



Neste view on meeting RED II requirements

Challenges and Opportunities

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NESTE



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

80% waste and residues



Animal fat from food industry waste



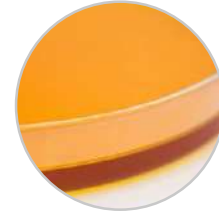
Fish fat from fish processing waste



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

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

cap = 2019 level

as of 2023
decrease to 0% by
2030 at the latest

criteria for
certification of low
iluc-risk biofuels
by 1.2.2019

review and
amendment
by 1.9.2023

“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

What is said	Smallholders Under 2 Ha	Financially Attractive Establishment	On Degraded/ Abandoned Lands
Opportunity	Independent Smallholders Farmers with different crops Smallholder Projects	Plantation established solely for selling to biofuels New frontier lands	Abundance of degraded lands Improve livelihood and carbon stock of land
Challenges	Unorganized Smallholders No established Data Certification challenges	How to measure and certify Mostly located out of SEA	Differing definitions between parties Social challenges still exists

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