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CORPORATE PARTICIPANTS

Juha-Pekka Kekäläinen *Neste Oyj - VP of IR*
Jyrki Mikael Maki-Kala *Neste Oyj - CFO, Strategy & IT*
Markku Korvenranta *Neste Oyj - EVP of Oil Products Business Unit*
Matti Lehmus *Neste Oyj - EVP of the Renewables Platform*
Panu Kopra *Neste Oyj - EVP of Marketing & Services*
Peter Z. E. Vanacker *Neste Oyj - President & CEO*

CONFERENCE CALL PARTICIPANTS

Artem Beletski *SEB, Research Division - Analyst*
Erwan Kerouredan *RBC Capital Markets, Research Division - Assistant VP and Analyst*
Henri Jerome Dieudonne Marie Patricot *UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst*
Henry Michael Tarr *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*
Iiris Theman *Carnegie Investment Bank AB, Research Division - Financial Analyst*
Joshua Eliot Dweck Stone *Barclays Bank PLC, Research Division - Analyst*
Matthew Peter Charles Lofting *JPMorgan Chase & Co, Research Division - VP*
Matthew Robert Lovseth Blair *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refining and Chemicals Research*
Mehdi Ennebati *BofA Securities, Research Division - Director & Research Analyst*
Nikolaos Konstantakis *BNP Paribas Exane, Research Division - Analyst of Oil and Gas*
Peter James Low *Redburn (Europe) Limited, Research Division - Research Analyst*
Raphaël DuBois *Societe Generale Cross Asset Research - Equity Analyst*
Sasikanth Chilukuru *Morgan Stanley, Research Division - Research Associate*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Q4 2021 at Neste Corporation Earnings Conference Call. (Operator Instructions) please be advised today's conference is being recorded. (Operator Instructions)

I'd now like to hand the conference over to your first speaker today, Mr. Juha Kekäläinen, Head of IR. Please go ahead.

Juha-Pekka Kekäläinen ***Neste Oyj - VP of IR***

Thank you, and good afternoon, ladies and gentlemen, and welcome to this conference call to discuss Neste's fourth quarter and full year '21 results published earlier today. I'm Juha-Pekka Kekäläinen, Head of Neste IR. And with me on the call are President and CEO, Peter Vanacker; CFO, Jyrki Maki-kala; and the business unit heads Matti Lehmus of Renewables Platform; Markku Korvenranta of Oil Products and Panu Kopra of Marketing and Services.

We will be referring to the presentation that can be found on our website. Please pay attention to the disclaimer since we will be making forward-looking statements in this call. With these remarks, I would like to hand over to our President and CEO, Peter Vanacker, to start with the presentation.

Peter, please go ahead.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Thank you very much, JP, and a very good afternoon also on my behalf to all of you. It is great to have you all participating in this call. Our company continues to be in great shape, and we are proceeding with high-speed executing our strategy to be a global leader in renewable and circular solutions. I continue to work with the entire executive committee closely together with our Board and over around 5,000 very talented and passionate employees to advance our growth projects, move more upstream, drive excellent business performance and ensure that we meet our sustainability promises and create value for our shareholders.

This is also shown in how Neste ended the year 2021. We had an excellent performance in all business units. Our 2021 performance was supported by strong demand for our renewable products and our ability to manage our sales margins. Our business results were also supported by positive EBIT contributions out of our new Renewable Aviation and Renewable Polymers & Chemicals business units. In addition, our businesses proved to be very resilient amidst the continued pandemic scheduled maintenance shutdowns and high utility

costs. I must say our people have again done an excellent job.

Let's now move directly to Page #4 in the presentation. We had an excellent overall performance in 2021 as set. As we are investing in growth, our depreciations are increasing. When we look at the comparable EBITDA which will become the main profitability indicator going forward, our businesses delivered EUR 1.92 billion in 2021. This is practically at par with the previous year's EUR [1.99] billion and demonstrates how well we have been able to mitigate higher waste and residue costs. Our full year comparable EBIT was EUR 1.342 billion. That is a very strong result in a year of major maintenance shutdowns in midst to significantly higher energy prices.

Our renewable products had an excellent performance in 2021 and the fourth quarter was its second best ever. We were able to deliver higher sales volumes at a better margin and that compared to the previous year. Our comparable sales margin averaged $713 per tonne in the full year 2021 and was as high as $779 in the fourth quarter. This was a great achievement in a very expensive feedstock market environment.

Oil Products was able to exceed the previous year's results despite the major turnarounds at the Porvoo Refinery that was safely implemented in the second quarter and the closure of the Naantali refinery in March. These operational events had a significant negative impact on our sales volumes. The reference margin, reflecting the general market conditions, improved clearly towards the end of the year. But high utility costs driven by natural gas and electricity prices offset a big part of the margin improvement.

Our Marketing & Services segment performed very well in 2021. We were able to increase our sales volumes and unit margins compared to the year before. This was the segment's highest ever results when eliminating the historic contribution from our Russian operations that, as you know, were sold in 2019. Our strategy execution is successfully on track, and I will come back to that later in the presentation. The Board of Directors' dividend proposal to the AGM is EUR 0.82 per share. It is fully in line with our minimum 50% distribution policy and at 53% shows growth from the previous year in both absolute and relative terms.

Let's move to Slide 5. Our very good safety performance continued in 2021. Our occupational safety measured by the total recordable incident frequency was 1.4 incidents per million hours, almost at a record level of 2020 and among the lowest in our industry. Our process safety event rate improved and also reached 1.4 incidents per million hours. This is a great achievement considering the still ongoing pandemic and the Porvoo and Singapore refinery major turnarounds that were implemented last year. We, at Neste, continue to be highly committed to continue our focus on health and safety.

Our financial position remains very solid. We reached an after-tax ROACE of 15.5% on a rolling 12-month basis and again exceeding the 15% target despite our high investments. At the end of December, our leverage ratio was low at 0.6%. This solid financial position enables the continuous implementation of our growth strategy going forward.

And with these opening remarks, I now hand over to Jyrki to discuss the financials in more detail.

Jyrki Mikael Maki-Kala ***Neste Oyj - CFO, Strategy & IT***

Thank you, Peter. 2021 was another different kind of a year and another successful year. The year started relatively slowly due to the COVID-19 impact and also the large Porvoo turnaround. But coming towards the end of the year, the Neste business is truly sold its resilience and if you look at the second half comparable EBIT was 50% higher than the first half of 2021. And certainly, quarter 4, like you have already seen, the strong results were like a bridge over troubled waters and getting towards 2022. Actually, our quarter 4 comp EBIT was one of the best and also the comp EBITDA, which we are going to report more in 2022. They were one of the best quarterly results ever. And we met the financial targets like Peter already pointed out. So let's look the financials in detail.

