

16<sup>th</sup> November 2012

## **RENEWABLE DIESEL NEXBTL – REQUIREMENTS FOR TRACEABILITY**

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## **1 Changes**

This is a new instruction.

## **2 Purpose of the instruction**

This document describes management of traceability used in fulfillment of the requirements given in the European Union Renewable Energy Directive (RED).

## **3 Scope and effective date**

This instruction is applied in Neste Oil Corporation and may be applied by any biofuel producer seeking for compliance with the RED. The effective date is the date the European Commission recognizes this system as a voluntary scheme for the verification of RED compliance.

## **4 Definitions**

The definitions given in DIRECTIVE 2009/28/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (RED) do apply.

## **5 Related documents**

Documents related to this instruction:

1. HVO Renewable Diesel Scheme for Verification of compliance with the sustainability criteria for Biofuels
2. NExBTL Renewable Diesel - Greenhouse Gas (GHG) Data Handling
3. NExBTL Renewable Diesel - Mass Balance Method

## **6 Responsibilities**

Responsible person for updating this instruction is Director, Sustainability and Supplier Compliance in Neste Oil Corporation.

## **7 Requirements for traceability**

### **7.1 General**

According to ISO the term traceability describes the possibility, to trace production, use or location of an element of the supply chain. For final products this can cover the origin of material and parts as well as the production history. Traceability does not only cover the basic requirements that products can be traced forth and back throughout the value

chain from origin to the point of final delivery but also the possibility to specify what they are made from and how they have been processed.

The origin of the sustainable biomass used for the production of fluid biomass or biofuels has to be traced back for every stage of the production and delivery process. Traceability will be achieved via mass balance or physical segregation systems and corresponding traceability declarations. This assures that origin, amount and related greenhouse gas (GHG) emissions can be uniquely identified and that the amount of biomass which has been withdrawn at the respective stage of the value chain does not exceed the amount supplied. For the traceability of sustainable biomass within the chain of custody two groups of requirements are important:

1. Minimum requirements for the management system: these define requirements for the organization of the respective elements of the supply chain (responsibilities, procedures and reporting with respect to sustainability and traceability), see chapter 7.2.
2. Information requirements regarding sustainable biomass. These describe necessary data for identification of biomass at any step of the supply chain, see chapter 7.3.
  - a. Farm/estate (cultivation of sustainable biomass) or point of origin of waste/residue material
  - b. First gathering point (normally operations, warehouses or traders which source biomass from a variety of farms or plantations)
  - c. Conversion of sustainable biomass (in case that the conversion unit is not the final interface)
  - d. Conversion of sustainable biomass (in case that the conversion unit is the final interface, e.g., refining of sustainable fluid biomass)
  - e. Supplier (of sustainable fluid biomass after the last interface)
  - f. Warehouse (Storage of sustainable biomass, e.g. in farms, interfaces and warehouses or storage of fluid biomass or bio fuels in interfaces or warehouses)
  - g. Transport of sustainable products (e.g. with truck, train, barge or vessel)

## **7.2 Minimum requirements for the management system**

The requirements for traceability shall be incorporated in the economic operator's operational management system to ensure correct implementation and maintenance of the chain of custody process.

Currently, all main operations in Neste Oil have certified ISO 9001, ISO 14001 and OHSAS 18001 systems. New production sites in Singapore and Rotterdam have management systems which are to be certified by end 2013.

### 7.2.1 Commitment

The management of the economic operator shall be committed to implement and maintain the requirements for traceability. In Neste Oil, this commitment is stated and made publicly available in the company sustainability policy: NOQD-107/EN.

### 7.2.2 Responsibilities and authorities

The responsible person has an overall responsibility and authority for managing the chain of custody, including requirements for traceability. The responsible person will identify and nominate employees whose tasks touch implementation and maintenance of a traceability system. These employees have to receive the corresponding authority for the following traceability elements:

1. Sourcing or first gathering of sustainable products, identification of origin with respect to their physical segregation and/or evaluation of the portion of sustainable products and related GHG emissions or GHG reduction potential.
2. Conversion of sustainable products or their processing with respect to physical segregation and/or evaluation of the portion of sustainable products and related GHG emissions or GHG reduction potential.
3. Delivery, storage, sales and transport of sustainable products with respect to physical segregation and/or evaluation of the portion of sustainable products and related GHG emissions or GHG reduction potential.
4. Documentation, issuing of guarantees/documents and reporting within the framework of points (1) to (3),
5. Execution of supplier audits and conformity surveillance.

In Neste Oil, the responsible person of the management of requirements for traceability is Executive VP, Oil Products and Renewable Fuels. Note: Responsibilities and authorities on traceability can be merged.

