



# **EU-Indonesia efforts towards Sustainability in palm oil sector**

**Michael Bucki**

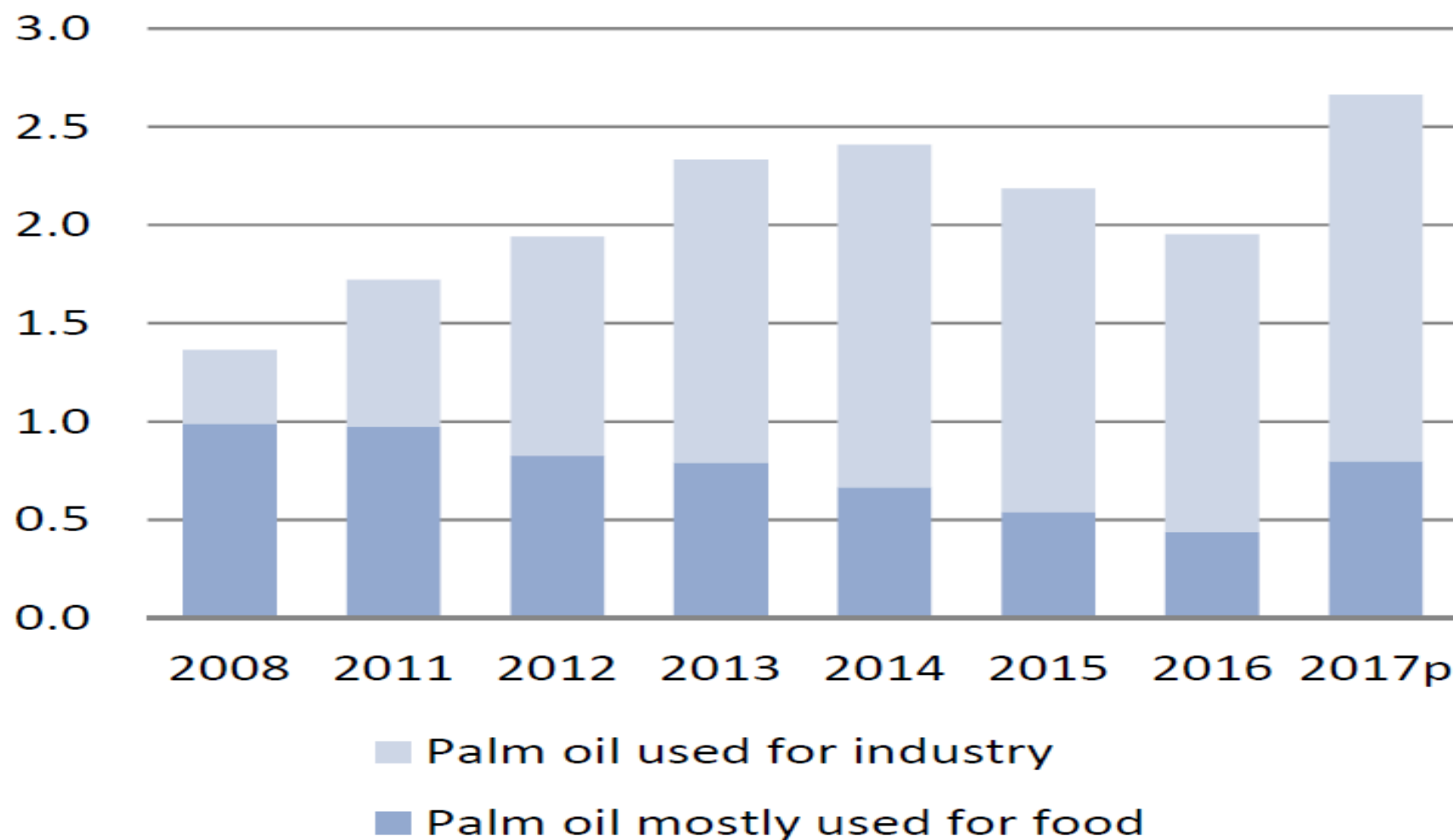
**EU Delegation in Jakarta**

***January 2017, Tokyo***

***Including slides from AD Support Unit  
(Mekon Ecology)***



# **Palm oil as a "strategic commodity"**





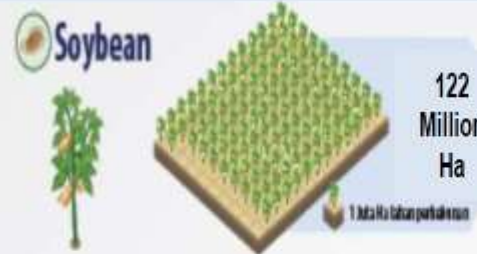
Source: GAPKI

	2010	2011	2012	2013	2014	2015	2020	2025
Production	22.93	25.97	29.43	29.56	31.86	33.00	40.00	45.00
Demand	5.50	6.40	7.10	8.30	9.80	11.20	12.30	13.40
Export	16.42	18.45	20.37	21.72	25.96	24.30	30.00	35.00
Balance	1.01	1.12	1.96	(0.46)	(3.90)	(2.50)	(2.30)	(3.40)

Employment					
2011	2012	2013	2014	2015	CAGR
3.651.636	3.701.321	5.184.747	5.218.322	5.503.418	10,8%



Total land use for the world vegetable oils: 277 Million Ha



Produksi Minyak Nabati Dunia (199 juta ton)

