Life Cycle Assessment of Palm Oil at United Plantions Berhad 2017

Results for 2004 – 2016

Summary report
Preface

This report is carried out by Jannick Schmidt (2.-0 LCA consultants, Denmark) for United Plantations Berhad (Teluk Intan, Malaysia). The study includes data collection and calculation of LCA results for United Plantations Berhad’s palm oil production 2004-2016. The study was undertaken during the period January to February 2017.

The current report updates results of a series of previous studies to also including 2016, and it summarises the main findings of a detailed life cycle assessment report of palm oil production at United Plantations 2004-2016:


Jannick Schmidt, Aalborg, Denmark, February 2017
## CONTENTS

Preface ....................................................................................................................................................2  
Executive Summary.................................................................................................................................4  

1 Introduction ......................................................................................................................................7  
1.1 Palm oil production in United Plantations Berhad ................................................................ 7  
1.2 Sustainability in United Plantations Berhad ........................................................................ 9  

2 Methodology ...................................................................................................................................11  
2.1 What is a life cycle assessment? ............................................................................................... 11  
2.2 Indirect land use changes (iLUC) .......................................................................................... 13  
2.3 Nature conservation .................................................................................................................. 14  

3 Goal and scope of the study ............................................................................................................15  
3.1 Purpose and functional unit .................................................................................................... 15  
3.2 System boundaries .................................................................................................................. 15  
3.3 Data collection and calculations ............................................................................................ 17  
3.4 Included environmental impacts ............................................................................................ 18  
3.5 Key input data for the LCA ...................................................................................................... 19  

4 Results ............................................................................................................................................21  
4.1 Potential impacts from UP’s palm oil production ................................................................. 21  
4.2 Nature conservation ................................................................................................................ 21  
4.3 Time series of GHG emissions from palm oil at United Plantations Berhad ...................... 21  
4.4 Comparison of palm oil from UP with industry averages of other vegetable oils .......... 23  
4.5 Improvement analysis .............................................................................................................. 25  

5 Highlights .....................................................................................................................................26  

6 References ......................................................................................................................................27
Executive Summary

Background and objectives
This report presents a summary of a detailed life cycle assessment (LCA) study of palm oil production at United Plantations Berhad (Teluk Intan, Malaysia). LCA is a technique to assess environmental impacts associated with all the life cycle stages of a product or service from ‘cradle to grave’. The current study was undertaken during the period January to February 2017 – and it builds on top of three other large studies carried out for United Plantations in 2008, 2011 and 2014. The study in 2008 was the first LCA of palm oil ever, which was fully compliant with and critical reviewed according to the international standards on LCA: ISO 14040 and 14044.

The environmental impact of palm oil is presented as greenhouse gas (GHG) emissions, i.e. carbon footprint, as well as for a number of other impact categories such as biodiversity, respiratory effects and toxicity. The environmental impacts relate to the life cycle of palm oil from cultivation to the gate of the refinery, including all upstream emissions, e.g. from the production of fertilisers, fuels and machinery. The results are shown per kg of refined palm oil.

Over the last decade, United Plantations Berhad has worked intensively in reducing their environmental impacts. The effect of this work is illustrated by tracking the carbon footprint for the company’s production of palm oil from 2004 to 2016.

The primary purpose of the LCA is to document and assess the environmental impacts from the production of palm oil at United Plantations Berhad. Secondly, the purpose is to follow over time the GHG emissions from the production of palm oil at United Plantations Berhad. Thirdly, to compare United Plantation’s production of palm oil with average Malaysian/Indonesian palm oil and other major vegetable oils, and fourthly, to analyse improvement options for United Plantation’s production of palm oil.

Functional unit
The functional unit is central for an LCA. The functional unit is a quantified performance of the product under study for use as a reference unit, i.e. it is what all the results relate to. The functional unit is defined as 1 kg of neutralized, bleached and deodorized (NBD) vegetable oil for food purposes at refinery gate. The distribution, use and disposal stages are not included.

Data sources and data collection
The oil palm cultivation stage is inventoried for the 12 oil palm plantations owned by United Plantations (nine in Malaysia and three in Indonesia). Similar to this, the palm oil mill stage is inventoried for United Plantations’ five palm oil mills (four in Malaysia and one in Indonesia). The refinery state includes an inventory of United Plantations refinery in Malaysia; Unitata. The data for United Plantations’ estates, palm oil mills and refinery have been collected on-site in collaboration with the United Plantations Research Department (UPRD). Data for activities outside United Plantations, such as production of fertiliser, fuels and machinery, are obtained from Schmidt (2017) and the ecoinvent database v3 (ecoinvent Centre 2016).

Land use changes and nature conservation
The link between land use (e.g. occupation of 1 hectare during one year) to deforestation and related emissions and biodiversity impacts are included in the study. Since the cultivation of oil palm takes place on already cleared land, it is not associated with any direct land use changes, i.e. land use changes that takes place in the oil palm field – except at replanting which is not associated with impacts because it involves conversion from oil palm to oil palm. However, the use of land for oil palm contributes to the general pressure on land,
leading to land use changes somewhere else. This is referred to as indirect land use changes (iLUC). This study covers iLUC by means of a model documented in Schmidt et al. (2015) and Schmidt and Muñoz (2014). This model considers that demand for land leads to two main effects: conversion of land (land use changes) and intensification of land already in use – both effects are associated with GHG emissions.

Besides the iLUC effects described above, the benefits from nature conservation are also included in the study. United Plantations has set aside large areas as nature conservation in their land bank in Indonesia. The effect of nature conservation is that conversion from forest to oil palm is avoided locally. However, since the decision to conserve land does not reduce the overall demand for land, an equivalent amount of land needs to be taken into production somewhere else, i.e. indirect land use changes are induced. The benefits of nature conservation is the difference between the avoided local impact and the indices indirect impact.

