Investing in palm oil sustainability

Overview of the IDH palm oil program

ISCC TC SEA Meeting

Jakarta, August 11 2015
Introducing IDH

- €135 M Public Private Partnership facility funded by Dutch, Swiss and Danish governments
- 18 commodity chains in over 50 countries, over 200 companies and 35 international NGOs
- Proven expertise in **convening** and **innovating** to improve and accelerate sustainability in commodity supply chains
- Provides **co-funding grants** in return for **public goods** delivery
About the IDH palm oil program

• Seeks to deliver avoided deforestation and GHG emissions through public-private partnerships

• Interventions based within supply shed approach, coordinating multiple stakeholders over a wide area

• Committed to supporting 3rd party suppliers including smallholders to become more sustainable

• Interventions are private-sector led and based on a clear business case

• Focusing on Indonesia and Malaysia

• Program will run until 2020
Illustrative example of a supply shed

- A **catchment area** is a supply base of a mill
- A **supply shed** consists of various catchment areas that feed into a refinery. In some cases, parts of supply sheds will overlap, feeding multiple refineries.
- A **sustainable supply shed** is one where the collective actors in the supply chain and local government are working toward zero deforestation.
- IDH is developing supply sheds in **Aceh, West Kalimantan** and **South Sumatra** and exploring options in **Riau** and **Sabah** (Malaysia).
How could IDH support ISCC members?

• IDH is interested to support ISCC members by partnering on projects to avoid deforestation and GHG emissions

• IDH can support 3rd party suppliers including mills and independent smallholders in our supply sheds

• IDH can add value by:
  • Supporting convening to achieve common objectives (e.g. traceability, smallholder legality, spatial planning)
  • Supporting and sharing learning projects of value to the wider industry
  • Co-funding of relevant activities
Examples of existing or proposed projects

• Development of ISCC module for certification of independent smallholders

• Support to 3,000 independent smallholders to become more productive (30%), better organized and ultimately become certified to ISCC standard

• Development of GHG emissions calculator for mills

• Development of peatland best management practices for smallholders

• Support for mill and supply base to become fully traceable, more productive and prepare for certification
Benefits of participation

Benefits depend on the individual project, but could include:

- Support to achieve your objectives on low deforestation, low emissions and ISCC certification
- Greater security of supply and supply volumes through increased production and smallholder loyalty
- Financial and technical support for activities such as training and preparation for certification
- Opportunity to lower risk on innovations and pilots of new approaches
- Support in multi-stakeholder approach to critical issues such as smallholder legality, go/no-go areas and spatial planning
Business benefits: illustrative examples

**Mill**
- Smallholder loyalty
- Security of supply
- License to sell

**Smallholder**
- Higher yields
- License to sell
- Access to services

**Dealer**
- Higher volumes
- License to sell

**Local govt.**
- Tax revenue
- Access to support
- Access to services

**Refiner/Buyer**
- Policy compliance
- Access to support
- Avoid duplication
Roles & Responsibilities and funding details

• Roles & Responsibilities:
  • **Private companies**: contribute to project design, provide cash and in-kind contributions (staff time, expertise, etc.), support outreach to mills and SMHs, contribute to supply shed planning
  • **IDH**: provide cash contributions toward project activities, support project design, lead convening of supply shed stakeholders
  • **3rd party implementer (if desired)**: implementation of project activities, provide expertise and complementary services (monitoring & evaluation)

• Funding details
  • IDH able to fund a proportion (max 40%) of the project total in cash
  • Private partners must provide remaining funding through cash and in-kind contributions
  • Infrastructure/capital investments cannot be counted
Outline of process to projects

Typical development period: 2-4 months

1. Company and IDH discuss initial ideas
2. Company develops proposal
3. Refinement and adjustment
4. Final decision
5. Contract & Implement

- IDH can provide input into project design and development where necessary
- We have a range of project experience and ideas to draw on
- We are most interested in partners who are willing to work together towards common goals in supply sheds
More information?

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