

EUROPEAN GREEN DEAL AND ITS IMPLICATIONS FOR THE PALM OIL INDUSTRY

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RESUME

Through the European Green Deal (EGD), the European Union has an ambition to become a country-region with net zero emissions. One of the policies to achieve this goal is the Farm to Fork Strategy (F2F Strategy). The purpose of the policy is to build food sustainability that is fair, healthy, and environmentally friendly. Although the European Union's commitments in both the EGD include F2F Strategy are only applied to the European Union, these policies will be translated into policies and product quality standards that enter the country's territory. This policy also has implications for the palm oil industry, considering that the European Union is one of the major importers of palm oil. Therefore, palm oil imported into the European Union, whether used for biofuels, oleochemicals or oleofood, must meet the sustainability standards set out in the policy. The changes in EU trade policy must be considered by Indonesian palm oil stakeholders. If they want to maintain the share and competitiveness of Indonesian palm oil in the European Union market, palm oil stakeholders need to match the standards and criteria (including definitions and paradigms) related to the palm oil sustainability system standards used by the European Union.

INTRODUCTION

It seems that the palm oil industry must get used to and have the ability to adapt quickly in the face of external changes that continue to change rapidly. This ability is very much needed to deal with the relatively fast-changing trade policies of various countries, one of which is European trade policies.

As Indonesia's lawsuit at the WTO has not yet been completed over the European Union's accusation that palm oil is a biofuel of high-risk indirect land-use change (high-risk ILUC), a new challenge has emerged from the European Union. In the future, the palm oil industry will have to face a more complex and comprehensive policy, namely European Green Deal (EGD). This policy is not only related to biofuels but also includes the palm oil industry as a whole.

The EGD policy was launched by the European Union on December 11, 2019. This policy contains initiative packages and cross-sectoral policies to transform the European Union towards a climate neutral or net zero emission and resource efficient economy in 2050.

As it is known, the European Union is one of the world's major importing countries, so this policy has implications for products that can enter the European Union market in the future. Palm oil destined for the European Union market, whether as oleofood, biofuel, or oleochemical, must comply with this policy. This article will discuss the EGD policy and its implications for the palm oil industry.

EUROPEAN GREEN DEAL (EGD)

The European community seems to have entered a phase of decreasing in the Environmental Kuznet Curve. Since the early 1600s, the European community has started their development and today they have enjoyed high prosperity. However, their prosperity comes from increased deforestation and carbon emissions.

In the development of the European mainland since the dawn of civilization, they have carried out total deforestation so that their original forests are currently almost gone (Matthew, 1983; FAO, 2012). In addition, the European community has

become the world's largest emitter of greenhouse gases (GHG) since the dawn of civilization until now (Oliver et al., 2017; Ritchi and Roser, 2017).

In this modern era, to maintain high prosperity, which is reflected in high consumption levels, European society is increasingly dependent on imports such as food materials and energy products from outside the European Union. The production of various products imported by the European Union also creates environmental impacts such as deforestation and emissions. Therefore, the European Union also feels responsible for deforestation and emissions that occur outside of Europe, also referred to as "embodied deforestation" (European Commission, 2013) and this is the basis for the ILUC RED-II policy (European Commission, 2019).

On December 11, 2019, the European Union declared an agreement on the transformation of its country's region towards a climate neutral or net zero emission and economic resource efficiency by 2050, known as the European Green Deal (EGD). The European Union sets steps and strategies towards a "greener" future, namely net zero emissions and economic efficiency.

One of the strategies referred to as the heart of EGD is Farm to Fork Strategy (F2F Strategy). This strategy aims to build food sustainability that is fair, healthy, and environmentally friendly. The European Union believes that the goals of the EGD will not be achieved without ensuring the sustainability of the food sector (food sustainability). A number of strategies are interlinked and mutually reinforcing with the F2F Strategy, such as the EU Biodiversity Strategy for 2030, the EU's Circular Economic Action Plan, the EU's Forestry Strategy, the EU Climate Target Plan, and the EU Industrial Strategy.

