



energy authority

Finnish National Sustainability Scheme: Overview and important changes for the EU ETS context

ETS Compliance conference 24.11.2021

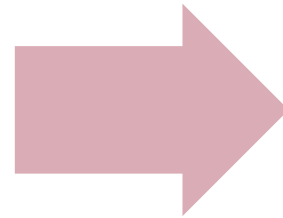
Mari Tenhovirta, Team Lead in Sustainability Team, Finnish Energy Authority

Fair energy

Sustainability and EU ETS

Sustainability
team, Energy
Authority

- Biomass fuel is sustainable
(=production meets the sustainability criteria)

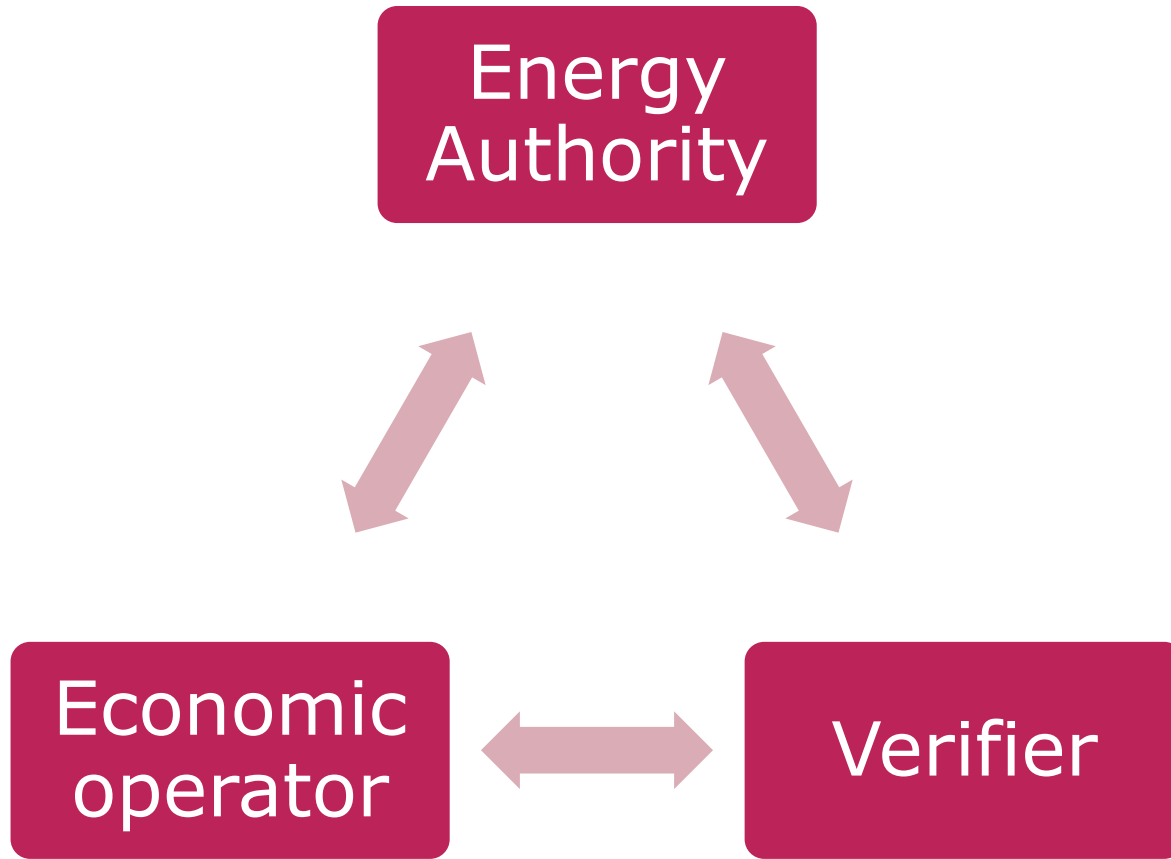


Emissions Trading,
Energy Authority

- Biomass fuel is zero-emission

- Finnish National Scheme
- RED II implementation

The Finnish National Scheme



- Energy Authority accepts and supervises
 - Verifiers
 - Economic operators' sustainability schemes
- Economic operators
 - Apply for acceptance of sustainability scheme
 - Sustainability reporting to Energy Authority
- Verifiers
 - Statement of sustainability scheme
 - Statement of abiding the sustainability scheme each year
 - Report to Energy Authority

