

**ISCC – International Sustainability and Carbon Certification**

# **Report to the European Commission for the Calendar Year 2023**

According to Article 30(5) of Directive 2018/2001/EC  
Submitted on 30 April 2024



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## 1 Introduction

According to the Directive (EU) 2018/2001 (hereafter RED II), all recognized voluntary certification schemes are obliged to annually report to the European Commission (EC) the quantities of sustainable material covered by the respective scheme in the previous calendar year. The reporting provides information about the operation of voluntary schemes and includes, inter alia, the quantities of feedstocks (raw materials) and biofuels, bioliquids and biomass fuels certified under the voluntary scheme in the previous calendar year by country of origin and type of feedstock.

In 2011, ISCC EU was among the first certification schemes recognized by the EC under the RED. ISCC EU was among the first two certification schemes to gain re-recognition by the EC as of 09 August 2016. The EC published its recognition of the ISCC EU certification scheme under the RED II on 12 April 2022. ISCC subsequently updated the ISCC EU System Documents to reflect the legal requirements of Implementing Regulation (EU) 2022/996 on rules to verify sustainability and greenhouse gas emission saving criteria and low indirect land-use change-risk criteria (hereafter referred to as 'Implementing Regulation'). The EC provided official approval of the revised system documents on 03 January 2024. Thus, ISCC EU can be used to demonstrate compliance with the legal requirements of the RED II and Implementing Regulation.

ISCC is a certification system covering all elements of the supply chain and all kinds of bio-based feedstocks, waste and residues as well as circular materials and renewables. Independent third-party certification verifies compliance with ecological and social sustainability requirements, greenhouse gas emission reductions and traceability throughout the supply chain. The European biofuel, bioliquids and biomass fuel market covered under the ISCC EU standard remains the most important market for ISCC, representing 62% of valid ISCC certificates issued in 2023. Other certification systems operated by ISCC for different markets are ISCC PLUS, ISCC CORSIA and CORSIA PLUS and ISCC Japan FIT.

ISCC certification covers all elements along the supply chain, from agricultural operations or the point of origin for waste and residues to the end user of the final product. ISCC targets:

- Reduction of greenhouse gas (GHG) emissions
- Production of biomass on land without high biodiversity and high carbon stock

- Application of good agricultural practices and protection of soil, water and air
- Respect of human, labour and land rights

Traceability requirements are in place in order to trace the physical path of biomass throughout the supply chain. In addition, ISCC provides guidelines for bookkeeping according to the economic operator's preferred chain of custody and methodologies to conduct and verify GHG calculations along the supply chain.

ISCC relies on an open multi-stakeholder process involving 264 international associations, corporations, research institutions and NGOs from Europe, the Americas and Southeast Asia.<sup>1</sup> ISCC is a multi-stakeholder initiative governed by the ISCC Association. Members of the ISCC Association (ISCC e.V.) represent biomass producers and processors, trade, logistics, NGOs, the social sector, science and research as well as the public sector.

Article 17(7) and Annex III of the Implementing Regulation lay out the rules and specific elements for the annual report of voluntary schemes to the European Commission. ISCC has structured the individual chapters of this report according to elements (a) – (i) of Annex III. Best Practices according to *Annex III to Implementing Regulation (EU) 2022/996*, lit. (j): “possibilities to facilitate or improve promotion of best practice” have been included in each relevant chapter to prevent duplications. As for lit. (k), namely the “*information on the way the risk assessment required in Article 29(6) and (7) of the Directive (EU) 2018/2001 is made*” by voluntary schemes certifying forest biomass, such information is not yet available. Although the EC provided a positive technical assessment of the forest biomass-related requirements for ISCC EU, the recognition process to certify forest biomass under ISCC EU in the RED II framework is not finalised yet.

ISCC collected information from System Users for the calendar year 2023 for the requested market update (chapter 6), namely the quantities of feedstock, biofuels, bioliquids and biomass fuels that were certified under ISCC EU by country of origin. Chapter 6 additionally outlines the data-gathering process in detail and provides annual comparisons of the respective amounts. Information on the  $e_{sca}$  statistics and penalties for failure to comply with the  $e_{sca}$  methodology (Annex V of the Implementing Regulation) is not available for the year 2023 because the ISCC System Documents that include the Annex V methodology did not become applicable ISCC System Users until 01 January 2024, following EC approval.

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<sup>1</sup> Number as of December 2023

## 2 ISCC Audits

The following chapter outlines compliance with Annex III to Implementing Regulation (EU) 2022/996

*(a): rules on the independence, method and frequency of audits as approved by the Commission upon accreditation of the voluntary scheme and any changes to them over time to reflect Commission guidance, the modified regulatory framework, findings from internal monitoring on the auditing process of certification bodies and evolving industry best practice*

### **Modality and Frequency of Audits**

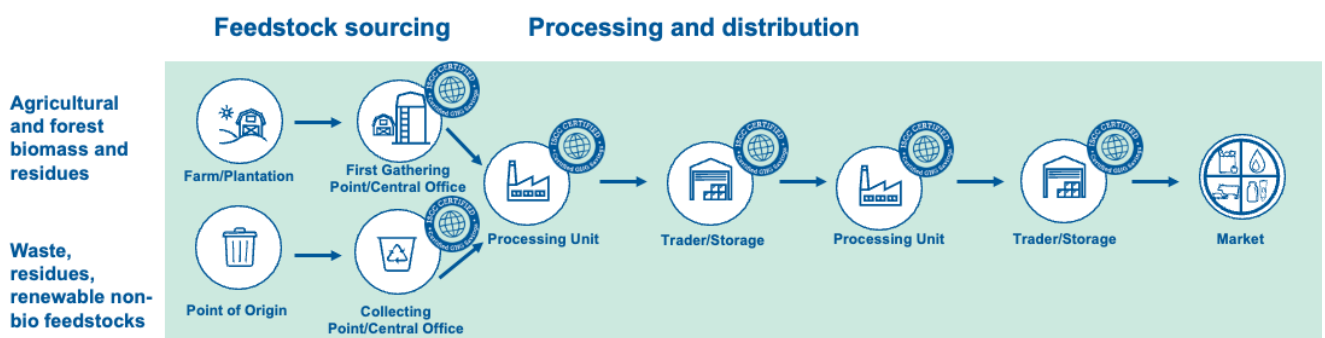
System Users that register with ISCC and wish to obtain a certificate are subject to a certification audit, during which a cooperating Certification Body (in the following referred to as CB) verifies compliance with the applicable ISCC requirements. ISCC audits must be conducted annually and on site at the location of the registered System User. The CB is additionally required to conduct mandatory surveillance audits six months after the first (initial) certification of any economic operator handling wastes and residues or waste- and residue-based products. For collecting points and traders that deal with both waste and residues (e.g. used cooking oil or animal fat) and with virgin materials (e.g. vegetable oils), the CB must conduct an additional surveillance audit three months after the initial certification. As of 01 January 2024, all surveillance audits must be conducted on site.

During the audit, the auditor representing the respective CB must use the audit procedures provided by ISCC to assess and verify the ISCC System User's compliance with the applicable ISCC requirements. After a successful audit, the CB issues the ISCC certificate and uploads it in the ISCC HUB, the online platform where System Users and CBs manage registration- and certification-related data of System Users. As part of an additional quality management step, ISCC staff internally review the certification documents that are uploaded on the ISCC HUB and posted online in the public ISCC certificate database.

All relevant elements of the supply chain must obtain a certificate to handle sustainable materials. Audits are conducted on a risk-oriented basis. The requirements for conducting them are specified in the ISCC EU System Document 201 "System Basics" and ISCC EU System Document 103 "Requirements for Certification Bodies and Auditors" (version 4.1).

The following elements of the supply chain are subject to certification under ISCC: farms and plantations, points of origin, first gathering points, central offices, collecting points, traders, storage facilities and processing units. A valid ISCC EU certificate provides evidence that the certified element complies with the sustainability criteria of the ISCC standard and the RED II accordingly.

ISCC certification allows step-by-step identification and tracking of the origin, processing history, distribution and location of materials through the supply chain.



ISCC continued its cooperation with the EC on the Union Database (UDB) in 2023 with onboarding of Economic Operators (EOs) and addition of associated certificates in the system. ISCC has collaborated with the EC in its efforts to establish the UDB tool as a complement to the audit process that enhances assurance levels and verifies the accuracy of data recorded by EOs and their representatives, as described in Art. 10 and Art. 18 of the Implementing Regulation.

ISCC and the EC UDB team are in daily communication to ensure effective system-to-system communication and automated daily updates of certificate data. ISCC will act as a service provider, with a customised, user-friendly platform enabling System Users to meet UDB requirements.

## Independence

To ensure independence and avoid conflicts of interest, ISCC requires external third-party certification audits. Certification audits are conducted by independent CBs, each of which has a valid cooperation agreement with ISCC. CB names and contact details are published on the ISCC website.

All ISCC auditors must be independent of the activity being audited and free from conflict of interest, and it is not possible for CBs and auditors to become members of the ISCC Association (ISCC e.V.). Furthermore, CBs and auditors are subject to controls conducted by the bodies responsible for recognition or accreditation of CBs. These bodies are either governmental authorities (e.g. the German Federal Office for Agriculture and Food – BLE) or accreditation bodies (e.g. the ANSI National Accreditation Body – ANAB).

In addition to these controls, CBs and auditors are subject to independent audits conducted by ISCC in the framework of the ISCC Integrity Programme (“Integrity Assessments”), which is described in more detail in chapter 3. Integrity Assessments take place in addition to the annual CB-conducted certification audits of ISCC System Users and the control audits conducted by the CB recognition and accreditation bodies. The number of Integrity Audits carried as part of the ISCC Integrity Programme should represent a higher control density compared to the audits conducted by accreditation bodies. This set-up adds to ISCC’s efforts towards high integrity of the certification scheme and of the claims made under the scheme.

The individual requirements for CBs and auditors applicable under ISCC are specified in detail in the ISCC System Document 103 “Requirements for Certification Bodies and Auditors”. Further requirements for CBs and auditors are specified in chapter 7. That section also covers findings from internal monitoring on the auditing process of certification bodies and gives an overview of the work of CBs (Annex III to Implementing Regulation (EU) 2022/996, lit. (i)).

