

## Frequently Asked Questions for Proposed 1605(b) General Guidelines

- 1. *How will the voluntary registry help address climate change?*** The proposed Guidelines will help U.S. companies, institutions, landowners and citizens undertake comprehensive reviews of their greenhouse gas emissions and take actions to reduce these emissions. By emphasizing the importance of providing a full accounting of all greenhouse gas emissions and emission reductions, the revised Guidelines will help identify and encourage cost-effective emissions reductions that will help make substantial progress toward the achievement of the President's goal of reducing the greenhouse gas intensity of U.S. economy, and to global efforts to address the risk of global climate change.
- 2. *Why should entities report on their greenhouse gas emissions?*** An important step towards achieving the President's goal of reducing the greenhouse gas intensity of the U.S. economy is to encourage companies, institutions, landowners and citizens to inventory their greenhouse gas emissions and track annual changes in emissions per unit of output. Through the revised 1605(b) program, participating entities will gain an improved understanding of their own emissions, identify cost-effective opportunities for voluntary emissions reductions, and demonstrate to their stockholders and customers that they are contributing to the achievement of the President's goal. The revised 1605(b) guidelines will provide a mechanism for entities to demonstrate that they are taking action to inventory and reduce their greenhouse gas emissions.
- 3. *What are the key features of the proposed revised General Guidelines?*** The proposed revisions to the Guidelines are designed to enhance the accuracy, measurement and verifiability of information reported under the 1605(b) program and to contribute to the President's climate change goals. The Guidelines continue to provide considerable flexibility to entities that wish to report emissions or emission reductions in the future, as they have in the past.

The Guidelines will provide special recognition for those entities able to meet additional requirements necessary to register emission reductions achieved after 2002. For large emitters, these requirements include providing an inventory of their total emissions and calculating the net reductions associated with entity-wide efforts to reduce emissions or sequester carbon. Small emitters would be eligible to register emission reductions associated with specific activities without reporting an inventory of the total emissions or demonstrating a net decrease in entity-wide emissions. Small emitters would be required to provide a full accounting of the emissions and emission reductions associated with each category of their activity on which they choose to report.

The Guidelines would enable entities to report (but not register) emission reductions achieved prior to 2003 and report (but not register) emission reductions associated with specific actions taken to reduce emissions – sometimes referred to as projects - even if these reports do not meet the criteria established by DOE for registering

reductions.

The chief executive officer of the company or institution, an agency head, head of household or other responsible official would be required to certify that the reporting entity accurately followed the revised Guidelines. Entities would be encouraged to obtain independent verification of the accuracy of their reports and their compliance with DOE Guidelines.

- 4. *What are the key differences between the existing program and the proposed revisions?*** First, the proposed revised program increases reporting transparency. Transparency is improved by focusing on entity-wide reporting. Entities will need to identify and fully describe the entity on which they are reporting, such as a utility, manufacturer, commercial business or institution. The current program only requires identifying those facilities or projects the entity is reporting on. Under the revised program, entities would need to describe their entity boundaries and structure in an entity statement; report changes, if any, to those entity boundaries each year; and ensure no double counting occurs.

Second, the proposed revised program offers utilities, manufacturers and other large emitters an opportunity to receive special recognition for their efforts to reduce emissions after 2002 if they provide a comprehensive accounting of their emissions and their emission reductions. To receive such recognition, entities with total average annual emissions greater than 10,000 metric tons of carbon dioxide equivalent must report on all emissions and emission reductions within their entity boundaries. Entities with annual emissions of less than 10,000 metric tons of carbon dioxide equivalent, such as farms, small businesses and households, would not be required to complete a comprehensive accounting of all of their emissions, but would still be required to meet other new requirements. For example, a farm wanting to report sequestration associated with conservation practices on one field must report on conservation practices on all fields, but would not need to provide emissions or emissions reductions data on its other activities, such as livestock operations.

Third, the proposed revised program increases reporting accuracy and verifiability by proposing more uniform calculation methods; specifying the need for three-year record-keeping; and requiring a senior official to certify data accuracy.

- 5. *What does "entity-wide" mean?*** The term "entity-wide" refers to all greenhouse gas emissions or emission reductions by a company, utility, manufacturer or other reporting entity, as defined by its entity statement.
- 6. *What does an "entity-wide emissions inventory" require?*** An entity-wide emissions inventory is a record of all direct emissions, indirect emissions from purchased energy, net emission changes due to sequestration, and a description of any de minimis emissions excluded. This record must encompass all activities and emissions within the entity boundaries as defined in the entity statement. All six greenhouse

gases specified by the guidelines must be covered.

**7. *What is the difference between "reported" and "registered" emission reductions?***

All emission reductions, whether reported or registered, must be calculated using the methods outlined in the General and Technical Guidelines and the reporting entity must file a baseline entity statement, identify any changes to its entity statement annually and certify that its reports are accurate.

