



June 22, 2005

*Electronic submission to 1605bguidelines.comments@hq.doe.gov*

Hard copy submission to:  
Mr. Mark Friedrichs, PI-40  
Office of Policy and International Affairs  
U.S. Department of Energy  
1000 Independence Ave., SW.  
Washington D.C. 20585

**Re: Response to the Department of Energy Proposed Interim Final General Guidelines and Draft Technical Guidelines; 10 CFR Part 300, Voluntary Greenhouse Gas Reporting, 70 FR 15164 and 15169 (March 24, 2005)**

Dear Mr. Friedrichs:

The Alliance of Automobile Manufacturers (Alliance) welcomes the opportunity to comment on the Department of Energy's (DOE) Interim Final General Guidelines and Draft Technical Guidelines for the revised "Voluntary Reporting of Greenhouse Gases Program," pursuant to section 1605(b) of the Energy Policy Act of 1992, as published in the March 24, 2005 *Federal Register*. We also appreciate the opportunity to have participated in the public workshops conducted on April 26 and 27, 2005 concerning the revised guidelines. The Alliance recognizes the challenging task facing the DOE to balance improvement in the consistency and verifiability of information collected under the Program without increasing the burden to the point that greater participation is discouraged or infeasible.

The Alliance is a trade association of nine car and light duty truck manufacturers consisting of BMW Group, DaimlerChrysler, Ford Motor Company, General Motors, Mazda, Mitsubishi Motors, Porsche, Toyota, and Volkswagen. As partners with the federal government in the President's public-private partnership initiative Climate VISION, Alliance member companies have set goals of achieving at least a 10 percent reduction in greenhouse gas (GHG) emissions intensity from their U.S. automotive manufacturing facilities (based on their U.S. vehicle production, by 2012 from a base year of 2002). Our members are participants in the 1605(b) Program and individually report their GHG emissions, reductions, avoidance, and sequestration activities.

One issue of great importance to Alliance members is the relationship of the 1605(b) Guideline revisions with the Climate VISION Program. Along with several other business interests who raised this need during the recent workshop, the Alliance also welcomes the opportunity to meet

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with the DOE and other industry sectors periodically to ensure that the 1605(b) Program revisions are compatible with the objectives of the Climate VISION Program. Some form of consistent industry sector participation in the 1605(b) Program would help promote transparency among the various private sectors participating in the Climate VISION Program. Since the new Guidelines indicate that the 1605(b) Program is now expected to serve as the primary public GHG reporting and data base mechanism for participants in the USEPA's Climate Leaders and the DOE's Climate VISION Programs (Section II.A of the Preamble), DOE and participating industries will need to evaluate the feasibility of harmonizing the revised 1605(b) guidelines with these voluntary programs. Given that some other industries' Climate VISION work plans implement unique reporting protocols and trade association aggregation tools, they may need to remain independent of the 1605(b) guidelines, to allow for internal consistency for the particular time periods and methodologies selected when their Climate VISION goals were established. In addition, as discussed in greater detail below, Alliance members advocate that DOE clarify that it will allow for flexibility in emissions reporting under the revised guidelines for those entities that are participants in the Climate VISION Program. This is so that some automobile industry reporters (and other types of reporters as well) can continue to use that option to report (and track progress) on an internally consistent basis with their past reporting for purposes of their Climate VISION targets, rather than cease to participate in the 1605(b) Program in the event they find the new Guidelines are beyond their capability at this time.

A second threshold issue the Alliance shares is the broadly held industry concern that DOE make it clear not only that participation in the 1605(b) Program is voluntary, but also that the Program is governed by voluntary Guidelines and not by regulations or by a "rule" under the federal Administrative Procedure Act. We recommend that the Department eliminate any ambiguity associated with that classification by confirming the voluntary nature of the Guidelines. DOE should also confirm the Agency's commitment to appropriate flexibility and to completing *timely* consideration and accommodation of reasonable alternatives to the Guidelines raised to them by participants.

Of particular concern, DOE has designated these guidelines as an interim final rule, and has also included a mix of command-like words, such as "shall," "must," and "requirements." The use of these command-like words is not necessary, and we recommend they be replaced with words like "may," "can," and "encouraged." In fact, at the DOE April workshop, DOE said they "very consciously decided in many cases not to use the kind of specific language that might be regulatory in nature." However, there are still a number of instances where this language is used throughout the document.

Alliance members understand that designating the Guidelines as a "rule" does not change the voluntary nature of the Program. An entity can choose not to volunteer. However, once the entity chooses to volunteer, the Guidelines' designation as a "rule" coupled with the command words, could lead to attempts at administrative challenges of DOE/EIA decisions under the guidelines. Such challenges could result in added costs for the volunteers, uncertainty, and reduced participation, for a designation that provides no apparent benefit to potential reporters or users of the data. This widespread concern needs to be better addressed prior to finalization of the Guidelines.

In further interest of stimulating participation in the 1605(b) Program, the Alliance respectfully submits the following comments on the Interim Final General Guidelines and Draft Technical Guidelines. The Alliance supports the tiered structure the guidelines retained from the proposal, which allows an entity to *report* GHG emissions and reductions under the first tier or also *register* GHG emission reductions under a second tier, if desired. However, the Alliance is concerned that the significant scope and relative complexity of the new provisions for reporting, (as well as registering) reductions may diminish participation, because the accounting provisions will become burdensome and require a substantial new level of effort for both large and small emitters. One unfortunate repercussion of such an outcome is that voluntary programs could be perceived as an ineffective strategy for reducing GHG emissions intensity. In contrast, maximizing participation in the 1605(b) Program will help to demonstrate and highlight the considerable efforts that Alliance members and other industries have underway to reduce their GHG emissions. In order to promote participation in the revised 1605(b) Program and assist participants in complying with the Program’s modified provisions, the Alliance has three (3) procedural recommendations to assist the DOE and stakeholders immediately below, and a number of specific substantive recommendations that follow in the next section of our comments:

❖ **The Alliance recommends that the new Guidelines be edited and augmented to better distinguish between the Guidelines’ provisions for entities reporting versus those for registering, and to clarify which provisions apply to both.**

- The new General Guidelines state that the “requirements for registration, as distinguished from other reporting, are clearly stated in the provisions of these General Guidelines” 10 C.F.R. § 300.1(b). However, the manner in which 10 C.F.R. Part 300 is organized presents difficulty in determining which guideline provisions apply to the reporting tier, which apply to the registration tier and which may apply to both. The Interim Final General Guidelines should be edited to distinguish what is applicable for reporting versus registering and what applies to both. The underlying details presented within each particular section, particularly those sections related to preparing emissions inventories (§300.6) and calculating emission reductions (§300.8) are ambiguous with respect to the reporting versus registration provisions.

