

# Biofuels: For Certification and Beyond

Presentation Neste Oil at RSPO RT12  
18 November 2014

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# Neste Oil in a brief

A refining and marketing company focused on premium-quality traffic fuels

Refining capacity: 15 million t/a of petroleum products and 2 million t/a of renewable diesel

Net sales: €17.5 billion (2013)

Operations in 15 countries; employs approx. 5,000 people

Listed on the Helsinki Stock Exchange

Largest owner: the Finnish State (50.1%)

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## Range of Renewable Raw Materials

**100% certified CPO**



Waste animal fat from the food processing industry



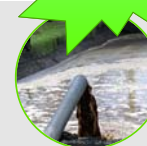
Waste fat from the fish processing industry



Palm fatty acid distillate (PFAD) and stearin



Technical corn oil



Sludge Palm Oil and Spent Bleaching Earth Oil



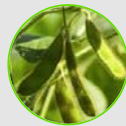
Crude palm oil



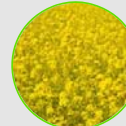
Camelina oil



Jatropha oil



Soy oil



Rapeseed oil

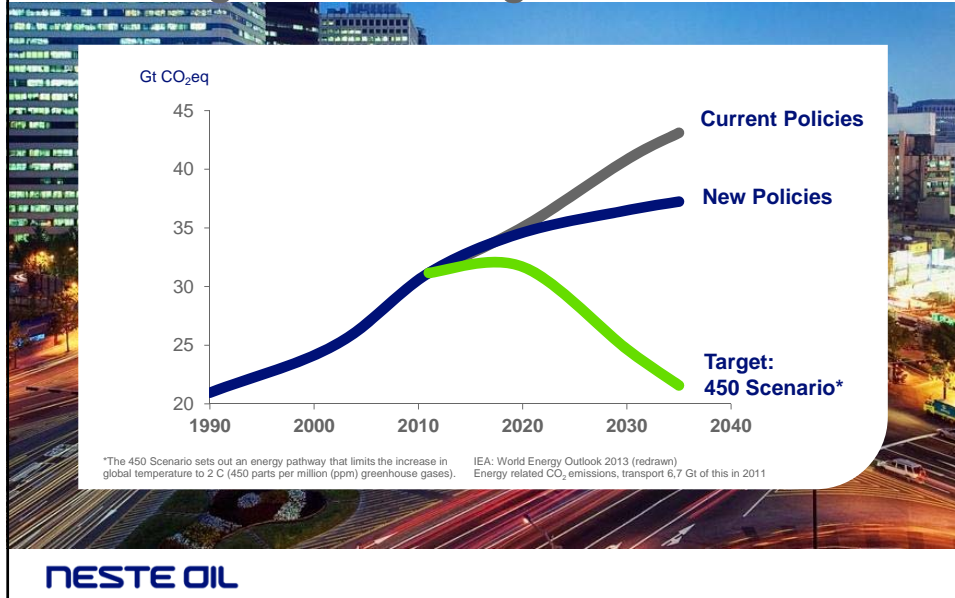


Tall Oil Pitch

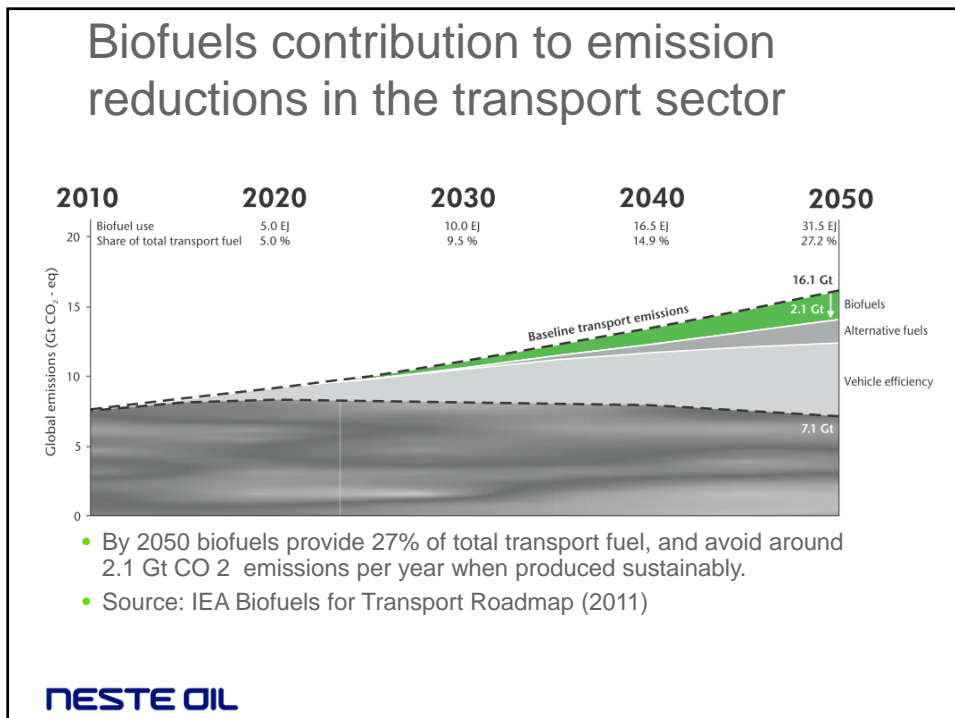
Number	2013 Fact
100%	Traceable Feedstock to the point of origin (Mass Balance)
100%	Palm Oil are certified (ISCC and RSPO)
52%	Share of waste and residue feedstock used
40-90%	GHG reduction based on EU RED methods
54,000	Certified smallholders supplying to Neste Oil

