



European Sustainable Shipping Forum
4th meeting of the Sub-group on Shipping MRV Verification and Accreditation
Brussels, 5-6 April 2016
Location: Albert Borschette Conference Centre, room 2A
(Rue Froissart 36, 1040 Brussels)

Day 1

1. The Chair of the meeting, Marco Loprieno (DG-CLIMA) welcomed the participants and explained the agenda and the structure of the meeting noting that the rapporteurs would be playing a pro-active role by presenting those points where a preferred option had been agreed by the Subgroup. Then the consultant will present topics where further discussion is necessary and additionally those topics where further guidance is to be elaborated.
2. After having adopted the Agenda, the sub-group had a brief discussion on the draft minutes on the 3rd meeting of the V&A. One participant took the floor recalling their written comments to a number of IMO Resolutions and a second one wanted the Commission to mention the SEEMP in the delegated act. It was therefore agreed that these comments were already reflected in previous meetings minutes and taken into account in the working papers that would serve as basis for the legal acts. On this basis, subgroup approved the draft minutes as proposed.

Task 1: Identification of relevant verification rules

Section 1 Overview of topics where a preferred option had been agreed by the subgroup

The Verification rapporteur Katharine Palmer gave a presentation providing an overview of the different topics as follows:

Competencies of the Verifiers

3. On this topic, the rapporteur reminded the lack of provision concerning the competence requirements in the EU MRV regulation, and presented the subgroup's preferred option consisting of an unique list of competencies for all verification activities including general competencies and "sector specific

technical monitoring & reporting competence aspects" (as referred in pages 12 and 13 of the working paper).

4. Discussion feedback as follows:
 - One participant indicated that the list did not contain any competence on fuel consumption. The rapporteur agreed that even if this aspect was implicitly covered by other aspects, adding an explicit mention could be helpful.
 - The Chair concluded that the working paper will be updated to reflect this additional competence to be added in the list under pages 12 and 13 of the working paper and took note of the general support by the subgroup on the option presented.

Assessment of the Conformity of the Monitoring Plan (MP)

5. As a second topic (assessment of the conformity of the MP by verifiers was presented. In this context, the rapporteur recalled that concerning the procedures and activities to be carried out by verifiers when assessing the MP and development of additional rules addressing the assertions of completeness, relevance of the information submitted and conformity of the MP with the MRV Regulation had been preliminarily agreed.
6. On a second aspect, concerning the need to mitigate the threat of self-review the rapporteur summarized the subgroup's preferred option to not develop further additional rules but to rely on applicable ones on impartiality and avoidance of conflict under the EU MRV Regulation provisions and ISO standard 14065.
7. Concerning the prescription of minimum time allocated by the verifier, the rapporteur recalled the subgroup's preferred option of leaving this aspect out of the delegated act.
8. No clarification or comments were made on any of the three aspects presented above. Thus the Chair considered the option presented, as the one supported by the subgroup.

Documents to be provided by the Company to the Verifier

9. The rapporteur recalled that the EU MRV Regulation does neither contain a list of such documents, nor regulate aspects as the documents availability, retention period, or imposes any confidentiality on the information accessed to the verifier. The Rapporteur presented those aspects as part of the preferred option to include in the delegated act, of a list of documents to be made available (if relevant, for the monitoring method and for the type of ship
10. Also the idea of keeping at the head office of the company, a critical mass of document consisting of copies (electronic or hard copies) of the documents of the agreed list is part of the recommendations on this topic.

11. On the retention period, the subgroup has chosen an alignment to the retention periods applying to the concerned documents under international maritime law (usually 3 years) are the subgroups' preferred elements on this topic.

12. Discussion feedback as follows:

- No comments were made, so the Chair concluded that the minimum list of documents to be made available to the verifier, as in the last version of the working paper, the retention policy and the need to keep critical mass of documents at the head office together with the types of copies accepted, were the elements supported by the Subgroup.

Site Visits

13. The presentation continued on the topic of "site visits" by verifiers. The rapporteur recalled that, after very difficult discussion on this topic, a compromised option linking "site visits" to the case by case outcome of the verifier's risk assessment, had emerged; it will also favour that site visits take place at the head office of the company or at a place where critical mass of information is available, and only upon clear grounds on board of the ship.

