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# GVP 3.0 Technical Support Documents

As part of the public comment process for General Verification Protocol 3.0, TCR is requesting feedback on key questions in the following Technical Support Documents. The questions are grouped by the following topics: Facility Visits, Qualitative Materiality, and Verification Cycle. To submit feedback, please use the General Verification Protocol Module Feedback Template found on the [Verification](#) page and send the completed form to [policy@theclimateregistry.org](mailto:policy@theclimateregistry.org).

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# Facility Visits

## GVP 3.0 Technical Support Document

TCR is requesting feedback on two topics related to facility visits: the definition of commercial facilities, and a proposal for remote facility visits.

### Background on Remote Facility Visits

During the Covid-19 pandemic, TCR issued a memorandum which allowed for verifiers to substitute in-person facility visits with virtual or remote facility visits. As countries and jurisdictions have ended their Covid-19 restrictions, TCR is seeking to restore its prior policy on facility visits, while allowing for flexibility for verifications of less complex facilities and sources of emissions and inventories verified to a limited level of assurance.

TCR is proposing to add the following subsection on Remote Facility Visits after the description of Method C: Commercial Facilities in the section on Planning Facility Visits.

#### “Remote Facility Visit Option for Commercial Facilities

Under certain circumstances, verification bodies may conduct remote facility visits using Information and Communication Technology (ICT), such as online meeting platforms and remote audio/video access. Verification bodies may conduct remote facility visits to satisfy facility visit requirements for commercial facilities as defined in Facility Definitions. [See excerpt of Facility Definitions below]. Non-commercial facilities, such as those conducting manufacturing or industrial operations, and facilities with complex operations and emissions sources beyond those described in the definition of commercial facilities are ineligible to be assessed remotely. Verification bodies who choose to perform a remote facility visit must still be able to determine within the agreed assurance level whether the inventory is free from material misstatements and meets the requirements of the 95% materiality threshold.

In order to substitute remote site visits for an in-person site visit of a commercial facility, verification bodies must follow the requirements of IAF MD 4.<sup>1</sup> Verification bodies should also consult IAF ID 2,<sup>2</sup> Principles on Remote Assessment, for guidance on the use of remote assessment. Verification bodies should ensure that they have sufficiently analyzed the risk using ICT for a remote assessment and have mitigated the risk to low. If the risk of a remote site visit cannot be mitigated to low and the level of assurance cannot be guaranteed, the verification body must not proceed with the remote site visit and must instead conduct an in-person visit.

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<sup>1</sup> [https://iaf.nu/iaf\\_system/uploads/documents/IAF\\_MD4\\_Issue\\_2\\_Version\\_2\\_03082021.pdf](https://iaf.nu/iaf_system/uploads/documents/IAF_MD4_Issue_2_Version_2_03082021.pdf)

<sup>2</sup> [https://iaf.nu/iaf\\_system/uploads/documents/IAFID12PrinciplesRemoteAssessment22122015.pdf](https://iaf.nu/iaf_system/uploads/documents/IAFID12PrinciplesRemoteAssessment22122015.pdf)

Verification bodies who choose to substitute remote site visits for in-person site visits must follow the GVP's requirements for determining the minimum number of facility visits and submit notice of their upcoming facility visit to TCR. Verifiers may be additionally required to provide documentation to TCR of their justification for substituting in-person site visits with remote visits.”

### Facility Definitions (excerpt from GVP)

“A **facility** is defined as an installation or establishment located on a single site or on contiguous adjacent sites that are owned or operated by an organization, plus any mobile sources such as on-road vehicles and fleets, also taking into account industry-specific rules for facilities such as oil fields. Pipelines and transmission and distribution systems can be treated as single facilities as provided in the GRP.

**Commercial facilities** are defined as office-based or retail facilities that do not conduct industrial operations and for which emission sources are limited to:

- Purchased or acquired electricity, heating or cooling;
- Stationary combustion of fuel for building heating;
- Refrigerants for building and vehicle air conditioning;
- Standard fire extinguishers (as opposed to more complex PFC systems);
- Non-commercial refrigeration;
- Commercial refrigeration operations when an organization centrally manages refrigerant stocks;
- Emergency generators;
- Automobiles and on-road trucks; and,
- Off-road equipment limited to building and landscape maintenance.

