



Proposed Approach to Provide Assistance to Small Businesses on GHG Emissions Management

Introduction

In 2008, EPA's Climate Leaders Program developed tools and resources to help smaller companies measure and reduce their greenhouse gas (GHG) emissions. At the same time, Climate Leaders began including "low emitters"—companies that emit less than 10,000 metric tonnes of carbon dioxide equivalents (MTCO₂e) on an annual corporate-wide basis—into the program. Since then, approximately 70 low emitters have joined Climate Leaders.

Due to the current and expected growing number of small businesses that are interested in joining the program, EPA has determined that a new way of engaging them would enable the program to continue to deliver quality GHG management tools, technical assistance and public recognition within existing resources. This paper outlines a new approach to engaging small businesses.

EPA is seeking feedback from partners and others, in particular from small businesses to ensure that the proposed new approach meets their needs most effectively and from large companies to determine how this model can best assist their small suppliers in reducing their emissions. Using the feedback form appended to this document, please send any comments to Verena Radulovic at Radulovic.Verena@epa.gov by 9:00 pm EDT, Friday, October 16, 2009. This document will also be available on the Climate Leaders website at www.epa.gov/climateleaders until October 16, 2009. Proposed changes to the Program's engagement with small businesses would take effect on January 1, 2010.

Proposed Approach to Support Small Businesses

EPA proposes a three-pronged approach for effective delivery of tools, resources and recognition to support small businesses in their efforts to reduce GHG emissions. This approach seeks to establish a programmatic structure that can sustain high growth in participation. The three elements to the proposed approach are as follows:

1. Develop a distinct category for small businesses

EPA would use the following criteria to define a small business:

- A. A company that uses less than 15 million Kwh of purchased electricity per year **or** uses less than 1,000,000 gallons of gasoline or diesel fuel in its mobile fleets per year **or** uses less than 2 million Therms (200,000 MMBtu) of natural gas per year.
 - o *Example: Company A uses 10 million Kwh of purchased electricity in one year. Company A would be defined as a small business.*



- *Example: Company B uses 14 million Kwh of purchased electricity and 500,000 gallons of gasoline in one year. Company B would be defined as a small business because both its purchased electricity and gallons of fuel used fall, individually, under their denoted thresholds.*

- B. However, if a company uses less than 15 million Kwh per year, less than 1,000,000 gallons of fuel per year, or less than 2 million Therms of natural gas per year, but does not consider itself to be a small business, it may request Climate Leaders to apply a revenue threshold instead. Companies with more than \$35 million in annual revenue would not be considered small businesses.

Using a threshold based on electricity, fuel or natural gas usage or revenue to define small businesses, rather than using an inventory-based emissions threshold, would eliminate the need for companies to conduct a GHG inventory to determine their eligibility to join the program. Tools and assistance would also be tailored to address the specific needs of small businesses, rather than general issues faced by low emitters. While large and small companies may encounter similar challenges and opportunities (e.g., lease arrangements, purchasing Renewable Energy Certificates or “RECs”), others may differ significantly.

DETERMINING THE SMALL BUSINESS THRESHOLDS

A representative sampling of low emitters that joined Climate Leaders demonstrates that companies that purchase less than 15 million Kwh of electricity per year, use less than 1,000,000 gallons of gasoline or diesel, or combust less 2 million Therms of natural gas usually have fewer than 500 employees or less than \$35.5 million in annual revenue, correlating with the average SBA definition for small businesses. Fifteen million Kwh multiplied by the most recent national eGrid average (1329.35 lbs. CO₂/Mwh) yields approximately 10,000 MTCO₂e, the threshold currently used for low emitters; 1,000,000 gallons of gasoline or diesel for heavy duty transportation or 2 million Therms of natural gas each yields approximately 10,000 MTCO₂e. In cases where a company uses Kwh, gallons of fuel, and Therms that, in aggregate, exceed 10,000 MTCO₂e --and where the company’s annual revenue is below \$35 million-- EPA will assess the suitability of defining the company as a small business for purposes of Climate Leaders.

The Small Business Administration’s *Small Business Size Standards*, updated in August 2008 (http://www.sba.gov/idc/groups/public/documents/sba_homepage/guide_to_size_standards.pdf), provides different classification measures for different sectors. The highest annual receipts size standard in any service industry is \$35.5 million. For all other industries, the highest annual receipts size for small businesses is under \$30 million. For summary information, see also <http://www.sba.gov/contractingopportunities/officials/size/summaryofssi/index.html>

SBA measures the manufacturing sector by employee count only, where the small business denotation varies between 100 and 1500 employees, depending on the manufacturing subsector. Employee count is not a good measure for EPA to use for Climate Leaders when defining small businesses in the manufacturing sector because some manufacturers with few employees may have operations with significant process emissions.



