



# **Update on the Department of Energy's Revised Guidelines for 1605(b) Program and Climate VISION**

**Climate Leaders  
Partners Meeting  
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**Mark Friedrichs  
Office of Policy and International Affairs  
U.S. Department of Energy  
[mark.friedrichs@hq.doe.gov](mailto:mark.friedrichs@hq.doe.gov)**



## Briefing Outline

- ◆ **Background – program, revision process, next steps**
- ◆ **Overview of Guidelines**
- ◆ **Relationship to Climate Leaders**
- ◆ **Climate VISION**
- ◆ **More Detail on 1605(b) Guidelines**



## 1605(b) Program Background

- ◆ Established by section 1605(b) of Energy Policy Act of 1992.
- ◆ Flexible implementing guidelines issued 1994.
- ◆ Over 200 regular reporters.
- ◆ Reports on thousands of projects submitted.



On February 14, 2002, the President directed the Secretary of Energy, working with the Secretaries of Commerce and Agriculture, and the Administrator of the Environmental Protection Agency, to propose improvements to the current greenhouse gas registry to

**“...enhance measurement accuracy, reliability and verifiability, working with and taking into account emerging domestic and international approaches.”**

1. Reduce U.S. greenhouse gas emissions intensity 18% by 2012.
2. Improve DOE’s voluntary GHG reporting program.
3. Develop recommendations for protecting real reductions against future climate policy and on giving transferable credits.
4. Challenge businesses to take action (Climate VISION, Climate Leaders).





## Revision Process – Laying the groundwork

- ◆ Established interagency working groups.
- ◆ Issued a public Notice of Inquiry, May 2002.
- ◆ Held workshops; Met with stakeholder groups.
- ◆ Proposed General Guidelines, December 2003.



## Revision Process – 2005 and 2006

- ◆ March 24, 2005: Interim Final General and Draft Technical Guidelines published in Federal Register for comment.
- ◆ April 26/27 and May 5: Public workshops.
- ◆ May 23: Comment period closes [**unless extended**].
- ◆ September 20: Guidelines become effective [unless extended].
- ◆ Fall 2005: EIA issues forms (after public review).
- ◆ First reports under revised guidelines: Summer 2006.



## Basic Elements of General Guidelines Have Not Changed from December 2003 Proposal

Focus on Registering Reductions, requiring:

- ◆ Entity-wide reporting -- for both inventories and reductions
- ◆ Inventories of all gases and sequestration
- ◆ Post-2002 reductions
- ◆ Reductions derived primarily from emissions intensity and related measures

Small Emitters may limit reports to single *activity*.





## Changes to the General Guidelines since the December 2003 Proposal

- @ **International** emissions and emission reductions can be reported.
- @ A **quality rating system** has been added for inventories.
- @ The ***de minimis* provision** has been modified to eliminate 10,000 tonnes of CO<sub>2</sub> equivalent maximum.
- @ **More detailed requirements** for defining reporting entities and preparing Entity Statements, conducting inventories and calculating reductions.





# Key Elements of Draft Technical Guidelines

- @ Emissions inventory methods for all main sources, with quality ratings.
- @ Reduction calculation methods including:
  - @ Subentities
  - @ Base periods and base values
  - @ Method-specific guidance, including special methods for electricity generators and users

# Framework of Revised Program

**All Reporters: Require Legal Basis for Entity; 'Encourage' Highest Level**

**Small Emitters**

**Large Emitters**

**"Reporting Only" Entities**

**Inventory of Emission for Selected Activities**

**Entity-wide Emission Inventory**

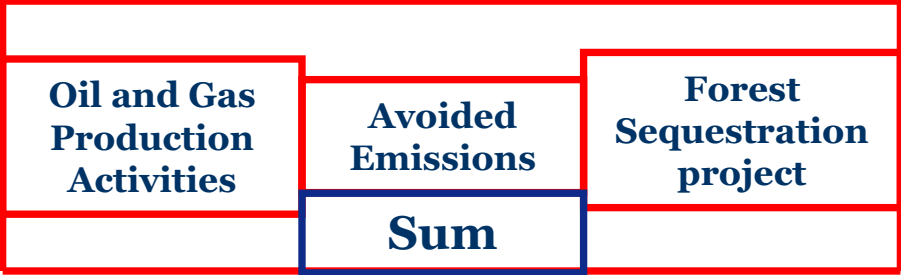
**Calculate Reductions at any level for any year: project; facility; pre-2002, etc. (Inventory not required)**

