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**EA Document
for
Recognition of Verifiers
under the
EU ETS Directive**

PURPOSE

This document has been prepared by a working group under the direction of the European co-operation for Accreditation (EA) Certification Committee to facilitate a harmonised approach to recognition of verifiers under the EU ETS Directive 2003/87/EC and amendments, the Monitoring & Reporting Regulation (EU) No 601/2012 and the Accreditation & Verification Regulation (EU) No 600/2012.

Authorship

The publication has been written by a working group of the EA Certification Committee.

Official language

The publication may be translated into other languages as required. The English language version remains the definitive version.

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Foreword

This document has been prepared by a working group under the direction of the European co-operation for Accreditation (EA) Certification Committee to facilitate a harmonised approach to accreditation of verifiers for compliance with EN ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition according to The Accreditation & Verification Regulation (EU) 600/2012 (AVR) for the recognition of verification bodies under the EU ETS Directive 2003/87/EC of the European Parliament and of the Council.

The document has been structured consistent with content and numbering of EN ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition.

The document shall be used by national accreditation bodies that assess and accredit verifiers conveying formal demonstration of their competence and independence to carry out verification in accordance with specified requirements in EN ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and the AVR.

The term “shall” is used throughout this document to indicate those provisions which, reflecting the requirements of EU ETS Directive, AVR or the Monitoring & Reporting Regulation (MRR) are mandatory. The term “should” is used to indicate guidance which, although not mandatory, is provided as a recognised means of meeting the requirements, as in the case of the published Guidance Documents from the Commission.

Guidance Documents and templates developed by the Commission should be used, although defined not legally binding, as they are considered as recognised means to meet the requirements of the AVR as well as important tools to achieve and ensure harmonisation.

Verifiers whose systems do not follow this document or the Guidance documents and templates developed by the Commission in any respect will only be eligible for accreditation if they can demonstrate that they meet it in an equivalent way. This does not exempt the verifier from complying with EN ISO 14065 and the AVR.

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1. INTRODUCTION

This document shall be used by accreditation bodies to assess verifiers who are verifying annual emissions reports and tonne-kilometre reports before they are submitted to the relevant Competent Authorities in accordance with Directive 2003/87/EC and amendments and the MRR.

The objective of this document is to promote a harmonised consistent approach between accreditation bodies using the criteria for and the assessment of verifiers verifying the EU ETS annual emissions reports and tonne-kilometre reports.

This EA Document shall be used by accreditation bodies to assess verifier's conformance with Annex V of Directive 2003/87/EC and amendments and the AVR, but this document also provides information to verifiers on how to conduct the verification of emissions reports and tonne-kilometre reports as well as verification of NIMs (National Implementation Measures) baseline data reports and methodology reports. Verifiers wishing to verify data in organisations that fall under Article 10a of the ETS Directive (i.e. verifications required to support changes in allocation), shall be accredited against EN ISO 14065, and their scope shall include scope 98. They may only apply the scope 98 verification activities in a scope sector (1 through 9 and 12), which is included in their scope of accreditation.

The verification of an emissions report or tonne-kilometre report is a technical audit function more related to information and data audits than to auditing of management systems. The nature of this work requires transparent, independent safeguards throughout all stages of the planning and delivery of the verification engagement.

The structure of this document follows the EN ISO 14065 clause numbering. The presence of clauses without any additional text means that there are no additional requirements or guidance for those clauses with respect to what is already contained in EN ISO 14065 and other applicable documents, including the AVR, Commission Guidelines and IAF MD 6.

The requirements in EN ISO 14065 and the AVR are to be understood as applied even though they are not repeated in this document.

2. NORMATIVE REFERENCES

No additional requirements or guidance.

3. TERMS AND DEFINITIONS

For the purposes of this EA Document and Annexes the definitions in the EU ETS Directive, the AVR and the MRR shall apply as well as the following definitions:

- a) 'EU ETS Directive' means Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, as amended by Directive 2008/101/EC and Directive 2009/29/EC.
- b) 'EGD I' AVR Explanatory Guidance Document No. 1 developed by the Commission
- c) 'Installation' is as defined by Article 3(e) of Directive 2003/87/EC
- d) 'KGN II(1-n)' AVR Key Guidance Notes developed by the Commission

- e) 'Registry Regulation' means Commission Regulation (EU) No **389/2013** of 2 May 2013 establishing a Union Registry pursuant to Directive 2003/87/EC of the European Parliament and of the Council Decision No 280/2004/EC and No 406/2009/EC of the European Parliament and of the Council and repealing Commission Regulations (EU) No 920/2010 and No 1193/2011.
- f) 'verification report' means the external verification report that the operator is required to submit along with the annual emissions report or tonne-kilometre report as referred to in section 8.4-6.
- g) 'verifier' means a legal person or another legal entity carrying out verification activities pursuant to the AVR.
- h) 'validated' – term used in EU ETS Directive Annex V point 3 - In this context, this is to be read as 'verified'.

4. PRINCIPLES

No additional requirements or guidance.

5. GENERAL REQUIREMENTS

The verifier's organizational structure and its quality assurance procedures shall be such as to underpin the integrity, independence and impartiality of the verifier and its activities.

5.1 Legal status

No additional requirements or guidance.

5.2 Legal and contractual matters

The verification report shall be issued by the accredited verifier that has the contract with the operator or aircraft operator.

5.3 Governance and management commitment

The verifier shall identify the top management (e.g. individual, group, board) having overall authority and responsibility for information exchange with CA's and NAB's.

5.4 Impartiality

5.4.1 Commitment to impartiality

The verifier shall act impartially, be independent and avoid unacceptable conflicts of interest according to the requirements in Annex A to this document as well as the requirements in Article 42 of the AVR.

5.4.2 Avoidance of conflict of interest

The fact that the verifier employs verification personnel known to have provided consultancy, engineering or any technical assistance to the organisation under assessment shall be considered as a high threat to impartiality.

Where the verifier employs personnel who had previously provided consultancy or technical assistance, but not in support of the GHG assertion, for a client, the verifier shall be able to demonstrate through an impartiality risk assessment, and by having implemented suitable controls which minimise the risk of any conflicts of interest that the verifier can conduct the verification for this client without compromising his impartiality.

