Oil palm plantations are destroying Indonesia’s forests

According to official Ministry of Forestry maps, Indonesia lost at least 1,240,000 hectares of forest over the period 2009 to 2011, equivalent to 620,000 hectares per year.¹ Half (50%) of this took place in just three provinces: Central Kalimantan (296,000ha/24%), Riau (230,000ha/19%), West Kalimantan (95,000ha/8%).²

Indonesia is the world’s largest producer of crude palm oil³ and around 15 million hectares of land in Indonesia has been licensed for palm oil development. The precise figure is difficult to determine due to lack of transparency in the sector. Based on areas Greenpeace⁴ could identify, the palm oil sector was the single largest driver of deforestation 2009 – 2011, with identified concessions accounting for about a quarter (300,000 hectares) of forest loss.⁵ In palm oil growth provinces in Kalimantan, the proportion of forest loss for palm oil was even higher: 75% of total deforestation in West Kalimantan, 55% in East Kalimantan, 38% in Central Kalimantan.

Roundtable on Sustainable Palm Oil members participate in deforestation

In 2009, identified oil palm concessions⁶ currently affiliated to members of the RSPO held 14% of the natural forest within Indonesian oil palm concessions. However, these concessions accounted for a disproportionate 21% of deforestation in oil palm concessions – 63,000 hectares, including nearly 20,000 hectares of carbon-rich forested peatland. Genting, Surya Dumai and Wilmar were the three privately-owned RSPO members with the largest areas of identified deforestation.⁷

The RSPO wants its members to be industry leaders in sustainability, but its current standards leave them free to destroy forests.

WHAT IS THE RSPO?

The Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004 to promote the use of sustainable palm oil through credible global standards and engagement of stakeholders.¹⁰ It is a voluntary association, consisting of palm oil producers, processors and traders, consumer goods manufacturers, retailers, banks and investors as well as some environmental and social non-governmental organisations. RSPO members account for around 40% of global palm oil production;¹¹ as of late 2012, 15% of palm oil was RSPO-certified.¹²

* Unless otherwise stated, ‘Greenpeace’ in this report refers to Greenpeace International.
In the forest:

The RSPO does not prohibit forest conversion
RSPO members are supposed to ensure that forests are assessed for high conservation values (HCV) before new plantings,13 and – since the recent strengthening of the standard – to ‘take into account’ high carbon stock areas.14 However, RSPO certification allows ongoing clearance of any forest not identified as primary or HCV. Much of the remaining rainforest available to the industry in Kalimantan and Sumatra is secondary or degraded and may not be identified as HCV, yet from both a conservation and a climate perspective it is crucial to protect such forest.

The RSPO does not limit GHG emissions associated with the development of palm oil plantations, for instance through conversion of peatland
Indonesia’s peatlands are one of the world’s most important carbon stores, comparable in value to the Amazon rainforest according to the Indonesian government.15 85% of Indonesia’s greenhouse gas emissions come from land-use activities, around half of this peat-related.16 The RSPO sets no limits on GHG emissions that can be associated with the development of palm oil plantations. Despite debating the need for such a standard for years, the 2013 revision of the Principles and Criteria includes only voluntary guidelines to report GHG emissions from forest conversion;17 the tightening of criteria on peatland development is still not a full ban.

RSPO rules allow peatland forests to be cleared for the expansion of plantations, and the palm oil produced from these plantations can still be RSPO-certified.

RSPO rules fail to prevent peatland and forest fires
The RSPO bans deliberate use of fire for land clearance,18 but it has failed to address the source of devastating fires in Sumatra in June 2013.19 The RSPO allows its members to clear rainforest and to clear and drain peatland. Drained peat is like a tinderbox: once dry, the dense, carbon-rich soil catches fire easily; once lit, it can spread rapidly.

