Mabanaft

Renewable Transport Fuels Obligation Year Three

Annual Report 2010/11

Version 1 – 26/8/11
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Chapter 1

Introduction and obligated supplier comments

This is a report of Mabanaft UK Ltd's biofuel activities as reported to the Renewable Fuels Agency / Department for Transport Biofuels Division for the period 15 April 2010 to 14 April 2011.

The downstream oil business where Mabanaft operates continued the trend of the last few years of becoming increasingly competitive in 2010/11. Overall road fuel consumption continued to fall due to a combination of more fuel efficient vehicles and economic recession. The level of competition is highlighted by the number of UK downstream operations that were put up for sale during this period. Having strong flexibility in the key areas of: terminal locations, supply options and sales offerings, Mabanaft was well placed to cope with the changing market dynamics.

The increased competition led to downward pressure on fuel margins which ultimately made balancing the competing requirements of achieving the RTFO with biofuels of suitable sustainability and technical performance in the most cost effective manner even more challenging.

Year 3 of the RTFO was the first year where there were no duty incentives on biofuels (except UCOME) meaning for the first time complying with the obligation was a cost. Even before the new duty differential Mabanaft had for many years used UCOME as a biofuel blendstock for its obvious sustainability benefits. The duty differential, along with alternative schemes in Europe to incentivise biofuels from waste products, caused UCOME to trade at a premium to other biofuels of similar performance the reversal of the situation just a few years ago.

For the two strong reasons of inherent sustainability coupled to financial incentive Mabanaft increased the proportion of biofuel made from UCOME to 47% (from 11%). This UCOME volume displaced some TME volume (fell from 22% to 9%) but it still meant the overall volume of biodiesel from waste products increased from 34% in 09/10 to 56% in 10/11.

Due to some significant changes in gasoline volume Mabanaft was not always able to have full control of the sustainability criteria of its ethanol. Where Mabanaft was in direct negotiation with the supplier, additional sustainability data was written into contracts, usually at a cost to Mabanaft, to enable comprehensive RTFO reporting. By the end of the obligation period Mabanaft was able to report accuracy level 5 on a significant volume of its ethanol.

Chapter 2

Tables 9 and 10

Feedstock	General		Environmental	Social	Carbon	
	% Fuel supplied by feedstock type (by volume)	% Data reported on biofuel characteristics	% Meeting Qualifying and/or RTFO standard	% Meeting Qualifying and/or RTFO standard	Average carbon intensity g CO2e / MJ	Average % GHG saving
Biodiesel UCO						
Used cooking oil	100	99.9	100	100	14	83.3
Biodiesel ME						
Tallow	18.3	100	100	100	17	79.7
Palm (Methane capture at mill)	4	71.5	0	0	68	18.9
Soya beans	59.3	65.9	0	0	58	30.8
Oilseed rape	12.6	57	0	0	52	37.9
Unknown	5.9	0	0	0	93	-11
Bioethanol						
Corn (Produced outside the EC)	31.7	74.7	0	0	58.7	30
Corn (Community produced)	25.8	75	0	0	39	53.4
Wheat (Fuel not specified)	20.2	72.2	0	0	60.5	27.8
Barley	4	75	0	0	78	6.9
Unknown	3.2	0	0	0	115	-37.2
Triticale	5.6	75	0	0	62	26
Rye	2.4	75	0	0	115	-37.2
Sugar beet	7.1	100	100	0	22	73.7
Weighted average (all fuels)		80.8	44.5	42.6	39.4	53
Target (2010/2011)		90	80			50

Disclaimer: these reports are accurate and complete only insofar as the data entered is accurate and complete.
In particular, the volumes used to calculated the data in this report must be manually verified between the RTFO Operating System and the Carbon Intensity Calculator.

