



## The Climate Registry

### BACKGROUND & INTRODUCTION TO THE GENERAL VERIFICATION PROTOCOL

Attached please find the Registry's Draft General Verification Protocol (GVP) for your review and comment.

#### **Comment Template**

Please use the GVP Comment Template, which is posted on The Climate Registry's (the Registry) website: [www.theclimateregistry.org](http://www.theclimateregistry.org) to submit your comments.

#### **Deadline for Submitting Comments**

Comment Templates must be emailed to [TCRcomments@nescaum.org](mailto:TCRcomments@nescaum.org) by **5:00 PM Pacific Time on Friday, March 14, 2008**. Comments received after this date will not be considered.

#### **Background on the Draft GVP**

The Registry's Draft GVP provides requirements and guidance to qualified third party verification bodies in assessing the accuracy, completeness, and conformance of emissions reports with the General Reporting Protocol (GRP). The Draft GVP focuses principally on the verification process and the core verification activities. However, it also references basic processes related to the accreditation and oversight of verification bodies. Details of accreditation and oversight will be developed over the course of the next month and a half and will be described in more completely in the Final GVP and in a forthcoming document titled *Guide to Accreditation for The Climate Registry's Verification Bodies*.

#### **Consistency with the Draft GRP**

The Draft GVP reflects the recent Board approved changes to the GRP. Consequently, its references to de minimis emissions, transitional reporting, the reporting of historic emissions and updating baselines are consistent with the new approaches to these reporting parameters and not those contained in the Draft GRP.

#### **Specific Issues for Public Comment**

While the Registry welcomes all stakeholder feedback, we are especially interested in receiving feedback on the following issues (which are highlighted in the Draft GVP):

- ***Deadline for completing verification.*** The deadline in the GVP for completing verification is December 1 of each year. The Board suggests seeking feedback on whether this date will be compatible with other reporting obligations reporters may have.
- ***Application of materiality threshold.*** The Draft GVP requires that the materiality threshold of 5 percent be applied at the entity level. The Board recommends that comment be sought on whether the materiality threshold should also explicitly apply at the facility level (i.e. whether a verifier would be required to seek reasonable assurance

that every one of a reporter's facilities is free of material misstatements at the 5 percent level.)

- ***Use of a different verification body (or bodies) to verify worldwide emissions.*** The Draft GVP requires reporters who elect to report their world wide emissions to verify these emissions. The Board suggests that public comment be solicited on whether a reporter must use a single verification body to verify their worldwide emissions or whether an additional, though still ISO 14065-accredited, verification body (or bodies) could be used to verify emissions outside of North America.
- ***Eligibility criteria for batch verification.*** The Draft GVP lays out several criteria which reporters must meet to be eligible for batch verification (a simplified verification process where the Registry would contract with a single verification body to undertake all verifications in a given year for eligible reporters). To be eligible, a reporter's emissions must be less than 200 Mt of CO<sub>2</sub>-e/yr. and come only from indirect, mobile or stationary combustion sources for heating and/or cooling. The Board recommends soliciting feedback on these eligibility thresholds.
- ***Additional categories for batch verification.*** The Draft GVP currently only includes one category of batch verification. The Board would like to seek public comment on whether other categories of reporters should also be eligible for batch verification and if so what appropriate eligibility thresholds would be.
- ***Thresholds for case-specific conflicts of interest.*** The Draft GVP establishes clear financial thresholds for determining whether or not a verification body will be deemed to have a conflict of interest with a proposed client. Verifications bodies are restricted from providing verification services to prospective clients if they have existing business relationships that have generated more than \$1M per year or accounted for more than 3% of their revenues per year in any of the prior three years. A list of prohibited services is also provided, which would disqualify a verification body from providing verification services regardless of the value of the prohibited services. The Board recommends seeking public comment on all of these conflict of interest provisions.

#### **Next Steps**

Following the close of the public comment period on March 14, 2008, the Registry's Board and staff will review and consider the comments received. The Registry anticipates that the Final GVP will be published and released in late April or early May, 2008.

#### **Additional Questions:**

Please contact the Registry at 866-523-0764 if you have any questions regarding the Draft GVP or the public comment process.

**Thank you for your interest in The Climate Registry.**

# **The Climate Registry**

## **General Verification Protocol**



**The Climate Registry**

**DRAFT 4**  
**February 1, 2008**

**The Climate Registry**  
**[address]**

**Reporting Assistance Hotline:**  
**[telephone number]**

**Email:**  
**[email address]**

**Website:**  
<http://www.theclimateregistry.org>

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**Draft 4**  
**February 1, 2008**

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## Acknowledgements

The Registry would like to thank and acknowledge...

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## Table of Contents

|               |  |           |
|---------------|--|-----------|
| <b>Part 1</b> | <b>Introduction .....</b>  | <b>1</b>  |
| 1.1           | Objectives and Purpose of the Verification Process .....               | 1         |
| 1.2           | Overview of the Verification Process .....                             | 2         |
| 1.3           | Organization of this General Verification Protocol .....               | 6         |
| <b>Part 2</b> | <b>Summary of the Verification Process and Requirements .....</b>      | <b>7</b>  |
| 2.1           | Principles of Verification .....                                       | 7         |
| 2.2           | Verification Process Overview .....                                    | 8         |
| 2.3           | Level of Assurance .....   | 9         |
| 2.4           | Verification Standard .....  | 10        |
| 2.5           | Materiality .....  | 10        |
| 2.6           | Risk-Based Approach to Verification .....                              | 11        |
| 2.7           | Scope of Verification .....  | 12        |
| 2.7.1         | Transitional Reporting .....   | 13        |
| 2.7.2         | Historical Emissions Data .....  | 13        |
| 2.7.3         | Other Optional Emissions Data .....                                    | 13        |
| 2.7.4         | Other (Non-Emissions) Data .....                                       | 14        |
| 2.8           | Frequency of Verification .....  | 14        |
| 2.9           | Batch Verification Process .....                                       | 16        |
| 2.10          | Updates to the General Verification Protocol .....                     | 17        |
| <b>Part 3</b> | <b>Preparing for Verification .....</b>                                | <b>18</b> |
| 3.1           | Developing a Verification Proposal .....                               | 18        |
| 3.2           | Conflict of Interest (COI) .....                                       | 19        |
| 3.2.1         | Objective of the Conflict of Interest Process .....                    | 19        |
| 3.2.2         | Process and Requirements .....   | 19        |
| 3.3           | Negotiating a Contract for Verification Services with a Reporter ..... | 22        |
| 3.4           | Assembling the Verification Team .....                                 | 24        |
| 3.4.1         | Using Experts or Subcontractors .....                                  | 24        |
| 3.5           | Notification of Planned Verification Activities .....                  | 25        |
| 3.6           | Kick-off Meeting with the Reporter .....                               | 26        |
| <b>Part 4</b> | <b>Core Verification Activities .....</b>                              | <b>27</b> |
| 4.1           | Overview .....   | 27        |
| 4.2           | Developing a Verification Plan .....                                   | 27        |
| 4.3           | Verification Cycle .....   | 28        |
| 4.4           | Implementing the Verification Plan .....                               | 30        |
| 4.4.1         | Step 1: Assessing Conformance with the Registry's Requirements .....   | 33        |
| 4.4.2         | Step 2: Assessing Completeness of the Emission Report .....            | 33        |

|  |           |
|--|-----------|
| 4.4.3 Step 3: Performing Risk Assessment Based on Review of Information Systems and Controls ..... | 34        |
| 4.4.4 Step 4: Selecting a Sample / Developing a Sampling Plan .....                                | 37        |
| 4.4.5 Step 5: Verifying Emission Estimates Against Verification Criteria .....                     | 39        |
| <b>4.5 Oversight by the Registry .....</b>   | <b>44</b> |
| <b>4.6 Verification of Transitional Reporters .....</b>  | <b>45</b> |
| <b>Part 5 Completing the Verification Process .....</b>  | <b>46</b> |
| 5.1 Overview .....   | 46        |
| <b>5.2 Completing a Verification Report .....</b>  | <b>46</b> |
| 5.2.1 Verification Report Contents.....  | 46        |
| 5.2.2 Quality Assurance Check .....  | 47        |
| 5.2.3 Reporter Review of Verification Report .....   | 47        |
| <b>5.3 Preparing a Verification Opinion .....</b>  | <b>47</b> |
| 5.3.1 Verification Opinion Contents .....  | 47        |
| <b>5.4 Core Verification Activities Checklist .....</b>  | <b>47</b> |
| <b>5.5 Closing Out the Verification Contract .....</b>   | <b>53</b> |
| 5.5.1 Exit Meeting.....  | 53        |
| 5.5.2 Procedure in the Event of a Negative Verification Opinion .....                              | 53        |
| <b>5.6 Submitting the Emission Report to the Registry .....</b>                                    | <b>54</b> |
| <b>5.7 Record Keeping and Retention.....</b>   | <b>54</b> |
| <b>5.8 Facts Discovered After Verification .....</b>   | <b>55</b> |
| <b>5.9 Timeline of Verification Process .....</b>  | <b>56</b> |
| <b>Glossary .....</b>  | <b>57</b> |
| <b>Key Questions .....</b>   | <b>62</b> |
| <b>Appendix A: Overview of Accreditation and Oversight .....</b>                                   | <b>67</b> |
| <b>Appendix B: Summary of ISO 14065 .....</b>  | <b>70</b> |

## List of Tables

|  |    |
|--|----|
| Table 1. Documents to be Reviewed During Verification Activities.....                        | 32 |
| Table 2. Tests and Controls for Potential Error Checking.....                                | 37 |
| Table 3. Minimum Number of Sites to Be Visited Based on Reporter Size .....                  | 39 |
| Table 4. Examples of Information to be Reviewed During Verification .....                    | 42 |
| Table 5. Global Warming Potentials from the IPCC's Second and Third Assessment Reports ..... | 43 |
| Table 6. Verification Activities Check List.....   | 50 |
| Table 7. Verification Process Timeline.....  | 56 |

## List of Figures

|  |    |
|--|----|
| Figure 1. The Core Verification Activities.....                                    | 3  |
| Figure 2. Three-Year Verification Cycle .....                                      | 5  |
| Figure 2. Three-Year Verification Cycle .....                                      | 15 |
| Figure 3. Verification Cycle for a Verification Body with a Six-Year Contract..... | 29 |
| Figure 4. Sample Verification Opinion.....   | 49 |

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## Abbreviations and Acronyms

|                   |   |
|-------------------|---|
| AR4               | IPCC Fourth Assessment Report (2007)      |
| Btu               | British thermal unit(s)                   |
| CEMS              | Continuous Emissions Monitoring Systems   |
| CHP               | Combined Heat and Power                   |
| CH <sub>4</sub>   | Methane                                   |
| COP               | Coefficient of Performance                |
| CO <sub>2</sub>   | Carbon Dioxide                            |
| CO <sub>2</sub> e | Carbon Dioxide Equivalent                 |
| COI               | Conflict of Interest                      |
| EU-ETS            | European Union Emission Trading Scheme    |
| GCV               | Gross Caloric Value                       |
| GHG               | Greenhouse Gas                            |
| GWP               | Global Warming Potential                  |
| HFC               | Hydrofluorocarbon                         |
| HHV               | Higher Heating Value                      |
| IPCC              | Intergovernmental Panel on Climate Change |
| Kg                | Kilogram(s)                               |
| kWh               | kilowatt-hour(s)                          |
| lb                | Pound                                     |
| LHV               | Lower Heating Value                       |
| LPG               | Liquefied Petroleum Gas                   |
| MMBtu             | Million British thermal units             |
| MWh               | Megawatt-hour(s)                          |
| NO <sub>x</sub>   | Oxides of Nitrogen                        |
| N <sub>2</sub> O  | Nitrous Oxide                             |
| PFC               | Perfluorocarbon                           |
| RFA               | Request for Applications                  |

|                 |  |
|-----------------|--|
| SAR             | IPCC Second Assessment Report (1996)               |
| SF <sub>6</sub> | Sulfur Hexafluoride                                |
| TAR             | IPCC Third Assessment Report (2002)                |
| U.S. EPA        | United States Environmental Protection Agency      |
| WBCSD           | World Business Council for Sustainable Development |
| WRI             | World Resources Institute                          |

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# Part 1 Introduction

## 1.1 Objectives and Purpose of the Verification Process

[Material in red font in this document indicates either details related to verification that the Registry is still resolving, or areas where the Registry especially seeks public comment.]

This General Verification Protocol (GVP) presents the verification requirements for The Climate Registry's (the Registry) voluntary greenhouse gas (GHG) emissions reporting program. The Registry developed this GVP to provide Registry-approved verification bodies with clear instructions for executing a standardized approach to the independent verification of annual GHG emissions reported to the Registry. This standardized approach defines a verification process that promotes the completeness, consistency, comparability, accuracy and transparency of emissions data reported to the Registry. While this Protocol is written for verification bodies, Reporters to the Registry who are interested in understanding and preparing for the verification process may also find it useful.

One of the guiding principles of the Registry is to establish a high level of environmental integrity in measuring emissions and reductions and collecting data. In part, the measurement and reporting requirements articulated in the Registry's General Reporting Protocol (GRP) will assure the quality and integrity of the data that is collected. Equally important is the independent evaluation of the accuracy of Emission Reports and their conformity with the GRP's prescriptions. Third party verification is defined as an independent expert assessment of the accuracy and conformity of an emission report with agreed upon criteria,

**The purpose of third party verification is to provide confidence to users (state regulatory agencies, tribal authorities, investors, suppliers, customers, local governments, the public, etc.) that the Registry's Emission Reports represent a faithful, true and fair account of emissions—free of material misstatements and conforming to the Registry's accounting and reporting rules.**

Third party verification has become increasingly accepted as international best practice for the reporting of greenhouse gas emissions. Many companies employ third parties to verify their GHG emissions statements, much as they hire auditors to assess their financial reports.

Third party verification has also been employed in the context of a number of GHG reporting programs. It is required by the California Climate Action Registry and is recommended by the Department of Energy's 1605(b) reporting program. Third party verification has also been relied upon successfully by several regulatory programs, including the European Union's Emissions Trading System (EU ETS), Canada's Large Final Emitters Scheme and the United Kingdom GHG Emissions Trading System. The California Air Resources Board also plans to use third party verification in its mandatory reporting program.

ISO 14064-3 (*Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*) provides a standard for the verification of greenhouse gas emissions. Consistency with ISO 14064-3 is an overriding principle of this General Verification Protocol. In addition, the Registry seeks conformance with ISO 14065 in its process for the accreditation of verification bodies (see Appendices A and B), and plans to work towards consistency with the forthcoming ISO 14066 (on personnel certification) as part of the accreditation process.

## 1.2 Overview of the Verification Process

This Protocol is intended to be used in combination with the Registry's General Reporting Protocol (GRP). **Approved verification bodies must verify Reporters' Annual GHG Emission Reports to the standards of the GRP using the process outlined in this General Verification Protocol.** The verification process involves a number of key players; these players and their main responsibilities in the process are as follows:

Registry Technical  
Assistance  
[phone number]

- **Verification Body:** A Registry-approved firm responsible for verifying the Emission reports submitted to the Registry. Each verification engagement undertaken by a verification body will utilize employees of the verification body falling within three different categories:

**Lead Verifier:** Responsible for leading the verification engagement, including the assignment of individual verification team members to specific tasks and quality assurance of each team member's work.

**Verifier:** An individual member of the verification team responsible for performing specific verification tasks within his or her area(s) of expertise, as directed by the lead verifier.

**Reviewer:** Another lead verifier, with no involvement in the specific verification engagement, assigned to conduct an independent quality assurance review of the work of the verification team. The reviewer must indicate his or her approval of the verification team's efforts by signing the Verification Report and the Verification Opinion—the two main documents produced by the verification team.

- **Reporter:** Responsible for selecting a Registry-approved verification body to verify the Reporter's Emission Report, providing the information, documents, and site access the verification body needs to complete the verification effort, and correcting any significant errors in the Emission Report discovered by the verification body.
- **[Accreditation Body]:** Responsible for accrediting potential verification bodies to perform verification activities for the Registry's Reporters. Also responsible for ensuring the consistency and quality of the Registry's verification process, by providing process oversight.
- **[Verification Oversight Panel]:** A committee, appointed by the Registry's Board of Directors, and consisting both of Registry staff and outside technical experts, that has responsibility for providing oversight of the verification process, including the work of the [accreditation body], and arbitration of any disputes that arise between the Reporter and the verification body.

[The Registry intends to add an organization chart illustrating the roles of the key players outlined above in the final version of the GVP.]

### Becoming a Registry-Approved Verification Body

Prospective verification bodies must be accredited by [accreditation body] before they can perform verification activities for the Registry. The international competency standards for greenhouse gas verification bodies set forth in ISO 14065 (*Greenhouse Gases –*

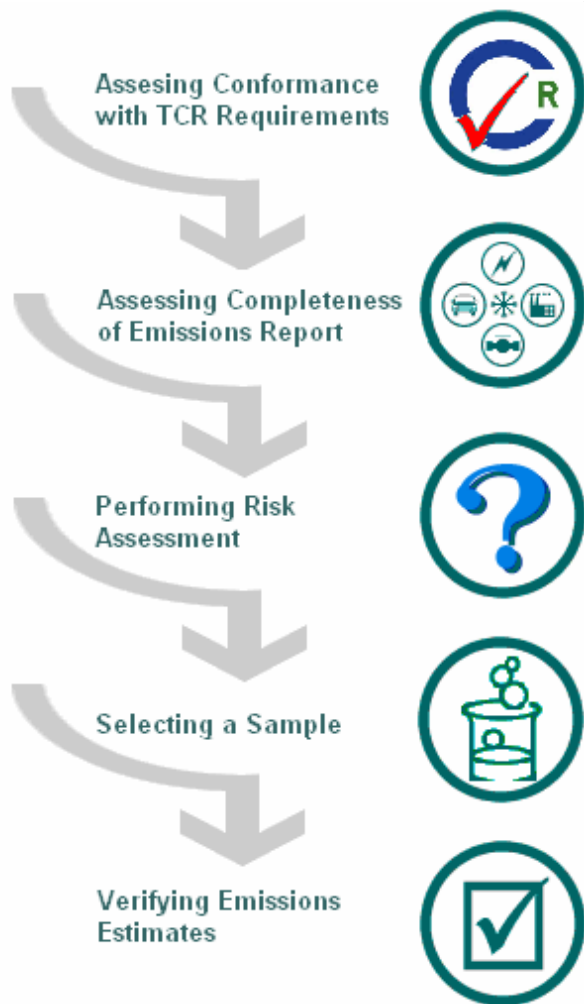
*Requirements for Greenhouse Gas Validation and Verification Bodies for use in Accreditation or other forms of Recognition*) serves as the foundation for the Registry's accreditation process. In addition this process conforms to the forthcoming ISO 14066, which covers standards for accrediting the competency of individual verifiers. Appendix A to this document provides an overview of the Registry's accreditation process, and Appendix B briefly summarizes ISO 14065.

Once a verification body has been accredited, it is eligible to perform verifications for Registry Reporters. Activities for each specific verification effort will differ based on the length and complexity of a Reporter's Emission Report.

### Core Verification Activities

The core verification activities involve five main steps, illustrated in Figure 1. **[Note: The Registry intends to expand Figure 1 to include the entire verification process, as well as the core verification activities, in the final version of this General Verification Protocol.]**

Figure 1. The Core Verification Activities.



### Verification Documentation:

Upon completion of the above steps, verification bodies will produce the following Verification Documentation:

- Verification Report
- Verification Opinion
- Verification Checklist

### **Climate Registry Information System (CRIS)**

The Registry has developed a sophisticated GHG emissions calculation, reporting, and verification tool for all stakeholders (Reporters, verification bodies, and the public) to use to enter, review, and access GHG data. In terms of the verification process, verification bodies will use CRIS to review a Reporter's emissions, as well as to complete and submit their verification documentation to the Registry.

To access CRIS, go to: <http://xxxxxxxxxxxxxx>.

