



WORLD GROWTH
Palm Oil Green Development
Campaign



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Palm Oil – The Sustainable Oil

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Executive Summary

What's the Fuss About?

Palm oil accounts for 32 percent of the global production of edible vegetable oils and 59 percent of annual exports.¹ It is produced in tropical climates and has become a staple food in countries such as Malaysia and Indonesia. Global demand is growing as populations increase and standards of living improve.

Production of palm oil is more sustainable than crop based vegetable oils such as soybean and rapeseed. It consumes considerably less energy in production, uses less land and generates more oil per hectare. The palm oil industry is a major driver of rural economic development in Malaysia and Indonesia. It has become a substantial export and a key contributor to poverty alleviation and higher living standards.

Yet green groups in Europe (principally Greenpeace and Friends of the Earth) are campaigning to denigrate palm oil by pressuring processors and consumers to boycott it and EU governments to block imports. The EU Renewable Energy Directive restricts the availability of palm oil. The campaign is based on contentions that palm oil damages the environment and is endangering threatened species, such as the orangutan.

Palm Oil as a Development Tool

Around 89 percent of the world's vegetable oils are produced in developing countries.² Vegetable oil is a food staple in the developing world and also a major generator of jobs and prosperity. Palm oil offers poor countries in Africa the opportunity to build significant palm oil industries and to raise living standards as the industry has done in Malaysia and Indonesia.

Restricting palm oil production worldwide and limiting access to European markets would limit an important opportunity for developing countries to raise living standards and reduce poverty. Restricting palm oil imports from developing countries restricts their capacity to grow and reduce poverty.

A Highly Sustainable Industry

Exerting pressure to restrict production of palm oil will simply increase demand for other crops which are less efficient producers of vegetable oil.

Palm oil uses less land than crop-based oilseeds. Only 0.26 hectares of land is required to produce one tonne of oil from palm oil, while soybean, sunflower and rapeseed require 2.2, 2 and 1.5 hectares, respectively, to produce one tonne. Palm oil producers also expect to increase their yield per hectare. Palm oil generates nearly 10 times the energy it consumes, compared to a ratio of 2.5 for soybeans and 3 for ripe oilseed.

The world's leading palm oil producers now are beginning to provide independent certification for the sustainable production of palm oil.

Impact on Biodiversity

It is an undeniable fact that economic growth and population growth puts pressure on habitats and threatens biodiversity in specific locations. Most governments in areas where these pressures exist have collaborated with conservation groups to establish wildlife reserves to protect habitats.

The success of conserving biodiversity is a function of the successful establishment of effective conservation areas. It is not the case that conversion of forestry land automatically entails loss of species and biodiversity. There are examples of successful areas for conserving biodiversity in Malaysia and Indonesia.

The palm oil industry is not destroying forest biodiversity in developing countries. In Malaysia, the second largest producer, palm oil is restricted to 20 percent of the state's land that is allocated for agricultural purposes. More than 55 percent of Malaysia's territory is reserved for forest, while the European average is 25 percent.

In Indonesia, one of the world's most densely populated countries and the world's largest producer of palm oil, 25 percent of the country has been set aside for forest conservation. Palm oil is only cultivated in areas set aside for commercial production. In both countries, the palm oil industry is an important contributor to programs to protect endangered species, such as the orang-utan.

Reduces Greenhouse Gas Emissions

The palm oil industry has a positive impact on the reduction of GHGs. The oil palm is an effective carbon sink. Its performance is superior to many established forest species. The oil palm consumes fewer carbon emitting inputs than other oil seeds and has a comparatively smaller carbon footprint. Palm oil can serve as a very effective biofuel and can make a good contribution to efforts in Europe to reduce consumption of fossil-fuel based energy by substituting palm oil-based biofuel.

Where development of palm oil plantations results in releases of emissions of greenhouse gases, this should be treated as a necessary consequence of development in much the same way expansion of energy generation to support economic development results in increases of GHGs. Moreover, the technical understanding of the carbon footprint of palm oil and other plantation and forest industries is still weak. And, as developing countries become wealthier, they will be able to afford the cost increases necessary to reduce this carbon footprint.

1 Oil World 2008, *Oil World Annual 2008*, Hamburg.

2 Ibid.