



February 6, 2009

Jim Norton, Chair  
Western Climate Initiative (WCI)  
Reporting Subcommittee

Re: "***Essential Requirements of Mandatory Reporting for the Western Climate Initiative***"

Dear Mr. Norton:

Mining Association of British Columbia (MABC) respectfully submits our detailed comments on the "***Essential Requirements of Mandatory Reporting for the Western Climate Initiative***" following (Submitted via website ([www.westernclimateinitiative.org](http://www.westernclimateinitiative.org))). A summary of our key recommendations can be found in Appendix A.

**Detailed Comments on the "*Essential Requirements of Mandatory Reporting for the Western Climate Initiative*"**

The Mining Association of BC (MABC) appreciates this opportunity to provide comment to the Western Climate Initiative (WCI) on their Essential Requirements of Mandatory Reporting. The proposed greenhouse gas (GHG) reporting mechanism will set out the requirements for reporting GHG emissions to the WCI and will support the implementation of a cap-and-trade program. The proposed cap-and-trade program represents a fundamentally new approach to regulating industry and the supporting regulations required to implement such a program must be developed based on principles of rigor, completeness, fairness, transparency and sound scientific and engineering data to ensure the integrity of the system and to provide confidence in reported emissions.

In addition, any regulatory mechanism must be flexible and allow for responsible growth and development of our industry. The proposed regulations must seek to be as efficient as possible, in terms of both meeting the desired outcome (reduced GHG emissions) and in minimizing any negative administrative and financial burden on industry and the economy. The proposed WCI guidelines (both mandatory reporting and cap-and-trade) should promote the development of technologies that will encourage regionally specific industries to reduce their GHG emissions. An effective way of doing this is to allow industry to purchase credits from technology funds that have a set credit cost. It is essential to have a ceiling cost to give industry cost certainty. Cost certainty into the future provides for long term budgeting and planning for the capital life cycle; allowing capital stock replacement for energy efficient equipment leading to emissions reductions and more competitive WCI industry. Being globally competitive is more important

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today for both Canada and the United States due to the serious downturn of the North American economy.

MABC understands that the Essential Requirements of Mandatory Reporting system are intended to provide a common standard from which each WCI Partner jurisdiction will draft their own regulations and rules. However, this is a daunting task considering the breadth of the economies affected and the myriad of regional specific measurement and monitoring issues that must be considered.

Established through an act of the British Columbia (BC) Legislature in 1901 to represent the interests of BC's mining industry, the MABC is one of the oldest industry associations in the province. MABC represents the collective needs and interests of operating coal, metal and industrial mineral mines and smelting companies. In doing so, it has come to be regarded as the preeminent voice of the mining and smelting industry in BC. We are committed to responsible mining development, and stand by commitments outlined in MABC's Environmental Principles (Appendix B).

Today we represent approximately twenty operating mines and smelters in the province which collectively provide over 20,000 indirect and direct jobs. The entire mineral exploration, mining, smelting and downstream processing industry in our province represents an even larger contribution of the Canadian and BC economies. Our members, most of which will likely be captured by the proposed GHG reporting and cap-and-trade programs, are committed to assisting the BC Government and the WCI in meeting its climate action targets. We believe we can be part of a constructive solution that addresses this growing issue while ensuring that the mining industry remains a key economic generator in this province.

We have provided our comments on the Essential Requirements of Mandatory Reporting for the Western Climate Initiative as described below:

**Applicability:**

The proposed reporting thresholds outlined in the recommendations for a mandatory reporting program include facilities that emit as little as 10,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) gases per year. This emission level represents a significantly lower threshold for reporting GHG emissions than what is currently in place in BC or Canada. The current threshold for mandatory reporting of emissions to Environment Canada is 100,000 tonnes of CO<sub>2</sub>e per year. The MABC believes the proposed minimum thresholds of emissions for mandatory reporting will result in an undue financial and administrative burden for many companies that will have very limited ability and emissions capacity to provide meaningful reduction measures. The vast number of facilities that would be required to report their emissions under the proposed reporting program will also represent a significant financial and management encumbrance for the regulating bodies across the WCI. The MABC suggests that the WCI either raise the mandatory reporting threshold,

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perhaps temporarily using a phased threshold approach beginning with a 25,000 tonne threshold lowering to 10,000 tonnes after two or three compliance cycles, or consider a program for which the threshold is based only on stationary combustion and industrial process emissions and which excludes fugitive, waste and wastewater, biomass and biofuel combustion and mobile combustion sources from the emissions used to determine the applicability of the 10,000 tonne threshold.

