

# 4th Oleochemicals Outlook

23 – 24 August 2016, Bali, Indonesia

# RSPO

# Is It Sustainable?

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*Advisor*

**AOMG**



**ASEAN Oleochemical Manufacturers Group**

# RSPO – Is it sustainable?

1. RSPO review
2. Can the momentum be maintained?
3. Can it stop peatsmog haze?
4. The price of certification : who benefits?
5. RSPO Next : can it increase uptake?
6. Conclusion

# 1. RSPO – the beginning

2004

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



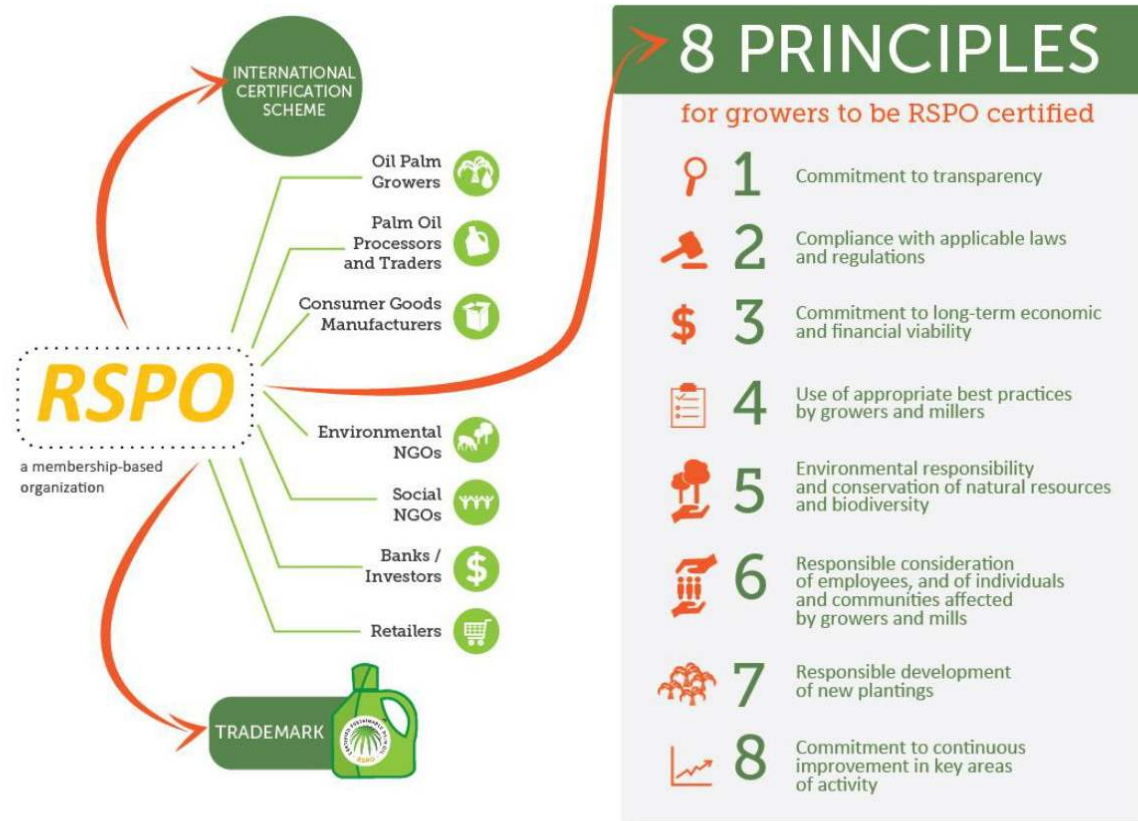
**MiGROS**

**AAK**

Transforming the market to make sustainable palm oil the norm

**ASEAN Oleochemical Manufacturers Group**

# RSPO – a membership based organisation

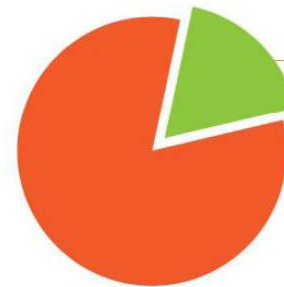
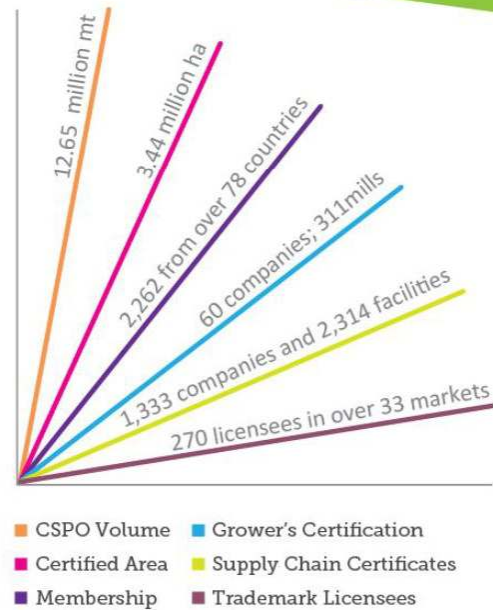


