



Business Opportunities for Economic Operators in SEA – ISCC Japan FIT Certification

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What is Japan FIT?

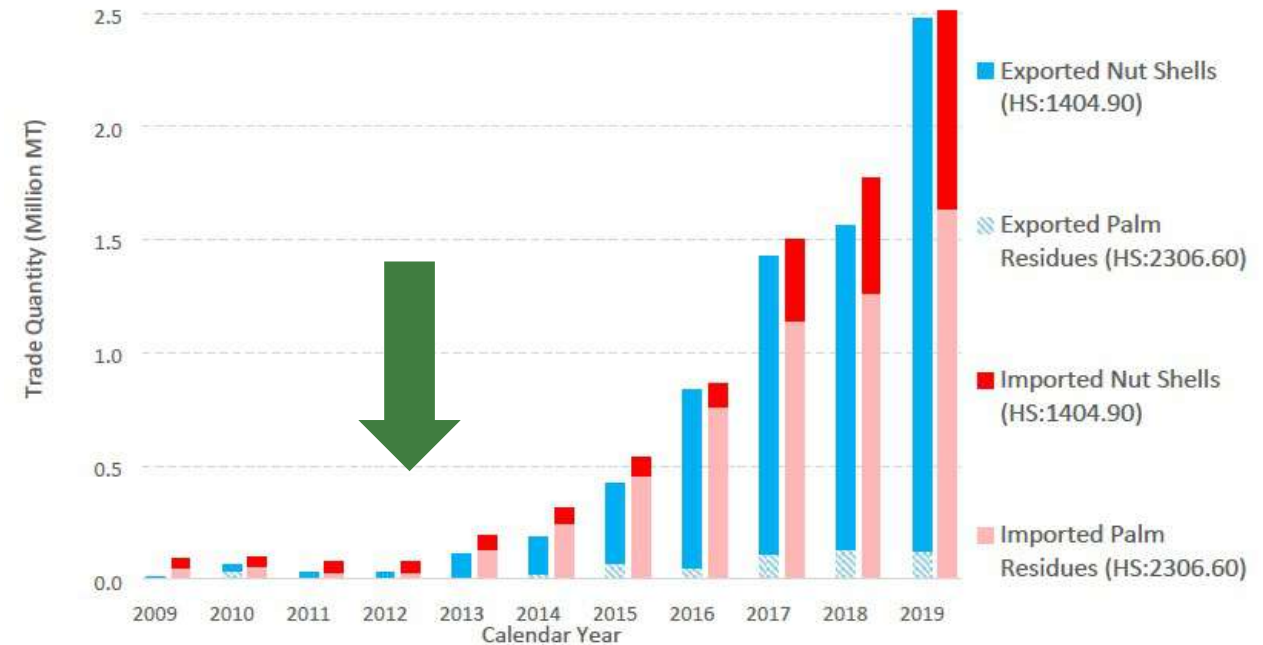
Japan FIT = Feed-in-tariff system

- Set up by the Japanese Ministry Economy Trade and Industry (METI)
- Designed to achieve a low carbon society and economic growth
- Obligates electricity companies to purchase power from renewable sources (biomass, solar, wind, hydraulic, hydro, geothermal) at fixed prices for a specified period of time
- Sets out incentives for the production of renewable electricity in Japan including subsidies for the procurement of palm kernel shells (PKS) and palm trunks

