

## **INEOS REFINING ANNUAL RTFO REPORT – Morgan Stanley account**

**Reporting Period April 10 - April 11**

**This report refers to the account “Morgan Stanley Capital Group Inc” who host the account on behalf of INEOS Refining.**

### **Chapter 1: Introduction:**

INEOS Refining is one of Europe's leading independent crude oil refiners, processing more than 410,000 barrels of crude oil per day, to produce in the region of 20 million tonnes of fuels per annum. Our refineries are strategically located at Grangemouth Scotland and Lavera France and are both fully integrated with co-sited petrochemical assets of the Company. Our Grangemouth site supplies the majority of its production of road transport fuels into the Scottish market, and also supplies fuel into the North of England and Northern Ireland. As such, any supply or cost effects from introducing bio-fuel feed stocks to Grangemouth will have a considerable impact on the whole of this hinterland.

Transport fuel suppliers are required to submit annual C&S reports as evidence to support information included in their applications for Renewable Transport Fuel Certificates (RTFCs). Due to the commercial agreements involved, INEOS Refining has to split its obligation and reporting between accounts held by Morgan Stanley, and INEOS Europe.

This report contains aggregated verified quantitative data on the biofuels INEOS Refining has supplied in order to meet the RTFO between the 15<sup>th</sup> April 2010 and the 14<sup>th</sup> April 2011 through the Morgan Stanley account. It also includes further information on the carbon and sustainability performance of the biofuels that we have supplied.

## Chapter 2: Aggregate Summaries

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 CO <sub>2</sub> e / MJ	Average % GHG saving
<b>Biodiesel ME</b>						
Unknown	9.4	0	0	0	93	-11
Soya beans	66.9	62.5	0	0	58	30.8
Tallow	21.3	92.2	100	100	17	79.7
Oilseed rape	2.4	25	0	0	52	37.9
<b>Weighted average (all fuels)</b>		<b>62</b>	<b>21.3</b>	<b>21.3</b>	<b>52.4</b>	<b>37.4</b>
<b>Target (2010/2011)</b>		<b>90</b>	<b>80</b>			<b>50</b>

General information		Sustainability information				Average carbon information	
% of total feedstock type	Feedstock origin	Standard	Env Level	Social Level	Land use on 01 Jan 2008	Carbon intensity incl LUC (g CO <sub>2</sub> e / MJ)	GHG saving (%)
<b>Unknown</b>							
100	Unknown	Unknown			Unknown	93	-11
<b>Soya beans</b>							
22.7	Unknown	Unknown			Unknown	58	30.8
72.7	Argentina	Unknown			Cropland - protection s	58	30.8
4.6	United States	Unknown			Unknown	58	30.8
<b>Tallow</b>							
31.1	Unknown	By-product	QS	QS	By-product	17	79.7
47.1	Denmark	By-product	QS	QS	By-product	17	79.7
21.8	United States	By-product	QS	QS	By-product	17	79.7
<b>Oilseed rape</b>							
100	Unknown	Unknown			Unknown	52	37.9

## Chapter 3: Further Information

INEOS Refining has worked through term contracts to understand the carbon and sustainability performance of the Biofuels that we supply. We have developed a company sustainability standard to advise our suppliers on the sustainability standards we expected them to follow. A copy of our sustainability guidelines is attached below.



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Biofuels\Purchasing sp

Through UKPIA we are also working to understand, support and implement ongoing developments in sustainability requirements, particularly those of the Renewable Energy Directive.

Throughout the obligation period INEOS submitted sustainability information to the RFA based on sustainability declarations received from our biofuels suppliers for the 2010-11 obligation period. Throughout the period INEOS used the quarterly RFA reporting as a means of internally benchmarking our performance relative to the wider industry.

INEOS recognises that the performance of our Biofuels is below the voluntary government targets. However through the obligation period, INEOS met the vast majority of it's obligation through the use of transferred Renewable Transport Fuel Certificates. The carbon and sustainability performance of the Biofuels documented above relates to a smaller carryover of physical FAME sourced through a term contract during the previous obligation period. It is therefore less representative of the overall carbon and sustainability performance of the biofuels used to meet INEOS' obligation.

We appointed reputable auditors to carry out the verification on the sustainability information we supplied in line with the relevant RFA guidance.

INEOS Refining has made exclusive use of available default carbon intensity values for its biofuels when supplying information to the RFA.

The use of default data will continue until our suppliers are able to provide auditable actual carbon data. However we are still working towards meeting the government targets for greenhouse gas savings on this basis. Through UKPIA we maintain an active interest in development in this area, particularly as the requirements to meet the Fuels Quality Directive develop.

# INEOS Refining

INEOS Manufacturing Scotland Limited, who operate the Grangemouth Refinery, hold certificates for both BS EN ISO 9001:2008 and BS EN ISO 14001:2004. Copies of these certificates are included below,

BS EN ISO 9001:2008



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BS EN ISO 14001:2004



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Biofuels\RFA annual r

INEOS Refining has had no prosecutions for breaches of compliance from any environmental or social regulations related to biofuels activities. INEOS has not produced a corporate and social responsibility report, and as such is unable to include it in this report.

INEOS Refining purchase biofuels from others and as such do not have a direct relationship with the crop producers. We are therefore unable to comment on the percentage of crop producer's total production which meets respected sustainability standards.

