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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to today's Third Quarter 2019 Neste Corporation Earnings Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today on the 23rd of October 2019. I would now like to hand the conference over to your speaker today, Juha Kekäläinen. Please go ahead, sir.

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 third quarter results published this morning. I'm Juha-Pekka Kekäläinen, Head of Neste IR, and with me here are President and CEO, Peter Vanacker; CFO, Jyrki Mäki-Kala; and the business unit heads Matti Lehmus of Renewable platform; Marko Pekkola of Oil Products; and Panu Kopra of Marketing & 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 CEO, Peter Vanacker, to start with the presentation. Peter, please go ahead.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. Thanks, JP, and a very, very good afternoon also on my behalf, because we are really pleased to be able to share with you Neste's record high performance in the third quarter and of course, to discuss how we see the way forward.

So let me now go immediately to Slide #4 on the current quarter. Assets, we made the highest quarterly comparable operating profit ever, and our comparable EBIT was EUR 435 million, which is 10% higher than in the already excellent third quarter of 2018 and I may say an outstanding achievements by the entire Neste team.

The renewable diesel market continues to be favorable. The feedstock markets remains tight, but we were able to improve our sales allocation and pricing in selected markets compared to the second quarter and continued to make good progress in entering new geographic markets. As a result, our comparable sales margin increased to $635 a ton, which we consider an excellent level. Our sales volumes were high at 716,000 tons as we were also building inventories to prepare for the Rotterdam catalyst change in the fourth quarter.

We had a very good operational performance at the refineries, which were running at an average of 101% utilization rate. As communicated already in the second quarter results released, we have established a production capacity of 3 million tons per year.

Oil Products had a solid performance despite the scheduled decoking maintenance at the Porvoo production line 4, which was brought forward to September and finished within budget and on time. The reference margin reflecting the general market conditions started to improve towards the end of the quarter. The maintenance activities had an impact on our sales volumes and additional margin. Our additional margin averaged at $4.8 per barrel, which is at the targeted level.

The Marketing & Services segment again improved its unit margins and had one of their best quarterly results ever. This is something for the business also to be proud of. We continue to focus heavily on safety, and a number of investment actions have been included in the Turnaround 2020 in Porvoo. We also continue to make very good progress in our strategy implementation, and I will come back to that at the end of the presentation.

So if you have a look at Slide #5, the very strong performance is also visible in our financial targets. We reached an ROACE of 21%, clearly exceeding the 15% target. Our leverage ratio was 6.6% at the end of the third quarter.

A number of working capital projects have been identified and will be implemented until year-end to further support the cash flow. As stated before, the strong financial position enables the implementation of our growth strategy going forward while maintaining a healthy dividend distribution.

With these opening remarks, I would like to hand over to Jyrki to discuss the financials in more detail.

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Thank you, Peter. Let's move into the group financials. I think Peter explained very well that over the quarter, we basically had the best ever with EUR 435 million comparable EBIT. But if you look at the figures now quarterly and also year-to-date figures, maybe you have calculated the same kind of positive figures. Our EBITDA went up by 38 -- 36% between these 2 quarters, '19 and '18. And if you look at the comparable operating profit, which is very important in a sense how we compare last year, if you look that on a quarterly basis, this EUR 435 million compared to EUR 395 million last year 3 -- third quarter is really a 10% improvement.

But if you go back and look at the first 9 months of the year and if you remove the BTC from the year 2018 first 9 months, on a comparable basis, you are seeing an improvement of 27% compared to year-to-date figures 2019 and 2018. So a remarkable positive change with our financials, with our profitability measured by comparable operating profit.

And it's really interesting that if you look the Renewable Products, it improved 34% quarter 3 compared to same in 2018. But again, if you look the figures year-to-date and excluding the BTC, the improvement was 52%. So you see that the tremendous good financial performance in quarter 3 2019 certainly was mostly led by the excellent performance of our Renewable Products business.

Oil Products slightly lower than last year, but the figure and the reasons you are seeing coming out of the volumes and also the margin. Marketing & Services, one of the best quarters ever. EUR 4 million, but it's a 15% improvement year-on-year when you're talking about the quarterly figure. So overall, the business performances has been very, very, very strong.

And in these Others, maybe kind of the highlight that like you have seen in our report, we have now our minority company, Nynas. We don't have anything in our balance sheet. So we basically write-down all the remaining assets, EUR 34 million, but also the shareholder loan between interest, EUR 59 million.

Peter already mentioned about the cash flow. You'll see from the figures that year-to-date, we are some EUR 270 million below 2018 performance. But you have to remember that we are preparing ourself for the quarter 4 Rotterdam catalyst change, so our inventories are high. Another big thing is that during this period, especially the quarter 3, our sales was really high, meaning the receivables are high. That's kind of a logical reason. But like mentioned already earlier, we have the action in place to find good things during the quarter

4 to get our free cash flow again to the levels where it used to be.

If you move to the next page where we have the result improvement basically by business, and you are seeing that very clearly where the improvement came from compared to 2018 third quarter. It is Renewable Products really coming out of the volumes. The volumes were really strong during the quarter 3.

Oil Products, that is more about volumes and also some margin changes in the background. But it's more interesting to look the next page, where you have the result by categories. And if you look the first one, really the volumes driven by renewables, EUR 97 million. And OP has some EUR 20 million negative, mainly coming from the maintenance what was there in Porvoo diesel line 4.

Margin, both OP and RP slightly lower 2018 performance. OP is some EUR 20 million; RP, EUR 5 million. FX change is certainly positive, now seeing where the U.S. dollar is basically divided 50-50 between OP and RP. And certainly, fixed costs are higher than last year. We are following our faster and bolder and together strategy going forward, so it's natural. We are looking for the future and having excellent action plans in the company.

And then moving the first 9 months, the next page, there we have even bigger figures to look after, but we're really looking after the change 9 months this year and 9 months last year. Without BTC, the improvement has really been 27%. And the volume development certainly has been very positive. That is coming out of Renewable Products. Margin has been stable. If you look the full year or 9 months compared to last year, mainly positive in the RP side and then negative on the OP, but the overall EUR 25 million is a combination out of these 2. And that's basically the foreign FX change is mainly coming on the U.S. dollar. Again, that is basically 50-50 between these 2 businesses, but very positive and also how we are hedging our sales going forward. But that's basically how we landed into this 1.198. And in the others, the Nynas impact first 9 months is minus EUR 60 million. So you see a major part of that is coming out of Nynas. But now the Nynas finance sales in Neste, no more quarters where we have Nynas impact.

