ECCP Meeting "Robust Compliance & Enforcement"
Status of Verification and Policy Options
Brussels, 27 April 2007

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Outline

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Selected key issues

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Proposed definitions

Verification: All activities carried out by a verifier to be able to provide a verification opinion as described in Article 15 and Annex V of the Directive;

Accreditation: Issuing of a statement by an accreditation body following an assessment related to a verifier conveying formal demonstration of his competence and independence to carry out verification in accordance with specified requirements;

Status Quo and COM(2006)676

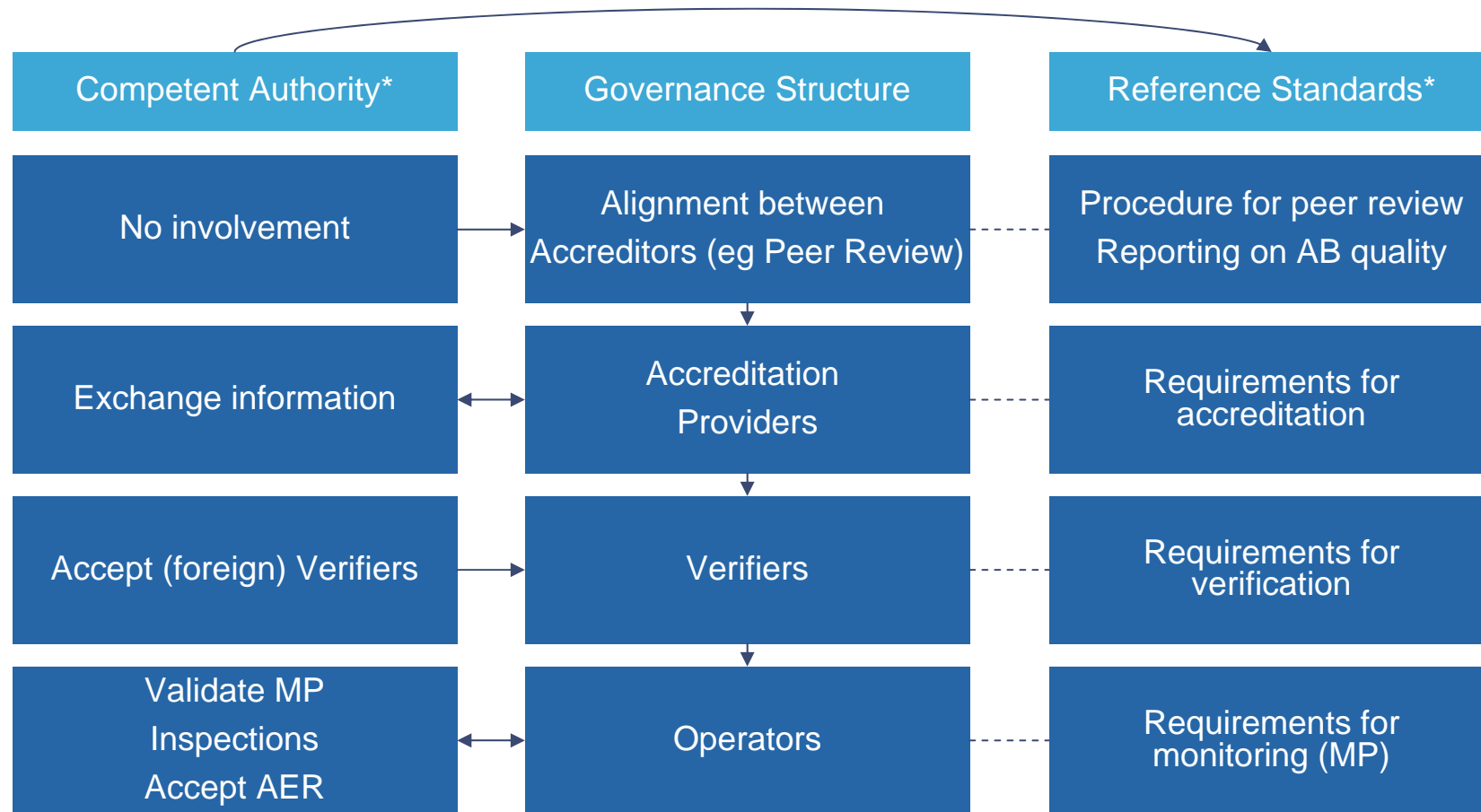|	Legal Instrument(s)	Member States	COM(2006)676
Verification	**Directive 2003/87:** Articles 15 and Annex V **Decision 2004/156:** Annex I (revised)	Has led to a range of MS approaches of varying ambition levels and degrees of transparency.	Improve stringency and oversight; Implementation as Regulation,
Accreditation	**Directive 2003/87:** Annex V **Decision 2004/156:** Annex I (revised)	Very vague provisions - have led to a wide range of MS approaches of varying ambition levels and degrees of transparency.	Consider community wide accredi-tation; Access to markets, mutual recog-nition; Implementation as Regulation,