If we first look at the full year figures. If you just look at, for example, renewable product sales grew 37% with the same 3 million tonne as they were also 2020. So very clear, the top line was in great, great shape. Comparable EBITDA will be our main financial KPI as we start to report 2022 figures in April. 2021 was practically at the same level as 2020, EUR 1.9 billion. Our current leading KPI comparable EBIT, EUR 1.3 billion has roughly EUR 100 million decrease in RP and that is basically coming from 2 items: depreciations and FX impact. Those were EUR 112 million as a total.

Oil products improved roughly 40% during a tough turnaround and COVID year, solid total refining margin. But on the other hand, like Markku will explain a little bit later. We had really high utility costs during the second half of last year. Marketing & Services truly continued its strong performance, even though some of the customer segments like aviation and marine are still suffering the COVID-19 impact.

Our IFRS operating profit hit the level of EUR 2 billion, free cash flow, EUR 500 million in a year where we had EUR 500 million higher CapEx and M&A compared to 2020. So good management of cash again last year. And year-end, our cash position was very strong at EUR 1.6 billion. And then finally, our comp earnings per share basically EUR 1.54. That is the basis for our dividend proposal and the succession is now EUR 0.82 per share, which is slightly higher than our dividend policy, minimum 50% basically defined.

Some highlights concerning the fourth quarter overall strong and solid financials and for example, the sales, EUR 5 billion revenue in the quarter were the highest ever in current Neste operations. Quarter 4 comp EBIT EUR 432 million and nearly EUR 600 million comp EBITDA showed really the improving trend, like I explained during '21. And these financials also were one of the best in current Neste business setup. So very satisfied with the overall results.

So if we look then how the figures concerning quarter 4, the next page, so we have very clearly here that we improved by EUR 52 million, and you see that we have the improvement in oil products, and we have the small improvement also in renewable products. So again, positive trend continues in that sense. But if we look the same with a little bit with the P&L elements, this shows very clearly how strong the business performance was in 2021, in the last quarter, because the volumes and margins as a total improved EUR 83 million. That is coming from volumes, and that is coming out of the margins. And then we have the FX, mainly U.S. Euro, give a boost of roughly EUR 30 million as well. The investment for the future, I'm talking here about the fixed cost. We had a higher fixed cost in quarter 4, and that is very clearly according to our plan for the future, especially in RP, was EUR 32 million higher, but that is really coming from the 3 business units and also investing on Singapore future facility that will be up and running next year, meaning getting ready for the future.

Some other fixed cost elements also increased by EUR 60 million, mainly relating to strategy implementation, normal IT costs, et cetera, et cetera. But nothing extraordinary or special in that sense.

If we then move to the last slide here, the bridge concerning the full year results, we had some EUR 70 million lower EBIT compared to 2020. But if we take out 2 elements: first, the FX impact was negative by EUR 75 million and our depreciations were higher by EUR 65 million, meaning EUR 140 million are coming from these 2 elements, really investing for the future and certainly, currency is a different story. But if you think about the volume impact, it was negative year-on-year coming out of the turnarounds, both in RP and also in oil products in Porvoo and of course, closing the Naantali refinery has an impact. But then we have all the elements relating to volumes and sales margin basically balancing each other. That's how we go out to be at the end of the year.

Fixed cost as of full year figure, it was EUR 22 million higher, mostly coming out of quarter 4, like I mentioned, and the depreciation is another element in the other items where we also have a positive development in Oil Products, base oils compared to the previous year.

So this was kind of the short description how the figures came out at the end of the day, and I leave the word now to Matti Lehmus to describe about Renewable products.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Thank you, Jyrki. Also on my behalf, good afternoon to everybody. And I have to say I'm very pleased with the results as the fourth quarter was the second-best quarter ever for renewable products with a combination of strong sales volume and excellent sales margin. A couple of highlights. The EBIT was at the level of EUR 357 million. And this is a very good result in a quarter with a catalyst change turnaround in Rotterdam as you will remember. I also note that the sales margin strengthened by $100 per tonne versus the previous quarter and reached $779 per tonne, a very good level, supported by strong sales performance and hedging. I will come to this a bit more in detail later. And I have to say that this is a very good achievement as at the same time, the feedstock prices continued increasing.

Turning to the sales volume. This remained high at 774 kilotons, which is almost identical to the previous quarter. The high sales volume was supported by continued good demand as scheduled completion of the Rotterdam turnaround and also otherwise, very good

operational performance at the refineries. So the continued focus on operational excellence supported the results.

And finally, I want to note that the feedstock optimization continues, and the share of waste and residues reached a very high share of 94%, which I'm very pleased with.

Having a quick look at the waterfall on the next page. I would like to make a few comments. And the starting point here is that last year fourth quarter had a good result level of EUR 338 million. But there were a number of drivers then that brought us to this year's EUR 357 million. The first one is that the sales volume was 42 kilotons higher, which explains that EUR 30 million positive result contribution. Also, the sales margin improved by $19 per tonne versus last year's fourth quarter, which had a EUR 14 million positive impact. And the third item on the positive side is the FX changes, which had a positive impact of EUR 22 million because the U.S. dollar actually strengthened from 1.19 last year to 1.14 in the fourth quarter of 2021.

Turning to the items with a negative contribution. The main item was the fixed costs, which increased by EUR 32 million year-on-year. And as discussed earlier, this indeed reflects the fact that we have built up resources and capabilities in preparation for the Singapore growth project startup and the expansion of our future business.

Briefly then turning to the feedstock market. The fourth quarter feedstock markets were again characterized by an increase of the average vegetable oil prices during the quarter. For example, for palm oil, you can see that the quarterly average versus the previous quarter increased by more than 13%. The main reason, in this case, for palm oil was the continued robust demand whereas production volumes didn't quite reach the expectations, for example, due to weather and labor bottlenecks. You can also note from the picture that for rapeseed, for example, the increase in trend was even more pronounced.

Analyzing the waste and residues, the market continued to be tight. Prices continued to be on a high level as demand continued to be solid. And this means that on average, the prices increased by close to 10%. At the same time, it's good to note there were some differences regionally and by waste and residue type, and in general, one could say North America was leading the price trend. If you take the example of animal fat, which is here on this chart, you can note how prices increased with some time lack versus palm oil but then still resulting in an average increase of 7% quarter-on-quarter. Also for used cooking oil, we observed a similar trend where the average price increased by close to 10% over the quarter.

A quick look on the U.S. market on the next page. You will note that LCFS credit price averaged $155 per tonne in the fourth quarter which is down 12% from the previous quarter. The key driver here continues to be the supply and demand and its outlook, where the balance is driven on one hand by an increasing carbon intensity reduction targets, but on the other hand, the expectation of higher biofuel renewable electricity supply and renewable gas supply. Also, the RIN prices decreased slightly, especially in the second half of the quarter, and the D4 RINs averaged $1.5 per gallon in the quarter, which is 6% below the previous quarter.

