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Executive summary

The UK Roundtable on Sourcing Sustainable Palm Oil is an industry alliance that, acting as a core part of the UK Sustainable Palm Oil Initiative, aims to promote the uptake of sustainable palm oil (SPO) in the UK. This report measures the UK's 2019 progress towards meeting the Roundtable's goal of sourcing 100% SPO, in line with the 2020 Amsterdam Commitment. To do this, it presents the overall figure for the amount of Certified Sustainable Palm Oil (CSPO) imported into the UK in 2019 via the four UK refiners and some Europe-based traders, as well as the remaining volume that is uncertified entering the UK. The objective of this publication is to report on progress to date, whilst also identifying the composition of untracked volumes of palm oil entering the UK, in order to help achieve the goal of 100% SPO usage within the UK by 2020.

Data analysis explored in this report reveals that, in 2019, the volume of CSPO imported into the UK marginally increased compared to 2018. However, due to a significant increase in total imports of palm oil, the percentage of UK palm and palm kernel oil imports that can be reported as certified sustainable has decreased from 77% to 70%. The considerable boost in total imports, which may be the result of a Brexit stockpiling push or response to price changes, has also resulted in an increased 'gap' of untracked imports. It should be noted however that, when compared to 2010 total import volumes that were similar to those seen in 2019, the figures presented here represent a significant improvement in UK CSPO sourcing levels over the course of the 10-year reporting period.

Investigation into the patterns behind the data reveals that a strong market shift emerged between 2017 and 2019, with imports moving away from crude towards refined palm oil. The implication of this is that more material is being imported further downstream from the refiners, possibly by food manufacturers, and assessment of the sourcing commitments of the companies likely engaged in this activity suggests that much of the material may be CSPO. Furthermore, broader analysis of the downstream supply chain has offered insight into the types of supply chain actor that could be contributing to the gap of untracked material.

2020 has the potential to be a momentous year for UK industry in its progress in establishing sustainable supply chains of palm oil. With the 2021 Annual Progress Report revealing the country's final progress towards the Amsterdam Declaration Commitment, the industry is anticipating a move forward from 2019 figures as companies from all areas of the supply chain continue to progress towards the 100% SPO goal. Sector-specific analysis suggests that progress is being made across different palm oil-using industries, including home and personal care, animal feed and the Out of Home market. We now stand at an exciting point of progression in the UK's sustainability story; developing policies stemming from the Global Resource Initiative recommendations may provide the groundwork for deforestation-free supply chains to develop in a cross-commodity context. The UN Climate Change Conference of the Parties (COP26), being hosted in the UK in 2021, provides a leadership platform to launch global collective action towards sustainable commodity supply chains.

"The UK Roundtable has played a key role in maintaining energy and focus on working towards 100% sustainable use of palm oil in the UK. Despite falling short of the 100% target by 2015, it has helped drive increased accountability, action and has highlighted where the gaps exist and what is needed to close them. WWF calls on the UK RT to double down on its efforts and support broader sector action to drive greater uptake of sustainable palm oil, to set a level playing field through exemplary policy, and to support communication efforts to showcase best practice." WWF, 2020

1 Quote provided to Efeca by WWF UK, 2020
1. Introduction

This report measures the 2019 progress of the UK in meeting the 2020 Amsterdam Commitment to source 100% sustainable palm oil (SPO) within Europe. To do this, it presents the overall figure for the amount of Certified Sustainable Palm Oil (CSPO) imported into the UK via the four UK based refineries and other first destination refiners based in Europe, as well as the remaining volume that is uncertified entering the UK. The objective of this publication is to report on progress to date, whilst also identifying where the remaining volumes of uncertified palm oil are sourced from, in order to help achieve the goal of 100% SPO usage within the UK. It covers previous data points reported on in the 2012-2015 commitment period and will continue to be published annually until 2021, when final progress towards the 2020 goal will be reported. It also explores the wider consumption dynamics of palm oil in the UK, analysing the sourcing of CSPO in the context of different industry and supply chain sectors.

The devastating effects of commodity driven deforestation have never been more widely documented, or more starkly observed. Over the past 60 years, more than half of tropical forests worldwide have been destroyed. Such relentless deforestation is acting as a key driver of the most prominent environmental challenges of our time; global biodiversity is collapsing at an unprecedented rate, whilst climate change is exacerbating the impact of destructive natural phenomena like raging forest fires. Land conversion as a result of agricultural production is the single biggest contributor to deforestation globally, with approximately 70% attributed to agricultural expansion (specifically for livestock, soya, palm oil and pulp and paper production). This highlights the paramount importance of sustainable sourcing of commodities like palm oil, not only in terms of protecting the natural world, but also in sustaining the livelihoods of the communities reliant on the production of these commodities.

According to recent WWF analysis, the UK accounts for 5% of the global land footprint of palm oil production, which is significant considering the UK is home to less than 1% of the global population and about 2% of global GDP. Although this proportion of the world’s palm oil land footprint is small, especially when compared to major users of palm oil such as Indonesia, China and India, the UK has the opportunity over the coming years to develop its position as a prominent influencer of global change.

Looking to the future, the recently published Global Resource Initiative (GRI) Recommendations Report, commissioned by the UK Government as part of its 25-year Environment Plan, suggests the steps the UK needs to take to develop sustainable supply chains of forest-risk commodities, providing a platform for global leadership in the process. In response to one of these recommendations, the Department for Environment, Food and Rural Affairs (Defra) has recently undertaken a consultation process for a law requiring private sector due diligence on forest risk commodities; a similar process undertaken by the EU suggests an international move towards regulation of supply chain sustainability.

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2 For a detailed account of the methodology agreed with the Roundtable in 2016, see Annex 1.
7 https://www.efeca.com/uk-global-resource-initiative-gri/
Furthermore, the approaching UN Climate Change Conference of the Parties (COP26), being hosted by the UK in 2021, will provide an opportunity for the UK to drive forward collective action on sustainable supply chains, amongst other climate change-related issues. This event will coincide with the publishing of the 2021 Annual Progress Report, which will report on the UK’s final progress towards meeting its Amsterdam Declaration goal of sourcing 100% SPO by 2020. This report, which discusses 2019 data, is crucial therefore as it outlines the country’s state of play before moving into the major target assessment year of 2020, exploring where gaps still remain in the country’s sourcing of CSPO, and what progress is being made to fill them.

The main body of this Annual Progress Report is divided into three distinct parts. Section 2 describes the headline figures around the UK’s sourcing of palm oil in 2019, exploring the possible drivers behind the data. Section 3 then analyses the progress made by various sectors of the palm oil market, before offering an insight into the UK’s development of education and balanced communication of the issues surrounding the production of sustainable palm oil. Finally, section 4 looks further afield at the global palm oil market and industry developments, placing this in the context of the UK’s international impact.

1.1. The UK Sustainable Palm Oil Initiative

The UK Sustainable Palm Oil Initiative (SPOI) performs a wide range of activities to engage and support the private sector to source sustainable palm oil, through training, raising awareness and information sharing with the facilitation of webinars on key topics, and workshops directed at, for example, the foodservice and oleochemical industries to help stakeholders learn about sourcing CSPO. Additionally, a series of working groups are facilitated, one of which is focused predominantly on improving the messaging and narrative surrounding palm oil in order to create educational resources and drive awareness across the UK supply chain from refiners to end consumers on sustainable palm oil.

A core part of the SPOI is the UK Roundtable on Sourcing Sustainable Palm Oil (RSSPO), an industry alliance that aims to promote the uptake of sustainable palm oil in the UK across the supply chain, offering a space for information sharing between members and support on progress, monitoring and reporting. The Roundtable was originally formed when Defra published the UK statement on sustainable palm oil in 2012, which brought together trade associations for palm oil-using sectors, the UK government and the World Wildlife Fund to agree to work towards 100% sourcing of credibly certified sustainable palm oil by 2015.

Membership has now expanded to a wider range of organisations including retailers, public sector, small palm oil growers, wholesalers, finance, the food service sector and manufacturers. Following the end of the 2015 commitment period, the RSSPO members agreed to align with the commitment to working towards achieving to the 2020 Amsterdam Commitment, a private sector-driven commitment to 100% sustainable sourcing and increased traceability of palm oil by 2020 in Europe as well as other agricultural commodities associated with deforestation, such as soya and cocoa.