The MABC also recommends that the WCI consider a more simplified reporting and verification process for facilities emitting less than 25,000 tonnes of CO<sub>2</sub>e per year, the proposed cap-and-trade threshold, whereby smaller facilities need only report facility level emissions and a signed statement of certification without third party verification. Lower thresholds, or expanded source categories included in the emission threshold for reporting could be considered after the implementation of a cap-and-trade system when analysis shows that there is a diminishing rate of return on investment in emission reductions at the larger emitting facilities.

The MABC believes that the list of source categories presented in the proposed requirements of mandatory reporting includes source types that do not have adequate quantification methods or are redundant and will be captured by upstream entities. Mandatory reporting of GHGs will place a real financial and administrative burden on facilities subject to the proposed rules and represent a new legal liability for companies. It is of critical importance that the facilities subject to mandatory reporting are not unduly included in the program due to the reliance on highly uncertain quantification methods or double counting of emissions that have already been captured by upstream entities. MABC members are most concerned with the inclusion of fugitive emissions from coal mines (both active and abandoned), fugitive emissions from coal storage piles and the inclusion of non-road equipment at industrial facilities, in particular mining operations.

MABC shares the same concern with the WCI in regards to accurate reporting and calculating of fugitive methane emissions as per the following quoted sections shown in italics with their respective page number reference:

*“...fugitive methane emissions from the gas industry had significant uncertainties that, unless addressed, could undermine the integrity of the cap-and-trade program.” (Page 34)*

*“To ensure that the design recommendation of including only source categories with “adequate” emission quantification methods is comprehensively implemented, the WCI assessed the adequacy of available methods for nearly all of the source categories initially identified by the WCI as having potential for inclusion in the cap-and-trade program.” (Page 35)*

*“Coal storage piles are located at any facilities that combust coal; these release fugitive methane emissions. Emission factors specific for Canada for stockpiles or post mining operation could not be identified. The uncertainty with the provided US specific*

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*emission factors for stockpiles is unknown. These factors were developed based on average in situ methane contents of 32.5%.” (Page 6-1)*

*“Because of the high uncertainty associated with estimating emissions from mining operations at surface coal mines, these emissions will not be included in the reporting requirements at this time.” (Page 14-3)*

The MABC is in agreement with the WCI on the issue of fugitive emissions from surface coal mines. As stated in the quote above, there is a high uncertainty associated with estimating fugitive emissions from surface coal mines.

The proposed quantification methods for fugitive GHGs from coal mines and coal storage piles are completely reliant on site specific emission factors developed from a very limited and old (1993 and earlier) data base of measurements conducted at selected US based mines. The emission factors presented in the Essential Requirements of Mandatory Reporting vary by more than a factor of 10 and are related only to the basin or location where the coal is mined. The actual physical process that results in releases of fugitive methane emissions would depend on a number of factors such as temperature, altitude, coal type, mining methods, handling frequency, surface area, moisture content, inseam pressure and age of the exposed surface or coal pile. Furthermore, the emission factors presented do not include any Canadian coal basins nor do they seem to consider the very different geology and mining techniques found in Canada. Lastly, the document presented appears to provide contradictory recommendations. In Table 1 on page 7 coal mines are specifically included in the source categories while on page 14-2 of Attachment 14 the uncertainty of the emission quantification methods is questioned and open pit coal mines are specifically excluded from the reporting program. Two of the WCI’s design principles are to ensure that design recommendations include only source categories with “adequate” emission quantification methods and that the methods are comprehensively and consistently implemented across the WCI region. As noted by the IPCC, the uncertainty associated with Tier 2 emission factors for fugitive methane from coal is in the order of 50 to 75 percent. Since the uncertainty associated with coal mine and coal storage emissions are of an unacceptable magnitude and no data exists for Canadian WCI jurisdictions, coal mine and coal storage fugitive emissions must be categorically exempt from the Essential Requirements of Mandatory Reporting until such time as appropriate site specific emission factors have been defined through rigorous research and development.

