



MAKING SUSTAINABLE PALM OIL THE NORM IN EUROPE

Progress Report on the import and use
of sustainable palm oil in Europe

November 2017

espo

EUROPEAN SUSTAINABLE PALM OIL

Acknowledgments

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Commitment to Support 100% Sustainable Palm Oil in Europe

We declare to work together and support each other in transforming toward a 100% sustainable palm oil supply chain in Europe by 2020

The Amsterdam Palm Oil Declaration
by the following European governments:

Denmark
France
Germany
Italy
The Netherlands
Norway
United Kingdom













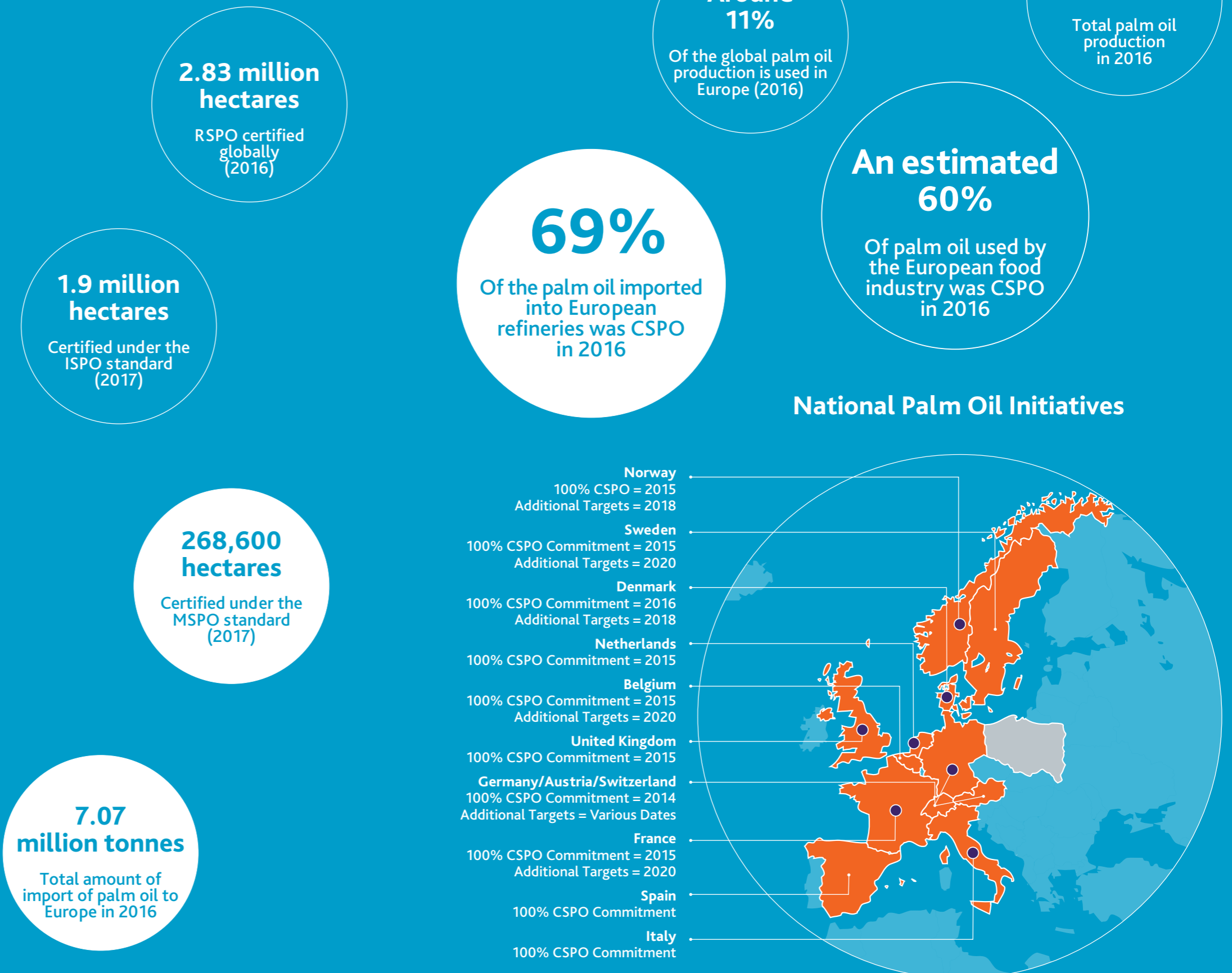







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1 | Foreword



1 Foreword

We are happy to present you the second annual monitoring report by the European Sustainable Palm Oil (ESPO) project. Based on public sources, expert views, and the most recent and complete data available, the report provides comprehensive but not yet exact insights on Europe's progress toward 100% sustainable palm oil. It is an open and honest analysis of the progress made that will be repeated annually. ESPO and all its European partners strive towards the goal of 100% sustainable palm oil in Europe by 2020 and aim to engage all parties who are not yet active to join this effort. This is important, since mainstream sustainable palm oil demand from Europe will help incentivize smallholder palm oil producers in Asia, Africa and Latin America to implement responsible production practices and halt deforestation connected to palm oil.

As the second largest global import market for palm oil, Europe is strongly positioned to lead the way in mitigating the negative impact of unsustainable palm oil production. Prior to 2015, many declarations and commitments on sustainable palm oil had been made, in palm oil producing countries and later also in Europe. Building upon these, ESPO was established to bring together the most prominent European countries in the palm oil supply chain. Working closely with the European Palm Oil Alliance (EPOA), and the European Sustainable Palm Oil Advocacy Group (ESPOAG), ESPO was instrumental in gaining support at government level, which resulted in the 2015 Amsterdam Palm Oil Declaration.

ESPO was established in 2015 by IDH, the Sustainable Trade Initiative, and MVO - the Netherlands Oils and Fats Industry, to stimulate national initiatives that promote the uptake of more sustainable palm oil by the European food, feed and oleochemical industry. The goal is to achieve 100% sustainable palm oil in Europe by 2020. ESPO and its partners are working in close collaboration with national initiatives and associations to promote shared learning, improved monitoring of the use of sustainable palm oil, and transparent reporting on the progress made. This second report gives an update of the current state of affairs.

Thanks to our European partners, we now have more insights on the palm oil import and trade flow in 13 European countries. The report also examines the progress of the 10 national initiatives supported by ESPO.

ESPO aims to engage all parties who are not yet active to join this effort, and we will use the data in this report to do so. Through the report and continuing engagement we will show our program partners in palm producing countries that there is a growing market commitment to reward their efforts to transfer to more responsible farming practices. A growing market for their produce will also make it easier to attract investors to bring sustainable production and trade of palm oil to scale.



Joost Oorthuizen



Frans Claassen

Joost Oorthuizen
Executive Director
IDH - the Sustainable Trade Initiative

Frans Claassen
Managing Director
MVO - The Netherlands Oils & Fats Industry
Chair, European Palm Oil Alliance



2 Developments in the global palm oil chain



2 Developments in the global palm oil chain

Palm oil is the most widely produced and traded vegetable oil in the world. Highly versatile in usage – from food and feed to biofuels and oleochemical products – and extremely efficient in yield, palm oil has seen a significant increase in global production since 2000 and has become an important economic crop for many emerging and developing nations. In recent decades, palm oil expansion has, in some cases, contributed to deforestation, environmental pollution and socio-economic problems for local communities. Many initiatives have been established to address the negative effects of palm oil production, harnessing positive impact.

Palm oil is an ingredient that is found in about half of all packaged goods in the supermarket, including food and non-food items. The oil palm tree is a native to West Africa and was imported into South East Asia in the mid 19th century. Oil palm flourishes in the humid tropics and produces high yields when grown 10 degrees north and south of the equator. With increasing demand, palm oil production has grown tremendously over time. Figure 1 shows the rapid production increase since 1998. In 2016 annual production of palm oil was 58.9 million tonnes. This small drop in production in 2016 was caused by

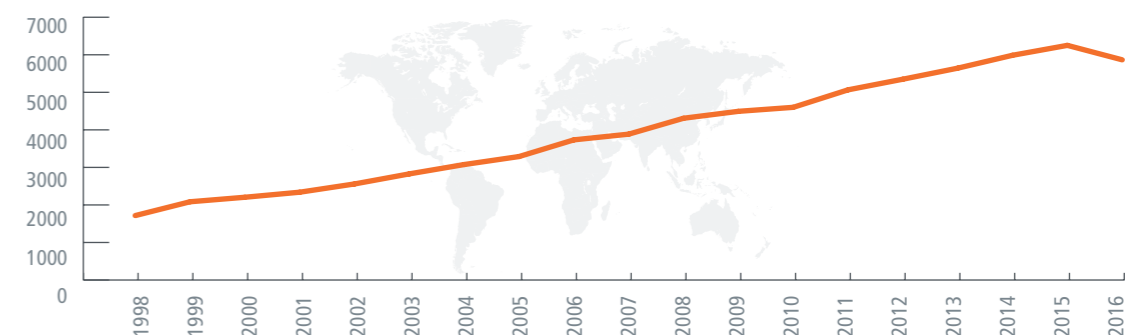
adverse weather conditions. However, the trend of increased production is likely to continue.

Today, Indonesia and Malaysia are by far the largest producers of palm, jointly representing 84% of total production. These two countries are followed by Colombia, Thailand and Nigeria. The production area of palm oil is expanding, especially in Latin-America (Brazil, Colombia, Ecuador and Honduras). These countries traditionally have close exporting ties with the European Union, hence a significant share of their palm oil is entering the European market. Palm is planted for its oil. The fresh fruit bunches



Palm oil is an ingredient that is found in about half of all packaged goods in the supermarket, including food and non-food items.

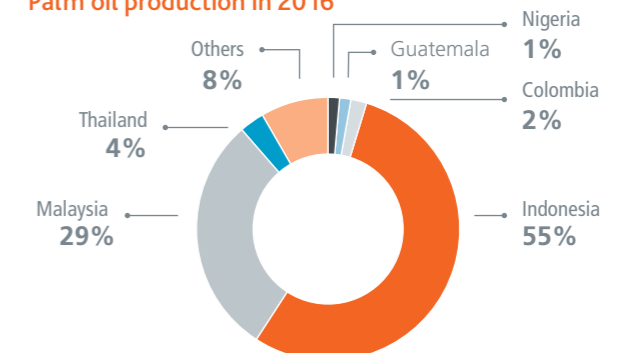
FIGURE 1
Global palm oil production over time
(x 1000 tonnes)



Source: Oil World 2017

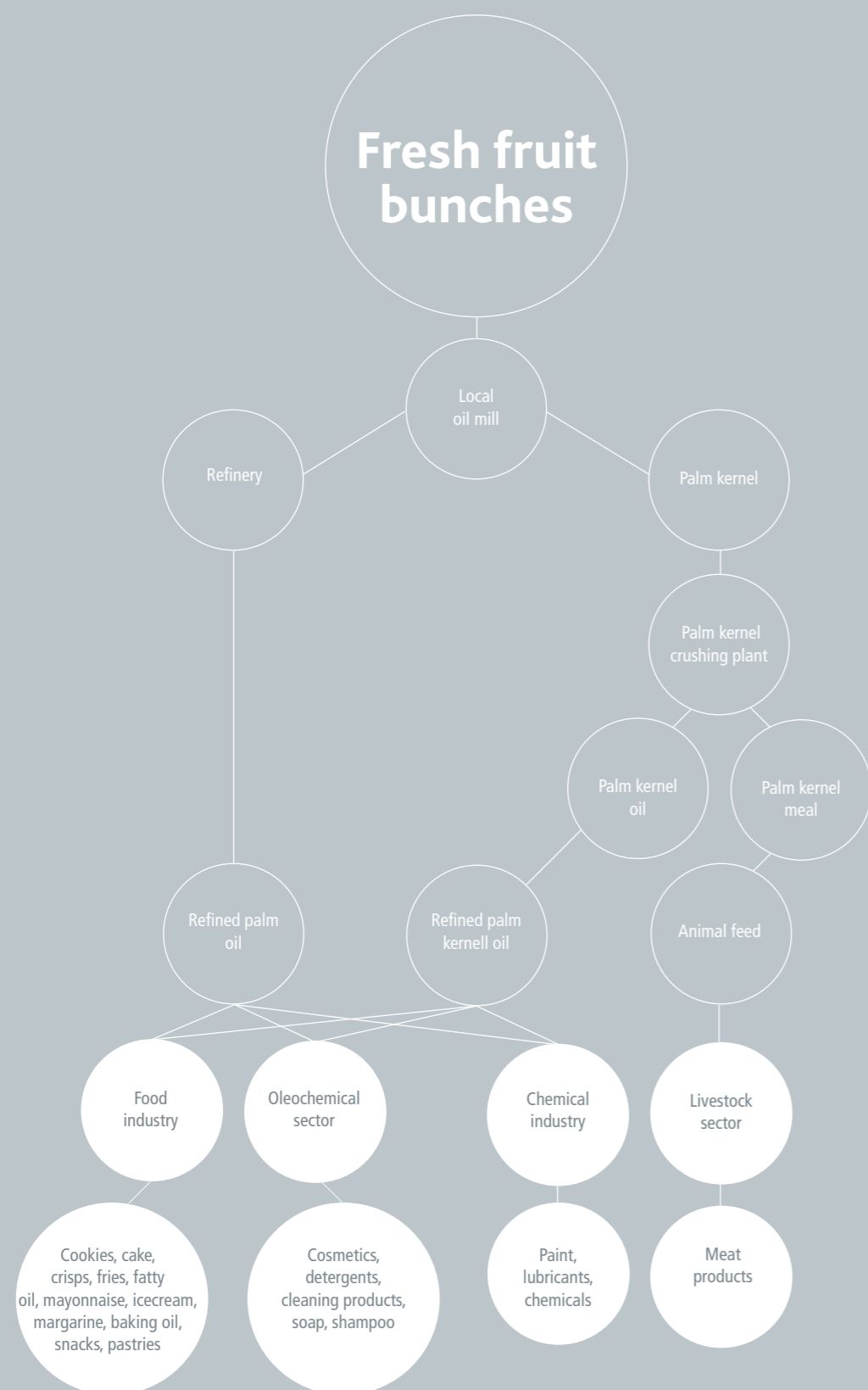
are made up of individual orange-colored fruits, consisting of pulp and kernel. The crushed pulp contains palm oil, the crushed kernel contains palm kernel oil, the material that is left after extracting the oil from the kernel is palm kernel meal. Figure 3 overleaf shows how the different products end up in different industries. Its efficiency in production, versatility in application and high oil content make palm oil the number one vegetable oil.

