WEBINAR

Independent verification for HFC equipment importers in line with obligations under the F-gas Regulation

31 January 2020
Outline Webinar Verification Equipment

A. Introduction into the obligations for companies (by DG CLIMA, European Commission)

B. Practical guidance to the verification process (by verico SCE)
   Specific Q&A Understanding Parts A & B

C. How to upload the verification report to the BDR (by Oeko-Institute)

D. What if the verification process detects problems? (by DG CLIMA, European Commission)

E. How to find an auditor? (by DG CLIMA, European Commission)
   Specific Q&A Understanding Parts C,D & E

F. General Q&A Session
Part A. Introduction to the obligations for companies as relevant to verification

presented by DG CLIMA
EU HFC emissions

Total HFC emissions (MTCO2e)

HFC emissions as % of total greenhouse gases

Source: EEA greenhouse gas data viewer
A quota system assures that the climate effect of HFCs placed on the EU market goes down.

RAC HFC equipment must be accounted for within the quota system.
Compliance with the quota system (Art 14)

- Importers of equipment need to document compliance with quota system and produce a **declaration of conformity** (DoC)

- Usually compliance is achieved via quota authorisations (**option A in DoC**) which must be obtained from quota holders; an authorisation can be delegated further one more time

- Authorisations must be entered into the F-gas Portal & HFC Licensing System (otherwise not valid!)

- Sufficient authorisations and a DoC must be available at the time of release for free circulation (import)

- Authorisations are given in **CO2 equivalent**
  
  i.e. the more climate-friendly the HFC, the more metric tonnes can be put on the market (i.e. imported) with the same authorisation amount
Some more relevant obligations

- A number of prohibitions for certain equipment type exists (F-Gas Regulation, Annex III)
- Equipment must be labelled appropriately e.g. HFC name, quantity in weight and CO2, GWP (F-Gas Regulation, Art. 12)
- Need to register in F-gas Portal & HFC Licensing System (>100 tCO2eq annual):
  https://webgate.ec.europa.eu/ods2/resources/home/
- Reports on (F-Gas Regulation Art. 19) need to be submitted annually by 31 March, for previous year (>500 tCO2eq annual)
- If between 100 and 500 tCO2eq it is advised to submit report anyway as basis for auditor’s work
Verification obligations

Reason: Ex post control of imports (also: ex ante control at border)

- Annual verification of F-gas Report and DoC(s) plus documentation required (!) if >100 tCO2eq
- Must be uploaded into reporting tool by 31 March each year for activities of previous calendar year
- NIL report: to avoid being reminded
Independent Auditors

Tip: Companies to look for an auditor well in advance of the verification deadline!

Who can be the independent auditor?

- accredited pursuant to ETS-Directive 2003/87/EC;
- or
- accredited to verify financial statements in accordance with the legislation of the Member State concerned.

Some practical guidance to come in the next sessions...
Where to get more info?

Quota system: https://ec.europa.eu/clima/policies/f-gas/reporting_en

Legislation:

Guidance documents:
https://ec.europa.eu/clima/policies/f-gas_en#tab-0-1

Including the document: „Imports of pre-charged equipment“ (with information on verification)

List of National Authorities:
Part B. Practical guidance to the verification process

presented by verico SCE
Verification process (general)
# Risk assessment – steps to do (1)

<table>
<thead>
<tr>
<th>Steps</th>
<th>To Do</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherent Risks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Identify</td>
<td>Where in the data trail errors or deviations may happen?</td>
</tr>
<tr>
<td>2</td>
<td>Assess</td>
<td>What is the probability and the impact of this risks in relation to the F-Gas reporting?</td>
</tr>
<tr>
<td>3</td>
<td>Minimise</td>
<td>Which measure for avoidance and control need to be implemented to minimise this risks?</td>
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</tbody>
</table>
## Risk assessment – steps to do (2)

<table>
<thead>
<tr>
<th>Steps</th>
<th>To Do</th>
<th>Questions</th>
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<tbody>
<tr>
<td></td>
<td>Inherent Risks</td>
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<tr>
<td>4</td>
<td>Identify</td>
<td>What are the risks of the implemented measures of step 3?</td>
</tr>
<tr>
<td>5</td>
<td>Minimise</td>
<td>Which measures help to minimise the identified control risks?</td>
</tr>
</tbody>
</table>
| 6     | Report   | - Causes for errors and mistakes  
- Method, how the risk has been identified and assessed  
- Explain why the control measures are sufficient to mitigate the risks |
Risk analysis – risk assessment

• Ranking risks as high, medium and low risks in relation to their likelihood to give rise to misstatements and their impact on the reported data

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Very High</th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
<th>Very Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very low</td>
<td>Low</td>
<td>Moderate</td>
<td>High</td>
<td>Very High</td>
</tr>
</tbody>
</table>