Non-road equipment at facilities is still being assessed as a source category for inclusion in the reporting program in terms of adequate quantification and monitoring methods. In contrast to coal mine and coal storage fugitive emissions, MABC believes that this source category, as it would apply to mining operations, has very well established and accurate emission quantification methods. However, these emissions should not be included in the Essential Requirements of Mandatory Reporting for industrial facilities as they will be captured upstream

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as part of the transportation fuels source category. Non-road equipment represents one of the largest single GHG emission source categories for BC mining operations and the inclusion of these emissions would force many companies into the reporting program that would otherwise be exempt. Since the intent of both the reporting requirements and the proposed cap-and-trade program is to monitor and cap these emissions at the upstream point of distribution of the fuel, it would be redundant to include these emissions at industrial facilities.

The WCI is considering whether biomass combustion emissions be excluded for purposes of determining whether the proposed reporting threshold has been met for facilities. The MABC supports the exclusion of these emissions from both the threshold determination and inclusion in the cap-and-trade program.

Similar to our position on fugitive methane emissions from coal mines and coal storage piles, the MABC supports the exclusion of non-combustion emissions from municipal wastewater treatment and municipal landfills due to the concern for the adequacy of currently available quantification methods. However, the definition of wastewater treatment and landfills that would be exempted should be expanded to include industrial wastewater treatment, tailings ponds and industrial landfills.

The MABC supports the position that facilities or sources that do not report GHG emissions be required to demonstrate that the facility or supply operation has not exceeded the reporting threshold since 2010. However, the requirement that this demonstration be presented within 20 days of being requested to do so is unduly burdensome. As these smaller emitting facilities would not have implemented the type of data management and monitoring systems required by those larger facilities reporting verified emissions, nor do they have the number of staff available to complete the required report, the task of collecting and preparing adequate evidence of GHG emission totals may prove to be a significant task and additional time should be allowed for a facility to prepare their information. A more reasonable time frame would be six weeks such that any fuel records or production totals that might be required can be retrieved in a timely fashion.

### **GHG Reporting Requirements and Schedule**

The MABC supports the position that consistent reporting deadlines be implemented across the WCI region and that the deadline for verification of GHG emission reports would be five months after reports are submitted. The MABC recommends that the date of these deadlines (reporting and verification) should be adjusted to a later date in the year. An April 1 deadline for reporting provides very little time for companies to compile activity data, prepare GHG emission reports and conduct the internal QA/QC on their emission assertion prior to signing by an authorized person of the company. One of the primary sources of activity data required for the

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quantification of emissions is the financial records for the purchase of fuels. Typically there is a month lag or more between fuel shipments and invoices. Final month and year end financial records are often not available for more than 30 days after the GHG reporting period and final year end activity data not available until well into February. MABC recommends that the reporting deadline be moved to June 1 to be consistent with existing Canadian reporting requirements. As the proposed reporting program matures and companies and facilities implement improved data management systems and operating procedures, this deadline could be adjusted to an earlier date.

There is some confusion around WCI's recommendation of a requirement for companies to develop and retain a GHG Inventory Management Plan. On page 14 of the Essential Requirements of Mandatory Reporting there is a statement that WCI is still considering whether a written plan should be mandatory, while on page 19 a copy of a GHG Inventory Management Plan is listed as a required information element that must be retained on file for at least seven years. The MABC would support the recommendation that an Inventory Management Plan be prepared and retained on file, but only for the larger facilities subject to both mandatory reporting and cap-and-trade.

