

## ***EU Indigenous Community Palm Oil Tour 2016 Indonesia Briefing***

### ***Sustainable Disaster***

Palm oil plantation in Indonesia accounts for some 13.5 million hectares of land, and this is set to increase with more permit applications being received by the government to convert forest estates to palm oil plantation.

The applications are mainly for land in Papua, which has become a target for palm oil businesses after the reduction of land carrying capacity in Sumatra and Kalimantan. To date, 84 companies are known to have applied for permits to convert 2,153,484 hectares of forest land to palm oil plantations. Of these, 35 companies have so far been granted permits from the government.

The increase of palm oil investment is driven by the increase in demand of world crude palm oil (CPO) production. Indonesia is ranked the top world exporter of palm oil, accounting for 44% of the world's exported palm oil.<sup>1</sup> In 2000, Indonesian CPO production reached 7 million tons; by 2014, this had increased to 33.5 million tons – USD \$18.9 billion in export income. CPO production is predicted to increase to 78 million tons in 2020, along with an expansion in plantations. Palm oil has become the most valuable export after coal, oil and gas.

In Papua, as in Sumatra and Kalimantan, the development of palm oil plantation is linked to logging. Trees can be felled using cost-effective methods, and used as economically valuable timber. The land can then be converted to plantations by a sister company. As an example, Korindo Group in the upstream of Mbian and Digoel rivers in Papua supplied the plywood company PT. Korindo Abadi through their two logging companies PT. Tunas Timber Lestari and PT. Inocin Abadi, as well as six of their oil palm plantation companies: PT. Papua Agro Lestari; PT. Tunas Sawa Erma I & II; PT. Berkat Cipta Abadi; PT. Dongin Prabhawa and PT. Bio Inti Agrindo.

Indonesian President Joko Widodo's new administration recently issued an economic deregulation policy package in relation to the investment in natural resources. This includes accelerating the speed of projects, tax breaks, and less bureaucracy. He has also shared his plans to remove obstacles to plantation development, by removing the need for permits for nuisance, building, small and middle industry, construction in industrial areas, and environmental impact assessment. Together these will substantially increase the ease of palm oil plantations.

In 2010, the government's Ministry of Forestry Regulation issued policy P.33/Menhut-II/2010 regarding Procedures of the Release of Convertible Production Forest Estate. This supported the development of outside-forestry activities, including the transmigration programme, agricultural and oil palm plantation cultivations by excluding Papua and West Papua regions from regulations restricting a group of companies from converting more than 200,000 hectares of forest area to plantations.

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<sup>1</sup> See: <http://www.mongabay.co.id/2016/03/18/sawit-berkelanjutan-standard-sertifikasi-dan-desakan-perubahan/>

The pro-corporation policy strengthens land tenure and ownership of palm oil plantations. Twenty-nine families invest heavily in 25 parent companies which control about 3.1 million hectares of oil palm in Indonesia. These companies include Sinar Mas Group, Salim Group, Jardine Matheson Group, Wilmar Group and Surya Dumai Group (TUK Indonesia, 2015).

There are concerns about the impact of large-scale plantations on the welfare of local people and environmental sustainability. Agrarian Reform Consortium (KPA, 2015) noted 252 agrarian conflicts in Indonesia, covering 400,430 hectares; of these 127 cases around half are related to the oil palm industry sector. Many of the conflicts have a background of land grabbing and unjust benefit sharing, and have faced allegations of violence; human rights violations; cheap labour and discrimination against local and indigenous people; ecological disaster and environmental destruction; and the loss of important sites and food sources for people.

In Papua during 2015, four people who hold customary rights on their land were jailed for protesting against oil palm company ANJ Group in South Sorong, West Papua. Communities near the oil palm of Good Hope Group in Nabire and Korindo Group in Merauke and Boven Digoel endured repeated physical and verbal violence. A similar fate was experienced by members of peasant organisations in Kuburaya, West Kalimantan and North Sumatra. The tension between Suku Anak Dalam ethnic group and PT. Asiatic Persada (Wilmar Group) is ongoing with no clear prospect of dispute resolution.

Forests have been cleared for oil palm plantations using the slash and burn technique, which is cheap but resulted in severe forest and peat fires from September to November 2015. It is estimated that the fires burned across 2.6 million hectares of land, causing 19 deaths and costing tens of billion of rupiah.<sup>2</sup> Most of the cases were from five hotspots, one of which was located inside the oil palm plantation concession area. The fires caused a haze, containing particles of silica, alumina, iron oxide, and lead, all of which can lead to conditions such as Alzheimer's Disease and Parkinson's Disease.

Conversion of forest area to palm oil plantation causes deforestation, environmental destruction and the loss of biodiversity. Communities in Papua have been evicted from crucial sites such as villages built around growth of the staple food sago, or around traditional medicines. Hunting spots, sacred sites and cultural sites have all been lost. Malind tribes who live near Mbian River, Muting district, Merauke, found animals such as fish and crocodiles dead in the river following forest clearance for oil palm plantation. The use of uncontrolled pesticides caused contamination on land and in water. Herbicide *paraquat dichloride* is still used by some companies to remove reeds despite the danger it presents to communities.

In 2011 the government issued a regulation regarding guidelines for Indonesian sustainable palm oil (ISPO), bringing the industry in line with regulations in Indonesia and improving its sustainability. The regulation was revised in 2015, becoming mandatory for all palm oil plantation businesses registered before December 2014 and voluntary for others. Alongside ISPO, there is the Roundtable Sustainable Palm Oil (RSPO), established in 2004, which was set up to develop and implement the standard and system of certification of sustainable palm oil management. RSPO is voluntary. In short, the policies and standards which are based on the principles of human rights as well as local,

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<sup>2</sup><http://blog.cifor.org/39133/apa-dibalik-terjadinya-kebakaran-hutan?fnl=id>

national, and international rules and regulations, are not fully implemented, and the guidelines, which are formal and procedural, lack any meaningful law enforcement.

***Recommendations:***

1. National and local governments should issue and act upon policies to examine and review all company permits. Sanctions should be placed on companies found in violation of the law.
2. National and local governments should not grant new permits for palm oil plantation enterprises that requires conversion from natural forest or peat land.
3. National and local governments should issue a policy to recognise, protect and respect the right of communities to land and livelihoods, as well as develop a programme of natural resource management which favours people and sustainability of local natural environment.
4. The government should create a special institution under the President to resolve conflicts and rehabilitate the rights of communities and environmental carrying capacity.
5. Companies should conform to and implement the applicable rules and regulations of their work, should respect and protect the rights of the people, and assume responsibility for environmental sustainability.