7 facts about palm oil biodiesel

And why EU policy support must end

May 2018

Summary

The Renewable Energy Directive regulates the use of biofuels and renewable transport fuels in the EU. It is currently under review for the period 2020 to 2030 ("REDII").

Both the European Parliament and the Council of the EU have proposed their amendments to this EU law and their positions are quite different from each other. A key difference is the decision of the Parliament to end policy support for biodiesel made from palm oil in 2021, in an attempt to avoid the negative environmental, climate and social impacts linked to this biofuel feedstock.

The Parliament decision has sparked an international debate in which palm oil producing countries have spoken against the measure. Given the negative impacts linked to crop biodiesel – and especially palm oil – we consider the Parliament vote a step in the right direction, especially given these key facts:

1. The greenhouse gas emissions from palm oil biodiesel are three times worse than fossil diesel.
2. EU drivers are the biggest users of palm oil, more than the food and cosmetics industries together.
3. Current certification schemes can't guarantee sustainability of the biofuels used in the EU.
4. The Parliament's decision is not a ban on palm oil, it's an end to the policy support for palm oil biodiesel in the RED II.
5. There are other issues linked to mass-scale production of palm oil, such as labour and human rights violations.
6. Certified palm oil should be used to feed people, not cars.
7. Despite attempts, palm oil expansion leads to deforestation and peatland drainage.

Context and background

The EU renewable energy directive (RED), adopted in 2009, aimed to boost the use of renewables in Europe, including in the transport sector for which a target of 10% renewables was set for the year 2020. This target has driven a significant increase in the use of crop biofuels – particularly biodiesel. However, there are concerns about the negative impacts linked to these biofuels, such as greenhouse gas (GHG) emissions due to deforestation and biodiversity loss.

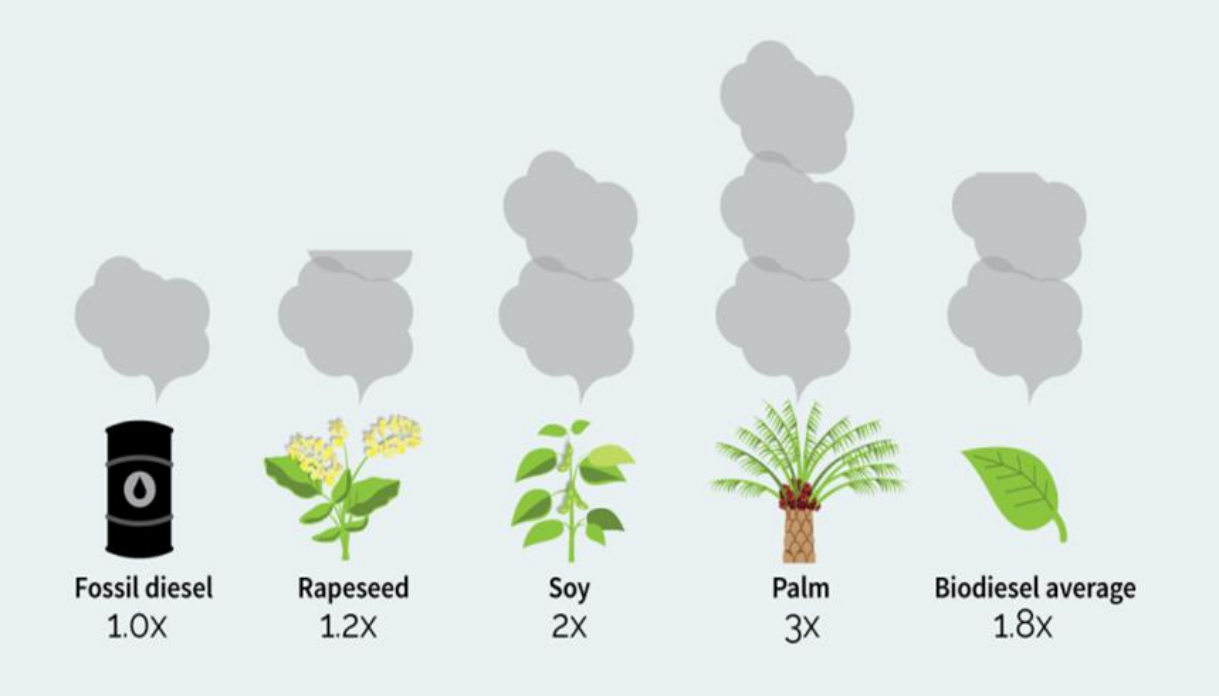
In 2015, in an attempt to address these concerns, the EU reformed the RED to establish a limit of 7% on the amount of crop biofuels that can count towards the 10% target. Now, in the middle of the RED review ('REDII'), the European Parliament has voted for a full phase-out of the policy support for palm oil biodiesel in Europe, by not allowing palm oil biodiesel to contribute to any EU renewables target. This decision has

triggered positive and negative reactions from various sectors, especially from palm oil producing countries. Discussions are still ongoing and this is one of the key topics.
The Parliament's decision on palm oil is a good step, although such a short-term measure should be broadened to tackle all high emitting biofuels.