The mandatory report requirements listed in the Essential Requirements of Mandatory Reporting include total aggregate facility level carbon dioxide equivalent (CO<sub>2</sub>e) emissions, GHG specific emissions from each source category at a facility and "*emissions and other data for individual units, processes, activities, and operations as specified for each source category covered in the Essential Requirements.*" The MABC believes this last requirement is redundant and potentially damaging to individual companies' competitiveness. It is appropriate to require a list of individual emission sources and total emissions by source category, but the requirement to list emissions by individual sources is redundant, provides competitors (including those that do not even operate within WCI jurisdictions) with sensitive and often proprietary business information and does not provide any additional transparency to the reporting process that would ensure any better or more accurate emission reporting. It has been noted in the Essential Requirements of Mandatory Reporting that "*third party verification gives assurance to the public that reported emissions information is accurate without the need to reveal sensitive business information or trade secrets.*" MABC recommends that emission reporting at the individual source level be removed from the essential requirements.

### **Requirements for Verification of Emissions Data Reports**

The WCI recommends that WCI Partner jurisdictions attend selected verification meetings and site visits. The MABC supports this concept as this would provide another degree of confidence in the reporting and verification process to the regulator. The MABC also agrees that WCI jurisdiction's regulating agencies should mandate minimum qualifications for verification such as

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belonging to an accredited professional association or requiring verification entities to seek accreditation through a national standards association or institute as well as training and certification under the internationally recognized ISO 14065 standard.

The MABC does not support the recommendation that verifiers (and by association the companies and facilities subject to verification) must first receive notification from the WCI jurisdiction of approval for *commencement* of proposed verification services within the jurisdictions, as this will undoubtedly cause scheduling conflicts, delays and additional costs for verification services. The sheer number of facilities that will be required to have their GHG emission reports verified and the limited enforcement staff available in WCI jurisdictions makes this recommendation unworkable in practice, particularly for the first iterations of the verification process. Furthermore, the requirement to first receive approval for commencement of verification activities will not provide any benefit in terms of accuracy, transparency or completeness of the GHG emission reports or rigor in the verification process.

The level of assurance required by verifiers and the minimum requirements of a verification report and statement should be defined clearly in the Essential Requirements of Mandatory Reporting document. The MABC recommends that under the mandatory reporting program the level of assurance required should be at the “limited” level. This will provide confidence in the reported inventories but also allow for the growth of the number of verifiers and reduce the financial burden associated with the verification process. MABC agrees that a “reasonable” level of assurance may be required for facilities subject to cap-and-trade; due to the level of confidence required for financial transactions. The main benefit of this transition from “limited” to “reasonable” levels of assurance, is that all parties including the regulator, verifiers and industry will have sufficient time to gain administrative experience and efficiency for overall cost effectiveness. As an industry, we are expected and prepared to carry the risk of our errors. Therefore, the verifier(s), along with the regulating agency should be responsible for any errors in the verification process and any potential financial consequences that may result from a deficient verification report.

The MABC appreciates the opportunity to participate in the process of developing a mandatory GHG emissions reporting program and wish to thank the WCI for their consideration of these comments.

Sincerely,



Pierre Gratton,  
President & CEO  
Mining Association of BC

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## Appendix A

### **Key recommendations from MABC's comments on the *Essential Requirements of Mandatory Reporting for the Western Climate Initiative***

1. The MABC suggests that the WCI either raise the mandatory reporting threshold, perhaps temporarily using a phased threshold approach beginning with a 25,000 tonne threshold lowering to 10,000 tonnes after two or three compliance cycles, or consider a program for which the threshold is based only on stationary combustion and industrial process emissions and which excludes fugitive, waste and wastewater, biomass and biofuel combustion and mobile combustion sources from the emissions used to determine the applicability of the 10,000 tonne threshold.
2. The MABC also recommends that the WCI consider a more simplified reporting and verification process for facilities emitting less than 25,000 tonnes of CO<sub>2</sub>e per year, the proposed cap-and-trade threshold, whereby smaller facilities need only report facility level emissions and a signed statement of certification without third party verification.
3. Since the uncertainty associated with coal mine and coal storage emissions are of an unacceptable magnitude and no data exists for Canadian WCI jurisdictions, coal mine and coal storage fugitive emissions must be categorically exempt from the Essential Requirements of Mandatory Reporting until such time as appropriate site specific emission factors have been defined through rigorous research and development.
4. Non-road emissions should not be included in the Essential Requirements of Mandatory Reporting for industrial facilities as they will be captured upstream as part of the transportation fuels source category. Since the intent of both the reporting requirements and the proposed cap-and-trade program is to monitor and cap these emissions at the upstream point of distribution of the fuel, it would be redundant to include these emissions at industrial facilities.
5. The MABC supports the exclusion of biomass combustion emissions from both the threshold determination and inclusion in the cap-and-trade program.
6. The MABC supports the exclusion of non-combustion emissions from municipal wastewater treatment and municipal landfills and recommends expanding the definition to include industrial wastewater treatment, tailings ponds and industrial landfills.
7. The MABC supports the position that facilities or sources that do not report GHG emissions be required to demonstrate that the facility or supply operation has not exceeded the reporting threshold since 2010. We request, however, a 6 week timeframe instead of 20 days.