**Results: impacts from United Plantations’ palm oil production**

The results are calculated in three different ways:

1. Results excluding iLUC
2. Results including iLUC
3. Results including iLUC and savings from nature conservation

The most significant impact categories are global warming, respiratory effects, and nature occupation (biodiversity impacts caused by land use changes). All results exclude the stored carbon in the vegetable oil (i.e. CO₂ uptake in the cultivation stage).

The contribution to global warming (not including iLUC) from 1 kg NBD palm oil produced in United Plantations in 2016 is 1.61 kg CO₂-eq. The major part of the contribution originates from the oil palm plantation stage where the main contributors are field emissions of CO₂ from oxidation of peat soils and N₂O. The major contribution in the oil mill stage is CH₄ from anaerobic digestion of palm oil mill effluents (POME). It should be noted that the CH₄ emissions have been reduced significantly due to the installation of biogas capture in four of United Plantations five palm oil mills. The emissions from the refinery stage are less significant.

When iLUC is included, the total contribution to GHG emissions is 2.06 kg CO₂-eq. per kg NBD palm oil. Hence, iLUC is a significant contributor to GHG emissions.

When also including nature conservation, the impact from the Indonesian production is significantly reduced – the offsets from nature conservation reduces the GHG emissions per kg NBD palm oil from 2.38 to 0.86 CO₂-eq. For United Plantation’s entire production, the nature conservation in Indonesia reduces the GHG emissions from 2.06 to 1.61 CO₂-eq. per kg oil.

**Results: evolution of GHG emissions over time**

The time series for NBD palm oil at United Plantations show reductions from 2004 to 2016 at 29% (without iLUC), 20% (with iLUC) and 38% (with iLUC and nature conservation). Reductions in GHG emissions levels are seen when new technology have been installed replacing older less clean technologies; this mainly relates to the installation of biogas plants, avoiding methane emissions from anaerobic digestion in POME treatment.

**Results: palm oil from United Plantations vs. industry averages for other vegetable oils**

United Plantations’ production of palm oil has been compared with industry averages for four major vegetable oils, namely palm oil (Malaysia/Indonesia), rapeseed oil (Europe), sunflower oil (Ukraine), and peanut oil.
India). The comparison showed that palm oil at United Plantations in 2016 performs better than all the other oils for all compared impact categories.

**Improvement analysis**

By changing the share of FFB grown on peat and the share of palm oil mills with biogas in the model, the potential improvements of palm oil production at United Plantations has been assessed. Currently, 11.2% of United Plantations’ estates are on peat, and 61% of the POME produced at United Plantations is treated with methane capture (in four of United Plantations’ six palm oil mills). In the improvement analysis, the peat share is reduced to 0%, and the remaining conventional POME treatment is replaced by a) biogas capture with flaring of the captured biogas, and b) biogas capture with utilisation of the biogas for energy purposes.

The analysis showed that the improvement potentials by installing biogas capture in the oil mills where this is currently not done are 10-20% (excl. iLUC) and 4-13% (incl. iLUC). If peat soils were completely avoided, the current GHG emissions would be reduced by 60% (excl. iLUC) and 47% (incl. iLUC).
1 Introduction

United Plantations is one of the pioneer plantation companies to grow and process oil palm in Malaysia. It has been practicing sustainable agriculture for many years now and, as a consequence, it is today one of the highest yielding and most efficient producers of palm oil in Malaysia.

This report presents a summary of a detailed life cycle assessment (LCA) study of palm oil production at United Plantations Berhad (Teluk Intan, Malaysia). The current study was undertaken during the period January to February 2017, and it builds on top of three other studies carried out for United Plantations in 2008, 2011 and 2014. The current study is a major update of the previous studies including onsite data collection at United Plantations in Malaysia. The study in 2008 was the first ever LCA of palm oil, which was fully compliant with and critically reviewed according to the international standards on LCA: ISO 14040 and 14044.

Over the last decade, United Plantations Berhad has worked intensively in reducing their environmental impacts. The effect of this work is illustrated by tracking the carbon footprint for the company’s production of palm oil each year from 2004 to 2016.

The main focus in the presentation of the results is on greenhouse gas (GHG) emissions, i.e. carbon footprint, but other impacts are also addressed. The environmental impacts relate to the life cycle of palm oil from cultivation to the gate of the refinery including all upstream emissions. The results are shown per tonne of refined palm oil.

1.1 Palm oil production in United Plantations Berhad

United Plantations Berhad has nine estates in Peninsular Malaysia and three estates in Central Kalimantan Indonesia, in total a planted area of 44 488 ha. The locations of the estates are illustrated in Figure 1. The hectares of each of the 12 estates are summarised in Table 1.

![Figure 1: Location of United Plantations Berhad's estates. Map of Malaysia and Indonesia: Google Maps (2014) and detailed maps of United Plantations’ estates: United Plantations Berhad (2014a).](image-url)
United Plantations has nature conservation reserves in Malaysia as well as in Indonesia. Recently the United Plantations has expanded its operations into Central Kalimantan, Indonesia, where much of the land that has been acquired consists of degraded secondary and logged over forests as well as large tracks of alang-alang grasslands. Of the company’s total land bank in Kalimantan, 7,500 ha is set-aside as land under permanent conservation. In Malaysia, 188 ha is set-aside as nature conservation reserves. These areas concerns only voluntary nature conservation, i.e. mandatory by regulation river riparian reserves are not included in the study.

United Plantations have four palm oil mills in Peninsular Malaysia and one in Indonesia. Table 2 provides an overview of the palm oil mills and the amount of processed FFB in 2016. Since 2013, two mills in Malaysia have been closed, namely the Seri Pelangi mill (May/June 2013) and the Lima Blas mill (August 2015). After the closure of these oil mills, the FFB is transported to the Jendarata and the Ulu Basir mills respectively. The effect of this is that the FFB is now transported 38-45 km extra and that it is processed in oil mills with biogas capture. The GHG emissions reductions from biogas capture by far exceeds the additional transport.

Today, 83% of the processed FFB at United Plantations Berhad is processed in oil mills with biogas capture.

