World Business Council for Sustainable Development

World Resources Institute

June 22, 2005

Mark Friedrichs
PI-40; Office of Policy and International Affairs
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Friedrichs,

The World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol team have reviewed the Revised Guidelines for Voluntary Greenhouse Gas Reporting with the goal of promoting consistency and alignment with the GHG Protocol Corporate Accounting & Reporting Standard, revised edition (referred to as "GHG Protocol" in this document) and its accounting principles. We would like to thank the Department of Energy (DOE) for the opportunity to comment on the revised guidelines and hope that our comments are helpful and constructive.

The GHG Protocol team supports the revised guidelines' stated intention to "enhance measurement accuracy, reliability, and verifiability, working with and taking into account emerging domestic and international approaches", as well as the guidelines stated purpose to encourage GHG reporting that is "complete, reliable and consistent" (section § 300.1). We believe that to best serve these purposes, it is of utmost importance that the revised 1605b guidelines are, as much as possible, consistent with the GHG Protocol.

We note that the DOE has made significant improvements to several areas of the 1605b guidelines, including the adoption of the financial control approach to establishing organizational boundaries and the inclusion of GHG Protocol calculation tools throughout the technical guidelines. However, despite these improvements, the revised 1605 guidelines still fall short of achieving its stated intentions and purposes, for several reasons:

- The guidance for defining the reporting entity is insufficient and too flexible;
- The revised guidelines are not based on and do not incorporate GHG accounting principles;
- The guidelines do not promote the consistent reporting of absolute emissions over time;
- There is not a clear or adequate distinction between entity-level and project-level GHG accounting;
- The guidelines use project-level accounting concepts, but do not feature a sufficient project-level accounting and reporting methodology;

- The methodology proposed to convert intensity changes into absolute reductions in the technical guidelines yields an abstract type of reduction that does not fulfill the need for data consistency over time.

In particular, the failure to make a sufficient distinction between entity-level and project-level GHG accounting threatens the legitimacy and credibility of the 1605b guidelines. Also, the absence of strong guidance on reporting absolute emissions consistently over time is not compatible with GHG Protocol standards or internationally accepted entity-level and project-level accounting and reporting standards. This incompatibility could harm the credibility of the guidelines, and result in unnecessary duplication of work and higher transaction costs for companies that wish to report under other registries and programs as well as 1605b.

These points, as well as other key issues, are further detailed in both the general comments and specific comments (enclosed). We hope that the DOE 1605b team will take into serious consideration our feedback in making final changes and continues to pursue the shared goal of improving the accuracy, reliability, and verifiability of the 1605b guidelines, while working with and taking into account emerging domestic and international approaches.

Thank you again for the opportunity to review the revised guidelines.

Yours truly,

The WRI/WBCSD GHG Protocol Team

WRI/WBCSD Review of U.S. Department of Energy Interim Final General and Draft Technical Guidelines (Released for Public Review on March 24, 2005) for Voluntary Greenhouse Gases Reporting (Section 1605(b) of the Energy Policy Act of 1992)

This review includes a comparison of the current proposed revisions to the guidelines with the GHG Protocol Corporate Standard (revised edition), which was published in March 2004 (referred to as "GHG Protocol" in this document). The GHG Protocol Initiative is a multi-stakeholder partnership of businesses, NGOs, governments, and others led by the WRI and WBCSD. The Initiative's mission is to develop internationally accepted accounting and reporting standards for corporate greenhouse gas emissions (GHG) inventories and GHG mitigation projects and to promote their use by businesses, governments, and other organizations.

In recent years, the GHG Protocol has emerged as an internationally accepted standard for corporate GHG accounting and reporting. The GHG Protocol and its tools are currently used by hundreds of companies, GHG Programs, and other interested stakeholders globally. A number of GHG programs have been formed using the Corporate Standard as the backbone to their efforts. The U.S. Northeast Regional Greenhouse Gas Registry (RGGR) has made significant progress in the development of their registry built around the GHG Protocol. The GHG Protocol also continues to provide technical support to state, national, and international initiatives such as the U.S. EPA Climate Leaders Program, California Climate Action Registry (CCAR), World Economic Forum Global GHG Registry and the Chicago Climate Exchange (CCX), all of which have used the GHG Protocol to frame their programs.

