ISCC Meeting Technical Committee Latin America

São Paulo, November 9, 2011
Overview

1. EC Recognition of Voluntary Schemes
2. ISCC - State of Affairs
3. ISCC DE vs. ISCC EU
4. New Developments and Prospects
5. Feedback TC Work
EC Recognition of Voluntary Schemes
In July 2011, the EC recognized the first seven certification schemes for the proof of sustainable biofuels.
In Search Of Responsible Soy: Key characteristics and comparison of voluntary soy standards

The purpose of this publication, commissioned by the Dutch Soy Coalition, is to enable those involved in the soy ‘discussion’ to get a better understanding of the content, goals, scope, potential value and other relevant aspects of the various voluntary soy standards in the market.

The assessed standards include Basel Criteria, ProTerra, Round table on Responsible Soy (RTRS), Soy Moratorium (not a standard, but a commitment), Aapresid, Organic (International Federation of Organic Agriculture Movements: IFOAM), Fairtrade, EcoSocial, Sustainable Agriculture Network: SAN/Rainforest Alliance, GlobalGAP, Roundtable on Sustainable Biofuels (RSB) and International Sustainability and Carbon Certification. The analysis shows that it is very difficult for stakeholders to get a clear picture of the differences between the standards, not only because differences may only appear when comparing the criteria in full detail, but also because many standards are not completely transparent in the information which is publicly available.
The schemes show different characteristics. Not all of them have received a full recognition.

<table>
<thead>
<tr>
<th>Monthly Editorial</th>
<th>The Certification Matrix</th>
<th>August 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KINGSMANN</strong></td>
<td><strong>Bonsucro</strong></td>
<td><strong>ISCC</strong></td>
</tr>
<tr>
<td><strong>Recognized by the EU Commission</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Member State recognition</strong></td>
<td>No</td>
<td>Germany, Netherlands</td>
</tr>
<tr>
<td><strong>Scheme Operational</strong></td>
<td>Yes, Since June 2011</td>
<td>Yes, Since January 2010</td>
</tr>
<tr>
<td><strong>Scheme Operational under EU RED</strong></td>
<td>No</td>
<td>Yes, Since June 2010</td>
</tr>
<tr>
<td><strong>Scheme users (number of registrations/certifications)</strong></td>
<td>1</td>
<td>750 registrations and 519 certifications</td>
</tr>
<tr>
<td><strong>Biomass coverage</strong></td>
<td>Sugarcane and ethanol</td>
<td>All kinds of biomass</td>
</tr>
<tr>
<td><strong>Geographical focus</strong></td>
<td>Global</td>
<td>Global</td>
</tr>
<tr>
<td><strong>Validity of the certificate</strong></td>
<td>3 years</td>
<td>1 year</td>
</tr>
<tr>
<td><strong>Annual Audits</strong></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Recognized certification bodies (CB)</strong></td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td><strong>Scheme Members</strong></td>
<td>Global stakeholder initiative, open to</td>
<td>Global stakeholder initiative, open to</td>
</tr>
<tr>
<td><strong>Membership fee (annual)</strong></td>
<td>£200 - £13,000</td>
<td>£50 - £3,000</td>
</tr>
<tr>
<td><strong>Membership compulsory for certification</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Registration fee (per site in the supply chain)</strong></td>
<td>£650 - £1,300</td>
<td>£50 - £500 (1 time)</td>
</tr>
<tr>
<td><strong>Annual certification fee</strong></td>
<td>£650 - £1,300</td>
<td>£50 - £500</td>
</tr>
<tr>
<td><strong>Quantity dependent fee</strong></td>
<td>0.02 - 0.03/mt</td>
<td>0.027 - 0.03/mt</td>
</tr>
</tbody>
</table>

Some systems have not been recognized for biodiverse grassland GHG-emission calculation (Bonsucro, RTRS, 2BS).
Source: Kingsmann
Important criteria for the assessment of schemes by stakeholders

• Recognition (EU, member countries, third countries)

• Coverage of specific technical requirements in all EU member countries

• Credibility (public, press)

• Regional coverage

• Biomass coverage

• Sustainability criteria applied (social criteria)

• Mass balance and traceability concept

• Ability to calculate actual GHG values

• Market coverage (biofuels, feed, food, chemical)
Issues of concern

- Regulation and monitoring of implementation
- Highly biodiverse grassland
- Double counting waste to biofuels
- Technical member state requirements
- Mass balance application
- Default values / iLUC
ISCC accepts all EU recognized schemes after a successful check of delivery notes.