Entities interested in obtaining special recognition for reductions must provide additional information, which allows their reduction to be classified as "registered". Entities with average annual emissions of more than 10,000 tons of CO<sub>2</sub> equivalent (referred to as "large" entities), must file an entity-wide emissions inventory and an entity-wide assessment of all changes in its emissions, including indirect emissions, avoided emissions and sequestration.

Small entities are not required to file entity-wide inventories of emissions and reductions. Instead they must report information only on all emissions and reductions associated with the specific types of activities on which they have chosen to report. For example, a farm with estimated average annual emissions of 8,500 tons of carbon dioxide equivalent may want to report only on reductions achieved through carbon sequestration from improved soil management. In this case the farm would report on all of its soil management practices, not just those that have produced reductions. If the reporting entity does not supply this additional information, the reductions would not be eligible to be registered.

**8. *Can a firm participate in the registry if it does not want to register reductions?*** Yes.

Entities not seeking to register reductions can report emissions and reductions for specific activities, facilities, or selected components of their entity provided they file a baseline entity statement, use the methods outlined in the General and Technical Guidelines, and certify their reports. Many firms may not yet be prepared to report at the more comprehensive level. This option would enable such firms to participate immediately and to begin registering emission reductions in the future, when they were able to meet the additional requirements.

**9. *Please explain the different methods for calculating reductions.***

There are many different ways to limit or reduce atmospheric greenhouse gases, such as by reducing direct emissions, increasing sequestration, or reducing emissions indirectly by increasing the generation of electricity from non-emitting sources, like renewable or nuclear energy. In trying to assess an entity's efforts to reduce emissions, it is also important to take into account how the entity's economic activity may have changed. A company that is reducing emissions only because it is reducing U.S. production does not warrant special recognition for its efforts, while a company that has expanded rapidly, but kept its emissions flat does deserve recognition. To accurately account for these different types of reductions and the impacts of changing economic output, it is necessary to use multiple methods of calculating reductions. In most situations, emissions intensity is likely to be used to determine when an entity has

reduced its emissions relative to its output. For example, an electric utility that reduced its rate of emissions per kilowatt hour would use the emissions intensity method to demonstrate that it had achieved an emission reduction. But a wind power generator that increased the amount of electricity it produced from wind could not use emissions intensity to demonstrate that it had reduced emissions (because it never had produced any direct emissions). In this case, the wind generator would have to use a different method, one capable of calculating the "avoided emissions" resulting from the increased generation of wind power.

- 10. Why is DOE focusing on output- or “intensity”- adjusted reductions?** Changes in the level of production or output of a utility, manufacturer or institution directly affect the level of greenhouse gas emissions, but such changes in output are not a good indicator of the efforts to reduce emissions by a specific entity. For example, a manufacturing firm with increasing production could experience a net increase in absolute entity-wide emissions even though it is undertaking substantial investments to reduce greenhouse emissions. On the other hand, a firm may reduce its output by closing a plant. In this case, the firm’s absolute emissions would decline because its output declines, but the emissions of a competitor that increased market share might go up simultaneously. Use of output-based measures ensures that true reductions in the emissions intensity of the U.S. economy are recognized and rewarded, consistent with the President’s emissions intensity reduction goals.
- 11. Why do the guidelines require continuous annual reporting?** Continuous annual reporting is necessary to ensure that all emission reductions achieved since the entity's initial base year are real and verifiable. Only through continuous reporting can an entity demonstrate that it has not increased its emissions during a break in their reporting record. If a break does occur, entities could fill in the gap later or begin again by establishing a new base year from which to calculate future reductions.
- 12. How does 1605(b) relate to the President’s Climate VISION program and EPA’s Climate Leaders program?** The Administration intends to use the 1605(b) program to document, where possible, the progress of participants in these voluntary Federal programs. This is consistent with the President's desire that the 1605(b) registry be a "tool that goes hand-in-hand with voluntary business challenges...by providing a standardized, credible vehicle for reporting and recognizing progress." However, additional reporting may be required for other specific voluntary Federal programs in order to provide distinct benefits to program participants. DOE is soliciting comment on the merits of using the 1605(b) program for documenting the progress of participants in voluntary Federal programs toward their emissions reduction goals.
- 13. How does 1605(b) treat emissions or reductions that occur outside the United States?** The proposed revised General Guidelines do not address explicitly the question of reporting and registering non-U.S. emissions and emission reductions. DOE is soliciting public comments on whether non-U.S. emissions and emission reductions should continue to be eligible for reporting under the revised program, recognizing that the original guidelines provide for reporting of international

activities. DOE is also soliciting public comments on whether non-U.S. emissions and emission reductions should qualify for registration and, if so, what procedures and requirements should be established for registration of such emissions and emission reductions.

**14. *How do the proposed Guidelines compare with other reporting programs?*** The proposed General Guidelines focus on obtaining a full accounting of the total emissions and emissions reductions of utilities, manufacturers, businesses, institutions and other large entities that choose to report. While the Greenhouse Gas Protocol Initiative (sponsored by the World Resources Institute and World Business Council on Sustainable Development) and several State reporting programs focus on entity-wide emission inventories, none provide a mechanism for assessing entity-wide emission reductions that excludes the effects of increasing or decreasing output (as would the proposed revision to the 1605(b) guidelines). Several states have created programs that collect state-wide inventories of emissions, though many of the inventories are only for one year. Several States have also begun to develop emissions reporting guidelines, but again most are not very extensive.

