

Palm Oil

An area of forest the size of Portugal was lost globally between 2010 and 2015 because of EU consumption of commodities grown on deforested land, much of it illegal.^{1,2} Such destruction often violates the rights of local communities and indigenous peoples, causes massive biodiversity loss, and contributes to climate change. Fern is calling for an EU Action Plan to ensure imports for forest-risk commodities are legally sourced and ecologically viable.

64.5m tonnes

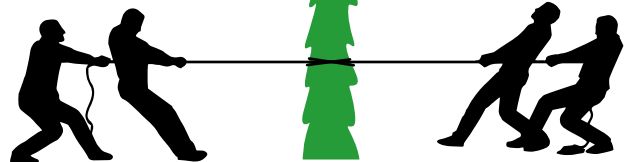
worldwide production (2016/2017)

80%

of this comes from Malaysia and Indonesia.

Other countries include Thailand, Colombia, Nigeria, Ecuador, Guatemala and Papua New Guinea.

Often this comes from disputed land.



The **EU** imports **12-15%** of global production.



In Germany, the per capita consumption of palm oil is **23kg** (for biofuel, food, cosmetics)

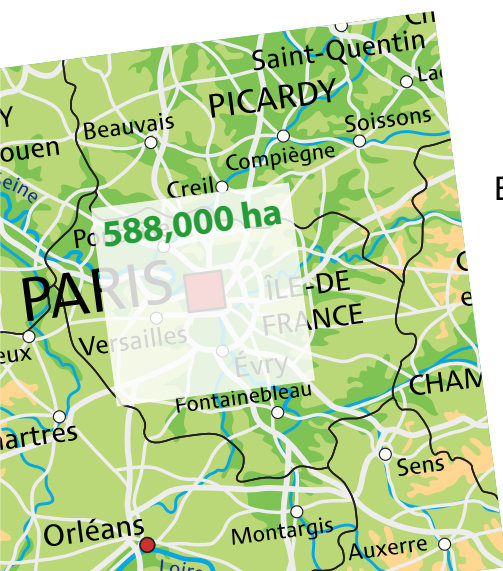


EU imports were grown on

588,000 ha

Bigger than the city of Paris

It could be as high as **1.2m hectares** if you include other impacts such as fires and abandoned land.



Palm oil – why so much demand?

Palm oil is the world's most commonly used vegetable oil. It is cheap to make due to high crop yields relative to other oilseeds and low labour costs in producer countries. It is the main cooking oil in South Asia, Africa and the Middle East, and it has properties that make it a popular ingredient in a huge range of processed foods and consumer products. These include margarine, biscuits, chocolate, cosmetics, candles and detergents along with industrial applications. Additionally, palm oil is increasingly used as feedstock for biofuel.

Palm oil production and consumption – global trends³

Global production has more than doubled since 1990, reaching 64.5 million tonnes in 2016/2017.⁴ Soaring demand has been supported by rising incomes and population growth in developing countries, increased biofuel production and perceived health benefits (palm oil products are low in trans fats). As a result, the area of land covered by palm oil plantations rose from 6 to 17 million hectares globally between 1990 and 2012⁵, an increase roughly the size of Bulgaria or South Korea.

There is evidence that much of the increase in output has taken place on illegally cleared land. For example, a study by Forest Trends estimated that 53 percent of Indonesian palm oil exports and 26 percent of those from Malaysia came from illegal deforestation over the period 2000 to 2012.⁶

Like other agricultural commodities, palm oil goes through cycles of boom and bust. Recent years have seen a bust, with the price of palm oil dropping by more than fifty percent between early 2011 and late 2015. It has since rebounded somewhat. The slide was in response to over-production prompted by previously high prices, coupled with several years of good harvests. Palm oil production is, however, expected to carry on growing in decades to come despite volatile market conditions.⁷

The EU, India and China are the largest importers, accounting for about 60 per cent of international trade in palm oil.⁸ The EU currently imports more than six million tonnes of palm oil annually, about 12 to 15 percent of global production.⁹

