VOLUNTARY REPORTING OF GREENHOUSE GASES (1605b) PROGRAM

PROPOSED REVISION OF GENERAL GUIDELINES

PUBLIC WORKSHOP MATERIALS AND TRANSCRIPT FOR MEETING

WASHINGTON DC
JANUARY 12, 2004
WASHINGTON PLAZA HOTEL

Voluntary Reporting of Greenhouse Gases (1605b) Program
Proposed Revision of General Guidelines
WORKSHOP MATERIALS AND TRANSCRIPT

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Voluntary Reporting of Greenhouse Gases (1605b) Program
Proposed Revision of General Guidelines Public Workshop

Voluntary Reporting of Greenhouse Gases (1605b) Program
Proposed Revision of General Guidelines
Public Workshop
Washington Plaza Hotel, Washington, D.C.
Monday, January 12, 2004

WORKSHOP AGENDA

7:30-8:30	Workshop Registration	
8:30-8:45	Welcome and Opening Remarks	Robert G. Card Under Secretary, U.S. DOE
8:45-9:15	Introductions and Workshop Plan	Doug Brookman, Facilitator
9:15-9:30	Process for Enhancing 1605(b) Program	Margot Anderson, U.S. DOE

9:30-10:15 Defining Reporting Entities/Boundaries
- Defining/naming the reporting entity
- Owned and operated sources
- Parent companies, subsidiaries, shared-ownership, leased facilities
- Entity statements

10:15-11:00 Registering versus Reporting
- Overall program design
- Distinction between registering versus reporting
- Key Features of registering reduction

11:00-12:00 Entity-Wide Emission Inventories
- Large versus small emitters
- De minimis emissions
- Other gases

Lunch

1:00-3:00 Emission Reductions
- Calculating Reductions:
    - Changes in intensity
    - Changes in absolute
    - Changes in carbon storage
    - Changes in avoided
    - Project-based emissions
- "Credits," Start Date, and Offsets

3:00-5:00 Other Issues
- Record keeping
- Certification and independent verification
- International emissions and emission reductions
- Relationship to other voluntary climate programs
- All other issues

5:00 Next Steps and Closing Words

2. WORKSHOP REGISTRANTS LIST

Voluntary Reporting of Greenhouse Gases (1605b) Program
Proposed Revision of General Guidelines Public Workshop

Firstname	Lastname	Title	Organization
Doug	Akerson	Partner	Kametco LLC
Margot	Anderson	Deputy Assistant Secretary for Policy	US DOE
Ken	Andrasko	Sequestration Team	USEPA, Office of Atmospheric Programs
Anne	Boucher	a/Director, Reporting-Verification	Natural Resources Canada
Mary	Archer	Principal Env. Specialist	FPL Group
James	Armstrong	Manager Compliance Assurance	Shell Oil Company
Vicki	Arroyo	Director of Policy Analysis	Pew Center on Global Climate Change
Wiley	Barbour, P.E.	Managing Director	Environmental REsources Trust, Inc.
Terry	Behrman	Manager, Environmental Affairs	Alliance of Automobile Manufacturers
David	Berg	Senior Policy Advisor	Office of Policy and International Affairs
Sattya	Bhattacharjee	Senior Environment Engineer	SRG Bangladesh Ltd
Kathryn	Bickel	Science Policy Analyst	United States Department of Agriculture
Phil	Bisesi	Program Manager	North Carolina Energy Office
Jonathan	Black	Legislative Assistant	U.S. Senate Energy Committee
Rebecca	Blood	Senior Government Relations Representative	American Public Power Association
Katherine	Blue	Managing Consultant - Greenhouse Gas Services	Trinity Consultants
Joel	Bluestein	President	Energy & Environmental Analysis, Inc
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Karen	Boykin	Research Engineer	The University of Alabama
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Sandra	Brown	Senior Scientist	Winrock International
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Dale	Bryk	Senior Attorney	Natural Resources Defense Council
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David	Calvelli	Business Analyst	FirstEnergy Corp.
Robyn	Camp	Program Director	California Climate Action Registry
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Andrew	Spahn	Director, Grants and Research	NARUC
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Vaughan	Turekian	Special Assistant	Department of State
Tom	Tyler	National Coordinator	US EPA - Sector Strategies Division (Iron & Steel)
Valerie	Ughetta	Director, Stationary Sources	Alliance or Automobile Manufacturers
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David	Walker	Farm Bill Coordinator	Assoc. of Fish and Wildlife Agencies
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Tom	Wiscomb	Senior Environmental Analyst	PacifiCorp
Joe	Wisniewski	CEO	Environmental Synergy. Inc.
Craig	Woodard	Director EHS	Bristol-Myers Squibb Company
Dennis	Woodsinger	Engineering Technician	Town of Colonie
Kristin	Zimmerman	Manager - Environment & Energy Strategy	General Motors

3. INTRODUCTORY PRESENTATION
(Margot Anderson)

Voluntary Reporting of Greenhouse Gases (1605b) Program Proposed Revision of General Guidelines

January 12, 2004

Background and Process

1

President's February 14th, 2002 Directive

1. Established U.S Goal to reduce GHG intensity by 18% by 2012.
2. Directed improvements to the DOE GHG Voluntary Emissions Registry.
   - The registry program was established as a voluntary program by section 1605(b) of the Energy Policy Act of 1992.
   - Currently about 220 reporters provide data on emissions and emissions reductions.
3. Challenged businesses to take action (Climate VISION, Climate Leaders).
4. Sought recommendations on protecting real reductions against future climate policy and on giving transferable credits.

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Objectives

- Recognize entities that contribute to the President's goal of reducing the emissions intensity of the U.S. economy;
- Encourage reporters – particularly those with large emissions – to provide a more accurate, consistent, and complete record of emissions and emission reductions;
- Provide opportunities for small emitters, which may not have the technical expertise or resources necessary to inventory and track all of their emissions, options to demonstrate their contributions to the President's goal;
- Create a central program for recording achievements associated with voluntary emission reduction programs, such as Climate Leaders and Climate VISION.
- Ensure that reported emissions data are transparent to reviewers.

Core Principles

- Strive for accuracy, transparency, consistency, completeness.
- Balance rigor with practicality; stringency with flexibility.
- Support President’s goal (18% intensity reduction).
- Balance confidentiality with verifiability.
- Build on current 1605(b) and other voluntary reporting protocols and programs.

Actions to Date

- Issued a public Notice of Inquiry, May 2002.
- Led extensive interagency staff level and policy level consultations to draft General Guidelines.
- Established website to distribute information and receive comments.
- Held six public workshops (DOE hosted 4, USDA hosted 2).
- Met and continue to meet with numerous stakeholder groups.
- Interagency groups working on Technical Guidelines for reductions and inventories.
- Working with EIA on reporting forms and instructions.

Current Timeline

- General Guidelines in public review until February 3, 2004. Likely to extend until February 17, 2004.
- Review comments, revise General Guidelines, as needed, continue drafting Technical Guidelines (3 parts: Core Reporting Requirements; Calculating GHG Reductions;GHG Inventories).
- Issue revised General Guidelines and Technical Guidelines for combined review in late spring/early summer.
- EIA will go through public comment period for revised forms and instructions, summer 2004.
- Initiate this new program in 2005.

4. AGENDA PRESENTATION ISSUES AND QUESTIONS

Voluntary Reporting of Greenhouse Gases (1605b) Program

Proposed Revision of General Guidelines

Public Workshop

Washington Plaza Hotel
Washington DC

January 12, 2004

Workshop Agenda

9:30-10:15 Defining Reporting Entities/Boundaries
- Defining/naming the reporting entity
- Owned and operated sources
- Parent companies, subsidiaries, shared-ownership, leased facilities
- Entity statements

10:15-11:00 Registering versus Reporting
- Overall program design
- Distinction between registering and reporting
- Key requirements for registering reductions

11:00-12:00 Entity-Wide Emission Inventories
- Large and small emitters
- De minimis emissions
- Additional gases

Lunch

Workshop Agenda [cont]

1:00-3:00 Emission Reductions

- Calculating Reductions:
  - Changes in intensity
  - Changes in absolute
  - Changes in carbon storage
  - Changes in avoided
  - Project-based
- “Credits,” Start Date, and Offsets

3:00-5:00 Other Issues

- Record keeping, certification and independent verification
- International emissions and emission reductions
- Relationship to other voluntary climate programs
- All other issues

5:00 Next Steps and Closing Words

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Defining Reporting Entities / Boundaries

- Comments on :
  - Defining / naming the reporting entity
  - Treatment of owned and operated sources
  - Treatment of parent companies, subsidiaries, shared-ownership, leased facilities
- Entity statements: How detailed?

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Registering versus Reporting

- Comments on the overall program design
- Comments on the distinction between registering and reporting (see schematic slide).
- Key Requirements for Registering Reductions
  – Entity-wide inventory (except for small emitters)
  – Assessment of entity-wide reductions
  – Post-2002 reductions

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Entity-Wide Emission Inventories

- Threshold for large and small emitters
  – Is 10,000 tons per year appropriate threshold?
  – Is special treatment for small emitters appropriate?
  – Are other requirements for small emitters appropriate?
- De minimis emissions
  – Should small emissions be omitted from inventories?
  – Is the smaller of 10,000 tons or 3% an appropriate cut-off? Alternatives?
- Additional gases
  – Process for adding other gases to program, such as CFCs or black soot.

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A. Calculating Emission Reductions (5 methods)

1. Changes in emissions intensity
2. Changes in absolute emissions (if not resulting from declines in output)
3. Changes in carbon storage
4. Changes in avoided emissions (resulting from energy sales)
5. Project-based emissions reductions (when other methods are not appropriate/feasible)

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B. Calculating Emission Reductions – Special Issues

- How can output measures be used to exclude emission reductions that result from declines in production?
- How can avoided emissions from non or lower emitting generation or from reduced electricity demand be calculated?
- Does continuous reporting adequately address concerns about permanence?
- Should the focus be on changes in carbon stocks or changes in rate of sequestration?
- When are "project" methods likely to be needed? What distinguishes them from other methods?

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Emission Reductions – "Credits," Start Date, and Offsets

- "Transferable credits and protection and against future climate policy for real reductions"
  - Will a more transparent and credible database of reductions stimulate private mechanisms for transferring credits?
  - Be used by future policy makers?
- Emissions reductions must occur after 2002 for registration
  - Comments on date selected.
- Offsets

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Record keeping, Certification & Independent Verification

- Record keeping
  - Verifiable records kept by reporting entity
  - 3 year minimum
- Certification and independent verification
  - Who should certify an entity's report?
  - Should DOE specify more than the "necessary qualifications" of verifiers and the "information that must be verified?"
  - Should verification be required? Why?

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International Emissions and Emission Reductions

- Should emissions and emission reductions that occur outside of the geographical U.S. be registerable? reportable?
- How should DOE address concerns about data quality and consistency with the General Guidelines?
- How would “entity-wide” concept be extended to non-U.S. activities? Should an entity be required to report on all its activities world-wide or just in specific countries?

Relationship to other Voluntary Climate Programs

- The Administration intends to use 1605(b) to document, where possible, the progress of participants in other voluntary Federal programs, e.g. Climate Leaders; Climate Vision.
- However, additional reporting may be required for other voluntary Federal programs.
- How should 1605(b) be tied to other voluntary programs?

Other Issues

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Next Steps and Closing Words

- Comments on the draft General Guidelines are requested by February 3, 2004, but we are considering a short extension.
- DOE (leading an interagency group) is developing technical guidelines on:
  1. Core Reporting Requirements (entity statements; record keeping, certification)
  2. Calculating GHG Reduction (base years, absolute and intensity reductions, offsets, electric sector reductions, etc.)
  3. GHG Inventories
- Draft Technical Guidelines along with the revised General Guidelines will be released for public comment in late spring or early summer.
- Revised reporting forms and instructions. Release for public comment (summer, 2004)

Please Complete Workshop Evaluation Form

(leave evaluation form on the Registration table)

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Web Address:

http://www.pi.energy.gov/enhancingGHGregistry

E-Mail Address for Comments:

1605bgeneralguidelines.comments@hq.doe.gov

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5. SUPPLEMENTARY WORKSHOP SLIDES PRESENTED

Voluntary Reporting of Greenhouse Gases (1605b) Program
Proposed Revision of General Guidelines Public Workshop

Reporting Schematic

All Reports.

All Reporting Entities Provide:

1) Baseline Entity Statement (ES) fully documenting operational boundaries (**§ 300.5**) on the basis of**;**
   - Legal structure, managerial structure, and financial structure -**§ 300.4(a)(1);**
   - Examines ownership and control of leased and partially owned facilities - **§ 300.5(a)(6)**;
   - Confers with other entities to ensure no double-counting **§ 300.5(a)(6)**; and
   - Statement of changes to the entity statement for each reporting year - **§ 300.5(c)**
2) Certification statement indicating - **§ 300.10**
   - Report is accurate and complete on the basis of the ES and consistent with all prior year reports;
   - All information reported follows the calculation methods described in the revised General and Technical Guidelines;
   - Verifiable records will be kept for a minimum of 3 years; and
   - Report was/was not independently verified.
3) Reports must describe emissions, sequestration, and reductions using the calculation methods described in the revised General and Technical Guidelines. All emissions reductions and removals must have occurred after December 31, 1990. **§ 300.9(a)**

EIA accepts the report (**reported reductions**).

Registering Reductions

To *register reductions,*
Entities must demonstrate that the emissions reductions and removals occurred after December 31, 2002. **§ 300.7(b)**

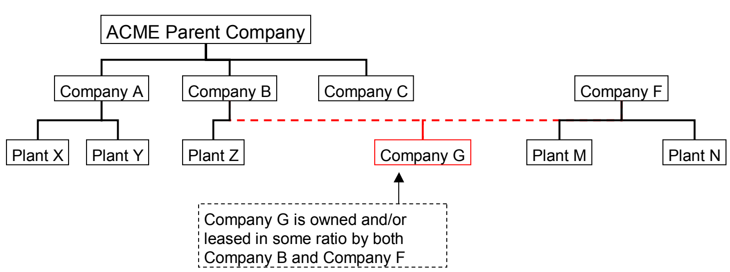
Large emitters (average annual emissions of more than 10,000 tons CO_2 equivalent) must:
1) Provide entity-wide Emissions Inventories of:
   - Direct emissions - **§ 300.6(b);**
   - Indirect emissions for purchased energy - **§300.6©;**
   - Sequestration -**§ 300.6(d)**
2) Describe de minimis emissions excluded from emission & sequestration inventories - **§ 300.6(e);**
3) Calculate net entity-wide reductions based on all changes in emissions, avoided emissions and sequestration, plus any emission offsets - **§ 300.7.**

Small emitters (average annual emissions of less than 10,000 tons CO_2 equivalent) must provide -**§ 300.7(b)**:
1) A complete assessment of annual emissions and sequestration associated with the type of activity(ies) being reported;
2) Determine the associated reductions; and
3) Certify that the reductions reported were not caused by actions likely to cause increases in emissions elsewhere within the entity.

1

EIA accepts the report and registers the eligible emission reductions (**registered reductions**).

Entity Definition (Example)



2

Workshop Agenda

9:30-10:15	Defining Reporting Entities/Boundaries
10:15-11:00	Registering versus Reporting
11:00-12:00	Entity-Wide Emission Inventories
Lunch	
1:00-3:00	Emission Reductions
3:00-5:00	Other Issues
5:00	Next Steps and Closing Words

3

6. TRANSCRIPT OF PROCEEDINGS

Voluntary Reporting of Greenhouse Gases (1605b) Program
Proposed Revision of General Guidelines Public Workshop

UNITED STATES DEPARTMENT OF ENERGY

VOLUNTARY REPORTING OF GREENHOUSE GASES (1605b) PROGRAM PUBLIC WORKSHOP

Washington Plaza Hotel
Washington, D.C.

Monday, January 12, 2004

P R O C E E D I N G S

8:30 a.m.
Welcome and Opening Remarks

UNDER SECRETARY CARD: Hi. My name is Bob Card. I'm under secretary of the Department of Energy. I'm delighted so many people have showed up to praise the draft guidelines. That's a joke.

So we're expecting a robust conversation today, and I do appreciate your participation. It's important to our process, and I just want to assure you that the meetings that we had before and all your comments played very significantly in our deliberations about getting to this point.

I've got a few notes here just so I don't forget things. I'll refer for those -- to those occasionally.

But the -- the guidelines, while they represent the consensus view in the administration at this point, there are many key parts of them that we're not clear-cut about how we get there and what the right answer is.

So I just wanted to reinforce that your comments during this period will be very important. We expected when we issued them that there would be modifications to them following this comment period, so we'll take that very seriously.

So, on behalf of Secretary Abraham and Department of Agriculture and EPA, CEQ, and the other agencies that participated in this, I appreciate your attendance here.

The -- our goal here is an improved reporting program that, together with voluntary programs such as Climate Leaders and Climate Vision and technology development, investment incentives, and other tools, will encourage the actions necessary to achieve the president's 18 percent emissions intensity reduction goal and lead to long-term reductions in greenhouse gas emissions. That's what this is all about.

The -- I wanted to go over sort of what some of our basic objectives were in getting to this point. First, as I said, we seriously considered the comments we've received so far. And as a result of that, when choosing between broader participation and the rigor and quality of the registry, we generally opted for quality. So I think that's a very important point.

So -- and I would say that the -- there's a firmer consensus on that issue than on many others. And so to the extent your comments are pushing us, in our opinion, backwards on transparency, quality, verifiability of the information, it'll be relatively more difficult for us to accede to those than others.

Third, and as part of that, we're emphasizing entity-wide reporting. I bill -- will be willing to take a few questions when I'm finished here, but I wanted to explain the nuances of that.

An entity as explained in the guidelines can be all kinds of things, and just to give an example, almost every IPP, independent power producer, project in the country is an entity due to the way that it's financed and built. But -- and so that entity, you know, Power Gen Station No. 2, can report improvements it makes into the registry, but if the owner -- the holding company, Acme

Power, wants their name in the registry associated with that, they have to roll up everything else in their empire.

So a large corporation may have a dozen entity levels, from the very lowest legal entity to the top, and what -- what we mean by entity-wide reporting is wherever the roll-up of the emissions and reductions stopped, that's the name that goes in the registry, not the holding company name on top. That's what that's designed to do.

Fourth, we are seeking real reductions, real measured actual reductions in emissions. It sounds straightforward, but it's fairly complex to get there.

Fifth, we listened to your comments in the last round and we have tried to make provisions for small emitters and de minimis reporting. When I was here at this first meeting that we did last -- what was it, Margot? -- November, the concern was, well, is a big company going to have to roll up its executive car fleet, and the answer is no. So we provided -- we've provided methods for -- to simplify that.

And there was a particular concern about small emitters, so we've provided provisions for that. I'll be interested in your comments on that.

And finally, we're seeking transparent reporting for all reviewers, again to strengthen the quality of the registry.

As I mentioned before, we are always taking a hard look at other adopted standards. I'll just use Road Resources Institute as an example. We would like to be consciously different from those standards rather than unconsciously different from those standards because we know that many organizations have begun reporting along the lines of previously adopted reporting guidelines. And so we -- we are trying to take a hard look at those.

We feel by no means bound to what's in there. We don't -- we don't want to bumble our way into something different if -- if we don't have to reinvent the wheel.

The -- as I mentioned before, this is a administration-wide collaborative effort led by DOE, but I want to assure you -- maybe you're not assured by this -- but all of our agency partners have an equal voice in this process. And typically, the process that -- we haven't said it yet, but that I imagine will be used is, we will take these comments and we will have a set of interagency meetings, several at my level, the deputy and under secretary level, and we will hash out the key policy issues. And everybody in there gets an equal say.

The key people from those agencies are here today, and I guess, Doug or Margot, you might want to introduce them at some point in time so people know who to collar during the coffee breaks.

I will be here throughout most of the morning to hear what you have to say personally.

There will be a formal record of this workshop that will be made publicly available in a few weeks, and any and all comments you send us will be made publicly available.

The -- we have asked for your comments by February 3rd. There have been a number -- we've had a number of formal and informal requests for extensions of time. We're seriously considering those requests, and after we hear what you have to say here today, we'll be making a decision tomorrow and any requests that we agree to make will be posted by close of business tomorrow. So I'm letting you know that we're open to the idea, but if everybody here says -- or a lot of people say, no, no, we don't want an extension, that might change our mind.

We also plan to make available for public comment in late spring the technical guidelines. We would plan on reopening comments to the general guidelines at that time. However, to -- to let you know what our process will be, the -- I would say the key policy decisions and -- and modifications, if any of the general guidelines, are likely to occur in this round. And in the next round, if we get comments on the general guidelines, we'll be looking for, how did what we issued in the technical guidelines change people's perception of the general guidelines to very strongly consider those comments.

I hope I'm being clear on that. In other words, we're not looking to reopen issues next spring that could have been resolved with the information that we have today. So take your best shot now on the general guidelines, would be my advice.

The Energy Information Administration, which has the task of actually getting this done and is also represented here today, expects to make available for public comment its revised forms and instructions sometime late this summer as a result of this whole process. So in the processes, general guidelines, technical guidelines, those really serve as instructions then to EIA, who has to prepare the actual mechanics to make this whole thing work. So that's why you're seeing that. And that's when they expect to be done.

And then, if all goes well, we'll complete the process before the end of the year, enabling us to initiate the program in 2005.

So with that, I'd be glad to take a few questions, Doug, if you would moderate that, and then I'll be delighted to sit down and listen to your comments.

MR. BROOKMAN: Right here in front. Robert.

MR. SCHENKER: I'm Bob Schenker, General Electric Company.

Do you foresee any reporting this year --

MR. BROOKMAN: Bob, could we -- the microphones. You need to hit the "on" button at the -- at the front of the console, and you need to get within about two feet of the mike.

MR. SCHENKER: Okay. I'm Bob Schenker with General Electric.

Do you foresee any reporting this year, then, if you're not going to have your program in place until the end of the year? This summer, I think July 1 is the -- reporting would be for the 2003 inventory.

UNDER SECRETARY CARD: I'm going to let Margot answer that, so if you can remember that, Margot.

But let me just say that the -- the guidelines contain the tools for backwardation of reporting to about any date that you want. In fact, as I recall, for reductions, we registered reductions. It's anything after 2002, right, Margot? Just make sure.

And then, I think back to 1990 or something, the original 1605(b) date, whatever that is, that we will -- if you submit a report to our guidelines of that date, we will report your numbers. We just won't -- and the current guideline. We just won't offer register reduction for those numbers.

MR. BROOKMAN: These two gentlemen here. One at a time. Please say your name for the record.

MR. GALEANO: Sergio Galeano from Georgia Pacific.

MR. BROOKMAN: It's got to be closer.

MR. GALEANO: Thank you so much. Sergio Galeano from Georgia Pacific.

I will try to see if, please, you can give us an idea about how you're going to conduct the workshop besides what is on the agenda. In other words, there is the rebuttable presumption that everybody has been reading what has been proposed. So we can be going part by part discussing the issues that we have for the -- so you have an idea how new things might be coming down the pike or we might just be listening to the repetition of the proposed regulation.

UNDER SECRETARY CARD: I'm going to suggest, Margot, if you take a note and answer that when you get up.

MR. NICHOLSON: Bill Nicholson on behalf of AF & PA.

What adding up or summing of the reports that you're going to get do you contemplate?

UNDER SECRETARY CARD: Margot, I'm going to ask you to take that one as well.

(Laughter)

MR. BROOKMAN: We're taking notes as we're going along here. Some of these are rather detailed substantive issues, so.

UNDER SECRETARY CARD: It's not that I'm unwilling to tackle them. I just don't -- Margot will be shaking, worried that I'm going to give the right answer to it, so.

MR. BROOKMAN: Bill.

MR. FANG: Bill Fang with the Edison Electric Institute.

Two process comments. One is, along with a number of other commenters, we strongly support dual extensions of the comment period. I will say that we think it makes much more sense to have a comprehensive extended comment period that covers all of the guidelines, both general and technical, rather than a piecemeal approach or an incrementalist approach, which we don't think makes as much sense as extending for a considerable period of true.

I think that is particularly true in light of the fact that the EIA forms and instructions won't be completed until late this summer, as I understand the -- what Mr. Card said. So it -- there is no need to rush to incremental piecemeal sets of comments.

Secondly, as far as the forms are concerned, I don't think the issue is -- I mean, EIA has already asked for a one-year extension of time, and our -- our comments on that note is, we suggested that a two-year extension of time might be necessary. There is no way the 2003 data is -- is going to be reported.

The only question is whether 2004 data can fairly be reported, and I'm -- given the proposal that we've seen, we don't think that is the case. There is no reason why the current guidelines cannot remain in effect through 2004 and therefore the first reporting year for the new guidelines will be 2005.

Thank you.

UNDER SECRETARY CARD: So noted.

MR. BROOKMAN: We are starting to reach into substantive and detailed comment, so other brief questions at the outset here?

(No response)

MR. BROOKMAN: So I see none. So thank you very much.

Good morning, everybody. My name is Doug Brookman.

We have one more? Bob, I believe we do have one more -- one more question.

Your name, please.

MR. FINNEGAN: Dave Finnegan, Mayer, Brown, Rowe & Maw.

Mr. Secretary, I didn't quite understand your proposal about the -- when you -- extending the time for the general guidelines and then you're going to propose the technical guidelines. You said you'll take our best shot on the -- on the general guidelines.

It seems to me the -- the issue is, what is the relationship of the general guidelines to -- and the technical guidelines together. There's an awful lot of provisions in the proposal that tie it into the technical guidelines and say, well, we'll -- we'll tell you about that later.

And also, there are a lot of questions raised in the general guidelines that you're asking for information. You're saying that the policy decisions would be made before the technical guidelines would be published? I don't understand.

UNDER SECRETARY CARD: The point I'm trying to get across is, if we get comments in at -- at the time of the technical guidelines now that we've seen the technical guidelines. This part here affects the way we feel about this other part. To us, that becomes a substantive comment worth putting in Pile A of things to seriously consider.

To the extent it rehashes stuff we talked about last fall and then now just on the basic philosophy of the general guidelines, that's stuff we're going to say, we've talked about that twice before. Is talking about it a third time going to make a difference for how we view the consensus position of the administration. And it's likely that things that are in the A pile that say, now that we've seen the technical guidelines this piece of it changes the way we feel about that, is likely to have a bigger effect.

MR. BROOKMAN: Sergio, you had a follow-up? Is that mike working?

MR. GALEANO: I would like to -- I would like to support the under secretary in that statement because -- we don't think that there is a need to extend the comment period beyond February 3rd because then people would be reading that the next day, the day before.

But give an opportunity to those commenters on the general guidelines at the time where the technical guideline comments are due to then provide any revisions of their prior comments.

MR. BROOKMAN: We will have lots of opportunity to comment on these specifics as the day goes on.

UNDER SECRETARY CARD: Let me just -- this is -- let me answer kind of a policy question circulating.

The administration's goal is to get these revisions in place as fast as possible and have a great public process doing it. So that's the balance that we're weighing.

So we're not inclined to want to extend anything. What we weigh is how much public process benefit do we get through these various steps, and we've concluded that there is perhaps a public process benefit of some extension of this comment period and a public process benefit of allowing additional comments during the period when we're considering the technical guidelines.

So when you're commenting to us about extensions and things, it'll be more persuasive to the extent you could help us with that -- that decision. But I want to let you know, our bias is to get these guidelines implemented.

Thank you.

Introductions and Workshop Plan

MR. BROOKMAN: Thank you.

Okay. Now I am going to press on with the -- with the agenda.

My name is Doug Brookman. Good morning, everybody. Nice to see so many of you again.

I'd like to get a sense of who we have that's in the room very, very briefly, and since there are so many of you, I'm not going to do introductions person by person. That would take a long time. We have a lot to cover today, and I think we have a very interesting program for you as the day goes on.

I wanted to get a sense. How many of you attended previous workshops on this subject?

(Show of hands)

MR. BROOKMAN: So virtually all of you.

And how many of you submitted written comments following the previous workshops?

(Show of hands)

MR. BROOKMAN: So perhaps a third or so.

And I want to get a sense of the sectoral representation. How many of you are associated with electricity generation?

(Show of hands)

MR. BROOKMAN: A quarter or so.

How many would be associated with manufacturing sector?

(Show of hands)

MR. BROOKMAN: Perhaps another quarter, almost.

How many of you would identify yourself as being associated with the environmental sector or an environmental movement?

(Show of hands)

MR. BROOKMAN: Ten percent or so.

The service sector? How many of you involved in different aspects of service for these -- these industries?

(Show of hands)

MR. BROOKMAN: And the government sector?

(Show of hands)

MR. BROOKMAN: Perhaps another, almost, quarter. Twenty percent or so.

And those of you that -- who are -- would be generally associated with some sort of a non-profit enterprise?

(Show of hands)

MR. BROOKMAN: Did I leave anybody out major or did I offend anybody by those characterizations?

(Laughter)

MR. BROOKMAN: Yes, one more?

PARTICIPANT: (Off mike) I try not to be -- with this group. I would like to ask, how many are representing households.

MR. BROOKMAN: Okay. Is there anybody here representing a household?

PARTICIPANT: Should we all raise our hands?

(Laughter)

MR. BROOKMAN: The question is, should we all raise our hands.

Let me make a note as we're going on right now at this point, we are recording this session today. There'll be a transcript of this session. We're going to have to all of us be mindful to use the microphones, and we'll get that one fixed.

And so please -- Mike, are you working on that? Yeah.

So I'm going to ask for your consideration in doing that.

Okay. So that's a pretty good sense of who's in the room today. Let me ask you, how many of you had a chance to read the -- the "Federal Register" notice and has --

(Show of hands)

MR. BROOKMAN: So most of you have a pretty good -- virtually all of you have a pretty good sense of what all is in there.

How many of you have a lot to say today?

(Show of hands)

MR. BROOKMAN: Well, that's encouraging.

How many of you have quite a bit to say today or, you know, kind of a medium amount to say today?

(Laughter)

MR. BROOKMAN: How many of you have very little to say today?

(Laughter)

MR. BROOKMAN: I'm trying to get a sense of the distribution of the air time because, as you can see, with 200 people in the room today, we're going to have to really be focused and stay on track.

And what we've tried to do is to structure the agenda to provide an opportunity for rather detailed conversation.

This goes to your question, Sergio.

And we've tried to kind of parse these -- this broad subject area basically consistent with the way the "Federal Register" is -- is written. And so I'm going to put the -- this view of the workshop agenda.

All of you have a more detailed agenda than this in your packet. I'd ask you to pull it out and take a peek at it right now because what I'm going to ask you when I'm done going through this is whether there's anything that needs to be inserted on the agenda that isn't there presently. That's what we need to find out.

So we've already had welcoming and opening remarks by Robert Card. I'm doing the first segment, which is introductions and the workshop plan. We will hear, after I'm finished, from Margot Anderson, describing the general process for enhancing the 1605(b) program. Going from there, the first major substantive topic is defining reporting entities and boundaries.

And in your packet you can see there's a one-page agenda. It looks like this. There are four bulleted subjects that are listed under "Defining Reporting Entities and Boundaries." These are the kind of foundational elements: defining and naming the reporting entity; owned and operated sources; parent companies, subsidiaries, shared-ownership, leased facilities; and entity statements. Those are the things that we thought were the fundamental chunks of that topic.

Going from there, round about 10:15 to 11:00, we're going to be talking about registering versus reporting. That's kind of the central framework that the Department has pushed forward for consideration here today.

And we'll be talking about the overall program design, the distinction between registering and reporting, and key features for registering reductions.

Just prior to lunch, about 11:00 to 12:00, we'll be talking about entity-wide emissions inventories. And just following lunch, emissions reductions. Those are really the two main components of the registry.

So, are you starting to see the architecture that's in place here?

And you can see, if you're looking at the one-page agenda, the sub-items under those two blocks, the 11:00 to 12:00 entity-wide emissions inventories: large versus small emitters, de minimis emissions, additional gases. And immediately following lunch, emissions reductions: calculating reductions based on changes in intensity, absolute, changes in carbon storage, changes in avoided, and project-based reductions. And then talk about credits, start date, and offsets.

Following that, round about 3:00 or so, we intend to take up other issues, and you can see several of them that we anticipate: record-keeping, certification, independent verification; international emissions and emission reductions; relationship to other voluntary climate programs; and all other issues.

And at that point, any other issues that we note that haven't been covered yet, we'll -- we'll take it up there. And any other issues as we're going along in the conversation today that we need to park for later discussion, that's where we'll do it as well. Okay?

So that's the general plan. Round about 5:00 today -- we do intend to try and close on time -- we'll talk about next steps and we'll have a few closing remarks. That's the general plan.

So as you survey what we have listed in the agenda and the format of it, are there any key issues here that you see that you need to add that wouldn't be included or encompassed in this? Please use your microphone.

Robert.

MR. SCHENKER: Bob Schenker, General Electric.

U.S. versus international.

MR. BROOKMAN: U.S. versus international, and I think that would be taken up in the 3:00 to 5:00 time frame, international emissions and emissions reductions, down there at the bottom.

Okay. Don't let us lose that. That's an important issue.

Yes. Let me hear from Daniel first, and then -- Sergio, they're going to work on your mike.

Go ahead, Dan.

MR. KLEIN: Dan Klein, Twenty-First Strategies.

There's very -- only minor mention here made of project-based reporting versus entity-wide. Over the history of the 1605 program, by far most of the reports were project-based. It seems that the decision to go to an entity-based is a fairly major one, to basically jettison most of what the history has been.

MR. BROOKMAN: So we'll talk --

MR. KLEIN: But that can be discussed.

MR. BROOKMAN: We'll talk about that at length.

Okay. Other comments on -- particularly about things that need to be inserted in the agenda that would not be covered?

Yes, please, Sergio.

MR. GALEANO: Yes. I think even very briefly, I think that it's disserving to talk about the issue of early credits.

MR. BROOKMAN: Early -- early credits?

MR. GALEANO: Early credits are, in my opinion, very poorly addressed on this proposal.

MR. BROOKMAN: Okay.

MR. GALEANO: And at the same time, if there could be a little time to talk about some missing definitions, some that are very important that should be modified, and others that should be added.

Thank you.

MR. BROOKMAN: So I'm going to make a note about that.

Where -- what kind of definitions are they?

MR. GALEANO: For example, it's very important for -- I'm guessing for most of us that avoided emissions will be revised to make it inclusive of other sectors for -- the power generation sector. That is the only one that is reflected.

MR. BROOKMAN: Okay.

MR. GALEANO: So I wonder -- emissions --

MR. BROOKMAN: So as we uncover the need for those additional definitions, I'll ask you and others to kind of chime in.

Okay. Can you hand the mike to Bill there, please?

MR. NICHOLSON: Bill Nicholson for AF & PA.

You may wish to --

MR. BROOKMAN: Excuse me, Bill, one second.

Are you able to hear him? Is he coming through? Yes.

Go ahead, Bill.

MR. NICHOLSON: You may wish to discuss the issue of confidentiality.

MR. BROOKMAN: I'm adding it to my list. That was an issue that was discussed at considerable length in the previous workshops.

Okay. Other issues that we need to insert at this point? If we identify them as we're going along, we'll just -- we'll just try and wedge them in. But as you can see, there's a lot to cover here.

Let me see. I guess, let me close out my segment by -- yes? Did I miss one?

Yes. One -- one moment, please. Yes, your name for the record?

MR. SKERNOLIS: Ed Skernolis from Waste Management.

MR. BROOKMAN: Okay. I think about two feet is about your limit. Maybe it's the water that's doing the damage.

Let's keep the A/V guy in here for this -- for the time being. Find him. Oh, it is Chris. Where did he go?

(Pause)

MR. BROOKMAN: You can use this mike.

Chris, I want you to stay in here for a little bit, okay?

MR. SKERNOLIS: This question isn't worth all that, but.

(Laughter)

MR. BROOKMAN: Thank you for being so gracious.

MR. SKERNOLIS: I didn't know if you were going to address this in the technical issue proposal, but there is no commentary in the general guidelines regarding dispute resolution and other judicial decision-making that DOE might have to take, especially when there is a double counting and the like.

MR. BROOKMAN: Okay, okay. Thanks. I will make a note about that. Maybe Paul McArdle or someone will -- or somebody will address that later on.

Okay. I'm eager to kind of press on here.

Yes?

MR. FINNEGAN: Just two points. One is --

MR. BROOKMAN: Please say your name again.

MR. FINNEGAN: Dave Finnegan, Mayer, Brown, Rowe & Maw.

The two points; one is the -- the guidelines that talk about special recognition, but there is no -- no discussion of this on this list. And secondly, on the establishment of the so-called registry, there's no real discussion of that -- that issue.

MR. BROOKMAN: Special recognition on the registry? The establishment of the registry. Yes. Okay. Would that be about a technical? Okay, okay.

So, as -- as we're closing out my segment, I'd like to simply ask for your consideration to observe some very simple ground rules. These have worked well and -- in the past, and I'd ask you to observe them.

Please speak one at a time. Please say your name for the record. Everybody's going to have to turn, as we've demonstrated already, your microphones on and off. We can have several of these microphones working simultaneously, three or four or so, so we can entertain -- get some exchange back and forth.

Please be concise. Share the air time. Please do not read a lengthy written statement into the record. You can submit a written comment, and Department of Energy encourages you to submit written comments following today's workshop. We're hoping you can find a way to summarize your comments.

If I start to see people going like this, I'm going to get nervous and I'm going to start walking toward you, okay? It's -- you can do better than that, and we expect you to be on your toes and summarize here today.

Please keep the focus here. If you've got cell phones, pagers, and other things like that, turn them off, silence them. We understand entirely if you have to take a call and take it out of the room. We understand entirely if you have to leave the room to have a sidebar conversation with a colleague. But please mindful that -- that the sound in this room is going to pick up a lot of sidebar conversations and noise, so please keep it to an absolute minimum so you're not distracting people that are here to listen and learn today and contribute.

I'm going to be cuing people to speak. I'll be trying to recognize you by name. If you can find a way to take your table tents and put them so that I can kind of see them. I'll be straining my weak eyes to try and find them.

I'll be cuing you to speak. I also wish to entertain and encourage follow-on comments, comments that are supportive of a comment that has just been made, and also then in a follow-on comment from there, kind of contrast and compare. So we're hoping to have a rich, concentrated, focused discussion on the content that we're describing and not wander way far afield. That's our -- that's our goal here today. Otherwise we won't get through all this.

So that's what I'm suggesting as the ground rules. Comments or questions, additional things we need to cover before we get going?

(No response)

MR. BROOKMAN: I see none.

Okay. So thank you for a good start on the day, and thank you especially for allowing us to get started.

Oh, one more thing. You'll notice that there are no coffee breaks scheduled for the day. We wanted to make certain we preserved every possible minute for discussion. We'll understand entirely if you have to get up and get yourself a cup of coffee or make a rest stop. We'll understand that. Please be quiet as you're moving in and out.

