



## Non-governmental standard development and certification for Palm Oil: Ecosystem services and local administrators in the case of the “Roundtable on Sustainable Palm Oil” (RSPO)

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**Short title:** Palm Oil Certification, Indonesia

**Key Message:** Setting non-governmental production standards for crops, like the ones from the RSPO for palm oil, can be an important element in a policy mix for sustainable development at local and national levels. However, palm oil certification is still at an early stage and addresses only a small fraction of the market. The effectiveness of certification still needs to be improved.

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### What is the problem?

Palm oil, extracted from oil palm fruit, is used for various purposes such as food, cosmetics and energy. Global palm oil demand and production have increased dramatically in recent years, reaching 45 million tonnes of oil equivalent (mtoe). Palm oil accounts for 32% of global vegetable oil production (USDA, 2009). The main producers and exporters of palm oil are Malaysia (18.5 mtoe) and Indonesia (20.8 mtoe). China, India, Pakistan and the EU account for 58% of global palm oil imports (USDA, 2009). Such dramatic increases in production have created a variety of environmental and social concerns, particularly in the main producing countries. Environmental concerns include biodiversity loss, pollution (air, water and soil), land degradation and indirect changes to land use. Social issues debated include working conditions and labour and land rights (Pastowski et al. 2007).

### What was done to solve the problem?

The ‘Roundtable on Sustainable Palm Oil’ (RSPO) has been set up to combat and address the negative impacts of production. The organization is a global, non-governmental, multi-stakeholder initiative. Its members and participants come from various backgrounds – palm oil producers, retailers and environmental and social NGOs. The RSPO is an example of a non-governmental initiative in which governmental organizations are not involved as key stakeholders. It aims to enhance sustainable palm oil cultivation and use through actor cooperation in the value chain and stakeholder dialogue. Setting a standard is the key mechanism the RSPO is using to achieve this aim.

### How does RSPO standard setting work?

Standard setting can be divided into two phases: development of the standard and certification.

During the development phase, eight principles and 39 criteria for sustainability were defined. These, developed through public consultation and stakeholder participation, consider social and ecological issues. In order to ensure that global principles and national needs and

regulations are considered, national working groups engaged with sub-national organizations to specify criteria for individual countries. These criteria were evaluated in practical pilot studies from 2005 to 2007 (RSPO 2010).

The certification phase uses independent auditors. They audit palm oil mills and conduct supply chain audits to ensure compliance with the RSPO standard. When complaints are made against RSPO members, a grievance process aims to resolve disputes. Producers that meet the RSPO standard can register online and receive certificates (per ton of sustainably produced palm oil). Certificates are then sold on a web-based trading platform ([www.greenpalm.org](http://www.greenpalm.org)) where manufacturers and retailers buy certificates to support sustainable palm oil production. The first certificates were given out in 2008 under the label 'GreenPalm.' The certification system will be reviewed by RSPO after two years.

### **How can an ecosystem services-perspective be useful?**

The RSPO standard considers ecosystem services, particularly at the level of the certified plantation site. Assessments mainly cover certified plantations. Environmental impact assessments help determine ways in which activities might interfere with ecosystems (RSPO 2010). Ecosystems and the impact of proposed activities are assessed to develop management strategies. These strategies focus on protecting ecosystem services such as soil health, the provision of drinking water, climate regulation, as well as the conservation of biodiversity. For existing plantations and their surrounding areas, endangered species, threatened ecosystems and high conservation values (HCVs) are identified. The mitigation of greenhouse gas emissions is addressed in pollution prevention plans and a zero burning policy to prevent forest fires (except in particular situations). Other negative impacts are expected to be reduced through the use of appropriate 'best practices' by growers and millers.

The indirect effects of plantations include land use change and land use competition where forest is converted into agricultural land or areas traditionally used to grow foods are used solely for palm oil production (Geibler 2010).

### **How can the local level be involved?**

Social and environmental NGOs can become members of the RSPO. Governmental organizations cannot. All civil society groups, including local groups, can participate in the standard setting process through public consultations and stakeholder surveys. They can participate in working groups (national, smallholders or biodiversity) and reply to 'calls for comments' on a national level and membership applications (see [www.rspo.org](http://www.rspo.org)). They can also participate in impact assessment and grievance procedures.

The RSPO aims for cooperation with governments to integrate the standard with land use plans. The participation of local administrators in the standard setting process supports the participation of disadvantaged groups (such as smallholders in the RSPO framework) to increase their competitiveness. A new certification approach is currently under development by the RSPO which will allow smallholders to be certified as a group so that the costs of auditing can be shared. This new standard aims to enable small smallholders to gain access to the market of certified palm oil.

### **Who bears which costs?**

The RSPO is financed through membership fees that cover administrative and organisational costs and independent accreditation. Membership fees range from €2000 to €100 per year depending on membership status. Implementation costs of the standard on plantations are paid by palm oil producers. For small-scale farmers this can be a problem; it

results in higher production costs with no guaranteed price for certified produce within the RSPO (Geibler 2010). The premium (over the regular product price) paid for certified palm oil currently ranges from US \$7.75 to US \$ 9.25 per tonne on the GreenPalm trading platform.

### **What can be learned from this example?**

Non-governmental standard setting processes increasingly complement governmental approaches. While the RSPO's certification approach is still in early development (and needs further evaluation of its strengths and weaknesses), positive direct effects for ecosystems and ecosystem services are expected. This is particularly true for certified palm oil plantations. The RSPO offers different points for interactions and for the integration and participation of local stakeholders in the standard setting process with calls for comments, various working groups and the grievance procedure. Since certification addresses only a small fraction of the market, it is currently no alternative for area-wide conservation systems. The demand for certified palm oil is still relatively small and many European trading and producing companies do not buy sustainably produced palm oil. These companies criticize the sector-specific certification as lacking informative value and significance. In addition, the certification system does not build on governmental involvement, which limits the democratic legitimacy of the program (Bernstein and Cashore 2007). For these reasons, the future development of certification needs critical observation. Nevertheless, standards developed through such a non-governmental process can be an important element in a policy mix for sustainable development.

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