

**MINUTES OF MEETING**  
**RSPO Oleo Task Force Meeting**

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**Time** : 1600 - 1750 (MYT)  
**Date** : Monday, 13/12/2021  
**Venue** : Conference Call/Zoom 7

**Attendees:**

Name	Initial	Organisation	Representative Category
Girish Deshpande	GD	P&G	Consumer Goods Manufacturer
Helen Scholey	HS	Shell	Processors and/or Traders
Mark Wong	MW	Sime Darby Oils	Palm Oil Growers
Marieke Leegwater	ML	Solidaridad	sNGO
Paula Kasprzyk	PK	Avon, Natura & Bodyshop	CGM
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
Christine Joan Spykerman	CJS	RSPO Secretariat	Malaysia office
Hanib Bin Libon	HBL	RSPO Secretariat	Senior Executive, Supply Chain
Mohd Shafiqul Syaznil	MSS	RSPO Secretariat	Executive, Certification
Ruzita Abd Gani	RAG	RSPO Secretariat	Supply Chain Manager
Yen Hun Sung	YHS	RSPO Secretariat	Senior Data Scientist

**Absent with apologies:**

Name	Initial	Organization	Representative Category
Choong Wai Tuck	CWT	IOI Oleochemical Ind.	Processors and/or Traders (was facing technical issues logging in)
Joshua Lim	JL	Wilmar Trading	Processors and/or Traders
Muhammad Shazaley	MSA	RSPO Secretariat	Head of Certification
Abdullah			
Peter Becker	PB	Evonik	Processors and/or Traders

**Invited but not in attendance:**

Name	Initial	Organisation	Representative Category
Diana Foong	DF	KLK Oleo	Palm Oil Growers (no response)

Siti Rosemina Bux	SR	Emery	Processors and/or Traders (no response)
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**Agenda:**

Time	Topic
4.00 - 4.04	1.0 Antitrust Statement Reading
4.04 - 4.05	2.0 Approval of Agenda
4.05 - 4.09	3.0 Approval of Minutes of Meeting
4.09 - 4.10	4.0 Draft Terms of Reference (ToR)
4.10 - 4.18	5.0 Review Members and Chair
4.18 - 5.17	6.0 Data 6.1 Supply and Sales Projection
5.17 - 5.31	7.0 Short term solutions
5.31 - 5.49	8.0 AOB

**Action Points:**

No.	Description
1.	To look at the amendments for the ToR
2.	To select a Chair from the Task Force Members

**DISCUSSION:**

No.	Description	Action Points (PIC)
<b>1.0</b>	<b>Antitrust Statement Reading</b>	
1.0	IS welcomed members to the Oleo Task Force (“OTF”) and read the Antitrust Statement.	
1.1	<p><b>Antitrust Statement</b></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 <a href="http://www.rspo.org/file/RSPO_Antitrust_Guidelines.pdf">http://www.rspo.org/file/RSPO_Antitrust_Guidelines.pdf</a>.</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</p>	

