

Supplier Onboarding Manual

Guideline for Biochar Producer and Wholesaler

How to get remunerated for effective climate protection services through Carbonfuture



28. February 2021

Carbonfuture GmbH

Authors:

Hannes Junginger-Gestrich Marcel Eichler



Table of Contents

1	Pre	face - About this Manual3
2	Ove	erview3
	2.1	Why Carbonfuture?3
	2.2	What is Carbonfuture and What's in it for You as Biochar Producer and
	Whole	esaler?4
	2.3	Standards and Processes4
	2.3.1	The Carbonfuture Coupon5
	2.3.2	Linking Production and Sink Certificates in the cf-Certificate6
	2.3.3	Cash-Flows6
3	Quo	Intifying the Climate Benefit of Biochar-Based Sinks
4	Det	ailed Manual for the Carbonfuture Platform9
	4.1	Registering a new (EBC) Production Certificate on the Carbonfuture Platform 9
	4.2	Wholesaler / Sink Registrar11
5	Арр	endix14
	Apper	ndix A: Carbonfuture Coupon14
	Apper	ndix B: Application for the EBC-Sink Certificate15



1 Preface - About this Manual

This manual is designed to help C-Sink providers with the onboarding process on the Carbonfuture platform.

It provides insights to specific standards and procedures that suppliers need to be aware of, in order to successfully register biochar-based carbon sinks. Besides this manual, Carbonfuture may provide context sensitive help for additional questions and problems if needed.

The manual aims to inform producers and wholesalers of biochar as well as other traders and end users. Also, organizations that intend to produce and distribute biochar in the near future may use this manual to find all the necessary information, documents and to understand processes required to be remunerated for the climate benefit from persistent biochar applications with Carbonfuture.

The manual is organized in the following manner:

- I. The first chapter provides a general overview of the relevance carbon sinks
- II. The second chapter names reasons and incentives for producers and traders to enter the carbon market and introduces the reader to necessary standards and processes that suppliers need to uphold in order to generate credits with Carbonfuture
- III. The third chapter provides more information about the calculation of the carbon sink value
- IV. The fourth chapter contains a detailed manual with all the steps that are necessary to register a biochar-based carbon sink at the Carbonfuture platform

2 Overview

2.1 Why Carbonfuture?

In order to limit global warming below catastrophic levels, significant emission reductions are essential but by no means sufficient. There is already too much CO₂ in the atmosphere, and we must capture and safely store billions of tons over the next decades. That is, we need carbon sinks. Carbon sinks are fundamentally different to emission reductions. Scalable and readily available technologies are rare but available:

- Carbon forestry
- Soil organic carbon
- Biochar



Many emission compensation schemes realized in various carbon markets already exist. However, very few strictly distinguish between carbon sinks from emission reduction projects (e.g., renewable energy). In addition, all existing schemes are vague on the duration of carbon sequestration. Third, the measurability, verifiability of carbon credits is weak and therefore may create a lack of trust. Many of them are oversupplied and many have specific additionality requirements which are much more tailored to emission reductions and seem in their current forms less suited for negative emission technologies (NET) and true carbon rebalancing. The Carbonfuture platform was created to address these shortcomings of existing schemes. In contrast to other carbon markets, Carbonfuture offers:

- True carbon sinks only
- Carbon sink tracking
- Persistence over 100 years¹
- Guaranteed unalterable documentation and end-to-end auditability on the Carbonfuture Blockchain²³

2.2 What is Carbonfuture and What's in it for You as Biochar Producer and Wholesaler?

The Carbonfuture platform provides both registry services and a trading platform for carbon sinks. Each individual carbon sink is represented and unalterably documented on the Carbonfuture blockchain by a **cf-Certificate**.

Each carbon sink certificate must meet our basic requirements in order to qualify to be eligible on the Carbonfuture platform. The Carbonfuture <u>C-Sink Certification Standards</u> describe in detail the criteria that the already existing and traded biochar-based C-sinks fulfil. Biochar-based sinks are the starting point and first use-case for Carbonfuture. By remunerating the climate benefit of persistent biochar applications, Carbonfuture injects money into the biochar value chain and fosters the creation of an additional revenue stream for biochar applications.