General information		Sustainability information				Average carbon information	
% of total feedstocktype	Feedstock origin	Standard	Env Level	Social Level	Land use on 01 Jan 2008	Carbon intensity incl LUC (g CO2e / MJ)	GHG saving (%)
Used cooking oil							
11.4	United States	By-product	QS	QS	By-product	14	83.3
0.1	Switzerland	By-product	QS	QS	By-product	14	83.3
0.2	Austria	By-product	QS	QS	By-product	14	83.3
38.5	Germany	By-product	QS	QS	By-product	14	83.3
27.1	Netherlands	By-product	QS	QS	By-product	14	83.3
3.5	France	By-product	QS	QS	By-product	14	83.3
16.3	United Kingdom	By-product	QS	QS	By-product	14	83.3
0.4	Unknown	By-product	QS	QS	By-product	14	83.3
0.1	Luxembourg	By-product	QS	QS	By-product	14	83.3
2.3	Denmark	By-product	QS	QS	By-product	14	83.3
Tallow							
44.3	United Kingdom	By-product	QS	QS	By-product	17	79.7
15	Germany	By-product	QS	QS	By-product	17	79.7
3.4	Netherlands	By-product	QS	QS	By-product	17	79.7
33	United States	By-product	QS	QS	By-product	17	79.7
4.3	Belgium	By-product	QS	QS	By-product	17	79.7
Corn (Produced outside the EC)							
11.9		Unknown			Cropland - protection status unknown	34	59.4
80.8	United States	Unknown			Cropland - protection status unknown	62	26
6	United States	None			Cropland - protection status unknown	62	26
1.3	United States	Unknown			Unknown	62	26
Corn (Community produced)							
1.8	Hungary	Unknown			Cropland - non protected	37	55.8
5.7	Hungary	Unknown			Cropland - protection status unknown	37.9	54.8
32.4	France	Unknown			Cropland - protection status unknown	32	61.8
7.3	France	None			Cropland - protection status unknown	43	48.7
1.1	Hungary	None			Cropland - protection status unknown	43	48.7
2.4	Belgium	None			Cropland - protection status unknown	43	48.7
49.3	Romania	Unknown			Cropland - protection status unknown	43	48.7
Wheat (Fuel not specified)							
10.4	France	Unknown			Unknown	70	16.5
0.7	Belgium	Unknown			Unknown	70	16.5
7.5	Belgium	Unknown			Cropland - protection status unknown	70	16.5
5.1	France	Unknown			Cropland - protection status unknown	70	16.5
1.1	Belgium	None			Cropland - protection status unknown	70	16.5
50.3	Sweden	Unknown			Cropland - protection status unknown	51.2	38.9
10.7	Germany	Unknown			Cropland - protection status unknown	70	16.5
12.8	Denmark	Unknown			Cropland - protection status unknown	70	16.5
1.5	Finland	Unknown			Cropland - protection status unknown	70	16.5
Palm (Methane capture at mill)							

24.3	Indonesia	Unknown			Cropland - protection status unknown	68	18.9
61.8	Malaysia	Unknown			Cropland - protection status unknown	68	18.9
13.9	Malaysia	Unknown			Unknown	68	18.9
Soya beans							
36.5	Argentina	Unknown			Unknown	58	30.8
52.4	Argentina	Unknown			Cropland - protection status unknown	58	30.8
9.3	United States	Unknown			Cropland - protection status unknown	58	30.8
1.7	Canada	Unknown			Cropland - protection status unknown	58	30.8
Oilseed rape							
13	United Kingdom	Unknown			Unknown	52	37.9
8.5	Ukraine	Unknown			Unknown	52	37.9
19.9	Germany	Unknown			Unknown	52	37.9
30.6	France	Unknown			Unknown	52	37.9
25.5	Germany	Unknown			Cropland - protection status unknown	52	37.9
2.4	Canada	Unknown			Cropland - protection status unknown	52	37.9
Unknown							
100	Unknown	Unknown			Unknown	99.3	-18.5
Barley							
22.5	Belgium	Unknown			Cropland - protection status unknown	78	6.9
9.6	France	Unknown			Cropland - protection status unknown	78	6.9
67.9	Sweden	Unknown			Cropland - protection status unknown	78	6.9
Triticale							
60	Poland	Unknown			Cropland - protection status unknown	62	26
19.8	Latvia	Unknown			Cropland - protection status unknown	62	26
20.2	Sweden	Unknown			Cropland - protection status unknown	62	26
Rye							
100	Sweden	Unknown			Cropland - protection status unknown	115	-37.2
Sugar beet							
39.2	United Kingdom	Assured Combinable Crops Scheme (ACCS)	QS		Cropland - protection status unknown	22	73.7
60.8	United Kingdom	Assured Combinable Crops Scheme (ACCS)	QS		Cropland - non protected	22	73.7

Chapter 3

Past year's and planned activities to improve the proportion of sustainably sourced feedstock and reduce average carbon intensity.