### **Registry Review and Public Release of Data:**

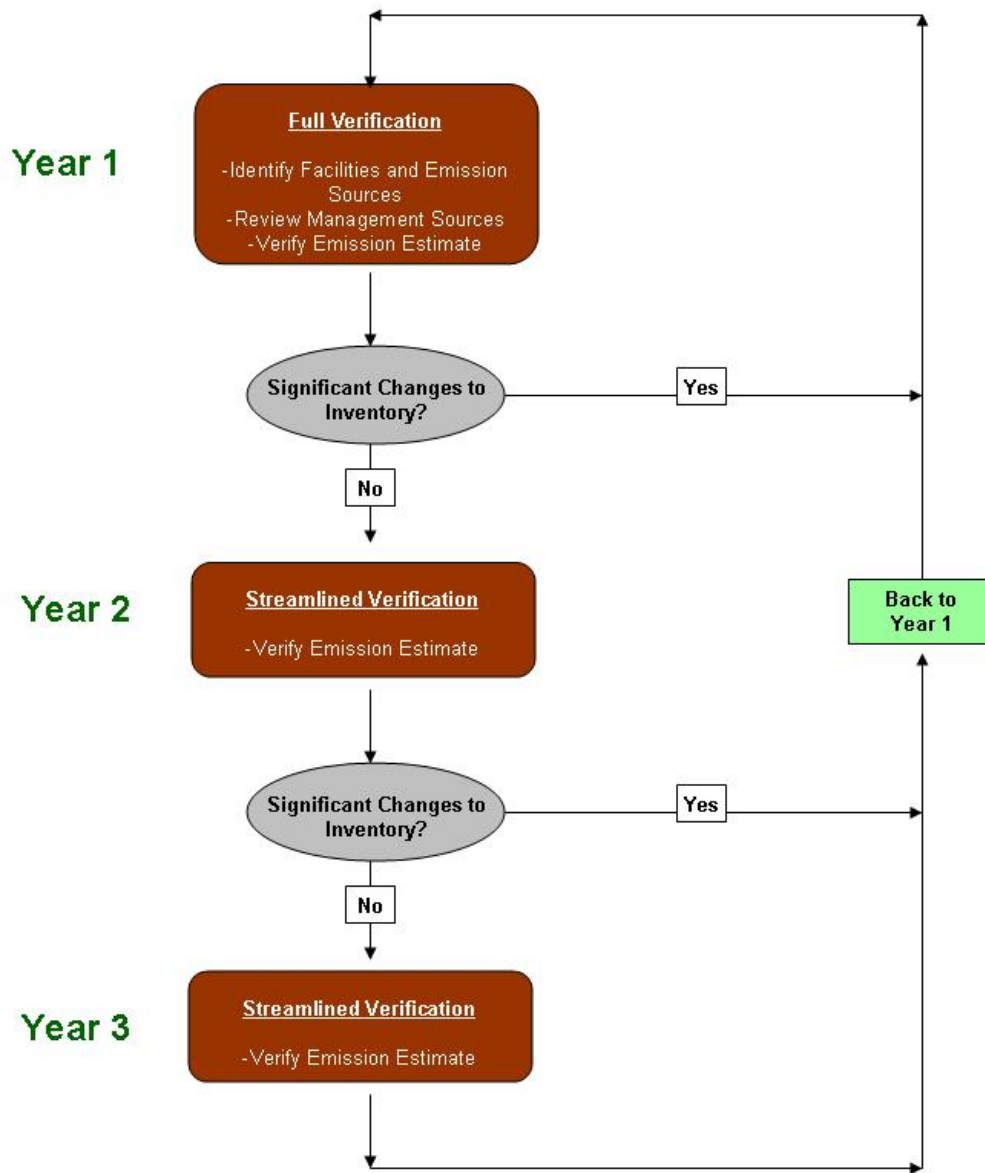
The Registry will review the verification documents before accepting a Reporter's verified Emission Report into the Climate Registry Information System (CRIS). Once verified data is accepted into CRIS, it becomes available to the public via CRIS.

In general, this process is repeated every year of an organization's participation in the Registry.

### **The Cost of Verification**

The Registry is very sensitive to the costs of verification, and seeks to minimize these costs whenever this can be done without compromising the integrity and credibility of the emissions data. To this end, the Registry has adopted a three-year verification cycle, with a significantly streamlined verification process in the second and third years of the cycle (see Figure 2 below). Specifically, in Year 1 of the 3-year cycle, a verification body will perform the full set of verification activities listed above in order to gain a detailed understanding of a Reporter's operations and resulting GHG emissions. If there have been no significant changes in a Reporter's boundaries, GHG emissions sources and/or management systems, the verification body may then streamline and expedite the verification activities (in particular Steps 2 through 4 above) in Years 2 and 3 by focusing primarily on the new emissions estimates.

Figure 2. Three-Year Verification Cycle



To further reduce verification costs, the Registry offers a streamlined version of the standard verification process, referred to as “batch verification,” for certain eligible Reporters.

Reporters are eligible for batch verification if they have relatively simple GHG emissions.

Batch verification is only available for Reporters with the following emissions:

- Indirect emissions from purchased electricity and/or
- Mobile source emissions, and/or
- Emissions from stationary combustion
- No process or fugitive emissions
- Overall, Reporters eligible for batch verification must produce less than 200 tons CO<sub>2</sub>e per year.

In the future, the Registry may also offer batch verification to other special categories of Reporters (e.g., municipalities). [NOTE: these thresholds for batch verification eligibility are taken from CCAR, the thresholds to be used by the Registry, both for small Reporters and for any new special categories of Reporters, are still under consideration.]

### 1.3 Organization of this General Verification Protocol

This General Verification Protocol is divided into four Parts which outline the necessary steps a verification body must follow to initiate and complete the verification of a Reporter’s Emission Report.

**Part 1, *Introduction*** (this section), provides a brief overview of the purposes of the verification process, describes the principles of verification, and highlights important definitions.

**Part 2, *Summary of the Verification Process and Requirements***, provides an overview of the entire process described in more detail in Parts 3, 4 and 5. Also, outlines the Registry’s requirements with respect to such issues as, e.g., the level of assurance, materiality, the scope of verification and the frequency of verification.

**Part 3, *Preparing for Verification***, describes the activities that take place prior to a verification body executing the core verification activities, including bidding for a contract with a Reporter, assessing potential conflicts of interest, negotiating a contract with a Reporter, providing required notifications, and designing appropriate verification activities for each Reporter.

**Part 4, *Core Verification Activities***, explains how verification bodies must conduct an assessment of a Reporter’s emissions, including: assessing conformance with the Registry’s requirements, assessing completeness of the Emission Report, performing risk assessment based on review of information systems and controls, selecting a sample, and verifying emission estimates against verification criteria.

**Part 5, *Completing the Verification Process***, covers procedures for completing the verification process including: preparing a Verification Report and Verification Opinion, completing the verification form to submit a Reporter’s verified data to the Registry, and recording and retaining proper records.

# Part 2 Summary of the Verification Process and Requirements

## 2.1 Principles of Verification

Several principles are intended to underpin and guide the Registry's verification process. They provide a compass to direct verification bodies in cases where assessments are not black and white. As an overarching principle, in addition to following this General Verification Protocol, verification bodies should seek consistency with ISO 14064-3. Furthermore, the Registry explicitly identifies the following principles as fundamental underpinnings of its verification process:

**Completeness.** Verification should ensure accounting of all GHG emissions sources and activities within the specified scope of the Reporter's inventory. Annual emissions results should include all sources for which the Reporter is responsible (with exceptions made for transitional Reporters).

**Consistency.** An Emission Report should allow for meaningful comparison of emissions performance over time. Independent verification should ensure that consistent methodologies and measurements are used between the base year results and annual emissions results. Additionally, changes to base year emissions are verified to ensure appropriate comparisons.

**Comparability.** A verified Emission Report should be comparable across similar organizations reporting to the Registry. The report should allow comparison of direct and indirect emissions against those of other reports with similar geographic and organizational scopes.

**Accuracy.** Entity-wide reported data should be within the materiality threshold of 5% of the verification body's estimate of total emissions. Calculations and estimates need to be as accurate as possible to prevent material errors.

**Transparency.** Verification should be a transparent exercise itself. The data used for verification and the verification activities should be clearly and thoroughly documented to allow for outside review by the [accreditation body] or the Registry's [Verification Oversight Panel] in the context of overseeing verification activities.

**Independence.** To ensure the credibility of the emissions data reported to the Registry, it is crucial that the verification process is completely independent from the influence of the Reporter submitting the Emission Report. In particular, the verification body must be free from conflicts of interest (COI). To ensure freedom from COI, the verification body must:

1. Demonstrate to the [accrediting body] its ability to identify and avoid COI (organizational COI)
2. Assess the potential for COI with each Reporter, and forego verification engagements that have a high potential for COI (case-specific COI)

3. Monitor potential COI throughout the duration of a verification contract and for one year following the conclusion of the contract, and forego all activities that would result in a high potential for COI during this period (emerging COI).

The Registry's rules and processes for identifying potential conflicts of interest are specified in Part 3.2 of this General Verification Protocol.

**Professional Judgment.** The Registry expects verification bodies to use their professional judgment when executing the verification activities described in this General Verification Protocol.

## 2.2 Verification Process Overview

Before any verification activities take place, a number of procedural steps must be taken to ensure that the obligations and responsibilities of both the verification body and Reporter are clear.

The following summary of the major steps of the verification process is provided as a reference.

1. **Verification Body becomes accredited for Registry participation.** The verification body and key staff, must respond to a [accreditation body]-issued Request for Applications, demonstrate the body's ability to determine and manage COI, and receive subsequent approval by the [accreditation body]. One requirement of accreditation is that **key verification body staff must complete Registry training.** [NOTE: The details of the approval process, including the body responsible for granting approvals, is still under development.] See Appendix A.
2. **Reporter selects Verification Body:** The Reporter contacts one or more accredited verification bodies to discuss verification activities. The Reporter selects an organization to verify its GHG emissions results and begins to negotiate contract terms.
3. **Verification Body Conducts Case-Specific Evaluation of Conflict of Interest:** After a Reporter chooses a verification body, the verification body must conduct a case-specific conflict of interest assessment to establish that the likelihood of a COI between parties is low. This assessment must be carefully documented so that it can be reviewed by the [accreditation body] during surveillance audits. Failure to abide by the General Verification Protocol's prescriptions on case-specific conflicts of interest may result in a verification body having its accreditation rescinded.
4. **Verification Body & Reporter Finalize Contract:** If the verification body determines that the risk of a conflict of interest between it and the Reporter is low, it may finalize its contract with the Reporter.
5. **Verification Body Submits Verification Notification Form to [Accreditation Body] & the Registry's [Verification Oversight Panel]:** The verification body must complete and submit a **Verification Notification Form** to the [accreditation body] and the [Verification Oversight Panel] at least 10 business days prior to beginning verification activities. [Note: the Registry intends to provide a copy of the **Verification Notification Form** in the final version of the GVP.]
6. **Verification Body Conducts Core Verification Activities:** The verification body follows the guidance in the General Verification Protocol to evaluate a Reporter's Annual GHG Emission Report.

7. **Verification Body Prepares Verification Report and Verification Opinion for Reporter & discusses it with them:** The verification body prepares a detailed summary (Verification Report) of the verification activities for the Reporter and a formal Verification Opinion for the Reporter's review. The verification body must also meet with the **Reporter** to discuss these verification documents.
8. **Verification Body Submits Verification Documentation via CRIS:** Once authorized by a Reporter, the verification body completes the verification form via CRIS. Verification bodies mail an original Verification Opinion and Verification Activities Checklist to the Registry.
9. **Registry Completes Reporting Process:** The Registry reviews the Verification Opinion and Verification Activities Checklist and evaluates the Reporter's Emission Report. Once accepted by the Registry, a Reporter's Emission Report becomes available to the public via CRIS.

Verification bodies must repeat steps 2-8 for each annual GHG emissions verification before submission to the Registry. These steps are described in more detail in Parts 2 through 4 of this General Verification Protocol. Step 1 (accreditation of verification bodies) is discussed in Appendix A.

## 2.3 Level of Assurance

The level of assurance dictates the type of corroboration of an Emission Report that the verification body will issue. It dictates the relative degree of confidence the verification body has in its assessment of the accuracy of the reported data. In standard international verification practice, opinions may be issued in accordance with one of two levels of assurance: reasonable (sometimes also referred to as high) or limited.

**Reasonable Assurance:** Reasonable assurance opinions are usually crafted in a positive fashion; a verification body provides reasonable assurance that an Emission Report is materially correct. To provide reasonable assurance, a verification body must conduct detailed testing of GHG data and a thorough examination of the supporting documentation provided by the Reporter. A reasonable assurance opinion is generally considered to generate the highest possible level of confidence. Absolute assurance is not attainable because of factors such as the use of judgment, data sampling and testing, inherent limitations on the control of data, and the qualitative nature of some types of evidence.

**Limited Assurance:** When issuing a limited assurance opinion, opinions are often of a negative construction; a verification body asserts that there is *no* evidence that the report is *not* materially correct. Limited assurance verification generally involves less detailed testing of GHG data and examination of supporting documentation.

Reasonable assurance, because it is the highest plausible standard of verification, constitutes the standard for the Registry.

## 2.4 Verification Standard

Verification bodies must verify Reporters' GHG Emission Reports using the following guidance:

- The Registry's General Reporting Protocol using the process outlined in this General Verification Protocol.
- ISO 14064-3 (*Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*) as a verification standard.

To the extent that any requirement of ISO 14064-3 might prohibit a verification body from complying with this General Verification Protocol, the requirements contained herein will take precedence.

Some Reporters may also wish to use their GHG Emission Report for additional purposes such as registering in another registry and participating in emissions trading schemes or other crediting programs. These Reporters may separately add additional standards for verification to their contract for verification services.

## 2.5 Materiality

In international verification standard practice (based in part on financial auditing guidelines), the concept of materiality is used by verification bodies to identify information that, if omitted or misstated would lead to significant misrepresentation in an Emission Report, thereby influencing conclusions or decisions made on the basis of that report. A material (i.e., significant) discrepancy is the individual or the aggregate of errors, omissions and/or misrepresentations that could affect the decisions of intended users.

Verification bodies are directed to assess whether the collective magnitude of discrepancies in an Emission Report exceeds a percentage of the overall emissions estimated by the verification body. The specified level of material discrepancy determines how the verification body must structure a verification engagement to minimize the risk that a material discrepancy goes undetected. In some verification systems (especially those intended to cover a broad range of reporting purposes, such as ISO 14064-3) the specific determination of what is considered a material discrepancy is left to the judgment of verifiers. In more structured third party verification systems such as the European Union Emissions Trading Scheme (EU ETS), the United Kingdom Emissions Trading Scheme (UK ETS), the California Registry, and the California Air Resources Board's mandatory reporting program, a discrete threshold for making materiality judgments is established. In this case, a verification body is directed to assess whether the collective magnitude of discrepancies in an Emission Report exceeds a percentage of the overall emissions reported. The specified level of material discrepancy thus in large measure determines how the verification body will structure an engagement to minimize the risk that a material discrepancy is not detected.

Specifying an explicit materiality threshold can help to ensure that verification is applied rigorously and consistently from one Reporter to the next and that data collected by the Registry is of a comparable level of quality. For this reason, the Registry specifies a materiality threshold of 5%. Therefore, in order for a verified Emission Report submitted to the Registry to be free of material misstatements, it must not deviate from a verification body's assessment by more than 5%. Or, in other words, a Reporter must achieve a level of at least 95% accuracy in their reported **entity-level emissions** as determined by the verification body. **[Note: Feedback is solicited from stakeholders as to whether the materiality threshold should be applied at the facility as well as entity level.]**

It is possible that during the verification process, differences will arise between the emissions totals estimated by Reporters and those estimated by verification bodies. Differences of this nature are referred to as misstatements and may be classified as either material or immaterial.

**Material Misstatement:** A discrepancy is considered to be material if the resulting overall reported entity-level emissions differ from the overall emissions estimated by the verification body by 5% or more.

**Immaterial Misstatement:** A difference is immaterial if it is less than 5%.

In determining whether a material misstatement has occurred, it is the *aggregate total* of individual differences that must be compared against the 5% threshold. Thus the discovery of many small differences, each of which might be immaterial when considered in isolation, may nonetheless lead to a finding that a material misstatement exists if the aggregate total of the differences exceeds the 5% threshold at the entity level. Although the materiality threshold is applied at the entity level, the actual checking for discrepancies is conducted at the individual facility and emission source level. The high-level assessment of risks of material discrepancies encompasses all facilities and emission sources (see Section 2.6 for a discussion of risk assessment).

The application of a materiality threshold involves qualitative as well as quantitative considerations. It is generally not feasible to verify the origin of every piece of data and confirm every step of integration and analysis. A verification body might for instance identify several quantitative discrepancies, together less than the materiality threshold, that in combination with qualitative deficiencies in data management systems or controls, lead to a judgment of material discrepancy.

### Uncertainty

When evaluating Reporters' Emission Reports, verification bodies must determine whether the reporting uncertainty (vs. the unavoidable uncertainty) is less than the 95% minimum quality standard.

Reporting uncertainty entails the mistakes made in identifying emissions sources, managing data or information, and calculating GHG emissions. Unavoidable uncertainty refers to scientific uncertainty associated with measuring GHG emissions. The Registry is aware that there is unavoidable uncertainty in emissions factors and measurement of activity data through metering and instrumentation (even after the calibration of meters and other data collection methods are verified as accurate), but determining scientific accuracy is not the focus of the Registry or its General Reporting Protocol. A verification body's goal is to assess and evaluate the reporting uncertainty.

## 2.6 Risk-Based Approach to Verification

Given the impossibility of assessing and confirming the accuracy of every piece of GHG information that goes into an Emission Report, the Registry has adopted a risk-based approach to verification, under which verification bodies focus their attention on those data systems, processes and emissions sources that pose the greatest risk of generating a material discrepancy. ISO 14064-3 also dictates the employment of a risk based approach. Specifically, ISO-14064-3 identifies three types of risks:

- Inherent risk—the risk that a material discrepancy will occur
- Control risk—the risk that a Reporter's data collection, management and quality control systems will fail to prevent or detect material discrepancies arising from inherent risk
- Detection risk—the risk that the verification activities will fail to detect material discrepancies.<sup>1</sup>

The main objective of the verification effort is to minimize detection risk, by focusing on those inherent and control risks that are most likely to lead to material discrepancies. Effective risk assessments that inform the design of appropriate verification processes for different Reporters involve going beyond simple prescriptions such as directing verification bodies to focus their efforts on the largest sources of emissions. For example, a Reporter characterized by many different emission sources for which direct measurements are lacking, and for which alternative emission calculation methodologies based on activity data are complex and prone to error, may be judged to have more inherent risk than a Reporter characterized by a few emission sources with continuous emissions monitoring systems (CEMs). Similarly, the quality of data collection, management systems, and internal controls will vary substantially from one reporting organization to another. Assessing these features is a necessary first step in developing a sampling plan that focuses on a Reporter's unique areas of risk. Under the Registry's risk-based approach, a verification body must develop a sampling plan that focuses more heavily on conducting site visits, confirming input data and replicating emissions calculations for those regions, facilities, GHGs and/or emission sources where data collection, handling and control systems are least developed or misapplied.

## 2.7 Scope of Verification

The scope of a verification body's analysis is determined by the Registry's reporting rules regarding gases to be reported, geographic boundaries, requirement for facility level data, and organizational and operational boundaries. At a minimum, each Annual GHG Emission Report (Emission Report) must contain:

- All of an entity's GHG emissions of the six gases recognized under the Kyoto Protocol (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>),
- All of the entity's emissions in Canada, Mexico, and the U.S.
- Emissions broken down by state or province, facility, scope (Scope 1 and Scope 2), and (for Scope 1) type of emission source (stationary combustion, mobile combustion, process emissions, and fugitive emissions).
- A separate account of direct biogenic CO<sub>2</sub> emissions
- Organization boundaries based on equity share, financial control, and/or operational control.

Please refer to Part II of the GRP for a more detailed discussion of the required scope of Emission Reports.

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<sup>1</sup> ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, p. 4.

### 2.7.1 Transitional Reporting

It should be noted that the GRP allows one exception to the complete reporting of all emissions: it provides companies with a time limited option to report less than complete emissions data during their first two years of participation in the Registry. Reporters that choose to utilize this option will be considered “transitional Reporters.” At a minimum, transitional Reporters must report CO<sub>2</sub> emissions from all stationary combustion sources in at least one state, province, or country.

Please refer to Chapter 9 of the GRP to learn about transitional reporting in greater detail. For transitional Reporters, the scope of verification is limited to those geographic areas and GHGs that the Reporter has chosen to include in the Emission Report.

### 2.7.2 Historical Emissions Data

In addition to reporting on a transitional basis for the first two years of participation in the Registry, Reporters may also choose to report any number of years of historical emissions. Historical data is defined as all data for years prior to a Reporter’s first reporting year. For example, if a Reporter joins the Registry in 2010 and provides 2010 data (in 2011), then any emissions data provided to the Registry by this Reporter for years prior to 2010 is defined as historical data.

Historical data can either be complete or transitional in nature. Historical data reported on a transitional basis must, at a minimum, include:

- Entity-level emissions. Entity-level reporting is acceptable, although facility-level reporting is preferred.
- CO<sub>2</sub> emissions from stationary combustion sources in at least one state, province or country.