2.3 Standards and Processes

For biochar-based sinks, the C-Sink CreditsCertificates are based on two elements described below, the **Production Certificate** and the sink documentation as

¹ If a sink cannot be guaranteed to be fully stable over 100 years, e.g., through decomposition processes, more carbon must be stored initially in order to guarantee 1 ton over 100 years on average (a physicist would speak of "100 ton years")

² The applied blockchain technology is IBM Hyperledger, a non-energy intensive technology

³ We use a permissioned blockchain and guarantee data confidentiality; accordingly, we do disclose sensitive sink details only to admitted auditors and not to the general public



evidenced by the **Carbonfuture Coupon** (see section 1.3.1). In general, Carbonfuture may accept production certificates from any independent institution, provided they fulfil our Standards. Currently, the European Biochar Certificate (EBC) is the only issuer of eligible production certificates. We encourage alignment and collaboration between the respective national, regional and global standards and the EBC in order to ensure comparability and a level playing field.

Suppliers of biochar are obliged to follow the <u>EBC guidelines</u> to prevent any hazard for the health and for the environment while producing and using biochar. Furthermore, the EBC ensures that the feedstock used for the biochar production is harvested in a sustainably way, not causing environmentally harmful land-use changes.

The **biochar producer** must register the production certificate of the pyrolysis facility. During the certification process for the biochar production the percentage of a mass unit of biochar which can be considered to have a carbon sink potential and net of emissions related to feedstock preparation and pyrolysis are being assessed. This sink potential can be turned into a carbon-sink when the biochar is used in a carbon-preserving manner. There are two aspects to the production certificate:

- The pyrolysis plant must be certified. This includes in particular an assessment
 of the emissions and energy consumption of the pyrolysis process. The
 manufacturer of your pyrolysis plant must provide the required information on
 this to the reviewer.
- The individual production process must be certified. This includes an assessment of the feedstock production and preparation process and the energy used. It will become part of the general EBC⁴ certification beginning in Q2 2020.

With the registration of the production certificate, the producer assures not to realize the carbon sink potential which is registered with and traded through Carbonfuture under the respective certificate outside the Carbonfuture platform. This is key to prevent double counting.

2.3.1 The Carbonfuture Coupon⁵

Biochar as a raw material comes in a huge variety of qualities and respective price levels. In addition, biochar has a vast range of potential applications ranging from filtration material, construction additive to agricultural use. Not all of these

⁴ EBC stands for European Biochar Certificate, issued by the Ithaka Institute

⁵ An example of the Carbonfuture Coupon is provided in the Appendix



applications lead necessarily to a stable carbon sequestration and hence to not qualify as a stable carbon sink. Therefore, Carbonfuture requires that wholesalers and producers must follow the <u>EBC C-Sink</u>. Following the EBC C-Sink, the biochar must be taken over at the factory gate by a tracking system that assesses all carbon expenditures and greenhouse gas emissions that occur on its pathway (i.e. transporting, milling, processing). As soon as the biochar is mixed into agricultural substrates such as <u>fodder</u>⁶, compost, liquid manure, and fertilizer or into durable materials such as concrete or resins, the C-sink potential can be converted into tradable C-sink certificates.

Therefore, the key to creating an accurately quantified carbon sink based on biochar lies in confirmation and documentation of the actual carbon preserving application of the material. To ensure that the biochar is used in a manner that does actually sequester the carbon, the biochar wholesaler together with the end user must document the use of the material on the Carbonfuture platform.

This documentation validates the actual sinks in a very granular way. For each shipping of biochar from the wholesaler to the end user, an individual Carbonfuture Coupon, filled out and signed by the end user of the biochar, provides the required evidence. Furthermore, with this document, the end user warrants to transfer all rights that come with the respective carbon sink creation. This is key to prevent double counting.

