The Malaysian and Indonesian Palm Oil Sector: An Environmental Governance Analysis

Introduction

The oil palm (*Ellaeis guinensis*) is one of the most productive vegetable oils and represents 36% of the worldwide vegetable oil production. Malaysia and Indonesia produce 85% of the total. However, there are environmental issues such as deforestation, biodiversity loss and water pollution. In addition, land grabbing hinders indigenous people's access to land. Because of these issues, environmental and social standards for more sustainability in the palm oil sector were developed. The global north plays an important role as it imports 60% of sustainably produced palm oil for its food industry as well as for biofuels

Research Questions:
- What is the role of the environmental governance actors involved in the palm oil sector?
- What are the regulations, standards and policies which influence and shape the palm oil sector regarding the environment?
- How are environmental governance measures implemented and communicated?
- What role does Switzerland play in the Malaysian palm oil trade?

Methodology

- Systematic literature review
- Expert interviews
- Qualitative content analysis according to Meuser and Nagel (2002)

Image Credit: New Straits Times, 2018

Results

The role of the Actors:

- Consumer good manufacturers, food processors, buyer networks, research, extension and governments play important role in sustainability standards adoption
- Sustainability standards applied through the national government such as the Malaysian Sustainable Palm Oil Standard (MSPO) or the Indonesian Sustainable Palm Oil Standard (ISPO)
- The Round Table on Sustainable Palm Oil (RSPO) is one of the biggest private initiatives for sustainable palm oil production
- The European Union (EU) is important trading partner, importing 8% of exported palm oil from Malaysia for bio diesel
- However, drop of 2-3% due to ban on palm oil used in bio diesel until 2030 - closing an important market for Malaysia

Challenges	Opportunities
• Reduction of palm oil in bio diesel and food manufacturing in the global north	• Integration of sustainability criteria into free trade agreements e.g., free trade agreement between Switzerland and Indonesia
• India and China interested in large volumes of palm oil available without considering environmental standards	• Product and Production Measure Methods (PPM methods) in trade agreements
• Power relations and conflicting interests in the palm oil sector	• Environmental governance measures such as a ban on palm oil plantation expansions into forests
• Voluntary private sustainability standards, e.g., Indonesian Sustainable Palm Oil Standard	• Maintenance of 50% of native forest in Malaysia
• Transparency and traceability - 20% of palm oil production worldwide is certified, 50% sold to end consumers, other 50% distributed in the "unsustainable" channel	• Sustainability criteria in trade agreements connected to technical assistance for diversification of cropping systems
• Price sensitivity of consumers	• Mandatory implementation of environmental standards
• Mistrust in the RSPO label, transparency and monitoring of palm oil sustainability standards leading to low adoption of certified palm oil	• Strong industry effort
	• Productivity uniqueness of oil palm
• certification regarded as an "outdated" tool	• In the future, more quality orientation and focus on applying a mix of standards
• Underestimation of smallholders producing palm oil	

Conclusion

Collaboration between policy makers, the palm oil industry and consumer good manufacturers is needed to establish trust and transparent, mandatory and traceable environmental governance systems.

Bern University of Applied Sciences

- Laila Grillo and Ingrid Fromm
Bern University of Applied Sciences
School of Agricultural, Forest and Food Sciences (HAFL)
Zollikofen, Switzerland