### **Further development of innovative technology tools**

#### *a) Audit Procedure System (APS)*

ISCC continues to develop its digital audit tool, the Audit Procedure System (APS), to enhance the certification process and data assessments. APS simplifies the process of preparing for and carrying out an audit, contributing to more efficient audit performance. The objective of APS is to display customized questions relevant to the particular audit, provide a step-by-step audit guidance, and generate respective audit reports automatically.

ISCC supports CBs and auditors in the transition to new APS versions and their applications by providing comprehensive guidance materials and operating an APS Helpdesk. This support ensures that any implementation issues can be discussed and resolved promptly.

By requiring the use of APS, ISCC was able to build an extensive database of all audit data to improve its monitoring and evaluation system, e.g., to gather data for its Integrity Programme and the ISCC Impact Assessment.

*b) ISCC HUB and future integration with the UDB and ISCC Transaction Database*

ISCC digitization efforts led to the launch of the ISCC HUB in December 2023, an online platform that complements the client section of the ISCC website. In the ISCC HUB, System Users can register themselves for an ISCC certification and edit their registration data. CBs can oversee registrations, submit audit packages with certificates, upload adjusted certificates, change certificate status and more.

The ISCC HUB is a user-friendly system built and implemented to facilitate a more efficient registration and certification process. System Users can edit their registration data and contact information directly in the ISCC HUB, and CBs can independently upload certificates and relevant documentation on the platform. CBs are also responsible for updating the ISCC HUB to reflect changes in the certificate status.

The ISCC HUB is designed to prevent submission errors and missing data while improving data accuracy, minimising the need for subsequent clarification by involved parties. The system sends automatic notifications to relevant parties when data is updated or changed, providing information or requesting confirmation. It also provides a task list that indicates open process steps that need to be completed, e.g. next steps for Applicants and CBs during registration.

While developing the HUB, ISCC has envisioned its future integration with the UDB as well as an ISCC Transaction Database to offer System Users a comprehensive one-stop-shop solution for submitting and tracking certified materials and their sustainability characteristics along the supply chain.

*c) Global Risk Assessment Services (GRAS)*

ISCC continuously invests resources to support a credible, effective and cost-efficient certification process. Reliable monitoring of land use change continues to be of high importance to the credibility of the ISCC system. To verify that no illegitimate land use change takes place in the areas where certified feedstock are cultivated, ISCC uses the GRAS Tool, an innovative web-based remote sensing application that provides comprehensive sustainability-related geo-referenced information on biodiversity, land use change, carbon stock and social indices.



In 2023, GRAS introduced the GRAS Tool+, an enhanced version of the original GRAS Tool that allows users to conduct consistent and transparent sustainability analysis. Now extending coverage to 70 countries, including EU Member States, the GRAS Tool+ supports tailored analysis with interactive sustainability maps and country-specific risk assessment reports. This tool features annual updates of Land Use Change layers, with new layers added per demand. Additionally, the platform is multilingual and includes a fire monitoring system that sends immediate alerts about significant fire events.

ISCC's sustainability requirements for farms and plantations are laid down in the form of six principles. In 2023, ISCC officially implemented the ARIA (Automated Risk Assessment) platform to promote a one-level field in its audit processes for palm plantations in Indonesia and Malaysia, which together supply more than 80% of palm production in the market. The ARIA platform produces fully automated risk assessment reports covering all the criteria of ISCC Principle 1, which concerns the protection of biodiverse and carbon-rich areas. GRAS incorporates exclusive deforestation layers, satellite imagery time series, and other useful datasets to help auditors identify sustainability risks associated with palm during the certification process. ARIA reports enable auditors to evaluate the sustainability risk of individual or multiple farms by quantifying their environmental conditions and therefore supporting the decision-making process.

### **3 Non-Compliance and Fraud Prevention**

Chapter 3 is dedicated to ISCC's measures with regard to Annex III to Implementing Regulation (EU) 2022/996, lit. (b) and (g):

*(b) rules and procedures for identifying and dealing with non-compliance by economic operators and members of the scheme;*

*(g) overview of the effectiveness of the implementing system put in place by the governance body of the voluntary scheme in order to track proof of conformity with the sustainability criteria that the scheme gives to its member(s). This shall cover, in particular, how the system effectively prevents fraudulent activities by ensuring timely detection, treatment and follow-up of suspected fraud and other irregularities and where appropriate, the number of cases of fraud or irregularities detected.*

This chapter also covers findings from the ISCC Integrity Programme's internal monitoring of System Users and CB auditing processes, rules guiding the internal monitoring, the results of its periodic review, and an overview of the system of handling complaints against System Users and CBs pursuant to Annex III to Implementing Regulation (EU) 2022/996, lit. (i).

If ISCC receives information that indicates a System User is involved in severe non-conformities with ISCC requirements, including fraudulent activities, or if ISCC receives information that a System User is subject to a fraud investigation by a competent authority, ISCC will investigate. The investigation lasts until any suspicion of non-conformity and/or fraud can be refuted. If ISCC concludes that the indication is well-founded, the validity of the respective System User's certificate must be suspended. The System User is then required to provide sufficient evidence refuting any suspicion of non-conformity. If a System User ultimately fails to provide sufficient evidence to refute all suspicions of non-conformity and/or if ISCC concludes that the suspicion cannot be refuted based on the provided evidence, the respective certificate must be declared invalid and withdrawn.

### **Non-Conformities**

Non-conformity means the non-fulfilment or violation of an ISCC requirement either by a CB or by a System User. This chapter assesses the relevant ISCC requirements in place for the relevant calendar year, in this case the ISCC EU System Document 102 "Governance", version 4.0 (applicable until 31 December 2023).

ISCC is responsible for classifying any non-conformity in accordance with its degree of severity (minor, major or critical) and assessing the fault of the party apparently responsible as part of a case-by-case assessment if this is required.

In this context, a non-conformity is considered to be of minor severity if it has not led to any kind of material or product being declared as sustainable despite the failure to meet ISCC requirements or if it had no adverse impact on the reliability, integrity or performance of ISCC.

Minor non-conformities are insubstantial and do not violate fundamental ISCC requirements, i.e., non-conformities that are non-systematic with impacts limited in scale. Examples of minor non-conformities concern documentation or insufficient integration of the

ISCC requirements into the quality management of the System User. Minor non-conformities may be corrected by implementing appropriate corrective measures within a specific time frame. Otherwise, the issuance of a certificate is not possible, and compliance must be verified in an additional audit.

Major non-conformities are substantial and violate fundamental ISCC requirements. These are especially those non-conformities which have a severe impact on downstream supply chain elements, which continue over a long period of time, are repeated or systematic and have a serious (negative) impact. Examples of major non-conformities include selling one batch of sustainable material multiple times (multiple accounting) or declaring biomass or other materials or products as sustainable when the sustainability of the material or product cannot be fully traced, verified or validated. Major non-conformities on the farm or plantation level include non-conformities with ISCC requirements classified as “immediate” requirements as laid down in the ISCC System Document 202-2 “Agricultural Biomass: ISCC Principles 2-6”. In case of major non-conformities by System Users, the issuing CB must suspend the validity of the certificate (suspension) with immediate effect for a period of 40 days. Within this period, all non-conformities must be corrected by implementing appropriate corrective measures as determined by the CB. The CB shall end the suspension within or after this period if it confirms the successful implementation of the corrective measures. If corrective measures cannot be implemented within this period for exceptional reasons, the suspension can be extended up to 30 days with the consent of ISCC. If the System User fails to correct all major non-conformities within the period of suspension, the CB must declare the certificate invalid and withdraw the certificate with immediate effect. In case of withdrawal, ISCC may exclude the System User from recertification (exclusion) for up to six months in cases of ordinary negligence of the System User with regard to the non-conformity and for up to twelve months in cases of gross negligence.

Non-conformities are considered as ‘critical’, i.e. of especially severe nature, if they are intentional, in particular non-conformities with the intent to defraud. Critical non-conformities include violations of the requirements of ISCC Principle 1,<sup>2</sup> modification of production or deliberate contaminations of material to generate waste or residues and the false declaration of waste and residues. In the case of critical non-conformities, the issuing CB

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<sup>2</sup> See ISCC EU System Document 202-1 “Agricultural Biomass: ISCC Principle 1”

must declare the certificate invalid and withdraw the certificate immediately. In this case, ISCC may exclude the System User from the ISCC system and from recertification for a period of up to 60 months.

If non-conformities are detected during an ISCC audit that relate to claims made by System Users during the previous certification period, ISCC and the CB are entitled to impose conditions for recertification of the System User. Conditions may include the requirement to submit copies of relevant documents for a specific period to ISCC and/ or to the CB and that the CB conducts a surveillance audit after a specific period after recertification (e.g. after one mass balance period). This especially applies in cases of non-conformities that have an impact on the downstream supply chain, e.g. non-conformities with the mass balance requirements, non-conformities of sustainability declarations (e.g. false information) or non-conformities with the greenhouse gas requirements (e.g. incorrectly calculated GHG emission value). In case of severe non-conformities, applying a higher risk is mandatory for at least the next two audits following the suspension or withdrawal of a certificate.

Methods for identifying non-conformities under ISCC include:

- Certification audits conducted by the CB
- Surveillance audits conducted by the CB
- Integrity Assessments conducted by ISCC

Complaints submitted to ISCC by CBs, System Users or third parties (e.g. market participants, associations, NGOs, national authorities, etc.)

## **Complaints**

ISCC encourages its stakeholders and third parties to raise complaints against ISCC certificate holders or cooperating CBs in cases of non-conformity with ISCC requirements and/or fraudulent behaviour. The procedure to file a complaint is described on the ISCC website and in ISCC EU 102 System Document “Governance”, chapter “Conflict Resolution”. The document further outlines in detail the ISCC procedure of dealing with received complaints in a dedicated chapter.

Via the complaint form on the ISCC website, the complainant can provide as much information as possible in a structured way in order for ISCC to obtain an unambiguous

understanding of the situation (i.e. directly stating references to ISCC requirements). In 2023, ISCC received 43 complaints. The majority of complaints were related to the area of traceability.

ISCC treats all information received in complaints with utmost confidentiality, and the complainant may stay anonymous during the process. If the complaint allows to obtain a clear idea and an unambiguous understanding of the situation at hand, ISCC will further investigate the case by applying the above stated measures. All complaints provided to ISCC are dealt with in a timely manner. If the information received is unclear, ISCC follows up with the complainant to request further information, such as relevant documentation or other evidence. Ultimately, if the complaint is considered inadmissible, for example because it is not substantiated, negligible or not sufficiently supported by objective evidence, ISCC will close the complaint by providing a respective response to the complainant. ISCC does not further investigate complaints that do not directly relate to ISCC requirements and closes them with an explanation to the complainant. For every accepted complaint, ISCC generates a unique reference number. ISCC management analyses, investigates and makes a decision on all accepted complaints in an impartial and unbiased manner. ISCC may schedule independent Integrity Assessments to evaluate the provided evidence related to the complaint. Based on the final decision, ISCC can make provisions for certification audits or impose further conditions for re-certification. If the analysis of the complaint reveals any form of non-conformities with ISCC requirements, ISCC applies respective sanctions.