Transforming the market to make sustainable palm oil the norm

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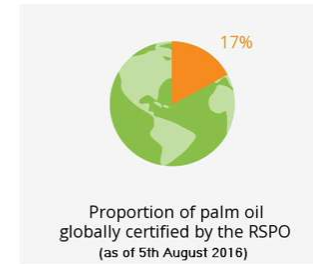
# RSPO - achievements

## RSPO WORLDWIDE IMPACT



**+20%**  
of palm oil globally is  
certified by the RSPO

As of mid-2015



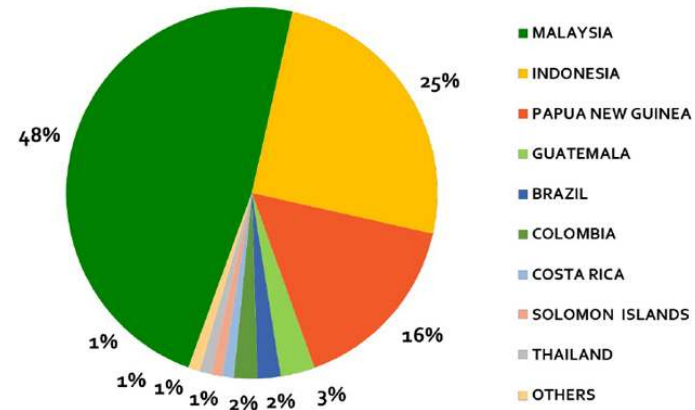
RSPO worldwide impact



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# Where RSPO CSPO comes from

