H. R. 2520

To authorize the President to enter into agreements to provide regulatory credit for voluntary early action to mitigate potential environmental impacts from greenhouse gas emissions.

IN THE HOUSE OF REPRESENTATIVES

JULY 14, 1999

Mr. Lazio (for himself, Mr. Dooley of California, Mr. Boehlert, Mr. Kind, Mr. Castle, Mr. Moran of Virginia, Mr. Saxton, Mr. Roemer, Mr. Ganske, Mr. Maloney of Connecticut, Mr. Gilchrest, Mr. Price of North Carolina, and Mr. Smith of Washington) introduced the following bill; which was referred to the Committee on Commerce

A BILL

To authorize the President to enter into agreements to provide regulatory credit for voluntary early action to mitigate potential environmental impacts from greenhouse gas emissions.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

4 (a) Short Title.—This Act may be cited as the
5 “Credit for Voluntary Actions Act”.
6 (b) Table of Contents.—The table of contents of
7 this Act is as follows:
Sec. 2. PURPOSE.

(a) IN GENERAL.—The purpose of this Act is to encourage voluntary actions to mitigate potential environmental impacts of greenhouse gas emissions by authorizing the President to enter into binding agreements under which entities operating in the United States will receive credit, usable in any future domestic program that requires mitigation of greenhouse gas emissions, for voluntary mitigation actions taken before the end of the credit period and to ensure that their future emission baselines reflect these actions.

(b) RULES OF CONSTRUCTION REGARDING KYOTO PROTOCOL AND FEDERAL REGULATORY ACTIONS.—This Act may not be construed—

(1) as an indication of support for, or an endorsement or ratification of, the Kyoto Protocol; or

(2) as establishing an obligation on the part of the Congress to enact a domestic greenhouse gas regulatory statute (as defined in section 3(9)).
SEC. 3. DEFINITIONS.

In this Act:

(1) AFFORESTATION.—The term “afforestation” means conversion of non-forest to forest on lands that have, historically, not contained forests and did not in 1990.

(2) BASELINE CARBON STOCKS.—The term “baseline carbon stocks” means the average amount of carbon stocks (in tons carbon) estimated to be present on a participant’s land during the participant’s base period.

(3) BEST MANAGEMENT PRACTICES.—The term “best management practices” means sustainable land-management practices that conserve resources while maintaining long-term productivity.

(4) CARBON RESERVOIR.—The term “carbon reservoir” means quantifiable nonfossil storage of carbon in a natural or managed ecosystem or other reservoir.

(5) CARBON STOCKS.—The term “carbon stocks” means living biomass carbon, dead biomass carbon, and soil carbon (organic and mineral soils).

(6) COMPLIANCE PERIOD.—The term “compliance period” means any period during which a domestic greenhouse gas regulatory statute is in effect.
(7) CREDIT PERIOD.—The term “credit period” means—

(A) the period of January 1, 1999, through the earlier of—

(i) the day before the beginning of the compliance period; or

(ii) the end of the ninth calendar year that begins after the date of enactment of this Act; or

(B) if a different period is determined for a participant under section 5(e) or 6(e)(4), the period so determined.

(8) DOMESTIC.—The term “domestic” means within the territorial jurisdiction of the United States.

(9) DOMESTIC GREENHOUSE GAS REGULATORY STATUTE.—The term “domestic greenhouse gas regulatory statute” means a Federal statute, enacted after the date of enactment of this Act, that imposes a quantitative limitation on domestic greenhouse gas emissions.

(10) ECOSYSTEMS.—The term “ecosystems” include above- and below-ground living biomass, soils (organic and mineral), and necromass.
(11) **EXISTING SOURCE.**—The term “existing source” means a source that emitted greenhouse gases during the participant’s base period determined under section 6.

(12) **FOREST.**—The term “forest” means land at least 10 percent occupied by forest trees of any size or formerly having had such tree cover and not currently developed for non-forest use. Lands developed for non-forest use include areas for crops, improved pasture, residential, or administrative areas, improved roads of any width, and adjoining road clearing and powerline clearing of any width. The land must be a minimum of one acre in area. Roadside, streamside, and shelterbelt strips of timber must have a crown width of at least 120 feet to qualify as forest land; and unimproved roads, trails, streams, and clearings within forest areas are classified as forest land if they are less than 120 feet wide (USDA Forest Service 1972).

