

PalmSphere



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M P O C

**PALM OIL-DERIVED SUSTAINABLE
AVIATION FUEL: MALAYSIA'S CRUCIAL ROLE
IN EMISSION REDUCTION**

**IS THE EU READY TO
IMPLEMENT ITS EUDR
REQUIREMENTS?**

**FREQUENTLY ASKED
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**CHARTING A
SUSTAINABLE FUTURE**

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MESSAGE FROM THE CEO



Belvinder Sron
CEO of MPOC

Dear Readers,

Welcome to the inaugural issue of the sustainability newsletter “PalmSphere” from the Malaysian Palm Oil Council (MPOC). As the MPOC CEO, it gives me great pleasure to introduce this publication, which represents our unwavering commitment to advancing sustainable practices as well as environmental, social, and governance (ESG) principles within the Malaysian palm oil industry.

The palm oil sector is vital to Malaysia’s economy, providing employment opportunities and contributing significantly to our nation’s economic growth. However, we are fully aware of the world’s concerns regarding palm oil production’s environmental and social impacts. Fortunately, these concerns can be addressed through a collective effort to promote sustainability and responsible business practices.

At MPOC, we firmly believe that sustainability and ESG are not mere buzzwords, but the ethos that guides the Malaysian palm oil industry. This newsletter serves as a platform for us to share our journey, progress, and insights into making the Malaysian palm oil industry a model of sustainability. We are dedicated to fostering a responsible palm oil sector that considers ecological well-being, social welfare, and ethical governance standards.

We recognise the importance of a transparent dialogue with our stakeholders, including consumers, investors, governments, and NGOs. This newsletter aims to strengthen this dialogue, fostering trust, understanding, and collaboration. Your feedback and engagement are encouraged as we progress towards a sustainable Malaysian palm oil industry.

We are committed to a future where Malaysian palm oil is renowned for quality and positive contributions to the planet and society. I would like to express my gratitude to our dedicated team at MPOC, industry partners, and supporters in our sustainability and ESG efforts. Together, we aim to harmonise Malaysian palm oil production with nature, benefit local communities, and maintain high ethical standards. Explore this newsletter to be part of the solution.

Let us cultivate both prosperity and a greener tomorrow for the benefit of Malaysia's future!



CHARTING A SUSTAINABLE FUTURE - MPOC'S LATEST SUSTAINABILITY UPDATES

Leading the charge in promoting sustainable practices within the Malaysian palm oil industry amid global environmental concerns and challenges.



IN a world grappling with escalating environmental challenges, the Malaysian Palm Oil Council (MPOC) stands at the forefront, committed to fostering sustainability within the Malaysian palm oil industry. With unwavering dedication to certified sustainable Malaysian palm oil, MPOC is poised to address various challenges, from sustainability-based legislative barriers, to consumer perception issues and labour-related challenges.

5-Year Roadmap

The Malaysian palm oil industry continues to be confronted with a myriad of challenges. In the current climate, these encompass sustainability-based legislative barriers, consumer perception issues, and labour-related challenges. Navigating these obstacles is pivotal for the industry's growth and sustainability.



A roundtable discussion between Malaysian palm oil industry stakeholders and Dr. Astrid Schomaker, Director of Global Sustainable Development at the Directorate-General for Environment, European Commission to discuss the impact of the EUDR implementation on Malaysian palm oil exporters.



Engaging the EU

The European Union (EU) have introduced a number of legislations, such as the EU Deforestation Regulation (EUDR), Renewable Energy Directive III (RED III), Corporate Sustainability Due Diligence (CSDD), and many others including the Forced Labour Regulation, which are being negotiated, that could potentially impact the market access of sustainable Malaysian palm oil on this continent. Recognising the EU's important role as a significant market for Malaysian palm oil, the council has proactively undertaken a range of activities that include dialogues with key EU policymakers and joint ministerial missions with Indonesia to Brussels. During these engagements, productive discussions were held with EU stakeholders, including Members of the European Parliament, EU Commissioners, Malaysian palm oil industry stakeholders, and NGOs.

