

## **Notes from the Climate Leaders Partner Meeting January 18-19, 2006**

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The following is a summary of the EPA Climate Leaders Workshop. We have attempted to capture the presentations, questions, and comments. Presentation slides are available on the Climate Leaders website ([www.epa.gov/climateleaders](http://www.epa.gov/climateleaders)). The following is not a recorded transcript.

### **Wednesday, January 18, 2006**

#### **Welcome from Deborah Jordan, Air Division Director, EPA Region 9: (Notes on comments not captured in presentation materials)**

- Climate change is a major topic in California (CA) and throughout the United States. The President's Climate Change Strategy and the Climate Leaders program are allowing industry leaders an opportunity to exchange ideas and best practices. The federal and regional offices of the Environmental Protection Agency (EPA) are involved in developing climate change technologies, the national greenhouse gas (GHG) Inventory, and other climate change initiatives.
- The use of "clean" energy helps develop and implement cost effective energy strategies. CA is sharing its strategies with other state agencies.
- The West Coast Collaborative is made up of federal, state, and local governments seeking to reduce diesel emissions on the west coast. Projects undergoing evaluation include truck stop modifications and maritime fuel loading retrofits.
- The President's Climate Change Strategy was designed to slow the growth of GHG emissions, achieve an 18% reduction in emissions from 2002 to 2012 (intensity-based), and develop climate friendly technologies.
- Although the US does not have a mandatory GHG reporting program, there have been voluntary program successes. For example, the Energy Star program. There have been over 2 billion energy star product purchases since 1992, thousands of businesses benchmarked against Energy Star standards, and 530,000 homes constructed to Energy Star specifications. The US is reaching its reduction goal while allowing the economy to grow.

- The Energy Star program in Region 9 works with industry and various organizations to achieve program requirements.
- In the Green Power Partnership, approximately 600 organizations have committed to the purchase of green power. In the Los Angeles (LA) area that includes companies like Toyota Motor Sales HQ, Safeway, and Johnson & Johnson.
- LA initiated the Best Workplace for Commuters program. Approximately 140 employers offer over 150,000 employees incentives for using mass transit options instead of driving to work.
- Thank you to those involved in CL for setting an example for what we can do. Voluntary programs do achieve real results.

## **Program Update, Tom Kerr, Branch Chief, Energy Supply & Industry Branch, U.S. EPA:**

**(Notes on comments not captured in presentation materials)**

- The US wants to be instrumental in the transfer of clean technologies to big emitter nations such as China and India. The recently launched Asia-Pacific Partnership on Clean Development is central to this goal.
- Partners are seeing shareholder resolution influx. There was a summit on climate risks for state assessors, businesses, SEC, and investors. All involved wanted to know what the companies they invest in or insure are doing to assess and mitigate their contribution to global climate change.
- **What do we do now?** 1. Assess your risk – determine your climate footprint; 2. Analyze impacts of footprint - energy usage; 3. Complete a GHG inventory; 4. Engage stakeholders; and 5. Get the word out to public (advertising, Environmental Reports, etc.).
- **How can EPA help?** – 1. Provide technical support, 2. Provide tools and guidance, and 3. Initiate multifaceted programs – Energy Star, PFC partnership, Green Power Partnership, Climate Leaders, etc.
- EPA is pleased to see consultants, lawyers, assessors, and businesses making GHG Management an “industry” norm.
- The US EPA Climate Leaders program will be launching some new guidance on renewable energy certificates (RECs) and sector-specific protocols in 2006.
- A new public relations benefit for partners that will be rolled out in 2006 is the expanded Partner Profiles that will be posted to the Climate Leaders website. These profiles are designed to give partners more visibility and press for their accomplishments.

- There is something new included in the meeting materials - the "Media and Marketing Materials" disc. This disc contains information that gives partners a way to include the EPA logo and facts in their ad campaigns on climate change both internally and externally to their companies. Information is also available on the Climate Leaders website.

## **Progress Reports from Climate Leaders Partners:**

### **Greg McCall, American Electric Power**

**(Notes on comments not captured in presentation materials)**

- AEP is one of the largest emitters of GHGs in the US with approximately 150,000,000 metric tons of CO<sub>2</sub>e emitted annually.
- AEP is a part of an energy intensive industry (use of engines and fossil fuels); AEP's goal is to conduct business in an environmentally friendly manner; Supplies "low-cost" electricity to customers in the Northeast and Midwest states; It has been hard to move away from coal usage for this reason. Plants situated in coal country near Ohio river - enables low costs; burns lignite in southern Midwest territory. Involved in voluntary programs such as: DOE FutureGen Project as an investor with Batelle and MIT, Business Round Table (BRT), Climate Challenge, CCX, Climate Leaders, E7 consortium, EEI Climate partners, and Climate Vision.
- Commitments: 10% reduction by 2010; How? - improve efficiency at power plants, retirement of old coal and gas steam units; nuclear availability, forest management, reforestation projects, SF6 process improvements, use of renewable energy - wind, biomass co-firing; developing/building clean technology for future coal generation - Integrated Gasification Combined Cycle (IGCC); research of CO2 capture and storage technology (from process)
- Progress base period 1998-2001 - wanted to achieve a 1% reduction each year from 2003 - 2006 (achieved thus far - will be close for 2005).
- GHG Inventory and Mgmt process instituted through use of EMS (by Enviance) provides - real time data on emissions; creates tasks for inventory team; CEMS were installed on smoke stacks (sulfur, nitrides, & CO2); 95% of inventory is generated from hourly CEMS data (in tons) at Title IV power plants (also tracks heat input data); need special entry for special items (mobile sources, refrigerant use, etc.); system aggregated by plant; prints emission summary/report by unit/plant; system to include module for tracking additional reduction projects; Continuous maintenance - checking CEMS data, fuel calculations, additional projects, and de minimis calculations; system sends alerts to complete monthly tasks for the GHG management process.

