



Federal Ministry for the
Environment, Nature Conservation,
Building and Nuclear Safety

Verification & Accreditation in the EU ETS

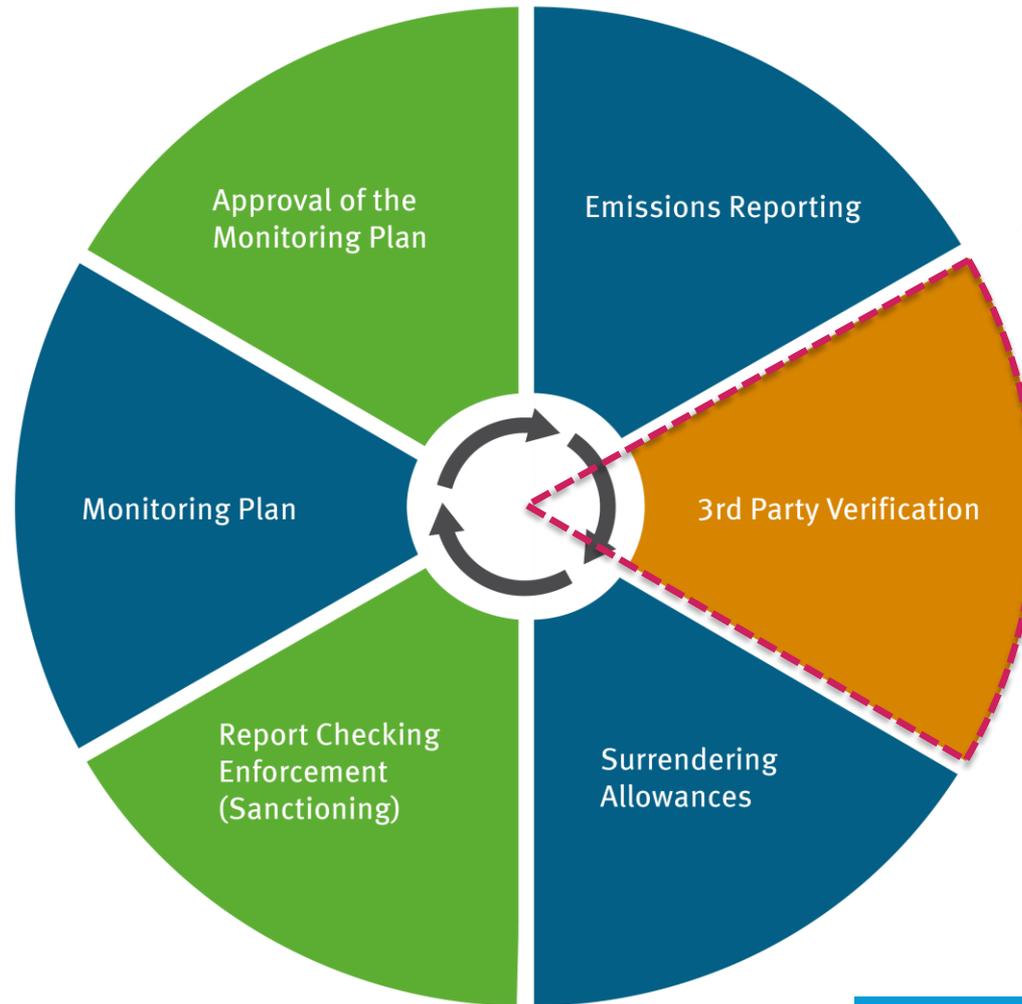
Chile Study Tour to Germany
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Outline

