

# SUSTAINABILITY FIRST

THE ROLE OF SUSTAINABLE  
PALM OIL IN GLOBAL  
FOOD SECURITY AND  
DEFORESTATION EFFORTS.



## About the Authors

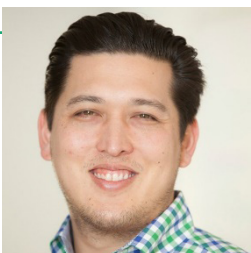


### **Professor Ibrahim Özdemir**

*Founding President of Hasan Kalyoncu University & Consultant to the United Nations Environment Programme (UNEP)*

Professor Ibrahim Özdemir is a world-renowned ecologist who has been a consultant to the United Nations Environment Program (UNEP) since 2015. He is Professor of Philosophy & Ecology and Founding President at Hasan Kalyoncu University, and previously was Director-General at the Department of Foreign Affairs in the Turkish Ministry of Education.

He was a lead member of the drafting team for the Islamic Declaration on Global Climate Change endorsed by the UN United Nations Framework Convention on Climate Change (UNFCCC).



### **Dr Glenn Schatz**

*Co-founder of ECORE Ventures and Former Technical Project Manager at the United States Department of Energy*

Glenn Schatz is a former official at the US Department of Energy. He is a co-founder of ECORE Ventures, a cleantech project development company.

Glenn graduated from the US. Naval Academy, where he returned to teach Energy Policy as a military officer and civilian professor.

He was also formerly a Commander for the US. Navy Reserve and a former nuclear submarine officer. Glenn is Vice President of Link Labs, a leading innovator in low-power, wide-area network technologies that power the Internet of Things (IoT).



### **Muhammed Magassy MP**

*Member of the Gambian National Assembly & Member of Parliament for The Economic Community of West African States (ECOWAS)*

Muhammad Magassy has been a Gambian National Assembly Member since 2012.

He is also a Member of Parliament for The Economic Community of West African States (ECOWAS), an economic union comprised of 15 African nations.





## Executive Summary

2020 was another pivotal—and cautiously positive—year for the global palm oil industry.

Corporate social responsibility considerations are at an all-time high due to both the COVID-19 pandemic and the accelerating impact of climate change. As global forest coverage plays a key role in the capture of CO<sub>2</sub> heightened, consumer concerns about climate change are often inextricably tied to consumer concerns about tropical deforestation.

While policymakers often reflexively associate deforestation with palm oil cultivation, this has been substantially tempered by another trend – namely, positive developments in sustainable palm oil cultivation, potentially leading toward a new era of transparent supply chains, rejuvenated tropical forests, and international trade and collaboration.

Aiming to provide consumers with a reliable source of data to understand the state of sustainability in the palm oil industry, this report reviews these major critical developments of 2020, historical trends in sustainable palm oil

cultivation, as well as how perceptions of palm oil are evolving among European policymakers, scientists, and the wider academic and NGO community. Unmistakably, the broader discourse and scientific literature on palm oil have modernized in key respects.

While these evolutions have not yet translated into a transformed European approach to deforestation and sustainable palm oil, they presage important movements among key constituencies; that is to say, the growing recognition that the only viable way forward for palm oil (and other forest risk commodities) is for Europe and the wider world to support sustainable cultivation through cooperative partnerships with responsible producing countries.

To achieve this, however, significant work remains to be done. Western consumers, the European Union, Western media, and relevant NGOs must be familiarized with local conservation efforts and sustainable certification among the largest palm oil producers. This contextualization requires greater awareness among consumers of the complexities surrounding deforestation and sustainable forestry practices more broadly.



## The Complex Phenomenon of Deforestation

### Progress and Regress

According to the World Resources Institute's Global Forest Watch project, major palm oil producing countries, namely Malaysia and Indonesia, have suffered less deforestation in 2019 than previous years. <sup>1</sup>This is consistent with other recent data suggesting the positive contribution of sustainable palm oil to the reduced risk of deforestation overall.

Principal among these is Malaysia Sustainable Palm Oil (MSPO), a mandatory national certification system. Most consumers are unaware that in the years since the introduction of this sustainability metric, Malaysia has enjoyed year-on-year decreases in the rate of deforestation since 2012, a striking development setting a good example for the rest. Conversely, results are worrying for countries with forest risk commodity industries that have no sustainability metric to aspire to or be measured by.

For instance, overall tropical deforestation continues apace, especially in South America (specifically, Brazil). Brazil is a major beef- and soy-producing country which, in turn, are leading drivers of tropical deforestation. This report is concerned by different standards for forest risk commodities between producing regions, though it hopes to inform consumers and policymakers about best practices that can be adapted across other countries with significant cultivation of forest risk commodities.

## Restricting Palm Oil Importation

### The European Approach

While the European Union bans importation of palm oil for biofuels out of fear of contributing to deforestation, there is no such restriction on forest risk commodities such as beef, widely associated with deforestation. In fact, the European Union is actively pursuing trade agreements with countries associated with such deforestation.

It is hoped that a better understanding and appreciation of the slowing rate of deforestation in select countries, due substantively to their sustainability practices and metrics, contrasted with continued deforestation elsewhere, will be considered by European political authorities when developing sustainability regulations, and by consumers in their purchasing choices.

Namely, that European policymakers will move away from the counterproductive sanction of sustainable palm oil and towards environmentally beneficial cooperation and collaboration, transforming unsustainable food systems and short-sighted trade policies into robust food systems, protective of the environment, and contributing to a slowing rate of deforestation across the world.

In this report, by seeking to better understand these complex phenomena, trade policies, sustainability metrics, and shifting standards, we will outline paths towards just such an outcome.







# Introduction

The emergence of COVID-19: The link between deforestation and pandemics

Ample evidence confirms that ongoing deforestation will not only accelerate climate change, with its attendant severe effects on all human populations across the planet, but potentially also increase the likelihood of dangerous pandemics.

The link between deforestation and the risk of zoonotic disease outbreaks has heightened since the COVID-19 pandemic.

## Forest Risk Commodities:

### Drivers of Deforestation

To begin with, we must understand that the type of deforestation we are most concerned with in this report is tropical deforestation. Tropical deforestation is driven by the cultivation and production of forest risk commodities. As defined by the Global Canopy Programme, forest risk commodities are:

Globally traded goods and raw materials that originate from tropical forest ecosystems, either directly from within forest areas, or from areas previously under forest cover, whose extraction or production contributes significantly to global tropical deforestation and degradation.<sup>2</sup>

At present, forest risk commodities include timber, pulp and paper, beef, leather, soy, cocoa, rubber, and palm oil; other definitions supplement these with maize and coffee.

In the absence of mitigating strategies and compensatory efforts, rising demand for forest risk commodities places increased demand

on vulnerable tropical ecosystems. The irresponsible production of these commodities frequently means the collision of traditionally separate ecosystems, introducing the risk of pandemics into human populations.<sup>3</sup> Last year, for example, the World Wildlife Fund published an “urgent call to protect people and nature” by devoting increased attention to the role of deforestation in driving pandemics.<sup>4</sup>

The United Nations has further underscored this point in its extensive report, Preventing the Next Pandemic: Zoonotic diseases and how to break the chain of transmission, which underscores the interconnectedness of habitat loss, the trade and consumption of wildlife, and how those two factors can increase the risk of zoonotic pandemics such as coronavirus.<sup>5</sup>





## Environmental Degradation and Viral Propagation

There is an explicit link between new diseases, forest risk commodities, tropical deforestation (which causes a marked loss in biodiversity), and the emergence of novel diseases.