Finally, turning to the sales margin. It was on a very strong level of $779 per tonne, which indeed represents a $100 per tonne increase versus the previous quarter. I would here like to highlight the main drivers behind it. Firstly, -- as discussed earlier, the average feedstock market price continued on an increasing trend and average prices for various feedstocks increased on an average by close to 10%. On the positive side, there were a number of positive drivers that supported the sales margin. Firstly, the sales performance was excellent, including, for example, the optimization of sales premium and also the geographical sales mix. This, together with the commodity market increasing trends enabled an increase of the average sales price, which explains around 60% of the sales margin increase. In parallel, also, our hedging strategy continue to have a positive impact as our hedging ratio was high in the fourth quarter, and this mitigated a significant part of the feedstock price increase, explaining around 40% of the sales margin increase.

A final driver I would like to mention is that in the fourth quarter, there was a spike in European energy costs, including European natural gas prices, and this naturally had an impact on our variable production costs. This impact was partially mitigated by our utilities hedging, but it still had an increasing impact on our variable costs. In general, a very good quarter supported by good operational performance and good reliability in our supply chain.

With these words, I hand over to Markku Korvenranta, who will discuss the Oil Products results. Please, Markku.

Markku Korvenranta ***Neste Oyj - EVP of Oil Products Business Unit***

Thank you, Matti, and good afternoon to everybody. This is my first result conference call that I'm participating having started at the beginning of December. So Oil Products had a very strong Q4 2001. We had a comparable EBIT of EUR 90 million, leading to a full year EBIT of EUR 71 million. And you will see on this first slide on oil products that the trend was very positive through 2001 with the highest EBIT on the last quarter. The -- on the last quarter, we had a good average utilization rate of 93% compared to the previous year, 86%, which has been one of the main drivers of performance. We had a very strong sales volume on the last quarter as well, contributing to the good result.

If we move over to the next slide with showing the work from the fourth quarter of '20 to fourth quarter of '21, we'll see that the reference margin contributed positively with EUR 180 million, while the additional margin dragged down the result by EUR 140 million. The largest contribution -- or negative contribution to the additional margin was the high utility costs, ETS credits and natural gas and electricity. This was really the trend of 2001 and that same also in result in the last quarter. And we're also seeing that having an impact on the first quarter of this year.

If we move over to the next slide and have a look at the product margins and Urals-Brent differentials, we'll see that both of these drivers moved positively during the year, having a normalized result and having a positive impact on the overall performance of last year and the last quarter.

I would go into the next slide and still talk a bit more about the additional margin, which clearly developed negatively during the year. And we'll see that the reference margin, which was positively developing during the quarters of last year, while at the same time, the additional margin was lower, and again, clearly driven by the high utility costs, particularly natural gas, electricity and the ETS credits.

And with that, I will hand over to Panu to talk about the marketing and services.

Panu Kopra ***Neste Oyj - EVP of Marketing & Services***

Thank you, Markku. Good afternoon. This is Panu Kopra speaking. I'll give you some highlights of last year and Q4 in marketing and services. Solid financial performance continued in Marketing & Services in Q4 and during last year, we were able to improve our comp EBIT from EUR 68 million to EUR 74 million, which is all-time high result, and like we test eliminating Russian business, very good performance. Return on net assets, more than 36%, which is indeed for retail business very healthy level. In Q4, both gasoline and diesel volumes increased compared to last year. At the same time, margins were higher than last year, which increased sales margin, but on the other hand, fixed costs were higher, but mainly due to nonrecurring items. Aviation and Marine volumes are both recovering; however, quite slowly.

We continue transformation of the station network. We have now closed almost 110 least profitable stations in Finland; at the same time, have expanded Neste MY availability at station network. Neste MY volumes increased by 20% compared to year 2020 due to expanded availability and active marketing. We also started to prepare to do the same in Estonia. Neste MY is available at stations in Estonia, and we continue expansion this year. First, sales results look promising also in Estonia. So I'm very happy to see that also our Estonian customers are willing to move to more sustainable way of driving.

This was shortly about Q4 and about last year in Marketing & Services. Handing over back to Peter.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Thank you very much, Panu. Let's now move on to the current topics. I mean first, a few words on the good progress that we made in our strategy execution during the fourth quarter. And of course, I start with Singapore. The Singapore renewables capacity expansion project continues to be on schedule, for start-up by the end of the first quarter 2023. The local government has taken quite strict actions and successfully managed the COVID-19 situation in the country. We continue to take all precautions and follow the developments in Singapore, of course, very closely. Our Rotterdam sustainable aviation fuel optionality project is proceeding well according to plan. It is expected to deliver 500,000 tonnes of optional capacity by the end of 2023. The engineering phase of the possible next world-scale renewables facility in Rotterdam continues. It will have a relatively similar scope as the ongoing Singapore expansion projects. We are

approaching readiness for a final investment decision during the next months and are making good progress with our environmental permits.

The Rotterdam catalyst change was implemented safely and successfully in the fourth quarter. Our continuous focus on the Neste Excellence program has enabled the increase of our renewables nameplate production capacity again and now from 3.2 million to 3.3 million tonnes annually. The capacity target of 4.5 million tonnes once the Singapore expansion is online, is, for the time being, unchanged. This means that we have been able to capture part of the additional capacity potential already ahead of schedule.

In the area of innovation, we will open an R&D center in Singapore, and this will increase our R&D and innovation capabilities globally. It will also drive collaboration with partners and increase our presence and focus on the Asia Pacific region, which we believe will be very important in the future. I'm also pleased to note that the first series of processing trial runs at industrial scale, we have liquefied waste plastics has been successfully concluded in Porvoo. So far, this has enabled us to support our customers to produce fully recycled polymers based upon waste plastic and eliminated the amount of waste plastic generated in an average small city in Europe in a year.

Our Neste Excellence program has exceeded our targets, and we have improved our EBIT since the baseline year 2018 by an impressive EUR 375 million. We will continue to focus on operational excellence during the following years. These were again some of the highlights I wanted to mention. We have a clear strategy and continue moving ahead with full focus and speed.

As an outlook for the first quarter, we see the following. In renewable products, the sales volumes are expected to be on a roughly same -- similar level as in the previous quarter. The waste and residue markets are anticipated to remain tight. The renewable sales margin is expected to be within the range of $650 to $725 per tonne. This is something we consider healthy. Utilization rates of our renewable production facilities are forecasted to remain high. Oil products market demand has recovered year-on-year, but it is still seemed to be impacted by the pandemic. The reference margin is expected to remain volatile and lower than in the fourth quarter. The very high natural gas price is expected to keep depressing over additional margin.