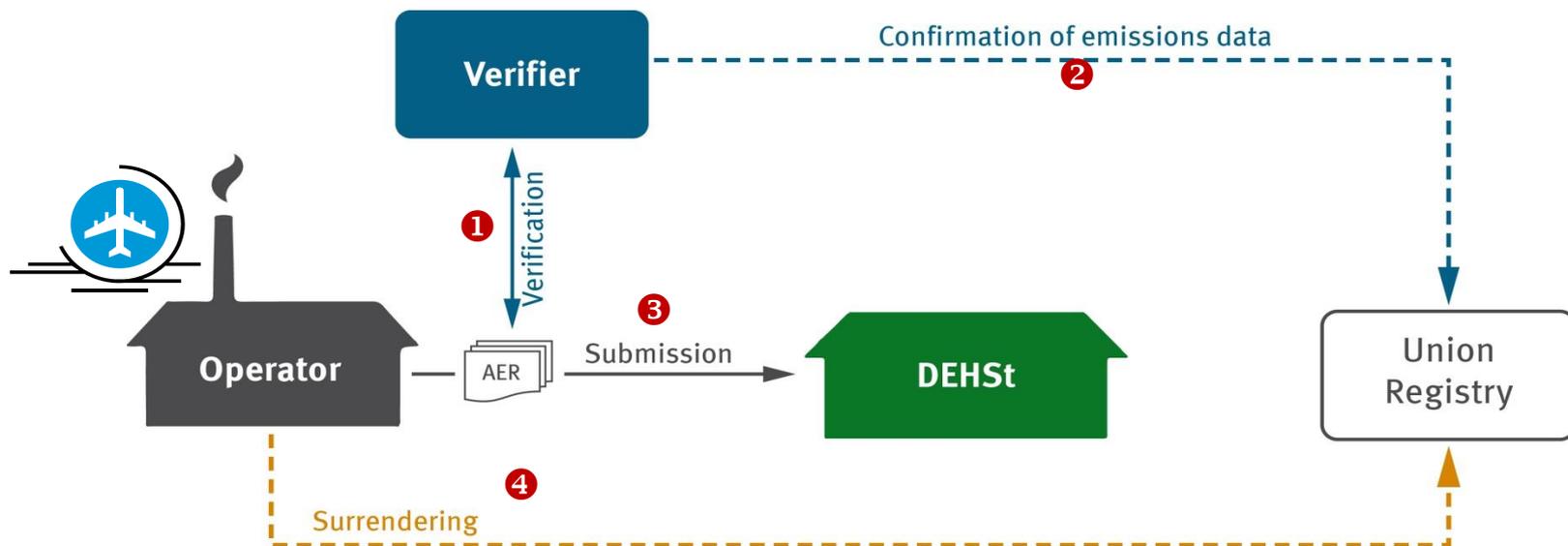
- Introduction
- Legal framework for Verification & Accreditation in the EU ETS
- Main Content of the Accreditation & Verification Regulation (AVR)
- Verification – Scope and Procedural Steps
- Requirements on the National Accreditation Bodies (NABs)
- Requirements on Verifiers and Accreditation Procedure
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- Information Exchange
- Wrap up & Lessons Learnt

EU ETS Compliance Cycle: Verification



- DEHSt's tasks
- Operator's tasks
- Verifier's tasks

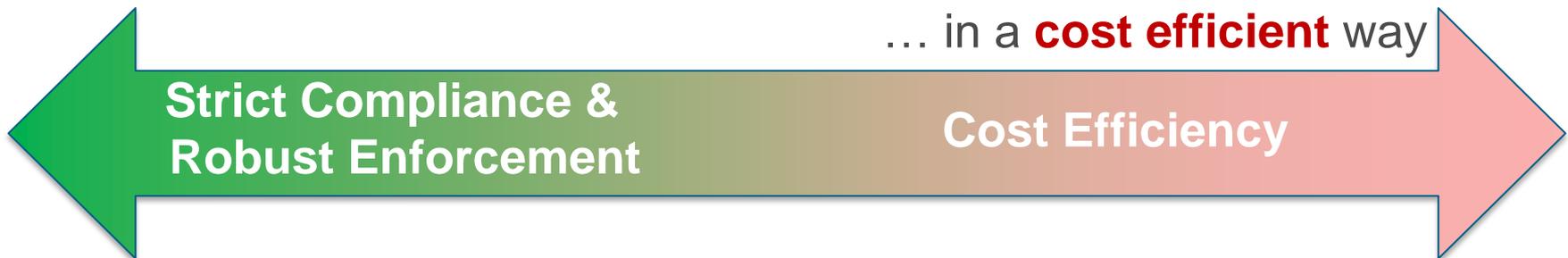
Roles of Operators, Verifiers and Competent Authorities



- **Operator** drafts the **Annual Emissions Report (AER)** and **verifier 1** verifies the AER and issues a Verification Report (VR)
- Verifier **2** **confirms** the total amount of CO₂e emissions in the Union Registry previously entered by operator or verifier (VET – Verified Emissions Table),
- Operator **3** submits verified AER and the VR to the Competent Authority (CA) by 31st March, and operator **4** **surrenders** the verified amount of allowances by 30th April

Reasons for the involvement of independent private sector / third party verifiers in the EU ETS I/II