Lunch. In the packet there is a listing of the restaurants that are close by. You can see them listed there.

PARTICIPANT: Doug, the restaurant -- there's a restaurant here in the hotel --

MR. BROOKMAN: Okay.

PARTICIPANT: -- as well, which serves about 150 people. But then there are seven other restaurants that are within a block of the hotel.

MR. BROOKMAN: Excellent. So we're simply going to ask you to try and get your lunch quickly and get back here so we can proceed with the workshop and not leave too many people behind, which may be something of a challenge if you're going off-site. So if you do that, please do it quickly, okay?

Any other logistical things?

(No response)

MR. BROOKMAN: Not that I see.

So then, next we're going to hear from Margot Anderson, who is deputy assistant secretary of policy and international affairs at the Department of Energy.

Process for Enhancing 1605(b) Program

(Slide Presentation)

MS. ANDERSON: Thank you, Doug.

Can everybody hear me? Mike, is this all right? Do I need to do something?

No, I don't mind holding it. Can everybody hear me in the back? Yes?

Good morning. Thank you all for coming. I'm glad to see so many familiar faces. This is the seventh time that we've had a workshop. As many of you know, we had four last year. USDA hosted two additional workshops, and this is the seventh time we've been able to speak in this formal process of engaging with our stakeholders about 1605(b).

I'd like to briefly run through how we got here. While so many of you in the room are more than familiar with our process to date, we thought it would be helpful simply to review how we got here today so that we're all on the same page.

I think most of you are aware that -- next slide. Most of you are aware that this work is -- was engendered by the president's 2002 February 14th announcement which established the -- the initiative to revise the Greenhouse Gas Reporting Program.

Most importantly in that initiative was the president's overarching goal to obtain a greenhouse gas intensity target by 2012, and that's an 18 percent target. And to help do that, he put into place a couple of different kinds of -- of initiatives, one being improving the registry; one being to start Climate Vision and Climate Leaders, which are voluntary reporting programs; and part and parcel of the president's initiatives are the R & D programs and the technology programs that are underway at DOE and other federal agencies. So all of this is in support of achieving an overall goal to reduce greenhouse gas intensity in 2012.

Bob talked briefly about a number of objectives that we've got for the Greenhouse Gas Reporting Program.

Next slide, please.

And I want to go over these a little bit because I think they're important to keep in mind as you think over the proposal and provide us with comments.

We are clearly interested in recognizing entities that contribute to the president's goal. This is key. We want to encourage reporters, particularly those that are in the larger emitting class, to provide more accurate, consistent, and complete records of emissions and emissions reductions. We also want to provide opportunities for smaller emitters who may not have some of the capability or expertise necessary to do the complete inventory but need to be recognized and have a -- have a venue for reporting on their emissions and their emission reductions as well as the large emitters.

We wanted to create one central program for reporting on greenhouse gas emissions and greenhouse gas reductions. That's 1605(b). So it is the reporting home for Climate Vision and Climate Leaders.

We wanted also to ensure the reported emissions data are transparent to reviewers. That was one of the key recommendations from the president: verifiability and reliability and accuracy. So we need to make sure that the data that are in the database are transparent to those that are looking at the database.

We have some core principles that we tried to follow when we developed the guidelines. A lot of these principles came from the stakeholders encouraging us to do certain things and adhere to certain sort of basic structures. We want to strive for accuracy, transparency, consistency, and completeness. We need to balance rigor with practicality, stringency with flexibility. This is one of the most difficult balances to achieve because we recognize as a voluntary program we need to encourage people to report. Yet, to have a credible program, we need to make sure that the program is in fact transparent and accurate and verifiable.

We want to support the president's intensity goal. We want to have a vehicle for folks to report on what they're doing to help achieve that intensity goal. We know that the overall report card for greenhouse gas intensity is going to be the annual inventory that EPA compiles, but the 1605(b) database is a good way for companies to tell us what they're doing in terms of meeting their own goals for greenhouse gas intensity.

We want to balance confidentiality with verifiability. Somebody raised this issue just a moment ago about confidentiality, where it went too far in the kinds of data that we're asking you to provide for DOE. What are some of the issues that concern you about confidentiality versus the concept of verifiability.

We need to build on 1605(b) and other voluntary reporting protocols and programs. There are state-level programs, international programs, business-related programs that are all coming up with not only nuts and bolts of how to report but overall general guidance on what should be reported and what the principles ought to be for corporate reporting. So it's important for us to be aware of what those folks are doing and, to the extent that we can be consistent with what they are doing, we want to try to accommodate that within the 1605(b) framework.

What have we done to date. Very early on, we issued a notice of inquiry which started off the process in May of 2002. We got a lot of public comments on what we ought to do. We then led an extensive interagency staff-level and policy-level consultation in order to draft the general guidelines. While we were doing that, we established a website where we provide a lot of information not only on the issues that we're dealing with but it's also a vehicle for you to provide us with comments and to review the comments of everybody else who's weighed in on this issue.

As I said, we had six public workshops. DOE hosted four; USDA hosted two. We met and we continue to meet with numerous stakeholder groups. We go out and talk to folks in formal -- formal settings. We meet informally. People come in to see us. We've tried for the last 18 months to talk to as many groups about 1605(b) and greenhouse gas reporting as we can.

We have interagency groups currently working on the technical guidelines for reductions and for inventories. So again, that's an interagency effort to draft these technical guidelines. And we're working with EIA on the reporting forms and on the instructions.

What's our current timeline. Under Secretary Card talked a bit about an extension at least just for this general guidelines piece, but what's important was the point that he made about our way forward with the technical guidelines and the general guidelines, that you will see later in the spring or early summer the entire package combine with the general guidelines and the technical guidelines together. So you will be able to see how the two fit together, recognizing that the big policy issues and the overall structure of the program are what we want to get comment on in this first comment period of the general guidelines.

We too need to look at your comments and make any revisions that we need to make prior to issuing the technical guidelines that deal with the issues of calculating reductions and calculating greenhouse gas inventories.

In addition, EIA will go through a public comment period for their revised forms and instructions the summer of 2004. We have to initiate the program in 2005.

This gets back to a question that was raised that I want to clean up on. Until the new program is formalized, which it will be through a "Federal Register" notice, the current program is active. If you are a reporter, continue to report using the current guidelines and the current rules.

There was another question that I wanted to get to that was left from the first session. I think it's now pretty clear what the workshop procedures are going to be. We want to walk through the big topics with some subtopics. There are going to be federal representatives here at the table to clarify any issues that weren't clear in the general guidelines, to answer questions.

And we're not going to do a recitation of what's in the general guidelines. We're happy to see that so many people did review them already. We may give a brief overview of the issues for that session, but we're not going to spend a lot of time going over the details of the guidance. We really want to hear from you on what your response is to our proposal.

So I would now, without further ado, like to call up the federal staff who are going to sit up here at the table with me. And that would be, from DOE, Arthur Rypinski and Mark Friedrichs; from EPA, Reid Harvey; from USDA, Bill Hohenstein; from CEQ, Bryan Hannegan.

We have several other federal staff from all the different agencies in the audience. Would you please raise your hands?

(Show of hands)

MS. ANDERSON: We have USDA, EPA. We have -- who else is here? CEA, of course.

So these folks are out in the audience, and if you want to chat with them or put questions to them, by all means do so.

So without further ado, I think we want to get -- yes, sir?

PARTICIPANT: (Off mike) Could you please remove the --

MS. ANDERSON: Yes.

MR. BROOKMAN: Yes.

MS. ANDERSON: We will indeed.

(Pause)

MS. ANDERSON: So again, thank you all for coming. We look forward to a very useful workshop. We know it's important for us to go through this process to see how you're reacting to the general guidance that we put out right before Thanksgiving.

Thank you.

MR. BROOKMAN: Let me make a process note, that the slides that will be put up on the screens are also in your packet, for those of you that would like to look at them and make notes to yourself and kind of prepare yourself looking ahead.

Yes, question? Is that one working now?

MR. NICHOLSON: Bill Nicholson for AF & PA.

Two questions. One, I don't -- didn't find Margot's slides in the --

MS. ANDERSON: Would you put them in?

MR. NICHOLSON: I think it's a good thing if you would.

And second, I'm not sure that you really addressed the question I asked Mr. Card about using this data to add up anything.

MR. BROOKMAN: Using this data to add up anything.

MS. ANDERSON: Let me answer it this way. Do you mean using the data from all reporters or within a reporter's data set what are we going to do with it?

MR. NICHOLSON: All the reporters, is the thought that was in my mind.

MS. ANDERSON: I don't think that we've made a decision on what the EIA ultimate report is going to look like. Now, Paul McArdle is here from EIA to chat about that, but it -- Bob, do you want to try?

UNDER SECRETARY CARD: Maybe I missed your point of your question the first time. What I'm hearing now is, how might the sum of 1605(b) reports be compared to, for example, EIA's Annual Greenhouse Gas Emissions Summary. Is that what you're thinking about?

MR. NICHOLSON: That's one way of going at it. The other way, Mr. Card, is to -- with all of the definitions of "intensity" that we're going to have, because everybody's going to have some sort of a quantitative divider, how are you going to combine all of these things to see if you're coming anywhere near the 18 percent goal?

UNDER SECRETARY CARD: Well, at this point -- we've talked about that quite a bit, actually. The registry at this point, because it's a voluntary registry, is not viewed as the principal tool for us to understand -- to understand the nation's total emissions profile. That will continue to be done through EIA's estimating process.

The -- the tool, though, we expect will help people understand how to -- between us how to arrive at intensity measurements for various industries and set platforms that will then help us in our nationwide reporting. But we'll have to see to what extent people choose to report through 1605(b) to determine its usefulness for rolling up reporting data.

Fair enough?

MR. BROOKMAN: Okay. So let's proceed, then.

Thank you, Bob.

The first substantive item on your agenda is defining the reporting entities and boundaries. Mark Friedrichs is going to give brief introductory remarks.

Do you want this graphic up here?

MR. FRIEDRICHS: Yeah, thanks.

Good morning.

MR. BROOKMAN: Excuse me, Mark. Bob has one more comment.

UNDER SECRETARY CARD: The -- one -- I can see some people might be left thinking, well, what's 1605(b) for, then? And what it's for is, is it allows us to register reductions. It's our statement that you have achieved a reduction that meets our criteria to provide whatever credibility that is important to the reporter of that and that those registered reductions can be reported in terms -- and registered in terms of intensity measurements.

So it's important for us to provide a framework where somebody may be having stable to even increasing emissions, but if it's an increasingly efficient posture, we feel that's important in line with the president's policy. So that's among the things that it does for us for those two.

Defining Reporting Entities/Boundaries

MR. FRIEDRICHS: Okay. Let's get on to the first topic.

As you've heard, a central part of the proposal to revise the general guidelines is an emphasis on entities and entity-wide reporting. So how entities are defined we think is a pretty key issue.

During the development of the revised general guidelines, we considered a lot of different alternatives: using fixed definitions that exist in federal law, such as tax definitions of corporations, SEC definitions; using an equity share approach to defining entities; or a operational control mode of defining entities.

In the end, we decided none of those methods was going to be sufficient to address all of the circumstances. So we provided some flexibility in the proposed revision. Entities need to have a legal basis, and the name assigned to the entity needs to correspond to the scope of the entity defined.

Most importantly, the proposed guidelines envision a transparent description of what that reporting entity is, what's in and what's out and what is the basis for setting the boundaries of the entity.

During the -- that process of defining yourself as a reporter, you need to address a number of issues, such as facilities that you may co-own with some other entity, leased facilities, comanaged facilities. These types of issues, in order to avoid future disputes about who reports what, need to be resolved in this up-front process.

The key question in this area is, is this flexibility appropriate; should we try to narrow that flexibility to a specific method of defining the boundaries; and how detailed should reports of entity statements be; how much information should we require to be submitted in what we are calling the entity statement.

MR. BROOKMAN: So let's start.

MR. FRIEDRICHS: I'm sorry. I should have just referenced, this graphic up here was designed to put up a hypothetical of a variety of different relationships between a holding company and companies within that corporate structure, individual facilities, and shared ownership by other entities. Those are the range of situations that we envision having to be addressed.

MR. BROOKMAN: Thank you.

Sergio, you're first.

I'm going to ask everybody to try and be exceptionally brief in your comments.

MR. GALEANO: Yeah, very briefly. I'm not trying to be over-critical. The definitions in 300.2 offers a definition for "sub-entity." It seems to me a little awkward that we define "sub-entity" but we don't define "entity." That's an observation.

The other one is that when I hear about the explanation about entity and the lack of a definition, it seems to me that we're confusing the definition of "entity" with the allocations of emissions to the entity, and I think that those things should be kept separate.

MR. BROOKMAN: Thank you.

Yes, Mary. Say your name, Mary.

MS. QUILLIAN: Mary Quillian, Nuclear Energy Institute.

One of the things that worries me a little bit is, in 300.3 you use the expression "legally distinct businesses, and one of the things that is true in the electric industry is that in some cases holding companies have power plants that are themselves limited liability companies and in other cases holding companies do not. And so you get into a fairness issue of there -- there could be a situation where a company that happens to have all of their power plants as legally separate companies could be reporting only one power plant at a time, and other companies that didn't have that structure because of regulatory issues and things that have happened over the last 100 years, it means that they cannot do that, and -- and that seems unfair.

There are some other situations where I think, particularly in the electric industry, it seems to me that a legal definition of a boundary may not necessarily be the best boundary for reporting, and let me give another example. Because in some states deregulation has occurred, you have situations where -- and in other states it has not, you still have situations where companies may own generation as well as transmission, distribution, and services in the electric industry.

And it may make sense for a company simply to be reporting the -- the emissions from their generation, but they may not have the generation in a distinct, legally bound company. So I offer that as a comment.

MR. BROOKMAN: I'm hoping that when you make your comments you can offer to the Department of Energy your prescription as it would be, you know what I'm saying? If there's a way that you think you can address the problem that you've described.

I see Janet Ranganathan.

MS. RANGANATHAN: Janet Ranganathan, World Resources Institute.

Just briefly, I wanted to make a comment on the earlier comment about the question of whether the information is going to be added up and what use that would be. I think that the -- the answer to the question that it probably won't be very useful to add the information up because you're just dealing with a very small subset of the total information on emissions in the U.S. It just sort of points out the weakness of a voluntary program in that you only have very incomplete coverage and there tends to be a bias because people will obviously elect to report good news rather than bad news.

And then I wanted to speak to this issue here in regard to the flexibility in the definition of an entity and the flexibility in the definition of the reporting boundaries. One of the guiding principles that Margot mentioned earlier was consistency and completeness.

So my recommendation would be to define the entity at the highest logical level in the U.S. and to pick one method for consolidating emissions from shared -- from shared entities. And the presumption is that you would use that. In those few cases where that's not going to be feasible, then companies should be allowed to explain that.

MR. BROOKMAN: Miriam.

MS. LEV-ON: This is Miriam Lev-On on behalf of the American Petroleum Institute.

And Margot and for the rest of the panel that, as you know, the API has been working through its international counterparts, the International Petroleum Industry Association and the International Association of Oil and Gas Producers, to develop broad industry guidelines on how to define an entity and how to define the reporting boundaries.

And although we support DOE in retaining as much flexibility as possible to the reporters, we would like to suggest that DOE consider guidance provided by industry sectors such as the petroleum industry or maybe other sectors that have already labored to define their entity and allow these kind of definitions to hold for reference in the 1605(b) process.

Thank you.

MR. BROOKMAN: This gentleman here, please.

MR. DEGE: John Dege, DuPont.

We share the concerns of everybody, including the electrical industry. We're even much more complicated than the electrical engineer -- industry.

We think the definition in general is pretty good. It should allow maximum flexibility to explain. We're buying and selling subsidiaries. We have major plans with five and six major businesses. We'll sell off a business, buy back a business. So you've got to have maximum flexibility. In general, we thought this was pretty good.

We think you should be able to define sub-entities too because when you buy and sell your base -- we just sold off 25 percent of our company, and those plants are merged in other major businesses that we're going to retain, so it's very, very complicated. It's also -- we're going to get into later about what is in an entity, like mobile sources gets to be a problem because you buy and lease depending on the financial situations at the time for your vehicles.

But in general, we thought it was pretty good, but you need to allow flexibility in how it's defined. You just need as a reporting entity to explain and be able over the 10 or 15 years that this program will go on what changes you have and how you're changing your base.

MR. BROOKMAN: Yes, please.

MS. EATON: Rebecca Eaton, World Wildlife Fund.

I just wanted to comment that I do think the amount of flexibility is too much in terms of defining an entity, especially because I understand while the goal is or the desire is written right into this packet to have reporting occur on the most aggregated level possible, it does make clear also that it is allowing plants to separately consider themselves entities and report.

And I think it would be management-wise impossible to prevent companies from reporting simply the facilities who happen to be either reducing absolute emissions or emissions intensity while not necessarily being required to report other manufacturing facilities' emissions that are increasing or not -- not looking as well -- looking as good.

The other thing is that not all the -- there are -- it makes very clear that a number of different plants can aggregate together of a corporation and submit information. And so you have this very strange situation where 70 percent of corporate manufacturing facilities can report, 25 percent don't need to, and there's simply no consistency. And I think it -- it's going to really damage the credibility of this effort.

MR. BROOKMAN: Under Secretary Card wishes to comment.

UNDER SECRETARY CARD: Doug, can you put that -- flip the overhead back on? I know you've got your work on there now.

(Pause)

UNDER SECRETARY CARD: Yeah. It seems -- let me intervene for a minute because there seems to be some potential miscommunication about what we're trying to get done. We share the concern of people getting credit for something they don't deserve. That was expressed at the opening bell and by some others here.

So, except through clever naming that could be done of entities, if -- if Plant Y is the reporting entity, then Acme Parent Company cannot be listed as the reporter. So it will have to be Plant Y of Acme, and I suppose we'll have to police it to make sure there isn't clever naming going on. But the point is, Acme can't get credit for Plant Y per se as an aggregate unit unless it reports everything under Acme. And so the entity -- the entry in the EIA's records for Plant Y will be Plant Y period.

Now, in promotional material outside of the process I suppose Acme can take credit for Plant Y, but they can't do it inside the registry without reporting everything for Acme.

MR. BROOKMAN: And in the reporting requirements, it's envisioned that all of this is defined, all of this is explained, all of this is laid out in the reporting.

I think it's going to be very helpful, if you have comments, to say how you would effect the fix, okay? That is, the specifics about how you would change what's proposed to -- to make it more the way you think it would work better.

In the back. Yes, you, please. Your name, please.

MS. KOZAK: Lee Ann Kozak, Southern Company.

I wanted to follow up on what Mary and a few others have commented on regarding the focus on legal entity as the basis for the reporting units. As Mary noted, within the electric sector it does create a very uneven playing field in that it gives some companies opportunities that others do not have.

One possible remedy for that would be to allow companies to report business units within their organization that may not be legally defined or legally distinct entities. For example, within the electricity sector, companies may not have legally defined subsidiaries that are their generation, however they may have business units that do cover all of their generation. And that would provide, in my view, a very credible basis for reporting yet would not be allowed under the guidelines as they seem to be written right now.

MR. BROOKMAN: Thank you.

Yes, go ahead, Bob.

MR. SCHENKER: Bob Schenker, General Electric.

I would very much like to reinforce the comments from John Dege at DuPont. We very much need the flexibility that's there right now.

If I understand what's written in the guidelines, what you've asked for us to include all facilities which are 100 percent owned. The difficulty -- and then we were to -- if we chose to include any additional facilities, we were to, I think, provide a statement by the other entity that might be involved assuring that there isn't a double counting.

We're going to be getting a little bit concerned about the amount of bookkeeping and so forth and other statements we need to get. General Electric has combinations with other companies in any possible way you can imagine. We have businesses that are joint ventures; we have sites that are joint ventures; we have portions of plants that are joint ventures.

The approach that we took was a WRI approach, to be -- we included those facilities in which we control. There are a lot of joint ventures that we control we included -- we're including in our inventories.

But we find it difficult just having to go out and collect hundreds of statements worldwide on every single facility that's a joint venture or a portion of a facility that's a joint venture to explain and proving that we haven't double counted.

Sufficient -- we believe it would be sufficient for us to say if we control the facility we include it in our inventory. If we don't control the facility, we would presume that the other entity would include it in theirs. That's the approach we would like to take, but we'd like to have the -- the flexibility to be able to use this control approach.

MR. BROOKMAN: Within -- among those people that you are in business with, would they understand that approach? Would it be explicit to them?

MR. SCHENKER: It may not. It depends on whether they're in the U.S. and they're participating themselves or whether they're -- internationally what -- what their approach would be.

It's something -- it would -- I think it would be -- at a minimum, it would be a discussion that we would have to have with each -- each entity.

MR. BROOKMAN: You understand everybody's concern about double counting?

MR. SCHENKER: Actually, I'd be more concerned with the approach you're taking of under-counting because what you're saying is that -- the way it's written right now is that we only include those facilities we 100 percent own. If we don't include the joint ventures and the other entity isn't reporting, then you're going to under-count.

MR. BROOKMAN: Yes, please. Mark Friedrichs.

MR. FRIEDRICHS: Just a clarification. The flexibility provided, as you noted, was designed to give entities the ability to choose a single approach like that and to implement it. I think the -- the record-keeping aspect of that is an important one, and your comment on that point is appreciated.

I wonder whether or not others have thoughts on whether or not a particular approach like operational control would be good for all companies or whether companies need that flexibility to choose either equity or operational control or, in some cases, some mix or a different method.

MR. BROOKMAN: I have about five or six people in the queue. I'm going to -- James and then to Sergio, Bill, and then to Janet, and then I'll reform the queue. Briefly as possible.

MR. HAVEN: Jim Haven, Global Warming Initiatives.

We have a company that has seven facilities across the U.S., and each one reports individually. Some are -- the emissions are going up, others are going down. We report them no matter what it is, but then the corporate summarizes them all together for their own benefit to see what the overall corporation is.

If we could record the individual ones for information only and then we have it on record by each of the different states, the different locations, and then the main corporation would report it for credit, a way to get it to track and to show what's going on, then merge them together for the final report.

MR. FRIEDRICHS: That's certainly envisioned under the proposal.

MR. BROOKMAN: Mark -- the question Mark left on the table was about operational control as one standard.

Sergio.

MR. GALEANO: Briefly. Since we're talking about boundaries, I guess that I would like to mention or raise the request that we include or we be allowed to include also international operations.

MR. BROOKMAN: Yeah. We're going to address that later on in the day.

MR. GALEANO: All right.

MR. BROOKMAN: Okay.

MR. GALEANO: The -- the other comment regarding the entities and the extent to their reporting, I think to go along with the comment from the gentleman that we have to be careful that instead of double counting we might be under-counting because you can -- you don't necessarily have to have only 100 percent equity. You can include others where you have control, which is the preferred approach.

Once you have control, you can get all the data that is needed for third party verification. If you have only an equity, then you have to beg for that information from somebody else that have the control, so.

MR. BROOKMAN: Operational control is a practical way of viewing this.

Bill, and then to you, Janet.

PARTICIPANT: I'd like to broaden the definition of "entity" to make sure that we could include trade associations. And the advantage of doing so is that there will be a -- this is a voluntary program, and not all members of all associations are going to report.

MR. BROOKMAN: Right.

PARTICIPANT: And so this way you will get a broader picture of a sector, and it may be the only way that you can come close to a sector.

And going a little bit further, you may find that individual members of a sector will use very different definitions of "intensity," which will make trying to draw any sector conclusion almost impossible.

MR. BROOKMAN: Okay. Janet.

MS. RANGANATHAN: Janet Ranganathan, the World Resources Institute.

About three years ago, we came out with a standard and we debated this issue for quite some time and proposed two approaches for it that were considered acceptable by those that participated in the effort. One was equity share and one was control.

Miriam mentioned earlier that the oil and gas sector, the IPIECA guidelines have recently come out. They have also used those two same approaches that are consistent and compatible. So has the International Iron and Mineral Institute, so has the pulp and paper sector, and so has the cement sector.

So I think it is possible to boil it down to two approaches. My recommendation to 1605(b) would be to pick one of those now and to probably pick the control approach because that way they will have more consistent reporting, which is one of the objectives, but they will also reduce the possibility of double counting. Because if everyone uses the same approach, there will be less -- there should not be any double counting of direct emissions.

Of course, there will always be some exceptions where it will not be possible, but the presumption is that should be used unless a company can explain why there is some good reason why they can't do that and be allowed the flexibility to do it differently.

MR. BROOKMAN: Okay.

MS. RANGANATHAN: But I think that we should be honing in on one approach now.

MR. BROOKMAN: I'd like to turn my attention to this side of the room.

Yes, please, and then to this gentleman. Go ahead. Please use the mike. Turn it on. Yeah, thank you.

MR. GALUSKY: Peter Galusky, Marathon Ashland Petroleum.

MR. BROOKMAN: You've got to get closer.

MR. GALUSKY: Try again. Pete Galusky, Marathon Ashland Petroleum.

MR. BROOKMAN: Thank you.

MR. GALUSKY: Yes. Reporting based on operations or control, I think, should be the first path, the first column. The second column, which could be optional, is reporting based on equity. It's simply a matter of practicality and accountability and verifiability as well. So I would echo those previous comments.

MR. BROOKMAN: So, Janet, I want to go back to noting that you've been in this a lot. Why are you suggesting one instead of like a tiered or multiple pathways?

MS. RANGANATHAN: Okay. The GAG Protocol offers two approaches. It requires companies to pick one and consistently report with it, but it recommends that they actually account the information using both approaches because we are trying to serve multiple objectives. But here we have an objective; it's reporting, registering information that's consistent and complete. So I see no reason not to pick one.

And control is the -- usually the best because you can -- as Sergio mentioned, you can usually always get the data if you have control over the operation.

If the -- if the objective of 1605(b), though, is to help companies prepare an inventory that will serve other objectives, perhaps, you know, regulatory reporting in states, then they might actually require companies to use both approaches. However, if it's just to serve the needs of the specific registry, then my recommendation would be to select one and it be control.

MR. BROOKMAN: Okay. I saw another gentleman.

Yes, please.

MR. SKERNOLIS: Ed Skernolis with Waste Management.

We are concerned with the incentives or disincentives for reporting and registration that may occur as a result of the -- of the entity definition of flexibility combined with the technical guidelines for individual entity reporting. We operate around 1200 facilities decentralized around the United States and Canada, and if the technical guidelines for individual sub-entity reporting are terribly onerous, there will be a real question about whether or not this will be worth it to us even though we think we have very, very valuable information to provide for both reporting and registration.

It's unclear to me whether or not the entity definition combined with the technical guidelines on emission reporting will allow, for example, an entity to exclude sub-entities that constitute a de minimis portion of emission or not. It seems to me that the -- the 3 percent exclusion that was granted was only for certain categories of emissions but not for entities or sub-entities, and I wonder if someone could respond to that.

MR. BROOKMAN: Yeah. We're going to talk about de minimis emissions a little later on in the day, but are you -- would you suggest any solution to the problem you raised?

MR. SKERNOLIS: Only that the technical guidelines may need to take into account when you have -- especially with service companies where they're going to have large diverse -- a large number of diverse operations that the technical guidelines don't produce extremely burdensome reporting requirements for very, very small emitters, or you provide the alternative, that small entities can be excluded based on de minimis emissions. And that point isn't clear to me from the -- it's how you combine that definition of inflexibility for entity definition with the de minimis emission reporting requirement.

MR. BROOKMAN: Okay. I'm going to focus on this side of the room. I've been spending a lot of time over there.

Any other comments right now over here? I want you to refer, if you would again, please, to the slide. Comments on defining and naming reporting entity; treatment of owned or operated sources; treatment of parent companies, subsidiaries, shared ownership, leased facilities; entity statements, how detailed.

I saw -- yes, Bill Fang.

MR. FANG: Bill Fang, Edison Electric Institute.

A number of comments. First, in responding to several comments from WRI, on the point that Mr. Card made, I wanted to support the idea that -- the primary purpose of 1605(b) is not to gauge how the president's intensity program is going to work. That could be one of the purposes, but we see it as -- 1605(b) as serving multiple purposes: reports to the government, both DOE and EIA, to the SEC in connection with 10Ks, but also serve the purposes of reports to state regulatory commissions, and of course there are various media and public relations purposes that they serve. All of this argues for flexibility and multiple paths, as the gentleman from Marathon indicated.

I also wanted to indicate from a policy standpoint that 1605(b) can indicate the strength, not the weakness of voluntary programs. It all depends on how it's designed. We have serious concerns with the design of this proposal, but properly designed, a 1605(b) program can show that voluntary programs are strong. So I would disagree with the comment about the weakness of voluntary programs.

In terms of some of the specific comments that have been made, I would support the comments from GE and DuPont and, more specifically, the comments from NEI and Southern Company. I won't repeat those comments, but they do indicate solutions to some of these issues about the legal definition not being the best boundary for reporting, that for utilities focusing on generation emissions are the key, and so forth.

I do want to indicate that one of our large midwest companies have said that the definition of the baseline entity should be as simple as possible. Otherwise, you have a problem of the operators of plants and lawyers having meetings over the structure of ownership and so forth, and that's just too complex. Some flexibility and simplicity is -- is desirable.

In addition, one of our large Texas companies has indicated that reporting burdens cannot be too great. If the burdens are too great, it discourages reporting at all. And so you have a company that may be conducting significant voluntary programs, but they simply won't report because the threshold of burden -- the threshold and the burden is too great.

MR. BROOKMAN: Thank you.

Michael, then back to Bob.

I want to thank everybody right now for the discipline that everybody's demonstrating. Everybody's staying really on point. I appreciate it a lot.

Michael.

MR. CASHIN: Mike Cashin, Minnesota Power.

I just thought I'd raise some of the issues that we're dealing with and then remind folks that we are already getting aggregate reporting, at least from the power plant level through -- and other means, and I believe that's being captured with DOE in the aggregate.

But our company, although relatively small, we are dealing with power supply agreements where the facility would perhaps have a 30-year agreement for supply. We have percent joint ownerships and so forth. And the way we manage it on 1605(b) is to do project-level emphasis or to carve out a specific reference point before and after and then just clarify what we are including in the proportion of reporting and what entities are not included. And oftentimes, the portions we don't report are not reported.

MR. BROOKMAN: Bob.

MR. SCHENKER: There has been some discussion here of concern --

MR. BROOKMAN: Bob Schenker.

MR. SCHENKER: Bob Schenker, General Electric -- concern about over counting. The biggest over counting that's going to occur in this program is the electric power. We're asked -- as a manufacturer, we're asked to include our indirect emissions from electric power use. All of the power producers in the room are also reporting.

Is it going to be our responsibility as a manufacturer to reach an agreement with every single one of the utilities we deal with as to figure out who's going to report these emissions and who isn't, or is DOE and the 1605(b) program or EIA, whoever's involved, going to separate out these emissions? How is that going to be managed? Because I think, if you're concerned about double counting, that's the big one that's going to occur.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Just a quick response. It was envisioned that electricity-related emissions, both demand or generation side, would be distinctly identified in reports. And so that overlap is explicit and -- in the reporting system as a whole.

MR. BROOKMAN: And defined.

MR. FRIEDRICHS: And defined, right.

MR. BROOKMAN: Bob Card, yes.

UNDER SECRETARY CARD: The other point -- I forget how clearly this was described in the guidelines, but it's presumed that power generators would report primarily in intensity, since it's fairly readily measured, whereas the indirect users may report in emissions or intensity, and the emissions would come from regional guidelines for marginal emissions from EIA.

MR. BROOKMAN: I'm going to allow Mark Friedrichs to follow on there.

MR. FRIEDRICHS: Yeah. I -- in the -- we can get into this more in the reduction side of the agenda, but there would be an explicit procedure to ensure that users of electricity could only claim reductions associated with changes in their demand for electricity and generators of electricity can only claim reductions associated with reductions in the emissions intensity of generation.

MR. BROOKMAN: Were you finished, Bob?

UNDER SECRETARY CARD: Yes.

MR. BROOKMAN: Okay. Sergio.

MR. GALEANO: Sorry. Are we going to talk later about this indirect reporting of emissions, or this is the moment to say that in our opinion it will be very disturbing to have total direct and indirect emissions for an entity because it's a matter that goes to the ownership of the emissions.

MR. BROOKMAN: Right.

MR. GALEANO: And you cannot -- no matter how many qualifiers you put in the reporting, once you top off, you break that rule, that they are separated because they do have different owners.

Conversely, when you're talking about reduction of indirect emissions, which is a result of an entity putting effort, design, money, taking the risk, those reductions of indirect emissions by the entity should be reported as reductions for the entity.

So there is a subtle difference here, but it's very important. Once you add direct and indirect, you really destroy the whole ownership and responsibility for those emissions.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: I'd like to get into these issues a little bit later in the reduction section.

MR. BROOKMAN: Okay. Okay. So we'll take this up more.

Other comments? Yes, please.

MR. SPENCER: Greg Spencer, Blue Source.

Doug, I want to respect the agenda, but there are certain issues that -- that really cut across multiple issues involved, and there's a -- I think, a fundamental structural flaw in the way that the guidelines currently approach the problem. Many of the entity issues exist, these artificial boundaries, the problem of trying to identify the correct boundaries around the activity, exist because there is a bias against project-based reporting, and that bias is because of the perception of the ability to shift emissions within different parts of the organization or the operation.

There is an exception for individual plants. There's an exception for small emitters provided those small emitters certify that that activity does not cause emissions elsewhere in the organization.

Many of these issues would be simplified by allowing project-based reporting provided there's a certification from the entity controlling the -- the project that it has not caused emission increases elsewhere in the organization, which could easily be verified as part of the third party verification.

So I really think -- I'll address it more in detail later, but I really think the project-based reporting with the right controls in place would achieve the environmental objectives and simplify a lot of the complexity around identifying the appropriate entity.

MR. BROOKMAN: With both certification and verification.

Do you want to address this?

MR. FRIEDRICHS: No, I'd like to hear others perhaps on that point.

MR. BROOKMAN: I'll go this gentleman, and then back to you.

MR. DEGE: John Dege, DuPont.

I can't say enough for what he said, but again, he has a simplified organization. We're worldwide. And who knows whether or not the reason that you're manufacturing more in China instead of the U.S.-based, et cetera. It gets very, very difficult. I support what you said, but it's difficult.

And I know we're going to talk about reductions later, but I -- you know, we're investing major commitments in buying wind power and trying to get that going. And to say we can't claim the reductions because we're not an electric generator and we're not doing good for society, reducing intensity, you know, I -- we have a big problem with that. There's got to be a way for that to happen.

He said we're not a generator so we can't claim indirect reductions. Well, how are you going to get wind -- we're paying a penalty by wind power. Hopefully, long term you get the demand, you get the -- you know, you can get the emission -- you know, the cost reductions later to make it more cost competitive.

The other thing is, we're going to do it later about trade associations. We're labeled as a chemical company, but we are in many, many different manufacturing categories. We just don't think it would be very efficient or we'd be able to report as -- we'd have to split up our chemical, our refining operations, dada dada dada. We're in about 30 or 40 different operations. That'd be very difficult to do.

Trade associations want to report, that's okay, but we don't even report just our chemical operations.

MR. BROOKMAN: Pete.

MR. GALUSKY: Pete Galusky, Marathon Ashland Petroleum.

It's our view that project-based reporting would be completely impracticable. We operate seven refineries, several thousand miles of pipelines, nearly 100 terminals, 4000-plus gas stations. To do reporting on a project basis would be a paperwork and an accounting and a verifiable nightmare. Therefore, I think that needs to be thought through very carefully from an operational and a regulatory perspective before any shift would be made toward that direction. It would create information and reporting overload.

MR. BROOKMAN: Mary.

MS. QUILLIAN: Mary Quillian, the Nuclear Energy Institute.

I understand that when you're trying to tweak operations, absolutely, that doesn't -- a project doesn't apply. But realistically, chunks of reduction in the business world come through projects, whether they're sequestration projects, whether they're projects to put in wind farms, build new non-emission generation, perhaps put in a cogeneration unit at a refinery rather than purchasing electricity and making your own steam from an old boiler.

So my point is, actually, businesses often think about chunks of reduction in the way of projects, and so I think there needs to be a mechanism for companies to report projects to make sure that you're encouraging those types of large chunk reductions.

MR. BROOKMAN: Thank you.

MR. GALUSKY: A quick rebuttal?

MR. BROOKMAN: Yeah. Pete, go ahead. Follow on.

MR. GALUSKY: Yeah. As laudable as those activities are, if they are significant, will they not in fact impact the bottom line anyway? They'll show up in your entity report.

MR. BROOKMAN: Do you want to follow on? No, okay.

Other comments along this line? Yeah, Mary. Keep going.

MS. QUILLIAN: But there are situations where an entity may not have emissions to report against. So for example, theoretically, you can have a company that just owns non-emission generation and every additional non-generating unit they add does not change their intensity one iota.

MR. FRIEDRICHS: Just in that regard --

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: -- that's the reason why we've provided, at least in the case of electricity generation, for recognizing avoided emissions.

MR. BROOKMAN: Sergio.

MR. GALEANO: Yeah. Now that we're talking about projects and the entity, one of the things that is difficult but is achievable is the proper linkage between projects and entities because, as Mary indicated, companies -- projects are the fruit of companies. Everything is a project. And the inventory reflects the achievement of many of those projects.

But regardless of that, those projects might be part of the registry. And some companies, like my company, besides a greenhouse gas inventory, we have the rate history for any of your saving programs because in our sector that translates to greenhouse gases -- so that is missing from the -- it's not clear from the proposed guidelines.

MR. BROOKMAN: Other comments, and particularly supportive or differing comments with -- with respect to project-based? Tom.

MR. WERKEMA: Yeah, Doug, our colleagues from DuPont have commented -- I'm sorry. I'm Tom Werkema with ATOFINA Chemicals.

The -- the definition of operational control does not necessarily define an entity. Just back to that issue for a minute. And I'll give you a prime example of that. We own a chemical factory in the middle of one of DuPont's chemical factories. Although we have a lot of shared agreements for services, it doesn't necessarily define who's going to have responsibility for emissions.

And I think from ATOFINA's perspective, the flexibility that's currently written in, we are very comfortable with that. If you're trying to find one particular route, I think you're going to have to provide for a lot of exceptions to deal with the myriad of different ways that business interacts today.

MR. BROOKMAN: Okay. Thank you.

MR. FRIEDRICHS: Doug?

MR. BROOKMAN: Yes, Mark Friedrichs?

MR. FRIEDRICHS: Just thank you very much for that comment, and it certainly touches on a point I'm concerned about. If -- I've heard a lot about operational control as a mechanism for defining entities, and I'm wondering whether or not it is a sufficiently well understood concept to -- to rely on. Is it well defined? Are there other comments on this point?

MR. BROOKMAN: Janet first, and then I see this gentleman back here.

