

DIA – Submission to Call for Input



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To secretariat@unfccc.int

Subject **Views on the matters referred to in paragraphs 50–51 of document FCCC/CP/2012/L.14/Rev.1, including information, experience and good practice relevant to the design and operation of a new market-based mechanism**
- Submission to SBSTA in response to the invitation by the CMP8

At its eighth session, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) invited Parties, and admitted observer organizations to submit to the secretariat by 25 March 2013, views on the matters referred to in paragraphs 50–51 of document FCCC/CP/2012/L.14/Rev.1, including information, experience and good practice relevant to the design and operation of a new market-based mechanism.

In our capacity as the voice of engaged Designated Operational Entities and Independent Entities we would like to direct the attention to issues of special relevance for our member organisations which can refer to more than a decade of direct involvement in the registration process of CDM and JI activities. With regard to the work programme referred to in paragraph 51 of FCCC/CP/2012/L.14/Rev.1 our focus is primarily on two elements, firstly the standards that deliver real, permanent, additional, and verified mitigation outcomes and secondly the requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions.

The following provides our position paper “D.I.A.’s position on monitoring, reporting and verification (MRV) in the Framework of Various Approaches (FVA) and the New Market-Based Mechanisms (NMMs)” which covers the topics given above. When setting up an institutional framework the issues of MRV should be considered as essential for ensuring the environmental integrity. We trust that our views expressed within this position paper are helpful to develop the new market-based mechanism as a credible and effective instrument. We are looking forward to further contributing on this matter.

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The Designated Operational Entities and Independent Entities Association (D.I.A.) is registered as an association in Geneva, Switzerland, creating a collective voice to represent the interests of companies auditing greenhouse gas (GHG) emission reduction projects in international carbon markets. The purpose of D.I.A. is to be an independent, not-for-profit organization dedicated to the development and establishment of effective processes and criteria for, and related to, the determination, validation and verification of emission reduction and sequestration projects and to represent the members at relevant bodies that administer the various GHG programmes that accept UNFCCC accredited bodies to carry out determination and validation or verification services.

Please note that opinions, ideas and recommendations contained within this document are the views of D.I.A., and do not necessarily represent those of its individual member organisations.



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Subject **D.I.A.'s position on monitoring, reporting and verification (MRV) in the Framework of Various Approaches (FVA) and the New Market-Based Mechanisms (NMMs)**

Reviewing various submissions which have been made in the context of the development of a Framework for Various Approaches (FVA) and New Market-based Mechanisms (NMMs), it is recognized that there are a variety of ideas regarding the setting of Monitoring, Reporting and Verification (MRV) requirements.

The D.I.A. supports an FVA which defines the rules and structure under which NMMs operate. As such the FVA must address the model for governance; scope; and common principles, including those for MRV, to ensure the environmental integrity, sustainable development and fungibility of units across schemes. We believe it is essential that these common principles include:

- **Transparency;**
Common rules regarding monitoring methodologies, reporting requirements and verification standards must be established to ensure that comparable and consistent monitoring methodologies are applied which generate comparable and consistent metrics, levels of accuracy, professionalism and rigour. This principle is a key requirement to enable the future fungibility of credits or allowances and the recognition of success in reducing or avoiding greenhouse gas emissions.
- **Accuracy;**
In market based mechanisms as well as in bilateral or multilateral agreements there needs to be trust in the data, that it is accurate and that the same metrics / understanding is applied by the one who delivers and the one who receives. This fact is assured by the verification process. The principle of a “tonne is a tonne” is the link between greenhouse gas crediting schemes and cap and trade schemes, and the basis of national communication (reporting) to the UN framework convention on climate change. Hence this principle should be considered as superordinate rule for MRV within the FVA and for NMMs.
- **Environmental integrity;**
It is self-evident that the FVA and NMMs must contribute to the ultimate goal of environmental integrity. The contribution requires mutual surveillance of its success, which has to be delivered by the MRV process. Only by applying consistent procedures in MRV will the global community be able to sum up all single approaches, measures and mechanisms in order to get feedback of the combined efforts.
- **Cost-effectiveness;**
When designing any regulations for NMMs under the FVA, cost-effectiveness and efficiency must be paramount. It is the D.I.A.'s view that CDM, JI and the EU ETS have created mature frameworks and infrastructures over more than a decade of learning and adjusting. When considering possibilities for MRV of NMMs, it should be viewed as a matter of course to utilize the existing infrastructure or parts of it, if appropriate, and to take into account the lessons learnt from these mature schemes.

- Fair competition among verifiers;
Verification under a FVA for NMMs should be governed by non-discriminatory regulations which are accessible to and which can be applied by any interested party. Accreditation is a key issue for protecting the quality of verification. As such it should be accessible in an impartial manner to any interested party. An unbiased accreditation process, which does not create barriers to individual entities and which safeguards fair competition among verifiers, is a pre-requisite for a supply of verification services at reasonable costs. The absence of market barriers will foster the exchange of experiences within multinational teams on a global scale. To achieve this, the D.I.A. therefore promotes the utilization of existing internationally accepted standards for greenhouse gas verification and validation activities, for example, those under the UN (CDM, JI.) or the international standard of ISO14065.

With reference to submissions on MRV by several Parties and NGOs over the past years, the D.I.A. perceives that several suggestions may result in high risk of conflict of interest, in leading to high transaction costs or even in endangering the credibility of an individual approach. In the following we further elaborate our concerns.

Independent, unlinked accreditation schemes will most likely see an overlap of operating verifiers. These entities will have to maintain various accreditations, resulting in higher transaction costs. Protecting verification markets against market players from other countries will not create trust by envisioned buyers operating globally. Linking activities will be hampered or will trigger additional investigation and checking of MRV principles and their consistency.

Utilizing a roster of experts to be maintained by the UNFCCC Secretariat has problems compared to other accreditation of independent verifiers. Independently accredited verification organisations can refer to extensive experience in the recruitment of experts and have always been exposed to a considerable fluctuation of human resources. A roster of experts is not considered eligible to deliver any security that a market can be served according to its demands. Registration as an expert is not comparable to a legally binding employment contract. The amount of registered experts would have to exceed the unpredictable demand in order to avoid any shortcomings. Thus, it would require extensive and expensive training efforts otherwise it may result in fluctuation in the quality of assessments. Furthermore this approach misses any flexibility to follow market developments within a suitable time scale.

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