



February 16, 2004

Kristine M. Krause, P.E.  
Vice President - Environmental

Mr. Mark Friedrichs  
PI-40  
Office of Policy and International Affairs  
U.S. Department of Energy  
Room 1E190  
1000 Independence Ave., SW  
Washington, DC 20585

Re: We Energies Response to the Department of Energy (DOE) Federal Register Notice (68203), 10 CFR Part 300, General Guidelines for Voluntary Greenhouse Gas Reporting; Proposed Rule.

Dear Mr. Friedrichs:

We Energies appreciates the opportunity to provide comments regarding the proposed revisions to the General Guidelines for governing voluntary reporting of greenhouse gases (GHG) under the Energy Policy Act of 1992.

We Energies, as Wisconsin Electric Power Company, was a signatory to the President's Climate Challenge in 1994. We have reported on our voluntary emission reduction activities since the inception of the current EIA 1605b Voluntary Reporting of Greenhouse Gas program. It is our wish to be in a position to continue our voluntary reporting on these activities under the revised program. In furtherance of that goal, the following comments and suggestions are offered in order to encourage a reporting system that is not burdensome to the participants; encourages broad participation among and across sectors of the US economy; and provides useful information to other participants, emissions trading markets, the US government and the general public.

**1. We Energies supports a unitary system for greenhouse gas emissions and emission reductions reporting.**

The proposed two-tiered approach creates artificially differentiated reductions that should instead be only differentiated and differently valued, if appropriate, by an emissions trading market. Entities will be more likely to undertake activities that result in emission reductions if there is potential for these reductions to be traded. A robust, open trading market requires a single, fungible article of trade. A commodity cannot result from a bifurcated system of "reporting" and "registering" which creates artificial, multiple classes of reductions. The unspecified "special recognition" promised by DOE would not offset the problems that would be created by the proposed approach. There should be one reporting standard rather than a "reporting versus registration" scheme that creates differentiated tons. Reporters also should be able to "accrue" reductions to allow for yearly fluctuations that could be due to weather, the economy, or other uncontrollable factors..

**2. Project-based reporting must be included.**

While We Energies has reported on emission reduction activities for nearly a decade, energy use in Wisconsin has increased steadily during that period and will continue to do so for the foreseeable future. This means increasing generation is required from all sources of generation, including fossil fueled power plants. While these plants continue to be run as efficiently as possible, and while we expect that our greenhouse gas "emissions intensity" will be able to be improved over the coming years, it is unlikely we will experience a reduction in absolute GHG emissions due to this increasing demand. If this occurs, our company will not be in a position to "register" emission reductions according to the currently proposed guidelines.

Under project-based reporting, entities must have flexibility in who reports the reductions. Project partners should determine ownership and reporting responsibilities and decide how to avoid double-counting of project reductions.

**3. The reporting system should be conducive to developing emission reduction trading markets, including the provision of transferable credit.**

If it is determined that DOE indeed does not have statutory authority to grant transferable credit, then this authority should be obtained. The President's directive, the subsequent "4-Agency" letter, and statements by Energy Secretary Spencer Abraham all provide clear direction that this transferable credit is a desirable and necessary component to the voluntary reporting program.

**4. Only the portions of terrestrial systems that are being actively managed for carbon need to be assessed and reported on annually.**

It would be infeasible and burdensome to require all participants to evaluate all of their property holdings to assess stored carbon for inclusion in their inventories. In addition, it would not provide useful information since most entities will not experience significant annual changes in carbon stocks on property that is not actively managed. This requirement alone could substantially reduce the number of participants in the reporting program.

**5. Credit for actions prior to DOE's suggested baseline year must be included.**

The 1605b reporting system should recognize and include all tons reduced, avoided or sequestered, particularly emission reductions achieved through projects, achieved at any time beginning with the period 1987 to 1990. Reporters must be able to submit previously reported activities that meet all other requirements of the final 1605b general and technical guidelines.

**6. International activities must be included.**

Since greenhouse gas impacts are a global phenomenon, any actions taken by a US company to reduce, avoid or sequester them should be recognized in the official US reporting system, even if they are tracked and accounted for distinctly to permit a domestic/global perspective.

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- 7. The Energy Information Administration's 1605b reporting data base should be the single federal repository of voluntary greenhouse gas emission and reduction reporting information.**

As companies consider additional voluntary GHG reduction initiatives and partnerships, they will be more likely to participate if they know that there will be a single government entity point-of-contact and one set of rules to follow.

We Energies looks forward to the opportunity to provide additional comments when the revised General Guidelines and the Technical Guidelines are issued later in the year.

Respectfully Submitted,



Kristine M. Krause  
Vice President Environmental