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8. The MABC supports the position that consistent reporting deadlines be implemented across the WCI region and that the deadline for verification of GHG emission reports would be five months after reports are submitted. However, the MABC would recommend that June 1<sup>st</sup> be the deadline in order to be consistent with existing Canadian reporting deadlines.
9. The MABC would support the recommendation that an Inventory Management Plan be prepared and retained on file, but only for the larger facilities subject to both mandatory reporting and cap-and-trade.
10. The MABC recommends that emission reporting at the individual source level be removed from the essential requirements.
11. The MABC also agrees that WCI jurisdiction's regulating agencies should mandate minimum qualifications for verification. However, the MABC does not support the recommendation that verifiers (and by association the companies and facilities subject to verification) must first receive notification from the WCI jurisdiction of approval for *commencement* of proposed verification services.
12. The MABC recommends that under the mandatory reporting program the level of assurance required be at the "limited" level.

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## Appendix B

### **MABC Environmental Principles**

The Mining Association of British Columbia (MABC) recognizes that environmental stewardship is an important aspect of the mining and processing industries. As leaders, the MABC supports the mining and processing industries' responsibility to manage environmental protection systems for present and future generations. MABC members are committed to maintaining, improving and promoting innovative and feasible standards of excellence in environmental performance, throughout all stages of the mine and processing life cycles, including: exploration, development, operations, reclamation and closure.

In conducting their activities, MABC members will strive to:

1. Communicate these guiding principles and our collective commitment to respect and care for the environment to our members, communities of interest, indigenous peoples, relevant regulatory agencies and international stakeholders.
2. Ethically manage their activities to ensure compliance with applicable permits, laws and regulations. In the absence of specific regulations, members will adopt best management practices to reduce environmental impacts and to promote sustainable development initiatives.
3. Undertake environmental assessments of, and consultation on, mine and processing projects in an effective, efficient and transparent manner, thereby developing projects expeditiously while maintaining the public trust.
4. Utilize environmental management systems that ensure identification of environmental impacts, effective implementation of mitigation, follow-up monitoring, emergency planning and response, auditing, reporting and continual improvement in all areas.
5. Efficiently manage energy, resources and materials and prevent pollution of the air, land, or water by implementing scientifically-proven and economically-feasible technologies during all phases of the mining and processing cycles.
6. Allocate appropriate resources to meet environmental obligations during all stages of the mine and processing life cycles, including: exploration, development, operation, mineral and coal processing, reclamation and closure.
7. Support efforts to remediate and mitigate historical mining impacts using a science-based approach, undertaken in a cooperative manner with relevant regulatory agencies, communities of interest and indigenous peoples.
8. Where practical and feasible, re-use and re-cycle their products and the materials used in the mining and processing process.
9. Support scientific research to improve environmental performance at their operations and to enhance the use of their products.
10. Continuously seek opportunities to improve environmental performance and regularly report progress to their fellow members, communities of interest, indigenous peoples, relevant regulatory agencies and international stakeholders.

Approved By: Board of Directors, Mining Association of British Columbia , September 18, 2008

Original Signed By: David Parker, Chair

Pierre Gratton, President & CEO

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