<table>
<thead>
<tr>
<th>Palm oil mill</th>
<th>Location</th>
<th>Biogas capture</th>
<th>Processed FFB, tonne</th>
<th>Produced crude palm oil (CPO)</th>
<th>Produced palm kernels (PK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UIE</td>
<td>Malaysia</td>
<td>yes</td>
<td>178,343</td>
<td>39,769</td>
<td>8,581</td>
</tr>
<tr>
<td>Jendarata</td>
<td>Malaysia</td>
<td>yes</td>
<td>141,739</td>
<td>31,392</td>
<td>7,240</td>
</tr>
<tr>
<td>Ulu Basir</td>
<td>Malaysia</td>
<td>yes</td>
<td>166,089</td>
<td>35,996</td>
<td>8,096</td>
</tr>
<tr>
<td>Ulu Bernam</td>
<td>Malaysia</td>
<td>no</td>
<td>146,611</td>
<td>32,254</td>
<td>6,688</td>
</tr>
<tr>
<td>Pt. Surya Sawit Sejati</td>
<td>Indonesia</td>
<td>yes</td>
<td>239,759</td>
<td>58,961</td>
<td>10,601</td>
</tr>
<tr>
<td>Total Malaysia</td>
<td>Malaysia</td>
<td>yes</td>
<td>632,782</td>
<td>139,411</td>
<td>30,605</td>
</tr>
<tr>
<td>Total Indonesia</td>
<td>Indonesia</td>
<td>yes</td>
<td>239,759</td>
<td>58,961</td>
<td>10,601</td>
</tr>
<tr>
<td>Total all</td>
<td>Malaysia and Indonesia</td>
<td>yes</td>
<td>872,541</td>
<td>198,372</td>
<td>41,206</td>
</tr>
</tbody>
</table>

Table 2: Overview of United Plantation’s palm oil mills and their production in 2016.
captured biogas from the oil mill’s POME treatment. In the Unitata refinery, the crude palm oil undergoes neutralisation, deodorisation and bleaching to produce NBD oil as well as fractioning to produce olein and stearin fractions as well as further refined products such as cocoa butter alternatives, fats for filling, fats for coating, fats for bakery products, vegetable oil for margarine, nutrolein golden palm oil, and salad oils. The current study only includes the refinery processes until NDB oil is produced.

1.2 Sustainability in United Plantations Berhad

In keeping with its commitment to the production of sustainable palm oil, the company is interested in documenting its environmental performance and has, accordingly, worked intensively with life cycle assessments of their production since 2008. In order to support future decisions in the company on making the production even more sustainable, the LCA studies also aim to predict the potential environmental benefits of implementing new technologies and practices. Here, the main focus is on the effects of implementing projects like the four CDM projects in its other palm oil mills.

Selected parts of United Plantations’ Policies on Carbon Footprint, Pesticides, and Biodiversity & Environment:

**Carbon footprint initiatives:** "It is the goal of United Plantations to reduce their emissions of GHG by 50% per metric tonnes of NBD Palm Oil by 2018 vis-à-vis the 2004 level." (Bek-Nielsen 2014)

**Pesticide use:** "In line with RSPO’s continuous improvements initiative the Company’s Operations and Environment Management Committee monitors and reviews the Groups pesticides usage.

Together with several multinational chemical companies, amongst others Bayer, BASF and Syngenta, United Plantations is exploring avenues to reduce overall pesticide usage as well as evaluating alternative safer pesticides and is committed to phasing out those pesticides that fall under the WHO Class 1A and 1B segment when effective and suitable alternatives are available. One example is United Plantations total ban of Paraquat usage. In this context, United Plantations has since February 2008 been working towards minimizing the usage of Paraquat, which has been documented in the annual RSPO Surveillance Audits. In May 2010, the Board based on Management’s advice took the decision to voluntarily phase out the usage of Paraquat, a goal which was realized with effect from October 2010 as a combination of less toxic pesticides could be used as alternative substitutes." (United Plantations 2014c)

**Biodiversity and Environment Policy:**

"We want to ensure that our agricultural operations comply with the following criteria:

- No development on high carbon stock forests (HCS).
- No development on high conservation value forest areas (HCV).
- No development on peat lands.
- Free, prior and informed (FPIC) for indigenous and local communities in all negotiations.
- Compliance with all relevant laws and National Interpretation of RSPO Principles and Criteria."

"Environmental commitments in place:

- A No primary forest clearing policy (1990)
- A No HCV forest clearing policy (2005)
- A No Paraquat use policy (2010)
- A No new planting on peat policy (2010)
- A High Carbon Stock Assessment & Land Use Change Analysis for new plantings (2014) *

(United Plantations Berhad 2014b)

More information is available at: [http://www.unitedplantations.com/About/UP_Environment_policy.asp](http://www.unitedplantations.com/About/UP_Environment_policy.asp)

Box 1: United Plantations’ policies on carbon footprint, pesticides, and nature conservation.

More recently, the company has also expanded its operations into Central Kalimantan, Indonesia, where much of the land that has been acquired consists of degraded secondary and logged over forests as well as large tracks of alang-alang grasslands. The Indonesian oil palm estates cover 9,179 ha. In addition to the land planted with oil palm, 7,500 ha is set-aside as land under permanent conservation.
CDM projects in United Plantations Berhad

United Plantations is currently hosting four CDM projects commissioned by the Royal Danish Ministry of Foreign Affairs. The four CDM projects are briefly described below:

3 methane recovery and utilisation projects at: Jendarata palm oil mill, Ulu Basir palm oil mill and UIE palm oil mill: A significant contribution to global warming from palm oil production is the emissions of methane from the anaerobic ponds which are used for palm oil mill effluent (POME) treatment. In order to reduce GHG emissions, the anaerobic ponds in the three palm oil mills have been replaced by digesters where the generated methane-containing biogas is captured. In the Jendarata palm oil mill, the biogas produced is sent to the nearby palm oil refinery Unitata where it substitutes fuel oil used for steam generation. In the Ulu Basir and UIE palm oil mills, the captured biogas is partly flared and utilised as fuel substitute in the oil mill boilers.