Check whether delivery notes comply with recognized scope of the respective scheme and Member State requirements.
EU Member States may require the input of sustainability data into a database – e.g. via web frontend for further distribution within the country.

* Renewable energy installations (CHP plants) and biofuel quota obligated parties

ISCC certified
Trade of sustainable biofuels within Germany requires access to the database Nabisy – which can be gained by ISCC system users.

Trading sustainable biofuels within Germany

- Data input via web frontend
- Trader/Warehouse
- Transport
- Trader/Warehouse
- Transport
- Relevant market player
- Relevant market player
- Proof of sustainability
- Partial proofs of sustainability
- Nabisy
- Data matching
- Issuing of partial proof of sustainability
- 1: Nachhaltigkeitsnachweis
- 2: Nachhaltigkeits-Teilnachweis

Example Germany:

1 batch: - 3000 t

2 batches:
- 2500 t
- 500 t

Data input into Nabisy
ISCC enables easy access to the German biofuels market and other EU Member States. Modules for the different requirements under preparation

* voluntary

** Renewable energy installations (CHP plants) and biofuel quota obligated parties
A major concern is the application of the mass balance. Reality is not in line with the requirements of the RED

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>• General rule is 3 months, according to EC DGEN</td>
<td>• „Mixture“ of mass balance and credit claim period</td>
</tr>
<tr>
<td>• Different mass balance periods of approved systems, e.g.</td>
<td>• Mass balance periods used are 3 months up to 24 months</td>
</tr>
<tr>
<td>- 2BS 1 month</td>
<td>• Single and multi site mass balance applied, according to market sources</td>
</tr>
<tr>
<td>- ISCC 3 month</td>
<td></td>
</tr>
<tr>
<td>- RTRS 12 months (1st year)</td>
<td></td>
</tr>
<tr>
<td>• Mass balance to be applied at site level (multi site application is equal to a book &amp; claim system and not allowed)</td>
<td></td>
</tr>
</tbody>
</table>
The mass balance system does allow to go short within a period – however the inputs and outputs for the overall period must be balanced

• The maximum period for achieving a balance between incoming and outgoing sustainable products is generally three month

Incoming sustainable products and outgoing sustainable products are in balance for the timeframe of the period. “Credits” for sustainable products can be transferred to the next period. Negative “credits” cannot be applied
Positive credits may be transferred if the prerequisites are fulfilled

Mass balance calculation

Credit calculation

Credit = B - C \quad \text{if } (B - C) \leq D

Credit = D \quad \text{if } (B - C) > D

Prerequisites for Credit transfer

Credit: must be positive
If D = 0 \rightarrow Credit = 0
D: Inventory of sustainable and non sustainable material at the end of month

B = (A+a)*\text{xy} + b
C \leq B
GHG values of biofuels may be heavily affected by iLUC factors. What action the EC will take is not decided yet.

Consequences of an increased emission threshold for biofuels applying default values

- **Diesel substitutes**
  - Rape seed/canola: 38%
  - Sunflower: 51%
  - Soybean: 31%
  - Palm (n.s.): 19%
  - Palm (methane capture): 56%
  - Pure rape oil: 57%
  - Waste veg./animal oil: 83%

- **Gasoline substitutes**
  - Wheat (lignite +CHP; n.s.): 47%
  - Wheat (methane capture; nat. gas, conv. boiler): 34%
  - Wheat (methane capture; nat. gas, CHP): 69%
  - Wheat (straw, CHP): 49%
  - Sugar beet: 52%
  - Sugar cane: 71%

Thresholds:
- 50% for diesel substitutes
- 35% for gasoline substitutes
Actual GHG values are important product characteristics. Not all schemes offer a GHG calculation method for actual values

<table>
<thead>
<tr>
<th>Certification schemes with recognized GHG calculation methodologies</th>
<th>Bonsuco</th>
<th>ISCC</th>
<th>RSB</th>
<th>RTRS</th>
<th>2BSvs</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG calculation methodology available</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feedstock, for which GHG calculation can be accomplished</td>
<td>Sugarcane ethanol</td>
<td>All feedstocks worldwide</td>
<td>All feedstocks worldwide</td>
<td>Soy outside the EU</td>
<td>All feedstocks worldwide</td>
</tr>
</tbody>
</table>
The implementation of the double counting rule requires a common understanding of what waste is.

