



DRAFT Montana Greenhouse Gas Inventory and Reference Case Projections 1990-2020

**Center for Climate Strategies
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Executive Summary

The Center for Climate Strategies (CCS) prepared this report under contract to the Montana Department of Environment Quality (MTDEQ). The report contains an inventory and forecast of the State's greenhouse gas (GHG) emissions from 1990 to 2020.

Montana's anthropogenic GHG emissions and sinks (carbon storage) were estimated for the period from 1990 to 2020. Historical GHG emission estimates (1990 through 2005) were developed using a set of generally accepted principles and guidelines for state GHG emissions estimates (both historical and forecasted), with adjustments by CCS as needed to provide Montana-specific data and inputs as possible. The initial reference case projections (2006-2020) are based on a compilation of various existing projections of electricity generation, fuel use, and other GHG emitting activities, along with a set of transparent assumptions.

Table 1 provides a summary of Montana historical (1990 and 2005) and reference case projection (2010 and 2020) GHG emissions. Montana's net GHG emissions are negative – in other words, the GHG emissions removed from the atmosphere due to forestry and other land uses are greater than the GHG emissions generated in the State from fossil fuel combustion and other activities. Activities in Montana accounted for approximately 37 million metric tons (MMt) of *gross*¹ carbon dioxide equivalent (CO₂e) emissions in 2005, an amount equal to 0.6% of total U.S. gross GHG emissions. Montana's gross GHG emissions are rising at about the same rate as the nation as a whole (gross emissions exclude carbon sinks, such as forests). Montana's gross GHG emissions were up 22% from 1990 to 2004, while national emissions rose by 21% during this period.

Figure 1 illustrates the State's emissions per capita and per unit of economic output. On a per capita basis, Montanans emit about 40 metric tons (Mt) of CO₂e, which is about twice the national average of 25 MtCO₂e. Like the nation as a whole, per capita emissions have remained fairly flat, while economic growth exceeded emissions growth throughout the 1990-2004 period. During the 1990s, emissions per unit of gross product dropped by 29% nationally, and by 18% in Montana.

The principal sources of Montana's GHG emissions are electricity use (excluding electricity exports) and agriculture, each accounting for about 27% of Montana's gross GHG emissions. The next largest contributor to emissions is the transportation sector.

As illustrated in Figure 2 and shown numerically in Table 1, under the reference case projections, Montana's gross GHG emissions continue to grow, projected to climb to 45 MMtCO₂e by 2020, 43% above 1990 levels. As shown in Figure 3, transportation is projected to be the largest contributor to future emissions growth, followed by emissions associated with electricity use in the State.

¹ Excluding GHG emissions removed due to forestry and other land uses and excluding GHG emissions associated with exported electricity.

Some data gaps exist in this analysis, particularly for the reference case projections. Key tasks include developing a better understanding of the electricity generation sources currently used to meet Montana loads (in collaboration with State utilities), and review and revision of key emissions drivers (such as electricity and transportation fuel use growth rates) that will be major determinants of Montana's future GHG emissions. We welcome suggestions from the Montana advisory group members on this preliminary analysis and report.

Emissions of aerosols, particularly "black carbon" from fossil fuel combustion, could have significant climate impacts through their effects on radiative forcing. No estimates of these aerosol emissions have been developed for Montana as of yet. By including black carbon emission estimates in the inventory, however, additional opportunities for reducing climate impacts could be identified. CCS is currently conducting inventory and forecast work for a number of states in coordination with the Western Governors' Association. Black carbon estimates produced as part of that process will be added to Montana's inventory when they are available.

Table 1. Montana Historical and Reference Case GHG Emissions, by Sector^a

(Million Metric Tons CO ₂ e)	1990	2000	2005	2010	2020	Explanatory Notes for Projections
Electricity Production	9.3	9.9	11.4	11.7	13.4	
Coal	15.3	16.4	19.4	20.2	22.1	See electric sector assumptions in appendix
Natural Gas	0.0	0.0	0.0	0.1	0.3	
Oil	0.0	0.8	0.1	0.1	0.1	
Net Exported Electricity	-6.1	-7.4	-8.2	-8.7	-9.1	
Res/Comm/Non-Fossil Ind (RCI)	4.4	4.4	4.6	5.0	5.2	
Coal	0.5	0.3	0.3	0.3	0.3	Based on USDOE regional projections
Natural Gas	1.9	3.0	2.8	3.0	3.2	Based on USDOE regional projections
Oil	1.9	1.1	1.6	1.7	1.7	Based on USDOE regional projections
Wood (CH ₄ and N ₂ O)	0.0	0.0	0.0	0.0	0.0	Assumes (for now) no change after 2003
Transportation	5.9	7.3	7.9	8.9	11.0	
Motor Gasoline	3.8	4.4	4.6	5.0	6.1	Based on USDOE regional projections
Diesel	1.7	2.5	3.0	3.5	4.3	Based on USDOE regional projections
Natural Gas, LPG, other Jet Fuel and Aviation	0.1	0.1	0.1	0.1	0.1	Based on USDOE regional projections
Gasoline	0.3	0.3	0.3	0.4	0.5	Based on USDOE regional projections
Fossil Fuel Industry	3.4	3.9	4.8	5.5	6.4	
Natural Gas Industry	1.2	1.5	1.9	2.2	2.2	Increase based on current trend to 2010, then constant production
Oil Industry	2.0	2.2	2.8	3.2	4.0	Increase based on current trend to 2010, then constant production
Coal Mining (Methane)	0.2	0.2	0.2	0.2	0.2	Assumes (for now) no change after 2004
Industrial Processes	0.1	0.2	0.3	0.3	0.5	
ODS Substitutes	0.0	0.1	0.1	0.2	0.3	Based on national projections (State Dept.)
SF ₆ from Electric Utilities	0.0	0.0	0.0	0.0	0.0	Based on national projections (USEPA)
Cement & Other Industry Carbon Dioxide Use	0.1	0.1	0.1	0.2	0.2	Increases with state population not yet estimated
Waste Management	0.2	0.3	0.3	0.3	0.3	
Solid Waste Management	0.1	0.2	0.2	0.2	0.2	Projections primarily based on population.
Wastewater Management	0.1	0.1	0.1	0.1	0.1	Projections based on population.
Agriculture	7.9	9.5	7.9	7.9	7.9	
Manure Mgmt & Enteric Ferment.	3.2	3.7	3.6	3.6	3.6	Projections held constant at 2005 levels
Ag. Soils and Residue Burning	4.7	5.8	4.2	4.2	4.2	Projections held constant at 2005 levels
Total Gross Emissions	31.2	35.4	37.2	39.7	44.6	
<i>increase relative to 1990</i>		13%	19%	27%	43%	
Forestry and Land Use	-49.7	-49.7	-49.7	-49.7	-49.7	Historical and projected emissions held at 2004 levels.
Net Emissions (incl. forestry*)	-18.5	-14.3	-12.5	-10.0	-5.1	
<i>increase relative to 1990</i>		-23%	-32%	-46%	-72%	

^a Totals may not equal exact sum of subtotals shown in this table due to independent rounding. NA = not available.

Figure 1. Historical Montana and U.S. GHG Emissions, Per Capita and Per Unit Gross Product

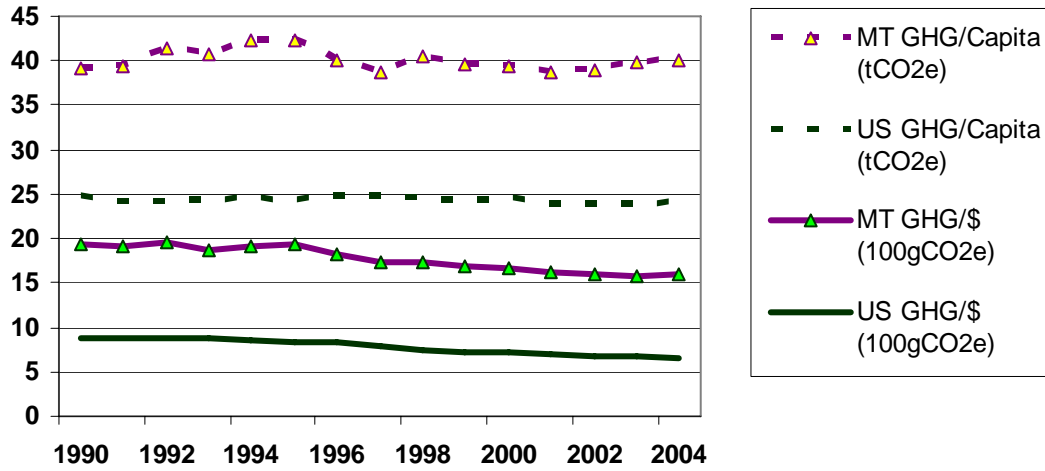


Figure 2. Montana Gross GHG Emissions by Sector, 1990-2020: Historical and Projected

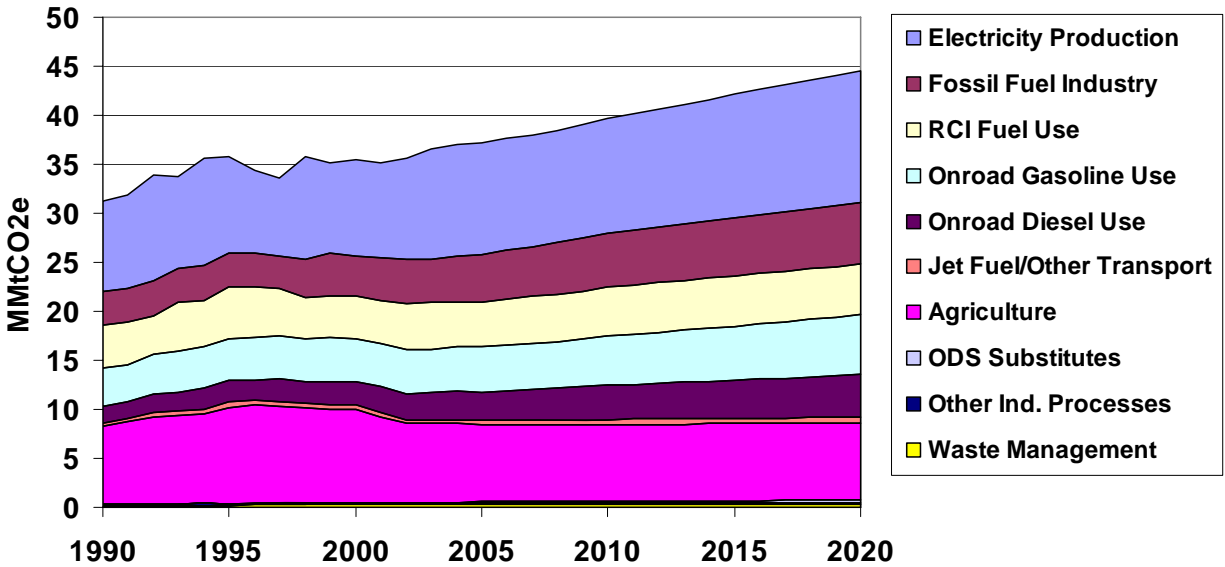


Figure 3. Sector Contributions to Emissions Growth in Montana, 1990-2020: Reference Case Projections

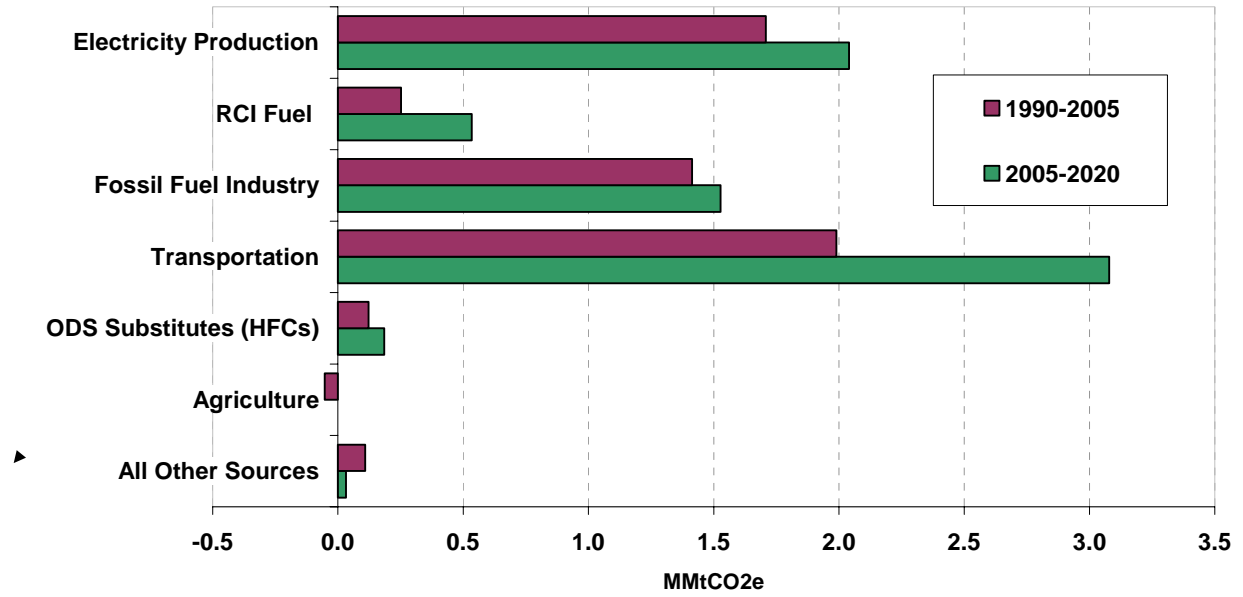


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Acronyms and Key Terms

AEO2006 – EIA’s Annual Energy Outlook 2006
BOC – Bureau of Census
CAIT – Climate Analysis Indicators Tool
CCAC – Climate Change Advisory Committee
CCS – Center for Climate Strategies
CFCs – chlorofluorocarbons
CH₄ – Methane*
CO₂ – Carbon Dioxide*
CO₂e – Carbon Dioxide equivalent*
EIA – U.S. DOE Energy Information Administration
EIIP – Emissions Inventory Improvement Project (US EPA)
GHG – Greenhouse Gases*
GSP – gross state product
GWh – gigawatt-hours
GWP - Global Warming Potential*
HFCs – Hydrofluorocarbons*
HPMS – Highway Performance Monitoring System
IPCC – Intergovernmental Panel on Climate Change*
IPPs – Independent Power Producers
LFGTE – landfill gas collection system and landfill-gas-to-energy
LMOP – Landfill Methane Outreach Program
LNG – Liquefied natural gas
LPG – Liquefied petroleum gas
Mt - Metric ton (equivalent to 1.102 short tons)
MMt – Million Metric tons
MTBE – Methyl Tertiary Butyl Ether
MTDEQ – Montana Department of Environment Quality
N₂O – Nitrous Oxide*
NASS – National Agricultural Statistics Service
ODS – Ozone-Depleting Substances
OPS – United States Office of Pipeline Safety

PFCs – Perfluorocarbons*

RCI – Residential, Commercial, and Industrial

SED – State Energy Data

SF₆ – Sulfur Hexafluoride*

SGIT – State Greenhouse Gas Inventory Tool

Sinks – Removals of carbon from the atmosphere, with the carbon stored in forests, soils, landfills, wood structures, or other biomass-related products.

TWh – terawatt-hours

U.S. EPA – United States Environmental Protection Agency

U.S. DOE – United States Department of Energy

USFS – United States Forest Service

VMT – Vehicle-miles traveled

* - See Appendix I for more information.

Acknowledgements

We appreciate all of the time and assistance provided by numerous contacts throughout Montana, as well as in neighboring states, and at federal agencies. Thanks go to in particular the many staff at several Montana state agencies for their inputs, and in particular to Richard Opper, Jim Boyer, and Lisa Peterson of the Montana Department of Environment Quality who provided key guidance for this analytical effort.

Summary of Preliminary Findings

Introduction

The Center for Climate Strategies prepared this report under contract to the Montana Department of Environmental Quality. This report presents initial estimates of base year and projected Montana anthropogenic greenhouse gas (GHG) emissions and sinks for the period from 1990 to 2020. These estimates are intended to assist the State, the Climate Change Advisory Committee (CCAC), the Science Advisory Panel, and technical work groups (TWGs) with an initial, comprehensive understanding of current and possible future GHG emissions for Montana, and, thereby, to inform the upcoming analysis and design of GHG mitigation strategies.

Historical GHG emissions estimates (1990 through 2005)² were developed using a set of generally accepted principles and guidelines for state GHG emissions inventories, as described in Section 2, relying to the extent possible on Montana-specific data and inputs. The initial reference case projections (2006-2020) are based on a compilation of various existing projections of electricity generation, fuel use, and other GHG-emitting activities, along with a set of simple, transparent assumptions described in the appendices of this report. These estimates should be viewed as preliminary input to the CCAC process and are subject to revisions as better data are identified.

This report covers the six types of gases included in the U.S. Greenhouse Gas Inventory: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). Emissions of these GHGs are presented using a common metric, CO₂ equivalence (CO₂e), which indicates the relative contribution of each gas to global average radiative forcing on a Global Warming Potential- (GWP-) weighted basis. The final appendix to this report provides a more complete discussion of GHGs and GWPs. As stated in the Executive Summary, CCS will add emission estimates for black carbon from an upcoming regional analysis for a group of western states, when they are available. Black carbon is an aerosol species with a positive climate forcing potential (that is, the potential to warm the atmosphere, as GHGs do).

It is important to note that the preliminary emissions estimates reflect the *GHG emissions associated with the electricity sources used to meet Montana's demands*, corresponding to a consumption-based approach to emissions accounting (see Approach Section below). Another way to look at electricity emissions is to consider the *GHG emissions produced by electricity generation facilities in the State*. For many years, Montana power plants have tended to produce considerably more electricity than is consumed in the State – emissions associated with exported electricity are excluded from the consumption-based emissions. This report covers both methods of accounting for emissions, but for consistency, all total results are reported as *consumption-based*.

² The last year of available historical data varies by sector; ranging from 2000 to 2005.

Montana Greenhouse Gas Emissions: Sources and Trends

Table 1 provides a summary of GHG emissions estimated for Montana by sector for the years 1990, 2000, 2005, 2010, and 2020. A key conclusion from the values reported in Table 1 is that Montana's net GHG emissions are negative – in other words, the GHG emissions removed from the atmosphere due to forestry (increases in forest biomass stocks) and other land uses are greater than the GHG emissions generated in the State from fossil fuel combustion and other activities. We note the significant uncertainties associated with the forestry sink estimates. Additional review and refinement of these initial estimates are needed, and we invite comments from the advisory group. Also, CCS is investigating methods to incorporate GHG emissions from wildfires and prescribed burns in order to provide a more comprehensive picture of GHG emissions/sinks from the forestry sector. Details on the methods and data sources used to construct these draft estimates are provided in Appendix H. In the sections below, we discuss GHG emission sources (positive, or *gross*, emissions) and sinks (negative emissions) separately in order to identify trends, projections and uncertainties clearly.

This next section of the report provides a summary of the historical emissions (1990 through 2005) followed by a summary of the forecasted reference case projection year emissions (2006 through 2020), and key uncertainties and next steps. We also provide an overview of the general methodology, principals, and guidelines followed for preparing the inventories. Appendices A through H provide the detailed methods, data sources, and assumptions for each GHG sector.

