



Sustainable Deforestation-Free Palm Oil the Norm in the European Union

EPOA supports the development of regulatory measures in order to create a sustainable deforestation-free palm oil trade and consumption in the European Union (EU).

The European Palm Oil Alliance believes that:

- Europe will remain a large importer of palm oil for use in many applications, including the food industry. It is important to be clear about the importance of sustainable palm oil production and consumption;
- EPOA supports the introduction of sustainable and deforestation-free principles and criteria within regulatory measures to create a level-playing field in the EU market for all vegetable oils;
- Regulatory measures should be introduced in a positive manner to promote sustainable production and trade and not being used as an instrument of protectionism or a non-trade barrier and should prevent to increase administrative burdens;
- Principles and criteria within regulatory measures should build upon existing private sustainability initiatives and (inter) national (voluntary) standards that have driven supply chain transformation over the last decade and which includes environmental, social and economic aspects;
- Any measure should be built on sound scientific evidence;
- Measures should take into account possible differences in regional progress made by initiatives both on certified products as well as on verified areas;
- EPOA believes that a mandatory due diligence for European companies using palm oil should be one of the regulatory measures;
- EPOA believes that the inclusion of Trade and Sustainable Development (TSD) provisions, keeping in mind the above remarks within CEPA, would provide the EU with an additional instrument to create a level-playing field for all vegetable oils;
- EPOA acknowledges that sustainable deforestation-free production can only be achieved when good governance in the (palm oil) producing countries is in place.

This document reflects on the official Communication from the European Commission: “Stepping up EU Action to Protect and Restore the World’s Forests”.

European Palm Oil Alliance (EPOA)

Louis Braillelaan 80
2719 EK Zoetermeer
The Netherlands

www.palmoilalliance.eu
info@palmoilalliance.eu
+31 79 363 43 73



EPOA position on regulatory framework

EPOA supports the introduction of regulatory measures to create a sustainable deforestation-free EU-market. The EC should use their leverage in a positive manner and use any regulatory measure to promote sustainable production and create practical improvements on the ground. At the same time, we must prevent regulatory measures from becoming an instrument of protectionism. Palm oil should be considered as one of the vegetable oils used and regulatory measures should create a level-playing field for all vegetable oils irrespective of the production area. Furthermore, any regulatory measure should take into account possible differences in regional progress made by initiatives both on certified products as well as on verified areas of origin. Furthermore, we think that legislation protecting forests and native vegetation should be in place and enforced. Proper partnership with producer countries can help to make this work.

EPOA considers the European market as largely developed towards a sustainable palm oil supply chain. However, as mentioned above, it is also true that a substantial number of market players still have to step up. Currently, a large number of companies have implemented their commitment fully to buy sustainable deforestation-free palm oil. At the same time, an estimated 40% of palm oil use for food and non-food (except for the biofuel market) is not bought certified sustainable yet. Therefore we suggest and are willing to pro-actively support discussions on possible combination of measures within a regulatory framework that should be introduced.

There are a number of possible regulatory measures to think of. EOPA proposes the following:

- The OECD guidelines introduced a step wise approach to perform due diligence. In principle it is about increasing traceability in your supply chain. The regulation should respect the laws of producer countries as well as internationally recognised human rights and embracing recognised standards of environmental sustainability. These standards should be based on sound scientific methodologies. Starting with knowing your supply chain and identifying potential risks, companies are urged to set up and work with plans to mitigate these risks. Traceability in the palm oil supply chain has greatly improved over the last years. From all vessels arriving in Europe, the supplying mills are known.
- In Europe the majority of the palm oil used in the food market is already certified. EPOA urges to build on this achievement and ask all stakeholders in the European palm oil supply chain to report on their commitments. In principle sufficient RSPO / ISCC (or equivalent) material is available. All companies throughout the supply chain should be urged to buy and report on the use of sustainable deforestation-free palm oil.
- EPOA thinks that a mandatory due diligence for companies using palm oil and other vegetable oils should be introduced. We believe that this will create a level-playing field and also consistency for companies in this sector. At the same



time, it would generate a useful signal to producing countries to step up their efforts into building a solid and guaranteed sustainable production. One important step in the due diligence process is the identification of risks (and as a next step the successive mitigation of these risks). EPOA believes that the potential risks linked to palm oil production and usage are covered by the principles and criteria of the aforementioned schemes and should be used as a base. Palm oil is not the only commodity or vegetable oil to look at. Therefore EPOA stresses, bearing the level-playing field principle in mind, the need to include studies to similar due diligence obligations for other commodities in due time depending on market developments. Any due diligence regulation should make clear how the requirements (as defined by OECD) are to be put in practice. In line with due diligence requirements, stakeholders should be asked to publish annual reports including the design of the due diligence system, risk analysis procedures, risk mitigation and remediation and results obtained.

- EPOA supports the idea of further investigating the opportunities for inclusion of deforestation-free conditions in EU bilateral Free Trade Agreements, Voluntary Partnership Agreements or EU-wide regulations.
- Above standing due diligence regulation can only be upheld in case a solid sustainable palm oil supply is guaranteed. In line with Priority 2 (and 3) identified by the European Commission, the EC should also come up with proper framework agreements with producing countries. This should cover, amongst other, working land and forest governance, law enforcement, traceability, labor issues, deforestation and monitoring.

