



TRENDS
AGRICULTURE

A Matter of Trust: How Palm Oil Supply Chain Actors Respond to the Evolving Sustainability Standards

SHOFWAN AL BANNA CHOIRUZZAD • Associate Professor, Department of International Relations, Universitas Indonesia

Palm oil, as a cheap and versatile ingredient used in many processed goods, has been and continues to be a major driver of deforestation in Southeast Asia. To regulate its production, local and global NGOs pushed for the implementation of rigorous environmental standards. Although the palm oil industry did not welcome these new standards with great enthusiasm, and accused Northern countries of waging a trade war, this dichotomy evolved into the establishment of a strong normative framework, resulting in a slowdown in the tree cover loss.



DATA OVERVIEW

The palm, the profit, and the planet

Palm oil, obtained from oil palm trees (*Elaeis guineensis*) is an important commodity which almost all of us consume, knowingly or unknowingly. It can be in our dinner, chocolate snacks, cosmetics, soap, shampoo, and even in the fuels that run our machines. The vast industrial and consumer uses of the commodity make it known as a 'global flex crop'.¹ Since it can be used for various purposes, it is not surprising that palm oil is the most widely consumed vegetable oil in the world today (fig. 1).

Its flexibility is also supported by its lower production cost and higher yield compared to other seed-based oils, making it competitive in the global vegetable oil market.² About 2.8 tonnes of palm oil can be produced from each hectare of land. In comparison, sunflower or rapeseed oil can get 0.7 tonnes of oil per hectare, and coconut or groundnut oil only get 0.2 t/ha.

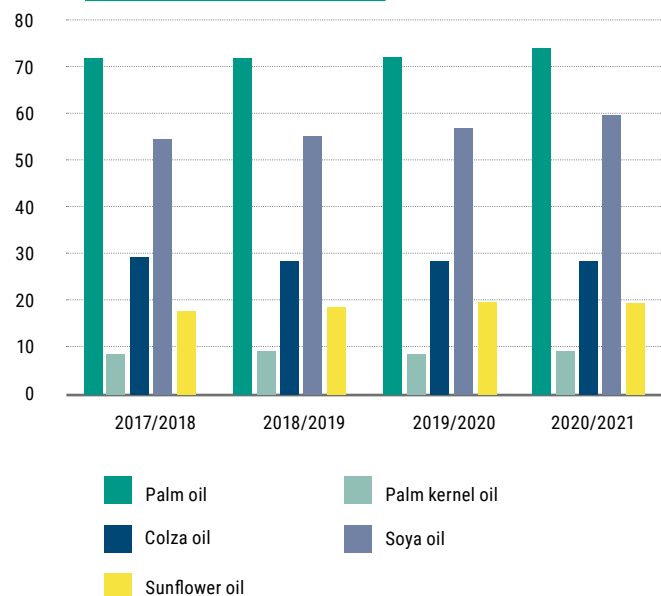
As a tropical tree, it is produced mainly by developing countries (fig. 2), which often identified them as a "strategic commodity." In 2020/2021, around 84% of palm oil is produced in Indonesia and Malaysia while other countries are trying to increase their shares (fig. 2). In both countries, the majority of the palm oil production came from private estates. In Indonesia, 54.42% of oil palm plantation area is owned by private estates, 4.23% by government estates, and 41.35% is owned by independent smallholders.³ In Malaysia, private estates control 61.1% of the plantation area, while government-owned estates composed 5.5% of the plantation area. Smallholders in Malaysia are divided into organized smallholders, who own around 16.6%

of the plantation area, and independent smallholders, who own 16.7% of the plantation area.⁴

FIGURE 1

CONSUMPTION OF SOME MAJOR VEGETABLE OILS, WORLDWIDE, 2017/2018-2020/2021, IN MILLION METRIC TONNES

Source: United States Department of Agriculture, August 2021



With a global export value of \$27.7 billion in 2019, many in these countries see it as a reliable and easy source of economic growth. In Indonesia, palm oil contributed \$16.5 billion of exports, and contributed to 10.3% of total non-Oil & Gas exports in 2018.⁵ The government estimated that oil palm industrial estates provided jobs for 4.2 million people directly, and 12 million people indirectly, while 4.6 million people



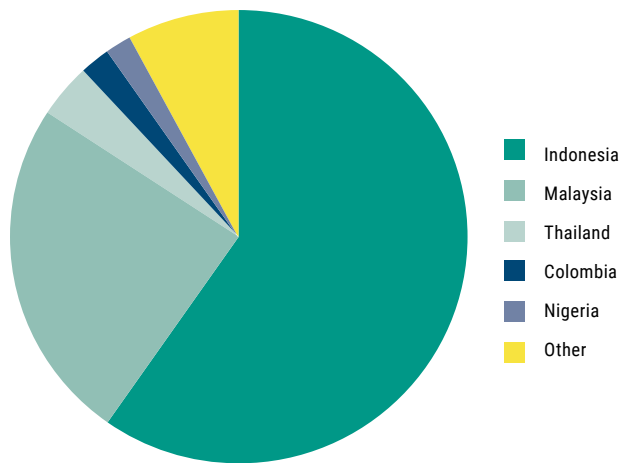
are involved as independent smallholders.⁶ Palm oil is also Malaysia's main agricultural export, accounting for up to 2.7% of its GDP.⁷

Palm oil is considered as an instrument for rural development, with expansion supported by the World Bank and Asian Development Bank since 1980s as part of their developmental assistance. Programs such as PIR (Perkebunan Inti Rakyat, People Nucleus Estate) were supported by these financings. In the PIR scheme, the Indonesian government supported the establishment of contracts between smallholders in surrounding area of a plantation with the estate through various incentives such as logging rights and special rate credits for the companies and subsidies for smallholder plantings and initial living costs of the transmigrant smallholders.^{8,9}

FIGURE 2

SHARE OF GLOBAL PALM OIL PRODUCTION BY COUNTRY, 2020/2021

Source: [United States Department of Agriculture, August 2021](#)



As the demand for palm oil grows, the area used for oil palm plantation is also expanding rapidly (**fig. 3**). Since these countries are in the tropics, the home of important tropical rainforests and peatland areas, such trends created worries that oil palm expansion was causing deforestation and other environmental and social externalities. As a consequence, palm oil is one of the world's most profitable, yet most controversial agricultural commodities.