Historical data can either be reported retroactively and verified by a Registry verification body, or imported/transferred to the Registry from other GHG programs so long as the imported data has been verified by a third party. Since the Registry may have different reporting requirements than other GHG programs, it does not require that imported historical data be verified to the standards set forth in this GVP. All imported historical data will be identified in the public reports via CRIS so that viewers will understand the origin of the data and its corresponding reporting requirements.

### 2.7.3 Other Optional Emissions Data

Reporters may choose to report optional emissions in excess of those required by the Registry. For example, in addition to their Scope 1 and 2 emissions, Reporters may voluntarily choose to report their:

- Scope 3 emissions (i.e., indirect emissions from sources outside Scope 2). Scope 3 emissions will be clearly distinguished from the Scope 1 and 2 emissions that must be verified.
- Unit level emissions
- Emissions based on both Equity Share and Control consolidation methodologies
- Performance metrics

- GHG reduction goals
- Other GHG management policies or documents
- Worldwide emissions

In general, the Registry does not require optional emissions to be verified. Thus these types of emissions are outside of the normal verification scope. Reporters may request for some/all of their optional emissions to be verified, if they desire. The exception to the rule applies to the optional category of worldwide emissions, which must be verified.

### Worldwide Emissions

Since world wide emissions may be calculated and reported in the same manner as a Reporter's North American emissions, using the GRP, worldwide emissions must be verified by an ISO 14065 accredited verification body.

However, the Registry discloses that its [\[Verification Oversight Panel\]](#) does *not* provide oversight of the verification of emissions that occur outside of Canada, Mexico, and the U.S. The Registry will note that global emissions have been verified in the Reporter's Emission Report, but with the accompanying disclaimer that the Registry does not provide oversight of emissions verification beyond North America. [\[Note: An issue has been raised as to whether one or more different ISO 14065 accredited verification bodies from the one used to verify a Reporter's U.S., Canadian and Mexican emissions could be used to verify the Reporter's non-North American emissions. Use of different overseas verification bodies to verify the global emissions component of a Reporter's Emission Report could result in significant cost savings, particularly if a large number of overseas facilities need to be visited as part of the verification process. For example, a Reporter could use a French ISO accredited verification body to verify emissions from its French facilities, a German ISO accredited verification body to verify its German emissions, etc. Feedback from the public is solicited on this issue.\]](#)

### 2.7.4 Other (Non-Emissions) Data

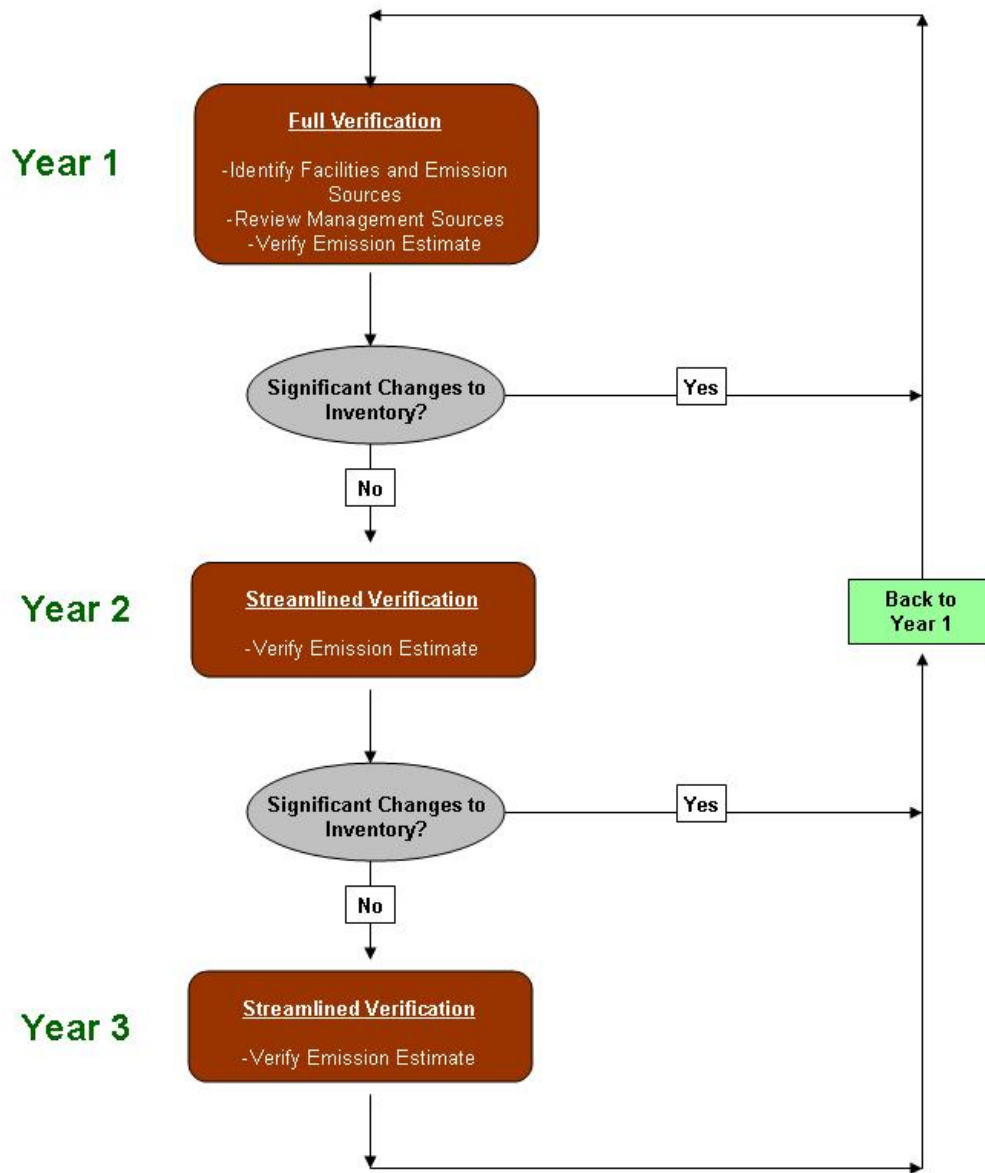
Beyond emissions, Emission Reports also contain other information about an organization that will need to be verified as part of the process of verifying emissions. This additional information includes:

1. **All data elements that are pertinent to the computation of emissions..** This includes activity data used to compute emissions and facility level information on equity share or financial and operational control.
2. **Quantification methods and tiers used for off-line estimation of emissions.** If the Reporter has chosen to calculate any emissions off-line (rather than using the automated calculation procedures included in [the Climate Registry Information System \(CRIS\)](#)), the verification body must also verify that the quantification methodologies and tiers actually used by the Reporter correspond to those identified by the Reporter in the Emission Report.

## 2.8 Frequency of Verification

The Registry requires verification of each reporting year's Emission Reports (i.e. annual verification). However, for Reporters whose emission activities do not change significantly from one year to the next, verification bodies may employ a three-year cycle where a first year of full verification is followed by two years of less intensive verification (see 4.4). See Figure 2 below for an illustration of the three-year verification cycle.

Figure 2. Three-Year Verification Cycle



## 2.9 Batch Verification Process

In an effort to minimize the transaction costs of verification for small organizations with relatively simple emissions, the Registry will contract for batch verification for interested Reporters with limited GHG emissions. **Eligible Reporters include those with:**

- less than 200 metric tons of CO<sub>2</sub>e emissions per year,
- and only emissions from the following sources:
- indirect emissions from electricity consumption;
  - direct emissions from stationary combustion for heating or cooling; and
  - direct emissions from passenger vehicles.

Any Reporter with process or fugitive emissions is not eligible for batch verification. [NOTE: These thresholds are taken from the California Climate Action Registry's Certification Protocol, the appropriate thresholds for the Registry have not yet been determined. Feedback from the public is solicited on the thresholds for qualifying for batch verification.]

The following is a summary of the steps of the batch verification process.

1. **Registry selects Batch Verification Body Each Year:** Each year, the Registry will solicit competitive bids for batch verification services from at least three approved verification bodies. On behalf of Reporters using batch verification, the Registry will select one verification body to perform all eligible verifications for that reporting year. The verification body will be ineligible to bid on batch verification for the following three years. Because of this term limit and the limited nature of emissions and operations of the Reporter, the potential for COI is deemed low, and the requirement to conduct an assessment of the potential for a case-specific COI is waived.
2. **Registry and Batch Verification Body Develop Standardized Contract:** After selecting a batch verification body, the Registry and the batch verification body will develop a contract template.
3. **Reporter calculates and reports their annual GHG data**
4. **Reporters Communicate Interest in Batch Verification and Determine if they are Eligible:** Reporters interested in batch verification should notify the Registry prior to the deadline for submitting Emission Reports (6/30). The batch verification body will be responsible for determining the eligibility of Reporters, and will provide the Registry with a list of all Reporters deemed eligible for batch verification.
5. **Batch Verification Body & Reporter Sign Contract:** Each Reporter signs its own, standardized contract with the verification body. If Reporters require non-standard contract language, they cannot participate in batch verification.
6. **Batch Verification Body Receives Reporter Documentation:** Once the contracts are signed, the verification body will identify all necessary documentation, as required in the General Reporting and Verification Protocols. The Reporter will collect the necessary supporting documentation and forward it to the verification body. It is expected that batch verification will not generally require a site visit, but will consist solely of document reviews and telephone interviews.

7. **Verification Body Conducts Verification Activities:** The verification body follows the guidance in the General Verification Protocol to evaluate a Reporter's Annual GHG Emission Report. The verification body will contact each Reporter to understand their operations.
8. **Verification Body Prepares Verification Report and Verification Opinion for Reporter & discusses it with them:** The verification body prepares a detailed summary (Verification Report) of the verification activities as well as a formal Verification Opinion for the Reporter's review. The verification body should discuss the verification documentation with the Reporter
9. **Verification Body Completes Verification Form via CRIS:** Once authorized by a Reporter, the verification body completes the Verification Form via CRIS. Verification bodies mail an original Verification Opinion and Verification Activities Checklist to the Registry.
10. **Registry Completes Reporting Process:** The Registry reviews the Verification Opinion and Verification Activities Checklist and evaluates the Reporter's Emission Report. Once accepted by the Registry, a Reporter's Emission Report becomes available to the public via CRIS.

Verification bodies must repeat steps 5-9 for each batch verification before submission to the Registry.

## 2.10 Updates to the General Verification Protocol

This General Verification Protocol provides general verification guidance for the voluntary the Registry emission reporting program. It is likely that the Registry will provide additional verification guidance in the future, e.g., to accompany any additional sector-specific reporting protocols that may be developed. In addition to sector-specific guidance, the Registry may update this General Verification Protocol in the future. The Registry will advise all verification bodies of any changes, and any new requirements or guidance that may affect them.

The Registry welcomes comments and suggestions for improving this General Verification Protocol from verification bodies, Reporters, and the general public. Comments may be submitted to the Registry using the web-based comment form on the Registry's website at <http://www.theclimateregistry.org>.

## Part 3 Preparing for Verification

### 3.1 Developing a Verification Proposal

The Registry recommends that Reporters with complex GHG Emission Reports solicit competitive bids for verification services from at least three approved verification bodies. Thus, verification bodies will likely be asked to respond to such requests and prepare verification proposals to describe their services.

When preparing to send out a request for bids from verification bodies, Reporters will first review the list of approved verification bodies and select some (or all) as prospective bidders. Due to the possibility of access to proprietary information, Reporters may want to send each prospective bidder a non-disclosure agreement.

In order to prepare an accurate proposal, verification bodies will want to ensure that potential clients (Reporters) provide them with at least the following information as the basis for a proposal and estimate:

1. The expected contract duration;
2. A general description of the Reporter's organization;
3. Whether or not the Reporter is a transitional Reporter;
4. The geographic boundaries of the Reporter's Emission Report;
5. The number and locations of facilities and operations;
6. The GHGs reported in the Reporter's Emission Report;
7. The emission source categories (and possibly emission sources) in the Reporter's Emission Report;
8. The password to a read-only version of the Reporter's Emission Report in CRIS; and
9. List and description, by category, of how emissions data is organized and calculated (either using CRIS or other methodology).

The Registry suggests that verification bodies respond to Reporter requests with proposals that include the following components:

1. **History and Description of Verification Company**
2. **Explanation of Core Competencies**
3. **Proposed Price for Verification Services**
4. **Proposed Staff**
5. **Statement of Verification Liability**

## 6. Confidentiality Policy

## 7. Duration of Contract

The Registry expects only limited variation in the verification bodies' technical proposals, since all of the approved verification bodies will be trained to implement the Registry's standardized verification process.

## 3.2 Conflict of Interest (COI)

### 3.2.1 Objective of the Conflict of Interest Process

To protect the credibility and rigor of the Registry verification process, the relationship between verification bodies and Registry Reporters must not create or appear to create a COI. While conducting verification activities for Registry Reporters, the verification bodies must work in a credible, independent, nondiscriminatory and transparent manner, complying with applicable state and federal law and the rules and processes for identifying potential COI specified below.

The Registry's COI rules were developed to minimize the risk of potential COI between verification bodies and Reporters. This process underpins both the accreditation of verification bodies and individual verification engagements.

The accreditation process gives verification bodies the opportunity to demonstrate that their organization is capable of identifying and mitigating situations that would impair their ability to render an impartial verification opinion.

Through this process, applicants must demonstrate:

- Clearly-defined organizational boundaries, internal structures, and relationships with other companies that have management or financial control over the applicant.
- The presence of internal mechanisms to identify and mitigate organizational and personal COIs with any potential clients.
- The ability to be objective in providing verification activities.

To ensure the independence of verification, verification bodies must also examine the potential likelihood of a case specific COI existing with any specific verification engagement. Central to this consideration is a documented assessment of the potential risk of a COI existing with a reporting organization, prior to the commencement of an engagement. In the case of any finding other than a low risk, verifications bodies may not proceed with the engagement. To guide this determination, clear thresholds with respect to allowable prior relationships between verification bodies and Reporters (both in terms of revenues generated and duration) have been defined by the Registry.

### 3.2.2 Process and Requirements

Throughout the verification process, each verification body must demonstrate they do not have significant COI with Reporters:

1. **Organizational COI** – during the accreditation process, each verification body must demonstrate that that it has internal mechanisms in place to protect and maintain

objectivity during the verification activities, by identifying and resolving business areas and relationships that could affect its decisions.

2. **Case-Specific COI** – in each case where verification services are requested, before a contract is signed with a Reporter, each verification body must document that any pre-existing relationship between the verification body (and/or individual members of the verification team) and Reporter will not affect its ability to render an impartial opinion of a GHG Emission Report.
3. **Emerging COI** – for a period beginning with the signing of the contract, and continuing until one year following the close of the contract, verification bodies must monitor their relationship, and the relationship of individual team members, with the Reporter to ensure impartiality has been protected in the verification process.

Organizational COI is discussed in more detail in Appendix A (Accreditation of Verification Bodies). Case-Specific and Emerging COI are each discussed in greater detail below. It should be noted that the potential for a COI for the batch verification body is deemed low. Therefore, the requirement to conduct case specific COI assessments prior to commencing a batch verification engagement is waived.

### Case-Specific COI

As an early step in the contract negotiation process between verification bodies and Reporters, a verification body must thoroughly document on a case-specific basis that it and the individuals performing verification activities do not have any actual or potential COI with the Reporter for which it has been selected to carry out verification functions. **[Note: In the final version of the GVP the Registry intends to provide a standardized form that verification bodies will use to document their case-specific COI assessments.]** To do this the verification body must thoroughly assess any prior or existing relationships with the Reporter, as well as those between members of the proposed verification team and the reporting organization in light of the stipulations below. Any verification body that determines that its risk for COI is anything other than low may not provide verification services to that Reporter.

A verification body will be deemed to have a high risk of COI, and barred from working with a Reporter if:

- A verification body and Reporter share any management.
- A verification body has provided any GHG consultancy services to a particular Reporter during the last 3 years.
- Such GHG consultancy services have been provided by a firm related to the verification body (i.e., a subsidiary or parent of the verification body, or a sister company sharing the same parent as the verification body).

GHG consultancy services are defined as including any of the following activities:

- Designing, developing, implementing, or maintaining a GHG emissions inventory
- Designing or developing GHG information systems
- Developing GHG emissions factors or other GHG-related engineering analysis

- Designing energy efficiency, renewable, or other projects which explicitly identify GHG reductions as a benefit
  - Preparing or producing GHG-related manuals, handbooks, or procedures
  - Appraisal services of carbon or GHG liabilities or assets
  - Brokering in, advising on, or assisting in any way in carbon or GHG-related markets
  - Management over health, environment and safety functions
  - Legal and expert services related to Registry verification.
- A verification body (or a related company such as a subsidiary) performed any non-GHG work for the Reporter that generated revenues of **more than \$1 million or more than 3% of the verification body's total annual revenues in any year over the prior 3 years.** [NOTE: These thresholds are placeholders that are still under consideration. Feedback from stakeholders is specifically requested.]
  - if any of the following conditions apply to any of the staff to be assigned to the verification effort for the Reporter:
    - One or more staff members has been an employee of the Reporter within the last 3 years
    - One or more staff members assisted in the preparation of the Reporter's emissions inventory, or in the provision of any of the prohibited services listed above
    - One or more staff members have a financial interest in the reporting company in excess of \$1,000.

The verification body must determine whether any of the above conditions apply to any of the staff it has proposed to assign to the verification assessment; these findings must be documented and steps must be taken to remove conflicted staff from a proposed verification team. If alternative qualified staff is unavailable to replace the conflicted staff, the verification body must determine the risk of COI to be high.

In all cases, verification bodies are not allowed to proceed with verification if the risk of COI is high. In cases where there has been no existing business relationship with the Reporter (other than Registry verification) for the previous three years and there are no staff conflicts, the risk of COI will be deemed low. Generally, if prior or existing relationships are not covered under the provisions above, the verification body can consider the risk of a COI to be low.

If unique circumstances exist that are not covered by the provisions above and might otherwise lead to a potential COI or the perception of a COI, the verification body must err on the side of caution and determine the risk of COI to be high; risk must be assessed in a conservative fashion. The verification body must not proceed with engagements in which the risk of COI is considered to be significant.

In such cases where the verification body believes the potential conflict or perception of conflict can be fully mitigated, it may develop a plan for neutralizing the conflict, and proceed with the engagement.

Verification bodies must thoroughly document each case-specific COI assessment, regardless of the determination of the assessment. . If the verification body determines the risk of COI to be high but extenuating circumstances exist that require the verification body to develop a mitigation plan in order to achieve low risk, this plan should also be carefully and thoroughly documented. All assessments of case-specific COI are subject to review by the [accreditation body] and the [Verification Oversight Panel]. In cases where the verification body has countermanded the COI provisions above, the verification body may be subject to sanctions, which could include having its accreditation rescinded.

A verification body may provide verification services to a Registry Reporter for, at most, six consecutive years. The verification body must conduct a case-specific COI assessment each year, prior to commencing its verification activities. Following the assessment made in the first year, subsequent assessments may focus on any changes in the relationship between verification body and Reporter or between verification team staff and the Reporter. After a six-year period, the Registry Reporter must engage a different verification body. The original verification body may not again provide verification services for at least three years. This three-year period is triggered following any lapse in providing annual verification services to a Registry Reporter.

This cycling of verification bodies will help to avoid potential COI situations due to lengthy and ongoing relationships. Also, this guarantees that another firm will review material previously reviewed by another verification body, thus providing another check on the consistency and appropriateness of professional judgments made.

#### Emerging COI

To help avoid a quid pro quo, verification bodies must also monitor their activities (as well as the activities of any related companies) beginning with the signing of the contract, and continuing until one year after the close of the contract.. During this period the verification body must avoid entering into arrangements or relationships that may present a COI, based on the prescriptions provided above (under Case-Specific COI). The monitoring of emerging COI should also be documented thoroughly on an annual basis and may be subject to review by either the [accreditation body] or the [Verification Oversight Panel].

#### Confidentiality

As part of its accreditation process, the [accreditation body] and the Registry will enter into confidentiality agreements with verification bodies and Registry Reporters as necessary to evaluate potential COI (and generally oversee verification).

### 3.3 Negotiating a Contract for Verification Services with a Reporter

After a verification body has been selected by a Reporter, the two parties should negotiate and complete contract terms. This contract is exclusively between the Reporter and the verification body, and the particulars of any given contract are at the discretion of the two parties. However, contracts for verification services typically include the following components:

- **Scope of the Verification Process.** This component of the contract should outline the exact geographic and organizational boundaries of the Reporter's emissions inventory to be examined. This will generally match the boundaries used in the GHC Emission Report to the Registry. This scope should identify whether the Reporter has used the financial control, operational control, and/or equity share to determine organizational boundaries.

