



Certification Experience from A Biofuels Processor

ISCC Technical Committee South East Asia Meeting
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Neste Oil in 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: €17.9 billion (2012)

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

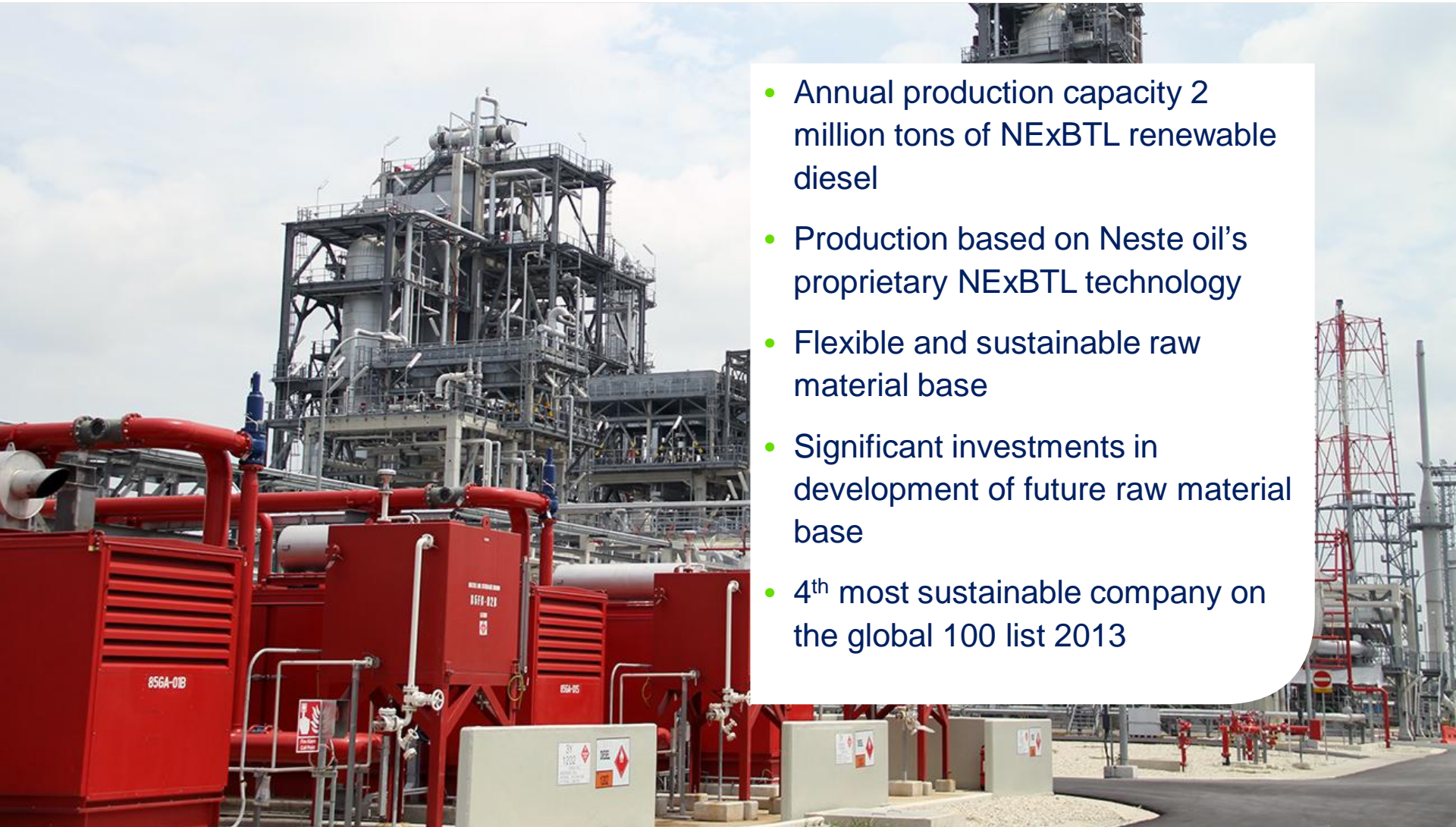
Listed on the Helsinki Stock Exchange

Largest owner: the Finnish State (50.1%)