**Calculate Reductions for Relevant Activities, e.g., forested land**

**Calculate Reductions Across Entire Entity (may include sub-entity reductions such as plants, facilities, projects)**

***Reported Reductions***

**Potential Offset**



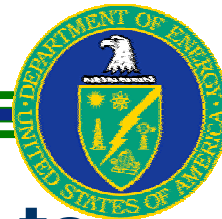
***Registered Emission Reductions***





# Comparison of Revised 1605b Guidelines to Climate Leaders

Feature	Revised 1605b guidelines	Climate Leaders
Scope	All U.S. operations, non-U.S. discretionary	All U.S. operations, non-U.S. discretionary
Reporting entities and boundaries defined	Yes	Yes
Annual emission inventories, including	Yes	Yes
• All 6 UNFCCC Gases	Yes	Yes
• Sequestration	Yes	Yes
• Indirect emissions from electricity use	Yes	Yes
Emission inventory methods	Range of methods, with quality ratings & weighted-average quality standard	Selected methods
Entity-wide assessment of changes in emissions	Yes	Yes



# Comparison of Revised 1605b Guidelines to Climate Leaders (continued)

Feature	Revised 1605b	Climate Leaders
Emission (reduction) targets	No	Yes
Registered emission reductions	Yes	No
Progress measured by emissions intensity or absolute emissions	Yes (if reductions caused by declining output excluded)	Yes (based on negotiated target)
Avoided emissions recognized	Yes	Yes, as offset project
Sequestration recognized	Yes	As offset project
Offset reductions	Yes, as entity reports	Yes, as projects
Project reductions	Only if other methods not feasible	As offsets
Certification statement	Explicit	None
Independent verification	Encouraged	Encouraged
Disposition of data and reports	Public (except business confidential data)	Confidential upon request



## Relationship of Revised 1605b and Climate Leaders Programs -- DOE/EPA Objectives

- ② To encourage participation in both programs.
- ② To enable entities that wish to participate in both programs to file single inventory reports and possibly other combined data reports,
  - ② with some additional information requirements for both programs.
- ② To ensure that there are no direct conflicts between program measurement protocols or other requirements.



# Climate Vision

- Climate VISION—Voluntary Innovative Sector Initiatives: Opportunities Now—launched as a Presidential Initiative on February 12, 2003.
- Current 13 association partners account for  $\approx 90\%$  of U.S. industrial emissions.
- 4 agencies participate: DOE; USDA; DOT; and EPA.

# Partners Making Commitments



Alliance of Automobile Manufacturers



Aluminum Association



American Chemistry Council



American Forest & Paper Association



American Iron & Steel Institute



American Petroleum Institute



Association of American Railroads



**International Minerals Association—North America**



The Business Roundtable



International Magnesium Association



National Mining Association



Portland Cement Association



Power Partners



Semiconductor Industry Association



## Works With Partners to Inventory Emissions . . .



- Develop and use tools to calculate, inventory, and report greenhouse gas emissions reduction, avoidance, and sequestration.





## Works With Partners to Reduce Emissions Intensity . . .



- Identify and implement cost-effective technologies and best practices to reduce energy usage and GHG emissions intensity.