In the course of 2023 ISCC also developed an additional tool to prevent severe non-conformities and to ensure compliance with the ISCC standard. The web-based ISCC Whistleblower Tool allows for an easy and quick reporting procedure of information on potential non-conformities with ISCC requirements. Everyone can submit so-called Whistleblower reports via the dedicated Whistleblower Tool. The purpose of the tool is to help ISCC detect non-conform behaviour related to the ISCC System requirements and guidelines. The information that may be submitted includes allegations on severe non-conformities, such as fraudulent activities. The Whistleblower Tool can also be used to report on grievances with the ISCC system or ISCC employees. The report can be submitted anonymously, if needed, and all information is investigated shortly after the receipt by the authorised ISCC personnel.

## Internal Monitoring

ISCC continuously monitors and documents the compliance of System Users and CBs internally. The internal monitoring of ISCC consists of four pillars:

- 1) *Internal document review*: ISCC reviews and cross-checks all certification documents submitted to ISCC by the CBs, e.g. registrations, audit procedures, individual GHG calculations, copies of certificates and Summary Audit Reports. ISCC documents any irregularities or non-conformities found during this review and directly addresses them with the respective party (CB and/or System User).
- 2) *ISCC Integrity Programme*: as mentioned in this chapter of the report, the results of the ISCC Integrity Programme are evaluated continuously on a case-by-case basis. Conclusions are drawn with respect to improvement of the overall system and interaction with CBs and System Users.
- 3) *Reports from CBs*: CBs submit an annual evaluation report to ISCC (see ISCC EU System Document 103 “Requirements for Certification Bodies and Auditors”). In addition, meetings with CBs take place twice a year for information exchange and feedback on how the system can be further improved.

*Complaints and reports from external parties*: if ISCC receives substantiated information about irregularities or non-conformities of System Users or CBs from external stakeholders, ISCC shall immediately investigate such reports. This can lead, for example, to Integrity Audits conducted by ISCC or surveillance audits conducted by the CB.

## The ISCC Integrity Programme and Integrity Assessments

The ISCC Integrity Programme aims to ensure a consistent, objective and reliable audit and certification process by all CBs cooperating with ISCC globally as well as the high quality and integrity of the ISCC system. It was launched as a tool to enable closer monitoring of the CBs’ verification activities and companies’ compliance and is based on an ongoing assessment process. The ISCC Integrity Programme is an integral part of the quality and risk management at ISCC and provides valuable feedback to ISCC regarding the implementation of the standard and its verification. Therefore, it is an essential part of the continuous improvement process of the ISCC system and covers on-site assessments, desk verifications and stakeholder involvement.

Integrity Assessments can be conducted on-site or remotely at the registered site of the System User certified by the CB (customer audit) or at the CB's head office (office audit). In general, ISCC Integrity Assessments are planned randomly or on a risk basis after risk evaluations, complaints or reports of non-conformities. This means that different factors, such as market developments, internal monitoring and external information, e.g., submission to the complaint form, are taken into account for the risk-based choice of Integrity Assessment candidates.

Integrity Assessments are conducted by ISCC Integrity Auditors and can take place in any country where CBs carry out activities and audits in the framework of ISCC. The ISCC Integrity Auditors must be independent and free of any conflicts of interest. They work on behalf of ISCC and are not allowed to work for CBs cooperating with ISCC at the same time.

Integrity Assessments of ISCC System Users are either complete audits covering all ISCC requirements or have a specific focus (e.g. on GHG calculations or traceability). The participation of the System Users in Integrity Assessments is mandatory. Refusal to participate or non-cooperation are considered critical non-conformities with ISCC requirements and will be sanctioned. The participation of the CB in a System User Integrity Assessment scheduled by ISCC is not mandatory but recommended.

An ISCC Integrity Assessment at the office of a cooperating CB (CB office assessment) only takes place in exceptional cases, as the surveillance and monitoring of CBs is usually performed by the national public authority responsible for recognition or by the accreditation body responsible for accreditation of the CB. The CB is obliged to allow for and participate in office audits scheduled by ISCC. Refusal to participate is considered a critical non-conformity with ISCC requirements and will be sanctioned.

The results of an Integrity Assessment are recorded in an Integrity Assessment Report, which contains the basic data of the assessment and the findings of the ISCC Integrity Auditor. The performance of the System User as well as of the auditor and the CB is evaluated, and points of improvement and/or non-conformities are identified based on the findings of the assessment. ISCC is entitled to forward the Integrity Assessment Report to the competent public national authority or accreditation body responsible for recognition or accreditation of the CB, especially in cases of serious non-conformities by the CB or its auditors.

In 2023, 74 Integrity Assessments were conducted by ISCC on-site. As described above, candidates for ISCC Integrity Assessments are selected partly randomly and partly on risk-based criteria. The selection process also aims to reflect the geographical distribution of ISCC certified companies, meaning that in 2023, 41% of Integrity Assessments were conducted in Southeast Asia, 41% in China and 18% in Europe. Approximately 91% of the Integrity Assessments were conducted at System User sites that handle waste and residue materials, as a majority of the complaints received relate to those respective supply chains. In 2023, ISCC conducted in total two on-site Integrity Assessments at CB Office Heads in Indonesia and in China.

The ISCC EU System Document 102 “Governance” (version 4.0), chapter 10 “Non-conformities and Sanctions” describes the consequences for non-conformities of System Users detected during audits conducted by the CB or during Integrity Assessments conducted by ISCC. The usual sanctions would apply if major or critical non-conformities are detected. The ISCC Terms of Use allow for a 60-month exclusion from recertification if the System User is not cooperative within an Integrity Assessment invitation or does not allow for the Integrity Assessment to be conducted. This “non-cooperation” in the framework of the ISCC Integrity Programme is considered as a critical non-conformity under ISCC, as described above.

In 2023, non-conformities with ISCC requirements were found in 39% of Integrity Assessments. Of these, about 28% were minor non-conformities and 48% major non-conformities. Moreover, seven critical non-conformities were detected. In total 13 certificates of System Users were withdrawn in 2023 after an Integrity Assessment took place. In 2023, the majority of detected severe non-conformities related to the inability to demonstrate traceability of sustainable materials and/or products, false declaration or relabelling of material and/or products in the context of waste and residues, missing or delayed cooperation in the ISCC Integrity Programme or denied access to supplying Points of Origin. Other NCs were related to issues such as documentation and GHG emissions, to the management system, sustainability requirements or conflicts of interest.

Sanctions imposed in the framework of the Integrity Programme in 2023 included the following: 19 System Users were excluded from re-certification for a specified period of time and 56 ISCC certificates were withdrawn due to major or critical non-conformities with the ISCC requirements. Withdrawn certificates as well as excluded System Users are published transparently on the ISCC website. Stakeholders are immediately notified by email if a



certificate is withdrawn and/or a company is (temporarily) excluded from ISCC re-certification. Interested parties can subscribe to the mailing list for the respective section on the ISCC website if they would like to receive this information. By the end of 2023, the list counted 1038 subscribers. The lists published on the ISCC website are also used as a measure to avoid certification “scheme hopping”, as other voluntary schemes are able to access publicly available information of System Users that did not comply with ISCC requirements and therefore have been temporarily excluded from the ISCC scheme.

Additionally, in 2023 ISCC received information about 12 certificates that were identified as fake, i.e. manipulated copies of ISCC certificates to display e.g. the name of another company than displayed on the original certificate. Information about fake certificates is also published transparently on the ISCC website in a specific section.

In addition to the evaluation of individual Integrity Assessments, ISCC conducts a regular in-depth analysis of the Integrity Programme to detect focus areas of non-conformities. This information is provided to CBs and their auditors as feedback on their performance and as guidance for future ISCC audits to ensure a continuous improvement of the ISCC audits. Additionally, this information is used for clarifications in the ISCC System Updates as well as a measure for improvement of standard documents, updates in audit procedures or established documents as well as the development of new documents.

As a further tool for fraud prevention, ISCC monitors all information received beginning with the registration form and automatically compares it with existing information in its internal data bank. Internal data analysis means, for instance, the comparison of addresses, names of contact persons and legal representatives to prevent entities from circumventing exclusion periods by setting up new companies. If ISCC identifies obvious connections to companies that have been excluded from the ISCC scheme, such as the same address or contact person, ISCC conducts an investigation and the (new) registration may not be accepted.

In 2023, ISCC received several external communications about increased amounts of advanced biodiesel imported from China and being produced from waste and residue materials originating in Indonesia and Malaysia. The increased imports from China peaked in Q1 of 2023, which resulted in indications pointing to a potentially dubious or fraudulent origin of these imports. Already at the end of 2022, ISCC focused its activities within the ISCC Integrity Programme on the Asian market. Immediately after the allegations on

fraudulent biodiesel imports, ISCC initiated multiple Integrity Assessments at Processing Units in China and Singapore in April 2023 and reviewed all related documents to analyse waste and residues material inflows and outflows. To further investigate the allegations, 30 on-site Integrity Assessments were conducted in China. Additionally, ISCC further strengthened certification requirements for waste and residues supply chains, established dedicated working groups with various stakeholders for waste and residues supply chains (see below) and started developing digital IT solutions aimed to improve risk management and audit quality and mitigate the risk of fraud. These include the ISCC HUB and the ISCC transaction database, which will be synchronised with the Union Database. ISCC designed the transaction database in 2023 to enable System Users to initiate their transactions, upload sourcing contacts and information about sustainable materials, manage stock balance, etc. The expected result is a streamlined process to manage information about System Users, certificates, sites, scopes and materials and improve traceability to minimize the risk of fraud.

### **Aggregated list of non-conformities**

Together with this report and pursuant to Articles 17(7) of the Implementing Regulation, ISCC also submits to the European Commission an aggregated list of the major and critical non-conformities detected by CBs during the audits of System Users in 2023. The list includes the ISCC requirement and the non-conformity detected, the actions and measures defined by the CBs for correction of the non-conformity and the timing of correction. When sensitive information was included by the CB in the correction measure, this has been redacted. When no corrective action can be identified by the CB for a major non-conformity, no correction date is indicated and the audit is failed.