Oil product sales volumes were forecasted to come down somewhat from the high level that we have seen in the fourth quarter 2021. And in Marketing & Services, the sales volumes and unit margins are expected to follow the previous year's seasonality pattern. Some negative impact on demand and sales volumes is still anticipated due to the COVID-19 pandemic.

We continue to execute our strategy and make investments in our business. Our cash out capital expenditure is estimated to be approximately EUR 1.1 billion in 2022, and that is excluding M&A. In Renewable Products, we have scheduled a 6-week turnaround at the Singapore refinery in the third quarter and a 7-week turnaround at the refinery in Rotterdam in the fourth quarter. The negative impacts of the Singapore turnaround are currently estimated to be approximately EUR 90 million and the negative impact of the Rotterdam turnaround approximately EUR 100 million on the segment's comparable EBITDA.

As we continue to expand the renewables products business, the segment's full year fixed costs are expected to be approximately EUR 140 million higher than in 2021. This includes, among other things, fixed costs of the completed acquisitions as well as our investments in the new business units as well as in the innovation platforms as well as for the Singapore new facility. I referred to this already in the previous results call. We would now like to confirm that comparable EBITDA will replace comparable EBIT as our main profitability indicator since we have seen comparable EBITDA better reflecting our underlying business performance in a period of heavy investments. This change will be effective from the first quarter of 2022.

Now this concludes our presentation. Now we are happy, of course, to take your questions. So back to you, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today is from the line of Mehdi Ennebati from Bank of America.

Mehdi Ennebati ***BofA Securities, Research Division - Director & Research Analyst***

First, I would like to congratulate Neste for this extremely strong renewable project margin in such a tough environment. So well done, everyone. And I will ask 2 questions, please. The first one on the fixed cost increase that you provided for 2022. So from what I understand, so this is a combination of new hiring for the Singapore new plant and also from the several acquisitions you've recently made. But regarding those recent acquisitions, you only highlight the negative impact on the fixed cost. But what about the synergies? What about the impact also on your margin? Can you tell us more about that? Because so far, we can only see the negative regarding those acquisitions. And what's the purpose as well of those acquisitions, especially in the U.S., if there is no positive impact on EPS, on free cash flow, is it only to secure fixed cost?

And the second question is about the capital allocation. So your balance sheet is extremely strong. You have a 50% payout dividend policy, which is already quite generous. But clearly, you could do more by, for example, implementing a share buyback. So I understand that you have the authorization to realize the buyback, you had this authorization last year as well. So can you confirm this? Just would like to make sure I'm not mistaking something there.

And also what could prevent you today from starting a share buyback. Now that you have a very strong balance sheet and now that your share price evaluated quite significantly during the last 12 months. When I talk about share buyback it's not buying shares to offer them to the Board, buying shares to cancel them.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Yes. Thanks, Mehdi. I mean very good questions as usual. Let me -- I mean give a first glance on the fixed cost increase. And here, what we have alluded to is, of course, I mean, fixed cost increase in the renewables area. And you rightfully said that we have done quite an impressive number of acquisitions even during the pandemic, which, of course, adds I mean to fixed costs. In addition to that, we are, of course, hiring people in preparation of the Singapore facility.

There is, of course, the business units, renewable aviation and renewable polymers and chemicals that we have set up, and I alluded to that in my presentation already. Without -- at this point in time, we are willing to disclose any concrete numbers, but both of these business units have contributed positively to the bottom-line comparable EBIT. So it makes absolutely sense that we are building up these business units. And of course, we have said that we are also investing in innovation with our innovation business platforms, and that is, of course, an investment in the future. You don't see the immediate benefits out of those investments, but we do believe that we need to develop the future technologies that will then come and help us to continue to grow after 10 years from now.

There is also another aspect that I would like to highlight a bit. We have been extremely sensitive in terms of our fixed cost management during those pandemic years 2020 and 2021. So we have taken different measures in place that, of course, have kept our fixed costs extremely well under control despite the fact that we were investing already in building up these business units and the innovation platforms and Singapore and acquisitions, et cetera, et cetera. So you couldn't really see a big impact of fixed cost increases in 2020 and 2021 simply because of the fact that we actually were reducing a huge amount of costs wherever we could influence to navigate through the pandemic period. Of course, these things are not sustainable, and they are coming down to the bottom line in 2022 because we need to be ready when we are starting up the largest facility, let's say, in the world for renewable products.

You're right, I mean to say that we have not disclosed any upsides on the acquisitions, but let me maybe allude I mean, to the fact that we have the highest ever sales margin in 2021. So even if we do not explicitly say how much of that sales margin is actually coming out of our acquisitions. We keep that for the time being very close to us for competitive reasons. But it's clear, I mean, that it has also made a contribution to keep our sales margin on -- and every year increasing our sales margin. You all know our sales margin was about $350 million to $450 million -- $350 to $450 per tonne around 4 years ago. Now we have given a guidance for Q1, which is $650, $725, so that's substantially higher despite, I mean, everything else that is going on.

On the balance sheet, of course, everybody talks about share buybacks. At this point in time, this is not at the table for us. Let me be very clear here because -- we do see that we have opportunities to continue to grow in the future. We want to have a healthy balance sheet to continue to invest in the expansion of our business.

Operator

The next question is from the line of Josh Stone from Barclays.

Joshua Eliot Dweck Stone ***Barclays Bank PLC, Research Division - Analyst***

Also congratulations on the great results and also from a personal perspective, quite pleased to see the retirement of your healthy margin terminal within your guidance. Just 3 questions, please. So firstly, on your fixed costs again. You talked about part of that is related to hiring of new staff. Is this a function of -- or how much of this is a function of the talent pool becoming a bit more expensive? Has that had an impact at all? And on that point, as you continue to grow capacity, do you see enough of the talent pool sort of justify those additions? Or to what extent could the hiring of staff potentially constrain any of your volume growth ambitions over time. Maybe just a few comments on that.

And then second, if I look at the results, the revenue performance in renewables was particularly strong. I got implied prices up 20% quarter-on-quarter, more than 20%. I noticed the North American market was particularly strong. You've talked about selling previously banked credits in the last quarter. Was that a feature in the fourth quarter again? And how do you expect that to grow over the first quarter?

And then lastly, on your margin guidance, are you say what you're assuming for the hedging gains or potential hedging gains in the first quarter?

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Okay. Let me take the first question, Joshua, and then Matti will go on your second question, give you a little bit more background on the revenue and the renewables and also tackling the hedging question. With regards to our fixed costs, your first question, talent pool, more expensive. Well, not really what we are experiencing now. And in addition to that, your second question related to that, do we have access to enough talents? Well, due to the fact that we have established our global footprints, our brand reputation has substantially increased as well during the last years. Our positioning is very good. So we have lots of very good people that actually want to join Neste. So from that point of view, I don't see on both these topics any issue, yes. So we really have people that want to work, I mean for us. And I would say not leading to more expensive talent pools in the company.

