

ASI Chain of Custody Standard –

Summary of comments received on draft 3 and ASI responses to develop draft 4

May 2017

Introduction

Draft 3 of the ASI Chain of Custody Standard + draft 1 Guidance were put out for public consultation from October to December 2016. All comments received has been logged and published (taking into account anonymity requests) on the ASI website in February 2017.

This document summarises the comments received and ASI’s responses and next steps in developing draft 4 of the ASI Chain of Custody Standard and Guidance for a final consultation period in 2017. The full comments log, including ASI responses, is also published on the ASI website.

All relevant material for the development of this Standard is updated on the ASI website at:

<https://aluminium-stewardship.org/asi-standards/chain-of-custody-standard/>

Participation in comment period

Annex 1 to this paper includes a summary of processes and timelines which supported the consultation period for the draft 3 of the CoC Standard. Communications were sent to 1000+ subscribers to ASI’s mailing list. These resulted in the following levels of participation:

- 53 people attended the live webinars providing an overview of the CoC Standard.
- 27 people viewed the recorded webinar on ASI’s YouTube channel.
- 17 people attended the in-person consultation workshop in London.
- Written input was received from 26 commenters, resulting in a total of 227 individual comments on the draft Standard and Guidance.

Overview of comments for further discussion

The following comments in Table 1 were identified for further discussion with the ASI Standards Committee, because they represent substantive changes and/or highlight divergent perspectives on the proposed approach in the CoC Standard. The topics identified are listed and colour coded as follows:

- Outsourcing contractors (section 2) – 2 comments
- Limit on cash payments (section 4) – 2 comments
- Eligible Scrap (section 4) – 8 comments
- Small business (sections 6 and 7) – 2 comments
- Disclosure of GHG emissions (section 9) – 3 comments

(Note the Market Credits system is covered in the following section).

Table 1 – Comments identified for further discussion with ASI Standards Committee

Criteria	Topic	Summary of issues and proposals raised	Line reference in comments log ('Comments received' tab)
2.2(a) 2.2(b)	Outsourcing contractors	Requirements to not further outsource are too rigid, limiting normal business practices. Need discussion of tolling arrangements.	71
2.2(e)	Outsourcing contractors	Requirements need to be more rigid and ensure every outsourcing contractor is audited.	170
4.2(b)	Limit on cash payments	Should be deleted – there should be no cash limit because introduces inappropriate commercial terms.	76
4.2(b)	Limit on cash payments	Limit of \$10,000 is too high, should be set around \$1500.	134
4.1	Eligible Scrap	Do scrap metal merchants and yards that supply refiners and remelters need to distinguish and track internally pre-consumer and post-consumer scrap metal and to provide that information to remelters/refiners? While scrap metal merchants and yards are not doing that now, it is probably not difficult.	18
4.1	Eligible Scrap	The differentiation between eligibility of pre-consumer and pre-consumer scrap will require the CoC supply chain to 'fill' with either post-consumer or ASI primary first, before CoC pre-consumer can become available.	34
4.1	Eligible Scrap	In the real world, scrap flows are not always clearly separated into new scrap and post-consumer scrap. In fact, in some cases the quality of the latter is comparable to the former's. This should be reflected in the system, which should aim at recycling as much material as possible, and not create any possible obstacles to this.	39
4.1	Eligible Scrap	Our review has however identified that the CoC Standard and the Guidance do not address issues around how to determine the potential mix of scrap in a delivery. Into a re-melter we can receive different qualities or categories of metal units: <ul style="list-style-type: none"> a. Post-consumer scrap b. Pre-consumer scrap of unidentified origin (thus not ASI CoC-Certified) c. Pre-consumer scrap from ASI CoC-Certified Entity d. Standard ingot from ASI or non-ASI sources Categories a and b frequently arrive mixed from scrap yards or suppliers. In our dedicated re-melters, we have a standardized process for receiving scrap. An experienced operator will, based on visual inspection from an especially designed bridge alongside the weight where the trucks enter our yard, determine the mix to be zero, 25 per cent, 50 per cent, 75 per cent or all, post-consumer or pre-consumer scrap. We do this for quality reasons and accounting. This could be considered a sampling, and could be audited. We recommend this methodology, or something similar, to be established as a standard way to distinguish between scrap qualities.	43
4.1, 7.1	Eligible Scrap	Due diligence, rather than Chain of Custody, should also be available to traded pre-consumer scrap, not just post-consumer – in other words pre-consumer scrap should not be required to originate from a CoC Certified Entity to be Eligible Scrap. In addition, it is unlikely that the information outlined in 7.1 will be available for traded scrap material, particularly if traded internationally.	75
4.1	Eligible Scrap	There should be no differentiation between pre- and post-consumer scrap. Only one term "scrap", which means the sum of Pre- and Post-consumer material, should be used in the CoC standard. Reference is made to ISO 14021, where 'Pre-consumer material' and 'Post-consumer material' are not differentiated for 'recycled content' claims (see section 7.8). The target for the whole aluminium production should be a 100 % recovery over the complete production route and lifecycle – regardless of scrap origin.	147