EPOA realises that a regulatory framework as suggested above is a step change when compared to the voluntary measures taken up till now. However, EPOA feels that the need to act together is pressing. In order to have a true level-playing field mandatory measures are a means to this goal.

EPOA is open for any constructive discussion about how to put such a mandatory framework in practice.

The role of sustainable palm oil production

Palm oil is the most important vegetable (cooking) oil for millions of (often poor) people around the world, and a very important food ingredient for millions more. Palm oil is also a very important agricultural crop for the socio-economic development of millions of people living in rural areas in developing countries, from Southeast Asia (Indonesia, Malaysia, Papua New Guinea) to Africa (Ghana, Nigeria) and Latin-America (Colombia, Honduras, Ecuador, Guatemala).

EPOA fully recognises the problem of deforestation and continued deforestation for palm oil in particular. All EPOA members are committed to no-deforestation and are actively implementing their policies.

However we also realise that when reviewing the causes of deforestation, including that of rainforest specifically, we need to look at palm oil as well as other crops. By



contributing 2,3 % of global deforestation¹ palm oil is not the largest driver. In tropical areas, palm oil contributes to an estimated 5% of tropical deforestation. Much of the palm oil expansion is on land that was previous cropland such as coffee or rubber, especially in Latin America, Sumatra and peninsular Malaysia. Of the palm oil planted on deforested land, not all forest was primary forest before clearing. Since it has been shown that sustainable palm oil production can take place without deforestation and is available to be used in the European market, we believe this message of no-deforestation, or deforestation-free in combination with sustainable palm oil production should be spread to the wider European audience as well

Over the last 10-15 years, the private sector took several steps to increase the sustainability level of the supply chain from production to consumption. By now, traceability of palm oil to producers has tremendously increased. More and more companies are engaged in satellite monitoring (projects) identifying mal-practices on the spot. No-Deforestation-Peat-Exploitation commitments are made. Several voluntary sustainable production standards were successfully introduced in the industry (RSPO / ISCC).

European market

Europe is, for many years, in the lead for the trade (import) and consumption of sustainable certified palm oil. In Europe many market players have moved towards buying and using sustainable palm oil. As for transparency, in Europe 99% of all palm oil can be traced back to the oil mill². It has shown to be crucial to work together in a collaborative manner to achieve a fully sustainable market. While having achieved around 80%³ of EU *imports* of palm oil being certified sustainable. Unfortunately an estimated 60% (source WWF Palm Oil Buyers Scorecard 2020) of all palm oil bought by European retail and food service is *bought* as sustainable. We believe that market parties responsible for the lacking last volume percentages need to be pushed to step up as well. It is important to know that there is more certified sustainable palm oil imported into Europe by the European Refiners than certified sustainable palm oil is sold to food manufactures, retail and other costumers. We believe that a 100% sustainable deforestation-free European Union can most effectively be achieved by introducing a regulatory framework, resulting in a level-playing field for all players in the palm oil supply chain. Within this framework, certified sustainable and deforestation-free palm oil should be set as the norm building on what already has been achieved by voluntary measures over the last decade and beyond.

¹ <http://ec.europa.eu/environment/forests/pdf/1.%20Report%20analysis%20of%20impact.pdf>

See figure 3-9 page 57. All crops together cause 19% of all Indonesian deforestation (page 56). Palm Oil causes 43% deforestation from the total of crops causing deforestation in Indonesia, i.e. 8%.

See figure 2-2 page 20 for global figures: 'Global Gross deforestation 1990-2008'. 28% global deforestation by agriculture. Palm oil share is 8%, calculating $0.08 \cdot 29 = 2.3\%$ share palm oil in global deforestation.

² https://www.idhsustainabletrade.com/uploaded/2019/01/EPPO_Vormgeving2019_DEF_31012019.pdf

³ https://www.idhsustainabletrade.com/uploaded/2019/01/EPPO_Vormgeving2019_DEF_31012019.pdf



The palm oil supply chain is complex by the huge number of supply chain actors and stakeholders. We know that a significant number of smallholders are involved. These smallholders often do not have the possibility or means to move towards sustainable production swiftly and need help. Therefore, we also want to strike a reasonable balance between the uptake of physical sustainable palm oil and smallholder development. Also in the years to come we promote the work on supporting initiatives focussing on smallholder support in close relation to public and organised targeted outreach.

Concerted action is needed. There are both upstream and downstream activities that need to be combined. In essence production areas should be working on ensuring the right legal requirements and appropriate governance structures (good governance). Downstream markets should be clear on demanding only sustainably produced material and, in doing so, rewarding producers.

