

Photo: Two countries alone account for 85% of the global palm oil production: Indonesia (54%) and Malaysia (31%). Riau, Indonesia. © Kemal Jufri/Greenpeace



CHAPTER 5



From Process to Impact of a Voluntary Standard: The Round-table on Sustainable Palm Oil

Introduction

Industrial agricultural production in the tropics is known to have adverse social and environmental impacts (CBD, 2010). Firms—especially the ones exposed to consumer preference, such as retailers, processors and consumer goods manufacturers—are increasingly responding to these concerns. Nations in the tropics have established comprehensive political, legal and institutional frameworks to conserve biodiversity, including additional protections for great apes and gibbons; however, they continue to face challenges with respect to fulfilling their obligations under international environmental treaties such as the Convention on International Trade in Endangered Species (CITES), the Convention on the Conservation of Migratory Species, the Convention

In Asian contexts, great ape habitats are considered a part of agricultural landscapes, as opposed to landscapes that are being negatively affected by agriculture.

on Biological Diversity, the Convention on Wetlands of International Importance (Ramsar Convention) and the World Heritage Convention (Adams, 2004; Ruysschaert, 2013). Furthermore, as a majority of agricultural development occurs on remote forest frontiers, the enforcement of compliance tends to be poor.

Over the past ten years, firms and non-governmental organizations (NGOs) have responded by pushing for global sustainable standards for a range of agricultural commodities—with the aim of transforming global markets towards sustainability. One result has been the establishment of a number of roundtables that include private stakeholders of a supply chain, such as the Roundtable on Sustainable Palm Oil (RSPO), the Round-table on Responsible Soy, the Better Sugar Cane Initiative, the Better Cotton Initiative, the Roundtable on Sustainable Biomaterials (for agro-fuels) and the Sustainable Natural Rubber Initiative. The global standards promoted by these roundtables are complemented by the work of various organizations with specific social or environmental focuses. One of them, the Rainforest Alliance—which was established in 1987 and today counts 35,000 members—works with growers of commodities such as cocoa, coffee, palm oil and tea to conserve natural resources and ensure the long-term economic health of communities.

The most important voluntary standard in relation to great apes and gibbons, and perhaps for tropical biodiversity generally, is currently the palm oil standard governed by the RSPO. Palm oil accounts for about 40% of the global supply of vegetable oil (approximately 70 billion tons per year)—36% from the fruit of the palm and 4% from the palm kernel, the seed. Oil palm is grown in 27 tropical rainforest countries, but two alone account for 85% of the global palm oil production: Indonesia (54%) and Malaysia (31%). Palm oil demand continues to rise at rates of more than 6% per year (USDA, 2015).

Oil palm grows mainly in lowland humid areas (up to 1,000 m), which also serve as the natural habitats of most great apes and gibbons in Asia and Africa (Wich *et al.*, 2011, 2014). In Southeast Asia, there is direct competition between land use allocation for agricultural expansion and forest conservation, which also covers orangutans and gibbons (Fitzherbert *et al.*, 2008). Widespread oil palm expansion is considered the most significant threat to apes, especially the Sumatran orangutan, far outweighing other dangers such as hunting, live animal trade and diseases (Wich *et al.*, 2011).

This chapter explores in detail how the RSPO approaches the daunting task of effectively protecting biodiversity, especially apes and gibbons, considering the huge demand for agricultural expansion for oil palm cultivation.

The key findings include:

- In Asian contexts, great ape habitats are considered a part of agricultural landscapes, as opposed to landscapes that are being negatively affected by agriculture. A similar trend is being observed in Africa, raising questions about long-term ecological viability, especially in view of the absence of effective land use planning at the national level.
- Certified sustainable palm oil (CSPO) represents a mere 20% of global palm oil production; only half of it is sold with the CSPO label, which commands premium pricing. The remainder is sold as conventional oil without any premium, reportedly due to insufficient demand for sustainable oil, largely because only Western countries purchase CSPO and there is a lack of confidence in the certification process.
- The RSPO process involves a wide range of private stakeholders along the supply chain and follows key democratic principles, including participation, inclusivity and consensus. As a consequence, the

- process of reaching agreements that strengthen social and environmental indicators tends to be slow.
- Despite the implementation of the RSPO guidance document—the Principles and Criteria for Sustainable Palm Oil Production—efforts to protect biodiversity are not necessarily effective, due to a number of factors. In particular, only a small number of growers are members of the RSPO and undertake certification; the guidance leaves room for interpretation, which allows growers to reduce conservation areas; provisions do not apply to non-members, meaning that they are free to clear-cut forests that the RSPO has earmarked for conservation; not all local actors, smallholders or small-scale producers are included in the RSPO; and, in certain contexts, state regulations negate RSPO agreements.
 - After ten years of existence, the RSPO has acknowledged internal structural weaknesses that have kept it from preventing habitat destruction and securing ecologically viable conservation areas; accordingly, it has shifted its focus to raise global demand for CSPO and to enhance the credibility of the CSPO certification process, primarily by improving traceability and transparency across the entire supply chain, as well as by promoting RSPO+, which provides additional social and environmental safeguards.
 - The RSPO continues to face major challenges in identifying effective ways to factor local, socioecological contexts into its approach.

The chapter is split into three main sections. The first describes the RSPO: its history, architecture and operation as a democratic institution with a global vision. The second presents details on the challenges the RSPO faces in its efforts to achieve impact. The

final section discusses the RSPO's decision to shift its emphasis toward transparency and traceability across the entire supply chain in order to achieve the desired impacts on the ground. This chapter also features two case studies on how two leading agribusinesses—Wilmar and Olam—interpret and implement RSPO principles and criteria.

Launching an Institution with a Global Vision: The Creation, Architecture and Operation of the RSPO

Palm oil is currently the most widely used vegetable oil and demand is expected to continue to rise due to growth in global human populations and improved standards of living. Demand is likely to increase for food and non-food uses, including biofuel (Vis *et al.*, 2012). Oil palm is the most efficient crop with which to produce vegetable oil (USDA, 2015). It thrives in tropical climates, which is also where some of the most biologically diverse ecosystems on earth are found (Fitzherbert *et al.*, 2008).

Traditionally, oil palm cultivation took place in palm groves and as part of mixed farms in Africa; it originated in the humid tropical forests along the Gulf of Guinea in West and Central Africa. It was brought to Asia in 1848, and the first large plantations were planted in Sumatra in 1911 (Corley and Tinker, 2003). The industry developed in Indonesia and Malaysia, where significant improvements were made in plant material and management practices, enabling crop production at significant economies of scale. Although African-grown palm oil still supplies much of the domestic and regional demand in some areas (see Chapter 3), most countries are now importing the oil from Asia, with Malaysia and Indonesia dominating the world supply (USDA, 2015).

“ Widespread oil palm expansion is considered the most significant threat to apes, especially the Sumatran orangutan. ”

Photo: Sustainable palm oil includes a commitment to environmental responsibility and consideration of employees and communities.
© Wilmar International

The RSPO was initiated in 2001 by Migros, the largest consumer goods manufacturer and retailer in Switzerland, and facilitated by the World Wildlife Fund (WWF). It was created after a group of European retailers, processors and consumer goods manufacturers became increasingly worried about their public image in connection with news about deforestation in Southeast Asia; beginning in 1997, the international media had begun to report on large-scale forest fires that were producing extensive smoke and haze (Ruysschaert, 2013). The Swiss public was particularly concerned as Bruno Manser, a national activist who had led an international campaign highlighting rainforest destruction in Malaysia, disappeared in those forests in 2000 (BMF, n.d.). In addition, a number of downstream firms are based in the Netherlands, Switzerland and the United Kingdom, which also host the headquarters of some of the most powerful conservation NGOs, such as Friends of the Earth, Greenpeace and WWF. Firms therefore sought both to protect their reputation and to secure their long-term supply by seeking partnerships with the environmental sector (de Man, 2002).

The European firms secured the participation of some of the world's biggest palm oil producers and traders, especially in Malaysia, as well as the Malaysian Palm Oil Association and the Indonesian Palm Oil Association. These stakeholders and some key NGOs, such as WWF and Oxfam Novib, then established the RSPO as a yearly round-table in 2003, and as an association with about 50 members the following year (RSPO, 2004a). RSPO membership has steadily grown, reaching approximately 1,100 ordinary members as of February 2015 (RSPO, n.d.-d). The members are divided into seven categories: oil palm growers; palm oil processors; consumer goods manufacturers; environmental NGOs; social NGOs; banks and investors; and retailers.

RSPO Principles and Criteria

In 2011, the RSPO adopted a global vision to "transform markets to make sustainable palm oil the norm"; however, its basic objective is more humble, namely promoting the growth and use of sustainable palm oil (RSPO, 2004b, n.d.-e). While there is no agreed definition of sustainability, the results are assumed from the application of the following eight principles:



1. commitment to transparency;
2. compliance with applicable laws and regulations;
3. commitment to long-term economic and financial viability;
4. use of appropriate best practices by growers and millers;
5. environmental responsibility and conservation of both natural resources and biodiversity;
6. responsible consideration of employees and of individuals and communities affected by growers and mills;
7. responsible development of new plantings; and
8. commitment to continuous improvement in key areas of activity (RSPO, 2013b).