14. Discussion feedback as follows:

- One member indicated that visiting the head office of the company might be not easy for MRV verifiers as companies may not be located in Europe. The rapporteur replied saying that such reasoning would be relevant only for EU-based accredited verifiers. Another member confirmed that there are already potential verifiers in Asia.
- One member requested clarifications on the relation between the site visits and the risk assessment and whether site visits could only be carried out if proved necessary by the risk assessment, or whether the relation shall work the other way around meaning that remote verification is the rule and site visits had to be justified on the basis of the risk assessment. Clarifications were provided in the sense that the rule shall be understood as performing a site visits is a general rule to be assembled with the possibility for the verifier to waive it on the basis of the risk assessment. In this context, the need for clear guidance for site visits waiving was needed.
- Another member requested clarifications on whether the previous idea of a requiring a mandatory visit during the first year had been dropped. Commission clarified that this option had indeed been discarded during the previous meeting due to the split views of the participants. A compromise solution should be the one to be discussed.
- Another member requested clarification on the extent to which 'tramp' ships were covered by the obligations of the EU MRV Regulation particularly due to the uncertainty around their number of voyages. The chair and the rapporteur clarified this is not related to site visits but to the

scope of the Regulation and that 'tramping' activities to/from EU ports are not excluded.

- Noting the above discussions, the Chair concluded the subgroup could give its support to the compromise option recalling that 1) waiving the site visits should only be possible if the risk assessment indicates that this is adequate and 2) that guidelines on the way risk assessments were to be used to waive site visits will be produced.

Uncertainty

15. The rapporteur's presentation continued presenting that uncertainty is dealt in substance by the Monitoring subgroup; as related to monitoring issues. There are nevertheless some verification aspects where recommendations could be relevant such as the verifiers checking that the uncertainty levels, as described in the MP, have been fulfilled, and that the levels of uncertainty applied by the company are properly disclosed in the ER.
16. The sub-group did not comment on any of those two aspects to be part of a recommendation to be addressed to the Commission. Noting the lack of reactions, the Chair considered the point agreed.

Materiality

17. The presentation continued on the subject of materiality. The Rapporteur indicated that the EU MRV Regulation neither contains a definition of materiality, nor sets a threshold for acceptable materiality level when verifying the emissions report. The recommendation will propose the inclusion of a definition of materiality which could cover also qualitative aspects and that level of materiality is to be prescribed by the delegated act. The level retained in the discussions will be, in line with the GHG verification procedures, a 5% for CO₂ emissions, transport work and other relevant information.
18. The sub-group did not comment on any of these aspects. Noting the lack of reactions, the Chair considered the point agreed.

Misstatements and Non-Conformities

19. The presentation continued on misstatements and non-conformities. The presentation recalled that the EU MRV Regulation specifies only very briefly how verifiers should deal with misstatements and non-conformities and that some additional rules will be necessary on this issue. The rapporteur presented the option favoured on this topic by the subgroup consisting on developing rules along the lines of Article 22 of the AVR.
20. One Member requested clarifications on whether the EU MRV Regulation imposes to companies that all communicated misstatements and non-

conformities are corrected. The Commission recalled that the reference was indeed that verifiers are obliged to give a non-satisfactory verification opinion in cases when uncorrected misstatements will lead to material misstatements seem to indicate that non material misstatements could be left uncorrected. Related discussions on likely non-material misstatements left uncorrected being a matter for recommendations within the verification report seemed then also in line with the EU MRV Regulation. Commission offered to continue discussions bilaterally so as to clarify the member's doubts on the EU MRV Regulation on these issues.

21. The sub-group did not further comment on any of these aspects. Noting the lack of reactions, the Chair considered the proposed recommendation agreed.

Reasonable assurance

22. The presentation continued on the "reasonable assurance" to be reached by verifiers when carrying out their verification engagement. The rapporteur indicated that that a recommendation on this point will propose a definition for reasonable assurance.
23. A member requested some clarifications on the likely overlaps of the different concepts of uncertainty, materiality, reasonable assurance; some explanations were given on these concepts by another member of the subgroup.
24. The sub-group did not further comment on any of these aspects. Noting the lack of reactions, the Chair considered the proposed recommendation agreed.

Content of the Verification Report (VR)

25. The Chair, while introducing the topic, recalled the mandate given to the Commission in the EU MRV Regulation to take into consideration developing elements on the VR as a result of the discussion. The recommendation by the subgroup indicated a preference for the delegated act to provide a list of minimum requirements on the content of the VR.
26. A member interrogated the Commission on its intentions to set a mandatory VR template. The Commission indicated that a harmonized approach on the VR was to be ensured and that this will most likely materialize in the form of substantial mandatory requirements to be fulfilled. It also indicated that VR will not be subject to an implementing act.
27. The sub-group did not comment on any of these aspects. Noting the lack of reactions, the Chair considered the idea of having a minimum content for the VR agreed.

