Guidehouse

Low ILUC-risk certification

https://iluc.guidehouse.com/

Frequently asked Questions
Version 2
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FAQs

Process and scope

- **When will the low ILUC-risk certification guidance be published?** We plan to publish the draft guidance documents in the course of this year. The guidance served as input to the Commission's draft Implementing Act on voluntary schemes that is due for public consultation before REDII implementation. 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 finalised (subject to approval by the EC).
- **When will the Implementing Act on voluntary schemes be finalised?** The EC expects to publish the draft Implementing Act for a 1 month public consultation from mid-June, after which the act can be finalised, taking on board stakeholder comments.
- **Could the Implementing Act or Delegated Regulation 2019/807 be changed based on the pilots?** The certification guidance developed in the project has fed into the draft Implementing Act and we are working closely with the EC to ensure lessons learned from the pilots can be taken on board. No revision of the Delegated Regulation is foreseen now but the EC could review it in 2023.

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FAQs

Process and scope

- **How were the pilot projects selected?** The projects were selected to cover a range of feedstocks, geographies, and additionality measures (yield increase and abandoned land)
- **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 it still possible to join projects for the pilot?** We are currently discussing the scope of Phase 2 of the project with the European Commission. Please contact ILUCpilots@guidehouse.com if you would be interested to participate

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FAQs

Relation between high ILUC feedstocks and low ILUC certification

- **How is the low ILUC methodology different from the high ILUC methodology?** Delegated Regulation 2019/807 defines the high ILUC concept at the feedstock level, globally. Whereas the low ILUC concept gives an opportunity for an individual farm/plantation to prove they are producing additional biomass above a business-as-usual baseline. Currently the only feedstock that meets the high ILUC definition is oil palm. Therefore the low ILUC concept is mainly useful for palm, but the methodology is being developed such that it could be applied to any crop.
- **Do you expect changes to the high ILUC definition and crops?** The formula to define high ILUC feedstocks is defined in the Delegated Regulation. It relies on data on cropland expansion. A parallel project is reviewing the latest cropland expansion data. It is possible that additional feedstocks could pass the threshold to be classed as high ILUC in the future. All updates on the high ILUC project can be found on the project website (https://iluc.guidehouse.com/lot-1).
- **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. Non-high ILUC feedstocks that are certified as low ILUC-risk currently have no different status under the REDII (although note that additional biomass from sequential cropping can count outside the food and feed cap).

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FAQs
Practical implementation

- **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.
- **How should an economic operator deal with the challenge of fragmented low ILUC volumes spread over multiple plots?** This could be a challenge if additional biomass volumes are small. The low ILUC claim should be passed down the chain as one of the “sustainability characteristics” and operators should use a mass balance chain of custody system.
- **Can the mechanism be used to certify measures that have already been taken?** Yes, economic operators can apply to certify low ILUC measures taken up to 10 years in the past. However, low ILUC claims can only be made for 10 years from when the additionality measure is implemented.
- **Available low ILUC quantities will only be known after crop harvest - probably after one year of growing and comparing actual harvest with baseline. How can an economic operator base his sales on that backward looking? Is there any interaction with mass balance periods?** Yes, this is a challenge in the practical implementation, and we propose options to handle this in the guidance. Pilot companies said the uncertainty in future volumes would be a challenge for contracting.

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FAQs
Additionality test

- **What is the additionality test?** A project is additional if it either passes the financial attractiveness test (negative Net Present Value) or by passing the barrier analysis. This is verified by a local auditor with knowledge of the region and crop.
- **Does the negative NPV mean that you can not have a profit from the additional production?** The theory behind the financial attractiveness test is to ensure that this mechanism incentivises yield increase measures that would not have happened without the low ILUC mechanism. So, it is possible for farmers to make a profit, but the measure should be not financially attractive without the low ILUC certification (or it should face barriers that are solved by low ILUC certification).
- **Is there going to be a low ILUC premium?** It remains to be seen how the market will develop in this respect. The financial attractiveness test can be met by achieving a negative NPV of the envisaged additionality measure without any premium. Thereby showing that the investment is not economically viable without the additional value which should come from being low ILUC certified. The pilots have shown that the financial attractiveness test, as currently defined, is very difficult to meet. If there is a shortage of feedstocks, then a premium should develop for low ILUC certified feedstock, but there is a high degree of uncertainty accompanying that.
- **Did the pilot projects pass the additionality test?** The pilot projects did not pass the financial attractiveness test, although it must be noted that the pilots were selected because they had taken an additionality measure to ensure that additional biomass would be produced within the project timeframe, so we would also expect those measures to be financially viable. The pilot projects also tested the barrier analysis. Plausible barriers were described, but the barriers were not faced by the large companies involved in the pilots.

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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.