45,8 mill Ton



Produktivitas/Ha

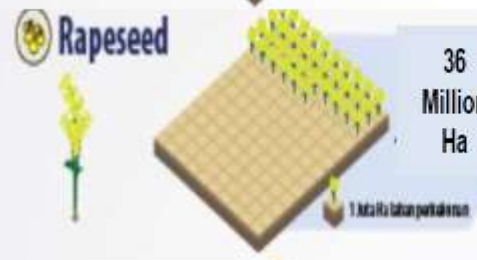
0,4 Ton/Ha



15,9 mill Ton



0,6 Ton/Ha



25,8 mill Ton



0,7 Ton/Ha



65 mill Ton

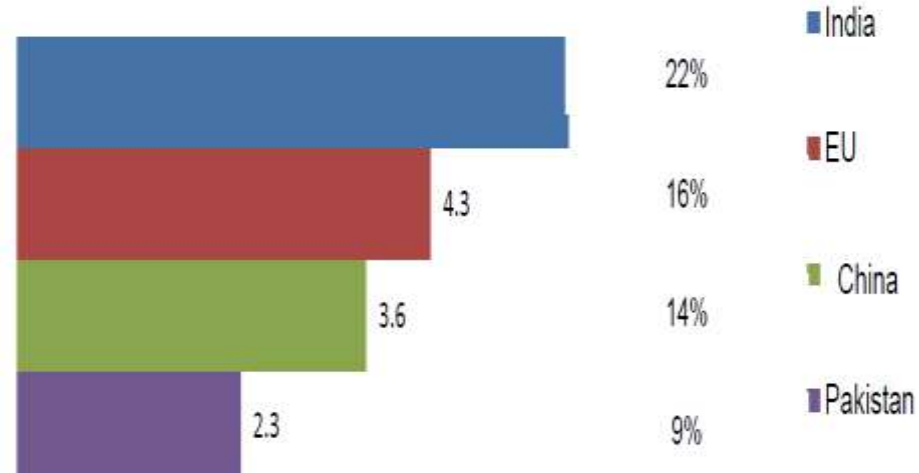
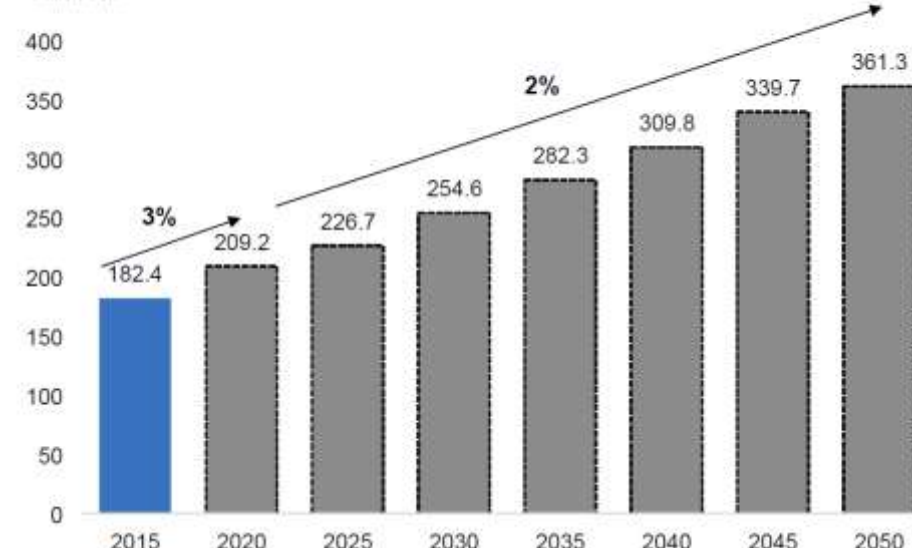


4 Ton/Ha



Source: FAO/KLHK

**The Need of the World Vegetable Oil Projection**  
Period of 2015-2050  
Million Ton



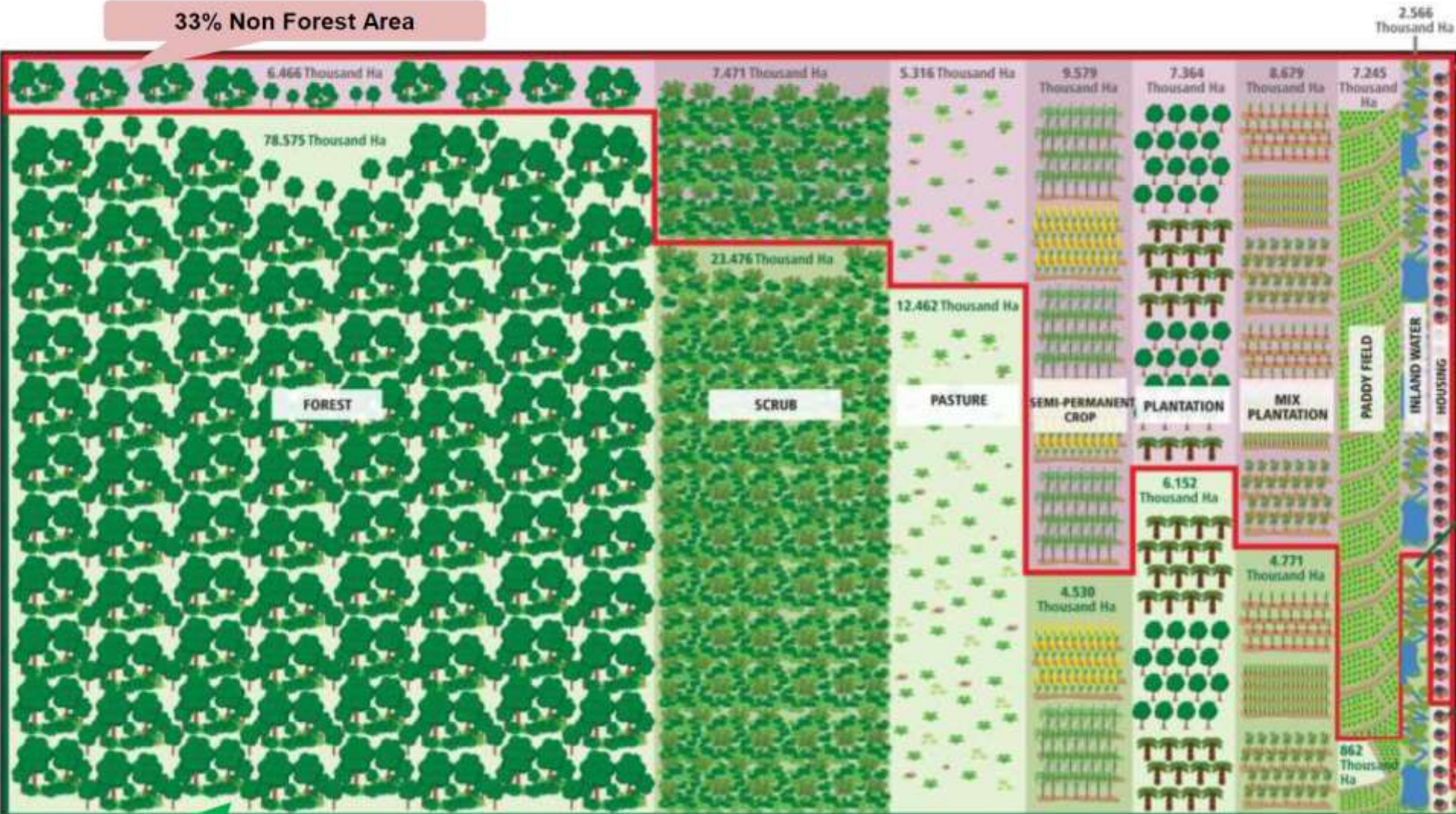




Source: KLHK

Indonesia's non forest area is only 33% of land area and the rest is forest area by 67% of land area

