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# The Climate Registry's Verification & Accreditation Orientation



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Los Angeles, CA  
July 24, 2008

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# Welcome!

- Introductions
- Agenda Review
  - Overview of Accreditation
  - Overview of General Verification Protocol
  - Verification Exercises
  - Resources & Next Steps
- Afternoon Session



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# The Climate Registry

**MISSION:** To set consistent and transparent standards for the measurement, verification, and public reporting of greenhouse gas emissions throughout North America in a single unified registry that supports both voluntary and mandatory programs

**MEMBERS:**

- 9 Canadian Provinces
- 39 U.S. States
- 6 Mexican states
- 3 Native Sovereign Nations

**REPORTERS:** 265 Reporters



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# Third Party Verification

- Key principle of voluntary GHG reporting
  - Best way to ensure accurate, high quality data
- Problem:
  - How does the Registry ensure that competent Verification Bodies are conducting verification activities consistent with its reporting and verification protocols?
- Solution:
  - Partner with national Accreditation Bodies in North America to ensure that Verification Bodies:
    - Comply with ISO 14065
    - Comply with TCR specific accreditation criteria



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# Accreditation Bodies

- The Registry is partnering with Accreditation Bodies to administer its accreditation program
- American National Standards Institute (ANSI) is the first to partner with the Registry
  - SCC
  - EMA
- Multilateral Recognition Agreement



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# ANSI Responsibilities

## ■ ANSI responsibilities

- ❑ Review applications
- ❑ Assess competency
- ❑ Issue accreditation finding
- ❑ Audit
- ❑ Monitor
- ❑ Sanction
- ❑ Re-accredit (currently 2 years. Likely to change to 3 in August)



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# Registry's Oversight Role

- **Registry's responsibilities:**
  - ❑ **Develop Verification Program criteria**
  - ❑ **Develop Registry specific accreditation criteria**
  - ❑ **Assist with accreditation decisions**
  - ❑ **Assist with monitoring**
  - ❑ **Contribute to dispute resolution**
  - ❑ **Participate in sanctioning**
  - ❑ **Assess and improve program**



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# Overview of Key Dates

- **Optional Orientation Sessions**
  - 6/11/08: Washington, DC
  - 7/24/08: Los Angeles, CA
- **Summer, 2008: Assessments**
  - CCAR Members
  - TCR Reporters
- **December, 2008: ANSI to award ISO 14065 (as well as TCR) accreditation status to successful pilot program participants**
- **2009:**
  - ANSI accepts rolling applications
  - TCR Reporters report and verify 2008 data





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# Overview of the Guidance on Accreditation



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# Accreditation

- Inspection of the “inspectors”
- Provides confidence to Registry stakeholders that Verification Bodies are:
  - competent
  - have no conflicts or loss of independence
  - have quality controlled systems for their work
- Quality assurance mechanism for the Registry



