



The European Oleochemicals & Allied
Products Group



European Committee of Organic Surfactants and their
intermediates

June 2022

Subject: APAG&Cesio views on the Commission's proposal to curb deforestation

Brussels, 24 June 2022

Dear Minister,

On behalf of APAG&Cesio, sector groups of Cefic, I am writing to you to share our views on the Commission's proposal to curb deforestation, on the agenda of the forthcoming EU Environment Council. APAG and CESIO support the proposal that aims to protect people and the environment. We also stand by science-informed decision-making and this is why we would like to highlight our concerns with regard to the key topics.

1. Scope of the proposed regulation

- **Not including palm and palm kernel oils derivatives in the scope of the regulation will shift production of oleochemicals outside of Europe** putting our industry – a key player of the European bioeconomy – at risk. Shifting production of oleochemicals to other parts of the world with fewer commitments on sustainable sourcing will shift deforestation and forest degradation to other geographical areas.
- Our members are committed to a transition to a deforestation-free supply chain and for over 15 years have been promoting, and continuously improving sustainability schemes - such as RSPO¹, the most recognised and accepted certification scheme by consumer industries and NGOs.

To ensure a level playing field, to meet the scope of the regulation – curb deforestation and forest degradation –and to ensure the survival of two key European manufacturing industries, the derivatives from palm and palm kernel oils need to be included in Annex I (see document on derivatives).

2. Due diligence and information requirements

- **Palm oil and palm kernel oil are liquid goods unlike wood, coffee and cocoa beans, making traceability requirements more complex. Traceability to (palm oil) mills is currently the most effective tool in place which can secure a sustainable supply-chain, complemented by relevant due diligence requirements** described in Articles 8-12 of the proposed regulation.
- While today most of the operators and/or traders have commitments towards full traceability to the palm oil mill and to the plantations, not all commodities can be fully traced back to a plot of land through the supply chain. Palm production is a mix of large plantations and smallholders which adds even more complexity to the supply chain requirements. There are ca. 2000 palm oil mills globally, each supplied by often hundreds of palm fruit suppliers. Of these suppliers, on average 40 % are smallholders. All plantations (large or small) are typically located within a 50 km radius as

¹ [RSPO - Roundtable on Sustainable Palm Oil](#)



palm fruits need to be processed within 24 hours of harvesting. For Palm kernel oil, an additional step for crushing the kernel needs to take place.

We recommend that due diligence requirements rest with the first importer into the EU market – independent of being an operator or trader, and independent of the size (SMEs or non-SMEs). The role of EU customs authorities will be key to ensure compliance.

One size does not fit all – this proposal of regulation covers a variety of products with different specificities. We believe that issuing guidelines specifically designed for each commodity covered by the proposal is the only way to ensure a proper traceability of the supply chain.

3. Country benchmarking system (Article 27)

The proposal sets a country benchmarking system, classifying countries (or parts thereof) in accordance with their risk on creating deforestation and forest degradation.

- Palm oil has been strongly linked to deforestation; however, in the last decade many efforts have been put in place to move towards production of sustainable palm oil and traceability to mill and their plantations. Significant progress has already been made by industry in this area, with companies using a variety of forms of credible evidence of traceability. Examples include major companies providing full mill lists since 2018, and some using Earth Observation or satellite monitoring tools to track their supply bases. Voluntary certification standards (e.g., RSPO) have also been important assurance mechanisms for companies, including for the European oleochemicals and surfactants industries. These efforts should not be disregarded.
- We believe that discouraging sustainable production in areas that have been very active on reversing the trend is a concern and will result in shifting deforestation to other areas considered as “low-risk”. This will lead to distortion of the market and not maintain a level playing field for all players and markets.
- Efforts of countries growing palm oil – such as Indonesia and Malaysia - need to be considered. If no incentives are guaranteed to such countries, they will turn to other uses of oils/markets located in other parts of the world. Europe represents only ca. 10% of palm oil imports. To secure that we continue to have access to (sustainable) feedstocks, EU needs to engage in dialogues with producing countries.

A rigid country benchmarking system will lead to producing countries supplying to other markets of the world, where deforestation-free programs are not in place. Not only would this not meet the scope of the proposed regulation – stop deforestation and forest degradation – but it will deprive European bio-based oleochemical and surfactant manufacturers of access to feedstocks. Finally, it will shift the production of oleochemicals and surfactants outside Europe, favouring the Southeast Asian chemical industry, leaving two key sectors of the European bioeconomy at risk.

Furthermore, the proposal needs to ensure that commodities sourced from lower risk countries are equally monitored as those coming from higher risk countries; avoiding disengagement of operators, suppliers and customers that could create trade distortions and raise concerns about compatibility with WTO rules.

APAG and Cesio, two traditional sectors of the European bioeconomy, are **committed to the sustainability of renewable feedstock** used by our Industries. Our members have been using natural oils and fats, including palm and palm kernel oils as key feedstocks for over 30 years, turning these oils into valuable bio-based chemicals used for key products in our daily lives.

APAG – the European Oleochemical Industry is a long-established sector of the European bioeconomy. Since the early 19th century, the oleochemical industry has been using rendered animal fats to manufacture bio-based products used for candles, paints, detergents, cosmetics, pharmaceuticals and many other applications.

Our industry continues to invest in sustainable technologies enabling the development of a circular bioeconomy: for instance, oleochemical products are used to de-ink used paper to enable recycling and to de-ice airplanes as an alternative to fossil-based materials.

For more information visit our website www.apag.eu or visit our [LinkedIn](#) page

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CESIO (the European Committee of Organic Surfactants and their Intermediates) is an industry association that represents manufacturers and marketers in the European surfactants industry. CESIO contributes to better understanding of surfactants and the many ways in which they contribute to economic development and quality of life; and addresses specific issues relating to human health and the environment in order to sustain their beneficial contribution to society. Surfactants have a wide range of end-uses including in household detergents, personal care formulations, industrial and institutional washing and cleaning, as well as technical applications in textiles, leather and paper treatment, agrochemicals, the metal, mining and oil industries, and in plastics, lubricants, paints and coatings.

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