## **Keith Miller, 3M**

**(Notes on comments not captured in presentation materials)**

- 3M is reducing emissions by eliminating thermal oxidizers for VOC control from Post-it production (use of solvent in adhesive production).
- 3M's pollution prevention program started in 1975 and transitioned in GHG efforts in the early 1990's.
- 3M achieved a 90% reduction in VOC emissions by solvent reduction and elimination.
- 3M's Climate Leaders goal is a 30% absolute reduction of GHG emissions from 2002-07; this goal may have been met in 2005. 3M plans to sustain this reduction through 2007;
- 3M is also a part of Energy Star and as such has achieved a 30% reduction in energy consumption as well.
- 3M's approach to a GHG Management Program – 1. Start with inventory, 2. Develop and document your data management system, and 3. Fulfill your reduction commitment(s).

## **Questions & Answers**

*Did the purchase of credits through CCX form any part of your reduction strategy? How were they incorporated into CL inventory submittal?*

**Greg McCall:** Reductions do not include purchased credits. Reductions are the result of process improvements and efficiency improvements. AEP also has banked credits.

*List of approaches is broad, comprehensive and impressive. Is AEP considering energy efficiency projects?*

**Greg McCall:** Energy efficiency is coming at the customer level. AEP is trying to get customers to improve their energy efficiency, and hence reduce energy demand. These reductions are hard to quantify.

*3M's goals are remarkable. What is 3M doing internally that allows them to set those goals? How are these goals implemented? Is it based on economic payback?*

**Keith Miller:** Achievement of goals is a direct result of 3M culture. 3M has been environmentally active for a long time. Around GHGs, we could see ways to reduce GHGs and our climate footprint. We looked at it as a business opportunity. That is why the goals were so aggressive.

*Forestry management. Have you achieved any reductions through it?*

**Greg McCall:** Yes. Surveys are conducted of the forest and our other public lands. The fly over density is used to estimate the amount of carbon sequestered. AEP has plans instituted to ensure longevity of these forests.

*Are your audit/verification reports available to the public?*

**Greg McCall and Keith Miller:** Verification reports are not publicly available.

*Are 3M's emission reductions for 2003 - 04 attributable to one thing?*

**Keith Miller:** The reductions are mostly from solvent elimination.

*Greg do you know why CCX credits are trading at \$3 a ton versus the current price in the EU?*

**Greg McCall:** I am not an expert on CCX credits, but I would assume that more credits are available in the US. These things are left to supply and demand in US. There are fewer credits available in EU.

**Comment by Kristin Zimmerman/GM:** Finding capital to invest in GHG reduction projects isn't always easy. Sometimes the justification is nested in the cost savings. GM is trying to establish an "escrow" account for such projects.

**Comment Keith Miller/3M:** 3M looks at cost savings on energy use as part of the justification for initiating GHG emission reduction projects.

*On the Roles and Responsibilities of an energy manager, is this role necessary to complete a comprehensive GHG management program?*

**Keith Miller:** 3M has always had an energy manager - since the early 70's. This role was a part of the energy group, and then it moved into engineering. It is vital to implementing projects, the GHG management program, and working with various internal teams. I am not sure if other organizations have a specific energy manager.

**Greg McCall:** At AEP, everyone serves as an energy manager. However, our Environmental Manager reports to the chairman and has been a part of the overall management structure.

**Tom Kerr/EPA:** The Energy Star website gives name of company Environmental or Energy managers. This list can assist with networking opportunities and shared practices.

*What is your (3M's) theory on low hanging fruit? How do you find additional projects? Are you running out of projects?*

**Keith Miller:** We do not believe in low hanging fruit. No, we are not running out of projects. Our Pollution Prevention program initiated 372 projects last year. We attribute that to three things - looking at manufacturing, labs, and private developers. We are in development of energy efficiency projects as well as a six sigma analysis. This analysis looks for waste and energy conservation measures.

*Does 3M have any plans to offer climate neutral products?*

**Keith Miller:** We are in talks with our divisions to develop such products. There are no definite plans, presently. We are continuing to help our customers reduce their impact.

