

MEMO

Chain of Custody – transfer of C&S data

Purpose of this paper

This paper aims to clarify additional Chain of Custody issues. It addresses two issues:

1. The possibility for flexibly allocating C&S data over different feedstock-derived products;
2. Clarification on what constitutes a 'site': the level at which the RTFO requires the mass balance to be run.

1. Clarification site-level Chain of Custody

The RFA has defined a site as follows: *"The mass balance approach should be operated at least at the level of a site that a company owns/operates. i.e. the RFA does NOT allow companies to operate one single mass balance (units in = units out) approach over their whole global operations."*

To further clarify this: a "site" is one facility on one geographical location. In other words, a site is NOT a collection of facilities that are located in different geographical locations, even if that is in the same region. A facility can include multiple silos, for example, as long as they are at the same physical site. Figure 1 presents an example of the Mass Balance system at site level.

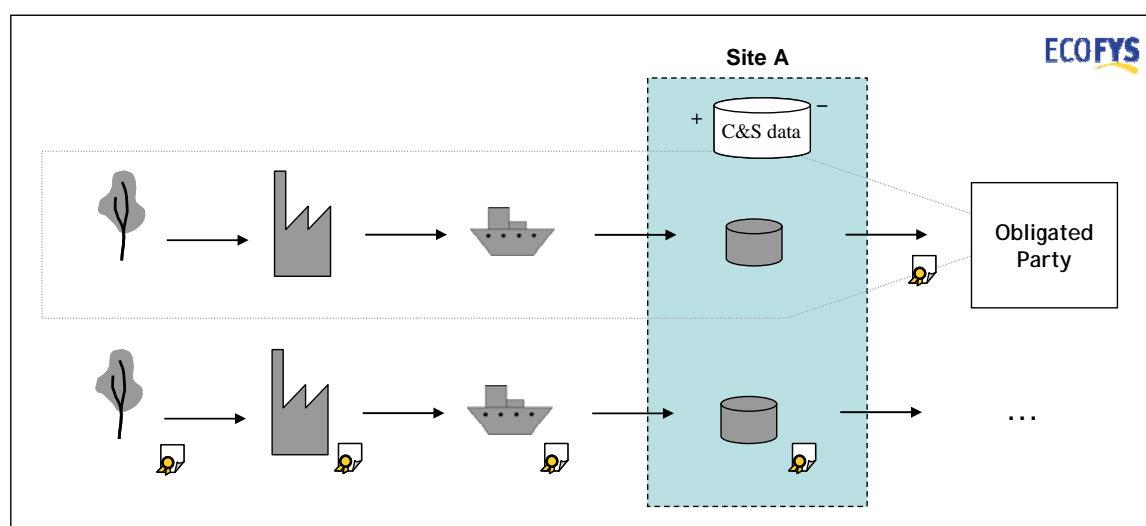


Figure 1: Example of a mass balance system at site level. The site is one facility on one geographical location. C&S data stands for carbon & sustainability data. The certificate represents the flow of certified products.

II Flexible allocation of C&S data over different feedstock-derived products

Clarifying rule

Flexible allocation of C&S data between different feedstock-derived products that are produced at the same site is permitted.

Different feedstock-derived products are different types of products that are produced from the same feedstock – e.g. sugar and ethanol are two different types of products that are both produced from the same feedstock, namely sugarcane. In the same way, palm stearin and olein are two different feedstock-derived products from crude palm oil. Also EU-spec ethanol and Brazilian-spec ethanol can be considered two different feedstock-derived products.

The following two sections clarify this rule with the use of two examples.

Example 1) Flexible allocation of C&S data between sugar and ethanol produced at the same mill.

'Mill M' produces and sells sugarcane derived products (sugar and bioethanol). It produces equal amounts of sugar and ethanol from sugarcane. Mill M has two dedicated plantations, of which only one meets the RTFO Biofuel Sustainability Meta-Standard. In total, this mill produces twenty units of sugarcane derived products: ten units of sugar and ten units of ethanol. The obligated party to which M sells its ethanol wishes to claim that the ten units of sugarcane ethanol it put on the market all meet the RTFO Meta-Standard level. This is permitted and the obligated party does not have to ensure that the other sugarcane estate, from which Mill M sources the other 10 units of sugarcane, also meets the RTFO Meta-Standard level. After all, in this example, no more sustainable ethanol was sold by Mill A, than the amount of sustainable sugar cane it sourced (taking into account relevant conversion factors). Of course, the sugar produced by Mill M can not be sold with a claim of meeting the RTFO Meta-Standard level, as that would be double counting.