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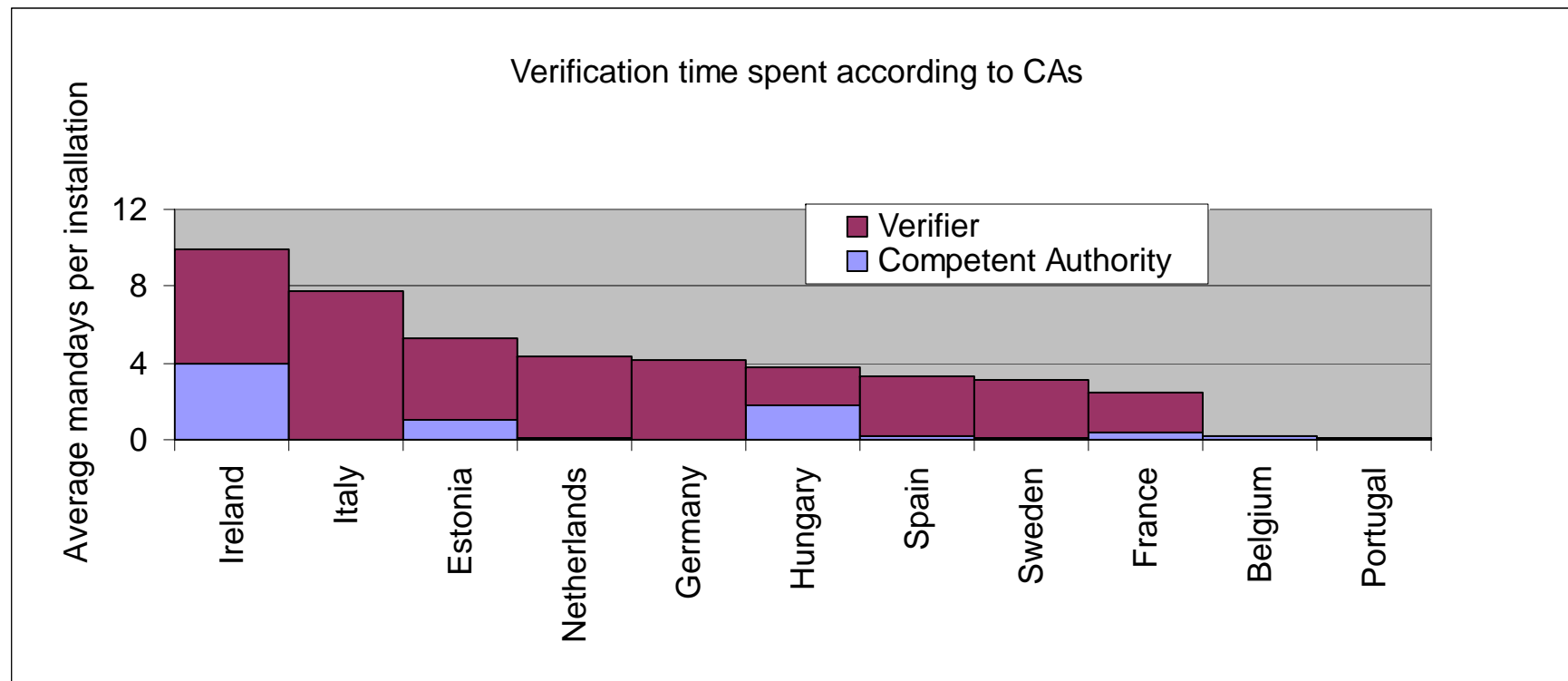Selected key issues