33% Non Forest Area



Source: KLHK





Source: KLHK, FPP

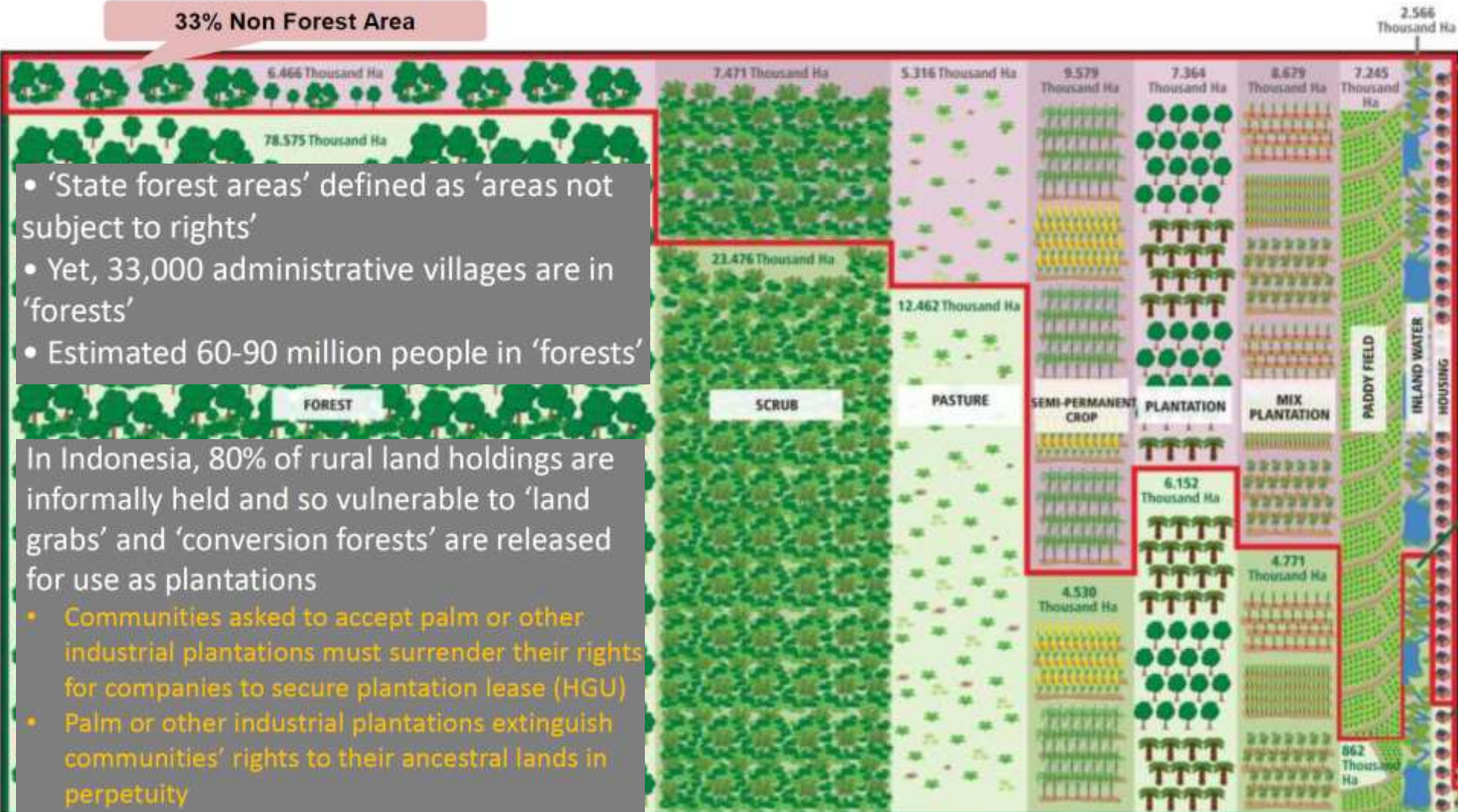
Indonesia's non forest area is only 33% of land area and the rest is forest area by 67% of land area

### 33% Non Forest Area

- 'State forest areas' defined as 'areas not subject to rights'
- Yet, 33,000 administrative villages are in 'forests'
- Estimated 60-90 million people in 'forests'

In Indonesia, 80% of rural land holdings are informally held and so vulnerable to 'land grabs' and 'conversion forests' are released for use as plantations

- Communities asked to accept palm or other industrial plantations must surrender their rights for companies to secure plantation lease (HGU)
- Palm or other industrial plantations extinguish communities' rights to their ancestral lands in perpetuity



Source: KLHK



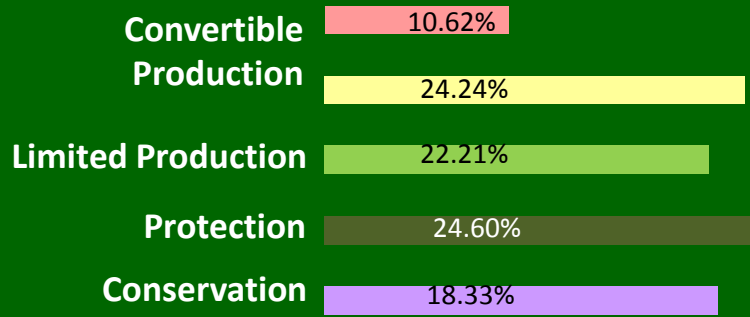


Source: KLHK, Prof Rizaldi Boer

Indonesia's non forest area is only 33% of land area and the rest is forest area by 67% of land area

