

# Third party verification for responsible entities

## Office of Greenhouse Gas Programs

February 2022

# Purpose

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To inform responsible entities who participate in the Oregon Clean Fuels Program and/or Oregon Greenhouse Gas Reporting Program about what to expect during the verification process

Note: For information on the implementation of third party verification for these programs, including how DEQ evaluates and qualifies verifiers and verification bodies, please see <https://www.youtube.com/watch?v=Z4-bT0qVUnU>

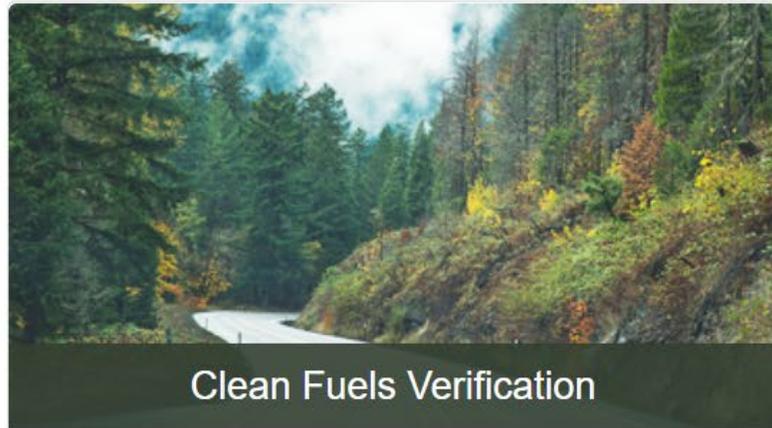
# Agenda

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- Resources for responsible entities
- Overview of Division 272
- Preparing for verification
- Verification process
- Other considerations

# Resources for responsible entities

[www.oregon.gov/deq/ghgp/3pv/](http://www.oregon.gov/deq/ghgp/3pv/)



[Information for Verifiers](#)

[Information for Verification Bodies](#)

[Information for Responsible Entities](#)



[Information for Verifiers](#)

[Information for Verification Bodies](#)

[Information for Responsible Entities](#)



[Program Rules \(OAR 340-272\)](#)

[Implementation Timeline](#)

[Sign-up for program updates](#)

# Overview of 3PV

3PV follows **OAR 340-272**

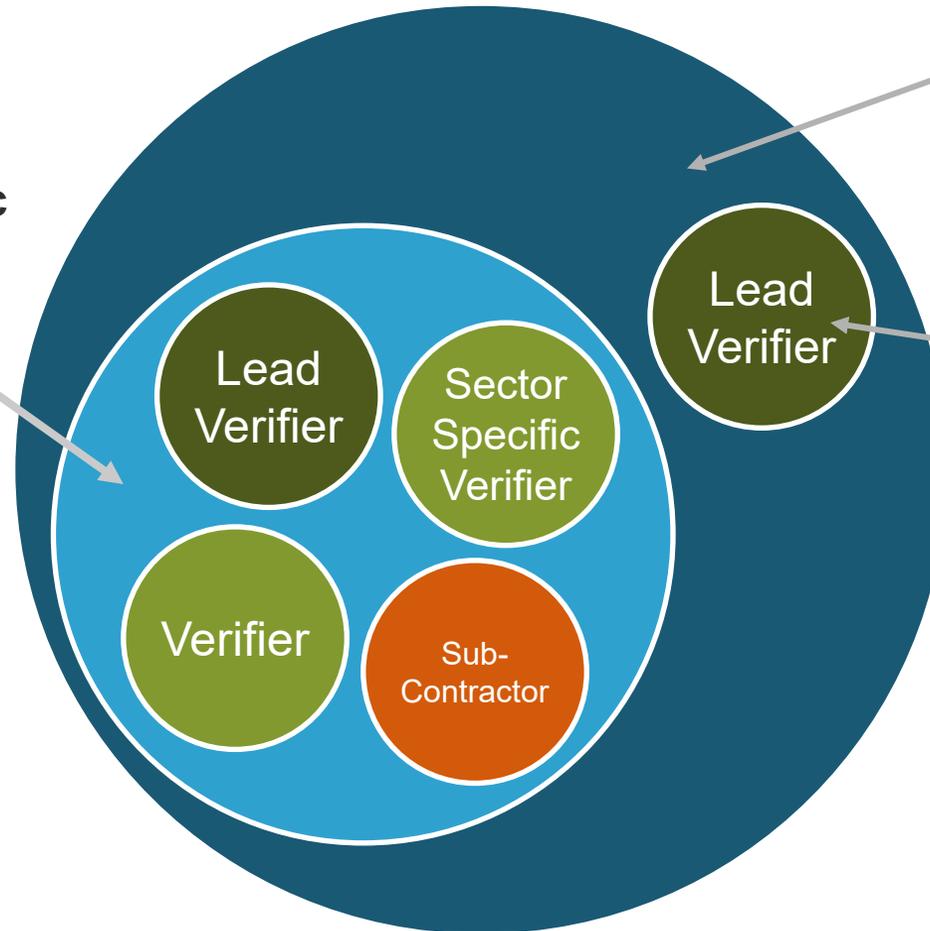
Rule	Contents
340-272-0010	Purpose and scope
340-272-0020	Definitions
340-272-0100s	General requirements for responsible persons regarding verification
340-272-0200s	Applications and criteria for verification bodies/verifiers and DEQ approval process
<b>340-272-0300s</b>	<b>Verification services – general requirements and DEQ review</b>
<b>340-272-0400s</b>	<b>Verification services – requirements of services performed</b>
<b>340-272-0500</b>	<b>Requirements for conflict of interest evaluation</b>

# Who is my verifier?

## Verification Team

Conducting verification services

- Must include a **lead verifier**
- Must include a **sector specific verifier** (may double as lead verifier)
- Any **subcontractors** contracted by the verification body must also be approved by DEQ



## Verification Body

Approved by DEQ

- Must meet certain eligibility requirements

## Lead Verifier

Serving as **independent reviewer** (part of completion of verification services)

- Must be part of the verification body (cannot be a subcontractor)
- Must be listed on Notice of Verification Services
- May be a sector specific verifier, but is not required

# Reporting deadlines

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## For Oregon Greenhouse Gas Reporting Program

**March 31**

Permit holders

Petroleum and natural gas systems

Natural gas suppliers

**April 30**

Fuel suppliers and producers

**June 1**

Electricity suppliers

## For Oregon Clean Fuels Program

**March 31**

Fuel pathway reports

**April 30**

Annual reports

# Monitoring plan

## **GHG Reporting Program**

40CFR Part 98.3(g)(5)

(for regulated entities subject to 40CFR Part 98 only)

- Explain the processes and methods used to collect the necessary data for the GHG calculations
- Describe the procedures and methods that are used for quality assurance, maintenance, and repair of all continuous monitoring systems, flow meters, and other instrumentation used to provide data for the GHGs reported under this part

## **Clean Fuels Program**

OAR 340-253-0600(9)

- The plan must allow both DEQ and the verifier enough information to develop a general understanding of the boundaries and operations of the entity, facility, or project
- It must also explain how data is collected and compiled for reporting to DEQ, and clearly identify all measurement devices, their accuracy and calibration frequencies

# Records retention

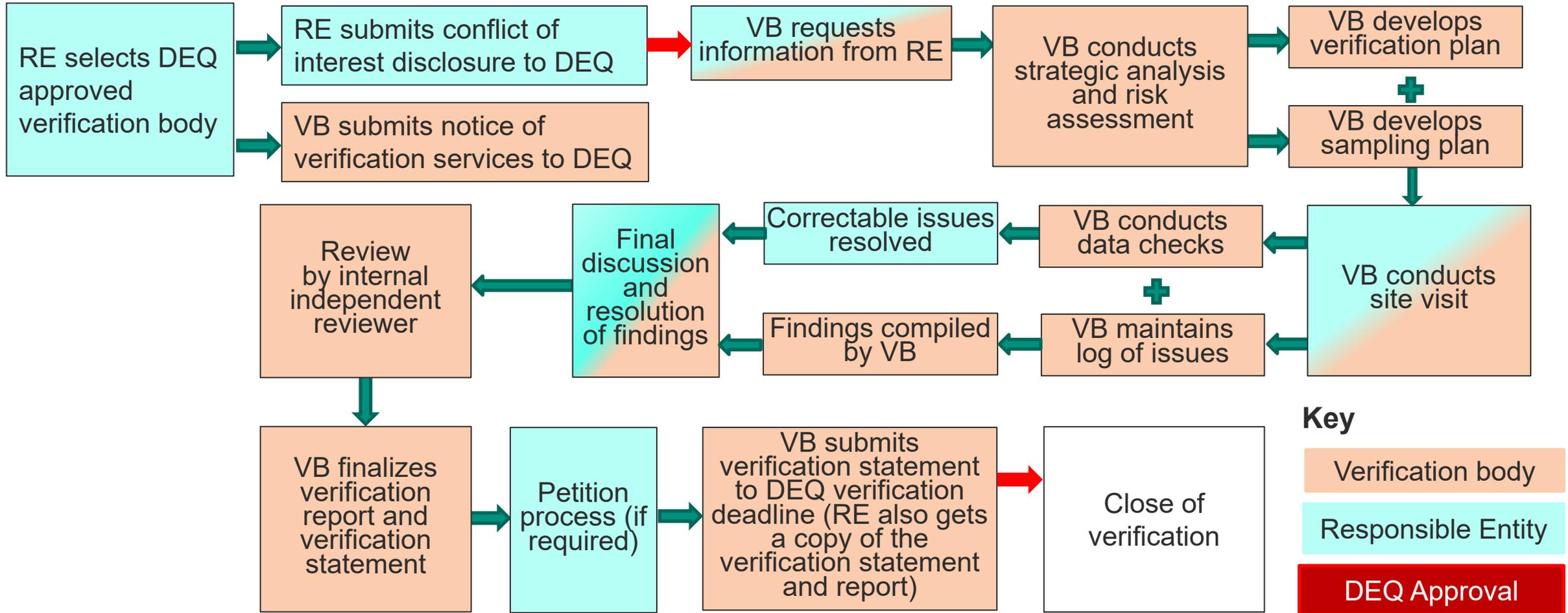
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Responsible entities must retain records necessary for completing verification services and records requested by the verification team according to the recordkeeping requirements of OAR chapter 340, division 215 or OAR chapter 340, division 253, as applicable.

