ISCC’s Risk based Certification Approach for Waste and Residues

Shanghai, 13 November 2017
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## Key learning points

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<tbody>
<tr>
<td>1</td>
<td>Recipients of material have to verify the validity of suppliers’ certificates</td>
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<td>2</td>
<td>ISCC website provides full transparency (valid, fake, withdrawn lists of certificates)</td>
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<td>3</td>
<td>Waste/residue classification depends significantly on EU Member States</td>
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<td>4</td>
<td>ISCC System Updates outline important changes in regulations and documents</td>
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<td>5</td>
<td>Points of origin have to be audited if supplying &gt; 10T/month (&lt;120T/year)</td>
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Risk management is an integral part of the ISCC certification scheme

Risk management measures to ensure the security and integrity of the ISCC System

- Internal audits & self-declarations
- ISCC Integrity Program
- ISCC Training Program
- Dialogue with stakeholders
- Guidelines for certification bodies & feedback mechanisms
All ISCC certificates (valid and expired) are transparently published on the ISCC website.

Companies have to verify the validity of suppliers’ certificates via the ISCC Website. In case of doubt ISCC has to be contacted!
Withdrawn and fake ISCC certificates are published as well as companies suspended from ISCC certification.

Withdrawn certificates, e.g. due to non-conformities
Fake certificates as reported to ISCC
Companies suspended from ISCC certification
ISCC System Documents and Audit Procedures to facilitate the audit process. All documents available on the ISCC website.

**ISCC System Documents:**
- Contain all relevant ISCC requirements

**ISCC Audit Procedures:**
- Document to be applied during the audit
- Contain detailed verification guidance for auditors and companies
Regular ISCC System Updates with important information for certified companies and auditors

- System updates are sent out by ISCC via email in case of changes or important information regarding the ISCC system

- All companies registered with ISCC, auditors and certification bodies receive those updates

- All System Updates are also available on the ISCC website

- Updates are complementary to ISCC system documents and procedures, therefore they have to be strictly observed

ISCC System Updates

ISCC System Updates inform about changes of the system

All System Updates up to May 2016 can be found in the client section because these have been included in the new ISCC EU System Documents.

- 26 October 2017
  Greenhouse Gas Emissions for Cultivation; Transitional Period Red Tractor; Reminder – Downstream Combustion Emissions of Fossil Methanol; Waste/Residue Materials: Sample Audits of Points of Origin; Updated ISCC INw-Tool, ISCC Trainings – Dates ...

- 22 September 2017
  Application of disaggregated default values for cultivation; ISCC trainings ...

- 18 September 2017
  Release APS and Summary Audit Report; Requirement to inform ISCC about Change of CB for Certification; Waste/Residues Materials: Self-Declarations only signed by Points of Origin; Updated List of Materials; Clarification of wording of Risk Factors; ISCC Trainings - Forthcoming Dates ...

- 05 September 2017
  ISCC DE: Fossil Methanol; ISCC EU: Separate GHG Calculation Elements; Transitional Period Red Tractor; Update: Sustainability Declaration, ISCC PoS (“Blue PoS”) and List of Materials; ISCC Trainings - Forthcoming Dates ...

- 16 August 2017
  ISCC EU: Updated Audit Procedures; ISCC EU: Templates ISCC PoS (“Blue PoS”) and Sustainability Declaration; Reminder: Adjusted GHG Methodology; Clarification: Mass Balance Period; ISCC EU and PLUS Basic Trainings – Upcoming Dates ...
ISCC provides detailed information on risk indicators for the waste/residue certification process

**General Risk Indicators (extract)**

- Determination, structuring, organisation and documentation of the **number of work flows** and their complexity (in-house processes)
- Number, structuring, organization, expertise, management, involvement and controlling of the **subcontractors and external service providers**
- **In-house quality management system**, internal audits (structure and documentation)
- **Transparency** (public reporting, involvement of local interest groups, independent audits, social, environmental and economical aspects of sustainability)
- Mechanisms for **conflict resolution** established independently, documented and implemented
- Management of **conflicts of interests and corruption prevention**

**Risk Indicators for Waste and Residues**

- **Type** of point of origin (e.g. restaurant, processing plant, landfill, etc.)
- **Size** of point of origin and amount of waste/residue material generated per month (high amounts of waste/residues may indicate a higher risk of non-conformity or fraud)
- **Status** of the material (genuine waste/residue) and acceptance or recognition by relevant authorities
- **Declaration** or labelling of the material (e.g. according to official waste catalogues or waste codes)
- Risk of **intentional “production”** of waste or residues
- Risk of **intentional modification** of products to be declared or claimed as waste or residues
ISCC certification and risk assessment approach is in line with the requirements set by the EC

