

Verdeo

A Sindicatum Sustainable Resources Company

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Ms. Tornek,

As members of the Coal Mine Methane (CMM) working group and based on our extensive experience using Reserve protocols, we are pleased to provide comments on the Reserve's Draft Coal Mine Methane Project Protocol Version 2.0 ("Version 2.0").

Verdeo has established itself as a leader in working with coal mines on GHG emissions reduction projects. Verdeo has acted as project developer for half of the CMM emission reduction projects listed with the Reserve. In addition, our customers are responsible for more than 70% of the GHG emissions which are eligible for project development under the Reserve's current CMM Protocol.

We commend the Reserve for its ongoing efforts to strengthen both the usability and the environmental integrity of its protocols. In our view, most of the changes proposed in Version 2.0 will meet those objectives. In particular, we support the many changes made to the monitoring requirements.

However, we have serious concerns about the impact the additional regulatory scope requirements will have on the eligibility and feasibility of future projects under Version 2.0. We would ask the Reserve to consider removing those additional requirements, for the reasons detailed below.

Monitoring Requirement Updates and Clarifications

We approve of the changes to the monitoring requirements that have been presented in Version 2.0 and appreciate that the Reserve has demonstrated a willingness to work with project developers and other stakeholders to identify valuable improvements.

We would note that in late 2011, the Reserve requested feedback from project developers on clarifications to the existing Version 1.0 of the CMM protocol. Verdeo Sindicatum provided our detailed proposal for suggested changes in a letter to the Reserve dated Dec 1, 2011. We are grateful that many of these changes have been made in Version 2.0 of the protocol. However, as we suggested previously, we believe that many of these changes should also be released in an Errata and Clarifications announcement applicable to projects listed under Version 1.0.

Specifically, we would like to see the following in an Errata and Clarifications announcement:

- Changing NMHC threshold requirement from a volume requirement to a mass requirement (35,000 mg/m³);
- Expand eligibility of labs for NMHC testing to include non-ISO 17025 certified labs;
- Guidance to allow for a single meter to monitor multiple destruction devices; and
- Updated QA/QC requirements, including the removal of requirements for quarterly inspections and for equipment calibration every 5 years.

Making these changes in an Errata and Clarifications announcement would be very useful to project developers and would keep project verification costs down while improving project integrity, and should be applicable to all Reserve CMM projects

Expansion of the Regulatory Compliance Scope

We appreciate that the Reserve is taking measures to strengthen the robustness of its program and are supportive of the Reserve's commitment to environmental integrity.

However, in our view, the proposed scope expansion will likely lead to results which are contrary to the Reserve's mission and objectives, specifically a material reduction in the use of the Protocol and a corresponding decline in the development of projects which reduce GHG emissions.

1. Scope expansion will be a strong deterrent to project development

- Project developers will be hard-pressed to attest to compliance for the entire mine, as mine operations are completely beyond their control and many applicable regulations are beyond their sphere of expertise. Even if a developer wanted to attempt to make such an attestation, it would require a significant increase in resources and time to evaluate the mine's performance against the myriad safety, air, water, land use, noise, and other regulations to which a give mine is subject, particularly as all such information is not publicly-available.
- Project financing will become significantly more difficult to obtain. It will be very challenging to price the risk that future emission reductions from a project would not be eligible for verification or issuance due to non-project related regulatory compliance reasons.
- To make a determination on what would constitute negligence or intent, verifiers would need a very detailed understanding of the intricacies of mining regulations and enforcement and possibly personal knowledge of the mine's management. Even

verifiers with experience in the mining sector may feel uncomfortable making such a determination and may at a minimum have to bring on external consultants.

2. The proposed scope expansion will not cause an improvement in environmental outcomes

Mines are already heavily regulated and have strong incentives to achieve compliance. CMM projects are discretionary and will always be secondary to mining operations. Outside of the project boundary, neither the project developer, nor the verifier, nor CAR has the ability to direct the mine's operations. As a result, the scope expansion will not impact the mine's compliance activities, nor result in any incremental improvement in environmental performance.

In fact, there may be unintended, harmful consequences. The EPA and others have noted that projects such as VAM, flaring or other beneficial use projects are likely to "improve mine safety" and "yield substantial environmental benefits"¹. If the compliance scope expansion results in fewer CMM projects occurring, the net result will be a negative impact on mine industry environmental performance.

3. Expanding the compliance scope may expose the Reserve and listed projects to greater risk, not less

The scope expansion requires project developers, verifiers, and the Reserve to make representations about a mine's overall environmental and safety performance. This subjects the Reserve in particular to much greater scrutiny if an incident of non-compliance does occur at a mine. The Reserve may well be asked to explain the failure of its internal systems and processes to uncover the problem that led to the incident.

The reputation and integrity of the Reserve and Reserve projects will be better protected if the Reserve continues to confine the project boundary to greenhouse gas mitigation and not to mining operations, which are the jurisdiction of several existing federal and state regulatory bodies.

Recommendation

We believe the regulatory compliance requirement should be restricted to the project boundary. Due to the complexity and potential consequences associated with expanding the regulatory scope to include the entire mine, we feel that the proposed language in Version 2.0 is unworkable and will not "promote the reduction of GHG emissions", per the Reserve's mission.

In our experience interacting with the Reserve on the CMM Protocol, the CMM Working Group has been an excellent forum for bringing together key stakeholders to address issues

¹ U.S. EPA, *U.S. Government's Global Methane Initiative Accomplishments*, Oct. 2011.

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related to protocol development. We expect that the Reserve intends to evaluate all its options related to expanding the compliance scope and would encourage the Reserve to convene meetings of the CMM Working Group as part of its ongoing process for finalizing changes to Version 2.0.

Finally, we would note that the Reserve could consider using tools at its disposal to protect the integrity of its projects in the unfortunate situation where an incident of non-compliance occurred at a mine where a Reserve project was operating. Specifically, the Reserve could, at its discretion, choose to suspend or delist projects that are located at mines which experience such an incident.

Overall, we support the Reserve's commitment to the robustness of its Standard in order to ensure the environmental benefits of the program. We look forward to continued engagement with the Reserve on Version 2.0 of the CMM Protocol.

Sincerely,

Kate Faulhaber
Director, Climate Change