FIGURE 2
Palm oil production in 2016



Source: Oil World 2017

FIGURE 3
Simplified overview of the palm oil supply chain



Source: Wageningen UR (2006)

2.1 Sustainability initiatives in the palm oil supply chain

The production of palm oil mainly takes place in Indonesia and Malaysia on industrial plantations and smallholder farms. In both countries, around 60% of the area planted with palm oil trees is operated by large scale plantations. Around 40% of total production is done by around 3 million smallholders. Palm oil production is therefore an important economic driver, contributing to the livelihood of millions of people¹. At the same time, the production of palm oil can be linked to deforestation, land conflicts and human rights violations. Many initiatives have been established to address the negative effects of palm oil production, while harnessing positive impact. These initiatives include: certification, private commitments independent from or beyond certification - mainly in the area of forest protection, no use of peatland and no exploitation - and landscape approaches. The three different categories are discussed below.

2.1.1 Certification of palm oil

Certification is the practice in which compliance to a certain standard is assessed and then verified with a certificate and/or a label. The typical sustainability standard in agricultural production includes principles and criteria concerning legal compliance, human rights, labour circumstances, environmental protection, good agricultural practices, land rights, and community relations. Certification schemes can be private or public. In private schemes, stakeholders such as businesses and NGOs define the principles, criteria, and verification requirements together. Public standards are developed and rolled out by the government.

The two dominant private certification systems in palm oil production are the standard of the Roundtable on Sustainable Palm Oil (RSPO) and the International Standard for Carbon Certification (ISCC). RSPO was created in 2004 and is a multi-stakeholder initiative working towards sustainable palm oil. RSPO has 3,583 members from all around the world and from different sectors in the palm oil supply chain. 19% of world production of palm oil and 2.83 million hectares are RSPO certified. RSPO distinguishes 4 different chain of custody models (Book & Claim, Mass Balance, Segregation, Identity Preserved). ISCC is a standard predominantly used in the bioenergy sector. It was created for companies to comply with the Renewable Energies Directive implemented by the European Union in 2009. ISCC is a system for certifying the biomass and bioenergy industries, oriented towards the reduction of greenhouse gas emissions, sustainable land

use, protection of the natural biosphere, and social sustainability. Currently 353 companies are ISCC certified for palm oil, palm kernel oil, or one of its derivatives. ISCC distinguishes two different chain of custody models (Mass Balance and Segregation), and in doing so fulfills the traceability requirements of the EU Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD).

The two public standards are the Indonesian Sustainable Palm Oil (ISPO) standard and the Malaysian Sustainable Palm Oil (MSPO) certification scheme. Already in 2009, the Indonesian government initiated the idea of a public program to improve palm oil production in Indonesia in order to respond to the international market reality and improve the competitiveness of its industry. The standard itself was implemented in 2011 as a mandatory certification system for all companies in the Indonesian palm oil sector. The focus is on compliance with the Indonesian legal framework and hence it is an important initiative, especially for smallholders. As of August 2017, there are 306 ISPO palm oil plantations, covering 1.9 million hectares of palm oil production.²

The MSPO is an initiative taken in 2013 by the Malaysian government. The standard has been formally implemented in 2015 on a voluntary basis and is expected to become mandatory by 31 December 2019. As of September 2017, 268,600 hectares are certified under the MSPO standard, of which over 4,000 hectares by independent smallholders, 3,900 hectares by organized smallholders and the remainder - 260,728 hectares is defined as plantation area.³

2.1.2 Private commitments

Several companies have made individual and sector-wide commitments, published before, during and after the climate conference in Paris. The commitments are usually related to deforestation, production on peat land, reduction of greenhouse gas emission and the protection of human rights. These commitments are therefore often referred to as NDPE (no deforestation, no production on peatland and no exploitation). A recent publication shows that of the 629 companies assessed by Supply-Change.org that source or produce palm oil, the majority (59%) have made commodity-specific commitments in the area of reducing deforestation.⁴ In addition, NDPE policies cover nearly all palm oil that is refined in Europe, with 100% of refineries in the Netherlands and Germany, and 83% of refineries in the UK held by company groups with such policies.⁵



Palm oil production is an important economic driver, contributing to the livelihood of millions of people

¹ IDDR (2017), Implementation and effectiveness of sustainability initiatives in the palm oil sector, a review.

² Indonesian Sustainable Palm Oil (ISPO): <http://www.ispo-org.or.id/index.php?lang=en>

³ Malaysian Palm Oil Certification Council (MPOCC): https://docs.wixstatic.com/ugd/988faf_58ed6e8e3f974f58900fd08b4c1df39.pdf

⁴ Climate Focus. 2016. Progress on the New York Declaration on Forests: Eliminating Deforestation from the Production of Agricultural Commodities – Goal 2 Assessment Report. Prepared by Climate Focus in cooperation with the NYDF Assessment Coalition with support from the Climate and Land Use Alliance and the Tropical Forest Alliance 2020. <http://forestdeclaration.org/wp-content/uploads/2015/11/2016-Goal-2-Assessment-Report.pdf>

⁵ Chain Reaction Research. 2017. Unsustainable Palm Oil Faces Increasing Market Access Risks: NDPE Sourcing Policies Cover 74 Percent of Southeast Asia's Refining Capacity. <https://chainreactionresearch.files.wordpress.com/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-2.pdf>.

Another example is the group of member organizations that signed a 'Commitment to support sustainable palm oil in Europe' in 2015. Their cooperation is coordinated in the European Sustainable Palm Oil Organisation (ESPO). The member organizations of ESPO commit to using 100% certified palm oil first (often in 2015) and to zero-deforestation and 100% traceable palm oil⁶ by 2020. The Consumer Goods Forum is an example of a sector-wide initiative that decided to aim for deforestation-free supply chains.

The companies and initiatives with additional commitments have also triggered the development of more advanced certification standards. RSPO NEXT is a voluntary add-on to the original RSPO scheme and includes stricter criteria, such as zero-deforestation, no fire, no planting on peat, reduction of greenhouse gasses, phasing out of the use of Paraquat, and transparency. A group of companies and NGOs has also united in the Palm Oil Innovation Group (POIG). POIG builds on existing RSPO standard to include additional sustainability criteria.

2.1.3 Public sector commitments

The private sector palm oil pledge was formally introduced during a conference organized by the Dutch Ministry of Foreign Affairs in Amsterdam in December 2015. At this occasion several governments also made a commitment to support the end of deforestation and contribute to sustainable commodity chains. In the so-called Amsterdam Declaration, which was originally signed by Denmark, France, Germany, the Netherlands, Norway, and the United Kingdom, the governments committed to supporting the private-sector initiative 'Commitment to support sustainable palm oil in Europe'. The governments do this by supporting producing countries via the aid & trade agenda, and by creating the correct policy incentives in the EU, including implementation and if necessary design of national procurement policies. The government of Italy also signed the declaration in 2017.

2.1.4 Landscape approaches

The current initiatives for sustainable palm oil have made important steps to slow down deforestation, but more action is required. At the same time, private commitments in the area of zero deforestation are not always compatible with the ideas of local governments – for instance about local economic development. In addition, initiatives that focus on the practices within the farm gate do not always sufficiently take into account competing claims for public resources such as land and water. That is why, already since the 1990s, a call for initiatives at territorial level has been made in which different stakeholders and the government come

together to develop sustainable land use plans and adequate governance mechanisms to make sure the stakeholders live up to the agreements made.

Many organizations are currently piloting projects at landscape level in palm oil producing countries, for example IDH, the Sustainable Trade Initiative, also one of the initiators of ESPO, is implementing a landscape approach in different provinces in Indonesia. Together with local stakeholders IDH supports the establishment of production, protection and inclusion compacts (PPI-compacts). A PPI compact is an agreement between public, private, and civil society stakeholders to enhance the sustainability and productivity of land and secure community livelihoods in exchange for the protection of natural resources and forests. The result of a PPI compact is that economic activity can continue, while natural resources are protected and local livelihoods are safeguarded. Regions in which the different 'stakes' are combined in a smart way in accordance with the PPI compact, become a verified sourcing area. A verified sourcing region is a defined area with a clear governance structure, in which practices are monitored by a set of simple indicators via public and aggregated farmer data. Companies can stimulate sustainable production and possibly source their commodities from the verified sourcing area and in such a way promote the efforts undertaken in the region. There is a challenge in creating linkages between upstream and downstream practices. Adequate supply chain models with a more direct or regional link will have to be co-developed by the supply chain itself.

2.2 Next steps towards 100% sustainable palm oil

The previous section highlighted the urgency that is felt both by the private sector and governments, in palm oil producing countries and in Europe, to make palm oil production more sustainable. The initiatives that are taking place both upstream and downstream are fundamental for a transition towards a more sustainable palm oil supply chain. Only when sufficient supply of sustainable palm oil is available will companies make a complete transition to sustainable palm oil. At the same time, and equally important, only when companies downstream are committed to using sustainable palm oil producers and refineries have an incentive to produce and sell sustainable palm oil. The different initiatives mentioned above - certification, private sector commitments and efforts at the landscape level-all have their pros, and cons and are equally part of the solution. Therefore, they should be assessed in a holistic manner as a portfolio of relevant solutions that can complement each other. The biggest and shared challenge is to connect the initiatives and bring supply and demand together.

On the upstream side, it is a very promising development that smallholder farmers are increasingly involved and actively driving sustainability initiatives. In this sense, ESPO recognizes the importance of ISPO and MSPO, the national initiatives by the Indonesian and Malaysian governments, as an important vehicle to include many more, especially smallholder producers, on the path towards legal production - and then, via continuous improvement, to sustainably produced palm oil. Smallholders are not always able to deal with the costs and administrative requirements of certification. Helping them to become legally compliant is a crucial first step towards more ambitious zero net deforestation targets later. Also for larger industrial plantations that are not yet certified, legal compliance is an important first step towards zero net deforestation.

On the downstream side, the cooperation of national initiatives in ESPO and the support of governments via the Amsterdam Declaration are important in order to scale up the demand for sustainable palm oil. For new entrants or companies for which palm oil is a small ingredient, the Book & Claim supply chain model offers an entrance solution that does not affect the physical supply chain of the company. In time, companies are stimulated to work towards physical, Mass balance or Segregated supply chains, or develop a direct link with their main sourcing regions, for instance via targeted projects aimed at improving a specific issue.



On the downstream side, the cooperation of national initiatives in ESPO and the support of governments via the Amsterdam Declaration are important in order to scale up the demand for sustainable palm oil.

The Amsterdam Declaration has been signed by Denmark, France, Germany, the Netherlands, Norway, the United Kingdom and Italy.



⁶ Traceability is not a means by itself, but a tool to help companies along the palm oil supply chain to identify the origin of the oil sourced. Knowing the potential mills and their locations make it possible to identify and monitor if sustainable practices are adopted at origination.



