

# CLIMATE CHANGE: Complying with Western Climate Initiative Reporting Requirements



BC, MB, ON and QC belong to the Western Climate Initiative (WCI), in which members set up cap-and-trade systems that require covered companies to report their greenhouse gas (GHG) emissions every year.

## **6 Key Facts about the WCI Reporting Requirements:**

- 1) Companies with designated operations must report GHG emissions exceeding 10,000 metric tonnes of CO<sub>2</sub>e (carbon dioxide equivalent) a year.
- 2) Facilities emitting 25,000 metric tonnes of CO<sub>2</sub>e a year must have their emissions verified by an accredited third party.
- 3) The method used to measure emissions depends on the type of operation.
- 4) Emissions reports for a calendar year are due by April 1 of the following year. Verified emissions reports are due by Sept. 1 of the following year.
- 5) The report must be in the format specified by the jurisdiction and contain designated information about both the facility and its emissions.

6) You must retain all the information you used to complete the emissions report as well as other designated information for at least seven years.

The Western Climate Initiative (WCI) is a group of Canadian and US jurisdictions working together to address climate change at a regional level. The Canadian members include BC, MB, ON and QC, with NS, SK and YK participating as observers (that is, they haven't agreed yet to comply with the WCI's requirements). The centerpiece of the WCI is a regional, market-based cap-and-trade program that caps GHG emissions with an ultimate goal of reducing regional emissions to 15% below 2005 levels by 2020. An essential component of this program is the reporting of GHG emissions. We'll tell you how to determine whether the WCI's reporting requirements apply to your company and, if so, how to comply with them.

### **WHAT THE LAW SAYS**

The WCI isn't a government body and thus has no legal authority over companies in either the US or Canada. But the jurisdictions that have joined the WCI (who are called "partners") have agreed to implement cap-and-trade programs and have passed laws and regulations to that end. So if your company is located in a partner jurisdiction, it may have to comply with those laws. The chart on page X includes the laws and regulations in each partner jurisdiction that implement the WCI requirements.

On July 27, 2010, the WCI released the *Design for the WCI Regional Program*, which provides a roadmap for the WCI partners to use as they implement the cap-and-trade program in their jurisdictions. The design includes Final Essential Requirements for Mandatory Reporting. In Dec. 2011, the WCI released updated reporting requirements specifically for the Canadian partners. The changes impact the methods used to measure emissions. This update is designed to be adopted by Canadian jurisdictions for 2012 calendar year emissions, due

to be reported in 2013. Where no amendments are made in this update, the prior version of the reporting requirements for Canadian partners released in Dec. 2010 remains in effect.

**Insider Says:** The environmental laws in Fed, AB and NS also include GHG reporting requirements. For information on how to comply with those requirements, see “Climate Change: Complying with GHG Reporting Requirements,” Oct. 2011, p. 1.

## **HOW TO COMPLY**

There may be slight differences in how the Canadian partners have adopted the WCI reporting requirements. But if you’re in one of those jurisdictions, you need to know the following general information to comply with the reporting requirements:

### **Which Operations Are Covered**

The WCI cap-and-trade program has two phases:

- Phase one, which began on Jan. 1, 2012, covers emissions from electricity, electricity imports, industrial combustion at large sources and industrial process emissions for which adequate measurement methods exist; and
- The second phase begins in 2015, when the program expands to include transportation fuels and residential, commercial and industrial fuels not otherwise covered in the first phase.

### **Which GHGs Are Covered**

The WCI cap-and-trade program covers emissions of seven GHGs:

- Carbon dioxide (CO<sub>2</sub>);

- Methane (CH<sub>4</sub>);
- Nitrous oxide (N<sub>2</sub>O);
- Hydrofluorocarbons (HFCs);
- Perfluorocarbons (PFCs);
- Sulfur hexafluoride (SF<sub>6</sub>); and
- Nitrogen trifluoride (NF<sub>3</sub>).

### **What's a Cap-and-Trade Program'**

The WCI explains that a cap-and-trade program is a mechanism that uses market principles to reduce emissions. A GHG cap-and-trade program has three key components:

**Allowances.** In a GHG cap-and-trade program, an emitter must turn in one “allowance” for every metric tonne of carbon dioxide equivalent (CO<sub>2</sub>e) that it emits. These allowances are tradable among emitters and across jurisdictions.

**Cap.** The government running the cap-and-trade program sets an absolute limit, or “**cap**,” on the amount of GHG emissions for the entire program and issues a limited number of allowances, which total the cap and represent the right to emit a specific amount.

**Trade.** If an emitter doesn't have enough allowances for its emissions, it may either reduce its emissions or “**trade**” for allowances from emitters who don't need theirs. For some emitters, implementing new, low-emitting technologies may be relatively inexpensive. So they'll buy fewer allowances or sell their surplus allowances to companies that face higher emission control costs. The idea is that by letting individual companies choose when and how to reduce their emissions, a cap-and-trade program minimizes the cost of emissions reduction

### **What Level Must Emissions Meet to Require Reporting**

Under the WCI design program, any facility that emits 10,000

metric tonnes of CO<sub>2</sub>e (carbon dioxide equivalent) or more per year in combined emissions from one or more designated sources must report its emissions. In addition, any facility whose emissions exceed 25,000 metric tonnes of CO<sub>2</sub>e or more per year in combined emissions from one or more of the source categories must have its emissions verified by an accredited third party.