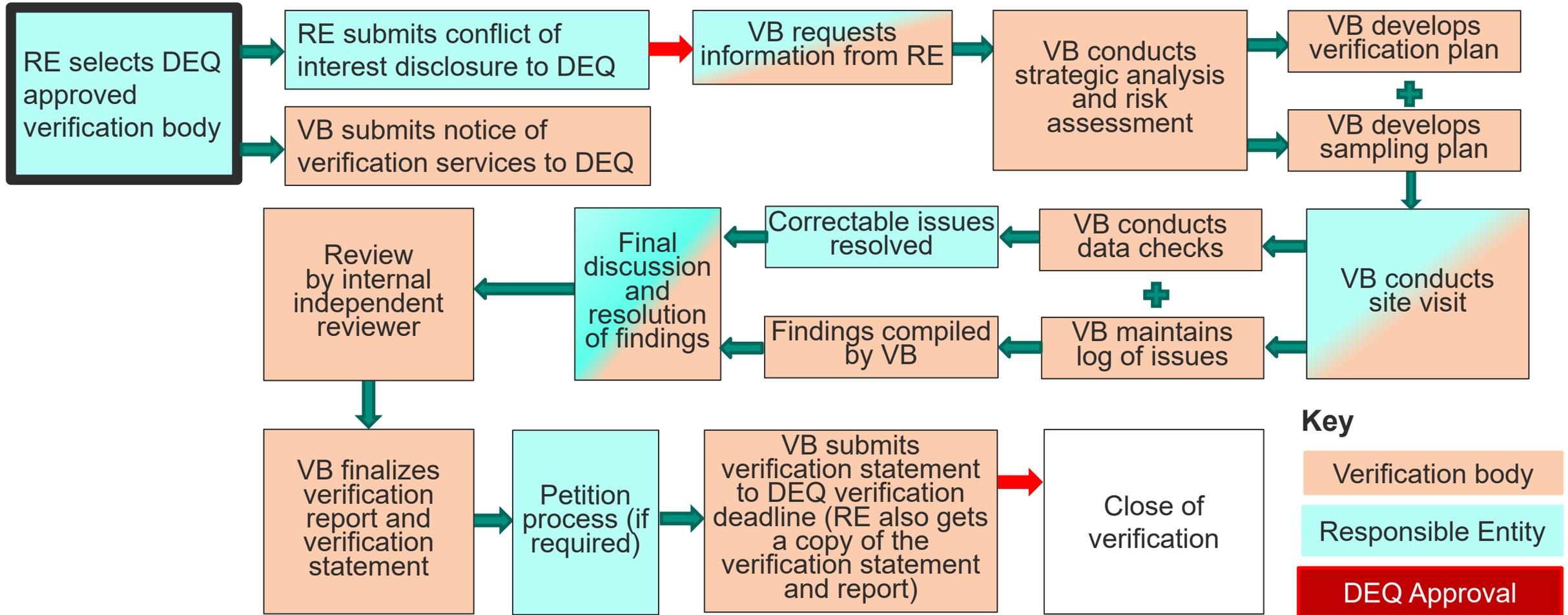
Responsible entities must retain for verification purposes and make available to the verification team the following:

- All information and documentation used to calculate and report emissions, fuel quantities, and fuels and electricity transactions;
- All data and information required by or submitted under OAR chapter 340, division 215 or OAR chapter 340, division 253; and
- Other data and information as necessary in order for verification services to be completed.
- Responsible entities must maintain documentation to support any revisions made to the initial report or fuel pathway application submitted to DEQ as a result of verification. Documentation for all submittals must be retained by the responsible entity in paper or electronic format for a period of at least seven years.

# Verification process



# Verification process



# Engaging a verification body

- Lists of DEQ-approved verification bodies for both the Oregon Clean Fuels Program and Oregon Greenhouse Gas Reporting Program are available on our website
- ONLY DEQ-approved verification bodies may be used for verification services in Oregon
- Cannot use the same verification body more than six consecutive years, and must wait three years if re-engaging a previous verification body
- [www.oregon.gov/deq/ghgp/3pv/](http://www.oregon.gov/deq/ghgp/3pv/)
  - “Information for responsible entities”

## Find a verifier

Only DEQ-approved verifiers and verification bodies may perform verification services in Oregon. All verifiers and verification bodies are accredited by the California Air Resources Board (CARB) in the verification services they provide.

- [Oregon CFP Approved Verifiers List \(Modified: 12/20/21\)](#)
-  [Oregon CFP Approved Verification Bodies List \(Modified: 1/26/22\)](#)

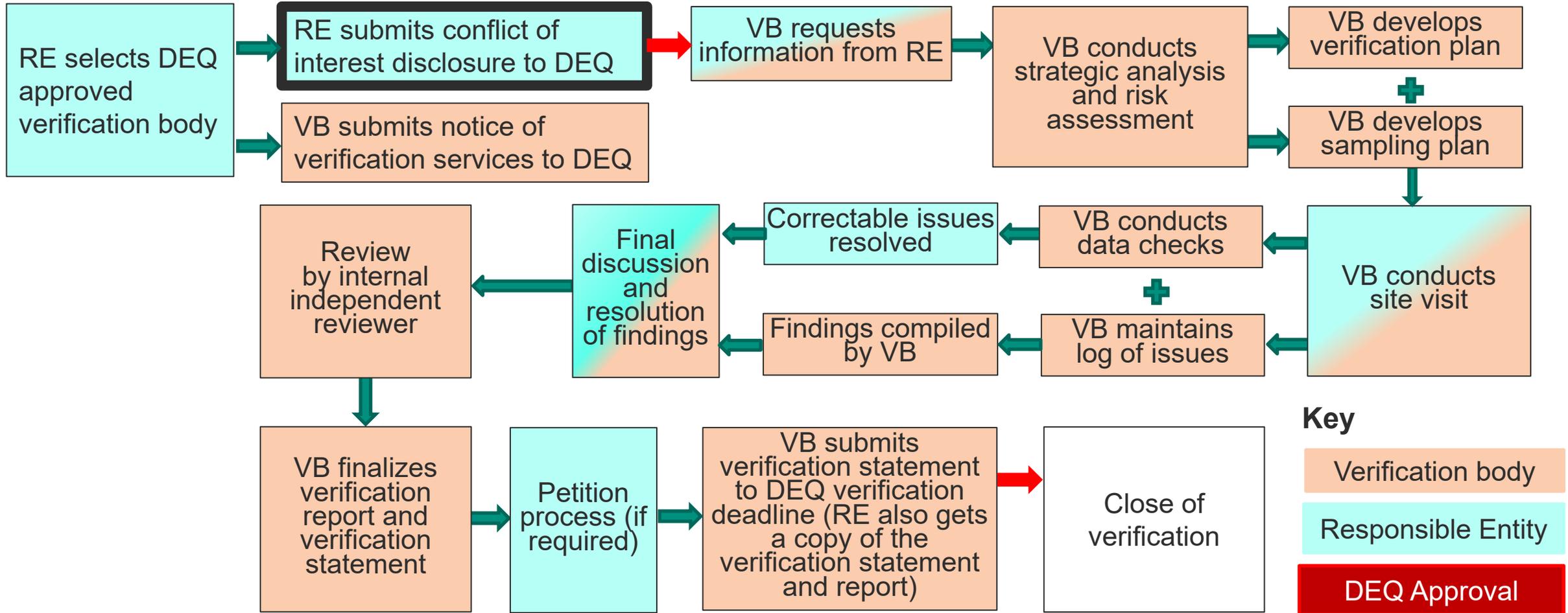
# Engaging a Verification Body

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You may be asked by DEQ to find a new verification body if:

- A high conflict of interest is identified
- The verification body or its verifiers have had their DEQ approval suspended or revoked
- Re-verification is required

# Verification process



# Conflicts of interest

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- OAR 340-272-0500
  - Evaluation is between the responsible entity and any verification bodies, verifiers, lead verifiers, sector specific verifiers, independent reviewers, and subcontractors intending to perform verification
  - Responsible entity must submit COI evaluation to DEQ, but should be conducted in coordination with VB
  - Conflict of interest disclosure **MUST** be approved by DEQ before verification services can begin
  - Monitoring COI: both VB and responsible entity must monitor and disclose to DEQ any potential COI that arises within one year of verification (the same form can be used)

# Conflicts of interest

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- **High** conflict of interest potential **CANNOT** be mitigated.
- If high COI is found before verification, the responsible entity must find another verification body
- If high COI is found during verification, DEQ may require re-verification by a different verification body
- **EXAMPLES:** Verification body and responsible entity share a board member, verification body has provided consulting services for the responsible entity within previous five years

# Conflicts of interest

- **Medium** conflict of interest potential can sometimes be mitigated
- A COI mitigation plan must be submitted in cases of medium potential conflict of interest. A mitigation plan includes:
  - (a) A demonstration that any individuals with potential conflicts have been removed and insulated from working on or discussing the project;
  - (b) An explanation of any changes to the organizational structure or verification body to remove the potential conflict of interest. A demonstration that any unit with potential conflicts has been divested or moved into an independent entity or any subcontractor with potential conflicts has been removed; and
  - (c) Any other circumstance that specifically addresses other sources for potential conflict of interest.
- **EXAMPLES:** The sister of a member of the verification team member works for the responsible entity, a member of the verification team provided an insignificant service to the responsible entity in the prior five years

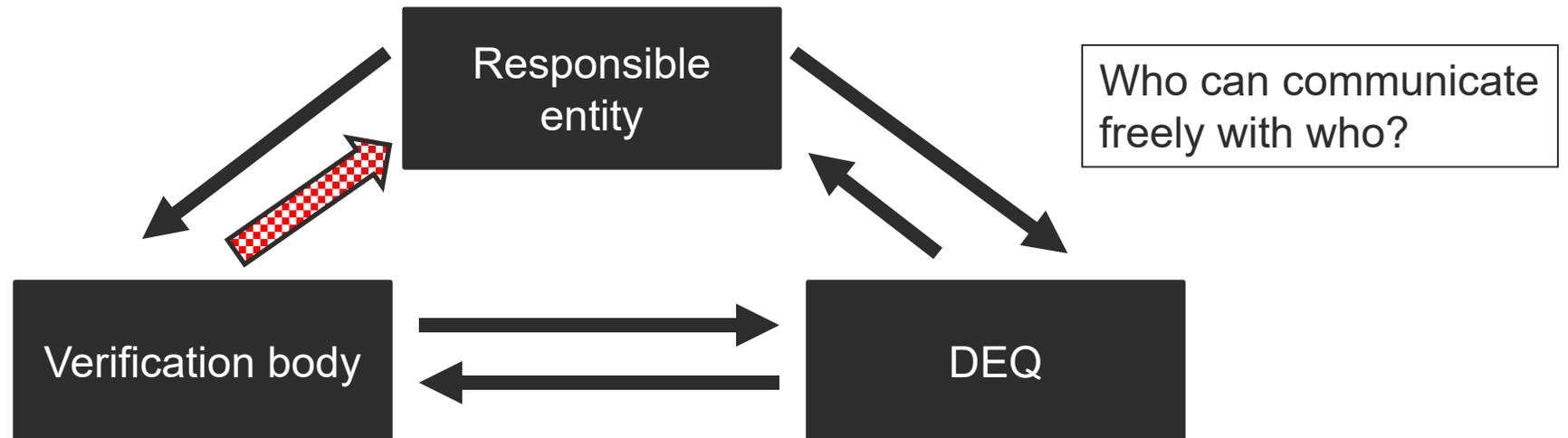
# Conflicts of interest

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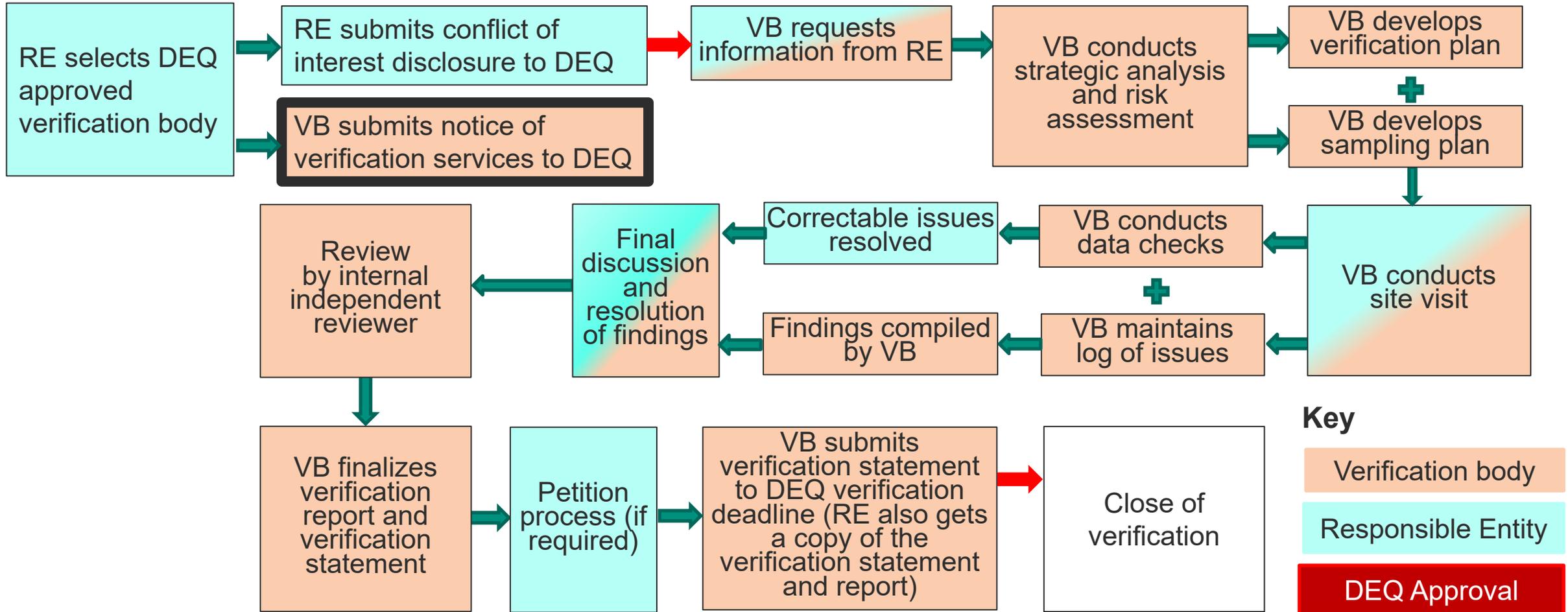
- **Low** conflict of interest potential does not require mitigation
- Conflict of interest potential is **ONLY** considered low if:
  - No high or medium potentials for conflicts of interest are identified, and
  - The verification body has not provided verification services to the responsible entity for more than six consecutive years

# Communications

- Verifiers and verification bodies may request information from you, but they may NOT consult with you during the verification process.
- Consulting = offering any advice about calculating or reporting emissions, how to correct errors, fixing management systems, etc.