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(Million Metric Tons CO ₂ e)	1990	2000	2005	2010	2020	Explanatory Notes for Projections
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Coal Mining (Methane)	0.2	0.2	0.2	0.2	0.2	Assumes (for now) no change after 2004
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<i>increase relative to 1990</i>		<i>13%</i>	<i>19%</i>	<i>27%</i>	<i>43%</i>	
Forestry and Land Use	-49.7	-49.7	-49.7	-49.7	-49.7	Historical and projected emissions held at 2004 levels.
Net Emissions (incl. forestry[*])	-18.5	-14.3	-12.5	-10.0	-5.1	

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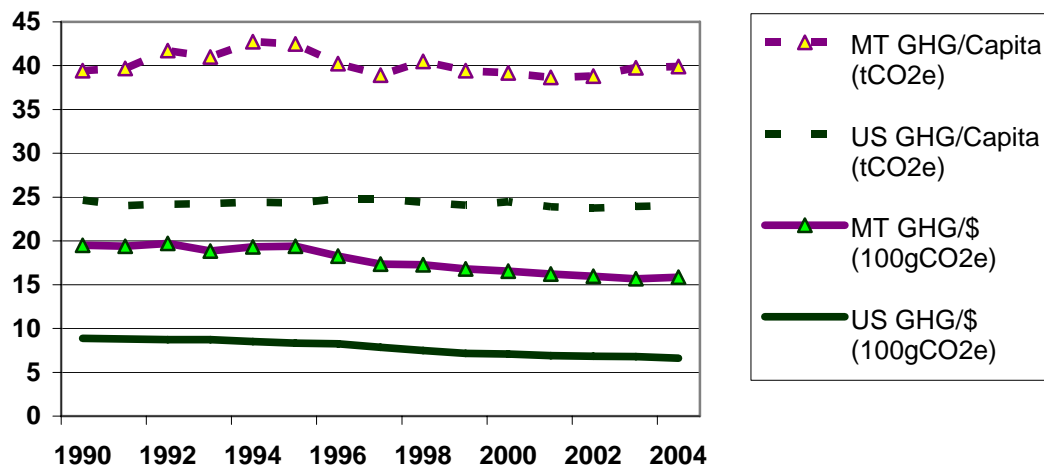
Historical Emissions

Overview

Preliminary analyses suggest that in 2005, activities in Montana accounted for approximately 37 million metric tons (MMt) of carbon dioxide equivalent (CO₂e) emissions, an amount equal to 0.6% of total U.S. GHG emissions.³ Montana's *gross* GHG emissions are rising at about the same rate as the nation as a whole.⁴ Montana's gross GHG emissions were up 18% from 1990 to 2004, while national emissions rose by 21% during this period.

Although Montana's GHG emissions are low on an absolute scale compared to the total national output, on a per capita basis, Montanans emit about 40 metric tons (Mt) of CO₂e, much higher than the national average of 25 MtCO₂e. Figure 1 illustrates the State's emissions per capita and per unit of economic output. It also shows that like the nation as a whole, per capita emissions have remained fairly flat, while economic growth exceeded emissions growth throughout the 1990-2004 period. From 1990 to 2004, emissions per unit of gross product dropped by 25% nationally, and by 18% in Montana.

Figure 1. Montana and US Gross GHG Emissions, Per Capita and Per Unit Gross Product



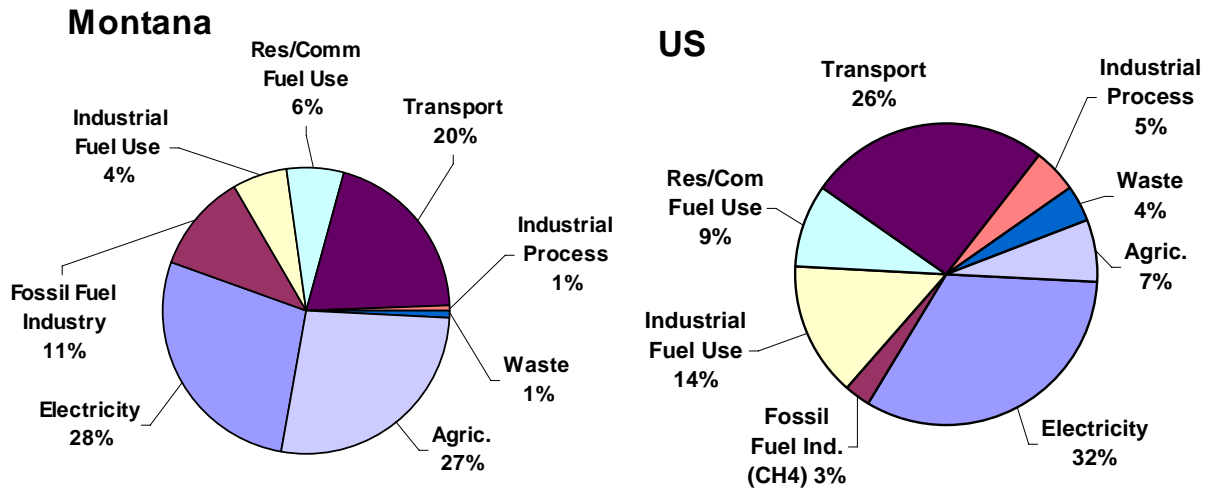
Electricity use, transportation and agriculture are the State's principal GHG emissions sources. Together, the combustion of fossil fuels for electricity generation used in-state and in the transportation sector account for almost 50% of Montana's *gross* GHG emissions, as shown in Figure 2. The relative contribution of agricultural emissions (methane and N₂O emissions from

³ United States emissions estimates are drawn from US EPA 2006. *Inventory of US Greenhouse Gas Emissions and Sinks: 1990-2004*.

⁴ *Gross* emissions estimates only include those sources with positive emissions. Carbon sequestration in soils and vegetation is included in *net* emissions estimates. All emissions reported in this section for Montana reflect consumption-based accounting (excluding emissions from electricity exports). On a national basis, little difference exists between *production-based* and *consumption-based* accounting for GHG emissions because net electricity imports are less than 1% of national electricity generation.

manure management, fertilizer use, and livestock) is much higher in Montana (27%) than in the nation as a whole (7%) This is a result of more agricultural activity per capita in Montana compared to the US.. The remaining use of fossil fuels – natural gas, oil products, and coal -- in the residential, commercial, and industrial (RCI) sectors and the emissions from fossil fuel production constitute another 21% of State emissions.

Figure 2. Gross GHG Emissions by Sector, 2000, Montana and US



Industrial process emissions comprise almost 1% of State GHG emissions in 2000, but these emissions are rising rapidly due to the increasing use of HFC as substitutes for ozone-depleting chlorofluorocarbons.⁵ Other industrial process emissions result from CO₂ released during soda ash, limestone, and dolomite use. Landfills and wastewater management facilities produce CH₄ and N₂O emissions accounting for the remaining 1% of the State's emissions in 2000.

Forestry activities in Montana are estimated to be net sinks for GHG emissions and, with forested lands accounting for about 27% of the State, these emissions exceed GHG emissions produced by other state activities.

A Closer Look at the Two Major Sources: Electricity and Transportation

As shown in Figure 2, electricity use accounted for about 28% of Montana's gross GHG emissions in 2000 (about 10 MMtCO₂e), which is higher than the national share of emissions from electricity production (32%).⁶ In total (across the residential, commercial and industrial sectors), Montana has a higher per capita use of electricity than US as a whole (14,000 kWh per

⁵ Chlorofluorocarbons (CFCs) are also potent GHGs; however they are not included in GHG estimates because of concerns related to implementation of the Montreal Protocol. See final Appendix (Appendix I).

⁶ Unlike for Montana, for the US as a whole, there is relatively little difference between the emissions from electricity use and emissions from electricity production, as the US imports only about 1% of its electricity, and exports far less.

person per year compared to 12,000 kWh nationally). During the 1990s, however, total electricity demand fell at a rate average 0.1% per year, while electricity emissions continued to climb at 1.5% per year due to increasing exports of electricity from Montana to other states.

It is important to note that these preliminary electricity emissions estimates reflect the *GHG emissions associated with the electricity sources used to meet Montana demands*, corresponding to a consumption-based approach to emissions accounting (see Section 2). Another way to look at electricity emissions is to consider the *GHG emissions produced by electricity generation facilities in the State*. For many years, Montana power plants have produced almost twice the electricity that is consumed in the State – in the year 2000, for example, Montana exported 41% of the electricity consumed in the State. As a result, in 2000, emissions associated with electricity consumption (9.8 MMtCO₂e) were much lower than those associated with electricity production (17.2 MMtCO₂e).⁷

While we estimate both the emissions from electricity production and consumption, unless otherwise indicated, tables, figures, and totals in this report reflect electricity consumption emissions. The consumption-based approach can better reflect the emissions (and emissions reductions) associated with activities occurring in the State, particularly with respect to electricity use (and efficiency improvements), and is particularly useful for policy-making. Under this approach, emissions associated with electricity exported to other States would need to be covered in those States' accounts in order to avoid double counting or exclusions. (Indeed, Arizona, California, Oregon, New Mexico, and Washington are currently considering such an approach.)

Like electricity emissions, GHG emissions from transportation fuel use have risen steadily since 1990 at an average rate of slightly over 2% annually. Gasoline-powered vehicles account for about 60% of transportation GHG emissions. Diesel vehicles account for another 34%; air travel for roughly 4%, and the remainder of transportation emissions come from natural gas and liquefied petroleum gas (LPG) vehicles and lubricants. As the result of Montana's expansion and an increase in miles traveled during the 1990s, gasoline use has grown at rate of 1.2% annually. Meanwhile, diesel use has risen 5% annually, suggesting an even more rapid growth in freight movement within the State.

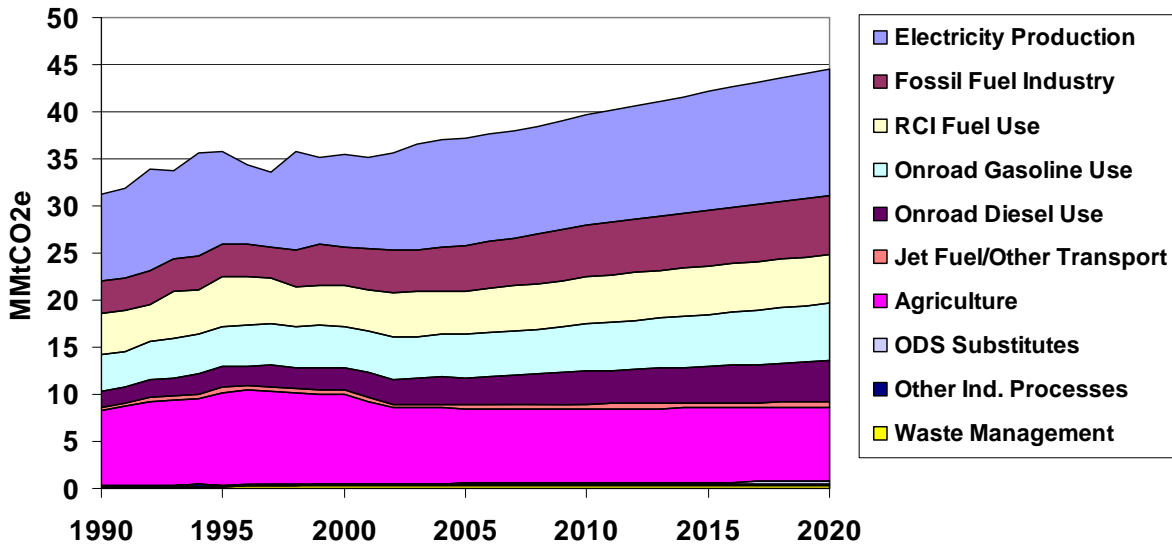
Reference Case Projections

Relying on a variety of sources for projections of electricity and fuel use, as noted below and in the Appendices, we developed a simple reference case projection of GHG emissions through 2020. As illustrated in Figure 3 and shown numerically in Table 1, under the reference case projections, Montana gross GHG emissions continue to grow steadily, climbing to 45 MMtCO₂e by 2020, 43% above 1990 levels. Transportation is projected to be the largest contributor to future emission growth, followed by the electric sector, as shown in Figure 4. Other major

⁷ Estimating the emissions associated with electricity use requires an understanding of the electricity sources (both in-state and out-of-state) used by utilities to meet consumer demand. The current estimate reflects some very simple assumptions described in Appendix A.

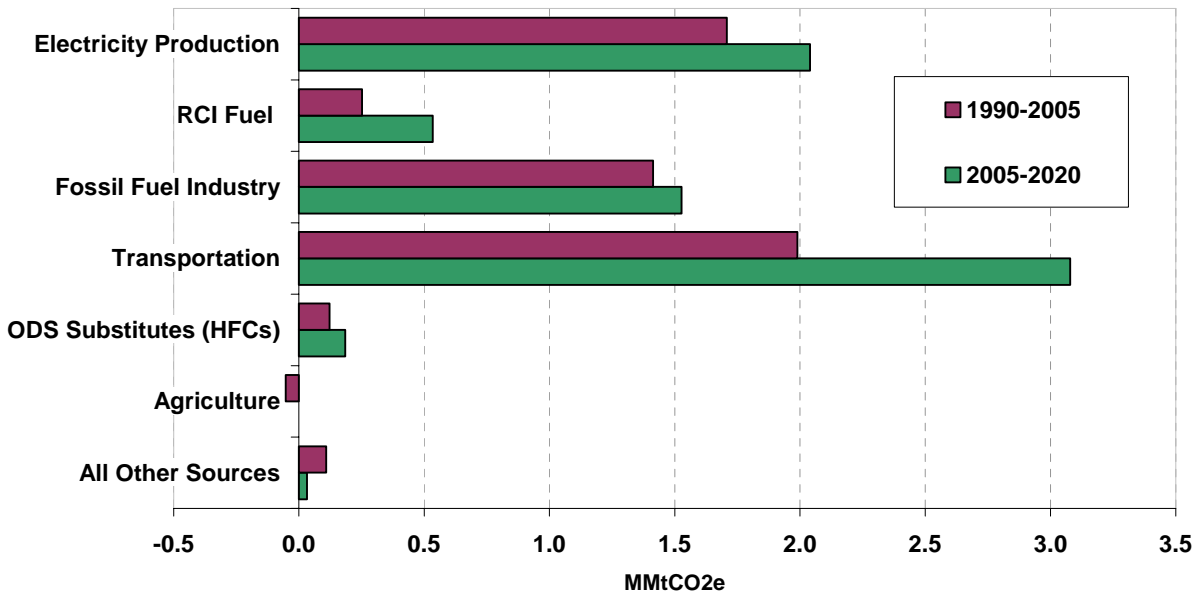
sources of emissions growth include the fossil fuel industry, and fuel use in buildings and non-fossil fuel industry (RCI).

Figure 3. Montana Gross GHG Emissions by Sector, 1990-2020: Historical and Projected



*RCI – direct fuel use in residential, commercial and industrial sectors (excluding the fossil fuel production industry)

Figure 4. Sector Contributions to Emissions Growth in Montana, 1990-2020: Historic and Reference Case Projections



*RCI – direct fuel use in residential, commercial and industrial sectors (excluding the fossil fuel production industry)

Key Uncertainties and Next Steps

Some data gaps exist in this inventory, and particularly in the reference case projections. Key tasks, among others, include developing a better understanding of the electricity generation sources currently used to meet Montana loads (in collaboration with State utilities), and review and revision of key drivers such as the electricity and transportation fuel use growth rates that will be major determinants of Montana’s future GHG emissions (See Table 2). These growth rates are driven by uncertain economic, demographic, and land use trends (including growth patterns and transportation system impacts), all of which deserve closer review and discussion.

Perhaps the variable with the most important implications for GHG emissions is the type and number of power plants built in Montana between now and 2020. The assumptions on VMT and air travel growth also have large impacts on the GHG emission growth in the State. Finally uncertainty remains on estimates for historic GHG sinks from forestry, and projections for these emissions will greatly impact the net GHG emissions attributed to Montana.

Table 3. Key Annual Growth Rates for Montana, Historical and Projected

	1990-2005	2005-2020	Sources
Population	1.0%	0.6%	U.S. Bureau of Census
Employment			Montana Department of Labor website, based on analysis by the US Bureau of labor and Statistics
Goods	2.5%	0.9%	
Services	2.3%	1.7%	
Electricity Sales	0.0%	1.6%	EIA data for 1990-2004 (0% growth is mix of increased residential and commercial electricity sales countered by large decrease in industrial sales), EIA AEO2006 for projections (all sectors projected to have increased sales)
Vehicle Miles Traveled	1.7%	3%	Federal Highway Administration, Highway Statistic; WRAP projections

* Population and employment projections for Montana were used together with US DOE’s Annual Energy Outlook 2006 projections of changes in fuel use on a per capita and per employee, as relevant for each sector. For instance, growth in Montana’s residential natural gas use is calculated as the Montana population growth times the change in per capita natural gas use for the Mountain region. Montana population growth is also used as the driver of growth in cement production, soda ash consumption, dolomite and limestone use.

Emissions of aerosols, particularly black carbon from fossil fuel combustion, could have significant impacts in terms of radiative forcing (i.e., climate impacts). Methodologies for conversion of black carbon mass estimates and projections to global warming potential involve significant uncertainty at present, but CCS has developed and used a recommended approach for estimating black carbon emissions based on methods used in other States. At this time, no estimates have been developed for Montana. We plan to incorporate data from an ongoing regional assessment of black carbon emissions that CCS is conducting in coordination with the

Western Governors' Association. By including black carbon emission estimates in the inventory, additional opportunities for reducing climate impacts can be identified.

Approach

The principal goal of the inventories and reference case projections is to provide the State, CCAG, and TWGs with a general understanding of Montana's historical, current, and projected (expected) GHG emissions. The following explains the general methodology and the general principals and guidelines followed during development of these GHG inventories for Montana.

General Methodology

We prepared this analysis in close consultation with Montana agencies, in particular, the MTDEQ staff. The overall goal of this effort is to provide simple and straightforward estimates, with an emphasis on robustness, consistency and transparency. As a result, we rely on reference forecasts from best available state and regional sources where possible. Where this is lacking, we use straightforward spreadsheet analysis and constant extrapolations of historical trends rather than complex modeling.

In most cases, we follow the same approach to emissions accounting for historical inventories used by the US EPA in its national GHG emissions inventory⁸ and its guidelines for States.⁹ These inventory guidelines were developed based on the guidelines from the Intergovernmental Panel on Climate Change, the international organization responsible for developing coordinated methods for national GHG inventories.¹⁰ The inventory methods provide flexibility to account for local conditions. The key sources of activity and projection data are shown in Table 4. Table 4 also provides the descriptions of the data provided by each source and the uses of each data set in this analysis.

The electricity sector is one area in which we expand the US EPA inventory approach by evaluating consumption-based and production-based emissions, as described above. We encourage CCAG members to closely consider the question of whether and how to count for GHG emissions from exported electricity in setting and tracking emissions. CCAG members may also want to consider strategies that work together with neighboring States to reduce overall GHG emissions. Several other accounting questions also need to be resolved, such as the treatment of transportation fuels used out-of-state and for international travel.

