

Draft minutes T&T Meeting June 10, 2016 in Melia Hotel, Milan

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Telcon proposed on September 22 and live on November 7 Bangkok

Present

Adam Thomas	New Britain Palm Oil (AT)
Alasdair McGregor	Exova BM Trada (AM)
Alien ten Kleij	Contol Union (AK)
Ashwin Selvaraj	RSPO secretariat (AS)
Christian Gradert	Musim Mas (CG)
Daphne Hameeteman	Wilmar Europe Holdings (DH)
David Ogg	Consultant (DO)
Eddy Esselink	MVO (chair-EE)
Elise Muijzert	Solidaridad (EM-replaces Marieke Leegwater)
Harald Sauthoff	BASF (HS)
Helen Scholey	Shell Oil Company (HY)
Inke van der Sluijs	RSPO secretariat (minutes-IS)
Jan van Driel	RSPO secretariat (JD)
Joshua Lim	Wilmar (JL)
Judith Murdoch	AAK (JM)
Laura de Gruijter	IOI Loders Croklaan (LG)
Mareike Felix	Aldi South (Observer-MF)
Paula den Hartog	UTZ (PH)
Petra Meekers	Musim Mas (PeM)
Premalatha Mogan	RSPO secretariat (PM)
Qua Kiat Seng	Asean Oleochemical Manufacturers group (QS)
Robbert Kessels	Sipef (RK)
Rosemina Siti	Emery Oleo (RS)
Ruth Newsome	Unilever (RN)
Sylvia Poel-Sietsema	Contol Union (SP)

EE opens the meeting and a round of introductions is made. The agenda and the minutes of the March 1, 2016 meeting are approved without comments.

Announcements secretariat

IS gives an update on RSPO members, see ppt.

The RSPO secretariat has started a collaboration with the Roundtable on Sustainable Biofuels (RSB). The first phase was to conduct a benchmark for the schemes. RSB is a scheme that performs really well in other benchmark studies but there is limited uptake and certified volumes. We would like to publish a summary of the benchmark study but also would like to start a pilot with an RSPO certified company to see whether a difference in benchmark results leads to different certification (decision) outcomes. Depending on the outcomes of the pilot, we can either recommend to certify only a few additional criteria or recommend to RSB to recognize RSPO and convert the material in the supply chain. Please inform IS if you are interested to pilot this.

The secretariat is working on a new version of the RSPO Supply Chain Certification Standard and Systems document. The drafts will be shared soon after this meeting.

The audit checklist for supply chain certification is also being developed at the moment and we will share a draft with the certification bodies after which an online questionnaire will be developed that can over time replace the audit reports.

Information materials: JM has developed an education pack for the RSPO. We work towards a complete package that members can use in their outreach activities. Please contact IS when you would like to receive printed materials or have ideas about new materials that could be developed.

Minimum price framework for credits

AS introduced the topic, see ppt. HY from Shell cannot be involved in this discussion and leaves the meeting. Because of the sensitivity of the topic and because we are obliged to work in line with the competition law we agree to stick to a discussion on the framework and the process, and there will not be any discussion on the actual price of credits. LM (Liza Murphy) has sought legal advice on whether it would be allowed to set a minimum price under which RSPO credits cannot be sold with a lawyer who is specialized in antitrust work. He also works with other standard settings organisations in the light of EU legislation. The recommendation of the lawyer is that this minimum price can be implemented when a framework to determine the minimum price is developed.

LM reads a piece from the legal advice:

RSPO should ensure in this respect that the modalities and mechanisms in respect of the price setting process are as transparent as possible and such that they guarantee a moderate and balanced outcome. This means in the first place that the competent decision making body within RSPO must not exclusively be composed of producers/growers but should rather also contain representatives of all other stakeholders. Furthermore, decisions in respect of the minimum price level should be taken by unanimous vote. A regular (e.g. yearly or bi-annual) review should ensure that the set minimum price level is at all times kept at a reasonable level. Also, the minimum price level should be linked to objective criteria (such as e.g. average minimum prices over a past period or estimated compliance costs) and must not be set in an arbitrary manner. Finally, increases and decreases of the set minimum price level should be moderate (say max. 10% per year). Significant price jumps should be avoided.

We need to set up a working group and we ask for more volunteers. Once the framework is developed, we will ask the T&T for advice and the BoG for approval. A first step can be a recommended price. The question is whether this would change the behaviour. At least it gives an indication to growers.

AS explains that in GreenPalm we see dumping of credits near the end of the year. This will change in the new system where credits are tied to the license year of the producer.