While Indonesian and Malaysian government officials, as well as palm oil industry associations, frequently argued that palm oil is an instrument for progress and development (the Indonesian Palm Oil Association even called it "*God's Blessing for Indonesia*"¹⁰), NGOs such as Greenpeace blame the expansion of oil palm plantations as the main driver of

deforestation and thus, of climate change.^{11, 12, 13, 14} The main source of emissions in the sector is when the expansion of oil palm plantations leads to destruction of carbon-rich forests and peatland drainage, causing sequestered carbon to be released into the atmosphere.¹⁵ In a recent study, Cooper et.al. (2020) estimated that conversion of peat swamp forest in Indonesia and Malaysia is contributing to 16.6-27.9% (95% confidence interval) of the combined total national GHG emissions from Indonesia and Malaysia, and 0.44-0.74% (95% CI) of annual global emissions.¹⁶ Another study by Guillaume et. al. (2018) found that converting one hectare of rainforest land into oil palm resulted in a loss of 174 tonnes of carbon (equivalent to 530 people flying from Geneva to New York in economy class).¹⁷ According to statistics provided by the Global Forest Watch, based on the University of Maryland (UMD) data, Indonesia lost 27.7 Mha of tree cover during 2001-2020 period, including 9.75 Mha of humid primary forests (36%) from 2002 to 2020. The total loss is equal to a 17% decrease in tree cover and 19.0 GtCO₂e emissions (**fig. 4**).¹⁸ In the same period, Malaysia lost 8.39 Mha of tree cover, emitting 4.82 GtCO₂e, and amount to a 29% decrease in tree cover since 2000. In both countries, commodity driven deforestation, mostly from oil palm plantation, is the primary driver of permanent deforestation.¹⁹

Apart from environmental problems, NGOs such as SawitWatch and Transformasi Untuk Keadilan (TUK) Indonesia also blame palm oil industry for social problems such as human rights violations, land conflicts, and repression of local communities.

Despite the controversies, the palm oil industry continues to grow. Although the pandemic did hit the demand and production a little bit, the global palm oil production already rebounded back to its growth trajectory (**fig. 3**).

These controversies led to continuous struggles to shape the governance of the palm oil industry at multiple scales, leading to the establishment of sustainability standards such as the Roundtable on Sustainable Palm Oil (RSPO) or the No Deforestation, No Peat, No Exploitation (NDPE) principles;^a as well as producer country-based standards such as Indonesia Sustainable Palm Oil (ISPO) and Malaysia Sustainable Palm Oil (MSPO).

THE OBSERVATORY'S LENS

The evolution of sustainability standards in the palm oil sector

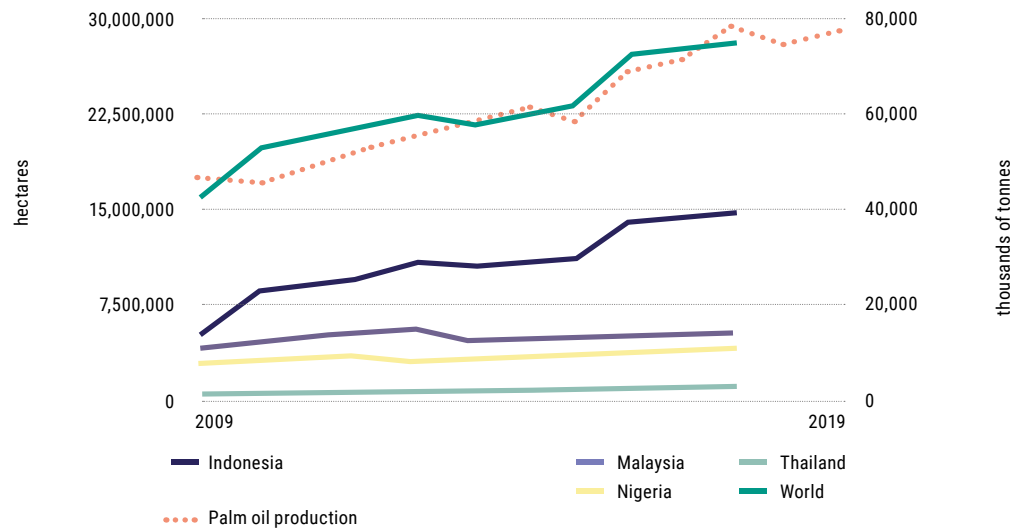
Despite gloomy long-term trends in deforestation, in March 2021, the Ministry of Environment and Forestry, Republic of Indonesia claimed in the media that Indonesia had successfully reduced the deforestation rate. Global Forest Watch and

^a 'No Deforestation, No Peat, No Exploitation' (NDPE) commitments are commitments adopted by palm oil companies that aim to ensure the sustainability of their palm oil beyond the requirements of certification. The name itself is self-explanatory: 'No deforestation' means protecting forests with High Conservation Value (HCV) and High Carbon Stock (HCS), 'No Peat' means avoiding planting on peat, and 'No Exploitation' means respecting and protecting human rights, workers' rights and the rights of local communities and customary peoples. As a commitment beyond legal or certification requirements, it is controlled by a standard body like the RSPO. See this explanation by [EFECA](#).

