



CLIMATE  
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**RESERVE**

# Verification Program Manual

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# Climate Action Reserve Verification Program Manual

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# 1 Introduction

Verification plays a vital role in upholding the integrity and quality of the data reported to both mandatory and voluntary GHG programs across the world. The Climate Action Reserve (Reserve) created this Verification Program Manual to detail the requirements of its verification program and provide approved verification bodies with a standardized approach to the independent and rigorous verification of GHG emissions reductions and removals reported by project developers into its offset program. Project developers should also use this document to help prepare them for the reporting and verification process.

This standardized approach to verification promotes the relevance, completeness, consistency, accuracy, transparency and conservativeness of emissions reductions data reported in the Reserve. This is an accompanying document to the Program Manual, which presents the Reserve's policies, processes and procedures for registering projects and generating offset credits with the Reserve.

Detailed information on the Reserve's general operating procedures and offset program can be found in the following documents:

- Climate Action Reserve Program Manual  
<http://www.climateactionreserve.org/how/program/program-manual/>
- Climate Action Reserve User Guide  
<http://www.climateactionreserve.org/open-an-account/>
- Climate Action Reserve Terms of Use  
<http://www.climateactionreserve.org/open-an-account/>

Verification is an integral part of the Reserve's voluntary offset program. The key objectives of the verification program and guidelines found in this manual are to:

- Ensure projects are real, additional, permanent, verifiable and enforceable
- Minimize the risk of erroneously crediting or double counting of Climate Reserve Tonnes (CRTs)
- Ensure projects meet minimum eligibility requirements
- Support the transparency and integrity of the data contained within Reserve
- Maintain that verifications are conducted in a consistent and comparable manner across projects
- Ensure projects' on-going compliance with the Reserve's protocols and program rules

The Reserve requires third-party verification of all GHG projects as specified in each project protocol. CRTs are issued only after a Verification Report and a Verification Statement attesting to the accuracy of reported emission reductions have been submitted by the verification body and accepted by the Reserve. The Reserve relies upon these documents to attest to the legitimacy of the CRTs issued. The verification body is held accountable to the Reserve for the quality and independence of the report and statement submitted to the Reserve.

Guidance in this Verification Program Manual is limited to the Reserve's program serving the voluntary carbon market. For information on the Reserve's role as an Offset Project Registry for the California Compliance Offset Program, please see the following resources:

- Climate Action Reserve California Compliance Offset Program website  
<http://www.climateactionreserve.org/how/california-compliance-projects/>
- California Air Resources Board Compliance Offset Program website  
<http://www.arb.ca.gov/cc/capandtrade/offsets/offsets.htm>

## 1.1 The Climate Action Reserve

The Climate Action Reserve is a pioneer in carbon accounting and the most experienced, trusted and efficient offset registry to serve the carbon markets. With deep roots in California and a reach across North America, the Reserve encourages actions to reduce greenhouse gas emissions and works to ensure environmental benefit, integrity and transparency in market-based solutions to address global climate change. For the voluntary market, the Reserve establishes high quality standards for carbon offset projects, oversees independent third-party verification bodies and issues and tracks the transaction of carbon credits (CRTs) generated from such projects.

At the heart of the Reserve is a publicly accessible web-based system where owners and developers of carbon offset projects can register project information along with verification reports demonstrating GHG emission reductions. Emission reductions are certified as CRTs (equal to one metric ton of GHG reduced/sequestered), which provide title assurance and unique serial number identifiers to ensure that each metric ton is counted and retired only once.

## 1.2 Disclaimer

This manual has been prepared for informational and procedural purposes only. Its contents are not intended to constitute legal advice and any person who requires legal advice should obtain it elsewhere. The Reserve maintains the right to amend or depart from any procedure or practice referred to in this guideline as deemed necessary. Where a departure is necessary, the Reserve will provide public notification of significant changes on its website and will notify verification bodies in writing. This guidance is subject to revisions as new information and industry best practices are identified.

This document is intended to be used in combination with project verification guidance that accompany each Reserve project protocol and the International Organization for Standardization (ISO) 14064 series on GHG emission reductions and removals. In the instance that the applicable protocol differs from guidance given in this document, the Reserve project protocols prevail. ISO standards are intended to be program neutral, ensuring that key rules and decisions are made and enforced by the GHG program itself. If differing procedures are noted, contact the Reserve staff for further clarification and interpretation.

## 1.3 Organization of Verification Program Manual

This manual is divided into six parts that outline the necessary steps for verification bodies to perform verification activities under the Climate Action Reserve.

**Part 1, Introduction** provides a brief overview of the Reserve, its principles and requirements of the verification process.

**Part 2, Standard of Verification** focuses on the Reserve's standards; describes the levels of assurance and materiality threshold required under the Reserve; and highlights important definitions.

**Part 3, Requirements to Perform Verification** focuses on how a verification body becomes accredited to perform verification under ISO 14065, outlines obligations and requirements of verification bodies under the Reserve, provides specific and detailed training requirements, and details required administrative activities prior to beginning verification activities, which include: roles and responsibilities, conflict of interest, providing required notifications, and designing appropriate verification activities.

**Part 4, Project Verification Activities** provides guidance on conducting verification activities, such as: assessing eligibility criteria, identifying sources, reviewing management systems and methodologies, and verifying emission reductions and removals.

**Part 5, Documenting and Reporting Verification Activities** covers procedures for successfully completing the verification process including: preparing the Verification Report, List of Findings and the Verification Statement, and submitting documentation.

**Part 6, Administration and Reserve Intervention** provides information on the Reserve's verification oversight and auditing process, its dispute resolution process and its record keeping requirements.

## 1.4 Reserve GHG Accounting Principles

Verification provides an independent third party review of project data and information being submitted to the Reserve. This process ensures project eligibility per the relevant project protocol and that reported emission reductions or removals meet the materiality threshold.

To fulfill this purpose, the independent verification process maintains the minimum criteria of relevance, completeness, consistency, accuracy, transparency and conservativeness. These underlying principles are laid out in ISO 14064-2:2006 and are interpreted below as Reserve accounting principles.

**Relevance.** Project eligibility and compliance status shall be measured in accordance with applicable reporting boundaries and performance standards.

**Completeness.** Verification shall identify and account for all emissions, reductions or removals within the GHG assessment boundary that may have occurred in the baseline and project scenarios.

**Consistency.** Methodologies shall be consistent and uniform. Measurements, source data, data sampling, and tests shall be applied equally so that performance can be compared over time and across similar projects.

**Accuracy.** Projects shall meet a minimum materiality threshold to ensure accuracy. See Section 2.3 for more information.

**Transparency.** Verification shall be conducted in a transparent manner. The data used for verification and the verification activities shall be clearly and thoroughly documented to allow replication and outside review by the Reserve or other oversight bodies.

**Conservativeness.** GHG reductions or removals should not be overstated. Calculations, values and procedures should always be applied in a conservative manner, particularly when there are limitations to certainty.



Implementing these standards in the verification process will help to ensure comparable and consistent reporting to the Reserve. These standards will also help verifiers make the reliable, dependable decisions discussed further in the core verification process (see Section 4.5).

## 1.5 Overview of Verification Process

The following steps must be taken to ensure that the obligations and responsibilities of both the verification body and the project developer are met.

1. **Verification body receives accreditation:** Verification body meets all accreditation requirements and two Lead Verifiers successfully complete required project verification training (see Section 3.4.2).
2. **Project developer selects approved verification body:** Project developer contacts one or more approved verification bodies listed on the Reserve to discuss verification activities. Project developer selects an organization to verify its GHG emissions reductions or removals and begins to negotiate contract terms. (The contract may not be finalized until a determination has been issued by the Reserve.)
3. **Verification body submits project-specific Notification of Verification Activities and Conflict of Interest (NOVA/COI) Form:** After a project developer chooses a verification body, the verification body must submit a NOVA/COI Form to the Reserve outlining the proposed scope of the planned verification. This document provides insight into the likelihood of a conflict of interest between parties (see Section 3.6).
4. **Reserve sends approval to proceed to verification body:** The Reserve reviews the NOVA/COI Form and supporting information to determine the level of risk associated with the proposed project developer/verifier relationship, then notifies the Lead Verifier of its determination.
5. **Verification body conducts verification activities:** Verification body develops a risk-based verification plan and conducts verification following the guidance in the Verification Program Manual and the applicable project verification guidance. The verification must evaluate a project's ongoing eligibility and the GHG emissions reductions or removals reported to the Reserve (see Section 4.5).
6. **Verification body shares List of Findings with the project developer:** A confidential list of material and immaterial findings is sent to the project developer. This gives the project developer the opportunity to correct any errors found (see Section 5.1).
7. **Verification body prepares the verification documentation for project developer:** Verification body prepares the final List of Findings Verification Report, and the Verification Statement for project developer's review prior to uploading electronically to the Reserve software (see Section 5).
8. **Project developer uploads documents to the Reserve:** Project developer then submits all final documentation to the Reserve - the List of Findings, the Verification Report and Verification Statement (see Section 5.6).

## 2 Standard of Verification

The Reserve requires that verification bodies use the following standards when conducting verification:

- The applicable Reserve project protocol and any relevant errata and clarifications
- The Reserve Program Manual and any relevant policy memos
- This Verification Program Manual
- ISO 14064-3:2006

Verification must adhere to each of these standards, but in instances where standards conflict, the Reserve protocols shall take precedence, followed by the Reserve Program Manual, the Verification Program Manual, and then ISO 14064-3:2006.

ISO 14064-1:2006 and ISO 14064-2:2006 cover both conformance with the standard and the criteria for establishing that the GHG assertion is reliable and correctly stated based on the agreed level of assurance, materiality, criteria, objectives and scope. The applicable verification standards must be stated in each Verification Report.

### 2.1 Principles of Verification

An essential element of project verification is to ensure that all verification bodies and verifiers conducting work under the Reserve uphold the basic verification principles laid out in ISO 14064-3:2006. Namely, verification bodies and verifiers shall demonstrate independence from the activity being verified (interpreted in Section 3.6 under Conflict of Interest). Verification bodies must also demonstrate ethical conduct and fair presentation of findings, conclusions and reports throughout the verification process. All projects undergoing verification must be treated equally, with all appropriate procedures followed. Finally, verification bodies must conduct verifications with due professional care, demonstrating the skill, diligence and competence necessary to perform the verification (see Section 3).

### 2.2 Level of Assurance

The concept of level of assurance is derived from financial auditing and corresponds to the likelihood that a material misstatement has gone undetected. With reasonable or “positive” assurance, the verification body provides a direct factual statement expressing the outcome of the verification. Providing a reasonable level of assurance confirms the accuracy of the GHG assertion. Absolute assurance is the highest form of assurance, but does not allow for professional judgment, sampling and inherent limitations. For reasonable assurance, the verification body must confirm the accuracy of reported data to a reasonable level. The Reserve requires reasonable assurance to uphold the integrity and high quality of verifications conducted under its program.

Under the ISO 14064 standards, the level of assurance determines the depth of detail and rigor that a verifier designs into the verification plan used to identify any material errors, omissions or misstatements. The level of assurance refers to the degree of confidence a verification body is able to provide regarding the accuracy of the asserted GHG removals or reductions. The Reserve requires that reasonable, but not absolute, assurance be obtained by the verification body prior to the execution of a positive Verification Statement, which ensures that the verification body is able to “verify without qualification” and attest to the accuracy of the number of CRTs being issued to the project developer.

## 2.3 Materiality Threshold

The concept of materiality is fundamental in executing GHG verification. Information is considered material if its omission or misstatement could be seen to influence any resulting decisions or actions. In order to reach a conclusion on the veracity of data used to support assertions, a verification body must form a view on the materiality of all identified errors or uncertainties.

Issues identified during verification must be classified by verification bodies as either material (significant) or immaterial (insignificant). To be verified successfully, all reported emissions reductions or removals submitted to the Reserve must be free of material misstatements or discrepancies.

A materiality threshold is used to assess any error, omission or misstatement that may impact the GHG assertion made by a project developer. This threshold is also known as the “minimum quality standard” and differentiates those errors, omissions or misstatements that are considered by the Reserve to be significant from those that are insignificant.

Materiality has both a quantitative and a qualitative aspect in relation to a project reporting to the Reserve.

### 2.3.1 Quantitative Materiality Threshold

The quantitative materiality threshold sets a numeric cap on the magnitude of cumulative error in stated reductions permissible under the Reserve as a percent of the verifier’s recalculated emission reductions. Error leading to misstatement may be introduced through incorrect application of protocol calculations, transcription errors, or the use of incorrect default values. Immaterial misstatements identified during verification may go uncorrected and the project may receive a positive Verification Statement from the verification body. All material errors must be corrected prior to a project receiving a positive Verification Statement.

A verification body must recalculate the total quantity of GHG emission reductions reported to the Reserve for any given reporting period in order to determine if the project meets the Reserve’s designated materiality threshold.<sup>1</sup>

In determining whether a material misstatement has occurred, the verification body must compare the aggregate total of misstatements against the materiality threshold for the total GHG emission reductions reported to the Reserve. Finding several small reporting errors, each of which might be immaterial on their own, may lead to a material misstatement when totaled against the final number of reported emission reductions. The materiality threshold shall be used to inform the design of a verification body’s sampling plan.

If errors are discovered, the verification body must determine if these errors result in a material misstatement using its risk-based review of materiality and a rigorous data sampling process.

In an effort to maintain a balance of diligence, accuracy and conservativeness, the Reserve defines the quantitative materiality threshold for all projects as follows:

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<sup>1</sup> In GHG inventory reporting, the notion of *de minimis* threshold is in relation to a section of a reporter’s inventory that is allowed to be excluded from their reported total. The *de minimis* threshold does not apply to Reserve projects unless explicitly stated in the project protocol.

- Projects registering ≤25,000 CRTs over a 12-month period shall achieve a >95% level of accuracy (<5% error) relative to the verification body's calculated emission reductions
- Projects registering >25,000 CRTs but ≤100,000 CRTs over a 12-month period shall achieve a >97% level of accuracy (<3% error) relative to the verification body's calculated emission reductions
- Projects registering >100,000 CRTs over a 12-month period shall achieve a >99% level of accuracy (<1% error) relative to the verification body's calculated emission reductions

This materiality threshold is set on a 12-month basis to ensure that projects verifying sub-annually do not receive any advantage over those verifying annually. For sub-annual reporting, the quantity of CRTs must be pro-rated based on the verification period length in order to determine the appropriate materiality threshold. For example, if a project registers 20,000 CRTs for a 3-month verification period, then the materiality threshold is <3% error: (20,000 CRTs / 3 months) \* 12 months = 80,000 CRTs; >97% accuracy required).

To determine the materiality threshold for projects with verification periods longer than 12 months, the quantity of reported CRTs must be pro-rated in the same fashion. For example, if a project reports 30,000 CRTs for an 18-month verification period, then the materiality threshold is <5% error relative to the verification body's calculated emission reductions: (30,000 CRTs / 18 months) \* 12 months = 20,000 CRTs; >95% accuracy required.

The percent error is defined by the following:

$$\%Error = abs\left(\frac{Stated\ reductions - Verified\ reductions}{Verified\ reductions}\right) * 100$$

The accuracy level is defined by the following:

$$Accuracy = 100\% - \% Error$$

The Reserve allows for under-reporting of total CRTs as that is considered conservative and in line with the Reserve's key principles. Under-reporting errors are not required to be corrected. The quantitative materiality threshold only applies to mistakes that result in over-reporting.

*Example 1: A verification body, Verification Pro, recalculates a project's total emission reductions over a 12-month period and notes a quantitative error made by the project developer, LFG Unlimited.*

- LFG Unlimited's reported emission reductions = 9,900 metric tons CO<sub>2</sub>e
- Verification Pro's recalculated emission reductions = 10,000 metric tons CO<sub>2</sub>e
- Percent Error = 1.00%

*Given the above information, LFG Unlimited is not required to fix the error. The project is under-reporting its emission reductions and it meets the quantitative materiality threshold of >95% accuracy.*

*Example 2: Verification Pro recalculates a project's the total emission reductions over a 12-month period and notes two quantitative errors made by the project developer, Worldwide Dairy.*

- Worldwide Dairy's reported emission reductions = 55,000 metric tons CO<sub>2</sub>e
- Verification Pro's identified errors = -1,000 metric tons CO<sub>2</sub>e due to monitoring, +2,000 metric tons CO<sub>2</sub>e due to data processing
- Percent Error = 1.79%

*Correction is not required as the errors result in a total discrepancy of 1,000 metric tons CO<sub>2</sub>e. The project meets the quantitative materiality threshold of >97% accuracy.*

*Example 3: Verification Pro recalculates a project's total emission reductions over a 3-month period and identifies a quantitative error made by the project developer, ODS Destroyers.*

- ODS Destroyers' reported emission reductions = 1,000,000 metric tons CO<sub>2</sub>e
- Verification Pro's recalculated emission reductions = 980,000 metric tons CO<sub>2</sub>e
- Percent Error = 2.04%

*This error requires correction, as it does not meet the >99% materiality threshold and is therefore considered material.*

### **2.3.2 Qualitative Materiality Threshold**

A qualitative non-conformance occurs when a prescriptive protocol requirement (e.g., metering, monitoring, management systems, record-keeping, etc.) is not met. Every qualitative non-conformance identified by the verification body is considered material and must be corrected by the project developer before a positive Verification Statement can be issued. A prescriptive requirement is defined as any specific guidance mandated by the protocol that does not allow for deviation, variance or verifier professional judgment.

