

## **The sustainability challenges of biomass certification: *realities on the ground***

**Summary report of Lunch dialogue at the World Biofuels Market,**

14 March 2013, Rotterdam, The Netherlands, sponsored by Dutch NL Agency

### **Background and objectives**

The lunch dialogue was organized to present and discuss a number of challenges in the field of sustainable biomass and certification identified in pilot projects conducted by the organizers and funded by Dutch NL Agency <sup>1</sup>. The dialogue aimed to learn from experiences from the field and to identify opportunities to jointly work towards improving the sustainability of biomass production.



### **Organizers**

- Netherlands Center for Indigenous Peoples (Leo van der Vlist)
- Oxfam Novib (Madelon Meijer and Sandra Seeboldt)
- CREM (Martine van Zijl)

### **Chair**

- Dorette Corbey, Chairperson of the Dutch Commission on Biomass Sustainability

### **Special guests**

Two representatives from the projects in Indonesia and Brazil:

- Rinting Siten, working for AMAN (Indigenous peoples Alliance of the Archipelago/ Aliansi Masyarakat Adat Nusantara) a membership organization of over 2,000 Indigenous Communities from across Indonesia that work to create space for indigenous persons to recover and assert their human rights and

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<sup>1</sup>The organizers are each involved in several projects with respect to biomass and certification, funded by NL Agency. These projects are: (1) **Working towards sustainable biomass production in Mato Grosso, Brazil**; (2) **Moving South Africa forward to certified sustainable energy from oilseed crops**; (3) **Improving the social-economic impact of biomass production for local communities and indigenous peoples (Indonesia)**; and (4) **Smallholders and certification of biomass**.

fundamental freedoms of welfare and dignity. Mr. Siten defends local communities in Central Kalimantan that have lost their traditional lands to palm oil companies. Mr. Siten distributed the **Palangka Raya Declaration**<sup>2</sup> with recommendations of Indonesia civil society to the European Union on palm oil plantations in Indonesia<sup>3</sup>.

- Nilfo Wandscheer, a small-scale farmer from Mato Grosso, Brazil and chairperson of a local family farming association, and COPEREDE, a regional network of family farming associations, both members of FORMAD. FORMAD is the Forum for Environment and Development of Mato Grosso and seeks to defend a sustainable development model that respects and protects indigenous peoples, traditional communities and cultures, family farmers and ecosystems. Paul Wolters served as translator Portuguese for Mr. Wandscheer.

## Participants

- Onofre Andrade, Sustainability Manager, Argos
- Frank Bergmans, Policy Officer, Product Board Margarine, Fats & Oils
- Celine Brisabois, Ethanol Trader, Bunge
- Helena Chum, Research Fellow and Group Manager, National Renewable Energy Laboratory (NREL)
- Annette Cowie, Director National Centre for Rural Greenhouse Gas Research, University of New England
- Eddy Esselink, Program Manager Sustainable Development, Product Board Margarine, Fats & Oils
- Paloma Garcia-Poggio, Chain of Custody lead Auditor Trainer, SGS
- David Glenister, International Biofuel Sustainability Expert, SGS
- James Lockhart Smith, Head of Latin America, Maplecroft
- Philippe Marchand, Vice President, Biofuels development, TOTAL Refining and marketing
- Laszlo Mathe, Bio-energy coordinator, WWF International
- Josiah McClellan, Director of Sustainability and Food Market Issues, United Soybean Board
- Gerard Ostheimer, Science Advisor, US Department of Agriculture, Foreign Agriculture Service
- Andrew Shepherd, Senior Technical Advisor, CTA (Technical Centre for Agricultural and rural Operation)
- Peter Ryus, Chief executive officer, RSB Services foundation
- Arjette Stevens, Thematic expert on Climate/Energy, WNF
- Elke van Thuijl, Advisor, NL Agency
- Wallace Tyner, Professor, Department of Agricultural Economics, Purdue University
- Harmen Willemse, Consultant, NEN
- Jobert Winkel, Advisor, NL Agency



<sup>2</sup> This Declaration can be found at: <http://www.agentschapnl.nl/content/indonesia-cso-recommendations-eu>

<sup>3</sup> See Annex 1

## Introduction by Dorette Corbey

Mrs. Corbey introduces the objectives of the lunch dialogue and stresses that the dialogue is about collecting ideas and feed-back and does not aim at reaching consensus on any of the issues discussed. Mrs. Corbey further informs about the advice to the Dutch Government of the Dutch Commission on Biomass Sustainability on social aspects of biomass production that was just completed by the commission (but not yet presented) and highlights the importance of including social issues in EU requirements for sustainable biomass production.

