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17 October 2004

Mark Friedrichs, PO-40
Office of Policy and International Affairs
U.S. Department of Energy
Room 1E109
Independence Ave., SW.,
Washington DC 20585

Dear Mr. Friedrichs,

Comments of BP America concerning DOE's
Proposed General Guidelines for Voluntary Greenhouse Gas Reporting
(68 Fed Reg 68204 – 5 December 2003)

BP America is pleased to offer the following comments on DOE's proposed General Guidelines for Voluntary Greenhouse Gas Reporting (1605b). BP America is the organizational arm of BP plc that owns and operates the US assets formerly owned by our predecessor companies BP, Amoco, Arco, Vastar, and Burmah Castrol. While BP plc is based in London, 45% of our assets and employees are in the United States, and we are the US's largest producer of oil and gas.

BP America participated in the development of and fully supports the comments furnished to you by the American Petroleum Institute (API). The API comments are concerned principally with the conformance of DOE's proposed General Guidelines with the language, intent, and history of the Energy Policy Act's Greenhouse Gas voluntary reporting sections and the President Bush's directive to reform the program on 14 February 2002. We urge you to consider them carefully during your deliberations.

In addition, BP America offers the following comments:

1) The determination of entity boundaries and emission estimation methodology should maintain flexibility and consistency with other guidance.

Operations in the Oil & Gas sector come in a wide variety of sizes and complexities. Entities, companies, and facilities can be structured in a variety of forms with multi-partner relationships. A Joint Industry Task Force that included API, IPIECA (International Petroleum Industry Environmental Conservation Association) and OGP (International Forum of Oil & Gas Producers) was assembled to developed industry guidelines for GHG accounting and reporting that focuses on the unique operational relationships of the Oil & Gas industry. The IPECA Guideline promotes consistency in the accounting and reporting of petroleum industry GHG emissions. It sets principles for developing a GHG emissions inventory report and provides guidance for setting boundaries; designing an inventory; identifying and evaluating emission sources; reporting of emissions; and assuring the inventory process.

The API Compendium is a compilation of industry-endorsed methods for estimating GHG emissions that can be used by oil and gas companies worldwide. The API Compendium provides a description of industry operations in the various segments and associated sources that should be considered in the development of an inventory. It also contains an exhaustive tabulation of emission factors and other engineering estimation techniques.

BP proposes that DOE recognize and cite these widely accepted Oil & Gas industrial sector guidelines in its General and Technical Guidelines to maintain worldwide consistency of the 1605b program.

2) DOE should allow for the "registration" of emission reductions prior to 2003

The proposed General Guidelines establishes a 2-tiered system in which an entity may "report" but not "register" emissions reductions made prior to 2003, even if the entity could meet the additional obligations required for "registration". Because the requirements under "reporting" are less rigorous, emission reductions "reported" in to the proposed 1605b will be discounted, regardless of the reduction verification quality. This is inconsistent with the intent of 1605b that was designed to give recognition to companies that took the initiative to voluntarily reduce GHG emissions and to ensure that these early reductions would be recognized in the event of a mandatory reduction program. DOE should ensure that all voluntary and demonstrable GHG emission reductions are, and will continue to be, fully recognized by allowing "registration" of pre-2003 emission reductions.

Restricting the "registration" of pre-2003 emission reductions would diminish the credibility of these reductions by associating them with the less rigorous "reported" emissions. This diminished recognition would not be due to the accuracy or quality of the reductions, but simply because of the year they occurred.

DOE must ensure the participants that all voluntary real reductions are, and will be in the future, fully recognized in order to encourage participation in a voluntary program. Ultimately, all actions of a company must pass some type of cost/benefit analysis. The decision to reduce GHG emissions will have some type of cost implication. That cost must be weighted against future benefits and risk. If there is the perceived risk that a company would be penalizing itself (by lowering its baseline and making it more difficult to achieve additional reductions in the event of a future mandatory GHG reduction program) by the voluntary actions it might take today to reduce emissions, there would be a huge motivation for the company to do nothing until required. This would defeat the primary intent of a voluntary program.

A company considering voluntary actions today will look to the past and see how other companies faired by participating in early voluntary programs. Under the proposed General Guidelines, those early-acting companies "reporting" GHG emission reductions pre-2003 would not receive the same recognition and benefit as companies that "register" emission reductions from 2003 onward. With no past indication that any pre-mandatory reductions they would make would not also be discounted, many companies would be reluctant to taking voluntary action. Seeing only the risk of losing a possible asset (i.e. emission reductions), many companies would choose to wait for the legal protection that a mandatory program would bring to their GHG emission reductions.

DOE has stated that revised 1605b registry needs to be associated with the Presidents GHG objectives. One of the stated ambitions of 1605b is that is it be the repository for the wide variety of Federal climate programs to demonstrate progress. The "pre-2003" rule differences will be arbitrary and irrelevant from the perspective of these other Federal climate initiatives. The 1605b program would be much more universally applicable if it did not contain an arbitrary tiered approach to the classification of emission reductions solely based on date and not data.