Take for instance a project developer who neglects to quantify a small source of project emissions. Leaving out that source does not result in a quantitative material misstatement, but the protocol states that all emission sources related to project activities must be accounted for in the emissions calculations. The omission of this source would be considered a qualitative non-conformance because of the protocol requirements and the emission reductions would therefore need to be recalculated.

Another example is the application of an incorrect emission factor – again, this would be considered material even if the difference in emission reductions does not exceed the quantitative materiality threshold. If a Reserve protocol prescribes that a specific emission factor be used and that emission factor is not correctly applied by the project developer, the result is a qualitative misstatement because the non-conformance directly defies a protocol requirement.

Any identified qualitative non-conformances must be documented by the verification body and presented to the project developer in the List of Findings prior to issuance of the Verification Statement and Report (see Section 5.1). All qualitative non-conformances must be corrected in order for the verification body to be able to issue a positive Verification Statement.

### 3 Requirements to Perform Verification Activities

#### 3.1 Verification Body and Lead Verifier Requirements Overview

In order to conduct verification for the Reserve program, there are requirements for both verification bodies and individual verifiers that must be met. Table 2.1 summarizes the necessary criteria for both entities acting as verification bodies and individuals acting as lead verifiers. Additional information on these requirements can be found below.

**Table 3.1: Verification Body and Lead Verifier Requirements**

| VERIFICATION BODY REQUIREMENTS                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accreditation under International Organization for Standardization (ISO) 14065: 2013 with conformance to all accreditation requirements under ISO 14065, ISO 14064-3: 2006, IAF MD 6: 2014 and all other accreditation requirements, or |
| Acceptance in the American National Standards Institute (ANSI) accreditation program, having filed a full application for ISO 14065: 2013                                                                                               |
| Demonstration of a thorough understanding and competency with the Climate Action Reserve program manuals and project protocols                                                                                                          |
| Employment of a minimum of two staff members (or subcontractors) designated as Lead Verifiers who have successfully completed the training required by the Reserve                                                                      |
| LEAD VERIFIER REQUIREMENTS                                                                                                                                                                                                              |
| Employment (including a subcontract) with a verification body that is accredited under ISO 14065:2013, ISO 14064-3: 2006, and IAF MD 6: 2014                                                                                            |
| Successful completion of Climate Action Reserve training(s) pertaining to each project type for which they wish to perform verifications                                                                                                |
| Successful completion of the General Project Verification training course                                                                                                                                                               |
| Fulfilment of internal training requirements, following proper processes and procedures under the ISO 14065: 2013, ISO 14064-3: 2006, and IAF MD 6: 2014 accredited verification body                                                   |
| Identification as a Lead Verifier in the Verification Staff Reporting Form submitted by the verification body to the Reserve                                                                                                            |

Trainings are scheduled as demand or need arises based on feedback from bi-annual surveys by the Reserve. When a new protocol is developed, an inaugural verification training will be provided after the adoption date in order to accommodate verification bodies seeking to practice in that sector.

A verifier can complete Reserve trainings prior to its verification body achieving ISO accreditation or during the accreditation process itself. However, priority for available spaces at the trainings will be given to individuals representing accredited companies, followed by individuals representing companies already enrolled in the accreditation process.

Once a verification body has achieved its ISO 14065 accreditation in accordance with the appropriate scoping policy and has personnel that have completed the training requirements, it may advertise that it is recognized and qualified as a verification body for the Climate Action Reserve and may use the Reserve logo to promote its services in accordance with the Reserve's style guide. All recognized verification bodies are listed on the Reserve's website along with all applicant entities currently undergoing the accreditation process.

Two of the steps in the ISO 14065 accreditation process are an on-site assessment at the verification body's main offices and a witness assessment performed by the accreditation body. The accreditation body must witness the verification activities in order to assess the competency of the verification team as well as the procedures and systems in place at the organizational level. The on-site assessment is designed to ensure that the verification body conforms to ISO 14065 and ISO 14064-3, displays the competency to act in the specific sector, and has the capacity to perform the activities related to the scopes of accreditation for which it has applied.

Over the course of the witness assessment, the accreditation body will observe the verification body performing the tasks related to the verification process for the scope (or group of sectoral scopes) of accreditation for which it has applied. The purpose of the witness assessment is to assess whether verification activities are in line with its documented quality procedures and to assess the capability to conform to the applicable sectoral scope(s).

Verification body applicants that are currently undergoing but have not yet completed the accreditation process are allowed to perform verification activities for Reserve projects if they have met the Reserve training and personnel requirements. A list of the applicant verification bodies that have successfully met the Reserve's training requirements and submitted the Verification Policies Acknowledgement and Agreement form are posted on the Reserve's website. However, CRTs generated by a project verified by a verification body applicant will not be issued to the project developer until the verification body receives its formal accreditation. The verification body should inform the project developer of the circumstances surrounding its expected accreditation, and the issue should be addressed in the verification contract.

Verification bodies that have met Reserve training requirements may conduct one additional verification in each appropriate sector for the purpose of accreditation renewal. There is no deadline for this requirement and CRTs will not be withheld for that verification. The additional verification shall be used for the purpose of obtaining the required witness assessment and finalizing a sector-specific group accreditation. If a verification body fails to obtain its sector-specific accreditation using this additional verification, no future CRTs can be verified in that sector until the verification body has obtained its sector-specific accreditation.

### **3.2 Obligations and Requirements to the Reserve**

Verification bodies and verifiers must follow all applicable Reserve program rules and adhere to the guidance laid out in the Reserve project protocols and program manuals when performing verification activities. In addition, a verification body and its verifiers must always demonstrate ethical conduct and competence, exercise due professional care, and adhere to the remaining verification principles throughout the verification process.

In addition to Reserve rules, the verification bodies under the Reserve have certain duties and obligations. The Reserve also has the discretion to exercise certain powers.

Verification body obligations include (but are not limited to) the following:

- Compliance with any guidelines or policies notified to them by the Reserve in writing.
- A minimum of two Lead Verifiers on staff to enable the appropriate management of the verification program and the separation of powers and responsibilities between the role of Lead Verifier and the role of independent Senior Internal Reviewer. These roles may be filled by either employees or subcontractors.
- Ensuring that all Lead Verifiers are competent and have successfully completed internal, general and protocol-specific training required by the Reserve.
- Ensuring that a Lead Verifier directs, supervises and leads the undertaking of the verification services, including signing all written reports and statements.
- Ensuring that the Senior Internal Reviewer is an active Lead Verifier as defined by the Reserve, has been trained on the relevant protocol and is able to demonstrate continued competence.
- Ensuring that all verification body personnel working on project verification activities have agreed to be bound by confidentiality obligations and understand that the verification body accepts liability for any breach of confidentiality by its employees, agents or subcontractors.
- Submitting a signed and duly executed Verification Policies Acknowledgment and Agreement to the Reserve on an annual basis. As staff and roles fluctuate over time, the verification body must ensure that up-to-date information is provided to the Reserve.
- Submitting a Notification of Verification Activities and Conflict of Interest (NOVA/COI) Form a minimum of **10 business days** before the commencement of work so that the Reserve has an opportunity to review and address any potential conflicts and observe any part of the verification activities it chooses.
- Not entering into any agreement or participating in any activity that could create a conflict of interest with a verification client without first notifying the Reserve in writing in order to allow the Reserve to evaluate and mitigate any potential risks.
- Maintaining professional liability insurance with a reputable insurer to the level of at least \$4 million for each claim and \$4 million annual aggregate. This professional liability insurance must be held separately from general or umbrella liability policies. The policy must provide coverage of damages and defense costs for any actual or alleged error, omission, neglect, misstatement or misleading statement, or breach of duty relating to verification activities undertaken by the verification body and have the Reserve named as an additional insured. The coverage territory for the insurance must include all geographic regions where the verification body operates and does business under the Reserve's program. This insurance must be maintained for three years following the completion of verification services. Proof of insurance shall be provided to the Reserve within one month of the verification body's usual insurance renewal date.
- Retaining records in line with protocol requirements or for **at least seven years** from the date the Verification Report is accepted following the end of the verification period, whichever is longer. Records to be retained shall include all relevant evidence to support said Report.
- Providing full and free access to the Reserve to obtain all records, documents, accounting and other information maintained by the verification body that relate to Reserve projects.

The Reserve has certain powers that at any time and at its sole discretion it may employ, including (but not limited to):



- Directing the verification body and the project developer to refrain from entering into any agreement that may amount to a conflict of interest in relation to Reserve projects. The verification body must comply with any such direction.
- Determining that a verification of a Reserve project should not proceed or that a person should be removed and/or suspended as a Lead Verifier or key personnel
- Conducting audit or oversight activities and sending its staff, partners or consultants to attend and oversee verification activities
- Determining that a verification body should be suspended and/or requiring said verification body to purchase and retire CRTs
- Compelling the project developer or the verification body to submit all project documents in relation to the GHG assertions made to the Reserve
- Amending these rules as it deems necessary

### 3.3 ISO 14065 Accreditation

The International Organization for Standardization is a recognized institution that developed GHG standards as various schemes emerging in international, national and voluntary sectors began using different sets of guidance or rules for GHG accounting. ISO created a series of standards intended to incorporate best practices and provide consistency and confidence in GHG assertions or claims.

ISO 14065 is the international standard that specifies processes and requirements for accrediting verification bodies to perform GHG validation and verification services. The accreditation process provides criteria for assessing and recognizing the competence of verification bodies, thereby allowing for a consistent and comparable scheme across GHG programs. Accreditation reduces the risk to GHG programs like the Reserve by providing assurance that verification bodies are competent, and it helps establish trust within the voluntary carbon market by ensuring impartiality in the verification process.

The objectives of the ISO 14064 series and ISO 14065 standards are to:

- Develop flexible, regime-neutral tools for use in voluntary or regulatory GHG schemes
- Promote and harmonize best practice
- Support the environmental integrity of GHG assertions
- Assist organizations to manage GHG-related opportunities and risks
- Support the development of GHG programs and markets<sup>2</sup>

The Reserve has partnered with the American National Standards Institute (ANSI) to accredit independent third party verification bodies to ISO 14065:2013 and the International Accreditation Forum, Inc. (IAF) guidance as well as their accompanying protocols. Verification bodies accredited by ANSI or those undergoing the ANSI accreditation process may provide verification services to Reserve project developers. The Reserve is also working with Entidad Mexicana de Acreditación, A.C. (EMA) in Mexico to accredit verification bodies to support the Mexico Forest Project Protocol. The Reserve may partner with other IAF national standards organizations to provide accreditation services in the future.

The accreditation process is very rigorous, and verification bodies should undertake it only after understanding and implementing all procedures required under the ISO standards. Verification bodies approved under IAF national standards organizations are granted accreditations that are recognized worldwide.

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<sup>2</sup> ISO Press Release on 14065:2007 (4/17/2007) Ref 1054: New Tool for International Efforts to Address Greenhouse Gas

The following resources provide further information on the principles and standards governing GHG verification and accreditation.<sup>3</sup> Verification bodies should cross reference these documents with the rules detailed in each project protocol and accompanying verification guidance in order to ensure the GHG project meets all applicable rules for a specific project type.

**Table 3.2: ISO Documents and References**

| REFERENCE                                                                                                                                  | APPLICABLE TO     |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| ISO 14064-3:2006 – Greenhouse Gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions | Verification body |

| REFERENCE                                                                                                                                                                              | APPLICABLE TO                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| ISO 14065:2013 – Greenhouse Gases – Requirements for greenhouse gas validation and Verification Bodies for use in accreditation or other forms of recognition                          | Verification body                    |
| ISO 17011:2004 – Conformity Assessment – General requirements for Accreditation Bodies accrediting conformity assessment bodies                                                        | Accreditation body                   |
| IAF MD 6: 2014 – IAF Mandatory Document on the Application of ISO14065:2013                                                                                                            | Accreditation body                   |
| ISO 14064-2:2006 - Greenhouse Gases – Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emissions reductions or removals | Project developer, verification body |

### 3.3.1 Obtaining Accreditation

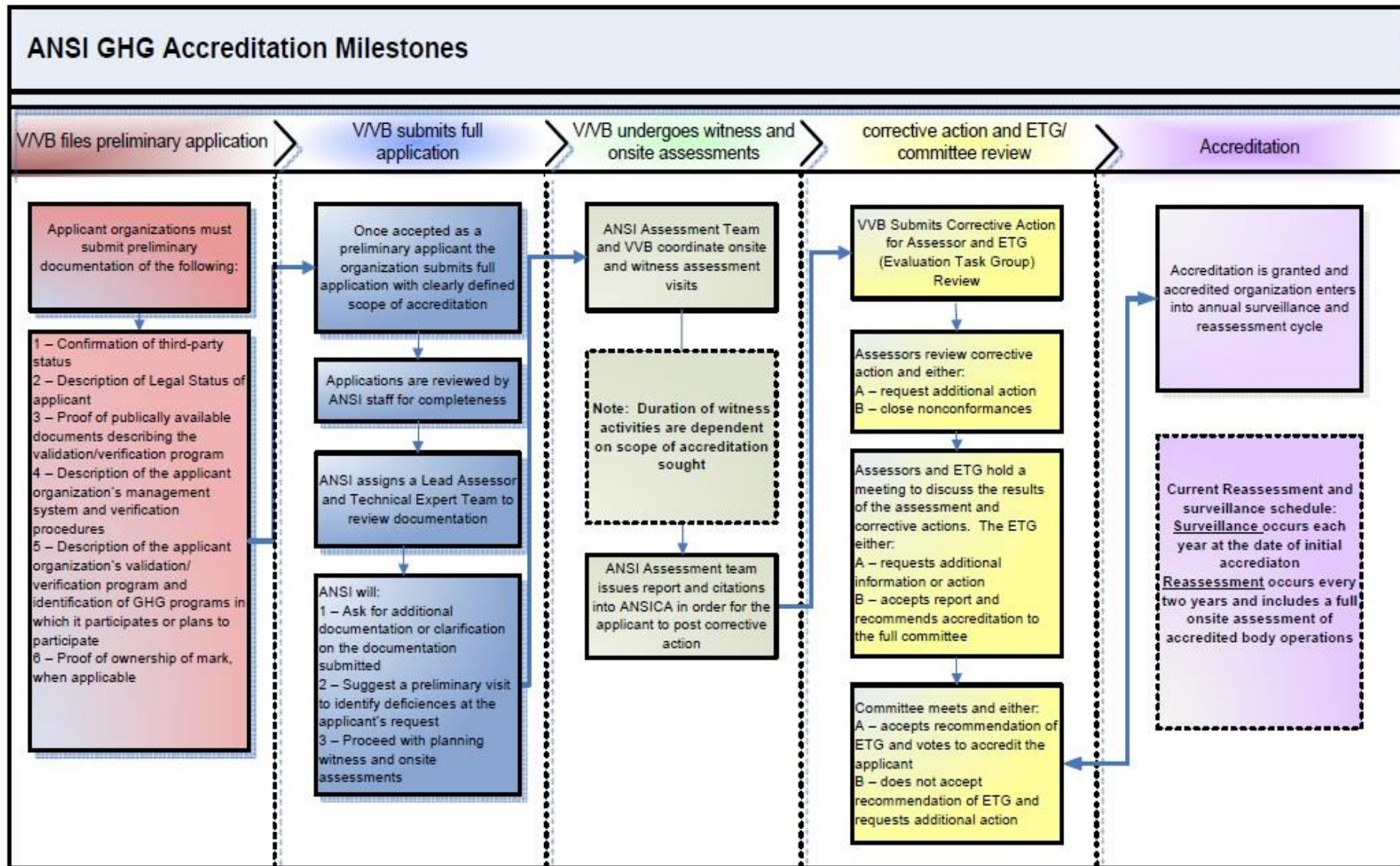
The full accreditation process under ISO 14065 entails:

- Submitting the preliminary application to an approved accreditation body (e.g., ANSI or EMA)
- Submitting the full application
- Preparing for assessment
- Undergoing initial onsite and witness assessments
- Addressing corrective actions identified
- Undergoing committee review
- Receiving accreditation
- Participating in annual surveillance
- Participating in the three-year cycle of reassessment (onsite and witness assessment)

The following diagram of GHG accreditation milestones courtesy of ANSI shows what the accreditation process might look like:

<sup>3</sup> Available at [www.iso.org](http://www.iso.org)

Figure 3.1: ANSI GHG Accreditation Milestones



### 3.3.2 Costs of Accreditation

The cost of accreditation is determined by the accreditation body and generally includes an initial non-refundable application fee, an assessment fee for the surveillance performed by the assessors, and an annual accreditation fee. There is also an additional fee to extend the scope of accreditation, which is collected when verification bodies seek eligibility to perform verifications for new sectors.