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Verification and accreditation: national governance structures seen in operation
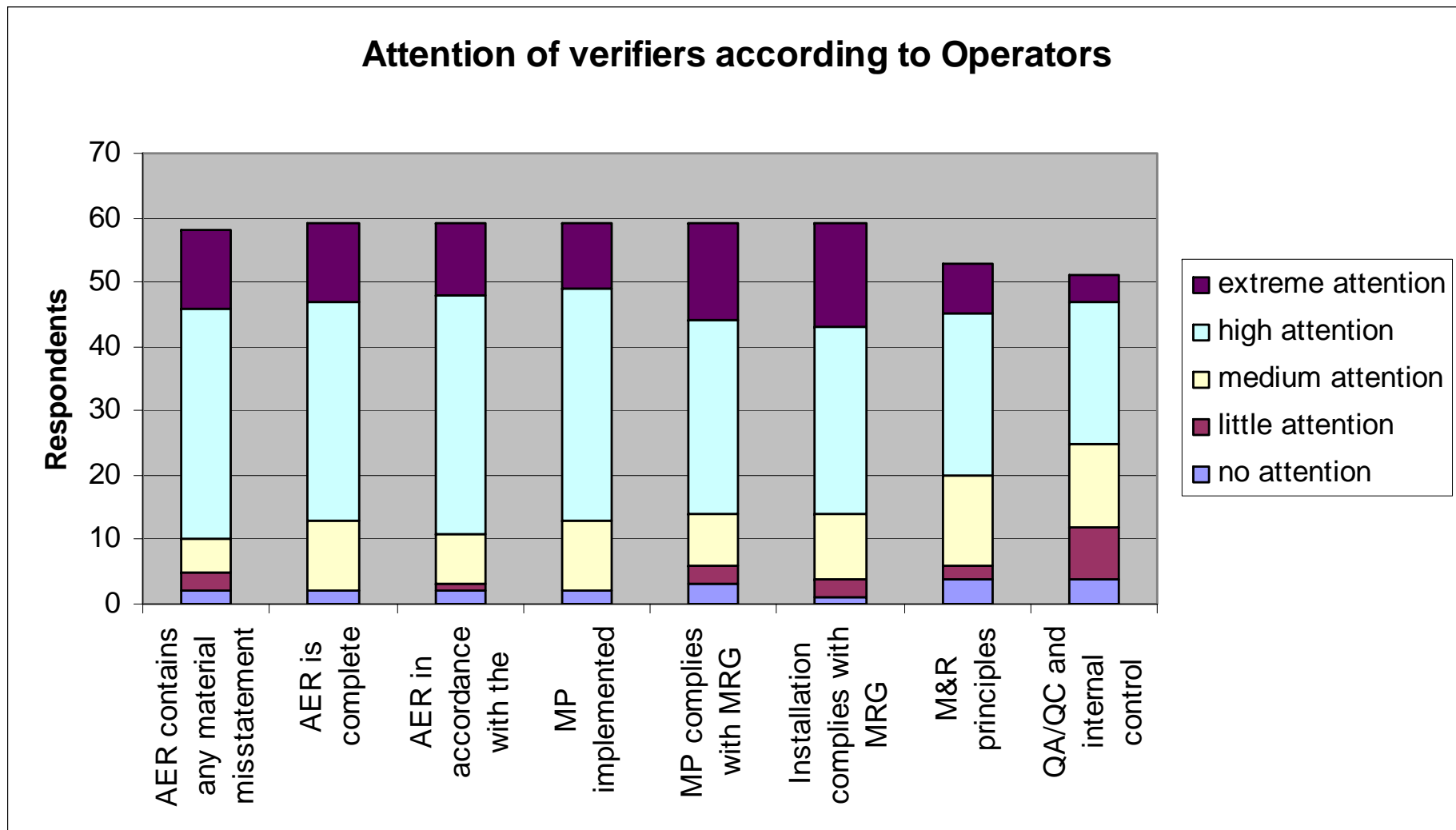
Competent Authority*	Governance Structure	Reference Standards*
No involvement	Alignment between Accreditors (eg Peer Review)	Procedure for peer review Reporting on AB quality
Exchange information	Accreditation Providers	Requirements for accreditation
Accept (foreign) Verifiers	Verifiers	Requirements for verification
Validate MP Inspections Accept AER	Operators	Requirements for monitoring (MP)