Growing market potential for PKS in Japan

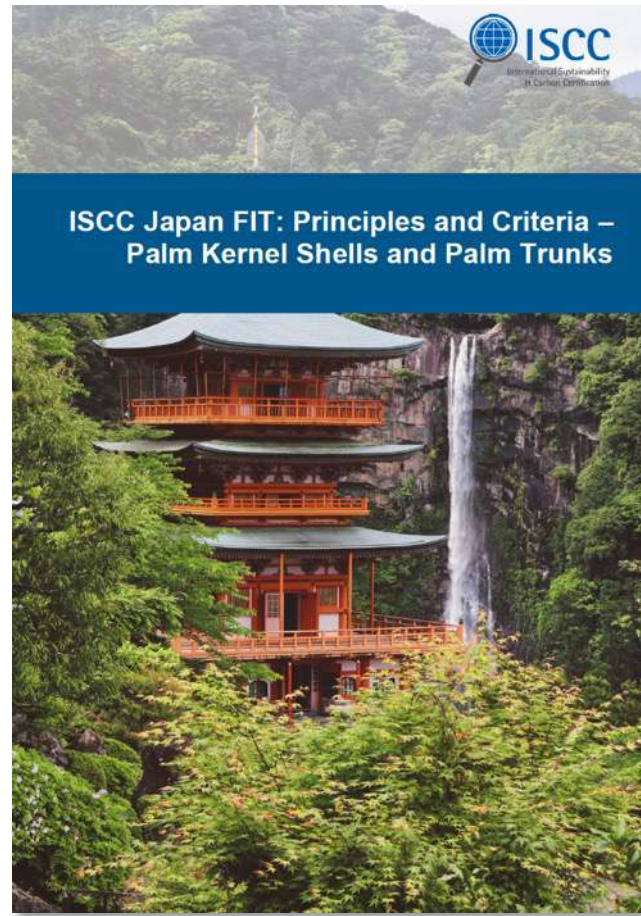
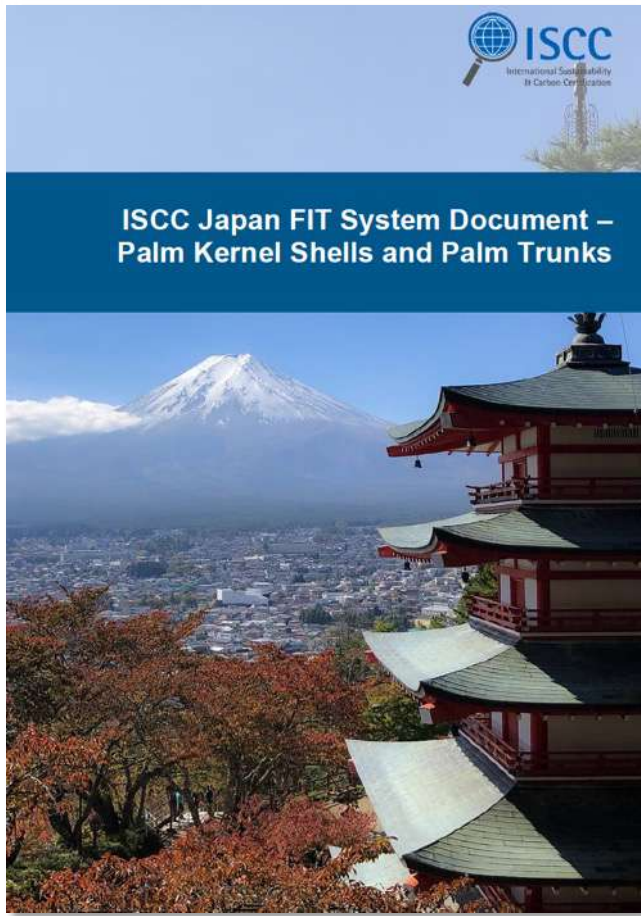
- Strong increase in PKS imports since 2012 when biomass-generated power became eligible for Japan FIT
- In 2019, approx. 2.5 mio mt of PKS and other palm residues for FIT eligible power plants were imported
- Further growth in PKS imports is expected as the number of Japanese biomass power plants will increase
 - Reliable and inexpensive feedstocks are required
 - PKS is regarded as most cost-effective biomass feedstock in terms of energy content
- For 2025 imports of PKS reach approx. 5 mio mt

Comparison of PKS residue data between Japan and exporters (MY, ID)



Source: USDA, Clarifying Japanese Imports of Palm Kernel Residues, 26 May 2020

ISCC system documents for the certification of palm kernel shells and palm trunks under the Japan FIT scheme



- ISCC has developed system documents for certification of palm kernel shells (PKS) and palm trunks under the Japan FIT
- Documents are based on the already existing ISCC standard
- ISCC system documents cover specific requirements set by METI
- Standard is globally applicable for economic operators producing, processing and trading PKS and palm trunks destined for use for power generation in Japan
- Products certified under the ISCC standard will be eligible under Japan FIT

ISCC Japan FIT System Document – Palm Kernel Shells and Palm Trunks



ISCC Japan FIT for the certification of palm kernel shells (PKS) and palm trunks

■ Scope

- All elements along the supply chain from the points of origins up to the power plant must be covered by certification
- Group certification possible for points of origin
 - Can be covered under the certificate of a collecting point
 - Only a sample of points of origins will have to be audited by the CB

■ Chain of Custody

- Along the supply chain the chain of custody model for Identity Preserved (IP) or Segregation must be applied (mass balancing is not applicable)

■ GHG calculations

- GHG emissions relating to collecting, transport and processing must be calculated and minimised
- Determination e.g. according to RED methodology
- No requirements for Greenhouse Gas (GHG) reduction threshold value set yet by METI

ISCC Japan FIT: Principles and Criteria – Palm Kernel Shells and Palm Trunks



ISCC Japan FIT: Principles and Criteria

■ **Scope:**

- P&C apply to points of origins, collecting points and processing units along the supply chain
- For trading/storage only some of the P&C's are applicable

■ **Topics covered under the P&C**

- 1) Environmental protection
- 2) Safe working conditions
- 3) Compliance with human, labour and land rights
- 4) Compliance with laws and international treaties
- 5) Good management practices and continuous improvement



Additional requirements under ISCC Japan FIT

- In comparison to the other ISCC standards some supply chain elements have to fulfill additional requirements under ISCC Japan FIT
- Under ISCC Japan FIT environmental and social requirements must be fulfilled not only by farms/plantations (points of origin for PKS) but also by collecting points and processing units
 - This includes the reduction of pollution and emissions
- The land-related sustainability criteria of ISCC Principle 1 are not covered under Japan FIT



Next steps

- Approval of ISCC Japan FIT by METI expected shortly
- Certification of PKS under a Japan FIT approved standard should be in place by March 2023
- ISCC will provide documents to facilitate the audits under ISCC Japan FIT in due time



Many thanks for your attention!

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