Neste Oil worldwide



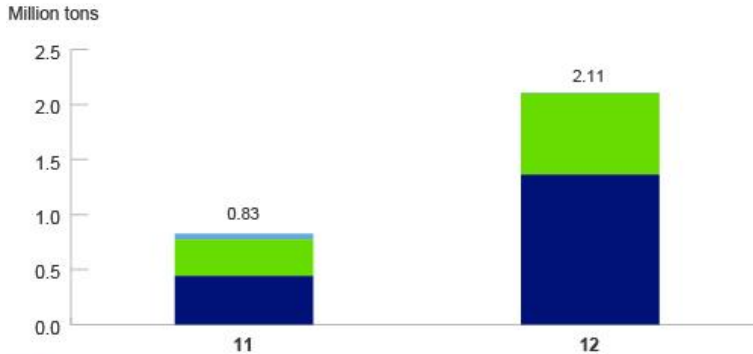
Global leader in renewable diesel



- Annual production capacity 2 million tons of NExBTL renewable diesel
- Production based on Neste oil's proprietary NExBTL technology
- Flexible and sustainable raw material base
- Significant investments in development of future raw material base
- 4th most sustainable company on the global 100 list 2013

Our Renewable Fuels Feedstock

Use of renewable raw materials in 2012



- Crude palm oil
- Waste and residues (waste animal fat, waste fish fat, PFAD*, stearin)
- Other (e.g. rapeseed, jatropha, soybean, and camelina oils)

* PFAD = Palm Fatty Acid Distillate

Raw Material	Used in Refining	Source
Crude Palm Oil	64.5% (1.36 mT)	Malaysia, Indonesia
Waste and Residues (Animal Fats, PFAD, etc)	35.1% (0.74 mT)	Australasia, Americas, Europe, South East Asia
Others (Rapeseed, Soy and Camelina)	0.3 % (0.01 mT)	South and North America, Europe

Number	2012 Fact
100%	Traceable Feedstock to the point of origin
77%	All feedstock are certified
91%	Palm Oil are certified
9000	ISCC-EU certified smallholders supplying to us



Market Based Requirements

- Market based requirements ensures that our products meet the regulations governing the mandates
- Currently Neste Oil are looking into 3 different markets
- All our refineries are certified to supply to the markets below

Market	Regulatory requirement	Verification system
European Union member states	EU Renewable Energy Directive, Fuel Quality Directive	Third party certified systems such as ISCC, RSB and RSPO-RED
United States	US RFS issued EPA, No 40 CFR part 80 (EPA-HQ-OAR-2005-0161; FRL-9112-3)	Direct data collection
Canada	Canadian province of Alberta Renewable Fuels Standard Regulation 29/2010	Verified by independent auditors/ certification systems such as RSPO or ISCC

