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caused by actions likely to cause increases in emissions elsewhere within the entity's operations. This certification should be based on an assessment of the likely direct and indirect effects of the actions taken to reduce greenhouse gas emissions.

(d) *Net emission reductions achieved by third parties (offset reductions or emission reductions submitted by aggregators).* A reporting entity or aggregator under certain conditions may register net emission reductions achieved by third parties. A large emitter that is reporting on behalf of other entities must meet all of the requirements applicable to large emitters, including submission of an entity statement, an emissions inventory, and an entity-wide assessment of emission reductions. If an aggregator is a small emitter, it may choose to report only on the activities, emissions and emission reductions of the third parties on behalf of which it is reporting and not to report on any of its own activities or emission reductions. The reporting entity or aggregator must include in its report all of the information on the third party, including an entity statement, an emissions inventory (when required), an assessment of emission reductions and appropriate certifications, that would be required if the third party were directly reporting to EIA. The report to DOE must also include a certification by the third party indicating that it has agreed that the reporting entity or aggregator should be recognized as the entity responsible for any registered reductions and that the third party does not intend to report directly to DOE. The net emissions reductions (or increases) of each third party will be evaluated separately by EIA to determine whether they are eligible for registration. The registered reductions for each third party will be included in EIA's summary of all registered reductions reported by the responsible entity. EIA will also include in the entity's summary report any emission increases by such a third party. If the agreement between the reporting entity and any third party is discontinued, for any reason, all emission reductions or emissions attributable to the third

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party would be removed by EIA from the records of the reporting entity.

(e) *Adjusting for year-to-year increases in net emissions.* (1) Normally, net annual emission reductions for an entity are calculated by summing the net annual changes in emissions, avoided emissions and sequestration, as determined using the calculation methods identified in § 300.8 and according to the procedures described in § 300.7 (b) for large emitters, § 300.7 (c) for small emitters, and § 300.7 (d) for offsets. However, if the entity experienced a net increase in emissions for one or more years, these increases must be reported and taken into account in calculating any future year reductions. If the entity subsequently achieves net annual emission reductions, the net increases experienced in the preceding year(s) must be more than offset by these reductions before the entity can once again register emission reductions. For example, if an entity achieved a net emission reduction of 5,000 metric tons of CO₂ equivalent in its first year, a net increase of 2,000 metric tons in its second year, and a net reduction of 3,000 metric tons in its third year, it would be able to register a 5,000 metric ton reduction in its first year, no reduction in its second year, and a 1,000 metric ton reduction in its third year (3,000-2,000). The entity must file full reports for each of these three years. Its report for the second year would indicate the net increase in emissions and this increase would be noted in EIA's summary of the entity's report for that year and for any future year, until the emissions increase was entirely offset by subsequent emission reductions. If this same entity achieved a net reduction of only 1,000 metric tons in its third year, it would not be able to register additional reductions until it had, in some future year, offset more than its second year increase of 2,000 metric tons.

§ 300.8 Calculating emission reductions.

(a) *Choosing Appropriate Emission Reduction Calculation Methods.* (1) An entity must choose the method or methods it will use to calculate emission reductions from the list provided in paragraph (h) of this section. Each of the

calculation methods has special characteristics that make it applicable to only certain types of emissions and activities. An entity should select the appropriate calculation method based on several factors, including: how the reporter's subentities are defined, how the reporter will gather and report emissions data; and the availability of other types of data that might be needed, such as production or output data.

(2) For some entities, a single calculation method will be sufficient, but many entities may need to apply more than one method because discrete components of the entity require different calculation methods. In such a case, the entity will need to select a method for each subentity (or discrete component of the entity with identifiable emission or reductions). The emissions and output measure (generally a physical measure) of each subentity must be clearly distinguished and reported separately. Guidance on the selection and specification of calculation methods is provided in Chapter 2 of the Draft Technical Guidelines (incorporated by reference, see §300.13).

(b) *Identifying subentities for calculating reductions.* If more than one calculation method is to be used, an entity must specify the portion of the entity (the subentity) to which each method will be applied. Each subentity must be clearly identified. From time to time, it may be necessary to modify existing or create new subentities. The entity must provide to DOE a full description of such changes, together with an explanation of why they were required.

