NSF International Strategic Registrations, Ltd.
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Staff Working Group
Regional Greenhouse Gas Initiative

RE: Comments on the Draft Model Rule

Dear Staff Working Group,

NSF-ISR appreciates the opportunity to provide comments on the Regional Greenhouse Gas Initiative (RGGI) draft Model Rule.

Background on NSF-ISR

NSF-ISR is a certification body specializing in performing independent third-party conformity assessments to environmental management systems standards such as ISO 14001 and the Sustainable Forestry Initiative. Our organization also provides conformity assessments in the areas of occupational health and safety management systems and quality management systems. NSF-ISR currently performs more than 20,000 audits per year for more than 6,000 clients located in 80 countries throughout the world.

For its environment, safety and health management systems certification programs, NSF-ISR is accredited by the ANSI-ASQ National Accreditation Board (ANAB) and by the Dutch Accreditation Council (RvA) for its ISO 14001 programs, and by the American Chemistry Council for its Responsible Care® program. NSF-ISR is a wholly owned subsidiary of NSF International, a non-profit organization that specializes in product certification, laboratory analysis, and standards development. NSF-International is headquartered in Ann Arbor, MI, and has offices worldwide. NSF International has been audited to the ISO 14001 standard for environmental management systems by the third-party KEMA and a certificate of registration is pending.

In response to the growing demand for third-party verification, NSF-ISR has established a greenhouse gas program to independently validate and verify greenhouse gas assertions related to greenhouse gas projects and inventories. NSF-ISR is an approved GHG "certifier" of the California Climate Action Registry for general reporting, the electric utility/power generation sector, and for forestry.

Our greenhouse gas program manager is an experienced environmental management systems auditor who has served as a US Expert to ISO Technical Committee 207 Working Group 5 on Climate Change since 2002 and to the Joint ISO CASCO/ISO TC207 Working Group 6 on greenhouse gas validation and verification bodies since 2004. He contributed to the writing of ISO 14064:2006 Part 3 "Greenhouse gases—Specification with guidance for validation and verification of greenhouse gas assertions" and ISO 14065 "Requirements for validation and verification bodies for accreditation and other forms of recognition."

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General Comments

NSF-ISR applauds the staff working group for its work in preparing the Model Rule. Our comments are offered in the spirit of "fine tuning" a rule that shows evidence of considerable thought and expertise in its drafting.

We focus our comments in two areas. First, we suggest that RGGI replace the word "certification" with "verification" with respect to the third-party auditing of greenhouse gas offset credit assertions. Second, we propose that RGGI permit the outsourcing of accreditation of third-party verification bodies to national accreditation bodies that base their accreditation programs on ISO 14065.

Verification vs. Certification

With respect to the definition at xx-10.2(j), we propose substituting the word "verification" for the word "certification." The term verification is preferable because third-parties provide assurance services to verify that the claimed offset credits are "real, surplus, verifiable, permanent and enforceable" in accordance with the Model Rule. "Certification" is properly used in the case of a company's CO_2 authorized account representative "certifying," under penalty of law, that reported emissions amounts are true, accurate and complete. By contrast, verification bodies provide reasonable assurance that offset project sponsors' assertions relative to emissions reductions are free of material misstatement.

The word "verification" is preferable because it is the internationally accepted term for the meaning provided at xx-10.2(j). It is the subject of an International Standard, ISO 14064:2006 entitled "Greenhouse gases: Specification with guidance for validation and verification of greenhouse gas assertions." It is also the term adopted by the US Department of Energy in its final rule establishing 10 CFR Part 300, "Guidelines for Voluntary Greenhouse Gas Reporting" (Federal Register, 2006-04-21, pp. 20784-20817). In that rule the Department of Energy (DOE) distinguishes between the act that an official of an organization does to attest the truthfulness of an assertion ("Certification of reports," 10 CFR 300.10, p. 20815), versus the act of third-party verification ("Independent verification," 10 CFR 300.11, p. 20815).