	<p>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 discussed in the meeting is an individual decision based on your own investigation and judgment.</p>	
<h2>2.0 Approval of Agenda</h2>		
2.0	<p>IS presented the draft Agenda to the OTF which was approved by the members.</p>	
<h2>3.0 Approval of Minutes of Meeting</h2>		
	<p>The meeting minutes from the previous RSPO-Oleo Task Force First Meeting (8 November 2021) was presented with amendments / suggestions for clarifications. The Minutes were accepted with no amendments but with some pending action points which will be discussed in the meeting.</p>	
<h2>4.0 Draft Terms of Reference (ToR)</h2>		
	<p>IS informed the OTF that she has added decision making into the ToR as follows:</p> <p>Added: <a href="#">chapter 8 Management</a></p> <p>All outcomes and decisions are made on a consensus basis. Members shall ensure the accuracy of the information and that the interpretation of all outcomes and decisions of the Oleo Task Force are consistent with the consensus reached within the Oleo Task Force.</p> <p>If consensus is not possible for any specific issue, at least 75% of the Task Force members are required to vote in favor for the adoption of a decision, and shall include at least one supporting vote from each membership category.</p> <p>If a decision still cannot be reached through the mechanism above, the Chair (or co-Chairs) of the Oleo Task Force may declare a deadlock and refer to the SCT WG and MDSC for the final decision.</p> <p>The OTF Members agreed to the amendment and did not have any objections.</p>	
<h2>5.0 Review Members and Chair</h2>		
	<p>IS reviewed the OTF Members and welcomed two (2) new members, namely:</p> <ul style="list-style-type: none"> <li>i) <b>Paula Kasprzyk</b> (Avon, Bodyshop and Natura &amp; Co) representing CGM; and</li> <li>ii) <b>Marieke Leegwater</b> (Solidaridad) representing sNGO.</li> </ul> <p>Currently, the OTF is comprised of:</p> <ul style="list-style-type: none"> <li>i) <b>Growers</b> - Robert Kessels and Mark Wong;</li> </ul>	

	<p><b>ii) Processors and/or Traders</b> - Tobias Zobel, Joshua Lim, Sietse Buisman, Rina Rahayu and Peter Becker.</p> <p><b>iii) Consumer Goods Manufacturer (CGM)</b> - Girish Deshpande and Paula Kasprzyk;</p> <p><b>iv) sNGO</b> - Marieke Leegwater.</p> <p>IS informed that Unilever represented by Martin has accepted the invitation to join the OTF but he didn't join in the call today. Kao has declined to join OTF and they are stepping down from the Standards Standing Committees as well.</p> <p>WWF is internally seeking out who is the best representative to the OTF. As for the Certification Body, IS mentioned that it is currently not required to have them in the taskforce but once the OTF touches on Standards, Francisco Mueller can represent the Certification Bodies. Still missing in the OTF are the Retailers.</p> <p>HS attended the meeting and can only offer limited input but the company is very interested in the supply challenges and noticed that the OTF was looking for Processor and Trader positions but they were already filled. HS enquired if the OTF is limiting the numbers whether the OTF can have additional members. IS replied that for other working groups, they tried to limit the Members but for OTF, it can be flexible because the shortage of CSPK is so pressing. The OTF agreed to allow more representatives per organisation and stakeholder category but for voting, it will be limited to one vote per stakeholder category. No nominations for the chair position has been received.</p>	<p>To select a Chair for the OTF</p>
<p><b>6.0 Data</b></p>		
<p>6.0</p>	<p><b>Data</b></p> <p>RAG explained the graphs shown in the previous meeting. The green bar is the production of CSPKO, currently, this is the method that the Certification Team is calculating, from the converted IP, SG to MB transactions. The volumes converted using the one to one rule are reflected in the dotted top part of the graph. TZ commented that in 2018, roughly 30% was unsold whereas in 2019 supply was met by demand and in 2020 more material was sold than supplied.</p> <p>TZ enquired whether it's possible to see in the green bars the proportion of these kinds of conversions, i.e. what is PK to PKO; what is PKE to PKO, so how much of this transactions is in the green bars. YHS replied that it is captured in the topmost portion of the green bar at the dotted green portion. In 2020, this was 211,000 tons, so the previous version of the graph that was shown did not have the dotted green section. Based on what it can be seen in Palm Trace, the previous version of this graph showed a larger disproportion between sales and supply and that was because the converted volumes were represented in orange but not in the green bars.</p> <p>YHS explained that from 2017 to 2018, the CSPKO market was experiencing an oversupply. There was more supply than sales, but since 2019, that gap has</p>	

shrunk and now we're seeing a very tight market.

PK asked whether conversion from other products to CSPKO can only be done on the Mass Balance basis and not for example, segregated basis. RAG replied that the one to one rule can only be used when downgrading to Mass Balance.