Other sources powered by purchased electricity such as transportation, pump stations, parking lot lighting, or traffic signals can be considered a commercial facility for purposes of this methodology.

**Non-commercial facilities** are defined as all other facilities not meeting the criteria of a commercial facility (e.g., facilities that are used for manufacturing or other industrial operations).”

## Key Questions

1. Please provide feedback on the definitions of commercial vs non-commercial facilities. Are there additional emissions sources that should be allowed in the list of acceptable sources for commercial facilities? Are there other special types of sources or facilities (like pump stations and traffic signals) that TCR should add to the list to be considered commercial facilities? Please justify your response.
2. Please provide feedback on the proposal for allowing remote facility visits for commercial facilities.
  - a. Is it possible to provide a limited and a reasonable level of assurance with remote site visits for commercial facilities? Is there a distinction between whether remote

facility visits are appropriate for a first year verification with a member vs. subsequent years? Please explain your response.

- b. What additional guidance or requirements (if any) should be provided to ensure the effectiveness of remote site visits?
  - c. Is it possible for remote site visits to be effective for non-commercial facilities in specific circumstances (For example, for limited assurance verifications only)? Please explain which circumstances would be appropriate and justify your response.
3. In GVP 2.1, facility visits were not required for verifications to a limited level of assurance unless indicated by the risk-assessment. With the ISO 14064-3:2019 update, there is a new requirement for facility visits to the facility that aggregates data for the GHG statement where the verification body does not have prior knowledge of the inventory process (i.e., a new member-verification body relationship). TCR has proposed the following text in draft GVP 3.0 subsection on Limited Level of Assurance within the section on Planning Facility Visits. This allows for facility visits to be in-person or remote.

“When a verification body does not have prior knowledge of the GHG inventory aggregation process, they must perform an in-person or remote facility visit to the facility responsible for the GHG inventory aggregation.”

Should remote site visits be allowed for non-commercial facilities in the special case of first-year limited level of assurance verifications (i.e., when the verification body does not have prior knowledge of the GHG inventory verification process)? Why or why not?

# Qualitative Materiality

## GVP 3.0 Technical Support Document

### Background on Qualitative Materiality

Verification bodies use the concept of materiality to determine if omitted or misstated GHG emissions information will lead to significant misrepresentation of a member's emissions. A material misstatement is defined as the aggregate of errors, omissions, noncompliance with program requirements, and/or misrepresentations that could affect the decisions of intended users.

TCR is proposing an update to the concepts of quantitative and qualitative materiality, particularly in regard to how qualitative materiality is required to be assessed in the verification process. The intention of the update is to provide a clear definition of qualitative materiality that was absent in GVP v. 2.1, better align with how the concepts are presented in ISO 14064-3:2019,<sup>3</sup> and clarify that qualitative materiality is evaluated in regard to whether misrepresentations in the GHG inventory could affect the decisions of intended users.

The table below presents the original language in GVP 2.1 and the proposed updates in GVP 3.0.

