

Via Web Submission

August 11, 2011

Clerk of the Board  
California Air Resources Board  
1011 I Street  
Sacramento, CA 95814

Re: First Environment 15-day Comments on Mandatory Reporting Regulations

Dear Air Resources Board:

First Environment, Inc. (First Environment) supports the California Air Resources Board (ARB) as it continues development of its Mandatory Greenhouse Gas Reporting Regulation and other regulations implementing Assembly Bill 32 (AB32).

Internationally recognized as a high-quality provider of GHG verification services, First Environment proudly holds the distinctions of being:

- the first firm approved to provide verification services to the participants of the California Climate Action Registry (CCAR);
- among the first firms to be accredited to the international standard ISO 14065 by the American National Standards Institute (ANSI) to provide greenhouse gas inventory verification services; and
- one of the very few firms to actually conduct full verifications of 2008 Mandatory GHG Reports to the California Air Resources Board (ARB).

New Jersey

California

District of Columbia

Georgia

Illinois

Mississippi

New York

Puerto Rico

Canada

In addition, our GHG verification services have received industry acknowledgements including:

- Environmental Finance's 2011 Best Verification Company for Voluntary Markets;
- Environmental Finance's 2008, 2009 & 2010 Best Verifier for North American Mandatory Markets, and
- Point Carbon's 2009 No. 1 ranked verifier in North American markets.

Relative to our recognized leadership and expertise in verification in North America, First Environment is pleased to provide the following comments regarding verification issues within the 15-Day Draft of the Proposed Amendments to the Regulation for Mandatory Reporting of Greenhouse Gas Emissions.



1. Regarding 95130(a)(1)(E?), please simply and clearly specify if one of the conditions that would require a full verification be performed is a 25 percent change in emissions from the previous reporting period, instead requiring a verification body to provide justification why a full verification was not conducted when such a condition occurs.
2. Generally regarding 95131, while the requirements for verification services identified in the regulation roughly corresponds to the verification approach contained in ISO14064 Part 3 (the standard) which represents recognized international best practice regarding the performance GHG verification, the regulation's requirements omit several steps specified by the standard. These omissions include, but are not limited to, notably, an initial strategic review; and more significantly, the assessment of the GHG information system and its controls, an assessment which originates from financial auditing, from which GHG verification best practices were derived. In addition, the regulation lacks the detailed guidance regarding the performance of verification activities contained in Annex A of the standard.

For these reasons, we believe that the verification process, as presented in the Mandatory Reporting Regulation, does not meet the standard of international best practice. Recognizing that activities implemented under AB32 provide an example to other North American programs and beyond, we strongly encourage ARB to ensure the regulation is consistent with international best practice by either incorporating all of the requirements of 14064 into the regulation, or incorporating its requirements by reference to the standard.

3. Regarding "15-day changes" in 95131(b)(7)(B), please provide clarification in the regulation regarding what is meant by "a ranking of product data with the largest uncertainty." While we generally understand the need for considering the uncertainty of emissions calculations, we are not sure why there would be uncertainty with respect to product data.
4. Regarding "15-day changes" in 95131(b)(8)(D), we request that "also include a narrative" be removed since the information can more clearly and more efficiently be presented in a tabular format.
5. Regarding "15-day changes" in 95131(c)(4)(B) and 95131(c)(5), we request that the verification bodies response period to requests by ARB or the Executive Officer be extended from five to ten working days to allow adequate time to ensure proper response to these requests.
6. Regarding "15-day changes" in 95131(g), we consider "contracts for verification services" to be confidential information and the review of such information unnecessary for ARB relative to determining whether either GHG reports or verification services provided are consistent with the requirements of the regulation and therefore request this language be removed from this section.
7. Generally regarding 95132, the regulations establish only five specific requirements for verification bodies which can be summarized as:

- having two lead verifiers and five total staff;
- having (presumably) no significant judicial or other actions recently filed against it;
- maintaining a minimum level of insurance;
- procedures for evaluating conflict of interest; and
- procedures to support staff verification training.

Recognizing that these five requirements represent only a tiny subset of the requirements contained in ISO 14065, we believe that the verification body accreditation requirements, as presented in the Mandatory Reporting Regulation, do not meet the standard of international best practice. Recognizing that activities implemented under AB32 provide an example to other North American programs and beyond, we strongly encourage ARB to ensure the regulations is consistent with international best practice by either incorporating all of the requirements of 14065 into the regulation or incorporating its requirements by reference to the standard.

If you have questions about these comments or further discussion would be helpful, please do not hesitate to contact me or Tod Delaney. We appreciate the opportunity to provide these comments for the consideration of the Air Resources Board.

Very truly yours,

FIRST ENVIRONMENT, INC.

A handwritten signature in black ink, appearing to read "Jay Wintergreen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jay Wintergreen  
Senior Associate