ISCC proposed a positive list to the German Government and to the EU. A decision has not been taken yet.
Double counting of waste to biofuels is a tremendous incentive – particular attention has to be paid to ensure proper application
Required definitions for the implementation of the RED are still not available – example highly biodiverse grassland

- **Biodiversity**
  - Primary forest and other wooded land
    - Maps and databases available
  - Designated protection areas
    - Maps and databases available
  - Highly biodiverse grassland
    - No definition available

- **Carbon Stock**
  - Continuously forested areas
    - Maps and databases available
  - Areas with 10-30% canopy cover
    - Maps and databases available
  - Undrained peat land
    - Maps and databases available
  - Wetland
    - Maps and databases available
Almost 850 companies are already registered at ISCC. Nearly 700 certificates have been issued so far.
ISCC is a global certification scheme, covering all kinds of biomass. Today, it is used in 48 countries.
ISCC is not a „German system“: more than 90% of the system users are located outside Germany

* Numbers as per October 25, 2011
ISCC cooperates with 17 certification bodies, 450 auditors have been qualified by ISCC in 14 trainings in Europe, the Americas, and Asia.
ISCC DE vs. ISCC EU
# Main differences between ISCC DE and ISCC EU

<table>
<thead>
<tr>
<th>Issue</th>
<th>ISCC „DE“</th>
<th>ISCC „EU“</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification of farms</td>
<td>Part of the audit at the First Gathering Point</td>
<td>Farms are audited as autonomous group, independent of the First Gathering Point</td>
</tr>
<tr>
<td>Self-declaration by the farms</td>
<td>Necessary</td>
<td>Not necessary</td>
</tr>
<tr>
<td>Definition of sample of farms to be audited</td>
<td>At least 5% of all farms, reduced to 3% of all farms receiving direct payments (Cross Compliance)</td>
<td>At least the square-root of the number of the farms belonging to one group</td>
</tr>
<tr>
<td>Group certification</td>
<td>Impossible</td>
<td>Possible</td>
</tr>
<tr>
<td>GHG calculation</td>
<td>No requirements for emission factors. Specification of the source is sufficient.</td>
<td>Specific requirements for the selection of emission factors (e.g. the use of Biograce)</td>
</tr>
<tr>
<td>Mass balance – GHG emissions</td>
<td>Netting of different GHG emissions is possible (weighted mean value)</td>
<td>Netting is not possible, even if products have been produced from identical biomass</td>
</tr>
<tr>
<td>Mass balance</td>
<td>Use of percentage method is possible</td>
<td>Use of percentage method is not possible</td>
</tr>
<tr>
<td>Mass balance and certification</td>
<td>Certification of the whole value chain up to the Last Interface; afterwards: use of electronic database (Nabisy)</td>
<td>Certification of the whole value chain up to the company responsible for market placement. No database after the Last Interface. Mass balance controlled by auditors throughout the whole value chain</td>
</tr>
<tr>
<td>Proofs of sustainability</td>
<td>Issuance of formal Proofs of Sustainability after the Last Interface (layout and color predefined)</td>
<td>No formal Proofs of Sustainability. Verification of sustainability by “extended delivery notes” sufficient</td>
</tr>
<tr>
<td>Recognition / auditors</td>
<td>Recognition by the German BLE (Bundesanstalt für Landwirtschaft und Ernährung)</td>
<td>Recognition by governmental institutions or national accreditation bodies</td>
</tr>
</tbody>
</table>
A sample of the farmers building the group are audited

Pre-condition for group certificate

**Homogeneous group**
- Same region
- Similar climatic conditions, production systems and risk exposure

**Central Office**
- Registration of group
- Taking care of group management
- Carrying out internal audits
- Adding and exclusion of group members