Deforestation and human rights concerns

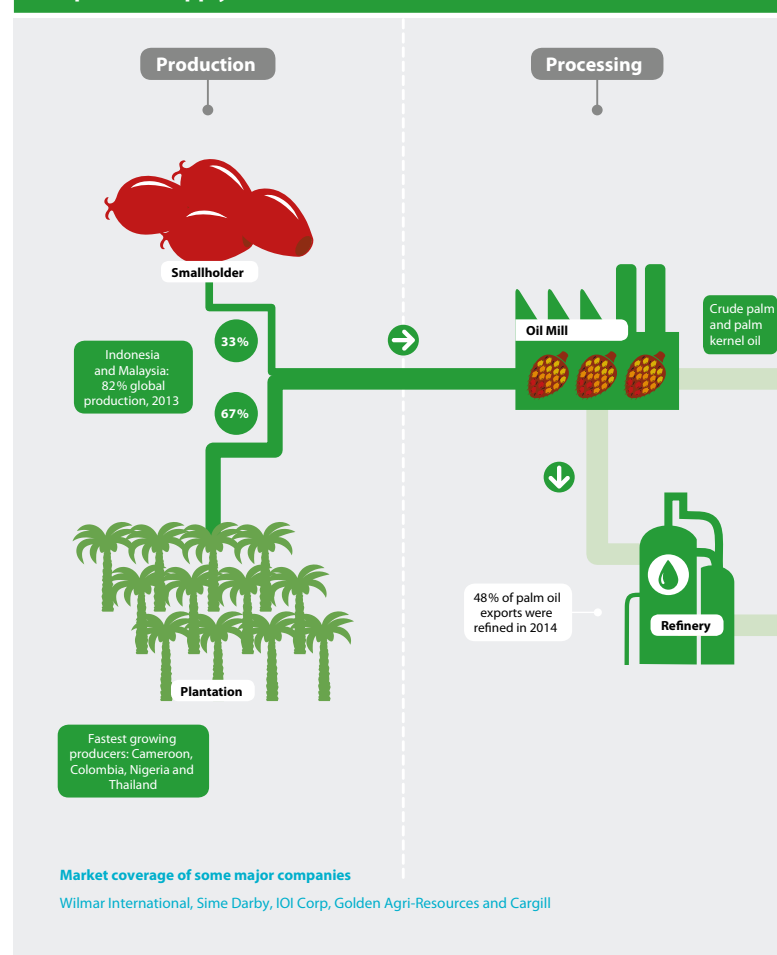
After beef and soya, palm oil is the third largest agricultural cause of deforestation.¹⁰ Oil palm is only grown in equatorial regions, so the expansion has had a particular impact on tropical forests, often high conservation value forests rich in biodiversity and wildlife.

Most palm oil comes from South East Asia. Indonesia and Malaysia dominate the market with more than 80 per cent of global production.¹¹ Recent years, however, have seen expansion in Africa and Latin America. Human rights abuses have been recorded in most if not all production countries.

NGO and media investigations have documented innumerable cases of communities being displaced or denied access to livelihoods as a result of palm oil encroachment worldwide. One sign of the scale of the problem is that Indonesia's National Land Bureau recently estimated that there were some 4,000 land disputes between communities and palm oil growers across the country.¹²

Labour conditions on palm oil plantations are another big concern. While circumstances vary, reported problems include very low pay for plantation workers, inattention to health and safety, extensive child labour, trafficking of workers and debt bondage.¹³

The palm oil supply chain



Adapted from Global 2000 and Südwind (2017), Palm Oil. Environmental destruction, stolen land.

International palm oil supply chains

Oil palm is mostly cultivated on plantations although there is also a significant smallholder component. Smallholders – defined as working on a plantation of less than 50 ha – account for about 30 per cent of the world's palm oil production and 40 per cent of land coverage used for palm oil cultivation.¹⁴ Much of the world's palm oil goes through the hands of a small number of large trading and / or refinery operators (many of them are also prominent in other agricultural commodities), including Wilmar International, Sime Darby, IOI Corp, Golden Agri-Resources and Cargill.¹⁵

Private Sector initiatives to kick deforestation out of the supply chain

Some producers, traders and industrial users have adopted various voluntary measures to improve their record or demonstrate their commitment to sustainable palm oil. About a fifth of global production is certified by the Roundtable on Sustainable Palm Oil (RSPO), set up in 2004, although NGOs

have pointed to many inadequacies in RSPO rules and their implementation.¹⁶

In addition, in the last few years, a number of companies have announced commitments to zero deforestation. Typically these commitments include promises not to cut down high conservation value (HCV) or high carbon stock (HCS) forest, protection of peatland, no use of burning to clear forests, minimum labour standards and free, prior and informed consent (FPIC) for communities affected by new developments.¹⁷ A recent evaluation of progress in achieving the targets set out in the New York Declaration on Forests (a multi-stakeholder initiative that requires signatories to halve deforestation by 2020 and end it by 2030) found that while palm oil companies have been among the most active in making deforestation commitments, their overall impact on forests is hard to detect.¹⁸

How much palm oil do we consume in the EU?