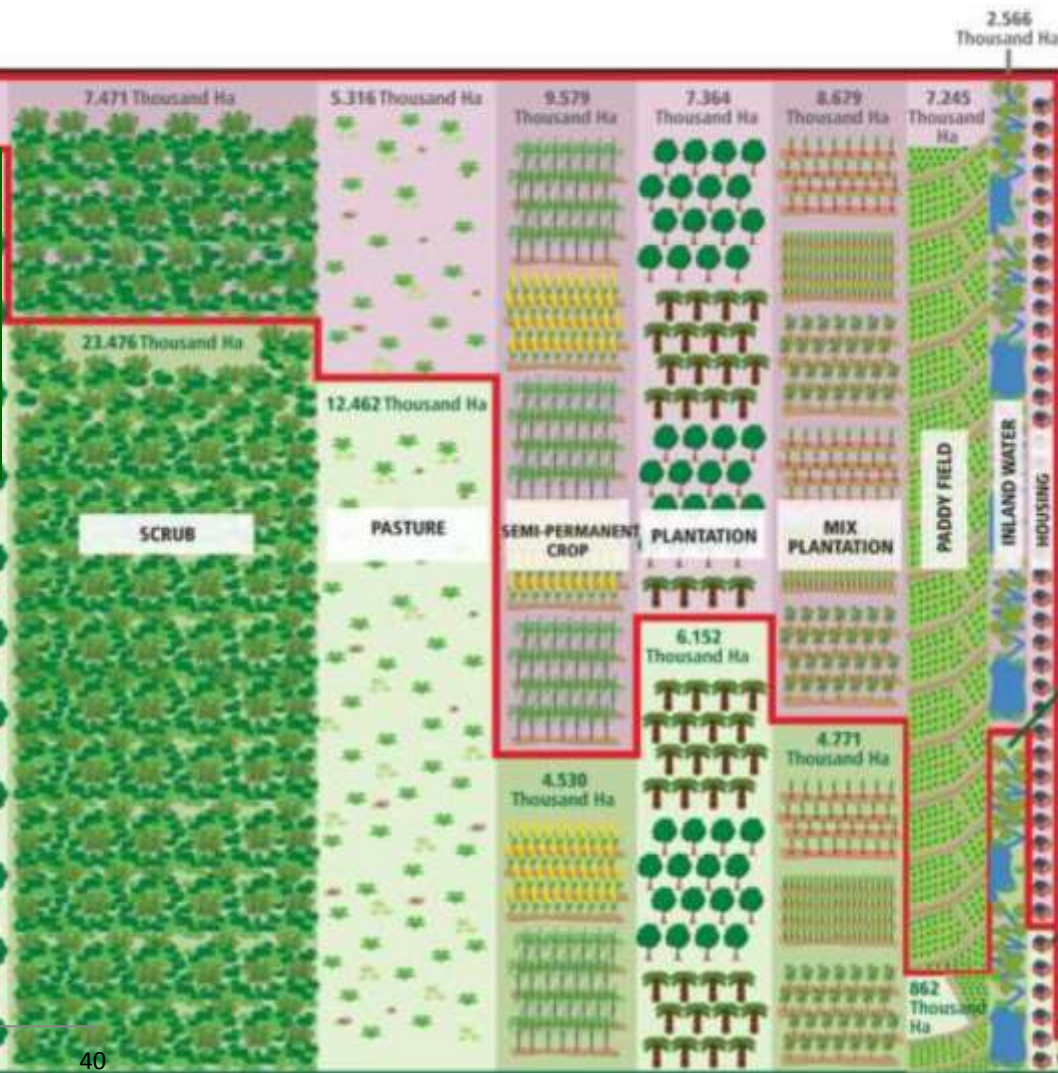
33% Non Forest Area

Many areas accessible → subject to encroachment?  
Nearly 30% of the forest area are not under tree cover (mainly in production forest )