So then I leave the word now to the segment reviews, and we start with Matti Lehmus.

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

Thank you, Jyrki, and let's review the Renewable Products Q3. So I'll start with the comment that I'm very pleased with the Q3 performance, both operationally and financially. We had no process safety incidents, higher utilization in the production and a 34% EBIT improvement versus previous year third quarter. So the team has really done some excellent work.

A few highlights on this first slide, you can note that the sales margin improved versus the second quarter by 12%. And I will comment a bit later on this one in more detail. But of course, it reflects a good sales performance. We also continued our work of developing both existing markets and new markets, and this is reflected in a continued high sales volume at 716 kilotons, in spite of the fact that we were building some inventories for the upcoming Rotterdam turnaround.

The share of the sales to Europe increased again from the second quarter and was back to a level of roughly 70%, and this is part of our normal sales allocation optimization. And finally, on the feedstock side, I note that we continue to have a high share of 81% for waste and residue feedstock, and this is a result of our very active feedstock mix optimization that we continue doing.

If we move on and have a look at the waterfall versus last year's third quarter, I think the message here is very clear: The main driver for the EBIT improvement has been the higher volume, an impact of EUR 97 million. And of course, it's good to note that apart from continuing to drive higher utilization we also last year in the third quarter, had a scheduled turnaround. So that explains also some of the growth. The other main impact is that the FX has supported our result development with EUR 15 million. And I just note that this year, the dollar versus euro rate was $1.11 versus $1.16 a year ago.

And then the other hand, the fixed costs, like Jyrki already commented also in the Renewables, the fixed costs have been growing by EUR 18 million versus a year ago. And of course, there's a number of drivers of it. But I think most importantly, I would emphasize that we have been strengthening our head count in anticipation of future business growth, including the Singapore expansion in 2022. And we continue to have a high level of activity in development projects according to our strategy, so that also explains the growing fixed costs.

Then -- well, having a look at raw material development. And like said on the header, they continued on an increasing trend. I would make the comment that crude palm oil prices did increase slightly versus the second quarter. And I think this is very much following a strengthening -- let's say, a less bullish outlook for the production of palm oil, while at the same time, demand continues to be strong. So there is an anticipation of strengthening palm oil prices. And at the same time, we also continued having global animal fat and used cooking oil prices strengthening. And here, for example, the impact of the swine flu still had an impact in the third quarter.

Then having a quick look at U.S. market. We continue to have a very strong market of LCFS credits in California, and the pricing actually appreciated from $184 per ton in the second quarter to $198 in the third quarter. And I think it's fair to note that we continue to have a very strong level as the credit bank continues shrinking with an increasing need for credits with the growing targets for decarbonization.

On the RIN side, we had a slight appreciation of the D4 RINs from $0.38 in the second quarter to $0.46. And here, I think the main driver has been that there is now a lot of expectation on new mandates, new renewable volume obligations for next year. And of course, here, the anticipation is still that these need to be confirmed, but already the expectation has strengthened the RIN markets.

My final comments would be on the sales margin. And here, I have to note that I'm also very pleased with the sales margin that improved by 12% versus the second quarter. That is an improvement of $67 per ton. And I would say that the main -- there's actually 2 main elements explaining this improvement versus the second quarter. So the first one is, which is probably half of that improvement, is that the U.S. margin improved. And this is related mainly to a normal credit generation of sales following the updated CARB rules.

As you will remember, in the second quarter, we did not sell any credits. And now according to the new accounting rules, we were again able to sell credits normally. So that really explains most of the U.S. margin improvement. You can, of course, also note from the previous slides that LCFS credit RINs also improved slightly, which also supported the U.S. margins.

The other half of the margin improvement is explained by a number of factors, and I would list things such as we had a very successful hedging in the third quarter. We did have a very successful geographic sales allocation, continuing our work to optimize markets. And also we are successful in increasing premium in some selected markets. So that's really a combination of things that helped us increasing the margins in the third quarter.

Then turning to utilization. I just note that, again, we had a very good quarter with 101% utilization. This reflects a very good performance, both in Rotterdam and Singapore, some minor maintenance in Porvoo. And having a quick look at next year, I would -- and the fourth quarter, I would already comment that we are actually, at the moment, having a shutdown in Rotterdam. That's proceeding well in 28 days catalyst change-outs. And next year, we expect to have a catalyst shutdown of approximately 4 weeks in Singapore in the second quarter.

We, of course, with the turnaround at Porvoo refinery, will also have a 11-week maintenance in the next BPO units there in the second quarter. And finally, we do, at the moment, expect to have, again, a catalyst shutdown of roughly 4 weeks in Singapore for the year-end. The exact timing, of course, is something that we will need to optimize as we go along.

With these comments, I will hand over to Marko Pekkola to take us through the Oil Products. Go ahead.

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

Thank you, Matti. I'll comment on the Oil Products third quarter, and then we'll start with the comparable EBIT. It came in at EUR 113 million, which was, like I said in the header, were pretty good considering the scheduled maintenance we had in September. We brought forward the planned decoking shutdown there in the Porvoo refinery production line #4 and executed it during September. Due to planned maintenance, the utilization rates for our refineries were 8% lower and sales volumes ended up at 3.2 million tons being 11% lower than in Q3 2018. The Urals' share in the third quarter was at 73% on a long-term normal level. Investments were higher compared to the Q3 '18 due to ongoing investments and also the preparation for the major turnaround in Porvoo next spring.

If we then move on the bridge between Q3 '18 and '19. Lower sales volumes had a negative impact of EUR 20 million versus Q3 '18. Our reference margin averaged at that $7.3 per barrel, pretty similar, being on -- comparing to the $7.2 per barrel last year. Our additional margin was $4.8 per barrel, which was a targeted level, but lower than $5.2 last year. And the main factors for the lower additional margins where the plant decoking maintenance at Porvoo and a narrower Urals-Brent differential. This had a negative impact of about EUR 22 million.

Positive impact came through improved FX rates, which had EUR 13 million positive impact versus Q3 2018. In the Others, EUR 4 million negative change versus last year mainly reflected the lower profitability of our base oil business.