General Comments on the Revised Guidelines

The DOE has done a good job at making significant improvements in several areas of the guidelines. We are happy to see that the guidelines have taken into account our previous comments regarding defining an entity's organizational boundary. The GHG Protocol provides three approaches for defining an entity's organizational boundaries (e.g., equity share, financial control, or operational control). The revised guidelines have adopted the financial control approach, while allowing reporting entities to establish organizational boundaries using other approaches, such as the equity share or operational control approach. Furthermore, the revised 1605b guidelines have utilized the GHG Protocol calculation tools, which will greatly improve consistency and harmonization in the use of quantification methods throughout the technical guidelines.

However, despite these improvements, the revised 1605 guidelines still fall short of achieving its stated intention to work with and take into account emerging domestic and international approaches, as well as its stated purpose to encourage GHG reporting that is complete, reliable and consistent, for several reasons:

- The guidance for defining the reporting entity is insufficient and too flexible;
- The revised guidelines are not based on and do not incorporate GHG accounting principles;
- The guidelines do not promote the consistent reporting of absolute emissions over time;
- There is not a clear or adequate distinction between entity-level and project-level GHG accounting;
- The guidelines use project-level accounting concepts, but do not feature a sufficient project-level accounting and reporting methodology;

- The methodology proposed to convert intensity changes into absolute reductions in the technical guidelines yields an abstract type of reduction that does not fulfill the need for data consistency over time.

Our recommendations on each of these issues are summarized in the sections below.

Ensure reporting at the highest corporate level
While the DOE did a good job with the emphasis of the revised guidelines on entity-wide reporting and the effort to encourage entities to report at the highest level of aggregation, we believe that the current guidelines for defining the reporting entity still has a few gaps, which make it too flexible, and in conflict with the accounting principles of consistency and completeness.

According to the revised 1605b guidelines, *"A reporting entity must be composed of one or more legally distinct businesses, institutions, organizations or households that are located, at least in part, in the United States and shows operations affect U.S. emissions of greenhouse gases. For the purposes of this program, a legally distinct entity is any holding company, corporation, subsidiary, partnership, joint venture, business, operating entity, government, government agency, institution, organization or household that is treated as a distinct entity under an existing U.S. Federal, state or local law."*

In addition to not serving the stated purpose of encouraging reporting entities to submit GHG reports that are "complete, reliable, and consistent" (section § 300.1), the flexibility currently inherent in these guidelines may very well compromise the credibility of the 1605b program with stakeholders, which in turn might discourage companies from reporting under the program. **We recommend that the reporting entity be defined as the organization representing the <u>highest level</u> of domestic consolidation for the specified method of defining organizational boundaries** (see our comments on section § 300.3 for further discussion).

Provide GHG accounting and reporting principles
The 1605b guidelines should require reporting entities to account and report their GHG emissions according to the following five principles, which are based on established financial accounting and reporting practices. This will ensure expectations are clearly set to promote the highest possible degree of rigor and credibility of the reported information.

- <u>Relevance</u> – Ensure the GHG inventory appropriately reflects the GHG emissions of the company and serves the decision-making needs of users – both internal and external to the company.
- <u>Completeness</u> – Account for and report on all GHG emission sources and activities within the chosen inventory boundary. Disclose and justify any specific exclusions.
- <u>Consistency</u> – Use consistent methodologies to allow for meaningful comparisons of emissions over time. Transparently document any changes to the data, inventory boundary, methods, or any other relevant factors in the time series.
- <u>Transparency</u> – Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used.
- <u>Accuracy</u> – Ensure that the quantification of GHG emissions is systematically neither over nor under actual emissions, as far as can be judged, and that uncertainties are reduced as far as practicable. Achieve sufficient accuracy to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

In the interest of achieving the highest quality of data, these guiding principles must be established to ensure that reporting entities work toward the same goal with respect to the environmental integrity of their GHG emissions reports.

Ensure the consistent reporting of absolute emissions over time
A key provision of the revised 1605b program is to allow the registering of emissions reductions based on GHG intensity calculations and measurements. Intensity measurements can be valuable as performance indicators that are independent of company growth, and can provide helpful benchmarks for achieving emission reductions. However, in order to have a mechanism that monitors overall environmental effectiveness, they need to be couched in the context of transparent and consistent reporting of absolute emissions over time. This is the approach the GHG Protocol has taken in line with its principles on transparency, consistency, and relevance.

