IEA Bioenergy T45 project "Approaches to sustainability compliance and verification for forest biomass"

Final workshop (online)

15.06.2022

Technology Collaboration Programme
by iea

Welcome and housekeeping remarks

- Meeting under Chatham House Rule*

- Meeting is recorded (for internal use only)

- Slides will be part of documentation on IEA Bioenergy Task 45 website

- Your contributions (comments, hints...) are crucial – pls. <u>use the chat</u> for that during the presentations, will be taken up in the Q&A

- Plenary: you can use either the chat or raise your "hand" for oral input

* = Participants are free to use information received, but neither identity nor affiliation of speaker(s), nor that of participants, may be revealed.

Workshop agenda

Time	Topic
15:00 – 15:05	Welcome & housekeeping
15:05 – 15:15	Introduction & project background
15:15 – 15:30	Zooming into topic 1: Strengths and limitations of sustainability certification as a tool in the current policy frameworks Discussion
15:30 – 15:45	Zooming into topic 2: Transparency and access of information Discussion
15:45 – 15:55	Topic 3: New developments: upcoming expectations and opportunities on the horizon
15:55 – 16:05	Opening statements by representatives from ISEAL and the European Commission
16:05 – 16:25	Plenary discussion: more views and perspectives
16:25 – 16:30	Closure of the workshop and concluding remarks

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Introducing the topic

Certification of woody biomass operating in regulatory and non-regulatory markets and the role of compliance and verification

Jinke van Dam

A variety of forest-related certification schemes exist nowadays

Umbrella standard:

With 50 national endorsed certification schemes

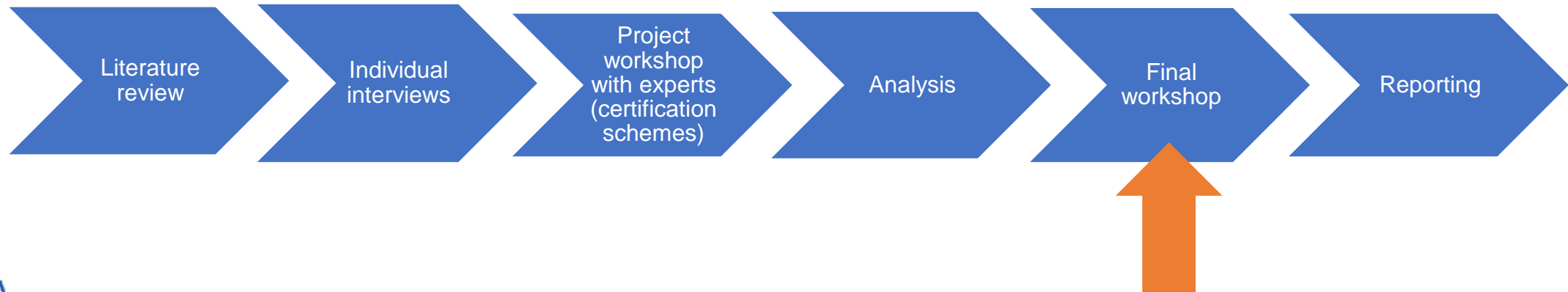New certification schemes are developed for the biobased economy

Umbrella standard:

With national FSC standards

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IEA Task 45 project on "approaches to sustainability compliance and verification (C&V) for forest biomass"

Objective:

- To better understand the evident methodological differences between existing approaches to demonstrate sustainability compliance between certification schemes, and;
- To discuss opportunities and limitations associated with instruments and mechanisms of certification in policymaking.

Literature review → Individual interviews → Project workshop with experts (certification schemes) → Analysis → Final workshop → Reporting

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Introducing certification and verification

- Certification: the issuance of a third-party statement that fulfilment of specified conformance requirements have been demonstrated [1]

- A certification scheme develops - through multi-stakeholder consultation standards with requirements on e.g.:
  - Sustainability criteria (e.g. on sustainable forest management)
  - Chain of Custody
  - Requirements for certification bodies

- Verification is the assessment and validation of compliance with a commitment or set of requirements, laid down in a standard

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(1) ISEAL Alliance, 2018

Brief overview of main findings & take-home messages

- The <u>combination</u> of a set of robust verification procedures makes a certification scheme credible and trustworthy: interlinked

Brief overview of main findings & take-home messages

- Transparency and access of data:
  - More and more important because of increased - but often unharmonized - demand of data and claims at the end of the supply chain

- Risk assessment:
  - Takes place on different levels
  - It is important that the procedures are clear and transparent to understand HOW decisions have been taken.

- Stakeholder consultation:
  - Important to understand concerns and risks
  - At times challenging to organize in practice

Brief overview of main findings & take-home messages

- Limitations of tool as certification
  - Cannot easily solve issues beyond supply chain/ company level
  - Not the silver bullet to solve complex issues: one of the tools in the toolbox

- Competencies of the auditor
  - Competent certification bodies, and its auditors, are key for a credible risk assessment
  - Includes understanding the regional context or specific technical skills, also for new criteria

- Digitization
  - A useful tool to improve availability of data, transparency and the robustness of verification procedures
  - Less effective for social aspects or human rights

- New criteria and developments
  - Certification schemes are in a good position to include / consider the latest insights and science
  - Keep an eye on the implementation phase: companies need time to adapt

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Brief overview of main findings & take-home messages

- Certification schemes are voluntary based and they define their ambition and the minimum bar with their stakeholders.