*Set requirements, implement and sanction

*Organisation, Processes and Competences

Verification time spent differs a lot

Verification time spent according to CAs

Average mandays per installation

Legend:
- Verifier
- Competent Authority

Categories: Ireland, Italy, Estonia, Netherlands, Germany, Hungary, Spain, Sweden, France, Belgium, Portugal
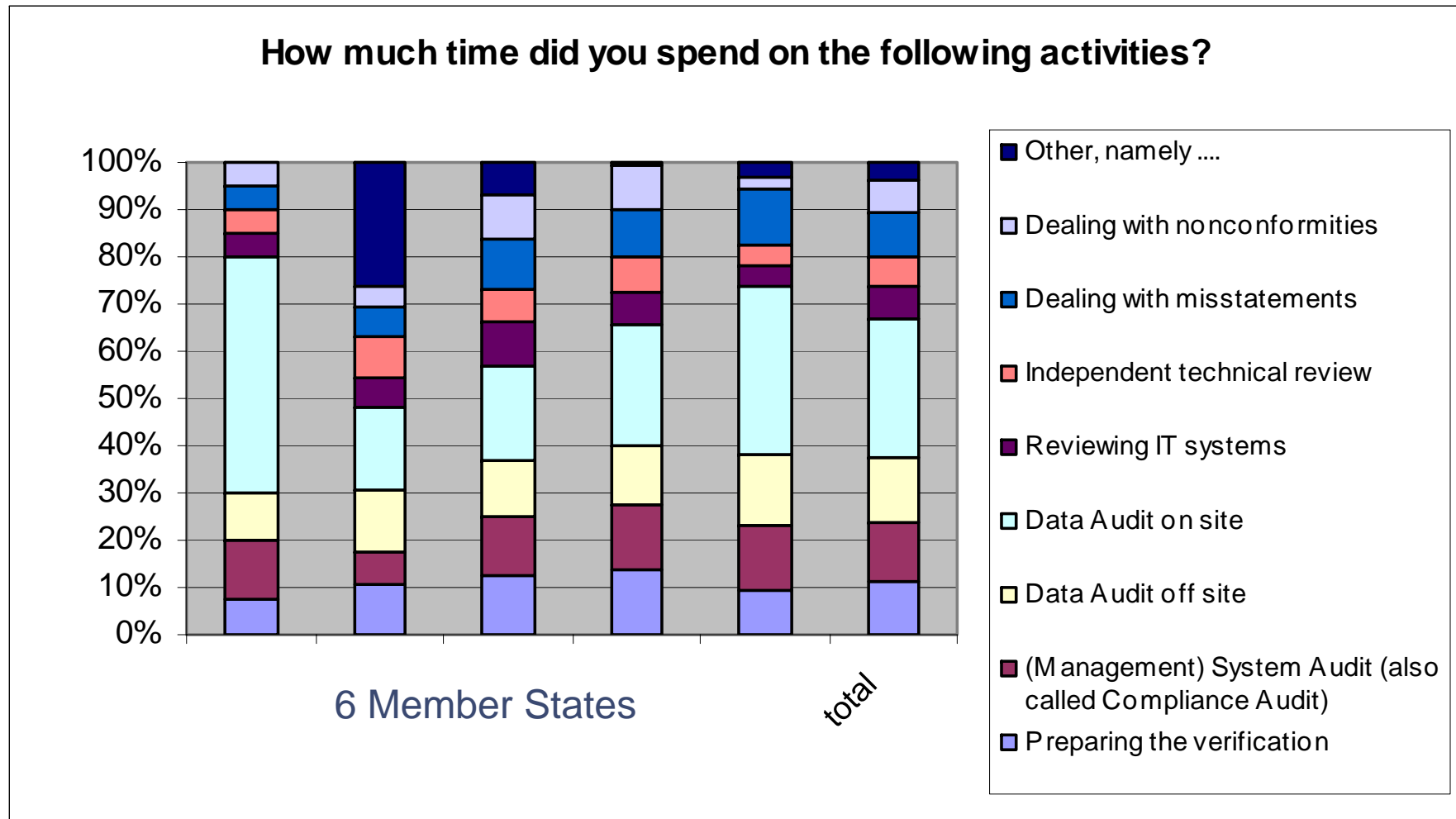
Y-axis: 0, 4, 8, 12

* Source: Verification Evaluation project for DG Environment, Helsinki October 2, 2006

Verifiers paid different attention to the elements of their job

Attention of verifiers according to Operators

Legend:
- extreme attention
- high attention
- medium attention
- little attention
- no attention

Y-axis: Respondents (0, 10, 20, 30, 40, 50, 60, 70)

X-axis categories:
- AER contains any material misstatement
- AER is complete
- AER in accordance with the
- MP implemented
- MP complies with MRG
- Installation complies with MRG
- M&R principles
- QA/QC and internal control

Verifiers paid different attention to the elements of their job

How much time did you spend on the following activities?