See General Reporting Protocol Chapter 3, Organizational Boundaries

- **Confirmation of Accredited Verification Body** . This is a simple statement that the verification body has been approved by both the [accreditation body] and the Registry to verify Emission Reports covering the scope listed above.
- **Verification Standard**. Verification bodies must verify Reporters' GHG Emission Reports against the Registry's General Reporting Protocol using the process outlined in this General Verification Protocol. ISO 14064-3 should also be indicated as a standard for verification. However in cases where its requirements could prohibit the verification body from complying with this General Verification Protocol, the latter should take precedence. Some Reporters may wish to use their GHG Emission Report for additional purposes such as, registering in another registry, satisfying mandatory reporting requirements, participating in emissions trading schemes, crediting programs, etc. If so, they may add additional requirements into their contract for verification.
- **Non-disclosure Terms**. The verification body and the Reporter should agree in advance on methods for identifying and protecting proprietary and confidential business data that may be revealed during verification.
- **Site Access**. The verification body and the Reporter should agree in advance to the conditions of the verification body's site visits
- **Documentation and Data Requirements**. The verification body and Reporter should agree on how and when the Reporter will provide activity and emissions data to the verification body. The range of required documentation will largely be determined by the size and complexity of Reporter operations, and whether the Reporter has used the online calculation tools available through CRIS.
- **Period of Performance**. The period of performance for verification services may be up to six years. Where a Reporter's operations do not significantly change from year to year, the reporter may wish to work with a verification body on a three-year cycle. However, the Reporter has discretion as to whether to sign a one- or multi-year contract.
- **Performance Schedule**. Reporters and verification bodies may wish to agree on a schedule to complete the verification process and for the verification body to deliver a Verification Report and Verification Opinion by the due date of **Dec. 1** of the year following the reporting year.
- **Payment Terms**. Typical payment terms include total value, schedule of payments, and method of payment (e.g., electronic funds transfer).
- **Re-verification Terms**. If the verification body identifies material misstatements, the Reporter may choose to revise its GHG Emission Report. At that time, the Reporter may ask the verification body to re-verify the portions of the report with material misstatements or seek verification from another provider. Contracts should also specify the length of time a Reporter will have to correct material misstatements. *A verification body may not provide guidance, technical assistance, or implementation work on the remediation of material misstatements, as this constitutes consulting services and results in a COI.*
- **Liability**. All verification bodies are subject to minimum liability associated with completing the verification per the terms of the verification contract. The Reporter

See Part 5  
Sample Verification  
Opinion

may require and the verification body may agree to additional liability under this contract.

- **Contacts.** Parties should identify technical leads for the Reporter and verification body, as well as responsible corporate officials of each party.
- **Dispute Resolution.** Both parties must state their consent to submit irreconcilable differences for review to the [Verification Oversight Panel].
- **Acknowledgement of [accreditation body] and [Verification Oversight Panel] Site Visits.** Both parties must sign an acknowledgement that the [accreditation body] and the [Verification Oversight Panel] may occasionally accompany a verification body for purposes of monitoring the verification process.

See Part 3.5  
Notification of  
Planned Verification  
Activities

A standardized contract will be developed by the Registry and the batch verification body each year; eligible Reporters *must* use this standard contract if they wish to utilize the batch verification process.

Please contact the Registry's hotline XXXXXXXXX if you have any questions regarding batch verification.

### 3.4 Assembling the Verification Team

During the accreditation process, verification firms must identify all staff members who will be designated verifiers for the Registry, including lead verifiers. Upon becoming an accredited verification body, a firm may add or delete verification staff to its roster, but must maintain the Registry's minimum staffing requirements [to be specified as details of accreditation are developed]. Additionally new staff must meet the personnel qualifications of the [accreditation body]. This will be assessed as part of the regular accreditation cycle.

The verification body must meet the following requirements when assembling the verification team:

1. The team must be assembled prior to the commencement of a verification engagement.
2. The team must include at least one lead verifier.
3. All team members must be on the verification body's roster of designated verifiers for the Registry.
4. All team members must be clearly identified in the verification body's documentation of the engagement, including the Verification Report.

#### 3.4.1 Using Experts or Subcontractors

In some cases, the verification body may not have the in-house expertise needed to verify emissions from some of the types of sources owned or controlled by a particular Reporter. In such cases, the verification body may add an expert subcontractor(s) and/or individual outside expert(s) to the verification team.

The verification body must ensure that any use of outside experts or subcontractors meet the following requirements:

- Subcontractor(s)/expert(s) must, in all cases, work under the direction of the verification body's lead verifier for the verification effort;
- Experts and subcontractors hired for specific verification efforts should possess the competence and expertise needed to perform their specific assignments;
- Experts and subcontractors must be characterized by integrity, objectivity, and freedom from any COI with either the verification body or the reporter.<sup>2</sup> These team members are subject to the same COI provisions as team members that are employees of the verification body; and
- The verification body must clearly identify in all documentation related to the engagement, including the Verification Report, any subcontractors that are part of the verification team.

### 3.5 Notification of Planned Verification Activities

After verification bodies and Reporters have completed contract terms, the verification body must notify both the Registry and the [accreditation body] at least 10 business days prior to the beginning of verification activities, using the *Notification of Verification Activities Form*. [Note: the Registry intends to provide a copy of the Verification Notification Form in the final version of the GVP.]

Notification must include the following:

- Verification body information;
- Reporter information;
- Year(s) and types of greenhouse gas emissions data being verified;
- Schedule of verification activities; and
- Names of verification team members conducting the verification activities.

Notification should be sent by email to:

[email address], and  
[email address]

This notification period is necessary to allow the [accreditation body] and the [Verification Oversight Panel] the opportunity to occasionally accompany verification bodies on visits to Reporters' sites. The [accreditation body] is charged with observing, evaluating, and reporting on the quality and consistency of verification activities to the [Verification Oversight Panel]. However, the [Verification Oversight Panel] also has the authority to participate directly in such observation if it deems necessary. A verification body that does not provide

<sup>2</sup> ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, p. 14.

proper notification to the Registry and the [accreditation body] may be disqualified as an approved verification body.

### 3.6 Kick-off Meeting with the Reporter

After the verification body and the reporter have completed the contract terms and the verification body has notified the Registry and [accreditation body] of planned verification activities, the verification body should conduct a kick-off meeting with Reporters. At a minimum, the agenda for that meeting should include:

1. Introduction of the verification team;
2. Review of verification activities and scope;
3. Transfer of background information and underlying activity data (See Table 1); and
4. Review and confirmation of the verification process schedule;

Based on the information provided in agenda items 2 and 3, the verification body should begin to determine the most effective, efficient, and credible detailed verification approach tailored to the particular characteristics of the Reporter.

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## Part 4 Core Verification Activities

### 4.1 Overview

Once verification bodies have completed the preparations for verification, they are ready to begin the core verification activities, consisting of five primary elements:

1. Assessing the conformance of the Emission Report with the Registry requirements;
2. Assessing the completeness of the Emission Report;
3. Performing a risk assessment based on a review of the Reporter's information systems and controls;
4. Selecting a sample of sites to be visited; and
5. Verifying the emission estimates against the verification criteria.

The complete core verification process is illustrated in Figure 1 in Section 1.2.

### 4.2 Developing a Verification Plan

Verification bodies must develop a plan outlining the specific activities to be conducted as part of a verification effort. There are a number of factors that must be considered in developing this plan, including:

**Design of Sampling Plan.** The design of the sampling plan (see preceding section) will determine issues such as which facilities are to be visited or which specific sources and GHGs should be assessed, etc.

**Past Experience with the Reporter.** In addition to the sampling plan, planning of the verification activities should take into account the verification body's past experience with, and understanding of, the Reporter. If for example, the verification body has never performed a verification for the Reporter in the past, and initial interactions with the Reporter's management indicate that the existing control systems are extensive and complex, a significant effort to become familiarized with the control systems will be required, and the verification plan will likely need to include, interviews with the Reporter's personnel capable of explaining the control systems to the verification team. If, on the other hand, the verification body has conducted verifications for the Reporter in the past, and has detailed knowledge of the Reporter's data collection and control systems, this familiarization effort will not be required. Instead, the verification body may need to include activities designed to identify and assess any changes to the Reporter's internal systems since the last verification effort.

**Team Capabilities and Contract Terms/Objectives.** The verification plan must also take into account the number, skills, and roles of the verification team members (including outside experts and subcontractors), the terms of the contract between the verification body and the Reporter, the deadlines associated with the verification effort as a whole and the various reports and other documentation to be delivered to the Reporter and the Registry, and any conditions requiring special attention, such as joint ventures and outsourcing.

See Table 1  
Documents  
to be  
Reviewed  
during  
Verification  
Activities

Based on these factors, the verification planning effort consists of:

1. A preliminary assessment to identify the root causes of actual or potential errors and control system weaknesses;
2. An assessment of past verifications either of the Reporter or of similar organizations in the same industry;
3. An identification of specific risks and types of material discrepancies to which the Reporter is exposed; and, finally,
4. The design of appropriate methodologies to detect for the existence of material discrepancies.

As with the sampling plan, the verification plan should be viewed as dynamic; as new evidence of actual or potential material discrepancies are discovered, the verification body may need to revise the plan to further assess these errors and any underlying weaknesses that may be contributing to them.<sup>3</sup>

### 4.3 Verification Cycle

For Reporters whose operations do not change significantly, verification can be a three-year cycle. In Year 1, the verification body must form a detailed understanding of a Reporter's operations and resulting GHG emissions. If there have been no significant changes in a Reporter's boundaries, GHG emissions sources and/or management systems, the verification body may streamline and expedite the verification activities in Years 2 and 3 by focusing on verifying emissions estimates. To ensure data integrity, all of the core verification activities must be completed again in Year 4, followed by streamlined activities in Years 5 and 6.

The minimum core verification activities for each year are:

**Year 1: Identify Facilities and Emission Sources, Review Management Systems, Verify Emissions Estimates**

**Year 2: Verify Emissions Estimates**

**Year 3: Verify Emissions Estimates**

**Year 4: Identify Facilities and Emission Sources, Review Management Systems, Verify Emissions Estimates**

**Year 5: Verify Emissions Estimates**

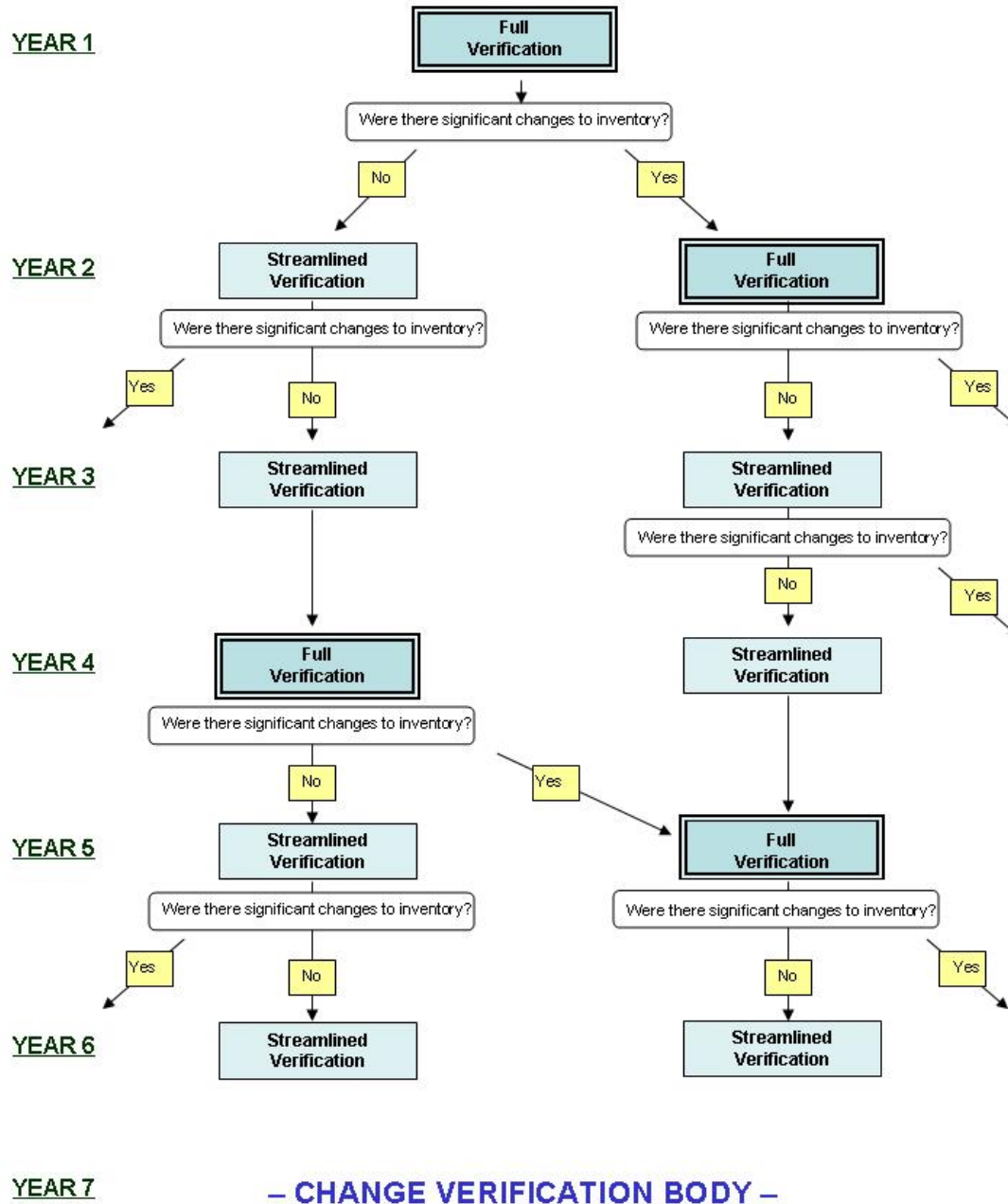
**Year 6: Verify Emissions Estimates**

**Year 7: CHANGE VERIFICATION BODY**

Figure 3 illustrates the verification cycle for a verification body with a six-year contract.

<sup>3</sup> ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, pages 19-21.

Figure 3. Verification Cycle for a Verification Body with a Six-Year Contract



## 4.4 Implementing the Verification Plan

Verification bodies must verify that the Annual GHG Emission Reports submitted to the Registry via CRIS meet the standards of the General Reporting Protocol. Thus, verification bodies must confirm that:

1. The Reporter has reported all emissions for each and every facility in the U.S., Canada and Mexico,<sup>4</sup> broken out into the following six categories:
  - a. Indirect emissions from purchased electricity, imported steam, district heating/cooling (i.e., Scope 2 emissions)
  - b. Direct (Scope 1) emissions from:
    - i. Mobile combustion
    - ii. Stationary combustion
    - iii. Process activities
    - iv. Fugitive emissions
  - c. Direct biogenic emissions of CO<sub>2</sub>.
2. At least 95% of total emissions were calculated using the methodologies prescribed in the GRP. No more than 5% of emissions were calculated using simplified estimation methods not prescribed in the GRP.
3. All emissions from all six greenhouse gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>) are reported.<sup>5</sup>
4. All worldwide emissions are identified separately from the rest of a Reporter's U.S., Canadian and Mexican emissions, where the Reporter has chosen to report their worldwide emissions.
5. All emissions were emitted during the calendar year specified.
6. Reported emissions meet the minimum quality standard of 95% accuracy.

To verify that the above conditions hold true, the verification body must review, at a minimum, the documents listed in Table 1.

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<sup>4</sup> Or each and every facility in the state(s), province(s) or tribe(s) selected for reporting by transitional Reporters.

<sup>5</sup> In the case of transitional Reporters, all CO<sub>2</sub> emissions must at a minimum be reported.

### Simplified Estimation Methods

In general, Reporters must use the emission estimation methodologies prescribed in the GRP to compute their emissions. However, to reduce reporting burden and focus efforts on material emissions, the GRP allows the application of alternative simplified estimation methods for small emission sources with difficult to calculate emissions. The sum of emissions estimated using such simplified methods cannot exceed 5% of an organization's total emissions on a CO<sub>2</sub> equivalent basis.

Reporters have discretion in choosing which sources and/or GHGs to estimate using simplified methods, as long as the 5% threshold is not exceeded and established calculation methodologies do not exist. Verification bodies must undertake the following steps to verify the use of simplified methods:

1. Review Reporters' documentation and explanations of how emissions were calculated to confirm that not more than 5% of total emissions have been estimated using simplified methods not prescribed in the GRP.
2. Review any simplified estimation methods used to ensure that they are appropriate to the emissions source(s) to which they have been applied, and that the resulting emission estimates are reasonable.
3. Include emissions computed using simplified methods in the verification body's assessment of materiality. The reporter must correct these emission estimates must be corrected if they are found to contribute to material misstatements.

It is possible that the discovery of material misstatements not attributable to simplified estimation methods may nonetheless necessitate a revision to the emission sources estimated using such methods. In particular, if the correction of material misstatements results in a *reduction* in an entity's total reported emissions, it may be necessary to re-estimate emissions using GRP-prescribed methodologies for some sources that were originally estimated using simplified estimation methods. Such re-estimations will be necessary if the sum of emissions estimated using simplified methods exceed 5% of the downwardly revised total entity emissions.

If the verification body discovers a material misstatement(s) that will necessitate a downward revision in the Reporter's total entity emissions, the verification body must, in both the Verification Report and the Exit Meeting, alert the Reporter to the need to review and possibly revise the sources eligible to be estimated using simplified, non-GRP prescribed methods based on the corrected entity emissions total.

| <b>Table 1. Documents to be Reviewed During Verification Activities</b>               |   |
|---|---|
| <b>Activity or Emissions Source</b>   | <b>Documents</b>  |
| <b>Assessing Conformance with the Registry's Requirements</b>                         |   |
| General Conformance Assessment  | Emission Report, the Registry's General Reporting Protocol  |
| Mergers, Acquisitions, Divestitures   | Annual Report to Shareholders, SEC Filings  |
| <b>Assessing Completeness of Emissions Report</b>                                     |   |
| Comprehensive Coverage of Facilities  | Facility Inventory  |
| Comprehensive Coverage of Emission Sources  | Emission Source Inventory<br>Stationary Source Inventory<br>Mobile Source Inventory<br>Fuel Inventory   |
| <b>Performing Risk Assessment Based on Review of Information Systems and Controls</b> |   |
| Responsibilities for Implementing GHG Management Plan                                 | Organization Chart, Greenhouse Gas Management Plan, GHG Management Documentation and Retention Plan   |
| Training  | Training Manual, Procedures Manual, Consultant Qualifications Statement   |
| Methodologies   | Control Systems Documentation, Software/Program Documentation and Users' Guides, any other Protocol's used (in addition to the Registry's General Reporting Protocol) |
| <b>Selecting a Sample</b>   |   |
| Sample Size and Selection   | Facility Inventory and Emission Source Inventory  |
| <b>Verifying Emission Estimates Against Verification Criteria</b>                     |   |
| Indirect Emissions from Electricity Use   | Monthly Electric Utility Bills, Emission Factors (if not default)   |
| Direct Emissions from Mobile Combustion   | Fuel Purchase Records, Fuel in Stock, Vehicle Miles Traveled, Inventory of Vehicles, Emission Factors (if not default)  |
| Direct Emissions from Stationary Combustion   | Monthly Utility Bills, Fuel Purchase Records, CEMs Data, Inventory of Stationary Combustion Facilities, Emission Factors (if not default)                             |
| Indirect Emissions from Cogeneration  | Monthly Utility Bills, Fuel and Efficiency Data from Supplier, Emission Factors (if not default)  |
| Indirect Emissions from Imported Steam  | Monthly Utility Bills, Fuel and Efficiency Data from Supplier, Emission Factors (if not default)  |
| Indirect Emissions from District Heating  | Monthly Utility Bills, Fuel and Efficiency Data from Supplier, Emission Factors (if not default)  |
| Indirect Emissions from District Cooling  | Monthly Utility Bills, Fuel and Efficiency Data from Supplier, Emission Factors (if not default)  |
| Direct Emissions from Process Activities  | Raw Material Inputs, Production Output, Calculation Methodology, Emission Factors   |
| Biogenic CO <sub>2</sub> Emissions from Mobile Combustion                             | Fuel Purchase Records, Fuel in Stock, Vehicle Miles Traveled, Inventory of Vehicles, Emission Factors (if not default)  |
| Biogenic CO <sub>2</sub> Emissions from Stationary Combustion                         | Monthly Utility Bills, Fuel Purchase Records, CEMs Data, Inventory of Stationary Combustion Facilities, Emission Factors (if not default)                             |
| <b>Direct Fugitive Emissions</b>  |   |
| Refrigeration Systems   | Refrigerant Purchase Records, Refrigerant Sales Records, Calculation Methodology, Emission Factors  |
| Landfills   | Waste-in-Place Data, Waste Landfilled, Calculation Methodology, Emission Factors  |
| Coal Mines  | Coal Production Data Submitted to EIA, Quarterly MSHA Reports, Calculation Methodology, Emission Factors  |
| Natural Gas Pipelines   | Gas Throughput Data, Calculation Methodology, Emission Factors  |
| Electric Transmission and Distribution  | Sulfur Hexafluoride Purchase Records, Calculation Methodology, Emission Factors   |

The following sections describe the five main steps involved in the verification effort. They are:

1. Assessing conformance with the Registry's requirements
2. Assessing completeness of Emission Report
3. Performing risk assessment based on review of information systems and controls
4. Selecting a sample/Developing a sampling plan
5. Verifying emission estimates against verification criteria.

