

## ToRs for RSPO GHG WG2

### RSPO Greenhouse Gas Working Group – Phase 2

2 March 2010<sup>1</sup>

These Terms of Reference outline the scope of work, activities, expected outputs, composition, and timeframe of the RSPO GHG-WG2.

#### 1. Background

In November 2008, the RSPO Executive Board established a Green House Gas Working Group (GHG-WG1) that was charged with reviewing relevant information on palm oil production and GHG emissions. The decisions to convene this commission grew out of an ongoing—and still unresolved—debate as to the dimensions of GHG emissions from the palm oil supply chain and the need to respond to existing text within in the RSPO Principles and Criteria regarding efforts to reduce GHG emissions<sup>2</sup>.

The GHG-WG1 was charged to review all stages of the palm oil supply chain, but special emphasis was placed on understanding GHG emissions from the development of plantations, because this is widely considered to be the greatest source of GHG emissions by the oil palm sector. As part of that review, the emissions from peat was highlighted as important because of recent scientific reports on the dimensions of those emissions in Indonesia and Malaysia.

Among the expected outputs, the GHG-WG1 was to recommend changes to the RSPO P&C to provide guidance to RSPO members on best management practices for reducing GHG emissions from palm oil production. The GHG-WG1 agreed on many issues, specifically the potential to reduce emissions by improving efficiencies in the use of fossil fuels and fertilizers, increasing the use of biomass as an energy source in processing facilities, avoiding biomass burning in the establishment of new plantations, and capturing methane emissions from palm oil mill effluent treatment ponds (POME). The GHG-WG1 was not able to reach consensus on the dimensions of GHG emissions from land-use change associated with the establishment of new plantations, or which might result from the draining of peat swamps. Consequently, it was also unable to make any recommendations that might reduce those emissions or formulate any specific wording for modifying the RSPO P&C.

In spite of the inability to reach consensus on these important issues, the GHG-WG1 was able to identify a way forward and did recommend “that RSPO develop a framework for reducing GHG emissions related to the production of palm oil. This framework would take into account all relevant sources of GHG emissions, including those from land-use change and from peat degradation, as well as emissions from POME, fossil fuel and fertilizer use.” The agreed upon framework is based on three essential elements: 1) GHG emissions should be calculated as tons of CO<sub>2</sub> per ton of palm products (CPO + PKO + PKE); 2) emissions reductions should be estimated in reference to a reference case scenario calculated for individual corporate units that manage oil palm plantations or processing facilities; and 3)

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<sup>1</sup> Final version has discussed by WG2 and approved by EB

<sup>2</sup> Current wording on GHG in the RSPO P&C is included in Criterion 5.6: Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored)

measures to reduce emissions should be voluntary in nature and left to the discretion of the individual members of the RSPO3.

It was noted that the approach moving forward should be consistent with other emission reduction mechanisms, such as the Clean Development Mechanism (CDM), the proposed Reduced Emissions from Deforestation forest Degradation (REDD), and any other suitable mechanisms which are adopted internationally. The Executive Board of the RSPO considered the positive recommendations of the GHG-WG1 and determined that it was necessary to convene a second GHG-WG to review the findings of the GHG-WG1 and to establish a process so that all RSPO members can reduce GHG emissions via a voluntary mechanism consistent with the existing RSPO P&C.

## 2. Scope of Work

The GHG-WG2 will address issues of public policy and business strategies, in order to develop a process that will lead to meaningful and verifiable reductions in GHG emissions from the palm oil supply chain. This process will be based on a framework approach where emission reductions are to be measured against a reference case for operational corporate units; actions are to be taken on a voluntary basis subject with the intent of achieving continuous improvement over time. The GHG-WG2 will organize its efforts into four components that relate to different sources of GHG emissions and which will require different types of solutions, including potential incentive schemes that can facilitate the implementation of the opportunities identified by the GHG-WG2. The four components are:

- A. Emission reductions from the palm oil supply chain; including methane from POME, fossil fuel use, fertilizers, biomass conversion and transport, which may result from increases in efficiency, the adoption of specialized technologies, or the use of renewable energy sources. This will include evaluating potential revenues from international emission trading schemes such as the CDM and VCS.
- B. Emission reductions from existing plantations on peat by the identification and application of specific management criteria, as specified by the resolution adopted at the 6th General Assembly of the RSPO: “develop business models for sustainable options for oil palm plantations on peatlands, including water management regimes, mechanisms to facilitate the restoration of peatlands, and recommendations on after-use of plantation areas on peat.”<sup>4</sup>
- C. Net emissions from the expansion of oil palm plantations on new landscapes and the subsequent GHG emissions and carbon sequestration from land conversion and plantation establishment. This will include looking at opportunities for generating revenues from innovative supply chain mechanisms and international carbon markets for reducing emissions, particularly REDD+.
- D. Emission reductions from all RSPO members, including corporations and business units that add value to downstream components of the palm oil supply chain, as well as

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<sup>3</sup> Greenhouse Gas Emissions from Palm Oil Production: Literature review and proposals from the RSPO. Working Group on Greenhouse Gases, Final report, 9 October 2009, Brinkmann Consultancy

<sup>4</sup> Proposed Resolution to be adopted at the 6th General Assembly of the Roundtable of Sustainable Palm Oil, 4 November, 2009, Establishment of a working group to provide recommendations on how to deal with existing plantations on peatlands, Wetlands International.

representatives of stakeholders from civil society, such as environmental and social NGOs.

The GHG-WG2 will identify suitable technical experts, scientists or consultants who will be commissioned to compile and review relevant information pertaining to each of these four major issues and provide options for consideration by the RSPO. The GHG-WG2 will review these options and make its recommendations to the Executive Board of the RSPO as they become available.

### **3. Activities**

The GHG-WG2 will organize its activities according to the scheme identified above:

- A. Convene a technical group to organize a “common framework” for reporting GHG emissions from the operations component of the plantation and processing sectors.
  - 1) Prepare a report with options and recommendations for a common harmonized framework with definitions, boundaries, toolkits, models, and guidance for best practices.
  - 2) Develop a plan for moving forward via voluntary action on the part of RSPO members.
- B. Coordinate with the working group established at the RSPO RT7 that will address issues related to reducing emissions from existing plantations on peatlands (PLWG)
  - 1) Inform the PLWG as to the “common framework” under consideration for documenting and reducing emissions from existing operations.
  - 2) Inform the PLWG of the findings of its expert panel on land-use and land-use change and the policy options available for linking emission reductions to international carbon markets.
- C. Identify opportunities for avoiding, mitigating or leveraging reductions in GHG emissions from land-use and land-use change and test these opportunities via voluntary action on the part of RSPO members.
  - 1) Organize a Scientific Panel to address issues related to data and methodologies to document and monitor GHG emissions related to land-use and land-use change. The Scientific Panel should be chaired by a Lead Author who will organize a review of pertinent literature and make recommendations to the GHG WG2 as to information gaps that can be remedied by specific studies.
  - 2) Organize a Policy Panel that will advise the RSPO on the legal and regulatory constraints that currently limit the adoption of measures that would reduce GHG emissions stemming from land-use and land-use change. The Policy Panel should be chaired by an individual capable of synthesizing information from multiple disciplines and developing a strategy for modifying existing regulatory frameworks to benefit sustainable oil palm. This strategy should include exploring mechanisms to access international carbon markets, innovative market-based mechanisms within the oil palm supply chain as well as evaluate the potential for creating an internal scheme to promote carbon trading scheme among members of the RSPO.

- 3) Document existing actions being undertaken by RSPO members to reduce GHG emissions or increase carbon stocks related to land-use and land-used change, as well as organize additional voluntary actions to reduce GHG emissions or enhance carbon stocks on estates owned or managed members of the RSPO.
- D. Contact RSPO members and collect information on activities underway to document and reduce GHG emissions from other members of the RSPO, including manufacturers, retailers and NGOs.