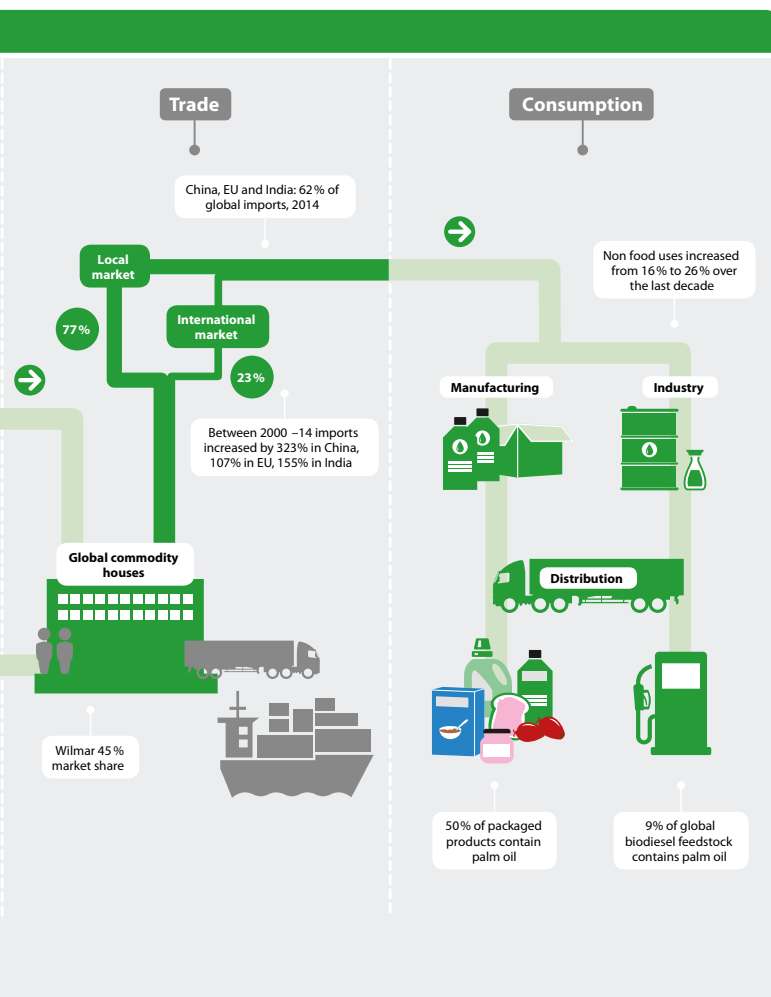
Over 2006–2012, the EU-27 increased its total use of palm oil by 40 per cent, from 4.5 to 6.4 million tonnes. In 2012, about 1.9 million tonnes were used for biodiesel production and 0.6 million tonnes for electricity and heat generation. The remainder went to areas including food production, personal care, paints and lubricants.¹⁹

EU policies driving demand for palm oil

The EU Renewable Energy Directive (2009), which encouraged greater use of biofuels, has been an important driver of EU imports in recent years. Some of the additional palm oil coming into the EU has gone directly into biofuel, but more commonly palm oil imports have filled gaps left by increased use of locally produced rapeseed oil as a biofuel feedstock.

The Directive included a binding target stipulating that ten per cent of all transport fuels should come from renewable sources, mainly biofuels. This target has since been revised and the current Commission proposal (November 2016) states that the maximum contribution from liquid biofuels to the EU renewable energy target should fall to 3.8 per cent in 2030.²⁰

EU Member State policies to help reach the target included government support for biofuels. In 2011, the value of biofuel subsidies was estimated to be between Euro 5.5 and 8.4 billion, with the bulk of these going to biodiesel from rapeseed oil, palm oil and soya.²¹



Policy Recommendations

The EU has made a commitment to end its role in deforestation by 2020.²² This will remain an impossible goal while policies and practices encourage rising demand for palm oil, with little concern about the deforestation or human rights violations generated by its production.