More information on the ANSI accreditation program is available here:

[ansica.org/wwwversion2/outside/GHGgeneral.asp?menuID=200](https://ansica.org/wwwversion2/outside/GHGgeneral.asp?menuID=200)

More information on EMA accreditation is available here:

[ema.org.mx/portal/index.php/Acreditacion/conozca-el-proceso-de-acreditacion.html](https://ema.org.mx/portal/index.php/Acreditacion/conozca-el-proceso-de-acreditacion.html)

### 3.3.3 ISO Conformance

The Reserve project protocols are generally consistent with international standards and best practice within the GHG offset industry.

Due to ISO copyrights, the text of the relevant sections of ISO standards cannot be reproduced in this document. Therefore, the Reserve has summarized its interpretation of key elements that verification bodies must address to comply with ISO standards and adhere to Reserve protocols, processes and procedures throughout this manual. This manual should not be used as a substitute for any of the ISO standards during accreditation or when planning for project verification activities.

There are some minor differences between the Reserve and ISO 14064 series that are program specific. In areas where other GHG program protocols or ISO standards differ from guidance provided in the Reserve project protocols or program manuals, the Reserve project protocols take precedence, followed by the program manuals.

The language in Reserve protocols is ISO conformant when possible. Where the Reserve protocols presently use non-ISO terminology, the Reserve will attempt to identify and detail its meaning in relation to both Reserve and ISO standards. The Reserve expects that verification bodies will comply with both ISO standards and Reserve requirements when undertaking verifications.

### 3.3.4 Validation

Under ISO 14065:2013 and IAF Mandatory Document guidance, validation is the process by which an independent validation body assesses a project plan for GHG reductions or removals and deals with the assessment of potential future outcomes. Validation is typically conducted on projects that do not follow standardized protocols. The validation process occurs prior to project implementation in order to establish the project developer's methodology, scope and eligibility to create GHG reductions or removals.

The Reserve does not require that validation be conducted as a separate step in project development. Instead, when a project is first verified, the verifier must affirm the project's eligibility according to the rules defined in the relevant project protocol. Under the Reserve, the project's eligibility criteria are developed through a transparent, stakeholder-driven process that lays out the design and scope for each project type prior to project implementation through the application of performance-based standards and other standardized criteria. The project

protocols provide eligibility rules, methods to calculate reductions, performance-monitoring instructions, and procedures for reporting project information to the Reserve. Further, the project developer completes a standard project submittal form and is reviewed by Reserve staff for compliance with the eligibility criteria prior to the project being publicly listed on the Reserve.

By reviewing project submittal forms, Reserve staff conduct an initial screening to check whether, on the basis of the information provided, the project meets the eligibility rules established in the project protocol. However, the Reserve performs no substantiation of claims made in the submittal forms; that task is left to the verifier. Because the Reserve's eligibility criteria are mostly standardized, determination of eligibility is usually straightforward and requires minimal interpretative judgment by verifiers. Verifiers must ensure that the project developer has provided sufficient evidence to prove that the project meets the eligibility criteria.

Project developers may choose to have a project verified during its initial reporting period without verifying total emission reductions in order to establish the project's eligibility for registration and provide more certainty to potential CRT buyers or sellers. This de-facto validation process is permitted. In addition, the Reserve does not consider validation services conducted under other GHG registries or programs to be a conflict of interest, as validations and verifications are both independent third-party assessments.

### **3.4 Training Requirements and Qualifications for Lead Verifiers**

The Reserve recognizes the verification body as the responsible party under its program, rather than an individual verifier. Verification bodies are obligated to ensure that individual verifiers are qualified with the proper training and skills to conduct verification activities. For individual verifiers to be recognized as Lead Verifiers by the Reserve, they must have completed the training requirements as detailed below.

A Lead Verifier is any verifier from the accredited verification body who directs, supervises and leads verification services and has the authorization from the verification body to sign written reports or statements. A Lead Verifier is someone who has completed the verification body's internal training processes and procedures to achieve this designation, and passed the Reserve training course(s) on the appropriate project protocol(s) as well as the general project verification training.

Each verification body must employ a minimum of two Lead Verifiers for every approved sector accreditation. This policy ensures that the verification team for every project includes at least two Lead Verifiers, one to serve as the Lead Verifier and one to serve as the Senior Internal Reviewer. These Lead Verifiers may be employees of the verification body or subcontractors.

A Senior Internal Reviewer is any Lead Verifier from the accredited verification body selected to perform a final quality assurance and quality control (QA/QC) review on the project data and verification documentation. The Senior Internal Reviewer must also sign the Verification Statement attesting to the accuracy of reported data. The Senior Internal Reviewer shall remain independent of all verification activities and shall not participate in site visits, as this could compromise his or her objectivity and independence in the final review. The Senior Internal Reviewer must be designated as such on the NOVA/COI Form and also be designated as a Lead Verifier on the annually submitted Verification Staff Reporting form, which is an exhibit to the Verification Policies Acknowledgement and Agreement form.

### 3.4.1 Internal Training

Qualification as a Lead Verifier begins with the verification body's internal training procedures and programs that instruct staff on how to conduct verifications and lead verification activities. Verification bodies must have a formal process in place for the initial qualification, training, and ongoing monitoring of all personnel verifying a Reserve project. The verification body is responsible for ensuring the verification team has the proper skills, competency and collective capability to conduct verification activities under the Reserve.

In order to be eligible to take the Reserve's Lead Verifier trainings, a verifier must have a basic understanding of GHG accounting and have completed either internal training or taken a recommended external course on GHG accounting and basic verification methods.

### 3.4.2 Reserve Training

In addition to internal training, Lead Verifiers must successfully complete a Reserve-administered General Project Verification Training course and one or more project protocol verification trainings. This requirement ensures that the individuals leading verification activities under the program have a high level of sector-specific knowledge and training.

At the completion of a Reserve training, verifiers must take a Reserve-administered exam that consists of multiple choice and short essay questions. To prepare for the test, the verifier should study the protocols and the ISO 14064 series, complete the homework assignment, and undertake the practical exercises provided within the training. After passing the general project verification exam and a protocol-specific exam (and meeting the criteria above), the individual becomes a Reserve-recognized Lead Verifier. Following the training, the Reserve provides the recognized verifiers with a notification and a certificate that allows them to act as Lead Verifiers under the Reserve.

Verifiers who do not pass the exam, choose not to take the exam, or are unable to complete the exam on the date it is given receive a certificate of training attendance but will not have met the Reserve's Lead Verifier training requirements. These verifiers have one year from the original date of the course to re-take the exam. There is an administrative fee to retake the exam. If more than one year has passed or a verifier does not pass the exam on the second attempt, the verifier must retake both the training and the exam. The Reserve encourages verifiers who fail the exam to assist on additional verifications in order to gain practical experience before retaking the exam. Please note that for confidentiality purposes, the Reserve does not distribute copies of the verification exam.

An individual's recognition as a Lead Verifier under a specific protocol is generally valid for three years after the date that the training certificate is issued, at which point the Lead Verifier must retake and pass the appropriate exam to demonstrate that he or she has sufficiently maintained knowledge of the protocol and is well-versed in any relevant protocol or programmatic updates made in the interim.

The certification(s) of Lead Verifiers can be extended beyond the three-year period indefinitely if the following requirements are met:

- The Lead Verifier has successfully passed the relevant exam at least twice
- For the general verification certification, the Lead Verifier serves as a Lead Verifier on at least two verifications per calendar year



- For protocol-specific certifications, the Lead Verifier serves as a Lead Verifier or Senior Internal Reviewer on at least two verifications under the relevant protocol per calendar year
- The relevant protocol has not undergone a policy revision since the Lead Verifier last passed the exam

A Lead Verifier is not required to re-take a training course in its entirety unless significant changes to the Reserve program or relevant protocol dictate that a full training is necessary. Verification Statements signed by Lead Verifiers or Senior Internal Reviewers with expired certifications will not be accepted by the Reserve. If a Lead Verifier's general or protocol-specific certification expires during verification services, he or she must pass the exam before the project can be registered.

The Reserve offers public certification exam dates throughout the year. Lead Verifiers seeking to renew their certification(s) are free to take any exams on these dates. Lead Verifiers may also schedule private certification exams through the Reserve Events webpage, but a 10 business day notification period is required. Note that the Lead Verifier certification is tied to the individual and will therefore be recognized regardless of which verification body provides employment.

Unlike the Lead Verifier and the Senior Internal Reviewer, other team members (verifiers, technical experts, administrative staff, etc.) are not required to complete Reserve training or exams.

### **3.4.3 ARB Training**

For the purpose of verifying voluntary Reserve projects, the Reserve will accept the California Air Resources Board (ARB) verification trainings for the Coal Mine Methane, Forest, Livestock, Ozone Depleting Substances, and Urban Forest compliance protocols in lieu of the Reserve's project protocol verification trainings. However, the successful completion of the Reserve's General Project Verification Training is required for all Lead Verifiers, regardless of project type.

It is the responsibility of the Lead Verifier to demonstrate to the Reserve the successful completion of the ARB compliance offset protocol training.

## **3.5 Verification Policies Acknowledgment and Agreement Form**

Verification bodies must have a duly authorized representative of its organization sign and submit the legally binding [Verification Policies Acknowledgment and Agreement form](#) to the Reserve on an annual basis. This required agreement between the Reserve and verification bodies ensures that personnel performing verification activities are aware of their roles, responsibilities and obligations under the program. It asserts that the verification body will follow proper processes and procedures as laid out in the project protocols, the Program Manual and Verification Program Manual. The agreement outlines requirements in relation to confidentiality provisions, insurance requirements, record-keeping requirements, liability, and conflict of interest. It also includes an authorization of potential oversight of verification activities.

The verification body must acknowledge that its duty of care is first and foremost to the Reserve. When a verification body is acting under the auspices of the Reserve's program, it is bound by this agreement to abide and adhere to the rules and procedures of the program itself. If, during the course of verification activities, a verification body suspects the occurrence of fraud, double-counting, or any other significant issue that could impact the quantity or quality of CRTs to be issued, the verification body agrees to immediately report the issue to the Reserve.

The agreement states that personnel conducting verification activities shall be trained and knowledgeable on Reserve procedures. It also asserts that the verification body will remain neutral and impartial. The verification body must acknowledge that potentially market-sensitive information may be encountered while conducting project verification activities and agree to strict confidentiality in its findings prior to the release of the Verification Report.

Further, the agreement asserts that the verification body will not engage in any business activities that would amount to a conflict of interest in relation to its Reserve clients. Specifically, the purchasing, selling, trading or retiring of any offset credits between a verification body and a project developer client in question is considered a high risk for conflict of interest and is strictly prohibited. Conflicting services of this type are addressed further in Section 3.6.3.

The agreement also requires that, in the instance where the Reserve determines an error made by the verification body resulted in the issuance of CRTs not in compliance with Reserve protocols or Reserve policy, the verification body deemed responsible will replace or replenish an equal value of CRTs up to the \$4 million required amount of annual professional liability insurance. The same is true if gross negligence, willful misconduct or fraudulent activity on the part of the verification body has occurred.

Failure to submit the Verification Policies Acknowledgment and Agreement form could result in suspension from the Reserve program.

### **3.5.1 Verification Staff Reporting Form**

Verification bodies must identify to the Reserve all staff members who are designated as verifiers and serve as key personnel in Exhibit A of the Verification Policies Acknowledgment and Agreement form, i.e. the Verification Staff Reporting form.<sup>4</sup> This form must be updated and electronically submitted to [reserve@climateactionreserve.org](mailto:reserve@climateactionreserve.org) whenever new staff members are designated as verifiers on a NOVA/COI form or once per year, whichever is more frequent.

A verification body may add or delete staff to its roster at any time. To add or delete designated staff, the verification body should resubmit the form with the names and contact information for any personnel changing from the roster and note if said personnel are to be removed, added, or their status updated. For each individual identified on the form, the firm shall describe his or her job classifications, relevant experience, education, academic degrees, professional licenses (for technical staff), and role for the Reserve's records. Failure to submit the Verification Staff Reporting form could result in suspension from the Reserve program.

## **3.6 Conflict of Interest**

When conducting verification activities for Reserve project developers, verification bodies must work in a credible, independent, nondiscriminatory and transparent manner that is in compliance with applicable legislation and relevant ISO standards. A conflict of interest (COI) is defined as any situation that compromises a verification body's ability to perform a wholly independent verification. In order to ensure the credibility of the emissions data reported to the Reserve, it is crucial that the verification process be completely independent from the influence of the project developer. The verification team must act objectively and exercise professional skepticism while conducting verification activities. Conflict of interest is a difficult and dynamic issue and is therefore assessed by Reserve staff on a case-by-case basis.

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<sup>4</sup> Available at <http://www.climateactionreserve.org/how/verification/verification-documents/>.



The COI review process gives the verification body the ability to demonstrate that its organization is capable of identifying and mitigating situations that would impair its ability to render an impartial Verification Statement. Any pre-existing relationship between the verification body/verification team and project developer must be disclosed to the Reserve. The Reserve will then evaluate the potential for a real or perceived conflict of interest between the two entities.

### **3.6.1 Reserve COI Review**

Each verification body must provide information to its accreditation body about its organizational relationships, internal structures, and management systems for identifying potential conflicts of interest (organizational COI). Then, on a case-by-case basis, the Reserve will review any pre-existing relationship between a verification body and project developer and assess the potential for conflict of interest in light of the individuals involved. The Reserve staff base the review on the verification body's self-reported information submitted against the criteria laid out below. The verification body must assess all potentially conflicting services it has provided to the project developer, specifying the nature, timing, location, financial value, etc. This information is evaluated and cross-checked against the Reserve's internal records.

If the Reserve finds that there is low risk of COI, a determination is made in writing and sent to the verification body allowing verification services to proceed. After that point, the project developer and verification body may finalize negotiations of their contract and begin verification activities. Following completion of the verification, the verification body must monitor for COI through the next 12 months, as any new business relationship could increase the potential for COI (known as emerging COI).

If the Reserve finds that there is a medium or high risk of COI, it may request further information or the development of a mitigation plan before a final determination is made. For these cases, the Reserve will convene a COI Committee comprised of three or more staff members (with a minimum of one management-level staff member) in order to discuss the issue. The determination will be communicated 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 6.4).

In the event that a verification body violates COI procedures, the Reserve, in consultation with the accreditation body and at its discretion, may disqualify an approved verification body from providing services under the Reserve.

Note that this conflict of interest clause does not preclude a verification body from engaging in consulting services for other clients that participate in the Reserve for whom the verification body does not provide any verification activities.

### **3.6.2 Notification of Verification Activities and COI Form**

To obtain an approval for verification activities to proceed, the verification body must submit a Notification of Verification Activities and Request for Evaluation of Potential for Conflict of Interest (NOVA/COI) form<sup>5</sup> detailing the specifics of its relationship with the project developer and the scope and plan for verification activities. The Reserve will determine the risk for COI

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<sup>5</sup> Available at <http://www.climateactionreserve.org/how/verification/verification-documents/>

and can seek further information from the verification body to satisfy itself that no conflict exists or will arise and the proposed services are appropriate.