3 Sustainable palm oil use in Europe



3 Sustainable palm oil use in Europe

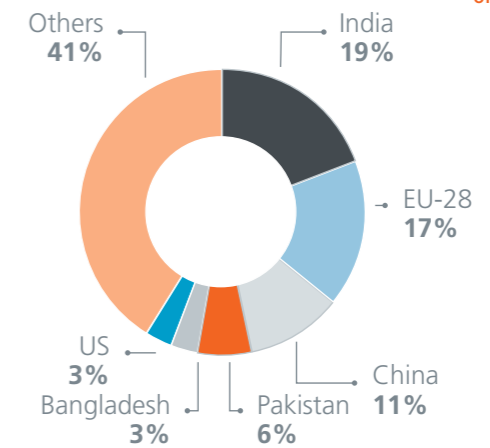
Europe plays a key role in the palm oil market as one of the three largest importers. The Netherlands, Germany, Spain, and Italy are especially sizeable importers and also play an important role in further distributing palm oil into the European market. In this section we present the use of conventional and sustainable palm oil in Europe.

3.1 Import of palm oil into Europe

The EU-28, India, and China are the three biggest importers of palm oil. Other major importing countries are Pakistan, Bangladesh, and the US, as illustrated in figure 4.

Figure 5 shows that the palm oil volume imported by the EU-28 is relatively stable since 2013. Demand from India and China is a bit more volatile. The European Union imported 7.1 million tonnes in 2016, of which 3.7 million tonnes for the food industry⁷ and 3.4 million for the energy sector. All feedstock used for biofuels in the EU must comply with the Renewable Energy Directive (RED). This accounts for 48% of Europe's palm oil imports. Palm oil used for the energy sector is not included in the scope of this report, as the RED already stipulates the use of 100% certified feedstocks. This means that for this report, only the 3.7 million tonnes used for food (of the 7.1 million tonnes total import) are considered.

FIGURE 4
Relative share of palm oil importing countries calculated using import in tonnes

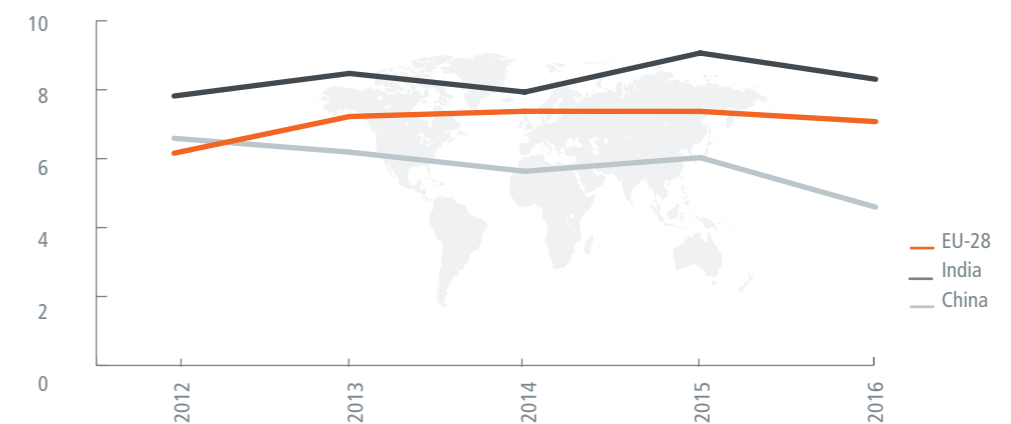


Source: Oil World 2017



Europe plays a key role in the palm oil market as one of the three largest importers.

FIGURE 5
Total annual import of palm oil to EU-28, China, and India (x 1000 tonnes)

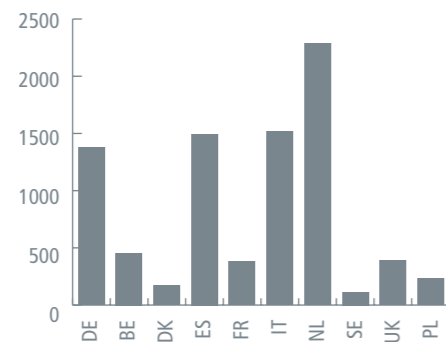


Source: Oil World 2017

⁷ Including relatively small volumes for feed and oleochemical industry.

If we look at individual European countries in figure 6, it is clear that the Netherlands, Italy, Spain, and Germany are the largest importers of palm oil into the European Union (EU). Belgium, the United Kingdom, France, and Poland also play a significant role. At EU level the total import of palm oil is equal to the total use, while intra-EU trade is an important factor that needs to be considered between individual EU member states. Countries such as the Netherlands export a significant volume of palm oil to other European countries, while Poland imports most of its palm oil from other EU countries.

FIGURE 6
Total imports of palm oil to the main players in EU (x 1000 tonnes)



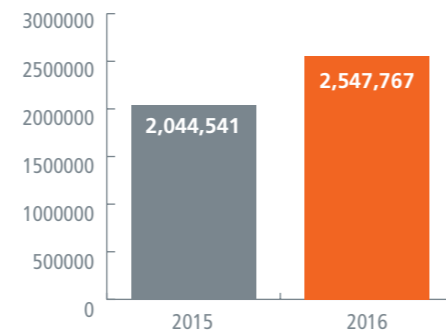
Source: Fediol Statistics 2017

3.2 Sustainable palm oil in Europe

In this section we assess the volume of sustainable palm oil entering Europe's refineries (into the refinery) and the volume of palm oil bought as sustainable palm oil (out of the refinery). The ambition of ESPO and the national initiatives is to use 100% sustainable palm oil in Europe in the food, feed and oleochemical sector by 2020. In the next chapters (4-14) we will assess the progress towards the sustainable palm oil commitments in the countries with national initiatives. Not all countries in Europe have a national initiative nor were able to report on the use of sustainable palm oil. Therefore the focus in this report is on 13 countries, represented by 10 national commitments. In the coming years, monitoring will be expanded to all European countries.

Figure 7 shows the import of RSPO physical certified sustainable palm oil (into refinery). RSPO is the main certification standard for sustainable palm oil in food used in Europe. The import of RSPO certified palm oil into the EU increased rapidly from about 300,000 tonnes in 2012 to 2.5 million tonnes in 2016.

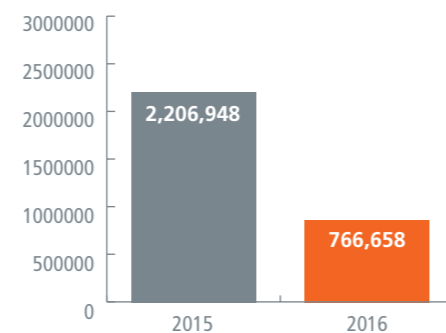
FIGURE 7
Import of physical RSPO certified palm oil in EU (in tonnes)



Source: RSPO 2017

In 2016, 750,000 tonnes of conventional palm oil used by the European food industry was covered by Book & Claim certificates. The significant drop in purchases of Book & Claim certificates in 2016 compared to 2015 is caused by a step-up to Mass Balance or Segregated supply chain models, which is a positive development.

FIGURE 8
Palm oil in EU covered by Book and Claim certificates (in tonnes)



Source: RSPO 2017

Figure 9 shows the import of certified sustainable palm oil (CSPO) for food by refineries and an estimate of the uptake of CSPO by the food sector in Europe⁸. This figure shows that 69% of the import by European refineries for food purposes was CSPO in 2016. The use of sustainable palm oil by the food industry is calculated by aggregating the physical CSPO uptake figures of the national initiatives complemented by expert judgements⁹ (1.4 million tonnes) and the 750,000 tonnes of Book & Claim certificates bought by the European food industry, as presented in figure 8. The uptake of CSPO by the

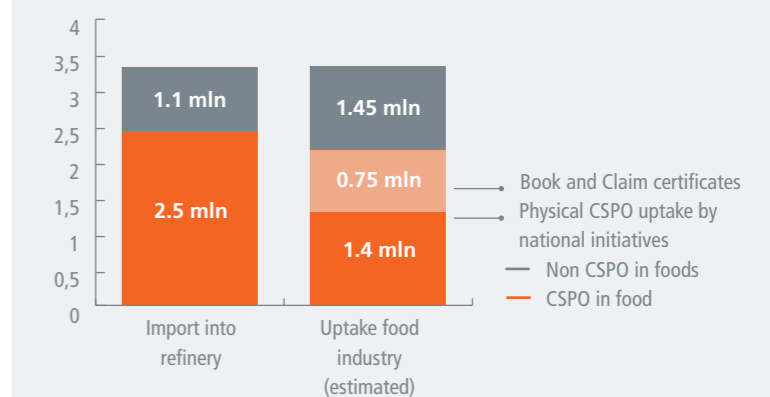


European food industry was lower with an estimated 60% of the total volume used in 2016. These figures show that there is still a gap between the imported volume of CSPO and the actual uptake of CSPO by the food industry. Part of the CSPO volume bought by refineries is still sold as conventional palm oil. In the near future it is important to further align supply and demand of sustainable palm oil.

This leads to the following key numbers for 2016 at European level:

- 69% of palm oil import by refineries for the food industry was CSPO (2.5 million tonnes)
- 60% of the palm oil used by the European food industry was CSPO (2.15 million tonnes)
- Of this 2.15 million tonnes, physical (SG or MB) CSPO uptake was 1.4 million tonnes and 750,000 tonnes of CSPO were bought as Book & Claim certificates.

FIGURE 9
Import and use of certified sustainable palm oil in Europe in 2016



Source: RSPO 2017, Oil World 2017, expert judgements and national initiatives

⁸ Including relatively small volumes for feed and oleochemical industry.

⁹ For those countries that were not able yet to provide uptake figures, national and European expert judgments were used.

4

Belgium

The Belgian Alliance for Sustainable Palm Oil (BASP) was founded in 2012. Its membership comprises of sector federations and direct company members. The total number of companies involved is approximately 500, representing SME's and large manufacturers in the whole value chain (for food and oleochemicals). BASP reached the goal of 100% certified sustainable palm oil (CSPO) in 2015 and is currently working towards more ambitious targets in the area of traceability, forest and peatland protection, and support for smallholders for 2020.

4.1 Introducing the national initiative

The Belgian Alliance for Sustainable Palm Oil represents the most relevant food manufacturers and vegetable oil refiners in Belgium. Its founding members are sector federations FEVIA - the Belgian Food and Drink Federation, Belgapom - the association for the Belgian potato trade and processing industry, FGBB - the Federation of Big Bakeries Belgium, UNIFA - the Association of Belgian Manufacturers and Importers of Raw Materials for Bakery, Patisserie, Chocolatiers and Ice-cream, Choprabisco - the Royal Belgian Association of the Biscuit, Chocolate, Pralines and Confectionary Industry, and FBVO - The Federation of Belgian Fats and Oils Manufacturers. Individual food companies that are participating are Aigremont, Ferrero, Natra Malle, Unilever, Vandemoortele, Lotus Bakeries, Puratos, and Royal Lacroix. Palm oil producer SIPEF is also a member. Next to the food sector, producers of oleochemicals are also aligned with the initiative. DETIC, the industry association representing manufacturers and distributors of cosmetics, detergents, cleaning products, adhesives and sealants, also signed the commitment. DETIC will inform its members and stimulate them to use sustainable palm oil. The different sector federations represent more than 80% of their respective subsectors. The total number of companies involved is approximately 500.

The commitment of the Belgian Alliance for Sustainable Palm Oil was to have 100% CSPO by the end of 2015 combined with additional ambitions in the area of traceability, forest and peatland protection, and support for smallholders by 2020. BASP defines sustainable palm oil as being certified according to RSPO principles and criteria and traded in conformity with one of the four RSPO-approved trading systems: Book & Claim, Mass Balance, Segregation or Identity Preserved. The 2015 commitment has been met. As of 1 December 2015 all individual companies that are a member of BASP will use RSPO certified sustainable palm oil in the Belgian market.

In addition to the 100% CSPO, the 2020 ambition includes requirements with regard to traceability and additional social and environmental criteria:

- Sustainable palm oil must be fully traceable
- Sustainable palm oil production may not contribute to deforestation – preserving forests with High Conservation Values, High Carbon Stock Areas and peat lands, irrespective of their depth
- Producers have to take action to reduce greenhouse gas emissions through the use of RSPO 'Best Practices'

- Sustainable palm oil respects the rights of the workers, local communities, and population, based on the principle of free, prior, and informed consent of the communities
- Sustainable palm oil production promotes the development of small and independent farmers by involving them in the supply chain.

4.2 Activities

In order to achieve the goal of a 100% sustainable and traceable palm oil supply chain in Belgium, individual food companies involved in BASP have committed to clear actions, milestones, and deliverables and to report on progress made in a transparent manner. The secretariat of BASP collects these reports and takes care of the overall monitoring of the progress made. In addition to this, BASP shares best practices and the latest available research about sustainable palm oil with its members.

4.3 Progress

Figure 11 shows the share of CSPO used by individual company members of BASP. In just a few years, the share of CSPO rapidly increased to 100% in 2015. BASP separately reports on the progress of sector federations (see figure 12). This is the total share of CSPO used by all member companies, including SMEs. Nearly all reporting federations have achieved the goal of 100% CSPO by 2015.