The rationale and justification and controls shall be fully documented on a case by case basis.

5.4.3 Mechanism for oversight of impartiality

A common way to fulfil this requirement is to have a committee. If another solution is chosen the reason has to be justified.

Whatever mechanism for supervision of its impartiality is chosen, the verifier should ensure that the persons or program for this supervision is or are:

1. sufficiently competent and impartial to supervise the verifier's procedures and actions to ensure impartial functioning;
2. able to have access to sufficient information to enable this supervision;
3. properly informed about its task;
4. clearly reporting their findings with respect to this supervision.

5.5 Liability and financing

The verifier shall demonstrate the information including the risks associated with verification activities in the EU ETS, as presented to, and discussed with, their insurance provider, and upon which their liability cover has been determined. However it is not for the National Accreditation Body (NAB) to decide the level of insurance or reserves.

6 COMPETENCIES

6.1 Management and personnel

The verifier shall define competence criteria in terms of required knowledge and skills for all personnel performing functions related to the management and execution of all verification activities.

For all personnel involved in the verification activities, the verifier shall determine the method of evaluating their competence against the competence criteria established and shall maintain records that demonstrate how an individual demonstrated achievement of the competence to a competent evaluator.

Experience, qualifications and training do not by themselves demonstrate that an individual is competent, but provide potential routes to acquire competence and are useful as prerequisite requirements.

For EU ETS auditors and lead auditors, the verifier shall, prior to allowing an individual to be designated as competent, use a competent evaluator to monitor the EU ETS auditor and EU ETS lead auditor on-site.

The competence process should take into account the Commission Guidance KGN II.7 Competence of verifiers.

6.2 Competencies of personnel

The verifier shall be able to demonstrate an understanding and the technical ability to manage the EU ETS verification work for the group of activities in which they offer accredited services. Thus, the competence requirements for understanding and technical ability include demonstrating the technical knowledge of the verification requirements, the scopes as listed in AVR, Annex 1, including any unique industry process parameters, testing techniques, measuring/monitoring arrangements, calculation methodologies and relevant legislative requirements etc.

Restrictions affecting an individual's competence, and therefore ability to undertake a task fully should be recorded. This should include, for example, a restricted scope activity, and where necessary any additional arrangements required, e.g. support from a technical expert, or specified interim approval stages to be applied, etc.

The verifier shall at regular intervals review its competence process to ensure that criteria meet requirements and to address any amendments or any other issues that may be identified related to the setting of competence criteria as an outcome of the monitoring process.

6.2.1 Monitoring of performance

All personnel, involved in the verification process, shall be subject to monitoring of performance to confirm competence. The frequency of monitoring shall be annual. The verifier shall establish the most appropriate means of monitoring applicable to the tasks being undertaken and the risks of unsatisfactory outcomes influencing the final verification opinion. This shall include initial on-site monitoring for EU ETS auditors, lead auditors and experts as part of the qualification process, ref. Article 35 (6).

The minimum frequency for on-site monitoring shall not be more than 3 years.

The competent evaluator shall at least have the same competence as an EU ETS lead auditor and have good knowledge of the verifier's competence evaluation processes.

In addition the verifier shall have a process for ensuring on-going training to ensure the EU ETS Lead Auditors / Auditors and all personnel involved are aware of any changes in standards, regulations, relevant guidelines and other legislative requirements (EU and National) as appropriate.

6.3 Deployment of personnel

6.3.1 General

The verifier shall maintain sufficient documentation to provide objective evidence of team selection and management.

Where the team comprises more than one member the lead auditor shall ensure that specific tasks are delegated to personnel competent for those tasks.

6.3.2 Validation or verification team knowledge

No additional requirements or guidance.

6.3.3 Validation or verification team technical expertise

The verifier's technical sector competence criteria should reflect the aspects mentioned in the Commissions Guidance, KGN II.7 and should, if relevant, further include at least knowledge of the following aspects:

1. For scope 98 "Other activities pursuant to Article 10a of Directive 2003/87/EC", AVR 600/2012, Annex 1.

As this type of activity occurs in one of the scope sectors 1 through 9 and 12, the verifier should ensure that any verification team for such an assignment:

- i. possesses all competencies as listed for the relevant scope (1 through 9 and 12), as based on the Articles 35 through 39 of the AVR;
- ii. can demonstrate in-depth knowledge of the Commission Decision 2011/278 (CIM), including the guidance documents on the harmonized free allocation methodology for the EU-ETS post 2012;

- iii. can demonstrate in- depth knowledge regarding an installation's intended normal operation, maintenance, common production cycle, emission intensity of inputs and typical capacity utilization in the sector concerned compared to sector-specific information;
- iv. has the ability to evaluate if the applied energy- or greenhouse gas efficiency and abatement techniques are state of the art.

6.3.4 Validation or verification team data and information auditing expertise

The competence criteria for data and information auditing should reflect the aspects mentioned in the Commissions Guidance, KGN II.7.

6.3.5 Specific GHG project validation team competencies

Not applicable

6.3.6 Specific GHG project verification team competencies

Not applicable

6.3.7 Specific validation or verification team leader competencies

No additional requirements or guidance.

6.4 Use of contracted validators or verifiers

The requirements under EN ISO 14065, clause 6.4, also apply for external experts.

6.5 Personnel records

The personnel records shall indicate the competence of each person for the various verification activities, including for which group of activities, as set out in Annex I of the AVR.

6.6 Outsourcing

Accreditation according to EN ISO 14065 for the relevant scope of verification in accordance with AVR, Annex I by a national accreditation body according to EC/765/2008 is one of the means to fulfil the requirement of independent evidence, to be provided by the outsourced body.

7 COMMUNICATION AND RECORDS

7.1 Information provided to a client or responsible party

No additional requirements or guidance.

7.2 Communication of responsibilities to a client or responsible party

No additional requirements or guidance.

7.3 Confidentiality

No additional requirements or guidance.

7.4 Publicly accessible information

The verifier shall document, update at regular intervals and make available through publications, electronic media or other means or on request, the following:

1. information about the accreditation(s) under which the verifier operates;
2. a description of the verification process including rules and procedures for issuing or refusing a verification report;

7.5 Records

Records shall be kept by the verifier for at least 10 years after the end of the annual verification cycle. This applies even in cases where no further verification is conducted.

