

Explanatory note from BP transmittal email:

Please find attached BP's comments on the draft rule for reporting of GHG emissions in New Mexico. The comments are essentially split into two parts - one which address the rule as written if the intent is simply improving the State's inventory of GHG emissions from the sector and the other which addresses concerns with the rule from the broader perspective of baseline protection, early action credit, and expanded policy options that are implicit in the Governor's executive orders, the Western Regional Climate Action Initiative's stated goals and plans, and the Climate Registry goals and plans.



BP America Production Company  
Gordon R. Smith  
Mail Code: 2.110 A  
501 Westlake Park Boulevard  
Houston, TX 77079

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Brad Musick  
Lany Weaver  
New Mexico – Air Quality Bureau  
2048 Galisteo  
Santa Fe, New Mexico 87505

**Subject: Comments on Draft Mandatory GHG Reporting Rule – April 24 Draft**

Dear Mr. Musick and MS Weaver,

BP appreciates the opportunity to comment on the Department's draft rule for mandatory greenhouse gas reporting in the State of New Mexico. As the department is aware, BP is a global company and has been actively engaged in the Climate Change discussion and GHG control issues for nearly a decade. We have maintained a global emissions reporting system internally since 1998, actively reduced our internal emissions, developed and piloted an internal emissions trading system to develop knowledge and learning regarding trading, participate in both the UK and EU GHG trading systems, and have been active participants in policy discussions and initiatives throughout this period. In this time, we have developed a broad knowledge base regarding GHG inventory, reduction, and policy options. Following are BP's comments on the draft rule:

As the Department has repeatedly noted, the draft rule is intended to begin improvement of the State's GHG inventory. Due to the limited scope of coverage, for the rule as crafted, this should be prominently stated as an explicit part of the objective for the rule. As proposed, the rule is not sufficient to support or enable broader policy options nor give companies any assurances regarding baseline establishment or early action credit. The State should be willing to furnish assurance that this rule and inventory will not be used in broader policy options at some future time.

BP believes the rule should contain a provision for automatic preemption by a Federal rule when/if a Federal rule that accomplishes substantially the same (or better) inventory reporting is promulgated. The specter of multiple State, Regional and perhaps even City programs which vary in methodologies and "rules" is not a pleasant nor optimum outcome for a truly global issue which requires broad policy options to address.

BP fully supports the majority of the New Mexico Oil and Gas Association comments and suggested language changes. These add much clarity and definition to the draft rule and should be carefully considered and adopted. In the context of the rule as beginning inventory improvement, we do have several additional suggested changes as follows:

Section 20.2.87.301 – remove the reference to third party verification under the "Multi State Registry" program. This program has not been publicly socialized yet, has received no public stakeholder input, and is not yet final. There is no assurance that it will incorporate third party verification as a sole methodology for certification of emissions and/or reductions.

Section 20.2.87.302 - this section should be modified to adopt the WRI protocols and methodologies for governance, boundary definition, accounting principles, and overall

framework. It should also adopt the API Compendium as the protocol for calculation and reporting of oil and gas source GHG emissions along with enabling “better” methodologies upon description by the reporting entity and acceptance by the Department. To maintain cross jurisdictional transparency and reciprocity, the State should adopt broadly accepted protocols and methodologies rather than craft their own version. Although not critical for only inventory improvement, we are concerned that, once established, a New Mexico version of how to determine GHG emissions would not be easily modified to enable broader policy options and acceptance between States and ultimately a federal program. As the climate issue develops, this is absolutely critical to enable cross jurisdiction trading and baseline protection as State programs are preempted by Federal ones.

Section 20.2.87.300; D – explicitly state that fuel use may be either measured or calculated based on parametric information.

From the perspective of the Governor’s executive orders and the State’s explicitly articulated GHG reduction goals, the Western Regional Climate Action Initiative (to which New Mexico belongs) and its stated goals regarding GHG cap and trade implementation and GHG emission reductions, the Climate Registry and Reporting initiative and platform, and anticipated Federal actions, BP has much broader and deeper concerns.

Although the draft rule does give companies the ability to report emissions to the Climate Registry in lieu of the Department, this registry is not yet established, has not engaged in any stakeholder engagement outside of the participating State agencies, and purportedly does not have an oil and gas protocol established nor the intent to establish one as a high priority. Given this uncertainty regarding the functionality of the Climate Registry to provide the detailed and structured forum for establishing baseline GHG emissions and protection and ensuring early action reduction credit BP does not believe the draft NM rule is adequate – if intended to support these broader policy options.