The verification body must conduct an internal review of previous relationships and services provided to the proposed project developer in order to determine the potential for COI before submitting the NOVA/COI form. The form must be submitted to the Reserve a minimum of 10 business days prior to the beginning of verification activities and the finalization of the contract. This notification period is necessary to provide the Reserve time to assess the risk of COI, resolve or mitigate issues, and allow itself, its partners or its consultants the opportunity to conduct verification oversight. More information on the verification oversight process can be found in Section 6.1. If the Reserve approves verification activities to proceed without oversight, project verification may begin on the date that approval is received by the verification body. The verification body may need to revise and resubmit the NOVA/COI form to include a mitigation plan, correct errors, or include any additional information per the Reserve's request. No verification activities may occur prior to NOVA/COI approval.

A verification body that does not provide proper notification to the Reserve could be denied the right to conduct verification services for the proposed verification and may be disqualified or suspended as a recognized verification body. Note that a NOVA/COI form must be submitted for each verification period, even if a verification body has verified a previous vintage for the project and is within the allowed verification cycle timeline.

### **3.6.3 Potentially Conflicting Services**

A verification body will have a high risk of COI if it or one of its subcontractors shares any management with the potential client or if any of the potential client's staff working on GHG-related activities were previously employed by the verification body within the last three years, or vice versa. A verification body will have a high risk of COI if it or its related companies (e.g., parent company, subsidiaries of a parent company, affiliates) has provided any GHG management, consulting or advocacy services (as identified on the list below) to the potential client within the last three years. Such services would indicate the verification body could be: 1) verifying their own work, 2) performing management functions for the client, and/or 3) acting as an advocate for the client.

Verification bodies may not conduct both GHG consultancy services and verification services for the same project. A verification body may offer both types of services in general, but for any particular project it must choose which of the two services it wishes to offer. A verification body is strictly prohibited from consulting on any project it wishes to verify and can never verify a project that it has designed, developed, implemented or consulted on, regardless of when it provided that service.

Validation of a project prior to verification is considered an independent third party assessment service, not consulting. All instances of work in relation to validation and consulting should be disclosed on the NOVA/COI form.

Where a high risk of COI is determined to exist and mitigation is not possible, the verification body will not be approved to conduct the verification.

The following lists contain services that are considered potentially conflicting and therefore incompatible with the provision of GHG verification activities. Services of this nature must be

declared on the NOVA/COI form. Please note that this list is not exhaustive, as there are other services and conditions that could constitute a COI.

**High risks for COI:**

- Sharing senior management staff or Board of Director membership between the project developer and the verification body, or previous employment of the senior management staff by the verification body or vice versa within the previous three years.
- Designing, developing, implementing, internal auditing, consulting or maintaining a GHG emissions reduction or removal project
- Designing or developing GHG information systems for the project developer in the same sector
- Owning, buying, selling, trading or retiring shares, stocks or offset credits from the project in question
- Brokering in, advising on, or assisting in carbon or GHG-related markets
- Dealing in or being a promoter of credits on behalf of the project developer

**Medium risks for COI:**

- Developing GHG emissions factors or other related engineering analyses for the project developer
- Designing energy efficiency, renewable energy, or other projects for the project developer that explicitly identify GHG reductions as a benefit
- Providing appraisal services of carbon or GHG liabilities or assets
- Preparing or producing GHG-related manuals, handbooks, or procedures for the project developer
- Providing legal services
- Providing expert services for a legal purpose or advocating for the project developer
- Providing other GHG-related fee-paying services to the project developer during the course of project verification services
- Members of proposed verification team have a close personal or familial relationship with the project developer
- Any regulatory enforcement action, including citations and fines
- Other services as determined by the Reserve

Depending on the nature of the services provided, it is possible that a COI could be alleviated with a proper mitigation plan. If the verification body identifies a potential high or medium COI risk on the NOVA/COI form, the verification body must submit a plan to avoid, neutralize, or mitigate the COI. The Reserve will review the submitted documents to determine if sufficient information has been provided. If not, the Reserve will request additional information. Once the information is found to be sufficient, the Reserve will review the case and issue a written determination within 10 business days.

Potentially conflicting services could be mitigated by the following circumstances, including, but not limited to:

- **Time of service:** Any services delivered between the project developer and the verification body (past employee/employer or other relationships) that occurred more than three years before the date of the COI determination are viewed as a lower risk. However, any services rendered related to the design, development, implementation or maintenance of a GHG emissions project must be fully disclosed and are always considered conflicting, regardless of the time of delivery.

- **Location:** Services provided to a business unit, facility or office of the project developer located outside of North America are considered a lower risk for a conflict of interest.
- **Type of service:** Services that do not appear on the above lists of potentially conflicting services may be considered a lower risk.
- **Financial value of service:** The verification body's provision of other services with a small monetary value relative to the value of verification is viewed as a lower risk by the Reserve. Cases where the total value of services provided to the project developer is a very small percentage of the verification body's revenue over the same period may be less cause for concern as well. The size of the verification team is also a factor into the determination of financial value of services. The percentage of annual revenue of verification services conducted by the company's North American Greenhouse Gas Business Management Unit (GHG Business Unit)<sup>6</sup> for the project developer in question must be provided on the NOVA/COI form. This information will be treated confidentially by the Reserve.

### 3.7 Organizational COI and the Verification Cycle

There is no limit on the number of projects that a verification body may work on for a project developer. However, if the verification body has performed verification activities for more than 10 projects over a 12-month period for a single project developer, the Reserve may require further information to inform its COI determination.

A verification body may verify any number of reporting periods for a project for a maximum of six consecutive years. After the six-year period, the project developer must engage a different verification body to verify the project. The original verification body may continue to provide verification services for other projects developed by the same project developer, but it cannot provide verification services for the project in question for at least three years.

The cycling and rotation of verification bodies helps avoid COI situations that could arise from lengthy and ongoing business relationships. In addition, this process guarantees that another firm reviews previously verified reporting periods, thus providing another check on the consistency and appropriateness of protocol interpretation and professional judgment. The new verification body must re-check eligibility criteria per the protocol requirements, but it is not required to perform an additional verification of data that was verified in previous reporting periods (see Section 4.5.1).

The original verification body may again provide verification services to the project after a lapse of at least three years. This three-year suspension may be triggered earlier if the verification body has conducted a substantial amount of other services for the project, depending on their nature. These services must be disclosed in the NOVA/COI form and will be assessed by the Reserve on a case-by-case basis. The three-year suspension period begins the day after the project's most recent registration date.

The potential for COI between a project developer and a verifier who works for multiple verification bodies is reviewed on a case-by-case basis. Individual verifier relationships, non-project related consulting services or employment by the project developer or another verification body (also non-project related) may trigger the requirement for a verifier to wait at least three years before performing verification for a particular project in order to mitigate the

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<sup>6</sup> The term "GHG Business Unit" refers to the verification body's staff and offices within the corporate structure that offer climate change and greenhouse gas services (validation, verification, consulting, etc.) in North America.

potential for COI. All personal and business relationships must be disclosed on the NOVA/COI. These cases proceed directly to a Reserve COI Committee for review.

The verification cycle applies to verification services performed during the entire life of the project, which includes verifications performed under another GHG registry or program.

If for any reason the Reserve determines that a relationship constitutes a conflict of interest that cannot be mitigated, the Reserve will require the project developer to select a new verification body. The Reserve may also require re-verification of any verification results from the time at which the conflict of interest arose and could not be mitigated.

*Example 1: Verification Pro provided GHG inventory verification services for a Climate Registry member, MacDonald Dairy, from 2012-2015. MacDonald Dairy now has a Reserve livestock project in 2016 and would like to hire Verification Pro.*

*While Verification Pro has provided verification services for MacDonald Dairy in the recent past, it has never verified this specific project. Verification Pro may verify this project for up to six consecutive years.*

*Example 2: Verification Pro provided validation services for a LFG Unlimited landfill project under the Verified Carbon Standard from 2012 through 2015 (4 years). The project transferred to the Reserve in 2016.*

*LFG Unlimited may contract with Verification Pro for verification services for 2016 through 2018 (2 additional years), at which point LFG Unlimited must select a different verification body.*

### 3.8 Technical Consultants and Subcontractors

Technical consultants that are hired by the project developer to provide technical assistance in any capacity, including helping the project developer compile data or manage a project, are not required to complete training or become accredited under ISO 14065. However, a technical consultant that participated in the development of a project cannot provide verification services for that same project, as this is a clear COI. Development services include designing, implementing, or maintaining a GHG emissions reductions or removals project as well as setting up GHG management or information systems for the project. The history and relationships between the technical consultant(s) and the verification body must also be disclosed on the NOVA/COI form.

As mentioned in Section 3.2, a verification body is allowed to employ subcontractors to fill any role on the verification team. Subcontractors acting as the Lead Verifier or Senior Internal Reviewer are subject to all training requirements described in Section 3.4. Any subcontractor performing verification activities must be included on both the NOVA/COI form and the Verification Staff Reporting form.

### 3.9 Confidentiality

Verification bodies must keep sensitive information encountered while conducting verification activities confidential in order to uphold the integrity of data reported within the Reserve. Verification bodies must not make use or take advantage of any confidential information and must take reasonable steps to protect the information from any unauthorized access. Due to the fact that market-sensitive information may be encountered while conducting project verification activities, the verification body must agree to maintain strict confidentiality in its findings prior to

the public availability of the Verification Report. Confidentiality arrangements and requirements should be addressed in the contract between the project developer and the verification body.

The Reserve enters into confidentiality agreements with verification bodies and project developers as necessary. The Reserve may also, on occasion, request supporting information to supplement reported data. The Reserve follows standardized security and confidentiality procedures in order to protect all confidential business information. Any organization that must provide confidential information to support the NOVA/COI assessment should clearly mark which information is considered confidential in order for it to be treated as such.

Once a verification body is selected by a project developer, the two parties should negotiate contract terms. This contract should be between the project developer and the verification body exclusively, with the particulars of the contract at the discretion of the two parties. While the commercial arrangements surrounding the timing of the verification and the payment of fees are negotiated between the two parties, these details must be disclosed in the NOVA/COI form. As previously stated, the NOVA/COI form is not made public and no verification activities can take place until it has been approved.

## 4 Project Verification Activities and Expectations

### 4.1 Overview

The ultimate objective of verification is to provide assurance that GHG reductions or removals are real, additional, verifiable, permanent, and owned unambiguously. To do this, verification bodies must develop a risk-based verification plan that takes into account the size and complexity of the GHG project, the verification team's knowledge of the project, and the relevant sector, technology and processes. The verification plan must identify areas of key reporting risks to support to a reasonable level of assurance that the claimed GHG reductions or removals are materially correct.

Verification bodies must verify a project's GHG reductions or removals by:

- Implementing a risk-based approach to verification
- Ensuring verifications are conducted in a systematic and comparable way
- Ensuring Verification Reports, List of Findings and Verification Statements are independent and robust

Verification activities necessarily differ based on the complexity of a project's GHG emissions reductions or removals and the underlying data supporting them. However, the verification process must include, at a minimum, the following steps:

- Notification of verification activities and case-by-case evaluation of conflict of interest
- Scoping and planning of project verification activities
- Desk review and initial site visit to conduct project verification activities:
  - Confirmation of eligibility criteria
  - Identifying emissions sources, sinks and reservoirs and assessing risk of material misstatements
  - Reviewing methodologies and management systems
  - Verifying emission reduction calculations
- Preparing a Verification Report, List of Findings and Verification Statement and submitting them to the Reserve

Upon completion of the above steps, Reserve staff reviews the relevant documents and reported data before registering the project and issuing CRTs. 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 Verification Report and Statement. See Section 5 for further guidance on the materials Reserve staff reviews prior to CRT issuance.

### 4.2 Risk-Based Verification

Project verification is an iterative, risk-based activity in which the complexity of all project components are balanced and assessed in relation to one another using verifier professional judgment. Areas that display low complexity or have minimal bearing on the eligibility or quantification of project emission reductions should receive lower priority and attention relative to areas with high complexity and significant implications for project eligibility or emission reductions.

During the scoping and planning phases (Section 4.3), the verification team shall conduct a preliminary risk assessment in order to establish a verification approach based on areas of highest perceived risk. This assessment should include the project type, size, complexity, and length of verification period, and should not be considered final. Rather, an iterative approach must be used to re-assess risk and complexity in the context of the knowledge gained and information gathered during the verification process.

Identified areas of risk may include any aspect of the project. Where the verification team identifies significant risk, it shall review those project components with increased care exceeding the minimum requirements provided in this document and the appropriate project protocol.

Potential areas of risk may include, but are not limited to:

- Ownership of GHG rights
- Project conformance with the Legal Requirement Test
- Project conformance with the Performance Standard Test
- Project compliance with relevant regulations
- Maintenance and appropriate operation of project hardware
- Adequacy and QA/QC of data collection processes
- Training of project personnel
- Data transcription and handling
- Data calculations

### **4.3 Scoping and Planning Project Verification Activities**

Prior to entering into an engagement to provide verification services for a Reserve project developer, the Reserve must review the composition of the verification team and the scope of verification activities. This information is submitted to the Reserve for its approval in the NOVA/COI form (see Section 3.6).

#### **4.3.1 Verification Team**

The verification body is responsible for assembling a competent and qualified verification team to undertake verification activities before beginning any verification work. It must consider the capabilities and capacities of its staff when building the team. The verification team must have sector-specific competency in relation to the type of project being verified, and all team members and their respective roles must be disclosed on the NOVA/COI form. The verification team shall consist of a minimum of two individuals with Lead Verifier qualifications: one to serve as the Lead Verifier and one to serve as the Senior Internal Reviewer.

The role of a Lead Verifier is to coordinate and lead the verification team and all underlying verification activities. The Senior Internal Reviewer's role is to perform a final quality control on the data checks, the List of Findings, the Verification Statement and Verification Report prior to its completion.

In order to perform an impartial evaluation of the verification process and results, the Senior Internal Reviewer must remain independent from decisions made by the rest of the verification team during verification activities. To that end, the Senior Internal Reviewer shall not participate in meetings, phone calls or site visits between the verification team and the project developer.

See Section 3.4 for more detailed information on individual verifier training requirements.



### 4.3.2 Developing a Verification Plan

Prior to the kick-off meeting, the verification team shall develop an initial verification plan outlining the scope and nature of verification activities to be conducted for the specific project. In developing this plan, it shall consider the key requirements and objectives of the project developer, compliance with the relevant Reserve project protocol, the information to be reported to the Reserve, and the verification team members' capabilities and sector competencies.

The verification plan must include a review of any previously reported information to the Reserve, a preliminary assessment of areas of high risk, identification of potential systemic weaknesses, a draft sampling plan to recalculate the emission reductions or removals data reported to the Reserve, and a site visit itinerary (if necessary). The data sampling plan should be created in line with the requirements of Section 4.3.3 of ISO 14064-3, which stipulates the different types of sampling and the typical conditions that apply to each sampling type. The verification plan should evolve as the verification progresses and the verification team obtains more information on potential areas of risk and supporting evidence to substantiate the GHG emission reductions assertion. The Reserve may request a copy of the verification plan at any time.

After the Reserve has been notified of planned verification activities and issued approval for verification to proceed, contract terms may be finalized. At that point, the verification team shall conduct a kick-off meeting with the project developer. This meeting can be held either in person or remotely. The agenda for the meeting should include:

- Introduction of the verification team, overview of roles and responsibilities
- Review of verification activities, plan and scope
- Transfer of background information and underlying activity data
- Review and confirmation of the verification process schedule

Based on the information provided during the kick off call, the verification team should determine the most effective, efficient, and credible verification approach tailored to the particular characteristics of the project. If a project has been selected by the Reserve for verification oversight, Reserve staff may participate in all or some of the verification activities.

## 4.4 Verification Cycle

A reporting period is a period of time over which a project developer quantifies and reports GHG reductions/removals for the project. The verification period is the period of time over which GHG reductions/removals from said reporting period(s) are verified. Reporting periods must be contiguous in the Reserve program; there can be no time gaps in reporting during the crediting period of a project once the initial reporting period has commenced. Gaps in recorded data or activity within the crediting period must be included within the reporting period and verified accordingly. The verification body must confirm that no reductions are claimed for any period that is missing data or is designated as a zero-credit reporting period by the project developer. See Section 3.4.6 of the Program Manual for details related to a zero-credit reporting period.