Globally produced  
RSPO-certified  
sustainable palm oil



Some of the brands  
with a RSPO  
Trademark License

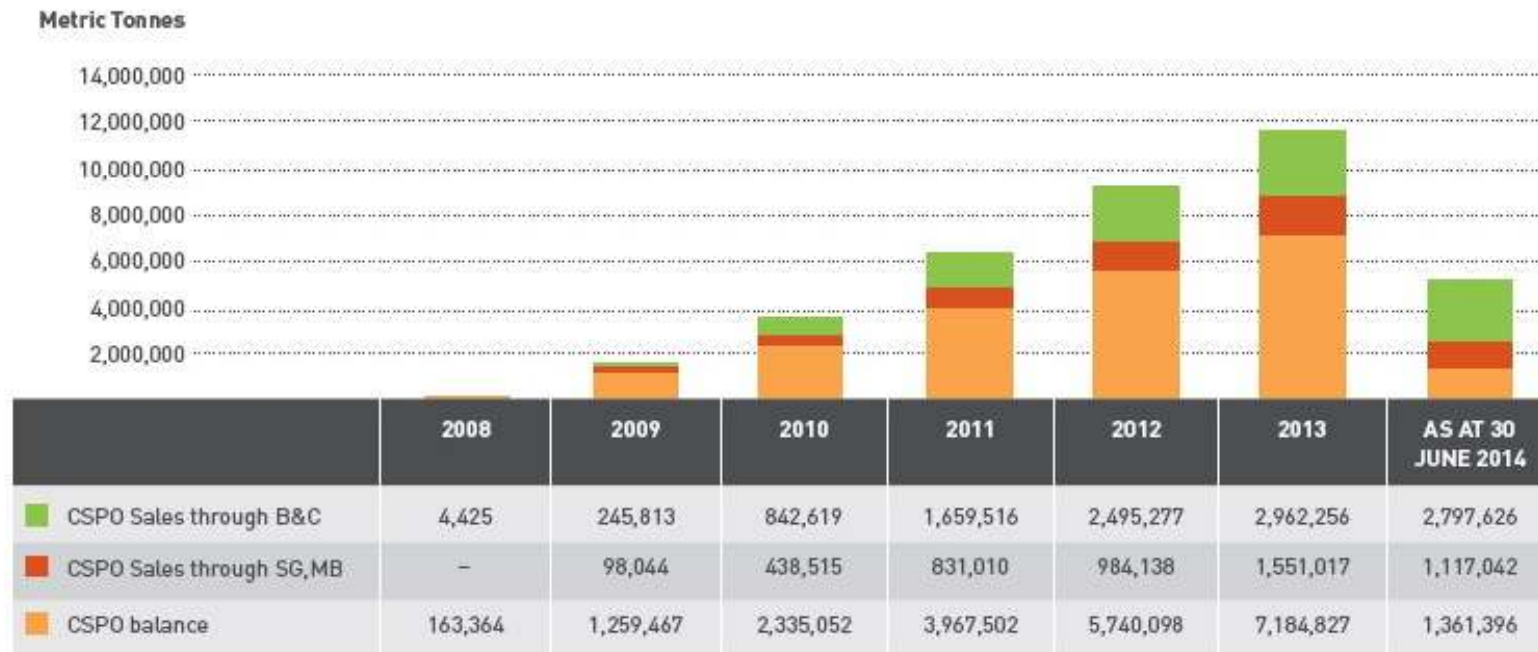


RSPO worldwide impact

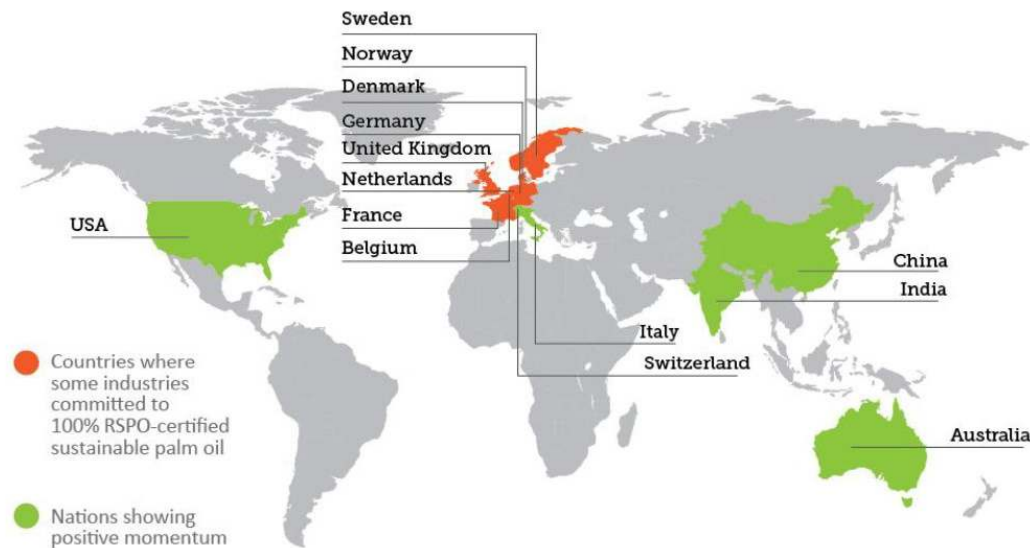
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## 2a. Can the momentum be maintained?

### Supply and Uptake



# Commitment to 100% RSPO CSPO



Some of the global companies committed to 100% RSPO certified sustainable palm oil



RSPO worldwide impact

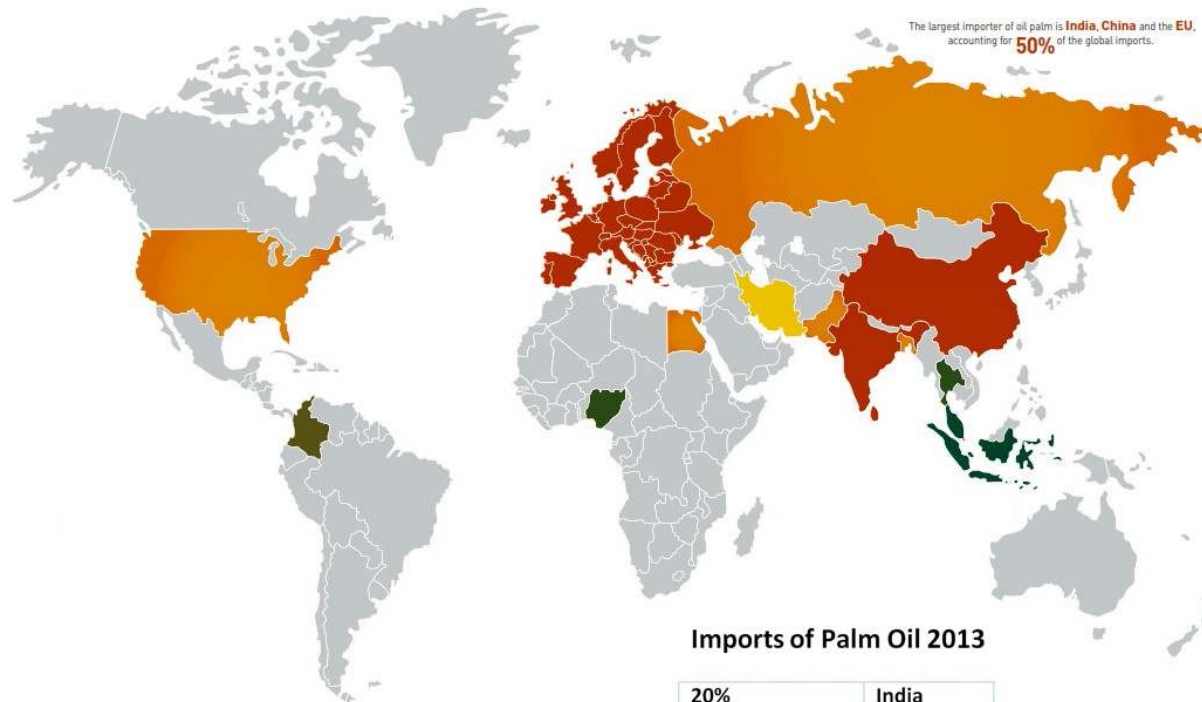
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# EU is committed

- The only region that some industries are committed to 100% RSPO certified sustainable palm oil
- EU consumes only 15% of exported palm oil
- 21% RSPO CSPO is available and is growing rapidly
- Who are the largest importers?

