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Emission News 09-2016

Practical Information for Emission Trading

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Also the Analysis of the Germany Environment Agency attests partial severe technical Problems in the EU Register

Not only the ERGOSIGN expert opinion about usability of the European CO2 register commissioned by the German Emissions Trading Authority DEHSt is a discussion topic at present but also a labour-intensive analysis of the Germany Environment Agency UBA about the need for harmonization in the EU emission trading process. Beside many aspects to administration, various chapters report about the “user unfriendly and extraordinary cumbersome system” of the EU register.

As this analysis of the Germany Environment Agency UBA furthermore reports in detail about “partial severe technical problems” and security incidents, responsible employees of system operators should take the opportunity and study once again more detailed the results of the DEHSt expert opinion.

This is especially true because DEHSt Departmental Head Dr. Thomas Schütz commented on the expert opinion:

"Because of the discovered and documented deficiencies of the Union Registry the national registry administrations and also companies and corporations are impacted by additional outlays and related costs, which are not necessary."

As already started in the previous Emission News, Emissionshändler.com® report in detail in these present **Emission News 09-2016** about the ERGOSIGN expert opinion of the German Emissions Trading Authority DEHSt but also about the analysis of the Germany Environment Agency UBA about the register.

Summarized Presentation of the first Part of the Report about the Investigation of the EU Register System

As already reported in the first part of **Emission News 08-2016** by Emissionshändler.com®, the German Emissions Trading Authority DEHSt as German part of the union register, presented in June 2016 the result of a study having been

Subject of the study was the serviceability of the emissions trading registry.

The result of the scientific study having been put down as an external expert opinion showed that the usability and efficiency of the EU register system as well as the of the system operators' account holders dealing with the register system turned out to be completely insufficient. Staff members of the German Emissions Trading Authority DEHSt expressed the same dissatisfaction.

Considering again the summarizing outputs of the study, the result can be concluded in 3 sentences:

- 42 of 48 inspected functions were posed with “severe” and “critical” problems which means 87.5% of the functions examined
- The EU register system has a “high-grade defective usability” for as well as for the administrators of register authorities in the EU
- The EU register system examined is the worst the prestigious experts of ERGOSIGN have ever checked

So much for the summary of the knowledge gained by the DEHSt expert opinion about the usability of the EU register system part I.



In part II following below Emissionshändler.com® looks more precisely on the results of the DEHSt expert opinion and refers to critical detailed results which might be important especially for the work of system Managing directors and representatives for risk management of facilities being subject to emissions trading should show a particular interest because corresponding liability provisions could come to effect which can endanger the existence of a company – as well as administrative offences resulting in fines of up to 50,000 Euro. See also Emission News 03-2016.

Results of the Interviews

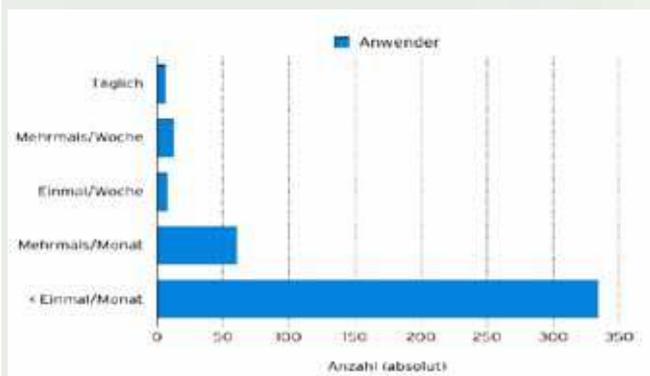
As the experts' interviews were made exclusively with employees and administrators of DEHSt, only their meanings and opinions can be presented and not those of the system operators. However, the points of criticism and requirements resulting from the interviews were so massive that no positive aspect could be gained from the register. A very significant statement was the one of a

- **DEHSt employee who claims back the German Emissions Trading Registry as it was applied in the year 2012 before introduction of the Union register.**

In this context it is worth to be emphasized that this evaluation has been realised by authority employees who use to work with the register daily. Considering the problems an authorized account holder has to deal with on using the register software only once or twice a year, his problems might be major ones, nothing to say of existing risks of an operating error due to severe defaults on the software.