Recommendations for Improvements

28. The presentation continued on recommendations for improvements by the verifier further to the assessment of the ER were previous discussion has highlighted the need to avoid that consultancy is provided (e.g. no recommendations on changing the monitoring method are allowed). The ideas being that verifiers' recommendations are to focus on "what can be improved" and not on "how to improve it".
29. The sub-group did not further comment or requested clarifications any of these aspects. Noting the lack of reactions, the Chair considered this point agreed and close the subgroup's discussion on the first point of the Agenda

Section 2 Topics where further discussion is needed and further guidance has been identified

Risk assessment to be carried out by the Verifier

30. The presentation continued on one of the topics where further discussion was necessary in order to reach a compromise option. The consultant reminded participants that beyond Article 15, there is a potential need for additional rules and that 3 options were on the table as follows: favouring not further rules on risk assessment beyond what is required under ISO 14065 as option 1, including a basic framework in line with EU ETS Key guidance note, n° II 2 as option 2 and including a basic framework complemented by additional guidance, as option 3. In order to help the discussion, PWC presented the background scenario for each option, their pros and cons e.g.: options on basic frameworks more adequate in case MRV verifiers don't have EUT's verification experience and proposed a conceptual approach of verification risk being a function of inherent risk, of control risks and of detection risks. He also suggested some examples of maritime specific inherent risks in his presentation
31. Discussion feedback as follows:
 - One member requested some clarifications on the meaning of the formula, the consultant indicated that it was only an example to present a concept. Another member requested clarification on whether the risk assessment is to be considered as a quantitative exercise; on this point the consultant clarified that risk assessment is a qualitative one.
 - Some members indicated that they will accept Option 3 while other said that both Options 2 and 3 will guarantee a level playing field.
 - Also the idea of having not normative but empirical examples was considered useful by some members. Some additional remarks were made on the relevance of the examples proposed by the consultant. Another member mentioned that the management cycle was a risk and should be mentioned; others focused on the need to further elaborate

more useful maritime examples. Some voices were heard in the sense that ships couldn't report things which have not happened and that BDNs were legal documents not to be challenged as inaccurate.

- The Chairman concluded on option 3 as the one having collected more support by the Subgroup. He also invited participants to provide useful of maritime sector specific examples in terms of risk assessment.
- The afternoon session continued with the last part of the consultants' presentation highlighting the areas where the need of further guidance has been identified.

Ship tracking data

- The first area examined where further guidance will be needed was on the use of ship tracking data by verifiers to compare reported emissions with estimated data.
- One member, asked about whether there should be some 'emissions modelling' based on ship tracking data. The Commission clarified that ship tracking data could be used directly (e.g. to determine port calls, the distance travelled, etc.) and indirectly as an activity input into emission modelling. The latter has already been carried out for numerous studies (e.g. study for the impact assessment accompanying the proposal for the EU MRV Regulation and more recently in the 3rd IMO GHG study).
- One member challenged the accuracy and role that tracking data should be playing indicating that if tracking data were highly accurate why was reporting actual data necessary. The member mentioned that taking into account that accuracy of these instruments has been estimated at around +/- 20 % so he could not see the usefulness of automated data in relation to BDNs. Commission clarified that estimates for annual emissions are expected to be more accurate than stated by the member and that BDNs were not to be submitted to the verifier as a first step and that estimated data tended to avoid the submission of BDNs to the verifier.
- The Chair clarified that tracking data were there to facilitate the work of the verifiers, by limiting the number of verification activities necessary to reach reasonable assurance.
- On this basis, the chair concluded that this was a relevant area for guidance concluded the discussion on this point and invited the consultant to present other areas where further guidance may be needed.

Site visits

32. The consultant presented Site visits as a second area where guidance will be needed, in line also with the previous discussions on the topic (see points 13-14)
33. The sub-group did not comment on any of the site visits' aspects suggested by the consultant as requiring further exploration. Noting the lack of reactions, the Chair considered that there was an agreement on the need to

further guidance on this point and invited the consultant to continue with other areas where further guidance will be needed.

Recommendation for improvements

34. The consultant presented "recommendations for improvements" as the third area where guidance will be needed

Discussion feedback as follows:

- A member intervened indicating that while it should be clear that providing consultancy was totally out of the possibilities of a verifier carrying out verification activities, clarification was asked on the role a verifier could be playing in relation to assessing MP and verifying ER for the same company and how this should work for the provision of software systems.
- Some members intervened on the question of whether the verifier will be allowed to go into the ship's automatic data collection systems because of Industrial property rights issues.
- Some answers were provided indicating that that it will be good to reflect in separate legal entity for the two services and that access to data will need to be provided to verifiers.
- Having heard these reactions, the Chair considered that there was an agreement on the need for further guidance on this point.