General Principles and Guidelines

A key part of this effort involves the establishment and use of a set of generally accepted accounting principles for evaluation of historical and projected GHG emissions, as follows:

⁸ US EPA, Feb 2005. *Draft Inventory of US Greenhouse Gas Emissions and Sinks: 1990-2003*.
<http://yosemite.epa.gov/oar/globalwarming.nsf/content/ResourceCenterPublicationsGHGEmissionsUSEmissionsInventory2005.html>.

⁹ <http://yosemite.epa.gov/oar/globalwarming.nsf/content/EmissionsStateInventoryGuidance.html>.

¹⁰ <http://www.ipcc-nggip.iges.or.jp/public/gl/invs1.htm>.

Table 4. Key Sources for Montana Data, Inventory Methods, and Growth Rates

Source	Information provided	Use of Information in this Analysis
US EPA State Greenhouse Gas Inventory Tool (SGIT)	US EPA SGIT is a collection of linked spreadsheets designed to help users develop State GHG inventories. US EPA SGIT contains default data for each State for most of the information required for an inventory. The SGIT methods are based on the methods provided in the Volume 8 document series published by the Emissions Inventory Improvement Program (http://www.epa.gov/ttn/chief/eiip/techreport/volume08/index.html)	Where not indicated otherwise, SGIT is used to calculate emissions from residential/commercial/industrial fuel combustion, industrial processes, agriculture and forestry, and waste. We use SGIT emission factors (CO ₂ , CH ₄ and N ₂ O per BTU consumed) to calculate energy use emissions.
US DOE Energy Information Administration (EIA) State Energy Data (SED)	EIA SED source provides energy use data in each State, annually to 2001.	EIA SED is the source for most energy use data. We also use the more recent data for electricity and natural gas consumption (including natural gas for vehicle fuel) from EIA website for years after 2001. Emission factors from US EPA SGIT are used to calculate energy-related emissions.
US DOE Energy Information Administration Annual Energy Outlook 2006 (AEO2006)	EIA AEO2006 projects energy supply and demand for the US from 2005 to 2030. Energy consumption is estimated on a regional basis. Montana is included in the Mountain Census region (AZ, CO, ID, MT, NM, NV, UT, and WY)	EIA AEO2006 is used to project changes in per capita (residential), per employee (commercial/industrial).
American Gas Association - Gas Facts	Natural gas transmission and distribution pipeline mileage.	Pipeline mileage from Gas Facts used with SGIT to estimate natural gas transmission and distribution emissions.
US EPA Landfill Methane Outreach Program (LMOP)	LMOP provides landfill waste-in-place data.	Waste-in-place data used to estimate annual disposal rate, which was used with SGIT to estimate emissions from solid waste. Additional data from MTDEQ staff will be incorporated, when received.
US Forest Service	Data on forest carbon stocks for multiple years.	Data are used to calculate carbon dioxide flux over time (terrestrial CO ₂ sequestration in forested areas)
USDS National Agricultural Statistics Service (NASS)	USDA NASS provides data on crops and livestock.	Crop production data used to estimate ag. residue and ag. soils emissions; livestock population data used to estimate manure and enteric fermentation emissions

- **Transparency:** We report data sources, methods, and key assumptions to provide open review and opportunities for additional revisions later based on stakeholder and technical work group input.
- **Consistency:** To the extent possible, the inventory and projections are designed to be externally consistent with current or likely future systems for State and national GHG emission reporting. We have used US EPA tools for State inventories and projections as a starting point. These initial estimates were then augmented to conform to local data and conditions, as informed by Montana-specific sources and experts.
- **Comprehensive Coverage of Gases, Sectors, State Activities, and Time Periods.** This analysis aims to comprehensively cover GHG emissions associated with activities in Montana. It covers all six GHGs covered by US and other national inventories: CO₂, CH₄, N₂O, SF₆, HFCs, and PFCs. Presently this report does not cover black carbon emissions.
- **Priority of Significant Emissions Sources:** In general, activities with relatively small emissions levels may not be reported with the same level of detail as other activities.
- **Priority of Existing State and Local Data Sources:** In gathering data and in cases where data sources conflicted, we placed highest priority on local and state data and analyses, followed by regional sources, with national data used as defaults where necessary or simplified assumptions such as constant extrapolation of trends.
- **Use of Consumption-Based Emissions Estimates:** To the extent possible, we estimated emissions that are caused by activities that occur in Montana. For example, we reported emissions associated with the electricity consumed in Montana. The rationale for this method of reporting is that it can more accurately reflect the impact of State based policy strategies such as energy efficiency on overall GHG emissions, and it resolves double counting and exclusion problems with multi emissions issues. This approach can differ from how inventories are compiled, for example, on an in-state production basis, in particular for electricity.

For electricity, we estimate, in addition to the emissions due to fuels combusted at electricity plants in the State, the emissions related to electricity *consumed* in Montana. This entails accounting for the electricity sources used by Montana utilities to meet consumer demands. As we refine this analysis, we may also attempt to estimate other sectoral emissions on a consumption basis, such as accounting for transportation fuel used in Montana, but purchased out-of-state. In some cases this can require venturing into the relatively complex terrain of life cycle analysis. In general, we recommend considering a consumption-based approach where it will significantly improve the estimation of the emissions impact of potential mitigation strategies. (For example re-use, recycling, and source reduction can lead to emission reductions resulting from lower energy requirements for material production (such as paper, cardboard, and aluminum), even though production of those materials, and emissions associated with materials production, may not occur within the State.)

Some data gaps exist in this analysis, particularly for the reference case projections. Key tasks include developing a better understanding of the electricity generation sources currently used to meet Montana loads (in collaboration with State utilities), and review and revision of key emissions drivers (such as electricity and transportation fuel use growth rates) that will be major determinants of Montana's future GHG emissions. We welcome suggestions from the Montana advisory group members on this preliminary analysis and report.

Emissions of aerosols, particularly "black carbon" from fossil fuel combustion, could have significant climate impacts through their effects on radiative forcing. No estimates of these aerosol emissions have been developed for Montana as of yet. By including black carbon emission estimates in the inventory, however, additional opportunities for reducing climate impacts could be identified. CCS is currently conducting inventory and forecast work for a number states in coordination with the Western Governors' Association. Black carbon estimates produced as part of that process will be added to Montana's inventory when they are available.

Appendix A. Electricity Use and Supply

For at least the last 15 years, electricity generation has been a major export industry for Montana. The State exported 41% of the electricity it produced in 2000, and the inventory analysis indicates that exports in 2005 were about 40%. Export levels have varied between 37% and 47% since 1990,¹¹ depending on many factors including water levels for hydro-electric generation, economics and availability of power in neighboring regions, and Montana's own electricity demand. Montana electricity generation has been primarily a mix of coal and hydroelectricity. Generation from these two sources has been almost equal in some years, but recently coal sources have dominated. In 2004, coal accounted for 65% of generation, hydro for 33%, fuel oil for 2%, with the remaining sources (natural gas, biomass, and wind) contributing less than 0.5%. Coal-fired power plants produce as much as twice the CO₂ emissions per kilowatt-hour of electricity as natural gas-fired power plants, which dominate other states' production. Montana emitted approximately 0.73 MtCO₂/MWh from electricity generation, compared to a national average of 0.65 MtCO₂/MWh.¹²

As noted earlier, one of the key questions for the State to consider is how to treat GHG emissions that result from consumption of electricity that is produced outside the State. In other words, should the State consider the GHG emissions associated with the State's electricity consumption or its electricity production, or some combination of the two? Since this question still needs to be resolved, this section examines electricity-related emissions from both a production and consumption basis.

This appendix describes Montana's electricity sector in terms of consumption and production, including the assumptions used to develop the reference case projections. It then describes Montana's electricity trade and potential approaches for allocating GHG emissions for the purpose of determining the State's inventory and reference case forecasts. Finally, key assumptions and results are summarized.

We considered two sources of data in developing the inventory of CO₂ emissions from Montana power plants. We used the EIA's State Energy Data (SED) rather than EPA data because of inconsistencies that we found in the EPA data. Although the two sources provided similar estimates for CO₂ emissions in recent years, the EPA database shows emissions from to be up to 10% greater than SED in previous years (1997 and 1999). We discussed this with EPA and learned that EPA data tend to be conservative (i.e., overestimate emissions) because the data are reported as part of a regulatory program, and that during early years of the data collection program, missing data points were sometimes assigned a large value as a placeholder. We applied SGIT emission factors to EIA's SED to develop the historic inventory in the electricity sector.

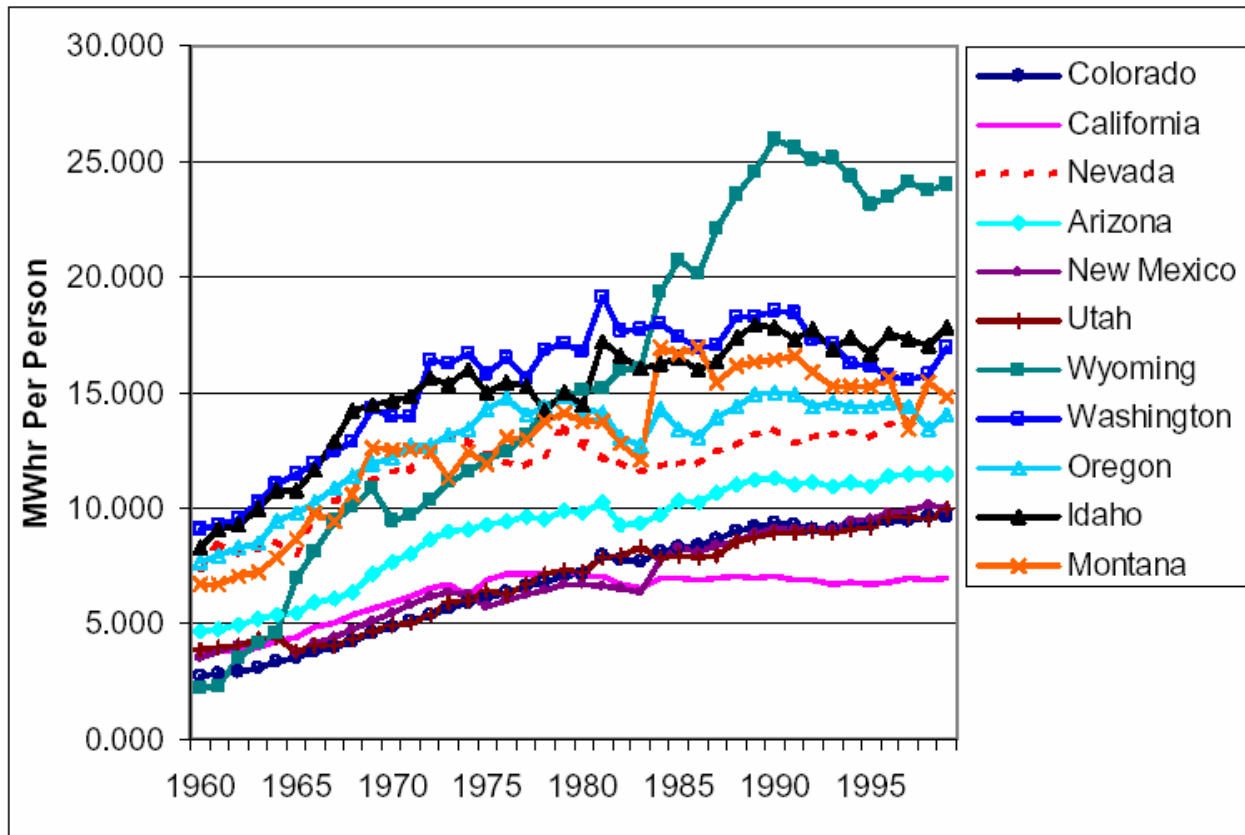
Electricity Consumption

¹¹ eGRID2002 software (US EPA, <http://www.epa.gov/cleanenergy/egrid/whatis.htm>).

¹² EPA GHG Inventory

At about 14,000 kWh/capita (2004 data), Montana has relatively high electricity consumption per capita. By way of comparison, the per capita consumption for the U.S. was about 12,000 kWh per year.¹³ Figure A1 shows Montana's rank compared to other western states from 1960-1999; while showing greater variation that most states, Montana's per capita consumption has been relatively high (4th out of 11).

Figure A1. Electricity Consumption per capita in Western States, 1960-1999



Source: Northwest Power Council, 5th Power Plan, Appendix A

As shown in Figure A2, electricity sales in the industrial sector of Montana have varied significantly over time, with a large decrease in 2001 due to the high prices and uncertainty of the electricity crisis.¹⁴ Industrial sector sales have slowly increased since that year. The commercial and residential sectors have seen a more consistent trend of increases since 1990, with some variation year to year.¹⁵

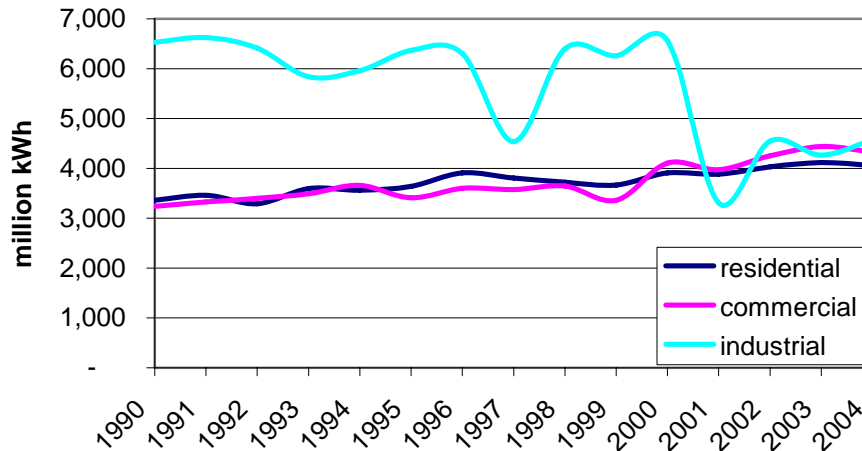
¹³ Census bureau for U.S. population, Energy Information Administration for electricity sales.

¹⁴ MT DEQ 2004. *Understanding Energy in Montana*.

http://leg.mt.gov/css/publications/lepo/2005_deq_energy_report/2005deqenergytoc.asp

¹⁵ Electricity consumption figures here only include purchased electricity, and do not include electricity generated and consumed internally by specific industries, such as mining.

Figure A2. Electricity Consumption by Sector in Montana, 1990-2004



In 2004, Montana had 44 entities involved in providing electricity to state customers. The State’s four investor-owned utilities serve approximately 63% of the customers, and 44% of the electricity sales, as illustrated in Table A1. The State’s 30 electric cooperatives serve 33% of the customers and 26% of sales. Five power marketers (Conocco Inc, Energy West Resources, Granite Power Energy, Hinson Power Company and PPL Energy Plus) provided electricity to less than 0.05% of retail customers, but accounted for over 22% of sales. Power marketers either produce energy or deliver electricity to customers so that the electricity produced is not sold directly to retail customers, but instead is sold to delivery companies. Three federal entities (Bonneville Power Administration, U.S. Bureau of Indian Affairs – Mission Valley Power, and Western Area Power Administrator) plus the city of Troy municipal utility account for the remaining 8% of sales and 4% of customers.

Table A1. Retail Electricity Generation by Montana Utilities (2004)

	Ownership Type	2004 MWh
Top 5 providers of Retail Electricity, ranked by retail sales		
NorthWestern Energy LLC	Investor-Owned	5,318,700
PPL EnergyPlus LLC	Power Marketer	2,362,601
Flathead Electric Coop Inc	Cooperative	1,274,131
MDU Resources Group Inc	Investor-Owned	610,855
Bonneville Power Admin	Power Marketer	570,960
Total Sales, Top Five Providers		10,137,247
Total, all Montana		12,956,782

Source: EIA state electricity profiles

Overall, total electricity consumption decreased at an average annual rate of 0.1% from 1990 to 2004, but this value masks the many trends shown in Figure A2. During this period, the residential sector grew by an average of 1.4% per year, the commercial sector by 2.1% per year, and the industrial sector dropped by 2.5% per year. A variety of sources were considered for initial projections of growth in electricity sales. The AEO2006 provides projections of electricity consumption for the Mountain census region. Since this census region includes states such as Arizona and New Mexico, which have much higher projected population and economic growth than Montana, these projections were adjusted to account for Montana’s projected population and employment growth. Northwestern Energy provided projected retail sales in the Montana Energy Forum report.¹⁶ The 5th Power Plan from the Northwest Power and Conservation Council (NWPPC) also provided projected electricity growth for its share of Montana. These projections are summarized in Table A2 below. While the AEO2006 rates are higher than Northwestern Energy’s and the NWPPC rates, they have been used for this set of draft projections. The NWPPC rates did not provide sufficient detail on rates by sector and the Northwestern Energy projections cover only a portion of Montana. *We welcome input from the reviewers on this assumption.*

Table A2. Electricity Growth Rates, historic and projected

	Historic		AEO2006*		Northwestern Energy		NWPPC
	1990-2004	2002-2004	2004-2010	2010-2020	2004-2010	2010-2020	2000-2025
residential	1.4%	0.3%	1.5%	1.0%	0.02%	0.2%	n/a
commercial	2.1%	0.9%	2.9%	1.0%	2.2%	1.2%	n/a
industrial	-2.5%	0.3%	0.8%	0.2%	1.5%	0.0%	n/a
<i>Total</i>	<i>-0.1%</i>	<i>0.5%</i>	<i>1.7%</i>	<i>0.7%</i>	<i>1.3%</i>	<i>0.5%</i>	<i>0.63%</i>

*AEO2006 projections have been adjusted for Montana’s projected population and employment growth

Electricity Generation – Montana’s Power Plants

As mentioned above and displayed in Figure A3, coal figures prominently in electricity generation and accounts for almost all the GHG emissions from power plants in Montana. Table A3 reports the emissions from the four largest plants in Montana. The largest plant, Colstrip, accounts for 82% of Montana’s GHG emissions. Colstrip is a large facility with 4 generator units built between 1976 and 1984, having a combined capacity of over 2,100 MW. It runs primarily on coal but also consumes propane, distillate oil, and petroleum coke. Ownership of the plant is shared by PPL Montana (36%), Puget Sound Energy (33%), Portland General Electric (14%), Avista (10%) and PacifiCorp West (7%).¹⁷ PPL Montana is a subsidiary of PPL Corporation (Pennsylvania Power and Light) and the company is based in Billings. However, the other companies owning shares of Colstrip, and most of their customers, are based outside of Montana.

