Working Paper

The Cascading Principle

Considerations on guidance and options for applying the Cascading Principle through SBP Standards

Sustainable Biomass Program
sbp-cert.org

Version 3.0

For further information on the SBP certification system and to view the full set of documentation see **www.sbp-cert.org**

Document history

Version 1.0:	Published 27 November 2024
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About this working paper

This document is published as a working paper and is subject to revision and evolution over time. SBP continuously strives to improve and refine its materials and welcomes feedback from stakeholders. Comments, suggestions for changes, and proposals for clarifications or revisions are highly valued. Please contact us at: **info@sbp-cert.org**

In the case of inconsistency between translations, the official English language version shall always take precedence.

Corrigenda

The purpose of this section is to highlight the principal changes made to SBP's working paper 'The Cascading Principle'[1] between version 2.0 and 3.0, to help readers understand the updates more easily.

Formatting, spelling, grammar and language changes are not discussed. Salient changes are discussed in Table 1.

Table 1: Salient changes made to The Cascading Principle working paper version 2.0 to generate version 3.0

Section	Change
1	– A new section outlining the objective of the working paper has been included following feedback from stakeholders that it was not previously clear that the working paper is different from all other SBP documents, and is neither an interpretation of legislation nor is it a requirement of Certificate Holders.
2	– References to the Waste Framework Directive (2008/98/EC) have been referenced correctly. – Figure 1 (page 1) has been amended to remove the waste hierarchy following feedback from stakeholders that the terms used were not the same as those used in the Waste Framework Directive and was conceptually similar to cascading but should not be directly compared. – The terms used for cascading in Figure 1 have been updated to the terms used in the Renewable Energy Directive (2023/2413/EC)(REDIII). – A paragraph on the circular bioeconomy has been removed as it added no value to the text. – It is clarified in the section that application of the Cascading Principle can support in achieving climate, biodiversity and environmental improvements, but REDIII Article 29 should be the principal reference.
3	– It is clarified that the requirements of the SBP scheme's Cascading Principle indicator 3.3.1 (Standard 1 version 2.0) goes beyond compliance with the REDIII cascading requirements in some ways; including that it does not reference financial support schemes and should therefore be considered in all Supply Bases.
3.2	– Text has been added to clarify that the document should not be considered as the SBP interpretation of REDIII. – The audience of the paper is re-iterated as European Union Member States Policymakers as well as SBP scheme participants that have to consider the Cascading Principle in their Supply Base. – Text has been added to clarify that the new Figures 2, 3 and 4 (pages 8 and 9) include nuances from REDIII that mean they could be applied in different ways. – The decision tree that was Figure 2 has been replaced with three new decision trees that reflect the specific wording and applications in REDIII.
4	– The section title has been changed to align to the intention both of helping Policymakers as well as risk assessment within the SBP Scheme. – The section re-iterates that the working paper may be revised again in future.
4.1	– The question number references have been updated to match the new Figures 2, 3 and 4. – A bold abstract has been added to the start of the section to improve ease of reading.
4.2	– The question number references have been updated to match the new Figures 2, 3 and 4. – A bold abstract has been added to the start of the section to improve ease of reading.
4.3	– The question number references have been updated to match the new Figures 2, 3 and 4. – A bold abstract has been added to the start of the section to improve ease of reading.
4.4	– The question number references have been updated to match the new Figures 2, 3 and 4. – A bold abstract has been added to the start of the section to improve ease of reading.
4.5	– The question number references have been updated to match the new Figures 2, 3 and 4. – A bold abstract has been added to the start of the section to improve ease of reading. – A paragraph that implied the cascading use of wood ensured high level of protection for the environment, climate and biodiversity has been removed. Article 29 and the SBP Standards combined achieve these protections, the cascading use of wood is supportive only.
5	– A sentence referring to social outcomes has been removed, not because the SBP Scheme does not cover social outcomes, but because it is not discussed elsewhere in the document.

[1] SBP's Cascading Principle working paper: **sbp-cert.org/documents/working-papers/**

Contents

Figures

1 Objective of the working paper

The aim of this paper is to provide thought leadership on the cascading use of wood. It is designed specifically with Policymakers of the European Union (EU) Member States in mind, as well as SBP Certificate Holders and other stakeholders that may be required by the SBP Scheme to compile risk assessments of a Supply Base.

As a working paper it is a series of ideas and options for the implementation of the Cascading Principle, and may change in line with developments in the subject.