BP proposes that DOE honor the original intent of the 1605(b) registry at its inception in 1994 and allow the "registration" of reductions made in good faith by entities prior to 2003. These pre-2003 reduction registered by a reporting entity would be subject to the same registration requirements outlined in the proposed General Guideline for "registered" emission reductions.

3) The definition of "Avoided Emissions" needs to be specifically expanded to account for the export of power to the grid from facility imbedded CHP plants.

Energy efficiency improvement projects are one of the best available techniques for the Oil & Gas industry to reduce GHG emissions and Combined Heat and Power (CHP) projects are an excellent opportunity to reduce overall GHG emissions. From an emissions reduction perspective, cogeneration (the combined generation of electricity and steam or heat) represents an improvement in overall system efficiency compared to separately generated electricity and steam from conventional coal- or oil-fired boilers. The export of energy is common in the petroleum industry when the total electricity or steam produced from the cogeneration system exceeds the plant's on-site needs.

Although the preamble of the proposed General Guideline does discuss two methods for determining the emissions reductions associated with the generation of electricity, they address emissions associated with efficiency improvements at a stand-alone power generation facility and avoided emissions associated with a non-emitting power source. The complex issue of an imbedded CHP exporting power to the grid is not considered.

DOE needs to explicitly recognize that by exporting power to the grid, CHP projects contribute to avoided emissions by minimizing or eliminating the need for more base-load power generation. BP recommends that the DOE definition of "avoided emissions" be amended to specifically recognize these types of actions and allow their inclusion as part of registered indirect emission reductions.

4) The proposed General Guidelines do not adequately address geologic carbon sequestration.

The definition of sequestration in the propose General Guideline seems to address only carbon sequestration that is attributable to forest and soil management (i.e. terrestrial carbon stock) and not the capture and geological storage of CO_2 in underground reservoirs. Geologic Sequestration is a technique that has been used for years in Enhanced Oil Recovery to improve production from mature oil fields. Carbon Capture and Storage (CC&S) technology present the Oil & Gas industry with huge opportunities to reduce process and flue gas CO_2 emissions in the future.

DOE needs to expand the definition of sequestration to include geologic sequestration and the General and Technical Guidelines need to specifically address methodologies for estimating emission reductions for various types of CC&S sequestration projects.

5) The inclusion of terrestrial sinks for carbon stock should not be required for entities engaged in non-agricultural or non-forestry operations to "register" GHG emissions and emission reductions.

The DOE proposed General Guidelines would require entity-wide emission inventories to include emissions and sequestration associated with terrestrial carbon stocks. Since entity-wide inventories are required for "registration" of emission reduction, this requirement would force all participating companies wishing to "register" emission reductions to manage and report on changes in terrestrial carbon stock regardless of whether agriculture is the entity's core business. This requirement could be resource intensive for reporting entities, such as oil & gas producers, or pipeline operators, that either own or lease large amounts of land but are not engaged in agriculture (e.g. crops or forestry).

API's Compendium does not address the changes in carbon stock for managed lands, since this is not usually an industry practice related to the estimation of greenhouse gas emissions. Oil & Gas companies do not have the expertise needed to manage or measure terrestrial carbon. The costs associated with managing the process, as well as gathering and maintaining the necessary data, would be prohibitive and discourage many organizations from participating.

Non-agricultural lands owned or leased by Oil & Gas companies are typically not active sources or sinks of terrestrial carbon. Therefore, change in terrestrial carbon storage (positive or negative) associated with these lands would be very small relative to the main GHG generating activities of the Oil & Gas industry. For these reasons, BP proposes that the reporting of changes in terrestrial carbon storage for non-agriculture industry lands be an option (not mandatory) for entity-wide emission inventory reporting.

6) The definition of Significance Threshold should be amended.

DOE has proposed several different ways to address significant threshold levels and de minimus reporting levels ranging from a fixed tonnage, to a percentage, to the greater or lesser of a combination of the two. In order for the registry to accommodate both small and large emitting entities, the reporting entity should be allowed to choose the appropriate de minimus measure threshold (either tons or percentage). A tonnage level (DOE is considering 10,000 tons) may represent only a very small fraction of a large emitters total and therefore be far too confining, and a percentage of total (DOE has proposed 3%) may be far too low for the small emitting entities.

DOE has not provided reference to how the particular de minimus levels (10,000 tons or 3%) were chosen. It should be noted that other guideline documents have selected 5% as the significance threshold (California Climate Action Registry), while others have elected not to specify a numeric threshold (WRI/WBCSD GHG Protocol, and IPIECA/OGP/API Petroleum Industry Guidelines) but invoke the principle of relevancy and materiality. The definition of a threshold level might play a major role in an organization's decision on whether to participate in this voluntary reporting initiative. DOE needs to clearly justify the relevance of the de minimus levels or allow enough flexibility in the program for reporting entities to justify de minimus reporting.