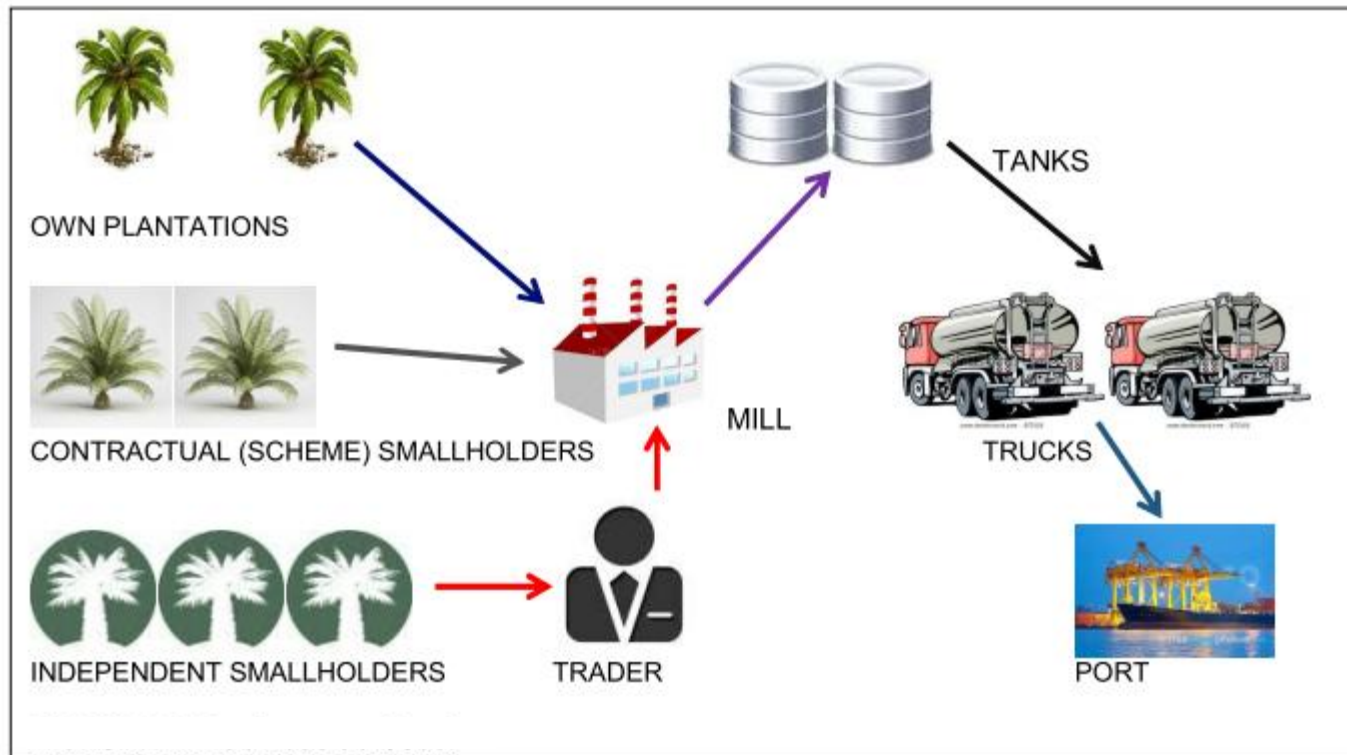
Challenges

- Every market has **different requirements** for the supply chain and its required certification
 - Different cut-off establishment dates
 - Different definition of waste and residues
 - Different system of verification (before and after delivery)
 - Different method of declaration (self or auditor)
 - Different definition of audit scope (supply chains)
 - Segregation vs. Mass balance
- We and our suppliers have experienced **increased cost of certification**
 - New market requires new audit systems
 - Updated systems with new requirements require auditing done beyond the original timeline for certification
 - Audit different system on the same subject: **cross compliance** will be excellent

Neste Oil has to be able to manage our own facilities and also manage our supplier certification status to ensure market compliance.

