

Guidance/best practices on recommendations for improvement issued by verifiers in accordance with Regulation (EU) 2015/757

This document is part of a series of documents prepared by experts gathered under two subgroups established under the umbrella of the "European Sustainable Shipping Forum (ESSF)": the MRV subgroup on monitoring and reporting and the MRV subgroup on verification and accreditation. These two MRV subgroups gathered for the period June 2015 to May 2017 in order to provide technical expertise in areas relevant for the implementation of Regulation (EU) 2015/757 (the MRV shipping Regulation).

As indicated in their terms of reference, the two MRV shipping subgroups gathered relevant expertise and were mandated to identify guidance/ best practices in areas relevant for the implementation of the MRV shipping Regulation. The substance of this best practices document was unanimously endorsed by the representatives of the ESSF Plenary by written procedure ending on 30th of June 2017.

Guidance/Best practices documents have been established in the following areas:

Apart from the present document Guidance/Best practices documents have been established in the following areas:

- Preparation of Monitoring Plans by companies;
- Monitoring and reporting of fuel consumption, CO2 emissions and other relevant parameters;
- Assessment of monitoring plans by verifiers;
- Backward assessment of monitoring plans;
- Materiality and sampling;
- Verification of emissions reports by verifiers;
- Recommendations for improvements issued by verifiers;
- Assessment of verifiers by National Accreditation Bodies in order to issue an accreditation certificate;
- Dealing with situations where the accreditation is suspended or withdrawn close to the planned issuing date of the Document of Compliance (DOC) by the verifier.

All guidance/best practices documents and other relevant documents can be downloaded from the Commission's website at the following address:

https://ec.europa.eu/clima/policies/transport/shipping_en#tab-0-1

1. INTRODUCTION

This document has been prepared by a Task Force under the MRV subgroup on verification and accreditation, co-ordinated by Mrs Katharine Palmer (from Lloyds Register). It provides examples on the different recommendations which might be addressed to MRV companies by verifiers further to their findings during the assessment of the Emissions report.

It has been written to support the implementation of the MRV shipping Regulation by explaining its requirements in a non-legislative language and providing some examples. However, it should always be remembered that EU Regulations in this area set the primary legal requirements.

2. WHAT IS A RECOMMENDATION FOR IMPROVEMENT?

Legal requirements for verifiers in relation to formulation of recommendations are stipulated in Article 19 of Commission Delegated Regulation (EU) 2016/2072¹.

A recommendation of improvement is a suggestion from the verifier to improve the Company's performance in monitoring and reporting CO₂ emissions, cargo carried, transport work, distance travelled and /or time spent at sea.

In general the verifier should raise any weaknesses identified in the MRV Company performance that has the potential to lead to higher risk or a material misstatement in the future and inform them why it considers an improvement is relevant. However, the verifier should refrain from prescribing how the MRV Company should resolve the identified weakness as that would place the verifier in a consultancy role and compromise its independence and impartiality as a verifier.

Recommendations for improvement can cover a whole range of issues not only involving the Company risk assessment, data flow activities, control activities and procedures but also the accuracy of monitoring and reporting.

Uncorrected misstatements and non-conformities which have a material impact shall be reported as such, according to Article 19 of Commission Delegated Regulation 2016/2072. Recommendations for improvement could only relate uncorrected misstatements and non-conformities which do not lead to material impact.

Example

If the verifier finds 4% materiality (in the sampled data) for the total fuel consumption in one reporting period and in their professional judgement think that the data management system should be more robust then a recommendation for improvement for data management system may be given. However, the verifier should check the recommendation for improvement was implemented in the next reporting period. If there is a raise in the materiality level above the threshold level (> 5%) then the verifier should

¹ Commission Delegated Regulation on verification activities and accreditation of verifiers pursuant to Regulation (EU) 2015/757 :

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R2072&from=EN>

graduate the recommendation for improvement to a non-conformity for this reporting period.

3. RECOMMENDATIONS THAT WOULD BE ALLOWED

- (1) During the verification the verifier noted inconsistencies in fuel data due to the fact that information for certain voyages was missing as a result of the fuel flow meter malfunctioning.
- (2) The verifier may recommend that the system for ensuring correct functioning of the fuel flow meters can be improved.
- (3) A non-conformity that does not actually affect the data reported in the Annual Emissions Report for example, the contact details on the Monitoring Plan have not been updated after a change of personnel or a change in the document system that does not affect the data, can technically be reported under recommendation for improvement.
- (4) The Company has indicated a low inherent risk regarding the appropriateness of the location of the flow meters whereas the verifier deems the risk to be higher requiring more robust control activities such as maintenance or better location on the inlet to the emissions sources. Note: the verifier should however refrain from explicitly stating which type of more robust control activities they recommend, for example not recommend the exact location of the flow meters as that would place the verifier in a consultancy role and compromise its independence.
- (5) The Company does not regularly cross-check or review the data collected for the MRV regulation, the verifier recommends the need for more frequent review of the primary fuel consumption / CO₂ emissions and the secondary data source to ensure that anomalies are picked up in a timely manner. For example if Method C Flow Meters is the primary method detailed in the Monitoring Plan it can be cross checked against Method A BDNs and periodic stock take or Method B. Note: the verifier refrains from prescribing the level of improvement in frequency or how to do the cross check between the data sources, this should be based on the Company re-assessing the risks involved.
- (6) The Company uses a data management system that is not suitable for the volume of data to be stored for a large fleet of ships and requires manual data entry. The verifier can recommend that improvements on the data management systems should be initiated. The verifier cannot prescribe a specific system.
- (7) During the verification the verifier identifies that the access to relevant spreadsheets for calculation of MRV data is not restricted. The verifier can recommend to improve the data security. However, the verifier cannot prescribe type of software or the system for restricting rights.
- (8) The `process activity` for enhancing human resource for the on board ship`s staff with regards to competency and training was found to be in sufficient. The verifier may recommend for improvement the process but cannot recommend how the company shall plan training i.e. what kind of training to carry out, what competency management system to employ, which training institute to be used for non STCW courses.

4. RECOMMENDATION THAT WOULD NOT BE ALLOWED

During the verification the verifier noted inconsistencies in fuel data due to the fact that information for certain voyages was missing as a result of the fuel flow meter malfunctioning.

The verifier recommends to change the fuel monitoring method from Method C to Method A as the Company would not be depending on equipment and reporting fuel consumption would be easier. The verifier also recommends asking the Company to cross check the data from Method A with Method C and provides their own guidance or method on how to do it.

This way of providing recommendations would not be allowed because the verifier influences decisions to be made by the company. If for example the Company decides to follow the exact guidance provided by the verifier and it turns out that it is not effective due to parameters that was not considered, the verifier will be in a difficult position when they detect misstatements as a direct result of their recommendation.

Another example can be with inconsistencies in the dataflow, the verifier can recommend including missing activities (i.e. recorded, transmitting) but the verifier cannot actually describe the activity or provide any template or suggest any software tool.
