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June 5, 2002

Office of Policy and International Affairs, Office of Electricity and Natural Gas Analysis, PI-23 Attention: Voluntary Reporting Comments U.S. Department of Energy Forrestal Building, Room 7H-034 1000 Independence Ave., SW. Washington D.C. 20585

Subject: Comments on U.S. Department of Energy Voluntary Reporting of Greenhouse Gas Emissions, Reductions, and Carbon Sequestration

Dear Sir/Madam:

Ford Motor Company welcomes the opportunity to comment on the U.S. Department of Energy Voluntary Reporting of Greenhouse Gas (GHG) Emissions, Reductions, and Carbon Sequestration. Our submission of constructive comments is supported by our involvement in various GHG reporting initiatives including development of the WRI/WBCSD GHG Reporting Protocol and participation in the UK Emissions Trading Scheme.

Ford supports a U.S. GHG reporting system consistent with the following principles:

- Report submittal and level of reporting should remain voluntary.
- Reporting should be focused, non-burdensome, and centralized in a single U.S. government database managed by the Department of Energy for all U.S. State and government agency initiatives related to GHGs:
 - Climate change is recognized as a global issue, so GHG emissions should be tracked at the national level to avoid disparate State approaches.
 - Participating facilities should have the option of reporting and receiving transferable credits related to both <u>direct</u> emissions resulting from on-site combustion of fossil fuel for on-site use <u>and indirect</u> emissions resulting from on-site consumption of electricity, heat, and steam generated off-site.
 - Entities should have the option of either reporting emissions and reductions from: 1) activities where they can establish clear management control <u>or</u> 2) their equity-share fraction of total emissions.

- Verification requirements should be designed to maintain flexibility while ensuring data accuracy and the registry's integrity:
 - Self-certification is adequate for reporting GHG emissions and reductions.
 - To secure transferable credits, a centralized audit function should be established that verifies self-certified reports. Third-party verification should remain optional.

The attached detailed comments are organized in a manner consistent with the May 6th, 2002 notice of inquiry and request for comment.

Sincerely,

Andrew S. Hobbs Director Environmental Quality Office

Attachment

A. Issues related to Comment Scope

Ford supports President Bush's directive to improve the GHG registry by enhancing measurement accuracy, reliability, verifiability and protecting and providing transferable credits for emissions reductions. Our comments below support this directive and build upon the experience we have gained from other reporting mechanisms.

B. Issues in the Relationship of the GHG Registry to Other Approaches in GHG Reporting

It is important that the GHG registry facilitates a **voluntary**, **focused**, **nonburdensome**, **and centralized** GHG emissions reporting approach. Climate change is recognized as a global issue, so GHG emissions should be tracked at the national level to avoid disparate State approaches.

We believe that these recommendations would help the GHG registry serve as the government's central and verifiable database and reference source of annual institutional GHG emissions for any U.S. State and government agency-sponsored voluntary programs or cooperative efforts.

C. Institutional Issues

Timeframe of Data reported

Although many entities have already submitted data into the GHG registry, in order to secure transferable credits and ensure the registry's accuracy and integrity, previously submitted data must be updated to comply with GHG registry revisions that result from this Notice of Inquiry.

Reporting Entity Definition

The current broad definition of reporting entity is appropriate because it provides the flexibility necessary to encourage relevant groups to voluntarily submit GHG data.

Level of Reporting

The GHG registry should continue to remain voluntary and each entity should have the ability to determine the extent of their reporting. Voluntary initiatives provide corporate and industry sector leadership opportunities that may be lost under mandatory "command and control" type programs. Both participation in the UK Emissions Trading Scheme and use of the WRI/WBCSD GHG Protocol are voluntary.

Consistent with the UK Trading Scheme and the WRI/WBCSD Protocol, facilities should be encouraged to report <u>direct</u> emissions resulting from on-site combustion of fossil fuel for on-site use *and* <u>indirect</u> emissions resulting from on-site consumption of electricity, heat, and steam generated off-site.

C. Institutional Issues (continued)

Level of Reporting (continued)

Reporting of other GHG emissions should be optional. The ability to protect future emissions reductions is sufficient incentive to encourage voluntary reporting of these optional elements.

Reportable GHGs

Entities should have the option of reporting emissions of one or more GHGs identified in the current registry – carbon dioxide, methane, nitrous oxides, perfluorocarbons, hydrofluorocarbons, and sulfur hexafluoride.