These principles, with their associated criteria and indicators, constitute a detailed guidance document—the Principles and



Criteria for the Production of Sustainable Palm Oil, which is also known as the P&C, the RSPO standard or the RSPO agreements. The document was approved at the RSPO General Assembly (GA) of 2007, after a two-year trial period. Further refinement during a round of negotiations in 2012–3 strengthened its environmental criteria and indicators. The next round of negotiations is expected to review this document after another five years (RSPO, 2013b). In this context, sustainability can be understood as a working concept to be improved over time, as each stakeholder category defends its own interests while all strive to advance together.

Following the RSPO GA approval of the guidance document in 2007, the RSPO introduced CSPO to the market in 2008. Certification enables downstream firms to label the final branded product with a distinctive CSPO trademark. Certification involves a two-step process in which the oil palm plantations and the mills—both of which are generally operated by large-scale producers—must be RSPO-certified. Growers are certified once an RSPO assessor has checked that they successfully implemented the principles and criteria of the guidance document in establishing and then managing their plantations.

The implementation of the detailed criteria and indicators associated with Principles 5 and 7 in particular ensures that RSPO certification contributes to the conservation of biodiversity. Principle 5 deals explicitly with biodiversity conservation, requiring the grower to conserve species and habitats and to control hunting. Individual ape species are not mentioned, but they are included in the more general wording, which stipulates that “rare, threatened or endangered species [...] shall be identified and [...] maintained and/or enhanced” (RSPO, 2013b, p. 25).

Principle 7 deals with new plantings—the stage at which there is a potential impact on ape habitats. It specifies that, as of November

2005, new plantings cannot replace primary forest or high conservation value (HCV) areas, which are particularly important to apes (RSPO, 2013b). For new plantation developments, planters must also comply with the RSPO New Planting Procedure, which requires independent environmental and social impact assessments (ESIAs) and HCV assessments. The latter have to be conducted by assessors who are approved by the HCV Resource Network, a group of organizations and certification bodies (HCV Resource Network, n.d.). These assessments must consider the presence and status of primary forests, HCV areas, peatlands and land owned by local people; they must also be posted alongside relevant management plans on the RSPO website for a 30-day public consultation period. The RSPO considers comments within this period and any serious or sustained objections must be resolved before field operations commence (RSPO, n.d.-c).

RSPO Architecture

Over time, the RSPO developed into an institution composed of three main bodies:

- the GA;
- the Board of Governors; and
- the Secretariat.

The RSPO GA is the main body and meets each November. Every ordinary member may present resolutions to advance its agenda and may cast one vote; GA endorsement requires a simple majority. In practice, three broad groups can be distinguished in the area of conservation: environmental NGOs, which present draft resolutions with a view to enhancing implementation of the guidance document to realize conservation gains, especially for ape habitat conservation, as discussed below; growers, who are often opposed to such resolutions due to the direct economic cost of implementing them; and

downstream firms, which demand CSPO, are indifferent to production requirements and do not bear the direct costs associated with implementing the resolutions (Ruysschaert and Salles, 2014).

In practice, the environmental NGOs get support from most of the downstream firms that form the bulk (close to 80%) of RSPO members and therefore control the GA. As a result, their resolutions usually pass despite the growers' opposition and the underrepresentation of environmental NGOs, which account for less than 3% of the RSPO members (RSPO, n.d.-d).

Two of these resolutions have contributed to ape conservation by according enhanced protected status to two specific ape habitats, thereby preventing RSPO members from converting those forests into plantations. The first of these, presented by the PanEco Foundation at the GA in 2008, concerned "the primary rainforests of Tripa"—600 km² (60,000 ha) of peat swamp forest on the

coast of Aceh, Sumatra. Tripa is an integral part of the world-famous Leuser Ecosystem, which is known for harboring the highest densities of orangutans globally. The second resolution, introduced by the Sumatran Orangutan Society at the GA in 2009, related to the "Bukit Tigapuluh Ecosystem," an orangutan reintroduction area on Sumatra.

Other regulations have affected ape conservation indirectly. The New Planting Procedure, which was proposed by WWF at the 2008 GA, requires growers to conduct a transparent public consultation for new permits on forestland before the land may be converted into oil palm plantations. This process allows stakeholders—especially NGOs and affected communities—to raise concerns before it is too late, for example if a planned conversion were to entail the destruction of ape habitat. At the 2009 GA, Wetlands International proposed the "establishment of a working group to provide recommendations on how to deal with existing plantations

TABLE 5.1

RSPO Board of Governors, February 2015

Category of members	Number of members	Names of members
Palm oil growers: one each from Malaysia, Indonesia, small-scale producers and other parts of the world	4	United Plantations Bhd PT Agro Harapan Lestari FELDA Agropalma
Palm oil processors	2	AarhusKarlshamn (AAK) IOI Loders Croklaa
Consumer goods manufacturers	2	Unilever Mondelēz International
Retailers	2	Retailers' Palm Oil Group Marks & Spencer
Banks and investors	2	Rabobank HSBC
Environmental NGOs	2	WWF International Conservation International
Social NGOs	2	Oxfam Novib Both ENDS
Total members	16	

Data source: RSPO (n.d.-a)

on peatlands,” largely to minimize oil palm expansion into peatlands, but also to prevent expansion into HCV forest. As a consequence, the guidance document was reworded to require efforts to minimize greenhouse gas emissions. This regulation supports apes as they live on high-carbon peatlands and in high carbon stock (HCS) forests, such as primary forests (Wich *et al.*, 2011).

Between GAs, a 16-member Board of Governors¹ provides the strategic direction of the RSPO, negotiating the implementation of GA decisions, giving instructions to the Secretariat to implement decisions and representing the organization. During the

GA, members from each category are elected to serve on the board for a two-year period (see Table 5.1).

The Secretariat manages the RSPO, organizing the yearly roundtable associated with the GA, promoting the RSPO worldwide and implementing the Board’s decisions. It manages the RSPO’s operational structure, which consists of four permanent Standing Committees (SCs) made up of RSPO members. These are the SC on Standards & Certification, Trade & Traceability, Communications & Claims, and Finance (see Figure 5.1). Working groups set up to deal with long-term issues support the committees, while

FIGURE 5.1

RSPO Structure Highlighting Bodies that Focus on Biodiversity



Source: Ruysschaert (2013)

short-term task forces are established to deal with specific issues. The Permanent Committee on Standards and Certification—through its Working Group on Biodiversity and High Conservation Values, Working Group on Greenhouse Gas and the Task Force on Compensation and Task Force on High Conservation Values—contributes directly to issues related to ape conservation (see the bodies marked in red in Figure 5.1).

The Quest for Legitimacy

As with other voluntary schemes with a global vision to transform a market, the RSPO is confronted with a dual challenge: to establish itself as a legitimate global standard while also holding its members accountable for their commitments (Ruysschaert and Salles, 2014). To meet that challenge, all the working groups and task forces function based on three principles:

- inclusive participation in each member category;
- consensus-building in reaching agreements; and
- transparency during the negotiation process and with respect to decisions made.

The implementation of these principles is intended to ensure the legitimacy of the agreements and to make members accountable for their actions in the implementation process, since they are the ones that negotiate and endorse the agreements.

To achieve environmental effectiveness and thus encourage growers to be accountable, the RSPO has made special efforts to ensure transparency, which is reflected in RSPO Principle 1. It has established a user-friendly system based on a database of member profiles, a public consultation procedure for new plantings and a complaints procedure (which is used to apply sanction mechanisms). In addition, members are

required to provide an “annual communication of progress” (ACOP); this information is accessible on the RSPO website and is used in RSPO reports that benchmark the members (RSPO, 2014a).

In addition to adhering to operational principles, debates among stakeholders consider issues such as:

- accountability;
- additionality;
- feasibility;
- flexibility;
- inclusiveness;
- pragmatism;
- rationality; and
- scientific robustness.

The management structure seeks to depoliticize the debate among the members (Boltanski and Chiapello, 2011; Cheyns, 2012). This approach facilitates communication among the stakeholders, as the terminology used in debates is compatible with the working styles of companies as well as NGOs (Persey *et al.*, 2011; Ruysschaert and Salles, 2014).

Case Studies: Industry Applications of RSPO Principles

The case studies presented in this section focus on two main industrial agricultural companies whose operations have had a direct impact on deforestation and forest degradation. Case Study 5.1 considers Wilmar International’s management of oil palm plantations in areas of significant biodiversity, while Case Study 5.2 examines the process by which Olam International selects new sites for development and CSPO production according to the RSPO standard.

CASE STUDY 5.1

Conservation in an Agricultural Landscape: Wilmar International

Wilmar International was founded in 1991. It has since risen to be Asia's leading agribusiness group with business activities encompassing the entire value chain of agricultural commodity processing, from the field to branding, marketing and distribution of a wide range of agricultural products. Wilmar and its joint venture plantations have a total of 2,860 km² (286,000 ha) of planted area in Indonesia, Malaysia and Africa. In addition, Wilmar also manages approximately 410 km² (41,000 ha) of schemed smallholders in Indonesia, under the Indonesia Plasma Scheme, and 1,370 km² (137,000 ha) of smallholders and outgrowers under a joint venture arrangement in Ivory Coast and Uganda. In the oil palm sector, Wilmar is not only one of the largest palm oil producers, it is also the main palm oil trader, holding 40% of the international market.