From Q2 2021, a fully digital sink tracking will be available, including a digital Coupon. Physical signatures are still possible and accepted, but a fully digital and streamlined process will be available.

2.3.2 Linking Production and Sink Certificates in the cf-Certificate

The Production Certificate and the Carbonfuture Coupon are linked on the Carbonfuture platform. After the validation of both documents, Carbonfuture issues a cf-Certificate for each individual sink. This cf-Certificate represents the claim on the climate service provided by the sink and therefore has a monetary countervalue in the carbon market. After issuance, it is assigned to the registrar of the sink (which is typically the wholesaler or the end user), who is then the registered owner of the cf-Certificate.

2.3.3 Cash-Flows

The owner of the cf-Certificate may sell it to any entity which acts as Broker on the Carbonfuture platform. Initially, Carbonfuture GmbH will act as the primary Broker

⁶ Additional parameters and analytical methods for the EBC-certification of biochar as animal feed additive (EBC FEED) are outlined in the linked document



and will buy cf-Certficates from the sink registrar (e.g., the wholesaler). As the marketplace evolves, we expect and encourage new brokers to join.

In essence, Carbonfuture compensates the sink registrar in exchange of the cf-Certificate. However, both the biochar producer and the end user are key contributors to the climate service:

- **The producer** sells certified biochar with a sink potential. This sink potential has a value as in the end, it can be turned into a sink and reimbursed. Some producers are billing the sink potential in a separate line item in addition to the material, others just calculate it in with the biochar price.
- **The end user** signs the Coupon, providing relevant data and substantiating the claim related to the climate service (i.e. carbon sequestration), and transferring all claims related to the climate service. Some wholesalers issue a credit note (reverse bill) to the end users in return of the Coupon.

These two parties deliver their service to the wholesaler and, strictly speaking, the monetary compensation is subject to the respective contractual relations. Together with our pilot partners we currently have a model where the sink registrar reimburses the end user in exchange of a signed Carbonfuture Coupon. In this model, the sink registrar keeps a handling margin, and the end user receives a fair share. The biochar producer benefits as the demand for the certified product is strengthened and better prices can be realized. In buying the C-Sink Credits from the wholesaler, Carbonfuture injects money into the biochar value chain and fosters the creation of an additional revenue stream.

In addition to that, **Carbonfuture compensates the producer** when registering a production certificate in exchange of the assurance not to claim the sink potential registered and traded with Carbonfuture outside the perimeter of the Carbonfuture platform.



3 Quantifying the Climate Benefit of Biochar-Based Sinks

In order to quantify the climate benefit of the biochar, it is decisive to determine the overall emission balance of the biochar including pyrolysis, further processing and application. If this balance is overall positive, meaning more carbon has been permanently sequestered than emitted, we can speak of a true carbon sink. The biomass production must be climate-neutral, i.e. it must not diminish existing carbon sinks. This can be ensured, for example, by using agricultural or other waste, rapidly growing biomass or other material recovered from the care and maintenance of biodiversity areas, the countryside and roadsides. Wood from sustainably managed forests can also meet the criteria.

In order to calculate the net CO₂ equivalent value of a biochar-based sink, the following calculation steps are performed.

- All deductions based on dry mass biochar which are made to come up with the net CO₂ sink value after pyrolysis (i.e., at production site), are provided by the (EBC) production certificate, namely the non-carbon part of the biochar and the production emissions.
- The conversion of the gross weight of a unit biochar into dry mass needs to be provided by the sink registrar, either based on individual measurement of moisture content (the protocols must be stored and disclosed upon request) or based on bulk density measurements.
- Further deductions for transport and processing are based on data provided by the sink registrar on the Carbonfuture platform. The respective calculations are performed by Carbonfuture. The annual decay is determined to be 0.3% provided the production certificate asserts H/Corg < 0.4.7

Figure 1 shows an example for the calculation of the net C-Sink value, as employed by Carbonfuture. More detailed information about the methodology and its scientific basis can be found in the EBI Whitepaper⁸.