We therefore believe that the revised guidelines need to be significantly strengthened in their support for consistent reporting of absolute (inventory) emissions over time. This will serve two broad purposes: (1) It will allow the clear and transparent monitoring of overall progress in achieving real reductions; and (2) It will afford greater compatibility with the longer term goals for the registry to "ensure that businesses and individuals that register reductions are not penalized under a future climate policy, and to give transferable credits to companies that can show real emissions reductions."[1]

The greatest value to companies and other stakeholders is to provide a relevant, complete, consistent, accurate, and transparent record of corporate-wide emissions. These should be broken down by facility, greenhouse gas, direct/indirect, and source/activity, and be meaningfully comparable over time by maintaining data consistency over time.[2] Entity-level emission reductions over time using this approach can easily be demonstrated, for both direct and indirect emissions. Such reductions will have maximum credibility under any future decisions to award transferable credits or provide "baseline protection," since they can be based on standardized and verifiable information. The DOE should therefore focus on registering total company emissions, indicating how these emissions change over time relative to a historic base year.

Provide a clear and adequate distinction between entity-level and project-level GHG accounting
We believe that the various options available to registrants for calculating emission reductions confuse and conflate two distinct reference points against which reductions can be measured: (1) a historical level of emissions (e.g., a "base period," commonly used for entity-level reporting); and (2) a counterfactual estimate of what emissions "would have been" (e.g., a "baseline scenario," commonly used for project-level reporting).[3] Under emerging domestic and international approaches to emissions accounting, reductions against these different types of reference points are subject to very distinct considerations and requirements. In particular, reductions against a counterfactual estimate must follow rigorous requirements for establishing what baseline emissions "would have been."

Address the absence of a project accounting framework
Reductions that are clearly calculated against a counterfactual baseline (or should be calculated in this manner) – i.e., changes in avoided emissions and action-specific emission reductions – fall into the category of project-based reductions (or offsets). Such discrete reductions should not be included in the revised 1605b guidelines in the absence of a clear, credible, and comprehensive project accounting framework.

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[1] President G. W. Bush's February 14, 2002 Directive.
[2] We refer the DOE to chapter 5 of the GHG Protocol for clarification on these points.
[3] We refer the DOE to chapter 8 of the GHG Protocol for clarification on these points.

The proposed 'avoided' emissions approach on quantification of reductions, as well as any offset accounting, is conceptually an issue of "what would have happened" in the absence of the entity's action to reduce emissions. These approaches require a project accounting methodology to make a valid assessment of reductions. To use such concepts and steps in the design of reduction approaches requires a clear, credible, and comprehensive project accounting methodology. The DOE should either develop these methods or wait for the GHG Protocol Project Accounting Standard (to be published in the fall of 2005) before offering these reduction options to the users of the revised 1605b guidelines.

Keep reporting of changes in emissions intensity for benchmarking as a performance indicator
We support the reporting of changes in emissions intensity as a means to benchmark company performance over time. However, we are concerned that, according to the technical guidelines, the "end result" of any of the calculation methods, which we take to be "an estimate of the emission reductions in the form of tons of carbon dioxide (CO_2) equivalent for the year being reported", is not going to be achieved with the required level of consistency.[4] This is because the revised guidelines propose to convert intensity changes (expressed as a ratio of CO2-equivalent emissions per unit of output) to straight tons of CO_2 in a manner that does not yield consistent or even meaningful data (namely by multiplying emission intensities for different years with output levels for the current (reporting) year.)[5] Emissions intensities should be derived from absolute emissions, not the other way around. Any change in emissions intensities should be included for benchmarking as a performance indicator and kept separate from absolute reductions.

Specific Comments on the Revised Guidelines

§ 300.2 Definitions.
To increase the revised guidelines compatibility and consistency with both domestic and internationally accepted GHG accounting and reporting best practices and standards, the 1605b guidelines should adopt the definitions provided in the Glossary of the GHG Protocol. In particular, we believe that the following definitions in the guidelines should be as follows:

- Avoided emissions – The term "avoided emissions" implies that some emissions would have been emitted in some hypothetical scenario that is not emitted in reality. This in turn implies that avoided emissions are quantified compared to a baseline (the hypothetical scenario), and not over time, which would need to be specified in this definition for clarity.

  Furthermore, this definition is confusing and limits the concept of avoided emissions to the generation and sale of electricity, steam, hot water or chilled water produced from energy sources that emit fewer greenhouse gases per unit than other competing sources of these forms of distributed energy. Avoided emissions can be quantified based on any type of activity, as long as a baseline (hypothetical scenario) is defined in relation to it.