Severity / Impact
Risk based approach

1. Understand the nature, scale and complexity of the project or organization
2. Identify key reporting risks
3. Understand the control system in place to manage risks
4. Identify areas of residual risk
5. Include residual risk areas in the sampling plan for audit investigation
## Sampling approach

<table>
<thead>
<tr>
<th>Complete data check</th>
<th>Random sampling</th>
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<tbody>
<tr>
<td></td>
<td>Simple random sampling</td>
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<td>Stratified random sampling</td>
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<td>Systematic sampling</td>
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<td>Cluster sampling</td>
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<td>Multi-stage sampling</td>
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</table>
Practical example: prefilled equipment importer verification for mid-sized organisation (1)

Draft of a processchart for DoC acc. (EU) 2016/879 for an equipment importer (entity 1) buying from a non-EU manufacturer (entity 2)

For the report under Art. 19(5) the DoC data has to be collected and aggregated
Practical example: prefilled equipment importer verification for mid-sized organisation (2)

Reasonable level of assurance, materiality: 5%

Which are the reported equipment models, which refrigerants used? evidence: product line-up, samples equipment etc.

activities? evidence: Commercial register extract etc.

Data cross checks evidence: order, shipping documents, customs clearance

Quota management evidence: Quota authorisations from BDR

Last but not least: declaration of completeness

vericoSCE
Practical example: prefilled equipment importer verification for mid-sized organisation (3)

Year end, beginning of year?
evidence: balance sheets, SAP

Bonded warehouse?
evidence: further listings, SAP, EXCEL

Bulk imports?
evidence: order, shipping documents, costumes clearance

Last but not least: declaration of completeness
Backbone of F-Gas reporting: Data management and control system

The Lead auditor has to make his decision:

- Data management covers all aspects of a state of the art quality management system (QMS) incl. qualification documented procedures and control, data archiving and internal verification.

- Data management outlines aspects of QMS incl. qualification documented procedures and control, data archiving and internal verification in a non-comprehensive manner.

- Data management does not follow a documented QMS.
Verification opinion types

Advance notice of audit termination:
If information regarding conditions – fraud – comes to know within the F-Gas audit an early termination of the audit may be decided.

Positive Opinion:
If the opinion about the F-gas report statement is positive, then it is sent to the F-Gas reporting entity for final evaluation; and if there are no negative comments by the F-Gas reporting entity it is finalized for submission through BDR from F-Gas reporting entity.

Negative Opinion:
If the opinion about the F-gas report statement is negative (e.g., F-Gas information, data or assertion includes errors, omissions and/or misrepresentations which could affect the decision of the intended user
  - The revision of the F-Gas report verification by the F-Gas reporting entity
  - Presentation of an additional document by the F-Gas reporting entity explaining the errors and/or omissions without changing the F-Gas report verification
  - No change to the F-Gas report verification by the F-Gas reporting entity
Work in progress: New Verification report template* (1)

Elements to be taken up in the independent auditor’s verification report

I. Verification & reporting obligations

- Known and unchanged obligations with regard to Regulation (EU) No 517/2014 on fluorinated greenhouse gases

II. Undertaking’s details

- The reporting company needs to be clearly defined (mind company groups / sister companies...)

III. F-Gas report details

- The verified report as submitted in the BDR needs to be clearly identified

Work in progress:
New Verification report template* (2)

Elements to be taken up in the independent auditor’s verification report

**IV.**
**surrounding conditions**

- **NEW:** changes compared to previous year (changes in undertaking’s activities, other request from authorities, new models, new refrigerants etc.)

**V.**
**Summary of verification process**

- **NEW:** verification approach: risk assessment, sampling strategy, site verification details: date, Lead Auditor etc.

- **NEW:** general assessment: accuracy, completeness, consistency; data management and control system; verified need of quota; auditor’s key conclusions: verification opinion, statements on need of quota authorisation etc for questionnaire during BDR upload of VR and auditor’s recommendations for improvement

**VI.**
**Verification results**

Work in progress: New Verification report template* (3)

Elements to be taken up in the independent auditor’s verification report

VII. Auditor and accreditation information

NEW: Lead Auditor, independent reviewer, stamp signatures as well as accreditation certificate

* based on Annex III of bulk verification guidance:
Verification opinion

We carried out the test with the aim of determining whether the F-Gas report is sufficiently reliable free of material misstatements.

Audit decision: We have audited the F-Gas reporting as outlined above. Based on our examination...

we confirm at a reasonable level of assurance that the F-Gas reporting is satisfactory and accurate.

we find at a reasonable level of assurance that the F-Gas reporting - with the following comments – is satisfactory and accurate. (comments to be specified)

it cannot be ascertained with sufficient certainty that the F-Gas reporting does not contain any material misstatements.

