State of play: sustainable palm oil in Europe

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UK Sustainable Palm Oil Initiative

Efeca – who we are

economics
climate
environment

We provide advice and technical support to public and private sectors on policies, regulations and commitments, for responsible sourcing of forest risk commodities

Data analysis, monitoring and reporting →

Global collaboration and partnering →

Facilitation and technical assistance →

Messaging, education and awareness →

2019 and 2020 Palm Oil Monitoring Reports, IDH and EPOA

UK Sustainable Palm Oil Initiative

TFA COP 26 FACT Dialogue - Global Multistakeholder Taskforce

Global Resource Initiative

Technical support and guidance on certification and assurance to private and public sector

Dorset Sustainable Palm Oil Community

idh the sustainable trade initiative

European Palm Oil Alliance

RSPO Roundtable on Sustainable Palm Oil

Foreign, Commonwealth & Development Office

TFA Tropical Forest Alliance

Department for Environment Food & Rural Affairs

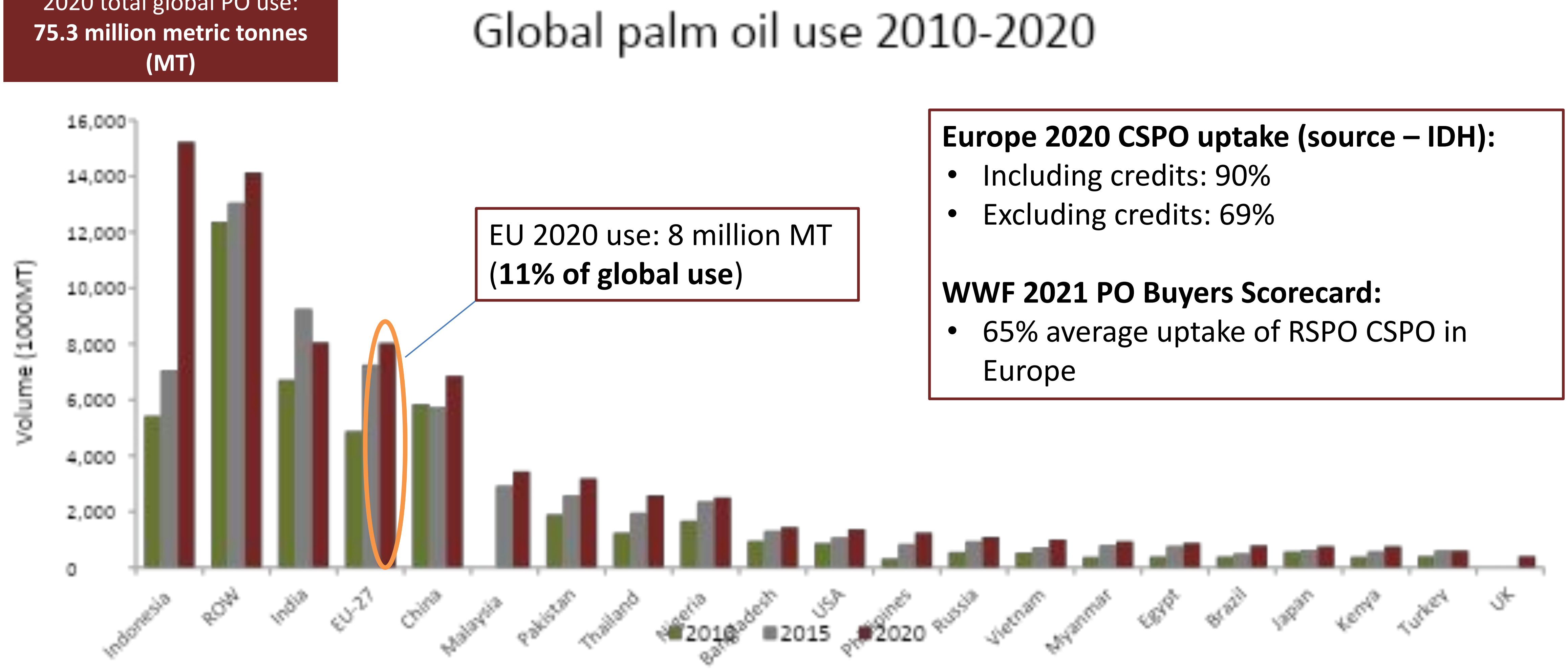
Chester Zoo

Driving meaningful impact on the ground

Europe’s role in the SPO market

efeca economics climate environment

2020 total global PO use:
75.3 million metric tonnes (MT)



EU 2020 use: 8 million MT (**11% of global use**)

Europe 2020 CSPO uptake (source – IDH):

- Including credits: 90%
- Excluding credits: 69%

WWF 2021 PO Buyers Scorecard:

- 65% average uptake of RSPO CSPO in Europe

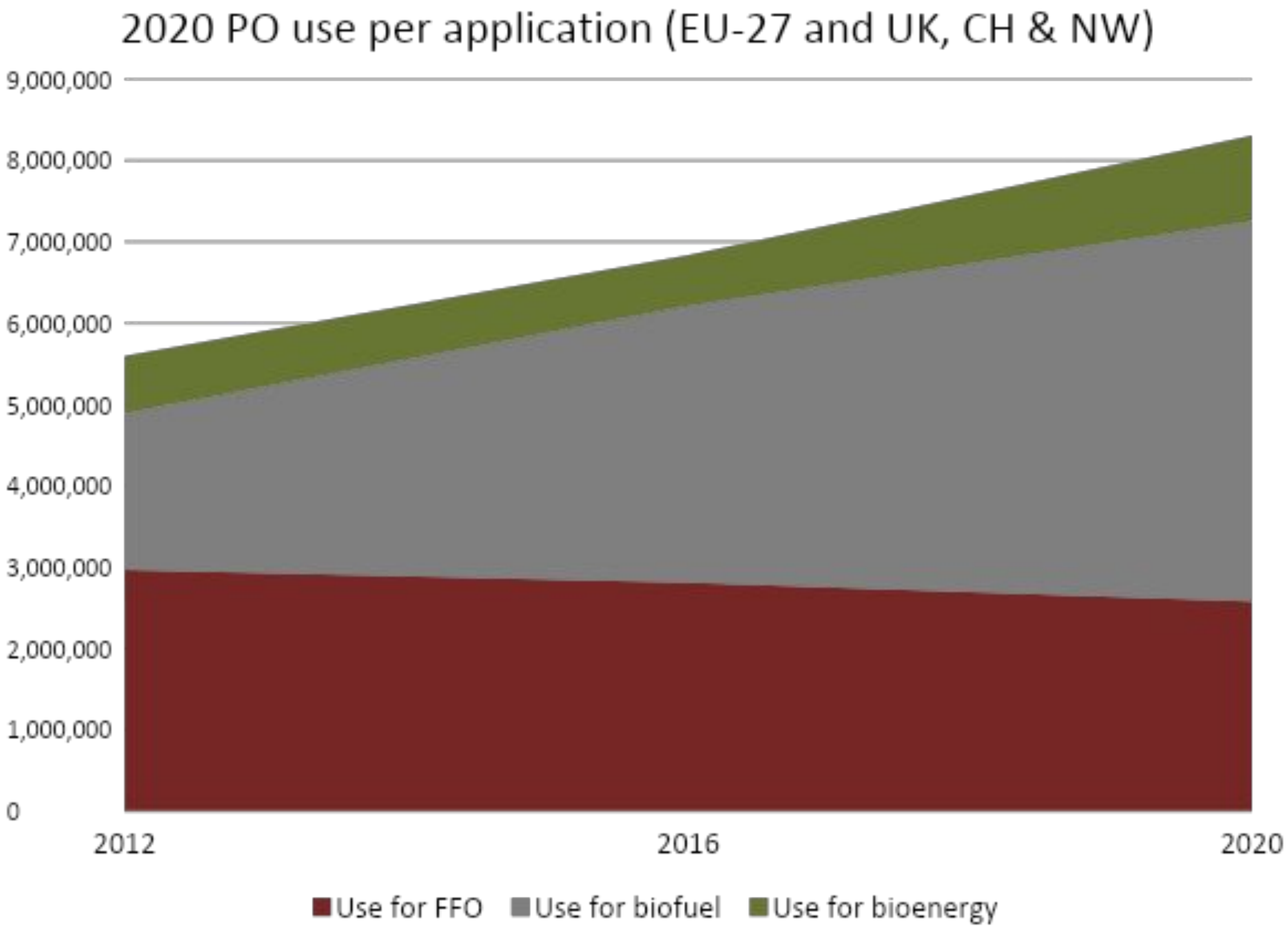
Biofuel – a key part of the conversation

Total EU PO use:
- 2012 – 5.6 million MT
- 2020 – 8.3 million MT

EU use of PO for biofuel:
- 2012 – 35% of total
- 2020 – 56% of total
- But expected to be phased out

EU use of PO for food, feed and oleochemicals (FFO):
- 2012 – 53% of total
- 2020 – 31% of total

- Overall, palm oil use likely to decline & our influence as a global buyer



Market dynamics

- 2021-2022: a **series of immense challenges** have emerged and developed:
  - Backlogged supply chain disruption following the Covid pandemic
  - Changing EU regulations and frameworks
  - Labour shortages in Malaysia and export caps in Indonesia
  - Continuing conflict in Ukraine impacting the vegetable oil market

- In parallel to increased global attention on climate change and high level action:
  - COP26 Glasgow Leaders Declaration, CGF Forest Positive landscapes and financial sector commitments





Impacts of market dynamics

- Market volatility with supply disruption leading to price increases and uncertainty

- Pressure to switch to alternatives, if available
  - Towards palm oil, may undermine SPO
  - Away from palm oil, need assurance of sustainability credentials of alternatives

- Unbalanced, misinformed communications, media messaging
  - In European markets, causing tension with producers

 In a world of **volatility, uncertainty, complexity and ambiguity**, we are trying to drive forward a **global sustainability agenda**





Turning challenges into opportunities

- **The need for scale – navigating the balancing act** of greening our own supply chains whilst ensuring genuine impact on the ground.
- **The need for support – improving collaboration** to tackle issues collectively across supply chains.
- **Strengthening business and consumer awareness** of a balanced narrative around the importance of SPO
- **Addressing limitations of Mass Balance** – a key supply chain model for many, but with limitations in light of incoming due diligence regulation

These are challenges – but if addressed effectively, they present immense opportunities.

Future direction of travel

- **Advancements in innovation and technology**
  - Supply chain monitoring, consumer Apps – utilising this information to benefit the SPO industry is key

- **Consistent demand-side market messaging is developing**
  - Collaboration across markets, with producer countries, is essential

- **Production and consumption practices are changing**
  - Production seen improved monitoring, practices and engagement
  - Consumption is becoming more informed, but need to act positively

- **Global population continues to expand**
  - Increase production and yield to meet demand?
  - **Or is there a broader narrative here – waste less, redistribute resources better, and consume responsibly?**