AT: will this be more complicated for auditing? No it is better in line with the license year.

JL: the minimum price is only suggested for credits right? Yes.

RSPO NEXT credits will follow the business rules of RSPO credits.

RN: advice to contact the legal advisor once the framework is ready. Yes, certainly agree.

HY: back in meeting

RSPO NEXT

LM explains process so far. RSPO NEXT is developed on the basis of commensurate effort, and a direct incentive should go to growers. For growers, 60% of the management units need to be RSPO certified before companies can enter into the RSPO NEXT scheme. Then they can claim once 30% of total managements units is RSPO NEXT certified.

AT: the use of percentages favours small producers. LM: we cannot change these rules anytime soon. RK: is the RSPO secretariat following up the mandatory Time Bound Plan for RSPO certified growers? JD: that is a different discussion.

HY: the minimum requirement of RSPO certification rules out EU fuels market (where certification can only be EU approved or RSPO-RED), no fuels volumes will ever be RSPO-NEXT, likely only ISCC.

LM: supply chain members are eligible once 100% of the purchases is covered by one or a combination of the four supply chain models. 20% of the purchases should be NEXT before the company can claim that they are involved in RSPO NEXT. PeM: growers cannot cherry pick. AT: will limit growers. LM: if there is market demand out there, growers will participate in NEXT. CGM target for NEXT limited if no secure supply. Chicken and egg situation.

There are clear signals that growers will respond to market demand.

RK asks whether mills sell the same volume twice in this setup. RSPO NEXT certified mills will have a volume for CSPO and CSPK and on top of that a volume that can be sold as RSPO NEXT credits.

RSPO NEXT credits will be issued as one type, meaning palm oil and palm kernel oil will be combined (FFBxKERx.45). Certification bodies have been trained. NEXT credits will be traded manually if these become available before the credit trade is functional in eTrace.

The supply chain rules and claims still need to be developed. T&T members are invited to bring forward their suggestions to LM.

DH: will this discussion feed into the review of the P&C. The BoG specifically mentioned that this is not the preparatory work for the P&C 2018 review, which is starting this year.

RSPO-RED paper (Appendix 2)

HY: we will see an increase in volumes in EU and without an RSPO standard to compete volumes will be ISCC (or other EU approved scheme). Need certifications and robust. HY is against the retirement of RSPO-RED module.

IS: volumes are already ISCC certified and if members are interested in certifying against a higher and more credible standard, RSB ranks as the highest standard. As explained earlier, RSPO and RSB are working on finalizing a benchmark study that will indicate the differences between RSPO and RSB.

RK: from the growers perspective, we already have too many audits. IS: audited could have been reduced by certifying for RSPO-RED to supply to the biofuels and food market.

AT: do we move away from biofuels?

The European Commission will likely require phasing out of 1st generation feedstocks for biofuels.

RK: will not happen in 5 years.

DH & RK ask whether RSPO can recognize ISCC if the plantation is also RSPO certified. The problem with RSPO-RED is the following rule: "Plantations established after January 2008 can currently not be certified under the RSPO-RED scheme."

IS: ISCC standard may have improved on paper, the concerns of NGOs are mainly about the governance and the lack of transparency of the scheme.

AT: if RSPO-RED is reviewed, it could have potential.

PeM: it should be a more strategic decision, do we want to be in biofuels or not?

Objections from growers & processors/traders to the proposal.

Some want strategic decision from BoG and say it should not be a T&T discussion. Others would like to see recognition of RSPO for ISCC certified plantations that are also RSPO certified to be RSPO-RED compliant.

IS: Board will be updated with the discussions and recommendations of the T&T so they can make a decision.

Progress IT system by UTZ

Presentation by PH, see slides UTZ.

AK: is reporting of conventional material also volume driven? No.

JM: how does reporting of conventional material work? KnownSources has developed this already. Traders will not know where the materials come from.

RN: reporting of direct buys from mills. The trades for the Unilever supply chain are confidential in the system. PH: select list as refiners once. For MB material two lists will be generated; one on batch level for the certified material, one on half year basis which will have the conventional origin.

RK: how is the reporting verified?

DH: we are working with TFT to verify, RSPO members are responsible for verification of their supply base themselves.

RN: for MB reporting there can be a check on the data quality for certified material but not for the conventional material in the mix. We should put a disclaimer in system that RSPO cannot be responsible for this declaration.

RK: there is an additional requirement for traceability back to plantation in RSPO NEXT. This will not be done in the system.

LG: how to promote this to the market place? RSPO should promote eTrace as a traceability tool. Accessible for RSPO members buyers, upon request. We will discuss this internally.