EPOA response to the European Commission Initiative

The European Commission in the official Communication “Stepping up EU Action to Protect Land Restore the World’s Forests”, highlighting the need to work together. They identified five priorities:

Priority 1: Reduce the EU consumption footprint

- EPOA supports the idea of setting up a platform for multi-stakeholder dialogue on deforestation as this can greatly enhance concerted action. Doing so, can also increase the level of transparency.
- EPOA supports the idea of more communication and information sharing to our European consumers on the importance of sustainable deforestation-free palm oil as a key food ingredient that fits in a nutritionally balanced diet and helps feed the world, protect biodiversity and improve socio-economic development and overall contributes to achieving the United Nations’ Sustainable Development Goals (UN SDG’s).

Priority 2: Work in partnership with producing countries

- The global deforestation challenge can only be tackled by collaboration. Solid country policies to prevent deforestation should be backed by markets valuating deforestation-free commodities, including palm oil. Therefore, we think that the time to set up a regulatory framework in Europe to yield 100% deforestation-free palm oil in Europe is needed.
- Cooperation and collaboration with producing countries in this highly complex supply chain is key. The need to change production practices has to be part of internal production country policies as well. Helping these partner countries (including financial means) to yield truly forest-based value chains will be needed. We urge all stakeholders such as governments, financial institutions and



NGOs to cooperate and work with the sustainable palm oil industry to implement deforestation free commitments.

Priority 3: Strengthen international cooperation

- The SDG framework incorporates country collective actions to take care of nature conservation in a variety of ways. The SDG framework is also to be used in promoting trade agreements that include provisions on the conservation and sustainable management of forests.
- EPOA urges the EC to recognise and build their own policies upon the experiences of private sector initiatives for a sustainable palm oil supply chain.
- As for palm oil, EPOA considers the European market as near to 100% sustainable. Over the last years the volumes of sustainable produced palm oil in Europe has grown considerably. We believe that European palm oil import and consumption should be fully sustainable and deforestation-free and we support to assess regulatory measures, like mandatory Due Diligence and inclusion of specific conditions within the Trade and Sustainable Development chapter of EU trade agreements to create such market.
- When considering regulatory measures, this should be implemented on the basis of a true level-playing field (for all relevant commodities and for all relevant producers). Regulatory measure should not result in administrative burden.
- EPOA considers the role of producing countries in developing regulatory measures indispensable. We underline that a solid link to the SDG framework is important. We need this as a firm base to think about our common sustainability requirements.
- The European market is important and can play an alerting role to European and global players, but collaboration with other markets is crucial as well. We need to take into account global developments and possible synergy-effects at a global level.

Priority 4: Redirect finance to support more sustainable land-use practices

- We agree with the Commission that financial markets and EU-Member States, the EU, banks, investment agencies and international financial institutions (World bank, IFC) have a role to play in ensuring a more sustainable future and help implement the UN SDGs and the Paris Agreement.
- We also think that financial institutions can be more vocal about their role and should step up their communication. This can go hand in hand with the suggestion made by the Commission to improve company reporting on the impacts on deforestation and forest degradation.

Priority 5: Support information, research and innovation

- Truthful information is indispensable in order to make progress. EPOA underscores the need for proper information gathering and sharing.
- We feel strongly about telling the facts, but only action will ultimately solve the problem. At EPOA we focus on the question what the palm oil industry can do



to protect forests. Together with civil society and researchers the palm oil industry has been very active in setting HCV and HCS standards to include protection of forests in RSPO standards and in corporate commitments. These definitions are now widely accepted and used by most sustainable palm oil certification schemes and initiatives.

- Sustainable palm oil companies are also supporting smallholders to increase their yield and productivity. Increased yield per hectare and support in replanting will take away the need for these farmers to clear land for agriculture.
- We strongly feel that the wider public should also be aware of these developments yielding sustainable palm oil production. This should go hand in hand with increasing demand.
- We think social media and communication are indispensable. The current public is overwhelmed with information be it trustworthy or fake. It is crucial to tell the true and honest story. For this, again it is necessary to have the same sort of messaging from public sources as well. Therefore, we welcome the idea from the European Commission to actively support the development and dissemination of information and educational materials. We stress the importance to come up with trustworthy sources.
- Furthermore, we stress the importance of having the right information on forests and commodity supply chains available like proposed by the European Commission as well.

European Palm Oil Alliance – EPOA

The European Palm Oil Alliance (EPOA) is a business initiative of European palm oil refiners and palm oil producer organisations. We believe that sustainably produced palm oil is a key food ingredient that fits in a nutritionally balanced diet and helps feed the world, protect biodiversity and improve socio-economic development and overall contributes to achieving the United Nations' Sustainable Development Goals (UN SDGs). We push for sustainable palm oil market transformation and support initiatives committed to sustainable palm oil across Europe. All our members are committed to supply certified sustainable palm oil⁴ in Europe and support a fully traceable NDPE ('No Deforestation, No Peatland and No Exploitation') supply chain.

The European Palm Oil Alliance (EPOA) supports the development, initiatives and concrete measures to produce, trade and consume deforestation-free palm oil. Our position is building on all the work and initiatives done and generated over the last years in the respective European countries working towards 100% sustainable deforestation free palm oil in the markets. We take the issue of deforestation very serious and realise that the decisions made are not only relevant today but also have an impact on the generations to come. We believe that the palm oil supply chain is in a perfect position to lead the way.

⁴ RSPO or equivalent