

PALM OIL, EMISSIONS, & ECONOMIC GROWTH

by

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Why study this issue?

- Palm oil has become entangled in debate
- Much of the controversy, although not all, relates to climate
- This debate is in a muddle
- Part of the confusion centers on palm oil
- Part stems from the state of climate policy

Encroachment on peatland a big worry—facts scarce

- Peatland emission estimates vary by factor of 7
- Koh et al. find 90% of palm oil growth on non-peatland
- Only 6% of peatland loss due to palm oil
- Economic reasons to avoid peat soils
- Worries for the future

Other factors add to emission variance

- Previous land use pattern matters greatly
- Indirect land use change (ILUC)
- ILUC likely a relative advantage palm oil
- But hard to quantify
- EU results have not yet factored-in ILUC

Complex unknowns = uncertain GHG impacts

- For palm oil-based biodiesel, GHG saving estimates range from 19% to 71%
- EU found soy-based biodiesel 31%; EPA first 22% then 57%
- EPA & European Commission refute each others' methodology on ILUC
- Both right about the other

Palm oil: A minor factor in the big picture

- Tropical deforestation → 12.4% world GHG
- Palm oil on Malaysian, Indonesian peatlands \leq .1% of global GHG
- Probably overstates actual figure
- Relative size matters because of impressionistic, piecemeal policy-making

Why is the issue so prominent?

- Non-climate issues
- Miniaturizing GHG control goals to more closely match achievements
- Seek appearance of action, relevance
- Understated transaction costs

GHG controls stalled; no progress in sight

- 20+ year record of futility
- Prospects for Durban are grim
- U.S. trends negative:
- Statesmen reap little reward for success
- Global mismatch between need & capacity

Conclusion: Development is a climate strategy

- Climate change adaptation, resiliency require economic development
- Palm oil can be an engine of development
- Reduce emissions when it is cheap to do so
- *But development needs free flows of trade, factors of production*