

Overcoming Challenges in Positioning MSPO Among Internationally Accepted Standards for Malaysian CSPO



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Sustainability Standards/Initiatives for Palm Oil

Standard/Initiative	Standard/Initiative
1. Roundtable on Sustainable Palm Oil (RSPO)	6. Sustainable Palm Oil Manifesto (SPOM)
2. International Sustainability & Carbon Certification (ISCC)	7. Indonesian Sustainable Palm Oil (ISPO) ISPO has currently teamed up with United Nations Development Programme (UNDP)
3. Rainforest Alliance(RA)/Sustainable Agriculture Network (SAN)	8. Malaysian Sustainable Palm Oil (MSPO)
4. Roundtable on Sustainable Biomaterials (RSB)	9. High Carbon Stock Approach (HCS)
5. Palm Oil Innovation Group (POIG)	10. A never ending stream of new certification schemes are constantly popping up and pose a threat to Malaysian palm oil

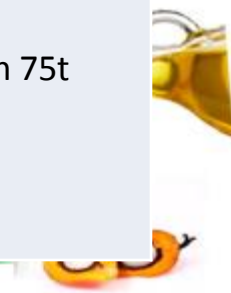


Classification of Standards or Are Some Just Sustainability Initiatives?

Type	Systems involved	Purpose
Certification Standards <i>* Usually requires field audits and a complete certification procedure (principles and criteria) for their effective execution</i>	<ul style="list-style-type: none"> • RSPO • ISCC • RSB • MSPO • ISPO • SAN thru. RA 	<ul style="list-style-type: none"> • Certification involved • Lend credibility to their claims • Give assurance to buyers & consumers about sustainability
Voluntary Standards <ul style="list-style-type: none"> • <i>These are usually stated commitments to certain sustainability requirements. Ideology based and prescribing to the wish list of interested parties.</i> 	<ul style="list-style-type: none"> • POIG • SPOM 	<ul style="list-style-type: none"> • Initiated by NGOs to engage & commit growers to certain criteria of sustainable production e.g. no peat, no deforestation

Features of Voluntary Standards

Initiative	Features
Palm Oil Innovation Group (POIG)	<ul style="list-style-type: none">• Environmental & Civil Society NGOs and some palm oil industry members (including Agropalma, Daabon, Musim Mas) work together since 2013• Primarily No deforestation, No planting on peat, No exploitation• Introduces HCS concepts as a mark of sustainability• POIG members argue this is a business case where their customers e.g. Nestle, Unilever have pledged to 'No deforestation' commitments
Sustainable Palm Oil Manifesto (SPOM)	<ul style="list-style-type: none">• Sime Darby, KLK, IOI, Musim Mas and global traders viz. Cargill and Apical signed SPOM in 2014• To build traceable and transparent supply chains• Included a major initiative through the HCS Science Study with 75t C/ha as cut off value



An Unhealthy Proliferation of Palm Oil Do-Gooders



At a time when the conversation around palm oil centres on deforestation, fires and habitat loss – and global demand shows no signs of abating – several companies have come together to create Palm Done Right, a new standard for ethical palm oil production. *"This is not another certification system, it's a movement,"* says its CEO Neil Blomquist.

<http://www.foodnavigator.com/Market-Trends/Good-palm-oil-is-possible.-This-is-what-it-looks-like-says-Palm-Done-Right-CEO>

To these certification providers it is good business at the expense of palm oil growers, producers and trade.

- Even when you voluntarily subject to certification, you are often blindfolded and placed in front of the firing squad!**



Challenges

- Since birth of RSPO in 2004, there are already nine systems and initiatives
- Meaning: one sustainability initiative every 1.5 years!!
- Expect more Sustainability Systems for Palm Oil to come up
- A new system called 'Landscape Approach' is already introduced in oil palm growing areas in Africa & in Sabah the same is termed 'Jurisdictional Approach'



Landscape Approach to Sustainability

- Landscape Approach looks beyond the palm oil company level
- Broader level refers to the whole landscape where oil palm plantation is situated
- RSPO is trying out 'Jurisdictional Approach' in Sabah, which is similar in concept to Landscape Approach
- Thus RSPO looking at future certification of palm oil not based on company level but at landscape level
- These emphasis on High Carbon Stock, High Conservation Value



Additional Costs & Manpower for Certification

- Another challenge is additional cost for certification
- Example: RM 851 million needed to undergo and maintain RSPO certification
- This amount was 4.3% of Malaysian government's expenditure for healthcare (ref. year 2014)
- Additional manpower requirements add to the cost as well



Markets Will Demand Greater Traceability

- 4 supply chain models
- Book & Claim (B&C), Mass Balance, Segregated and Identity Preserved (IP)
- As CSPO markets evolve & become more mature, greater demand for higher end 'segregated' and 'identity preserved' (IP) CSPO
- Cost becomes more expensive as we move from 'B&C' to 'IP'
- Expect cost of doing palm oil business to increase in future



The Amsterdam Declaration

- Declaration in support of a Fully Sustainable Palm Oil Supply Chain by 2020 in Europe
- Signatories from European legislators and private sector organizations engaged in palm oil supply chain in Denmark, France, Germany, Netherlands, Norway, UK already apparent



