

## **LOL AC T2 EXH 1**

### **Exhibit 1: Articles and testimony related to imported palm oil.**

#### **A: Malaysian Palm Oil = Indonesian Palm Oil?**

**Indonesia still on radar of Malaysian planters: It remains the choice location for oil palm cultivation,** Malaysia Star, February 27, 2009.

**Indonesia To End Freeze On Peatlands For Plantations,** Reuters 2/17/09.

**Govt to allow peatland plantations, Jakarta Post, 2/13/09.**

Indonesia's setback on climate change , Financial Times, 11/18/08

Greenpeace activists prevent Sinar Mas palm oil tanker from loading in Indonesia: Greenpeace challenges RSPO to stop green-washing member companies, 11/14/08 Dumai/Jakarta, Indonesia

**Indonesian NGO Backs Villagers in Fight Against Palm Oil,** Agence France Presse, 1/29/09

**Palm oil frenzy threatens to wipe out orangutans, Associated Press, 1/18/09**

**Borneo's Moment of Truth, National Geographic – November 2008 .**

**Forests losing battle against plantations , Adianto P. Simamora,** The Jakarta Post, Jakarta 30th October 2008

**Malaysia: Indonesian children and migrant workers enslaved in oil palm plantations** The Jakarta Post , 09/17/2008

**EU To Put Temporary Duties On US Biodiesel Imports,** Dow Jones, 2/19/09 Under the proposal, Imperium Renewables will have to pay EUR29 per 100 kilograms,

**CLEAN TECH :Hawaiian utility: customers to pay more after Imperium scraps plant, 2/20/09**

**Imperium loses major contract,** The Daily World August 16, 2008

B: Malaysian Palm Oil – Green Gold or Green Wash, by Sahabat Alam Malaysia, Friends of the Earth, Europe/International, Milieu Defense.

C: Problems with Certification Process

**Certified Unsustainable? Observations on the first three RSPO certificates, Almuth Ernsting, 11/2/08**

**United Plantations Certified Despite Gross Violations of RSPO Standards, Greenpeace, November 2008.**

**First sustainable [palm oil](#) shipment beset by controversy**

**17 November 2008 - Issue : 808**

**Biofuel backlash: High prices, pollution worries hit consumers, Seattle Times**

**Make use of palm biodiesel compulsory to cut CPO stockpiles, Malaysia Star Friday February 27, 2009**

**Business Times: Palm futures give up gains**

02/26/09 06:21 **RI and Malaysia raise rubber and CPO prices**

**Malaysia Star, Friday February 27, 2009**

**Indonesia still on radar of Malaysian planters**

**By HANIM ADNAN**

**It remains the choice location for oil palm cultivation**

PETALING JAYA: The current low crude palm oil (CPO) prices and global economic slowdown will not hinder most Malaysian plantation companies from acquiring additional green fields or existing oil palm plantations in Indonesia.

Despite the constant “disruptive” changes in the terms and regulations set by authorities in various provinces, Indonesia will remain on the radar of most local planters as the choice location for oil palm cultivation.

Malaysian Estate Owners Association president Boon Weng Siew told *StarBiz* the success of oil palm ventures in Indonesia depends on the ability of local plantation companies to secure good Indonesian partners.

“Having a strong long-term partnership is vital as proved by Kuala Lumpur Kepong Bhd (KLK) and **Sime Darby Bhd, which are among the local pioneers with huge tracts of oil palm plantation in Indonesia,**” he added.

Life of the Land \* Docket 2007-0346\* Testimony LOL – AC-T2 – EXH1

Currently, it is believed that 50% of Indonesia's oil palm plantations are controlled by over 50 Malaysian companies with their plantations concentrated in Sulawesi, Kalimantan and Sumatra.

Among others, United Plantations Bhd, Asiatic Development Bhd, IJM Plantations Bhd and IOI Corp Bhd have also invested massively in oil palm plantation operations in Indonesia (**See table**).

KLK chief executive officer Datuk Lee Oi Hian said in the group's 2008 annual report that 32,833ha or 76% of the group's immature oil palm are in Indonesia. "The key criteria to expand in Indonesia are choice location, terrain and soil coupled with new planting and proper execution," he added.

IJM Plantations managing director Velayuthan Tan also said recently the group aimed to embark on organic growth strategy through expansion in new hectareage in Indonesia.

IJM Plantations will jointly develop 33,000ha in East Kalimantan for oil palm cultivation with Indonesian parties – marking its first foray overseas.

While the interest among planters, especially those with huge cashpile, remains intact on Indonesia, there have been incidents where local planters like Kulim (M) Bhd and Tradewinds Bhd decided to pull out from Indonesia's oil palm scene.

In mid-2007, Kulim decided to sell its entire 63,260ha plantations in Kalimantan developed since 1996 for a cool RM430mil.

Kulim managing director Ahamad Mohamad was quoted then as saying the Indonesian operation was becoming increasingly challenging to operate. "Returns on investments have not been as encouraging as our estates in Papua New Guinea, Malaysia and the Solomons," he said.

CIMB Research regional analyst Ivy Ng said: "The investment risk appetites in Indonesia differ from one company to another."

She concurs that having good Indonesian partners is important to ensure long-term success for Malaysian planters.