In addition to the 100% CSPO commitment by 2015, BASP has also monitors its 2020 target. In a 2016 survey, BASP asked the individual company members to report on traceability and zero-deforestation. This survey shows that 64% of the palm oil used is sourced from well-known origins and therefore fully traceable. Around 31% of the palm oil does not contribute to deforestation and preserves forests with High Conservation Values, High Carbon Stock Areas and Peat lands. BASP is the only national initiative that monitors its additional 2020 target.

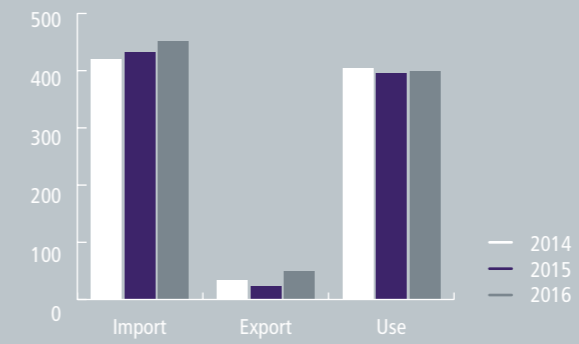
In figure 11 the supply chain models are reported for BASP direct company members. The data shows that RSPO Segregated palm oil, in which the sustainable palm oil from different certified sources is kept separate from regular palm oil throughout the supply chain, is the dominant model with 53% in 2016. This is followed by the Mass Balance model with 31% and Book & Claim with 16% in 2016. These figures indicate the commitment of company members to have physical sustainable palm oil in their supply chains.



The commitment of the Belgian Alliance for Sustainable Palm Oil was to have 100% CSPO by the end of 2015 combined with additional ambitions in the area of traceability, forest and peatland protection and support for smallholders by 2020.

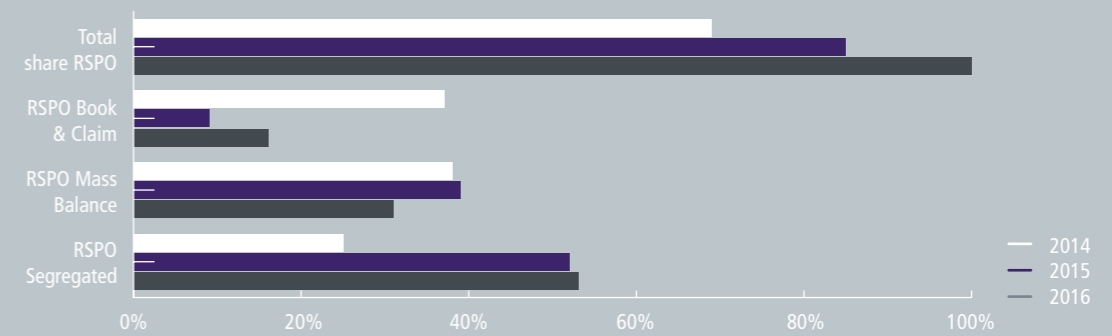


FIGURE 10
General palm oil use in Belgium (x 1000 tonnes)



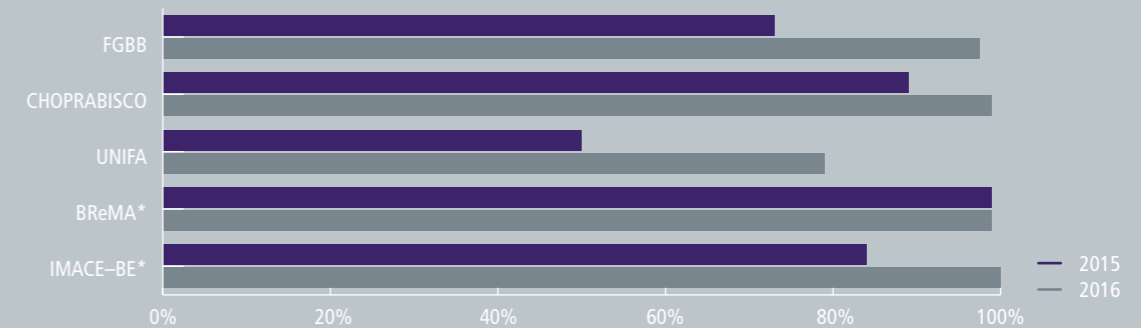
Source: Oil World 2017

FIGURE 11
Share of sustainable palm oil used by BASP company members, incl. supply chain model



Source: BASP 2017

FIGURE 12
Share of sustainable palm oil used by BASP sector federations



Source: BASP 2017

BReMa and IMACE-BE are not BASP members but do provide statistics.

5

Denmark

The Danish Food and Drink Federation Initiative for Sustainable Palm Oil was established in 2014 to stimulate the use of sustainable palm oil, sourced via the Segregated supply chain model, on the Danish market. In 2016, more than half (53%) of the companies involved in the Danish initiative used over 90% Segregated certified palm oil and a quarter of the companies (27%) used over 90% Mass balance certified palm oil. Substitution is also a dominant strategy in Denmark.



5.1 Introducing the national initiative

The Danish national initiative is led by the Danish Food and Drink Federation. The members of the Danish Food and Drink Federation can join the initiative by signing a statement confirming agreement with the objectives of the initiative. At this moment, a total of 16 food companies have joined the initiative. These are Carletti A/S, Pågen AB, DuPont Nutrition Biosciences ApS, TULIP FOOD COMPANY A/S, Kelsen Group A/S, Lantmännen Unibake A/S, Kims A/S, Orkla Health Care, Kohberg Bakery Group A/S, Nordisk Kellogg's ApS, Lantmännen/Cerealia, Easis A/S, Nestlé Danmark A/S, Unilever Danmark A/S, Orkla Foods Danmark A/S and Palsgaard A/S. Although not all members of the Danish Food and Drink Federation have joined the initiative, the largest producers using palm oil have joined.

The objective of the Danish initiative for sustainable palm oil is to create awareness and increase the demand for sustainable palm oil in Denmark. The members that endorse the initiative commit to have all palm oil certified at least via the Book & Claim model by 2016, and switch to segregated sustainable palm oil by 2018.

5.2 Activities

As a part of the Danish Food and Drink Federation's initiative for sustainable palm oil, a task force was set up consisting of participants from food companies, WWF, the Ministry of Environment and Food, and the Nature Agency in Denmark. The task force is responsible for monitoring and evaluating the progress made by the initiative, to share knowledge and promote the use of sustainable palm oil in the entire food industry and to actively promote a dialogue with other subsectors using palm oil. In 2017, the Danish Food and Drink Federation has for example engaged in a dialogue with a representative of the Danish Laundry, Cosmetics and Household

industry. An outreach event arranged with the help from the European Palm Oil Alliance (EPOA) on the topic of certified palm oil reached over 100 young and active participants showing that the topic is attracting attention among consumers.

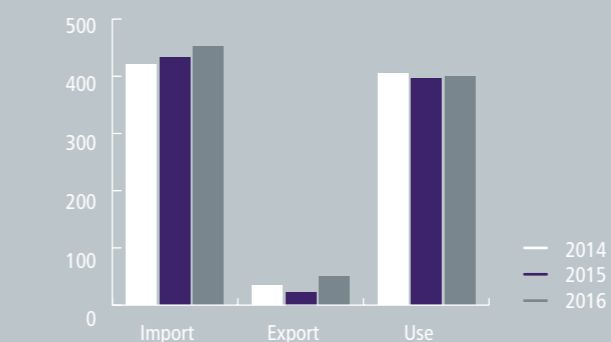
5.3 Progress

The 16 companies that joined in the Danish sustainable palm oil initiative report on their progress made in relation to the goals expressed in a percentage and not in an absolute volume. This is to take account competition rules and companies' desire not to share critical business information. The reporting only takes account of palm oil used in the production of food in Denmark. Based on the feedback received from participating companies, it can be concluded that the goal of 2015 to cover at least the consumption of palm oil with RSPO credits has been reached. All companies that have production in Denmark are also well underway towards meeting the 2018 target. More than half (53%) of the companies involved in the Danish initiative use over 90% Segregated certified palm oil. A quarter of the companies (27%) use over 90% Mass Balance palm oil. The remaining companies either have phased out the use of palm oil or do not have any production in Denmark. In some customer countries - especially Norway - there has been a strong desire to completely avoid palm oil. Some Danish companies are therefore working on phasing out palm oil or are considering to do so.



An outreach event arranged with help from EPOA on the topic of certified palm oil reached over 100 young and active participants showing that the topic is attracting attention among consumers.

FIGURE 13
General palm oil use in Denmark (x 1000 tonnes)



Source: Oil World 2017

6

France

The French Alliance for Sustainable Palm Oil was founded in 2013, after negative publicity about palm oil in the years before. In 2016, 98% of all palm oil was certified, of which 75% was traded under a segregated regime. In addition to the sustainable sourcing commitments, the Alliance has initiated a cooperation with the French Agricultural Research Centre for International Development (CIRAD) towards improvement of palm oil production in South East Asia. This regional partnership is a best practice for other national initiatives in Europe.

6.1 Introducing the national initiative

The French Alliance for Sustainable Palm Oil unites companies and sector federations from the French palm oil supply chain. The sector federations are ANIA - the National Association of Food Industries, FNCG - the Federation of Oils and Fats, and L'Alliance7 - the Federation of Grocery Products and Specialised Nutrition. The company members involved in the Alliance are Givaudan, Vandemoortele, Ferrero, Labeyrie Traiteur Surgelés, Loiret & Haentjens SA, Nestlé, Unilever, CERELIA and Royale Lacroix. This means that the food sector is especially represented in the Alliance.

The members of the French Alliance for Sustainable Palm Oil have committed to using 100% CSPO in their products by the end of 2015. In addition, the members have agreed to source 100% traceable and zero deforestation palm oil based on the following criteria:

- Sustainable palm oil with known, and therefore traceable, origins
- Sustainable palm oil with no impact on deforestation and respect for ecosystems with High Conservation Value
- Sustainable palm oil sourced through cultivation practices that respect high carbon value forests;
- Sustainable palm oil sourced through farming practices that fully preserve and protect all peatlands
- Sustainable palm oil that does not come from plantations resorting to slash and burn
- Sustainable palm oil production that protects the rights of local workers, populations, and communities, respecting the principle of free, prior, and informed consent of those communities
- Oil that promotes development of independent producers who are farming on small plots

6.2 Activities

In addition to providing a platform for members and monitoring progress, the French Alliance for Sustainable Palm Oil also initiated a project with CIRAD. In February 2017, the French Alliance for Sustainable Palm Oil and CIRAD agreed on a three-year partnership to establish research and training projects. CIRAD is developing a platform for public and private sector projects carried out in Southeast Asia that address the sustainability of perennial crop systems. This platform – called SALSA, Sustainable Agricultural Landscapes in Southeast Asia – aims to strengthen sustainability standards, share knowledge and innovation, and increase the availability of plantation managers who are trained in good agricultural practices and certification standards. Drawing on the expertise of CIRAD, the partnership will support the members of the Alliance in developing a more sustainable palm oil supply chain and protecting biodiversity in Southeast Asia.



6.3 Progress

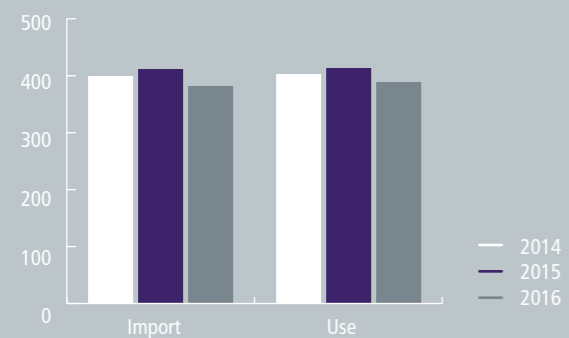
Figure 15 shows that by the end of 2016, the French Alliance for Sustainable Palm Oil has almost achieved its first mission of 100% certified sustainable palm oil purchased by its company members. The company members of the Alliance are now focussing on their second target, using zero deforestation palm oil by 2020.

Figure 16 shows the breakdown of sustainable palm oil bought by the member companies via the different supply chain models. In 2016, 75% of the palm oil was sourced under a segregated regime (either through RSPO or a system equal or superior to it). The period between 2012 and 2015 shows a fast decline in the sourcing via the Book & Claim model and a steep increase in other Segregated sustainable palm oil.



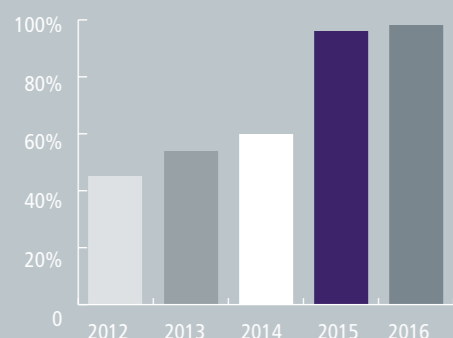
The members of the French Alliance for Sustainable Palm Oil have committed to using 100% CSPO in their products by the end of 2015.