**External audit**
- Audit of central office and check of compliance with ISCC
- Sample of group members (farms)
- Issuing group-certificate
Procedures and checklists for group certification have been developed.
The certificate format has been changed
Requirements for a certification body to use the ISCC EU scheme

ISCC 251 Requirements for Certification Bodies

1. Recognition with a national accreditation body
2. Cooperation contract with ISCC
3. Participation in ISCC training

4 Requirements and tasks for certification bodies
4.1 Requirements
4.1.1 Requirements on certification bodies
Certification bodies have to fulfill the following requirements:

1. Recognition by a national public authority or an accreditation body
2. Conduct audits in conformity with standard ISO 19011 establishing guidelines for quality and/or environmental management systems auditing
3. The workflow of the certification process complies with the requirements of ISO Guide 65 (EN 45 011)
4. Conduct audit and certification according to the principles and requirements of ISO 17021:2006
5. Signed Cooperation Agreement with the ISCC System GmbH
6. Appointment of competent employees in terms of the requirements in this document.

1: According to the Communication from the Commission on voluntary schemes and default values in the EU biofuels and bioliquids sustainability scheme (2010/C 160/01) it is preferable that auditors should be accredited for the kind of auditing tasks they are to undertake. Such accreditation would be done by members of the International Accreditation Forum (IAF) by the bodies referred to in Article 4 of Regulation (EC) No 765/2008 or by bodies having a bilateral agreement with the European Co-operation for Accreditation. Accreditation bodies shall work in line with ISO 17011: 2004 or otherwise detail what the alternative is.
2: In addition to the requirements mentioned in this document it is preferable but not essential that auditors have experience of carrying out audits according to ISO 14064-3 (Green-house gases – Part
Fee structure of ISCC – remains unchanged for the EU scheme

### ISCC fees- and tariffs-structure

**as of: August 15, 2011**

<table>
<thead>
<tr>
<th>Membership-fees for ISCC-association members</th>
<th>License fees for Certification Bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual fee</strong> 2011</td>
<td>Per Certification Body and co-operation contract with ISCC</td>
</tr>
<tr>
<td>Company &lt; 10 Mll. € Turnover</td>
<td>Per issued certificate</td>
</tr>
<tr>
<td>Company &gt; 10 Mll. € &lt; 50 Mll. € Turnover</td>
<td>1,000 €</td>
</tr>
<tr>
<td>Company &gt; 50 Mll. € &lt; 250 Mll. € Turnover</td>
<td>2,000 €</td>
</tr>
<tr>
<td>Company &gt; 250 Mll. € Turnover</td>
<td>3,000 €</td>
</tr>
<tr>
<td>NGOs, Research, GOs</td>
<td>200 €</td>
</tr>
<tr>
<td>Individual Membership</td>
<td>50 €</td>
</tr>
</tbody>
</table>

1. Amount of annual membership fee is independent from beginning of membership and legal relation to pre-existing ISCC-members
2. The upgrade of a certificate from ISCC DE to ISCC EU is free of charge for Certification Bodies

### Fees for system-user (ISCC-membership is not required for getting certified)

<table>
<thead>
<tr>
<th>Registration-and Certificate-Fees</th>
<th>Quantity dependent Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First Gathering Points</strong> ² (Tons p.a.)</td>
<td><strong>Interfaces</strong> ³ (Turnover € p.a.)</td>
</tr>
<tr>
<td>&lt; 2,000</td>
<td>&lt; 0.6 Mll.</td>
</tr>
<tr>
<td>&lt; 10,000</td>
<td>&lt; 3 Mll.</td>
</tr>
<tr>
<td>&lt; 50,000</td>
<td>&lt; 15 Mll.</td>
</tr>
<tr>
<td>&lt; 100,000</td>
<td>&lt; 30 Mll.</td>
</tr>
<tr>
<td>&lt; 200,000</td>
<td>&lt; 60 Mll.</td>
</tr>
<tr>
<td>&lt; 500,000</td>
<td>&lt; 150 Mll.</td>
</tr>
<tr>
<td>&gt; 500,000</td>
<td>&gt; 180 Mll.</td>
</tr>
</tbody>
</table>

