WEBINAR

Independent Verification for HFC bulk importers/producers in line with obligations under the F-gas Regulation

30 January 2020
Outline Webinar Verification (bulk HFCs)

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 VR 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
Placing of HFC on the market (import or production) is restricted and reduces over time.
Companies importing or producing HFCs (bulk!) get **HFC quota** every year,

- either based on (i) market share of reference periods ("reference value"),
  (ii) pro rata from a reserve ("annual declaration for quota"), or
  (iii) by transfer from a quota holder

**Quotas are given in CO2 equivalent**

With same quota more metric tonnes of climate-friendly HFCs can be put on the market

A company can only place quantities of bulk HFCs on the EU market up to their **annual quota limit**

**Placing on the market** means EU production or import into the EU using the procedure "release for free circulation"

All HFCs in **pre-charged RAC equipment** need to be accounted for in the quota system, but compliance is achieved differently (usually via "quota authorisations")
Some relevant obligations

- Placing on the market of **non-refillable containers** is prohibited!

- Containers must be labelled appropriately
  - e.g. HFC name, quantity in weight and CO2, GWP (Art. 12)
  - very important to label quota-exempted gases, polyols as such

- Reports on imports/exports/production etc. (Art. 19) need to be submitted annually by 31 March, for previous year

- Need to register in Fgas Portal & HFC Licensing System:

- **NIL report**: to avoid being reminded
Verification obligations

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

- Annual verification required (!) if above threshold
  i.e. Placing on the market (9C in reporting sheets) exceeds 10 000 tCO2eq annually or any use of export exemption

- By 30 June each year for activities of previous calendar year

- Must be forwarded to authorities (MS, EC) upon request
  i.e. uploaded into reporting tool
Independent Auditors

Recommendation: 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:

Legislation:

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

Including the document: „Verification by Auditors“

„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>
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<tbody>
<tr>
<td></td>
<td>Inherent Risks</td>
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<tr>
<td>1</td>
<td>Identify</td>
<td>Where in the data trail errors or deviations may happen?</td>
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<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>
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<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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### 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>4</td>
<td>Identify</td>
<td>What are the risks of the implemented measures of step 3?</td>
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<tr>
<td>5</td>
<td>Minimise</td>
<td>Which measures help to minimise the identified control risks?</td>
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</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>
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<tr>
<th>Severity / Impact</th>
<th>Very low</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
<th>Very High</th>
</tr>
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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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Practical example: bulk verification for mid-sized organisation (1)

*a procedure description for compilation of F-Gas report acc. EU 517_2014 für reporting entity and reporting year*
Practical example: bulk verification for mid-sized organisation (2)

Which are the reported refrigerants?
- evidence: product data sheets, check SAP for other F-Gases

Importer / exporter?
- evidence: Commercial register extract etc.

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

Quota management
- evidence: Quota authorisations from BDR

Reasonable level of assurance, materiality: 5%

Last but not least: declaration of completeness
Practical example: bulk verification for mid-sized organisation (3)

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

Stocks?
  evidence: balance sheets, SAP

Recycled amounts?
  evidence: Delivery and acceptance documents, test reports

NIL reports:
  evidence: SAP

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 assertion 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 assertion
  - No change to the F-Gas report assertion by the F-Gas reporting entity
New Annex III 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
New Annex III 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 gases 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 9F quota need etc for questionnaire during BDR upload of VR and **auditor’s recommendations for improvement**

- **VI. Verification results**

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New Annex III 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
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 exam ... 

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 (bulk)

- Processes and SOP need to be established to ensure compliance with the Implementation Regulation
- Embedding of F-Gas reporting within QMS
- 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 VR (bulk importers/producers of HFCs)

- Legal obligation to submit Art 19 report (on import/export/production etc.) by **31 March** and to **have it verified by 30 June** and to present verification report (VR) to EU or national authorities on request

- **Self-reliant upload** of VR to the EU reporting system (BDR) **strongly encouraged** in order to facilitate the compliance process

- Upload of the VR does proactively and transparently demonstrate that you have fulfilled your obligation for the independent verification

- BDR (business data repository) operated by the European Environment Agency (EEA) collects **and preserves** data submitted by companies to the European Union. 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

- **EU/national authorities may explicitly request the VR upload to the BDR** for example in case of scrutiny for quota exceedance or in case of late resubmissions of the Art 19 report after the 31 March deadline

- **How to do the upload?**
Login/enter the F-gas portal
https://webgate.ec.europa.eu/ods2/
“Reporting” button leads to BDR

- Orange button on 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 (HFC producers and bulk importers)’** 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 3 questions on the key results of the verification

- Tick boxes to report auditor’s conclusions on
  * calculated quota use (section 9F of Art 19 questionnaire)
  * exemption for export (section 5C_exempted)
  * physical supplies provided by new entrants (section 10A)

- 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](mailto: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](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 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 30 June.

- The company is encouraged to upload the verification report of the resubmitted corrected F-Gas report to the BDR.
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 is encouraged to upload to the BDR the verification report identifying the inaccuracies in the F-gas report.
- The company should alert the authorities (EC, national).
- The company should resubmit a corrected F-Gas report in the BDR ASAP.
- The company should have the corrected resubmission verified by 30 June.
- The company is encouraged to upload the verification report of the resubmitted corrected F-Gas report to the BDR.
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

- Bulk verification guidance
- 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 Fgas 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
- No 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.

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

## List of Registered Auditors

### Select Country in Which You Need Auditor to Come

<table>
<thead>
<tr>
<th>Country</th>
<th>Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td></td>
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</table>

### Verification Type

<table>
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<tr>
<th>Verification Type</th>
<th>Servicing Countries</th>
<th>Available Languages</th>
<th>Organisation Name</th>
<th>Accreditation Type</th>
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<tbody>
<tr>
<td>Equipment</td>
<td>AT, FR, LV</td>
<td>CROATIAN, CZECH, ENGLISH, ITALIAN</td>
<td>Auditors Acme Inc. v2</td>
<td>National</td>
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<tr>
<td>Bulk</td>
<td>LV</td>
<td>FINNISH, LITHUANIAN</td>
<td>org name 2</td>
<td>National</td>
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</tbody>
</table>

[Contact] [Legal notice]
E-mail requesting contact to auditor

MESSAGE PREVIEW

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

Sue—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 13 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@mock ec.europa.eu

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:

01208

- Refresh captcha

CANCEL SEND