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8 [https://www.efeca.com/uk-sourcing-sustainable-palm-oil-initiative/](https://www.efeca.com/uk-sourcing-sustainable-palm-oil-initiative/)
10 The 100% by 2015 commitment covered the use of both sustainable palm oil and palm kernel oil. Relevant sectors also worked to encourage sustainable sourcing of palm oil fractions and derivatives.
With the UK RSSPO fast approaching the end of its reporting period for the 2020 goal, the UK SPOI will continue to work with all sectors to drive forward the development of an increasingly sustainable and resilient supply of palm oil to the UK. Whilst the goal of 100% SPO remains an relevant target against which progress can easily be tracked using CSPO import data, the UK SPOI has built a platform upon which a far broader goal can be launched – one that encompasses the capacity of UK industry to instigate positive change on a global level.

Whilst recognising that RSPO certification is a leading standard of sustainability to work towards, it must also be acknowledged that there are other pathways in place to assist industry on its journey to a sustainable supply chain of palm oil. NDPE (No Deforestation, no development on Peatland, no Exploitation of people) policies are developing in prominence and authenticity, with the emergence of the Implementation Reporting Framework (IRF) providing the potential for verification in this area. Meanwhile, other certification schemes, such as MSPO, ISPO, ISCC and the Rainforest Alliance, can be recognised (under the IRF but also in their own right) as contributing towards a sustainable supply chain. Moving beyond 2020, UK industry can broaden its reach and accelerate its progress by incorporating the important role that different sustainability schemes play in different contexts, and by engaging with the producer end of its supply chain, providing the support that upstream organisations may need to promote the production of sustainable palm oil.
2. Overview of palm oil usage in the UK

The figures within this report are based on Eurostat data, which tracks imports of crude and refined palm oil and palm kernel oil, as well as their fractions. The figure reported in section 2A on the CSPO percentage of UK imports is based on data provided by first destination refiners situated in the UK and some Europe-based traders.

The UK receives the majority of its palm and palm kernel oil directly from countries of origin, but a proportion is imported from Europe. The movement of this material through the UK supply chain is described in figure 1, which represents the supply chain as being divided into a number of separate routes including:

- The supply of palm oil from traders or refiners into the food manufacturing industry, where it moves through the supply chain via ingredients and consumer goods manufacturers and wholesalers before reaching the retail, convenience and foodservice sectors.
- The import of embedded palm oil (in the form of ingredients or finished goods) by manufacturers or retailers.
- The import of palm oil (often in the form of derivatives) for use in oleochemical manufacturing (within the home and personal care industry). Such material is imported by manufacturers for use in products such as soap and shampoos.
- The import of palm oil for use in the manufacturing of animal feed, which is then used in the livestock sector. This material is mainly in the form of palm fatty acid distillate (PFAD – a by-product of the refining process) or palm kernel meal (a by-product product from the oil extraction process).

Figure 1. UK palm oil supply chain (source: Efeca)

- Global traders or refiners/processors of palm oil direct from source or from Europe
- Finished goods or ingredients (embedded palm oil)
- Palm oil for use in oleochemicals
- Palm oil for use in animal feed

Ingredients Manufacturers (e.g. making bakery fats for further processing or ingredients e.g. pastry)

Ingredients manufacturers (for use in e.g. soap/shampoos)

Animal feed manufacturers

Product manufacturers (e.g. retail own label/other)

Consumer Goods Manufacturers

Wholesalers

Retail Sector

Home/personal care sector

Convenience and foodservice sectors
Note that not all of the palm oil, palm kernel oil and palm-derived materials reflected in figure 2 are included in the data reported in section 2.1 below. For consistency (with previous reporting years) and clarity, only information on palm oil and palm kernel oil is reported – embedded palm oil, palm kernel meal and PFAD are not reported on.

2.1. 2019 palm oil usage in the UK
This section discusses the UK’s total imports of palm oil and percentage of CSPO (Identity Preserved, Segregated and Mass balance) via the four UK refiners and processors, and Europe-based processors and traders. The figures used for this report encompass all crude and refined palm and palm kernel oil, as well as fractions.

2.1.1. The headlines: UK imports of CSPO in 2019
According to Eurostat data, the UK imported 475,000 MT (metric tonnes) of palm oil and palm kernel oil in 2019. As shown in table 1 below, this represents a significant 13% increase – an additional 54,000 MT – in total imports compared to 2018. Parallel to this increase in total imports, the intake volumes of CSPO by the refiners, processors and traders that reported data for use in this report rose by 3% to over 330,000 MT.

As a result of the considerable increase in total imports coupled with a more marginal increase in the visible CSPO intake volume, the percentage of imports that can be reported as certified sustainable for 2019 stands at 70% (see figure 2).

Table 1. Year-on-year percentage changes in UK total palm oil imports and imports of CSPO from 2009 – 2019

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Percentage change in total imports</th>
<th>Percentage change in imports of CSPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>-9%</td>
<td>+39%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>-4%</td>
<td>+104%</td>
</tr>
<tr>
<td>2011-2012</td>
<td>+3%</td>
<td>+21%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>-1%</td>
<td>+17%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>-7%</td>
<td>+30%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>-1%</td>
<td>+12%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>0%</td>
<td>+1%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>+3%</td>
<td>0%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>-4%</td>
<td>-1%</td>
</tr>
<tr>
<td>2018-2019</td>
<td>+13%</td>
<td>+3%</td>
</tr>
</tbody>
</table>

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2.1.2. Claims of RSPO credit certificates

As reflected in figure 3 and table 2 below, the number of RSPO credits claimed to cover the use of palm and palm kernel oil in the UK has decreased by 47% between 2018 and 2019 – the reason behind this drop currently remains unclear.

Whilst one credit represents one tonne of CSPO being produced, it is important to recognise the limitations of assessing the number of UK-claimed credits in the context of physical volumes used in the UK. Most notably, this data relates to companies that, while UK-based, may be claiming credits to cover their global palm oil usage. For this reason, a large number of credits claimed by a major UK-based company are not included in the data displayed below (as in previous years) due to the probability that the majority do not represent palm oil use in the UK. This issue, combined with the problem of double-counting when companies in various areas of the supply chain all claim credits to cover their usage, means that the number of claimed credits is not combined with the total headline volume of physical imports of CSPO for use in this report, as the resulting figure would be inaccurate and misrepresentative.
2.1.3. The remaining ‘gap’ in the tracking of imports

To fully understand the progress made by the UK in 2019 towards its goal of 100% SPO, it is necessary to understand the dynamics of the UK’s uncertified and untracked palm oil usage, and influence of demand at key points in the supply chain. Figure 4 below offers a visual representation of the UK’s total imports of palm and palm kernel oil in 2019, broken down into the intake volumes of conventional material and CSPO reported by refiners, processors and traders, and the remaining ‘gap’ of volume not reported by these companies that is therefore untracked.

Table 2. Year-on-year percentage changes in number of claimed RSPO Credits from 2009 to 2019

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Percentage change in number of claimed credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>+2%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>+3%</td>
</tr>
<tr>
<td>2011-2012</td>
<td>-17%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>+13%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>+7%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>+24%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>-35%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>-51%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>+205%</td>
</tr>
<tr>
<td>2018-2019</td>
<td>-47%</td>
</tr>
</tbody>
</table>
This means that, for 21% of the UK’s total imports in 2019, this report is unable to identify the CSPO status of this volume or its point of entry into the supply chain. This represents a widening of the gap from 15% in 2018.13

2.1.4. Understanding the figures: what is behind the ‘gap’?

Thus far, section 2A has described how the reported intake volume of CSPO for the UK increased in 2019, but a significant rise in total imports has resulted in a decreased import percentage that can be reported as CSPO, and a broadening of the gap of untracked imports. The remainder of this section attempts to unpick these figures, looking beyond the data at the factors that may have driven this change.

2019 presented a number of factors that could have resulted in the significant increase in total imports that has been observed. For example, the increase could have been instigated by a Brexit stockpiling effect; the Brexit-related trade uncertainties of 2019 influenced some stockpiling activity from food and drink manufacturers,14 suggesting that significant volumes of palm and palm kernel oil could have been imported as a result of similar behaviour. In addition, a competitive market for palm oil during 2019 may have been another factor that led to an increase in palm oil uptake.15

Further to comparing 2019 data with that of 2018, it is important to also consider the headline CSPO percentage figure in the context of the 10-year reporting period displayed in figure 2. Total imports of palm and palm kernel oil in 2010 were 465,000 MT – a similar volume to that seen in 2019 – yet the CSPO percentage figure in 2010 sat at a mere 16%. This demonstrates that, although the recent trend is one of stagnation in CSPO imports, over the past decade as a whole the UK has made a significant improvement in its sourcing of CSPO.