MS. RANGANATHAN: Janet Ranganathan, the World Resource Institute.

Yeah, I think it's very important not to confuse the definition of an entity to the choice that's used to account for emissions from shared entities once you've done that. You have to define the entity first, which then tells you what the umbrella is for then figuring out which emissions then have to be consolidated. Once you define that parent company, there may be some sub-entities under there that will form under that umbrella depending on how you define the reporting boundaries, either say equity share or control.

I also wanted to make a comment in relation to this discussion about project versus corporate reporting. I'm very comfortable with the move towards -- for 1605(b) towards promoting corporate reporting. However, I still see some value in -- in project accounting for specific purposes. For example, for trading, trading of offsets, specific focus at the project level will be needed to provide the rigor and credibility associated with the reduction.

I think sort of trading organizational reductions over time in the absence of a cap is -- it's very worrisome, from my perspective.

MR. BROOKMAN: Okay. Please.

MR. FIEDLER: Jeff Fiedler with the Natural Resources Defense Council.

I wanted to comment on the suggestion about using project-based reporting as well, and I guess I just sort of wanted to point out that I thought we were here to try to improve upon the existing 1605(b) guidelines. And the proposal here to -- to report on an entity basis is already quite flexible, as people have been discussing, and to allow project-based reporting, in my view, I think that just returns us to the current system and sort of undoes the improvements that you guys are -- are trying to make.

And to be clear, I mean, the reasons why people from many different perspectives have criticized the existing guidelines is that there's too much flexibility leading to complete inconsistency in what is reported. And I think, you know, that suggestion to go back to project-based reporting would just fall right back into that -- you know, the current situation that we have with the existing 1605(b) system.

MR. BROOKMAN: Thank you.

Do you want to follow on, Janet? And then I'm going over here.

MS. RANGANATHAN: I just want to echo Jeff's concerns about flexibility here because, you know, we've had 1605(b) for about 10 years now, and the reason it was revisited was because there was so much flexibility and there was a lot of focus on project accounting.

What I'm concerned is that you're setting up a new construct here where, yes, the focus is on corporate-wide or entity-wide reporting but you've -- you've introduced so much flexibility that we'll be exactly where we are, you know, now in 10 years' time except we'll be dissecting the corporate reports.

MR. BROOKMAN: Thank you.

Is it Lee Ann?

MS. KOZAK: Lee Ann Kozak, Southern Company.

I guess, first of all, I would like to echo the views to support registration of reductions from projects. There are credible ways to quantify emissions from projects that can be included in the registry. Companies that undertake projects are making contributions to the president's goal even if, for other reasons, their overall intensity may not be declining. So there are reasons to report that.

Thirdly, the CO2 emissions markets within -- particularly within the U.S. deal with reductions from project emissions. I know earlier there was some discussion that one of the purposes of the revisions was to provide information that would be useful to the markets. Without registration of projects, the new system is really not providing the information to the markets that they would be able to use.

On a somewhat different point, going back to the double counting, there are currently, as I read it, requirements within the new guidelines for some certifications, first of all certifications that others may not -- are not reporting the reductions. There's also requirements for certifications that activities are not shifting outside of the entity boundaries.

For the electricity sector, those certifications are exceedingly onerous and in fact, if -- if you take them very seriously, may preclude generators from reporting their reductions. Because of the fact that there are some competitive markets, generation -- electricity use may be shifting to other companies. Generators have no way of knowing this. They can't go around to everybody else and try and identify where usage is shifting to know if activities have shifted outside their boundaries or not.

Similarly, with some of the reductions, it's totally infeasible for the generators to have to have agreements and understandings with each of their customers as to what's -- the customers are reporting and what they may be reporting.

So I would strongly urge DOE to really reconsider those and consider how those kind of requirements affect the purchase, generation, and use of electricity, that there's some additional complications there that really need to be specifically addressed.

MR. BROOKMAN: Sergio.

MR. GALEANO: Thank you.

I just want to reiterate in case that there might be any confusion with the prior statement that what we are saying is that both the entity majority of projects should be part of the registry. It cannot be one or the other because credibility would suffer tremendously that way. That's -- that's --

MR. BROOKMAN: It seems like it's a balancing act. How much flexibility, how much accountability, how much documentation. That's the -- that's the discussion I think we're having here.

Any additional comments on this subject of project-based accounting versus entity accounting?

Miriam, I left you out before. Do you want to chime in here?

MS. LEV-ON: Excuse me. Miriam Lev-On on behalf of the American Petroleum Institute.

I actually wanted to make, sorry, a couple of points. First of all, to go back to the issue of operational control and equity, as was correctly pointed out, the petroleum industry guidelines do provide provisions for entities to define their greenhouse gas emissions both on an operational control basis and -- and an equity basis.

For operational control, the question I think that Mark asked, whether operation control is really well understood, and it is a confusing concept because operation control can mean that you have management control and that you own 100 percent of that of a given facility, but it can also mean that you operate a facility or a plant or a set of operations on behalf of the -- of a joint venture.

This is why it's very important to maintain the ability to report on both of these ways, both on an equity basis and on an operational control, but the reporting entities have to be consistent.

We would support the notion that the reporting entities have to be consistent and choose which way they want to -- to report, and mix and match doesn't always work.

Looking at it in the extreme, equity always works -- you can always report an equity because when you have operation control you are just 100 percent equity. That's kind of a very simplified way of -- of looking at it.

MR. BROOKMAN: Before you move on, so you think there's enough variation -- don't let me put words in your mouth. There's possibly enough variation in what operational control is and how it gets executed that that makes it tough?

MS. LEV-ON: There -- there is a lot more discussion in the petroleum industry guidelines and some examples on what operation controls in the petroleum industry because, as you know -- and it's very different for the different segments of the industry because let's say in the downstream segment, which is mainly the refining, it's more natural to have very large plans which is 100 percent controlled or very close to 100 percent controlled by one company. While in the upstream sector, which is the oil and gas exploration and production, this is where you find all these multiple financial arrangements and legal instruments of either joint ventures or joint productions or different other kinds of arrangements where there is maybe one company that is the operator and it has the operation control on behalf of the -- of that legal force, but it might own only 18 percent of this whole thing. So it's not the management control.

MR. BROOKMAN: Gotcha.

MS. LEV-ON: This is where the rub gets in and this --

MR. BROOKMAN: So I'm going to go back to Mark.

MR. FRIEDRICHS: The question in my mind, you say on the one hand that you think an entity should choose one method and apply it throughout, but you say that in the case of -- of oil -- diversified oil and gas companies how they -- the control operations and/or jointly owned operations varies a great deal from one part of the corporation to another. So that would seem to argue for some flexibility even in that.

MS. LEV-ON: What I'm -- basically, I'm saying that you can view operation control as being almost equal to 100 percent equity, where you have -- where you own the -- the -- I'm sorry, a certain plan. And when you get into a different situation, it's either by legally -- by agreement between the partners, whether one -- the operator of that entity is going to report on behalf of the -- of a given plant or a given venture, or whether each one of the partners wants to report on it separately.

Because you can have a situation where you have four major partners, each one owns 25 percent, but one of them also ends up being the actual operator of a given field or the given gas plant and this has to be taken account. It's just that we don't want to make the system so onerous that they -- that you have to go and start figuring out for each -- the smallest possible operation a different scheme on how to report.

MR. BROOKMAN: Are you saying that there's no easy presumption?

MS. LEV-ON: There's -- there's no easy way out of it.

MR. BROOKMAN: Yeah.

MS. LEV-ON: And this is why the guidelines for the industry allow companies or propose to companies to look very carefully to their operation and making decisions on how they want to report. Because sometimes operational control also means that you have the control over the EHNS policy in -- in a given joint venture, so you have access to all the data and you have all the information that is necessary to control, not just management.

MR. BROOKMAN: Okay.

MS. LEV-ON: So, to sum it up, I think that both are important to maintain, both operation control and equity, and let the companies define whatever works for them.

And the other point that I wanted to make is, I think the industry guidelines do not specifically discuss currently how to deal with projects, but we will support reporting on specific projects within the context of an entity.

MR. BROOKMAN: Yeah. I want to return to that. Let's -- I want to zero in on the first issue now.

Janet, I saw you.

MS. RANGANATHAN: Yeah. This whole issue of defining what -- what the reporting boundaries are after you define the entity and the fact that there's two approaches that are being broadly discussed here, one is equity share and one is control. And Miriam has pointed out that control has two nuances to it: it could be financial control or it could be operational control.

I think the reality is for about 95 percent of companies it's irrelevant. If you picked the control method, you'd get the same emissions whether you picked operational control or financial control.

Unfortunately for the oil and gas sector, it's -- it's an exception. There are these kind of complex arrangements. So you could have a situation where a company has the operating license but doesn't have financial control.

But it is a rarity, and my sort of strong recommendation is to set the rules which are going to work for 80 percent and not to worry too much about these exceptions because you can deal with those through, you know, some flexibility around the edge. But the presumption is, for most companies, financial control would work. You know, there would be no variation whether it be operational control or financial control.

And just picking one rather than both, it avoids double counting in the registry because if one company -- you know, there's two companies, okay. They've got a share in this sub-entity. One company is reporting to 1605(b) using control; the other is reporting using equity share. There'll be some overlap in the emissions reporting. Now, if they were both using control, that would be avoided.

So it just simplifies things because there is a requirement in these guidelines that companies try to avoid this double counting. So picking one method does that automatically.

MR. BROOKMAN: But just taking a different perspective, those that are worried about under-counting versus those that are worried about over-counting --

MS. RANGANATHAN: I just want to say, if you're worried about under-counting then you need a mandatory reporting system.

MR. BROOKMAN: The -- it seems as though what we're describing here is that irrespective of how varied, how different the nature of control would be, both operational and financial -- I guess, Miriam, you and others are suggesting that it's defined enough in the business relationship that it nevertheless could be reported in most cases.

Mark Friedrichs.

MR. FRIEDRICHS: These comments are very useful. I think the discussion in general on entity definition has been helpful.

I'd encourage those who are here to amplify comments in writing and, if possible, to offer specific suggestions on how we can define some of these terms. I think that would be very helpful.

We might move on to our next topic.

MR. BROOKMAN: Yeah. I have a few more things.

Margot Anderson.

We're about to move on.

MS. ANDERSON: In addition to providing comments on alternatives, it might be helpful to explain why what we're proposing may work or not work for your particular circumstances. That helps give us the kind of insight that we might need to review your response. I think that would be helpful to us as well.

MR. BROOKMAN: Janet, I wanted to press you on one point, and then I'm going to you, sir.

You said set the rules and then deal with the exceptions, and I'm just wondering, how does one deal with the exceptions?

MS. RANGANATHAN: Well, if you -- if you defined -- if you picked one of these approaches, financial control, most companies could report that information. If there's some situation where there's a facility where they don't have financial control but perhaps they hold the operating license, they could elect to include those emissions as well and just say, you know, look, this is an exception here but we're including it.

But as I said, I believe that for 90 percent, 95 percent of companies it won't matter, you know. You pick financial control, it's going to pick up all of the emissions because most of them will hold the operating license.

MR. BROOKMAN: Okay. You're next.

I want to make certain that everybody takes a peek at the slide and make certain that the comments you wish to make with respect to these points, you're making them now because we're about to move on from here. And I'm not certain we've heard completely about variations, distinctions as they apply to subsidiaries, shared ownership, leased facilities, and the like.

Jeff.

MR. FIEDLER: Yeah, this is Jeff Fiedler with the Natural Resources Defense Council.

I did want to address the last point about what level of detail to report on -- on this, and I think in some ways this is a cross-cutting issue. From my perspective as a sometimes user of the existing 1605(b) database, the answer is, I mean, report at the level of detail where I can understand what you've written down in the report without doing extensive additional research and without having to somehow find documents that aren't in the public domain.

With the existing 1605(b) database and other reports, just -- just to give an example, every time, you know, some company puts out a press release saying they've achieved some reduction or conducted some trade, we get calls from reporters, analysts, and other people working on climate change policy asking, what does this mean, what do you think of this.

And besides steering the conversation immediately into talking about broader climate policy or lack thereof, when they press us on the details, we often have to admit that we don't know. You know, we cannot tell from most publicly reported information whether a reduction means anything. And specifically on entities, we often can't tell when a company says they've made reductions what facilities they're talking about, you know, what's the boundary of a project they're talking about.

It's just not possible in the existing 1605(b) database, and I don't have, you know, legal texts to read out right now about, you know, how you define this in regulations, but I think that's the standard that, you know, I as a third party need and I would think that, you know, DOE needs in evaluating whether its own criteria have been met, you know, in the reporting under these revised guidelines.

MR. BROOKMAN: Okay. Thank you.

So now, at this point, I want to hear closing comments on this subject, and particularly anything that has not been said so far.

Bob, you're first. Then we're going to move on very shortly.

MR. SCHENKER: Bob Schenker, General Electric.

Actually, I wanted to introduce a whole new subject we really haven't discussed here, which is leased facilities.

MR. BROOKMAN: Leased, okay.

MR. SCHENKER: We have taken the approach that if we have operational control at a facility that is leased -- in other words, if we in effect are responsible for the emissions -- we include them in our inventory. But I'd be real curious to see what other people have done with leased facilities. It's an area we really haven't reached firm conclusions on.

MR. BROOKMAN: Yes, Kristin.

MS. ZIMMERMAN: Kristin Zimmerman. Can you hear me? Kristin Zimmerman, GM.

I would support GE in focusing on the -- the leased facility aspects and going right along with the control position or the -- the management and/or operational control of that leased facility. Therefore, it would be included in your inventory.

MR. BROOKMAN: In your entity roll-up?

MS. ZIMMERMAN: Yeah.

MR. BROOKMAN: Yes.

MS. ZIMMERMAN: Indeed. It would be under that -- that flexibility of management and/or operational control.

MR. BROOKMAN: Is there -- are there differing perspectives under leased business? Sergio and then Janet.

MR. GALEANO: This is on a different perspective. We support that approach because that's what we do, and that's one of the benefits of the control approach.

MR. BROOKMAN: Yeah.

MR. GALEANO: That allows the lease to reported easily.

MR. BROOKMAN: Janet.

MS. RANGANATHAN: Well, actually, I'm a little bit lagging behind here, so I had a sort of -- you were asking for wrap-up comments on the other one, but I've also got --

MR. BROOKMAN: Let me finish with this one. I'll return to you for a wrap-up comment.

MS. RANGANATHAN: But I've got comments on leasing, too.

MR. BROOKMAN: Go ahead, then.

MS. RANGANATHAN: The financial control approach lends itself well to leasing because if you -- if you -- if the lease is consolidated, treated as wholly owned for financial reporting purposes, then you should include it in your inventory. If it's -- and capital leases usually fall in this category.

If you don't, you then have the option of reporting it as an indirect emission. Operational leases are a good example here.

MR. BROOKMAN: Okay. Okay. So now I wish to take summary comments on this slide before we move on, and I see John first. And then I -- Janet's also in the queue, and Michael. As briefly as possible.

MR. KADYSZEWSKI: This is John Kadyszewski from One Rock International.

This is not a summary comment but another point that hasn't been discussed with respect to entities, and that's the potential with sinks.

MR. BROOKMAN: Sinks.

MR. KADYSZEWSKI: And how do you treat entity-wide reporting on the ownership of carbon stocks and land holdings in forests.

MR. BROOKMAN: We're going to take that up in a different place , are we not? In the inventories, right. So, can you hold on that subject?

MR. KADYSZEWSKI: I wanted to make the comment with respect to the -- the ownership issue is -- ends up with different -- a whole set of different issues when you come to -- to looking at transfer of ownership and management operating responsibility in those cases.

MR. BROOKMAN: Okay. Thank you.

So, yes, Jim?

PARTICIPANT: One thing I've found works good is, everything is reported on the entity level, and then all your projects are reported. On each one of those facilities you list the projects and you follow -- come up with their savings. That is reported as "for information only." So every time you report a project, I've had it as under the corporate -- under the entity. So it's there for reference and it's there to pull out any time you need it for buying or selling credits or anything else.

MR. BROOKMAN: It's an aspect of the aggregated entity report.

PARTICIPANT: But it has to have an entity report in order to claim the project.

MR. BROOKMAN: Okay.

Okay. Yes, Michael, and then --

MR. CASHIN: Just sort of building on the comments on the project-level reporting and the importance of that, in Minnesota we're required to do environmental disclosure for CO2 for our customer base, and it's on emissions per kilowatt hour. And the way that's managed is that we carve out that which is assigned to that particular customer base. So we are looking at sort of a collection of supply from our leased facilities, self-generating facilities, and we're specifically expected to not give consideration to the power that we pass through to a third party and other utility.

So from a pragmatic perspective, we've found that we need to do project-level characterization to deliver that to the interest group and ultimately the people that are paying for the activities through our electric rates.

MR. BROOKMAN: Direct and indirect.

Janet, you said you had summary comments. Then I'm going to Lee Ann.

MS. RANGANATHAN: Yeah, I just wanted to make sure that the distinction was clear about accounting at a company level using the equity share and control and actually reporting to 1605(b) because I think the smart company would be able to -- would develop its imagery to provide both types of information consistently. For example, the Chicago Climate Exchange uses equity share. The U.K. Emissions Trading Scheme uses a financial control -- control of facilities approach. So they should have both sets of information.

But from a -- from a user's point of view with 1605(b), if the information is all reported using one approach, it makes it much more useful and easier to understand than if, you know, there's been some done this way. There's a double counting issue.

MR. BROOKMAN: Thank you.

Lee Ann.

MS. KOZAK: Lee Ann Kozak, Southern Company.

Just a general comment on the point about entity statements. This is one area where it is next to impossible to be able to comment with just the general guidelines. There's really nothing in here that talks about what needs to go into this entity statement, how detailed it needs to be. Presumably, that's information that will be provided in the technical guidelines, but without those it's hard to comment at this point.

I guess I'd just like to say that we appreciate that there is certainly a need for transparency in terms of what the boundaries are, but also to keep in mind there's a need for practicality, that you can't -- you could but it's really not practical to require an entity statement that needs to go on for pages and pages about every last little detail, particularly with some of the organizations that have very complex structures.

So just to note that there's really a need to balance the transparency with the practicality of what it makes sense to put on paper in this regard.

MR. BROOKMAN: Thank you. Thank you.

Perhaps a final comment. Yes. Go ahead.

MS. CAREY: Melissa Carey from Environmental Defense.

I just wanted to echo again what Jeff Fiedler said about level of detail here. From the perspective of all the companies who are represented here, the environment, Department of Energy, all of us who are spending a lot of time looking at this, we think it's critically important that this process be as transparent as possible. Nobody knows ultimately what this information will be used for, but for it to be useful we need to be able to look at what's being reported and understand exactly what activities are being represented there.

So I just wanted to weigh in and say that in order for it not to be a waste of time I think it's very important that we be able to look at what's in the 1605(b) registry and understand exactly what's happened there in order to be able to make any use of it.

MR. BROOKMAN: Okay. Bill, do you have a summary comment?

MR. FANG: Two -- two comments. Two comments. Bill Fang, Edison Electric Institute.

One is in response to a question that the facilitator raised and then a comment from NRDC, and then a wrap-up comment.

Doug, you asked, how do you set, quote, "rules" and deal with exceptions, and the NRDC gentleman talked about regulations. I think we need to be clear that these are guidelines that we're talking about. These are not rules or regulations.

Now, the -- the preamble to these revisions called this a proposed rule, which we think is incorrect, and we will send comments in to the government in that regard. This is a lot easier to deal with if you think of this as they currently are and as the statute repeatedly refers to these in terms of guidelines.

MR. BROOKMAN: Thanks for that clarification.

MR. FANG: Okay. Now, the summary point, there's a false choice between what one of the officials termed, you know, the quality and vigor of reporting and broader participation. That is a false choice because the aim of the government in this regard, particularly DOE, should be to improve the quality of reporting and to increase participation. That is a challenging task, but that should be -- it shouldn't be viewed as a -- as a dichotomy. It should be viewed as a dual task that the government should undertake.

MR. BROOKMAN: Thank you, thank you.

I'm going to press us on to the next subject, which is the slide that you see up there, registering versus reporting.

This, as you all would recognize, is really kind of the central framework behind at least part of the revision. And Margot Anderson's going to introduce this slide.

MS. ANDERSON: Can we get the schematic up behind me?

MR. BROOKMAN: Certainly.

MS. ANDERSON: It's in your packet as well.

(Pause)

Registering Versus Reporting

(Slide Presentation)

MS. ANDERSON: In this session, we really want to talk about and focus the comments on the overall program design. The proposal does allow entities to either report or register their emissions and emissions reductions. To register emissions there are certain -- there are certain data that reporters must provide. Large emitters need to submit entity-wide inventories of actual emissions and calculate entity-wide emissions reductions using a variety of techniques, all of which are converted back to tons. For smaller emitters, there's another set of -- of rules or data that must be supplied.

And this is very complicated. We don't expect you to be able to read every detail here. What we did do is try and come up with a schematic that's linked to each of the issues that are raised in the document so you can see where each one is discussed.

But in essence, this is the basic overall structure of the program. We recognize not everybody is at the point of wanting to supply an entity-wide inventory or calculate entity-wide reductions across the reporting entity, and there needs to be another option and that's the option of reporting.

So this is the basic structure. So once you've defined the entity that's going to be doing reporting, the next kinds of questions that you need to deal with is, are you reporting or are you going to go that extra mile to get the recognition that accrues to you through registering these reductions. And by that we mean providing this additional information in terms of the entity-wide inventory and the entity-wide assessment of reductions as well as taking into consideration that your reductions have to occur after a certain time, which is 2002. That's another issue that we'll be coming up with later in the day.

Somebody said earlier that all these things are interrelated. Indeed they are, and it's difficult to just limit the discussion about overall structure because we recognize there's any number of the components of the structure that you want to comment on. We hope we're providing that opportunity throughout the day. So this is really a discussion about the overall design and the overall structure of the revised 1605(b) program.

MR. BROOKMAN: Yes. Sergio first.

MR. GALEANO: Yeah. The comments from this section, one important thing in my opinion, or our opinion, is that it is not clear the decision-making process about recording and registering. In 1300.1(b), et cetera, it makes very clear that it is the submitter, the one who made that decision to report or to register, but later on in 300.12(b), for example, it appears that it's an automatic process in which there's only a reporting and then it is DOE who decides then what will be or not registered. And I guess that is something that should be clarified.

MR. BROOKMAN: Margot Anderson.

MS. ANDERSON: We can clarify that now. The decision is up to the entity doing the reporting whether they want to register or whether they want to report. So it's the decision of the reporter, not of the Department of Energy, not of EIA.

MR. GALEANO: We will be suggesting language to make it more clear.

Thank you.

MR. BROOKMAN: Thank you.

So, Margot has raised the general issue of registering versus reporting and talked about the kind of -- the broad program design that's implicit here. And you can see other questions, comments on the distinction and key requirements for registering reductions. So let's have comments on those.

Bill Fang.

MR. FANG: Bill Fang, Edison Electric Institute.

We think the overall program design is severely if not fatally flawed. We do not believe there should be a two-tier reporting system -- reporting and registry system. It should be a unitary system. That's what we think would best serve the multiple purposes of 1605(b) and, of course, the president's program.

There would be severe disadvantages created by a two-tier system. The ones that report will be second-class citizens. The ones who register will be the first-class citizens. The mere fact that you have a few tons of reporters in the first-class category will devalue those tons that are reported in the second-class category.

MR. BROOKMAN: Yes, please.

MR. DEGE: John Dege, DuPont.

We believe you should be able to register project-specific things without being a reporting entity. Otherwise, you tend to discourage the whole idea that while we maintain no mandatory reduction program in the United States, there are many of us who believe whether or not global climate change is real, it's a significant enough possibility of being real that we need to take issue -- we need to take -- make emission reductions for many different reasons.

We need to encourage everyone to do the maximum possible to reduce CO2 emissions and energy use, and we think specific reduction programs and registering should be separate from the voluntary reporting. We think there is not a lot of incentives by tying the two.

MR. BROOKMAN: Would you say a little more about that?

MR. DEGE: In -- as we understand the guidelines the way they're written, you cannot do project-specific registration --

MR. BROOKMAN: Right.

MR. DEGE: -- unless you're a reporting entity. We think that is too -- too linked -- that link is a big discouragement to people doing project-specific reductions. We're trying to do both as a company worldwide as well as in the U.S., and linking those two just doesn't make any sense to us.

MR. BROOKMAN: Okay. Yes, Lee Ann.

MS. KOZAK: Lee Ann Kozak, Southern Company.

I'd just like to second the support for registration of reductions from projects. I won't repeat everything I said in the last session about this, but really emphasize that one of the things that the markets -- CO2 markets in the U.S. largely focus on is trading of reductions from projects. And again, if this registry is to be helpful to the markets, there needs to be registration of projects.

A second point that I would like to make is in terms of the decision for companies or the reporters between reporting and registering. One of the things the company looks at is, okay, if I'm going to go through the -- to the additional effort to be able to register, what do I -- what's the tradeoff; what's the additional benefit that I get for making the added effort.

There is nothing in the guidelines that speaks to that. It simply says that there is special recognition. It doesn't say what that is, so it really makes it difficult for the companies to evaluate if there really is any benefit to going through the additional steps for registration.

MR. BROOKMAN: Thank you.

Janet Ranganathan.

MS. RANGANATHAN: A few points. First, I'd agree with Bill Fang. I see no utility at all to setting up a two-tiered system. It should be one tier and it should be done properly. I can't imagine why a company would want to report but not register.

The second point, my recommendation would be to focus on registering emissions, not reductions, and to just sort of have very good information on corporate-wide emissions over time and not to sort of get too -- too hung up in how you define reductions because it's very difficult and it really depends on how those reductions might be used and the context for them.

And then a third point, small -- small -- the exemption to small -- small emitters from doing an entity-wide inventory, the World Resources Institute produces an annual inventory. We have less than 1000 metric tons. There are -- we have developed some guidelines to help organizations do that, small organizations. It's not very onerous to do it, it's quite simple, and I think that a company or small organization that has taken the trouble to report to 1605(b) obviously clearly cares about the issue enough. It really isn't a big investment to do the entity-wide inventory because there's probably only a few sources anyway.

MR. BROOKMAN: Please.

MS. EATON: Rebecca Eaton, World Wildlife Fund.

I just wanted to make a few comments about ideal reported information or registered -- ideal -- information that's submitted and made available. How about that? I think it needs to be available on the highest level of aggregation, so that would be corporate ride for U.S. holdings and the CEO sign-off should be part of the process.

One of the concerns I have with the -- some of the registration guidelines as far as I've understood them is that net entity-wide emissions would be reported after, you know, looking at sequestration and various other emission reduction activities. I -- I think it would be confusing to have netted information as -- as the level of information available to a stakeholder like myself wanting to access the information.

I think specific direct emissions in absolute terms would be available in direct emissions and then any emission reduction activities available as -- as a separate line item but that -- so there are some distinctions and that people can get more useful information than simply a net number over time.

I think also, as WRI has stated, that having the inventory overall emissions over time is adequate and that the emphasis should be less so on project emissions reductions logged over time. I think one of the things that really reduced the credibility of 1605(b) in the first decade of its existence is that there was cherry-picking going on where companies were logging in project emission reductions. So one could assume that overall, corporate-wide, emissions were going down for -- for that company, yet in fact it was very difficult to get an overall picture of what was occurring company-wide. So I think some of these recommendations would avoid that.

MR. BROOKMAN: Okay. Thank you.

Mary Quillian.

MS. QUILLIAN: Mary Quillian, NEI.

I actually think that since -- since you've already acknowledged that 1605(b) is not going to be used to figure out the U.S. intensity and to measure exactly where the U.S. is with respect to the president's goal for 2012 that, actually, this registry should be focused on trying to get people to report reductions and do reductions. Since you're not going to use it to add up all the emissions in the United States, rather than focus on emissions inventories, maybe the focus really should be on reductions in inventories because it's meant to encourage people and perhaps give them transferable credit, which is something we haven't heard a lot about.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Yeah. Just a couple of questions. Mary's comment emphasizes something we've heard throughout this process. As some people believe that inventory should be the focus, some people believe reduction should be the focus. Obviously, in the proposal for registration we felt that both needed to be an important part of a -- an accounting of an entity. And I'd certainly like to hear more about whether or not people see both of those components of reports as being important elements or not.

Those who would like to see registration for projects, I have another question, and that is, do -- do they view projects as being in the context of an entity-wide report of some kind or do they believe projects should be able to be registered independent of any kind of entity-wide report.

MR. BROOKMAN: Let's -- which one should we do first? Let's -- let's deal with inventory versus reductions or both. Let's deal with that question first.

Greg. Do you want to talk about projects?

MR. SPENCER: I want to talk about both, Doug.

MR. BROOKMAN: Okay.

MR. SPENCER: We represent several Fortune 500 companies that are long-term agreements in industries ranging from energy, distribution, transportation, manufacturing. Several of them have very significant projects that create net reductions -- sorry. I lost my train of thought -- and the entity is unwilling or unable to report on an entity-wide basis.

In one case, a -- a national retailer, $35 billion in sales, has a project that runs across all of the different operating entities but it does not address their transportation, a number of their recycling, other programs that cannot easily be accommodated in that. The organization is unwilling to do an entity-wide reporting, but they have invested tens of millions of dollars in projects that are intended to reduce reductions.

We deal with companies in several industries that are faced with the proposition of entity-wide reporting and calculating reductions on that basis. It's essential that reporting -- that registration be allowed and it be allowed in the form of reductions if the ultimate goal of this program is to incentivize reductions across the broadest possible spectrum. That is done by creating a unit that is tradeable and has economic value which will then incent companies to find additional ways to create reductions.

MR. BROOKMAN: Thank you.

Yes. Miriam, and then to you.

MS. LEV-ON: Miriam Lev-On on behalf of API.

The American Petroleum Institute, together with its international partners, is recommending to its membership to develop entity-wide reports. And -- but in the context of these entity-wide reports, we would like to see recognition of specific projects that are taken in order to reduce emissions. And specifically, we would like to encourage the DOE to improve the guidance -- maybe not in the general guidelines, maybe to go over deals in the technical guidelines -- on how to recognize emission reductions that are associated with industry actions. And typically, industry actions includes like improving the greenhouse gas intensity of industry's own operations, increasing energy efficiency, reducing energy demand in facilities.

One big type of action is introducing cogeneration plants on refinery grounds and on gas plants, and we'd like to see the definition of "avoided emissions" be expanded to allow for recognition for this kind of project, like cogeneration and combined heat and power projects to also be included in the avoided emissions.

The industry is investing greatly in carbon capture and sequestration, so we'd like to see this kind of recognition for this carbon capture and sequestration project be provided.

There are many other reductions that are being done by the industry, so we'd like to see better provisions in order to carve up the reductions that are associated with industry actions, but we'd like to see it in the context of an entity-wide inventory.

MR. BROOKMAN: Yes, please. Margot Anderson.

MS. ANDERSON: Margot Anderson.

I wanted to kind of raise a question that comes back to a lot of points that I'm hearing about the pros and cons of entity-wide approaches and projects. When you're saying you support an entity-wide approach, does that mean you would support that the reporting entity submits an entity-wide actual emissions inventory yet has more flexibility to calculate its reductions that may or may not be based on changes in that inventory?

And this is what I'm hearing around the table, that folks -- or around the room, folks are saying, yeah, we support entity-wide, but they're not going to then -- making the next point of -- of coming really to the definition of what a reduction is.

Now, we were going to take this up in detail this afternoon because a lot of what you're talking about is what is really a reduction. And some of you are bifurcating the need to do entity-wide inventories, but I'm not hearing enough commentary on whether the inventory is the basis for reductions, and I'm not sure whether to have that conversation here or later in the day. But I'm not quite sure where some of you are coming from on that.

MR. BROOKMAN: Yeah.

MS. ANDERSON: So some clarification might be helpful.

Miriam?

MR. BROOKMAN: Many of you are in the queue.

You're next in the queue, but I'm going to ask you to hold.

Do you want to follow on, Miriam?

And then I'm going to ask a few other people, and then I'm returning to you, okay.

MS. LEV-ON: Well, I can speak for the -- what the industry --

MR. BROOKMAN: Up close, Miriam.

MS. LEV-ON: Yeah. I can speak for what the industry is trying to do right now, and I don't know that we have the ultimate solution yet. But in the greenhouse gas intensity working group, we're looking at these general issues that are associated with definition of the proper metric in order to determine what the greenhouse gas intensity should be for each one of the industry sectors and how to track that you're actually reducing greenhouse gas intensity, what the impact of various projects might have on this greenhouse gas intensity metric.

We're developing several examples on how to account for emission reductions for various industry options using -- using both the industry guidelines for accounting and the API compendium for methodology. We've developed a study that looked at six to eight different types of reductions that are typical for the industry.

So this is kind of an ongoing work, and we'll probably continue this -- to have this discussion, but we do recognize the need to lay out an entity-wide inventory. And I think API member companies that are participating in this -- in this program will be -- start to report to API their -- their emissions and API will aggregate it also for the industry --

MR. BROOKMAN: And the project-related reductions.

MS. LEV-ON: Well, not just project-related reductions but also entity-wide emissions. And the -- but it's still going to be up to individual API members to decide on whether they want to report to DOE based on the final guidelines as they emerge.

MR. BROOKMAN: I think we're -- we're looking for -- this is a complicated subject and some fairly crisp, short answers, if we can do it. And it may not be easy.

This -- is your comment related to Margot's specific question?

And then I'm returning to Janet and then these two gentlemen here, and Jim, and I'll go to Lee Ann and Bob.

As briefly as possible.

MR. PRILLAMAN: I think it is. Hunter Prillaman, National Lime Association.

It seems to me that what underlies a lot of this conversation is there's very little incentive for an entity that doesn't have reductions to report -- to report at all. And so the focus really ought to be on reductions, not on emissions inventory. This is not going to be an effective program to get emissions inventories from companies that don't have reductions.

MR. BROOKMAN: It seems there's also an incentive, just to be direct, for them to report the places where they're reducing and perhaps not to report the places where they're not reducing.

MR. PRILLAMAN: Well, and maybe that's a good thing if you -- if you're trying to encourage reductions. If you're trying to encourage entities to do projects that are reductions, allowing them to reporting and register those reductions encourages it more than saying, well, you can't report -- you can't do that except on an entity-wide basis. And if you don't have reductions on an entity-wide basis, you're not likely to report at all.

MR. BROOKMAN: I saw Janet first, then to Jim, and then to these two gentlemen and Lee Ann. Briefly, please.

MS. RANGANATHAN: My concerns about just stand-alone project reporting is the same concerns that any of you would have if financial reporting allowed people to just selectively take a certain business or product and report on it for the very same reasons.

I think, though, that the discussion about reductions is fair here, but most of this -- what we have in front of us focuses on organizational emissions and how reductions show up in organizations over time. There's very little in here about project reduction and how to quantify them.

So I wouldn't be comfortable having a discussion about whether projects can be actually registered because there's nothing here for me to tell me how they would be quantified. So I don't want that decision to be made unless we know what the methodology is. Then we can have a discussion about whether we think it's credible enough that we might want to register those reductions.

MR. BROOKMAN: Bill, and then Sergio. Oh, wait. Mark Friedrichs, follow on.

MR. FRIEDRICHS: Just on that particular point, a lot of people are very interested in projects, obviously. We've heard that. But Janet's point is well taken. That's why, for those who are interested in talking about projects, it's important for us to hear more specifically what you think should qualify as projects when you think something -- a project registration procedure should be available.

MR. BROOKMAN: Bill first, then Sergio.

PARTICIPANT: Two or three things. First, I don't think I've heard a subject yet today that are not -- is not affected by the technical guidelines. And so I would suggest to you that you probably are going to have to open up nearly everything and that there are very few policy decisions that you can make and keep closed.

Second, I would offer you the concern about costs associated with this, and I think this will appear all the way through this discussion today. The more complicated you make it, the fewer people are going to go through the effort because there isn't much candy from doing it.

Third, I would suggest to you that you'd really like to know who was responsible for dragging all of the information together, and just getting a CEO's signature on something is not going to do that for you. You might want to, when you define the boundaries of the entity, have the CEO identify the responsible person who is going to do it.

MR. BROOKMAN: Thank you.

Sergio.

MR. GALEANO: Yes. Thank you. I am Sergio Galeano from Georgia Pacific, just in case.

A comment again regarding the issue of the -- of the entity inventory and the reporting. I'd respectfully want to point out that perhaps the way that the DOE is addressing this creates a little confusion because right here we have registering versus reporting. We believe that it's not a "versus" situation. It's simply that both have to be linked.

We believe we're going to -- the objective of all this activity is just simply to get credible numbers and credible reductions, and you have to have both. We as an industry or company have an interest that -- to raise the projects, too, because there is the promise to have trading of transferable credits from those projects, too. So we need to have those projects there. But if we don't have the emission inventory, we are going to get into a big question mark about the credibility of those projects.

MR. BROOKMAN: I saw Bill and Lee Ann both. Lee Ann, I think I saw you first.

MS. KOZAK: Lee Ann Kozak, Southern.

In response to Margot's question, our view is that you should have the option of either registering projects, project-based reductions, or entity-wide reductions based on the inventory. Again, you need credible accounting methods for both options.

But again, in terms of the projects, number one, that's what the markets deal in, and secondly, it provides an option and incentive for companies that can take some action and make -- and can take -- make some reductions but may not be in a position for whatever reason to make enough reductions to get their total entity-wide emissions down.

If there's no option for that kind of registration, then there's significantly less incentive to undertake those actions unless you can get enough to get up to that threshold that you can report entity-wide, and I think that detracts from the ultimate ability and incentive to take actions to meet the president's goal.

MR. BROOKMAN: Bill.

MR. FANG: Bill Fang, Edison Electric Institute.

Let me first support the Southern -- Southern Company comment and then address several issues raised by the gentleman from AFPA.

We certainly support registration of projects. Otherwise, there's going to be wholesale exclusion of very useful projects: nuclear renewables, forestry, international energy efficiency and DSM, methane projects, a whole universe of projects that you want to incent that you -- you don't want to discourage those. You want to encourage those.

Now, with respect to the issues raised by AFPA, we agree wholeheartedly that technical guidelines are going to be very important and that all -- all important issues should be kept open. I mean, this comment period really should be extended to the very end of the last comment period on the technical guidelines. And again, there should be a comprehensive set of comments, not piecemeal sets of comments which are of far less utility.

On cost, we certainly agree with -- with that concept. I don't think -- actually, the gentleman said there's not much candy. We don't see any candy or any incentives. And there should be, certainly, some incentives if you want to have voluntary reports and, more importantly, to incent voluntary programs.

Finally, on the CEO signature issue, we would disagree with the WWF comment. The CEO signature could certainly be optional, but it should not be required. The proposal talks about a signature from the chief environmental compliance officer. That should be sufficient. And the primary reason, of course, is that this is not a Sarbanes-Oxley Act type of regulatory or financial program. This is a voluntary program. So a chief compliance or a chief environmental compliance signature is more than sufficient.

