

## Resolution GA18-2c

Proposed Resolution to be adopted at the 18th General Assembly (GA18)  
of RSPO Members

2 December 2021

**TITLE:** Enhancing the robustness of the RSPO Mass Balance model to accelerate uptake of  
Certified Sustainable Palm Oil

**Submitted By:** WWF International, Zoological Society of London, Henkel AG & Co. KGaA, Beiersdorf  
AG, Evonik Industries AG, Croda International PLC, Orkla ASA, Natura &Co Holding S.A, Societe D  
Exploitation De Produits Pour Les Industries Chimiques Seppic (SEPPIC), Clariant International Ltd,  
L'Oreal

### Background:

Acknowledging the fact that 100% CSPO production can only be obtained through strong and robust certification schemes such as SG or IP, MB currently remains an important part of the volumes of CSPO sold on the market. With a final target of shifting the industry to physical certification as the most direct and efficient scheme to achieve control over the supply chain, **this proposition aims to enhance the robustness of the MB model, both at the plantation and at the supply chain level, recognizing its role as an intermediary way to drive overall industry uptake of CSPO.**

Today, significant volumes of palm Fresh Fruit Bunches (FFB), produced after natural forest land clearing, enter RSPO certified mills through the conventional palm oil part of the RSPO Mass Balance (MB) system, allowing companies sourcing from deforestation-based concessions to promote themselves as “sustainable” or RSPO certified.

Different studies from Eyes on The Forest and Greenpeace highlighted how the uncertified FFB part of MB systems are “tainting” the supply chain of major brands and the overall RSPO’s credibility. This so-called conventional proportion of the product has even been proven to come from illegal deforestation and national parks, showing that the RSPO MB system has not improved the level of safeguards of the most at-risk stakeholders and the RSPO Principles & Criteria lack proper implementation.

Moreover, even if the RSPO P&C include continuous improvement that should push RSPO mills to certify their entire supply base, CSPO production stagnates below 20% of the global palm market. This is partly driven by an overall low demand for certified volumes in key consumption geographies and markets. For example, Asia is the largest consumer of palm oil (c. 61% of global production), yet the uptake of RSPO CSPO in these markets is limited. Recent research by WWF shows that the consumption of RSPO CSPO across five countries in the region (China, India, Indonesia, Malaysia and Singapore) only accounted for 3-4% of the total volume consumed in 2019, with the majority of these volumes covered through the B&C and MB supply chain models. Improving the credibility of the RSPO MB model as a whole can help accelerate the transition to a more sustainable palm oil sector across Asia, thereby increasing the overall demand for RSPO CSPO.

At the same time, important market sectors such as the cosmetics and oleochemicals industry still massively rely on the RSPO MB system, which represented 28% of the total CSPO volumes sold in 2020, and half of the total supply. Despite a strong demand for segregated volumes, the transformation required in complex supply chains as well as the complicated logistics efforts associated with this process have not yet allowed the development of SG schemes in the oleochemicals industry. Thus, oleochemicals users base their sourcing of certified volumes almost exclusively on MB certified products, or the B&C credits system. Important traders have also communicated that they will still rely on the MB scheme for their trading activities in the long-term.

With a strong reliance on the MB model, but shortages in availability of CSPO volumes, downstream players faced important difficulties in 2021 to purchase MB volumes, with important price increases and a shortage of PKO volumes linked to a surplus of MB PO volumes often sold as credits.

Moreover, the RSPO MB model suffers from a weakened trademark and claims communication and publicity, constraining both the Mass Balance model and the RSPO's legitimacy.

As sustainable production has not yet become the norm and given the risk of allowing palm oil sourced from deforestation-based concessions to enter the certified market, the RSPO could consider the development of due-diligence regulations to address these issues proactively through the building of a more robust MB system aiming to mitigate the identified risks in the palm oil sector.

Different examples show that it is possible to increase the safeguards level of conventional sourcing in order to properly implement the RSPO Principles as already acknowledged by the 2018 RSPO P&C. In other commodities, the FSC mix system for paper and wood with Controlled Wood requires that the certificate holders use Controlled Wood to mitigate the risk of using wood products from undesirable sources in FSC-labeled products. Another example would be the recent project in France for controlling the soybean importation. The French government is currently launching a risk-mechanism approach enforced at trader level. In the proposed system, traders supplying soy in France will have to implement additional mitigation activities in the case of sourcing from municipalities identified as high-risk areas.

### **Proposed Resolution:**

- 1) To mandate the RSPO Board of Governors to set up a multi-stakeholder sub-committee (and provide the Secretariat with resources to support it) to oversee an independent study which purpose will be:
  - To identify and investigate the inherent structural and business limitations in the current Mass Balance (MB) model for both the FFB supplies and the supply chain model schemes.
  - Specifically, to identify the current constraints preventing a systematic enforcement of the 2018 RSPO P&C's Principle 2.3 (ensuring that all FFB supplies from outside the unit of certification are from legal sources) from external stakeholders, supply chain actors and on-going efforts led at RSPO level (*Working groups and Committees*)
  - To explore existing practices and models in other certification schemes that could be used to strengthen the MB model
  - To propose a set of recommendations to enhance the robustness and the accessibility of the Mass Balance system, including the expected minimum level of safeguards required for the non-certified materials entering MB supply chains
  - To propose clear communication guidelines on the Mass Balance model.