RK sought clarification on the previous meeting whether some people are interpreting this rule differently whereby conversions are taking place administratively whereas physically it cannot be produced. YHS replied that what we're seeing here is an unintended consequence of the Standard and we wanted to understand the scale of it. This is now reflected in the dotted green bar. RR questioned prior to 2019, there was access volume but the trading rules were different. YHS replied that the handover of GreenPalm to PalmTrace happened in January 2017. What we're seeing here is mainly PalmTrace data.

YHS explained that from a data perspective, there are two options. Now that we know the amount of converted volumes, we can add the converted volumes to the supply volume or we could minus it off on the sales end. The conversation around this is how do we accurately portray this data in a public forum. The members discussed the different approaches and tried to get clarity on the exact volumes that were produced and converted.

GD enquired whether it is possible for someone who's a Crusher to help the OTF understand this and what do they actually do on the ground? Because we're talking theoretical numbers, can we ask someone in practice what they actually do? Crushers purchase certified CSPK and process to CSPKO and CSPKE. In PalmTrace, they can convert based on standard rations, actual yield or use the one to one rule and the system automatically downgrades to MB. The volume needs to be allocated, and it is not possible to double sell SG and MB volumes in PalmTrace.

RK asked whether the Certification team also checked the number of Crushers or the percentage of Crushers that have actually used these conversions because not all members are aware of it. SB replied that when we look at the overview, it should be between 30 and 40% who are using it. RAG commented that even though the Members are certified for MB, they may not use it as it depends on the demand. RK replied that he thinks it is wrong because physically, it's not possible and that this is the next topic that the OTF needs to discuss. MW reminded that in terms of awareness, it is written in the Standard. RK replied it depends on how the Standard is interpreted. RR reminded the OTF that the OTF was set up to address the shortage of CSPKO but instead we are discussing whether the rules should change and this would actually reduce the volumes of CSPKO supplied to the market.

TZ commented that firstly, we need to understand the numbers. What we see as a sold CSPKO volume that may not reflect the full demand out there and that's another issue. But first, understand the production figures and understanding what is in there with respect to this rule, which is not very clearly written in his view hence he would never have read it the way it's

The Certification team to check how many crushers convert other products than CSPK to CSPKO.

The Secretariat to present the conversion rules in the next meeting.

applied and there are two conflicting statements in the Principles as further down, it says that you can only convert with 0.45 point from CSPK to CSPKO and this is not clear and partially conflicting.

IS commented that this can definitely be an action to clarify the rules as they currently are.

**Supply and Sales Projections**

YHS presented a Supply and Sales Projections to 2030 for CSPKO and explained the underlying assumptions and outcomes.

SB commented that he has two remarks. Firstly, when you see the total CSPO actual production and your forecast going on, normally you see that you grow more or less 1 million per year or so of palm production. And for some reasons we see quite a steep increase that it will go a lot faster and he doesn't know why and secondly, he asked how CSPKO sales were forecasted. YHS replied that we didn't forecast the demand, it is from 2021 onwards essentially the same because there is not enough data actually for the demand forecast, but what we're doing is using the gap between CSPK consumption ceiling and the CPKO or actual sales as an indication of the pathway forward and so there's actually no forecast when it comes to the Consumption side.

RR mentioned that the Crushing Plants in Malaysia at one time were hesitant to be RSPO certified and queried if it is possible that this increase in uptake was in line with increase in the RSPO certification of new Crushing Plants. YHS replied that it is one of our theories that this gap exists because of a deficit of crushing capacity. It is the area at this point, we are looking into data to try and see what that actually is but the flip side of that is the other part of that trying to understand why this gap is happening is because perhaps for business reasons some Kernels are not being sold, even though they could be.

SB commented that it can easily be sold when we allow mills to sell CSPKO credits by using a simple change of the rule. RR agreed. TZ enquired why there is a steep increase of the CSPO, and therefore probably also CSPKO, expected in 2023. The P&C 2018 states that all current Grower Members must have all their areas certified by 2023.