4.1, 1.7e, 8.2	Eligible Scrap	A clear breakdown by Post-Consumer Scrap and Pre-consumer Scrap is not possible for many scrap inputs, because incoming batches frequently contain both types in mixed form. It is not currently differentiated physically or in our accounting system for scrap quantities. The criteria should be updated to not differentiate.	148, 149
4.1, 7	Eligible Scrap, Due Diligence	Propose that additional due diligence on post-consumer scrap should be put in place to a) ensure some level of credibility that scrap is of post-consumer origin and b) not accept post-consumer scrap from suppliers that exceed a level of risk based on the criteria in section 7. The risk assessment mentioned in 7.2 could be expanded with pre-qualification requirements and a risk weighting of suppliers. Proposal aims to drive a more responsible sourcing of post-consumer scrap and potentially prevent leakage of metal into this category of CoC eligible input. Easy accessibility to large volumes of scrap sold as post-consumer scrap could have the potential to lessen the value of CoC certification for the industry.	228
7	Small business	Due diligence may prove challenging when sourcing from small scrap dealers.	154
6	Small business	Post-Casthouse entities that are between Casthouses and large brands are often small players. The risk of broken value chains is high. Propose allow for small size businesses to have no requirement to implement/be certified against the performance standard. Having responsible sourcing should be enough: adequate though reliable tracking systems should be allowed as well as minimum reporting. (Note this would require a change to the ASI Constitution, which requires all certifying members to seek certification against the ASI Performance Standard).	167
9.3	Disclosure of GHG emissions	Propose to make mandatory instead of voluntary the criterion 9.3 on disclosure of 'Sustainability Information', to make the carbon footprint of ASI materials more transparent.	36
9.3	Disclosure of GHG emissions	Propose to include GHG emissions of earlier production steps (bauxite mining, alumina refining).	137
9.3	Disclosure of GHG emissions	Propose to add scope 1 and 2 emissions of the Post-Casthouse entities, instead of just passing on data from the Casthouse.	138

The Standards Committee discussed each of these items and made the following agreements:

- Outsourcing contractors: support for the current criteria wording.
- Limit on cash payments: support for the current criteria wording.
- Eligible scrap: support for the current distinction between pre- and post-consumer scrap; and the addition of Guidance allowing estimation of relative amounts in mixed scrap by visual inspection.
- Small business: support for the current model of a full 2 year period to achieve certification against the Performance Standard for Post-Casthouse Entities or the option of being included as an 'outsourcing contractor'; the proposal to exempt small businesses from ASI certification was not supported.
- Disclosure of GHG emissions: the proposals to make GHG emissions disclosure mandatory, to require inclusion of scope 3 emissions upstream, and to require continued addition of GHG data by each entity were not supported, as the ASI Chain of Custody Standard is not intended to be a carbon footprint standard.

Market Credits system

The following comments related to the proposed Market Credits system have been summarised below in Table 2. The column headings follow the specific questions asked to commenters and the rows are highlighted green (broadly supportive) and orange (not supportive).

Out of 12 responses addressing the Market Credits:

- 8-9 were broadly supportive of including this approach in the CoC Standard
- 2-3 were not supportive of including this approach in the CoC standard

Three commenters recommended specifying a time bound period and/or process for review for the Market Credits system.

Table 2 – Summary of input received on proposed Market Credits system

Line reference in comments log ('Market Credits' tab)	Risks/benefits	Adequacy of current criteria to control/deliver these	Other comments
2	Benefits: address breaks in chain; help build market demand eg in construction sector; avoid downstream entities delaying or preventing participation in program.	Current criteria are adequate and strongly support proposal. Can add to Standard that the system is part of a transition for X years or will be reviewed at next revision.	Important to also engage with sector schemes eg LEED, BREEAM to understand how ASI Credits will be assessed vs physical ASI Aluminium.
3	Benefits: incentivise conversion to the Mass Balance system, as part of a time-bound transition. Risks: Possible that one type of value chain dominates the use of market credits, however this is a commercial risk not an ASI strategic risk.	Current criteria are adequate eg single issuer/receiver; limits on carry forward and overdraws. Support inclusion. Add in time-bound review period/process eg allowing ASI members to call for a review.	
4	Risks: May be easier for end-users to buy credits on paper rather than stimulate the demand of ASI material through engagements with their suppliers.	Not adequate	Allow MCS as a transitory measure with a decision process to cancel this measure when it is no longer necessary.
5	Risks: double communication and "greenwashing" similar to trading of green certificates and Guarantees of Origin in the electricity sector.	Open to test the Market Credits proposal, given that we have a proper system in place to ensure that correct claims are made and "greenwashing" is avoided.	
6	Benefits: address "broken chains", especially in early stages where SMEs are unlikely to seek ASI Certification until see benefits and clear market pull; allow producers and industrial users to engage in ASI at an early stage; stimulate demand and generate downstream market pull with architects, main contractors and investors.	Strongly support the inclusion of the Market Credits approach in the CoC Standard. The Market Credits will encourage the organisations at the breaks in the chain to adopt ASI Standards. It will be difficult to apply this retrospectively and without it, demand for ASI Aluminium will be reduced.	Important to also engage with sector schemes eg LEED, BREEAM to understand how ASI Credits will be assessed vs physical ASI Aluminium.
7	Risks: easier to implement, thus risk of competing with	Not adequate.	Allows only limited claims and no product claims.