Comparing tables 9 and 10 for 2010/11 with tables 5 and 6 for 2009/10 there both successes and disappointments. As stated in the introduction the quantity of biodiesel feedstock from waste products, by definition the most sustainable, reached 56%. It is this that enabled Mabanaft to achieve the average 50% GHG saving target.

Mabanaft was deficit in the achievement of feedstocks meeting a recognised reporting standard and data capture but this was in part due to the change in reporting criteria. Due to the commercial structure of the biodiesel market in Q1 2010, volume was forward purchased for delivery in year three of the RTFO. The volume was purchased with C&S requirements as per year two written into the contract and the additional information required for year three was not available despite best endeavours by the suppliers.

Again in year three we had suppliers claiming environmental standards (RSPO and RTRS) however the claims could not always be supported with independently verifiable documents. As with previous years claims were made based on the assumption all suppliers in the chain were members of the relevant organisation and therefore adhering to the principles. It was only where independent supporting data was supplied then the appropriate standard has been claimed.

Our efforts to increase GHG savings, data capture and environmental standards will continue to progress in line with the requirements of the RTFO and RED. The easiest was to achieve this is to continue to purchase and blend with waste products, UCOME and TME, however due to the commercial advantages now enjoyed by these feedstocks demand is strong and they are not always going to be available. Therefore ever more stringent requirements will be written into purchase contracts and requirements but again this does carry additional cost which is impossible to re-cover from the end user particularly during times of poor economic conditions.

It has been noted in consultation responses the challenges caused by the short time interval between: consultation response, publishing of required standards and implementation.

Past year's and planned activities to support standard development for sustainable biofuel feedstock (membership of RSPO, RTRS, BSI, etc)

Mabanaft is not a member of any of the referenced organisations.

Past year's and planned activities to promote feedstock production on idle land and, where possible, an indication of the volume of fuel originating from such idle land.

Mabanaft's largest biofuel feedstock in 2010/11 was UCOME which has reduced the opportunity to discuss the agricultural factors pertinent to virgin vegetable oil based biodiesel. An area of the chain of custody that has improved is the level of assurance gained from suppliers for the integrity of the data they report. The most obvious examples of how the chain of custody has been improved are the contractual requirements of waste transfer notes and also the securing of a limited assurance statement for individual cargos wherever possible.

Environmental management system certificates

Mabanaft has no Environmental management system certificates.

Successful prosecutions for breaches of compliance with any environmental and/or social regulations related to biofuels activities

No activities to report

Existing verified environmental / corporate responsibility reports.

No environmental reports

Information on other parties within the supply chain:

Where fuel suppliers have information on their main crop producers, information should be provided on the percentage of that company's total production which meets respected sustainability standards. If parties do not wish to disclose the identity of crop producers and intermediate processors, anonymous information can be reported. The information has to be verifiable by the verifier but the identity will not be published;

No details to report

Environmental management system certificates held, e.g. ISO14001; .

Mabanaft Ltd conforms to The Marquard und Bahls Group Management System for all key areas of operation. It includes: quality, environmental and health & safety.

In respect to **Environmental** policies we have in place the following:

Environmental Policy & Plan
Training Standards (internal and external contractor requirements)
Incident Prevention Programme
Incident Reporting (internal & external)
Environmental & Social Corporate Responsibility Auditing.
Environmental & Social Corporate Responsibility Reporting - (this includes carbon footprint calculations based on all travel, heating, water, electrical and offset.)
Environmental & Social Corporate Responsibility - Development Programmes.
Environmental & Social Corporate Responsibility - Contractor Auditing & Minimum Standards.

The M&B Group Management System is a new initiative therefore only limited data is currently available. Because of the environmental policies described, Mabanaft UK has not sought ISO14001 accreditation.

All the terminals where Mabanaft's products are stored have their own audited, documented environmental standards and policies.

Successful prosecutions for breaches of compliance with any environmental and/or social regulations related to biofuels activities.