The annual reductions of GHG emissions of the three biogas CDM projects are.

- **Jendarata palm oil mill:** 20,271 tonne CO$_2$-eq.
- **Ulu Basir palm oil mill:** 23,973 tonne CO$_2$-eq.
- **UIE palm oil mill:** 14,848 tonne CO$_2$-eq.

**Jendarata steam and power plant:** Usually palm oil mills are self-sufficient of steam and power supply. This energy is produced by burning the biomass produced (fibre and shell) from the processed fresh fruit bunches (FFB). The empty fruit bunches (EFB) are usually applied in the plantation as mulch. GHG emissions can be reduced if the energy production in the palm oil mill is increased and the excess energy (steam and power) is exported substituting energy produced by burning fossil fuels. As part of the CDM project, the old low efficiency boilers in Jendarata palm oil mill have been replaced by a new high efficiency boiler. The new biomass reciprocating boiler has a higher capacity and steam pipes from the palm oil mill to Unitata have been established. In addition to the fibre and shell, the new power plant allows for the burning of the EFB, and the excess steam is exported to Unitata where it displaces fossil fuel used for steam generation.

The annual reduction of GHG emissions of the biomass CDM project is

- Jendarata steam and power plant: 8,851 t CO$_2$-eq.

Box 2: CDM projects in United Plantations Berhad. The GHG-emission reductions are obtained from (UN CDM project no. project 0558 2006; UN CDM project no. project 1153 2007; UN CDM project no. 5150 2011; UN CDM project no. 3622 2011).
2 Methodology
2.1 What is a life cycle assessment?
Life cycle assessment (LCA) is a technique to assess environmental impacts associated with all the stages of a product or service from ‘cradle to grave’, that is, from raw material extraction through materials processing, manufacture, distribution, use, repair and maintenance, and disposal or recycling. Not all LCAs include the use and end-of-life stages of a products life cycle. These LCAs are called cradle-to-gate studies. The general procedures, requirements and terminology of LCA are defined in the international standards on LCA ISO 14040 and 14044, which the current study follows.

The functional unit is central for a LCA. The functional unit is a quantified performance of a product system (see Figure 2) for use as a reference unit, i.e. the functional unit is what all the results relate to.

Product stages and foreground/background systems: The main stages of palm oil production are illustrated in Figure 2: cultivation, palm oil mill and refinery stages. The boxes in the figure are called activities, and the arrows represent flows. Often the activities in a life cycle system are grouped in a foreground system and a background system. The foreground system includes the LCA activities for which data are collected and modelled in the study while the background system include the activities for which generic and existing data are used, i.e. often from LCA databases.

Figure 2: The main stages of the product system for palm oil production. Dotted lines and boxes represent negative flows and substituted activities respectively. Pictures: UP picture library and Wikipedia.

System boundary and life cycle emissions: The outer boundary of Figure 2 represents the system boundary, which is the boundary between the technosphere (where the activities are) and the environment. The net output of the system is the product under study, here refined oil (neutralised, bleached and deodorised, NBD).
Each activity in the system is associated with emissions. Emissions are flows from the technosphere to the environment, i.e. flows that cross the system boundary. The sum of all emissions that cross the system boundary constitutes the life cycle emissions related to the product under study.

Common GHG emissions from palm oil production are:
- nitrous oxide (N₂O) from fertiliser production and crop cultivation where the fertiliser is applied,
- carbon dioxide (CO₂) from combustion of fossil fuels and peat decay during crop cultivation (if it involves organic soils), and
- methane (CH₄) from anaerobic digestion of palm oil mill effluent (POME) in ponds in the palm oil mill.

**By-products:** Some of the activities in Figure 2 supply by-products, e.g. the palm kernel oil mill supplies palm kernel meal (PKM) and the refineries supply free fatty acids (FFA). Both PKM and FFA are used as animal feed. Assuming that a change in demand for refined palm oil does not affect the output of animal products, then a change in the supply of PKM and FFA will substitute alternative production of animal feed.

**Life cycle impact assessment:** Most often, an LCA software is used for calculating the life cycle emissions. The current study used SimaPro 8. The number of different calculated emissions is often very high – especially when collecting detailed data and when linking to large databases to represent the background system. It is not unusual that 500-1000 different emissions are included in the results of life cycle emissions. Presenting and interpreting so many emissions individually is not meaningful. Therefore, a so-called life cycle impact assessment (LCIA) is carried out. This involves that the emissions are ‘characterised’, which means that each of the different emissions is multiplied with ‘characterisation factors’ that represent the emissions’ relative contribution to a number of impact categories. For each impact category included, an aggregated result is produced, in a given unit of measure. For example, Global Warming Potential is calculated in kg CO₂-eq. from the contribution of CO₂, CH₄, and N₂O emissions, among others. The principle of characterisation is illustrated in Figure 3.

![Characterisation factor](image)

**Figure 3:** The principle of characterisation.

LCA can be used by decision makers to fulfill several objectives:
- To provide a picture as complete as possible of the interactions of an activity with the environment.
- To identify major environmental impacts and the life-cycle stages or “hot-spots” contributing to these impacts.
- To compare environmental impacts of alternative ways to produce the same product.
- To identify improvement options.
Further, LCA has many application areas, such as (ISO 14040):
- Environmental performance evaluations
- Environmental labels and declarations
- Environmental communication
- quantification, monitoring and reporting of entity and project emissions and removals and validation, verification and certification of greenhouse gas emissions

2.2 Indirect land use changes (iLUC)

Land use changes account for around 11% of global GHG emissions (IPCC 2014b). Most often emissions from land use changes are not included in LCA. This is regarded as a major lack of completeness since land use changes, such as deforestation, constitute a major contributor to global GHG-emissions. But what is indirect land use changes? The applied method in this study is described in Schmidt et al. (2015) and Schmidt and Muñoz (2014).