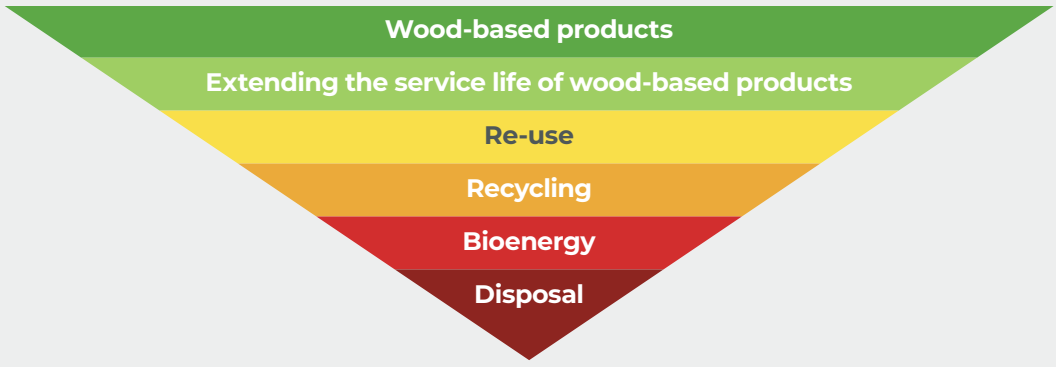
This paper is neither a normative document within the SBP Scheme (i.e. it is specifically not a set of rules and requirements that SBP Certificate Holders must follow), nor does it provide definitive interpretation of any legislation; rather it has been written to propose solutions to the subject's issues that could be implemented through the SBP system.

2 Introduction

SBP is a certification scheme designed for woody biomass used in industrial, large-scale energy production recognised as a voluntary scheme under the Renewable Energy Directive 2018 (2018/2001/EC)(REDII). The aim of the scheme is to provide stakeholders with the promise of good biomass through the implementation of six standards that require biomass feedstock to be sourced in line with specified sustainability requirements, and for those sustainability credentials to be passed through the supply chain to enable End-users (energy generation facilities) to demonstrate compliance with legislation.

The principle of the cascading use of wood (cascading) is the application of a hierarchy of use to wood and woody products now introduced into the Renewable Energy Directive 2023 (2023/2413/EC)(REDIII). REDIII links the cascading hierarchy to the waste hierarchy established by Article 4 of the Waste Framework Directive (2008/98/EC). Both establish an order of use with the waste hierarchy establishing an order in which wastes should be managed and cascading that wood is preferentially used in products such as furniture and building timber before being used for repairing wood products and ultimately bioenergy (Figure 1 below). As SBP stakeholders work in bioenergy, SBP's work on the topic focuses on ensuring that material entering the bioenergy supply chain has arrived there in line with the Cascading Principle.

Figure 1: The order of use of woody biomass according to the Renewable Energy Directive 2023



The concept of cascading use of wood is a key part of a achieving a circular bioeconomy. A bioeconomy as defined by McCormick and Kautto (2013)[2] is 'an economy where the basic building blocks for materials, chemical and energy are derived from renewable biological sources'. Moving towards a circular bioeconomy is critical to achieving global net zero carbon emissions, as it seeks to replace fossil-derived products with those derived from plants that can be re-planted to grow more raw materials, thereby reducing the amount of released fossilised carbon. However, ensuring the most effective and rational use of biogenic material is an essential component of a circular bioeconomy.

Support for transitioning toward renewable energy like biomass relies on the expectation that the CO_2 emitted from combustion is continuously compensated by at least the equivalent amount sequestered in growing plant matter.

In future however, the expected implementation of carbon capture and storage technology to bioenergy facilities would mean the resultant CO_2 gas, rather than being released into the atmosphere could be stored underground for centuries, if not millennia, meaning it could be considered long-lived carbon storage. Currently negative emissions technologies using wood are not addressed in the cascading use of biomass but will be critical to consider going forward. As the Intergovernmental Panel on Climate Change Sixth Assessment Report concludes, negative emissions technologies are essential if the Paris Agreement goal of maintaining global warming below 2°C is to be achieved[3].

Instead of combustion, using wood for long-lived products such as building timber or furniture ensures the carbon remains stored, potentially for decades. When such wood eventually does reach the end of its first use, it may then be possible to use it for another product or application, thus prolonging the time the carbon is stored.

The cascading use of biomass has now been integrated into European Union legislation through the Renewable Energy Directive (EU) 2023/2413 (REDIII). The amended Directive updates the requirements of Article 3, setting out limitations on the financial support Member States may give to bioenergy generators. It requires that relevant support is only given to bioenergy players that avoid unsustainable pathways and do not unduly distort local timber markets. It also includes the protection of the environment and biodiversity and the consideration of climate change supporting Article 29 requirements on sustainability, while allowing derogations in the event of energy security issues, low capacity or technical incapability in local timber markets. The Cascading Principle as laid out in the Directive supports obtaining the highest environmental and economic added value of wood.

[2] McCormick, K., Kautto, N., The Bioeconomy in Europe: An Overview. (2013) Sustainability 5(6) pp 2589-2608.

[3] IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 1-34, doi: 10.59327/IPCC/AR6-9789291691647.001.

As it is a Directive, REDIII is not immediately considered law in Member States, but relies on transposition into all applicable Member States' statutes. Article 3 is left to Member States to interpret and to implement as they see appropriate. This presents a risk to the biomass sector in that Member States applying Article 3 in different ways may lead to multiple different requirements across the bloc that filter down the supply chain to hundreds of suppliers across the world.

