

# PALM OIL: COPING WITH CLIMATE POLICY

by

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# Climate issues for palm oil

- Avoid harm to consumers' image of product
- Avoid discriminatory policies
- Gains from biofuels
  - Price effects
  - Share of the market
- Improve treatment from World Bank

# Main study findings

- Climate risk = climate change + poverty
- Development is a climate strategy
- Palm oil: A development success story
  - A source of earnings
  - An economical source of global nutrition
- Total GHG emissions from sector are trivial
- No world GHG regime about to emerge

# Durban platform

“...To launch a process to develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties, through a subsidiary body under the Convention hereby established and to be known as the Ad Hoc Working Group on the Durban Platform for Enhanced Action”.

# Biofuels programs flawed

- Arbitrary GHG standards
- Unreliable measurements
- Protectionist intent
- EU has ruled against palm oil
- U.S. EPA seems in the process of doing so

# Certifying sustainability but...

- Politics may trump analysis
- Will certification costs become an entry barrier?
- Will market segmentation become an issue?
  - Match sustainable supply to sustainable demand
  - Other output remains unaffected
  - Little effect on environment

# U.S. climate policy trends

- Climate issue's salience has fallen
- Election likely to lead to further decline
- Fiscal constraints changing politics
- Growing interest in EPA reform
- Renewable fuel program (RFS2) is in flux

# Conclusions

- Changes in U.S. RFS2 & reform of EPA may affect palm oil
- More broadly, development is, itself, a climate strategy—maybe the only one
- World Bank might best focus on this option, its traditional role