

# ***European Emissions Trading Scheme***

## ***Manual No. 3***

### ***Guide on Accreditation***

***Version 1.0 (October 2005)***

## List of content

Page

	<b>Preface</b>	<b>03</b>
<b>Part I</b>	<b>Introduction</b>	<b>04</b>
<b>Part II</b>	<b>Guidance for recognition of verification bodies under the EU ETS</b>	<b>10</b>
<b>Annex 1</b>	<b>Standards and procedures for the accreditation of independent entities</b>	<b>19</b>
<b>Annex 2</b>	<b>Impartiality and independence</b>	<b>22</b>
<b>Annex 3</b>	<b>References</b>	<b>25</b>
<b>Annex 4</b>	<b>Glossary</b>	<b>27</b>

## Preface

This manual has been prepared in the framework of the project:

**Capacity Building for the Implementation of the EU Emissions Trading Directive in new EU Member States  
(EU Ref. no ENV.C.2/SER/2004/0071)**

The project's objectives have been defined as to "improve the capacity of relevant competent authorities to fulfil the requirements of the Emission Trading Directive and its supporting legislation" and "to improve the knowledge and awareness of the requirements of the Emissions Trading Directive among operators of installations and other stakeholders".

This Manual No.3 - Guide to Accreditation – is mainly addressed to competent authorities and is supplemented by two other manuals:

- Manual No. 1: Guide on Monitoring & Reporting  
(mainly addressed to operators)
- Manual No. 2: Guide on Verification  
(mainly addressed to verifiers)

All three manuals are used as background material for workshops to be held in the new EU Member States from October to December 2005. The findings and results of these workshops and the further development of the implementation of the EU legal framework into national law as well as the implementation of the EU and national legal requirement into practise will be considered in a final version of all three manuals prepared in December 2005 and issued in January 2006.

It should be expressively noted that this manual is meant as an instrument to support the accreditation of verification bodies responsible for the verification of an annual emission reports. However, there might be country specific circumstances which are not covered by this manual. In any case national laws, characteristics and experiences have to be considered and are always prevalent.

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## Part I: Introduction

Within this manual the competency requirements of verifiers as backbone for each accreditation procedure are described with reference to literature and standards. Similar to the Manual No.1 (“Guide on Monitoring and Reporting”) and Manual No. 2 (“Guide on Verification”) the following symbols are used to make these descriptions more transparent, to make appropriate references to the legal framework and to flag controversial interpretations of the legal requirements:



This symbol indicates a reference to a legal text (*only EU- and not any national legal framework*)



This symbol indicates necessary clarifications, potential misinterpretations and/or inconsistencies in legal framework (*to be discussed with the competent authority*)

The objective of this manual is to support competent authorities in their work to appoint verifiers, who are reliable and qualified to give an expert opinion on annual emission reports and to establish and issue a verification report and a verification statement. Verification reports and verification statements are mandatory required by EU regulations<sup>1), 2)</sup>.

This manual outlines alternative competency requirements of verification bodies for selecting an appropriate accreditation procedure. Reference is made to currently published guidance and/or standards respectively documents. An short overview of the implementation of key elements according to the accreditation verification bodies in the new EU Member States is given.

1) DIRECTIVE 2003/87/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 October 2003 establishing a scheme of greenhouse gas emission allowances trading within the Community and amending Council Directive 96/61/EC, OJL 25.10.2003, L275/32-46

2) COMMISSION DECISION of 29 January 2004 establishing guidelines for the monitoring and reporting of greenhouse gas emissions (notified under document number C(2004) 130), 2004/156/EC, OJL 26.2.2004, L 59/1-74

According to the ETS Directive operators shall prepare and issue an annual emission report according to the requirements of the MRG (see also Manual No.1: Guide on Monitoring and Reporting). The independent verification of each installation's annual emission report is one of the key foundations of the European Emissions Trading Scheme (EU ETS) and mandatory (see also Manual No.2: Guide on Verification).



**ETS Directive, Article 15**

Member States shall ensure that the reports submitted by operators pursuant to Article 14(3) are verified in accordance with the criteria set out in Annex V, and that the competent authority is informed thereof.

Verification is the process by which all parties involved in the EU ETS (e.g. operators, competent authorities, governments, buyers and sellers of EU allowances) can be assured that the scheme is producing traceable CO<sub>2</sub> emission data and that the related allowances are fairly valued.

Annex V of the ETS Directive defines - beside verification criteria – some general minimum requirements for the verifier.



**ETS Directive, Annex V**

Minimum competency requirements for the verifier: The verifier shall be independent of the operator, carry out his activities in a sound and objective professional manner, and understand:

- (a) the provisions of this Directive, as well as relevant standards and guidance adopted by the Commission pursuant to Article 14(1);
- (b) the legislative, regulatory, and administrative requirements relevant to the activities being verified; and
- (c) the generation of all information related to each source of emissions in the installation, in particular, relating to the collection, measurement, calculation and reporting of data.

No direct definition is given in the ETS Directive to the term “verifier”, e.g. in the list of definitions or in the articles of the ETS Directive. However, the MRG defines verifier as follows:



**MRG, Annex I, Chapter 2**

“verifier” means a competent, independent, accredited verification body with responsibility for performing and reporting on the verification process, in accordance with the detailed requirements established by the Member State pursuant to Annex V to the ETS Directive.

