

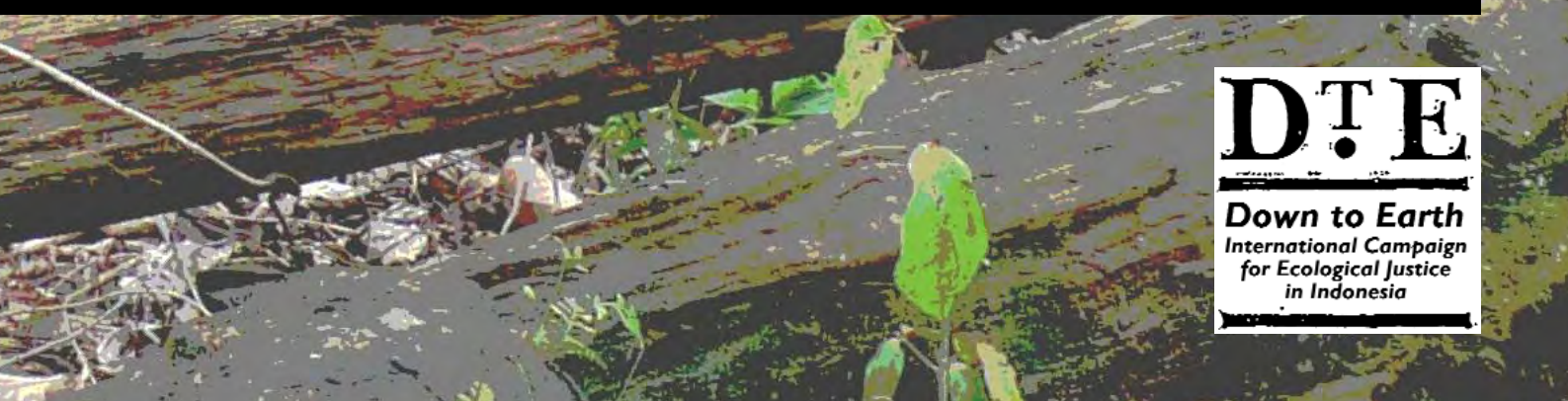


# ***Agrofuels:***

***Impacts in Indonesia, time for policy change in Europe***



***DTE Special Edition Newsletter  
No 96-97, December 2013***



# DTE

**Down to Earth  
International Campaign  
for Ecological Justice  
in Indonesia**

## Fix the policy!

Biofuels - once promoted as the silver bullet for climate change - have turned out to be one of the European Union's biggest policy mistakes.

Europe's colossal demand for palm oil for biodiesel is encouraging massive expansion of largescale, industrial plantations, driving forest and biodiversity loss and increasing carbon emissions, land-grabs and conflicts, and human rights abuses in Indonesia. Loss of forests and agricultural land threatens the food sovereignty of millions of local and Indigenous people who depend on forests and land to supply food.

In 2013, DTE and fellow NGOs ramped up the campaign to push decision-makers to fix the policy and halt its devastating impacts on Indonesia. There have been some signs of progress, some setbacks and some controversial decisions by the European Parliament - but the debate is not over yet. At time of writing, EU decision-makers are in the middle of critical negotiations which could swing the policy either way so we still need to keep up the pressure.

This newsletter highlights this year's most important developments in biofuels policy-making at the EU and takes a look at what lies ahead, as well as drawing attention to the responsibility of the palm oil industry to clean up their business in Indonesia.

Thank you for all your support so far! 2014 will be critical year for setting the course for the future of biofuels policy. Please read on to find out more about the biofuels campaign and how you can help.



Front cover picture: palm oil plantation in cleared forest, West Papua;  
top: Asiatic Persada palm oil plantation, Jambi, Sumatra;  
above: campaigners from Indonesia and Europe hand over a petition CSOs hand over petitions with 243,998 signatures to key MEPs, including Corrine Lepage, at the European Parliament in Strasbourg, September 11th, 2013

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# CSOs tell EU to stop grabbing Indonesia's land for biofuels

*A crucial vote on biofuels in the European Parliament on September 11th 2013 has failed to fix a flawed policy which is driving deforestation, landgrabbing and human rights abuse, while undermining communities' food sovereignty in producer countries like Indonesia.*

Rocketing carbon emissions; forests burned or bulldozed and wildlife habitats destroyed; the livelihoods of forest-dependent peoples devastated, their ancestral lands taken without consent. In Indonesia, the devastating costs of the European Union's biofuel revolution are clear and it is time Europe took responsibility.

This was the message conveyed during a joint campaign by Indonesian and international CSOs - including Down to Earth - in Europe in September 2013, as Members of the European Parliament (MEPs) gathered to vote on amendments to the EU's Renewable Energy and Fuel Quality Directives (RED and FQD) (see box).

Nur Hidayati of Walhi (Friends of the Earth Indonesia) and Bondan Andriyanu of Sawit Watch (Oil Palm Watch) - supported by DTE and fellow European groups - presented decision makers at the Parliament with a picture of what life is like for Indonesian local communities affected by palm oil expansion for agrofuels. They also highlighted the fact

that using palm oil for biofuels is counterproductive in terms of tackling climate change. A statement signed by 59 Indonesian CSOs appealed to all 766 MEPs not to ignore the devastating impacts of agrofuels production in producer countries such as Indonesia (see page 4).

## The RED and the FQD

The RED and the FQD are key policy directives aimed at increasing the share of renewables in the EU's energy mix and reducing Europe's greenhouse gas emissions. They have also had the effect of increasing the demand for palm oil from Indonesia, the world's biggest producer of the crop, as well as other palm oil producers. The EU is a major destination for Indonesian palm oil, and the top importer of palm biodiesel produced in Indonesia.

Indonesia is planning to more than double its oil palm estate which extends to around 11 million hectares today. According to Sawit Watch, the government has already issued preliminary concessions, or 'location permits' (izin lokasi) covering 26.7 million hectares of land for palm oil development, over a third of which are on peat.<sup>1</sup>

## The run-up to September's vote

Back in October 2012, the European Commission (EC) proposed long-awaited policy amendments to the RED and the FQD.<sup>2</sup> The proposal attempted to limit the impacts of Europe's demand for agrofuels by introducing two critical amendments to the Directives: 1) the introduction of a 5% cap<sup>3</sup> on the amount of food crop-based biofuels allowed to be counted towards the 10% renewable energy target for transport fuels, by 2020; and 2) reporting - but not accounting



WALHI, Sawit Watch and European activists protest at the European Parliament in Strasbourg, September 2013

- of emissions caused by Indirect Land Use Change (ILUC) (see DTE's April 2013 agrofuels update for more background<sup>4</sup>). The proposal was positive in that it was the first time that the Commission had formally recognised the dangers of using food for fuels and the impacts of ILUC. However, DTE and other NGOs argued that the amendments did not go far enough to address the real impacts of agrofuels on people and the environment in producer countries such as Indonesia, nor for reducing GHG emissions.<sup>5</sup>

## A long process

Several further stages of negotiations were required before the amendments could be agreed and passed into Law. First, the proposal had to be negotiated by seven key committees of the European Parliament who would put forward their own positions on the policy amendments. It would then be passed for a full plenary vote by the European Parliament on 11th September 2013, meaning that all 766 MEPs would have their say on which amendments should be accepted or changed.

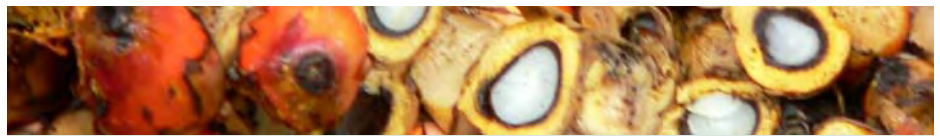
In July 2013, the Environment Committee (ENVI), tasked with leading the process, presented its final position to MEPs. This contained a number of critical changes to the EC's original proposal, including mandatory accounting (rather than just reporting) of ILUC emissions in both the RED and the FQD, to take effect immediately. It also proposed to increase the cap on agrofuels to 5.5% (0.5% higher than the EC's proposal) but importantly, this cap included not only food crops but all land-based crops and would be applied to both the FQD and RED - an essential amendment which would have more positive impacts in terms of limiting overall Indirect Land Use Change. Overall, the ENVI's position was an improvement on the EC's proposal, but NGOs urged MEPs to strengthen the amendments further by tightening the cap on all land based crops to 5% as a way of limiting the use of land-based fuels to just above the current usage level of 4.7%. The NGO demand for a 5% cap was an interim damage limitation proposal, as a step towards bringing consumption down to zero as soon as possible.

Despite the ENVI's leadership in the process, other committees had the power to influence how the MEPs voted. The Industry, Research and Energy Committee (ITRE), more receptive to the biofuels industry's demands, pushed to weaken the EC's and the ENVI's proposals. The ITRE demanded a 6.5% cap, more scientific evidence before considering ILUC reporting, and rejected options for ILUC accounting altogether.

## Agrofuels speaking tour

As the September vote at the Strasbourg seat of the European Parliament drew near,

(continued next page)



## Untangling the jargon

The following exploration of terminology attempts to point out some of the differences and overlaps between the variety of terms used in agrofuels debates.

### Biofuels vs agrofuels:

The EU defines **biofuels** as liquid fuels from a non-fossil biological origin and a renewable energy source, to be distinguished from fossil fuels, and consisting of two categories: biogasoline and biodiesel.<sup>6</sup>

Crops used to make biofuels are generally either rich in sugar (such as sugarcane), starch (such as corn) or oils (oil palm). Biofuels can be derived from a wide range of crops including soya, sugar beet, oilseed rape, canola, jatropha, rice and wheat, as well as corn/maize, sugarcane and oil palm.

The term **agrofuels** is not part of the EU glossary, but is commonly used to indicate biofuels derived from crops that are grown on a large-scale, often in monocultures.

DTE favours the term agrofuels because it is these large-scale monocultures that create the worst impacts for people and environment.

Forest and agricultural crop residues, such as the stalks and leaves, are also used to produce biofuels/agrofuels.

### Biodiesel vs bioethanol

Bioethanol and biodiesel are biofuels commonly used in transportation. Biodiesel is made from oily products such as vegetable oils or animal fats. It is the most common biofuel in Europe and is usually produced by extracting the oils from crops such as palm oil from Indonesia. Bioethanol is made from starch or sugar crops such as wheat or sugarcane, largely grown in South America and Africa.

**Food crop-based biofuels** are derived from crops, which could otherwise be used as food - thus presenting competition for food production.

**Land-based biofuels** are derived from food or non-food crops, which require land to grow. Palm oil and jatropha are both types of land-based biofuels feedstock. Energy crops are crops used to produce

fuel or other forms of energy, and include food and non-food crops. Jatropha and special grasses are examples of non-food energy crops.

Biofuels can be classed as **1st, 2nd or 3rd generation**, depending on the type of feedstock and the process of production. A **feedstock** is the raw material used to make a type of biofuel. Palm oil, wheat, agriculture residues and algae are all types of feedstocks.

### 1st generation ('conventional')

**biofuels** use conventional technology to transform the oils, starches or sugars found in food crops into fuels. Palm oil, wheat and maize are some of the most widely used 1st generation biofuel crops. As the crops are usually grown for the sole purpose of biofuels, they are considered to be in competition with food. Currently, almost all biofuels in EU are made from 1st generation feedstocks.

**2nd generation biofuels** are usually made from agricultural and forestry wastes or residues such as cellulose, hemicellulose, lignin or pectin (i.e. the bits left over when the crop is harvested for primary products, such as food or wood products). They can also include purpose-grown, non-food crops such as energy grasses or jatropha.

**3rd generation biofuels** are still in the early days of development. Algae is the most advanced and energy dense biofuel source, and does not require arable land to grow, making it a much more promising option. However, its current high cost of production means that it would be too expensive at the pump, limiting its viability as a commercial fuel.

The term **'advanced biofuels'** is often used for biofuels made from 2nd or 3rd generation feedstock and indicates the more advanced technological processes used to produce the fuel.

But the terminology should be treated with caution! 2nd generation biofuels are not always more sustainable than 1st generation. Issues relating to land use, competition with food crops and the amount of energy used in the production process need to be taken into consideration when assessing the true sustainability of biofuels.



lobbying intensified from both sides of the debate. It was important that NGOs and the community mobilised to counteract the demands of the first generation biofuels industry lobby and to urge all MEPs to vote to support (or strengthen) the ENVI's proposal. A campaign team consisting of DTE, Watch Indonesia, FoE Europe, Misereor, Sawit Watch and WALHI, organised a two-week long speaking tour at the Brussels and Strasbourg Parliaments to ensure that MEPs heard directly about the impacts of EU policies on the ground in producer countries directly from representatives of the Indonesian CSOs. Through public meetings, presentations, media interviews, and discussions with MEPs, the groups highlighted four main problems with agrofuels:

#### **They are bad for the climate**

When the impacts of indirect land use change (ILUC) are accounted for, most agrofuels mean more, not less, carbon emissions. When peatland is considered, palm oil from Indonesia becomes one of the dirtiest fuels around, far more carbon intensive than fossil diesel. Existing agrofuels policy ignores this.

#### **They promote land-grabbing, human rights abuses, conflicts**

Millions of hectares of land are being grabbed from communities in countries like Indonesia to meet Europe's growing demand for agrofuels. Indigenous Peoples' right to Free Prior and Informed Consent is not respected. Security forces are brought in to deal with community opposition to landgrabbing by large companies, leading to violent conflicts and human rights violations.

#### **They are bad for biodiversity and environment**

Indonesia's precious forests and biodiversity are under serious threat from massive palm oil expansion - driven partly by Europe's agrofuels demand. Endangered orangutans lose their habitats as forests are converted into palm oil. Illegal burning creates smog, choking Indonesia and neighbouring countries. Intensive agriculture and chemical use on plantations causes river pollution, water scarcity, soil degradation and health problems for plantation workers.