(13) **GREENHOUSE GAS.**—The term “greenhouse gas” means—

(A) carbon dioxide;

(B) methane;

(C) nitrous oxide;

(D) hydrofluorocarbons;
(E) perfluorocarbons; and

(F) sulfur hexafluoride.

(14) GREENHOUSE GAS REDUCTION CREDIT.—The term “greenhouse gas reduction credit” means an authorization under a domestic greenhouse gas regulatory statute to emit 1 metric ton of greenhouse gas (expressed in terms of carbon dioxide equivalent) that is provided because of greenhouse gas emission reductions or carbon sequestration carried out before the compliance period.

(15) MATURE PRIMARY FOREST.—The term “mature primary forest” means forests where the majority of dominant and codominant trees are greater than 100 years of age and where there is no history of significant direct human disturbance, with the exception of prescribed fire, over the last 100 years.

(16) NEW SOURCE.—The term “new source” means—

(A) a source other than an existing source; and

(B) a facility that would be a source but for the facility’s use of renewable energy.
(17) OWN.—The term “own” means to have direct or indirect ownership of an undivided interest in an asset.

(18) PARTICIPANT.—The term “participant” means a person that enters into a voluntary action agreement with the United States under this Act.

(19) PERSON.—The term “person” includes a governmental entity.

(20) Reforestation.—The term “reforestation” means conversion of non-forest to forest on lands which had, historically, contained forests but which had been converted to some other use as of 1990.

(21) REGION.—The term “region” has the meaning applicable pursuant to the inventory and analysis survey unit or units of the United States Forest Service in which the participant’s lands are located.

(22) SOURCE.—The term “source” means a source of greenhouse gas emissions.

(23) TON-YEAR.—The term “ton year” means the maintenance of a carbon stock of one ton for one year.

(24) VOLUNTARY ACTION AGREEMENT.—The term “voluntary action agreement” means an agree-
ment with the United States entered into under sec-

section 4(a).

SEC. 4. AUTHORITY FOR VOLUNTARY ACTION AGRE-

MENTS.

(a) Authority.—

(1) In general.—The President may enter

into a legally binding voluntary action agreement

with any person under which the United States

agrees to provide greenhouse gas reduction credit

usable beginning in the compliance period, if the

person takes an action described in section 5 that

reduces greenhouse gas emissions or section 10 that

sequesters carbon before the end of the credit pe-

period.

(2) Requirements.—A voluntary action agree-

ment entered into under paragraph (1) shall meet

either—

(A) the requirements for voluntary action

agreements under sections 5 through 8;

(B) in the case of a participant described

in section 9, the requirements of that section;

or

(C) in the case of carbon sequestration, the

requirements of section 10.
(b) **DELEGATION.**—The President may delegate any authority under this Act to any Federal department or agency.

(e) **REGULATIONS.**—The President may promulgate such regulations (including guidelines) as are appropriate to carry out this Act.

**SEC. 5. ENTITLEMENT TO GREENHOUSE GAS REDUCTION CREDIT FOR VOLUNTARY ACTION.**

(a) **Creditable Actions Which Result in Increases to United States Limitations.**—A participant shall receive greenhouse gas reduction credit under a voluntary action agreement if the participant takes an action that—

(1) reduces greenhouse gas emissions or sequesters carbon before the end of the credit period; and

(2) will result in an addition to the United States quantified emission limitation during the credit period.

(b) **United States Initiative for Joint Implementation.**—

(1) **IN GENERAL.**—Subject to paragraph (2), a voluntary action agreement may provide that a participant shall be entitled to receive greenhouse gas reduction credit for a greenhouse gas emission reduction or carbon sequestration that—
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(A) is not creditable under subsection (a);

and

(B) is for a project—

(i) accepted before December 31, 2000, under the United States Initiative for Joint Implementation; and

(ii) financing for which was provided

or construction of which was commenced

before that date.

(2) LIMITATION ON PERIOD DURING WHICH CREDIT MAY BE EARNED.—No greenhouse gas redu-
duction credit may be earned under this subsection after the earlier of—

(A) the earliest date on which credit may be earned for a greenhouse gas emission reduc-
tion, carbon sequestration, or comparable project under a Congressionally authorized do-

cestic greenhouse gas regulatory statute; or

(B) the end of the credit period.