8 VALIDATION OR VERIFICATION PROCESS

8.1 General

The verifier shall perform the verification process on the emissions or tonne-kilometre report for each and every installation or aircraft operator for which a report is to be verified by the verifier. Sampling within a group of installations or aircraft operators, is not allowed as it will not provide sufficient, appropriate evidence on which to issue a verification report at an installation or aircraft operator level.

The verification process is an iterative process which shall include all steps as required by AVR, Chapter II. All steps are interconnected; findings during the verification process can mean that a verifier has to adjust one or more steps in the verification process.

8.2 Pre-engagement

Evaluation of the risks involved for the verifier (business risk)

The verifier shall carry out an evaluation of the risks that are involved for the verifier in undertaking the work in accordance with the requirements. This business risk evaluation shall be fully documented. The evaluation should show that the verifier has recognised the business risks involved with the contract and that it has developed an approach for the work that will ensure that the scope of the verification work and the time quoted is consistent with the risks identified. The approach shall be documented.

Information needed

The verifier shall ensure that the operator has provided sufficient information based on which the scope and objectives for the verification engagement can be confirmed, ref. AVR, Article 10.

The verifier shall retain documentary evidence of the pre-contract processes.

8.2.1 Impartiality

No additional requirements or guidance.

8.2.2 Competence

The competency needs analysis and confirmation of resources shall also include the independent technical reviewer.

Records shall be held to demonstrate that for each verification engagement, a competence analysis was made and a competent verification team was selected.

8.2.3 Agreement

8.2.3-1 Review of quotation

Prior to submission to the client the quotation should be internally reviewed and approved by competent personnel.

8.2.3-2 Contract conditions for verification

The verifier should specify the conditions for verification in a clear and transparent manner.

The verifier shall require its client to disclose all relevant information and data to enable the verifier to carry out the verification activities.

The verifier shall require its client to allow for the NAB to witness verification activities.

The verifier shall require in its verification contract that the client:

1. makes all necessary arrangements for the conduct of the verification and on-site assessment, including provision for examining documentation and access to all relevant areas, records and personnel for the purposes of verification and resolution of complaints;
2. ensures that the verification report, or any part thereof is not used in a misleading manner; and;
3. commits to disclose all required data and information relevant to the verification.

8.2.4 Appointing the team leader

No additional requirements or guidance.

8.3 Approach

No additional requirements or guidance.

8.3.1 Selecting the validation or verification team

No additional requirements or guidance.

8.3.2 Communicating with the client and the responsible party

No additional requirements or guidance.

8.3.3 Planning

8.3.3-1 Time allocation

The verifier shall determine the necessary time allocation for each verification engagement quoted for and shall justify and record its decision. The time allocation shall be recorded in the verifier's internal documentation. Any change in days as a result of negotiation with the operator or aircraft operator shall be recorded and justified. Any change in days as a result of findings during strategic analysis, risk analysis or implementation of the verification plan shall be recorded and justified.

If an installation is applying the fall-back approach according to MRR, Article 22, the verifier shall also take into account when determining the time allocation that the verification has to include the annual update of the uncertainty analysis.

Further information on the determining factors for time allocation can be found in Annex D.

The verification activities should be planned to ensure that sufficient time is allowed to:

1. carry out all the verification activities;
2. allow the operator or aircraft operator to address issues identified by the verifier if needed;
3. enable the verification report to be produced and made available by the operator or aircraft operator to the competent authority, by 31st March of each year or earlier if required by the Competent Authority; and
4. develop and complete the internal verification documentation, reporting and review.

8.3.3-2 Strategic analysis

The strategic analysis provides the verifier with the basis for the development of the risk analysis and the verification plan.

The verifier shall require the operator or aircraft operator to provide the information defined in the AVR, Article 10(1) in advance of performing the strategic analysis.

The strategic analysis shall consider the information according to the AVR, Article 11 and the following inputs:

1. the control system of an installation or aircraft operator which consists of:
 - a. a risk assessment carried out by an operator or aircraft operator to identify inherent and control risks in the data flow activities that could lead to misstatements in the annual emissions report or tonne-kilometre report and non-conformities against the approved monitoring plan, the permit, where applicable, and non compliance with the MRR;
 - b. control activities that mitigate the identified risks, including quality assurance of the measuring equipment and information technology used, internal reviews of reported data, outsourced processes, corrections and corrective action and records and documentation.
2. for aviation – availability and complexity of the additional procedures required under the monitoring plan according to MRR, Annex 1 (2);
3. whether accredited laboratories or non-accredited laboratories have been used in determining activity-specific factors according to MRR, Article 30.
4. the existence of a control environment and/or an environmental management system/ audit system according to EN ISO 14001/EMAS, EN ISO 9001 or equivalent system that covers the GHG relevant data management and recording system.
5. the organisational environment including the structure of the organisation that manages the operational, maintenance and data accounting systems, within which the emissions or tonne-kilometre information is derived;
6. the required materiality threshold to be applied;
7. the availability of information from databases, including those from Eurocontrol, other similar organisations and the operator, and the need for site visits for verification of the data acquisition and handling activities;
8. annual update of uncertainty analysis if the fall-back approach is applied according to MRR, Article 22 for installations;
9. for aviation annual emissions, whether the approach for small emitters is used according to MRR, Article 54.

The verification process should not proceed until the verifier has obtained and evaluated sufficient relevant information on which to base the strategic analysis.

8.3.3-2-1 Outcome and documentation of the strategic analysis

The strategic analysis should look at all the above mentioned inputs and subsequently apply conventional strategic analysis tools such as strength /weakness assessment to identify issues and concerns.

The conclusion from the strategic analysis, including commentary on the inputs listed above, provides information and effective input to:

1. the risk analysis;
2. the verification plan being drawn up at the end of the risk analysis;
3. the findings and conclusions of the verification to be submitted in the verification report.

The results of the strategic analysis and other information assembled during strategic analysis shall be recorded by the verifier in the internal verification documentation.

8.3.3-3 Risk analysis

The verifier shall carry out a risk analysis according to AVR, Article 12 and the Commission Guidance, KGN II.2 Verifier's risk analysis, should be taken into account.

