Whistleblowers reveal profound failure of ISCC to implement biofuel "sustainability standards"

Background

Expanding mandates and use of biofuels have been well documented to be a very significant driver of land use change, impacting deforestation, loss of biodiversity, land and water grabbing, human rights abuses, and food insecurity.

Sustainability standards are touted as the means to ensure those harms are avoided or at least limited. Standards have been debated and developed over many years, including under the EU renewable energy directives 1, 2 and 3. As the harms from large-scale bioenergy have become increasingly clear, sustainability standards have been promoted as one of the main tools to prevent and limit those harms. The International Sustainability and Carbon Certification (ISCC) was developed by the German consultancy meó Consulting Team with funding from the federal German government, and started certifying products in 2010. Its headquarters remain in Germany.

It is the largest sustainability certification scheme for liquid biofuels worldwide, including accreditation under the EU Renewable Energy Directive (ISCC EU) as well as ISCC CORSIA (aviation), ISCC PLUS, ISCC Credit Transfer System, ISCC Japan FIT, ISCC C Footprint Certification, ISCC Voluntary Add-ons and various national and voluntary schemes.

The ISCC describes itself as *"an independent, multi-stakeholder initiative and leading certification system supporting sustainable, fully traceable deforestation-free and climate-friendly supply chains" for "sustainable agricultural biomass, biogenic wastes and residues , non-biological renewable materials and recycled carbon-based materials"...."Our vision is to create a world without deforestation, a truly circular economy and a sustainable bioeconomy that minimises waste production. Sustainable agriculture that protects high-biodiversity and high-carbon lands and respects human, labour and land rights will contribute to this vision. In doing so, we aim to develop a resilient economic system and mitigate climate change."*

In this report, with assistance from whistleblowers, we look at how credible ISCC certification really is. Does it provide reliable 'evidence' of compliance with EU RED criteria for biofuels?

ISCC certification of corn ethanol exported from the USA to EU/UK

Exports of corn ethanol from the USA to the EU and UK have increased dramatically over the past few years. The UK is now second only to Canada as the largest importer. Ethanol imported to the UK and the EU is required to meet standards put in place under the RED (incorporated into the UK's Renewable Transport Fuel Obligation (RTFO)). ISCC EU is the certification body charged with ensuring those standards are met.

A former employee of a Certification Body charged with auditing US corn farmers/ethanol producers for compliance with those EU/UK standards contacted us to express serious concerns about the lack of implementation, causing ethanol to be certified regardless of whether it met the relevant ISCC standard. He has shared copies of paperwork with us which confirm his witness statement.

The whistleblower was charged with auditing the practices of 782 farmers working across 285,000 hectares (704,250 acres) of corn. He disclosed"endemic failure" in particular to meet Principle 2 of the ISCC standard, which refers to Environmentally Responsible Production to Protect Soil, Water and Air and is intended to demonstrate compliance with some of the EU's RED criteria for biofuels. He pointed out that over the 7 years prior to his engagement as an auditor, there had never been even one single "non compliance" with principle 2 registered in any audit. In other words, according to ISCC certifications, all corn ethanol produced in the USA was done in full compliance with the criteria for the protection of air, water and soils. For anyone who has traveled through the US Corn-Belt, this would seem laughable.

The whistleblower goes on to state: "*I have extensively audited a wide array of ISCC audits across multiple industries and scopes, but have found nothing else even remotely resembling this level of greenwashing or disregard for the standard. Basically, a widespread cultural expectation has been built that farmers may not be removed from the ISCC standard, nor asked to improve sustainability practices, no matter what their soil/water/chemical/fertilizer practices are*." He continued, identifying "*entrenched procedural issues that create a "toxic" auditing culture, including that farmers can simply refuse to be audited, can choose to be audited at the grain elevator rather than the farm, are entirely unfamiliar with ISCC with no knowledge whatsoever of the standards, and audits done in haste without farmers present…The system is rigged such that "auditing practices have been eroded into a rubber-stamping process and zero tolerance for criticism of farming practices*."

The whistleblower originally brought his concerns to the ISCC accredited Certification Body he worked for on three separate occasions but was met with nothing but resistance. Ultimately he was removed from the ethanol industry (which he described as a "hellish experience"). He then filed grievance directly to the ISCC "quality and integrity management" in December 2022.

ISCC responded that they would "investigate", and that they took the matter seriously. However, in spite of repeated queries, he never received any response about the results of their supposed "investigation". So far as we can know, the ISCC continues to certify every single kernel of corn that falls under its jurisdiction as suitable for meeting the sustainability requirements for export to Europe in satisfaction of RED.

This raises questions about the ISCC certification practices in general. Does the same egregious lack of enforcement plague sustainability certifications for fuels and feedstocks under all of the other ISCC schemes which include not only ISCC EU, but also ISCC CORSIA, ISCC PLUS, ISCC Credit Transfer System, ISCC Japan FIT, ISCC C Footprint Certification, ISCC Voluntary Add-ons and the various national and voluntary schemes that ISCC approves?

The failure of sustainability standards to ensure compliance with sustainability criteria is not unique to corn ethanol exports to Europe.

