

## November 2010 update on Roundtable on Sustainable Palm Oil

Since my last update in June this year there has been some significant developments that I would like to share with you. There has been RT 8 (Round Table # 8) and GA 7 (7<sup>th</sup> General Assembly of RSPO) in Jakarta from 8 – 11 November 2010 which was attended by about 750 participants.

### Derivatives TWG

At that event I was able to meet up briefly with Dr Jan-Kees Vis, President of RSPO. Jan-Kees is from Unilever and we discussed derivatives in respect of RSPO. He led a palm oil coalition of about 30 members that includes manufacturers and consumers. The coalition met in London on 22/3/10 and an outcome was for him to initiate a technical working group on derivatives (Derivatives TWG). An RSPO Derivatives Scope and Conversion paper has been prepared by Martin Astley and this has already been circulated to members. I told him that AOMG and its member companies are keen to participate in this TWG.

### New RSPO trademark

At the RT8 conference Dr Jan-Kees Vis unveiled a new RSPO trademark that will help consumers to find products with palm ingredients sourced within the framework of the Roundtable. The new symbol could end up on the packaging of thousands of consumer products worldwide. The RSPO's Standing Committee on Communications and Claims is developing rules on how and when the new trademark can be used by product manufacturers and retailers.



### Market summary numbers

We were told at the conference that RSPO-certified palm oil capacity doubled since one year ago. The numbers released is given below.

Item (on 1 Nov 2010)	Last 12 months	Total to date
Palm oil actually supplied by certified units	1,965,704 mt	3,202,693 mt
Certified palm oil sold (in total)	1,142,585 mt	1,396,238 mt
— (of which through SG, MB)	338,142 mt	415,240 mt
— (of which through B&C)	804,443 mt	980,998 mt
Average certified palm oil market uptake	58 %	44 %
Certified palm kernel oil sold (through B&C)	70,912 mt	81,068 mt
Average certified palm kernels market uptake *	35 %	24 %

SG = Segregated MB = Mass Balance B&C = Book and Claim (GreenPalm Certificates)

## Segregated

Whilst the palm oil coalition wishes for Identity Preserved system (IP) which is not realistic they would still want to aim for the Segregated system.

The UTZ Certified Traceability system offers traceability up to the refinery and oleochemical manufacturer. Beyond that only the Supply Chain Certification applies. This is now only available for PO and will be available for PKO in 2011.

## New option to supply chain rule on Mass Balance

This was announced on 4/10/10. Under the new option, companies can purchase a certain volume of Segregated sustainable palm products and use it to match the sales of equal volumes of palm product derivatives that then carry a Mass Balance claim. This is to avoid the economic imbalance between Book & Claim and Mass Balance with the desire that it will stimulate the uptake of Segregated material.

The option does not require a physical or chemical link between the acquired Segregated product and the derivative that is sold under Mass Balance. For example, a purchase of 20 tonnes of Segregated palm olein can be used to match the sales of 20 tonnes of Mass Balance stearin even though it is impossible to transform olein into stearin.

As a result, the price premiums on some products will fall. UTZ Certified is currently investigating how to integrate the new option into the UTZ Certified Traceability system. This new option is being applied to triglycerides and has not yet been extended to oleochemicals and their derivatives.

## GreenPalm Certificates

On 23/11/10 Palm Oil Certificates traded at \$3.72 and Palm Kernel Oil Certificates at \$3.74 as compared to expectations of around \$10.00. One of the reasons given for the low premium is the increased in availability of CSPO.

The GreenPalm Certificate is most appropriate for the end consumer manufacturer. When the end consumer manufacturer buys GreenPalm Certificates it can print the GreenPalm Sustainability logo on consumer product packs and/or use the new RSPO trademark as per the rules to be developed. I hope this clarification will help answer some of the questions related to RSPO from our member companies' customers and their customers.

An update email on 22/11/10 received from Bob Norman, GM GreenPalm says, "It's starting to become clear to many manufacturers and retailers that switching to 100% segregated sustainable palm oil by 2015 (or earlier, in some cases) will be very difficult, if not impossible, because of the sheer complexity of multiple, interwoven supply chains. For users of palm kernel oil in large volumes, it's even more unlikely, as there are still no large-scale, consistent supplies."

At this time and possibly in the future as well GreenPalm Certificates is the pragmatic way to support RSPO.

### General Assembly resolution

A resolution was passed for a working group to review the Executive Board (EB) structure to ensure balance between producer and non-producer stakeholders. It was suggested that biofuel and oleochemical manufacturers be included.

The current allocation of seats for the EB for the various sectors of membership is as follows

<b>Sector</b>	<b>Number of Seats</b>
Oil Palm Growers	4*
Palm Oil Processors and/or Traders #	2
Consumer Goods Manufacturers ##	2
Retailers	2
Banks/Investors	2
Environmental/Nature conservation NGOs	2
Social/Development NGOs	2

\*One representative each for Malaysia, Indonesia, the smallholder sector and the "Rest of the World"

# IOI (Loders Croklaan), AarhusKarlshamn (AAK),

## Unilever, Cadbury

The resolution recognizes that the supply chain can be complex and long and the present allocation of seats may not truly represent important stakeholders in the supply chain.

### Indonesian Sustainable Palm Oil (ISPO) system

ISPO will be mandatory in Indonesia in 2011. It is seen as a watered down version of the RSPO P & C. It is a reflection of the Indonesian government's disappointment with the increasing criticism by international environmental NGOs of several major palm oil producers in the country for alleged deforestation and the contentious issue of the proposal to adopt the Green House Gases (GHG) emission draft into the RSPO's P&C which is a major concern as it is related to the use of peat land.

Indonesian companies have been urged to boycott or quit the RSPO, alleging that the organization had departed from its original objective and mission. It is not known what measures the government would undertake to make the ISPO and its certification process internationally accepted as credible.

Quite a number of developments have indeed taken place paving the way for improvements as well as showing that a lot of work still needs to be done. I will update at the appropriate time.

Qua Kiat Seng  
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24<sup>th</sup> November 2010

*Statements and opinions expressed above are the responsibility of the author. Unless described as such, they do not represent the views or policies of the ASEAN Oleochemicals Manufacturers Group.*