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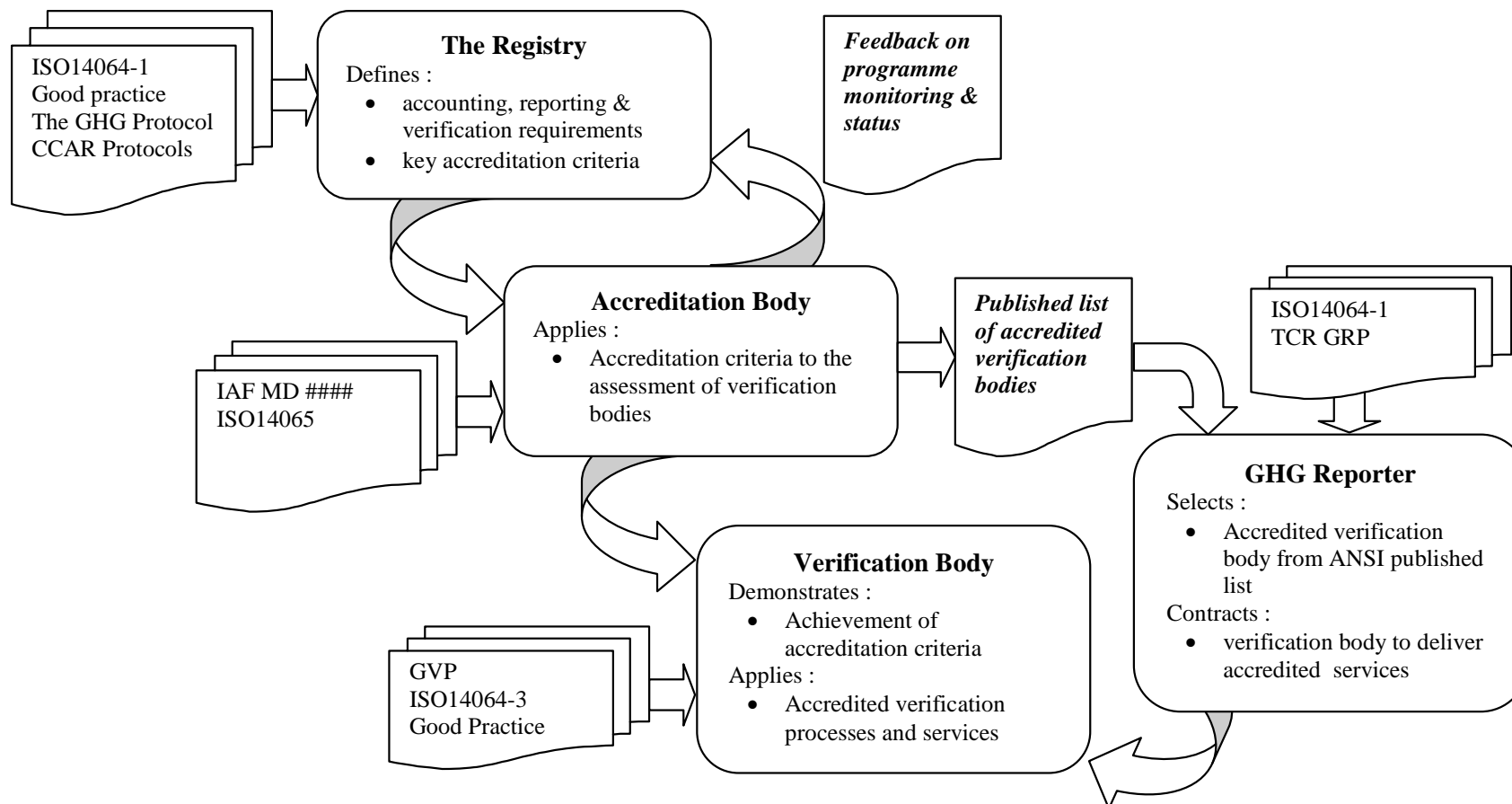
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# Structure of the GoA

- **Background**
  - Relationships and responsibilities
- **Introduction to the Guide**
- **The Accreditation Processes**
- **Accreditation Requirements**
  - ISO14065
  - TCR specific additional requirements
- **Frequently Asked Questions**
- **Annexes: Including Accreditation Body Specific Processes**



## Relationships



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# Accreditation Body Responsibilities

- Assess the professional credibility of the Verification Bodies
- Ensure that Verification Bodies possess the requisite knowledge, competence and impartiality
- Issue certificates of accreditation to Verification Bodies
- Monitor Verification Bodies
- Implement investigations and/or sanctions against accredited Verification Bodies, when necessary
- Manage the Accreditation Committee (through which the Registry will participate in key accreditation decisions)
- Prepare an annual report for the Registry



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# Registry's Verification Oversight Panel

- Registry body responsible for high level oversight of accreditation and verification programs
- Appointed by Audit and Ethics Committee
- Composed of board members, state and provincial staff, Registry staff, other external experts
- Includes verification, legal, financial accounting and ethics expertise



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# Oversight Panel Responsibilities

- Work with staff to manage & improve the verification & accreditation programs
- Exercise general oversight of Accreditation Bodies
- Periodically observe Verification Bodies in action during the course of verification
- Periodically observe Accreditation Bodies in action to ensure proper implementation of the verification & accreditation programs
- Option to participate directly in accreditation confirmation decisions
- Option to participate directly in the appeals/dispute/conflict investigation and resolution process



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# The Process of Accreditation

- Consistent with approach to accreditation for other schemes
  - management systems or product certification
- Consistent with international approaches
  - ISO 14065
- Based on guidance from the International Accreditation Forum
- 3 stages :
  - Initial accreditation
  - Surveillance for maintenance of accreditation
  - Re-accreditation at the end of the cycle





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# ISO 14065 Requirements - Summary

- Verification Process Management System
- Impartiality
- Competency
- Personnel deployment & management
- Communications
- Records maintenance
- Verification processes must demonstrate:
  - COI & Impartiality applied to every engagement
  - Verification Body applies ISO14064-3 & Registry's GVP requirements



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# Key Registry-Specific Requirements

- **General:**
- **General 1: Requires accreditation for specific “scopes”**
- **General 2: Authorizes AB to conduct accreditation process, but acknowledges the Registry’s ability to observe both VBs and ABs**