7 reasons why ending support to palm oil biodiesel is a good idea

1. The GHG emissions from palm oil biodiesel are three times greater than fossil diesel.

Based on the latest available data – produced for the European Commission[1] [2] [3] – biofuels used in the EU cause (indirect) land-use change which eliminates most of their greenhouse gas emission benefits. In the case of crop biodiesel, the indirect emissions are exceptionally high (due to deforestation in high-carbon stock areas and peatland drainage) making crop biodiesel much worse than the fossil diesel it replaces. Burning palm oil biodiesel is three times worse than using fossil diesel from a climate perspective. However, these indirect emissions aren't accounted for in the RED, which makes it possible for all crop biofuels to pass the GHG emissions criteria established by the EU law.



The graphic above represents the amount of GHG emissions linked to each of the biodiesel feedstocks used in EU in comparison with the fossil diesel they replace. These figures are based on the Globiom model (see footnote 1). The studies on land-use impacts already take into account potential climate benefits linked to the production of co-products for animal feed, the productivity of different food crops and the agricultural yield responses to several factors (technological improvements, price fluctuations)[4].

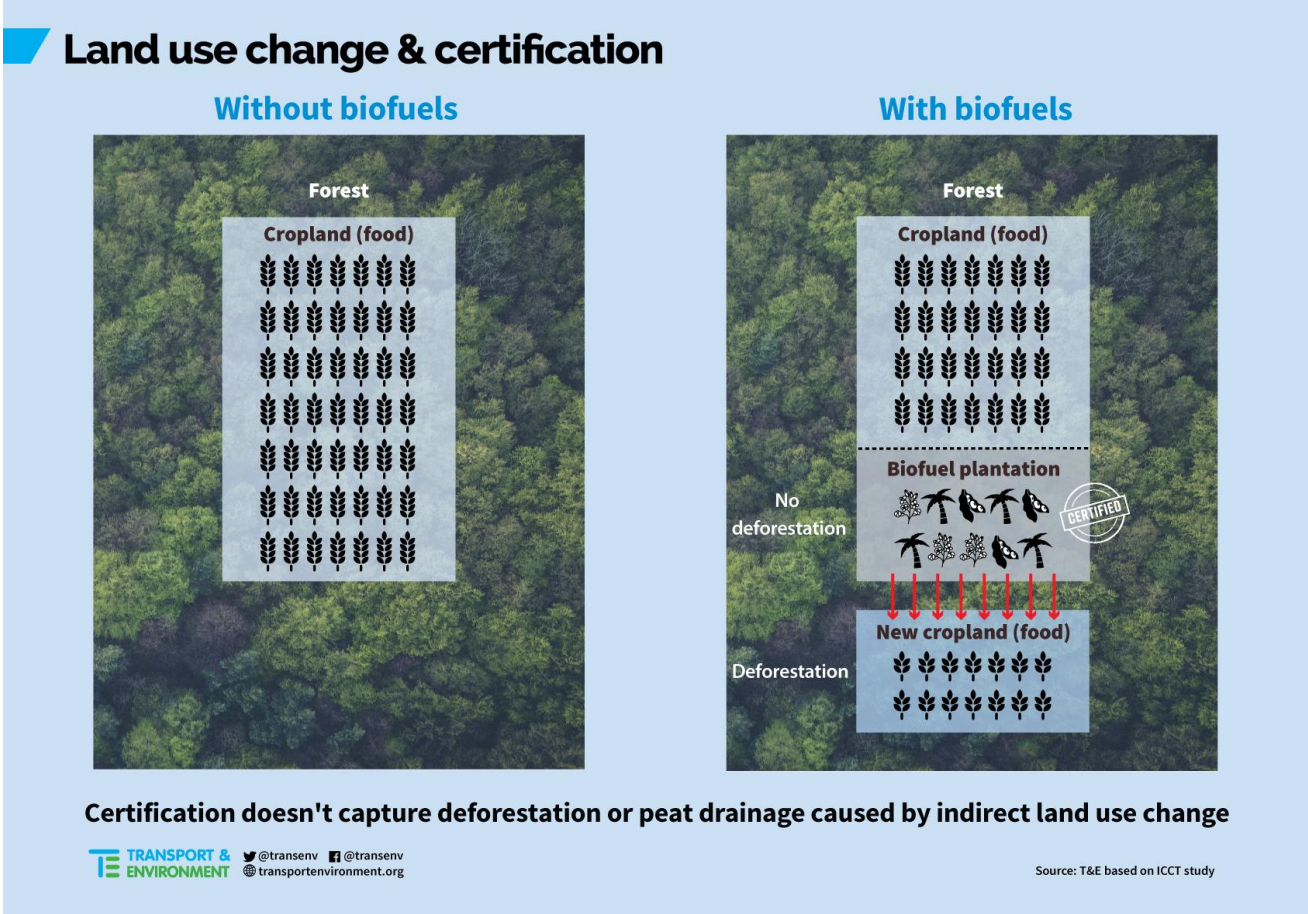
[1] The land use change impacts of biofuels consumed in the EU - Ecofys, IIASA and E4Tech for DG Energy, 2016
[2] Assessing the Land Use Change Consequences of European Biofuels Policy - David Laborde/IFPRI for DG Trade, 2011
[3] The land use change impacts of biofuels consumed in the EU. Complementary scenarios by 2030 – IIASA, 2016
[4] The land use change impacts of biofuels consumed in the EU- Pages XIV of executive summary; 6; 63, 210 (table 42).