Verification bodies must answer the questions listed in the following subsections during each step of the verification process. These questions are also compiled into a checklist (found in Part 4: Table 6 of this document). This checklist must be submitted to the Registry along with the Verification Opinion to complete verification activities. Electronic versions of this, and all other forms, will be available on the Registry's website (<http://xxxxxxx>) and/or can be requested by emailing [info@theclimateregistry.org](mailto:info@theclimateregistry.org).

#### 4.4.1 Step 1: Assessing Conformance with the Registry's Requirements

As a first step in the verification process, the verification body must determine whether the basic rules governing eligibility to report and data to be reported have been followed. Specifically, the verification body must address the following issues:

- Is the Reporter a legal entity under U.S., Canadian or Mexican law? Is the reporting organization a subsidiary of any other company, and if so is the parent company also a Reporter to the Registry?
- Is the Reporter submitting a transitional report? If so, is the Reporter eligible to submit the report as transitional under the rules established in the GRP?
- If the Reporter has used any simplified estimation methods not prescribed in the GRP, do the emissions estimated using these methods constitute 5% or less of the Reporter's total emissions? Also, are the simplified methods used appropriate, and are the results reasonable?
- Has the Reporter undergone any restructuring (mergers, acquisitions, divestitures), outsourced or insourced any activities, or made any methodological or data changes since its last revision to the base year emissions? If yes, would the cumulative effect of these changes result in a revision to base year emissions in excess of [the GRP-specified threshold]? If yes, has the Reporter revised base year emissions?
- Has the Reporter provided all of the data in addition to emissions data required by the Registry (as specified in Chapter 8 of the GRP)?

#### 4.4.2 Step 2: Assessing Completeness of the Emission Report

Verification bodies must review a Reporter's emission source inventories (facility, source, and fuel) to ensure that all sources are accurately identified. Verification bodies must then determine the GHGs that will result from the identified sources. When the emission source inventory is complete, verification bodies must review the Reporter's GHG Emission Report

and document answers to the following questions, to assess if the GHG Emission Report reflects the geographic, organizational, and operational scope of the Reporter:

1. For Reporters using the equity share approach to defining organizational boundaries, does the GHG Emission Report include all facilities in which the Reporter holds an equity share? If not, why?
2. For Reporters using the financial control approach to defining organizational boundaries, does the GHG Emission Report include all facilities under the financial control of the Reporter? If not, why?
3. For Reporters using the operational control approach to defining operational boundaries, does the GHG Emission Report include all facilities under the operational control of the Reporter? If not, why?
4. Does the report include all facilities within the geographic boundaries of the Reporter? Or, in the case of transitional Reporters, does the report include all facilities within the states, provinces and/or tribes that the transitional Reporter has chosen?
5. Does the report include all applicable types of GHGs from each facility and emission source within the geographic and organizational boundaries of the Reporter? Or, in the case of transitional Reporters, does the report include all emissions of the GHGs that the Reporter has chosen to report (and, at a minimum, CO<sub>2</sub>) from each facility and emission source within the geographic and organizational boundaries of the transitional Reporter?
6. Has the reporting entity included all of its Scope 1 and Scope 2 emissions for each facility? Have the Scope 1 emissions been broken down by source type (stationary combustion, mobile combustion, fugitive, and process)? Have biogenic CO<sub>2</sub> emissions been reported separately from the Scope 1 emissions?

After these questions have been answered, verification bodies will be able to determine if the GHG Emission Report accurately reflects the geographic, organizational, and operational scope of the Reporter.

After identifying all relevant emission sources and GHGs, the verification body must develop a *preliminary* estimate of emissions by source and GHG, as well as an estimate of the level of uncertainty associated with each type of source/GHG. The verification body must use these preliminary emission and uncertainty estimates in the risk assessment and sample selection processes (Steps 3 and 4) to identify the particular facilities, emission sources and GHGs that pose the greatest risk of material misstatements.

Once the verification body has identified all facilities and emission sources, and developed preliminary emission and uncertainty estimates, it may proceed to Step 3 to perform the risk assessment.

#### 4.4.3 Step 3: Performing Risk Assessment Based on Review of Information Systems and Controls

After confirming the scope and comprehensiveness of the Reporter's emission sources, verification bodies must review the methodologies and control systems that the Reporter used to calculate their emissions. This is principally a risk assessment exercise, in which the verification body must weigh the following factors:

- The relative complexity of the scope of the Reporter's emissions;
- The Reporter's data collection and control systems used to prepare the GHG Emission Report; and
- The risk of calculation error as a result of reporting uncertainty or misstatement.

Through these assessments, the verification body must determine the capability of the control systems to provide required data to the Registry. For example, the absence of a comprehensive GHG control system for a Reporter with a single retail outlet and solely indirect emissions from electricity purchases may not add significant risk of material misstatement. In contrast, a large vertically-integrated manufacturing company with facilities in 31 states would require a much more robust information and control system for tracking and reporting its GHG emissions.

At this step in the verification process (Step 3), the verification body must review information systems and controls at the broad organizational level, with a goal towards identifying potential areas of significant risk. Detailed reviews of information systems and controls, designed to detect specific material discrepancies, are not required at this point in the process; the verification body must undertake such reviews later, as part of Step 5.

A verification body's general review of a Reporter's GHG control systems must document answers to the following questions:

1. Are calculation methodologies/procedures used to manage GHG emissions at the source level? Are they appropriate given the uncertainty/risk associated with the emissions? Are these methodologies/procedures included among the methodologies/procedures described in the GRP? If not, why? If a non-GRP methodology/procedure has been used because the GRP does not provide a methodology/procedure for the particular emission source under consideration, is the methodology/procedure that was used an industry standard for this source type?
2. Does the Reporter use appropriate methods to manage and implement entity-wide GHG emissions reporting programs? If the Reporter has more than one facility, are the emissions data correctly monitored?
3. Is someone responsible for managing and reporting GHG emissions? Is this individual qualified to perform this function?
4. Is appropriate training provided to personnel assigned to GHG emissions reporting duties? If the Reporter relies on external staff to perform required activities, are the contractors qualified to undertake such work? Is there internal oversight to assure quality of the contractor's work?
5. Are appropriate documents created to support and/or substantiate activities related to GHG emissions reporting activities, and is such documentation retained appropriately? For example, is such documentation maintained through reporting plans or procedures, utility bills, etc.?
6. Are the mechanisms used to measure and review the effectiveness of GHG emissions reporting programs appropriate for this purpose? For example, are policies, procedures, and practices evaluated and updated at appropriate intervals?

Verification bodies must also consider how Reporters' information and control systems are designed to support reporting at the facility level, for the six categories of emission sources

(Scope 1 mobile, Scope 1 stationary, Scope 1 process, Scope 1 fugitive, Scope 2, and direct biogenic CO<sub>2</sub>). Consequently, in reviewing a Reporter's Total Emission Report, verification bodies must document answers to the following questions:

1. Does the control system capture the diversity of the sources that comprise each emission category? For example, are there multiple types of vehicles and other transportation devices that require different emission estimation methodologies?
2. Does the control system capture all the diversity of GHGs emitted from each emission source category?
3. Has the Reporter used the emission factors, GWPs and standardized estimation methods in the Registry's General Reporting Protocol to calculate emissions in each source category? Are the methodologies, data sources and emission factors documented and explained appropriately? Has the Reporter correctly documented the GRP's tier ranking (e.g., Tier A, Tier B) of each methodology used? For small sources for which non-GRP prescribed simplified estimation methods been used, are these methods adequately documented?
4. Do the Reporter's GHG information and control systems appropriately track emissions in all of the emission source categories?

Methods used by Reporters for checking GHG information can be categorized as either input, transformation or output controls:

- Input controls involve checking the data from the measured or quantified values to a hard copy.
- Transformation controls involve error checking during collating, transferring, processing, calculating, estimating, aggregating, disaggregating or adjusting input data.
- Output controls refer to error checking during the distribution of GHG information, as well as consistency checks between input and output information.

The verification body must review the GHG information and control systems to determine the existence and adequacy input, output, and transformation error checking routines. Table 2 summarizes specific error checking tests and controls that might be used by the Reporter; these tests and controls should be reviewed by the verification body.

In addition to reviewing the Reporter's input, output, and transformation error checking processes, the verification body should assess:

- The existence and adequacy of the Reporter's processes for checking for errors that may occur when information is transferred between different systems;
- The existence and adequacy of processes for the periodic comparisons and reconciliation of emissions data with other Reporter data (e.g., are the emission estimates as expected given production and capacity utilization data?); and
- The existence and adequacy of internal audits and management reviews.<sup>6</sup>

<sup>6</sup> ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, p. 24.

**Table 2. Tests and Controls for Potential Error Checking**

| <b>Error Checking Categories</b>  | <b>Possible Tests and Controls</b>   |
|---|--|
| Input Controls (Procedures for checking data from measured or quantified values to a hard copy)   | Record counts<br>Valid character tests<br>Missing data tests<br>Limits and Reasonableness Tests<br>Error resubmission controls       |
| Transformation Controls (Error checking procedures during the processes of collating, transferring, calculating, aggregating, disaggregating, adjusting, and otherwise processing input data) | Blank tests<br>Consistency tests<br>Cross-checking tests<br>Limits and reasonableness tests<br>File controls<br>Master file controls |
| Output Controls (Error checking during the output and distribution of GHG information)  | Output distribution controls<br>Input/output tests   |

Source: Adapted from ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, p. 24.

Once the verification body has assessed the overall risk associated with the GHG information and control systems, it must assess these risks should be assessed in conjunction with the preliminary emission and uncertainty estimates it derived as part of Step 2 (Assessing Completeness of Emission Report). Verification bodies must then identify the areas with the greatest potential for material misstatements (either based on volume of emissions, lack of control systems, or both) to determine the best risk-based strategy to identify a representative sample of emissions to recalculate.

#### 4.4.4 Step 4: Selecting a Sample / Developing a Sampling Plan

Verification bodies must apply the verification activities consistently for all Reporters. However, it is not cost-effective to attempt a verification of all of the emissions data provided in an Emission Report. Rather, the verification body must choose a sample of the data must be chosen for detailed evaluation. The risk-based approach to verification involves focusing on those emission sources, facilities, data systems and processes that pose the greatest risks as sources of material discrepancies. Thus while the general approach to verification activities must be the same across Reporters, the verification body must tailor a specific verification sampling plan must be tailored to each individual Reporter. This plan should be based on a review designed to identify the specific sources of potential errors for a given Reporter, and an assessment of the risk of material discrepancies arising from each identified potential error source.

ISO14064-3 identifies the typical steps involved in the development of a risk-based sampling plan as follows:

- Review and assess the scale, complexity and nature of the reporting organization
- Identify the key inherent risks, including, e.g.:

- Incompleteness (e.g., failure to account for all emission sources, inaccurate delineation of organizational boundaries, etc.);
- Inaccuracies (e.g., incorrect emission factors, data transfer errors); and
- Inconsistencies (e.g., failure to document changes in emission calculation methodologies from one year to the next).
- Review and assess the control risks which arise from weaknesses in a reporter's control system in place for preventing and detecting errors). Control risks may include:
  - Insufficient checking of manual data transfers;
  - Lack of internal audit processes;
  - Inconsistent monitoring; and
  - Failure to keep meters calibrated and maintained.
- Identify residual risks.
- Include residual risks in the sampling plan for audit investigation.

Based on the above review of risks, sampling should focus on those areas of the organization subject to the greatest inherent, control, and residual risks. Samples may be selected based on one or more of the following:

- Organizations (e.g., subsidiaries);
- Facilities;
- Sources; and
- GHG types.

The sampling plan should be viewed as dynamic rather than static, to be revised based on early feedback. For example, if early verification findings indicate that inherent and control risks (and hence residual risk) are particularly significant at one subsidiary, this may indicate a need to increase the number of facilities sampled for that particular subsidiary.<sup>7</sup>

Sampling procedures generally entail conducting site visits. However, if a Reporter meets the eligibility requirements for batch verification (regardless of whether or not the reporter chooses to utilize the batch verification option) site visits are not required or expected. In either case, the verification must include a more detailed investigation of a sample of emissions estimates. These may involve:

- Assessing data control systems at the facility level;
- Reviewing documents such as utility bills or emissions monitor results;
- Recalculating emission estimates based on underlying activity data; and

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<sup>7</sup> ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, pages 18, 21-22.

- Generally attempting to detect material discrepancies by gathering different types of evidence.

In Table 3, the Registry specifies the minimum number of facilities that should be visited based on the size of the entity.

The verification body must use professional judgment to assess if additional visits beyond the minimum number specified in Table 3 are needed. In making this assessment, the verification body must consider the nature and homogeneity of the different facilities. In general, the more complex the Reporter's organization, the more site visits may be needed. In cases where a Reporter is characterized by a set of homogeneous facilities (e.g., a large retail operation), the minimum number of site visits specified in Table 3 may suffice. On the other hand, if the Reporter's facilities are more complex and differ substantially from each other additional site visits beyond the minimum may be necessary. For example, the number of site visits required for an integrated concrete producer with 30 facilities including quarries, treatment plants and cement plants may be significantly larger than the number of visits for a Reporter consisting of 30 fast-food franchises.

Once the verification body has determined the sample size, it must independently select the specific sites to be visited, without recommendation from the Reporter. The verification body should not necessarily visit the largest sites, but should rather select site visits on the basis of the verification body's risk assessment.

**Table 3. Minimum Number of Sites to Be Visited Based on Reporter Size**

| Total Sites | Minimum Sample Size |
|-------------|---------------------|
| 1-3         | 1                   |
| 4-10        | 2                   |
| 11-25       | 3                   |
| 26-50       | 6                   |
| 51-100      | 8                   |
| 101-250     | 12                  |
| 251-500     | 15                  |
| 501-1,000   | 20                  |
| Over 1,000  | 2%                  |

#### 4.4.5 Step 5: Verifying Emission Estimates Against Verification Criteria

The Registry does not expect nor require verification bodies to review all of the Reporters' documents and recheck all their calculations. To ensure that data meet a minimum quality standard on an entity-wide basis, verification bodies should concentrate their activities in the areas that have the greatest uncertainty and amount of emissions. Verification bodies must calculate emissions for these sources and compare those calculations to emission levels reported by the Reporter. If they are free of material misstatement (have a difference of <5%), the verification body will declare that the Reporter's report conforms to the Registry's Protocols.

The verification of emission estimates involve several parts, including:

**Gathering of Evidence.** The verification body must begin the emission estimate verification process (Step 5) by gathering all of the evidence that it will use to check the

emission estimates. Specific evidence to be gathered generally falls into three separate categories:

- Physical evidence, which can be gathered through direct observation of equipment (e.g., fuel meters, CEMs, and calibration equipment) during site visits;
- Documentary evidence (e.g., control and procedures manuals, invoices, log books, and laboratory test results, etc.); and
- Testimonial evidence gathered through interviews with Reporter personnel.

Examples of the specific types of data and information to be gathered and reviewed during the verification effort are provided in Table 4.

**Detailed Review of GHG Data.** Once the verification body has collected the necessary evidence, it can begin the detailed reviews of the GHG data. These reviews should be undertaken with the goal of identifying material discrepancies.

Using the data in Table 4, the verification body should employ a variety of verification tests and crosschecking to detect material discrepancies, including:

- Retracing data from spreadsheets back to their sources;
- Recomputing emission estimates to check original calculations; and
- Reviewing documentary evidence to check that inspections, calibrations, etc., were completed.

**Crosschecking of GHG Calculations.** The verification body must crosscheck GHG calculations whenever the reporter used more than one computational approach or raw data source. Types of crosschecks that may be employed include:

- Internal checks within a process;
- Internal checks within an organization;
- Checks within an industry or sector; and
- Checks against international information.<sup>8</sup>

For example, if a Reporter's U.S. emissions represent 5 percent of the total U.S. emissions for the Reporter's industry or sector (as estimated in national emission inventories such as those published by the U.S. Environmental Protection Agency), but the Reporter's share of total industry production is 50 percent, this may indicate the existence of large material discrepancies in the Emission Report. Similarly, if a particular facility accounts for 10 percent of the Reporter's production and 50 percent of the entity-level emissions, this may indicate an error in the emissions data for the facility.

**Evaluating Material Discrepancy.** In order to assess whether individual identified discrepancies rise to the level of a material discrepancy, the verification body must convert its emission estimates for different GHGs to a CO<sub>2</sub> equivalent basis, using the GWPs presented in Table 5. Then, the verification body must sum its own emission

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<sup>8</sup> ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, pages 25-26.

estimates to the entity level, and compare the results with the reported entity-level emissions to determine if a material discrepancy has occurred.

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Table 4. Examples of Information to be Reviewed During Verification

| GHG Emission Sources             | Examples of Types of Information   |
|----------------------------------|--|
| Stationary and Mobile Combustion | Fuel type<br>Quantity of fuel consumed<br>Type(s) of GHGs emitted<br>Combustion efficiency<br>Oxidation factor<br>GWPs used for each GHG emitted<br>Calibration of equipment   |
| Process                          | Emissions source<br>Hours of operation or quantity of output<br>Uncontrolled GHG emissions (and their GWPs)<br>Control equipment efficiency and reliability<br>Net emissions per hour of output or unit of production<br>Chemical analytical laboratory methods and records<br>Results from CEMs |
| Fugitive                         | Stream compositions<br>Leak test results or maintenance practices<br>Types of equipment and equipment counts<br>Emissions history<br>Chemical analytical laboratory methods and records<br>GWPs for each type of GHG emitted   |
| Scope 2 (Indirect)               | Generating sources<br>GHGs emitted as function of kWh generated<br>T&D losses<br>kWhs consumed<br>Steam, heat and cooling import quantities  |

Source: Adapted from ISO-14064-3, *Greenhouse Gases – Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions*, Final Draft, 2005, p. 27.

**Table 5. Global Warming Potentials from the IPCC's Second and Third Assessment Reports**

| Greenhouse Gas  | GWP    |
|---|--------|
| CO <sub>2</sub>   | 1      |
| CH <sub>4</sub>   | 21     |
| N <sub>2</sub> O  | 310    |
| HFCs:   |        |
| HFC-23  | 11,700 |
| HFC-32  | 650    |
| HFC-41  | 150    |
| HFC-43-10mee  | 1,300  |
| HFC-125   | 2,800  |
| HFC-134   | 1,000  |
| HFC-134a  | 1,300  |
| HFC-134   | 300    |
| HFC-143a  | 3,800  |
| HFC-152   | 43*    |
| HFC-152a  | 140    |
| HFC-161   | 12*    |
| HFC-227ea   | 2,900  |
| HFC-236cb   | 1,300* |
| HFC-236ea   | 1,200* |
| HFC-236fa   | 6,300  |
| HFC-245ca   | 560    |
| HFC-245fa   | 950*   |
| HFC-365mfc  | 890*   |
| PFCs:   |        |
| CF <sub>4</sub>   | 6,500  |
| C <sub>2</sub> F <sub>6</sub>   | 9,200  |
| C <sub>3</sub> F <sub>8</sub>   | 7,000  |
| C <sub>4</sub> F <sub>10</sub>  | 7,000  |
| C <sub>4</sub> F <sub>8</sub>   | 8,700  |
| C <sub>5</sub> F <sub>12</sub>  | 7,500  |
| C <sub>6</sub> F <sub>14</sub>  | 7,400  |
| SF <sub>6</sub>   | 23,900 |
| Sources: These GWPs are from the Intergovernmental Panel on Climate Change's (IPCC) Second Assessment Report (SAR) published in 1995, with the exception of those GWPs denoted with an asterisk (*), which are from the IPCC's Third Assessment Report (TAR) published in 2001. |        |

**Estimate Total Emissions and Document Findings.** If the reported data is not free of material misstatement, the verification body must document its findings in its Verification Report and should complete its sampling effort of other sources. Once verification bodies have estimated emissions for all facilities and emission sources included in the sample, they should estimate total entity emissions and compare their results with the entity-level emissions in the Reporter's Emission Report. Differences may be classified as either material (significant) or immaterial (insignificant). A discrepancy is considered to be material if the overall reported emissions differ from the overall emissions estimated by the verification body by 5% or more. A difference is immaterial if this difference is less than 5%.