(c) PROSPECTIVE DOMESTIC ACTIONS.—

(1) EMISSION REDUCTIONS.—A participant shall receive greenhouse gas reduction credit under a voluntary action agreement if during the entire credit period the participant’s aggregate greenhouse gas emissions from domestic sources that are cov-
ered by the voluntary action agreement are less than the sum of the participant’s annual source baselines during that entire period (as determined under section 6 and adjusted under subsections (a)(2), (c)(1), and (c)(2) of section 7).

(2) Sequestration.—For the purpose of receiving greenhouse gas reduction credit under paragraph (1), the amount by which aggregate net carbon sequestration for the credit period in a participant’s domestic carbon reservoirs covered by a voluntary action agreement exceeds the sum of the participant’s annual reservoir baselines for the credit period (as determined under section 6 and adjusted under section 7(c)(1)(B)) shall be treated as a greenhouse gas emission reduction.

(d) Retrospective Domestic Actions.—

(1) Credit.—A voluntary action agreement may provide that a participant shall be entitled to receive 1 ton of greenhouse gas reduction credit for each ton of greenhouse gas emission reductions or carbon sequestration for the 1991 through 1998 period from domestic actions that are—

(A) reported before January 1, 1999, under section 1605 of the Energy Policy Act of 1992 (42 U.S.C. 13385); or
(B) carried out and reported before January 1, 1999, under a Federal agency program to implement other recognized greenhouse gas reductions efforts.

(2) VERIFICATION.—The participant shall provide information sufficient to verify to the satisfaction of the President (in accordance with section 8 and the regulations promulgated under section 4(c)) that actions reported under paragraph (1)—

(A) have been accurately reported;

(B) are not double-counted; and

(C) represent actual reductions in greenhouse gas emissions or actual increases in net carbon sequestration.

(3) THIRD-PARTY CERTIFICATION.—All submissions made pursuant to paragraph (2) shall be certified by qualified third-party auditors.

(e) EXTENSION.—The parties to a voluntary action agreement may extend the credit period during which greenhouse gas reduction credit may be earned under the voluntary action agreement, if Congress permits such an extension by law enacted after the date of enactment of this Act.

(f) AWARD OF GREENHOUSE GAS REDUCTION CREDIT.—
(1) Annual Notification of Cumulative Balances.—After the end of each calendar year, the President shall notify each participant of the cumulative balance (if any) of greenhouse gas reduction credit earned under a voluntary action agreement as of the end of the calendar year.

(2) Annual Report to Congress.—After the end of each calendar year, the President shall notify Congress of the cumulative balance of greenhouse gas emissions credits potentially earned under all voluntary action agreements as of the end of that calendar year, and shall notify Congress within 30 days of a determination that the cumulative balance of greenhouse gas emission credits potentially earned under all voluntary action agreements as of that time has reached, or exceeded, 365,000,000.

(3) Award of Final Credit.—Effective at the end of the credit period, a participant shall have a contractual entitlement, to the extent provided in the participant’s voluntary action agreement, to receive 1 ton of greenhouse gas reduction credit for each 1 ton that is creditable under subsections (a) through (d).

(g) Automatic Fire Suppression Systems.—Credits shall not be issued under this Act for the reduction
of greenhouse gases used in automatic fire suppression systems provided that such greenhouse gases—

(1) remain in an approved fire suppression system maintained strictly according to NFPA 2001 to ensure against accidental or unnecessary discharges;

and

(2) upon decommissioning, the greenhouse gases in the system are chemically transformed to eliminate any and all global warming potential.

SEC. 6. BASELINE AND BASE PERIOD.

(a) Source Baseline.—A participant’s annual source baseline for each of the calendar years in the credit period shall be equal to the participant’s average annual greenhouse gas emissions from domestic sources covered by the participant’s voluntary action agreement during the participant’s base period, adjusted for the calendar year as provided in subsections (a)(2), (c)(1), and (c)(2) of section 7, or subsections (c) and (d) of section 9, or subsection (e) of section 9. A participant’s annual source baseline shall not include emissions that resulted from failure to comply with applicable requirements in force during the base period.

(b) Reservoir Baseline.—A participant’s annual reservoir baseline for each of the calendar years in the credit period shall be equal to the average level of carbon
stocks in carbon reservoirs covered by the participant’s voluntary action agreement for the participant’s base period, adjusted for the calendar year as provided in section 7(c)(1).

(c) Base Period.—

(1) In general.—Except as provided in paragraphs (2) and (3), a participant’s base period shall be an average of the 3-year period ending with the year of enactment of this Act.