- Robust and credible certification schemes are, however, key to give trust to the market that the products are indeed sustainable (as defined by the standard). Market sectors can push for "best in class".

- When certification is used in a regulatory context, policy-makers have a responsibility to make sure that the schemes used are robust and credible.
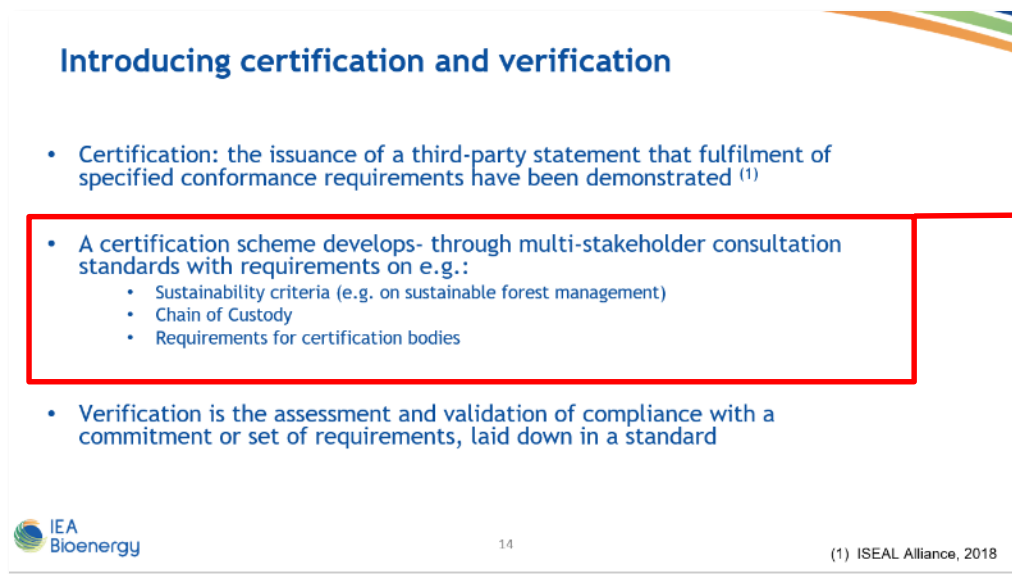
TOPIC 1:

Strengths and limitations of sustainability certification as a tool in the current policy frameworks

Stefan Majer

Introduction – differences between SCS

The framework under which a SCS operates is largely influenced by the policy framework as well as stakeholder expectations

## Introducing certification and verification

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(1) ISEAL Alliance, 2018

➤ This leads to **differences between schemes**, addressing mainly **markets with clear policy requirements** (e.g. the EU RED) and **markets without mandatory** legislative sustainability **requirements**

➤ Schemes operating under the RED framework have to be **competitive but at the same time in compliance** with the general requirements of the framework

➤ In those markets, more "ambitious" products do often have a lower market relevance

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Introduction – differences between SCS

The framework under which a SCS operates is largely influenced by the policy framework as well as stakeholder expectations

policy sustainability requirements

Examples for factors influencing the design of SCS

stakeholder expectations

Market developments
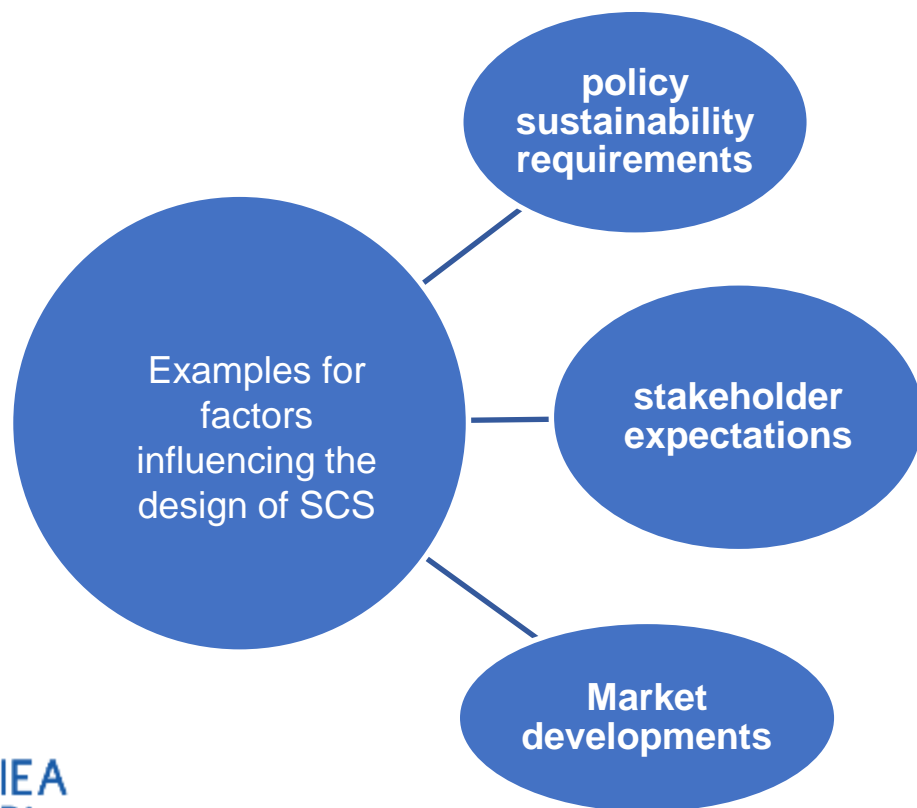
- Schemes operating in regulated markets (e.g., the bioenergy sector in the EU) are used as co-regulation instruments