In 2005, soon after the RSPO was established, Wilmar International became an RSPO member. It actively participates in the RSPO's various working groups, including the ones that address conservation issues. While learning to become sustainable on the ground and implementing the RSPO's principles and criteria, Wilmar has been the target of a number of environmental NGO campaigns. Some NGOs filed complaints directly with the RSPO complaints panel, for example regarding Wilmar's operations in Nigeria in 2012, while others have made findings public, such as Greenpeace, which issued a press release in 2013 to point the finger at the company for clearing forests and endangering wildlife in Indonesia (Greenpeace, 2013; RSPO, 2013a).

Wilmar's sustainability commitments have been strengthened over time, largely in response to those campaigns. Wilmar not only assesses and manages HCV areas as required by the RSPO (see Box 5.1), but also announced a corporate policy of "no deforestation, no peat, no exploitation" in 2013. The policy is aimed at protecting forests, peatlands and human and community rights. The implementation of the policy requires assessments to be conducted for HCV forest areas, as well as for HCS areas, prior to the clearing of any land. Wilmar's assessment process—which includes stakeholder consultations—is designed to help the company minimize the impact of its operations on local communities and biodiversity. In 2015, Wilmar became the first agricultural commodities firm to disclose the names and locations of all of its suppliers in its Indonesian and Malaysian supply chain, in an effort to raise transparency and address deforestation (TFT, 2015).

Wilmar engages in the management of HCV areas in a number of ways, such as by participating in a state-run conservation program, in which Wilmar staff members are appointed as honorary wardens and rangers (see HCV Initiative 1); by partnering with conservation NGOs to implement conservation activities, monitoring and evaluation of the HCV areas (see HCV Initiatives 2 and 4); and by providing managed sites for the reintroduction of captive apes (see HCV Initiative 3).

HCV Initiative 1:

Honorary Wildlife Rangers in Sabahmas Plantations

In East Malaysia, which is also known as Sabah, Wilmar has an enforcement unit whose members have been appointed as honorary game wardens or honorary wildlife rangers. As such, they have the authority to prevent any illegal wildlife hunting and transportation in Wilmar's plantations and in the adjacent areas.

Wilmar gives high priority to the honorary wildlife rangers initiative in its Sabahmas Plantations, as the western border of the plantation is adjacent to the Tabin Wildlife Reserve, a 1,200-km² (120,000-ha) Class 1 (totally protected) area. It is home to the critically endangered Sumatran rhinoceros (*Dicerorhinus sumatrensis*) and other endangered species, such as the Bornean orangutan (*Pongo pygmaeus morio*), Bornean pygmy elephant (*Elephas maximus borneensis*), banteng (*Bos javanicus*), Malayan sun bear (*Helarctos malayanus*) and the Bornean clouded leopard (*Neofelis diardi borneensis*).²

In 2001, Sabahmas Plantations established its own conservation area of 5.27 km² (527 ha) consisting of a contiguous secondary forest ridge and adjacent flat areas that extend into the Tabin Wildlife Reserve. The conservation area was subsequently named the Sabahmas Conservation Area (SCA). Planting of oil palm was deferred because several herbivorous species—such as the banteng, sambar deer (*Rusa unicolor*) and Bornean bearded pig (*Sus barbatus*)—were observed grazing in the area. While the SCA provides a safe haven for wildlife, the challenge is to ensure the continued security of this area. The discovery of a Sumatran rhinoceros carcass by the side of a highway in 2006 highlighted the need for stronger enforcement around the SCA and Tabin Wildlife Reserve and gave rise to the collaboration between Wilmar International and Sabah's Wildlife Department.

In September 2008, a unit of 16 honorary wildlife rangers was established for the SCA. The unit conducts daily patrols on the road and waterways that lead into and out of the Tabin Wildlife Reserve. In addition, the unit sets up roadblocks on the access roads in an effort to reduce the removal of prohibited forest products, particularly poached wildlife. Within the first four months of operation, about 20 arrests were made; the integrity of the unit was further established by their involvement in special sting operations conducted by the Sabah Wildlife Department. Since then, there has been a reduction in the number of arrests, possibly linked to a reduction in poaching incidents; between 2012 and 2014, no arrests were made.



Photo: In Sabah, Wilmar has an enforcement unit whose members have been appointed as honorary game wardens. They have the authority to prevent any illegal wildlife hunting and transportation in Wilmar's plantations and adjacent areas.

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► BOX 5.1

HCV Areas

The Forest Stewardship Council introduced the concept and definition of HCV as a means to identify and manage environmental and social values in forest production landscapes. It has since been used as a tool in other production landscapes (Brown *et al.*, 2013). As Figure 5.2 illustrates, there are six defined HCVs.

FIGURE 5.2

The Six High Conservation Values



Photos: © Alison White

HCV 1 Species diversity

Concentrations of biological diversity, including endemic species and rare, threatened or endangered species, that are significant at the global, regional or national level.

HCV 2 Landscape-level ecosystems and mosaics

Large landscape-level ecosystems and ecosystem mosaics that are significant at the global, regional or national level, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.

HCV 3 Ecosystems and habitats

Rare, threatened or endangered ecosystems, habitats or refugia.

HCV 4 Ecosystem services

Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.

HCV 5 Community needs

Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (such as livelihoods, health, nutrition and water), identified through engagement with these communities or indigenous peoples.

HCV 6 Cultural values

Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples.

Source: HCV Resource Network (2013, p. 3)

HCV Initiative 2:

SMART for HCV

One of the core activities related to management of HCV areas is the regular monitoring and patrolling of HCV areas by specially designated teams. Since a large amount of data is collected during each monitoring session, Wilmar has had to introduce a system to analyze and manage this information. To do so, the company partnered with the Zoological Society of London in 2013 to develop and field test the use of the Spatial Monitoring and Reporting Tool (SMART) in Central Kalimantan on the island of Borneo. SMART is designed to measure, evaluate and improve the effectiveness of wildlife enforcement patrols and site-based conservation activities. Wilmar has pioneered the use of SMART in a production landscape; to enable the teams to analyze and determine potential vulnerabilities within their HCV sites, the data are displayed in a spatial format. SMART is being piloted at a number of sites and there are plans to review its effectiveness and potential for replication in other plantations with HCV areas. Wilmar has also partnered with a number of academic institutions to study the effect of HCV areas on biodiversity in a production landscape.

HCV Initiative 3:

Gibbon Conservation in Sumatra

In 2008, Kalawein, a gibbon conservation project in Indonesia, approached PT Kencana Sawit Indonesia, a subsidiary of Wilmar, with a request to reintroduce gibbons into the company's HCV areas. Subsequently, in April 2014, Kalawein and the subsidiary signed a partnership agreement to reintroduce a population of siamangs (*Sympalangus syndactylus*) into an HCV management area. The selected area is located at Bukit Tengah Pulau, in West Sumatra, and covers roughly 3.6 km² (360 ha). This HCV area was selected based on two criteria: the forest provides a suitable habitat for the siamangs and there is no existing siamang population in the area, hence no possibility of conflict with other gibbons. In addition, Kalawein is confident that the HCV areas within Wilmar's plantations provide adequate protection from illegal activities due to the company's established monitoring and patrolling programs. At the time of writing this report, the siamangs were in pre-release cages on site, as part of the acclimatization phase prior to release.



► **HCV Initiative 4: Tripartite Collaboration on Best Management Practices for Orangutan Conservation in Central Kalimantan**

Wilmar's Central Kalimantan Project is a contiguous plantation area on Borneo that is separated into seven land holding companies. Three of the seven plantations have populations of orangutans and cover approximately 107 km² (10,700 ha).

In 2011, as part of managing these orangutan populations, Wilmar collaborated with the Central Kalimantan Provincial Government and the Borneo Orangutan Survival Foundation to develop best management practices (BMPs) for orangutans in oil palm plantation landscapes (see Box 5.2). The BMP initiative had two key objectives:

- to obtain agreement with local communities on HCV management; and
- to obtain legal status of the HCV area as an orangutan habitat.

One of the plantations with orangutan populations was selected as a pilot project and four activities were conducted to reach the objectives:

- information awareness sessions for the local communities, to increase their knowledge and understanding of HCVs and orangutans;
- development of partnerships with local communities for HCV area management;
- development and distribution of publications on HCVs and orangutan conservation; and
- program monitoring and evaluation.

In addition to the BMPs, biodiversity surveys and nest censuses are being conducted to obtain baseline information for monitoring changes in habitat quality. The Central Kalimantan Project uses standard operating procedures for the management of orangutan areas and actions to be taken when orangutans are spotted. The results have included the demarcation of a 25-meter HCV buffer zone, orangutan habitat enrichment planting, and education and social awareness activities for the workers and local communities.