### 1. Presentation by Leo van der Vlist

Mr. Van der Vlist presents the main findings of the four projects that are financed by NL Agency and that relate to socio-economic and environmental sustainability issues in biomass production.<sup>4</sup>

*Some highlights of the presentation*

#### Local social-environmental impacts

The project in Indonesia has shown that there are some positive and many negative impacts of the production of palm oil in west and Central Kalimantan:

<i>Positive</i>	<i>Negative</i>
<ul style="list-style-type: none"><li>•Jobs (though few; 5% of communities and wages below minimum)</li><li>•More customers for local shops, but mainly owned by immigrants</li><li>•Road infrastructure, but also roads damaged</li><li>•Some schools and churches built</li><li>•Sometimes electricity provided</li></ul>	<ul style="list-style-type: none"><li>•Loss of land and property/use rights</li><li>•Loss of subsistence (food, medicines, materials) and decreasing incomes</li><li>•Loss of culture and knowledge</li><li>•Environment polluted</li><li>•Drinking water contaminated</li><li>•Health issues (pesticides, dust)</li><li>•Less access to energy (higher prices)</li><li>•Human rights violations (discrimination, child and forced labor, no right to organize workers, violence, arbitrary detention)</li><li>•Conflicts (horizontal and vertical)</li></ul>

Table 1: overview of positive and negative local impacts of palm oil production in West and Central Kalimantan, Indonesia.

One remark of a participant in the workshop in Palangka Raya, in Central Kalimantan, Indonesia summed it all up: "We do not ask for more, but we don't want less."

The Brazilian project on sugarcane and soy also shows many negative impacts, such as: concentration of land ownership, rural exodus, contamination of soil and water due to pesticides, deforestation, reduction of biodiversity, marginalization of family farming and a decrease of local food supplies, health issues, loss of cultural traditions linked to nature and lack of alternative employment.

The communities consulted in the pilot projects identified the following challenges to improve the local impacts:

- ✓ respect for (customary) land (use) rights,
- ✓ implementation of the right to Free Prior and Informed Consent (FPIC),
- ✓ resolving and preventing conflicts,
- ✓ protection of water sources and cultural sites,
- ✓ raising of wages,
- ✓ better control and use of pesticides
- ✓ better monitoring (e.g. making available official statistics on health problems specific to the region).

<sup>4</sup>See footnote 1

## Smallholders

Including and supporting smallholders in the supply chain is seen as an opportunity to improve the local impacts of biomass production. But companies also see the benefits of working with smallholders. It can provide a more secure supply of better quality raw materials; result in lower costs of procurement and create consumer preference for the products resulting in a profitable growth (Nestlé). Unilever sees a high potential for growth in working with smallholders. By giving smallholders access to higher-quality seeds, training and fertilizers, they can often double or even triple their yields. Besides this, it can provide a social license to operate and the company can avoid reputational risks.

However, the project in Indonesia shows that the current models of including smallholders in the palm oil production do not offer good opportunities for smallholders. The smallholders lose their land to palm oil companies without their free prior informed consent which leads to conflicts. The 2 ha plots they get in return to grow palm oil do not provide for their basic needs. The smallholders become very dependent on the company because there is a lack of capital, credit and technical support. Inequitable, nontransparent price contracts, inadequate infrastructure, low quality of land and seeds and limited access to fertilizers leads to low yields and incomes for the smallholder. Many see themselves forced to sell their plot of land to outsiders often leaving them indebted and with no other option than to work as laborer on the plantation.

One way of improving the opportunities for smallholders is to certify them, but this comes with significant challenges which can be financial (high costs, access to credit), technical (meeting criteria, manage cooperative, acquiring skills, administrative burden), and related to the business model (imbalanced power between farmers and companies, non-adherence to the terms of agreement).