While acknowledging the mounting evidence that deforestation can drive a greater risk of disease outbreaks, it should be noted that there is not yet a clear etiology of COVID-19, and further, little evidence that it was specifically triggered by deforestation. The most widely accepted hypotheses suggest that the coronavirus emerged at China's Wuhan live animal market "from an interaction between an animal and a human." (It should also be noted these "so-called wet markets - where live animals are traded - have been implicated in previous outbreaks.") The scientists involved further concluded that while the coronavirus came from bats, it only infected humans after it "passed through an intermediary animal."

The current crisis has been an instructive example of what a future such pandemic could look like—as well as the enormous damage it could cause. The link between disease, "diminish[ed] biodiversity and tropical deforestation is becoming ever clearer." Further emphasizing as much, another new study, cited in *Nature*, notes that "while some species are going extinct" as a result of deforestation, the species that "survive and thrive" in such ecological circumstances "are more likely to host potentially dangerous pathogens that can make the jump to humans."

In its study of 6,800 ecological communities on every continent (excepting Antarctica), this same study contributes "to a growing body of evidence that connects trends in human development and biodiversity loss to disease outbreaks." As Kate Jones, ecological modeler at University College London and a study author recently notes, "We've been warning about this

for decades." She goes on to add: "Nobody paid any attention."<sup>7</sup>

Elsewhere, on July 24<sup>th</sup>, a team of scientists, "including virologists, economists and ecologists," noted that governments can "reduce the risk of future pandemics by controlling deforestation." Publishing in *Science*, these scientists compared efforts "to prevent the spread of new diseases" by concentrating "on vaccine development, early diagnosis and containment" to "treating the symptoms without addressing the underlying cause."<sup>8</sup>

Namely, in addition to trade in rare and endangered animals, tropical deforestation and attendant biodiversity loss is primarily driven by the spread of agriculture, with the worst offender being beef, which will be elaborated upon and quantified in Chapter 2 of this report. Nevertheless, there are multiple sources of deforestation, all of which deserve attention.

Elsewhere, for example, more state of the art research underscores that disease outbreaks, including SARS and bird influenza, which "cross over from animals to humans[,] have increased in the past few decades."<sup>9</sup>

These and other researchers attribute these patterns to "increased contact between humans, wildlife and livestock, as people move into undeveloped areas." Further, "these interactions happen more frequently on the frontier of human expansion"—which includes zones of deforestation, as agriculture, cultivation, and production move into previously untouched ecosystems. A study last year by California's Stanford University underlined this by noting that deforestation in Uganda "increased direct encounters between primates and people."<sup>10</sup>

Further research confirms that "the decline in biodiversity that inevitably accompanies human expansion ... increases the pool of pathogens that can make the jump from animals to humans."<sup>11</sup> This is because reduced biodiversity



increases the displacement of multiple species by a select number which “tend to be the ones hosting pathogens that can spread to humans.”<sup>12</sup> Indeed, a report by Science underscores these points, noting that “increasingly intimate associations between humans and wildlife disease reservoirs accelerate the potential for viruses to spread globally.” Thus, the butterfly effects of ecosystems and ecological damage once more was brought to our attention.

That same report describes “the unprecedented loss and fragmentation of tropical forests” as a major driver for this increased risk of pandemic. Lamenting that humanity dedicates “relatively little toward preventing deforestation,” the report finds that “the associated costs of [such] preventive efforts would be substantially less than the economic and mortality costs of responding to these pathogens once they have emerged.”<sup>13</sup> This would suggest obvious reasons to be concerned about tropical deforestation, as well as what should be incontrovertible support for measures that slow and even stop such deforestation.

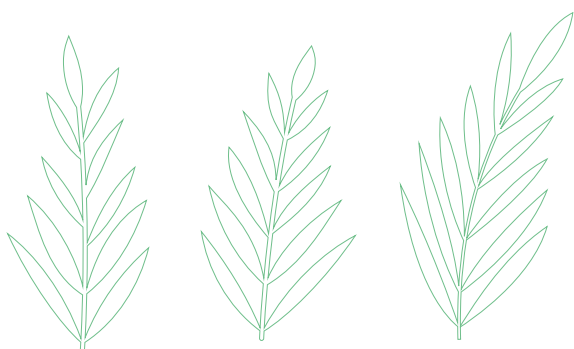
To head off these real dangers, the world must protect biodiversity and curb deforestation; doing so will, even in the near-term, decrease the likelihood of pandemics such as COVID-19, which have had massive and, in many cases, unprecedented economic impacts. The ongoing COVID-19 pandemic has caused the largest recession in world history; at one point, roughly one-third of the world’s population was under some form of lockdown.<sup>14</sup> Although vaccine programmes are rolling out worldwide, a significant number of people are still at mortal risk.

## A Chapter-by-Chapter Preview

Insofar as forest risk commodities are associated with deforestation, the narrative around palm oil has become more politicized and fraught over the last year.

Unfortunately, palm oil is frequently singled out from among various forest risk commodities as if it causes unique and overwhelming harm. In fact, not only do other forest risk commodities cause more environmental harm, but palm oil in some countries has become markedly more sustainable and less associated with deforestation. It is therefore a welcome development that the Western narrative around palm oil has slowly become more nuanced by acknowledgement of progress towards sustainability and greater awareness of the unintended consequences of blanket sanctions.

In order to better understand that nuance, as well potential ways to accelerate and amplify that narrative, this report begins with a consideration of (un)sustainable food systems, forest risk commodities, and the role of international trade, with a focus on the European Union; considers the disproportionate environmental impacts of all forest risk commodities and how these factor into sustainability considerations in European policy (Chapter 1); examines beef farming as an example of a poorly regulated forest risk commodity that goes unremarked upon in Europe and even overlooked in European trade (Chapter 2); compares the positive contrast of sustainable palm oil generally, and the overlooked MSPO scheme specifically (Chapter 3); and outlines an overview of shifting attitudes and new developments in the EU’s approach to palm oil (Chapter 4).





Following the Conclusion, the report also provides recommendations to European policymakers for:

- sustainable food systems,
- increased collaboration with sustainable food producers,
- integration of scientific research,
- enhancing ecological responsibility with the cooperation of NGOs and producers, and
- the relevance of such collaboration and cooperation to sustainable supply chains for other forest risk commodities (as discussed in [Chapter 2]).

While the implications for policymakers are clear, this material is also of particular importance for European and Western consumers. Sustainable palm oil can be supported by consumers shifting away from more simplistic boycott approaches, toward demanding that policymakers focus on more constructive solutions with a proven efficacy in combating deforestation.