¹⁶ <http://www.montanaenergyforum.com/>

¹⁷ eGRID

Figure A3. Electricity Generation and CO₂ Emissions from Montana Power Plants, 2004

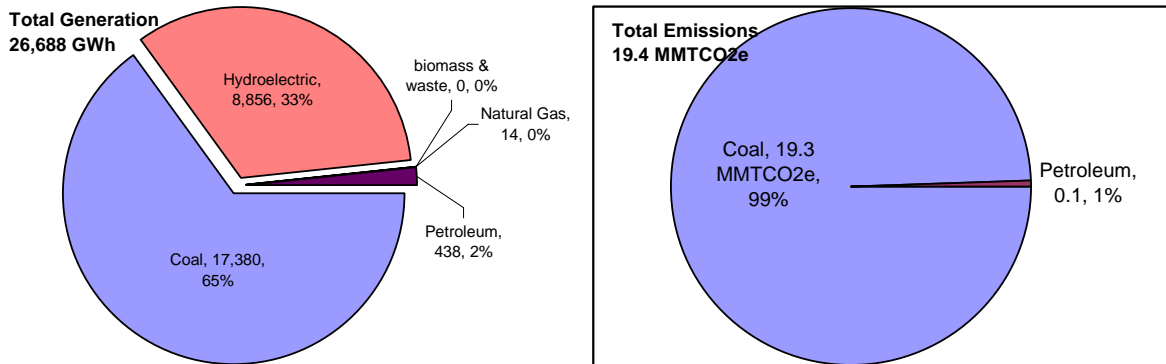


Table A3. CO₂ Emissions from Individual Montana Power Plants, 1995-2004

(Million Metric Tons CO ₂ e)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<i>Colstrip</i>	13.8	11.4	15.3	16.9	16.9	15.0	16.8	14.8	15.9	16.0
<i>Glendive Generating Statik</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.01	0.04
<i>J E Corette</i>	1.2	1.1	0.8	0.7	1.1	1.3	1.1	1.2	1.4	1.4
<i>Lewis & Clark</i>	0.4	0.3	0.3	0.4	0.3	0.5	0.5	0.4	0.5	0.5
<i>Other units</i>	1	1	-1	0	0	0	-1	1	1	2
Total	16	13	16	18	18	17	18	17	19	19

Source: U.S. EPA Clean Air Markets database for named plants (<http://cfpub.epa.gov/index.cfm>). Other units calculated from fuel use data provided by U.S. DOE EIA.

Future Generation and Emissions

Estimating future generation and GHG emissions from Montana power plants requires estimation of new power plant additions and production levels from new and existing power plants. There are, of course, large uncertainties, especially related to the timing and nature of new power plant construction.

The future mix of plants in Montana remains uncertain as the trends in type of new builds are influenced by many factors. The most recent fossil-fuel plants have been natural gas-fired; however, there are concerns that natural gas prices may increase over the next decade, which could cause a trend towards a more coal-dominated mix. Recent announcements by several utilities indicate that coal will dominate new builds; Hardin Power Plant is the first coal-fired power plant to be built in the State in the last 20 years. Montana has also recently announced a renewable portfolio standard (RPS), requiring investor-owned utilities to generate (or purchase) a minimum amount of electricity from renewable sources. The RPS will likely spur additional new wind projects in the state. Table A4 presents data on new and proposed plants in Montana.

Table A4. New and Proposed Power Plants in Montana

Plant Name	Fuel	Status	Capacity MW	Expected Annual generation GWh	Notes	
Wind Plants	Judith Gap	wind	On-line 2006	135	355	The project will generate about 150 megawatts of power from 90 turbines.
	Valley County Wind Energy Project	wind	Proposed	50 MW by 2008 100 MW by 2010 150 MW by 2013 200 MW by 2016	130 GWh 2008 260 GWh 2010 390 GWh 2013 520 GWh 2016	Proposal by Wind Hunter LLC for a project in north-central Valley County.
	Rocky Mountain Hartin	coal	On-line 2006	109		Initially proposed as a coal gasification plant; 3-year contract to sell 100% of electricity to British Columbia.
New plants	Tiber Dam	water	On-line 2004	7		
	Basin Creek	Natural gas	under-construction 2006	55		Offsets purchased so that power plant will meet the Oregon Standard for CO2 emissions
Proposed plants	Highwood Generating Plant, Great Falls, MT	lignite coal	An air quality permit application accepted.	250	1,862	
	Bull Mountain, Broadview, MT	lignite coal	Proposed	700	5,212	

Given the many factors impacting electricity related emissions and a diversity of assumptions by stakeholders within the electricity sector, developing a “reference case” projection for the most likely development of Montana’s electricity sector is particularly challenging. Therefore, to develop an initial projection, simple assumptions were made, relying to the extent possible on widely reviewed and accepted modeling assessments.

The reference case projections assume:

- Generation grows at 2% per year from 2005-2010 and at 1% per year from 2010 to 2020. This reflects the generation growth rate for the Northwest region in AEO2006. These assumptions lead to capacity growth of about 250 MW of new fossil fuel plants by 2010 – much lower than the growth that would occur if all plants in Table A4 were built, but greater than the growth rate in generation experienced from 1990-2004 (0.2% per year on average).
- Generation from existing non-hydro plants is based on holding generation at 2004 levels. Generation from existing hydro-electric plants is assumed to be 10,356 MWh per year, the average generation from the last ten years. New plants and changes to existing plants due to plant renovations and overhauls that result in higher capacity factors are counted as new generation.
- The Renewable Portfolio Standard requirements are assumed to be met by in-state wind generation. Renewable generation must meet a minimum of 10% of sales from investor-owned utilities in 2010 and 15% in 2015 and every year thereafter.
- New fossil fuel plants will be a mix of 80% coal and 20% natural gas. New coal plants are assumed to be pulverized coal (9000 BTU/kWh).

Electricity Trade and Allocation of GHG Emissions

Montana is part of the interconnected Western Electricity Coordinating Council (WECC) region - a vast and diverse area covering 1.8 million square miles and extending from Canada through Mexico, including all or portions of 14 western states. The inter-connected region allows electricity generators and consumers to buy and sell electricity across regions, taking advantage of the range of resources and markets. Electricity generated by any single plant enters the interconnected grid and may contribute to meeting demand throughout much of the region, depending on sufficient transmission capacity. Thus, it is challenging to define which emissions should be allocated to Montana, and secondly in estimating these emissions both historically and into the future. Some utilities track and report electricity sales to meet consumer demand by fuel source and plant type; however, tracing sales to individual power plants may not be possible.

In 2004, electricity consumption in Montana was 13 terawatt-hours (TWh), while electricity generation was 27 TWh. Also as mentioned above, Montana utilities own less than half of the largest generating plant in the state. Thus, a significant portion of the electricity generated and economic benefits may serve consumers and investors in other states.

Since almost all states are part of regional trading grids, many states that have developed GHG inventories have grappled with the problem of how to account for emissions. Several approaches have been developed to allocate GHG emissions from the electricity sector to individual states for inventories.

In many ways the simplest approach is *production-based* – emissions from power plants within the State are included in the state’s inventory. The data for this estimate are publicly available and unambiguous. However, this approach is problematic for states that import or export significant amounts of electricity. Because of the State’s small imports and the uncertainty of the magnitude of future net imports, the question of consumption- versus production-based emissions may not be as important in Montana as in other states with greater percentages of net imports or exports. Under a production-based approach, characteristics of Montana electricity consumption would not be captured since only emissions from in-state generation would be considered.

An alternative is to estimate *consumption-based* or *load-based* GHG emissions, corresponding to the emissions associated with electricity consumed in the State. The load-based approach is currently being considered by states that import significant amounts of electricity, such as California, Oregon, and Washington.¹⁸ By accounting for emissions from imported electricity, states can account for increases or decreases in fossil fuel consumed in power plants outside of the State, due to demand growth, efficiency programs, and other actions in the State. The difficulty with this approach is properly accounting for the emissions from imports and exports.

¹⁸ See for example, the reports of the Puget Sound Climate Protection Advisory Committee (<http://www.pscleanair.org/specprog/globclim/>), the Oregon Governor’s Advisory Group On Global Warming (<http://egov.oregon.gov/ENERGY/GBLWRM/Strategy.shtml>), and the California Climate Change Advisory Committee, Policy Options for Reducing Greenhouse Gas Emissions From Power Imports - Draft Consultant Report (<http://www.energy.ca.gov/2005publications/CEC-600-2005-010/CEC-600-2005-010-D.PDF>).

Since the electricity flowing into or out of Montana is a mix of all plants generating on the inter-connected grid, it is impossible to physically track the electrons.

The approach taken in this initial inventory is a simplification of the consumption-based approach. This approach, which one could term “*Net-Consumption-based*,” estimates consumption-based emissions as in-state (production-based) emissions times the ratio of total in-state electricity consumption to in-state generation (net of losses).

This method does not account for differences in the type of electricity that is imported or exported from the State, and as such, it provides a simple method for reflecting the emissions impacts of electricity consumption in the State. More sophisticated methods – e.g., based on individual utility information on resources used to meet loads – can be considered for further improvements to this approach.

Summary of Assumptions and Reference Case Projections

As noted, projecting generation sources, sales, and emissions for the electric sector out to 2020 requires a number of key assumptions, including economic and demographic activity, changes in electricity-using technologies, regional markets for electricity (and competitiveness of various technologies and locations), access to transmission and distribution, the retirement of existing generation plants, the response to changing fuel prices, and the fuel/technology mix of new generation plants. The key assumptions described above are summarized in Table A5.

Table A5. Key Assumptions and Methods for Electricity Projections for Montana

Electricity sales	Average annual growth of 1.7% from 2004 to 2010 and 0.7% per year from 2010 to 2020, based on regional growth rates in AEO2006, adjusted for Montana's expected population and employment growth.
Electricity generation	2% per year from 2004-2010 and 1% per year from 2010 to 2020, based on regional growth rates in AEO2006.
Transmission and Distribution losses	10% losses are assumed, based on average statewide losses, 1994-2000, (data from the US EPA Emission & Generation Resource Integrated Database ¹⁹)
New Renewable Generation Sources	Montana's Renewable Portfolio Standard will be met, 10% of State sales met by renewable generation by 2010, 15% by 2015 and in subsequent years. New renewables are assumed to be wind.
New Non-Renewable Generation Sources (2004-2020)	80% coal 20% natural gas based on expected new plants in WECC 10 year Coordinated Plan Summary (2005) and from mix of new generation projected in AEO2006.
Heat Rates	The assumed heat rates for new gas and coal generation are 7000 Btu/kWh and 9000 Btu/kWh, respectively, based on estimates used in similar analyses. ²⁰
Operation of Existing Facilities	Existing facilities are assumed to continue to operate as they were in 2004. Improvements in existing facilities that lead to higher capacity factor and more generation are captured under the new non-renewable generation sources.

Figure A4 shows historical sources of electricity generation in the state by fuel source, along with projections to the year 2020 based on the assumptions described above. Table A6 shows the growth in generation by fuel type between 1990 and 2003. On a percentage basis, all fuel types have grown significantly in Montana, except for hydropower. Coal and nuclear generation are the largest and have grown the most in absolute terms over the 13-year period. Natural gas grew by the greatest percentage, but started at an extremely low level. Based on the above assumptions for new generation, coal continues to dominate new generation throughout the forecast period.

¹⁹ <http://www.epa.gov/cleanenergy/egrid/index.htm>.

²⁰ See, for instance, the Oregon Governor's Advisory Group On Global Warming <http://egov.oregon.gov/ENERGY/GBLWRM/Strategy.shtml>.

Figure A4. Electricity Generated by Montana Power Plants, 1990-2020

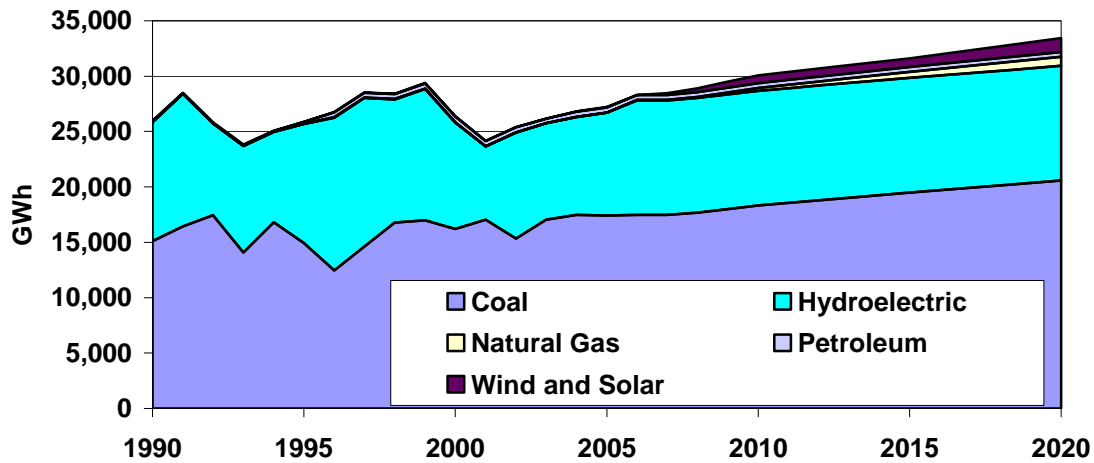


Figure A5 illustrates the GHG emissions associated with the mix of electricity generation shown in Figure A4. From 2005 to 2020, the emissions from Montana electricity generation are projected to grow at 0.9% per year, slower than the growth in electricity generation, due to an increased fraction of generation from natural gas and renewables. As a result, the emission intensity (emissions per MWh) of Montana electricity is expected to decrease by about 6% (from 0.72 MtCO₂/MWh in 2004 to 0.67 MtCO₂/MWh in 2020).

Figure A5. Montana CO₂ Emissions Associated with Electricity Production (Production-Basis), includes Exports

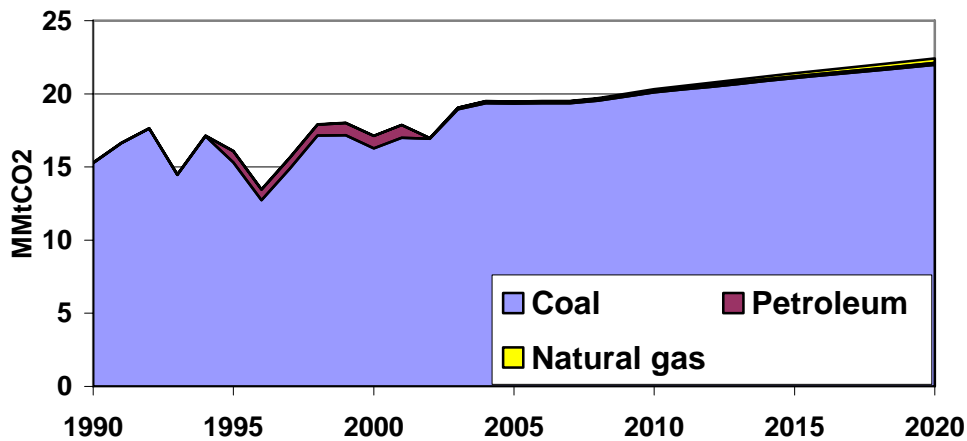
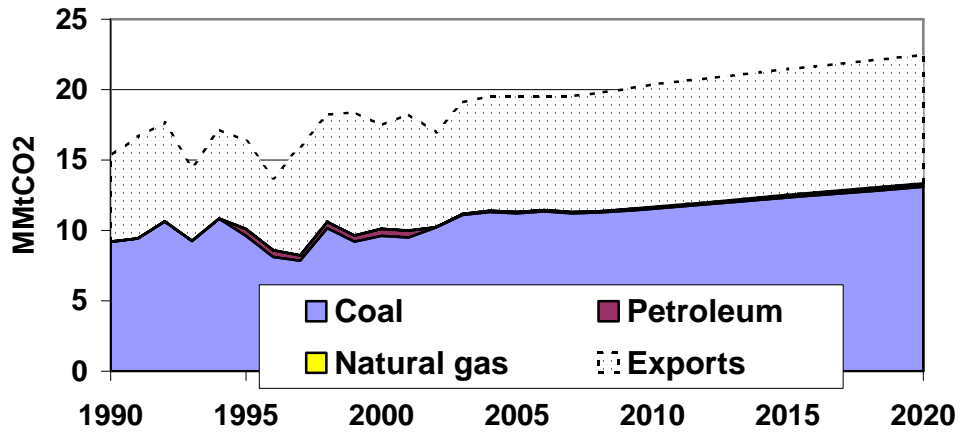


Figure A6 shows the “net-consumption-basis” emissions from 1990 to 2020. Total emissions match those shown in the previous “production-basis” chart; here, however, a significant fraction is attributed to net electricity exports as shown in the top area.

Figure A6. Montana CO₂ Emissions Associated with Electricity Use (Consumption-Basis) and Exports



Appendix B. Residential, Commercial, and Industrial Fossil Fuel Combustion (excluding fuel used by fossil fuel production industry)

The RCI²¹ sectors produce CO₂, CH₄, and N₂O emissions when fuels are combusted for space heating, process heating, and other applications. Carbon dioxide accounts for over 99% of these emissions on an MMtCO₂e basis. In addition, since these sectors consume electricity, one can also attribute electricity use emissions to these sectors.²² This is particularly important to consider as the CCAC begins to explore options to improve energy efficiency (see Figures B1-B3), because the emissions associated with electricity use exceed those from direct fuel use in each sector, especially in residential and commercial buildings.

Direct use of coal, oil, natural gas, and wood²³ in the RCI sectors accounted for an estimated 12% of gross GHG emissions in 2005. However, if emissions associated with RCI electricity use are included, RCI energy use then accounts for 42% of gross GHG emissions.

Emissions for direct fuel use were estimated using the U.S. EPA's SGIT. Two changes were made to the default data provided in SGIT. First, the 2000 consumption estimates were updated using more recent data from EIA's website. The default data in the SGIT workbook are from EIA's *State Energy Data 2000*; however, the 2000 consumption estimates were revised in the 2001 edition of *State Energy Data*²⁴ and new data were provided for 2001. Secondly, EIA provides electricity consumption and natural gas consumption estimates for 2002, 2003 and 2004 as part of the *Electricity Production Annual*²⁵ and the *Natural Gas Navigator*.²⁶ These data were included in the Montana inventory.

Reference case emissions for direct fuel combustion were estimated based on fuel consumption forecasts from EIA *Annual Energy Outlook 2006*, with adjustments for Montana's projected population and employment growth. Table B1 and Table B2 report the historic and projected growth rates for electricity and fuels respectively.

²¹ The industrial sector includes agricultural energy use as well but this section excludes fuel used by the fossil fuel production industry. Emissions from energy used in that industry are reported in Appendix F.

²² One could similarly allocate GHG emissions due to natural gas transmission and distribution and other sources, but we have not done so here due to the relatively small level of emissions.

²³ Emissions from wood combustion include only N₂O and CH₄. Carbon dioxide emissions from biomass are assumed to be "net zero" consistent with U.S. EPA and IPCC methodologies, and any net loss of carbon stocks due to biomass fuel use should be picked up in the land use and forestry analysis.