Furthermore, the Draft Technical Guidelines should also be reviewed before finalization to be sure that the distinctions between new reporting and registration provisions are kept separate. For example, the Glossary thereof, in defining the term “Registration”, states an entity “may have entity-wide emissions and emissions reductions registered by conforming to the requirements of §300.6 and §300.7,” which are not the only sections of Part 300 that apply to registrations. This definition, and the related one on reporting, need to be revised and if retained in some form, be added to §300.2 on definitions. In certain instances, the use of the term “reporter” in both documents is confusing as it may apply to an entity reporting or registering. Use of the term “registrant” to distinguish that tier would also help avoid ambiguity.

- The “Checklist for Registering Emissions Reductions” currently provided as Figure 1 of the Federal Register preamble to the revised General Guidelines is a useful tool as a brief

outline of some of the provisions of 10 C.F.R. Part 300 that apply to the registration of emission reductions. It should be included in the final version of the General Guidelines, with a complete list of the applicable provisions, and be augmented with a similar “Checklist” for “*Reporting* Emissions and Reductions that will not be Registered.” However, because these tables cannot be relied on as being complete statements of all provisions applicable to registrations or reporting, they do not lessen the real need for DOE to re-arrange Part 300 to state clearly which sections and/or subsections of the General Guidelines apply to reporting versus registration and which apply to both. In the case of the Draft Technical Guidelines, it would be helpful if they included a cross-reference to the applicable sections of the revised General Guidelines rather than, in some instances, reiterating “excerpts” of such Guidelines. An example is located in Chapter 2 of the Draft Technical Guidelines where an excerpt of §300.8 of the Interim Final General Guidelines is included.

- The General Guidelines should also clarify when a comprehensive emissions inventory is required. 10 C.F.R. §300.6 is an example where it is unclear which emissions inventory provisions apply to entities reporting versus registering under the 1605(b) Program. One specific area of uncertainty concerns the emissions Rating System provisions outlined for emissions inventories in §300.6. The Guidelines should clarify the role of the Rating System, if any, on emissions inventories for entities that do *not* intend to register emission reductions. While §300.6(b) requires entities intending to register reductions to use emission inventory methods that result in a data quality rating of at least 3.0, the Guidelines do not provide sufficient detail on the role of the Rating System, if any, for entities simply reporting to the Program. The Alliance seeks clarification on how reductions reported under the first tier compare to reductions registered under the second tier of the Program with respect to quality ratings.

❖ **The New DOE Guidelines should continue to maintain the flexibility allowed under the existing 1994 Guidelines in order to accommodate Climate VISION participants that may only be able or willing to continue reporting as they have been in the past.**

- The Preamble to the new Guidelines says that DOE “intends” to give “notice of termination” of the existing (1994) Guidelines for voluntary reporting upon finalization of the revised new General Guidelines” (Section I.B of the Preamble). Given the additional rigor proposed in the new Guidelines, some large and small participants may only be able or willing to continue reporting as they have been in the past under the existing Guidelines. As our members are interested in utilizing the 1605(b) Program as a means to report (and track progress) on an internally consistent basis with their past reporting for purposes of their Climate VISION goals, flexibility in the new Guidelines is essential. Since the existing Guidelines are expected to be terminated, Alliance members support DOE taking a position that flexibility be maintained under the new Guidelines for those participants in the Climate VISION Program. This will allow Climate VISION participants to continue to voluntarily *report* (rather than register) emissions and reductions into the 1605(b) database (as accomplished under the 1994 DOE Guidelines). Such a confirmation in the *Federal Register* and Preamble will help sustain participation

in the 1605(b) Program, and track valid information on progress by some participants who might otherwise cease to report and be lost from the 1605(b) database.

❖ **The Alliance urges DOE to develop an overall strategy for rolling out the new 1605(b) Guidelines in two (2) related phases. Such an approach is instrumental in helping companies navigate and “field test” through the many new provisions for reporting emissions and registering reductions under the revised Program.**

- The scope, detail, and complexity of the new 1605(b) Guidelines is considerable, particularly given the substantial changes and additions (e.g., the creation of an emissions inventory) to the prior version of the reporting program. Participation in the revised 1605(b) Program therefore could be greatly enhanced by introducing the revised guidelines in two (2) phases while simultaneously allowing for educational opportunities throughout the process. As there will be a substantial learning curve associated with the new reporting and registration provisions, introducing the guidelines in two (2) phases will allow reporters to learn the details of the new reporting and registration guidelines, particularly related to the new Rating System.
- A two year Phase 1 would allow companies to initially focus on completion of an emissions *inventory*. As the majority of reporters to the current 1605(b) Program have not submitted entity-wide inventories as part of their prior reports, many existing reporters and new reporters will expend a significant amount of resources (people and dollars) to either develop an initial GHG emissions inventory or re-cast their current inventory to reflect the revised guidelines. Phase 1 would “frontload” DOE workshop and other support with the emphasis on piloting the *inventory* portion of the Interim Final Guidelines for the CY 2005 data reporting cycle. Phase 1 will allow reporters to develop an initial emissions inventory which will include data for Calendar Year (CY) 2005, the new base period, and any intervening years. The first piloted report under the revised Interim Final Guidelines would be due July 1, 2006. An additional pilot report would occur during the next annual cycle.
- A concurrently run two year Phase 2 would be used to pilot the Interim Final Guidelines specific to the *registration of reductions* to allow reporters a learning curve for implementing the guidance. This phase would become the greater focus after the initial period in which the inventory process has been the primary emphasis (which makes sense, since the inventory is necessary to determine the reductions that can be registered). This phase of DOE workshops and targeted support would cover the same 05-06 calendar year data period, but could occur on a slightly more protracted schedule. This will allow reporters and the U.S. government to examine and comprehend the differences in outcome for various configurations of entities and subentities for purposes of registering reductions. This particular phase would last for two (2) reporting cycles (CY 2005 and CY 2006 data reporting). Once the two-year pilot phase is complete the General and Technical Guidelines related to the registration tier can be adjusted in light of the experience gained, and would be finalized later in 2007. Participants can then file

finalized reports for their relevant years under guidance that has been field tested and improved.