⁷ This decay rate is a conservative estimation based on Lehmann, Johannes & Abiven, Samuel & Kleber, Markus & Pan, Gen-Xing & Singh, Bhupinder Pal & Sohi, Saran & Zimmerman, Andrew. (2015). Persistence of biochar in soil. Biochar for Environmental Management: Science, Technology and Implementation. 235–282. (see Figure 10.5)

⁸ EBI stands for European Biochar Industry Consortium e.V.



4.00 3,50 0.00 -0,04 -0.04 -0,02 3,00 -0.07 -0.03 -0.01 2.59 2,50 2,00 1,50 1,00 0,50 0,00

Figure 1: Calculation of the net C-Sink value of the soil application of 1 dry metric ton of biochar

4 Detailed Manual for the Carbonfuture Platform

This chapter provides a pictorial manual for suppliers who wish to list their production certificate and to register biochar-based carbon sinks on the Carbonfuture platform. An additional manual, outlining the application for the EBC-Sink production certificate at the Ithaka institute can be found in Appendix B.

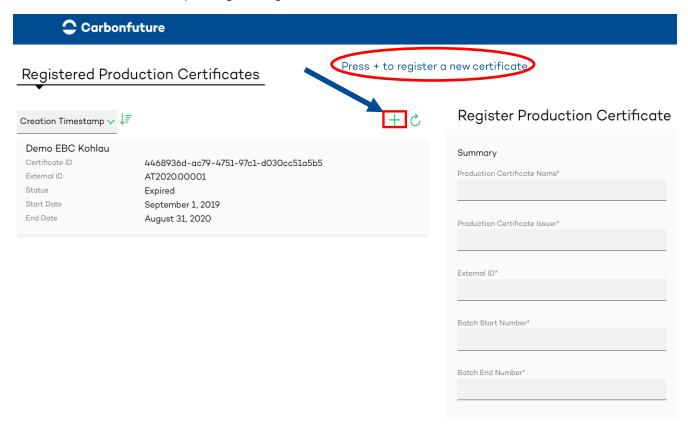
4.1 Registering a new (EBC) Production Certificate on the Carbonfuture Platform

Once the Biochar Producer has been certified and a carbon sink potential has been calculated for their biochar production facility as above, an account can be set up on the Carbonfuture platform (https://platform.Carbonfuture.earth/). Production certificates can be registered in a simple web-form on the Carbonfuture platform where the relevant values are entered, most importantly the **C-sink potential**, and the pdf certificate will be uploaded. This has to be done only once for each production certificate. The current EBC⁹ production certificates are typically valid for the duration of one year.

⁹ Currently, the EBC sink certificate is the only eligible production certificate on Carbonfuture

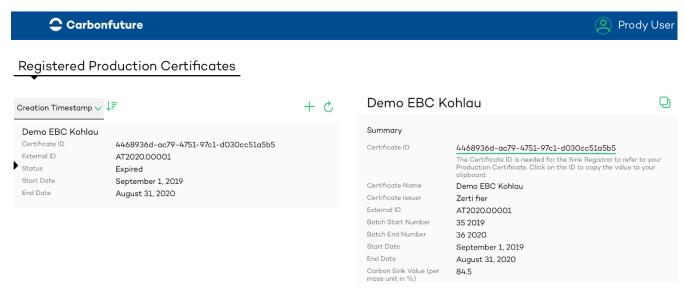


Step 1: Registering a new (EBC) Production Certificate



In order to register a sink based on the biochar produced under your production certificate, the ID of your production certificate will be needed. This ID is generated automatically by the Carbonfuture platform. Accordingly, you need to provide this information to the wholesaler of your biochar. Clicking on the ID (top of detail view) on copies it into your clipboard and you can just paste it into an email:¹⁰

