Spearheading Development & Promotion of Sustainable Palm Oil in China

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- Setting the Context
- Business Case for CSPO in China
- Strategic considerations for promoting CSPO in China
- Connecting the Dots
- Conclusion
Setting the Context

- RSPO’s new vision: “To transform the market for palm oil so that Certified Sustainable Palm Oil becomes the norm”

- Present consumption of palm oil

<table>
<thead>
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<th>M Tonnes</th>
<th>% production</th>
</tr>
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<tbody>
<tr>
<td>EU 27</td>
<td>5.857</td>
<td>12.8</td>
</tr>
<tr>
<td>China</td>
<td>5.804</td>
<td>12.7</td>
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<tr>
<td>India</td>
<td>6.469</td>
<td>14.1</td>
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- Attainment of RSPO vision strives for 100% CSPO globally; BUT markets of developed economies account for about 15% of total output.

- Market transformation for CSPO will depend on developing economies – China, India, Indonesia etc.
Tipping Points for CSPO

Projected CSPO Consumption by China (%)
- 2013: 10%
- 2015: 20%
- 2019: 40%

Source: Verburg, J. 2010 at RT8

QUESTIONS:
1. Are these projections realistic?
2. Is China aware of these expectations?
3. Why should China respond?
Business Case for CSPO in China

- Attempt made for the CFNA-DEFRA/DFID 2010 policy study – Result? No convincing case yet!
- Business case to be demonstrated at 2 levels
  - National level = Government
  - Business = Associations & Corporations
- CFNA Stakeholder Consultation at RT8 – Developing the Business Case for CSPO
  - Drivers for CSPO in China – not the consumer!
  - Risks of not sourcing CSPO
  - Risks of sourcing CSPO
- CFNA Stakeholder Consultation in Beijing, March 2011
Supply Chain Pressure – Trade Flows

Source: China Corporate Research Report Version 5.0 by SynTao, 2008
Business Case for CSPO in China: National Level

- Overall strategy for the development of a “Harmonious Society by 2020 focused on human progress, social civilization and sustainable development…”
- Pursuit of a Low Carbon Economy; commitment to reduce carbon intensity by 40-45% by 2020
- 12th Five Plan (2011-2015) – “Effectively conserve resources, protect the environment and actively respond to Climate Change” (One of 7 major objectives)
- BUT the challenge is to put SPO in the national agenda for SD and low carbon economy
Strategic Considerations

1. 2-prong approach required – upstream and downstream production of palm oil
2. Critical to establish clear business case for Government and industry
3. Engagement of Government is critical
4. Strategy goes beyond OUTREACH and awareness – means to the end
5. What are the key messages to Chinese markets and consumers?
6. Need to build on existing initiatives & experience
7. Need for multi-stakeholder approach – partnerships. Potential role of RSPO?
Key messages to Chinese consumers?

- Negative messaging has worked on Western consumers.................

......BUT will it work in China?
Positive messaging for China?

Health and Food Safety – A National Concern!

Future Assured?
WWF Buyers’ Scorecard

- Effective in pushing demand for CSPO in Europe
  - Focus on RSPO members – CGM (127) and retailers (27) in Europe
  - High impact on brands
  - Identified leaders and laggards

- BUT will it work in the Chinese market?
  - Only 3 RSPO members; COFCO was a member
  - Relevance to Chinese brands?
  - Consistent with Chinese business practices – ‘face’, relationships (Guanxi)?
Consumer Brands in China

MNCs in China
Consumer Brands in China

Chinese Companies

BUT do they contain palm oil?
INITIATIVES ON PROMOTION OF SPO IN CHINA

- WWF China’s effort in awareness raising/engagement since 2005; part of global MTI strategy
- CFNA’s involvement in the RSPO process since 2008
- Establishment of the China Sustainable Palm Oil Network in 2009
- CFNA-DEFRA/DFID policy study on promotion of sustainable palm oil 2010/2011*

Connecting the Dots - Players

- **Government**
  - National Development & Reform Commission (NDRC)
  - Ministry of Commerce (MOFCOM)
  - Ministry of Environmental Protection (MEP)/State Forestry Administration
  - China Council for International Cooperation on Environment & Development (CCICED)

- **Industry Associations**
  - China Chamber of Commerce for Import & Export of Foodstuffs, Native Products & Animal By-Products (CFNA)
  - China Association of Surfactant Soap & Detergent Industry (CASSDI)

- **Industry**
  - MNCs in China
  - Chinese Enterprises (SOEs and private companies)
  - Exporters of palm oil to China

- **International Organizations**
  - RSPO, IFC/WB, IISD, Consumer Goods Forum (CGF), DEFRA/DFID

- **Civil Society**
  - Social & Environmental NGOs (WWF China, Solidaridad, Oxfam etc)
Connecting the Dots - Players

GOVERNMENT
- State Council
- NDRC
- MEP
- MOFCOM

NDRC
- CCICED

INDUSTRY
- CFNA
- Chinese Companies
- MNCs
- PO Companies

INTERNATIONAL ORG
- DEFRA/DFID
- IISD
- IFC/WB
- RSPO
- CGF

NGOs
- WWF China
- Solidaridad
- Oxfam

ROLE OF RSPO?
Conclusion

• Supply chain collectively has to play a role in the promotion of CSPO in China
• Need for a clear strategy to engage China that goes beyond awareness raising and outreach
• 2 levels of awareness raising – Palm Oil, then CSPO
• Need for a clear business case for Government and business
• Role of government is critical to provide the enabling environment
• MNCs in China have to provide the leadership by example
• RSPO has to make a physical presence in China for real progress to be made - RSPO CHINA?