



ASEAN OLEOCHEMICAL MANUFACTURERS GROUP

Oleochemicals and Sustainability

**The 3rd ICIS Asian
Oleochemicals
Conference**
4 - 5 February Kuala Lumpur

Presented by
Qua Kiat Seng
AOMG Advisor

AGENDA

- Who is AOMG?
- What is RSPO?
- Traceability & Sustainability
- Some facts and figures
- Conclusions



Who is AOMG?



AOMG Members - Indonesia

1. PT Ecogreen Oleochemicals
2. PT Soci Mas
3. PT Musim Mas
4. PT Nubika Jaya
5. PT Unilever Oleochemical Indonesia*

* once production begins



AOMG Members - Malaysia

1. IOI Oleochemical Industries Berhad
2. Pacific Oleochemicals Sdn Bhd
3. Emery Oleochemicals (M) Sdn Bhd
4. Fatty Chemical (Malaysia) Sdn Bhd
5. FPG Oleochemicals Sdn Bhd
6. IFFCO (Malaysia) Sdn Bhd
7. Natural Oleochemicals Sdn Bhd
8. Palm-Oleo Sdn Bhd
9. Southern Acids Industries Sdn Bhd



AOMG Members - Philippines

1. Chemrez Technologies Inc

in 2015 we expect more to join from Indonesia and
Malaysia



AOMG Board Members

Chairman

Togar Sitanggang, Indonesia

Vice Chairman

Jun Lao, Philippines

Directors

Steve Goei, Indonesia

Tan Kean Hua, Malaysia (past chair)



Committees Chair & Support

Technical Committee
Netti Sumarta, Indonesia

RSPO TWG
Choong Wai Tuck, Malaysia

Process Safety
Wong Fook Gee, Indonesia

Advisor
Qua Kiat Seng

Secretariat
Law Zee Jean, FMM



Process Safety



GHS



Energy



RSPO



What is RPSO?



RSPO : established in 2004

2004

The RSPO was established in 2004 to promote the production and use of sustainable palm oil for People, Planet, and Prosperity.



