"Prepare for Verification" Workshop

June 6, 2008
Sacramento, California

Workshop Objectives

- **Are you ready for verification?**
  - What needs to be done prior
- **The five steps to verification**
  - Where to go from this workshop
- **How to find more information**
  - What to do if you have questions later on?

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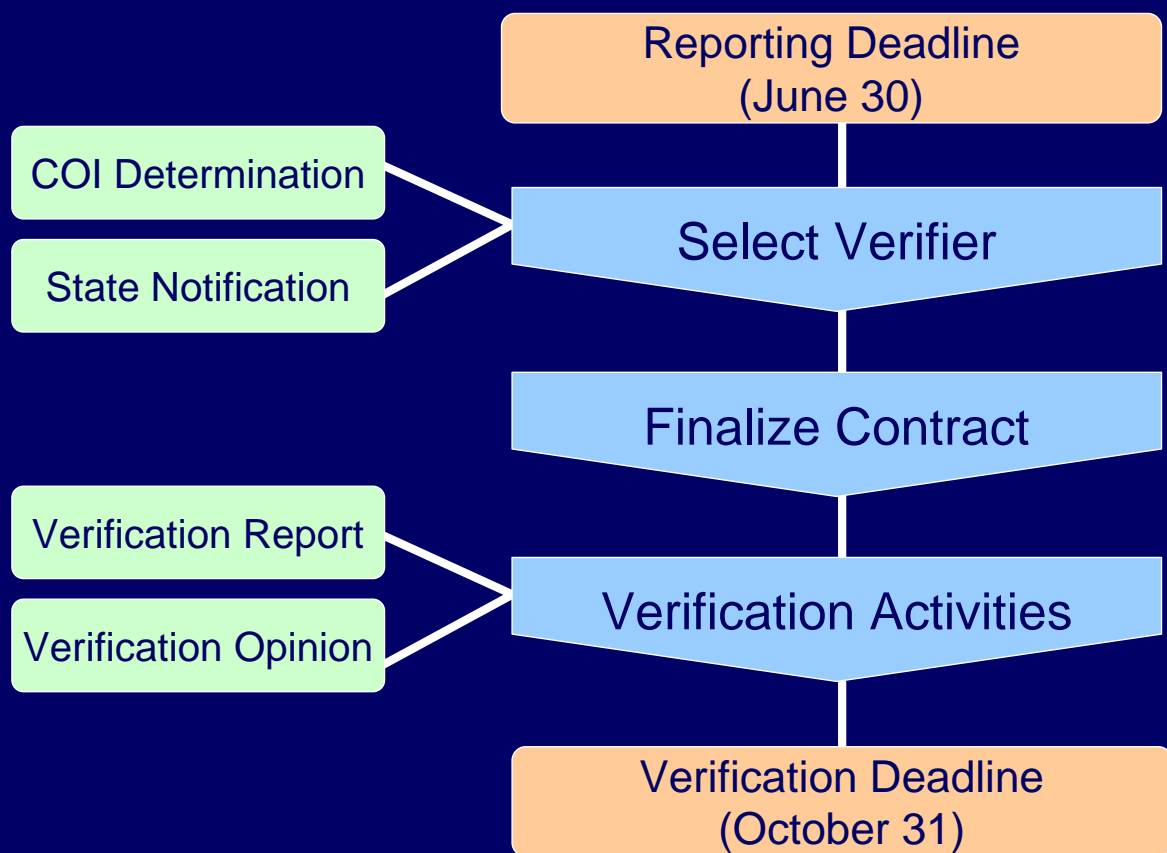# What is Verification?

Verification Overview

- ## What is Verification?
  - Independent review of reported emissions

- ## Why is it Important?
  - Ensures reported emissions adhere to the reporting requirements and achieve a minimum quality standard (95% accuracy)

- ## Who is a Verifier?
  - A company or individual that has been approved by both the State of California and the Registry as qualified to assess a participant's reported emissions

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Basic Principles of Verification

- *Completeness* – include all significant sources

- *Consistency* – methodologies allow for meaningful comparison over time

- *Comparability* – track emissions using the same methods as other organizations

- *Accuracy* – meets a minimum quality standard

- *Transparency* – calculations laid out in a manner that is clear and repeatable

Reporting Deadline
(June 30)