FIGURE 14
General palm oil use in France (x 1000 tonnes)



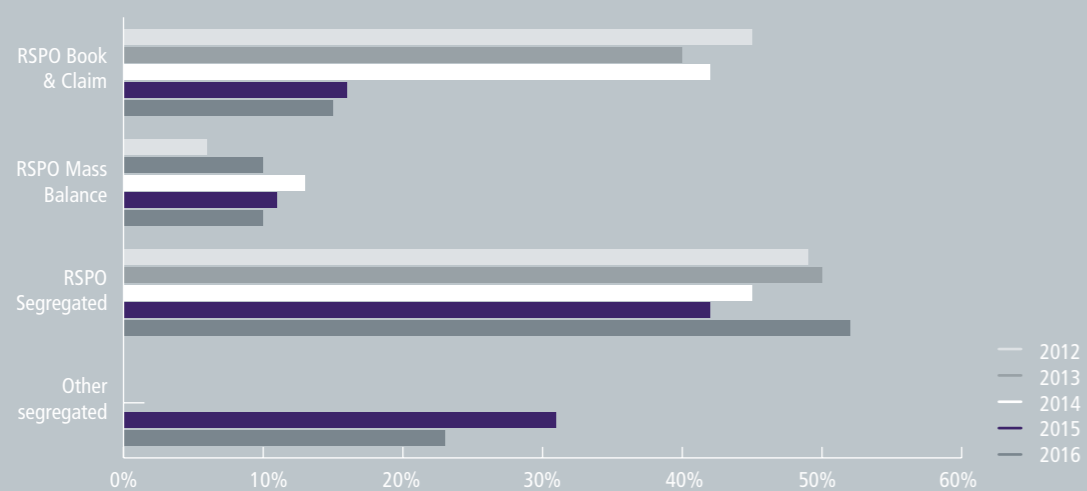
Source: Oil World 2017

FIGURE 15
Proportion of sustainable palm oil



Source: French Alliance for Sustainable Palm Oil (2016)

FIGURE 16
Distribution of palm oil purchases by type of supply chain model



Source: French Alliance for Sustainable Palm Oil (2016)



7

Germany Austria Switzerland

The Forum for Sustainable Palm Oil (FONAP) has made a public commitment to use 100% certified sustainable palm oil, palm kernel oil, and derivatives and fractions of palm oil in their products. A detailed monitoring report from 2016 shows that 79% of palm oil used for food in Germany was certified in 2015. Despite differences between subsectors (food, feed, oleochemical) the overall trend is positive. In addition, the report provides a unique insight in the uptake of sustainable palm oil for all relevant subsectors (food and non-food).



7.1 Introducing the national initiative

FONAP was set up in 2013 with the goal to increase the share of sustainable palm oil used in the German, Austrian, and Swiss markets. The 48 members of FONAP (of which 3 are "Supporters": a new member category of manufacturers and/or distributors of oleo derivatives) have made a public commitment to use 100% certified sustainable palm oil, palm kernel oil, and their derivatives and fractions in their products. The membership base consists of small, medium-sized, and multinational companies from the food, chemicals, detergents and cleaning products sectors, and the cosmetics industry as well as non-governmental organizations, consultancy companies, associations, and the German Federal Ministry of Food and Agriculture (BMEL).

Unlike other national initiatives, FONAP does not only rely on RSPO certification to meet its 100% sustainable palm (kernel) oil commitment. The initiative provides factual information on all available certification systems and highlights that for impact in the field further action is required. FONAP currently recognizes four different certification systems: RSPO, ISCC PLUS, Rainforest Alliance, and Roundtable on Sustainable Biomaterial. The volumes under these four systems all contribute to the 100% commitment. Since FONAP takes into account palm oil, palm kernel oil, and derivatives thereof, they have further specified the sustainability requirements:

- For pure refined and unrefined palm oil the requirement is that 100% is sourced via the Segregated (SG) supply chain option
- For pure refined and unrefined palm kernel oil the requirement is that 100% needs to be sourced at least via the Mass Balance supply chain option. From 1 January 2018, also palm kernel oil needs to be purchased fully under the Segregated supply chain option
- For fractions and derivatives (irrespective of whether palm oil or palm kernel oil based) the requirement is that a minimum of 50% needs to be sourced at least in Mass Balance. From 2020, 100% must be sourced at least via the Mass Balance model

The aim of FONAP is to significantly boost the proportion of sustainably produced palm oil on the German, Austrian, and Swiss markets and to improve existing standards and certification schemes. FONAP highlights that existing certification schemes adequately set minimum requirements for sustainable palm oil production, but that this is not enough to achieve a fully sustainable palm supply chain. Therefore, FONAP members have voluntarily accepted add-on criteria on top of the existing certification schemes.

These are:

- A ban on plantations on peatlands and other carbon-rich land
- A ban on the use of highly hazardous pesticides (Rotterdam and Stockholm Conventions, WHO class 1a and 1b pesticides and paraquat).
- The application of strict reduction targets for greenhouse gases
- A guarantee that, when certified palm oil mills purchase non-certified raw goods (fresh fruit bunches), these are obtained exclusively from legal cultivation
- More transparency in complaints procedures

7.2 Activities

FONAP has taken its role to monitor progress very seriously. In 2014 and 2016 detailed reports were published, providing a unique insight into the use of sustainable palm and palm kernel oil in the different relevant subsectors. In addition to monitoring, FONAP works on the assimilation of knowledge, best practices, and the latest insights about certification and beyond certification.

7.3 Progress

FONAP reported on palm oil and palm kernel oil consumption in Germany in the subsectors food, feed, energy, laundry detergents and home care products, and chemistry/pharmacy. The very comprehensive reports (2013 and 2015) offer a unique insight in the (sustainable) palm oil flow in all the relevant subsectors.



The FONAP monitoring report provides a unique insight in the uptake of sustainable palm oil for all relevant subsectors (food and non-food).



Table 1 gives a summary of the state of affairs in 2015. Overall, 72% of palm oil in Germany was sustainably certified in 2015. The progress between individual subsectors varies greatly. The amount of sustainably certified palm oil used in the food sector increased significantly from 52% in 2013 to 79% in 2015. Similarly, the amount of sustainable palm oil used in the feed sector rose significantly from 3% in 2013 to 15% in 2015. Also, in the chemistry and pharmacy sector the amount of sustainably certified palm oil grew from 14% in 2013 to 21% in 2015. The share of sustainable palm oil in laundry detergents and home care products remained nearly the same (1% decrease from 2013). The 2015 progress in some subsectors is still far from the 100% sustainably certified palm oil target. The consumption of organic palm oil is recorded separately as this is a separate (low volume, high price) segment.

Table 2 highlights that when focusing on the supply chain models under which the sustainable palm oil was purchased in 2015, the Segregation model was clearly the dominant model. Segregated palm oil is the dominant supply chain model for food (49,9%) and for chemistry/pharmacy. In the feed and laundry detergents and home care products industry, Book & Claim is the dominant supply chain model.

The FONAP requirements stimulate all subsectors to move to 100% Segregated palm oil sourcing. The monitoring report also gives a detailed insight in the use of palm kernel oil. Table 3 gives a summary of the main findings. Palm kernel oil is predominantly used in laundry detergents and home care products, followed by food products. The total use of sustainably certified palm kernel oil grew from 40% in 2013 to 53% in 2015. Both the food industry with 78% in 2015 (44% in 2013) and the laundry detergents and home care products industry with 52% (46% in 2013) show a significant increase in sustainably certified palm oil purchases. The amount of sustainably certified palm oil used in the chemistry/pharmacy sector remained virtually unchanged (1% decrease from 2013). The consumption of organic palm kernel oil is recorded separately as this is a separate (low volume, high price) segment.

Table 4 shows the breakdown to the various supply chain models for the purchases of sustainable palm kernel oil in 2015. Mass Balance (50,7%) and Segregated (30,4%) are the predominant supply chain models for food. For feed and laundry detergents and home care products, Book & Claim is predominantly used.

FIGURE 17
General palm oil use in Germany (x 1000 tonnes)

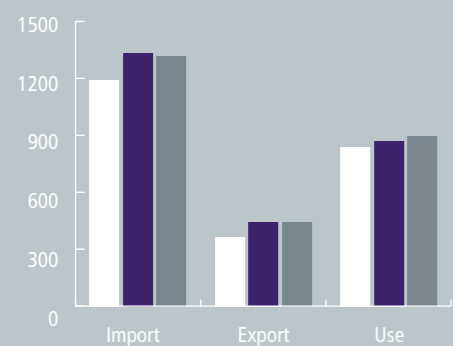


FIGURE 18
General palm oil use in Austria (x 1000 tonnes)

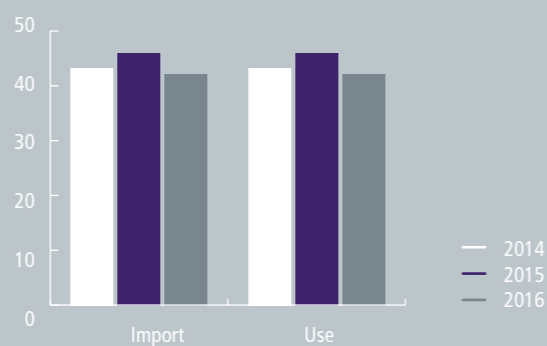


FIGURE 19
General palm oil use in Switzerland (x 1000 tonnes)

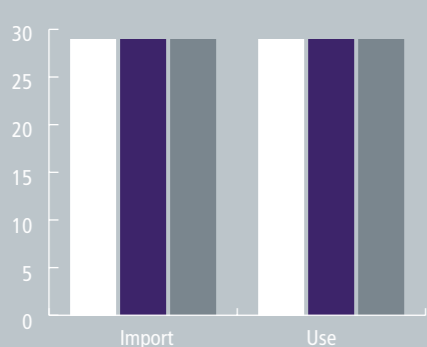


DIAGRAM LEGEND

— 2014
— 2015
— 2016

Source: Oil World 2017

TABLE 1
Palm Oil consumption in Germany in 2015

Sector	Consumption (tonnes)	Sustainable (tonnes)	Ratio (%)	Organic (tonnes)	Ratio (%)
Food	246,550	193,600	79	9,670	4
Feed	147,700	22,300	15	0	0
Energy	496,850	496,850	100	0	0
LDHP* and cosmetics	23,615	10,844	46	800	3
Chemistry/ Pharmacy	128,815	27,678	21	0	0
Total	1,043,530	751,272	72	10,470	1

*Laundry detergents and home care products.

Source: MEO Carbon Solutions 2016

TABLE 2
Trading systems for sustainable palm oil by sectors in Germany 2015

Sector	Book & Claim (%)	Mass Balance (%)	Segregated (%)	Identity Preserved (%)	Organic (%)
Food	17,7	27,4	49,9	<1	4,8
Feed	85	15			
Energy					
LDHP* and cosmetics	90	2	<1		6,9
Chemistry/ Pharmacy	7	4	88	<1	
Total	25,5	22,8	47,5	<1	4

*Laundry detergents and home care products.

Source: MEO Carbon Solutions 2016

TABLE 3
Palm Kernel Oil consumption in Germany in 2015

Sector	Consumption (tonnes)	Sustainable (tonnes)	Ratio (%)	Organic (tonnes)	Ratio (%)
Food	29,150	22,790	78	200	0,7
Feed	0	0	0	0	0
Energy	0	0	0	0	0
LDHP* and cosmetics	77,883	40,692	52	10	<0,01
Chemistry/ Pharmacy	15,570	1,150	7	0	0
Total	122,603	64,633	53	210	0,2

*Laundry detergents and home care products.

Source: MEO Carbon Solutions 2016

TABLE 4
Trading systems for sustainable palm kernel oil by sectors in Germany 2015

Sector	Book & Claim (%)	Mass Balance (%)	Segregated (%)	Identity Preserved (%)	Organic (%)
Food	18	50,7	30,4	<1	<1
Feed	85	15			
Energy					
LDHP* and cosmetics	96,2	3,4	0,4	<1	<1
Chemistry/ Pharmacy		47	53		
Total	66,7	20,9	12	<1	<1

*Laundry detergents and home care products.

Source: MEO Carbon Solutions 2016

8

Italy

In 2015, leading food companies from Italy joined forces in the Italian Union for Sustainable Palm Oil. The main members are large international food companies that already source 100% certified sustainable palm oil. At the moment, it is still complex to involve smaller and local companies. The Union is working on obtaining a better acceptance of sustainable palm oil in general, with positive results.

8.1 Introducing the national initiative

The Italian Union for Sustainable Palm Oil was founded in October 2015. It brings together companies committed to 100% certified sustainable palm oil and sector associations committed to promoting this cause. Company members include Ferrero, Unilever, Nestlé, and Unigra. These members jointly represent approximately 70-80% of palm oil consumption in the food sector in Italy. The following sector associations are also involved as supporting members: AIDEPI - the Association of Italian Sweet and Pasta Industries, ASSITOL - the Italian Association of Oleander Industry, and the Food Products Associations and Associations of AIIPA (Association of Italian Food Industries).