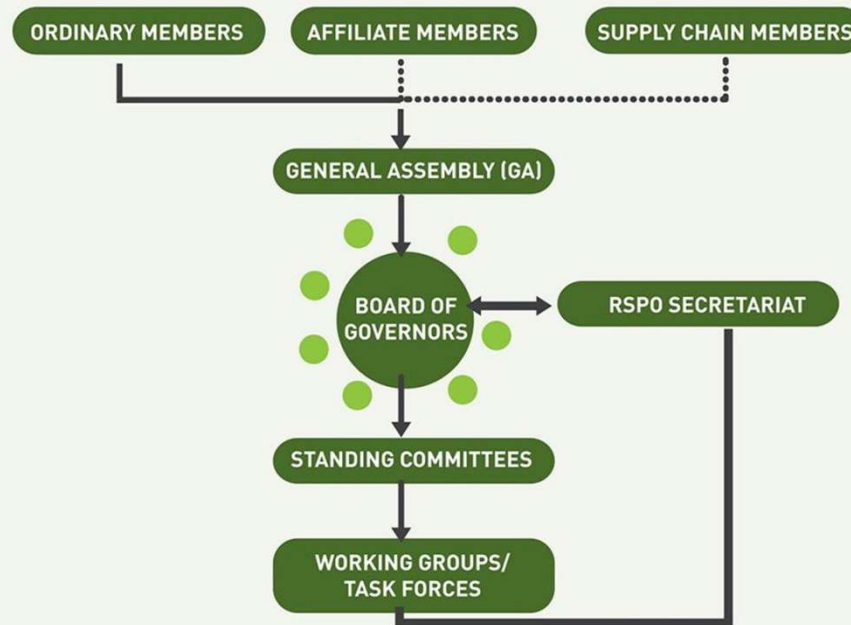
MiGROS

AAK



How RSPO operates

HOW RSPO OPERATES



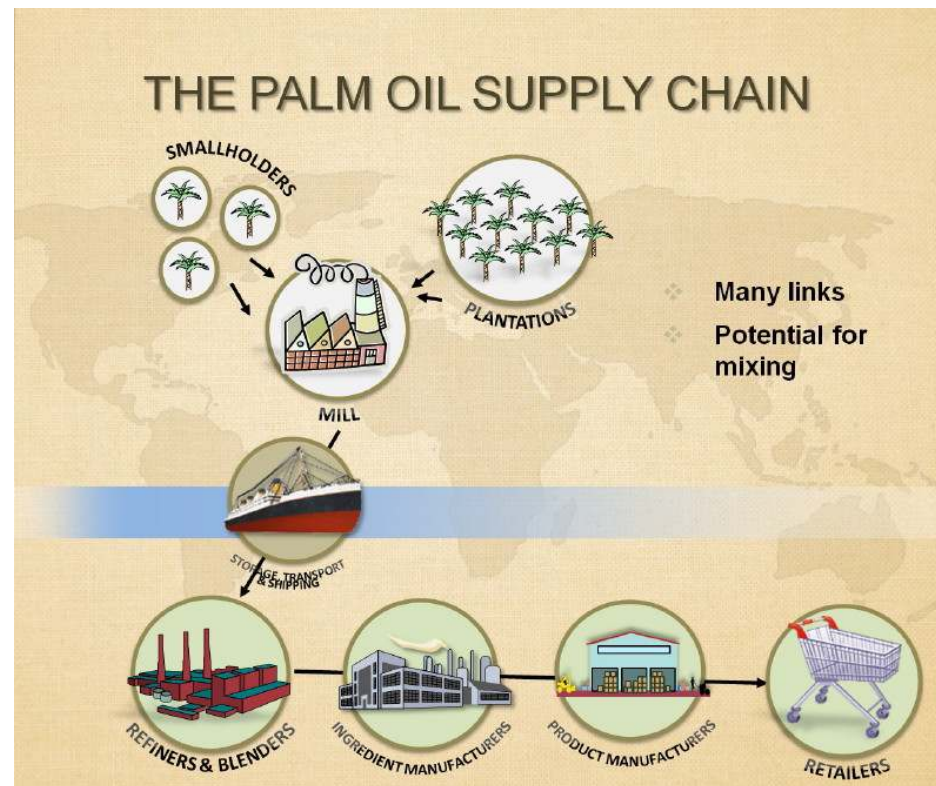
RSPO Board of Governors

- 16 members
- Co-chairs : Unilever & United Plantations
- Palm Oil Processors and/or Traders
 - AAK
 - IOI Loders Croklaan
- BoG is supported by 4 Standing Committees
Standards & Certification, Trade & Traceability,
Communications & Claims, Finance



1.Principles & Criteria (P&C) certification

2.Supply Chain Certification System (SCCS)



RSPO Supply Chain Models

- Identity Preserved (IP)
- Segregated (SG)
- Mass Balance (MB)
- Book & Claim (GreenPalm)



What we need in certification

1. Assurance of moving towards sustainability
2. Some proof it is happening
3. Uptake of sustainable palm oils
4. A system of lowest possible cost
5. A system with little/no impact on how business is conducted
6. Transparency



AOMG RSPO SCCS-certified Oleochemical Producers

- The IOI Oleochemicals Group
 - The KLK Oleochemicals Group
 - Emery Oleochemicals
 - Felda-Procter & Gamble
 - Pacific Oleochemicals
 - PT Musim Mas
 - PT Ecogreen
 - Natural Oleochemicals
 - PT Soci Mas
 - Southern Acids Industries
- ... with more in the process



Traceability & Sustainability



Traceability

A GUIDE TO TRACEABILITY

A Practical Approach to Advance Sustainability in Global Supply Chains



Palm Oil Traceability Actors in the guide

1. RSPO : IP, SG, MB, B&C (GreenPalm)
2. ISCC (International Sustainability and Carbon Certification Scheme)
3. Sustainable Palm Oil Platform
4. Belgian Alliance for Sustainable Palm Oil
5. Say No to Palm Oil
6. Sustainable Agriculture Network (SAN)
7. Roundtable on Sustainable Biomaterials (RSB)
8. Global Gap
9. Fairtrade International
10. Organic Trade Association (OTA)
11. The Tropical Forest Alliance 2020
12. Indonesian Sustainable Palm Oil (ISPO) standard



New traceability actors

1. FoodReg KnownSources
2. EcoVadis
3. Sedex, the Supplier Ethical Data Exchange
4. IDH (Sustainable Trade)
5. Malaysian Sustainable Palm Oil (MSPO)
6. MNC traceability schemes



Some observations

- 80% of palm oil is not sustainable
- Supplier pays the audit fees of traceability schemes
- Traceability \neq Sustainability
- Traceable & Sustainable = RSPO IP (SG)



GA 11 resolution 6f Declaration of Mills proposed by Unilever

- To require origin of the certified Crude Palm Oil or Palm Kernel Oil mills to be declared on the GreenPalm certificate for Book & Claim system.
- To require known origin of certified Crude Palm Oil or Palm Kernel Oil mills to be declared in the RSPO eTrace system for mass balance and segregated.