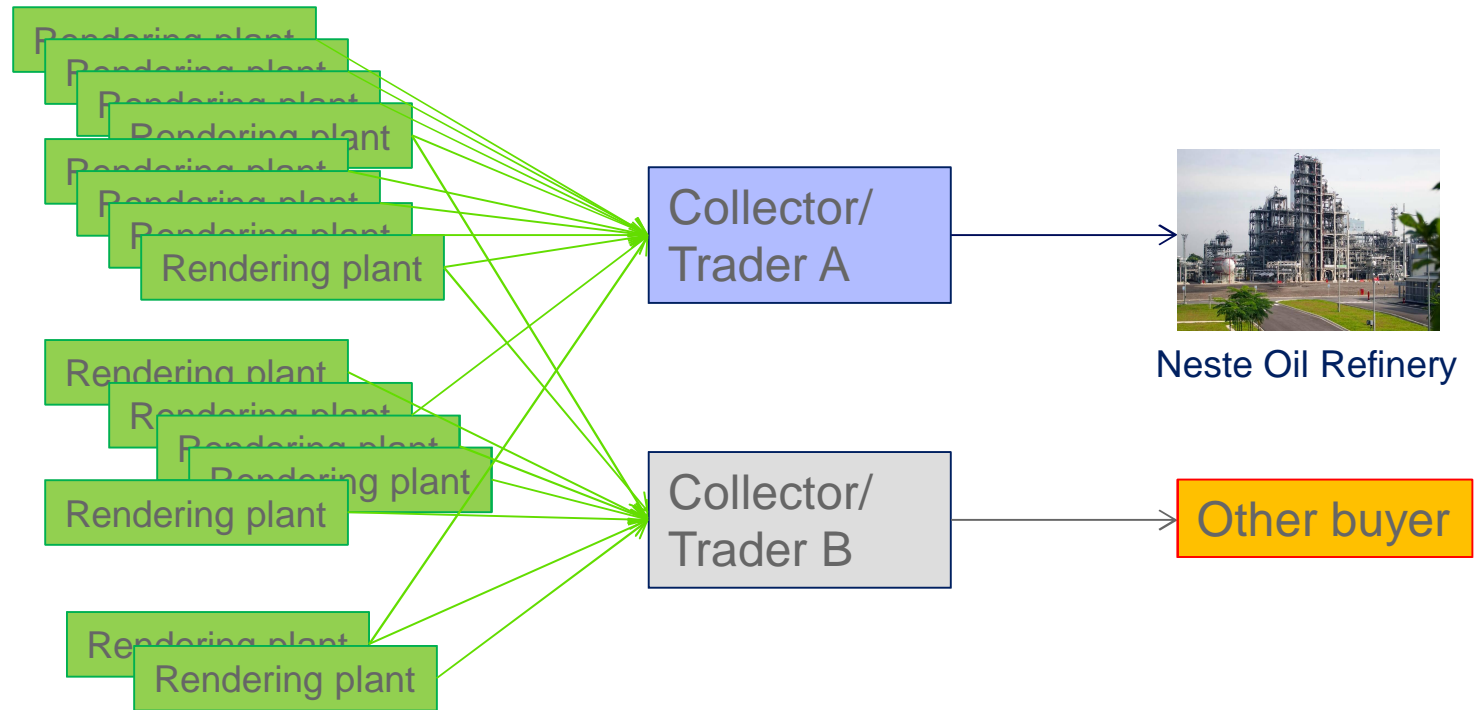
Example on Challenges: Palm Oil

- What if the mill is required by law to supply from smallholders established after the cut-off date, and yet have to be segregated?
- How to audit independent smallholders if they were to be included? ISCC to look into smallholder projects?



Example on Challenges: Animal Fats

- How do we audit a large number of rendering plants supplying small volumes, especially if they have the choice to supply to another collector?



Example on Challenges: Animal Fats

- Animal Fats industry is highly regulated
 - There are existing audits arranged for traceability, sustainability, etc
 - A typical facility in Australasia can experience 17-39 audits a year
 - Fats can be traced back to the farm using government electronic system
- Solutions?
 - Different scenarios for different markets?
 - Sampling should see risk or situation on the field?
 - Look into the existing regulation and do a risk classification?

Currently Neste Oil looks into market based on the capability of our feedstock. Depends on the requirements, we have to look at our options:

- Difficulty of implementation of the requirements of markets,
- Certification systems availability
- Supply chain capability
- Demand and profitability

Summary

- Biofuel is the most regulated market in the world for sustainability
- It is increasingly challenging for Biofuel companies to meet the ever-changing regulatory environment of different markets
- Challenges do not only involve our own facility certification, but also to ensure it along whole supply chain
- It is important to keep the process practical and simple based on the consideration of the existing tools and complexity of the supply chain



Thank you.

Adrian Suharto: Manager, Sustainability

adrian.suharto@nesteoil.com

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