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International Oil Facilities Are a Top Infrastructure Target of Terrorists

Protecting U.S. Oil Facilities

In January 2004, the House Select Committee on Homeland Security released the initial findings of a report, *America At Risk: The State of Homeland Security*, that alleged gaps in the Bush Administration's homeland security efforts. One finding emphasized lax chemical plant security and noted that there are more than 66,000 chemical facilities in cities, towns, and rural areas in the United States.

Oil storage facilities, however, number in the hundreds of thousands and can be even more vulnerable to terrorists than chemical facilities.

Around the world, war and acts of terrorism account for a large fraction of major oil spills.



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Customer Insight Program for eGov

eGovernment is revolutionizing the way we interact with the government. U.S. citizens can now complete transactions such as filing taxes, renewing a driver's license, and applying for Social Security benefits. In fact, a recent look at the www.firstgov.gov list of on-line services revealed more than one hundred



different government services. And, citizens are embracing this medium. The Pew Internet & American Life Project reports "fully 77 percent of Internet users—or 97 million Americans—have at some time gone online to search for information from government agencies or to communicate with them."¹

As more citizens conduct transactions with the government on-line and as they become accustomed to conducting more complex transactions,

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¹ Horrigan, John. How Americans Get in Touch With Government: E-government has efficiency benefits for Internet users, but multiple channels are still needed for citizens to reach agencies and solve problems. Pew Internet & American Life Project, May 24, 2004. www.pewinternet.org/pdfs/PIP_E-Gov_Report_0504.pdf, accessed June 23, 2004.

From Legislation to Regulation:

U.S. EPA's Proposed Clean Air Interstate and Mercury Rules Take Center Stage in Multi-Pollutant Debate

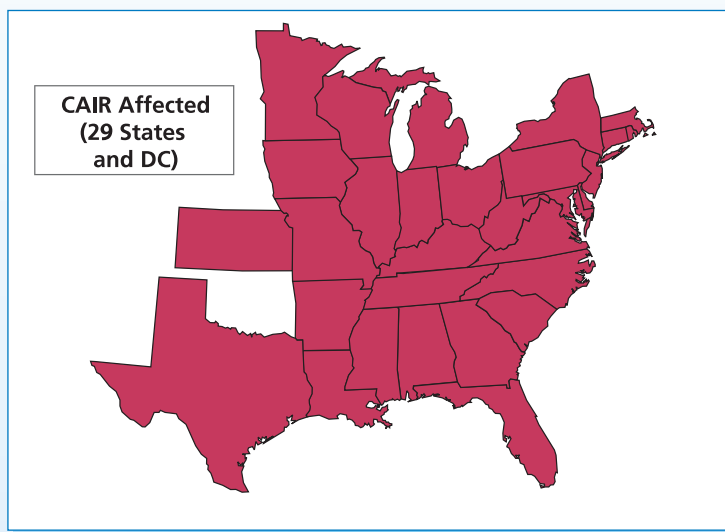
In the two years since President Bush unveiled his *Clear Skies Initiative*—which proposed to regulate electric power sector emissions of sulfur dioxide (SO₂), nitrogen oxides (NO_x), and mercury (Hg)—members of Congress, the Bush Administration, electric utilities, and interest groups have been engaged in a vigorous debate over what form such a multi-pollutant policy might take.

Meanwhile, alternative proposals have been introduced by members of Congress and detailed analyses performed by both affected utilities and the U.S. Environmental Protection Agency (EPA). ICF Consulting has performed many of those analyses, including work for EPA, the Clean Energy Group (a coalition of private utilities supporting an alternative to the President's proposal), the Clean Air Task Force, and several utilities and generating companies.

However, debates over the scope, stringency, timing, and the inclusion of pollutants such as carbon dioxide (CO₂) limits have prevented any such law from moving forward in Congress. Senator Inhofe (R-OK), chairman of the Senate Committee on Environment and Public Works, has said that he does not expect to revisit the Clear Skies Act (CSA), the proposed law based on the President's initiative, until 2005.

With legislation stalled, the Administration was motivated to move forward with air pollutant regulation under the existing Clean Air Act (CAA) and under the subsequent court decisions to further regulate NO_x, SO₂, and mercury emissions from power plants. EPA's proposed Clean Air Interstate Rule (CAIR, formerly the Interstate Air Quality Rule) and Mercury Rule were published on January 30, 2004. The CAIR would mandate reductions in SO₂ and NO_x in 29 states and the District of Columbia while the Mercury Rule would require Hg emissions reductions on a national basis. If passed, the

combined impact of these new rules will result in substantial investments in SO₂, NO_x, and Hg control technologies over the next 15 years. By 2020, it is possible that two-thirds of coal capacity will be controlled for all three pollutants.



