

MINUTES OF MEETING

RSPO Oleo Task Force First Meeting

Time : 1600 - 1730 (MYT)
Date : Monday, 08/11/2021
Venue : Conference Call/Zoom 4

Attendees:

Name	Initial	Organisation	Representative Category
Girish Deshpande	GD	P&G	Consumer Goods Manufacturer
Joshua Lim	JL	Wilmar Trading	Processors and/or Traders
Mark Wong	MW	Sime Darby Oils	Palm Oil Growers
Peter Becker	PB	Evonik	Processors and/or Traders
Rina Rahayu	RR	IOI Group	Processors and/or Traders
Robert Kessels	RK	Sipef Group	Palm Oil Growers
Sietse Buisman	SB	Cargill	Processors and/or Traders
Tobias Zobel	TZ	BASF	Processors and/or Traders
Inke van der Sluijs	IS	RSPO Secretariat	Director Market Transformation
Ahmad Amirul Ariff	AAA	RSPO Secretariat	Certification Manager
Nur Amanina Zahir	AZ	RSPO Secretariat	Senior Executive, Supply Chain
Christine Joan Spykerman	CJS	RSPO Secretariat	Malaysia office, Administrator
Hanib Bin Libon	HBL	RSPO Secretariat	Senior Executive, Supply Chain
Muhammad Shazaley	MSA	RSPO Secretariat	Head of Certification
Abdullah			
Ruzita Abd Gani	RAG	RSPO Secretariat	Supply Chain Manager
Yen Hun Sung	YHS	RSPO Secretariat	Senior Data Scientist

Invited but not in attendance:

Name	Initial	Organisation	Representative Category
Andy Green	AG	BM Trada	Declined to join Oleo Task Force
Choong Wai Tuck	CWT	IOI Oleochemical Ind.	Processors and/or Traders
Diana Foong	DF	KLK Oleo	Palm Oil Growers (unable to attend)
Helen Scholey	HS	Shell	Processors and/or Traders (no response)
Siti Rosemina Bux	SR	Emery	Processors and/or Traders (no response)

Agenda:

Time	Topic
16.05-16.06	1.0 Antitrust Statement Reading
16.06-16.07	2.0 Approval of Agenda
16.07-16.09	3.0 Reasons to revive the Task Force
16.09-17.32	4.0 Draft Terms of Reference (ToR)
17.32-17.33	5.0 Priorities of Work
17.33-17.34	6.0 AOB 6.1 Meeting schedule

Action Points:

No.	Description
1.	Decide on the Oleo Task Force Members
2.	To check whether the Task Force has the right expertise and invite Members if needed.
3.	To select a Chair from the Task Force Members

DISCUSSION:

No.	Description	Action Points (PIC)
1.0	Antitrust Statement Reading	
1.0	IS welcomed members to the Oleo Task Force (“OTF”) and read the Antitrust Statement.	
1.1	<p>Antitrust Statement</p> <p>The Oleo Task Force (“OTF”) refers to the RSPO’s Antitrust Guidelines for the conduct of our meetings and conference calls. They can be found at http://www.rspo.org/file/RSPO_Antitrust_Guidelines.pdf.</p> <p>There shall be no discussion of specific selling or buying of materials, pricing or any joint venture, future or collusive actions, such as excluding or choosing a supplier. All commentary is limited to current or historical activity. Any decision you reach from the information from the Oleo Task Force (OTF) materials or</p>	

	discussed in the meeting is an individual decision based on your own investigation and judgement.	
2.0 Approval of Agenda		
2.0	IS presented a projected Agenda to the OTF. There were no additions to the projected Agenda nor any objections from the Members.	
3.0 Reasons to revive the Task Force		
3.1	There were requests from Members who faced continued shortage of CSPKO and derivatives in the market which prevented them from increasing their uptake as per Shared Responsibility (“SR”) requirements and sourcing policies.	
3.2	The Board of Governors (“BoG”) requested the Market Development Standing Committee (“MDSC”) to make an inventory of barriers for successful market transformation whereby supply continues to increase and is met by sufficient demands and vice versa and to come up with possible interventions to overcome these barriers. RSPO Secretariat refers to the OTF as the MDSC doesn’t have the relevant experts to address this issue.	
3.3	Concerns due to the limited availability of CSPKO and its derivatives, RSPO risks losing the market commitment of the users of these products.	
4.0 Draft Terms of Reference (ToR)		
4.1	<p>The OTF will report to the Supply Chain Traceability Working Group (“SCT WG”) and the SCT WG reports to the MDSC.</p> <p>4.1.1 The scope : The OTF shall be responsible to review supply chain issues specific to CSPKO and its derivatives and propose solutions to the SCT WG and MDSC. The scope shall cover the interest of the entire downstream supply chain but will explicitly exclude biodiesel.</p> <p>IS enquired if there were any comments on the Scope. There were no comments from the OTF Members.</p> <p>4.1.2 The Structure and composition:</p> <ul style="list-style-type: none"> i. The OTF shall comprise members from the SCT WG who are representing oleochemicals and its derivatives. ii. The Chair will be elected from the OTF Members. iii. Membership will be open to all RSPO Members who are working in the oleochemical sector and should reflect the entire supply chain. 	