FIGURE 3

OIL PALM PLANTATION AREA IN SELECTED COUNTRIES, 2009-2019, IN HA AND GLOBAL PALM OIL PRODUCTION, 2009-2021, IN 1000 TONNES

Sources: [FAO](#), 2021, except production for 2019-2021 (October-September) from [Oil World](#), August 2021 (2020 and 2021 are estimates)



World Resources Institute described Indonesia and Malaysia as “bright spots of hope for forests.” According to WRI, Indonesia experienced declining rate of primary forest loss for the fourth year in a row in 2020 and successfully got out from the top three countries for primary forest loss.²⁰ The Ministry of Environment and Forestry of the Republic of Indonesia mentions 115,460 hectares of forests lost due to deforestation during 2019-2020, down from 462,500 ha in 2018-2019 and 439,400 ha in 2017-2018.²¹ While putting different numbers due to methodological reasons, the data presented by Global Forest Watch (**fig. 4**) also indicates that there is indeed a consistent decline in deforestation in the last five years.

Furthermore, the declining contribution of the palm oil industry towards deforestation is also showing that while still far from ideal, the industry is changing. Data shows that oil palm plantations’ contribution to deforestation peaked in 2008-2009 (reached almost 40%), but it then consistently declined to less than 15% (**fig. 5**).

The creation of the RSPO

Following the rapid expansion of the palm oil industry in Indonesia after the post-Asian Crisis liberalization in the early 2000s, which also resulted in deforestation (**fig. 4**, especially 2001-2009 period which shows rapid and increasing trend of tree cover loss), NGOs such as Sawit Watch, Forest Peoples, Transformasi untuk Keadilan, WWF and Greenpeace, as well as scientists, started to link palm oil to climate change, raising public awareness about the impact of oil palm expansion to the environment and how multinational companies and financial institutions (mostly based in Europe) enabled its expansion. These NGOs started to call for more sustainable business practices,²² using different strategies to raise public attention. In 2007, eight local Greenpeace activists put a huge

banner saying that “*Palm Oil Kills Forests and Climate*” on a tanker carrying palm oil in the Indonesian province of Riau, the largest producer of palm oil in the country. Greenpeace’s ship, the Rainbow Warrior, was also coming to the proximity of the palm oil tanker.²³ NGOs also ‘name and shame’ companies both upstream and downstream of the palm oil value chain to force them to act more responsibly. In the early 2000s, WWF ran the “Lipstick from the Rainforest” campaign. In the mid-2000s, the NGOs started to point their fingers more clearly. A Greenpeace report, ‘How the palm oil industry is cooking the planet,’ accused palm oil industry of being the main contributor of the destruction of Indonesia’s forests, with 1.8 billion tonnes of greenhouse gas (GHG) emissions being released annually. The report also clearly mentioned global companies such as Unilever, Nestlé and Procter & Gamble (P&G) of being complicit with this environmental crime.¹¹ In 2008, Greenpeace accused Unilever and its suppliers as the destroyer of forest and peatlands in Kalimantan and demand the global company to clean up the trade.¹² In 2010, Greenpeace accused Nestlé, another major user of palm oil, as benefitting from the burning of tropical forests and destroying the habitat of the critically endangered Orang Utans.¹³ These campaigns have proven to be effective. In May 2008, Unilever declared its commitment to clean up the company’s supply chain. It cancelled \$30 million contract with Golden Agri Resources Limited (GAR), a subsidiary of Sinar Mas, which was accused of unsustainable practices, in December 2009. Another global company, Kraft, followed Unilever’s decision in March 2010. Burger King, a major international fast-food chain, also halted their cooperation with the Indonesian palm oil company.²⁴

Responding to this development, a group of stakeholders with diverse backgrounds agreed to establish the RSPO in 2004, with the aim to involve all key players in the palm oil supply

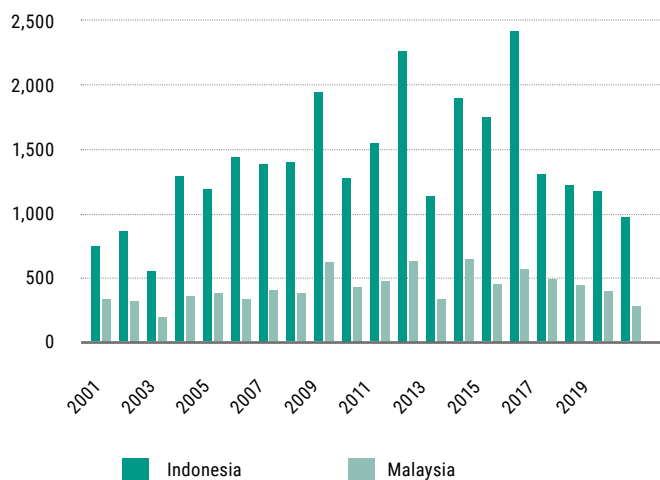


chain to develop a win-win solution through the promotion and production of sustainable palm oil. Its beginning could be traced to the Forest Conversion Initiative (FCI), an initiative of the WWF launched in 2001.²³ Thus, the recognized initiators of the RSPO are WWF, Migros, Unilever, Sainsbury, Aarhus United UK, Golden Hope Plantation, the IOI Group and eventually the Malaysian Palm Oil Association (MPOA), after dealing with some internal dissents.²³ The RSPO accepts membership from different sectors, from oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/ investors, and environmental and social NGOs.²⁵

FIGURE 4

LOSS OF TREE COVER IN INDONESIA AND MALAYSIA, 2001-2020, IN KHA

Source: *Global Forest Watch, 2021*



Since the beginning, the RSPO has been mired with governance issues and distrust between stakeholders. On the one hand, the producers complain that the RSPO is shifting from its earlier commitment as a multi-stakeholder platform and quickly becoming a one-sided mechanism which shifts the burdens only to the producers without understanding the complexity on the ground. There is a general perception among them that the RSPO is “made in Europe” and gives more heed to European interests rather than the producers in developing countries.