8.3.3-3-1 Outcome and documentation of the risk analysis

The evaluation of the risks involved shall provide information and effective input to:

1. the verification plan being drawn up at the end of the risk analysis;
2. the assessment of the risk of misstatements or non-conformities and whether this risk is likely to have a material effect;
3. the findings and conclusions of the verification to be submitted in the verification report.

The results of the risk analysis and other information assembled during the risk analysis shall be recorded by the verifier in the internal verification documentation.

Documentation of the strategic analysis and the risk analysis can be combined.

8.3.3-4 Verification plan

Based on the strategic risk analysis the verifier shall draft a verification plan which in addition to AVR Article 13, should comprise:

1. an assessment of whether the installation or aircraft operator's boundaries (emission sources, source streams) and systems (risk assessment and procedures) are correctly defined in the approved monitoring plan;
2. an assessment of conformance with the approved monitoring plan;
3. the specific aspects of continuous monitoring of emissions, where applicable.

Annex B sets out the factors influencing the development of a verification plan. In the paragraphs below two elements of the verification plan are outlined further.

8.3.3-5 Verification programme

The verification programme serves as a means of monitoring and recording progress of the verification activities and the scope of such activities.

8.3.3-6 Data sampling plan

The data sampling plan is an internal document and part of the verification plan. It consists of **what** the verification will involve: the data sampling approach as well as the data to be tested and the tests to be conducted in order to assess whether the data in the emissions or tonne-kilometre report are free from material misstatements. The development of a sound and appropriate data sampling approach is a culmination of the strategic analysis and the risk analysis. The data sampling approach is based on sampling of various areas and elements within an individual installation or aircraft operator's activities consistent with:

1. prioritisation of areas and data identified within the strategic and risk analyses;
2. data sets and how they relate to the monitoring plan;
3. key aspects of conformity with the approved monitoring plan;
4. optimisation of the breadth and depth of sampling in order to deliver reasonable assurance.
5. additionally for aircraft operator's activities – the potential changes of the GHG sources over the reporting period, e.g. leased aircraft, sold or new aircraft.

Reasonable assurance also determines the depth of detail that a verifier includes in their verification plan to assess if the emissions report or tonne-kilometre report is free from material misstatements. The verifier uses data sampling as part of detailed verification and this shall:

1. be representative of the full data universe including primary source data;
2. include horizontal and/or vertical data checks carried out by the verifier;
3. take account of the sampling regime of prior years audits such that over a number of verification cycles all data streams and source streams or emission sources are included within substantive testing; and
4. be justified and detailed in the verification plan.

8.3.3-7 Site visit and assessment of source streams and emission sources

In relation to aircraft operators, completeness checks shall include use of air traffic data such as that from Eurocontrol. The Commission Guidance, GD III and the associated Quick Guide for Small Emitters should be taken in to account.

8.3.3-8 Documentation of verification plan

The verification plan, including modifications and reasons for modifications in the verification plan, shall be documented in the internal verification documentation and shall subsequently be used during the process analysis.

8.4 Validation or verification

The verifier shall carry out the following activities at the verification assessment stage:

1. Process analysis (the main part of verification)
2. Completing the verification and findings

Verification of GHG emissions and tonne-kilometre data does not include the concept of on-going surveillance as used in management system certification.

For guidance on the verification effort carried out by the same verifier for repeated years and the balance between simple and complex installation or aircraft operator's activities, see Annex C. Please note this annex does not relate to sampling between installations or aircraft operators but to sampling within an installation or aircraft operator's activities and its data set.

8.4.1 Process Analysis (main part of verification)

Process analysis shall be performed according to AVR, Article 14 to 20. Commission Guidance document, KGN II.3 Process analysis, should also be taken into account.

8.4.2 Site visits

Unless a waiver has been applied or other requirements in the AVR, Articles 31 and 32 apply, the verification shall be performed on-site(s) to assess monitoring systems including the operation of meters, conduct interviews, and collect sufficient information and evidence according to AVR, Article 21. The Commission Guidance document, KGN II.5 Site visits during verification, should also be taken into account.

As all installations or aircraft operators have to submit their verified emissions or tonne-kilometre report by March 31st of the following year or earlier if required by the Competent Authority, the verifiers should spread their verification work over the year to avoid pressure on completing the verification and formulating the verification report. The final data verification cannot be completed until all data are available, which will normally be the case as from January of the following year. However, data verification can be started as soon as some data are available. The strategic analysis and risk analysis provide input into the planning of the verification and will be laid down in the verification plan.

The verifier may decide between:

1. assessing separately and in advance whether the approved monitoring plan has been implemented correctly by the installation or aircraft operator and is up to date followed by a separate data verification, this may include a year to date assessment of data followed by a check after preparation of the emissions report by the end of the year; or
2. doing a combined verification (implementation of monitoring plan verification and data verification at the same time).

This decision shall be based upon a risk analysis, in which last year's verification results and actual information of the installation or aircraft operator activities are taken into account.

8.4.3 Other verification activities

The verifier may use spot-checks to sample individual records and emissions data during specific time periods of activities. Throughout the process analysis, the verifier should gather records that form part of an audit trail of objective evidence to support the findings.

For installations – sampling of data is permitted between the records of emissions from individual source streams or emission sources within the boundary of an installation and the approved monitoring plan. All other sampling approaches do not extend to a data universe covering several installations, EU ETS permits or sites. An individual verification exercise is required in accordance with each EU ETS permit and the associated monitoring plan.

For aircraft operators – sampling of data is permitted within the records of emissions or tonne kilometre data from individual GHG sources within the boundary of an aircraft operator's activities and the approved monitoring plan. An individual verification exercise is required in accordance with each monitoring plan.

Sampling of data shall be according to AVR, Article 20. The Commission Guidance, KGN II.4 Sampling, should also be taken into account.

In second and subsequent verification engagements, the findings from previous engagements should be taken into consideration in order to increase or decrease the level of verification effort afforded to individual sources or data or system, see Annex D.

The process analysis and supporting working documentation should ensure that any issues are identified that may impact on:

1. the materiality threshold;
2. a decision that there are misstatements and non-conformities.

