

From the RED Directive to a booming and profitable market of sustainability certification

Since the establishment of the biodiesel sustainability criteria, a new market for certification has been born. Controlled mainly by Germany, the sector seems to bring reasonable profits benefiting from the obligation to certify the feedstock and to periodically renew the obtained certificate. Within the EU sustainability target, the certification business guarantees growing profits to a small number of certifying bodies.

Renewable Energy Directive

In 2009, the EU countries developed what is today commonly referred to as RED, the Renewable Energy Directive, the Directive 2009/28/EC on the promotion of the use of energy from renewable sources. The main reasons behind RED were a significant contribution of transport to GHG emissions and the need for energy security in Europe. In order to efficiently promote renewable energy sources, the Directive states **mandatory targets for Member States, one of the main targeting a 10% use of sustainable biofuels in the transport sector by 2020.**

Costly implementation

After the implementation of the RED criteria, a number of certification schemes for biofuels have been established in order to attest the sustainability of the final product. And this is how **a new certification business was born. Various certification schemes require teams of people who are responsible for the implementation, documentation and auditing of companies that want to comply with the RED.**

The costs of certification vary among the different schemes, however, it is always the administrative costs that constitute the major part of the spending and not the direct costs of the certification audit itself. These costs largely depend on the size of the company, its turnover, location, complexity, etc. and mainly stand for the creation of a special company branch, dedicated to sustainability criteria implementation and control.

ISCC Certification Scheme

Out of the certification systems approved by the European Commission, the most popular one is, by far, **ISCC (the International Sustainability and Carbon Certification), followed by REDcert and 2BSvs (Biomass Biofuels Sustainability Voluntary System).**

The ISCC certification scheme involves different types of companies from all stages of the supply chain. It is issued for maximum

12 months and has to be renewed at expiration. Moreover, the certified company has to undergo an audit to prove its compliance with the sustainability criteria. The ISCC system is the only one that is increasingly used by companies from outside of the old continent. Altogether, there are more than 2500 firms certified within this scheme and new ones join every week.

The companies' point of view

From the perspective of a single company, certification requirements implemented by the RED mean additional costs. According to market analyses and numerous interviews, it can be concluded that, in general, the companies believe that fees for obtaining certifications are much too high. **On average, biodiesel companies certified both ISCC EU and DE have to spend around 100,000 euros per year on direct and indirect costs.**



Direct costs, mainly fees for obtaining the certification and audit procedures, account for 15,000-20,000 euros. The remaining part, around 80,000 euros, results mainly from the additional working hours of the companies' employees, that have to be spent on administrative issues. These extra hours may add up to 30 hours per week. Opportunity costs, however, have not been taken into consideration.

The management representatives of the companies claim therefore that it would be a great improvement, if the administrative work could be simplified. **Currently, too much money and time are spent on dealing with sustainability requirements making the RED more a burden than an asset.**

TIC: a market to invest in?

It is certainly true that the additional costs spent are seen as a source of anguish and as a constraint, especially for smaller firms struggling to survive in the sector dominated by big leaders. However, they also provide European producers with some kind of protection from unfair competition by creating higher entry barriers to the European market.

One should also keep in mind that those few certifying bodies are publicly listed

companies that are developing with a great success, hand in hand with the source of their revenue: the biodiesel sector. The total turnover of the certification business in the biodiesel sector of up to 25 million euros, as analyzed by GREENEA, only confirms the tendency. **The booming global 100 billion dollar worth TIC industry (Testing Inspection Certification), including big leaders such as Bureau Veritas, Intertek and SGS, is the best performing segment in business services,**

outgrowing most other service sectors by far and having a more than positive outlook for the years to come.

Just a couple of years ago, it was difficult to imagine that one day, companies collecting waste, would have to be certified. But when what used to be considered as waste became a valuable resource, a new business

for sustainability certification was born. Although sustainability requirements result in high additional costs for companies, certification schemes bring trust and transparency to the biodiesel industry, providing at the same time a sense of protection. Sustainability requirements such as the implementation of the GHG emission savings for the German market push the

whole industry to work harder and to continuously seek new ways to bring value to the business. However, if one is still not convinced by all the advantages, he can always invest in the share of his auditor and benefit from the new booming certification business.

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