The sustainable palm oil choice

Summary of the webinar

Progressing sustainable palm oil in Europe: What's the latest in challenging times?

Date: 28 June 2022

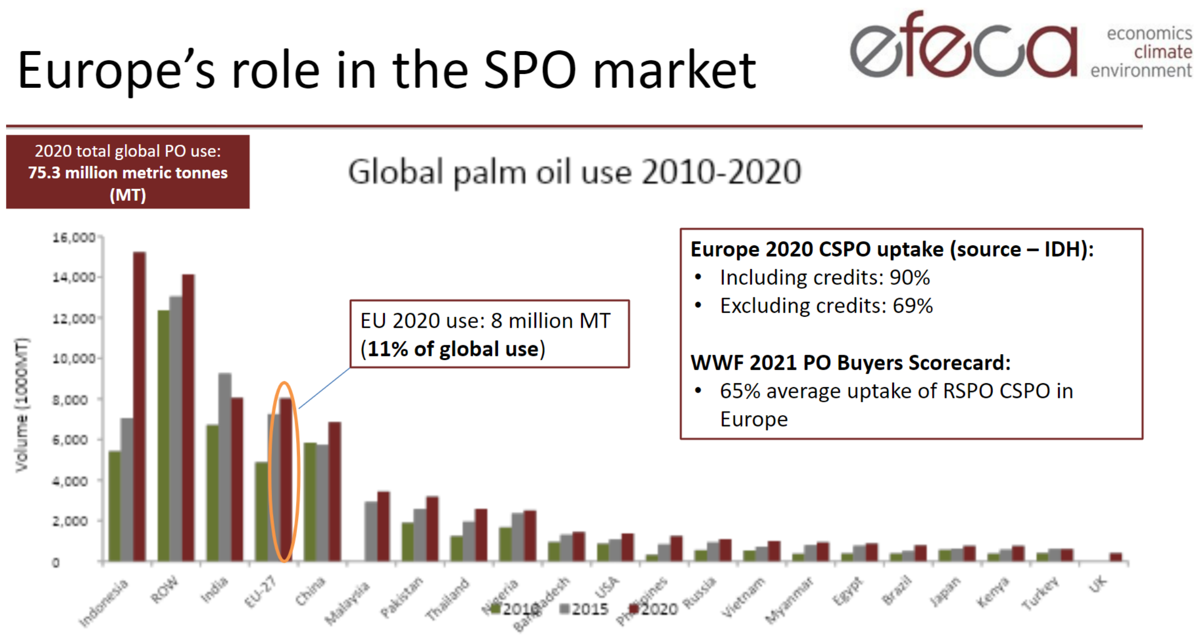
Background
Europe is a frontrunner in demanding sustainable palm oil (SPO). However, the European palm oil market is declining. Countries like China and India are joining Indonesia as major palm oil markets. With its diminishing market share, how can European actors still contribute to progressing sustainable palm oil production? In this webinar we review the state of play of the uptake of sustainable palm oil in Europe and try to understand challenges and bottlenecks and how to overcome them. What are the remaining obstacles to advance in sustainable palm oil and different views on how to move forward?