Remarks:
Shortcomings in recent verifications (prefilled equipment importers)

- Fulfillment of the requirement of Regulation (EU) No 2016/87 to provide the quantity of hydrofluorocarbons in each unit rounded to the nearest gram
- Customs declarations do in many cases not enable a direct link to equipment containing F-Gas
- Processes need to be established to ensure compliance with the Implementation Regulation
- Internal quality checks on a regular basis
Part C. How to upload the verification report to the BDR?

presented by Öko-Institut
Overview: Upload of the verification report (equipment importers)

- Legal obligation to submit Art 19 report (on equipment imports) by 31 March and to submit verification report (VR) (on Declarations of Conformity (DoC) and cross-check against Art 19 report) also by 31 March


- BDR is operated by the European Environment Agency (EEA) collects and preserves data submitted by companies to the EU. Information cannot be changed after submissions. In case of errors, a new submission will be interpreted as replacing the previous one. Access is protected and limited to the submitting company and involved authorities of the respective Member State and of the EU

- How to do the upload?
Login/enter the F-gas Portal & HFC Licensing System
https://webgate.ec.europa.eu/ods2/
“Reporting” button leads to BDR

- Orange button in the upper right-hand corner
Login to BDR and select company

- You are directed to https://bdr.eionet.europa.eu/
- Use left login button
- One person may have access to several company accounts
Find the Art 19 report the VR refers to & proceed to subcollection ‘Upload of verification reports’

• In the company folder may be a long list of ‘envelopes’ for draft and submitted Art 19 reports for the current and past years

• Find the envelope containing the Art 19 report your VR refers to (usually the uppermost having status ‘released’ and ‘acceptable’) and memorise its name

• Click to enter subcollection ‘Upload of verification reports (equipment importers)’, 2nd at the top of the list

• Do not try submitting your VR directly in the company folder next to the Art 19 reports! This will be blocked by the automated QC.
Within the ‘upload of verification documents’ subcollection: create new envelope
Open the new envelope

- Freshly created envelope appears at the top of the list
- Click to enter
Activate the task and open the questionnaire

- Need to **complete** very short **questionnaire** accompanying the upload of the VR document
Within the questionnaire: Select the verified Art 19 report and its transaction year

- Select transaction year in drop-down menu
  transaction year is the **year the import/production took place in**
- New feature: you may submit VRs also for previous years’ Art 19 reports
- Select the memorised Art 19 report from the drop-down menu
- Click ‘next’ on top right to proceed
Answer few questions on the key results of the verification

- Tick 4 boxes to report auditor’s conclusions on
  * consistency of DoCs vs. Art 19 report
  * accuracy and completeness of DoC information
  * availability of quota authorisation
  * confirmation of DoC option B authorisation exemptions

- For companies below 500 t CO2e, without Art 19 report (or with Nil report): enter amount of confirmed authorisation need [in t CO2e]

- Verification report template suggested by the European Commission covers clear auditor’s statements to those questions – completing the questionnaire is easy if the VR template is used

- Click ‘next’ to proceed
Upload the VR document

- Select VR document (usually a pdf) on your computer and upload
Save and close the questionnaire

- After saving click ‘close report and proceed to BDR’
- Thus you close the questionnaire and return to your envelope
Check envelope contents and submit

- In the envelope you should **find two files:**
  * Your edits in the questionnaire are stored in the .xml file
  * You should see the VR file (.pdf) you uploaded
- Click “**Submit to DG CLIMA**” for submission
Wait for automated quality control and confirmation of receipt

- QC checks the envelope is complete, can take about a minute
- Confirmation of receipt gets posted into the envelope
Confirmation of receipt

- In the envelope: **Click on ‘confirmation of receipt’ link** to open
- **Print or save** as pdf for your own records
- Return to envelope (klick top right on envelope name)
Logout

- Log out of BDR when done
Where to get more help?

- Ask questions on the upload process to BDR helpdesk bdr.helpdesk@eea.europa.eu
- Legal questions to your Member State’s national contact point https://ec.europa.eu/clima/sites/clima/files/f-gas/docs/contact_list_en.pdf
- non-EU companies: address the Member State of your EU Only Representative
Part D. What to do if the verification report detects problems

presented by DG CLIMA
The auditor finds inaccuracies in the DoC and underlying documentation

Both DoC(s) (+ supporting documents) and annual F-gas report are subject to verification (cross-check!)

- Findings should be documented in verification report
- Auditor should proceed to check whether the corresponding annual F-gas report is correctly reflecting the company’s reportable activities
The auditor finds inaccuracies in a company’s F-Gas report before the 31 March deadline for the submission of the F-Gas report

- The company should resubmit a corrected F-Gas report to the BDR (“reporting tool”) by 31 March.

- The company should have the corrected resubmission verified by 31 March.