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# Example Matrix of Scopes

		"Industrial" Sectors									
Subjects		Simple combustion entities (simple fugitive, indirect emissions)	Biomass fuel combustion		Power Generation & Distribution	Chemicals	Minerals	Oil & Gas	etc		
Entity Accounting											
	Annual verification										
Project Accounting	Baselines										
	Validation										
	Annual verification										
= scope of accreditation & therefore area in which services can be offered to clients											



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# Accreditation Requirements: TCR 1

- Conflict of Interest (COI)
- In addition to organizational assessment:
  - Complete Case Specific COI Assessment
  - Registry screens all COI Assessment forms
  - AB will periodically review COI Assessment forms
  - VB may not begin verification activities until authorized by the Registry
    - 15 business days
    - Email notification



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# Accreditation Requirements: TCR 2

- Insurance
- Requires VBs have at least \$1,000,000 in professional indemnity insurance
- If Reporter will use inventory for more than TCR, may need to supplement insurance



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# Accreditation Requirements: TCR 3

- Knowledge of the Registry's Program
  - General Protocols
  - Industry specific protocols
  - GHG emission calculations
  - GHG emission inventory
  - Complex project management (Lead Verifier)
- Additional training
- Documentation of personnel advancement



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# Accreditation Requirements: TCR 4

- Lead Verifiers
- Must have at least two Lead Verifiers
  - Lead Verifier
  - Internal Peer Reviewer



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# Accreditation Requirements: TCR 5

- Subcontracting
- Permits subcontracting for Lead Verifiers
  - Must meet competency requirements
  - Overseen by other in house Lead Verifiers
  - VB must accept responsibility of Lead Verifier finding



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# Accreditation Requirements: TCR 6

- **Management of Subcontractors**
  - VB must demonstrate how it manages and controls subcontractors



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# Accreditation Requirements: TCR 7

- Standard for verification
- VBs must conduct verification activities as described in the General Verification Protocol
- If Reporter exceeds the Registry's reporting requirements, then may require additional verification



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# Accreditation Requirements: TCR 8

- Notification of Verification activities
  - VBs must submit their verification schedule (Notification of Verification Activities Form) to the Registry at least 15 days before commencing work
  - May be submitted with COI (if possible)
  - Form will require annual summary of verification activities with regards to scope of clients, duration of work, etc



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# Accreditation Requirements: TCR 9

- Record Retention
- Reporters and VBs must retain records for at least 5 years (from the date of the verified emission report)
- VBs must check that Reporters are maintaining records properly



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# Accreditation Requirements: TCR 10

- Conflict of Interest Thresholds
- GVP defines thresholds for COI
  - Must not have more than \$5,000 direct interest
  - Case Specific COI is determined on a case by case basis by the Registry



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# Accreditation Requirements: TCR 11

- Internal Peer Reviewers
- Requires Internal Peer Reviewers be Lead Verifiers
- Must demonstrate competency



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# Accreditation Requirements: TCR 12

- VB management systems
- Requires VB to align their management systems to ISO 9001
  - Does not need to be certified



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# Questions?



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# ANSI's Accreditation Process



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# General Verification Protocol



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# Verified GHG Emissions Data

- Provides confidence that an emission report represents a faithful, true, and fair account of an Entity's emissions to:
  - ❑ State and provincial regulatory agencies
  - ❑ Native sovereign nations
  - ❑ Investors, suppliers and customers
  - ❑ local governments
  - ❑ the Registry
  - ❑ the public



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# Principles of Verification

- Consistent with rigorous international standards
  - ISO 14064-3
- Risk-Based Assessment
  - Focus attention on data system, processes, and sources that pose the greatest risk of generating a material discrepancy