The most common threats are land clearance, logging and mining, all of which are prohibited in the plantation areas. In 2012, there were more than 50 recorded incidents of each of

BOX 5.2

Best Practice Guidelines for Orangutan Conservation on Plantations



In 2010, the Orangutan Conservation Services Program, with the support of the US Agency for International Development (USAID), issued *Best Management Practices for Orangutan Conservation*, a guide that details how orangutan conservation can be secured within oil palm concessions (Pedler, 2010). Aimed at companies that have orangutans on their concessions, it advises general and environmental managers on how to provide the necessary conditions for orangutan survival. It is also intended to inform local and international financial institutions, local communities and government agencies about environmental and social risks, as well as actions that can help to conserve orangutans in concessions. The guide highlights that land use planning must be informed by an adequate understanding of the ecological and behavioral requirements of orangutans. It recommends that companies take four key steps to effect and demonstrate sustainable oil palm development and management practices, namely that they:

- articulate a corporate commitment to protect orangutans;
- comply with laws and regulations;
- develop an orangutan-sensitive conservation management plan, which is implemented and monitored; and
- collaborate with government, communities and other private-sector land managers to conserve orangutans both inside and outside concessions.

Image: © USAID. http://pdf.usaid.gov/pdf_docs/Pnady485.pdf

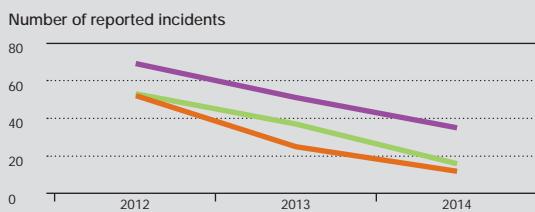
▶ these activities. By 2013, the number of logging and land clearance incidents had dropped by about 50% and 30%, respectively, while mining incidents had fallen by more than 25%, from 69 to 51 cases (see Figure 5.3).

While large intact forest areas are required for biodiversity conservation, some studies have shown that retaining and maintaining forest fragments within oil palm landscapes can provide ecological benefits to the plantations, such as biological control and pollination (Foster *et al.*, 2011). In addition, such fragments contribute to the survival of wildlife by better enabling them to roam and migrate, thereby helping to maintain genetic diversity in isolated populations (Struebig *et al.*, 2011). For more information, see Chapter 6.

FIGURE 5.3

Trends in Number of Reported Incidents of Conflict in HCV Areas*

Key: ■ Land clearance ■ Mining ■ Logging



Note: Data for 2014 cover January to August.

Courtesy of Wilmar

CASE STUDY 5.2

Industrial Agriculture and Apes: Olam International in Gabon

Site selection is by far the most important decision in the development of a plantation, as it determines the plantation's overall future environmental and social impact—factors that should be primary drivers for rational site selection. It is also a determining factor in the economic viability of a plantation; however, modern techniques have enabled oil palm plantations to be profitable in areas that would previously have been considered marginal or undesirable.

Such techniques tend to have harmful consequences for the environment, as has been documented in Southeast Asia, where competition for land has led agricultural companies to develop plantations on difficult terrain. In peat swamp forests, including very deep peat on Sumatra and Borneo, these companies have carried out extensive drainage; on steep slopes ($>20^\circ$), they have developed large-scale terracing; and wherever soils are extremely nutrient-poor, such as in the white-sand areas in South and Central Kalimantan, they have engaged in heavy fertilization using imported organic matter. In contrast, landscapes with broad climatic suitability for oil palm agriculture allow many technical or economic constraints on oil palm production to be alleviated or overcome.

Gabon in Context

Gabon is a highly forested nation, with 88% forest cover and one of the lowest deforestation and forest degradation rates

in Africa, averaging 0.12% and 0.09% per year, respectively (Blaser *et al.*, 2011). The population of Gabon is highly urbanized (ca. 87%) and very small relative to land area—there are about 1.67 million people to 257,670 km² (25.8 million ha) (World Bank, n.d.-d). Rural populations are extremely sparse (0.86 people/km²) and mainly concentrated along road axes, such that Gabon still has extensive remote areas where human pressures are extremely low, as compared to neighboring countries.

In November 2010, the government signed a joint venture with Olam International to develop up to 1,000 km² (100,000 ha) of industrial oil palm plantations, 300 km² (30,000 ha) of smallholder oil palm and 500 km² (50,000 ha) of rubber plantations, in two phases. Olam, a Singapore-listed company, is a global leader in food ingredients and agricultural supply chain management; it has 25 years of experience working closely with small-scale farmers in Africa. Olam's national joint venture subsidiaries Olam Palm Gabon and Olam Rubber Gabon are responsible for the day-to-day management of the businesses, bringing in plantation expertise from Asia and elsewhere in the region.

Olam has committed to 100% compliance with the international standard set by the RSPO, which covers all aspects of plantation development; it includes requirements to complete a comprehensive and independent ESIA, to subject any proposed new plantings to stakeholder consultation, to obtain the free, prior and informed consent (FPIC) of local communities, and to avoid primary or HCV forests (see Figure 5.4). In addition, Olam's Palm Policy supplements the RSPO requirements, most notably with a commitment to invest in local communities, to minimize the carbon footprint of its oil palm operations by avoiding HCS forests and peatlands, and to support national land use planning processes.

Significantly for Olam, and for any plan to expand agriculture in order to meet national development needs, most of the land suitable for oil palm expansion in Gabon is forested. Some areas of savannah and gallery forest are in the south of the country, but only a small proportion of these receive sufficient rainfall for sustained economic yields. Therefore, Olam has been working with the government and national conservation organizations to identify suitable alternatives, such as areas of secondary vegetation, significantly degraded and over-hunted forest, and agriculturally suitable savannah. In this context, the objectives of site selection are to maximize the economic and social benefits of plantation developments, minimize impacts on biodiversity and vulnerable communities (through a landscape approach, which considers a range of land uses over an appropriate unit, and HCV assessments), and limit carbon emissions from land conversion (through HCS assessments).

In November 2010, the government of Gabon allocated an initial 519 km² (51,920 ha) of land for palm development in Estuaire province, in three separate concessions. It was soon apparent, however, that a large majority of the land bank did not meet RSPO requirements because of the presence of swathes of primary forest, large-scale seasonal flooding and

overlapping designations, including a Ramsar site. Once independent national and international teams had carried out regulatory ESIA, HCV assessments and stakeholder consultations, Olam returned two concessions to the government.

The company retained a single concession of 200 km² (20,030 ha) of partially logged-over, degraded forest known as the Awala plantation or Lot 8, of which 71 km² (7,134 ha) were initially considered suitable for development following the RSPO New Planting Procedure. FPIC negotiations were then conducted with local villagers to obtain local consent to use land to which they had traditional access and use rights. Planting in the Awala plantation was completed in 2014: 65 km² (6,502 ha) were planted and the remaining area was set aside for the conservation of HCV forests, steep areas and riparian buffer zones (Proforest, 2014). The plantation covers less than 13% of the land originally allocated. This experience highlights the need for improved agricultural land use planning, which has gradually been implemented for successive projects.

By September 2014, Olam in Gabon had completed three ESIA, HCV and FPIC processes for its palm plantations, totaling 870 km² (87,000 ha). A further suitable 238 km² (23,780 ha) have been identified and are in the second stage of land development, as discussed below. Olam expects to develop 510 km² (51,000 ha) or 45% of this total land area by 2018–19, having already planted 157 km² (15,700 ha) of palm between 2011 and 2014. Most of the HCV areas comprise large, contiguous forest blocks. Olam has followed a similar process for the 290 km² (29,000 ha) rubber plantations in the north of the country.

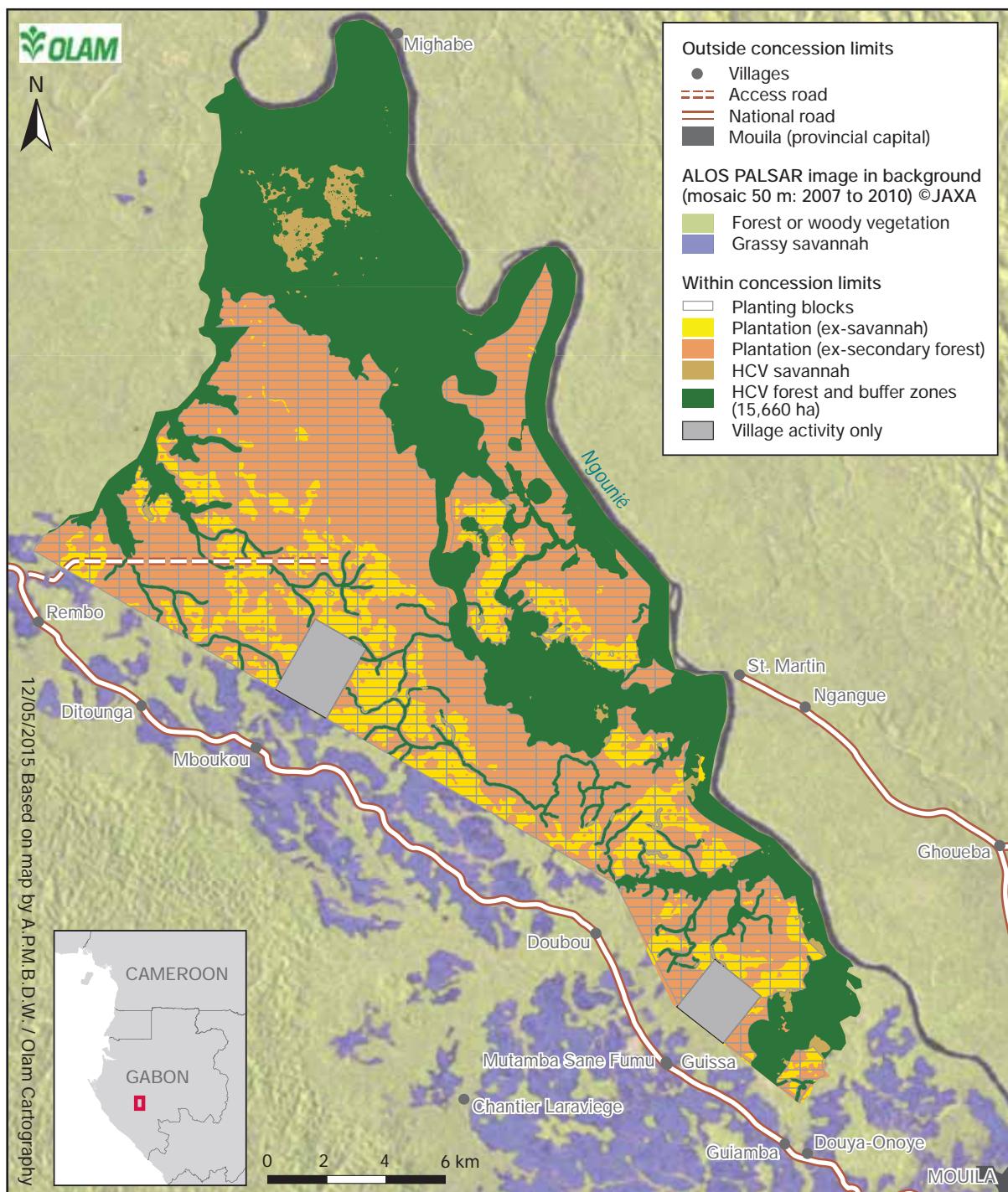
Apes, Wildlife Management and Oil Palm in Gabon