- Direct emissions – This definition could be more straightforward if it specified the criteria for determining organizational boundaries (ownership or control) and specified that direct emission sources are owned or controlled by the reporting entity. We recommend replacing with the definition in the GHG Protocol, i.e., emissions from sources that are owned or controlled by the reporting company.

- Indirect emissions – This definition is confusing and unnecessarily narrow, for example why exclude process and fugitive emission sources? As with the definition of direct emissions, it

[4] Draft Technical Guidelines and Glossary, 2.2.2, p. 244.
[5] Draft Technical Guidelines and Glossary, 2.4.1, p. 254.

would be clearer if it specified the criteria for determining organizational boundaries. We recommend replacing this with the definition in GHG Protocol, i.e., emissions that are a consequence of the activities of the reporting company, but occur from sources owned or controlled by another company.

- Net emission reductions – The concept of net emissions presupposes that avoided emissions claims (in the form of offsets) can be used to offset "gross emissions". To introduce the concept of a reduction here is confusing. The definition should focus on net emissions, which refer to the yearly figure of absolute entity emissions, less emissions avoided outside the inventory boundary. As stated above, avoided emissions should be quantified based on a clear, credible, comprehensive project accounting methodology.

- Offset – As written, this definition could be applied to reductions in emissions associated with the purchase of electricity (which is a required element of the entity emissions report) or any other indirect emission caused by the entity. We do not believe this to be the intention of the DOE. We recommend using the definition of offset used in GHG Protocol, i.e., a discrete GHG reduction used to compensate for GHG emissions elsewhere, for example, to meet a voluntary or mandatory GHG target or cap. Offsets are generated by GHG mitigation projects and are calculated relative to a baseline that represents a *hypothetical scenario* for what emissions would have been in the absence of the project. To avoid double counting, the reductions giving rise to the offset must occur at sources or sinks not included in the target or cap for which it is used.

  Furthermore, we see only very little difference between the terms "avoided emissions" and offset", and the relation between the two should be clearer. In terms of the method for quantification (project quantification with baseline), an offset is equal to "avoided emissions", but using the word "offset" implies the use of avoided emissions as a compensation instrument.

§ 300.3 Guidance for defining and naming the reporting entity.
As noted above, the emphasis on entity-wide reporting in the revised guidelines is a significant improvement. However, we find the current guidelines for defining the reporting entity to be insufficient, too flexible, and in conflict with the accounting principles of consistency and completeness.

First, there is too much flexibility in the current guidelines. For instance, under the current guidelines, a large company with several subsidiaries may choose to report on the one subsidiary that has achieved the most progress on its GHG management and achieving GHG reductions, while ignoring the rest of the parent company and the other subsidiaries that have not performed as well as the one reporting subsidiary. Second, the current guidelines on defining the reporting entity will lead to inconsistencies as some companies may chose to report at different levels of aggregation.

We recommend that the reporting entity be defined as the organization representing the highest level of domestic consolidation for the specified method of defining organizational boundaries, i.e., financial control approach (see comments on section § 300.4). In most cases, this highest level of domestic consolidation will most likely result in reporting at the parent company level. This would require deleting the current sufficient condition of being a legally distinct entity. The boundary of the reporting entity would be defined by a clear set of organizational boundary criteria that are consistent with common financial accounting practices. This would also have the additional advantage of eliminating double counting (assuming that all participants follow the same consolidation approach), which can be significant if different organizations report at different aggregation levels. We recommend that the DOE adopt the guidelines found in chapter 3 of the GHG Protocol, which have been put to use by hundreds of company's throughout the US and beyond.

§ 300.4 Selecting organizational boundaries for registering.
In our written comments in 2003, we encouraged the DOE to adopt one of the three approaches provided by the GHG Protocol for defining an entity's organizational boundaries, i.e. equity share, financial control, or operational control approach. The recently released 1605b guidelines have adopted the financial control approach, while allowing entities to establish organizational boundaries using other approaches, such as equity share or operational control, as long as the entity discloses how the use of the other approach results in an organizational boundary that is different from the organizational boundary that would have resulted from using the financial control approach. The GHG Protocol team supports this guidance on selecting organizational boundaries.