# Imports of Palm Oil

## PRODUCERS AND IMPORTERS OF OIL PALM



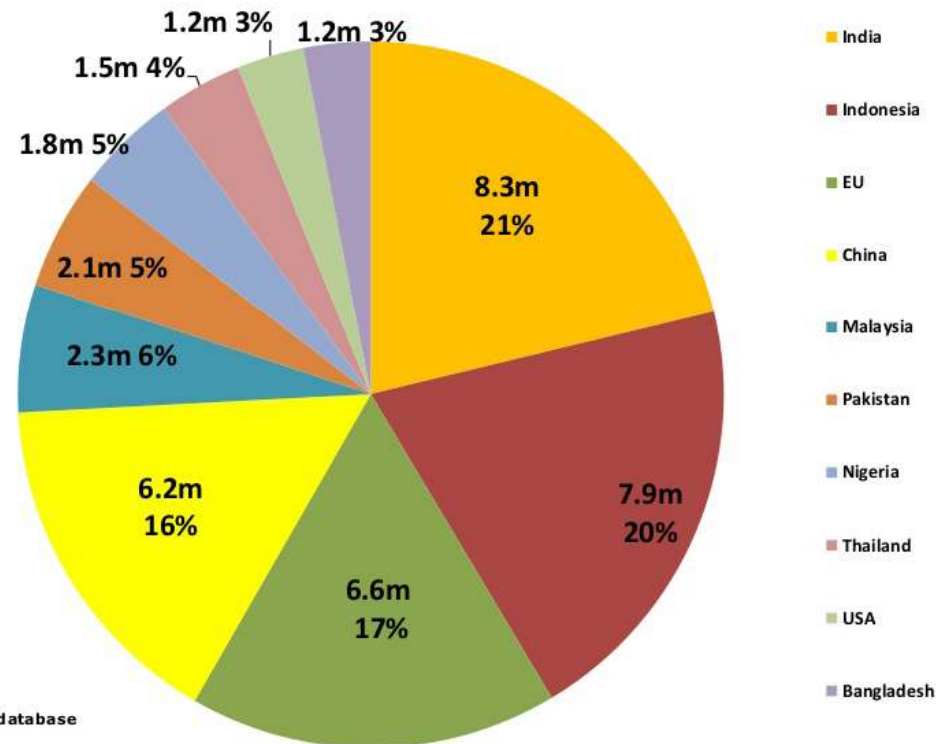
.....  
Diseeds. World market and trade. May 2014

# India & China

- Work needed to get commitment here
- What about producing countries?

# Top Palm Oil Consumers

## Top 10 Palm Oil Consuming Nations 2013 - Tonnes



Data: oil world March 2014 database

**Total palm oil consumption 57 million tonnes**

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# Indonesia & Malaysia

- Carrefour announced at RT 10 in 2012 in Singapore – the first RSPO trademarked product in Indonesia,