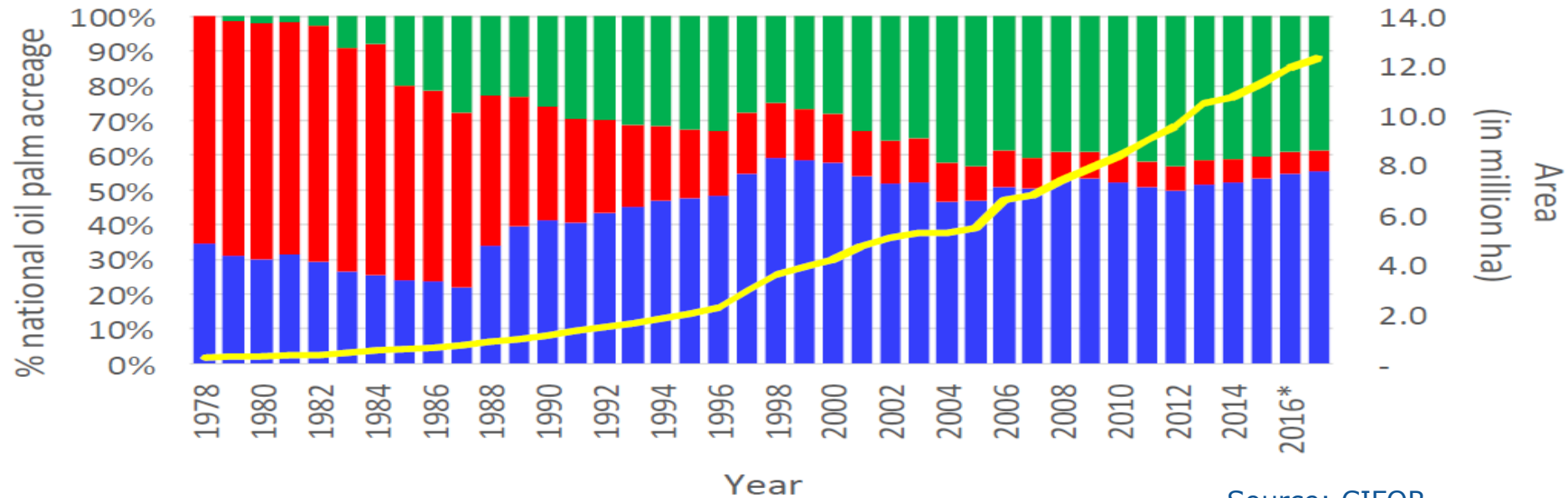
0 10 20 30 40

Million Hectares

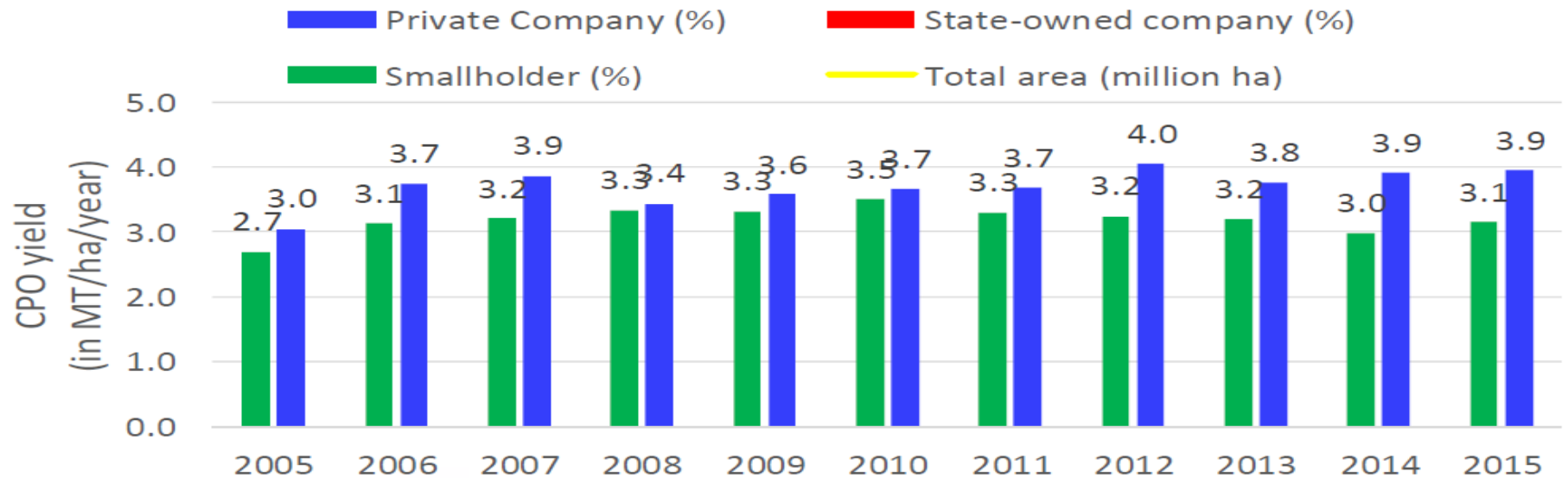


Source: KLHK





Source: CIFOR





**A long history of  
dialogue and action  
on legal timber,  
trade, sustainability  
and land use**



- The EU does not have any specific policy on palm oil (some mention "vegetable oils").
- The EU Market is very open to palm oil (increasing trade, low tariffs, FTA in progress).
- However, the European Parliament on 17/01/2018 has adopted its initial position on the recast of the EU Renewable Energy Directive (RED II). With regard to provisions on crop-based biofuels, the EP position includes an **exclusion of palm-based biofuels from being taken into account in the calculations for meeting the EU renewable energy targets.**
- The Commission will engage with the co-legislators (EP and Council representing EU Member States), to reach a common position.





# A precedent for timber: EUTR, FLEGT and EU-IDN voluntary partnership agreement

## EU Timber Regulation - Key obligations

### **Due diligence**

EU operators shall exercise due diligence when placing timber or timber products on the market by implementing procedures so as to minimise the risk of illegal timber in their supply chain

### **Prohibition**

The placing on the market of illegally harvested timber or timber products derived from such timber shall be prohibited

### **Traceability**

EU traders (after first placing on the EU market) shall be able to identify from whom they bought the timber products and where applicable, to whom they have supplied the timber products



# Questions about sustainability



Source: World Resource Institute, KLHK

## Peatland and Land Use/Land Use Change & Forestry

It's responsible for

**79%**

OF INDONESIA'S TOTAL  
GREEN HOUSE GAS EMISSIONS

Almost  
**90%**

of oil palm plantation in  
Kalimantan from 1990-2010 came  
at the expense of forest cover.

Carlson, K.M., et al. 2013. "Carbon Emissions  
from Forest Conversion by Kalimantan Oil  
Palm Plantations", Nature Climate Change,  
Nature Publishing Group.

## Biodiversity Loss







Sources: FPP, EC and WRI

- 8,000 land conflicts (BPN): half re oil palm
- Land grabs trigger resistance & repression: companies pay police
- Violence
- Destruction of properties
- Deprivation of livelihoods
- Criminalization of subsistence

"Regarding [promoting national and local legal tenure], **EU supports smallholders** through a **value-chain approach**, [and suggests] focusing mainly on improving business skills and tools, leading them to be more efficient, profitable and inclusive. Linkages between smallholders, **farmers' organisations are also reinforced to comply with market requirements**. In relation to defining 'deforestation-free', the Commission notes any EU action on the issue of deforestation goes beyond palm oil, looking at **all drivers of deforestation**."

Forest area in Mha	Within Forest Estate	Outside Forest Estate
Under tree cover (primary and secondary forests)	A) 79 including 13 "convertible"	B) 7-15 ("non-forest", hence subject to "legal deforestation"?)
Without tree cover	C) 51 including 6-11 of rubber and oil palm plantations, possibly on peat	D) 50 including 7-16 of rubber and oil palm plantations, possibly on peat

