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Incorporated
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February 13, 2004

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Office of Policy and International Affairs
U.S. Department of Energy
Room 1E190
1000 Independence Ave., SW
Washington, DC 20585

Attention: General Guidelines Proposal for Voluntary Greenhouse Gas Reporting

The Aluminum Association, Inc. is the trade association for U.S. producers of primary aluminum, recyclers, and semi-fabricated aluminum products. Member companies operate more than 200 plants in 35 states. We offer these comments in response to the December 5, 2003 Federal Register notice on "General Guidelines for Voluntary Greenhouse Gas Reporting; Proposed Rule" (68 Federal Register 68204). The Aluminum Association also supports the comments submitted in response to this notice by its members Alcoa, Inc. and Alcan Aluminum Corporation.

The Aluminum Association participated in the January 12, 2004 public workshop on the proposed guidelines sponsored by the Department of Energy (DOE) in Washington, DC. These comments expand upon our public statements during those proceedings.

Although the Aluminum Association strongly supports the Administration's goal of an 18 percent reduction in GHG emission intensity from 2002 to 2012, we believe that the proposed inventory protocol guidelines to document those reductions are seriously flawed with regard to the provision for registering GHG emissions only from 2003 onward under the general guidelines for the 1605(b) inventory protocol. This provision will omit registration of valid and verified emission reductions that continue to contribute to the Administration's goal of lower GHG intensity by reducing emissions today and into the foreseeable future. We are deeply concerned that omitting pre-2003 reductions discounts the excellent achievements of pre-existing programs that will serve as a strong disincentive for voluntary GHG programs in the future.

In addition, the proposal does not provide for a fair and accurate inventory of current and ongoing voluntary reporting programs, including the Voluntary Aluminum Industrial Partnership (VAIP) and the Climate Vision program for the aluminum industry. This is because, as proposed, the baseline data for those programs will be inventoried under 1605(b) based on the lower tier of reportable emissions, while the higher tier of

registered emissions will be available only from the 2003 year onward. Currently, the aluminum industry voluntary programs use 1990 baselines, while the latest emission reduction targets are 2005 and 2010, respectively, for the VAIP and Climate Vision. As such, the proposed two tier emission inventory proposal will have the perverse effect of rendering the baseline year emissions for voluntary programs in the category of less certainty and weight, while the final years of the program will provide the only higher tier of registered emission data. We believe that is an inaccurate and misleading representation of the true inventory for these programs. By proposing a 2003 registration start-up date for the GHG inventory, the 1605(b) program is therefore both arbitrary and capricious in its treatment of existing voluntary program data.

To address these concerns over the improper restriction on registration of GHG emissions prior to 2003 , the Aluminum Association recommends that voluntary programs, such as the VAIP and Climate Vision with documented and verifiable emission data, be provided provision to register such inventories under 1605(b) for all years with qualified emission data. Such provision will reward existing programs for voluntary GHG reductions thus encouraging future participation, and will provide the level of consistent emission inventory documentation necessary to verify the progress achieved in those programs.

These comments also address other issues on the proposed inventory including entity flexibility in reporting, boundary definition for reporting, *de minimis* percentile for reporting source, calculation methods for emission reporting, transferable credits, recordkeeping, and technical guideline considerations.

Registration of Emission Reductions Prior to 2003

The proposed 1605(b) inventory includes provision for entity-wide reports and reports from small emitters to register emissions after 2002 onward (68 FR 68210 and 68218). The registration of emissions is proposed as an upper level tier of verifiable reductions to provide a higher level of certainty and value for the GHG emission reduction accomplishments. The Aluminum Association has no conflict with the principal of a higher tier of emission registration for credits. Indeed this comports with our support for the World Resources Institute (WRI) protocol that provides for similar tiered reporting to enhance the credit and validity of documented and verified emission reductions.[1] However, our concern is that the proposal limits registration to reductions only from 2003 onwards.