(2) Data unavailable or unrepresentative.—The regulations promulgated under section 4(c) may specify a base period other than the period described in section 6(c)(1) that will be applicable if adequate data are not available to determine a baseline for those years or if such data are unrepresentative.

(3) Elections.—The regulations promulgated under section 4(c) may permit a participant to elect a base period earlier than the period described in section 6(c)(1) (not to include any year earlier than 1990) to reflect voluntary reductions made before that period.

(4) Adjustment of period during which credit may be earned.—Notwithstanding subsections (c) and (d) of section 5, except as otherwise
provided by the regulations promulgated under section 4(c), if an election is made for a base period earlier than 1996—

(A) greenhouse gas reduction credit shall be available under section 5(c) for the calendar year that begins after the end of the base period and any calendar year thereafter through the end of the credit period; and

(B) greenhouse gas reduction credit shall be available under section 5(d) only through the end of the base period.

SEC. 7. SOURCES COVERED BY VOLUNTARY ACTION AGREEMENTS.

(a) SOURCES.—

(1) IN GENERAL.—

(A) COVERED SOURCES.—Except as otherwise provided in this subsection, a participant’s voluntary action agreement shall cover all domestic greenhouse gas sources that the participant owns as of the date on which the voluntary action agreement is entered into.

(B) EXCLUSIONS.—The regulations promulgated under section 4(e) (or the terms of an early action agreement) may exclude from coverage under a voluntary action agreement small
or diverse sources owned by the participant
where the emissions represent a de minimis per-
centage of the participant’s total emissions.

(2) ECONOMIC CHANGE.—

(A) IN GENERAL.—The regulations pro-
mulgated under section 4(c) shall provide that
a voluntary action agreement shall provide for
annual addition to, or deduction from, a partici-
pant’s emissions baseline to account for eco-
nomic change.

(B) CALCULATIONS.—Each participant’s
annual baseline shall be the product of—

(i) its baseline emissions;

(ii) the participant’s economic change
factor; and

(iii) the GDP adjustment factor.

(C) TERMS.—

(i) ECONOMIC CHANGE FACTOR.—For
purposes of subparagraph (B)(ii), the eco-
nomic change factor represents the ratio,
expressed in percentage terms, of the prod-
uct output of the participant during the
year and the average annual product out-
put of the participant during the base pe-
riod.
(ii) GDP ADJUSTMENT FACTOR.—For purposes of subparagraph (B)(iii), the GDP adjustment factor, expressed in percentage terms, represents the difference between 100 and the percentage by which the Gross Domestic Product of the United States has increased since the base period.

(iii) DEMAND-SIDE MANAGEMENT.—For purposes of clause (i), in the case of electricity generators, the calculations of product output shall take into account reductions in output due to demand-side management investments.

(b) OPT-IN PROVISIONS.—

(1) OPT-IN FOR OTHER OWNED SOURCES.—Domestic sources owned by a participant that are not required to be covered under subsection (a) may be covered under a voluntary action agreement at the election of the participant.

(2) OPT-IN FOR CARBON RESERVOIRS.—

(A) IN GENERAL.—A voluntary action agreement may provide that domestic carbon reservoirs owned by a participant may be covered under the voluntary action agreement at the election of the participant.
(B) COVERAGE.—Except in the case of small or diverse carbon reservoirs owned by the participant (as provided in the regulations promulgated under section 4(c)), if a participant elects to have domestic carbon reservoirs covered under the voluntary action agreement, all of the participant’s domestic carbon reservoirs shall be covered under the voluntary action agreement.

(c) ACCOUNTING RULES.—

(1) TRANSFERS.—If ownership of a carbon stock covered by a voluntary action agreement is transferred to or from the participant—

(A) the carbon stocks shall be adjusted to reflect the transfer for the participant’s base period;

(B) the net carbon sequestration shall be adjusted to reflect the transfer for each year for which greenhouse gas reduction credit is claimed; and

(C) pro rata adjustments shall be made to reflect transfers that occur during a program year.

(2) DISPLACEMENT OF EMISSIONS.—In addition to the baseline adjustments made pursuant to
subsection (a)(2), a voluntary action agreement shall contain effective and workable provisions that ensure that only net emission reductions will be credited under section 5 in circumstances in which emissions are displaced, as a result of outsourcing, from sources covered by a voluntary action agreement to other sources.

