

MPOC - Press Release:
EU Proposed 2021 Ban on Palm Biofuel Is Averted
MPOC and Malaysian Palm Oil Industry Views Outcomes Positively

On 14 June 2018, the EU Trilogue between the EU Parliament, European Council and European Commission reached an agreement that completely removes from the EU's final Renewable Energy Directive (RED) text the proposed 2021 Palm Oil biofuel ban.

This is also part of an ambitious, EU goal on increasing the use of renewable energy by 2030. The Trilogue deliberations were keenly monitored by palm oil producer nations including Malaysia since the EU Parliament voted strongly to ban the use of palm biofuels by 2021. The debate on palm oil has been ongoing for almost 18 months and the current decision not banning palm biofuel in 2021 is much welcome and timely.

Malaysia and other palm oil producers had rallied against the proposed palm biofuel ban. We protested that EU was practicing crop apartheid against palm oil while other oils and fats feedstocks were allowed in their biofuel mix until 2030. Another strong protest was that these EU actions were non-WTO complainant and hindered the very principles of free trade.

Malaysian opposition to the proposed ban was mobilized through the Ministry of Plantation Industries and Commodities and its palm oil agencies including MPOC, MPOB and MPOCC. We were ably assisted by various other Ministries and our Ambassadors / Embassies in the EU. The country's smallholders also acted against the proposed ban, staging a protest and presenting a petition to the EU Mission in Kuala Lumpur, since the EU actions threatened the livelihood of more than 650,000 oil palm smallholders in the country. These actions were further underscored by Malaysia's direct engagement of key European nations and successfully extracting their commitments not to support the proposed palm oil biofuel ban.

As a result of these and other concrete actions undertaken by the Ministry of Plantation Industries and Commodities, MPOC and other palm oil agencies along with MITI, Wisma Putra and the undivided attention of our Ambassadors in the EU, the following positive outcomes are recorded:

- On 14 June when the EU lawmakers reached an agreement not to ban palm oil based biofuel by 2021 and instead opted to propose a phase out of palm biofuel by 2030, we welcomed the decision as a victory for Malaysian palm oil producers.
- The phase out decision was a part of a more expansive agreement to update the EU's Renewable Energy Directive (RED), which included a binding 32% target of renewables in the EU energy.
- The EU however has proposed that palm oil be phased out in its RED mandated energy mix by 2030. This could now be based on a freeze imposed on the levels of palm oil imports into EU in 2019. This we estimate could be in the region of 8.0 million MT of Palm Oil in total of which about 60% or 4.8 Million MT would be intended for renewable energy uses.
- The Trilogue negotiated outcome would next have to be approved by both the EU Parliament and the Council, but this is usually seen only as a formality.

In January 2018, the EU Parliament voted overwhelmingly in favour of a total ban on all Palm Oil biofuels, from 2021. **That plan was rejected by the EU Commission and by EU governments, following a well-directed campaign from Malaysia and indeed other palm oil producer countries.**

To be clear: the final text of the RED agreed by the negotiators, did not include any ban on Palm Oil biofuels. All explicit criticism of Palm Oil was also removed from the final RED text. This is a strong victory for Malaysia since from the very beginning we challenged the proposed ban by presenting evidence and various documents that demonstrated Malaysian palm oil industry was:

- Not a driver of deforestation since the country currently maintains more than 50% of its land under forest and green cover
- Palm oil is mostly produced sustainably and certified as such including through internationally recognized sustainability certification systems
- We further reinforced our commitment towards sustainability by mandating that all palm oil produced in the country will be made mandatory by end 2019 through the MSPO and in compliance with a battery of federal and state legislations.

At MPOC, while we breathe a sigh of relief from these positive negotiated outcomes, we are the first to acknowledge that we have our work cut out. There remains a very strong anti-palm oil sentiment especially among European consumers who associate all palm oil with deforestation, climate change and threat to wildlife and biodiversity.

- We plan to address these through greater consultation and on-ground actions by collaborating further with our industry partners.
- The EU will probably re-engage our industry with new demands and we will continue to address these through various channels already in place including with the EU Commission, Parliamentarians and EU Council.
- It is possible that certification standards and associated demands will become more stringent and even tied to traceability in the supply chain. These will be enhanced through collaboration among all the key players in the Malaysian supply chain.
- The EU has stated that palm oil biofuel will be phased out by 2030. The devil will be in the details and MPOC along with others will review these conditions to ensure they are WTO compliant and compatible with any other special trade arrangements such as the EU-Malaysia FTA that could emerge in the near future.
- We plan to enhance our engagement with palm oil end users in Europe to better understand their specific challenges and requirements while drawing up greater collaborative programs that will keep them loyal to palm oil.
- MPOC will meanwhile aggressively develop alternate markets for Malaysian palm oil in the run up to 2030.

Overall we continue to see many challenges associated with the markets for Malaysian palm oil but we remain confident that Malaysian palm oil will continue to remain competitive, vibrant and a much sought after commodity in the coming years.

Datuk Dr. Kalyana Sundram
Chief Executive Officer, MPOC

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