Electric Power Supply Association
Advocating the power of competition

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Forrestal Building, Pl-23
Room 7H-O34
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Attention: Voluntary Reporting Comments

Dear Ms. Vernet:

The Electric Power Supply Association (EPSA) respectfully submits additional comments for developing revisions to the Department of Energy's Voluntary Greenhouse Gas Reporting Program (VGGRP), which was created pursuant to Section 1605(b) of the Energy Policy Act of 1992. As you aware, EPSA and its members are actively engaged in the implementation of the President's climate policy, including the development of a credible VGGRP and an effective Business Challenge Program for voluntarily mitigating greenhouse gas (GHG) from the power generation sector. One important avenue of EPSA's recent efforts has been through our participation in the Electric Power Industry Climate Initiative (EPICI). EPICI has provided numerous comments for revising the VGGRP throughout the public comment process with the latest package submitted on March 5, 2003. Although EPSA is generally supportive of these comments, there are several topics for which additional comment is necessary to highlight the GHG reporting issues of greatest concern to the EPSA membership.

EPSA submits the following comments in an effort to clarify and bolster the viewpoints of its members on these key policy issues. Before expanding on these issues, it may be helpful to put the comments in perspective with EPSA's overall position regarding the VGGRP. In general terms, EPSA strongly supports revising and enhancing the registry. A revised VGGRP with greater transparency and structure will play an integral role in successfully implementing the President's climate policy. The revised registry should provide companies with an effective tool to report accurately GHG emissions and register verifiable reductions, avoidances, and removals that are achieved on an entity-wide or project basis through a variety of performance metrics for measuring GHG intensity improvements. The following comments should also be viewed solely for the purpose of revising the VGGRP. The comments are not intended to address EPSA's position regarding the development or structure of any future regulatory scenarios.

1. Recognition of transferable credits and baseline protection

EPSA agrees with the importance that EPICI places on the role of transferable credits and baseline protection. This point is highlighted in the following excerpt from the most recent EPICI letter:

> "These reporting reforms are critical if power companies and other voluntary actors are going to fully engage in reducing, avoiding and sequestering GHG's to help fulfill the President's goal of reducing national GHG intensity. This is a crucial area in which government policies will make a huge difference in what power companies and others do and how well they are able to perform in pursuing sector goals."

EPSA believes that in order to promote activities that reduce GHG intensity, the revised VGGRP must set clear, upfront criteria establishing how transferable credits may be attained. Clear criteria also should be established if the Administration intends, as a matter of federal policy, to confer additional recognition to companies for GHG mitigation efforts through baseline protection. These criteria should include, in both cases, the use of widely accepted, transparent accounting methods for measuring emissions and emissions reductions. Without this guidance, a company's incentive to make significant investments in activities that reduce GHG intensity will be greatly reduced.

EPSA further believes that consistent criteria should be used to define how transferable credits will be issued and when baseline protection may be conferred to companies engaged in GHG mitigation efforts. A revised VGGRP that sets forth different guidelines for establishing transferable credits and baseline protection runs the risk of encouraging the implementation, measurement and reporting of certain types of GHG intensity reduction projects over others. To the contrary, the revised VGGRP should provide consistent encouragement for accurate and verifiable reporting of high quality GHG reduction actions independent of how individual companies choose to use the revised reporting system. Whether a company is requesting protection for its own GHG emissions baseline under a future regulatory program or federal recognition of GHG reduction credits that may be transferred to another entity, the level of protection and criteria set for establishing this protection should be the same.

EPSA recognizes the need for clear and consistent criteria for both concepts is based on the assumption that one purpose of VGGRP will be to provide meaningful federal policy assurances that companies will not be penalized for voluntary GHG emissions reductions. If, however, the policy objective is to provide general public recognition of each company's reduction efforts through an accurate and verifiable GHG registry, then the need that baseline protection has consistent criteria also diminishes. Further discussion on the suggested nature and purpose of the reporting guidelines is provided below in the next section.

2. Guidelines for Reporting

As discussed above, EPSA believes that one important purpose of the guidelines is to encourage voluntary reductions, avoidances and removals of GHG emissions by providing transferable credits and baseline protection. To maximize these voluntary mitigation efforts, the revised VGGRP should include specific minimum criteria for establishing transferable credits and, to the extent conferred, baseline protection. These criteria would include standardized quantification and estimation methods and guidelines for the validation and verification of GHG reduction actions. The standardized methods will not only improve the transparency of the overall VGGRP**,** but should also help to reduce the cost of reporting. By providing detailed reporting guidance, the VGGRP should serve to simplify the development of reports rather than having each company develop its own reporting methodology. This approach also serves as an insurance policy for reporters by guaranteeing that voluntary reductions reported in pre-approved formats are fully recognized in the VGGRP.