**15. *Does DOE require independent verification?*** No. The statute establishing the 1605(b) program specifies that entities should self-certify the accuracy of their reports. DOE believes that third-party, independent verification would be desirable in many instances, and the proposed guidelines would strongly encourage entities to take this extra step. But DOE does not believe it is necessary to require all participants to have their reports independently verified. We expect that the proposed revisions will substantially improve the transparency and credibility of the reports submitted to the 1605(b) program, even without a requirement for independent verification. We recognize that as potential markets develop for emission reductions, market participants might re-examine the need for and value of third party or independent verification.

**16. *The original 1605(b) program allows entities to report on projects. How are projects treated within the revised guidelines?*** The revised Guidelines would provide special recognition only to those large emitters that provide a full accounting of their entity-wide emissions and emission reductions, rather than to those entities that report on just individual projects. DOE believes that only through a full accounting of all emissions and emission reductions can a participating entity effectively demonstrate its contribution to the national effort to reduce greenhouse gas emissions. Nevertheless, those companies or other entities that are not yet prepared to provide such a full accounting of their emissions and emission reductions may still report, but not register, project-level efforts to reduce emissions.

**17. *What happens to the emissions and emission reductions previously reported under the existing program? Can entities register them under the revised 1605(b)?*** All data previously reported under the 1605(b) program will be maintained by DOE and will continue to be accessible to the public. However, under the proposed revised Guidelines, reductions recorded under the original reporting guidelines would not be

eligible for registration under the revised program unless the reduction was achieved during or after 2003, and the report met all of the requirements of the new guidelines. While only those reductions achieved during or after 2003 would be eligible for registration, entities would be permitted to “recast” prior year reports to make them consistent with the new reporting guidelines.

- 18. *Isn't it true that some of the reductions eligible for recognition under the revised program would have occurred anyway, even without any extra effort by the reporting entities?*** Because technology and productivity are continually improving, most utilities, businesses, institutions and households are expected to gradually reduce their emissions per unit of output over time. However, new, more efficient means of production and energy technologies must still be deployed in order for these reductions to actually occur. The revised program will provide incentives to do so by providing a mechanism for recording emissions inventories over time, as well as emissions reductions through specific efforts. This should provide a good indication of the relative contribution individual entities are making toward this national objective.
- 19. *How much will it cost a typical entity to comply with the revised program guidelines?*** Costs could vary widely depending largely on the characteristics of individual entities and the decisions they make on how best to account for their emissions. Entities that emit greenhouse gases mainly as a result of fuel consumption can prepare an emissions inventory by compiling their fuel use data and applying conversion factors specified by DOE. If the entity has a single measure of its basic output, such as utilities that produce kilowatt hours or cement producers that produce tons of cement, they can calculate their reductions using their records of annual fuel consumption and annual output. Firms that produce multiple products may have to calculate their reductions by matching the emissions and output of different elements of their business, which would increase the costs of participating in the 1605(b) program.
- 20. *Who did DOE consult with developing these Guidelines?*** DOE took a number of actions to encourage broad public input into the development of these guidelines, including: issuing a Notice of Inquiry (which resulted in over 80 sets of written comments); hosting four DOE workshops across the United States and two USDA workshops focusing on terrestrial sequestration; and meeting with groups ranging from private sector firms, trade associations, environmental groups, and States. DOE staff has also made a large number of presentations to a variety of different groups on the 1605(b) process over the last year.
- 21. *The existing program has reductions registered from school children as part of class projects. How will they register in this program?*** Those who have reported to the 1605(b) program in the past will continue to be able to do so under the revised Guidelines. However, in order to seek registration of emissions reductions, an entity-wide emissions inventory will be required for large emitters, while small emitters (such as classes of school children) may in certain circumstances register emissions

reductions from specific projects.

**22. When is DOE publishing the technical guidelines?** DOE will publish the technical guidelines early in 2004 and will offer opportunities for public comment.

**23. The President said the revised 1605(b) program should provide firms registering real reductions with transferable credits and protection against a future climate policy. How do these proposed Guidelines do that?** The proposed revised guidelines will provide an increased level of transparency, rigor, and comprehensiveness in reporting, which we expect will increase the credibility of the emission reductions registered under the program. As a result, such reductions may be more attractive to entities participating in private emissions trading markets.

DOE believes that registration of emissions reductions under the revised 1605(b) program may provide some protection against penalty under any future climate change policy to those entities that register emissions reductions.

**24. Is the Administration planning to allow firms to register reductions in black soot, as some press reports have suggested?** The revised 1605(b) guidelines do not allow entities to register emissions reductions for black soot, or any other gases or particles other than those explicitly listed in the guidelines. DOE is seeking guidance on which other gases or particles should be added to the registry and how such gases or particles might be added.