Labour Practices

To raise awareness about the significance of workers' rights in the Malaysian palm oil sector, MPOC has been organising several workshops targeting Malaysian oil palm smallholders. These workshops aim to enhance awareness and understanding regarding the need for businesses to respect, protect, and uphold human rights and good labour practices.





A recent workshop was organised by MPOC in Tawau, Sabah, to disseminate updates on labour issues and create awareness of human and workers' rights among oil palm smallholders.

Additionally, the workshops focused on the 11 indicators of forced labour and how these are addressed under the revised certification scheme Malaysian Sustainable Palm Oil (MSPO) standard (MS 2530:2022), ensuring that the target audience is well informed about the negative impacts arising from these issues.

Advocacy Contributing to Policy Formation

Advocacy plays a pivotal role in shaping policies and regulations related to the Malaysian palm oil industry. MPOC has been actively involved in addressing labour-related issues within the industry.

“MPOC aims to promote MSPO as a robust sustainability certification, enhancing consumer awareness for sustainable, legally produced, and deforestation-free Malaysian palm oil.”

Belvinder Sron, CEO of MPOC





A US delegation engaging in discussions with industry members during their visit to the Sime Darby Plantation Estate on Carey Island.

This includes the US delegation's visit to the Sime Darby Plantation Estate on Carey Island, Selangor, where engagements between industry captains and the US authorities have taken place. These dialogues aimed to improve labour practices, ensure compliance with international labour standards, and uphold workers' rights.

Collaborative Efforts

MPOC firmly believes that change can only be achieved through collective effort. Through active engagement with stakeholders, including local communities, non-governmental organisations (NGOs), and industry partners, we aim to advance dialogues. This collaborative approach helps the council stay connected with the diverse needs and concerns of all involved.



KEY ACTIVITIES

- 1 Workshops for Smallholders:** MPOC organises workshops targeting Malaysian oil palm smallholders to raise awareness about workers' rights and the importance of good labour practices.
- 2 International Dialogues:** Ongoing dialogues with the UK and the US lawmakers, among others, to address labour-related issues and ensure compliance with international labour standards.
- 3 Collaboration with Stakeholders:** Engaging the local communities, NGOs, and industry partners to foster cooperation and address concerns.
- 4 Advocacy of MSPO:** Striving to raise global recognition for the MSPO certification scheme in order to promote sustainable palm oil production.

As we navigate the complex terrain of climate change, deforestation, and sustainability, MPOC has emerged as a steadfast advocate for positive change. MPOC strives to chart a course towards recognising and accepting the MSPO as a robust sustainability certification scheme, amplifying consumer information and PR campaigns for Malaysian palm oil as a sustainable, legally-produced, and deforestation-free commodity.

Subscribe to this newsletter today for more updates from MPOC as we continue our journey towards a greener, more sustainable world. Our commitment to sustainability, climate action, and advocacy is a vision and a steadfast pursuit of a better, more environmentally responsible future.

PALM OIL-DERIVED SUSTAINABLE AVIATION FUEL: MALAYSIA'S CRUCIAL ROLE IN EMISSION REDUCTION



Discover how by-products from palm oil production could transform the future of aviation while global regulators and the aerospace industry navigate critical decisions on SAF feedstocks.

PALM oil derivatives are currently being used around the world for testing and rolling out the future of Sustainable Aviation Fuel (SAFs). Malaysian companies have the potential to provide an extensive and consistent supply of such circular-economy feedstocks, which could revolutionise the future of aviation emissions.

The fuels in question are mostly by-products from palm oil production, such as Palm Oil Mill Effluent (POME), Palm Oil Fatty Acid Distillate (PFAD), and used biomass such as empty fruit bunches. Importantly, under the “sustainability” definition, these are by-products and have no intrinsic value of their own or reasons to be produced except as a by-product.

Utilising these by-products in sustainable aviation fuels is an excellent example of how land cultivation can achieve significant economic and environmental benefits when waste products are innovatively used and reused.

The European Union, the US, and the UK are in the midst of considering or already implementing new laws relating to the use of SAFs – increasing their use and, in some cases, mandating quotas and targets. The details of these regulations will be crucial in ensuring that it can successfully attract the best SAF feedstocks – such as palm-based by-products, which is the most efficient oilseed crop in the world.