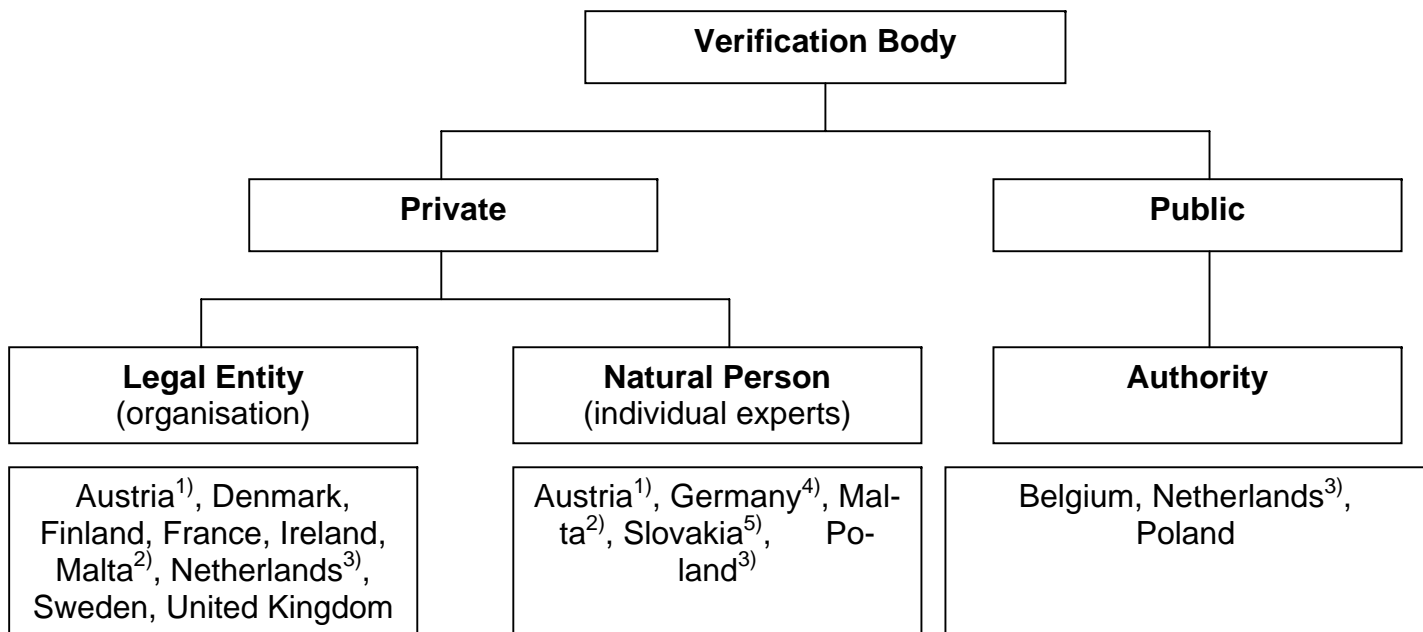


REMARK: The terms “verifier” (used in the ETS Directive) and the term “verification body” (defined in the MRG) are used in this manual as synonyms. They don’t have a different meaning and encompass legal persons and natural persons. This interpretation is also in line with the ISO /DIS 14064 Part 3 and EA-6/03. The natural persons are referred to as auditors. So if the verification body is only a single person, then verification body, verifier and auditor are the same person. However, it has to be checked whether all mandatory requirements can be fulfilled by one individual expert.

The ETS Directive and the MRG have left important decisions to the EU Member States, e.g. decisions about

- defining detailed competence requirements for verifiers,
- defining procedures and processes that verifier should follow,
- defining the necessary documentation including verification report,
- approving or accrediting organisations and/or individuals to carry out the verification process.

So the EU Member States have generally the following possibilities to appoint a verification body:



- 1) For complex installations only organisation (team of three experts including a lead auditor), for small, not complex installations also individual experts
- 2) organisations and individual experts
- 3) but also government body
- 4) EMAS auditors and individual experts having passed a special examination for EU ETS verification
- 5) qualification based on a Ministerial decree

As indicated by the country-examples the EU Member States have realised all possibilities. It should be mentioned in this context, that independent third party inspection under the Kyoto Protocol performed by operational or independent entities is only possible for legal entities. Standards and procedures for the accreditation of these independent entities can be found in see Annex 1 of this manual.

In several guidance on verification of annual emission reports the competency requirements for the verifiers are addressed as the verification process, the qualification of the verifiers and the expected audit results are strongly linked. Competency criteria can be found e.g. in the following documents:

- IETA-Verification Protocol  
Verification of Annual Emission Reports of installations engaged in EU emissions trading
- ISO /DIS 14064-3  
Greenhouse gases: Specification with guidance for the validation and verification of greenhouse gas assertions

A recent document of the European co-operation of Accreditation (EA) is specially entitled to the “recognition of verification bodies” although also due to the interrelationship the verification process is also addressed in this guidance:

- EA-6/03  
Guidance for the Recognition of Verification Bodies under the EU ETS

Some Member States have decided to design a national protocol with a corresponding guideline that defines also competency requirements to the verifier, e.g.

- United Kingdom: EU ETS – Guidance on Annual Verification

Although there were several approaches available and in some cases also implemented the appointment of verification bodies is still not decided in some EU Member States, i.e. it is still not clear

- who will be responsible for the accreditation of verification bodies,
- what reference document will be used for accreditation of verification bodies,
- who may be the accredited verification body to verify the annual emission report,
- what particular requirements are set to accept verification bodies accredited by another accreditation body.

A published survey (Verification: assuring the credibility of the European Union Emissions Trading Scheme – see list of references) – covering among others eight of the ten new EU Member States (Cyprus, Czech Republic, Estonia, Hungary, Malta, Latvia, Poland, Slovakia) - indicates the following:

#### Responsibility

- In two countries (Cyprus and Poland) it is not clear yet, who will be responsible for the accreditation of verification bodies.
- In the Czech Republic and Slovakia it will be the responsibility of the competent authority
- In Latvia and Malta it will be the responsibility of a national accreditation body (EA-Member)
- In Estonia it will be the responsibility of a foreign accreditation body (EA-Member)

#### Reference document

- In three countries (Cyprus, Estonia and Poland) it is not clear yet, what kind of reference document will be used for the accreditation of verification bodies.
- Malta and Slovakia has decided to use EN 45011/ISO Guide 65 together with EA-6/03
- The Czech Republic, Hungary and Latvia are working on national laws.

