NSF Sustainability℠
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March 21, 2016

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacrament, CA 95814

Dear Chair Nichols,

The Greenhouse Gas program managed by the Sustainability division of NSF International is an accredited body for both verification of facilities subject to the Mandatory Reporting Regulation and for verification of offset projects in accordance with the Cap-and-Trade program of the Air Resources Board. NSF International is also accredited by the American National Standards Institute as a validation body and as a verification body for greenhouse gas validation and verification.

ARB has solicited feedback on its draft Aliso Canyon Methane Leak Climate Impacts Mitigation Program. NSF International offers the following comments on elements of section VI of that draft which relate to the project selection process. The draft mitigation program describes a number of information and process requirements that project proponents would have to provide in order to demonstrate eligibility for inclusion in the program. These include:

- The anticipated annual and cumulative emission reductions associated with the project, relative to a conservative business-as-usual baseline;
- The methodology used to quantify emission reductions associated with the project, along with an explanation of how these reductions are real, permanent, additional, and verifiable;
- The identity of a qualified and independent verification authority that will certify any emission reductions associated with the project.

The first two bulleted items above represent activities associated with greenhouse gas "validation" as this term is used in ISO 14064-3, the international greenhouse gas validation and verification standard. This international standard, originally published in 2006, is undergoing revision and a Committee Draft (CD) of the second edition will be published in April 2016. In this CD, validation is defined as:

> "process to evaluate the reasonableness of the assumptions, limitations, and methods that support a statement about the outcome of future activities"

Validation in this sense is what ARB is seeking in the first two bullets listed above. It is important to distinguish validation from verification. The term verification, in both ISO standards and established financial accounting standards, refers to a conclusion reached about *historical* greenhouse gas data and information.

ARB in its Mandatory Reporting Regulation [§95102(a)(488)] adapted the 2006 ISO 14064 Part 3 definition of "verification" which focuses on a process to evaluate "a reporting entity's emissions data report against ARB's reporting procedures and methods for calculation and reporting GHG emissions and product data."

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In both the Mandatory Reporting Regulation and the Cap-and-Trade regulation, ARB's use of the term "verification" and therefore "verification body" is linked to the practice of reaching conclusions on the accuracy of historical information. The second edition of ISO 14064-3 will make this clear by defining "verification" as

> "process for evaluating a statement of historical data and information to determine if the statement is materially correct and conforms to criteria."

The Aliso Canyon Methane Leak Climate Impacts Mitigation Program requires at the outset the application of validation skills and abilities, not verification skills and abilities. The second edition of ISO 14064-3 will address validation in a comprehensive manner, providing validators with a set of requirements for conducting audits of hypothetical information and future estimates as opposed to audits of historical data and information.

NSF International urges the Air Resources Board to recognize the difference between the validation and verification of greenhouse gas assertions, and to require that proposed projects be validated by competent validation bodies prior to accepting them for inclusion in the Aliso Canyon Methane Leak Climate Impacts Mitigation Program. Once the projects have been implemented, the results of the projects should then be verified in accordance with ARB verification criteria.

NSF International's Greenhouse Gas program manager, John C. Shideler, PhD, participated in the ISO technical committee working group that developed the first edition of ISO 14064 Part 3 in the years 2002 through 2006. He is currently participating in the working group revising this standard and others related to greenhouse gas management. Dr. Shideler is also an ARB accredited lead verifier for both the Mandatory Reporting Regulation and the Cap-and-Trade offset projects program and has previously validated greenhouse projects submitted to voluntary programs that recognize ANSI accreditation of GHG validation bodies and verification bodies.

NSF International is ready to assist ARB with the provision of necessary language to adequately describe validation processes that are appropriate for use with proposed projects developed under the Aliso Canyon Methane Leak Climate Impacts Mitigation Program.

Sincerely,

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