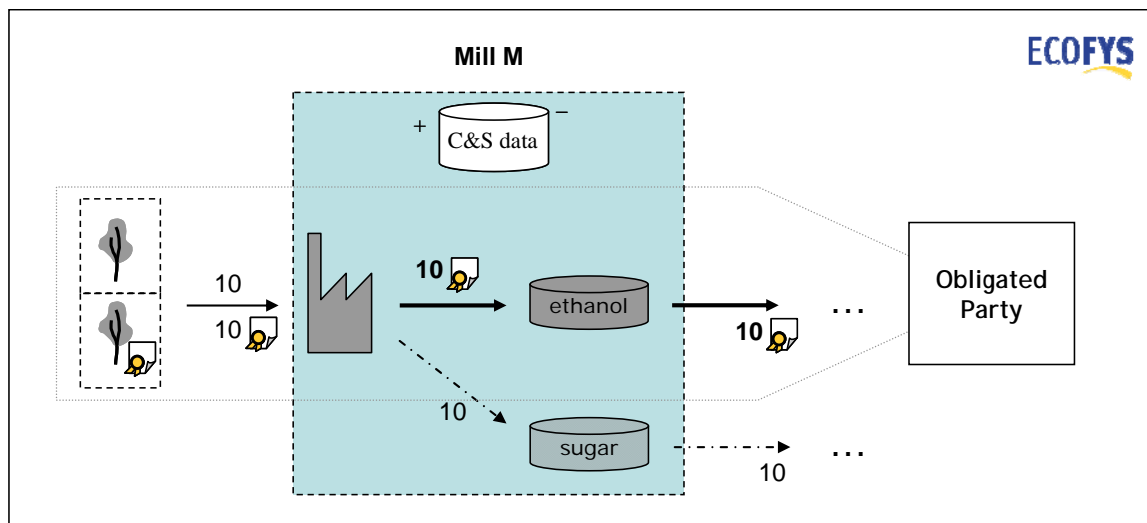


Figure 2: Example of a transfer of C&S data between different feedstock-derived products that is allowed for the RTFO from 2009/2010. C&S data stands for carbon & sustainability data. The certificate represents the flow of certified products.

Example 2) Allocation of C&S data between sugar and ethanol produced at different mills

Company A ('Site A') stores and trades in sugarcane derived products (sugar and bioethanol)¹. It sources from several sugarcane mills. One of the sugarcane mills ('Mill M') produces equal amounts of sugar and ethanol from sugarcane. It has a dedicated plantation that meets the RTFO Meta-Standard level. In total, this mill produces twenty units of sustainable sugarcane derived products (ten units of sugar and ten units of ethanol). Site A also received ten units of sugarcane ethanol from another mill (Mill X, that does not meet the RTFO Meta-Standard level). Of the total 20 units of ethanol that Site A sells to the obligated party, only ten can be claimed to meet the RTFO Meta-Standard level. Site A is not permitted to transfer the sustainability claim of the sugar it sourced from Mill M to the ethanol it sourced from Mill X because such flexible allocation between different feedstock-derived products is only permitted if the different feedstock-derived products were produced at the same site. Otherwise the mass balance would effectively be run over several sites, thereby violating the RTFO requirement that the mass balance is run at the site level.

¹ This may be a somewhat constructed situation, but it serves to demonstrate the issue that is relevant here.

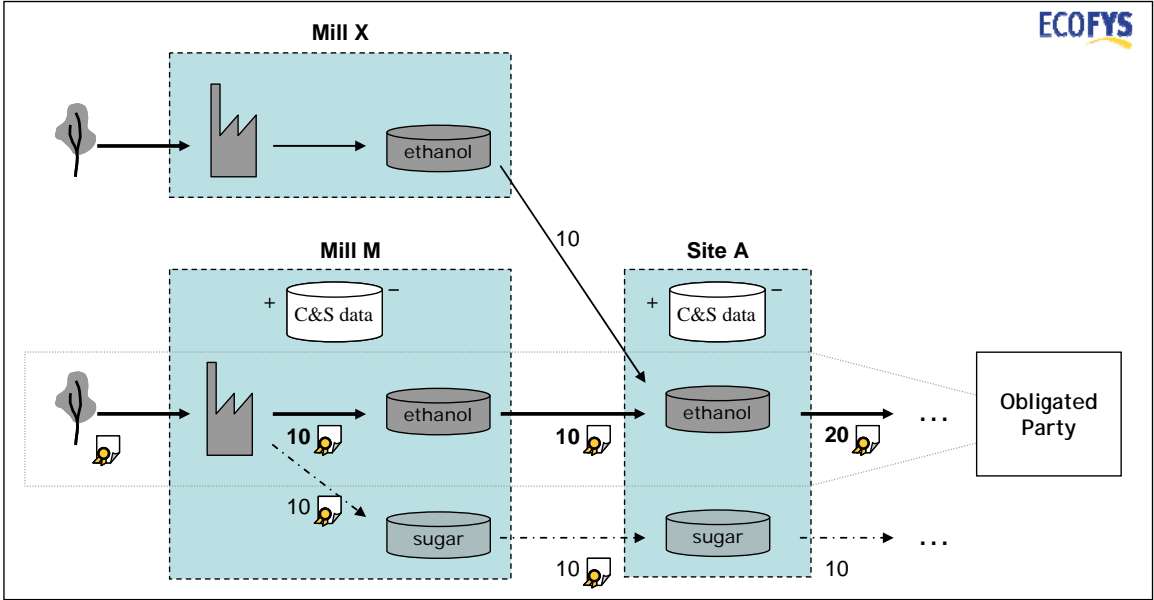


Figure 3: Example of a transfer of C&S data between different feedstock-derived products that is NOT allowed for the RTFO in 2009/2010. C&S data stands for carbon & sustainability data. The certificate represents the flow of certified products.