Example for a registered (EBC) Production Certificate

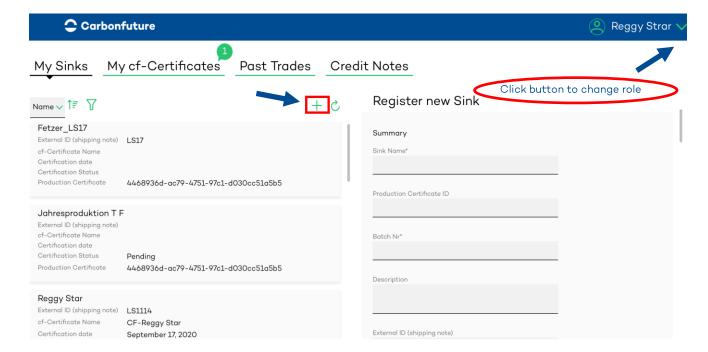


¹⁰ This will be simplified and more automated using QR codes printed on shipping notes and big bag labels soon



4.2 Wholesaler / Sink Registrar

Enlisted producers and wholesaler who sold the certified biochar for the use in soils, feed additives, building materials or other uses that will sequester carbon, can proceed to the next step in the cf-process, namely registering a carbon sink. To proceed with this registration, you have to change your role to "registrar" by clicking on the button next to your account name (see picture below). Once you are logged in as a "registrar" you may press the + sign and register a new carbon sink.



Step 2: Registering a new Carbon Sink

Required information includes:

- Production certificate ID number
- Relevant post-production data including gross and dry weight of the material, transport means (e.g. truck, train) and transport distance
- Upload the Carbonfuture Coupon, which is filled out and signed by the enduser; with this document, the end-user confirms the application of the biochar in a carbon preserving manner, and the client confirms to transfer all rights related to the climate service provided by the biochar application (including but not limited to getting public or private funding for the same climate service, or using it for the own sustainability report¹¹)

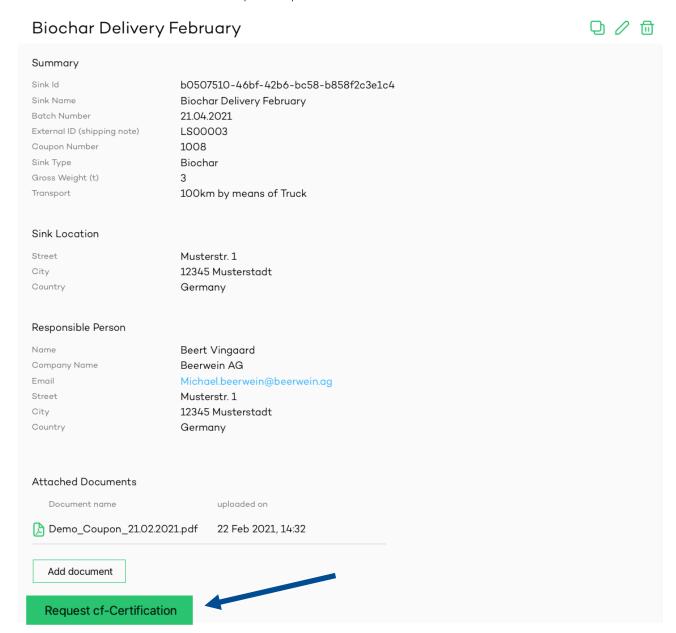
¹¹ For the avoidance of doubt: Referencing to participation in Carbonfuture climate services in own marketing activities is possible, provided it is clear that the carbon balance is sold and the claim on it is made by a third-party. This is to prevent explicit and implicit double counting.



The Coupon can be generated automatically based on the data entered into the sink registration form. Alternatively, a template can be downloaded from the Carbonfuture website.

Once the sink registration is complete, it is eligible for purchase by the Broker. For this, the sink registrar must request cf-Certification by Carbonfuture as outlined in the picture below.

