Introduction

Motivation

• Financial Institutions: Debt Products for CapEX
• RSPO Resolution

Collaborators

• WWF
• FMO
• CDC
• Leading Palm Oil Producers: Malaysia, Indonesia, W Africa
Methodology

KPIs Development: 70+ Indicators
- CapEx
- Revenues & Market Opportunities
- New Plantings: HCV Costs & Benefits
- Social Engagement Costs & Benefits
- Segregation
- Labor Costs & Benefits
- Access to Capital

Methodology
- Interviews & Site Visits
- Quantitative Data
- Qualitative Descriptions and Experiences
Key Findings – Primary Costs & Benefits

Benefits
✓ Community Relations
✓ Operations
✓ Labor
✓ Market Access & Defense

 Costs
✓ HCV
✓ RSPO Certification
✓ RSPO Staff & Trainings
✓ Segmentation
Key Finding – Community Relations

- Avoid social conflicts driving unplanned development delays, legal fees, staff time, and periodic shut-downs

- Max conflict costs = USD $10-15mil loss over 10 yrs

- SIA costs = approximately US $0.54 per hectare

“There are real tools in RSPO that prevent this kind of thing from happening. . . If you prevent one shutdown during peak in the life of your plantation, right there it pays back for RSPO.”

“We used to hand it out blindly. Anyone who came to us with a project we felt we had to contribute. But now, with clear verification and other processes, we are smart about how we give out money.”

60 MT capacity mill × 22 hours per day × $200 FFB value per MT × 4 day disruption = ($1,056,000)
Key Finding – Operations

- **Large-Scale**: “Improvement by a Million Cuts” through improved documentation & 3rd Party push

- **Mid-Size**: Yield, Pesticide, and Herbicide Improvements through BMPs

- **Smallholder**: Exceptional improvement e.g. Increase from 9.4 to 23 MT FFB/ha

“People always know what they should be doing. The question is: when are you going to do it? Staff will always say: ‘Ay-ya, so difficult to do!’ But RSPO provides a time-bound plan and accountability. It’s a discipline. Improves the discipline of the company.”

“You’re not afraid of anyone. NGOs, governments, buyers, etc. . . . To be honest, every time the government inspector used to come, we’d get on the phone screaming at people: get the chemical shed cleaned up, etc., etc.! Now, our managers are inviting inspectors on the tour. We should be inspecting them!!"
Key Finding – Labor

- **Staff Morale**

- **Reduced turnover**
  e.g. 6%

- **OHS**
  e.g. 42% reduced accident rate

“The toilet might become blocked. A worker informs his or her supervisor. The supervisor may then simply treat it as an extra hour for him and doesn’t necessarily inform the manager. Probably the biggest problem is that the managers often don’t know what’s going on in their plantations.

Now there is an official, documented grievance mechanism on the plantation. If it is not respected, this issue is raised at the next regularly scheduled plantation meeting. This ultimately creates good harmony in terms of workers and management. It has reduced our labor turnover.

You can have a house on a plantation. But before RSPO, you don’t really have a home.”

“Skills that a company develops in getting good at RSPO are the same skills that are necessary to get good at productivity, and at people productivity... It’s all the same thing really: being a good, high-performing company. It’s a people business. So to make improvements it’s about moving lots and lots of people.”
Key Finding – Revenues & Market Access

- Market defense/expansion in EU and NA offset certification costs
  e.g. 25% increase penetration in EU

- Supply/demand imbalances causing widespread frustration

- US $30-150 p/MT premiums possible for RSPO segregated dependent on fraction/market segment

- Facilitates ISCC cert required for EC REDD+

"We now expect a new cert to come out almost yearly. But we’ve gone so deep on RSPO, and have all the data, so it’s really easy for us to just tack on any new one as they arrive."

"Eventually, China will request sustainable oil as well. . . That will be the tipping point,"

"[The buyers] are big enough, strong enough, and responsible enough to ensure they have a sustainable supply chain. . . Absolutely. . . If we don’t join RSPO, we’re not completing our package for customers we value greatly."

"We now expect a new cert to come out almost yearly. But we’ve gone so deep on RSPO, and have all the data, so it’s really easy for us to just tack on any new one as they arrive.”
Key Finding – HCV Costs in New Plantings

- HCV Set-Asides
- HCV/Expanded EIA Audits
- Management costs
- Total impact of US $1.80 – US $22 /ha
  High variability
  Difficult to separate from legal requirements, company policy, etc.
Key Finding – RSPO Certification

- Initial Certification US $2.59 – $9.26 /ha
- Ongoing certification maintenance costs = 20-33% of initial certification costs
- RSPO cert lasts 5 years with annual surveillance audits
- Remedial actions varied widely $US 3.74 – $38.32 /ha
Key Finding – RSPO Staff and Training

• Dedicated staff person or significant shared time

• Typically US $0.10 – $ 1.56 /ha (high of US $23.1) dependent on initial state of operations, smallholders
Conclusion

Benefits
✓ Community Relations
✓ Operations
✓ Labor
✓ Market Access & Defense

Costs
✓ HCV
✓ RSPO Certification
✓ RSPO Staff & Trainings
✓ Segregation

Financial benefits from adopting the RSPO Principles & Criteria typically outweigh the costs, in many cases significantly, yet often through unexpected and indirect channels.

“You must have the benefit of the premium up front. That’s the sugar. The things that you learn by doing, you have to do it. But ultimately, you will learn that the premium, the short-term benefit, is not the same as the long-term benefit. And the latter is bigger.”
Next Steps


Email Joshua.Levin@wwfus.org or use Sign-Up Sheet

- Engage with Financial Institutions
- Expand to other Commodities