One way to reduce this risk may be to use the cascading indicator 3.3.1 now included in SBP Standard 1 (version 2.0). This inclusion provides a basis to build a framework upon that may aid SBP Certificate Holders in meeting their obligations, and for legislators to consider when transposing REDIII.

This paper explains how cascading outlined in SBP Standard 1 (v2.0) may be applied when assessing risk, and examines potential practical applications of Article 3 of REDIII for regulators.

3 Applying the Cascading Principle

One key challenge in applying cascading is that wood has had a myriad of applications throughout history, largely dependent on circumstances. For example, the prevalence of construction using timber in many countries has historically been a function of forest endowment[4].

Studies in bioenergy policy suggest that wood markets can be affected by legislation. A 2010 study in the United States, suggested that the primary driver of wood pellet production in the US up until that point had been sustainability policy within the European Union, specifically RED, and postulated that going forward there would be shifts in production from traditional wood products to pellet production[5]. It suggested that small, saw-timber sized trees may be used for lumber, but may also be used for paper and pulp or composite panels such as Oriented Strand Board (OSB) depending on the end use of the highest bidder.

SBP stakeholders report that harvesting straight grained, large diameter trees for the sole purpose of bioenergy generation is a low risk in developed economies, because this high-quality stemwood is worth far more for long lived products than as a fuel. In this way, at least in developed economies, the market itself likely ensures wood is preferentially used in long lived products.

[4] Camia, A., Robert, N., Jonsson, K., Pilli, R., Garcia Condado, S., Lopez Lozano, R., Van Der Velde, M., Ronzon, T., Gurria Albusac, P., M`barek, R., Tamosiunas, S., Fiore, G., Dos Santos Fernandes De Araujo, R., Hoepffner, N., Marelli, L. and Giuntoli, J., Biomass production, supply, uses and flows in the European Union: First results from an integrated assessment, EUR 28993 EN, Publications Office of the European Union, Luxembourg, 2018, ISBN 978-92-79-77236-8 (print),978-92-79-77237-5 (pdf), doi:10.2760/539520 (online),10.2760/181536 (print), JRC109869.

[5] Abt, Karen L.; Abt, Robert C.; Galik, Christopher S.; and Skog, Kenneth E. 2014. Effect of policies on pellet production and forests in the U.S. South: a technical document supporting the Forest Service update of the 2010 RPA Assessment. Gen. Tech. Rep. SRS-202, Asheville, NC: U.S. Department of Agriculture Forest Service, Southern Research Station. 29 p.

Whether this dynamic holds true for developing economies, especially when the international wood market (including subsidised energy production in the EU) has an influence, is still unclear. Indeed, Greenpeace has itself stressed caution over drawing conclusions about the causal relationship between subsidies and forest depletion[6]. However, it is clear that the European Union, by legislating for the application of the Cascading Principle is seeking to ensure Member States' subsidies do not unduly distort such markets, as well as to introduce the concept of 'environmental value' into bioenergy sourcing, attempting to reduce the risk of unsustainable forestry practises as well as ensure that the carbon stored in wood remains sequestered for as long as possible.

Through the addition of Criterion 3.3 in the revised version 2.0 of its Standard 1, SBP has also made application of the Cascading Principle mandatory for all Certificate Holders with Standard 1 in scope.

SBP stakeholders that will need to apply the new criterion may then also need to demonstrate compliance with REDIII Article 3. This paper provides insight for Member States on how the SBP requirements will likely be implemented as well as other features of the existing SBP framework that work towards the EU objective, to facilitate discussion about effective transposition without duplicating effort for legislators or operators.

3.1 SBP Criterion 3.3

To be considered compliant with SBP Standard 1 (version 2.0), cascading must be applied to the Supply Base (the area from which the wood is sourced). Criterion 3.3 requires that *'feedstock shall not compete with wood sourcing for long-lived products'*. The Supply Base as defined in the SBP Glossary (v2.0) includes all relevant operators and stages within the biomass supply chain from the place of harvesting up to a Certificate Holder's own operations.

Indicator 3.3.1 further elaborates on the requirement by confirming that *'feedstock sourcing shall be in compliance with the principles of cascading use, high quality stemwood shall not be used as feedstock if it is in substantial demand for long-lived products in the Supply Base'*.

Stemwood is defined in the SBP Glossary as *'wood from the stem of a tree (i.e. excludes branches, stumps and roots) that is merchantable as sawtimber in local markets. This excludes salvage trees, end of life trees and trees removed for nature conservation'*.

[6] Juergen KNIRSCH, Daniel MITTLER, Martin KAISER, Karen SACK, Christoph THIES, Larry EDWARDS, Deadly Subsidies: How government funds are killing oceans and forests and why the CBD rather than the WTO should stop this perverse use of public money GREENPEACE 2006.

