

Third-Party Data Auditing and International Best Practices

California Air Resources Board
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Presentation Outline

- Purpose of third-party auditing
- Components of third-party auditing
- ARB's Existing 3rd-Party Auditing and ISO Standards
 - Mandatory Greenhouse Gas Reporting
 - Cap-and-Trade Regulation
- Considerations for requiring 3rd-party auditing

Purpose

- Independent review of information
 - Review for information accuracy
 - Mistakes (complexity)
 - Fraud
- Common practice in financial world
- Best practice for emissions trading systems

Components

- Trained auditors that understand the program requirements
- Well-defined standards for review
- Rigorous requirements to avoid conflicts of interest between auditors and clients

ARB's Audit Programs

- Mandatory Greenhouse Gas Reporting Regulation
 - Experience in existing programs revealed many mistakes in self reported GHG emissions data
 - Third-party GHG verification is international standard
 - Emissions that will be monetized
 - Based on ISO Standards
 - 14064-1: inventory reporting best practices
 - 14064-3: verification best practices
 - 14065: best practice requirements for verification bodies
 - Standard for review is the MRR regulation

ARB's Audit Programs, cont.

- Cap-and-Trade Regulation – Compliance Offsets
 - Third-party GHG verification is international standard
 - Reductions that will be monetized
 - Based on ISO Standards
 - 14064-2: project reporting best practices
 - 14064-3: verification best practices
 - 14065: best practice requirements for verification bodies
 - Standard for review is the applicable compliance offset protocol and Cap-and-Trade Regulation
 - Additional standards for forestry: FSC, SFI, etc.

Considerations

- What is the purpose of the information subject to review?
- Is there a clear standard for review?
- Do there need to be training and experience standards for auditors?
- What are the appropriate protections against conflict of interest between the auditors and clients?
- Is the potential cost for required audits appropriate for the purpose of the program?

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