#### **They don't make business or development sense**

Huge agrofuels industry subsidies paid for by Europe's tax payers created only 3600 direct jobs across Europe in 2011, while leading to forest destruction and higher GHG emissions. This contradicts EU economic and political efforts aimed at reducing Indonesian deforestation. Growing public concern about negative impacts makes agrofuels a risky business investment and undermines the EU's duty to conduct "responsible development".



*Campaigners from WALHI and Sawit Watch outside the European Parliament, September 2013*

The group called on MEPs to vote for:

- ♦ Full accounting of all CO<sub>2</sub> emissions resulting from growing agrofuel crops (so-called 'indirect land use change' / ILUC), through crop-specific ILUC factors - for the FQD as well as the RED. This is the best policy option currently available to dis-incentivise agrofuels that are counter-productive in reducing carbon emissions (particularly palm oil).
- ♦ A halt in the growth of agrofuels that compete with vital food crops, with a genuine and robust cap (i.e. 5% or less applied to the FQD and the RED) on the use of agrofuels. Vote for the lowest cap possible.

And, as next steps:

- ♦ An independent social and environmental impact assessment of EU agrofuels policies on countries such as Indonesia - with a view to developing mandatory sustainability criteria to exclude any agrofuels or agrofuel feedstocks imported into the EU that do not meet environmental and human rights standards, and fair trade principles.
- ♦ Policy steps towards a phase out of all land-based agrofuels, and a phase out of subsidies, to bring their consumption down to zero as soon as possible.
- ♦ The introduction of policy incentives which put our transport onto a genuinely green path. Overall, policies which focus

on greenhouse gas reductions, big energy savings, and a modal shift in transport will be a more effective means of climate change mitigation, without the social and environmental costs of agrofuels.<sup>7</sup>

As a panelist alongside the ENVI Rapporteur Corinne Lepage at the Parliamentary Big Biofuels Debate, Nur Hidayati of Walhi presented the concerns of Indonesian CSOs to an audience of 180 industry, political, media and NGO representatives. Colourful street protests at the European Parliament in Brussels and Strasbourg saw activists dressed as corn cobs calling for 'No food for Fuel' and for the EU to "stop grabbing Indonesia's land for biofuels". On the day of the vote, CSOs handed over petitions with 243,998

*(continued on page 5)*

#### **Protest in Berlin**

Almost a hundred people attended a meeting to discuss agrofuels and their impacts at a meeting organised by NGOs in Berlin. Presentations were given by Bondan Andriyanu of Sawit Watch amongst others. The event was timed to coincide with the launch of RSPO Europe which is aiming to promote the use of sustainable palm oil in one of its main markets. Watch Indonesia! and others organised street actions to highlight the negative effects of palm oil.

# Indonesian CSOs call on EU to stop using palm biodiesel

## Indonesian Civil Society Petition to the European Parliament on Biofuels Policy Jakarta, 9 September, 2013

On September 11, 2013, the EU Parliament will vote on vital reforms to EU biofuels policy. If no action is taken to restrict demand for biofuels, this Directive will cause a huge negative impact for communities and environment in producer countries such as Indonesia which are growing biofuel crops for the European market.

Palm oil produced in Indonesia and Malaysia is playing an increasing role in supplying biodiesel to meet EU targets. At the same time, biofuels continue to be an important part of the Indonesian Government's plan to develop palm oil, with predictions of increased palm oil plantations from 11 million hectares today to around 28 million hectares by 2020.

We, Indonesian civil society, call upon the European Parliament not to turn a blind eye to the devastating impacts of biofuel production in producer countries such as Indonesia. The targets set by the biofuels policy will encourage massive and intensive expansion of large-scale industrial monoculture plantations, such as oil palm, which are continuing to cause environmental, social and economic problems for millions of Indonesians.

Large-scale industrial oil palm plantations have caused serious problems for the

community and the environment in Indonesia, and other producer countries. Some key issues are:

1. Large-scale oil palm plantations are one of the biggest contributors to Indonesia's greenhouse gas emissions due to deforestation, fires and the draining of carbon-rich peatlands. Therefore, biofuels that drive expansion of palm oil will not be able to reduce greenhouse gas emissions. On the contrary, they will increase greenhouse gas emissions, making climate change worse.
2. The development of large-scale industrial oil palm plantations has also resulted in the grabbing of indigenous peoples' and local communities' lands, land conflicts, and human rights violations by state security forces. Non-recognition of the rights of indigenous peoples and local communities to their land has led to conflicts between communities and companies, which has often ended in violence perpetrated by the security forces in support of the company concerned.
3. The current system of large-scale industrial oil palm plantations does not respect the rights of workers, causes gender injustices, and often involves child labour in the production process, resulting in children losing their right to education. Eighty percent of workers in large-scale industrial oil palm plantations - men and women - are casual laborers who have no guarantee of safety at work or job security, and are paid wages which are too low to meet daily needs.

4. The development of large-scale industrial oil palm plantations leads to loss of food sovereignty of indigenous peoples, local communities and people living in coastal areas and small islands who are heavily dependent on forests as their sources of food and livelihood. Many large-scale industrial oil palm companies destroy land and forests, including mangrove forests and fertile coastal areas and replace them with oil palm monoculture plantations.

We, Indonesian civil society, are very concerned about the EU's biofuel policy which will have very large negative impacts on millions of Indonesians and will contribute to rising and 'globally significant' greenhouse gas emissions in Indonesia that are causing climate change. Therefore, we, Indonesian civil society, call on the EU to:

1. Not use biofuel derived from large-scale monoculture plantations
2. Not use biofuel that comes from clearing natural forests, peatlands, or mangrove forests
3. Not use biofuel derived from lands where companies are in conflict with indigenous peoples and local communities
4. Not use biofuel that comes from companies involved in human rights violations, including violations of workers' rights, women's rights, and where production process involve child labour
5. Reduce the consumption of palm oil and other biodiesels that are driving global palm oil demand, and immediately cease the use of palm oil for biofuel.



signatures to key MEPs, including the Rapporteur (see images).

DTE, with support from Biofuelwatch also called on EU citizens to write to their MEPs and urge them to vote to secure these amendments.<sup>8</sup>

## Key outcomes of the vote

MEPs voted to set a **6% cap** on the use of **'land-based biofuels'** (also known as first generation) to meet Europe's demand for fuel. As first generation biofuels already claim a 4.7% share of the EU transport fuels market, NGOs were pushing for MEPs to cap this to 5% in order to limit the current usage, and the damage it causes, to just above current levels. Although only 1% higher, the 6% cap that MEPs voted for will have major impacts on food security and food sovereignty in some of the world's poorest countries and, according to international NGO Actionaid, "would allow crops with the potential to feed over 20 million people to instead be burnt each year as fuel in cars."<sup>9</sup>

MEPs did vote in favour of the accounting of **ILUC emissions** in the Fuel Quality Directive, but **this will not be introduced until 2020 and will not be applied to the RED**. This decision is seriously irresponsible, resulting in another seven years of Europeans paying high subsidies to support biodiesels which have a bigger carbon footprint than fossil fuels.

MEPs also backed a **2.5% target** for so-called **second generation biofuels**, made from non-food sources such as agricultural waste, sewage and algae. They also voted in favour of 'multiple accounting' for advanced biofuels - meaning that certain advanced fuels can be counted 2 or 4 times toward the renewable energy targets. - These changes sending a positive signal to the

## FPIC proposed amendment

One potentially positive outcome was the inclusion of the principle of Free Prior and Informed Consent (FPIC) in the amendments proposed by MEPs in the September 2013 agrofuels policy vote.

The wording is as follows for both the FQD and the RED:

'4a. Biofuels and bioliquids taken into account for the purposes referred to in paragraph 1 shall not be made from land-based raw material unless third parties' legal rights regarding use and tenure of the land are respected, inter alia by obtaining the free prior and informed consent of the third parties,<sup>11</sup> with the involvement of their representative institutions.'<sup>12</sup>

## Food sovereignty

Food sovereignty refers to the rights of people to define their own food systems and be at the centre of decisions on food systems and policies.

Indirect land use change caused by palm oil plantation expansion for biofuels destroys forests used by millions of local and indigenous people for hunting, gathering and growing food.

By reallocating land to grow biofuels crops rather than to feed people, the EU's biofuels policies are taking away Indonesia's people's rights to food sovereignty.

## industry to move away from 1st generation and towards 2nd generation biofuels.

Another important decision was a **7.5% target** for the share of bioethanol in biofuels - signalling a **shift away from biodiesel to bioethanol**. While the shift away from biodiesel would be a positive step for countries like Indonesia, which provides palm oil for biodiesel, it is bad news for countries which suffer the environmental and human rights impacts of plantations for bioethanol crops.

## U-turn

The vote was a close-call and many MEPs acknowledged and acted on the concerns of Sawit Watch and WALHI, but a strong core of MEPs swayed the outcome in favour of weaker reforms. The result will not bring any immediate relief to communities suffering the impacts of the EU's agrofuels policies on the ground - a disappointing u-turn on the EU's promises to improve the failing policy.

"MEPs have ignored the concerns of millions of Indonesians about the impacts of the EU's agrofuel policies on their land and livelihoods. This vote will worsen deforestation, land grabs and human rights abuses in Indonesia," said Nur Hidayati from WALHI (Friends of the Earth Indonesia).<sup>10</sup> The EU has missed a critical chance to fix the most damaging aspects of its biofuel policy and once again, has prioritised industry and trade over people and the environment.

## Indonesia's reactions

The campaign generated strong reactions in Indonesia, with negative accusations towards both local and foreign NGOs for voicing their concerns about the pulp and paper and palm oil industries. A few days after the September 11th vote, the Deputy Head of Indonesia's Chamber of Commerce called on the government to play an important role in expelling NGOs, especially foreign ones, who attack pulp and paper and palm oil industries. He urged these industries to counteract the negative image by being more proactive in promoting their environmentally friendly operations. The environment minister agreed that NGOs - especially foreign ones - deliberately blow up environmental issues with the aim of preventing the development of Indonesia's pulp and paper and oil palm industries, and shouldn't be allowed to continue to do this.<sup>13</sup>

This reaction, and the debate in Indonesia about agrofuels and the effects of the EU's policy, is a signal that the Sawit Watch and WALHI messages were voiced effectively in Europe. In addition, discussions on how to improve the dispute resolution system of the Roundtable on Sustainable Palm Oil has been given an extra boost by the

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Oil palm plantation worker, Riau. (Photo: DTE)

## Further information:

All available on **DTE's website** at: <http://www.downtoearth-indonesia.org/campaign/agrofuels-and-oil-palm-plantations>

**An agrofuels message to Europe:** short video interview with Bondan Andriyanu of Sawit Watch and Nur Hidayati of WALHI:

**Indonesian CSO statement:** <http://www.downtoearth-indonesia.org/story/civil-society-indonesia-malaysia-petition-europe-agrofuels>

**Addressing the impacts of the EU's agrofuels policies on Indonesia,** Joint briefing by DTE, I.I.I.I.I. Sawit Watch, WALHI, Friends of the Earth Europe, Watch Indonesia! and Misereor, September 2nd, 2013:

**Europe's agrofuels vote fails on food sovereignty, rights and climate** (joint statement by DTE et al)

Europe campaign. A resolution drafted by Sawit Watch, which is an RSP0 member, was recently passed at the organisation's latest meeting in Medan.

## What happens next?

The results of the European Parliament's vote (the 'first reading') had to be passed on to the Council of Ministers (i.e. Member States) for further review before being set in law. To speed up the process, Rapporteur Corinne Lepage requested a mandate from the Parliament to immediately move ahead on negotiations with the Council - but her proposal was rejected by one vote. Instead, a group of MEPs made a counter-proposal to have the amendments returned to the European Parliament for a 'second reading', following the Council's review - and won by two votes. This was a critical moment in the process, which could lead to indefinite delays in fixing the policy.

## More delays

The ball is now (December 2013) in the EU Council's court as they finalise the first reading of the policy amendments. The Council has the opportunity to strengthen the amendments, but the European Parliament's position has divided the Member States. Key players such as the UK, Netherlands, Belgium and Finland are reportedly keen to see the cap reduced, but for food crops only. Others, such as Germany, refuse to speak out publicly about their position or are pushing for the cap to be increased to 7% or even 8%. Several member states are pushing to exclude ILUC factors from the policy altogether.

The ongoing debate means that the Council will not finalise their position and pass this back to the European Parliament for final review (second reading) until mid-December 2013. With the Parliamentary elections set for April next year and a new set of Commissioners to take their seats, it is unlikely that an agreement will be concluded before 2015.

So what does all this mean? In a nutshell, the EU has effectively put the brakes on any positive progress towards fixing biofuels policy for at least another year, ignoring the scientific evidence of the policy's devastating impacts. More delays allow more time for the Industry lobby to pile the pressure on decision-makers to weaken or abandon the amendments. The delay also creates further uncertainty for investment in more innovative, renewable energy alternatives, including advanced, sustainable fuels. Worse still, it increases the risk of higher food prices, more carbon emissions and land conflicts in producer countries such as Indonesia.

Further information: Clare McVeigh  
dteproguk@gn.apc.org

## Call for action - please help us to keep up the pressure!

We have between now and 12th December 2013 to urge the EU Governments to put forward a strong proposal on how to fix the failing biofuels policy.

If you live in the EU, please help us to support the calls from Indonesia by contacting your Energy Ministers and Prime Ministers/Presidents, by email, phone, letter or Twitter asking them to:

- 1) Set the cap on all land-based biofuels to current consumption levels - in the RED and FQD.
- 2) Introduce mandatory ILUC accounting in the RED and FQD, to ensure all carbon emissions from biofuels are taken into account.
- 3) Ensure that the multiplication factor for advanced biofuels applies only to the 10% transport fuel target and not to the whole 20% renewable energy target set out in the RED.

You can find the contact details at your country's parliamentary website. To see an example letter, please go to website address..www.downtoearth-indonesia.org/

We'd really appreciate it if you would let us know if you contacted your ministers and how they respond. Contact Clare McVeigh at dteproguk@gn.apc.org.