#### **4. Composition of the GHG-WG2**

The GHG-WG2 will be composed of thirteen members of the RSPO Executive Board (EB) with representation from each of the stakeholder groups. There will be two Co-Chairs, one each selected from the growers and environmental NGOs. Non-EB members must be nominated by an EB member. The final composition will be determined by agreement by the two Co-Chairs in consultation with the EB members of the GHG WG2. The Co-Chairs will convene meetings and act jointly to ensure that the working group meets its goals in the spirit of shared responsibility and commitment to reach consensus.

The GHG WG2 will be supported by two expert panels that will provide objective information on carbon stocks and flows in both natural and human modified landscapes, as well as identify policy options concerning international carbon markets, and the legal and regulatory framework in key countries. The Co-Chairs will solicit nominations for the two panels from the members of the GHG WG2 and will select their members in coordination with the EB members of the GHG WG2.

The GHG-WG2 will be supported by a consulting firm with expertise in carbon accounting in terrestrial ecosystems, as well as knowledge of the oil palm sector and international carbon markets. The consulting firm will provide a Facilitator to the GHG-WG2, who will prepare the agenda and participate in the GHG-WG2 meetings in coordination with the RSPO Secretariat.

#### **5. Output and Timelines**

The GHG-WG2 will have a mandate of one year, which may be extended or terminated as the Executive Board deems necessary. The frequency and location of the meetings will be determined by the Co-Chairs in consultation with the members of the GHG-WG2 and the Facilitator.

The GHG-WG2 will coordinate with the RSPO Secretariat to develop and execute a communication strategy to explain to stakeholders and the general public the activities of the RSPO GHG WG2. This should incorporate actions to inform elected officials at the national and provincial level in Indonesia and Malaysia, as well as growers who are members of the RSPO and non member growers who might be weighing the benefits of joining the RSPO. This communication strategy should be closely coordinated with the Co-Chairs of the GHG WG2.

The results from the panels, case studies, and consultancies (i.e., work streams) should be delivered to the GHG-WG2 as they are finished by the individuals engaged. The organization and content of these outputs will vary depending on the information compiled in each case, but these should include:

- ❖ One or more documents that specifies guidelines and procedures for reducing GHG emissions from the operation of an oil palm plantation and processing facility.
- ❖ Methodologies for the certification of emission reductions from operations so that RSPO members can access the resources flowing from international carbon markets.
- ❖ A series of case studies that showcase RSPO members who have voluntarily agreed to document their emissions and develop emission reductions strategies.
- ❖ Recommendations for incorporating GHG emissions reduction strategies and progress as part of the annual reporting process that is required for RSPO members, including manufacturers, retailers, banks and NGOs.
- ❖ One or more documents that describe the range of values reported for land-use and land-use change in selected countries (to be determined), which include an evaluation of the reliability of those estimates for both historical and recent temporal periods. These papers should be subjected to peer review and submitted to an appropriate scientific journal,
- ❖ One or more documents that describe the range of values reported for carbon stocks in natural, disturbed and anthropogenic landscapes, such that this information can be used to estimate net carbon flows on landscapes undergoing change due to the expansion of the palm oil industry.
- ❖ One or more documents that describe the legal, financial and regulatory constraints and opportunities for access by RSPO members to international carbon markets and recommendations for reforming regulatory frameworks in order to promote sustainable palm oil productions.
- ❖ One or more documents that explore options for establishing innovative supply chain relationships that could support the reduction in emissions from oil palm production.
- ❖ A series of case studies that evaluate the potential for the expansion of the oil palm sector study on traditional and alternative landscapes within Malaysia and Indonesia, as well as in other countries where the palm oil industry is expanding.
- ❖ A communication program that successfully informs RSPO members and the general public as to the positive actions being taken by RSPO members to reduce GHG Emissions.