If we then move on the next and then have a look on the -- look at the markets where we could see the strong -- where we can see the strong diesel margin and quite a lot of volatility, both in Urals-Brent differential as in gasoline cracks during Q3 2019. Urals-Brent differential averaged at minus $1 per barrel compared to $1.3 minus in Q3 2019. Main reasons for Urals-Brent's volatility were generally tight supply of medium, heavy crude oil due to OPEC's production cuts in heavier grades and lower export volumes from Iran and Venezuela. Our REB differential was narrowed during the early part of the quarter but widened clearly towards early August.

Our longer-term differential should be widened with the decline in the heavy fuel oil market mainly as a result of IMO bunker and sulfur change. Distillate margins was quite solid over the quarter, average being $16.6 per barrel for Q3, which was higher than in the second quarter when it was $13.7 per barrel; and in Q3 2018, $15.1.

If we then move on the last -- or if we take a look on the margins, our total refining margin recovered from Q2 of this year and was almost at the same level comparing Q3 2019. Main impacts to the total margin were both improved reference margins due to market conditions and recovered additional margin.

With these words, I would like then hand over to Panu to talk about Marketing & Services.

Panu Kopra ***Neste Oyj - Executive VP of Marketing & Services and Member of Executive Board***

Good afternoon. This is Panu Kopra speaking. In Marketing & Services, we continued outstanding performance from Q2 until Q3 as well. We had really, like said earlier before, one of the best ever Q3. Comparable EBIT increased from EUR 24 million up to EUR 28 million. In traffic fuels, we lost a bit of volumes. But on the other hand, Jet-A1 and bunker volumes were growing very well. Slightly lower diesel and gasoline volumes were compensated by healthy margins mainly due to excellent performance of station network. Return on net assets almost up to 30%.

Customer satisfaction improved as well. B2B average NPS was over 60, and we continue to work hard for even better customer experience.

New Neste application for B2B customers was launched, and the customer feedback has been very good and volumes are growing on a healthy way as well. The availability of Neste MY is expanding not only in Finland, but also in the Baltic countries, which is enabling consumers in the Baltics to make more sustainable choice at Neste stations.

We have seen lately growing interest from the big transportation companies to make more sustainable services to their customers. We have here in Finland successful sustainability campaign with one of the forerunners in the land logistics, and now other companies wants to follow the way to be more sustainable and responsible in transportation and logistics. Therefore, I believe Neste MY demand is even better than before.

I would like to highlight one exceptional item. We informed in July that we signed sales and purchase agreement with Tatneft then concerning selling out of our Russian network business. The sales process proceeds well, and we are aiming to close the deal during early Q4. All in all, solid Q3 in Marketing & Services.

Handing over to CEO Peter.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Thanks a lot, Panu, and let's now move on to the current topics. And starting to make a couple of comments on our progress in strategy implementation, and I must say that we have a very good progress also on our strategy implementation. So that has continued.

As discussed earlier, we have grouped the key programs in 3 execution areas. They are: first, scale up faster and bolder; secondly, to drive efficiency in operations; and third, to increase innovations. So I will make a couple of comments on all these 3 execution areas.

Faster and bolder. The Singapore renewables capacity expansion project is proceeding as planned within budget and on time, and I'm very pleased to see the progress that we have made by having personally visited the sites a couple of times during Q3.

Our availability and supply chain setup for up to 100,000 tons of renewable jet fuel have been implemented, and we're happy to have full availability in Europe and in the United States. In addition, we have signed sales agreements for renewable jet fuel with Lufthansa and other major airlines and have started to supply continuously. We expect sales volumes in this new application area to gradually ramp up since we see a growing acceptance to set blending mandates in several countries.

We've also opened 3 new offices. The Shanghai office starts renewable raw material sourcing operations in China. Fully operational. Happy to report that the first certified volumes of used cooking oil from China have been delivered.

Our new office in Düsseldorf in Germany will serve as the global hub for our renewable polymers and chemicals business units, and we have made a number of announcements on co-operations with leading polymers and chemicals companies.

We also have opened an office in Hoofddorp, which is in greater Amsterdam, which will serve as the global hub for the growing Renewable Aviation business, and can actually see from our office the airport in Schiphol. The opening of these offices shows that we are serious in moving faster and bolder to become the global leader in renewable and circular solutions.

Recruitment of key people is also ongoing, and I'm very pleased to note that Thorsten Lange has been appointed as EVP of Renewable Aviation and a member of the Neste Executive Committee. He will join Neste in February at the latest. And as you probably know, he will transfer to Neste from the Lufthansa Group and is a highly experienced aviation industry leader with outstanding know-how on the industry, especially in fuels, including sustainable aviation fuel through his career. And he has also served as Chair of the IATA Fuel Committee.

So we're also well on track to meet the targets set for our operational excellence program, and that is -- I remember to improve EBIT by EUR 100 million by the end of 2022.

In the area of innovation, we are making good progress in the selected new business platforms, namely: lignocellulosic fuels and materials; scalable new feedstocks for renewable aviation fuels; and we have also initiated partnerships and strategic projects with universities. So these are just a couple of highlights that I wanted to mention. There's quite a lot going on. We have a very clear strategy, and we are moving ahead decisively.

Let's have an outlook on the next slides for the fourth quarter as what we see currently happening since we are already, of course, in Q4. Demand for renewable diesel is expected to remain strong. In anticipation of the growing mandates in 2020, as Matti already alluded to, utilization rates of our renewable production facilities were expected to remain high except, of course, for the scheduled catalyst change at the Rotterdam refinery. This catalyst change is currently ongoing, as Matti said also and it was previously estimated to have a negative impact of approximately EUR 50 million on the segment's comparable operating profits. And lots of activities we have undertaken to reduce actually, approximately half this impact through inventory buildup and other mitigation actions.

The Oil Products fourth quarter reference margin is expected to be slightly lower than in the third quarter, and with the utilization rates of our production facilities are anticipated to remain high in our current quarter, except for normal unit maintenance.

And in Marketing & Services, the sales volumes and unit margins are expected to follow the previous year's seasonality pattern. And the winter period is always a low season in the retail business. And as Panu also said, the divestment of our Russian operation is expected to be completed in the fourth quarter.

If we move to Slide 25, we felt it was appropriate at this point to discuss our plans on the scheduled Porvoo refinery major turnaround next spring. It will be an approximately 11-week turnaround during the second quarter of 2020. This is something that we have implemented every 5 years. And the last one took place, of course, in 2015. The turnaround includes maintenance and also a lot of investments in the area of operational excellence and safety. This is the most expensive turnaround ever. It is also a major scheduling exercise with thousands of professionals working safely at the sites.