MR. BROOKMAN: Several people wish to comment, and this is approximately the order that I saw people: Jim, then Ed, then Kristin, then this woman in the back there, and then Mary, and then to Janet, and also to Bob.

So, if we could be very brief, as crisp as possible. James first.

MR. HAVEN: Jim Haven, Global Warming Initiatives.

It looks to me we could streamline the whole thing. We've got two separate animals here. One is your emissions reporting, and then the other is what you're reducing. Now, keep one for the entity-level reporting and have that one separate part of this reporting completely. The other section would be just for those project levels. And don't combine them; keep them in two different areas, and it would be a lot simpler all the way through.

MR. BROOKMAN: Thank you.

Ed.

MR. SKERNOLIS: Ed Skernolis with Waste Management.

I think my comment probably more goes back to the question of -- of reductions versus intensity, but it's tied into this project issue. I'm puzzled as to what would incentivize -- outside of the electricity generation, what would incentivize any other kind of business to report -- to register intensity data rather than absolute reductions.

I mean, it seems to me that all of us have in mind that the purpose of the two tiers is -- is, one, to have a general level of reporting to get some assessment of reductions, but the registration system is really meant to be a baseline for some kind of trading scheme where you have what we call a blue chip reduction of some sort or another.

And no one's trading, as far as I know, in intensity. We're all trading in absolute reductions. And if we want the government to essentially -- the reporting system to establish some credibility for potential -- for -- and establish some value for something that's tradable, it seems to me we're all going to be interested in absolute reductions in the end.

That gets even more -- that issue, I think, is a little bit also complicated because I'm not sure whether an entity can report both intensity for some part of its operations and absolute reductions for another. It seems to me the way the general guidelines are set up, you report one or another. Yet, some parts of your operation may lend itself to intensity and other parts may lend itself to absolutes, but we don't have that choice.

And then finally, metrics for intensity, I think, become very subjective in a lot of areas that -- outside of electricity generation and specific product. It gets very subjective, I think, in service industries such as ours. And it seems to me there's going to be difficulty in addressing the intensity issue for the service sector in reaching some judgments on DOE's part of what constitutes an acceptable registration or reporting of an intensity --

MR. BROOKMAN: You raised a lot of issues. I'm going to let Mark Friedrichs follow on.

MR. FRIEDRICHS: Just a quick clarification. One will get into the reduction issues in more detail a little bit later.

It certainly was envisioned under the proposed guidelines that entities could use intensity as the method for calculating reductions for one part of its entity and absolute reductions for another part of the entity. Absolute reductions, however, have an important qualifier, and that is they can only be counted if that part of the entity has not reduced its production, it has not reduced its output. We wanted to find a way of not crediting reductions that were attributable to reduced economic output.

MR. BROOKMAN: Kristin.

MS. ZIMMERMAN: Kristin Zimmerman, GM.

I've been thinking about possible design elements that might be used to incentivize additional reporters because, indeed, the program needs to build that base of reporters. And the question to the DOE panel -- to the panel, I should say, is, could there be the design of a tool kit. I think you really already have it, though the technical guidelines will really go to define the methodologies. But this tool kit would help the newbies, the new reporters, understand what's in it for them if they have really no interest in the registration piece, the second tier.

And what tool kit might provide is the elements for reporting the emissions very accurately and transparently but also allow the reporting entity to determine what are those avoided costs from their base year moving forward. And then they would get a concept of what this means and whether or not they would have any interest in registering those real reductions over time.

But indeed, we need something to incentivize new reporters moving forward, and I think what the 1605 has within it might be the fundamental structure for providing this -- this kind of like business case tool kit.

Now, the cost reductions and cost avoidances would be held internally to the company. I mean, that's not something that they would want to divulge because it's confidential, but it still would give them a bit of incentive for tracking those costs.

MR. BROOKMAN: Do you have a perspective on projects?

MS. ZIMMERMAN: Projects would be included, absolutely. Under the internal -- especially under the internal mechanisms.

MR. BROOKMAN: Margot Anderson, and then you're next.

MS. ANDERSON: I appreciate this comment about providing opportunities to help the folks report, but I really want to address -- go back to this overall structure issue. What I'm hearing around the table is a lot of people saying, yes, an entity-wide inventory is a good thing to have. It's good to have a record over time of emissions for companies.

But what I'm also hearing at the same time is the appropriate way to measure progress isn't through changes in that inventory or changes in the overall entities' reductions, but it may be in just in certain components of the entity. And this is where I'm seeing the -- the difference around the room, that there -- there seems to be agreement that -- not agreement. There seems to be many that are supportive of the concept of -- that reporting entities should file an entity-wide inventory of absolute emissions.

But where I'm hearing the differences of opinion more strongly is that what constitutes registering; is it doing an assessment of reductions across the entire footprint of that reporting entity or should the Department consider that it's okay to register subsets, i.e. specific activities. Some of you are calling them projects, some of you are calling them something else.

And I've certainly heard distinct pros and cons, but I'm getting a little concerned that -- that we're not back to this overall structure of the program, and I think it's important to get some more comments not so much on how you might measure intensity and what it might mean for a particular industry or how you might measure a reduction for a particular industry but whether you think that registration needs to occur across the entity's boundaries or just its subsets of what the entity is doing.

MR. BROOKMAN: Robert Card wants to follow on.

UNDER SECRETARY CARD: Yeah. I just want to second what Margot said. Of all the discussion so far, the one in the last hour has probably been the one least expected by those of us in the process. So we'll be paying particular attention to trying to discern the theme, if there is a consensus theme that seems to arise from it. So I just wanted to let you know that.

MR. BROOKMAN: So, Margot, when you refocused this at my peril, you -- you essentially said whether the reporting entity would be reporting absolute emissions at the aggregated level and whether reductions should be okay for subsets or project-level reporting.

Yeah. Actually, I think Bob and then -- oh, no, pardon me. The woman who's seated. Yes. And then Bob and then Mary and then somebody over here. Yeah.

MS. BLOOD: I'm Rebecca Blood with the American Public Power Association. We represent 2000 municipally, state-owned, local, not-for-profit utilities, and I'll be clear.

We need to make sure this program stays simple for our members. An initial survey of these proposed rules in terms of structure is that it stays simple. All members all participate otherwise.

And in that respect, one solution might be to consider our small size, since most of our members actually qualify under the definition of SBREFA for small businesses. We really don't have the manpower to conduct additional emissions inventory as suggested by these guidelines, is to perhaps offer in a subset an opportunity for aggregation, some other ability to bring these small systems together and report on that level.

MR. BROOKMAN: Aggregation would make it possible for your members to participate?

MS. BLOOD: We have some experience with that and would like to discuss that further in comments.

MR. BROOKMAN: So a trade association, for example, or something like that?

Some mechanism like that?

MS. BLOOD: Not necessarily through the trade association. We'd help DOE provide technical assistance in that regard, but we can certainly talk about that.

MR. BROOKMAN: Okay. Bob.

MR. SCHENKER: Bob Schenker, General Electric.

A number of commenters have said that if -- strictly going on a project-specific basis really isn't showing the big picture of what's really happening, and I agree with that. But going to the entity-wide inventory is not showing the whole picture, either. And the reason for it, for us, we're a very large corporation. We're growing at a very fast rate. We're spending billions of dollars a year acquiring new companies. So in effect, it's going to be very difficult for us to show any absolute reduction regardless as to how hard we are trying to reduce our emissions.

For that reason, we feel it's very important for us to be able to register our specific reduction projects to show that we are accomplishing reductions. And we also find it very important for us to take a look at intensity because in a corporation our size and the rate we're growing, we're always going to show an increase in emissions. That isn't necessarily a real increase. It's more that other entities and so forth are just being pulled underneath our umbrella of reporting.

MR. BROOKMAN: Mary.

MS. QUILLIAN: Mary Quillian, Nuclear Energy Institute.

That's a good point. Maybe -- first of, I'd state I think, absolutely, the project reductions or reductions period should be able to be registered without having to have an entity-wide report submitted because the -- the reductions is personally what I think this program ought to be after, since you're not going to use it to try to tally up the whole U.S. emission in the report.

But that may be the incentive for the reporting of an emission inventory, is to be able to show that intensity has -- is reducing for your corporation over time.

And that's significant. I think that's -- that's a laudable goal, to be able to reduce your intensity while you're still growing and be a successful corporation. At the same time, realistically, all of the tradeable and fungible reductions at this point in all kinds of programs internationally are really based on project reductions. So you've got to be able to report reductions by themselves.

And that brings me back to my last sort of comment, and that is, what is not in here that I think the president of the United States asked for was some sort of way of crediting reductions, transferable credits. And I don't see that in here, and I think that that is really tied to reductions, not inventories.

MR. BROOKMAN: Janet, and then Bill and Sergio. And then --

MS. RANGANATHAN: Yes. Bob Schenker mentioned the issue of the challenge of tracking emissions reductions for General Electric over time because they are acquiring companies and growing.

The rules in here for base share and base share adjustment would address that concern, so even if you were acquiring companies, you could still show a reduction over time if you're improving your performance.

I wanted to go back to a comment over to my left that was a concern that said that if we're not allowed to report project reductions there won't be any incentive for doing reductions. I find that a very, you know, troublesome comment because if the only incentive for doing greenhouse gas reductions is that you can register them in 1605(b), I really sort of wonder whether that's a strong enough incentive for us to get to the president's goal for the intensity reduction goal.

I'd be happy -- so would many of my other NGOs -- to offer some other ways to incentivize reductions if a concern is that there aren't enough incentives for reductions.

MR. BROOKMAN: Thank you.

Bill, Sergio.

MR. NICHOLSON: Bill Nicholson for AF & PA.

One of the comments that -- that came from the table in front, and I think it was

Margot, was that you -- the DOE did not want to include reductions that came from plant closures and things of that nature.

I would observe that the intensity side of what you are proposing will cover that. On the other hand, I think you ought to look at plant closures from the -- or sales or anything of this nature from the standpoint of a corporation that may or may not be the loss of productive capacity.

The company I used to work for recently sold one plant in Minnesota and closed another, and then finally sold it to somebody who started it back up again. But from the standpoint of reporting for that particular company, it is going to be a reduction in emissions and it will be a change of some sort in intensity. This happened to be about a third of the company. The same thing goes with all of the discussions that GE and DuPont have been talking about where they've been acquiring things or selling things.

You know, so we've got to be very careful about what it is that you don't want because I think you're going to miss a whole lot.

MR. BROOKMAN: Margot Anderson, sure.

MS. ANDERSON: I'd like to clarify because I don't want misconceptions to -- to increase. When we get to the reduction side, we'll be talking about options that companies have for calculating those reductions. For some, it's going to be the intensity metric, which, you're absolutely right, will take into consideration these economic changes and will make those adjustments for increased or decreased output or -- so that emissions may -- absolute emissions may in fact be increasing. But if output is increasing, the intensity may be going down, which is precisely in synch with what we're trying to achieve.

Additionally, there may be another option to calculating reductions using absolute emissions. For some, that will be the more -- the more useful choice. But in that case, we're still asking for some adjustments to the absolute emissions to take into consideration that we're not -- we're not registering reductions that are accruing due to a plant going overseas or a plant being closed.

So I think what we're trying to do is come up with some options on reductions that take production into consideration.

MR. BROOKMAN: Bill, follow on.

MR. NICHOLSON: It may be appropriate to provide the option for entity-based reporting to provide both an inventory and an intensity.

MR. BROOKMAN: Mark Friedrichs.

MS. ANDERSON: Margot Anderson.

And we are.

PARTICIPANT: Yeah, right. Thought so.

MR. BROOKMAN: Sergio.

MR. GALEANO: Let me try to make clear prior comments regarding this issue on the registration. First of all, I do believe that there is perhaps a misconception that because somebody registered an increase from one year to the other on an inventory of an entity inventory that increases the project reductions on that period are invalid. I don't believe that that's the case, but it seems to me that there is that misconception, and that perhaps might be one reason to -- not to like the emission inventory. But in the long run, I feel it's very difficult to see how you can really estimate intensity.

In my company, we estimate both, by absolute and by intensity. And it can be done perfectly well and clear.

Again, the point that I think that is missing in this present baseline guidelines is that there's not a clear statement or process to link the inventory to the specific projects. We submit, if you want to as an example, that we have done that in our protocol. It includes that and it's working. So it might not be perfect, but the concept has been there. It's part of a protocol and it's been accomplished in a couple of base -- inventories that we have conducted already.

MR. BROOKMAN: So if you include that in your comments, I'm certain the Department would appreciate that.

Yes, please.

MR. FINNEGAN: Dave Finnegan -- Dave Finnegan, Mayer, Brown, Rowe & Maw.

I don't quite understand Mark's and Margot's comments about economic activity. The statute provides for reporting of reductions -- of voluntary reductions, plant or facility closings, and state or federal requirements. So I don't understand why -- what you're talking about in regards to those actions.

MR. BROOKMAN: Margot Anderson.

MS. ANDERSON: We're amplifying it, in a sense. So yes, the statute calls for it and the revised program is consistent with the statute.

MR. BROOKMAN: Go ahead, Sergio. Follow on.

MR. GALEANO: Yeah. The follow-up here is that -- and that might be part of the afternoon discussion -- is that this document doesn't have clear rules for adjustment. It's very confusing, really. The adjustment is the base year. And if you don't adjust the base year and you don't have provisions for that, the whole effort is locked and therefore we get into a lot of confusion. And examples of that I give it in different protocols: in this protocol that follows the WRI protocol, in the California protocol, et cetera.

So the need to define clearly how you adjust your base year emissions is missing in this guideline.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: You're correct in that those specific rules for adjusting baselines and so forth will be addressed in the technical guidelines that will be proposed. And it does -- that's why we believe that there should be an opportunity to comment on these general guidelines in the context of those technical guidelines.

MR. GALEANO: I appreciate your comment because that clarifies the confusion of mine. Clarify, no. It confuses me further because it is my simple-minded state, is that the general guidelines set the policy issues and set the directions of this activity and the technical guidelines complement in detail and calculation those general policy guidelines. If you don't establish the adjustments policies in the general guidelines, you're missing --

MR. FRIEDRICHS: Actually, the general guidelines do describe --

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: I'm sorry -- do describe the requirements for adjustments in baseline. They do not explain how those adjustments would be made in -- in specific calculations, but they do describe the necessity to adjust baselines for the various changes in activity.

MR. BROOKMAN: The larger point, Sergio, is, without those technical guidelines, your comment on the general guidelines at least is incomplete and perhaps worse than that. Right?

MR. GALEANO: No.

MR. BROOKMAN: No?

MR. GALEANO: I disagree. But anyway.

MR. BROOKMAN: Okay. Yes, please. Go ahead.

MR. FIEDLER: Jeff Fiedler with NRDC.

I guess I wanted to agree with Sergio and, I think, the thrust of the comments made by others that I thought the point of what we were trying to do here was try to rectify some of the acknowledged mistakes of -- you know, shortcomings of the existing 1605(b) program, which is its, you know, flexibility and the inconsistency sort of from report to report and what's currently in there. We're trying to improve that.

And I guess, you know, I see your point that there's going to be some clarification in the technical guidelines, but even in these general guidelines we see, you know, some flaws in it.

To hit on some points people have made, I have a lot of sympathy with the comment that was made that, you know, while project-based reporting doesn't tell you the whole picture, neither does entity-wide. And within even entity-wide, you know, intensity -- you know, using some intensity metric tells you some useful information. It does.

But I guess my strong position is that in order to understand what's going on, you need to start with clear reporting of emissions. You know, if you don't have a clear reporting of emissions in some well-defined boundary, which I think should be, you know, as broad as possible, you know, you can't even start. And I'm not saying that that's then the only useful piece of information. To understand whether someone's making a difference, yeah, you'd want to look at intensity metrics or what they're doing in individual projects. But without that, you know, clear emissions reporting, you know, you can't even start.

And I guess even in the general guidelines we're not getting there. You know, if people are making comments that we can also report on projects, you know, the entity definition seems to be very flexible and vague, the different approaches to reductions, you know, there are five defined and there's no even, you know, clarification of, you know, what the criteria are for those five conceptual approaches.

I mean, we're going to end up in exactly the same situation we've been in for 10 years, and I don't know, I've spent too much of my time in the last 10 years working on them and I seem to think that everybody else here must have. I mean, if we're going to reissue new guidelines, it's got to improve upon all those recognized problems. Even the general guidelines don't do that right now.

MR. BROOKMAN: Thank you.

Marlo Lewis.

MR. LEWIS: Marlo Lewis with the Competitive Enterprise Institute.

I don't have any neat resolution for the registering versus reporting issue. It's --

MR. BROOKMAN: We were hoping.

MR. LEWIS: It's very complex, and I will reserve judgment until some point in the future.

But it does seem to me that we need to keep our eye on the president's goal, or at least DOE should, and that goal has -- has been articulated as an intensity reduction. So whatever status is being accorded to project reductions should be determined by how it advances the president's goal.

Now, if the president had a different goal, if his goal was to set up the preliminary -- the pre-regulatory set-up for an eventual cap and trade program, one would come up, I think, with a very different view of the status of project reductions versus entity-wide or registering versus reporting. And I sense that there are some -- some people in this room who think that registering is, as someone here put, is -- it gives a blue chip status to certain types of reductions which would then qualify those as some kind of offset under a future cap and trade program.

Well, that may be what some people would like this exercise to be about, but the president has made it very clear that he's against cap and trade, that he wanted to have an alternative to cap and trade, which was intensity reduction.

So I -- I'm just wondering, does it make sense then to put project reductions in some kind of second-class tier if the goal of the overall policy of the administration is intensity reduction.

And just one final point along these lines. It seems to me that there are also some people in the room who want to split the difference or have some kind of hybrid. In other words, they -- they want project reductions to be in the first tier but in order that they might apply to some future kind of cap and trade program. And I -- I think that is illicit because a cap is an absolute tonnage reduction requirement. And so in order to qualify against a cap, the reductions should be based on your entity-wide emissions.

But if we have a different goal, which is an intensity reduction, then I don't see any reason why project reductions should be second-class citizens.

MR. BROOKMAN: I feel I've neglected this half of the room. So I'm now shifting my attention away.

Do you want to follow on, Ed? Then I'm going to Greg.

PARTICIPANT: Just a quick response. I think the president identified a number of goals, not just intensity. But secondly, we participate in a cap and trade program right now that is not government-run. We're very interested in absolute reductions and not intensity.

MR. BROOKMAN: Thank you.

Greg.

MR. SPENCER: I understand the president's goal to be a reduction in total emissions in a way that doesn't harm the economy. In all of these workshops, Doug, there have been these competing considerations with multiple objectives which is, I think, how we ended up with this two-tier system. And there's clearly an objective for an understanding and availability of information which I think should allow reporting in the broadest possible means.

I think that for purposes of registration, it needs to be in a consistent unit. The -- even in the absence of a cap and trade program, there is significant trading activity that's happening today. There's a reason for registering reductions, and it -- it is quite possible that those registrations could be entirely within a project category with -- with the assurances that there's been no increase elsewhere, there has been no change in productivity as a result of that activity, and -- and a third party verification that demonstrates that those are real.

You can achieve all of these different objectives and you can do it in a way that has environmental integrity.

MR. BROOKMAN: Thank you.

I want to just note that we are supposed to be finishing this topic a while back now, and as -- as the agenda is written. And I want to make certain that particularly these issues here -- I don't think we've heard most about -- much about post-2002 reductions. I think we've begun -- I don't know whether we've exhausted this topic, but we need to be moving on pretty soon here.

Kenneth.

MR. MARTCHEK: Ken Martchek, ALCOA.

I'd like to talk about pre -- sort of devaluating pre-2002 reductions in terms of not being able to register. First of all, I think those -- those reductions are real and they're actually helping reduce the load on the environment today well past -- well past 2002. So to devalue them by not allowing them to be registered is -- is sort of unfair, and in fact they may be more valuable than post-2002 reductions because communitively they've been going on for a number of years contributing to the president's goal.

Number two, I think it sets a bad precedent because if you put a line in the sand and say, oh, your past reductions don't count anymore, just after 2002 you can register, people worry that in the future they'll strike a line in the sand that says anything prior to 2008 no longer counts.

So from a president -- precedent point of view, it's -- it's not good practice, and number two, from a load on the environment it's not. And so my point is, I think you -- if you can prove it by these guidelines, you should be able to register your reductions.

MR. BROOKMAN: Okay. Thank you.

Yes, please.

MR. DEGE: John Dege, DuPont again.

I absolutely support what they just said. We've already made major reductions. The easy ones are always harder.

The other thing about project-specific reductions, most of our reductions, or many of ours, and we're going beyond that, the early ones are project-specific. For instance, one -- we spent \$100 million putting -- \$10- to \$100 million putting end of the pipe reductions on one kind of chemical plant, which is a project-specific activity. It gets to intensity because when you run the plant at its say 85 percent of capacity, the amount of emission per pound of product is certainly less.

On the other hand, some of the plants I've worked at, a different kind of plant, when you're shut down making no product, some of our plants were still using 50 percent of electricity that we use when we run at maximum capacity.

So you do have to adjust the basis of your intensity for when you're running at a certain economic activity. You can say it's 80 percent of capacity or 50 percent. If you go -- but the numbers are very variable.

But we've made major reductions. We have other kinds of things we want to do. So again, we ask for flexibility.

Some of the people talk about making it clear and transparent. That's nice. We need to be able to do that. We've been reporting as a corporation. We voluntarily reported. We think you need to do both, but they also need to be independent.

MR. BROOKMAN: I saw Greg, and then Kristin.

If we could start thinking about how to summarize on this subject so we can move on from here.

Greg.

MR. McCALL: Greg McCall, American Electric Power.

I just want to reiterate our concern over losing the tons reductions we've had in the previous program and we want to find a way to see those carried forward.

MR. BROOKMAN: Thank you.

Kristin.

MR. BROOKMAN: Kristin Zimmerman, GM.

Indeed, GM supports credit for early action. However, there could be some kind of earmarking for those reductions made 2002 and beyond by the registry, but we clearly support what was done in the past.

MR. BROOKMAN: Okay.

Bill Fang, and Sergio next.

MR. FANG: Bill Fang, Edison Electric Institute.

I also want to be supportive of this concept. This is something that this administration, unfortunately, inherited from the previous administration, which made a series of promises and didn't keep any of them. However, this administration did, in the four-agency letter in July of 2002, indicate to the president that this is one of 10 recommendations of which it would -- that it would address, and it has so far not done so.

It needs to do so for a very important policy reason which has to do with incentives. We have any number of companies, including AP who just spoke, who have reported millions of tons of reductions over the last eight or nine years. For them not to get anything, not to get some kind of credit or recognition for those tons is an incredible discouragement and incredible disincentive for those same companies going forward.

You can see from their standpoint, they don't get anything for what they've done in the past, why should they do anything going forward to the next 10 years. There's no transferable credit under the proposal. There's no baseline protections. They don't get credit for past action. They have absolutely no incentives.

MR. BROOKMAN: Thank you.

Sergio.

MR. GALEANO: Early this morning I mentioned about the credits that is missing in this regulation and I tried to go back to the February statement or the directive for the president regarding the purpose to ensure that the registerer will not be penalized for early reductions. And that has been followed by the 10 recommendations from the secretary and the administrator of the agency in Step No. 7, and that has not been done.

So I think that we need to do that, and there's no reason why a reduction that meets the same requirements of this new registry would not be given proper recognition.

MR. BROOKMAN: Okay. Thank you.
Phil.
MR. BISESI: Phil Bisesi, North Carolina Energy Office.
There's been a lot of discussion about the practicality of the proposed reporting and a fear that few will do it because there isn't much reward for doing it. But I think it behooves us to be reminded of the fundamental reason that we're here, which to me is that there's a large segment of the scientific community that believes there is plenty of environmental risk to go around if we don't do the paperwork.
MR. BROOKMAN: Thank you.
I'm going to press us on to the next topic, which is, as you can see, entity-wide emission inventories. And Arthur Rypinksi from the Department of Energy is going to cue this up.
Arthur.

Entity-Wide Emission Inventories

MR. RYPINSKI: All right. There are three broad topics that we're interested in hearing comments on under the general rubric of entity-wide emissions inventories. The first one is the threshold for large and small emitters. The guidelines have a conceptual distinction between large and small emitters. So the first question is, should there be such a conceptual distinction, which is phrased as, is special treatment for small emitters appropriate given that there's such a conceptual distinction; given that there's such a conceptual distinction, is 10,000 tons per year of carbon dioxide equivalent the right threshold; and finally, should there be other requirements for small emitters other than above and below the -- the threshold.
Our second topic is the slightly related one or the mildly related one of de minimis emissions. De minimis emission is an emission source that is the -- the notion we're trying to get at is too small to matter. So the first question is, should emissions that are too small to matter, small emissions, be omitted from inventories. And the second question is, how small should small be, and in particular, is smaller than 10,000 tons or 3 percent an appropriate cutoff. And if you don't like that, are there some alternatives that you might propose to the Department that would work better.
And then the last topic is this notion of additional gases. I hear rumors of NF3I standing at the threshold of the -- of the -- right behind the SF6 HFCs and PFCs. The original 1992 statute which was written references CFCs, which have sort of dropped out of climate change considerations, and other -- other gases may be coming down the -- coming down the line and global warming potentials may be adjusted from time to time.
How should the -- how should the 1605(b) program deal with these additional gases and -- and future changes as they emerge in the fullness of time.
We would be interested on hearing your comments on any and all of these views.
MR. BROOKMAN: Thank you.
We've been seated -- seated for a long time. Would everybody like to just stand up? Let's stand up. Just stretch, just for some -- and while you're doing so, formulate your thoughts.
(Pause)
MR. BROOKMAN: Okay. We're going to start back up here.
Margot, we're going to start. We're going to start back up, yeah.
Okay. As you can tell, we did -- we were -- we did want to provide a break, but we -- as you can see, there's so much content to get through here that we're just going to press on.
So you can see the questions up on the screens.
Let's focus here, folks. You can stay standing if you wish.
You can see the questions up here on the screen. Let's start with threshold for large and small emitters first. What do you think? Is 10,000 tons per year an appropriate threshold? Is special treatment or other special treatment appropriate or needed? Are other requirements for small emitters appropriate?
Let's start with that one. Who'd like to start? Please, yeah. Sergio, go ahead.

MR. GALEANO: Let me try to bring in practical experience for people conducting inventories.

MR. BROOKMAN: Yeah.

MR. GALEANO: We don't conduct inventories because of the 1605.

MR. BROOKMAN: Right.

MR. GALEANO: We have an interest besides the greenhouse gas reductions, but also we have an economic interest.

MR. BROOKMAN: Right.

MR. GALEANO: Because hours are linked to energy savings.

So we -- we don't want to get -- we haven't done it to make cuts without knowing what does it mean. So it means that in order to understand what is the significance and what are the facilities' operations that can be eliminated, you really have to inventory them first.

In one thing you are right. The conclusion, in a case like ours, that we have offices, distribution centers, small sales offices all around the world that may be in the hundreds. Then we can arrive, after we've inventoried them, we can set for the subsequent inventory. We're not going to repeat them because they are just a fraction of whatever.

MR. BROOKMAN: Yeah.

MR. GALEANO: So the idea to put one figure is not necessarily the best approach because --

MR. BROOKMAN: Would you suggest an alternative approach?

MR. GALEANO: The alternative approach is a qualitative statement about what is the significance of that reduction of that facility in the overall emission inventory.

MR. BROOKMAN: Such as the de minimis statement there, the second bullet on the de minimis statement, 3 percent or something --

MR. GALEANO: Well, we're -- we don't like it at 3 percent.

MR. BROOKMAN: Yeah, right.

MR. GALEANO: Maybe 2 percent or whatever.

MR. BROOKMAN: Okay.

MR. GALEANO: But -- and that has to be just case by case.

MR. BROOKMAN: I saw Bill, also. Go ahead, Bill. And then I'm shifting. Yes.

MR. NICHOLSON: Bill Nicholson from AF & PA.

The other practical standpoint, and this may not particularly appeal to all the sophisticates in this room, is that there are lots of people out there in the world that you'd love to have reporting that have never really thought about making the calculation of tons of carbon.

And I would suggest that in the preamble for the next time you come out, you might give some examples of whatever cutoffs you are using for either large versus small or de minimis or things of that nature. You know, is it -- how big of a natural gas-fired boiler are we talking about, and put it that way instead of making them go through and calculate.

MR. BROOKMAN: I see. They haven't calculated the tons. It's not obvious whether they've reached or breached the threshold.

Okay. Kristin, and then Ed.

MS. ZIMMERMAN: Kristin, GM.

Energy intensity might be a metric to follow to establish a threshold rather than absolute tonnage. I mean, look at our industry. We're not very energy intense. The auto industry. When you look at the per unit of value or output to the economy, that's pretty high for the very low level of energy intensity. So that might be used.

MR. BROOKMAN: Okay. Other comments? Yes, please.

MR. DEGE: Yeah, John Dege, DuPont, again.

In the air permitting program for regulatory for -- through the Environmental Protection Agency for Title V operating permits, they have insignificant activities that are listed so that you don't have to go through the calculations in any detailed, formal way.

MR. BROOKMAN: Is that within your sector?

MR. DEGE: Yeah. Well, within any Title V operating -- any major stationary source does not have to do -- list in specific detail, you know, emission estimates for insignificant activities, which are generally considered de minimis.

The 3 percent -- to get the 3 percent, you've got to estimate all those things in some formality, and you know, like employee commute emissions, which we don't think we should have to do. Within our site, you know, we have crane cars and things. We have welding machines. Some are gas-powered, some are electric-powered. Those get to be a pain in the neck.

So you know, we -- we do voluntary reporting. We track our emissions. We have it in our -- our annual report, but we don't go into great detail to even calculate the 3 percent. For us, we're so large we don't think that'd be meaningful. You ought to do like -- like they've done in Title V of the EPA, insignificant activities, and you make the value judgment to explain why you don't do them.

MR. BROOKMAN: I see. And so you list those insignificant activities in some way and describe briefly why they're insignificant?

MR. DEGE: Right.

MR. BROOKMAN: Yeah. Bill, please. Bill Hohenstein.

MR. HOHENSTEIN: Yeah. Just to follow up on this point, I think that, as was pointed out by FTA, the catch-22 here with the small emitters, you're a small emitter if you miss -- if you emit less than 10,000 tons of CO_2 and you don't have to do an inventory. But in order to figure that out, you may have to do an inventory.

MR. BROOKMAN: Right.

MR. HOHENSTEIN: We're looking at alternatives that would be more activity-based or maybe providing ways of doing a de facto, simple inventory that would be just a function of levels of activity, whether it be you have, you know, 500 hogs or 1000 acres of -- of corn or whatever, so that small entities wouldn't have to go through a detailed inventory but could more or less gauge whether they would qualify as a small emitter or not.

MR. BROOKMAN: Okay. Thank you.

Yes, Ed, and then Bob.

MR. SKERNOLIS: Ed Skernolis with Waste Management.

To repeat the point I made earlier --

MR. BROOKMAN: Your mike just went off.

MR. SKERNOLIS: The -- the incentive for service industries with large numbers of decentralized operations is something it seems to me that you have to take into account in looking at de minimis emissions. We are going to have to take a look at the technical guidelines for reporting to determine what the cost benefit is for us if we have to report on 1200 facilities in order to get one ton of registered credits somewhere into the system.

And there may be alternatives to the 10,000 ton or 3 percent that are available, but it's hard for us to make a recommendation, again, until we see those technical guidelines for individual reporting.

MR. BROOKMAN: Thank you.

Who else -- Bob, and then to this gentleman. I feel like I left somebody out as well.

Bob.

MR. SCHENKER: Bob Schenker, General Electric.

I really don't care what you do with the small sources since no matter what you do, we're a big source.

(Laughter)

MR. SCHENKER: But the de minimis issue gets to be very important to us. Right now, the guideline says 10,000 tons or 3 percent cutoff, whichever is -- is less. If I remember correctly, 10,000 tons for us is 0.01 percent of what our total inventory would be. No matter how hard I work, no matter what I inventory, no matter what I do, I'll never be able to go to a corporate officer and allow him to sign a certification that says that he has met that definition of de minimis.

MR. BROOKMAN: What would be reasonable?

MR. SCHENKER: We -- we did our first inventory following the WRI protocol, which counts for about 5 percent of de minimis. The -- how we took a look at that de minimis, we counted up the number of facilities that we had not actually included in our inventory. We took a look at some typical emissions facilities and just basically multiplied it out.

We've got 650 facilities worldwide in our inventory. We've got somewhere around 2- to 3000 -- we actually assume 5000 facilities in our de minimis. I don't think we're quite that high. I don't think anybody in GE actually knows how many facilities we have, any one person.

But that was the approach that we took. Perhaps could we get to 3 percent? Yes, we probably could get to 3 percent on a total entity-wide basis. We probably could get there. Anything under that is going to be extremely difficult just because of the enormous number of operations, how expensive it would be to collect all the information and so forth.

MR. BROOKMAN: Dan, and then --

MR. SCHENKER: One more point. We do support the activity basis that John Dege at DuPont was suggesting. I think that would be another potential approach we could take.

MR. BROOKMAN: If it seemed consequential or whatever.

Dan, and then I'll return to Greg.

Miriam, I saw you. Coming to you.

Dan.

MR. KLEIN: Dan Klein, Twenty-First Strategies.

Just to follow on that point with an example for the electric power sector, a single unit of 800 megawatts coal-fired will put out in excess of a few million tons of CO_2 a year, and the 10,000 ton cutoff, if you're dealing with the smaller of those two, is a small fraction of 1 percent. So almost every electric power generator would be constrained to something well in excess of 99 percent.

MR. BROOKMAN: What would you suggest?

MR. KLEIN: Well, as -- as a first order fix, if you just changed it to being -- from being the smaller of 10,000 tons or 3 percent to the greater of it, to give them that 3 percent cutoff, that would fix the problem for most of the power sector.

MR. BROOKMAN: I'm sure there are other -- I'm going to hear from other electric-related folks right now.

Greg, and then I'll go over to Lee Ann.

MR. McCALL: Greg McCall, American Electric Power.

You're going to hear the same comment in that for Bob at GE it was 0.1 percent. For AEP, it's 0.005 percent, the 10,000 tons of our emissions. So we -- really, it makes no sense for us to put together the effort to try to track down to that level. What we'd like to see is the greater of 10,000 tons and 5 percent.

MR. BROOKMAN: Five percent. Three percent, 5 percent.

Lee Ann.

MS. KOZAK: Lee Ann Kozak, Southern Company.

For us, 10,000 tons is something less than 0.001 percent, which basically means we've got to go out there and capture every last ton, which isn't going to happen. From our perspective, the preferred approach would be something qualitative. As was suggested over there, the idea of focusing on significant and insignificant activities would be the preferred approach.

MR. BROOKMAN: You wouldn't -- you would be inclined to go with a percentage to make DOE's life simpler?

MS. KOZAK: Our preferred approach would be the qualitative, going to something that's a greater than and a higher percentage would be better than what's there now. But it still gives you the problem that you've got to go and quantify all that stuff the first time to be able to say and certify that you're under that percentage, and that's our difficulty with that aspect.

MR. BROOKMAN: I'm going to hear now from other people I haven't heard as much from.

Go ahead, David, and then I'm going to this gentleman, then to Miriam.

MR. CAIN: This is David Cain from ESP.

I was going to comment that many of the inventories today, the level of uncertainty is probably in excess of 3 percent anyway just due to the uncertainties of emission factors and activities. So 10,000 tons is, for many companies, within the noise.

MR. BROOKMAN: Gotcha.

Please, and then Miriam.

MR. PRILLAMAN: Hunter Prillaman, National Lime Association.

In our industry, the issue is gases other than CO2 which are -- CO2 is emitted at 99 percent or more, but if you have to -- if 10,000 tons is the limit, then you have to go and do a lot of testing on other gases, such as methane, which is costly.

So what we would -- the 10,000 tons or 3 percent, whichever is greater, would work for us, but really, the percentage -- having a percentage rather than an artificially low cap is the -- is the key.

MR. BROOKMAN: Thank you.

Miriam.

MS. LEV-ON: I wanted -- this is Miriam Lev-On on behalf of API.

So first of all, I wanted to reiterate that API has about 400 member companies, some of them very large companies, some of them small companies. And the two primary greenhouse gases that are of concern to the membership is CO2 and methane.

If you look at 10,000 metric tons of CO2 equivalent emissions, if you look at -- at the methane for this, it will turn out to be less than 500 metric tons, which is a very, very small number even for our smallest producers and is way under the accuracy of any potential determination of the inventory.

So not to belabor the point since this has been raised already. We would see as -- as a minimum, we would encourage DOE to pick up the options of looking at 3 percent of total emissions or 10,000 metric tons of CO2 equivalent, whichever is larger. That will help solve a lot of --

MR. BROOKMAN: You said 2 percent.

MS. LEV-ON: Three percent.

MR. BROOKMAN: Three percent. Okay.

MS. LEV-ON: Whichever is larger. It's one of the options that DOE is discussing in the preamble which is different than the -- than what they have actually stated in the proposed sections.

So we are supporting that, although we are open to suggestions about other venues of achieving this looking at insignificant emissions or other things without setting up a -- a real cutoff or a percentage.

But as we said, as a minimum, we would encourage this one because it's much more cost effective, as everybody knows, to look at very large hunks of emissions from several major emission sources, like heat generation and steam generation in our industry or manufacturing, than starting to look at really, really lots -- a multitude of small sources, each one emitting very small amounts and spread all over the countryside.

MR. BROOKMAN: Thank you.

Is it Robert? You, sir? Yes.

MR. PODUSKA: Thank you. It's Dick Poduska with Eastman Kodak Company.

Just commenting on the -- the de minimis level, 10,000 tons is -- is insignificant from our total annual emissions so a percentage value would be important from our perspective.

When we've done our inventory using various protocols, we've found that generally 5 or 6 percent we would call in this category that it's not worth spending a lot of time on, but that's due -- those are due to separate types of activities. For example, transportation of our goods or travel of our personnel or office buildings around the world. But when you add those up, you know, they still come in that 5 or 6 percent range.

So something like that is really important to us not to have to spend the time and effort repeatedly annually to develop that.

MR. BROOKMAN: Three percent would be too small for you?

MR. PODUSKA: What percent would be too small?

MR. BROOKMAN: Three percent.

MR. PODUSKA: Yes, it would.

MR. BROOKMAN: Okay.

MR. PODUSKA: All right.

MR. BROOKMAN: Thank you.

Who else did I miss? Yes, please, and then -- pardon me. This gentleman behind you. I saw him first.

MR. HOLDSWORTH: Thank you. Eric Holdsworth with the Edison Electric Institute.

A slightly different tack, I wanted to raise some concerns over the requirements for the inclusion of indirect emissions and developing inventories, particularly as it relates to the power sector.