96 votes for, 84 against, 37 abstained

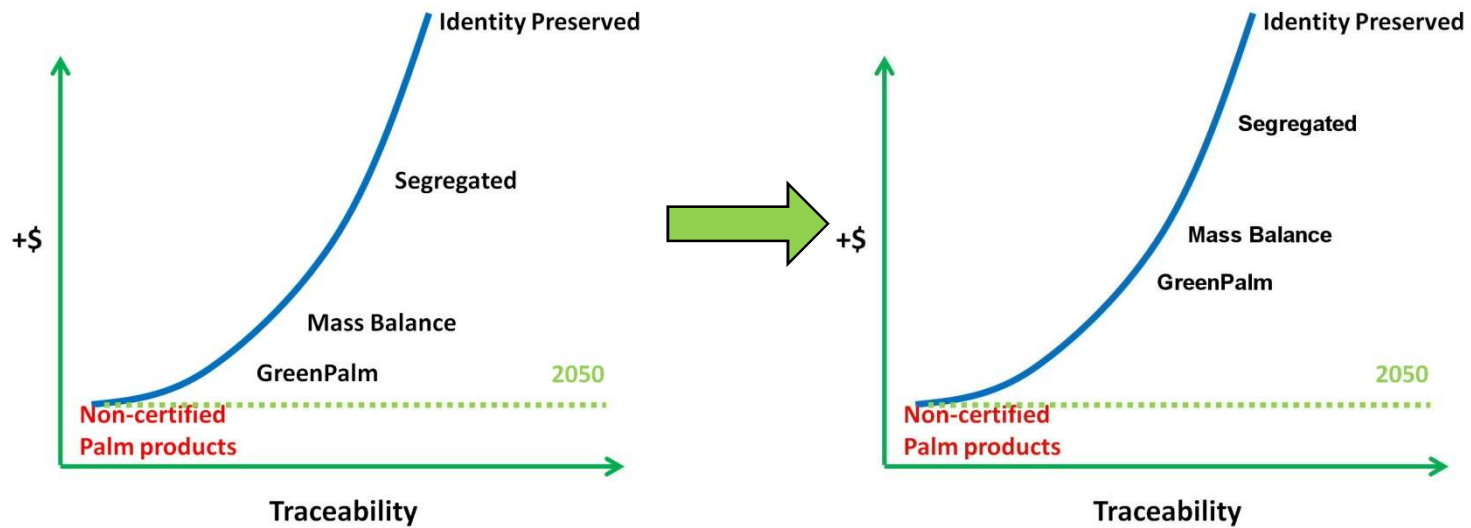


Opinion

- Sustainable issues are before the mill
- No meaning for non-physical nor mass balance
- Incompatible with fixed inventory rolling period of 90 days in new SCCS
- Adds complexity and therefore costs
- Compresses the four RSPO supply chain models



Increasing the costs



Some facts and figures



Tonnage

- Certified sustainable palm oil 12 million tonnes
- 2014 GreenPalm Certificates
Palm Oil : 2.9 million tonnes
Palm Kernel Oil : 0.5 million tonnes
- Oct 2014 to date UTZ
Palm Oil : 1.9 million tonnes
IP 7%, SG 81%, MB 12%
M'sia 54%, PNG 25%, Indonesia 14%



Fee Structure

- eTrace \$0.90* UTZ + \$1 for RSPO = \$1.90
* previously \$1.35
- GreenPalm \$1 GreenPalm + \$1 for RSPO = \$2



Market prices

1. B&C – USD4 CSPO and USD 80 CSPKO
2. MB – USD80 CSPO and USD100 CSPKO
3. SG – price subject to availability



Conclusions



Issues

- Dilution of RSPO as it faces alternatives
- Costs
 - supply eg lack of physical CSPKO
 - additional complexities eg traceability
 - balance of fractions
- Going too fast in tightening requirements
- Poor understanding of RSPO



The way forward

- The oleochemical gateway is in ASEAN
- RSPO to market more aggressively and make it the preferred sustainable & traceable standard
- Support RSPO and help overcome its shortcomings
 - Go physical now & start with Mass Balance
 - Be SCCS certified unless you are a trader or distributor





ASEAN OLEOCHEMICAL MANUFACTURERS GROUP

THANK YOU