

Tweede Kamer der Staten-Generaal  
t.a.v. Vaste Kamercommissie voor Infrastructuur en Milieu  
Postbus 20018  
2500 EA Den Haag

Rotterdam, April 11<sup>th</sup>, 2017

**RE: Pre read Neste for Round Table meeting on sustainable biofuels (April 19, 2017)**

Dear Members of Parliament,

By means of this letter I kindly accept your invitation for the Round Table meeting on sustainable biofuels and herewith I provide you with a pre read on behalf of Neste.

**Introduction**

The greenhouse gas (GHG) emissions from the European transport sector are still rising and account for more than 25% of total GHG emissions. In terms of the use of renewable energy, transport is currently below aggregated trajectories at EU level. The share of 6% renewable energy in 2015 came largely (88%) from sustainable biofuels. Herewith, sustainable biofuels in road transport are today the most important option to reduce GHG emissions and renewable energy source in the transport sector. On European level a target is set to reduce GHG emissions in the transport sector with 60% by 2050 (compared to 1990 levels). The target for 2050 is embraced by the Netherlands in the Energy agreement ('Energieakkoord') and the Vision on sustainable fuels ('Brandstofvisie'). The vision shows that a full deployment of all renewable fuels – including sustainable biofuels – is needed to achieve the target; there is no silver bullet.

**About Neste**

We are a Finnish company with a worldwide production capacity for renewable diesel (HVO) of around 2,5 Million tons. NEXBTL, our end product, can fully replace fossil fuels in the existing vehicle fleet or can be blended with fossil fuels. With a production capacity of 1 Million tons and a total investment of € 670 million, the Rotterdam refinery is the largest commercial plant for biodiesel production in Europe. Apart from biofuels for road transport, Neste also produces renewable aviation fuels and renewable chemicals (such as isoalkane, naphta and propane). Neste is one of the founders of the Dutch Association for Sustainable Biofuels (NVDB).

**Sustainability**

Neste's biofuels are certified according to the strict sustainability criteria that are laid down in the Renewable Energy Directive (RED and Fuel Quality Directive (FQD)). We evaluate all our partners alongside an extensive sustainability assessment. We continue the commercial negotiations only with approved parties and agree on detailed conditions that the raw material must fulfil. Knowing the origin of our renewable products is a basic requirement on which we will not compromise. Independent expert parties annually verify that all of the other strict sustainability requirements for renewable products are also followed.

### Transition to waste and residues

Neste is the global leader in waste and residue based advanced biofuels production. In 2016, 80% of Neste's biofuels was produced from waste and residues materials. It is estimated that currently ca 20 Million tons of advanced biofuels could be made from wastes and residues by using HVO (renewable diesel) technology. By 2030, these volumes are expected to be higher due to technology development. The HVO-type of advanced biofuels can be produced by either investing in stand-alone facilities or by converting existing oil refining process units into modern HVO technology production facilities. These new production facilities can be established with relatively low capital expense. Investments either in new stand-alone units or in conversion of current process units would mean a quantum leap to advanced, low-carbon biofuels.

### Indirect Land Use Change

The use of land for the production of sustainable biofuels could potentially result in the displacement of other agricultural production to non-cropland. This risk is known as indirect land use change (ILUC). Neste acknowledges the ILUC risks and that ILUC effects may exist as a result of the production of biofuels. In order to better control the actions and resources on the root causes of the reduction of carbon stock, analysing the underlying reasons for land use change is essential. All actions that could contribute to and prevent the ILUC phenomenon should be studied and the causal relationships understood. All industrial sectors that utilize land should be included so that the problem is not displaced from one sector to another.

The use of ILUC factors for reporting or accounting purposes will give a misleading picture of the GHG performance of biofuels. These factors are a blanket measure that eliminate a large variety of sustainable feedstocks. ILUC factors may directly result in market players that refuse to buy biofuels with large indicative ILUC emissions. As the European Commission did not propose these ILUC factors for mandatory GHG calculations due to the large uncertainty in the ILUC modelling, it is clear that they should not be used at Member State level either.

### Policy issues

Since biofuels are not able to compete with fossil fuels without incentives that bridge this gap, the entire biofuels sector is heavily depended on governmental policy. **To facilitate the transition to the production of more advanced biofuels produced from waste and residue materials, a long-term realistic policy on European and national level is required.** Such a policy should attract new investments in advanced biofuels and secure the investments in the installed production capacity for sustainable biofuels.

Hereunder, we address the most important policy issues with respect to the revision of the RED for the period 2020 – 2030.

- Member States should not limit the waste and residue based biofuels to the narrow feedstock list of Annex IX in ILUC directive. Instead a policy that is based on objective criteria should be put in place that supports the use of all advanced biofuels produced from diversified advanced biofuel technologies and a broad raw material base.
- Neste prefers an approach that is based on mandates for the use of renewable energy as proposed by the European Commission. Neste believes that an approach that is based on GHG reduction, such as art. 7a FQD, could be alternative or a supplement to mandates under the following conditions:
  - The GHG mandate/quota should be fulfilled by using physical volumes of low carbon fuels;
  - Upstream Emission Reduction (UER) that are granted for GHG reduction in the fossil fuel chain should not be acknowledged;
  - ILUC-factors are not applied for accounting purposes.

- Neste believes that limiting the use of food crops to the level as described in the ILUC Directive and dedicating the rest of the target to "zero ILUC" feedstocks as the Commission proposes is effective and proportionate to manage ILUC risks. We favor the splitting of the target to tackle the entire ILUC phenomenon while also contributing in continuous sustainable environmental development.

I would gladly give an explanation on our vision and views of policy during the round table.

Kind regards,

A handwritten signature in black ink, appearing to read 'B. Leenders', with a long horizontal flourish underneath.

Bart Leenders

Vice President Production at Neste