ECOplanet cooking oil



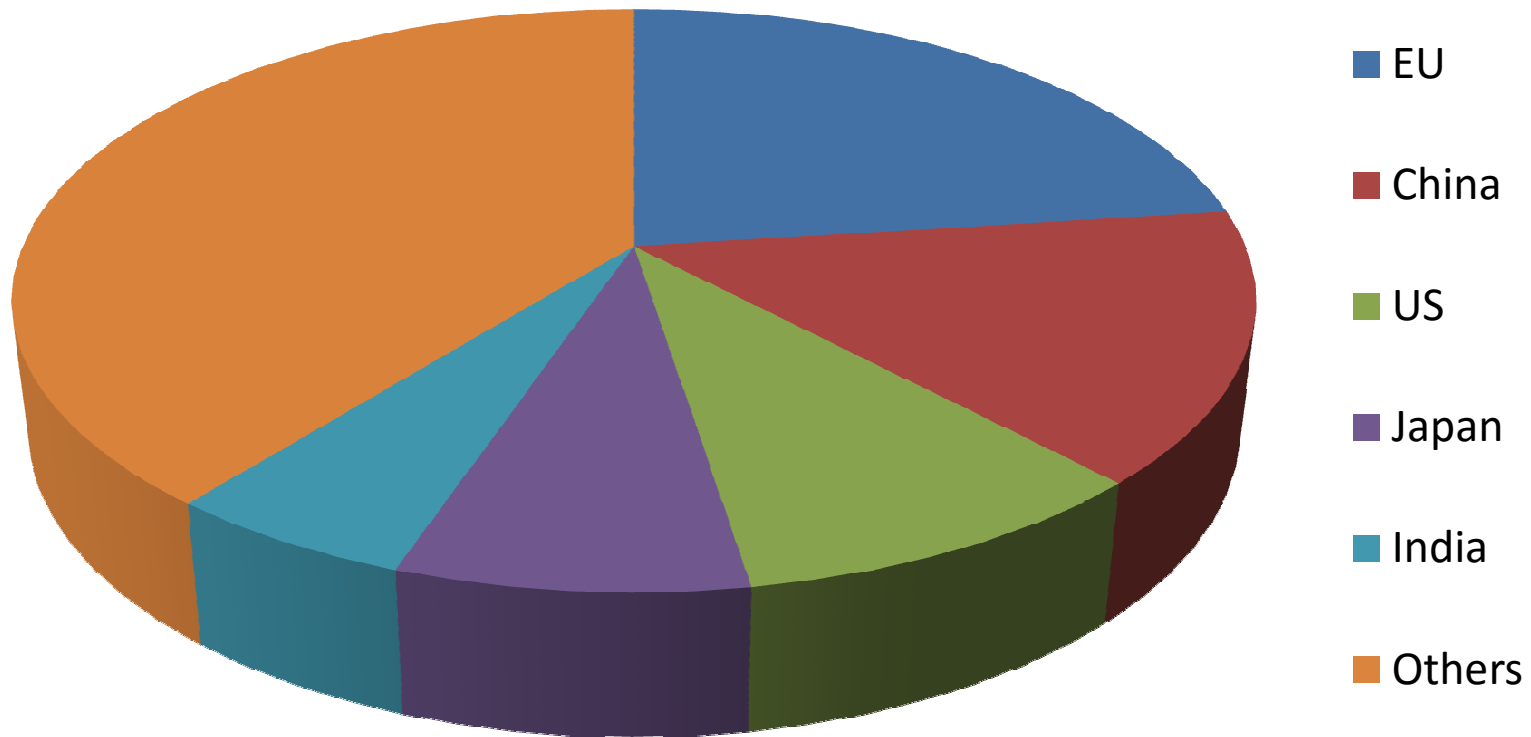
- Work needed to educate consumers here

# What can be done

- RSPO needs stronger brand promotion globally
- Get governments of India, China, Indonesia, Malaysia etc more involved
  - legislation
  - education
  - media
  - link to 2015 COP 21
- Although not RSPO's agenda recognize health concerns and well-being as a wider sustainability issue