TZ commented didn't we have this kind of obligation also before in the Principal and Criteria, so the question is what happens if this doesn't come? YHS answered that then we have to adjust our projections, because at this point we haven't built scenarios into this projection. The aim of this is really just to show on a high level what the implications are of this. In terms of the CSPKO market and the gap that it's creating. If we decide to go forward we can built in scenario building, perhaps an optimistic or a pessimistic scenario, if we see what happened in CSPK can CSPKO if that obligation and that rule under the P&C was not met.

RK commented that it is a fair question and he doesn't think we will reach these levels, but if we simply look at the speed of processing applications by

RSPO it will not be achieved. TZ asked whether we should already see an effect of this rule. RK agreed theoretically, yes. TZ enquired whether that match these projections of all or is it just how much is it happening already? Is this visible? YHS answered that there were a lot of the delays in certification of currently uncertified areas as this was held up by the remediation process. In the last six months with the Organisational changes and Operational improvements at the Secretariat, we're seeing a fast velocity of processing remediation projects and that hopefully should start us on a path where CSPO certified areas come in sooner rather than later.

MW queried whether RSPO has seen an influx of new requests for new certifications. YHS replied that it is actually the opposite as there's quite a large number of remediation projects that were stuck and backlogged and what we're seeing is the velocity in the clearing of those backlogs and once that's cleared, then they can proceed to certification. MW commented that because the other thing is that if you look at the shifts in terms of people's time bound plans and look historically, that could also provide a bit of insight in terms of what a worst case scenario could also look like. YHS replied that the net result of all of this is that if we fail to meet this base projection, the green chart for CSPO will become flatter and therefore CSPK and CSPKO projections become flatter.

The CSPKO projection for 2030 is about 2 - 2.3 million tonnes. TZ queried whether one to one conversions were taking into account. YHS replied that the one to one rule is embedded in the historical data so in 2021 and that was done to harmonize the previous charts and that was based on the current situation the proposed new chart three that you saw in previous slide. But it does incorporate, subtly the continued presence of that rule or perhaps continued removal of it, if the rule changes. But it is embedded in the historical data therefore it does have implications on the projections.

TZ further enquired whether the CSPKO consumption ceiling was taken from ACOP. YHS replied that it is based on current conditions, capacity and situation. With the current projection, supply will be met by consumption in CSPKO in 2030. SB mentioned that the issue is overtaking over the last years, the growth that you see is a production of palms of around 1 million tonnes, so it is not going that fast. TZ injected that he was referring to growing on the sales side.

TZ commented that there are moves from different companies that want to move away from synthetic based material to renewables and that may add another layer of potentially demand side, which is not captured in the ACOP yet instead of repeating, the consumption ceiling will move, and it will probably move more upwards. RR added that the current labor shortage in Indonesia and Malaysia affects RSPO Certified Plantations as well, it is easily estimated about 20 to 30% FFB volume is not captured because they are just rotting in the field.

RK pointed out that what we have to look at is whether we close the gap between the red solid line and red dotted line, and that one of the key tasks is

<p>to increase the amount of certified kernels sold as certified. Some mills do not have certified crushers in the vicinity and these mills are not allowed to sell credits.</p> <p>ML questioned what is hampering other CSPO or PK Crushers to get certified? If the prices are so good, why would they not get certified? RR replied probably there are still quite a number of Kernel Crushing Plants which just refused to get certified. ML further questioned why it is. Would it be worthwhile to approach them to ask them if they know what is happening in the market? To investigate their business case. RR replied that she actually went to a few of Crushing Plants, proposing to pool together, but the Crushing Plants are not willing to invest on a separate line to process RSPO and non RSPO Kernels because they are buying majority non certified Kernels. SB commented that when you go for the Mass Balance option there is no need for a separate line.</p> <p>TZ commented that if you look at this projection chart, it means for the next 10 years, there will be tightness over the whole system. RK disagreed and commented that it's true for the last few years, after 2016 / 2017 when a certain big consumer goods company stopped using SG. MW commented that the driving force behind this is going to be actually on the CSPO side as we need more plantations to get certified.</p>	
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**7.0 Short Term Solution**