- CAs have to ensure a proper functioning of the ETS
- The **integrity** of the ETS requires that...
 - Reliable and correct emissions data are reported
 - Operators are treated equally



Challenges for CAs without Third Party Verification:

- Large number of installations covered / High complexity of installations (diverse sectors with very specific processes) would require a large number of personnel with very specific knowledge and skills
 - Assessment of AER is a “seasonal business”
 - On-site inspections during assessment ?
- Cost / personnel-intensive task

Reason for the involvement of independent private sector / third party verifiers in the EU ETS II/II

- **Involvement** of Verifiers (private entities)
 - Provides for **in-depth assessments** of emission reports (including site visits)
 - **Reduces administrative burden**
 - Contributes to **cost efficiency** of the enforcement of the obligations under the EU ETS

- **Current Framework for A&V** was developed **taking into account experiences made** with Monitoring, Reporting and Verification during **Phase I and Phase II** within the EU ETS

 - **2003: EU ETS Directive 2003/87/EC**
 - **1st and 2nd trading period (2005-2012):**
Monitoring & Reporting Guidelines (MRG - Decision 2007/589/EC) provided the framework for monitoring, reporting & verification of emissions until the end of 2012
 - **MRG not directly applicable and legally binding in the Member States;** Implementing acts on Member State Level required
 - **No detailed provisions on verification** and **no** legally binding requirement for **accreditation of verifiers / different forms of recognition** of verifiers have been practiced within the EU
- ➔ **Need for more harmonization regarding MRVA!**

- **2009: amendment of the EU ETS Directive 2003/87/EC**
 - **With regard to Phase III of the EU ETS European Commission had to adopt two new Regulations on**
 - **Monitoring & Reporting of Emissions**
 - **Verification of Annual Emissions Reports and the Accreditation and Supervision of Verifiers**
 - **Aim: Harmonized MRV-chain within the EU ETS**
- **Further relevant impact: Regulation on Accreditation & Market Surveillance 765/2008 (RAMS) adopted in 2008**
 - **Chapter II (Art. 3 – 14): overall framework of rules and principles in relation to accreditation of conformity assessment bodies (e.g. verifiers)**
 - **Each Member State to appoint single National Accreditation Body (NAB)**
 - **Accreditation as a public authority activity**
 - **Principle of non-competition**
 - **Peer Evaluation of NABs organised by European Co-operation for Accreditation (EA)**

- 2012: European Commission adopted
 - Accreditation & Verification Regulation 600/2012 (AVR)
 - Monitoring & Reporting Regulation 601/2012 (MRR)
- MRR & AVR are accompanied and explained by various Guidance Documents, Exemplars, Templates, FAQs published by the EU COM
- “European co-operation for Accreditation (EA)” published an accreditation specific Guidance: EA 6/03

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- Comprehensive, sophisticated and harmonized framework laying down detailed requirements on all MRVA issues
 - MRR & AVR: Legally binding & directly applicable in all MS

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Main Content of the AVR

- **Seven Chapters, 78 Articles & incorporation of EN ISO Standards**
 - **EN ISO 17011:** General requirements for accreditation bodies accrediting conformity assessment bodies
 - **EN ISO 14065:** Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition (ISO 14065:2013)
- **Detailed provisions on**
 - Scope, objective & procedures concerning **verification**
 - **Requirements for verifiers** applying for Accreditation
 - Requirements for **National Accreditation Bodies (NABs)**
 - **Accreditation** Procedure, Surveillance, Administrative Measures
 - **Information exchange** between NABs and CAs

Main Content of the AVR

AVR at a glance

| Chapter | Content | Articles |
|-----------|--|-----------------|
| I | General Provisions | 1 – 5 |
| II | Verification | 6 – 33 |
| III | Requirements for Verifiers | 34 – 42 |
| IV | Accreditation | 43 – 53 |
| V | Requirements concerning Accreditation Bodies | 54 – 68 |
| VI | Information Exchange | 69 – 76 |
| VII | Final Provisions | 77, 78 |
| Annex I | Scope of Accreditation for Verifiers | 1a – 12, 98, 99 |
| Annex II | Requirements for Verifiers | ISO 14056 |
| Annex III | Minimum requirements of the accreditation process and requirements on accreditation bodies | ISO/IEC 17011 |

