WWF – Malaysia: Sustainable Palm Oil – Stopping Deforestation and Its impact on the Environment

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By Benjamin Loh
A better planet for all
Helping people and nature to thrive
Why we’re here

Our mission

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by: conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.
About WWF

Key facts

• Founded in 1961
• Active in nearly 100 countries
• Over 5 million supporters
• Over 30 million social media followers
• Wildlife Conservation
• Key Practices – Food, Marine, Forest, Markets, Governance, Wildlife, Finance
A better planet for all
Helping people and nature to thrive

Jan 2020
Snapshot of Palm Oil Areas in Malaysia

OIL PALM PLANTED AREA 2018

<table>
<thead>
<tr>
<th>STATE</th>
<th>MATURED (Hectares)</th>
<th>%</th>
<th>IMMATURED (Hectares)</th>
<th>%</th>
<th>TOTAL (Hectares)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOHOR</td>
<td>680,562</td>
<td>91.0</td>
<td>67,000</td>
<td>9.0</td>
<td>747,562</td>
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<td>KEDAH</td>
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<td>91.1</td>
<td>8,007</td>
<td>8.9</td>
<td>90,294</td>
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<td>22.1</td>
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<td>MELAKA</td>
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<td>5,574</td>
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<td>56,811</td>
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<td>NEGERI SEMBILAN</td>
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<td>187,451</td>
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<td>PAHANG</td>
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<td>13.6</td>
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<td>PERAK</td>
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<td>413,311</td>
<td>7.1</td>
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<tr>
<td>PERLIS</td>
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<td>PULAU PINANG</td>
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<td>4.5</td>
<td>14,702</td>
<td>0.3</td>
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<td>SELANGOR</td>
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<td>13,222</td>
<td>9.7</td>
<td>136,361</td>
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<td>TERENGGANU</td>
<td>149,519</td>
<td>88.5</td>
<td>19,395</td>
<td>11.5</td>
<td>168,914</td>
<td>2.9</td>
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</table>

PENINSULAR MALAYSIA

<table>
<thead>
<tr>
<th>MATURITY</th>
<th>TOTAL (Hectares)</th>
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<tbody>
<tr>
<td>88.3</td>
<td>2,727,608</td>
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<tr>
<td>11.7</td>
<td>320,445</td>
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MPOB, 2018

Plantation Area by Ownership (Malaysia) 2018

- 17.7% of Malaysia’s landmass is oil palm
- 51% of Malaysia’s landmass is natural forest (WWF – Malaysia, 2017)
Snapshot of Palm Oil Areas in Malaysia

Some area where palm oil is grown in Malaysia as an example of maps as captured from RSPO data using the GeoRSPO system, December 2019
The Reality of Palm Oil in Malaysia

- Palm oil is a major economic and development driver for Malaysia
- Enhance rural and social development
- Most and efficient and economical nutritional vegetable fat
- Major export commodity for Malaysia
- Major political constituency
- Biofuels and energy development
- Feeds over 2 billion people daily (mostly in Asia)
- Increased yield and production making it one of the most efficient agricultural crop.
Environmental Impact of Palm Oil

Jan 2020
Over the past decade, commercial oil palm breeders have produced oil palm with the capacity to yield about 6-8 tons of oil per-Ha. Well above the national average of 4 tonnes per-Ha. There’s even a possibility to increase the yield to 12 tonnes per-Ha. Unfortunately these advances have not been rolled out and the continued “expansion of oil palm plantation areas” has continued to cause environmental problems and degrade the image of the palm oil industry. But these has caused more concern in terms of supply base and traceability.
Environmental Impact of Palm Oil

Key environmental concerns

Apart from deforestation concerns, other related environmental concerns for palm oil include planting on carbon rich tropical peat soil and, till today, using of fire to manage land for palm oil cultivation

• Concerns of new planting expansion on peat soil in Sarawak
  • New land development on NCR land and land already allocated and earmarked for development despite Sarawak State moratorium on new licences

• Annual transboundary haze occurrence
  • Malaysian companies are accused of contributing to open burning in Indonesia
Environmental Impacts of Palm Oil

It has been widely said that current palm oil production area (5.85 million Ha) is more than enough to supply Malaysia’s economic demands. But expansion of new plantations still occurs and economics of scale still play a key role in determining the price or palm oil. It has long been desired for Malaysia to move towards value added supply chain for palm oil rather than to stay in production mode where Indonesia is far superior in volume production.
Social and Economic Impacts of Palm Oil
Key Social and Economic Impacts

- Foreign worker shortage
- Forced labour and modern day slavery
- Child labour accusations
- Native customary rights issue, Orang Asli rights and land grabbing
- Land rights and illegal use of land
- Licence production of palm oil (Malaysia)

- Large plantations divesting in PnG and Africa due to social concerns
- Felda Global Venture (FGV) in management turmoil
- New plantation competition in South America claiming to be “fully sustainable”
- Divestment of foreign investments from businesses involved in palm oil
- India causing political uncertainty and influencing palm oil prices
- China will be the key in ensuring sustained uptake on palm oil
- European market is achieving 100% sustainable palm oil or will the value still be there?
Sustainable Palm Oil is leading the way
Roundtable on Sustainable Palm Oil (RSPO) is a voluntary scheme that’s most producers and supply chain players subscribe to. About 19% of world palm oil production is RSPO Certified = 2.98 Million Ha’s = 14.81 million tonnes of palm oil.