*What strategy was used for implementing the 376 projects? How was the business case developed? Does the project have an ROI limit or a business case? Or is it just based on sustainability? Were operating costs decreased?*

**Keith Miller:** Yes. Energy costs were decreased as a result of implementing the projects. There were approximately \$9 million in savings. All projects have to have a positive payback with equipment depreciating over 7 yrs. There is no set ROI, but enough capital is available to implement most projects. So far, projects have had enough return to be implemented.

## **Monica Govey, Hasbro**

**(Notes on comments not captured in presentation materials)**

- Hasbro started in Rhode Island as a manufacturer of pencil boxes.
- Hasbro has mostly indirect emissions resulting from the usage of electricity. As a result, GHG reduction projects are mostly energy conservation projects.
- Hasbro reduced the square footage of a New York (NY) showroom, consolidated square footage in other buildings/showrooms, installed variable drive motors, initiated the early shutdown of operations during summer months, reduced the amount of fluorescent lighting in the facilities, installed occupancy-activated lighting in facilities, and reduced the leased fleet as part of the emission reduction strategy.
- A current reduction opportunity is being developed around fuel usage – which tends to be up in the winter months for manufacturing sites.
- Hasbro cites these “Lessons Learned”: 1. maintain a consistent approach for reporting /receiving activity data at the facility level, 2. track the data, and 3. centralize the accounting function, where possible.

## **Ellen Quinn, United Technologies Corporation**

**(Notes on comments not captured in presentation materials)**

- UTC produces systems that go into various technologies – engines, helicopters, security systems, automotive operations, forging operations for aerospace, etc.
- UTC started energy conservation program in 1997 and has since merged in the GHG management component.
- UTC emissions result from many sources: mobile fleet (~500 cars in Australia), fossil fuel use (firing of engines) including natural gas, and electricity usage at many manufacturing sites worldwide.
- One emission reduction project under evaluation is the computer testing of engines instead of firing them.
- Currently, UTC has achieved a 40% overall emissions reduction (intensity-based); UTC is now focused on a 14% reduction of CO<sub>2</sub> emissions;
- In order to achieve this goal the company is taking the initiative to the employee level. Projects will have to meet business measures like traditional capital investment projects.
- UTC released its first corporate sustainability report in 2005. The report shows continuity between financial accounting and environmental accounting.
- UTC next challenge will be in determining an absolute goal going forward.

## Questions & Answers:

*How involved is UTC's board on goal setting?*

**Ellen Quinn:** The Board is involved in our quarterly energy summits. They are heavily involved with the review of GHG reductions accomplished.

*Was the Hasbro inventory independently verified? Did you consider RECs?*

**Monica Govey:** The Hasbro inventory was not independently verified. Hasbro is looking into renewable energy credits. The issue is under review by the steering committee.

*Why didn't you use a normalization factor for such a diversified operation?*

**Ellen Quinn:** This factor was the best we could do under the business constraints. We also had to consider services.

*What approach did you take to completing the inventory - small team process or focused approach using 2 or 3 members?*

**Monica Govey:** We used the team approach to complete the inventory. The safety team reviews the program.

**Ellen Quinn:** We used a team to complete the analysis. The EHS coordinator or facility manager collects the data at the site level. Our corporate team reviews the data and the program.

**Comment Kristin Zimmerman/GM:** If everyone sits at the table together to approach climate change, the environmental impact can be great. It helps to achieve a total life cycle analysis.

*How does using a centralized accounting department assist in the inventory process?*

**Ellen Quinn:** The process evolved over time. The energy manager took ownership of the process. He implemented tools to assist in the data gathering process. We are in the process of standardizing these tools to take a more consistent approach across business units.

*Was the Corporate Sustainability report mostly environmental data?*

**Ellen Quinn:** The report included all aspects of our operations – environmental reporting, energy reporting, employee contributions, etc.

## Thursday, January 19, 2006

### **Climate Change in California - Eileen Tutt, California EPA**

**(Notes on comments not captured in presentation materials)**

- Gov. Schwarzenegger issued an executive order to establish statewide GHG emission reduction targets .
- As a result the CA Climate Action Team was formed. Team includes CalEPA Secretary as the chair of the committee with other public organizations (e.g. BT&H, CDFA, PUC, ARB, CIWMB, and CEC) as members.
- On December 8, 2005 the Climate Action Team Report was released. The report details emission reduction strategies, a cap and trade program, scenario analysis, environmental justice consideration, economic analysis, and direction for the next two years.
- One emission reduction strategy is to develop motor vehicle regulations to reduce 30% of emissions from new cars by 2016.
- Energy efficiency measures are also under evaluation - despite growing energy demands energy use has remained flat for 30 years.
- Renewable energy will also be utilized - 20% of power used in the state to be from renewable sources by 2010 and 33% by 2020;