# 2b. The oleochemical momentum

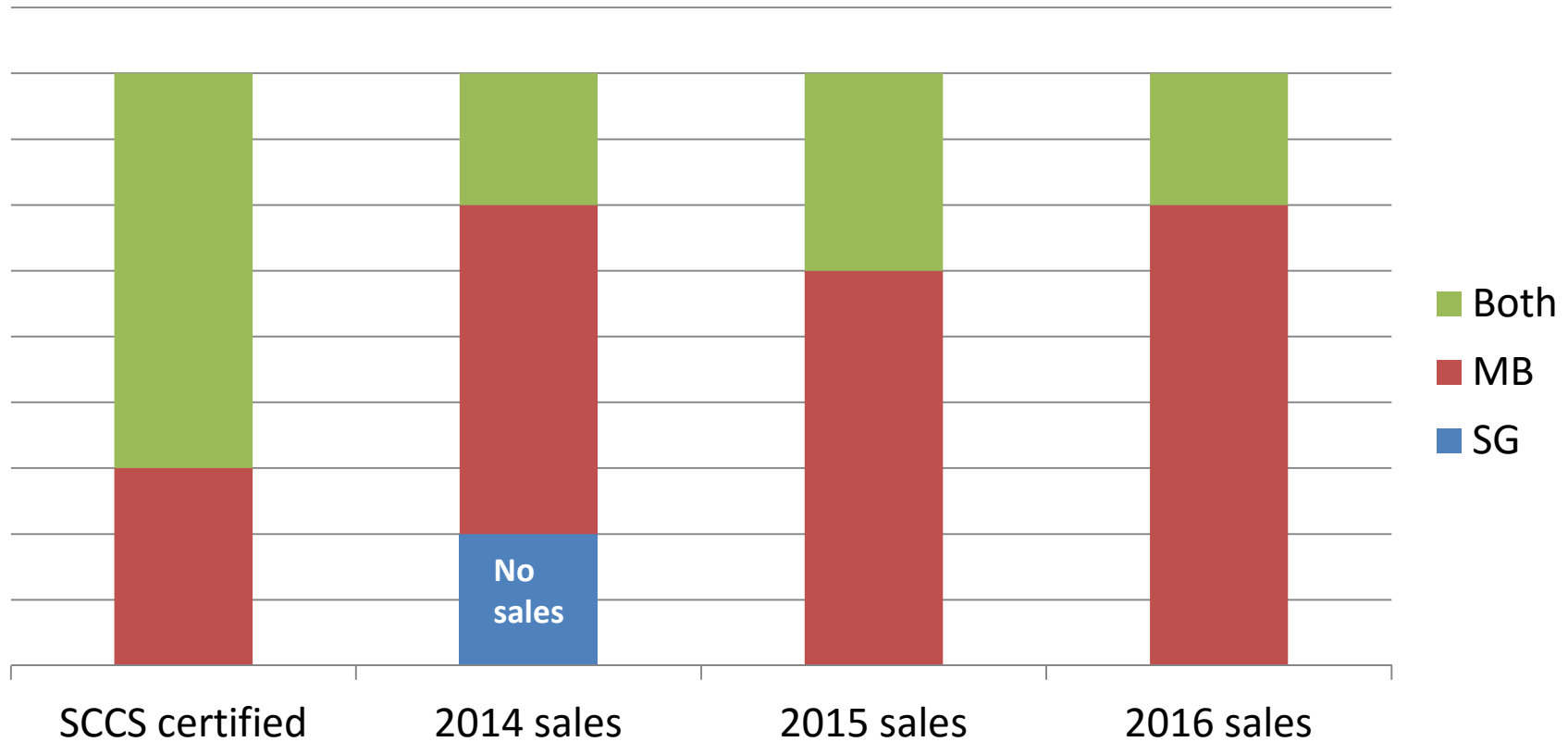
## Export markets 2013



Source: Malaysian Palm Oil Board

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# AOMG member survey

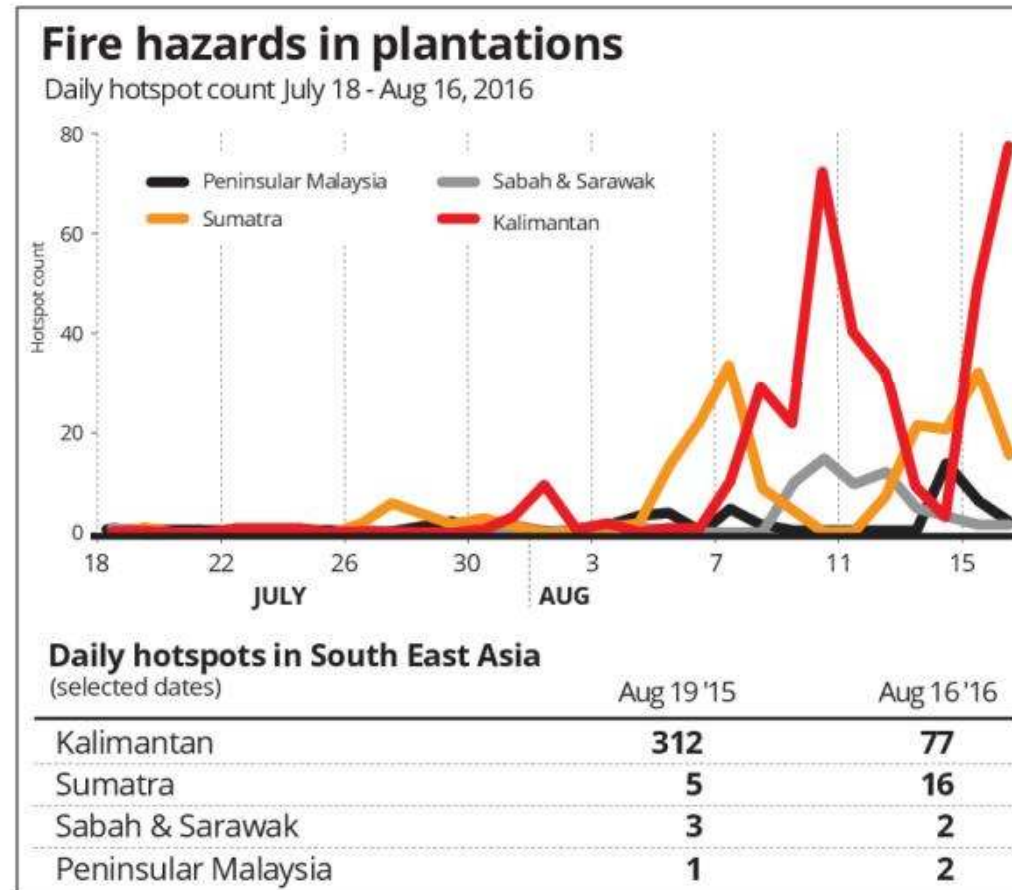


Physical transition rules for oleochemicals and derivatives July 2013  
“... few repeat orders. Number of sales can be fingers counted ....”

# Factors hindering take off

- Lack of buyers' commitment
- Insufficient physical CSPKO
  - 2/3 of oleochemical raw material is PKO
  - SG PKO premium at US\$200/t vs 40 for SG PO. Absence of (IOI &) FGV will sustain premium
  - end consumers reluctant to accept high premium
- High cost of membership, certification and premiums
- RSPO is biased towards NGOs and large MNCs
- RSPO suspension action is harsh
- Book & Claim still active

### 3. Can it stop peatsmog haze?



# From my presentation to PIPOC 2015

(6/10/16)

**YES**

Fire Alerts	1 <sup>st</sup> January to 24 <sup>th</sup> August 2015	till 6 <sup>th</sup> October 2015
RSPO certified palm oil concessions	0	82
All palm oil concessions	627	2510

# From my presentation to PIPOC 2015

(6/10/16)