COI Determination

State Notification

Select Verifier

Finalize Contract

Verification Report

Verification Opinion

Verification Activities

Verification Deadline
(October 31)

➤ See "The Verification Process" in Chapter 14 of the GRP

Core Verification Activities

1. Identify emission sources

2. Review management systems & methodologies

3. Verify emission estimates

- Verification can be a three-year cycle

  – If you use the same verifier for 3 consecutive years, and
  – If your operations/emissions do not change significantly

Verification Cycle

3 year cycle:

- Year 1: (a) Identify Emission Sources,
            (b) Review Management Systems
            (c) Verify Emission Calculations

- Year 2: (c) Verify Emission Calculations

- Year 3: (c) Verify Emission Calculations

- Year 4: Repeat Year 1 activities (a) (b) (c)

* Must change verifier after 6 years

➢ See "Understanding the Verification Cycle"

Key Terms

- **Verification Standard**
  - Emission Report verified against applicable Registry guidance

- **Minimum Quality Standard**
  - At least 95% accuracy in verified Emission Reports

- **Professional Judgment**
  - Registry expects Verifiers to use their professional judgment during verification activities

Are you ready for verification?

Collect documentation and data	2007 emissions (and/or prior years)
Calculate your emissions	January-May 2008
Report your emissions in CARROT	By June 30, 2008
Verify your emissions	By October 31, 2008

Steps to Verification

Step 1

Choosing a Verifier

Identify Approved Verifiers

- Directory at www.climateregistry.org
  - Home Page < Tools < Verifiers

- As of June 2009:
  - TCR-approved verifiers
    - ANSI pilot program candidates may be looking for clients July – December 2008
  - CARB-approved verifiers

State (ARB) Oversight

- **May randomly accompany verifiers on site visits to:**
  - Provide oversight of verifiers
  - Evaluate reasonableness of reported data

- **Will participate in entire process** *(kick-off, site visits, closing meeting, etc.)*
  - Request same information as provided to verifier
  - May use a technical contractor
  - Will respect confidentiality (NDA)

- **Will report to Registry on findings**

The Climate Registry

- The Climate Registry is a non-profit organization that focuses on voluntary entity emissions reporting for all of North America, and supports state and federal level mandatory reporting.

- Participation in the Registry requires organizations to report:
  - All GHG emissions in North America (Canada, US, Mexico)
  - Entity-wide emissions at the facility-level
  - All six GHGs
  - All direct emissions (Scope 1) and indirect emissions (Scope 2)
  - Annually

Solicitation Options

- Request for Proposal
- Telephone interviews
- Purchase Order
- *Post to bulletin board at www.climateregistry.org?*

Developing an RFP

Information to include:

- Contract duration
- Description of your organization
- Total Emission Summary Report
    - Reporting scope
    - GHGs reported (categories and gases)
    - Number and location of facilities and operations
- Description of data management systems
- Identify who prepared your inventory

Resources: GRP Chapter 14
➢ See Sample RFP

Things to Consider

- Previous relationships (COI)
- Expertise in your sector
- Location
- Availability
- Approach to work
- Size
- Cost
- Contracting flexibility

➢ See Sample Contract

Cost of Verification $

Costs will vary with:

1. Quality of data and management systems
2. Organization of data
3. Size and complexity of operations

* Providing detailed methodology/source info in CARROT facilitates verifier review

* Highest in Year 1; can decrease 30-60% in years 2 & 3

Step 2

Conduct a Conflict of Interest (COI) and finalize a formal contract

Conflict of Interest (COI)

- **What is a COI?**
  - Situation where a verifier may be unable to provide an objective review of a participant's data

- **Evaluation of potential for COI**
  - Case-by-case assessment
  - Recent or current financial relationships?
  - Has verifier provided consulting on GHGs?