AVR & Guidance, Templates, FAQs

- **Guidance published by the European Commission**

- **Main Guidance Documents (GD) on the AVR**
 - **Explanatory Guidance Document (EGD I)**
 - **Verification Guidance for EU ETS Aviation (GD III)**
- **Key Guidance Notes (KGN) on specific issues**

| Subject | KGN | Subject | KGN |
|-----------------------|------------|---------------------------------|------------|
| Scope of verification | II.1 | Competence of verifiers | II.7 |
| Risk analysis | II.2 | ISO 14065 & AVR | II.8 |
| Process analysis | II.3 | ISO 17011, RAMS & AVR | II.9 |
| Sampling | II.4 | Information exchange | II.10 |
| Site visits | II.5 | Certification | II.11 |
| Verification report | II.6 | Time allocation in verification | II.12 |

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Verification I/II

Which data / documents have to be verified?

Stationary Installations:

- Annual Emissions Reports
- Applications for free allocation of allowances

Aviation:

- Annual Emissions Reports
- Tonne-Kilometre Reports / Applications for free allocation of allowances

Validation of Monitoring Plans?

- Not applied in the EU ETS
- Only **Approval** by the **CA** foreseen

Verification II/III

- The **scope/objective** of verification is **to ensure** that
 - **emissions have been monitored** in accordance with
 - the **approved monitoring plan**
 - legal requirements (esp. **EU Monitoring Regulation**)
 - **reliable and correct emissions data are reported**
 - reassurance of “a ton must be a ton” (CO₂)

Satisfactory verification

=

Verification opinion states

- with **reasonable assurance** that the report
- is free from **material misstatements**

- **Materiality Levels:**
 - ≤ 500.000 t CO_{2e} p.a.: 5 %
 - > 500.000 t CO_{2e} p.a.: 2 %

Verification III/III

- Verification as a risk-based and iterative procedure



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- **National Accreditation Bodies (NABs) have to...**
 - ... meet the requirements laid down in the **AVR** (esp. Art. 54 – 68) & the applicable **international standard ISO 17011**
 - ...carry out accreditation as a **public authority activity and in an impartial and independent way**
 - ... publish a „**register**“ (publicly available database) **of accredited verifiers**
 - ... **assess applicant verifiers** during **document reviews, office audits** and **witness audits**
 - ... carry out **surveillance activities** on verifiers

Requirements concerning NABs

II/III

- **NABs appoint an assessment team for each particular assessment**
- **Assessors of the NAB are required to meet specific competence requirements**
 - **Lead Assessor**
 - **Assessor**
 - **Technical Experts**
- **Assessment teams submit assessment reports to the NAB together with an recommendation whether to grant accreditation or not**
- **Impartiality/Internal Review: Final Decision on Accreditation have to be made by „Accreditation Comittee“**

Requirements concerning NABs

III/III

- Accreditation **certificates** are **valid up to 5 years**
- **NABs are subject to „peer evaluation“** organised by the European Cooperation for Accreditation (**EA**)
- **Mutual recognition: Accreditation certificates valid in all Member States**
 - **CAs have to accept verifiers / Operators may chose verifiers from all Member States within the EU ETS**
 - **Provision: issuing NAB has successfully undergone „peer evaluation“**

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Requirements on Verifiers

- **Accreditation** is (required and) **granted scope specific**
 - **29 different** (industrial) **activities** are covered by the **EU-ETS**
 - **Annex I AVR: For accreditation purposes activities** are categorised into **13 groups of activities based on similarities** in the complexity, industry type, processes and technical characteristics
 - Each group forms a specific scope, e.g. „*mineral processing industries*“
- **Applicant verifiers** have to be **legal person** or legal entities – **verification bodies**

Requirements on Verifiers

- **Verifiers have to prove that they meet the requirements set by EN ISO 14065 and the AVR, esp. various procedural/ organisational requirements:**
 - **Appropriate Quality Management System**
 - **Procedures to carry out verification activities** in line with AVR, including an **independent review** of all verification reports
 - **Procedure / mechanism** (e.g. a committee) **to ensure the independence and impartiality**
 - **Competence process, including**
 - **General and specific competence criteria for its staff** (Lead Auditors, Auditors, Technical Experts, Independent Reviewer)
 - A process to **maintain and develop the competence** of its staff and a method to **monitor and evaluate the competence** and performance
 - **Internal verification documentation**