# Verification process

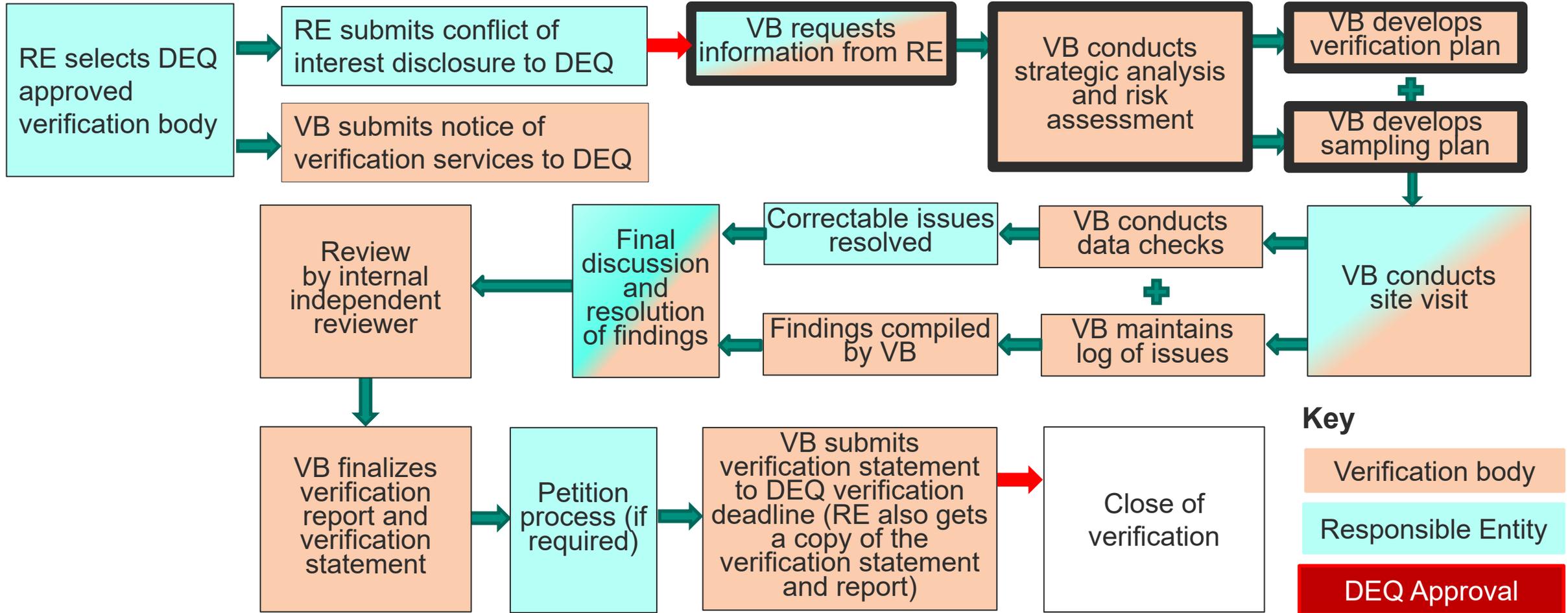


# Notice of verification services

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- Submitted by the verification body prior to start of verification
- Includes:
  - Verification team members, including independent reviewer, and their qualifications for the type of verification to be performed
  - Facilities and other locations that are subject to verification, including identification numbers
  - Date of site visit and brief description of expected verification activities, including an anticipated completion date
- If any information in the notice of verification services changes during the verification, the responsible entity must ensure the verification body submits an updated version

# Verification process



# Planning for verification

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- The responsible entity and the verification body meet to discuss the scope of verification, and considerations for the verification. The verification body can request documents and information needed for verification services, and both entities can discuss site visit logistics, interviews, and verification participants
- Process is iterative
- Verification body starts to assemble its strategic analysis and risk assessment

# Verification plan

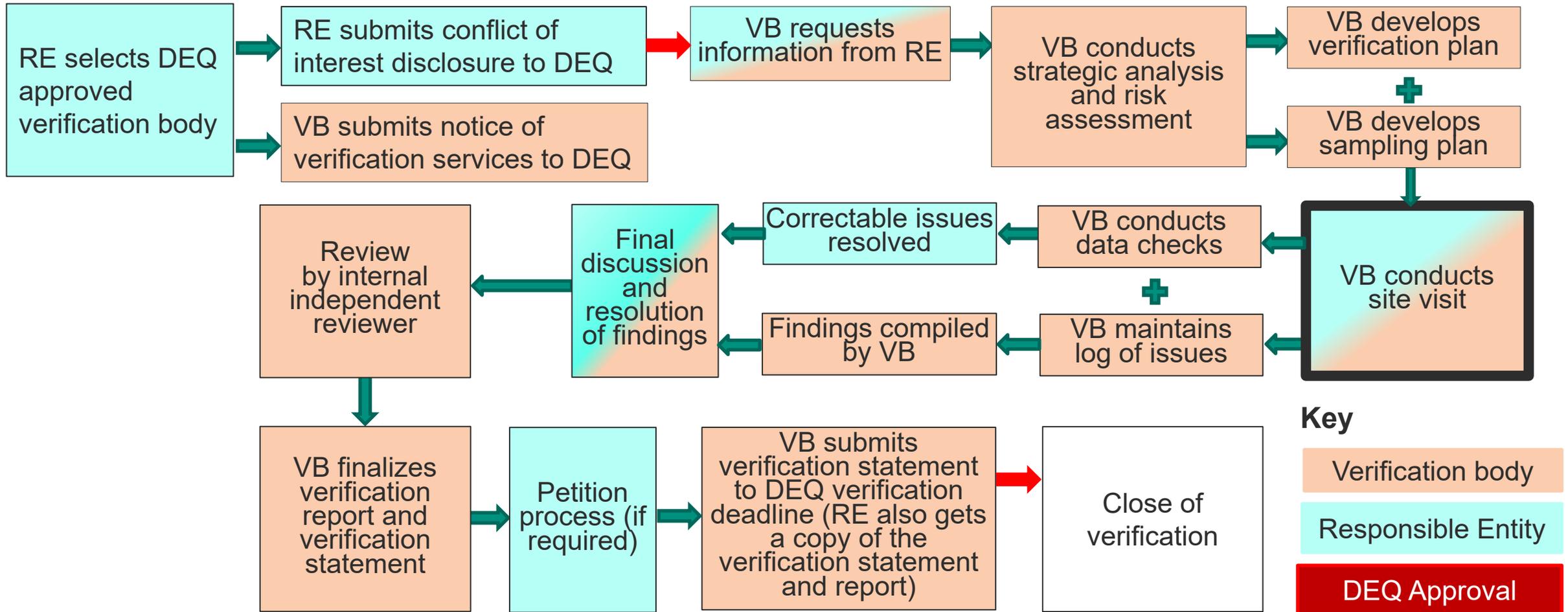
- Assembled after initial conversations and information transfer from the responsible entity to the verification body
- Includes the verification body's plans for verification, including dates of site visits and interviews
- Includes information collected from the responsible entity to help the verification body understand the responsible entity's operations, including, but not limited to:
  - Facility or entity boundaries
  - Accounting practices
  - Staff training/qualifications
  - Equipment calibration
  - Methodologies used to quantify and report data
  - Management systems
  - Documentation to confirm sources, sales, purchases of electricity/fuel
- Available to DEQ upon request

# Sampling plan

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- Developed by verification body based on strategic analysis of likely nature, scale and complexity of verification services for a given entity and type of report or fuel pathway application
- Ranks data sources according to level of risk
  - data sources with largest contribution to the data type being assessed
  - data sources with largest calculation uncertainty, including data sources with risk of incomplete reporting
- Includes qualitative narrative assessments of risk for different areas
  - For example, CI calculations or emissions calculations
- Indicates which data sources were targeted for document reviews/data checks and why
- Available to DEQ upon request

# Verification process



# Site visit

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- Who: At least lead verifier and a sectoral expert, if applicable
- Where: Facility, or place where records are kept (if different)
- When: After attestation of data reported to DEQ, with at least 14 days advance notice
- What:
  - Review of evidence used to develop submitted reports
  - Review of data management systems and accounting practices
  - Interviews with key personnel
  - Direct observation of equipment
  - Review of financial transactions
  - Conformance assessment with measurement accuracy, data capture and missing data substitution requirements

# What to do if data is missing

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If you were affected by a loss of data during the year, the following requirements apply regardless of the amount of data missing:

The verification team must confirm that the reported data or reported emissions for that source were calculated:

- Using any missing data procedures as required under OAR chapter 340, division 215 or OAR chapter 340, division 253, as applicable; and
- That a reasonable temporary data collection procedure was used for the source; or
- That DEQ approved an alternative method.