2. EU drivers are the biggest users of palm oil, more than the food and cosmetics industries together.

The use of palm oil for biodiesel has greatly increased in the last decade. Since 2010 palm oil use for biofuel production has seen a huge increase: in 2010 – one year after the adoption of the RED – only 8% of all the palm oil imports were used for biodiesel; in 2016, 48% of all the imports were used in transport. This makes EU drivers the biggest users of palm oil in Europe[5]. The biggest producers of palm oil biodiesel in the EU are Spain and Italy, where 95% and 90% of the biodiesel production is based on palm oil, respectively[6].

3. Current certification schemes can't guarantee sustainability of the biofuels used in the EU.

All the biofuels used in the EU must be certified to be counted towards renewable targets. However, the current certification schemes do not consider indirect land-use effects, which is a big loophole as indirect impacts are very significant.



That's a key difference when comparing certification schemes for palm oil for food vs schemes for palm oil for fuel: in both cases, the schemes can certify the specific piece of land used to produce palm oil but, when certifying palm oil for biofuel use, the schemes can't certify the land that has been displaced elsewhere to grow food or feed and which has led to deforestation and/or peatland drainage (ILUC).
A report released by the EU Court of Auditors in 2016 reaches the same conclusion: certification schemes for biofuels used in the EU can't guarantee their sustainability[7]. The report highlights several loopholes in

[5] Reality check: 10 things you didn't know about EU biofuels policy - T&E, 2017
[6] Europe keeps burning more palm oil in its diesel cars and trucks - T&E, 2016
[7] Certifying biofuels: weaknesses in recognition and supervisions of the system - EU Court of Auditors, 2016

the EU biofuels certification schemes, such as lack of traceability of the supply chain or the fact that the schemes don't cover indirect land-use change impacts.

4. The European Parliament's decision is not a ban on palm oil, it's an end of the policy support for palm oil biodiesel in the RED II.

The Parliament voted[8] to end the policy support to palm oil biodiesel as of 2021. In practical terms this means that palm oil biodiesel can't count towards any targets (i.e. target for renewables in transport) under the REDII as of 2021. EU member states can still use palm oil biodiesel if they wish to do so, however they will have to use other fuels to meet their targets under REDII. This measure applies to the energy use of palm oil, and not to other markets like food, for instance.

5. There are other issues linked to mass-scale production of palm oil, such as labour and human rights violations.

In the recent years, several organisations have raised serious issues linked to palm oil plantations such as general welfare of palm plantation workers, including decent conditions and wage, child labour, forced labour, etc. NGOs and other organisations routinely highlight cases of human rights violations[9] but also corruption[10]. Unfortunately current biofuel sustainability schemes are unable to guarantee robust social and economic safeguards, because these are not required by EU law.