§ 300.5 Submission of an entity statement.
Together, "small emitters" can constitute a very large and substantial amount of GHG emissions, and these emitters should face the same requirements as "large emitters", within reasonable limits on reporting costs. Furthermore, it is likely the case that the majority of GHG emissions from "small emitters" will come from the consumption of electricity imports. As the calculation of GHG emissions from imported electricity consumption is a relatively straightforward process, we recommend requiring "small emitters" to follow the same requirements as "large emitters", at least for these indirect emissions. In general, rather than allowing different boundary approaches, a more consistent way of addressing resource constraints that small emitters do face may be to allow them to streamline quality assurance procedures for the inventory report.

Regarding changing entity statements, we recommend standardizing the specific requirements for any changes to an entity's "base period" or "base period" calculations to ensure consistent comparisons over time. A list of accepted criteria for making these adjustments is provided in chapter 5 of the GHG Protocol. Furthermore, we also suggest that any significant changes to data gathering and calculation methodologies be documented as changes in amended entity statements.

§ 300.6 Emissions inventories.

- <u>Quality requirements for emission inventories.</u> This framework of quality requirements for emission inventories is a significant improvement from the previous guidelines and should not be changed to increase flexibility. The quality requirements provides increased rigor, sets a standard for reporting entities to aspire to, and may be able to serve as a framework for a potential future program.

- <u>Using estimation methods not included in the Technical Guidelines.</u> The first sentence in this section should read "A reporting entity ***must*** obtain DOE approval for the use of an estimation method not included in the Draft Technical Guidelines…". Otherwise, the first sentence in this section would be inconsistent with the second sentence, which does use the word "must".

- <u>Direct emissions inventories.</u> As mentioned in our comments in section § 300.2, for increased clarity and consistency, use the GHG Protocol definition of direct emissions, i.e., emissions from sources that are owned or controlled by the reporting company. Direct emissions data should be reported separately for each of the 6 gasses, and it is preferable that the data is further subdivided by source type (stationary, process, fugitive, etc.).

- <u>Inventories of indirect emissions associated with purchased energy.</u> We support the requirement for separate (from direct emissions) reporting of this important category of emissions. We recommend changing the definition of this class of indirect emission to "emissions associated with the generation of electricity, heating/cooling, or steam purchased for own consumption".

This added clause ensures that there will be no double counting of emissions in this indirect category by two different companies, as only the end user accounts for these emissions in this category (purchased electricity is often resold). Without this clause, double counting could occur, for instance, when a utility purchases electricity which it transports though its transportation lines and resells to an end user – both the utility and end user would have purchased the electricity and reported the associated indirect emissions. See chapter 4 and Appendix A of the GHG Protocol for more guidance on the accounting of indirect emissions associated with purchased energy. We also support and encourage the eligibility of other indirect emissions for reporting.

- Entity-level inventories of changes in terrestrial carbon stocks. We recommend the separate reporting of direct emissions, indirect emissions, and changes in carbon stocks. Accounting for each category separately ensures completeness and transparency. This is particularly important for imported and exported energy, which should not be netted. Please see chapter 4 of the GHG Protocol for more guidance.

- Treatment of de minimis emissions and sequestration. Establishing which sources qualify as de minimis will require estimating emissions from those sources. Once they have been estimated, we fail to see the value of excluding such sources unless it is prohibitively expensive or burdensome to do so. The GHG Protocol does not use a de minimis threshold, and inclusion of a 3 percent de minimis threshold in the 1605b guidelines is inconsistent with the GHG Protocol.

  'Materiality' is a term that is relevant in the context of verification. A material discrepancy is an error that results in the reported quantity being significantly different to the verified value. The point at which a discrepancy becomes material is referred to as the materiality threshold. Thus materiality threshold is directed at providing some guidance to verifiers to maintain consistency in the treatment of errors. It should not be a permissible quantity of emissions that a reporting entity can leave out of its inventory. Also, given the difficulties in defining a threshold level that can be applied universally to all types of companies (either in percentage or absolute terms) we do not support the use of a single threshold. Instead participants should strive for accuracy and completeness and be transparent about any omissions and justify why they are not deemed to be material. For additional information, see chapters 1 and 10 of the GHG Protocol.

- Separate reporting of domestic and international emissions. If a reporting entity is to report international emissions in its emissions inventory, the entity should report on all GHG emissions from all international operations. Otherwise, reporting entities may “cherry-pick” which international emissions they report based on their emissions performance from their international operations. Reporting entities should either report on all or none with respect to international emissions.

- Covered gases. We support the inclusion of the six main GHGs listed in § 300.2, and that these GHGs be reported separately from any other potential GHGs.