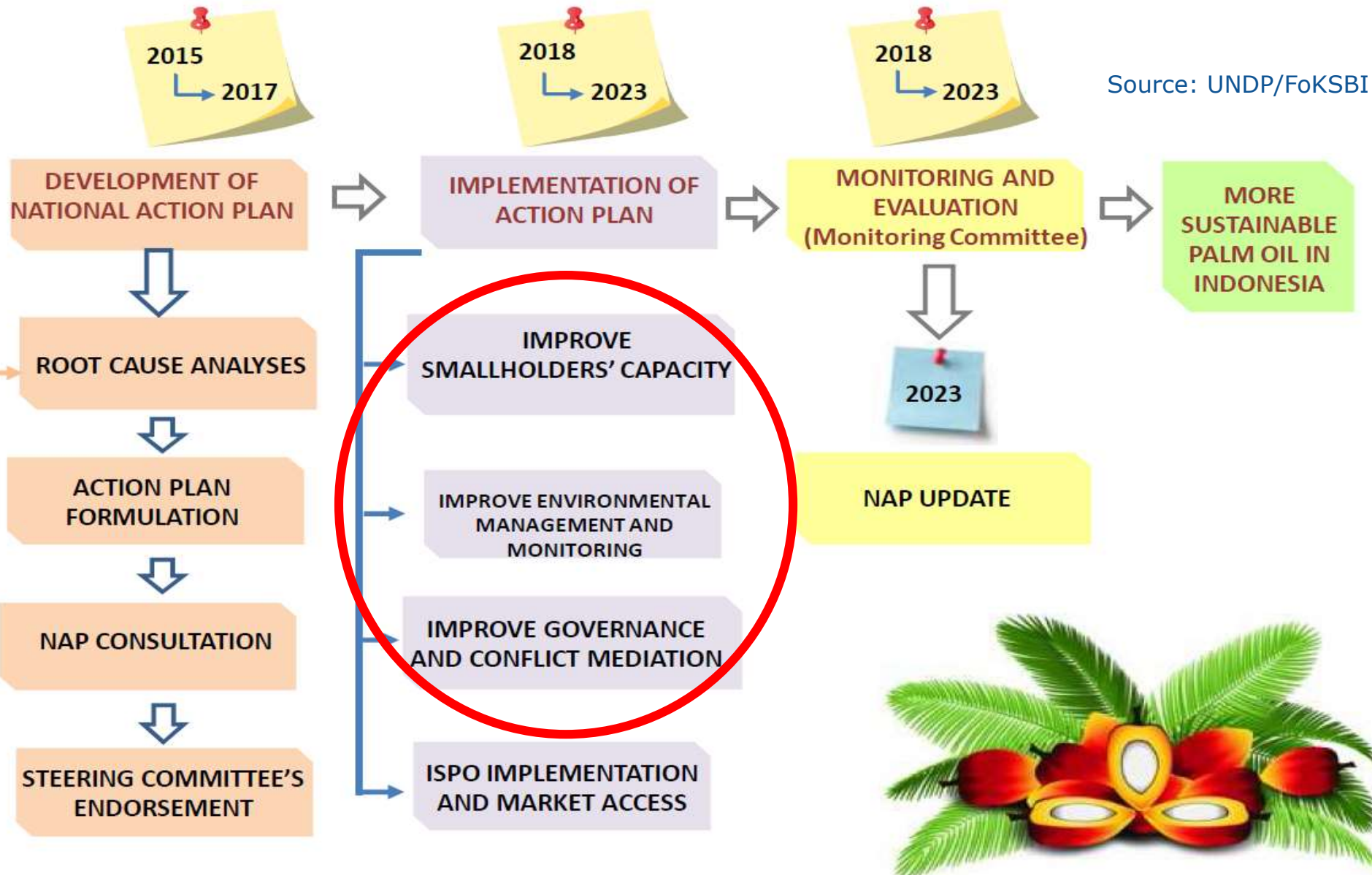
Indonesia has committed to reduce emissions from deforestation by 70-90% compared to business as usual until 2030.

55% of tree cover loss within Indonesian primary forests from 2000 to 2015 (more than 4.5 million hectares) occurred in legal concessions. Conversions to oil palm, pulp and paper industries, each contributed about 1.5Mha, an area larger than Switzerland.

45 % of tree cover loss took place outside concessions and destroyed 3.6Mha, most from licensed concession holders (cultivating more than permits allowed), unsustainable harvest rates, or a vast network of small oil palm plantations, operating outside legal concessions but most likely feeding into the same supply chains.