#### Potential verifier

- Cyprus and Estonia haven't made any decision.
- In Poland there are two groups in discussion: authorized regional environmental inspectors and individual experts.
- In Slovakia only individual experts can be qualified as verifiers in a first stage.
- In the Czech Republic, Hungary, Latvia and Malta individual experts and certification bodies may be appointed as verifiers.

#### Acceptance of foreign verifiers (accredited by another accreditation body)

- No decision about this topic in: Cyprus, the Czech Republic, Estonia, Hungary and Poland.
- Slovakia has decided to accept at first only verifiers who have a Slovak accreditation.
- Latvia and Malta will accept only verifiers accredited by EA members in combination with a proof of country specific knowledge.

## Part II: Guidance for recognition of verification bodies under the EU ETS Directive

This chapter is strongly based on the “Guidance for Recognition of verification Bodies under EU ETS Directive” (EA-6/03). A working group under the direction of the European Cooperation for Accreditation (EA) Certification Committee has prepared this guidance to facilitate a harmonised approach to recognition of verification bodies under the ETS Directive and the MRG. The section “Competence of Verifiers” is partitioned to

- Organisations (verification body or the verifier),
- Groups (verification team) and
- Individuals (auditors and lead auditors)

In order for there to be no confusion about the terminology “verifier” and “verification body” for the purposes of the EA Guidance (and this manual) the following apply:

- “verification body” is an accredited organisation with appropriate capabilities and structures to safeguard competence, independence and impartiality, and to take on the responsibility to perform emission report and data verification. Among others, this includes the availability of sufficient qualified staff to undertake verification.
- “verifier” is a synonym to “verification body” (see also definition of verifier in the MRG)
- “auditor” is the term used for individual members of the verification body’s verification team.

On the following pages the key competency requirements aligned to the above mentioned three actors (organisations, groups, individuals) are summarized.

## VERIFICATION BODY

The verification body should

- demonstrate that it has available sufficient qualified personnel,
- have effective procedures for the training and recruitment of competent staff, and monitoring their performance, whether employees or external team members (contracted, in hired staff).
- maintain their own competence by ensuring that their knowledge of CO<sub>2</sub> emission data verification is updated periodically to reflect current best practice in the field. Verification bodies' internal control system should ensure that the performance of auditors and reviewers is regularly reviewed, including on-site witnessing of verification activities.
- establish and maintain personnel records, which demonstrate that the verification body personnel are qualified in accordance with the requirements of the EU and national legislation on emissions trading. The personnel records should indicate the qualification for verification, including for which types of industry sectors, as set out in Annex I of the ETS Directive or as defined in national requirements.
- ensure that personnel involved in verification work should be competent for the functions they perform. In the verification of emission data the personnel involved in the verification work are likely to include those who:
  - Manage the verification process,
  - Act as team leaders,
  - Select and verify the competence of team members to conduct the verification,
  - Brief team members and arrange any necessary training,
  - Assess applications from installations including making the decision to accept or decline the contract,
  - Conduct the strategic analysis and the preliminary risk analysis,

- Undertake the verification activities including the process analysis and complete the risk analysis,
- Review verification reports, working papers and associated supported evidence from the verification process,
- Make the decisions on verification and the verification statement,
- Manage the storage of records and information,
- Set-up and operate a procedure for complaints, disputes and appeals.

Acting as a team leader and conducting the strategic analysis and the primary risk analysis required the highest level of competency.  
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### VERIFICATION TEAM

As a minimum, the verification team's knowledge related to verification activities should consist of the working knowledge of:

- The applicable Member States national legislation on emissions trading and its related regulations in conjunction with the ETS Directive, the MRG and an installations' typical greenhouse gas emissions permit including monitoring methodology;
- Differences in interpretation by National Competent Authorities, within a country, of the coverage of the ETS Directive e.g. scope of combustion installations, level of assurance, materiality;
- The specific activity or the industrial sector in which the installation is engaged including
  - the sources with their associated fuel and material streams,
  - the types of CO<sub>2</sub> emissions (combustion or process emission),
  - the levels of CO<sub>2</sub>emissions expected from the installation's activities,
  - the processes that emit to the atmosphere (including the risk of incidents such as accidental emissions or infrequent safety flaring of process gases) and
  - techniques relevant to monitoring, measurement, calibration, and calculation of CO<sub>2</sub> emissions;

- Data and information auditing methods including data risk analysis (particularly with electronic spreadsheets) including knowledge related to assessing data management and QA/QC systems specified in the national regulations on monitoring in conjunction with the MRG,
- Activities required to identify failures in the CO<sub>2</sub> reporting systems and the assessment of the impact of failures on the installation's emission report;
- application of materiality thresholds to CO<sub>2</sub> emission verification under data and information auditing;
- Conformity assessment processes and associated reporting procedures related to the greenhouse gas emissions permit, its associated monitoring methodology and other relevant requirements.

Where the verification body (verifier) uses teams to carry out the verification a person is designated as competent to lead on each area of the qualification criteria above. It is up to each verification body to designate the qualification requirements to meet the above criteria.

Teams should be generally made up such that each team member:

- should have a knowledge of data auditing and the national legislation on emissions trading, its related regulations in conjunction with the ETS Directive and the MRG;
- has a clear understanding of their individual role in the verification process and knowledge of the related requirements and applicable procedures and documents;
- is able to communicate effectively, both in writing and verbally, in the language(s) required for the execution of their specific tasks;
- is selected on the basis of knowledge, experience and skills in such a way that the knowledge, experience and skill of the team as a whole meets the requirements of the verification.

The verification body should demonstrate that the team as a whole (through records demonstrating a combination of relevant work experience, training and/or education) covers all required knowledge, experience and skills as required by the EU ETS verification engagement.

