

EU ETS Phase 4 Annual, Emissions Verification Process

CLIENT INFORMATION NOTE

Overview

This Client Information Note explains the main stages of our process for LRQA EU Emission Trading System Phase 4 (EU ETS4) annual verification. EU ETS4 applies to obligated Installation Operators and covers the compliance years from 2021 to 2030.

The verification process normally includes two stages before the LRQA Verification Opinion Statement can be finalised and issued to our client and /or the relevant EU Member Competent Authority. These two stages are:

- Initial Review - comprising Document Review, Compliance Review, Strategic Analysis, Risk Audit, and Verification Planning; and
- Verification - comprising Data Verification Compliance Conclusion and Reporting.

At each stage our verifiers will be open and helpful and will follow a practical approach. In this way, we can add value to the verification process.

Before each stage we will discuss and agree with you the dates, how long the stage will last, team members and where the verification will take place, as well

as any health and safety, security and administrative issues. For EU ETS4, site visits are mandated unless otherwise authorised by the applicable EU Member State Competent Authority.

EU ETS4 Annual verification can also be conducted together with the EU ETS4 Allocation Level Change verification. See the corresponding Client Information Note for more details (CIN055).

Initial review stage

Purpose

We carry out this stage to find out whether the scope, objectives, criteria, level of assurance, materiality and any additional specific requirements, as defined within the contract, are appropriate to your organisation, systems and the verification activity. We confirm this by reviewing the key information provided, including:

- the nature, scale and complexity of your organisation, greenhouse gas (GHG) inventory, organisational and operational boundaries
- the systems in place to provide confidence in your organisation's GHG data and information management used in preparing the Annual Emissions Report
- the effectiveness of the systems in place for managing data collection and collation, calculation and/ or measurement, monitoring and reporting methodologies

- initial compliance with the requirements of Commission Implementing Regulation (EU) No 2018/2066 – the MRR 2018, as reflected in your approved Monitoring Plan (MP)

Also, in this stage, we will identify the source and magnitude of any potential errors, omissions and / or misstatements of data and information in your system that may impact on our Verification Opinion Statement (VOS) and that will require corrective action before the Verification stage. These will be recorded in a detailed Initial Review Report, together with a Verification Plan for you to prepare for the next stage.

Carrying out the initial review stage

The duration of this stage depends on the complexity of your organisation and GHG data and information management. We can conduct it remotely if authorised to do so by the relevant EU Member State Competent Authority but more commonly, it is completed on site. To do it remotely, your organisation will be required to provide at least the information defined within an Evidence Pack Requirements document provided at the contracting stage. When carried out on-site, we will start with an opening meeting, at which the LRQA Verifier will explain our verification approach to your management team and be introduced to the company. The Verifier will also agree a plan for the visit with you.

The Verifier will then:

- review your GHG data and information management documentation and the proposed verification scope
- conduct a site tour, if appropriate
- undertake an initial review of conformance to the requirements of EU ETS4
- produce a focused report which describes both positive findings and those issues requiring your attention before the verification stage
- produce a detailed plan for the Verification stage.

To effectively complete this stage the Verifier will need to review:

- Organisational and operational boundaries – the organisational boundaries of the GHG inventory will define the facilities / units / departments that are to be included in the verification; the operational boundaries will define the scope of the GHG inventory in relation to the GHG emissions.
- Organisational activities – a site tour is normally conducted to verify the completeness of GHG sources in the GHG inventory, identify current controls and performance, and familiarisation for the Verification stage
- Data and information management systems – including any sampling and laboratory analysis conducted by the Operator (if relevant)
- Quality control procedures – audit of the procedures relating to:
 - - the sequence and interaction of data
 - - routine checks of accuracy and completeness of the GHG inventory, and
 - - identification and correction of errors and omissions
 - - requirements in the MRR 2018 and MP
- Quantification methodologies and calculations – including explanation of, and justification for, any factors or assumptions used (for example, conversion factors, fuel calorific values, global warming potential, emission factors, etc.)
- **GHG Inventory** – the collation of GHG emissions

- **Draft GHG Report** – Annual Emissions Report

The visit ends with a closing meeting to present the findings, report and verification plan, and to agree the next stage of the verification process.

Documentation, data and data management systems reviewed at this stage will be referred to again at the Verification stage. However, you should continue to amend these as a result of your internal improvement activities. At each stage we will need to know the changes between the latest issue and the originals.