Now on the second question, Matti, if you can take the renewable revenue?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Thank you, Josh, for the question. So I fully confirm your observation that the average selling price developed very positively in the fourth quarter. It went up by more than $150 per tonne on average. And if we analyze a bit what is behind it, I think there are 2 main drivers, which both roughly represent half of that increase. One is that we were able to increase our sales premia over diesel. This is a very important driver. And the second one is that the underlying diesel price also increased. So both of these drivers enabled us to increase our average sales premium. I don't -- I'm not aware at the moment at least that there are some specific credit sales timing issues or others, which would have a major impact.

If I then turn to your question on the hedging gains in the first quarter, it's indeed good to note that in the fourth quarter, still we had a very high hedging ratio, more than 60% of total sales. And like you will remember, as we have discussed before, those hedges have been done early so of course, this had a clear positive impact on the sales margin. We continue to have, for the first half of the year, relatively high hedging ratio. It's 50% to 60% for the first half of the year. But of course, important to note that these have been made later. They have been made in conjunction with us closing our term deals. So it, of course, means that hedging contribution, it will be and -- it looks like it will be clearly positive, but not as high as in the fourth quarter.

Operator

The next question is from the line of Nick Konstantakis from BNP Paribas Exane.

Nikolaos Konstantakis ***BNP Paribas Exane, Research Division - Analyst of Oil and Gas***

Three, if I may, please. You just on the North America realization, which was questioned, I just want to touch on Europe where you also had big increase. Is there any countries in particular, which have increased in your mix? I'm just looking at your original sales, it seems like other Europe has increased.

Secondly, I just wanted to talk about the product mix. Just looking at the sales you disclosed, the other product seems to be at all-time high. Is that chemicals? And when does stuff fit into that?

And then lastly, if I just may go into the term sales and think about in relation to your guidance, with the U.S. credits coming off, I imagine U.S. margins are below the bottom end or towards the bottom end of your range, where do your term sales sit? Or any color you could give us on the relative margins, basically?

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Thanks a lot, Nick. Matti, do you go with the first question on the European.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Short comments, I mean, as discussed also before, we have done over the last year, a lot of work to open a number of markets in Europe, whether it's in Northern Europe, of course, where you have a high ambition on greenhouse gas reductions or whether it's in Central Europe or Southern Europe, where you also have clearly countries with a high ambition for reducing and it is clearly something we, of course, continue doing continuously that we also here optimize the mix. But I think the important thing is here that we have that large number of markets open that we can sell into.

So again, in Europe, it was a mix of sales to both Northern Europe but also Central and Southern Europe that we did. On the product mix, I can perhaps briefly comment the -- what we are indicating in our report is the renewable diesel and stuff as one category. So when you then look at the other category, this is basically, for example, renewable propane, it's renewable naphtha. It's some gases. So it's a combination of these other products.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

I mean, on this one, Nick, I need to add, I mean, the renewable middle distillates, so these hydrocarbons that we are producing and selling for the polymers and chemicals business is also combined still in the same category as renewable diesel and sustainable aviation fuel. So you cannot take a conclusion that in the others, this is the Renewable Polymers & Chemicals business. It's like Matti said, it's only then the biopropane, which goes into renewable polymers and chemicals plus then also that renewable naphtha that goes into polymers and chemicals. So it's not 1 to one, please.

Then you want to mention sales.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. So short comments on the term sales. I mean, general comment I would have is, again, after a successful round of term negotiations, the share of term sales overall is around 75% of our sales. As you can see from our last years, both Europe and North America are for our strategic markets. So we do have term sales in both -- our strategic customers in both of these regions. So I would just say that we continue basically with that idea that we have a mix of term sales and also some spot sales opportunities in both regions.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

We can maybe add to that. I mean, on the term sales side, that, of course, we continue, just like we have done during the last couple of years. We've taken these positions with a larger amount of customers that we have in different, of course, geographies that means in different countries. So that provides us much more optionality in how we see our business. And therefore, we keep on looking at -- especially like, for example, in Q4, we had lots of spots still open, that we were able to place in the market.

So of course, we placed it there where we had very healthy demand in the European markets, so where we could get the best benefits and therefore, also higher sales premiums. The situation, I mean, for next year -- for this year and 2022, sorry, continues to be like Matti

said, I mean, that we have that variability that we can actually then also continue to steer as we have more optionality. Of course, I mean, the Aviation business and the Polymers & Chemicals business continued to grow. We're very pleased, I mean, with the development last year on both business units. And therefore, also that adds, I mean, in terms of optionality as the volumes grow.

Operator

The next question is from the line of Artem Beletski from SEB.

Artem Beletski ***SEB, Research Division - Analyst***

Actually, I have 2 be asked. So first of all, what comes to so sales, the way how you guide renewables margins for Q1. So basically, you have narrowed the range and also upped it somewhat. Could you provide some color what is basically driving it? Is it basically, let's say, resilient progress, what you have delivered last year, term deals, optionality, what are sort of the key drivers behind upgraded and narrowed guidance?

And maybe the second one is going to Europe relating to tax rate. So it has been basically below 10%. Or the past couple of years, what is the rate we should be assuming going forward?

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Yes. On the first question, Artem, a good question. Of course, I mean, we have continued to gain them in confidence if you just look at the variability that we had on our sales margins and that in combination with the optionality that we have built up. It was not a huge fluctuation, let's say, in our sales margin. If you go back, I mean, the last 6 quarters. So that led to the fact that we said, okay, let's be more explicit on our sales margins, not be qualitative, but clearly give you an indication what is the range, and we intend to do that also moving forward so that we are actually talking about ranges of about $75 per tonne.

Jyrki Mikael Maki-Kala ***Neste Oyj - CFO, Strategy & IT***

Yes. And then about the taxes, you are absolutely right Artem, it was 9% last year, our effective tax rate. And if you know that this is coming from the lower taxation in Baltic countries and Singapore and Switzerland. And for modeling purposes, overall, what we have seen is that our normal tax rate, it's basically varying between 12% and 14%. So I would use those kinds of things for thinking about where it would land also 2022.

Operator

The next question is from the line of Erwan Kerouredan from RBC.

Erwan Kerouredan ***RBC Capital Markets, Research Division - Assistant VP and Analyst***

And well done on the strong set of results this morning. So 2 questions, please. First one on the sales margin of Renewable Products. And then second one on the new growth areas. So can you elaborate more on the bear case justifying a floor of $650 per tonne in your guidance range for the first quarter, given how you landed your margins very, very, very comfortably in the very high part of the range and ultimately closer to the $700 to $750 throughout the past 4 quarters.