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# Level of Assurance

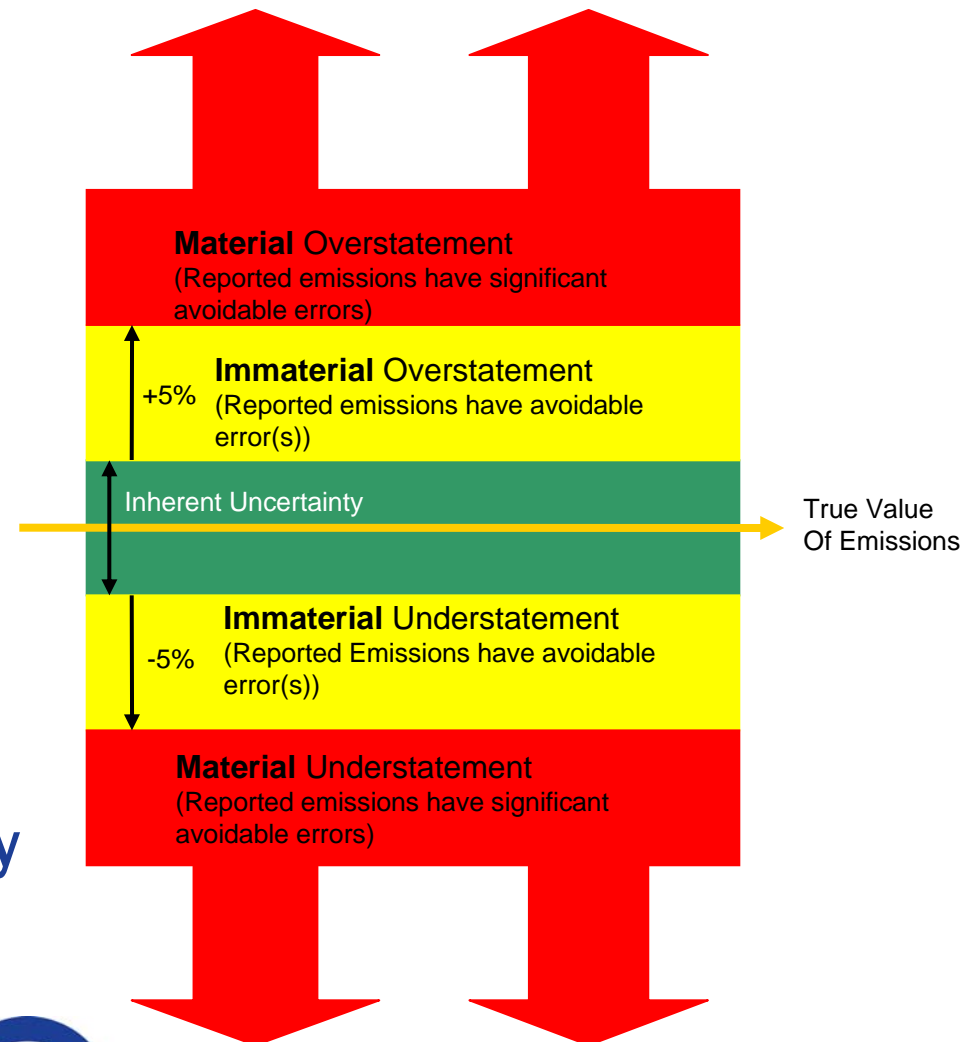
- Relative degree of confidence a Verification Body has in its assessment of the accuracy of the reported data
- Reasonable Assurance:
  - Asserts that an emission report is materially correct
- Limited Assurance:
  - Asserts that there is no evidence that an emission report is NOT materially correct



# Materiality

## Materiality Threshold:

- ❑ Separate 5 percent threshold for direct & indirect emissions
- ❑ Material misstatements must be corrected to be accepted by the Registry



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# Applications of Materiality

- Hierarchy: Reporters must meet Registry's program requirements first!
- Simplified Emission Estimation Methods = Inherent uncertainty
- Offsetting Errors
  - +7% error in CO<sub>2</sub>, -4% error in CO<sub>2</sub>
  - Can offset emissions within same scope (1 OR 2)
- Non offsetting Errors
  - Cannot offset emissions between Scope 1 & 2



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# Scope of Verification

- **The Registry's Voluntary Reporting Program**
  - General Reporting & Verification Protocols
- **Regulatory Data**
  - Must be reviewed in risk assessment
- **Transitional Reporting**
  - Must meet Registry's requirements
- **Historical Emissions**
  - Imported vs. "New"
- **Optional Emissions**
  - Worldwide Emissions must be complete and verified, if reported



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# Five Year Verification Cycle

- Require annual verification
- Permit a 5 year verification cycle
  - To streamline requirements and costs
  - Streamlined review determined by VB, but is not permitted in the following instances:
    - A new VB is selected to assess a Reporter's emissions
    - Base Year is changed or adjusted
    - Reporter becomes a “complete” reporter (no longer a Transitional Reporter)
    - Reporter's emissions change by more than 5% from the previous year's emissions
    - Other issues as deemed appropriate by the VBs



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# Verifying Multiple Years of Data

- VBs may verify multiple years of data
- If historical data is being verified for the first time (not imported) it counts as one of the 5 years in the cycle
- If previous years' data is adjusted, it does not count as one of the 5 years in the cycle



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# Conflict of Interest (COI)

## ■ Four Types of COI

- ❑ Organizational (ANSI)
- ❑ Case-Specific (Registry and ANSI)
- ❑ Personal (Registry and ANSI)
- ❑ Emerging (Registry and ANSI)