The User Frequency of the Register Software

The submitted expert report about usability of the register distinguishes between register employees respectively system operators and authorized account holders of system operators.



User frequency of authorized account holders of the register, Source: DEHSt/ERGOSIGN

It is obvious that responsible staff and technical administrators use to work more or less continuously with the register.

This has also been confirmed by the expert report according to which 62.7% use to work on and with the register daily (47 persons of 75 totally) and 28 persons several times per month or week. Here we can rely on a high level of routine the employees are dealing with. As a consequence these persons are able to face and to avoid easier heavy and severe system defaults than the users/authorized account holders of system operators.

Infobox „Shipping MRV“

Shipping MRV (Monitoring Reporting Verification) is a standardised method by the EU to produce an accurate inventory from maritime shipping CO2 emissions. The Shipping MRV regulation (EU) 2015/757 came into force on April 29, 2015 will apply, irrespective of flag, to all ships greater than 5,000 GT undertaking voyages into, out of or between EU ports.

Under the regulation shipping companies are requested to submit one monitoring plan per ship to a verifier/verification body by August 2017. In the year 2018, which is the 1st reporting period, shipping companies have to create a report that includes voyage and emissions data, as well as cargo and efficiency data. The first emission report has to be completed, verified and submitted to the EU and the authorities of the flag state concerned, not later than the end of April 2019.

For questions regarding shipping MRV or how to best prepare for the upcoming legislation turn Emissionshändler.com® or the author of this article below.

It can clearly be seen here that contrarily to responsible persons/administrators, the authorized account holder as a user is normally dealing less than once a month with the register's software. These are 335 users of 414 authorized persons who, with a share of more than 80%, avail themselves of the register accordingly rarely. Those 79 users who deal with the software several times a month or week are supposed to be attributed to

It is an interesting reflection in this context what kind of reply would have been given if the question of user frequency would also have allowed the possibility “only once or twice a year”. According to the opinion of Emissionshändler.com® a value of 80% would have been hardly lower. Why should it, by the way – after all, an authorized account holder is normally obliged to operate in his account not more than three times in a year.



- **The more important it is that an authorized account holder is familiar with the software – The present disastrous state of the register will cause him to get along with the register much less well than an administrator of the DEHSt who has to avoid daily critical and severe problems.**

The Individual Results of the Expert Opinion

To bring it back to the point: Only parts of the register and its software have been examined and inspected because due to the many severe and serious mistakes, [redacted] of this register software.

Decisive and critical parts of an authorized holder's account management failed to undergo an examination, for example, because the number of negative findings detected exceeded the maximum limit of 48 [redacted] on entering into the software which means on the occasion of applying the ECAS authentication system and on application of the first steps in the account overview. This happened also because a part of the functions to be examined was intended for [redacted]

Nevertheless Emissionshändler.com® offers on page 4 of the info-box a brief summary on a part of findings having been examined, also known as things being worth [redacted]. These are items which caused a negative effect straight at the beginning of using the register.

If further parts of the register could have been inspected with the aid of a higher budget, for example all activities around transactions being considerably more critical especially for account holders, the number of “severe and critical problems” would have reached an extent which could have convinced the EU commission of the necessity for a [redacted]

According to the commission's words the account holders will be forced to deal essentially with this “system” throughout the whole coming trading period beginning in 2020.

No Examination of the Biggest Risk Potential

So what does it mean for authorized persons of a system operator now being aware to live on most probably for another 10-12 years with this registry system?

In any case managing directors, division managers, risk managers and, above all, the authorized account holders should take into account that the expert opinion only achieved 48 “findings” (examined functions)

[redacted] of the DEHSt. Thus only a small part of the “register account problem” became transparent. The considerably bigger part and, above all, more dangerous part of the transaction suffered no examination and consequently was not a part of the inspection.