Currently the SBP scheme does not allow any exceptions to indicator 3.3.1, all Certificate Holders with Standard 1 in scope must consider its implications. Under version 2.0 of the SBP standards, any wood that qualifies as high quality stemwood will be subject to the cascading criteria even in situations where wood harvesting is required for energy security. In this way, the indicator goes beyond mandatory harvesting (e.g. for pest control or wildfire risk reduction), which would still be subject to the indicator unless it falls outside of the definition of stemwood. So too would wood harvested for fuel where, for example it is needed for ensuring energy security.

SBP has also published guidance for Standard 1 with some clarifications on its interpretation of Criterion 3.3. However, SBP has noted there would be value in producing further guidance to provide examples and guardrails for the interpretation of the indicator that could also aid the implementation of REDIII.

3.2 EU Renewable Energy Directive 2023 (REDIII)

REDIII entered in force in November 2023 subject to implementation by Member States. A significant change to the Directive in the 2023 iteration is the amendment of Article 3 to add cascading to the regulation of renewable energy direct financial support (e.g. subsidies).

This section analyses the Article and suggests potential evidence to support compliance. However, there is a question still to be resolved regarding who collates the evidence. Much of the information can only be gathered by Biomass Producers such as pellet mills and wood chip producers, but the compliance responsibility lies with operators defined by SBP as End-users, predominantly energy producers.

The revised RED Article 3 paragraph 3 states the following:

3. *Member States shall take measures to ensure that energy from biomass is produced in a way that minimises undue distortive effects on the biomass raw material market and an adverse impact on biodiversity, the environment and the climate. To that end, they shall take into account the waste hierarchy set out in Article 4 of Directive 2008/98/EC and shall ensure the application of the principle of the cascading use of biomass, with a focus on support schemes and with due regard to national specificities.*

Member States shall design support schemes for energy from biofuels, bioliquids and biomass fuels in such a way as to avoid incentivising unsustainable pathways and distorting competition with the material sectors, with a view to ensuring that woody biomass is used according to its highest economic and environmental added value in the following order of priorities:

(a) wood-based products;

(b) extending the service life of wood-based products;

(c) re-use;

(d) recycling;

(e) bioenergy; and

(f) disposal.

3a. *Member States may derogate from the principle of the cascading use of biomass referred to in paragraph 3 where needed to ensure security of energy supply. Member States may also derogate from that principle where the local industry is quantitatively or technically unable to use forest biomass for an economic and environmental added value that is higher than energy production, for feedstocks coming from:*

(a) necessary forest management activities, aiming to ensure pre-commercial thinning operations or carried out in accordance with national law on wildfire prevention in high-risk areas;

(b) salvage logging following documented natural disturbances; or

(c) the harvest of certain woods whose characteristics are not suitable for local processing facilities.

3b. *Member States shall, no more than once a year, notify the Commission of a summary of the derogations from the principle of the cascading use of biomass pursuant to paragraph 3a, together with the reasons for such derogations and the geographical scale to which they apply. The Commission shall make public the notifications received and may issue a public opinion with regard to any of them.*

3c. *Member States shall not grant direct financial support for:*

(a) the use of saw logs, veneer logs, industrial grade roundwood, stumps and roots to produce energy;

(b) the production of renewable energy from the incineration of waste, unless the separate collection obligations laid down in Directive 2008/98/EC have been complied with.

From Article 3 SBP has derived the decision trees in Figure 2 (page 8) Figure 3 (page 8) and Figure 4 (page 9). It should be noted that these figures are derived from the wording within Article 3 of REDIII and should not be interpreted as requirements applicable to SBP Certificate Holders, nor should they be regarded as the only interpretation of the wording of the Directive. For the definition of the terms used in the figures please refer to REDIII.

For the effective implementation of undue market distortion protections, assessment of the market at the upstream end of the supply chain will be essential, as will communication of information through the value chain. While Member States can apply requirements to End-users, Traders and Biomass Producers within their borders, supply chain players may also be overseas and may sell products into multiple Member States. It is advisable therefore, that the expectations of different Member States of the Supply Base be aligned as far as possible, to reduce duplication of effort by overseas operators. Voluntary certification schemes including SBP already have standards that Supply Bases are required to meet, along with established risk evaluation protocols.

Ways in which the SBP scheme may present solutions to some of the considerations posed in the figures are suggested in Section 4, including:

– How Member States may define 'local' in reference to industry and markets that should be protected from distortion;

– What constitutes undue market distortion;

– How the technical and quantitative capacity of these industries may be incorporated into thinking; and

– Where in the process the requirements of the Waste Framework Directive should be accounted for.

3.2.1 Terminology

It should be noted that Figure 4 uses the terms 'veneer logs', and 'industrial grade roundwood' that are used in REDIII. Similarly, the term 'pre-commercial thinning' is used in the Directive commonly referring to forestry management activities that remove saplings or trees in competition with preferred specimens in a stand to provide more space for better production.

These terms are not currently used within the SBP scheme and as such should any readers of this document require definition of these terms they should check the wording in REDIII. Again, the figures are neither normative within the SBP scheme (i.e. are not a requirement), nor are they meant as SBP's official interpretation of the Directive. They are included in this document solely to enable SBP to explain how the Scheme may be used to achieve Directive expectations.