## Chapter 1

### (Old) Food Systems:

#### The Case of Forest Risk Commodities and International Trade

In addition to the dangers of disease and pandemic elaborated upon above, tropical deforestation is, according to Rainforest Trust, believed to contribute up to 15% of net global carbon emissions per year.<sup>15</sup> The European Union banned the importation of palm oil for biofuels due to its perceived link to tropical deforestation and its attendant environmental harms.

## What is Palm Oil?

Palm oil is an edible food product that is sometimes used as a biofuel. However, palm oil is not used solely or even primarily as a biofuel.

Palm oil is an important ingredient in numerous consumer products, including cosmetics, toothpaste, soaps, lotions, and many others besides, prized for its wide-ranging properties granting it versatility, greater salubriousness, and high-yield efficiency over other edible oil alternatives. (These vegetable oils, including soy and rapeseed, will be discussed later in this report in terms of their comparative ecological impacts.)

Palm oil is according to the World Wildlife Fund, “the most widely consumed vegetable oil on the planet, found in many packaged goods sold in the supermarket.”<sup>16</sup>

On deforestation, the key questions are whether a particular forest risk commodity is produced in a sustainable manner, whether that (un)sustainable production is encouraged, and whether different standards exist between forest risk commodities, or even the same forest risk commodity produced in different ways, with consequences for disease outbreaks, climate change, and biodiversity loss.

It is here that differences among forest risk commodities emerge most clearly. But in order to establish those differences in greater detail, we must first consider how the larger industrial ecosystem of food production and consumption—namely, food systems—drives the cultivation of forest risk commodities and thereby puts tropical forest at risk.





## What Are Food Systems and What is Their Relationship to Deforestation?

Unsustainable forest risk commodity cultivation and production drive a tropical deforestation that is ultimately “increasingly inseparable from the growing demand for food from consumers in the most developed countries.” A study published in the journal *Global Environmental Change* in 2019 “demonstrate[s] the extent to which deforestation in the tropics is directly driven by industrial food production.”

Industrial food production, as the key component of modern food systems, accelerates climate change. According to an informed analysis by the United Nations, humanity is approximately a decade away from “breach[ing] the climate danger threshold.” In effect, as author Nafeez Ahmed states, “humans are eating the world’s forests.” As Ahmed qualifies: “Not directly, of course—but a spate of new studies shows we might as well be.” Deforestation, as the author goes on to argue, “is driven chiefly by land uses for crops, pastures, and forest plantations,” which in turn are consumed by industrial nations.<sup>17</sup> What is dramatic and heartbreaking is the fact that almost nobody taking all these as a threat to the well-being of future generations, that are our children and grandchildren.

In effect, modern food systems are not only destroying tropical forests, but the habitability, health, and safety of our planet and well-being of future generations. Particularly concerning to European policymakers is the negative European contribution in the form of demand and unsustainable supply chains.

A 2019 report to the European Parliament thus declared that the “preservation and sustainable use of forests is an active form of climate protection,” with “tropical forests in particular” performing “a vital role ... in the fight against climate change.”<sup>18</sup> The report “stresses the

need to promote the production and use of sustainably sourced goods by encouraging zero-deforestation supply chains and prohibiting products ... that contribute to deforestation from entering the EU market.”<sup>19</sup> But, tellingly, the report also goes on to urge “incorporating the deforestation-free aspect into EU trade deals.”

Despite the encouragement of broad prohibitions of goods that contribute to deforestation, nearly the entirety of the European Union’s current legislative approach to removing deforestation from its imports has focused on palm oil for biodiesel. While the EU’s de facto ban on palm oil-based fuels has the ostensible objective of protecting the Union from products associated with deforestation, this overlooks the accomplishments by producer countries of sustainable palm oil, with an associated moratorium on deforestation; moreover, the same stated concern has not translated into similar legislative restrictions with respect to the EU’s ongoing trade with Mercosur, the South American trade bloc which notably includes Brazil, a country with a history of rampant deforestation.

## The Impacts of Beef and Soy

To put into context the ban on importation of palm oil as a perceived solution to the climactic and environmental impact of modern food systems, we must also examine the impacts of forest risk commodities on the environment.

Forestry and agriculture drive some eighty percent of global deforestation, with four forest risk commodities being the principal drivers of such deforestation. These four commodities are timber, soy, cattle, and palm oil. These four commodities are not equal in their impacts, however. Timber and palm oil face more pressure to meet sustainability standards often due to consumer pressure; yet it is crucial to note that timber and palm oil are more likely to uphold sustainability standards as well.

A new report published by the World Resources Institute, which previously conducted the Global Forest Watch project, provides significant illustration of this with helpful data. Although, the report finds that palm oil production writ large is still linked to deforestation, the scale and rate of deforestation has dramatically reduced over the past several years when looking at the top two palm oil producers, Indonesia and Malaysia.<sup>20</sup>

The Global Forest Watch's report of palm oil, which combines rigorous analysis and satellite imagery dating back in some instances to the year 2000, optimistically finds that while "year-on-year deforestation on land now occupied by cocoa and coffee increased over time ... that for oil palm ... has decreased in recent years" ("with," the report adds, "little change over time for cattle.")

The report ultimately concludes that "cattle replaced the most forest by far," equaling some "63 percent" of deforestation. Moreover, the report considers geographic range for deforestation, identifying hot spots; "[c]attle had the widest geographic range of forest replacement, with hot spots in South America."

While the report points to the loss of forest in Southeast Asia attributable to palm oil cultivation, the report also notes that, for example, in Indonesia, there was "a marked decline" in deforestation after 2012. As data on the Malaysia Sustainable Palm Oil (MSPO) sustainability standard also shows, that country has also experienced year-on-year declines in the rate of deforestation. Similarly, in 2019 a study in Conservation Letters found from studying two decades of data that oil palm plantations in Indonesian and Malaysian Borneo has slowed since 2012. By 2017, the downward trend in plantation expansion, as well as the clearing of forests for plantations, reached a level that was the lowest since 2003.<sup>21</sup>

Conversely, the situation for soy and beef is more concerning. While attention is frequently

devoted to palm oil for its purported role in deforestation, the commodity requiring the most urgent attention is beef, the largest driver of climate-linked deforestation emissions.<sup>22</sup> Given that the EU is urged to committed to "deforestation-free" supply chains in its "trade deals," we should expect high-risk forest risk commodities (such as beef) to be sanctioned, and advances towards sustainability (palm oil) to be rewarded. That is, however, not the case.<sup>23</sup>

## Chapter 2

### The EU-Mercosur Trade Agreement

#### The Case of Beef (And Soy)

Beef is the world's largest driver of deforestation, with soy also contributing immensely to deforestation. Additionally, soy is often cultivated to feed cattle, underscoring the links between these two forest risk commodities. The beef industry is, however, according to CDP, the least regulated of four major forest risk commodities (beef, soy, timber, and palm oil).

Portfolio.Earth's report, Bankrolling Extinction, notes that while "soy has been linked to deforestation and land-use change in the Amazon and in dry forests and savannas of South America," beef is the primary force behind deforestation, responsible for more than double the forest conversion generated by the production of soy, palm oil, and wood products combined.<sup>24</sup>

The EU's complete failure to develop any legislative approach to beef, while focusing instead on palm oil, is therefore inexplicable from a purely environmental perspective. Fortunately, NGOs have become increasingly aware of these impacts as evidenced in recent



statements by Greenpeace, CDP, T&E, and the Seattle to Brussels Network.