On the other hand, the NGOs are suspicious that the RSPO would only be used as a license for “certifying destruction,”²⁶ and continuously demand for stricter standards and stronger enforcement. During the review process, Rainforest Action Network (RAN) and OXFAM, (both members of the RSPO), collaborated with Greenpeace, a non-RSPO member, to push for the inclusion of the prohibition to plant in the peatland areas in the revised version of the P&C. Although unsuccessful, this collaboration led to the establishment of Palm Oil Innovation Group (POIG) coalition, which includes like-minded NGOs and multinational corporations. The POIG obligated its members to obtain RSPO certification and to adhere to

additional norms, introduced as No Deforestation, No Peat, No Exploitation (NDPE).²⁷

Concerned about its eroding legitimacy, the RSPO responded to such development by introducing a new initiative called “RSPO-NEXT” in 2015, a voluntary initiative which contains stricter additional criteria including No Deforestation, No Fire, No Planting on Peat, Reduction of GHGs, and Respect for Human Rights and Transparency. After the most recent revision of the RSPO P&C in 2018, the RSPO’s Board of Governors decided to “retire” the initiative in 2020, as P&C now incorporates RSPO-NEXT criteria and add other advancements such as protection of human rights defenders, legality of third-party sourced fresh fruit bunches, and new rules on pesticides.²⁸

KEYS TO UNDERSTANDING

THE RSPO SUSTAINABILITY STANDARDS FOR PALM OIL

The RSPO establishes standards for sustainable practices in the palm oil sector that all its members must follow, especially those that take legal ownership, produce, or handle palm oil. These standards are formalized as the RSPO Principles and Criteria (RSPO P&C), which is reviewed every five years. The third version was ratified and adopted at the 15th Annual General Assembly (GA15) by RSPO members in 2018. The P&C sets up 8 Principles: (1) Commitment to transparency; (2) Compliance with applicable laws and regulations; (3) Commitment to long-term economic and financial viability; (4) Use of appropriate best practices by growers and millers; (5) Environmental responsibility and conservation of natural resources and biodiversity; (6) Responsible consideration of employees and of individuals and communities affected by growers and millers; (7) Responsible development of new plantings; and (8) Commitment to continual improvement in key areas of activity.^b To ensure that members are adhering to these standards, all members must undergo a process of certification. If they meet the RSPO P&C, their palm oil is considered as sustainable and identified as Certified Sustainable Palm Oil (CSPO).^c Through this process, it aims to affect the supply chain in two directions: towards the consumers, the certification is an assurance that consuming RSPO-certified palm oil are not harming the people and the planet (and thus keeping palm oil industry grow), while towards the producers it pushes them to leave unsustainable practices by arguing that the market does not want unsustainable palm oils.

Producers’ responses: persistent suspicion and hedging strategies

In general, the introduction of the RSPO did not disturb the growth of the palm oil industry in Indonesia and Malaysia. It continued to expand at a rapid pace in 2000s, especially in Indonesia, which overtook Malaysia as the largest producer of palm oil during this period. Yet the reception of the RSPO was contrasted among the industry, as the hope to obtain

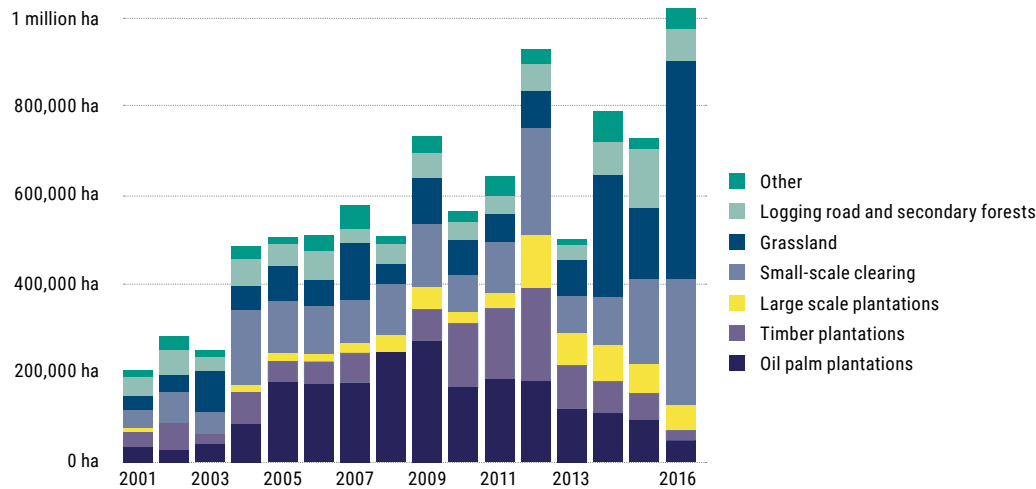
b The RSPO P&C can be read [here](#).

c More details on the process can be read [here](#).