## More action needed in 2014...

After the EU Council's decision, the paper goes back to the European Parliament for a second reading before being set in legislation - so we will still need to keep up the pressure in 2014! Please keep an eye on the agrofuels page on the DTE website for information on what happens next or contact Clare McVeigh at dteproguk@gn.apc.org.

## Thanks!

Many thanks to everyone who wrote to their MEPs in response to our call for action in September!

The vote was very close, so every letter counted towards swaying MEPs to vote against the higher cap on land-based biofuels. Your support also helped to back-up our message for policy reform when meeting MEPs in Brussels.

It was really useful to read your responses so a special thanks to those who emailed us to let us know how their MEPs responded. ♦

## Notes:

1. FPP,CIRAD, ILC Palm oil and indigenous peoples in South East Asia, January 2011, p.21; Norman Jiwan 'Deforestation Moratorium is not Panacea', Jakarta Post, 1st July, 2010 at <http://www.thejakartapost.com/news/2010/07/01/deforestation-moratorium-not-panacea.html>
2. See [http://www.downtoearth-indonesia.org/story/ecs-proposals-agrofuels-policy-amendments-background#\\_edn1](http://www.downtoearth-indonesia.org/story/ecs-proposals-agrofuels-policy-amendments-background#_edn1)
3. For further information see [http://ec.europa.eu/commission\\_2010-2014/oettinger/headlines/news/2012/10/2012\\_1017\\_biofuel\\_en.htm](http://ec.europa.eu/commission_2010-2014/oettinger/headlines/news/2012/10/2012_1017_biofuel_en.htm)
4. <http://www.downtoearth-indonesia.org/story/ecs-proposals-agrofuels-policy-amendments-background>
5. See DTE's April 2013 analysis at <http://www.downtoearth-indonesia.org/story/dte-s-analysis-ec-s-agrofuels-policy-amendments>
6. [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Category:Energy\\_glossary](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Category:Energy_glossary)
7. See 'Addressing the impacts of the EU's agrofuels policies on Indonesia', Briefing by DTE, 11.11.11. Sawit Watch, WALHI, Friends of the Earth Europe, Watch Indonesia! and Misereor, September 2nd, 2013
8. See <http://www.downtoearth-indonesia.org/story/urgent-agrofuels-action-write-your-meps>
9. 'Food should be used to fill people, not cars' Lucy Hurn, Actionaid, 24/Sep/2013.
10. See 'Europe's agrofuels vote fails on food sovereignty, rights and climate', Joint statement by DTE, 11.11.11, Watch Indonesia! and WALHI 13/Sep/2013, <http://www.downtoearth-indonesia.org/story/europes-agrofuels-vote-fails-food-sovereignty-rights-and-climate>
11. Note: FPIC is part of the body of international law that has developed in relation to indigenous peoples, and therefore 'third parties' as set out in the proposed amendment, while including indigenous peoples, is rather too broad a category. For some further discussion of this, see The Rights of Non-Indigenous 'Forest Peoples' with a focus on Land and Related Rights, Existing International Legal Mechanisms and Strategic Options, FPP Discussion Paper, 18 September 2013.
12. P7\_TA-PROV(2013)0357  
Fuel quality directive and renewable energy \*\*\*  
European Parliament legislative resolution of 11 September 2013 on the proposal for a directive of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources (COM(2012)0595 - C7-0337/2012 - 2012/0288(COD)), available at [http://www.europarl.europa.eu/RegData/seo/ce\\_pleni/ce/textes\\_adoptes/provisoire/2013/09-11/0357/P7\\_TA-PROV\(2013\)0357\\_EN.pdf](http://www.europarl.europa.eu/RegData/seo/ce_pleni/ce/textes_adoptes/provisoire/2013/09-11/0357/P7_TA-PROV(2013)0357_EN.pdf)
13. Antara, 18/Sep/2013.  
<http://id.berita.yahoo.com/kadin-peran-pemerintah-halau-ngo-170123499--finance.html> ♦



# Europe's agrofuels imports: check the reality on the ground in Indonesia

*Bondan Andriyanu, of Sawit Watch, visited Berlin, Brussels and Strasbourg in September 2013. The aim was to convey to Europe's policymakers the urgent need to reform the EU's policies on agrofuels due to their harmful impacts in Indonesia.*

*Prior to the trip to Europe, DTE interviewed Bondan about his organisation, and his intentions in Europe.*

*DTE: Could you update us a little about your organisation? What is the current focus of your work?*

*Bondan Andriyanu:* Sawit Watch is a non-governmental organisation (NGO) with individual and group members that works for better practice in the development of oil palm plantations. We have 140 members throughout Indonesia from varying backgrounds: smallholders, labourers, indigenous peoples, NGO activists, members of the government, and others. Sawit Watch is working for social change for smallholders, labourers, and indigenous peoples, towards ecological justice. Working for ecological justice for these groups includes, amongst other things, initiatives to:

- ♦ Set up, manage and provide data and information;
- ♦ Increase the capacity of smallholders, labourers and indigenous peoples, according to their needs;
- ♦ Facilitate conflict resolution between companies and smallholders, labourers and indigenous peoples in large-scale oil palm plantations;
- ♦ Establish synergy between smallholders, labourers and indigenous peoples;
- ♦ Encourage the adoption of state policies that protect the interests of smallholders, labourers and indigenous peoples.

*DTE: What are you hoping to achieve while you're in Europe?*

*BA:* Sawit Watch is hoping that we'll have the opportunity to inform people face to face about the facts and about the reality of what's happening in the oil palm plantation industry.

Different meetings will have different opportunities for us:

At the GIZ RSPO Meeting (CSO-Meeting) in Berlin, our main aim is to speak about the many weaknesses of the Roundtable on Sustainable Palm Oil (RSPO) which are evident alongside the positive impact that the RSPO has had, since Sawit Watch became a member in 2004. Sawit Watch will share information from our field visits to oil palm plantations. We're hoping



*Bondan Andriyanu of Sawit Watch in Strasbourg, September 2013. To see a short DTE interview with Bondan and Nur Hidayati of WALHI, go to: <http://www.downtoearth-indonesia.org/story/agrofuels-message-europes-meps-walhi-and-sawit-watch>*

that this information will be taken up by European CSOs attending the meeting, in their campaigns on oil palm plantations and the international palm oil trade.

At the RPSO European Summit, also in Berlin, Sawit Watch is not hoping for much from the RSPO itself. It's clear that this event will focus on increasing Certified Sustainable Palm Oil (CSPO) in the European market, whereas, it's our view that the focus should be on the practices in the field of RSPO members themselves. There are still many cases of conflict involving communities and RSPO members, which are, at the same time, trying to get certification. One of the main issues is tracking the CPO (crude palm oil) on its journey from the farmers or growers, through the processing, up to the moment it is traded on the international market. We can talk about this.

At the Journalists' Workshop on EU Biofuels Policy, our main aim is to provide journalists with information about the

practices of the oil palm companies that are producing CPO for agrofuel. There are many issues to be flagged up: environmental and social impacts, and human rights violations that result from oil palm industry practices.

- In any opportunities for public action, Sawit Watch will aim to highlight the environmental hazards, social destruction, and human rights violations associated with making agrofuels from palm oil and to get this message to the public in Europe. So that they can think again about using agrofuels sourced from oil palm plantations.

At the European Parliament, we want to flag up the fact that agrofuels policies still have a lot of negative impacts. There may well be good regulations and good policies, but on the ground the reality is that practices are poor. So we want to highlight the need for systems to monitor and track conditions at the plantation level, where the agrofuels crops are grown - check the impacts for farmers, indigenous peoples' and local communities' lands.

*DTE: What is the key information that people in Europe should know about palm oil imports from Indonesia?*

*BA:* Sawit Watch believes that the development of oil palm plantations in Indonesia is dependent on market demand. There are no import criteria in Europe which require a social impact assessment for plantations whose palm oil enters Europe. Where the market is so wide open, it encourages producer countries in the global South, like Indonesia, to pass regulations which make it easier for businesses to expand their oil palm plantation operations. There is no added value for small-scale producers in this type of open market because there is no prerequisite to protect their interests.

There are three main actors in Indonesia's palm oil production: smallholders, the private sector and the state. Plantations operated by the private sector and state-owned companies tend to be socially and environmentally destructive, whereas those of small-scale farmers record almost zero levels of conflict or deforestation. The impacts

are being driven by the Indonesian government's target to expand the area of land under oil palm plantations to more than 24 million hectares with a production target of more than 40 million tonnes a year by 2020.

Sawit Watch will be providing information, resulting from our field investigations, on what happens at the various stages in the process of developing oil palm plantations.

These include the process of acquiring a permit for the plantation; land clearing; the 'partnership' process between companies; the certification process and the policies supporting large-scale investment in Indonesia.

*DTE: What are the impacts of palm oil expansion in Indonesia?*

**BA: Human Rights:** Local communities and indigenous peoples' lose their rights. Indigenous peoples are losing their territory. The number of cases in which indigenous peoples and oil palm growers are criminalised is increasing every year. According Sawit Watch data, there were 643 communities in conflict with companies in 2012. And criminalisation of farmers too, continues to rise. In 2010, there were 141 victims of criminalisation of farmers, and in 2012 there were 156 victims.

Sawit Watch found that investors were paying the military and police to deal with community protests aimed at securing payment from oil palm plantation companies for their land. In many cases communities lost their case in the courts, because the judges had been paid off by the company.

**Environment:** cases include forest fires caused when big companies use burning to clear land - there were a lot of fires in May and June 2013. We identified 925 'hotspots' (indicating fires) on land leased to oil palm plantation companies. Peasants and workers become victims in these cases, because they're accused of arson. The fact is that they are paid by the company to set the fires.

Meanwhile, many rivers are full of waste from the palm oil mills. The same rivers are still used by the local community for drinking, cooking and washing.

Farmers have never been empowered by the government: in schemes planned by companies and the government, they are never the decision-makers, only the targets. The government and the oil palm industry, by controlling the availability of mills and the price they pay farmers for the fresh fruit bunches (FFB) they harvest, create a situation in which farmers mount up excessive debts. Many smallholder plots in company-run schemes are poorly set up in terms of Good Agricultural Practices (GAP), while some companies fail to develop any

## ALIANSI SERIKAT BURUH INDONESIA (SERBUNDO)



### Oil palm labourers demand action from RSPO

A workshop organised by the Indonesian trade unions alliance, Serbundo, has exposed the poor conditions for workers on palm oil plantations. The November 8-9 event was held in Medan, North Sumatra, a few days before the start of the annual meeting of the Roundtable on Sustainable Palm Oil (RSPO) in the same city.

A statement issued at the meeting said there is evidence of forced labour in oil palm plantation, with labourers experiencing poor treatment, low wages, unfair punishment and sanctions. Workers are also "not provided with decent working tools and safety equipment as well as limited access to clean water, health care and school facilities."

Child labour is still often found in the plantations, as workers rely on children and other family members to get the required work done.

"The condition of workers is worsened by the limited freedom to unionize. Labourers who try to establish unions are faced with intimidation, displacement, wage cuts and even fired."

The statement points out that the RSPO's Principles and Criteria include principles on decent wages, working conditions, the freedom to establish and become a member of a trade union, the disallowing of child labour and the prevention of sexual harassment as well as other forms of violence against women, amongst others. It also points out the RSPO's commitment to follow the Universal Declaration on Human Rights, and the International Labour Organisation's Declaration on the Principle and Fundamental Rights in the Work Place. It goes on to highlight the fact that the RSPO has failed to resolve any violations by RSPO members and that all forms of violation are still happening in plantations today. The statement ends with the demand to the RSPO to:

- ♦ form a Labour Working Group in the RSPO and ensure labourers' representation in this group;
- ♦ ensure fairness, transparency and impartiality in the RSPO grievance mechanism
- ♦ include labourers and local communities in the certification process
- ♦ revoke RSPO certification for plantations that violate the rights of labourers, farmers and local communities
- ♦ require plantation companies to provide decent wages for labourers
- ♦ require RSPO member plantation companies to eliminate outsourcing, day labourers, piece rate labourers and contract labourers in the positions of harvesters, sprayers and all work that use chemicals and are dangerous to health and work safety
- ♦ require RSPO member plantation companies not to impede freedom of association.

The full statement can be found in English at: [http://sawitwatch.or.id/wp-content/uploads/2013/11/Statement-RSPO\\_eng.pdf](http://sawitwatch.or.id/wp-content/uploads/2013/11/Statement-RSPO_eng.pdf) and in Indonesian at <http://sawitwatch.or.id/2013/11/1486/> Serbundo is an alliance of 12 unions and 2 CSOs including Sawit Watch.

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A new report on palm oil and labour by Sawit Watch and International Labour Rights Forum, **Empty Assurances** is available at: <http://www.laborrights.org/sites/default/files/publications-and-resources/Empty%20Assurances.pdf>

The report includes three case study plantations, one in Central Kalimantan, PT Kerry Sawit Indonesia, and two in North Sumatra: PT Socfindo Bangun Bandar and PT Lonsum Rambung Sialang.

smallholders' plots altogether, even though communities have relinquished their land for oil palm.

Smallholder oil palm growers fall into two main types:

First, 'plasma' farmers (outgrowers) are participants in a company-run scheme in which the company develops a central or 'nucleus' plantation and the 'plasma' farmers are allocated plots on which to grow oil palm, with all fruits being processed by a central mill operated by the company. They are regulated exclusively by the government. They have been developed in Indonesia since 1979 through various partnership models, including the PIR-Transmigration model, KKPA (Cooperative Primary credit for Members) and the Revitbun (Plantation Revitalization) model, all of which are currently in use. This group generally meets the following criteria:

- ♦ The total area allocated to smallholders is 1.3 million ha.
- ♦ Each household gets an average of 0.5 ha - 2 ha.
- ♦ Plantation productivity is below 16 tonnes per hectare per year.
- ♦ In theory, these smallholders get a better price according to the standard provisions of the government (the price is set by a team including both company and smallholders representatives, in accordance with Regulation of the Minister of Agriculture No. 17 of 2010) as they can sell directly to the partner company's factory. In practice, however the farmers don't get a higher price.

