

# The risks of investing in the Palm oil sector

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# Palm oil and deforestation

Palm oil:

- One of the main drivers of deforestation in Indonesia:
- 7 million ha existing plantations
- More than 1 million ha of existing plantations located on peat
- Up to 20 million ha land bank for palm oil companies

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# The effects of deforestation:

- Around 51 square kilometers of forest destroyed every day - equivalent to over 300 football fields every hour. Indonesia has the fastest deforestation rate in the world
- Every year, 1,8 billion tones (Gt) of greenhouse gas emissions are released by the degradation and burning of Indonesia peat lands
- Over 80% of Indonesian GHG is from deforestation making it the 3<sup>rd</sup> largest emitter on the planet
- About 50 million forest dependent peoples, who will lose their livelihoods by deforestation.
- Staggering loss of biodiversity – Tigers, elephant, orang-utan, etc

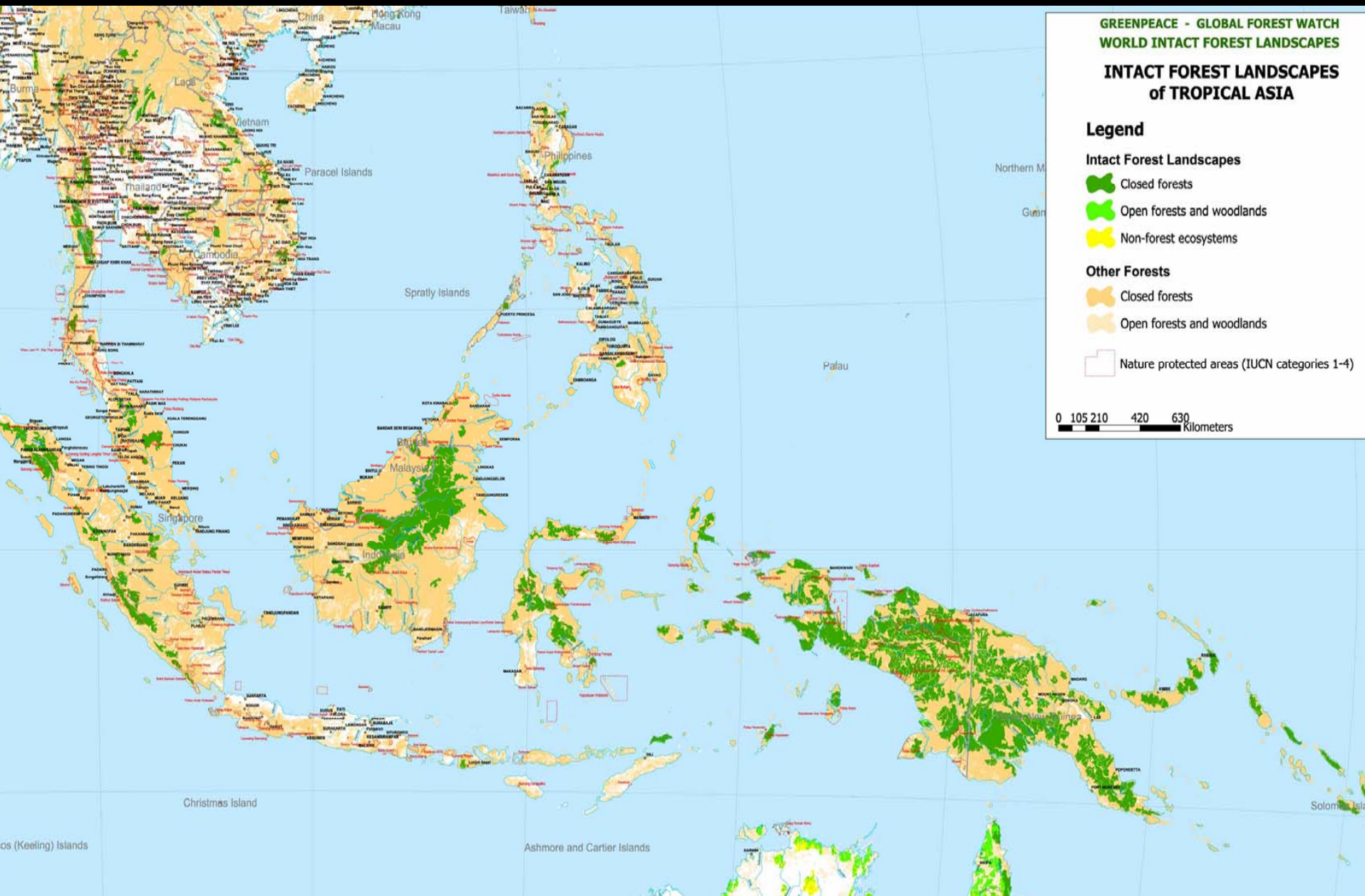
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# The last remaining ASIA – PACIFIC forests