FIGURE 5

DRIVERS OF DEFORESTATION IN INDONESIA, 2001-2016

Source: *Our World in Data, 2020* (data from Austin, K. G., et al., 2019)



competitive edge to enter environmentally conscious markets such as the EU soon yielded to doubts as a gap between supplies and sales appeared (fig. 6) and the RSPO P&C evolved to be more comprehensive and stringent.

Producers in Indonesia and Malaysia responded with “hedging strategies”: many of them joined the RSPO and implement its standards, but at the same time trying to limit the RSPO’s power.

The Indonesian Palm Oil Association (GAPKI), which consists of large and small private and state-owned companies, has become the platform to voice the feeling that the RSPO’s costs to producers overcome its benefits. GAPKI members includes giant private companies such as Sinar Mas and Bakrie Plantations, as well as state-owned companies such as Perkebunan Nusantara. Apart from GAPKI, another vocal coalition which often criticized the RSPO is the Indonesia’s Oil Palm Smallholders Association (Asosiasi Petani Kelapa Sawit Indonesia, APKASINDO).

However, some segments of the producers welcome the introduction of the RSPO as a positive development, especially because they give some protection to smallholders. Oil Palm Smallholders Union (Serikat Petani Kelapa Sawit, SPKS) even included support for RSPO certification for smallholders in their programs. Some pro-RSPO farmers and smallholders also established the Indonesian Sustainable Palm Oil Farmers Forum (Forum Petani Sawit Berkelanjutan Indonesia, FORTASBI), which work together with NGOs such as Sawit Watch and WWF. Nevertheless, GAPKI and APKASINDO, a smallholder association with close link to GAPKI, are having stronger influence.

In 2011, the formation of the Compensation Task Force despite producers’ explicit objections triggered a feeling that the producers are being excluded or at least treated unfairly in the RSPO’s governance. The NGOs vocal campaign inside and outside the RSPO to push for stricter standards, including by criticizing the RSPO in public, irked members with producer backgrounds. Palm oil producers were also anxious that such steps illustrate the RSPO’s shift from multistakeholder platform to a one-sided one with NGOs become the dominant voices.

Representatives from producers often accused the General Assembly of the RSPO as going beyond its role by creating adjustments (usually stricter) to the P&C through voting, undermining the credibility of the standard and process.²⁹ They also complained that some people continue to focus on shortcomings rather than achievements and efforts, as if there were no progress.³⁰

The biggest disappointment is probably the perception that non-producer members are shifting the burdens to the producers. While the standard has been getting stricter and more costly, only the producers, who are in developing countries, are paying for the costs. In the 3rd RSPO General Assembly, producers once proposed a resolution to share the burdens by making audit, certification, and verification costs can be shared among producers, buyers, and consumers.³¹ The proposal was rejected by the Chairman of the General Assembly, arguing that such proposal would violate the RSPO Antitrust Guideline.³²

Although producers are making sacrifices to make CSPO, the sales hovers at only around 50% of production (fig. 6). Indonesian and Malaysian producers also complained that the costs and efforts to fulfil the sustainability standard of the RSPO



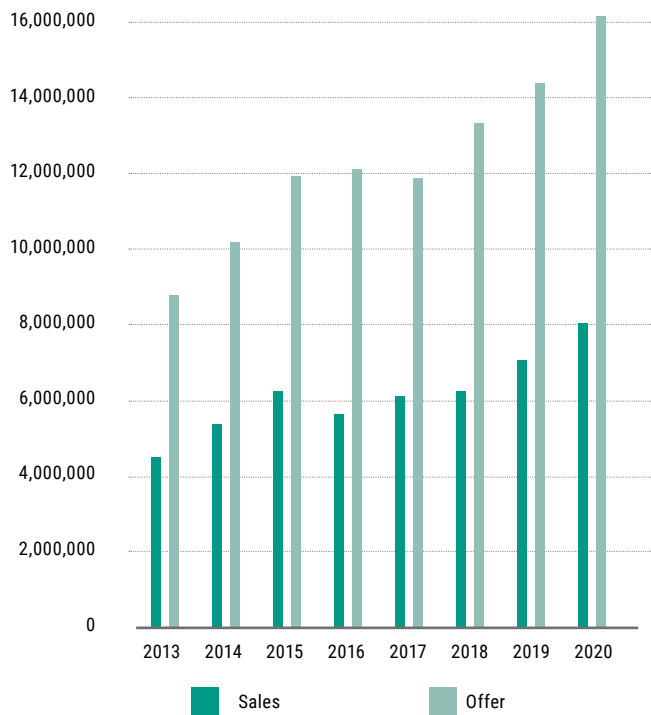
were not resulted in the increase of the premiums or their palm oil sales. A Bloomberg report captured this well: “The World has loads of sustainable palm oil...but no one wants it.”³³ The producers argued that the low uptake shows that the downstream companies are not really committed to sustainability. In the eyes of GAPKI, the downstream companies in EU joined hands with NGO to make stricter standards but then did not buy it because they were only concerned about their image in front of the environmentally conscious consumers.

This growing distrust led the GAPKI to pull out from RSPO in 2011. The Malaysian Palm Oil Association (MPOA) threatened to follow suit, but never actually withdrew.³⁴ Many companies, such as Golden Agri Resources, Bakrie Sumatera Plantations, and state-owned PTPNs, remain as members of RSPO, practicing hedging strategies by trying to develop alternatives to the RSPO while keeping their feet in it to prevent the introduction of non-favourable standards and to keep them in the game if the alternative sustainability standard is not taking off.