# Site visit

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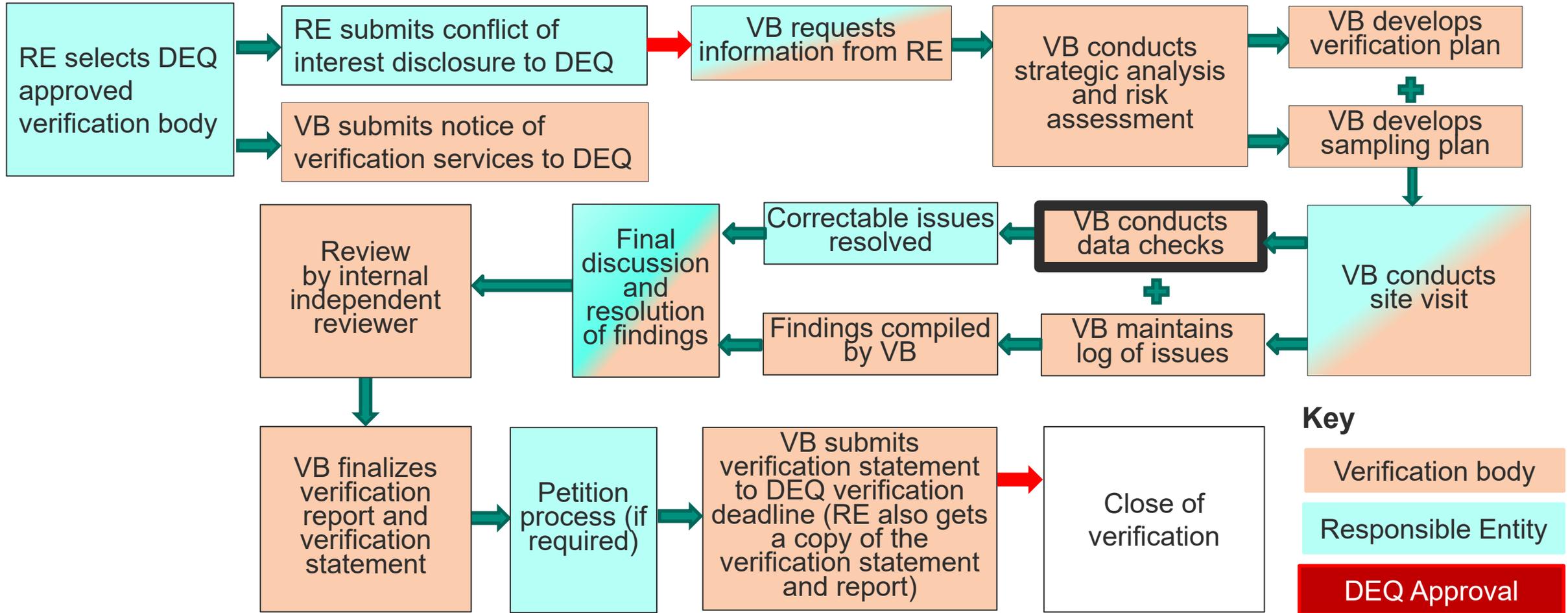
CFP only:

A site visit may be conducted as part of a quarterly review if:

- No aspects of the data management systems or accounting practices change following the site visit; and
- There are no significant changes to the fuel production process or facility when the verification is for an annual fuel pathway report

A separate site visit is required if a responsible entity elects to engage the services of a verification body to provide verification services for verification of a fuel pathway application

# Verification process

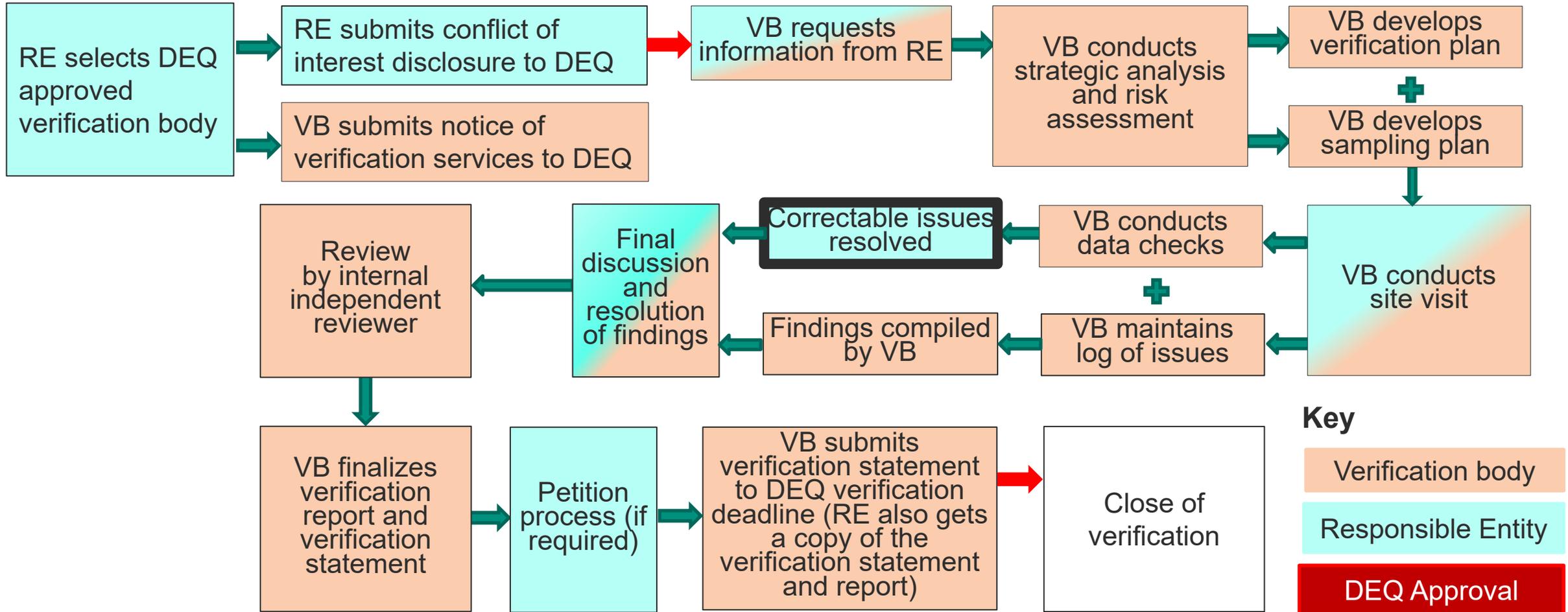


# Data checks

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- Used by verification team to determine accuracy of data and ensure that the submitted report or fuel pathway application is free from material misstatement and conforms to the applicable rules
- Draws on the assessment of risk indicated in the sampling plan
- The verification team uses its professional judgement in establishing the extent of the data checks needed to reach a conclusion of reasonable assurance
- Data checks include:
  - Tracing data to origin
  - Review of data compilation and collection procedures
  - Checking accuracy of calculations
  - Review of calculation methodology
  - Checking meter and instrumentation measurement accuracy and calibration
  - Detailed review of other information according to type of facility/report

# Verification process



# Correctable errors

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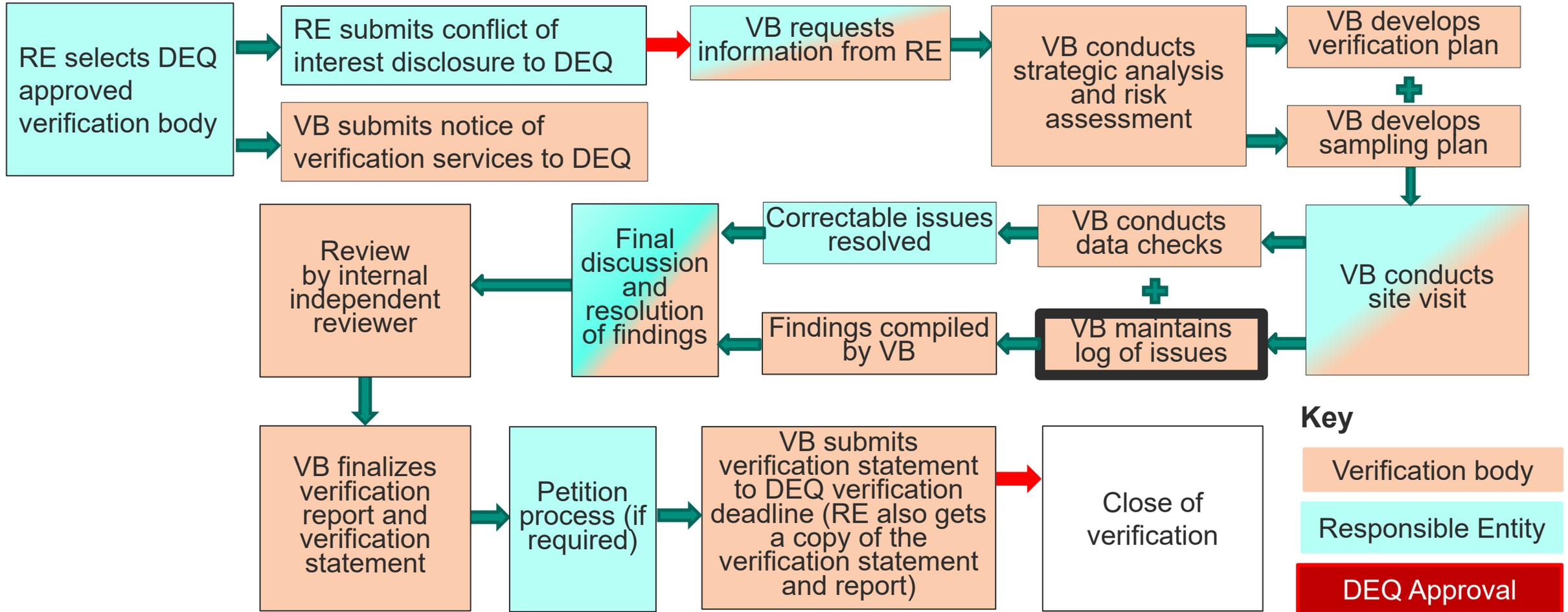
- “Correctable errors” are errors identified by the verification team that affect data in the submitted report or fuel pathway application, which result from a nonconformance with OAR chapter 340, division 215 or OAR chapter 340, division 253, as applicable. Differences that, in the professional judgment of the verification team, are the result of differing but reasonable methods of truncation or rounding or averaging, where a specific procedure is not prescribed by this division, OAR chapter 340, division 215, or OAR chapter 340, division 253, are not considered errors and therefore do not require correction.