## **How Emissions Are Measured**

The method used to measure a facility's emissions depends on the type of facility or operations. For example, different calculation methods are used for a cement manufacturing facility and a petroleum refinery. Canadian companies should use the quantification methods specifically designed for Canadian partner jurisdictions.

## **When Report Is Due**

Emissions reports should cover a calendar year from Jan. 1 through Dec. 31. The emissions report for a given year must be submitted to the jurisdiction by April 1 of the following year. So the 2012 emissions report is due by April 1, 2013. If your facility is subject to the verification requirement, its report is due by Sept. 1. Each jurisdiction decides to whom the report should be submitted.

## **Information Report Must Contain**

Each partner jurisdiction can specify the format in which the GHG emissions report should be submitted. But the WCI requires the reports to contain the following information:

- Facility name, identification number, physical address, mailing address and NAICS code;
- Reporting year;
- Date report was submitted;
- Total facility emissions aggregated from all applicable source categories expressed in metric tonnes of CO<sub>2</sub>e,

excluding emissions from CO<sub>2</sub> that's captured and CO<sub>2</sub> emissions from the combustion of biomass and biomass-derived fuels, which are reported separately;

- Total facility emissions of CO<sub>2</sub> from the combustion of biomass and biomass-derived fuels;
- Total annual mass of CO<sub>2</sub> in metric tonnes captured for on-site use, on-site storage or transfer off site;
- For applicable fuel supplier categories, total CO<sub>2</sub>e emissions aggregated from all specified fuels;
- Emissions from each applicable source category or fuel supplier category expressed in metric tonnes per year of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC and SF<sub>6</sub>;
- For electricity importers, the information required by the Electricity Imports section;
- Emissions and other data for individual units, processes, activities and operations as specified for each source category;
- Emission factors developed or measured by the operator using approved source testing. Emission factors must be provided in units of emissions per amount of fuel consumed, where fuel is reported in the units specified in the regulation;
- Mass emissions from each designated *de minimis* source or pollutant, reported in metric tonnes per year of each GHG for which an alternative emission calculation method was used;
- Name and contact information, including e-mail address and phone number of the person primarily responsible for preparing and submitting the emissions report, such as the EHS coordinator; and
- A statement signed and dated by the company's representative, certifying that 1) the representative has examined the emissions report and ensured that it's complete and accurate; and 2) the emissions report has been prepared in accordance with the WCI rules and that the statements and information contained in it are true

and fair to the best of the representative's knowledge.

## **What Information to Keep**

The company that operates a facility required to report its GHG emissions must establish and maintain procedures for document retention and recordkeeping. It must keep all documents regarding the design, development and maintenance of the GHG inventory in paper, electronic or other usable format for at least seven years from the submission of each emissions report. The retained documents must contain sufficient information, including GHG emissions data, to allow for the verification of each report.

In addition to the above information, the company must keep the following information, if applicable, for at least seven years after the submission of the report:

- A list of all GHG sources, such as units, operations, processes and activities, included in the emission estimates;
- All records and documents used to calculate emissions for each source, categorized by process and fuel or material type;
- Documentation of the process for collecting emissions data;
- Any GHG emissions calculations and methods used;
- All emission factors used for emission estimates, including documentation for any factors not provided in the WCI rule;
- All input data used for emission estimates;
- Documentation of biomass fractions for specific fuels;
- All other data submitted to the jurisdiction under the WCI rule, including the emissions report;
- All computations made to gap-fill missing data;
- Names and documentation of key facility personnel involved in emissions calculating and reporting;
- Any other information that's required for the

verification of the emissions report;

- A log to be prepared for each reporting year, beginning January 1, documenting all procedural changes made in GHG accounting methods and changes to instrumentation
- for GHG emissions estimation; and
- Documentation of the data acquisition and handling activities required by the WCI.

**Insider Says:** You may be required to keep additional information if you use certain methods to measure your facility's emissions.

### BOTTOM LINE

If your jurisdiction is a member of the WCI and your company is subject to its GHG reporting requirements, as EHS coordinator, it's likely that you'll be asked to participate in the reporting process. So it's important for you to understand these requirements and what your company must do to comply with them.

#### KNOW THE LAWS OF YOUR PROVINCE

Here are the laws and regulations in each of the WCI partner jurisdictions that enable their compliance with the WCI requirements:

BC	Law: Greenhouse Gas Reduction (Cap and Trade) Act Regulation: Reporting Regulation
MB	Law: The Climate Change and Emissions Reductions Act Regulation: none to date relating to the WCI cap-and-trade program
ON	Law: The Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading) 2009 Regulation: Ontario Regulation 452/09, which required affected facilities to report GHG emissions



QC	Law: <a href="#">The Environment Quality Act</a> Regulation: <a href="#">Regulation respecting a cap-and-trade system for greenhouse gas emission allowances</a>
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