- The Alliance and other industries would be happy to work with the DOE to further refine the two-phase approach.
- One principal reason for rolling out the revised 1605(b) Guidelines in two (2) phases during 2005-2007 (a three (3) year period), is the new Rating System. Additional costs and resources will be expended by each reporting entity to conform to the new Ratings System (or evaluate alternative methods). The Alliance recommends that the DOE provide, or use the phase-in period to provide, an analysis of the complexity plus the costs versus the incremental benefits for the proposed, ordinal Rating System. The Guidelines do not identify or address the costs and associated resources required by the reporting entity to achieve rating values 'A' through 'D,' except to say in Part III.A. [Review Under Executive Order 12866] that "costs for participants....are likely to increase" and that there are "anticipated benefits," but the "magnitude of these effects has not been assessed" (70 F.R. at 15181). By providing such an analysis, reporters can better assess the level of reporting desired based upon the resources available. For example, the difference in costs related to the incremental benefit between rating value 'A' to 'D' may ultimately decide the level of reporting by an entity, and ultimately whether an entity will be capable of meeting the registration provisions pursuant to the second tier. Otherwise, reporters will not be aware beforehand of the resources necessary to prepare an emissions inventory and may cease to report altogether. It is worthwhile to garner some real world experience with the new Guidelines before making them final.
- For the time period of 2005-2007, the Guidelines would remain Interim Final rather than Final. The Guidelines would be finalized in late 2007 in advance of the CY 2007 data reporting cycle (due July 1, 2008). This would allow the DOE to revise the Interim Final Guidelines for any necessary adjustments encountered during the two-phase pilot period.
- The Alliance would also recommend at least one DOE workshop in early 2006 in which reporting entities work directly with the DOE and other stakeholders to provide assistance with developing an emissions inventory under the revised guidance. The workshop could educate reporters on the new emission calculation tools and reporting forms and could also explore the resources needed to satisfy the Ratings System. A second workshop in late 2006 or 2007 could also be used for reporters who have developed an emissions inventory and would like to participate in the registration tier of the 1605(b) Program. This would promote a valuable exchange of information in a working environment between reporters and the DOE on the attributes of the registration provisions needing modification before finalization of the reporting and registration guidelines in 2007. Including this pilot phase as part of §300.1 could be made consistent with an initial 3 year review cycle in §300.1(f). Thereafter, a longer period between periodic review makes more sense (see additional comments on §300.1(f) in Attachment 1).

- In the event that DOE is unwilling to roll out the revised guidelines in a phased approach, the Alliance supports an extension, given the extensive changes from the current guidelines, so that the revised guidelines would not be effective for reporting/registration of CY 2005 data. At a minimum, the guidelines should not become effective until the first full calendar year of data that occurs after the revised Interim Final General Guidelines and Draft Technical Guidelines *and* the related forms are final in the *Federal Register* (i.e., CY 2006 data due July 1, 2007). This would allow a more reasonable amount of time for potential participants to become familiar with the guidelines and forms and evaluate whether to report or register. In the meantime, the existing guidelines should remain in effect.

❖ **Additional Suggested Amendments to the New Guidelines.**

The following comments related to the Interim Final General Guidelines and Draft Technical Guidelines advocate changes which Alliance members think will help promote participation in the 1605(b) Program while satisfying the DOE's objective to create an exemplary GHG reporting program. Additional comments on each particular section of the new CFR portions of the new Guidelines are included as an attachment to this letter.

- **The 3% de minimis threshold is overly restrictive and burdensome for the auto industry and will result in reporting of immaterial emissions. It should be increased to a 5% threshold.** This recommendation received universal industry support during both the January 2004 and April 2005 DOE Public Workshops. The Simplified Emissions Inventory Tool (SEIT) will not compensate for the bulk of the effort involved in estimating de minimis emissions, as most of the effort and resources is attributed to the gathering of activity/usage data needed for input into the tool. A 5% de minimis threshold would be a workable alternative. A 5% de minimis threshold (or error margin) has been widely accepted by many current GHG reporting programs such as the Chicago Climate Exchange, USEPA Climate Leaders and the WRI GHG Protocol. The DOE may also wish to consider some form of subcategorization to define specific de minimis thresholds. The 3% de minimis exclusion for certain industries will be much lower in absolute magnitude (i.e., tons of GHG emissions) and also in the relative burden of the inventory assessment encountered for some industries than for others. Increasing the de minimis threshold from a 3% to 5% threshold would provide a significant incentive for greater participation and would assist reporters with the development of an emissions inventory that could be utilized for various other GHG reporting programs. Additional comments on the treatment of de minimis emissions can be found on Pages 16-17 of the attachment.
- **Reductions achieved due to facility closure or decreases in output/production should not be penalized.** Entities that demonstrate real reductions in absolute emissions or emissions intensity, including those resulting from facility closure impacts or production declines, whether due to sales or other reasons, should be eligible for registration under the 1605(b) Program consistent with section 1605(b)(1)(C), which directs that the "guidelines shall establish procedures for accurate voluntary reporting of information on...reductions...achieved as a result of ...plant or facility closings..." The manner in which an entity achieves emission reductions is irrelevant as long as "real" reductions take place and

the basis for the reductions has been identified. In our attached comments under §300.8, the Alliance has recommended revisions to the proposed registration data base, which allows for equitable treatment of “real” reductions, whether reported as absolute emissions reductions or intensity-related emission reductions. This allows both to coexist in a defensible, transparent registration data base without penalizing companies closing facilities or experiencing production declines. Details of the Alliance’s proposed revisions to the calculation methodology for registering reductions can be found on Pages 19-21 of the attachment.

- **Only those mobile source related emissions which are “integral to production” or the core function of a service business (like vehicle rentals) should be required in an emissions inventory; otherwise, including them should be elective.** It is overly burdensome for emissions inventories to have to include mobile source related emissions where it is not an entity’s dominant GHG emitting activity. The time and effort required for many entities to gather accurate activity data for mobile sources that are not a dominant activity would be excessive in light of the minor and insignificant contribution of mobile source related emissions to overall total emissions. The Alliance suggests that the DOE consider the guidance adopted in the Government of Canada’s (Mandatory) GHG Reporting Program where only the reporting of mobile source related emissions which are *integral* to production is required.<sup>1</sup> Additional comments on the emissions inventory provisions for mobile sources can be found on Pages 15-16 of the attachment.
- **The reporting of all six GHGs should not necessarily be required for entity-wide emissions inventories.** Section 1605(b) does not currently define the term greenhouse gases, but leaves it up to the reporting entity to determine what gases to report. Accordingly, the current guidelines allow discretion for the reporting entity to report on one or a wide range of gases. The Alliance supports the principle for the new Guidelines that industries should report (or register, if desired) the dominant GHGs for their specific industry (e.g., CO<sub>2</sub> for automotive manufacturing) within an entity-wide emissions inventory. They should also be allowed to elect to include non-dominant gases, if they so choose, so long as they are consistent over time in this election. As the primary GHG emitting activities for many entities are related to combustion sources, non-CO<sub>2</sub> emissions should be qualitatively identified as present, but otherwise omitted from the inventory process without the provision to estimate for purposes of satisfying the de minimis criteria. We acknowledge that the Draft Technical Guidelines identify numerous instances where non-CO<sub>2</sub> emissions from combustion sources are considered immaterial and should not need to be evaluated for emission inventorying purposes. Additional comments on the reporting of non-CO<sub>2</sub> emissions are provided on Pages 17-18 of the attachment.
- **The guidelines should allow entities to register verifiable emission reductions prior to 2002 (§300.5).** The Guidelines penalize those early action companies that have already achieved substantial improvement in energy efficiency at their manufacturing facilities by not

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<sup>1</sup> “On-site transportation emissions are emissions that result from transportation that is integral to the production process. This includes transport activities occurring on-site (i.e. at the facility) where emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O result from the associated fuel combustion processes. The terminology “integral to the production process” means transporting raw or intermediate products and materials within the production process,” Government of Canada, *Technical Guidance on Reporting Greenhouse Gas Emissions* (2005: p. 14-15).



allowing registration of pre-2002 emission reductions. The Alliance supports reporting and registration of reductions prior to 2002. The Alliance has provided further support for the registration of pre-2002 emission reductions on Pages 14-15 of the attachment.