2. Develop a distinct “Small Business Network” within Climate Leaders

Small businesses will be part of a newly-created Climate Leaders Small Business Network, which is distinct from the regular membership of the program. The Network would provide its members with the following support:

- Network members would have access to **online technical assistance**, where they could submit questions and receive answers through an online format. As EPA receives common inquiries, Climate Leaders can develop tailored webinars and trainings to address similar inquiries from many Network members.
- Companies would receive technical assistance through targeted **webinars**, open only to Network members. Approximately every six weeks, members would have access to technical trainings on how to conduct GHG inventories using Climate Leaders Low Emitters tools and/or discuss best practices among small businesses on key GHG reduction opportunities (such as purchasing green power, improving employee travel, and working with property managers to reduce emissions where companies are under triple net leases).
- Companies would have easy access to a **more expansive Small Business page on the Climate Leaders web site** with new sections for FAQs, best practices and case studies, references to other EPA resources, and information specific to Network members, such as a calendar for webinars and other networking opportunities.
- Companies could use a new Climate Leaders Small Business Network **mark**, or logo, on their website, corporate annual report, print media or other communications efforts; members of the Small Business Network would identify themselves as such and not as Climate Leaders Partners.

To join the Climate Leaders Small Business Network as a member, a company would:

- Commit to develop a corporate-wide GHG inventory;
- Commit to set and achieve a goal to reduce their emissions; and
- Commit to promote the Climate Leaders Small Business Network and the program’s tools and resources to build awareness across industries.

Network members would not be required to report their inventories to EPA, though they would be encouraged to publicly report their emissions.

EPA would provide a small business with public recognition and an award if it met the following three conditions:

1. Sets and achieves a carbon-neutral goal, sustained over a three-year timeframe. Companies would need to achieve the first year of carbon neutrality within two years of developing a base year inventory.
2. Submits to EPA for review a corporate-wide inventory for the base year and each of the three years of carbon neutrality signed by a senior executive of the



company attesting to the accuracy of the inventory. Companies must also agree to publicly disclose their emissions at the aggregated, corporate level.

3. Demonstrates reductions through initiatives that reduce energy or fuel consumption, such as energy efficiency or on-site renewable energy projects, employee behavior change, combined heat and power retrofits, or other initiatives *in addition* to purchasing offsets and renewable energy certificates (RECs) to achieve carbon neutrality.

3. Leverage intermediary organizations to disseminate Climate Leaders GHG management tools and technical assistance to small companies.

EPA can also support small businesses by working through organizations that have ongoing communication and credibility with the small business community. Leveraging relationships with such intermediaries also creates more champions and visibility for Climate Leaders as other organizations promote the program's Small Business Network to their members. Specifically,

- EPA would work with existing partners to encourage their small business suppliers to measure and reduce their GHG emissions. Small suppliers would be encouraged to join the Climate Leaders Small Business Network and work towards achieving recognition for reducing their emissions. EPA would also work with its utility partners to identify high rate payers that are small businesses and encourage them to join the Climate Leaders Small Business Network for ongoing technical assistance and networking opportunities.
- EPA would work with organizations that deploy technical assistance to small manufacturers, such as the Department of Commerce's Manufacturing Extension Partnership, to disseminate tools and trainings on GHG measurement.
- EPA would work with trade associations for different industries to disseminate Climate Leaders tools for low emitters and encourage their small business members to join the Small Business Network.

Going Forward: FAQs

What if my company is already a partner and it is a small business?

All companies that are currently partners and who meet the small business criteria outlined in the proposed approach would automatically become members of the Small Business Network.

What happens if my company is a small business and we already set a goal with Climate Leaders? What if we already submitted a goal but haven't yet received EPA approval?



EPA will accept all previously approved goals from small businesses for public recognition. EPA will also review and consider goals from small businesses that have already been submitted to EPA prior to September 25, 2009. These small businesses have the option to commit to the carbon neutral goal instead, but are not required to do so. Going forward, all small business members would be required to adopt the carbon neutral goal, and its requirements, for public recognition and an award from EPA.

When will these changes take effect?

EPA anticipates implementing the new changes on January 1, 2010, taking into account feedback received.



Appendix

Feedback Form

Feedback is due by 9:00pm EDT, Friday, October 16, 2009.

Please email all feedback forms to Verena Radulovic at Radulovic.Verena@epa.gov

Company:

Primary Contact Name:

Title:

Telephone:

Email:

Feedback on Climate Leaders' Proposed New Approach to Engage Small Businesses: