EU ETS Monitoring, Reporting, Verification and Accreditation –
Quick guide for Competent Authorities

Version of 9 November 2017

This document is part of a series of documents provided by the Commission services for supporting the implementation of Commission Regulation (EU) No. 601/2012 of 21 June 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council (the MRR)¹.

The guidance represents the views of the Commission services at the time of publication. It is not legally binding.

This quick guide for Competent Authorities (CA) builds on the suite of guidance documents already available² (see overview at the end of this guide) with the aim of further supporting operators in fulfilling their emissions monitoring obligations under the EU ETS by providing a step-by-step summary of the main requirements that operators need to take into account.

Links to other documents including more detailed guidance on specific issues are provided throughout this document. You can access these other documents by clicking on the links where they are highlighted.

This quick guidance document takes into account the discussions within meetings of the informal Technical Working Group on EU ETS Monitoring, Reporting, Verification and Accreditation convened under the WGIII of the Climate Change Committee (CCC), as well as written comments received from stakeholders and experts from Member States. This quick guide was unanimously endorsed by the representatives of the Member States of the Climate Change Committee by written procedure in April 2017.

¹ http://eur-lex.europa.eu/eli/reg/2012/601
² https://ec.europa.eu/clima/policies/ets/monitoring_en#tab-0-1
STEP 1: ROLE OF THE CA

The figure below summarises the main roles and responsibilities as a Competent Authority (CA) in the compliance cycle and how they are interrelated with the other stakeholders, i.e. the operator, the verifier and the national accreditation body (NAB).

As you can see in the picture above, you have a central and very active role in the compliance cycle. Usually the CA has the best overview of all activities and is frequently used as main contact point and helpdesk by operators, verifiers and NABs. As a consequence, an effective and efficient functioning of the EU ETS in your MS depends to a large extent on your performance.

Note that in some Member States there is more than one CA, and the abovementioned responsibilities can be distributed in various ways. Please check your national legislation regarding specific responsibilities. If you are the “central CA”, it is important to coordinate activities of CAs for ensuring uniform application of MRR requirements in your Member State.

Step 1.1: Identify all installations and aircraft operators in your MS

Installations and aircraft operators fall under the EU ETS if they are carrying out at least one activity listed in Annex I of the EU ETS Directive.

If you want to check the completeness of installations with reporting obligations in your MS, the following databases or sources could be helpful: UNFCCC inventory, installations with reporting obligations under EPRTR, Industrial Emissions Directive, etc. Also chambers of commerce and industry associations can provide helpful information.

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3 Note that throughout this quick guide the term 'operator' covers stationary installations as well as aircraft operators unless explicitly stated otherwise.
As the EU ETS covers large industrial emitters, most installations are very easy to identify. However, smaller ones, in particular those with only combustion activities can be more difficult to identify as it is not always straightforward to tell whether or not the 20 MW threshold is exceeded. To support identification of installations and their system boundaries the Commission has published guidance on the interpretation of Annex I of the EU ETS activities for installations.

For aircraft operators the situation is different. Pursuant to Article 18a EU ETS Directive each aircraft operator is assigned to only one administering Member State in order to ensure an efficient implementation of the EU ETS. This is either the Member State which issued your AOC (if applicable), or the MS to which most of your emissions are assigned. The European Commission publishes preliminary and final lists of administering Member States regularly on its website. You can find further guidance in section 3.3 MRR GD2.

Step 1.2: Study relevant legislation and guidance

Where should I start?

As a starting point for getting familiar with the MRR and its guidances published on DG CLIMA’s website you should start with the quick guides for installation and aircraft operators and MRR GD1 (for installations) and MRR GD2 (for aviation). Note that this does not prevent you from having to read and understand the MRR and EU ETS Directive but it should greatly facilitate this process.

Next you should get familiar with the templates published on DG CLIMA’s website (note that a translation in your MS’s language may exist on your MS’s ETS website). What information do they ask for? How do they work?

What else should I read?

As you are a key and central player, you should also have a sound understanding of the AVR and related guidance and templates published on DG CLIMA’s website (or translations on your own/MS website). Also many AVR issues require your approval (e.g. waive of site-visits) and you should therefore be familiar with the rules and their implications. You should also be familiar with free allocation rules set out in the Benchmarking Decision (step 3) and Member States’ reporting requirements under Article 21 EU ETS Directive (step 6).

Furthermore it is indispensable that you know all your MS’s relevant national legislation in detail, in particular concerning permitting procedures, penalties etc., as not everything is fully prescribed in EU legislation and depend on national systems.

Step 1.3: Organise your CA’s structure

What do I have to consider?

In most cases, when reading this document, there will already be an existing structure and organization in your office, e.g. single versus multiple competent authorities, roles and responsibilities, number of staff members etc. Nevertheless, you as a (new) member of the CA, may need to or want to establish a new structure or re-organise an existing one. The following points are relevant to consider:

- Is it possible to have just one central CA or do you have regional CAs (if so, who will be CA for what?)
- How do you organise the internal communication and communication with other CAs?
- How do you manage QA/QC (quality assurance/quality control) of your work? (e.g. will there always be a competent reviewer available; how do you keep track and what kind of database do you want to use, …)
- How do you balance cross-cutting issues versus sector-specific issues and how do you ensure consistency without duplication of efforts?
- How do you manage competences? Do you need sector-specific experts or cross-cutting topic specific experts (e.g. metrological experts)? To what extent do you want to or need to use external expertise?
- How do you organise the interaction with the NAB? How regularly do you organise workshops for operators and verifiers, and for local CAs, if applicable? Do you prepare to act as an email/phone helpdesk?
- Is there or will there be an IT system for MRVA data and workflows (relevant factors are the price, synergies with other reporting requirements, etc.) or do you want to use the Commission’s templates and tools (e.g. AER Tool, DECLARE, etc.)?
- Did you or do you want to publish standardised or simplified MP templates in line with Art. 13 MRR?4
- How do you manage the workflow of receiving and processing reports? E.g. how do you ensure that the verification report you receive relates to the annual emissions report received?
- How do you manage impartiality and confidentiality?

Are there any specificities for biomass?

Yes. Emissions from biomass are in general counted as zero. However, for biofuels and bioliquids zero-rating is only allowed if sustainability criteria are satisfied. Section 3 MRR GD3 provides further information on these requirements and also describes what existing systems exist for demonstrating sustainability and how to set-up new ones e.g. for new types of biomass. You should consider providing guidance on how evidence for meeting the sustainability criteria in your MS can be proven, as operators will often seek your advice on this matter.

Step 1.4: Engage with peers

Since 2013, MRVA rules are fully harmonised across the EU by the AVR and MRR. In order to exchange views, experience and information several informal platforms have been established where you can engage with colleagues from CAs in other Member States:

- Climate Change Committee (CCC): this is the official committee supporting the Commission in accordance with Article 23(1) EU ETS Directive where new legislation as well as guidance and templates are endorsed.
- Working Group 3 (WG3): this is a formal sub-group to support the CCC regarding all kinds of Emissions Trading issues.
- Technical Working Group (TWG) on MRVA: in this TWG all guidelines and templates related to EU ETS MRVA are prepared and discussed with MS experts.
- Commission workshops on aviation and ETSSF5 technical meetings
- Compliance Forum:
  - Task Force (TF) on Monitoring & Reporting: this TF meets regularly and discusses real-life cases and problems. You can also use it for posting questions by email to seek input from your peers.
  - TF on Accreditation & Verification: similar to TF on M&R.
  - TF E-Reporting: this TF supports and discusses IT issues including the common reporting language and the Commission’s DECLARE system.
  - Further TFs are established concerning Aviation, and CCS.
  - In addition, several training events for CAs and verifiers have already been held on M&R and A&V issues.

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4 Note that Article 13 provides you with the option to accept standardised and simplified MPs and publish templates accordingly. You can find further guidance in section 7.2 MRR GD1.
5 Eurocontrol’s ETS Support Facility (aviation)
**STEP 2: APPROVING MONITORING PLANS**

**Step 2.1: Checking monitoring plans**

The MP serves as manual for the operator’s monitoring tasks. Articles 3g (aviation) and 6(2) **EU ETS Directive** and chapter II **MRR** require operators to monitor GHG emissions according to such a monitoring plan (MP) and to submit it to the CA for approval.

A detailed step-by-step guide on how to prepare an MP is provided in chapter 5 **MRR GD1** (installations) and chapter 6 **MRR GD2** (aviation). Furthermore, the Commission has published electronic MP templates (**installation, aviation**) and **data exchange format** covering all information required by Annex I **MRR**.

*Note: These are usually translated and you may also want to customize them (e.g. add further administrative sections) to publish specific versions of the MP template made available. Alternatively, if you set up your own IT systems you have to follow the provisions of Article 75 **MRR**. In any case, Article 74(1) **MRR** requires that your national templates/IT system meet at least the minimum requirements published by the Commission.*

**How should I review the monitoring plan?**

Article 14(3) **EU ETS Directive** requires each MS to ensure operators monitor & report emissions in accordance with the **MRR**. However, the Directive leaves you with the flexibility of how you are going to ensure that.

You will usually start with a desk review performing completeness (does the MP contain all information required by Annex I **MRR**) and compliance checks on the MP and all accompanying documents*. Compliance checks will include checking the monitoring methodology, tiers applied (are the required tiers met, or, if not, is evidence provided for technical infeasibility or unreasonable costs), completeness of source streams and installation boundaries, etc. For this purpose, the Commission has published an **MP checklist** for CAs (focus on stationary installations).

In addition, it may be necessary to perform on-site visits (inspections) in order to collect evidence for the correctness of the MP. Furthermore routine inspections are one way of increasing the compliance level of operators. Non-routine inspections may be required, if irregularities are found e.g. in annual emission reports or in verifiers’ comments in the VR. Further guidance for inspections is available in **MRR GD8**.

**Step 2.2: Approve MP and issue a GHG permit**

In addition to approving the monitoring plan, you have to issue a GHG permit (Article 4 **EU ETS Directive**). Note that this only applies to installations, while aircraft operators do not receive a permit but e.g. a legal notice of approval of the MP.

After that, operators have to open a registry account. The Union Registry operates in a similar way as an internet bank account and is hosted and managed by the European Commission. It records allowance allocations for operators, annual verified emissions, allowance transfers and surrenders of allowances.

Operators must apply for a Union Registry Operator Holding Account within 20 working days from the entry into force of the GHG permit (Article 16(1) **Registry Regulation**).

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6 Accompanying documents include uncertainty assessment, risk assessment and procedures. Note that only summaries of those procedures are part of the MP. The operator does however have to provide you with further information upon your request (Article 12(2) **MRR**).

7 Note that some Member States made use of the option to exclude (opt-out) certain small installations from the EU ETS pursuant to Article 27 **EU ETS Directive**. You may want to get in touch with those Member States (step 1.4) to learn more about related experience.
Aircraft operators must apply for a Union Registry Operator Holding Account within 20 working days from the approval of their MP. (Article 17(1) Registry Regulation).

Links to national Registry administrators, including contact points and further information, can be found on DG CLIMA’s registry website. As a CA you should establish regular contact with your Registry administrator. You should furthermore be able to provide operators with basic information on the Registry issues.

**Will the MP or the permit ever be reviewed again?**

Yes, there are the following provisions and conditions that (may) lead to a review:

- You have to review all GHG emission permits at least every 5 years (Article 6(1) ETS Directive).
- Operators have to keep their MP up to date (Articles 14 to 16 MRR). Sections 5.6 and 5.7 MRR GD1 (installations) and section 6.5 MRR GD2 (aviation) provide guidance on what significant and non-significant changes are, when they lead to updates of the MP and how you have to follow-up on any submission of MP updates.
- Temporary deviations from approved tiers, data gaps, sample plan changes etc.
- In follow-up to improvement reports (Article 69 MRR, see step 5) operators may also (have to) update the MP.
- On-site inspection may be required if irregularities are found during the review of the annual emissions report or verification report (see step 4 and MRR GD8)

**STEP 3: ALLOCATION ISSUES**

*Where do operators get allowances from?*

There are three options:

- Free allocation: If they are eligible (i.e. in general if they are not exclusively producing electricity) they can receive free allowances every year (by 28 February). Furthermore, they may submit to you applications for allocation changes in line with the New Entrants & Closure (NE&C) rules. You can find further information on DG CLIMA’s free allocation website.
- Auctioning: You can find further details on DG CLIMA’s auctioning website.
- Allowances on the market: Operators can purchase and sell allowances from and to other EU ETS participants or other traders. There is no list of traders or market places available, but on the Internet it will be simple to find some institutions or consultancies which offer support. Please note that some aspects of trade in EU ETS allowances are covered by financial markets regulations (e.g. prevention of insider dealing). For details see DG CLIMA’s market oversight website.

**STEP 4: CHECKING ANNUAL EMISSIONS REPORTS**

*Step 4.1: Receive AERs*

Each year by 31 March the CA will receive from each operator an annual emissions report (AER) submitted in accordance with the requirements of the MRR (Article 67 MRR). Those emissions reports have to be verified by a verifier and accompanied by a verification report (VR) in accordance with Article 27 AVR. The Commission has provided an AER template and data exchange format on their website. Translated versions may be available on your MS’s website.
Deadline: The verified AER for emissions occurring during calendar year N, has to be submitted to the CA by 31 March N+1 at latest, together with the VR. Furthermore, the verified emissions figure must be entered in the verified emissions table of the Registry. Depending on choices made when the Union Registry was set up, and possibly laid down in your national legislation, this is to be done either by the operator, the verifier, or by the CA.

Note: Article 67 MRR allows MS to set earlier deadlines for submission of the AER and VR, but 28 February is the earliest allowed date. It is also recommended that you send out reminders sufficiently early.

Step 4.2: Process AERs

If you are using the Commission’s template, you can make use of the so-called AER Tool for checking integrity and aggregating data into one file.

Step 4.3: Review annual emissions reports

As said under step 2.1 above, Article 14(3) EU ETS Directive requires you to ensure operators monitor & report emissions in accordance with the MRR. Therefore CAs will normally perform checks on (some of) the annual AERs and review them.

Looking first at the VR is considered the most appropriate starting point for further checks. For this purpose the Commission has published guidance on checking AER and VR and a corresponding checklist. If the CA’s resources are not sufficient for checking all AERs, a risk-based approach for selecting reports is recommended. The Commission has provided a risk profiling tool which supports CAs in this task.

Step 4.4: Make conservative estimates

Article 70 MRR sets out conditions under which you have to determine an operator’s annual emission by making conservative estimates (e.g. if an operator failed to submit a verified AER in time). Although such cases are relatively rare, the Commission has published guidance which describes the conditions and how you could follow-up on them. It is based in part on the M&R Task Force’s guidance on closing data gaps and non-conformities.

STEP 5: CHECKING IMPROVEMENT REPORTS

When will an installation submit an improvement report?

There are two situations under which Article 69 MRR requires operators to submit an improvement report to the CA:

- If they do not at least apply the required tiers for all major and minor source streams (Article 69(2) MRR) or if they apply a fall-back approach (Article 69(3) MRR). If this is the case, they must submit the report by 30 June each year (category C), every two years (category B) or every four years (category A);

- If the verifier stated in the VR outstanding non-conformities or recommendations for improvements (Article 69(4) MRR), operators must submit the report by 30 June each year the verifier made such statements;

Article 47(3) MRR exempts installations with low emissions from the requirement to submit a report on verifier recommendations for improvements. They only have to submit a report if the verifier states outstanding non-conformities. Further guidance on this can be found in question 1.10 of the FAQs.
To this end, the Commission has provided an **IR template** and **data exchange format**. You can also find further guidance in section 5.7 **MRR GD1**.