Recent satellite analysis conducted by CIFOR20 of an area in Riau Province21 covering two-thirds of June’s fire hotspots estimated that in this area alone at least 140,000 hectares had been burned. Most of the land burned was recently cleared peatland,22 suggesting that the fires are part of the process of new plantation establishment.23

Based on registered concession boundaries, Greenpeace mapping analysis shows that identified concessions affiliated with RSPO members accounted for 39% of the fire hotspots on palm oil concessions in Riau during January–June 2013 – a total of 720 hotspots in RSPO-related concessions.24 It took media criticism to raise the issue of fires on RSPO members’ concessions. Even then, the RSPO chose to investigate only five of the companies named in media reports, not including some of those with the most fire hotspots. This investigation was delayed while the RSPO requested concession maps from the companies – the maps provided did not align with maps in the public domain such as those from the Ministry of Forestry. However, based on these maps, the RSPO concluded that four companies had little involvement in the fires. The RSPO executive took the unusual step of launching its own complaint against the fifth company25 – PT Jatim Jaya Perkasa, a Ganda Group company26 – but this seems to be the only corrective step the RSPO is taking, while the vast majority of documented fire hotspots in RSPO concessions remain uninvestigated.

Prominent RSPO member (and the world’s largest trader in palm oil) Wilmar stated in July that: ‘In response to the recent haze ... we will terminate our business relationship with any suppliers found to be flouting the law against forest burning. This is a strong demonstration of our effort to influence the industry.’27 It is not yet clear what actions Wilmar is taking to investigate suppliers’ links with the fires, or whether any contracts have been terminated including with Jatim Jaya Perkasa.

The RSPO seems reluctant to act on blatant breaches of its standards
Palm oil producer Duta Palma has a long history of deforestation, community conflict, illegality, and noncompliance with RSPO regulations. In 2007, Greenpeace first highlighted its destructive operations including clearance of very deep peat and a failure to hold legal permits.28 In 2009, a coalition of village heads and NGOs brought a formal RSPO complaint against activities of two Duta Palma subsidiaries including clearance of HCV forests and...
the use of fire to clear land. In 2011, the RSPO briefly suspended Duta Palma for administrative breaches, but failed to address complaints. It took nearly six years from the initial criticisms and a new report by Greenpeace in April 2013 before the RSPO finally expelled Duta Palma.

Herakles Farms, a US-based company, plans to clear 73,000ha of dense natural forest to make way for an oil palm plantation in Cameroon. Herakles’ subsidiary SG Sustainable Oils Cameroon (SGSOC) became an RSPO member in 2009. In 2012, NGOs filed official complaints with the RSPO accusing the company of failing to comply with the procedures for ‘responsible development of new plantings’. In April 2012, the HCV Resource Network issued a peer review of the HCV assessment for Herakles, stating that the assessment was ‘not rigorous enough for a project of this scale and intensity’ and was ‘not adequate to comply with RSPO principles’. In June 2012, the RSPO Grievance Panel requested that Herakles suspend clearance activities, but the request was ignored by the company. In August 2012, the company withdrew its membership. Since this point, clearing has continued, and Herakles still claims on its website to follow the RSPO’s principles and criteria.

In trade:

RSPO members launder dirty palm oil into global supplies

The mechanisms by which RSPO palm oil is traded offer virtually no supply chain traceability. With very limited exception, palm oil coming from deforestation and destructive operations is mixed with palm oil from certified operations. A handful of traders, such as prominent RSPO member Wilmar, control much of the palm oil trade from Indonesia. These traders are also processors, blending palm oil that originates from deforestation and destruction of critical habitat and peatland through their refineries. Producers can be RSPO members without having any certified concessions. RSPO members can freely trade fresh fruit bunches (FFB) and oil produced by non-members who have made no sustainability commitments: some of the most prominent RSPO processor members, including IOI, Wilmar and Musim Mas, are heavily dependent on sourcing and trading FFB or palm oil products from third-party suppliers. FFB from unlicensed plantations and areas cleared by fire can end up in mills belonging to RSPO members. A recent investigation by WWF-Indonesia showed that mills, some RSPO certified, owned by RSPO members Wilmar and Asian Agri were receiving FFB from illegal plantations inside Tesso Nilo National Park as recently as 2012, though both companies now say they are introducing procedures to stop this. As long as the RSPO does not set strict criteria on third-party supply, it closes its eyes to members’ involvement with illegal destructive plantings.