²⁴ *State Energy Data 2001*, Energy Information Administration, Department of Energy

²⁵ http://www.eia.doe.gov/cneaf/electricity/epa/epa_sprdshts.html

²⁶ http://tonto.eia.doe.gov/dnav/ng/ng_cons_sum_dcu_SMT_a.htm

Table B1. Electricity Sales Annual Growth Rates, Historical and Projected

Sector	1990-2004	2004-2020
Residential	1.4%	1.5%
Commercial	2.1%	2.9%
Industrial	-2.5%	0.1%
Total	-0.1%	1.6%

Table B2. Historic and Projected Average Annual Growth in Energy Use, by Sector and Fuel, 1990-2020

	1990-2004	2004-2010	2010-2015	2015-2020
Residential				
natural gas	1.2%	1.6%	1.2%	0.8%
petroleum	-0.5%	0.2%	0.4%	-0.1%
Commercial				
natural gas	0.7%	1.3%	2.5%	1.9%
petroleum	-0.8%	-1.5%	0.8%	0.4%
Industrial				
natural gas	5.7%	2.3%	-1.1%	-1.4%
petroleum	-1.8%	1.9%	0.2%	-0.4%
Coal	-2.9%	0.5%	-1.5%	-1.6%

Figures B1, B2, and B3 illustrate historic and projected emissions for the RCI sectors from 1990 to 2020. Electricity consumption accounts for the largest component of each sector’s emissions. The commercial sector shows the highest emissions growth, due to assumed strong growth in both electricity and natural gas consumption. Commercial electricity use grows faster than employment, while per-employee direct fuel use decreases. Residential sector emissions show strong growth with electricity and natural gas use growing faster than population. The historical industrial sector emissions show significant variation. Industrial energy consumption in Montana has been dominated by a relatively small number of large operations and the variation reflects market variation plus plant adjustments to energy prices.²⁷ The assumed growth rate for industrial sector fuel and electricity consumption is also higher than the growth in employment. For both the commercial and industrial sectors, energy consumption and resulting GHG emissions are projected to grow at a slower pace than GSP indicating an overall decrease in GHG intensity.²⁸

²⁷ While information on energy consumption by plant or industry were not available, general information was provided by MT DEQ 2004. *Understanding Energy in Montana*.
http://leg.mt.gov/css/publications/lepo/2005_deq_energy_report/2005deqenergytoc.asp

²⁸ These estimates of growth relative to population and employment reflect expected responses – as modeled by the EIA NEMS model -- to changing fuel and electricity prices and technologies, as well as structural changes within each sector (subsectoral shares, energy use patterns, etc.).

Figure B1. Residential Sector GHG Emissions from Fuel Consumption

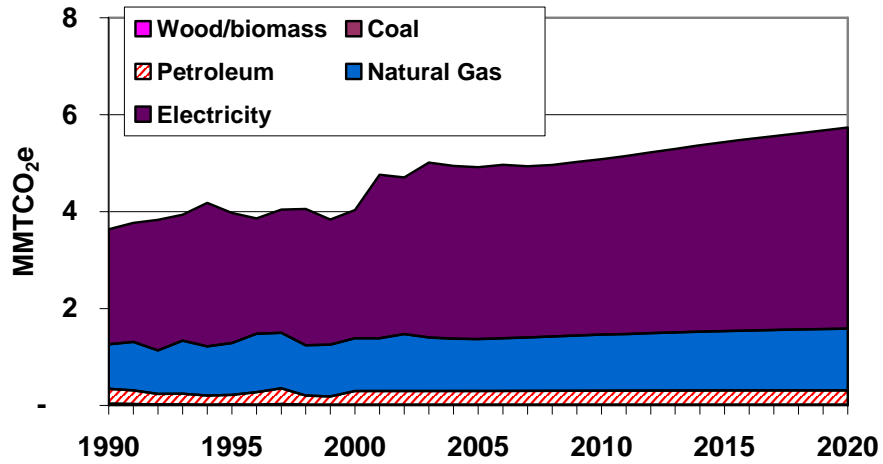


Figure B2. Commercial Sector GHG Emissions from Fuel Consumption

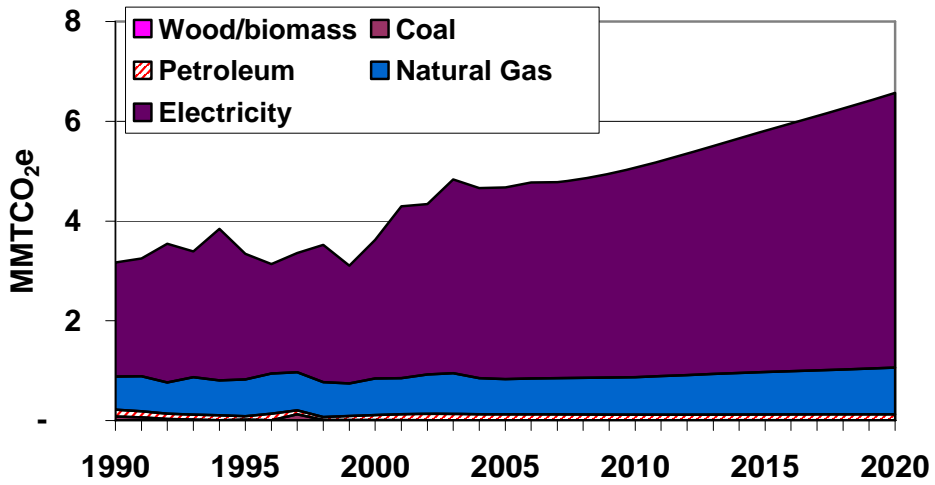
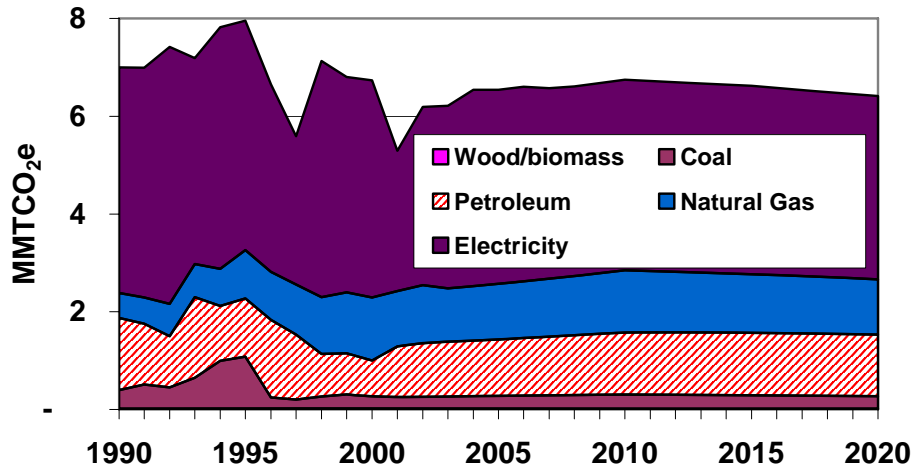


Figure B3. Industrial Sector GHG Emissions from Fuel Consumption



Key sources of uncertainty underlying the estimates are as follows:

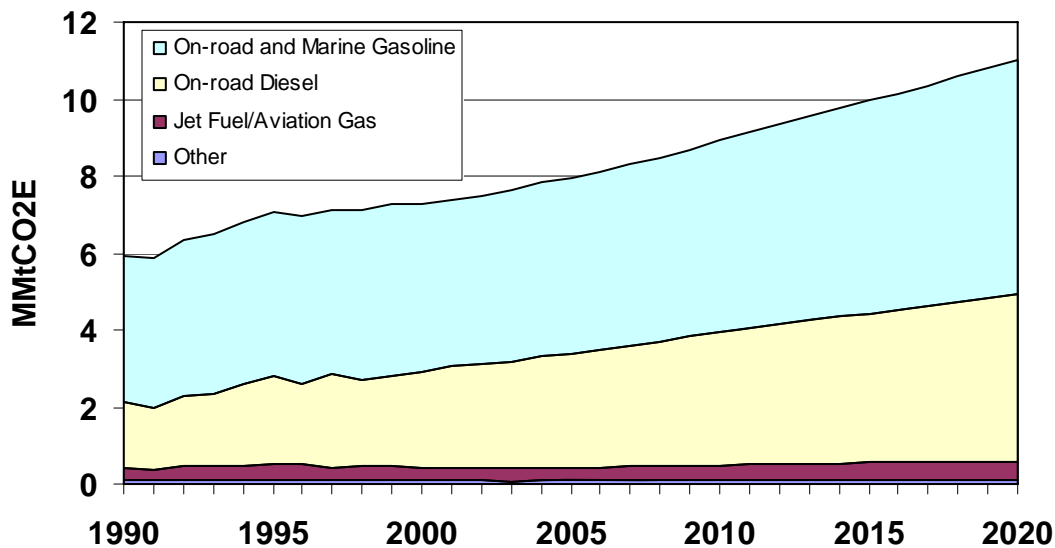
- Population and economic growth are the principal drivers for electricity and fuel use and are subject to significant uncertainties.
- The projections assume no large long-term changes in relative fuel and electricity prices, as compared with current levels and U.S. DOE projections. Price changes would influence consumption levels and encourage switching among fuels.
- It is assumed that energy consumed at military bases and national laboratories are included in the energy statistics from the EIA. However, under-reporting may have occurred, and estimating that impact is beyond the scope of this effort.
- Growth of major industries – the energy consumption projections assume no new large energy-consuming facilities and no major changes in mining activity. A few large new facilities – or the decline of major industries – could significantly impact energy consumption and subsequent emissions.

Appendix C. Transportation Energy Use

The transportation sector is a major source of GHG emissions in Montana – accounting for about 21% of Montana’s gross GHG emissions in 2005. Carbon dioxide accounted for about 95 percent of transportation GHG emissions from fuel use in 1990 and increases to about 97 percent of transportation GHG emissions from fuel use by 2020. The proportion of CO₂ increases from 1990 to 2020 because of the increasing number of vehicles with advanced control technologies that reduce CH₄ and N₂O. Most of the remaining GHG emissions from the transportation sector are due to N₂O emissions from gasoline engines.

As shown in Figure C1, gasoline consumption accounts for the largest share of transportation GHG emissions. This category includes both onroad and marine gasoline; although, only a small fraction (less than 1%) of the total is marine gasoline. Emissions from gasoline vehicles increased by about 13% from 1990 – 2001 to cover almost 59% of total transportation emissions in 2001. GHG emissions from diesel fuel consumption increased by 55% from 1990 to 2001, and by 2001 accounted for nearly 36% of GHG emissions from the transportation sector. Air travel fuel consumption and emissions grew only 6% between 1991 and 2001, covering 5% of emissions in 2001. Combustion of natural gas and LPG and oxidation of lubricants accounted for only about 1% of transportation emissions in 2001.

Figure C1. Transportation GHG Emissions by Fuel, 1990-2020



GHG emissions from transportation are expected to grow considerably over the next 15 years due to increased demand for current modes of transportation and alternative fuels such as natural gas. VMT projections supplied by the WRAP suggest that VMT will grow at a rate of 4 percent

per year between 2002 and 2018.²⁹ We assumed that this annual VMT growth rate would continue through 2020. Fuel consumption projections from EIA's *Annual Energy Outlook* (AEO) showed an average growth rate of about 2% per year in transportation fuel consumption between 2002 and 2020.

These assumptions combine to produce more than a doubling of GHG emissions from the transportation sector from 1990 to 2020. GHG emissions from diesel consumption are expected to more than double during this time period, while GHG emissions associated with air travel increase by 40% between 1990 and 2020. There is strong historical and projected growth in natural gas vehicle fuel consumption; however, the overall consumption of this fuel is small compared to other fuels. GHG emissions from natural gas, LPG, and lubricants only increase by 30% between 1990 and 2020. While gasoline emissions still account for the greatest share of the transportation emissions in 2020, the share of these emissions shrinks from 65% in 1990 to 55% in 2020, with the increased rate of diesel emissions accounting for the decreased share of onroad gasoline emissions. The high overall growth in transportation sector emissions suggests many opportunities and challenges for reducing Montana's GHG emissions.

The EPA SGIT was used to prepare the inventory and reference case projections. For onroad vehicles, the CO₂ emission factor is in units of lb/MMBtu and the CH₄ and N₂O emission factors are both in units of grams/VMT. Key assumptions in this analysis are listed in Table C1. The default data within SGIT were used (with the exception of natural gas) to estimate emissions, with the most recently available fuel consumption data (2001) from EIA SED, 2002 VMT estimates from FHWA's Highway Statistics, and estimates of 2002-2004 natural gas consumption from EIA's Natural Gas Navigator added.^{30,31,32} For natural gas, the default data includes pipeline fuel. For this inventory, pipeline fuel is included in the natural gas transmission category; therefore, this data was replaced by the consumption for vehicle fuel only.

Fuel consumption data from EIA includes nonroad gasoline and diesel fuel consumption with commercial and industrial sectors. Therefore, nonroad emissions were included in the RCI emissions in this inventory (see Appendix B). Table C2 shows how EIA divides gasoline and diesel fuel consumption between the transportation, commercial, and industrial sectors.

²⁹ Western Region Air Partnership (WRAP), Updating Mobile Source Inventories, <http://www.wrapair.org/forums/ef/UMSI/index.html>, data downloaded June, 2006.

³⁰ Energy Information Administration, State Energy Consumption, Price, and Expenditure Estimates (SEDS), <http://www.eia.doe.gov/emeu/states/seds.html>

³¹ Federal Highway Administration, Highway Statistics 2002, <http://www.fhwa.dot.gov/policy/ohim/hs02/index.htm>

³² Energy Information Administration, http://tonto.eia.doe.gov/dnav/ng/ng_cons_sum_dcu_SMT_a.htm

Table C1. Key Assumptions and Methods for the Transportation Inventory and Projections

Vehicle Type and Pollutants	Methods
<p>On-road gasoline, diesel, natural gas, and LPG vehicles – CO₂</p>	<p>Inventory (1990 – 2002) EPA SGIT and fuel consumption from EIA SED and EIA Natural Gas Navigator.</p> <p>Reference Case Projections (2003 – 2020) Transportation fuel consumption projections for the Mountain Region from EIA Annual Energy Outlook 2006.</p>
<p>On-road gasoline and diesel vehicles – CH₄ and N₂O</p>	<p>Inventory (1990 – 2002) The onroad vehicle CH₄ and N₂O emission factors by vehicle type and technology type were updated to the latest factors used in the U.S. EPA’s <i>Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2003</i>.</p> <p>VMT taken from FHWA’s <i>Highway Statistics</i> was added for 2002.</p> <p>Reference Case Projections (2003 – 2020) The average annual growth rate for VMT is assumed to be 4% per year from 2002 to 2020, based on projections from the WRAP.</p>
<p>Non-highway fuel consumption (jet aircraft, gasoline-fueled piston aircraft, gasoline-fueled boats) – CO₂, CH₄ and N₂O</p>	<p>Inventory (1990 – 2002) EPA SGIT and fuel consumption from EIA SEDS.</p> <p>Reference Case Projections (2003 – 2020) Transportation fuel consumption projections for the Mountain Region from EIA Annual Energy Outlook 2006.</p>

Table C2. EIA Classification of Gasoline and Diesel Consumption

Sector	Gasoline Consumption	Diesel Consumption
Transportation	Highway vehicles, marine	Vessel bunkering, military use, railroad, highway vehicles
Commercial	Public non-highway, miscellaneous use	Commercial use for space heating, water heat, and cooking
Industrial	Agricultural use, construction, industrial and commercial use	Industrial use, agricultural use, oil company use, off-highway vehicles

Key uncertainties

One uncertainty is the consumption of international bunker fuels included in jet fuel consumption from EIA. This fuel consumption associated with international air flights should not be included in the state inventory; however, data were not available to subtract this consumption from total jet fuel estimates. Another source of uncertainty is the lack of VMT data for alternative fuel vehicles. VMT for these vehicles are assumed to be included in the gasoline and diesel VMT estimates; therefore, CH₄ and N₂O emissions from these vehicles are included in the gasoline and diesel emission estimates. The CH₄ and N₂O emissions for these vehicles are small compared to the total emissions. Also, CH₄ and N₂O emission factors for these vehicles are similar to those of gasoline and diesel vehicles; therefore, the effect on the total emissions estimate is assumed to be small.

Appendix D. Industrial Processes

Emissions in this category span a wide range of activities, and reflect non-combustion sources of CO₂ from industrial manufacturing (cement, lime, and soda ash production plus emissions from limestone and dolomite use), the release of hydrofluorocarbons (HFCs) from cooling and refrigeration equipment, and the release of sulfur hexafluoride (SF₆) from electricity transformers.

Overall, industrial processes and related emissions, as shown in Figure D1, more than doubled from 1990 to 2002 and are expected to continue to grow through 2020. Note, however, that the total contribution to Montana's GHG emissions from this category remains quite small, less than 1% of total gross emissions. The contributions of each sub-category are shown in Figure D2 and explained below.

Figure D1. GHG Emissions from Industrial Processes, 1990-2020

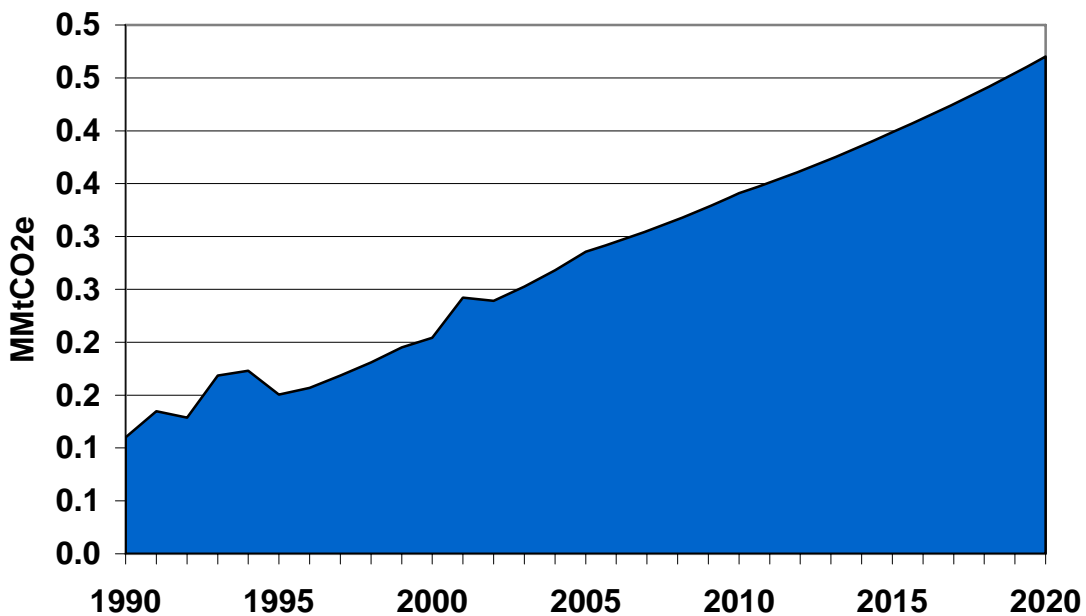
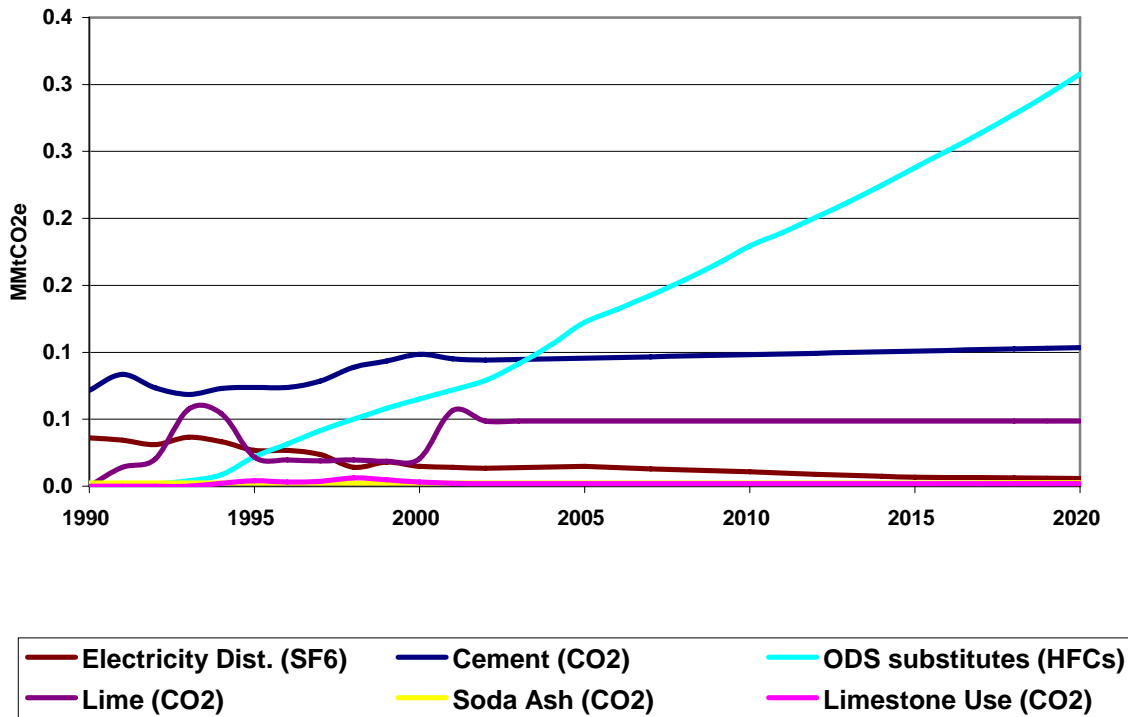


Figure D2. GHG Emissions from Industrial Processes, 1990-2020, by Source



Cement production emits CO₂ during the calcination process, whereby calcium carbonate (CaCO₃) is converted to calcium oxide (CaO). This process also requires significant energy consumption. Emissions related to fuel use at cement plants are reported in the RCI section above. The process emissions are directly related to the amount of clinker and masonry cement produced. For 1990-2002, GHG emissions are calculated as the production from this plant by a standard emission factor of 0.507 tons CO₂/ton clinker.³³ Cement production is projected to increase at the same rate as population.

