



Draft Recommendations for Climate Leaders Program Enhancements

October 2009

I. Background

Climate Leaders is an EPA-industry partnership that reduces greenhouse gas (GHG) emissions through standardized emissions management practices and incentives for industry action. Since 2002 the program has made significant progress toward its objectives. It spurred action by industry to develop and report GHG emissions inventories and set emissions reduction goals. As a result, the program helped establish best practices in these areas, and many companies have been recognized for setting and achieving significant goals. The program is estimated to reduce GHG emissions by 50 million metric tonnes of carbon dioxide equivalent annually. Over 200 large commercial and industrial companies participate in Climate Leaders, and many additional applications are pending.

In the years ahead, Climate Leaders has an important set of assets that can be used to produce additional results, including its partnership network and technical resources. Because U.S. efforts to address climate change are shifting in significant ways, though, the program should be reassessed and strengthened to optimize its effectiveness in reducing emissions and ensure that it continues to generate maximum value. To that end, a set of draft recommendations are proposed.

EPA is seeking feedback on these recommendations from Partners and other stakeholders to ensure that the proposed changes are sensible, timely and feasible. A separate feedback form is provided, and instructions are included at the end of this document. The deadline for comments is November 9, 2009.

II. Process to develop the draft recommendations

To develop the draft recommendations, EPA began by establishing a set of core principles to guide the evaluation of various options for updating the program. EPA believes that changes to the program should achieve the following:

- Significantly reduce GHG emissions on an absolute basis.
- Be rigorous, credible and transparent.
- Build on existing assets, relationships and goodwill with industry partners.
- Complement regulations, State programs, other voluntary programs and private-sector services.
- Have broad market impact that extends beyond the partnership.

EPA identified key trends relevant to climate change and their basic implications for the future of Climate Leaders. In brief, the team reviewed trends in GHG regulation; changes in corporate action; increasing consumer interest and awareness in climate change; the emergence of a professional services sector for GHG management; advancements in clean energy technologies; increasing energy prices and price volatility; and rising GHG emissions in developing countries.

Drawing on these key trends, EPA identified a broad set of potential program enhancement options and conducted preliminary consultations to evaluate their pros and cons. EPA interviewed 40 stakeholders during this step in this process. Based on these consultations, EPA developed draft recommendations for comment by the Climate Leaders Partners and other stakeholders.



The process to develop the draft recommendations was distinct from a parallel process to design a new Small Business Network to provide technical assistance and recognition to small businesses. For more information on the Small Business Network, contact Verena Radulovic (radulovic.verena@epa.gov).

III. Draft recommendations

Strategic purpose of Climate Leaders

The draft recommendations are framed by the program's strategic purpose in the coming years. The long-term goal of Climate Leaders is to reduce GHG emissions by spurring action among commercial and industrial companies. The partnership should achieve significant absolute GHG emissions reductions consistent with the mitigation of climate change and Administration policy. Climate Leaders needs to stimulate corporate-wide programs, policies, investments and new business approaches that yield significant absolute emissions reductions and demonstrate to the broader business community the possibilities of decoupling business and emissions growth.

Aspects of program continuity

Many basic features of Climate Leaders are expected to remain in place. The program will continue to be based on partnerships between EPA and industry leaders to reduce corporate-wide GHG emissions. Partners will continue to develop inventory management plans, maintain emissions inventories, annually report emissions to EPA, set emissions reduction goals, and strive to achieve those goals. EPA will continue to provide technical guidance and assistance, conferences and other forums for peer-to-peer sharing and learning, and public recognition for the achievement of important milestones.

Draft recommendations

1. Require absolute goals

What this recommendation means: Starting in 2010, when a Partner submits a goal proposal to EPA for approval, the goal must be stated in absolute terms. This applies to existing as well as new Partners. A Partner may set an additional intensity goal in parallel to—but not as a substitute for—an absolute goal. All intensity goals currently approved under the program may remain in place until completion. As Partners achieve those intensity goals or the goal periods expire, subsequent goals set by those Partners should be absolute goals. EPA will update its guidance on goal setting. Evaluation of goal proposals will take into consideration Partners' production efficiencies and differences among sectors.

Why EPA is proposing this: A broadly held view within scientific, policy and business communities is that significant absolute emissions reductions are required across the U.S. economy. Absolute goals by Climate Leaders Partners are consistent with this view and demonstrate leadership. Absolute goals are also easier to communicate and therefore improve the transparency of the program. Absolute goals have some disadvantages relative to intensity goals, but EPA believes that these can be managed and are outweighed by the advantages.

2. Require both near-term and longer-term goals to be set on a simultaneous, rolling basis

What this recommendation means: Partners typically set GHG reduction goals with goal periods that extend roughly 5 or 10 years into the future. EPA believes that effective GHG emissions management



should include both near-term and longer term goal periods at roughly 5 year intervals.

Why EPA is proposing this: Climate change is a long-term challenge that requires near-term, sustained action. Partners that have 5-year goal periods but no vision of the longer-term trajectory of emissions run the risk of achieving the goal without sufficient planning or preparation to continue making progress. Conversely, Partners that set longer-term goals run the risk of losing focus in the near term and allowing several years to pass without progress toward the goal, thus making goal achievement significantly more difficult. EPA believes the program should stimulate corporate GHG management practices that result in both near-term emissions reductions as well as effective long-term planning.