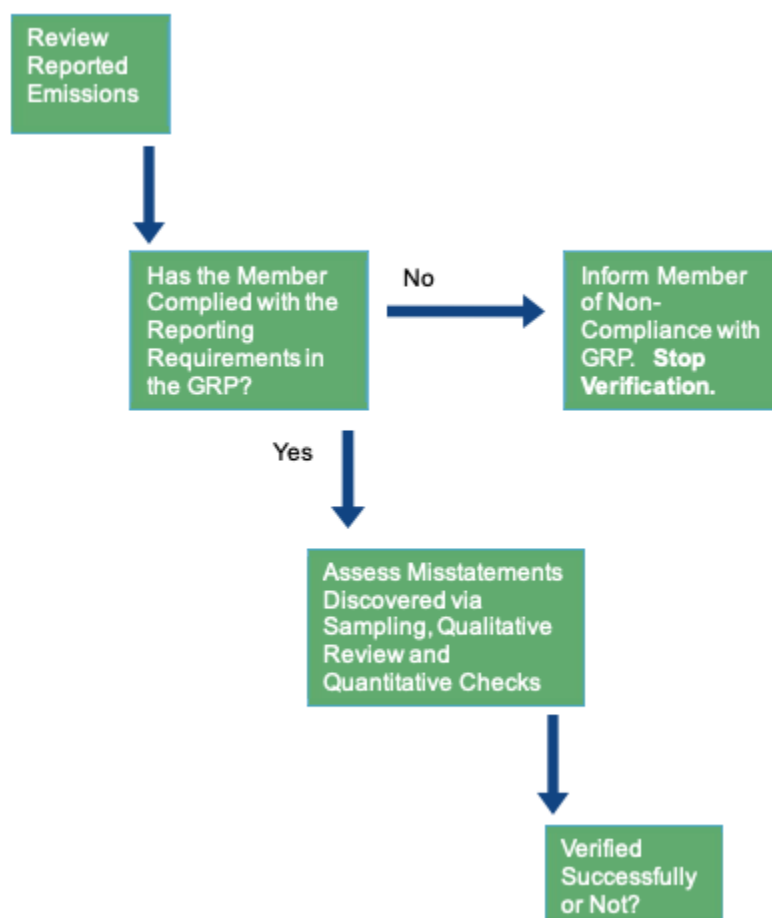
| GVP 2.1   |
|---|
| <p>TCR has removed the “hierarchical assessment to evaluating material misstatements” described at the end of GVP 2.1 Section 2.5 and Figure 2.2 (on page 17), and examples 2.4 through 2.6, which provided examples of types of qualitative misstatements:</p> <ul style="list-style-type: none"> <li>● Due to systematic omission of GHGs (e.g., a member excluded all HFCs)</li> <li>● Due to an omission of a facility or systematic omissions of an emissions source</li> <li>● Due to a miscategorization of emissions (e.g., fugitive emissions categorized as process emissions, if greater than 5% of the scope)</li> </ul> <p>The removed text on page 17 and Figure 2.2 is provided below:</p> |

<sup>3</sup> ISO 14064-3:2019 describes quantitative and qualitative materiality as follows. “Quantitative materiality refers to error in value in the GHG statement. Examples include misstatements, incomplete inventories, misclassified GHG emissions or misapplication of calculations. Qualitative materiality refers to intangible issues that affect the GHG statement. Examples include: a) control issues that erode the verifier's confidence in the reported data; b) poorly managed documented information; c) difficulty in locating requested information; d) noncompliance with regulations indirectly related to GHG emissions, removals or storage.

“The application of a materiality threshold involves qualitative as well as quantitative considerations (see Figure 2.2 and Examples 2.4 through 2.6). The Registry requires that verification bodies follow a hierarchical assessment when evaluating material misstatements. First, a verification body must confirm that a Member meets all of The Registry’s reporting and programmatic requirements (qualitative assessment).

Then, a verification body must conduct a risk assessment to sample for reporting errors (quantitative assessment). If a verification body discovers that a Member has not complied with The Registry’s program requirements (e.g. has not reported its Canadian operations) then it must inform the Member, and cease further verification activities until the Member can correct the error.”

**Figure 2.2 Materiality Hierarchy**



## GVP 3.0

GVP 2.1 section 4.3 on Core Verification Activities has been revised to better align with the steps to the verification engagement specified in ISO 14064-3:2019 (now seen in GVP 3.0 sections on Verification Planning and Execution of Verification Activities). The changes to text are extensive, so are not included as excerpts here. Notably, the steps to assess conformance with TCR's requirements and to assess completeness of the inventory no longer take place exclusively before the risk assessment and evidence-gathering plan is developed.

These tasks are still an integral part of the verification process, but are incorporated into all aspects of the verification, starting with the strategic analysis (as the verification body seeks to understand the complexity of the inventory) and risk assessment (as the verification body evaluates areas likely to have errors). Later, assessments of conformance with criteria and completeness are incorporated into the verification plan and execution of verification activities. As a verification body evaluates the inventory for completeness and conformity with criteria it may need to update its evidence-gathering plan and verification plan as material discrepancies are discovered that indicate a need for additional evidence-gathering activities and verification techniques (such as additional sampling). When a verification body discovers an issue of non-compliance in the inventory it is not always necessary to cease verification activities until the error is corrected (per Figure 2.2).