Step 3: Request the cf-Certification

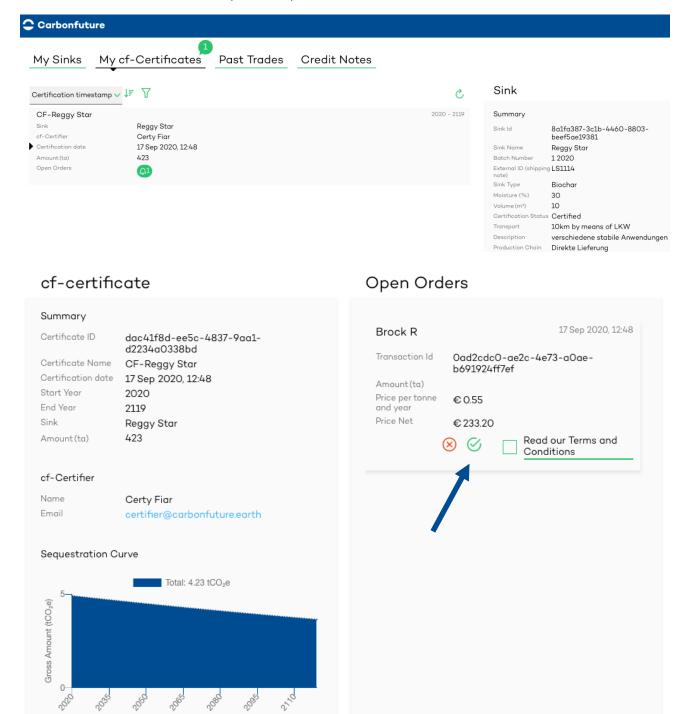


Carbonfuture will then validate the information and issue a **cf-Certficate**. This cf-Certificate represents the rights on the climate service provided. Accordingly, this is the certificate which actually has value.



The owner of the cf-Certrificate can offer this certificate for sale to a broker on the Carbonfuture platform. Once the broker has ordered your cf-Certificate, you see the open order.

Step 4: Accept Order of the cf-Certificate



After you accepted the broker's buy order, ownership of the cf-Certificate will be transferred to the broker¹².

¹² In the currently established workflow with Carbonfuture acting as broker, we are reimbursing the selling party through a self-billing note (so we need the selling party's bank details and VAT-Reg. No. as applicable).



5 Appendix

Appendix A: Carbonfuture Coupon

In general, the coupon will be issued with the Carbonfuture logo. However, it is possible to customize the coupons for our suppliers if needed.



CO₂-Senken Zertifikat carbonfuture Coupon

To be filled out by the bioch	ar wholesaler / sink registrar	Return coupons to
Name / firm		Email: registrar@carbonfuture.earth
Date	2021-02-22	
Shipping note (external ID)	LS00003	
Batch-No.1	21.04.2021	
Quantity ²	Gross weight 3.0 t	Volume n/a m³
Optional Information	Coupon-No. 1008	Sealing-Nr

Alternatively, the production date may be provided

² Either gross weight or volume must be provided

Name / firm	Beerwein AG		
Address	Head Office	Address / location of sink if different	
Street	Musterstr. 1	Musterstr. 1	
City, ZIP	12345 Musterstadt	12345 Musterstadt	
Country	Germany	Germany	
Type of application (please tick as appropriate)	 □ Direct soil application □ Compost additive □ Liquid manure treatment □ Bedding for farm animals □ Feeding of farm animals 	 ☐ Sillage additive ☐ Additive for anaerobic digestion (biogas facility) ☐ Biochar-based organic fertilizer 	

By signing this document, the biochar user confirms and agrees:

- The biochar and the manure (in case of biochar application as bedding or feeding) and the digestate (in case of anaerobic digestion) will be brought into soil and will not be burnt or pyrolyzed.
- He or she explicitly warrants that the claim on the carbon sink service provided is transferred to the wholesaler / sink registrar indicated above. He or she will not claim any rights related to this service. In particular, he or she will not claim any such rights in relation to any private or public subsidy or support program in the context of soil organic carbon or as part of the CO2 accounting in his or her own sustainability report.
- He or she explicitly agrees that his or her data which is registered and stored in relation to the
 referenced sink may be used by carbonfuture. They will be made public in an anonymized way, e.g.
 as part of statistics on the carbonfuture platform. In addition, they will be disclosed in complete and
 not anonymized form for control and audit purposes to persons who are authorized for this by
 carbonfuture or under the EBC certificate.

