Term of References (TOR)

Subcontract: Research of Supervision and Management Mechanism of the Third-Party Verification Body in the National ETS

Implementation Period: Feb. 2018–Nov. 2018

Total Budget: 281,095USD

**Project Background:**

China launched the National Carbon Emission Trading System (ETS) by the end of 2017. In order to fulfill the key tasks prior to its launch, the General Office of the National Development and Reform Commission issued the *Notice on key work to start the national carbon emissions trading market (NDRC Climate [2016] No. 57)*, which focuses on the assignment of accounting, reporting and verification of historical GHG emission from 2013 to 2015 among nearly 8,000 enterprises in major emission industries including petrochemical, chemical, engineering materials, steel, nonferrous metals, paper making, electric power and aviation, etc.

According to incomplete statistics, approximately 300 third-party verification bodies participated in the nation wide verification of historical GHG emission with the authorization and entrustment of the charging authorities of Provinces, Autonomous Regions and Municipalities, which assisted local authorities in successfully obtaining the historical GHG emissions data logged into the enterprises’ database, effectively promoting the development of the National ETS. However, during the implementation of verification, there are still many problems such as the lack of capacity of third-party verification bodies, imperfect internal management system documents, conflicts of potential interests within the verified parties, as well

as inferior quality of reports, which seriously affect the accuracy of verification data, accordingly endangering the healthy development of the National ETS.

As is well known, the Monitoring, Reporting and Verification (MRV) system is a crucial part supporting the National ETS, which determines the data quality control and assurance. Specifically, verification is the key step of emission data transmission and confirmation from emission enterprises to those departments in charge.The impartiality, quality control and assurance level of third-party verification bodies and verification capability are directly related to the quality and accuracy of GHG emission data. Therefore, it is necessary to establish and promote the supervision and management mechanism of the third-party verification bodies in the domestic carbon market, set stringent antecedent access and strict post supervision to ensure the sound development of the National ETS.

**Research Content:**

This research is to investigate the implementation status of domestic verification system by analyzing relevant national and international policies and to compilea series of supporting documents. In this way, a supervision and management mechanism for third-party verification bodiesis expected to be proposed for China’s relevant departments in charge. Necessary technical support could be possibly available along the process of policy making by the departments until the relevant research work is completed.

**Expected Outputs and Working Schedule:**

A.Planned Project Activities:

a. Investigate the working experience on third-party verification bodies management accumulated by major international carbon trading markets and domestic carbon trading pilots, compose the *Comparison Report of the Third-Party Mechanism Characteristics Analysis in Major International Carbon Trading Markets* and *Comparison Report of the Third-Party Mechanism Characteristics Analysis in China’s Carbon Trading Market Pilots.*

b. Investigate the regulatory mechanisms of similar institutions, such as the management of accounting firms, the management of environmental impact assessment agencies and the management of quality certification bodies in the context of the major policies in recent China,write the *Research Report on the Management Modeof Third-Party Verification Bodies in Related Domestic Industries*.

c. Investigate the implementation of domestic verification from 2013 to 2017, assess the quality of work conducted by third-party verification bodies and compile the *Third-Party Verification Quality Assessment Report in the Reference Year of China's Carbon Market*.

d. Based on the research results obtained on the supervision of third-party verification bodies, complete the *Third-Party Verification Bodies Implementation Plan for Surveillance and Evaluation(Proposal Draft)* to support the competent national authorities in supervising and evaluating third-party verification bodies. If all conditions are prepared, with the approval of the competent national authorities, the report will provide support for the official supervision and evaluation of the third-party verification bodies.

e. Summarize the above research results to propose *Policy Suggestions on Supervision and Management Mechanism of Third-Party Verification Institutions.*

f. Compile the Project Implementation Report (in both Chinese and English).

B. Expected Outputs:

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|  | Expected Outputs | Date of Submission | Receiving Institution |
| a.Progressive Results | *Comparison Report of the Third-Party Mechanism Characteristics Analysis in Major International Carbon Trading Markets*（Draft） | Before  Sep.2018 | Project  Management  Office |
| *Comparison Report of the Third-Party Mechanism Characteristics Analysis in China’s Carbon Trading Market Pilots*（Draft） | Before  Sep.2018 |
| *Research Report on the Management Mode of Third-Party Verification Bodies in Related Domestic Industries*（Draft） | Before  Sep.2018 |
| *Third Party Verification Quality Assessment Report in the Reference Year of China's Carbon Market*（Draft） | Before  Sep.2018 |
| *Third-Party Verification Bodies Implementation Plan for Surveillance and Evaluation*（Draft） | Before  Sep.2018 |
| *Policy Suggestions on Supervision and Management Mechanism of Third-Party Verification Institutions*（Draft） | Before  Sep.2018 |
| b.Completed Results | *Comparison Report of the Third-Party Mechanism Characteristics Analysis in Major International Carbon Trading Markets*（Final Version）  *Comparison Report of the Third-Party Mechanism Characteristics Analysis in China’s Carbon Trading Market Pilots*（Final Version）  *Research Report on the Management Mode of Third-Party Verification Bodies in Related Domestic Industries*（Final Version）  *Third Party Verification Quality Assessment Report in the Reference Year of China's Carbon Market*（Final Version）  *Third-Party Verification Bodies Implementation Plan for Surveillance and Evaluation*（Final Version）  *Policy Suggestions on Supervision and Management Mechanism of Third-Party Verification Institutions*（Final Version）  *Project Implementation Report* (in both Chinese and English) | Nov. 2018 | Project  Management  Office |

**Qualification Requirements:**

A. With the independent legal entity in China;

B. With the third-party verification qualification of greenhouse gas in international and national carbon trading market as well as carbon trading pilot provinces and cities;with rich verification experience.

C. Completed more than 5 provincial and ministerial level scientific research projects in the field of climate change. Among them, the team undertaking projects on national carbon market regulation construction has the priority, the team undertaking projects on national regulatory issues of the third-party has priority, and the team undertaking national-level international cooperation projects has the priority.

D. With excellent capabilitiesof data collection and analysis.

E. The person in charge has extraordinary ability of project organization and coordination, and has extensive cooperation with relevant government departments, research institutes, enterprises, associations and industry experts of the central and local governments.

F. With efficient Chinese and English language skills.