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13 As reported in the 2019 APR
15 Source: Efeca interviews with Roundtable members
Digging deeper into the detail of the UK’s imports of palm and palm kernel oil offers major insights into the nuance of what is behind the increased gap of untracked material (see figure 4 above). As displayed in figure 5 below, Eurostat data shows that there has been a significant recent market shift from importing crude to refined palm oil between 2017 and 2019. This implies that the UK is importing more refined material overall, with some of this material being imported directly into the supply chain further downstream from refiners, which is not tracked here (see section 2.2 below for more detail). Specifically, these imports are likely to be in the form of frying oil or bakery fats being imported directly by, for example, food manufacturing companies.16

If indeed food manufacturing companies make up the bulk of the demand for this refined material, it is likely that a small, core group of companies are importing most of the volume that makes up the gap shown in figure 4. Building on this assumption, the fact that the major manufacturers in this sector have public commitments to CSPO or are active RSPO members suggests that a large proportion of any volumes they are importing are certified sustainable. This suggests that much of the 21% gap of untracked volumes is likely to be CSPO, possibly indicating that the UK’s true CSPO import percentage may be considerably higher than the 70% that can be reported here. A focus of the 2021 APR will be to gain greater clarity around this area, as it will be important for accurately understanding the UK’s true progress towards the 2020 goal.

Figure 5. UK import volumes of crude (for use in food) and refined palm oil, 2017 – 2019 (Source: Eurostat)

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16 Source: Efeca interviews with Roundtable members
2.2. Beyond the refinery data – the downstream supply chain

As noted above, the 70% CSPO figure described in section 2A does not cover palm oil embedded in ingredients or finished goods entering the UK which are sold directly to manufacturers or retailers from global suppliers (nor does it include palm kernel meal or expeller). This material is currently not monitored nor tracked, and thus is difficult to quantify accurately, though it does possibly represent a large amount of additional usage.

This section further explores the use of this palm oil in the UK, and in addition considers the use of oil imported to the UK from first destination refiners in Europe or refiners in countries of origin. Such material is then used by ingredients manufacturers and consumer goods manufacturers either as oil, or in a wide range of products (both food and non-food) as fractions and derivatives, or in finished goods by retailers. Some information on the CSPO status of this material used in different areas of the supply chain can be tracked by analysing data from RSPO Annual Communication of Progress (ACOP) reports.

ACOP data is therefore useful because it presents detail about where CSPO is being used, both in terms of the area of the supply chain and the specific industry. Consequently, the information in the sub-sections below complements the data analysed in section 2.1 as it offers an insight into the industry types or supply chain areas that lie behind the 21% gap of untracked material (see figure 4).

2.2.1. Background to the analysis of UK RSPO ACOP data

The sub-sections below look more closely at major palm oil-using sectors and the data reported by them to the RSPO through the ACOP. RSPO attributes this data to three categories of supply chain actor, each of which is addressed separately below: processors and traders, consumer goods manufacturers, and retailers. This ACOP analysis does not look at total volumes of CSPO used as this is challenging to do due to inconsistencies in the data set, for example with some companies reporting data for international usage, but does draw some conclusions that may be helpful in understanding untracked UK CSPO.

The RSPO ACOP is a mandatory submission for ordinary members (those which use over 500 tonnes per year) but not for supply chain associates (which use less than 500 tonnes per year). Therefore, the picture provided by an analysis of this data is incomplete.

Currently total UK RSPO membership stands at 460, of which 327 are supply chain associates (who do not have to report on their progress) and 133 ordinary members (who do have to report progress). The remaining 14 are affiliate members. UK ACOP data encompasses the international operations of companies headquartered in the UK. Therefore, in some instances, palm oil usage reported by a UK company is not used within the UK – rather, it may reflect trading in other countries.

2.2.2. Processors and traders

Within the UK there are 39 organisations which sit under this category; 11 are associate members whilst 28 are ordinary. This category includes 11 companies who are trading globally, which highlights the difficulty of attributing volumes to their UK use because such a breakdown is not provided in ACOP reporting. The impact of their membership and reporting on other markets away from the UK is important to recognise as the drive for 100% SPO is not just a UK
objective – as seen in the Amsterdam Declaration and from other global initiatives, it is an international goal.

This sector does not include the UK refiners (whose data feeds into the information reported in section 2A) as they are international businesses with head offices based globally. Therefore, this information is giving additional insight into the UK sustainable palm oil market as it only includes UK-based processors and traders.

In 2019, out of the 39 businesses in this category, 17 were associated with the oleochemicals sector as traders, distributors, processors and manufacturers. These companies may receive palm oil from UK suppliers, but are more likely to import it from specialist oleochemical producers based in Europe or even directly from origin. The HS tariff codes used to generate the Eurostat figures on total UK import volumes (see annex 3) do capture some of the possible oleochemicals manufactured within this sector.

Through a range of Roundtable member interviews, refiners producing oleochemicals and exporting to the UK have been identified; two are leading refiners based in Europe, whilst two others are country of origin-based and not previously considered in reports. This information is significant as imports from these refiners could make up part of the 21% gap of untracked material (see figure 4), meaning it helps to broaden UK knowledge and potential to influence producer countries. While we have identified the companies, further analysis is required to understand the volumes, levels of CSPO and how this might complement the above findings.

The ACOP data was also reviewed in terms of companies that only supply the UK market. This analysis yielded a surprising result by identifying six companies who declared volumes for the UK only but are based outside of the UK (they declared UK imports of 45,757 MT of palm oil, of which only 1,366 MT was CSPO). This information highlights a bracket of companies that should be engaged by the UK SPOI and its Roundtable to help to progress towards the UK’s objective of 100% SPO.

The analysis also revealed eight food ingredient manufacturers, one of which additionally plays a major role within the animal feed sector, three animal feed manufacturers, nine food wholesalers and traders and two biofuel producers. This reflects the fact that this analysis presents a high level of detail not uncovered in previous APRs and facilitates a greater breadth of knowledge around the complexities of the market.

2.2.3. Consumer Goods Manufacturers

A total of 114 UK consumer goods manufacturers report through the RSPO ACOP, 87% of which indicate that they are supplied with 100% CSPO. Furthermore, 34 report that they are trading globally, whilst 49 exclusively trade within the UK.

Within this category, four companies described themselves as ingredient manufacturers, 32 as own brand, 24 as third party only, and the majority of 54 supplying both third party and own brand products. Therefore, the fact that many of these manufacturers are supplying retailers with own brand products (and needing to meet associated CSPO commitments) could be a key reason behind the high percentage of CSPO use in this category.
2.2.4. Retailers

46.8% of all products sold in the UK are described as private label or own label.\textsuperscript{17} This means they are subject to retailer policies for CSPO. Of the 9 leading retailers in the UK, including ASDA, Aldi and Lidl who have head offices outside of the UK, only one is not an RSPO member. Of the retailers who are RSPO members all have policies committing to the use of RSPO CSPO (Segregated, Identity Preserved and Mass Balance), with an increasing trend to move to Segregated. Retailers continue to play a major role in stimulating demand for sustainable palm oil, for example Tesco has recently announced that it has reached 100% RSPO certification for its entire Group, not only in the UK but also across its international markets in Europe and Asia.\textsuperscript{18}

Other retail initiatives to promote sustainable palm oil include the Retail Palm Oil Group (RPOG), a non-competitive coalition of Retail Companies with a common aim of promoting the adoption of sustainable palm oil. Currently the Group's members trade in every continent, although there is a predominance of companies with head offices based in Europe. This group is represented on the RSPO board. Another prominent initiative is the Palm Oil Transparency Coalition (POTC), which is formed of businesses working together in a pre-competitive coalition to remove deforestation and exploitation from the palm oil production sector. The group now produces an annual report to track their supply chains progress towards their objectives.

2.2.5. Sustainability claims not reported within the RSPO ACOP process

Many of the 327 Supply Chain Associates who do not report via the ACOP system are making RSPO public claims. This will mean, as with those who submit ACOP reports, that they need to be RSPO supply chain certified under the RSPO Supply Chain Certification Standard. With an annual audit, this ensures that what is being claimed as RSPO CSPO is being delivered. These audits are not public, but a Supply Chain Certification Standard certificate is issued for those business who achieve the standard. 242 sites in the UK are RSPO Supply Chain Certified.

