

BC Forest Industry Working Group on Climate Change

Recommendations to the WCI

on the

“Options for a GHG Reporting System”

January 31, 2008



The BC Forest Industry Working Group on Climate Change

The BC Forest Industry Working Group on Climate Change (the Working Group) is an industry co-operative made up of representatives of British Columbia's pulp and paper mills, sawmills and the province's two major forestry associations.

As a group, we work to present an understanding of the value of our sector. As one of BC's largest industrial employers and single largest consumer of electricity, our sector is the backbone of many communities and contributes extensively to the provincial economy.

We also work to ensure that forest and related provincial policy is created and implemented in a way that fosters growth and increased competitiveness for our sector and for BC as a whole. We are committed to our industry and believe that it will be a significant contributor to the BC economy for years to come.

Our sector has implemented dramatic improvements over the past decade including sustainable forest management practices, energy reduction initiatives and fuel switching projects. The sector has delivered the strongest greenhouse gas record in the province with total current reductions of about 50% compared to 1990 levels; equivalent to the removal of 2.5 million tonnes of carbon. The sector is currently focusing on opportunities to create new biomass products, generate more carbon-neutral biomass based power and provide solutions to BC's pine beetle epidemic.

Members of the Working Group include:

AbitibiBowater

Canfor Corporation

Canfor Pulp Limited Partnership

Catalyst Paper

Cariboo Pulp

Coast Forest Products Association – representing 22 BC forest products companies

Council of Forest Industries – representing 50 BC forest products companies

Domtar Pulp and Paper Products

Howe Sound Pulp and Paper

Mercer International

Neucel Specialty Cellulose

Pope and Talbot

Tembec Enterprises

Tolko Industries

West Fraser

1 Breadth/Scope of Reporting

1.1 *Should reporting be required only for sectors/sources included within the cap or, should reporting be required for sectors/sources not included in the cap-and trade program (e.g., ones that are likely to be phased in over time)?*

The Working Group believes that in the initial years of the cap and trade system, **only those sectors included in the cap should report**. This will dramatically simplify the process in terms of number of reporters and burden of data. Once the cap and trade system is operating effectively, the WCI must move to widen the coverage of the cap. A **schedule should be drawn up that maps the expansion of sectors regulated under the cap** and their reporting timeframe. In this manner, an organized and coordinated approach can be taken which is predictable and understood by the marketplace.

2 Initiation of Reporting

2.1 *Should mandatory reporting begin before cap and trade commences or should mandatory reporting begin only with the start of the cap's first compliance period?*

The Working Group feels strongly that **mandatory reporting should start in advance of the cap and trade system**. Through our negotiations and work with Canada's federal government, lack of good emissions data appears to be one of the biggest challenges in developing effective carbon caps and supporting policy. Current WCI data would help provide guidance in developing carbon allocations for Partners and their individual sectors. The Working Group also feels strongly that **there must be reporting harmonization** between WCI Partners, jurisdictions and regulators like Environment Canada.

3 Coordination Among Partner Jurisdictions on Reporting

3.1 *Should WCI develop a single WCI reporting rule that stipulates all reporting specifications or should individual WCI jurisdictions have loosely coordinated rules possessing common core elements? If so, what aspects should the common core elements cover or include?*

The Working Group feels that **there must be a similar approaches in reporting across all WCI Partners**. There are likely to be certain nuances around specific sectors in some Partner jurisdictions that need specific direction or exception from a WCI reporting rule. This approach would provide for that flexibility while creating a general framework. The Working Group believes that **there should be core WCI elements on reporting** that...

- clearly define sector and entity scope of emissions
- definition of gases to be reported
- carbon accounting standards to be utilized.
- definition of acceptable supporting tools to be used in reporting

As a sector that has taken a leadership position in quantification and reporting of our carbon footprint, the Working Group believes that the **WCI and Partners must recognize the value of established estimation tools** specifically developed for some sectors. The Canadian forest products industry has developed such a tool with the National Council for Air and Stream Improvement (NCASI) and believes use of such tools should be embraced in concert with the TCR protocols.

4 Data Management and TCR Interaction

4.1 Should WCI require that all capped sources report directly to and verify through the TCR or should sources report to and verify at the level of the individual jurisdiction (with data then uploaded to the TCR or otherwise shared centrally)?

The Working Group believes that **carbon reporting should be through individual jurisdictions** who then provide the data to the TCR. While it is tempting to focus all WCI emissions data through a single entity, individual Partners are likely to realize benefits in keeping carbon emissions reporting coupled with other reportable discharges under their local state or provincial regulations. Specifically, most criteria air contaminant (CAC) issues are co-emitted with carbon discharges from combustions and fuels sources. Certainly today Canadian **policy work is considering how to deal jointly with caps for both carbon and CACs** like particulate, SO_x and NO_x. There may also be legal considerations and problems in reporting emissions to a non-government, out of jurisdiction body. Finally, emissions data **reporting to both the local jurisdiction and the TCR adds unnecessary complexity and reporting costs** to regulated entities.

5 Verification

5.1 Should WCI require third party verification or should WCI allow multiple approaches to ensuring data quality (other than third party verification)?

The Working Group believes that the WCI **should not require mandatory verification**. Rather, an approach similar to regulatory reporting should be embraced that requires regulated sectors to self report carbon using defined protocols and tools. The jurisdiction would have the right to audit the data as they do today in BC regarding all emissions reporting.

6 Administrative Costs & Fees

6.1 Should states and provinces mandate that fees go directly to TCR and TCR administers the reporting database or should states and provinces collect fees and contract with TCR to administer the reporting database?

The Working Group believes that there should be no additional costs for reporting and tracking carbon emissions. Any **registry fees should be overseen and borne by the jurisdiction**. This position links to the rationale that, moving forward, most jurisdictions are going to have to take

steps to improve levels of criteria air contaminants that are discharged along with carbon. Separate treatment and management of carbon will make effective CACs policy more difficult.

7 How should WCI states/provinces and The Climate Registry incorporate and interface with this development and new Canadian Federal GHG reporting requirements in designing and implementing their GHG reporting program?

The WCI and its partners must build a cap and trade system designed to meet the long term needs of its constituents. An effective and efficient system will be one characterized as fostering fair and cost effective carbon reductions by utilizing efficient carbon markets all the while with minimal bureaucracy and transactional costs. Ultimately, the system must be globally competitive so as not to disadvantage WCI participants compared to international allowances and offsets costs.

In the short term, there are challenges that relate to harmonization with the Canadian Federal system. Much of the Canadian Federal government's intentions are already well understood on the matter. The Working Group believes that representatives of the **WCI should consult with Canadian Federal officials to minimize the likelihood that there will be major inconsistencies** in approach. As these jurisdictions develop new policies and plans to manage carbon and the Kyoto 2nd commitment period, there will likely be some matters which require attention. However, it should not be the overriding priority to establish parity with federal schemes. The goal must be to establish an effective system in a global context.