

Indonesian palm oil stakeholders are working hard for sustainable palm oil, but how about the market uptake?

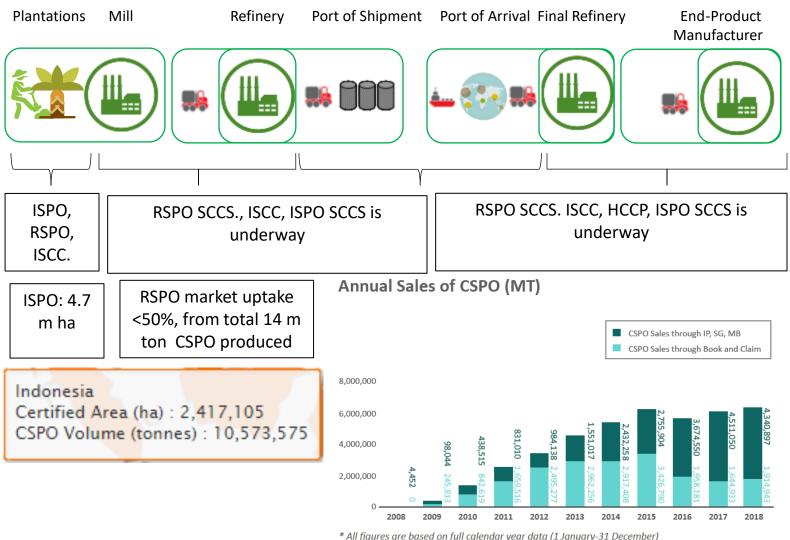
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Gabungan Pengusaha Kelapa Sawit Indonesia

Indonesia Palm Oil Association

Palm Oil: one of the most highly certified commodities



^{*} All figures are based on full calendar year data (1 January-31 December)

Retailer/ Consumers



CHINA O

COMMITMENT

10% CSPO uptake by 2020

PROGRESS

- Physical uptake of CSPO: 1.5% as at 30 June 2018
- RSP0 members: 87
- Products with RSP0 Trademark: 2
- Industry has been producing CSPO substantially, but market uptake is disappointing
- Gol support is encouraging, but our ISPO badly needs SCCS (Suply Chain Certification Standard)
- If producers are ready, does Chinese market also ready for uptake? → getting certified, buying CSPO, etc
- Market prices: CSPO: \$2-3/mt; CSPKO \$30-40/mt

Source: Gapki, 2022; RSPO, 2019, 2021

Elements in the Sustainability Standards: Generic, ISPO & RSPO. NDPE is adopted both in ISPO RSPO. Practically, palm oil standards are higher than others

- Generic, in all standards:
 - o People: labour, child labour, women, local community, etc
 - Planet/Environment: biodiversity, water, fertilizer, chemical, etc
 - Profit/Prosperity: benefit to local community, etc

- Specific & advanced (found only in palm oil. Some in Soy)
 - o No Deforestation: RSPO: use HCS; ISPO: use moratorium map, use government regulation
 - No Peat Planting: RSPO: use HCS, peat drainability. ISPO: use moratorium map, use government regulations
 - o No Exploitation: RSPO: SEIA, SIA, FPIC, etc. ISPO: SEIA, use government regulations, etc.

ISPO

SEIA, Plantation Class, HGU (land title), not in moratorium map.

Difficult to open new plantation

RSPO

NPP (HCV HCS SIA FPIC

Difficult to open new plantation.

More assessment

P&C ISPO & RSPO principally similar ISPO & RSPO

Transparency: lower Certification **Process**

Conformity with P&C

5 years, annual survellaince

Certificate of

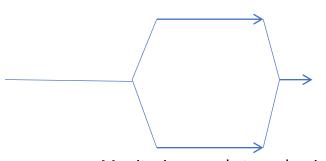
Transparency: higher

Similarities and differences between ISPO & RSPO, according to UNDP commissioned research team (Mutu, 2013)

Element	Similar
ISPO towards RSPO	96.83%
RSPO towards ISPO	88.57%
RSPO towards ISPO	88.57%

Source: UNDP, 2014

Monitoring: light to harsh. Stakeholders can lodge complaint to Government/ ISPO Commisio/ NGO representative in Comission. Decision: warning, suspension, revoke licenses, court



Monitoring: market mechanism. Stakeholders can lodge complaint to RSPO. RSPO can verify complaint. Decision: warning to expel of membership

Source: own analysis, 2024

Conclusion

- Palm oil sustainability standards
 - Higher in P&C & implementation than other commodities.
 - Voluntary used to be higher. But Mandatory is catching up. Voluntary works with market mechanism. Mandatory works with law enforcement & market mechanism
- We are ready
 - Producing & selling CSPO according to voluntary standard
 - Producing CSPO according to mandatory standard. GoI needs to expedite the selling standard (SCCS)
- But, does the Chines market ready?
 - Market uptake come with a cost
- Sustainability standard should not be a non tariff measures/discrimination in international trade relations
 - O No need to do the European way of imposing trade discrimination thru sustainability standards