Accreditation Procedure

- **Assessment Team of the National Accreditation Body (NAB)**
 - **Conducts an Document Review**
 - **Visits the premises of the applicant verifier (office audit)**
 - **Witnesses a representative part of the requested scope and the competence and performance of the applicants staff (witness audits)**
- ⇒ **Non-conformities found have to be rectified within a certain timeframe**
- ⇒ **Assessment team submits a detailed report to the NAB containing a recommendation whether to grant Accreditation or not**
- ⇒ **NABs “Accreditation Committee” checks the Assessment Reports and takes the final Decision**

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- **Responsibility** for a functioning Emissions Trading System (ETS) lies with the CAs
- **But: NABs are responsible for surveillance** of verifiers
- **NABs**
 - have to carry out annual “office visits” and “witness audits” to safeguard the ongoing compliance of Verification Bodies
 - may conduct **extraordinary assessments at any time**
- **CAs**
 - **get information on verifier’s performance** by checking verified Annual Emissions Reports
 - **may carry out further investigations** (e.g. check the verifier’s internal documentations)
- **CAs may file a complaint** with regard to a specific verifier

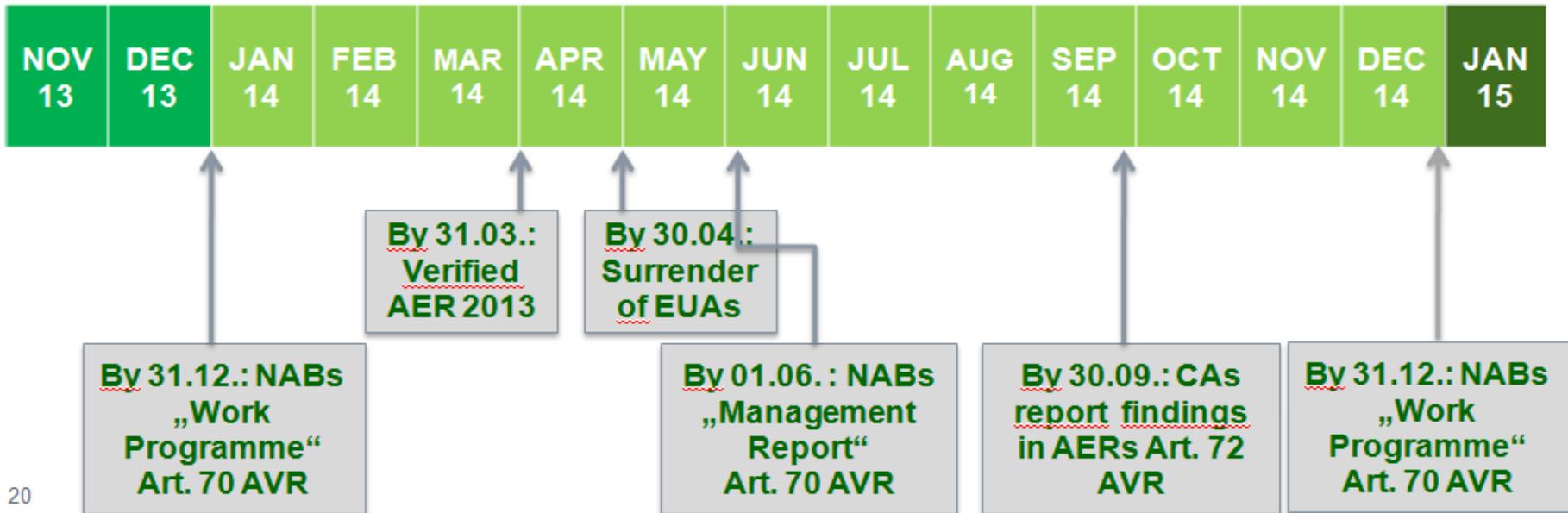
- NABs may suspend, reduce or withdraw the accreditation in cases of non-compliance
- NABs shall suspend or restrict the accreditation in cases of serious or persistent /repeated breaches of the AVR
- ABs shall withdraw the accreditation,
 - if the Verification Body has failed to remedy the grounds for a decision to suspend the accreditation
 - in cases of fraud