Figure 2 provides a visual representation of Article 3 paragraph 3, and is depicted separately from Figure 3 and Figure 4 because some key requirements such as the minimisation of undue distortive effects on markets and adverse impacts on biodiversity, the environment and climate are general principles that Member States must take measures to ensure.

Figure 3 and Figure 4 are derivations of Article 3 paragraphs 3(a) and 3(c) respectively. They are considered differently as one applies to Member States 'support schemes' and the other to 'direct financial support' (for example subsidies), which is an important distinction within the Directive.

Figure 2: Decision tree interpreting requirements of paragraph 3 from REDIII
This interpretation is one of several potential interpretations and does not constitute an official position by SBP

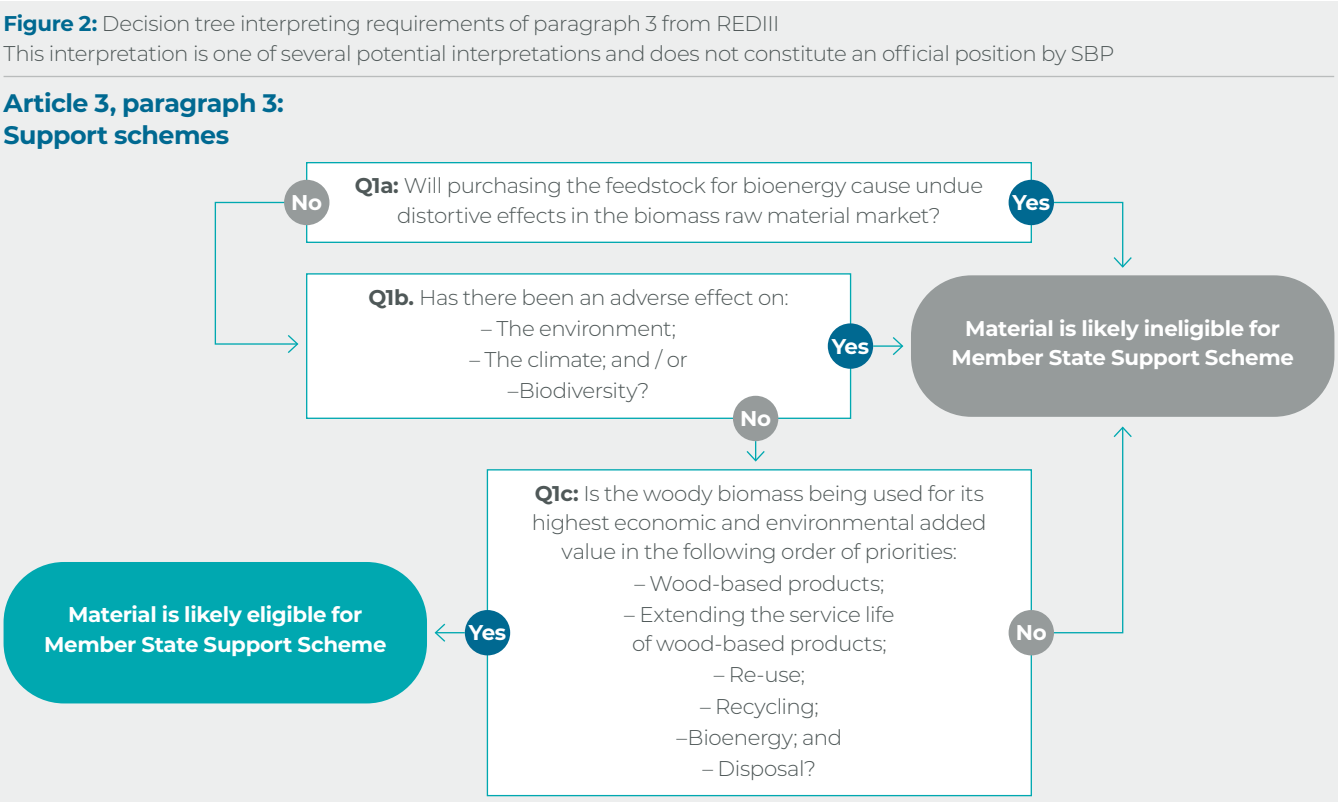


Figure 3: Decision tree interpreting requirements for compliance with REDIII Article 3 paragraph 3a
This interpretation is one of several potential interpretations and does not constitute an official position by SBP