2.2.6. How does ACOP analysis help our understanding of the UK’s progress?

The information presented throughout section 2.2 adds a new level of understanding and value to our knowledge of the UK's sourcing of CSPO by offering implications of where and how it is used in the downstream supply chain. Whilst the data provided by refiners and traders and analysed in section 2.1 offers an accurate general oversight, it does not cover all material entering the UK, as reflected by the gap of untracked material presented in 2.1.3. The analysis of RSPO ACOP data above builds on this by suggesting what could be feeding into the gap.

Specifically, the assessment above provides greater clarity around where in the supply chain direct importing of palm oil that is not captured in section 2.1 may be occurring, for example by oleochemical manufacturers. The main question that still remains is what proportion of the gap is likely to be CSPO. The ACOP analysis carried out here helps to direct efforts to capture this information, which will be a key focus of the 2021 APR.

\textsuperscript{17} Nielsen data reported by the Private Label Manufacturers Association (https://www.plmainternational.com/industry-news/private-label-today)

\textsuperscript{18} https://www.tescoplc.com/blog/update-on-our-progress-on-sourcing-sustainable-palm-oil-achieving-100-rsop-certification-and-beyond/
3. **Ensuring a sustainable impact: UK progress at home**

Thus far, this report has detailed the current breadth of understanding around the UK’s overall progress in sourcing CSPO, describing the proportion of UK palm oil imports that can be reported as CSPO, explaining the data gaps that still remain, and analysing possible insight into how those gaps can be filled.

This section looks beyond the overall structure of the palm oil supply chain into some of its associated industries, evaluating the recent progress made by different industries in the context of the varying challenges they face in their use of palm oil. It then assesses the efforts of the UK SPOI and industry stakeholders to ensure a sustainable impact by driving awareness, through communication and education, of the issues associated with sourcing sustainable palm oil.

3.1. **Sector updates – home and personal care, animal feed, Out of Home market**

This section focuses on the progress made in the UK by three broad sectors that have faced challenges in sourcing CSPO: home and personal care, animal feed and the Out of Home (OoH) market.

3.1.1. **Home and personal care**

The home and personal care sector, which uses oleochemicals manufactured from palm-based derivatives, is different in many respects to other industries in terms of how it uses palm oil. A large number of fractions or derivatives of palm oil are used within the industry, as opposed to simply crude or refined material that is used in other industries. In addition, a key characteristic of this sector is that much of the palm-derived material that enters the UK for manufacturing into home and personal care products is then re-exported as a finished good. For this reason, it is difficult to definitively assess the true impact of this sector on palm oil consumption in the UK, as much of it does not enter the UK market as a finished product.

Over the last few years, the major barriers to sourcing RSPO CSPO in the oleochemicals sector have largely been removed. The RSPO Mass Balance supply chain option lends itself well to oleochemical production, though it does require commitment to the certification of production plants, significant supplier engagement and costs associated to sourcing certified derivatives. As identified through discussions with industry representatives, the majority of personal care palm oil derived ingredients are now available as Mass Balance certified. The industry is focused on transitioning to Segregated material, but this may take some time.

A major recent development in this area has been the establishment of Action for Sustainable Derivatives (ASD) in 2019. ASD is co-managed and co-facilitated by BSR (Business for Social Responsibility) and Transitions, and is a sector-wide collaboration for users of palm and palm kernel oil derivatives in the home and personal care and oleochemical industries, with membership comprising major product companies and ingredient suppliers.

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19 Information on the progress of two other prominent palm oil using industries, food and biofuel, is referred to in section 2.2 and annex 2 respectively, so is not included here
20 Interview with Chris Sayner, Vice President Customer Alliances, Corporate Sustainability Croda International Plc
21 https://www.bsr.org/en/collaboration/groups/action-for-sustainable-derivatives
ASD represents a collective effort to gain transparency and voice of influence for responsible palm production and implementation of collective tools for change. Its vision is to achieve and promote palm derivatives sourcing that is free from deforestation, respects human rights, and supports local livelihoods. It aims to do this by using a harmonised collective and sectoral approach that standardises tools and methodologies, and aligns efforts.

Considerable progress has been made by ASD in its first year, achieving transparency to source collectively for annual purchase volumes of 18 users of palm oil and palm kernel oil derivatives, covering 450,000 MT of palm-based materials. This represents mapping of 6 percent of the global palm oleochemicals market (in terms of volumes) and 11 percent of the PKO oleochemicals market. ASD was able to engage with 96 percent of the collective palm feedstock equivalent in scope, through exchanges with over 130 suppliers and distributors, investigating more than 700 palm-based ingredients. This achieved up to 90 percent transparency to refineries and crushing facilities, and 81 percent transparency to mills for collective volumes. ASD has also provided individual company supply chain mapping reports, which in some instances resulting from previous engagement with suppliers, achieved up to 94 percent transparency to mills.22

Some members of the ASD are also engaged as part of the membership of the UK RSSPO, and the UK SPOI will continue to work with them to develop sustainable supply chains of palm-based oleochemicals for the home and personal care sector.

“The home and personal care industry has made enormous progress in supporting sustainable palm and extending positive influence beyond its own supply chains. The ASD is a perfect example of businesses coming together to complete the industry transformation to sustainable palm and partnering to meet the United Nations Sustainable Development Goals.”23

3.1.2. Animal feed

Palm oil is used in two forms in the feed sector: oil and meal. The meal – referred to as palm kernel meal or palm kernel expeller (PKE) – is a by-product24 from the extraction of palm kernel oil. The oil is purchased as crude palm oil (CPO) or as the fractions palm fatty acid distillate (PFAD) and palmitic acid (PA). These products are used in different feed applications for different reasons. Note that neither PKE nor PFAD are included within the data analysed in section 2 above.

484,000 MT of PKE were imported into the UK during 2019.25 PKE is used for its oil content, which is useful to bind the ingredients in feed pellets, but is not a like-for-like replacement for soya in animal feed. The majority of PKE entering the UK is of Indonesian origin,26 with a small volume of organic PKE from South America.27 The challenge that remains with regards to PKE is

22 Information provided to Efeca by an ASD representative
23 Quote provided to Efeca by Chris Sayner, Vice President Customer Alliances, Corporate Sustainability Croda International Plc
24 PKE is considered a by-product due to palm oil being the valuable product
25 Source: Eurostat (published by FEDIOL)
26 Source: Efeca analysis of UN Comtrade data
27 Source: Efeca interview with industry stakeholder
developing a broader understanding of the supply chain of this by-product, and an awareness of
the availability of certified volumes.

The major uses of PFAD, CPO and PA are in dairy cow nutrition. CPO and PA are covered in the
data analysed in section 2, whereas PFAD is not;\textsuperscript{28} used predominately within nutritional animal
feed, the total amount of PFAD entering the UK in 2019 can be estimated at 55,900 MT,\textsuperscript{29} of
which at least 46% was RSPO certified.\textsuperscript{30} PFAD offers a unique fatty acid profile that is the most
important aspect of any fat source for ruminant animals.

The scale of the challenge to move to sustainable palm oil in the UK feed industry remains large,
in part because of the prevalence of large numbers of independent farmers or producers within
some sectors of the UK meat and dairy industry, making the practical implementation of
physical RSPO Supply Chain Certification more difficult, and in part for reasons of price
sensitivity. The actions of the small number of feed fat suppliers that manage the supply of palm
oil into the UK could play a significant role in driving change within this sector and can be an
area of focus for future engagement within this sector by the UK SPOI.

Despite these challenges, some of the major stakeholders in the animal feed sector are making
significant progress in sourcing CSPO. AB Agri and ForFarmers are two of the largest suppliers
in the UK, and both purchase RSPO credits to cover their palm oil volumes. Volac International,
another large feed supplier, has also made progress in moving to certified physical material or
material covered by NDPE policies. The Agricultural Industries Confederation (AIC), which
represents a group of feed companies that produce over 95% of the compound animal feed
marketed in the UK, have also purchased credits through a membership scheme set up in 2019.
The challenge that remains for these actors now is moving beyond credits into physically
certified supply chains.