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Information Exchange

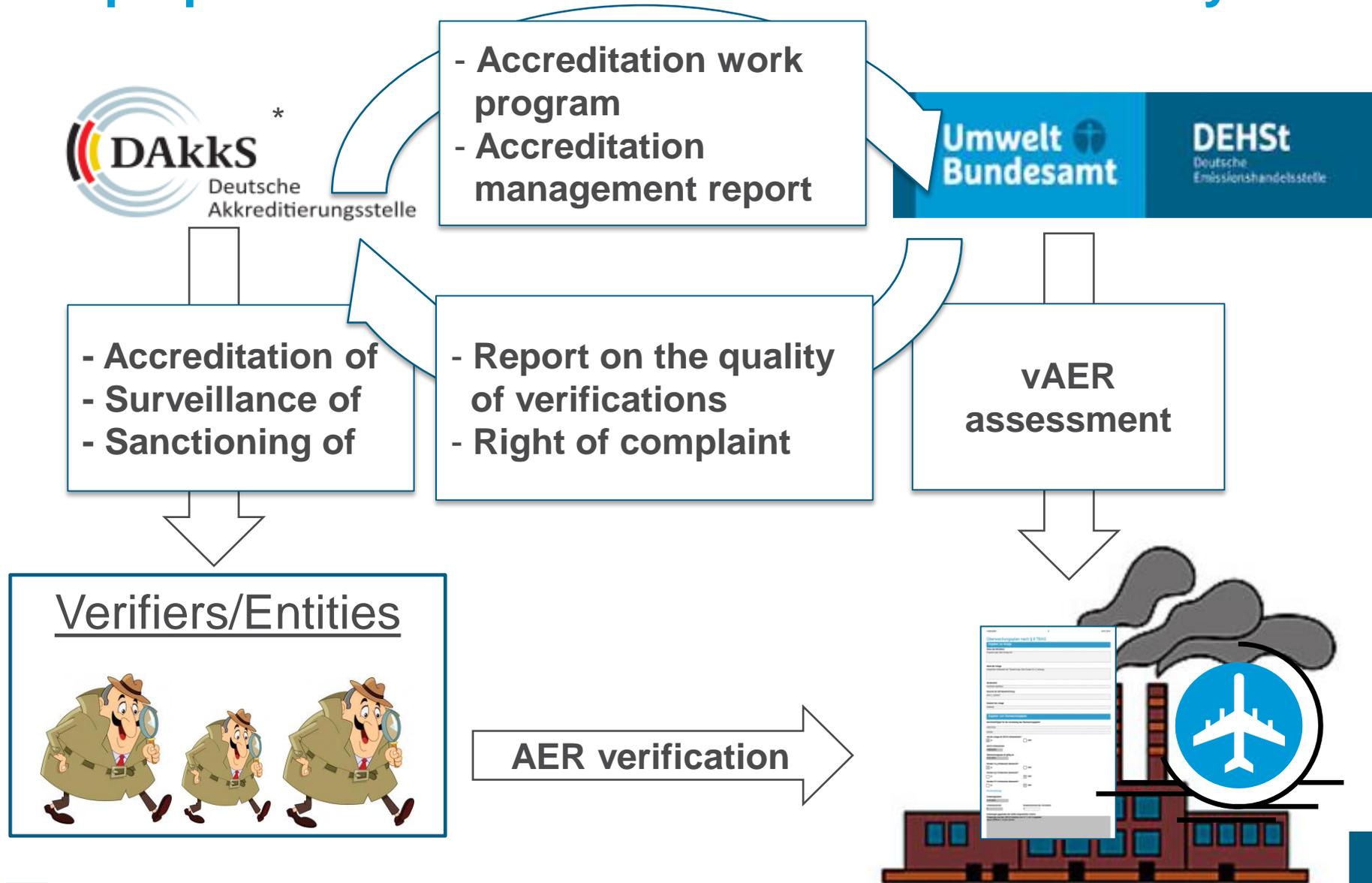
- AVR requires NABs and CAs to establish an effective information exchange
- NABs have to submit to the CAs
 - Accreditation Work Programme (by end of December)
 - Management Report (by June of every year)
- CAs have to submit to the NABs annually relevant results from checking verified AERs



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Wrap up: Accreditation & Verification in Germany



Lessons Learnt: What are the main improvements?