EPA has structured CAIR to encourage state participation in a cap-and-trade market, where affected units could trade allowances much as they do now under the NO_x SIP Call. Because allowance allocations are "predetermined" by the existing national Title IV SO₂ program, EPA is taking a novel approach in reducing SO₂ emissions. It plans to maintain the cap-and-trade market, but devalue allowances of units

in the affected region by a 2-to-1 ratio, gradually changing to a 2.86-to-1 ratio to reduce emissions. In other words, power plant owners in CAIR-affected states would be required to turn in two (or 2.86) allowances at the end of every year for every ton of SO₂ emissions they produce. Such a system would create separate SO₂ allowance markets for each vintage of the allowances themselves, thus adding complexity to the accounting systems and compliance planning.

Under the CAA, EPA also was required by the end of last year to propose regulations to control mercury emissions from power plants as a hazardous pollutant. EPA intends the Hg Rule to respond to this requirement, but leaves open the critical question of whether the regulation will come in the form of a cap-and-trade system or a unit-by-unit command-and-control requirement, commonly known as Maximum Achievable Control Technology (MACT). While EPA clearly favors a cap-and-trade solution, it is far from certain whether this will be the ultimate course of action.

The proposal has become even more uncertain over the past weeks, with the EPA Administrator pledging to review

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Mandatory Reporting on Environmental, Social, and Community Issues in the United Kingdom

The New Operating and Financial Review (OFR)

Over the last ten years, reporting on environmental performance has become almost commonplace for large international companies.

Leading companies are also increasingly publishing reports on a broader range of social, economic, and environmental issues—often referred to as sustainable development reports, corporate citizenship reports, or corporate responsibility reports. Whatever they are called, they are part of the movement toward greater corporate transparency, and toward making available to shareholders and other stakeholders the information they need to make informed decisions.

To date, these reports have been voluntary and based on pressures coming from the marketplace. The result is that, while leading companies tend to report, the overall number of companies reporting is still relatively small. The good performers tend to report. The poor performers do not. And they are the ones who should be reporting. Since reporting is voluntary, it often provides incomplete information that is not comparable. And for some, the value of the information is diluted because it comes, in the most part, as non-verified, self declarations.

The organizations that develop the guides and systems to support voluntary reporting are aware of these issues. The Global Reporting Initiative (GRI) is working tirelessly to develop and promulgate standardized global reporting systems. Organizations like AccountAbility have developed complementary assurance systems for the verification of reports. However, without mandatory reporting, there is no way to compel organizations to report.

This is about to change. The United Kingdom will soon have in place amendments to company law that will require all UK listed companies, of which there are about 1300, to file an Operating and Financial Review (OFR) in 2006 for the period beginning January 1, 2005. The UK Department of Trade and Industry (DTI) released the draft regulations for consultation in May of this year, with submissions to be made by the end of the first week of August, 2004. It is expected that the final regulation will be introduced before Parliament before the end of the year.



The purpose of the OFR is to provide members (shareholders) with the information they need to make informed decisions by showing the main trends and factors underlying the development, performance, and position of a company now and in the future. This includes employee

issues, environmental matters, and social and community issues as well as showing the objectives and strategies in place to manage them, the resources available, the principle risks and uncertainties faced, and the capital structure. Similar to the Sarbanes-Oxley law in the United States, the OFR must include an analysis of both past and future issues and performance.

The OFR will not replace voluntary reporting but may rely on it and reference it, as long as it meets the criteria of the new regulation. An important thing to understand about the new OFR is that it is principles-based, not rules-based. That is, it does not prescribe what must be reported.

It is made very clear that a company does not have to report on everything. This places an onus on the company to select what is 'relevant' to report. It also places the onus on the company to then be able to demonstrate the validity of process for selection. The Directors of a company must sign-off on the selection and the selection process and are held accountable for the report. The whole process also will be subject to external audit.

There are currently no standards in place for the OFR; however, the UK government has decided that the Accounting Standards Board (ASB) should develop some. The ASB has appointed an advisory committee, and intends to issue an exposure draft of OFR standards in the second half of 2004, to be finalized in 2005.

