



REDcert

System principles

Version 02

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Introduction

Many of the key concerns of the economic groups affected have been taken into account in setting up the REDcert system. They, along with the relevant legal requirements, served as assumptions in the design of this system documentation. These include:

- **Competition**

The global dimension of sustainability certification poses great challenges for certification systems and certification bodies. The prerequisites for sustainability certification are different depending on the type of biomass, what it is used for and the place it is produced or used. Because the sustainability certification is still highly specific and in view of the narrow time frame, it is likely that there will not be many systems and service providers for sustainability certification at least initially. It is thus important for the economic groups affected to create adequate competition in the system environment and have different certification options to choose from depending on use.

- **Consistent 100% legal compliance**

The REDcert system ensures legal compliance with certification requirements for the sustainable production of biomass. It places no additional requirements on biomass producers and processors. This guarantees compatibility with all other officially approved certification systems in the acceptance and sale of biomass and prevents restrictions or even hindrances in the movement of goods.

- **Acknowledgement of accountability**

By creating an industry-driven certification system, the economic groups affected by the new legislation are showing their willingness to take on individual responsibility and not just passively wait around for the "inevitable" certification to be imposed on them. Instead, they are taking advantage of the opportunity afforded to them to design the system and actively encourage "sustainability".

- **Actively shaping the future**

Launching a sustainability certification for biomass for energy use has the prospect of creating the framework for certification of all types of biomass no matter what it is used for at a later point in time – either through legislation or market influences.

Because most companies, in addition to generating electricity from biomass, are already experimenting with different uses for biomass either with co-products or secondary products or the same "output material", the companies will have enough time to set a new course.

- **The desire for synergies**

The multiplicity of certification systems for the various forms of biomass use are taxing for companies not just organisationally speaking (documentation, verification, etc.) but also financially because each system usually has its own certification requirements, e.g. with regard to inspection intervals and auditor qualification.

The goal here is, with the help of the REDcert system, to identify and capitalise on the potential synergies relating to disclosure and verification early on but also in the certification process itself (neutral inspections).

- **Encouraging ease of application in practice**

By involving experts from all of the economic groups affected, particularly practitioners from companies situated at interfaces, the aim is to ensure that no unreasonable requirements are imposed in structuring the system and that the existing flexibility in the structure of the legal requirements is put to positive use and capitalised on.

In line with these principles, the REDcert system is to be deployed for all forms of biomass and all planned forms of use (fuel and electricity) primarily in the European environment.

1 Principles of verification and documentation

The relevant legal standards for sustainability certification already contain extensive requirements for the type of documentation and verification. Starting from these unalterable legal requirements, REDcert only wants to impose additional requirements for the type, form and level of detail of the documents/verification as is necessary to comply with legal verification requirements. This does not mean, however, that no information and recommendations will be provided with respect to documentation and verification. The economic groups active in REDcert already have extensive experience with certification systems, e.g. ISO 9001, QS, GMP+, IFS, etc. It makes sense to integrate the requirements for sustainability certification into existing management systems to the extent possible.

The verification systems used for mass balancing (e.g. resource, inventory and stock level management systems) have to ensure that they are suitable for clearly delineating the permissible reporting periods – daily, weekly, monthly (up to 3 months) – and reflecting the physical flow of goods. Accounting systems do not always reflect the actual, physical flow of goods in relation to the "posting date" needed for balancing.

2 Measures for transparency and prevention of misuse and fraud

To satisfy the legislative requirements for transparency, REDcert follows various principles.

2.1 Transparency in system representation

REDcert informs the interested public (potential system users, media, associations and special interest groups) about the content and requirements of the certification system. All approved system documents required for implementation and monitoring the system are available at www.redcert.org. In addition, REDcert provides tools and informational materials to system participants and the certification bodies who work for them. The competent authority is entitled to view these documents at any time.

The application and approval process can also be tracked on the basis of the legal requirements via the Bundesanzeiger (German Federal Gazette).

2.2 Transparency in system membership

REDcert concludes written agreements both with the system participants (interface companies and upstream and downstream suppliers) as well as with the certification bodies working in the system. These contracts clearly stipulate the rights and obligations of the respective parties. These contracts ensure that the requirements of the certification system:

- a) are binding in their application
- b) can be verified and are transparent
- c) can, when necessary, be enforced with legal means

The contracts are carefully designed standard documents. No individual agreements are made with respect to system requirements.

2.3 Transparency in system management

REDcert sets up a database to manage the certification system that documents all

- system participants including all of the dependent operational sites each member registered
- all of the inspections conducted regardless of result
- all sanctions

This system management is disclosed to the competent authority upon request and is always able to provide this authority with information on the status of the participants, inspections and sanctions.

2.4 Prevention of misuse and fraud

The REDcert system cannot accept responsibility for ensuring that the system participants and the involved certification bodies act in compliance with laws. When a system contract is signed, it is assumed that the positive intention is to satisfy the system requirements.

At the same time, the contract system and, in particular, the hereby acknowledged sanction system of REDcert, have considerable built-in obstacles to prevent misuse of the system.

To prevent possible misrepresentations with respect to participation in the REDcert system that could lead third parties to assume that the biomass offered for sale/supplied by the supposed system participants has been sustainably produced, the term REDcert has been trademarked. This gives REDcert the ability at any time to take action against unauthorised service mark use, e.g. by non-system participants who claim to be part of the system, without requiring any further evidence of an actual misrepresentation.

3 Costs for participating companies

The system sponsor of the REDcert certification system represents the main economic groups affected by the sustainability certification through its shareholders - the business associations. It is absolutely in the interest of these shareholders not to initiate any unreasonable or unnecessary burdens for the member companies as a result of the certification system.

Accordingly, the fees charged for using the REDcert system are calculated on the basis of self-sustaining operation of the system. Generating profit is not the primary business objective of the system sponsor. Fees are set by the executive management in consultation with the Advisory Committee and the Shareholders Meeting.

The participant fees are shown transparently in a fee schedule that every interested company has acknowledged before joining the system.

The costs for the neutral inspection conducted by BLE-approved certification bodies are not defined by the REDcert system but are based on the principle of supply and demand in the competition between the certification bodies. There are also many existing certification systems that can be referenced as a "benchmark" for pricing both by companies who contract inspectors as well as by the certification bodies.

This means that REDcert satisfies the legal requirement to prevent disproportionate costs for small farmers, producer organisations and agricultural cooperatives. In the REDcert system, small farms are operations whose productive land is more than 75% below the area farmed on average in the country and/or secondary farms that generate more than 50% of their operating/family income outside of agriculture.

The costs of verification and, most importantly, inspection of the sustainability criteria in small farms should not exceed the expected loss in revenue when the biomass produced by the farm as non-sustainable will likely have to be sold at lower revenues within the framework of the REDcert system.

For this reason, checklists for each step will be provided for the inspection of farms in the REDcert system that make it possible to conduct a systematic, efficient and thus affordable inspection. If farms participate in cross compliance, the costs of verification for on-site inspection are limited to the costs already incurred for cross compliance. In the case of land in protected areas, there are various verification possibilities available that also do not result in any disproportionate costs. This will largely prevent costs from increasing as a result of more on-site inspections.

This also applies to the producer organisations and agricultural cooperatives listed in Annex 3 no. 2 of the Biofuels Sustainability Ordinance (Biokraft-NachV).