However, there are several ways to support successful smallholder certification:

- ✓ convincing smallholders (short-term incentives, building trust)
- ✓ lowering costs (group certification, reduced certification fees)
- ✓ lowering thresholds (step by step, criteria, exemptions)
- ✓ better access to capital, credit and services
- ✓ security of land tenure
- ✓ provision of local support (local facilitators)
- ✓ increase of skills and technical support (a better supply of inputs, fertilizers, trainings)
- ✓ yields and income could be increased (fair/ premium prices)
- ✓ health and safety improved by better management of chemicals.

### **Certification challenges; standard setting, monitoring, reporting and assurance**

From the dialogue with stakeholders and the literature studies the project holders identified some significant certification challenges of sustainable biomass related to standard setting, monitoring, reporting and assuring compliance. These include:

- ✓ Important sustainability issues are not (yet) included in the EU-RED as pre-ante compliance criteria, (such as impacts on the quality of water, soils and air and on social-economic issues). These are only addressed through a biannual reporting requirement, or not addressed at all.
- ✓ Companies only report on the sources used for biofuel, on the countries of origin and on the certificate used with no additional reporting obligation of the EU member states.
- ✓ There are big differences in the level of assurance offered by the various certification systems approved by the EU to prove compliance with the EU-RED and the majority of companies chooses the systems with the lowest level of assurance.
- ✓ As a result of this, the sustainability issues mentioned above are not covered in all of the EU RED approved certification systems. This means these issues are also not monitored by these systems. The certification systems that do include all these issues may have shortcomings in their level of assurance, and therefore also not monitor the impacts well. For these reasons alternative independent monitoring is needed.

- ✓ Verification challenges include the honesty of the records and the procedures shown, partial certification (of only part of the production land), the fact that local stakeholders do not come to consultations of auditors and that stakeholders tell stories instead of facts, the abundance of laws and regulations that needs to be checked and the reality that it is hard to find a good quality assessor.



*Main challenges for biomass sustainability certification*

In summary, the main challenges that have been identified from the four projects are to:

- ✓ Improve social and environmental impacts
- ✓ Improve smallholder opportunities
- ✓ Improve monitoring and reporting
- ✓ Improve criteria and level of assurance

The main questions for the dialogue that are related to these challenges are:

**Questions for dialogue**

Do you recognize these challenges? Would you like to add any?

Local impacts

How to improve local impacts? What are your experiences? What are the main challenges? What are the opportunities? Who can / should do what?

Smallholders

How to improve smallholder's opportunities? What are your experiences? What are the main challenges? What are the opportunities? Who can / should do what?

Monitoring / Reporting

How to improve monitoring? What are your experiences? What are the main challenges? What are the opportunities? Who can / should do what?

Criteria / Assurance

How to improve level of assurance? What are your experiences? What are the main challenges (e.g. verification of social criteria)? What are the opportunities? Who can / should do what? (e.g. companies choose more robust schemes, EC revises EU-RED to include more criteria?)

## Dialogue

*Are the challenges recognized? Are there any additional challenges?*

The challenges are recognized:

- Regarding smallholder certification: Though a lot has been done, it is recognized to be very difficult to ensure access to certification.
- Regarding criteria/ assurance: It is recognized that the level of assurance is key and that social issues are not covered in many EU approved systems. If not covered, this could mean that for example the local food economy is compromised.

Additional comments on the challenges:

Regarding impacts:

- It would be useful to **compare impacts of a certified and non certified plantation** and certified versus uncertified market penetration in a given country.
- More attention is needed with regard to the **quantification of the impacts** that are described (amongst others; the number of people interviewed and the area covered).
- **Certification is a key instrument.** Certification can be a useful tool to push down sustainability in the supply chain.