Legend:
- Other, namely ....
- Dealing with nonconformities
- Dealing with misstatements
- Independent technical review
- Reviewing IT systems
- Data Audit on site
- Data Audit off site
- (Management) System Audit (also called Compliance Audit)
- Preparing the verification

X-axis: 6 Member States, total

Y-axis: 0% to 100%

Cost of Verification

Large cost-reduction potential: small combustion installations

→ for example: IT system to collect gas supplier data
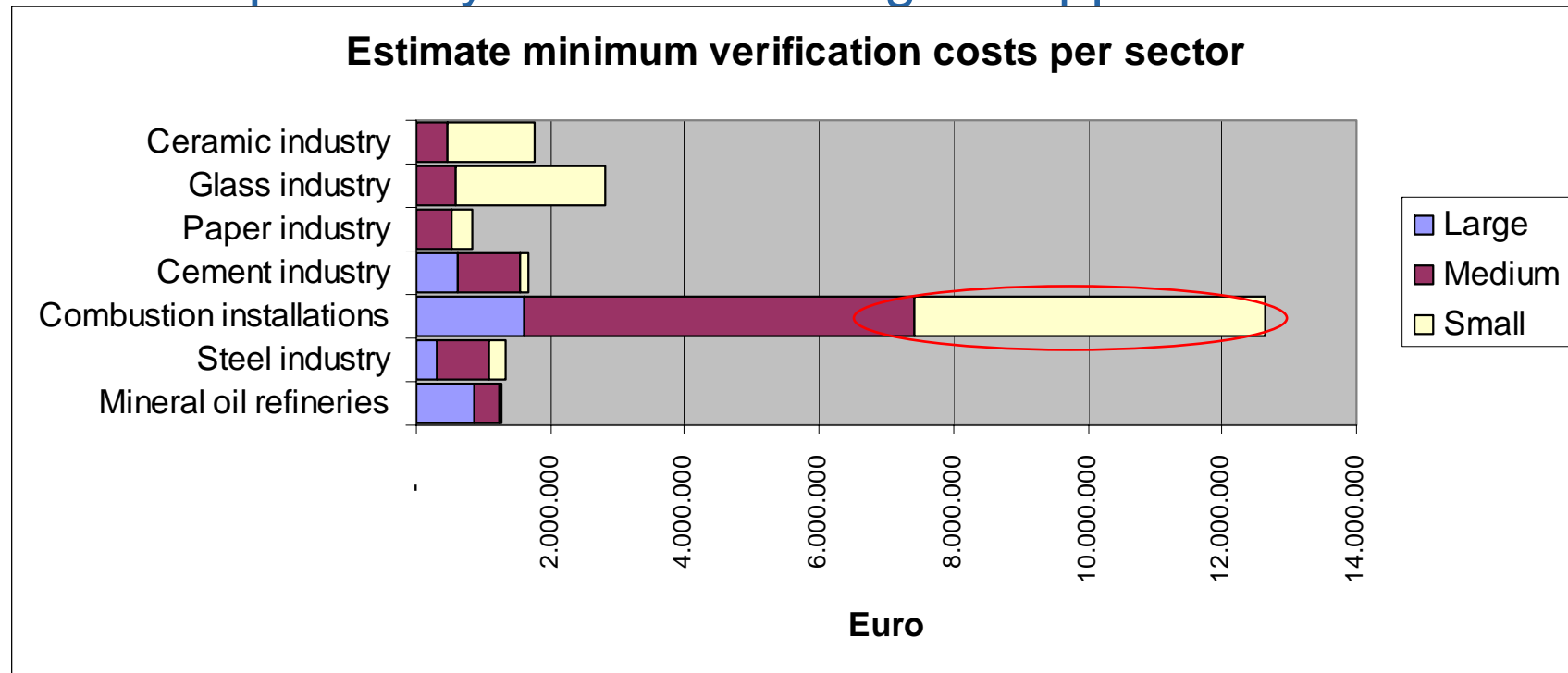
Estimate minimum verification costs per sector