- ➤ SCS need to adapt to changes in the framework (e.g., the recast of the RED)

- ➤ Schemes operating in non-regulated markets will most likely be more sensitive to other influencing parameters, such as new market developments, changes or evolution in stakeholder expectations

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Limitations of the instrument

- Certification is a meaningful tool, which can help to steer supply chain processes towards more sustainability

- **Certification is no silver bullet!**

  - ➢ the instrument has clear limitations and its implementation does not guarantee sustainable biomass

  - ➢ assessing sustainability is at the end the total sum from being compliant with legislation, state authorities, international agreements and certification requirements

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Limitations of the certification as a co regulation instrument

- The introduction of sustainability requirements in the RED has addressed a number of pressing and highly relevant sustainability issues

- However, the limitation of these requirements to the energy sector has shifted some of the risks and problems to other sectors, without mandatory sustainability requirements (e.g., food and feed sector)

➢ Potential consequences are indirect land use change or food security risks
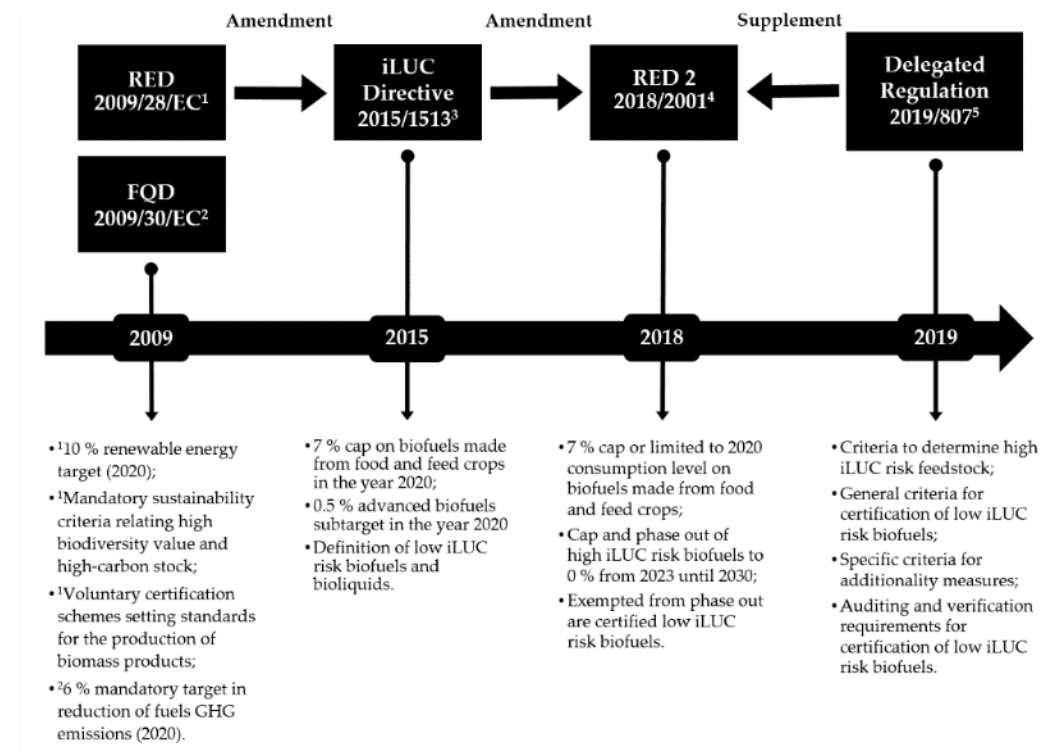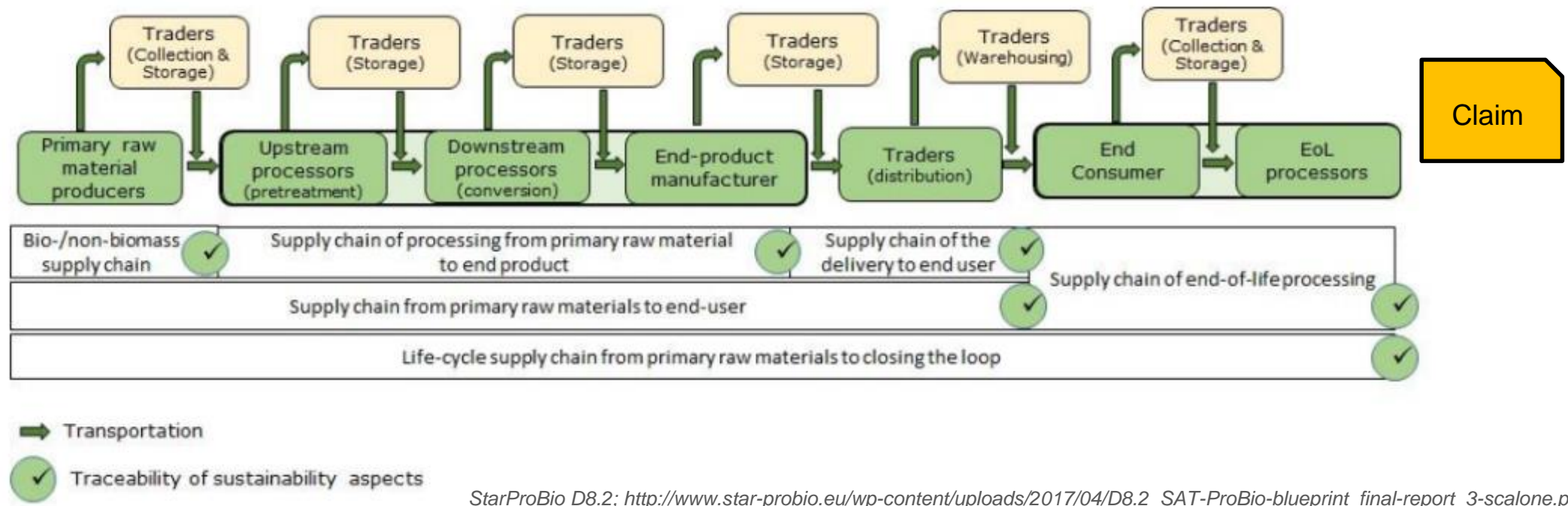