While the proposed OFR has had some mixed reviews, many see it as a means to improve relations among companies, their shareholders, and other stakeholders. It will also provide investment managers with consistent and comparable information for making decisions. Some also are suggesting that it will bring much needed rigor to the management of environmental and social issues.

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Calendar of Events

August

August 22-27

Pacific Grove, CA. At the **2004 ACEEE Summer Study on Energy Efficiency in Buildings**, ICF Consulting staff will present the following papers:

"Intangibles and Corporate Value: How Can Energy Efficiency Differentiate Corporate Performance?" - Don Anderson

"Realizing Demand Response Capabilities and Energy Savings in Small Commercial Retail Chain Customers" - Michael Gibbs

"Harnessing the Financial Marketplace to Motivate Energy Efficiency: Experience with Institutional Investor Endorsers" - Don Anderson

"The Carbon Trust's Management Programme: Description and Evaluation of Pilot Phase Results" - Robert Kwartin, Abyd Karmali

"Moving Brazilian Markets Toward Greater Efficiency" - Robin Clark, David Hathaway, Marcos Ferreira

"Automatic Benchmarking: Using Energy Information Services to Promote Portfolio-Wide Efficiency" - Don Anderson, Jennifer Taylor

"Building a Path Toward Zero Energy Homes with Energy Efficiency Upgrades" - Dean Gamble

For more information, contact Stacey Hohenberg at 1.703.218.2504.

September

September 8-10

Philadelphia, PA. At the **2004 Fall Meeting of the Auditing Roundtable**, ICF Consulting's Judith Harris will present a three-hour Continuing Education course titled "Essential Communication Skills for Auditors." Ms. Harris also will moderate a discussion panel on "EHS Metrics That Mean Something to the Organization, the Markets, the Regulators, and the Communities." *For more information, contact Judith Harris at 1.781.676.4042.*

September 11-14

New York, NY. ICF Consulting is a sponsor and will exhibit at the **National Emergency Management Association (NEMA) 2004 Annual Conference**. We will host a Hospitality Suite for conference attendees on September 11 from 6-11 p.m. in the New York Hilton Hotel. *For more information, contact Anne Torgler at 1.703.218.2772.*

September 12-14

Orlando, FL. At the **Emerging Issues Policy Forum**, Elliot Roseman of ICF Consulting will present "The Costs and Benefits of Investing in the U.S. Transmission Grid." *For more information, contact Stacey Hohenberg at 1.703.218.2504.*

September 20-22

Washington, DC. As a conference sponsor, ICF Consulting will host an exhibit and speak at the **e-Gov 2004 Enterprise**

Architecture (EA) Conference held at the Reagan International Trade Center. ICF Consulting's Dr. Chris Durney and Tim Herbst will moderate a panel discussion on "Demonstrating the Value of Your EA During a Time of Transition." *For more information, contact Anne Torgler at 1.703.218.2772.*

September 20-22

London, United Kingdom. At **Euromoney's 6th Annual Renewable Energy Finance Forum**, ICF Consulting's Kim Keats will chair "Session D: Emissions Trading, Carbon Finance, and Renewables," and will present "RES and Implications on Reserve Requirements." *For more information, contact Stacey Hohenberg at 1.703.218.2504.*

September 23-24

Denver, CO. At EUCI's upcoming **4th Annual Wind Energy & Power Markets Conference**, ICF Consulting's Steve Fine and Nate Collamer are conducting a workshop titled "Valuing Renewable Generation Assets." ICF Consulting's Steve Fine also will present "Forecasting Renewable Energy Credit (REC) Prices." *For more information, contact Stacey Hohenberg at 1.703.218.2504.*

September 27-October 1

Ottawa, Ontario, Canada. ICF Consulting's Jim Gollub is the keynote speaker at **The Competitiveness Institute's Seventh Annual Conference—Building Innovative Clusters for Competitive Advantage**. The conference

will closely examine and exchange experiences concerning how firms can be grown in a cluster, how clusters can be branded and get products to market, how clusters interact, and how an active strategy can either grow or stunt the future prospects of a cluster. *For more information, contact Jim Gollub at 1.415.677.7184.*

September 30-October 1

Montreal, Quebec, Canada. ICF Consulting's Baxter Jones will present "Risk Assessment Provisions of the European Community's REACH Regulations," at the **AIHA Risk Assessment Symposium—Global Risk Assessment**. *For more information, contact Baxter Jones at 1.703.934.3740.*