0	-+:	~	0
0	νu	OI	Idi

Opt	oriai.				
	I consent to the publication of the exact sink location on the carbonfuture platform				
Pla	ace and date	Signature biochar user			



Appendix B: Application for the EBC-Sink Certificate

The EBC-sink certificate is issued by the Ithaka institute, Arbaz, Switzerland. The Ithaka institute is a third party and completely independent from Carbonfuture. The EBC-sink certificate is currently issued exclusively for EBC- or IBI-certified biochar producers. You may apply for EBC certification at https://www.european-biochar.org/en/registration. You will receive an account for your company on the EBC system and request C-sink certification as follows:

Login into the EBC company site:



After login with the company password, press "edit"



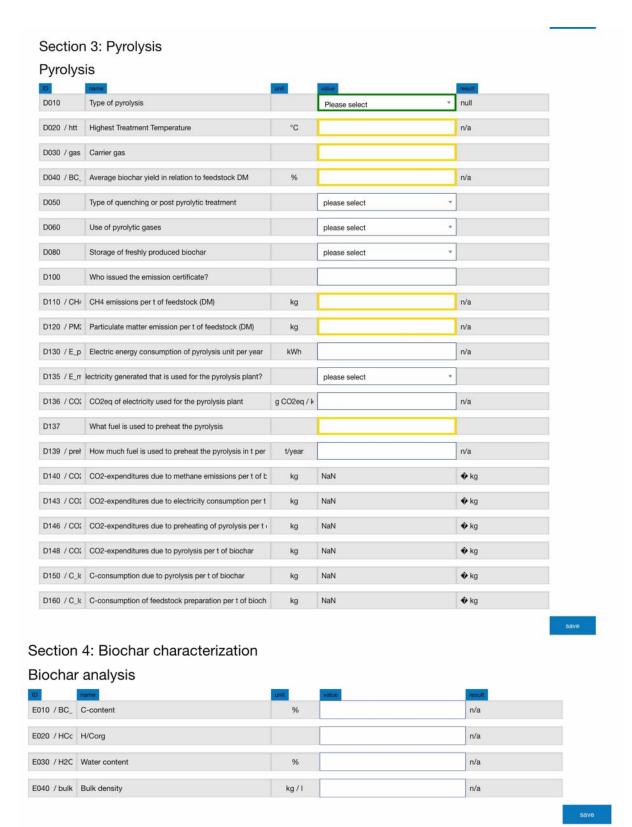
Select under "scenario" the batch number you want to register for C-sink certification and press "load scenario".

Complete then the different sections of the form sheet and save it:



Section 2: Biomass feedstock Biomass feedstock production and preparation Type of feedstock C010 please select C020 Feedstock ID from EBC positive list n/a C030 Type of wood please select PEFC Forest Certification please select C050 / H2C Average water content of feedstock C060 / anni Amount of feedstock (DM) processed for the certified b C070 / dies Diesel consumption for feedstock preparation (chipping n/a kWh n/a C090 How is the electricity used in the production generated please select C100 / dist Average transport distance of feedstock from source to km n/a C110 Do you dry the feedstock before the pyrolysis? please select C120 How do you dry the feedstock? please select C125 / dies How much diesel equivalent is used for drying per t (DN n/a Duration of biomass storage before pyrolysis or drying n/a days C140 / CO2 C-consumption per t of processed feedstock 0.0 0 kg kg





Once completed, the formsheet will calculate the C-sink potential of the biochar at the factory gate. This is the key value determining the quantification of the C-sink values of the C-sinks created through carbon preserving application of the material.