- 2) To propose amendments and recommendations, based on the aforementioned independent study, to the relevant RSPO guidance and procedures:
- at the 19<sup>th</sup> RSPO General Assembly in 2022
  - as part of the next RSPO Principles & Criteria recast scheduled for 2023.

### **Potential Benefits:**

The expected benefit of a strengthened Mass Balance supply chain model is an enhanced attractiveness and claims model for both upstream and downstream players.

By ensuring a better implementation of the RSPO Principles and Criteria, the RSPO's credibility as a whole and through its different certification schemes to mainstream sustainable palm oil will be improved.

The increased attractiveness and reinforced credibility of the Mass Balance model will increase the overall demand for RSPO CSPO, which in turn drives the rate of RSPO certified plantations and FFB volumes. A strengthened MB model will enhance the legitimacy of the certification use by offering a greater differentiation with the RSPO B&C Model.

Moreover, such a review of the Mass Balance model will be in line with the latest development of national and regional due diligence regulations.

Finally, increased requirements in the Mass Balance model will also prepare some markets, such as the derivatives sector, to convert more easily to SG and more demanding certification schemes. Today, Mass Balance appears as the only practical mean for the derivative industry to support physical RSPO supply chain and a strengthened MB will allow **for an achievable transformation of the supply chains to SG.**

### **Potential Risks & Mitigation:**

There are risks that these stipulations will economically stress out the Mass Balance certified market for a time due to its current limited volumes and the exposed need to increase the share of certified FFB sources. It will be essential to onboard the highest consuming sectors in parallel to drive the overall demand.

Also, there is a risk of discreditation of the SG model as the Mass Balance supply chain model might appear as a sufficient way for downstream players to mitigate the risk over the supply chain.

To mitigate this risk, **it is important to contextualize this review with a final target of pushing the industry to uptake SG/IP as the most direct and efficient certification models to achieve control over the supply chain, while using MB as an intermediary way to achieve it.** An incentivized switch from MB to SG for the supply chains where it is most achievable in the short term and delivers the most impact due to their volume (e.g. food industry, biodiesel industry), and a switch in the mid to long-term for all markets, could be considered through the proposed review.

### **Proposed Standing Committee/Working Group/Task Force in overseeing the Resolution:**

Standards Standing Committee  
Assurance Standing Committee

### **Contact information:**

Arnaud Bonisoli, [arnaud.bonisoli@transitions-dd.com](mailto:arnaud.bonisoli@transitions-dd.com)  
Ariane Denis, [ariane.denis@transitions-dd.com](mailto:ariane.denis@transitions-dd.com)  
Octyanto Bagus Indra Kusuma, [boctyanto@wwf.sg](mailto:boctyanto@wwf.sg)  
Mai Lan Hoang, [mlhoang@wwf.sg](mailto:mlhoang@wwf.sg)  
Boris Patentreger, [boris.patentreger@transitions-dd.com](mailto:boris.patentreger@transitions-dd.com)

### **References:**

Eyes on the Forest, Companies should take immediate actions to stop sourcing from illegal oil palm plantations and start paying for the past damages, June 2021

<https://www.eyesontheforest.or.id/news/eyes-on-the-forest-companies-should-take-immediate-actions-to-stop-sourcing-from-illegal-oil-palm-plantations-and-start-paying-for-the-past-damages>

French Scientific and Technical Forest Committee, Comité scientifique et technique Forêts, 2021, Importer du soja sans contribuer à la déforestation. Proposition d'un mécanisme pour mettre en œuvre les engagements français, coordination : Sylvain Angerand et Boris Patentreger, Paris, AFD, MEAE, Gret,

[https://www.cst-foret.org/wp-content/uploads/ouvrage-collectif-CST-Foret\\_Mettre-fin-aux-importations-de-soja-Vpublie.pdf](https://www.cst-foret.org/wp-content/uploads/ouvrage-collectif-CST-Foret_Mettre-fin-aux-importations-de-soja-Vpublie.pdf)

Greenpeace, Total carbure à la déforestation à la mède, October 2019,  
<https://www.greenpeace.fr/total-carbure-a-la-deforestation-a-la-mede/>

RSPO, Principles and Criteria for the Production of Sustainable Palm Oil 2018, revised 1 February 2020  
RSPO P&C 2018 Generic Auditors Checklist (Updated December 2020)

RSPO, Impact, Volume of RSPO Certified sustainable oi: 19% of the global palm oil,  
<http://rspo.org/impact>

WWF, ZSL, Committed to Sustainable Palm Oil? Analysis of 2019 ACOP Reporting by RSPO Member Companies, 2020,  
[https://wwfeu.awsassets.panda.org/downloads/wwf\\_zsl\\_committed\\_to\\_sustainable\\_palm\\_oil\\_2020\\_edition\\_final.pdf](https://wwfeu.awsassets.panda.org/downloads/wwf_zsl_committed_to_sustainable_palm_oil_2020_edition_final.pdf)

WWF, Sustainable Palm Oil Uptake in Asia, Where Do We Go From Here? 2021,  
[https://wwfint.awsassets.panda.org/downloads/sustainable\\_palm\\_oil\\_uptake\\_in\\_asia\\_sept\\_2021.pdf](https://wwfint.awsassets.panda.org/downloads/sustainable_palm_oil_uptake_in_asia_sept_2021.pdf)