3.1.3. The foodservice industry or ‘Out of Home’ (OoH) market

Understanding the use of palm oil in food products not eaten in a domestic setting is key if the
UK is to reach its goal of 100% SPO. For various reasons previously reported on, the foodservice
industry is behind other sectors in terms of its progress in sourcing and communicating the
importance of sustainable palm oil. For the purpose of this year’s APR, a wider definition of
foodservice is being used in this report – that of the ‘Out of Home’ (OoH) market. The OoH
market is defined simply as anything eaten away from home – it includes the traditional
foodservice sector (encompassing wholesale as well) and also the convenience sector. This
broader definition is being included in the report to recognise the importance of the
convenience sector and capture as much of the market as possible. The fact that this broader
sector is composed of over 360,000 individual outlets highlights its scale and the challenge in
addressing all of its components (see figure 6 below).

\textsuperscript{28} See annex 3 for details of the exclusion of PFAD from Eurostat data
\textsuperscript{29} See annex 3 for reasoning behind estimation
\textsuperscript{30} Efeca interviews with industry stakeholders have yielded some data on volumes of RSPO-certified PFAD entering
the UK, enabling the calculation of this approximate percentage
As in previous years, the majority of the OoH market has seemingly been behind the retail sector in its uptake of sustainable palm oil. Industry engagement suggests that the key reasons for this continue in part to be a lack of consumer demand and lack of knowledge of the ingredients used in prepared foods. This relates both to end users (who are, for example, purchasing products in restaurants) and business customers (for example a restaurant that is purchasing from a wholesaler). An end user may not consider if a menu choice contains (or is fried in) palm oil, whilst this information is rarely available in restaurant environments. In addition, palm oil is only one of multiple commodities on a menu which may or may not have been sourced sustainably. A lack of demand from business customers in the OoH market may be due to an absence of understanding of the issues surrounding sustainable palm oil or concerns about the negative image of palm oil that is sometimes portrayed to end users through various media.

As of 2014, all retail products have had to declare the type of vegetable oil used in packaged products. Although some food manufacturers label the type of oil used within foodservice products, this is not a legal requirement and therefore buyers are sometimes unaware that it is palm oil. Many major foodservice brands, however, have clear visibility over the oil types in their products and CSPO status of their supply chain. On the other hand, some industry players are inhibited by a lack of RSPO membership within their supply chains, arguing that this gives a
misleading view of the OoH sector. This is because even if palm oil comes from certified sustainable sources, under RSPO rules public CSPO claims cannot be made without membership. It has been observed that refiners are supplying RSPO CSPO into the marketplace, but no further claims are then made by the next supply chain actor for this reason. This means that the volume of CSPO entering the OoH market could be higher than can be reported.

The size and role of the OoH market and therefore its influence in supporting the UK’s move towards 100% SPO is crucial. This does not just incorporate the palm oil which enters the UK via the first destination refiners or processors, but also ingredients and finished goods imported into the market from outside of the UK. Some of the palm oil used to manufacture such products could be part of the composition of the 21% gap of untracked material discussed in sections 2.1.3 and 2.1.4, and therefore may be an area of focus for the analysis of 2020 data which will aim to capture more of this untracked volume.

Some individual sectors (for example pub groups) made limited progress in 2019, both in terms of communicating and engaging in the topic of SPO and sourcing CSPO, but others have progressed by issuing sustainability policies, becoming RSPO members and achieving RSPO Supply Chain Certification. A leading example within the school meals sector was the company Edsential, which became the first RSPO certified school catering provider in July 2019 in the UK and possibly the world.31

The convenience sector is a prominent sector that can be captured in the concept of an OoH market used here. It can be divided into five segments according to type of ownership:

- Co-operatives (e.g. The Co-operative Group, The Southern Co-operative)
- Convenience forecourts and garages
- Convenience multiples (convenience specialists and some supermarket-based chains)
- Symbol groups (e.g. SPAR, Londis, Premier)
- Non-affiliated independents

The convenience sector, which is part of the composition of the ‘retail, travel & leisure’ element of figure 6 above, is strongly influenced by UK retailers’ ownership and presence in motorway service areas and forecourts. In 2017 the Tesco merger with Booker was one of the biggest changes in the wholesale and convenience sector. It meant that, through Tesco membership and policy commitments to RSPO CSPO for own label products, the use of CSPO increased in this sector. The merger with Booker also gave Tesco a route into the foodservice business; this was a new area for Tesco, but one that reportedly accounts for about a third of Booker’s sales.

In contrast to some parts of the convenience sector that are linked the major retailers and therefore the associated CSPO sourcing policies, some Symbol groups (organisations composed of a number of small independent retailers, for example SPAR) still have no sustainability policies or certified supply chain routes.

The foodservice wholesale sector has also risen to the challenge in delivering sustainable palm oil. Examples include business-to-business (B2B) wholesalers who are supplying fresh, frozen, ambient and non-food related products to customers such as local authorities, hospitals, care

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31 https://edsential.com/palmoil/
homes, schools, universities, hotels, pubs and restaurants chains, contract caterers, and many independent operators in the hospitality industry. For instance, from January 2019, Brakes committed to only use palm oil and palm oil fractions in their branded products that are RSPO certified to either Mass Balance, Segregated or Identity Preserved supply chain models. In continued support of this position, in July 2019, Brakes achieved RSPO Supply Chain Certification. Furthermore, BFS Group Limited (t/a Bidfood) also applied and gained RSPO membership in January 2020 with the support of the UK SPOI.

Moreover, another member of the UK RSSPO, the National Edible Oils Distributors Association (NEODA), have continued to promote sustainable palm oil through events such as the National Fish and Chip Day. Many members of NEODA are suppling CSPO to the fast-food sector; this is an important area due to the volume of palm oil used in frying oil. Finally, two major high street businesses, Greggs and Costa Coffee, have become RSPO members, with Costa Coffee becoming RSPO Supply Chain certified this year. Costa are the only coffee chain in the UK to achieve the certification standard.

Although much of the OoH market appears to be behind in the drive towards 100% SPO, the progress being made by a small number of large companies could be the push that the market needs to move towards making the sourcing of SPO the norm. They could act as the main points of influence in the market, using connections with major upstream suppliers to drive change in the wider industry.

3.2. Communication and education

As outlined in section 2, refiners and traders continue to import a high percentage of CSPO to the UK market. Further down the supply chain, among consumers and business buyers, progress is also being made in the drive to consume a greater proportion of CSPO, in part due to increased awareness through education and training. The UK SPOI has been involved in various efforts to improve messaging and drive demand among consumers, as described below.

3.2.1. Balancing the narrative

The environmental issues relating to unsustainable palm oil production have been forced into public consciousness in recent years thanks to high profile public campaigns, renewed media interest in conservation issues and emotive content circulating on social media.

The need for a balanced narrative and communications around sustainable palm oil with clear and consistent messaging has been a point of discussion in the UK RSSPO in recent years. Following Iceland’s Christmas 2018 TV advert and the associated media coverage after the advert was banned by the ASA for breaching the rules on political advertising, there was a surge in coverage in mainstream and social media, and in parliamentary questions (in 6 months receiving more than in the previous two years), both in the UK and across Europe. In response, in mid-2018, the UK RSSPO established a communications working group. The working group, acting as a sub-group of the UK RSSPO, aims to be a source of information, tools, guidelines and support events that to provide a consistent and balanced narrative for sustainable palm oil.

3.2.2. Raising awareness – the Chester Zoo communications event

In October 2019, the communications working group was at the centre of an event which took place at Chester Zoo. It was jointly hosted by the Zoo, WWF and the UK RSSPO, with 47
representatives from manufacturing, retailing and food service businesses. The event’s aim was to create a positive and unified communications campaign to be utilised by conservationists, manufacturers, retailers and the food service industry to promote sustainable palm oil as the ‘best’ consumer choice for the environment. It aimed to increase awareness of the benefits of sustainable palm oil production in the UK and Europe, change public perceptions to deliver a ‘pro-sustainable palm oil’ conversation in the UK and reduce negative customer feedback and media narratives, in order to achieve the 100% target by the end of 2020.

One output of the event was a simple and easy-to-use toolkit which gave participants a range of resources and guidelines about how to talk about palm oil on their own marketing channels, using a consistent and effective approach. Following the event, Chester Zoo also collaborated with companies that use palm oil to ensure a transparent understanding of their sustainability status in order to build trust with consumers. An example from Volac is outlined below.

**Case study – Chester Zoo’s impact on Volac**

Volac and Volac Wilmar invited Cat Barton from Chester Zoo to come and speak with Volac staff about the ongoing commitment Chester Zoo has to sustainable palm oil. The purpose of this initially was to help with staff engagement in the use of sustainable palm within the animal feed industry. The event was live streamed on Facebook and has received well over 2300 views to date.