- Other reductions will be from HFC reductions, forest management, water efficient appliances, building efficiency - including LSEs and Municipal Utilities, and smart land use. These will help CA meet targets if each strategy is implemented.
- The major issues surrounding a cap and trade program include: 1. achieving emission reductions at the least costs, 2. including uncovered sources, 3. developing innovative new technologies (to achieve reductions), 4. trading my lead to environmental justice concerns, and 5. addressing leakage - activities shift to neighboring states to avoid cap (emissions decline in CA increase elsewhere); A cap and trade program is integral for progress toward the goals;
- Several scenarios were analyzed to determine the effects climate change would have on CA businesses. The specific impacts on CA from GHG emissions include: sea level rise from 2070-99 - from 8-35 inches (max); a decrease in snow pack; agriculture affected by rise in temperatures and pests (affects wine industry); changes in vegetation patterns; introduction of pests; fires; heat related deaths, and ozone issues (smog) for air quality standards.
- The Climate Action Team made the following recommendations: 1. institute mandatory reporting - it is essential for accounting and tracking emission reductions; 2. track progress toward the goals; 3. lay a foundation for a cap and trade program; 4. initiate transportation public goods charge - transportation industry is largest emitter in CA- to assist with funding emission reduction efforts; 5. develop an investment strategy - state to invest to help industry meet goals; and 6. provide incentives for development of clean technologies; Many businesses are supportive of government the government targets and could receive early action benefits for their proactive efforts.
- The next steps for the CA Climate Action Team is to organize public meetings, release the final report to the governor and legislature in mid-Feb on results of investigations, and move forward with implementing some of the proposed program.

## Questions & Answers

*Help us to understand the Environmental Justice communication aspect. Are they opposed to emissions trading? Why is this perceived as negative?*

**Eileen Tutt:** Previous experience shows that pollution moves from more affluent to less affluent areas. Community representatives do not want to see industries shift that way. This is not really the case for GHGs as with smog. We have to help them understand this.

*What percentage of emissions is related to air, water, and ground transportation?*

**Eileen Tutt:** 40% of overall emissions result from transportation. 20% of that is personal transportation. I am not sure on plane and trains.

*How will you maintain economic balance when this program is initiated?*

**Eileen Tutt:** Industry growth is from job increases. There will be a growth in technology based on export and development of clean technology. We are looking at the export potential.

*How will the program support the growth of CA businesses for those supporting clean technology?*

**Eileen Tutt:** Early reduction credit goes to companies that have been proactive. At the onset of the program they are already low and would not get credit for their efforts. We are working with industry to make sure this does not happen. We are targeting those involved in CCAR. They are considered the early registers.

*Are you authorized to implement the State strategies right now?*

**Eileen Tutt:** Most strategies do not need authority for implementation. They fall under statutory authority of the bill. Some will require legislative action and planning.

*Speak briefly on the economic analysis. What if a national program comes on line? Did you assess the effects of that scenario?*

**Eileen Tutt:** We looked at ~50 scenarios. We looked at cost and economic models based on costs of implementation and compliance. Models output jobs impacted. The worst case scenario was the loss of ~83,000 jobs.

*Have specific strategies for use of the funds been identified?*

**Eileen Tutt:** This will be implemented by the energy commission. The funds will mostly be on transportation related actions. The funding will not go to general funds.

## **Emerging Technologies: Getting More with Less - Michael Shepard, E-Source**

**(Notes on comments not captured in presentation materials)**

- Because climate change is becoming a major topic, we see more “clean” technology emerging into the mainstream.
- Battery operated cars are being integrated into the auto market at an increasing rate. Battery operation combined with the use of biodeisel will be even more efficient.

- The US EPA is considering sponsoring the 80PLUS program so that the costs of improvements to the developing battery and/or biodiesel vehicles are not passed on to the consumer.
- Photoluminescent exit signs are another energy conservation source. These lights do not use electricity, the installed costs are less, and there are no energy costs (absorb light glow in the dark) associated with their use.
- There are many energy efficient technologies being explored and developed.

## **The Next Generation of Product Distinction for Renewable Energy - Keri Bolding, Center for Resource Solutions**

(Notes on comments not captured in presentation materials)

- Product Labeling - Green-e is the national symbol for renewable energy excellence. It represents consumer and environmental protection from fraud and assures quality. Green-e is the only 'on-package' logo for renewable energy content. CRS has found that this enhances consumer confidence in the product or service purchased. CRS supports over 100 marketers and utilities with the Green-e label.
- Labeling standards and steps - The Green-e label is only used on packages of consumer products that use green energy in their production processes (organization) or service organizations. The label is also used on business doors and buildings to identify them as using renewable energy (e.g. onsite power generation including - cogeneration, solar, wind, etc.). The Green-e standards were developed over years for stakeholders for business to abide by in order to have consistency across organizations claiming they are "green". In order to qualify for the label, 25% of a product's electricity supply must be from eligible renewable sources brought online on or after January 1, 1997. Companies must complete an agreement and purchase RECs from a Green-e certified renewable energy provider. The Green-e label passes down the supply chain for businesses that purchase Green-e products.
- Results, returns and recognition - Some of CRS clients include: Lundberg Family Farms with ~14 products labeled; Interface Fabrics with 3 product lines labeled; Choice Organic Teas (all products); Harris Ranch, Napa Valley Extra Virgin Olive Oil (all products); Timberland Mion™ sandals/shoes; prAna Clothing - 100% purchase of renewable energy; H2Gro Tomatoes; and Sil Soy (using wind energy) on all product cartons. Both Lundberg and Interface saw increases (~50%) in sales after labeling.

