



## **Neste submission on The Sustainable Biofuels Obligation: proposals for regulations**

Thank you for the opportunity to make a submission on *The Sustainable Biofuels Obligation: proposals for regulations*.

Neste is the world's leading producer of renewable diesel and sustainable aviation fuel. Neste MY Renewable Diesel, made from 100% renewable raw materials, can reduce lifecycle greenhouse gas emissions by up to 90% when compared to fossil diesel (methodology: Renewable Energy Directive (EU) 2018/2001 (RED II)). Our product can be used as a "drop-in" fuel, or a complete replacement for fossil diesel, that, unlike first generation biofuels, has the same chemical composition as fossil diesel. Neste MY Renewable Diesel is fully compatible with all diesel engines and the diesel fuel distribution infrastructure – from the refinery to service stations and end users.

Neste MY Sustainable Aviation Fuel is made from sustainably sourced, renewable waste and residue raw materials. Neste MY Sustainable Aviation Fuel, in its neat form, reduces lifecycle greenhouse gas emissions by up to 80% compared to fossil jet fuel use, calculated with established life cycle assessment (LCA) methodologies, such as CORSIA. When blended with conventional jet fuel, Neste MY Sustainable Aviation Fuel can be used as a drop-in fuel as it is compatible with existing aircraft engines and airport infrastructure, requiring no extra investment or modifications into these.

We ensure the sustainability of our entire renewable fuel production chain with certifications. Certifications that we use include European Commission recognised voluntary schemes such as ISCC EU and ISCC Plus (International Sustainability and Carbon Certification).

In the United States, the sustainability of our renewable fuels is monitored through the Environmental Protection Agency's (EPA) sustainability requirements. All of our refineries producing renewable products have ISCC EU and ISCC Plus certificates, and they have been approved by the U.S. Environmental Protection Agency (EPA). This proves that our production and raw material sourcing comply with the European Union's Renewable Energy Directive (EU RED II) and the requirements of EPA.

However, not all raw materials used in the production of renewable fuels are required to be certified for the renewable end product to become certified. If a specific certification is not required for the raw material, the regulative compliance regarding sustainability of the raw material production is verified in accordance with Neste's own policies and principles for sustainability and the legislation of the country to which the fuel will be supplied. In the case that

feedstock is not certified by ISCC or EPA, material is also certified by EU member state verification systems such as in Sweden, Finland and Italy, as allowed by RED II.

Neste agrees with the general approach taken in this paper of not trying to 'reinvent the wheel' but rather adopting the EU's rules whenever possible. This will make compliance simpler for suppliers, and maintenance of the regulations simpler for the government.

## **Responses to consultation questions**

*1) Do you agree with the proposal to allow the use of default values from the European Union's Renewable Energy Directive or actual values verified under sustainability schemes?*

We agree with the proposal to use RED II's methodology which enables the use of default values and/or actual values. RED II methodology is not perfect, and we will comment on its limitations in answers below, but it is a well-developed, internationally accepted system, and adopting the methodology including its default values will make compliance and GHG-calculations easier for suppliers.

*2) Apart from transport and distribution emissions, should we allow actual values that have been verified under the European Union's Renewable Energy Directive or the California Low Carbon Fuels Standard to be used? If not, why?*

Yes, we support the RED II methodology in which it is possible to combine actual and default values in the GHG-calculation for one batch. In RED II methodology the GHG-calculation is done for each batch which ensures better accuracy and transparency. We consider it important to allow the use of actual values, as they would incentivise the use of biofuels that deliver the greatest emissions reductions. It is important to note that, under RED II, not all feedstocks have an accepted default value, hence it is also necessary to allow the use of actual values.

*3) Do you see value in developing a New Zealand-specific and inhouse GHG emissions model, similar to the GREET model? If not, why? If so, who should pay for the model's development and upgrading? Why?*

We do not see any added value in New Zealand attempting to create its own model. Biofuels are a global product in a global market and any improvements in accuracy would be marginal and would be outweighed by the increased cost and time needed to develop it. Moreover, it would result in an additional burden to the whole biofuel supply chain and hence limit feedstock availability.

*4) Do you agree with the proposal to use a default emissions factor that would apply to all fossil fuels? If not, why?*

Yes. This would be the best approach, and would incentivise use of biofuels, rather than changing the mix of fossil fuel supply, as is intended by this policy. It would also make the calculation of reduced emissions intensity and compliance a lot simpler. We also recommend that the default value would be set at the same level as in RED II (and LCFS) methodology.