Sumfleth et al. 2020

Q & A

TOPIC 2:

Transparency and access of information

Jinke van Dam

Introducing traceability and transparency

- Traceability is the ability to follow a product or its components through stages of the supply chain

- Organization of data transfer and traceability of data is a key element, especially for the detection of errors or fraud in the CoC

- Even when data are traceable through the supply chain, they may not be shared. A credible verification process also includes transparency to help foster external review or scrutiny of verification processes.

StarProBio D8.2; http://www.star-probio.eu/wp-content/uploads/2017/04/D8.2_SAT-ProBio-blueprint_final-report_3-scalone.pdf

Challenges around traceability in the supply chain, and understanding the claim, because of combination of:

- Fundamental differences between different chain of custody models and;

- Mutual recognition of certification schemes (under EU Regulatory context) and;

- Schemes develop tailor made modules or sub-schemes for specific (niche) markets or policy contexts.

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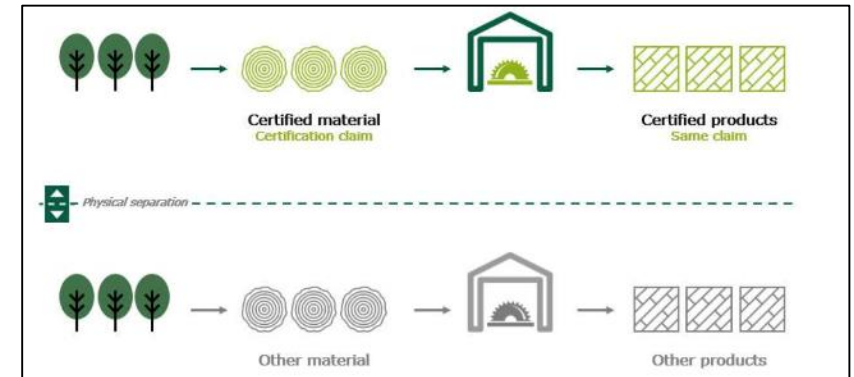
Different chain of custody models

High ability to preserve the original physical presence of the certified material
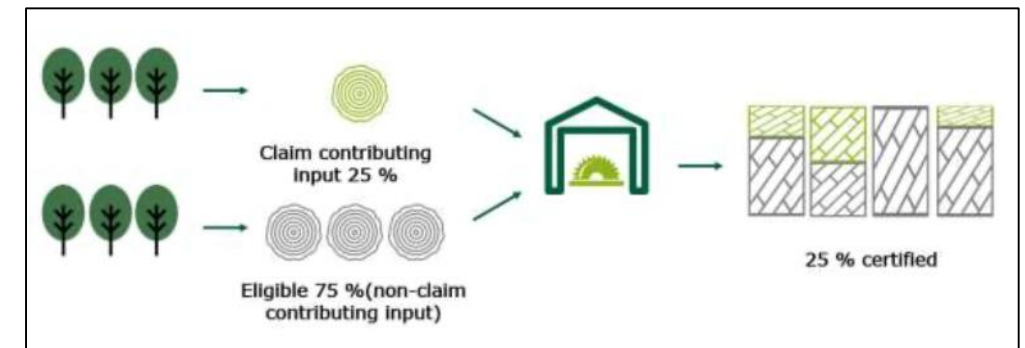
Lower ability

No physical presence

- Identity preserved
- Segregation
- Controlled blending (e.g. controlled wood with certified, % based)
- Mass balance (see EU RED II)
- Book and claim

Segregation (2)

Mass balance (2)

(2) Preferred by Nature, 2021

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Different chain of custody models > different claims

Here as example for FSC: Different type of FSC claims - depending on (certified) source and CoC model used

