

2020 European Parliament INI Report on Stepping up EU Action to Protect and Restore the World's Forests

Key Insights

Addressing deforestation must begin with understanding the different causes of deforestation. Palm oil has been wrongly perceived as the main driver of global deforestation. **In fact, palm oil plantations are responsible for only three percent of global deforestation** and little over 11 percent of deforestation in Indonesia (2000-2012)¹. According to 2017 research² from CIRAD, in the period of 1990 and 2008, 25 million hectares (ha) of forest were lost, of which 7.5 million ha were used for agricultural production. Of these 7.5 million ha, 2.9 million ha correspond to oil palm plantations.

It's clear that while the palm oil industry will continue to have a role to play in tackling deforestation, solutions will also have to come from outside the sector.

In Indonesia, **deforestation by large scale oil palm plantations has decreased steadily since 2009, down to around 50,000 ha in 2016 according to a study by Duke University**³. This is due to a raft of measures. These include forest protection regulations coupled with "no deforestation" sourcing policies adopted by upstream growers and downstream buyers, and sustainability certifications, such as RSPO⁴ and ISCC⁵. GAR believes this trend will continue, as the government aims to reduce greenhouse gas emissions and progressive actors intensify the mapping and scrutiny of their supply chains.

In contrast, **deforestation by small scale agriculture and conversion to grass/shrub-land has increased markedly since 2013, with approximately 300,000 ha and 500,000 ha in 2016 respectively**³. The same study estimates about 20 percent of these areas were converted to small scale palm oil plantations⁶. In order **to holistically address deforestation from palm oil in Indonesia, the EU must take this into account and encourage proactive engagement with Indonesia's more than 2.7 million smallholders**⁷.

Smallholder livelihoods and forest protection need not be mutually exclusive. On the contrary, palm oil has been delivering the objectives⁸ of promoting prosperity beyond the EU while protecting the environment. More than in any other agricultural sector, actors in palm oil have committed to and are investing in sustainable production⁹. The right mix of EU regulatory and non-regulatory interventions can help to accelerate and scale up on-going industry efforts.

¹ <https://www.nature.com/articles/nclimate2277>

² <https://theconversation.com/the-geopolitics-of-palm-oil-and-deforestation-119417>

³ "What causes deforestation in Indonesia?" Austin et al, <https://iopscience.iop.org/article/10.1088/1748-9326/aaf6db/pdf>

⁴ <https://www.rspo.org/>

⁵ <https://www.iscc-system.org/>

⁶ <https://goldenagri.com.sg/wp-content/uploads/2020/07/Deforestation-trends-linked-to-palm-oil-in-Indonesia-Fact-Sheet.pdf>

⁷ <https://databoks.katadata.co.id/datapublish/2019/12/21/jumlah-petani-sawit-267-juta-kepala-keluarga>

⁸ "The European Union: what it is and what it does," European Union 2020

⁹ Supply Change - Tracking Corporate Commitments to Deforestation-free Supply Chains, 2016

Recommendations

Regarding the EU's priority to reduce the EU consumption footprint on land

To encourage the consumption of products from deforestation-free supply chains into Europe, the **EU should require European buyers of high risk forest commodities to adopt forest protection sourcing policies** and to report on implementation progress. Specifically, the legislation should:

- Be applied consistently across commodities to avoid discrimination against or exclusion of a single industry;
- Apply to large-, medium-, and small-buyers in order to ensure a level playing field, whilst avoiding leakage markets;
- Not penalise European buyers for deforestation events that occur beyond their control but instead encourage companies to take measures to remediate the situation;
- Harmonise the various reporting frameworks into a single and simple EU reporting framework to minimise reporting costs and focus resources on supporting smallholders.

As many of the high risk commodity production involve SMEs and smallholders often located in the remote rural areas of developing countries, **the EU should ensure that buyers' policies seek to identify, engage and transform these upstream producers, not to exclude them**. Each buyer's supply chain is likely to be complex with many intermediary parties and unique conditions on the ground. Based on best practices, a buyer should:

- Establish traceability to plantation to enable an assessment of risks to forests; development of forest protection measures; and engagement with supply chain partners;
- Aim for transformation by rewarding progressive supply chain partners whilst signalling to lagging actors to improve their practices;
- Direct the buyer's resources to engage with and strengthen the capacity of upstream small- and medium-enterprises and smallholders to adopt sustainable practices¹⁰, instead of excluding them.

The EU should assist buyers, especially SME buyers, to organise a coordinated approach to supply chain engagement and to pool resources towards implementing forest protection measures on the ground, including:

- Best practices employed by leading industry actors, for example sustainability certification, community-based conservation and jurisdictional landscape initiatives;
- The identification of critical ecosystems and high conservation value areas at risk, by producing country and by commodity, based on international and local academic research, to enable targeted and impactful interventions;
- Compliance with forest related laws and regulations of the producing countries.

To verify the impact of forest protection policies by buyers, the EU should call on Member States to develop streamlined, user-friendly verification systems that build on existing initiatives and serve national goals. Specifically, the Member States should consider:

- Recognising the mandatory Indonesian Sustainable Palm Oil (ISPO) certification¹¹ thereby incentivising a minimum performance standard for the entire Indonesian palm oil industry; (individual buyers may require additional certification, such as the ISCC and the RSPO, depending on their respective market requirements)

¹⁰ Sustainability Impact Assessment (SIA) in support of Free Trade Agreement (FTA) negotiations between the European Union and Republic of Indonesia: Final Report

¹¹ <https://goldenagri.com.sg/wp-content/uploads/2020/06/Indonesian-Sustainable-Palm-Oil-ISPO-Fact-Sheet.pdf>

- Encouraging buyers to support on-going satellite monitoring initiatives, including Radar Alerts and Detecting Deforestation (RADD)¹² and Starling¹³. These two initiatives are potentially useful because they conduct on-the-ground verification of deforestation events and encourage engagement with local actors;
- consulting with the RSPO¹⁴ and the ProForest¹⁵-led Palm Oil Collaboration Group whose corporate members innovate and adopt best practices in engaging and monitoring the fragmented supply chain.