We were informed by a representative of the California Climate Action Registry that its use of the word "certification" in the sense normally understood to mean "verification," was due to the use of the word in legislation establishing the registry, rather than on the technical appropriateness of the word.

For the same reasons, we propose to substitute the term "verifier" for the word "certifier" where the assurance services of an independent verification body is intended.

Accreditation of Verifiers

At xx-10.6, "Accreditation of Independent Certifiers," we propose to substitute language which will permit the states to rely upon nationally established independent bodies, such as the ANSI-ASQ National Accreditation Board (ANAB), to accredit third-party verification bodies. We

believe that third-party verifiers should be accredited on the basis of the emerging international standard, ISO 14065, "Requirements for validation and verification bodies for use in accreditation and other forms of recognition." This document, currently a Draft International Standard, should be published in Fall 2006 as a Final Draft International Standard and in early 2007 as an International Standard.

We believe that an organization such as ANAB has the necessary expertise to accredit verification bodies, and that only accredited verification bodies should be approved for verification work by state agencies participating in RGGI. ANAB is an established organization with headquarters in Milwaukee, WI, that currently operates accreditation programs for management systems certification bodies. ANAB is a member of the International Accreditation Forum and follows established international guidelines in the operation of its programs of accreditation.

The value of relying on a national accreditation body such as ANAB was acknowledged in the DOE final rule at 10 CFR 300.11(c) "Qualifications of organizations accrediting verifiers." That paragraph reads as follows: "Organizations that accredit individual verifiers must be nationally recognized certification programs. They may include, but are not limited to the: American Institute of Certified Public Accountants; American National Standards Institute's Registrar Accreditation Board program for Environmental Management System auditors (ANSI–RAB–EMS); Board of Environmental, Health and Safety Auditor Certification: California Climate Action Registry; Clean Development Mechanism Executive Board; and the United Kingdom Accreditation Scheme."

We note that 10 CFR 300.11(c) uses the former—rather than the current—name of ANAB. Prior to January 2005 ANAB was known as the ANSI-RAB National Accreditation Program.

We believe that a national accreditation program operated by an organization such as ANAB to international standards (ISO 14065) would provide confidence in the marketplace that RGGI offset allowances have the same type of credibility that CO_2 credits issued in Europe under the European Union Emissions Trading Scheme have when they are verified by an organization accredited by the United Kingdom Accreditation Scheme or by the Clean Development Mechanism Executive Board.

A national accreditation system operated by an organization such as ANAB can provide a single accreditation service that can qualify a verification body to provide verification services wherever it operates, whether that be in the United States or internationally. States participating in RGGI would benefit, as would California, by not having to replicate the work of accreditation bodies to ensure that accredited verification bodies are competently performing their verification activities. In an era of both specialization and scarce government resources, it makes sense to stipulate in the Model Rule that a verification body accredited by a program such as ANAB or UKAS would be deemed qualified to provide third-party verification services in all the RGGI states.

NSF-ISR Comments on Section xx-10.2 Definitions

We are proposing to add three definitions to Section xx-10.2. We believe it is useful to define the term "verification" as it relates to the information provided to the state agencies by an offset project proponent. The proposed definition comes from ISO 14064:2006, Part 3.

We are also proposing to define the term "verification body." The proposed definition comes from ISO 14065.

We also propose to define "verifier" in accordance with ISO 14064:2006, Part 3.

Proposed Changes

Consistent with ISO 14065, we propose to add the following definitions to §xx-10.2 Definitions:

> *Verification.* Systematic, independent and documented process for the evaluation of a proposed greenhouse gas assertion against agreed to verification criteria.
>
> *Verification body.* Body that performs verifications of greenhouse gas assertions.
> . NOTE: A verification body can be an individual.
>
> *Verifier*. Competent and independent person, or persons, with responsibility for performing and reporting on the verification process.
> NOTE: This term can be used to refer to a verification body.

NSF-ISR Comments on Section xx-10.6 Accreditation of Independent Certifiers

We are proposing two categories of changes in this section. The first category deals with the qualifications and accreditation of verification bodies. The second category deals with the activities of verifiers and contents of the resulting verification statement.