JM: only disclose with NDA, not visible for all.

MF: for the retailers: they need to ask for this information from suppliers.

DH: retailers share. MF will bring back to the Retailers Palm Oil Group (RPOG).

RK: are buy backs allowed in credit trade? No, only in case of underproduction.

Off Market Deals (OMD) will be made on the trading platform.

RK: manual reconciliation done by UTZ and GreenPalm? Yes, after launch.

DH: how will the RSPO communicate about these changes? The launch took place during the EU RT but should be followed by email blasts and news item in the eGazette, not only on website and via webinars.

DH asks what happens to the GreenPalm buyers. These companies need to become a member of the RSPO.

DH: have you communicated with the two companies that seem to have oversold in the manual reconciliation? PH: looking into this now, RSPO will do as soon as there is evidence that it is true overselling and not mismatch in sales due to a difference in calendar year vs license year.

DH asks whether the RSPO can better explain to the market that there may be a shortage of supply of SG materials because many mills are MB certified. RSPO secretariat will look into making more detailed information available for members.

JL: in the new system PKO and PKE credits can only be sold by crushers which means that oil mills can only sell certified pk. Crushers will be separate category in eTrace.

We thank the IT WG for all of their efforts invested in the IT project.

Progress subgroup on Oleoderivatives (Appendix 3)

HS: explains that the documents were reviewed by the subgroup on Oleoderivatives and a new document was written and circulated earlier this week.

JL & DH would like to get extra time to review this document. We agree that they have until the 17th of June and need to submit their comments to JD.

HS thanks the members of the subgroup.

DO: welcomes this document as trainer.

We discuss the limited availability of certified PKO in the market, see ppt. 80% of the certified PKO is sold to the market which means that there is not enough material available and there may be logistical challenges. More crushers should become supply chain certified and a strong signal needs to be sent to the growers and crushers. We would welcome the development of a strategy for home and personal care sector and ask the subgroup whether they can develop this. HS will look into it but indicates that it needs different members.

RK: what if other industries would like exceptions on the standard? We need to deal with that upon request.

JL: move credits to crushers will help in the transition from credits to physical PKO.

Action HS: will send proposal for a new subgroup.

Risk assessment tool

Anne Rosenbarger (AR) presents the Global Forest Watch tool: GFW commodities. The World Resources Institute (WRI) worked with the IDH Traceability Working Group (TWG) with all RSPO members, and FoodReg who together launched 800 mills. WRI and RSPO have collaborated on mill lists for the global oil mill list in eTrace. The question now is, what can be done with information on the origin of oils?

WRI has information on risk assessments for individual mills done by WRI as they do not have all concession maps. There are online tools for risk analyses available. Mill risk assessment is based on the neighbourhood of mills on for example fires or forest loss. WRI is now looking into the development of a private portal for the exchange of assessment results for verification efforts with TWG, Proforest, Daemeter and others.

The question to the T&T is where this portal could sit in future, WRI needs to work from a starting point.

JD asks how we will incorporate newly certified mills and suspended mills. We need to set up a standard protocol for this.

RN: indeed also for updates of mill information.

AR: the preference is to have eTrace as data manager for mill list and updates are shared with WRI.

Some members of the IT WG of RSPO suggested to include a field for a risk category in eTrace as there were discussions in the IDH traceability WG around the development of this risk category. The idea was to fill this field with a risk category, low, medium, high if our members would agree on the methodology and the scoring. This is currently not the case. We can use the field to link out from eTrace to the GFW. JL/DH: suggest not to link out to GFW from eTrace. They share their concerns about the interpretation of the risk analyses of the mills by users who do not understand the methodology and the indicators.

EM: is there an option to include smallholders in this tool? Solidaridad is doing pilots with companies and group managers to include smallholders. WRI does not have smallholder maps.

AR: will there be additional information on verification, other certification?

EE: work in progress. The T&T members decide that we will not develop this link with GFW now but we need to continue this discussion at the next meeting in September.

Endorsed training providers

In March, DO applied for endorsement to give P&C lead auditor courses. He is already an endorsed trainer of lead auditor courses in Supply Chain Certification and is an experienced auditor. The RSPO secretariat asks the T&T for advice on this. The training endorsement procedure will be reviewed and any potential endorsement of new trainers can only take place after that. The planning is that the reviewed procedure will be discussed in the next T&T SC meeting in September 2016.

AOB

DH: when we discussed the 1 to 1 rule for MB to MB, was this in the palm kernel product tree or in the oleoderivatives? This is only applicable to the oleoderivatives and this is not a new rule.

Next meetings

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