APPENDIX A

Project Tracking, Reporting and Evaluation
-- A Guide to XL Project Teams –

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Note – This is currently a draft document, and therefore, EPA welcomes your review and input. If you have comments or questions regarding this document, please contact:

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Introduction

In the Project XL guide "Best Practices for Proposal Development," EPA explains that the Agency and other stakeholders need to know how data on the performance of the project will be collected and made available. The "Best Practices" guide explains that it will be necessary to monitor results throughout the life of the project, so that a project's commitments (enforceable and voluntary) and environmental performance can be tracked and evaluated. Another very important purpose of project tracking and reporting is to assist EPA in the evaluation of the innovative aspects of the projects to determine what can be potentially transferred to broader federal regulations and policies. To accomplish this, EPA will seek information on a project's environmental performance, stakeholder involvement accomplishments, economic performance, and other key benefits. This document is a companion piece to the "Model FPA," *[Insert Final Title here]* and is designed to help each XL project team develop a framework for tracking and reporting for each project.

Who is responsible for developing and submitting project reports?

The project sponsor is responsible for developing and submitting project reports. However, as part of the Final Project Agreement (FPA), the project sponsors, the regulatory agencies (EPA, state or local), and the stakeholders will have to agree on an acceptable tracking and reporting framework. This includes the data collection methodology, the type of information, the format, and the frequency of tracking and reporting necessary for an individual project.

What does EPA require for project tracking and reporting?

Because each project is unique, EPA does not have specific requirements for the substance and format of a project report. However, EPA does have strong expectations for project reporting, including:

(1) tracking and reporting will be necessary throughout the life of the project;
(2) performance data will be available to the public;
(3) at a minimum, the project sponsor will prepare an annual report; and
(4) the reports will be made available on the Internet, via the sponsors' or another organization's Internet site, and will feature a "hot link" to the EPA Project XL website. This will eliminate the submission of "hard copy" project reports to EPA.

For example, the Weyerhaeuser XL Project at the company's Flint River facility in Oglethorpe, Georgia, prepares annual and midyear reports for distribution to EPA, the State of Georgia, and local stakeholders. Also, interested members of the public can request data and reports on the XL project directly from the Flint River facility. In another example, as part of its XL project, Intel's semiconductor facility in Chandler, Arizona is reporting its environmental performance in a consolidated

format on the Internet and does not submit "hard copy" documents to EPA. The reporting format for the Intel XL project was designed in conjunction with EPA, the State, Maricopa County, the City of Chandler, and local stakeholders.

Can the project reports streamline or consolidate environmental information currently required by the regulatory system?

Yes. EPA hopes that the XL project teams will consider opportunities and innovative approaches to consolidate and streamline reporting, since "paperwork reduction" is a potential benefit that is listed in the 8 Project XL Criteria (see "Best Practices" for more detail). In fact, a number of projects -- such as the Weyerhaeuser, Intel, and Merck XL Projects – are testing different approaches to consolidated or tiered reporting of the environmental information required by federal, state and local regulations. These approaches are described in the projects' FPAs which are available on EPA's Internet site at http://www.epa.gov/projectxl.

However, in some cases, consolidated reporting that meets regulatory requirements beyond the XL project may not be practical. In these cases, EPA will still expect the sponsor to submit project reports. Sponsor reports will be crucial in the short-term and long-term by giving the regulatory agencies and other stakeholders the necessary information for evaluating the progress and potential transferability of each project.

In addition, as a project progresses, the elements of a project's tracking and reporting framework may need to as well. For example, the "Year One" report may capture the capital investment in the project, whereas "Year Two" may not need to report on capital investment, but focuses on environmental data and analysis.

Will the project reports contain confidential business or security sensitive information?

There may be instances where sponsors must release confidential business or security sensitive information to federal, state or local regulators, as part of the project's reporting requirements. Under these circumstances, sponsors and regulators must establish appropriate safeguards to handling sensitive information on a case-by-case basis. Confidential business or security sensitive information related to XL projects will not be made available to the general public by EPA (for example, it will neither be posted on the Internet, nor made available from EPA's XL Docket), except as provided in applicable EPA regulations governing confidential business information (40 CFR Subpart 2) and national security information [Executive Order 11652 (37 FR 5209, March 10, 1972) and the National Security Directive of May 17, 1972 (37 FR 10053, May 19, 1972)]. The project teams must consider ways to publicly refer to important environmental and economic information without jeopardizing a company's proprietary processes or a federal facility's security practices.