## Soy, Beef, and Brazil

### Forest Risk Commodities Driving Deforestation

While deforestation slowed in palm oil producer countries in 2019, massive amounts of rainforest are still being lost on an annual basis, albeit overwhelmingly in beef and soy-producing countries such as Brazil.<sup>25</sup>

According to an article in *The Ecologist*, this “primary forest loss was 2.8 percent higher in 2019 than the previous year,” with “a gradually increasing trend-line in the rate of forest loss since 2002.” Specifically, “the country that lost the most primary forest in 2019 was Brazil.” Global Canopy, an NGO, found that in the first six months of 2020, the Amazon saw “record levels of deforestation.”<sup>26</sup>

While cattle-rearing is the primary driver of environmental harm, soy nevertheless makes a significant impact as well. Soy cultivation takes place “from the northern Great Plains of the U.S. to the Amazon of Brazil,” including cultivation on “forests, grasslands, and wetlands.” Further, soybean meal is used widely as animal feed, meaning that “humans consume” great quantities of soy “indirectly via our meat and dairy.”



Additionally, soybean oil constitutes over one-quarter of vegetable oil produced worldwide. While this oil is largely used as an edible food product, there is increasing use of soybean oil for biodiesel production. Generally left unregulated, the soybean industry, is causing widespread deforestation and displacement of small farmers and indigenous peoples around the world.<sup>27</sup>

Deforestation in the Brazilian Amazon is so severe that from 2018 to 2019, there was a 34% increase in overall deforestation. Hence, a range of NGOs have taken the Brazilian government to that country’s own Federal Supreme Court, for its “active negligence” in protecting the Amazon and the people of Brazil.<sup>28</sup>

According to the Climate and Justice coordinator at Greenpeace Brazil, Fabiana Alves, Brazil is now lacking public policy, budget and staffing to apply its own national laws to safeguard the Amazon. In 2019, the Brazilian government abandoned its “plan to combat and prevent deforestation in the Amazon forest,” and in so doing reneged on “its own international commitments to reduce greenhouse gas emissions.”<sup>29</sup>

The Amazon is not the only vulnerable and climactically significant biome in Brazil; the Cerrado, a vast wooded grassland covering more than 20 percent of Brazil, is under unprecedented pressure due to meat production. Indeed, this Global Canopy finding also underscores direct links between “the highest levels of deforestation” and “significant soy production.” That report furthermore underscores the link of soy to cattle. In 2017, for example, Brazil produced over sixteen million tonnes of soy meal, 90% of which became animal feed. In the last twenty years the expansion of soy in Brazil was equal to five times the size of Switzerland. That expansion took place especially in the Cerrado, one of the world’s most biodiverse savannas.<sup>30</sup>

An academic study by Environmental Research Letters further discusses soy, and likewise identifies this forest risk commodity as a major

driver of global deforestation. The study notes that soy is used in its raw and processed forms, which includes animal feed and soy oil primarily used for biofuel production. The impact of such cultivation is, as we can see, devastating.

## (Un)sustainable: Soy, Beef, and Palm Oil

Returning to the interconnectedness of modern food systems and trade, this report underscores that European demand partly drives unsustainable production of beef and soy; other significantly culpable parties include the U.S. and China.

The aforementioned study by Environmental Research Letters finds, for example, that from 2000 to 2016, the international trade in soy more than doubled; Brazil, which was “already the world’s largest soy exporter ... also overtook the US as the world’s largest producer.” Note that, prior to any trade agreement with the EU, 15% of Brazil’s exported soy harvest was sent to the European Union. (65% of exports, in turn, went to China.)

In the previous two decades, the area of soy planted in Brazil has doubled – an increase that caused “the loss of forests and other natural vegetation.” Rates at which native ecosystems are cleared to make way for soy cultivation have increased in specific parts of the Cerrado region, which the study finds “especially concerning because it is a global biodiversity hotspot with little legal protection.”<sup>31</sup>

This production of beef and cultivation of soy in unregulated industries can be contrasted with the case of palm oil in Southeast Asian tropical biomes. To make this case, we should recall that “there has been significant success in reducing the rate of forest loss in Indonesia and Malaysia” according to *The Ecologist*. So much so that, in Malaysia, the decrease in the rate of primary forest loss continued annually over the previous three years. That positive development

means that “the absolute scale of deforestation” in Malaysia “is far below ... Indonesia’s,” to say nothing of Brazil. Global Forest Watch attributes this positive development to conservation policies, including “the now-permanent forest moratorium on clearing for palm oil plantations and logging.”<sup>32</sup>

Yet the deeply worrying numbers coming out of Brazil seem to have provoked less policymaking concern than the more optimistic numbers coming out of select palm oil producing countries.

Given the accelerated rate of tropical deforestation in Brazil, an objective observer would expect the EU to respond accordingly.

With the EU being Mercosur’s largest trade partner—and Brazil being the largest economy in Mercosur—the potential trade agreement between the two economic blocs is significant.<sup>33</sup>

Critics of the potential trade agreement have also brought increased attention to the disconnect between its stated dedication to the Paris Climate Accords and combatting deforestation, with the trade agreement’s simultaneous openness to soy and beef exports, despite Brazil’s apparent unwillingness to combat deforestation. Indeed, the Irish Farmers Association, among other bodies, underscores that Brazilian beef does not meet EU environmental safeguards.<sup>34</sup>

And while this criticism focuses on Brazilian beef, Brazilian soy production likewise does not meet EU environmental safeguards. For example, seven commodities companies produce approximately 50% of all the soy processing capacity in Brazil; given that not all of these have committed to deforestation, this means that nearly 50% of the soy crushing capacity in the Cerrado is owned by companies without any commitment at all to eliminating deforestation from their supply chains. The transnational meat processing company JBS, for example, which accounts for nearly 70% of that country’s meat sales within the Brazilian domestic market, has not committed to avoiding purchase of



soy from deforested areas in the Cerrado. Finally, some 78% of Brazilian biodiesel produced from soybean oil is produced by companies that have made no deforestation pledges.

Another study in *Science* notes that just 2% of properties in the Amazon and Cerrado are responsible for 62% of potentially illegal deforestation; further, this study finds—and thereby confirming and highlighting data provided above—that “roughly 20% of soy exports and at least 17% of beef exports” from the Amazon and the Cerrado, respectively, to the European Union “may be contaminated with illegal deforestation.”<sup>36</sup>

Expanding markets for Brazilian exports will inevitably incentivize beef producers in that country to accelerate their tropical deforestation, which will not be resisted by the current Brazilian government. Indeed, in a report to the Committee on Agriculture and Rural Development at the European Parliament, it is “stresse[d] that trade agreements with countries outside the EU should contain provisions on sustainable forest management.” Further, a 2020 report to the European Parliament, Committee on International Trade, “notes with concern the lack of ambition in climate efforts in EU trade policy.”<sup>38</sup>

In an open letter by 192 economists, published by Seattle2Brussels (S2B) Network, the potential EU-Mercosur trade agreement is criticized. Not only would the deal cause a “negligible GDP increase” in EU countries, it would decrease GDP for Mercosur states. Further, and to this report’s concern, the Sustainable Impact Assessment associated with the trade agreement downplays the deforestation it is likely to cause.<sup>39</sup>



## The Sino-American Connection

### Exacerbating Modern Food System Risks

Despite the aforementioned environmental dangers, it is expected that key European powers will continue to drive the potential trade agreement forward, compounding environmental damage. As if the damage caused by Brazil’s beef and soy industry—driven by, among other factors, European Union market demand—were not enough, to this must be added the environmental consequences of the deterioration in the Sino-American relationship.