Regarding smallholders: **Need for awareness of the benefits of certification and need for training**

- There is an awareness need of (the principles of) the standards and how to implement these: One of the biggest take home messages/ challenges is to better communicate the benefits of certification systems (for example communicate the best agricultural practices and data on efficiency to farmers) beyond benefits of access to markets which require certification.
- There is a huge need for training for small-scale farmers to help implementing best practices.
- The role of credit providers is important for smallholder access to certification

Regarding monitoring: There is a **need for (financial) support for independent monitoring.**

- Certification can save the lives of people in Kalimantan, Indonesia. Because the Indonesian government is poor in the implementation of its policies, the main challenge, besides robust certification systems, is to have a proper monitoring and control<sup>5</sup>.

Regarding criteria/ assurance: **Social criteria are to be upheld by the large-scale companies**

- A wide range of certification schemes is available. Many go beyond minimum requirements and cover environmental issues (land, water) and social issues.
- For smallholders in Mato Grosso, Brazil it is not viable to produce for the biofuel market. Important to these smallholders is respect for the role of family farmers regarding the food security of the region. Small-scale farmers are not able to produce for their region because of the pressure on land and the intensive use of agrochemicals. Import of food is therefore necessary. Parties who buy soy from the region should insist that that the soy is produced responsibly and leaves enough room for local food production.

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<sup>5</sup> *Note from the authors (additional to what was discussed in the dialogue):* Independent monitoring alongside certification is needed to be able to measure/determine all of the relevant sustainability impacts of the production systems put in place, as not all certification systems cover all relevant sustainability issues and / or may have a weak level of assuring compliance with their requirements and some issues may be difficult to cover through certification (e.g.: the enabling environment in which certification functions: capacity of civil society to engage in certification, restrictive legislation that makes it difficult to implement certification requirements such as respect for customary rights, etc.). Independent monitoring thus serves a) to provide input for continuous improvement regarding the functioning of certification (schemes), as well as b) to point towards additional areas of required improvement which go beyond certification.

## *Discussing key challenges*

### How to improve local impact?

**Companies can go beyond compliance.** Training for example may be a complementary activity. The challenge is to convince people (in companies) of the usefulness of certification. There is not enough recognition of the efforts it takes to have certification in your supply chains (sometimes people think that certification does not really make a difference). Improving governance and monitoring is key. It is important to differentiate between companies that are more responsible and those that are not.

**Food versus fuel.** Small-scale farmer movements in Mato Grosso, Brazil are defending a different agricultural model, smaller scale production of especially food for local markets (there are no small-scale farmers that deliver soy for the biofuels export markets, for a variety of reasons, not being able to compete being one of them).

**Export demands are driving sustainability.** Consumers in producing countries (for example in Brazil) often do not care about sustainability. It is difficult for traders to motivate for sustainability on land they don't control. It is only because of export that companies get an interest in sustainability. In Brazil there is a very powerful agro business which is connected to political power. They only respond to pressure from the EU and US regarding sustainability.

### How to improve monitoring and reporting?

**To improve monitoring technology is needed.** The EU can push the Indonesian government to implement criteria and control it. Communities can play an important role in monitoring for example through citizen journalism (sending text messages from the communities to a wide network of stakeholders. This requires technical and financial support for the communities.

### How to improve criteria and the level of assurance?

**Talk to the communities, carry out a FPIC process (Free, prior and Informed Consent)** to know what they think about sufficient compliance with issues that affect them. Not all standards have included FPIC however. There is no requirement to use the concept. Therefore **FPIC should be included in the EU Renewable Energy Directive (EU-RED).**

**Need to increase quality and lower quantity of schemes** There is an explosion in the amount of voluntary standards recognized by the EU for EU-RED compliance<sup>6</sup>. This undermines the position of the more robust standards. It would be useful to see how the EU assesses the systems and if the quality of the standards could be increased and the quantity of standards lowered. The use of an EU framework can be useful for such harmonization. The Netherlands (Dutch government or NEN by means of input on NTA 8080) could play a role in the realization of this objective; it has the expertise, knowledge and understanding.

**Avoiding a race to the bottom.** It is important to avoid a race to the bottom regarding the choice for a certification system. We could look at best and worst practices and try to determine what is sufficient. For example the ISO standard could play a role in this.

**Level of assurance is very important (call for better monitoring).** Assurance is very critical. For example on food security; the importance that an operation is not impeding the access and quality of food. How is that to be ensured? A certification system needs to be robust enough and monitor this. If not, an issue like food security will not be assured.