The team selection procedures should ensure:

- that all verification team members are qualified as an auditor or a technical expert;
- that each verification team includes at least one person complying with all requirements for a lead auditor (for details see next sub-chapter);
- that all verification team members operating independently are qualified at least in accordance with all requirements for an auditor (for details see next sub-chapter).

The lead auditor will clearly divide tasks within the team and will assure that the team as a whole reviews all EU ETS requirements as per the verification plan.

## AUDITORS

Auditors should, as a minimum,

- either hold a science and technology or business qualification from a tertiary institution [minimum 3 years program] or
- be able to demonstrate completion of work experience and other personal development activities which provide communication, technical and/or business as well as analytical skills necessary to conduct verification **and**
- have a minimum of four years full time work place experience as a manager, or other professional role involved in;
  - environmental management auditing and verification of environmental data
  - emissions related management and technology

To fulfil the requirements for greenhouse gas assessment experience, an auditor is required to have completed at least twenty equivalent days of verification audits within greenhouse gas verification acting as an auditor under supervision and guidance of a qualified lead auditor (functioning as a tutor and assessor). These should also have involved the auditor in actively making judgement on the data and emissions report and greenhouse gas emissions permit, its associated monitoring methodology and other relevant requirements as relevant to the requirements.

Lead auditors shall be able - in addition to the above mentioned skills and competencies - to fulfil the following key responsibilities:

- Leading and managing the verification process;
- Understanding the agreed scope of the verification;
- Ensuring that the verification objectives are addressed in the verification planning;
- Resolving issues relating to verification, in particular those associated with materiality and conformity issues and shifts in the risk profile of the reported emission data;
- Directing the issuing of the internal verification process report, and the drafting of the verification report and verification statement and communicated/distributing them to the client (or reviewer including assistance to reviewers in order to complete the verification);
- Ensuring all verification documentation, including working papers, supporting evidence, recommendations and the draft verification report and verification statement are complete;

A lead auditor should firstly comply with the requirements for an auditor and should then have additional knowledge and skills in audit leadership to enable the audit team to conduct the audit efficiently and effectively. Knowledge and skills in this area include:

- Planning the audit and making effective use of resources during the audit,
- Representing the audit team in communications with the client and auditee,
- Organizing and directing audit team members,

- Leading the audit team to reach audit conclusions
- Preventing and resolving conflicts,
- Preparing and completing the audit report.

In addition the lead auditor should have participated in the entire assessment processes, as acting lead auditor for a minimum of three complete verifications. For a minimum of two verifications, a positive evaluation by the lead auditor in charge of verifying the assessment experience is required.

Lead auditors and auditors shall have the required knowledge and expertise through the satisfactory completion of formal training covering the following types of knowledge, skills and competence:

Specific expertise:

EU legislation on emissions trading

- Knowledge of ETS Directive, the Linking Directive and the MRG, and requirements thereof.
- Ability to perform an assessment of conformity with the requirements of the ETS Directives and the MRG.
- Awareness of Party's commitments under the Kyoto Protocol, the broader role of emissions trading and the rules and mechanisms required to make it operational.

National legislation on emissions trading

- Knowledge of the national legislation on emissions trading and related regulations, specifically that on the monitoring of greenhouse gas emissions and other emissions subject to national schemes of emissions trading
- Ability to perform an assessment of conformity with the requirements of the national legislative requirements in conjunction with those of the ETS Directives and the MRG
- Awareness of national commitments to international agreements and the broader role of emissions trading and the rules and mechanisms required to make it operational

### Data and information auditing

- Knowledge of monitoring and reporting principles, materiality, inaccuracy and uncertainty; financial / economic accounting tools and practices; assessment in computer information system environment, the roles of quality assurance, quality control and sampling in data verification and methods of checking data for errors.
- Ability to prepare and implement a sampling plan to detect errors in reported data, and to determine whether those errors are material.

### Performing a verification engagement

- Knowledge of the verification process including reporting procedures, the role played by different team members and Lead Auditor's role and responsibilities when undertaking a verification engagement.
- Ability to act as a Lead Auditor and complete a verification engagement.
- Awareness of the role of third party verifiers in the scheme.

This may be achieved by successfully completing a training course approved by a recognised third party that covers the above topics as a minimum. Successful candidates at such a course will have passed an examination on the “knowledge objectives” and completed practical exercises on the “skills objectives”.

The reviewer for internal control processes within the verification body should be a person not involved in the actual verification of the installation. The reviewer should have the technical expertise to make an informed decision (normally expected to be a person who complies with the qualification criteria for an auditor) and have appropriate authority to sign of the verification statement. Where the reviewer does not have enough technical expertise he/she may request support from an expert(s) who have the appropriate technical expertise and help the reviewer with his/her final decision.

The complete competency requirements for verifiers of EA-6/03 summarized on the previous pages can only be accomplished by organisations with substantially more than one person as qualified staff. By the way this is also in line with the policy of the climate change secretariat of the United Nations (UNFCCC) and its associates boards, who only allow legal entities to become an independent third party inspector (operational or independent entity). Other third party inspections (e.g. ISO 9000ff, ISO 14001) are running analogously.

The ambitious requirements set up by EA-6/03 and the UNFCCC (see Annex 1) will doubtlessly enhance the credibility and faithfulness of the EU ETS. However, this not be free of charge, i.e. the cost will be probably higher than in case of individual exerts accredited as verifier and thus the monitoring and reporting principle of cost effectiveness will be referred.

Another key issue is the different time necessary to become an accredited legal entity and to become an accredited individual expert. Experience has demonstrated that the first designated operational entities under the UNFCCC have been provisionally accredited after 18 months. Although this time line may be not representative for the EU ETS it is a hint for time consuming process.

This has to be considered by each EU Member State because the first validations of annual emission reports have to be performed in early 2006 and have to be finalized latest in March. May be that it is worthwhile to establish some kind of interim solution or pre-accreditation to comply with the requirements of the ETS Directive and the MRG.