## Independent assurance statement to INEOS management

The INEOS Refining Annual RTFO Report (Morgan Stanley Capital Group Inc account) for the 2010-11 period of the Renewable Transport Fuels Obligation (the Report) has been prepared by the management of INEOS Europe Ltd who are responsible for the collection and presentation of the information within it. Our responsibility, in accordance with INEOS management's instructions, is to carry out a limited assurance engagement on the carbon and sustainability (C&S) data contained within the Report. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

### WHAT DID WE DO TO FORM OUR CONCLUSIONS?

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000). The traceability, completeness, consistency and accuracy criteria from the RFA Verifiers Guidance<sup>1</sup> have been used to evaluate INEOS' application of the RFA's Technical Guidance for C&S reporting<sup>2</sup> in the preparation of the Report. These criteria are as follows:

#### *Traceability*

- ▶ Whether the C&S information in the Report is traceable back to the party or parties that generated the original source information through an appropriate chain of custody?
- ▶ Whether sufficient and appropriate evidence is available to support all reported information, both qualitative and quantitative?

#### *Completeness*

- ▶ Whether C&S information has been provided for each administrative batch?
- ▶ Whether the Report reflects the total volume of fuel reported on the RTFO Operating System (ROS)?

#### *Consistency*

- ▶ Whether consistent methodologies have been followed for calculating and reporting actual carbon data?
- ▶ Whether reported feedstock types for biofuel blends are representative of actual feedstock types for the fuel supplied?

#### *Accuracy*

- ▶ Whether the C&S data in the Report has been accurately collated and reported?

In order to form our conclusions we undertook the steps outlined below:

1. Interviewed personnel at INEOS with responsibility for managing, collating and reviewing C&S data on the biofuels procured by INEOS and supplied to the UK market, and for reporting this data to the RFA.
2. Reviewed relevant documentation and examined the systems and databases used by INEOS for managing and reporting C&S data.
3. Examined the evidence held by INEOS to support the C&S data being reported to the RFA.

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<sup>1</sup> RFA Guidance for Verifiers v3.0 dated March 2011

<sup>2</sup> Carbon and Sustainability Reporting within the Renewable Transport Fuels Obligation – Technical Guidance Part 1 v3.4 dated May 2011

4. Developed a supply chain testing strategy focusing on the risk and materiality of reported C&S information, and taking into account the nature of INEOS' supply chain during the period.
5. Visited INEOS' main biofuels supplier for the RTFO obligation period to examine the evidence held by the supplier to support the C&S information provided for the biofuels supplied to INEOS. The visit included interviews with relevant personnel, examination of the company's systems for collecting, collating and allocating C&S data to INEOS and examining the documented evidence available to support C&S claims.
6. Conducted desk-based testing of evidence from a further supplier to support the C&S claims made in relation to the biofuels this supplier had provided to INEOS.
7. Reviewed the Report for appropriate presentation of the C&S data, including qualitative descriptions of INEOS' performance during the obligation period.

### **Level of assurance**

Our evidence gathering procedures have been designed to obtain a sufficient level of evidence to provide a limited level of assurance in accordance with ISAE3000.

### **Limitations of our review**

Our scope of work was limited to the C&S information contained within the Report for the 2010-11 RTFO obligation period. Our activities were limited to activities at the offices of INEOS and one of its suppliers, and a desktop review of information from another supplier.

### **OUR CONCLUSIONS**

Based on our review:

- ▶ We are not aware of any C&S information contained within the Report which is not traceable back to the party or parties that generated that information.
- ▶ We are not aware of any C&S information contained within the Report which is not supported by sufficient and appropriate evidence.
- ▶ We are not aware of any biofuels supplied by INEOS into the UK market during the RTFO period which have been excluded from the scope of the Report.
- ▶ We are not aware of any collation or reporting errors that would materially affect the C&S information contained within the Report.

### **OUR INDEPENDENCE**

This is the third year Ernst & Young LLP has provided independent assurance services in relation to INEOS' C&S reporting under the RTFO. With the exception of this work we have provided no other services relating to INEOS' approach to C&S reporting or any of the business processes relating to the collation and reporting of C&S information for biofuels.

### **Our assurance team**

Our assurance team has been drawn from our UK Climate Change and Sustainability Services team, which undertakes similar engagements to this with a number of significant UK and international businesses.

Ernst & Young LLP  
London

July 2011



# Certificate of Registration

**QUALITY MANAGEMENT SYSTEM - ISO 9001:2008**

*This is to certify that:*

**Ineos Manufacturing Scotland Limited**

**Bo'ness Road  
Grangemouth  
FK3 9XH  
United Kingdom**

*Holds Certificate No:* **FM 01448**

*and operates a Quality Management System which complies with the requirements of ISO 9001:2008 for the following scope:*

The manufacture, blending and supply of, LPG's, motor spirit, kerosene, gas/diesel oil, fuel oil, Jet A-1, feedstocks including all activities at Finnart. The products are supplied to published or customer agreed specifications.

*For and on behalf of BSI:*

*Managing Director, BSI EMEA*

Originally registered: **01/01/1988**

Latest Issue: **29/03/2011**

Expiry Date: **31/03/2014**



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# Certificate of Registration

**ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2004**

*This is to certify that:*

**Ineos Manufacturing Scotland Limited**

**Bo'ness Road  
Grangemouth  
FK3 9XH  
United Kingdom**

Holds Certificate No: **EMS 96643**

and operates an Environmental Management System which complies with the requirements of ISO 14001:2004 for the following scope:

Refining of crude oil and associated storage, road, rail and ship loading. Finnart terminal and associated pipelines, storage and loading facilities.

For and on behalf of BSI:

Managing Director, BSI EMEA

Originally registered: **03/08/2005**

Latest Issue: **29/03/2011**

Expiry Date: **31/03/2014**



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