First of all, that -- that could in fact make it far more difficult for utilities under the current guidelines and the proposed revised guidelines to -- to qualify for registering, but I would also raise the question as to, you know, what exactly you're trying to achieve by requiring that. Certainly, aside from almost ensuring double counting, certainly if someone is producing the electricity, they're going to be reporting it as their direct emissions. And so my reporting of purchased power or other -- particularly those as indirect emissions is going to lead to some form of -- of double counting, and I would urge that that be reviewed and perhaps taken out of the guidelines.

MR. BROOKMAN: Thank you.

Chris.

MR. LORETI: Thanks. I'm Chris Loreti from Battelle.

This discussion of de minimis reminds me of the process that we went through a few years ago with the California Climate Action Registry and determining a de minimis level of reporting for that registry. Initially, they did start off with having a lesser of an absolute amount and a percentage amount. I think they started off at 1 percent and 10,000 tons, eventually settling on 5 percent without the 10,000 ton limit.

I think one thing we need to keep in mind with having an absolute limit is that there are quite a few emitters with -- within this country that aren't that big, and a 10,000 ton limit, if you're going to go to the greater of 10,000 tons or a percentage value, could be a significant fraction of a lot of companies' emissions.

MR. BROOKMAN: Thank you. Do you have any way to reconcile that --

MR. LORETI: I would suggest just leaving it as a percentage value and simply going with that, whatever it may be.

MR. BROOKMAN: Thank you.

Other -- yes, Sergio?

MR. GALEANO: Just that I hear the -- the percentage, I think that it's what the DOE would like to -- to get, a percentage. But once you have the percentage, it doesn't make life easier for anybody because you have to justify that percentage. So you practically have to do it then. You don't have any option, but then you have that inventory to justify whatever the percentage is.

So it's better just to have a reasonable value judgment provided properly documented. In other words, you eliminate or not -- more importantly, when you get 10,000, for example, or -- or a number, you have to also look about what type of categories of emissions you're going to ascribe that percentage because if it's 10 percent only on the indirect, it's 10 percent of the direct.

MR. BROOKMAN: Okay. Other comments on these top two? Yes, Don.

MR. VERDIANI: Don Verdiani, Sunoco.

You shouldn't let engineers in the room.

MR. BROOKMAN: We tried to screen them but we weren't successful.

MR. VERDIANI: You try to keep them out and it doesn't always work.

If you have a thousand somethings and they all only emit 9999 --

MR. BROOKMAN: Yeah.

MR. VERDIANI: -- I think that adds up to 10 million tons. There ought to be something in here about those smaller sources inside a big company that can be aggregated. Otherwise, we'll decide to exclude all 10 -- all 500 small things and we'll miss a significant amount.

MR. BROOKMAN: And do you have the -- that approach in mind? Is there a --

MR. VERDIANI: I would -- something where a category of sources that can be aggregated shouldn't fall underneath that -- that individual point source.

MR. BROOKMAN: Well, one can easily understand DOE's intent in framing it the way they have.

MR. VERDIANI: Sure.

MR. BROOKMAN: And then you run up against the practical problems of the application.

MR. VERDIANI: Yeah. All -- all the gas stations don't count because not one of them meets 10,000.

MR. BROOKMAN: Yeah, yeah.

MR. VERDIANI: So take them out.

MR. BROOKMAN: Yeah.

MR. VERDIANI: They add up to a couple million tons.

MR. BROOKMAN: Yeah, 100,000.

Yes, Mark Friedrichs.

MR. FRIEDRICHS: We should clarify this. It wasn't our intent to apply that de minimis exclusion to point sources. It was an entity-wide measure. So the 3 percent or 10,000 that has been discussed should be interpreted as an entity-wide level.

MR. BROOKMAN: Excellent. Thank you for that clarification.

Other comments on this? Ed.

MR. SKERNOLIS: Ed Skernolis with Waste Management.

I want to reinforce the point made earlier, though, that we're talking both about direct and indirect emissions. And again, if you have a large number of point sources within indirect emission issues to contend with, you're talking about a huge reporting burden and auditing burden to come up with the numbers to determine whether or not you meet any de minimis level. I think those definitely argue in favor of a generous de minimis rather than a restricted because of the costs imposed particularly on smaller facilities to get indirect emission information.

MR. BROOKMAN: Other comments, final comments on threshold and de minimis? Please. Find a microphone.

MS. BLOOD: Rebecca Blood, APPA.

I just wanted to echo the last couple of comments, that even on an entity-wide basis, 99 percent of our public power members would be impacted by that proposed regulation. So we would emphasize the need to understand the cost impact of that burden. Again, 50 percent of our members fall under the Small Business Act exemption because we serve such few systems, and this would be such a large reporting burden that we would have a cost impact issue.

MR. BROOKMAN: So, what would you suggest?

MS. BLOOD: I like the ideas I'm hearing about aggregation, once again.

MR. BROOKMAN: Okay. What about additional gases? Comments on process for adding other gases to the program, such as CFCs or black soot?

Sergio.

MR. GALEANO: One comment is that until the global warming potential for the specific gases are already accepted internationally, we shouldn't be adding more information to the registry.

MR. BROOKMAN: Miriam.

MS. LEV-ON: This is Miriam Lev-On, representing API.

I would support Sergio's comments. We want to make sure that the registry is scientifically based and the fact that there is a few -- that there are a few articles here and there about that potential gas or that potential aerosols contributing to climate change, we don't think it should be added to the list until there is a definitive understanding about the global warming potential and a listing of the global warming potential for reference so we can use it in the calculations.

MR. BROOKMAN: Okay. Thank you.

Yes, Bill, and then Eric.

MR. NICHOLSON: Bill Nicholson for AF & PA.

I think that's a good position to be in, but at some point in time the international folks -- and there may be broad scientific agreement that Gas X is now a greenhouse gas of consequence. And at that point in time, you change the rules and adjust the basis, and you have to have a clear mechanism for doing that. Whether you create that mechanism in your technical guidelines now or explain that that's what you're going to do once something like that occurs, you know, is -- doesn't bother me one way or another, but when somebody has to do it, you have to have a clear mechanism for doing it.

MR. BROOKMAN: You're saying anticipate.

Yes.

MR. FIEDLER: Jeff Fiedler with NRDC.

I just wanted to -- I support the first two comments, that we shouldn't address black soot and other gases until there's some basis to compare them.

MR. BROOKMAN: Okay. Other comments on this final bulleted point?

Margot Anderson, please.

MS. ANDERSON: It's not a comment, but I -- I would like to hear some comments back on the very first set of comments. We talked a lot about de minimis for single reporting entity and what's the cutoff for that entity to include or not include in their inventory or their emissions assessment, but to get some comments on the threshold between large and small emitters.

As you can see from the general guidelines, there are differences in the -- in the reporting rules for large emitters versus small emitters. We're asking some questions about whether that cutoff is the appropriate cutoff and whether the requirements for reporting on inventories for small emitters and large emitters are consistent with your thinking about small emitters and large emitters.

MR. BROOKMAN: Please, Marlo.

MR. LEWIS: Doug, I'm -- I'm not a scientist, so I may -- what I may be about to say could be incorrect. But my impression is that there is no legal authority to treat gases other than greenhouse gases. I mean, it is -- the 1605(b) program is the Greenhouse Gas Reporting Program.

My understanding is that black soot, although it is a climate-changing agent, is not technically a greenhouse gas, that greenhouse gases absorb heat from the earth and reradiate it out into the atmosphere whereas black soot absorbs heat directly from the sun and that it's main climate-changing potential is in changing the albedo reflectivity of ice.

So I'm not -- even though it may actually contribute significantly to climate change, I think technically it's not a greenhouse gas, in which case it wouldn't fit under the -- the exact terminology of 1605(b).

MR. BROOKMAN: Okay. I see -- is it -- is it Gary? Guy. And then Janet.

MR. MARTIN: Guy Martin with Domtar Industries.

I think the last point, some of the commenters are missing the point, and I'll echo AF & PA's comments, and I should since I'm a member.

The process should be in there, and I don't think -- I don't think the DOE is talking here about adding black soot or CFCs and so on and so forth right now in the -- in the list of inventories. All we want is a -- a bookmark in the regulation or in -- in the process so that if there were to be a -- a new gas, Gas X or Y or Zed or whatever -- sorry, it's "Z" on this side of the border -- that would be classified as a greenhouse gas, that we wouldn't have to reopen the whole darn process to try and introduce another gas.

If -- sorry. If the -- if the bookmark is there, then we've -- we've handled the whole thing. And like I said, I don't think we're -- I don't think DOE had in mind to include these gases right now in the reporting.

MR. BROOKMAN: Thank you.

Janet.

MS. RANGANATHAN: I'd like to make a request for reporting of the six gases separately --

MR. BROOKMAN: You've got to speak louder, Janet.

MS. RANGANATHAN: Yeah. I'd like to make a request that the six gases be reported separately by companies. The global warming potentials do change from time to time. That would just provide more transparency and ease in going back and adjusting those.

And secondly, there are a lot of -- I mean, the uncertainties associated with the measurement of the different gases vary quite considerably. So for transparency purposes, I'd encourage separate reporting of the six gases.

MR. BROOKMAN: Thank you.

Margot, do you want to comment? No?

Let me see. Lee Ann, please.

MS. KOZAK: In terms of adding gases and the process for doing that, I'd suggest that there needs to be two different thresholds. The first is adding gases that companies are allowed to report and to register. I would suggest that that's a lower threshold than for gases that companies would be required to include in their inventories for registration.

Clearly, the second one needs to be a very high bar. You've got to get into all sorts of questions of what's feasible, what can be measured, does it make sense, all that sort of thing.

The other quick point that I'd like to throw in that's not in any of these categories, any of the issues listed up here, is the requirement that terrestrial carbon sinks be included in inventories. Again, that's one of those items that for large companies requires a significant level of effort to go through inventory, all your land, see what's there, the ages and different mixes of trees on the land. That oftentimes is not going to be a big component. So -- so that needs to be considered.

In terms of considering de minimis and also in really saying -- I'd ask that DOE reconsider whether that's something that has to be included in the inventory for registration.

MR. BROOKMAN: Okay. Thank you.

Let me remind you that Margot raised the question about the threshold between small and large, whether you think as written that's appropriate, and further comment on that.

Michael.

MR. CASHIN: Not quite long enough cord.

Mike Cashin, Minnesota Power.

You know, I've been giving some thought to the threshold, and I think maybe an example of an issue that we deal with is our demand side management program that we do for conservation and improvements with our customers has grown to over 5 percent. We keep track of it. Our customers don't report it. Yet, at the same time, I hear others in the room that are using energy for their facilities that are putting out money to reduce greenhouse gases at their facilities looking at getting credit. The way things have worked for us is that would essentially show us energy we didn't produce, conservation improvement.

So I think, you know, in terms of establishing a threshold, it really depends on who the entity is. What makes sense for an electric utility would be a different context than somebody that's operating a business and has plant facilities and office facilities. So perhaps there could be recognition of those kinds of differences.

MR. BROOKMAN: And, does anybody have a perspective on 10,000 tons per year as the threshold?

MR. DEGE: John Dege, DuPont.

I think a household, and it's about -- what'd I say? -- 1000 tons a year, yeah. Eleven thousand pounds a year, somewhere around there, is what a household emits.

MR. BROOKMAN: Okay. So, there's an implication there. Do you want to make it explicit?

MR. DEGE: No, I just asked. Small entities -- you know, we're like GE except they're growing, we're shrinking. We're -- we're growing but trying to buy -- go into products and businesses that don't emit as much and have as big an imprint on society. We'll leave that to the GEs of the world.

But just -- we were just trying to calculate what the different perspectives were on how big are we. You know, there are a lot of households out there, though. It's the idea, in the accumulation, there are a lot of small businesses out there that heat their -- heat their buildings, et cetera, and that's all they do.

Even the service issue with computers. I know California regulators said they were trying to build 100 new power plants in California to run all the Internet computers that are out there that nobody counts in their emission inventories.

So you asked, what's the perspective. I just -- we were trying to figure some of these things out, too.

MR. BROOKMAN: Arthur, a follow-up.

And Sergio, I see you.

Go ahead.

MR. RYPINSKI: A household inventory number including electricity would be more like 20 tons.

MR. BROOKMAN: Okay.

MR. DEGE: Yeah. We only counted heating oil and gasoline. Different -- some people heat with electricity, some heat with oil, some heat with natural gas. You're right. I underestimated households.

MR. GALEANO: Doug?

MR. BROOKMAN: Sergio, yes.

MR. GALEANO: When this morning you were sensing the group about where they're coming from, I asked the question did I find that was not a joke about who were representing the household here.

MR. BROOKMAN: Yeah, right.

MR. GALEANO: And the reason for that is we believe that the reduction for a household is very commendable and very important culturally for the consumption patterns. It's not necessarily the best way for this program. It should be a separate program with incorporation of the generating and electric utilities, distribution companies, et cetera, but not in this program because it overwhelms the program and makes it very difficult to specify what the program is about when you have to get such a wide range of constituents.

MR. BROOKMAN: Thank you.

Other comments on that first bullet you see there on the screen? Any specific additional comments? Yes, Greg?

PARTICIPANT: Just a comment that maybe the lack of feedback on the 10,000 threshold is -- is -- I think it's a function of the wrong -- again, the wrong approach. Under the bifurcated system, I think reporting should be allowed at any level. In order for the registry to be effective, I would suggest that 10,000 should be the threshold for registration and that small emitters should be required to have some kind of a process for aggregation in order for that to be functional.

If a registration -- if a registry for tradeable credits includes household or small company registrations, I think it's going to diminish the effectiveness of that and those kinds of small operations should have an aggregation function because many of them do amount to very large aggregate reductions.

MR. BROOKMAN: Thank you.

Other final comments on this subject? Dan, and then Janet, and then the two of you, please.

MR. KLEIN: Dan Klein, Twenty-First Strategies.

While I don't have an answer for the first question, I have two suggestions for approaches that DOE might want to take to think about it. The first approach involves going and mining the data that they've been collecting for the last 10 years in the 1605 system to see if there are any breakpoints in the inventories reported by the various reporters over the years. And it may be that there are logical breakpoints at some level above or below.

The second approach would be sort of a financial approach where DOE could do a little hypothetical exercise and think through what a small or moderate-size reporter might have to go through in terms of burden of effort to collect emissions data and then determine some maximum dollars per ton of reporting. If it turns out that it costs $20,000 to do an inventory of almost any size level, they may determine that 10,000 tons is too low a threshold over which to -- to amortize that inventory cost.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Let me provide a slightly different way of thinking about this issue, and that is that at least it was envisioned that entities reporting could also claim reductions from third parties or other entities as offsets. And you then would need to think about what types of requirements those third parties would have to -- to meet. As proposed, we envision those third parties meeting all of the requirements that an entity reporting directly would have to meet.

So my suggestion is that you think about offsets or third party emission reductions in this context of small emitters and what kinds of requirements they would have to meet. Is that threshold something that would be useful to define independent projects that might be claimed as offsets by third parties.

MR. BROOKMAN: I saw Tom, I saw this woman as well, and I saw Janet.

MR. WERKEMA: Yeah. Tom Werkema with ATOFINA Chemicals.

Just a quick comment again, Doug, on the last point. CFCs, regardless of whether you debate the merits of inclusion in the science or not, the reality is for most corporations today your emissions of CFCs are probably real, real low. Matter of fact, if you still have them around, that'd be a real surprise.

I think the comment was made earlier, though, that the process for addition is probably something that's more appropriate to consider than the absoluteness of CFCs and CFC emissions.

MR. BROOKMAN: Thanks, Tom.

MS. UTT: Karen Utt, Xcel Energy.

I have three quick points, one dealing with the -- the threshold and the -- the issue of the inventory as a -- as a whole, and my point relative to that is that we need to preserve the flexibility of contracts and not presuppose what will be included and -- and not included by way of direct emissions. What may seem to be indirect or -- or direct relative to purchase power, for example, a company may choose to contract for the energy and the emission offset at the same time, and the rules shouldn't presuppose how one would handle that in terms of contract.

MR. BROOKMAN: So, how do you then accomplish that?

MS. UTT: In terms of how you would -- would structure the -- the purchase power agreement. For example, a company may choose to include that in their inventory and include the emission offset as part of that, but the rule shouldn't presuppose that those are excluded, you know, by the means that they interact, for example.

They may -- they may be -- you know, for the purposes of my company, for example, we routinely purchase renewable power, and even though we don't own it, we purchase the energy and the -- and all the emission attributes that go with it.

And so, you know, my point is just not -- not presuppose the value of those but you preserve the value of our contracts.

The -- the other issue I have dealing with the threshold is that the potential for introducing bias with respect to large and small emitters, small emitters have all the benefit of registering but don't have to go through the -- the -- go through the burden of submitting the entity-wide inventory. That in itself may, depending on the number of the small emitters, introduce a bias into the system.

And then, also with respect to a bias issue with de minimis is that the -- the de minimis definition that you have is much stricter than -- than the bias that's allowed under Title IV, for example, with respect to measuring emissions off of the stacks. You know, in looking at -- I mean, there's been several companies that have, you know, stated that it's 99.99 percent of -- of their inventory. Well, that's well beyond the ability of which we're capable of measuring.

And so, you know, you can try to get that amount, but what value is it if you don't have the ability to measure it?

MR. BROOKMAN: Gotcha.

Okay. Janet?

MS. RANGANATHAN: Yes. I wanted to speak to the issue of de minimis. It's a very tricky issue because if you define a threshold, you have to then decide how you define that: one gas, six gases, a facility, direct, indirect. And it's quite difficult.

But at the same time, you know, it's not practical for a company to try and account for all of its emissions. It'll take forever and they'll never get there. So there has to be some kind of balance here.

I personally prefer a more qualitative approach which is sort of balancing out, maybe, any exclusions or lack of completeness of the inventory with full transparency and disclosure about what's -- what's not been included and a brief explanation about why.

MR. BROOKMAN: You said a qualitative approach?

MS. RANGANATHAN: Yes.

MR. BROOKMAN: Yes. A description?

MS. RANGANATHAN: Yes. Because I also believe that this may have implications for the CEO sign-off because if he is signing off on something that is as specific as we've included everything here except for 3 or 5 percent of the emissions, I doubt he would be able to do that without a more thorough analysis to make sure that that is the case, whereas with the more qualitative approach, there is some room for, you know, judgment here.

The other thing is that the issue of materiality, if you start introducing thresholds here for the de minimis, there are other issues and materiality that you'd probably be forced to do the same for. For example, if you have a very small equity in another company, you know, it's 2 or 3 percent, is that de minimis? If you're going to make an adjustment for a structural change, significant structural change, how do you define significance. A verifier; you know, in verifying these emissions are, you know, reported in accord with what they actually are. Again, this is an issue of material misstatement.

So it sort of opens up -- it opens up some issues all the way through. So I personally would prefer to sort of deal with the issue of de minimis with, you know, full disclosure and transparency.

MR. BROOKMAN: Thank you.

Other final comments on this subject? Jim.

MR. HAVEN: Jim Haven, Global Warming Initiatives.

On that threshold, I don't see why we need to have a threshold. I've got some companies that have -- oh, six or seven that are under that 10,000 tons CO2 per year, but they're so proud of that because they have done so much to get there. They are a screen printer and they have put in solar panels, wind. They've got non-ink. And they're selling their product because they're so low on emissions. But they want to report and play with the big boys.

And you know, I've got another manufacturing. It's -- makes, oh, rain coats. They have done everything. They're up for an EPA -- nominated for an award for everything they've done, but they fall into that category because they have done so much over the past years, consistently every year reducing.

And I don't even think you need that 10,000 or anything for a minimum.

Thank you.

MR. BROOKMAN: Thank you.

We've reached the lunch hour, I think, and so let's -- let's go to lunch. It's 10 minutes after 12:00. Maybe we could try to resume -- I'll give you a full hour -- 10 minutes after 1:00.

Let me remind you, as Mike said at the outset, there is -- I guess they can seat 150 or so people in the dining room. In your packet there's also a list of restaurants close by. Please try and get there and get back if you're going off campus, okay?

And we'll see you back here. We'll start at 10 minutes after 1:00. And thanks for a good morning.

(Whereupon, at 12:10 p.m., the proceedings were adjourned for lunch, to reconvene at 1:30 p.m., the same day.)

A F T E R N O O N S E S S I O N

1:30 p.m.

MR. BROOKMAN: Okay. A housekeeping note. A few people requested copies of Margot Anderson's opening remarks this morning, and we now have copies of them and they're at the registration table for those of you that would like a photocopy of her PowerPoint presentation.

We're now ready to press on, and the next item on the agenda is to discuss emission reductions. And Mark Friedrichs from the Department of Energy is going to queue up this discussion.

Once again, let me thank everybody that was here at 1:10, many of which were, and for being here on time. We will -- we'll make up the time.

Mark.

Emission Reductions

Calculating Reductions

MR. FRIEDRICHS: Good afternoon. We're starting the afternoon with the hard stuff here, all the calculation methods for emission reductions.

As I'm sure you're aware, the proposed general guidelines identify five different methods that might be appropriate in calculating emission reductions, and they are listed on the side screens: changes in emissions intensity, absolute emissions, carbon storage, avoided emissions, project-based emission reductions.

In -- at some times these have been represented as -- as options. I don't think that's quite correct. The -- our -- some are alternatives, options that can be chosen. Others are designed for calculating reductions associated with specific types of emissions or actions.

The first two, emissions intensity and absolute emissions, are designed to cover entities or large parts of entities. And most conventional -- most conventional emissions from fossil fuels conception and even indirect emissions associated with electricity demand can be captured using one of these two methods: emissions intensity or absolute emissions.

Avoided emissions, carbon storage, and project-based emission reductions are all designed to address specific situations and are really only appropriate for use in particular types of emission reductions.

So in this session, I'd like to break up the discussion a little bit and try to focus first on the first two: emissions intensity and absolute emissions.

As noted earlier in the day, while these two methods may seem quite different, a very important qualifier that we've added to absolute emissions ties the two together, and that is that you cannot use the absolute emissions method under the proposal unless you can demonstrate that the production associated with those emissions has not declined.

So with that proviso, the emission reductions calculated using that method turn out to be a conservative estimate of the emission reductions that would result if you used or were able to use emissions intensity. So the two methods are actually closely tied together.

So before getting into some of the other methods, I wanted to open the discussion of these two most broadly based calculation methods, emissions intensity and absolute emissions.

Doug?

MR. BROOKMAN: Yes?

MR. FRIEDRICHS: We had some questions that were --

MR. BROOKMAN: Yes.

MR. FRIEDRICHS: -- actually on the screen right there.

First one, how can output measures be used to exclude emission reductions that result from declines in production. And that's actually our fundamental objective in -- in stressing both emissions intensity and absolute emissions.

One thing to emphasize is, regardless of the emissions reduction calculation method used, the intent is to -- for the method to produce a emissions reduction estimate in tons of carbon dioxide equivalent. So the bottom line number would be in the same units, essentially, regardless of the method used. Emissions intensity, absolute emissions, avoided emissions, carbon storage, or project-based methods all would result in emission reductions in tons of CO2 equivalent.

Anyway, having said that, why don't I open it up to general comment.

MR. BROOKMAN: And you wish to address these questions first?

MR. FRIEDRICHS: Yeah. We'll address those questions as we go through the discussion.

MR. BROOKMAN: Okay. Yes, please, Dan.

MR. KLEIN: Dan Klein, Twenty-First Strategies.

Mark, I have a question on procedurally how it would work because I think it would be the dominant case that for most reporting entities in most years there would be changes in both intensity and production in various combinations, up or down in some form. How does one parse out how much is due to intensity and how much is due to output changes? Do you have examples in mind on how one can arrive at that final tons reduction you're referring to?

MR. FRIEDRICHS: Assuming you have a simple output metric such as kilowatt-hours, for example, the -- that metric would automatically adjust for changes in production. The reductions would be calculated based on the production in the reduction year and the year for which reductions is -- is calculated, and that's the -- the benefit of using some kind of intensity metric.

MR. BROOKMAN: Bill, and then Sergio.

MR. NICHOLSON: Bill Nicholson for AF & PA.

The first thought that comes to mind is that emissions intensity equals your inventory divided by some production measure. So you're going to go through the inventory process to calculate the intensity. What's different is that you are then also going to have some measure of production.

The second thought that goes along with this is that your measure of production is not necessarily -- it may be for someone that only generates electricity to be the case that you have described, but for most of us out in the manufacturing world, the measure of output is not simple. It's extraordinarily complex. Let me pick a typical forest products complex.

It can produce paper and pulp and wood products of two or three different kinds and electricity for sale and maybe even chemicals for sale. And you just don't add up tons of those things at plus kilowatt-hours and get a number. And sorting out what went up and what went down and all of that other sort of thing is, to politely put it, an exercise in futility.

And I would think that it would be -- you know, this is why I went back to the point of earlier on saying one other report, both the inventory and the intensity, and if the inventory goes up, it goes up; if it goes down, it goes down for whatever reasons. And then you calculate the intensity.

The other thing that goes along with this is that even within an industry sector you will find different companies who will calculate their production differently because not all of them will be making paper or selling electricity or making lumber or whatever, and you're going to get a whole mix of everything. And if you ever tried to do this for a sector by looking at the pieces, you'll have a mishmash. And this is why I was urging you to consider the whole trade association doing the thing.

MR. FRIEDRICHS: Yeah, I think we certainly recognize the complexities of coming up with output metrics that are really meaningful and useful for characterizing the -- the output of many of the companies who have reported, especially those who have a number of different types of products.

It is envisioned that companies would have the flexibility to use one or more measures of output as long as those measures could be tied to specific quantities of emissions. In other words, a company that had a variety of different business lines could have a different output metric for each business line and perhaps could even use absolute emissions for some of those business lines.

So we provide a fair amount of flexibility and whether or not a company uses a single metric, like tons of steel or vehicles produced, or multiple metrics, but if multiple metrics are used, they would have to be assigned essentially to discrete portions of each entity. It's definitely a complex task.

What we -- although this is not what we let's say in our most ideal sense had hoped, is that companies would see this as a -- as parallel to their own types of management -- internal management assessment of their success in limiting or reducing emissions. And then the question is, how do companies assess, given that their production is declining or increasing over time, whether or not they are making progress internally.

MR. BROOKMAN: Sergio.

MR. GALEANO: Let me make a comment on this area because in doing these inventories in the sector that Bill was describing and having to arrive to a way to calculate the emission intensity, that is one of the indicators that we include. We don't see any big complication; is that a big complication.

We have a corporation that has more than 12 major divisions of different products and they individually are measured in different ways in the marketplace. Regardless of that, they all -- when there is a will, there is a way. They all can be simplified and consolidate in a manner that will be a common denominator to then accept the greenhouse for that division and develop the ratio of intensity.

That's it. We can provide that information to you. At least, I cannot talk about all the sectors. When I said we'd provide that information to you, it's not really because we're trying to be arrogant. It's just we're trying to be helpful. So at least for you to know, hey, it can be done, and then you can criticize whatever is done.

But we really don't see that big problem because at the end it's a ratio. It can be simplified and you may have to have more than one of those ratios for one corporation or entity. But as far as you define what they are, it's clear what they mean, you can continue reporting them that way.

MR. BROOKMAN: Jim.

MR. HAVEN: Jim Haven, Global Warming Initiatives.

We had that multiple product scenario. How the heck do we do it.

MR. BROOKMAN: Jim, you've got to get closer.

MR. HAVEN: Gross product sales. Each one of the products had a common denominator of the gross product sales, and we used that for the last seven years, and it has been what the company also uses to measure individual units. That worked.

MR. FRIEDRICHS: From what we've heard already, not just today but certainly over the last year, we think that the intensity approach is going to be quite achievable by a number of participants and companies but may be seen as impossible by some. So there's quite a diversity in the -- in the individual experiences of potential reporters.

MR. BROOKMAN: Bob.

MR. SCHENKER: Bob Schenker, General Electric.

We really haven't gotten in to figure out exactly how this is going to be done, but we do intend to use an intensity approach. We're going to need the flexibility of establishing the denominator for the intensity on a plant-by-plant basis. In other words, even though two plants may be in the same industry sector and so forth, there may be different characteristics to the plant. As we're doing our inventory right now, we're -- we're asking each of our plants to designate what their indicator is of production, and that will then become the denominator for the intensity value calculation for every single plant as we roll up the inventory.

To answer your first question, how can output measures be used to exclude emission reductions that result from declines in production, why do they have to? If you're doing an intensity, you've got emissions divided by production. Production goes up, the emissions go up; production goes down, the emissions go down. Why do you even need to worry about whether your production has increased or decreased? Because you're doing it on an intensity basis. That's one of the main reasons why we like the intensity approach in the first place.

MR. BROOKMAN: Margot Anderson.

MS. ANDERSON: Just as a clarification, it may be for some companies for some reasons intensity isn't the best metric for them and they may choose to do absolute. What we're just saying is if you are doing absolute, there still needs to be an adjustment to that.

So you're absolutely right. You take care of that problem if you've chosen the intensity metric. But for those folks where intensity isn't the most appropriate way to demonstrate reductions, absolute, yet still the adjustment for declines in output. So I think that's where that comes in.

MR. BROOKMAN: Thank you.

Miriam?

MS. LEV-ON: Miriam Lev-On on behalf of API.

We as API would support reporting on greenhouse gas intensity basis. However, as everybody has pointed out, it's very complicated, and a single intensity measure or a single output measure is not going to be appropriate for all the sectors of the industry. Therefore, flexibility of defining multiple measures for normalization based on the sector, I think, would be what the industry is looking for.

Although some of our members like to report absolute emission, but as still API is searching now for a methodology that will enable the industry to -- to report greenhouse gas emissions intensities.

We haven't had the complication that, if I may jump now to No. 5 in a minute, is because even despite our best efforts, we might not be able to -- to make substantial progress in changes in our absolute emissions despite the fact that we might have declining output. And this is because of new requirements to produce cleaner fuels that are very energy-intensive.

So you might end up with refineries, which are the biggest emitters in our industry, that will have higher absolute emissions because of the need to process -- for additional processing for the cleaner fuels, and at the same time, they will be able -- they will also have lower product output because of their -- because of the needed extra processing will not provide them with the same capacity of producing all the -- the barrels of -- of product that they've done in the past.

So we have a double whammy here where we would not show a decrease either by emission intensity or by absolute emissions despite all the best efforts that companies might be doing on internal projects such as cogeneration or, sorry, energy efficiency improvement by -- management changes.

So we would see that one and two are not kind of by themselves. Despite the fact that we might not be able to show emission reduction by either Method 1 or 2, we still would like to be able to highlight those project-based emission reductions that achieve substantial reductions based on other actions.

MR. BROOKMAN: Yes.

MR. LEWIS: Marlo Lewis with the Competitive Enterprise Institute.

I have a question as to whether emissions intensity is to be calculated only in terms of physical unit of output or whether also in terms of economic value. And if the latter, I could foresee situations in which a decline -- a steep decline in market prices or a steep rise in market prices would create a huge swing in emissions intensity without any actual changes being made at the company level to produce them.

MR. BROOKMAN: Would you just briefly repeat the question?

MR. LEWIS: Yeah. I mean, just to give an example, computer prices keep falling.

They might fall so fast that even though a company say was improving its energy efficiency per -- per dollar of output, it would look like an increase in emissions intensity. I'm just saying that if there is an option here to calculate emission intensity in terms of the value of economic output per -- per emission, you could get some falsification. And I'm just wondering how you were planning to handle that.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: You're correct in that economic measures when used at -- as the output metric can give some -- can distort the kind of trends that are occurring as a result of factors unrelated to emissions or the production process, and we are concerned about that. We want companies before choosing an economic variable as -- as the metric of output to -- to consider what kinds of year-to-year changes may affect the -- that output.

MR. BROOKMAN: I'm going to go to Bill, and then back to Sergio.

MR. FRIEDRICHS: Bill Fang, Edison Electric Institute.

Comments on both Factor 2 and Factor 5. In terms of changes in absolute emissions, we strongly recommend deleting this qualifier about "if not resulting from declines in output" for -- first, for the reason that David Finnegan stated this morning; it's inconsistent with the statute. But let's talk about it from a policy standpoint.

The atmosphere doesn't care whether, for a firm whose changes -- whose emissions decline in a particular year, it doesn't care why that happened. I mean, the atmosphere is better off. A ton is a ton whether it's a reduction, avoidance, or a sequestration. In fact, we should -- you know, if firms, particularly for a large multinational firm or a large multi-state utility, we should say hallelujah if its firm -- if its emissions actually decrease in any given year on an absolute basis. That should be recognized and rewarded, not punished as it is here.

Now, with respect to the fifth factor, project-based emission reductions, I think you can see the -- the advantages of project-based reporting as -- as compared to entity-wide, as we've seen from this discussion. The problem with entity-wide reporting is, you have any number of factors that affect the entity's output or economic value that have nothing to do with whether it's trying to reduce or, you know, limit its greenhouse gas emissions. You have weather-related factors such as affect my industry in the hydro sector. You've got mergers and acquisitions, sales, so forth and so on.

But at least with regard to projects, if you focus on projects, firms are doing those for, really, two reasons, of course. You're doing them for profit reasons and to get some greenhouse gas reductions. They want projects because they're going to trade them. That's, you know, one of the -- one of the intents. And the project-based approach then allows you to take growth into account.

MR. BROOKMAN: I saw Sergio, also Bill, and then -- yes, to you.

MR. GALEANO: Thank you.

MR. BROOKMAN: I'm starting to sweep back in this direction.

Mary, I saw you.

MR. GALEANO: The point that I'm trying to -- trying to understand better, the reason about not consider the closing of plants or decline in output as part of the absolute emissions. Really, when we set up our -- a decline in output, we might have to consider that as a production rate that has been decreased, but it could be also the ultimate production rate decrease. That is, the closing of the plant.

The fact is that it's a reduction, and the only way that I can try to understand why that is being there in spite of different protocols that indicate otherwise is that perhaps we are missing -- when we talked a moment ago before lunch that we don't have a good section about adjustments of the base year. If we have that rules of -- general rules about how to adjust the base year, I think that many of those differences will -- really do not exist because --

MR. BROOKMAN: Marlo, follow on, and then I'm coming back to Bill.

MR. LEWIS: Yeah. On the -- on the point about not calculating reductions as a result of production declines -- this is Marlo Lewis with the Competitive Enterprise Institute -- we liked that change in -- in your conception of the program precisely because it will tend to ensure that it does not develop into a program that rewards economic failure. We're all very familiar with what just happened in the last round of the Kyoto negotiations with Russia where a whole lot of people were counting on Russia supporting cap and trade because it would reward them for failure. And that's what we don't want this to evolve into.

So if you make it clear that -- that failing in the marketplace is not a way to get recognition, whether transferable credits or even an attaboy, you've put a very clear marker down and made it -- made it clear that what you want is a program that rewards economic success.

MR. BROOKMAN: Bill, and then I'm -- then back here.

Yes.

MR. NICHOLSON: Bill Nicholson for AF & PA.

Three points. In response to what was just said, we -- if you go this route of having an exclusion for a reduction in production, however done, you are going to not be representing necessarily a reduction in productivity in the economy. You are going to be representing a reduction in production at a company.

So if I sell my mill to you, I don't get to count it but you've got -- you, if you're a volunteer, will report it and then, you know, there will be a lot more emissions floating around.

Second thought. In terms of output, would it be perfectly reasonable where you have a common input to use the input. Let me give you a couple of examples. In a forest products company, wood is the common material going into the facilities, even though we're making a whole slew of different products. To use the API's example of production, it's the amount of oil that is being processed as opposed to the amount that comes out the door. Now, it isn't quite production. It's input to production, but it is a common basis.

The third thing I would like to raise with you comes off of experience that we have had in the forest products industry and an example of which the API just gave us. One of the things that you need to keep in mind is the changes in greenhouse gas emissions that are required by other government policies. The example the API used was the reduction in sulphur content in fuels. There's going to be a lot more energy spent to make those products than the previous products. They are applying this to, you know, meet the -- the environmental demands of the society as expressed through the regulations.

There are a host of examples in almost every manufacturing organization of this sort of use of energy in creating greenhouse gas emissions to offset some other kind of emission or perhaps even some other kind of activity that you are required to do.

MR. BROOKMAN: Thanks for being patient. I'm coming back to you, Mary.

MS. QUILLIAN: Mary Quillian, Nuclear Energy Institute.

I'd like to address your definition, and actually, it doesn't appear in the guidelines. It appears in the notes in front of the guidelines. So -- but I wanted to point this out.

You say that avoided emissions for actions within an entity boundaries that reduce emissions outside entity boundaries that reflect the indirect emission reductions achieved as a result of measured increase in the net sales and energy generated by lower no-emission technologies.

There are two problems with that. The first problem is that you can actually -- you can think of a situation where a utility might generate electricity through nuclear or wind turbines or renewable and in their own territory it actually causes them to reduce production at a fossil plant, and that actually would not be covered there.

Certainly, there are lots of situations where nuclear plants are increasing their output and the result is lowered emissions from some other fossil plant that is not owned by the same company, but there are situations where they may be owned by the same company. So don't dismiss those.

The other thing is, I -- I would argue that it's actually not an indirect emission reduction, that that would -- that should be counted as a direct emission reduction. And I say that because I think you want to preserve indirect emission reductions for things like demand side management and energy efficiency programs, which also of course reduce emissions by reducing the amount of electricity that is -- is needed for some process at a customer site. At an electricity user site, I should say.

Which brings me to an interesting point, and that is, as we talk about trying to avoid a situation where you're rewarding for reduced productivity, which we don't want to do, right? We want to see the economy grow, but in some situations it's a good thing to be more efficient and that would actually require less electricity and therefore a reduction in productivity on the side of the utilities. So there are situations where that gets very tricky.

MR. BROOKMAN: Thank you.

Mark Friedrichs.

MR. FRIEDRICHS: Since Mary has raised the question of avoided emissions -- it's another one of the questions that we posed -- we do see a fairly close relationship between the emission reductions associated with reduced demand for electricity and the emission reductions associated by the generation of electricity from non-emitting sources: a wind farm or something.

In both cases, we believe we'll have to come up with an emission coefficient or a benchmark which represents the amount of emissions displaced by those activities, by the reduced demand for electricity or by the increased generation from renewable or a nuclear source.

We -- we're interested in getting thoughts of those here at the workshop and in written comments on the best way of doing that. Perhaps the most obvious and simplest would be some kind of average emissions per unit of kilowatt-hour either nationally or regionally.

Any thoughts?

MR. BROOKMAN: Let's go over here. Is it Lynn? Lynn, and then I'll return to you, Mary.

MS. PRICE: Lynn Price from Lawrence Berkeley National Laboratory.

I would just like to encourage you to look around the world at international experience.

MR. BROOKMAN: Louder, Lynn.

