Application of RED Requirements in North America

Learning's and the Way Forward

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OVERVIEW

• View from North America
• Sustainability factors
• Learning's with RED and ISCC
• Way forward
NORTH AMERICA

• Canola, soy, corn – feedstocks for biofuels
• Large bulk commodity businesses
• Vast growing areas (2012)
  – Corn (96 million acres)
  – Soy (78 million acres)
  – Canola (21 million acres)
• Long, complicated, multi-transactional supply chains
  – 10,000 Km from where canola is grown to Rotterdam
Example - CANOLA Grown Across Western Canada

• 2012
  – 21 million acres (8.5 Ha), 13 million tonnes
INDUSTRY PERSPECTIVE

• Agriculture industry confident it meets sustainability requirements
  – Very advanced modern agriculture systems and practises
  – Large array of legislation governing labour, land use, water, biodiversity, pesticides, forests, parks, etc.
  – Rule of law prevails, and is enforced
  – Forests are not being cleared for crop land

• Regulators in US and Canada have confirmed that their sustainability criteria are being met
Land Clearing for Agriculture Canada

- Agricultural land use has been stable for decades
  - No new land cleared for canola

- The amount of land used for agriculture is in decline

Quinquennial Trend of Agricultural Land Use, Canada

\[ y = -0.25x + 113.12 \]
Land Clearing for Agriculture
United States

• Lots of existing agriculture land capacity to grow crops for biofuels
  • EPA has estimated about 75 million acres could be used
  • US farmers paid *not* to grow crops on 30 million acres
CANADIAN CANOLA
Replaced Fallow Land

Summer fallow – dramatic decline in acres

Summer fallow declines...

Acres


Canola
Summerfallow

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CANADIAN CANOLA
Sustainable Land Use

- Wide spread use of Low and Zero tillage
- Canada one of few countries in world *increasing* soil carbon
  - About 10 million tonnes/yr as reported to the UN

Canola planted in wheat stubble
BENEFITS – CHANGED PRACTICES

• Massive summer dust storms now history
• Soil and moisture retention
• Growing yields and better farm incomes from the same land base
RED MARKET

• EU RED approach to biofuel sustainability different

• Concern about EU chain of custody approach
  – RED has been called a trade barrier

• Key issues have been
  – Could a supply chain meet RED sustainability criteria?
  – At what cost?
  – Who pays?
LEARNINGS TO DATE

• Meeting RED Criteria, two parts to this issue
  – Sustainability criteria
  – GHG reductions

• RED default LCA numbers have affected markets
  – And attitudes towards sustainability schemes like ISCC

• Canola deemed to have same default number as rapeseed i.e. above the minimum GHG threshold
  – Small exports to RED market in 2012

• Soy is below the RED default number
  – Result is US soy exports to the EU affected
Government Approved LCA’s
Canada vs. RED vs. US vs. RED ILUC

Canola Biodiesel Percentage Reduction From Fossil Diesel

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Government Approved LCA’s
Canada vs. RED vs. US vs. RED ILUC

Soy Biodiesel Percentage Reduction From Fossil Diesel
Learnings With ISCC

• Supply chain
  • no audit failures

• Associations and companies
  • Assist farm-level audits by supporting farmer outreach, documentation collection and preparation

• ISCC Documentation
  • Commonly available

• Mass balance and traceability
  • Achieved with existing software systems

• Some “technical” issues
  • Related to interpretation
Learnings With ISCC

• Some Challenges
  • Translating/interpreting ISCC documents
  • Timely aerial photography/satellite imagery
  • Minor non-homogenous tree removal
  • Pasture land changes
  • Land ownership complexities
  • Labour Law Issues
    • Alberta law prohibits farm workers to organise
  • No local expert consulting advice available
Example - “In the Field” Issue

- **Entity 1**: CFA
  - This area is >1 ha with >30% canopy coverage and is called a Continuously Forested Area (CFA). It cannot be deforested.

- **Entity 2**: CFA
  - OK to remove this isolated area if it is < 1 ha?

- **Entity 3**: CFA
  - This area can not be deforested even is <<1 ha. It is part of a CFA, even though the CFA is almost entirely on another entity’s property.

- **Entity 4**

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Way Forward

• Big picture uncertainties
  • EU ILUC, Soy GHG default, Ethanol trade dispute

• North American ISCC Technical Committee
  • Now established, good forum to resolve issues
  • First meeting held in Minneapolis, MN in November 2012
  • Work underway to reduce compliance costs by confirming cross compliance between existing US and Canadian laws vs. RED requirements

• Cross compliance between ISCC EU, ISCC Plus and food certification schemes will drive more interest
  • “The last thing a Canadian farmer wants to see is auditors from ten different sustainability schemes show up on their land”
SUMMARY

• North American Agriculture
  • Auditors under ISCC confirm RED sustainability criteria met
  • The GHG issue needs resolution
  • Supply infrastructure in place to supply a portion of RED market

• Path Forward Has Promise
  • Technical Committee in place
  • Level of future interest will be driven by size of market opportunity and cross compliance with food system
  • ISCC has important market traction
    • Could move well beyond the RED
Thank You

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