<p>4.2</p> <p>4.3</p>	<p>iv. For the frequency of the meetings, IS proposed to have initial virtual monthly meetings.</p> <p>4.2 Actions for this meeting:</p> <p>4.2.1. Decide on the Members IS reviewed the Members present to ensure the OTF has the right representative. It was found that OTF is represented by the following:</p> <ul style="list-style-type: none"> i) Growers - two (2) Members (Robert Kessels and Mark Wong) ii) Processors and/or Traders - four (4) Members (Tobias Zobel, Joshua Lim, Sietse Buisman, Rina Rahayu) iii) Consumer Goods Manufacturer (CGM) - currently one (1) Member (Girish Deshpande) with another application pending iv) Certification body - no representation yet. Andy Green (previous task force member) declined. IS was uncertain whether OTF needed a Certification body at this stage therefore IS didn't engage a replacement for Andy. v) RSPO Secretariat - Staff will be present to support the OTF depending on the needs of the OTF, different RSPO staff will join the OTF. <p>4.2.2 Check whether the OTF has the right experts and invite them if needed. IS enquired if the Members present are enough to proceed with the OTF and whether they are the right representation or if there were needs to add specific members especially in the stakeholder category to the OTF.</p> <p>The members asked whether the OTF requires a quorum. This is currently not covered in the ToR and the OTF will be reporting to the SCT WG and MDSC which both have a balanced representation. The draft ToR needs to include a paragraph on how decisions will be reached in the Oleo Task Force.</p> <p>Nominations for the Oleo Task Force are open until the next meeting. New members can be added by exception after that only if the stakeholder category is not represented yet.</p> <p>The members asked the RSPO secretariat to invite NGOs (Conservation International, Solidaridad and WWF) and CGM (Unilever, KAO).</p> <p>4.2.3 Select a Chair</p> <p>IS proposed to select a Chair for the OTF and asked for volunteers. There were no volunteers during the meeting, please contact IS when you are interested to chair the Oleo Task Force.</p> <p>4.3.1 Objectives:</p> <ul style="list-style-type: none"> i. To study the CSPKO supply chain and identify where loss of certified material and shortage of supply occurs. 	<p>Add process for decision making to the draft ToR (RSPO secretariat)</p> <p>Invite NGOs, CGM for the Oleo Task Force (RSPO secretariat)</p> <p>Nominations for chair of the Oleo Task Force (all)</p>
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- ii. Identify barriers for example in logistics or certified status of supply chain actors and work with potential RSPO Members to resolve these.
- iii. To review whether a shortage in CSPKO and/or its derivatives in the market can be compensated for in other ways.
- iv. Develop an action plan to ensure market demand for CSPKO is met by certified supply.
- v. To conduct reviews and purpose revision where necessary on rules relating to RSPO oleochemicals and downstream derivatives to the SCT WG. Current rules for oleochemicals and its derivatives are published in Annex 6 of the RPO Supply Chain Certification Standard.

IS asked if the Members agree with the Objectives or whether there are any objectives missing. Market dynamics for CSPKO changed since the former Task Force was active. Now we need to see how an increase in supply can be achieved whereas the former Task Force worked on creating demand.

YHS explained that the data on PKO and CSPKO is not as robust as it has been for CSPO. The analyses started in late 2019 and over 2020, the data was refined and he noted there were patterns in the assurance and ACOP data. In 2021, with better data similar trends are still being noticed.

YHS presented that once the CSPKO leaves a Crusher, this supply is largely taken up by the market, mostly physical and some credits. In some years, sales have exceeded supply due to stocks not expiring at Crusher level and one to one conversions. The members reviewed the [graphs](#) and wanted to understand why RSPO reports sales of 127%

Graph: Estimated Annual CSPKO Certified Volume (mt)

MSA explained that the CSPKO supply in green is actually the estimated annual CSPKO certified volume based on the certified CSPK volume that has been allocated to the PO Mill multiplied by the KOER (Kernel Oil Extraction Rate) of 45% to estimate the annual CSPKO certified volume.

RK commented that there are three risks of overestimation, which are - (i) the certified volume for CSPO is more than the actual volume; (ii) the Kernel Extraction Rate; and (iii) the Oil Extraction Rate. He flagged that the oil Extraction Rate of 45% is quite high for the industry and the Kernel Extraction Rate of 5% is also a stretch in most parts of the world. RK then asks if anybody else has a different view on it.

The RSPO secretariat has started collecting data on the actual Kernel Extraction Rates in PalmTrace but currently we are reporting certified volumes of CSPK allocated to the PO Mills.

