



Third Party Verification Process

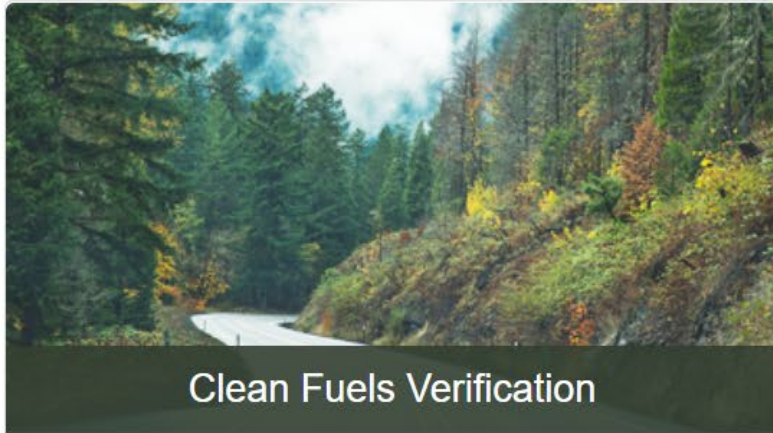
Module 1.2

Oregon Third Party Verification Program

Agenda

- Resources for responsible entities
- Verification process
- Other considerations

Third Party Verification web page



[Information for Verifiers](#)

[Information for Verification Bodies](#)

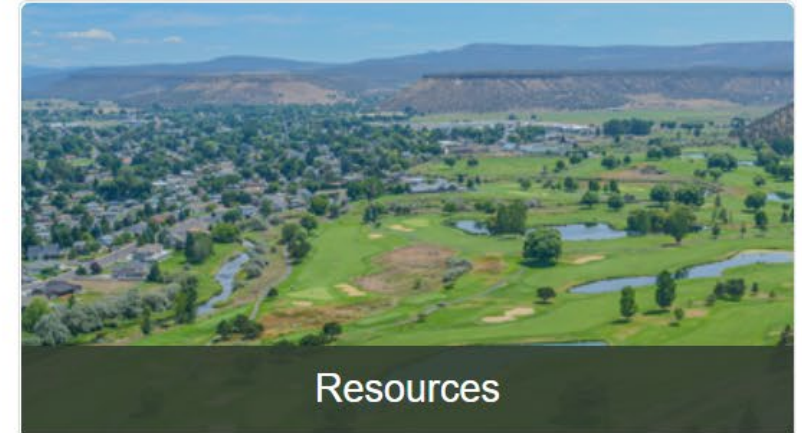
[Information for Responsible Entities](#)



[Information for Verifiers](#)

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

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Verification process

- Engaging a verification body
- Conflict of Interest form
- Notice of Verification Services form
- Verification kickoff
- Verification plan
- Sampling plan
- Site visit
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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.
- Responsible entity cannot use the same verification body more than six consecutive years, and must wait three years if re-engaging a previous verification body.
- See “[Information for responsible entities](#)”.

Find a verification body

Only DEQ-approved verifiers and verification bodies may perform verification services in Oregon. All verifiers are either accredited by the California Air Resources Board or are associated with a verification body that is accredited by the ANSI National Accreditation Board's GHG Validation and Verification Body accreditation program in the verification services they provide.

- [Oregon GHG Reporting Program Approved Verification Bodies List](#)
- [Oregon GHG Reporting Program Approved Verifiers List](#)

Engaging a verification body (cont.)

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.

Conflict of interest form

- Requirements are contained in 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.
- Submitted by the verification body.
- 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).

High conflict of interest potential

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.

Medium conflict of interest potential

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, or a member of the verification team provided an insignificant service to the responsible entity in the prior five years

Low conflict of interest potential

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 the entity, but they may **not** consult with the entity during the verification process.
- Consulting includes offering any advice about calculating or reporting emissions, how to correct errors, fixing management systems, etc.

Notice of verification services form

This form is submitted by the verification body prior to start of verification and 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.

Notice of verification services form (cont.)

There **must be at least 14 calendar days** between the submission of the NOVS form and any planned site visit, unless an earlier date is approved by DEQ in writing.

- This is to ensure the responsible entity has sufficient time to plan for access to facilities and staff, and so the verification body can review the entity's reporting ahead of time to better plan its onsite review.

Starting the verification process

- 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 parties 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 and purchases of electricity and/or fuel.
- Available to DEQ upon request.

Sampling plan

- 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, including data sources with largest contribution to the data type being assessed and 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.

Site visit

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.

Data checks

Data checks are used by the 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 methodologies, checking meter and instrumentation measurement accuracy and calibration, and detailed review of other information according to type of facility/report.

What to do if data is missing

If the entity was 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.

Log of issues

The log of issues is usually a spreadsheet, and will contain the following elements:

- 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.

Findings preparation

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 Misstatement
Fuel pathway application or report	+/- 5% of reported operational CI or 2gCO ₂ 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 ₂ 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.

Correctable errors

- “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 (cont.)

- 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 .

Independent review

Verification reports must be independently reviewed by the verification body before they are considered complete.

Independent review is a process by which a DEQ approved lead verifier within the verification body who has been isolated from the verification checks the work of the verification team for errors.

Verification report

Full report produced by the verification body, which includes:

- List of participating verifiers
- Facility boundaries and data sources
- 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
Positive	Free of material misstatement and conforms to the applicable requirements (3PV, CFP or GHG RP).	None
Qualified Positive	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
Adverse	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

- 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).

When are verification statements due?

Deadlines for verification statements submitted to DEQ are as follows:

Program	Report Type	Verification Statements Due
Clean Fuels Program	Quarterly fuel transactions report	August 31
Clean Fuels Program	Annual fuel pathway report	August 31
GHG Reporting Program	Permitted stationary source emissions data report	August 31
GHG Reporting Program	Electricity supplier/asset controlling supplier emissions data report	September 30
GHG Reporting Program	Liquid fuel supplier emissions data report	August 31
GHG Reporting Program	Natural gas supplier emissions data report	August 31
GHG Reporting Program	Natural gas system emissions data report	August 31

Petition process

If the verification body and its entity client disagree about the requirements of Division 272 to the point that a decision of Positive or Qualified Positive cannot be reached, the entity may submit a petition to DEQ before the verification deadline and before submission of the verification statement for a final decision on the issue.

Petition process (cont.)

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.

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

DEQ can require re-verification of a report by a different verification body 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 affects emissions for GHG Reporting Program or credit/deficit calculations for Clean Fuels Program.
- DEQ audits the report later and finds errors.

Enforcement

- 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.

This concludes this presentation

For questions, please contact us:

3PVerify@deq.oregon.gov

Thank you!

Title VI and alternate formats

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