- FSC 100%
- FSC Mixed XX%
- FSC Recycled Credit

- FSC Mix Credit
- FSC Recycled XX%
- FSC Controlled Wood*

* FSC Controlled Wood claims can only be made on sales and delivery documents to other FSC Chain of Custody certificate holders.
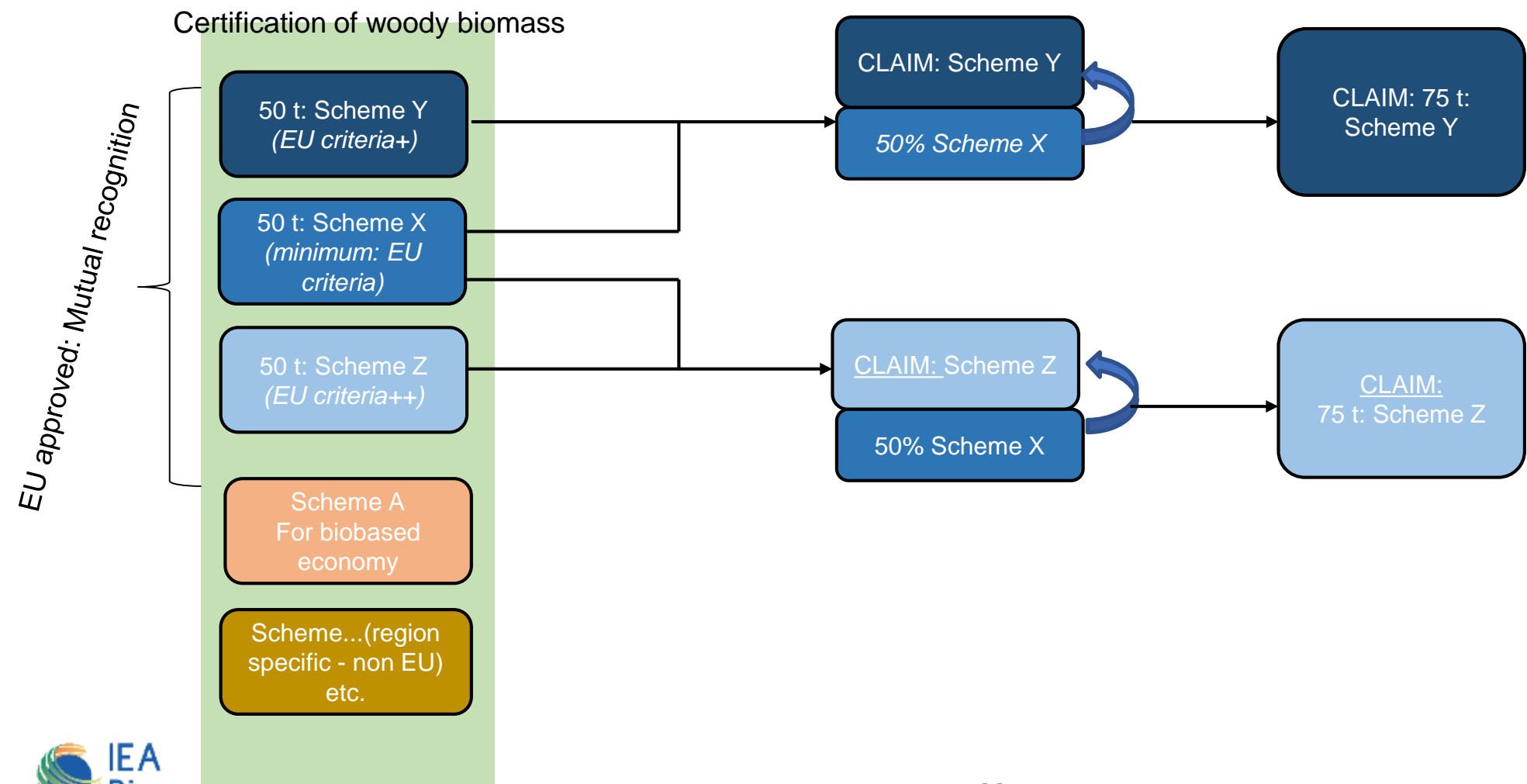
Challenge:
One scheme has often different CoC models, linked to different claims: transparency is important to understand is the claim is correct, and what it represents
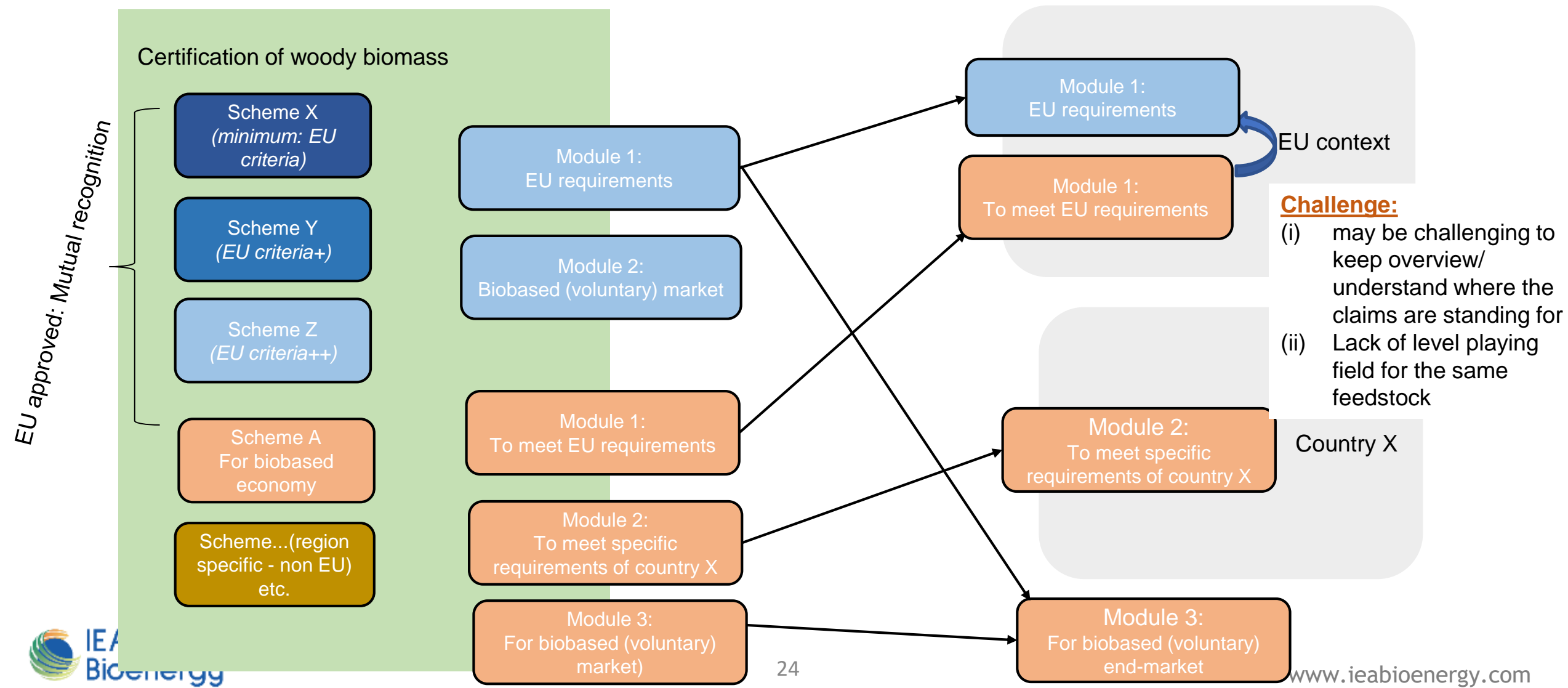
And the labels:

https://us.fsc.org/preview.fsc-chain-of-custody-101.a-774.pdf

Mutual recognition of certification schemes

Certification of woody biomass

EU approved: Mutual recognition

50 t: Scheme Y
(EU criteria+)

50 t: Scheme X
(minimum: EU criteria)

50 t: Scheme Z
(EU criteria++)

Scheme A
For biobased economy

Scheme...(region specific - non EU) etc.

CLAIM: Scheme Y

50% Scheme X

CLAIM: 75 t: Scheme Y

CLAIM: Scheme Z

50% Scheme X

CLAIM: 75 t: Scheme Z

Challenge: No insight in which scheme was used in the beginning of the supply chain (the "lower" scheme disappears)

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Schemes adapt to different policy contexts

Certification of woody biomass

EU approved: Mutual recognition

Scheme X
(minimum: EU criteria)

Scheme Y
(EU criteria+)

Scheme Z
(EU criteria++)

Scheme A
For biobased economy

Scheme...(region specific - non EU) etc.

Module 1:
EU requirements

Module 2:
Biobased (voluntary) market

Module 1:
To meet EU requirements

Module 2:
To meet specific requirements of country X

Module 3:
For biobased (voluntary) market)

Module 1:
EU requirements

EU context

Module 1:
To meet EU requirements

Challenge:
(i) may be challenging to keep overview/ understand where the claims are standing for
(ii) Lack of level playing field for the same feedstock

Module 2:
To meet specific requirements of country X

Country X

Module 3:
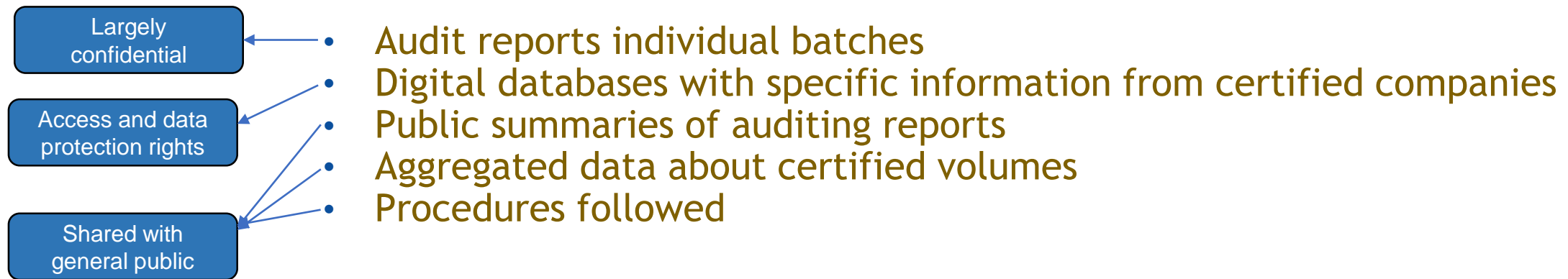For biobased (voluntary) end-market

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Transparency and access of information

- Crucial because of increased - but often unharmonized - demand of data and claims at the end of the supply chain

- Includes transparency on:
    - Data about the type and sustainability of the feedstock
    - Which certification scheme is used in the beginning of the supply chain
    - Procedures
    - Clear and credible wording what the claim is standing for

Access of information

There are different types and levels of information sharing to get insight from data (transfers) in the supply chain, and with whom this information is shared

Largely confidential

Access and data protection rights

Shared with general public

- Audit reports individual batches
- Digital databases with specific information from certified companies
- Public summaries of auditing reports
- Aggregated data about certified volumes
- Procedures followed

A right balance is needed between disclosing information and safeguarding confidentiality and trust company - auditor.