7) The proposed General Guideline unnecessarily complicates the calculation of GHG emission reductions based on changes in absolute emissions by only including GHG emission reductions that were not a result of a reduction in US output.

The proposed General Guidelines would allow entities to report changes in actual emissions as long as the reductions were not a result of a decrease in the entity US output. This statement presents several potential problems.

For example, output in mature natural gas fields declines naturally. Section 300.8 of the proposed Guidelines appears to exclude emission reductions associated with Natural Gas Star investments that occur in gas fields where output is naturally declining, but would not exclude emission reductions from identical investments that occurred in a field where output is not yet declining. Another example would be a facility closure. Closure of facilities and changes in products and services are routine and occur in a viable market. The reductions associated with these activities should be recognized.

BP proposes that the Guidelines should allow complete reporting of emissions and emission reductions, regardless of cause, or its relationship to some type of output metric.

8) The CEO certification requirements should be simplified and allow more flexibility.

The current proposal that the chief executive officer (CEO) of a company, organization or institution, be required to certify the greenhouse gas emission reports is not feasible. This

requirement may also have the unintended consequence of creating the perceived need for 3rd party verification. Although 3rd party audits would give a high degree of assurance in the reported numbers, the cost may discourage many participants from reporting.

It would be better to have a responsible official, who is knowledgeable and fully cognizant of the organization's greenhouse gas mitigation program, be the signatory on the submitted reports. The responsible official works well for mandatory reporting requirements under programs such as Title V, and would be sufficient under a voluntary GHG reporting program.

9) The proposed General Guidelines should continue to allow for the reporting and registration of non-US GHG emissions and emission reductions.

There are several good reasons to allow the reporting and registration of non-US GHG emission and emission reductions. The first is the current 1605b program allows for international reporting. Consistency should be maintained. Secondly, the most cost-effect reduction projects often exist outside the US. Numerous US firms have invested in GHG reduction projects outside the US. In order to gain acceptance, these projects typically adhered to accepted international standards for validation. All valid GHG reduction projects should be promoted by being recognized in the DOE registry even if they are not in the US. Through this recognition, the DOE registry can be an instrument that encourages reduction actions.

BP strongly supports the "registration" of non-US emissions and emission reduction in the DOE 1605b registry. If necessary, these emissions could be separated for a "US only" summary but non-US emission reductions should receive the same recognition as US emission reductions.

10) DOE needs to be more flexible with regards to the comment process for the proposed General Guidelines and the future Technical Guidelines.

In an effort to expedite the Guideline reform process, DOE has submitted the proposed General Guidelines for public comment in advance of the development of both the Technical Guideline, which DOE states will "specify the methods and factors to be used in measuring and estimating greenhouse gas emissions, emission reductions, and carbon sequestration" and the Reporting Elements which are "to be contained in the reporting forms to be used under the revised program Guidelines". DOE has stated that the Technical Guidelines will be proposed for comment in the Spring of 2004 and have not commented on the timing of Reporting Elements, other than they will be developed concurrently with the development of the General and Technical Guidelines.

This staged approach to the Guideline proposal process complicates the ability to adequately comment on any of the three proposed documents. It also presents the potential for incomplete or contradicting comments on the proposed Guideline as a whole. It is evident from the number of repeated references to the Technical Guidelines that they will greatly influence the interpretation of the General Guidelines. This is particularly true in the areas of boundary identification, emission calculations, emission reduction calculation, emission reporting methods and data reporting requirements, indirect emissions associated with electricity, avoided emissions, de minimus emissions, and data backup.

Particularly troubling are some of the open ended and undefined information requests required in the Entity Statement and language in the Record keeping, Reporting Certification, and Verification section of the preamble like "The proposed General Guideline would require reports to EIA that are sufficiently detailed to enable EIA to review and confirm final emission reduction calculations…". This language is open to wide interpretation. DOE needs to fully describe the intent of this language and define terms like "sufficient detail" and "review and confirm" in the Technical Guidelines.

Clearly, the details of the Technical Guideline could affect the interpretations of the General Guidelines. For this reason, BP would suggest that the General Guidelines be reopened for comment when both the Technical Guidelines and the Reporting Elements are proposed.

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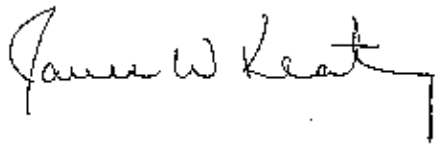
BP America appreciates the opportunity to provide these comments to DOE. Should you have any questions or require any clarification of our comments, please feel free to contact me by phone at 630-848-5476 or by email at keatinjw@bp.com.

Very truly yours,



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