Sectors (top to bottom): Ceramic industry, Glass industry, Paper industry, Cement industry, Combustion installations, Steel industry, Mineral oil refineries

Legend: Large, Medium, Small

X-axis: Euro (0, 2.000.000, 4.000.000, 6.000.000, 8.000.000, 10.000.000, 12.000.000, 14.000.000)

* Source: Verification Evaluation project for DG Environment, Helsinki October 2, 2006

Summary Verification issues

Standards applied & attention points differ

Time spent differs

Outcome diverse

Local orientation

Quality of accreditation unclear

Little information at CA on verification activities and outcome

→ Lack of transparency on scope and quality of verification. Impact on quality of emission reports unknown

→ Costs for small emitters high (simple solutions overlooked)

Requirements for accreditation differ

Reference Guidance	17020	45011	Other
EA 6/03 (13)	*NL*	*CZ*, DK, *FI*, GB, GR, IE, *SI*, SE	BE BxL, *FR, IT, LU*
Other (11)	LV		AT, BE WR/FL, DE, EE, *ES,* HU, LT, PL, PT, SK

Cursivied: temporary arrangements reported related to the reference standard and guidance
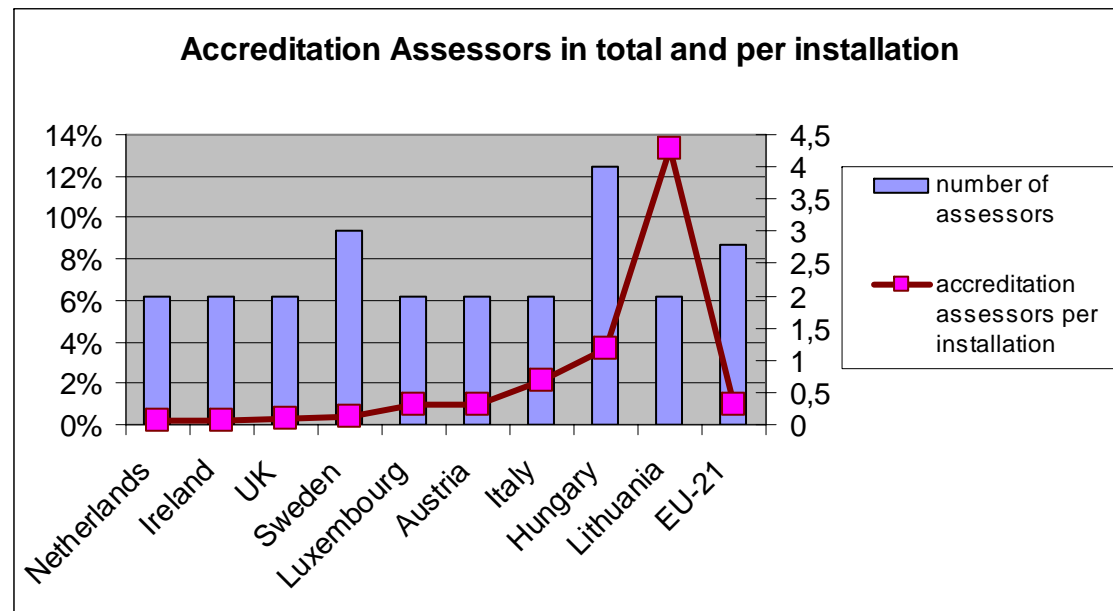No information: MA, CY

* Source: Verification Evaluation project for DG Environment, Helsinki October 2, 2006

Acceptance standards differ

All accredited verifiers are accepted, no matter how	Only verifiers accredited by EA members are accepted	Special requirements for elsewhere accredited verifiers	Same requirements for elsewhere accredited verifiers	No acceptance of elsewhere accredited verifiers possible
CZ, FI	DK, FR, UK, GR, IE, MT, NL	AT, BE BxL, BE RW, DE, DK, ES, FR, GB, GR, HU, IE, LU, LV, NL, PT, SL	BE WR, SK	BE VL