# Sinar Mas: A business case of Forest Destruction

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## Why Sinar Mas is a problem

Indonesia's largest palm oil and pulp and paper producer:

More than 400,000 ha for palm and almost 700,000 ha for paper.

Aggressive expansion plans in forested areas

Long history of failed sustainability commitments and evidence of illegal land clearing both for palm and pulp.

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## A history of forest destruction

2008: Greenpeace report 'Burning up Borneo' shows forest destruction by Sinar Mas.

December 2009: Unilever commissions independent audit that finds violation of RSPO Principles & Criteria.

December 2009: Greenpeace publishes evidence of illegal forest and peat land clearance by Sinar Mas

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# Clearing of Sago trees, Lereh, Papua 8th October 2008



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## Sinar Mas sustainability commitments

Sinar Mas' palm oil operations fall under Golden Agri Resources (GAR)

GAR claims to be committed to the principles and criteria of the Roundtable on Sustainable Palm Oil [RSPO].

GAR subsidiaries PT SMART and PT IVO Mas are both members of RSPO.

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While Sinar Mas is trying to convince their clients and investors that it is committed to sustainability, it continues business as usual.

Greenpeace evidence from the last 3 months shows:

- Illegal clearing of forests
- Illegal clearing of peat lands
- Violation of RSPO P&C

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# Peat land destruction, PT ALM, Kalimantan 14th March 2010



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March 14, 2010

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## International market response

- Unilever suspended their 30 million Euro contract with Sinar Mas.
- Kraft, Nestle stopped their direct purchases from Sinar Mas.
- Cargill looking into their purchases from SM based on audit.
- Financial institutions, like the German Development bank (DEG) are re-evaluating their loans.

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OR THIS?



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# RSPO: No Risk Management

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Sinar Mas is an example, not an exemption.

Illegalities, forests destruction and peat land clearance are rampant, also among RSPO-members.

Many members are using the RSPO as green-wash while carrying on with business as usual.

Whilst RSPO certification might be a step in the right direction, it does not address the issue of deforestation and climate change.

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RSPO Member, Located in Riau, Nov 2008



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Two problems:

RSPO standards are not strong enough (e.g. on peat lands); or don't exist (GHG-emissions).

Even certified companies continue with forests and peat land destruction in their plantations. For example United Plantations certified in Malaysia but clearing peat land and orang-utan habitat in Kalimantan.

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# Sustainable investment?

To manage investment risks one can not rely on RSPO.

Only invest in companies that adhere to a moratorium on forests and peat land clearance

Do a supply chain analysis to ensure that companies are not linked to forest destruction

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## Next steps with Sinar Mas?

Greenpeace is not anti-palm oil, but anti-deforestation

Companies like Sinar Mas are destroying forests, livelihoods and shattering the reputation of the entire palm oil industry.

Sinar Mas –the worst of the worse- must take action now.

Greenpeace call upon Sinar Mas customers to stop buying their products until Sinar Mas takes verifiable action on the ground.

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# The way forward for the palm oil industry: a Moratorium

Palm oil industry to implement a moratorium on further deforestation and peat land clearance, and push the Indonesian government for an industry-wide moratorium.

Palm oil industry to focus on increasing yields rather than expansion.

Investors to demand a stop on deforestation and peat land clearance from their clients.

RSPO to take leadership and demand moratorium as a condition of membership.

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Damming Activity in RSPO Member Plantation, Located in Riau, Nov 2007



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# Thank you

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