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The EU and palm oil: what's going on?

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In 2010 the EU was Malaysia's third export market for palm oil products after China and Pakistan, and the main export market for biofuels, accounting for 12.5% and 40% of Malaysia's exports respectively. The imports are on the rise but so is consumer awareness about (sustainable) palm oil.

The EU Renewable Energy Directive (RED) is one piece of legislation of significant importance for palm oil in the EU. By setting a specific target of 10% for renewable energy in transport, the Directive gives a boost to renewable energy, in particular biofuels. The Directive foresees incentives for sustainably produced biofuels, which fulfil the sustainability criteria. To be eligible, palm-based biodiesel needs to be sustainably produced. To help operators comply with the Directive, the European Commission adopted additional guidelines earlier this year. Most recently, in July, the Commission also adopted first voluntary certification schemes.

In another palm oil-related development, on 6 July 2011 the European Parliament adopted a Regulation on the provision of food information to consumers. The objective of the Regulation is to facilitate the choice of consumers. It includes specific provisions on labelling vegetable oils and fats, which includes palm oil.

While in general the tariffs in the EU are going down, there is a fast-evolving trend – both government- and consumer-driven – for standards and other non-tariff measures, especially with regard to environmental sustainability of products. This process applies to producers in the EU market as well as to importers. They will all need to adapt. Those who do so fast, will reap the earliest benefits.