

Verification and Accreditation: Diversity and Harmonisation - the Right Balance

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Contents

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

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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

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