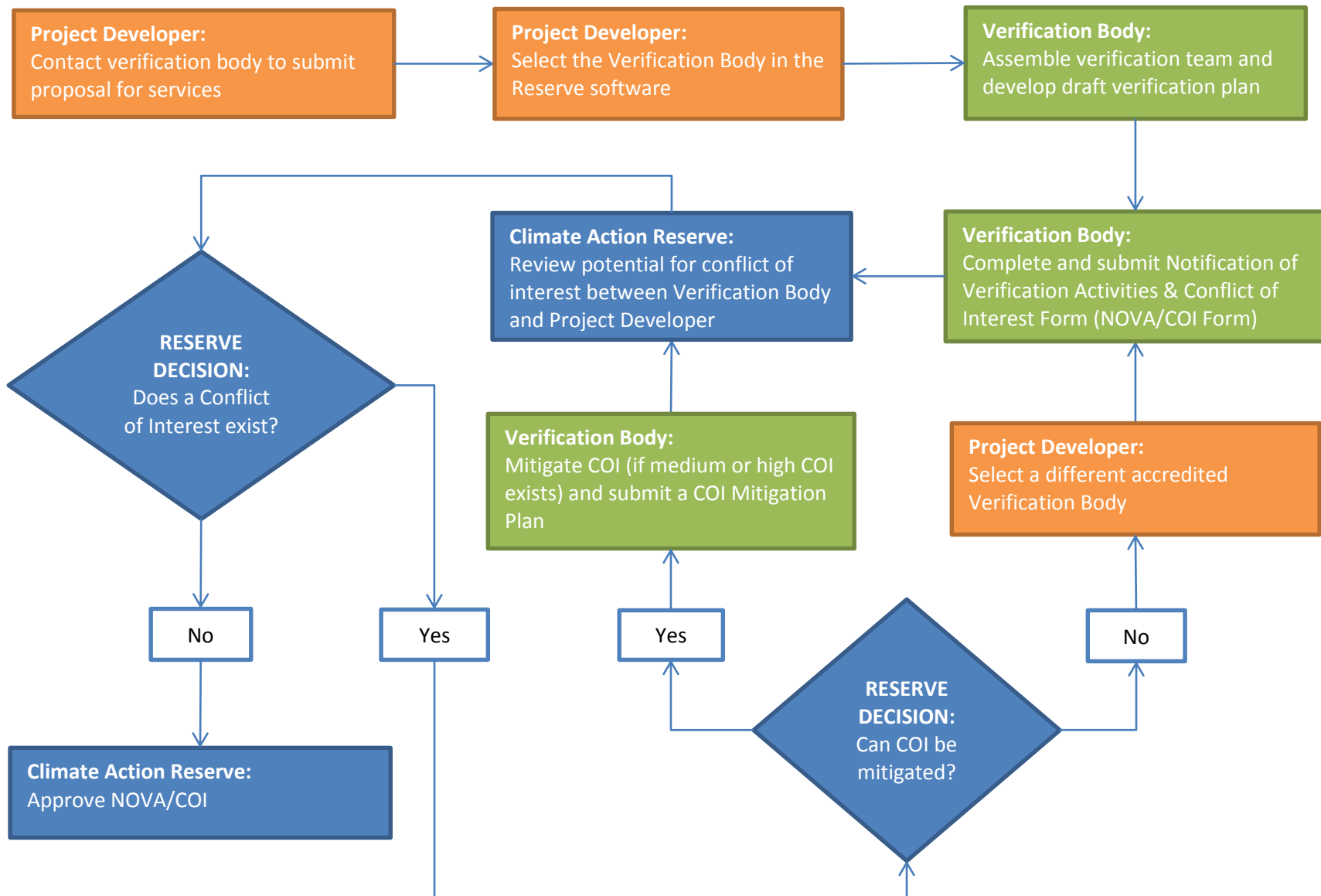
All projects must complete their initial verification within 12 months of the end of the initial reporting period. To satisfy this verification deadline, a completed Verification Report and signed Verification Statement must be submitted to the Reserve.

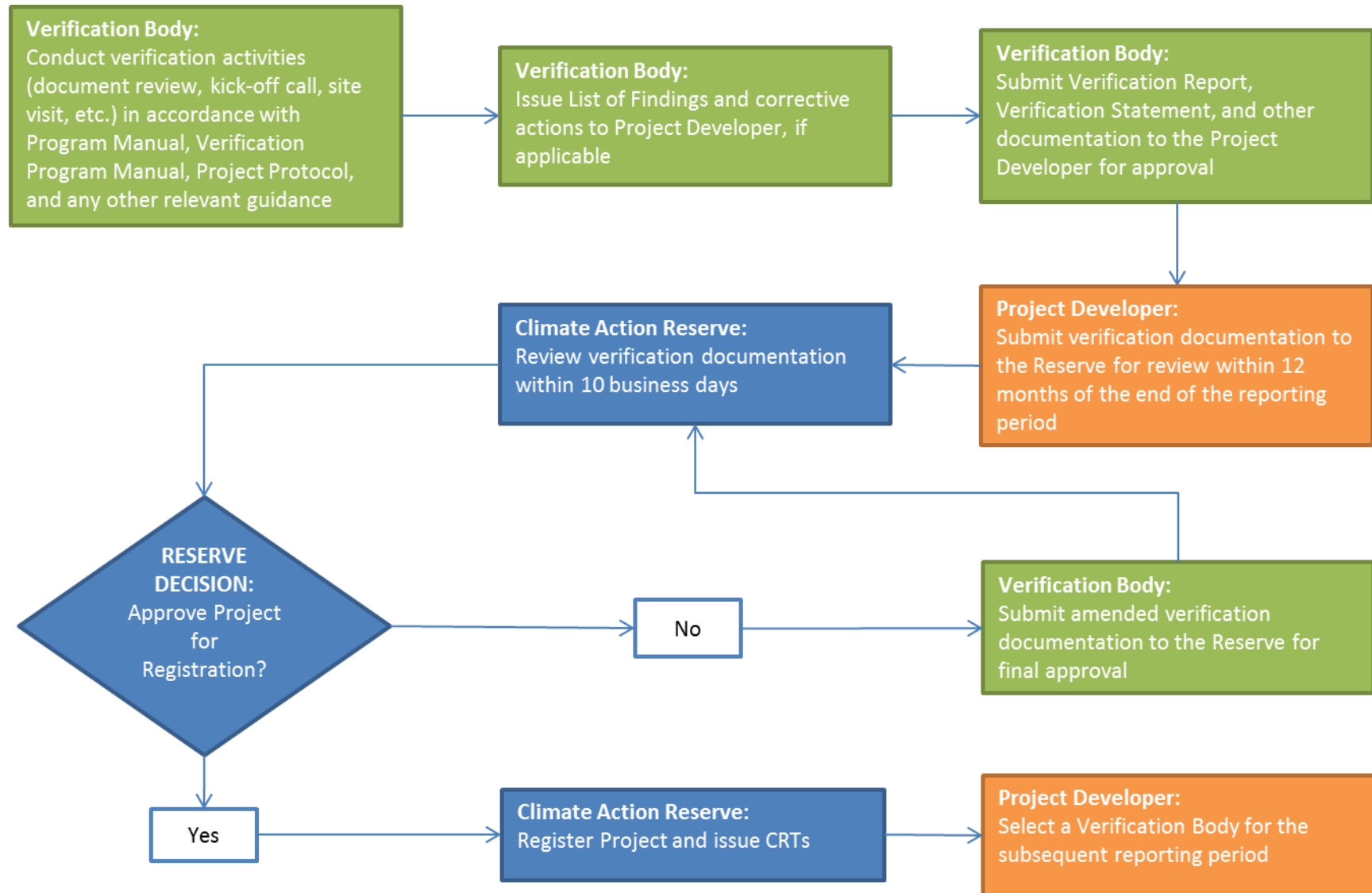
After a project is registered, a Verification Statement and Verification Report must be submitted within 12 months of the end of each subsequent verification period. The maximum allowed

length of the verification period is specified in each protocol, but project developers may choose to verify more frequently than required. For example, a Verification Statement and Report for GHG reductions achieved between January 1, 2016 and December 31, 2016 would have to be submitted by December 31, 2017 if a project was required to verify annually. The only exception to the verification deadline is if the project developer is taking a zero-credit reporting period (see Section 3.4.6 of the Program Manual).

The following flow charts provide an overview of the NOVA/COI approval and verification processes.

Figure 4.1: NOVA/COI Approval



**Figure 4.2: Project Verification and Registration**

#### 4.4.1 Desktop Reviews and Site Visits

The majority of project verification activities consist of a desktop review and a site visit. A significant portion of the verification activities are conducted during the desktop review of calculations made by the project developer, GHG emissions data, and supporting documentation. However, a site visit may also be necessary in order to assess project operations, functionality, and data control systems; confirm the project boundaries and assessment area; and review measurement/monitoring techniques and onsite record-keeping practices. The depth and breadth of verification activities shall be guided by the project-specific risk assessment (see Section 4.2).

A site visit is required the first time a verification body verifies a particular project, unless otherwise specified in a protocol. For subsequent verifications, the verification body must conduct a site visit at the interval specified by the protocol with a 3-month grace period. For example, the verification body must be back on site within 15 months from the date of the previous site visit for project types that require annual verifications with a site visit. This deadline applies only to verification bodies that are returning to verify the same project. It is recommended, but not required, that the site visit occur after the conclusion of the reporting period under verification and that the Lead Verifier is present.

For sub-annual reporting and verification periods in which the same verification body has been on site within the last 15 months, site visits are not required unless significant changes to the project are identified during the desk review. The verification body may use professional judgment to determine if there have been significant changes to the project.

The following activities are expected to occur during a desktop verification and a full verification (desktop verification and a site visit), respectively. Please note that these lists are not comprehensive. Requirements differ by project type, and the project protocols note the exact requirements.

A desktop verification must, at minimum, consist of:

- Assessment of project eligibility criteria
- Review of required attestations
- Re-calculation and review of the data calculations and information presented in order to verify completeness
- Review of the monitoring plan and monitoring methodology for conformance with protocol requirements
- Evaluation of data management, QA/QC systems, and general procedures in the context of their influence on the generation and reporting of reductions or removals

A full verification must, at minimum, consist of the above-listed desktop verification activities as well as:

- Site visit(s) as required by the relevant protocol
- Assessment of the implementation and operation of the project activity
- Review of information flows for generating, aggregating and reporting the monitoring parameters
- Interviews with relevant personnel to confirm that they are properly trained and qualified for the duties they perform

- Interviews with relevant personnel to confirm that the operational and data collection procedures are implemented in accordance with the project monitoring plan and the protocol requirements
- A cross-check between information provided in the monitoring report and data from other sources such as plant log books, inventories, purchase records or similar data sources
- A check of the monitoring equipment including calibration performance and observations of monitoring practices against the applicable protocol requirements
- Identification of QA/QC procedures in place to prevent or identify the possibility of misstatements

## 4.5 Core Verification Activities

The core verification activities of the Reserve program encompass a risk assessment and data sampling effort used to determine that the project is eligible, no relevant sources, sinks or reservoirs (SSRs) identified in the project protocol are excluded, data was properly collected and calculated, and the risk of error is low. Each of these areas must be assessed and addressed through appropriate sampling, testing and review.

All verification activities shall include the following core steps:

1. Confirm eligibility criteria
2. Review data and identify SSRs
3. Review management systems
4. Verify emissions estimates

### 4.5.1 Step 1: Confirm Eligibility Criteria

Every project must meet the eligibility criteria established in the Reserve Program Manual and relevant project protocol in order to qualify for project registration. There can be no deviation from these rules. The Reserve conducts a preliminary review of project information provided in the project submittal form to assess eligibility. This review is not a final determination of the eligibility of the project, nor does it guarantee CRT issuance or CRT ownership.

Upon initiation of verification activities, it is the responsibility of the verification body to assess these claims and confirm that a project meets the eligibility criteria in the initial verification period. For subsequent verification periods, the verification body must confirm that the project continues to meet eligibility requirements. The eligibility check includes, but is not limited to, reviewing the required attestations described in the following sections.

While the structure of the project eligibility criteria is shared amongst the Reserve protocols, the specific requirements can vary. Please refer to the relevant protocols and accompanying verification guidance for more information on the eligibility criteria and required frequency of verification for each criterion. Whenever a verification body verifies a registered project for the first time, it must review all applicable eligibility criteria rather than relying on the determination of the previous verification body.

The verification body must explicitly state in the Verification Report whether each eligibility requirement has been met and summarize the evidence that was reviewed to reach its determination. Please note that areas of high risk may necessitate investigation beyond the steps described below.

#### **4.5.1.1 Location**

Each project protocol limits project activities to an explicitly defined geographic boundary. Verification of project location shall be conducted through site visits, corroboration and review of appropriate documentation, and/or geographic searches confirming location and the project area.

#### **4.5.1.2 Project Start Date**

As defined in the Reserve Program Manual and project protocols, the project start date initiates the project crediting period. Verification bodies must verify that:

- The project start date reported in the Reserve software is correct
- The project start date is eligible per the applicable protocol and the policy laid out in the Reserve Program Manual

Verification bodies shall review supporting documentation to ensure the start date established by the project developer is correct (e.g. design plans, installation dates, operational dates, commissioning reports, service invoices, log books, staff interviews, etc.) and may use their discretion as to the adequacy and sufficiency of evidence provided. Supporting documentation should always be clear, traceable and directly correspond to the reported timeline. The exact start date must be explicitly stated in every Verification Report for the project.

#### **4.5.1.3 Crediting Period**

Verification bodies shall verify that the reporting period falls within the project's crediting period as defined in the applicable protocol. Verification bodies shall also confirm that the crediting period and the reporting period entered in the Reserve software are accurate and the underlying activity or source data supplied by the project developer directly corresponds to these dates.

It should be noted that all data must be contiguously reported and verified, even if no credits are being claimed for a given time within a particular reporting period (see Section 4.4).

Project transfers are allowed in accordance with the guidelines outlined in Sections 3.6, 3.7, and 3.8 of the Reserve Program Manual. Transfers from another GHG registry shall be reviewed by the verification team, and the verification body must ensure that no double-counting has occurred by cross-checking the previous registry's records with the Reserve software.

#### **4.5.1.4 Additionality**

The Reserve incorporates standardized additionality tests in all of its protocols. These tests generally have two components that must be confirmed by the verification body: a legal requirement test and a performance standard test.

##### **The Legal Requirement Test**

Projects are very likely to be non-additional if their implementation is required by law. The legal requirement test ensures that eligible projects (and/or the GHG reductions/removals they achieve) would not have occurred anyway in order to comply with federal, state or local regulations, or other legally binding mandates. A project passes the legal requirement test when there are no laws, statutes, regulations, court orders, environmental mitigation agreements, permitting conditions or other legally binding mandates requiring its implementation, or requiring the implementation of similar measures that would achieve equivalent levels of GHG emission reductions/removals.

Verification of the legal requirement test requires:

1. **Review of the Attestation of Voluntary Implementation form:** The Attestation of Voluntary Implementation states that the project was implemented, established, operated, and conducted voluntarily and for the carbon benefit. Verifiers must confirm that this form has been properly executed by a qualified representative of the project developer.
2. **Risk-based review of relevant legal requirements:** The verification body must conduct a review of applicable local, state or federal regulations in order to reach reasonable assurance that there are no specific mandates for the project's implementation.

In addition, most protocols specify that the project's Monitoring Plan must include the procedures that the project developer must follow to ascertain and demonstrate that the project passes the legal requirement test at all times. If the verification risk assessment determines that there is a low risk of the project failing the legal requirement test, then the reviews of the Attestation of Voluntary Implementation and the evidence that the project's Monitoring Plan has been properly implemented may be sufficient.

However, if significant risk of failure is present, verification bodies shall use their professional judgment to determine the depth and scope of the review required to confirm that the project passes the legal requirement test. Project developers are expected to provide evidence if requested by the verifier.

### **The Performance Standard Test**

Projects that are not legally required may still be non-additional if they would have been implemented for reasons other than generating revenue from the sale of carbon offsets or simply to reduce GHG emissions. Performance standards are designed to screen out this potential set of projects. In developing performance standards, the Reserve considers financial, economic, social, and technological drivers that may affect decisions to undertake a particular project activity. These standards are tailored such that the large majority of projects that meet them are unlikely to have been implemented due to other drivers. In other words, incentives created by the carbon market are likely to have played a critical role in decisions to implement each project in the Reserve program.

Verification bodies must verify that the project meets or exceeds the protocol-specific performance standard. This determination is not subjective.

The applicable performance standard is applied by the project developer at the time the project commences. In most protocols, projects that have been registered do not need to be evaluated against the performance standard in future verifications for the duration of the first crediting period.

#### **4.5.1.5 Regulatory Compliance**

The verification body shall confirm that the project being verified was in material compliance with all applicable laws, including environmental regulations, during the verification period; no CRTs may be issued for periods when a project was not in material compliance with all applicable laws. The protocol-specific regulatory compliance requirement is generally limited to project activities at the host site, but it may extend to the entire facility or additional holdings. This requirement is verified through a review of the Attestation of Regulatory Compliance, as well as a risk-based review of project documentation.



