

# **Verification and Accreditation: Diversity and Harmonisation - the Right Balance**

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**Dr. Wolfgang Seidel**

German Emissions Trading Authority (DEHSt)

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Unit “Administrative Procedures, Quality Control, JI (DFP)/CDM (DNA)”

# Contents

1. Status Quo in the EU ETS
2. Requirements for Good Verification
3. Harmonisation of Accreditation
4. Harmonisation of Verification
5. Conclusion

*Views expressed in this presentation are those of the speaker and do not represent the opinion of the German government*

# 1. Status Quo

- ETS-Directive and Monitoring and Reporting Guidelines provide framework for verification and contain no detailed regulation on accreditation
- Member States have different standards for accreditation and consequently the profile of verifiers differs in the EU
- Differences regarding the verification process and verification results seem to exist between Member States but could be limited by some further clarifications and guidance within the framework provided

## 2. Requirements for Good Verification

- Quality of verification depends on
  - requirements for accreditation
  - clarity and detail of the provisions for verification
  - supervision of verifiers and verification by competent authorities
- Key requirements for verifiers
  - independence
  - expertise

### 3. Harmonisation of Accreditation (I)

- Community level accreditation process
  - would increase bureaucracy and transaction costs, e.g. application procedures
  - would require ongoing supervision of the verifiers regarding verification of the emission reports
  - would potentially reduce the number of verifiers available on the market, especially small verification bodies would be driven out of the market

### 3. Harmonisation of Accreditation (II)

- Need for EU-wide regulation of accreditation
  - Standards for accreditation in the ETS Directive (Annex 5) and the MRG are generally sufficient
  - Member States should have effective accreditation bodies for verifiers under the EU ETS that also ensure ongoing supervision. → If an analysis shows that they do not, they should be obliged to set up accreditation bodies. An accreditation forum on Community level could provide further guidance.

### 3. Harmonisation of Accreditation (III)

- Potential amendment of the existing regulations could be requirements for supervision of verifiers and withdrawal of accreditation (information on these issues could be included in Art. 21 report)
- Comparison with UNFCCC requirements for Designated Operational Entities (DOEs) and Independent Entities (IEs) shows important differences that justify a different approach in the EU ETS:

### 3. Harmonisation of Accreditation (IV)

- Verification in a cap and trade system is easier than in a baseline and credit system (e.g. no validation)
- Large number of different project categories for JI and CDM vs. limited number of activities in the EU ETS
- Few large players share the CDM and JI market → this leads to higher transaction costs because of limited competition
- Inadequate validation and verification is a problem for CDM and JI (e.g. inadequate analysis of “additionality”)

## 4. Harmonisation of Verification (I)

- Need for an EU-wide regulation for verification → Standards for verification should be specified and partially clarified in the ETS-Directive and/or the new MRG, e.g.:
  - Verifier is in a „sandwich-position“ between operator and competent authority → his position should be clarified as an officially certified expert to help maintain his independence
  - A different approach to ensure independence → commissioning of the verifier by the competent authorities in the Member States → compatibility with a market-based system?

## 4. Harmonisation of Verification (II)

- Required on-site inspections for certain installations at regular intervals
- Random inspection (at least) of emission reports and the related verification reports by the competent authorities should be required in all Member States
- Independence can be maintained and assured by obligatory alternation of the installations verified at regular intervals
- Compulsive regular training programs for verifiers (potentially together with competent authorities and accreditation bodies)

## 4. Harmonisation of Verification (III)

- Rules on “Materiality“ in the new MRG still do not ensure that all identified non-conformities in the emission report are corrected by the operator → the correction of mistakes identified by the verifier in the emission report should take place independently from the question of “materiality“ → otherwise potential for windfall gains

## 5. Conclusion

- Uniform application of the provisions on monitoring, reporting and verification is essential for a level playing field within the EU ETS
- Existing need and potential for harmonising verification of emission reports can be identified
- Commission should support Member States by
  - an analysis of the enforcement of the MRG in Member States especially actions taken by the Member States to ensure the quality of monitoring and verification
  - providing minimum standards for supervision of verifiers and the verification of emission reports by the Member States

# THANK YOU FOR YOUR ATTENTION

Dr. Wolfgang Seidel  
German Emissions Trading Authority (DEHSt)

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