## Works With Partners to Adopt New Technologies . . .



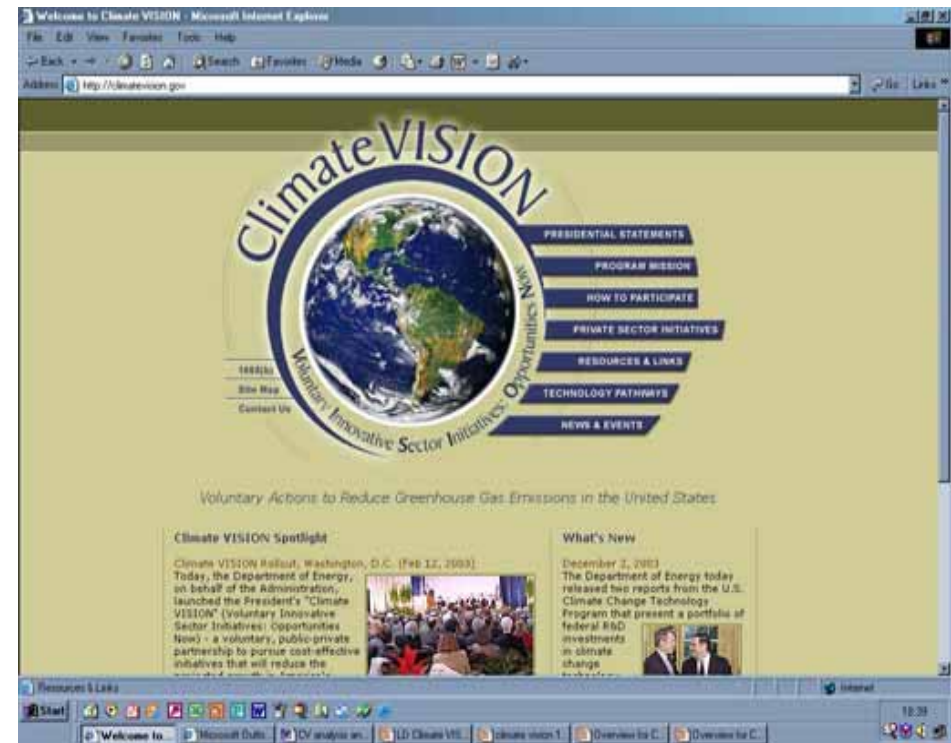
- Develop strategies to speed research and development and the commercial adoption of advanced technologies.





# Climate VISION Website

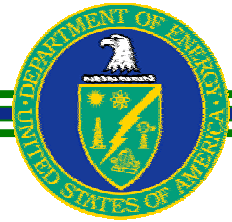
- [www.climatevision.gov](http://www.climatevision.gov)
- Announced December 10 during COP-9 to very positive reception.
- Provides resource for partners and an avenue to communicate with public on progress.
- Averaging over 13,000 “hits” per month.





## Basic Elements of the Revised 1605b Guidelines

- Defining and Naming the Entity, and Setting Organizational Boundaries
- Determining Start Year, Base Period and First Reduction Year
- Entity Statements
- Emissions Inventories
- Emission Reductions
- Other Reporting Requirements, including Record Keeping, Certification and Verification
- Offsets, Non-U.S. Emissions, Aggregators, Other Gases and Sources



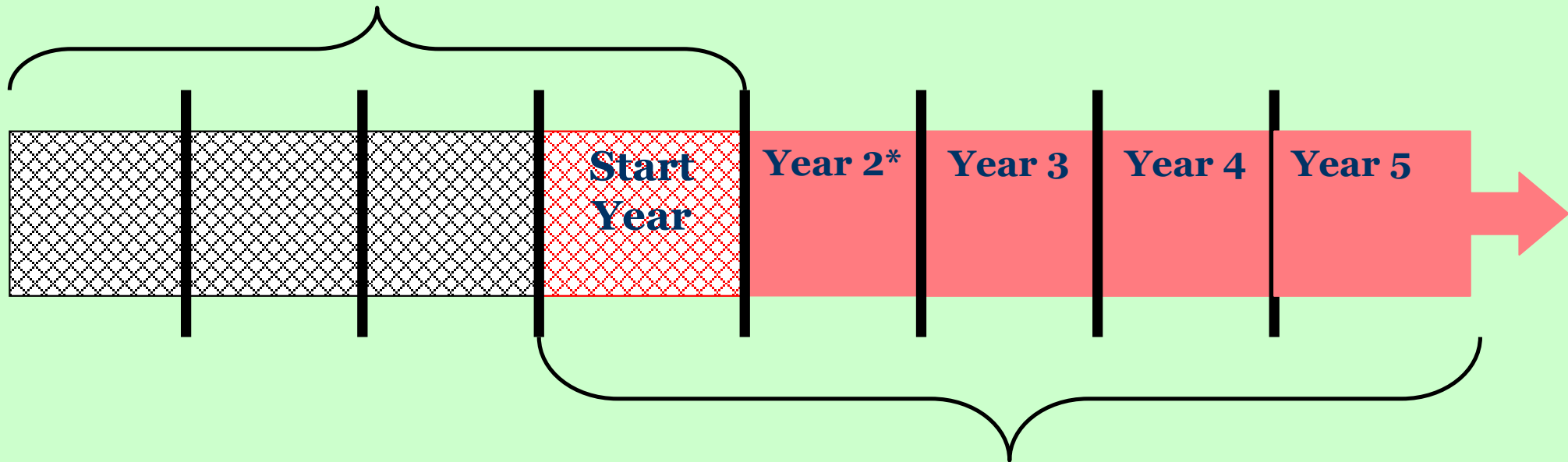
## Defining and Naming the Entity, and Setting Organizational Boundaries

- ② Companies are encouraged to report at highest level of aggregation.
- ② Reporting entities must have a legal basis and be named appropriately.
- ② Entities that register reductions must define an organizational boundary.
- ② Entities should use “financial control” to determine boundary.
- ② The same approach should be used to determine non-U.S. boundaries (if any).