### **Questions & Answers**

*Are there other photoluminescent technologies? Where can you purchase them?*

**Michael Sheppard:** I do not have an answer. I will get back to you with more information.

*Are there any products controversial in nature that no labels can go on?*

**Keri Bolding:** We were approached by a leading cigarette manufacturer. Based on the Green-e standards, they are eligible. No contracts have been signed to date. Our organization consists of environmentalists. They are torn on this one. CRS thinks everyone should have a seat at the table if they meet the standards. All of the standards are posted on the web. It would be the same situation if say a Lockheed Martin (weapons manufacturer) wanted to apply for benefits. I'm just not sure how you would delineate who gets recognized and who does not. All products deserve recognition for their customer base.

## **Break-Out Sessions:**

### **Road-testing Draft Climate Leaders Offsets Methodologies - Lisa Hanle, U.S. EPA, Maurice LeFranc, U.S. EPA, Franklyn Ericson, SC Johnson, & Erin Kelley, Interface**

**(Notes on comments not captured in presentation materials)**

- SC Johnson & Sons (SCJ) and Interface, Inc. Road tested the US EPA draft Offsets Methodologies for two current projects.
- SCJ comments: Applying boiler offset projects is best if completed before expected lifetime of equipment expires. Replacing a boiler 10 years ahead of its expiration allows a business to use current efficiency to develop the baseline. Replacing a boiler closer to its expiration, a business has to use optimum efficiency of new boiler in the baseline calculation. Other boiler-related emission reduction (offset) projects could include fuel switching (use of landfill gas versus other fossil fuels).
- Interface comments: Interface entered an agreement on un-owned landfill gas to receive carbon credits from the landfill (owned by City of LaGrange) for recapturing and using the landfill gas to power their LaGrange facility hot oil heater and steam boiler. The first phase of the project was to combust methane using a flare (while the pipeline is constructed). The second phase of the project will allow for the use of landfill gas at the Interface facility as an alternative fuel source in heater/boiler units. Project met additionality requirements because landfill was projected to never meet NSPS criteria for required flaring, hence project was not required under a regulatory action.

## **Questions & Answers**

*Are you interested in pursuing offsets?*

**Frank Ericson/SCJ:** Yes. We are setting a new goal. We have already picked the low-hanging fruit. Further offsets may be necessary and these may help meet the reduction goal.

**Erin Kelley/Interface:** Yes. At Interface, our goal is to become climate neutral.

*Are you considering any additional projects?*

**Frank Ericson/SCJ:** Not too many more. SCJ is looking at offset projects such as landfill gas, green energy purchases, and distribution network efficiency (fuel use).

**Erin Kelley/Interface:** We are looking at developing agriculturally-friendly products. This would involve farmers not burning their wastes, but allowing businesses to use the agricultural wastes in products. We are also looking into afforestation and reforestation projects.

*What is your general impression of the procedure/standard?*

**Frank Ericson/SCJ:** Methodology helps make the analysis smooth and easy to follow.

**Erin Kelley/Interface:** The guidance is always helpful because lots of projects are being implemented that we would like to use as part of meeting our Climate Leaders goal. Having the US EPA guidance was good. We did not have to engage a 3<sup>rd</sup> party, and then get EPA approval.

*Do you envision these methodologies going toward a federal methodology if a GHG program becomes mandatory? How does this overlap with the CDM methodology.*

**EPA:** While we do not know the future of any Federal regulatory action, we believe that these protocols would serve as a strong foundation if a GHG program is made mandatory.

*Could the offsets be used for RGGI, CCX, CCAR, or other programs?*

**EPA:** Our methodologies are transferable. The use of these offsets in other programs has to be negotiated with that program. It is ultimately going to be a decision of business.

*What is the point of the boiler offset method? Isn't this double-counting? Business would see reductions in bottom line total as a result of boiler efficiency improvements.?*

**EPA:** This methodology is for a boiler replacement/purchases or upgrades outside of the businesses "operational boundary".

**Comment - Kristin Zimmerman/GM:** The use of biodiesel is a good example project. The use of landfill gas is excellent, too. Lots of these projects are easy to implement and cost efficient.

*The CO2 avoided emissions due to not sending waste to landfills is also a project worthy of review. Is this an option for an offset project (maybe as part of WasteWise program)?*

**EPA:** It is definitely worth looking into.

*Smart Way is looking at biodiesel opportunities at ports. Has anyone looked into offsets around the transportation arena? There are several organizations looking at offset projects based on fuel usage (alternative fuels). Are you developing guidance for this?*

**EPA:** One of the draft methodologies that we are currently working on is to calculate offset emission reductions from a project that replaces conventional diesel bus fleets with hybrids. At this point, we have not developed guidance for other project opportunities in the transportation sector but it is something we may consider in the future.