Verification stage

In this stage, the Verifier will focus on the implementation of your systems and verify the data supporting the Annual Emissions Report. The Verification stage will confirm:

- selection and management of GHG data and information
- processes for collecting, calculating, collating, and reporting GHG data and information
- systems and processes that ensure the accuracy of the GHG data and information
- design and maintenance of the GHG data and information system
- systems and processes that support the GHG data and information system
- results of previous GHG verifications (if available and relevant)
- conformance with the GHG verification criteria.

The Verifier will do this by reviewing actions taken to address any findings raised at the Initial Review stage and by following the verification plan to completion. The Verifier will visit areas with company representatives who can act as guides and witness findings during the verification.

The Verifier will hold review meetings with you each day to discuss any findings raised. Appropriate company representatives should be present to confirm that you accept these findings. Please see below in the 'Grading' section how we define findings. We finalise the

grade of any findings at the end of the Verification stage which ends with a closing meeting to present a summary of the findings and a Verification Report to your company.

If no material misstatements are reported, a positive VOS can be prepared, subject to an independent technical review by authorised LRQA personnel. However, if material misstatements are reported, a positive Verification Opinion Statement cannot be issued and action to be taken will be discussed and agreed between the Operator and the Verifier, and a follow-up arranged.

Gradings

Misstatement: A misstatement is an error, omission or misrepresentation in the operator's reported data. A misstatement does not include the uncertainty permissible under the MRR 2018 (i.e. the uncertainty related to the applicable tier). If a non-material misstatement is outstanding at the end of verification process, this will result in a 'verified with comment' verification report.

Material Misstatement: There are two types of Material Misstatement:

Quantitative: individual and aggregated misstatements exceeding the materiality level as considered by the verifier when compared to the total declared value in the operator's report.

Qualitative: a misstatement (individually or combined) that can influence, as considered by the verifier, the decision of the Competent Authority.

NOTE: It is important to note that even if the materiality level is not exceeded, misstatements, non-conformities and non-compliances with the MRR 2018 can still have material effect on the reported data.

If a material misstatement is outstanding at the end of verification, this will result in a non-verified verification report.

Nonconformity: A Nonconformity is, for installations: any act or omission of an act that is not in line with the GHG permit or the requirements in the MP approved by the Competent Authority.

If nonconformities are also misstatements, they must be reported as non-conformities and as misstatements if these are not corrected by the operator.

If a nonconformity is outstanding at the end of verification process, this will result in a 'verified with comments' verification report.

Non-compliance with the MRR 2018: A non-compliance with the MRR 2018 is any act or omission of an act that is not in line with the requirements of the MRR 2018.

Note: Where the MRR 2018 leaves room to do so, Member States may include national requirements in national legislation. If this is the case, non-compliance can also entail non-compliance with that specific national legislation.

If a non-compliance is also a misstatement or a non-conformity, it must be reported as a non-compliance and as a misstatement or non-conformity.

If a non-compliance is outstanding at the end of verification process, this will result in a 'verified with comments' verification report.

Recommendation for improvement: A recommendation for improvement is a suggestion from the Verifier to improve the operator's performance in monitoring and reporting data.

If only recommendations for improvement are outstanding at the end of verification process, this will result in a 'verified as satisfactory' verification report.

Use of the Assurance Statement

It is your responsibility to ensure that:

- the Verification Opinion Statement, once issued, is presented to the EU Member State Competent Authority and only accompanies the GHG Report to which it refers, and
- if translated into another language,

it is clearly communicated during its use that the English version of the Verification Opinion Statement is the authorised version.

Confidentiality

As defined by our contract, we will not pass on any of the data or information we gather about your organisation (including the contents of your GHG Reports) to any other person or organisation without your permission (except as required by the accreditation bodies, or EU Member State Competent Authorities).

This confidentiality will be maintained during the term of and following any termination of our Agreement, with the exception of information which was in LRQA's possession before disclosure by your organisation, information which is in the public domain or that which is made available to LRQA from an independent source.

Get in touch

Visit [lrqa.com](https://www.lrqa.com) for more information

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The LRQA logo consists of the letters 'LRQA' in a bold, sans-serif font. The letter 'A' is stylized with a teal-colored element on its right side. The logo is enclosed within a teal square border.

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