Verification of the Emissions Report

35. The presentation continued on the second topic still open for discussion namely "the verification activities to be carried out as part of the assessment of the ER". Once again and against the background that the EU MRV Regulation does not specify any procedure on how to carry out verification activities the consultant provided a presentation indicating that two main options were on the table both based on taking into account existing rules such as Article 13 to 20 of European Regulations (AVR No 600/2012) as option 1, or to develop an alternative minimum sets of rules based on International Standards as option 2. Both options have the objective of setting a harmonised approach between verifiers, as well as backward verification related to the ER.

36. Discussion feedback as follows:

- Answering to the consultant's argument that references to standards was not adequate solution, a member reminded that if the standard is fit for purpose, a general reference to it will suffice. Commission argued that incorporating some substantive rules in the delegated act was a better technique in terms of legal certainty and control of its content.
- One member indicated that it was better not "to reinvent the wheel" and that AVR has proved to be a valuable tool for GHG emissions verification. Another member indicated also that ISO standards had only a few clauses

so it will be more appropriate to start from the AVR and leave out what it's not necessary for the MRV.

- Other members intervened in favour of Option 2 consisting of an alternative minimum set of rules instead tailored to the maritime sector as the most appropriate.
- Having considered a divided audience, the Chair indicated that the two options were not that different and that Arts 13 to 20 of the AVR are in any case inspired by ISO relevant standards and concluded that a third "compromise option" will be to develop an alternative minimum sets of rules based on International Standards, as Option 2, but at the same time looking more into detail of what is already contained in the AVR. On this basis the Chair concluded the discussion considering the compromise option as the one agreed.

37. Other areas where further guidance will be needed were examined as follows

Materiality and verification of emissions report

38. The consultant presented "materiality and verification of emissions report" as another area where guidance is necessary. The reasoning behind such guidance will be to provide for harmonized interpretation of the use of sampling for the emissions reports' verification. It also provides verifiers less experienced in data auditing with insights in relation of sampling with other verification activities and materiality.

39. Discussion feedback as follows:

- Two members intervened in favour of the development of guidelines in this area.
- Noting the lack of further reactions, the Chair considered that there was an agreement on the need of further guidance on this point.

Backward verification

40. The consultant presented on backward verification as another area where additional guidance will be appropriate, either through guidelines or in the form of FAQ s (shorter and less complex document). The idea of having some guidance material was well received, with no strong views on either one or the other type of document some members expressed a favourable opinion to have some material developed together with industry as examples, while others indicated that this should be a "learning by doing" process. Another member indicated that some kind of uniformity will be welcomed on the very specific ways to monitor cargo.

41. Before breaking for the next day, the chairman passed the floor to Yolanda Villar from DG CLIMA to present the last phase of the consultation process and next steps on MRV delegated and implementing act. Ms Villar reminded that within the subgroups' mandate to technically prepare MRV shipping delegated and implementing acts, the main deliverables were to be endorsed

by the Plenary on 28 June 2016. She also presented next steps leading to the adoption of all MRV delegated and implementing acts before end of 2016 after closing the technical preparation phase text of the legal acts will be publicly available for feedback for a period of minimum four weeks during the summer. After that, implementing acts will be submitted to the comitology procedure and delegated acts will be presented to MS only, before adoption.

42. Discussion feedback as follows:

- Participants asked several questions related to the Committee responsible for the MRV implementing acts and its likely dates. Commission clarified that the Climate change Committee is the one dealing with the MRV implementing acts according to the MRV Regulation and that some preliminary information will be provided at the WG3 to be held on 14th April and on 22nd June in the view of a vote on 22nd September. Some clarifications on the timing of the public feedback step and the last meeting allowing MS to get comments on the draft delegated acts were provided.

Task 2: Identification of relevant accreditation rules

Section 1 Presentation on the Accreditation Process

43. A presentation by the rapporteur **Niels-Christian Dalstrup (EA)** delivered an overview of all the accreditation topics where the subgroup had agreed a preferred option as follows:

Scope of Accreditation

44. The presentation started on scope of accreditation recalling that the option retained consisted of one single accreditation certificate allowing assessment of monitoring plans and verification of emissions report and also one single accreditation for all monitoring methods and all types of vessels.

How Accreditation for Shipping Activities can be requested

45. The presentation continued on how accreditation for shipping activities was to be requested. The presentation recalled that the option preliminary agreed was that non-EU verifiers could request accreditation from the NABs of their choice, and that EU-based verifiers were to request accreditation in the MS where they were based, (if it offers this service), or have recourse to another NAB (similar content to Article 45 of the AVR plus making reference to the Accreditation Regulation 768/2005). The harmonized standard EN ISO/IEC 17011 defines further process for requesting accreditation.