As described by the company, the event kickstarted Volac’s own journey (see ‘Volac Wilmar Feed Ingredients & Volac Joint Palm Oil Sustainability Policy for Feed Fats’32) to actively educate, promote and raise awareness of sustainable palm oil within the feed industry and beyond. The partnership with Chester Zoo opened up many opportunities to collaborate with stakeholders outside the immediate industry as well and has been instrumental in assisting Volac to accelerate their messaging and reach a wider and more diverse audience.

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4. Ensuring a sustainable impact: global progress

As a relatively small actor to the global palm oil market, it is essential that we understand how the UK fits into the broader picture of global palm oil consumption. By exploring the characteristics of global palm oil production and usage, and uptake on a European level, we can better recognise the context of our progress, and understand where and how the UK can best direct its efforts to create positive global change. To this end, this section gives an overview of the main producers and users of palm oil in 2019, explores the EU’s progress in its sourcing of CSPO, reflects on where the UK’s impact currently lies and finally discusses how policy and industry developments may impact this in years to come.

4.1. Global production and usage of palm oil

In 2019, Indonesia and Malaysia continued their dominance of the global palm oil production market, between them producing 84% of the 76.1 million MT produced worldwide (see figure 7). Figure 8 depicts how, in 2019, Indonesia’s usage of palm oil was significantly more than any other single country. Here, ‘usage’ refers to the domestic disappearance of palm oil; it includes all palm oil that is used domestically, be that from imports, stocks or domestic production. The fact that Indonesia used over 70% more palm oil than the EU in 2019 (14.6 million MT compared to 8.5 million MT) demonstrates the sheer scale of Indonesia’s use of this commodity.

Figure 7. 2019 global production of palm oil (million MT) (Source: Oil World)
4.2. EU uptake of CSPO

The most recent data published by EPOA and IDH suggests that 86% of palm oil imported for use in the EU in food, feed and oleochemicals was RSPO certified sustainable in 2019, which is an increase from the reported 83% figure in 2018.\(^{33}\) However, the data behind this figure demonstrates that, while total EU imports of palm oil increased by 5% in 2019, the volume certified by RSPO (either as physical imports or purchased credits) actually decreased.\(^{34}\) This suggests that the characteristics of the UK’s sourcing of palm oil in 2019 were largely similar to those of the wider EU, with an increase in total imports coupled with seemingly stagnating imports of RSPO CSPO.

On the other hand, some aspects of the UK’s sourcing of palm oil differ significantly from other European countries. For example, over 80% of the palm oil imported into the UK from outside the EU is refined or fractionated. This is in stark contrast to other major EU palm oil importers, with almost all of Spain’s palm oil imports, and at least 50% of the Netherlands, Germany and Italy’s, being crude.\(^{35}\) This could be a reflection of the end use of the palm oil imports because refined and fractionated palm oil is used in the manufacturing of food or non-food consumer products, whilst crude palm oil can be used for other purposes, such as in biofuel. Furthermore, this also suggests that the UK is likely to be imported refined palm oil from the EU, where it is imported as crude material before being refined and exported.

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\(^{34}\) Data on total EU imports of palm oil sourced from Eurostat; data on physical imports of RSPO CSPO and credits sourced from RSPO

\(^{35}\) Source: Eurostat 2019
4.2.1. Biofuels

Approximately two thirds of all palm oil used in the EU in 2019 was used in biofuels or bioenergy\(^\text{36}\) (see figure 9), with Oil World data showing that the volume of palm oil used in biofuels in the EU in 2019 increased by 6% compared to the previous year. Whilst the EU’s plans to phase out the use of palm oil in biofuels by 2030 may begin to diminish its significance in this industry, biofuel is currently the largest end use of palm oil in the EU, and should therefore receive stronger level of recognition in the current EU-wide reporting.

**Figure 9.** Uses of palm oil in the EU in 2019 (million MT) (Source: *Oil World and Eurostat*; data includes the EU-28 and Switzerland)

![Palm Oil Use Graph]

4.3. The UK’s global impact

Drawing from analysis of UN Comtrace data, figure 10 below shows that the UK sourced the majority of its palm oil, palm kernel oil and palm kernel meal in 2019 from Indonesia, the Netherlands and Papua New Guinea (PNG). As reflected in figure 7, PNG is not one of the world’s main producers of palm oil. However, even when taking into account the origin of source of palm oil imported from the Netherlands, PNG remains a significant source of palm oil for the UK, exceeding that of imports from Malaysia.\(^\text{37}\)

This information gives an indication of where the UK’s direct impact lies (in terms of trade), and suggests that, in addition to Indonesia, greater focus should be given to UK sourcing from PNG; this will act as an aim of the UK Sustainable Palm Oil Initiative moving forward. This does not detract from the need to continue to engage and work with other producers, for example Indonesia, Malaysia and Colombia, and consumers such as China and India. Global trade patterns are complex; policies introduced in Europe can alter trade patterns, for example the biofuels RED2 policy has led to a change in trade patterns from Southeast Asia to China and

\(^{36}\) Data in figure 9 relating to bioenergy is from 2018 due to 2019 data not being available at the time of publishing

\(^{37}\) According to Efeca analysis of UN Comtrade data (see figure 10)
away from Europe. The UK, acting alone, is a small player in the global palm oil industry and thus to create change and impact, working directly with producers but importantly working across the supply base with other consumer countries, is imperative.

**Figure 10. Main exporter countries of palm oil, palm kernel oil and palm kernel meal to the UK in 2019 (Source: UN Comtrade)**

### 4.4. Moving beyond 2020: policy developments and their impacts

Recent policy developments in the UK, across EU Member States and beyond have the potential to drive change and support for the sourcing of sustainable palm oil. If consumer country policies are implemented alongside support and engagement with producers, there is the potential for a genuine turning point in the push for sustainable commodity supply chains.

As described in section 1, the recently published Global Resource Initiative Recommendations Report,\(^{38}\) commissioned by the UK Government as part of its 25-year Environment Plan, suggests the steps the UK needs to take to develop sustainable supply chains of forest-risk commodities, providing a platform for global leadership in the process. In response to a key element of these recommendations, the Department for Environment, Food and Rural Affairs (Defra) has recently undertaken a consultation process for a law requiring private sector due diligence on forest risk commodities. The proposed obligation could see large procurers of palm oil required to conduct due diligence to ensure that any palm oil in their supply chains has been produced in compliance with local laws (relevant laws of the country of origin).

In the EU, as part of its response to the July 2019 EC Communication on Stepping up EU Action to Protect and Restore the World’s Forests, the EC is exploring through, for example, stakeholder platforms, research, and dialogue processes, the options available to control the

import of unsustainable and support the import of sustainable forest risk commodities, including palm oil. Options for a due diligence obligation are being explored.

The approaches proposed by the GRI Taskforce recommendations and that of the EC Communication forms part of a wider transition away from just looking at palm oil as one issue to considering commodity supply chains collectively and a way to influence change through a package of measures that goes beyond individual supply chains. A shift in thinking towards deforestation-free supply chains as a whole marks the development of a more holistic approach to sustainability.

The approaching UN Climate Change Conference of the Parties (COP26), being hosted by the UK in 2021, will provide an opportunity for the UK to drive forward collective action on nature based solutions and resilient sustainable supply chains, amongst other climate change-related issues. In addition, the recently published UN Leaders’ Pledge for Nature offers further evidence for collective global action that is necessary to achieve truly sustainable commodity supply chains. The Pledge, endorsed by political leaders representing 77 countries, included the recognition that “the interdependent crises of biodiversity loss and ecosystem degradation and climate change - driven in large part by unsustainable production and consumption - require urgent and immediate global action.”

These developments mark the next couple of years as being critical to the successful development of global sustainable supply chains. Significant policy developments and the instigation of international collective action offer a positive opportunity for change.

4.5. European National Initiatives

The UK SPOI is an active participant in the European Sustainable Palm Oil (ESPO) project and the work of the European Palm Oil Alliance (EPOA). Through the convening of national initiatives by EPOA, the UK SPOI is able to share lessons on monitoring and reporting, aligning messaging where possible in our communications and working collectively to get industry to move forward in its sourcing of CSPO.

Europe’s national initiatives are carrying out their work in a similar fashion to the UK SPOI, engaging with cross-sector stakeholders through the sharing of information and resources to promote the uptake of sustainable palm oil in their respective countries. A common theme of the recent work of national initiatives across Europe is active communication of positive messaging around sustainable palm oil through social media platforms, for example in reaction or response to misleading information.