After 2005, emissions from HFCs in refrigeration and air conditioning equipment dominate the category and show strong growth through 2020. HFCs are being used to substitute for ozone-depleting substances (ODS), most notably CFCs (also potent warming gases) in compliance with the *Montreal Protocol*.³⁴ Even low amounts of HFC emissions, from leaks and other releases under normal use of the products, can lead to high GHG emissions. Emissions from the ODS substitutes in Montana are estimated to have increased from 0.0002 MMtCO_{2e} in 1990 to 0.08

³³ Annual production from the cement plants came from the United States Geological Survey (USGS) *Cement Annual*.

³⁴ ODS substitutes are primarily associated with refrigeration and air conditioning, but also many other uses such as fire extinguishers, solvent cleaning, aerosols, foam production ns for ODS substitutes depend on technology characteristics in a range of equipment. For the US national inventory, a detailed stock vintaging model was used, but such analysis has not been completed at the state level. This report uses the EPA SGIT procedure of estimating state-level emissions based on the state's fraction of US population and the US emissions. Growth rates are based on growth in projected national emissions from recent EPA report, US EPA 2004, *Analysis of Costs to Abate International ODS Substitute Emissions*, EPA 430-R-04-006.

MMtCO₂e in 2002, with further increases of 8% per year expected from 2005 to 2020. The estimates for the emissions in Montana are based on the State's population and estimates of emissions per capita from the U.S. EPA national GHG inventory.³⁵

Emissions of SF₆ from electrical equipment have experienced declines since the early-nineties (see Figure D2), mostly due to voluntary action by industry. SF₆ is used as an electrical insulator and interrupter in the electricity transmission and distribution system. Emissions for Montana from 1990 to 2003 were estimated based on the estimates of emissions per kWh from the U.S. EPA GHG inventory (U.S. EPA 2005 *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2003*) and Montana's electricity consumption. The U.S. Climate Action Report³⁶ shows expected decreases in these emissions at the national level, and the same rate of decline is assumed for emissions in Montana. The decline in emissions in the future reflects expectations of future actions by the electric industry to reduce these emissions.

Emissions from lime manufacture and soda ash production are based on the amounts of these products produced in Montana³⁷ multiplied by emissions factors from SGIT. Emissions from limestone and dolomite use are estimated by the State consumption of the products for various uses – uses such as sorbants for flue gas desulfurization processes for electric power plants or industry and material for glass making will heat limestone to a sufficiently high temperature to cause release of CO₂ emissions. The assumed trend is for these emissions to remain at 2002 levels through 2020.

Key Uncertainties

Since emissions from industrial processes are determined by the level of production and the production processes of a few key industries, there is relatively high uncertainty regarding future emissions. Future emissions depend on the competitiveness of Montana manufacturers, and the specific nature of their production processes.

The projected largest source of future industrial emissions, HFCs used in cooling applications, is subject to a number of uncertainties as well. First, historical emissions are based on national estimates; Montana-specific estimates are currently unavailable. Second, emissions will be driven by future choices regarding air conditioning technologies and coolants used, for which a number of options currently exist.

³⁶ U.S. Department of State, *U.S. Climate Action Report 2002*, Washington, D.C., May 2002.

[http://yosemite.epa.gov/oar/globalwarming.nsf/UniqueKeyLookup/SHSU5BNQ76/\\$File/ch5.pdf](http://yosemite.epa.gov/oar/globalwarming.nsf/UniqueKeyLookup/SHSU5BNQ76/$File/ch5.pdf)

³⁷ Data from the United States Geological Survey (USGS).

Appendix E. Fossil Fuel Production Industry³⁸

Industry Overview

Oil production in Montana peaked in 1968 at 48.5 million barrels³⁹. Montana currently ranks 10th in oil production among US states, accounting for about 1% of US crude oil production. Montana's proved crude oil reserves sit at 364 million barrels, which is 1% of US proved reserves. Montana has 4 petroleum refineries, with a combined crude oil distillation capacity of 181 thousand barrels per calendar day.⁴⁰

Montana's currently produces more natural gas than it consumes. For example, in 2002, Montana consumed 69.6 Bcf and produced 86.1 Bcf. Natural gas price increases since 2000 have resulted in increased Montana production. Coal-bed methane has not yet become a significant source of natural gas production in the state, but it is expected to play a larger role in the near future.⁴¹

Montana is the 6th largest coal producer in the United States, with almost all the coal used for electricity generation. About ¾ of the coal produced is exported. In 2003, Montana operated 8 coal mines, each mine producing more than 100,000 tons per year.⁴²

Of US states, Montana is ranked 44th in total energy consumption, and 17th for per capita energy consumption. Natural gas has the largest share of the home heating market, with 59% of Montana homes, followed by electricity with 16% of homes.⁴³

Oil and Gas Industry Emissions

Emissions of carbon dioxide and methane occur at many stages of production, processing, transmission, and distribution. With over 4,000 oil wells and over 5,000 gas wells in the state, 3 operational gas processing plants, 4 oil refineries, and over 10,000 miles of gas pipelines⁴⁴, there are significant uncertainties associated with estimates of the state's GHG emissions from the fossil fuels sector. This is compounded by the fact that there are no regulatory requirements to track CO₂ or methane emissions. As a result, methane emissions can only be estimated based on industry assumptions.

³⁸ This category includes emissions from the production, processing and transmission of natural gas, oil and coal. Emissions are released due to energy consumption (mostly CO₂) and methane release (venting or leaks) during processing and transmission.

³⁹ "Understanding Energy in Montana", DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁴⁰ US DOE Energy Information Administration website.

⁴¹ "Understanding Energy in Montana", DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁴² "Understanding Energy in Montana", DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁴³ US DOE Energy information Administration website (2001 data)

⁴⁴ Data from EIA and Gas Facts.

Fortunately the State Greenhouse Gas Inventory Tool (SGIT) developed by the US EPA facilitates development of an estimate of state-level greenhouse gas emissions.⁴⁵ Methane emission estimates are calculated by multiplying emissions-related activity levels (e.g. miles of pipeline, number of compressor stations) by aggregate emission factors. Key information sources for the activity data are the EIA, Gas Facts, and Energize Montana.

Methane emissions were estimated using SGIT, with reference to the EIIP guidance document. Table E1 provides an overview of the required data, data source, and the approach to projecting future emissions.

Table E1. Approach to Estimating Historical and Future Methane Emissions from Natural Gas and Oil Systems.

	Approach to Estimating Historical Emissions		Approach to Estimating Projections
<i>Activity</i>	<i>Required Data for SGIT</i>	<i>Data Source</i>	<i>Projection Assumptions</i>
Natural Gas Drilling and Field Production	Number wells	EIA	Emissions follow trend of natural gas production, which continues to grow at 4.5% annually until 2010, then holds flat until 2020. ⁴⁶
	Miles of gathering pipeline	Gas Facts ⁴⁷	
Natural Gas Processing	Number gas processing plants	EIA ⁴⁸	With only 3 gas processing plants in the state (declining from 8 in 1995), annual gas processing emissions are projected to remain constant until 2020. ⁴⁹
Natural Gas Transmission	Miles of transmission pipeline	Gas Facts	Emissions follow trend of state gas production, as above.
	Number of gas transmission compressor stations	EIIP ⁵⁰	
	Number of gas storage compressor stations	EIIP ⁵¹	
	Number of LNG storage compressor stations	Unavailable, assumed negligible.	

⁴⁵ Methane emissions were calculated using SGIT, with reference to Emission Inventory Improvement Program, Volume VIII: Chapter. 5. “Methods for Estimating Methane Emissions from Natural Gas and Oil Systems”, March 2005.

⁴⁶ Assumption based on “Understanding Energy in Montana”, DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁴⁷ No Gas Facts available for 1991 and 1993, so a linear relationship was assumed to extrapolate from the previous and subsequent year.

⁴⁸ EIA reported data for 1995 and 2004.

⁴⁹ Assumption based on EIA gas processing data.

⁵⁰ Number of gas transmission compressor stations = miles of transmission pipeline x 0.006 EIIP. Volume VIII: Chapt. 5. March 2005.

⁵¹ Number of gas storage compressor stations = miles of transmission pipeline x 0.0015 EIIP. Volume VIII: Chapt. 5. March 2005.

Natural Gas Distribution	Miles of distribution pipeline	Gas Facts	Distribution emissions grow with state gas consumption. ⁵²
	Total number of services	Gas Facts	
	Number of unprotected steel services	Ratio estimated from 2002 data ⁵³	
	Number of protected steel services	Ratio estimated from 2002 data	
Oil Production	Annual production	EIA ⁵⁴	Emissions follow trend of state oil production, which is projected to grow at 5% annually until 2010, then holds flat until 2020. ⁵⁵
Oil Refining	Annual amount refined	EIA ⁵⁶	Emission projections follow trend of annual growth in state oil refining of 2.5%.
Oil Transport	Annual oil transported	Unavailable, assumed oil refined = oil transported	Emissions follow trend of state oil refining, as above.

Future projections of methane emissions from oil and gas systems are calculated based on two key drivers:

- Consumption – Montana’s natural gas consumption is projected to increase at a rate of less than 1% annually, provided that no new natural gas-fired power generation plants are built in the state. Based on a few proposed, yet indefinitely on-hold, power plant projects, state gas consumption could increase by as much as 20-50%.⁵⁷
- Production – Montana oil production peaked in 1968 at 48.5 million bbls annually. With recently increased crude oil prices, annual oil production has been growing at an average rate of 3.5% since 1990 and 14.7% since 2000.⁵⁸ Oil production is therefore estimated to grow at 5% annually until 2010, then remain stable to 2020. State oil refining annual growth has

⁵² Assumption based on “Understanding Energy in Montana”, DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁵³ Gas Facts reported unprotected and protected steel services for 2002, but only total services for other years. Therefore the ratio of unprotected and protected steel services in 2002 was assumed to be the ratio for all other years (0.4891 for protected services and 0.0045 for unprotected services). This yields more congruent results than the EIIP guidance of using multipliers of 0.2841 total services for protected steel services, and 0.0879 for unprotected steel services.

⁵⁴ Data extracted from the Petroleum Supply Annual for each year.

⁵⁵ Assumption based on “Understanding Energy in Montana”, DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁵⁶ Refining assumed to be equal to the total input of crude oil into PADD IV times the ratio of Montana’s refining capacity to PADD IV’s total refining capacity. No data for 1995 and 1997, so linear relationship assumed from previous and subsequent years.

⁵⁷ Assumption based on “Understanding Energy in Montana”, DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>

⁵⁸ Calculated from EIA data.

been 2.7% since 1990 and 2.2% since 2002.⁵⁹ Marketed natural gas production has averaged 4.5% growth annually since 1990 and 10% annual growth since 2000.⁶⁰ Assuming that high natural gas prices continue, assuming 4.5% annual growth in natural gas production until 2010 appears to be a conservative estimate. To account for potential future declines, production is then assumed to hold flat until 2020.⁶¹

Note that potential emission reduction improvements to production, processing, and pipeline technologies have not been accounted for in this analysis.

Coal Production Emissions

Methane occurs naturally in coal seams, and is typically vented during mining operations for safety reasons. This methane is typically referred to as “coal mine methane” in contrast coal bed methane, which is associated with coal seams that are not expected to be mined.

Historical coal mine methane emissions by state are provided in the US EPA National GHG Emissions Inventory. The US EPA estimate annual GHG emissions based on quarterly measurements of methane from all underground coal mines, provided by the US Mines Safety and Health Administration (MMSHA). MMSHA also provide information on coal mines using degasification equipment and those selling methane that is recovered through degasification. The US EPA estimated the levels of methane recovery and sales on a mine-by-mine basis. Coal mine methane emissions are considerably higher, in general, per unit of coal produced, from underground mining than from surface mining. The US EPA estimates methane emissions from surface mines based on the quantity of coal produced and the regional specific emission factors.

As of 2003, 8 coal mines were operation in Montana. From 1990 through 2003, methane emissions from coal mines have remained relatively constant, no more than 10% change from the average annual emissions of 0.2 MMTCO₂e. There was no trend of increase or decrease in that time period. Future coal mine methane emissions will depend on the extent to which new coal mining operations change in response to demands from the power market. No effort has yet been made to estimate these potential changes.

Results

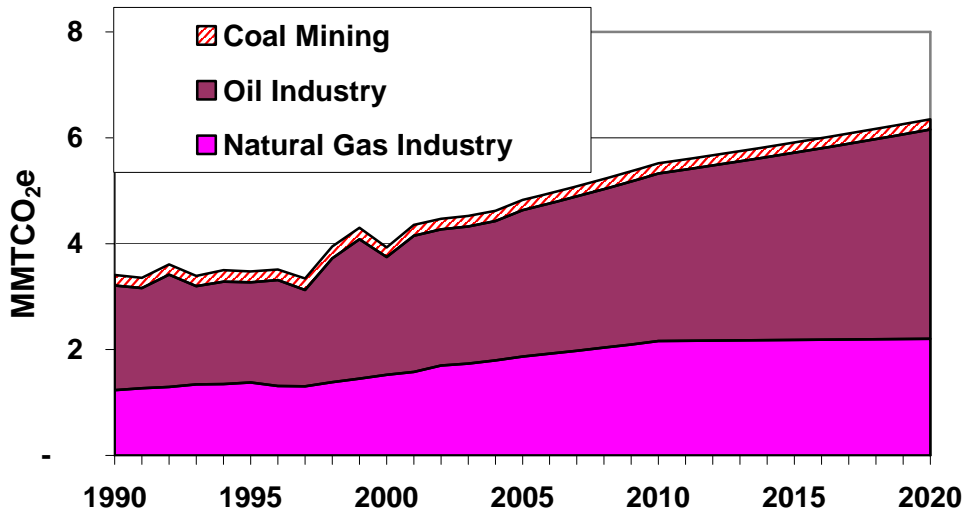
Figure E1 displays the estimated GHG emissions from the fossil fuel industry in Montana from 1990 to 2005, with projections to 2020.

⁵⁹ Based on estimates from EIA data in Petroleum Supply Annual.

⁶⁰ Calculated from EIA data.

⁶¹ Assumption based on calculations from EIA data, supported by discussion in “Understanding Energy in Montana”, DEQ Report for the EQC, October 2004, Accessed at <www.leg.mt.gov/content/publications/lepo/2005_deq_energy_report>.

Figure E1. Methane Emissions and Projections from the Fossil Fuel Industry



Appendix F. Agriculture

The emissions discussed in this appendix refer to non-energy emissions from agriculture. Energy emissions (fossil fuel combustion in agricultural equipment) are included in the RCI sector estimates. The agricultural emissions here include emissions from livestock, agricultural soil management and field burning.

Agricultural emissions include CH₄ and N₂O emissions from enteric fermentation, manure management, agricultural soils and crop residue burning. Emissions were estimated with the use of EPA's SGIT. Data on crops and animals in the state from 1990 to 2002 from the USDA National Agriculture Statistical Service are incorporated as defaults within SGIT. Newer information from NASS on cattle populations (up to 2005) were incorporated into SGIT, as these are one of the primary drivers of GHG emissions in the agricultural sector. However, these newer data had little effect on the estimated emissions.

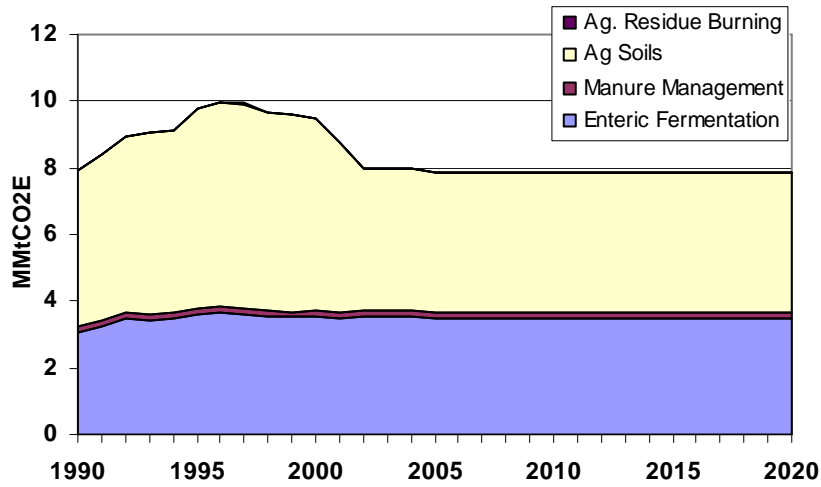
State-specific crop residue burning data were also investigated. In Montana, the only crop residue known to be burned is irrigated wheat. The default acreage burned in SGIT is 3%. Data from a WRAP-sponsored study suggest that only 1% of wheat residue is burned.⁶² Other than cattle, activity data for all other crop and livestock sectors were held constant from 2002 – 2005.

As shown in Figure F1, emissions from agricultural sources remained fairly stable from 1990 through 2020. Historically, total emissions for the sector have ranged from about 8 to 10 MMtCO₂e. Except for emissions from agricultural soils, emissions in each subsector were fairly static. For agricultural soils, emissions grew through the mid-1990's, but then have begun to fall since the late 1990's. Emissions from agricultural soils are N₂O emissions from the use of synthetic fertilizers, crop residue, nitrogen fixing crops, and manure application. Manure application is the largest contributor to the emissions from agricultural soils. There was no rice cultivation in Montana and therefore, no CH₄ and N₂O emissions from this sector.