The Italian Union for Sustainable Palm Oil supports the initiative to achieve a 100% sustainable palm oil supply chain in Europe by 2020. In addition, the Italian government is also supporting this aim. Italy signed the Amsterdam Declaration on 6 June 2017. The members of the Italian Union have committed to using only RSPO certified palm oil – as a first step – by 2016, with the aim of using sustainable palm oil to the best available standards, in line with the definition outlined below:

- Sustainable palm oil with known and then traceable origins
- Sustainable palm oil produced without converting forests and respecting ecosystems with High Conservation Value
- Sustainable palm oil produced with high-carbon forest-friendly cultivation practices
- Sustainable palm oil produced with agricultural practices to preserve peat lands
- Sustainable palm oil production protects the rights of workers and local communities, respecting the principle of free, and informed consent

- Sustainable palm oil production promotes the development of small independent producers

8.2 Activities

The Italian Union for Sustainable Palm Oil is actively engaged in activities aimed at balancing the public debate on palm oil in Italy with regard to sustainability and health. The public perception is still highly unfavourable to the use of palm oil in food products due to possible health effects (process contaminants) and sustainability concerns. Many food companies and retailers are therefore switching to (and in some cases actively promoting) 'palm oil free' products. However, latest market surveys show a shift to a more neutral approach compared to one year ago.

8.3 Progress update

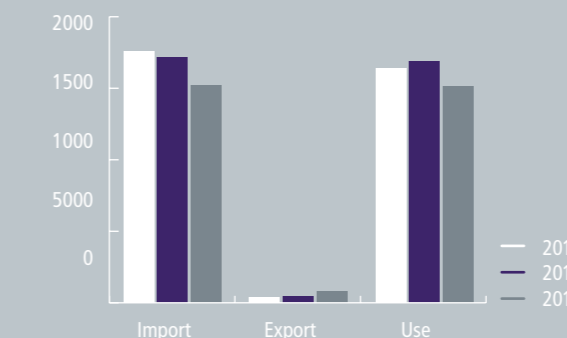
There is limited information available with regard to the use of sustainable palm oil in Italy. Experts working with the Italian Union indicate that 49% of palm oil entering the refinery is sustainable certified palm oil, either used for food, feed, or cosmetics (RSPO) or biodiesel (ISCC). In 2016, 51% of palm oil produced was conventional. In the estimate for 2017, the share of sustainable palm oil grew due to an increased share of palm oil for biodiesel.

Large food companies such as Ferrero, Unilever, and Nestlé which are members of the Italian Union for Sustainable Palm Oil are already sourcing 100% certified RSPO palm oil. However, since these companies do not produce solely for the Italian market, it is difficult to monitor exactly how much sustainable palm oil was used in Italy.



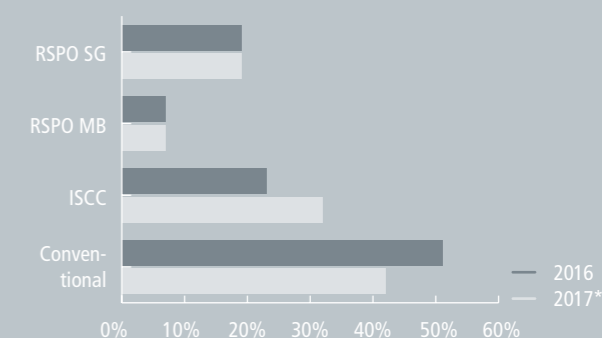
The Italian Union for Sustainable Palm Oil supports the initiative to achieve a 100% sustainable palm oil supply chain in Europe by 2020.

FIGURE 20
General palm oil use in Italy
(x 1000 tonnes)



Source: Oil World 2017

FIGURE 21
Uptake of sustainable palm oil via
the different chain of custody models



Source: based on Italian expert view



9 The Netherlands

Already in 2010, stakeholders in the Dutch palm oil supply chain came together in order to reach a 100% RSPO certified palm oil. In 2016, 90% of the palm oil used in the food industry was RSPO certified of which 69% was sourced under the Segregated supply chain model. The Dutch feed industry used 53% sustainable palm oil for the Dutch market. The Dutch Feed Association (Nevedi) is pioneering in its efforts to promote the use of sustainable palm oil, providing a best practice for other feed manufacturer associations in Europe.




9.1 Introducing the national initiative

The Dutch Association for Sustainable Palm Oil (DASPO) is the successor of the Task Force Sustainable Palm Oil. This Taskforce was the first national commitment (in 2010) to use 100% RSPO (or equivalent) certified palm oil by the end of 2015. Today, DASPO brings together all relevant stakeholders in the Dutch palm oil supply chain (refiners, processors, and retail). The members of DASPO are all associations that report about the actions of their member companies. The associations are: the Dutch Bakery and Confectionery Industry (VBZ), the Dutch Convenience Food Association (AKSV), the Dutch Food Retail Association (CBL), the Dutch Food Industry Federation (FNLI), the Dutch Potato Processors Association (VAVI), the International Margarine Association for the Countries of Europe (IMACE-NL), MVO - The Netherlands Oils and Fats Industry, the Dutch Feed Industry Association (Nevedi), the Association of Dutch Producers of Edible Oils and Fats (Vernof). IDH, the Sustainable Trade Initiative is a partner of DASPO. The DASPO members remain committed to the initial ambition of 100% certified sustainable palm oil and want to stimulate the transition to the Mass Balance and Segregated supply chain model, to guarantee physical sustainable palm oil in their chains. In addition, DASPO also advocates for the continuous improvement of sustainability standards like the RSPO with, for example, no production on peat land, protection of High Carbon Stock (HCS) forests and the support of smallholders.

9.2 Activities

DASPO monitors the progress towards the national commitments and helps to assimilate knowledge between the members of the initiative. In addition to the activities in the Netherlands, a number of Dutch stakeholders has been actively working on the uptake of more sustainable palm oil in Europe. IDH and MVO - The Netherlands Oils and Fats Industry - also key players in and around DASPO - established the European Sustainable Palm Oil group in 2015. This project was initiated to stimulate the uptake of more sustainable palm oil in Europe, and its objective is to achieve '100% sustainable palm oil in Europe by 2020'. The secretariat of ESPO is staffed by MVO. MVO also runs the secretariat of DASPO.



9.3 Progress update

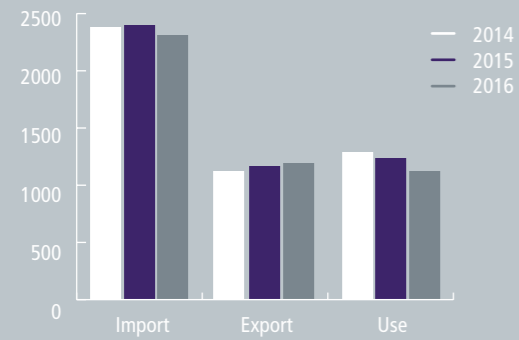
As we have seen in chapter 2, the Netherlands is the biggest European importer of palm oil. The Dutch food industry used 272,587 tonnes of palm oil in 2016. The overall volume of sustainable palm oil increased to 246,641 tonnes in 2016. This is equal to 90% of the total palm oil volume processed by the Dutch food industry in 2016. The share of Segregated palm oil increased from 59% to 67%, the share of Mass Balance palm oil decreased from 22% to 20%, and the share of Book & Claim palm oil decreased by 19% to 13%. The total volume conventional palm oil decreased by 19,558 tonnes to 25,945 tonnes. This result shows that the move towards more Segregated sustainable palm oil successfully continued in 2016.

The Dutch feed industry, represented by the Dutch Feed Industry Association (Nevedi), has used 53% sustainable palm oil in 2016. Nevedi is the first feed association in the EU to actively work on sustainable palm oil. To stimulate the uptake of sustainable palm oil by the Dutch feed industry, Nevedi bought 25,000 Book & Claim certificates to cover total palm oil use of the Dutch feed industry in 2015 and 2016. From 2017 onwards, individual feed companies started buying certified sustainable palm oil. Nevedi will monitor the progress made.



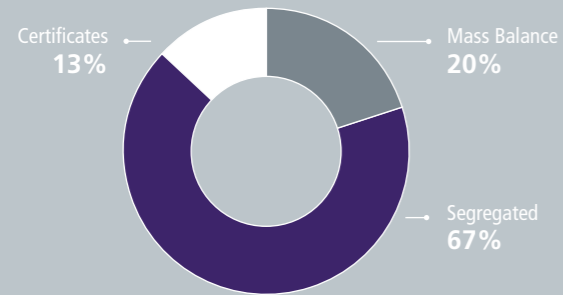
The Netherlands is the biggest European importer of palm oil. "The Dutch food industry used 272,587 tonnes of palm oil in 2016."

FIGURE 22
General palm oil use in the Netherlands
(x 1000 tonnes)



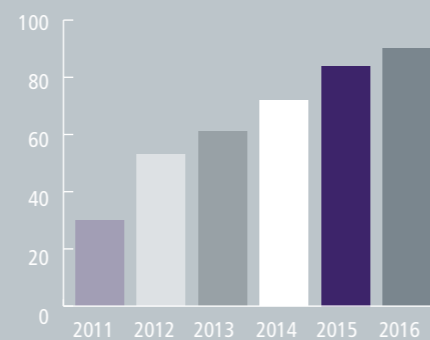
Source: Oil World 2017

FIGURE 23
Distribution of palm oil purchases by type
of supply chain model in 2016



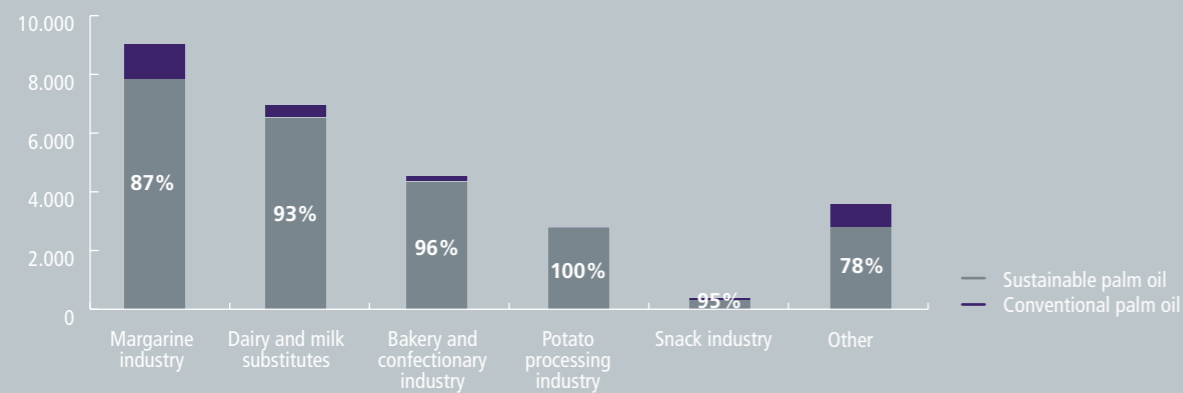
Source: DASPO 2016

FIGURE 24
Share of sustainable palm oil used in
the Dutch food industry



Source: DASPO 2016

FIGURE 25
Share and volume of sustainable palm oil in the Dutch food industry
per sector in 2016



Source: DASPO 2016





Norway

In 2014, the Norwegian food and beverage association brought together prominent stakeholders from the palm oil chain to come to an adequate response to the mounting pressure from civil society about environmental and health issues.



10.1 Introducing the initiative

The Norwegian Initiative for Sustainable Palm Oil (NISPO) was set up in 2014 as a response to pressure from Norwegian civil society on environmental and health concerns in relation to palm oil. Prominent NGOs, such as the Rainforest Foundation and Greenpeace were highly influential in raising the public debate. As a response to the pressure, NISPO members have committed to use only RSPO certified sustainable palm oil by 2015 (or to reduce the use of palm oil in products). In addition, they will also work on Segregated and traceable palm oil by 2018. The Norwegian commitment applies both to imports of palm oil or finished products consumed in Norway. On 7 October 2016 NISPO signed the commitment to support 100% Sustainable Palm Oil by 2020 in Europe and joined ESPO.

The sectors involved in NISPO are the food and retail sectors. The food sector is largely represented by the big international manufacturers, while the membership of the retail sector comprises three of the four major retailers. Personal care products are covered by another organization, however the industry is dominated by international companies, not based in Norway. The animal feed sector is not formally involved with the Norwegian network. Two of the three biggest retailers are part of the initiative (Norgesgruppen and COOP). The third player REMA has adopted a palm oil substitution approach. Several large food companies have joined the initiative, but not all. It is therefore difficult to give a precise indication how big a portion of Norwegian food production is covered.