Accreditations time spent differs

- Only 9 MS report to have accreditation assessors available
- Available assessors varies (per installation)
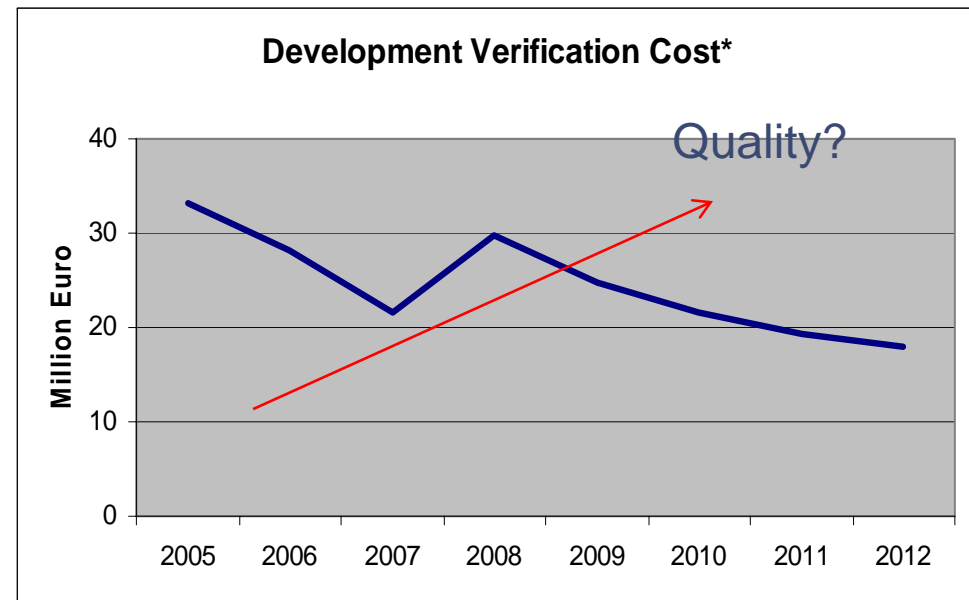- Man-days per verifier is 1.3
- No peer reviews of AB's or CA's

Accreditation Assessors in total and per installation

* Source: Verification Evaluation project for DG Environment, Helsinki October 2, 2006

Effects of a private verification market need to be understood

Competition puts verifiers under pressure:

- Lump sum fees, auctioning
- Strong price-fall already in certain MS
- Government interference

Accreditation is not (yet) a suitable tool for protecting the verifier for taking on too high risks

Development Verification Cost*

Quality?

Million Euro

40
30
20
10
0

2005 2006 2007 2008 2009 2010 2011 2012

* Source: Verification Evaluation project for DG Environment, Helsinki October 2, 2006

Summary Accreditation issues

Standards differ

Time spent differs (overall limited accreditation costs)

Acceptance of accreditations differs

Different ideas on role and control of accreditation bodies

Competence requirements and training limited and different

Few accreditation assessors available, almost no exchange of assessors and information when limited capacity

→ Quality of accreditation uncertain. Impact on quality of verification very likely

→ Internal market - restrictions to the free movement of services

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Verification: Policy Options

Mandate Member States in an amended Article 15 to execute their verification in accordance with the requirements of the European Cooperation for Accreditation (EA) or a central EU authority

Amend Article 15 to mandate the Commission to adopt either "Verification Guidelines" in analogy to Article 14(1) or a "Verification Regulation" in analogy to Article 19(3)

Amend Annex V to amended by specific provisions for simplified requirements for small emitters (eg by using information technology, or sector based solutions)

Amend Annex V to become more specific for key elements of the verification process

Expand article 21 and/or registry regulation to collect information on verification quality

Develop tools such as IT systems for analysing and assessing emissions data reported to back and check verification

Accreditation: Policy Options

Mandate Member States in an amended Article 15 to execute their accreditation in accordance with the requirements of the European Cooperation for Accreditation (EA) and/or a central EU ETS accreditation or qualification and verification quality control body

Amend Article 15 to make reference to a new Annex on Accreditation of the revised Directive. Consider other accreditation regulations (EMAS, products)

Amend Article 15 to mandate the Commission to adopt either "Accreditation Guidelines" in analogy to Article 14(1) or an "Accreditation Regulation" in analogy to Article 19(3)

Consider alignment with or make binding reference to relevant international standards (ISO and/or IFAC/IAASB.) in designing EU regulation and guidelines on accreditation

Require full-size EU accreditation for verifiers of certain types of installations and above certain emission thresholds; retain individual and nationally accepted verifiers for small emitters

