ISCC Japan FIT – Sustainable Palm Oil
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Document Title: ISCC Japan FIT – Sustainable Palm Oil
Version 1.0
Valid from: 1st March 2023
This version becomes valid after official approval by the Ministry for Economy, Trade and Industry Japan (METI)
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1 Introduction

ISCC – International Sustainability and Carbon Certification (ISCC) is a global certification system that offers solutions for the sustainability certification of any kind of materials. Independent third-party certification ensures compliance with high ecological and social sustainability requirements, greenhouse gas emissions savings and traceability throughout the supply chain.

This document specifies ISCC requirements for System Users producing, procuring and importing sustainable palm oil into Japan under Japan’s Feed in Tariff (FIT) system.

The Japanese FIT sets out a system of incentives for the production of renewable electricity in Japan which includes subsidies for the procurement of sustainable palm oil.

Japan’s Ministry for Economy, Trade and Industry (METI) has published specific requirements for the certification of sustainable palm oil under the FIT system. The ISCC Japan FIT standard for sustainable palm oil incorporates these requirements so that products certified under this standard will be eligible under Japan’s FIT system.

METI’s requirements for sustainable palm oil products include verification against sustainability Principles and Criteria (P&Cs) for all Plantations, First Gathering Points/Central Offices, Palm Oil Mills and the downstream supply chain as well as the use of Identity Preserved or Segregation models for chain of custody. METI has not yet put in place requirements for Greenhouse Gas (GHG) reduction threshold value.

For the certification of sustainable palm and sustainable palm oil under the ISCC Japan FIT scheme, this document (“ISCC Japan FIT – Sustainable Palm Oil”) and the document “ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil” will apply.

The ISCC Japan FIT standard for sustainable palm oil requires for all plantations to be verified/audited internally (i.e. by the First Gathering Point/Central Office). The external auditor, through independent third-party verification, will audit a sample of the plantations against the six ISCC Principles for agricultural biomass in the framework of the certification of the First Gathering Point/Central Office. Oil Mills and further downstream entities in the supply chain, such as further processing units, traders and storage facilities, must be covered by individual third-party certification against the ISCC Japan FIT Principles and Criteria as laid out in document “ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil”, and supply chain certification as laid out in this document. It must be ensured that only Identity Preserved (IP) or Segregation is applied as chain of custody model.

For Greenhouse Gas calculations, the ISCC Japan FIT standard for sustainable palm oil requires the calculation of GHG emissions along the supply chain so that each batch of ISCC Japan FIT certified material has a...
GHG intensity associated with it. However, as the scope of the ISCC Japan FIT standard for sustainable palm oil currently does not cover the generation of electricity, ISCC does not require a specific GHG reduction value for the certified sustainable palm oil. Should Japan’s regulations require the certification of electricity production, ISCC will define a baseline and include targets based on the requirements set by METI.

The certification requirements for the different supply chain elements are described in further detail in chapter 3.

2 Scope and Definitions

This standard defines requirements for economic operators along the supply chain to deliver sustainable palm oil for power production considered as eligible under Japan’s FIT legislation. Therefore, this standard is globally applicable for economic operators producing, processing, storing and trading sustainable palm oil destined for use for power generation in Japan.

This version of the standard becomes valid after official approval by the Ministry for Economy, Trade and Industry Japan (METI). Whenever any contradiction or inconsistency exists between this version and previous versions of this standard, the latest version shall prevail. All aspects of this standard are considered to be normative, including the scope, standard effective date, references, terms and definitions, tables and annexes, unless otherwise stated.

Users implementing this standard shall ensure that the scope of this standard is met. Users shall implement all of the requirements specified in this standard, and any and all additional measures necessary to achieve the scope of this standard.

In addition to the documents “ISCC Japan FIT – Sustainable Palm Oil” and “ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil”, the ISCC documents as referenced in this document are applicable. In the event of any inconsistency between this ISCC Standard and other ISCC Standards, the ISCC Japan Fit Standard shall prevail.

The following terms are particularly important for this standard:

System User
Any natural or legal person that concluded a contract with ISCC regarding the use of an ISCC certification system for the purpose of obtaining a certificate. A System User has to comply with the respective requirements laid out in this document and in the document “ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil” in order to receive an ISCC certificate under the ISCC Japan Fit Standard.

Plantation
Plantations are operations where the palm fresh fruit bunches are sustainably cultivated or where agricultural (crop) residues from sustainable cultivation
occur. They are defined as distinct legal entities with control regarding the compliance with ISCC requirements. Plantations are usually covered under the certification of the First Gathering Point/Central Office as part of a group of plantations. In this case they provide a signed self-declaration to the First Gathering Point/Central Office. Individual certification of plantations is also possible.