To the first point, this report has established the significant impact made by Brazil’s beef and soy industries, with beef production in Brazil and Latin America accounting “for some 34 percent of emissions,” far outweighing the contribution by oilseeds, including—but not limited to—palm oil.<sup>40</sup>

The second point considers the damage done to the environment by tensions in great power relationships translating into new pressures on modern food systems.

While Donald Trump concluded his term in office in late January 2021, the damage done to Sino-American relations may be hard to repair. With the US slapping tariffs of up to 25 percent on Chinese imports, China has retaliated with equivalent tariffs, including soybeans produced in the US.<sup>41</sup>

As a result, US soybean exports to China have consequently plummeted by half, even while China’s appetite for soybeans continues to rise. However, because China will not be importing soybeans from the United States, “China will make up the shortfall by expanding its imports from Brazil”—with predictable consequences for the Amazon and Cerrado.

According to Richard Fuchs, a senior research

fellow at the Karlsruhe Institute of Technology, and his co-authors, Chinese demand for soybeans could initiate a surge of tropical deforestation, as supplies need to make up the “37.6 million tonnes of the crop” previously imported from the United States. Fuchs and his colleagues believe the area dedicated to soybean production in Brazil could increase by up to 39 percent. That, in turn, would potentially destroy 13 million hectares of rainforest, an estimate which excludes China’s rising demand for soy, increasing “2,000 percent from Brazil” over the previous twenty years.<sup>42</sup> In other words, China’s rising demand will compound the damage done by unsustainable food systems generally, exacerbating the overall toll on the environment and increasing the danger of the European approach.

## Unintended Consequences

### Palm Oil and Its Lesser Alternatives

Not only does sustainable palm oil hold out promise for improving the impacts of modern food systems, but it can be considered an alternative bridge fuel to alleviate demand for petroleum fuels, which have their own negative environmental impact.

According to a report by the Schumacher Institute in the UK, *Deforestation and the Risk of Collapse: Reframing COVID-19 As A Planetary Boundary Effect*, a sustainable transition away from fossil fuels is necessary to avoid an escalation of the very causes behind the current global environmental crises. As such, “the longer that the transition to a new sustainable ... infrastructure is delayed,” the greater “the impact of the global oil crisis on critical supply chains.”<sup>43</sup>

The report examines the drivers and consequences of deforestation in some detail, noting its little-understood links to an increasing risk of societal disruption - including for

instance pandemics - and moves to focus on the wide-ranging policy shifts needed to mitigate and end deforestation. On this question, the report concludes that “a boycott-only approach [to palm oil] also tends to incentivize producers to find ways to circumvent the boycott,” which, the author proposes, will lead [producers] to the search for new markets—in place of the EU—“such as India and China, where environmental regulations are far less stringent.” This “once again undermines the entire point” of the ban in the first place, which is to prevent deforestation.<sup>44</sup>

Sadly, however, the Mercosur agreement suggests Europe is not in line with its own articulation of environmental leadership - the European Green Deal. According to the European Commission, the Green Deal intended to address “climate change and environmental degradation,” framed as “an existential threat to Europe and the world” (*italics introduced*). The point of the European Green Deal is to realize “a new growth strategy that will transform the Union into a modern, resource-efficient, and competitive economy.”

As the Schumacher report suggests, these three objectives can only be met with an alternative approach to forest risk commodities, beginning with a commitment to sustainable importation of beef and soy and acknowledgement, at the policy level, that great progress has been made elsewhere, especially in sustainable palm oil.<sup>45</sup> Both policymakers and consumers need to recognise that the scientific evidence proves a “boycott-only” approach will fail to achieve the desired results and cause more harm than good. The focus, instead, must be on developing a more consistent set of global standards to halt deforestation across all relevant commodities, rather than arbitrarily singling out palm oil.

The current approach not only fails to do that but undermines the potential to work collaboratively for environmental protection elsewhere.



## Chapter 3

### Sustainable Supply Chains

#### The Case of MSPO

Having made the case for the dangers of deforestation as implicated in the emergence of new diseases, biodiversity loss, and climate change, this report will now move to consider the importance of tropical forest protection to the European Union, sustainability of palm oil generally, and the case of the MSPO scheme specifically. This strikes a noticeable contrast to Latin America's unsustainable forest risk commodities industries and provides direction to a new European approach.

As we have seen, European policymakers are concerned about preventing deforestation, although in practice, as elaborated in Chapter 2 above, this has meant unfortunate inconsistencies in policy implementation, with Brazilian beef rewarded despite its deleterious role in deforestation and Malaysian palm oil penalized despite increasing verifiable progress on sustainability. Fortunately, as will be shown in subsequent chapters, European experts, analysts, and policymakers are beginning to change tack.

### (Un)sustainable Palm Oil

#### A Plan to Prevent Deforestation

A recent report to the Committee on Agriculture and Rural Development at the European Parliament argues that "a holistic and coherent" approach is necessary to protect, restore, and manage forests. The report notes the importance of forests to global diversity and underscores the role of tropical forests in the fight against climate change. Specifically, the report cites "palm oil [as] an important driver of deforestation" in

"Southeast Asia." The report also cites soya as a contributor "to deforestation in South America," but the disparity is notable in that the EU has a legislative boycott response to palm oil, but none for soya.

After stressing the role of tropical deforestation in climate change, the report cites sustainability schemes in palm oil, and for the first time makes mention of the MSPO scheme alongside the more widely recognized RSPO. It concludes, however, that there are "inconsistencies" in the implementation and enforcement of different certification systems, and raises the concern that "none of the [sustainability] systems cover all of the environmental and social issues addressed in the political objectives set by the EU." <sup>46</sup>

However, as can be demonstrated, this European Parliamentary appraisal of sustainability metrics does not adequately or accurately capture the success of the MSPO scheme. Moreover, the report overlooks the progress made by the MSPO scheme in reversing Malaysian deforestation. Let us consider the background to palm oil, deforestation, and sustainability before moving forward to consider the question of these sustainability schemes themselves.

According to a new study by the CDP, palm oil is the most regulated industry among forest risk commodities. A recent study found that half of palm oil companies participate in measures to stop illegal deforestation and "improve the sustainability of agriculture at scale."<sup>47</sup> The MSPO scheme has spread across the palm oil industry in Malaysia and brought about many positive environmental impacts.



