

B. Defining Reporting Entities

Under the proposed revised Guidelines, the first step in the reporting process is the definition of the corporation, institution, household or other entity that will be submitting reports. At a minimum, entities would have to be legally distinct businesses, institutions, organizations or households, although reporters would be encouraged to define themselves at the highest meaningful level of aggregation. The legal basis for determining whether an entity (or its subparts) is distinct could be derived from any Federal, state or local law (or regulation) governing the entity, including regulations applicable to corporations, partnerships, cooperatives, government agencies, non-profit organizations, households, or other entities. This approach would permit a legally-distinct company, plant or activity to define itself as an entity, even if it is partially- or wholly-owned by another company. In such cases, any registered reductions would accrue only to the reporting entity, rather than the parent company.

Given the flexibility inherent in this definition, some companies and institutions could be all or part of a reporting entity at any one of several different levels. For example, an individual electric power generating plant might be owned by a partnership of several different companies or individuals. One of these partners might be an electric utility that owns and operates several other electric generating plants, and a transmission and distribution system. And this utility might, in turn, be owned by a regional holding company that also owns other utilities, as well as other non-electric generating companies. In this case, the reporting entity could be defined as the electric generating plant, the utility or the holding company. The program encourages reporting entities to report at the highest level of meaningful financial and operational control, which in this case is likely to be either the utility or the holding company. DOE solicits comment on whether the proposed guidelines are likely to cause entities to establish boundaries that reflect a higher level of corporate or institutional aggregation, as is desired. DOE also solicits recommendations on what additional provisions might preserve flexibility in the establishment of boundaries while also preventing or further discouraging the shifting of emissions to non-reporting parts of the entity in order to create the appearance of net emission reductions. Finally, DOE solicits comment on the desirability of

more prescriptive approaches to the definition of entities, such as a requirement that entity definitions correspond to those used for Federal tax purposes.

The Guidelines would require that the name chosen to represent the entity generally correspond to the activity covered by the report. For example, a large multi-product manufacturer should not use its corporate name to report the emissions and emission reductions of just one of its many subsidiaries. However, there may be instances when some, but not all subsidiaries of a large corporation may want to report as a single entity. One reason to report as a single entity might be that certain subsidiaries have a common business activity, while others do not. However, another reason might be that some subsidiaries could demonstrate emission reductions, while others could not. DOE solicits comments on how the Guidelines might provide the flexibility needed by entities with special circumstances, while discouraging abuses of this flexibility that could produce misleading impressions of entity performance.

Another question concerns the possible role of trade associations and other third parties as consolidators of entity-specific reports into an aggregate report to DOE. While associations may report information collectively for their memberships under the current guidelines, this may have implications for the accuracy and reliability—and transparency—of reports submitted under the revised guidelines. Should trade associations and other third parties be required to submit some or all of the entity-specific data that might be required by the revised Guidelines? Should the CEOs, other senior officials, or heads of entities be required to certify the accuracy of their companies' reports when submitted to or through trade associations? Should trade associations and other third parties be able to "register emission reductions" or only file reports for the record?

C. Defining Entity Boundaries

To report on an entity-wide basis and to register emissions reductions, reporting entities would have to provide an "entity statement" that meaningfully defines the operations and facilities (such as office buildings or vehicle fleets) covered by their entity-wide reports, and the greenhouse gas sources and sinks encompassed by these operations and facilities. Such operations would include those wholly owned and operated by the entity, and might include those operations that are

partially-owned, leased or operated by the entity. Entities would be required to coordinate with other entities that shared ownership of particular operations to ensure that no double counting occurred. Entities would also have to ensure that each annual report consistently used the boundaries identified in prior year reports, unless an explicit description of any changes made and their effects on emissions accompanied the report. In cases where an entity undergoes a significant structural change, it may have to establish a new base year for all or part of its operations, or, in the case of acquisitions, recalculate its original baseline based on the prior year emissions of the acquired plant.

D. Emission Sources and Sinks Covered

Reports would be able to cover any greenhouse gas or sink that is consistent with the definitions established in the General Guidelines. An entity-wide inventory would need to cover all significant (determined by share of total emissions or absolute quantity of emissions), anthropogenic greenhouse gas emission sources within the entity's defined boundaries. Entity-wide reports must also cover all significant emission sinks. Entity-wide reports must encompass, at minimum, all six greenhouse gases specified in the Guidelines, whether emitted directly by the entity's operations and facilities, or indirectly in the generation of purchased electricity, steam or hot (or chilled) water used by the entity. Indirect emissions other than those specifically cited in the Guidelines may be reported separately, but reductions associated with such other indirect emissions may not be registered. Entities also may separately report, but not register, emissions and emission reductions associated with other gases (e.g. chlorofluorocarbons, black soot) that may have significant, quantifiable climate forcing effects, provided that DOE's Technical Guidelines specify the methods for measuring and reporting their emissions. DOE is soliciting comment on criteria for identifying such gases and on procedures for developing the necessary Technical Guidelines. All DOE proposals to permit the reporting of additional gases will be made available for public comment before being put into effect. DOE solicits comment on this approach and on a possible alternative that would permit participating entities to report (but not register) the emissions and emission reductions associated with other gases, even if DOE's Technical Guidelines did not specifically cover such other gases.