October

October 4-7

Rio de Janeiro, Brazil. At the **Oil & Gas Expo and Conference**, ICF Consulting's Debora Seefelder will present "Methodology for the Identification of Environmental Impacts Caused by Oil Spill in the Sea." Lucia Helena Silva and Altaira Pollis will give a presentation on "The Environmental Compensation Application in the Oil & Gas Sector." *For more information, contact Lucia Helena Silva at 55.24.2132.7954.*

October 5

Madrid, Spain, UK. ICF Consulting's Abyd Karmali will speak on "Commercial

Implications of EU Emissions Trading Scheme" at the **Trade Partners Event**. *For more information, contact Sue Demmon at +44.20.7554.8730.*

October 7

Lisbon, Portugal. At the **E-Value Event**, ICF Consulting's Abyd Karmali will speak on "Environmental Markets: Business and Governance." *For more information, contact Sue Demmon at +44.20.7554.8730.*

October 17-20

Barcelona, Spain. At **Euromoney's Coaltrans 2004**, ICF Consulting's Kim Keats will chair "Workshop IV: Making Business Sense of Emissions Trading: Implications for the Coal Industry," and present "Challenging the Role of Coal: Climate Change and the EU Emissions Trading Scheme." *For more information, contact Stacey Hohenberg at 1.703.218.2504.*

October 18-21

Amherst, MA. ICF Consulting's Dean Gouveia will present "Avoiding Overestimates of Chlordane and PCBs as Co-Contaminants by Methods 8081/8082," at the **20th Annual International Conference on Soils, Sediments and Water**. Paper authors are Dean Gouveia, ICF Consulting; Mary O'Connell Kozik, ICF Consulting; Andy Beliveau, U.S. EPA; and Peter Kane, Woods Hole Group Environmental Laboratories. *For more information, contact Dean Gouveia at*

EHS Auditing Courses

October 19-20

Lexington, MA. **EHS Auditing: Fundamentals, Skills, and Techniques**, a two-day intensive, real-world course focusing on the methods and techniques needed to conduct environmental, health, and safety (EHS) audits.

October 21-22

Lexington, MA. **EHS Audit Team Leader Training**, a two-day course based on our field experience, for professionals who wish to build skills in leading and managing audits.

For more information, contact Marcia Clanin at 1.781.676.4020.

1.781.676.4040.

October 21-22

Brussels, Belgium. At an **Environmental Finance Magazine** event, ICF Consulting's Abyd Karmali will speak on "Fundamentals Affecting the Price of EU Allowances." *For more information, contact Sue Demmon at +44.20.7554.8730.*



powered by perspective

Customer Insight Program for eGov (cont. from page 1)

expectations will continue to rise. However, citizen demand is not the only driver of eGovernment. Other drivers include the potential for cost savings, improved customer service, and workload reduction. Yet, creating electronic applications that will achieve these potential benefits requires knowledge of citizen needs and preferences.

Successful organizations have realized the need to incorporate customer preferences throughout the development life cycle. Most have begun to develop user-centered capabilities, but few agencies have connected them in a way that capitalizes on the cyclical nature of electronic services development.

In working with a large federal agency, ICF Consulting has developed a Customer Insight Program that systematically links user-centered design techniques to achieve the primary goal—more effective electronic services. The program includes three distinct, but interconnected program areas: Customer Research, Customer Product/Service Development, and Customer Post-Launch Feedback.

Customer Research

Many organizations begin to develop solutions without first assessing user needs and preferences. The Customer Research stage utilizes three main activities: customer segmentation, internal research, and external research. Customer segmentation serves to divide customers into groups who have similar demographic characteristics, who use the same services, or who use services in similar ways. A customer segmentation model will help an agency more effectively identify users when researching and surveying. Internal research uses existing sources of customer insight gathered within the organization, such as ongoing focus groups and satisfaction survey results. Many external research institutes, such as the Pew Internet & American Life Project, can provide greater customer insight through their reports and surveys. Many of these organizations also can customize their research to meet specific customer insight needs.

Customer Product/Service Development

Effective electronic services development dictates early and ongoing customer involvement throughout the entire development lifecycle. Specifically, these practices encourage iterative product concept testing against those measures that involve the customer, practicing more rigorous business case development, establishing performance measures, and building upon the internal and external research performed in the Customer Research program area. Furthermore, customer involvement and feedback through qualitative, quantitative, and usability research help inform the development of a service from a product concept to a prototype to a fully functioning, ready-to-launch application.