Should the project reports describe results such as capital costs, cost savings, economic benefits, or other unexpected benefits?

Yes. Cost savings and benefits are part of the eight Project XL Criteria (see "Best Practices" for more details). This information will be particularly important to the regulated entities, regulatory agencies and other stakeholders who will be evaluating potential transferability of each project to a broader set of the regulated community. To the degree that this information can be regularly reported, it will be invaluable. In fact, the Lucent and HADCO XL projects specify that the sponsors will do ongoing evaluation of the cost savings associated with the superior environmental performance of the projects. This is described in the projects' Final Project Agreements which are available on EPA's Internet site at http://www.epa.gov/projectxl.

EPA will pursue cost/benefit information on an ongoing basis. The Agency is working on a framework and sampling plan that will permit effective evaluation of the financial costs and benefits accruing to XL projects.

Should the project reports describe stakeholder involvement activities?

Yes. Stakeholder involvement is a crucial element of each project, so reporting on these activities is appropriate. EPA expects to periodically evaluate how well the Project XL program is doing on stakeholder involvement and how satisfied stakeholders are with specific project outcomes. In September 1998, a report entitled *Evaluation of Project XL Stakeholder Processes* was prepared for EPA (it is available on EPA's Internet site at http://www.epa.gov/projectxl). This report provided a review of the design and conduct of the stakeholder processes at four XL projects that are implementing FPAs. EPA plans to complete additional evaluations of the stakeholder processes in the future.

What information does EPA recommend a Project Report contain?

Because each project is unique, EPA does not have specific requirements for what a project report should contain. However, EPA can recommend a series of questions that should be considered when a tracking and reporting framework is developed for the FPA. These questions are in the areas of: general project commitments, measuring superior environmental performance, stakeholder involvement, and cost/cost savings.

A. Tracking Project Commitments -- *In order to understand the overall performance of the project, and to track progress in meeting the commitments that project sponsors (and regulators) have made in the FPA.*

1. What are the enforceable commitments that the project sponsor is legally bound to meet (e.g., the commitments required by the permit or site-specific rule supporting the FPA)? How is performance going to be measured and tracked? How often?
2. What are the voluntary commitments that the project sponsor is bound to meet in the FPA? How is performance going to be tracked? How often? Are there "aspirational"goals that should be included?
3. What is the schedule of commitments? Can the commitments be outlined in tables? Can the next step or series of steps be shown (e.g., a six-month outlook)?

B. Measuring Superior Environmental Performance -- *In order to fully understand the Superior Environmental Performance of the project, describe the methods employed to measure ongoing environmental performance.*

1. What are the environmental outcomes resulting from the XL project?
   a. How is performance tracked? How often?
   b. What are the quantitative results?
   c. What is the baseline? The performance goal?
   d. What is the actual performance? How was it measured?
   e. How is risk reduction for workers and the community measured?
2. What changes in management practices affect the environmental performance of the XL Project (e.g., employee training, new company policies, environmental management systems such ISO14000)?
3. What innovative or cleaner technologies or production processes have been developed as a result of the XL project? How can these innovations be measured?
4. Are there other environmentally beneficial activities that could be tracked?
5. How can the environmental performance be described in lay-person terms?
6. Can the quantitative results of the project be shown graphically?
7. Is there Confidential Business Information that needs to be released to regulators? If so, what safeguards will be in place to submit and protect this information?

C. Stakeholder Involvement -- *Describe how stakeholder involvement and public access to information will be sustained throughout the life of the project.*

1. What processes are there for receiving, documenting and responding to relevant written communications from public stakeholders? How will this be monitored?
2. What is the mechanism to be used to communicate with direct participants and the general public (e.g., public meetings, newsletters)? How will this be monitored?
3. To what extent and at what point are public stakeholders going to be involved in project implementation or project evaluation (e.g., mid-course evaluation meetings)? How will this be monitored?
4. To what extent and at what point are regulators, employees, customers, or suppliers going to be involved in project implementation and/or project evaluation (e.g., mid-course evaluation meetings)? How will this be monitored and assessed?
5. What form of technical assistance can be or has been provided to direct participants

(e.g., training, travel, etc.)? How will this be monitored and assessed?