As global regulators debate these issues, and despite protectionist lobbying by local fuels, for example in Europe where lobbying is currently pursued to reject palm oil as a SAF feedstock, the aerospace and aviation industry is moving forward apace. Test flights, such as those conducted by Boeing, are taking place, and multiple commercial airlines worldwide have conducted test flights with SAF blends, including palm-based by-products as a feedstock.

KEY ELEMENTS STILL UNDER DISCUSSION INCLUDE:

Which sustainability criteria will be used to determine eligible feedstocks?

Level of the Power-to-Liquid (PtL) mandate.

Whether there will be a cap or restriction on Hydroprocessed Esters and Fatty Acid (HEFA) fuels, which could affect palm oil's market share of SAFs.

Level of buy-out prices – which determines the maximum potential incentive for supplying SAF and helps drive price support for SAF.

If certification systems will be developed in some countries or internationally to allow SAF certificates to be issued, traded, and used for compliance.



IS THE EU READY TO IMPLEMENT ITS EUDR REQUIREMENTS?

Addressing key concerns from producing countries is vital in ensuring a fair and just implementation of the EUDR.

THE European Union Deforestation Legislation (EUDR), which came into force on 29 June 2023, remains contentious, particularly amongst developing countries including Malaysia. The legislation requires seven commodities and their derivatives - cattle, cocoa, coffee, oil palm, rubber, soya, and wood entering the EU market to be deforestation-free, produced by adhering to the relevant legislations of the country of production, and covered by a due diligence statement. Malaysia exports 4 out of the 7 commodities into the EU: palm oil, rubber, timber, and cocoa. Key concerns on the regulation include the cost implication from geolocation and traceability requirements, financial and technical limitations of smallholders, supply chain complexities, and the Country Benchmarking System.

EUDR's VITAL JUNCTURES



The Malaysian Government and palm oil sector of Malaysia have been in persistent communication with the EU to voice the country's concerns. This is to ensure that the industry, particularly smallholders will not be excluded from the EU market; to enable the recognition of the Malaysian Sustainable Palm Oil (MSPO) certification scheme and to ensure that Malaysia is designated as a low-risk country under the Country Benchmarking System. These engagements involve several stakeholder dialogues with key EU policymakers and the submission of the Malaysian smallholders' petition to the EU Commission and EU Embassy in Brussels on 15 and 23 March. Subsequently, the Malaysia-Indonesia Joint Ministerial Mission to Brussels, at the end of May 2023, also conveyed Malaysia's concerns and objections on EUDR and reaffirmed the significant role of palm oil in socio-economic developments, especially for smallholders in rural communities.

One of the positive outcomes of this Joint Mission is the formation of the EUDR Ad-Hoc Joint Task Force (JTF), which will be a consultative platform for the EU to support EUDR coordination. Furthermore, the Task Force also has the objective of assisting both Malaysia and Indonesia to address issues and concerns pertaining to the implementation of the EUDR and to identify practical solutions and approaches relevant to the implementation of the EUDR.



Members of the Malaysian smallholder delegation handing the petition that highlights concerns surrounding the impact of EUDR on the Malaysian oil palm smallholders to the EU Embassy, Kuala Lumpur and subsequently the EU Commission in Brussels.

As part of its efforts to identify feasible and practical solutions in meeting the EUDR, the 1st Joint Task Force meeting on 4 August 2023 has identified a number of areas for collaboration, which include promoting the inclusivity of smallholders in the supply chain, conducting gap analyses on national certification schemes, and identifying feasible solutions for traceability efforts. However, as there has been very little development from the EU since then, there is an urgent need to evaluate the current progress and readiness of the European Commission, its member states, and its industry members in the implementation of EUDR, as this information would be essential to Malaysia and Indonesia's preparations in the next EUDR JTF meeting in January 2024.

With this in mind, the Council of Palm Oil Producing Countries (CPOPC) organised a working visit to the EU from 17 to 26 October 2023, comprising the Malaysian and Indonesian delegates.

Visit Objectives:



- ▶ To obtain ground-level information on readiness, action plans, and responses of EU ministries, importers, and stakeholders.
- ▶ To assess the preparedness of the EUDR implementation.