46. The sub-group agreed with this approach and no further discussions were held in this respect.

Requirements for National Accreditation Bodies in order to be competent to provide Accreditation to Verifiers for Shipping Activities

47. The presentation continued on the agreement reached on the requirements for National Accreditation Bodies to be competent to provide accreditation to MRV Verifiers, where the opinion of the subgroup was that setting additional competence requirements for NABs, apart from those related to specific knowledge and competence on the maritime sector, (meaning ships and their activities), was not necessary. The sub-group agreed with this option and no further discussions were held in this respect.

How Verifiers will be assessed by the National Accreditation Bodies in order to issue an Accreditation Certificate

48. The presentation continued on this subject indicating that, according to the subgroups' opinion, additional rules to those laid down in the harmonised standard EN ISO 17011 (Clauses 7.5 – 7.9) were not required. Also the process for assessing verifiers will be the one defined under EN ISO 17011, including office visits (to the verifiers' premises), and witness visits (in the field) of the verifiers' staff performance and competence.

49. The sub-group agreed with the proposal and no further discussions were held in this respect.

National Accreditation Bodies surveillance to confirm continuation of verifiers' accreditation

50. The presentation continued on the subject of NABs surveillance. The presentation summarised the proposed option being that annual surveillance of all verifiers, including an office visit could be necessary to safeguard quality, especially given the dual task of the verifier.

Communication between National Accreditation Bodies and the EC

51. The presentation continued on the topic of the communication between NABs and the EC on accreditations, withdrawals or suspension which is not specified in the MRV regulation. Here the option retained is that the status of accreditation of verifiers will be communicated by the individual NABs to the Commission by using a standardized format. A list of accredited verifiers will be published by the individual NABs and the EA through providing direct links to each NABs list of accredited verifiers under the EU MRV Regulation.

52. Discussion feedback as follows:

A member raised the question whether an EU list of MRV accredited verifiers will be published. The Commission indicated that the EU MRV IT Tool will cater for this by making this information available.

53. The meeting continued on areas where further guidance will be needed with the consultant PWC presenting a timeline for the accreditation process, prepared jointly with the accreditation rapporteur Niels-Christian, highlighting the need to engage in contacts with verifiers before the submission monitoring plan deadline expires, but also clarifying that accreditation was to be granted before the verifiers accept the Monitoring Plan. He also indicated that this is an area where guidance will be needed due to the egg and chicken problem and that maybe MRV accreditation could be granted in two steps first for monitoring plans and second for Emission reports.
54. Some members requested clarifications on the benefits of the two steps accreditation process. PWC clarified the two steps approach will facilitate the accreditation process, as not all activities are examined in "one go" by the national accreditation body.

Section 2 Topics where further discussion is needed and further guidance has been identified

Suspension and withdrawal of accreditation

55. PWC presented for discussion this topic in connection with last meetings' worries about the effects of certificates being revoked. He presented the workflow for withdrawal of accreditation followed by a proposal on the effects that on all formal documents issued by the verifier prior to the date of suspension or withdrawal which shall remain valid; and proposed that companies could not use documents issued by the verifier during the period of suspension or withdrawal of the verifier's.
56. Discussion feedback as follows:
 - Some members pointed out to the need to have active information mechanisms for companies and ship-owners warning them on those verifiers suspended so as to protect their good faith in those circumstances. Accreditation rapporteur indicated that withdrawal and suspension were serious processes undertaken by NABs which took time for NABs and don't happen just overnight. This process implies an evaluation by the NAB of what went wrong and how this has affected the verifiers' activities. He also added that, according to the accreditation procedures and rules, verifiers have to inform their clients on the suspension or withdrawal of the accreditation. On this basis the Chair concluded the discussion considering that concern expressed by stakeholders should be addressed by developing proper procedures of communication by the NABs.

AOB

An information point was added by the Commission on the recent publication of the call for applications for organisations willing to be part of the ESSF Plenary

Concluding Remarks

57. *The Chair concluded the meeting with a list of actions and responsibilities as follows:*

- *The minutes of the meeting will be circulated **as soon as ready**.*
- *The **rapporteurs**, will be preparing the draft final report to be discussed and agreed at the meeting to be held in May which is then to be endorsed by the **ESSF Plenary (28 June 2016)**.*
- *The next meeting of the verification and accreditation sub-group will take place on 25 May (**one day meeting**). More details will be sent to members closer to this date.*