# Correctable errors

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- Correctable errors identified by data checks that impact the data in the submitted report or pathway application must be corrected by the responsible entity before completion of the verification statement
- Submit a revised report or fuel pathway application to DEQ
- Failure to fix correctible errors will lead to an adverse verification statement (unless the error does not impact credit or deficit calculations or reported emissions)

# Verification process



# Log of issues

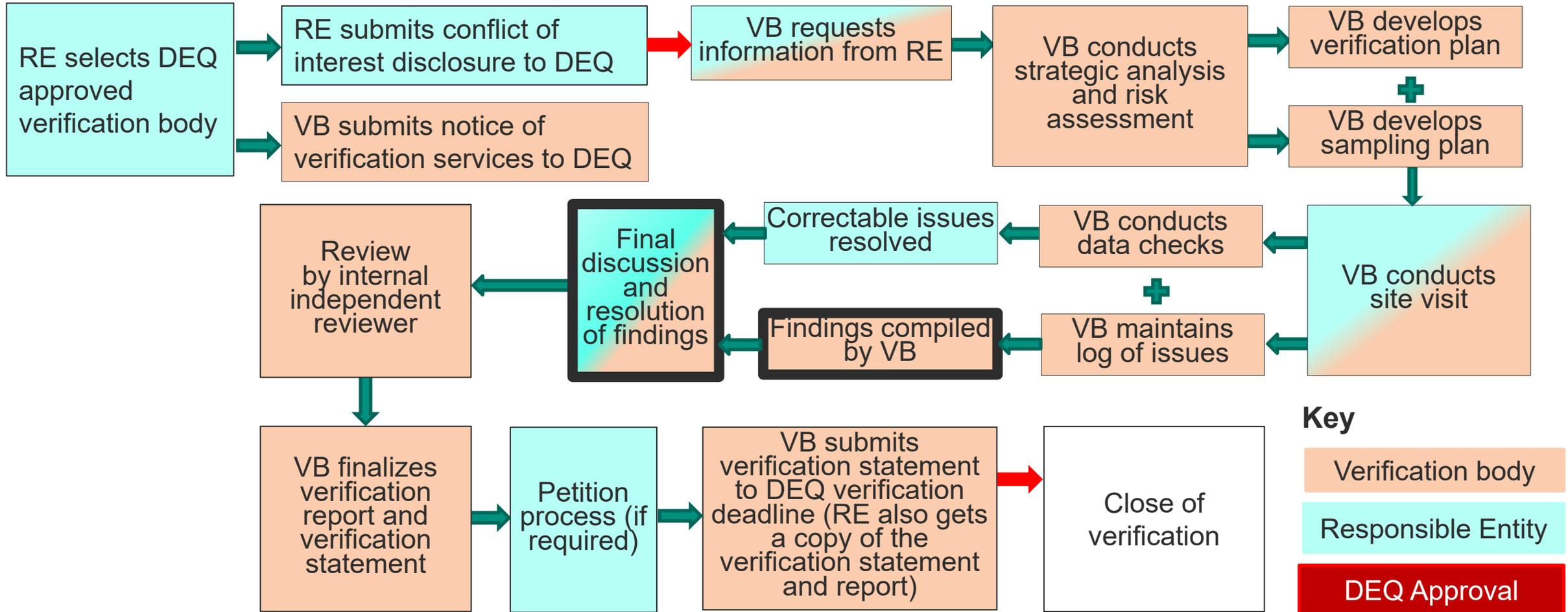
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Includes indication of:

- Identification of the regulatory section related to the material misstatement, nonconformance, or potential nonconformance, if applicable, and indication if the issues were corrected by the responsible entity before completing the verification services;
- Documentation of any other concerns with the preparation of the report or fuel pathway application, which must also be communicated to the responsible entity during the course of verification services; and
- Indication of whether each issue has a potential bearing on material misstatement, nonconformance, or both, and whether an adverse verification statement may result if not addressed.

Verification body will have a final conversation with the responsible entity before the verification statement is finalized, to notify the entity of any unresolved issues in the log

# Verification process



# How findings are prepared

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The verification team must:

- Make its own determination of emissions for checked sources or make its own calculation of specified data types
- Determine reasonable assurance that the submitted report or fuel pathway application does not contain material misstatement
- Review methods and factors used to develop the report or fuel pathway application for adherence to the requirements of the applicable rules

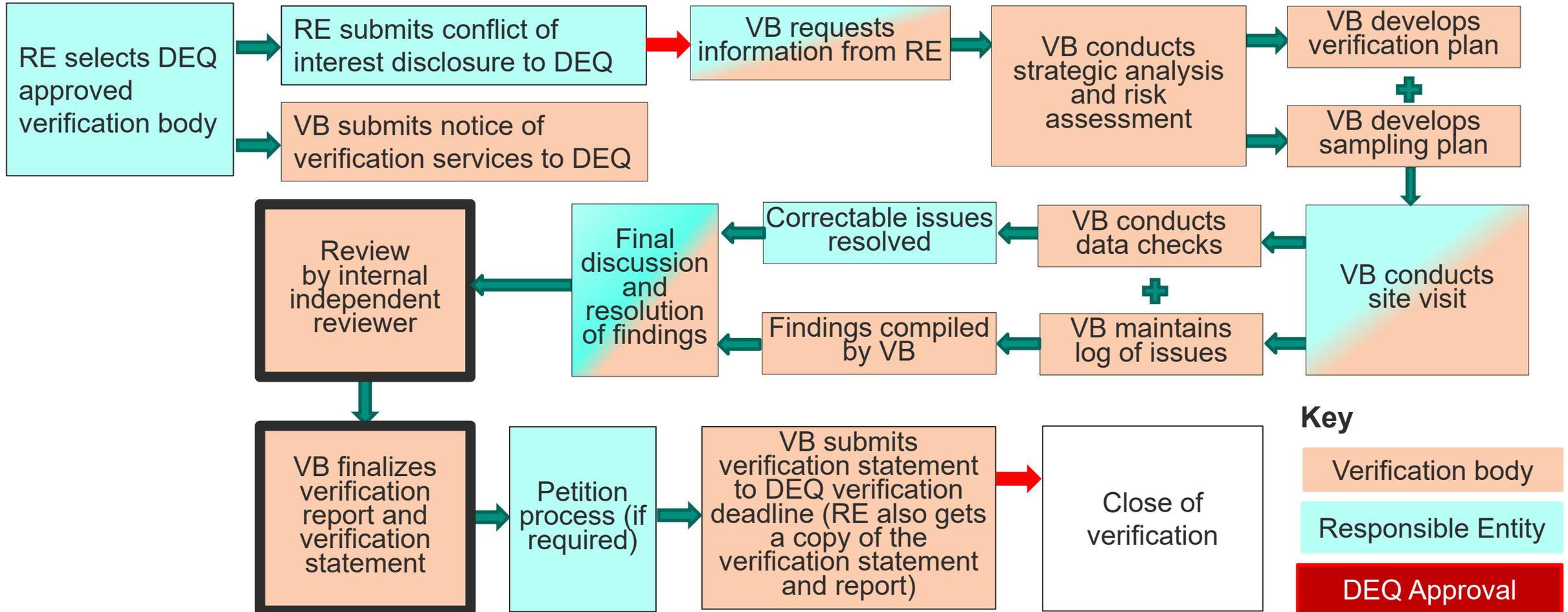
# Addressing findings

- “Material misstatement” means any discrepancy, omission, misreporting, or aggregation of the three, identified in the course of verification services that leads a verification team to believe that reported data or a submitted report or fuel pathway application contains one or more errors, as described in OAR 240-272-0450, OAR 240-272-0455, and OAR 240-272-0460, as applicable

Report Type	Definition of Material Mistatement
Fuel pathway application or report	+/- 5% of reported operational CI or 2gCO <sub>2</sub> e/MJ, whichever is greater
Quarterly fuel quantity report	+/- 5% of the reported fuel quantity for each fuel pathway code per quarter
Emissions data report	+/- 5% of total reported emissions in metric tons CO <sub>2</sub> e

- “Nonconformance” means the failure to meet the applicable requirements of OAR chapter 340, divisions 215, 253, or 272 as applicable, to calculate or report data or submit a fuel pathway application.
- It is the responsibility of the responsible party to correct errors and nonconformances. Verification bodies must remain independent and not consult with the responsible party on how they should fix errors or implement corrective actions.