Any misstatements or non-conformities identified must be corrected by the operator. These issues must be included in the internal verification documentation in accordance with Article 22 of the AVR. If the misstatements and non-conformities are not corrected before issuing the verification report, these must be reported in the verification report.

8.4.4 Completing the verification and findings

In order to assess whether the verification risk is at an acceptably low level to obtain reasonable assurance the verifier should review the risk analysis to confirm whether the distribution of verification effort was appropriate and conclude on the impacts that this may have on the verification decision.

The process analysis is completed when all activities described in the verification plan have been carried out and when the completion, effectiveness and adequacy of corrective action or new information have been verified.

In developing its conclusion the verifier shall meet the requirements of EU ETS Directive Annex V point 11 and AVR, Article 27. The Commission Guidance document, KGN II.6 Verification report, should also be taken into account.

8.4.5 Misstatements and non-conformities

For an explanation on what constitutes a material misstatement and a non-conformity see Annex E and Commission Guidance documents, EGD I, Chapter 3 and KGN II.3 Process analysis.

When reporting during the verification process, the verifier shall request and allow the operator to correct rectifiable misstatements and non-conformities. This should be done as soon as possible so that the verifier is able to review the final changes before the deadline for submission of the report.

Misstatements and non-conformities that are solved by the time the verifier's report is issued, at the latest before the deadline for submission of the emissions or tonne-kilometer report, shall be logged and documented in the internal verification documentation.

If misstatements or non-conformities cannot be or are not rectified at the latest by the deadline for the submission of the emissions or tonne-kilometer report, which is subject to the date of signing off of the verification report, the verifier shall assess whether these

misstatements are material or constitutes non-conformities. Material misstatements or non-conformities in the emissions report or for aircraft operators the tonne-kilometre report shall lead to a verification opinion in the verification report that the emissions report or tonne-kilometre report is not verified as satisfactory, see AVR, Article 27 (1)(b)-(d).

Note: If there has been no action by the operator, any sanction is the responsibility of the competent authority, and not that of the verifier.

The verifier should inform the operator regularly on the progress of the verification and the potential for any material misstatements or non-conformities that may result in an opinion stating not verified as satisfactory.

8.4.6 Verifier reporting

At the end of the verification process the verifier shall prepare:

- internal verification documentation; (AVR, Article 26; Commission Guidance Document, EGD I AVR Explanatory Guidance, Annex II); and
- a verification report addressed to the operator (AVR, Article 27; Commission Guidance Document, KGN II.6 Verification report, and the template published by the Commission).

8.4.7 Verification report

According to Annex V of the EU ETS Directive and AVR, Article 27 an emissions report or tonne-kilometre report can be verified as satisfactory when the data in the emissions report or tonne-kilometre report are free from material misstatements.

8.5 Review and issuance of validation or verification statement

8.5.1 The review process

The process of review serves four different functions:

1. the review function (to look for technical errors or omissions and to concur with the opinion reached, which requires comparable technical expertise to that of the EU ETS Lead auditor who is responsible for the final verification report);
2. a final check that the verifier has acted with due diligence and is aware of their duty of care to their client, including ensuring that the scope of work activities is consistent with the installation or aircraft operator's activities, control arrangements and the reasonable assurance requirements;
3. a final check to confirm whether the verifier has carried out the verification in accordance with the relevant requirements (EU ETS Directive, the AVR, MRR, national regulations, internal requirements, accreditation requirements); and
4. the proof reading function (to correct simple errors, number reversals, typographical mistakes and omissions, ensure consistency between the emissions or tonne-kilometre report and the verification report).

The review should focus in particular on the following verification activities:

1. Appointment of the EU ETS Lead auditor and/or team – including competency evaluation;
2. Business risk evaluation – in particular the decision to accept the engagement and justification for the time allocation;

3. Strategic Analysis,
4. Risk Analysis;
5. Verification plan including data sample design where appropriate and justification thereof;
6. Verification assessment (process analysis) including modifications to the verification activities;
7. Completion of the internal verification documentation and the verification report ensuring the consistency of both, including the verification findings and conclusions;
8. Any issues raised by the verifier, particularly those that prohibit a satisfactory verification report;
9. Identified areas of improvement and follow up on such recommendations;
10. Misstatements and non-conformities that have been corrected by the deadline of the submission of the emissions or tonne-kilometre report (subject to signing off the verification report) have been logged in the internal verification documentation and misstatements and non-conformities that are outstanding after the deadline have been recorded in the verification report.
11. Review of any remaining non-corrected misstatements and non-conformities, and the decision on whether they have material effect on reported data;
12. The justification for the decision to issue the verification report or to give a verification opinion that the emissions report or tonne-kilometre report is either verified as satisfactory, verified as satisfactory with comments or not verified, see AVR, Article 27.

8.5.2 Entry of emission figure in registry

According to article 35 of the registry regulation the verifier may enter and/or approve the relevant entries into the EU ETS registry related to the final verified GHG emissions for the period in question and for the relevant activities. The option to input and/or to approve the entry depends on the way this is decided by the competent authority and implemented in national legislation.

8.6 Records

The information in the internal verification documentation shall contain the justification for judgements made by the verifier related to the decision on whether a nonconformity or misstatement has material effect on reported data or not and to substantiate that the verification process has been carried out effectively. The internal verification documentation shall provide the evidence upon which the verification report is based, as well as the basis for comments to the operator or aircraft operator, related to improvements in the operator's or aircraft operator's performance in monitoring and reporting emissions and tonne-kilometre.

Annex II in Commission Guidance Document, EGD I, AVR Explanatory Guidance, describes what should at least form part of the internal verification documentation.

8.7 Facts discovered after the validation or verification statement

If the verification report requires revision, due to facts identified after the verification or as may be requested by the competent authority, the verifier shall implement processes to issue a revised verification report.

9. APPEALS

No additional requirements or guidance.

10. COMPLAINTS

No additional requirements or guidance.

11. SPECIAL VALIDATIONS OR VERIFICATIONS

No additional requirements or guidance.

12. MANAGEMENT SYSTEM

The management system shall ensure the fulfilment of the specific requirements in the AVR. The Commission Guidance Documents should be taken into account when establishing, maintaining and improving the management system.