A 2003 limitation for emission reduction registration penalizes efforts that have been achieved to reduce GHG's since 1990. Such efforts have been conducted by industries including the Aluminum Association members, often under agreement with the U.S. government, to address the goals of climate protection. These climate protection

[1] See Voluntary Reporting Comments of the Aluminum Association to the DOE Office of Policy and International Affairs June 2, 2002 and supplementary comments of April 28, 2003.

goals have been agreed to and signed by the U.S. government under the Rio de Janeiro, Brazil Conference of the Parties (COP-1) in 1990. The arbitrary provision for a 2003 registration ignores prior U.S. agreement to address climate protection goals for two previous Administrations going back to 1990, and amounts to a penalty on institutions and organizations that made the investment and effort to achieve GHG reductions in the past.

In effectively penalizing earlier efforts to reduce GHG emissions, the proposed registration provision will discourage voluntary efforts in the future. This unfortunate result was voiced by a number of parties at the 1605(b) workshop on January 12, 2004, as well as by the aluminum industry representatives. It was also noted at the DOE workshop, and in the proposal, that the 1605(b) inventory is not at this time a DOE sanctioned accreditation regime for potential trading or market brokering. So it is therefore an article of faith implicit in the 1605(b) proposal that the government will endorse at some time in the future that registered reductions will be eligible for GHG credits should they be instated. We emphasize that a loss of credibility by discounting verifiable reductions made before 2003 will not encourage many parties to make similar reductions now. The proposed provision will only add uncertainty and skepticism to voluntary efforts to reduce GHG's when the potential for future credits may only be a fantasy, subject to future whims of the government bureaucracy. By discounting previous efforts before 2003 as non-registerable reductions, a precedent will be established markedly reducing the probability that voluntary reduction credits will ever receive full U.S. government accreditation.

The 1605(b) proposal preamble includes the statement that the 2003 registration provision will focus the program on those reductions most likely to contribute to the achievements of the President's goal for reducing U.S. emission intensity by 18 percent from 2002 to 2012. Aside from ignoring registerable reductions made in 2002, the proposed provision would also disregard previous U.S. Government agreements to promote GHG reductions since 1990. Included are a number of voluntary program agreements such as the aluminum industry Voluntary Aluminum Industrial Partnership (VAIP) with EPA. Others include electrical power systems (SF6), semiconductors (PFCs, SF6, and hydrofluorocarbons (HFCs)), and magnesium casting (SF6) to name a few.

The VAIP program has been one of the U.S. governments most successful voluntary programs.[2] As a result of the VAIP, primary aluminum production facilities in the U.S. achieved a 45 percent reduction from 1990 to 2000 in perfluorocarbon (PFC) emissions. This is the annual carbon equivalent of 2.2 million metric tons of emission reductions. The aluminum industry exceeded the original VAIP 40 percent reduction goal in achieving the year 2000 levels. Indeed, the accomplishment led to the EPA

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[2] See EPA VAIP website at http://www.epa.gov/highgwp1/vaip/index.html for a complete overview of the agreement, accomplishments, R&D, documentation and monitoring efforts. All U.S. primary aluminum facilities, except one, participated in the program.

issuing the VAIP members and the Aluminum Association the Climate Protection Award in 2002 under the Administration of Governor Christie Whitman.

Included in the VAIP was a large scale effort to monitor and certify PFC emissions and emission factor algorithms. This has been a cooperative R&D effort with EPA and the aluminum industry to measure, monitor, fully document and verify PFC emission reductions, and to develop advanced methods to further reduce PFC emissions through primary aluminum operational changes and optimization strategies. As a result of these efforts, the VAIP has undoubtedly one of the most certifiable GHG emission inventories going back to 1990 in existence anywhere. We believe that the 1605(b) inventory program should acknowledge the verifiable reductions of the VAIP and other voluntary programs, and provide for the registration of those GHG emission reductions. Failure to do so may have a chilling effect on the entire GHG voluntary program of the Administration.