- **The transmission system owner should both report transmission losses as well as be the entity eligible to register reductions in transmission losses attributed to system improvements (Technical Guidelines Chapter 1, Part F).** The Draft Technical Guidelines require the *end user* to account for any transmission losses associated with energy transfers. However, only the *owner* of a transmission system can *register* reductions associated with system improvements. The Alliance recommends that the DOE consider the guidance implemented by the USEPA Climate Leaders Program and the WRI Protocol where transmission losses are accounted for by the owner of the transmission system, rather than by the end user. Under this scenario, the transmission system owner is required to report emissions from transmission losses, but may also register reductions from the elimination of transmission losses.
- **DOE should apply the NERC regional average emission coefficients for calculating emission inventories as well as for calculating net emission reductions.** The Draft Technical Guidelines say for purposes of calculating emission inventories for electricity end-use, the average emissions intensity factor provided by the *North American Electricity Reliability Council (NERC) region* where demand occurs is applied rather than a U.S. average. However, the Guidelines then say that indirect emission factors based on the U.S. *average* emission intensity must be used by reporters seeking to quantify emission reductions associated with reduced purchases of electricity. The rationale for use of inconsistent emission coefficients has not been made. The NERC regional average emission coefficients should be applied to both calculations.

The attachment to this cover letter includes additional comments related to the Interim Final General Guidelines and Draft Technical Guidelines. The comments are organized in the order in which they are presented in the respective guidelines in the CFR language.

The Alliance urges DOE to consider additional comments on the new Guidelines when it takes comment on the related new EIA forms, as they may illuminate additional issues that need to be resolved.

The Alliance members look forward to working with the DOE on the continued enhancement and successful growth of the 1605(b) Program. Please contact me if you have any questions.

Sincerely,

Handwritten signature of Valerie Ughetta in black ink, with a circled 'TU' monogram to the right.

Valerie Ughetta,  
Director of Stationary Sources  
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Attachment (1)

cc: David W. Conover  
Principal Deputy Assistant Secretary  
Office of Policy and International Affairs, DOE

Larisa Dobriansky  
Deputy Assistant Secretary for National Energy Policy, DOE

Dr. Paul McArdle  
Program Manager, EIA

Jay H. Casselberry  
Agency Clearance Officer, EIA

William Hohenstein  
U.S. Department of Agriculture

# ALLIANCE OF AUTOMOBILE MANUFACTURERS

## ATTACHMENT 1

### INTERIM FINAL GENERAL GUIDELINES

#### **§300.1 General**

##### ***Purpose and Registration option (§300.1(a-b))***

The Alliance supports the “tiered” system approach, which provides the opportunity for an entity to voluntarily report entity-wide GHG emission and reductions or to register GHG emission reductions. A tiered system provides flexibility and credibility for those entities which may be just beginning the reporting process as well as those entities ready to participate in the registration process. However, the Alliance urges DOE to further clarify which criteria apply to new reporting, which to registration, and which apply to both, and to augment the final guidelines with additional and complete checklists that show this in table form.

The stated intent in §300.1(b) of the Guidelines is that “The requirements for registration, as distinguished from other reporting, are clearly stated in the provisions of these General Guidelines.” However, the manner in which the Guidelines are presented can be improved to distinguish the sections and subsections of the revised General Guidelines which apply to the reporting tier or both tiers, versus those which apply only to the registration tier. The Guidelines should separate them clearly. Additional and more complete checklists based on the “Checklist for Registering Emissions Reductions” provided in Figure 1 of the *Federal Register* should be developed (one for reporting only emissions under the New Guidelines and one for registration of emission reductions only). Such checklists would assist reporters and users of the information. However, they are not a substitute for organizing Part 300 so that the provisions applicable to reporting versus registration are also separately identified.

Also, as noted in our cover letter, we advocate a CFR provision in the new Guidelines that clarifies that the 1605(b) Program will continue to maintain the flexibility necessary for Climate VISION participants to continue to report as they have in the past. This will allow Climate VISION participants to report (and track progress) on an internally consistent basis with their past reporting for purposes of their Climate VISION goals.

##### ***Periodic Review and updating of General and Technical Guidelines (§300.1(f))***

This section allows for periodic review by the DOE of the General and Technical Guidelines. The periodic reviews are expected to be conducted approximately once every three years. A public review by DOE and interested stakeholders is expected for any changes to the Guidelines. The Alliance supports periodic review, however, we are concerned that overly frequent future changes will result in additional time and effort on the behalf of reporters to update emission inventories to reflect future guideline revisions. We would suggest that any future changes be limited and, if necessary, occur less frequently than every three years (once the phase-in period is

over that the Alliance is recommending) while allowing for public review and comment. The current review began in 2002, which is eight years after the current guidelines were adopted in 1994. While eight years may be too long for the next review, three years is too soon. It should be enough for §300.1(f) to state a DOE commitment for “periodic” review. If a specific timeframe is needed, five to six years appears more appropriate.

The Alliance also does not think it is appropriate for §300.1(f) to include a list of “[p]ossible changes” to the guidelines that “could” be included as a result of the first “review.” Each of the four listed “changes” are not insignificant and while the first review might support the adoption of one or more, it is premature for DOE to list them now in advance of that review. We urge the deletion of that list.

While the preamble states that DOE “intends . . . to ensure” that “changes are made only after a thorough, public review by DOE and interested stakeholders,” §300.1(f) makes no reference to such public involvement. In the case of the current guidelines, DOE began the review with a “Notice of Inquiry” followed by workshops and then Federal Register proposals. §300.1(f) needs to explicitly include formal notice and comment review by stakeholders.

### **§300.2 Definitions**

The new term “aggregator” refers to an entity such as a trade association that reports to the 1605(b) Program on behalf of non-reporting third parties, usually small emitters. The aggregator must follow the reporting guidance that would apply to those entities if they themselves had reported. Trade associations are encouraged to serve as aggregators. Reporting through trade associations should be allowed, but cannot be required.

