA Registry Certification = verification
- Certifiers must be approved by the state through evaluation by the California Energy Commission
- Certification is performed according to the Registry's Certification Protocol



# Key components of CCAR Certification

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- Report is consistent with General Reporting Protocol
- Meets minimum quality standard
  - Data that is free of material misstatements, and meets the Registry's minimum level of accuracy of at least 95%.



# Other Voluntary GHG Registries?

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California Climate Action Registry may serve as a model for other potential voluntary GHG registries

- Eastern Climate Registry (formerly Regional Greenhouse Gas Registry)
  - Proposed to support the needs of Northeast states, including RGGI
  - Currently under development
- Western Regional Air Partnership
  - Ten western states meet recently to start developing a GHG registry

But unclear at this time how consistent/compatible these registries will be with each other

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# Regional Greenhouse Gas Initiative



# Northeast Regional Greenhouse Gas Initiative

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- A regional cap-and-trade program initially covering carbon dioxide emissions from power plants, but other gases and sectors may be incorporated in future
- RGGI includes New Jersey, New York, Vermont, New Hampshire, Connecticut, Maine, Delaware
- Massachusetts and Rhode Island have withdrawn *at this time*
- Maryland will join RGGI



# RGGI MOU & the Model Rule

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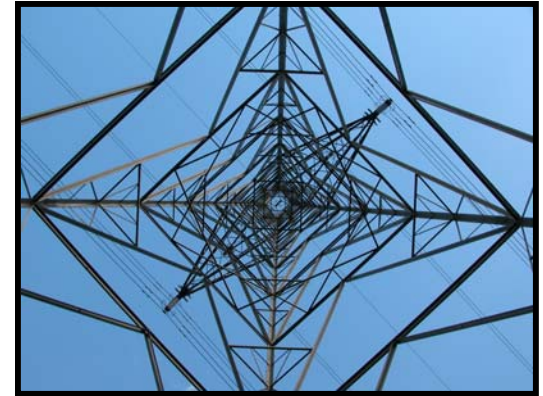
- RGGI Memorandum of Understanding
  - State governors agree to work together on reducing greenhouse gases through RGGI
- RGGI Model Rule
  - Legislation that defines how the cap and trade program would work in each participating state
  - Each state would implement model rule according to its own legislative procedures



# Power Generation CO<sub>2</sub> Cap

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- Cap applies to any fossil fuel-fired unit serving an electric generator with a nameplate capacity of 25 megawatts or greater
- From 2009 to 2015, RGGI cap stabilizes carbon dioxide emissions from power plants at current levels
- From 2015 to 2019, RGGI cap reduces CO<sub>2</sub> levels by 10 percent from current levels



# Allowance Allocation

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- Each state will determine how to appropriately allocate emission allowances to sources within its boundaries
  - Free distribution based on previous emissions?
  - Auction?
- At least 25 percent of the allowances will be allocated for consumer benefit or strategic energy purposes.

# Offset Projects

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- Reductions from approved offset project will generate credits that can be applied toward the program
- Eligible offset projects include:
  - Landfill gas
  - Sulfur hexafluoride
  - End-use energy efficiency (natural gas / oil / propane)
  - Afforestation
  - Farming operations
  - Natural gas transmission and distribution



# Future of RGGI and U.S. Climate Change Policy

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- Other states join RGGI?
- Other initiatives form similar to RGGI
  - West Coast Governors' Global Warming Initiative
- Individual states implement own regulations?
- Patchwork of state GHG regulations?
- Will federal regulations result to resolve the state patchwork?

*Will state GHG regulations evolve like state RPS/REC programs?*

# Concerns for Proliferation of State GHG Programs

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- Incompatible regulations or programs
    - Patchwork of regulations
    - Complicates corporate management efforts
  - Inconsistent technical approaches
    - Prevents, limits or challenges emission trading opportunities
    - Complicates verification and potentially quality of results
- Both aspects increase compliance risks & transaction costs*

# Applying Standards To State Climate Programs

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- Consistent Technical Approach
  - Simplifies Verification
  - Facilitates Emission Trading
  - Decreases Transaction Costs
- Provides foundation for state-specific policies aspects
- Allows linking of individual programs



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# ISO 14064 Climate Change Standards



# What is ISO?

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- International Organization for Standardization
- Non-governmental organization formed in 1947 and based in Geneva which coordinates cooperation between its 140 member countries' national standard bodies