Failure of 1605(b) to Fully Document Climate Vision

The proposed registration provisions in 1605(b) are purported to provide, as noted above, focus on those reductions most likely to contribute to the achievements of the President's goal for reducing U.S. emission intensity by 18 percent from 2002 to 2012. Included in those programs is Climate Vision initiated in 2003. It is important to note that the achievements of Climate Vision agreements are hinged on baseline years prior to 2003, and in a number of instances even earlier than 2002. In several agreements, including the Climate Vision agreement for the aluminum industry, the base year is 1990.[3] As such, the proposed registration provision in 1605(b) will not allow inclusion of certified and verifiable base-year data.

We believe that the exclusion of base year data for registration in 1605(b) will significantly reduce the credibility of the Climate Vision program with the public. In the case of the aluminum industry Climate Vision agreement, verified and certifiable emission data is available for the base years 1990. However, that data will not be registered under the proposed provisions potentially resulting, in the eyes of the public, in the base year indexes being suspect for demonstrating achievements included in the agreement. As such, the registration proposal in 1605(b) provides an inaccurate assessment of the Climate Vision agreements, and will not properly document the program.

Again, the solution to this issue is to allow the registration of pre-2003 verifiable emissions data and reductions.

[3] The Climate Vision agreement for the aluminum industry relies on a 1990 baseline, and includes interim periods of performance from 1990 to 2000 and from 2000 to 2010.

Support for a GHG Emission Credit System

During the DOE sponsored 1605(b) guidelines workshop on January 12, 2004, several statements were made by others that the program should not provide for a two tiered reporting/registration system, nor should it allow for future emission reduction accreditation. Comments were also made that such an accreditation provision would encourage a broad cap and trade regulatory implementation program in the future, including onerous command and control requirements. We disagree with those statements for the following reasons:

- Inclusion of emission registration and credits will encourage voluntary program participation and thus help insure a successful non-regulatory program;
- The two tiered certification system of reporting and registering emissions will add to the credibility of the voluntary program, further aiding its verification and public acceptance;
- A verifiable inventory of high quality data and emission credits will help demonstrate that U.S. industry is achieving the steps necessary to effectively reduce GHG emissions, circumventing a broad command and control system; and
- The potential for future credits and heightened public acceptance of the inventory with a high quality data system will encourage many industrial sectors to demonstrate progress and will therefore further reduce the probability for command and control regulation across all industries to reduce GHG's.

We believe that the comments at the workshop stating that the registration and crediting system would encourage a large scale command and control system are not correct. The ability of industrial sectors to demonstrate GHG reductions with high data confidence will reduce the need for command and control regulation. Indeed, the progress of such a system will demonstrate that the industrial sectors in the U.S. with voluntary initiatives are able to meet the goals of the Administration's programs without the cost and constraints of the command and control system. This is most likely to occur when those voluntary efforts are recognized and potential credits are protected for possible future use. If the final 1605(b) program lacks a two-tiered program to establish credits, we believe that the program will more likely fail and lead to increased pressure for a command and control regulatory system.

The successful use of voluntary programs to achieve the GHG intensity improvements have already been demonstrated by the aluminum Industry. Through the PFC emission reduction program in the VAIP agreement, 45 percent reductions in PFC emissions from 1990 to 2000 result in enough carbon equivalent emission reductions to meet the goals of the UN IPCC for the primary aluminum industry, from a plant-evolution emission standpoint (i.e. direct emissions reductions). Moreover, the aluminum industry and its VAIP members entered into the agreement partially with the

goal of avoiding potential regulatory requirements in the future, allowing for more efficient and cost-effective methods to achieve the emission reduction goals than we have experienced in EPA mandatory environmental programs.

In our view, if conditions were to lead politically to the need for a command and control regulatory regime in the future, a successful voluntary program now would reduce the scope of the regulatory requirements necessary. This is because a successful voluntary program would meet many of the goals of GHG reductions for participating sectors. In either case, with or without a future regulatory GHG program, a registration and credit system for emission reductions will lead to less costly regulatory requirements in the future. At worst, a voluntary program would help to mitigate the need for extensive control requirements leading to a limited future regulatory regime for a subset of sectors if GHG goals are not fully realized. In summary, we believe that the lack of a voluntary program encompassing adequate incentives and emission credits will more likely lead to a broad command and control regulatory program in the future.