Focus Areas:



- ▶ Evaluate readiness, action plans, and responses of EU ministries, importers, and key stakeholders.
- ▶ Exchange views and discuss potential measures for addressing challenges in the palm oil industry.

Delegation Highlights:



- ▶ Positive improvements in sustainability and forest conservation efforts.
- ▶ Reductions in forest cover losses in both countries.
- ▶ Recognition of national palm oil sustainability certification schemes (MSPO and Indonesian Sustainable Palm Oil [ISPO]).
- ▶ Role of palm oil in providing food security and socio-economic benefits.
- ▶ Poverty eradication and uplifting of smallholders' standards of living in rural communities.

Towards the end of the working visit, it was observed that the EU member states and industry members were waiting for more information on the implementation and enforcement of the EUDR.

The lack of clarity is a major concern, as for the industry members, this could result in supply chain bottlenecks for EUDR-compliant commodities like palm oil by January 2025 onwards once EUDR is enforced.



Deputy Prime Minister and the Minister of Plantation and Commodities of Malaysia, YAB Dato' Sri Haji Fadillah bin Yusof, and H.E. Airlangga Hartarto, Coordinating Minister for Economic Affairs of the Republic of Indonesia raised Malaysia's and Indonesia's concerns on the EUDR implementation to the EU delegation.

Another potential concern is the lack of harmonisation and standardisation amongst the member states, competent authorities, and ports during the implementation and enforcement of the EUDR requirements, as this could give rise to different interpretations being applied in other member states.

In order to address these concerns, the EU needs to intensify its efforts to share the mechanisms and details of the implementation and enforcement of EUDR with its member states and producing countries. This would ease the concerns of the businesses and the producing countries, and enable better preparations for the requirements.

Malaysia will also continue to engage and foster potential partnerships with the EU, its Member States, and businesses to facilitate the recognition of the MSPO certification scheme, the acceptance of sustainable Malaysian palm oil in the EU market, and the inclusion of its smallholders in meeting the EUDR requirements.

FREQUENTLY ASKED QUESTIONS (FAQ)

Your guide to understanding the complex interplay between palm oil and its impact on health and deforestation.