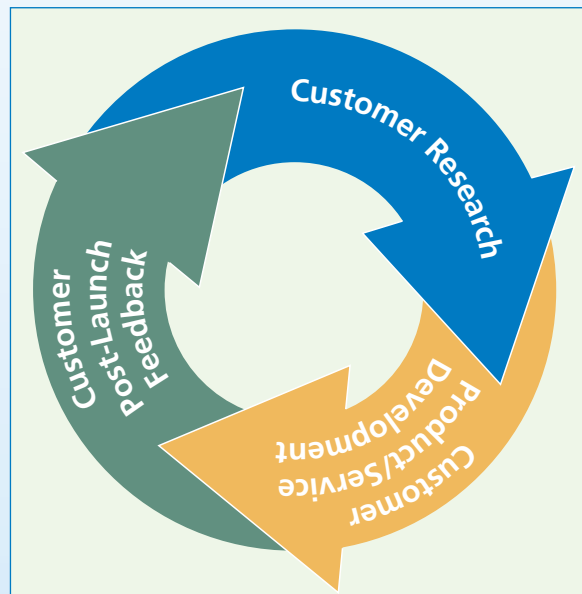
Customer Post-Launch Feedback

Effectively integrating the voice of the customer does not end with the deployment of a service. The Customer Insight Program establishes mechanisms to measure the satisfaction and effectiveness of all electronic services after they are launched. Several methods exist for gaining this type of post-launch feedback including focus groups, satisfaction surveys, and clickstream data. The customer insight

information provides actionable data for the organization to create new services or enhance existing ones.

Ultimately, the strongest user-centered design projects are iterative in nature. Customer research drives project initiation, informs development, and follows the launch of the service. The information obtained during post-launch research allows the organization to lay the groundwork for future projects. Linking user-centered design techniques through a cohesive Customer Insight Program allows organizations to build upon their current capabilities and maximize the value of individual program components.

For more information on ICF Consulting's eGovernment and enterprise IT capabilities, please visit www.icfconsulting.com/it.



International Oil Facilities Are a Top... (cont. from page 1)

Terrorists appear to be targeting pipelines, where the majority of oil spills occurred in recent years. For example, of the 257 largest oil spills in 1999, more were caused by terrorist bombings in Colombia (51) than the combined number of spills from tankers, barges, and other vessels (36) according to data published in *International Oil Spill Statistics* by Cutter Information Corp. Two war-related oil spills in the Persian Gulf are among the largest ever to occur—the 1983 Nowruz No. 3 well spill during the Iraq-Iran War and the 1991 Sea Island installation spill during the first Gulf War. Each of these was several times larger than the spill caused by the *Exxon Valdez* in 1989.

Threats to foreign oil facilities have increased drastically. In April, terrorists attempting to damage Iraqi infrastructure attacked Arabian Gulf oil terminals in Bahrain. Islamic militants attacked oil complexes and residential compounds in Saudi Arabia in May, killing or capturing several petroleum industry workers. Pipeline bombings in Iraq in June halted oil exports, as insurgents increased attacks prior to the change in government.

The federal regulatory framework for oil facilities in the United States includes security planning requirements established by the U.S. Coast Guard and U.S. Environmental Protection Agency (EPA). The Coast Guard rule requires owners or operators of marine transportation-related oil facilities to designate security officers, develop Facility Security Plans, and implement security measures specific to the facility's operations. EPA regulations subject nontransportation-related oil facilities to security requirements that were developed to prevent vandalism, but also can prevent acts of terrorism.

An EPA-regulated facility must plan for discharges of all types, whether caused by accident, natural hazard (e.g., earthquake or lightning), or deliberate acts (e.g., vandalism or terrorism). The requirements address responses to "worst case discharges," which can damage the facility and oil infrastructure, disrupt waterborne commerce, and damage the economy or environment.

The Coast Guard and EPA regulations represent a good start toward securing the nation's oil storage infrastructure. However, these regulations alone are not sufficient. As owners and operators of oil facilities implement these regu-

lations, they also should analyze vulnerability and threat information specific to their facility to further reduce the likelihood and consequences of terrorist incidents and damage to their infrastructure.