**Demonstrating a sufficient level of compliance.** What evidence can auditors accept to demonstrate a sufficient level of compliance? Auditors often have been trained on the different standards. The problem is 'what is sufficient compliance/ level of assurance? This is difficult to know and open to

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<sup>6</sup> Currently 13 schemes have been approved. [http://ec.europa.eu/energy/renewables/biofuels/sustainability\\_schemes\\_en.htm](http://ec.europa.eu/energy/renewables/biofuels/sustainability_schemes_en.htm) (28 March 2013)

multiple interpretations (open to interpretation of auditor). This is why **certification systems need to take up more details regarding demonstrating a sufficient level of compliance** (role for European Commission to require this type of information).

**Risk based monitoring and control is key. It is extremely difficult to monitor social issues.** If only for two reasons: Auditors often have relatively short time for audits, while understanding the social situation requires time. Also, third party auditing in almost all certification systems means that there are economic ties with the company that is being audited and the auditor. This should be an important topic for discussion in roundtables. Risk based monitoring and control, which focuses on high risk issues, is key.

## **2. Concluding remarks**

Dorette Corbey sums up the priorities that came out of this session. The main priorities identified are **improving the standard and the level of assurance, including improving monitoring and control, and not trusting on paper but in people**, meaning that there is a need for more participation of local communities, both in consultation and in monitoring.



# **Annex 1**

## **PALANGKA RAYADECLARATION**

### **INDONESIA CIVIL SOCIETY RECOMMENDATIONS TO EUROPEAN UNION ON PALM OIL PLANTATIONS IN INDONESIA**

**9 November 2012**

#### **A. BACKGROUND**

On 9 November 2012 the undersigned civil society organizations gathered in Palangka Raya, capitol of Central Kalimantan, Indonesia, to discuss the social-economic impacts of palm oil production in relation to European Union policies on biofuels. Based on these discussions we have developed this declaration.

The recent EU legislation that 20% of all energy used and 10% of transport energy will come from 'renewable' energy sources is contributing to the increase in global demand for palm oil. The World bank forecasts that a global 6.3 million ha of palm oil will be needed to meet the demand by 2020. Much of this land is expected to be in Indonesia, which already accounts for almost 50% of world palm oil exports. This poses additional threats to indigenous peoples living in Indonesia.

In Indonesia currently around 11.5 million hectares of land are planted with palm oil and this is scheduled to increase tremendously since Indonesia has set a national target of doubling palm oil production to 40 million tons per annum by 2020. Some estimates of planned expansions of palm oil plantations go even up to 26 million hectares. Smallholders currently own approximately 2 million hectares while the rest (about 9.5 million hectares) is owned by palm oil companies from Indonesia and outside Indonesia.

The present palm oil plantations have caused the acquisition of large parts of lands that belong to farmers and indigenous peoples, as well as caused forest conversion and environmental damage on a broad scale.

Most of the Indigenous Peoples' lands and territories have been grabbed without free prior and informed consent by government, ranging from central to local governments, and to palm oil companies. These land acquisitions have created huge difficulties in the lives of farmers and indigenous peoples in fulfilling their daily needs. Therefore palm oil production mostly does not contribute at all to the economic development of many Indonesians that are voluntary or involuntary involved in the palm oil production. Negative impacts will certainly increase in scale with the plan to increase palm oil production.

On the cultural side, the conversion of domestic and community plots and customary forest to palm oil plantations is slowly but surely changing the traditions of indigenous peoples. Loss of lands, sacred sites and medicinal plants contribute to the eroding of indigenous cultures especially indigenous peoples' spiritual beliefs, rituals, traditional medication, food production and other traditional livelihood systems. These cultural practices that make up the identity of indigenous peoples are mostly coming from their connection to the land.

The large-scale land grabbing from farmers and indigenous peoples have an increasingly negative impact on the local and regional food sovereignty. The existence of palm oil plantations on massive scale increasingly limits access to food sources as well as other resources such as rubber, medicines and building materials. As a result, more farmers and indigenous peoples depend on the food and other resources produced from sources outside the community. This is jeopardizing their food sovereignty and wellbeing, thus leaving farmers and indigenous peoples impoverished. Palm oil development does not provide sufficient or secure incomes for workers and smallholders to buy the more expensive food and resources from outside the community or region.