<p><b>7.1 Unsold Volumes:</b> secretariat is working on the data</p> <p><b>7.2 Conversions</b> IS enquired whether there are any short term solutions to the CSPO shortage now that the OTF has a better understanding of the data. SB replied that we should consider allowing mills to sell certified kernels as Credits. IS enquired under which conditions do we think we can propose this? ML replied that this would reduce the physical availability. For the development of the physical value chain, we wanted to promote the development of physical value chains.</p> <p>The Certification Team is looking at which mills do not sell the certified palm kernels. IS queried whether there are ways that we can think about, setting the boundaries for this so only mills that are not in the vicinity of a Certified Palm Kernel Crusher, can we make exceptions for them and allow on a temporary exception basis for these mills to sell credits?</p> <p>SB commented why make it so complicated as this is for the market to decide. IS commented that it would require a full revision of the Standard, which is not a short term solution.</p> <p>The Oleo Task Force discussed whether Palm Kernel Crushers are aware of the one to one rule and whether this should be socialised. The current rules can be socialised but not all conversions should be allowed. For the next meeting, RSPO secretariat will present the conversions that can be done in PalmTrace for</p>	<p>Certification Team to conduct a study on Mills which are not selling their Certified PK.</p>
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	<p>a review by the Oleo Task Force.</p> <p>RK suggests that the secretariat gets legal advice on the risks of allowing these claims as products are being sold with a claim whereas physically these cannot be produced.</p> <p>IS reminded the Task Force that we were asked by the Board to work on a short term solution to increase supply but this is not answering their question.</p> <p>TZ agreed that legally, and maybe also reputationally, we have a risk. There is also a risk of demand destruction.</p> <p>IS commented that we can also report back to the Board on actions that are beyond our control which is to have more engagement with new Growers, have more engagement with Crushers, all of these things can be an outcome of the OTF. RR asked whether the one to one ratio for CSPO will also be reviewed if we do this for CSPKO. Some members think this is different. RK again suggested to ensure that everyone in the Board is aware of it, and ask whether they think there's urgent action to be taken or not. IS asked whether we are ready to bring this to the Board as it is now or should the OTF review the current rules first RK replied that IS should bring the message to the board and depending on how the Board reacts how quick we have to move. IS asked the OTF Members for their views on the matter. The members in the meeting did not find agreement. The secretariat will contact the members that were absent today to see whether we can find agreement and register the risk in the risk register of the BoG for their meeting in February.</p>	<p>OTF Members to decide about the communication to the BoG.</p>
<p><b>8.0 AOB</b></p>		
<p><b>8.1</b></p>	<p><b>Action Points For Next Meeting:</b></p> <ul style="list-style-type: none"> <li>I. To select a Chair for the OTF</li> <li>II. The Certification team to check how many crushers convert other products than CSPK to CSPKO.</li> <li>III. The Secretariat to present the conversion rules in the next meeting.</li> <li>IV. Certification Team to conduct a study on Mills which are not selling their Certified PK.</li> <li>V. OTF Members to decide about the communication to the BoG.</li> </ul>	
<p><b>8.2</b></p>	<p><b>New / Replacement Member</b></p> <p>RR enquired if her colleague, Teun Eigenraam, can join the OTF and replace her if need be. IS requested RR to send Teun's details to her to be included in the next meeting invitation.</p>	
<p><b>8.3</b></p>	<p><b>Next Meeting:</b></p>	<p>The Secretariat to send out a Doodle</p>

	The Secretariat to send out a Doodle Poll for the next meeting date.	Poll for the next meeting date.
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