In the last four years, scrutiny of the palm oil sector has increased significantly. Non-governmental organisations (“NGOs”) have continued to focus on linking palm oil production to deforestation and habitat degradation, and on bringing pressure in relation to these issues on fast-moving consumer goods companies in particular.

The impact of palm oil production on the environment has also gained a political dimension, receiving recent attention from governments in both Europe and Asia. Corporates have taken voluntary action concerning palm oil in 2018, including increasing their reporting on supply chain due diligence and publicising specific voluntary commitments regarding palm oil use.

This note focuses on developments from governments, corporates and NGOs.

Governments
In January 2018, the European Parliament voted in favour of excluding biofuels produced from palm oil from the EU renewable energy targets (which impose an obligation of 27% final energy consumption from renewable sources by 2030), from 2021. In subsequent negotiations with the European Council in June 2018, this was reduced to a gradual phase out of the counting of biofuels with a high risk of indirect land use change towards EU renewable energy targets. Nevertheless, this demonstrates the focus of the European Parliament on this issue.

Corporates
Corporates in the fast-moving consumer goods sector have recently placed greater emphasis on transparency in supply chains, including greater corporate disclosure at all levels of the supply chain. Unilever PLC/Unilever NV significantly increased the level of its public engagement in relation to its palm oil supply chain in January 2018 by publicly disclosing the suppliers and mills from which it sources palm oil. In April 2018, the UK retailer Iceland Foods Ltd announced that 100% of its own brand food would contain no palm oil by the end of 2018, the first major voluntary commitment to phase out palm oil by a supermarket chain.

While these are some of the first steps of their kind, the increased focus on the sector indicate that they will not be the last.

NGOs
Following a previous report in 2017, a March 2018 Greenpeace report focused on status of corporate disclosure of palm oil suppliers and mills. Corporates using “100% clean palm oil” were applauded. The report highlighted commitments to zero deforestation made in 2010 for 2020 by members of the Consumer Goods Forum, and examined how palm oil traders had implemented pledges regarding deforestation. It urged the adoption of strong no-deforestation standards and a plan to ensure a clean palm oil supply chain by 2020, along with increased verification and transparency.

So what does this mean for me?
Corporates involved in the palm oil sector, either directly or indirectly through supply chains or joint ventures, may wish to consider what standards or policies they have in place regarding environmental impact. In particular, they should consider how they might respond to NGO scrutiny of their palm oil supply chains or increased requests for transparency from retailers/customers.

For more information on the palm oil sector or transparency in supply chains generally, please see our earlier publications, which are available on our Business and Human Rights website.
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