*The Pew Center for Climate Change is looking at developing guidance for offsets, too. Regarding the GWP for methane, what is the correct one to use (21 or 23)? Are businesses supposed to use the emission factors at the federal level or local level to determine reductions?*

**EPA:** Emission factors derived from your own facility- or corporation-specific information are encouraged where available. In the absence of these data, default federal level emission factors may be relevant for some projects. We use 21 (as the GWP for methane) from the IPCC Second Assessment Report (SAR). The GWP of 23 for methane comes from the IPCC Third Assessment Report (TAR).

*What coordination is going on with DOE for consistency with their new guidance [1605(b)]?*

**EPA:** There is coordination between the two agencies as the new guidance for 1605(b) is due out soon for comment.

**EPA Draft Guidance for Reporting Purchases of Green Power and Renewable Energy Certificates (RECs), James Sullivan, U.S. EPA, Jay Dietrich, IBM, Dennis Canavan, Johnson & Johnson**

**(Notes on comments and concerns from session attendees)**

### **EPA Protocol Summary**

- Currently, there is a lack of guidance for record keeping for the use of renewable energy certificates (RECs). As a result the EPA drafted, issued, and circulated a guidance document for accounting for the purchase of green power and RECs in a voluntary corporate GHG inventory. The EPA is currently soliciting comments on the draft.
- Some questions brought up during the review of the draft included the following:
  1. Are “Green Power” purchases limited to only renewable energy sources?

2. Is there a National REC standard?
  3. Who sells “Green Power”?
  4. What measures will be taken to ensure there is no double-counting?
- RECs are treated as a separate financial transaction for accounting purposes.
  - RECs are treated as a line item adjustment in an emissions inventory. Green power usage is reflected in the emission factor used to quantify the indirect emissions.
  - EPA encourages purchase of certified RECs to help ensure transparency and credibility.
  - Quantifying the emission reductions from a REC or Green Power purchase is as follows:  $\text{MWh (usage)} \times \text{emission factor (based on the region where REC is sourced)} = \text{tons of CO}_2 \text{ reduced}$ ; This method is similar to offsets but is accounted for as an adjustment to only indirect emissions.
  - Protocol should take into account that some green power projects could be more difficult to verify – projects that are not connected to the grid, projects that result in direct emission reductions (e.g., methane capture), and biomass-type projects. In the Climate Leaders guidance, these projects will be treated as offsets.
  - Concerns/Issues expressed on the new protocol included: ensuring the accounting approach makes sense, applying a consistent approach as used by various reporting mechanisms and programs, and making sure the guidance/approach is simple and easy to apply.

### **Purchasing RECs - the User’s Perspective**

- The use of RECs is part of a multi-faceted strategy for companies in conjunction with achieving “real” reductions.
- Purchasing RECs generally lowers the costs of renewable energy, wide selection of suppliers, greater variety of resource options and simplified transactions. Green power is real and less abstract, single transaction.
- Renewable energy resources should be power generated by wind, solar, landfill gas, or biomass. On a national to local scale, there will be small to large transactions over a short to long time frame.
- When using RECs, the avoided CO<sub>2</sub> should be calculated using emissions factor in the power pool where the project exists.
- Green power is not an offset. There are zero emissions associated with the power consumed.

- On-site renewable energy is not an offset. There are zero emissions associated with the power consumed.
- An issue users have is that green power and onsite renewable use does not appear on the Climate Leaders Inventory Summary Form. Partners must add the information as a footnote. EPA is currently revising the form to add this capability.
- Green doesn't always mean green. Some green power purchases may include RECs. The selling of RECs may be reported as an adjustment to the indirect portion of a GHG inventory.
- It is difficult to access renewable energy in regulated jurisdictions. There may be a large costs associated with assessment.
- Having a RECs market removes constraints.

## Questions & Answers

*When buying green power are RECs verified?*

**Dennis Canavan:** Johnson & Johnson verifies all green power.

*Are RECs bankable? Can you use old RECs?*

**EPA:** Climate Leaders wants reductions the same year of use to reflect an annual corporate GHG inventory. Any REC purchase must be accompanied by inventory data of the same year.

*For optional or indirect emissions other than electricity can RECs be used against these emissions? [Electrical generators would like to use RECs to offset direct emissions.]*

**EPA:** This makes it difficult to differentiate between direct and indirect emissions and offsets. At this time, RECs can only be used to adjust indirect emissions.

*If a renewable source is under a cap, can a REC be used?*

**EPA:** It depends on how renewables are treated under the cap.

*When using on-site generation and selling RECs, what CO<sub>2</sub> offset is counted? For which region?*

**Dennis Canavan:** J&J uses the local factors to sell RECs. When green power is sold and it includes RECs then the emissions reported are local. The e-grid system is good enough to track CO<sub>2</sub> for regional consumption. Factors need to be adjusted regularly as more green power is developed. RECs can be valuable when RPS drives the market. Costs are driven up as companies struggle to meet RPS goals.

*How much financial savings in percent are attributed to RECs vs. green power?*

**Dennis Canavan:** Data is not available. It can be estimated to be in the 30 to 40 percent range. We would need to back track or source the REC.