### Online Reporting and Verification

All Reporters must *report* their emissions using the Registry's on-line calculation tool (CRIS). Reporters may also opt to use CRIS to *calculate* their emissions from various types of indirect emissions and direct emissions from stationary and mobile combustion. Where Reporters have used CRIS to calculate their emissions, the verification body must verify that the reporter collected input data properly and entered it accurately into CRIS. The verification body should assume CRIS' calculations are correct. Therefore, there is no need to re-calculate the emissions. Due to the time savings, a Reporter can reduce the costs and time required to complete the verification process by calculating emissions in CRIS.

It is the Reporter's responsibility to provide the verification body with access to CRIS. A verification body will have read-only access to the Reporter's Total Emissions Summary, which provides a detailed summary of all the information that the Reporter has reported.

Additional instructions for navigating and using CRIS is provided in the [Registry's verification training workshops](#) and can be obtained by contacting the Registry at [\[phone number\]](#) or [\[email address\]](#). Verification bodies may also request temporary access to CRIS for training purposes by contacting the Registry.

## 4.5 Oversight by the Registry

[NOTE: The details of the oversight process and the [Verifications Oversight Panel's] interaction with the [accreditation body] are still being developed.] The Registry's [Verification Oversight Panel] is appointed by and reports to the Audit and Ethics Committee of the Registry's Board of Directors. The [Verification Oversight Panel] has a number of responsibilities, including:

- High level oversight of accreditation;
- Assessing and maintaining the quality and consistency of verification;
- Recommending ways to refine the verification process;
- Sanctioning verification bodies if necessary; and
- Resolving disputes between verification bodies and Reporters.

In fulfillment of these responsibilities, the [Verification Oversight Panel] will work closely with the [accreditation body].

In order to ensure the quality and consistency of the verification process itself, the [Verification Oversight Panel] may undertake the following activities:

- Observe surveillance audits of the verification body conducted by the [accreditation body];
- Observe verification bodies in the process of conducting engagements; or
- Conduct ex-post evaluations of verification activities.

The [Verification Oversight Panel] may send a Registry employee or a contractor to accomplish these former functions.

The [Verification Oversight Panel] will also rely on the [accreditation body] to undertake the following activities:

- Observe and assess the quality and consistency of verification bodies in carrying out their activities or to evaluate on an ex-post basis; and
- Report the results of its surveillance audits (conducted in the middle of an accreditation cycle), witness audits (conducted during the course of a verification body's engagement) and other assessments of verification activities to the [Verification Oversight Panel] on a regular basis.

When exercising these oversight functions, both the [Verification Oversight Panel] and the [accreditation body] may need to access the same information and sources as that of the verification body. The Registry and the [accreditation body] will work with the verification body and Reporter to obtain this access. Types of information to be accessed may involve:

- Requesting access to on-site locations that may have GHG emission sources or related activities, Reporter information, data, records, or copies of records;
- Observing verifiers during any exchange of Reporter data or data analyses; and/or
- Asking the verification body to provide specific information related to their on-site and off-site data analyses.

The [Verification Oversight Panel] and [accreditation body] will make arrangements with the Reporter as necessary to maintain the confidentiality of such information. The [Verification Oversight Panel] and [accreditation body] will also make every effort to avoid impeding the normal activities of either the Reporter or the verification team. All costs for any site visits conducted by the [Verification Oversight Panel] will be borne by the Registry.

## 4.6 Verification of Transitional Reporters

The GRP provides Reporters with a time limited option to report less than complete emissions data during their first two years of participation in the Registry. Reporters that choose to utilize this option will be called "transitional Reporters." Transitional Reporters may choose to limit their reports to fewer than all six GHGs (but must report CO<sub>2</sub> emissions from stationary combustion sources at a minimum). Furthermore, transitional Reporters may choose to limit their reports to one or more countries, states, provinces, or tribes (but they must report comprehensively for the geographic areas chosen). Transitional reporting is allowed for no more than 2 years of data.

If a Reporter chooses to report on a transitional basis, the verification body must first check the eligibility requirements set forth in the GRP to make sure that the Reporter is in fact eligible to submit a transitional report. The verification body should then check to make sure that the Reporter has met the minimum reporting requirements for either reporting year or historical transitional reporting.

Beyond these eligibility and reporting requirements checks, the verification process for transitional Reporters is essentially the same as for other Reporters. The only difference is the scope of the verification which, for transitional Reporters, is limited to those geographic regions and GHGs that the Reporter has chosen to include in the Emission Report.

# Part 5 Completing the Verification Process

## 5.1 Overview

Once a verification body has completed reviewing a Reporters' annual GHG Emission Report, they must do the following to complete the verification process:

1. Complete a detailed Verification Report, and deliver it to the Reporter;
2. Prepare a concise Verification Opinion, and deliver it to the Reporter;
3. Conduct an Exit Meeting with the Reporter to discuss the Verification Report and Verification Opinion and determine if material misstatements (if any) can be corrected. If so, the verification body and Reporter should schedule a second set of verification activities after the Reporter has revised the GHG Emission Report;
4. Forward the authorized Verification Opinion and Verification Activities Checklist to the Registry;
5. Complete the verification form in CRIS to notify the Registry of the Reporter's verified status; and
6. Return important records and documents to Reporters for retention.

The following subsections outline how the verification body must accomplish each of these steps.

## 5.2 Completing a Verification Report

### 5.2.1 Verification Report Contents

The Verification Report is typically shared only between a verification body and a Reporter. In some cases the [accreditation body] and the [Verification Oversight Panel] may request to review the Verification Report. In these cases, the Verification Report will be treated as a confidential document. No part of it will be made available to the public or to any person or organization outside of the [oversight body].

At a minimum, the Verification Report should include the following elements:

- The scope of the verification process undertaken and description of the verification plan employed for the Reporter;
- The standard used to verify emissions (this is the Registry's General Reporting Protocol, but may also include other protocols or methodologies for those sources for which the Registry has yet to provide detailed guidance);
- A description of the verification activities, based on the size and complexity of the Reporter's operations;
- A list of facilities and emissions sources identified, including sources estimated using simplified methods not prescribed in the GRP;

- A description of the sampling plan as well as techniques and risk assessment methodologies employed for each source;
- An evaluation of whether the Reporter's annual GHG Emission Report is in compliance with the Registry's General Reporting Protocol;
- A comparison of the Reporter's overall emission estimates with the verification body's overall emission estimates;
- A list of material misstatements, if any;
- A list of immaterial misstatements and log of issues encountered during the verification process, if any; and
- A general conclusion to be reflected in the Verification Opinion forwarded to the Registry.

### 5.2.2 Quality Assurance Check

When the Verification Report is completed, it should be forwarded for a quality assurance check to an independent lead verifier within the verification body, who was not part of the verification team. All Verification Reports must undergo such independent internal reviews before they are forwarded to the Reporters. The Verification Report should include a statement indicating that it was internally reviewed, and identifying the name of the reviewer.

### 5.2.3 Reporter Review of Verification Report

Once a Reporter receives a Verification Report from the verification body, the reporter should have at least 30 days to review and comment on the Verification Report. At the end of that review, the verification body and the appropriate official at the Reporter's organization should hold a meeting to discuss the nature of any material or immaterial misstatements.

## 5.3 Preparing a Verification Opinion

### 5.3.1 Verification Opinion Contents

The verification body must prepare a Verification Opinion using the template shown in Figure 4. The Verification Opinion is a simple confirmation of the verification activities and outcomes. The Registry makes this document available to all stakeholders (Reporters, verification bodies, the Registry, and the public), upon completion of the verification process.

The Verification Opinion must follow the same internal review process as the Verification Report, and consequently must be signed not only by the verification team's lead verifier but also by a second lead verifier who conducted the internal independent review. An electronic version of this template may be obtained at: [web address] or by emailing the Registry at: [info@theclimateregistry.org](mailto:info@theclimateregistry.org).

## 5.4 Core Verification Activities Checklist

In order for the Registry to assess the consistency of the professional judgments used by the verifiers, a verification body must also complete Table 6, Verification Activities Check List, and submit a completed copy to the Registry, along with the Verification Opinion via CRIS.

The Verification Activities Check List includes a step-by-step outline of the standardized verification activities that all verification bodies must consider. Not all activities are required of all Reporters or during each year, depending on a Reporter's specific circumstances, but verification bodies should review this list and note "Not applicable" (or "N/A") where appropriate. The Verification Activities Check List also includes a series of yes/no questions. Any "no" response should be explained separately, without revealing a Reporter's confidential information.

The Registry will consider both the Verification Opinion and the answers in the Verification Activities Check List in its final review of emissions data, before accepting an Emission Report into the Registry. An electronic version is available from the Registry by emailing [\[email address\]](#).

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Figure 4. Sample Verification Opinion

**The Climate Registry**  
**Verification Opinion**

**Name of Verification Body** \_\_\_\_\_

This is to verify that \_\_\_\_\_ has had its GHG Emission Report covering the period \_\_\_\_\_ to \_\_\_\_\_ verified according to The Climate Registry's General Verification Protocol against a standard of the Registry's General Reporting Protocol.

**Geographic Scope of Verification**

\_\_\_\_\_ U.S., Canada and Mexico Emissions

\_\_\_\_\_ Worldwide Emissions

\_\_\_\_\_ Other (for Transitional Reporters only)

**Verification Opinion**

\_\_\_\_\_ Verified without Qualification

\_\_\_\_\_ Unable to Verify

**Base Year**

\_\_\_\_\_ Year

**Attestation**

\_\_\_\_\_  
Lead Verifier

\_\_\_\_\_  
Date

\_\_\_\_\_  
Internal Reviewer/Second Lead Verifier

\_\_\_\_\_  
Date

**Authorization**

I \_\_\_\_\_ authorize the above named verification body to submit this Verification Opinion to The Climate Registry.

\_\_\_\_\_  
Reporter Name

\_\_\_\_\_  
Date

| Table 6. Verification Activities Check List  |   |               |
|--|---|---------------|
| Preparing for Verification   |   | Date Achieved |
| Bid on a Verification Contract   |   |               |
| Request determination of COI from [oversight body]   |   |               |
| Negotiate Contract with Registry Reporter  |   |               |
| Notify [oversight body] and the Registry of Planned Verification Activities  |   |               |
| Conduct Kick-off Meeting With Reporter   |   |               |
| Plan Verification Activities Based on Reporter Characteristics   |   |               |
| Core Verification Activities   |   |               |
| Assessing Conformance with the Registry's Requirements   |   | Yes No        |
| 1.   | Is the Reporter a legal entity under U.S., Canadian or Mexican law?   |               |
| 2.   | Is the reporting organization a subsidiary of any other company, and if so is the parent company also a Reporter to the Registry?   |               |
| 3.   | If the Reporter is submitting a transitional report, is the Reporter eligible to submit the report as transitional under GRP rules?   |               |
| 4.   | If the Reporter has used any simplified estimation methods not prescribed in the GRP, do the emissions estimated using these methods constitute 5% or less of the Reporter's total emissions?   |               |
| 5.   | If the answer to Question 4 is yes, are the simplified methods used appropriate, and are the results reasonable?  |               |
| 6.   | Have any mergers, acquisitions, or divestitures occurred during the current reporting year?   |               |
| 7.   | Have any activities been outsourced or insourced in the current year?   |               |
| 8.   | Have any changes in calculation methods or data sources been made since the base year?  |               |
| 9.   | If the answer to any of Questions 6, 7, and/or 8 is yes, would the cumulative effect of the mergers, acquisitions, divestitures, outsourcing, insourcing, and methodological changes on base year emissions exceed [the GRP-specified threshold]?   |               |
| 10.  | If the answer to Question 9 is yes, has the Reporter adjusted base year emissions?  |               |
| 11.  | Has the Reporter provided all of the data in addition to emissions data required by the Registry?   |               |
| Core Verification Activities   |   |               |
| Assessing Completeness of Emission Report  |   | Date Achieved |
| Identify and list all Facilities in the Entity   |   |               |
| Identify and list all Emission Sources (of Scope 1 Mobile, Scope 1 Stationary, Scope 1 Process, Scope 1 Fugitive, Scope 2, Direct Biogenic CO <sub>2</sub> Mobile, and Direct Biogenic CO <sub>2</sub> Stationary Emissions) |   |               |
| Identify and list all Fuel Types   |   |               |
| Rank All Sources by Magnitude on a Carbon Dioxide Equivalent Basis   |   |               |
| Assess Any Changes in Geographic and Organizational Boundaries   |   |               |
|  |   | Yes No        |
| 12.  | [ For Reporter's using the equity share approach] Does the Emission Report include all processes and facilities for which the Reporter holds an equity share? If not, why?  |               |
| 13.  | [ For Reporter's using the financial control approach] Does the Emission Report include all processes and facilities under the financial control of the Reporter? If not, why?  |               |
| 14.  | [ For Reporter's using the operational control approach] Does the Emission Report include all processes and facilities under the operational control of the Reporter? If not, why?  |               |
| 15.  | Does the report include all facilities and sources of GHG emissions within the geographic boundaries of the Reporter? Or, if the Reporter is a transitional Reporter, does the report include all facilities and sources within the states, provinces, and or tribes that the transitional Reporter has chosen?   |               |
| 16.  | Does the report include all applicable types of GHGs from each facility and emission source within the geographic and organizational boundaries of the Reporter? Or, in the case of transitional Reporters, does the report include all emissions of the GHGs that the Reporter has chosen to report (and, at a minimum, CO <sub>2</sub> ) from each facility and emission source within the geographic and organizational boundaries of the transitional Reporter? |               |

|  |            |                      |
|--|------------|----------------------|
| 17. Has the reporting entity included all of its Scope 1 and Scope 2 emissions for each facility?  |            |                      |
| 18. Have the Scope 1 emissions been broken down by source type (stationary combustion, mobile combustion, fugitive and process)?   |            |                      |
| 19. Have biogenic CO <sub>2</sub> emissions been reported separately from the Scope 1 emissions?   |            |                      |
| <b>Performing Risk Assessment Based on Review of Information Systems and Controls</b>  |            | <b>Date Achieved</b> |
| Evaluate Procedures and Systems for Preparing Emission Report  |            |                      |
| Evaluate Personnel and Training for Preparing Emission Report  |            |                      |
| Assess if the uncertainty associated with methodologies and management systems is more than appropriate  |            |                      |
|  | <b>Yes</b> | <b>No</b>            |
| 20. Are the calculation methodologies/procedures used to compute GHG emissions at the source level among those described in the GRP? If not, why?  |            |                      |
| 21. If a non-GRP methodology has been used because the GRP does not provide any methodology for the particular source(s) in question, is the methodology that was used an industry standard for this source type(s)?   |            |                      |
| 22. Are appropriate methods used to manage and implement entity-wide GHG emissions reporting programs? If the Reporter has more than one facility, is the emissions data correctly monitored?  |            |                      |
| 23. Is a qualified individual responsible for managing and reporting GHG emissions?  |            |                      |
| 24. Is appropriate training provided to personnel assigned to GHG emissions reporting duties? If the Reporter relies on external staff to perform required activities, are the contractors' qualified to undertake such work?  |            |                      |
| 25. Are appropriate documents created to support and/or substantiate activities related to GHG emissions reporting activities, and is such documentation retained appropriately? For example, is such documentation maintained through reporting plans or procedures, utility bills, etc.? |            |                      |
| 26. Are appropriate mechanisms used to measure and review the effectiveness of GHG emissions reporting programs? For example, are policies, procedures, and practices evaluated and updated at appropriate intervals?  |            |                      |
| 27. Does the system account for the diversity of the sources that comprise each emission category? For example, are there multiple types of vehicles and other transportation devices that require different emission estimation methodologies?  |            |                      |
| 28. Do you know the diversity of GHGs emitted from each emission source category?  |            |                      |
| 29. When available, has the Reporter used the emission factors, GWPs and standardized estimation methods in the Registry's General Reporting Protocol to calculate emissions in each source category?  |            |                      |
| a. Are the methodologies, data sources and emission factors documented and explained appropriately?  |            |                      |
| b. Has the Reporter correctly documented the GRP's tier ranking for each GRP methodology used?   |            |                      |
| 30. Does the Reporter's GHG management system appropriately track emissions in all of the emission source categories?  |            |                      |
| <b>Selecting a Sample</b>  |            | <b>Date Achieved</b> |
| Develop Sampling Procedures for Sources Based on Risk of Material Misstatement   |            |                      |

|  |                     | Yes           | No                  |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
|--|---------------------|---------------|---------------------|-----|---|------|---|-------|---|-------|---|--------|---|---------|----|---------|----|-----------|----|------------|----|--|--|
| 31. Based on the following table, have you visited an appropriate number of sites?<br><b>Sample Size</b>   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| <table border="1"> <thead> <tr> <th>Total Sites</th> <th>Minimum Sample Size</th> </tr> </thead> <tbody> <tr> <td>1-3</td> <td>1</td> </tr> <tr> <td>4-10</td> <td>2</td> </tr> <tr> <td>11-25</td> <td>3</td> </tr> <tr> <td>26-50</td> <td>6</td> </tr> <tr> <td>51-100</td> <td>8</td> </tr> <tr> <td>101-250</td> <td>12</td> </tr> <tr> <td>251-500</td> <td>15</td> </tr> <tr> <td>501-1,000</td> <td>20</td> </tr> <tr> <td>Over 1,000</td> <td>2%</td> </tr> </tbody> </table> |                     | Total Sites   | Minimum Sample Size | 1-3 | 1 | 4-10 | 2 | 11-25 | 3 | 26-50 | 6 | 51-100 | 8 | 101-250 | 12 | 251-500 | 15 | 501-1,000 | 20 | Over 1,000 | 2% |  |  |
| Total Sites  | Minimum Sample Size |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 1-3  | 1                   |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 4-10   | 2                   |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 11-25  | 3                   |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 26-50  | 6                   |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 51-100   | 8                   |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 101-250  | 12                  |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 251-500  | 15                  |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 501-1,000  | 20                  |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Over 1,000   | 2%                  |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Total number of sites: _____   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Total number visited: _____  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Verifying Emission Estimates Against Verification Criteria   |                     | Date Achieved |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Confirm Total Fuel Consumption   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Confirm Vehicle Miles Traveled   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Confirm that appropriate Emission Factors are Used. If not Default Factors, ensure the Derivation and Explanation of increased Accuracy is properly Documented   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Calculate Scope 1 (Mobile, Stationary, Process & Fugitive), Scope 2, and Direct Biogenic CO <sub>2</sub> (Mobile and Stationary) Based on Sampling Procedures  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Compare Estimates from Sample Calculations to Reported Emissions   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Determine if There are Any Discrepancies Between Sample Calculation and Reported Emissions   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Confirm that All Required GHG Emissions are Included   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
|  |                     | Yes           | No                  |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 32. Are the reported electricity, steam, and district heating and cooling use consistent with utility bills?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 33. Is the reported total stationary fuel use by fuel type consistent with the fuel use records?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 34. Is the reported total consumption of fuels in motor vehicles consistent with available documentation and by vehicle type? If the entity calculates transportation emissions based on vehicle mileage, is the reported vehicle mileage consistent with vehicle mileage records?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 35. Is the reported process and fugitive emissions consistent with activity data or maintenance records?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 36. Are the emission factors used by the Reporter appropriate?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| a. If Registry default factors are not used, do the alternative emission factors provide increased accuracy?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| b. Is the derivation and explanation of increased accuracy properly documented and reasonable?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 36. Does a sample of the Reporter's calculations agree with your re-calculated Scope 1 (mobile, stationary, process & fugitive), Scope 2, and Direct Biogenic CO <sub>2</sub> (Mobile and Stationary) emissions estimates? Have you documented your process for determining the appropriate sampling plan?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 37. Are all required GHG emissions included?   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 38. Are the current year's reported emissions significantly different from the base year? If so, what has changed from the base year?  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| 39. Are discrepancies between your emissions estimates and the Reporter's immaterial?  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Completing the Verification Process  |                     | Date Achieved |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Prepare a Detailed Verification Report & Submit to Reporter  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Prepare a Verification Opinion, and Submit to Reporter   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Conduct Exit Meeting with Reporter to Discuss Verification Report & Opinion  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Submit Authorized Verification Opinion and Verification Activities Checklist to the Registry   |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |
| Provide Records to Client for Retention  |                     |               |                     |     |   |      |   |       |   |       |   |        |   |         |    |         |    |           |    |            |    |  |  |

## 5.5 Closing Out the Verification Contract

### 5.5.1 Exit Meeting

The verification body must prepare a brief summary presentation of its verification findings for the Reporter's key personnel and provide this presentation during an Exit Meeting with the key personnel of the reporter.