In terms of personal care products, the major Norwegian supplier is on board and the rest of the players in the cosmetics sector are international companies, not based in Norway. The animal feed sector is not formally involved in the Norwegian network. Two of the three biggest retailers are part

of the initiative (Norgesgruppen and COOP). The third player REMA has adopted a palm oil substitution approach. Several large food companies have joined the initiative, but not all. It is therefore difficult to give a precise indication how big a portion of Norwegian food production is covered.

10.2 Activities

As in other countries such as Sweden, Italy, and Spain, the debate on palm oil is fierce in Norway. Substitution gains momentum as a credible strategy, but at the cost of investing in sustainable practices. NISPO is also working on a monitoring report due be ready by the end of 2017.

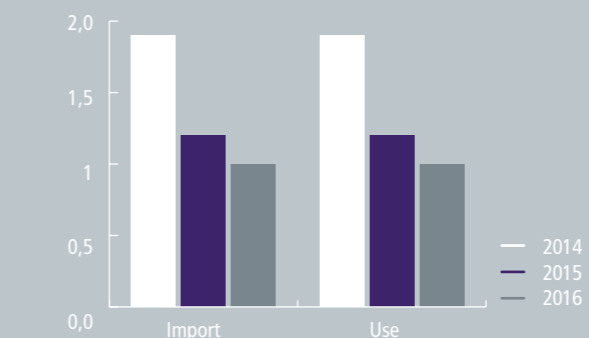
10.3 Progress update

We are currently unable to provide a detailed report on progress in Norway. It is clear, however, that substituting palm oil or transitioning to sustainable palm oil is on the agenda, given the sensitivity of the issue. At the same time the majority of the palm oil used in food is today coming from sustainable production and is within the RSPO framework. First indications are that the progress to shift to the use of certified sustainable palm oil is significant. The forthcoming report of NISPO will provide more insights.



On 7 October 2016 NISPO signed the commitment to support 100% Sustainable Palm Oil by 2020 in Europe and joined ESPO.

FIGURE 26
General palm oil use in Norway (x 1000 tonnes)



Source: Oil World 2017



11

Poland

Poland is an important palm oil importer in the Central and Eastern Europe region. Palm oil is the main imported and second most consumed vegetable oil in the country after rapeseed oil. The EU is the major trading partner for Poland as most of its palm oil is imported from the EU.



11 Palm oil import and use in Poland

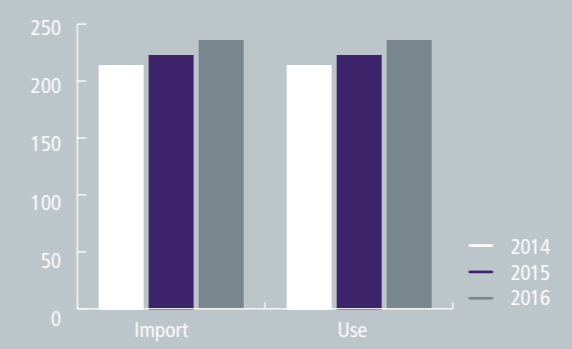
Given the size and importance of the Polish market for palm oil, the European Palm Oil Alliance (EPOA) hosted its two-day 2016 EPOC event in Warsaw. The objective was to raise awareness of the functional, nutritional, and sustainability aspects of palm oil and to invite Poland and other Central and Eastern European countries to set up a national initiative and to join us to help achieve our goal of a 100% sustainable palm oil market in Europe. Constructive discussions between EPOA, RSPO, and retailers have continued in 2017. There is no report available on the share of sustainable palm oil in the Polish market.



Poland is an important palm oil importer in the Central and Eastern Europe region.



FIGURE 27
General palm oil use in Poland (x 1000 tonnes)



Source: Oil World 2017

12

Spain

The Spanish Foundation for Sustainable Palm Oil was established in June 2017. The foundation's aim is to balance the palm oil debate in Spain on health and sustainability issues, and to promote the uptake of sustainable palm oil. The Foundation will work to ensure that all companies in Spain that use palm oil in their products will use 100% sustainable oil before the end of the decade.



12.1 Introducing the national initiative

The Spanish Foundation for Sustainable Palm Oil was founded in 2017 and consists of a group of 10 companies. These include Unilever, Ferrero, Lipidos Santiga, Natra, Gracomsa, LIPSA, Victory Tropic Oil, Campa Iberia, and Vandemoortele. The Foundation is actively engaged in outreach to other companies and supply chain partners in the feed and cosmetics industries in order to grow its membership base.

The Spanish Foundation defines sustainability from three points of view:

- Environmental responsibility through RSPO certification to ensure the maintenance of the planet
- Commitment to the consumer, as much with the sustainability and nutrition as with the food security, to watch over the fulfillment of current legislation
- Economic sustainability as an economic and development engine in producing countries; and key ingredient in the industry

The members of the Foundation have committed to using only RSPO certified sustainable palm oil by the end of 2020.

12.2 Activities

The Spanish Foundation for Sustainable Palm Oil has commissioned three reports: on sustainability and certification, on nutrition and palm oil, and on contaminants. The outcomes will be discussed and disseminated during an event for members that will be held before the end of 2017. The Foundation has also launched a new website to inform the public about sustainable palm oil and its activities. In addition to this, the Foundation also actively

engages with the media in order to provide them with information about palm oil and the efforts to achieve a sustainable supply chain. Finally, the Foundation organizes technical meetings with supply chain partners in the hospitality and retail sector on sustainability and palm oil.

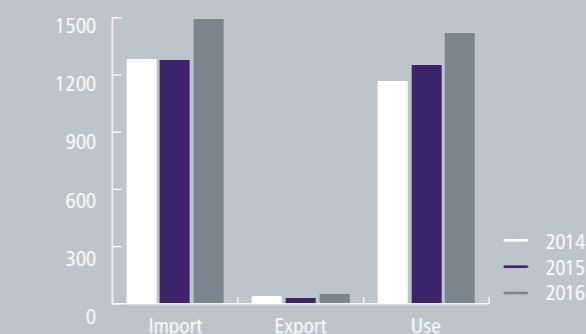


The members of the Foundation have committed to using only RSPO certified sustainable palm oil by the end of 2020.

12.3 Progress update

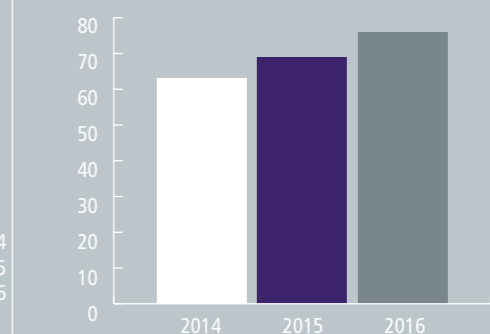
Spanish experts working with the Foundation estimated the sustainable palm oil uptake in Spain out of refinery from 2014-16. On the basis of this the total share of sustainable palm oil used for food is estimated at 26% in 2016. The figures are included in Figure 29 below. The monitoring of sustainable palm oil in Spain is also on the agenda of the Spanish Foundation for Sustainable Palm Oil for 2018.

FIGURE 28
General palm oil use in Spain
(x 1000 tonnes)



Source: Oil World 2017

FIGURE 29
Estimated use of CSPO by Spanish food industry*
(x 1000 tonnes)



Source: Based on Spanish expert judgement
*including small volumes to feed and home and personal care

13

Sweden

The Swedish Food Federation was the first in Sweden to collectively work on sustainable palm oil in 2014. Later, the retail, cosmetics, and detergents sectors launched their sector initiatives. A closer collaboration between the initiatives has meanwhile emerged with common activities, such as the recent launch of a Swedish website on sustainable palm oil.



13.1 Introducing the national initiative

The initiatives from the food sector, the retail sector, and the cosmetics industry are now working more closely together and have recently launched a shared website: www.hallbarpalmolja.se

Food

In the food industry's initiative to support sustainable palm oil, all members must meet the requirements for exclusively certified palm oil according to the RSPO criteria and, as far as possible, use Segregated palm oil. The goals of the food companies' initiative have been adopted by the board of the Swedish Food and Drink Federation for all its members as an overarching policy.

The initiative sets out to achieve its goals by:

- Increasing the use of and demand for sustainably produced palm oil
- Increased transparency and traceability in the palm oil supply chain
- Contributing to the growth of the market for responsibly produced palm oil.

Retail

The retail sector initiative actively supports RSPO's initiatives, such as RSPO NEXT. The palm oil used in their own-branded products should at least be covered by certificate purchases through RSPO Credits. In foodstuffs, at least 90% of palm oil must be purchased through the segregated supply chain model by 2020. In cosmetics and hygiene products, 90% of palm oil should be sustainably produced by 2020. The members also commit to encouraging the suppliers of other brands to strive for the same goal.

Cosmetics

The Swedish Initiative for Sustainable Palm Oil in Cosmetics and Detergents (SISPO) is an industry-wide initiative working for the transition to a more

sustainably produced, certified, and traceable palm oil in cosmetics, hygiene products, detergents, and cleaning products. The initiative was created in October 2015 by 10 companies that are suppliers, manufacturers, or retailers of cosmetics, hygiene, laundry, and cleaning products. The participants commit to ensuring that at least 90 percent of palm oil in its own products should be produced sustainably by 2020.

In addition to the initiative aims to:

- increase the use of sustainably produced and certified palm oil and palm kernel oil
- achieve better traceability of the raw material
- increase demand for sustainably produced palm oil.

13.2 Activities

Within SISPO a number of tools to help buyers, producers, and suppliers have been developed to identify how much palm oil is actually included in the various products. The survey helps companies determine how much palm oil they should cover via the purchase of Book & Claim certificates.

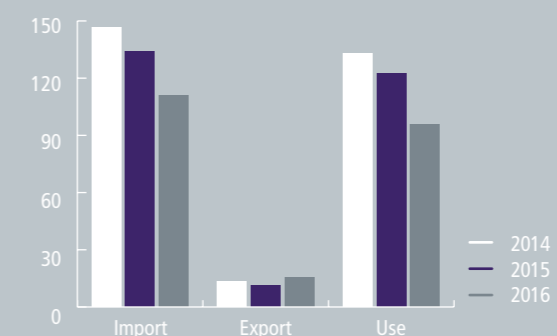
13.3 Progress update

The best data about progress comes from the food industry initiative in Sweden. Nearly all members use certified palm oil, and the Book & Claim supply chain model is the prominent model. A small fraction of the members uses Segregated palm oil. The proportion of physically certified palm oil is increasing and there is a development towards Segregated palm oil. However, especially for companies that use palm oil fractions, segregation is an expensive and hard to reach target.



Swedish industry has committed to using only RSPO certified sustainable palm oil by the end of 2020.

FIGURE 30
General palm oil use in Sweden (x 1000 tonnes)



Source: Oil World 2017

14

United Kingdom

The UK government has played a very active role in promoting the use of sustainable palm oil. Already in 2012 relevant sector associations, NGOs, and the government agreed on the UK Statement on 100% sustainable palm oil by the end of 2015. In 2017 the private sector and NGOs reconfirmed their pledge by signing the commitment to support a 100% sustainable palm oil in Europe by 2020. Depending on baseline trade data used, the share of sustainable palm oil imported into the UK was 86% or 108% in 2015.



14.1 Introducing the national initiative

In October 2012, sector associations with a significant interest in the palm oil chain came together with NGOs and the government to agree on the UK Statement on Sustainable Production of Palm Oil. Their joint statement at the time was that 'The United Kingdom is working towards achieving 100% sourcing of credibly certified sustainable palm oil by the end of 2015'. The government has played a leadership role and had a significant impact on the uptake of sustainable palm oil in the United Kingdom. The 2015 commitment is considered to have been met.

The UK government handed over its leadership role to the private sector and NGOs, who signed the Commitment to Support 100% Sustainable Palm Oil in Europe by 2020 on August 2017. Similarly to the initial cooperation, the UK Roundtable on Sourcing Sustainable Palm Oil represents palm oil processors and distributors, food and drink manufacturers, retailers, animal feed manufacturers, contract catering, the hospitality sector, renewable energy sector, cleaning products industry, and the speciality chemicals sector. Also WWF and the Zoological Society of London are members. Although there is no explicit definition of sustainable palm oil it is commonly understood to mean products certified in accordance with the RSPO principles and criteria.

14.2 Activities

As the UK Roundtable on Sourcing Sustainable Palm Oil only recently signed the Commitment to Support 100% certified Palm Oil in Europe by 2020, the working plans for 2017 and beyond were not finalized when drafting this report. However, as with other national initiatives it can be expected that the Roundtable will report annually on the progress made in the UK and will continue to work with other signatories to the Commitment to Support on increasing the uptake of sustainable palm oil.