No activities to report

Robin Lloyd
Biofuels and Technical Manager
Mabanaft UK Ltd

26/9/11

ANNUAL INDEPENDENT LIMITED ASSURANCE OPINION STATEMENT REPORT

Statement Reference Number: GB10/81335-2

To: Robin Lloyd
Bio Fuels and Technical Manager
Mabanaft Limited
Portland House
Bressenden Place
London
SW1E 5BH

This Annual Independent Limited Assurance Statement is given on 7 September 2011.

1. RESPONSIBILITIES

It was the responsibility of Mabanaft Limited to prepare the RTFO C&S Annual Report for the period (15 April 2010 to 14 April 2011) (the 'C&S Report').

It is the responsibility of SGS United Kingdom Limited to provide the client with assurance conclusions and a limited assurance opinion on this statement.

2. ASSURANCE CRITERIA

The following criteria were used to assess Mabanaft Limited annual carbon and sustainability reports and supporting data with respect to:

- Traceability
- Completeness
- Consistency
- Accuracy

The following documents were referenced in the assurance process and in preparation of the opinion statement:

- ISAE 3000:2005
- RFA Guidance for verifiers (Version 3.0 – March 2011)
- ISO 19011:2002
- Renewable Transport Fuels Obligation technical guidance parts 1 & 2 (Version 3.3 - April 2010, and Version 3.1 -, April 2010, respectively)

3. WORK PERFORMED

Annual Carbon and Sustainability Report
The Annual Carbon and Sustainability Report for the 15 April 2010 to 14 April 2011 reporting period was reviewed to verify compliance to RTFO technical guidance with respect to the criteria at section 2.

This included assessment of required content as appropriate: Introduction, context and philosophy, Tables 9 & 10 – C&S data aggregate summaries, fuel supplier (and other supply chain) information, past year and planned reductions in carbon intensity and supporting

activities - applicable standards and idle land use, data reporting continual improvement activities, environmental certificates, corporate sustainability reports, breach of environmental compliance prosecutions and additional information as relevant.

Supporting documentation
Using interviews of relevant personnel, review of data, C&S reports and supporting management process documentation, the following activities were conducted:

- Personnel interviews
  - Robin Lloyd, Bio Fuels and Technical Manager
  - James Stairmand, Biofuels and Technical Coordinator
- Review of document control processes
- Review of Mass balance spreadsheets (all months)
- Review of Feedstock records
  - Period ending 14 September 2010
  - Period ending 14 October 2010
  - Period ending 14 January 2011
  - Period ending 14 April 2011
- Review of C&S records
  - Period ending 14 September 2010
  - Period ending 14 October 2010
  - Period ending 14 January 2011
  - Period ending 14 April 2011
- Review of Monthly reports (all months)
- Review of final version ROS C&S reports (26 August 2011)

Accountability
It was further verified that ‘single point accountability’ for C&S reporting has been implemented within the organisation.

Chain of Custody
Data samples were reviewed from primary source along the chain of custody using production records, supplier and seller certificates of authenticity and ROS report entries as relevant to Mabanaft Limited operations. These were in turn verified against the summary data contained in the draft annual report.

The qualitative statements relating to biofuel production and improvements were reviewed for accuracy, consistency and relevance to the required reporting standard.

The annual carbon and sustainability report for the reporting period 15 April 2010 to 14 April 2011 was reviewed and found to contain all sections and content in line with requirements.

All observations and opportunities for improvement raised throughout this limited assurance audit were effectively actioned by the client and closed out.

4. LIMITATIONS

The verification was conducted by review of a randomly selected sample of contract data sampled on a monthly basis (as noted above) and does not apply to records not reviewed.

The accuracy of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site.

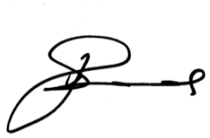
Feedstock defaults are applied and reported as appropriate.

5. LIMITED ASSURANCE CONCLUSION & OPINION STATEMENT

Based on the work described and referenced in this report, nothing has come to our attention that causes us to believe that Mabanaft Limited Annual Carbon and Sustainability Report to the RFA for reporting period 15 April 2010 to 14 April 2011 is not accurate, in all material respects, based on the criteria set out in section 2 of this report and subject to the limitations set out in section 4 of this report.

This report was prepared by: James Hubbard and Peter Barden.

Authorised by:-



Jan Saunders

UK SSC Business Manager

For and on behalf of SGS United Kingdom Ltd

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