RSPO’s main supply chain systems do not lead to clean palm oil

In 2012, 72% of RSPO certified palm oil was traded using the Greenpalm ‘book and claim’ scheme. RSPO-certified producers receive certificates for each tonne of certified palm oil they produce, then sell these certificates via the Greenpalm online marketplace to palm oil end users such as food manufacturers, who may then claim to be ‘supporting sustainable palm oil’. At the time of writing, crude palm oil is trading at around US$710 per metric tonne, while Greenpalm certificates (each covering one metric tonne) are trading at $3.00, meaning the premium is around 0.4% of the market price. Certificates are traded anonymously and the actual palm oil in the end user’s products is bought on the open market. This system offers no traceability: end users usually do not know which plantation either the Greenpalm certificates or the physical palm oil came from. The palm oil in their products may be from plantations involved in forest destruction.

Most of the remaining certified palm oil was traded under the ‘mass balance’ supply chain system. Here, the amount of certified palm oil passing through a particular supply chain route is tracked, but not the physical oil: eg a trader who has bought 100 tonnes of certified oil can mix that oil with other uncertified consignments and sell 100 tonnes of oil as ‘certified’, even though it is not the same oil. This again means that end-users have no idea where the oil in their product came from.

To buy actual certified palm oil, end-users must trade through the ‘segregated’ supply chain, in which certified oil which may come from different sources is stored and transported separately from uncertified, or the ‘identity preserved’ (IP) route, in which each consignment is uniquely traceable to the mill, and often the plantation, it originated from. Sales by these routes are currently very small; IP sales and segregated sales of the oleochemicals the personal care sector relies on appear negligible.

Thus, even among the RSPO’s own members, dirty palm oil remains the common currency – RSPO standards are inadequate, poorly enforced and offer palm oil consumers no guarantee that the oil they buy has been produced responsibly.
RSPO SUPPLY CHAINS - how palm oil from deforestation reaches global brands

- **RSPO certified plantations**: Forest and peatland, CO2, Deforestation and forest fires, loss of tiger and orang-utan habitat to create palm oil plantations.

- **Uncertified plantations**: Fresh fruit bunches also sold to mills from uncertified 3rd party plantations.

- **Refinery**: 10 tonnes certified oil from RSPO certified plantations, 150 tonnes certified oil, 850 tonnes mixed oil, 950 tonnes mixed oil.

- **Trader**: 10 tonnes certified oil sold as certified, 50 tonnes mixed oil sold as certified Mass Balance, 850 tonnes mixed oil sold as uncertified.

- **End user**: 100 Greenpalm certificates.

- **RSPO Supply Chains - how palm oil from deforestation reaches global brands**
  - **Can this product be guaranteed to be deforestation free?**
  - **“Segregated supply” system**: Contains RSPO Certified Sustainable Palm Oil.
  - **“Mass Balance” system**: Supports the production of RSPO Certified Sustainable Palm Oil equivalent to 15%.
  - **“Book and Claim” system**: Supports the production of RSPO Certified Sustainable Palm Oil.

- **Responsible Palm Oil Supply Chain**
  - **Credible Certified Responsible Producers**: No deforestation, Palm oil plantations are cultivated without deforestation on degraded land.
  - **Traceable supply**: Supply chain is clean, audited and traceable.

- **Product claim**: Contains palm oil that is deforestation-free.
2. So what is the solution?

The only solution for the RSPO is to strengthen its standards to ban peatland development and rainforest clearance, and ensure that its standards and procedures are strictly applied.

Some palm oil producers are showing leadership. Companies that have ‘gone beyond the RSPO’ and committed to policies to ensure forest protection include Golden Agri-Resources, New Britain Palm Oil and Agropalma, whose ‘no deforestation’ commitments demonstrate that a responsible palm oil sector is possible. Meanwhile, some consumer companies are setting standards for truly responsible purchasing policies. For example, Nestlé has made a clear commitment to break the link between palm oil and deforestation in its own supply chain. However, it is important to monitor closely how these policies are implemented.

PALM OIL INNOVATION GROUP
The Palm Oil Innovation Group (POIG) is an initiative by NGOs and progressive palm oil companies not to reject the RSPO but to go beyond it through additional requirements for the industry. POIG aims to stop deforestation through the conservation of high carbon stock (HCS) forests including secondary forest. The POIG charter is not yet finalised but will cover requirements on reserving enough land for local communities’ food crops, greenhouse gas emissions and no development on peatlands. POIG calls on palm oil consumer companies to support the organisation and establish mechanisms to trace the origins of their oil.