It is the philosophy of the ETS Directive to leave these decisions by each EU Member State.

## **Annex 1: Standards and procedures for the accreditation of independent entities under the Kyoto Protocol**

An independent entity shall:

- (a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;
- (b) Employ a sufficient number of persons having the necessary competence to perform all necessary functions relevant to the verification of ERUs [*emissions reduction units*] generated by Article 6 [*of the Kyoto Protocol*] projects relating to the type, range and volume of work performed, under a responsible senior executive;
- (c) Have the financial stability, insurance coverage and resources required for its activities;
- (d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;
- (e) Have documented internal procedures for carrying out its functions including, *inter alia*, procedures for the allocation of responsibilities within the organization and for handling complaints. These procedures shall be made publicly available;
- (f) Have the necessary expertise to carry out the functions specified in this and relevant decisions by the COP/MOP [*conference of the parties / meeting of the parties*], and, in particular, have sufficient knowledge and understanding of:
  - (i) The guidelines for the implementation of Article 6 of the Kyoto Protocol, relevant decisions of the COP/MOP and of the Article 6 supervisory committee;
  - (ii) Environmental issues relevant to the verification of Article 6 projects;
  - (iii) The technical aspects of Article 6 activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and other environmental impacts;
  - (iv) Relevant environmental auditing requirements and methodologies;
  - (v) Methodologies for the accounting of anthropogenic emissions by sources and/or anthropogenic removals by sinks;

- (g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to verification. The applicant independent entity shall make available:
  - (i) The names, qualifications, experience and terms of reference of the senior executive, board members, senior officers and other relevant personnel;
  - (ii) An organizational chart showing lines of authority, responsibility and allocation of functions stemming from the senior executive;
  - (iii) Its quality assurance policy and procedures;
  - (iv) Administrative procedures, including document control;
  - (v) Its policy and procedures for the recruitment and training of independent entity personnel, for ensuring their competence for all necessary functions and for monitoring their performance;
  - (vi) Its procedures for handling complaints, appeals and disputes;
- (h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as an accredited independent entity.

1. An applicant independent entity shall meet the following operational requirements:

- (a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:
  - (i) An applicant independent entity shall have a documented structure, which safeguards impartiality, including provisions to ensure the impartiality of its operations;
  - (ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any Article 6 project, the applicant independent entity shall:
    - Make a declaration of all the organization's actual and potential Article 6 activities;
    - Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;

- Demonstrate that no actual or potential conflict of interest exists between its functions as an accredited independent entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all potential sources of conflict of interest, whether they arise from within the applicant independent entity or from the activities of related bodies;
  - Demonstrate that it, together with its senior executive and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;
- (b) Have adequate arrangements to safeguard confidentiality of the information obtained from Article 6 project participants in accordance with provisions contained in the annex on guidelines for the implementation of Article 6.

## **Annex 2: Impartiality and independence as addressed in Annex B of EA-6/03**

1. The verification body and any part of the same legal entity shall not be an operator, the owner of an operator or owned by an operator and shall be fully independent from the operators of the activities covered by the Annex 1 of the ETS Directive .

The verification body shall not offer its services to operators when the relationships of the verification body and the operator may threaten the impartiality of the verification body or put the verification body in a conflict of interest.

Relationship between the verification body and its client based on common ownership, governance, management or personnel, shared resources, finances, contracts or marketing, are deemed to threaten impartiality.

2. The verification body shall have top management commitment to impartiality in verification activities. The verification body shall have a publicly available statement that it understands the strong commercial and financial and other pressures that might influence its judgement and the importance of impartiality in carrying out its verification, and manages conflict of interest and ensures objectivity of its verification.
3. The verification body and any part of the same legal entity shall not offer or provide to any client
  - consulting services to develop monitoring methodologies to comply with the Monitoring and Reporting Guidelines or to help the organization to prepare emission reports;
  - technical assistance to develop or maintain, at any stage, the system implemented to monitor the emissions.
4. The verification body shall identify, analyse and document the possibilities for conflict of interests arising from provision of verification including any conflicts arising from the relationship with other bodies. Having relationships does not necessarily present a verification body with a conflict of interest. However, if any relationship creates a risk to impartiality, the verification body shall document how it eliminates or minimises such risk. The demonstration shall cover all potential sources of conflict of interests, whether they arise from within the verification body or from the activities of other bodies.

5. The verification body shall ensure that activities of other bodies do not affect the confidentiality, objectivity and impartiality of its verification. The verification body shall avoid any situation that would create a conflict of interests arising from the activity of any other body.
6. The verification body shall not verify the report for an operator that has received consultancy or technical assistance as described above, where the relationship between the consultancy or engineering body and the verification body threatens the impartiality of the verification body.
7. Relationship between the verification body and the consultancy or technical assistance body based on common ownership, governance, management or personnel, shared resources, finances, contracts or marketing, and payment of a sales commission or other inducement for the referral of new clients, are deemed to threaten impartiality.

A minimum period of two years following the end of the consultancy or any technical assistance shall be deemed sufficient to reduce the threat to impartiality to an acceptable level

8. Consultancy or technical assistance and verification shall not be marketed together. The consultancy or technical assistance body shall not state or imply that the verification would be simpler, easier, faster or less expensive if a specified verification body is used. Similarly, a verification body shall not state or imply that verification would be simpler, easier, faster or less expensive if a specified consultancy or technical assistance body is used. The verification body activities shall not be marketed as linked with the activities of an organization that provides consultancy, engineering or any technical assistance.
9. All verification personnel, either internal or external, or committees, which could influence the verification activities, shall act impartially and shall not allow commercial, financial or other pressures to compromise impartiality.

