

Implementation of Shipping MRV Regulation

Verification Procedures and
Accreditation of Verifiers

Day 1 - 20 January 2016

Agenda

Identification of relevant verification rules

1. Competencies of verifiers
2. Assessment of the conformity of the monitoring plan
3. Risk assessment to be carried out by verifier
4. Verification of the emissions report and reasonable assurance

1 Competencies of verifiers (1/5)

Potential need for rules

Issue:	Competence requirements for verifiers are not specified in the EU MRV Regulation	
<i>Actors involved:</i>	VERIFIERS	Verifiers need to be competent in order to perform verification under the EU MRV Regulation (Recital 26)
<i>Rules needed for:</i>	VERIFICATION ACCREDITATION	The delegated act could define the competence requirements for shipping MRV verifiers in order to perform verification engagements adequately. EU national accreditation bodies will assess the competence of verifiers in order to grant accreditation under the EU MRV Regulation
<i>Impact on shipping company</i>	Specifying competence requirements for verifiers contributes to creating a level playing field, and accreditation will ensure shipping companies that all accredited verifiers fulfill the needed competence requirements.	
<i>Relevant internationally accepted standards:</i>	EN ISO 14065 ISAE 3410 EN ISO 14066	Section 6.2 – 6.5 Para 16 All sections
<i>Relevant EU legislation:</i>	Accreditation Regulation 765/2008	Article 13.3
	EU ETS Accreditation and Verification Regulation 600/2012	Articles 3.8, 35-39

1 Competencies of verifiers (2/5)

Options for rules to be recommended by the subgroup

The following further specifications of competence of verifiers are suggested for the Delegated act, based on EN ISO 14065 Section 6 and on Regulation 600/2012 (Accreditation and Verification Regulation, AVR):

- **Competence requirements for lead auditors**, verification teams, **independent reviewers** and technical experts;
- **Continued competence process** (general requirement for verification companies).

The following competence criteria are suggested to be included in the Delegated act for verifying elements specific for the maritime sector and assessing whether monitoring plans are compliant with the EU MRV Regulations:

- **Knowledge of the EU MRV Regulation, relevant international standards**, other relevant legislation as well as applicable guidelines;
- **Knowledge of and experience in sector specific technical monitoring** and reporting aspects.

1 Competencies of verifiers (3/5)

<i>Subject matter</i>	Examples of sector specific technical monitoring and reporting competence aspects (non-exhaustive)
<i>Assessment of the monitoring plan</i>	<ul style="list-style-type: none"> • EU MRV Regulation including Annex I, II and III; • Other relevant legislation (MARPOL Annex VI, NOx Technical Code, Sulphur Oxides Regulation, and Fuel Oil Quality Regulation); • Other relevant guidance (SEEMP); • Available templates for EU MRV Regulation
<i>Monitoring and reporting CO₂ emissions</i>	<p>Required</p> <ul style="list-style-type: none"> • Understanding of emission sources of the ships installation; • Understanding of registration of voyages and how completeness and accuracy of the list of voyages is ensured by the company; • Understanding of reliable external sources that could serve as means to cross check information with data from ships (including AIS tracking data) • Understanding how fuel calculation methods are applied by ships in practice; • Understanding of application of uncertainty levels in accordance with the EU MRV Regulation; • Understanding how a fuel's carbon content is determined (e.g. which standard is used); • Understanding of application of Emission factors for all fuels; • Knowledge about fuel handling, fuel cleaning, tank systems;
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1 Competencies of verifiers (4/5)

<i>Subject matter</i>	Examples of sector specific technical monitoring and reporting competence aspects (non-exhaustive)
<i>Monitoring and reporting CO₂ emissions</i>	<p>Required</p> <ul style="list-style-type: none"> • Knowledge about fuel handling, fuel cleaning, tank systems; • Understanding of the ship's maintenance / quality control of metering equipment; • Knowledge of available templates for EU MRV Regulation ; • Interpretation of a Bunker Delivery Note (BDN); • Interpretation of operational logs, voyage abstract and port abstract, ship deck log; • Commercial documentation e.g. charter party agreements, bill of lading etc; • Existing statutory requirements; • Understanding of the operation of the ship's Bunkering systems; • Understanding of how fuel density is determined by ships in practice; • Understanding of deviations from planned routes (due to weather conditions, piracy etc.).
<i>Monitoring and reporting Transport Work</i>	<p>Required</p> <ul style="list-style-type: none"> • Registration of cargo carried (& relevant parameters); • Registration of distance travelled; • Registration of time spent at sea; • [Registration of ballast water]; • ...

1 Competencies of verifiers (5/5)

Questions for discussion



Are there any other sector specific technical competence aspects of monitoring and reporting transport work?

