



# Explanatory document EU ETS emissions





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## How does emissions trading work?

Major industrial CO<sub>2</sub> emitters, like similar companies in other European member states, have had to deal with an emissions trading system since 2005: the CO<sub>2</sub> emissions trading scheme [EU-ETS]. These companies receive free CO<sub>2</sub> emission allowances from the government for an entire trading period. This entitles a company to emit a certain amount of CO<sub>2</sub>, based on which a CO<sub>2</sub> emissions permit is issued. Companies that emit more CO<sub>2</sub> than it owns in allowances can buy additional allowances or take measures to reduce CO<sub>2</sub> emissions. On the other hand, companies that have emission rights left over can sell them. However, annually these obtained free allowances are gradually phased out.

The Netherlands Emissions Authority (NEa) is in charge of supervision. Emission permits to companies are granted by the NEa; in addition, the NEa also supervises ongoing emission permits annually. To guarantee the reliability and correctness of the emission report and activity report, European legislation requires a verification report/statement from an independent and accredited verifier for both the emission report and the activity report. This also applies to the CO<sub>2</sub> tax report, but on the basis of nationally applicable laws and regulations and imposed on Dutch companies only.

## When should an emissions report, activity report or CO<sub>2</sub> tax report be verified?

Companies that are required to participate in the European Emissions Trading Scheme [EU-ETS] must have report and verified their greenhouse gas emissions and, in most cases, their activity level by 31 March each year. A verifier will have to approve both a company's emissions report and, where applicable, activity report in a verification report, on the basis of which a verification statement is issued. This is a legally required review. Companies participating in EU-ETS do not have the CO<sub>2</sub> tax report verified by a verifier. Companies not participating in the EU-ETS, but which do have to submit a CO<sub>2</sub> tax report, do have to have this report verified by a verifier.

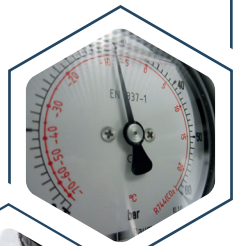
# What does the verification process at ECH entail?

When your annual emissions report; activity report or CO2 tax report is verified, this process consists of 4 parts:

- Based on requested basic information, a pre-contract review and strategic analysis is carried out, which includes determining the resources needed to properly carry out the verification(s) and the time commitment required to do so.
- Risk analysis: prior to the actual verification, the expected inherent and control risks and other relevant concerns are identified, in order to be able to perform the verification with the required degree of certainty.
- System verification: examination focusing on the design and implementation of the measurement and data processing system and internal quality assurance [as described in the monitoring plan [MP] and , if applicable, the monitoring methodology plan [MMP]. System verification is carried out during a site visit, which includes visiting and checking the installations and measurements.
- Data verification: checking the data reported in the emission report; activity report or CO2 tax report.

At the end of the verification(s), the verifier prepares a verification report with a verification statement, which is checked internally by a reviewer/independent assessor not involved in the verification process.

The latter makes the verification decision and signs the verification statement, which will be submitted to the NEa.



# Independence, impartiality and confidentiality

To ensure independence and impartiality, all of ECH 's verifiers have signed a 'Declaration of Conduct and Confidentiality', in which they declare, among other things, not to be involved in the working environment of the companies to be verified and to keep confidential any business information obtained that is necessary to perform the verification[s].

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Version VI-027-2 EN