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FAQs
Yield increase 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.
- **How do you prove the causal relationship between the measures taken and the yield increase? How will it be possible to separate the effect of the additionality measure from other external factors that impact crop yield, such as weather?** The pilots have shown that this can be a challenge, especially in circumstances where the volume of additional biomass is small and/or the impact of weather on yield is high. 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.
- **What should an economic operator do if they apply multiple additionality measures at the same time (a package of measures)?** The management plan needs to describe the measure(s) to be taken. If a package of measures is taken at the same time, the additionality of the package is judged and the total additional biomass is measured against the baseline. If a new additionality measure is taken after certification, the economic operator can choose whether to keep their original baseline and 10-year baseline validity, or to update the additionality test and baseline (the new baseline would now be higher) and apply to have a new 10-year baseline validity.

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FAQs
Sequential cropping

- **What is the definition of sequential cropping?** There is no definition in the REDII. For the pilot project, we define sequential cropping simply as a second crop grown on the same plot of land in the same year as the main crop.
- **Does sequential cropping need to pass the additionality test (i.e. financial attractiveness or barrier analysis test)?** Sequential cropping needs to demonstrate additionality to be certified as low ILUC, but if it does not, the additional biomass can still be counted outside the 7% food and feed cap.
- **Can additional biomass from sequential cropping count outside the food and feed cap?** Yes. From the definition of food and feed crops in REDII Article 2(40), any crop that can demonstrate it is not the “main crop” and “does not trigger demand for additional land” can be outside the food and feed cap (even if it is an edible crop). From the pilot experience, we recommend that a robust definition of "main crop" is needed to implement this. It is also worth noting that in the Uruguay pilot, soy was the main crop, so any soy from that farm used to produce biofuel would be within the cap. In the French pilot, the main crop changed depending on the crop rotation.
- **Could the same type of crop be considered the main crop in some situations and a sequential crop in others?** Yes, the type of crop does not define whether or not something is a sequential crop, rather this depends on the crop rotation and setting. Furthermore, it is possible that the introduction of different policy incentives could change the economics for a farmer, for example by increasing the value of a winter crop. We recommend that the EC provides clear definitions of main crop, intermediate crops (including ley and cover crops) and sequential crops, and that these are subject to consultation.

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FAQs
Sequential cropping

- **Are cover crops already included in Annex IX?** A specific sub-category of cover crops is currently included in Annex IX, Part A, within the definition of non-food cellulosic material.
- **Could sequential cropping be included in Annex IX in the future?** This is not within the scope of this project. However, a parallel study for DG ENER, led by E4tech, is studying materials for possible inclusion in Annex IX. That study considers cover and intermediate crops defined as "any crop that is not the primary crop cultivated in a field in a given year and that is grown at a different time than the primary crop". As ligno-cellulosic material is already covered in Annex IX, the Consortium focused on other material, i.e. starch, oil, grain, sugar, beans and meals produced from cover intermediate crops.
- **How do you determine the dynamic yield baseline and the additional biomass in the case of sequential cropping, knowing that the main and second crops may be different and so are not directly comparable?** In the draft guidance tested in the pilots, we suggested the dynamic yield baseline to be is set based on historic yield data for the primary crop. Then, the baseline would be compared to the *total* yield of both the primary and the secondary crop to determine the volume of additional biomass. This would automatically take into account any loss of primary crop yield that might be observed by introducing the secondary crop. However, following the pilots, we recommend to revise the approach to count all the secondary crop as additional, and to introduce a compensation mechanism in case the yield of the primary crop is impacted. This avoids issues setting an appropriate baseline when there is a complex crop rotation. Further work is needed to define main (or primary) crop and to refine the options for the compensation mechanism.

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FAQs

Unused, abandoned land or severely degraded land

- **What is the dynamic yield baseline for unused, abandoned or severely degraded land?** The baseline is no cultivation, so all certified feedstock from unused, abandoned or severely degraded land can be claimed as low ILUC-risk, since all feedstock is considered additional biomass.
- **Does certification of unused, abandoned or severely degraded land have the same 10 year 'baseline validity' time frame as yield increase measures?** Yes, it does.
- **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. For organic matter they would probably use a combination of soil testing and visual inspection. For salination a test of electro-conductivity is used.

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FAQs

Unused, abandoned land or severely degraded land

- **How does the project address biodiversity or vegetation regrowth on abandoned land, especially in tropical countries?** It is clear that any conversion of unused, abandoned or severely degraded land will have to meet the core REDII sustainability criteria in Article 29 (i.e. no conversion of highly biodiverse, high carbon stock land or peatland). Furthermore, any GHG emissions associated with a permitted land use change would need to be included in the GHG saving calculation of any biofuel produced. We agree that abandoned land in a different climatic region could be an interesting aspect to study in Phase 2 of the pilot, the scope of which is currently under discussion with the EC.
- **Abandoned land in tropical climates will be fully cover by bush and therefore would be categorised as forest in EU definition. Will there be a different definition on abandoned land for tropical and sub-tropical climate regions?** The core REDII sustainability criteria apply wherever the biomass is sourced from and the same definitions of unused, abandoned and severely degraded land (Delegated Regulation 2019/807 Article 2(2)-(4)) also apply in all cases.
- **Does the bonus of 29 gCO_{2eq}/MJ from the RED on severely degraded lands also apply to low ILUC-risk certification?** Yes, the GHG bonus would also apply for fuels certified as low ILUC-risk from severely degraded lands.