And on the financial impact of the turnaround, we currently estimate that it will have a negative EBIT impact of approximately EUR 180 million on the Oil Products segment and approximately EUR 40 million on the Renewable Products. Both of these impacts are mainly in the second quarter, and these turnarounds will ensure the competitiveness of our Porvoo facility for many years to come. We further plan the usual catalyst change in our Renewable Products manufacturing sites in Singapore in the second quarter and in Rotterdam towards the end of 2020.

So this concludes our presentation. And of course, we are happy to take your questions. Thank you.

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

Yes, operator, we can now take the questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from the line of Erwan Kerouredan from RBC.

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

I have 2 questions related to the Renewables Products division, please. So you mentioned growing mandates in 2020. Can we have more clarity on those mandates?

And the second question, it's about the maintenance cycle expected for 2020. Can you clarify what is a normal maintenance cycle for the renewables business? Is it once every year, 2 every year or at another pace?

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

Yes. This is Matti Lehmus. Thank you for the questions. The first one was on the 2020 changing mandates. And I think in general, indeed, I was referring to the fact that in many European countries and also in North America, we do see that targets are being increased according to the road maps that the individual countries have set themselves. I think if I take a few examples from, first of all, Europe. We do, for example, have a situation in Germany, which is a large market where the carbon reduction target or greenhouse gas reduction target is being increased from 4% to 6% in 2020. So this is a substantial increase. We do also have increasing targets in countries such as France, Netherlands, Finland. So there is actually a number of countries where according to the RED targets, the targets are being increased.

A bit similarly, one could look at North America. And here, I think the more straightforward example is California where, again, they have a very clear road map where the carbon intensity reduction is being increased from 6.25% this year to 7.5%.

Then there was a second question on the maintenance cycle. And here the comment I would make is, indeed, if you have followed us for a longer period of time, we used to have a typical maintenance cycle of changing the catalyst at our units of somewhere around 1.5 years. If you look now over the last few years, we have been increasing utilization rate, running the units harder. Of course, also the feedstock mix has been moving towards waste and residues. So we have observed that the catalyst change cycle in an optimal mode is a bit shorter. And that is something we typically and continue to optimize. But it looks -- if I look at recent history, that we have reached a period where it's somewhere between 13 and 15 months, depending how the optimization goes.

Operator

The next question comes from the line of Joshua Stone from Barclays.

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

I've got 2 questions, please, also on the renewables business. Firstly, just on the renewable sales margin improving from better sales allocation. Can you maybe talk a bit more about what that meant practice and how the mix of sales changed with regards to new and old markets versus the second quarter? If there's any sort of dilution effect that unwound at 3Q? And you also talked -- within that, you talked about increasing premiums in selected markets. Maybe just be more specific on which markets you're seeing higher pricing already? And if that includes some of these new markets you've been selling into?

And then the second question, on the feedstock side. You've made pretty clear, feedstock markets have been strengthening. You highlighted the African swine fever effect. Is that -- how big -- can you maybe comment on how big an effect that is going into 4Q? And also is it the case that your raw material costs track the feedstock markets? Or actually, are there other things you're doing to get better indicator and actually beat your benchmark in that case. So any detail you can give, that would be great.

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

So thank you for the questions. I'll start with the sales margin and the sales allocation question. I would look at it from 2 angles. As we have explained in many quarterly results, we do continuously optimize the geographic mix of our sales. And one optimization that you can observe in the numbers is that we, of course, continuously look at how much do we sell into Europe, how much do we sell into North America. And in this third quarter, for example, you can observe that we increased slightly the sales to Europe. And of course, similarly, then decreased slightly sales to the U.S. That's part of it.

The other part of it is, of course, within Europe we also continuously look at how we develop the mix between the different European markets. And here is another optimization that we can do and slightly adjust between the quarters. So these are the 2 main drivers.

On the increasing premium, we haven't actually opened in which markets that is happening. I would just highlight, in general, that is a continuous effort, of course, to understanding which customer segments we have the highest value of the products and then to continuously look for selling into these customer segments. And of course, that was successful again in the third quarter.

On feedstock markets, I would perhaps make the general comment that there is 2 important drivers why the feedstock markets have been strengthening. The first one is around waste and residue. And we have had, in general I would say, 2 drivers. One has been, in general, a good demand for waste and residue-type material because of the low carbon intensity; and secondary, we have had impact, especially around animal fat where the swine flu has tightened the markets temporarily.

The other one that I would mention is that we, of course, also see that palm oil prices have started appreciating in the third quarter. And there is still some link between waste and residues of palm oil. So some of these waste and residues also follow palm oil movements. And we, of course, continuously optimize the whole chain, looking at both the feedstock mix and also then which markets we sell into.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

So Joshua, it's Peter here. I mean nothing much has changed. Yes, I mean we keep on focusing on margin management and look at the different margins that we can make in different geographical markets as well as what combination do we take in terms of waste and residues to maximize our margin.

Operator

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

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

Also have 2 questions on Renewable Products. And just to follow up on the questions around the margin for the fourth quarter and the 2 elements that you do highlight around stronger demand on the one side, and on the other side fairly high feedstock prices. So is it fair to expect that the overall margins to be flat quarter-on-quarter in Q4 of this year?

And then secondly, there's one thing which I found a bit surprising, which is around the share of the 100% blend in your sales, which was lower this quarter and yet you managed to turn at a higher margin. Can you perhaps talk a bit about the dynamics around the 100% blend and whether you still target an increase of that product in overall sales?

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

Yes. Thank you, Henri. So first, on the fourth quarter margin. As you know, we are not giving any exact margin guidance. I think like you correctly pointed out, we did highlight 2 things in the outlook. One is that we continue seeing very good demand. And at the same time, we do continue to see a slightly strengthening trend on the feedstock side. So I think these are 2 factors which come into it.

The one thing I would add that we also have a catalyst turnaround in Rotterdam in the fourth quarter. And naturally, that adds some costs. That's, of course, natural in any quarter where we have turnarounds.

Perhaps then on the 100% diesel. That was the other question, the MY diesel. I would look at it from the angle that it is, for us, a very natural thing that we continue developing the markets where we can sell pure renewable diesel. These are typically premium markets. And while the percentage share has actually not grown a lot, the absolute volume continues growing.

At the same time, I would refer to what CEO, Peter, was saying earlier: the most important target still for us is always maximizing margin. So this is, in parallel, we, of course, adjust the speed of growing these MY diesel sales to making sure we always over-optimize the overall margin.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. And of course, maybe add to that -- it's Peter here. Maybe add to that is, of course, in 2020 we will have this major turnaround in Porvoo. So we also do make sure that we have the right volumes available yet to serve also 2020.