10. To ensure that there is no conflict of interests, personnel who have provided consultancy or any technical assistance, including those acting in a managerial capacity, shall not be employed to take part in a verification process if they have been involved in those activities towards the organization in question, within the last two years.
11. Verification bodies shall require personnel, internal and external, to reveal any situation known to them that may present them or the verification body with a conflict of interests. Verification bodies shall use this information as input to identifying threats to impartiality raised by the activities of such personnel or by the organizations that employ them and shall not use such personnel, internal or external, unless they can demonstrate that there is no conflict of interests.
12. The fact that the organization employing any of the verification personnel known to have provided consultancy, engineering or any technical assistance under assessment within the last two years is likely to be considered as a high threat to impartiality.

## Annex 3: References

### (A) ISO Standards

ISO/IEC Guide 65 First edition 1996	General requirements for bodies operating product certification systems
ISO 9000: 2000	Quality management systems — Fundamentals and vocabulary
ISO 9001: 2000	Quality management systems — Requirements
ISO 9004: 2000	Quality management systems — Guidelines for performance improvements
ISO 14001 Second edition 2004-11-15	Environmental management systems — Requirements with guidance for use
ISO/IEC 17025 Second edition 2005-05-15	General requirements for the competence of testing and calibration laboratories
ISO/DIS 14064-3: 2005	Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions
ISO 19011: 2001	Guidelines for quality and/or environmental management auditing

### (B) EU Standards

Official Journal of the European Union 25.10.2003 L 275/32-46	DIRECTIVE 2003/87/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC
Official Journal of the European Union 26.2.2004 L 59/1-74	COMMISSION DECISION of 29 January 2004 establishing guidelines for the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council <i>(notified under document number C(2004) 130)</i>
Official Journal of the European Union 13.11.2004 L 338/18-23	DIRECTIVE 2004/101/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 October 2004 amending the Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol's project mechanisms

(C) Reports, Manuals, Guidelines, etc.

European Co-operation for Accreditation March 2005	EA-6/03: EA Guidance for the Recognition of Verification Bodies under EU ETS Directive
PriceWaterhouseCoopers, 2005	Verification – Assuring the credibility of the European Emission Trading Scheme
Department of Environment, Food and Rural Affairs (defra), 5 August 2005	EU Emissions Trading Scheme Guidance on Annual Verification
International Emission Trading Association (IETA), 6 September 2005	IETA-Verification Protocol, version 2.0 (2005) Verification of Annual Emission Reports of installations engaged in EU emission trading

### Annex 3: Glossary

Term	Definition	Source
Accuracy	means the degree of precision and/or margin of error in reported information that is required by users in order to be able to make decisions with a high level of assurance. Note: the characteristics that determine accuracy vary depending on the type of information.	ISO/WD 14064-3.1, 3.1
Activities	means the activities listed in Annex I to the ETS Directive	MRG
Activity data	means historic data and information about fuel use rates, production rates, material use rates and fuel types that have been used to calculate CO <sub>2</sub> emissions from combustion and processes	defra guidance on verification
Activity factor	means the numeric value representing any action or operation that causes or influences the release of greenhouse gas emissions (e.g., amount of fuel consumed or counts of emission sources); absolute greenhouse gas emissions result when related to the rate of emissions from the action	defra guidance on verification
Activity specific	means specific to an activity as carried out at one specific installation	MRG
Allowance	means an allowance to emit one tonne of carbon dioxide equivalent during a specified period, which shall be valid only for the purposes of meeting the requirements of this Directive and shall be transferable in accordance with the provisions of this Directive	ETS Directive
Assurance, high level of	refers to the [verifier] having obtained sufficient appropriate evidence to conclude that the emission report] conforms in all material respects with identified suitable criteria. In rare circumstances, the [verifier] may be able to provide absolute assurance, for example, where the evidence available is conclusive and reliable because the [emission report] is determinate, the criteria definitive and the process applied comprehensive. However, because of the limitations of the engagement process, a high level of assurance is ordinarily less than absolute. The [verifier] designs the engagement to reduce to a low level the risk of an inappropriate conclusion that the [emission report] conforms in all material respects with identified suitable criteria.	Guidelines for financial audits, NIVRA
Audit	The objective of an audit (of the information being verified) is to enable the verifier to express an opinion on whether the information is in accordance with an identified framework for drawing up emission reports.	defra guidance on verification

Term	Definition	Source
Audit	The objective of an audit [of the information being verified] is to enable the [verifier] to express an opinion on whether [the information] is prepared, in all material respects, in accordance with an identified reporting framework The phrases used to express the [verifier's] opinion are “give a true and fair view” [...] or “present fairly, in all material respects,” which are equivalent terms. A similar objective applies to the audit of financial or other information prepared in accordance with appropriate criteria.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Audit evidence	is the information obtained by the [verifier] in arriving at the conclusions on which the audit opinion is based. Audit evidence will comprise source documents and accounting records underlying [the emission report] and corroborating information from other sources.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Audit plan	The [verifier] must draw up an audit plan in which the likely scope and approach of the audit are laid down. These should be conveyed in sufficient detail to provide a sound basis for the design of the audit program.	Guidelines for financial audits, NIVRA
Audit program	sets out the nature, timing and extent of planned audit procedures required to implement the overall audit plan. The audit program serves as a set of instructions to assistants involved in the audit and as a means to control the proper execution of the work.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Audit risk	is the risk that the [verifier] gives an inappropriate audit opinion when the [emission report] is materially misstated. Audit risk has three components: inherent risk, control risk, detection risk	Handbook of International Auditing, Assurance, and Ethics, IFAC
Batch	means an amount of fuel or material transferred as one shipment or continuously over a specific period of time. It shall be representatively sampled and characterised in respect of its average energy and carbon content and other relevant aspects of its chemical composition	MRG

