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One of the world's largest pension funds shuns palm oil

Norway's government pension fund – one of the world's largest – has withdrawn US$314 million in investments from a string of companies that it says produce palm oil 'unsustainably' – a move environmental advocates are likely to welcome because of links between the industry and deforestation.

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Palm oil is found in roughly 50 per cent of packaged products on supermarket shelves and interest in using oil palm as a feedstock for biofuel is growing.

Although oil palm can, under optimal conditions, produce more than five times the yield of other vegetable oil crops and is seen by many as a driver of economic development in rural regions, research has shown that its production has encouraged deforestation in South East Asia, resulting in the loss of tens of thousands of hectares of tropical forests.

In March, the Norwegian Government Pension Fund Global released its 2012 Annual Report announcing that it had sold its stakes in 23 of the world's largest palm oil companies, reducing its investments in the Indonesian and Malaysian palm oil industry by more than 40 per cent.

'Several palm oil producers were excluded from the portfolio because their long-term business model was deemed unsustainable,' said the report.

The decision comes in the same year that the fund became a member of the CDP (formerly **Carbon Disclosure Project**), an international not-for-profit organisation that 'works with market forces to motivate companies to disclose their impacts on the environment.'

The CDP – which is backed by more than 722 institutional investors representing over US$87 trillion in assets – provides investors with information including insight into companies' greenhouse gas emissions and strategies for managing climate change, deforestation and water.

Source: Center for International Forestry Research (CIFOR)

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