A critical non-conformity can never be corrected and leads to the immediate withdrawal of the certificate by the CB (see ISCC EU System Document 102 “Governance”, Chapter “Non-Conformities and Sanctions of System Users”).

The critical non-conformities identified during the audits conducted in 2023 by CBs are mainly related to the ISCC requirements in the area of traceability of sustainable materials – including the availability to the auditor of transaction documentation – and of the System User’s management system.

In 2023, ISCC has taken steps within its certification scheme to directly or indirectly tackle and/or minimize risks identified both via the Integrity Assessments conducted and the non-conformities detected in the audits. The consequent strengthened certification requirements were communicated by ISCC to System Users and CBs via System Updates and include:

- > Measures to ensure that certificates reflect actual material flows and business activities: since 18 April 2023, the existing material annex to an ISCC certificate may only include input and output materials for which the auditor was able to verify eligible appropriate inputs and outputs and, if applicable, internal processes. If one material was not handled in the previous certification period, it must not be included in the annex. Similarly, the auditor verifies that the System User conducted activities according to the certified scope (Collecting Point, Processing Unit, Trader, etc.). If no activity took place for a specified scope, the scope shall be removed from the certificate.
- > Since November 2022, it is mandatory for all palm oil mills to undergo an annual on-site audit (group auditing approach no longer applicable). With this requirement, ISCC was able to gather information on the location, quantities and production capacities of palm oil mills. As of 01 August 2023, ISCC made individual certification as a Point of Origin mandatory for all palm oil mills and all refineries in the waste and residue supply chain.
- > In the context of waste and residue supply chains, ISCC increased the risk level for audits (certification and surveillance audits) of all System Users that handle waste/residues from processing of animal or vegetable oils/soapstock, food waste, POME oil, brown grease/grease trap fat, sewage sludge and/or UCO.
- > The Collecting Point is responsible for the traceability and correct declaration of the collected material, which entails necessary plausibility checks on the material received by the supplying Points of Origin.
- > Points of Origin that do not comply with ISCC requirements must be removed from the supply base of the Collecting Point. The list of Points of Origin excluded from ISCC certification is available on the ISCC website and must be consulted during the audit of a Collecting Point or Point of Origin.

### **Best Practice: Collaboration with Voluntary Schemes and Authorities**

In response to the increased amounts of advanced biodiesel imported from the Asian market, ISCC has reinforced communication and exchange of certification-related information with other voluntary schemes recognised under the RED II. As all schemes already provide a publicly available and up-to-date list of certificates indicating the status and scope of an economic operator's certification, the exchange of suspended and withdrawn certificates between the voluntary schemes has become systematic and immediate. The sharing of this information aims to prevent the so-called 'scheme hopping' of economic operators meant to circumvent certification requirements. To the same end of tackling the risk of economic operators circumventing certification requirements, in 2023 ISCC continued to cooperate closely with competent Member States authorities, national and European industry associations.

### **Best Practice: Waste and Residue Add-on Training and ISCC Working Group on Waste and Residues**

ISCC is working to improve certification in biofuels supply chains in multiple ways. In 2023, ISCC started offering a free Waste and Residue Add-on Training. The first example of this was held on-site before the hybrid Waste and Residue Training in Jakarta, Indonesia. This Add-on Training discussed digitization as a supporting mechanism to strengthen certification. ISCC presented on-site participants with practical examples drawn from experience gathered during ISCC Integrity Assessments, followed by a Q&A, in order to enhance waste and residues certification.

Additionally, in 2023 ISCC set up a Working Group on waste and residues. This working group comprises ISCC System Users, Certification Bodies and external stakeholders. Gathering information from across the biofuels value chain and from ISCC Integrity Assessments, the goals of the Working Group include:

- > clarifying definitions of waste and residue feedstocks and providing guidance for auditors in the form of dedicated ISCC Guidance Documents and a Risk Assessment Tool for auditors
- > in cooperation with customs authorities, developing and testing laboratory analysis for detecting the mislabeling of feedstocks in the early stages of the supply chain

- > drafting a biodiesel plant capability audit guidance in order to provide dedicated trainings and materials to support auditors completing specific checks during biodiesel plant audits.

## 4 Transparency

Chapter 4 illustrates ISCC's compliance with Annex III to Implementing Regulation (EU) 2022/996, lit. (c): *evidence of fulfilling the legal requirements on transparency and publication of information in line with Article 6 of Implementing Regulation (EU) 2022/996.*

Article 6 of the Implementing Regulation lists the information that voluntary schemes recognised under the RED II framework must make publicly available on their websites.

Transparent provision of information is key for ISCC. ISCC publishes relevant information about the ISCC system on the freely accessible ISCC website ([www.iscc-system.org](http://www.iscc-system.org)).

In 2023, the publicly available and accessible information about the scheme in accordance with Article 6 of the Implementing Regulation included:

- > ISCC's governance structure, describing the organisational set-up and the roles of ISCC's relevant bodies, including overall structure, multi-stakeholder approach and composition. This information is available in the ISCC EU 102 System Document "Governance" available on the ISCC website. Further information about the Board of Directors, Secretariat and Technical Stakeholder Committees, the list of members with voting rights within the ISCC Association ("ISCC e.V."), and the participants in the scheme (i.e., economic operators) are available respectively in the ISCC website sections dedicated to the ISCC Association and in the Certificate Database;
- > a searchable database of the economic operators participating in the scheme (System Users), their certification status, including the date when the certificate was issued, suspended, withdrawn, terminated or expired, as well as the information listed in this chapter below;
- > the latest version of the ISCC System Documents which lay down the requirements to be followed by System Users and Cooperating Certification Bodies in order to operate under the ISCC scheme, as well as the relevant guidelines for audits (hereafter, audit procedures) to be used during the audit of a System User. ISCC updated both System Documents and audit procedures in 2023 to adhere to the

provisions of the Implementing Regulation. The new System Documents became applicable on 04 January 2024, after ISCC received official approval from the European Commission. Each document is available on the ISCC website and is identified by a version number and the date when it became applicable. An overview of changes of the System Documents is also available online, supplementing the Summary of Changes section of each ISCC System Document that highlights the changes to the previous version of the document. In the audit procedures, the changes to previous versions are identified by the wording “(adjusted)” or “(added)” next to the question number;

- > the contact details of the scheme;
- > the list of cooperating Certification Bodies, i.e. those CBs carrying out independent audits under ISCC. For each CB, the name of the entity responsible for accreditation against ISO/IEC 17065 is provided along with the entity or national public authority of the Member State that supervises it, in accordance with Article 30(9), second subparagraph of Directive (EU) 2018/2001. CBs that are excluded from conducting independent auditing under ISCC are listed in a separate section of the ISCC website;
- > the results of the annual monitoring activities of the voluntary scheme as summarised in this report and the measures consequently taken by the ISCC certification system to minimize the risk of critical non-conformities. This aspect is further developed in Chapter 3 of this report.

Additionally, the ISCC website also provides access to the following:

- The ISCC fee structure and the ISCC Terms of Use (for System Users) and General Terms of Certification (for cooperating CBs) in the latest applicable version
- The searchable certificate database of System Users (i.e., economic operators) including the following information (in accordance with Annex II of the Implementing Regulation):
  - Certificate-ID
  - Name of the certificate holder
  - Scope of the certificate, i.e. what type of operation is certified (e.g. first gathering point, oil mill, biodiesel or bioethanol plant, etc.)
  - Information on (input and output) materials/products

- Validity period of the certificate
  - Name of the CB that issued the certificate
  - A copy of the certificate in PDF format
  - Location of the certified System User
  - Current status of the certificate (i.e. valid, suspended, expired, withdrawn, terminated)
  - Summary Audit Report (SAR), including non-conformities detected during the audit
- Information on certificates that have been provided to ISCC that were identified as fake
  - System Users that are excluded from ISCC certification due to severe non-conformity with ISCC requirements including the time period of the suspension
  - Instructions for System Users on how to participate in the system, including acceptance of other schemes
  - Information and application form regarding ISCC logos and claims
  - A section dedicated to the Union Database (UDB) featuring information about its functioning and the transition to the database
  - Information on the ISCC HUB, i.e. the online platform for managing the registration- and certification-related data of System Users
  - Contact details of ISCC and options to contact ISCC directly
  - Options for stakeholders to give feedback about the standard and developments of the standard (public consultation)
  - Information for ISCC Stakeholders about the ISCC Association, the statutes of the Association, a list of members of the Association
  - Information on the regional stakeholder dialogue and the meetings of the regional stakeholder committees
  - Dates for ISCC Trainings, conferences organized by ISCC, and other events where ISCC is represented or makes a contribution
  - Complaint form
  - ISCC Whistleblower Tool for anonymous reporting by stakeholders

- Public Summary Audit Report (SAR) of certified System Users, including
  - Chain of Custody Option
  - Name of lead auditor
  - Information on risk assessment and sampling
  - Summary of audit results
- Self-assessment / self-declaration documents in over 30 languages for ISCC System Users covering all regions where ISCC is applied.
- Specific system documents and procedures in additional languages (e.g. Spanish, French and Bahasa). Further translations of system documents or procedures can be provided by ISCC upon request.
- Templates for the proof of conformity for a delivery of sustainable material, i.e. the “Sustainability Declaration” (SD) or, in case of final biofuels, the “Proof of Sustainability” (PoS). The templates – available in the client section of the ISCC website – are provided by ISCC to facilitate the implementation of traceability requirements for sustainable materials throughout the supply chain. The use of the templates is voluntary, and System Users can set up their individual documents as long as compliance with the requirements for sustainability declarations is guaranteed.
- ISCC System Updates as sent on a regular basis to System Users and cooperating CBs regarding relevant changes of the certification standards. Relevant updates include changes in requirements, amendments of system documents and audit procedures and new templates, etc.
- Information on upcoming trainings, events and other communication measures such as articles or press releases, shared with subscribers via the ISCC Newsletter. While it is mandatory for ISCC contact persons of certified operational units and CBs to receive the ISCC System Updates, every market participant interested in the ISCC certification scheme can subscribe to the ISCC newsletter via the dedicated ISCC webpage. In 2023, 17 System Updates were sent out to System Users and CBs as well as 41 ISCC Newsletters. The latter figure includes specified event mailings, categorised as follows:
  - 12 general newsletters (including 1 press release)
  - 5 Academy & Event invitations



- 24 topic-specific newsletters including 16 UDB communications and 8 Association communications

### **Best practice: ISCC Impact Assessment/ Monitoring and Evaluation System**

In 2023, ISCC intensified its efforts to further develop its monitoring and evaluation system to improve the assessment of ISCC's overall impact and enhance the transparency of these efforts. The Monitoring & Evaluation (M&E) System of ISCC will provide an overview of ISCC activities and their related outputs, outcomes and impacts. The system's purpose is to assess ISCC's planned outcomes compared to its actual results and detect possible divergences. Based on the results of the monitoring and evaluation process, new plans for the M&E system can be introduced.