The proposed text in GVP 3.0 reflects the following changes:

- Misclassification of GHG emissions is now considered to be part of the quantitative evaluation rather than qualitative.
- Qualitative materiality is defined. GVP 2.1 did not provide a clear definition but described a qualitative materiality assessment as involving verification that all GRP programmatic requirements are met, while GVP 3.0 refers to 1) intangible issues that significantly affect the inventory, and (2) omissions or non-conformity with criteria that misrepresent the inventory and may affect the decisions of intended users.
  - The concept of intangible issues is new to the GVP and reflects examples from ISO 14064-3:2019.

The proposed text in GVP 3.0 in the section on Quantitative and Qualitative Materiality is provided below:

“Materiality has qualitative and quantitative components.

**Quantitative materiality** refers to error in emissions totals in the GHG inventory. Examples include misstatements due to misapplication of calculations, incomplete reporting, or misclassified GHG emissions.\*

**Qualitative materiality** refers to intangible issues that significantly affect the GHG inventory, or errors, omissions or non-conformity with criteria that misrepresent the inventory and may affect the decisions of intended users.

Intangible issues that may be qualitatively material may include but are not limited to:

- Control issues that erode the verification body's confidence in the reported data;
- Poorly managed documented information;
- Irresolvable difficulty in locating requested information; and,
- Noncompliance with regulations indirectly related to GHG emissions.

Examples of qualitatively material errors, omissions or non-compliance with criteria include but are not limited to:

- Systematic omission of types of GHGs (e.g., omitting all HFCs from the inventory without excluding HFCs from the reporting boundary);
- Systematic omission of GHG sources (e.g., omitting all emergency generators without excluding this source from the reporting boundary);
- Omission of a facility (without excluding the facility from the reporting boundary); and,
- Errors and omissions of non-emissions data described in the scope of the verification.\*\*

\*Misclassified emissions within a scope (e.g., Scope 1 emissions that should have been reported as process emissions but were incorrectly reported as fugitive emissions, or emissions calculated using simplified estimation methods that are not labeled as SEMs), that once aggregated with other errors within the scope, result in an error of at least 5 percent of the emissions within that scope, result in a qualitative material misstatement and the inventory must be corrected before a positive verification opinion can be issued.

\*\*This includes eligibility of contractual instruments; required scope 2 disclosure, required disclosures listed under the Additional Reporting Requirements section in GRP Module E - Reporting; application of offsets to the member's net inventory; additional disclosures, reports and performance metrics required by sector-specific protocols; and information related to parent companies/subsidiaries and government agencies."

## Key Questions

With GVP 2.1, TCR interpreted any omission of a systematic nature (regardless of quantitative materiality), any omission of a facility (regardless of quantitative materiality) and any non-conformity with criteria to be a qualitatively material issue. With a clearer definition of qualitative materiality we have an opportunity to better define what types of omissions and misrepresentations constitute a qualitatively material issue that affects the decisions of intended users. Given the subjective nature of verification, and to promote standardization of the rigor of verification across members and verification bodies, TCR intends provide minimum requirements for qualitative materiality assessments of completeness and conformity with criteria in the GVP, while leaving room for verification bodies to assess issues that affect decisions of intended users according to unique aspects of individual inventories.



For example, considering feedback from members and verification bodies, TCR is considering providing more flexibility for the omission of facilities. For instance, the additional flexibility could allow a verification body to evaluate an omission of a single facility to be qualitative immaterial if the facility is a miniscule part of the overall inventory (quantitatively immaterial) and not important to the member's GHG emissions management strategies (e.g., a single retail location in a large franchise). In this case, the verification body could use their professional judgment to evaluate whether the omission of the facility would misrepresent the inventory or affect the decisions of intended users.