	mass balance system; market credits may slow down implementation by inducing mid-stream players to wait to get certified; risk of confusion about claims to some stakeholders; risk of losing control of credits; reputational risks to ASI e.g. if a company with well-known problematic practices buys credits and makes claims with them.	Implementation of the standard will require companies to work with each other to put it in place along the value chain. Market credit makes this collaboration not so necessary.	
8	Benefits: incentivises producers at the top of the supply chain to become certified at the outset, as they can sell credits to downstream users, even if intermediate processors are not certified; members selling aluminium products to consumers will be able to buy credits as soon as the first bauxite mine to casthouse chain is ASI certified.	Sufficient to control risks. Re-sale of credits between operators is not allowed and all credits must be sold within a mass balance accounting period. So ASI will be able to monitor and evaluate the operation of the credits system to ensure that there is no double-counting.	Similar credit systems operate successfully in other sustainability schemes e.g. agricultural commodities and biofuels.
9	Risk: might exclude materials recycled by smaller operations delivering smaller amounts.	Criteria are sufficient for big companies with capacities to implement this approach. More options and guidance should be provided to smaller and non-certifiable recyclers.	(ASI response noted that Credits System would open up market access to smaller operators with Casthouses, and added this to Guidance).
10	Risks: Lack of credibility of ASI Material and no direct connection to the product; establishment of an additional system (to Mass Balance) adds to the complexity and needs resources to be managed; high volatility of ASI credit price. Benefits: Reduction of complexity for less critical parts of the supply chain; fast volume ramp-up for ASI Material.	No	The implementation phase has to be drafted in detail and then piloted. Part of this work is to facilitate the ramp-up and scalability based on the mass balance principles. Stronger focus on attracting more downstream user to ASI in order to stimulate more demand. Incorporation of ESG requirements in purchasing processes for downstream users.
11		Agree with the listed benefits of the proposed market credit system, and believe that the suggested safeguards are enough to ensure a credible set-up. The requirement in 11.3(e) is key.	
12		3 London Workshop participants specifically endorsed the use of a market credits type system by ASI, noting that they have been shown to be effective and more standards organisations should be using them to drive change.	

The Standards Committee discussed these comments and made the following agreements:

- To keep the Market Credits system in the CoC Standard.
- To include wording that purchasers may only buy market credits for a period of five years following their first purchase.
- To include additional language in the introduction to the Standard that indicates that ASI intends for the Market Credit system to be a transitional mechanism and that implementation data for the CoC Standard will be reviewed at the next revision.

Other comments received

A very wide range of other valuable editorial comments – supporting clarification of wording or proposing additional guidance for implementation – have been integrated into draft 4 using track changes. These have not been listed in the tables above, but are detailed in the comments log along with a record of ASI’s response.

Finally, narrative responses have also been included in the comments log where:

- A question was asked that sought information but did not require editing in the documents
- A proposed edit was not deemed appropriate in the context of the communicated intent of the draft Standard.

For further information

Please contact info@aluminium-stewardship.org

Annex 1 – Summary of processes and timelines for draft 3

Date	Activity
June 2016	CoC Consultation Plan published , and article included in the ASI newsletter to mailing list of 1000+ subscribers. Comment requested by September 2016.
July 2016	Overview of ASI Standards system and update on development published in four languages (English, Chinese, French, Portuguese).
July to October 2016	Standards Committee review of draft Standard and Guidance – see minutes of meetings on ASI website which are also publicly available.
October 2016	Article on CoC standard and consultation process published in International Aluminium Journal .
October 2016	Public consultation on CoC Standard launched in October newsletter, sent to mailing list of 1000+ subscribers. Includes announcement of public webinars and workshop in London, and specific FAQ on proposal for Market Credits system .
October 2016	French translation of CoC standard made available on website and sent to Indigenous Peoples Advisory Forum.
October 2016	Reminder announcement and posting to website/social media on public webinars and workshop.
November 2016	Recorded webinar on CoC Standard made available.
November 2016	Half-way through comment period – article in November newsletter to 1000+ subscribers.
December 2016	Reminder comment period closing December 23 – article in December newsletter to 1000+ subscribers
January 2017	Late comments on drafts accepted until January 10.
January 2017	Thanks for comments submitted and update on process – article in January newsletter to 1000+ subscribers.
February 2017	Initial log of comments published to website/social media.
February 2017	Update on 2017 Consultation Plan – article in February newsletter to 1000+ subscribers.
February-April 2017	Standards Committee review of input and revised drafts.
May 2017	Draft 4 of Standard and accompanying Guidance released for public consultation.