False certification of fuels made from fats and oils

Biodiesel fuels are produced from vegetable oils and fats. Fuels produced from “waste” oils and fats - used cooking oil (UCO) being the main source - count double under EU and UK renewable energy targets. Hence they are in high demand, and fetch a higher price over other oils on the world market, including palm oil, the most destructive vegetable oil crop linked to deforestation and human rights abuses. Due to the favoring it receives as a “waste” derived fuel, there has been incentives for, and evidence of, fraudulent mislabeling of UCO ongoing for over a decade. This has been made clear for example, by very large discrepancies between what some countries' report for their total export figures on the one hand and the figures from collection points and estimated UCO production potentials on the other hand.

In some cases, shipments labeled as UCO have been tested and found instead to be virgin palm oil.
In other cases, virgin fats and oils are doctored to resemble UCO. For example, in 2023, Polish authorities cited the company, AMOS which had been importing animal fats and virgin oils from Polish and Ukrainian producers, then heating the fats and frying small quantities of potatoes in it, and selling it at the premium price paid for UCO.

In another documented case, the Organized Crime and Corruption Reporting Project revealed a Bosnian based company “Sistem Ecologica LLC” which had been importing cheap soy biodiesel from the USA, relabeling it as biodiesel made from used cooking oil, and reselling it at handsome profit to 17 companies in 9 different EU countries over several years.

Recent years have seen a dramatic surge in demand for vegetable oils and animal fats for production of hydrotreated vegetable oil fuels (HVO) also sometimes referred to as “renewable diesel”. These fuels are in high demand as a “drop in” biodiesel, not requiring blending with fossil diesel or engine modifications, and also potentially upgradeable for use in aviation. Their popularity has led to an escalating scramble to access vegetable and animal fats for feedstock, setting off a “global fat grab.”

Another whistleblower, with long standing experience in the industry contacted us and shared evidence and information about a major loophole allowing large amounts of fats and oils to be certified and imported to the EU from Russia and Belarus. Following Russia’s all-out invasion of Ukraine in 2022, all ISCC certifications for fat imports from Russia and Belarus were cancelled. But they still find a way through, largely via Poland, Lithuania and the Czech Republic.

This is because ISCC Certification Bodies are not required to monitor or control points of origin for raw materials used to produce the fuels they certify. As shown by this second whistleblower fats from slaughterhouses and rendering plants in Russia and Belarus (or other producers lacking ISCC certificates for that matter) are routinely sold to other facilities that do in fact hold ISCC certificates, where they are mixed in and/or processed to be sold into the EU as certified locally sourced raw material.

He states: “*If you want to purchase oil or fat waste from a domestic intermediary and mix it with the waste produced at your facility, there are no obstacles to doing so. No authorities control this. The ISCC does not visit facilities at all….In the biodiesel industry, there is a significant loophole and substantial profits because the ISCC system is completely unreliable. I have spoken with many facilities where waste is generated such as fat rendering plants, waste processing facilities and used cooking oil collection and rafination points. None of these companies have ever been subject to raw material origin checks even though they sell thousands of tons annually for biofuel production.*”

Huge profits can be made marketing fats and oils for biodiesel, hence the incentive to find loopholes. The main purchaser of fats and oils in Europe is Neste Demeter. Neste is the biggest producer of HVO fuels in the world, with refineries in Europe, Singapore, the San Francisco Bay area and beyond.
The failure to implement sustainability standards has wide reaching consequences as noted by our contact who states:

“”*Citizens of the European Union, who are obligated to use biofuels for the noble purpose of protecting the climate, should have confidence that biofuels are produced sustainably. Biofuels are subsidized with billions of euros from the pockets of EU citizens, and their use is intended to ensure a lower carbon footprint. However, fraud in the raw materials sector for biofuel production means that biofuels not only fail to reduce the carbon footprint but also disrupt the entire market. This is because they are produced using food-grade, feed-grade, and other high-quality raw materials that have valuable applications in other industries. As an example, I can point to the pet food, feed, candle, oleochemicals, and lubricant industries. These sectors, which until recently were increasingly using natural and biodegradable raw materials, are now reverting to palm oil and petrochemical raw materials. This shift occurs because oils and fats are being bought up by the heavily subsidized biofuel industry. It has even become profitable to deliberately produce waste fats and oils, as the biofuel industry pays more than the food sector.*”

Conclusion

The failure to effectively implement sustainability standards is not new or limited to the ethanol or to HVO fuel industries.

See, for example, https://www.fern.org/publications-insight/mass-imbalance/
The failure of implementation of standards in fact appears widespread and unfortunately provides a great convenience to industries seeking to project a public image of sustainability without actually delivering on the expressed intent of those standards. Words on paper - no matter how nice - do not suffice to ensure sustainability. The difficulties (perhaps impossibilities) of effective implementation must be acknowledged and focus turned away from empty words on paper to instead eliminate the financial and policy incentives that drive unsustainable practices to satisfy unsustainable levels of demand.

***Bringing these issues to light takes courage and a commitment to integrity. We are grateful to our informants who have requested anonymity.