(3) Period of coverage.—Emissions from sources and net carbon sequestration in carbon reservoirs shall be covered by a voluntary action agreement for the entire credit period, except as provided under paragraph (1) or by the regulations promulgated under section 4(e).

SEC. 8. MEASUREMENT AND VERIFICATION.

(a) In general.—In accordance with the regulations promulgated under section 4(e), a voluntary action agreement shall—

(1) provide that, for each calendar year during which the voluntary action agreement is in effect, the participant shall report to the United States, as applicable—

(A) the participant’s annual source baseline and greenhouse gas emissions for the calendar year; and
(B) the requirements of section 10(d) pertaining to carbon sequestration for the calendar year.

(2) establish procedures under which the participant will measure, track, and report the information required by paragraph (1);

(3) establish requirements for maintenance of records by the participant and provisions for inspection of the records by representatives of the United States; and

(4) permit qualified independent third party entities to measure, track, and report the information required by paragraph (1) on behalf of the participant.

(b) Availability of Reports to the Public.—Reports required to be made under subsection (a)(1) shall be available to the public.

(c) Confidentiality.—The regulations promulgated under section 4(c) shall make appropriate provision for protection of confidential commercial and financial information.
SEC. 9. PARTICIPATION BY MANUFACTURERS AND ADOPTERS OF END-USE, CONSUMER, AND SIMILAR TECHNOLOGIES.

(a) In General.—In the case of a participant that manufactures or constructs for sale to end-users equipment or facilities that emit greenhouse gases or which adopt end use efficiency technologies, the President may enter into a voluntary action agreement.

(b) Emissions Baselines.—For each participant under subsection (a), its emissions baseline shall be established by determining the average annual number of products of the same type sold by the participant in the United States during the base period and multiplying that number by the expected useful life of the product and a numerical factor to determine the greenhouse gas emissions resulting from the electricity generated, or fossil fuel consumed, in connection with the operation of the product.

(c) Economic Change.—

(1) Calculations.—Each participant’s annual baseline shall be the product of—

(A) its baseline emissions;

(B) the participant’s economic change factor; and

(C) the GDP adjustment factor.

(2) Terms.—
(A) Economic change factor.—For purposes of paragraph (1)(B), the economic change factor represents the ratio, expressed in percentage terms, of the products of the same type sold by the participant during the year and the average annual number of such products sold by the participant during the base period.

(B) GDP adjustment factor.—For purposes of paragraph (1)(C), the GDP adjustment factor, expressed in percentage terms, represents the difference between 100 and the percentage by which the Gross Domestic Product of the United States has increased since the base period.

(d) Calculation of credits.—Each participant shall be entitled to receive greenhouse gas emissions reduction credits in an amount equal to the difference between—

(1) the sum of its annual emissions baselines for the program period, as calculated pursuant to subsections (b) and (c); and

(2) the product of—

(A) the number of products sold by the participant in the United States;
(B) the expected useful life of each product; and

(C) the numerical factor used to determine the greenhouse gas emissions resulting from the electricity generated, or fossil fuel consumed, in connection with the operation of the product.

(e) AUTOMOTIVE VEHICLES.—

(1) IN GENERAL.—Participants that manufacture automobiles, including both passenger vehicles and light-duty trucks, may enter into agreements authorized by this section.

(2) CALCULATION OF EMISSIONS BASELINE, ANNUAL BASELINE, AND REDUCTION CREDITS.—For purposes of this section, the calculation of each participant’s emissions baseline, annual baseline, and reduction credits shall be based on the methods and factors used in subsections (b), (c), and (d), which shall be used to determine the greenhouse gas emissions reductions achieved, and credits awarded, as a result of improvements made by the participant in the actual fuel economy of its passenger vehicles and light duty trucks.

(f) PREVENTION OF DOUBLE-COUNTING.—In the event the President determines that the adjustments to participants’ baselines made pursuant to section 7(a)(2)
are not adequate to effect the purposes of this subsection, the regulations promulgated under section 4(e) shall include provisions to ensure that, notwithstanding any other provision of this Act, no more than one credit shall be awarded for each ton of emissions of greenhouse gas emissions reduced pursuant to the agreements entered into pursuant to this Act.

SEC. 10. INCREASES IN DOMESTIC CARBON STOCKS.

(a) PURPOSE.—The purpose of this section is to ensure that voluntary action credits earned for approved actions leading to increases in domestic carbon stocks are of a sufficient quality to allow comparable and tradable with other credits authorized by this Act.