New Mexico has a unique opportunity to take a lead role, cooperating with other Western Regional Climate Action Initiative and Climate Registry States, in establishing a protocol for oil and gas production GHG calculation, reporting, and registry and standards necessary to provide baseline protection and early action credit. To enable this, BP suggests the Department seriously consider the following changes to the draft rule:

1. Expand the Phase I reporting to include methane
  - a. Move the Phase II methane reporting section to Phase I – complete with the NMOGA suggested list of source categories.
  - b. Adopt the API Compendium as the starting protocol for estimating emissions from the sector. (The API Compendium is broadly accepted internationally by API, the IPIECA, and OGP, has been peer reviewed by numerous organizations and agencies, and represents the “best” compilation of information and methodologies existing for estimating GHG emissions from the Oil and Gas sector)
  - c. Make provision for different methodologies, with adequate documentation and review, which are at least as complete as the Compendium.
  - d. Commission a working group of stakeholders to work with the Department to develop any changes to the Compendium assumptions and methodologies to address unique New Mexico conditions and/or circumstances.
  - e. Structure reporting to enable reporting by field or other defined area (rather than specific site – think of thousands of individual sites) and source category (to enable assessment of reduction potentials)
  - f. Coordinate this work with both the Western Regional Climate Action Initiative and the Climate Registry to ensure consistent and reciprocal methodologies and inform development of a broadly accepted oil and gas protocol.

2. Expand the Phase II methane reporting to at least 80% of the sector – consistent with the coverage of combustion emissions
3. Make provision to extend both the combustion and methane emission reporting to the entire oil and gas sector – either in Phase II or at some defined future date.
4. Broaden the scope of source categories for combustion emission sources to include typical “field” source categories in both Phase I and Phase II along with whatever provision is made to extend coverage to the entire sector.
  - a. Adopt the API Compendium as the starting protocol for estimating emissions from the sector. (The API Compendium is broadly accepted internationally by API, the IPIECA, and OGP, has been peer reviewed by numerous organizations and agencies, and represents the “best” compilation of information and methodologies existing for estimating GHG emissions from the Oil and Gas sector)
  - b. Make provision for different methodologies, with adequate documentation and review, which are at least as complete as the Compendium.
  - c. Commission a working group of stakeholders to work with the Department to develop any changes to the Compendium assumptions and methodologies to address unique New Mexico conditions and/or circumstances.
  - d. Structure reporting to enable reporting by field or other defined area (rather than specific site – think of thousands of individual sites) and source category (to enable assessment of reduction potentials)
  - e. Coordinate this work with both the Western Regional Climate Action Initiative and the Climate Registry to ensure consistent and reciprocal methodologies.
5. Adopt the relevant portions of the World Resource Institute and World Business Council for Sustainable Development’s “Corporate Accounting and Reporting Standards” and “Project Accounting Protocol and Guidelines” to establish the framework for reporting, governance, and reduction registry.
6. Begin work to extend this mandatory reporting to an “economy wide” scale to enable the broadest policy options possible.

Although this may seem to be an ambitious and insurmountable undertaking, our feeling is that this level of effort is necessary to give companies assurance that early action and reporting will not be a future business risk and assure a “level playing field” for business in the State. In the absence of this type of assurance, companies will be understandably reluctant to take aggressive actions to either voluntarily report into the Climate Registry or take early actions for reduction of emissions.

As the Department is probably aware, BP is a charter member of the US Climate Action Partnership that calls for quick Federal action to establish a mandatory and flexible climate program. Some highlights of the actions this partnership calls for are:

1. Establishing a mandatory, economy wide, inventory and registry system.
2. Establishing an economy wide cap and trade system for GHG’s which enables a market approach to reductions
3. Establishing short, mid, and long term emission targets
4. For further details, please see: [www.us-cap.org](http://www.us-cap.org)

While we do not support establishment of State or Regional programs, we do feel that where they are being established they need to be consistent with and support moving to the larger scope.

Again, thank you for the opportunity to comment on the draft New Mexico “Mandatory Greenhouse Gas Emissions Reporting” rules. Should you have any questions concerning these comments, please feel free to contact me.

Gordon Reid Smith  
Senior Environmental Advisor  
Bp America Production Company