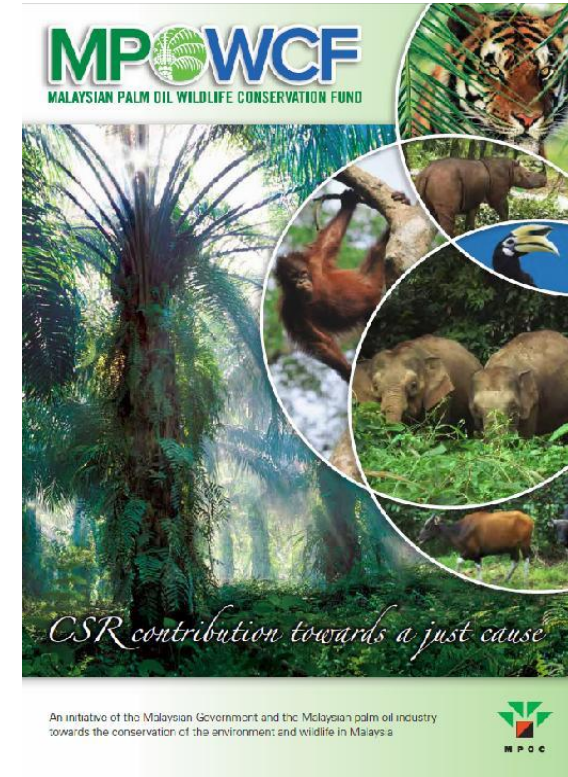
Our Current Advantage Over the Competition

- The Malaysian palm oil industry puts emphasis on food quality and safety
- Most Malaysian palm oil companies will have:
 - HACCP
 - ISO 9001
 - Halal, Kosher
 - RSPO, ISCC and/or MSPO
 - **Malaysian Palm Oil Industry committed to good quality & sustainable practices**



Branding Malaysian Palm Oil

- Malaysian palm oil has a long and good story to tell
- Malaysian Palm Oil must be differentiated through branding
- Once Branding Scheme launched, responsibly produced Malaysian Palm Oil will be given a Brand name and logo



Could Mandatory MSPO be Advantageous in the Marketplace?

- The case of California Energy Commission (CEC).
When EPOA restricted palm biofuels under RFS2 we were advised that a loophole was through mandatory national initiatives supported by due legal process.
- Since at that time we did not have this avenue, we lost the CEC opportunity for a large scale palm biofuel market
- We also did not succeed with EPOA under RFS2 since they required methane capture in all oil palm mills



Overcoming Resistance to MSPO Certification

- Certification needs time, manpower and money
- Many producers currently not keen to certify under MSPO
- MSPO has no market demand since it is not yet recognized in an overseas jurisdiction
- Government's efforts to gain acceptance international accreditation for MSPO certified palm oil, must be matched by producers fast adoption of MSPO
- Industry will demand incentives; e.g. expenses on MSPO certification to be tax-exempt?

At MPOC we are keen to target first batch of MSPO oil by end 2017



G to G Negotiations

- Global Awareness of MSPO through MPOC could be a key operation
- Crucial for importing countries and their legislative arms to recognize and accept MSPO. Easier if it is a national mandate.
- **French Palm Oil Tax Proposals:**
 - Proposal wished to differentiate between CSPO and non CSPO palm oil, yet they cannot truly define CSPO.
- If MSPO does not move into this space, its effectiveness will be lost forever.
- Thus mandatory certification is advocated



Can MSPO Seek Partnership with other Certification Bodies?

- In order to gain better penetration and acceptability we propose seeking partnership with:-
 - Recognized international certification bodies e.g. ISCC
 - International organizations (e.g. UNDP Collaboration with ISPO)
 - NGOs e.g. MPOB with Solidaridad (but with clear objectives)
 - Major end users e.g. Nestle, Unilever, Ferrero

Let us weigh the advantages of such collaboration and we may need to swallow our pride in the interim periods



Regulate the Providers of Palm Oil Certification Schemes

- Malaysian palm oil industry is a very regulated industry
- We must also control unnecessary certification schemes imposed on Malaysian palm oil industry
- Done by subjecting certification bodies and NGOs dealing with Malaysian Palm Oil Industry through regulation, compliance to laws and sovereign rights of Malaysia



Conclusions

- There is big money to be made from certification
- Not surprising that organizations, including some NGOs, are capitalizing on these business opportunities.
- As such not less than 9 palm oil certification schemes/initiatives that claim to ensure palm oil 'sustainability' are in place
- Rapid rate of new initiatives on palm oil sustainability
 - almost one new scheme every 1 -1.5 years since RSPO was founded



Conclusions

- Way forward for Malaysia is to ride and capitalize on its national sustainability certification scheme, namely Malaysian Sustainable Palm Oil or MSPO
- Consider the entire Malaysian palm oil industry certified using MSPO
- Use this to brand Malaysian Palm Oil (MPO)
- 100 Years history of good name of MPO is hard to match by others
- Success will allow us to break away from the stranglehold of foreign dictated schemes that currently control and dictate all matters related to CSPO



THANK YOU

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Visit MPOC's Website for More Info
<http://www.mpoc.org.my>