For the general management system elements a level of implementation similar to the requirements in EN ISO/IEC 17021, clause 10.3 should be considered as sufficient.

The internal audit of the verifier should follow the guidelines of EN ISO 19011.

The verifier shall set up procedures for providing information required by the AVR, Article 76, to the national accreditation body that has accredited the verifier. The information should be provided by the use of the templates made available by the Commission, see Commission Guidance Document, KGN II.10 Information exchange.

Annex A – Impartiality and independence (normative)

The verifier shall ensure that activities of other bodies do not affect the confidentiality, objectivity and impartiality of its verification. The verifier shall avoid any situation that would create a conflict of interest arising from the activity of any other body.

It shall not provide any consulting services or technical assistance where the financial dependency could compromise the impartiality of the verification activity.

Consultancy or technical assistance and verification shall not be marketed together. The consultancy or technical assistance body shall not state or imply that the verification would be simpler, easier, faster or less expensive if a specified verifier is used. The verifier activities shall not be marketed as linked with the activities of an organization that provides consultancy, engineering or any technical assistance related to GHG.

All verification personnel, either internal or external, or committees, which could influence the verification activities, shall act impartially and shall not allow commercial, financial or other pressures to compromise impartiality. The verifier shall have formal rules and/or contractual conditions to ensure that each team member acts in an impartial manner.

Verifiers shall use this information as input to identifying threats to impartiality raised by the activities of such personnel or by the organizations that employ them.

The informative Annex B to EN ISO 14065 indicates the potential risks and safeguards to impartiality. In the framework of EU ETS, these are considered as guidelines with the same status as the guidelines of EA-6/03. The word “might” as used in the Annex B is equivalent to the word “should” in this Guideline.

Annex B – Verification plan – details (normative)

Where relevant the following three factors have a major influence on the verification plan:

Computerised information systems:

Where the verification of data takes place within a computer information system the verifier should consider the following:

1. The operator's inherent risks to the completeness, consistency, reliability and accuracy of reported data from actual or potential failures in the computer information system (e.g. computer system failures resulting in a failure to collect data from automated monitoring equipment during the time of the system failure).
2. Potential software coding or scripting errors that may lead to misstatements or material misstatements in the reported data (e.g. the manual inputting of a function in a spreadsheet or a fundamental high-level programming code error that leads to an incorrect aggregate figure or an incorrect emissions factor/conversion).
3. Human errors in the computer information system (e.g. overwriting a spreadsheet containing last month's data with this month's data before backing up the data).
4. Where the computer information system is bespoke (non-standard) software it may be necessary to include specialist information technology/software engineering expertise within the verification team.
5. The prevailing information security environment within which the data is managed – breaches of information security may lead to failures or increased risk in the collation, transfer, processing, analysis, aggregation (or disaggregation) and storage reporting of data. Failures in information security may also arise from inadequate back-up procedures for data.
6. Proper use of the calculation formula and access control, the possibility of recovering data, continuity planning and security with respect to information technology.

The installation or aircraft operator's control environment:

Verifiers should obtain a sufficient understanding of the control environment and control system to assess management's awareness and actions regarding internal controls and their importance in the generation and reporting of emissions or tonne-kilometre information and conformity with permit, where applicable, and monitoring plan requirements.

When planning the verification, verifiers should make enquiries of management to obtain an understanding of:

1. operator's risk assessment of inherent and control risks, misstatements in the annual emissions report or tonne-kilometre report and non-conformities against the approved monitoring plan and the non-compliance with MRR;
2. the accounting and internal control systems management as well as other control activities referred to in MRR and the approved monitoring plan, that the operator or aircraft operator has put in place to address such inherent and control risks;
3. management's understanding of the implementation and maintenance of the accounting and internal control systems as well as other control activities as referred to in MRR and the approved monitoring plan to prevent and detect errors;
4. whether management has discovered any misstatements and non-conformities.

Using techniques such as enquiry, observation, inspection and analytical procedures, together with previous experience, the verifier obtains a sufficient understanding of the installation or aircraft operator's control environment to enable the verification plan to be developed and implemented. The verifier obtains an understanding of the installation or aircraft operator's:

1. business structure;
2. operating processes;
3. personnel policies and practices;
4. communication of information;
5. computer information systems.

In order to be able to develop and implement the verification plan, the verifier should have an understanding of the control systems in the installation or aircraft operator and assess whether the control systems and related activities laid down in the approved monitoring plan have been implemented correctly and are functioning properly, in relation to the data flows and the generation of emission or tonne-kilometre data.

Neither the operator or aircraft operator nor the verifier should assume that adaptation and implementation of such systems can on their own merits minimise the various risks associated with the EU ETS verification. However, where the installation or aircraft operator has an environmental management system such as EN ISO 14001, EMAS or an equivalent system in place, this may make the gathering of material for verification within the EU ETS simpler, provided that the management system addresses all the issues associated with the data and information system for the EU ETS. The adaptation and implementation of a management system can help enhance as well as formalise the management, implementation and continuous improvements of the activities required to support the EU ETS permits, the MRR and other supporting requirements of the EU ETS.

The verifier shall address the procedures needed for monitoring and reporting of greenhouse gases and the correct application of these procedures, as identified in the approved monitoring plan, within the installation or aircraft operator's activities. In view of the control environment and the control system the verification plan shall cover requirements in AVR, Article 13.

Conformity of the implementation of the approved monitoring plan:

The verifier shall check and confirm the correct implementation of the approved monitoring plan and associated EU ETS permit, where applicable, including the correct application of the monitoring methodology.

The verifier should therefore define the verification plan to include:

- 1) spreadsheets and calculation methods to ensure they are accurate and transparent and that they follow the methodology defined in the approved monitoring plan;
- 2) the source of external data such as emission factors and oxidation factors to ensure they are correct and correctly applied;
- 3) the type of metering upon which data gathering relies and whether the meter has:
 - i) been included in the approved monitoring plan;
 - ii) conforms to the requirements (including uncertainty) specified in the approved monitoring plan;
 - iii) current valid calibration status in line with the operators procedures on quality assurance of the measurement equipment and information technology used (if applicable). Where components of the measurement equipment cannot be calibrated and alternative control activities have been approved by the competent

authority and detailed in the monitoring plan this should also be checked by the verifier;

- 4) the accuracy and applicability of the processing activities applied to primary data flows before they are put into intermediate data storage and processed for submission in the emissions report and tonne-kilometre report;
- 5) any changes to equipment maintenance and calibration regimes that may have a material effect on the reported data and emissions reports, and whether these impact upon conformity with the approved monitoring plan;
- 6) the documentation of the installation or aircraft operator's legal and operational structure and boundaries, including issues of ownership, mergers and acquisitions, outsourcing, dominant management control (over GHG emissions or removals) and contractual requirements and how they relate to the scope of the approved monitoring plan, reported data and emissions reports.

