



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

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By Benjamin Loh



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Jan 2020

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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





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Snapshot of Palm Oil Areas in Malaysia



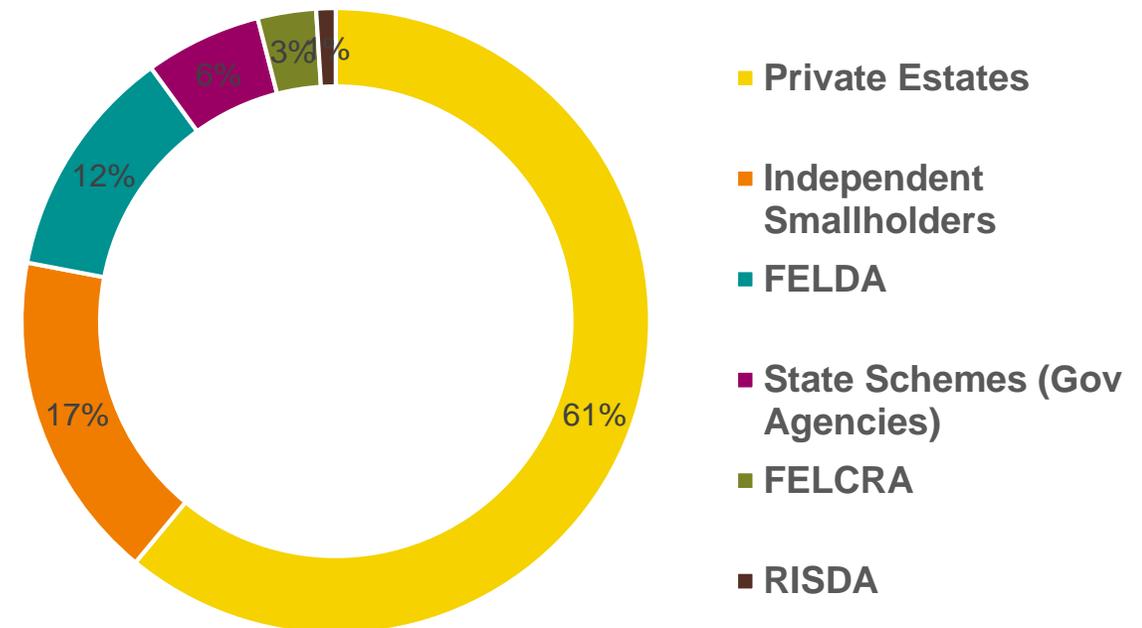
OIL PALM PLANTED AREA 2018

OIL PALM PLANTED AREA AS AT DECEMBER 2018 (HECTARES)

STATE	MATURED	%	IMMATURED	%	TOTAL	%
JOHOR	680,562	91.0	67,000	9.0	747,562	12.8
KEDAH	82,287	91.1	8,007	8.9	90,294	1.5
KELANTAN	121,085	77.9	34,287	22.1	155,372	2.7
MELAKA	51,237	90.2	5,574	9.8	56,811	1.0
NEGERI SEMBILAN	167,026	89.1	20,425	10.9	187,451	3.2
PAHANG	653,535	86.4	102,614	13.6	756,149	12.9
PERAK	364,090	88.1	49,221	11.9	413,311	7.1
PERLIS	641	94.1	40	5.9	681	0.0
PULAU PINANG	14,042	95.5	660	4.5	14,702	0.3
SELANGOR	123,139	90.3	13,222	9.7	136,361	2.3
TERENGGANU	149,519	88.5	19,395	11.5	168,914	2.9
PENINSULAR MALAYSIA	2,407,163	88.3	320,445	11.7	2,727,608	46.6
SABAH	1,378,655	89.0	170,590	11.0	1,549,245	26.5
SARAWAK	1,403,526	89.3	168,951	10.7	1,572,477	26.9
SABAH & SARAWAK	2,782,181	89.1	339,541	10.9	3,121,722	53.4
MALAYSIA	5,189,344	88.7	659,986	11.3	5,849,330	100.0

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

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Environmental Impacts of Palm Oil



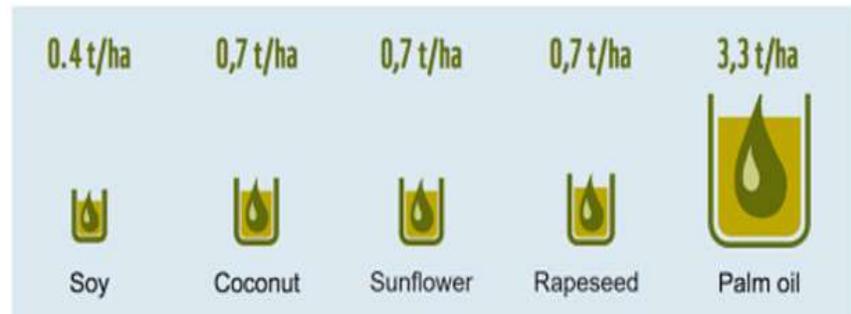
One of the best yielding crops in the world

Over the past decade, commercial oil palm breeders has 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 has 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



Comparison of global oil yields by crop plant
Oil yields in tonnes per hectare (t/ha)



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 of 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

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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

Sustainable Palm Oil – Leading the Way



Certification is the Start



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 effectiveness 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



Sustainable Palm Oil – Leading the Way



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 through 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



Can Sustainable Palm Oil really lead the way?

- Importance 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



The Future of Malaysian Palm Oil

Making Palm Oil a “Premium Brand”

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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

The Future of Malaysian Palm Oil – Thoughts



- 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?



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Together Possible



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