# Verification process



# Verification report

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Full report produced by the verification body, which includes:

- List of participating verifiers
- Facility boundaries and data source
- Description of accounting and data procedures
- Description of data checks conducted
- Log of issues
- Findings and qualifying comments

Provided to responsible entity when verification services are completed and available to DEQ upon request

# Verification statement

- Statement from the verification body attesting whether a report is free of material misstatement and conforms to all applicable requirements
- Shorter than the full verification report
- Provided to both the responsible entity and DEQ upon completion of verification services

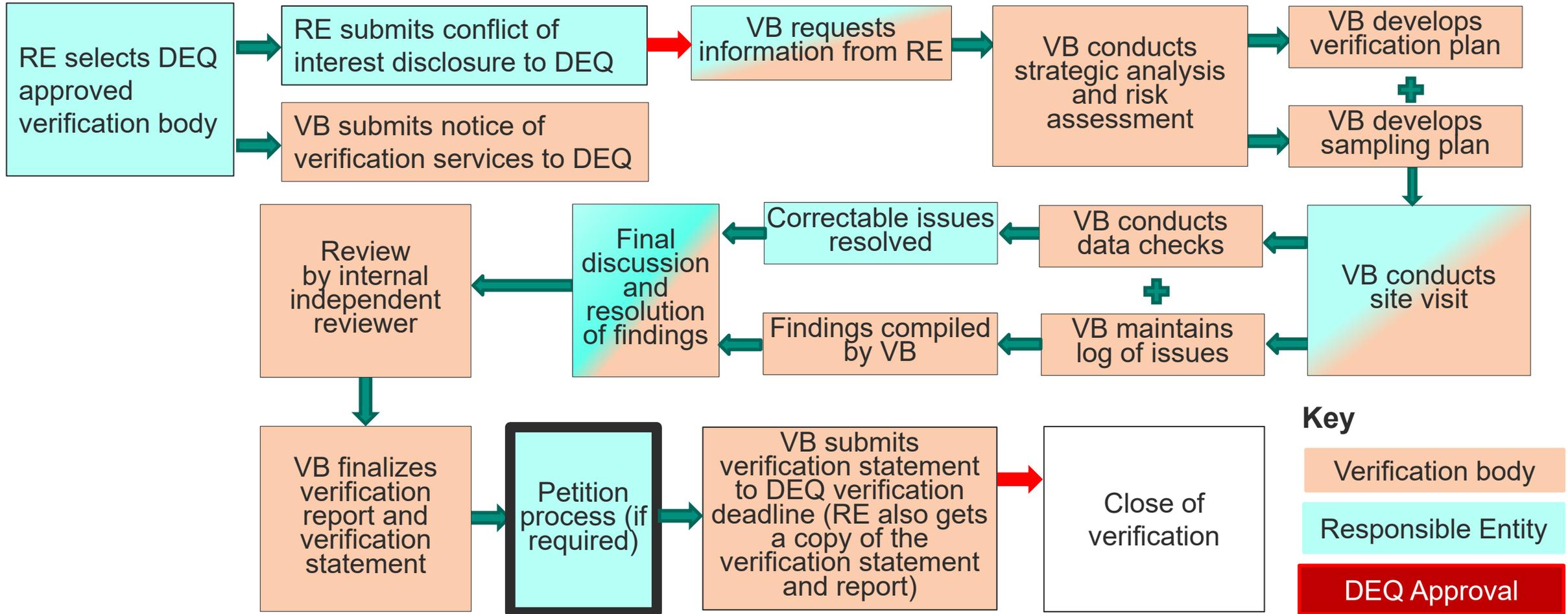
Verification Statement	Description	Action needed by responsible entity
<b>Positive</b>	free of material misstatement and conforms to the applicable requirements (3PV, CFP or GHG RP)	None
<b>Qualified Positive</b>	free of material misstatement and conforms to the 3PV requirements, but may include one or more other nonconformance(s) (with CFP or GHG RP requirements), which do not result in a material misstatement	None
<b>Adverse</b>	contains material misstatement or includes nonconformance(s) (i.e. contains correctable errors)	Modifications to correct reporting or fix correctable errors; submission of corrected reporting to DEQ

# Qualified positive and adverse statements

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- For every qualified positive verification statement, the verification body must explain the nonconformances contained within the report or fuel pathway application and cite the sections(s) in OAR chapter 340, division 215, or OAR chapter 340, division 253, as applicable, that corresponds to the nonconformance and why the nonconformances do not result in a material misstatement; and
- For every adverse verification statement, the verification body must explain all nonconformances or material misstatements leading to the adverse verification statement and cite the sections(s) in OAR chapter 340, division 215, or OAR chapter 340, division 253, as applicable, that corresponds to the nonconformance(s) and material misstatement(s).

# Verification process

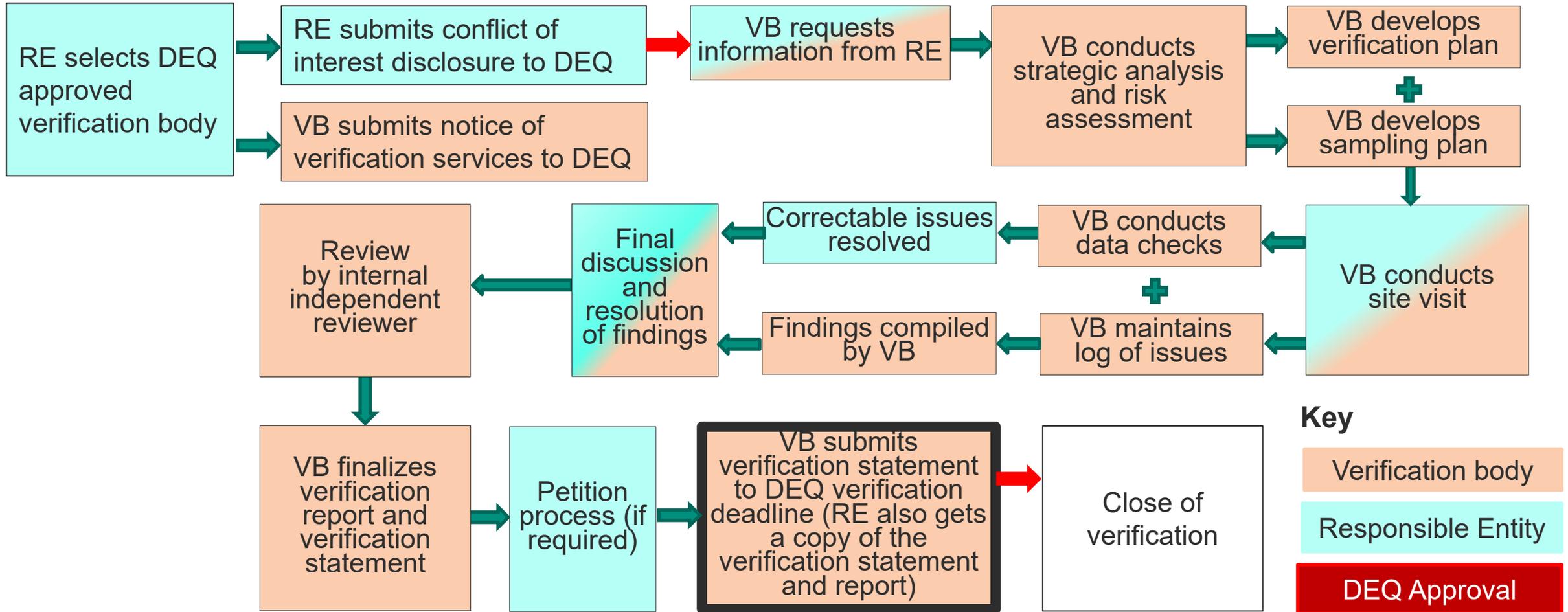


# Petition process

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- When the responsible entity files a petition with DEQ:
  - The responsible entity must submit all information it believes is necessary for DEQ to make a determination with its petition
  - The responsible entity and the verification body must submit to DEQ within 10 days any additional information requested by DEQ
  - DEQ will review the information submitted and make a determination on whether modifications are necessary in order for the verification body to issue a positive or qualified positive verification statement, or if such a statement could be issued without modifications
  - DEQ will notify both the responsible entity and the verification body of its determination.

