



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
ENVIRONMENT

The Director-General

21.06.2006

Brussels,
DG D(2006)11750

Dr Caroline Lucas
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Dear Dr. Lucas,

Thank you very much for your letter of 20 January addressed to Commissioner Dimas drawing attention to the environmental impacts of palm oil plantations and inquiring about possible measures to address these impacts. Commissioner Dimas has asked me to reply to your enquiry and I firstly would like to apologize for the delay in responding to the rather complex issues raised.

Allow me to make a number of both general and more specific comments on the different points you make on this subject.

I am aware of the rapid increase in palm oil plantation areas in countries such as Malaysia and Indonesia. While palm oil production contributes to development by providing a source of income and employment for rural communities, I share your concerns that further increases in palm oil production may affect natural forest, causing bio-diversity loss and significant releases of greenhouse gases.

There are no Community policies designed with the specific intention of promoting palm oil production and consumption. However, it is possible that some of our policies (for example relating to renewable energy) have the side-effect of doing so. The European Commission tries to avoid these where possible, e.g. by subjecting its proposals and policies to ex ante impact assessments. However, we should bear in mind that it is primarily the market which is driving demand in the EU – not public policy. Furthermore, prime responsibility for ensuring sustainable land use lies in the producer countries concerned through domestic laws and policies.

Turning to the more specific suggestions you make in you letter, I would like to make the following points.

With reference to "green" public procurement, the Commission encourages Member States to set up national Action Plans and we have taken various initiatives to promote relevant initiatives across Europe. In our *Handbook on Green Public Procurement* published in August 2004, the Commission explains how public authorities can best introduce environmental criteria into their tendering procedures when buying goods and services. The Handbook contains many good practice examples, including for instance the purchase of organically grown food, based on the specifications of Regulation 2092/91/EC. The Handbook also refers to eco-label criteria as a way of setting environment-related technical specifications. However, where no harmonized criteria or product specifications exist, it is up to Member States or purchasing authorities to decide which "green" criteria to include in their tender documents, subject to their compliance with internal market rules and public procurement legislation.

Regarding the EU's Integrated Product Policy (IPP), it is worth noting that this has in principle a *general* coverage in that it encourages all relevant actors to look at the life cycle of all the products they produce and use. In products containing palm oil, the production of palm oil is obviously part of the product life cycle. In co-operation with stakeholders, the Commission is currently conducting two IPP pilot projects looking at the practical application of IPP to specific products (mobile phones and teak garden furniture). These projects will be concluded by summer 2006. We hope they produce valuable results, both regarding the overall IPP methodology and with respect to the environmental performance of the products concerned. The IPP framework aims at encouraging stakeholders to conduct similar exercises on other products.

The role that all actors in the supply chain can play to promote more sustainable palm oil production was one of the subjects highlighted during the Commission's recent Green Week, where a private sector representative presented the activities of the *Round Table on Sustainable Palm Oil* (see in particular the "trade and biodiversity" session of 31 May – <http://ec.europa.eu/environment/greenweek/newsofday02.html>).

As regards the Generalized System of Preferences (GSP), please note that since January 1998 Indonesia and Malaysia have been excluded from GSP benefits for all products of HS Chapter 15 (Animal or vegetable fats and oils) including palm oil. Imports of palm oil from Indonesia and Malaysia remain excluded from benefits under the new GSP scheme, which applies from 1 January 2006 until the end of December 2008. It is however true that palm oil imports from other developing countries do benefit from reduced duties under the new GSP scheme. The GSP is a unilateral scheme of tariff concessions granted to 180 developing countries and territories and is thus based on general criteria relating to trade and development policy. Tariff preferences are removed for groups of products on the basis of their competitiveness on the EU market (graduation). The graduation system would become confusing and inconsistent were it to be subject to constant review or differing forms of treatment based on individual circumstances.

In relation to trade policy, let me also mention the role that we want the EU Forest Law Enforcement Governance and Trade Action Plan (FLEGT) will play. Capacity-building elements, together with implementation of the FLEGT voluntary partnership licensing scheme, should help limit uncontrolled deforestation and subsequent replacement of forests with palm oil plantations.

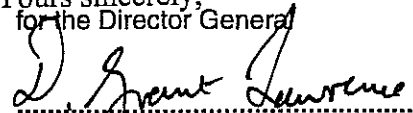
Let me finally say a few words about relevant aspects of the EU's biodiversity and energy policies.

All palm oil producing countries, as well as the European Community and all EU Member States, are Parties to the Convention on Biological Diversity (CBD) and are committed to implementing the CBD "Expanded Programme of Work on Forest Biological Diversity". This programme addresses important issues, ranging from the protection of valuable forest ecosystems to promoting national laws and policies and international trade regulations compatible with the conservation and sustainable use of biodiversity.

Finally, with respect to energy policy, I would like to recall that in its Communication on a EU Strategy for Biofuels (COM(2006)34 final), the Commission stated that in 2006 it would bring forward a report on the implementation of the Biofuels Directive with a view to its possible revision. This report will, inter alia, examine whether or not the EU should require that only biofuels whose production in the EU and third countries complies with minimum sustainability standards would count towards the targets laid down under the Directive. Such a system would need to apply in a non-discriminatory way to domestically produced and imported biofuels and would need to comply with WTO provisions.

I hope you find this information useful.

Yours sincerely,
for the Director General



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D. Grant LAWRENCE
Director
M.P. CARL

c.c.: David O'Sullivan