



## How the Reserve Addresses Conflict of Interest (COI)

Independent third party verification is required for all projects to substantiate the GHG assertions made within the Climate Action Reserve (the Reserve). Verification helps to assure that GHG emissions reductions or removals reported into the Reserve are real, additional, permanent, enforceable, verifiable and above all else – credible. The Reserve has a very rigorous process in place to train, accredit, and oversee verifiers to ensure its high standards are being met. As a part of the oversight process, the Reserve assesses the objectivity and impartiality of its verification bodies and individual verifiers for every project before any verification activity may begin through review of the Notification of Verification Activity/Conflict of Interest (NOVA/COI) form. This supports the transparency and integrity of the data contained within the Reserve and maintains that verifications are conducted in a consistent and comparable manner across projects.

The Reserve relies upon the Verification Report to attest to the accuracy and legitimacy of the CRTs issued and the verification body is held accountable to the Reserve for the quality and independence of the report and opinion submitted to the Reserve. Climate Reserve Tonnes (CRTs) are issued only after a Verification Report and a Verification Opinion have been submitted and accepted by the Reserve. Prior to verification activity, the Reserve also aims to ensure integrity in the verification process. A conflict of interest (COI) is any situation that would compromise a verification body's ability to perform a wholly independent verification. To ensure the credibility of the emissions data reported to the Reserve, it is critical that the verification process is completely independent from the influence of the project developer. A verification body must act objectively and exercise professional judgment while conducting verification activities. This is a difficult and dynamic issue and thus is assessed by the Reserve staff for every project submitted through review of the NOVA/COI form.

Verification bodies must provide information to the accreditation body (ANSI or another organization endorsed by the Reserve) about its organizational relationships and internal structures for identifying potential conflicts of interest (organizational COI). Additionally, for each project verification the verification body must disclose to the Reserve all pre-existing relationships it may have with the project developer. The Reserve reviews any pre-existing or ongoing relationship between a verifier and project developer and assesses the potential for conflict of interest in light of the individuals involved. This task is undertaken by the Reserve with a detailed review and evaluation of the form submitted by the verification body against the criteria laid out in the [Verification Program Manual](#) (potentially conflicting services, timing, location, type and financial value of services) and is cross-checked against the Reserve's internal records.

If the Reserve finds that there is no or low risk of COI, a determination is made in writing and sent to the verification body allowing it to proceed with the proposed verification activities. After that point, the project developer and verification body may finalize negotiations of their contract and verification activities may proceed. Following completion of the verification, the verification body must continue to report any new relationships that may increase the potential for COI (emerging COI).

If the Reserve finds that there is a medium risk of COI that can potentially be mitigated then it may request further information and/or a mitigation plan before it makes its final determination. In some instances, it will convene a COI Committee of three or more staff members (with a minimum of two executive level staff) to make a final determination. In any instance where it believes a high COI exists, a COI Committee is always convened to make a final determination. The determination is notified to the verification body, the project developer, and any relevant body performing oversight. If the verification body disagrees with the determination, it may appeal (the appeals process is detailed in Section 2.6.3 of the Verification Program Manual).

As an added protection, a verification body may not provide verification services to a project for more than six consecutive years. After a six-year period, the Reserve project developer must engage a different verification body to verify a project. The original verification body may provide verification services to that project developer after a lapse of a minimum of three years. This three year period begins with any lapse in providing annual verification services to a Reserve project developer. Additionally, if a verification body has performed verification activities for more than 10 projects per year with the same project developer, the Reserve may require further information to inform its COI determination, may impose additional restrictions, or may require that another verification body is selected.

**Verification Body (VB) Submits NOVA/COI Form**

This form is an official notification of verification activities and request for determination of COI to receive the Reserve's approval to proceed with the verification.

**Reserve Review to Determine Potential for COI**

Reserve staff evaluates time of service, location, the type of services performed, nature of the business relationship and the financial value of services. Any of the following could be considered potentially conflicting services:

- Designing, developing, implementing, internal auditing, consulting or maintaining a GHG reduction or removal project
- Designing or developing GHG information systems
- Owning, buying, selling, trading or retiring shares, stocks or emissions reduction credits from the Reserve project
- Brokering in, advising on, or assisting in carbon or GHG-related markets
- Developing GHG emissions factors or other related engineering analysis
- Appraisal services of carbon or GHG liabilities or assets
- Designing energy efficiency, renewable energy, or other projects which explicitly identify GHG reductions as a benefit
- Preparing or producing GHG-related manuals, handbooks, or procedures specifically for the Reserve project developer
- Legal and expert services unrelated to project verification
- Dealing in or being a promoter of credits on behalf of the project developer
- Providing other GHG related fee-paying services to the project developer during project verification services
- Members of proposed verification team have a close personal or familial relationship with the project developer
- Other services as determined by the Reserve

**Risk Level of COI determined**

Internal Review by Reserve staff

**If Medium or High COI**

Internal Reserve Staff COI Committee Convened OR Mitigation Plan Requested

**Reserve Decision Made**

This usually happens within 10 business days of receiving the NOVA/COI. VB or Project Developer can file an Appeal with Reserve

**COI Appeals Committee Convened**

Consisting of Reserve Staff, Board Member, Oversight or Regulatory Agency as relevant

**COI Appeals Committee Final Decision**

VB and Project Developer Notified