Guidehouse

Low ILUC-risk certification

Development of draft certification guidance
https://iluc.guidehouse.com/

Frequently asked Questions
Version 1
26.11.2020

FAQs

Process and scope

- **When will the low ILUC-risk certification guidance be published?** We expect the draft guidance document to be published next year. It will serve as input to the Commission's Implementing Act on voluntary schemes mentioned in REDII Article 30(8) that is due before REDII implementation (i.e. before 1 July 2021). The Implementing Act itself will be subject to public consultation. The certification guidance will continue to be developed to take on board lessons from the pilot projects. All guidance documents will be published on the project website https://iluc.guidehouse.com/
- **When can the low ILUC certification start?** The low ILUC-risk certification is designed to be used as an add-on to an EC-recognised voluntary scheme. It will be optional for voluntary schemes to adopt the add-on. It is envisaged that voluntary schemes could start to adopt the approach into their standards once the Implementing Act on voluntary schemes is published (subject to approval by the EC).
- **How were the pilot projects selected?** The projects were selected to cover a range of feedstocks, geographies, and additionality measures (yield increase and unused land).
- **When will the work on the different pilot start and when could the first set of results be expected?** The pilot projects are starting now and run until the end of 2022. Results from the first round of pilot audits should be available mid 2021.

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FAQs

General comments on guidance

- **Did you analyse the potential of low ILUC-risk feedstocks in terms of feedstock volumes?** That is not within the scope of this specific study.
- **Is there any other practical consequence for low ILUC-risk certification, in addition to serving as an exemption for the restrictions imposed on high ILUC feedstocks (palm oil)?** The main purpose for low ILUC-risk certification is to give high ILUC-risk feedstocks an option to avoid the cap on high ILUC-risk feedstocks. However the low ILUC-risk certification approach is being designed so it could be used for any food or feed crop.
- **Can the whole yield from a low ILUC certified farm be claimed as low ILUC, or only the additional biomass?** Just the additional biomass above the dynamic yield baseline can be claimed as low ILUC.
- **How will the certification work for low ILUC feedstock that is pressed in a mill together with high ILUC feedstock?** Economic operators can use a mass balance chain of custody system, as specified in REDII Article 30(1), which allows for physical mixing. The low ILUC claim will be one of the sustainability characteristics passed down the chain.

FAQs
Additionality measures

- **How is it decided whether an additionality measure can be eligible for low ILUC-risk certification?** The list of additionality measures in the draft guidance is broadly defined and not exhaustive. Ultimately it will be up to the economic operator to describe the *specific* measure they will take and up to the auditor to judge that the measure is legal and sustainable and likely to be effective. This will be further explored in the pilots.
- **Can production on unused land be low-ILUC risk certified? Unused lands are not included in Article 5 of the Delegated Act (abandoned and severely degraded lands are included).** Unused land is defined in Article 2(2) and is included in the definition of additionality measure in Article 2(5), so measures on unused land can qualify. Article 5 concerns the fact that abandoned land and severely degraded land are exempt from the additionality test (financial attractiveness or barrier analysis). Unused land would have to pass this test to be eligible.
- **Which measures do you use to certify severely degraded land?** Severely degraded land is land which, for a significant period of time, has been either severely salinated or has been both significantly low in organic matter and severely eroded. All of these characteristics are matters of physical fact and may be readily established from a site inspection. An agronomist's report is likely to be required to show that it has the necessary physical-chemical characteristics.

FAQs
Additionality measures (2)

- **How do you prove the causal relationship between the measures taken and the yield increase? How will it be possible to separate this effect of other external factors that impact crop yield, such as weather?** This is a key challenge and will be further tested in the pilot project. The economic operator will have to document prior to certification the additionality measure and the expected impact on yield. The annual audit will check the plan is being correctly applied and the yield increase is within the expected range. The guidance also outlines approaches to be followed in case of yield outliers and extreme weather events.

FAQs
Additionality test

- **Is there going to be a low ILUC premium?** It remains to be seen how the market will develop in this respect. As the existence and level of any premium is uncertain, the Financial Attractiveness test can be met by achieving a negative Net Present Value of the envisaged additionality measure. The investment simply needs to be not economically viable without some form of additional value which could be provided by the low ILUC-risk certification.
- **How can the assessment of whether an investment is "business-as-usual" be made measurable?** An investment is deemed additional if it either passes the Financial Attractiveness test (i.e. with a negative NPV) or by passing the Barrier Analysis. This will be subject to verification by a local auditor with knowledge of the given the region and crop. This will be further tested in the pilots.
- **Will there be a limit on the discount rate project proponents can use in calculating NPV?** The discount rate is a key assumption in the Financial Attractiveness calculation. There are recommendations in the guidance, but these discount rates are still to be tested. There value will most likely be pre-determined, based on internationally acknowledged discount rates, to reflect the considerations for each region/country at a given time.