Project developers are required to disclose to the verifier all instances of non-compliance of the project with any law. To confirm regulatory compliance, the verifier must assess 1) whether a violation is related to the project or project activities and 2) whether the violation is material.

Before assessing materiality, the verifier must first assess whether a violation is related to the project or project activities. A violation should be considered to be “caused” by project activities if it can be reasonably argued that the violation would not have occurred in the absence of the project activities. It is important to note that the scope of regulatory compliance may be different for different project types. For example, there are many activities and pieces of equipment at a dairy operation, in a forest or at a coal mine that are completely unrelated to project activities occurring at the same site. However, activities at a composting facility, nitric acid facility or ODS destruction facility are inherently more connected to the project.

It is also important to review the timing of the violation. Many facilities do not receive documentation of a violation until well after the violation has actually occurred. If a violation was to affect CRT crediting, it would be for the time period when the violation occurred, which is not necessarily when notice of the violation is received.

Once the verifier has determined that the violation is related to the project or project activities and the reporting period being verified, he/she shall then assess the materiality of the violation.

The concept of materiality is found throughout the Reserve’s program. Generally, the term is used to indicate something significant (material) as opposed to insignificant (immaterial). This manual discusses materiality with respect to verifying an emissions report in terms of a materiality threshold (Section 2.3), a quantitative materiality threshold (Section 2.3.1), and a qualitative materiality threshold (Section 2.3.2).

The materiality thresholds to assess an emissions report described in previous sections are not appropriate to use when assessing the materiality of regulatory violations. The Reserve introduced the concept of materiality to regulatory compliance in order to differentiate between violations that could bring into question the integrity of the project and violations that are strictly administrative or due to acts of nature. Violations that are administrative (such as an expired permit without any other associated violations or tardiness in filing documentation) are not considered material and do not affect CRT crediting. Any other type of violation that is project-related is generally considered material.

Any violation that is found by the verifier to be caused by the project or project activities shall be brought to the Reserve as soon as possible for assessment on a case-by-case basis. Verifiers should continue to use professional judgment to assess the violation and gather the necessary information and documentation they feel is required to make a determination of materiality. The Reserve shall utilize this information and the recommendation of the verifier to make such a determination.

#### **4.5.1.6 Ownership**

One of the fundamental principles of the Reserve program is the unambiguous ownership of GHG reductions/removals. Project developers must have exclusive ownership rights to the GHG reductions or removals associated with the project and for which the Reserve will issue CRTs. In addition, the project developer must agree that ownership of the GHG reductions or removals

will not be sold or transferred except through the transfer of CRTs in accordance with the Reserve Terms of Use policies.

It is essential that the verification body determines the project developer is the proper owner of a project's potential CRTs early in the verification process. The ownership requirement is verified through review of the Attestation of Title and an accompanying review of available ownership documentation. The owner of the CRTs must be the account holder in the Reserve software; the owner must also be the signatory to the Attestation of Title.

The verification body must confirm that the project developer has signed the Attestation of Title and is the owner of full, legal and beneficial title to the GHG reductions or removals generated within the Reserve. Although several parties may be involved in a single project, the party that signs the Attestation of Title must be the party that has beneficial ownership rights in relation to the CRTs registered in the Reserve.

If the verification body determines a different organization has ownership of the CRTs, the verification body may proceed with verification activities as long as the rightful owner is clearly identified in the verification documentation, all involved organizations are informed, and a COI evaluation between that party and the verification body has been approved by the Reserve. The project could also be moved to a different account within the Reserve software.

In addition to the Attestation of Title, verification bodies should review relevant contracts, agreements, and/or supporting documentation between project developers, facility owners, utilities, and other parties that may have a claim to the CRTs generated by the project. Verification bodies must review these contracts in a risk-based context and use professional judgment to determine the depth and breadth of the review. In order to issue a positive Verification Statement, the verification body must conclude with reasonable assurance that the project developer has title of the GHG reductions/removals.

In some instances, ownership will be straightforward and easy to identify (see Example 1). In other instances, particularly those involving multiple parties, a more careful analysis will be required (see Example 2).

*Example 1: A forest owner with complete title and beneficial rights in certain real property and its timber designs and implements an Improved Forest Management project to sequester carbon without any outside assistance. In this situation, the future owner of the CRTs is clear, absent any further documentation or assertions to the contrary.*

*Discussion: In this case, the verifier should be able to establish ownership through a site visit, geographic search mapping of the project boundary, and a thorough review of the deed and/or title to the land.*

*Example 2: A private company, X Co, pays for the installation of GHG emissions-capturing equipment at a landfill owned by the local county waste authority in exchange for rights to any GHG offset credits derived from such activities.*

*Discussion: In this case, the proper owner and appropriate Reserve account holder is not immediately clear without reviewing the underlying contractual arrangements between the two parties, since both are involved in the activities leading to the emission reductions.*

*Upon review of the underlying documents, the verification body should be able to reasonably conclude that X Co is the proper project developer and account holder to which any CRTs would be issued. Even though the waste authority could have potentially laid claim to the emission reductions, it most likely conceded such rights, often noted as “environmental attributes,” to X Co via a contract prior to the implementation of the project.*

Although the above examples require some review of contractual terms, the parties with potential interest in the project are still fairly straightforward. However, in some cases, a project developer may try to open an account for an affiliated entity or under a different name and have the CRTs issued directly into that account. In the Reserve program, CRTs can only be issued to the account of the legal entity that owns the rights to those CRTs. Thus, the account holder must be the same legal entity as the project developer in order to be issued the CRTs.

Separate legal entities may include limited liability companies (LLCs), corporations, and other business organizations, regardless of whether these entities are 100% related to the project developer (e.g., parent, subsidiary, affiliate, etc.). Even if a project developer is 100% owned by its parent company, its parent or any other related company cannot be considered the project developer or be designated as the account holder unless they are the same legal entity, e.g. the project developer is a division within the parent LLC or corporation. This is true regardless of the reasoning behind the creation of the organizational structure of the larger corporate family, whether it be for tax purposes, administrative convenience, efficiency, or any other purpose.

If there is any question as to whether the project developer is the same legal entity as the rightful owner of CRTs, then the verifier may ask for the formation documents of each entity, e.g., LLC operating agreement, certificate of incorporation, etc., and/or request each entity's tax identification number (TIN) issued by government authorities. If the entities have separate formation documents but the TIN is the same number for both, they are likely the same legal entity. If they both have separate formation documents and/or different TINs, then they are not the same legal entity.

Table 4.1 contains some examples of different corporate structures that can be considered when assessing legal entities:

**Table 4.1: Corporate Structure of Legal Entities**

| Scenario                                                                                                               | Likely Outcome                          |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Names of X Co and Other Named Entity each end in “LLC”, “Inc.”, “Corp.” or other legal entity designation              | Separate legal entities                 |
| X Co is doing business as (DBA) Other Named Entity                                                                     | Unclear → check formation docs and TINs |
| No clear relationship between X Co and Other Named Entity                                                              | Unclear → check formation docs and TINs |
| X Co is a division of Other Named Entity, not a separate LLC, corporation, or other legally formed entity and same TIN | Same legal entity                       |

The Reserve recognizes that verification teams generally do not contain a legal expert. If any high-risk contractual and/or title issues remain unresolved following an exhaustive review, the verification body should contact the Reserve for further assistance. In these circumstances, the Reserve will help make an ownership determination.

#### **4.5.2 Step 2: Review Reported Data and Identify Sources, Sinks and Reservoirs**

Verification bodies shall review a project's reported SSRs to ensure that all are properly identified within the GHG Assessment Boundary as defined by the applicable protocol. The review must also include the reporting and monitoring parameters for the project.

The site visit shall be used to confirm the GHG Assessment Boundary, examine project equipment, identify any associated SSRs resulting from the project, and assess the operation of the project activity.

As part of this process, verification bodies shall review the project's Monitoring Plan to verify that all required SSRs and project activities are measured, modeled or calculated appropriately and with the correct frequency. Verification bodies must also review the project's GHG reduction assertions, data collection and storage methods, and QA/QC measures.

Once all reporting parameters and SSRs have been identified and any issues addressed, the verification body may proceed to Step 3 to review the project's calculation methodologies and management systems.

#### **4.5.3 Step 3: Reviewing Management Systems and Methodologies**

After the project SSRs have been confirmed, verification bodies shall review the methodologies and management systems used to generate, compile, transcribe, and store project data. This is principally a risk assessment exercise in which the verification body must weigh the relative complexity of the scope of the project's emissions operations and activities, the project developer's methodologies and management systems used to report GHG reductions, and the likelihood of calculation error as a result of reporting uncertainty or misstatement. The verification body must determine the presence and level of inherent and management type risks and focus its verification effort on the highest risk areas. This is an area which requires professional judgment, and it is likely that qualitative material non-conformances with the protocol could be identified.

Through this review, the verification body shall determine the appropriateness of the management systems, IT systems, staff competency, internal audits, record keeping arrangements, and documentation processes to understand the risk of systemic errors as a result of reporting uncertainty or misstatement. A review of records and management systems onsite helps to ascertain the adequacy of the management system relative to protocol requirements.

A verification body's general review of a project's GHG management systems should document whether methodologies/procedures are appropriate given the inherent uncertainty/risk; the likelihood that the data is correctly aggregated, monitored, and measured; and whether a qualified individual is responsible for managing and reporting GHG reductions or removals. The verification body shall also check that the correct metering equipment is used, inspected, cleaned and calibrated in accordance with the applicable project protocol. The verification body is responsible for ensuring that all metered and modeled (if applicable) data are accurate.

#### 4.5.4 Step 4: Verify Emissions Estimates

Based on a project's SSRs, management systems, and corresponding risk profile, verification bodies must ensure that the calculations of GHG reductions or removals are accurate within the appropriate quantitative materiality threshold. This is achieved by re-calculating all emission estimates based on project activity data. All emission or efficiency factors used in the applicable protocol equations must also be checked. Cross-checking calculated emissions reductions and performing data reconciliation in line with the methodologies outlined in the applicable protocol is vital to ensure quantitative material misstatements are identified and resolved.

Verification bodies shall also trace activity and/or monitoring data compiled by the project developer back to the original source and perform re-calculations in accordance with a sampling plan that focuses on high-risk data. Verification bodies shall review all relevant physical and documentary evidence.

In order for verification bodies to verify the reductions or removals entered in the Reserve software, the sample of recalculated project data must be free of material misstatement. It is possible that the overall GHG reductions or removals calculated by the project developer will differ from those estimated by the verification body. A discrepancy is considered material if the difference between the reported GHG reductions and the verifier's estimate surpasses the materiality threshold defined in Section 2.3.1. Immaterial discrepancies are those that fall within the materiality threshold and are not required to be corrected.

Note that, per Section 2.3.1, the Reserve allows for under-reporting of emission reductions/removals as that is considered conservative. Under-reporting errors are not required to be corrected. The quantitative materiality threshold only applies to mistakes that result in over-reporting.

If the reported data is not free of material misstatement, the verification body shall include this information in the List of Findings and complete the sampling effort of other sources. Once the verification body has confirmed that the data sample is free of material misstatements, it is ready to complete verification activities.

Examples of directly monitored and measured data or supporting evidence that should be reviewed during verification include (but are not limited to):

- Flow meter, electricity meter, and continuous emissions monitoring system (CEMS) data
- Outputs from gas collection, destruction or abatement systems
- Electricity use or fossil fuel combustion records, invoices, purchases and sales orders
- Onsite fuel stocks
- Data recording devices and portable monitoring equipment
- Maintenance and calibration records, log books, and system operations manuals
- Laboratory test results or third party reports
- Manufacturer specifications and reports
- Raw material inputs, production output, and hours of operation
- Field check reports, sampling exercises, and analysis reports
- Emission factors (if not default), combustion efficiency, and oxidation factors
- Certificates of destruction, weight tickets, and customs documents
- Calculation spreadsheets and electronic files

It is a verification body's duty to identify errors during the verification process. Common errors include, but are not limited to:

- Calculation errors: equations used by project developer do not match those specified by the protocol
- Incompleteness: incorrect inclusion or exclusion of SSRs within the GHG Assessment Boundary, exclusion of significant sources and/or leakage effects
- Inaccuracy: manual data transfer and transcription errors, double counting, and use of incorrect emission or destruction efficiency factors

Any of the above errors could result in the project developer materially over-estimating GHG reductions or removals.

## 4.6 Professional Judgment

By design, Reserve protocols are not entirely prescriptive, which necessitates that verification bodies use their best professional judgment when executing certain verification activities. Verification bodies must demonstrate, through their staff's professional qualifications and relevant GHG experience, their ability to render sound professional judgment in relation to Reserve projects.

Application of professional judgment is expected in the following areas:

- Implementation of verification activities with appropriate rigor for the size and complexity of the project and the uncertainty of calculations associated with the project's SSRs
- Review of the capability of a project developer's GHG emissions tracking, monitoring, and management systems to provide accurate information
- Determination of the amount of data that constitutes a representative sample
- Assessment of methods used for calculations where the protocol does not provide prescriptive guidance
- Appraisal of assumptions, estimation methods and emission factors that are selected as alternatives to protocol guidance, where allowed

In areas where the Reserve project protocols are prescriptive, as with monitoring or calibration frequency, verification bodies are not permitted to use professional judgment. Projects must follow the prescriptive requirements of the protocols, where available. The verification section of each protocol provides guidance on areas where professional judgment is allowed/expected and areas where it is not.

The Reserve maintains the right to question any and all decisions made by the verification body. However, in areas where the project protocols explicitly state that professional judgment can be used, the Reserve expects that the verification body has the competency and knowledge to make these decisions, will err on the side of conservativeness, and will follow industry best practice.

## 4.7 Variances

The Reserve may, at its discretion, grant variances with regard to the manner in which specific projects meter, measure or monitor GHG reductions or removals where Reserve staff determines that such variances are acceptable. Only with explicit, written acceptance of the variance may a project developer apply alternate methods not contained in the applicable protocol. In most cases, a variance will be granted only for a specified time period or portion of the project data. Verification bodies must ensure that the project developer has met the Reserve's requirements and correctly applied the variance determination. Once a variance is granted, the variance determination is available publicly in the Reserve software.

#### **4.7.1 Verification Body Application of Variance Determinations**

Verification bodies must adhere to any instructions laid out within the variance determination and ensure that all other relevant criteria in the protocol have been met. Like the listing process, receiving a positive variance determination does not guarantee that a project will be successfully verified, nor that a project complies with other aspects of a given project protocol; variance determinations do not qualify projects for registration prior to completing the verification process.

Projects continue to be subject to verification body review after a variance has been granted. The burden remains on the project developer to provide supporting evidence to the verification body that all aspects of its project are in compliance with the variance determination and the project protocol. Variance determinations allow for minor alterations to the protocol and are based on the initial information provided in the Variance Request Form. Verification bodies must confirm the underlying facts that were presented to the Reserve. Variances do not exempt the project from protocol requirements that are not specifically referenced in the variance determination.

A verification body shall not make specific recommendations to the project developer in relation to what could qualify for a variance. This would be considered consulting and is explicitly prohibited. Verification bodies shall not recommend that project developers seek variances from the Reserve, but can note sections or guidance of the protocol with which the project is not in conformance. The verification body can refer the project developer to seek assistance from the Reserve in determining how best to proceed with the project.

### **4.8 Errata and Clarifications**

The Reserve utilizes Errata and Clarifications documents to correct and/or clarify issues in previously issued protocols. Errata are issued to correct typographical errors in text, equations or figures. Clarifications are issued to ensure consistent interpretation and application of the protocol.

Errata and Clarifications documents become effective on the date they are first posted on the Reserve website. Listed and registered projects must adhere to all errata and clarifications issued for the applicable protocol version when they undergo verification. Thus, verification bodies must refer to and follow the corrections and guidance presented in Errata and Clarifications documents as soon as they are effective, even if they are issued during an ongoing verification.

The Reserve does not require verification bodies to attend trainings specific to errata and clarifications. Rather, the Reserve expects that verification bodies refer to these documents immediately prior to uploading any Verification Statement to ensure all relevant guidance is properly addressed and incorporated into verification activities.

### **4.9 Joint Verification**

Certain project protocols allow for “joint verification” when a project developer has multiple projects operating on a single site. In these instances, project developers have the option to hire a single verification body to assess the projects concurrently. This is intended to provide economies of scale for the project verifications and improve the efficiency of the verification process.