Operator

The next question comes from the line of Michael Alsford from Citi.

Michael J Alsford ***Citigroup Inc, Research Division - Director***

I've got a couple. So firstly, just referring back to a couple of the questions before. Is it fair to say you've obviously commented on the fact that you were seeing rising mandates across a number of markets, yet supply from a renewable fuel's perspective is not increasing significantly into 2020. So should we expect therefore that pricing should be higher in 2020 versus 2019, or certainly what you've seen so far in the 3Q? That was my first question.

Secondly, Peter, kindly -- thank you for the update on the strategy. One of the things you didn't talk about was potential to be faster and bolder in expanding capacity. I just wondered whether you could talk a little bit more about your efforts and plans to expand your renewables capacity over the medium term beyond Singapore?

And then just finally, just a quick clarification on the turnaround strategy at Porvoo. Thanks for the EBIT impact, but could you perhaps give us the CapEx impact? I remember back to 2015, it was about a EUR 200 million, I think, CapEx increase for that turnaround. So I just wondered whether that's a sort of good numbers to key off for 2020.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes, let me take your first questions, Michael, that you talked about -- and Matti also alluded to that, that one of the elements that we had in the margin improvement in Q3 was also related to some sales premium increases. So let me just leave it at that, that -- and I keep, I know, on purpose, repeating myself that we always look at the environment around us, and we try to maximize the margins. So we will not deviate, I mean from that strategy moving forward.

Then your second question, Michael...

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

Capacity.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes, was on the capacity topic. So as you have seen when we talked on the -- on our Capital Markets Day in February, we were talking about 2.7 million tons of nameplate capacity. Now we are talking about 3 million tons of nameplate capacity. So we've been able to increase our nameplate capacity by 300,000 tons already, and we keep on working on that. This is all, I mean on the operational excellence with limited amounts of CapEx but very high amounts of creativity of our excellent people.

In terms of the Singapore expansion, I alluded already to that, fully on track by the middle of 2022. We're going to have that 1.3 million tons of additional capacity up and running. And currently, we are in process of doing our homework. We indicated that we would start that homework when we were talking on the Capital Markets Day, which is looking at different other opportunities in how can we build up additional capacity, that project work doesn't start after we have started the Singapore that started up immediately after the Capital Markets Day. So to say concretely, I don't have yet a decision that we can communicate. But we are working very focused, very heavily on looking at our Finnish manufacturing sites, our Rotterdam site as well as the United States and what would be the right location, what would be the scale, how would we set up the next investments.

And then you asked on Turnarounds 2020, and I would give that question to Jyrki.

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Yes. Of course, like we have communicated that this is the biggest turnaround, basically what OP and, overall, Porvoo was going through 2020. We are in the finalizing mode to look about the last project and their impact for 2020, so we will come back with that figure. But certainly, it will be higher than the figure was there 2015. But not to say exact figure at this point of time.

Operator

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

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

This is Artem from SEB. A couple of questions from my side. So first, what comes to renewable sales allocation, as I look sales to other European countries has been growing quite substantially in Q3 year-over-year. So does it basically describe initiatives, what you are doing and what comes to, basically, new market entrants within European markets?

Then the other question is relating to your several co-operations when it comes to renewable plastics. And could you, maybe, say whether we should be anticipating some concrete or, let's say, significant implications out of these developments, what comes to basically volume progress in 2020 and beyond?

And the last question is relating to Nynas. I just wanted to clarify, Jyrki mentioned that it will not have any impact anymore. So will it be reported as discontinued operations? Or what was -- did I understand it correctly?

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Okay. Let's go one question at a time. It has here rightfully recognized, Artem, yes, we are proceeding. And we did that in Q2, and we continue to do it in Q3 because we believe strategically, it's an increased -- it's very important that we develop other EU markets. Matti already commented on that on the mandates, the pathways in those markets. So we see good healthy developments. And we're having, as you could see from the sales margin on a comparable basis, we're very satisfied overall -- I mean with that development.

So that's something, of course, to be continued. And I cannot point to one specific EU markets. It's relatively broad in different markets that we are going into. There's one specific one that we announced with the opening of our office in the Netherlands. We see a very favorable atmosphere in the Netherlands. People are very sustainability-conscious, and we have started a co-operation with 4 partners. So our Neste MY is already now available at 60, 6-0 tank stations in the Netherlands.

So on the renewable plastics, we have made -- and this is market creation, what we are currently doing. So we've made very, very good progress. I'm very happy with the progress. I'm very happy also with the margins that we are capturing on a dollar per-ton basis in positioning ourselves in that market. You've seen a number of announcements that we have made. I was, last week on Friday, on the K Fair, which is the biggest plastics fair in the world that happens every 3 years. And we are really in the middle of a big change movement that is happening in that entire industry.

So we have made the announcement with the big companies, the big corporations that produce plastics. Lyondellbasell, Borealis and Clariant were the ones that we announced. More to come. But I would say, we will, of course, look at margin management also in 2020. So we will compare, of course, the margins that we can capture on road transportation and aviation and polymers and chemicals as we are moving forward.

So that said, I repeat, this is creating new markets. You don't create a new market by now suddenly making a big, big, big splash from 1 year to the other. But good traction.

Now Nynas, again, I give that one to Jyrki.

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Yes. Thank you, Peter. Yes, about the Nynas. As we have fully written down our shareholding in Nynas, its results will not be consolidated in Neste numbers anymore. So Nynas continue its operation, but it has no financial impact in Neste's operating profit nor net profit.

Operator

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

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

The first is on refining margins. IMO 2020 is finally approaching, and it looks like it could be beginning to have an impact. Are you currently seeing the effects of IMO on product or crude markets? And how do you expect that to develop moving forward? The second question was just on costs in renewables. So fixed cost in depreciation were higher sequentially due to the growth projects you're investing in. Now given that, that investment in growth is likely to continue, is it fair to assume that those costs are going to continue at a similar level going forward?