As part of the M&E system, ISCC has established a set of indicators to assess its performance. Data gathering, analysis and reporting are crucial elements of ISCC's M&E system. Through surveys, projects, CB and stakeholder feedback meetings and audits conducted around the world, ISCC collects a large amount of valuable qualitative and quantitative data that provides a foundation for meaningful analysis. The M&E system will apply an outcome-focused lens to the data, allowing ISCC to broaden its impact while emphasizing transparency and accountability.

For the future, ISCC will continue to develop its impact assessment methodologies to not only highlight the positive sustainability impacts of various ISCC interventions, but also to improve the effectiveness of the ISCC certification standard.

## **5 Stakeholder Involvement**

This chapter details ISCC's implemented measures regarding Annex III to Implementing Regulation (EU) 2022/996, lit. (d): *stakeholder involvement, particularly as regards the consultation of indigenous and local communities prior to decision making during the drafting and reviewing of the scheme as well as during audits and the response to their contributions.*

ISCC is a multi-stakeholder initiative governed by the ISCC Association (ISCC e.V.). The ISCC Association is the legally registered body responsible for guiding the strategic decisions taken by ISCC and for unifying and representing ISCC's stakeholders. The ISCC

Association includes companies and entities from a broad range of industries and supply chain perspectives, including three main stakeholder groups:

- Raw material producers and processors
- Trade, logistics and users
- NGOs, social affairs, science and research and the public sector.

Legal entities, partnerships and other entities with legal capacity may become members of the ISCC Association if they share ISCC's goals and mission. ISCC conducts comprehensive stakeholder dialogue with Technical and Regional Committees to further advance the system.

Members have a voting right at the General Assembly. The General Assembly is the annual meeting of the members held by the ISCC Association. At the annual General Assembly, the members elect the Board of the ISCC Association (ISCC Board) and discuss and decide on strategically important matters. The ISCC Board represents the three previously mentioned stakeholder groups and is further composed of the chairperson, the vice-chairperson and six other members equally presenting the three stakeholder groups to ensure a balanced representation of interests.

The ISCC Board may initiate and establish Stakeholder Committees to support ISCC in the handling of specific topics and to facilitate regional stakeholder dialogue. Alongside ISCC certification in general, the ISCC Association is growing at a rapid pace as well. In the founding year 2010, the Association counted 20 members. By the end of 2023, the ISCC Association counted 264 members from 40 countries. About 60% of members were from Europe, 18% from North America, 4% from Latin America and 18% from Asia and Oceania. In terms of sector representation, 91% of the members represented the private sector and 7% represented governmental and non-governmental organisations as well as Research & Development. The remaining 2% of members were individuals.

ISCC Stakeholders have the option to engage with ISCC either by becoming members in the ISCC Association, by participating in Stakeholder Committees, the regional stakeholder dialogue, and Working Groups, or by giving feedback to the system through Public Consultation, via email, over the telephone or in person. Membership in the ISCC Association is not a pre-condition for System Users to become certified or to engage in the stakeholder dialogue with ISCC. Stakeholder feedback results in continuous improvement

of ISCC standards and is reflected in system documents, audit procedures and material lists, as well as other ISCC documents and certification tools.

Stakeholder Committees are a valuable tool to engage with stakeholders from specific regions or with interest in specific technical questions.

Members of the ISCC Association, ISCC System Users, cooperating CBs, and other stakeholders may participate in Stakeholder Committees. Within the framework of a Stakeholder Committee, Working Groups can be established to focus on specific topics or issues relevant for ISCC. Participants of a Working Group should have broad experience and expertise in the relevant topic addressed by the Working Group in order to contribute to an effective and efficient working procedure.

The main tasks of Stakeholder Committees are:

- Organisation of stakeholder involvement and dialogue in a region or on a specific topic
- Development of guidance on how to facilitate and improve the ISCC system as it applies to regional or technical specifics, risks or individual markets
- Support of CBs with information about local or regional conditions, requirements and risks
- Support of ISCC in risk assessment and management in the regions and markets where ISCC is applied by System Users
- Special consideration of the local and regional regulatory framework
- Promotion of the ISCC system and facilitation of the ISCC goals
- Mediation of local or regional conflicts

In 2023, ISCC organized seven ISCC Stakeholder Committees with 1852 participants in total, as well as the ISCC Global Sustainability Conference counting 1016 participants (871 online, 145 onsite):

- 15 February, 13th ISCC Global Sustainability Conference and ISCC e.V. General Assembly (hybrid event)
- 26 January, ISCC Technical Stakeholder Meeting “Sustainable Marine Fuels”
- 6 June, ISCC Technical Stakeholder Meeting “Circular Economy and Bioeconomy”
- 30 August, ISCC Regional Stakeholder Committee Latin America
- 25 October ISCC Regional Stakeholder Meeting Southeast Asia (hybrid event)

- 19 September, ISCC Technical Stakeholder Meeting “Sustainable Aviation Fuels”
- 14 November, ISCC Regional Stakeholder Meeting North America (hybrid event)
- 28 November, ISCC Technical Stakeholder Meeting “Circular Economy and Bioeconomy”

The number of participants represent a nearly 30% increase compared to the previous year. The hybrid setup, enabling stakeholders participate virtually from around the world while also providing an onsite platform for fruitful exchange, was a huge driver for the growth in participation.

Additionally, as a further tool to increase stakeholder awareness of the ISCC certification scheme and contribute to the dialogue on diverse market developments, ISCC representatives gave talks at a variety of conferences in 2023, including the 31<sup>st</sup> European Biomass Conference Exhibition, the Innovation and Circularity Summit, and the Business Forum on Bio-Methane and Green Hydrogen, among others.

ISCC, as a globally applicable sustainability certification system, is moreover a partner of several initiatives and continuously involved in different projects focusing on topics such as biodiversity, food security, identification of no-go areas and the certification of smallholder farmers in Indonesia to raise awareness among stakeholders and tackle diverse sustainability issues. For instance, ISCC continues to partner with the WWF, Welthungerhilfe (German World Hunger Aid) and ZEF (Zentrum für Entwicklungsforschung - Center for Development Research) to promote the Food Security Standard (FSS). ISCC is also part of the EU-funded BIKE project, which conducts research on low-ILUC-risk feedstocks and specifically focuses on mapping and assessing increases in production of crops grown on abandoned or degraded land. Furthermore, ISCC commits to the ISEAL mission to strengthen sustainability standards systems for the benefit of people and the environment. The assessment and risk management process under ISCC takes into account best practice principles of the ISEAL “Code of Good Practice for Assuring Compliance with Social and Environmental Standards”.

Additionally, ISCC is an active member in a wide variety of international initiatives, including the UN Global Compact, initiatives in the area of sustainable aviation fuels (CORISIA, aireg), the Tropical Forest Alliance (TFA), the Sustainability Assurance & Innovation Alliance (SUSTAIN), Donau Soja, the German Initiative on Sustainable Cocoa, and the Forum for Sustainable Palm Oil (FONAP).

## **Best practice: Stakeholder Engagement for Renewable Fuels of Non-Biological Origin (RFNBOs) and Recycled Carbon Fuels (RCFs)**

In the RED II, RFNBOs are “renewable liquid or gaseous fuels which are used in the transport sector other than biofuels or biogas, the energy content of which is derived from renewable sources other than biomass”. RCFs are defined as “liquid and gaseous fuels that are produced from liquid or solid waste streams of nonrenewable origin which are not suitable for material recovery in accordance with Article 4 of Directive 2008/98/EC, or from waste processing gas and exhaust gas of non-renewable origin which are produced as an unavoidable and unintentional consequence of the production process in industrial installations”. In 2023, ISCC continued working toward establishing a certification approach for Renewable Fuels of Non-Biological Origin (RFNBOs) and Recycled Carbon Fuels (RCFs) with increasing engagement from ISCC stakeholders.

Following the Commission Delegated Regulations on RFNBOs and RCFs adopted in February 2023,<sup>3</sup> which established a methodology with detailed rules for producing RFNBOs and assessing GHG savings from RFNBOs, ISCC developed two ISCC System Documents tailored to the regulations. At the beginning of March 2023, ISCC submitted the RFNBOs System Documents to the European Commission for recognition of the certification approach for RFNBOs and RCFs. ISCC continued to entertain a constant dialogue with the European Commission toward the development of an effective and credible certification approach. The dialogue revolved around general stakeholder engagement with the three pillars of the ISCC Association, as well as the entities involved in the ISCC certification scheme. The Association also welcomed new members active in the RFNBOs sector.

In May 2023, the first ISCC RFNBOs Training took place. Therein, participants were presented with the specific regulatory framework, gained a profound understanding of RFNBOs certification under ISCC, discovered further market opportunities for their companies and had the option to bilaterally discuss the topic ISCC experts. Later in the year, ISCC also planned the first RFNBOs Technical Stakeholder meeting, which focused

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<sup>3</sup> *Delegated Regulations as adopted on 13 February 2023: Commission Delegated Regulation supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin Commission Delegated Regulation (EU) supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a minimum threshold for greenhouse gas emissions savings of recycled carbon fuels and by specifying a methodology for assessing greenhouse gas emissions savings from renewable liquid and gaseous transport fuels of non-biological origin and from recycled carbon fuels)*

on sustainability in the field of non-biological renewable fuels and updates on ISCC's certification approach for RFNBOs, status and developments in the regulatory framework.