*Who supplies data or documentation for verifying uncertified RECs?*

**EPA:** The supplier must provide the back up data.

*If companies buy uncertified RECs, what should they record for due diligence?*

**EPA:** PS&G and Sterling used GIS data and reserve account information. For states with PUC regulated green power requirements, then data will be recorded in other databases.

*What are the costs associated with green power?*

**EPA:** It varies with high end costs in markets where they are regulated. In voluntary markets, the cost is definitely less - approximately 25 to 30%.

*What led IBM to get into RECs and renewables?*

**Jay Dietrich:** It was a part of our reduction strategy. RECs make some of the most economic sense once direct emissions have been reduced and energy efficiencies have been achieved.

*Thirty states have RPS requirements which are the driving markets. In Colorado, RPS includes solar. If the installation does offset direct emissions, are indirect emissions not acceptable because of RPS? If the power company pays for the installation can the commercial entity sell a REC even though it is part of the RPS?*

**EPA:** A provider selling certified RECs on a market can not sell anything required by RPS.

## **Climate Leaders Introduction: Program Overview and Partner Insights - Vincent Camobreco, U.S. EPA, Doug Barndt, Ball Corporation (Notes on comments not captured in presentation materials)**

Climate Leaders assists companies to understand and manage their GHG risk. Partners do this by calculating and reporting their corporate wide GHG inventory to EPA and setting corporate-wide GHG reduction goals.

Climate Leaders deals with corporate wide reporting and goal setting while the other EPA programs provide specific information on areas for improvement and potential projects. Climate Leaders gives companies that are members of other EPA programs the opportunity to take their climate commitment one step further.

High level public recognition is a key aspect of the program. Another important form of recognition is the Public Service Announcement campaign. The PSA campaign highlights Partners that have set targets. Climate Leaders is on the second round of PSAs.

Another important benefit of the program is the free technical assistance we provide. We offer up to 80 hours of free technical assistance, which includes: assistance in understanding the Climate Leaders GHG Inventory Protocol, guidance on selecting organizational and operational boundaries, assistance identifying emissions sources, support in creating a GHG management system or IMP based on best practices, one onsite visit to review implementation of the IMP, and on-call support for technical questions you might have.

As part of the Climate Leaders program, Partners commit to 3 things: 1.) Perform a corporate-wide greenhouse gas inventory and annually report their inventory data to EPA. 2.) Develop an Inventory Management Plan (IMP). 3.) Set an aggressive corporate-wide greenhouse gas emissions reduction goal.

One of the main things Climate Leaders does as a program is institutionalize the inventory process at our Partner Companies through the development an Inventory Management Plan or IMP. This is beneficial to Partners in that this saves on inventory costs in the long run and is a key part of a GHG management strategy. Climate Leaders provides an IMP checklist or guideline, example IMPs on website, and a review and feedback process when companies are developing an IMP.

Case studies from Partners highlighted that Climate Leaders participation helps to get GHG reduction projects implemented through the strong corporate commitment to GHG reductions and meeting the publicly announced target. Also that in addition to the environmental benefits of the GHG reduction projects, other reported benefits include increased employee productivity and morale and decreased absenteeism. For many Partners, energy efficiency projects have resulted in GHG emissions reductions as well as dollar savings.

Climate Leaders has a good representation of different industry sectors in the program and so far, the emissions from Partners in the program represent 8% of total U.S. GHG emissions.

The targets announced to date result in reductions of 8 million metric tons of carbon equivalent per year.

Future plans include release of more sector specific protocols (representing emissions from process related sources, like cement sector), updating versions of our cross sector protocols (like stationary combustion), hold future peer exchange events, and more outreach and Partner recognition.

## **Incorporating the Cost of Carbon into Investment Decisions - Dennis Canavan, Johnson & Johnson; Yolanda Pogano, Exelon Corporation; Patrick Leahy, World Resources Institute** (No additional notes or comments outside of presentation materials)

### **Questions & Answers**

*Are the one page summaries for reduction project identification audited for accuracy after implementation?*

**Dennis Canavan:** No, they are not usually audited after the fact.

*What proportion of project submittals has been approved?*

**Dennis Canavan:** In the beginning of the program, we had about 48 submitted - half were approved. There wasn't a lot of evaluation of project submittal forms after approval (to assess whether project objectives were met). We established a "weed out" process - 5% ROI or less not considered. Those with a lack of information were returned. A higher percentage of projects are being approved now. Employees understand the process better and submit sufficient information.

### **Breakout Sessions:**

#### **Provide Feedback on New Marketing Opportunities**

#### **Group1 - Retail/Service & Group 3 - Utility Industries**

#### **Questions from the Partners:**

*How much does Forbes charge for the Climate Change insert?*

Rates are posted on their website, depends on negotiated contract or previous relationships.

*Is there a protocol or rules about using the Climate Leaders logo?*

There is no strict guidelines as of yet. The best advice is to use best judgment since the Climate Leaders group is still a small group. Partners can discuss their ideas with Jim Sullivan or Vince Camobreco. An extensive guideline like EPA Energy Star has not been developed.

*Do Partners need formal EPA approval for use of logos?*

EPA cannot endorse products. EPA will take this question into consideration and respond to Partners. A media kit has been included in the meeting package.

