



Mandatory Reporting Regulation 2016 Amendments

June 29, 2017

Presentation Outline

- ▣ Overview
- ▣ Mandatory Reporting Program Background
- ▣ Proposed Amendments to the Mandatory Reporting Regulation
- ▣ Next Steps
- ▣ Staff Recommendation

Overview

- First of three interrelated items presented to the Board (second two items are scheduled for next month's public hearing):
 - Mandatory Reporting Regulation (MRR)
 - Cap-and-Trade Regulation, and
 - California's draft compliance plan for the federal Clean Power Plan (CPP) rule
- This is the second board hearing on the proposed amendments to MRR; the first hearing was in September 2016

Mandatory Reporting Program

- MRR requires California's largest emitters to annually report and verify greenhouse gases (GHG) and product data for previous calendar year
- Approximately 800 reporting entities
 - Facilities with $\geq 10,000$ MT CO₂e emissions
 - All Electricity Importers and Retail Providers
 - Fuel and Natural Gas Suppliers
- Regulation includes requirements for independent third-party verification of reported data

Proposed Amendments

- Technical adjustments for purposes of:
 - Clarifying and improving quantification of GHGs
 - Aligning with revisions to Cap-and-Trade Regulation
 - Preparing for future U.S. EPA CPP reporting requirements
- Includes updates for petroleum and natural gas systems, fuel suppliers, and Electric Power Entity (EPEs)
- Includes change to the deadline for completing verification

General Updates

- Update global warming potential values to the IPCC 4th assessment report
 - Beginning with 2021 data
- Clarify reporting and verification cessation provisions
- Clarify and modify applicability for certain sectors
 - Oil and Gas Producers
 - Importers of LPG and LNG
- Most amendments will affect 2018 data reported in 2019
 - Product data, verification timing, and Energy Imbalance Market (EIM) changes take effect for 2017 data
 - Clean Power Plan provisions take effect for 2021 data

Align with Cap-and-Trade

- Update reporting and verification requirements to support the Cap-and-Trade Program
 - Clarify requirements for calculation of compliance obligations
- Update definitions to harmonize with Cap-and-Trade Regulation
- Clarify and add product data reporting to support allowance allocation
 - Clarify Complexity Weighted Barrel (CWB) throughput and hydrogen production data reporting
 - Consolidate other product data reporting for refineries
 - Clarify requirements for several sectors including milk production, tomato products, poultry, and others

Petroleum and Natural Gas Systems

- Clarify calculation of GHG emissions
 - Convert volumetric data to reflect standard conditions
 - Allow use of a default value for the fraction of gas combusted
- Incorporate a revised Flash Test procedure
- Clarify reporting for sorbent emissions

Fuel Suppliers

- Require importers rather than consignees to report emissions from imported LPG and LNG
- Address potential double counting of fuel volumes
- Require reporting of fuel volume that is excluded from emissions reporting
- Clarify definition and requirements for intrastate pipeline suppliers
- Clarify reporting for in-State producers of LNG and CNG
- Allow biomethane to be reported by utilities that transport biomethane to non Cap-and-Trade customers

Clean Power Plan (CPP) Integration

- Proposed changes to implement the reporting requirements under the U.S. EPA CPP
 - Effective for 2021 data, contingent on U.S. EPA Approval and Implementation
- Electric generating units (EGU) must report hourly Watt meter data, as well as thermal and mechanical output (already reported to U.S. EPA)
- EGU-level reporting required, no change expected for most reporters

Electric Power Entities

- Clarify reporting requirements for specified source imports to ensure accurate emissions accounting
- Based on stakeholder comments on the original proposal, staff reinstated some exemptions to the “lesser of” analysis
- Remove provisions associated with the qualified export (QE) adjustment to align with Cap-and-Trade
- Clarify requirements for reporting sales into the CAISO markets

Energy Imbalance Market

- Proposal to ensure full accounting of imported electricity emissions from transfers within the EIM
 - ARB will quantify EIM emissions not accounted for by the current EIM model and retire unsold allowances to account for emissions leakage
 - Proposal is a “bridge” solution until CAISO implements changes to the current EIM deeming methodology
 - Staff will continue to engage with CAISO and stakeholders in developing appropriate updates to EIM that are needed to support California’s climate policies and regulations

Change in Verification Deadline

- Propose to move verification deadline from September 1 to August 10
 - In the 45-day package, staff originally proposed an August 1 verification deadline
 - In response to direction from the Board, staff subsequently shifted proposed deadline forward to the 10th
- Change supports Cap-and-Trade implementation by allowing more time for staff to work with reporters to ensure data accuracy prior to allocating allowances and assigning compliance obligations

Other Verification Modifications

- ▣ Adjust timing requirements for ARB review of submitted documentation and verifier and reporter to submit requested data
 - ▣ Original proposal modified to provide verifiers additional time and flexibility to respond to ARB documentation requests
- ▣ Modify the accreditation requirements to streamline the process

Next Steps

- ▣ If the amendments are adopted, they will become effective January 2, 2018
- ▣ MRR will be updated as final EIM solution to CAISO EIM is implemented and in support of Cap-and-Trade and other programs

Staff Recommendation

- ▣ Approve the proposed Resolution which includes adoption of Final Regulation Order
- ▣ Proposed Resolution also directs the Executive Officer to:
 - ▣ Finalize the Final Statement of Reasons and submit the completed regulatory package to the Office of Administrative Law