**First Gathering Point and Central Office**
First Gathering Points are economic operators that buy and receive the sustainable palm directly from the plantations for processing or further distribution or processing. In the context of palm, palm oil mills often act as First Gathering Points for the plantations producing sustainable palm. First Gathering Points must be certified individually. A Central Office is the representative body of at least one group of homogeneous plantations that are certified as an independent group of agricultural producers. A group of plantations is regarded as homogeneous if they are, for example, located in geographic proximity, and are similar in their size, cultivated crops and production processes. Central Offices must be certified individually.

**Processing Units**
Processing units are facilities that convert input materials by changing their physical and/or chemical properties. Processing units can be oil mills, refineries, biodiesel plants, ethanol plants and others. Processing units must be certified individually.

**Trader**
Traders are economic operators that trade sustainable materials (i.e. raw materials, intermediate products or final products). Traders who do not receive sustainable material physically but only on “paper” basis are referred to as Paper Trader. All traders must be certified individually.

**Storage Facilities**
Storage facilities include warehouses, silos, tanks etc. A logistics center is an economic operator that operates and manages a group of storage facilities under a single legal entity at different geographical sites but with a corporate management system. A storage facility can be the owner of the sustainable material or store or transfer the sustainable material on behalf of the owner. All storage facilities used for storing sustainable material must be covered by certification (group certification approach can be applied).

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1 See ISCC EU System Document 203 „Traceability and Chain of Custody“ for further information on the identification of plantations.
3 Requirements

3.1 General requirements

The following ISCC standards and procedures\(^2\) shall apply in addition to this standard:

- The document ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil, shall apply to any Plantation, First Gathering Point/Central Office, Processing Unit, Trader/Storage Facility along the supply chain.

- The ISCC Terms of Use shall apply to any System User along the supply chain with legal ownership of ISCC certified material.

- The document ISCC EU 102 – Governance shall apply to ISCC as an organisation, to cooperating CBs, to ISCC System Users, and to other stakeholders of ISCC.

- The document ISCC EU 103 – Requirements for Certification Bodies and Auditors shall apply to Certification Bodies (CBs) to become recognised by the ISCC System and to the auditors conducting ISCC audits.

- The document ISCC EU 201 – System Basics shall apply to all participants in the certification system, i.e. companies along the supply chain using the ISCC System (System Users) and Certification Bodies cooperating with ISCC.

- The documents ISCC EU 202-1 Agricultural Biomass: ISCC Principle 1 and ISCC EU 202-2 Agricultural Biomass: ISCC Principles 2-6 shall apply to all plantations cultivating palm sustainably.

- The document ISCC EU 203 – Traceability and Chain of Custody shall apply to all participants in the certification system, i.e. companies along the supply chain using the ISCC System (System Users) and Certification Bodies cooperating with ISCC.

- The document ISCC EU 204 – Risk Management shall apply to all participants in the certification system, i.e. companies along the supply chain using the ISCC System (System Users) and Certification Bodies cooperating with ISCC.

- The document ISCC EU 205 – Greenhouse Gas Emissions shall apply to all participants in the certification system, i.e. companies along the supply chain using the ISCC System (System Users) and Certification Bodies cooperating with ISCC.

- The document ISCC EU 208 – Logos and Claims shall apply to all participants in the certification system, i.e. companies along the supply

\(^2\) All documents listed are publicly available on the ISCC website (www.iscc-system.org) in their currently valid version.
3.2 Certification requirements for supply chain elements

This section highlights important audit and certification requirements for supply chain elements relevant under the standard ISCC Japan Fit for sustainable palm oil. The audit and certification requirements for the different supply chain elements as laid down in detail in ISCC EU 203 “Traceability and Chain of Custody” and “ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil” apply.

Relevant supply chain elements under this standard are plantations, first gathering points or central offices, processing units, as well as traders and storage facilities. The transport of sustainable material between the different elements of the supply chain is not subject to individual certification. All relevant information regarding transport (e.g. delivery documents, means of transport, transport distance, respective greenhouse gas emissions) is covered by the certification of the above-mentioned elements of the supply chain. Under ISCC all elements of the supply chain that cannot be covered under a group certification must obtain a certificate in order to handle sustainable materials. With this approach supply chains can be set-up flexibly and adjusted if required. ISCC certificates are site specific, i.e. a certificate can only be issued for one geographical site. ISCC certificates can cover more than one scope (i.e. the type of certified operation).

3.2.1 Plantations

Plantations have three options to participate under this standard:

- Individual certification as Plantation
- As part of a group of plantations organised under a Central Office
- As part of a group plantations delivering to a First Gathering Point

If plantations are participating in a group certification they have to conduct self-assessment and provide a signed self-declaration to the First Gathering Point or Central Office.

Plantations that cultivate sustainable palm must comply with the ISCC Principles 1-6 for agricultural biomass. The six principles cover ecological, social and economic criteria as well as criteria on land-use and land-use change.

