



Brussels, 18 May 2022
Ref. 22ENV106

Joint Statement of Palm Oil Sector Organisations on the Proposal for a Regulation on Deforestation-free Products

Our organisations represent the palm oil value chain in Europe, involving refiners, traders, processors, users, and certification systems. We support the political objective and the high level of ambition pursued in the European Commission's proposal for a Regulation on deforestation-free products with enhanced transparency and traceability within the supply chains in the scope.

Our organisations share the objective of eliminating deforestation along the palm oil supply chain. The proposed Regulation should also propose due diligence obligations tailored to palm oil specificities to create a leverage effect, and to contribute to existing efforts underway in our supply chain. This way, the palm oil sector could overcome structural barriers when complying with the Regulation obligations, while contributing significantly to the eradication of global deforestation.

The palm oil sector has put emphasis on compliance with No Deforestation, No Peat and No Exploitation (NDPE) policy since 2013. All palm supply into Europe is already subject to such policy, required by all operators (first importers). These NDPE¹ commitments are supported by thorough risk assessments, use of satellite monitoring, risk mitigation, multiple verifications including ground checks, but also audits of the processes and suspension of suppliers in case of deforestation. Over 80% of palm oil refiners in SE Asia are applying NDPE policy.

In our view the EU legislation needs to go beyond the cleaning up of the European supply chain, and the proposal needs adjustments to achieve a significant impact on global deforestation, through maintained leverage and continued support to the efforts underway to change practices towards more sustainability.

Three elements will determine the applicability and the efficient implementation of the Regulation: first, a supply-side approach through long-term cooperation with producing countries; second, the continuous engagement and efforts for smallholder inclusion; and third, the need for adequate tools to ensure efficiency in due diligence obligations.

¹ NDPE IRF: <https://www.ndpe-irf.net/>

1. Long-term cooperation with producing countries is needed

Article 28 of the current proposal on cooperation with third countries should be strengthened, further elaborated on, and specified to ensure that the environmental goals, including no deforestation, can be met by taking into account the needs of the most vulnerable groups in the supply chain, including smallholders and indigenous communities, and by balancing the need for environmental protection with their right to economic development.

Long-term partnership agreements should be developed through an inclusive public-private process. This could include time-bound frameworks for action to improve standards of governance and law enforcement, financial (and other) incentives for farmers, as well as the recognition and respect for customary tenure rights of indigenous peoples and local communities. In this sense, long-term partnership for developing and rolling out national standards or certification systems for sustainable palm oil production, as well as national registration systems, would prove highly beneficial for inclusive smallholder engagement.

Multistakeholder jurisdictional approaches can play a pivotal role in supporting the Commission with the relevant information, networks and access to market players. This can support the Commission in its work with producing countries to achieve effective exchanges of information and best practices in the preservation, conservation and sustainable use of forests.

2. Enhance positive engagement and continued efforts for smallholder inclusion along the supply chains

The proposed provisions should ensure adequate incentives to strengthen engagement with farmers and to support their compliance with new EU rules, as well as cooperation with third countries: technical and financial public support to establish national traceability systems at producing country level is needed to ensure that smallholder farmers remain included in supply chains entering the EU market. Missing this target would undermine significant efforts already underway to support the livelihoods of millions of local farmers and small-scale producers in producing countries: as for example, smallholders represent 40% of palm oil production in key producer countries Indonesia and Malaysia. It would also limit opportunities to unlock support and resources to minimise the impact of their respective commodity production upon the environment. Transformation of global supply chains is only achievable through positive long-term on-the-ground engagement to mitigate and prevent deforestation risks.

The assessment of the feasibility of implementing the requirements for smallholders and local communities should be carried out *before* the regulation comes into force, and traceability requirements should be inclusive of the reality of smallholders and should be accompanied by concrete measures to support them in their journey towards compliance.

3. Efficiency and adequate tools

Workable approach and applicability

While we are supportive of the positive impact mandatory due diligence legislation can have on our supply chain, we emphasise that this can only be successful if the approach is workable and builds on existing practices and experiences, which will enable companies to comply. This is not only relevant to achieve positive social and environmental benefits on the supply side, but also to ensure a safe and secure provision of goods to the EU, while avoiding adverse environmental, social and trade impacts,

especially in times of global disruption of supply chains. The current war in Ukraine and its effects on global food security can be seen as a clear example of such disruption.