Palm oil companies, often granted with the right to monopolize and control water, trigger water shortages among farmers and indigenous peoples living around

plantations. Extensive use of chemical fertilizers and pesticides pose serious pollution to the environment. Many living on or surrounding plantations have to consume polluted water posing them serious health risks. Women in particular face greater health risks from environmental pollution and reduced access to water due to their traditional domestic role.

The land acquisition has triggered conflicts over land throughout Indonesia, while the Government does not demonstrate a strong commitment to resolve them. In fact, in most cases, the people who resist and claim their land rights are facing violent responses from government officials and the companies in most cases involving police and/or army troops as well as private security guards paid by companies. Furthermore, indigenous peoples and farmers often face criminal charges and trials without fair process due to corruption in the judicial courts.

Indigenous Peoples' land ownership is not fully protected by Indonesian Law. The law No. 41/1999 on Forestry, for example, recognizes the existence of customary forests as part of the state forests over which the state however claims full control. Such recognition is based on a misunderstanding of indigenous peoples' rights over the forests because these rights existed long before the presence of the state. On the other hand, the Indonesian government has produced laws and regulations to invite and nurture extractive industries, including the Plantation Law No. 18/2004 and its implementing regulations and other related policies allowing the expansion of massive palm oil plantations in Indonesia.

## RECOMMENDATIONS

Considering the variety of concerns described above, we, the organizations of civil society that work on the issues of indigenous peoples, environment and justice, would like to deliver some recommendations to the European Union requesting the EU to take the following actions:

1. Urge the Indonesian government to stop issuing licenses to palm oil plantations in forest areas, in the lands of farmers and in land and territories of indigenous peoples without the free, prior and informed consent,
2. Urge the Indonesian government to create a national policy that outlines an ambition of the government to stop promoting palm oil development solely by large scale investment, and that provides flexibility and strong legal basis for farmers and indigenous peoples (as they wish) to establish palm oil plantations that are based on the democracy of the people,
3. Encourage the Indonesian government to provide basic and necessary information to indigenous peoples, farmers and civil society organizations in Indonesia related to the development and investment of palm oil plantations in Indonesia,
4. Urge the Indonesian government to immediately ratify the bill on Recognition and Protection of Indigenous Peoples' Rights in Indonesia, and thereby creating legal certainty for indigenous peoples,
5. Urge the Indonesian government to provide effective mechanisms to resolve land conflicts with indigenous peoples and farmers over their forests claimed by the government as the state forest,
6. Encourage the Indonesian government to stop and resolve cases of human rights violations against indigenous peoples and farmers in the form of shootings, detains, killings, arrests, criminalization, discrimination, and so on,

7. Urge the Indonesian government to undertake concrete measures in order to provide protection over the important sites as the source of livelihood of the people and conservation of the environment and the sustainability of the biodiversity,
8. Urge the governments of the European Union members and the European Commission to take measures to prevent negative socio-economic and environmental impacts from imports of palm oil to the European Union and promote and support self-determined development, human rights and food sovereignty of indigenous peoples and farmers.
9. Urge the Government of the Republic of Indonesia to implement good governance in order to promote justice and prosperity for indigenous peoples and farmers in particular and Indonesian people in general.

Hereby we deliver these political statements. We thank for the attention, good will and commitment of the European Union to follow up our recommendations.

**B. MEMBERS OF CIVIL SOCIETY FORUM:**

1. Aliansi Masyarakat Adat Nusantara (AMAN)
2. Forest Watch Indonesia (FWI)
3. Greenpeace Indonesia
4. Jaringan Kerja Pemetaan Partisipatif (JKPP)
5. Konsorsium Pembaruan Agraria (KPA)
6. PADI Indonesia
7. Save Our Borneo (SOB)
8. Sawit Watch Indonesia (SWI)
9. Wahana Lingkungan Hidup (WALHI)
10. Yayasan Petak Danum
11. Yayasan Pusaka (PUSAKA)