**Ways forward:  
Demonstrating  
and rewarding  
sustainability?**

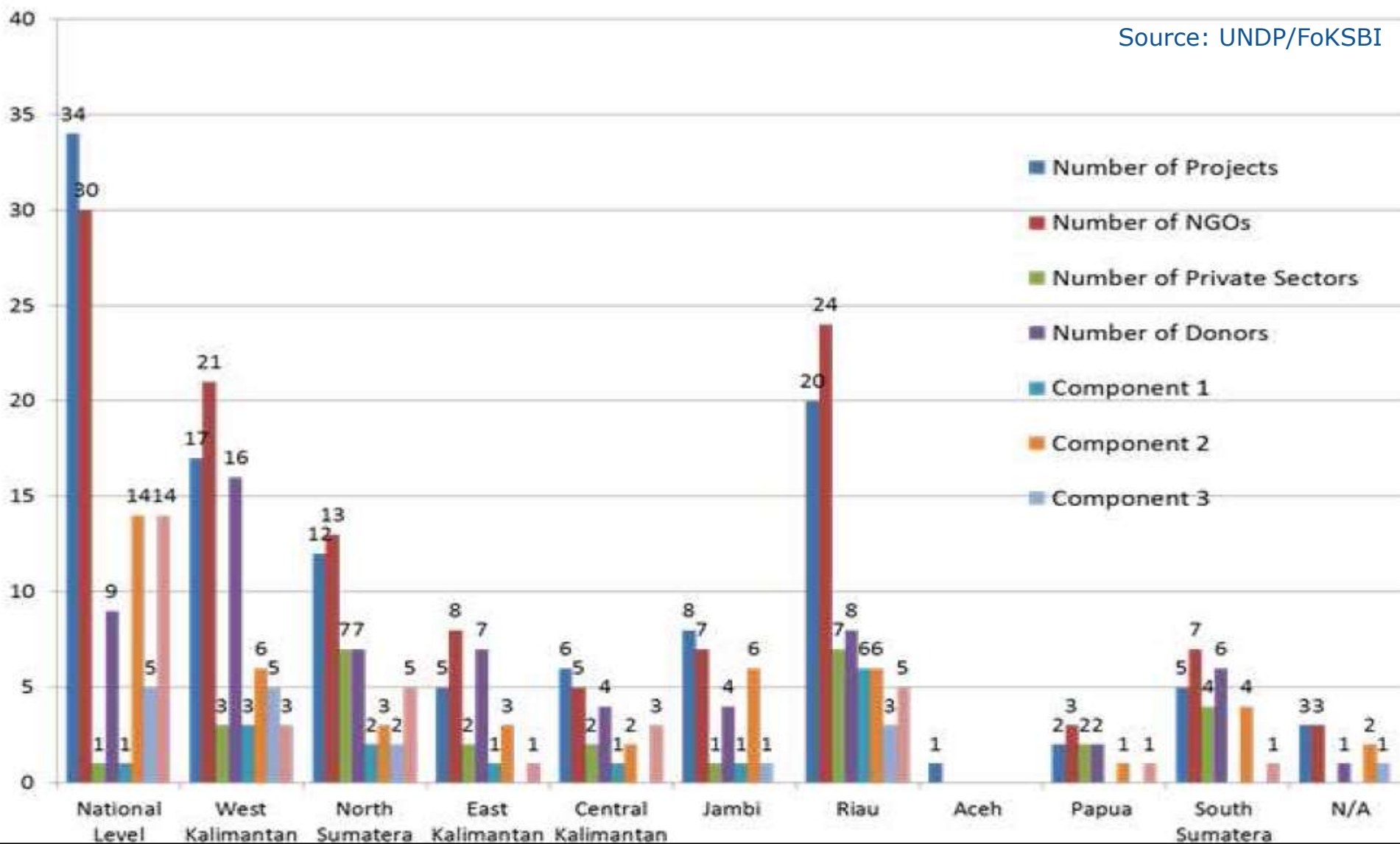






# Palm Oil Initiatives in Numbers

Source: UNDP/FoKSBI





# Study on the environmental impact of palm oil consumption and on existing sustainability standards

For European Commission, DG Environment

- RSPO (Roundtable on Sustainable Palm Oil) is a voluntary basis which started in 2004. The initiators of this scheme were WWF, MPOA (Malaysia Palm Oil Association), Unilever, Aarhus UK and Migros. Currently produces about 12 million mt CSPO (Certified Sustainable Palm Oil).
- ISCC (International Sustainability and Carbon Certification) is certification for palm oil to be used in biofuel system in Europe.
- ISPO (Indonesia Sustainable Palm Oil) is a mandatory certification by Government of Indonesia for all oil palm plantations operating in Indonesia.
- MSPO (Malaysia Sustainable Palm Oil) is sustainability scheme in Malaysia but still on voluntary basis.





Source: KEHATI

## ISPO Certificate: Standard – P and C; Process of Certification and approaches

**Governance:** the roles of sectoral and local government in ISPO; the mechanism decision making system for problems solving; the government service for smallholders; and

**Monitoring and Evaluation toward the Acceptance Level and Market Competitiveness**

**Strengthening the smallholders to comply the ISPO Standard.**

Forest Trends Report Series  
Forest Trade and Finance

September 2014



### Consumer Goods and Deforestation:

An Analysis of the Extent and Nature of Illegality in  
Forest Conversion for Agriculture and Timber Plantations

EXECUTIVE SUMMARY





# The Amsterdam Declarations

**GOAL:** *Sustainable, deforestation-free commodity imports by 2020*  
(palm oil, cocoa, soy. Maybe also coffee, beef, paper& pulp, rubber)

*Linked to Climate Change agenda: reduce GHG emissions, adaptation*

*Facilitate and support voluntary private sector commitments and initiatives, e.g. the European Sustainable Palm Oil Initiative (ESPO)*

*Non-legally binding, political declarations*

*Process-oriented approach (influencing key processes)*

*Joined actions, common diplomacy (bilateral, multilateral)*

*Work through partner organisations and partnerships*

*AD Strategy adopted in December 2016*

# Relevance in 2016



The AD Group imported 77% of all European cocoa. Mainly from Cote d'Ivoire and Ghana but also i.a. from Nigeria, Cameroon, Peru,...



The AD Group imported 74% of all European palm oil. Mainly from Indonesia and Malaysia, but also i.a. from Papua New Guinea, Guatemala, Colombia, Thailand,...



The AD Group imported 64% of all European soy. Mainly from Brazil, USA, Argentina and Uruguay.

# Monitoring

*Outside sphere-of-control: deforestation developments in producer countries.*

*What will we monitor?*

*Monitoring influencing processes (the AD Strategy):*

*Various process-related indicators.*

*Influence direct and indirect (partners). Attribution difficult !*

*Monitoring the goal of "sustainable, deforestation-free import":*

*Main indicator: "volume of certified commodity X imported into the signatory countries"*

*Primary data from EUROSTAT and ITC-COMSTAT (Norway)*

*Depend on third party monitoring e.g. national alliances, partnerships, independent NGOs, research institutes,...*

# The AD Strategy (1)

1. Facilitate *European action on Climate, Deforestation and Trade*

2. Stimulate *Global Value Chain Approach*:

Facilitate company commitments; promote partnerships such as ESPO (palm oil 100% RSPO or equivalent); CFI (cocoa 100% deforestation-free); but also strengthen in-country initiatives like ESPO national alliances, GISCO, Ethical Trade Initiatives, etc..

Enhance synergy with *landscape approaches and jurisdictional approaches*: Global Environment Facility, BioCF-ISFL; IDH; CAFI; and Green Fund; TFA 2020; UK P4F; Althelia Climate Fund;.

Promote cross-learning.



# The AD Strategy (2)

3. Enhance the *dialogue with major consumer-producer countries*:

*Diplomacy and dialogue*

Africa: Cocoa CFI; Central African Forest Initiative; TFA2020, ...

Asia: *China, Indonesia*, Malaysia, Japan, ...

Latin America: Argentina, Brazil, Colombia, Ecuador, ...

Other: G20 Agriculture ministers statement (Jan 2017)

4. Monitoring, transparency and CSR reporting:

*Integrate deforestation and climate in CSR reporting and enhance third party monitoring. Examples:*