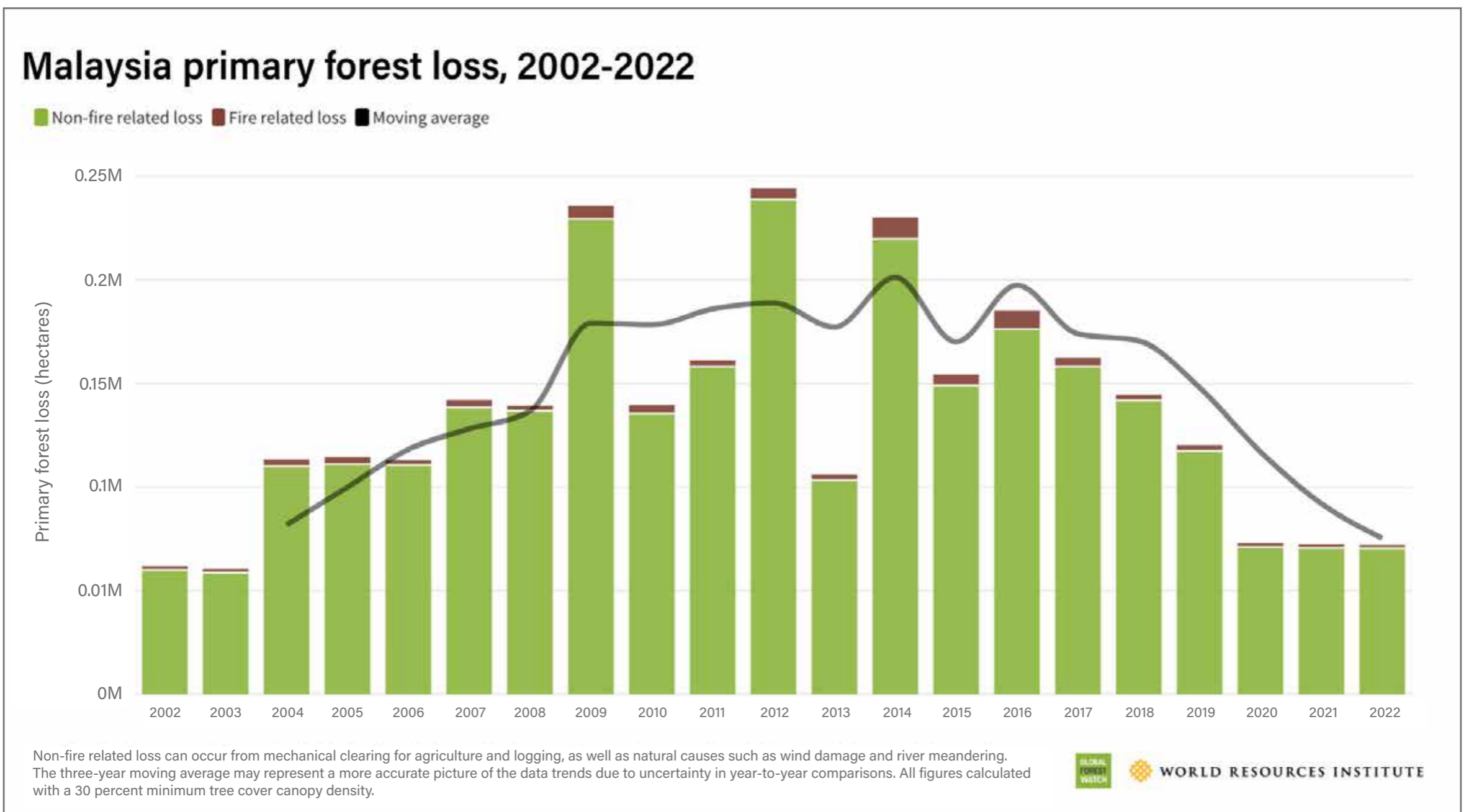


Deforestation and Wildlife

QUESTION:

Critics argue that palm oil production has led to widespread deforestation, contributing to habitat loss and the decline of endangered species such as orangutans. Is this criticism fair?

WHILE it is true that palm oil production has faced criticism for its environmental impact, it is important to consider the efforts made by the Malaysian palm oil industry to address deforestation and protect endangered species. Responsible and ethical palm oil production is vital in balancing economic development with environmental preservation.