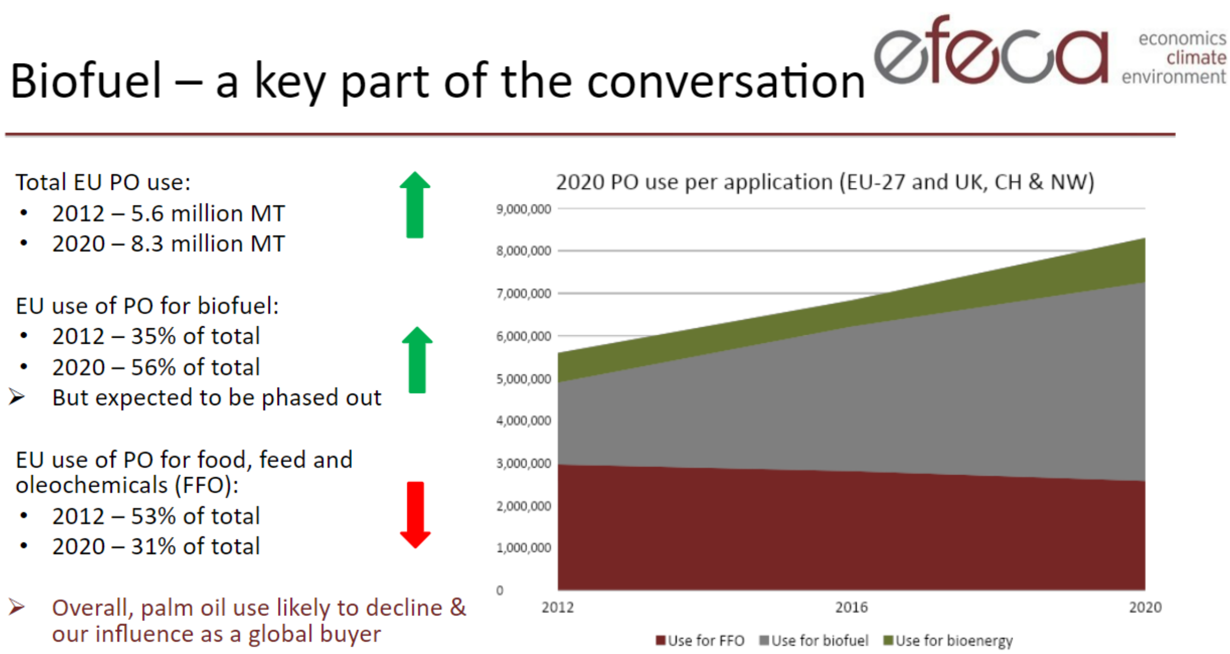
During the webinar presentations were given by:
- Emily Fripp (Efeca Managing Director)
- Kamal Seth (WWF Global Palm Oil Lead)
- Christine Schneider (Henkel)
- Ashwin Selvaraj (RSPO)

The recording of the webinar is available here.

Presentation of Emily Fripp (Efeca Managing Director): The state of play: uptake of sustainable palm oil in Europe?

In Europe, the uptake of CSPO is between 69% (excluding credits) and 90% (including credits). This is high compared to other regions. Europe has a relatively small share of the global palm oil use: 11%. Europe's role is likely to decline, because of the phasing out of palm oil as biofuel. At the same time, other consumer markets in Asia and Africa are growing.





[Presentation](#) of Kamal Seth (WWF Global Palm Oil Lead): The importance of sustainable palm oil from a global perspective.

Kamal Seth stresses that nature's recovery depends on food system transformation. It is therefore essential that the conversation of nature needs to go hand in hand with food system transformation. In this context, we have to take into account that the demand for PO in Asia and Africa will increase, regardless of what Europe will do.

PALM OIL: GLOBAL PRODUCTION

Figure 1: Overview of historic and estimated future demand for palm oil (Source: USDA, 2019)

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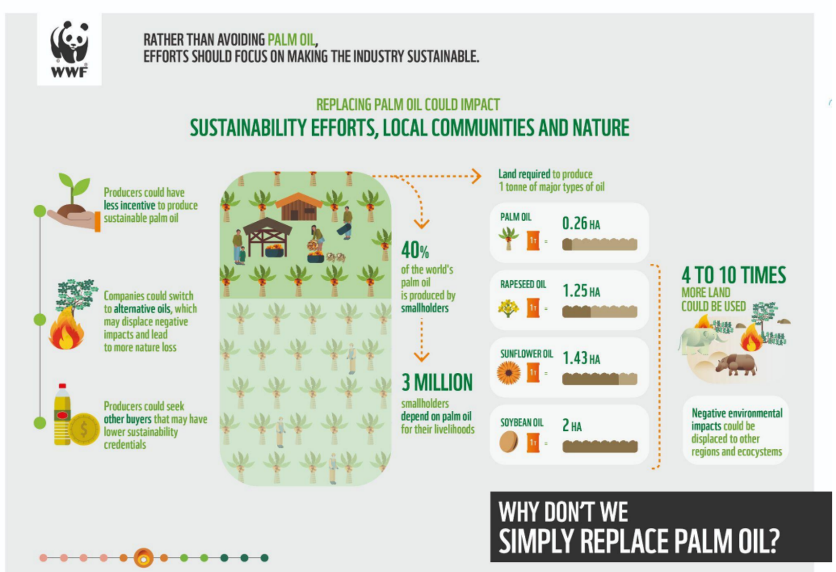
No market will be transformed by a quick fix solution. While demanding segregated supply chains could be the best solution, it is not realistic to expect this in the short term. WWF wants to make palm oil more sustainable and disapproves of a consumer boycott.