Indirect Emissions

Entities devoting considerable resources to energy conservation and efficiency projects should benefit from using the U.S. GHG registry.

Facilities should have the option of reporting and receiving transferable credits related to both <u>direct</u> emissions resulting from on-site combustion of fossil fuel for on-site use *and* <u>indirect</u> emissions resulting from on-site consumption of electricity, heat, and steam generated off-site. Providing this option would encourage voluntary reporting by facilities with indirect emissions (as defined above) greater than their direct emissions.

For subsequent annual reporting, electricity, heat, and steam emissions factors should remain the same as those used in previous reporting years unless the facility purchases such energy from different sources with different emissions factors.

This reporting / transferable credits structure is consistent with the UK "Guidelines for the Measurement and Reporting of Emissions in the UK Emissions Trading Scheme" and ensures that those responsible for energy conservation or improved energy efficiency receive credit for any reductions in electricity, heat, and steam use. Potential double-counting of those actions taken by utilities to reduce GHG intensity of electricity, heat, and steam they supply (e.g., fuel switching) is also minimized.

Reporting of other indirect GHG emissions should be optional.

Avoided Emissions

The following options should be used to account for activities that avoid the production of GHG emissions (e.g., use of renewable energy):

A. Annual entity-wide GHG emissions reports should include reduced (or zero) emissions factors for energy sources with lower carbon intensity than those used in previous reporting years. For example, electricity purchased from a wind farm instead of a fossil-fuel fired power plant would be rated zero tonnes CO2 / million kWh when preparing the new entity-wide GHG report.

B. Project-specific GHG reductions could also be identified in the reductions section of the existing GHG reporting process.

C. Institutional Issues (continued)

Baselines or Reference Case

The existing GHG registry establishes a broad and flexible framework for the determination of project reference cases. Each reporting entity should ensure transparency when calculating or estimating GHG emissions and reductions from specific projects. When combined with recommendations in the "Verification" section below, this flexible framework would allow entities to secure transferable credits.

To account for changes in economic growth, it may be more appropriate to establish baselines and reference cases using emissions intensity metrics (e.g., GHG emissions per unit of output). Reporting entities should be able to select which metrics are most appropriate for their operations with the option of establishing common metrics on a sector-by-sector basis.

Thresholds

Entities should have the ability to exclude emissions sources (facilities) that individually comprise less than 10,000 metric tonnes of CO2 equivalent emissions or 1% of the entity-wide total (whichever is less). This would minimize administrative burden associated with tracking minor emissions sources, while providing flexibility for those entities wishing to include all sources.

To encourage reporting, there should be no minimum size threshold for entities wishing to report emissions reductions, avoided emissions, or sequestered carbon.

Reduction Activity Reports on Domestic and International Projects

The GHG registry should continue to accept reports of project-level data for both domestic and international projects. In order to secure transferable credits for international projects reported in the U.S. GHG registry, the reporting entity must ensure that those credits are not double-counted in local country-specific registries.

Transferable Credits

To establish transferable credits, recommendations in the "Verification" section below should be followed. Expanded self-certification is necessary to ensure the viability and integrity of a transferable credit registry. At a minimum, transferable credits should be granted for entity-wide GHG emissions reductions.

Reporting Joint Activities / Duplication of Reported Emissions

Entities should have the option of either reporting emissions and reductions from: 1) activities where they can establish clear management control <u>or</u> 2) their equity-share fraction of total emissions. This is consistent with the WRI/WBCSD Protocol.

C. Institutional Issues (continued)

Verification

Verification requirements should be designed to maintain flexibility while ensuring data accuracy and the registry's integrity.

The current self-certification requirement is adequate for reporting GHG emissions and reductions using the GHG registry.

However, if entities wish to secure transferable credits, the self-certification requirement should be expanded to include a centralized audit function that verifies self-certified reports. This would allow entities flexibility to manage risks associated with inaccuracies in submitted GHG reports:

⇒ Entity submits self-certified GHG report to U.S. Department of Energy. Department of Energy representatives conduct spot-checks on entity data similar to Internal Revenue Service tax return audits.

 \Rightarrow Entity elects to submit GHG report to Gov't after undertaking an optional thirdparty verification audit conducted by a qualified certification body.

Confidentiality

The current GHG registry confidentiality policy is adequate.

D. Technical Issues

Facility direct and indirect GHG emissions as described in the "Level of Reporting" section above are calculated using energy consumption (by fuel type) and defined GHG conversion factors. For those energy types, additional prescribed calculation methods are unnecessary.