EPSA also appreciates that not all companies may desire to establish transferable credits or baseline protection. In light of this reality, another important objective of the VGGRP should be to establish a reporting program that can be used by such companies that may still wish to participate in the Administration's voluntary GHG mitigation programs now under development for each sector of the economy. For this reason alone, the revised VGGRP should be flexible enough to accommodate a variety of uses by companies. A company should have the flexibility to report using methods that do not meet the criteria for transferable credits and baseline protection. Additionally, a company should be afforded the opportunity to revisit past reports in order to establish transferable credits and baseline protection at a later date. This opportunity should not be limited to a specific year or the year when the project was accomplished. This type of flexibility could be offered in the VGGRP through a variety of approaches including a tiered approach that was proposed in a number of comments. Regardless of how multiple methods for reports are accommodated, the VGGRP should establish clear and distinct criteria for establishing transferable credits and baseline protection.

3. Performance Metrics in Reporting GHG Intensity Improvements

One critical component of the revised reporting program is the method for measuring GHG emissions reductions. In particular, EPSA believes that the revised reporting program must measure reductions through performance metrics that recognize improvements in GHG emissions intensity and not just absolute tonnage reductions from historic emissions levels. The use of such performance metrics is consistent with the President's national goal of achieving an 18 percent reduction in GHG emissions intensity. Moreover, the failure to do so disadvantages companies that may be growing, but are improving their own and the nation's GHG emissions intensity.

This point is illustrated for the power sector in the case of an electric power company that adds a new highly efficient combined-cycle natural gas power plant to its fleet. On an absolute tonnage basis, the addition of this new gas-fired unit will only show up as an emission increase as more overall tons of CO_2 are presumably being emitted. In actuality, however, the electricity produced by this company results in a substantial improvement in the GHG emissions intensity for power sector and the nation as a whole.

That is because new plants currently operate at levels that are approximately half the national average fossil fuel CO_2 emissions rate.[1] As competition expands within the wholesale power markets, utilization of highly efficient base load generating technology will increase and these new plants will contribute to a dramatic decrease in the overall greenhouse gas intensity of the electricity sector. Current Energy Information Administration projections indicate that addition of such new gas-fired generation has the potential of improving GHG emissions intensity for U.S. fossil generation by approximately 10 percent by 2012.[2]

The use of such GHG intensity performance metrics is appropriate for measuring the relative GHG emissions improvements in the power sector. Situations where the use of intensity metrics is most appropriate include capacity additions and increased utilization levels for low or zero emissions electricity units. Zero-emissions units should include those powered by renewable and nuclear energy, while a new highly efficient unit powered by natural gas is a prime example of a low-emissions unit. To this end, EPSA is evaluating appropriate metrics for measuring GHG intensity improvement and is committed to working with the Department of Energy in developing creditable metrics for our sector.

The need to develop GHG intensity performance metrics is critical for encouraging participation in the voluntary Business Challenge program. This approach has the advantage of allowing companies to take credit for low and zero emitting units, as noted above. These activities represent significant opportunities for real and verifiable reductions in GHG emissions. To provide further incentives for these actions under the Business Challenge Programs, the use of GHG intensity metrics should not only be an option for general reporting under the VGGRP, it should also be acknowledged in the criteria set for transferable credits and baseline protection.

Thank you again for the opportunity to provide additional comments on possible revisions to the VGGRP. EPSA member companies would be pleased to work with the DOE and EIA to further develop the concepts proposed in these comments.

Sincerely yours,

Lynnett Church

Lynne H. Church
President

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[1] Platts Research Consulting study.

[2] In addition, the Energy Information Administration currently projects these clean energy sources to operate at a 40 percent average capacity factor in the year 2012. By increasing the utilization of these facilities to a 44 percent capacity factor in the year 2012, an additional 100 million tons of CO_2 emissions could be avoided. This reduction alone would meet 23 percent of the President's overall economy-wide goal. EPSA member companies are committed to utilizing this generation capacity to the fullest extent possible and will work diligently to advance and implement policies that achieve this goal. This is the basis for EPSA's commitment under its Business Challenge Action Plan.

cc:
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