# Verification process



# When are verification statements due?

Verification deadlines for modifications to reports and verification statements submitted to DEQ are as follows:

- **August 31** for:
  - Any CFP report, as applicable under OAR 340-272-0110
  - Any of the following GHG RP emissions data report described under OAR 340-215-0044(1), as applicable under OAR 340-272-0120:
    - (a) permitted facilities (industrial manufacturers, in state electric generating facilities, etc.)
    - (b) investor-owned utility electric power system facilities (SF6 reports)
    - (c) fuel suppliers and in state producers
    - (d) natural gas suppliers and in state producers
    - (g) petroleum and natural gas systems (EPA Subpart W)
- **September 30** for:
  - Any of the following GHG RP emissions data report described under OAR 340-215-0044(1), as applicable under OAR 340-272-0120:
    - (e) electricity suppliers (investor-owned utilities, third party reporter on behalf of consumer-owned utility, etc.)
    - (f) asset-controlling suppliers (meant to include Bonneville Power Association)

# DEQ review

In addition to any other enforcement authority DEQ may have, DEQ retains full authority in determining whether to approve, modify, or reject any verification statement submitted to DEQ for a report or fuel pathway application by a verification body on behalf of a responsible entity.

DEQ may issue an adverse verification statement for a report or fuel pathway application if it has information to support such a conclusion, even if it has received a positive verification statement from a verification body. DEQ may also issue an adverse verification statement for:

Failure to submit a complete or accurate fuel pathway application or annual or quarterly report in a timely manner

Failure to conduct or complete third party verification as required by third party verification rules

Any other violation of third party verification rules, Clean Fuels Program rules or GHG Reporting program rules

# Re-verification

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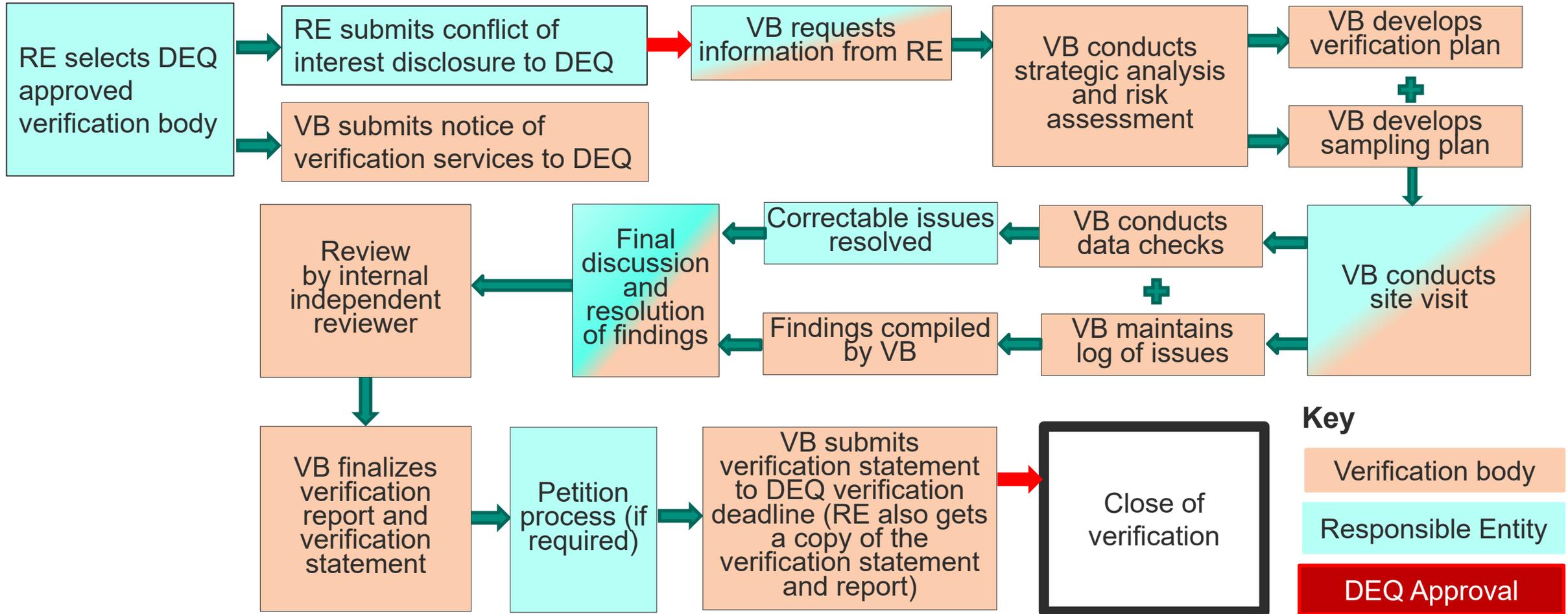
- Within 90 days if:
  - A High COI is found
  - The verification body or verifier's approval is modified, suspended or revoked
  - An error is identified that effects emissions for GHG Reporting Program or credit/deficit calculations for Clean Fuels Program
  - DEQ audits the report later and finds errors

# Enforcement

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- DEQ's enforcement procedures are contained in OAR 340-012
- Division 12 classifies violations that are subject to enforcement according to type and severity and outlines penalties for each
- Violations may apply to GHGRP rules, CFP rules or 3PV rules

# Verification process



# Documentation that responsible entities can expect from verifier after verification services

Full list can be found in completion of services: OAR 340-272-0495(3)

## Verification Report

A draft should be reviewed before report is finalized

Will include detailed information about the work and list of the team that performed the verification

## Verification Plan

OAR 340-272-0415

Included as part of the Verification Report; will likely include list of requested documents and records

## Data Checks

OAR 340-272-0430

Included as part of the Verification Report; detailed comparison conducted

## Log of Issues

OAR 340-272-0445

Included as part of the Verification Report; objective evaluation of issues; including potential impact on material misstatement or conformance

## Findings

OAR 340-272-0440

Included as part of the Verification Report; includes comments and findings of omissions, discrepancies, misreporting, and material misstatement calculations

## Additional documentation

Additional detail and documentation, included as part of the Verification Report

## Verification Statement

OAR 340-272-0495(1)

Also submitted to DEQ

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# Other considerations

# Less intensive verification

OAR 340-272-0100(4)

- Available for annual verification of emissions data reports (GHG RP) and quarterly fuel transaction reports (CFP)
- Allows for less detailed data checks / document reviews and does **not** require site visit(s) if:
  - Verifier chooses not to conduct site visit
  - Received positive verification statement
  - No change in verification body
  - No change in operational control of the responsible entity

2020 Data In 2021	2021 Data In 2022	2022 Data In 2023	2023 Data In 2024	2024 Data In 2025	2025 Data In 2026	2026 Data In 2027	2027 Data In 2028	2028 Data In 2029
N/A	Full	Full	Less Intensive	Less Intensive	Full	Less Intensive	Full	Full

Six year limit for use of the same verification body

# DEQ audits

- DEQ periodically audits both responsible entities and verification bodies

## Responsible entities

- Upon written request by DEQ, the responsible entity must provide any data used to generate a report or fuel pathway application, including all data made available to the verification team, within 14 calendar days
- Upon written notification by DEQ, the responsible entity must make itself, its personnel, and other entities in its feedstock and finished fuel supply chain, as applicable, available for a DEQ audit

## Verification bodies

- Upon written request by DEQ, the verification body must provide to DEQ the verification report given to the responsible entity, as well as the sampling plan, contracts for verification, and any other supporting documents, within 14 calendar days.
- Upon written notification by DEQ, the verification body must make itself and its personnel available for a DEQ audit.
- DEQ may occasionally observe the verification body during a site visit

# Responsibilities of the responsible entity

Engaging a verification body

Submitting the conflict of interest assessment to DEQ

Monitoring conflict of interest over time

Submitting required reporting to DEQ and attesting to its accuracy

Ensuring NOVS is submitted to DEQ by verification body and kept up to date if anything changes

Ensuring the verification statement is submitted to DEQ by verification body by the deadline

Ensuring verification services provided on its behalf meet program requirements

Correcting nonconformances and material misstatements

Submitting new reporting to DEQ if nonconformances or material misstatements are identified

Being responsive to information requests from verification body and from DEQ (within 14 days for DEQ info requests)

Hosting the site visit

Retaining records according to program rules

# Actions DEQ can take

Approving, modifying, suspending or revoking verifier and verification body approvals

Reviewing and making a final determination on conflict of interest potential

Requesting any information used to generate a report or fuel pathway application

Extending verification deadlines

Approving alternate methods for missing data

Approving, modifying or rejecting any verification statement submitted

Issuing adverse verification statements

Reviewing petition-related materials and determining an outcome

Requiring re-verification

Pursuing enforcement action

Auditing verification bodies and/or responsible entities

# When to contact DEQ

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## Contact DEQ if:

- You believe that the applicable verification deadline will not be met
- You were impacted by a data loss during the reporting year
- There was a change in your organization that may impact the conflict of interest disclosure
- You have a conflict with your verification body
- You have technical questions related to reporting or verification

**[3PVerify@deq.oregon.gov](mailto:3PVerify@deq.oregon.gov)**

# Thank you for attending!

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**[3PVerify@deq.oregon.gov](mailto:3PVerify@deq.oregon.gov)**