14.3 Progress

In February 2017, the Department for Environment, Food and Rural Affairs (DEFRA) published its final progress report on the UK statement on sustainable palm oil. UK palm oil purchases supported by RSPO grew from 155,000 tonnes in 2009 to 457,294 tonnes in 2015. The report shows that imports of Segregated and Mass Balance certified sustainable palm oil and purchases of Book & Claim certificates by UK companies in 2015 were equivalent to an estimated proportion of 86% (increasing from 72% in 2014) or 108% (increasing from 93% in 2014) of UK palm oil imports (excluding derivatives and finished goods) depending on the baseline trade data used to make the calculation.¹⁰

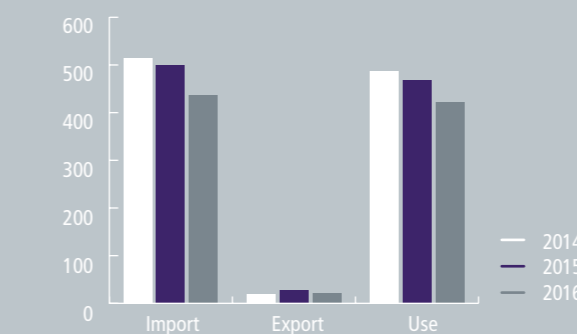
While the analysis does contain limitations in terms of data accuracy and completeness, the results clearly demonstrate that the signatories of the UK Statement on Sustainable Production of Palm Oil have achieved a high degree of success in delivering the ambition to move towards 100% sourcing of sustainably certified palm oil in the UK by the end of 2015. Moreover, by signing the Commitment to Support 100% Sustainable Palm Oil in Europe by 2020, the UK Roundtable on Sourcing Sustainable Palm Oil has ensured the positive momentum is maintained to work towards a fully sustainable palm oil supply chain.

Figure 32 shows the estimation of the volume of certified palm oil purchased in the UK. In 2015, 326,033 tonnes were purchased under the Segregated and Mass Balance (excluding derivatives and finished goods) supply chain models. This is equivalent to 62% or 77% of UK imports, depending on the source of import trade data. Around 131,261 tonnes of palm oil were covered by the purchases of Book & Claim certificates, which would be equivalent to 25% or 31% of total UK imports, depending on the source of import trade data.



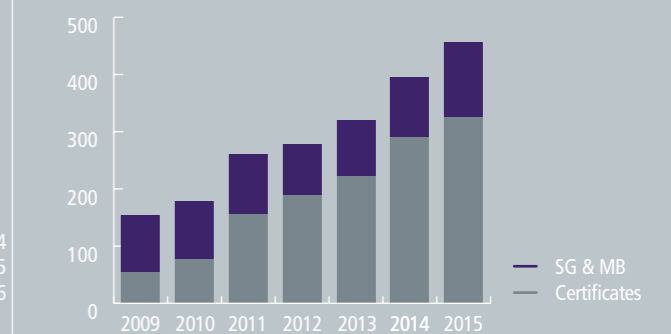
The United Kingdom is working towards achieving 100% sourcing of credibly certified sustainable palm oil by the end of 2015.

FIGURE 31
General palm oil use in UK (x 1000 tonnes)



Source: Oil World 2017

FIGURE 32
Certified Sustainable Palm Oil purchases in the UK supported by RSPO supply chain mechanisms



Source: CPET analysis of UK refinery data, 2016



15 Conclusion

15 Conclusion

This report highlights the important role of Europe in the transition towards sustainable palm oil, the positive development of an increasing number of national commitments to reach 100% sustainable palm oil, and the growing volume of sustainable palm oil entering the European market. To close, we summarize the main findings from the report and reflect on the major challenges in the years ahead.

This report shows that:

- **69% of the palm oil imported for food** into European refineries was certified sustainable palm oil (CSPO) in 2016
- **60% of the palm oil used for food** in Europe was certified sustainable palm oil (CSPO) in 2016

The European palm oil supply chain is making good progress towards its “100% CSPO in Europe by 2020” commitment. The next step is to increase the uptake of imported CSPO into Europe. We need all stakeholders in the supply chain to work together and commit to increase the use of sustainable palm oil. The positive trend of increasing import and use of sustainable palm oil in Europe is in line with increased production of sustainable palm oil in producing countries over the last years.

In 2017:

- 2.83 million hectares were RSPO certified globally
- 1.9 million hectares were certified under the ISPO standard in Indonesia
- 268,600 hectares were certified under the MSPO standard in Malaysia

A positive trend despite country specific challenges

The creation of ESPO, building on existing national palm oil initiatives and declarations, and European governments’ public support of the Amsterdam Declaration are important milestones towards 100% Sustainable Palm Oil in Europe. The fact that governments of the major palm importing countries in Europe actively support the private sector in creating more sustainable supply chains sends a strong signal to palm producing countries and creates an enabling environment for national initiatives to reach the common objective. At the same time, the number of national commitments for 100% sustainable palm oil in 2020 is growing each year. The set-up of the Spanish Foundation for Sustainable Palm Oil in 2017 is a good example of this. Moving forward, the ESPO-platform and its partners will continue to promote an active dialogue with the signatory governments of the Amsterdam Declaration and aim to engage all parties who are not yet active to join the goal of 100% sustainable palm oil in Europe by 2020.

Progress within national initiatives is strong; Belgium, Denmark, France, Germany, the Netherlands

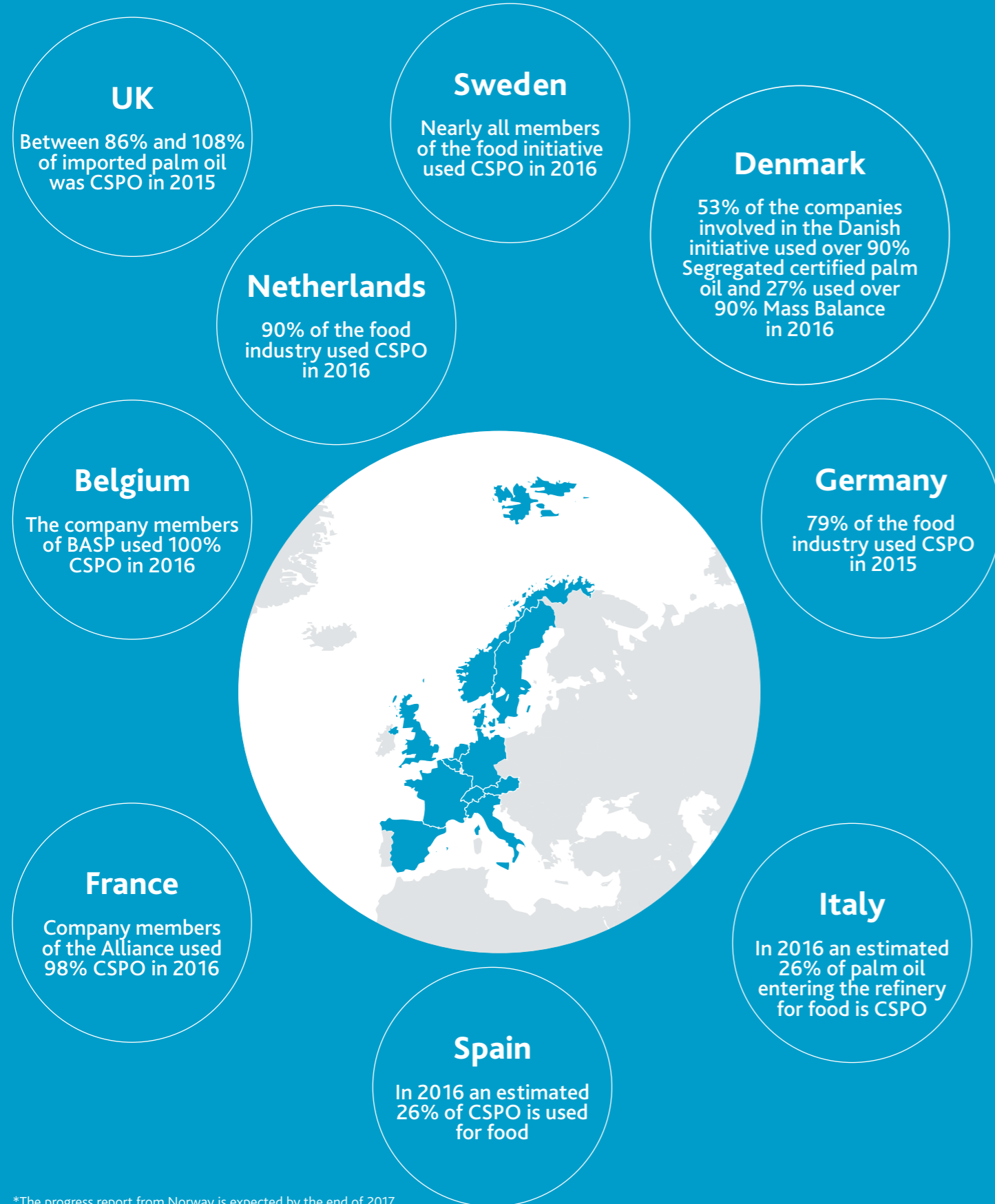
and the United Kingdom have either already met or are well underway to deliver on their 100% sustainable certified palm oil and additional 2020 targets. Despite the fact that national initiatives in Italy, Sweden, Spain, and Norway are not yet able to provide the same level of detail in reporting on the progress made in quantitative terms, efforts to move towards a sustainable palm supply chain are significant. At the same time, the volume of sustainable palm oil will need to increase in certain markets such as Italy, Spain, and Sweden in order to meet the 2020 objectives. Below an overview can be found of the progress made for each national initiative.



The European palm oil supply chain is making good progress towards its “100% CSPO in Europe by 2020” commitment. The next step is to increase the uptake of imported CSPO into Europe.



FIGURE 33
Overview of progress made for each national initiative



*The progress report from Norway is expected by the end of 2017

Engaging with new stakeholder and sharing best practices

The composition of national initiatives varies greatly. Some national initiatives represent the entire palm oil supply chain, including the various subsectors; others may focus only, for example, on the food sector, or do not have small- or medium-sized businesses as part of their membership. In order to reach the common objective of 100% sustainable palm oil in Europe by 2020, all actors in the supply chain need to work together. Engaging with other subsectors and small- and medium-sized companies is key. In addition ESPO is planning to conduct a mapping in order to reach out to the main players in those markets where currently no national initiative is present.

ESPO working together with the national initiatives and other stakeholders, can exchange best practices and stimulate the sectors that did not yet make steps. The Dutch feed sector can serve as an example with their collective Book & Claim strategy. In this way, companies and sectors can learn from and stimulate each other. The Book & Claim model offers a relatively easy entrance to sustainable palm oil that does not affect the physical supply chain. Companies do not really have an excuse not to make the first step.

In time, the physical chain of custody models are preferred over Book & Claim to ensure positive impact on the ground in producing countries, but for the newcomers Book & Claim is a good stepping stone. For a further increase in the uptake of sustainable palm oil, it will be important to first stimulate the other subsectors using palm. The signatory government could also play a role in bringing together parties in the supply chain. In most countries, the food sector has already made considerable steps. The feed and oleochemical industries on the other hand are in many cases not yet fully aligned.

Additional commitments for zero-deforestation and traceability

Many of the national initiatives have committed to additional commitments for zero-deforestation and traceability as part of the push for 100% CSPO in Europe by 2020. This is unique, also in comparison to other commodity sectors, and it shows that the palm sector is serious about moving towards a fully sustainable supply chain.

A prime example of this is the partnership between the French Alliance for Sustainable Palm Oil and the French Agricultural Research Centre for International Development (CIRAD) which shows how the voluntary policies and actions can be implemented at field level and in a practical way. To this end, ESPO wants to support companies and partners to develop a direct link with their main sourcing regions, for example through verified sourcing areas. In order to meet the 2020 goal, it will be important to broaden the producer base and thereby to continue creating meaningful change on the ground.

Improving monitoring and reporting

Measuring palm oil flows and specifically sustainable palm oil flows is a very challenging task. The enormous diversity of palm oil applications makes it a highly complex commodity to monitor. This is highlighted by the fact that many national initiatives are not yet able to report on progress in their markets in quantitative terms. However, it should be noted that some of the national initiatives have elaborate progress and activity reporting in qualitative terms, where others currently do not. This is inevitably linked to the available resources of these national initiatives. Monitoring will be a priority for ESPO, working together with national initiatives such as Italy, Spain, Sweden, and Norway.

Monitoring and evaluation is already on top of the agenda of many national initiatives. In addition, ESPO, together with the European Palm Oil Alliance (EPOA) and the European Sustainable Palm Oil Advocacy Group (ESPOAG), has planned concrete follow-up activities to streamline data collection at the European level and support national initiatives with this complex task. The objective is to deliver a more detailed and elaborate report by the end of 2018 in order to improve the overall monitoring and demonstrate the progress national initiatives and other partners are making in reaching the common goal of 100% sustainable palm in Europe by 2020.



Many of the national initiatives have additionally committed to zero-deforestation and traceability as part of the push for 100% CSPO in Europe by 2020.



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The ESPO secretariat
MVO - the Netherlands Oils and Fats Industry
Zoetermeer, The Netherlands

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