(c) *Choosing a base period for calculating reductions.* In general, the base period used in calculating emission reductions is the single year or up to four-year period average immediately preceding the first year of calculated emission reductions.

(d) *Establishing base values.* To calculate emission reductions reporters must establish a base value against which to compare reporting year performance. The minimum requirements for base values for each type of calculation method are specified in Chapter 2 of the Draft Technical Guidelines (incorporated by reference, see §300.13). In most cases, an historic base value, de-

rived from emissions or other data gathered during the base period, is the minimum requirement specified.

(e) *Emission reduction and subentity statements.* For each emission reduction calculation method and subentity, an entity must submit to EIA the following information:

(1) An identification and description of the method used to calculate emission reductions, including:

- (i) The type of calculation method;
- (ii) The measure of output used (if any); and
- (iii) The method-specific base period for which any required base value will be calculated.

(2) When starting to report, the base period used in calculating reductions must end in the start year. However, over time it may be necessary to revise or establish new base periods and base values in response to significant changes in processes or output of the subentity.

(3) A description of the subentity and its primary economic activity or activities, such as electricity generation, product manufacturing, service provider, freight transport, or household operation; and

(4) A description of the emission sources or sinks covered, such as fossil fuel power plants, manufacturing facilities, commercial office buildings or heavy-duty vehicles.

(f) *Changes in calculation methods, base periods and base values.* When significant changes occur in the composition or output of reporting entities, an entity may need to change previously specified calculation methods, base periods or base values. An entity should make such changes only if necessary and it should fully document the reasons for any changes. The Draft Technical Guidelines (incorporated by reference, see §300.13) describe when such changes should be made and what information on such changes must be provided to DOE.

(g) *Continuous reporting.* To ensure that the summation of entity annual reports accurately represents net, multi-year emission reductions, an entity must submit a report every year, beginning with the first reduction year. An entity may use a specific base

period to determine emission reductions in a given future year only if the entity has submitted qualified reports for each intervening year. If an interruption occurs in the annual reports of an entity, the entity must subsequently report on all missing years prior to qualifying for the registration of additional emission reductions.

(h) *Calculation methods.* An entity must calculate any change in emissions, avoided emissions or sequestration using one or more of the methods described in this paragraph and in the Draft Technical Guidelines (incorporated by reference, see § 300.13).

(1) *Changes in emissions intensity.* A reporting entity may use emissions intensity as a basis for determining emission reductions as long as the reporting entity selects a measure of output that is:

- (i) A reasonable indicator of the output produced by the reporting entity;
- (ii) A reliable indicator of changes in the reporting entity's activities;
- (iii) Related to emissions levels; and
- (iv) Any appropriate adjustments for acquisitions, divestitures, insourcing, outsourcing, or changes in products have been made, as described in the Draft Technical Guidelines (incorporated by reference, see § 300.13).

(2) *Changes in absolute emissions.* A reporting entity may use changes in the absolute (actual) emissions (direct and/or indirect) as a basis for determining net emission reductions as long as the reporting entity makes only those adjustments required by the Draft Technical Guidelines (incorporated by reference, see § 300.13). An entity intending to register emission reductions may use this method only if the entity demonstrates in its report that any reductions derived from such changes were not achieved as a result of reductions in the output of the reporting entity, and certifies that emission reductions are not the result of major shifts in the types of products or services produced.

(3) *Changes in carbon storage (for actions within entity boundaries).* A reporting entity may use changes in carbon storage as a basis for determining net emission reductions as long as the entity uses estimation and measurement methods that comply with the Draft

Technical Guidelines (incorporated by reference, see § 300.13), and has included an assessment of the net changes in all sinks in its inventory.

(4) *Changes in avoided emissions (for actions within entity boundaries).* A reporting entity may use changes in the avoided emissions associated with the sale of electricity, steam, hot water or chilled water generated from non-emitting or low-emitting sources as a basis for determining net emission reductions as long as:

(i) The measurement and calculation methods used comply with the Draft Technical Guidelines (incorporated by reference, see § 300.13);

(ii) The reporting entity certifies that any increased sales were not attributable to the acquisition of a generating facility that had been previously operated, unless the entity's base period includes generation values from the acquired facility's operation prior to its acquisition; and

(iii) Generators of distributed energy that have net emissions in their base period and intend to report reductions resulting from changes in avoided emissions, use a method specified in the Draft Technical Guidelines (incorporated by reference, see § 300.13) that integrates that calculation of reductions resulting from both changes in emissions intensity and changes in avoided emissions.