Under the joint project verification process, each project, as defined by the protocol and the project developer, must be submitted and registered separately in the Reserve software. However, the verification body may submit a single NOVA/COI form that details and applies to all of the projects at a site that it intends to verify.

Additionally, a verification body may conduct a single site visit and prepare a single Verification Report summarizing the verification results from multiple projects. However, the verification body must develop a separate verification plan, sampling plan, and Verification Statement for each project, i.e., each project is assessed by the verification body separately as if it were the only project at the site. In addition, a copy of the Verification Report must be uploaded to each project's Project Documents page in the Reserve software.

If, during joint project verification, the verification activities of one project are delaying the registration of other projects, the project developer may choose to forego joint project verification. There are no additional administrative requirements of the project developer or the verification body if a joint project verification is terminated.

At the time of publication, the following protocols have provisions allowing for joint project verification:

- Coal Mine Methane Project Protocol
- Mexico Boiler Efficiency Project Protocol
- Nitric Acid Production Project Protocol
- U.S. and Article 5 Ozone Depleting Substances Project Protocols

Please refer to the individual protocols for more information on specific processes and procedures for joint verification.

#### **4.10 Aggregation and Cooperatives**

Certain Reserve protocols allow projects to aggregate or form cooperatives for reporting and registration purposes. This can help reduce transaction costs for individual project developers. The requirements in relation to verification periods, desktop reviews and site-visit verifications may vary. See specific protocols for reporting and verification guidelines.

At the time of publication, the following protocols have provisions allowing for project aggregation:

- U.S. and Mexico Forest Project Protocol
- Grassland Project Protocol
- Livestock Project Protocol
- Nitrogen Management Project Protocol
- Rice Cultivation Project Protocol



## 5 Documenting and Reporting Verification Activities

After a verification body has completed its review of a project developer's estimated GHG reductions or removals, it must take the following steps to document the verification process:

1. Complete a detailed List of Findings containing both immaterial and material findings (if any) and deliver it to the project developer, allowing the opportunity for corrective actions (private document).
2. Complete a detailed Verification Report and deliver it to the project developer (public document).
3. Complete a Verification Statement detailing the vintage and the quantity of verified GHG reductions or removals and deliver it to the project developer (public document, standard form).
4. Conduct an exit meeting with the project developer to discuss the Verification Report, List of Findings, and Verification Statement and determine if material misstatements (if any) can be corrected. If so, the verification body must continue the verification after the project developer has made the necessary revisions.
5. If a reasonable level of assurance is successfully obtained, upload electronic copies of the Verification Report, List of Findings, and Verification Statement in the Reserve software.
6. Return important records and documents to the project developer for retention.

The List of Findings, Verification Report and Verification Statement shall be submitted at the conclusion of verification activities. If a project is deemed ineligible or non-compliant with a protocol to the extent that the verification body cannot reach reasonable assurance, the verification body shall submit only the adverse Verification Statement and List of Findings.

### 5.1 List of Findings

The List of Findings is a private document that details all material and immaterial findings identified by the verification team throughout the verification. These findings shall be distinguished by materiality and whether they were qualitative non-conformances or quantitative misstatements. The List of Findings shall be delivered first to the project developer in order to provide an opportunity to correct the issues that might impact CRT issuance. The List of Findings submitted to the Reserve should provide a summary of all findings and resolutions that arose during the verification process.

The List of Findings shall accompany the Verification Report and must include a record of all corrections or corrective actions made by the project developer to address the identified issues. A correction made by the project developer resolves an error and fixes the identified problem, while a corrective action fixes the cause of the problem in order to prevent its reoccurrence in future verifications. Each finding shall detail and list the identified issue and refer to the relevant section of the protocol, but shall not provide any solutions or potential remedies for resolution. Resolutions constitute consulting advice and thus create a conflict of interest.

The List of Findings should also include opportunities for improvement (OFIs) to help the project developer streamline future verifications. OFIs can consist of recommend improvements that cite sections of the protocol or reference public documents, but they may not provide advice on how to resolve the issues noted. A verification body may enumerate any shortcomings in a project developer's GHG tracking and management systems as related to the specific protocol requirements.

If no findings are issued for a reporting period, the List of Findings does not need to be submitted, but the lack of findings should be noted in the Verification Report. A standardized format for the List of Findings is not currently required - Table 5.1 contains a sample List of Findings. Detailed findings shall not be included in the Verification Report as that document is made public.

**Table 5.1: Sample List of Findings**

| Category                                  | Verification Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Correction/Corrective Action                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Material Non-Conformance                  | The landfill protocol states the monitoring plan must include a mechanism to demonstrate that the project passes the Legal Requirement Test. The project's monitoring plan has no reference or application of this requirement.                                                                                                                                                                                                                                                                                      | Corrective action required. Project Developer (PD) updated its monitoring plan to include the current procedures used to demonstrate that the project is not required by federal, state, or local regulations or other legally binding mandates. PD will contact regulatory agencies, keep records and information surrounding its LFG system, and engage a consultant to perform a bi-annual review of applicable statutes. |
| Material Misstatement and Non-Conformance | GHG reduction calculations submitted to the Reserve do not apply the correct methane destruction efficiency. As prescribed by the landfill protocol, the default destruction efficiency for a lean-burn internal combustion engine is 0.936. An official source-tested destruction efficiency was not available, but PD used a factor of 0.995. This destruction efficiency increases the total reported CRTs to the Reserve by 4%, which is above the allowable materiality threshold (3%) for total reported CRTs. | Correction required. The protocol clearly states that the default factor must be applied if source data is not available. PD has now applied the appropriate factor.                                                                                                                                                                                                                                                         |
| Immaterial Misstatement                   | Indirect project emissions were calculated using electricity consumption billing history from the utility. Minor differences found in the total kWh purchased as listed in the billing history result in a slight discrepancy of 3%. This decreases the overall reported reductions by less than 0.01%.                                                                                                                                                                                                              | Correction not required. PD chose not to fix the error for this reporting period as it has a minor impact on the reported CRTs. PD will ensure correct calculation of kWh consumed in future reporting periods.                                                                                                                                                                                                              |
| Opportunity for Improvement               | PD could strengthen its management and record keeping systems by automating the weekly logs and maintenance plans in order to reduce the risk of transcription error.                                                                                                                                                                                                                                                                                                                                                | No corrective action required. Current system acceptable but could be improved for future verifications.                                                                                                                                                                                                                                                                                                                     |

## 5.2 Verification Report

The Verification Report is a transparent, overarching document that is produced by the verification body for the project developer and is also made available to the Reserve and the general public. The Verification Report must contain a detailed summary and scope of verification activities undertaken. It is made public in order to uphold the integrity of the Reserve program and to establish the veracity of the CRTs issued. As such, the Verification Report must

provide positive assertion that the project met all eligibility requirements, followed all monitoring requirements, applied the appropriate calculation methodologies, and is free of material errors for the reporting period in question. In addition, the Verification Report must include a discussion of how the perceived areas of risk were incorporated into verification activities and project data review.

Verification bodies have the ability to construct the Verification Report in a manner that they feel best communicates the activities undertaken and the results of the verification. However, all Verification Reports must incorporate the elements discussed below; otherwise, the Reserve will request revision and resubmittal. It is important to note that persistent spelling and grammatical errors may also trigger resubmittal. Verification Reports are public documents and should be treated as such.

The Reserve expects all Verification Reports to make explicit, positive assertions of the conclusions drawn. For example, it is insufficient for a Verification Report to simply indicate that no regulatory non-compliances were identified. The report must explicitly state that the verification body has concluded to a reasonable level of assurance that the project met regulatory compliance requirements and identify the evidence examined to reach that determination.

The following sections are not intended as an outline for Verification Reports. These elements may be presented in any fashion deemed appropriate by the verification body, but the report must include, at a minimum, the items indicated.

### **5.2.1 Verification Report Content**

The Verification Report must clearly specify a detailed scope of the verification process and procedures undertaken. The scope includes the physical and temporal boundaries of the verification as well as the GHGs considered. The verification process must be fully documented, with particular focus on the risk-assessment and development of the verification plan. This documentation shall include a description of the verification activities based on the size and complexity of the project developer's operations. This section is expected to provide context for the remainder of the report.

In addition, the standard used to verify GHG emissions reductions or removals must be specified in the Verification Report. For all projects, the standard must include, at a minimum, this document, the Reserve Program Manual, the applicable version of the project protocol, the latest version of Errata and Clarifications, any approved variances, and ISO 14064-3. The quantitative materiality threshold for verification must also be included. Verification bodies are required to adhere to all rules and guidelines relevant to the protocol version under which the project is being verified.

### **5.2.2 Eligibility**

For the majority of project types, the Verification Report must include a description of the eligibility criteria, i.e., start date, location, the legal requirement test, the performance standard test, and regulatory compliance. The report must make an explicit and positive assertion as to whether each eligibility criterion has been met and explain the basis of this determination. The supporting documentation should not be attached to the verification report, but the basis of the successful verification of the eligibility criteria must be explicitly stated.

The Verification Report must describe the project definition and scenario as well as indicate any review conducted to verify the project's asserted baseline status, as this impacts eligibility.

The report must indicate how the verifier's risk assessment was used to inform the project's conformance with eligibility criteria. While some criteria, such as project location, are relatively straightforward, others may require varying levels of review in order to positively verify. In particular, verifiers must indicate whether the risk assessment indicated that reliance on the Attestation of Voluntary Implementation, Attestation of Regulatory Compliance, and a risk-based regulatory review was sufficient or whether additional work was conducted. A simple narrative of work performed on the project is insufficient; verification body conclusions must be explicitly stated, e.g. "Based on the aforementioned review, we conclude that the project satisfies the legal requirement test."

### **5.2.3 Conformance with the Protocol**

As prescribed by the applicable project protocol, all projects must adhere to certain operational, record-keeping, and methodological requirements. The Verification Report must explicitly and positively assert whether the project meets these requirements and provide the basis for the determination reached. Again, narratives of project activities must be accompanied by verification body conclusions.

In particular, the following areas must be reviewed (if applicable) and the project's conformance or non-conformance explicitly stated in the Verification Report:

- Existence of an appropriate monitoring plan
- Data was collected in accordance with monitoring plan (frequency, whether collection was continuous, any discounts applied, etc.)
- Equipment operation and QA/QC meets protocol requirements
- Meter and analyzer cleaning, maintenance, and calibration meets protocol requirements
- Data transcription, management, and QA/QC meets protocol requirements
- Calculations and equations applied in accordance with protocol requirements
- All individuals properly trained for the functions performed
- Accuracy of calculated GHG reductions

The Verification Report must contain explicit, conclusive, and unequivocal statements as to the project's conformance with relevant requirements.

### **5.2.4 Calculation Review and Sampling**

The Verification Report must identify the SSRs contained within the project's GHG Assessment Boundary and make an explicit determination as to whether all necessary and appropriate SSRs have been included. The verification team must note the recalculation and verification of the total number of GHG reductions generated and reported to the Reserve within the given reporting period. It may utilize appropriate risk-based sampling techniques for underlying source data that factor into the final GHG reduction calculation.

The Verification Report must summarize the sampling techniques used, the verification plan, and the risk assessment methodologies employed for project calculations. The report must contain a discussion of the risk assessment and the manner in which this assessment informed the project data and calculation sampling techniques. Relevant input parameters such as destruction efficiency must also be disclosed, and the appropriateness of the chosen parameters must be asserted.

The Verification Report shall summarize the GHG reductions estimation in the following format:

| Vintage | Baseline Emissions | Project Emissions | GHG Reductions/<br>Removals (CRTs) |
|---------|--------------------|-------------------|------------------------------------|
| 20XX    | A                  | B                 | Result of A - B                    |

The report shall provide information regarding the comparison of the project's reported GHG reductions or removals with the verifier's recalculation.

### 5.2.5 Findings and Basis of Opinion

The Verification Report should support the Verification Statement by summarizing the results of the verification in a general conclusion. A positive Verification Report must contain, at a minimum, the following assertions:

- The project meets all eligibility requirements
- The project was conducted in accordance with all monitoring and record-keeping requirements
- There are no existing material non-conformances or misstatements in the reported data

## 5.3 Verification Statement

The Verification Statement presents the official results of the verification process. It details the amount of CRTs issued, their vintage(s), and the verification standard. The Verification Statement confirms the verification activities and outcomes for all stakeholders: project developers, verification bodies, the Reserve, and the public.

The Reserve relies on the Verification Statement provided by the verification body as the basis for issuing CRTs. A positive Verification Statement indicates that the project and its reported emission reductions meet the Reserve standards, including the verification standards contained in this manual.

Unlike other verification documentation, the Verification Statement is a standardized, mandatory form that is available on the Reserve website<sup>7</sup>.

### 5.3.1 Preparing a Verification Statement

The Verification Statement must be signed by the Lead Verifier and Senior Internal Reviewer designated in the NOVA/COI form on file with the Reserve. No deviations are allowed. Verification Statements may be positive or negative. Positive statements provide the required reasonable assurance to the Reserve that the amount of CRTs to be issued is materially correct and the project is in compliance with the appropriate protocol. A positive Verification Statement may only be issued if the verification body determines with a reasonable level of assurance that the stated emission reductions are materially accurate.

### 5.3.2 Negative Verification Statement

If a project cannot be successfully verified, a negative Verification Statement shall be issued. The verification body shall grant the project developer a reasonable amount of time to implement corrective actions prior to issuing a negative statement. If, after issuing the List of

<sup>7</sup> Available at <http://www.climateactionreserve.org/how/verification/verification-documents/>.

Findings and allowing a sufficient amount of time for corrective actions, a project remains unverifiable due to material misstatements or inability to meet the eligibility criteria, the verification body shall issue a negative Verification Statement to the Reserve. The issuance of a negative Verification Statement does not mean that the project is not eligible or that it cannot be successfully verified. A negative Verification Statement signifies that the engagement between verification body and the project developer has concluded without the issuance of a positive statement.

Different types of unresolvable issues may arise between the verification body and the project developer during the verification process. Any time an issue of this nature arises, the verification body shall notify the Reserve and follow the process outlined below:

- If a verification body is unable to confirm that the project meets the required eligibility criteria or if there are material non-conformances with the protocol that the project developer cannot or will not correct, then the verification body must submit a negative Verification Statement and List of Findings to the Reserve electronically. The verification body must state that it is unable to verify the project and therefore cannot meet the required level of reasonable assurance. It shall detail the issues noted in the List of Findings. Reserve staff will then conduct a review in order to make a determination. Both the verification body and project developer will be notified of the Reserve's determination.
  - If the Reserve determines that the project is ineligible, the project will be de-listed. The verification documents and supporting information will be archived but not made public.
  - If the Reserve determines that the project is eligible and that further actions could be taken to resolve the issues, then the project may remain listed on the Reserve and the project developer may proceed with further verification activities and corrective actions if it chooses. The project remains subject to all deadlines and must be registered within 12 months of the end of the reporting period. If that deadline is not met, the project will be de-listed per the Reserve Program Manual, Section 3.4.3.
- If a verification body has found that a project has not remedied material issues identified and communicated to the project developer in the List of Findings after a reasonable amount of time, it must notify the Reserve of the inaction and submit the List of Findings. The Reserve staff will then contact the project developer and attempt to address the issues noted.

Some verification activities are halted due to lack of knowledge on how to resolve non-conformances, insufficient funding, or inactivity on identified corrective actions. If issues cannot be resolved with Reserve assistance, the verification body may be given permission by the Reserve to cease verification activities rather than issuing a negative Verification Statement. The project remains subject to all Reserve deadlines and must be registered within 12 months of the end of the reporting period.

## 5.4 Senior Internal Review

The Verification Report, Verification Statement and the List of Findings must be reviewed by an independent Senior Internal Reviewer for a quality assurance check. As stated in previous sections, the Senior Internal Reviewer must conduct an objective and impartial review of the verification team's work, which should include a risk-based analysis of the project documentation and data. No Verification Report shall be forwarded to a project developer until it

has undergone this internal review. The Senior Internal Reviewer is also a signatory to the Verification Statement.

## 5.5 Exit Meeting

Project developers should be allowed at least 30 days to review and comment on the Verification Report. At the end of that review, the Lead Verifier and the appropriate project developer representative should hold an exit meeting to discuss the nature of any material or immaterial misstatements and review any required corrective actions.

Verification bodies should prepare a brief summary presentation of the verification findings for the project developer's key personnel. At the exit meeting, verifiers and project developers are encouraged to exchange lessons learned about the verification process and share thoughts for improving the process with the Reserve.