No information was identified that suggested significant future changes in MT agricultural practices or activity levels. Historical activity levels, based on USDA NASS data, do not show any significant positive or negative trends in Montana agricultural sectors. Therefore, emissions were held constant from 2005 – 2020.

⁶² *Non-Burning Management Alternatives on Agricultural Lands in the Western United States, Volume I: Agricultural Crop Production and Residue Burning in the Western United States*, Eastern Research Group, 2002.

Figure F1. GHG Emissions from Agriculture



Note: From 2005 forward, agricultural activity (and emissions) are held constant.

Appendix G. Waste Management

GHG emissions from waste management include:

- Solid waste management – CH₄ emissions from landfills and waste combustion, accounting for identified CH₄ that is flared or captured for energy production; and
- Wastewater management – CH₄ and N₂O from municipal wastewater treatment facilities.

For solid waste management, we used the U.S. EPA SGIT and the U.S. EPA LMOP landfills database⁶³ to estimate emissions. Since the LMOP database does not include data covering all Montana landfills, CCS is attempting to gather additional data from MTDEQ.⁶⁴ The data from MTDEQ on additional landfill sites, their years of operation, waste in place, and use of landfill gas controls were requested for use as input with the LMOP data to SGIT. The current LMOP database contains data on only 5 of the State's 28 landfills, although these are all landfills that are currently operating and probably the largest in terms of waste emplacement. To obtain the annual disposal for each landfill needed by SGIT, the waste-in-place was divided by the number of years of operation. This average annual disposal rate for each landfill was assumed for all years that the landfill was operating.

Of particular concern are emissions from landfills where the SGIT estimates emissions based on CH₄ recovery methods— this tool uses different methods to estimate emissions from: (1) uncontrolled landfills; (2) landfills with a landfill gas collection system and flare; and (3) landfills with a landfill gas collection system and landfill-gas-to-energy (LFGTE) plant. This information is among the data requested from MTDEQ. For the current 5 LMOP landfills, one is known to be employing an LFGTE system (leachate evaporation). The other four are assumed to collect and flare the landfill gas. For all five of these landfills, we assumed that the overall collection and control efficiency is 75%.⁶⁵

CCS used the SGIT default for industrial landfills. This default is based on national data indicating that industrial landfilled waste is emplaced at approximately 7% of the rate of MSW emplacement. No controls were assumed for industrial waste landfilling. The only municipal waste combustion facility in MT was closed in 2005.³⁹ SGIT defaults were used to estimate emissions up through 2004. From 2005, these emissions were set to zero.

GHG emissions from municipal wastewater treatment were also estimated. Emissions are calculated in EPA's SGIT based on state population, assumed biochemical oxygen demand (BOD) and protein consumption per capita, and emission factors for N₂O and CH₄. The key SGIT default values are shown in Table G1 below.

⁶³ LMOP database is available at: <http://www.epa.gov/lmop/proj/index.htm>. Database downloaded June 2006.

⁶⁴ Rick Thompson, MTDEQ, personal communication with S. Roe, CCS, June 16, 2006.

⁶⁵ As per EPA's AP-42 Section on Municipal Solid Waste Landfills:
<http://www.epa.gov/ttn/chief/ap42/ch02/final/c02s04.pdf>.

For industrial wastewater emissions, SGIT provides default assumptions and emission factors for three industrial sectors: Fruits & Vegetables, Red Meat & Poultry, and Pulp & Paper. Production rates or wastewater flows for each of these three sectors are needed to estimate CH₄ emissions. Based on discussions with MTDEQ, data are available for pulp & paper and possibly meat & poultry. There are no known fruit/vegetable processing facilities in the State.⁶⁶ CCS will incorporate data on wastewater flows, if received from MTDEQ.

Table G1. SGIT Key Default Values for Municipal Wastewater Treatment

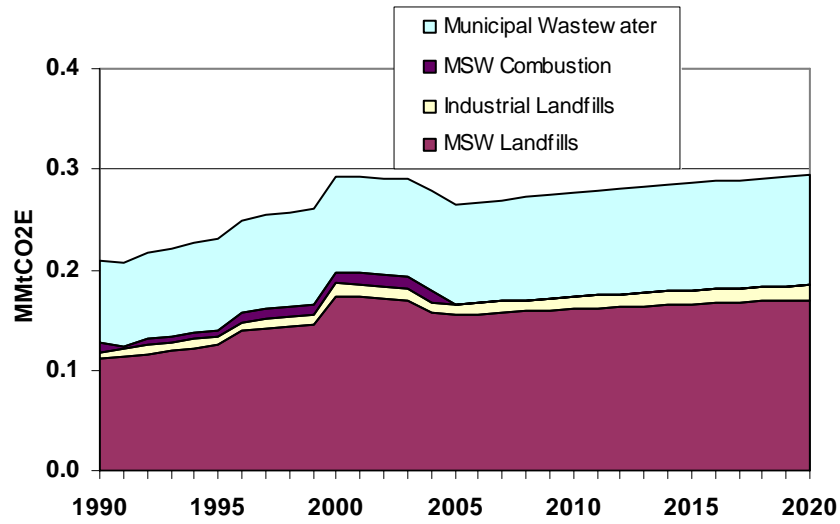
Variable	Value
BOD	0.065 kg /day-person
Amount of BOD anaerobically treated	16.25%
CH ₄ emission factor	0.6 kg/kg BOD
Montana residents not on septic	75%
Water Treatment N ₂ O emission factor	4.0 g N ₂ O/person-yr
Biosolids Emission Factor	0.01 kg N ₂ O-N/kg sewage-N

Figure G1 shows the initial emission estimates for the waste management sector. Overall, the sector accounts for less than 0.5 MMtCO₂e in 2005. For the reference case projections for MSW landfills, growth from the 2005 level was assumed to follow population, because these emissions only include currently operating and controlled (assumed) landfills in MT (emissions from future waste placed into modern landfills will likely be controlled). This is due to Federal requirements (New Source Performance Standards and Emission Guidelines), which require landfills to collect and control landfill gas emissions. Emissions from industrial landfills were forecasted based on Montana non-farm employment growth of 2.3%/year.

Emissions from municipal wastewater treatment were forecasted based on population growth. Forecasts for industrial wastewater treatment will be added pending receipt of data from MTDEQ.

⁶⁶ Bonnie Lovelace & Jeff May, MTDEQ, personal communications with S. Roe, CCS, June 19-21, 2006.

Figure G1. Montana GHG Emissions from Waste Management



Appendix H. Forestry

Forestland emissions refer to the net CO₂ flux⁶⁷ from forested lands in Montana, which account for about 27% of the state's land area. Forestlands are net sinks for Montana, with carbon sinks from forest soils accounting for the largest removal fraction (see Table 9). CO₂ flux from forests was estimated using data on forest carbon pools from the United States Forest Service (USFS).⁶⁸ The carbon pool data are taken from the Forest Carbon Model (FORCARB), which are in turn derived from the USFS Forest Inventory & Analysis (FIA) survey data. Carbon pool data for two periods were used to estimate CO₂ flux. Depending on ownership class, the carbon pool data begin in the 1988-1996 time-frame and end in the 2004 time-frame.

The forestry sink estimates for Montana are driven by an increase in forested area between the first FIA cycle (1988-1996 time-frame) and the second FIA cycle (2004). There was an increase in forested area in national forests of about 330,000 acres during this period. For forested areas outside of national forests, there was an even larger increase of over 1.8 million acres. It is important to note that there were methodological differences in the two FIA cycles that can produce different estimates of forested area. The earlier FIA cycles did not cover reserved lands as well as the more recent FIA surveys. Therefore, these areas were left out of the calculation of forest flux. Also, earlier FIA cycles defined forested area as that with a forest cover of at least 10%, while the newer FIA data are based on a forest cover of 5% (leading to more area being defined as forest). There were relatively minor differences in the overall carbon densities measured between the two FIA cycles (slightly higher in national forests and slightly lower in other forested areas). Finally, the earlier FIA cycles had a focus on timber resources, while more recent surveys have aimed at a more comprehensive gathering of forest biomass data. Given the differences in survey methods, the forest flux estimates should be viewed as conservatively high estimates for Montana forests.

In addition to the forest carbon pools, additional carbon is stored as biomass is removed from the forest for either the production of durable wood products or landfilling of wood waste. An estimate of these removals from 1987 to 1997 was taken from the USFS.⁶⁹ The methods used to construct the inventory for Montana are aligned with those used to produce EPA's national inventory. Additional details on these methods can be found in Annex 3 to EPA's 2006 GHG inventory for the U.S.⁷⁰

For the 1990 and 2000 historic emission estimates as well as the reference case projections, the forest area and carbon densities of forestlands were assumed to be at the same 1988-2004 levels. Hence, there is no change in the estimated future sinks. These assumptions could change based on feedback from MTDEQ, the advisory group, and other state forestry experts.

⁶⁷ "Flux" refers to both emissions of CO₂ to the atmosphere and removal (sinks) of CO₂ from the atmosphere.

⁶⁸ Jim Smith, USFS, personal communication with S. Roe, CCS, June 5, 2006.

⁶⁹ <http://www.fs.fed.us/ne/global/pubs/books/epa/states/MT.htm>.

⁷⁰ Annex 3 to EPA's 2006 report can be downloaded at:

[http://yosemite.epa.gov/oar/globalwarming.nsf/UniqueKeyLookup/RAMR6MBLNQ/\\$File/06_annex_Chapter3.pdf](http://yosemite.epa.gov/oar/globalwarming.nsf/UniqueKeyLookup/RAMR6MBLNQ/$File/06_annex_Chapter3.pdf).

In order to provide a more comprehensive understanding of GHG sources/sinks from the forestry sector, CCS is currently reviewing methods to develop state-wide estimates for methane and nitrous oxide from wildfires and prescribed burns. This analysis is being conducted as part of a regional study for a group of western states (like the black carbon inventory). The emission estimates will be derived from wildfire/prescribed burn emissions data compiled by the Western Regional Air Partnership (WRAP). CCS is investigating the development of methane emissions from the WRAP's emission estimates for volatile organic compounds and nitrous oxide emissions from the WRAP's oxides of nitrogen estimates. Any estimates for these GHGs in MT will be included in a revised version of this report.

Table 9. GHG Sinks in Forests and Wood Products

Carbon Pool	MMtCO₂e/yr
Live Trees	-9.0
Standing Dead Trees	-5.0
Live Understory	-1.2
Down and Dead Trees	-0.6
Forest Floor	-8.8
Soils	-11.8
Harvested Wood Products & Landfilled Forestry Waste	-13.3
Total	-49.7

Key Uncertainties

Key uncertainties in the estimates of forest sinks stem from differences in survey methods between the different FIA cycles. For example, surveys since 1999 include all dead trees on the plots, but data prior to that are extremely variable. This is mostly because dead trees were not timber and not the focus of data collection. Also, according to USFS, the first FIA survey missed much of the non-NFS reserved lands, so these areas were left out of the estimation of flux. Finally, different FIA cycles have used different forest cover definitions, which lead to differences in the estimated acreage of forests (later FIA data are based on a 5% forest cover definition as compared to the earlier 10% definition). The effect of these changes is not something that can be estimated by the USFS, but could have lead to a significant portion of the increase in forested area in MT and the associated CO₂ flux.

Appendix I. Greenhouse Gases and Global Warming Potential Values: Excerpts from the *Inventory of U.S. Greenhouse Emissions and Sinks: 1990-2000*

Original Reference: Material for this Appendix is taken from the *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990 - 2000*, U.S. Environmental Protection Agency, Office of Atmospheric Programs, EPA 430-R-02-003, April 2002 (www.epa.gov/globalwarming/publications/emissions). Michael Gillenwater directed the preparation of this appendix.

Introduction

The *Inventory of U.S. Greenhouse Gas Emissions and Sinks* presents estimates by the United States government of U.S. anthropogenic greenhouse gas emissions and removals for the years 1990 through 2000. The estimates are presented on both a full molecular mass basis and on a Global Warming Potential (GWP) weighted basis in order to show the relative contribution of each gas to global average radiative forcing.

The Intergovernmental Panel on Climate Change (IPCC) has recently updated the specific global warming potentials for most greenhouse gases in their Third Assessment Report (TAR, IPCC 2001). Although the GWPs have been updated, estimates of emissions presented in the U.S. *Inventory* continue to use the GWPs from the Second Assessment Report (SAR). The guidelines under which the *Inventory* is developed, the *Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories* (IPCC/UNEP/OECD/IEA 1997) and the United Nations Framework Convention on Climate Change (UNFCCC) reporting guidelines for national inventories⁷¹ were developed prior to the publication of the TAR. Therefore, to comply with international reporting standards under the UNFCCC, official emission estimates are reported by the United States using SAR GWP values. This excerpt of the U.S. *Inventory* addresses in detail the differences between emission estimates using these two sets of GWPs. Overall, these revisions to GWP values do not have a significant effect on U.S. emission trends.

Additional discussion on emission trends for the United States can be found in the complete *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2000*.

What is Climate Change?

Climate change refers to long-term fluctuations in temperature, precipitation, wind, and other elements of the Earth's climate system. Natural processes such as solar-irradiance variations, variations in the Earth's orbital parameters, and volcanic activity can produce variations in climate. The climate system can also be influenced by changes in the concentration of various gases in the atmosphere, which affect the Earth's absorption of radiation.

The Earth naturally absorbs and reflects incoming solar radiation and emits longer wavelength terrestrial (thermal) radiation back into space. On average, the absorbed solar radiation is balanced by the outgoing terrestrial radiation emitted to space. A portion of this terrestrial radiation, though, is itself absorbed by gases in the atmosphere. The energy from this absorbed terrestrial radiation warms the Earth's surface and atmosphere, creating what is known as the "natural greenhouse effect." Without the natural heat-trapping properties of these atmospheric gases, the average surface temperature of the Earth would be about 33°C lower (IPCC 2001).

Under the UNFCCC, the definition of climate change is "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in

⁷¹ See FCCC/CP/1999/7 at <www.unfccc.de>.

addition to natural climate variability observed over comparable time periods.” Given that definition, in its Second Assessment Report of the science of climate change, the IPCC concluded that:

Human activities are changing the atmospheric concentrations and distributions of greenhouse gases and aerosols. These changes can produce a radiative forcing by changing either the reflection or absorption of solar radiation, or the emission and absorption of terrestrial radiation (IPCC 1996).

Building on that conclusion, the more recent IPCC Third Assessment Report asserts that “[c]oncentrations of atmospheric greenhouse gases and their radiative forcing have continued to increase as a result of human activities” (IPCC 2001).

The IPCC went on to report that the global average surface temperature of the Earth has increased by between $0.6 \pm 0.2^{\circ}\text{C}$ over the 20th century (IPCC 2001). This value is about 0.15°C larger than that estimated by the Second Assessment Report, which reported for the period up to 1994, “owing to the relatively high temperatures of the additional years (1995 to 2000) and improved methods of processing the data” (IPCC 2001).

While the Second Assessment Report concluded, “the balance of evidence suggests that there is a discernible human influence on global climate,” the Third Assessment Report states the influence of human activities on climate in even starker terms. It concludes that, “[I]n light of new evidence and taking into account the remaining uncertainties, most of the observed warming over the last 50 years is likely to have been due to the increase in greenhouse gas concentrations” (IPCC 2001).

Greenhouse Gases

Although the Earth’s atmosphere consists mainly of oxygen and nitrogen, neither plays a significant role in enhancing the greenhouse effect because both are essentially transparent to terrestrial radiation. The greenhouse effect is primarily a function of the concentration of water vapor, carbon dioxide, and other trace gases in the atmosphere that absorb the terrestrial radiation leaving the surface of the Earth (IPCC 1996). Changes in the atmospheric concentrations of these greenhouse gases can alter the balance of energy transfers between the atmosphere, space, land, and the oceans. A gauge of these changes is called radiative forcing, which is a simple measure of changes in the energy available to the Earth-atmosphere system (IPCC 1996). Holding everything else constant, increases in greenhouse gas concentrations in the atmosphere will produce positive radiative forcing (i.e., a net increase in the absorption of energy by the Earth).

Climate change can be driven by changes in the atmospheric concentrations of a number of radiatively active gases and aerosols. We have clear evidence that human activities have affected concentrations, distributions and life cycles of these gases (IPCC 1996).

Naturally occurring greenhouse gases include water vapor, carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and ozone (O_3). Several classes of halogenated substances that contain fluorine, chlorine, or bromine are also greenhouse gases, but they are, for the most part, solely a product of industrial activities. Chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) are halocarbons that contain chlorine, while halocarbons that contain bromine are referred to as bromofluorocarbons (i.e., halons). Because CFCs, HCFCs, and halons are stratospheric ozone depleting substances, they are covered under the Montreal Protocol on Substances that Deplete the Ozone Layer. The UNFCCC defers to this earlier international treaty; consequently these gases are not included in national greenhouse gas inventories. Some other fluorine containing halogenated substances—hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6)—do not deplete stratospheric ozone but are potent greenhouse gases. These latter substances are addressed by the UNFCCC and accounted for in national greenhouse gas inventories.

There are also several gases that, although they do not have a commonly agreed upon direct radiative forcing effect, do influence the global radiation budget. These tropospheric gases—referred to as ambient

air pollutants—include carbon monoxide (CO), nitrogen dioxide (NO₂), sulfur dioxide (SO₂), and tropospheric (ground level) ozone (O₃). Tropospheric ozone is formed by two precursor pollutants, volatile organic compounds (VOCs) and nitrogen oxides (NO_x) in the presence of ultraviolet light (sunlight). Aerosols—extremely small particles or liquid droplets—often composed of sulfur compounds, carbonaceous combustion products, crustal materials and other human induced pollutants—can affect the absorptive characteristics of the atmosphere. However, the level of scientific understanding of aerosols is still very low (IPCC 2001).

Carbon dioxide, methane, and nitrous oxide are continuously emitted to and removed from the atmosphere by natural processes on Earth. Anthropogenic activities, however, can cause additional quantities of these and other greenhouse gases to be emitted or sequestered, thereby changing their global average atmospheric concentrations. Natural activities such as respiration by plants or animals and seasonal cycles of plant growth and decay are examples of processes that only cycle carbon or nitrogen between the atmosphere and organic biomass. Such processes—except when directly or indirectly perturbed out of equilibrium by anthropogenic activities—generally do not alter average atmospheric greenhouse gas concentrations over decadal timeframes. Climatic changes resulting from anthropogenic activities, however, could have positive or negative feedback effects on these natural systems. Atmospheric concentrations of these gases, along with their rates of growth and atmospheric lifetimes, are presented in Table 10.