## 6 Market Update

The market update summarizes information on Annex III to Implementing Regulation (EU) 2022/996, lit. (f): *market updates of the scheme, the amount of feedstock, biofuels, bioliquids, biomass fuels, recycled carbon fuels and renewable fuels of non-biological origin all certified, by country of origin and type, and the number of participants.*

As previously mentioned, certification of RFNBOs and RCFs is pending approval under the RED II framework. Therefore, no certification of those materials took place in 2023. As for the other eligible materials, the total number of ISCC EU certificates issued successfully in the calendar year 2023 was 6,652. The according total number of ISCC EU certified System Users in the calendar year 2023 was 6,262. The numbers can differ as the first number relates to the number of ISCC EU certificates that have been newly issued between 01 January 2023 and 31 December 2023, whereas the latter states how many companies held those certificates.

In 2023, ISCC EU System Users were located in 131 countries and ranged from farms and plantations and First Gathering Points (FGPs) for agricultural materials to Points of Origin (PO) and Collecting Points (CP) for waste and residue feedstocks to different kinds of processing units (e.g. oil mills, refineries, biodiesel, bioethanol and biogas and biomethane plants) as well as diverse set-ups for trading and logistic activities (traders, warehouses, logistic centres). The most relevant geographical area remains Europe with 3,750 certificates issued in 2023, followed by South and East Asia and Latin America. This makeup represents a very similar distribution when compared to 2022. The most common certification scopes in 2023 were traders (62%), collecting points (34%) and first gathering points (24%), as well as the different types of processing units that sum up to 31%.<sup>4</sup>

Regarding the reporting of amounts for 2023, the final response rate as of 16 April 2024 was 76% and the collected data is presented in the attached template (Excel spreadsheet), including the quantities of feedstocks (raw materials) and biofuels certified under ISCC EU in the calendar year 2023 by country of origin and type as reported by ISCC System Users.

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<sup>4</sup> As ISCC certificates can have multiple scopes, the numbers do not add up to 100%

The amounts were reported by System Users in metric tonnes (cubic meters for gaseous fuels). As described at the end of this Chapter, an updated Excel template of the 2022 data is also provided to the European Commission at the time of submission of this report and serves as basis for the following market analysis.<sup>5</sup>

In total, 100,519,338 metric tons (mt) of raw materials as well as 16,819,491 mt of final fuels (excluding gaseous fuels) were reported to ISCC in this framework. This reflects a change of +1.53% for raw materials and -1.91% for final fuels when compared to the values of 2022.

Figure 1 depicts the top 5 agricultural raw materials that were certified under ISCC EU in 2021, 2022 and 2023. Oil palm fresh fruit bunches (FFB) continues to be the most common agricultural raw material, with 27,858,998 mt reported (-11.66% compared to 2022). This is followed by corn (10,687,611 mt; +8.57% compared to 2022), rapeseed (9,046,478 mt; -22.66% compared to 2022), sugar cane (8,027,920 mt; -40.49% compared to 2022) and wheat (5,151,306 mt; +40.97% compared to 2022).

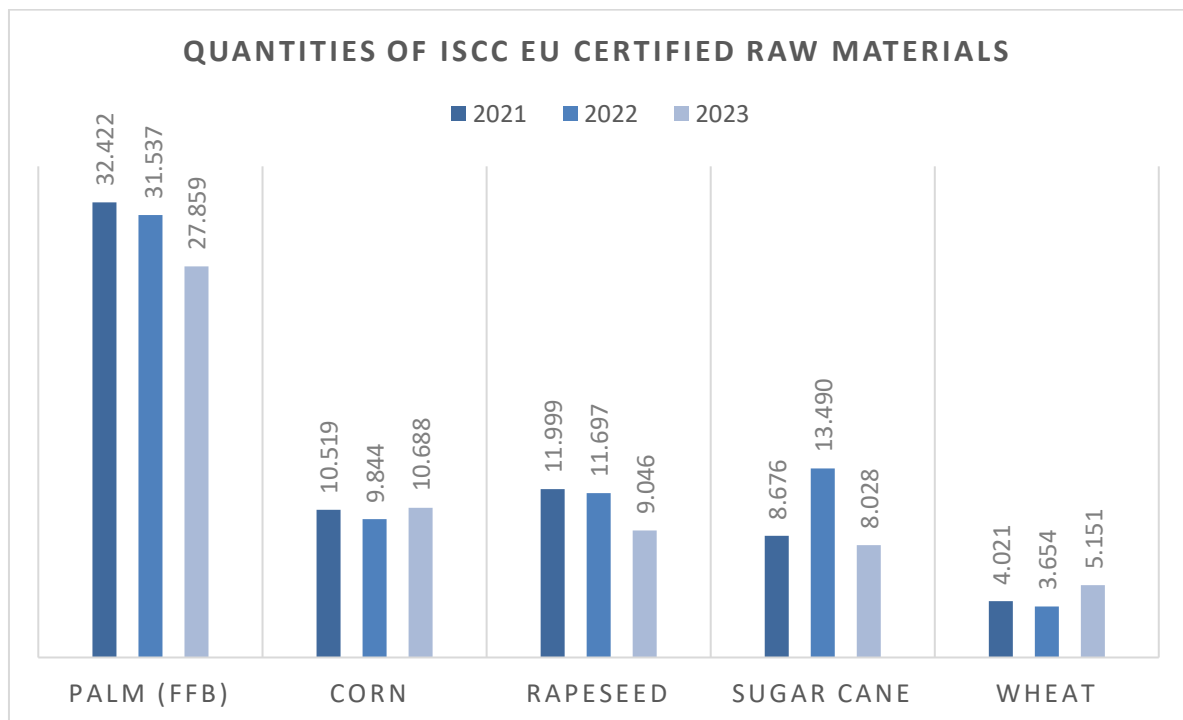


Figure 1: Quantities of top 5 agricultural raw materials certified under ISCC in 2021-2023 (in thousand mt)

<sup>5</sup> The 2022 template includes corrections made by System Users as requested by auditors during the 12 months after the deadline (process is described at the end of this Chapter). The 2022 data includes corrections of this kind requested by System Users until 11 January 2024

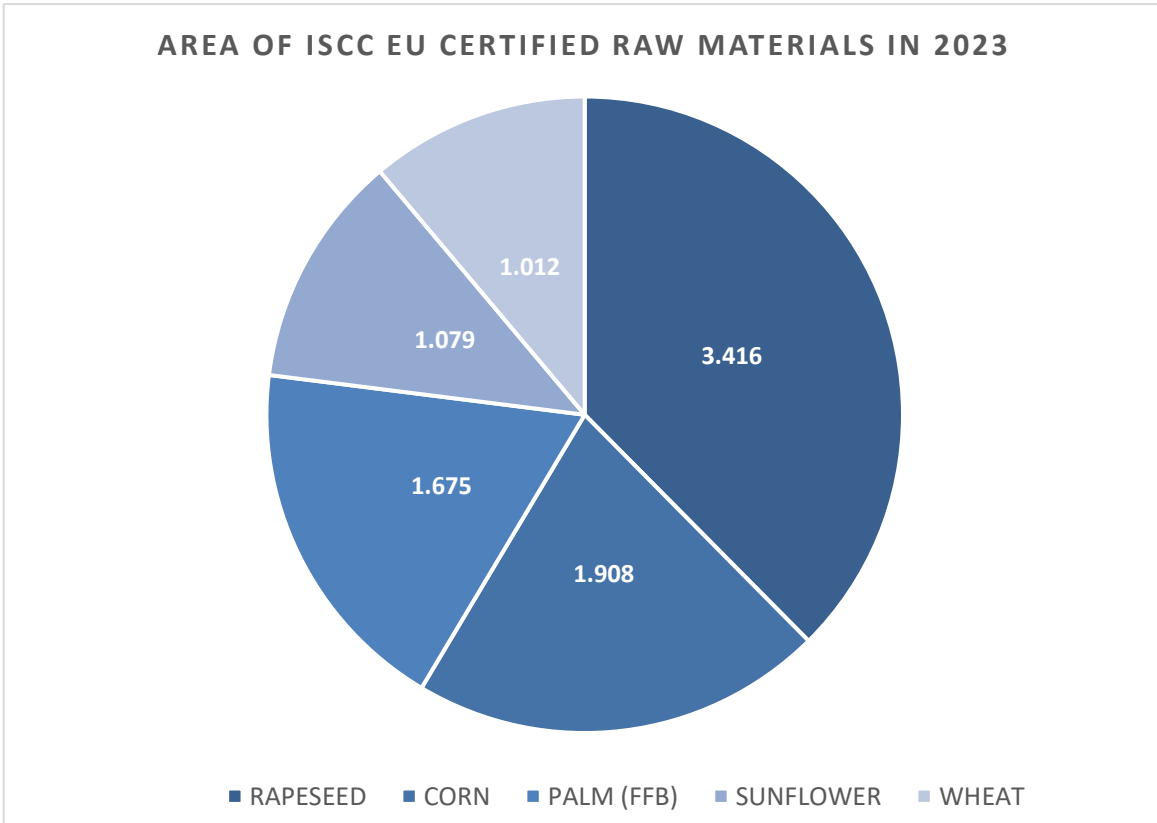


Figure 2: Cultivation area of Top 5 agricultural raw materials certified under ISCC in 2023 (in thousand hectares)

As can be seen in Figure 2 on this page, rapeseed continues to be the agricultural raw material with the biggest cultivation area certified under ISCC, 3,415,661 ha in 2023, followed by the area of corn (1,907,585 ha), palm fresh fruit bunches (1,675,298 ha), sunflower (1,078,560 ha) and wheat (1,011,779 ha). The certified cultivation area for crops was calculated by applying the most up-to date yields published by FAO for the respective crop and country.<sup>6</sup>

Figure 3 shows the top 5 waste and residue raw materials certified under ISCC in 2021, 2022 and 2023. This list is led by animal manure and sewage sludge, for which 8,775,484 mt were reported, an increase of 51.27% compared to 2022. Other important waste and residue materials under ISCC EU include the categories biomass fraction of industrial

<sup>6</sup> Retrieved from <http://www.fao.org/faostat/en/#data/QC>



waste<sup>7</sup> (4,178,417 mt; +20.18% compared to 2022), used cooking oil (UCO) (4,169,355 mt; +3.69% compared to 2022), animal by-products (3,278,680 mt; +135.54% compared to 2022) and bio-waste (2,297,223 mt; +9.59% compared to 2022).

