



How to establish a moratorium on deforestation for palm oil in Indonesia?

Recommendations developed by Unilever

Deforestation and palm oil

Deforestation is the source of about 20 % of global GHG emissions. Palm oil is one of the drivers of deforestation. Especially development of peat land for oil palm is causing huge GHG emissions. After a lull in oil palm development towards the end of the last century, the promise of development of a market for palm oil based biodiesel, in combination with high commodity prices, attracted a lot of money from investors for new oil palm development in 2006-2007. Indonesia continues to communicate about the role expansion of the palm oil sector will play in the economic development of the country, particularly for smallholders who are part of the relocation programme (to reduce population pressure in the island of Java). The forests that oil palm replace happen to be the sole habitat of the orang utan, Sumatran tiger and forest elephant, giving NGOs the perfect icon species to raise public awareness.

What would a moratorium on deforestation have to achieve?

A moratorium on deforestation is, by definition, a complete stop on deforestation, regardless of the type of forest, for a pre-determined period of time. Such a moratorium would have to be issued by the Government of the Republic of Indonesia. A 2-3 year moratorium on deforestation would have to be used to create reliable maps of Indonesia (and other countries in SE Asia), detailed enough to map High Conservation Value Forests and High Carbon Value Landscapes. These maps should then be used as the basis for a new land use planning policy for Indonesia, at federal, provincial and district level. The maps would indicate what lands would need to be protected, for either Conservation or Carbon value, and what lands could be developed for agriculture. Such maps exist for relatively small parts of Indonesia only. Once the new land use planning policy is in place, the moratorium would be lifted.

Greenpeace and Unilever work together in a coalition, in which they try to create momentum in support of a moratorium on deforestation. Greenpeace and coalition members can use this momentum for political lobbying in the lead up to the Copenhagen conference on Climate Change end of 2009.

Why could a moratorium on deforestation create a problem for palm oil producers?

Malaysia no longer develops new plantations, with the exception of the Malaysian part of Borneo. But a substantial amount of Malaysian oil palm money is finding its way into developments in Indonesia, where deforestation is still heavy.

Developing land is considered good practice in Indonesia and Malaysia ("opening up new land") as it will bring prosperity. Governments and educated citizens consider it their duty to bring Forest Peoples out of poverty by offering them a proper livelihood in villages and cities. An argument often heard is that countries such as Indonesia (one can hear the same argument in Brazil related to soybean) have no choice but to deplete their natural resources in order to achieve economic development.

The combination of global population growth and economic growth will lead to a doubling of demand for agricultural produce in the next 40-50 years. As soon as this potential demand growth is reflected in commodity prices again, investment money will start to flow, again, into oil palm development.

The value of plantation companies is therefore to a considerable extent determined by the size of the (undeveloped) land bank they possess, control, or can get access to (by getting concessions granted by provincial governors and district "bupatis" (district leaders)). Without any guarantee of alternatives or financial compensation, agreeing to a moratorium would mean agreeing to destroy the future

earning potential of these land banks. It is important to bear this concern in mind when calling for a moratorium and finding ways to make it work in practice.

What is needed to make a moratorium possible?

The very first step would be for the Indonesian Government to accept that a moratorium on deforestation is necessary, inevitable, possible and realistic. For this to happen, conditions need to be created which can both convince the Indonesian Government this is a necessary development and pre-empt any legitimate concerns they may have. From these conditions, a number of financial and technical tools need to be developed.

These conditions would include the following:

- 1 There must be a financial compensation mechanism that makes it attractive for governments to protect forests, rather than convert them to agricultural land.
- 2 There must be agreement among technical specialists that High Conservation Value mapping and Carbon Value mapping is doable in a reasonable amount of time, e.g. starting from satellite images.
- 3 Demand/supply scenarios need to be developed to explore what the realistic minimum and maximum future global demand for palm oil is going to be. Obviously, this will very much depend on what EU/USA will do with regard to their biofuels policies.
- 4 Realistic supply scenarios would need to make clear what can be expected from sector-wide investment in yield improvement (which would be a combination of replanting with higher yielding varieties, and better plantation management practices to optimise Oil Extraction Ratios from existing plantings). A 100 % yield increase from existing plantations might well be possible, but would require at least 20 years.
- 5 There must be sufficient willingness to use the mapping data not only to identify no-go areas for oil palm expansion (High Conservation Value and High Carbon Value), but also go areas. Preferably, these would be areas which have not only been deforested, but which also have degraded soils. Rehabilitation of soils and subsequent planting of oil palm would also bring in carbon credits.
- 6 Business players in the palm oil supply chain would have to become very vocal in their support for such a development.
- 7 NGOs and other relevant expert organisations would have to cooperate to tackle the multitude of technical questions which still exist around mapping, HCVF assessment, Carbon stock assessment, and degraded land development (which includes social issues around squatters, land use rights etc).
- 8 If go and no-go areas are going to be defined, then it must be possible for plantation companies to swap concessions in forested areas for concessions in non-forested and degraded areas. There is an opportunity cost involved in doing that: the foregone income from selling timber. A Palm Oil Development Fund for soft loans should be set up to compensate for this, and there should be clarity and agreement on how and by whom this Fund is governed.

What would be required to make a moratorium work?

- 1 A monitoring system would need to be put in place. Frequent monitoring of (real time) satellite images would have to identify where deforestation seems to be taking place¹. These areas would then have to be visited, to confirm deforestation. If so, authorities should be warned and appropriate measures taken.
- 2 There must be a financial compensation mechanism to compensate the Government of the Republic of Indonesia for the costs involved in the monitoring and for the conservation cost for protecting the forests.
- 3 There must be an established mechanism for plantation companies to swap forest concessions for waste land concessions.
- 4 There must be a well developed procedure for developing waste lands, including Free, Prior and Informed Consent mechanism for negotiating the land use rights with people who live on the waste lands or depend on them for their livelihoods.
- 5 There must be an Oil Palm Development Fund, to support plantation companies in the financing of the waste lands development, in the absence of cash flow from harvested timber.

¹ anywhere, during the moratorium, in no-go areas after the moratorium has been lifted