A higher level of transparency may be required in a regulatory context.

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Q & A

TOPIC 3:

New developments, upcoming opportunities and opportunities on the horizon

Stefan Majer

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New developments and trends in SCS

Technical innovations (i)

- **Digitization** of elements such as
  - **auditor information** (e.g., checklists),
  - **audit reports**,
  - **claim and certificate information** (e.g., certificate database)
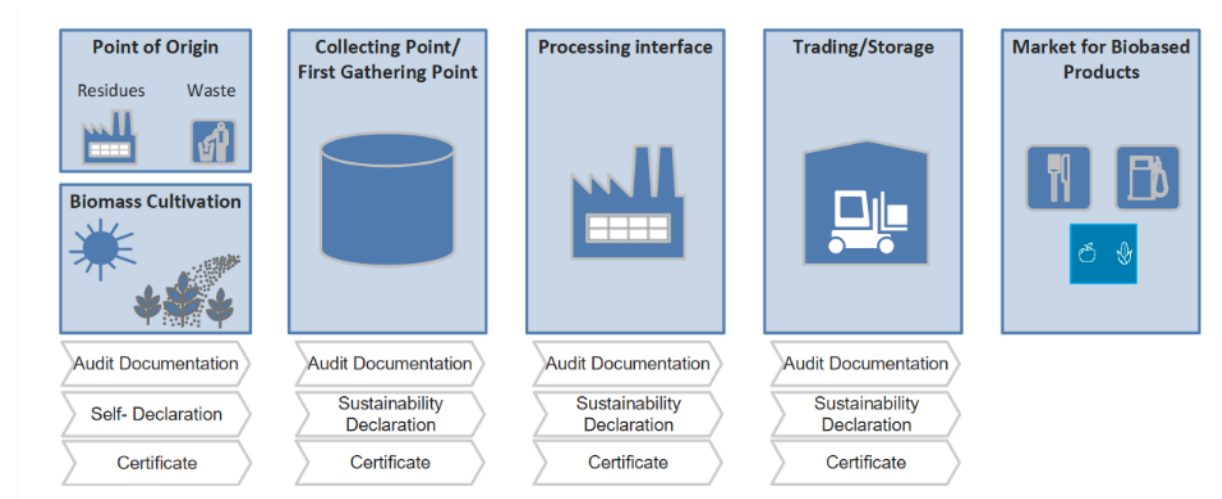
Star-ProBio D9.4

New developments and trends in SCS

Technical innovations (ii)

- **internal data transfer systems**,

- **blockchain technologies** to improve robustness for the general traceability of sustainability information (currently explored and tested by various schemes, e.g., FSC, PEFC, Preferred by Nature)

https://preferredbynature.org/blockchain

https://www.ledgerinsights.com/enviva-blockchain-traceability-biomass-wood-pellets-gochain/

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New developments and trends in SCS

Technical innovations (iii)

- **Digital tools** to support auditors, e.g., with regards to risk assessment or the assessment of specific criteria

- **Centralised approaches** for registries and database (e.g., on an EU level)

The GRAS Tool

https://gnoc.jrc.ec.europa.eu/
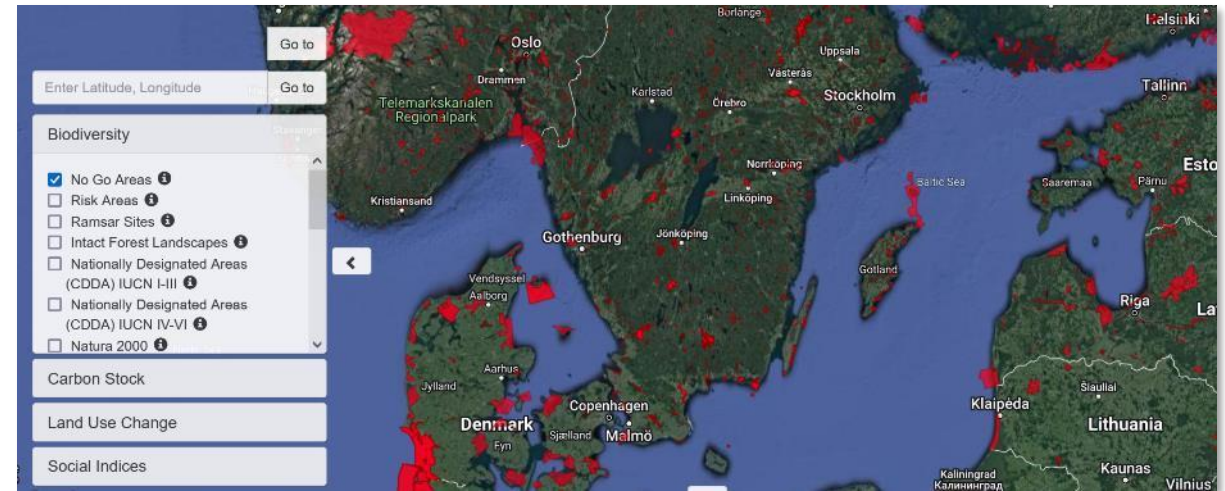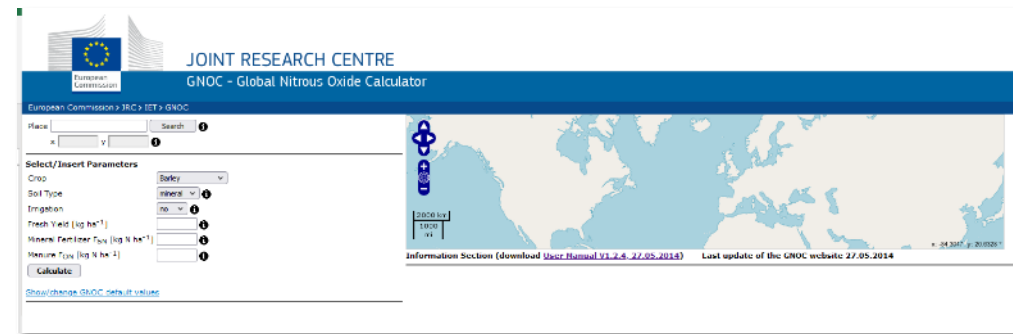
New developments and trends in SCS