Related to this issue is one more final point – a creditable system under 1605(b) will reduce the need perceived by some States to install their own GHG inventory, and will thus help reduce reporting and compliance cost for industry. Currently, several states are outlining GHG reporting protocols with differing requirements and procedures. We favor a single reporting protocol under 1605(b) that can meet the goals of all parties and reduce potential reporting costs, uncertainties and complexity. The 1605(b) program with a two-tiered reporting/registration system for emissions is most likely to meet those goals.

Comment on Other Proposed Guideline Issues

The Aluminum Association has reviewed other provision of the proposed guidelines, and generally agrees that most provisions provide the necessary reporting flexibility needed and is overall consistent with the WRI protocol that we believe would best serve the inventory. DOE plans to issue, in addition to the proposed general guidelines, technical guidelines later in 2004. How the general guidelines and technical guidelines will be separated in terms of specific reporting provisions is not totally clear to us, so we offer a number of comment elements that we believe should be preserved in both the general and technical guidelines. These include:

- Allow for the adoption and use of the International Aluminum Institute (IAI) inventory protocol (including boundary determinations, and indirect/direct emissions reporting) for the aluminum industry in the 1605(b) protocol, including the use of the WRI framework;
- Allow for the use in the 1605(b) protocol of the aluminum industry technical calculation methods and emission factors included in the IAI protocol;
- Provide for entity reporting (versus facility specific reporting);

- Provide for an option for both Scope 1 (direct emissions) and Scope 2 (indirect emissions) reporting through the Aluminum Association to aggregate and report, especially for single facility members; and
- Support consideration of emissions reductions from the product use phase of materials.

In large part the elements outlined above are consistent with the general guidelines proposed. Boundary provisions in the proposal allow for control or equity-based reporting determinations so long as the reporting regime is transparent and clear on the method used. This is consistent with the WRI protocol and we believe should be retained in the final guidelines. The proposal also provides for the reporting of direct and indirect emissions and is generally consistent with the WRI protocol. It appears, based on statements we have heard from DOE, that industry-developed technical calculation methods will be allowed in the technical guideline provisions of the 1605(b) protocol, and we want to emphasize that DOE must retain this provision in developing those guidelines.

The last two items noted above are less certain in the proposal, and are further addressed as follows:

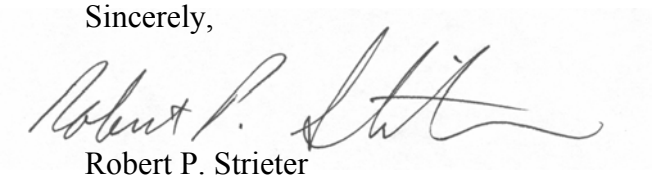
Emission Report Aggregation – The Aluminum Association believes that reports, especially from single facility entities, should be aggregated for reporting as an option through the industry association to accomplish two goals: reducing the cost of reporting to some of our members; and providing for confidentiality since the reports will address production information. The industry association would thereby serve as a record-holding entity for the relevant members. Third party review of the records, if adopted, would still be performed by the entity reporting.

Emission Reductions from Product Use – The Association supports provision for entities to include emission reductions from product use. This would include recycling efforts such as post-consumer scrap and used beverage can reclamation. Such efforts conserve a huge amount of energy in aluminum recycling further reducing GHG emissions. Many of our members operating recycling and reclamation operations which dramatically improve the energy intensity and GHG intensity ratios for our industry, and should be included in any accurate GHG inventory protocol.

During the 1605(b) workshop on January 12, 2004, there was some discussion on the *de minimis* reporting thresholds proposed. The Association recommends that DOE adopt the WRI protocol based threshold of five percent of entity emissions in establishing a *de minimis* limit.

We hope that these comments are useful in developing the section 1605(b) GHG reporting program. Please contact my office (202/862-5132, or bstriete@aluminum.org) with questions or for further information.

Sincerely,



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