- Quality of verification services was significantly improved over the time
- Main reasons:
 - **Detailed** and structured provisions regarding the **verification process**
 - **Mandatory (internal) independent review** of each verification procedure before the verification report can be issued
 - **Detailed competence requirements** and obligation to implement a **competence process** for all verification bodies
 - Requirement to implement **mechanisms to safeguard independence and impartiality** of verifiers
 - **Assessment of practical competence** of the staff employed by verification bodies „on the job“ during **witness audits**
 - Detailed requirements regarding the **internal verification documentation**
 - **Annual surveillance** activities (office audits & witness audits)
 - **Information exchange** between National Accreditation Bodies and Competent Authorities



Thank you for your attention

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Emissions Trading Division

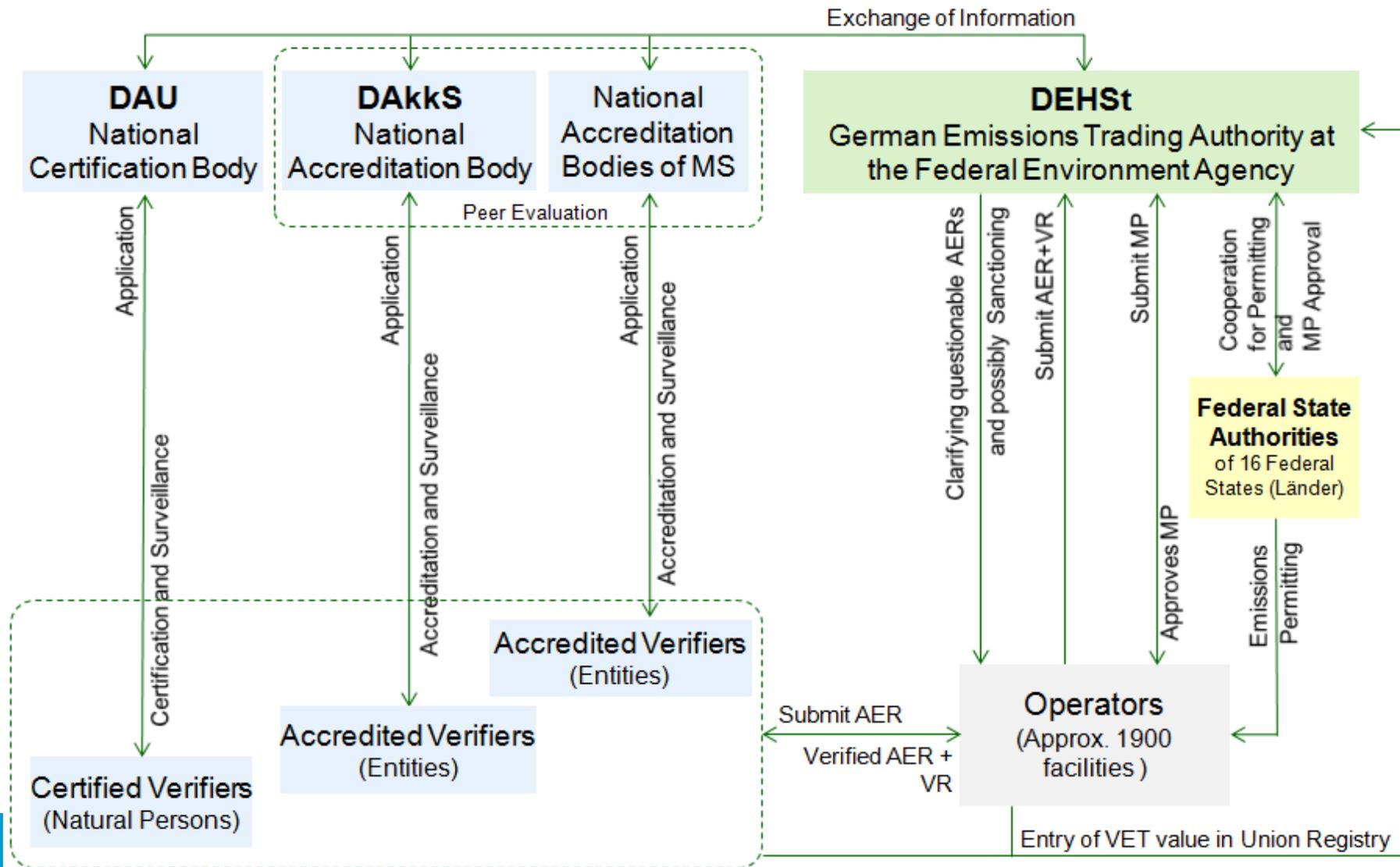
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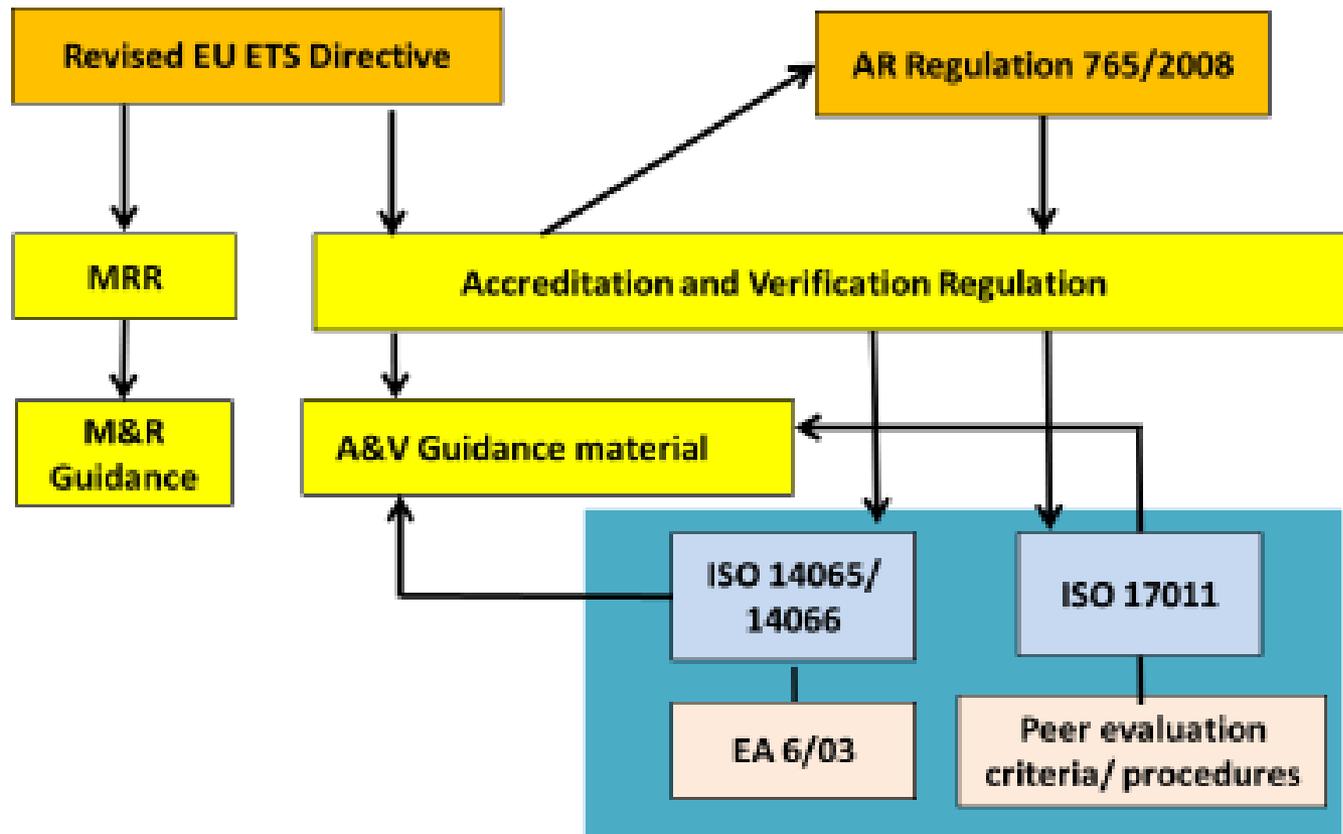
BACKUP

Wrap up: Accreditation & Verification in Germany

MP – Monitoring Plan; AER – Annual Emissions Report;
 VR – Verification Report; VET Verified Emissions Table



Legal Framework for Accreditation & Verification IV/IV



The Accreditation and Verification Regulation – Explanatory Guidance (EGD 1), Version of 19 September 2012

Reasons for the involvement of independent private sector / third party verifiers in the EU ETS I/II

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Challenges for CAs without Third Party Verification:

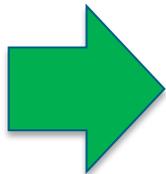
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Verifiers in Germany (stationary installations)

- About **1900** installations have to submit **verified Annual Emissions Reports (AERs)** to the DEHSt in Germany
- Verification of the AERs is carried out by
 - **17 verification bodies accredited by** the National Accreditation Body (NAB) of Germany (DAkkS - Deutsche Akkreditierungsstelle GmbH)
 - **3 verification bodies accredited by NABs of other EU Member States** (2 UKAS; 1 Cofrac - France)



About **120 to 130 persons** are acting as Lead Auditors / Auditors / Technical Experts and Independent Reviewer