MS. PRICE: There's a number of countries that have already struggled with a lot of these issues, and we don't need to reinvent the wheel, maybe. I'd like to point out, for example, the Dutch have had a program since 1990 where they have -- 90 percent of industry participates and they calculate an energy efficiency index where they aggregate products, energy intensity times production of a given year times -- over energy intensity of a base year times that year's production. And this -- they've been using this for over 10 years with, like I said, 90 percent of their industries.

So there's a lot of examples out there that might be worth looking into what has been used, and they make adjustments for weather-related conditions, as was brought up, and they do use a physical metric as their -- as their basis.

MR. BROOKMAN: Thank you.

Okay. Mary, you were going to respond. Can you restate Mark's kind of specific question?

MS. QUILLIAN: Sure. I'm responding to Mark's request for how you would come up with the emission factors that you would use to calculate avoided emissions or -- or emissions that did not occur because of energy efficiency or demand side management projects.

This is Mary Quillian with NEI.

And I would suggest that -- that a emission factor be generated regionally and that it take into account the types of generation that tend to be on the margin. So the -- so that you're not necessarily doing an average emission rate for all electricity in that region because if you get a lot from hydro and nuclear and renewables, you're going to have a lot of kilowatt-hours that don't have any emissions associated with them. So -- and those tend to be the technologies that are not on the margin but are base-loader or always running when available.

So that's my suggestion.

MR. BROOKMAN: Okay. Yeah, Miriam.

I'm hoping we can start working our way down through the remainder of these questions. It seems like we should start perhaps moving towards three and four here.

Miriam.

MS. LEV-ON: Okay. First, I'll -- I'll address the same issue that Mary and Mark requested an answer, and -- and this is again Miriam Lev-On on behalf of API.

We would support two things. We would support redefining avoided emissions to specifically include in it combined heated power projects that are constructed at manufacturing facilities in addition to just strict power producers. Those would be independent power producers or whatever classifications are, but those are a big chunk of the actions that are taken by the petroleum industry.

We will also support an approach which is a regional approach and maybe on a marginal factors basis in order to estimate what the avoided emissions would be to the grid in each one of those regions. But we're still working out the -- the details on this, and we'll have to -- to get back to DOE on this.

I'd like to move on, if I may, to the changes in carbon storage?

MR. BROOKMAN: Sure. Why not.

MR. FRIEDRICHS: Yes, that sounds good. Perhaps you have a comment now, but I'd also like to ask Bill Hohenstein from USDA to make some introductory remarks as well.

MS. LEV-ON: Oh, okay. So I'll -- I'll defer my comments until Bill does.

MR. BROOKMAN: Let's see if there are any additional comments before we move to changes in carbon storage.

Final comments on the top two items there? We've covered this rather broadly.

Michael, maybe we can make summary comments.

Yes, Lee Ann next. Then I'm coming back to --

MR. CASHIN: Mike Cashin, Minnesota Power.

When it comes to what emissions were avoided with the introduction of a new resource, it gets back to the "but for" analysis, that but for the introduction of this resource this other resource would have been dispatched. Over a period of time, as electricity grows in terms of demand, the existing resource base probably doesn't weigh in as much as, you know, expanded use of nuclear, and introduction of renewables would be perhaps a "but for" the next most economic fossil resource.

So I don't think necessarily defaulting to a system average or at the margin is an obvious choice for application, but I -- I do agree that there would be some benefit in terms of relative emissions by having that additional increment in the mix.

MR. BROOKMAN: Thank you.

Lee Ann.

MS. KOZAK: Two points related to avoided emissions. The first one is that I would suggest that utility-sponsored demand side management programs be included in avoided emissions. Oftentimes in those programs the utilities are providing financial support to customers to make improvements in the customers' energy efficiency. If the utilities and the generators are not the ones that can claim the reductions from their financial expenditures, I think that provides a disincentive to -- to doing those kinds of programs.

Secondly, in terms of emissions factors, using for avoided emissions and direct emissions, I think there's a problem in using very generic factors, particularly when you're talking at a regional level. At that point, you're ending up with emissions inventories that are a mix of apples and oranges. You'll have direct emissions that are measured with greater accuracy and then you've got these indirect emissions and other types of emissions that are just based on some generic average, and they're just not comparable.

You're then going to be mixing those in terms of calculating reductions and comparing emissions across entities, and you've just got a mishmash there that I think highly detracts from the credibility of what's in the 1605 database.

MR. BROOKMAN: Janet, do you want to follow on? Then I'm going to Sergio and Bill.

MS. RANGANATHAN: Actually, I have a clarifying question. I wondered if the DOE people could explain what the difference is between avoided emissions and indirect emissions. Are they always the same thing, or is it that you could report avoided direct emissions?

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Avoided emissions were intended to apply to emissions associated with -- with the sale of energy, mainly electricity but also including steam, hot or chilled water, when that energy is generated by a no-emitting or low-emitting source. And displaced emissions by a third party --

MS. RANGANATHAN: So, are avoided emissions --

MR. FRIEDRICHS: -- that were expected to --

MS. RANGANATHAN: -- always by definition indirect?

MR. FRIEDRICHS: I'm sorry?

MS. RANGANATHAN: Are avoided emissions always by definition indirect, according to your definition?

MR. FRIEDRICHS: Avoided emissions would be indirect emissions. In other words, those were -- would be emissions -- the avoided emissions are not those of the entity selling the energy.

MS. RANGANATHAN: It's just a little confusing because you've got two separate definitions, one for avoided emissions and one for indirect.

MR. FRIEDRICHS: Right. Indirect is associated with the -- with the consumption of -- with the purchase and use of electricity or steam or hot or chilled water. Purchase of energy is -- would apply to indirect emissions or would be indirect emissions and the sale of energy would be avoided emissions. That's just how the terms are used.

MR. BROOKMAN: Sergio, and Bill.

MR. GALEANO: Let me try to offer this point that might help at least to communicate a point of view. Avoided emissions are a very important element on any greenhouse gas reduction, and it's a long -- long-term approach. They are not necessarily perhaps actual emissions. They are -- I call them virtual emissions, but they are a component of any greenhouse gas inventory, in our opinion.

Now, when we look at avoided emissions, the constraint that we have now, and that perhaps is the confusion about if this is indirect or it is avoided, is that for whatever the reason it has been only constrained to power generation or electricity issues. Avoided emissions is a concept that is applicable to all the industry sectors, and it has to be defined by itself, not by expanding a little the present definition that is in error. That's not avoided emissions. Avoided emissions is very broad.

The other part is that when we look at three, in order to move it forward, or four, changes in avoided emissions, that is in error. There is no -- to consider reductions, you don't need to have a change in avoided emissions.

Let me put it this way. This year you have projects on avoided emissions that you can justify 10 -- 10 million -- 10 tons. But the prior year there were 15 tons of avoided emissions. When you look at the change, all you're going to do, you have five tons of carbon dioxide reduction. What do you call that? Do you call that losses then in emissions? What do you do?

So avoided emissions for reduction purposes can only be counted for the year or the period of time in consideration. There's no change because the difference is meaningless for that reason that I'm putting you. What happens if you get a minus five tons? Are they still not avoided emissions? Are you going to call them emissions, like in the chains of carbon stock?

So that's -- that has to be rectified because it doesn't make any sense.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Perhaps we're not making any sense because, yes, we intended that a negative change in the sale of avoided emissions would be treated as a net emission, a net increase in emissions.

So if you were a hydroelectric facility that were -- was producing, you know, one gigawatt-hour of power in one year and your production declined, you -- under this accounting system that we proposed, that would be seen as a net increase in emissions.

MR. BROOKMAN: I'm going to let Bill proceed.

We need to try and see if we can zero in and concentrate these comments or we're going to lose every single person in the room, I'm afraid.

Bill, go ahead.

MR. NICHOLSON: (Off mike) Bill Nicholson of AF & PA.

MR. BROOKMAN: You're not on.

MR. NICHOLSON: Two points.

MR. BROOKMAN: Yes.

MR. NICHOLSON: First, let's -- let's use -- let's try for some simple examples of where the problem is existing. If, for instance, I build a cogeneration plant and sell the power to the utility and they are able to back off a coal-fired plant because of that, the avoided emission for which I should get credit is the back-off of the coal and the cost in terms of emissions that I would have is what I had to put in to make the cogenerated electricity and the steam and all that sort of stuff. So that's how that -- I would understand how that would work.

MR. BROOKMAN: Is that right, the way you're viewing it? Yeah, that's -- that's -- right?

MR. NICHOLSON: Okay. Good. The second point with regard to avoided emissions is that it's important to emphasize that it is, as Sergio said, much broader than energy. Let me give you the simplest of all examples that we -- we have in the -- in our society.

We all collect aluminum cans. What happens to those aluminum cans? They get recycled into -- into more aluminum. That avoids the digging up of the bauxite and the producing the aluminum, which has a tremendous associated greenhouse gas emission, either direct or indirect.

In our own -- in the forest products industry, the same kind of thought process applies to recycling paper and making products. That has the additional thing of continuing the storage of carbon in the fiber for a longer period.

But we've got to broaden our concept of avoided emissions beyond energy.

MR. BROOKMAN: Okay. I wanted to cue up Bill "Hohensteen" to talk about changes in carbon storage.

MR. HOHENSTEIN: Sure. Bill Hohenstein from USDA.

MR. BROOKMAN: "Hohenstein," I apologize.

MR. HOHENSTEIN: Oh, that's okay.

MR. BROOKMAN: I apologize.

MR. HOHENSTEIN: And I'll discuss this Item 3 for options for registering reductions, and those are reductions that are associated with changes in carbon storage, and that's contained on page 60.

And essentially, the draft guidelines propose that an entity can report increases in carbon stocks as registered reductions, and that applies to both terrestrial carbon storage and geologic carbon storage.

And in essence, this is a base year or baseline issue. It's -- it's in essence what should the base year for -- for carbon sequestration or carbon storage be. And there are some issues that are raised in the supplementary materials both on page 21 and on page 32.

The first has to do with this question of permanence, where there's -- there's a discussion that -- that recommends that ongoing annual reporting will be required, and that's in essence to ensure that the carbon that's stored in terrestrial systems or potentially in geologic formations actually stays there.

And then, on page 32, the question -- there's a question that's being raised about an alternative calculation approach, which would be more analogous to calculating emission reductions where you're -- where you would estimate the rate of sequestration in -- in the base year and -- and only be able to -- to record as a registered reduction the increase in the rate of sequestration.

Now, that was -- that wasn't proposed for a couple of reasons. I think first was that there was -- there's a recognition that there's a benefit to carbon storage and so that that should be recognized. And in addition, in biological systems there's often a carrying capacity so -- so that -- that entities that are sequestering carbon now will not be able to continue to sequester carbon at that same rate indefinitely. And so there's -- there's a -- there's a biological cap to the overall carbon sequestration potential of particular land holdings.

And so at any rate, that's the proposal, and we're seeking views.

MR. BROOKMAN: So maybe we can just focus in on these two questions, the first one being, does continuous reporting adequately address concerns about permanence.

Perspectives on permanence on these -- these sequestrations, these sinks?

MR. SPENCER: Greg Spencer, Blue Source.

There are certainly categories of carbon sequestration where the permanence issue makes a lot of sense. From the forestry perspective, obviously there are lots of means by which that can be rereleased.

It's not always true, and frequently is not true in the geologic sequestration, and that's not just a function of geologic time which, you know, will span hundreds of 1605 programs, but in cases where the alternative to capturing emissions from the air and injecting them in the ground, in the cases where the alternative is underground emissions, there's no need to monitor because the -- whatever would have been released or is released from the underground reservoir is displacing underground reserves that would have been used in the alternative. So there's no -- everything captured from the atmosphere and injected is in that reduction.

There are -- there are contexts in which there is no need for an ongoing annual monitoring program.

MR. BROOKMAN: Other perspectives on this? Bill, and then Miriam.

MR. NICHOLSON: Bill Nicholson for AF & PA.

The first thing that I think we have to take into account is to be very clear that on a terrestrial side, when you have got carbon storage, it goes on beyond the living plants and the soil beneath the plants. In our industry, that includes going into paper and into lumber.

There are differing degrees of permanence as you get involved here, but you've got carbon storage and you need to take into account of it. And we have -- we'll submit a paper on that matter which has been developed.

MR. BROOKMAN: Thank you.

MR. NICHOLSON: The second point has to do with sequestration reporting regarding forests. The first thing I want to tell you is that if you go out and count the trees and do an inventory every year, you are going to run a prodigious expense. And so we need to have some vehicle for reducing the costs.

One way is to -- one thing that you can do is to say, if you've got a -- a forest that is sustainable, and there are a variety of entities, including the AF & PA that certify forests, that the operations of those things don't produce any emissions, and then periodically, maybe every five years or something like that, you run a head count on how many -- how much carbon you've got.

But it -- it needs to be -- we've got a cost issue here that may -- if you force the idea of measuring things every year, you will drive people away.

MR. BROOKMAN: Okay. Thank you.

Miriam.

The more we can keep these comments brief, the more topics we can move through quickly.

MS. LEV-ON: Sorry. Miriam Lev-On on behalf of API.

A couple of points that we wanted to make here. First of all, the definition of sequestration has already been illustrated by the discussion here, is really twofold. We're looking at the -- sequestration as well as geologic sequestration. So we think that the definitions section of the guidelines should be amended to identify that those are two types of sequestrations that we're talking about in order not to create some confusion.

And also to point out the fact that some of the capture and injection of CO2 into geologic reservoirs is not from the atmosphere but it's actually from a process before the CO2 has even gone into the atmosphere. It's being captured and then reinjected. So that's one issue.

The other issue, which is a little bit more troublesome for the industry is the issue of accounting for changes in carbon stock in land holding. And the short version of this is that we'd like to recommend to DOE that for non-agricultural, non-forestry operations, this kind of accounting should not be required as part of the reporting and inventory.

And the fact is that in the oil and gas industry, industry has large holdings of land. The land is not managed either for agricultural or for forestry or mainly not managed for -- for conservation. It's going to be a very large burden to account for changes in carbon stock, and if we -- companies or entities would be disinclined from participation.

And the same would apply also to pipeline routes, which have very large land easements all over the countryside. And I cannot see a lot of companies running around and taking surveys to assess the change in carbon stock in these operations.

I have to emphasize that the API methodology compendium is about two inches thick and it does not address these kinds of methods. The knowledge or the technology is really not in the industry, despite the best efforts that the USDA is doing now to develop these methodologies. We just don't think that it should apply to non-agricultural and non-forestry operations.

MR. BROOKMAN: Thank you.

MR. SAMPSON: Neil Sampson with the Sampson Group.

I just wanted to go back and support the AF & PA point of view. I didn't read continuous reporting to require continuous measurement or -- because in a lot of our forests and certainly in the soils arena, an episodic, periodic monitoring of five years of 10 years duration is perfectly adequate to establish a scientifically credible estimate of annual change for reporting purposes.

MR. BROOKMAN: Thank you.

Yes. Yes, Sergio.

MR. GALEANO: Thank you. Sergio Galeano, Georgia Pacific.

The -- I guess that the forest carbon changes in stock has been addressed in some detail, so I'm not going to add now more to it.

But based on other elements of the changing carbon stocks, that is not mentioned and it's very important. And it's the -- the changes in the harvested wood and the carbon in the product and stock that is recognized as a pool in the product, the product pool, really. And it's sampled, measured, and reported every year by, you know, our EPA report to the UNFCC as an additional way to inventory the greenhouse gases. In other words, the product part of it. That could be a product that's used or it could be products in the fields, but that has to be addressed. It's important.

MR. BROOKMAN: Bill Fang, did you want to get in here? And then back to Bill.

MR. FANG: Yes. Bill Fang with the Edison Electric Institute.

On the subject of changes in carbon storage, in addition to the comments have previously been said about the necessity for project-based reporting, I wanted to add an additional factor which applies most specifically in the carbon area but also to some other projects.

You have a number of utilities and -- and probably numbers of other companies that have pooled their resources. They've got -- one of them, you know, Power Tree. A representative of Power Tree is in the room.

You have 20, 30 -- 10, 20, 30 companies that are pooling their resources specifically to do these projects, and of course, they're not doing these to make money. They're doing these for the environment. They're doing these to sequester carbon and for other environmental benefits, such as watershed protection or biodiversity and so forth.

I mean, that's just another reason why you must recognize project-based registration of tons. I mean, otherwise these projects aren't going to get done because the individual amounts of tons on an annual basis are going to be extremely small if they're broken back among the 10 or 20 or 30 companies. What you want to do is recognize the entire project.

MR. BROOKMAN: Thank you.

Yes, Bill.

MR. NICHOLSON: Bill Nicholson for AF & PA.

I want to echo Sergio's points about the product pool. It's important because those things do hang around for a long time.

The second thing I'd like to mention -- and I think it's the accepted way of doing things, but it isn't exactly clear in the general guidelines -- is that when you burn biomass, the CO2 shouldn't count because that CO2 originally came out of the atmosphere and it essentially goes around in a circle.

Now, when you burn biomass, sometimes you get some other things, like nitrogen oxides, if that counts. That would be appropriate, but certainly not the CO2.

MR. BROOKMAN: Janet.

MS. RANGANATHAN: Yes. I actually agree with Bill's comment about the biomass.

MR. BROOKMAN: You have to speak louder, Janet.

MS. RANGANATHAN: I agree with the last comment about the biomass, but I wanted to make another comment about, one of the things I really liked about these new guidelines was that they actually -- for companies doing a corporate-wide inventory, they had to report the emissions associated with their purchased electricity, heat, or steam, which is a major source of emissions for many companies.

However, when you read the section on -- it's emissions reductions calculations and registering, it says that you have to certify that your emissions reductions aren't reported by -- double counted by either yourself or another entity. But by definition, these are indirects and they are likely to have been counted by the direct emitter, in this case the generator.

So it's sort of -- it's not going to be possible to certify those reductions. I mean, any company that wants to report on the reductions from the use of purchased electricity won't be able to make that certification.

MR. BROOKMAN: Okay.

MR. FRIEDRICHS: Perhaps I should clarify that. Because of the separation and the way in which generation side reductions are calculated from demand side reductions, that was not viewed as double counting. So we do believe that both would be able to certify the reductions. Users of electricity that reduce their demand for electricity would be able to comply with the guidelines as proposed.

MR. BROOKMAN: The last comment was from Mark Friedrichs.

Janet, keep going.

MS. RANGANATHAN: Well, just on page 20, if you read it as given, it does imply that you can't do that.

MR. FRIEDRICHS: I'm sorry if it's not worded clearly. We'll probably have to clarify that to make sure it's understood.

MR. BROOKMAN: Thanks for spotting that.

Other comments on this -- Bill, have we addressed the basic issues that you wanted to address with respect to --

MR. HOHENSTEIN: Yeah, actually --

MR. BROOKMAN: -- sequestration?

MR. HOHENSTEIN: Bill Hohenstein again.

This is very helpful. I think a number of these issues more on the technical side need to be addressed in the technical guidelines, and in particular this issue of -- of the products. And there's -- that point in particular I think we're going to be looking for comments on when we -- when it comes to the technical guidelines. Obviously, it's important to capture the carbon that's stored in wood products. There is a question of ownership of that -- that carbon as -- as wood is transferred from one owner to another.

The -- I think Neil was right with regard to continuous reporting. That doesn't necessarily mean continuous measurement. I think it was our view that -- that you could do periodic inventories but -- but the -- the reporting would actually occur annually.

MR. BROOKMAN: Dan.

MR. KLEIN: Dan Klein, Twenty-First Strategies.

I have a comment on the fourth question up on the main screen about whether the focus is on changes in -- in stocks or changes in sequestration. And the comment goes just beyond just carbon but it also applies, I believe, to other greenhouse gases, particularly some of the methane areas, such as methane from coal mines, landfills, certain farm operations.

And there are several types of activities that have the attribute that measuring the absolute stock is a very highly uncertain process and that trying to determine the change in stocks from one time to another is measuring the difference between two very uncertain numbers.

But at the same time, it's often the case that you can measure the amount you capture or sequester very precisely. If you have methane from a coal mine, you don't know very well how much is -- is leaking either before or after, but you know very precisely how much you're capturing.

So I would think that the -- the guidelines ought to allow for some flexibility in the reporter to choose whether they're reporting on changes in stocks or sequestration and to justify that choice.

MR. BROOKMAN: Okay. Other related comments? Because I'd like to move towards, pardon me, No. 5, and particularly, when are project methods likely to be needed; what distinguishes them from other methods. I'd take that up now.

MR. FRIEDRICHS: I'd especially like to hear comments on the basic methods that people view as most appropriate in determining project-based emission reductions.

MR. BROOKMAN: Please.

MS. UTT: Karen Utt, Xcel Energy.

And actually, No. 4 and No. 5 on the screens that are on the side are related, and so I was waiting until we got to the project methods section to -- to discuss this.

But, you know, avoiding -- avoided emissions. We've had some discussion about whether they're direct or they're indirect and they're double counting. And again, avoided emissions can be resolved as a matter of contract. And the -- the regulations should not presuppose what choices a company might make either on the energy sales side or the purchase side or dealing with sequestration or whatever in -- in what it might do to reduce its intensity level.

If it's resolved the matter, resolved it as a matter of contract, it's the only one reporting those emissions, it should be allowed to report that as a change in intensity as -- as a matter of contract. The -- the rules should not be a hindrance to that type of activity. You want to encourage that type of activity to -- to be happening.

And the -- a key to -- to that type of negotiation and that type of activity is -- goes back to the incentives that -- that we've been discussing all day in that, you know, if -- if we contract -- as a company contract for a project that avoids emissions and we want to bring that in as a reduction on our intensity, you know, the concept of transferable credit is important. The concept of baseline protection is important.

And -- and those things were key in the -- in the president's criteria, they've been key in the four-agency letter, and -- and they've not been resolved in -- in the rules. We talk about baseline protection, we talk about transferable credit, but they're not there.

And so if I'm negotiating a contract for avoided emissions, how do I know how to value those? How do we know, you know, what -- what the value of them are if I'm not sure, you know, I'm going to get credit for those. At the same -- you know, I'm not even sure I'll be able to count it against my own baseline, let alone, you know, what the ultimate value of it is.

MR. BROOKMAN: Yeah. That issue gets addressed in the next slide.

Janet, do you want to respond before we move? Yeah. Okay.

MR. FRIEDRICHS: Just -- I actually wanted to make a clarifying --

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Your -- the situation you're talking about is the, for example, utility contracts for the purchase of power generated by a wind farm.

MS. UTT: Correct.

MR. FRIEDRICHS: And then resells that power, and -- and you would like to ensure that the -- the rules are written so that you could claim the utility that has the contract for the purchase of that wind power, could claim the avoided emissions associated with that power.

MS. UTT: Correct. It's -- for example, in Minnesota we have competitive bidding and we do not own necessarily -- it can't be presupposed that we will always own generation that we will add to our system. And -- but as a matter of practice, when we purchase energy, we purchase the emission attributes that go with that as well. And if that is the case, how can that -- why is that different than generation that -- that we own as long as the contractual issues have been resolved.

MR. BROOKMAN: Mark Friedrichs. No? You're not going to respond? Okay. Just a clarification.

Janet Ranganathan.

MS. RANGANATHAN: In terms of the question, what do people think about the methodologies for accounting for project reductions, I mean I think a key question that has to be answered is, you know, do these project reductions have to be additional for the purposes of reporting to 1605(b). So I think that makes a big difference to the methodology.

And I think the answer to that really depends on the objectives and how this information is going to be used. But if companies are going to net their emissions, they're going to buy a project reduction that's outside of their inventory boundaries and net that towards their own emissions there, then it really has to be dealt with because there's this premise that, you know, yes, our emissions are going up but we've taken action over here to reduce them.

Now, if that action over there was going to happen anyway, it's business as usual, then there's no net benefit to the environment. So the issue of additionality has to be addressed.

So I think a key issue before us with regard to the project accounting is -- is this issue of additionality and whether that's going to be -- whether that matters for the purposes of registering.

MR. BROOKMAN: Other comments on that final question, when are project methods likely to be needed; what distinguishes them from other methods, before we move on to the next slide?

MR. FRIEDRICHS: I would like to hear any reactions to what Janet just indicated --

MR. BROOKMAN: About --

MR. FRIEDRICHS: -- that projects should be -- perhaps meet some higher additionality test.

MR. BROOKMAN: Do you want to respond? I also saw --

MR. DEGE: Sure. John Dege, DuPont.

We're doing many, many different things. I don't have all the answers, but we put the pipe control on. That's a direct project with two plants we can specify. We try to go buy wind power specifically. That -- I don't know whether you'd call that project-specific.

We have overall goals throughout the company to reduce energy use. That's not -- that's -- what is that, project-specific or not. You know, I wouldn't call that project-specific, but it's an overall way of working it out.

We're not even going to estimate our land holdings because we don't have enough to make a significant reduction, although we're looking at the idea of planting trees to reduce emissions.

So we -- we have three or four plants, say, that make the same product. We shut one down because it's inefficient economically. It's inefficient energy use. So -- it emits more CO2, so we shut it down and shifted production to other plants, which is good because in the product intensity basis, you're -- you're improving that way, reducing CO2 for a given product made.

So you know, did we do it for the purpose of CO2 reduction? No, but it -- we do look at all those factors. As a company, you know, you've got to make -- if you don't make a profit, you don't exist as a company. You shut your company down. Then maybe the -- maybe the country benefits, but if we -- if French companies go by and build in China and make the same products or a competing product, the atmosphere might see a worse situation.

So I don't have all the answers. I'm just saying we need the flexibility to defend what we're doing and how.

MR. BROOKMAN: Lee Ann is next, and then to Greg.

Janet, do you think everybody's clear on what you meant by additionality? Why don't you say what -- what you meant by additionality?

MS. RANGANATHAN: Additionality is important in some contexts but not always. There's certainly -- in a cap and trade system, which we don't have in the U.S., where you're bringing in project reductions or credits, it really matters because if you're bringing in any way reductions, it -- you know, it undermines the integrity of your cap. So it really matters there.

The question I have is, I'm not sure what the implications of these project reductions are going to be -- so I don't know whether additionality matters or not.

MR. BROOKMAN: Gotcha. Thank you.

MS. RANGANATHAN: It's an important issue.

MR. BROOKMAN: Okay. Lee Ann, and then to Greg.

MS. KOZAK: Lee Ann Kozak, Southern.

I would disagree that additionality is relevant for 1605. Two points. First of all, additionality oftentimes goes to questions of motivation and why the project was done, whether or not it was done for the right reasons or for the wrong reasons. And in my view, if a project achieves reductions, it should not matter for purposes of 1605 why that is done.

Secondly, the question of additionality also goes towards what counts or what does not count. Oftentimes, if not exclusively almost exclusively in regulatory contexts, 1605 is not a regulatory system. Therefore, whether it counts or whether it doesn't in a regulatory sense is irrelevant. If a project achieves reductions, it should be able to be included in 1605.

And again, whether it counts towards a regulatory scheme or internationally whether it might count in the future in any type of policy in the U.S. does not matter at this point. That would be determined as part of that policy.

MR. BROOKMAN: Janet, follow on.

MS. RANGANATHAN: One of the things I've heard discussed today is that maybe one of the things that would be served by these is the voluntary market. Now, the WRI has a voluntary target, and we purchase offsets.

So if the information that's reported with regard to projects in 1605(b) doesn't deal with this issue, it has very limited use to us. So it's okay, but I'm just saying it then limits the utility of the information. It certainly couldn't be used, for example, for the purposes of an offset towards a voluntary target.

So it's not just the issue that we don't have regulations. We do have lots of companies setting voluntary targets. Part of the government's Vision Program, the EPA Climate Leaders, Chicago Climate Exchange. So there is some utility here for these additional reductions.

MR. BROOKMAN: Thank you.

Greg.

MR. SPENCER: Greg Spencer, Blue Source.

Three different categories of issues. With respect to additionality, if it's a voluntary -- I agree with those comments. I don't think that it should be an additional test. Whether or not the action would have occurred anyway, if it's a voluntary act that does create the desired environmental benefit, the project reduction ought to qualify.

Second, with respect to the issue about avoided emissions, if -- I agree that we have to preserve the contractual flexibility that -- for parties in complex processes, the manufacture of a product that ends up in a process. We need to preserve the right for parties to contract to determine who ends up with the reduction right.

In the absence of that, though, we need a backup test so that the entity who invested the money in order to achieve the reduction or took the risk, it's clear that they should be entitled to it. Not everyone is going to be enter -- able to enter into an agreement with their electricity provider, particularly if you're talking about a nationwide program. It's not practical to do that.

And so in the case of demand side management projects, clearly the utility is the one that invested the money and should be entitled to the benefit from it. If the -- if a customer implements a program at their expense to reduce the electricity even in the absence of an agreement with the utility, clearly that's the place where the reduction should be recorded.

MR. BROOKMAN: Yes.

MR. GALEANO: A comment about --

MR. BROOKMAN: Sergio. It didn't come on in time. I was giving your name.

MR. GALEANO: Sergio Galeano for Georgia Pacific.

MR. BROOKMAN: Thank you.

MR. GALEANO: Thank you.

My comment and my take from this issue of additionality, if -- I mean, this registry. This is a voluntary registry on reductions. It is not a registry on voluntary reductions. If I were going to have a registry only on voluntary -- reductions, then I would say that additionality is important because if I have a regulation that is the reason for the reduction, then that's not voluntary. That's something that you have to do.

But here, that is not the case. So I do feel that a lot of the issues around additionality can simply be eliminated by clarifying what is the registry about.

MR. BROOKMAN: Right.

MR. GALEANO: And also by proper accounting and transfers.

MR. BROOKMAN: Lee Ann.

MS. KOZAK: Lee Ann Kozak, Southern.

I just wanted to respond to Janet's last comment. I would agree that companies will use reductions for a variety of purposes. In some instances, they may use them themselves; in some instances, they may sell these reductions to somebody else, a different company that will use them.

But again, what those reductions are then used for, if they are used in programs that have specific requirements, it's up to those programs to define what those characteristics are. It's not up to 1605 to define and sort out all those different purposes.

So again, for purposes of 1605, the question of additionality is not relevant. I would agree that it's relevant for specific programs that will set them. I mean, as the provisions of those programs are established, but it's not up to 1605 to sort all that out.

MR. BROOKMAN: Okay. Yes, Bill, go ahead.

MR. FANG: Bill Fang, Edison Electric Institute.

I want to support the comment from Georgia Pacific. He is absolutely right. This is a voluntary registry, but it is not just for voluntary reductions. The statute clearly specifies three categories that you can report on. One is voluntary reductions, the other a plan of facility closings, and of course, there are federal and state requirements.

So you know, motivation is irrelevant, as Lee Ann Kozak has pointed out. The question is, what have you done with your projects on an entity-wide basis to reduce, avoid, or sequester emissions.

MR. BROOKMAN: Okay. Final comments on this -- this last question: when are project methods likely to be needed; what distinguishes them from other -- other methods? Any additional things that need to be said on this?

I'm going to suggest we take a break. It's 2:45. And there are cookies and coffee out there. And I think everybody -- everybody should take a break.

We'll start back up at 3:00, please.

(Brief recess)

MR. BROOKMAN: Okay. As the agenda reflects, we have two other sets of issues to do. One is the slide that you see on the two screens, emissions reductions, "credits," start date, and offsets, a series of substantive significant issues there to be talked about immediately. And then we're going to go from there to describing other issues that you see listed in your agenda and other things that still need to be discussed.

So Margot Anderson is going to queue up this next segment.

Emission Reductions

"Credits," Start Date, and Offsets

MS. ANDERSON: Everybody get a cookie?

On February 14th, 2002, the president did ask the Department of Energy to provide recommendations on issuing transferable credits and protecting against future climate policy for real reductions.

DOE has determined it doesn't have explicit authority now to issue transferable credits nor can we tie the hands of future congress, this Congress, future congresses, or future administrations. But we do think, and this is what's most important, I think, is that the revised program as we envision it allows reporters to provide the type of data and information that will help facilitate private trades and transfers and be considered in future climate policy.

We're certainly seeking comment on this approach, but what we're trying to get at with the revised program is a more credible and transparent database of emissions and emissions reductions that we think will be helpful in the future. We cannot guarantee what that future is going to be nor guarantee the value of anything that is put into the database, but we do think it provides a more credible system and more consistent system, a more standardized system for reporters to record the information and to maintain that database that can help determine and help think -- help us think about the future of climate policy.

So that's an area that we are seeking some comment on. We've heard some comments already about transferable credits, and we would like some additional comments particularly related to whether this more transparent and credible database will help stimulate private mechanisms for transferring and trading credits, and do you think that this more credible data system will be useful for future policy-makers.

In addition, we're seeking comment on two other key issues that we've heard a little bit about already today. One is on emissions reductions, the start date for emissions reductions. Our proposal indicates they must occur after 2002 for registration.

We've heard some comments earlier that there ought to be opportunity for folks to recast previous reductions using the current data methods that we're proposing under revised 1605(b) and that those emissions or reductions ought to be considered as registered as well. We would like your comment on that. The proposal indicates the start date is 2002.

In addition, we'd like to seek some comments about offsets. In the proposal, we are anticipating or have proposed that those that are reporting offsets and want to get registered reductions for offsets need to go through similar data hoops as those that are the primary registers of emissions and emissions reductions.

There are lots of different ways to incorporate offsets within a program that is primarily entity-wide, and we would like some additional comments on how offsets are treated in the proposal as well as how you envision the use of offsets for your company, whether you're -- would be a purchaser of offsets so to speak, or a provider of offsets.

So those three areas we'd like to get comments on in this particular session.

MR. BROOKMAN: And perhaps we can start with the first bullet and those specific questions you see listed on the screen: will a more transparent and credible database of reductions stimulate private mechanisms for transferring credits and be used by future policy-makers. Let's start with those.

Please, yes.

MR. FINNEGAN: Dave Finnegan, Mayer, Brown, Rowe & Maw.

Margot, you said that DOE has determined it doesn't have a specific authority regarding transferable credits. How and when was that determined?

MR. BROOKMAN: I missed the tail end of that.

MR. FINNEGAN: How and when was that determined.

MR. BROOKMAN: Ah.

MR. FINNEGAN: It's not -- I mean, it's not in the guidelines or it's not in the preamble.

MS. ANDERSON: Well, I believe it's in the -- there is discussion in the preamble.

MR. FINNEGAN: No.

MS. ANDERSON: No, there's not.

MR. FINNEGAN: No.

MS. ANDERSON: Sorry. Determined by the General Counsel's Office in consultation with other federal agencies. I don't have the exact date when that was determined. Certainly, the discussion of it evolved over a series of months and interagency discussions at the policy level.

MR. FINNEGAN: It was in the NOI. I wonder why it wouldn't be covered in at least the discussion of that issue in the preamble. And it was -- some -- some companies and industries raised -- supported the idea of transferable credit and the legal authority.

MS. ANDERSON: It certainly was in the NOI and we did ask for -- we provided some recommendations, and our -- our thinking has evolved since then.

MR. BROOKMAN: Marlo Thomas. Pardon me. Lewis.

MR. LEWIS: Yeah. I was -- Marlo Lewis, Competitive Enterprise Institute.

(Laughter)

MR. LEWIS: I'm sorry. I'm -- Doug, I missed what you said.

MR. BROOKMAN: That's okay.

MR. LEWIS: But it was very funny, obviously.

(Laughter)

MR. LEWIS: Oh, okay. That's the first time I've heard that joke today.

(Laughter)

MR. LEWIS: But anyway, I was a little surprised also not to see an explicit discussion of DOE's lack of explicit or even I would argue implicit authority with -- with respect to transferable credits. But on behalf of CEI and all of our brethren in the free market community, we were very delighted that DOE reached the same conclusion that we did, that NRDC did, that the Pew Center on Global Climate Change did, that NESCOM did, that there are simply nothing in 1605(b) that would lend itself to any kind of plausible interpretation that the executive branch has authority to award transferable credits.

And I would just refer people who are interested that I've submitted a comment on behalf of various other groups as well as Competitive Enterprises. It is not up on the DOE website yet, but it should be soon. And it has a rather significant, lengthy discussion of the legal issues.

And I don't know if the reasoning was similar over at DOE, but we think the case is clear-cut and -- and really, there's no room for ambiguity. There's just nothing in 1605(b) that even provides a hint of ambiguity that maybe this could function as a crediting program.

MR. BROOKMAN: Thank you.

Yes, please. Your name for the record?

MR. PIZER: Thank you. Billy Pizer, Resources for the Future.

Margot, I was wondering if you could just say a little bit more about exactly what this determination means in terms of what you can and cannot do. I mean, can you -- once you register reductions, can you track changes in ownership of those reductions, or you decide that you can't do that? Or, like, what exactly can you and can you not do?

MS. ANDERSON: Who's the "you"?

MR. PIZER: The Department of Energy, or EIA, whoever manages 1605(b).

MS. ANDERSON: Certainly, the Department of Energy or EIA could be able to track, but we have made a proposal that we -- we're not likely to be tracking individual transfers of registered reductions.

We think that when companies supply the information to the Department of Energy, it would be in their interest to maintain -- it may be in their interest to transfer those reductions to other companies. They may use them for purposes of showcasing the types of actions they've undertaken to reduce greenhouse gas emissions.

We are not going to be in the business, though, of tracking individual transfers or trades of greenhouse gas emission reductions registered within the Department.

MR. PIZER: In terms of -- in terms of the legal determination, you determined that you don't have the authority to track movements of those things?

MS. ANDERSON: Margot Anderson.

We determined that we don't have the legal authority to issue something called a transferable credit that would be -- that we would -- that we would ascribe value to and would -- would be able to credit those that -- that register those reductions that they have attained some value that is imprinted by the Department of Energy. That was convoluted.

The Department of Energy is not -- is not guaranteeing through the issuance of a transferable credit that that registered reduction is valuable in the future by the federal government.

We are saying that we think that it has value in and of itself, but we cannot predict it is going to have value under some future climate policy that doesn't exist now and that we're not entertaining.

We do think that it's valuable for companies to record their emissions data, it's valuable to record reductions, and it's valuable to have a record of that to support any private trading that you may want to undertake or it may be useful in the future, should there be an addition to climate policy beyond what you see this administration undertaking.

MR. BROOKMAN: I'll return to you if you wish.

But John first.

MR. DEGE: Yeah, John Dege of DuPont.

I agree with what she just said. And we are members of Pew's and I don't ever participate with them, but we recognize this program in itself does not give those credits. But we have a commitment morally, responsibly as a corporation to make reductions and continue reductions.

There's also -- we've been big proponents of giving credit for early reduction. If there's a future action by Congress that allows this, this could be an important -- important basis for them selecting the year for which you could get tradable credits if such a thing should ever happen.

I know there are some companies in the U.S. who are direly opposed to anything that would bear even suggesting that there might be some credibility to global warming. We're not in that camp.

We also think the base year, because of that -- and we're in the climate -- Chicago Climate Exchange. We think the base year ought to be prior to 2002 and you ought to allow I think it's '98 to 201 averaging or base years. '98 to 2001.