Secondly, independent farmers or smallholders: these are farmers who grow oil palms independently and have no restrictions as long as they manage areas of less than 25 ha. The total area cultivated by this group is about 2.8 million ha. They are called independent, because the farmers manage their oil palm land from investing the capital

through to raising seedlings planting and harvesting.

However, these farmers are still dependent on big companies because their harvest still needs to be processed in mills, which are owned by companies. Independent farmers often have these things in common:

- ♦ Their production of FFB (fresh fruit bunches) remains low at below 15 tonnes per hectare per year;
- ♦ They have a poor knowledge and low implementation of standards of Good Agricultural Practices (GAP) and of conservation and sustainability principles;
- ♦ They must still deal with middlemen (they don't have direct relations with the plantation company mill), so the sale price of FFB is still below the price specified by the government.

**Climate Change:** Sawit Watch has found that of the total area of 12.3 million hectares of oil palm plantations in Indonesia, almost 11 million hectares are planted on peatland. Carbon emissions from peatland drainage is one of the biggest contributors to climate change.

**Labour:** Recent research by Sawit Watch found that a plantation company operating in East Kalimantan failed to pay its labourers for two years. Many of these labourers left the plantation, because they were so badly treated there.

*DTE: Where are cases like this documented?*

**BA:** We have a lot of information on specific cases in our publications, including:

- ♦ Research into labour conditions in East Kalimantan
- ♦ Research on company land leases
- ♦ Land Grabbing Issues
- ♦ Green House Gases and oil Palm Plantations

- ♦ 'Raja Limbung' A century of the palm oil journey in Indonesia (Indonesian only)
- ♦ *Promised Land*
- ♦ *Ghosts on Our Own Land*
- ♦ Independent Smallholders
- ♦ *Losing Ground*

*DTE: What is at the root of these problems in your view? What kind of changes are needed in Indonesia and internationally to address these impacts?*

**BA:** In Sawit Watch's point of view, the root of these problems with oil palm plantations is the massive expansion underway in the sector and the total disregard for the rights of local communities and indigenous peoples. This expansion is supported in multiple ways in Indonesia. The changes that need to happen in Indonesia include:

- ♦ Policies governing oil palm plantations should bring advantages for farmers, local people, and indigenous peoples;
- ♦ The oil palm plantation companies should be required by law to respect the rights of local communities and indigenous peoples to their land.
- ♦ We need well-implemented spatial planning at the local and national levels, to ensure there is no more overlapping of land use and conflict of interest;
- ♦ Optimising the oil palm plantations that already exist in Indonesia, by improving systems and management so that there are no negative impacts;

The changes needed from the international level include:

- ♦ market regulation in the form of sustainability criteria to exclude trade in any palm oil that does not meet environmental and social standards.
- ♦ Exclusion and sanctions for companies that continue with poor social and environmental practices in the palm oil supply chain.

*DTE: Are there any positive impacts of the palm oil boom? For example, do some small, independent farmers benefit?*

**BA:** The only ones to benefit are those who make use of the weak system and poor practices in oil palm operations to their own advantage, such as district heads, and indigenous leaders who are willing to accept company bribes in exchange for their people's land. Also, a lot of smart people take advantage of oil palm plantations in their village, such as the truck-owner who rents his vehicle to the company and the food stall business owners that set up inside oil palm plantations, who are usually transmigrants from Java.

High demand for palm oil on national and international markets does not produce positive value for independent



oil palm fruit

farmers. Since these growers don't have direct access to the mill, they have to rely on brokers who cooperate with private companies and mills.

*DTE: How should Europe change its policies?*

*BA:* Europe should support and prioritise palm oil production from small-scale farmers because they are farming sustainably, with a low level of social and environmental problems, while large plantation carry high social and environmental risks.

Europe should develop a road map to stop using palm oil produced by large companies which promote their products as 'green'.

Europe should recognise that all 'green' oil palm products derived from large-scale industrial production are not green at all.

*DTE: Should consumers in Europe avoid buying palm oil whether for fuel or non-fuel?*

*BA:* They should have a tracking system that ensures that palm oil entering Europe is not associated with social and environmental degradation. It would be good to promote cooperation between Indonesia and the EU in protecting their farmers. This is more important than promoting the interests of companies which create social and environmental degradation.

*DTE: How should palm oil consumers in Europe respond to claims by companies that they only use 'sustainable palm oil' or that their products are certified sustainable by the RSPO?*

*BA:* There are many companies that are RSPO members and whose operations are already certified, but which are still problematic. Sinar Mas' plantation in Labuan in North Sumatra, for instance, where the company is in conflict with hundreds of people in the Padang Halaban District. There are so many instances of oil palm plantation companies who have already secured RSPO certification, but which are still damaging the environment and mistreating the local community. This means that RSPO certification is no guarantee that the plantation is socially and environmentally sustainable in practice.

Sawit Watch would like to see consumers in Europe stand up and question what is really happening on the ground in oil palm plantations. We'd like to see them push for accountability all the way back through the supply chain to the plantation where the palm oil was grown.

*DTE: How can concerned European citizens show solidarity with people affected by oil palm expansion?*

*BA:* You can build a strategic collaboration which, in the short term, would monitor and assess the traceability of palm oil sold in Europe, exposing the false claims of sustainability for palm oil derived from plantations developed at the expense of community land for growing food. The long-term aim of this collaboration could be to strengthen the position of small-scale independent oil palm farmers, so that their products can be sold direct to the market, independently. You can also develop a long-term road map aimed at transforming the market.

*DTE: Palm oil companies claim they reduce poverty, provide jobs, and create revenues for Indonesia's development should we believe them?*

*BA:* Reduce poverty? Not really. Sixty percent of workers in the palm oil sector are day-labourers. Wages of agricultural workers are insufficient to meet even their daily needs. Child labour is used and women are also forced to work on the plantations because it is the only way to make ends meet.

Talking about poverty, we should make a 'before and after' comparison of areas planted with oil palm. Before, local people don't have to buy rice, chili, vegetables, and other local food for daily use. After, they need to buy all these foods. Yes, their incomes have increased, but so have their cash needs.

Creating revenues for Indonesia's development? - we need to have more data about this, because there is no record about real incomes at the local level that shows the exact figures generated by oil palm plantations.

Oil palm plantations should not be developed in forests - we can't call it development if this happens.

Oil palm growers who become 'partners' in company schemes do not become better off; some of the reasons are:

- ♦ From the FFB price payable to the farmers, the company deducts an amount for the operational cost of the plantation (around 300-400 Rupiah per Kg)
- ♦ The fruit sorting process is undertaken unilaterally by the company and is not transparent.
- ♦ The transportation costs - due to the bad infrastructure - are borne by the farmers
- ♦ Under a new scheme called "One Roof Management", the entire cost of maintaining the 'plasma' plantation areas is deducted by the company (about 50% of the FFB price). A further 30% is deducted to pay off farmers' debts, meaning that only 20% goes to the farmers.
- ♦ Many smallholders are allocated less land than they handed over to the company. For example, in the case of PT MAS II and BKP in Kapuas Hulu District, West Kalimantan, around 21% of oil palm farmers have less than 2 ha of land, even though they handed over 2 ha of land to the company.

*DTE: What about the renewable energy situation in Indonesia? Should Indonesian palm oil be used for food and energy in Indonesia rather than exported to Europe and other countries?*

*BA:* The use of renewable energy in Indonesia has already been signalled by Susilo Bambang Yudhoyono's government, by promoting the development of plantations growing energy



Loading oil palm fruit, Riau (photo: DTE)

crops, such as jatropha and oil palm. They realise that fossil fuels in Indonesia will only last for another 12 years, according to Daulay Mustafa, General Secretary of the National Association of Manufacturers of Oleochemicals (APOLIN). The only problem is, building a renewable energy industry based on oil palm plantations means we have the same environmental and social problems.

On the use of oil palm itself, the government doesn't set percentages or make any divisions between food and energy end use.

Sawit Watch thinks we first need to establish an improved system and good practices in the oil palm industry before we consider choosing between food or energy uses. We need to prioritise securing the improvements in systems and practices so that there are no environmental or social conflicts. It would be wrong to start talking about these choices before addressing the main problems and while there are so many unresolved cases of conflict in the sector.

On the export of palm oil to Europe and other countries, Sawit Watch thinks that Indonesia should first calculate who benefits most from the exports. If the only ones to benefit are the big companies, while the farmers and small growers gain nothing, it would be better to think twice about exporting Indonesian palm oil.

*DTE: How have people in Europe responded to these messages so far?*

*BA: Europe has, up to now, only seen agrofuels as a means of reducing carbon emissions; people haven't seen the whole picture: how agrofuels are produced. Europe should be more open to looking into what happens in oil palm plantations in Indonesia and other countries. And, on the global scale, many stakeholders are not fully aware of the conditions for plantation workers, for peasants (small farmers) and indigenous peoples in Indonesia. There is a kind of egotism, or competition between the environment and social sectors: sometimes the environmental considerations are noted but the social issues ignored. However, in the case of oil palm plantations in Indonesia, the more pressing issues are social, related to conditions for people in and around the plantations.*

*DTE: Do you have any other message for European governments, companies or civil society?*

*BA: Using renewable energy is a brilliant and noble idea, in terms of saving the world from global climate catastrophe, but we need to consider how that renewable energy is made and where it comes from. Ask if it comes from crops that directly or indirectly replace*

forests, peatlands, or take over the lands of indigenous peoples. Find out if the renewable energy or agrofuel you are using and the policies that promote imports from countries like Indonesia are merely serving the interests of big business in new and inventive ways, while ignoring the rights of indigenous peoples and global catastrophe.

[www.sawitwatch.or.id](http://www.sawitwatch.or.id)♦



**SAWIT WATCH**



## Support Petisi 35!

The Indigenous Peoples' Alliance of the Archipelago (AMAN) is collecting signatures from groups and individuals in support of a petition for speedy implementation of the Indonesian Constitutional Court's decision 35, 2013.

This is the ruling that reaffirms that customary forests are forests located in Indigenous territories and should no longer be considered as State forests.

Sign up to support the petition at <http://www.aman.or.id/english/>



## AMAN accuses oil palm and pulp companies of rampant deforestation

Despite progress in international policies and the regulatory frameworks, despite commitments from political financial and industry leaders, these businesses are responsible for rampant forest destruction for oil palm and timber plantations, stealing from indigenous peoples, encroaching on their lands and resources, and destroying their culture and identity.

This was the message heard by business and government representatives attending a Jakarta workshop in June, to Promote Sustainability and Productivity in the Palm Oil and Pulp & Paper Sectors. The message was conveyed by Abdon Nababan, the Secretary General of AMAN, Indonesia's indigenous peoples' alliance.

Quoting directly an indigenous leader of the Muara Tae Dayak Benuaq community in East Kalimantan, Nababan reminded those attending the June workshop that Indonesia's deforestation rate is still more than 1.5 million hectares a year. This, he said, corresponds to 74% of the country's CO<sub>2</sub> emissions, despite a pledge by President Susilo Bambang Yudhoyono to reduce Indonesia's emission by 26%.

Demolishing customary forests and turning them into oil palm plantations, in complete violation of international human rights standards, including the UN Declaration on the Rights of Indigenous Peoples and Indonesia's own criminal law, is happening right now in Muara Tae in East Kalimantan, he said, and in many other places in Indonesia. Meanwhile corruption and forest crimes are as bad as ever, and forest fires continue to choke much of Sumatra, Malaysia and Singapore every year.

Referring to a new 'dawn of customary forests in Indonesia' thanks to the Constitutional Court's decision to take indigenous peoples' customary forests out of the state forest zone,<sup>1</sup> Nababan said it would be indigenous peoples' duty to 'outperform'

government agencies in preventing deforestation as well as to share their 'centuries-deep knowledge of how to care for and protect our forests.'

*"Your duty, distinguished ladies and gentlemen, is to gain the consent of indigenous peoples for investments and development activities to be carried out within our territories. This will require your patience, good faith, and a framework for genuine consent to be based on complete information, transparency, and in the end the acceptance of both government and private sector of the right of indigenous peoples to say NO to destructive development models that are harmful to all of us and mother earth."*

(Source: Tropical Forest Alliance 2020: Promoting Sustainability and Productivity in the Palm Oil and Pulp & Paper Sectors Workshop, Jakarta, 27 June 2013. Remarks by Abdon Nababan, Secretary General of Indigenous Peoples' Alliance of Indonesia's Archipelago (AMAN).

### Notes:

1. For background see 'A turning point for Indonesia's indigenous peoples, DTE update, 7/Jun/2013, <http://www.downtoearth-indonesia.org/story/turning-point-indonesia-s-indigenous-peoples>
2. 'Indonesian villagers sue president over climate change', Diane Parker, Mongabay-Indonesia, 11/Sep/2013. <http://news.mongabay.com/2013/0911-dparker-villagers-sue-indonesian-president.html>
3. 'Taking Environment and People for granted, WALHI sues Indonesian President and his 18 aides' WALHI, 9/Oct/2013, [http://www.walhi.or.id/v3/index.php?option=com\\_content&view=article&id=3236:taking-environment-and-the-people-for-granted-walhi-sues-indonesian-president-and-his-18-aides&catid=60:siaran-pers&Itemid=103](http://www.walhi.or.id/v3/index.php?option=com_content&view=article&id=3236:taking-environment-and-the-people-for-granted-walhi-sues-indonesian-president-and-his-18-aides&catid=60:siaran-pers&Itemid=103) ♦

## President SBY sued by Riau villagers, WALHI

On the same day that MEPs voted on agrofuel amendments in Europe, eight villagers from Riau - one of Indonesia's oil palm centres and a region which has been plagued by choking forest fires - sued Indonesia's President Susilo Bambang Yudhoyono (SBY). Mongabay reported that on September 11th, the villagers sued the president and a number of other officials over the impacts of climate change and environmental destruction in the province.