Work in this area by the UK SPOI has been more focused on providing the information and resources for stakeholders to undertake their own communications activities, rather than communicating as a whole initiative or Roundtable. However, the precise messaging behind work in this area is an aspect that can be aligned between all initiatives in the future; a targeted approach using consistent messaging could be the best way of maximising the effectiveness of communication to businesses and consumers about the importance of sustainable sourcing of palm oil.

39 https://www.leaderspledgefornature.org/
Beyond communications, the network provides an opportunity to discuss and explore ways to engage with other consumer countries and also with producers. Sharing a consistent market message for CSPO and a means to show compliance, is important and requires further collaboration and development.

4.6. **Certification standards and global coverage**

2020 has seen a major update to the RSPO Supply Chain Certification Standard that will further improve the traceability of member companies’ supply chains. For members involved in primary procurement of palm oil, each site must now report its third-party supplying mills lists with detailed information about the mills, such as name, GPS coordinates, parent company, and country.\(^{40}\)

In terms of the general progress made by different certification standards, recent data published by IDH and EPOA shows a significant increase in the total production area certified by different standards in 2019 compared to 2018. The total area certified by RSPO increased from 2.8 to 4.3 million hectares between 2018 and 2019; in comparison, the total area certified by ISPO rose from 3.1 to 5.3 million hectares, whilst MSPO saw a considerable gain from 1.4 to 5.1 million hectares.\(^{41}\) Equivalent data on ISCC certification is unavailable, but when considering the data shown in figure 8 on usage of palm oil in biofuel (biofuel being a key product certified by ISCC) one can assume that ISCC’s certified production area is also considerable in size.

In addition to these major certification standards, the near future could see the Rainforest Alliance’s prominence in this area grow too. The Rainforest Alliance certified 350,000 MT in 2018; whilst this is a small volume compared to other schemes, a merger with UTZ in early 2018 could present an opportunity to scale up the standard’s influence.\(^{42}\)

4.7. **The NDPE Implementation Reporting Framework**

NDPE policies are commonplace throughout the palm oil industry, with most companies committed at least through a policy to sourcing sustainable palm oil. The limitation with NDPE policies up to now has been that there has previously been no common framework for tracking and reporting on progress in meeting them – the effectiveness of these commitments could not be scrutinised.

The NDPE Implementation Reporting Framework (IRF)\(^{43,44}\) is a recently developed stepwise reporting framework that allows companies to consistently and systematically report on volumes at different stages of progress towards NDPE policy compliance, and is therefore an important development in this area. The NDPE IRF aims to track the proportion of fresh fruit bunches entering the supply chain of a company that meets their NDPE policy, and what overall progress has been made towards meeting that policy. This is needed to demonstrate the progress industry is making and supports the collaboration and willingness of business working towards a common aim.

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\(^{42}\) https://www.rainforest-alliance.org/articles/search-for-sustainable-palm-oil

\(^{43}\) https://ndpe-irf.net/

\(^{44}\) See the [Efeca briefing note](https://www.efeca.org) on NDPE policies and the IRF for more information
The Palm Oil Collaboration Group is a group of companies that have come together to discuss ways to align and collaborate on the IRF. The group is made up of 23 businesses that represent different sectors of the supply chain, from growers and refiners to CGM. It is focused on addressing social issues and building a better understanding of the social component of NDPE, and the development of a shared approach to responding to deforestation outside of concessions. This discussion is designed to better understand and develop the most effective approaches to Independent Verification (IV) across the different issues and purposes surrounding NDPE policies.

In using the IRF, refineries are requested to complete an IRF template which identifies the level of progress made by the mills that they buy from. A profile is automatically created based on the volumes within each category, including own plantations, third party and smallholder production of fresh fruit bunches. These profiles are shared with customers who aggregate profiles from each of their Tier 1 Suppliers.

This work began in November 2019 with full reporting on deforestation and peatland beginning to be achieved during 2020. The roll out of the ‘no exploitation’ element began in the third quarter of 2020, with the current aim being to develop this element of the framework further and involve more companies in its use.

NDPE policies currently remain as commitments that carry little visibility over their success. However, the possibility of verification of palm oil sourced under an NDPE policy is significant as it raises the prospect that such material could in the future be recognised and reported as sustainable.
5. Conclusion

The data presented in this report offers a detailed insight into an evolving market that has made significant progress to date, but still has a distance to travel on its sustainability journey.

A rise in total imports of palm and palm kernel oil in 2019, possibly due to increased imports of refined palm oil products directly to manufacturing sites (by-passing refiners), Brexit stockpiling measures and price changes, has resulted in a decreased percentage that can be reported as certified sustainable – and an enlarged ‘gap’ of untracked imports. Credible assumptions can be made, however, about what this gap consists of. An observed shift since 2017 away from the import of crude palm oil and towards refined material, combined with elements of industry knowledge, implies that much of the gap may consist of imports directly to manufacturers. Whilst a surface-level analysis of policies and commitments suggests that these volumes are likely to contain a high percentage of CSPO, it is clear that this is an area in need of further investigation with the aim of giving greater clarity in the 2021 APR.

A greater variety of data than before has been captured in this report, with data from Europe-based traders that supply the UK feeding into the analysis of UK refiner information. This development is crucial to continue building up an awareness of the complexities of the supply chain, and giving a greater understanding of where the gaps in the data lie.

Sector-specific progress continued to vary in 2019, which certainly highlights where the most urgent action is needed in the UK market. Large retailers continue to make progress in stimulating demand for sustainably sourced palm oil, in stark contrast to the OoH market. Industry engagement by the UK SPOI with stakeholders in the OoH market suggests that poor customer demand, possibly through a lack of understanding or awareness of the issues surrounding sustainable palm oil production, is acting as a major barrier to the progression of this sector. Moving forward, supply chain actors can focus their efforts on consumer education to drive a sustainability demand in this sector.

This report has analysed the progress made by the UK in the penultimate year of its Amsterdam Declaration Commitment, giving an overview of the headway that still needs to be made to bridge the gap to 100% SPO. Next year’s APR will reveal the final progress made towards this goal, and will be all the more important due to the fact that it will frame the state of play of the UK’s sourcing of palm oil in the build up to COP26. At a time when the world will look to the UK to provide leadership by example, it is paramount that the country has a positive domestic context in which it can frame a push for global collaboration.

Furthermore, international policy developments that are emerging at this moment are looking to place more of an emphasis on deforestation-free supply chains as a whole rather than just looking at individual commodities. Palm oil is one feature of a cross-commodity approach that will be the focus of this crucial period; progress over the coming years will rely upon international collaboration that recognises a required balance between the right for trade and economic growth, and the need for sustainability in doing so. With this in mind, stepping beyond the 2020 goal gives the UK an opportunity to develop its collaborative global outreach, looking to target areas with the strongest links to the UK market to maximise impact on the ground.
Annex 1. Methodology (2016 to present)

This annex describes in detail how the UK’s imports of certified sustainable palm and palm kernel oil as a percentage of total UK consumption was calculated. This analysis builds on the methodology used to obtain estimates of UK sustainable palm oil consumption in the Defra research report (2011) ‘Mapping and Understanding the UK Palm Oil Supply Chain (EV0459)’, undertaken by Proforest, and the methodology of previous Annual Consumption Reports (ACRs) prepared by UK Central Point of Expertise on Timber and Palm Oil (CPET) from 2012 – 2015.

The initial 2011 Defra report estimated 643,400 MT of palm oil was imported in 2009 (including palm oil (PO), palm kernel oil (PKO), direct fractions, olein and stearin and palm fatty acid distillate. These 2009 import figures were developed using trade data. Imports of finished products, derivatives, oleochemicals and palm kernel meal/expeller (PKE) were excluded from the 2009 estimate. The 2012 – 2015 ACRs used the same methodology.

Consequently, to ensure that the 2009 estimate can be used as a baseline, and a comparison can be made with the 2012 – 2015 figures, this study also excluded imports of finished products, oleochemicals and derivatives from the import figures. We have included additional information on imported finished products, derivatives and fractions, and various palm oil-using sectors under section 2.

Estimating UK consumption of sustainable palm oil and palm kernel oil

The highly complex nature of PO and PKO supply chains means that it is not currently possible to develop a reliable indicator of total palm oil use in the UK, including PO and PKO found in finished goods.