§ 300.7 Net emission reductions.

In this section, it is not clear how avoided emissions could be quantified and summed with other changes in the entity’s emissions on the basis of a historical base period comparison. As explained above, the term “avoided emissions” implies that emissions would have been emitted in some hypothetical scenario, which means that avoided emissions are quantified compared to a baseline (the hypothetical scenario), and not over time. If emissions are avoided at separate sources from those that are covered by the inventory (and assuming that the entity can nevertheless claim ownership of the avoided emissions, e.g. on the basis of a separate financing agreement), those avoided emissions can

be separately reported as offsets against the reported inventory emissions (see chapter 8 in GHG Protocol for more details) to yield net emissions. Theoretically, net emissions could then be compared from one year to another, which would yield net emission reductions over time. We do not understand what "net *annual* emission reductions" refers to, and this should be deleted.

- Assessing emission reductions for entities with small emissions. We do not support the provisions to exempt small emitters (e.g., entities with average annual emissions of less than or equal to 10,000 metric tons of CO2 equivalent) from having to do an entity wide inventory. By allowing small emitters to pick and choose which activities they will report on, small emitters may choose to only report on those activities from which they have achieved emissions reductions, while ignoring other activities where emissions may have increased significantly. This would enable a small emitter to give a false impression that they have achieved net emissions reductions, when in fact net emissions may have increased. This is why, as stated earlier, we believe that the 1605b guidelines should focus on company (or organizational) reporting, at the highest level of aggregation. A more effective way of addressing resource constraints that small emitters do face, may be to allow small emitters to streamline quality assurance procedures for the inventory report.

- Net emission reductions achieved by third parties (offset reductions or emission reductions submitted by aggregators). We believe it is a mistake to mix the definition of entity reductions as outlined in § 300.8 with the term "offsets". This is inconsistent with how GHG programs in the US and internationally uses the term and it will not be deemed credible in GHG markets (see our comments above in the General Comments section and in section § 300.2, as well as our comment below on section § 300.8). As the revised guidelines feature no GHG accounting framework for project-level or offset reductions, the guidelines should just focus on entity-level GHG accounting and reporting. As stated above and below, reductions in entity-level GHG emissions should be calculated by comparing changes in a company's actual emissions inventory over time relative to a historical base year.

§ 300.8 Calculating emission reductions.
To fulfill the broader purpose of achieving real reductions in US absolute GHG emissions, we therefore recommend accounting for GHG reductions by comparing a reporting entity's changes in absolute emissions over time relative to a historic base year.

Furthermore, we find that the five different structural approaches provided in this section are inconsistent and conceptually unclear, as they mix and match the accounting of intensity reductions with absolute reductions, as well as project-level accounting with entity-based accounting. Also, the option of selecting from several different approaches is problematic and will lead to inconsistencies. The most meaningful and relevant approach to measuring corporate reductions is by looking at how overall absolute emissions change over time relative to a historical base year. The draft guidelines allows entities to use five different structural approaches to claiming an emission reduction, but provides no guidance on when a specific approach is appropriate or what criteria or level of stringency is required. Also, entities can mix and match all of the approaches within a single report. This flexibility opens up the system to the possibility of gaming and will result in inconsistencies in the way reporting entities calculate emission reductions.

We therefore recommend that the main purpose of registration should be for registering absolute corporate emissions as a basis from which intensity reductions (by providing additional output data) and net emissions (by introducing offsets) can be comprehensively derived.

§ 300.9 Record and recordkeeping requirements.

The GHG Protocol team does not believe that the recordkeeping requirement of three years is sufficient or long enough to facilitate the transition into a future, mandatory GHG program. Furthermore, all reporting entities, not just those intending to register reductions under the 1605b program, should be required to maintain adequate supporting records.

§ 300.11 Independent verification.
The section on independent verification is an improvement as the revised guidelines now specify minimum verification qualifications. However, we believe that the DOE does not go far enough by only encouraging reporting entities to have their annual reports independently verified. The DOE should require third party verification for reporting entities. This is necessary because the 1605b program intends on registering emission reductions, and for these reductions to be credible with respect to receiving credit in any future GHG program, mandatory independent verification is necessary.

§ 300.12 Acceptance of reports and registration of entity emission reductions.
We do not support the registration of reductions. We believe the focus should be on registering a company's absolute emissions changes over time relative to a historic base year. We also do not support excluding any credible corporate wide emissions reductions that occurred before 2002. To do so would be unfair and constitute a threat to every voluntary GHG program in the US.