WHY BOYCOTT IS NOT A SOLUTION



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We see in general that Western European countries are slightly ahead of Eastern European countries.The results of the WWF Palm Oil Buyers Scorecard are available on the WWF Webpage.

WWF recommends palm oil buyers to work beyond certification and their own supply chains, into landscapes and collaborate with stakeholders to implement sustainable land use practices. WWF would like to see traceability all the way to the plantation, but we have to admit that this is often not yet implemented and it is difficult for smallholders to do this.

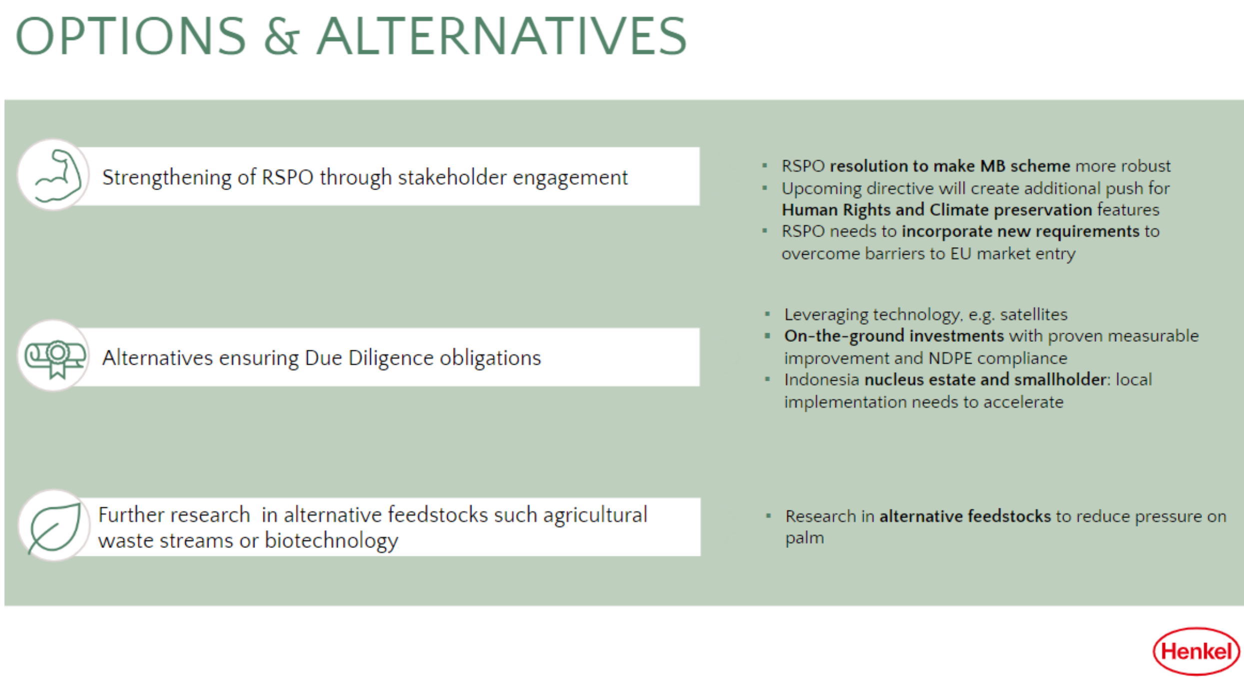
Presentation of Christine Schneider (Henkel): A corporate perspective on sustainable palm oil.

To counter deforestation and respect human rights, Henkel has a 2025 target to only source 100% responsible and externally assured palm oil. The palm oil should be 100% traceable, while not excluding smallholders.

Christine Schneider considers mass balance as crucial for supply chain partners to survive and as a stepping stone towards segregated sourcing.

Henkel participates in the *Action for sustainable derivatives (ASD)*: “a collaborative initiative that brings together companies in the cosmetics, home and personal care, and oleochemicals industries to collectively tackle supply chain issues around palm oil and palm kernel oil derivatives”. Henkel says that in palm oil buyer rankings and scorecards, these kinds of collaborations are not fully rewarded, while they do constitute small steps forward for the entire industry.

Henkel sees room for improvement in switching from transparency to traceability, proactive HCS/HCV areas preservation, uptake of CPO and increasing the supply base of certified derivatives. This leads to the following options and alternatives to make the sector more sustainable:



Presentation of Ashwin Selvaraj (RSPO): The importance of mass balance.