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

Okay. Maybe I can take the first question. Thank you. So here's Marko. On the refining margin, I think we've been earlier saying that based on the markets and how the markets look on the forwards, I think on the average because of the IMO 2020 impact would be on the level of $1 per barrel. And I think, well, there are different analysis and estimates also on that. But I think on the average, it would be around that 1 barrel -- sorry, $1 per barrel.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Okay. And then on the second question, on the fixed cost side, of course, I mean we are building up in -- you see that with the offices that we build up in China, in Germany and The Netherlands, and some expansions in other offices as well as we are looking at other geographical markets, both -- I mean from one hand side, going more upstream in waste and residue procurement; and then on the other hand side, downstream, where we see very good margin opportunities in selected markets.

So we've done quite a lot already in 2019, but also one need to look at the big picture of the transformation that we are making in the company. We have sold a part of our Neste Engineering Solutions business to Rejlers, so that has reduced also fixed costs. And we are in the process of selling the operations in Russia, which we considered as not strategic for Neste moving forward because we were buying oil products in the local market and selling it through our network of tank stations in the local markets. So that is, as Panu said, that is to be closed relatively soon now. So that will also reduce the fixed costs that we have there. And these were not businesses where we were making -- I mean huge comparable EBIT margins, if you look at it.

So there is a part of the fixed cost that will disappear. There is a part of the fixed cost that we already have built up. And we will, of course, be always very conscious on how do we continue to build up the access to the different markets. But it's clear that we want to be -- we want to continue to be the leader, both in waste and residue collection, aggregation, qualification, specification as well as auditing; and then also on the markets that we have developed assets in our strategy, renewable road transportation, renewable aviation, renewable polymers and chemicals and setting up our innovation platforms.

Operator

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

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

Most of my questions have been answered, but I just had 2 quick clarifications, please. Firstly, on the working capital build, you highlighted that there are certain projects have been identified to normalize (inaudible) whether that means you would expect to see a big reverse -- majority of the reversal of the EUR 961 million bill by the end of 2020 -- or by the end of 2019? Or would it now extend into 2020 during -- as well? The second question was on the reference margin and the Oil Products, the reference refining margin. It is expected to be slightly lower in 4Q. Is it possible to break down this outlook with the expectations on the individual product cracks? You mentioned the $1 per barrel improvement in margin due to IMO. Has there been a significant -- or has there been any change in that underlying improvement assumption over 2019? Or has it remained constant?

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

Yes. This is Jyrki Mäki-Kala. About the net working capital, what I mentioned also in my presentation. What I was referring to was the action relating, especially for the quarter 4, talking about the Renewable Products inventories, both Finnish products and also feedstock side. And certainly, when you are going towards year-end, the sales per month is lower compared to the high season in quarter 3. So the receivables side will certainly go down, meaning this EUR 961 million negative will certainly be much lower at the year-end when looking at the full year working capital, so affecting positively on the on the free cash flow. And certainly, we are doing always action related to working capital. It's not just quarter 4 2019. It's an ongoing efforts relating to payables, inventories and receivables, you can count on that.

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

And then I will comment on -- Marko here, on the refining margins now either in the end of 2019, and especially for 2020. So I think not any remarkable sort of formalizing. The markets are now forming when it comes to the IMO 2020. So I think it's a little bit open and based on the estimates so far.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

But we work, I mean continuously, as you said in your presentation, Marko, I mean with the $1 per barrel. And that's what we see in the forwards, yes, right now.

Operator

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

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

Two things, if I could, please. First, if I can follow up on the update on the aviation business. Could you provide a sense of where renewable jet sales volumes currently sit versus the 100,000 ton of prevailing annual capacity? And perhaps help us to understand the extent to which that's already acting as an accretive lever within the aggregate renewables margin. And then secondly, just circling back on Neste's preparations for the 2020 maintenance cycle and the working cap triangulation, could you clarify roughly how much of the inventory part of the working cap build in Q3 related to preparation for the Rotterdam maintenance in 4Q versus perhaps early-cycle preparations for the Porvoo work next spring?

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. Let me make it -- Peter here, Matt. A couple of comments, I mean to the aviation business. I mean just for clarity, the 100,000 tons is part of the 3 million tons of nameplate capacity that we have overall. So as we are steering our business based upon margin management, if we don't sell that 100,000 tons, we sell them in the renewable road transportation area or in renewable polymers and chemicals. So maybe I think that's important, I mean to clarify that just from a steering point of view.

At this point in time, it's also a bit the same like in polymers and chemicals. It's moving from a feasibility into the execution and not having slots of campaigns or batches that we are selling in the market but moving to sales contracts so that we have a continued supply. So that's the status that we are in. I said in my presentation, Lufthansa. We have Air BP announced. I mean previously, we have a couple of other airlines as well offtaking. I cannot disclose their names yet because they have asked us not yet to disclose their names because they also want to come out and later with an appropriate communication on it.

So it's more positioning that we are doing so that we don't have just one customer, but we have a set of global leading airline companies that we are, on a continuous basis, supplying. So the volumes at this point in time, are still small. But as you saw from the numbers in terms of how we are running the production as well as what we are selling, we are selling the product, I mean as renewable diesel or build up.

And now I want to make the link a bit to TA2020, build up some inventory to, first of all, overcome the period that we have as a catalyst change in renewables, which is currently ongoing. And then of course, also making sure that we have sufficient volumes to continue to grow and support the market in 2020.

So maybe, Matti, if you want to make a couple of comments on the renewables.

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

Yes. I'll be happy to. And I would say, in general, you can look at, for example, the Rotterdam catalyst change that we are now having in Q4 this year. And like we were commenting earlier, it's a 4-week catalyst turnaround, which is quite typical. That means roughly 100 kilotons. And we have been able to build up inventories already in the third quarter in order to mitigate, at least partially, that loss. And I think this is a very typical philosophy we'd be doing. We tend to build up, at least some of the lost volume in previous quarters, so that we have a more smooth sales volume curve. And that is, of course, something we would not normally continue doing also going forward.

Operator

The next question comes from the line of Nick Konstantakis from Exane.

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

Two, if I may, please. On the pace of cost inflation, I mean you're selling CO2 reductions to your clients, but given that we're seeing broad inflation across all of the feedstock markets, to what extent do you and your peers have the ability to pass through costs to the end customers? That will be the first one. And the second one, I appreciate it's still early days in the new China office, sourcing your first UCO volumes. I just want to get a sense on what could be the addressable markets feedstock-wise, in the next 5 years (inaudible)? And secondly, I guess when is the next step into moving to Latin America for animal fats?