And then second question on the new growth areas. So you confirmed the very, very constructive developments in SAF and renewable polymers and chemicals over the past year. Can we expect any specific separate earnings disclosure on renewable chemicals and polymer before 2023? These are my 2 questions.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Thanks a lot, Erwan, for your questions. On the sales margin, the way how we are looking at it, I mean, almost in the middle of the quarter now. Yes, we said $650 to $725, but our confidence level is not at the very low level of $650, but it's rather, let's say, around, let's say, the $700 level. Of course, the quarter is not over yet. So don't take me, let's say, on that exact. That's why we give a range, but it gives you a little bit of more feeling in where potentially we could end up.

And then on the reporting, we think that it is better than in 2022 and definitely in 2023, as we are ramping up the Aviation and the Polymers & Chemicals business that we keep our reporting on the renewable product level, and we do not yet split it up. That's our

current thinking that we have. And then we'll need to see, I mean, once we have ramped up the Singapore facility how we will deal with that then in 2024, but that's the current thinking.

Operator

The next question is from the line of Sasikanth Chilukuru from Morgan Stanley.

Sasikanth Chilukuru ***Morgan Stanley, Research Division - Research Associate***

I had 3, please. The first was regarding the fixed costs increase by EUR 140 million year-on-year. Just wondering what are the expectations of these -- of the level of fixed costs after the Singapore expansion project and the Rotterdam SAF optionality project come online in 2023? Is this increase, the year-on-year increase, indicative of future increase -- year-on-year increases as well?

The second question was regarding the FID of the possible Rotterdam expansion project. If you could provide some color on what is required from here on actually to take FID? What is holding back the FID of that project? Is there any risk of higher CapEx required now for the project than what was previously expected due to the current inflationary environment? In general, how are -- how is the current high inflation rates actually affecting the profitability of future projects. If you can talk about that.

And the last one was related to the renewable product sales volumes because if you can remind us what your expectations are for the overall sales volumes for 2022 in the Renewable Products segment.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Thanks, Sasikanth. On the fixed costs, even if we don't give, of course, the guidance over multiple years. But what I can tell you is that in the EUR 140 million additional cost, of course, as I said, we have the business unit build up. We have Singapore, Rotterdam optionality. So this -- I think it would be the wrong thing to say that now, every year, we're going to have a fixed cost increase of EUR 140 million that would not be the right thing, I mean, to do either. So let's now look at that EUR 140 million in RP, I mean, for the year 2022. And then in the following years, we will, of course, give you guidance on what does that mean, but -- it will not be every year, I mean, such a big number. I don't believe that.

Then on the FID in Rotterdam. Well, there is nothing special actually delaying. We are proceeding with the engineering work. And as you know, just like for the Singapore facility, the moment we've taken FID, we started filing, let's say, a couple of days later. That has always been our philosophy in the company. So we want to make sure that all the engineering is done in the appropriate fashion. And then when the FID is -- the decision is being taken by our Board that we then immediately can start with the execution. We have alluded to that, I mean, already a couple of times that the scope is, let's say, generally spoken, similar to the Singapore scope. But of course, there are a couple of very nice tweaks that we are doing. And that, of course, also plays a role in the engineering that we want to make sure that those tweaks, of course, also function very well. And of course, they are fitting then to the European environment. On the RP sales volumes, Matti, if you can answer that question?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. I think in general, if you look at it from the perspective of what is the production outlook, we gave also an update on the turnarounds that we are planning to have this year. So it's mainly the third and the fourth quarter, where we have the big units in Singapore and Rotterdam with the major turnaround. There is a small minor turnaround in one of the smaller units in Porvoo in the second quarter. If I look at it overall, I would expect the production volume to land very similar to what we had in '21 and that, of course, then also means from the sales volume, we would expect to be in a similar range.

Operator

The next question is from the line of Peter Low from Redburn.

Peter James Low ***Redburn (Europe) Limited, Research Division - Research Analyst***

First one was just a quick clarification on the maintenance schedule in renewables. So you would turn around with Rotterdam and Singapore this year that you would turn around last year in Singapore and the catalyst change at Rotterdam. Should we assume going forward that there's an annual maintenance shutdown required at each plant? Is that a sensible modeling assumption?

And then just a quick question on the California market. You mentioned in your remarks that the LCFS credit price has not really recovered despite the increase in the annual required CI reduction. Can you just share any thoughts on that and perhaps how you see supply/demand evolving in California, what that could mean in terms of the trajectory for LCFS prices from here?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Thank you. I'll first comment on the question on the maintenance. So perhaps good to remind there is 2 types of turnarounds. One that is more frequent is what we call a catalyst change turnaround. And that is something that we, of course, optimize the length. It's also a choice of what the optimum is. But these have occurred, let's say, something like every fourth, fifth quarter typically for the sites. And then on top of that, you have, of course, these more major turnarounds, which are a bit longer also where we typically have regulatory inspections, they may be more extensive maintenance work. There is not a firm timeline for them, but we do it based on a risk-based assessment and based on the regulatory needs but they are less frequent. In this case, for example, if I mentioned this year, one of the reasons we have a longer turnaround, for example, in Rotterdam is that we also need to prepare for the integration of the sustainable aviation fuel optionality project. So these can also be things which affect then the turn of length at least when it comes.

Then a couple of comments on the LCFS. And like I said in my opening, it's indeed, of course, if you look at this fundamental supply and demand balance, there's always several aspects to look at it. So if at the moment, you look at it, yes, we have, on one hand, the positive demand increase coming from the fact that the carbon intensity target is increasing. It goes up from 8.25% last year to 10% in 2022. So that increases the demand for credits.

Then on the other hand, it's always a function also of what the actual underlying fuel demand is. And if you look at 2021 in general, we are still, of course, seeing that we are recovering from the pandemic. So that is another fact, which then will impact how many credits are needed. And then, of course, the other part of the equation is always the supply of the credits. Here we have, of course, growing renewable diesel supply, but it's good to note that also during '21, we have seen, for example, renewable electricity, also biomethane, some growth. So it's really the balance of these 2 that makes the difference. And what we are watching very closely here, of course, is indeed how quickly the fuel demand recovers now, and at the same time, continue monitoring how the supply growth of credits will actually realize -- pan out next -- during the year.

Operator

The next question is from the line of Matthew Blair from Tudor Pickering Holt.

Matthew Robert Lovseth Blair ***Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refining and Chemicals Research***

I'd like to stay on this California LCFS market with 2 follow-ups, please. The first is, could you talk about how connected are your markets here? So if you have California LCFS prices falling, does that affect your netbacks in Europe or in Canada?

And then the second question is given that prices have come off to the 140 range from 200 earlier in 2021, do you expect like any sort of a reset from CARB or the California legislature to the toughen these standards and to push prices back up into that 200 a tonne range.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Matti?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Thanks for the question. So in general, I mean, if comparing to the question how connected the markets are, perhaps there is no direct connection between, let's say, European specific market or the Californian market. This is then obviously more a question of looking at global supply/demand, et cetera, but I don't see a direct connection between the markets.