However, volumes of PO and PKO imported into the UK were used in the Defra research report (2011) and the subsequent Annual Consumption Reports (2012-2015) as a reliable indicator of consumption in the UK market and consequently have also been used for this Annual Progress Report (APR).

Previously, CPET included UK PO purchases supported by RSPO certification including Identity Preserved, Segregated and Mass Balance CSPO products as well as GreenPalm’s Book and Claim system in the calculations for the ACRs from 2012-2015 (based on the 2011 Defra research report). As agreed in 2016 by the Roundtable on Sourcing Sustainable Palm Oil, the APR now reports RSPO credit usage separately from the headline figure.

Imports of sustainable PO and PKO

Total volumes of UK imports of PO and PKO have been gathered from two data sources, FEDIOL and Oil World, for the period between and including 2009 – 2019. Both FEDIOL and Oil World use trade data from Eurostat, taking into account the same tariff lines for palm oil and palm kernel oil. Eurostat relies upon submissions of trade data from individual countries.

FEDIOL uses Eurostat data, without any further revision, although it collects the Eurostat data later in the year once it has been refined. Oil World on the other hand uses trade intelligence to refine their estimates of PO and PKO data including imports into the UK, and includes PFAD in their total palm oil imports.
As agreed by the Roundtable on Sourcing Sustainable Palm Oil, this APR reports one headline figure based on the FEDIOL baseline data. This was decided because stakeholders wanted to align with Eurostat data as much as possible, in order to mirror what other European countries are measuring.

The volume of palm oil supported by RSPO supply chain models was estimated by collating the submissions of data generously provided by UK refiners (and some Europe-based traders) with the help of the Seed Crushers and Oil Processors Association (SCOPA). This was used to estimate the proportion of PO and PKO imports accounted for by Mass Balance, Segregated and Identity Preserved CSPO.

**Consumption of Palm Kernel Meal**
Total volumes of UK imports of PKM have been gathered from two data sources, FEDIOL and Oil World, for the years 2009 - 2019. FEDIOL figures have been listed in the main body of the report.

**Consumption of sustainable PO and PKO by processors and traders, consumer goods manufacturers and retailers**
Data reported in in the RSPO ACOP 2018-19 were used to analyse the CSPO sourcing of these sectors of the palm oil market, as discussed in section 2.

**Stakeholder consultation**
In contrast to previous APRs, industry stakeholders were not sent a survey to gather their views of the draft analysis of 2019 data. Instead, a discussion was held with a sub-group of the UK RSSPO (with participants selected with the aim of covering all aspects of the supply chain) on the APR’s findings, giving an opportunity to sense-check data analysis with stakeholders directly engaged in the supply chain.

**Final analysis**
Once stakeholder feedback on the initial estimates had been gathered, the analysis and discussion element of the report was refined.

**Assumptions and Limitations**
Due to the complex nature of palm oil supply chains and the availability of data it has been inevitable that a number of assumptions have been made at each stage of the analysis. Where possible these have been in line with the previous research and/or informed by stakeholder engagement. This section explains what assumptions have been made during the analysis.

*Calculating the total UK consumption of palm and palm kernel oil:*
- Total UK consumption has been defined as the total imports in volume for a given year (metric tonnes – MT). UK imports are based upon solely Eurostat data provided by FEDIOL.

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• Derivatives/fractions and finished goods have not been included in the import figures. This means that the import figures are likely to be an underestimate of the true volume of palm oil consumed.

**Calculating the volumes of sustainable palm and palm kernel oil:**

• This analysis defines CSPO differently from some previous reports, which included RSPO supply chain models Mass Balance, Segregated and Identity Preserved Certified Sustainable Palm Oil and RSPO credit certificates. This report does not include RSPO credit certificates in the headline figures.

• The 2011 Defra research report identified a range of companies that imported palm oil into the UK. As the major importers of palm oil into the UK (as substantiated by stakeholder engagement) this analysis refined the original approach taken in 2011 and focused solely on the refiner/trader data as the most robust means to capture the upstream supply of sustainable palm oil in the UK.

• Most refiners and traders that submitted data for use in the report provided intake data, with some providing sales data. Future reports will aim to obtain intake data only – although intake and sales volumes are similar, they differ slightly because a company may sell palm oil as conventional even though it was imported as CSPO (due to demand issues). For this reason, intake data is likely to be more accurate in terms of describing the CSPO status of the palm oil entering the UK supply chain.

• It should be noted that the estimate of imports of Segregated, Mass Balance and Identity Preserved Certified Sustainable Palm Oil (CSPO) is likely to be an underestimate as it does not include data from all companies importing palm oil into the UK.

• The RSPO Annual Communication of Progress data was used to assess the downstream consumption of sustainable palm oil for the UK (the ‘processors and traders’, ‘consumer goods manufacturers’ and ‘retailer’ classifications). All UK-registered companies were included in the analysis. Consumption data referenced as part of this analysis was not included in overall figures showing sustainable palm oil consumption in the UK due to the issue of double counting that this would have introduced.

• In addition, this study also includes information about palm oil consumption for biofuels under sustainability standards such as the International Sustainability & Carbon Certification (ISCC), as reported under the Renewable Transport Fuel Obligation (RTFO) (see annex 2).
Annex 2. Biofuels

Sustainable consumption of palm oil within the biofuels sector is controlled by the Renewable Fuels Transport Obligation (RFTO) and the Renewables Obligation (RO). The RFTO statistics are in their twelfth year of reporting with the most recent report covering 2019. Information on volumes of biofuel produced using palm oil was obtained from the RFTO statistics for 2019 and used to produce table 3 below. Note that the total biofuel volume reported by RFTO for 2019 was 2,619 million litres.

Table 3. RFTO 2019 data on UK imports of palm oil-based biofuels (Source: Department for Transport)

<table>
<thead>
<tr>
<th>Fuel type</th>
<th>Feedstock</th>
<th>Country of origin</th>
<th>Volume (million litres)</th>
<th>Total volume of fuel type (million litres)</th>
<th>% of total fuel type</th>
<th>% of total UK biofuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiesel</td>
<td>Palm</td>
<td>Honduras</td>
<td>1</td>
<td>1620</td>
<td>1.3</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Indonesia</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Palm oil mill effluent</td>
<td>Indonesia</td>
<td>10</td>
<td></td>
<td>1</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biopropane</td>
<td>Palm</td>
<td>Indonesia</td>
<td>38</td>
<td>58</td>
<td>81</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Palm Fatty Acid Distillates</td>
<td>Indonesia</td>
<td>6</td>
<td></td>
<td>12.1</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off road biodiesel</td>
<td>Palm</td>
<td>Indonesia</td>
<td>1</td>
<td>86</td>
<td>1.2</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Palm oil mill effluent</td>
<td>Indonesia</td>
<td></td>
<td>1.2</td>
<td>0</td>
</tr>
</tbody>
</table>

The RFTO statistics also report on the volumes of biofuel certified by voluntary sustainability schemes. In 2019, all of the volumes recorded in table 3 were covered by a scheme. The 6 million litres of biopropane made using palm fatty acid distillate from Indonesia was certified by the Hydrotreated Vegetable Oil Renewable Diesel Scheme, which verifies compliance with the Renewable Energy Directive sustainability criteria for biofuels. The remainder of the volumes described in table 3 were certified by ISCC.
Annex 3.  FEDIOL and Oil World reporting comparison

FEDIOL and Oil World show a large difference in reported palm oil and palm kernel imports into the UK. In 2019, FEDIOL data reported total imports of 475,000 MT,\(^\text{46}\) whilst Oil World recorded total imports of 533,800 MT.\(^\text{47}\) This displays a difference of 58,800 MT, most of which is composed of palm oil imports as opposed to palm kernel oil.

Both FEDIOL and Oil World report on the same HS codes which comprise both crude and processed oils and also fractions (stearin and olein). The 2019 APR revealed that the difference in the 2018 palm oil data sets could be almost completely attributed to palm fatty acid distillate (PFAD); FEDIOL does not include PFAD in total imports, whilst Oil World does.\(^\text{48}\) Using the same assumption for the 2019 data analysed in this report, it can be estimated that 55,900 MT of PFAD were imported into the UK in 2019 (the difference between the FEDIOL and Oil World palm oil import volumes). PFAD is used predominantly in animal feed, but also in other industries, for example the production of biofuels (see annex 2).

\(^{46}\) PO – 450,000 MT and PKO – 25,000 MT
\(^{47}\) PO – 500,600 MT and PKO – 33,200 MT