- **COI review promotes integrity of reported emissions**

Step 3

Verification Activities

Verification from a Verifier's Perspective
Tips for an Easier Verification

Presented to

CCAR's Prepare for Verification Workshop
Los Angeles and Sacramento, CA
June 3 and 6, 2008

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Tips for an Easier Verification

1. Starting Out
2. Technical Assistance
3. De Minimis
4. Records
5. Audit Trail

6. Inventory Management Plan
7. Internal Audit
8. Timing
9. Mindset

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Tip 1: Starting Out - Look Before You Leap

- Identify key personnel, considering:
  - Background
  - Representation across your organization
  - Availability
  - Permanence
- Read the General Reporting Protocol
- Read the General Verification Protocol

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Tip 2: Get Technical Assistance

- Your Verifier cannot provide TA.
- Consider seeking TA with:
  - First-time inventories
  - Large inventories that require additional resources
  - Complex inventories that require expertise
- List of State and CCAR-approved TA providers on CCAR's website

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Tip 3: Use De Minimis with Caution

- Classify emissions as de minimis with caution and only when it yields notable reductions of effort

- Be aware of changes resulting in increases beyond threshold

- Keep de minimis sources the same from one year to the next
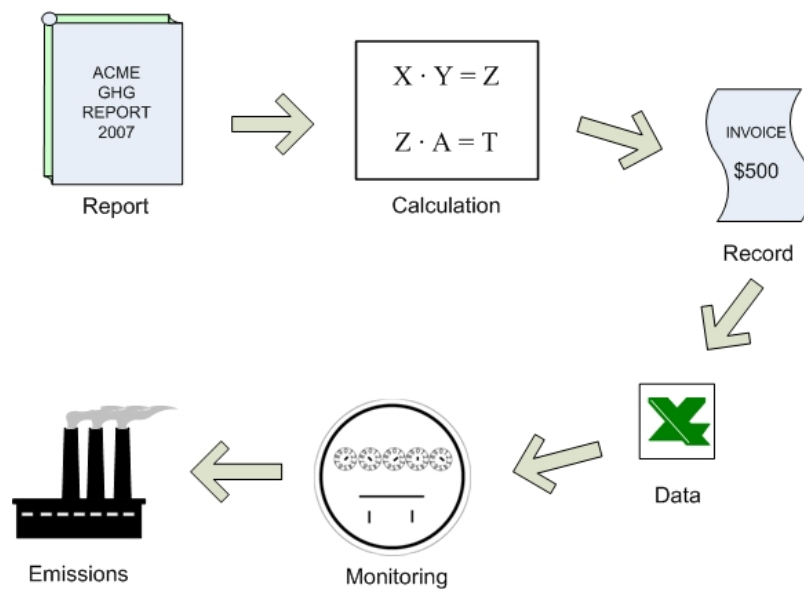
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Tip 4: Get Organized

- Good evidence simplifies the verification process for both participant and certifier
- Expect that the verifier will request records:
  - Ideally, maintain copies of all records that support the activity data used in the inventory
  - Utility bills, purchase records, logs, etc.
  - At a minimum, know:
    - Who can provide records associated with the data
    - The process for obtaining and providing those records and how long that process might take in your organization

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Tip 5: Establish a Clear Audit Trail

ACME GHG REPORT 2007 — Report → X · Y = Z, Z · A = T — Calculation → INVOICE $500 — Record → Data → Monitoring → Emissions

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Tip 6: Prepare an IMP

- Prepare an Inventory Management Plan (IMP) to:

  - Facilitate internal efforts in preparing next year's inventory

  - Communicate the data management system and quantification methodologies to the verifier

Tip 7: Conduct an Internal Audit

- Evaluate risk:
  - Where are systems and controls unclear or weak?
  - Where might errors occur due to these weaknesses?
  - Where would it matter if errors did occur?
- Follow audit trail, checking activity data and calculations

Tip 8: Give Yourself Time

- Start compiling your inventory early.
- Leave time for an internal audit.
- Timing of Verification is affected by:
  - Conflict of Interest process
  - Size and complexity of inventory
  - Quality of management system
  - Availability of records for verification
  - Transparency of audit trail
  - Necessity of corrective action

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Tip 9: Benefit from Verification

- ## Strategic Benefits
  - Support management confidence in GHG actions (e.g. target setting, reduction projects, trading positions)
  - Facilitate transparency for an organization with stakeholders
  - Maintain the credibility of GHG program (internal or external)

- ## Tactical Benefits
  - Improve GHG management systems and data collection processes
  - Inform organizations on GHG quantification best practices
  - Enhance communication, coordination and cooperation of the GHG management team

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Tips for an Easier Verification

1. Starting Out
2. Technical Assistance
3. De Minimis
4. Records
5. Audit Trail
6. Inventory Management Plan
7. Internal Audit
8. Timing
9. Mindset

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In Summary

By understanding GHG verification, there are actions that can be taken during the development of a GHG assertion that can facilitate the process of obtaining a positive verification opinion statement.