**NO**



*“For palm oil, despite studies that show a lesser (although still significant at around 20%) cause than other types of concession (timber, pulp & paper) and ex-concession areas i.e. smallholders and others, its association remains high in the public perception”*

Khor Yu Leng,  
Research Head, SEA at LMC

# 4. The price of certification

**Journal of Oil Palm, Environment & Health**

An official publication of the Malaysian Palm Oil Council (MPOC)

Review

Open Access

*Journal of Oil Palm, Environment & Health* 2016, 7:19-27

doi:10.5366/jope.2016.02

## **THE BURDEN OF RSPO CERTIFICATION COSTS ON MALAYSIAN PALM OIL INDUSTRY AND NATIONAL ECONOMY**

**Yusof Basiron\*, Foong-Kheong Yew**

Plantations

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# Initial Costs

**Table 1: RSPO certification costs**

Type of operation	Item	Cost (RM /ha)		
		Range	Mean Value for Year 2012	Mean Value for Year 2014
Membership	RSPO (per ordinary member*)	8,960	0.19	0.19
Pre-certification	EIA	Not considered	0	0
	HCV assessment	3.38-21.25	12.32	12.94
	SIA	1.99-4.23	3.11	3.27
Certification	Initial certification with staffing	9.01-14.97	11.99	12.59
	Training of staff & implementers	0.38-97.71	49.05	51.50
Corrective actions	Corrective actions	15.82-162.09	177.91	186.81
TOTAL COST			262.38	267.30

Source:

a) WWF, FMO and CDC<sup>3</sup>

b) Values for Year 2014 are calculated based on an estimated 5% increase over Year 2012 values except for RSPO membership which remains constant

c) Figures are meant to be typical for most areas. As such, although some areas will need rehabilitation and maintenance for set aside areas, these are not included here

d) Cost of RSPO ordinary membership is EU2,000 per year

e) 1 Euro= RM4.48

# Ongoing Costs

**Table 2: RSPO post-certification costs for subsequent years**

Type of operation	Item	Mean Value for Year 2012 (RM)	Mean Value for Year 2014 (RM)
Membership	RSPO (per ordinary member*)	0.19	0.19
Certification	Maintain certification with staffing	6.59	6.92
	Maintain training of staff & implementers	26.98	28.33
Annual surveillance cost, managing social conflicts and maintenance works			100.00
<b>TOTAL COST</b>			<b>135.44</b>

Source:

a) WWF, FMO and CDC <sup>3</sup>

b) Cost in subsequent years is 45% lower than initial cost

c) Cost for 2014 is assumed to be 5% higher than 2012 cost, except for RSPO membership which remains constant

# Costs for all to be certified

**Table 3: Estimated costs needed for all Malaysian palm oil to be RSPO certified**

Row	Parameter	Area (ha) or Cost (RM)
1	Total oil palm area	5,392,235 ha
2	Total cost to certify 5.4m hectares in 1 <sup>st</sup> year	RM 1.441 billion
3	Total cost to certify 5.4m hectares in 6 <sup>th</sup> , 11 <sup>th</sup> , 16 <sup>th</sup> and 21 <sup>th</sup> year	RM 5.216 billion
4	Total cost to maintain certification for all years except for the years mentioned in Rows (2) & (3)	RM 14.607 billion
5	Total cost for 25 years planting period	RM 21.264 billion
6	Average total cost per year	RM 0.851 billion

# Who benefits?

- RSPO
- HCV assessors
- SIA assessors
- Certification bodies
- Training bodies
- Plantations
- Green Palm
- UTZ
- The environment

# Revenue from premium

Item	Sold (tonnes)	Premium	Extra Revenue	Profit (Loss)
Palm oil	8,834 424	\$0.18 (RM0.68)	RM6,007,408	
Palm kernel oil	1,024,176	\$20.00 (RM84.60)	RM86,645,290	
Total revenue			RM92,652,698	(RM 758 million)

Changing the assumptions : Green Palm 6/8/16

Item	Sold (tonnes)	Premium	Extra Revenue	Profit (Loss)
Palm oil	19,667,016	\$1.95 (RM7.86)	RM154,582,740	
Palm kernel	2,280,000	\$37.00 (RM 149.11)	RM339,970,800	
Total revenue			RM494,553,540	(RM 356 million)

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# Refineries & Oleochemicals

- No data from refineries
- Early days for oleochemicals – volumes do not yet cover membership, certification, administration and segregation costs.