The Alliance supports the addition or revision to the terms “start year,” “base period,” and “base value.” While the Alliance supports the term “start year,” we do not support that a start year of 2002 or later for registering reductions. This is discussed in more detail under §300.5. With respect to the revised “de minimis emissions” term defined in this section, the Alliance has provided a recommended amendment to this definition in our comment provided under §300.6. With regard to the definition of the term “greenhouse gases,” we note that section 1605(b) does not define this term and, as a result, the current guidelines, at least since 1996, have allowed reporting of not only CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and halogenated substances, but also “other radiatively enhancing gases.” The new definition in §300.2, notwithstanding section 1605(b) and the current guidelines, narrows reporting to the six gases listed therein, BUT the draft Technical Guidelines go on to state that entities “wishing to register” their reductions “must limit them to gases listed” in §300.2 “and shown in Table 1.A.2.” at page 9. In that Table, there is a sub-list of gases for “hydrocarbons” and “perfluorocarbons.” There is, however, no reference to the Table in the §300.2 definition. The two need to be reconciled.

The definition of greenhouse gases includes a seventh item which is not a definition, but a statement, that yet unidentified gases or particles that have been “demonstrated to have significant, quantifiable climate forcing effects when released to the atmosphere in significant quantities”, might be added in the future by DOE to the definition pursuant to section 300.1(f).

This seventh item raises questions about how and when such “effects” are “demonstrated” and about what is the meaning and scope of such vague words as “significant.” This statement does not belong in a definition. Further, it is unneeded as DOE can consider such added gases as part of its periodic review if and when there is a factual basis to consider it.

Other definitions are also of concern. For example, the term “entity” and the section 1605(b) statutory term “reporting entity” are defined together as if they are the same and interchangeable. Yet they are not the same and interchangeable when used in the revised General Guidelines. They should each be defined separately to reflect how they are used in the Interim Final General Guidelines. In addition, the definition should be expanded to cover any U.S. Federal, State or local agencies, interstate agencies and independent government corporations consistent with discussions in Section 300.3(a) and 300.5.

§300.5(b) qualified the definition of “start year” in §300.2. In §300.5(b), there are additional constraints that are not provided in the definition. The definition should be made complete and not detailed in other sections of the Guidelines. Note that the Alliance disagrees with the 2002 constraint as the start year for registrations (as noted below).

In addition, several of the definitions, such as the definition of “entity/reporting entity,” “First reduction year,” and “Total emissions” use one or more of the same words within the definition, which has a circular effect.

### **§300.3 Guidance for defining and naming the reporting entity; §300.5 Entity Statements**

*A reporting entity must be legally distinct and located, at least in part, in the U.S. (§300.3(a) and §300.5(d)(2))*

In our February 13, 2004 comments on the December 5, 2003 Proposed General Guidelines, the Alliance supported the approach that an entity be allowed to define itself according to a distinct legal status. The Interim Final General Guidelines continue to allow an entity to define itself in this manner. This provides the necessary flexibility to choose an appropriate level of aggregation. The current guidance for defining a reporting entity is sufficient to enhance more comprehensive, accurate entity-wide reports in many cases.

The Alliance also supports DOE providing additional flexibility for determining organizational boundaries (§300.5(d)(3)(i)) where a test other than financial control may be warranted for large emitters.

### **§300.4 Selecting organizational boundaries for registering**

*An entity that intends to register must determine, document, and maintain its organizational boundary (§300.4(a))*

The Alliance agrees with the approach to this revised section which focuses on the selection of *organizational* boundaries rather *operational* boundaries. The Alliance is also supportive to the

revision that this section applies only to those entities wishing to register emissions reductions. Entities that only report to the Program should not be required to report this level of detail with respect to selecting organizational boundaries.

***The entity must disclose the approach used to establish its organizational boundary in its entity statement (§300.4(b))***

The Alliance agrees that entities wishing to register should follow a more comprehensive method for determining their organizational boundaries. Additionally, the flexibility proposed in the Interim Final General Guidelines is necessary in order to allow an entity that intends to register its entity-wide emissions reductions to define its organizational boundaries possibly on a single method such as financial control, but also be allowed to use equity share or operational control or some other criteria if more applicable.

The Alliance also supports the flexibility that an entity registering reductions may voluntarily elect to include emissions from facilities or vehicles that are partially owned or leased, or not directly controlled or managed by the entity, at the entity's discretion. The provision allows for entities to include such emissions if the entity takes reasonable steps of assurance to prevent double counting. We support the choice whether to include this because in many cases, the reporting entity will not be capable of accurately estimating emissions from facilities or vehicles not directly controlled or managed by the entity.

The Interim Final General Guidelines now allow the scope of a defined entity to extend beyond the United States (U.S.). The reporting entity should use the same approach to determining its organizational boundaries in the U.S. and outside the U.S. This approach supports the Alliance's prior suggestion to include flexibility in the 1605(b) Program to also report on international entity-wide or project related emissions and reductions. The Alliance supports the provision that an entity's international net emission changes should be required to register reductions from international operations (by country according to its organization boundaries), and reporting of U.S. activities should be required in order to report international activities.

### **§300.5 Submission of an entity statement**

#### ***Determining the type of reporting entity (§300.5(a))***

The significant change to this section is the differentiation of what is required in an entity statement between small versus large emitters registering emissions reductions, and by those that do not intend to register emissions reductions. Overall, the Alliance supports the less prescriptive provisions for entities simply reporting to the 1605(b) Program versus registering reductions in the Program.

#### ***Choosing a start year (§300.5(b))***

Regardless of the type of reporting entity, the start year must be provided in the entity statement. For those entities that intend to register reductions, the start year may be no earlier than 2002;

otherwise, the start year for entities not intending to register reductions may be no earlier than 1990. While the revised Guidelines allow up to a four-year base period average, a single base year prior to 2002 cannot be selected for those entities wishing to register emissions reductions.

DOE should change the new Guidelines to allow a representative start period (or base period) prior to 2002 regardless of whether an entity is simply reporting to the 1605(b) Program or registering under the Program. As long as the reporting entity updates historical data/calculations to comply with the provisions provided in the revised Guidelines, an entity should be permitted to utilize a start year (or base period) earlier than 2002. The Guidelines penalize those companies that have already achieved substantial improvement in energy efficiency at their manufacturing facilities by not allowing registration of pre-2002 emission reductions. The Alliance supports recognition and equitable treatment for legitimate early action and if an entity is or has been proactive in reporting to the 1605(b) Program prior to the proposed base period ending in 2002, and can comply with the revised guidelines using historical data/calculations, the entity should not be penalized by having its reported and verifiable GHG emission reductions deemed ineligible for registration.

The limitation of the data base to only allow reductions achieved after 2002 will cause difficulty for many reporting entities with emission reduction targets in the USEPA's Climate Leaders or DOE's Climate VISION programs. The base period utilized for other voluntary programs in the U.S. may not coincide with the base period specified by the proposed 1605(b) Program (for registration).