FIGURE 6

SUPPLY AND SALES OF CERTIFIED SUSTAINABLE PALM OIL BY RSPO, 2013-2020, IN METRIC TONNES

Source: [RSPO, 2021](#)



This is why GAPKI and MPOA, through their strong connection with the government, pushed for the development of alternative sustainability standards that they feel more comfortable.²⁹ Both the ISPO and the MSPO borrow many aspects of the RSPO's P&C but modified many of them to be more flexible, or even exclude some criteria, making it less strict than the RSPO.³⁵ Furthermore, the close connection between

the industry and the governments in Indonesia and Malaysia makes them able to negotiate the enforcement. This is also an attempt to create leverage within the RSPO. If the ISPO or MSPO have a significant acceptance in the market, they have more bargaining voice in the RSPO, since the RSPO is no longer the only game in the town. Yet “hedging” does not capture all the complexity attitudes of the producers towards the RSPO. While the ISPO and MSPO were certainly built as alternatives to the RSPO, those sustainability standards also exhibit impacts of norm diffusion of global sustainability promoted by the RSPO. Not only that the RSPO P&C is the main reference point for developing the ISPO and MSPO, but there are also genuine concerns about sustainability practices that are more applicable to Indonesia. Rather than outright resistance to the RSPO, we can see ambiguities within these sustainability standards. There are even some voices to develop a combined audit mechanism.³⁶ These ambiguities are also present in the government responses towards North-based sustainability standards, and it is even more evident, since the government should not be seen as a unitary actor.

Government response: between reform and resistance

On Friday, 5 February 2021, the heads of the governments of two largest producers of palm oil met at the Indonesian presidential palace. Multiple issues were covered, but palm oil did take a significant part of the discussion. During the press conference after the meeting, both President Joko Widodo of Indonesia and Prime Minister Muhyiddin Yasin of Malaysia iterated the need for cooperation for palm oil diplomacy. The then-Prime Minister of Malaysia, Muhyiddin Yasin expressed his discontent towards what he called as “anti-palm oil campaign, especially in Europe, Australia and Oceania,” which he said was “baseless and does not reflect the sustainability of the world palm oil industry” and “against the EU and WTO commitments.”³⁷

The producer countries’ responses towards sustainability standards such as the RSPO is overshadowed, and further complicated, by suspicion towards an alleged “trade war” waged by powerful and rich developed countries. There is a popular perception shared by government officials and business alike that such sustainability standards were imposed towards palm oil to curtail its competitiveness.³⁸ “Why only palm oil?” a senior official in the Indonesian Ministry of Foreign Affairs once demanded, rhetorically. A sense of postcolonial trauma makes policymakers and politicians tend to see criticisms from developed countries on the palm oil industry not as a genuine expression for environmental concerns, but as another case of bullying from their former colonial rulers.^d

One of the most important policies perceived as a trade war against palm oil was the EU’s Renewable Energy Directives, launched in 2009 as part of the regional institution’s strategy for climate change and environment. While not directly talking about palm oil, the RED established sustainability criteria for using biofuels to meet renewable energy targets. Based on this sustainability criteria, palm oil was excluded.²

d Based on the author’s experience and discussions with government officials.



The continuation of the RED, the RED II, launched in December 2018, opened the possibility to phase out palm oil use for bio-diesel due to its high Indirect Land Use Change (ILUC) risk as 45%³⁹ of the expansion of palm oil took place in high carbon stock areas^e. Indonesia and Malaysia now bring the case to WTO Dispute Settlement mechanism.⁴⁰ Apart from RED I and II, there are also anti-dumping accusations and legal cases, which these officials must deal with. All those experiences shape their perceptions towards the RSPO, leading a significant segment in the bureaucracy to believe that the RSPO is part of the same “anti-palm oil campaign.”

Nevertheless, there are reformers within the Indonesian and the Malaysian governments which see the RSPO, as well as other external pressures on the palm oil sector, as an important opportunity to push more reforms. Many of them come from activist backgrounds or have good connections with civil society. They also achieved some significant results. In Indonesia, the moratorium on forest conversion was enacted since 2011 and made permanent in 2019. Based on a Presidential Instruction introduced by the President Yudhoyono in 2011, the moratorium prohibits the conversion of primary natural forests and peatlands for oil palm, pulpwood and logging concessions. Another moratorium, on oil palm plantation permits, was introduced in 2018. Yet its expiration in September 2021, with no extension voted, makes NGOs fear that economic interests may takeover forest protection and prevent Indonesia from reaching its commitment for 17% reduction of the emission in forestry sector by 2030.⁴¹ Few days before, Indonesia unilaterally ended a funding agreement signed in 2010 with Norway, arguing “lack of concrete progress” in negotiations for the delivery of the first payment rewarding forest and peatland conservation in the archipelago.⁴²

These different perceptions shape multiple responses of the state towards the RSPO, as seen in the ISPO or MSPO. In the ISPO itself, the Presidential Decree mentioned that the aim of the Indonesian version of sustainability standard is for: (1) ensuring and improving the management and development of oil palm plantation in accordance with ISPO P&C; (2) Improving the acceptance and competitiveness of Indonesian palm oil in national and international markets; and (3) Improving the acceleration of emission reduction efforts. Developmental, environmental, as well as defence against trade war narratives are all accommodated in the official document. On the ground, competition between these different priorities continues. For example, the initiative to consolidate the currently overlapping maps on oil palm plantation through One Map policy is still running, but at a much slower pace than what is expected due to the involvement of many interests.