# Determining Start Year, Base Period & First Reduction Year

**Base Periods may be 1-4 years.  
The initial Base Period ends with  
the “Start Year.”**



**The Start Year is the first Reporting Year.  
For registering reductions, the Start Year  
must be 2002 or later.**

**\* Year 2 is the first Reduction Year.**

[Return to Main Slide](#)



## Entity Statements – Basic Requirements for All Reporters

- Ⓢ Name, Legal Basis and Start Year.
- Ⓢ Summary description of sources (including de minimis sources) and basis for Organizational Boundary.
- Ⓢ Names of any parent or holding companies NOT covered in inventory.
- Ⓢ Names of any large subsidiaries or organizational units covered in inventory.
- Ⓢ Description of the entity and its primary U.S. economic activities.
- Ⓢ Description of non-U.S. operations (if included).
- Ⓢ Certification that jointly-owned sources are not “double-counted.”
- Ⓢ Significant changes from previous report need to be documented.



## Entity Statements - Additional Requirements for Large and Small Emitters

### Ⓢ Large Emitters:

- Ⓢ The Start Year is the first year for which a complete inventory is submitted.
- Ⓢ Must continue to report as Large Emitter in all future years.

### Ⓢ Small Emitters:

- Ⓢ Must demonstrate annual emissions  $\leq 10,000$  MMT CO<sub>2</sub>e.
- Ⓢ Must use methods specified in the Technical Guidelines or the Simplified Emission Inventory Tool (SEIT).







## Emissions Inventories

- ⊙ Large emitters that register reductions must submit entity-wide inventories annually, including:
  - ⊙ *Direct emissions of all six GHG categories.*
  - ⊙ *Certain indirect emissions, such as purchased electricity.*
  - ⊙ *All sequestration or other changes in carbon stocks.*
- ⊙ Quantity-weighted quality rating of inventory must be 3.0 or more.
- ⊙ May exclude de minimis sources if  $\leq 3\%$  of annual emissions.
- ⊙ Domestic and international emissions must be reported separately.
- ⊙ All reporters must quantify emissions associated with reported reductions.





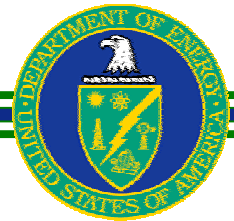
## Emissions Inventory - The Emissions Rating System

- Ⓒ Reporters must “rate” their emissions measurement and estimation methods.
- Ⓒ The ratings are *ordinal*, with four levels, A, B, C & D (valued 4, 3, 2, 1).
- Ⓒ An “A” rated method = best method available (e.g. Direct Measurement).
- Ⓒ A “D” rated method = least rigorous method (e.g. estimated activity data).
- Ⓒ The weighted average rating must be  $\geq$  to 3.0 to register reductions.
- Ⓒ Reporters must calculate an inventory weighted average rating for each year.



## Emissions Inventory - Measuring Emissions

- ④ When choosing measurement or estimation methods, entities should consider:
  - ④ *Availability of information*
  - ④ *Cost and feasibility*
  - ④ *Accuracy (rating)*
  - ④ *Size of the source*
  - ④ *Ability to measure reductions*
  - ④ *Variability and performance over time, and*
  - ④ *Ancillary Benefits.*



# Emissions Inventory – Potential Sources of Emission and Sequestration

- ④ Stationary Source Combustion
- ④ Mobile Source Combustion
- ④ **Non-Fuel Use of Fossil Fuels**
- ④ Industrial Process Emissions
- ④ Mining, Oil, and Gas Production Emissions
- ④ Waste Treatment and Handling
- ④ Indirect Emissions from Purchased Electricity, Steam, Hot and Chilled Water
- ④ **Other Indirect Emissions**
- ④ Forestry Sources and Sinks
- ④ Agricultural Sources and Sinks
- ④ Engineered Sequestration

[Return to Main Slide](#) **28**





## Emission Reductions

- Ⓢ Registered reductions based on assessment of all changes in emissions relative to Base Period(s).
- Ⓢ The Technical Guidelines permit five calculation methods:
  - Ⓢ *Emissions Intensity*
  - Ⓢ *Absolute Emissions*
  - Ⓢ *Changes in Carbon Stocks*
  - Ⓢ *Changes in Avoided Emissions*
  - Ⓢ *Action-Specific (Project Based)*
- Ⓢ Annual increases must be subtracted from future year reductions.