(5) *Action-specific emission reductions (for actions within entity boundaries).* An entity-wide reporter may use the action-specific approach only if it is not possible to measure accurately emission changes by using one of the methods identified in paragraphs (h)(1) through (h)(4) of this section. A reporting entity may determine emission reductions based on an estimate of the effects on emissions of a specific action, as long as the entity demonstrates that the estimate is based on analysis that:

(i) Uses output, utilization and other factors that are consistent, to the maximum extent practicable, with the action's actual performance in the year for which reductions are being reported;

(ii) Excludes any emission reductions that might have resulted from reduced output or were caused by actions likely

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to be associated with increases in emissions elsewhere within the entity's operations; and

(iii) Uses methods that are in compliance with the Draft Technical Guidelines (incorporated by reference, see § 300.13).

(i) *Summary description of actions taken to reduce emissions.* Each reported emission reduction must be accompanied by an identification of the types of actions that were the likely cause of the reductions achieved. Entities are also encouraged to include in their reports information on the benefits and costs of the actions taken to reduce greenhouse gas emissions, such as the expected rates of return, life cycle costs or benefit to cost ratios, using appropriate discount rates.

(j) *Emission reductions associated with plant closings, voluntary actions and government (including non-U.S. regulatory regimes) requirements.* (1) Each report of emission reductions must indicate whether the reported emission reductions were the result, in whole or in part, of plant closings, voluntary actions, or government requirements. DOE will presume that reductions that were not the result of plant closings or government requirements are the result of voluntary actions.

(2) If emission reductions were, in whole or in part, the direct result of plant closings that caused a decline in output, the report must identify the reductions as such; these reductions do not qualify for registration. DOE presumes that reductions calculated using the emissions intensity method do not result from a decline in output.

(3) If the reductions were associated, in whole or in part, with U.S. or non-U.S. government requirements, the report should identify the government requirement involved and the type of effect these requirements had on the reported emission reductions. If, as a result of the reduction, a non-U.S. government issued to the reporting entity a credit or other financial benefit or regulatory relief, the report should identify the government requirement involved and describe the specific form of benefit or relief provided.

(k) *Determining the entity responsible for emission reductions.* The entity that DOE will presume to be responsible for

emission reduction, avoided emission or sequestered carbon is the entity with financial control of the facility, land or vehicle which generated the reported emissions, generated the energy that was sold so as to avoid other emissions, or was the place where the sequestration action occurred. If control is shared, reporting of the associated emission reductions should be determined by agreement between the entities involved so as to avoid double-counting; this agreement must be reflected in the entity statement and in any report of emission reductions. DOE will presume that an entity is not responsible for any emission reductions associated with a facility, property or vehicle excluded from its entity statement.

§ 300.9 Reporting and recordkeeping requirements.

(a) *Starting to report under the Guidelines.* An entity may report emissions and sequestration on an annual basis beginning in any year, but no earlier than the base period of 1987–1990 specified in the Energy Policy Act of 1992. To be recognized under these Guidelines, all reports must conform to the measurement methods established by the Draft Technical Guidelines (incorporated by reference, see § 300.13). This requirement applies to entities that report to the revised Voluntary Reporting of Greenhouse Gases Program registry for the first time as well as those entities that have previously submitted emissions reports pursuant to section 1605 (b) of the Energy Policy Act of 1992.

(b) *Revisions to reports submitted under the Guidelines.* (1) Once DOE has accepted a report under this part, it may be revised by the reporting entity only under certain conditions specified in this paragraph (b)(1) of this section and related provisions of the Draft Technical Guidelines (incorporated by reference, see § 300.13). In general:

(i) Revised reports may be submitted to correct errors that have a significant effect on previously estimated emissions or emission reductions; and

(ii) Emission inventories may be revised in order to create a consistent