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. Thank you for the questions. So I think on the first one around feedstock and passing the cost through, I would say, in general, of course, we are in a very competitive market, and a dynamic and effective market. So typically, what happened, at least over time, is that the market adjusts. But like always, there are different commercial structures there. There's a time lag. So in general, it is something which the market, in a way, corrects over time. And you can see like the market references we are showing. Of course, there are different biodiesel markets and different credit markets and others, which typically also take into account what happens in the feedstock market at least over time. That would be how I would look at that.

The other one on the addressable feedstock market, I think it's exactly like you say. I mean we are working on a number of fronts in order to grow the feedstock pool. We are, on one hand, working in existing markets to improve our capabilities to collect aggregate. We are working on new feedstocks through technology development either totally new feedstock or just widening the quality window. And yes, we are in parallel, working on also addressing new markets, like, for example, announced China this year.

And the specific question of Latin America is one that we are definitely working on. It is something that we are looking into for next year.

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

And Nick, I mean from previous discussions that we have identified, I mean about 30 million tons of waste and residue. So what we are currently doing is, of course, I mean getting excess down to 30 million tons. I mean at this point in time, of course, we don't consume 30 million tons, yes. But building up the geographical network and reach so that, that 30 million tons is not just an intensification but that we have excess.

Operator

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

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

This is Iiris Theman from Carnegie. Two questions, please. Firstly, what is the outlook for de-bottlenecking in renewables? And then secondly, I understand The Netherlands is considering to end the double-counting of used cooking oil. What is your view on this? And would you be able to replace the used cooking with other raw materials?

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

So first question was on de-bottlenecking outlook, I would say, very much like we communicated in the Capital Markets Day, we are well on track. So Peter was also referring to this earlier. We have already been successfully growing our capacity from earlier 2.7 million tons to now 3 million tons. And like we communicated in the Capital Markets Day, our target is to reach, in total, 4.5 million tons by mid-2022. So that means we are still pushing for a couple of hundred thousand tons more capacity creep and well on track on that work.

On the other question, which was specific to The Netherlands, I would just answer in general. I mean we have continuously worked both on the sourcing side to have access to a wide pool of feedstocks, including used cooking oil and then also on the technology side to have the capability to convert a variety of feedstocks into next BTL. So I think we are well positioned to address any changes if there are in new demands. I'm actually not, at the moment, in detail -- let's say, in a position to comment on The Netherlands.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Yes. Iiris, it's a bit -- I mean like certainly, we do see that market as a -- from a margin point of view as well as from a development point of view, has a very attractive margin -- market, sorry. You know about this biocredits mechanism that they have in place in The Netherlands. And that was for us, I mean also the reason to say, together with our partners, we make sure that we have Neste MY in our 60 gas stations available. Clearly identifiable as Neste MY with the corresponding branding, so we're 100% HVO.

Operator

The next question comes from the line of Christopher Kuplent from Bank of America.

Christopher Kuplent ***BofA Merrill Lynch, Research Division - Head of European Energy Equity Research***

I've got too many questions remaining. The first one, I think you referred to earlier, the fact that you were able to mitigate the earnings impact from the upcoming shutdown. I wonder whether you've taken similar mitigation efforts into account when you give us guidance for the impact on earnings from some of the outages we should expect next year, small and big. And the second question is purely asking you what you can see right now in terms of your reference margin on Oil Products as well as your premium because clearly, Q3 has been a very volatile quarter. So any comments you can give us, what you're seeing here for 4Q?

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

This is Matti Lehmus. I can take the first question. So indeed, when we communicate the impact of turnarounds, like for example, the estimates for 2020, this is the overall impact that we foresee. Then the question that we are working on is that we prepare for this turnaround some by building inventories, and that typically means we can spread the impact over a number of quarters. And that is, in a way, something we continue doing that the overall impact is the correct one. It's been also a question how we can spread it over various quarters.

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

And then Marko here. I can comment on the reference margin for the Q4. Now I think there has been a lot of unexpected cases like the Philadelphia case, I think, impacting also Q3. I think the Saudi also but we are expecting that the average margin would be expected slightly lower than Q3 for 2019.

Christopher Kuplent ***BofA Merrill Lynch, Research Division - Head of European Energy Equity Research***

And any comments you can give on the additional margin on top?

Marko Pekkola ***Neste Oyj - EVP of Oil Products Business Unit***

Well, I think we've been already saying that, that it should be on the same level, and that's what we are targeting for to keep it on the -- what we have already set on the [4.8] level.

Operator

The next question comes from the line of Monika Rajoria from Societe Generale.

Monika Rajoria ***Societe Generale Cross Asset Research - Equity Analyst***

I have 2 questions, please. The first one is on the Porvoo turnaround, I would like to know if there would be any additional CapEx impact due to that in the second quarter of 2020. And secondly, when we talk about the rising mandates next year, do you also see the competition rising? Probably, say in generic biodiesel markets, et cetera in conjunction to that? And finally, my last question would be on -- when you decide to open up new markets, what are the -- any other factors that you consider in addition to the mandates? Perhaps, if you have any existing plans, if you -- if there are any access to credit markets, et cetera? So could you give us some kind of flavor on what goes on behind it?

Jyrki Mikael Mäki-Kala ***Neste Oyj - CFO & Member of the Executive Board***

This is Jyrki Mäki-Kala. More about the turnaround 2020 capital expenditures, what I basically already explained, that we are working with the final figures. It will be higher looking from the CapEx point of view than the one in 2015. But we will inform the figures later on, but we don't have the figure to inform you at this point of time.

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

Then this is Matti Lehmus. So on the question on 2020 and competition, I would say, in general, in a way, we do see both things. We do see a growing demand because of mandates, but like I said, both in Europe and in the U.S. And yes, at the same time, there is a project pipeline, and we do expect some more capacity starting up also in 2020. And my understanding is there's projects both in U.S. and in Europe, which will also start up at some point during next year. But like I said, I mean as the demand is growing, this is also something that is needed, that there is a growing supply.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

And I think also we said in the last quarterly call that if you calculate everything, then the mandates that are changing in Europe as of 2020, our assumption is that, that would create a market, which is above 1 million tons for renewable diesel. So not biodiesel but renewable diesel. So therefore, quite some additional demand that we see that would be created in Europe.

And of course, in California, the pathway is clear. Yes. So Matti already answered that.

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

We'll agree. And then a quick comment on opening new markets. I think in general, I mean we are, of course, looking at a number of things. The regulation is one important driver, but it's not only looking at regulation, it's also looking at customer segments who are interested in low-carbon sustainable solutions. And at the end of the day, we, of course, analyze where we see markets that put a high value, that enable our margin optimization, and future volume growth when we enter into new markets.