- The company should upload the verification report for the resubmitted corrected F-Gas report to the BDR by 31 March.
The auditor finds inaccuracies in a company’s F-Gas report after the 31 March deadline for the submission of the F-Gas report

- The company should upload to the BDR the verification report identifying the inaccuracies in the F-gas report (asap)
- The company should alert the authorities (EC, national)
- The company should resubmit a corrected F-Gas report to the BDR asap
- The company should have the corrected resubmission verified asap
- The company should upload the verification report of the resubmitted corrected F-Gas report to the BDR asap
Please note

- it is not the auditor's task to alert authorities, this is the company's responsibility.
- if an inaccuracy is detected, the auditor should inform the company of its responsibilities and the procedure to be followed (previous slides).
- that the acceptance of late submissions of the F-gas report after 31 March is subject to a case-by-case decision by the competent authorities.

More information:

- Guidelines „Imports of pre-charged equipment“ (with information on verification)
- National Contacts:
Part E. How to find an auditor

presented by DG CLIMA
I need an auditor

- Who can be the independent auditor?
  - accredited pursuant to ETS-Directive 2003/87/EC; or
  - accredited to verify financial statements in accordance with the legislation of the Member State concerned.

- Some Member States’ competent authorities have accreditation lists, and some also have information on special F-gas competence.

- The Commission cannot recommend which auditing firm to use.

- In the past, in some countries only few companies were able to do it.
New module in F-gas Portal & HFC Licensing System

As a service to companies – „Auditor Module“: will be available for next reporting period, ca. mid February 2020

This module
- will allow interested auditors to provide their contact details
- will allow companies to browse auditing firms available for their country and contact them by email
- not a recommendation by European Commission!

Disclaimer: The module will be at the discretion of the companies only. The European Commission will not assume any guarantee or liability for the accuracy of auditor's details or their competence nor would we recommend any single listed auditor
Registration of interested auditors (I)

WELCOME TO THE FGAS PORTAL

The FGAS Portal is an electronic system that allows you to
(i) register in the HFC Registry,
(ii) apply for HFC quotas, have quotas allocated to you and manage your quotas,
(iii) report on fluorinated greenhouse gases, according to the F-Gas Regulation (Regulation (EC) No 517/2014).

CHECK IF YOUR ORGANISATION IS ALREADY REGISTERED

To start using the FGAS Portal please check first if your organisation is already registered. Depending on your type of organisation you have to provide either your VAT number or your reference number and then click on the check button.

ARE YOU REPRESENTING A COMPANY?

Provide the VAT number of your undertaking (only for EU companies, for non-EU companies use link below).

CHECK

ARE YOU REPRESENTING A CUSTOMS AUTHORITY?

Provide the reference number of your customs authority.

CHECK

If you are a non-EU company register here.

If you are an auditor company register here.

LINK: https://webgate.ec.europa.eu/ods2/resources/home/
Available from ca. mid-February 2020
Registration of interested auditors (II)

- Contact details
- Contact person
- Accreditation
- Countries
- Languages
- Bulk/Equipment Verification
List of auditors visible to companies

<table>
<thead>
<tr>
<th>Verification Type</th>
<th>Servicing Countries</th>
<th>Available Languages</th>
<th>Organisation Name</th>
<th>Accreditation Type</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>AT, FP, LV</td>
<td>CROATIAN, CZECH, ENGLISH, ITALIAN</td>
<td>Auditors Acme Inc. v2</td>
<td>National</td>
<td>CONTACT</td>
</tr>
<tr>
<td>Bulk</td>
<td>LV</td>
<td>FINNISH, LITHUANIAN</td>
<td>org name 2</td>
<td>National</td>
<td>CONTACT</td>
</tr>
</tbody>
</table>
E-mail requesting contact to auditor

MESSAGE PREVIEW

[FGAS] Contact Details of Apple Inc. [TEST]

TOO—This is a TEST. Please do not consider.

To:
CC:
BCC:
ReplyTo: CLIMA-ODS2-TEST@ec.europa.eu

Dear Madam/Sir,

This is an automatic email from the FGas Portal and HFC Licensing System. Your company asked to be included in a list of auditing companies that are accredited either (i) pursuant to Directive 2003/87/EC and/or (ii) to verify financial statements according to national law of a Member State. The initiator of this email is an undertaking that is affected by Article 19 of the FGas Regulation, i.e. needs to have their annual reports verified independently, and seeks to find an independent auditor for this purpose. Please take up contact directly with the initiator if you are interested in pursuing this further, by writing to the specified email(s).

* User1 User1 user1@test.com

DO NOT REPLY TO THIS EMAIL.

This message is intended for the use of the addressee only and may contain information that is privileged and confidential. If you are not the intended recipient you are notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by return of this e-mail.

CAPTCHA:

[Image of CAPTCHA]

[Refresh captcha]

CANCEL SEND

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