- The European Commission defined guidelines for verification of the chain of custody of biofuels made from waste and processing residues

- Core guidelines are:
  - Coverage of **whole chain of custody** starting with the point of origin
  - Economic operators have to be **certified individually** (for points of origin group auditing approaches may apply)
  - Frequency and intensity of audit process has to **reflect level of risk**
ISCC certified supply chain for waste and residues

Example: UCOME supply chain

Points of origin

Collecting Point

Trader / Storage

Biodiesel Plant

Trader / Storage

Biofuel quota obligated party in the EU

* Individual or group certification possible on a voluntary basis
Audit of points of origins is conducted on a risk-based approach

- Points of Origins (PoO) are covered by the certification of the Collecting Point
  - List of all supplying PoOs and signed self-declarations must be available

- Risked-based approach to audit PoOs:
  - Small PoO (≤ 10mt/months, e.g. restaurants):
    - Low risk of fraud assumed
    - No one-site audit required
  - Large PoO (> 10mt/months, e.g. food processing companies, rendering plants, refineries):
    - Higher risk of fraud assumed
    - On-site audit at a (risk-based) sample of PoO

→ In case of indication of non-conformity or fraud the auditor is always entitled to conduct on-site audits at points of origin

* Individual or group certification possible on a voluntary basis
Challenges for the certification of waste/residues (I) – Intentional production or modification

- Risk of **intentional production** or **modification** of actual products to count as waste if value of the material if sold as a product is lower than value waste or residue
  - Production process was modified to influence the amount, quality and/or technical specifications of a material
    - Classification as (co)-product, not waste/residue
  - Declaring fresh oil as UCO, or spoiling fresh oil with waste oil
    - Fraudulent behaviour
  - Adding water to UCO (only share of UCO is regarded as w/r)
Challenges for the certification of waste/residues (II) – Declaration of waste/residue material as UCO

- **Acceptance** or recognition of material as waste/residues by EU Member States:
  - UCO is widely recognized by EU Member States as waste/residue
  - Other materials may be classified differently by Member States (e.g. brown grease/trap fat is only recognised as w/r by some Member States)

- **Re-labelling** of waste/residues (e.g. food waste or fatty acids) to UCO is not allowed under ISCC
  - Definition of UCO under ISCC: “Oil that has been used to cook food for human consumption”
  - Other types of waste/residues must not be declared as UCO as they do not match the definition

<table>
<thead>
<tr>
<th>Material collected (Input)</th>
<th>Declaration of material (Output)</th>
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<tbody>
<tr>
<td>Food waste</td>
<td>UCO</td>
</tr>
<tr>
<td>Food waste</td>
<td>Food waste</td>
</tr>
<tr>
<td>Brown grease/ trap fat</td>
<td>UCO</td>
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Challenges for the certification of waste/residues (III) – Determination of GHG emissions

- Different options for producers to provide the GHG emission information under ISCC:

1. Total default values*

2. Disaggregated default values*

3. Individually calculated values (actual values)

4. Combination of disaggregated default values and actual values

- Challenge: RED does not provide (disaggregated) default values for all w/r materials

- No default values are available, e.g. for crude glycerine or animal fat cat. 3
  - For those materials individual GHG calculations have to be conducted along the supply chain (starting at the collecting point)

* Values according to annex V of the Renewable Energy Directive (RED)
Challenges for the certification of waste/residues (IV) – Emission factors of methanol for biodiesel production

• For the production of biodiesel the combustion emissions of fossil methanol have to be taken into account to calculate the GHG emissions

• This is based on an official communication from the European Commission to all recognised certification schemes

• New (higher) emission factors for methanol have to be applied*

• Application since 1 September 2017

• Challenge: If new emission factors are not applied:
  • This is an infringement of the requirements for GHG calculations
  • This would lead to unjustified low GHG values for biodiesel

* See ISCC website for further information
Conclusions for suppliers of waste/residues based feedstocks and biofuels from China and the region

• ISCC provides a well established **certification process for waste/residues**

• This certification process is **recognised by the European Commission**, and feedstocks and biofuels certified under ISCC can be delivered into EU biofuel markets

• ISCC provides many **measures and tools to ensure the integrity** of the certification system

• Companies have to **verify the validity** of suppliers’ certificates on the ISCC website

• The **determination of collecting point** is important to correctly set up the supply chain

• Suppliers have to **carefully assess the target market** in the EU to ensure that waste/residue material is accepted

• **New methanol emission factors** have to be taken into account to ensure a level playing field for all producers of biodiesel
Many thanks for your attention!

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