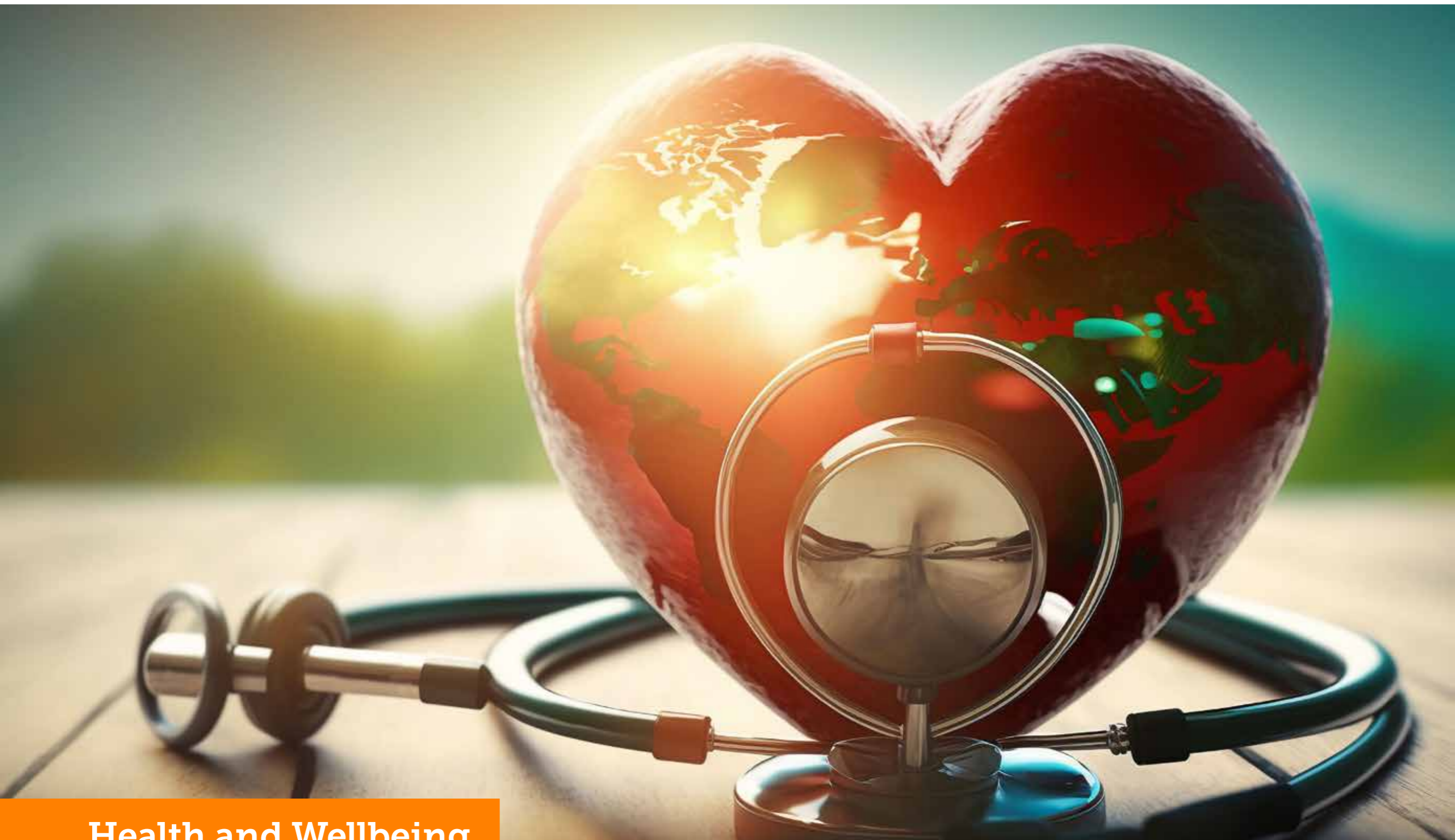
An important piece of research by Global Forest Watch in June 2023 reported that primary forest loss in Malaysia decreased by almost 70% between 2014 and 2020.

According to a Forest 500 analysis by the non-profit research group Global Canopy, among all the commodities that are linked to deforestation, commitments are more common in palm oil supply chains than other commodities.

72% of palm oil companies have made a deforestation commitment than other commodities:



Sources: <https://research.wri.org/gfr/latest-analysis-deforestation-trends>
<https://forest500.org/analysis/insights>



Health and Wellbeing

QUESTION:

Consuming fats and oils, such as palm oil is believed to cause weight gain and obesity due to its high caloric density. Is this true?

LIKE any other source of dietary fat, palm oil fuels the body with energy (9 calories per gram of oils/fats). However, it is important to emphasise that weight gain and obesity result from an imbalance between caloric intake and expenditure rather than from consuming a specific type of oil. When consumed as part of a balanced diet and in moderation, palm oil can be a part of a healthy lifestyle. It provides essential nutrients and contributes to satiety, helping individuals achieve a well-rounded diet that supports overall health and weight management.



Palm oil contains a range of essential nutrients, including fatty acids, vitamin E, and provitamin A carotenoids, making it a nutrient-dense option for a balanced diet.

- Palm oil is a rich source of vitamin E, which acts as an [antioxidant and helps protect cells](#) from damage caused by free radicals. The vitamin E content in palm oil has also been associated with cognitive function and a reduced risk of age-related neurodegenerative diseases, as well as protecting against oxidative stress and healthy skin.
- Crude and Red Palm Oil (especially refined palm oil) are [rich sources of provitamin A](#) carotenoids, essential for maintaining healthy vision, immune function, and skin health. Red Palm Oil has been [successfully used in food fortification programmes](#) to combat vitamin A deficiency in children, particularly in developing countries.
- Palm oil aids in absorbing fat-soluble vitamins, including vitamins A, D, E, and K.
 - Vitamin D: A vital nutrient for bone health, immune function, and other physiological processes.
 - Vitamin K: Vitamin K plays a crucial role in blood clotting and bone health, as it supports bone mineralisation and helps maintain bone density.

Sources:

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