Monika Rajoria ***Societe Generale Cross Asset Research - Equity Analyst***

Just a follow up, so from the discussion I conclude that probably the pricing hit that you took in last quarter, that probably is not the case anymore. Is that a fair conclusion?

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

Well how I would comment is, we continued developing new markets and existing markets. And like you could see from the margin development, we were successful in growing the margin versus the second quarter. So I think it was continued development in new markets. But overall, the margin improved by 12% versus last quarter.

Operator

The next question comes from the line of Thomas Adolff from Crédit Suisse.

Thomas Yoichi Adolff ***Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director***

Three questions for me, please. Just firstly on the sales and margin optimization you perform from 1 quarter to another clearly shows that you have flexibility in your portfolio. And my guess is opening new markets and new customer segments likely also helps in this regard, presumably only if you do have a certain percentage of spot exposure. Perhaps you can talk about the spot exposure you have? Or whether contracts are generally quite flexible, whether customer requirements are also quite seasonal and that kind of stuff, please?

And secondly, also when we go back to your Capital Markets update, I asked you a question about whether you're open to partnerships in Renewable Products to expand faster and further. And the answer you gave me then was yes. And so I wanted to know whether you've made any progress in that regard, if any? And then finally, just going back to 2015 when you had your last major turnaround in Oil Products at the Porvoo refinery. And I wondered whether you can remind us whether everything had gone according to plan or according to the original budget.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Okay. Very good, Thomas. I think first question will be Matti?

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

Yes. Margin optimization and new markets. Quick one on the question around term and spot. But fully, like you say, it has been for a number of years, our strategy to keep some part of our sales terms, some spot. That makes a lot of sense because we want the flexibility. The typical split has been around 60% term, 40% spot.

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Then you asked the question and refer to what I said during the Capital Markets Day, and rightfully so Thomas, that's what I said at the Capital Markets Day. But we, at this point in time, have nothing to announce.

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

And then relating to the 2015, I think we corrected the numbers. But anyhow, the outcome was EUR 130 million when we compare on the same comparable numbers or the EBIT impact was EUR 130 million at that time. And now we are already saying that it's the biggest turnaround in 2020 now for Porvoo and the numbers are accordingly -- according to the market for the forwards.

Operator

The next question comes from the line of Markku Järvinen from Handelsbanken.

Markku Järvinen ***Handelsbanken Capital Markets AB, Research Division - Analyst***

Yes. So I still had 3 questions. First of all, the California credit accounting that had a negative impact in Q2 and a positive impact in Q3. I wonder if you could quantify what that impact now was in Q3 compared to Q2. You said that the negative impact was EUR 5 million in Q2. Then the sales to other European countries in Q3, we saw FAME biodiesel produced a little bit of a spike in end of August. I wonder if that still plays into your margins in those markets. Maybe you could comment on that. And then your capacity of 3 million tons, I wonder if that then includes the catalyst changes every 13 to 16 months?

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

So if I -- this is Matti Lehmus, if I comment quickly. So we actually haven't now quantified exactly the impact of the LCFS. What I commented earlier is that if you look at the margin improvement, then the U.S. margin improvement represents roughly half of that. And of course, this is an important part of it, that we went back to a normal mode in creating and selling credits.

On the biodiesel, also a quick comment. Actually, there is no direct big impact on us of what is happening in the biodiesel market. It's still a separate market segment. So I don't see any major impacts from that volatility that you were referring to.

And then on the nameplate capacity, this is actually then without scheduled turnaround. So typically, in every year, there will be some scheduled maintenance that then impacts the actual production volume.

Operator

The next question comes from the line of [Ji Pandya] from Millennium.

Unidentified Analyst

One question on your portfolio. I mean considering the fact that you are sort of going towards developing very nice renewables business, why fundamentally would you want to have renewables and oil refining in one portfolio in the long term? And then the second question is, when we think about your capacity, 3 million tons for the next 2 years, ballpark-ish, how are you going to enjoy or rather benefit or tap volume growth for the next 2 years in that business? And then just the third question, sorry, is the million tons that is coming in Singapore, can you just tell us how -- do you have already plans in how are you going to sell those million tons?

Peter Z. E. Vanacker ***Neste Oyj - President, CEO & Chairman of the Executive Board***

Okay. Very good questions. First question, as -- and I must say, as we have also communicated, we are working heavily yet on analyzing how we can make the oil refinery business also more sustainable by replacing crude oil to waste and residues as a feedstock. We have said, by 2030, we want to take at least 2 million tons of that waste and residue. 1 million tons, at least, would come from waste plastics than through a chemical recycling that then replaces crude oil going into the refinery to produce, I mean our fuel products. So that's where that is currently ongoing from an analysis point of view by the engineers.

And on the first test of waste plastics as a feedstock for refinery, we are planning a first industrial-scale trial in the refinery of Naantali during the first half of 2020.

Second question on volume growth and how we're going to bridge from the nameplate capacity of 3 million tons to then 4.5 million tons once we have Singapore up and running. Singapore is 1.3 million tons of capacity, so 3 million tons plus 1.3 million tons is 4.3 million tons. That means there's a 0.2 million tons of additional capacity that we still need to find, and that is operational excellence work that is currently ongoing by our teams in the manufacturing sites. And we're quite confident on that because we've been able to do the first step from 2.7 million to 3 million tons even faster than we originally had anticipated. And here, refer to the comments made in Q2 results call.

Unidentified Analyst

Right. Right. And just on Singapore, in terms of the 1.3, how should we think about this in -- I know it's in 2 years' time, but do you already have a sense of how much is going in on a regional basis by end market?

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

If I quickly comment on that. We are, of course, very much focusing already on looking at the world in 2 years' time. And I think the key here is that we are very active in a number of markets. We continue developing the existing markets, opening new markets and customer segments. And we are also working and have been working on opening new markets, including the aviation and polymers. So I think that's the key for us.

Like you know, our approach is then to be very flexible also in serving all the different markets. The key is then to be present globally.

Operator

Dear speakers, there are no further questions at this time. (Operator Instructions) Dear speakers, there are no questions. Please continue.

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

Okay. This is Juha-Pekka Kekäläinen again. As there are no further questions, we thank you very, very much for your active attention and active participation. Neste's fourth quarter and full year results will be published on the 7th of February. Wishing you all a successful rest of the year. Thank you, and goodbye.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect. Have a nice day.