**When will an aircraft operator submit an improvement report?**

Aircraft operators only have to submit an improvement report if the VR contains outstanding non-conformities or recommendations for improvements (Article 69(4) **MRR**).

To this end, the Commission has provided an **IR template** and **data exchange format**. You can also find further guidance in section 6.6 **MRR GD2**.

### STEP 6: SUBMIT ARTICLE 21 REPORT

Although not strictly being considered part of the *annual compliance cycle*, an important task for all MS is to report annually to the Commission in accordance with Article 21 **EU ETS Directive**. In these reports, you have to provide information on your arrangements for the allocation of allowances, the operation of registries, the application of the implementing measures on monitoring and reporting, verification and accreditation and issues relating to compliance with the Directive and on the fiscal treatment of allowances, if any, etc.

The questions for this Article 21 report are laid down in the corresponding **Implementing Decision** by the Commission. The Commission has also published an **explanatory note** for further guidance. You can find the reports, including old ones and those of other MS, on the European Environment Agency’s **EIONET website**.

**Deadline:** You have to submit a report to the Commission in accordance with Article 21 **EU ETS Directive** by 30 June each year.

### STEP 7: INFORMATION EXCHANGE WITH NAB

**31 Dec Year N** By 31 December each year the NAB has to submit to the CA a work programme on planned accreditation or surveillance activities. It covers verifiers accredited by the NAB and verifiers carrying out verification in your Member State (Article 70(1) **AVR** including where accredited by a NAB in another MS. After the CA has received the work programme, the CA has to inform the NAB of any relevant information, including any relevant national legislation or guidelines (Article 70(2) **AVR**).

**1 Jun Year N+1** By 1 June of each year the NAB has to provide to you feedback in a management report on what activities it has carried out in the preceding 12 months (Article 70(3) **AVR**).

Article 72 **AVR** requires also the CA to exchange certain information with the NABs which have accredited verifiers who carry out verification in your Member State. For this purpose, the Commission has published an **information exchange template**.

This information enables the NAB to take action on a particular verifier where you have identified issues (e.g. during the review of operator’s reports or through complaints). As a result the verifier may be subject to extraordinary assessments by the NAB. The **AVR** does not prescribe a fixed deadline. However, having in mind all other deadlines and activities, there is a recommended deadline of 30 September unless it concerns information that requires more immediate action by the NAB.

**Deadline:** You have to submit to the NAB an information exchange template. Although there is no fixed deadline in legislation, it is recommended to send it by 30 September each year.
Further information on this information exchange can be found in Chapter 10 EGD I and KGN II.10. All templates can be found on DG CLIMA’s website.

OVERVIEW OF AVAILABLE GUIDANCE MATERIAL

The picture below provides an overview of all available MRR and AVR guidance material on the Commission’s website, referenced within this quick guide and relevant for operators of stationary installations and aviation. It furthermore displays the relationship between documents.
ABBREVIATIONS

EU ETS  EU Emission Trading Scheme
MRR  Monitoring and Reporting Regulation Regulation (EU) 601/2012
AVR  Accreditation and Verification Regulation Regulation (EU) 600/2012
EGD I  AVR Explanatory Guidance (EGD I)
GD III  Verification Guidance for EU ETS Aviation (GD III)
NAB  National Accreditation Body
CA  Competent Authority
GD  Guidance Document published on the Commissions website
MP  Monitoring Plan
AER  Annual Emissions Report
IR  Improvement Report
VR  Verification Report
KGN  Key Guidance note published on the Commissions website
AOC  Air Operator Certificate
CCS  Carbon Capture and Storage
ETSSF  Eurocontrol’s ETS Support Facility
QA/QC  Quality Assurance / Quality Control