Economic operator's sustainability scheme

- The sustainability of biofuels, bioliquids and biomass fuels is demonstrated by a **sustainability scheme** accepted by the Energy Authority
- Sustainability scheme consists of
 - A description of how the sustainability criteria are met
 - Mass balance
 - Risk analysis
- External verifier
- Only *economic operators* defined in the Act 393/2013 on Biofuels, Bioliquids and Biomass fuels are eligible to apply for a sustainability scheme

Acceptance decision

- Approved sustainability scheme is valid for 5 years (can be extended)
- **Classification of raw materials, biofuels, bioliquids and biomass fuels** (by Energy Authority based on the application)
- Entitles the economic operator to issue sustainability certificates to raw materials/biomass fuels
- Obligations
 - To **commission an external verifier** to check compliance with the accepted sustainability scheme each year.
 - Site visits according to the acceptance decision (usually 3 years) or more often if the verifier finds necessary.
 - **Sustainability report** to Energy Authority each year in March
 - The use of biomass fuels and bioliquids (sustainable and non-sustainable)
 - Electricity, heating and cooling produced on biomass fuels or bioliquids
 - To inform Energy Authority of any changes affecting sustainability
 - Amendment application

Sustainability criteria

- GHG reduction
- Criteria concerning agricultural biomass
 - Biodiversity
 - Land use change
 - Drying of peat land
- Criteria concerning waste and residues from agricultural land
 - monitoring or management plans in order to address the impacts on soil quality and soil carbon



Sustainability criteria: Forest biomass

- Criteria to minimise the risk of using forest biomass from unsustainable production
 - The legality of harvesting operations
 - forest regeneration of harvested areas
 - that areas designated by international or national law or by the relevant competent authority for nature protection purposes, are protected
 - harvesting is carried out considering the maintenance of soil quality and biodiversity with the aim of minimising negative impacts
 - harvesting maintains or improves the long-term production capacity of the forest
- Land-use, land-use change and forestry (LULUCF) criteria concerning a country (or a sourcing area)
 - Party to the Paris Agreement
 - has submitted a nationally determined contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC)
 - has national or sub-national laws in place, applicable in the area of harvest, to conserve and enhance carbon stocks and sinks,
- compliance at the **national or sourcing area level**

Economic operators before REDII – *obligation to demonstrate sustainability from other legislation*

30 economic operators

Companies under distribution obligation (biofuels)

Companies under distribution obligation (bio fuel oil)

Companies in EU ETS (bioliquids)

Recipient of state aid (biogas plants)

Companies that pay excise duty (for biofuels)