2 Assessment of the conformity of the MP (1/5)

Potential need for rules

<i>Issue:</i>	No specific procedure is laid down in the EU MRV Regulation for verifiers to assess conformity of the monitoring plan	
<i>Actors involved:</i>	VERIFIERS	Article 13.1 EU MRV Regulation requires verifiers to assess the conformity of the monitoring plan with the requirements laid down in Articles 6 and 7
<i>Rules needed for:</i>	MP ASSESSMENT	The delegated act could define the minimum procedures to assess conformity of the monitoring plan with the EU MRV Regulation and with the real situation of the ship in order to ensure harmonised assessment by different verifiers (level playing field and guarantee quality)
<i>Impact on shipping company</i>	Specifying rules for minimum procedures to assess monitoring plans contributes to creating a level playing field among verifiers, and ensures shipping companies that all accredited verifiers perform at least the minimum required procedures for the assessment of the monitoring plan.	
<i>Relevant internationally accepted standards:</i>	EN ISO 14064-3 ISAE3410	Section 4.3.3 Para 17b
<i>Relevant EU legislation:</i>	Accreditation Regulation 765/2008	Article 2.12

2 Assessment of the conformity of the MP (2/5)

Options for rules to be recommended by the subgroup

1) Procedures for assessing the content of the monitoring plan

Based on feedback from stakeholders, this is the preferred option:

Additional rules will be developed that will **address the assertions** that have to be fulfilled by the verifier in assessing the monitoring plan. These assertions could be: **completeness, relevance and compliance with the EU MRV Regulation.**

2 Assessment of the conformity of the MP (3/5)

Options for rules to be recommended by the subgroup

A **list of minimum activities** to be performed by the verifier when assessing the monitoring plan could include:

- Check on the **completeness of the monitoring plan**;
- Determine if each mandatory item of the monitoring plan **fulfills the requirements** of the EU MRV Regulation;
- Determine if the situation described in the **monitoring plan is conform to reality**, and check whether changes in the monitoring and reporting system are reflected in the monitoring plan;
- **Check consistency between the latest and current version of the monitoring plan** in case of a re-assessment;
- **Consider existing management systems** of shipping companies such as ISO9001, ISO14001, ISO50001, SEEMP and the ISM Code, provided that these management systems cover (part of the) monitoring and reporting systems for the EU MRV Regulation.

2 Assessment of the conformity of the MP (4/5)

Options for rules to be recommended by the subgroup

2) Mitigation of risk of self-review

No consensus was reached concerning which option to bring forward.

EN ISO 14065 and the EU MRV Regulation contain **clear requirements related to impartiality** → should guarantee that the verifier **does not develop a conflict of interest** when assessing the monitoring plan.

Suggestion not to develop further rules

2 Assessment of the conformity of the MP (5/5)

Options for rules to be recommended by the subgroup

3) Time allocation

Time and budget determination is part of the commercial and contractual process between verifiers and shipping companies.

Based on the outcome of the discussions with and feedback from the subgroup, **no further rules** is the preferred option.

No further rules will be needed.

3 Risk assessment to be carried out by verifiers (1/3)

Potential need for rules

Issue:	Procedures for carrying out risk assessments under the EU MRV Regulation are not specific and can be further detailed	
<i>Actors involved:</i>	VERIFIERS	<p>According to Article 15.1, the verifier shall identify potential risks related to the monitoring and reporting process comparing reported CO₂ emissions with estimated data based on ship tracking data and characteristics such as the installed engine power</p> <p style="text-align: center;">&</p> <p>According to Article 15.2, the verifier shall identify potential risks related to the different calculation steps by reviewing all data sources and methodologies used</p> <p style="text-align: center;">&</p> <p>According to Article 15.3, the verifier shall take into consideration any effective risk control methods applied by the company to reduce levels of uncertainty associated with the accuracy specific to the monitoring methods used</p>
<i>Rules needed for:</i>	RISK ASSESSMENT	The delegated could further detail the procedures for carrying out the risk assessment in order to guarantee harmonised procedures among verifiers (level playing field and quality)
<i>Impact on shipping company</i>	The requirement of a risk assessment to be carried out by verifiers contributes to a level playing field for verifiers to develop effective and efficient verification plans, focusing on areas of higher risk. Without a risk assessment, verifiers may either do too much work or too little and therefore miss material misstatements in the emissions report. Thus a verifier's risk assessment is important to enable verifiers to provide an appropriate verification opinion cost-effectively.	
<i>Relevant internationally accepted standards:</i>	EN ISO 14064-3	Section 4.4.1
	ISAE3410	Para 23 - 34
<i>Relevant EU legislation:</i>	EU ETS Accreditation and Verification Regulation 600/2012	Articles 11 and 12

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3 Risk assessment to be carried out by verifiers (2/3)

Options for rules to be recommended by the subgroup

Based on feedback received from stakeholders, **no consensus** has been reached on the further specification of rules related to the risk assessment of the verifier.

It is suggested to specify further rules for performing a risk assessment in the Delegated act covering the following issues and items:

1) Take into account relevant assertions:

- **Completeness** (all emissions, transport work and other information that should have been reported has been reported);
- **Accuracy** (information has been reported appropriately);
- **Consistency** (information reported is consistent with prior years);
- **Transparency** (information has been disclosed in a clear manner);
- **Relevance** (only relevant information is reported).
- **Occurrence** (has the voyage taken place);
- **Cut-off** (reported in the right period).