Annex C – Verification effort on repeat verifications (informative)

Do the same verification activities apply for every installation or aircraft operator?

Every installation or aircraft operator shall monitor its GHG emissions on the basis of the approved monitoring plan. The approved monitoring plan is specific to each installation or aircraft operator and shall, as required, be amended to reflect changing circumstances in accordance with MRR, Article 14.

To prevent relatively simple installations or aircraft operators from being subjected to a verification plan that is too rigorous, two provisions have been incorporated into this document:

1. The verifier shall check whether the approved monitoring plan was applied in the development of the emission or tonne-kilometre report. Relatively simple installations or aircraft operators will have a more simplified monitoring plan than complex installations or aircraft operators, resulting in a simpler verification process.
2. The verifier shall establish a verification plan for each installation or aircraft operator. This verification plan is drawn up on the basis of the strategic analysis and the risk analysis. In this way the verification process will fit the specific circumstances that apply to that installation or aircraft operator and will be carried out in an efficient and effective way.

Do the same verification activities apply for repeated years?

Verification processes within the same installation or for the same aircraft operator will vary from year to year dependent on factors such as:

1. Changes to the approved monitoring plan;
2. Changes at the installation or regarding an aircraft operator whether associated with its emission sources, source streams or data management system. This would include changes in personnel;
3. Strengthening or weakening of the data management system and other control activities to be implemented according to MRR, Articles 57 & 58;
4. Findings from previous years.

To avoid duplicate work between years the following provisions have been built in to this document. They are only applicable when the same verifier carries out the verification assessment for the same installation or aircraft operator in the same Trading Period:

- a. For both strategic analysis and risk analysis, the subsequent year's attention should be focused on changes and developments. This will depend on the changes and their impact. It may become necessary to repeat the full strategic analysis and risk analysis as the changes build up. The verifier should assess and justify whether last year's strategic analysis and risk analysis still apply or will need amending based on new circumstances.
- b. The verifier will establish a verification plan for each year. This verification plan is drawn up on the basis of the reviewed and changed strategic analysis and risk analysis. In this way the verification process will fit the specific circumstances that apply to that installation or aircraft operator and will be carried out in an efficient and effective way.
- c. The verifier will consider documented evidence and processes related to:
 - a. strengthening of the data management system and other control activities to be implemented according to MRR, Articles 57 & 58;
 - b. positive evidence that no changes have occurred.

These may reduce the sample size and if so the rationale for these changes should be documented clearly to facilitate internal and external review.

What happens if the verification is made by a new verifier - take over?

In cases where a verification contract is taken over during the Trading Period the considerations as listed above do not apply. The new verifier shall carry out the verification as if it is the first verification.

Annex D – Factors to consider for time allocation and data sampling (normative)

The verifier shall take the following factors into account in determining time allocation. The same factors shall at least apply when determining the extent of data sampling.

The following factors shall at least be taken into account:

1. the complexity of the installation or aircraft operator's activities;
2. the approved monitoring plan and its complexity;
3. the types and number of GHG sources and source streams;
4. the number of data parameters;
5. the size of the total data universe and the quantity of data to be checked including data that have not been processed for use (and going back to such data);
6. the accuracy of the procedures for data management and storage, validity of the sampling rates and whether emission data are missing due to equipment failure or malfunctioning;
7. the accounting system and its complexity;
8. the accuracy and completeness of the data acquisition and handling activities;
9. the robustness of the control activities as part of the control system that are implemented to mitigate inherent and control risks identified in the risk assessment to be performed by the operator;
10. the sampling size based on materiality, reasonable assurance, inherent risk, control risk and detection risk;
11. the competence of verifier personnel and the way they will be used during the verification engagement;
12. the transparency of the control system and the number of times humans have to handle the data;
13. the organization culture related to management and adherence to internal procedures and their correction;
14. the language relevant for the verification, the need for use of an interpreter;
15. the validation of computer managed interfaces and systems related to data;
16. the record keeping;
17. the internal review and validation of data (horizontal and vertical checks);
18. whether calculation factors are determined (emission factors, net calorific value, oxidation factor etc.), by the operator or by third parties (suppliers, external accredited/ non-accredited laboratories), or whether they have been based on default value.

For installations the following additional factors shall be taken into account:

1. application of a calculation method or measurement method (or a combination of the two) for determining the GHG emissions;
2. the types and number of emission sources where continuous measurement methods are applied;
3. the way the quantity of the source stream is determined (through assessment via stock changes or direct metered usage), the operator's own measurement or relying on supplier's data;
4. if the installation applies a fall back approach an assessment of the annual update of the uncertainty analysis that is part of verification according to MRR, Article 22;
5. the way in which the EU ETS emissions have been determined by continuous emission measurement if applied, including standards applicable, the measurement principle and parameters used;
6. the application of EN 14181 and other calibration requirements in case of CEMS.

For aviation the following additional factors shall be taken into account:

1. the completeness of the GHG sources;
2. if that aircraft operator has any data gaps;
3. the completeness of flight, emissions and tonne-kilometre data;
4. the complexity of data for mass and balance;
5. the complexity of data for fuel consumption and purchased fuel;
6. the availability of external data sources to support the above.

Annex E – Misstatements and non-conformities (informative)

Misstatements and non-conformities

Misstatements relate to all information that an operator is required to submit in the annual emissions report or tonne kilometre report.

As non-conformities can have an effect on the total figures in the reports, non-conformities could have some overlap with misstatements irrespective of whether they have a material effect. A non-conformity is not dependant on the materiality threshold.

A material misstatement exists at least if the materiality thresholds defined in AVR, Article 23, have been exceeded.