(b) IN GENERAL.—A voluntary action agreement shall provide that a participant may be entitled to receive greenhouse gas reduction credit for permanent protection of carbon stocks in mature primary forests, reforestation and afforestation, and improved forest carbon stock management in forests that have merchantable timber.

(c) CALCULATIONS.—Credits shall be subject to potential debiting pursuant to section 10(c)(2)(A), or shall be counted in ton-year credits pursuant to section 10(c)(2)(B).

(1) PERMANENT PROTECTION.—In the case of permanent protection of mature primary forests
where protection is initiated during the credit period, credits shall be equal to 50 percent of the carbon stock in above and belowground live biomass, measured by the end of the credit period.

(2) Reforestation and afforestation.—For reforestation and afforestation initiated during the credit period, credits will be equal to the full net increases in carbon stocks generated by project activities during the credit period.

(3) Improved forest carbon stock management.—In forests that are not being permanently protected and have merchantable timber, creditable net increases in carbon stocks must be additional to those which would have occurred in the absence of this legislation. These net increases are subject to adjustments for leakage.

(A) Additionally.—For improved forest carbon stock management, the annual amount of carbon stock increase that is considered additional to that which would have occurred in the absence of this legislation shall be the difference between the net rate of increase in carbon stocks during the credit period on all land owned by the participant within the region, and the average net rate of increase in carbon
stocks on the same area of land in similar privately owned forest lands within the region. For the purpose of this analysis, regulations promulgated under section 4(c) shall establish average rates of change of carbon stocks for forest type, productivity class, age, and region, taking into account the most recent forest inventory and analysis data. All analyses of rates of change in carbon stocks shall exclude all submerchantable timber. If the average per acre rate of change in carbon stocks in similar forests within the region is less than zero, net changes in those carbon stocks shall be regarded as zero for the purpose of comparison with the rates of change on an individual landowner’s property.

(B) LEAKAGE.—If improved forest carbon stock management results in a reduction in timber supply from the participant’s lands, there will be a deduction in claimed credits equal to the product of the amount of reduction in timber supply and the average direct and indirect carbon emissions associated with supplying similar timber. These emissions shall include those identified in tables developed pursuant to
section 10(d). No deduction for leakage will be required if it can be demonstrated that the net rate of carbon stock increase in the region has risen for the last period for which such data is available, and the aggregate output of all timber, fiber, and fuel producing mills and facilities in the region has not declined, subtracting any production which relied on imports of timber or fiber from outside the region.

(d) LIMITATIONS.—

(1) COVERAGE.—The following applies under this section:

(A) Only private lands, and such lands that are transferred into permanent protection under State or Federal jurisdiction during the credit period, are eligible to participate in the program established by this section.

(B) Mature primary forests, and lands on which reforestation and afforestation is initiated during the credit period, are eligible for crediting under the provisions of this legislation. Where increases in carbon stocks are achieved through improved forest carbon stock management, forests must be, at a minimum, old enough to have merchantable timber to be eli-
ble. To determine the minimum age needed for these lands to be eligible, rules issued under this Act shall describe methods for determining forest age, and define the age at which different forest types produce merchantable pulpwood, sawtimber, or other timber products commonly sold by landowners in the applicable region. For the purposes of this Act, the age of the forest management unit (each not to exceed 100 acres) is the oldest age class that represents at least 20 percent of the standing timber.

(C) A participant must enroll all the forest land it owns to participate in the program established by this section, except those lands used only for ecosystem preservation during the entire early action period, and small or diverse land holdings that represent a de minimis percentage of the participant’s total carbon stocks. For the purposes of this Act, a participant owns forest land if it owns a controlling interest in the timber on the land. To reduce transaction costs, landowners may pool their lands for enrollment and act as a single participant. Changes in carbon stocks, on all lands enrolled need to be included, and for those lands with
a net loss in carbon stocks the loss needs to be subtracted from the creditable gain in carbon stocks calculated under this section.

(2) DURABILITY.—The following applies under this section:

(A) The participant may elect to receive credit equal to the net increase in carbon stocks during the credit period, as calculated under section 10(b). Under this election, if at any time before 50 years have passed since specific tracts were enrolled in the program, the stock of carbon on those tracts covered by the agreement is less than the stock of carbon at the end of the credit period, the participant shall retire a number of greenhouse gas reduction credits equal to the difference between the 2 amounts.