What is indirect land use changes (iLUC)? The term ‘land use change’ refers to the fact that crop cultivation is associated with land use changes which involve that land cover types with a high carbon stock (forests) are converted into land cover types with a lower carbon stock (oil palm plantation and other cropland). Such changes in carbon stocks are related to CO₂ emissions. The term ‘indirect’ refers to the place of the land use change, which is somewhere else than where the crop is grown. When modelling the effect on land use changes from crop cultivation, such as oil palm, the challenge is to identify the additional land use changes relating to a change in the cultivation of a given area during a given period. All cultivated crops are grown on already cleared land – obviously, this land can be more or less recently cleared. However, the choice to cultivate a piece of already cleared land cannot lead to the clearing of this particular plot of land (because it is already cleared). Therefore, when land is cultivated it is not associated with any direct land use changes (clearing of the land) on the same plot of land as is being cultivated – instead it contributes to the general demand for arable land, and consequently land use changes somewhere else.

Land is regarded as an asset input to crop cultivation – in line with other assets, such as tractors. Indirect land use changes are then the upstream effect of this input of land – analogically, the upstream life cycle emissions related to the manufacture of the tractor could be called ‘indirect tractor effects’. This is depicted in Figure 4. The activities within the grey box in the figure (the activities that represent iLUC) are described in the following.

![Indirect land use changes (iLUC)](image)

**Figure 4:** Conceptual representation of the iLUC model used in the study. (Pictures: UP picture library, Jannick Schmidt, Google Maps)
2.3 Nature conservation

The effect of nature conservation can briefly be described as redirecting where and how new land is brought into productive purposes. When conserving a specific plot of land, local specific eco-systems and carbon stocks are conserved, but the global overall demand for land can be assumed not to be affected. Hence, an equivalent amount of the function of the conserved land will be brought into production somewhere else. This is illustrated in Figure 5, where the direct effect refers to the on-site local effects and the indirect effects refer to the equivalent amount of land that will be brought into production somewhere else.

![Figure 5: Direct and indirect effect of nature conservation. Here illustrated as nature conservation in oil palm cultivation. Pictures: Oil palm field (Google Maps 2014) and nature (Nature conservation reserve in United Plantations Berhad Indonesia, picture taken by Jannick Schmidt).](image)

The concept as lined out above means that the nature conservation is a good idea as long as the conserved land hosts a higher value, i.e. biodiversity and carbon stock, than the alternative land to be brought into production. It should be noted that the land equivalent to be brought into production (to compensate for the conserved land) does not necessarily need to be the same area as the conserved land nor it needs to be land at all. This is because productive land can also be created by changing in the productivity (yield) of land, which is already productive, i.e. without changing the area of the productive land.

The effect of nature conservation is quantified per year. Then, this effect is attributed to the palm oil production this year. The following three elements are included in the quantification of the effect of nature conservation:

- Direct (on-site) effects from avoided transformation of land: One-year delay of the effects from transformation from non-productive land (i.e. the conserved land) to productive land (i.e. the land use cover that is avoided by the conservation).
- Direct (on-site) effects from occupation of land: Direct emissions from occupation during one year (e.g. avoided CO₂ and N₂O emissions from drained peat land if the conserved land is wetland).
- Indirect (remote) effects induced by avoiding transforming the conserved land into productive land. This is modelled via the iLUC model, see section 2.2.
3 Goal and scope of the study

3.1 Purpose and functional unit

This LCA study has four goals:

- The primary purpose of the LCA is to document and assess the potential environmental impacts from the production of palm oil at UP.
- Secondly, to follow over time the GHG-emissions from the production of palm oil at UP, in order to identify trends.
- Thirdly, to compare UP’s production of palm oil with average Malaysian/Indonesian palm oil as well as industry averages of rapeseed oil, sunflower oil and peanut oil.
- Finally, the purpose is also to analyse improvement options for UP production of palm oil.

The functional unit is defined as one kilogram (kg) of edible fats and oils as defined in CODEX STAN 19-1981 (2013). For the included oils, the reference flow is one kg refined (Neutralised, Bleached and Deodorised; NBD) vegetable oil at refinery gate. Most oils are traded as bulk oils in trucks or ships; thus, no packaging is needed for delivery of the product of interest.

In order to comply with reporting to RSPO (Round Table on Sustainable Palm Oil), the results are also shown for an alternative functional unit, which is one kilogram (kg) of crude palm oil at oil mill gate. It should be noted that this functional unit does not provide a solid basis for comparison since the content of free fatty acids is not constant.

3.2 System boundaries

Results are presented for United Plantation’s production in Malaysia and Indonesia separately and as a whole. The system boundaries are presented in Figure 6 and Figure 7. For the Malaysian production, all the three life cycle stages: cultivation, oil mill and refinery are managed by United Plantation, while the Indonesian production only involves the cultivation and the oil mill stages. United Plantations interacts with the Malaysian/Indonesian palm oil industry when United Plantations’ oil mills receive outside crops, when kernels are sent to processing in palm kernel oil mills, and when the Indonesian palm oil mill sells crude palm oil for refining.
Figure 6: System boundaries for UP’s palm oil production in Malaysia. Pictures: UP picture library, Google Earth 2014 and Wikipedia.
3.3 Data collection and calculations

Detailed data collection for United Plantations Berhad has been carried out for each year from 2004 to 2016. The data have been collected as part of four major LCA projects for United Plantations in 2008, 2011, 2014 and 2017. Each of the projects have involved several weeks of onsite data collection in collaboration with United Plantations Research Department (UPRD) including interviews with estate, oil mill and refinery managers.

Detailed data have been collected for:

- Product flows: FFB yields, crude palm oil and kernel production, and production of refined palm oil.
- Material use: Fossil fuels, fertilisers, pesticides, and other chemicals.
- Energy: Detailed energy balances for oil mill boilers including exported steam for external utilisation.
- By-products: Benefits from the utilisation of kernels (in palm kernel oil mill), biogas from palm oil mill effluent treatment, residues from FFB,
- Specific laboratory tests and measurements, e.g. moisture and nitrogen content of different parts of the oil palm, and data on palm oil mill effluent (quantities and COD).
- Inventory of the use of capital goods: Material use for buildings, machinery, vehicles etc.