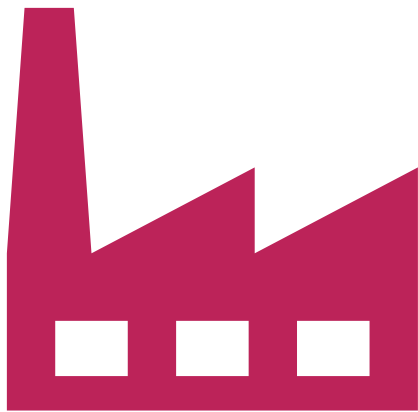
Companies under FQD art. 7a

RED II implementation in Finland

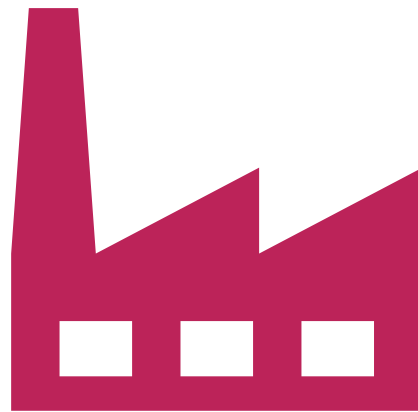


- Amending the Act 393/2013 on Biofuels, Bioliquids and Biomass fuels
- Updating Energy Authority's sustainability guidance
- New electronic application system "KEKRI"
 - A large number of new economic operators within the scope of the Act
- Sustainability of **Biomass fuels** used in the production of **electricity, heating and cooling**
 - Especially forest biomass in Finland
 - also waste/residues from forest industry

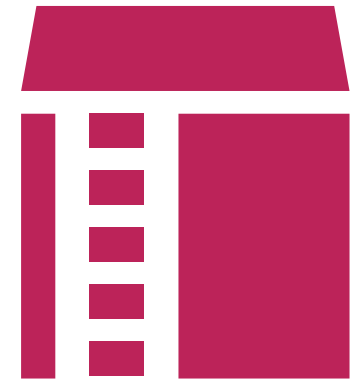
New economic operators (REDII)



EU ETS installation
combusting biomass fuels



Solid biomass fuels:
Min. **20 MW** power
plants



Gaseous biomass fuels:
Min. **2 MW** power
plants

Up to 150 new economic operators!!!

Sustainability for EU ETS installations in Finland



- Only sustainable streams can be zero-emission
 - Also applies for the biomass fraction of a mixed fuel (RDF, SRF etc.)
- All EU ETS installations need a sustainability scheme in Finland if they combust biomass
 - If a stream is not covered by the sustainability scheme -> economic operators surrender emission allowances
- No suitable voluntary schemes available at the moment -> all EU ETS installations have applied for approval of their sustainability scheme
 - 138 applications pending
 - All power plants

Voluntary schemes vs. Finnish national scheme

- Sustainability may also be demonstrated by a voluntary scheme (recognised by European Commission)
- Voluntary schemes may be used to cover areas inside the national scheme.
- Biofuels: Most of the companies under distribution obligation use a voluntary scheme as a part of their sustainability scheme
- Biomass fuels: No suitable voluntary schemes available yet for power plants combusting wood
- National scheme is more affordable, especially for smaller scale installations

Biomass fuels used in Finland

- Forest biomass
 - Waste or residue from forestry (logging residues, stumps)
 - Other forest biomass (chips from roundwood)
- Most of the relevant sourcing countries meet the sustainability criteria for forest biomass at the national level

- Waste and residues, other than agricultural, aquaculture, fisheries and forestry residues
 - Black liquor
 - Saw dust, bark, industrial wood residues



Sustainability Verifiers

- Economic operators are obligated to use external verifiers
- Verifiers are accepted by Energy Authority, provided they have (and maintain) an **accreditation** from the Finnish Accreditation Service (FINAS)
- FINAS and Energy Authority supervise the verifiers
- All of our accepted verifiers are also EU ETS verifiers

Verifiers' tasks

Economic operator's acceptance decision

- Site visit
 - Statement on the sustainability scheme

Economic operators sustainability report

- Verifier's statement: is the economic operator abiding their sustainability scheme
- Site visit
 - According to the acceptance decision of the economic operator
 - Or more frequently if the verifiers finds necessary

How the REDII implementation process continues in Finland

- 138 acceptance applications, goal to accept by the end of 2022.
 - Classification of new raw materials presented in the applications
 - We are still waiting for the European Commission to adopt the necessary delegated acts in order to fully implement the RED II directive
- Developing the KEKRI electronic application system further
 - Sustainability reports of economic operators
 - Sustainability data management improvements

Thank you!

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