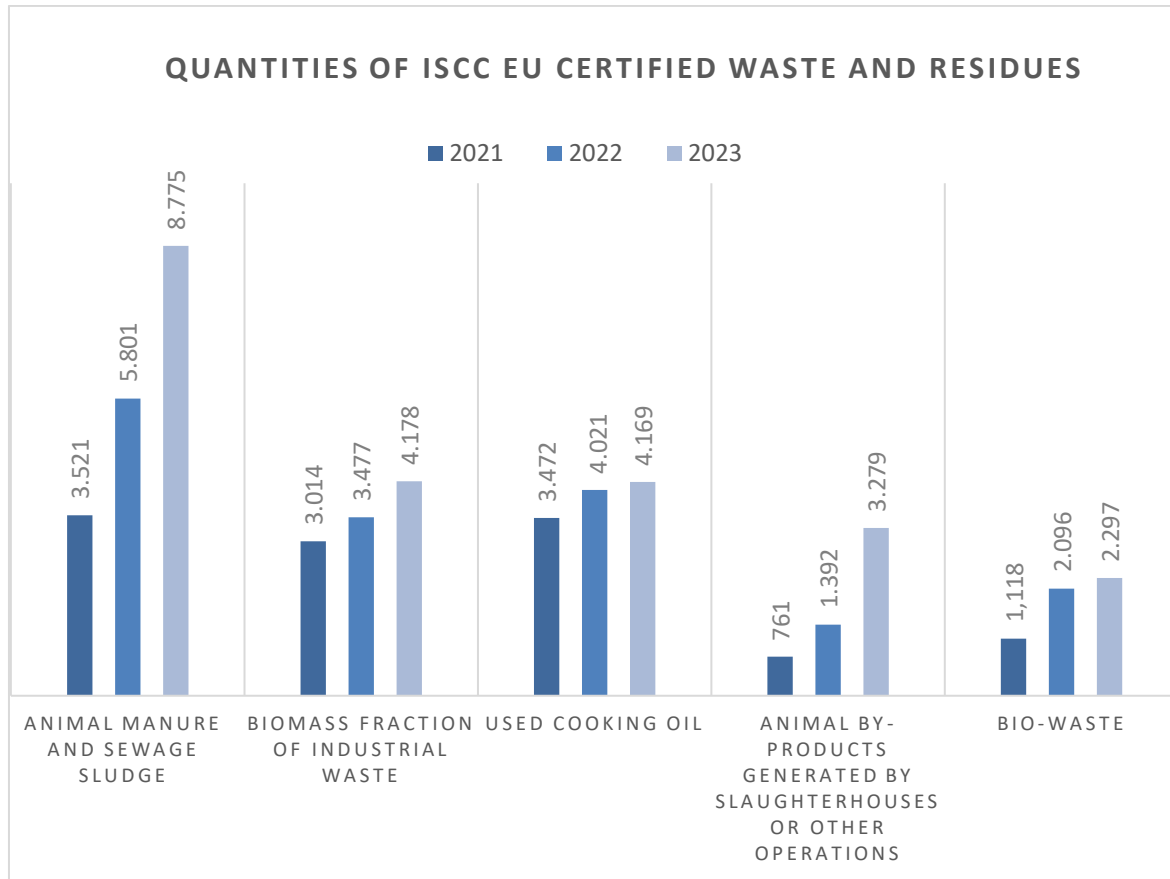


Figure 3: Quantities of top 5 waste and residue raw materials certified under ISCC in 2021-2023 (in thousand mt)

As can be seen in Figure 4 on page 31, biodiesel (with 7,397,721 mt) continues to be the most common type of final biofuel certified under ISCC EU in 2023, with a noticeable drop of -20.39% compared to 2022. This is followed by hydrated vegetable oil (HVO) (4,086,418 mt; +21.87% compared to 2022), bioethanol (3,545,615 mt; -7.22% compared to 2022), methanol (86,859 mt; +12.32% compared to 2022) and pure vegetable oil (55,537 mt; +63.95% compared to 2022).

<sup>7</sup> The category “biomass fraction of industrial waste” mainly includes spent bleaching earth, waste pressings (from the production of vegetable oils), waste/residues from the processing of alcohol, waste/residues from the processing of vegetable or animal oil, waste starch slurry and sugar beet residues

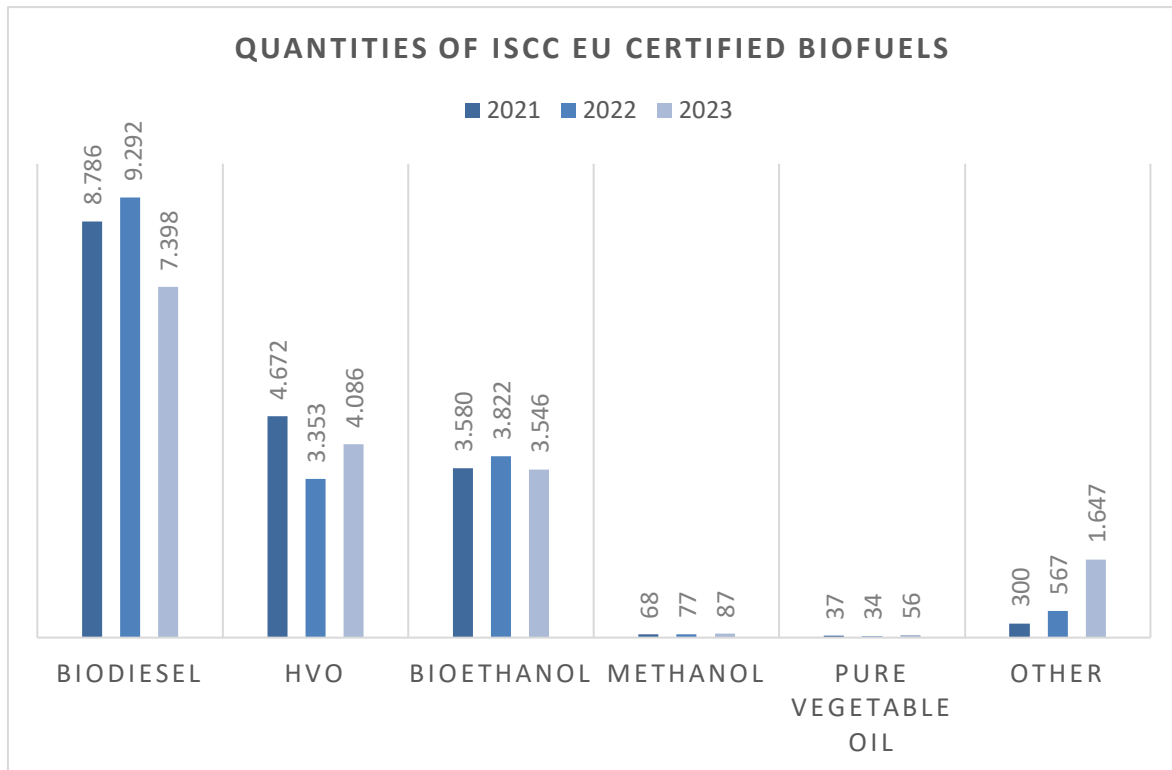


Figure 4: Types of final biofuels certified under ISCC in 2021-2023 (in thousand mt)

The amount of biomethane certified under ISCC dropped slightly: 383,715,309 m<sup>3</sup> were certified under ISCC in 2023, which represents a decrease of -1.26% compared to the previous year.

**Process description of the Reporting data assessment:**

To fulfil its reporting obligation, ISCC collects the quantities from relevant companies that were certified under ISCC EU in the respective calendar year. Companies that do not produce a final biofuel/bioliquid/biomass fuel and companies only trading and/or storing sustainable material are not subject to reporting. For this purpose, ISCC sends out personalized mailings to all concerned System Users. Those System Users must submit the data within 30 calendar days after the first mailing has been sent out by ISCC. Once the reported quantity has been processed by ISCC, the System User receives a confirmation email confirming that it has fulfilled the reporting obligation and listing the information received and stored by ISCC (i.e., type of product, type of raw material, country of origin,

quantity). This confirmation email and the data that was submitted to ISCC shall be reviewed and verified by the independent auditor during the next certification audit.

Relevant System Users are obliged to provide the quantities of ISCC EU certified material truthfully and completely and submit the requested data to ISCC in due time. If they do not comply with their reporting obligation because they do not provide the requested information in due time (or not at all) or if they submit incorrect information to ISCC, this will be marked as a non-conformity with the ISCC requirements during the audit. In this case, the provisions specified in ISCC EU System Document 102 “Governance” chapter “Non-conformities and Sanctions” apply.

### **Best Practice measures:**

#### *1. Webpage and online form*

The personalized emails as mentioned above include a link to an online web form where the relevant amounts shall be entered. ISCC continuously aims to improve every step of the data assessment to increase the accuracy of the EU reporting data. Along with functionality checks of the webform prior to sending it to the mailing list, the form itself is continuously optimised to minimise potential mistyping and spelling errors (layout, readability, typos in quantities, etc.). It is also ensured that if System Users are both a fuel producer and a feedstock producer, they will only be able to submit their reporting data if they report for both scopes, thus making sure that no quantities are accidentally overlooked. On the webpage that accompanies the online form, System Users will also find a specific FAQ section for the EU reporting, a downloadable overview of different supply chains detailing data reporting examples as well as the contact information of the ISCC EU reporting help desk. This section is also continuously updated based on learnings and feedback from System Users and CBs.

Link to the webform: <https://www.iscc-system.org/eu-reporting/>

#### *2. Mailings*

After the first communication with the deadline of 30 days, ISCC sends a friendly reminder to System Users when the deadline is approaching. After the deadline has ended, ISCC sends individualized mailings to CBs, asking for their support to reach

those System Users that have still not reported. In these emails, the CBs are provided with all relevant information, including lists with their clients' company names, scopes and contact data. As the CBs are in close and regular contact with their respective clients, the involvement of CBs in the data collection process has proven to be an effective way of reaching many of those companies which had not previously responded to the reporting emails from ISCC.

### 3. *Plausibility checks of received data*

As soon as the web form is filled out by the System User, ISCC receives an email with the respective reporting information. At this stage, the first internal plausibility check takes place, whereby quantities above a certain threshold for different raw materials and biofuels are not imported and a request is sent to the System User to confirm or correct the unusually high or low quantities. In a second plausibility check, the imported data is compared with the data from the previous year. Deviations above a certain threshold will only be imported after ISCC receives explicit confirmation of the reported numbers from the System User. Furthermore, ISCC compares the quantities sent via the reporting template to the quantities reported for the "quantity dependent fee" to ISCC by auditors after each recertification audit.<sup>8</sup> If the two mentioned quantities differ significantly, this is also stated in the confirmation message to the System User and as such shall be verified during the next audit by the CB auditor.