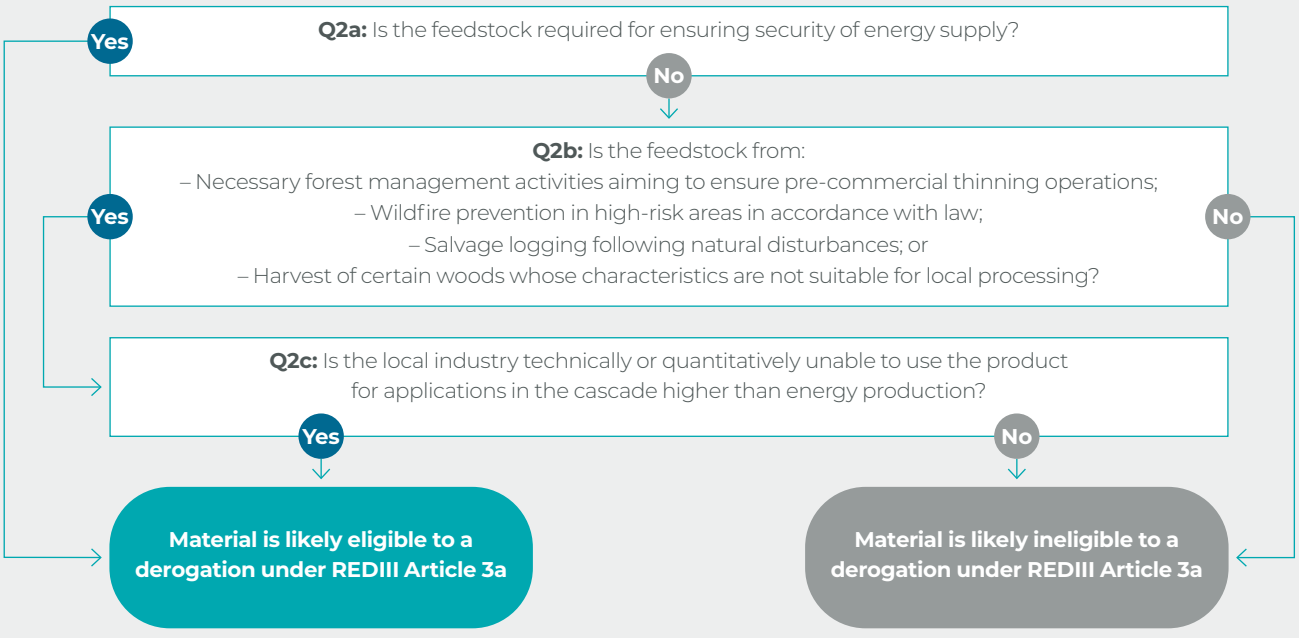
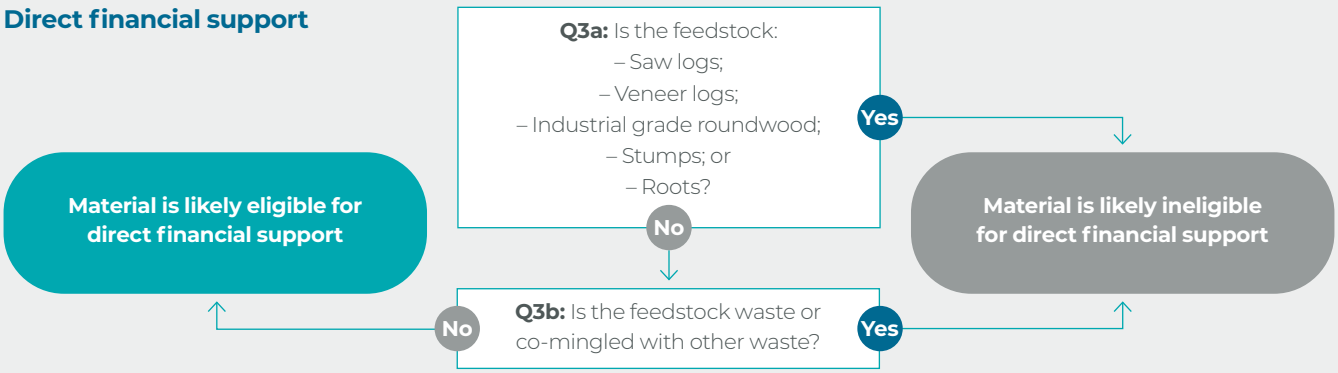


Figure 4: Decision tree interpreting the requirements of Article 3c from REDIII
This interpretation is one of several potential interpretations and does not constitute an official position by SBP



4 SBP Standards in operationalising REDIII

The intention of this working paper is not to provide a definitive interpretation on the Directive, but rather to provide thought leadership on solutions to the implementation of Article 3 that can be implemented by the SBP standards. To that end not all of the questions that arise through examination of Article 3 (and presented in Figures 2 - 4) have proposed solutions within the SBP scheme.

As mentioned above, the SBP scheme already has the application of the cascading use of wood as a requirement of Standard 1 version 2.0, and therefore will need to issue guidance on its interpretation regardless of the approach policymakers adopt.

The proposals that follow offer potential solutions and use the terms within the SBP system, e.g. Certificate Holders, Regional Risk Assessments (RRAs), etc. They have not yet been implemented by SBP, but represent the preferred option at time of publication. Views of stakeholders, in particular policymakers and legislators are encouraged and may contribute to the development of the next iteration of this paper.