## Introducing MSPO

### Malaysian Sustainable Palm Oil—A Metric

The MSPO scheme came into effect in 2015, but in 2018, with the election of a new government, the scheme became mandatory (by the close of that year).<sup>48</sup> It is increasingly recognized in the environmental community. The Ecologist has described MSPO as “the world’s first government-backed, legally-enforceable sustainable certification programme for palm oil.”<sup>49</sup>

In this respect, MSPO differs significantly from other schemes like the Roundtable on Sustainable Palm Oil (RSPO), which are supported by companies and corporations and instead based on voluntary adherence. While the RSPO is a laudatory scheme in the abstract, it is different from MSPO in certain key respects. RSPO is elective, unlike MSPO, and backed by companies like Nestle and Unilever, which are major players in palm oil production. This is a further difference: Backed as it is by big business, RSPO is expensive, complex, and inaccessible for smallholder farmers who manage some 50 percent of the worldwide oil palm land.

Sustainability schemes are often viewed with skepticism by consumers because of a belief that all palm oil production is driven exclusively by profit motives, with no consideration for environmental impact.<sup>50</sup> The MSPO offers an important corrective to this assumption by demonstrating the role of strong government legislation in introducing regulatory controls. As previously noted, data from Global Forest Watch suggests that the MSPO scheme is having a far more positive impact than commonly might be assumed by the average consumer.<sup>51</sup> And though there needs to be further independent scientific literature analyzing MSPO from implementation to impact, considerable progress has been made. By 2019, for example, two-thirds of Malaysian palm oil plantations achieved MSPO certification. This has translated into real-world outcomes.

World Resources Institute found, as aforementioned, that over the last three years Malaysia’s rate of deforestation has decreased annually. This gain is attributed to forest conservation practices, including “recent moratoriums” and “tougher law enforcement.” Malaysia’s aspiration is now for its entire palm oil industry to achieve MSPO certification by the end of this 2021, with expected attendant benefits for tropical ecosystems.<sup>53</sup>

Unfortunately, the successes of MSPO continue to go largely unnoticed and disregarded, including by environmental NGOs, the European Union, and as a result, the ordinary consumer.

## A Lack of Consideration

### MSPO Outside the Palm Oil Narrative

Environmental organizations such as Greenpeace have expressed concerns regarding palm oil sustainability certifications and their effectiveness in protecting the environment and the habitat of endangered animals. But for the most part these criticisms never account for the implementation of the MSPO.<sup>54</sup>

Unfortunately, despite markedly greater interest in 2020, the European Union remains generally unfamiliar with the MSPO certification scheme and its implementation. For example, Global Policy magazine reports that actual progress in MSPO certification is “actually double the EU’s outdated estimate” in its recent internal studies; moreover, “the MSPO certification scheme is far more substantive” than EU analysis presumes.<sup>55</sup> A solution to this misperception would be increased investment by the EU in engaging producer countries to remedy the lack of knowledge that has (mis)informed policy decisions.

Such increased investment by the EU in engaging producer countries would allow for a more nuanced understanding of the differences between palm oil



industries across countries, a better comprehension of the progress made thus far in sustainability in said countries, and a greater awareness of the areas where more work can be done (where European expertise and resources could be critical).

Indeed, the EU could be invited to contribute expertise and analysis in a supplementary and collaborative spirit, increasing the sustainability of the palm oil industry while improving the sustainability of its own supply chains.

As it stands, however, the European Union's current approach is not just failing to help the Malaysian sustainable palm oil industry, it is likely having the opposite effect from what its original intent was.

## Unhelpful Alternatives

### Oilseeds and Their Environmental Impact

As was previously discussed, a boycott-only approach to palm oil has the effect of encouraging producers to look elsewhere for markets, including to markets that have fewer environmental scruples and lower standards, if any. But such an approach also has the effect of encouraging consumers to look elsewhere for supplies, which likewise has a negative environmental impact. There is a broad scientific consensus that alternative oilseeds make for poor environmental alternatives.

In a study published in *Nature Sustainability*, University of Bath scientists showed that a ban on palm oil would increase deforestation, insofar as demand would switch to less efficient alternatives, including sunflower or rapeseed oil, which require greater use of land, water, and fertilizer.<sup>56</sup> A recent report from the European Parliament compares palm oil to soybean oil, and finds the former needs one-tenth the land, one-seventh the fertilizer, one-fourteenth the pesticide, and one-sixth the energy to produce.<sup>57</sup>

That makes palm oil not only cheaper, but also ecologically smarter. (The use of land, in particular, is concerning, since any switch to soy from palm oil would require greater expansion of cultivated land at the expense of tropical forest or other vulnerable biome.)

Additionally, in this vein, a study in *Current Biology* considers coconut oil as an alternative to palm oil, finding that coconut production increases the risk to biodiversity (including various animals and plants) by an order of five times more than palm oil. Likewise, the study finds that palm oil is less damaging to biodiversity than olive oil, although neither coconut oil nor olive oil receive the same degree of criticism. Rather these alternative oils are sometimes presented as viable alternatives to palm oil, though this is frequently a case of biased framing.<sup>58</sup>

Elaborating on this point, Professor Martin Persson, co-author of the *Global Environmental Change* study, likewise pointed out that "just closing the doors on any particular commodity runs the risk of moving to another commodity or another producer." Thus, the European Commission's blanket de facto ban on palm oil for biofuels is self-defeating.<sup>59</sup>

Indeed, this concern is widely shared by a number of other experts. In that vein, a well-known study by the International Union for the Conservation of Nature argued several years ago that "a blanket palm oil ban would simply replace production with ... rapeseed, soy or sunflower fields"—and these "use greater amounts of land" and more "fertilizer and pesticides." That is why Professor Persson declared that "palm is actually a fantastic crop in principle. It uses far less land than other vegetable oils."<sup>60</sup>

While banning palm oil, the EU has in effect moved to protect its domestic biofuels industries. The bulk of the EU's biofuels consumption now comes from ethanol produced from rapeseed. Yet despite the EU categorizing ethanol as a clean biofuel, this is disputed in the scientific

literature. Recent studies by German researchers found that ethanol from rapeseed does not meet the EU's own sustainability criteria. The researchers found that eight out of ten tests on locally-produced rapeseed biodiesel failed to show 35% greenhouse gas savings.<sup>62</sup>

Unfortunately, most consumers are unaware of these great mismatches in the EU's approach to commodities linked to deforestation and climate change.

## From Environments to Economies

### Further Benefits of Palm Oil

As we shall show, sustainable palm oil is not only of benefit to the environment but to economies—and economies of scale—as well.

In the aforementioned study, Professor Marin Persson noted that “there is plenty of already cleared land to grow commodities like palm oil.” What is needed, Persson stressed, are “incentives and regulations to ensure that companies adhere to proper sustainability criteria.”<sup>63</sup> The MSPO scheme is an effort to provide precisely these incentives and regulations as a consequence of its national and mandatory nature. But added incentives can be accrued by opening EU markets to sustainable palm oil.

In addition to the unintended ecological consequences of banning palm oil, there are important economic impacts which the European Union would do well to consider concerning the nature of the palm oil industry. A study in the Annual Review of Resource Economics points out that alongside the increase in global demand for vegetable oil in recent decades, “the oil palm boom has contributed to economic growth.” Specifically, the oil palm boom has “increased incomes, generated employment, and reduced poverty among farm and nonfarm households.” The study underscores this with a further fact;

namely, that “50% of the worldwide oil palm land is managed by smallholders.”