#### **Limitations to be taken into account for this data assessment:**

- The information provided is a self-disclosure by the System Users and ISCC is not in the position to verify the correctness of the respective data despite several plausibility checks during the import phase.
- Due to the process described above, ISCC receives corrections to the reported data during the 12 months after the deadline for the submission, meaning that the reporting data can only be independently verified by auditors during the 12 months after the deadline and incorrect amounts will be corrected. This means that ISCC receives corrections to the reported data also after the deadline for the submission:

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<sup>8</sup> The ISCC "quantity dependent fee" applies only for conversion units until 31 August 2023 and to all scopes since 01 September 2023

at the next audit of the System User, the reported amounts are verified by the auditor. If incorrect amounts were reported, the System User communicates the corrected amount to ISCC and ISCC updates the internal database accordingly. An update of the previous reporting year (2022) figures is therefore provided to the European Commission at the time of submission of the report.

- In some cases, data submitted to ISCC may potentially not be verified: e.g. in case no recertification audit takes place or in case the company declares bankruptcy so that no responsible contact persons can be identified, reached or (former) employees are not able to provide the requested data due to restricted data access.

## 7 Certification Bodies and Robustness of the Scheme

The following chapter defines ISCCs guidelines and requirements regarding the following points of Annex III to Implementing Regulation (EU) 2022/996:

*(e) overview of the activities carried out by the voluntary scheme in cooperation with the certification bodies in order to improve the overall certification process and the qualification and independence of auditors and relevant scheme bodies*

*(h) criteria for the recognition of certification bodies*

This chapter also gives an overview of the work of certification bodies and their auditors in the context of how the internal monitoring of the ISCC certification scheme is conducted, as provided by Annex III to Implementing Regulation (EU) 2022/996, lit. (i).

The requirements for CBs and auditors applicable in 2023 are included in the ISCC EU System Document 103 “Requirements for Certification Bodies and Auditors” (version 4.0, replaced by version 4.1 as of 01 January 2024). All CBs and auditors must fulfil the stated requirements to be able to offer certification services according to the ISCC system. With respect to the recognition of CBs in 2023, 11 of the 62 CBs that cooperated with ISCC were recognised by the German BLE, and 51 were accredited by other Accreditation Bodies (including one by the German DAkkS).

ISCC organizes regular meetings at least twice a year specifically convened for the representatives of CBs cooperating with ISCC for the ISCC EU scheme. The aim of those meetings is to exchange feedback and practical experiences in relation to the daily application of ISCC, to discuss best practices, to identify and reduce potential risks and to

facilitate improvements of the system. In this way CBs are included in the multi-stakeholder approach of ISCC and can support the implementation of best practices and the continuous improvement of ISCC. In calendar year 2023, ISCC convened three meetings with CBs specifically dedicated to the ISCC EU (and CORSIA) scheme. Topics presented by ISCC and discussed among participants included:

- Strengthened requirements for waste and residue supply chains
- Implementation of Article 11 of the Implementing Regulation
- Updates, functionalities and timeline of the Union Database
- Certification of RFNBOs
- Certification of forest biomass
- Rotation of auditors
- Launch of the ISCC HUB
- ISCC audit data quality

Furthermore, every year the CBs provide an evaluation report regarding important non-conformities, corrective actions and risks that have been detected during the audits and inspections of the previous year. These evaluations are taken into account for the continuous improvement of ISCC. Some major points identified via the CB meetings and the annual reports were the need for an affective distribution system of ISCC System Updates, as well as an accurate and comprehensive understanding of them redundant questions in the APS tool in case of audits of multiple scopes of a System User; and documentation available to System Users, including the suggestion that ISCC may provide further templates for requirements such as mass balance.

In the event of non-compliant behaviour of a CB cooperating with ISCC, its auditors or its representatives, ISCC may impose sanctions against the CB or the individuals responsible for the non-conformity. Those are described in ISCC System Document 102, chapter “Non-conformities and Sanctions”. In 2023, ISCC issued 3 official warnings due to non-conformities of the CB with ISCC requirements.<sup>9</sup> The detected non-conformities resulted in a close monitoring of the CBs performance and a higher probability to be subject of further Integrity Assessments (see also chapter 3). Regarding the non-conformities identified in the

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<sup>9</sup> As described in the ISCC System Document 102, a warning may be issued by ISCC “if minor non-conformities with ISCC requirements are detected. Minor non-conformities of CBs may prevent a smooth certification process, but do not have an impact on the quality of the CB’s audit result or the level of assurance of the CB audit. (...) Only the CB will be informed about the Warning. After a Warning the CB must submit a statement of explanation to ISCC within 14 calendar days upon notification of the Warning. This statement has to include a description of suitable measures taken by the CB for preventing future non-conformities or for ensuring future conformity with ISCC requirements.”

broader framework of the Integrity Programme that should have been detected by the CBs but were not, ISCC excluded zero auditors in 2023 and three auditors in January 2024.

### **Best Practice: Independence and Rotation of Auditors**

ISCC is dedicated to ensuring that audits are conducted with impartiality and independence. These are critical components in ISCC's efforts to facilitate reliable audit results that maintain the credibility of ISCC certification and standards against System Users and the market.

As mentioned in chapter 2, the ISCC EU System Document 103 "Requirements for Certification Bodies and Auditors" (version 4.0) specifically required auditors to be independent of the activities being audited. In addition to this, auditors were not allowed to conduct audits for the same System User for four consecutive years. This criterion of rotation of the auditor was introduced to prevent a prolonged relationship between the auditor and the System Users, which could be a risk factor in the context of the auditor's independence. The relevant audits that demonstrate compliance with these criteria are certification audits and, where appropriate, surveillance audits. In the ISCC EU System Document 103, version 4.1 the impartiality requirement and rules on conflict of interest have been strengthened, effective since 01 January 2024.

### **Best Practice: CB's activity on the ISCC HUB**

As illustrated in Chapter 2, by developing the HUB in 2023 ISCC worked toward a time-effective cooperation with the CBs with regard to certification activity. By creating a platform that is accessible to both ISCC and CBs (as well as System Users), the information about System Users and their registrations and certificates is made available to all relevant parties with the necessary permissions to edit according to their role (Applicant, CB, System Users). With the HUB, CBs can now issue and update the certificate directly on the HUB, as well as upload the necessary documentation at the time of the audit and at any time when an update of the audit information is needed (e.g., addition of new material or scope to a certificate).

### **Best Practice: An extensive Training Programme**

ISCC offers an extensive training programme to improve the capacities of its cooperating auditors and raise awareness among other relevant stakeholders. Long-standing trainings

include the three-day ISCC Basic Training, which is conducted regularly, covers all aspects of the ISCC system and is open to all interested stakeholders. The participation in the ISCC Basic Training is mandatory for ISCC auditors before they can conduct ISCC audits.

ISCC also offers dedicated Greenhouse Gas (GHG) Emissions Trainings, which go in-depth on the GHG methodology laid down in the RED II. If a CB conducts audits and certifications that include the verification of individual GHG calculations, the CB must ensure that at least one GHG expert is working with the CB. This GHG expert must have participated in an ISCC GHG Training.

ISCC not only assures that existing trainings are updated regularly where necessary, but also establishes new trainings where needed. In light of its efforts to increase the security of high-risk supply chains, and particularly waste and residues supply chains, ISCC has developed the ISCC Waste and Residues Training.

In 2023, ISCC conducted five ISCC Basic Trainings with 937 participants, two Greenhouse Gas (GHG) Emissions Trainings with 272 participants, three Waste and Residues Trainings with 440 participants and one additional Waste & Residues Training Add-On with 165 participants. The first RFNBOs training that took place in 2023 counted 171 participants.

In total, ISCC offered 20 trainings (two onsite) with over 2,750 participants in 2023, of which 1,560 were auditors. This represents a huge increase over the last five years, as can be seen in Figure 5.



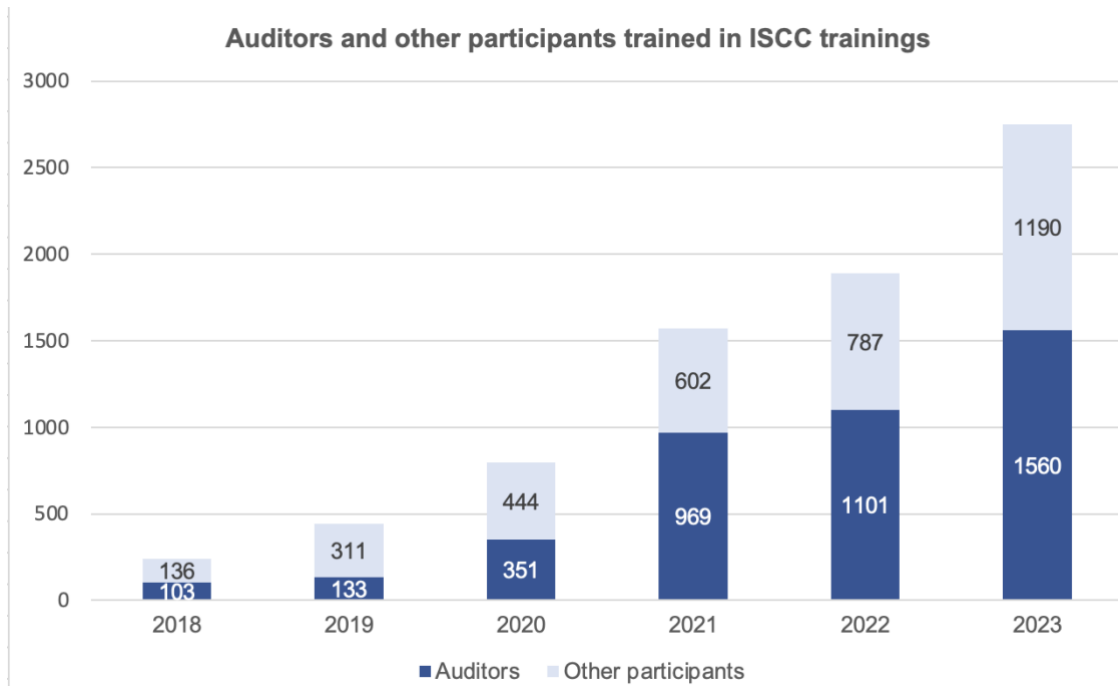


Figure 5: Number of auditors and other participants in ISCC trainings since 2018.

Cologne, 30 April 2024




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Andreas Feige, Managing Director, ISCC System GmbH