- Mass Balance (MB) is a model that allows for transformation at scale by allowing the millers and the rest of the supply chain to engage with conventional producers and supply chain actors. Engagement leads to transformation, for example in the Chinese and Indian markets.
- Smallholders manage 40% of the land that is cultivated with oil palm. Transformation of the sector is not possible without inclusion of smallholders. Mass Balance offers a market mechanism to include smallholders in the sustainable supply chains and contribute to their livelihood improvement.
- Consumers and stakeholders in the global south are not aware about the impacts of palm oil cultivation. Faced with the lack of demand and awareness, RSPO Credits and Mass Balance offer allow for members in these markets to contribute to the transformation of the sector.

Identity Preserved and Segregated supply chains are preferable where possible and could be perfect. Mass Balance offers an opportunity to work on inclusive transformation.

Ashwin proclaims: *Let’s not make perfect the enemy of good!*

Discussion & Questions

The presentations raised a lot of questions from the audience. The following questions were answered during the webinar:

Gerard Rijk (Profundo and Chain Reaction Research): Emily, how do you see the impact of leakage in the opportunity part? With leakage I mean sales into less regulated and less sustainable markets.

> **Emily Fripp answers**: To avoid leakage, we have to move away from the idea that Europe can buy sustainably while others can go as they like. We have to ensure that the production is sustainable: national laws and processes like ISPO, MSPO and African standards are essential in this. *We have to turn this into a market opportunity by making these standards at least 'legal compliance + deforestation-free'.* If certain markets want to go above and beyond this (for example with RSPO), that's great.
>
> As a globally operating consumer company, you have to take responsibility for your products outside of Europe and ensure that you do not negatively influence the government policies of consuming countries. Domestic sourcing policies are key in achieving this.
>
> The FACT Dialogue and the EU Green Deal are already mechanisms that are on its way: we have to look at how we can make things slightly better.

Follow-up comment by Gerard Rijk: Chinese companies are not participating in any initiative. And Indonesia wants to use palm oil for more fuel, which could lead to more deforestation.

> **Emily Fripp answers**: This is why we need to work at all levels - government to government, business to business and with support and engagement of CSOs. It is no good to just focus on EU supply chains. We have to work to support and improve the whole production base, working together. This can then be coupled with due diligence, as well as market and regulatory measures. It is about having a package of measures to resolve a complex situation.

Dr. Natalie Langford (Assistant Professor in International Political Economy at Durham University): Question for Kamal and Ashwin: What are the specific challenges and obstacles faced in collaborating with the national initiatives in Indonesia and Malaysia? Are these standards appropriate frameworks for sustainability in their own right?

> **Kamal Seth answers**: They are legal/compulsory requirements but no standard is perfect and therefore meeting RSPO standard requirements remains the ambition, while we collaborate with the national standards for continuous improvement efforts. National standards are the nearest we can get to fulfilling NDPE commitments.
>
> **Ashwin Selvaraj answers**: we welcome these standards.

Margot Logman (EPOA): Ashwin: would it at some point be possible for ISPO and MSPO and other local schemes to be recognised in Mass Balance, provided they fulfill the criteria? That may increase scale and spread of global sustainable palm oil development and create Return On Investment to increase interest and alignment with national initiatives and investments.

> **Ashwin Selvaraj answers**: we need to look at the benchmarking of these standards and how they compare in terms of principles & criteria, as well as assurance. It is already happening in practice, but then the ISPO and MSPO volume is considered as *conventional* palm oil in the mass balance volume.

Concluding remarks

European actors still have an important role to play in progressing sustainable palm oil production. While the role is changing due to relatively less market power, there are still plenty of opportunities for European stakeholders to drive transformation. As SPOC team, we would like to highlight the following take-aways from this webinar:

- It is important to keep buying sustainable palm oil in the European market;
- Stakeholders should rebuild and re-emphasize the credibility of the RSPO;
- It is important to keep SPO on the agenda despite challenging times;
- Global markets are more and more calling for SPO: the Asian market is, although slowly, coming along;
- Mass-balance at mill-level is important for smallholder inclusivity, but how can it continue with upcoming due diligence legislation?
- Support for producing countries is key: all production needs to be deforestation-free and sustainable. There is a need for cooperation with national standards like ISPO, MSPO and APSCO.