In addition to being a global conservation priority, great apes—particularly the central chimpanzee and western lowland gorilla—are flagship species in Gabon and more widely in Central Africa. Ape species can be found in low to medium densities in most suitable habitats across Gabon, and scattered individuals or small groups even live close to major cities, such as in the Mondah Forest, a few km from Libreville (L.J.T. White, personal communication, 2014).

Excluding all potential ape habitat from development would effectively preclude any kind of agricultural expansion, which is not compatible with the goals of the government's "Gabon Emergent" strategic plan; classifying habitat as HCV on the sole basis of the presence of any number of apes—rather than significant populations or concentrations—would have a comparable effect, precluding any responsible company from investing in Gabon and perhaps opening the door to less scrupulous developers. For Olam, the challenges inherent in conducting agricultural operations in Gabon include avoiding major ape concentrations altogether; safeguarding or improving the status of viable ape populations wherever they are found, through suitable habitat conservation and management measures; and developing land in ways that avoid doing harm to individual apes, either directly or indirectly. Such factors should also be considered in Gabon's forthcoming national land use plan.

FIGURE 5.4

Spatial Zoning of Olam's Mouila Lot 1 Palm Plantation



Note: The map shows the extensive and contiguous network of protected HCV blocks, corridors and riparian buffers that provide habitat connectivity for species of conservation concern in Gabon. The large habitat block to the northwest is connected to contiguous forest cover extending into the interior forests of Gabon.

Courtesy of Olam International

Olam has included great ape surveys in the ESAs for all of its sites, none of which is within the current great ape priority landscapes that have been identified in the Regional Action Plan for the Conservation of Western Lowland Gorillas and Central Chimpanzees 2015–2025 (IUCN, 2014c). In the concession known as Mouila Lot 1, HCV assessors found that faunal transects and anecdotal evidence indicated that both ape species were sparsely present across the concession as a whole, with more ape signs far from the main road and in less accessible, swampy areas (see Figure 5.4). They also came across direct evidence of great apes being hunted and eaten by local villagers. Encounter rates were much too low in this survey to attempt a population estimate, but based on the sparse data, habitat evidence, home range requirements and expert views, the assessors concluded that resident ape populations had probably been severely reduced by hunting and that they were significantly smaller than their habitat's carrying capacity.

Based on the analyses, the assessors recommended that Olam set aside and rigorously protect an initial 139 km² (13,868 ha) of suitable habitat in the first instance, in two major HCV forest blocks connected by a network of riparian buffer zones (of variable widths) and broad conservation corridors (with a minimum width of 300 m). The largest HCV block to the north of the concession is contiguous with an unbroken forested landscape, allowing free movement of animals into and out of the concession. The assessors suggested a tentative estimate of 20 to 40 individuals of each species, in one to two groups, as a potential target for fully protected populations in these HCV areas. The conservation organizations consulted during the New Planting Procedure required Olam to conduct further faunal surveys and to develop an ape management plan prior to entering potentially sensitive areas.

Preliminary results of the additional faunal surveys found ape signs in a previously under-sampled area. On the advice of the zoologist in charge of the surveys, Olam set aside a further 10 km² (1,000 ha) of suitable ape habitat in a third forest block, which is connected to the first two by a 1 km-wide riverine forest corridor. The





company subsequently completed surveys across the entire concession, which, together with photographic analysis, confirmed that the gorilla presence was limited to a very small number of individuals and that it was unclear whether there was a reproducing family unit within the concession. The surveys also confirmed that habitat occupancy by chimpanzees was somewhat higher than expected, and camera analysis suggested the presence of two potentially distinct chimpanzee groups with home ranges overlapping with the main HCV blocks (almost all of the signs were either inside HCV areas or within 1.25 km of the set-asides). The two groups may also be fissioned subgroups of a larger family clan; further monitoring may be able to provide answers.

As advised, Olam developed an ape management plan, which is being implemented to ensure further protection of ape populations as economically viable operations continue. The implementation of the plan formalizes the development process and identifies actions that are still needed to safeguard great ape individuals and groups at risk from oil palm development. The ape management plan comprises six pillars that consider how best to:

- allocate areas of intact habitat (HCV areas) for preservation;
- ensure robust baseline and ongoing monitoring protocols;
- require scheduling of land preparation to enable wildlife to move into HCV areas;
- implement protocols that mitigate the potential for disease transmission between humans and apes;
- impose hunting controls and raise awareness among local communities; and
- support the development of subsistence programs to promote alternatives to hunting.

Photo: The western lowland gorilla is a flagship species in Gabon. Excluding all potential ape habitat from development would effectively preclude any kind of agricultural expansion, which is not compatible with the goals of the government's "Gabon Emergent" strategic plan.

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Obstacles to Success: The RSPO's Operational Challenges

This section provides details on three broad types of operational challenge the RSPO faces in its efforts to achieve its goals:

- There is no economic incentive for growers to become RSPO members or to produce CSPO, as the price premium paid by downstream firms is too low. As a result, certification is limited to a handful of the biggest palm oil growers that target Western markets and widespread CSPO production remains a challenge.
- The RSPO guidance document leaves certified growers too much scope for interpretation, largely because the RSPO's modus operandi—specifically, procedures aimed at consensus building and inclusiveness—stands in the way of reaching agreement on tougher environmental standards.
- The RSPO is not set up to hold non-RSPO growers or even its members to account for non-compliance with the RSPO standard.

All of these challenges are linked to the voluntary nature of the RSPO and its operational structure. Moreover, all of them dramatically reduce the impact of the RSPO in terms of ensuring effective ape habitat conservation (Ruysschaert and Salles, 2014).

Barriers to Widespread CSPO Production

On the surface, the RSPO scheme appears to have the makings of a “bargaining model” (Coase, 1988). Ideally, the growers participate voluntarily because they receive financial compensation or a premium that is higher than the additional costs they have to bear to conserve HCV areas and to certify their

palm oil. In theory, the three main transaction costs are low enough to make the RSPO model attractive. First, certification information is provided by the RSPO Secretariat for only €2,000 (just over US\$2,000) per member per year. Second, negotiation costs are kept to a minimum, as online discussions are promoted and physical meetings only take place twice per year (RSPO, 2004b). Finally, NGOs undertake external supervision at no cost to growers or downstream firms (Ruysschaert and Salles, 2014).

In reality, however, downstream firms pay large-scale oil palm producers very low premiums in comparison to the costs these growers have to bear. As a result, producers have no interest in joining the RSPO or certifying their palm oil. Indeed, downstream firms pay only about US\$2 per ton when they adopt the “Book & Claim” traceability system; this approach appears to be the method they prefer, as more than 50% of CSPO was sold in this way in 2014 (RSPO, 2015a).

The Book & Claim method is based on a trading program that was developed by the palm oil processor AarhusKarlshamn. With its palm oil certified as CSPO, the grower receives GreenPalm certificates that can be sold on a dedicated certificates market. The downstream company buys these certificates to combine with its purchase of uncertified palm oil on the open market. In this context, the conventional supply chain is used and CSPO is mixed with non-certified oils. The final product can be branded “sustainable” with a CSPO label although it often consists of insignificant amounts of CSPO, as CSPO only makes up a small part of the global palm oil market.