*5) Should we only allow biofuels that deliver a greater than 50 per cent emissions reduction, compared to fossil fuels, to be eligible for meeting the obligation? If not, why?*

There is a risk that if low reduction biofuels (such as crop-based biofuels) are allowed, they will dominate the market. These first-generation biofuels are of limited benefit for the extra cost and regulatory burden involved. There are questions over the ultimate environmental and social benefit of these products given the amount of land and biomass used in their production.

Furthermore, since they produce relatively small emissions reductions per unit, they must be mixed at a higher blend rate to achieve the desired overall emissions intensity reduction in the fuel. This can create problems for engines, due to impurities in first-generation biofuels.

*6) Do you agree with the way that we propose to assess compliance with the sustainability criteria in legislation?*

Yes. We support the use of European Commission-recognised voluntary schemes, such as ISCC EU, alongside other respected voluntary schemes covering greenhouse emissions, e.g. ISCC Plus, to certify biofuels and their compliance with legislated sustainability criteria.

*7) Are there any other international sustainability certification schemes that you think should be included?*

Neste would support the use of the International Sustainability and Carbon Certification (ISCC) EU or ISCC-PLUS standard to certify biofuels and their compliance with the legislated sustainability criteria.

*8) Do you agree with our assessment that indirect land use change emissions should not be included in the lifecycle GHG emissions analysis, due to the inherent uncertainty in the economic modelling that is required to do this?*

Neste agrees that indirect land use change is a risk with biofuel production and takes steps to avoid it. That is why we are focused on drawing feedstock from the waste-stream and residues.

That said, the level of indirect land use change from any biofuel production is inherently uncertain. Therefore, we agree with not accounting for it in the emissions analysis. The level of indirect land use change from any biofuel production is inherently uncertain. Therefore, we agree with not accounting for it in the emissions analysis.

In 2021, the share of waste and residues increased to 92% of Neste's total renewable raw material inputs globally. All our refineries producing renewables are technically capable of running on 100% waste and residue raw materials.

Reduction of the risk of indirect land use change or other effects of biofuels production can best be addressed by promoting as wide a variety as possible of different feedstocks, both crop and waste and residue-based, to reduce the demand on any individual material.

*9) What is your preferred option, or combination of options, for addressing the risk of indirect land use change caused by additional biofuels production?*

We prefer setting a cap on the amount of food and feed crop-based biofuels as in RED II. This cap would limit the risk of indirect land use change and would not create unnecessary additional administrative burden to the whole supply chain. However, biofuels that do not create the need for additional land use - for example, biofuels for which feedstock is produced by intermediate cropping - should not be considered food and feed crops.

*10) Do you think these options will adequately address the risk of indirect land use change? If not, why?*

Yes, as explained above.

*11) If not, what alternatives would you suggest?*

NA

*12) What is your preferred option, or combination of options, for addressing the risk of the biofuels obligation adversely impacting food security and why?*

We consider that crop caps mitigate the indirect impacts on food security. It should be noted that any New Zealand specific requirements that differ from the existing international ones could add unnecessary complexity in renewable fuel suppliers' supply chains, thus limiting the availability of eligible fuel to New Zealand's markets

*13) Do you agree with our proposed approach to require biofuels derived from any of the waste streams to be certified against the relevant ISCC EU standard or RSB standard? If not, why?*

We agree with the proposal to carry over the RED II classifications for waste, residue, and co-product, and think it is important that they are defined separately from each other in the legislation. We support the use of international certification.

*14) Do you agree with our proposed approach to for allocating GHG emissions to products, coproducts, residues and wastes according to Table 1, based on energy content? If not, why?*

Yes, we support the RED II approach. We also agree with this proposed allocation of emissions using energy content for co-products.

*15) Do you agree that feedstocks that are classified as agriculture, aquaculture, fisheries or forestry residues or co-products would need to meet the sustainability criteria? If not, why?*

Yes.

*16) Do you agree with our proposal to exclude or limit residues or co-products that may be excluded or limited under the other criteria (such as the ILUC options)? If not, why?*

No, we don't agree with this proposal, especially in the case of residues, as they are not the primary aim of the production process. We believe that the feedstock base should be kept broad. Residues do not create need for additional land. We believe that the feedstock base should be kept broad.



*17) Do you agree with the risks outlined above? If you do, do you agree with the proposed approach?*

We agree with a proposed approach, which aligns with international best practice (e.g. RED II) in addressing the risks outlined above.