The goals of this meeting should be:

- Acceptance of the Verification Report and Opinion (unless material misstatements exist and can be remediated, in which case the verification contract may need to be revised, and a second verification process scheduled). If the Reporter does not wish to retain the verification body for the re-verification process, the verification body shall turn over the Reporter's relevant documentation to the Reporter within 30 days.
- Authorization for the verification body to submit the Verification Opinion to the Registry and complete the verification form in **CRIS**.

If the verification body is under contract for verification activities in future years, the verification body and Reporter may wish to establish a schedule for the next year's verification activities.

At the exit meeting verification bodies and reporters might exchange lessons learned about the verification process and share thoughts for improving the verification process in the future. Verification bodies and reporters may wish to consider joint feedback to the Registry.

### 5.5.2 Procedure in the Event of a Negative Verification Opinion

If a Reporter's Emission Report is not verifiable due to material misstatements, the Reporter must correct the report and have it re-verified. In such cases, *the verification body must not remediate the identified misstatement(s), or explain how the misstatement(s) might be corrected.* Such guidance would be considered a consulting activity and therefore, a conflict of interest. However, *this prohibition does not preclude the verification body from explaining the identified error(s) to the Reporter.* The verification body must fully explain the nature of the error(s) to the Reporter. Furthermore, verification bodies may provide any existing documentation that may be useful to Reporters in preparing remediation plans. Verification bodies should also enumerate any shortcomings in Reporters' GHG tracking and management systems.

The Registry will retain the Reporter's unverified Emission Report in the Registry database for up to one year pending correction by the Reporter and re-verification of the revised report (either by the original verification body or a new verification body). The Reporter must pass the re-verification process within a year to remain an active Reporter to the Registry. Upon completion of a successful re-verification, the Registry will formally accept the revised Emission Report into the Registry database.

There may be instances where a verification body and a Reporter cannot agree on the findings of the verification body as expressed in the Verification Report or Verification Opinion. In such instances, the Reporter and verification body should attempt to reach a resolution, relying first on the verification body's internal dispute resolution process. In the event that a resolution cannot be reached, either party can request a resolution from **[the Registry's Verification Oversight Panel]** by **submitting a complaint to the Registry.**

The [Verification Oversight Panel] will review the area of dispute and reach a unanimous, binding decision concerning verifiability. In doing so it may interview the Reporter and the verification body and/or request documentation related to the dispute. The Registry will notify the verification body and Registry Reporter of the [Verification Oversight Panel's] decision.

## 5.6 Submitting the Emission Report to the Registry

Once the Verification Opinion is complete and has been authorized by the Reporter, the verification body must complete the verification form in CRIS and send the original Verification Opinion and Verification Activities Checklist to the Registry at the address listed below:

[street address]

Upon receipt of a hardcopy of the Verification Opinion and Checklist, the Registry will perform a final review of the emissions data. A reporter's emissions data will not be considered accepted by the Registry until the Registry receives a Verification Opinion indicating a "verified without qualification" assessment. If the Registry approves the submission, the Registry formally accepts the Emission Report into the Registry database, and the annual verification process will be completed.

Once the Registry accepts a Reporter's verified emissions report, the data will become available to the public via CRIS.

## 5.7 Record Keeping and Retention

While the Registry views the verification process essentially as a private exchange between the verification body and the Reporter, the verification body should remind the Reporter to retain sufficient records to enable an ex-post verification of the Reporter's emissions. Similarly, the verification body should keep detailed records related to the entire verification process.<sup>9</sup> The Registry recommends that the following records be retained for a minimum of seven years as specified by contract with the Reporter.

Verification bodies should, at a minimum, retain hard and electronic copies, as applicable, of:

- The Reporter's GHG Emission Report (printable from CRIS);
- The Verification Report; and
- The Verification Opinion.

The Reporter should also maintain the following documentation for a minimum of seven years:

- Contact information for the Lead Verifier and a responsible corporate officer at the Reporter's organization;

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<sup>9</sup> The verification body should also consult ISO 14064-3 for a discussion of documentation and retention.

- A general description of the Reporter's organization;
- The geographic boundaries;
- The number of facilities and operations assessed in the verification activities;
- The GHGs evaluated;
- The facilities and sources of emissions identified;
- Assessment of emissions factors, demonstrating greater accuracy if not default emissions factors;
- Copies of fuel use, mileage, or other activity data records used in sample recalculations;
- Verification methodology used based on the size and complexity of the Reporter;
- Sampling procedures for selecting site visits;
- Dates of site visits;
- The verification body's evaluation of the Reporter's management systems; and
- The verification body's estimates of the Reporter's emissions.

Copies of the original activity data records are necessary to perform an ex-post verification.

**Congratulations!**

**The annual verification process is now complete!**

## 5.8 Facts Discovered After Verification

In some cases, errors in an Emission Report may be discovered after the completion of the verification process, either by the Reporter, the verification body, the [accreditation body], the [Verification Oversight Panel], or another party (e.g., a user of the data).

If such errors would result in a cumulative change in total reported emissions of less than 5%, then nothing needs to be done, and the errors need not be reported to the Registry. However, if the errors could cause a material discrepancy of more than 5%, then they must be reported to the Registry. Upon receiving such a report, the [Verification Oversight Panel] will consult with the Reporter and the verification body, and will make a final determination as to whether the reported error(s) constitutes a material discrepancy.

If the [Verification Oversight Panel] decides that a material discrepancy has been discovered, the Registry will change the verification status of the report to unverified, and will notify the Reporter of the change in status. The Reporter will be provided one year to correct the report and have the report re-verified (either by the original verification body or a new verification body).

The Reporter must pass the re-verification process within a year to remain an active Reporter to the Registry. Upon completion of a successful re-verification, the Registry will formally accept the revised Emission Report into the Registry database.

## 5.9 Timeline of Verification Process

Incorporating all of the steps and protections involved in reporting, reviewing and verifying credible emissions data may be a lengthy process. The following table gives you an overview of the consecutive steps and necessary lapses of time between steps in the verification process.

| Table 7. Verification Process Timeline   |  |
|--|--|
| Activity   | Elapsed Time/Date                          |
| <b>Preparing for Verification</b>  |  |
| [Accreditation Body] releases RFA  | TBD  |
| Firm responds to RFA   | TBD  |
| Application evaluated  | TBD  |
| Notification of [accreditation body]-approval received                             | TBD  |
| Complete [accreditation body] training requirements                                | TBD  |
| Notification of Registry approval; eligible to market services to Reporters        | TBD  |
| Contacted by Reporter to Submit Proposal for Services                              | Varies                                     |
| Selected by Reporter   | Varies                                     |
| Verification Body evaluates case and issues notification of low risk for COI       | TBD  |
| Negotiate Contract with Reporter   | Varies                                     |
| Notify [Oversight Body] of Verification Activities                                 | TBD  |
| <b>Core Verification Activities</b>  |  |
| Begin Verification Activities  | TBD  |
| <b>Completing the Verification Process</b>   |  |
| Submit Verification Report to Reporter   | Varies                                     |
| Reporter reviews Verification Report and returns any comments to verification body | Varies                                     |
| Verification body discusses findings with Reporter                                 | Varies                                     |
| Reporter Authorizes submission of opinion to the Registry                          | By Dec. 1 of year following reporting year |
| Monitor Emerging COI   | One year                                   |
| Reporter chooses a new verification body   | After a maximum of six years               |

# Glossary

|                              |  |
|------------------------------|--|
| Applicant                    | A firm, or lead firm (if part of a team), responding to an RFA for verification bodies.  |
| Base Year                    | A specific year against which a company's emissions are tracked over time. For the purposes of the Registry, the Reporter's base year is defined as the <b>first year</b> for which a comprehensive emissions inventory is submitted.  |
| Batch Verification           | Verification process arranged by the Registry for multiple Reporters with relatively simple GHG emissions ( <b>less than 200 tons of CO<sub>2</sub>-e emissions and typically only indirect emissions from electricity consumption and/or direct emissions from limited stationary or mobile combustion sources</b> ).   |
| Case-Specific COI            | Instances where the ability of a specific verification body to render objective GHG verification services to a Reporter may be affected by the nature of other business services provided to the Reporter by the verification body or a related organization, shared management and/or financial resources between the Reporter and the verification body or a related organization, or other situations created by the verification body or another related entity. |
| Calculation-Based            | Any of various emission quantification methodologies that involves the calculation of emissions based on emission factors and activity data such as input material flow, fuel consumption, or produced output.   |
| Control Approach             | An emission accounting approach for defining organizational boundaries in which a company reports 100 percent of the GHG emissions from operations under its financial or operational control.   |
| CO <sub>2</sub> -equivalent* | (CO <sub>2</sub> e) The quantity of a given GHG multiplied by its total global warming potential. This is the standard unit for comparing emissions of different GHGs.   |
| Conflict Of Interest         | (COI) A situation in which, because of other activities or relationships with a potential client, a person or firm is unable or potentially unable to render an impartial verification opinion of the potential client's greenhouse gas (GHG) emissions, or the person or firm's objectivity in performing verification activities is or might be otherwise compromised.   |
| Datum                        | A reference or starting point.   |
| Direct Emissions             | Emissions from sources that are owned or controlled by the reporting organization.   |

|                                |  |
|--------------------------------|--|
| Emerging COI                   | A potential or actual COI situation that arises, or becomes known, during verification or for a period of one year after the completion of verification activities.  |
| Emissions Factor*              | GHG emissions expressed on a per unit activity basis (for example metric tons of CO <sub>2</sub> emitted per million Btus of coal combusted, or metric tons of CO <sub>2</sub> emitted per kWh of electricity consumed).   |
| Entity                         | Any corporation, institution, or organization recognized under U.S., Canadian, or Mexican law, and therefore qualified to report emissions to the Registry. A reporting entity is comprised of all the facilities and emission sources delimited by the organizational boundary developed by the entity, taken in their entirety.  |
| Equity Share Approach          | An emissions accounting approach for defining organizational boundaries in which a company accounts for GHG emissions from each operation according to its share of economic interest in the operation, which is the extent of rights a company has to the risks and rewards flowing from an operation.  |
| Facility                       | Any installation or establishment located on a single site or on contiguous or adjacent sites that are owned and operated by an entity. A facility includes not only all of the stationary installations and equipment located at the site, but all transportation equipment that is under the control of the reporting entity and operates on a particular facility's premises. Mobile sources, such as vehicle fleets which operate outside of the physical boundaries of a facility are considered discrete facilities. Similarly, a pipeline, pipeline system, or electricity T&D system is considered a discrete facility for reporting purposes. |
| Financial Control              | The ability to direct the financial and operating policies of an operation with an interest in gaining economic benefits from its activities. Financial control is one of two ways to define the control approach.   |
| Fugitive Emissions*            | Intentional and unintentional releases of GHGs from joints, seals, gaskets, etc.   |
| Global Warming Potential*      | (GWP) The ratio of radiative forcing (degree of harm to the atmosphere) that would result from the emission of one unit of a given GHG to one unit of CO <sub>2</sub> .  |
| Greenhouse Gases               | (GHG) For the purposes of the Registry, GHGs are the six gases identified in the Kyoto Protocol: Carbon Dioxide (CO <sub>2</sub> ), Nitrous Oxide (N <sub>2</sub> O), Methane (CH <sub>4</sub> ), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), and Sulphur Hexafluoride (SF <sub>6</sub> ).   |
| Greenhouse Gas Activity Data** | "Quantitative measure of activity that results in a GHG emission removal."   |
| Greenhouse Gas Emission**      | "Total mass of a GHG released to the atmosphere over a specified period of time."  |

|                                     |   |
|-------------------------------------|---|
| Greenhouse Gas Information System** | “Policies, processes and procedures to establish, manage and maintain GHG information.”   |
| Greenhouse Gas Source**             | “Physical unit or process that releases a GHG into the atmosphere.”   |
| Indirect Emissions                  | Emissions that are a consequence of the actions of a reporting entity, but are produced by sources owned or controlled by another entity. For example, emissions that occur at a utility’s power plant as a result of electricity purchased by a manufacturing company represent the manufacturer’s indirect emissions. |
| Inherent Uncertainty                | The scientific uncertainty associated with measuring GHG emissions due to limitations on monitoring equipment, or measurement methodologies.  |
| Lead Verifier                       | An employee of a verification body that is accredited by the Registry to lead a verification team   |
| Level of Assurance**                | “Degree of assurance the intended user requires in a validation or verification. There are two levels of assurance, reasonable or limited, which result in differently worded validation or verification statements.”   |
| Materiality**                       | “Concept that individual or the aggregation of errors, omissions and misrepresentations could affect the greenhouse gas assertion and could influence the intended users’ decisions.”   |
| Material Discrepancy**              | “Individual or the aggregate of actual errors, omissions and misrepresentations in the greenhouse gas assertion that could affect the decisions of the intended users.”   |
| Measurement-Based                   | Any of various emission quantification methodologies that involve the determination of emissions by means of continuous measurement of the flue gas flow, as well as the concentration of the relevant GHG(s) in the flue gas.  |
| Minimum Quality Standard            | Data that is free of material misstatements, and meets the Registry’s minimum level of accuracy of at least 95%.  |
| Mobile Combustion*                  | Emissions from the combustion of fuels by transportation devices such as cars, trucks, airplanes, vessels, etc.   |
| Operational Control                 | Full authority to introduce and implement operating policies at an operation. Operational control is one of two ways to define the control approach.  |
| Organization**                      | “Company, corporation, firm, enterprise, authority or institution, or part or combination thereof, whether incorporated or not, public or private, that has its own functions and administration.”*   |
| Organizational Boundaries           | The boundaries that determine the operations owned or controlled by the reporting company, depending on the consolidation approach taken (either equity share or control approach).   |

|                            |  |
|----------------------------|--|
| Outsourcing*               | The contracting out of activities to other businesses.   |
| Personal COI               | A relationship of an individual member of a verification team that may impair the objectivity of the member in performing verification activities.   |
| Process Emissions*         | Emissions from physical or chemical processing rather than from combustion (e.g., emissions of CO <sub>2</sub> from cement manufacturing, emissions of perfluorocarbons (PFCs) from aluminum smelting, etc.  |
| Reasonable Assurance**     | “A reasonable, but not absolute, level of assurance that the responsible party’s GHG assertion is materially correct.”   |
| Related Entity             | An organization that is linked to the verification body by: common ownership or directors, contractual arrangement, a common name, informal understanding, or other means such that the related organization has a vested interest in the outcome of an assessment or has a potential ability to influence the outcome of an accredited management system assessment, or greenhouse gas verification effort. |
| Reporting Uncertainty      | The errors made in identifying emissions sources and managing and calculating GHG emissions. This differs from inherent uncertainty due to incomplete understanding of climate science or a lack of ability to measure greenhouse gas emissions.   |
| Reporting Year             | The year in which the emissions being reported to the Registry occurred. For example, if it is 2010 and emissions that occurred in 2009 are being reported, the reporting year is 2009.  |
| Scope 1 Emissions          | All direct GHG emissions, with the exception of direct CO <sub>2</sub> emissions from biogenic sources.  |
| Scope 2 Emissions          | Indirect GHG emissions associated with the consumption of purchased electricity, heating, cooling, or steam.   |
| Scope 3 Emissions          | All indirect emissions not covered in Scope 2, including, e.g., upstream and downstream emissions, emissions resulting from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, use of sold products and services, outsourced activities, waste disposal, etc.   |
| Stationary Combustion*     | Emissions from the combustion of fuels to generate electricity, steam, or heat using equipment in a fixed location.  |
| Tier Quantification System | The system used by the Registry to rank emissions quantification methodologies according to their levels of accuracy. In this system “Tier A” designates the preferred, or most accurate approach, “Tier B” represents an alternative second-best approach, and “Tier C” represents the least accurate but still acceptable approach.  |

|                          |  |
|--------------------------|--|
| Transitional Reporter    | A Registry Reporter that opts to provide a partially complete Emission Report, covering only certain gases or geographic regions, for up to two reporting years or historical years.   |
| Verification             | The process used to ensure that a given Reporter's greenhouse gas emissions inventory has met a minimum quality standard and complied with the Registry's procedures and protocols for calculating and reporting GHG emissions.  |
| Verification Activities  | Activities undertaken during the third-party verification that include reviewing reported emissions, verifying their accuracy according to standards specified in the Registry's General Verification Protocol, and submitting a Verification Opinion to the Registry.   |
| Verification Body        | A firm that has been Registry-approved to conduct verification activities under the Registry program.  |
| Verification Opinion     | A one-page document stating the verification body's findings that the Reporter's Emission Report is verifiable (or not).   |
| Verification Report      | A detailed report that a verification body prepares for a Reporter, describing the scope of the verification activities, standards used, emissions sources identified, sampling techniques, evaluation of Reporter's compliance with the General Reporting Protocol, assumptions, and a list of material and immaterial misstatements, if any. |
| Verification Team        | Employees or subcontractors of a verification body, acting for the verification body to provide verification services for a Reporter.  |
| Verified Emission Report | An Annual GHG Emission Report that has been reviewed and approved by a third-party verification body and accepted by the Registry.   |
| Verifier                 | A single employee or member of a verification team assembled by a Registry approved firm (verification body) that conducts verification activities.  |

*\*Definitions from "The Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard," World Business Council for Sustainable Development and World Resources Institute, Switzerland, September 2001.*

*\*\*Definitions from "ISO 14064-3, Greenhouse Gases, Part 3: Specification with Guidance for the Validation and Verification of Greenhouse Gas Assertions," 2005.*

# Key Questions

## *Three-Year Verification Cycle: Are emissions verified on an annual basis?*

Yes, Emission Reports must be verified annually. However, in order to reduce the cost of verification incurred by Reporters, the Registry utilizes a three-year verification cycle, with a significantly streamlined verification process in the second and third years of the cycle. In Year 1 of the 3-year cycle, a verification body will perform the full set of verification activities in order to gain a detailed understanding of a Reporter's operations and resulting GHG emissions. Over the next two years, if there are no significant changes in a Reporter's boundaries, GHG emissions sources and/or management systems, the verification body may then streamline and expedite the verification activities by focusing primarily on the new emissions estimates.

To ensure data integrity, all of the core verification activities must be completed again in Year 4, followed by streamlined activities in Years 5 and 6.

## *Verification Body Approval: Who may qualify as a verification body?*

See Appendix A  
Accreditation of  
Verifiers

[NOTE: Details of the verification body approval process, including the body that will grant approvals, is still under development. A description of the basic process for accreditation is included as Appendix A to this document, but a more detailed description of the accreditation process and requirements will be inserted into the General Verification Protocol in a future draft.] All verification bodies and their lead verifiers must be approved by the [accreditation body] before they are qualified to conduct verification activities for Registry Reporters.

Additionally, verification bodies must be free from conflicts of interest with respect to Reporter clients. Firms providing verification services to a Reporter may not provide any GHG consulting services for the Reporter for the prior three years, for the entire period during which the firm is providing verification services for the Reporter, and for one year following the provision of verification services for the Reporter. Furthermore, the firm may not provide any non-GHG work for the Reporter that generated revenues of more than \$1 million or more than 3% of the verification body's total revenues in any year over the prior 3 years. [NOTE: These thresholds are placeholders until a final decision on appropriate thresholds has been reached.]

## *Liability: What liability will a verification body incur? What liability coverage must a verification body accept?*

At a minimum, a verification body is responsible for planning a Reporter's verification activities, conducting the verification activities, preparing a Verification Report and Opinion, and submitting authorized Verification Opinions to the Registry. If a Registry-approved verification body fails to complete the contracted activities, the verification body may be financially liable for the cost of hiring a different Registry-approved verification body to complete a full verification from start to finish (as defined in the contract between a verification body and a Reporter). The verification body may incur additional liability based on the negotiated terms of the contract. This liability may include the future value of GHG emissions or emission reductions, damages, or any other element agreed to by the verification body and the Reporter.

In their initial accreditation application, verification bodies must demonstrate the means to accept financial liability for verification activities undertaken for a Registry Reporter, specify such liability in any contract for verification activities, and make adequate arrangements (e.g., professional liability insurance coverage) to cover liabilities arising from its activities or operations. However, verification body liability may also be limited in the contract with the Reporter.