<http://2013.nesteoil.com/business/renewable-fuels/Renewable-raw-material-procurement/>

## Business as usual policies are not enough and change is needed



## Biofuels contribution to emission reductions in the transport sector

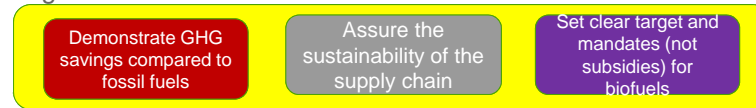


## Sustainability is regulated for Biofuels

- Compared to other industries, Biofuels industry is **highly regulated**
- Regulation for biofuels are designed as a clear alternative to traditional fuels, based on country-based mandate, aimed to:



- Regulations thus are made to:



- Neste Oil has observed the increasing tendency of industrialized countries to establish regulations for the sustainability of biofuels.
- Different countries/ markets have **different definition for sustainability**, however it essentially covers the same requirements for the supply chain.

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## The European Union Renewable Energy Directive (EU-RED)

- Directive 2009/28/EC (RED) promotes the use of renewable energy and defines the framework for sustainability certification
  - Article 17, 18, 19 and the annex laid out the **requirements for biofuel use in the EU**
  - **10% of energy** used in transport to be from renewable sources
  - Biofuel for transport **must achieve 35% Greenhouse Gas (GHG) savings** compared to fossil fuels (2017 – 50%, 2018 – 60%). The Fuel Quality Directive will aim for higher savings.
  - However waste and residue definitions are left to individual member states

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## Opportunity in upgrading to RSPO-RED

- Why RSPO-RED?
  - **Demand for GHG data is expected to widen to other palm oil users in the future.** Feedstock plays a big impact in GHG emissions.
  - RSPO-RED contains **GHG calculation requirements** (based on EU-RED methodology). Company complying with this requirement would be ahead of the competition
  - **It's a certification for a regulated fixed market.** Biofuel sustainability certification is compulsory in the EU. Demand will be regulated by law.
  - **Large volume needs.** 10% of 220 million tonnes of diesel currently being used in the EU need to be renewable. Palm Oil the most competitive oil to fill this gap
  - RSPO-RED certification is only **a simple upgrade** to existing RSPO certification. RSPO-RED audit can be included in the scope of the next surveillance audit.

## Neste Oil Certification Experience

- In 2013, Neste Oil refineries, storages and relevant supply chains are certified with ISCC, RSPO-RED and DDC
  - We have experience in previous years assisting our suppliers for gap assessment against ISCC standards
- Most Neste Oil palm oil suppliers are certified with ISCC, and RSPO and some are segregated
  - Certification audits are done by the suppliers
  - Certification includes smallholders and their supply chain
  - We increased smallholder certified palm oil volume from 9,000 families to 54,000 families
  - More suppliers are certified compared to the first time we started buying (starting from zero)
- *However despite all the certification we have, negative campaigns and concerns on the use of Palm Oil still is gaining strength*

## Neste Oil Position – Preferred supply

### Increasing waste and residues

- Supply from palm residues such as PFAD
- Using Neste Oil HVO Verification Scheme

### Improving traceability and supply chain management

- Traceability beyond mass balance (third party suppliers)
- Company procurement policies must apply to third party suppliers

### Going beyond Certification Requirements

- No-peat, No-HCS policy against deforestation
- Social issues, labour rights, Fair treatment of workers according to ILO

### Further GHG savings improvements

- Installation of methane capture to mills
- Implementation of methane avoidance systems

## Our Supplier Compliance Criteria

Neste Oil has a strict approach to Supplier Selection



RSPO=Roundtable For Sustainable Palm Oil  
 ISPO = Indonesian Sustainable Palm Oil System  
 ILO = International Labour Organization  
 RFS US EPA = Renewable Fuel Standard as issued by United States Environmental Protection Agency

## Why does it matter?

### Reporting Requirements

- Companies are required to report on their social practices to the regulators and stakeholders

*Eg. Finnish law and Singapore agency requires government companies to report on their social commitments*

### Biofuels Regulations

- Public consultation processes in drafting related regulations enables

*Eg. EU RED have been considering to include Social criteria, NGOs have been giving their input*

### Consumer and Market Perception

- NGO campaigns pressure consumer to adapt more responsible attitude in choosing products
- Brands are campaigned against openly

*Eg. Traceability of products are now mainstream concerns*

### Global Commitments and Trends

- Countries have committed to more responsible practices and targets for sustainable practices (climate change and social issues). This has also lead companies to join in the commitments

*Eg. Indonesia committed to GHG reductions, Neste Oil signed the UN global compact*

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## Summary


- Biofuels market is a highly regulated market
- RSPO-RED is a simple upgrade to RSPO offering opportunities to the EU market
- Neste Oil prefers supply which fulfil our policies and principles

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**Thank you.**

Adrian Suharto – Manager, Sustainability  
[www.nesteoil.com](http://www.nesteoil.com); [www.2013.nesteoil.com](http://www.2013.nesteoil.com)

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