1. Should TCR continue to include "errors, omissions or non-compliance with criteria" in the definition of qualitative materiality? Why or why not?
2. If TCR continues to include "errors, omissions or non-compliance with criteria" in the definition of qualitative materiality, is there a way to distinguish between non-conformities or omissions that TCR considers to be automatically quantitatively material because they misrepresent the inventory (i.e., the second bulleted list under the definition of qualitative materiality above) vs non-conformities and omissions for which the verification body may use their professional judgment to determine qualitative materiality? (e.g., Should verification bodies be allowed to determine if an omission of an unimportant facility is qualitatively immaterial?)
3. What types of omissions/non-conformities with criteria (if any) should be considered "automatically" qualitatively material? Please explain. Examples of qualitative materiality from other voluntary or regulatory programs are appreciated.
  - Systematic omission of types of GHGs (e.g., omitting all HFCs from the inventory without excluding HFCs from the reporting boundary);
  - Systematic omission of GHG sources (e.g., omitting all emergency generators without excluding this source from the reporting boundary); and,
  - Omission of a facility (without excluding the facility from the reporting boundary)
  - Errors and omissions of required non-emissions data described in the scope of the verification.<sup>4</sup>

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<sup>4</sup> Note - if, based on stakeholder input, TCR decides to remove the concept of omissions/non-conformities with criteria from the definition of qualitative materiality altogether, other sections of the GVP will clarify that required non-emissions data must be verified in order to issue a positive verification opinion, regardless of quantitative materiality.

# Verification Cycle

## GVP 3.0 Technical Support Document

### Background on the Verification Cycle

TCR requires full verifications every 3 years, with a minimum number of site visits as defined by the GVP required in Year 1 (full verification) and potentially required in Year 4 (full verification). However, verification bodies have leeway to skip visits in Year 4 if certain conditions are met. The requirements are outlined in the table below. Please refer to the section on the verification cycle from Draft GVP 3.0 Module C. Pre-engagement Activities for the entire text related to the verification cycle. The text currently remains substantively unchanged from GVP 2.1.

#### GVP 2.1 Verification Cycle Requirements

|  |   |
|--|---|
| Years in cycle                                 | 3   |
| Full verification                              | Years 1 & 4   |
| Streamlined verification                       | Years 2, 3, 5, 6  |
| Facility visits                                | Years 1 and 4<br>*Certain conditions may trigger a full verification in years 2, 3, 5, 6<br>*Year 4 visits may be skipped if certain conditions are met |
| Limit on member-verification body relationship | 6 calendar years  |

The GVP describes a streamlined verification as: verification services provided in interim years between full verifications. The verification body must perform the minimum set of activities that will allow it to conduct a risk-based assessment of materiality and to attain reasonable assurance in the findings presented in its verification statement. The minimum required activities include the risk-based assessment and the verification of emission estimates against the verification criteria.

### Key Questions

TCR has received feedback indicating some confusion about what constitutes a full vs. a streamlined verification, and about Year 4 site visits. TCR has developed several questions for stakeholders (particularly verifiers) to learn about their experience with the verification cycle and solicit recommendations for clarification.

1. To simplify verification requirements, TCR is considering transitioning from a three year verification cycle to a six year verification cycle, with full verifications only required in the first year of the cycle, unless triggered by the circumstances listed in the GVP. Please comment on any benefits or drawbacks you foresee if this change was made.
2. How can TCR improve guidance on what activities are required for streamlined verifications?

Currently the GVP states that the minimum required activities for a streamlined verification include the risk-based assessment and the verification of emission estimates against the verification criteria. Due to the ISO 14064-3: 2019 updates that are being incorporated into the GVP, the evidence-gathering plan and verification plan will also be included in the minimum required activities for a streamlined verification. TCR plans to specify in GVP 3.0 that evidence-gathering activities and verification techniques for a streamlined verification may be designed to be less comprehensive than for a full verification, given the VB's understanding of the inventory and controls from prior full verifications.

In your opinion, what are the minimum set of activities that will allow a verification body to obtain reasonable assurance for a streamlined verification? Please include suggestions for how the language in the GVP can be clarified.