*Can the Partners change the wording of the button logo to customize the reductions to their company?*

Yes, the EPA intended the marketing strategy to be flexible.

*Does the EPA have any statistics on the effectiveness of the marketing materials?*

Yes, but the data is presented by specific location, market, and target audience.

## **Questions from the EPA:**

*Are these practical materials for your business?*

**Staples:** Yes, these are a good way to communicate with customers so they can take away some information about Staples efforts.

*Is this relevant to utilities to help explain rate increases?*

Yes, utilities already do this type of public relations as bill stuffers and can use this additional information.

*Recently EPA introduced an opportunity for partners to participate in a Forbes supplement. Did partners think this was valuable? Should Climate Leaders try to identify more opportunities like this?*

Yes, we are interested in opportunities like this.

## **Notes and Other Comments:**

- EPA wants to expand its offerings to assist partners in their marketing efforts.
- EPA introduced samples of co-marketing materials (e.g., bill inserts, register toppers) for partners to consider. While general concepts were presented, EPA would encourage partners to customize the materials to meet their own brands/needs.
- Some partners indicated that these materials could be helpful.
- Some partners expressed interest in learning more about co-promotion opportunities.
- EPA is interested in learning more about the current marketing efforts/media outlets that partners currently use. Do their typical tactics include newsletters, mass media, bill stuffers?
- Utility partners indicated that often outreach on the company's participation in programs like Climate Leaders is more focused towards stakeholders than towards customers.
- Several partners promote their Climate Leaders participation in their company's annual sustainability reports.
- Regulators/legislators are another important audience that partners want to reach.
- Partners indicated that they also want/need better tools for communicating internally about Climate Leaders, climate change, in order to get buy-in for co-marketing opportunities.

- EPA recommended sharing the new program fact sheet that can be found on the Partner Media Kit CD or on the Partner Media Kit page at: [www.epa.gov/climateleaders](http://www.epa.gov/climateleaders)

## **General Partner Questions:**

*If we're not the official marketing or media contact for our organization, what should we be doing?*

Send contact information for your marketing contact to the EPA and/or your implementation contractor. One could also pass on the Partner Media Kit CD or direct your marketing/media contacts to visit the Climate Leaders web site for sample public relation materials.

*What are the guidelines for partners using the Climate Leaders logo?*

EPA indicated that there are no specific written guidelines, except that only partners can use the logo. EPA will consider developing brief guidelines; [One partner suggested using common sense and the "20/20" rule (e.g., would you want to see coverage of this Climate Leaders logo's use on "20/20") as a good rule of thumb.]

*How can utility (or other) partners link Climate Leaders or GHG reduction messages to customer action?*

EPA recommended directing residential or commercial customers to EPA programs like Energy Star or including information on how customers can participate in specific alternative energy or energy efficiency programs that the utility offers.

## **Group 2 - Commercial/Manufacturing Industries**

### **Questions from the EPA:**

*The EPA is looking at what the larger companies are doing in order to achieve their goals. Most have been communicating to employees - increasing employee awareness. What are some of your efforts/ideas?*

Is there a template for that? We would like to include an insert with paycheck stubs.

*The EPA wants to know, how can we promote awareness in the US and abroad?*

Try to make links with other climate groups and merge efforts with their ad campaigns.

*How would partners feel about EPA contacting marketing folks directly?*

This would be dependent on the size of the company. The EPA request may not get addressed by Marketing based on its level of importance. Some technical input is still needed on such requests. It will take time. [EPA comment: We could help them along the way by drawing out the information needed.]

## **Questions from the Partners:**

*As part of our external communications, we have a trade show during the Superbowl. We would like to post a sign.*

Trade show signs are a great idea! [One Partner commented that it may be beneficial to have a sector specific approach to trade ads.]

*How do we communicate being environmentally friendly in layman's terms (e.g. the no. of automobiles off the road, homes heated, light bulbs burned, etc.)? Do you have these types of examples?*

We will gather some useful examples based on partner input.

*Can the EPA interact with our public affairs departments to get the message out? We want to let them know what things are our companies doing.*

Sure. Partners should send the contact information for the company representative to the EPA or their technical support contractor.

*What is the strategy to get others in a specific sector to join?*

By promoting what the existing partners are doing. These ad campaigns are geared to pull other sector businesses into the program. We still need input from the partners telling us what they are doing and promoting their successes.

## **Notes and Other Comments:**

- The electronic correspondence and media kits are helpful and useful. These materials allow us to build our own materials. Keep them coming.
- The ad in Forbes and the upcoming article in Forbes were good expenditures. It is getting out there what we are actually doing.
- We would like a supply chain package -something to give to our vendors. We want to broaden the appeal of the program to folks supplying us. -"We're doing it. This could help you, too." It has the benefits of energy reductions, costs savings, incentives for participation, etc.
- Partners would like the EPA to participate in trade association meetings. The Partners would let EPA know of upcoming meetings. EPA could attend and promote the Climate Leaders program. The EPA needs the Partners to make the initiative to direct EPA.