3. The program's resources should shift from emissions reporting to emissions performance

What this recommendation means: To date, the Climate Leaders agenda and technical resources have been largely devoted to developing and reporting emissions inventories as well as setting goals. In the future, the program should focus more on how to achieve goals. For example, the program could do the following: assist Partners with identifying and evaluating low-cost emissions reduction options; develop guidance and tools related to best practice for goal achievement; help Partners to identify and understand emerging low-carbon technologies; put more effort into helping Partners navigate EPA resources that can be used to reduce emissions; and develop a mentoring program that connects experienced Partners with other Partners coming up the learning curve.

Why EPA is proposing this: When Climate Leaders was launched in 2002, a significant need among industry was standardized practices for emissions inventories and reporting, and Climate Leaders responded to that need. At present, most Partners have goals in place and their primary challenge is to achieve those goals. The program needs to maintain its work on emissions reporting but shift emphasis and resources to meet Partners' needs related to reducing emissions and goal achievement.

4. Develop special classes of EPA recognition

What this recommendation means: Currently, EPA provides recognition to Partners when they set goals and achieve goals. Recognition is typically provided through public service announcements, press releases, events such as the annual Partners meeting, and general recognition through the EPA web site. Partners are also allowed and encouraged to use the Climate Leaders mark according to EPA's guidance. In the future, EPA believes that the recognition aspect of the program can be strengthened through a limited set of special classes of recognition, including one or more of the following: high efficiency / low-carbon intensity of production; significant absolute emissions reductions; supply chain initiatives that credibly reduce emissions; and/or long-term achievement of multiple, successive goals.

Why EPA is proposing this: As Partners' GHG emissions management programs mature, their achievements take on different characteristics that demonstrate leadership and should be recognized accordingly. Also, different companies and sectors face different challenges that ought to be taken into consideration when EPA provides recognition. Lastly, the proposed shift to absolute goals has the potential to be a disadvantage to highly-efficient companies that have been early movers in reducing emissions, and the program ought to recognize companies that achieve extraordinary efficiencies.

5. Make the annual emissions reports public

What this recommendation means: The Partners' Annual GHG Inventory Summary and Goal Tracking Forms covering the goal period will be posted on the program's web site as they are received. The data in



these forms is aggregated at the corporate level and does not include facility-level information. This would take effect in 2010 covering the 2009 calendar year reporting cycle.

Why EPA is proposing this: Publishing the annual emissions reports will improve the transparency of the program and help the program to remain consistent with and complementary to the Mandatory Reporting Rule recently issued by EPA. Also, public reporting of emissions is a sign of leadership, and most Partners annually publish their corporate-wide GHG emissions data on their web sites and in annual reports.

6. Expand work on scope 3 emissions

What this recommendation means: EPA currently encourages Partners to include scope 3 emissions, for example, emissions from business travel, in their inventories and goals. EPA has also developed calculation guidance on some of these types of emissions. In the future, EPA should develop additional guidance and provide additional technical assistance on scope 3 emissions. For example, EPA could develop guidance and identify best practices for engaging Tier 1 suppliers on emissions data.

Why EPA is proposing this: Many Partners in Climate Leaders have GHG emissions management programs that are mature. As Partners gain experience and skill with managing scope 1 and 2 emissions, their interests tend to expand to include some classes of scope 3 emissions, which is an additional sign of leadership. The program should respond to this trend and support Partners in accounting for and reducing scope 3 emissions.

7. Broaden the program's impact through better marketing

What this recommendation means: EPA and its Partners should develop and implement a strategy that will increase the visibility of the program, explain the results that it achieves, disseminate its findings broadly, and maximize its impact in the marketplace by spurring broad industry action. Also, EPA should leverage intermediaries such as professional services providers to help mainstream the technical resources and tools developed under the program.

Why EPA is proposing this: Apart from the individual recognition that EPA provides to its Partners, the Climate Leaders program requires visibility in order to enhance the value of Partner recognition, attract and retain the best Partners, and have the greatest impact in the marketplace. The program does not exist solely for the benefit of its Partners but rather to affect industry action broadly.

IV. Should Climate Leaders require third-party verification of emissions reports?

EPA requests comments on whether the program should require third-party verification of annual GHG emissions reports that are submitted to EPA by the Partners. This would augment existing quality-control processes used by the program and the Partners themselves and bring added credibility to the program.

Climate Leaders currently uses a quality-control process that begins with the development of GHG emissions inventory management plans. Each Partner is required to develop a written plan describing its system to develop and manage its inventory from year to year. The finalization of these plans usually entails a site visit by EPA to a Partner's facility. Each Partner is required to submit an Annual GHG Inventory Summary and Goal Tracking Form and underlying emissions data to EPA for review. Third-party verification is not currently a requirement.



V. Feedback instructions and next steps

Using the separate feedback form provided in the e-mail announcement, please send comments electronically to EPA. The feedback form is also available on the Climate Leaders website: www.epa.gov/climateleaders.

Deadline for comments: 9:00 pm EST, Monday, November 9, 2009

E-mail address: aulisi.andrew@epa.gov
Andrew Aulisi, Director, Climate Leaders Program

EPA is organizing a webinar for the Partners on Tuesday, November 3, 2009 from 2:00-3:30 pm EST to discuss the draft recommendations and answer questions. To register for the webinar at no cost, go to www.epa.gov/climateleaders/events. EPA may organize additional webinars and meetings as needed for the Partners and other stakeholders to discuss the draft recommendations.

Written feedback that is submitted to EPA may be shared publicly.

Following the comment period, EPA will review and synthesize the feedback, make adjustments, and announce final program changes. EPA is targeting a deadline of November 24, 2009 to announce final program changes. The changes will be presented and discussed at the Climate Leaders Partners Meeting, December 1-3, 2009.