4.1 Q2c: Local industry

Data from SBP's Data Transfer System (DTS) suggests that 100km is an effective limitation for what can be considered 'local industry' and the Regional Risk Assessment (RRA) and Supply Base Evaluation (SBE) processes provide a mechanism for evaluating any risks to cascading not being followed.

Paragraph 3(a) of REDIII Article 3 mentions 'local industry' and that a derogation away from the requirements of the Directive should only be permitted where the local industry is quantitatively or technically unable to use the wood for a purpose higher in the hierarchy. Price considerations are discussed in Section 4.4. The SBP Standards use the term 'local' when defining 'stemwood'. Together, it can be said there is a need to define what should be considered 'local industry'.

SBP also uses the terms 'Supply Base' or 'sourcing area' when talking about geographical and jurisdictional risks. For example, geographical areas include different climate and soils, and jurisdictions can include different rules, such as private forests versus state managed forest. Risk of non-conformity with the Standards in the different regions is then evaluated either through Regional Risk Assessments (RRAs) or Supply Base Evaluations (SBEs).

As one of the requirements of compliance with the SBP Standards is the use of the SBP Data Transfer System (DTS), SBP has access to actual distances that feedstocks have been shipped between players in biomass supply chains. The weighted average distance travelled between sourcing areas and pellet mills for primary feedstock is circa 100km. Beyond this distance it appears that transport of stemwood becomes increasingly uneconomical. This distance has also been used in studies on continuous compensation of carbon7. Therefore, SBP regard the 'local market' is the market in the Supply Base, plus any other Supply Bases within 100km of the forest management unit (FMU), the specific stand or plot of trees.

In instances where the FMU is within 100km of another Supply Base (for example a different country or province), the Certificate Holder should also consider RRAs and / or SBEs for the adjoining region, as long as trade is not unduly restricted. For example, a Canadian Certificate Holder that uses wood sourced from an FMU in Ontario within 100km of the border with Quebec, should consider the risk scoring for Standard 1 indicator 3.3.1 in both the Ontario and the Quebec RRAs and establish mitigation measures if 'specified risks' have been identified. Where there exists only an RRA for the region the FMU is in, mitigation measures should be established to ensure the indicator is complied with.

In instances where trade is not possible between two adjoining Supply Bases for example due to one country being subject to sanctions or due to a geographical barrier, then it may only be appropriate to consider one RRA.

4.2 Q2c: Technically or quantitatively unable to use the feedstock

In the compilation of Regional Risk Assessments (RRAs) and Supply Base Evaluations (SBEs) Working Bodies and Certificate Holders already have to assess other characteristics of the Supply Base and could be used to undertake assessment of the technical and quantitative capabilities of industry in the Supply Base.

REDIII considers there to be a need to prevent Biomass Producers operating in supply chains with subsidies at the End-user stage from being able to unduly distort the local wood market in the Supply Base. One method to reduce this risk is to require that if local operators involved in supply chains for long-lived wood products are technically able to process wood, and have capacity, they should not be priced out by the biomass supply chain.

Section 4.4 below explores options to avoid undue distortive effects on the local markets, but to implement this concept there should be some manner of assessment of the capacity within local markets. This may include assessing whether;

– the local market has the necessary equipment to process the feedstock;

– the local market has the capacity to store and / or process the quantities of feedstock on the market; and / or

– in the absence of the bioenergy buyer, merchantable material would otherwise be discarded.

This assessment requires that the biomass End-user retains (or has auditable access to) evidence relating to the Supply Base, i.e. has information from the Biomass Producer. One option to meet this requirement may be that Member States allow supply chains to use voluntary certification schemes to use risk-based approaches to determine locality, technical and quantitative capability and risk of undue market distortion.

SBP's Data Transfer System (DTS) already stores Supply Base information and, subject to some amendments to normative documentation and the webtools, could also store evidence of verification for this element of REDIII. A voluntary webtool is also in development to meet the EU Deforestation Regulation requirements to record FMU locations.

Currently SBP maintain an instruction document bridging REDII requirements and the standards[7] as a normative document that is being updated to align with REDIII.

4.3 Q3b: Co-mingling with waste

The SBP standards do not use the term 'waste', but should a Certificate Holder use wastes it will be considered a 'post-consumer feedstock'. All feedstock types must be recorded in the SBP Data Transfer System (DTS).

Waste has a multitude of controls within EU legislation, primarily stemming from the Waste Framework Directive (2008/98/EC). The definition of waste is anything that 'has been discarded or is intended to be or required to be discarded'. Question 3b in Figure 4 has been added to address Article 3 Paragraph 3c(b) that prevents subsidies from being granted for wastes (unless the separate collection obligations laid down un the Waste Framework Directive have been complied with), which is assumed to mean either biomass contaminated with other wastes or waste itself. This question may be omitted in cases where Member States domestic legislation allows waste wood to be used for bioenergy with financial support.

Within the biomass sector, it is assumed that residues from saw milling do not constitute waste as there is no intention to discard them due to their inherent value as pellet (and then bioenergy) feedstock.