For downstream firms, it does not make economic sense to separate CSPO from other palm oil since the former is produced in small amounts and sourced from numerous locations that would have to be delinked from the usual downstream supply chain. By maintaining separation throughout the supply chain, they would incur additional

logistical costs, reducing potential for efficiency and cost reduction through economies of scale. Downstream firms thus tend to favor GreenPalm over other, costlier certification categories, which can reach US\$30–50 per ton for full traceability (see Box 5.3). It seems that downstream firms only adopt a full traceability policy when pressured by NGOs. A case in point is Ferrero, which adopted full physical separation after a Greenpeace-led campaign against its Nutella brand (Ferrero, 2014).

For growers, certification that requires ape habitat to be conserved is extremely costly. It costs more than US\$10 per ton of CSPO to conserve an orangutan in a 100-km² (10,000-ha) oil palm concession, and much more for a smaller concession as the proportion under conservation is much higher. The grower must accept the economic opportunity cost—that is, the loss of potential economic gain associated with converting ape habitat into oil palm plantation, which depends directly on the size of the conservation area. For species such as the orangutan, whose population densities are as low as one individual per km² (100 ha), the costs are particularly high. Individual females are territorial within a home range of 1 km² (100 ha) and males are semi-nomadic, with a territory that can reach more than 100 km² (10,000 ha) (Singleton *et al.*, 2009; Wich *et al.*, 2011). In addition to this direct economic loss, growers must cover the annual certification costs: US\$2–9 per ton of CSPO for the initial year, and US\$1–3 per ton thereafter (Levin *et al.*, 2012).

As a result of the lack of economic incentives and the costs of getting certified, the only palm oil producers that pursue certification are the ones that are seeking access to the Western palm oil market, which represents only 13% of the global market (USDA, 2015). These are primarily large-scale producers that hold close to 40,000 km² (4 million ha) on lease; among them are 20 of the 25 biggest oil palm pro-

BOX 5.3

Categories of RSPO Certification

From lax to strict, the four RSPO certification categories are:

- **GreenPalm:** allows CSPO and conventional oil to be mixed, without separation or traceability;
- **mass balance:** allows the mixing of CSPO with non-certified palm oil, but requires traceability of the CSPO tons along the supply chain;
- **segregated:** allows the mixing of CSPO from different origins, but requires traceability from these plantations to the final product; and
- **density preserved:** requires separation and traceability of CSPO from each specific plantation to the final product.

ducers in the world, which could potentially supply more than 25% of the world market (WWF, 2013b; ZSL, n.d.-b). Yet, in Indonesia, certified RSPO growers represent less than 3% of the oil palm estates that exceed 0.5 km² (50 ha) and do not include the small-scale producers, which account for 40% of the country's production (BPS, 2012).

Reaching Agreements and Controlling Interpretation: Process-related Obstacles

The RSPO's efforts to strengthen the guidance in relation to biodiversity conservation are complicated by the very nature of its multi-stakeholder negotiations, as these are designed to reach compromises. Additional factors, including the scientific community's lack of consensus on certain biodiversity issues, preclude agreement on matters such as how to identify areas to be protected (Borges, 2003; Struebig *et al.*, 2011). The difficulty in reaching agreement was highlighted during the European RSPO meeting in London in June 2014, when the chair of the Biodiversity and HCV Working Group noted that a seemingly obvious and fundamental term such as "deforestation" remains entangled in internal debate.

Photo: Whereas research indicates that maintaining forest patches within plantations can contribute to conservation, the long-term effectiveness of these areas in industrial agricultural landscapes remains in doubt; additional research is needed to bridge this knowledge gap. © HUTAN -Kinabatangan Orang-utan Conservation Project

The indicator that is most directly linked to the conservation of ape habitats has been the prohibition of clearance of primary and HCV forests as of November 2005. In practice, this prohibition is difficult to implement, as current RSPO members seem to justify actions that appear to contravene the prohibition, for example by arguing that they cleared primary forest before joining the RSPO or before 2007, when the prohibition was formally adopted as a rule.

Meanwhile, the temporary bodies set up to deal with biodiversity issues have essentially given rise to semi-permanent bodies: the Biodiversity and HCV Working Group (which grew out of the Biodiversity Technical Committee established in 2006), the Greenhouse Gas Working Group that was formed in 2009 and the Compensation Task Force that was established in 2010. Each of these bodies seems to achieve only minimal results without reaching a conclusion, as each step forward uncovers a new issue for extensive debate (McCarthy, 2012).

The complex HCV concept, which is at the core of biodiversity conservation in the guidance document, remains a somewhat qualitative tool that is subject to case-by-case interpretation. Moreover, the RSPO guidance document does not explicitly rule out deforestation. It prohibits the conversion of primary and HCV forests but protection of other types of great ape habitat—such as secondary or degraded forest—is much more problematic, even though the RSPO recognizes that they can be HCV forests, which require protection (RSPO, 2010b). Despite the revision that was introduced in 2013, the guidance document is still not sufficiently restrictive with respect to biodiversity and forest conservation (RSPO, 2013b). It limits planting on peat, a major issue in Southeast Asia, due to peat swamp forest carbon emissions; it also requires planters to avoid “land areas with high carbon stocks and/or sequestration options” and asks producers to “plan to minimize greenhouse

gas (GHG) emissions” (RSPO, 2013b, p. 54). Yet, as there are no measurable objectives or deadlines, these plans can be postponed or scaled down for reasons of technical feasibility or economic viability.

This lack of clarity in the guidance document regarding biodiversity gives growers the opportunity to interpret the criteria to their advantage, especially if the technical assessment and consultative processes are weak. For example, a grower can subjectively reclassify primary forest as secondary forest, which is suitable for development, as there is no agreed definition. Growers have also been known to conceal the existence of apes on their concessions, especially if the relevant species have very low population densities. Such was the case with the RSPO member PT Sisirau, which converted orangutan habitat on the edge of Sumatra’s Gunung Leuser National Park—part of the Leuser Ecosystem—into an oil palm plantation on the grounds that it was a secondary forest without biodiversity value (RSPO, 2010a; Mongabay, 2012). Having been identified as “transmigrants,” the resident orangutans were moved to the Gunung Leuser National Park with logistical support from RSPO member NGOs. Although this translocation was presented as an achievement, it ushered in the destruction of the orangutans’ natural habitat and could compromise the socioecology of existing orangutan populations in the national park (Rijksen and Meijaard, 1999).

Furthermore, even when the guidance document is implemented in a manner that would be considered favorable for conservation, it does not fully account for the ecological needs of apes. The RSPO certification process creates conservation areas within intensive oil palm agribusiness plantations and cannot compensate for a lack of large-scale zoning for conservation. Such plantation areas are ecological barriers to biodiversity in general and apes in particular (Fitzherbert *et al.*, 2008; see Chapter 6). Whereas research indicates that maintaining forest patches



within plantations can contribute to conservation, the long-term effectiveness of these areas in industrial agricultural landscapes remains in doubt; more research is needed to bridge this knowledge gap (SEnSOR, 2012).

To tackle these issues, the RSPO has established a task force to define a compensation mechanism. The task force has confronted a number of contentious issues, such as a lack of scientific information, diverging views regarding the methods used to decide which areas should be used for planting oil palm and ambiguity surrounding the responsibility of the grower. While the compensation mechanism is a work in progress that has elicited tense internal debate, its latest version includes financial compensation for clearing HCV forests, which in practice means ratifying historic deforestation (RSPO, 2014c).

This option has been preferred to expelling members or applying heavy fines, which would have been at odds with the inclusive, consensus-building spirit of the RSPO.

Limitations of Membership of the RSPO

Membership and certification are the means by which the RSPO aims to protect biodiversity from the adverse effects of the oil palm industry. In practice, three main challenges undermine this approach. First, certain RSPO rules conflict with some state regulations. Second, since the RSPO standard applies only to members, the growers that have not become members cannot be enjoined to pursue sustainable practices.

Third, uncertified RSPO members benefit from the “sustainable” label by association, without acquiring certification. Examples of each of these limitations follow.

Conflicting regulations

One country where RSPO rules have been in conflict with national regulations is Indonesia, where entire concessions—including areas that should be conserved according to RSPO rules—are earmarked for development as “land for other uses” (more commonly known by its Indonesian acronym, APL, which stands for *areal penggunaan lain*; see Chapter 4). If the land is not developed, local or central government actors—who may seek economic development or income from taxes—can reallocate it to other growers in Indonesia, the majority of whom are not RSPO members, or to local community members. Yet even if an RSPO grower has earmarked an HCV area within a concession, that area can potentially be reallocated to a non-RSPO grower, especially if the government supports this reallocation. As a consequence, RSPO growers tend to focus on areas that have minimal conservation management requirements; at the same time, non-RSPO growers—such as local communities, smallholders or large-scale estates—may simply convert forest that would have been protected under RSPO rules (Colchester *et al.*, 2009).

Recognizing the need to find a solution, the RSPO established an Indonesian task force on HCV, of which Wilmar is a member. The task force had two objectives. The first was to explore the means to secure HCV areas in oil palm development concessions in Indonesia, in line with the RSPO P&C. This goal pertained especially to HCV areas identified in location permits during HCV assessments. The second objective was to explore options to reform local and national laws and procedures to secure HCV areas and abide by the RSPO P&C (RSPO, 2012). The task force identified potential synergies

and gaps between the RSPO P&C and Indonesian policies, laws and regulations. While the task force has since been disbanded, its report was submitted to the RSPO for further lobbying action, which will most likely affect only RSPO members.

