

Fear Factor or Feel Good Factor: Harnessing Key Drivers to Move CSPO Market

Edi Suhardi

PT Agro Harapan Lestari (A Goodhope Company)



Outline

Managing Expectations →Myths and Facts: Market Uptakes and Roles →Growers' Perceptions



CSPO Production: Transformation in Indonesia →Agents of Change →How Did It Change?



4

Key Drivers to Move CSPO Market →Building Critical Mass →How To Change The Market?

Moving CSPO Market Forward



Managing Expectations

Myths and Facts: Market Uptakes and Roles

- Myth: Low market uptakes of <u>+</u>52%
- Facts: CSPO uptakes are far greater than reported
 - ✓ Portion of CSPO is also ISCC-certified and absorbed by biodiesel market
 - ✓ CSPO is absorbed by own downstream (not reported)
 - ✓ Some are not interested in selling CSPO
- Myth: Premium price as the main determining factor
- Facts: Credibility matters most
 - $\checkmark~$ Fear of lost of investors' confidence and face value
 - ✓ Transformation of investment climate and supply chains
 - ✓ Public and NGOs pressures: instigate fear among growers





Managing Expectations

Growers' Perceptions

- RSPO and CSPO are good for business:
 - ✓ Green credentials
 - ✓ Efficient use of resources
 - ✓ Higher yield and productivity
 - ✓ Minimizing the negative externality
- Challenges: majority will remain non-RSPO members
 - Lopsided on production-focused; victim mentality
 - ✓ CSPO is niche products for niche market
 - \checkmark Hard to catch up to ever-evolved stringent standards







CSPO Productions: Transformation in Indonesia

Agent of Change

How Did It Change?

- Key issues: transparency, social and environment
- Key drivers: market and financial institutions
- Key influencers: NGOs and media
- Key advocates: Sustainability paragons
- Key motives: fear and "feel good" factors





Source: shutterstock.com

Goodhope

- From fear to "feel good:" the making of RSPO-committed company
 - ✓ Risks aversion and mitigation
 - ✓ Secure favorable credit ratings and financial supports
 - ✓ Competition for niche markets to get premium
- External pressures are institutionalized to drive change: commitment, business values and practices
- When fear is overcome, "feel good" factor shapes the commitment

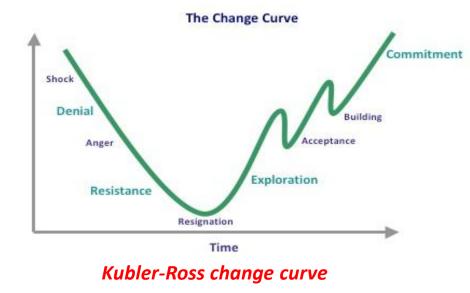
CSPO Productions: Transformation in Indonesia

Transformation Stage

- ✤ 2004-2007: Exploratory → awareness
- ✤ 2007-2010: Experimentation → adaptation: supportive, "wait and see," indifference and skeptics
- ✤ 2010-2013: Determination → adoption & natural selection; the converts and unconverted
- ✤ 2013 onwards: *Maturity* → niche growers grouping

Indonesian Growers: Outcomes of Transformation

- 1. Fully committed champions of sustainability aiming for **RSPO++**
- 2. Committed to **RSPO** standards
- 3. Committed to sustainability standards (**RSPO-**)
- 4. Traditional growers





Key Drivers to Move CSPO Market

Building Critical Mass

- Clearly distinguish between CPO and CSPO
- Create a movement and campaign for use of CSPO: focus on consumers as the key driver to move the market
- Equal focus on production and market transformation
- Open up new markets for CSPO

How To Change The Market?

- Create champions of CSPO market: models & advocates to pull the market
- NGOs, media, government and general public to stimulate consumer movement (*fear factor*) to push the market
 - ✓ Galvanize public support on CSPO market
 - ✓ Stir up fear or promote "feel good" sentiments
 - \checkmark Introduce incentives for the committed
 - ✓ Regulatory framework



Moving CSPO Market Forward

- Market segmentation scenario:
 - (1) Platinum market for CSPO+ and CSPO++ (EU)
 - (2) Gold market for CSPO (EU and European companies)
 - (3) Silver market for CSPO- (China & India export)
 - (4) Traditional market for non-CSPO (domestic)
 - CSPO market is at *development stage*, potential to gradually grow
 - CSPO is a niche product for niche markets: premium price is a necessity
 - ✓ Market growth to determine CSPO productions → set Sustainability agenda









Moving CSPO Market Forward

- Create new equilibrium and shared responsibility between productions and market uptakes
- Build CSPO credibility and attractiveness in the markets to spur demands and boost productions
- Fear factor and "feel good" motive to be capitalized to move the market: Consumer -key driver and shaper of the market- is to be advocated for CSPO use









Thank You