1. Certificate Fees for the upgrade of a certificate from ISCC DE to ISCC EU are determined analogously
2. Based on the total turnover in tons per location per year
3. Based on the total turnover in € per location per year
4. Based on the total turnover in € per location per year
5. Applies for all interfaces except the First Gathering Point
6. Warehouses after the First Gathering Point and farm/cooperatives or group of farms, which ask for a certificate on voluntary bases, are subject to the same fees as the First Gathering Points (annual turnover in tons)
7. In case of ISCC DE also applicable to statements of conformity
New Developments and Prospects
Sustainability requirements become a necessity in conventional markets. First certificates are being issued for the food, feed and chemical industry.

In several cases only partial coverage of sustainability criteria.
ISCC is active as founding member of aireg e.V.: sustainable fuels for aviation
ISCC has entered the non bioenergy markets. Danone applies ISCC for sustainability proof of its PLA cups.
ISCC certification of smallholders and Jatropha – Example Mission New Energy in India

Press Release
Oct. 24, 2011, 12:53 p.m. EDT

Mission Achieves the World’s First Jatropha ISCC Certification

SAN ANTONIO, Texas, Oct 24, 2011 (BUSINESS WIRE) -- Mission NewEnergy Limited (MNE:NC, asx:MBT), a global provider of environmentally sustainable biofuels, today announced that the Company has received the coveted International Sustainability and Carbon Certification (ISCC) for its Jatropha contract farming model, a world first for any Jatropha business. To qualify for ISCC certification, companies must meet strict criteria for sustainable production, as well as reduced emissions of greenhouse gases. The ISCC was developed to certify that biofuels, and biomass for biofuels are produced in compliance with recent EU legislation that requires all biofuels and biomass in Germany to be certified according to the EU-RED requirements.

Mission NewEnergy Limited is a global provider of sustainable, renewable energy. Operating in Asia, India, Australia, Europe and North America, Mission NewEnergy is a biodiesel producer and one of the world’s largest Jatropha plantation companies. At full capacity we can produce 105 million gallons of biodiesel and have over 194,000 acres of plantation representing a sustainable non-edible oil supply of an estimated 22 million barrels. Jatropha Curcas, an inedible biofuel feedstock, is being cultivated by Mission’s contract farmers on marginal lands. Through the realization of Jatropha by-product value, Mission is working towards a zero cost of sustainable non-edible fuel source.
ISCC certification of smallholders in India – Example Mission New Energy

- Madhya Pradesh & Rajasthan
  - No of Farmers: 34,053
  - Acreage: 96,368

- Chhatisgarh
  - Proposed Plantation – 4000 Acre

- Maharashtra
  - No of Farmers: 34,560
  - Acreage: 98,755

- Orissa, Andhra Pradesh & West Bengal
  - No of Farmers: 69,336
  - Acreage: 1,69,241

- Karnataka
  - No of Farmers: 2,373
  - Acreage: 10103

- Tamilnadu
  - No of Farmers: 3,522
  - Acreage: 13619
140,000 smallholders grow Jatropha on 80,000 ha for Mission New Energy
GPS data of areas planted were available for the auditor
ISCC is steered by an association which is open to new members. The number of members has doubled in one year.
5 Feedback TC Work
Agreements in the TC Latin America in May 2011

• Information about the implications of ISCC EU to be provided

• Update training for ISCC EU in Brazil

• Homepage and documents in Portuguese

• Forest Code:
  Registration of land in the Cadastro Ambiental Rural (CAR) is a first step towards the full licence (LAU), APP requirements fulfilled, and clear track record with environmental agencies precondition for ISCC certification

• 40 days time period for corrective measures:
  Agrochemicals, in particular storage facilities, are another issue causing problems in audits. The implementation of legal requirements is not controlled by Government agencies. The 40 days time period for corrective actions is considered as being short, in particular if infrastructure investments are required. A solution being discussed is to allow more time in case of required investments in infrastructure. Another option would be to have within 40 days activities being started to set up the required infrastructure.
ISCC homepage available in Portuguese
ISCC trailer in Portuguese
Important documents are available in Portuguese