### 7.2.3 Documentation

The necessary documentation is prepared and kept as evidence to be able to demonstrate conformity with requirements of RED. The chain documentation shall include at least the following elements:

1. description of the material flow within the supply chain and the relevant processes of the company;
2. organization structure, responsibilities and authorities relating to chain of custody;
3. procedure for traceability

#### 7.2.4 Records

All the necessary records are established and maintained to provide evidence of conformity with the requirements of RED. The following records are kept:

1. records of all suppliers of raw materials including information which confirms that the requirements at the supplier level are met;
2. records of all received raw materials including all information included in the product declarations
3. records of all products delivered and all information included in the product declarations and next economic operator identification
4. records regarding data transfer to the approval system chosen by company or to the authority in charge or to the third-party body which conducted the audit
5. records of supplier audits, non-conformities which occurred and corrective actions taken.

The documentation shall be retained for a period of at least five years or longer if mandatory according to prevailing laws and regulations or certification schemes.

#### 7.2.5 Reporting

The company follows periodic reporting system (e.g. monthly and yearly/calendar year) regarding sourced/supplied amounts, storage levels at beginning and end of the period and withdrawn/sold amounts of sustainable products. The period may not exceed here the period of 3 months.

#### 7.2.6 Resource management

##### 7.2.6.1 Personnel

The responsibility of the management for requirements of traceability (see 7.2.2) shall ensure that:

1. All personnel performing work affecting the implementation and maintenance of the chain of custody shall be competent on the basis of appropriate training, education, skills and experience.
2. The company shall establish and implement a training plan regarding the critical control points and covering the positions involved in its chain of custody system.
3. The company shall keep records of the training provided to staff in relation to implementation of the chain of custody controls.

##### 7.2.6.2 Technical equipment

Economic operator is obliged to run a data handling and process system to be able to show compliance with the RED requirements. In Neste Oil, the company operates IT system for fulfilment of traceability requirements. Reporting of the different raw material criteria for customers, authorities and internal use are based on mass balance calculations.

### 7.2.7 Auditing and management review

The economic operator shall apply a management system with regular audits and management reviews as defined in the management system.

## 7.3 Information requirements for sustainable biomass

Information requirements for the identification of sustainable biomass must be met by all elements of the supply chain.

### 7.3.1 Identification of origin

Economic operators shall identify the records keeping needs related to sustainability of incoming raw materials. It is recommended that the following system is applied. In the case of Neste Oil, when the company receives a consignment, the company will request a product declaration which ensures the compliance with RED. The product declaration concerning each consignment will include at least the following information:

- a) economic operator's identification;
- b) conformity assessment statement reference or other valid reference demonstrating the RED compliance of the economic operator;
- c) quantity of delivery;
- d) date of delivery ;
- e) product description,
- f) unique reference number enabling the tracing of the issued document within the internal mass-balance accounting system;
- g) cumulative greenhouse gas emission data, including emission received from the previous economic operators, in gCO<sub>2</sub>eq/MJ (LHV) or gCO<sub>2</sub>eq/t,
- h) Statement that delivered material is compliant to RED art 17(3) to 17(5),
- i) Country of origin of biomass
- j) Optional elements:
  - Fraction of origin from degraded land according to RED 18.4 (Point 9 part C of Annex V) or
  - Fraction from waste or residue, as defined in the chapter 2.2., point 9 of the HVO voluntary scheme
- k) Reference to third party conformity assessed sustainability criteria certified according to EC recognized voluntary scheme.
- l) Means of transportation and distance from supplier to company.
- m) In case of storage, documentation of storage facility

### 7.3.2 Biofuel producer internal production information

The following record keeping needs have to be complied with:

- a) Records for every batch of sustainable products with corresponding traceability attributes if not identical with incoming sustainable products into the company.
- b) Kind of internal process (hydro treatment, etc.)
- c) Conversion factors
- d) GHG emissions,
- e) Allocation factors
- f) Mass balance information

### 7.3.3 Identification regarding sales and logistics of products

When the economic operator delivers a consignment, the company will prepare a product declaration which ensures the compliance with RED. In addition to this declaration, the following records are kept for each consignment:

- a) Name and address of the buyer or receiving party (subsequent element of the production or distribution chain) for every batch of sustainable products,
- b) Unique registry number and name of the verification system the company is audited,
- c) Unique batch identification number,
- d) Kind of sustainable products delivered,
- e) Date of delivery of sustainable products,
- f) Amount or percentage of sustainable products [in tons],
- g) Cumulative greenhouse gas emission data, including emission received from the previous economic operators, in gCO<sub>2</sub>eq/MJ (LHV) or gCO<sub>2</sub>eq/t,
- h) When leaving a storage facility statement of warehouse, silo or cell, etc.
- i) Purchasing contracts between company and downstream interfaces, plants and/or customers for sustainable products,
- j) Contracts with third parties, which have been engaged in handling, transport or storage of batches of sustainable products.
- k) Mass balance information

## 8 Confidentiality

Documents and each kind of information are confidentially treated by all elements of the supply chain.

Third party auditors are given all information and documentation needed during auditing. Third party auditors should treat all information given during the audits as confidential.