

Imperium Renewables (IRI) recommends that the State adopt a strategy designed to promote the production and use of biofuels as a clean, renewable energy source by working closely with representatives of the new and evolving industry to ensure that feedstock used for the production of biofuels is grown in an ecologically sound and sustainable manner. The biofuels industry continues to evolve quickly and it is important that any process to certify sustainability be flexible to accommodate innovations in biofuels feedstock production to allow new, sustainably grown “second-generation” feedstocks to be certified under the preexisting framework without incurring additional costs. The following steps are proposed as a means for the State to verify that 1) oilseeds which are ultimately used for biomass or biofuel production have not been grown on land cleared from old growth forest or first-growth forests where the clearing occurred after November 2006, and 2) that biofuels produced from oilseed can be verified to be grown on certified land:

1. Designate regions worldwide which are currently or have in the past been established sites of agricultural production and thus pose no risk of old-growth or first-growth deforestation. There are many such areas, including but not limited to the United States and Canadian Midwest Region, Peninsular Malaysia, the Danubian Plane of Eastern Europe, and the pampas of Argentina and Brazil. To designate established agricultural lands IRI recommends the State consult with oilseed industry experts, government officials with expertise in local agriculture and forestry, international organizations with a wide-reaching geographical scope that provide technical assistance in sustainable agriculture, and non-governmental organizations with a proven track record of making such issues a priority. Such a step would serve to simplify the process of verification for large groups of oilseed producers, thus avoiding burdensome regulatory costs which will make feedstock procurement prohibitively expensive.
2. For oilseed from land falling outside of the areas described above, obtain clear documentation showing that the land has not been cleared of primary forest after November 2006. This documentation must be made available to designated representatives of the State for inspection at any time. If any question arises as to the authenticity of these documents, the state does not feel the documentation is adequate, or such documentation does not exist, then a third-party independent inspection must be completed on the land in question. The third party independent inspection will be completed by an organization recognized for their expertise in this field. A list of acceptable organizations will be maintained by the State, and additions to or subtractions from this list are the sole responsibility of the State. These documentation requirements provide solid framework for oilseed producers who wish to increase their market viability by obtaining certification, while also assisting biomass and biofuel producers who wish to produce certified biofuels, to have a designated market of verified feedstock from which to draw from.

To ensure a biofuels or biomass product was not produced from feedstock grown on land that does not pass the certification guidelines outlined above, IRI recommends that the State work with industry representatives and other stakeholders to develop robust and

efficient system to track feedstock origin. The following are three potential tracking mechanisms that have been identified:

**a) Segregation:** Material from land certified according to the steps listed above is kept separate from material from non-certified land at every stage of production, processing, refining and manufacturing throughout the supply chain. Segregation has recently been identified by the Roundtable on Sustainable Palm Oil (RSPO) as the most challenging but also the most credible of all feedstock tracking methods. This approach requires costly handling and logistical strategies and biofuels produced from segregated feedstock must be sold at a premium.

**b) Book and Claim:** Instead of trying to trace certified material through the supply chain from plantation to end-user, the 'certified' element of the oil is traded separately from the oil itself. This is done by issuing some form of credit or tradable certificate to producers who implement the certified criteria, which can then be sold to users seeking certification for the biofuel they produce. The rules for issuing and trading certificates are set up to ensure that the total amount of certificates in the system exactly corresponds to the amount of certified oil in the system. The actual oil enters the normal supply chain and is traded without any claim attached. There are significant administrative costs associated with implementing this tracking method, specifically related to the market for the sustainable feedstock certificates, and administration must be accomplished either by a government entity or a private enterprise approved by the State to bear responsibility for managing the certification process. Under the Book and Claim system the end consumer has no certain information on the origin of the product they are purchasing.

**c) Mass Balance:** The Mass Balance approach is based on ensuring that the total quantity of certified product produced at any stage in the supply chain is proportional to the quantity of certified raw material used. For example, if half the feedstock used is certified by the State, then half of the biofuel produced is certified. In this approach, although the amount of certified material reaching the end user reflects the amount of certified oil produced by certified plantations, no direct physical link is maintained between the plantations and the final product. 'Certified' material may, in fact, have come from any source. The advantage of the Mass Balance tracking method is that it does not require changes to handling and logistics strategies that significantly raise the cost of the certified finished product. The disadvantage is that the end consumer cannot be guaranteed that the product they purchase was grown on certified land since feedstock is mixed at every stage in the production process. In addition, the procedures required to ensure that the precise percent of certified product is maintained throughout the stages of production may be difficult and add to the cost of production.