Verification & Accreditation: Elements for the Architecture of an EU ETS Compliance System
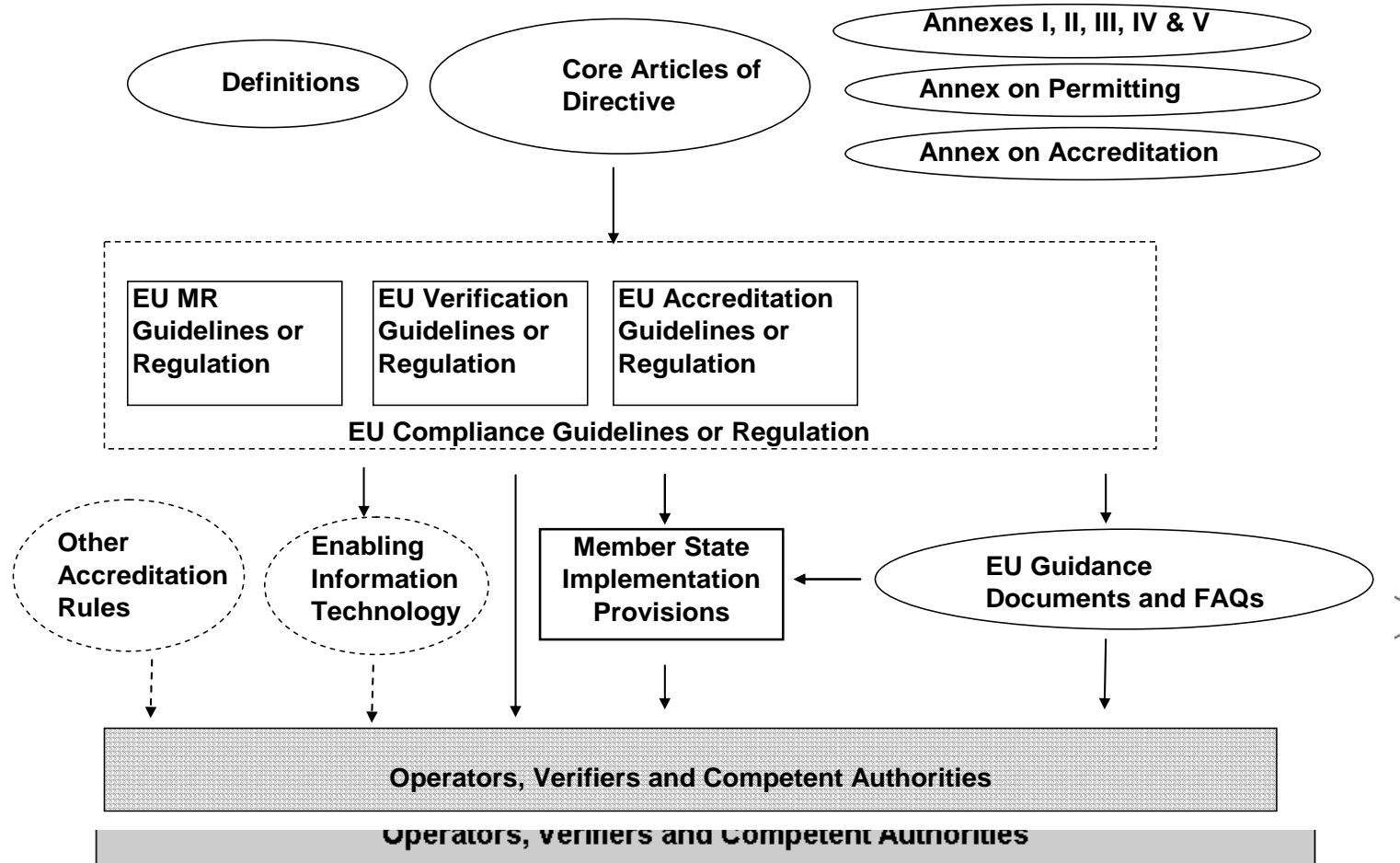
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Current status across Member States

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Review of EU Monitoring and Reporting Guidelines has helped to slightly improve verification, but did not touch accreditation

Harmonised EU verification and accreditation would by far be the most desirable approach to ensure trust in the EU ETS

International linking and market operation requirements make further harmonisation of verification & accreditation inevitable

Transparency in requirements and performance of verification and accreditation should be enhanced and the role of the competent authority herein clarified

Building Trust in Emissions Reporting

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