FAQs
Dynamic yield baseline

- **How do you set a baseline that ensures that global yield development is relevant to the specific farm, as we know weather and land conditions are different in each location and impact yield?** The starting point of the dynamic yield baseline is based on plot-specific historic crop yield data and the slope of the baseline is based on the historic global yield trend for that feedstock, taken from FAOSTAT. The combination of plot-specific and global data is designed to give a baseline relevant to the situation of the specific economic operator applying to be certified.
- **How do you determine the dynamic yield baseline in the case of sequential cropping, knowing that in this case, crops sequences could be different before and after introducing the measure?** In the case of sequential cropping, the dynamic yield baseline is set based on data for the primary crop. For the calculation of additional biomass, that baseline is compared to the total yield of both the primary and the secondary crop. This automatically takes into account any loss of primary crop yield that might be observed if it is harvested early to allow for the sowing of the secondary crop. Different crop rotations and combinations of crops will be tested in the pilot project.

Contact

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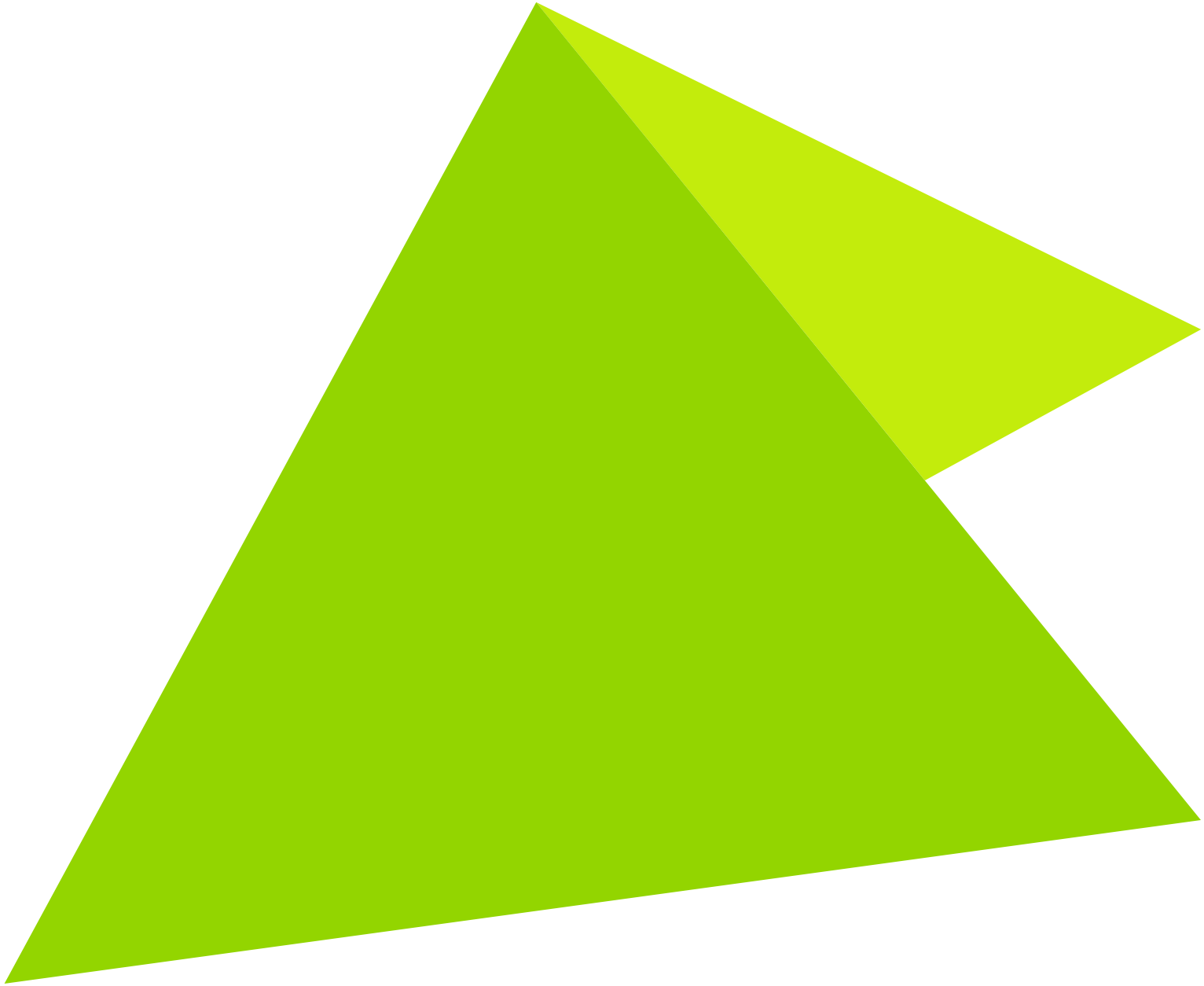

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