Neste view on meeting RED II requirements
Challenges and Opportunities

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Our purpose is to create a healthier planet for our children.
Our promise:
We will reduce carbon footprint in production ahead of EU’s climate and energy targets.
Neste in numbers

- **Founded in 1948**
  
  to secure oil supply for the state of Finland

- **World’s #1**
  
  producer of renewable diesel

- **2019 Global 100 list**
  
  #3 most sustainable company in the world

- **Our renewables help customers annually reduce GHG emissions by 8 Mt**

- **70%**
  
  of R&D budget invested on finding new raw materials

- **Revenue**
  
  €14.9 billion

- **Comparable operating profit**
  
  €1.4 billion

- **Market capitalization**
  
  €24.4 billion*

- **Oil Products production capacity**
  
  15 Mt/a

- **Renewable Products production capacity**
  
  2.9 → 4.5 Mt/a

2018 figures, exception market capitalization as of 31 March 2019.
Renewable raw materials

Neste’s renewable raw material portfolio consists of over 10 different waste and residue oils and fats and vegetable oils.

Waste and residues account for approximately 80% of Neste’s renewable raw material use annually.

All renewable raw materials Neste uses are sustainably produced* and traceable to the place of origin.

Products have consistent high quality independent of raw material used.

*Meeting or exceeding e.g. EU RED requirements
Extensive portfolio of globally-sourced sustainable raw materials

- Animal fat from food industry waste
- Fish fat from fish processing waste
- Vegetable oil processing waste and residues (e.g. PFAD, PES, SBEO)
- Used cooking oil
- Technical corn oil
- Palm oil
- Rapeseed oil
- Soybean oil
- Camelina oil
- Jatropha oil

80% waste and residues
Our renewable products

Neste Renewable Fuels

- Neste MY Renewable Diesel
- Neste MY Renewable Gasoline
- Neste MY Renewable Propane
- Neste MY Renewable Jet Fuel

Neste Renewable Chemicals

- Neste MY Renewable Isoalkane
- Neste My Renewable Naphtha
- Neste MY Renewable Propane
"High ILUC risk" crops and "Low ILUC risk" crops in REDII

“high indirect land-use change risk food or feed crop-based biofuels, bioliquids and biomass fuels produced from food or feed crops for which a significant expansion of the production area into land with high carbon stock is observed”

Art 26(2): “shall not exceed the level of consumption of such fuels in that Member State in 2019, unless they are certified to be low indirect land-use change-risk biofuels, bioliquids and biomass fuels”

Art 2 (37): ‘low indirect land-use change-risk biofuels and bioliquids’ means biofuels and bioliquids, the feedstocks of which were produced within schemes

• which avoid displacement effects of food and feed crop based biofuels, bioliquids and biomass fuels through improved agricultural practices,

• as well as through the cultivation of crops on areas which were previously not used for cultivation of crops

and which were produced in accordance with the sustainability criteria for biofuels and bioliquids set out in Article 29;

*note that the directive does not have any references to the ILUC values presented in Annex VIII
Delegated Act on High and Low ILUC-Risk Biofuels

- Palm oil is classified in the final Delegate Act (DA) as the only high ILUC risk feedstock. The DA then sets out rules and methodologies on how certain additional volumes could qualify as low ILUC risk feedstocks:
  - for smallholders (farms <2 ha) that have legal title to their land and produce additional volumes above their earlier average (dynamic) yields and which is produced on land that conforms to the sustainability requirements of the RED2 directive then these new additional volumes would comply
    - BUT: Smallholders with farms less than 2 hectares would be rare and so most of Indonesian smallholders (average 2.5 Ha), Malaysian (average 5 Ha) and Columbian (10 Ha) smallholders would not qualify (without fulfilling the economical criteria in Art. 5.a.1(i) like big plantations as well as new farms using previously unused land must also comply)
  - new additional volume production from cultivation on previously unused land that can be shown to be produced only because of the additional economic benefit caused by the RED2 directive (DA’s Art. 5.a.1(i)) and where the unused land satisfies the RED2 sustainability criteria and which is verified and certified would comply
  - new additional volume production from cultivation on abandoned lands or severely degraded lands that satisfy the conditions and definitions of the delegate act and satisfy the RED2 sustainability criteria and is verified and certified would comply.

- These regulations have been formulated for crop based feedstocks where significant expansion on high carbon land is considered a risk. Process derived residues such as animal tallow as well as waste and residue streams from palm industry are excluded.
# Challenges and Opportunities

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<td>Plantation established solely for selling to biofuels New frontier lands</td>
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<td>Unorganized Smallholders No established Data Certification challenges</td>
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What can be done?

**Advocacy**
- Improve palm image
- WTO case
- Trade Negotiations
- Influencing the implementing act
- Lobbying within Associations

**Compliance**
- Can palm meet the criteria?
- Identify and Organize Smallholders under 2 Ha
- Focus on expansion on degraded lands
- Participate in Pilot Projects
NESTE
The only way is forward