The LCA includes the modelling of a number of important emissions: Field emissions of nitrous oxide (\(N_2O\)) are calculated using the tier 1 approach in IPCC (2006). To be able to use the most accurate input data for the IPCC model, detailed nitrogen balances have been established for all estates for 2004-2016. CO\(_2\) emissions from managed peat soils are calculated based on IPCC (2014a). These data are adjusted to reflect water
management assuming there is a linear relationship between CO₂ emissions and drainage depth. The emission figures from IPCC (2014a) are assumed to represent an average drainage depth at 75 cm. Because of good water management, United Plantations ensure that the average drainage depth is kept at 60 cm.

3.4 Included environmental impacts

The following environmental impacts are included in the life cycle assessment of palm oil at United Plantations Berhad:

- Global warming
- Biodiversity
- Respiratory effects
- Toxicity (to humans)

The method used for LCIA in this LCA of palm oil at United Plantations is the Stepwise 2006 method, version 1.5. The method is described and documented in Annex II in Weidema et al. (2008) and in Weidema (2009).

**Global warming:** Special attention is given to the impact category of global warming. There are several reasons for giving special attention to GHG emissions:

- It is a major environmental issue on the global agenda;
- Food (and biofuel) production causes a major contribution of the total global GHG emissions;
- It is a high priority issue for United Plantations; and

In Stepwise 2006 v1.6, global warming is calculated using the IPCC’s global warming potential (GWP) for a time horizon at 100 years. The indicator for GWP₁₀₀ is kg CO₂-eq. The characterisation factors are based on IPCC’s fifth assessment report (IPCC 2013). For methane, the characterisation factors are changed according to Muñoz and Schmidt (2016). For palm oil LCAs, the difference between characterisation factors for GWP₁₀₀ from IPCC (2007) to IPCC (2013) are mainly relevant for methane and nitrous oxide, where the characterisation factors have changed from 25 and 298, to 28 and 265 kg CO₂-eq/kg respectively.

It is common to exclude CO₂ emissions of biogenic origin in LCA. One example is that plant uptake of CO₂ from the atmosphere goes into the palm oil as carbon; when the palm oil is used (digested), the carbon content is converted to CO₂ which is emitted to air. In this case, the uptake and emission are equal and they appear with a relative short time interval. Then it can be argued that the climatic effect is very small. This is the reason why such uptake and emissions are typically excluded from LCA. However, there are other situations where biogenic CO₂ becomes important, i.e. for land use changes from land cover types with a high carbon stock (forests) are converted into land cover types with a lower carbon stock (oil palm plantation and other cropland). These emissions are included. However, since the effect on deforestation from land use only includes the timing of deforestation (see section 2.2 on indirect land use changes), the characterisation factor is a special time dependant GWP-factor. The GWP₁₀₀ effect of emitting 1 kg CO₂ 1 year earlier than it would have been is 0.00772 kg CO₂-eq.

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Table 3: Characterisation factors: selected emission’s/exchange’s contribution to the included impact categories in the Stepwise v1.6 method (the time dependent GWP is not part of Stepwise).

<table>
<thead>
<tr>
<th>Emissions/exchanges</th>
<th>Global warming</th>
<th>Nature occupation</th>
<th>Respiratory effects</th>
<th>Toxicity (to humans)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kg CO2-eq./kg</td>
<td>ha<em>year agr/ha</em>year</td>
<td>kg PM2.5-eq./kg</td>
<td>Not listed: thousands</td>
</tr>
<tr>
<td>CO₂, fossil</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂, biogenic, at time zero</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂, biogenic, accelerated 1 yr</td>
<td>0.00772</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH₄, biogenic</td>
<td>27.75</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N₂O</td>
<td>265</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land occupation, annual crops</td>
<td>1</td>
<td>0.87</td>
<td>1</td>
<td>0.536</td>
</tr>
<tr>
<td>Land occupation, oil palm</td>
<td></td>
<td></td>
<td></td>
<td>0.121</td>
</tr>
<tr>
<td>Particles &lt;2.5 um</td>
<td></td>
<td></td>
<td></td>
<td>0.127</td>
</tr>
<tr>
<td>Particles &lt;10 um</td>
<td></td>
<td></td>
<td></td>
<td>0.078</td>
</tr>
<tr>
<td>NH₃</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOₓ</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SO₂</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toxic substances</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Nature occupation (biodiversity):** Nature occupation refers to impacts on biodiversity caused by occupation of land. The impact is measured using the unit Ha*year equivalents arable land, which represents the impact from the occupation of one ha of arable land during one year. The impact is assessed on the basis of the duration of area occupied (ha*years) multiplied with a severity score, representing the potentially disappeared fraction (PDF) of species on that area during the specified time.

**Respiratory effects:** The impact on human health related to respiratory effects (from emissions of inorganic substances) is expressed as equivalents of particles (PM2.5). Typically, the major contributing emissions to this impact category are particles (PM2.5 and PM10), ammonia (NH₃), sulphur dioxide (SO₂), nitrogen oxides (NOₓ).

**Toxicity (to humans):** The impact on human health related to emissions of toxic substances is expressed in comparative toxic units (chloroethene, C₂H₃Cl) per kg emission. The model considers fate, exposure and effects. Exposure includes inhalation and ingestion of drinking water, leaf crops, including fruit and cereals, root crops, meat, dairy products and fish. The effect factor reflects the change in lifetime disease probability due to change in life time intake of a pollutant (cases/kg intake). The impact is included as the sum of human toxicity carcinogenic and non-carcinogenic in Stepwise v1.5 (Weidema et al. 2008, annex II; Weidema 2009).