The risk to oil facilities in the United States is a very real one. This spring, the Federal Bureau of Investigation sent an advisory to the Texas oil industry and law enforcement officials warning of a terrorist threat to coincide with the November Presidential elections. Other countries also are preparing for such threats. This year, Australia's largest anti-terrorism exercise began with a scenario involving the

mock takeover of an offshore oil rig by terrorists. Most homeland security exercises and drills in the United States focus on chemical and biological weapons of mass destruction that cause large-scale casualties. Recently, the U.S. Department of Transportation (DOT) modified its National



Preparedness Exercise Program to incorporate terrorist attacks on pipelines. However, pipelines are only one element of the oil infrastructure: terminals for pipelines (distribution centers), refineries, and drilling rigs—also attractive targets for terrorists—are outside the scope of DOT's exercise program. It seems appropriate that future exercise programs feature attacks on all key components of the oil infrastructure (e.g., terminals and refineries). This will help address the growing terrorist threats to these facilities by identifying vulnerabilities and protective measures.

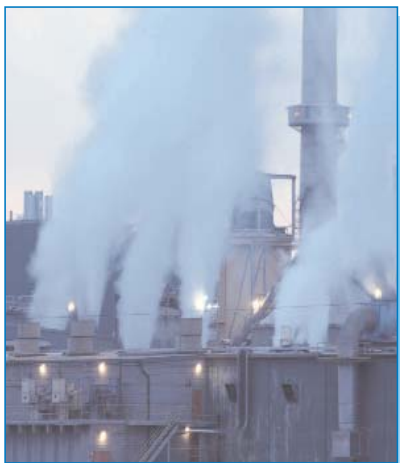
For the past 20 years, ICF Consulting has assisted EPA's Oil Program in developing all oil spill prevention and response regulations. We are currently supporting the development of the U.S. Department of Homeland Security's National Infrastructure Protection Plan, which includes 17 sectors and key resources (e.g., energy, including oil pipelines; chemical; banking and finance; transportation; and public health).

For more information about ICF Consulting's homeland security capabilities, please visit www.icfconsulting.com/homelandsecurity.

From Legislation to Regulation... (cont. from page 2)

the proposed emissions targets and perform further analyses. Electric companies face significant uncertainty under the Hg Rule, with the eventual outcome of the cap-and-trade versus MACT question, as well as the reconsideration of the target, leaving the range of compliance methodologies and costs wide open. Due to the contentious nature of Hg debate, ongoing litigation is almost certain.

EPA expects to complete the CAIR this year and is preparing to issue a final Hg Rule in 2005, but the details of the Hg Rule and prospects for CO₂ reductions remain highly uncertain.



Faced with the prospect of making large capital investments on projects with long lead times, this uncertainty is problematic for the electric power industry. ICF Consulting continues to work with its power sector clients to assist them in developing robust compliance plans in the face of this tremendous uncertainty.

For more information on ICF Consulting's capabilities in emissions management, please visit www.icfconsulting.com/energy.

Mandatory Reporting on Environmental... (cont. from page 3)

The OFR represents a significant challenge to those companies that must now comply with its reporting requirements. Very quickly, companies will need to fully understand what the OFR means for them. They will have to establish or update their internal systems and processes to manage compliance—as well as internal and external audit procedures. Many companies may not be currently equipped to do this. ICF Consulting has followed the development of the OFR closely and can provide up-to-date briefings. The firm has developed a system to select and evaluate the 'relevant' or material trends and factors that must be managed and reported on, and can help to develop or update appropriate systems for managing the delivery of the OFR.

There is little time to prepare for this new regulation. Companies, especially those that have never published environmental or corporate responsibility reports, may find it onerous. ICF Consulting can help make compliance more efficient, cost effective, and beneficial to these organizations.

For more information on ICF Consulting's environmental management capabilities, please visit www.icfconsulting.com/environment.

About ICF Consulting

ICF Consulting is a leading management, technology, and policy consulting firm. Drawing upon its extensive industry knowledge, credentialed professionals, and innovative analytics, it develops solutions to complex energy, environment, emergency management and homeland security, community development, and transportation issues. ICF Consulting's approach to these issues is strengthened by its expertise in information technology, organizational improvement, program management, and communications. Since 1969, ICF Consulting has been serving major corporations, government at all levels, and multinational institutions. More than 1,000 employees serve these clients in the Americas, Europe, Asia Pacific, and Africa.

For more information on ICF Consulting's services, please visit our Web site at www.icfconsulting.com.

We welcome your comments and suggestions. Please contact us at 1.703.934.3659 or by e-mail at perspectives@icfconsulting.com.



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