The goals of this meeting should be:

- Acceptance of the Verification Report, List of Findings, and Verification Statement (unless material misstatements still exist but can be remediated, in which case the verification contract may need to be revised and additional verification services scheduled)
  - If the project developer does not wish to retain the verification body for the additional verification services, the verification body should return all relevant project documentation to the project developer within 30 days and submit a negative Verification Statement to the Reserve.
- Authorization for the verification body to complete the verification and upload the necessary documents to the Reserve

If the verification body is under contract for verification activities in the future, the verification body and project developer may wish to establish a schedule for the upcoming verification activities.

## 5.6 Submitting the Verification Documentation to the Reserve

Once the Verification Statement, the List of Findings and the Verification Report are complete, the verification body must electronically submit these documents into the Reserve software. The project developer will then submit the project for final approval and Reserve staff will receive an email notification that triggers a review of the documents by the Reserve.

Reserve staff will also review the data entered in the Reserve software and compare it to the uploaded Verification Report, Verification Statement and List of Findings to ensure that all proper procedures were undertaken by both the project developer and the verification body.

In this review process, Reserve staff will ensure consistency between projects and verification bodies as well as compliance with Reserve protocols, processes and procedures. Reserve staff may request corrections or clarifications from either the verification body or the project developer. The Reserve staff aim to be as timely as possible with their requests and responses to verifiers and project developers.

If all outstanding issues can successfully be resolved, the project will be registered, CRTs will be issued to the project developer, and the Verification Report and Verification Statement will be made public.

## 6 Administration and Reserve Intervention

### 6.1 Verification Oversight and Audits

Oversight is conducted by the Reserve to provide quality assurance and control on verification activities performed by accredited verification bodies. Oversight consists of a comprehensive examination and evaluation of project verification activities in order to assess verification body performance. It also serves as an opportunity for the Reserve to identify potential improvements to the program's processes and guidance. Oversight is not intended to hold a project or project developer to a different level of scrutiny or subject it to additional requirements. Oversight is an important element of the Reserve program and provides an extra level of assurance and transparency to bolster the validity of the credits issued.

The Reserve staff member or representative conducting oversight must be provided access to all project documentation and data reviewed by the verification body as well as participate in certain stages of the verification. The verification body will be notified that it has been selected for oversight upon the approval of the NOVA/COI form. Reserve attendance in the following activities must be accommodated:

- Kick-off meeting between the verification team and the project developer – in-person or conference call
- Project site visit
- Closing meeting between the verification team and the project developer – in-person or conference call

In addition, the Reserve must review or observe all issues and findings-related discussions between the verification body and project developer during the verification. This can be achieved through conference calls, copying the Reserve staff member or representative on emails, or, if necessary, forwarding all correspondence at the conclusion of verification activities. Including the Reserve in calls and emails allows for real-time review and will decrease the duration of the oversight process.

Oversight can be triggered at random; however, a verification body can expect oversight to occur in the following instances:

- The first verification of a newly released project type
- A verification body's first verification under a specific protocol
- The first verification managed by a newly-approved Lead Verifier
- When issues, warnings or complaints regarding the verification body or project developer arise

Audits are also conducted by the Reserve and may be initiated under similar circumstances. They are limited to a desktop review and are performed upon the completion of verification activities. While oversight covers the entirety of a verification body's processes and qualifications, an audit consists solely of an investigative review of the project data and documentation, as well as the verification body's analysis. The Reserve auditor must be granted the same degree of access that would be afforded to staff conducting an oversight, but participation in verification milestones will not occur.



The Reserve maintains the right to conduct oversight or audits at any time, and such activities will be conducted by a Reserve staff member, partner or Reserve consultant. Entities that may perform or participate in oversight activities or audits on behalf of the Reserve include regulatory agencies, accreditation bodies, third-party observers (for learning or educational purposes), or contractors hired by the Reserve. The Reserve staff or representative will make every effort to not impede the verification process.

Proprietary information will be handled confidentially. The Reserve, as well as any partners or consultants, are willing to enter into a Non-Disclosure Agreement (NDA) should the verification body or project developer require.

Travel and time costs for Reserve staff conducting oversight are covered by the Reserve. To minimize costs associated with reproduction or shipping, records should be shared electronically when possible. If electronic document sharing is not possible, the project developer may incur costs associated with providing requested documentation.

A staff member, partner or consultant performing oversight for the Reserve will observe and evaluate:

- The overall performance of the verification body by reviewing its processes and procedures while conducting verification activities
- Whether the project activities meet the protocol requirements
- Whether the GHG reductions data reported to the Reserve can be verified to a reasonable level of assurance

The Reserve representative performing oversight or conducting an audit may discuss preliminary observations with the verification body and project developer before reporting the findings to the Reserve. Information requests should be addressed promptly. The oversight or audit process shall close with the issuance of a letter detailing the findings and overall evaluation to the verification body, usually upon conclusion of verification activities.

The Reserve will make an effort to clearly coordinate and communicate planned oversight activities to verification bodies and project developers, but it reserves the right to adjust verification activity dates in order to accommodate the schedules of all relevant parties.

## **6.2 Warnings, Suspensions, Notices to Correct**

If the Reserve finds that a verification body has failed to meet the Reserve's standards, it may require the verification body to undertake specified corrective actions. The Reserve may, at its own discretion, issue warnings, temporary suspensions, and notices to correct. It may also disqualify verification bodies or individual verifiers from future verification activities.

In instances where a verification body and a project developer find themselves in disagreement, the two parties should attempt to reach a resolution, relying first on the verification body's internal dispute resolution process (as required by ISO 14065). Either party may contact the Reserve for assistance in resolving issues that require guidance on the project protocols, COI determinations, or verification findings.

If a resolution cannot be reached in a disagreement related to project activities, the verification must be completed prior to the initiation of any dispute resolution process detailed in Section 6.4. The verification body must issue the List of Findings, Verification Statement and Verification Report to the project developer and upload the documents in the Reserve software. The

Reserve staff will conduct an internal review of the verification documentation as well as any additional supporting documentation, claims and information related to the disagreement that substantiate the opinions of the verification body or the assertions of the project developer. The Reserve will interview both parties and make a final determination in a committee comprised of no less than three staff members, two of which will be manager level or higher. The Reserve's determination will be issued in writing to all relevant parties.

### **6.3 Rescission of Verifier or Verification Body Approval**

The Reserve maintains the right to rescind or suspend its recognition of an individual verifier or verification body for any period of time deemed appropriate. The Reserve will make every effort to accommodate the implementation of corrective actions prior to rescinding approval.

Suspensions could occur if the Reserve determines that a verification body or individual verifier intentionally violated the COI policies, committed willful misconduct, displayed negligence, proved unable to uphold obligations to the Reserve, or was responsible for any other significant non-conformance with Reserve rules, protocols or procedures.

The Reserve will make public any suspensions of verification bodies on its website. However, suspensions of individual verifiers, including Lead Verifiers, will not be publicly noticed.

Verification bodies could also be subject to suspension of their ISO 14065 accreditation issued by the accrediting body and must adhere to the rules and procedures surrounding that process.

### **6.4 Dispute Resolution Process**

Verification bodies and project developers have a right to appeal Reserve determinations, including COI determinations, through the Reserve's formal dispute resolution process. An appeal to a specific determination, including a detailed explanation of the issue and any supporting evidence, must be electronically submitted to the Reserve. The Reserve will then convene a Dispute Resolution Committee to review the appeal.

The Dispute Resolution Committee will consist of an odd number of individuals, including at least one Reserve staff member not directly involved in the case, and one Reserve Board member, all of whom are knowledgeable of Reserve policies and procedures. The committee will be convened either in person or via conference call.

The Dispute Resolution Committee may consult outside experts for assistance, but these experts will not have a vote in the committee's final decision. All information reviewed will be kept confidential and should be uploaded to the Reserve software as restricted, private documents by either the project developer or the verification body. Each committee member must declare his or her freedom from any conflict of interest and will have an equal vote. The Dispute Resolution Committee will consider the original finding, the detailed explanation, and any supporting documents. The final determination will be based on a majority vote. The decision will be binding and will be notified to all parties in writing. The Dispute Resolution Committee has the power to suspend a verification body from conducting verification activities under the Reserve Program.

## 6.5 Record Keeping and Retention

The verification body must retain sufficient records to enable an ex-post verification of the project's emissions. The Reserve requires that the following Reserve project-related records be retained by the verification body in line with the time period specified in the relevant protocol or for a minimum of seven years after the end of the reporting period, whichever is longer. It should be noted that some records may be subject to fiscal or other legal requirements that are longer than the Reserve's mandated period.

Verification bodies shall retain electronic copies, as applicable, of:

- The project developer's Monitoring Plan
- The project developer's SSR and/or project activity data as well as evidence cited
- The verification plan
- The sampling plan
- The Verification Report
- The List of Findings
- The Verification Statement

Each verification body must have an easily accessible record-keeping system, preferably electronic, that provides readily available access to project information. Copies of the original activity and source data records shall be maintained within said record-keeping system, as these records are necessary to perform an ex-post verification or audit. The Reserve may at any time request access to the record-keeping system or any supporting documentation for oversight, monitoring, and auditing purposes.

## Glossary

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accreditation body                            | Under ISO 14065, this is the authoritative body that assesses a verification body's competence to perform GHG verification activities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Aggregation                                   | Where smaller projects can register jointly as a group. Does not apply to all project types.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Climate Action Reserve                        | A North American offsets program that establishes standards for quantifying and verifying GHG emission reduction projects, issues carbon credits generated by said projects, and tracks the transfer and retirement of credits in a publicly-accessible online system.                                                                                                                                                                                                                                                                                                                                               |
| Climate Reserve Tonne (CRT)                   | The unit of offset credits used by the Climate Action Reserve. One Climate Reserve Tonne is equal to one metric ton of CO <sub>2</sub> e reduced or sequestered.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Conflict of interest (COI)                    | A situation in which, due to other activities or relationships with other persons or organizations, a person or firm is unable to render an impartial Verification Statement of a potential client's GHG reductions or the person or firm's objectivity in performing verification activities is otherwise compromised.                                                                                                                                                                                                                                                                                              |
| Continuous Emissions Monitoring System (CEMS) | The monitoring system required for all projects under the Nitric Acid Project Protocol for the direct measurement of the N <sub>2</sub> O concentration and flow rate of the stack gas.                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Inherent uncertainty                          | Scientific uncertainty associated with measuring GHG emissions due to limitations on monitoring equipment or methodologies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Joint verification                            | In cases where a project developer has multiple projects operating on a single site, the project developer has the option to hire a single verification body to assess the projects concurrently. Does not apply to all project types.                                                                                                                                                                                                                                                                                                                                                                               |
| Lead Verifier                                 | Employee or subcontractor to a verification body who is primarily responsible for directing, supervising and the quality of verification activities undertaken on behalf of the Reserve. Each Lead Verifier must be designated as such on the COI Form and the <a href="#">Verification Policies Acknowledgment and Agreement</a> form, and he or she must successfully complete sector-specific project verifier training. Each verification body operating within the Reserve program must employ or subcontract a minimum of two Lead Verifiers for each project type in which it conducts verification services. |
| Listed                                        | A project moves from "new" status to "listed" status once the Reserve has satisfactorily reviewed the project submittal form and any other required documentation. Listed projects appear in the public interface of the Reserve software.                                                                                                                                                                                                                                                                                                                                                                           |
| Material misstatement                         | An error that results in a significant difference between the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                       | reported and the true quantity or quality of project information to an extent that will influence performance or decisions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Onsite assessment     | A two- to three- day assessment at the site of the verification body's main office(s) that is conducted by the accreditation body (ANSI). The purpose of the onsite assessment is to confirm whether the operational capability of the verification body conforms to ISO 14065, ISO 14064-3, IAF MD 6, and other accreditation requirements, including those for specific GHG programs/registries and/or activities in specific sectors. This assessment provides assurance that the verification body has the capacity to perform the activities related to the scopes of accreditation for which it has applied. |
| Project               | A specific activity or set of activities intended to reduce GHG emissions, increase the storage of carbon, or enhance GHG removals from the atmosphere. Each project and its accompanying project boundary are defined in the relevant Reserve project protocol.                                                                                                                                                                                                                                                                                                                                                   |
| Project developer     | An organization or individual that registers projects for the purpose of generating GHG emission reductions or removals. Under the Reserve program, project developers may be issued CRTs for the verified emission reductions/removals achieved through project activities. They can also transfer and manage CRTs in the Reserve software.                                                                                                                                                                                                                                                                       |
| Project protocol      | Document developed by the Reserve that contains the eligibility rules, GHG Assessment Boundary, quantification methodologies, monitoring and reporting parameters, and other guidelines for a specific project type. Project protocols are akin to the “methodologies” developed by other offset programs.                                                                                                                                                                                                                                                                                                         |
| Reduction             | A verified decrease in GHG emissions caused by project activity, as measured against an appropriate forward-looking estimate of baseline emissions for the project.                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Reporting uncertainty | Errors made in the identification of emission sources and the management and calculation of GHG emissions. This arises due to incomplete understanding of climate science or a lack of ability to measure greenhouse gas emissions.                                                                                                                                                                                                                                                                                                                                                                                |
| Registered            | A project is “registered” once the project has been verified by an approved third-party verification body, submitted by the project developer to the Reserve for final approval, and accepted by the Reserve.                                                                                                                                                                                                                                                                                                                                                                                                      |
| Removal               | A verified increase in carbon stocks caused by a forest or urban forest project, as measured against an appropriate forward-looking estimate of baseline carbon stocks for the project.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Retired               | CRTs transferred to a retirement account in the Reserve software are considered retired. Retirement accounts are permanent and locked in order to prevent the transfer of a retired CRT. Each retired CRT represents the offset of an                                                                                                                                                                                                                                                                                                                                                                              |

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 | equivalent tonne of CO <sub>2</sub> emissions, and is removed from further transactions on behalf of the environment.                                                                                                                                                                                                                                                                                                                                                                                                       |
| Senior Internal Reviewer (SIR)  | The Senior Internal Reviewer must be an active Lead Verifier who is designated on the NOVA/COI Form, is listed in the Verifier Acknowledgement and Agreement form, and has successfully completed project-specific verifier training. The Senior Internal Reviewer must remain independent of all verification activities; perform a final quality assurance review on the project data, the Verification Report, and the List of Findings; and sign the Verification Statement attesting to the accuracy of reported data. |
| Submitted                       | A project has been “submitted” once the submittal form and any other required documentation have been completed and uploaded to the Reserve software.                                                                                                                                                                                                                                                                                                                                                                       |
| Tax Identification Number (TIN) | Number used to assess ownership and the corporate structure of any legal entities involved in a given project.                                                                                                                                                                                                                                                                                                                                                                                                              |
| Trader/Broker/Retailer          | Organization or individual that transfers and manages CRTs in the Reserve software but does not develop its own projects. The trader/broker/retailer holds legal title and all beneficial ownership rights to the CRTs in its account or, with respect to CRTs that will be retired in a Group Retirement Subaccount, the trader/broker/retailer must be granted the authority to act on behalf of the holder of the legal title and/or the beneficial ownership rights of the CRTs.                                        |
| Validation                      | The process by which an independent validation body assesses a project plan for GHG reductions or removals as well as potential future outcomes. Validation is typically required for projects that do not follow established protocols, and occurs prior to project implementation in order to establish the project’s methodologies, scope and eligibility to create GHG reductions or removals.                                                                                                                          |
| Verification                    | The process used to ensure that a given project developer’s reported GHG emissions reductions or removals have met a minimum quality standard and complied with the Reserve’s procedures and protocols.                                                                                                                                                                                                                                                                                                                     |
| Verification body               | An ISO-accredited organization that has been approved by the Reserve to perform GHG verification activities for specific project protocols.                                                                                                                                                                                                                                                                                                                                                                                 |
| Verified                        | A project is considered “verified” once the project verifier has submitted the project’s Verification Statement and the Verification Report in the Reserve software.                                                                                                                                                                                                                                                                                                                                                        |
| Verifier                        | An individual that is employed by or subcontracted to an ISO-accredited and Reserve-approved verification body and is qualified to provide verification services for specific project protocols.                                                                                                                                                                                                                                                                                                                            |

**Witness assessment**

Observation of the verification body by the accrediting body in the performance of tasks related to the verification process for the scope (or group of sectoral scopes) of accreditation for which the verification body has applied. The purpose of the witness assessment is to determine whether verification activities are in line with the verification body's documented quality procedures and to assess its capability to conform to the applicable sectoral scope(s).