

## **June 2010 update on Roundtable on Sustainable Palm Oil (RSPO)**

There were constant attacks from Western environmental NGOs criticising oil palm plantation groups as the culprits of climate change, forest destruction, destroying the biodiversity and endangering the habitats of the orang utans. In response to the urgent and pressing global call for sustainably produced palm oil, the Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004 with the objective promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders. RSPO has developed a set of standards called the *Principles & Criteria (P&C)* that define the practices for sustainable palm oil production. These standards address the legal, economic, environmental and social requirements of producing sustainable palm oil.

AOMG is an affiliate member of RSPO and fully supports the RSPO initiative. AOMG will encourage its member companies as much as possible to use RSPO certified oil as raw material as long as the availability and competitiveness are not affected.

There are several levels of degrees of support for this initiative with each level becoming more complex.

### **1. Buying palm oils from a RSPO producer member.**

There are 81 oil palm growers who are ordinary members of RSPO and they are listed on the RSPO website

<http://www.rspo.org/?q=categorystat/Oil%20Palm%20Growers>

There are 40 members from Indonesia, 17 from Malaysia and 2 from Thailand. RSPO producer membership is evidence to the world of the strict standards they will subscribe to and their commitment that the agriculture they practice should be sustainable.

It is the trend for palm oil corporations to be fully integrated from oil palm plantations, palm oil mills and palm kernel crushing plants to refineries and oleochemicals plants. As such many of AOMG members can also point to a RSPO producer member in their parent group in addition to buying palm oils from RSPO producer members.

### **2. Buying GreenPalm Certificates**

GreenPalm is a certificate trading programme that is operated separately from the physical movement of oil and so is simpler and more cost effective. One tonne of the oil equals one GreenPalm certificate. A producer puts certificates up for sale on the online trading platform at the price they would like. End users place bids and GreenPalm matches the two to make a sale. At the time of writing the Palm Oil Certificates was traded at \$12.99 and Palm Kernel Oil Certificates at \$ 13.20. The producer is entitled to the full value of the certificate trader excluding taxes. In turn the buyer pays an extra \$1 to the RSPO and \$2 broker's fee to GreenPalm.

This gives an idea of the sort of premium paid for RSPO-certified materials. Producers can sell it as such or as certificates.

There are calculations to make end user claims which at the moment is for refined oils. It is said that GreenPalm is the only viable supply chain option for sustainable palm kernel oil.

### **3. Buying palm oils from RSPO mass balance system**

The “Mass Balance” should be regarded as an intermediate model towards Segregation, allowing supply chain companies to gradually prepare for segregated trading. In this model the certified physical oil is allowed to be mixed with conventional oil throughout the supply chain, while allowing specific sustainability claims eg “advances the production of RSPO-certified Sustainable Palm oil (equivalent to [x %] of the palm oil utilized)”. It is a step towards full segregation, making use of the same administrative systems as are applicable for Segregation.

### **4. Buying palm oils from RSPO segregated system**

Under “Segregation” sustainably produced palm oil is kept separate from the non-sustainably produced oil all through the value chain. The sustainability claim that can be made eg. “contains only RSPO-certified Sustainable Palm Oil”. The segregation supply chain certification system ensures that at least 95% of the RSPO-certified palm oil and its derivatives delivered to the end user came from RSPO-certified sources. It allows for mixing of oil from various RSPO-certified sources.

### **5. Buying palm oils from RSPO IP system**

Under “Identity Preserved” the oil can be traced back to the specific plantation in which it has been cultivated and produced. This is the highest classification and is the most complex.

As of date the number of growers certified is 12 and the number of palm oil mills is 48. The volume of CSPO is 1,944,162 MT and CSPK is 439,896 whilst the production area is 383,519 ha. Details are available on the RSPO website

<http://www.rspo.org/?q=node/520>

The number of supply chain certifications is companies 44 and their facilities 83.

The number of oil palm plantation companies seeking RSPO certification will likely stagnate this year as some producers from Malaysia and Indonesia are adopting a wait-and-see attitude especially when the greenhouse gas (GHG) emission criteria were imposed on the RSPO principle and criterias (P&C) and restricted biofuel export to the European Union. By 2011, it is envisaged that there will be at least three certification bodies for palm oil in the world. RSPO will still be the most balanced in terms of multi-stakeholder representation while the other two will be initiated by the governments of major palm oil producing nations. By the end of this month Indonesia will launch the Indonesian Sustainable Palm Oil (ISPO) certification body and it is expected that Malaysia will follow suit.

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