D. Costs and Cost Savings -- *Describe the costs and cost savings associated with the project in quantitative and qualitative terms.*

1. What is the baseline for tracking costs and cost savings of implementing the project? Can "unit costs" be used?
2. What resource investments have been incurred (e.g., capital investments)?
3. What are the short-term costs or cost savings? What are the long-term costs or cost savings? What are the long-term projections?
4. Are costs or cost savings resulting from pollution prevention activities? Permitting activities? Records management and paperwork requirements? Compliance monitoring requirements?
5. Has the project resulted in added costs or cost savings for entities other than the facility -- such as customers, suppliers, regulators, or other stakeholders? Can these costs or cost savings be quantified or described?
6. Is there confidential business information that would be helpful to analyze regarding costs and costs savings? If so, how could this information be protected?

Are there examples of good project reports?

Yes. We recommend looking at the Intel XL Project's quarterly and annual reports, available on http://www.intel.com/intel/other/ehs/projectxl/index.htm, and the Weyerhaeuser midyear and annual reports on EPA's Internet site at http://www.epa.gov/projectxl. But remember that each project is unique -- developing reports that best reflect a project is more important than modeling reports on one of these examples.

EPA strongly supports sponsors' efforts to develop reports that are in "plain language," and that have pictures and tables to illustrate the text. In other words, project reports should be written so that the "informed public" can read and understand the subject matter, and not be written such that only technical experts can decipher the content. This effort can be well assisted by the sponsors' stakeholder groups. For example, Intel found it extremely valuable to have the stakeholder group help with the design and format of the company's XL reports.

What will EPA do with the Project Reports?

EPA will add the reports to the administrative record of the project maintained by the XL Docket (contact number 202-260-7434). EPA will also use the project reports to help evaluate whether a project is meeting the expected performance during the implementation and life of the FPA and the supporting legal mechanism (e.g., permits). For example, for each project EPA will develop summary progress reports based in part on the tracking information submitted by the project sponsors.

The contents of the EPA Progress Reports will include: 1) a background section briefly describing the facility's XL project and anticipated environmental benefits; 2) regulatory flexibility being offered by EPA and other regulatory agencies and/or other flexibility in policies, guidance, procedures, and processes; 3) innovations and system change; 4) the status of commitments made by the facility; 5) progress in environmental performance; 6) a list of stakeholder names and organizations; 7) a summary of the stakeholder participation plan for the project; and 8) a six-month outlook section.

The progress reports will not be a substitute for the specially tailored reporting system developed for each project by the project sponsors, the regulatory agencies (EPA, state or local), and the stakeholders involved in negotiating the Final Project Agreements; but they will be mechanisms by which EPA can verify the status of implementation. Also, EPA will develop case studies and other analyses of the innovative aspects of the projects to determine what can be potentially transferred to broader federal regulations and policies. For more a detailed description of EPA's XL evaluation activities please see Appendix A below.

What will happen if the reports show that commitments have not been met or have been delayed, or that a part of the environmental performance approach is not doing well?

Part of the purpose of the reports is to describe why commitments for an XL project might not have been met. It is expected that project sponsors will be forthcoming early on if it appears that they cannot meet commitments, at which time an appropriate course of action can be determined. Each FPA will contain contingency plans for bringing a company or facility back to the traditional regulatory system if the project encounters significant problems or signatories (to the final project agreement) choose to terminate the agreement. For example, if a sponsor has acted with good faith and still has not been able to meet commitments, the regulators may agree to additional time for the sponsor to take necessary actions. If meeting commitments in the FPA is not possible, even for a sponsor acting in good faith, the regulatory agencies may need to terminate the agreement and provide a "soft landing" for the sponsor. If a sponsor has not acted in good faith (either by not actively trying to meet commitments or not keeping regulatory agencies appropriately informed of serious problems), regulatory agencies may elect to terminate the project and immediately return the sponsor to the traditional regulatory system.

The details of the "soft landing" plan are unique to each project and are negotiated between the sponsor, the regulatory agencies, and stakeholders during FPA development. Keep in mind, however, that each project is considered a pilot or experiment. As such, the project reports are a means for tracking what is happening with the experiment – including the successful and unsuccessful activities. For example, if a project runs into unexpected process or technical problems, the sponsor must keep the regulatory agencies well informed of the problem, and the sponsor's reports should describe the issues, including options to be tested or solutions found.