### **§300.6 Emissions inventories**

#### ***Direct emissions inventories (§300.6(d))***

Under the new Guidelines, direct emissions in an emissions inventory include emissions from stationary *and* mobile sources within organizational boundaries, including but not limited to combustion of fossil fuels, process emissions, and fugitive emissions. The Alliance previously recommended in our February 13, 2004 comments on the December 5, 2003 Proposed General Guidelines that reporting of emissions from vehicle fleets should be optional and not included in calculating the de minimis threshold.

The provision in §300.6(d) to account for mobile source related emissions in GHG inventories to simply report to the 1605(b) Program would be very burdensome for automotive manufacturing entities due to the amount of data required to calculate minor source emissions from commuter vehicle fleets, product vehicle testing activities, and incidental on-site transportation equipment that fall within the criterion of "financially controlled" by the reporting entity. It will be difficult for a reporting entity with numerous facilities and operations to gather reliable data needed to calculate mobile source related emissions. For example, accounting for emissions from vehicle testing activities at a proving ground facility will require the use of various emission estimation methodologies and vehicle activity data (not just the amount of fuel burned) that is not readily available and would nonetheless result in immaterial emissions. In particular, a considerable

amount of information would be needed to estimate insignificant non-CO<sub>2</sub> GHG emissions, such as CH<sub>4</sub> and N<sub>2</sub>O.

The time and effort that would be required to gather such data would be excessive related to the insignificant contribution of mobile source related emissions to overall total emissions at an entity, such as an automobile manufacturer. While the Guidelines provide a de minimis threshold that mobile source related emissions may fall below, the reporting entity is still required to estimate emissions from the current reporting year, and potentially four (4) base years plus any intervening years if registration is desired, to verify the de minimis emission levels. This would require a substantial amount of information gathering.

The Alliance proposes that the direct emissions inventory provisions for mobile sources be modified to incorporate similar language as was adopted by the Government of Canada's recent guidance for its mandatory GHG reporting program where only emissions from on-site transportation activities that are integral to the production process of the facility must be reported.

Furthermore, those on-site transportation activities that *are* integral would also be subject to the de minimis threshold (3% as currently proposed or 5% as the Alliance recommends in the next section of these comments).

#### ***Treatment of de minimis emissions and sequestration (§300.6(g))***

Under the new Guidelines, a reporting entity may exclude emissions from its inventory that are, in total, less than 3 percent of the total annual CO<sub>2</sub> eq. emissions of a reporting entity. De minimis emissions may be excluded from sources of emissions or sequestration. The entity must identify the types of emissions excluded and an estimate of such emissions must be provided. De minimis emissions must be re-estimated after any significant increase, or every five years, whichever occurs sooner.

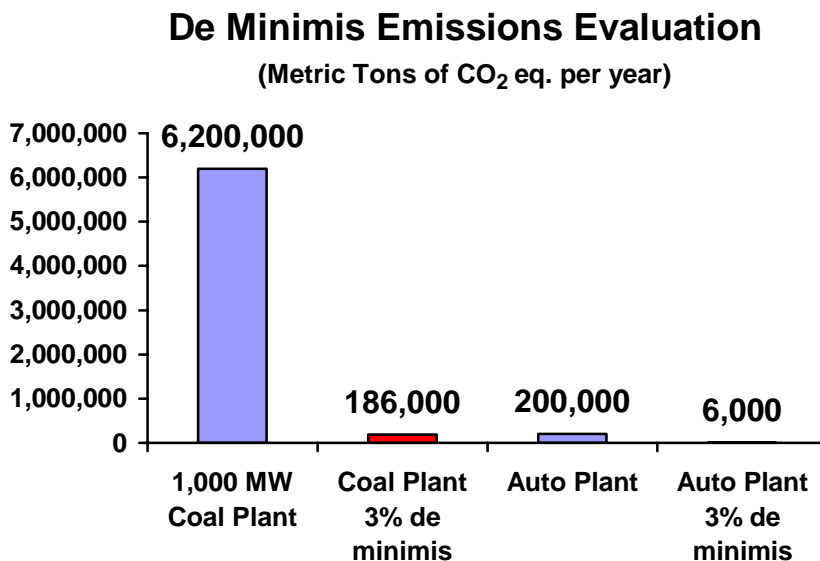
Alliance members support elimination of the 10,000 ton absolute threshold that was previously included under the December 5, 2003 Proposed General Guidelines. However, the de minimis threshold currently proposed should also be increased, from 3% to 5%. Other GHG reporting programs such as the Chicago Climate Exchange, Climate Leaders and the WRI GHG Protocol have realized the difficulty in reporting to this accuracy and have adopted a de minimis threshold or error margin of 5%. This recommendation of a 5% de minimis cutoff received extensive industry support during both the January 2004 and April 2005 DOE Public Workshops.

The DOE may also wish to consider specific de minimis thresholds by industry type. As not all industries are similar, the Guidelines could allow certain industries to utilize a greater de minimis threshold (i.e., 5%) due to the number of insignificant activities that must be accounted for in an emissions inventory. A 3% de minimis threshold for certain industries is a broad exclusion, whereas a 3% threshold for other industries may be a narrow exclusion.

For example, if you consider an electric utility facility and a manufacturing facility, the total emissions excluded based upon a 3% de minimis threshold varies significantly. A relatively



small electric utility, such as a 1,000 MW coal-fired plant, emits approximately 6,200,000 metric tons of CO<sub>2</sub> eq. per year based upon a 75% capacity factor. Conversely, an average automotive assembly plant may emit approximately 200,000 metric tons of CO<sub>2</sub> eq. per year. A 3% de minimis threshold for the utility will exclude over 186,000 metric tons of CO<sub>2</sub> eq., versus the automotive assembly plant which would exclude no more than 6,000 metric tons of CO<sub>2</sub> eq. An exclusion of 6,000 metric tons for an automotive assembly plant amounts to less than 0.097% of the total emissions from one 1,000 MW power plant or 3% of that plant's de minimis emission exclusion. This is shown graphically below.



Due to the significant level of emissions allowed to be excluded, the utility will be capable of excluding most (if not all) of its non-production activities, as opposed to manufacturers which will be required to evaluate and document de minimis emissions from a variety of small insignificant sources and non-production activities.

The manufacturing industry is a significant sector that requires a considerable amount of information to complete an emissions inventory. As demonstrated, other industries may be capable of estimating a larger share of their emissions with less effort. It is possible that participation in the new DOE 1605(b) Program, even to simply report (not register) may be diminished if entities with a variety of complicated GHG emitting operations are required to estimate and report to an accuracy of over 97% of their total GHG emissions. Therefore, increasing the de minimis threshold from 3% to 5% would likely promote increased participation from many sectors, and avoid use of such general estimation techniques that they do not add net value to the database.