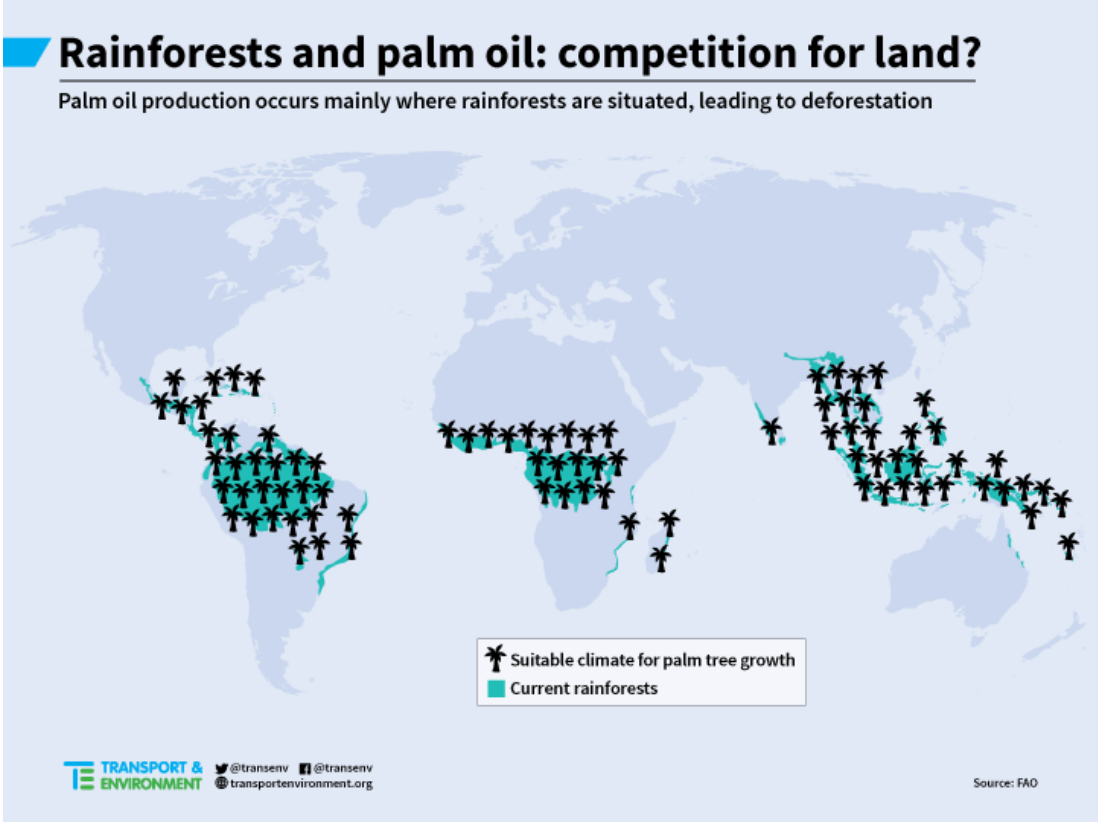
6. Certified palm oil should be used to feed people, not cars.

According to data from OECD and FAO[11], palm oil demand for food is expected to increase by about 40% between now and 2030. This means that there will still be significant new demand for palm oil, which needs to be met by sustainably sourced palm oil. However, palm oil certification must be improved: today, only 19% of the palm oil market is certified[12] and, despite the efforts to ensure welfare of workers and sustainability safeguards, enforcement and monitoring of the schemes must be tightened to ensure that the food industry is using truly sustainably sourced palm oil. Some NGOs – Greenpeace, notably – are working on improving these sustainability certification schemes, for instance by developing more credible verification systems[13].

7. Despite attempts, palm oil expansion leads to deforestation and peatland drainage.

There are moratoriums in place by the Government of Indonesia and private companies to prevent forest clearance for cultivation of palm oil and industry commitments not to produce on deforested land or peat. Despite these, deforestation continues in Malaysia and Indonesia. Over the last decade, palm oil plantations have been the main reason for deforestation and peatland drainage, which lead to a huge release of GHG emissions. Assuming that there is no fundamental change in forest governance or peat protection in Indonesia and Malaysia, deforestation and peatland drainage will continue: in Malaysia, 50% of new plantations will require deforestation, and 34% of new plantations will require peatland drainage. In the case of Indonesia, the scenario is similar: 50% of new plantations will require deforestation, and 32% of new plantations will require peatland drainage. As a comparison, the total deforested area will equal the size of The Netherlands (see footnote 10).

[8] Promotion of the use of energy from renewable sources - EU Parliament adopted text, January 2018.
[9] Palm Oil: Global brands profiting from child and forced labour - Amnesty international, 201
[10] Analysis: scandal-ridden Malaysian plantation firm is the cause of smallholders' problems, not the EU - IDM, 2018
[11] Driving deforestation. The impact of expanding palm oil demand through biofuel policy - Cerulogy, 2018
[12] Roundtable on Sustainable Palm Oil.
[13] POIG - Palm Oil Innovation Group.



Conclusions and recommendations

Crop-based biofuels have benefited from policy support in the EU since the adoption of the RED in 2009. However, the negative impacts on climate, environment and social circumstances described above explain why the EU should end policy support that encourages palm oil biofuels.

The decision of the European Parliament is a step in the right direction as it tackles the highest emitting type of crop biofuel (palm oil). It is important that such a measure is extended to other types of high emitting biofuels – such as soy and rapeseed.

The proposal of the Parliament is now being negotiated with EU member states and the European Commission. In order to achieve a good outcome and make the REDII fit for purpose, the EU should:

1. Not set a new target for crop biofuels but lower the limit on crop biofuels as much as possible.
2. Support the European Parliament's decision to phase out policy support under REDII for palm oil biodiesel by 2021.
3. Extend the measure to other high emitting crop biofuels such as soy oil biodiesel.

Further information

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