Regarding the EU's priority to redirect finance to support more sustainable land-use practices

Under the framework of the UN Sustainable Development Goals, the EU should encourage funding towards local initiatives and local NGOs that transform rural communities through sustainable livelihoods programmes. Communities need to be compensated realistically for forest conservation. Future funding should help the transition from conservation to the reforestation of degraded areas in partnership with local communities.

The list of initiatives and actors below either show promise or have a strong track record. However, they only represent a fraction of what is needed to engage the more than 8,000 villages in Indonesia. They include:

- Smallholder NGOs such as Serikat Petani Kelapa Sawit¹⁶ and Setara Jambi¹⁷, who build independent smallholder capacity to improve plantation yield and achieving certification;
- Community NGOs, such as Yayasan FIELD Indonesia¹⁸, Yayasan Indonesia Sejahtera¹⁹ and PKBI²⁰, which help village members organise themselves, adopt good health practices and implement integrated organic farming towards food security;
- Platforms such as the National Initiatives for Sustainable & Climate Smart Oil Palm Smallholders (NI-SCOPS)²¹, the Forest Conservation Fund²² and TerraMatch²³, which aim to match funding with community-based conservation or production-protection projects.

Regarding the EU's priority to work in partnership with producing countries

Finally, to facilitate the scaling up of sustainable production and sustainable livelihoods, the EU should adopt a win-win mindset and partner with the Government of Indonesia. A punitive approach such as market access restrictions is likely to lower producing countries' willingness to engage with the EU. Positive diplomacy, such as the successful collaboration between Indonesia and Norway on forest conservation²⁴, recognises national initiatives and demonstrates the opportunity for a collaborative approach in implementing the Paris Climate Change Agreement. The EU should support government-led sustainable land use policies and initiatives in Indonesia, and specifically encourage:

¹² <https://www.wri.org/news/2019/10/release-palm-oil-industry-jointly-develop-radar-monitoring-technology-detect>

¹³ <https://www.starling-verification.com/>

¹⁴ www.rspo.org

¹⁵ <https://proforest.net/en>

¹⁶ <https://www.spks.or.id/>

¹⁷ <http://www.setarajambi.org/>

¹⁸ <https://field-indonesia.or.id/>

¹⁹ www.yis.or.id

²⁰ <http://pkbi.or.id/>

²¹ <https://www.idhsustainabletrade.com/uploaded/2019/12/20190508-3-pager-NI-SCOPS.pdf>

²² <https://www.fundforests.org/>

²³ <https://www.terramatch.org/>

²⁴ http://ppid.menlhk.go.id/siaran_pers/browse/2199

- Funding for the FOKSBI (Indonesian Sustainable Palm Oil Forum)²⁵, founded by the Ministry of Agriculture with support from UNDP Indonesia to help industry stakeholders address challenges such as independent smallholder replanting thereby reducing pressures to expand;
- Buyers to participate in and contribute to jurisdictional landscapes initiatives, such as the Lingkar Temu Kabupaten Lestari (Indonesian District Collaborative Forum to Achieve Sustainable Development)²⁶, where 11 progressive district leaders from eight provinces seek partners to design and implement district development which balances economic, social, and environmental aspects;
- Buyers to input and cooperate in the adoption of the ISPO certification scheme that the government is committed to implement industry-wide by 2025²⁷.

Conclusion

The transformation of the Indonesian palm oil industry is already well on its way. Studies show that deforestation from large scale plantation has declined significantly, however, deforestation from small-scale agriculture and conversion to grass/shrub-land has risen in recent years. EU decision making should be informed by this latest research. How can it best encourage sustainable rural development and reduce pressure on forests? In Indonesia, many public-, private-, and civil society actors are already active in this space. The EU should recognise their efforts and organise European buyers and resources to support their work.

About Golden Agri-Resources

[Golden Agri-Resources Ltd \(GAR\)](#) is one of the world's leading palm oil plantation companies based in Indonesia and Singapore. In addition, GAR has several operations in Europe, in Spain, the Netherlands, Bulgaria and Romania.

As a major player in tropical agriculture with a strong belief that sustainability is key for the future of the sector, GAR is offering to share its own experience in protecting forests and biodiversity whilst providing meaningful and sustainable livelihoods for small-scale farmers and communities.

GAR is an active member of global sustainability platforms, such as the World Council for Sustainable Development, and of sustainability standard setting bodies, such as the International Sustainability and Carbon Certification system and the High Carbon Stock Approach. It is also in partnership with France-based CIRAD to conduct world-class agricultural research, with the World Resources Institute to monitor deforestation in Indonesia, and with Koltiva to deploy farmer-level traceability systems.

Overall, GAR would like to stress that if the EU is committed to find solutions together with Member States, industry, organisations and institutions, civil society and partner countries, entering into dialogue with businesses involved in tropical agriculture with real experience in applying EU rules on the ground is essential.

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²⁵ <http://foksbi.id/en/home>

²⁶ <https://kabupatenlestari.org/en/>

²⁷ <https://goldenagri.com.sg/wp-content/uploads/2020/06/Indonesian-Sustainable-Palm-Oil-ISPO-Fact-Sheet.pdf>