### 3.5 Key input data for the LCA

The table below summarizes key data for the environmental performance of palm oil production at United Plantations Berhad in Malaysia and Indonesia, respectively. This is compared with the industry average for Malaysia and Indonesia; data based on (Schmidt 2015).
### Table 4: Key input data for the LCA of palm oil production at United Plantations Berhad for 2016, compared with baseline data for the industry.

<table>
<thead>
<tr>
<th>Key data</th>
<th>Unit</th>
<th>United Plantations 2016</th>
<th>Average industry 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
<td>Indonesia</td>
</tr>
<tr>
<td><strong>Cultivation stage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFB yield (mature)</td>
<td>t/ha</td>
<td>21.1</td>
<td>19.5</td>
</tr>
<tr>
<td>Fertiliser input</td>
<td>kg N/ha</td>
<td>112</td>
<td>150</td>
</tr>
<tr>
<td>Fossil fuel</td>
<td>MJ/t FFB</td>
<td>162</td>
<td>167</td>
</tr>
<tr>
<td>Share of land that is peat</td>
<td>%</td>
<td>9.2%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Nature conservation</td>
<td>ha</td>
<td>188</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>Oil mill stage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of FFB that is from outside</td>
<td>%</td>
<td>3%</td>
<td>25%</td>
</tr>
<tr>
<td>Oil extraction rate (OER)</td>
<td>%</td>
<td>22.0%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Kernel extraction</td>
<td>%</td>
<td>4.8%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Share of POME treated with biogas capture</td>
<td>%</td>
<td>83%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Refinery stage</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refined oil yield relative to CPO input</td>
<td>%</td>
<td>95%</td>
<td>n.a.</td>
</tr>
<tr>
<td>FFA relative to CPO input</td>
<td>%</td>
<td>4.9%</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
4 Results

4.1 Potential impacts from UP’s palm oil production

The contribution to global warming (not including iLUC) from 1 kg NBD palm oil produced in UP in 2016 is 1.61 kg CO₂-eq. The major part of the contribution originates from the oil palm plantation stage where the main contributors are field emissions of CO₂ from oxidation of peat soils and N₂O. The overall contribution from the oil mill stage is negative. This is because the substitutions caused by the kernels (kernel oil substitutes the marginal source of oil on the market and the kernel meal substitutes the marginal source of animal feed) exceeds the other contributions from fuels etc. The major contribution in the oil mill stage is CH₄ from the anaerobic ponds. As for the oil mill stage, the overall contribution from the refinery stage is also negative. This is because the substitutions caused by the free fatty acids (which substitute animal feed) exceed the other contributions from fuels, chemicals etc.

If iLUC is included, the total contribution to GHG emissions increase from 1.61 to 2.06 kg CO₂-eq. per kg NBD palm oil. Hence, iLUC is a significant contributor to GHG emissions.

4.2 Nature conservation

Recently, United Plantations has expanded its operations into Central Kalimantan, Indonesia, where much of the land that has been acquired consists of degraded secondary and logged over forests as well as large tracks of alang-alang grasslands. Of the company’s total land bank in Kalimantan at least 7,500 ha is set-aside as land under permanent conservation. Of the 7,500 ha 31% is on peat swamps. Furthermore, United Plantations has 188 ha nature conservation reserves in Malaysia. The GHG emission savings from nature conservation have been quantified as part of the current study. The applied methodology is novel and compatible with the applied method for the modelling of iLUC.

When including nature conservation, the impact from the Indonesian production is significantly reduced; the GHG emissions are reduced from 2.38 kg CO₂-eq. to 0.86 kg CO₂-eq. per kg NBD oil. It should be noted that both the area of and the carbon stocks in the reserves have been estimated using a conservative approach. The nature conservation reserves in Malaysia are too small to significantly reducing the results for the Malaysian production. For United Plantation’s entire production, the nature conservation reserves reduce the GHG emissions from 2.06 to 1.61 CO₂-eq. per kg oil. For nature conservation, the reduction is mainly associated to the conservation of peat soils, but also the conserved above ground carbon contributes.

4.3 Time series of GHG emissions from palm oil at United Plantations Berhad

Below, time series of GHG emissions from palm oil at UP are presented. Figure 8 shows results without iLUC, Figure 9 shows results with iLUC, and Figure 10 shows the results including nature conservation.

The time series for NBD palm oil at UP show reductions at 29% (without iLUC) and 20% (with iLUC) from 2004 to 2016. When including nature conservation, the reduction is 38%.

Declines in the GHG emissions levels are seen when new technology has been installed, replacing older and less clean technologies. At three points in time, new cleaner technologies have been installed; namely biogas plants and biofuel boiler, see Figure 8 and Figure 9. Further, the Seri Pelangi and Lima Blas oil mills have been closed in 2013 and 2015 respectively. After that, the FFB have been processed in oil mills with biogas capture. It is expected that the GHG emissions are reduced when these new technologies are installed. This can be observed for 2010-2011 and 2012-2013, but not for 2006-2007. In the figures, it can be observed that coincidentally, the
yields have been dropping all three times as the new technologies have been installed; after 2006, 2010 and 2012. For the two last installations, the benefits of the cleaner technologies have exceeded the increasing GHG emissions due to lower yields, but not for the first one in 2006.

It should be noted that even while yields have been mainly decreasing from 2008 to 2016, the installation of new technologies have kept the GHG emissions more or less constant. The introduction of the new estates in Indonesia from 2011 has not significantly affected the overall impact on GHG emissions – a highly efficient palm oil mill with biogas capture from POME contributes to lower emissions, while the yields draw in the opposite direction. From 2011-2015, the yields in Indonesia have been significant lower than in Malaysia; mainly because the palms are younger and have still not reached the average yield for oil palms throughout their life cycle. In 2011, the yields in UP’s Indonesian estates were 36% lower than in Malaysia. This gap has steadily been smaller from 2011 to 2016 where it was only 7%. In 2016, a higher oil extraction rate in the Indonesian oil mill gave, for the first time, higher crude oil yields per hectare than the Malaysian estates.