They say they have suffered health problems, experienced financial loss and seen a decline in their quality of life due to forest and peatland clearing. They blamed logging and plantation companies for the destruction of Riau's forests and peatlands. The villagers' lawsuit which is supported by local NGOs Jiklahari, Telapak Riau and the Indonesian Center for Environmental Law, also names Indonesia's forestry and environment ministers, plus Riau's provincial governor.<sup>2</sup>

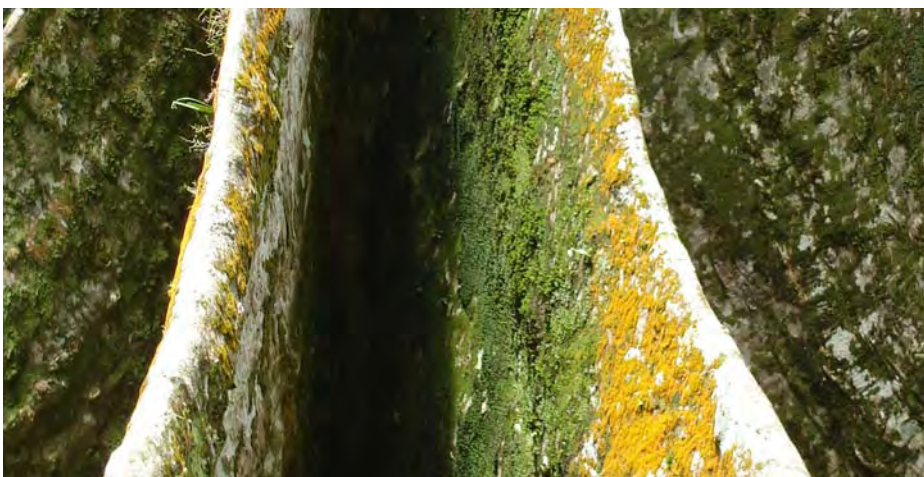
The following month, WALHI (Friends of the Earth Indonesia) also announced that it was suing President SBY. A statement released on October 9th said the group was filing a suit against SBY and 19 aides over the continuous forest fires in Sumatra.

Abetnego Tarigan, National Executive Director of WALHI said the group was taking this action against the President "to remind him and his administration to their constitutional obligation to protect the Indonesian environment and its peoples' rights to healthy environment as part of human rights."

WALHI also points to plantations - in particular oil palm and pulp wood plantations - as major contributors to the deteriorating environmental situation in Sumatra. Seasons that have for a long time been the reference for people's agriculture and traditions have changed into seasons of disasters, with floods, haze, food and water crises becoming an annual occurrence, bringing suffering to the people, he said.<sup>3</sup>

Source: 'Indonesian villagers sue president over climate change', Diane Parker, Mongabay-Indonesia, 11/Sep/2013. <http://news.mongabay.com/2013/0911-dparker-villagers-sue-indonesian-president.html>

'Taking Environment and People for granted, WALHI sues Indonesian President and his 18 aides' WALHI, 9/Oct/2013, [http://www.walhi.or.id/v3/index.php?option=com\\_content&view=article&id=3236:taking-environment-and-the-people-for-granted-walhi-sues-indonesian-president-and-his-18-aides&catid=60:siaran-pers&Itemid=103](http://www.walhi.or.id/v3/index.php?option=com_content&view=article&id=3236:taking-environment-and-the-people-for-granted-walhi-sues-indonesian-president-and-his-18-aides&catid=60:siaran-pers&Itemid=103)



# Why not Wilmar?

*The name Wilmar looms large in the Europe-Indonesia agrofuels picture. This Singapore-based company sells Indonesia-made biodiesel to Europe as well as selling oil palm feedstock for making biodiesel in Europe. This is a company that has been linked to a range of human rights and environmental problems dating back to 2005 at least.<sup>1</sup> Most recently, four villagers have been injured by security guards at one of Wilmar's Central Kalimantan concessions, in one of the long-running land conflicts involving the company. Wilmar's poor record highlights why Europe should not be relying on Indonesian palm oil to fulfil its renewable fuel and energy commitments.*

Wilmar International is a global company which is involved in growing, milling, refining and trading oil palm and its various products.<sup>2</sup> Wilmar is the world's biggest palm oil trader - accounting for as much as 45% of globally traded palm oil.<sup>3</sup> The company is also one of the biggest plantation owners in Indonesia and Malaysian Borneo. The total area planted with Wilmar oil palm is approximately 255,648 hectares, of which about 73% is located in Indonesia, 23% in Sabah and Sarawak in Malaysia and 4% in Africa. A further 41,407 ha of oil palm plantations in Indonesia are managed by Wilmar under Indonesia's much-criticised small-holder 'plasma' scheme.<sup>4</sup> This area is set to expand further: the company is reported to have a land bank of over 600,000 hectares, principally in Malaysia, Sumatra and Kalimantan.<sup>5</sup>

As well as being a dominant player in the supply side of the palm oil industry, the company also plays a major role in the downstream refining and manufacturing end of the business. In Europe, it operates refineries in the Netherlands and Germany, listing in its latest annual report a total of four refineries and one speciality fats plants in Europe.<sup>6</sup>

Wilmar is controlled by Indonesian and Singaporean businessmen, with representation on its board by Archer Daniels Midland (ADM) one of the world's top commodities trading companies, and also listed among the top twenty shareholders of Wilmar. ADM and Wilmar have formed a strategic partnership, including tropical oils refining in Europe (sold and marketed through Olenex. C.V. based in Switzerland).<sup>7</sup>

## Big in biodiesel

Wilmar is also Indonesia's biggest manufacturer of biodiesel - and the world's biggest producer of biodiesel made from oil palm. In 2012, its production capacity stood at 2 million tonnes a year, from 7 refineries in Indonesia and one in Malaysia,<sup>8</sup> though the production is estimated to be well below capacity.<sup>9</sup>

Wilmar does not state in its public reports where it sells its biodiesel, but it is clear from recent anti-dumping measures taken by the EU against Indonesian and



*Asiatic Persada plantation. Jambi, formerly owned by Wilmar, but now sold despite dispute with communities remaining unresolved*

Argentine biodiesel exporters that a substantial amount of Wilmar's production is sold in Europe. In May this year, the EU announced punitive taxes to be imposed on imports from five Indonesian companies - including two Wilmar biodiesel producers PT Wilmar Nabati Indonesia and PT Wilmar Bioenergi. The companies were accused of selling subsidised biodiesel on the European market, with Wilmar receiving the highest level of punitive duty of the Indonesian companies, at 9.6%.<sup>10</sup>

In Indonesia, the EU anti-dumping action was greeted with dismay not least because it meant further uncertainty for Indonesian biodiesel producers (domestic demand for biodiesel remains weak). The EU is the main export destination for Indonesian biodiesel - accounting for almost 90% of exports by volume so far, according to the head of Indonesia's biofuel association, Aprobi.<sup>11</sup> Industry and government officials alike agree that demand is directly related to the EU renewable energy and fuel mandates.<sup>12</sup>

Indonesia is also a big player in terms of total biodiesel imports to the EU. According to research published by UFP/Ecofys,<sup>13</sup> EU countries as a whole imported around 2.27 million tonnes of biodiesel in 2011 with 90 % of the imports coming from just two countries: Argentina and Indonesia. Indonesia's share amounted to 895,000 tonnes.<sup>14</sup>

When these figures are compared to Indonesian government production and export figures it become clear too, that most of the biodiesel that Indonesia produces, let alone most of its exports, is sold in Europe. In 2011, for example, Indonesia produced just under 1.6 million tonnes (1,812,000kl) of biodiesel of which 80% or 1.28 million tonnes (1,453,000kl) was exported.<sup>15</sup> Indonesia's share of EU imports - 895,000 tonnes - represents 70% of exports, or just over half of total production for that year.

Taking into account the fact that

- ♦ the EU is the major destination for Indonesian biodiesel exports,
- ♦ Wilmar is Indonesia's top biodiesel producer,

- ♦ Wilmar, together with Indonesia's three other main exporters account for up to 95% of Indonesian biodiesel exports,<sup>16</sup>
- ♦ Wilmar has an operational base in Europe,

it seems reasonable to assume that a substantial amount of biodiesel produced by Wilmar is being consumed in European countries.



Palm oil storage tank, Riau (photo: DTE)

## Biodiesel feedstock

On top of this, Wilmar is named in research carried out by Proforest as a major supplier of raw materials for palm oil-based biodiesel manufacture within the EU.<sup>17</sup> Again, there are no figures detailing the level of Wilmar's contribution to palm feedstock used to make biodiesel by EU producers, but given Wilmar's eminence in palm-oil trading, and its presence in Europe, and the fact that research shows a high level of dependency on palm oil imports for biodiesel generally in the EU, it is reasonable to assume the Wilmar plays a significant role here too.

According to research by the Geneva-based International Institute for Sustainable Development (IISD) for Friends

(continued next page)

## In Europe

Where does the biodiesel end up? Looking at the Europe end of the business, the IISD research shows that among EU member states, the Netherlands, Germany, Italy, Spain, Finland and France were all substantial consumers for biodiesel production in 2012 (see table) and the first three of these also used palm oil for electricity and heat generation as well. The UK's consumption, on the other hand, has actually reduced by 37% since 2006.

The Netherlands is Europe's largest importer of palm oil - indeed most of the EU imports of all types of edible oils, fats and oleochemicals enter Europe through the Dutch port of Rotterdam,<sup>22</sup> where there are also several large refineries, including a 750,000 tonnes/year refinery operated by Wilmar.<sup>23</sup>

## End uses of palm oil 2006-2012<sup>24</sup>

(metric tonnes)

Country	Biodiesel production	Electricity & heat generation
Netherlands	480,000	250,000
Germany	300,000	150,000
Italy	220,000	190,000
Spain	200,000	-
Finland	200,000	-
UK	38,000	-

## Wilmar and its shareholders

Wilmar was established in 1991 with a land bank of 7,100 hectares in Sumatra. Since then it has grown rapidly into the world's biggest oil palm trader. A major player on Singapore's stock exchange, the company markets itself as Asia's leading agribusiness group. Its all-male board of directors lists Singaporean and Indonesian businessmen, as well as ADM's Juan Luciano, Martua Sitorus, Indonesian board member, and major shareholder of Wilmar, was seventh on Indonesia's rich list, worth an estimated US\$2 billion. He is also 736 on Forbes' list of the world's wealthiest.<sup>25</sup>

According to information on its website, [www.wilmar-international.com](http://www.wilmar-international.com), the company is now:

- ♦ The world's largest processor and merchandiser of palm and lauric oils, as well as largest in edible oils refining and fractionation, oleochemicals, specialty fats and palm biodiesel
- ♦ Largest merchandiser of consumer pack oils worldwide
- ♦ One of the largest oil palm plantation owners and the largest palm oil refiner in Indonesia and Malaysia
- ♦ One of the largest oilseeds crushers, edible oils refiners, specialty fats and oleochemicals manufacturers, and flour and rice millers in China
- ♦ Amongst the top 10 global raw sugar producers as well as the largest raw sugar producer and refiner, and a leading merchandiser of consumer brands in sugar and sweetener market in Australia
- ♦ A leading branded consumer pack oils producer, oilseeds crusher and edible oils refiner in India
- ♦ A leading importer of edible oils into East and South Africa
- ♦ One of the largest edible oils refiners in Ukraine.<sup>26</sup>

## High Street banks among Wilmar's financiers

Research by Friends of the Earth International has highlighted the US and European financiers of Wilmar, including shareholders and banks that make loans to the company. These include: UK high-street banks Barclays and HSBC, PNB Parisbas and Credit Agricole (France), Deutsche Bank (Germany), APB and Rabobank (Netherlands) and Bank of America, J Morgan, Goldman Sachs, Citigroup and others in the US, as well as Canadian, Swiss and Belgian institutions.<sup>27</sup>

FoE also notes that the Norwegian Pension Fund (GPF) withdrew its investment in Wilmar in 2012, along with 22 other palm oil companies, because it believed those companies were producing palm oil unsustainably and causing seriously adverse human rights impacts.<sup>28</sup>



of the Earth Europe, EU imports of palm oil in 2012 amounted to 5.6 million -6.3million tonnes.<sup>18</sup>The total amount used for biodiesel manufacture was 1.9 million tonnes,<sup>19</sup> while another 0.6 million tonnes was used for electricity and heat generation.<sup>20</sup>

The IISD found that imports of palm oil for producing biodiesel had increased by a dramatic 365% between 2006 and 2012, from 402,000 tonnes in 2006 to 1.9 million tonnes in 2012. Of the total increase in palm oil imports during that period (around 1.9 million tonnes) 80% is attributable to the growth in biodiesel production, while a further 10% is accounted for by the growth in palm oil imports for heat and electricity generation. The remaining 10% is accounted for by other sectors, primarily the food sector. This indicates that the European agrofuel incentives are, as feared, promoting a hike in palm oil use. And this upward trajectory is likely to continue unless the EU's biofuels directives are amended effectively.<sup>21</sup>

More demand in Europe for renewable fuels, it is clear, means more oil palm imports from Indonesia, which, in turn stimulates biodiesel and palm oil production in Indonesia, and promotes expansion of the oil palm sector in Indonesia. Wilmar is one of

those fast-expanding companies - last year alone it expanded the planted area directly-managed by the company by 8,567 hectares and added a further 3,386 hectares to its smallholder plantation area, with most of the expansion happening in Indonesia. And palm oil from the company's own plantations is only a small fraction of the volumes that Wilmar purchases from other companies. This part of the company's business has expanded so rapidly that it now handles almost half of all the palm oil traded globally. So the question is, why not Wilmar? What are the implications of this company's rapidly expanding plantations and palm oil purchases for Indonesian communities, and their lands and livelihoods?