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Step 4

Finalize report and submit verification opinion

Finalizing CARROT Report

- Can be revised at any point before verification opinion is entered

- Once submitted for verification, data is "read-only" to Member

- If subsequently revised, revisions must be re-verified

- Consider having PR/communications staff review public report before final submission

➤ See "Submit your data in CARROT" worksheet

Completing Verification Activities

- Address corrective action requests
  - Revise CARROT report

- Closing meeting
  - In person, or by phone
  - Discuss Verification Report

- Sign Verification Opinion
  - Verifier submits opinion in CARROT
  - Registry conducts review of submitted report

- Emissions Report available to public

- Assess and document ways to improve inventory

Step 5

Registry Review and Climate Action Leader Status

Last Steps…

- The Registry will review the verification opinion, emissions report, and other documents to ensure the quality of the data
  - All sources/gases like others in your sector?
  - Understand professional judgment
  - Sources we've never seen before

- Once accepted, members become a *Climate Action Leader!!!*

Becoming a
Climate Action Leader

- Consider a press release

- Logo available for use on:
  - Website
  - Marketing materials
  - Products
  - Environmental, CSR, annual reports, etc.

Verification Timeline Overview

Reporting Deadline	JUNE 30
Select Verifier	JULY (2 weeks)
COI Determination & Notification	JULY (2 weeks)
Finalize contract	AUGUST (2 weeks)
Verification Activities	SEPTEMBER/OCTOBER (2-6 weeks)
Verification Deadline	OCTOBER 31

Q&A with Verifiers

Members:

Lessons Learned

Registry Resources
Where to go if you have questions later on

- Protocols
  - General Reporting Protocol 3.0
  - General Verification Protocol
  - Power/Utility Protocols

- Boilerplate materials:
  - RFP
  - Contract
  - NDA
- De minimis example

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Thank you!

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Additional Information

Member Roles

1. Meet June 30 reporting deadline

2. Select verifier and negotiate contract

3. Grant verifier access to CARROT

4. Support verification activities

5. Meet with Verifier to discuss Verification Report

6. Submit signed Verification Opinion to Registry

Ongoing:
- Maintain supporting documentation for at least 7 years
- Select new verifier at least every 6 years

Verifier Roles

1. Request COI determination
2. Scope and plan verification activities
3. Conduct core verification activities & site visits
4. Prepare Verification Report & Verification Opinion
5. Submit Verification Opinion in CARROT

Registry Roles

- Approve verifiers (with the State)

- Conduct COI determinations

- Review and accept/reject verified Annual Emissions Reports

- Maintain Registry records

- Work with the State to ensure members receive appropriate consideration for early actions

State of California Roles

- Approve Verifiers (with the Registry)

- On a random basis:
  - Observe verifier during verification activities
  - Evaluate participant's emissions data
  - Evaluate participant's experience in Registry program

* Cal-Fire may play this role for forest entities

Preparing for Verification Activities

- Sign contract & any NDA with verifier
- ➢ See sample NDA

- Prepare supporting documentation
  - Respond to verifier requests for sample of data

- Prepare for interviews, if any

- Schedule site visits, if any

* Verifier will help develop work schedule

Site Visits

- Site = facility, shared mailing address

- Sampling size specified
  - Add'l visits per verifier's judgment

- Use best judgment in determining sample on large systems
  - Similar unmanned systems may = 1 site

Min. Number of Sites to Visit, based on participant size	
Total Sites	**Minimum Sample Size**
2-10	30%
11-25	20%
26-50	15%
51-100	10%
101-250	5%
251-500	3%
501-1,000	2%
Over 1,000	1-2%

When the Verifier Arrives

- Kick-off meeting
  - Verifier will help set agenda for meeting
  - Who needs to be there?
  - Provide information in advance?
  - Is any Non-Disclosure Agreement signed?

  Site visits may also occur on the same day…

Day of a Site Visit

- Maps
- Site access information
- Proper dress
- Interviews scheduled
- Transportation/logistics
- "Walk-about" privileges
  - Review with verifier policies for accompanying visitor