Table 10. Global Atmospheric Concentration (ppm Unless Otherwise Specified), Rate of Concentration Change (ppb/year) and Atmospheric Lifetime (Years) of Selected Greenhouse Gases

Atmospheric Variable	CO ₂	CH ₄	N ₂ O	SF ₆ ^a	CF ₄ ^a
Pre-industrial atmospheric concentration	278	0.700	0.270	0	40
Atmospheric concentration (1998)	365	1.745	0.314	4.2	80
Rate of concentration change ^b	1.5 ^c	0.007 ^c	0.0008	0.24	1.0
Atmospheric Lifetime	50-200 ^d	12 ^e	114 ^e	3,200	>50,000

Source: IPCC (2001)

^a Concentrations in parts per trillion (ppt) and rate of concentration change in ppt/year.

^b Rate is calculated over the period 1990 to 1999.

^c Rate has fluctuated between 0.9 and 2.8 ppm per year for CO₂ and between 0 and 0.013 ppm per year for CH₄ over the period 1990 to 1999.

^d No single lifetime can be defined for CO₂ because of the different rates of uptake by different removal processes.

^e This lifetime has been defined as an “adjustment time” that takes into account the indirect effect of the gas on its own residence time.

A brief description of each greenhouse gas, its sources, and its role in the atmosphere is given below. The following section then explains the concept of Global Warming Potentials (GWPs), which are assigned to individual gases as a measure of their relative average global radiative forcing effect.

Water Vapor (H₂O). Overall, the most abundant and dominant greenhouse gas in the atmosphere is water vapor. Water vapor is neither long-lived nor well mixed in the atmosphere, varying spatially from 0 to 2 percent (IPCC 1996). In addition, atmospheric water can exist in several physical states including gaseous, liquid, and solid. Human activities are not believed to directly affect the average global concentration of water vapor; however, the radiative forcing produced by the increased concentrations of other greenhouse gases may indirectly affect the hydrologic cycle. A warmer atmosphere has an increased water holding capacity; yet, increased concentrations of water vapor affects the formation of clouds, which can both absorb and reflect solar and terrestrial radiation. Aircraft contrails, which consist of water vapor and other aircraft emittants, are similar to clouds in their radiative forcing effects (IPCC 1999).

Carbon Dioxide (CO₂). In nature, carbon is cycled between various atmospheric, oceanic, land biotic, marine biotic, and mineral reservoirs. The largest fluxes occur between the atmosphere and terrestrial biota, and between the atmosphere and surface water of the oceans. In the atmosphere, carbon predominantly exists in its oxidized form as CO₂. Atmospheric carbon dioxide is part of this global carbon cycle, and therefore its fate is a complex function of geochemical and biological processes. Carbon dioxide concentrations in the atmosphere increased from approximately 280 parts per million by volume (ppmv) in pre-industrial times to 367 ppmv in 1999, a 31 percent increase (IPCC 2001). The IPCC notes that “[t]his concentration has not been exceeded during the past 420,000 years, and likely not during the past 20 million years. The rate of increase over the past century is unprecedented, at least during the past 20,000 years.” The IPCC definitively states that “the present atmospheric CO₂ increase is caused by anthropogenic emissions of CO₂” (IPCC 2001). Forest clearing, other biomass burning, and some non-energy production processes (e.g., cement production) also emit notable quantities of carbon dioxide.

In its second assessment, the IPCC also stated that “[t]he increased amount of carbon dioxide [in the atmosphere] is leading to climate change and will produce, on average, a global warming of the Earth’s surface because of its enhanced greenhouse effect—although the magnitude and significance of the effects are not fully resolved” (IPCC 1996).

Methane (CH₄). Methane is primarily produced through anaerobic decomposition of organic matter in biological systems. Agricultural processes such as wetland rice cultivation, enteric fermentation in animals, and the decomposition of animal wastes emit CH₄, as does the decomposition of municipal solid wastes. Methane is also emitted during the production and distribution of natural gas and petroleum, and is released as a by-product of coal mining and incomplete fossil fuel combustion. Atmospheric concentrations of methane have increased by about 150 percent since pre-industrial times, although the rate of increase has been declining. The IPCC has estimated that slightly more than half of the current CH₄ flux to the atmosphere is anthropogenic, from human activities such as agriculture, fossil fuel use and waste disposal (IPCC 2001).

Methane is removed from the atmosphere by reacting with the hydroxyl radical (OH) and is ultimately converted to CO₂. Minor removal processes also include reaction with Cl in the marine boundary layer, a soil sink, and stratospheric reactions. Increasing emissions of methane reduce the concentration of OH, a feedback which may increase methane’s atmospheric lifetime (IPCC 2001).

Nitrous Oxide (N₂O). Anthropogenic sources of N₂O emissions include agricultural soils, especially the use of synthetic and manure fertilizers; fossil fuel combustion, especially from mobile combustion; adipic (nylon) and nitric acid production; wastewater treatment and waste combustion; and biomass burning. The atmospheric concentration of nitrous oxide (N₂O) has increased by 16 percent since 1750, from a pre industrial value of about 270 ppb to 314 ppb in 1998, a concentration that has not been exceeded during the last thousand years. Nitrous oxide is primarily removed from the atmosphere by the photolytic action of sunlight in the stratosphere.

Ozone (O₃). Ozone is present in both the upper stratosphere, where it shields the Earth from harmful levels of ultraviolet radiation, and at lower concentrations in the troposphere, where it is the main component of anthropogenic photochemical “smog.” During the last two decades, emissions of anthropogenic chlorine and bromine-containing halocarbons, such as chlorofluorocarbons (CFCs), have depleted stratospheric ozone concentrations. This loss of ozone in the stratosphere has resulted in negative radiative forcing, representing an indirect effect of anthropogenic emissions of chlorine and bromine compounds (IPCC 1996). The depletion of stratospheric ozone and its radiative forcing was expected to reach a maximum in about 2000 before starting to recover, with detection of such recovery not expected to occur much before 2010 (IPCC 2001).

The past increase in tropospheric ozone, which is also a greenhouse gas, is estimated to provide the third largest increase in direct radiative forcing since the pre-industrial era, behind CO₂ and CH₄. Tropospheric ozone is produced from complex chemical reactions of volatile organic compounds mixing with nitrogen oxides (NO_x) in the presence of sunlight. Ozone, carbon monoxide (CO), sulfur dioxide (SO₂), nitrogen dioxide (NO₂) and particulate matter are included in the category referred to as “criteria pollutants” in the United States under the Clean Air Act and its subsequent amendments. The tropospheric concentrations of ozone and these other pollutants are short-lived and, therefore, spatially variable.

Halocarbons, Perfluorocarbons, and Sulfur Hexafluoride (SF₆). Halocarbons are, for the most part, man-made chemicals that have both direct and indirect radiative forcing effects. Halocarbons that contain chlorine—chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs), methyl chloroform, and carbon tetrachloride—and bromine—halons, methyl bromide, and hydrobromofluorocarbons (HBFCs)—result in stratospheric ozone depletion and are therefore controlled under the Montreal Protocol on Substances that Deplete the Ozone Layer. Although CFCs and HCFCs include potent global warming gases, their net radiative forcing effect on the atmosphere is reduced because they cause stratospheric ozone depletion, which is itself an important greenhouse gas in addition to shielding the Earth from harmful levels of ultraviolet radiation. Under the Montreal Protocol, the United States phased out the production and importation of halons by 1994 and of CFCs by 1996. Under the Copenhagen Amendments to the Protocol, a cap was placed on the production and importation of HCFCs by non-Article 5 countries beginning in 1996, and then followed by a complete phase-out by the year 2030. The ozone depleting gases covered under the Montreal Protocol and its Amendments are not covered by the UNFCCC.

Hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆) are not ozone depleting substances, and therefore are not covered under the Montreal Protocol. They are, however, powerful greenhouse gases. HFCs—primarily used as replacements for ozone depleting substances but also emitted as a by-product of the HCFC-22 manufacturing process—currently have a small aggregate radiative forcing impact; however, it is anticipated that their contribution to overall radiative forcing will increase (IPCC 2001). PFCs and SF₆ are predominantly emitted from various industrial processes including aluminum smelting, semiconductor manufacturing, electric power transmission and distribution, and magnesium casting. Currently, the radiative forcing impact of PFCs and SF₆ is also small; however, they have a significant growth rate, extremely long atmospheric lifetimes, and are strong absorbers of infrared radiation, and therefore have the potential to influence climate far into the future (IPCC 2001).

Carbon Monoxide (CO). Carbon monoxide has an indirect radiative forcing effect by elevating concentrations of CH₄ and tropospheric ozone through chemical reactions with other atmospheric constituents (e.g., the hydroxyl radical, OH) that would otherwise assist in destroying CH₄ and tropospheric ozone. Carbon monoxide is created when carbon-containing fuels are burned incompletely. Through natural processes in the atmosphere, it is eventually oxidized to CO₂. Carbon monoxide concentrations are both short-lived in the atmosphere and spatially variable.

Nitrogen Oxides (NO_x). The primary climate change effects of nitrogen oxides (i.e., NO and NO₂) are indirect and result from their role in promoting the formation of ozone in the troposphere and, to a lesser degree, lower stratosphere, where it has positive radiative forcing effects. Additionally, NO_x emissions from aircraft are also likely to decrease methane concentrations, thus having a negative radiative forcing effect (IPCC 1999). Nitrogen oxides are created from lightning, soil microbial activity, biomass burning – both natural and anthropogenic fires – fuel combustion, and, in the stratosphere, from the photo-degradation of nitrous oxide (N₂O). Concentrations of NO_x are both relatively short-lived in the atmosphere and spatially variable.

Nonmethane Volatile Organic Compounds (NMVOCs). Nonmethane volatile organic compounds include compounds such as propane, butane, and ethane. These compounds participate, along with NO_x, in the formation of tropospheric ozone and other photochemical oxidants. NMVOCs are emitted primarily from transportation and industrial processes, as well as biomass burning and non-industrial consumption of organic solvents. Concentrations of NMVOCs tend to be both short-lived in the atmosphere and spatially variable.

Aerosols. Aerosols are extremely small particles or liquid droplets found in the atmosphere. They can be produced by natural events such as dust storms and volcanic activity, or by anthropogenic processes such as fuel combustion and biomass burning. They affect radiative forcing in both direct and indirect ways: directly by scattering and absorbing solar and thermal infrared radiation; and indirectly by increasing droplet counts that modify the formation, precipitation efficiency, and radiative properties of clouds. Aerosols are removed from the atmosphere relatively rapidly by precipitation. Because aerosols generally have short atmospheric lifetimes, and have concentrations and compositions that vary regionally, spatially, and temporally, their contributions to radiative forcing are difficult to quantify (IPCC 2001).

The indirect radiative forcing from aerosols is typically divided into two effects. The first effect involves decreased droplet size and increased droplet concentration resulting from an increase in airborne aerosols. The second effect involves an increase in the water content and lifetime of clouds due to the effect of reduced droplet size on precipitation efficiency (IPCC 2001). Recent research has placed a greater focus on the second indirect radiative forcing effect of aerosols.

Various categories of aerosols exist, including naturally produced aerosols such as soil dust, sea salt, biogenic aerosols, sulphates, and volcanic aerosols, and anthropogenically manufactured aerosols such as industrial dust and carbonaceous aerosols (e.g., black carbon, organic carbon) from transportation, coal combustion, cement manufacturing, waste incineration, and biomass burning.

The net effect of aerosols is believed to produce a negative radiative forcing effect (i.e., net cooling effect on the climate), although because they are short-lived in the atmosphere—lasting days to weeks—their concentrations respond rapidly to changes in emissions. Locally, the negative radiative forcing effects of aerosols can offset the positive forcing of greenhouse gases (IPCC 1996). “However, the aerosol effects do not cancel the global-scale effects of the much longer-lived greenhouse gases, and significant climate changes can still result” (IPCC 1996).

The IPCC’s Third Assessment Report notes that “the indirect radiative effect of aerosols is now understood to also encompass effects on ice and mixed-phase clouds, but the magnitude of any such indirect effect is not known, although it is likely to be positive” (IPCC 2001). Additionally, current research suggests that another constituent of aerosols, elemental carbon, may have a positive radiative forcing (Jacobson 2001). The primary anthropogenic emission sources of elemental carbon include diesel exhaust, coal combustion, and biomass burning.

Global Warming Potentials

Global Warming Potentials (GWPs) are intended as a quantified measure of the globally averaged relative radiative forcing impacts of a particular greenhouse gas. It is defined as the cumulative radiative forcing—both direct and indirect effects—integrated over a period of time from the emission of a unit mass of gas relative to some reference gas (IPCC 1996). Carbon dioxide (CO₂) was chosen as this reference gas. Direct effects occur when the gas itself is a greenhouse gas. Indirect radiative forcing occurs when chemical transformations involving the original gas produce a gas or gases that are greenhouse gases, or when a gas influences other radiatively important processes such as the atmospheric lifetimes of other gases. The relationship between gigagrams (Gg) of a gas and Tg CO₂ Eq. can be expressed as follows:

$$\text{Tg CO}_2 \text{ Eq} = (\text{Gg of gas}) \times (\text{GWP}) \times \left(\frac{\text{Tg}}{1,000 \text{ Gg}} \right) \text{ where,}$$

Tg CO₂ Eq. = Teragrams of Carbon Dioxide Equivalents
 Gg = Gigagrams (equivalent to a thousand metric tons)

GWP = Global Warming Potential
 Tg = Teragrams

GWP values allow policy makers to compare the impacts of emissions and reductions of different gases. According to the IPCC, GWPs typically have an uncertainty of roughly ±35 percent, though some GWPs have larger uncertainty than others, especially those in which lifetimes have not yet been ascertained. In the following decision, the parties to the UNFCCC have agreed to use consistent GWPs from the IPCC Second Assessment Report (SAR), based upon a 100 year time horizon, although other time horizon values are available (see Table 11).

In addition to communicating emissions in units of mass, Parties may choose also to use global warming potentials (GWPs) to reflect their inventories and projections in carbon dioxide-equivalent terms, using information provided by the Intergovernmental Panel on Climate Change (IPCC) in its Second Assessment Report. Any use of GWPs should be based on the effects of the greenhouse gases over a 100-year time horizon. In addition, Parties may also use other time horizons. (FCCC/CP/1996/15/Add.1)

Greenhouse gases with relatively long atmospheric lifetimes (e.g., CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆) tend to be evenly distributed throughout the atmosphere, and consequently global average concentrations can be determined. The short-lived gases such as water vapor, carbon monoxide, tropospheric ozone, other ambient air pollutants (e.g., NO_x, and NMVOCs), and tropospheric aerosols (e.g., SO₂ products and black carbon), however, vary spatially, and consequently it is difficult to quantify their global radiative forcing impacts. GWP values are generally not attributed to these gases that are short-lived and spatially inhomogeneous in the atmosphere.

Table 11. Global Warming Potentials (GWP) and Atmospheric Lifetimes (Years) Used in the Inventory

Gas	Atmospheric Lifetime	100-year GWP ^a	20-year GWP	500-year GWP
Carbon dioxide (CO ₂)	50-200	1	1	1
Methane (CH ₄) ^b	12±3	21	56	6.5
Nitrous oxide (N ₂ O)	120	310	280	170
HFC-23	264	11,700	9,100	9,800
HFC-125	32.6	2,800	4,600	920
HFC-134a	14.6	1,300	3,400	420
HFC-143a	48.3	3,800	5,000	1,400
HFC-152a	1.5	140	460	42
HFC-227ea	36.5	2,900	4,300	950
HFC-236fa	209	6,300	5,100	4,700
HFC-4310mee	17.1	1,300	3,000	400
CF ₄	50,000	6,500	4,400	10,000
C ₂ F ₆	10,000	9,200	6,200	14,000
C ₄ F ₁₀	2,600	7,000	4,800	10,100
C ₆ F ₁₄	3,200	7,400	5,000	10,700
SF ₆	3,200	23,900	16,300	34,900

Source: IPCC (1996)

^a GWPs used here are calculated over 100 year time horizon

^b The methane GWP includes the direct effects and those indirect effects due to the production of tropospheric ozone and stratospheric water vapor. The indirect effect due to the production of CO₂ is not included.

Table 12 presents direct and net (i.e., direct and indirect) GWPs for ozone-depleting substances (ODSs). Ozone-depleting substances directly absorb infrared radiation and contribute to positive radiative forcing; however, their effect as ozone-depleters also leads to a negative radiative forcing because ozone itself is a potent greenhouse gas. There is considerable uncertainty regarding this indirect effect; therefore, a range of net GWPs is provided for ozone depleting substances.

Table 12. Net 100-year Global Warming Potentials for Select Ozone Depleting Substances*

Gas	Direct	Net _{min}	Net _{max}
CFC-11	4,600	(600)	3,600
CFC-12	10,600	7,300	9,900
CFC-113	6,000	2,200	5,200
HCFC-22	1,700	1,400	1,700
HCFC-123	120	20	100
HCFC-124	620	480	590
HCFC-141b	700	(5)	570
HCFC-142b	2,400	1,900	2,300
CHCl ₃	140	(560)	0
CCl ₄	1,800	(3,900)	660
CH ₃ Br	5	(2,600)	(500)
Halon-1211	1,300	(24,000)	(3,600)
Halon-1301	6,900	(76,000)	(9,300)

Source: IPCC (2001)

* Because these compounds have been shown to deplete stratospheric ozone, they are typically referred to as ozone depleting substances (ODSs). However, they are also potent greenhouse gases. Recognizing the harmful effects of these compounds on the ozone layer, in 1987 many governments signed the *Montreal Protocol on Substances that Deplete the Ozone Layer* to limit the production and importation of a number of CFCs and other halogenated compounds. The United States furthered its commitment to phase-out ODSs by signing and ratifying the Copenhagen Amendments to the *Montreal Protocol* in 1992. Under these amendments, the United States committed to ending the production and importation of halons by 1994, and CFCs by 1996. The IPCC Guidelines and the UNFCCC do not include reporting instructions for estimating emissions of ODSs because their use is being phased-out under the *Montreal Protocol*. The effects of these compounds on radiative forcing are not addressed here.

The IPCC recently published its Third Assessment Report (TAR), providing the most current and comprehensive scientific assessment of climate change (IPCC 2001). Within that report, the GWPs of several gases were revised relative to the IPCC's Second Assessment Report (SAR) (IPCC 1996), and new GWPs have been calculated for an expanded set of gases. Since the SAR, the IPCC has applied an improved calculation of CO₂ radiative forcing and an improved CO₂ response function (presented in WMO 1999). The GWPs are drawn from WMO (1999) and the SAR, with updates for those cases where new laboratory or radiative transfer results have been published. Additionally, the atmospheric lifetimes of some gases have been recalculated. Because the revised radiative forcing of CO₂ is about 12 percent lower than that in the SAR, the GWPs of the other gases relative to CO₂ tend to be larger, taking into account revisions in lifetimes. However, there were some instances in which other variables, such as the radiative efficiency or the chemical lifetime, were altered that resulted in further increases or decreases in particular GWP values. In addition, the values for radiative forcing and lifetimes have been calculated for a variety of halocarbons, which were not presented in the SAR. The changes are described in the TAR as follows:

New categories of gases include fluorinated organic molecules, many of which are ethers that are proposed as halocarbon substitutes. Some of the GWPs have larger uncertainties than that of others, particularly for those gases where detailed laboratory data on lifetimes are not yet available. The direct GWPs have been calculated relative to CO₂ using an improved calculation of the CO₂ radiative forcing, the SAR response function for a CO₂ pulse, and new values for the radiative forcing and lifetimes for a number of halocarbons.

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