Inadequate coverage of stakeholders

The case of the Tripa peat swamp forests in the Indonesian province of Aceh demonstrates that partial coverage of stakeholders limits the impact of the RSPO, as evidenced by the fact that non-RSPO members are still able to establish oil plantations on biologically significant areas. Since the 2004 peace agreement, Aceh has seen rapid economic development. In the Tripa peat swamp forests of the Leuser Ecosystem, oil palm producers—none of which were RSPO members—converted habitat of Sumatran orangutans into five large-scale oil palm plantations (Wich *et al.*, 2011; Tata *et al.*, 2014). Although a 2008 RSPO GA resolution recognized Tripa as an HCV area and thus should have prevented this development, the resolution only applied to RSPO members; non-RSPO producers thus continued to expand into Tripa (Ruysschaert and Salles, 2014).

Freeloading and non-compliance

Nearly half of the RSPO growers do not actively engage in the certification process. Indeed, only 57 of 119 of registered growers have certified mills (Mongabay, 2015); nevertheless, they remain RSPO members to benefit from “sustainable” branding. Moreover, uncertified growers are particularly unlikely to submit compulsory ACOPs; when they do, they often provide very limited information.

In March 2015, the RSPO responded to such freeloading and non-compliance by expelling all RSPO members that had not provided ACOPs for the previous three

years and suspending those that had failed to submit them for the previous two years (RSPO, n.d.-f). The RSPO had long been reluctant to implement this decision, as it runs counter to its vision of transforming the global market.³

In the absence of an established external policing institution, social and environmental NGOs have taken on monitoring roles. Due to financial and technical limitations, however, these NGOs are only able to focus on selected cases in which RSPO rules have been violated. Complicating matters is the power of growers, who often dismiss the value of securing the necessary long-term community support and who can successfully conceal non-compliance. Consequently, many cases are not reported to the RSPO or remain unnoticed (Ruysschaert and Salles, 2014). The cases that do come to light can take a number of years to resolve. One example involves a complaint filed by the Sumatran Orangutan Society against PT Sisirau, which was initiated in October 2012 but remained unresolved in July 2015 (RSPO, n.d.-b).

The RSPO's Move Toward Enhancing Conservation Impact

The RSPO is at a crossroads. CSPO, all of which is produced by RSPO growers and producers, accounts for only 20% of global palm oil (RSPO, 2015a); CSPO producers trade palm oil at a net economic loss owing to inadequate financial compensation, in contrast to non-RSPO growers and RSPO downstream firms (Ruysschaert and Salles, 2014). At the same time, firms are reluctant to buy CSPO due to the lack of credibility of the standard, as it still has not put a halt to deforestation. Only 50% of available CSPO was bought in 2014, most of it through GreenPalm certification, which provides only a small premium for the grower (RSPO,

2015a). Some environmental NGOs, such as Greenpeace, still question the ability of RSPO certification to preserve rainforests (Greenpeace, 2014).

The RSPO has acknowledged that its focus on an inclusive, consensus-building process among all members has only been able to yield compromises, thus restricting its potential conservation impact. In 2014, after a decade of work and under great pressure from NGOs to demonstrate its conservation impact, the RSPO adopted a new, two-pronged approach: it shifted its emphasis toward the worldwide promotion of CSPO as well as traceability and transparency through the whole supply chain. This dual effort is reinforced through other initiatives that focus directly on enhancing the RSPO's conservation impact.

“ The RSPO has acknowledged that its focus on an inclusive, consensus-building process has only been able to yield compromises, thus restricting its potential conservation impact. **”**

Increasing Global Demand for CSPO

In order to raise global demand for CSPO, the RSPO is initially focusing on the European palm oil market—with the intention of capturing 100% of the market for CSPO. To achieve this goal, the RSPO established a European office in Brussels, began to hold yearly European conferences in 2013 and started facilitating a palm oil debate on the *Guardian* newspaper homepage. Given that European legislation mandates distinct labeling for palm oil vs. other vegetable oil on packaging as of 2015, educating Europe's 500 million consumers about CSPO is of critical importance. To prevent the European consumer from boycotting CSPO, an effective campaign is needed to combat the poor perception associated with palm oil production.

The RSPO's efforts are supported by the European Commission policy that grants CSPO (all but GreenPalm certification) access to the European biofuel market (European Commission, 2012).

In some countries, such as the Netherlands, buyers have joined forces and agreed to buy only CSPO from 2015 (Halliday, 2010). Individual downstream European and US companies have also committed to trading exclusively in CSPO. More than two-thirds (36 out of 52) of the European retailers have made commitments to use only CSPO by 2015 (WWF, 2013a, p. 24). A number of key retailers are already at 100% CSPO, including IKEA, Marks & Spencer, Migros, Sainsbury's and Tesco, whereas others, including Johnson & Johnson, Lindt & Sprüngli, Premier Foods and Unilever, are committed to achieving 100%. The RSPO has also partnered with the United Nations Environment Programme to raise global awareness about sustainable palm oil and to generate market demand (UNEP, 2014). In parallel, the RSPO is reaching out to other large markets, such as India and China, which together consume more than one-third (or 15 billion tons per year) of all the internationally traded palm oil (USDA, 2015).

“ Full traceability and transparency means that all stakeholders in the supply chain—not only the palm oil producers—are accountable for the commitments they made. ”

Toward Full Traceability and Transparency

In addition to creating sufficient demand for CSPO, the RSPO is placing emphasis on full traceability and transparency of physical palm oil throughout the whole supply chain. Besides boosting the credibility of the RSPO standard, this move could lead to an increase in the global production of CSPO. Indeed, more growers would be likely to certify their palm oil plantations, as the premium for fully traceable CSPO is considerable and exceeds the cost of certification.

In practice, full traceability and transparency means that all stakeholders in the supply chain—and not only the palm oil producers—are accountable for the commitments they made; in turn, these commitments are expected to result in the desired conservation impact on the ground. In this vein, the RSPO GA endorsed a Unilever resolution

entitled “Declaration of Mills” in 2014; by requiring full transparency throughout the supply chain, the resolution is forcing the GreenPalm certificate platform to disclose information about the origin of traded certificates, at least at the mill level (RSPO, 2014b).

The full traceability and transparency approach has the support of a number of environmental NGOs in the RSPO. The World Resources Institute (WRI), co-chair of the Biodiversity and High Conservation Values Working Group, has established the Global Forest Watch platform, which will initially focus on palm oil-related concerns in Indonesia (WRI, n.d.-b). The platform aims to monitor forest trends—such as deforestation rates and fire hotspots—through remote sensing, by gathering all the available data from a wide range of partners and by making it easily accessible. WRI also partnered with Unilever to increase transparency of the latter’s key commodity supply chains in an effort to stop the company and its suppliers from engaging in deforestation (WRI, 2014d).

The Zoological Society of London (ZSL), another prominent environmental NGO in the RSPO, launched the Sustainable Palm Oil Transparency Toolkit (SPOTT) at the RSPO annual meeting in November 2014. The tool may be seen as a complement to the Global Forest Watch platform, as it allows investors, manufacturers and other stakeholders to assess oil palm growers based on the information that they make publicly available about the sustainability of their operations. SPOTT combines satellite-mapping technology with environmental performance assessments for the 25 largest publicly listed companies that have oil palm plantations, including 21 RSPO members (ZSL, n.d.-b).

Complementary Initiatives: “No Deforestation” and RSPO+

Frustrated by the RSPO’s apparent inability to prevent continued deforestation, a number of prominent environmental NGOs,

including Greenpeace and WWF, have partnered with large growers that have historically been targeted by Greenpeace campaigns—including Asia Pulp and Paper, Golden Agri-Resources and Wilmar International—to break the link between oil palm expansion and deforestation. The firms have committed to “no deforestation” and have, with their NGO partners, established the Palm Oil Innovations Group (POIG), whose aim is to put a complete halt to deforestation and to ensure respect for human rights (POIG, 2013). In developing a process by which to achieve their objective, they introduced the HCS concept and made commitments to preserve carbon-rich areas. Firms that are POIG members are thus barred from clearing peatlands and forests above a certain carbon stock threshold (TFT, 2014).

To address the complexity of local social and ecological contexts in relation to HCS, POIG members joined a broader group to form the High Carbon Stock Approach Steering Group. In May 2015, the group launched a toolkit that is designed to “enable the widespread adoption of the HCS Approach” (Greenpeace, 2015).

Meanwhile, a group of prominent Malaysian and Indonesian growers and traders, which considered POIG and its Steering Group too NGO-led, signed the “Sustainable Palm Oil Manifesto” in 2014; this alternative initiative also focuses on halting deforestation, protecting peat and ensuring the equitable distribution of benefits to local communities (SPOM, n.d.). While POIG members are actively adopting the HCS approach, however, the manifesto signatories are still undertaking a study to define what actually constitutes HCS (HCSS, n.d.).

These NGO- and business-led HCS initiatives complement the RSPO in two ways. First, they reduce the amount of subjectivity in the interpretation of the HCV concept. In contrast to the RSPO’s approach to HCV, which is open to different interpretations among stakeholders, the HCS approach

focuses on clear quantitative indicators within the HCV concept, thus reducing the room for negotiation and facilitating cost-effective monitoring using tools such as remote sensing. In addition, the HCS strategy should be able to preserve significantly more areas of ape habitat and biodiversity, as it aims to conserve most forests and all peatland.