### Wilmar's record

Wilmar's operations and the widespread negative impacts of these on local communities in Indonesia, their resources and the environment in Indonesia have been the subject of sustained scrutiny and challenge by Indonesian and international NGOs for many years. Communities and CSOs have raised their concerns with the Roundtable on Sustainable Palm Oil (RSPO), of which Wilmar is a leading member. The aim has been to

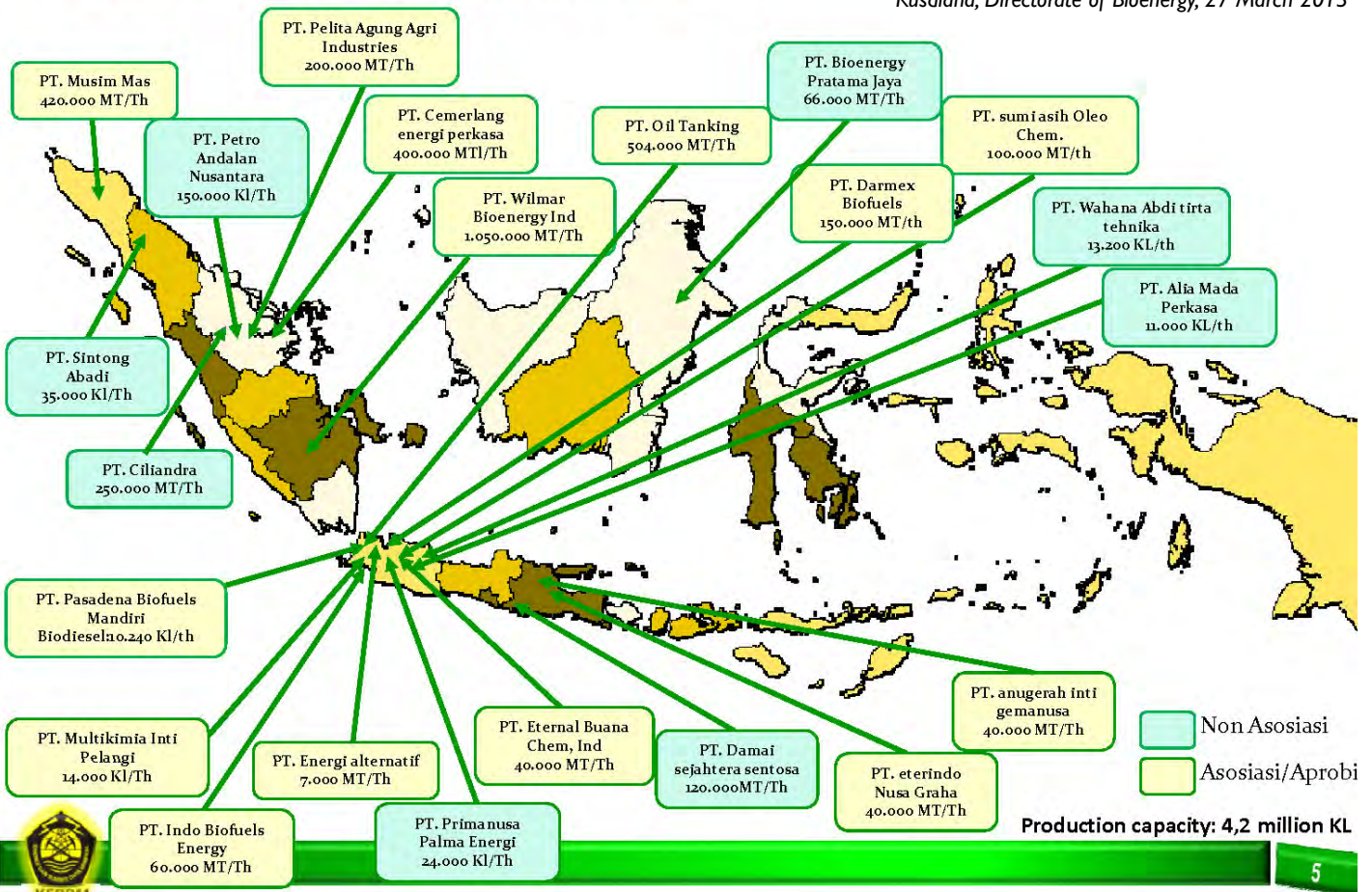
ensure that the company is held to account for failures to meet its commitments to qualify for RSPO supply chain 'sustainable palm oil' certification. Wilmar International has 9 current certifications listed on the RSPO website, while a further 14 certifications are listed as expired (including two for PT Wilmar Bioenergi Indonesia).<sup>29</sup> Meanwhile, a whole series of formal complaints, led by Forest Peoples Programme (FPP) and Sawit Watch, has been directed at the World Bank's private sector arm, the International Finance Corporation (IFC), from whom Wilmar has received substantial financial support.<sup>30</sup> In this case, the IFC is accused of violating its investment principles by providing finance for Wilmar.

The complaints directed at the CAO/IFC include the following specific cases: Three Wilmar subsidiaries in **West Kalimantan** and one in **West Sumatra** (complaint dated 18th July 2007).<sup>31</sup> The company was found to be involved in

- ♦ illegal use of fire to clear lands,
- ♦ clearance of primary forests,
- ♦ clearance of areas of high conservation value,
- ♦ take-over of indigenous peoples' customary lands without due process,

## BIODIESEL INSTALLED CAPACITY

Source: Development of Bioenergy Utilization in Indonesia, powerpoint presentation by Dadan Kusdiana, Directorate of Bioenergy, 27 March 2013



- ♦ failure to carry out free, prior and informed consultations with indigenous peoples,
- ♦ failure to negotiate with communities or abide by negotiated agreements,
- ♦ failure to establish agreed areas of smallholdings,
- ♦ social conflicts triggering repressive actions by companies and security forces,
- ♦ failure to carry out or wait for approval of legally required environmental impact assessments,
- ♦ Clearance of tropical peat and forests without legally required permits.

The West Kalimantan subsidiaries, PT Wilmar Sambas Plantation (WSP), Buluh Cawang Plantation (BCP) and Agro Nusa Investama (ANI) violated Wilmar's own corporate social responsibility policy, Indonesian law and the Principles and Criteria of the RSPO, to which Wilmar has belonged since 2005. Local communities affected by Wilmar's plantations demanded that the company halt operations on the ground while proper and thorough EIAs were conducted and that there should be a transparent consultation process to gain the communities' consent for land acquisition.

In spite of concerns raised by NGOs about Wilmar's operations, the IFC made three investments to the group and helped it to get funds through the Global Environmental Facility. In so doing, it did not carry out proper due diligence and disregarded IFC Performance Standards while wrongly claiming that Wilmar met RSPO standards. The environment ministry had issued instructions in April 2007 to PT WSP and BCP to stop all operations until the EIA had been completed and approved, but these were ignored. PT ANI continued to operate a processing mill and to expand its plantation without an EIA for these.<sup>32</sup>

Based on that complaint, dispute resolution procedures with just two of the impacted communities, Senujuh and Saginang Kecil in Sambas, were mediated by the CAO, and set some good precedents, although some problems are still being addressed on the ground.<sup>33</sup>

**Riau and Jambi:** a second complaint was lodged on 19th December 2008 when NGOs learned that the IFC was providing further support for Wilmar without due diligence. The complaint listed 19 other problematic Wilmar operations and urged that the CAO/IFC deal with the systemic problems in Wilmar's supply chain. However, the CAO/IFC chose instead to address only a few specific cases. Progress was made in one of the two cases raised, where the CAO set up mediation processes, namely **PT Citra Riau**, in relation to the community of Pangean in Riau. However, in the other case, **PT Asiatic Persada**, in Jambi, serious problems persist between the Batin Sembilan

## The other three biodiesel producers exporting to Europe

These biodiesel producers were named alongside Wilmar in the EU anti-dumping investigation.

Biodiesel producer	Group/parent company	Biodiesel	Location & plantations	RSPO certifications & other information
PT Ciliandra Perkasa	Subsidiary of First Resources Lt, Singapore.	Capacity: 250,000t/year. The Group has a refinery and fractionation plant located in Dumai, Riau province, near Dumai port and easily accessible from its existing palm oil mills. The biodiesel plant enables the Group to produce palm-based biodiesel, using Stearin as a feedstock.	All plantations are based in Riau, and East and West Kalimantan provinces. With more than 146,000 hectares planted and a "sizeable landbank for ongoing new plantings", the group claims to occupy a leading position in the Indonesian oil palm industry. Twelve existing mills have a total processing capacity of 4,050,000 tonnes of fresh fruit bunches (FFB) per annum. In FY2012, the company produced 525,831 tonnes of CPO.	Its 2011 sustainability report, the company specifically mentions the EU's RED directive as an opportunity to sell biodiesel. "Through the Renewable Energy Directive, the European Union requires 10 per cent of diesel and petrol to be derived from renewable sources by 2020. For First Resources, this is an opportunity to produce certified sustainable biofuel to meet the growing global demand for environmentally-friendly energy.  First Resources is an RSPO member but none of its operations are certified yet. More details of the companies operations are in its report to RSPO <a href="http://www.rspo.org/sites/default/files/ACOP2012_GRW_1-0047-08-000-00-2.pdf">http://www.rspo.org/sites/default/files/ACOP2012_GRW_1-0047-08-000-00-2.pdf</a>
PT Musim Mas Medan	The company's website does not seem to have been updated since 2006. <sup>i</sup>	420,000t/yr capacity, according to ESDM. According to Profundo, 2009, <sup>ii</sup> in 2007 Musim Mas opened its first biodiesel plant in Medan, with an annual capacity of 200,000 tonnes. A second plant on Bangka island, with an annual capacity of 350,000 tonnes, was under construction. Opening was planned for the first quarter of 2009.	According to latest report to the RSPO, the company's plantations are in Riau, West Kalimantan, with 24,011 ha planted, plus 1,683 ha smallholder estates.	All plantations are certified.
PT Pelita Agung Agrindustri	Permata Hijau Group <sup>iii</sup> , based in Medan, North Sumatra.	Biodiesel plant in Dumai, Riau. Capacity 200,000t/yr.	Listed as processors and traders by the RSPO (the company is a member).	Latest RSPO report: no certified products yet, but aiming towards 100% certification.

Sources: [http://www.musimmas.com/corp\\_prof.html](http://www.musimmas.com/corp_prof.html); German Banks in the palm oil sector; Platform Sustainable Biomass, Profundo, 2009, Jan Willem van Gelder, Profundo, [www.profundo.nl](http://www.profundo.nl), April 2009; [http://www.permatagroup.com/index.php?option=com\\_frontpage&Itemid=1](http://www.permatagroup.com/index.php?option=com_frontpage&Itemid=1)

communities and the company. The company, once owned by the private sector investment arm of the UK overseas aid agency (CDC),<sup>34</sup> was identified as having caused the longest lasting conflicts of oil palm companies operating in Jambi province.<sup>35</sup> In August 2011, attempts to evict local community from their Sungai Beruang territory led to 80 homes being destroyed by the special forced police (Brimob) and one local person was shot with a rubber bullet.<sup>36</sup> This was the subject of a third complaint to the CAO.<sup>37</sup> In October 2013, a number of Batin Sembilan indigenous communities affected by Asiatic Persada's operations called on the Governor of Jambi province to immediately revoke the company's HGU (business use permit), due to the ongoing hardships they had suffered and total lack of benefits derived from the

company's presence. Mediation efforts facilitated by the CAO had stalled following the sale of Asiatic Persada by Wilmar to PT Agro Mandiri Semesta of the Ganda Group, with no prior consultation with the affected communities, and while mediation was underway.<sup>38</sup>

The number of conflicts with communities and the regularity with which problems arise, points to the systemic problems associated with Wilmar's operations, as highlighted in a letter to the IFC's Compliance Advisory Ombudsman (CAO) in March last year, signed by FPP, Sawit Watch and eight other Indonesian and international CSOs. The letter noted reports of serious problems in many Wilmar operations - over and above the specific cases taken up with the CAO listed below. These

included land disputes or other local community grievances across a whole raft of Wilmar subsidiaries noted since 2007. The letter notes a previous request, in 2011, which urged the CAO to carry out a wider review of Wilmar's operations as they relate to land acquisition and dispute resolution, and to ensure that the company adopts effective measures to systematically address land conflicts in its concessions in line with international human rights standards, the IFC Performance Standards and the Principles and Criteria of the RSPO.

The 2012 letter also noted that Wilmar is obliged to apply the IFC standards to its full supply chain, including suppliers which are not Wilmar subsidiaries, from which at least 70% and possibly as much as 90% of its palm oil is sourced.<sup>39</sup>

FPP notes that the series of complaints against Wilmar triggered a damning audit by the CAO of the IFC financing of Wilmar, which confirmed the problems raised in the CSO's 2007 complaint. The CAO audit in turn led the World Bank President to suspend all World Bank Group financing of oil palm worldwide for almost two years while the Bank consulted on it and adopted a Framework strategy for investment in the palm oil sector. "Since 2011, IFC investments in large palm oil companies have virtually stopped (although the IFC is considering three requests)", reported FPP in April this year, "and IFC efforts have been focused on how to channel funds into the sector through financial intermediaries while ensuring fair provision for smallholders."<sup>40</sup>

*"Meanwhile, on the ground, most disputes between Wilmar subsidiaries and communities remain unresolved and indeed continue to proliferate, both in Indonesia and now in Nigeria."*<sup>41</sup>

Other cases of complaints against Wilmar brought in Indonesia as well as in Nigeria and Uganda are listed by Friends of the Earth.<sup>42</sup>

Reports of conflicts related to Wilmar continue to reach the media, most recently in **Central Kalimantan**. Here, four villagers were injured by security guards at Wilmar's **PT Bumi Sawit Kencana** plantation in Kotawaringin Timur district in July 2013. The guards allegedly hit several residents of Pantap village and damaged their motorbikes. The villagers had been protesting against the company's digging of a ditch on land claimed by the villagers. Mongabay Indonesia reported that after this incident, the protesters fled to their village, told other villagers and then returned to the site, where they found guards arming themselves with homemade guns. The villagers burned two company security posts and damaged two trucks and a car belonging to the company. Four people were injured in this clash and a motorbike belonging to a villager was destroyed. The report stated that both sides

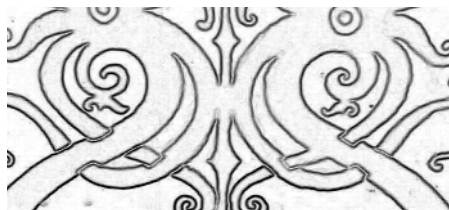
## New Greenpeace exposé 'Licence to Kill' links Wilmar to tiger habitat loss, illegal plantations

The makers of familiar consumer products such as Oreo biscuits, Gillette shaving products and Clearasil that source their palm oil through Wilmar are making consumers unwitting accomplices in the destruction of Indonesia's forests, and pushing critically endangered species like the Sumatran tiger to the edge of extinction, according to Greenpeace.