Ensuring the right balance between information gathering requirements and actions to mitigate and prevent deforestation risks will be key. It is important to recognise and account for the important differences that exist between all the “relevant commodities” in the scope of the legislation. **Instead of a one-size-fits-all approach for all commodities, traceability and information requirements should be adapted to the specificities of the different commodities**, taking into account the current difficulties of the supply chains, as well as the maturity and the progress made in the different supply chains (including in traceability) allowing for different time-bound plans and adapted solutions for each of the commodities towards deforestation-free supply chains.

Highlights on geo-localisation tailored to the palm oil sector

With regard to palm oil, the regulation should allow for both enhanced Traceability to mill (TTM) and Traceability to plantation (TTP) to be accepted as proof of compliance with the traceability and chain of custody requirements detailed accordingly, with a view to phase out TTM once it is acknowledged that TTP is workable in different origins and allows to include all smallholders. Traceability to mill together with its 50-kilometre radius monitoring of its supply base should be enhanced over time by 2030, with a view to achieve traceability to plantation. This temporary traceability to mill would still provide deforestation-free supply chains (as is current practice by leading companies in the sector) while allowing smallholders to be included, as traceability to plantation will only be possible for the majority of smallholders once certain challenges have been resolved. Legality of land titles, the absence of complete, accurate, and updated farm registration systems, prohibition and other legal and commercial limitations with respect to the sharing of geo-localisation data in some countries, and the time and investments required to collect this data from smallholders should be the top priority to be addressed by the EU: the EU should work with producing countries to remove the obstacles faced by smallholders and only require of them traceability to plantation once these obstacles have been satisfactorily removed.

We encourage the European Parliament and the Council to take these suggestions into account in their deliberations so that the Commission’s proposal will be adjusted to serve a bigger goal than originally intended and have a real impact on reducing global deforestation.

If adapted along these lines, we believe that this Regulation can become an example of the mutual strengthening of environmental protection and social development. It will illustrate the integrated and holistic approach that underpins the Sustainable Development Goals, and it will be a prime example of how the European Green Deal can be achieved.

Key elements of the palm supply chain

Oil palms are mainly grown in Indonesia and Malaysia, which are the two main producing countries, but also in Guatemala, Papua New Guinea, Honduras, Colombia, and a few more countries. Oil palms are grown on both large-scale plantations and small-scale family farms. Smallholders represent 40% of the supply base, amounting to about 5 million of farmers in Indonesia and Malaysia alone, both countries representing 80% of total palm oil production. It takes about four years for oil palms to produce fruits that can be harvested. Each tree will then produce fruits for up to 30 years. Oil palms deliver on average 3.8 tonnes of oil per ha. The fruit bunches need to be processed within 24 hours to

maintain quality and fruit producers should therefore be located within 50km radius around the mill for the fruit bunches to be processed in time.

Traceability to mill (TTM) has been fully implemented after several years of efforts; operators have started implementing Traceability to Plantation (TTP), which is however not yet mainstream practice, especially for third party suppliers. Out of all palm oil supplying the EU market, roughly 45% of volumes can comply with TTP, whereas getting to 100% would require mapping out all smallholders, especially indirect smallholder suppliers who sell their produce through intermediaries. Without a proper land title registration system in all producing countries, smallholders' data will be inaccurate and no longer up to date when land is sold and leased without this being registered officially.

Signatories to this statement

Chocolate, Biscuits and Confectionery of Europe - [CAOBISCO](#)

EU Vegetable oil and protein meal industry - [FEDIOL](#)

European Margarine Association – [IMACE](#)

European Palm Oil Alliance - [EPOA](#)

Roundtable on Sustainable Palmoil – [RSPO](#)

Belgian Alliance for Sustainable Palm Oil - [BASP](#)

[Fundación Española Del Aceite de Palma Sostenible](#)

Unione Italiana per l'Olio di Palma Sostenibile - [Unipalma](#)