The four components of food sustainability that the EU wants to realize in the future are: (1) sustainable food production; (2) sustainable food processing and distribution; (3) sustainable food consumption; and (4) food loss and waste prevention.

The four components of food sustainability are ways used by the European Union to accelerate the transition to a

sustainable food system and ensure that the food system in the region is fair, healthy, and environmentally friendly. This strategy encourages food consumption where the food product has a neutral or positive environmental impact, supports food security, nutrition, and public health, and is produced sustainably. Reducing inorganic fertilizers and pesticides by up to 50%, increasing organic fertilizers and biofertilizers, organic agricultural cultivation, and other efforts can all contribute to the European Union's achieving sustainable food production in the future.

IMPLICATIONS FOR THE PALM OIL INDUSTRY

Although the EGD policy is implemented only in the European Union, it does not mean that the policy does not have an impact on other countries. The "greener" spirit and commitment from the European Union will also be translated into policies and quality standards for products that enter the country's territory. This shows the European Union's way of taking control of the world.

As the Executive Vice President of Green Deal stated, "To succeed in the global fight against the climate and biodiversity crises, we must take the responsibility to act at home as well as abroad (by not supporting products "linked" to deforestation). This statement reflects that the European Union with its EGD policy will strictly control products entering their area by using several conditions, such as meeting the requirements of net zero emission, not related to deforestation, being healthy, fairness, and other conditions.

The EGD policy will also have an impact on palm oil exports to the European Union. So far, the European Union has been one of the world's palm oil market targets, including Indonesia. With the EGD policy, palm oil for biofuels, oleochemicals, and oleofood destined for the European Union market must meet the sustainability standards set out in the policy. In this context, if the European Union is still the target market for Indonesian palm oil exports in the future, it is necessary to evaluate the suitability of sustainability standards in palm oil (ISPO, RSPO) with the new sustainability standards

set by the European Union. The concept of sustainability that is being promoted by the European Union with the EGD policy is that sustainability is integral, not partial.

Associations and governments need to follow and conduct dialogue with the various forum so that the new standards contained in the EGD policy in the European Union do not harm the Indonesian palm oil industry. At least the implementation of the new standard for vegetable oils is not hard to lend and discriminatory so far. Differences in point of views, paradigms, methodologies regarding sustainability, deforestation, biodiversity, emission measurement, and others that have never been the same between the European Union and Indonesia need to be immediately communicated to achieve and produce a common policy platform.

What is even more important is that the national palm oil industry must proactively and early adjust the total system from upstream to downstream along the supply chain. Improvements in productivity improvement, implementation of Good Agricultural Practices (GAP), plantation management, emission-saving technology, use of energy-low carbon, technology-zero water, and others need to be integrated from upstream to downstream. These efforts are an important agenda going forward so that they can produce palm oil that is net zero-emission or positive carbon sink, efficient and free-deforestation or biodiversity loss. This strategic is an important step in determining the competitiveness of palm oil in the era of the EGD policy that applies in the European Union region.

CONCLUSION

Since 2009, the European Union has launched "Green Era" as a new era known as the Europe Green Deal (EGD). The goal is to transform the European Union into a neutral climate, net zero emission country and economic resource efficient.

A number of strategies that are a follow-up to the EGD are the Farm to Fork Strategy (F2F), the EU Biodiversity Strategy for 2030, the EU's Circular Economy Action Plan, the EU's Forestry Strategy, the EU Climate Target Plan, and the EU Industrial Strategy. The F2F

strategy is the "heart" of EGD, containing four components: sustainability, namely: (1) sustainable food production, (2) sustainable food processing and distribution, (3) sustainable food consumption, and (4) food loss and waste prevention.

The EGD policy will have impacts on the palm oil industry, which exports palm oil to the EU market. Various policies and quality standards derived from the EGD will relate to palm products such as food products, oleochemicals, biofuels, and biomaterials.

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