

3. *Increased carbon storage* (for actions within entity boundaries), as long as the entity demonstrates the sequestration measured or estimated represents a net increase in the quantity stored by the entity and has not been re-released to the atmosphere (ongoing, annual reports would be required).

4. *Avoided emissions* (for actions within entity boundaries that reduce emissions outside entity boundaries) that reflect the indirect emission reductions achieved as a result of a measured increase in the net sales of energy generated by low-or no-emission technologies.

5. *Project emission reductions* (for actions taken to reduce direct or indirect emissions within entity boundaries), as long as they exclude any reductions that might have resulted from reduced output or from shifting emissions to operations not included in the reported projects, and are derived from measured performance data or by using estimation methods consistent with DOE Technical Guidelines. In the context of entity-wide reports, this last calculation method is intended only for use when none of the other methods is practicable.

#### *I. Recordkeeping, Report Certification, and Verification*

Reporters under the existing program must certify the accuracy of their reports, but are not required to maintain records. Under the proposed revised Guidelines, the chief executive officer, agency head, head of household or person responsible for the reporting entity's compliance with environmental regulations would certify that reports are complete, accurate and consistent with DOE guidelines, and that sufficient records will be maintained for at least three years to enable independent verification. Reporting entities are strongly encouraged to obtain independent verification of their reports. The proposed Guidelines describe what would constitute such verification, including a description of the types of firms or institutions that might be qualified to independently verify the entity's reports, and the elements of an entity's records and reports that should be verified.

The proposed General Guidelines would require reports to EIA that are sufficiently detailed to enable EIA to review and confirm the final emission reduction calculations for each method and output measure utilized, and to review and confirm the rates of conversion used for each category of greenhouse gas covered and for electricity-related use or emissions avoidance, by region. EIA's review of the data submitted would be intended to

assure consistency with the requirements specified in the General and Technical Guidelines. This level of reporting would indicate the basic components of each entity's emission inventory and of its entity-wide emission reductions. Entities would be required to maintain more detailed records, sufficient to permit an independent verification. The proposed levels of data reporting and recordkeeping represent a middle ground between the views of stakeholders who favor summary data and those stakeholders who prefer more detailed data that would be the basis for independent verification.

The proposal limits the recordkeeping requirement to three years. Of course, reporting entities may keep their records for a longer period of time if they deem it in their interest to do so.

The proposed Guidelines would require that the chief executive officer or other senior official of the reporting entity certify the accuracy, consistency and completeness of all reports. In addition, the Guidelines would encourage, but not require, independent verification of all reports. The proposed Guidelines would provide only general guidance on what DOE considers the necessary qualifications of verifiers and the information that they must verify. This guidance is intended to provide some assurance that such verifiers are independent and appropriately qualified, while still giving entities considerable flexibility in the selection of the type of firm most appropriate to perform such an independent verification. DOE invites comments on whether the general guidance provided is sufficient to achieve this objective.

While some stakeholders believe that independent verification should be required of all reports, many felt that independent verification is only necessary if entities seek to sell their registered emission reductions and, in such cases, private markets are likely to specify the type of independent verification required. While DOE received many comments that questioned the credibility of many of the emission reductions reported under the existing program, most of these concerns related to the methodology used to calculate the reported reductions, rather than the validity of the data used or reported. While DOE believes that requiring a senior officer to certify reports will provide adequate assurance that the data reported are reliable, the proposed Guidelines would strongly encourage reporters to obtain independent verification. DOE solicits public comment on this approach and on whether further consideration should

be given to requiring independent verification of emission reductions prior to registration.

#### *J. Starting To Report*

Under the proposed revised Guidelines, entities would be permitted to begin reporting their prior-year emissions and emission reductions at any time. In general, the first full year for which an emissions inventory is available would be considered the entity's base year, although DOE would encourage entities to determine their base year by calculating the average emissions or emissions intensity during a base period of up to four years in length. This flexibility would permit a reporter to select the base year or base period most representative of actual operations. It may also, however, allow a reporter to select the most advantageous base year or base period (*i.e.*, a period that would enable the reporter to register the greatest amount of reductions). DOE solicits comments on whether this flexibility is appropriate and, if not, what steps might be taken to limit this flexibility. To focus the program on current and future efforts to reduce greenhouse gas emissions, entities would be permitted to register only those emission reductions calculated using a base year no earlier than 2002 (or base period of up to four sequential years ending no earlier than 2002). However, entities may still report emission inventories and reductions for previous years, as long as any prior year emission reductions are calculated using a base year no earlier than 1990 (or a base period no earlier than 1987–1990). To be accepted as entity-wide reports under the revised Guidelines, emission reductions already reported to the 1605(b) registry must be recast to fully comply with the revised Guidelines.

#### *K. Report Acceptance*

Upon receipt, EIA would review all reports to ensure consistency with the revised Guidelines. If EIA determines the report follows the General and Technical Guidelines, and EIA's Reporting Form Instructions, the report would be classified as either an entity-wide report or otherwise, and accepted.

#### *L. Registration of Emission Reductions*

Accepted entity-wide reports and reports from small emitters would then be further reviewed to determine if reductions were eligible to be registered. Entity-wide reports and reports from small entities that have used the methods identified in the General and Technical Guidelines, as well as EIA's Reporting Form Instructions, to