***Covered gases (§300.6(i))***

Entity-wide emissions inventories must include all emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs and SF<sub>6</sub>. In many instances, entities preparing an emissions inventory would be required to calculate emissions from insignificant GHGs. Additional time and effort will be required to

identify and quantify such insignificant GHGs, rather than focusing resources on the reduction of GHG emissions. In the automotive manufacturing industry for example, accounting for CH<sub>4</sub> and N<sub>2</sub>O emissions or HFC leaks from mobile sources (i.e., track and laboratory testing) would require the entity to gather vehicle certification values, complicated additional fuel usage data and refrigerant inventories (or leak rates during operation) and other information that would create a major hardship for reporters in the automotive manufacturing industry.

Industries should report (and register, if desired) dominant GHGs for their specific industry (e.g., CO<sub>2</sub> for automotive manufacturing) within an entity-wide emissions inventory, unless they elect to include additional substances on a consistent basis. The dominant GHG emitting activity for many reporters will be stationary source combustion. Section 1.C.1 of the Draft Technical Guidelines states that “*reporters can reasonably expect that over 95 percent of their GWP-weighted emissions from stationary source combustion will take the form of carbon dioxide, with minor quantities of methane and nitrous oxide emissions.*” Section 1.C.2.1 points out further that “[s]tationary source combustion also produces trace quantities of methane and nitrous oxide” and that “[r]eporters should devote the bulk of their effort to calculating carbon dioxide emissions because 95 to 99 percent of global warming potential-weighted emissions from stationary source combustion are usually attributed to carbon dioxide.”

As confirmed by the comments provided in Part C of the Draft Technical Guidelines, it is likely that for some sources the de minimis criteria will cover many of the non-CO<sub>2</sub> GHGs (as discussed above in the stationary source combustion example), however, many other entities will expend a significant amount of resources to confirm that non-CO<sub>2</sub> GHG emissions are below the de minimis threshold under the proposed guidelines. The Alliance continues to suggest that entities be allowed to report only their dominant GHG emission(s) to the 1605(b) Program and report the lesser non-CO<sub>2</sub> GHGs at their option. Based upon our experience in inventorying our entities, CO<sub>2</sub> will be the only material GHG for our dominant GHG emitting activity (combustion-related activities). DOE may wish to work with each industry to document the “dominant” GHG(s).

### **§300.7 Net emission reductions**

#### ***Assessing net emission reductions for large emitters (§300.7(a))***

The Alliance supports the provision that an entity demonstrate net, entity-wide reductions based on a full assessment and sum of all changes in an entity’s emissions, avoided emissions and sequestration relative to the entity’s base period. However, as previously discussed in §300.5, the Alliance does not support the provision that registered reductions must be achieved after 2002.

#### ***Net emission reductions achieved by third parties (offset reductions or emission reductions submitted by aggregators) (§300.7(d))***

The provisions of this section should be clarified and should allow for additional flexibility. For instance, it is not clear when a reporting entity will be required to provide an entity-wide

emissions inventory for the third party for whom it is reporting pursuant to this section. The guidance should stipulate in what instances a third party emissions inventory is required by the reporting entity.

The Alliance objects to the provision that once an agreement between the reporting entity and third party is discontinued for any reason *all* emission reductions or emissions attributable to the third party would be removed from the 1605(b) Program. The removal of all such emission reductions would adversely and unfairly affect an entity's past registered reductions under §300.12(b) of the guidelines even though the entity may have already transferred them to other entities, which is recognized in such section as acceptable. This provision is overly broad. Agreements by nature are often term-limited or could be affected by circumstances unforeseen when they were first executed. It is unreasonable to expect their continuance in perpetuity. Such a scenario may discourage entities from entering "green power" partnerships, for example, if they must continuously report and enter into agreements for all future years. The Alliance suggests that as long as the reporting entity reports reductions under an agreement with a third party during the base period or any prior years, the reporting entity should not be penalized by having those reductions totally removed from the 1605(b) database once the agreement has expired.

#### ***Adjusting for year-to-year increases in net emissions (§300.7(e))***

The Alliance supports the premise of adjusting for year-to-year increases in net emissions when accounting for reductions in future years. As commented upon in the next section of comments (§300.8), however, the Alliance has proposed a slightly revised system for accounting for emission reductions and year-to-year increases in net emissions.

### **§300.8 Calculating emission reductions**

#### ***Calculation methods (§300.8(h-j))***

The Alliance supports the flexibility of the Interim Final General Guidelines to allow reporters or registrants to submit emission reduction data either on an absolute or production normalized (intensity) basis, or both, for purposes of registering reductions. However, the calculation methodology in §300.8(h)(2) and §300.8(j) states that emission reductions resulting from reductions in output, shifts in the types of products or services produced, and plant closings that caused a decline in output do not qualify for registration (whereas it is presumed that reductions calculated using the emissions intensity method do not result from a decline in output). Furthermore, §300.8(j)(3) is calling for identification of government requirements that have contributed to emission reductions (discussed in more detail later in this section).

The Alliance objects to these requirements as they are burdensome to the reporter. Overall, §300.8(j) is inconsistent with section 1605(b)(1)(C), which allows reporting of reductions from:

- “(i) voluntary reductions;
- (ii) plant or facility closings; and

(iii) State or Federal requirements.”

The statute treats all three actions on a par and makes no distinction between reporting and registration. There is no legal or persuasive policy reason for restricting the reporting or registering of absolute or intensity based reductions from any of these categories.

The new guidance restricting registration of absolute reductions will penalize companies for the closure of facilities or elimination of inefficient operations resulting in decreased production and emissions, even if emissions were not shifted outside of the entity’s boundaries. For example, a company may decide to transfer operations within the entity (or sub-entity) from an inefficient facility to a newer, more efficient facility. Under this circumstance, unless production is stable or rising (which is often dependent upon uncontrollable factors), an entity will not be allowed to account for the emission reductions attributed to the improved energy efficiency resulting from the transfer of operations.

The Guidelines will also penalize those companies that may be in a “down” business cycle and cannot achieve an increase in output/production. An entity may be implementing a number of emission reduction and energy efficiency efforts during a “down” business cycle, however, since production decreased the entity will not be permitted to account for the reductions achieved unless the emissions intensity improved. For some manufacturing facilities, improving emissions intensity during periods of production decline is difficult due to the amount of fixed energy use associated with manufacturing processes and facilities. Such a scenario will not provide an appropriate incentive under the 1605(b) Program for an entity to complete emission reduction and energy efficiency efforts during periods of declining production.