Given the importance of the palm oil economy to lower-wage workers and independent farmers, sustainability approaches to the industry should not be focused on ecological issues to the detriment of the human component. This is well-reflected in the UN Sustainable Development Goals (SDGs). Therefore, the European Union's palm oil policies should be expanded to include and reflect these impacts. The above study, for example, recommends “a bottom-up perspective by including smallholder farmers” in debates about palm oil. Finally, the report “debunks environmental organizations' calls to ban palm oil,” noting that “this is in fact counterproductive and harms the local communities they claim to protect.” While the EU's gathering shift around palm oil has moved in positive directions, as will be outlined below, thus far this shift has indicated rather more awareness of the ecological counterproductivity of its palm oil ban rather than acknowledge its destructive economic and human impacts.<sup>64</sup>

## Chapter 4

### The EU's U-turn

#### New Approach to Trade Partnerships and Palm Oil Policy

After banning Malaysian palm oil for use as a biofuel for fear of its alleged ecological unsustainability, the European Union appears to be rethinking its approach. This is partially due to a dawning awareness of the greater dangers from other forest risk commodities—such as beef and soy.<sup>65</sup> It is additionally due to a growing recognition of the important progress made in sustainable palm oil by Malaysia under the MSPO scheme. Each of these will be addressed in turn.

## A Dawning Awareness

### The Greater Dangers of Other Forest Risk Commodities

While conventional environmental NGO discourse influencing consumer behavior often unreasonably singles out palm oil as a driver of deforestation, it is notable that Transport and Environment's briefing, titled 'Is Soy The New Palm Oil?' argues that the EU must take urgent action to stop the increase of soy oil because of its links to deforestation and tacit implications for indigenous communities whose life is dependent on the forest, especially in Brazil.<sup>66</sup> This indicates positive movement and important environmental conscientiousness in relevant EU circles.

Transport and Environment notes that the ban on the use of palm oil as a biofuel will increase the employment of soy, which has been linked to widespread South American deforestation, especially but not only in the Cerrado.

Transport and Environment believes that demand for soy biofuel would then jump from 200% to 400% over what is presently used, which in turn would demand the conversion of up to 4.2 million hectares of land if the EU replaces palm oil with soy. Given that soy is hardly regulated and rarely sustainable, this would mean massive deforestation in vulnerable regions. As Transport and Environment elaborates, EU regulations are not yet sufficient to prevent this.

In effect, there is little to be gained, and much to be lost, from banning one commodity without ensuring that the alternatives available are at least as environmentally responsible, if not (ideally) more so. Moreover, since the alternatives are inherently more destructive, it would make sense for the EU to revisit its stance on palm oil.



## A Dawning Awareness

### The Great Progress of Malaysian Palm Oil

This report now turns to the second point made in the introductory paragraph of this chapter; a dawning awareness in the European Union's halls of power of the great progress made in sustainable palm oil by Malaysia under the MSPO scheme, even if MSPO itself is not quite accorded the attention or recognition it merits.

To this end, and arguably most significantly, the European Parliament published a major brief on palm oil in November 2020. Though some criticisms were made, the report makes positive remarks about palm oil's efficiency as a crop and, although it does not specifically mention MSPO, it does focus on Malaysia in particular, and acknowledges Malaysia's progress in curbing deforestation. Additionally, the report points out that Malaysia is committing to protecting half of its forest cover.<sup>67</sup>

This is, of course, an extremely significant acknowledgement, followed by the further acknowledgement that disagreements on palm oil are hindering a potential EU-Malaysia trade deal. At the least, this signifies that the European Union is aware that its approach to palm oil is undermining a positive trade relationship and blocking out a country which is genuinely making progress on sustainable palm oil.

These developments suggest a new EU willingness to partner with countries in the Global South to support sustainable supply chains for forest risk commodities like palm oil. This is further evidenced by, first, the EU's earlier mention of the MSPO scheme in June 2020 and, second, a recent EU Parliamentary Report on EU proposals on sustainability certification.

The latter study by the European Parliamentary Research Service has noted that the singular focus on sustainability of palm oil could amount



to a form of protectionism, insofar as it places an undue financial burden on producers, and specifically, smallholder farmers. (That study estimates 8% average losses in net income per hectare.) Building upon this point, “the certification is requested only to foreign producers; therefore, this policy option could be considered by the WTO as arbitrary or hidden protectionism.”<sup>68</sup>

As the EU reconsiders its approach to sustainable palm oil, more than just ecological consequences should be considered. The above reference to the economic impact on smallholder farmers is critical to understanding the full impact of the EU’s approach. Consumers too deserve a full grasp of the consequences of EU decisions on smallholder farmers.

## The Economic Impacts of Palm Oil

### Boycott vs. Engagement

Growth in worldwide demand for palm oil has contributed to economic growth in producer countries like Malaysia - increasing income, generating employment and, crucially, reducing poverty among farm and nonfarm households.<sup>69</sup>

The recent acknowledgement on protectionism should be placed in context with the European Parliament’s Directorate-General for External Policies of the Union finding that a reduction in palm oil imports would be less effective than “a moratorium on deforestation (targeting deforested areas).” This same report crucially pointed out that instead of the EU reducing palm oil imports, it “would be more effective and less costly” if the EU worked with Malaysia to tackle deforestation.

This document demonstrates how the EU is now seriously considering the need to introduce stronger labelling and certification systems which would suspend commodity imports if satellite imagery detects deforestation. Whilst it

mentions the idea of an EU certification system, it also mentions the need for legally-binding sustainability criteria. Most interestingly, the EU also repeatedly mentions the idea of “trade agreements” with producer countries, which include provisions on protecting against deforestation. This indicates a renewed EU interest in forging new trade deals with countries like Malaysia.

This change in EU language has been further demonstrated by a new report published in November by the European Parliament’s Committee on International Trade on the EU carbon border adjustment mechanism (CBAM).<sup>70</sup> The report admits that the EU’s ambitious climate policies seem to set unattainable objectives which could damage EU competitiveness. Furthermore, the document mentions how a purpose-built trade policy should not be used as a cover for protectionism. It also suggests that the EU urgently needs a new approach to its trade relations and that keeping free certificate allocation in parallel with a new CBAM can serve as an incentive for third country suppliers to produce more environmentally friendly products. Further, the report calls on the Commission to actively engage with trade partners’ governments to ensure a continued dialogue on this initiative.