SB reminded everyone to focus on the actual numbers and not to focus on the

<p>estimated certified volume which was for CSPO overestimated by more than 20%, but look at the estimated actual production.</p> <p>Graph: Estimated Annual CSPKO* Actual Production (AP) (mt) and Sales</p> <p>Estimated actual production depicted on the graphs in Green is the Confirmed Shipping announcement of CSPK by the Palm Oil Mill to the KCP and multiplied by 45% (KOER).</p> <p>The orange bars are the CSPKO sales announced by KCPs per supply chain model. The members asked to clarify why sales are significantly higher than supply. The Certification team is asked to identify the volume of IP/SG CSPK that was converted to MB CSPKO on a one to one basis. The Certification team will look into the PalmTrace data.</p> <p>Not all members are aware of the conversion of IP CSPK to MB CSPKO on a one to one basis. This doubles the CSPKO MB volume which is physically not possible. However, this has been allowed since 2014. The one to one ratio for CSPO to stearin was discussed as a comparison but perceived to be a different scenario. The overall message coming from this data is a confirmation of CSPKO shortage and the actual physical shortage is much larger than previously understood due to the artificial increase in supply by the one to one conversion.</p> <p>The members ask whether crushers can convert IP CSPKE to MB CSPKO. The RSPO secretariat will check this.</p> <p>The Oleo Task Force discussed where losses of certified material could occur. There was a loss of CSPK that was not converted into CSPKO. It is downgraded to conventional PK between the Mills and the Crushers. 2019 was the first year that this was analysed. In ACOP 2019, there was potentially about 300,000 tonnes of CSPKO that was not making it to the market. In ACOP 2020 reporting, that gap has reduced to approximately 200,000 tonnes.</p> <p>One member commented that this is because mills cannot sell CSPKO credits, a decision he challenged for quite some years now because the mills that produce CSPK cannot sell it when there is no certified KCP in the vicinity of the mill. It is also possible that integrated companies are not selling the CSPK to their own KCP as certified without clear market demand.</p> <p>For the next meeting, the Oleo Task Force should have clear RSPO data on Objective (1) and the Task Force discussed whether there were any other actions that could be taken.</p> <p>One suggestion was that the OTF proposes to change the trade rule, that certified palm oil mills are allowed to sell CSPKO Credits. One member refers to</p>	<p>Identify the volume of IP/SG CSPK that was converted to MB CSPKO on a one to one basis (Certification team, RSPO secretariat).</p> <p>Check whether crushers can convert IP CSPKE to MB CSPKO (Certification team, RSPO secretariat).</p>
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the commitment on the Shared Responsibility. This is an urgent issue as some brokers call on a daily basis for CSPKO credits whereas they don't have any Credits to sell as physical sales are preferred.

One member highlighted to the OTF members that all MB certified mills need to have full traceability of FFB to the mills and there is a concern about the implementation of it. If it is enforced too soon, some mills may stop RSPO certification as implementation is challenging. This will lead to a decrease in supply.

The members asked what RSPO has projected in terms of supply development in the next 5 to 10 years. The forecast was specifically done on CSPO and not CSPKO equivalent yet, but based on ACOP 2020 results, we expect any supply and demand for CSPKO to be tight going forward, whatever is supplied will be taken up by the markets and the main gap that we saw was the gap between Certified Mills and Crushers and the portion of CSPK that wasn't getting converted into CSPKO.

The P&C requirement specifies that all plantations of RSPO members must be certified by 2023. From the CSPK / CSPO perspective, we are looking at a 30% increment of actual production by 2023. The members ask for the supply projections to be presented during the next meeting. The potential loss of MB mills due to the traceability requirement can be taken into account.

It is clear that there is a shortage, as the OTF we should look at the role of the Shared Responsibility that is pushing for a higher uptake. The uptake target for 2021 on CSPKO is 7%. With shortages of CSPKO so it is not recommended to set a new uptake target on CSPKO for 2022. This is discussed in the Shared Responsibility Working Group.

5.0 Priorities of Work

Which objectives to work on first?
Objective i.

Are there any Groups working on similar challenges?

IS asked whether any OTF Members are aware of any WG or Organisations which are working on similar challenges or if they are in other meetings talking on similar issues. Everyone agreed that they are not in any Group with similar challenges.

6.0 AOB		
6.1	<p>Action Points For Next Meeting:</p> <ul style="list-style-type: none"> i) IS to add a process for decision making to the draft ToR. ii) Invite NGOs, CGM for the Oleo Task Force. iii) OTF Members to select a Chair. iv) MSA to examine how much Identity Preserved / Segregated Certified Palm Kernels are downgraded to MB using the one to one rule. v) MSA to get clarifying numbers for the 127% vii) YHS to give a 5- 10 years CSPK, CSPKO supply projection including the underlying assumptions for the projection. 	
6.3	<p>Next Meeting: IS proposed that the next meeting be held in the 1st week of December 2021. There were no objections from the OTF Members.</p>	<p>The Secretariat to send out a Doodle Poll for the next meeting date.</p>