Second, the “no deforestation” commitment emphasizes traceability and transparency along the supply chain. Through traceability, the product path can be traced back along the suppliers to the plantation and sustainability can be introduced as a quality control element on the supply chain. Theoretically, the “no deforestation” commitment should be able to support supply chain hubs—such as refineries and ports—and should cover all relevant social actors and ecological factors. In its implementation, however, the HCS approach may face the same limitations as the RSPO, particularly regarding its ability to appreciate and respond to social and ecological needs, such as those of the great apes and gibbons of Africa and Asia.

The “no deforestation” commitment has already attracted leading consumer brands, such as Ferrero, Mars, Nestlé and L’Oréal. Some of the largest producers—such as Golden Agri-Resources and Wilmar—and most of the trading companies—such as Cargill and Olam—have committed to “no deforestation” policies as a result of campaigning by prominent civil society actors, such as Greenpeace (Greenpeace, 2014). These companies account for more than 96% of the palm oil that is traded internationally (Finkelstein, 2014). In May 2015, in response to growing interest in the HCS approach, the RSPO launched RSPO+, a voluntary addendum to the RSPO standard that will “strengthen the standard on peat, deforestation and social requirements.” The final addendum is currently under development (RSPO, 2015b).

“ The HCS approach focuses on clear quantitative indicators within the HCV concept, thus reducing the room for negotiation and facilitating cost-effective monitoring. **”**

BOX 5.4

Smallholders or Industrial Agriculture: Which Is the Better Development Model?

Oil palm cultivation can generate a high and stable source of income and support a rural middle class over several generations, accomplishments few tropical crops can achieve today (see Chapter 1, p. 18).

In terms of fruit and oil yield, industrial agriculture tends to be more efficient than family farming. Transaction costs are lower and state involvement may be limited to the granting of easy terms to investors. In addition, it is easier to deal with a small number of big enterprises than thousands of unorganized or poorly organized smallholders, especially with respect to duties and taxation or the monitoring of compliance with environmental rules (such as RSPO certification or pollution control) and social standards (such as workers' rights).

Nevertheless, family farming can potentially sustain more biodiversity than agribusiness cultivation. Indeed, while large-scale producers segregate protected lands from oil palm plantations on their concessions, smallholders tend to integrate biodiversity into their palm oil cultivation plans, such that one does not exclude the other.

In addition, family farming has proved more effective in the promotion of social justice, job creation and the reduction of poverty. While permanent employees of industrial agricultural plantations usually enjoy good working conditions—with regular salaries, housing, and health and education benefits—labor-intensive operations are generally competitively outsourced to contractors that typically exploit their workers by paying low wages, offering piecework and failing to offer benefits. These workers tend to be packed into low-cost housing and have no choice but to buy all their food at the company store. In stark contrast, family farms provide labor opportunities to the whole family, cash income is redistributed to all members—albeit seldom equitably or according to the labor provided—and most of the consumed food is produced on the farm. Work discipline is less tight, and the farmer remains his or her own boss (Barral, 2012; P. Levang, personal communication, 2014).

In Cameroon, where small- and medium-scale farmers manage approximately 1,000 km² (100,000 ha) of oil palm plantations, average annual yields are very low (0.8 ton of crude palm oil/ha) because of difficult access to improved seedlings, the steep price of fertilizer and poor management techniques (Nkongho *et al.*, 2014). Considering that Indonesian and Malaysian smallholders can reach annual yields of 4 tons of CPO/ha, there is huge scope for progress. By increasing the average yields to just 2 tons/ha, Cameroon, which currently imports 50,000–100,000 tons every year, would regain self-sufficiency in palm oil and even become a net exporter.

Increasing smallholder yields is feasible, but it has a cost and requires political will. Rather than providing credit and subsidies for inputs such as improved seedlings or adequate extension services to improve management techniques, many governments prefer to offer attractive conditions to international investors (Nguiffo and Schwartz, 2012a).



Photo: In terms of fruit and oil yield, industrial agriculture tends to be more efficient than family farming. Nevertheless, family farming can potentially sustain more biodiversity than agribusiness cultivation and has proved more effective in the promotion of social justice, job creation and the reduction of poverty. Oil palm trucks near forest fires in Sumatra.
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Conclusion

In its early years, the Roundtable on Sustainable Palm Oil relied on its operational approach—which emphasized inclusiveness, transparency and broad stakeholder participation along the supply chain—to gain legitimacy as a global standard. As its membership grew, the RSPO established an ambitious global vision of transforming the market to make sustainability the norm. Its inability to achieve this central goal can be attributed to interlinked factors, all of which stem from the way the RSPO was initially set up. Three main challenges can be identified.

If conservation goals are to be met, the oil palm sector could encourage producers to develop already degraded land that presents real agricultural potential.

First, the global production of CSPO remains insufficient. To date, certification has been pursued only by leading oil palm producers whose sights were set on selling CSPO to Western markets. For all other growers, the economic incentives of certification—the premium accorded to CSPO—is far too low compared to the costs of certification; as a result, many do not become RSPO members and those that do have no interest in seeking certification.

Second, questions persist with respect to the actual sustainability of CSPO, as the guidance document is ambiguous in this regard. In particular, the guidance can be interpreted to allow deforestation and plantation on peatland, which can be of vital importance to the conservation of biodiversity, including of apes.

Finally, the RSPO standard fails to provide effective guidance on how to factor local contexts into oil palm production plans. At the ecological level, this means that even if growers implement the guidance document with the genuine intention of conserving apes and biodiversity more generally, they will find that the HCV concept has not been effectively tailored to address relevant environmental needs. At the social level, the growers are not systematically encouraged to engage with key country-level actors, such as smallholders, communities and ministries.

Given the absence of effective engagement with local stakeholders, it is not surprising that HCV areas continue to be allocated or reallocated for development purposes, be it for political, legal or economic reasons.

By 2014, the RSPO had recognized the need to boost global demand for CSPO, raise the credibility of the standard and better address the local context to propel the market towards sustainability. To address these challenges and, more generally, to enhance its conservation impact while maintaining an inclusive process, the RSPO began to pursue three complementary approaches. First, to raise global demand for CSPO, it began to implement an outreach strategy to win markets, beginning with the European market. Second, to raise the credibility of the CSPO standard, it started to promote the RSPO+ concept—as a means of better integrating the consideration of social and environmental factors into the standard. Third, to raise global demand for CSPO as well as credibility of the standard, the RSPO is fostering traceability and transparency along the whole supply chain. This last step is likely to persuade more growers to certify their production, as CSPO producers with full traceability should be able to attain a significant premium, which would easily cover certification costs.

If conservation goals are to be met, however, the RSPO—along with the rest of the oil palm sector—will need to shift into a higher gear at the local level. To do so, these actors could take four relatively workable steps that would go a long way in promoting sustainability. In particular, they could:

- Encourage producers to develop already degraded land that presents real agricultural potential; in Indonesia, for instance, such land accounts for more than 73,000 km² (7.3 million ha) (JPNN, 2010; Ruysschaert *et al.*, 2011).
- Assist smallholders by providing support in the form of seedlings, technology and

market access. Smallholders currently produce half the yields (about 2 tons/ha) of agribusiness firms (Jacquemard *et al.*, 2010; Jacquemard, 2011; see Box 5.4).

- Become familiar with the factors that inform local decision-making, including land tenure, palm oil prices, biofuel subsidies, support to smallholders for better yields and market access.
- Redouble their efforts to engage with local communities, not only to bolster urgently needed poverty eradication programs, but also to promote the conservation of biodiversity. For it is the exclusion of communities from their own land that drives them to destroy remaining forests in pursuit of economic survival.

The RSPO has made promising advances to boost global demand and raise credibility of the standard. However, some stakeholders concede that, as a global private standard, it may not be equipped to respond effectively to differing socioecological contexts and, as a result, it may not have the reach to transform the market and tackle deforestation “at the scale needed to have a big enough positive impact on the planet” (TFT, 2014, p. 11). At present, the RSPO’s chief impact involves bringing the biggest palm oil producers into the Western agro-fuel, cleansing agent and agri-food industries; in the process, the RSPO is forcing these companies to adopt much more stringent environmental and social safeguards to ensure compatibility with the values and objectives of fundamental Western standards, as set out, for example, by the European Union (EU, 2000).

It remains to be seen whether the proposed approaches will effectively drive the entire palm oil market towards sustainability. For apes, such a transformation would translate into secure habitats in large territories and adequate interconnectivity. For communities and smallholders, it would

mean benefiting from the value chain thanks to structural reforms. Achieving these goals requires sustained progress in the three complementary areas mentioned above: boosting consumer demand for CSPO, promoting the production and supply of CSPO as a way of factoring in social and environmental costs along the supply chain, and advocating the use of effective socioecological land use planning at the local and national levels. The alternative to taking these steps would be business as usual.

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Endnotes

- 1 The Executive Board was renamed Board of Governors to show that the Secretariat was taking over management responsibilities.
- 2 The classifications are derived from the Red List of the International Union for Conservation of Nature (IUCN, n.d.).
- 3 Based on comments made by the RSPO Secretary General at the 12th annual RSPO meeting, Kuala Lumpur, 19 November 2014.