*Resolution of Disputes: What recourse is available if the Reporter does not accept the findings of the verification?*

There may be instances where a verification body and a Reporter cannot agree on identification of material misstatements and/or the findings of the verification body as expressed in the Verification Report or Verification Opinion. In such instances, the Reporter and verification body should attempt to reach a resolution, relying first on the verification body's internal dispute resolution process. In the event that a resolution cannot be reached, both parties can request a resolution from [the Registry's Verification Oversight Panel].

The [Verification Oversight Panel] will review the area of dispute and reach a unanimous, binding decision concerning verifiability. In doing so it may interview the Reporter and the verification body or request documentation related to the dispute. The Registry will notify the verification body and Registry Reporter of the [Verification Oversight Panel's] decision. Thus, as part of contract negotiations, each Registry Reporter and verification body will need to indicate their acceptance of this policy.

*"Batch Verification": How does it work? How will it affect bidding, contracting, and the overall verification process?*

In an effort to minimize the transaction costs of verification, the Registry will help eligible Reporters with simple GHG emissions contract for "batch verification." Reporters eligible for batch verification have relatively simple GHG emissions (indirect emissions from purchased electricity and/or emissions from mobile sources or stationary combustion) and produce less than 200 tons CO<sub>2</sub>e per year. In the future, the Registry may also offer batch verification to other special categories of Reporters (e.g., municipalities). [NOTE: these thresholds for batch verification eligibility are taken from CCAR, the thresholds to be used by the Registry, both for small Reporters and for any new special categories of Reporters, are still under consideration.]

In batch verification, the Registry will work with one verification body each year to verify the Emission Reports of multiple organizations at one time. The batch verification body must verify emissions according to the standards of the General Reporting Protocol. Because of the nature of the emissions, batch verification activities will consist of document review and phone conversations, but will generally not require a site visit. The Registry will assist in negotiating a standardized contract and a flat fee for each organization. Standardizing the contract language will help to minimize the transaction costs of verification for small, office-based organizations.

The registry will choose a new batch verification body each year. This finite verification term will minimize the risk from COI and eliminate the cost associated with conducting a case-by-case COI.

*Verification Deadlines: What is the deadline for completing the verification process?*

Emissions must be verified annually. To ensure the timely availability of verified emissions data to the public, the Registry has established deadlines for the completion of emissions reporting and the verification process. Emissions for a particular reporting year must be submitted by June 30, and verified by Dec. 1, of the following year. [NOTE: The Dec. 1 deadline is different from the current version of the GRP, which calls for Oct. 31. However, it has been pointed out that some mandatory reporting programs have deadlines after Oct. 31, and it may therefore be problematic to have a deadline that is earlier. Hence feedback from stakeholders is solicited on this date.] For example, an Emission Report providing data on emissions that occurred in 2008 must be submitted by June 30, 2009, and verified by Dec. 1, 2009. Reporters that anticipate being unable to meet these deadlines should request an extension from the Registry. Such extensions are granted by the Registry in some circumstances, depending on the reason(s) cited for the request. The Registry will take appropriate action in the case of Reporters that consistently miss deadlines or fail to obtain extensions for missed deadlines.

*Verification Report and Verification Opinion: What are the Verification Report and Verification Opinion and how are they different?*

The Verification Report is a detailed report that a verification body prepares for a Reporter. The Verification Report should describe the scope of the verification activities, standards used, emissions sources identified, sampling techniques, evaluation of Reporter's compliance with the General Reporting Protocol, assumptions, and a list of material and immaterial misstatements, if any. The Verification Report is prepared and submitted to the Reporter but may be requested by [the accreditation body] or the [Verification Oversight Panel] in the course of reviewing a particular verification or a verification body or in evaluating a dispute between a verification body and a Reporter. If requested by the [accreditation body] or the [Verification Oversight Panel] the Verification Report will be treated as a confidential document and no information will be made available to the public or anyone outside the [accreditation body] or the [Verification Oversight Panel]. It will not be used for purposes other than the review of the verification engagement or verification body or resolution of a dispute.

The Verification Opinion is a one-page document stating the verification body's findings that the Reporter's Emission Report is verifiable or not. The Verification Opinion is submitted to both the Reporter and the Registry.

*Verification and Remediation: What if a Reporter's Emission Report is not verified?*

After completing verification activities, the verification body will prepare a Verification Report and forward it to the responsible official representing the Reporter. The responsible official includes anyone authorized by the reporting entity to approve the GHG Emission Report for submission to the Registry and will typically be a corporate official or the technical manager of the verification contract.

If the verification body identifies material misstatements that prevent a favorable Verification Opinion, those material misstatements should be listed and described in the Verification Report. If possible, the Reporter may correct those material misstatements and resubmit the Emission Report for verification within a time frame sufficient to enable the completion of verification by the Dec. 1 deadline. The Reporter may seek outside technical assistance to correct material misstatements. The verification body must not provide such technical assistance as it would constitute GHG consulting services, and create a COI.

See Part 5.2  
Completing a  
Verification Report

If a Reporter does not successfully complete the verification process by the Dec. 1 due date, the Reporter must submit a notice of unsuccessful verification to the Registry. The Registry will retain the Reporter's unverified Emission Report in the Registry database for up to one year pending correction by the Reporter and re-verification of the revised report (either by the original verification body or a new verification body). The Reporter must pass the re-verification process within a year to remain an active Reporter to the Registry. Upon completion of a successful re-verification, the Registry will formally accept the revised Emission Report into the Registry database.

*Confidentiality: Are the results of the verification kept confidential? Will emissions data be kept confidential?*

In general, all verified emissions data reported to the Registry will be available to the public (although a procedure for delaying the release of facility-level emissions data is available to Reporters). Any additional information provided by the Reporter to the verification body will only be accessible to the Reporter and the verification body, unless the Reporter allows others access to such information or wishes to have it available to the public.

In instances where the [accreditation body] or the [Verification Oversight Body] accompanies verification bodies on site visits, they may have access to confidential information as needed to oversee verification activities, and evaluate the reasonableness of the Reporter's data and emissions tracking program. As noted in an earlier question, the Verification Report is generally a private document between a Reporter and verification body, while the Verification Opinion is shared with the Registry. A majority of the contents of the Verification Opinion will also be shared with the public. In some instances, the

[accreditation body] or the [Verification Oversight Panel] may request a copy of the Verification Report. In such cases it will be treated as a confidential document and under no circumstances will it be made public or viewed beyond the [accreditation body] or the [Verification Oversight Body].

*General Verification Protocol Revision Policy: Will this General Verification Protocol change over time? How can verification bodies provide feedback to the Registry?*

The Registry expects to regularly review, revise, update, and augment this General Verification Protocol. The Registry invites all parties, verification bodies, Registry Reporters, Registry members, and the public to provide insights and experiences that will help improve the General Verification Protocol. Anyone with suggestions or concerns is encouraged to contact the Registry at any time at [phone number] or by email at [email address].

Stakeholders will also be able to present suggestions directly to the Registry's Board of Directors for consideration at their meetings. All suggestions and requests for modifications must be made by utilizing the "Protocol Comment Form" available on the Registry's website at [www.climateregistry.org](http://www.climateregistry.org). Responses to any comments can also be submitted through a "Protocol Comment Response Form," also available on the Registry's website.

The current version of the General Verification Protocol is posted on the Registry's website, [www.theclimateregistry.org](http://www.theclimateregistry.org).

*Roles: What is the relationship between the Registry, the [accreditation body], and the [Verification Oversight Panel]? Why do multiple parties play a role in verification?*

The Registry was established by its member states, provinces and tribes as a non-profit voluntary registry for GHG emission inventories, to help organizations with operations in North America to establish a public record of their annual GHG emissions.

The [accreditation body] is charged with identifying, assessing and qualifying third-party organizations to act as verification bodies, overseeing and evaluating the activities of those verification bodies on a regular basis, and reaccrediting verification bodies at specified intervals.

The [Verification Oversight Panel] is a Registry appointed body that reports directly to the Audit and Ethics Committee of the Board of Directors, and is responsible for the ultimate oversight of verification efforts. This oversight authority includes participation in the [accreditation body's] accreditation assessment activities and decisions, accompanying the [accreditation body] in occasionally observing verification bodies during engagements, receiving reports from the [accreditation body], reviewing the nature and outcome of verification activities after they have taken place, and resolving disputes between verification bodies and Reporters.

*Updated Emission Reports: Once a report has been verified, will it ever change?*

Following verification of an annual GHG emission report, there may be situations in which a verified report may change. A Reporter may wish to add information beyond the minimum reporting standards. Reporters can update their report at any time. However, any changes to required emissions data will need to be re-verified, and this information will need to be documented in CRIS. As understanding and sophistication of GHG accounting principles develops, the Registry may elect to update accounting principles (e.g., alternate emission factors, Global Warming Potentials). Where Reporters have used CRIS to calculate their emissions, these changes do not need to be re-verified.

Base year Emission Reports must be revised and re-verified whenever there are structural changes in the Reporter's organization (mergers, acquisitions, etc.) and/or changes in emission calculation methodologies that would result in a cumulative change in previously-reported base year emissions exceeding the [GRP-specified threshold].

*CRIS: Am I required to use CRIS to communicate with the Registry?*

Reporters are required to report their emissions to the Registry using CRIS. The Reporter-entered annual GHG Emission Report output by CRIS is the document on which the verification body provides its Verification Opinion to the Registry. This Verification Opinion is submitted in hardcopy, by mail, as well as electronically, in CRIS. Verification bodies are not restricted to only communicating with the Registry via CRIS, but must use the online tool to submit an electronic opinion. Questions about using CRIS may be directed to the Registry at [\[phone number\]](#) or [\[email address\]](#).

## Additional Questions?

If you have any questions regarding GHG emissions reporting or verification under the Registry Protocols, please contact the Registry by phone ([\[phone number\]](#)) or email ([\[email address\]](#)).

DRAFT

# Appendix A: Overview of Accreditation and Oversight

## Background

The Registry's draft General Verification Protocol (GVP) provides requirements and guidance to qualified third party verification bodies in assessing the accuracy, completeness and conformance of emissions reports with its General Reporting Protocol (GRP). The current draft GVP focuses principally on the verification process and the core verification activities. It also references basic processes related to the accreditation and oversight of verification bodies.

The Registry is in the process of developing the details of the program and processes that will be used to accredit and oversee verification bodies. These will be described in more detail in a future draft of the GVP and in a forthcoming document titled *Guide to Accreditation for the Climate Registry's Verification Bodies*. This appendix serves to provide an overview of the basic framework which the Registry intends to use in accrediting and overseeing third party verification bodies.

## Accreditation Framework

The Registry is committed to promoting and standardizing best practices related to the quantification, reporting and verification of GHG emissions. To this end, in developing its reporting and verification protocols a primary goal has been to maximize consistency with existing international standards. The International Organization for Standardization (ISO) has developed a suite of standards related to GHG reporting and verification, which have served as foundational documents for the Registry's protocols. The ISO has also developed a standard for the accreditation of greenhouse gas verification bodies, ISO 14065 *Greenhouse Gases – Requirements for Greenhouse Gas Validation and Verification Bodies for use in Accreditation or other forms of Recognition* (see Appendix B for a summary of ISO 14065)<sup>10</sup>. ISO 14065 is in use in several parts of the world (including within the European Union's Emissions Trading System), and is expected to gain broad international acceptance.

The Registry plans to work with one or several national standards bodies within North America that are currently developing accreditation programs under ISO 14065, to develop an accreditation program for its verification bodies<sup>11</sup>. The Registry is also considering working with organizations establishing programs for certification of personnel under ISO 17024 and, when available, ISO 14066 to support broader participation in the area of GHG verification and help create consistency in the competency of verification individuals. Verification bodies will be required to seek accreditation through a designated standards body while individuals can seek certification through a conformant or accredited ISO 17024 personnel certification program<sup>12</sup>. In order to become accredited to provide verification services with the Registry's program, verification bodies will need to follow the application and assessment processes developed by these standards bodies, and pay any designated fees.

The accreditation program will have as its foundation conformance with all components of the 14065 standard and the personnel certification program will be based on the requirements of ISO 17024 and

<sup>10</sup> ISO-14065, *Greenhouse Gases – Requirements for Greenhouse Gas Validation and Verification Bodies for use in Accreditation or other forms of Recognition*

available at: [http://www.iso.org/iso/iso\\_catalogue.htm](http://www.iso.org/iso/iso_catalogue.htm)

<sup>11</sup> Three national standards bodies exist in North America: The American National Standards Institute (ANSI), The Standards Council of Canada (SCC), and Entidad Mexicana de Acreditación (EMA).

<sup>12</sup> Since ISO 17024 requires that conformant personnel certification programs be in operation for one year before accreditation can be obtained, therefore the Registry may also recognize personnel certification programs that are already being delivered and are seeking to become accredited to ISO 17024.

eventually 14066<sup>13</sup>. However, the Registry expects to develop supplemental requirements for accreditation and personnel certification beyond those stipulated by the ISO standards. Supplemental requirements may be necessary to ensure consistency with the GVP (e.g. conformance with the GVP's specifications on case-specific COI), to give additional specificity to the ISO standards (e.g. requirements for specific level of professional liability insurance or minimum staffing levels), and to ensure knowledge of and conformance with the Registry's reporting program (e.g. requirement to complete Registry offered or designated training).

In general the standards body (bodies) designated as the accreditation body (bodies) will have the following responsibilities, with input from the Registry:

- Establish required qualifications for verification bodies and staff;
- Establish required sector specific qualifications for bodies and/or staff;
- Determine training requirements;
- Assess applications and grant accreditation;
- Assess organizational capacity to avoid conflicts of interest (COI);
- Administer a process for regular re-accreditation and annual surveillance;
- Ensure the consistency and quality of the Registry's verification process;
- Observe a sample of verification engagements;
- Conduct ex post audits of verifications;
- Sanction verification bodies for non conformities, as necessary;
- Prepare regular reports for the Registry's Board (or other designated Registry oversight body) describing and evaluating that period's accreditation and monitoring activities.

Organizations designated as personnel certification bodies will have the following responsibilities:

- Develop and maintain an ISO 17024 conformant or accredited personnel certification program for lead verifiers;
- Ensure the personnel certification program produces individuals competent to apply the requirements of ISO 14064-3 and the Registry's GVP;
- Ensure the personnel certification program complies with any additional Registry requirements, beyond those identified in ISO 17024 or 14066;
- Ensure the personnel certification program contains GHG knowledge-based and competency-based assessments;
- Administer a process for re-certification;
- Ensure the consistency and quality of the Registry's verification process;
- Observe a sample of verification engagements;

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<sup>13</sup> Until such time as the ISO 14066 standard is published.

- Conduct ex post audits of verifications;
- Ensure certified individuals follow a regime of continuous professional development (consistent with knowledge requirements of this field);
- Sanction lead verifiers for non-conformities, as necessary;
- Prepare regular reports for the Registry's Board (or other designated REGISTRY oversight body) describing and evaluating that period's personnel certification activities.

### Oversight Framework

The Registry's Board of Directors will retain ultimate authority for the oversight of accreditation, personnel certification and verification. The Board may choose to appoint a committee or panel (e.g. Verification Oversight Panel) that could include Registry staff, appropriate experts drawn from participating state and provincial government agencies, and external technical experts, to exercise this oversight. Oversight will likely involve a variety of functions, some of which will involve coordination with the designated national standards bodies and personnel certification organizations. Types of oversight and involvement may include:

- Determine any Registry-specific qualifications, actions, or training (beyond ISO 14064-3 and 14065) necessary to obtain Registry accreditation or personnel certification;
- Develop and implement Registry-specific verification training sessions, if necessary;
- Participate on an accreditation or personnel certification decision committees (organized by the accreditation or personnel certification body);
- Observe accreditation body's assessment and surveillance activities, including observing a sample of verification engagements;
- Arbitrate any disputes between verification bodies and Reporters;
- Review and approve any sanctioning recommendations regarding Registry-specific accreditation or personnel certification requirements made by accreditation or personnel certification body;
- Receive and review regular reports from the accreditation or personnel certification body summarizing and evaluating all accreditation, personnel certification and monitoring activities;
- Make recommendations to accreditation or personnel certification body for refinements to accreditation, personnel certification or monitoring process.

## Appendix B: Summary of ISO 14065

### Context

In addition to meeting the Registry's specific accreditation requirements (as described in the GVP and forthcoming), all verification bodies seeking approval for conducting verification activities for the Registry must meet the requirements specified in the ISO 14065 standard *Greenhouse Gases – Requirements for Greenhouse Gas Validation and Verification Bodies for use in Accreditation or other forms of Recognition*. However, to the extent that any requirement of ISO 14065 might prohibit a verification body from complying with accreditation provisions identified in the GVP or the *Guide to Accreditation for the Climate Registry's Verification Bodies*, the requirements contained in the latter will take precedence.

### Structure

ISO 14065 describes a set of requirements for greenhouse gas (GHG) verification bodies designed to be used as a basis for their accreditation. ISO 14065 details a set of general criteria and specific criteria. In addition, good-practice guidance is also provided.

### General Criteria

#### *Legal, Managerial, Financial and Liability*

The general criteria cover legal, managerial, financial, and liability-related matters. In terms of legal issues, verification bodies must be legal entities or defined parts of legal entities, and have binding agreements with each client. The verification bodies must also identify their management structure and denote the responsible employee(s) who are authorized to develop and/or handle major decisions, including ones related to policies, operations, finances and contracts. Furthermore, comprehensive, managerial-level plans must be in place to ensure that each verification team acts impartially and avoids all conflicts of interest (COIs). ISO 14065 includes a list of prohibited actions on this topic, such as:

- Using personnel with actual or potential COIs (e.g., personnel who helped to prepare the GHG assertion to be verified);
- Verifying emission assertions in cases where GHG consulting work was also provided to the client;
- Hiring other bodies to issue verification statements; and
- Offering products or services that pose an unacceptable risk to impartiality.

In order to meet the impartiality requirements, a plan for independent monitoring must be generated. Verification bodies must also evaluate financial risks and have insurance or some other means to cover liabilities.

### Specific Criteria

#### *Competencies*

Verification bodies must have active, functional procedures in place to show that their organization, as a whole, and support staff team are competent in all aspects required for a given verification engagement, including knowledge of the relevant sector(s), GHG emissions, the activity of verification, the specific emissions programs for which they are providing verification services, and other legal, financial, operational, computational and methodological issues that may arise. To meet these requirements, the verification body must take steps such as:

- Ensuring that employees only work on verification projects they are qualified to perform;

- Having and implementing training and monitoring programs;
- Keeping current records on the verification body's competency.

If a verification body uses subcontractors, it must have policies that demonstrate that it is fully responsible for all of the subcontractor's verification-related work. The subcontractor must agree, in writing, to meet all required standards, include confidentiality, impartiality, and COI. In addition, the work of the subcontractor must meet all ISO verification standards and be agreed to by the client.

#### *Contractual, Confidential Information and Record Keeping*

With respect to verification contracts, the verification body must provide its client(s) with necessary information on the verification process, the client's responsibilities, any changes in requirements and fees, and the verification body's policies regarding public statements and means for the client to raise concerns. Verification bodies must have legally acceptable procedures, equipment, and facilities for dealing with confidential information obtained during verification, both from clients and other sources. Clients must approve and be informed of the release of all non-public information and confidential material, respectively, to third parties. Verification bodies must keep information on its verification activities and records, the former to be produced, upon request, and the latter to be held confidentially or destroyed, as required by contract.

#### *Verification Process*

Verification bodies must perform the following steps for each verification engagement:

1. Pre-verification, which includes an assessment by the verification body of its ability to be impartial and perform the work and, subsequently, a formal contact and an appointment of a team leader;
2. Development of a detailed approach by the verification body after review of the client's emission data, including a timeline, a staffing plan, and the communication of the plan to the client (see paragraph above);
3. Verification and corresponding assessment of the client's GHG assertion;
4. Issuance of the verification statement, including a review by staff not belonging to the verification team;
5. Maintenance of records.

#### *Facts Discovered After Verification*

If additional facts are discovered by clients after the issuance of the verification statement that call for it to be reassessed, a process shall be established and a revised statement shall be issued.

#### *Appeals and Complaints*

A process for handling appeals and complaints must be established and made public. The verification body is responsible for all decisions, ensuring that the process is handled by staff that did not perform the verification, and informing the client of the decision. If a verification body needs to revisit a case on short notice, the client must be notified and care must be taken when choosing the verification team.

#### *Management of ISO Requirements*

The verification body must reliably show that it meets ISO 14065's requirements through a management system, including a guiding policy, review, audits, document and record control, and corrective and preventative measures.



**The Climate Registry**

**The Climate Registry**  
[address]

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