The audit of a plantation must always cover the entire land area (agricultural land, pasture, forest, any other land) of the plantation, including any owned, leased or rented land. The area of the plantation relevant for ISCC certification is not limited to areas where sustainable material is cultivated. Selecting particular areas of the plantation which comply with ISCC requirements but not the areas of the plantation which may not comply with the requirements (“cherry picking”) is not permitted under ISCC.
3.2.2 First Gathering Points and Central Offices

First gathering points have a contractual relationship with the supplying plantations for the delivery of sustainable palm. In the context of palm, palm oil mills often act as First Gathering Points. A Central Office is the representative body of at least one group of homogeneous farms or plantations that are certified as an independent group of agricultural producers. The Central Office does not receive ownership of the sustainable materials. First Gathering Points and Central Offices are the heads of the groups for the plantations supplying sustainable palm, i.e. they are responsible for the management of their respective groups of plantations.³ In this role, the First Gathering Points and Central Offices must receive a signed self-declaration/self-assessment from each plantation before the first delivery of the sustainable palm. They must also conduct annual internal audits at their supplying plantations. For the certification of First Gathering Points and Central Offices a sample of the supplying plantations is subject to an audit. The sample size is determined by the following formula:

\[ s = r \times \sqrt{n} \]

- **s**: sample size
- **r**: risk factor
- **n**: total number of group members

The minimum sample size is the square root of the total number of group members \((\sqrt{n})\). The minimum sample size must be multiplied by the risk factor \((r)\) determined by the auditor during the risk assessment:

- Regular risk: \( r = 1 \)
- Medium risk: \( r = 1.5 \)
- High risk: \( r = 2 \)

First Gathering Points and Central Offices must be certified individually. The audit covers the specific sustainability requirements regarding environmental, social/labour and governance requirements laid down in the ISCC Principles and Criteria for sustainable palm oil. Furthermore, the relevant requirements of their management system, traceability, chain of custody and greenhouse gas emissions according to ISCC EU 203 apply.

3.2.3 Processing Units

Processing units, such as oil mills, refineries or biodiesel plants must be certified individually. Group certification or sampling is not allowed for processing units. The audit covers the specific sustainability requirements regarding environmental, social/labour and governance requirements laid down in the ISCC Principles and Criteria for sustainable palm oil. Furthermore,

³ For further information on group certification requirements see ISCC EU 203 "Traceability and Chain of Custody".
the relevant requirements of their management system, traceability, chain of custody and greenhouse gas emissions according to ISCC EU 203 apply.

### 3.2.4 Traders and Storage facilities

All traders and storage facilities trading and/or storing sustainable materials must be covered by certification. If a storage facility owns and trades the sustainable material it has to be additionally certified as trader.

Storage facilities have three options to be covered under ISCC certification:

- Individual certification as ‘warehouse’ (i.e. storage facility)
- Certification as part of a ‘logistics centre’ (i.e. group certification of storage facilities)
- Covered as dependent storage facility in the framework of the certification of a third party (e.g. first gathering point/central office, collecting point, processing unit, trader with storage)

For the certification of a logistic center a sample of all storage facilities used for sustainable material is audited. The same applies to the certification of storage facilities in the framework of the certification of a third party. Here, a sample of all storage locations that are not individually certified as warehouse or as part of a logistic center are subject to an audit. To calculate the sample size the approach described above in chapter 3.2.1 applies.

The audit covers the specific sustainability requirements regarding environmental, social/labour and governance requirements laid down in the ISCC Principles and Criteria for sustainable palm oil. Furthermore, the relevant requirements of their management system, traceability and chain of custody according to ISCC EU 203 apply.

### 3.3 Additional criteria for Japan FIT eligible sustainable palm oil

#### 3.3.1 Greenhouse Gas emissions of sustainable palm oil

For Greenhouse Gas calculations, the ISCC Japan FIT standard for sustainable palm oil requires the calculation of GHG emissions along the supply chain so that each batch of ISCC Japan FIT certified material has a GHG intensity associated with it. However, as the scope of the ISCC Japan FIT standard for sustainable palm oil currently does not cover the generation of electricity, ISCC does not require a specific GHG reduction value for the certified sustainable palm oil. Should Japan’s regulations require the certification of electricity production, ISCC will define a baseline and include targets based on the requirements set by METI.

The System User shall calculate and minimize the GHG emissions along the supply chain related to the cultivation, transport and processing of palm and sustainable palm oil from the first element in the supply chain to the point of delivery (see also “ISCC Japan FIT: Principles and Criteria – Sustainable Palm Oil” chapter 4.2.19).
3.3.2 Requirement related to Chain of Custody

The System User shall ensure that the Chain of Custody model for Identity Preserved and/or Segregation is used. The requirements for chain of custody for IP and Segregation as well as for traceability documentation as laid out in document ISCC EU 203 “Traceability and Chain of Custody” apply.