Term	Definition	Source
Biomass	means non-fossilised and biodegradable organic material originating from plants, animals and micro-organisms. This shall also include products, by-products, residues and waste from agriculture, forestry and related industries as well as the non-fossilised and biodegradable organic fractions of industrial and municipal wastes. Biomass also includes gases and liquids recovered from the decomposition of non-fossilised and biodegradable organic material. When burned for energy purposes biomass is referred to as biomass fuel	MRG
Combustion emissions	means greenhouse gas emissions occurring during the exothermic reaction of a fuel with oxygen	MRG
Combustion installation	means a stationary technical unit which burns fuel for the production of an energy product. The energy product could be electricity, heat or mechanical power. Where energy is produced as heat it may be transferred using different media such as steam, hot oil, hot water, and hot air. If the energy is produced and used within the same technical unit such that the main product of the unit is not the energy product (electricity or heat) then the technical unit is not considered to fall within the definition of “combustion installation”	defra guidance on verification
Competent authority	means the appropriate competent authority or authorities for the implementation of the provisions set out in this Decision, designated in accordance with Article 18 of the ETS Directive	MRG
Competent authority	means a body or institution which has the authority to enforce Commission legislation	defra guidance on verification
Conversion factor	means a factor expressing the fraction of carbon contained in input materials that is converted to CO <sub>2</sub> during a process	defra guidance on verification
Detection risk	is the risk that the [verifier’s] substantive procedures will not detect a misstatement that exist in [emission report] that could be material, individually or when aggregated with misstatements in other balances or classes.	Handbook of International Auditing, Assurance, and Ethics, IFAC
EA	means European Co-operation on Accreditation, who cover European conformity assessment activities	defra guidance on verification

<b>Term</b>	<b>Definition</b>	<b>Source</b>
Emission factor	means the emission rate for a particular emission source per unit of the source, when related to the activity data (e.g., amount of fuel consumed or counts of emission sources) results in absolute greenhouse gas emissions	defra guidance on verification
Emissions	means the release of greenhouse gases into the atmosphere from sources in an installation, as defined in the ETS Directive	MRG
Emissions	means the release of greenhouse gases into the atmosphere from sources in an installation	ETS Directive
Emissions	means emissions from a permitted installation, measured in tonnes of carbon dioxide. Calculations should only be rounded at the end when reporting the CO <sub>2</sub> in total number of tonnes with no decimal points.	defra guidance on verification
Error	refers to an unintentional misstatement in the [emission report]	Handbook of International Auditing, Assurance, and Ethics, IFAC
GHG	means greenhouse gas: A gas that absorbs and re-emits infrared radiation, warming the earth's surface and contributing to climate change. Each greenhouse gas has a different capacity to cause global warming. Greenhouse gases include water vapor, carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrochlorofluorocarbons (HCFCs), ozone (O <sub>3</sub> ), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF <sub>6</sub> ).	defra guidance on verification
Greenhouse gas assertion	means declaration or factual and objective statement of performance made by the responsible party of actual or expected performance	ISO/DIS 14064-3
Greenhouse gas emissions permit	means a permit as referred to in Article 4 of the ETS Directive and issued in accordance with Articles 5 and 6 of the ETS Directive	MRG
Greenhouse gas emissions permit	means the permit issued in accordance with Articles 5 and 6 of the ETS Directive	ETS Directive
Greenhouse gas information system	means policies, processes and procedures to establish, manage and maintain greenhouse gas information	ISO/DIS 14064-3
Greenhouse gases	means the gases listed in Annex II to the ETS Directive	MRG

<b>Term</b>	<b>Definition</b>	<b>Source</b>
Greenhouse gases	means the gases listed in Annex I of the ETS Directive	ETS Directive
Inherent risk	is the susceptibility of a [parameter in the emission report] to misstatements that could be material, individually or when aggregated with misstatements in [other parameters], assuming that there were no related internal controls.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Installation	means a stationary technical unit where one or more activities listed in Annex I to the ETS Directive are carried out and any other directly associated activities which have a technical connection with the activities carried out on that site and which could have an effect on emissions and pollution, as defined in the ETS Directive	MRG
Installation	means a stationary technical unit where one or more activities listed in Annex I are carried out and any other directly associated activities which have a technical connection with the activities carried out on that site and which could have an effect on emissions and pollution	ETS Directive
Internal control risk	means the risk that a misstatement that could occur in a [parameter in the emission report] and that could be material, individually or when aggregated with misstatements in [other parameters, will not be prevented or detected and corrected on a timely basis by the accounting and internal control system.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Internal control system	consists of all the policies and procedures (internal controls) adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable [...] information. The internal control system extends beyond these matters which relate directly to the functions of the accounting system.	Handbook of International Auditing, Assurance, and Ethics, IFAC
ISO	means International Organisation for Standardisation.	defra guidance on verification
Level of assurance	means the degree to which the verifier is confident in the verification conclusions that it has been proved whether or not the information reported for an installation taken as a whole is free from material misstatement	MRG

<b>Term</b>	<b>Definition</b>	<b>Source</b>
Level of assurance	means degree of assurance the intended user requires in a validation or verification statement	ISO/DIS 14064-3
M&R plan	means Monitoring and Reporting Plan: M&R Plans outline the monitoring and reporting that will be carried out by an installation in the EU ETS. It is prepared by operators and must be approved by regulators. Many of the M&R Plans may now form part of the installation's GHG Permit conditions.	defra guidance on verification
Materiality	means the professional judgment of the verifier as to whether an individual or aggregation of omissions, misrepresentations or errors that affects the information reported for an installation will reasonably influence the intended users' decisions. As a broad guide, a verifier will tend to class a misstatement in the total emissions figure as being material if it leads to aggregate omissions, misrepresentations or errors in the total emissions figure being greater than five percent	MRG
Materiality	means an expression of the relative significance of any individual matter (error, misstatement, missing record etc) in the context of an installation's annual emissions data.	defra guidance on verification
Materiality	Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the information. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Materiality	means concept that individual or the aggregation of errors, omissions and misrepresentations may affect the GHG assertion and could influence the intended user's decision.	ISO/DIS 14064-3
Monitoring	means continuous or periodic assessment of GHG emissions and removals or other GHG-related data	ISO/DIS 14064-3
Monitoring methodology	means the methodology used for the determination of emissions, including the choice between calculation or measurement and the choice of tiers	MRG

