

E. Entity-Wide Reporting of Emissions Inventories

To be eligible to register emission reductions, entities with substantial emissions (an annual average in excess of 10,000 tons of CO₂ equivalent) would need to report annual entity-wide inventories of their emissions and sequestration. Such inventories would provide a basis for assessing the significance of reported emission reductions relative to the entity's total emissions.

F. Entity-Wide Emission Reductions

To register emissions reductions, entities with average annual emissions over 10,000 tons of CO₂ equivalent would be required to demonstrate, to the maximum extent practicable, that the reported reductions represent an actual net decrease in entity-wide emissions, as calculated using one or more of the methods allowed by the General and Technical Guidelines. Some entities, such as electricity generators, would be expected to calculate net emission reductions for their entire entity (using one or more of the methods described below and in the Technical Guidelines). Others, such as multi-product manufacturers, may not be able to determine the net emission reductions achieved by all elements of their entity using the methods allowed by the Guidelines. These types of reporters could report the net emission reductions for as much of their entity as was practicable, in addition to reporting their entity-wide emission inventories.

Example: A multi-product manufacturer has instituted company-wide efforts to reduce emissions, but because its U.S. output is growing rapidly, its absolute U.S. emissions have not declined. By using different calculation methods (intensity for many facilities and absolute emissions for others, as well as some project-specific calculations) it can quantify the emission reductions associated with 90% of its total emissions. It would report its total emissions and quantified emission reductions to DOE, and explain that it is not practicable to quantify the emission reductions associated with the remaining 10% of its operations because there are no year-to-year measures of output for these operations (because they involved the production of totally new products). In this case, the entity could register its reported emission reductions, but the data submitted in its report would clearly indicate that these reductions were based on an assessment of just 90 percent of the entity's emissions.

Net emission reductions achieved by third parties (offsets) could be included in an entity's report and be registered as long as the third party or other entity involved observed all of the rules that would have applied had it chosen to report its net emission reductions directly, and the entities involved have agreed that the reporting entity can

register the emission reductions identified (see section II.O.5 below for additional discussion on the treatment of offsets).

The proposed Guidelines indicate that the owner of the facility, land or vehicle that generated the emission reductions or sequestration is the entity presumed to have the right to report and register any emission reductions or sequestration. For example, the owner of a wind turbine that sells its power to the grid is presumed to have the right to register such resulting emission reductions, even though this wind-generated electricity might be purchased at a premium by a local utility and, ultimately, resold at a premium rate to a local manufacturer. This presumption can be altered, however, if there is a written agreement between the entities involved to transfer this right.

G. Guidelines for Small Emitters

Entities with average annual emissions of less than 10,000 tons of CO₂ equivalent, such as many farms and forest operations, small businesses and individuals, could report and register emission reductions that have occurred during and after 2003 without submitting the results of an entity-wide emissions inventory or an entity-wide assessment of the annual changes in their emissions, avoided emissions and sequestration. Entities reporting under this provision would be required to determine the total annual emissions and sequestration associated with the type of activities on which they choose to report, the net emission changes associated with these specific activities, and to certify that the changes reported were not caused by actions likely to cause increases in emissions elsewhere within the entity's operations. Small emitters would be required to use the same methods for calculating emission reductions available to other reporters. DOE's Technical Guidelines will provide a list of the types of activities about which small emitters might report. It is expected that households and many small businesses, farms, and forest operations would be exempt from the requirement to submit entity-wide inventories. The use of a multi-year average rate of emissions is intended to enable certain small entities that have periodic spikes in their annual emissions (for example, a land owner that periodically harvests trees) to qualify for this exemption. Comments are specifically solicited on (1) whether 10,000 tons of CO₂-equivalent emissions would be the appropriate threshold quantity to achieve this objective, and (2) the appropriate period of time over which small entities should be permitted to average their annual

emission rates. DOE is also soliciting comments on whether these special rules for small emitters are appropriate and how to ensure that reductions reported by small emitters are not a result of shifting emissions to non-reporting parts of the entity.

H. Emission Reduction Calculations

All reported and registered emission reductions would have to be calculated using one of the methods identified below, together with the procedures to be set forth in DOE's Technical Guidelines. The proposed revised General Guidelines recommend the use of emission intensity indicators as the basis for determining emission reductions, but would permit the use of several other methods to calculate emission reductions and sequestration as long as the method used excludes reductions caused by reductions in output. Regardless of the method used, a reporting entity would have to certify that none of the reported emission reductions were: Double counted by the reporting entity (or, to its knowledge, by any other reporting entity); or were the result of shifts in operations or activity from one part of the entity to another part of the entity, or to outside the boundaries of the entity. Entities would be required to report each emission reduction and sequestration calculation by type, indicate the types of actions taken that resulted in the reported emission reduction, and explain the selection of each indicator of output used. Comments are invited on the appropriateness of each of the methods described below and on the definitions provided in the proposed Guidelines. Additional guidance on each of these methods will be provided in the Technical Guidelines, including lists of possible output indicators, calculation methods for determining reductions associated with agricultural, forestry and geologic sequestration, methods and emission factors for calculating avoided emissions, and project-based methods, among others.

1. *Reductions in emissions intensity*, as long as the reporting entity demonstrates that the intensity metrics used are based on measured (or estimated) emissions and measured indicators of output that accurately represent the physical (or, in some cases, economic) output associated with the covered emissions, and that acquisitions, divestitures or changes in products have not contributed significantly to the reductions.

2. *Absolute reductions in emissions*, as long as the entity demonstrates that these measured reductions were not caused by declines in its U.S. output.