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![Figure 8: Time-series for NBD palm oil at United Plantations Berhad (without iLUC) for year 2004-2016.](image-url)
Figure 9: Time-series for NBD palm oil at United Plantations Berhad (with iLUC) for year 2004-2016.

It appears from Figure 9, that the contribution from iLUC has reached a maximum in 2016. This is due to the extreme low yields this year. Since iLUC is proportional with land use, it is opposite proportional with yields. Hence, the lowest contribution is seen in 2008, where the yields reached their current maximum.

Figure 10: Time-series for NBD palm oil at United Plantations Berhad (with iLUC and nature conservation) for year 2004-2016.

4.4 Comparison of palm oil from UP with industry averages of other vegetable oils

UP’s production of palm oil has been compared with industry averages for four other vegetable oils; namely palm oil (Malaysia/Indonesia), rapeseed oil (Europe), sunflower oil (Ukraine), and peanut oil (India). Figure 11 shows results without iLUC, and Figure 12 shows results with iLUC. The effect from nature conservation is shown separately in Figure 12 for global warming and nature occupation (i.e. biodiversity) as the impact categories ‘Global warming, incl conservation’ and ‘Nature occupation, incl conservation’. The data used for the industry averages do not include emissions of pesticides and heavy metal contaminants in fertilisers. Therefore, the contributions to toxicity are not included in the comparison.
Figure 11: Comparison of LCIA results (excluding iLUC) for 1 kg NBD palm oil at United Plantations Berhad in 2016 with industry averages for 2011 for palm oil (Malaysia and Indonesia), rapeseed oil (Europe), sunflower oil (Ukraine) and peanut oil (India).

Figure 12: Comparison of LCIA results (including iLUC) for 1 kg NBD palm oil at United Plantations Berhad in 2016 with industry averages for 2011 for palm oil (Malaysia and Indonesia), rapeseed oil (Europe), sunflower oil (Ukraine) and peanut oil (India).

It appears from the comparative results that palm oil at UP performs better than all the other oils for all impact categories, except for ‘nature occupation’ when comparing with the industry average for rapeseed oil. The low nature occupation impact for rapeseed oil is related to the rapeseed oil mill by-product, rapeseed meal, which causes substitution of soybean cultivation, which is associated with relatively low yields and hence high land use.
4.5 Improvement analysis

Based on changing the share of FFB grown on peat and on changing the share of palm oil mills with biogas, improvement options have been estimated for palm oil produced at United Plantations. Currently, 9.3% of UP’s estates are on peat, and 83% of the POME produced at UP is treated with methane capture (in four of UP’s five palm oil mills). In the improvement analysis, the peat share is reduced to 0%, and the current Ulu Bernam oil mill is replaced with estimated data on the new Optimill, that will replace the Ulu Bernam oil mill, which will be closed in 2017. The captured biogas in the Optimill will be utilized for power generation as in the UIE oil mill.

The results of the improvement analysis are presented in Figure 13.

For the option with biogas capture, it has been assumed that the captured biogas can be represented as the average per tonne processed FFB as of the biogas plant in the UIE mill. Further, the COD concentration before and after digestion has been assumed as of the figures for the UIE mill.

Nature conservation is another improvement option. Therefore, the results are also shown including nature conservation. The effect of nature conservation is also described in section 4.2 and in Figure 10.

Based on Figure 13, it can be seen that from 2004 to 2016, GHG emissions have been reduced by 29% (excl. iLUC), 20% (incl. iLUC) and 38% (incl. iLUC & conservation). These reductions are expected to increase further to 35%, 25% and 43% respectively for excl. iLUC, incl. iLUC and incl. iLUC & conservation already in 2017, where the Optimill will replace the Ulu Bernam oil mill. If peat soils were also completely avoided, the reductions compared to the 2004 baseline would be 67%, 54% and 71% respectively.

The improvement options should be seen in light of the fact that United Plantation’s palm oil already performs better than industry averages for palm oil (Malaysia and Indonesia), rapeseed oil (Europe), Sunflower oil (Ukraine), and Peanut oil (India).
5 Highlights

GHG emissions 2016: The GHG emissions per kg NBD palm oil from palm oil production at United Plantations Berhad in 2016 are calculated as:

- Result without iLUC and nature conservation: 1.61 kg CO₂-eq.
- Result with iLUC and without nature conservation: 2.06 kg CO₂-eq.
- Result with iLUC and nature conservation: 1.61 kg CO₂-eq.

Reductions in GHG emissions 2004-2016: United Plantations Berhad have via their efforts towards a more sustainable production achieved remarkable reductions in the GHG emissions per kg NBD oil:

- Reduction 2004-2016 without iLUC and nature conservation: 29%
- Reduction 2004-2016 with iLUC and without nature conservation: 20%
- Reduction 2004-2016 with iLUC and nature conservation*: 38%

*The extent of nature conservation within United Plantations’ land bank in 2004 and 2016 was 188 ha and 7,688 respectively.

Comparison of United Plantations palm oil production with average palm oil and other oils: The GHG emissions from United Plantations’ production have been compared with average Malaysian/Indonesian palm oil production, European rapeseed oil, Ukrainian sunflower oil, and Indian peanut oil.

Without iLUC and nature conservation

- Palm oil, United Plantations (=index100) 100
- Palm oil, MY&ID average 260
- Rapeseed oil, European average 161
- Sunflower oil, Ukrainian average 158
- Peanut oil, Indian average 324

With iLUC and without nature conservation

- Palm oil, United Plantations (=index100) 100
- Palm oil, MY&ID average 231
- Rapeseed oil, European average 135
- Sunflower oil, Ukrainian average 199
- Peanut oil, Indian average 371

With iLUC and nature conservation

- Palm oil, United Plantations (=index100) 100
- Palm oil, MY&ID average 296
- Rapeseed oil, European average 173
- Sunflower oil, Ukrainian average 255
- Peanut oil, Indian average 476
6 References

ecoinvent Centre (2016), ecoinvent data v3.3. Swiss Centre for Life Cycle Inventories, St. Gallen.