It is worth seeing this development in context with the earlier European Parliament’s Committee on Agriculture and Rural Affairs, which notably called for “inclusive partnerships” with Globally Southern countries to halt deforestation, nationalizing legal penalties for deforestation, and an EU-backed certification standard.<sup>71</sup> The Committee’s call for inclusive partnerships is especially welcome, insofar as its stated goals, as described above, dovetail with the intentions and accomplishments of the MSPO scheme thus far; while not yet an EU-backed certification standard, nevertheless it can be imagined that the EU should choose to back MSPO or otherwise contribute to its articulation, providing for an independent and corroborative

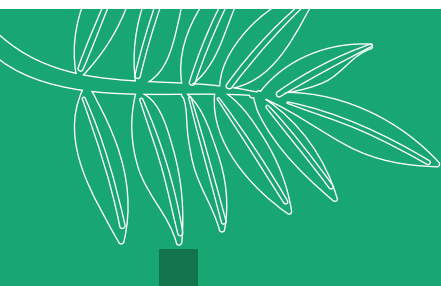
mechanism whereby supply chains for palm oil could be certified sustainable.

Indeed, a 2020 report to the European Parliament's Committee on Agriculture and Rural Development emphasized "the importance of sustainable forest management", suggesting an ample opening for cooperation with the MSPO scheme, which is designed to be accessible to smallholder farmers.<sup>72</sup>

Overall, these shifts in language indicate the EU's awareness of the insufficiency of its previous approach, the dangers of blanket bans, and the environmental and economic opportunities for zero-deforestation trade with Malaysia's sustainable palm oil industry.

A key challenge for those concerned with international trade and the global environment, to say nothing of risks of pandemic and climate change, is to determine how to cement these shifts and translate them into new policy.

In the debate between a "boycott-only approach", and economic and environmental engagement, the latter is rightly and appropriately beginning to win out.



## Conclusion

### Prospects of the MSPO

#### Palm Oil Sector Leading the Transition to Sustainable Food Systems

As we have seen earlier, tropical deforestation causes many risks, from pandemics, to loss of biodiversity, to climate change. As we have also seen, this deforestation is driven by imbalances in global consumption patterns, increasing demand, and above all else, fundamentally

unsustainable modern food systems. Sustainable palm oil could play a valuable role in addressing all these, realizing food systems and economies of scale that reduce impact on the environment and enable plant, animal, and human flourishing. Given the EU's importance in leading global conversations on climate change, the moves the EU makes next will have tremendous consequences.

## Sustaining Sustainable Palm Oil

### The Role of Western Markets

A valuable study in the *Journal of Environmental Economics and Management* finds that in order to improve the environmental impact of oil palm cultivation, considerations of “supply and demand side mechanisms” must be taken into account. The study suggests, for example, that by increasing costs, consumers could support and expand sustainability certifications such as MSPO. In effect, the study argues that more support is required from “Western consumers directly,” most critically “not through boycotts, but through paying higher prices to help support smallholder farmers”; in addition, the study recommends “Western policymakers providing greater support to smallholder farmers for certification.”<sup>73</sup> We can add the education of the grassroot NGOs, communities, and farmers, too.

A study in *The Journal of Cleaner Production* corroborates and expands on these sentiments, making plain that in order “to increase the shift to sustainable palm oil production,” it is vital “to support smallholder farmers.” The study proposes that “the EU and other agencies recognize that smallholders are the key to future sustainability efforts.”<sup>74</sup> These considerations should be kept in mind as the EU charts a course forward.

It is, of course, important that producer nations meet environmental sustainability metrics, as exemplified by Malaysia in its pursuit, implementation, and maintenance of the MSPO standard. But without addressing modern food systems, including consumption and consumer demand in Western and developed markets, such as the EU, the importance of sustainable palm oil will never be fully realized. The way forward, therefore, requires the European Union to engage in productive dialogue with producer countries like Malaysia.

## Sustaining Sustainable Production

### The Power of the Palm Oil Example

With MSPO-certified palm oil, the EU will have a reliable source of sustainable palm oil, competitive in cost and positive in environmental impact. In so doing, the European Union could thereby set a global example by changing its approach to sustainable palm oil, moving from a blanket ban to a collaborative orientation and better understanding for both sides.

Such a change would in turn guide production of forest risk commodities in countries like Brazil, ensuring that the opening of new export markets and potential trade agreements do not escalate deforestation. As such, this report calls on the EU and Malaysia to commit to a broad collaboration towards identifying, realizing, and expanding environmentally responsible supply chains in forest risk commodities, building from Malaysia’s progress in sustainable palm oil.

## Moving Forward Global Partnerships

### The EU, Malaysia, and International Organizations

It will be helpful to consider the role global partnerships can play in advancing the sustainable palm oil sector. This will include integrated relationships, complex engagement, and enduring partnership between Malaysia and (and specifically the sustainable Malaysian palm oil industry) the EU, as well as intergovernmental and non-governmental organizations (IGOs and NGOs) such as the United Nations, World Resources Institute, and World Wildlife Fund.

For example, while the EU can assist Malaysia



with the maintenance and improvement of sustainability standards, IGOs and NGOs can in their respective capacities supplement the operation of schemes like MSPO with the research they conduct. That unbiased and neutral analysis can be used to determine the transparency of supply chains and the overall adherence of the Malaysian palm oil industry to its mandated sustainability metrics.

While it is important for the EU to work closely with Malaysia, the important role IGOs and NGOs play in advancing environmental protection and impacting consumer sentiment should not be discounted. The success of MSPO thus far is a credit to Malaysian resolve and enterprise, but more progress can be made if an international approach is adopted with greater support from European consumers. But the crucial distinction is this: instead of the NGO environment community seeking to trigger blanket bans of palm oil, they must acknowledge that a more environmentally consistent approach must be to work with and strengthen standards like MSPO to continuously improve production.

As environmental, agricultural, and political indicators reveal, the Malaysian palm oil industry is moving in the right direction with a spirit and deep respect for sustainability of eco-systems. The evidence we have from the European Union likewise indicates positive forward momentum. Yet it remains critical for the Union to learn from the failure of the palm oil ban, incorporate the latest research findings, become familiarized with MSPO, and see the benefit the EU, Malaysia, and civil society working collaboratively.<sup>75</sup>

The European Union has become a global leader on environmental issues and is pointing the way towards more sustainable food systems and economies. Through its Green Deal, the EU is challenging the world to aspire to more rigorous standards and more ambitious outcomes.<sup>76</sup> It is important for the EU therefore to recognize its immense importance to the global green economy and the tremendous value its policies

set as examples.

By encouraging and supporting developing countries like Malaysia to continue to improve the cultivation and production of sustainable palm oil, the EU can meet goals that emphasize positive environmental objectives, like building transparent supply chains, slowing deforestation, and stopping climate change. Moreover, should the EU partner with Malaysia and Malaysian sustainable palm oil, it opens the door to numerous ancillary benefits.

With the support of the EU, NGOs and grassroots communities would become valuable allies in the project of enhancing sustainability in a democratic spirit. For example, World Resources Institute's Global Forest Watch has done important work mapping global deforestation. Alongside the EU, this report imagines that such NGOs will become neutral support systems for sustainability, enabling the Malaysian industry to benefit from technological advances made in this sector and further improving the overall perception of palm oil.

That narrative is beginning to change. Such forward momentum can be cemented, however, by accelerating the transformation that has shown substantial progress in this pivotal year for palm oil. With this sustained momentum, there would be significant benefit to consumer and producer alike, and a positive impact not only on trade and diplomatic relationships, but the health of Malaysian ecosystems and the global environment. That is an outcome we can all support.









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