Certification Experience from A Biofuels Processor

ISCC Technical Committee South East Asia Meeting
Bangkok, 9 April 2012
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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

PRODUCTION
- Porvoo
- Naantali
- Nynäshamn

SALES AND MARKETING / TRADING
- Espoo
- Stockholm
- Sundsvall
- Estonia
- Latvia
- Lithuania
- Moscow
- St. Petersburg
- Poland
- Geneva
- Houston
- Toronto
- Dubai
- Singapore

9.4.2013
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

### Raw Material Used in Refining

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

**Number 2012 Fact**

<table>
<thead>
<tr>
<th>Number</th>
<th>2012 Fact</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>Traceable Feedstock to the point of origin</td>
</tr>
<tr>
<td>77%</td>
<td>All feedstock are certified</td>
</tr>
<tr>
<td>91%</td>
<td>Palm Oil are certified</td>
</tr>
<tr>
<td>9000</td>
<td>ISCC-EU certified smallholders supplying to us</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Market</th>
<th>Regulatory requirement</th>
<th>Verification system</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union member states</td>
<td>EU Renewable Energy Directive, Fuel Quality Directive</td>
<td>Third party certified systems such as ISCC, RSB and RSPO-RED</td>
</tr>
<tr>
<td>Canada</td>
<td>Canadian province of Alberta Renewable Fuels Standard Regulation 29/2010</td>
<td>Verified by independent auditors/ certification systems such as RSPO or ISCC</td>
</tr>
</tbody>
</table>
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.

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