

1 STATE OF NEW MEXICO
2 BEFORE THE ENVIRONMENTAL IMPROVEMENT BOARD
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5 **IN THE MATTER OF PROPOSED NEW REGULATIONS,**

6 20.2.300 – *Reporting of Greenhouse Gas Emissions*

7 20.2.301 NMAC – *Greenhouse Gas Emissions – Verification Requirements*
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9 **AND PROPOSED REPEAL OF REGULATION,**

10 20.2.87 NMAC – *Greenhouse Gas Emissions Reporting*

No. EIB 10-09 (R)

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15 **REBUTTAL TESTIMONY OF JACKIE ZOROVICH**
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19 The New Mexico Oil and Gas Association has submitted testimony suggesting that the
20 Department's verification rules reflect a distrustful attitude toward industry. In fact, the
21 Department's rules are consistent with the best practices for verification.

22 The Department's rules are patterned on the essential requirements of the Western
23 Climate Initiative (WCI), which adopted third-party verification because it is the international
24 standard for GHG reporting, ensures high quality data, and promotes the ability to trade
25 allowances for their full and fair value in the international trading market.

26 As GHG reporting programs have evolved in the past decade, stakeholders have seen the
27 need to create GHG reporting and verification standards to harmonize the type and quality of
28 data produced by various programs. To address this need, the International Organization for
29 Standardization (ISO), a worldwide federation of national standards bodies, developed several
30 international standards pertaining to GHG reporting and verification. Briefly, they are:

- 31 • **ISO 14064-1:** Outlines the principles and requirements for designing, developing,
32 managing, and reporting corporate level GHG inventories.

1 • **ISO 14064 -3:** Outlines the principles and requirements for verifying GHG inventories
2 and validating or verifying GHG projects.

3 • **ISO 14065:** Outlines the principles and requirements for Verification Bodies that
4 undertake validation or verification of GHG assertions.

5 Third-party verification has become the commonly accepted “best practice” for ensuring
6 accurate GHG emissions data for both voluntary and mandatory reporting and trading programs.

7 Internationally, third-party verification has been employed by several GHG programs,
8 including:

9 • United Nations Framework Convention on Climate Change Clean Development
10 Mechanism;

11 • European Union Emissions Trading Scheme;

12 • United Kingdom Emissions Trading Scheme;

13 • Alberta’s Specified Gas Emitters Program;

14 • British Columbia’s Greenhouse Gas Reduction Act;

15 • California’s mandatory GHG reporting rule; and

16 • Massachusetts Department of Environmental Protection mandatory GHG reporting rule.

17 In developing its verification requirements, the WCI sought to incorporate best practices
18 by adopting requirements consistent with ISO 14064-3, ISO 14065, and established North
19 American GHG reporting programs such as The Climate Registry , the California Climate Action
20 Registry (CCAR), and the California Air Resources Board (CARB). New Mexico, in turn,
21 drafted its verification requirements to be consistent with the WCI framework.

22 The Climate Registry’s voluntary GHG reporting program is widely viewed as the
23 premier GHG registry in North America. The Climate Registry’s verification program is based

1 on ISO 14064-3, the international standard for GHG verification, and incorporates the key
2 principles of independence, ethical conduct, fair presentation, and due professional care.

3 ISO 14064-3 defines verification as the “systematic, independent and documented
4 process for the evaluation of a greenhouse gas assertion.” The standard requires verifiers to
5 remain independent of the activity being verified, and free from bias and conflict of interest to
6 ensure that the findings and conclusions will be based on objective evidence generated during the
7 validation or verification.

8 To ensure the integrity of its reporting program and conformance with the ISO 14064-3
9 requirements for independence, The Climate Registry requires Verification Bodies to assess and
10 disclose the potential for conflict of interest (COI) and receive a determination of low potential
11 of COI from The Climate Registry before commencing verification activities. The Climate
12 Registry’s General Verification Protocol (GVP) contains the verification criteria, policies and
13 procedures that Verification Bodies must comply with when conducting verification activities for
14 Climate Registry Members. (This document is available on The Climate Registry website at:
15 <http://www.theclimater registry.org/downloads/2010/06/2010-06-TCR-GVP-v-2-0.pdf>). In
16 addition to The Climate Registry, CCAR and CARB also require disclosure of potential for COI,
17 consistent with the WCI framework and New Mexico’s regulation.

18 The Climate Registry, CCAR, and CARB have established a six-year limit on the GHG
19 Verification Body’s relationship with the reporting entity, with a three-year waiting period
20 before it can provide verification services to that company again. The WCI and New Mexico
21 have incorporated the same six-year limit and three-year waiting period as The Registry, CCAR,
22 and CARB. This requirement follows a precedent set in the Sarbanes–Oxley Act of 2002, also
23 known as the "Public Company Accounting Reform and Investor Protection Act" (in the Senate)

1 and "Corporate and Auditing Accountability and Responsibility Act" (in the House), that
2 requires auditors to "rotate off" a given company's audit after five years and stay off at least five
3 years before returning to that company.

4 ISO 14064-3 notes that current best practice includes the appointment of an internal
5 objective peer reviewer at the same time as the appointment of the validation or verification team
6 leader. For this reason, The Climate Registry, CCAR, and CARB all require a verification team
7 which consists of at minimum a lead verifier and peer reviewer. The WCI and New Mexico
8 have incorporated this same requirement.

9 In conclusion, the Department's use of a third-party verification program that is consistent
10 with international best practice produces the following benefits:

- 11 • Assures consistent GHG emissions across jurisdictions;
- 12 • Enables linkage to other trading programs, including international programs for which
13 third-party verification is an established standard;
- 14 • Maintains consistency with ISO 14064 and ISO 14065;
- 15 • Provides a lower cost solution for jurisdictions than conducting agency review;
- 16 • Provides confidence to regulated entities that quality assessment is consistent across all
17 WCI jurisdictions; and
- 18 • Provides New Mexico with a high level of quality assurance that is consistent across
19 jurisdictions.

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