Consumer companies and investors are demanding responsible palm oil – but the RSPO cannot deliver it

Greenpeace wrote to over 250 palm oil consumer companies asking how they intend to ensure that their supply chains are not linked to deforestation. Of the replies received so far, it seems the majority of companies are relying on RSPO certification (mostly through Greenpalm certificates) to meet their sustainability commitments. Very few have time-bound commitments to traceability or to remove deforestation from their supply chains.

In 2010, the Consumer Goods Forum (CGF), a global industry network including over 400 retailers, manufacturers and other companies, passed a resolution pledging ‘to mobilise resources within our respective businesses to help achieve zero net deforestation by 2020’ for commodities including palm oil, and to ‘assist forested countries to conserve their natural assets and enable them to achieve the goal of zero net deforestation’. However, the CGF relies on RSPO palm oil supplies to achieve this goal.

On the investment side, the Sustainable Palm Oil Investor Working Group of signatory companies to the Principles for Responsible Investment is seeking to address unsustainable palm oil’s reputational and business risk to producers and purchasers. This group is currently pushing for companies to take responsibility for their own supply chains as well as complying with RSPO standards.

The RSPO has recently reviewed its Principles and Criteria. It now includes improved standards on social issues, but has failed to address the crucial questions of deforestation and GHG emissions, leading to criticism both from consumer companies and NGOs. Companies seeking deforestation-free palm oil now need to go beyond the RSPO to break the link between palm oil and deforestation.

What share of total palm oil traded or used by you is RSPO-certified?

Wilmar (world’s largest palm oil trader): ‘A modest share of our total palm oil traded is RSPO-certified. Majority of the RSPO-certified oil sold is via Greenpalm.’

Mondelez: ‘Total palm oil 247,464 Mt (2011). Of this 127,172 Mt was Greenpalm, 20,000 Mt mass balance and 3,912 Mt segregated.’

P&G: ‘By 2015, 100 percent of our palm oil purchases will be confirmed to have originated from responsible and sustainable sources. (We are) aiming to source certified sustainable palm oil and PKO via the RSPO Mass Balanced (MB) Supply Chain model, but will also source via the Book and Claim model.’

Mars: ‘By the end of 2013, all our palm oil will be sourced via the Roundtable on Sustainable Palm Oil’s Mass Balance program.’

Unilever: ‘We will purchase all palm oil sustainably from certified, traceable sources by 2020. 100% of palm oil from sustainable sources by end 2012: 97% via GreenPalm certificates; and 3% of palm oil purchased from certified, traceable sources (through a segregated supply) by end 2012.’

March 2013: Sumatran tiger Deforestation by the palm oil sector is destroying critical tiger habitat. ©Grotzer
3. Should corporate consumers abandon the RSPO?

Consumer companies may use the RSPO standards as a basis, for example to ensure legality and attention to social issues, but need to go beyond them if they want to break the link between palm oil and deforestation to clean up their supply chains. The RSPO has proved to be a very slow decision-making body, moving at the speed of its most conservative members. However, the RSPO remains the largest inter-sectoral body, with a critical mass of membership among producers, traders and corporate consumers. While RSPO standards on forest conversion and on other areas such as land rights are clearly inadequate, they remain an important improvement over no standards at all. Hence, Greenpeace is not calling for companies to abandon the RSPO, rather, we call for them to go beyond RSPO standards.

We believe the initiatives from both producer and consumer companies including GAR and Nestlé should be the rule, rather than the exception. Progress to zero deforestation will only be achieved if the market takes full responsibility for cleaning up its commodity supply chains.

DEMANDS:

Palm oil consumer companies
- Remove dirty palm oil from your supply chains by auditing suppliers and working with them to implement time-bound no-deforestation policies, or cancelling contracts if suppliers fail to act.
- Show leadership on ending deforestation by ensuring full supply chain traceability and advocating industry-wide measures that support an end to deforestation, such as tightening of RSPO criteria as detailed above.
- Report publicly on progress towards all targets.

Palm oil traders and processors
- Map all suppliers to reach full supply chain traceability, and screen them for legality.
- Assess suppliers against sustainability criteria and work with them to implement time-bound no-deforestation policies, or cancel contracts if suppliers fail to act.
- Develop and implement traceable supply chains and work on achieving 100% responsible palm oil going into collection points of the supply chain process, eg refineries, mills, port facilities.