The other question is an interesting one. It's on the question, what kind of processes exist to review the ambition. And perhaps there, it's

good to note that there is actually a process called , let's say, periodic review that the Californian authorities have called scoping plan where they can periodically review the ambition for the future years. And this is, of course, something that if the supply of credit is growing, then that can be taken into account when the ambition for the future years is also set.

Operator

The next question is from the line of Matt Lofting from JPMorgan.

Matthew Peter Charles Lofting ***JPMorgan Chase & Co, Research Division - VP***

Two, please. First, just coming back to waste and residue feedstock markets and the sort of the tightness that you've reiterated on an ongoing basis. I guess there's different sort of factors at play within that in terms of, on the one hand, potentially higher demand or competition from other producers as supply ramps up. And on the other hand, supply chain tightness perhaps playing a role as well. So I wondered if you could disaggregate a bit of the nature of the sort of the tightness that you're seeing and the extent to which one or the other is outweighing.

And then secondly, if I heard it correctly, you sort of talked earlier about higher variable costs or high energy costs within renewables being largely mitigated during the fourth quarter by hedging. Can you confirm whether those hedges remain in place for 2022? And when and if you get to a point where you're going to be more directly exposed to market prices on gas and energy?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Thanks for both questions. So I'll start with the waste and residue markets. I mean, first of all, I'll just state that there is, of course, a link between the different markets like vegetable oils, like waste and residues. And one factor always is to see what is happening in the different markets. And if you look at, for example, just the recent history, then we have had increases in vegetable oil markets, whether it's palm oil, whether it's soybean oil. And this is, of course, one of the drivers which over time tends to have some impact. When then moving more to the waste and residue markets, then it's, of course, about supply and demand and perhaps worth noting there is always also some regional differences. So for example, view at the recent history, you can see some differences that in North America waste and residue markets have been increasing more quickly, whereas in, for example, Europe, the markets have been a bit more stable. So you will always see this kind of regional also differences, which are, of course, then reflecting local supply and demand balances.

But then on the variable cost, perhaps just stating, yes, I did mention that clearly, what we saw in the fourth quarter is that natural gas prices in Europe have gone up and this also affects our variable cost. Yes, we do have some hedging programs in place, so they do a little bit partially mitigate that impact. But I also want to be clear, we still did see a clear increase of the variable cost. And that continues to be the situation also in '22 that while we have some hedges in place, there is, of course, continues to be an exposure then to what happens in the natural gas market.

Operator

The next question is from the line of Henri Patricot from UBS.

Henri Jerome Dieudonne Marie Patricot ***UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst***

I have 2 questions, please. The first one, given year away from the startup of the Singapore expansion. I was wondering if you can give us a sense where we should expect some sort of change in the feedstock mix in the near term when the plants start up and change in terms of the split between North America and Europe? Or like in the case of office stock, you're actually doing the work to be able to source enough waste and residue so that there isn't that mature change in the feedstock mix?

And secondly, I want to follow up on the questions around variable costs. And can you give us a sense of the negative impact that you're seeing from that, I think, RP, you previously talked about $110 per tonne for the variable cost. Any sense of how much the increase has been in the last quarter compared to that baseline? And how much of a headwind you've seen in oil products in the first quarter in 2022 versus Q4.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Matti, if you can take.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. So the first question, thank you, was on the Singapore expansion and the impact on the feedstock mix. So here, I would continue -- I more look at it as something where we, of course, continuously try to optimize our feedstock mix. As you know, we are focusing in our strategy on waste and residues with a low carbon intensity. So this is something, of course, still then to happen during the year that we prepare for the startup, but I don't know automatically see that there is an automatic change into our feedstock mix, and the subject to the optimization also at the time.

Regarding the variable cost, I can comment for the renewables. I mean just to give you a flavor, if I compare the third quarter and then the fourth quarter where we had that price spike for natural gas, it did have an impact on our variable cost. If you put that into the perspective of our sales margin, for example, I think the impact is, let's say, in single-digit percentage, just to give you a flavor. So it's there, but it's, let's say, in the 0 to 10% range of the sales margin.

Henri Jerome Dieudonne Marie Patricot ***UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst***

Okay. And on the OpEx side...

Markku Korvenranta ***Neste Oyj - EVP of Oil Products Business Unit***

Thank you for the question. So the fourth quarter was, as I mentioned, very strong on volume. And we were partially sealed it from the high utility costs by hedge, similarly, as Matti explained, for renewables. In Q1, we'll see still good demand but lower than in the fourth quarter. The reference margin, we expect to continue to be volatile but somewhat lower than the fourth quarter, and we'll see a fairly significant impact coming through, particularly from natural gas impact in the Q1.

Operator

The next question is from the line of Henry Chan from Bloomberg.

Henry Michael Tarr ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***

Might be me. It's Henry Tarr from Berenberg. I hope you well. I had a couple of questions. So firstly, on the Singapore facility, to come back to that one. Will you be looking for term sales? And when will you start negotiating those? Is this kind of going to be in Q3, Q4 of this year? And then I would guess the bulk of those, the products from the new Singapore facility as they ramp up are likely to go into the U.S. again, is that kind of the initial plan?

And then on the feedstock side, with the acquisitions that you've made on environmental, et cetera, I guess you're gathering feedstock in the U.S. What are you currently doing with that? Are you shipping it to your facilities in Europe or elsewhere? Or are you sort of selling it in the U.S. as a hedge, if you like, against feedstock costs? And then just lastly, how do you see the growth of renewable diesel capacity globally this year?

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Thanks, Henry. With regards coming to the Singapore new facility, we need to split it up a little bit in different parts. I mean the first part is on the renewable road transportation for renewable diesel. Here, we follow the same pattern like we do every year. So that means that at the end of the year, we will go again into the term sale negotiations with our strategic customers on a global basis. In Renewable Aviation, so to SAF, the dynamics are a bit different in that market in such that we have and may expand also the relationship with strategic customers. And therefore, in terms of volume commitments, we have sales agreements which go beyond 1 year. So this is ongoing already now that we have such negotiations ongoing. And this is a bit similar in the polymers and chemicals that you don't go, let's say, from 1 year to the other year, but you have then also global customers, multiple locations -- and therefore, also, we're talking about sales agreements that eventually are going over multiple years.

But again, these are the partnership agreements. That means that they are more volume oriented and not fixed price, I mean, oriented. Then on your feedstock U.S., I think the situation is very clear on that. I mean, whatever we are collecting, aggregating, certifying and so on, we are using in our own facilities. And then with your third question, Matti.