The EU must:

- regulate palm oil supply chains. The EU already regulates supply chains of illegal fishing and conflict minerals. It should now regulate supply chains of palm oil and other forest risk commodities to ensure EU consumption is legal, does not create conflict and does not lead to deforestation. International legislation concerning customary rights could be a basis.²³
- ensure that the reform of the Renewable Energy Directive introduces strict social safeguards, immediately terminates all support (e.g. state aid and tax incentives) for land-based biofuels, and phases out these biofuels as soon as possible.
- develop an “Action Plan to Protect Forests and Respect Rights” to allow it to meet its commitments to stop deforestation, respect rights, and tackle climate change made in multiple instruments including the New York Declaration on Forests, the UN Sustainable Development Goal 15, and the Paris Agreement.²⁴



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End notes

- 1 <http://ec.europa.eu/environment/forests/pdf/1.%20Report%20analysis%20of%20impact.pdf>
- 2 <http://www.fern.org/stolengoods>
- 3 There are significant discrepancies among different data sources on vegetable oils, specifically when it comes to trade flows. Oil World (ISTA Mielke) provides a breakdown for EU 27. See IISD report; The EU Biofuel Policy and Palm Oil; September 2013. https://www.iisd.org/gsi/sites/default/files/bf_eupalmoil.pdf. To avoid confusion, all references to vegetable oils are taken from the above paper.
- 4 <http://www.globalpalmoilproduction.com/>
- 5 <http://www.sciencedirect.com/science/article/pii/S0959378016300814>
- 6 Consumer Goods and Deforestation - An Analysis of the Extent and Nature of Illegality in Forest Conversion for Agriculture and Timber Plantations, 2014: www.forest-trends.org/documents/files/doc_4718.pdf
- 7 <https://www.chathamhouse.org/publication/agricultural-commodity-supply-chains-trade-consumption-and-deforestation>
- 8 <https://www.chathamhouse.org/publication/agricultural-commodity-supply-chains-trade-consumption-and-deforestation>
- 9 https://www.iisd.org/gsi/sites/default/files/bf_eupalmoil.pdf
- 10 http://www.forest-trends.org/documents/files/doc_4718.pdf
- 11 <http://greenpalm.org/about-palm-oil/where-is-palm-oil-grown-2>
- 12 <http://www.forestpeoples.org/topics/agribusiness/video/2016/05/new-video-exposes-reality-oil-palm-land-grabs-indonesia>
- 13 <http://www.schusterinstituteinvestigations.org/slavery-palm-oil-plantations-indonesia>
- 14 <http://www.sustainablepalmoil.org/smallholders/>
- 15 Forthcoming Fern research, due for publication in 2017 and <https://www.chathamhouse.org/publication/agricultural-commodity-supply-chains-trade-consumption-and-deforestation>
- 16 For example, http://www.theecologist.org/campaigning/2986342/sustainable_palm_oil_rspos_greenwashing_and_fraudulent_audits_exposed.html
- 17 Forthcoming Fern research, due for publication in 2017
- 18 Charlotte Streck, Franziska Haupt, and Stephanie Roe, Progress on the New York Declaration on Forests: Eliminating Deforestation from the Production of Agricultural Commodities – Goal 2 Assessment Report (Climate Focus, 2016).
- 19 https://www.iisd.org/gsi/sites/default/files/bf_eupalmoil
- 20 <http://www.reuters.com/article/us-eu-energy-biofuels-idUSKBN13H1EA>
- 21 https://www.iisd.org/gsi/sites/default/files/bf_eupalmoil.pdf
- 22 <http://www.un.org/climatechange/summit/wp-content/uploads/sites/2/2014/07/New-York-Declaration-on-Forest-%E2%80%93-Action-Statement-and-Action-Plan.pdf> and <https://sustainabledevelopment.un.org/sdg15>
- 23 <http://www.fern.org/publications/reports/developing-eu-measures-address-forest-risk-commodities-what-can-be-learned-eu>
- 24 <http://www.fern.org/blueprint>



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