Palm oil producers
- Implement an immediate moratorium on all new plantation development to prevent the conversion of forests and peatland and ensure that the rights of local communities are not violated.
- Define lands potentially suitable for expansion via High Conservation Value and High Carbon Stock assessments.
- Ensure full legal compliance and free, prior and informed consent for all developments.
- Assess, report and reduce greenhouse gas emissions and report publicly on progress for all targets.

RSPO
- Review and revise RSPO Principles and Criteria to include among other reforms:
  - No clearance of high carbon stock (HCS) forest.
  - No clearance of peat lands or planting on peat.
  - Reporting and reducing greenhouse gas emissions.
  - Fixed time limits for members to certify all plantations and associated smallholders.
  - Strict criteria for members processing FFB and trading palm oil produced by non-members, to exclude illegal supplies and introduce time-bound plans for suppliers’ sustainability policies.
  - Enforce current standards including:
    - prompt and thorough investigation and resolution of complaints against members.
    - application of transparency requirements, particularly provision of maps for whole concessions (not just planted areas) and members’ annual reports.
    - other pro-active measures to monitor the operations of members to ensure that standards are not compromised (eg review of all member operations in Riau following the June fires).
  - Work with members to develop and implement fully traceable supply chains.
Ganda Group website http://gandasawit.com/people

Greenpeace mapping analysis.

Yeo, Sophie (2013) 'New map charts spread of Indonesia's forest fires'

CIFOR interactive map at http://www.cifor.org/map/fire/

Landsat scene (Path/Row:127/059)


Gaveau and Salim (2013)

LandSat scene (Path/Row:127/059)

CIFOR interactive map at http://www.cifor.org/map/fire/


Greenpeace mapping analysis


Ganda Group website http://gandasawit.com/people


IOI produced 670,000t of CPO with their own mills, fully based on their own plantations’ FFB production, but had a refinery output of 2.9 million tonnes of refined palm oil. IOI (2013) ‘Annual Report 2012’


Musim Mas reported a CPO production of 250,000t to the RSPO for the year 2012 (Musim Mas (2013) ‘Annual Communication of Progress to the RSPO, 2012’) while it claims to be trading 3 million tonnes of palm and coconut oil per year. Musim Mas website ‘Commodities’, viewed 28 August 2013 http://www.musimmas.com/trading.html


WWF Indonesia (2013) ppi-2


Index mundi, ‘Crude palm oil futures end of day settlement price’ viewed 23 August 2013 http://www.indexmundi.com/commodities?commodity=palm-oil&months=60

Greenpalm website: www.greenpalm.org, viewed August 23, 2013

The RSPO does not currently report separate figures for segregated or IP sales volumes. A personal communication from an industry stakeholder to Greenpeace in 2013 reported the lack of segregated oleochemicals.


High carbon stock forest includes regenerating secondary natural forest and other classes of forest above the level of scrub and grassland. It is identified through a combination of vegetation stratification based on interpretation of remote sensing images and field checks, and a biome or regional specific carbon threshold or range. GAR, The Forest Trust and Greenpeace have developed an HCS methodology which is available at http://www.goldenagri.com.sg/sustainable_hcs.php. See also Greenpeace International (2013b) ‘Identifying High Carbon Stock (HCS) Forest for protection’ http://www.greenpeace.org/international/Global/international/briefings/forests/2013/HCS-Briefing-2013.pdf

PRI Association (2013) ‘Institutional investors call on palm oil producers to adhere to RSPO principles as next phase of engagement begins’ Press release 16 July 2013

Letter to Greenpeace from Wilmar, 26 July 2013

Letter to Greenpeace from Mondelez, 24 July 2013

Letter to Greenpeace from P&G, July 2013


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Greenpeace is an independent global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment and to promote peace.

Greenpeace is committed to stopping climate change.

We campaign to protect the world’s remaining ancient forests and the plants, animals and peoples that depend on them.

We investigate, expose and confront the trade in products causing forest destruction and climate change.

We challenge governments and industry to end their role in forest destruction and climate change.

We support the rights of forest peoples.

Our effectiveness lies in our unique independence from government and corporate funding.