Other developments

- More and constant **exchange between systems** → to be further supported and facilitated

- "Demand" for **harmonization**, e.g., regarding:
  - the actual implementation of criteria and indicators and the "comparability" across schemes
  - differences in interpretation of requirements, **e.g.,** between NL, DK, UK

New developments and trends in SCS

Other developments
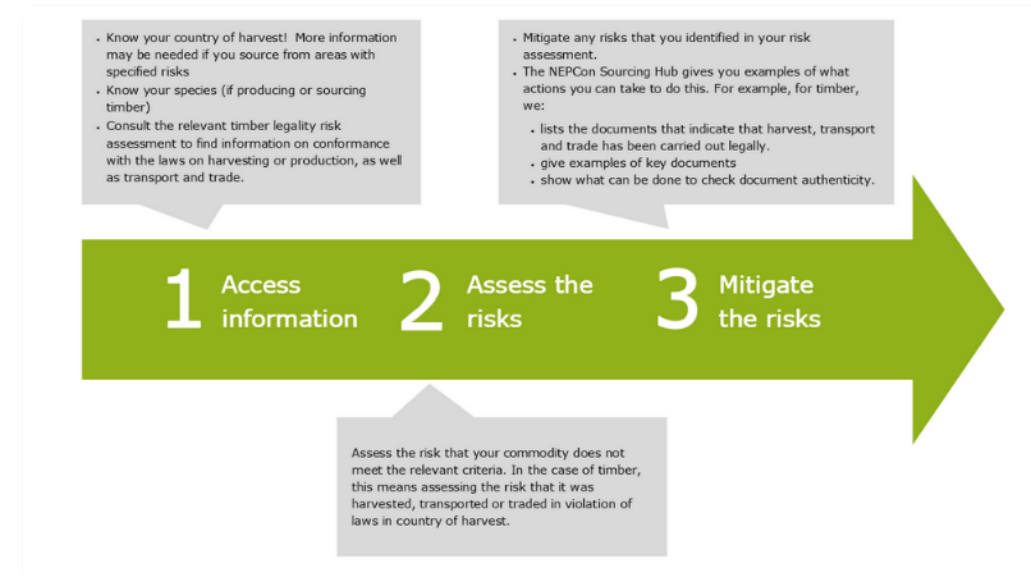
- Trend to use **due diligence**
  - use of due diligence instruments can ease the process of certification
  - In theory, the combination of due diligence with certification can lead to a more robust overall assessment and certification approach

- Know your country of harvest! More information may be needed if you source from areas with specified risks
- Know your species (if producing or sourcing timber)
- Consult the relevant timber legality risk assessment to find information on conformance with the laws on harvesting or production, as well as transport and trade.

- Mitigate any risks that you identified in your risk assessment.
- The NEPCon Sourcing Hub gives you examples of what actions you can take to do this. For example, for timber, we:
  - lists the documents that indicate that harvest, transport and trade has been carried out legally.
  - give examples of key documents
  - show what can be done to check document authenticity.

1 Access information   2 Assess the risks   3 Mitigate the risks

Assess the risk that your commodity does not meet the relevant criteria. In the case of timber, this means assessing the risk that it was harvested, transported or traded in violation of laws in country of harvest.

https://preferredbynature.org/nl/node/662

New developments and trends in SCS

Limits

– certification schemes are optimised to achieve a specific objective

➢ **changes** (e.g., in the general framework of their operation) can require massive efforts to adapt and are in general time and resource intense processes

➢ **stability** in the general frame conditions as well as the specific focus of the scheme is important

Plenary discussion: Opening statements

- Joshua Wickerham, Engagement Manager, ISEAL

- Johannes Baur, European Commission DG Energy C.2 Decarbonisation and Sustainability of Energy Sources Team leader

Plenary discussion: Views and perspectives

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Concluding remarks and wrap-up

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