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# Organizational COI

- Ensures that Verification Bodies have mechanisms in place to control and manage COI
- Assessed by ANSI as part of the accreditation process



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# Case Specific COI

- **Case Specific COI:** Assessment that the Verification Body-Reporter relationship is objective and impartial
  - *High COI:*
    - *A Verification Body and a Reporter share any management.*
    - *A Verification Body has provided any GHG consultancy services to a Reporter*
    - *A Verification Body has provided non-GHG consultancy services that may influence its impartiality*



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# Personal COI

- **Personal COI:** Assessment that individuals on the verification team are impartial
  - **High COI:**
    - A staff member has been an employee of the Reporter within the last 3 years.
    - A staff member has provided any of the prohibited GHG services to the Reporter in the last 3 years.
    - A staff member currently has a direct financial interest (mutual funds and exchange-traded funds excluded) in the Reporter in excess of \$5,000.



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# COI Assessment Process

- Verification Body completes Case Specific COI Assessment Form & submits to Registry
- Registry screens all Assessment forms
  - Provides authorization in 15 days
  - Registry may select Assessment form for additional review
- If COI is rejected, Verification Body can:
  - Abandon contract
  - Mitigate conflict, if possible
  - Appeal decision to Verification Oversight Panel



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# Emerging COI

- A direct conflict between a Reporter and a Verification Body in the 12 months that follow the completion of their verification activities



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# Mitigating COI

- Verification Bodies may work to mitigate high COIs to an acceptable level
- Registry will review Mitigation Plans on a case by case basis
- At a minimum, Mitigation Plans must:
  - Remove conflicted personnel from the project team
  - Explain changes to organizational structure that prevents conflict
  - Explain other relevant changes or circumstances



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# Mitigating Factors

- Time of service

- More than 3 years ago = lower risk

- Location

- Outside of North America = lower risk

- Types of Service

- Non GHG consultancy services = lower risk

- Financial Value of Service

- Small relative value of Verification Body income = lower risk



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# Verification Team

- Team members must have appropriate competencies
- Must contain at least 2 Lead Verifiers
- May use subcontractors
  - Must meet all competency requirements



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# Core Verification Activities

## Verification Bodies will:

- Assess conformance of reported emissions with the *General Reporting Protocol*
- Assess completeness of emission reports
- Perform a comprehensive risk assessment of reported emissions
- Visit facilities to review emissions management & accounting
- Verify emission inventory



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# Completing Verification Activities

- **Prepare Verification Report and Verification Statement**
  - **Verification Report:** includes scope, description of verification plan, complete list of facilities, sampling plan, list of any discrepancies identified
  - **Verification Statement:** official documentation of the outcome of the verification activities
- **Host Exit Meeting to discuss outcomes with Reporters**
- **Reporter authorizes Verification Statement & Submits to Registry**
- **Verification Deadline: December 15<sup>th</sup>**
  - Year following emissions year



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# Registry Review of Verified Emission Reports

- The Registry will review all Reporters' Verification Statements and emission reports.
- Upon acceptance of Verification Statements, the Registry will make Reporters' emission reports and Verification Statements available to the public via CRIS



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# Batch Verification

- Annually the Registry will select at least one Batch Verification Body to conduct batch verification
  - Selected by the end of March each year
- Batch verification eligibility criteria:
  - Less than 1000 metric tons total CO<sub>2</sub>e per year
  - With only:
    - Scope 2 Indirect Emissions
    - Scope 1 Direct Emissions from stationary combustion for heating or cooling, and
    - Scope 1 Direct Emissions from mobile sources
    - No significant fugitive emissions
- Reporters interested in batch verification must contact the selected Batch Verification Body directly.



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# Verification Exercises



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# Next Steps



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# Building your Competency

- Training opportunities
  - CSA
  - FuturePerfect Sustainability
  - GHG Management Institute
- CRIS Orientations for Verification Bodies



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# Identifying Clients

- TCR member list available today
- CCAR members
  - Directory
  - CCAR bulletin board



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# Links between TCR and CCAR

- ANSI accreditation
- Coordinated reporting & verification programs
  - CCAR will recognize TCR accredited verifiers
- Climate Action Reserve



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# CRIS Update

- CRIS launched on 6/30/08
  - Accessible via the Registry's website:  
[www.theclimateregistry.org](http://www.theclimateregistry.org)
- The Registry is working to develop a more robust Verification module in CRIS
  - Your feedback is encouraged
  - Trainings will be offered for VBs once the verification module is complete
- Please contact the Registry for CRIS training if you are verifying 2007 data for a Registry Reporter!



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# Questions?



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# Questions?

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