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. And perhaps adding to that one, of course, we also have the possibility, and we do also sell to third parties. So it's a combination, but optimization, we do continuously as well. On the third question on the renewable diesel capacity estimates this year. So like I commented, I think also earlier, we do see that there is, of course, going to be supply growth. It will depend on the exact timeline of when new capacity is being ramped up. We do estimate it to be somewhere in the 2.5 million tonne range in terms of supply growth. And unless, of course, there are then delays. And perhaps just commenting similarly on the demand side, we continue to see also their demand growth to grow somewhere over 2 million tonnes as both Europe and North America expected to continue growing their demand.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Yes. And I want to add to that, I mean, that we saw in 2021, a bit more than 1 million tonne our estimate in growth in terms of demand on a global basis. And when Matti was referring, I mean, to approximately demand growth of, let's say, 2 million tonnes, one may look at it, I mean that this is approximately 50-50 between European region and the North American region. So we have, as you know, a very strong position in the European region to capture that.

Operator

The next question is from the line of Raphaël DuBois from Societe Generale.

Raphaël DuBois ***Societe Generale Cross Asset Research - Equity Analyst***

Congratulations on the results. Three, please. The first one is on the tax guidance you gave earlier for 2022. Unless I'm mistaken. Would you be able to give us a range of what to expect once the tax exemption agreement falls in Singapore? That will be my first question.

Then on SAF, I understand you don't want to disclose too much at the moment in terms of volumes. But could you at least confirm that margins for this particular activity should be at least $100, if not $200 per tonne higher than renewable diesel for transport.

And finally, you gave earlier the impact of sales optimization and aging for the increase in sales margin Q-on-Q. Could you please do the same for year-on-year difference, please?

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Okay, Raphaël, thank you for your questions, Jyrki can comment on the tax guidance, and I will take your second question on SAF, and that gives Matti a little bit of time to look at your third question on the sales margin split up year-on-year.

Jyrki Mikael Maki-Kala ***Neste Oyj - CFO, Strategy & IT***

Yes. Talking about the tax first. Like I mentioned, our normal kind of tax rate level is between 12 and 14 and certainly when Singapore tax extension is out 2023, the figure will be higher. So I'm not going to open it at this point of time. We will basically talk about that next year when we talk about also '23 and all the other elements, what is basically affecting then the global taxation. But it will certainly go up. That's for sure from the Figure 14 as a guidance, what I can give at this point.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Question on the SAF volumes. We have very good demand in the market. You know that we have positioned ourselves in such a way that we are supplying to customers in North America, in Europe as well as already in Asia Pacific. We have already entrance, I mean, into plain service that we can provide in different very important HAPS airports. We continue to look at expanding that. So the available volumes next -- this year is 100 kt. We're quite confident that we will be able to place those volumes at good margins. But of course, the margins are still impacted based upon our current setup that we have, which is not the ideal economics. The ideal economics only start when we have the Singapore facility fully up and running. So therefore, I would not speculate upon higher margins and renewable diesel.

We've always said that we do not want to sell sustainable aviation fuel. And with that dilutes the margins that we can achieve with renewable diesel. So we stay with that may not be dilutive. And then once we have Singapore up and running, we will see, I mean, where are we standing and how good the margins. Matti, if you can take the third question from Raphaël?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes, please. And actually, what -- like you have probably noted, what we have tried to do every quarter is to give you a flavor if there have been sales margin movement what the different drivers are and also when possible to quantify them. I unfortunately don't have the exact let's say, quantification of the drivers for the full year. But if I look at it, you can see that what has been a recurring pattern that the feedstock cost over the year has been on an increasing trend. So this has had always a negative impact on the margin. And then indeed, it has been these 2 drivers. It's been the sales performance, which has been driving a positive contribution through the optimization and also the hedging has been a recurring one. Of course, as we have had hedges in place throughout the year. Unfortunately, don't have that exact percentage, but of course, the hedging impact has grown throughout the year as the feedstock prices have been continuously increasing. So probably the weight of that one has grown throughout the year.

Operator

The next question is from the line of Iiris Theman from Carnegie.

Iiris Theman ***Carnegie Investment Bank AB, Research Division - Financial Analyst***

I have 2, please. So first, in terms of waste feedstock space. I think you have highlighted around 40 million tonne of feedstock base in the long term. But what about in the next, let's say, 2 to 3 years when the supply is likely to be globally some 20 million tonnes or perhaps more. So what is the expected feedstock base?

And then secondly, you've been testing renewable gasoline in Sweden. So I was just wondering what is the current situation there? And how far are we from commercialization?

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Yes. On the feedstock side, Matti, if you can give your?

Matti Lehmus ***Neste Oyj - EVP of the Renewables Platform***

Yes. Short comment here. Indeed, we have taken our 2030 estimate that the waste and residue availability would grow to 40 million tonnes. It is somewhat larger than what the supply of waste and residues is currently because we do expect aggregation to develop in emerging countries and in a way through that geographic growth and better aggregation that pull to grow. I don't have an exact number at the moment for the current size. I would say it's in that 30 million to 40 million tonne range already now, but it will continue growing over the years.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Yes. And the key question there, Iiris, as you know, is always, I mean, who has the access, so we may see that 30 million tonnes, but that doesn't necessarily mean that everybody is seeing 30 million tonnes in accessibility. So one more reason for us, I mean, to continue to expand the accessibility. On the renewable gasoline, that continues to be a pilot. So do not please expect that we are now certainly going to invest a huge amount of money and starting to produce renewable gasoline. This is a pilot. Our full focus is on road transportation with renewable diesel. And of course, also on SAF for aviation and renewable hydrocarbons for polymers and chemicals. That is our core strategy.

Operator

There are no other questions at the moment. (Operator Instructions). No other questions coming through, so I'll hand back to the speakers.

Peter Z. E. Vanacker ***Neste Oyj - President & CEO***

Yes. Thank you very much, and thanks, of course, for the very good questions, as usual and your very active participation. And of course, we are always very pleased, I mean, to hear from you lots of congratulations on the excellent performance of our teams in Q4. That gives us, of course, also the confidence that we can continue to invest and expand in our business.

I'm also very, very pleased, I mean, with these accomplishments of last year. It was a challenging year, but if you look at the final results, then it shows really, I mean, how stable we are now set up internationally. That, of course, has been made possible by the hard work of

all our Neste personnel. Remember, I mean, today, we have more than 70% of our people working for renewable and circular solutions. That is a big transition compared, I mean, to the last 3.5 years, where we had about 70% of our employees working for the heritage oil-based business. So we will continue to deal with the challenges and with the opportunities on our journey to become a global leader in renewable and circular solutions.

I've also said multiple times, our strategy remains unchanged. It has all the support from the Board as well as from the management at Neste. And I am personally, of course, also fully committed to keep pushing hard as you know, until the end of my remaining term as Neste's President and CEO. Again, thank you all, and stay safe and above all healthy. Thanks a lot.

Operator

Thank you. That does conclude the conference for today. Thank you for participating, and you may now disconnect.