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FAQs
Other

- **How does the ILUC approach in CORSIA compare to the low ILUC certification under EU RED II?** This project focuses on low ILUC as defined in the EU REDII and Delegated Regulation 2019/807. The CORSIA definition is similar, but not exactly the same. The company taking part in the Colombia pilot in this project is also testing the CORSIA low ILUC concept, but as part of a separate project led by ICAO.

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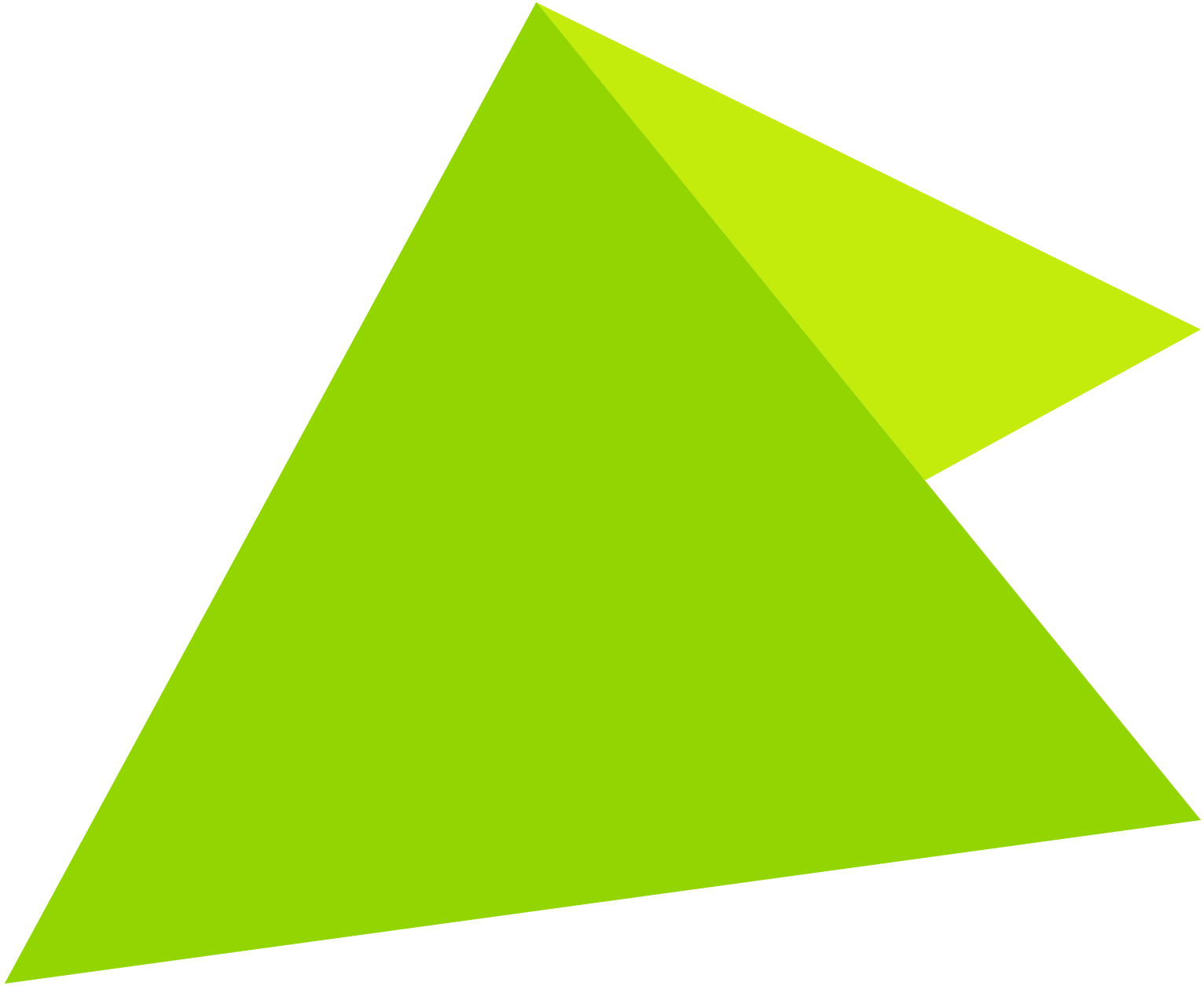

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