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COP24 and the Silesia Declaration: Impact on Palm Oil

By Margareth Sembiring

SYNOPSIS

The negotiations in the recently concluded COP24 in Katowice produced a critical rulebook for the 2015 Paris Agreement. Equally important is the Silesia Declaration signed during the conference. It exhorted relevant stakeholders to ensure a just transition for segments of populations affected by climate agenda.

COMMENTARY

THE LATEST round of climate negotiations at the COP24 (Conference of the Parties to the UN Framework Convention on Climate Change) in Katowice, Poland recently highlighted the perennial tension between environmental and economic concerns.

This was evidenced in one key point of contention surrounding the position of oil-producing countries namely the United States, Saudi Arabia, Russia, and Kuwait that did not wish to “welcome” the Intergovernmental Panel on Climate Change (IPCC)’s special report on the impacts of global warming of 1.5oC launched in October 2018. Instead, they were only willing to take “note” of it. Indeed, the tension between caring for the environment and ensuring income streams has to date failed to halt the Earth’s temperature from increasing.

Environmental vs Economic Concerns: The Silesia Declaration

Considering these countries’ reliance on fossil fuels for their national revenues, it is not too difficult to understand their reluctance to fully sign up to the report. The fossil fuels sector is believed to be the main culprit behind the changing climate. Climate mitigation efforts that are commonly referred to as, among others, low-carbon economy and sustainable development normally target this sector.

They often suggest a transformation towards the use of cleaner energy such as renewable energy sources. Although the solutions seem straightforward, the mechanisms behind them are less so. Not only such transition entails economic risks for countries that have thus far relied on fossil fuels for domestic growth, it may also mean a loss of livelihoods for a large number of people who have depended on the sector for a living.

This concern was captured in the Solidarity and Just Transition Silesia Declaration championed by the host Polish government. Poland currently uses coal to produce about 80% of its electricity and it aims to reduce coal use as part of its efforts to fight climate change. While getting onboard of climate actions, it also recognises the need to address the issues surrounding potentially-affected workforce.

Most notably, the Silesia Declaration emphasises the need for “creation of decent work and quality jobs” for segments of society that will have to transfer to other sectors or lose their sources of income because of the climate agenda. This will facilitate a successful transition to low carbon and climate resilient economy.

In light of the tension between environmental and economic concerns, this is arguably one of the most critical aspects that states and relevant stakeholders must address to fully embrace sustainable development. The Silesia Declaration is not the first to highlight its importance. In 2015, the International Labour Organization (ILO) published “Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All.”

The document recommends comprehensive reforms in areas such as macroeconomic and growth policies, industrial and sectoral policies, enterprise policies, skills development, occupational safety and health, social protection, active labour market policies, rights, social dialogue and tripartism to allow states and societies embrace sustainable economies. However, under the shadow of other negotiated materials for the rulebook for the 2015 Paris Agreement, which was the main agenda of the COP24, this critical concern seems to fall out of priority with only 54 leaders and parties signing the declaration.

Case of EU and Palm Oil

One example that can illustrate the urgency of such just transition is the case of the European Union (EU)’s plan to phase out palm oil use for its biofuel production by 2030. The Resolution that the EU Parliament passed in April 2017 clearly cited the environmental woes associated with palm oil plantations as the basis for such decision. These included deforestation, forest fires, biodiversity loss, and climate change.

As the world’s biggest palm oil producers, Malaysia and Indonesia reacted to the plan. They pointed out to the potential economic repercussions especially increased unemployment and poverty. Subsequent revised Renewable Energy Directive (REDII) agreed by the European Commission, the European Parliament and the Council of the EU in June 2018 in the end ascertained that palm oil imports to the EU will neither be

banned nor restricted, but emphasising instead on the need to improve and clarify the sustainability of the sources.

The dynamics at the international level coincided with the plunging global price of Crude Palm Oil (CPO) that has continued since mid-2017. Consequently in Indonesia, the price of palm oil fresh fruit bunches went down to Rp 600 (SGD 6 cents) per kg in November 2018. For smallholder farmers who accounted for about 40% of total Indonesian oil palm acreage, this was a devastating news as the sales of fresh fruit bunches can barely cover the costs of production.

Indonesia Domestic Response

In response to increasingly anxious small farmers whose income mostly come from their palm oil crops, President Joko Widodo recently advised them to discontinue growing palm oil and plant other commodities like coffee, bitter bean and mangosteen instead. Notwithstanding other aspects, the proposed ban has largely been perceived as a major factor that contributed to the price downward trend.

While the future of the CPO price and the fate of small growers in Indonesia and elsewhere remain uncertain for now, this case highlights the importance of a just transition that bridges environmental and economic concerns. Under climate actions, certain sectors like the fossil fuels and palm oil are under strong pressures to either go greener or lose market share.

When millions of people depend on these affected sectors for their livelihood, it is critical that the right preparations are put in place to ensure that they can continue to live a decent life. Despite a lack of limelight, the Silesia Declaration therefore sent a very important message for states and relevant stakeholders to follow up.

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