Individual Verifier Certification Vs. Verification Body Accreditation. The existing paragraphs in this section do not clearly distinguish between "personnel certification" such as might be represented by an individual's obtaining of a professional credential (example: a Certified Public Accountant) or the accreditation of an organization that employs professional greenhouse gas verifiers (such companies are called in our comments "verification bodies").

The Model Rule requires "accreditation of independent certifiers". We believe the Model Rule should focus instead on the accreditation of verification *bodies*. One of the requirements for accreditation according to ISO 14065 is that verification bodies employ qualified and competent verifiers. This means that the accreditation body will audit the processes used by the verification body to recruit, train, qualify, and evaluate the persons who perform work for them. Similar statements about the importance of competency are made in the American Institute of Certified Public Accountants (AICPA) statement of

position document on conducting attest engagements on greenhouse gas emissions information.

Proposed Changes

We propose to change xx-10.6(a) to read as follows:

> *Standards for Accreditation.* Verification Bodies may be accredited by the REGULATORY AGENCY or its agent in accordance with the requirements of this section. Verification bodies that are accredited by the ANSI-ASQ National Accreditation Board or other approved national accreditation bodies shall be deemed accredited by the REGULATORY AGENCY or its agent.

We propose to substitute the following language for the text that currently exists at xx-10.6(a)(1):

> *Scope of verification.* Independent verifications shall be conducted using recognized guidance documents such as "Attest Engagements on Greenhouse Gas Emissions Information" published by the American Institute of Certified Public Accountants" (Statement of Position 03-2 issued under the authority of the Auditing Standards Board, September 22, 2003) or International Standards such as ISO 14064:2006 "Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions" (published by the International Organization for Standardization). Verification body auditors shall use their expertise and professional judgment to verify to a specified level of assurance the accuracy, completeness and consistency with Model Rule guidelines of:
>
> (1) Assertions relevant to CO_2 Emissions Offsets made by a project sponsor;
>
> (2) The procedures and methods used by the project sponsor to calculate, monitor and report emissions reductions;
>
> (4) Relevant personnel training and management systems; and
>
> (5) Relevant quality assurance/quality control procedures.

We propose to add a new xx-10.6(a)(2) to read as follows:

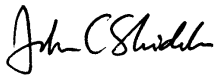
> *Verification statement.* The verification body shall appoint competent personnel different from those who performed the verification to review the verification statement. The verification statement shall be signed and issued in accordance with the verification body's procedures. The verification statement shall include the following:
>
> a) name, address and other relevant contact information for the project sponsor and/or the client;
> b) a statement that the verification is performed according to ISO 14064 Part 3 or to AICPA "Attest Engagements on Greenhouse Gas Emissions Information";
> c) an opening or introductory paragraph containing
> 1) identification of the project sponsor's GHG assertion against which the verification testing was conducted, and
> 2) a statement of the roles and responsibilities of the project sponsor's management and the roles and responsibilities of the verifier;

d) a scope paragraph containing
    1) reference to the principles and requirements of applicable regulations against which the verification was conducted,
    2) reference to the verification scope, objectives and criteria agreed with the client, including the level of assurance required, and
    3) a description of the work the verification team performed, including the techniques and processes used to test the GHG information and associated GHG assertion;
e) a conclusion paragraph containing
    1) a reference to the regulatory requirements used to prepare the GHG assertion,
    2) GHG information or performance verified (e.g. project plan, baseline GHG emissions or removals, GHG emissions, removals, emission reductions, removal enhancements),
    3) the level of assurance provided by the verification, consistent with the agreed verification scope, objectives and criteria,
    4) presentation of qualifications, if any, and
    5) conclusions on the GHG assertion, including any limitations or qualifications to the conclusion;
f) the date of the verification statement;
g) the verifier contact details;
h) an authorized signature from the verifier.

Conclusion

We thank the Staff Working Group for its consideration of our comments, and remain available to answer any questions that may arise.

Sincerely yours,



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