For those reasons, we're already in that program. We're trying to sell. We may be in that buyer. From our point of view, you look as an economic entity how to best achieve your goals. Our goals are to reduce net CO2 equivalent emissions to the atmosphere. We may want to do them and sell them, use some of that money to buy reductions from other people who are better at it than we are.

MR. BROOKMAN: Thank you.

Other comments on those first two questions specifically?

I have think -- I'm not certain that we've heard yet whether people think that this would be used by future policy-makers.

Yes, please.

MR. FINNEGAN: I guess our -- I still might follow up on the -- on the first question.

I'm sorry. Dave Finnegan from Mayer, Brown, Rowe & Maw.

The first question is, the -- the preamble does talk about special recognition, and I guess, what is -- what is that special recognition now that you're providing in the guidelines? The guidelines themselves don't use that term in Section 312 or any of the others.

What is that, and also, what is the basis for registry, because when the '92 act was passed, the Senate -- House version provided for registry, but the final version did not. What -- what is that -- what is it you're planning on doing?

MS. ANDERSON: Dave, I'm not sure I understood the second half, but --

MR. BROOKMAN: Margot Anderson.

MS. ANDERSON: Margot Anderson, DOE.

The first half, the special recognition is precisely the registration, that we think by registering the reductions, by going through the data requirements that are needed to register, that that provides recognition that the reporting entity has supplied the entity-wide information on the inventory that we're seeking and has done the assessment of the entity-wide reductions, perhaps using intensity or the absolute or with the method that is most appropriate.

We think that in and of itself is recognition, the registered reduction is the recognition, for going the extra data mile.

And so there's -- there's -- that's what we're offering, and we think that's extremely valuable to a lot of companies for the same reasons, the current 1605(b) is extremely valuable, that it provides a vehicle to report on positive things that are undertaken. It's a way to establish a record, now a more credible or hopefully a more standardized record. And we hope that it will be -- there will be growing consistency with what we're doing, with what other states are doing. So we think that in and of itself is recognition.

MR. BROOKMAN: James, and then to Greg.

MR. KEATING: Jim Keating with BP.

First off, I'd like to say that -- that I agree with some of the remarks that have been made here, but I don't think the Department of Energy should -- should be running a trading program.

But I think we're also missing part of the point here. One of the things that we want to try to accomplish with the reforms to 1605(b) was to avoid a proliferation of 50-plus different registries going around. And I had hoped to see that DOE would not create a market but create a registry that could be used as the foundation for trading.

And I think, unfortunately, by focusing -- I mean, so much -- so much focus on the intensities that -- and not looking at how this program can dovetail into other existing programs as well as international programs, that we may be missing an opportunity here and that we should be -- we should be looking at how this program could actually dovetail into some type of market or markets that develop. I think we're missing that opportunity.

MR. BROOKMAN: Margot Anderson.

MS. ANDERSON: Margot Anderson, DOE.

Maybe I can partly respond to that. Certainly, there are other registries who are thinking about intensity. I think the -- the point that we need to focus on is, if -- what is really the best measure of progress for companies. And certainly, there are going to be lots of different definitions of what is really the best way to showcase progress.

And for us in this proposal, we're saying that we think decreases in intensity are what's important because that takes into consideration output. And we don't want companies to be penalized for increasing emissions that are attributable to increases in output. We know that's going to happen.

On the down side, we want to make sure that we're adjusting for those declines in output and -- and emissions that are associated with it.

So we're trying to take into consideration and not penalize growth. Coming up with the most appropriate metric to do that, we think, is intensity. We recognize it runs into some difficulties of -- of other viewpoints about what -- what a real reduction is, and to us, we think a real reduction and a reduction that is at least complementary to where the president wants to go, which is to take into consideration output growth, that that metric of real reduction is an intensity reduction.

And we want to make it conformable by converting them back to CO2 -- tons of CO2 equivalent. We recognize that they may not be fully interchangeable, but we think that's a good measure of progress for the way that we're going in -- with this particular administration's policies. So that's kind of where we came out on that.

MR. BROOKMAN: Do you have a follow-on?

MR. KEATING: Yeah. I understand, Margot, that -- that you have a very broad audience here that you're trying to tailor this program to. I guess, just a quick question. One of the things that was talked about often during the last workshops was this idea of a two-tiered approach, that folks that wanted to report or register into an intensity type of program could do that and folks that were more interested in an absolute ton reporting, maybe the foundation for a trading type credit program, may have a second tier of reporting.

And I was wondering what happened in your -- in your thinking and how you addressed that point from the last workshop to this.

MS. ANDERSON: Margot Anderson, DOE.

I think we're partly there. What we have proposed is a system that allows folks that -- that are interested in registering emissions reductions to -- to do so. Folks that are interested in simply reporting but maybe are not at the level of committing to an entity-wide inventory or an assessment of entity-wide reductions can do something called "just reporting," similar to what a lot of entities are doing right now.

In -- if you are interested in registering the reductions with the Department of Energy, there are a couple of methods that you can use in order to calculate those reductions, and one of them is intensity. That may not work for you. You may want to go to a more absolute metric with the proviso if we need to make sure that any reductions are not attributable to changes in output.

But that's an option open to you, and there are other methods geared towards specific -- specific circumstances. It may be that absolute or intensity don't work at all for you, and the only way that you can demonstrate reductions could be at a project level or through avoided emissions, depending on your type of company.

But we think we are allowing -- we don't call it tiering. We say that there's reporting for the purposes of registering entity-wide and entity-wide emissions inventories post-2002, and then there's other folks that really just want to start reporting, maybe come up to speed on how to report, and are maybe not interested in registering entity-wide reductions or have reductions that have occurred before 2002. And they would be simply reporting.

MR. BROOKMAN: Greg.

MR. SPENCER: Greg Spencer, Blue Source.

A lot transpired since I raised my hand, but I agree with Jim's comments. I think there's an opportunity here. I don't think it's DOE's function or -- or role to create a marketplace. I do think there's an opportunity to consolidate lots of divergent registry developments in -- in a single registry with a clear set of criteria that would allow for the trading markets to develop independent of the -- of DOE's tracking or evaluation or certification.

This is an opportunity -- the reality is that the market is already moving in that direction. These credits are already being valued and traded. DOE's choice, it seems to me, is whether or not this registration process will recognize that or whether or not the multiple metrics of intensity and different forms of registration will create a program that really doesn't allow the marketplace to move forward.

MR. BROOKMAN: Yes.

MR. PIZER: Hi. Dave Pizer at Resources for the Future.

Just thinking about the two questions that have been put up there about whether or not this will, you know, stimulate private mechanisms or be used by future policy-makers, it strikes me that there should be kind of three things to think about. In terms of what you can do, what Department of Energy can do, in terms of strengthening the program to encourage these things, I mean, the first is kind of the step of registration because, to me, what the registration step does is it certifies that all the reductions that are being registered are equivalent, that there's not going to be any revisitation about this reduction versus that reduction versus the other reduction. They're the same.

Kind of the next level up from that would be to set up some mechanism for transferability because it further protects people who've done reductions because the reductions are no longer, you know, in some sense traceable to where they started. They may be moving around. The reductions that DuPont had may have, you know, occurred at AEP, who knows.

The third set that kind of fulfills, I think, the -- what is an intepretal intent of the statement to provide protection also goes along with the transferability because there may be entities that don't have reduction opportunities but want some sort of protection against a future policy because they have a liability. You could be living in a coal mining community and you see your future tied to what happens on climate policy.

And to, you know, afford yourself protection, you would like to, you know, somehow get some of these transferable reductions, whatever they're called.

So you know, in my mind, there are these -- you know, the registration is an important step, but I think the Department -- agency should think about how transferability can be incorporated into the registry in some way that allows the protection to be broader and more spread out.

MR. BROOKMAN: Marlo.

MR. LEWIS: Marlo Lewis with Competitive Enterprise Institute.

A word of caution here, and this is a point that I've raised in several comments. I'm sure the folks at DOE are familiar with -- with this line of argument, but that is that in offering protection, you can actually deliver or ensure the unfortunate or calamitous set of circumstances that you're trying to avoid or that you're hoping to avoid.

Consider the fact that at the opening bid at the Chicago Climate Exchange, one ton of -- of carbon reduction sold for less than $1.00. Now, consider what would happen if we had a cap. According to EIA analyses under Senator Jefford's Clean Power Act, one ton of carbon would sell for $93 to $122. Under the McCain-Lieberman bill, $79 to $223. Under the Kyoto Protocol, $67 to $348.

So if you're looking at Kyoto, for example, in the worst case according to EIA, you could transform $1.00 into $67 or 6700 percent profit. Now, what happens to the incentives of companies that are holding conditional carbon credits that are virtually worthless today but that would have a minimum increase of 6700 percent if there were only a cap and trade scheme like Kyoto? Well, instantly, all of those credit holders would have an incentive to lobby for a cap.

So instead of a transferable credit program providing protection and an insurance policy in case of a future emissions cap, it would almost guarantee that you would get one because overnight you would develop a huge business clientele for a cap so that credit holders could transform these voluntary reductions into real money.

And so that's one reason why what DOE has done, I believe, lately in dropping the transferable credits is not only good law but good policy.

MR. BROOKMAN: Thank you.

Other viewpoints on this? Yes, Lee Ann, and then back to Bill -- Will.

MS. KOZAK: Lee Ann Kozak, Southern.

In terms of the first point, stimulating private mechanisms, just quickly a point that has been discussed earlier today, that what is being transacted in the market is project-based reductions, not entity-wide reductions. So this does not provide the kind of information that would be useful to the markets in further stimulating any kind of trades.

In terms of the second point on data that might be used by future policy-makers, I think by not allowing registration of projects that there's a big hole left in the data that would be available to future policy-makers.

Looking at this point on protection against future climate policy, if you want to look at an example where you're dealing with issues of baselines and actions taken that reduce that baseline, if you don't allow registration of the projects, then there is no data there to build that baseline back -- back up to what it would have been without those activities and therefore no basis for providing that protection in future policy.

So I think -- I think on both counts the revised guidelines as proposed leave really big gaps there that -- that don't respond to the needs of the market or future policy-makers.

MR. BROOKMAN: Thank you.

MR. PIZER: I just wanted to follow up on what Margot said a second ago.

MR. BROOKMAN: Say your name again.

MR. PIZER: Billy Pizer, Resources for the Future.

I think, you know, to some extent there is -- there is a little bit of truth in what Marlo was saying, but I mean, inherently if you're trying to create a system that protects people, that gives them a hedge against a future policy, you have to create something that appreciates in value in the face of that policy because that's the whole notion of a hedge.

And trying to find a balance between something that allows companies to hedge in the face of future policy and protects them while not creating, you know, an odd constituency for high permanent prices, I mean, that's clearly a balance that the Department needs to seek. But I don't think that's a reason not to try to give companies hedging opportunities.

MR. BROOKMAN: Thank you.

Mary.

MS. QUILLIAN: Mary Quillian, Nuclear Energy Institute.

To the second -- second big bullet point on the slide, "Emission reductions must occur after 2002," I just come back to, I think that -- that if you're going to recognize reductions, if you want to instill confidence in the 1605(b) program, you need to make sure that reductions that have been achieved and have been recorded previous to now, since the 1605(b) program began, that you need to recognize those.

And it may be that you can seek more information. You may, you know, have a -- have a more stringent hurdle that those projects had to cross in order to be -- get recognition in this future program. But I think that there ought to be an opportunity to allow those past reductions to be recognized.

MR. BROOKMAN: We haven't heard from Rayola yet.

Rayola.

MS. DOUGHER: Rayola Dougher, the American Petroleum Institute.

In terms of -- these are guidelines and voluntary guidelines and they're non-binding and they're not part of the regulations yet. We think it's inappropriate that they be published in the Code of Federal Regulations. At least our lawyers think it could be somewhat confusing to some to have them there, not that it's illegal but it's just confusing since they are not regulations and they're non-binding.

MR. BROOKMAN: Thank you.

Janet, and then I'll go over to Bill, and then back to Michael.

MS. RANGANATHAN: I just wanted to follow up on the discussion about project reductions again. Lee Ann is quite right. Most of the -- what's being traded in the so-called voluntary market right now is project reductions, not organizational reductions. And most of those trades are either for companies who got voluntary targets who are thinking about using offsets towards those targets, or they're hedging for the future that there may be some cap and they might be able use those reductions there.

Either way, they are being used as compensation. They -- those reductions are being used to compensate for emissions above either a voluntary target or some future compliance, and therefore, that is why the test of additionality is relevant. Operationalizing additionality is quite challenging, but there's an opportunity here for 1605(b) to develop some sensible guidelines around that.

MR. BROOKMAN: Bill, and then over here.

MR. NICHOLSON: Bill Nicholson, AF & PA.

I'd like to -- since we've broached the subject of 2002, I'd like to share with you a story from our northern neighbor.

MR. BROOKMAN: A brief story?

MR. NICHOLSON: A very brief story.

(Laughter)

MR. NICHOLSON: Our northern neighbor did sign the Kyoto Protocol, started a voluntary reporting system based on 1990, and a year or so ago moved the baseline to 2001. The industry that I'm associated with in the period of 1990 to 2001 had reduced its intensity by 36 percent and its absolute emissions by 19 percent, and that was washed away.

The issue that we're dealing with here is that you need to have recorded as best as possible and as thoroughly as you can and register them if practicable, and I think it is practicable under stiff enough criteria, as far back as you can go.

MR. BROOKMAN: Yeah, Mike. Michael.

MR. CASHIN: Mike Cashin, Minnesota Power.

Looking back, I was involved with a program when Climate Challenge moved forward, and there was genuine hesitance in our executive team about engaging in these voluntary actions. And we did do projects. I raised a question like, we planted 3000 acres with hybrid poplars, and there are some real costs involved with that.

But one of the concerns that was raised back then is, how do I know that this is going to count for anything and why should we make that outlay. Going forward, it turns out that perhaps it won't count for anything.

And I'm wondering at least at minimum if a project like that that would still be accruing benefits would at least be allowed to carry over to the new program.

MR. BROOKMAN: Okay. Thank you.

Who'd I miss? Yes. I missed you, Karen, and then to you, sir.

MS. UTT: Just a quick question. I'm having -- Karen Utt, Xcel Energy.

I'm having some trouble connecting the dots between the arguments that have been put forward between -- as to why the decisions were made on transferable credit and baseline protection yet the decision has clearly been made not to count projects and things that have occurred prior to 2002.

And I'm wondering if somebody can clarify or at least help me understand how the two arguments can coexist.

MR. BROOKMAN: She -- if I understood her, she thinks that those two bullets are inconsistent, those two top bullets, that they don't -- that they don't fit together.

You're going to have to repeat the question again, Karen.

MS. UTT: Karen Utt, Xcel Energy.

We've been talking about the first bullet and transferable credits and protection against future climate policy and why the agency can't provide those types of things. And -- and you know, following that logic through, then -- then the second bullet is more challenging for me to understand in that if you can draw a line in 2002 and say, you know, we can register reductions happening after that but we can't register things happening prior to that, how do you get there if -- you know, the -- the logic that's been given as to why, you know, we can't make the transferable credit protection against, you know, future climate policy. Why not be able to register the -- the 1992 if they can meet all of -- all of the standards involved?

We've already -- we've already said that -- that the 1605 program is not directly linked to the -- to the Bush alternative, so you know, as long as it's consistent, as long as your data can meet those needs, why not?

MR. BROOKMAN: Margot Anderson.

MS. ANDERSON: There were a couple questions in there.

The first bullet here is -- is designed to tee up, that because we are not rewarding transferable credits and protection against future climate policy for -- for real reductions explicitly, the issue is that we think we are implicitly providing value for reporting. And so the question becomes, do you agree.

And if -- and what -- we're arguing that the more transparent data system provides you with a record of emissions and emissions reductions that we think will -- will stimulate private mechanisms for transferring credits. By standardizing this thing called a real reduction, it may stimulate transfers among companies, trades through -- through private markets.

And so we're asking the question of whether you agree or disagree. We're also asking the question of whether you think having such a -- a record will be valuable.

The next question about when do you start recording those registered reductions, we've been saying that we're interested in recording reductions only that occur after 2002 because this is a going-forward program. It's a program of starting today and looking at reductions that start from today and go forward, not past reductions.

Some have raised different issues and want to -- us to go back and look at previous reductions, but -- so they're kind of not -- not really related, in a sense.

MR. BROOKMAN: Yeah. Follow on, and then I'm going to this gentleman here.

MS. UTT: If I can quickly follow up, I mean, the statute goes to 1992, so I don't understand where the line gets drawn at 2002. Given everything that's been said, as long as -- as what -- as long as the data can meet the standards necessary for registration, I don't see any sort of statutory basis for drawing the line in 2002.

MR. BROOKMAN: Yeah. Okay.

Yes, sir.

MR. CORTINA: Yeah. Tom Cortina from the International Climate Change Partnership.

We strongly supported providing transferable credits for verified reductions going back to 1990-type time frame, when a lot of these climate change programs started. And if the -- the agency has made a decision that they can't provide transferable credits, it's surprising that it wasn't mentioned anywhere in the "Federal Register" notice. The word "transferable credits" doesn't even appear in the "Federal Register" notice.

If there is -- does that mean that the president's call for transferable credits is no longer part of the policy? That's one question I would have.

And the second question I have in terms of offsets, we strongly supported trying to find a way to provide credit for product-based emissions and for the sale of energy-efficient products and things like that, and it doesn't really appear to be addressed in the guidelines. So we'd like to try to work with DOE to find a way to address how manufacturers that produce more energy-efficient products and sell them mostly to consumers could -- could somehow get credit for that type of activity.

MR. BROOKMAN: Yeah? Do you want to respond, Margot?

MS. ANDERSON: We'll be happy to work with you.

MR. BROOKMAN: With the manufacturing sector to produce --

MS. ANDERSON: It's a really difficult issue and -- and one we've struggled with mightily about just how you do it and how you devise the accounting rules and where the cut-offs are, and it happens in every industry. But if there are some ideas that we haven't considered, we'd be happy to -- to consider them.

MR. BROOKMAN: Janet.

MS. RANGANATHAN: Janet Ranganathan, the World Resources Institute.

Given that we're -- there's a certain amount of uncertainty about how these registered reductions will be used either by the government or -- or in voluntary programs, I -- I actually support the -- the ability of companies to register reductions before 2002 -- and this is a big "if" -- if there is a credible accounting and reporting system and they can show that these reductions that have taken -- taken place historically meet that criteria.

Because not to do that is a threat to every voluntary program in this country, in my opinion. So I do support it.

MR. BROOKMAN: Thank you.

We haven't heard from several of these gentlemen here. I saw this gentleman first, and then to you, and then to you, and then I'm going to return over here.

Please. Yes, you. Tom.

MR. CARTER: Tom Carter, Portland Cement Association.

I have a question about the 2002. I guess it's really in a way of restating the same question.

Margot, you said that you wanted to go from today forward. Well, it would be one thing if "today" was really today, but the "today" you've chosen was two years ago. So it does seem sort of arbitrary to choose a yesterday that was two years ago and why not a yesterday that was 12 years ago.

MS. ANDERSON: As a point of clarification, the date was chosen from the start of the president's Climate Change Initiative of 2002, and it was setting the target for the greenhouse gas intensity 10 years hence.

As we've said many times, we -- we don't think 1605(b) is the only report card for that national greenhouse gas intensity goal, but it was to be consistent with the overall administration's implementation of a new -- new direction in climate policy.

MR. CARTER: And I would understand that if --

MR. BROOKMAN: Tom Carter again.

MR. CARTER: Sorry. Tom Carter again -- if that was the only purpose of 1605(b), but it sounds like you want 1605(b) to be broader than just a way of measuring the White House's report card. So if that's the case, it does seems to make sense to be able to allow farther back emissions.

MR. BROOKMAN: Yes, sir.

MR. NEITZERT: Frank Neitzert from Natural Resources Canada.

I'm with the organization that is setting up the new program for emission reductions that the gentleman was referring to as -- as the program from our neighbor to the north. I just felt I had to comment on that because I am working with the Large Final Emitters Program.

The -- the statement was made that the emission reductions that were made before the year 2000 would just be washed away. That isn't -- that isn't our view. History is, there was a Voluntary Challenge Registry. It is now -- now a mandatory reporting program, but those -- those emission reductions are -- are to be considered in -- in direct negotiations with the company and in -- in terms of -- in terms of agreements that are signed with the companies.

And so -- and so if -- if there was a baseline protection program, that program has been rolled into these -- these new negotiations. And as covenants are agreed to, that those previous reductions are taken into account.

MR. BROOKMAN: Thank you. Thanks for that clarification.

Bob.

MR. STRIETER: Bob Strieter with the Aluminum Association.

I wanted to support previous comments made by WRI and others providing for a credit for early reductions prior to 2003. The Aluminum Association has been in contract with the EPA, for example, in a voluntary reporting program that reduced PSC emissions by 45 percent since 1990. We entered into that agreement with the understanding that there would be credit generated in those reductions, which we do not see currently in the proposed 1605(b) program.

We believe this provides a large, huge disincentive for future voluntary programs by not acknowledging those credits.

Furthermore, we would like to point out that the current Climate Vision program in several instances, including ours, uses a 1990 baseline, not a 2003 baseline. So in our opinion, we should have very much encourage credits for earlier reductions to maintain a voluntary program into the future.

MR. BROOKMAN: Thank you, thank you.

Then to Bill.

MR. PIZER: Yeah, Billy Pizer, Resources for the Future.

I just wanted to make the observation that if -- when 1605(b) had originally been instigated in 1992, if there had been a policy to register reductions, call them reductions, and homogenize them so that they were not, you know, in some sense separable over time across entities, you wouldn't be having this debate today because we'd just have this pile of reductions that had been registered.

So again, I would just point back to anything that the agency can do to enhance the homogenization of these reductions so that they are -- can't be revisited at some later date and cut up either across time and older ones discounted, or ones from certain companies or certain sectors discounted. I think that enhances the credibility and the usefulness of the program as well as the incentives.

MR. BROOKMAN: Bill Fang. And perhaps after Bill we can move on to the subject of offsets. I think we're getting about to that point.

MR. FANG: Bill Fang of the Edison Electric Institute.

Let me first, so that there is not any doubt about this, answer the question posed that, no, there is no -- this is not going to -- this proposal will not stimulate a private mechanism for transferring credits. I mean, it's lacking transferable credit and baseline protection, as many people have pointed out.

Now, I mean, it mystifies us what DOE and the administration has done with this issue. They have sat on this issue for quite a long time. If they believe that there is not such a legal authority, then they should have sought it. Those directives were from the president. They were not requests, they were not recommendations, they were policy directives from the president, and I find it appalling that -- that the administration that is charged with implementing the president's directives has failed to meet those objectives.

Now, as far as the policy incentives go, the same policy incentive underlies baseline protection as underlies credit for past action. Those actors have acted -- have essentially cut their own or reduced their own baselines. And if they don't get some kind of credit for their past actions or, going forward, they don't get some kind of credit or baseline protection for those actions, they will have again reduced their own baselines, and it completely reduces the incentive to engage in voluntary programs and to report them.

Finally, of course there is analogous support for engaging in credit for past action, and that's in the Clean Air Act. The last set of Clean Air Act amendments had an issue called the Class of '85 problem, and Congress dealt with it by providing for some credit for past action.

MR. BROOKMAN: Thank you.

Marlo.

MR. LEWIS: Marlo Lewis with the Competitive Enterprise Institute.

I don't think it's realistic to demand but to ask DOE to request legislative authority for transferable credits. There -- there was in fact legislation for transferable credits introduced in the 105th and 106th Congress. The chief sponsor was Senator Lieberman. And these bills were exceedingly controversial, and they basically went nowhere. On its second go-round, Lieberman's bill got 12 co-sponsors. In the House, Lazio's companion got 15.

And I don't think it's realistic to expect that President Bush would -- would somehow revive as a major legislative initiative Senator Joe Lieberman's climate policy. That's just not politically realistic. It's not going to happen, and DOE certainly couldn't do it on its own accord.

MR. BROOKMAN: Thank you.

Sergio.

MR. GALEANO: I will try to make a comment for an interpretation of the president's directive back in February, and in the way that I have that understood is that he asked or -- or directed a protection of free and reduction against future climate policy and giving transferable credits. And the way that -- has been looking at that, it's that once those future climate policies may become in effect, then it would be the right moment to get into the transfer of credits and not before that.

MR. BROOKMAN: Okay.

MR. GALEANO: That's a point of interpretation.

MR. BROOKMAN: I'm wondering if before we move to offsets someone on the -- at the front table here could just give us a -- just a -- queue us again to the key issues that you'd like to see raised with respect to offsets.

Mark Friedrichs.

MR. FRIEDRICHS: Offsets, again, are reductions achieved by third parties other than that reporting entity that are reported by an entity under an agreement with the third party. It actually might cover the types of situations that have been discussed already. For example, a utility contracting with a wind farm for the purchase of power and wanting to claim their reductions associated with that wind power could well fit under the concept of offsets.

A number of other situations, perhaps demand side management programs, perhaps even product-related efficiency improvements, might fit in this category.

So, comments, please.

MR. BROOKMAN: With respect to the proposed revisions.

Sergio.

MR. GALEANO: Yeah. From prior -- Sergio Galeano, Georgia Pacific.

From prior conversations and discussion during the day today -- we have talked a lot -- I got the perception that some believe that offsets are of two types: the offsets that an entity buys and the offsets that an entity sells. And I think that we should try to define offsets and it would make things clear.

The way that we interpreted offsets are what a company, an entity, buys in order to reduce or perhaps to speculate, and certainly are reductions that have taken place by a third party outside the boundaries of the organization of the entity.

And if we leave it that way, it's very clear what "offset" is. If we give a different meaning to "offsets," like buying or selling, we complicate that. Certainly, the reduction of an entity can be treated as offsets if that entity sells them or transfers them to another entity.

But still, the offset is what you purchase to compensate any perceived or real deficiency in your balance between emissions and removals.

MR. BROOKMAN: Is that your interpretation?

MR. FRIEDRICHS: We don't necessarily think that there has to be a purchase involved, but there has to be some kind of agreement between the reporting entity and the party that actually achieves the reduction.

MR. BROOKMAN: Some sort of specification about how these --

MR. FRIEDRICHS: One important attribute of emission reductions that would qualify as offsets is that they have to meet essentially the same criteria that emission reductions achieved by the entity itself would have to meet. We don't want to create a loophole, essentially, that would allow certain types of emission reductions to be reported as offsets that wouldn't qualify as emission reductions if they were reported directly. We want to ensure that the two are on the same playing field.

MR. BROOKMAN: I thought it was clear that time. The first time that you lost me, Sergio. I think I got it that time.

Kristin, and then to Karen.

MS. ZIMMERMAN: Kristin, GM.

A category that I think should be allowed to be included under offsets would be waste management practices, like the reuse/recycling that was mentioned earlier on, and indeed, some kind of a contract or an agreement with the landfill that the manufacturer is using would be quite appropriate, I think.

MR. BROOKMAN: Okay. Karen.

MS. UTT: Karen Utt, Xcel Energy.

I'm pleased to hear a lot of the -- that a lot of the things that I've been discussing today that -- that there is some understanding as to the issues that -- that we face.

And I would encourage a -- a rather broad thinking in terms of offset and not necessarily to fall in the direct and indirect concept in that, you know, depending on the contractual relationship, those offsets may actually, you know, effect the threshold and the issues with respect to -- to the baseline entities -- the entity's baseline.

And so, you know, just because the emission reduction may happen at a third party, it may happen because a company like Xcel Energy is making that happen, and as a result, the distinguishment between direct and indirect gets really blurry.

And we would like to be able to count our baseline and our emission reductions in the way that we see them and that we define them. And we feel that if we can define them consistently over time that we contractually provide with -- as far as -- as -- you know, to ensure no double counting with respect to -- to the emissions, that they should count, whether or not we actually own them or -- or not.

Because it really doesn't matter, you know, which -- who owns the project. What you want to see is our emission intensity go down. And so, you know, please don't do anything to preclude some of the creativity that we might come up with and -- or find some ways to pervert some of the contracts that we're trying to bring forward to improve our emissions intensity.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Yes. Offset reductions we envision being at least eligible for registration and would be treated potentially as equivalent to any other reduction achieved by the entity.

MR. BROOKMAN: Janet.

MS. RANGANATHAN: At the risk -- Janet Ranganathan of the World Resources Institute.

At the risk of sounding like a broken record on this, the word "offset," think about what it means. It means you are going to use this reduction to offset your emissions. That implies compensate for your emissions.

So therefore, the issue of additionality is relevant to these. I would like to remake that point.

And as defined now, it talks about organizational reductions over time can be used as offsets. That's very different the way that most people define offsets, which is in relation to a hypothetical baseline.

MR. BROOKMAN: Okay. Thank you.

Final comments on the offset issue? Have we covered it? No, we have not adequately.

Lee Ann.

MS. KOZAK: Lee Ann Kozak, Southern.

In terms of offsets, one issue I wanted to address. As I read the guidelines, there is a requirement that for a company to be able to use an offset in registration, the company from which they purchased that offset also has to meet the requirements of registration.

Since this is a voluntary program, I find that to be a huge hurdle that really discourages transactions with offsets. Let's say I'm a company that has decided to go ahead and register. We go through all the requirements, do everything that's required for that. If we purchase an offset that we believe is credible in the way it is quantified, if that company that we purchase it from has chosen not to register, then if we buy that offset we're disqualified from registering.

To me that -- that does not make any sense. If you go through all the requirements to meet -- for registration, you should be able to register and should be able to include the offsets purchased within your report.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: We're not requiring the third party to report directly. We're only requiring the reporting entity to ensure that those reductions that it's claiming as offsets meet the same requirements that would be applied to any entity reporting directly if they had chosen to.

MR. BROOKMAN: Essentially qualify.

MR. FRIEDRICHS: Yeah, or qualify.

For example, a -- a utility might purchase reductions from a wind farm under contract as discussed, and the wind farm might qualify as a small emitter. And so the wind farm would have to meet the requirements of -- that a small emitter would have to in demonstrating its emission reductions. But the utility, which is not a small emitter, could still report those as registered reductions.

MR. BROOKMAN: Lee Ann, follow on.

MS. KOZAK: But if in the case of that wind farm it is owned by an integrated utility that is far larger than just the wind farm, you're then in the position that the utility buying that suddenly has to go in and verify that that other huge utility is meeting all the requirements, and that's a huge burden.

MR. FRIEDRICHS: Yes, that's correct.

MR. BROOKMAN: Janet Ranganathan.

MS. RANGANATHAN: Just to relay a comment here, Janet Ranganathan, WRI.

I agree with Lee Ann here that -- and I think that the problem is, if the reduction or the offset is defined as an organizational reduction, a change in emissions over time could be intensity or absolute, then you have this problem because you need all this information to figure out whether that's a credible reduction.

If the offset is defined as a project reduction, which is the usual use of the term in relation to a hypothetical baseline, there'll be no need to give all that information.

MR. BROOKMAN: Karen, do you have an additional comment?

MS. UTT: I just a have a follow-up with regard to additionality and the -- Karen Utt, Xcel Energy.

In the -- one of the problems with discussing additionality with respect to 1605 is that there's no target. And so you know, the question is, additional what? And the -- you know, the part -- if in the first bullet when, if the purpose is to stimulate private mechanisms and so on, then won't additionality be dealt with by the market, meaning, you know, isn't -- isn't additionality a concept that's sort of beyond the -- the purpose of 1605? The purpose is to register a reduction.

MR. BROOKMAN: Okay. I'm going to suggest we move on to the next slide, which is record-keeping, certification, independent verification, and John Staub from the Department of Energy is going to queue this up.

Other Issues
Record-Keeping, Certification, and Independent
Verification

MR. STAUB: There's two -- this slide is broken into two parts, the record-keeping and then the certification and verification section. And we'd really just like to hear your inputs on these issues and whether you think what's laid out in the guidelines is workable, if there's something that's -- more that's needed or less that's needed.

But just in brief, under the record-keeping, what we're saying is that people who are reporting need to keep records that are verifiable so that if someone did want to verify them in the future they could for a three-year period.

And under certification, we're really interested in your inputs on who should certify an entity's report. There's been some discussion already about this, but should it be the CEO or should it only be a responsible person who's in charge of environmental regulations and things like that.

And then, how should DOE specify what the necessary qualifications are of people who conduct independent verification. Those are kind of big issues.

MR. BROOKMAN: Yes. Janet Ranganathan.

MS. RANGANATHAN: The requirement for a CEO to sign off on the inventory is quite onerous, and I don't think that any CEO worth his salt would do that without some third party verification or a testament to that. So to me, that proposal is tantamount to requiring independent verification in the most part.

MR. BROOKMAN: Is that something you would subscribe to or do you think that's too onerous as well?

MS. RANGANATHAN: Certainly, if the registered reductions might create transferable credits in the future, I would think that verification would be required.

MR. BROOKMAN: To me, these issues all link together. At this late stage in the day, I'm hoping that many of you can kind of take these features and push them together into some coherent whole.

And I'll start with you, Ed, and give you a chance.

PARTICIPANT: Verification, I think, is important, but I don't think it is as important as the guidelines would require. It seems to me where most of us are concerned about, if you will, the -- the ability to audit and confirm all these numbers, would come into -- would come more into play when you're trying to establish some kind of property value or value of any kind associated with that credit.

In this voluntary reporting program without anything resembling a market trading system or cap and trade system or anything else, there's really no -- there's no substantive value being applied to any of these credits. So the -- so the verification process it seems to me can be a little bit lighter than one might require if one was trying to transact that credit in a marketplace.

And until such time as an entity is faced with that kind of transaction, to assume the cost of significant independent verification of every ton it seems to me is an excess of oversight on these reports.

MR. BROOKMAN: But -- but what about verifiable records kept by the reporting entity at a three-year minimum? Does that make sense to you?

PARTICIPANT: I think that's -- I think that's easy.

MR. BROOKMAN: That's easy, and that's not too difficult, okay.

Yes, please. Your name for the record.

MR. SHIDELER: Yes. My name is John Shideler. I'm with Futurepast in Arlington, Virginia.

And because I haven't spoken yet, just by way of background, I'm an accredited environmental management system auditor and I'm also helping from the U.S. negotiate the new ISO 14,064 standard on greenhouse gases, particularly the verification part.

As I read the relevant sections on the qualifications of auditors, the first thing I'd like to say is that it's not clear to me what your intent is in the paragraph where you defined "qualified" as talking about verifiers must be certified. In other words, it's used sometimes as accredited. And three programs are cited: the American Institute of Certified Public Accountants, the ANSI RAB National Accreditation Program, or the Board of Environmental Health and Safety Auditors Certification.

This paragraph doesn't explicitly say whether individual verifiers need to have individual auditor accreditation -- accreditations from one of those three programs or whether the entity that employs the auditor needs to have a -- itself some kind of accreditation, such as is provided for environmental management systems auditing under the -- under the ANSI RAB National Accreditation Program.

MR. BROOKMAN: John, what would you suggest?

MR. SHIDELER: Well, if -- if the intent is to say that the individuals must be accredited or certified, then I would say that that doesn't really satisfy the -- the needs of the -- of the marketplace because there is no reference to any kind of further qualification in this particular area of verification of greenhouse gas emissions reports.

On the other hand, if you're going to qualify firms, then I don't think this paragraph does that, either. So before I comment any further, I'd like to know what your intention was. Was it the individuals or was it the firms employing the individuals that you were intending to accredit?

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: This is another issue that we're exploring in our development of the technical guidelines. We intend to elaborate on that paragraph. And right now it's -- we're inclined to require that some kind of accreditation for both individuals and the firm with examples of the types of accrediting organizations that might be appropriate but no -- no fixed list. Although this is an area that we are still working on, we would be happy to get any more detailed suggestions you might have as to the best approach.

MR. BROOKMAN: Yes, follow on.

MR. SHIDELER: Well, my personal point of view is that the -- John Shideler again from Futurepast.

My personal point of view is that -- that from the -- from the point of view of a company that wishes to have its emission reductions verified, the -- the important thing is that the individuals conducting the verification are qualified. And so on the -- on the one hand, it's -- it's -- it could be adequate to ensure that -- that individual verifiers or auditors have individual qualifications, but this -- this paragraph doesn't do that yet because you can be a CPA and not know a thing about greenhouse gas emissions or an environmental management systems auditor and not have the special --

MR. BROOKMAN: Is there a single qualification that you would mention that would -- that would be indicative of that kind of level? No?

MR. SHIDELER: No, not yet.

MR. BROOKMAN: Okay. Thank you.

Michael first, and then to Bill, and then to Miriam. As briefly as possible.

MR. CASHIN: Thank you. Mike Cashin, Minnesota Power.

As far as record-keeping is concerned, I think that's reasonable as asserted. As far as certification and independent verification go, I think that would depend on the nature of what's in the report. Much of what we have already done in 1605(b) is already covered with the filed reports that are reviewed by state regulators and so forth.

I would see a need for independent verification for, say, special projects that might be unusual.

MR. BROOKMAN: Thank you.

Bill.

MR. NICHOLSON: Bill Nicholson, AF & PA.

With respect to the record-keeping, the three areas doesn't bother us at all. We would observe that it might be more practicable if you were -- did not have your reductions disappear if you happened to miss a year but should have the opportunity to back fill when you have the next time the opportunity to report.

With regard to --

MR. BROOKMAN: I think that was in -- that was in the -- was that not? Pardon me.

Mark Friedrichs.

MR. FRIEDRICHS: I thought we specifically said that, but if we didn't, that was our intent.

MR. NICHOLSON: Make sure that it's clear, please --

MR. BROOKMAN: Yeah.

MR. NICHOLSON: -- because it wasn't.

MR. BROOKMAN: Keep going.

MR. NICHOLSON: With -- we should have an -- a person certifying the report who is identified by the chief executive officer as the responsible reporting entity. That identification could be filed with the report.

MR. BROOKMAN: Okay. Thank you.

MR. NICHOLSON: The third thing has to do with verification. Most of these -- many of the entities that do this have access to certified public accountants and professional engineers who are perfectly capable of doing this kind of work, and that ought to be adequate.

MR. BROOKMAN: Who -- yes, Miriam.

There are some of you who want in the queue, approximately in this order: Lee Ann, and then this gentleman in the gray, and back to Jim.

MS. LEV-ON: This is Miriam Lev-On on behalf of --

MR. BROOKMAN: And I'd like to ask everybody, since it's late in the day, to be as brief as possible.

MS. LEV-ON: -- on behalf of API.

I just want to address very briefly the issues raised there as far as the record-keeping. Three years, as you said, is not a problem. As far as the certification, I would agree with what Janet said earlier on, that having the CEO sign the certification is probably too onerous and having a designated company official that is responsible for doing this would be a more practicable approach.