Both Indonesia and Malaysia also consolidated their “palm oil total diplomacy”. In the WTO, Indonesia won the dispute settlement case DS480 on anti-dumping measures by EU. Indonesia and Malaysia are now bringing the RED II to WTO

dispute settlement (DS593). The two countries supported the creation of the Council of Palm Oil Producing Countries (CPOPC) in 2015, and promote the ISPO and as sustainability standards. Furthermore, to ensure that palm oil is not singled out with strict sustainability standards while its rivals are free, the two countries are endeavouring to develop Voluntary Guidelines for Sustainable Vegetable Oils in Support of SDGs in the framework of Committee on Commodity Problems in the Food and Agriculture Organization (FAO). Indonesia wrote and presented the white paper during the 31st Session of the Intergovernmental Group on Oilseeds, Oils, and Fats, March 4-5, 2021. Since the proposal was still in an early stage, the guidelines were not quite here yet, but Indonesia seems to be committed to push this agenda forward.

“Bright Spots of Hope for Forests”: Multiple forces are at play, and sustainability standards did help

Despite the tensions within itself, the RSPO has been a significant force in shaping the industry's practices. While producing countries like Indonesia and Malaysia tried to develop their own version of certification mechanism, the RSPO is still the most widely accepted sustainability standard in the palm oil sector.

In 2018, it surpassed the milestone of 4,000 members from 92 countries. As of 2021, the RSPO has 5,124 members from 102 countries, although Indonesia and Malaysia do not count among the 10 countries with most the RSPO members. In terms of certification impact, the RSPO claims that 19% of palm oil in the market (19.1 million tonnes) are CSPO, showing that it has some traction in influencing the palm oil supply chain. Its influence is also seen in the size of the certified area, which reached 4.45 million hectares in 2021, mainly from Indonesia (2.27 million hectares), and Malaysia (1.26 million hectares). The CSPO production area grew from merely 106,384 hectares in 2008 to 3.27 million hectares in 2021.⁴³ Although it is still far below the total palm oil plantation area (28.31 million hectares in the World and 14.6 million hectares in Indonesia), it means that at least a significant portion of the industry is following RSPO standards, which includes no deforestation.

Its impact may also go beyond the amount of CSPO production area, since the RSPO is seen as the “global” standard. Even if the ISPO and MSPO, which were developed by Indonesia and Malaysia partly due to the suspicions and disappointments of the producers towards the RSPO are using RSPO P&C as the main reference point, they modified it to be more flexible and less stringent. Thus, global sustainability standards also work indirectly through stage setting by putting “sustainability” as a dominant discourse in the governance of palm oil industry.

Deforestation is still happening at a large scale in Indonesia and Malaysia and the impact on the climate is still enormous. Nevertheless, the dialectic of environmental NGOs and major palm oil producers, as well as the synergy resulting from

^e High carbon stock forests refer to areas that are considered as storing high amount of carbon and biodiversity, based on the type of vegetative cover. Through satellite data and ground survey measurements, the High Carbon Stock Approach stratifies the vegetation in an area of land into six different classes: High Density Forest, Medium Density Forest, Low Density Forest, Young Regenerating Forest, Scrub, and Cleared/Open Land. From these six, the first four categories are assumed to potentially be high carbon stock areas. See [this explanation](#).



diplomacy between producing and importing countries, has led to the establishment of a powerful normative framework for more climate and environmentally friendly palm oil production. This is fully reflected in the new producer-driven ISPO and MSPO standards based on the RSPO standards, as well as the establishment of the moratorium on forest conservation by the Indonesian government. Although it is difficult to calculate their exact contribution to reducing deforestation and thus mitigating climate change, it is safe to say that sustainability standards did matter in reducing the pace of deforestation in major palm oil producing countries.



KEY TAKEAWAYS

Deforestation is still happening at a large scale in Indonesia and Malaysia and the impact on the climate is still enormous. Nevertheless, the dialectic of environmental NGOs and major palm oil producers, as well as the synergy resulting from diplomacy between producing and importing countries, has led to the establishment of a powerful normative framework for more climate and environmentally friendly palm oil production. This is fully reflected in the new producer-driven ISPO and MSPO standards based on the RSPO standards, as well as the establishment of the moratorium on forest conservation by the Indonesian government. Although it is difficult to calculate their exact contribution to reducing deforestation and thus mitigating climate change, it is safe to say that sustainability standards did matter in reducing the pace of deforestation in major palm oil producing countries.