*Dialogue with ESPO to improve palm oil monitoring*

*TRASE, CDP, Forest500, CI Supply Change, WRI-GFW, NepCON, CIFOR Atlas, ...*

*Dialogue with voluntary certification standards*

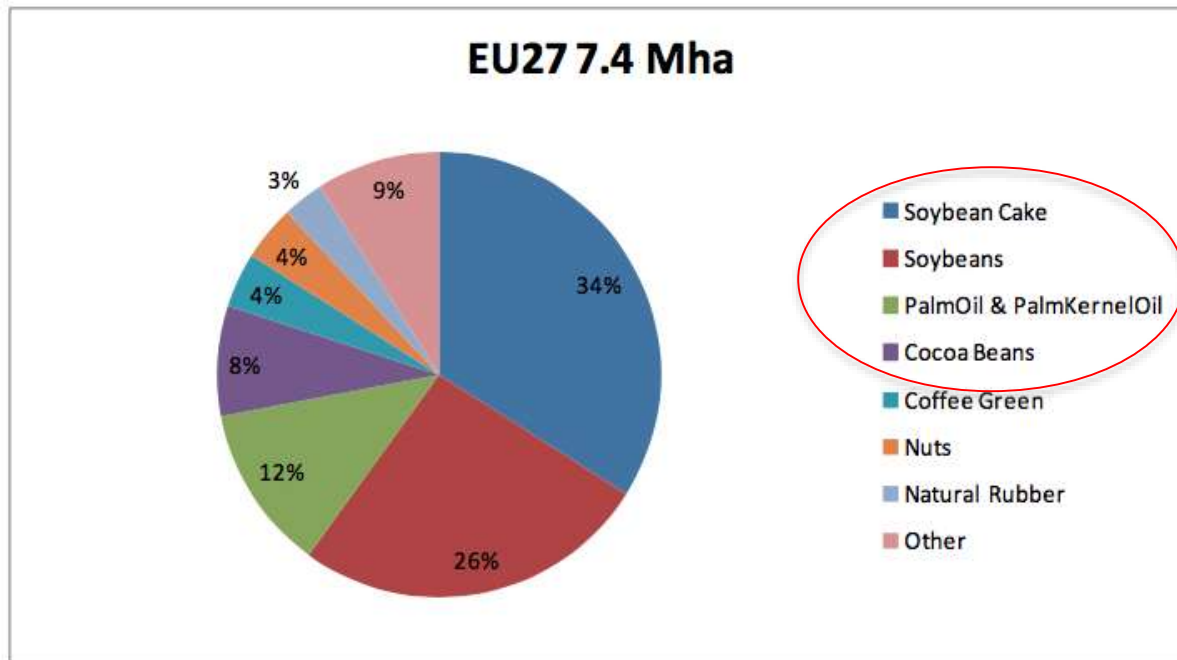
**Thank you for your attention!**

*Support Unit Amsterdam Declarations*

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# Imported deforestation agricultural commodities (EC report 2013-063)

- ✓ LULUCF (incl. Deforestation) is 24% of climate change problem (IP6).
- ✓ The main driver of deforestation is commodity expansion (cattle ranching and crops). 2/3 production is not traded internationally.



80% related to soy,  
palm oil and cocoa  
= 5.92 Mha



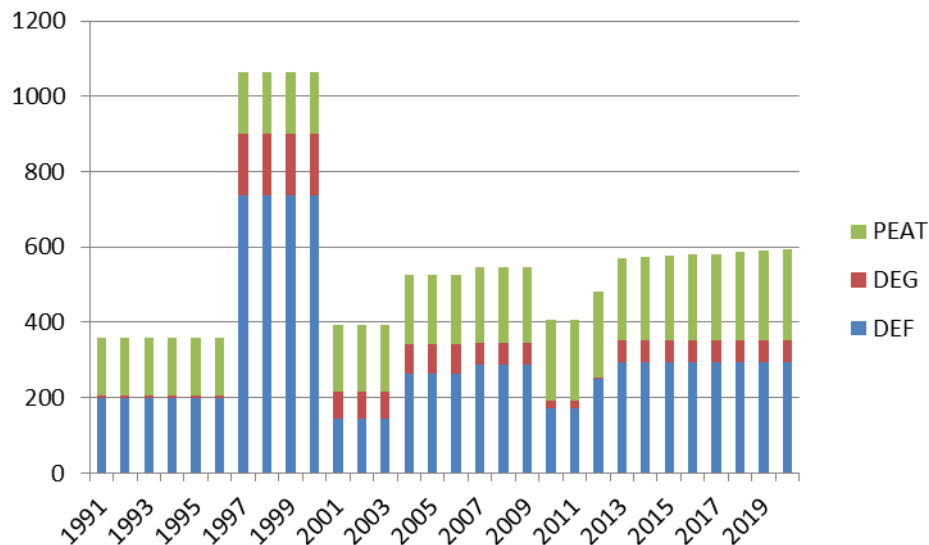
## Submission by Indonesia

### NATIONAL FOREST REFERENCE EMISSION LEVEL FOR DEFORESTATION AND FOREST DEGRADATION

**In the Context of Decision 1/CP.16 para 70 UNFCCC  
(Encourages developing country Parties to contribute to mitigation action in the forest sector)**

Definitions of forest, deforestation, forest degradation and peat land used in the document were defined and clarified for consistency with the data used. The scope of the area for FREL calculation is Indonesia's land area that was covered by natural forest in year 2000, accounted for 113.2 million ha or 60% of the country's land area. This includes primary and secondary forests, regardless of forest status under national forest area defined by MoFor (2014). Peatland outside this area was excluded but will be included in Biennial Update Report (BUR). Two activities were included in FREL construction, namely: deforestation and forest degradation. Above ground biomass (AGB) and soil in peat land, and CO<sub>2</sub> were defined and selected as pools and gas included in this FREL document.

The historical land-cover data used for this FREL submission were generated using visual interpretation, which is time-consuming and requires trained operators (Margono *et al.*, 2015). Apart from this, an early stage digital classification method has been utilized for producing wall-to-wall forest (tree) and non-forest (non-tree) maps by LAPAN (LAPAN, 2014). It is expected that in the future improvement by using a hybrid approach involving manual and digital classification can be deployed to generate annual land cover maps for Indonesia (e.g. Margono *et al.*, 2014). Optionally, object-oriented classification method deserves similar attention to be explored. The method has been exercised by the ICRAF ALLREDDI Project (Ekadinata *et al.*, 2011) and GIZ FORCLIME (Navratil *et al.*, 2013) for land cover mapping with detailed classification.



The 23 land cover classes are based on physiognomy or biophysical appearance that are sensed by remote sensing data used (Landsat at 30 meter spatial resolution). The class names (Error! Reference source not found.) correspondingly feature land uses, such as class of forest plantation or estate crops. However, the object identification is purely based on the existing appearance in the imagery. Manual-

In this submission, deforestation is defined as conversion of natural forest cover to other land-cover categories that occurred once in an area. This means that deforested areas that might regenerate and meet again the forest definition were not taken into account a second time in the emission calculation from deforestation. Concerning the working definition, deforestation refers to the one-time conversion of natural forest cover into plantation forest or non-forested lands (see Table 2 and Table Annex 1.1).

The practical definition emphasizes on land cover instead of land use. Even though the naming of some classes in the Indonesian land cover classification system suggest that it is a land use classification, the underlying definitions applied during the satellite imagery interpretation relate purely to land cover. Indonesia concentrates on practical implementation, so the selected deforestation definition is different from the definition of deforestation by FAO, which employs the terminology of land use (See Box 2). The approach used by Indonesia is also used in many REDD+ programs to avoid confusion with land cover changes of afforestation and reforestation covered under the CDM scheme.





***THANK YOU!***

***Questions?***