U.S.	ANSI
U.K.	BSI
France	AFNOR
Japan	JISC
Germany	DIN



# What is ISO

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- Supports the development, and publishes, international standards or documented international agreements for technical or management issues
- Standards are voluntary; consensus based; private sector
- Technical Committees perform the work
  - Volunteers of member bodies (In U.S. - ANSI )
    - TC 176 - Created ISO 9000; Quality Management
    - TC 207 - Creating ISO 14000; Environmental Management



# ISO 14064 Standard for Climate Change

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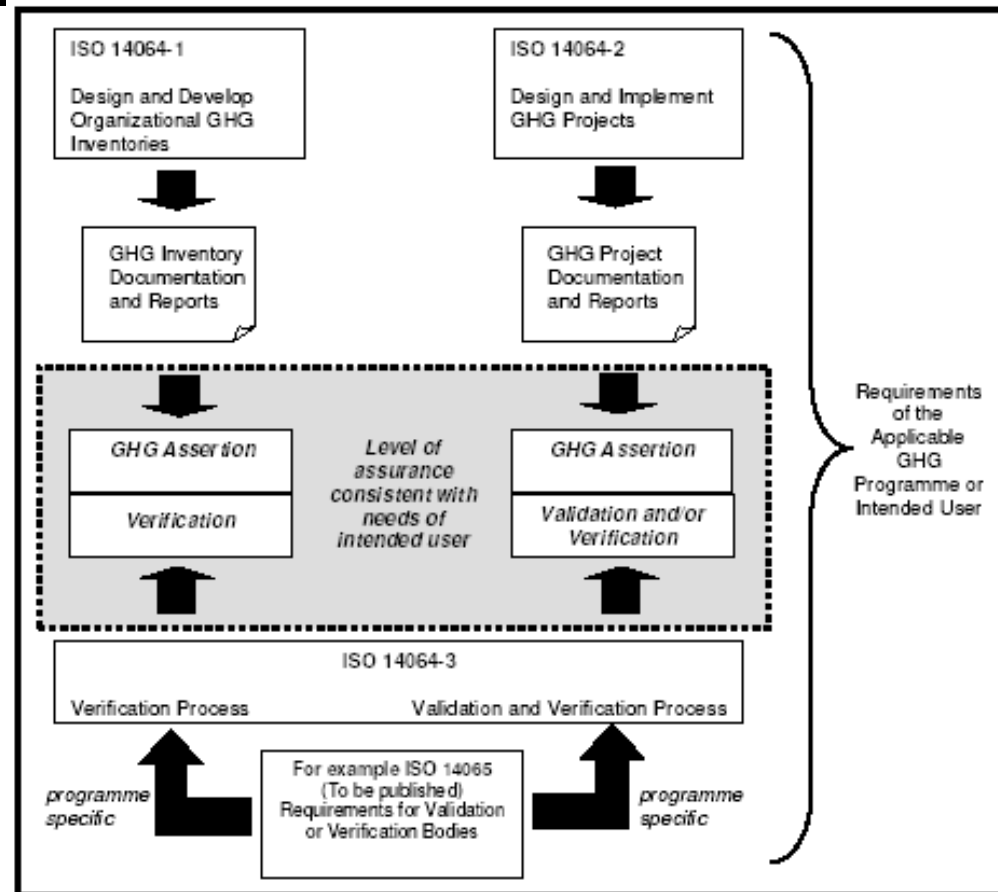
- Development of ISO 14064 began in 2002.
- The development process included over 11 international negotiation meetings and the efforts of experts representing over 36 countries.
- The standard is now in its final stage of development and is expected to be released for use in March 2006.

# Structure of the ISO 14064 Standard

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- Part 1: Specifications for the quantification, monitoring and reporting of *entity* emissions and removals
- Part 2: Specifications for the quantification, monitoring and reporting of *project* emissions and removals
- Part 3: Specifications and guidance for *validation, verification and certification*

# Relationship of 3 Parts of ISO 14064



Source: ISO FDIS 14064, Part 2

# Benefits of ISO 14064 change standard

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- Creation of comparable GHG units
- Consistency and transparency in reporting
- Improved management of GHG related liabilities and assets
- Support of GHG unit trading
- Facilitated participation in voluntary GHG initiatives



# Summary

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- Climate change is being acknowledged as a real and potentially significant threat
- Federal policy to address climate change has focused on voluntary efforts; states have taken leadership role of developing GHG policy regulations
- Different state approaches to climate policy exhibit innovation but proliferation could produce “patchwork” problems
- GHG management technical standards, such as ISO 14064, exist and could provide the foundation for state approaches and support consistency and compatibility



# Contact Information for Tod Delaney

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