The Alliance proposes the following compromise. If future emissions increase above the base period levels (i.e., due to production increases, etc.), the entity must deduct the difference in emissions from their historical “cumulative” registered reductions. This is different from the proposed guidance where the emissions increase must be offset by future reductions. Our proposed system would provide equitable treatment of absolute emissions reductions and intensity-related emission reductions while still allowing both to coexist in a defensible, transparent registration data base. The following table provides an illustration of this example:

	Base Period	2003	2004	2005	2006
Entity Emissions	100	90	80	110	100
Annual Registered Reductions	0	10	20	-10	0
Cumulative Registered Reductions	0	10	30	20	20

An entity that demonstrates it reduced absolute emissions or emissions intensity regardless of any closure impacts or production declines, whether due to sales or other reasons, should be recognized in the 1605(b) Program. Such actions should be encouraged as they represent decreases in “real” emissions which are necessary to meet the President’s emissions intensity goal. An option for the DOE would be to accept absolute reductions so long as the reporter is also reporting GHG intensity simultaneously. As long as both metrics are reported, the entity should be permitted to register reductions on an absolute basis.

There are two additional issues in these sections. First, the DOE has not adequately addressed the implications of the statement in §300.8(j)(2) which states “DOE presumes that reductions calculated using the emissions intensity method do not result from a decline in output.” The DOE should clarify that this is not a rebuttable presumption that is subject to challenge. The second issue is related to §300.8(j)(3) which states “reductions associated, in whole or in part, with U.S. or non-U.S. government requirements... should identify the government requirement involved and the type of effect these requirements had on the reported emission reductions.” This has the potential of requiring an enormous and unproductive amount of information if it is taken literally. The term “associated” is vague and undefined. Additionally, it is unclear what types of government requirements are expected to be identified. An undesirable effect of this requirement would be burdensome and infeasible to reporters. Based on the statute, this whole endeavor to account for government requirements related to reductions is likely to prove unworkable. However, the Alliance can support collecting information where a non-U.S. government “issued to the reporting entity a credit or other financial benefit or regulatory relief.”

### **§300.9 Reporting and recordkeeping requirements**

The Alliance supports the provision that entities intending to register reductions must maintain adequate records for at least three years to enable verification. The Alliance also agrees with the confidentiality provisions provided in this section.

### **§300.10 Certification of reports**

The Alliance supports that certification of reports may be provided by a chief executive officer, agency head, or an officer or employee of the entity who is responsible for reporting the entity’s compliance with environmental regulations. The additional certification provisions for entities registering reductions are also appropriate but should not be required for entities simply reporting to the Program.

### **§300.11 Independent verification**

Reporting entities interested in registering their reductions should be encouraged to have their annual reports reviewed by independent and qualified verifiers. However, independent verification by professionals will be expensive and time-consuming, which could discourage participation in the 1605(b) Program if it was required. Alliance members devote a considerable amount of resources to assure that their reports are internally verified by qualified personnel.

# ALLIANCE OF AUTOMOBILE MANUFACTURERS

## ATTACHMENT 1 (cont.)

### DRAFT TECHNICAL GUIDELINES

#### **Chapter 1, Part D: Mobile Sources**

The Draft Technical Guidelines provide several methods for estimating GHG emissions from mobile sources. The Alliance would like to recommend the DOE re-consider the rating applied for estimation methods based on Vehicle Miles Traveled (VMT). A 'C' rating is currently applied in instances where mass balance based on VMT is utilized for CO<sub>2</sub> emissions from highway vehicles. VMT is not an accurate estimation method for the calculation of GHG emissions. Rather, the Alliance suggests that a 'D' rating be applied for CO<sub>2</sub> emissions and that the DOE stress in the Technical Guidelines that a mass balance estimate utilizing volume of fuel consumed over a period of time is more accurate. A rating of 'A' is appropriate when utilizing the volume of fuel consumed.

We would also like to identify that certain emission factors for nitrous oxide and methane from highway vehicles presented in Table 1.D.2 are incorrect. The factors have been derived from the USEPA *Draft Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2003*. However, the *draft* inventory report was recently finalized in April 2005. In the final version of the *Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2003*, the emission factors for nitrous oxide and methane were updated. As a result, Table 1.D.2 of the Draft Technical Guidelines now includes incorrect emission factors.

The Alliance is concerned that publishing the emission factors could be problematic in the future if the factors are updated further. As the USEPA Office of Transportation and Air Quality (OTAQ) is in the process of revising the methane and nitrous oxide emission factors based upon the mobile source emissions factor model called MOVES, the development of MOVES will likely result in further emission factor changes. At a minimum, the DOE should correct the table to reflect the most current USEPA emission factors. It may be prudent for the Draft Technical Guidelines to reference the location of the USEPA's factors (i.e., website location) rather than providing a table of the most recent factors. This will assure the DOE that all reporters will utilize updated factors annually and will prevent frequent revisions to the Technical Guidelines whenever the factors are updated.

#### **Chapter 1, Part F: Indirect Emissions**

The Draft Technical Guidelines require the end user to account for any transmission losses associated with energy transfers. The Guidelines provide a transmission loss value where a transmission loss adjustment factor can be calculated. However, only the owner of a transmission system can register reductions associated with system improvements. The entity reporting the transmission losses should also be the entity eligible to register reductions in

transmission losses attributed to system improvements. Therefore, the Alliance recommends that the DOE consider the guidance implemented by the USEPA Climate Leaders and WRI Protocol programs where transmission losses are reported by the owner of the transmission system rather than the end user. Under this scenario, the transmission system owner is required to report emissions from transmission losses, but may also register reductions from the elimination of transmission losses.

### **Chapter 2, Section 2.3: Base Periods and Base Values**

The Alliance supports the ability to recalculate an entity's base value if significant changes to the make-up of the entity and its production processes have occurred. Significant changes could include mergers, acquisitions, divestitures, and the outsourcing or insourcing of significant elements of the production process. If the historical records of the affected business units or production processes are available and such an adjustment is feasible, the entity should be permitted to recalculate its base value (as proposed).

### **Chapter 2, Section 2.4: Technical Guidelines for the Application of Specific Calculation Methods**

The Draft Technical Guidelines stipulate that indirect emission factors must be used by reporters seeking to quantify emission reductions associated with reduced purchases of electricity. However, when calculating emission reductions the reporting entity must apply the *average* emission intensity from the U.S. electric sector at the point of use. This methodology is conflicting with the emission coefficient utilized to calculate emissions inventories for electricity end-use. For emission inventories, the average emissions intensity *by NERC region* where demand occurs is applied rather than a U.S. average.

The Alliance suggests that the DOE apply the NERC regional average emission coefficients for each calculation. The use of separate emission coefficients will result in registered reductions from indirect electricity use that do not coincide with the net emission reductions calculated for inventorying purposes. The system as proposed will penalize entities located primarily in NERC regions possessing average CO<sub>2</sub> emission rates greater than the U.S. average as reductions must be calculated utilizing the lower U.S. average emission coefficient.

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