Infobox

Choice of Serious and Severe Problems in Register's Software

- Language changes only possible on homepage
- Insufficient ability of self-description of task processes
- “Return” function missing
- Cryptic error messages
- [redacted] date fields
- Missing validation of input data
- [redacted] data queries
- “Vanishing” control elements
- Long charging times and lack of [redacted]
- Unsuitable colour coding for colour-blind users
- Deleted data after [redacted]
- [redacted] on search queries
- Confusing table presentation
- Insufficient distinctiveness of [redacted]
- Insufficient clarity and grouping of control elements' membership
- Inconsistent use of language options
- Insufficient distinctiveness of actions
- Platform change on authentication
- Insufficient distinctiveness of signal colours
- Insufficient allocation of user interaction and system reaction
- [redacted]
- No labelling of [redacted]
- Insufficient visibility of relevant information
- [redacted] missing
- Missing consistence for [redacted] of active tabs
- Lack of clarity for identification of actions
- Unclear designation of form fields
- Faulty marking of active views
- Cancelling of Enter-commands
- Violation of common standards
- Missing identification of inactive elements
- Non-conform positioning of check boxes
- Insufficient distinctiveness of [redacted]
- Too short or too long form fields

Comment: This list can be extended endlessly if more functions of the register would be examined.



Especially the unintended transactions are concerned:

- deletion of accounts
- blocking of accounts
- deletion of authorized responsible persons
- deletion of valid certificates
- non-allocation of certificates

The above-mentioned register functions contain such a high risk potential that more security against financial losses or image loss can only be achieved by means of continuous exercising – but who would do so? - or with the help of an external service provider.

The Germany Environment Agency Investigation on the EU Emissions Trading

Already on the occasion of a study of the Germany Environment Agency about “ [Need for harmonisation in the frame of the EU emissions trade's administration as a system of multi level administration](#)”

„Harmonisierungsbedarf im Rahmen der Administration des EU-Emissionshandels als System der Mehrebenenverwaltung“

on 15th January 2016, massive and critical problems on dealing with register accounts by account holders had been recognised.

Many hints can be found for example under point 1.3.3 registry management, as there are a “system being user unfriendly and extremely awkward” as well as clear indications pointing to an issue of liability. Users probably have a liability claim only against the EU commission instead

Also this investigation consider the dealing with the EU register system in chapter 5.3.3 as critical and alarming as due to technical problems and security incidents occurred even certificates had been resold by means

It is said that the “partial major technical problems and security incidents” are supposed to be eliminated to a big extent, but a trained account holder should never feel sure that mistakes will not happen anymore.

This applies for example in the case when an authorized account holder transferred unintentionally certificates to a wrong account. As especially explained in chapter 5.3.3.3 about the definitiveness of transactions, such a transfer cannot be reversed unless a criminal transaction is really intended.

Cases becoming known to the public where the to return transactions in isolated cases had been prevented rigidly as they are not reconcilable with the registry regulation.

Conclusion of the DEHSt's Expert Opinion about the Serviceability of the EU Register for the Applicants

The result of the investigation about the EU register' serviceability is summarized in in two key sentences:

- **“The evaluation approaches applied are converging uniformly in their results and draw the attention to a high-grade insufficiency of the Union Register's usability for regular users as well as for administrators”.**
- **“The Union Register's usability is in high need of improvement and stands decisively against an effective, efficient, and satisfactory work with the system”.**

The investigation by the Federal Environment Ministry about the EU emissions trading system also revealed in the section of the EU registry system that the system

- **is technically unsafe in parts and to be considered as “alarming” due to already occurred security incidents;**
- **“Transfers caused erroneously (...) cannot be reversed”**

The above-mentioned awareness now being official should give reason to managing directors, division managers, risk representatives, and authorized account holders of system operators to reconsider the internal proceedings

Protection against risk sceneries and prevention of image loss can be achieved, where necessary, with the help of an external service provider.

However, DEHSt Departmental Head Dr. Thomas Schütz is hopeful for the period starting from 2021, because of a planned reprogramming for the system:

- **“An optimized and user-friendly Union registry may create more acceptance and confidence among market players and also leads to increased safety in emissions trading.”**
- **“We believe that with a complete redevelopment of the Union Registry for the trading period 4th in 2021 costs for operators, enterprises and also in the administration can be saved.”**



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The present issue is only partial readable, as it remains free of charge.

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