As far as the verification, I don't want to assume that every verification is automatically an independent third party verification because companies have set up their own internal auditing systems, especially for ISO and for environmental management systems. And the same kind of internal discipline that exists in a company and the same kind of internal independence that exists can be used also to verify emissions.

So we'd like to stipulate that the level of verification should be left to the requirement of the data user.

MR. BROOKMAN: Thank you.

Lee Ann.

MS. KOZAK: Lee Ann Kozak, Southern.

In terms of the last bullet and the three sub-items, I wanted to address those. The first item on certification, I agree that requiring the CEO is too onerous, that it should be the responsible executive.

In terms of qualifications for verifiers, I believe that focusing on something like an ANSI certification or a CPA, while that might be useful, it's not really the primary requirement. What is really more important, in my view, is that the verifiers have a thorough understanding of the business and the industry in which they are operating. Just because you're simply an accountant with a CPA does not mean that you understand the business and the nature of the emissions and operations. That's more important and that -- that should be primary in selecting verifiers.

And finally, should third party verification be required. We believe that it should not be.

MR. BROOKMAN: Thank you.

This gentleman here.

MR. KELLY: Glen Kelly with the Alliance for Climate Strategies. It's the first time I've spoken. I'll be brief.

The alliance, for those who may not know, is a coalition of 10 Washington-based trade associations that very strongly support the development of voluntary programs to address greenhouse gas issues.

Two points. One, on the independent verification question, we strongly support the language in the proposal that would not require independent third party verifications. As was pointed out earlier in the morning session, this is a voluntary program that does not rise to the same level as a Sarbanes-Oxley type initiative.

Lastly, we also -- excuse me. We support that provision and -- and to -- with regard to who should certify the report at the -- perhaps at the chief environmental compliance officer level, we think, as others have said before, that the CEO level would be too onerous.

With regard to the provision, again, just to reiterate, on verification, we support the language as currently written.

Thanks.

MR. BROOKMAN: Thank you.

I have on my list here Greg, and then I -- and then Jim. Who's -- I missed somebody. Who'd I leave out? I left you out, Marlo, but you're after Jim.

Go ahead, David.

MR. FINNEGAN: Dave Finnegan, Mayer, Brown, Rowe & Maw.

On the last point about, should verification be required, I would point out that the statute provides for self-verification. So I don't think you can require it under the statute.

Secondly, on the -- on the issue of necessary qualifications, I'd question whether there's any authority under the statute for setting qualifications for verifiers.

On -- on the question of the certification itself, the Section 300.10 provides for certification. The statute provides for certification of accuracy. This suggests and it states "accuracy and completeness." I'm not sure what completeness means or what you would do. And it also says "certifying that the records will be kept for three years." I don't know whether anybody can actually say that they will possibly -- will be set for three years. All they can say is hopefully.

MR. BROOKMAN: Okay. Thank you.

Jim.

MR. KEATING: Jim Keating, BP.

MR. BROOKMAN: Closer, Jim.

MR. KEATING: Jim Keating with BP.

A quick comment on -- on record-keeping. In the preamble, there's a discussion about data reports being sufficient in detail to enable EIA to review and confirm the final emission reduction calculations with a follow-up saying the detail of what that means will be included in the technical guideline. It's kind of hard to comment on -- on that without really seeing the technical guidelines. That was kind of in detail. So there's a little argument for connecting the -- the general and the technical guidelines as well as bridging into the certification.

MR. BROOKMAN: Okay. Marlo.

MR. LEWIS: Marlo Lewis with Competitive Enterprise Institute.

I just want to second a comment that was made a while back that if this revision is understood to be the basis for a crediting system, then I think you do need independent verification and certification by the CEO because if you are awarding credits that -- that can be applied to a future regulatory program, that obviously affects a company's bottom line and its shareholder value. And -- and therefore, what you're dealing with is not just a voluntary program but a pre-regulatory program. So I would argue that that would place it under Sarbanes-Oxley.

Today and over the last few weeks it has appeared that a crediting scheme is not part of what DOE envisions, but I -- I want to reserve judgment on behalf of CEI on this whole issue of certification and independent verification because the change in the conception of the program that we've been talking about today seems to be more by an act of omission on DOE's part. In other words, you didn't talk about legal authority and you didn't talk about credits in the proposed rule, and so until such time as you affirmatively say this will not be a crediting system -- one of the reasons being that we don't have the legal authority to do it -- and state it in writing, I'm going to have to reserve judgment on it.

I think, you know, keeping the more onerous requirements at least out there is a possibility I think might inject a little discipline in people's thinking.

MR. BROOKMAN: Thank you.

Yes, Christopher.

Let me say that shortly we're going to move on to the next topic, and I mean very shortly. International emissions and emissions reductions.

Christopher.

MR. LORETI: Chris Loreti, Battelle.

Just a few points related to verification. First, I would agree that it should be voluntary, and again, I'd point to the example of the California Climate Action Registry, which does have a requirement for what they call certification and what we're calling verification. And they have that because it's built into the legislation. It's probably one of the greatest disincentives for people to report in that program.

Secondly, I would say, I agree with Janet that you do need verification if you're -- if you're trading emission reductions, but the marketplace drives that and it'll be the buyers that drive that -- that verification. So it'll -- it'll occur anyway. I don't think DOE needs to require that as part of this program.

And finally, in terms of the qualifications for the verifiers, I think it's worth considering more what the verification will consist of than what the verification -- I mean, what the qualifications of the verifiers will be.

MR. BROOKMAN: What, not who.

MR. LORETI: How do you do it rather than who are you --

MR. BROOKMAN: Yeah.

MR. LORETI: -- and what -- what types of certificates you hold.

MR. BROOKMAN: Yes, please, and then I'm going to John.

MR. SHIDELER: Just as a follow-up to that last comment, this is John Shideler again from Futurepast.

The -- the point is extremely well taken that -- that what is done or how the verification is accomplished is really the critical thing. The American Institute of Certified Public Accountants just issued this last fall a guideline document for CPAs to follow in conducting verifications of emissions reports. So the practice from the CPA point of view is now codified by AICPA.

The -- on the management system side, ISO Technical Committee 207, Working Group 5 is currently developing ISO 14,064, Part 3 on verification, which will be an analogous guideline document for verifiers of greenhouse gas emissions reports.

So that -- those -- those kinds of documents are -- I agree, whether people follow those documents and are competent to do the -- the work, as Lee Ann Kozak mentioned.

Those are the critical things, not what you've got here in the text so far.

MR. BROOKMAN: Thank you. And I'm sure the Department will welcome any additional and specific comments on this -- on this subject.

Mark Friedrichs.

MR. FRIEDRICHS: Yes, certainly. And I should have mentioned, but it is certainly our intent to more fully explain or detail the types of verification that should be undertaken as a part of that process.

MR. BROOKMAN: John.

MR. DEGE: John Dege, DuPont.

On who signs, it's very clear. The Clean Air Act, Title V, certifications, criminal liabilities; it's the responsible corporate official, not CEO. You can go all the way down to the business-specific function person, but it does not have to be the CEO.

MR. BROOKMAN: Thanks very much. Thank you.

Final comments on this? I'm eager to move on to international. We haven't had any -- so let's move there.

Next slide.

And Margot, you're going to queue this up.

Other Issues

International Emissions and Emission Reductions

MS. ANDERSON: Gee, how come I get all the easy issues?

(Laughter)

MS. ANDERSON: As most of you or many of you noticed, the proposed revised guidelines do not address the reporting or registering of U.S. -- of non-U.S. emissions or emissions reductions. And what we're really here today to do is to seek comment on how you would like the Department of Energy to treat non-U.S. emissions either through reporting and/or through a registry.

In addition to just comments on whether they should be included or not included, we'd like to get some comments on how they should be included, given the basic structure of the program as an entity-wide reporting program, assessment of -- emission reductions, et cetera. How should we include non-U.S. emissions or emissions reductions into the kind of parent domestic program that we're trying to build.

So we'd like comments on a couple of different layers about your views on the treatment of international emissions and international emissions reductions.

MR. BROOKMAN: Who'd like to start this off? Yes, Bill Fang?

MR. FANG: We have a number of comments on this area. Let me start off first by saying that we think the proposal is a tremendous retreat from the current guidelines. The existing guidelines, of course, allow for reporting of international projects, emissions and emission reductions. It doesn't distinguish between domestic and international, and there is, of course, no conceptual or philosophical reason that would justify such a distinction.

Secondly, the efforts by several agencies in this room, DOE, the State Department, Agency for International Development, are all in favor of sustainable development under the World Summit for Sustainable Development, and -- and projects in the greenhouse gas area, of course, are encompassed by those.

Thirdly, in terms of projects, the international projects tend to be energy projects, forestry projects, and as we've seen, there's no reason to distinguish those. So we can't see why there should be any special ground rules for or special criteria for international projects. They should be both reportable and -- and registrable.

And finally, before I get to another point, even if you take -- keep the president's goal in mind, greenhouse -- everybody acknowledges that greenhouse gases are global. I mean, they're ubiquitous. What does it matter whether a project -- say a forestry project is done in a utility service territory or in the lower Mississippi River Valley or in Katmandu? It just -- it simply doesn't make any difference where that carbon is sequestered.

Let me address one specific question that's raised in the proposal or in the preamble to the proposal. It's -- the argument is that the reporting and registration of non-U.S. emissions and emission reductions raise certain issues that do not arise in the context of reporting and registration of U.S. emissions and emission reductions.

We're hard put to think of any -- any issues that arise internationally that don't arise domestically. The notice says, for example, certifying the accuracy of data may be more complicated. Just the opposite has been -- just the opposite is true. The programs that our people have run through international utility efficiency partnerships and now the international power partnerships show that, based on the ground rules that the State Department laid out many years ago and the rules of the host country, that certifying the accuracy of data is -- is far more difficult. So there doesn't need to be a special requirement for that.

MR. BROOKMAN: Yes, please.

MR. FARRUGIA: Mario Farrugia, NEDO.

I tend to concur with -- with the previous comments. Particularly from a business perspective, I think that not including such -- not including the international perspective would actually penalize businesses or companies who have significant international operations.

Secondly, seeing it from the administration's perspective, the -- the administration has tried to -- to launch an alternative global warming or climate change policy in view of the current practices. So having such an international component would be a building block toward -- in the -- I would say in the administration's or the president's goals of establishing an alternative climate framework to the -- to the existing one.

MR. BROOKMAN: Let me just cue you again to Margot's request that you try to the extent possible to describe how this gets affected as well. That's part of the comment we hope to receive here.

Kristin.

MS. ZIMMERMAN: Kristin, GM.

I think the 1605(b) has to remain flexible enough to -- to allow for the reporting of international emissions or reductions. However, I think one of the goals still of -- of 1605(b) is to show what's going on in the U.S.

So maybe there's some kind of flexibility provision, if there could be such a thing, that suggests first submit your U.S. footprint. And if you do so, then go ahead and also be allowed to also submit the international projects. That might be a possibility.

MR. BROOKMAN: Okay. Other constructs or ideas? Greg?

MR. McCALL: Greg McCall, American Electric Power.

MR. BROOKMAN: You're the one I left out before.

MR. McCALL: Yeah.

MR. BROOKMAN: I'm sorry. I dropped you out of the queue.

MR. McCALL: We just concur with those comments just made by Kristin.

MR. BROOKMAN: Okay. Thank you.

Janet Ranganathan.

MS. RANGANATHAN: Janet Ranganathan, the World Resources Institute.

Yes, I agree with most of the comments that have been made. I see no reason to exclude international emissions, particularly -- and they should be -- actually be actively encouraged certainly in countries that -- that do not have regulations and where there might not be any incentives for reductions.

But this brings me to another really important point in that many of the players in 1605(b) are likely to have global operations. Companies increasingly operate across borders now, which is why it's important to have standardization.

And in fact, one of the requirements or one of the recommendations of the four agencies that deliberated on this was to standardize current and best practices. And I -- I actually do not see much evidence of that in this current draft. And in fact, some terminologies are used inconsistent with -- with practices which are out there right now, which will create confusion because those companies that have international efforts will -- may have developed them according to some of the standards that are out there will have to redo their inventories, which increases the reporting burden for them. If they have -- if these -- if the 1605(b) guidelines are inconsistent, we have sort of current international practice.

And in sort of a related comment, this is that four of the industry associations that I mentioned earlier, smelt, aluminum, pulp and paper, and oil and gas, have actually converged on some standards here. So I see -- see that the 1605(b) should really be taking steps to -- to promote that further.

And -- and if they were to do so, I would see no reason to have all of these separate states -- state registries. If we have one good federal system, that will circumvent the need for others. If we don't do a good job of this, in my opinion, it's a license for the states to go do their own thing.

MR. BROOKMAN: Thank you.

MR. FRIEDRICHS: Doug?

MR. BROOKMAN: Yes? Mark Friedrichs.

MR. FRIEDRICHS: Just -- just a request, and that is, to the extent that you can be more explicit in written comments about inconsistencies, where you see what we have proposed in 1605(b) as being incompatible with some international or even state protocol, we'd appreciate it.

MR. BROOKMAN: Janet.

MS. RANGANATHAN: Just very -- I mean, I will do that, certainly. But just basic definitions of direct and indirect emissions, the definition of organizational boundaries and operational boundaries. Some of the stuff will be picked up in the technical protocols, like the definition of "purchased electricity." Is that just emissions from your own consumption or does it include T & D losses.

Just some of these basic issues I would encourage compatibility.

MR. BROOKMAN: Thank you.

Jim. Pardon me, Jim.

Margot Anderson.

MS. ANDERSON: I was trying to solicit some comments, as Doug said, about if you are advocating the inclusion of non-U.S. emissions in the registry, how do you do that. Do you -- and this tees up to, really, the third bullet. Are we -- are you suggesting that we just worry about isolated projects that might occur overseas that your company might have been engaged in, or if you have overseas operations, should those operations report at the entity level and do the assessment of entity-wide reductions.

So some practical advice about how to do that and to be consistent with the overall parent program that we are proposing would be most helpful, in addition to just advocating that, yes, of course we should take into consideration emissions that occur overseas. So some practical advice about how to do it to make sure we have a credible database, it is tracking the emissions and the emissions reductions that are more accurate, more reliable, and more transparent for folks that are going to be looking at the registry.

MR. BROOKMAN: Yeah, and also, you said -- you implied consistent with the general architecture that you've laid -- that you've laid out.

Jim, and then I'll go to Bob.

MR. KEATING: Jim Keating, BP.

I'm not sure I can directly address what you're looking for, Margot, but I think the option should definitely be there.

What we're dealing with here are a lot of multinational companies that manage their greenhouse gases on a global basis and not a regional basis. So I think you should be able to open up the program as is to an international basis.

MR. BROOKMAN: Yes, please. Margot Anderson.

MS. ANDERSON: Part of that issue is that -- that if it were opened up, would you also advocate that emissions reductions overseas should be counted in the U.S. database as part of U.S. reductions. Should there be some way to bifurcate that in the database; do those count towards a company's -- I mean, should a company differentiate between emissions that occur -- emission reductions that occur in the U.S. versus emissions reductions that occur overseas; is there any reason to lump them together, keep them separate.

If you're operating in -- if you have one -- if you have four plants in one -- in one country, should you be asked to report on all those plants or just on a couple of plants.

So again, operationalizing that and determining how that might work within a program that is aimed at looking at domestic reductions would be very helpful to look at some of the more details about precisely what that means.

We recognize there's multinationals and they may be subject to reporting in other countries. What might that mean for reporting on emissions or emissions reductions in the U.S.

PARTICIPANT: I guess I'll have to go into more detail on my written comments. I don't have a good answer for you right now.

MR. BROOKMAN: All right. I saw Janet and Ed. Let's -- Janet first. No?

Ed. And then -- pardon me, Ed. I left -- I left Bob out of the queue.

Go ahead, Bob.

MR. SCHENKER: Bob Schenker, General Electric. Some of the questions you've raised really have gone beyond what our thinking is, but we have -- in doing the actual inventory that we're doing within General Electric, we have a web-based process that we have gone out to all the facilities that we have considered to be included within the inventory. They're all given the same instructions on how to do the inventory. They're all given the same instructions for record-keeping.

We have them enter into the website we use their electric use, their fuel uses, and so forth. We calculate the emissions centrally using established emission factors.

So basically, it's just a matter of what keystrokes we use as to whether we -- we print out a report that would be worldwide, U.S.-based, or -- or Indian-based, or -- or whatever. We have a lot of flexibility to do that.

I think one thing we'd have to be careful of for emission reductions in other countries is to whether those emission reductions are being used elsewhere through -- maybe there's -- there's the program in the U.K. and so forth. If those emission reductions have already been used there, we don't want to double count them.

And at some point, if we're looking at U.S. reductions, reductions that are occurring in other countries, perhaps they don't -- they don't make sense to be included in the U.S. It's an issue we haven't really addressed.

MR. BROOKMAN: Okay. A brief process note before I return to the individuals that wish to comment. It's -- it's late in the day and several people have just started having to head out of here. We will make it through the agenda. We're right on schedule on our time, but if you need to leave, please nevertheless fill out the evaluation form and hand it in at the registration desk. We read these things. It's important to us. So please do that.

Dave, I saw you next.

MR. FINNEGAN: Dave Finnegan, Mayer, Brown, Rowe & Maw.

I -- I don't quite understand the -- Margot's point about the emission reductions or emissions in other countries, particularly where they're -- the -- the U.S. industry is -- has a project in, say, Bolivia but has no operations in Bolivia. They -- you're not asking them to provide emissions -- emissions from all the places in the world that they have operations, are you?

MR. BROOKMAN: Okay. No additional comment on that.

Please, Ed. Thank you.

PARTICIPANT: It seems to me one other reason to keep open the issue of international emission inventories and reductions is for service industries that operate along borders under NAFTA and our operations along those borders are not necessarily distinguishable by international boundaries. To be flip about it, I'd say at least give us Canada and Mexico, but --

(Laughter)

PARTICIPANT: -- certainly, in our case, our community and board of operations, it's problematic how we would develop emission inventories and reductions and distinguish those out because of the integration of the operations.

MR. BROOKMAN: Thank you.

Additional comments on these international issues? Anybody else?

(No response)

MR. BROOKMAN: Did we address the final bullet adequately, how an entity-wide concept would be extended in non-U.S. activities? We did, adequately? So let's move on to the last slide.

Yes? Please, please.

However, additional -- oops. How should DOE address concerns about data quality and consistency with the general guidelines.

That's what I thought. I thought that we -- would you have to say something additional about this?

MR. SHIDELER: Well, I would like to point out --

MR. BROOKMAN: Your name, please, John.

MR. SHIDELER: John Shideler from Futurepast.

I'd just like to point out that there is a -- an American national standard that's been published recently, second edition in the last couple months, on the issue of environmental data quality. And under -- and this is something that DOE might want to look at and reference.

MR. BROOKMAN: Thank you.

Other comments on data quality?

Now then, Mike.

Relationship to other voluntary climate programs? Margot, you can introduce this one as well.

MS. ANDERSON: Yep. Let me introduce this one.

Other Issues

Relationship to Other Voluntary Climate Programs

MS. ANDERSON: The administration intends to use the 1605(b) reporting program as the central reporting program for reporting on greenhouse gas emissions and reductions for those folks that are also in voluntary action programs like Climate Vision or Climate Leaders. It is the statutory program of the federal government, and we're trying to create the program to be accommodating the kinds of MOUs that are underway within DOE, with EPA, and other voluntary programs as they -- as they ensue.

We recognize that 1605(b) may not be the best vehicle to report on all of the actions that companies and trade associations are agreeing to undertake within their MOU, and we fully recognize that there may need to be other kinds of reporting mechanisms or showcasing opportunities to talk about the type of actions that companies may undertake, be they pilot projects or R & D. There's a wide range of commitments within the Climate Vision and Climate Leaders MOUs.

We want to use 1605(b), however, to be the point of recordation for emissions inventories and emissions reductions. There's been some comment about this throughout the last year in their written comment period about how these programs are linked, and we'd like to hear your comments on our proposal or our statement that's in the draft guidelines as well as in the preamble. Again, 1605(b) is the reporting program, recognizing that there may be additional types of information that you would need to supply to either the DOE or the Environmental Protection Agency regarding any agreements that you have with them about meeting certain goals.

MR. BROOKMAN: Please, Tom.

MR. CARTER: Tom Carter, Portland Cement Association.

Janet alluded earlier to the fact that most of my member companies, cement manufacturers in the United States, are currently reporting using -- are currently measuring their emissions using the GAT protocol developed by WRI and the WBCSD.

Our concern is ensuring that by doing so we will be able to satisfy the reporting requirements of the 1605(b) program.

MR. BROOKMAN: Thank you.

Other comments on -- on these -- on this range of issues? Please. Robert.

MR. STRIETER: Bob Strieter with the Aluminum Association.

We're having a hard time understanding how 1605(b) as proposed will be usable as a documentation for Climate Vision as well as our VAIP voluntary program. Because of the differences in baselines, we don't see how it can be used to document those emission reductions adequately.

In the case of Climate Vision, we will have a 1990 baseline, a year 2000 interim baseline which in no way matches the proposed 2002 baseline in -- in 1605(b). So we'll be faced with the inevitable problem of using different reporting regimes under 1605(b) for the same Climate Vision program. It probably also applies to Climate Leaders as well, as we're -- some of our members are still involved in those negotiations.

But in our view, there needs to be a better coordination between the voluntary programs that are already preexisting within EPA and DOE and -- and the 1605(b) program.

MR. BROOKMAN: Okay. Thank you for that comment.

Other comments about the relationship with other voluntary climate programs? Kristin.

MS. ZIMMERMAN: Kristin, GM.

GM strongly supports a single registry, a national registry, and this would be solving so many of the -- the state registry issues, multiple reporting, very, very cumbersome sets of requirements, and if we can have one particular registry that allows the greenhouse gas protocol and all these other sets of guidelines to report up to, to show progress in voluntary programs. They don't necessarily just have to be federal voluntary programs. Then I think it's going to be to the benefit of all that want to participate.

MR. BROOKMAN: We've heard that several times today about a request for a single registry or a vehicle that would affect that kind of an end. I know the Department would greatly appreciate all of you and your comments being very specific about how you would achieve that. Very, very specific.

Miriam.

MS. LEV-ON: Miriam Lev-On on behalf of API.

I just wanted to reiterate that API is a member of the Climate Vision program, and as part of its internal programs for its membership, API is going to be using the petroleum industry guidelines to define the entities and also the API developed compendium of methodology as appropriate methods to be used by the companies to estimate their emissions. And both of those documents are available to the DOE, and we'd encourage that they be referenced explicitly in order to allow the oil and gas sector to continue to report using these industry-developed documents.

MR. BROOKMAN: Thank you.

Bill.

MR. NICHOLSON: Bill Nicholson for AF & PA.

You may be able to make it -- the 1605(b) program a little bit more accommodating for things like Climate Vision where you have research projects and other things that entities or associations have committed to by having projects identified along with the entities.

Now, there -- total -- as a subset, separately, and you know, if you -- if somebody turns in something that says, here's my emissions report and, by the way, I also ran four research projects which were. If you just tag that on, it can all be included.

MR. BROOKMAN: Thank you.

Yes, Bill.

MR. FANG: Bill Fang, Edison Electric Institute.

I wanted to support the GM comment about this being a -- a single national registry. It is both the national and the federal registry. In terms of other registries, I think just as the president has rejected the Kyoto Protocol, DOE and the other agencies need not be overly concerned with other registries. I mean, they can certainly look at some of those other aspects, but as we have heard today, a number -- any number of speakers have problems with the California registry and with the Canadian Voluntary Challenge Registry and so forth.

So this is the one that DOE should be focusing on, and it should be fashioned to serve the interests of the people who will be reporting into it and who will be doing the voluntary programs.

MR. BROOKMAN: Other comments related to the relationship between 1605(b) and other voluntary climate programs?

I see none. I'm scanning here. Yes, one more. Janet Ranganathan.

MS. RANGANATHAN: Janet Ranganathan, the World Resources Institute.

I think if we thought about why the states have developed their own registries and then we could think that they're anarchists or selfish, they want to do their own thing. The reality is that they developed their own because there was a perception that 1605(b) wasn't credible enough among certain stakeholders.

So I think now is an opportunity for 1605(b) to -- to address those concerns. And if 1605(b) does a good job with the revisions, the relevance of 1605(b) to state registries is that state registries will no longer be relevant. But it's sort of a big "if" question.

MR. BROOKMAN: You wish to clarify that they're not anarchists or selfists or --

(Laughter)

MS. RANGANATHAN: I don't think they are.

MR. BROOKMAN: -- either one of those.

MS. RANGANATHAN: But you know, the --

MR. BROOKMAN: That's reassuring to some of us, yeah.

MS. RANGANATHAN: There's this issue that the more flexibility you build in, the -- the higher the risk that people will view it's not credible, you know. Whether that perception's right or wrong, that's -- that's the reality of it.

MR. BROOKMAN: Okay. Thank you.

Final and additional comments on this subject before we move on? Yes, please. Jim.

PARTICIPANT: Yes. What I'm promoting is like the National Electric Code. A lot of states, like ours adopted the National Electric Code, but they added on two or three additional comments for their own state. The same thing with this.

I'm recommending that our state take and -- and adopt the voluntary reporting as the code for our state and, if they have things they want to add to it, put more credits into it, put more requirements or something to tweak it, then we have a base with a tweak. So we have as many states have a base that's common and you can look it up on the web and see North Carolina, South Carolina, and what the difference is over the base program which we have here.

MR. BROOKMAN: Okay.

PARTICIPANT: Thank you.

MR. BROOKMAN: Thank you. Thanks for the model.

Final comments on this before we move to the final slide? I see no other comments.

Other Issues

All Other Issues

MR. BROOKMAN: Let's move to the final slide, which is a blank slide, which --

(Laughter)

MR. BROOKMAN: But there were a couple of issues that were raised this morning that I noted in my -- in the margins of my agenda, which were confidentiality and dispute resolution, those two things, and perhaps there are others as well.

Bill, I see you're raising your hand.

MR. FANG: I was among those that raised the confidentiality issue. Very candidly, there are many that believe that publishing this detailed information will make them less competitive and more subject to being in their business transactions to being beaten out by somebody who perhaps doesn't do this.

Consequently, I think if you display everything in a public document where everybody can tap into it, the ones that have filed will be put at a disadvantage to those that have not.

Second, I would like to strongly encourage you to continue to look at costs because that'll be the other factor that will potentially drive people away. We've had several comments that there aren't any direct, immediate benefits from this adventure other than the potential public relations and, you know, registration and that sort of stuff. But that may not be valued very highly, and the things that you are talking about in terms of putting in reports and having verification and all of that cost dollars, and people are -- companies are often very conscious of these kinds of things, like dollars, and will decline to participate if you make it too costly.

So keep the whole thing simple as you design it. Thank you.

MR. BROOKMAN: Thank you.

And how to create that simplicity, Bill. I'm sure from both you and everybody else in the room, the Department will welcome your thoughts on how to -- how to zero in on those elements that will keep that -- the integrity of the system intact and also reduce the costs.

Other comments related to, since we're on the subject of confidentiality, related to that? Yes, Dave.

MR. FINNEGAN: Dave Finnegan, Mayer, Brown, Rowe & Maw.

Just following up on the gentleman's comment, the Section 312 does say that, establish a publicly accessible database composed of all reports. So everything that's public, the way this is suggesting, and yet the statute does provide for confidentiality, but there is nothing in the guidelines on that.

MR. BROOKMAN: Okay. So, that's a gap in the guidelines from your perspective. Did I hear you -- did I hear that correctly?

MR. FINNEGAN: Yeah.

MR. BROOKMAN: Okay. Jim.

MR. HAVEN: Jim Haven, Global Warming Initiatives.

One thing in being open like this, companies can look at each other. When your company is hoping they're going to be bought from another -- by another company or if you're going to buy his company, you have intangible -- if you've reported voluntarily reporting, that's an intangible plus for that company that's on the bidding or up for being bought. That will go a long way for somebody looking to buy that instead of one that has not done anything, not recorded. So keep that in mind.

MR. BROOKMAN: That's an additional incentive, yes. Okay.

Other comments on confidentiality? Yes, Bob? No, you're okay.

The other thing that we raised this morning and perhaps there are other issues as well, although we're getting toward the end of the day, is dispute resolution. Are there comments on dispute resolution, what you -- how you envision that going or -- I -- do you recall -- this morning they referenced disputes, I think, surrounding -- what? Yeah, Ed, is that you? Dispute resolution?

MR. SKERNOLIS: Certainly, in the area of offsets --

MR. BROOKMAN: Some adjudication function.

MR. SKERNOLIS: Yeah, and any time you're using extra facility reporting, it seems to me you may get into the area of claiming, you know, competitive claims for credits.

But the other thing is -- is, how -- how does DOE intend to deal with appeals to their decisions about whether a report or a verification is acceptable to them and what recourse reporters have to -- to deal with any kinds of concerns or problems that -- that the reviewers raise back to the reporter.

MR. BROOKMAN: Yeah.

Do you wish -- no?

Okay. Let's -- other comments on dispute resolution? Jim? No? No. General.

All right. Miriam, before we move on to general.

MS. LEV-ON: Yeah. This goes back to the issue. I want to attach onto this dispute resolution the issue of whether those are guidelines or whether this is rule-making. And I think we -- we've had this discussion amongst API's staff as well as with DOE to some extent, that there could be a voluntary program, but once you are in the program, those are mandatory requirements for participation.

And I think this needs to be clarified in the -- whatever this ends up being, either a rule-making or guidelines, because that will also determine what recourse there might be for dispute resolution.

MR. BROOKMAN: It's a voluntary program; however, if you choose to participate then you must meet a certain level of rigor and the like, correct? Yeah.

Oh, say that into the record, Miriam. You're saying --

MS. LEV-ON: It is -- and that kind of determination would determine -- would also impact on your dispute resolution process and the standing of a -- of a court of ability to challenge in court or just a DOE internal process for --

MR. BROOKMAN: I see.

MS. LEV-ON: -- for resolving differences.

MR. BROOKMAN: Jim Haven.

MR. HAVEN: Jim Haven, Global Warming Initiatives.

The thing that I'm getting a lot of flack from my -- I've got 39 companies that I report aggregate-wise.

MR. BROOKMAN: You -- you're an aggregator.

MR. HAVEN: Aggregator.

MR. BROOKMAN: Yeah.

MR. HAVEN: They're hesitating against that word "voluntary." Their management is saying, we cannot participate in any voluntary programs unless it's mandated because they're laying people off and things, and it's bad times.

I suggest that this not be a voluntary reporting of greenhouse gas, that it be renamed. Maybe National Reporting of Greenhouse Gas, or something taking the word "voluntary" out of the program. It's voluntary once you get into it. Maybe "National Registry of Greenhouse Gases," or something like that.

Thank you.

MR. BROOKMAN: Thank you.

We may hear from more lawyers in the room at this point.

Janet.

All right. I do see a few lawyers in the back of the room that -- who haven't raised their hands yet, and you first.

MS. RANGANATHAN: Well, I was going to suggest mandatory greenhouse gas reporting.

(Laughter)

MR. BROOKMAN: I'm glad we've still got our sense of humor at 5:00 in the afternoon.

Dave.

PARTICIPANT: Well, it is -- the statute does call for a voluntary, so I don't see how it can be declared mandatory by -- by DOE.

But the other point that -- somebody made the point about regulations and guidelines. You can still have guidelines and have a process for deciding on what -- what is determined to be acceptable and what -- and -- and what is the various determinations that are being bought without having a regulation. And that seems to be what is needed here.

Also, when it says that the DOE will review the reports and decide whether they're acceptable and so forth, there's no time for any -- for when DOE does this. Are they going to do it in 30 days, 60 months -- six months, two years, whatever. And it seems to me the -- the person who's reported should want to be able to know what the answers are soon and then have a process to challenge if that is -- if it turns out to be negative.

MR. BROOKMAN: Thank you.

Lee Ann, do you wish to conclude -- follow on there?

MS. KOZAK: I've got a new issue, so.

MR. BROOKMAN: Okay.

MS. KOZAK: Is that okay?

MR. BROOKMAN: Any -- anybody got anything else to say on this subject, on this dispute resolution, adjudication, that related stuff? Please proceed.

MS. KOZAK: Lee Ann Kozak, Southern.

I wanted to briefly address the issue of the effective date of these new guidelines. As I've read the general guidelines that are out there now, there will be some point in time to be determined later by DOE when the new guidelines become effective and the old guidelines are no longer effective.

One aspect that I would ask that DOE strongly consider in -- in setting that date is the ability of companies to actually collect the data to meet the new reporting requirements. At this point in time, we're already getting into 2004. By the time these guidelines -- even with the scheduled laid out by DOE now, it'll be well into 2004 before companies know what the requirements of the new guidelines are going to be.

With that being the case, I would suggest that it's not feasible to have these new guidelines effective for reporting any time before calendar year 2005. Because companies will not know until well into 2004 what the requirements are, if they are not already collecting all of the data needed, they will not be able to report under the new guidelines.

And I do want to distinguish between data that may have been collected for other reasons that they can go back and retrieve and then report with some extended filing opportunities, contrast that with data that just has not been collected.

Once you get into 2004, there is no way to go back and collect data for activity that's already happened. And if they can't do that, they can't report under the new guidelines. If they can't report under the old guidelines, then there's a disconnect there.

And I would strongly urge DOE to please take that into account in setting -- setting those transition dates.

MR. BROOKMAN: Thank you.

Additional comments? Bob, yeah, and then Ed.

MR. SCHENKER: Bob Schenker, General Electric.

I just wanted to speak to the establishment of baselines. If we in General Electric were to establish a baseline for year 2004, our baseline is going to change drastically every year going forward because of the rate of acquisitions and so forth going forward. If we purchase a company in 2010, are we going to be required to try to find out what that company's emissions were back in 2004 to add it to our baseline or can we add its baseline in the first year when we have control over the company and -- and the collection of data. It's something you really need to keep in mind.

MR. BROOKMAN: Mark Friedrichs.

MR. FRIEDRICHS: Our current intent is either. You'd have the choice.

MR. BROOKMAN: Ed.

MR. SKERNOLIS: Two general comments. One is, I think DOE should consider the posting of reports as submitted and have them out there so that you're not under necessarily any deadline time frame as to when you might ultimately view those and officially post them. It seems to me you can flag a report that has not been audited or whatever you want to call it by DOE but still have it posted as such, and that might be an additional incentive for companies to get their reports in, knowing they're not going to linger in a review process perhaps for years until they see them posted.

My second comment is a little more serious, and I want to conclude with this. I am very concerned that the mental construct the DOE decision-makers had when they put this system together was either the electricity generation sector or manufacturing operations with discrete facilities.

I think you're going to have a serious problem in getting service industries to file reports under this system, especially ones with distributed operations and large numbers of facilities. We represent one such kind of company, but there are many, many like us, and it's very, very difficult for us to see how we can economically justify participation if we have to compile reports on incidental emissions that might accumulate to more than 3 percent, for example, over hundreds and hundreds of facilities across the country.

And you're going to have to, it seems to me, take a very fresh look at whether service sectors, particularly transportation-oriented services, have an incentive to participate in the system given the kinds of detail and the technical inventory -- excuse me, the technical guidelines you may soon publish.

And I'll conclude.

MR. BROOKMAN: Thank you.

A final comment from Bill.

MR. NICHOLSON: Bill Nicholson, AF & PA.

I would like to present a different view of the review by DOE. Two reasons. First, we're setting a set of -- a time period that I have to keep the data. If I can throw away the data after three years and you haven't reported about that what I've turned in is good, we've got a real problem.

So frankly, I think you ought to have set a date well before those three -- that three-year period in which, if you have not reviewed, you are deemed accepting.

MR. BROOKMAN: Thank you.

We're winding down here. Final comments? Michael.

PARTICIPANT: Just to respond to the idea that reports be made available before the DOE review is done, I guess my thinking is that if a company wants to make your report public in that context, that would be fine. But I believe there would be value in having the DOE review done before they're gone public. Otherwise, the prospect of exchange to bring the quality up and synchronize for the program would be accomplished.

MR. BROOKMAN: Thank you.

Let me close out the day and hand it back to Margot Anderson. From my perspective, I just -- I thank you all for your patience and for your intelligence and for your focus.

So thanks, and Margot Anderson.

(Applause)

Next Steps and Closing Words

MS. ANDERSON: IS this working?

I wanted just to -- thank you all very much for coming here today. We really do appreciate your comments. We look forward to written comments. These comments will be verbatim written into the record, and they'll be on our website so you can listen to this all over again should you decide to do so in a couple of weeks.

All kidding aside, it's been truly helpful to finally get reaction to something that we've proposed. Up until this point where we're just all talking about what if, what if, we now have a proposal out there. It's extremely valuable to hear what it is you're saying and hear what your concerns are.

I go back to our core principles of trying to strike these balances between credibility and participation. While they may not be dichotomies, we're trying to achieve any number of goals with this program and trying to meet the needs of the stakeholders so that we can demonstrate that voluntary programs do indeed work.

I want to review the schedule going forward. And again, we are requesting comments on the general guidelines by February 3rd. As Bob Card indicated, we're looking for an extension to that. You will see the general guidelines again mid-year when we wrap them up with the technical guidelines.

The technical guidelines have three parts. They deal with reductions issues, inventory issues, and the -- really two central -- those are the two core parts. There is an opening section that deals with general -- general requirements for reporting across all reporters. So those we're calling core requirements.

So again, we will -- we will package the draft technical guidelines along with their revised general guidelines, but we need your comments in order to take a look at the decisions we've made to date and to see whether we're going to consider adjustments to the decisions that have been made in the current revised guidelines, and we need an opportunity to revise them and make sure that they're consistent with what we're proposing in the technical guidelines.

So the sooner we can get your written comments, the better. We are looking into a two-week extension on the -- on the general guidelines.

Again, as I mentioned earlier, we're working with EIA on revising the reporting forms and the restart -- instructions. These all have to come together by the end of the year in order to implement the program in 2005 so that you will be reporting on 2004 data. That is our intent.

So going forward, we still have a long way to go. Pace yourselves accordingly because we're not done yet and we're going to be asking for more information from you during the year to make sure that you're responding and that we're responding to you. We may have, I don't know, another workshop. We'll certainly have any number of meetings with -- with many of you.

If you would like to come in and speak with us or want us to come speak to one of your groups about what we're doing, we'd be delighted to do so.

So in closing, again, thank you very much for taking the time to sit through all of this all day. I know it can be a real slog, but we do appreciate you coming here today.

Don't forget to fill out your evaluation form. Not only are we concerned about what's in 1605(b), we're concerned about how we're conducting ourselves in these workshops and whether they're useful to you, and so your feedback on that would be helpful.

I thank my colleagues from the various agencies and those of you from State Department who I failed to mention before, and USDA and EPA, who were in the audience. Thank you very much for helping out today.

(Applause)

(Whereupon, at 5:00 p.m., the proceedings were concluded.)