REFERENCES

RETURN TO PREVIOUS PAGE

- 1 Alonso-Fradejas, A., Liu, J., Salerno, T., & Xu, Y. (2016). [Inquiring into the political economy of oil palm as a global flex crop](#). *Journal of Peasant Studies*, 43(1), 141–165
- 2 D'Agostino, A. L., & Sovacool, B. K. (2010). [Palm Oil in Southeast Asia: Why the Controversy?](#) *Asian Trends Monitoring Bulletin* (4).
- 3 BPS-Statistics Indonesia (2020). [Indonesian Oil Palm Statistics 2019](#). BPS
- 4 Rahman, S. (2020). [Malaysian Independent Oil Palm Smallholders and their Struggle to Survive 2020](#). ISEAS Perspective No. 144
- 5 World Bank (2019). [Indonesia Economic Quarterly: Investing in people](#). World Bank
- 6 Tempo (23/08/2018). [Kontribusi sektor sawit bagi perekonomian nasional](#). Tempo
- 7 Hirschmann, R. (2021). [Palm oil industry as share of GDP in Malaysia, 2015-2019](#). Statista
- 8 Larson, D.F. (1996). [Indonesia's Palm Oil Subsector](#). World Bank Policy Research Working Paper
- 9 McCarthy, J.F., and Cramb, R. A. (2009). [Policy Narratives, Landholder Engagement, and Oil Palm Expansion on the Malaysian and Indonesian Frontiers](#). *Geographical Journal* 175 (2) : 112–23.
- 10 Supriyono, J. (2016). [Sawit adalah anugerah Tuhan YME bagi Indonesia! Indonesian Palm Oil Association](#). GAPKI
- 11 Greenpeace (21/11/2007). [How the Palm Oil Industry is Cooking the Climate](#). Greenpeace
- 12 Greenpeace (20/05/2008). [How Unilever Palm Oil Supplier Are Burning Up Borneo](#). Greenpeace
- 13 Greenpeace (24/03/2010). [Caught Red Handed: How Nestlé's Use of Palm Oil is Having a Devastating Impact on Rainforest, the Climate, and Orang-Utans](#). Greenpeace
- 14 Greenpeace India (2012). [Frying the Forest: How India's Use of Palm Oil is Having a Devastating Impact on Indonesia's Rainforests, Tigers, and the Global Climate](#). Greenpeace India
- 15 Union of Concerned Scientists (2013). [Palm Oil and Global Warming](#). Union of Concerned Scientists
- 16 Cooper, H.V., Evers, S., Aplin, P., Crout, N., Bin Dahalan, M.P. & Sjogersten, S. (2020) [Greenhouse gas emissions resulting from conversion of peat swamp forest to oil palm plantation](#). *Nature Communications*, Vol 11, 407
- 17 Guillaume, T., Kotowska, M.M., Hertel, D., Knohl, A., Krashevskaya, V., Murtillaksono, K., Scheu, S., Kuzyakov, Y. (2018). [Carbon costs and benefits of Indonesian rainforest conversion to plantations](#). *Nature Communications*, Vol 9.
- 18 Global Forest Watch (19/09/2021). [Indonesia Dashboard](#).
- 19 Global Forest Watch (19/09/2021). [Malaysia Dashboard](#).
- 20 World Resources Institute (19/09/2021). [Forest Pulse: the latest on the world's forests](#). World Resources Institute
- 21 Aqil, A.M.I. (06/03/2021). [Indonesia claims success for lowest deforestation rate in 5 years](#). *The Jakarta Post*
- 22 Teoh Cheng Hai (2013). Malaysian corporations as strategic players in Southeast Asia's Palm Oil Industry. In O. Pye & J. Bhattacharya (Eds.), [The Palm Oil Controversy in Southeast Asia: a Transnational Perspective](#) (pp. 19–47). Singapore: ISEAS
- 23 Riau Terkini (16/11/2007). [Greenpeace Bentang Spanduk Anti Kelapa Sawit di Banker CPO Dumai](#). Riau Terkini
- 24 Choiruzzad, S.A.B., Tyson, A., Varkkey, H. (2021). [The ambiguities of Indonesian Sustainable Palm Oil certification: internal incoherence, governance rescaling and state transformation](#). *Asia Europe Journal*, 19 (2), pp. 189-208
- 25 RSPO (19/09/2021). [About us](#). Roundtable on Sustainable Palm Oil
- 26 Greenpeace (09/2013). [Certifying Destruction: Why Consumer Need to Go Beyond the RSPO to Stop Forest Destruction](#). Greenpeace
- 27 Nesadurai, H.E.S., Contesting Private Sustainability Norms in Primary Commodity Production in Bloomfield A. and Scott S.V. (2012). [Norm Antipreneurs and the Politics of Resistance to Global Normative Change](#), Routledge: New York. pp. 159-176
- 28 RSPO (16/10/2020). [RSPO NEXT certification scheme to expire](#).
- 29 RSPO (2010). *GA7: Minutes of the 7th General Assembly*
- 30 RSPO (2009). *GA6: Minutes of the 6th General Assembly*
- 31 RSPO (2006). *GA3: Minutes of 3rd General Assembly*
- 32 RSPO (2006). *Minutes of Executive Board Meeting: EB 04-06*.
- 33 Raghu, A. (14/01/2019). [The World Has Loads of Sustainable Palm Oil... But No One Wants It](#). Bloomberg
- 34 Adnan, H. (2014, February 26) [Malaysia to quit Roundtable on Sustainable Palm Oil grouping?](#) *The Star*
- 35 McInnes, A. (2017). [A Comparison of Leading Palm Oil Certification Standards](#). *Forest Peoples Programme*
- 36 Suharto, R., Husein, K. et al. (2015). [Joint Study on the Similarities and Differences of the ISPO and the RSPO Certification Systems](#). UNDP and SPOI
- 37 Karmini, N. (05/02/2021). [Indonesia, Malaysia vow to counter anti-palm oil campaign](#). Associated Press News
- 38 Choiruzzad, S. A. B. (2019). [Save Palm Oil, Save the Nation: Palm Oil Companies and the Shaping of Indonesia's National Interest](#). *Asian Politics and Policy*, 11(1)
- 39 European Commission (13/03/2019). [Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions in the Status of Production Expansion of Relevant Food and Feed Crops Worldwide](#). European Commission
- 40 Mayr, S., Hollaus, B., and Madner, V. (2020). [Palm Oil, the RED II and WTO Law: EU Sustainable Biofuel Policy Tangled up in Green?](#) *Review of European, Comparative and International Environmental Law*, April, pp. 1–16.
- 41 Munthe, B. C., Ungku, F. (22/09/2021). [Indonesia to use "existing laws" as palm oil moratorium expires](#). Reuters
- 42 Farand, C. (20/09/2021). [Indonesia ends forest protection deal with Norway, raising deforestation fears](#). *Climate Home News*
- 43 RSPO (18/09/2021). [Impact](#). Roundtable on Sustainable Palm Oil