3 Risk assessment to be carried out by verifiers (3/3)

Options for rules to be recommended by the subgroup

2) Consider the risks of providing an inappropriate opinion about whether the emissions report is free from material misstatements (EN ISO 14064-3):

- **Inherent risk** (which events can cause errors in the information to be reported);
- **Control risk** (risks of errors in the information reported that are not prevented by internal controls);
- **Detection risk** (risk of errors in the information reported that are not detected by the verifier).

Practically, verifiers should:

- mainly focus on areas of high inherent risk;
- assess the extent to which they can rely on internal controls based on control testing by the verifier itself; and
- based on this outcome plan the nature and extent of substantive verification activities.

It is suggested that additional guidance will be developed including examples of how a risk assessment can be performed.

4 Verification of the emissions report and reasonable assurance (1/6)

Verification of the emissions report

Issue:	Procedure under EU MRV Regulation on how to carry out verification activities is not specific and can be further detailed	
<i>Actors involved:</i>	VERIFIERS	<p>Article 13.2 EU MRV Regulation requires verifiers to assess the conformity of the emissions report with the requirements laid down in Articles 8 to 12 and Annexes I and II</p> <p>Main principles on how to carry out such verification are set in Articles 13-15 of the EU MRV Regulation</p>
<i>Rules needed for:</i>	VERIFICATION ACTIVITIES	The delegated act could further define the minimum procedures to verify the emissions report in order to ensure reasonable assurance can be met and verifications by different verifiers are harmonised (level playing field and guarantee quality)
<i>Impact on shipping company</i>	Specification of verification activities contributes to a level playing field for verifiers, in particular it would ensure that verification will be performed in a harmonized way and shipping companies will be able to prepare better for verification, knowing which type of activities verifiers will perform.	
<i>Relevant internationally accepted standards:</i>	EN ISO 14065 EN ISO 14064-3 ISAE3410	Section 8 Section 4.4 – 4.11 Para 35 -75
<i>Relevant EU legislation:</i>	EU ETS Accreditation and Verification Regulation 600/2012	Articles 13-20

4 Verification of the emissions report and reasonable assurance (2/6)

Verification of the emissions report

Verification procedure

Based on feedback received from stakeholders **no consensus** on a preferred option.

It is suggested to **further specify rules for verification activities based on EN ISO 14065.**

Verifiers should consider the following type of activities described in EN ISO 14065:

- Inquiry (interviews with relevant staff);
- Observation;
- Inspection of documents;
- Re-performance - walkthrough the reporting process; test of controls based on sample; recalculations; reconciliations; analytical procedures; test of detail.

All activities listed above are described in EN ISO 14065, however **not made specific for the maritime sector.**

Suggested as additional activities:

- Considering reconciliation between the list of voyages reported by the company and the list of voyages identified by an independent third party based on ship tracking data;
- Verifying whether ships use correct definitions in reporting information about cargo carried, such as inserting or excluding mass of ballast water or unit of reporting.

4 Verification of the emissions report and reasonable assurance (3/6)

Verification of the emissions report

Backward verification

It is suggested to provide guidance on how verifiers and companies should deal with cases of backward verification.

4 Verification of the emissions report and reasonable assurance (4/6)

Reasonable Assurance

Issue:	The EU MRV Regulation does not provide a definition of reasonable assurance	
<i>Actors involved:</i>	VERIFIERS	Article 13.3 of the EU MRV Regulation requires the verifier to conclude with reasonable assurance that the emissions report submitted by the company is free from material misstatements
<i>Rules needed for:</i>	VERIFICATION OF THE EMISSIONS REPORT	The delegated act could provide a definition of reasonable assurance
<i>Impact on shipping company</i>	Specifying further rules on reasonable assurance contributes to a level playing field in verification. Shipping companies should enable the verifier to reach reasonable assurance by providing access to the relevant documentation and information on the monitoring and reporting.	
<i>Relevant internationally accepted standards:</i>	EN ISO 14065 via EN ISO 14064-3 ISAE3410	Section A.2.3.2 (guidance) Para 25 -26; 33; 37 - 45; 48-49; 73
<i>Relevant EU legislation:</i>	EU ETS Accreditation and Verification Regulation 600/2012	3.18

4 Verification of the emissions report and reasonable assurance (5/6)

Reasonable Assurance

The EU MRV Regulation requires that verification assessment concludes with reasonable assurance from the verifier that the emissions report is free from material misstatements. What is exactly meant with reasonable assurance is not defined in the EU MRV Regulation.

The following definition, in line with the AVR, could be provided by the delegated act:

‘Reasonable assurance’ means a high but not absolute level of assurance, expressed positively in the verification opinion, as to whether the company’s report subject to verification is free from material misstatement.

4 Verification of the emissions report and reasonable assurance (6/6)

Questions for discussion



Verification of the emissions report:

Are there other maritime specific verification activities identified for the purpose of the verification of the emissions report?

Thank you for your input

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