Comments on the Technical Guideline

References to the GHG Protocol in the Technical Guidelines
The 1605b guidelines refer to the GHG Protocol and GHG Protocol calculation tools numerous times throughout the technical guidelines. This is a very positive aspect of the revised 1605b guidelines and will significantly increase the 1605b calculation methods' compatibility and consistency with internationally accepted GHG calculation methods. However, we did notice several minor mistakes in the references and citations, which we have detailed below. Please correct these minor errors accordingly.

P. 5: While the GHG Protocol does mention a "tiered approach" in Chapter 6, there is no mention of the "ordinal rating" concept. If the DOE is referring to a specific GHG Protocol tool in this footnote, then please specify this in the footnote. Also, the footnote reads "the World Resources Institute's GHG Protocol". The GHG Protocol was developed by WRI and the World Business Council for Sustainable Development (WBCSD), and WBCSD should be recognized as well.

P. 59: This citation includes the date September 2001, which is likely in reference to the first edition of the GHG Protocol. We would prefer that the 1605b guidelines cite the revised edition, which was published March 2004. Also, the website link given is not correct. The correct website link should read www.ghgprotocol.org/standard.

P. 81: The GHG Protocol reference on this page also does not give recognition to WBCSD. Furthermore, this reference cites "GHG Protocol Initiative. 2003. http://www.ghgprotocol.org". The date should be removed from this citation. The GHG Protocol *Initiative* is not a specific publication, and should not be referred to with a date. If this citation intended to cite the GHG Protocol publication, it should refer to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition, which was published in March 2004. If this citation is in reference to a specific tool, it should include the title of the specific tool.

P. 83: Again, WBCSD is not recognized in this citation. Please change accordingly.

P. 87: This citation should refer directly to the ammonia tool, as do previous tool references. Also, the website link cited is incorrect. The citation should read: "World Resources Institute/World Business

Council for Sustainable Development. 2001. *Calculating CO_2 Emissions from the Production of Ammonia*. http://www.ghgprotocol.org/standard/tools.htm.

P. 89: The two GHG Protocol references on this page should cite the Cement CO_2 Protocol developed by the WBCSD Working Group Cement. This tool can be found on the GHG Protocol website at http://www.ghgprotocol.org/standard/Current_Tools/cement_WBCSD_guidancev1.6.doc.

P. 91: The GHG Protocol references on this page should also cite the Cement CO_2 Protocol developed by the WBCSD Working Group Cement. This tool can be found on the GHG Protocol website at http://www.ghgprotocol.org/standard/Current_Tools/cement_WBCSD_guidancev1.6.doc.

P. 95: One of the figures in Table 1.E.12 is incorrect. The default carbon content value for steel produced should read "0.40%", not "0.004 percent". Also, the reference under Table 1.E.12 should not read "Guidance Section", but should cite the Automated Worksheet as does footnote 40 on the same page. Furthermore, the website link provided in footnote 40 on this page is incorrect. The link should be: http://www.ghgprotocol.org/standard/Current_Tools/ironsteel.v1.0.xls.

P. 134: The two references to "WRI spreadsheets" in Table 1.E.41 should read either "WRI/WBCSD spreadsheets" or "GHG Protocol spreadsheets".

P. 146: This reference cites "GHG Protocol Initiative (2001)." The date should be removed from this citation, as the GHG Protocol *Initiative* is not a specific publication, and should not be referred to with a date. If this citation intended to cite the GHG Protocol publication, it should refer to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition, which was published in March 2004. If this citation is in reference to a specific tool, it should include the title of the specific tool.

P. 148: See comment on P. 146 above.

P. 246: Footnote 1 on this page refers to the "WRI/WBCSD Protocol". Please refer to the "WRI/WBCSD GHG Protocol".

Other Comments on the Technical Guidelines:
While we do not include specific comments on the technical guidelines, there is one issue in particular that the GHG Protocol team would like to address. The requirement that electricity end users account for GHG emissions associated with transmission and distribution losses is **inconsistent** with the approach adopted on operational boundaries in the revised edition of the GHG Protocol Corporate Standard, since GHG emissions associated with transmission and distribution loses should be accounted for the entity that owns or controls the transmissions and distribution system (see also Appendix A of the revised edition GHG Protocol Corporate Standard).