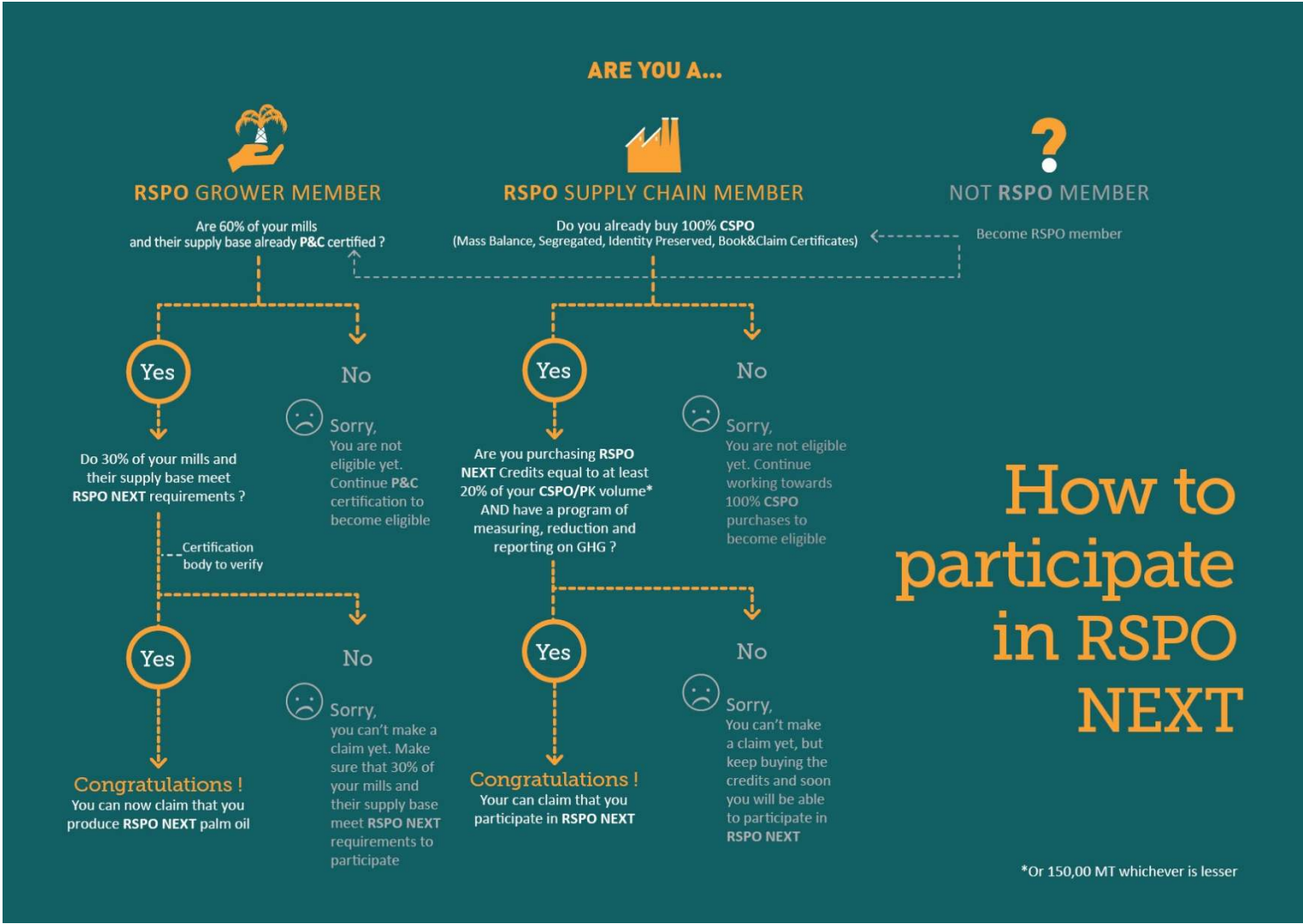
# 5. RSPO NEXT



The infographic is set against a background of green palm fronds. At the top center, the text '5. RSPO NEXT' is displayed. Below this, a central circular logo contains the text 'RSPO NEXT' and 'A SET OF ADVANCED ADD-ON CRITERIA FOR RSPO PALM OIL PRODUCERS'. Surrounding this central logo are six distinct criteria, each with a title, an illustration, and a list of bullet points.

- NO DEFORESTATION**
  - Public no deforestation policy
  - Start new plantations on low carbon stock areas only
  - Set aside areas for conservation
- REDUCTION OF GHG**
  - Monitor and reduce emissions across entire organisation
  - Publicly report on progress
- TRACEABILITY OF ALL FRESH FRUIT BUNCHES TO MILL**
  - Including fruit bunches from associated and independent smallholders, dealers and other sources
- RESPECT FOR HUMAN RIGHTS**
  - Paraquat is banned
  - Capacity building for smallholders
  - Decent Living Wage for plantation workers
- NO FIRE**
  - Expanded responsibility for fire prevention in and around plantations
- NO PLANTING ON PEAT**
  - Of any depth after 16 November 2015

# Eligibility



# Increase uptake?

- **RSPO Next** has been developed to recognise the efforts of RSPO members who are exceeding the requirements of the RSPO P&Cs
- **RSPO NEXT Credits** There is no physical supply chain in place and a programme of credits is being developed
- Potentially plantations will earn more
- It may cannibalize existing supply chain options or even promote Book & Claim

# Conclusions

- RSPO remains best placed platform
- RSPO needs to move away from the market driven model to maintain momentum
- RSPO needs to focus on India, China, Indonesia, Malaysia etc
- RSPO alone cannot stop peatsmog haze
- What is the price of slowing global warming?
- Waiting for RSPO NEXT to begin