RSPO sets the standard for sustainable palm oil in ensuring sustainable production and promoting uptake of RSPO certified sustainable palm oil. For example, major requirements such NDPE (No Deforestation, Peat & Exploitation)

Even so, major concerns and criticism towards RSPO’s effectives still remains including to enhance uptake of RSPO certified palm oil downstream, assurance to ensure sustainability requirements are really met, and strengthening of processes and procedures to ensure effective application of the standards
Sustainable Palm Oil – Leading the Way

Certification is the start

Malaysian Sustainable Palm Oil (MSPO) is a mandatory scheme developed by the Malaysian Government in 2013 and made mandatory in January 2020. Currently, (6 Jan 2020) 3.65 Million Ha’s is certified under Part 2 & 3 (plantations & smallholders) = 62% of Malaysian production area.

Minister of Primary Industries Teresa Kok promised 4 major policies on sustainable palm oil

1. To limit total production of palm oil areas in Malaysia to 6.50 Million Ha’s by 2023
2. No new planting on peat soil and stricter regulation of existing planting of peat soil
3. No conversion of permanent forest reserves to palm oil or other agricultural crops
4. To release an official concession maps of all palm oil planted areas in Malaysia

MSPO is still seen as inferior to RSPO as major sustainability requirements (such as no deforestation, no new planting on peat, HCV) are not included and frankly not achievable by all producers in the country. This leaves an uphill task for the MSPO standards review process currently in progress where the aspiration is to achieve global standards and but at the same time not being able to accept existing high requirements
Other sustainability strategies (not limited to)

- Traceability and real time monitoring of supply base
  - Independent/self monitoring of third party suppliers
  - Updated records of input of fresh fruit bunch
  - Supply base mapping and linkages
  - Monitoring of deforested areas though satellite and radar imagery
  - Third party verification audits

- Communication and engagement of suppliers
  - Training and communication of policy requirements to suppliers
  - Helping to move third party suppliers to sustainable actions or certification

- Landscape Approach
  - Combining sustainability approaches into major outcomes that support a wider landscape or State (Sabah)
  - Address key elements such as Protect, Produce, and Restore.

Sustainable Palm Oil – Leading the Way
Important of greater robustness and integrity
Other points and efforts of sustainability should also be considered
Enhance sustainability in continues improvement
Greater inclusivity for different stakeholder and conditions and situations
We shouldn’t give ourselves awards or mark our own exams
Involve the entire supply chain and address gaps within acceptance for sustainability
Sustainability as the norm and necessary in all levels and most importantly in brands and consumer products
Changing mind-set on sustainable product and cost of sustainability

Can Sustainable Palm Oil really lead the way?

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The Future of Malaysian Palm Oil

Making Palm Oil a “Premium Brand”
The Future of Malaysian Palm Oil

Making Palm Oil a “Premium Brand”

1. Countries like Columbia are claiming that their Palm Oil is “different” as they assure that it is not deforestation linked of “Free from Deforestation” in joint partnership with governments and NGOs

2. Adding value towards consumer end products and investing in these industries will greatly enhance the value of palm oil from a low cost generic commodity and its price

3. Enhancing the use of bio-diesel which is currently the plan to the government. However this has to be carefully done as palm-based biofuel is under great pressure in Europe

4. Smart branding of palm oil will build a desirable product and differentiate and make distinctly desirable – like single source coffee or valley tea – Malaysia brand that help farmers and build livelihoods

5. Enhancing sustainability outcomes, reduce or eliminate expansion, making consumer end products and linking to landscape outcomes
Today in 2020, are we any closer to the industrialised vision we had back in 1991 when Tun Mahathir envisioned Vision 2020?

Will be continue to be a raw commodity based economy at the mercy of fluctuating prices and export demand?

What will be next crop be? Will rubber come back bigger and stronger or will Durian dominate and landscape?

How will we face the challenged of the world and will our future generations be ready and capable of facing their challenges with what we leave behind?
Together Possible

Contact me:

Benjamin Loh
Sustainable Palm Oil Manager
WWF – Malaysia
Tel: +603 7450 3773
Mobile: +012 7221466
Email: bloh@wwf.panda.org