The organisation's report, *Licence to Kill*, published in October, reports the results of investigations into Wilmar-linked plantations in Sumatra, which found the company was linked to deep peatland fires in oil palm concessions; wholesale rainforest destruction and illegal oil palm plantations within the Tesso Nilo National Park; and extensive clearance of both tiger and orang-utan habitat.

Greenpeace says Wilmar is known to own, have a significant stake in or trade with most of the producers it has documented as engaging in such irresponsible or illegal activities.

The report is available from Greenpeace at: [http://www.greenpeace.org/international/Global/international/publications/forests/2013/LicenceToKill\\_ENG\\_LOWRES.pdf](http://www.greenpeace.org/international/Global/international/publications/forests/2013/LicenceToKill_ENG_LOWRES.pdf)



have since agreed a peace deal, but fears remain that the conflict will persist unless the roots of the longstanding problems are resolved. According to WALHI Central Kalimantan, the conflict is just one of many in the area related to community land being seized for concessions, none of which have been resolved.<sup>43</sup>

Mongabay Indonesia has listed the names of eighteen Wilmar subsidiaries in Central Kalimantan province, which cover a total of 276,920 hectares, including planted areas as well as land bank areas that have not yet been planted with crops.<sup>44</sup>

The process of land acquisition followed by another Wilmar subsidiary, **PT Mustika Sembuluh**, has been investigated in detail by a consortium of CSOs. This concession in Central Kalimantan was among the first to receive RSPO certification after an assessment by PT TUV Rheinland in 2009. The

2012 study by CSOs on the right to Free, Prior and Informed Consent in the PT Mustika Sembuluh concession, sought to establish whether some of the problems raised in the assessment had been addressed by the company. These included ongoing land disputes over destroyed graveyards, lack of identification and documented agreements between the company and local communities concerning their traditional rights and use of the land, lack of monitoring and surveillance of High Conservation Value (HCV) areas, and lack of regular monitoring and management of social impacts; all of which are required under RSPO certification criteria. The study found that many of the problems faced by communities persisted more than two years after the plantation was certified as sustainable and despite PT TUV's closure of the major non-conformance issues upon verification in December 2009. These related to enclaved land, pollution of the local rivers, HCVs and conflict resolution & mediation. There were also problems with communities being promised 'plasma' plantation land and not receiving anything like the legally required minimum share of land, plus illegal planting of palms close to rivers, lakes and streams, hampering community access to these resources.<sup>45</sup>

In **Papua**: Wilmar is also involved in the much-criticised MIFEE project in Papua.<sup>46</sup> While not in the oil palm sector,<sup>47</sup> this investment has raised the same concerns about the land acquisition process and potential impacts on communities. Wilmar subsidiary **PT Anugrah Rejeki Nusantara (ARN)** is seeking to acquire land for a sugarcane plantation in Baad village, Merauke. Here, local communities are facing pressure to hand over their customary lands for minimal compensation and very poor prospects of gaining any benefits. After seeing the devastating impact of MIFEE in the neighbouring village of Zanegi, where starvation and poverty have resulted from land acquisition by the Medco Group for an industrial timber plantation, villagers in Baad are thinking twice about releasing their land. This was documented by the NGOs FPP and Pusaka whose staff visited the area earlier this year.<sup>48</sup>

## Joined up accountability

As the latest conflict in Central Kalimantan demonstrates, current safeguards against corporate abuse of communities in Indonesia are not working. Neither can the EU assure its citizens that the biofuels fuelling transport, or generating heat and electricity in their countries are produced in anything like an environmentally and socially sustainable manner. Companies like Wilmar are profiting from policies aimed at reducing Europe's carbon emissions at the expense of communities and climate. The science has informed us that the policies are not fit for

purpose, and civil society organisations in Indonesia are calling on the EU to say no to biofuels from palm oil. The higher the cap on palm oil use, the bigger the problems on the ground in Indonesia, they say.<sup>49</sup> The EU needs to take responsibility for the damage done, and cut palm oil, along with all other damaging land-based biofuel feedstocks from its transport fuel and energy mix.

## Notes

1. DTE's first newsletter reference to Wilmar was in 2005, when it was named among companies whose concessions had been identified as hosting 'hotspots', or forest fires. See <http://www.downtoearth-indonesia.org/story/forest-fires-sumatra>. DTE has also published information about Wilmar and its subsidiaries, ranging from one woman's experience as a plantation worker health problems related to chemical spraying (see DTE 78, August 2008 <http://www.downtoearth-indonesia.org/story/working-oil-palm-plantation-snapshot-one-womans-life>) to Wilmar's appearance in pension fund research by Grain, see DTE 93-94: <http://www.downtoearth-indonesia.org/story/international-landgrabbing-picture-update>
2. The company trades palm oil from its own subsidiaries, but more than two thirds of the total palm oil it sells, is sourced from other companies. See Addressing systemic problems with Wilmar International, letter signed by FPP, Sawit Watch and 8 other CSOs, addressed to Meg Taylor, CAO/IFC, Washington DC, USA, 7th March 2012
3. Hurowitz, Glenn, 2012, Reducing Deforestation and Peatland Conversion from Palm Oil Expansion, cited in *Conflict or Consent? Oil palm expansion and community rights*, Marcus Colchester, Norman Jiwan and Sophie Chao, Forest Peoples Programme, Annual World Bank Conference on Land and Poverty 2013, [http://www.conftool.com/landandpoverty2013/index.php?page=browseSessions&form\\_session=36&presentations=show](http://www.conftool.com/landandpoverty2013/index.php?page=browseSessions&form_session=36&presentations=show)
4. Figures quoted are as at end of December 2012, Wilmar's web-page <http://www.wilmar-international.com/our-business/plantations-palm-oil-mills/>. The plasma schemes, also known as nucleus estate/smallholder, or PIR schemes, have been around since the 1980s, when they were introduced as part of the Indonesian government's mass population resettlement scheme, the transmigration programme. The scheme involves smallholder farmers - including the landowners who have given up their land for the scheme - being allocated land on which to grow crops (in this case oil palms) which they then sell to the company. Promoted as a partnership, such schemes can often mean cheap labour for companies, while in the worst cases smallholders can end up in a situation of debt-slavery. See, for example, *Ghosts on Our Own Land*, by FPP and Sawit Watch, 2006. <http://www.forestpeoples.org/topics/palm-oil-rspo/publication/2011/ghosts-our-own-land-oil-palm-smallholders-indonesia-and-roundt>
5. *Wilmar International*, Forest Peoples Programme webpage <http://www.forestpeoples.org/tags/wilmar-international> [no date] accessed 9/Oct/2013
6. *Wilmar International Limited, Investing for the future*, Annual Report, 2012
7. *Wilmar International Limited, Investing for the future*, Annual Report, 2012
8. *Wilmar International Limited, Investing for the future*, Annual Report, 2012
9. This is evident from the fact that total Indonesian biodiesel production for 2012 was only 1.9 million tonnes (2.21 million kl), according to Indonesian government data. See *Development of Bioenergy Utilization in Indonesia*, Powerpoint presentation by Dadan Kusdiana, Directorate of Bioenergy, March 27, 2013.
10. The other companies were: PT Ciliandra Perkasa, PT Musim Mas Medan and PT Pelita Agung Agrindustri. See table page 14.
11. 'Sampai Agustus, ekspor biofuel 492,000KL'. *Kontan* 20/Sep/2013.
12. Deputy Trade Minister Bayu Krisnamurthi was quoted by the Indonesian media group *Tempo* as saying that Europe was Indonesia's largest export target because the EU nations had obliged their citizens to use biofuel for their vehicles. ('EU to drop charges against RI Biofuel Subsidy, 16 August, 2013). PT Ciliandra, one of the four main exporters of biodiesel to the EU, for example, says in its 2011 sustainability report that the RED provides an opportunity to produce certified biodiesel.
13. *International Biodiesel Markets: Developments in production and trade*. Patrick Lamers, UFP/Ecofys, 2011.
14. The higher figure of 1.09 million tonnes for total imports to Europe is given in the *Jakarta Post*, quoting Eurostat data: see *Jakarta Post* 'Anti-dumping tariffs severely hurts exports' 1/Jan/2013.
15. *Development of Bioenergy Utilization in Indonesia*, Powerpoint presentation by Dadan Kusdiana, Directorate of Bioenergy, March 27, 2013, quoting KESDM data. The conversion from kl to tonnes is calculated by DTE on the basis that 1 kl=0.88 tonnes.
16. *Jambiekspres 'RI Bebas Tuduhan Dumping Biofuel'* 19/Aug/2013, says the four companies account for 90% of Indonesia's biodiesel exports, while the *Jakarta Post* 1/Jan/2013 puts the figure at 95%
17. *Mapping and Understanding the UK palm oil supply chain*, Proforest, DEFRA, April 2011.
18. *The EU Biofuel Policy and Palm Oil: Cutting subsidies or cutting rainforest?* Ivetta Gerasimchuk & Peng Yam Koh, September 2013. GSI/IISD Research Report for FoE Europe (2012/2013, two different sources quoted). Here, 'palm oil' means crude palm oil (CPO) and doesn't include palm kernel oil (PKO).
19. *The EU Biofuel Policy and Palm Oil: Cutting subsidies or cutting rainforest?* as above.
20. *The EU Biofuel Policy and Palm Oil: Cutting*

# Addressing the impacts of the EU's agrofuels policies on Indonesia

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**WALHI**

**MISEREOR**  
IHR HILFSWERK

This four-page briefing can be downloaded from DTE's website: [http://www.downtoearth-indonesia.org/sites/downtoearth-indonesia.org/files/Agrofuels\\_4page\\_briefing-lowres.pdf](http://www.downtoearth-indonesia.org/sites/downtoearth-indonesia.org/files/Agrofuels_4page_briefing-lowres.pdf)

- subsidies or cutting rainforest? as above
21. Based on business-as-usual scenario, IISD shows palm oil imports for making biodiesel rising to 2.3-2.9 million tonnes by 2020. *The EU Biofuel Policy and Palm Oil: Cutting subsidies or cutting rainforest?* as above.
  22. *The EU Biofuel Policy and Palm Oil: Cutting subsidies or cutting rainforest?* as above.
  23. Refineries operated by Cargill, IOI Loders Crokiaan, MaasRefinery, Sime Darby Unimills and Wilmar, as listed in *Mapping and Understanding the UK palm oil supply chain*, Proforest, DEFRA, April 2011. A further refinery has been built by Finland-based Neste Oil. See *The EU Biofuel Policy and Palm Oil: Cutting subsidies or cutting rainforest?* as above.
  24. See *The EU Biofuel Policy and Palm Oil: Cutting subsidies or cutting rainforest?* as above.
  25. '25 Orang Terkaya di Indonesia versi Forbes', *Bisnis Indonesia* <http://www.bisnis.com/25-orang-terkaya-indonesia-versi-forbes> 10/Jul/2013
  26. <http://www.wilmar-international.com>, accessed 11/Oct/2013
  27. See Friends of the Earth, *Landgrabs, forests & finance*, Issue Brief #4, Wilmar International and its Financiers, Commitments and Contradictions, [http://libcloud.s3.amazonaws.com/93/47/8/3077/Issue\\_Brief\\_4\\_-\\_Wilmar\\_International\\_and\\_its\\_financiers\\_-\\_commitments\\_and\\_contradictions.pdf](http://libcloud.s3.amazonaws.com/93/47/8/3077/Issue_Brief_4_-_Wilmar_International_and_its_financiers_-_commitments_and_contradictions.pdf)
  28. See Friends of the Earth, *Landgrabs, forests & finance*, Issue Brief #4, Wilmar International and its Financiers, Commitments and Contradictions, as above.
  29. [http://www.rspo.org/en/current\\_list\\_of\\_supply\\_chain\\_certification](http://www.rspo.org/en/current_list_of_supply_chain_certification), checked 11/Oct/2013.
  30. See [www.forestpeoples.org](http://www.forestpeoples.org)
  31. See Procedural irregularities and standards violations in IFC support for Wilmar Trading, NGO letter to CAO/IFC, dated 18th July 2007, <http://www.forestpeoples.org/sites/fpp/files/publication/2010/08/ifcwilmarfppletjul07eng.pdf>
  32. 'Communities forced Wilmar to address bad practices', *DTE* 76-77, May 2008, <http://www.downtoearth-indonesia.org/story/communities-force-wilmar-address-bad-practices>
  33. Addressing systemic problems with Wilmar International, letter signed by FPP, Sawit Watch and 8 other CSOs, addressed to Meg Taylor, CAO/IFC, Washington DC, USA, 7th March 2012
  34. It was sold to Cargill in 2005, See <http://www.downtoearth-indonesia.org/story/brief-dte-67-november-2005> which then sold it on to Wilmar.
  35. Indonesia: the Governor of Jambi Province must take action to tackle unscrupulous conduct of palm oil plantation PT Asiatic Persada, 7/Oct/2013, Press Release by Setara Jambi, Sawit Watch, FPP, Perkumpulan Hijau, CAPP.
  36. Indonesia: the Governor of Jambi Province must take action to tackle unscrupulous conduct of palm oil plantation PT Asiatic Persada, as above.
  37. Addressing systemic problems with Wilmar International, letter signed by FPP, Sawit Watch and 8 other CSOs, addressed to Meg Taylor, CAO/IFC, Washington DC, USA, 7th March 2012.
  38. Indonesia: the Governor of Jambi Province must take action to tackle unscrupulous conduct of palm oil plantation PT Asiatic Persada, as above.
  39. Addressing systemic problems with Wilmar International, as above.
  40. The World Bank's Palm Oil Policy, FPP 29/Apr/2013, <http://www.forestpeoples.org/topics/palm-oil-rspo/news/2013/04/world-bank-s-palm-oil-policy>
  41. The World Bank's Palm Oil Policy, FPP 29/Apr/2013, <http://www.forestpeoples.org/topics/palm-oil-rspo/news/2013/04/world-bnk-s-palm-oil-policy>
  42. See Friends of the Earth, *Landgrabs, forests & finance*, Issue Brief #4, as above.
  43. 'Palm oil company guards injure four villagers in Indonesian Borneo clash' Diane Parker, *Mongabay Indonesia* 29/Jul/2013
  44. 'Bentrok Warga Pantap vs Satpam Wilmar Buntut Konflik Lahan Berlarut', Sapariah Saturi, *Mongabay Indonesia*, July 28, 2013.
  45. For details see *Conflict of Consent? The Palm Oil Sector at the Crossroads, A study on the right to Free, Prior and Informed Consent in PT Mustika Sembulu, Central Kalimantan*, by Sophie Chao, Agustinus Karlo Lumban Raja, Fandy Achmad Chalifah and Ratri Kusumohartono, FPP, WALHI, Sawit Watch, November 2012.
  46. See <http://www.downtoearth-indonesia.org/campaign/mifee>
  47. Earlier this year the company announced a joint venture to develop oil palm plantations in Papua with the Noble Group, but the plans were cancelled when months after it was announced, as it failed to secure approval. 'Wilmar says plan stalled as not approved by authorities', *Reuters* 23/Jul/2013.
  48. See Starvation and poverty in Indonesia: civil society organisations appeal for suspension of the MIFEE project in Papua pending redress for local communities, Press Release by FPP, Pusaka and DTE, 2/Sep/2013, <http://www.downtoearth-indonesia.org/story/starvation-and-poverty-indonesia-civil-society-organisations-appeal-suspension-mifee-project-p>. When Pusaka and FPP sought to arrange a meeting with PT ARN in April 2013, to learn more about the community consultations underway at the Papua concession, the company's branch manager refused to enter into reasonable communication with the NGOs, a behaviour which was at odds with Wilmar's commitments and core values. This was highlighted in a complaint by the NGOs submitted to Wilmar's head of corporate social responsibility. See FPP, Pusaka, Sawit Watch letter, dated 19th April 2013, <http://www.forestpeoples.org/topics/palm-oil-rspo/publication/2013/international-and-indonesian-civil-society-organisations-compl>
  49. See 'An agrofuels message to Europe's MEPs from WALHI and Sawit Watch'. *DTE* video, 11/Sep/2013, <http://www.downtoearth-indonesia.org/story/agrofuels-message-europes-meps-walhi-and-sawit-watch> ♦