(B) If the participant elects not to count the greenhouse gas reductions accruing from their activities as described above, the participant will be awarded a fraction of 1 ton of credit (a ton-year credit) for each year that the carbon stock is maintained. This fraction shall be defined by the Government agency responsible for the implementation of this Act.
(3) **Land Stewardship.**—The following applies under this section:

(A) To prevent the establishment of forests in areas that currently support natural vegetative communities other than forests, no credits will be granted for afforestation of areas historically not forested unless those areas have been supporting systems other than natural vegetative communities (e.g. cropland, non-native grasslands, abandoned mine lands, parking lots) since 1990.

(B) Credits for carbon stock increases from land use activities should encourage wise land stewardship. All lands enrolled in a program for voluntary action carbon credits must adhere to best management practices as specified on a regional or State basis by the appropriate Federal or State agency.

(4) **Credit Limit.**—No more than 20 percent of the greenhouse reduction credits allocated under this Act shall be awarded for carbon stock increases under this section.

(e) **Monitoring, Reporting, and Verification.**—
(1) **MONITORING GUIDELINES.**—The rules issued pursuant to section 4(e) shall include monitoring guidelines that, at a minimum, provide:

(A) Accurate and transparent carbon stock monitoring protocols based on statistically robust inventory, soil sampling, ecological survey, and other applicable scientific techniques.

(B) Requirements for periodic monitoring of creditable activities. All enrolled carbon stocks that may be decreasing, and significant indirect increases in greenhouse gas emissions caused by project activities, must be monitored and subtracted from credits. Monitoring of enrolled carbon stocks that are increasing is at the discretion of the participant. Only monitored stocks may be included in calculations under sections 10(a) and 10(b).

(C) Tables of estimated greenhouse gas emissions associated with land management activities that result in significant indirect increases in greenhouse gas emissions (such as fertilizer production and application, herbicide production, and fossil fuel consumption).

(D) Procedures for delineating which carbon stocks on a participant’s lands that may be
decreasing during the credit period due to project activities need to be monitored.

(E) Procedures for estimating baseline carbon stocks on each participant’s lands.

(F) Procedures to allow for appropriate estimation of carbon stocks using tables and models derived from forest inventory and analysis data of the United States Forest Service or other credible sources for the appropriate region, forest type, age, stand management history, and site productivity.

(2) REPORTING GUIDELINES.—The rules issued pursuant to section 4(c) shall include reporting guidelines that, at a minimum, provide as follows:

(A) Participants shall report claimed net increases in carbon stocks during the credit period to the Government agency responsible for implementation of this Act, which will then evaluate the participant’s compliance with the guidelines. If not in compliance, the participant will be notified and advised what remedial actions are needed. Participants may not receive greenhouse gas reduction credits until they are in compliance with the guidelines issued under this Act.
(B) Each participant’s report must be supported by a report from a recognized third party auditor. The auditor must verify the carbon credits using a statistically robust evaluation of a valid subsample of the participant’s lands.

(3) Eligibility for assistance.—Participants who own less than 50,000 acres will be eligible for monitoring and verification assistance.

**SEC. 11. TRADING AND POOLING.**

(a) Trading.—A participant may—

(1) purchase earned greenhouse gas reduction credit from and sell the credit to any other participant; and

(2) sell the credit to any person that is not a participant.

(b) Pooling.—The regulations promulgated under section 4(c) may permit pooling arrangements under which a group of participants agrees to act as a single participant for the purpose of entering into a voluntary action agreement.

**SEC. 12. RELATIONSHIP TO FUTURE DOMESTIC GREENHOUSE GAS REGULATORY STATUTE.**

A voluntary action agreement shall not bind the United States to adopt (or not to adopt) any particular
form of domestic greenhouse gas regulatory statute, except that a voluntary action agreement shall provide that—

(1) greenhouse gas reduction credit earned by a participant under a voluntary action agreement shall be provided to the participant in addition to any otherwise available authorizations of the participant to emit greenhouse gases during the compliance period under a domestic greenhouse gas regulatory statute; and

(2) if the allocation of authorizations under a domestic greenhouse gas regulatory statute to emit greenhouse gases during the compliance period is based on the level of a participant’s emissions during a historic period that is later than the participant’s base period under the participant’s voluntary action agreement, any greenhouse gas reduction credit to which the participant was entitled under the voluntary action agreement for domestic greenhouse gas reductions during that historic period shall, for the purpose of that allocation, be added back to the participant’s greenhouse gas emissions level for the historic period.