[7] SBP Instruction Document REDII: Bridging Requirements for Meeting REDII: **sbpcert.wpenginepowered.com/wp-content/uploads/2024/11/SBP_Instruction_Document_REDII_v1.2_13Nov24_FINAL.pdf**

Wood that within the SBP scheme would be classified as 'post-consumer feedstock' includes material salvaged from demolition and material recovery activities. Post-consumer feedstocks are the only feedstock category within the SBP system that may contain waste. Records of the types of feedstock categories accepted by Biomass Producers must be retained by Biomass Producers as a requirement of Standard 2 Indicator 1.1.2, and therefore the capability to trace whether waste is involved in the biomass is present in the SBP system.

4.4 Q1a: Undue distortive effects on the biomass supply market

Regional Risk Assessments (RRAs) provide a framework for assessing whether local markets could be distorted by European Member States' support schemes. One potential approach is to assess the risk of the price of bioenergy feedstock in the local market exceeding the price of feedstocks that can be used for higher purposes in the cascade (Figure 1).

A key challenge to the application of the cascading use of biomass principle is how to apply it while simultaneously not compromising free trade rules. One method to address this is to assign independent bodies to conduct assessments of the feedstock markets in particular regions. For many voluntary certification schemes there are already working bodies that generate risk assessments for forest products and ecosystem services. As well as SBP, risk assessments are produced by:

– the Forest Stewardship Council;

– Preferred by Nature; and

– Global Risk Assessment Services.

SBP is also a founding member of the Risk Information Alliance, a group formed to bring together organisations with shared interests to pool resources, funding, and expertise to facilitate the joint production of credible, high-quality and up-to-date risk data covering diverse commodities, sectors, and geographies.

In the case of SBP, RRAs are undertaken by consultants with expert knowledge of the industry. The consultants look at regional aspects such as legislation and ecosystem protection. Hence the controls suggested in this section apply not to the local area as defined above, but to the region or the Supply Base being risk assessed. RRAs are valid for five years once endorsed by SBP but can be revised should a material change occur in that timeframe.

The risk assessment process could be expanded to assess average prices paid for sawlogs in the region or Supply Base and the risk of the actual price of bioenergy feedstock exceeding the average price for sawlogs that can be used for applications higher in the cascading hierarchy. If bioenergy biomass supply chains (including subsidised supply chains) could be able to pay more for wood than local saw mills could, this could be described in RRAs as a 'specified risk'.

In the case of RRAs, if it is determined that there is negligible risk (the equivalent of 'low risk' in the SBP scheme), the End-user may conclude undue distortion is unlikely. In regions where a specified risk is identified, Certificate Holders should put in place mitigation measures to prevent market distortion.

In cases where the Certificate Holder conducts a Supply Base Evaluation (SBE) the same could apply; and an assessment carried out of risk that sawlog prices in the Supply Base could be lower than the price of bioenergy feedstock, which is then validated by a third-party auditor. If the assessment concludes a specified risk for this indicator the Certificate Holder could be required to implement mitigation measures.

If SBP or its stakeholders identify a material change to the average prices in regions or Supply Bases, SBP can trigger an addendum to RRAs or SBEs to re-evaluate the prices and therefore any mitigation measures implemented by Certificate Holders.

4.5 Q1b: Environmental, climate or biodiversity impacts

SBP's position is that Certificate Holders certified to version 2 of the SBP standards demonstrate a high level of protection for the environment, climate and biodiversity and could therefore be considered in conformance with the environmental, climate and biodiversity expectations of REDIII Articles 3 and 29.

Version 2 of the SBP Standards require that 'feedstock does not harm the environment' (Standard 1 Principle 2), including protections for key species, ecosystems and areas of High Conservation Value, and that 'feedstock is only sourced from Supply Bases where the forest carbon stock is stable or increasing in the long term' (Standard 1 Principle 3).

5 Conclusion

SBP Standard 1 already requires the cascading use of wood be considered by Certificate Holders (indicator 3.3.1). Standard 1 also requires that Certificate Holders, particularly those in the Supply Base consider biodiversity, minimise pollution and consider climate through the preservation of forest carbon stocks. Hence the SBP Standards already implement some of the provisions required for compliance with the amended Article 3 through the transposition of Article 29 requirements from REDIII. Many of the SBP indicators also go beyond compliance with the Directive.

Indicator 3.3.1 is also required for all Certificate Holders that have elected to conform to Standard 1, not only the supply chains that end in subsidised energy generation. Through the application of Criterion 3.3 feedstock should preferentially go to long-lived products.

Additionally, use of the SBP Data Transfer System (DTS) is mandatory for Certificate Holders, meaning there is already a store of biomass sustainability data that will continue to be populated going forward. Subject to appropriate controls on confidentiality this system could be used by Member States to confirm whether controls on undue market distortions in other countries around the world are in place, and relevant to End-users they regulate.

Further work to update SBP documents to align with REDIII is currently in progress, with a view to SBP being recognised as a route to compliance with the updated Directive.