<b>Term</b>	<b>Definition</b>	<b>Source</b>
New entrant	means any installation carrying out one or more of the activities indicated in Annex I of the ETS Directive, which has obtained a greenhouse gas emissions permit or an update of its greenhouse gas emissions permit because of a change in the nature or functioning or an extension of the installation, subsequent to the notification to the Commission of the national allocation plan	ETS Directive
Operator	means any person who operates or controls an installation or, where this is provided for in national legislation, to whom decisive economic power over the technical functioning of the installation has been delegated, as defined in the ETS Directive	MRG
Operator	means any person who operates or controls an installation or, where this is provided for in national legislation, to whom decisive economic power over the technical functioning of the installation has been delegated	ETS Directive
Operator	means a person who operates or manages an installation, if provided for under national legislation, who has been given the authority to make economic decisions concerning technical operations.	defra guidance on verification
Opinion	The auditor's report contains a clear written expression of opinion on the [emission report] as a whole. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects,) in accordance with the [Monitoring Methodology].	Handbook of International Auditing, Assurance, and Ethics, IFAC
Oxidation factor	means a factor representing the proportion of carbon that is not oxidised during combustion.	defra guidance on verification
Person	means any natural or legal person	ETS Directive
Process emissions	means greenhouse gas emissions other than 'combustion emissions' occurring as a result of intentional and unintentional reactions between substances or their transformation, including the chemical or electrolytic reduction of metal ores, the thermal decomposition of substances, and the formation of substances for use as product or feedstock	MRG

Term	Definition	Source
Reasonable assurance	In an audit engagement, the auditor provides a high, but not absolute, level of assurance, expressed positively in the auditor's report as reasonable assurance, that the information subject to audit is free of material misstatement.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Reasonable Assurance	In an audit engagement, the [verifier] provides a high, but not absolute, level of assurance, expressed positively in the audit report as reasonable assurance, that the information subject to audit is free of material misstatement.	Handbook of International Auditing, Assurance, and Ethics, IFAC
Registry	allows account holders to hold, transfer, or acquire EU allowances and Kyoto units. They also enable regulators and nominated competent authorities to manage regulated industries (those with legal emissions reduction targets), and monitor national compliance and performance against international emissions reductions obligations. Computerised registries are key components of the EU Emissions Trading Scheme.	defra guidance on verification
Reliability	<p>implies a guarantee of truthfulness, measurement and/or completeness. More precisely it can be defined in terms of the following aspects of faithfulness:</p> <ul style="list-style-type: none"> <li>• Existence: an asset or liability exists at a given date.</li> <li>• Completeness: there are no unrecorded assets, liabilities, transactions or events, or undisclosed items.</li> <li>• Rights and obligations: an asset or liability pertains to the entity at a given date.</li> <li>• Occurrence: a transaction or event took place which pertains to the entity during the period.</li> <li>• Measurement: a transaction or event is recorded at an appropriate carrying value.</li> </ul>	Guidelines for financial audits, NIVRA
Reporting period	means the time period for which emissions have to be monitored and reported as set out in Article 14(3) of the Directive, being a calendar year	MRG
Risk assessment	means an assessment carried out by a verifier to identify potential risks in the data that could lead to material errors or misstatements. This is used to direct and plan the verification process.	defra guidance on verification

<b>Term</b>	<b>Definition</b>	<b>Source</b>
Source	means a separately identifiable point or process in an installation from which greenhouse gases are emitted	MRG
The public	means one or more persons and, in accordance with national legislation or practice, associations, organisations or groups of persons	ETS Directive
Tier	means a specific methodology for determining activity data, emission factors and oxidation or conversion factors. Several tiers form a hierarchy of methodologies from which a selection shall be made in accordance with these guidelines	MRG
Tier	means a specific methodology for determining activity data, emission factors and oxidation or conversion factors. Several tiers from a hierarchy of methodologies from which a selection shall be made in accordance with the Commission's M&R Decision.	defra guidance on verification
Tonne of carbon dioxide equivalent	means one metric tonne of carbon dioxide (CO <sub>2</sub> ) or an amount of any other greenhouse gas listed in Annex II with an equivalent global-warming potential	ETS Directive
Uncertainty	means parameter associated with the result of quantification which characterises the dispersion of the values that could be reasonable attributed to the quantified amount	ISO/DIS 14064-3
Validation / verification	means systematic independent and documented process for the evaluation of a proposed GHG assertion against agreed validation / verification criteria.	ISO/DIS 14064-3
Validation / verification statement	means formal written declaration to the intended user that provide assurance on the statements in the responsible party's GHG assertion.	ISO/DIS 14064-3
Verification	means systematic, independent and documented assessment and/or identification performed at regular intervals by a verification body of the greenhouse gas emissions, emission reductions and/or storage of greenhouse gas emissions by an installation in the EU ETS.	defra guidance on verification
Verification plan	means description of the activities and arrangements for the verification process.	defra guidance on verification
Verifier	means a competent, independent, accredited verification body with responsibility for performing and reporting on the verification process, in accordance with the detailed requirements established by the Member State pursuant to Annex V to the ETS Directive	MRG
Verifier	means the accredited team leader or member of the verification team responsible for carrying out the verification process and drawing up a report.	defra guidance on verification

Term	Definition	Source
Verifier	means competent and independent person or persons with responsibility for performing and reporting on the verification process. This term can be used to refer to a verification body.	ISO/DIS 14064-3
VOS	means Verification Opinion Statement	defra guidance on verification
Walk-through test	involves tracing certain [reported emission data] through the [emission registration system].	Handbook of International Auditing, Assurance, and Ethics, IFAC