Collecting oil palm fruit, Riau (Photo: DTE)

# Plantations, pumps & power stations

*How oil palm produced in Indonesia ends up in Europe's transport and electricity systems*

The following information is largely drawn from *Mapping and understanding the UK palm oil supply chain*, Proforest's April 2011 report for the UK government.

## From plantation to mill:

Palm oil comes from the fruit of the oil palm tree (*Elais guineensis*), which is grown in plantations in Asia, Africa and South America. The fruit, called Fresh Fruit Bunches (FFB) in the industry, is harvested all year round and crushed in a mill, usually on or near the plantation, to extract crude palm oil (CPO) from the fleshy part of the fruit.

The palm kernels are also separated from the fruit, extracted from the palm nuts and crushed to extract palm kernel oil (PKO). Additionally, palm kernel expeller or meal (PKE or PKM) is also produced from the kernel crushing process.

Other residues are produced too (palm shells, palm fibres and empty fruit bunches (EFB), some of which may be used for local energy generation at the mill. The fibres and EFB are not available on the commodity market.

## From mill to pump: biodiesel for transport fuel

The main marketable products from the mill are: the oils - Crude palm oil (CPO) and palm kernel oil (PKO) - and the palm kernel meal (PKE/PKM). These form the raw materials for a huge variety of products in the food, cosmetic, cleaning, animal feed and industrial sectors as well providing feedstock for power stations and transport fuel in Europe.

The main processes involved in processing the mill products used in transport in Europe are shown in figure 1.

To make biodiesel suitable for the EU market, the palm oil (CPO and PKO) is transported to a refinery where it is processed (through a process called transesterification) into Palm Methyl Ester (PME). This happens either in Europe, using imported palm oil, or in Southeast Asia. The PME is then blended with similar products made from other oils (e.g. rapeseed and soy). At this point, the blended product is called FAME (Fatty Acid Methyl Ester). The FAME is mixed with fossil fuel diesel at an oil refinery to make the finished product. In the UK, FAME accounts for up to 7% of the finished fuel (as reported in 2011).

PME is made both in Indonesia and Europe, while FAME and the end-product (biodiesel and fossil diesel blend) is mostly blended in Europe.

In the UK the biodiesel blend is distributed via underground pipes from coastal refineries to terminals in the Midlands. There is also a network of independent coastal terminals which distribute fuel. It is then transported from these terminals or depots to petrol stations and private and public sector customers.

## From mill to power stations: palm oil products for electricity generation

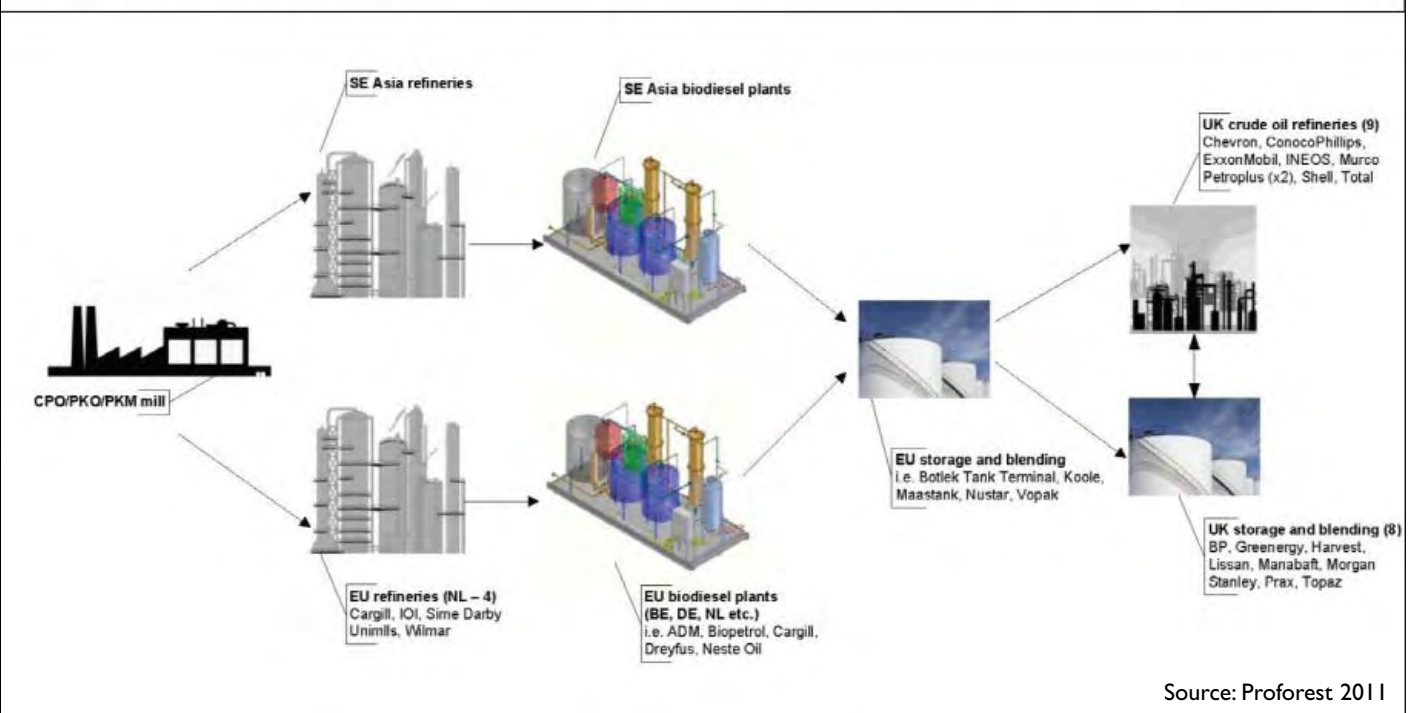
Palm oil (CPO and PKO) can be used as feedstock for power stations as well as palm kernel meal (PKM) directly - i.e. it is shipped directly to Europe and transported to the power stations requiring it. Palm oil is termed a bioliquid, while PKM is termed a solid biomass.

Palm oil is also processed into other products, including Palm Fatty Acid Distillate (PFAD), stearin and olein at refineries in Europe before being distributed for use in power stations.

The processes involved are shown in figure 2, next page.

**Figure 1**

**CPO & PKO → refinery (transesterification process) → PME (palm oil biodiesel) → FAME (blended biodiesels) → Final product (biodiesel blend, blended with fossil diesel)**



Source: Proforest 2011

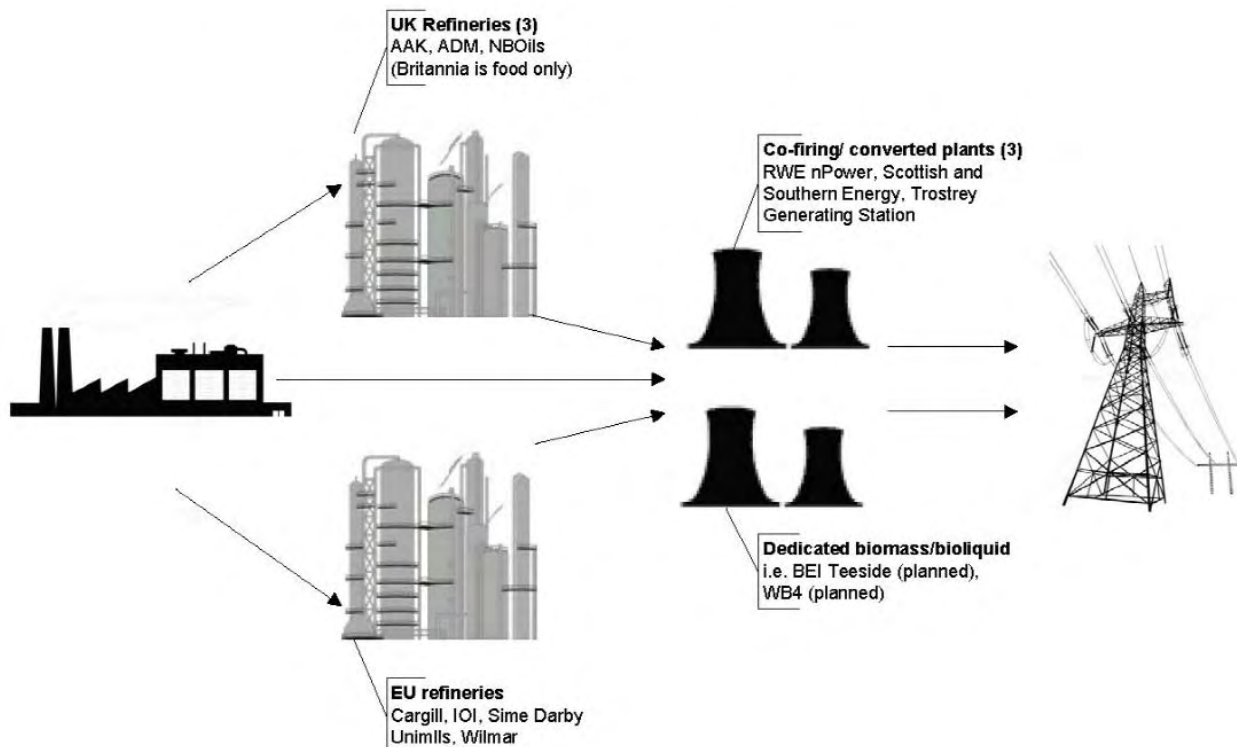
PKM → direct to power stations and used for energy generation and co-firing with coal (burning coal and PKM/PKE together)

CPO → energy generation

CPO & PKO → Palm Fatty Acid Distillate (PFAD) → energy generation (co-firing with other fuel) (potential)

Biodiesel can also be used to generate electricity

*NB: The processes are recorded as in use or having potential for use by Proforest in their 2011 report.*



Source: Proforest 2011

### Useful links for agrofuels, plantations, land and rights:

[www.forestpeoples.org](http://www.forestpeoples.org)  
[www.foeurope.org](http://www.foeurope.org)  
[www.sawitwatch.or.id](http://www.sawitwatch.or.id)  
[www.walhi.or.id](http://www.walhi.or.id)  
[www.aman.or.id](http://www.aman.or.id)  
[www.biofuelwatch.org](http://www.biofuelwatch.org)  
<http://www.rightsandresources.org/>  
[www.landcoalition.org/](http://www.landcoalition.org/)  
<http://www.huma.or.id/>  
<http://www.kpa.or.id/>  
<http://www.actionaid.org.uk/food-not-fuel/the-biofuels-debate>



**All of DTE's English language publications can be accessed via [www.downtoearth-indonesia.org](http://www.downtoearth-indonesia.org)**

**Indonesian language materials are at [www.downtoearth-indonesia.id/](http://www.downtoearth-indonesia.id/)**



## The struggle for land

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DTE Special Issue newsletter on land  
Available at [www.downtoearth-indonesia.org](http://www.downtoearth-indonesia.org)

## Hutan untuk Masa Depan

Pengelolaan Hutan Adat di Tengah Arus Perubahan Dunia



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Indonesian version of AMAN-DTE book  
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website [www.downtoearth-indonesia.org](http://www.downtoearth-indonesia.org)



Photo: boy on truck loaded with palm oil fruit bunches, Sumatra. (DTE/Betty Tiominar)

Change of address: DTE's new mailing address for publications and website -related matters is:  
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