## Record Keeping, Certification and Other Requirements

- ⊙ Records must be maintained for at least three years.
- ⊙ Trade secret and confidential business information may be protected (5 U.S.C. 552(b)(4)).
- ⊙ All reports submitted to EIA must be certified as:
  - *Accurate and complete*
  - *Compiled in accordance with the Guidelines, and*
  - *Consistent with information submitted in prior years.*
- ⊙ Independent verification is encouraged, but not required.





## Independent Verification

- Ⓢ Entities encouraged to have reports independently verified.
- Ⓢ Verifiers may not be owned by the reporter, nor provide additional services.
- Ⓢ Independent verifiers should have following qualifications:
  - Ⓢ *Accredited by independent, nationally-recognized accreditation program(s).*
  - Ⓢ *Possess education, training and/or experience matching tasks performed.*
  - Ⓢ *Have a professional degree or accreditation in relevant fields, supplemented by training and/or experience in emissions reporting and accounting.*
- Ⓢ A few nationally recognized organizations that accredit individual verifiers include, but are not limited to the following:
  - Ⓢ *American Institute of Certified Public Accountants*
  - Ⓢ *ANSI's Registrar Accreditation Board for Environmental System Auditors*
  - Ⓢ *Board of Environmental, Health and Safety Auditor Certifications*
  - Ⓢ *California Climate Action Registry*
  - Ⓢ *Comparable international bodies*





## Offsets, Non-U.S. Emissions, Other Gases and Sources

- ② Registering Offset Reductions
- ② International emissions and reductions
- ② Other gases and sources







## Registering Offset Reductions

- Ⓢ A reporting entity or aggregator may register reductions achieved by third parties.
- Ⓢ Third parties must meet same requirements as reporters (e.g. large emitters must complete emissions inventory and entity-wide assessment of reductions).
- Ⓢ The third party must certify that reporting entity should be recognized as entity responsible for reductions.
- Ⓢ Net emission reductions and increases by third party will be included in entity's report, but will remain distinct.





## International Emissions and Reductions

- @ Non-U.S. emissions and reductions may be reported, but only if U.S. emissions and reductions are also reported.
- @ The U.S. means the 50 States, D.C., Puerto Rico, and other U.S. territories.
- @ The countries in which economic activities occur must be identified (if included in report), and the activities in each country must be treated as a separate subentity.
- @ In general, all non-U.S. activities must be reported following the same rules applicable to U.S. entities.





## Other Gases and Sources

- ⊙ Entities that register reductions must use the measurement and estimation techniques identified in the technical guidelines to report:
  - ⊙ *Direct emissions of the six categories of greenhouse gases identified in the guidelines (and recognized internationally)*
  - ⊙ *Indirect emissions associated with purchase of electricity, steam and hot/chilled water*
- ⊙ Entities MAY report other indirect emissions, but only if they use methods identified in the technical guidelines.
- ⊙ Other gases may only be reported if DOE agrees that the emission meets the definition of greenhouse gases and has established an acceptable measurement or estimation method in its Technical Guidelines.
- ⊙ Reductions of other gases may be registered only if the gases have been added to the list of covered gases included in the General Guidelines.





## Why Report?

- ◆ To demonstrate the results of your entity's commitment to reducing greenhouse gas emissions.
- ◆ To establish an official, government record of entity emissions and reductions.
- ◆ To initiate a comprehensive program of greenhouse gas emission monitoring and management.
- ◆ To document emission reductions that might be recognized by future government policies or programs.



# Key Addresses

**All documents, including public comments, plus  
Links to workshop registration:**

- <http://www.pi.energy.gov/enhancingGHGregistry/>

**Send public comments (or questions) to:**

- 1605bGuidelines.Comments@hq.doe.gov