Material misstatements are not solely linked to the materiality thresholds. In certain cases misstatements below the materiality threshold can be regarded as material misstatements, because they could change the judgement of the competent authority. In cases where this leads to a systematic underestimation of emissions or overestimation of tonne-kilometre data, even such small errors can be considered material. If an operator or aircraft operator refuses to correct detected and correctable errors, a verifier shall deliver a verification opinion that the emissions report or tonne-kilometre report is not verified as satisfactory, see AVR, Article 27.

The assessment whether a misstatement or a non-conformity has material implication is dependent on circumstances. It is difficult to determine beforehand what constitutes a non-conformity which impact the reported data and leads to a material misstatement.

Depending on the circumstances, non-conformities could be:

1. incorrect calibration/failure to carry out calibration or maintenance that would have an impact on the emission data;
2. failure to apply corrections and corrective action when equipment does not function properly;
3. not performing an update of the uncertainty analysis in relation to the fall-back approach;
4. failure to install an appropriate measurement instrument in time;
5. failure to use the correct calculation formula;
6. failure to include sources, source streams and flights;
7. failure to use an accredited laboratory as laid down in the approved monitoring plan;
8. non-representative sampling for analyses.

Factors that can determine whether a misstatement or a non-conformity has material effect:

1. a misstatement exceeds the materiality threshold;
2. the aggregate of misstatements exceeds the materiality threshold;
3. whether the non-conformity or misstatement can be rectified. If the non-conformities and misstatements cannot be rectified in the short term or cannot be rectified at all, a verifier could consider this as a non-conformity or a material misstatement especially if this has an impact on the emission or tonne-kilometre data;
4. possibility of reoccurrence together with impact on emission or tonne-kilometre data;

5. duration of existence of that misstatement or non-conformity: i.e. a non-conformity in the quality assurance and control procedures has not been addressed for several years by the operator and has therefore grown into a misstatement or non-conformity that is no longer acceptable for the verifier since this could for example affect the emission or tonne-kilometre data.

Responsibilities of the verifier with respect to misstatements and non-conformities

When verifying the emissions or tonne-kilometre report the verifier shall take the approved monitoring plan as a starting point and shall see whether there is an act or an omission of an act contrary to the approved monitoring plan.

However the verifier's main task is to check whether the data in the emissions or tonne-kilometre report are correct. This derives from AVR, Article 7 according to which the objective of verification is to ensure that emissions have been monitored in accordance with the MRR and that reliable and correct emissions data will be reported pursuant to Article 14(3) of the EU ETS Directive.

According to the AVR the verifier has the following responsibilities with respect to misstatements and non-conformities:

1. The verifier shall check whether the data in the reports have been determined as complying with the EU ETS permit, where applicable, and the approved monitoring plan. The omissions, misrepresentations and errors in the reports shall be considered as misstatements. Where a verifier has identified any non-compliance with the MRR, it must be reported in the verification report;
2. The verifier shall determine misstatements and non-conformities by assessing whether the monitoring plan has been implemented to support the determination of non-conformities and see whether the monitoring plan is up to date. These could for example be:
 - a. not implementing procedures for the specific control activities (i.e. outsourced procedures);
 - b. not calibrating the measurement equipment.
3. The verifier shall identify an act or an omission of an act contrary to the approved monitoring plan and identify that as a non-conformity regardless of whether this has a material effect. These could for example concern:
 - a. the monitoring methodology used by the operator is not in line with the approved monitoring methodology laid down in the monitoring plan;
 - b. the incorrect implementation of the specific control activities.
4. If the verifier finds a situation which is not in line with the MRR and which has not been described in the approved monitoring plan, the operator must be informed and recommended to bring that situation in compliance with the MRR. This could be done by referring the operator to the Competent Authority and would be information upon which the operator can act to improve their monitoring and reporting of emissions or tonne-kilometre data in the future. Any non-compliance with the MRR identified by the verifier must be included in the verification report. Furthermore the verifier is required to make recommendations for if the verifier has identified any areas of improvement in accordance with Article 30 of the AVR. Examples of such recommendations concern:
 - a. updating the monitoring plan as a result of a possible improvement to the approved tier level;
 - b. increased frequency of calibration of measurement equipment.

ANNEX F – REFERENCES (INFORMATIVE)

EN ISO 14065:2013 (ISO 14065:2013)

Greenhouse gases - Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition

EN ISO 14064-3:2012 (ISO 14064-3:2006) Greenhouse gases – Specification with guidance for the validation and verification of greenhouse gas assertions

ISO 14066:2011 Greenhouse gases – Competence requirements for greenhouse gas validation teams and verification teams

IAF MD 6:2009 IAF Mandatory Document for the application of ISO 14065:2007

EN ISO/IEC 17021:2011 – Conformity assessment – Requirements for bodies providing audit and certification of management systems

EN ISO 9001:2008 Quality management systems — Requirements (ISO 9001:2008)

EN ISO 14001:2004 Environmental management systems — Requirements with guidance for use (ISO 14001:2004)

REGULATION (EC) No 1221/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2009 allowing voluntary participation by organisations in a Community eco-management and audit scheme (EMAS)

EN ISO 19011:2011 Guidelines for quality and/or environmental management systems auditing (ISO 19011:2011)

EN 14181:2004

Stationary source emissions. Quality assurance of automated measuring systems

ISO 14956:2002

Air quality -- Evaluation of the suitability of a measurement procedure by comparison with a required measurement uncertainty

Commission Regulation (EU) No 600/2012 of 21 June 2012 on the verification of greenhouse gas emissions reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council

Commission Regulation (EU) No 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council

Guidance Documents developed by the Commission:

- EGD I – AVR Explanatory Guidance
- MRR 1 General guidance for installations
- GD III Aviation verification guidance

Key Guidance Notes (KGN)

- KGN II.1 Scope of verification
- KGN II.2 Verifiers risk analysis
- KGN II.3 Process analysis

- KGN II.4 Sampling
- KGN II.5 Site visits during verification
- KGN II.6 Verification report
- KGN II.7 Competence of verifiers
- KGN II.8 Relation AVR and EN ISO 14065
- KGN II.9 Relation AVR and EN ISO/IEC 17011
- KGN II.10 Information exchange