"Limited agriculture land in Malaysia will continue to make Indonesia attractive to local planters who are constantly on the lookout to expand their plantation land bank," she added.

Industry analysts said the total planted area of oil palm plantation concessions in Indonesia would reach seven million hectares with an average CPO production estimated at 19.5 million tonnes by 2010.

Indonesia has taken over Malaysia's spot as the world's largest palm oil producer since late 2006 – thanks to the active huge investments in oil palm cultivation by Malaysian companies over the past five years.

Together, Indonesia and Malaysia control almost 90% of the world's palm oil production.

### **First sustainable palm oil shipment beset by controversy**

17 November 2008 - **Issue** : 808

The arrival in Rotterdam of the first shipload of palm oil certified as "sustainable" was celebrated on November 11, despite the release of a report by the environmentalist group Greenpeace that claimed the producer had violated sustainability standards. The palm oil from Malaysian producer United Plantations had been certified as sustainable by the Roundtable on Sustainable Palm Oil in September. But Greenpeace claimed in a report that

the company does not meet all criteria set for an environmentally friendly product as laid down by the roundtable, Deutsche Presse-Agentur (dpa) reported.

Companies that subscribe to RSPO standards promise to help reduce deforestation, preserve biodiversity, and respect the livelihoods of rural communities in palm oil-producing countries. Jan Kees Vis, president of the RSPO and the sustainable agriculture director at Unilever NV, called the arrival of sustainable palm oil “a small but significant step.” United Plantations was the first company to receive a RSPO certificate for plantations in Malaysia, confirming the company’s production methods and social policies meet the RSPO’s standards of sustainability.

By the end of 2008 certified plantations are projected to produce 1.5 million tonnes of RSPO-certified sustainable palm oil on an annual basis, about four percent of current global palm oil production. Palm oil is the world’s most important category of vegetable oil. In 2007, palm plantations yielded more than 38 million tonnes of oil, making it one of the world’s biggest commodity products. In Europe, palm oil is now used as an ingredient in a large variety of consumer products, including margarine, ice cream, chocolate, detergents, soap and biscuits. Greenpeace claims United Plantations, which sells oil to Nestle and Unilever and has plantations in Malaysia and Indonesia, is cutting down trees in the Indonesian territory that is home to orangutans, an endangered species of great ape.

It says United Plantations would also be entangled in land conflicts with the local population. United Plantations responded furiously to the Greenpeace report on November 11. In a 12-page statement, the company spoke about “serious and unwarranted allegations” by Greenpeace and rebutted the group’s claims, which it said were based on “misconceptions and misunderstandings.” Meanwhile, RSPO, the organisation responsible for setting the standards of the sustainable production certificate, said it “welcomes input from NGOs aimed at strengthening its control and certification systems.”

RSPO said United Plantations had already agreed to fully cooperate with an investigation into the “additional information” provided by Greenpeace. RSPO has approved several independent organisations to perform certifications for sustainable palm oil production. Gerben Stegeman from Control Union Certification, which certified United Plantations, told dpa that on November 7, three days before Greenpeace released its report, his company had received information about possible violations of RSPO standards by United Plantations. “We immediately dispatched two investigators to research the situation,” he said. According to Stegeman, companies requesting a certificate regularly do not meet all criteria.

“Companies with minor non-compliances are given a certificate provided they will and can solve these problems within a year,” Stegeman said. He emphasised his company, which is based in Zwolle in the eastern Netherlands, always checks afterwards whether manufacturers have improved their standards. In case major non-compliances are discovered, certificates are simply not given, Stegeman said. He added certificates are always given for a five-year period only. Suzanne Kroeger from Greenpeace said her organisation had not join other environmental organisations like the World Wildlife Fund (WWF) at the RSPO to discuss the definition of sustainable production because “there is no time to talk endlessly with companies that meanwhile continue the deforestation process.”

“If Indonesian peat forests continue to be cut down at the current speed, they will disappear within the next 15 years,” she said. Kroeger said two things should change before RSPO becomes a credible certificate. “RSPO has to ensure the companies that receive its certificate will comply with all of its criteria. And it should raise its standards.”

<http://www.neurope.eu/articles/90620.php>

## UPDATE:EU To Put Temporary Duties On US Biodiesel Imports - Document

Thursday February 19th, 2009 / 20h10

(Updates sourcing, adds details from document)

BRUSSELS -(Dow Jones)- The European Commission intends to place temporary duties on biodiesel imported from the U.S. while it determines if permanent duties are necessary, according to a commission proposal obtained by Dow Jones Newswires.

The decision comes in response to complaints from the European Biodiesel Board, which represents the main producers in the E.U., that a subsidy the U.S. government gives to its biodiesel companies is unfairly harming the E.U. biodiesel market.

The EBB said the subsidy, which amounts to \$1 per gallon of biodiesel, had encouraged U.S. companies to flood the E.U. market with their biodiesel, driving down prices and forcing E.U. producers to shut down production. The E.U. is by far the world's largest consumer of biodiesel.

U.S. biodiesel imports caused the financial condition of the E.U. biodiesel industry to deteriorate drastically between 2005 and early 2008, the commission found, with profit margins dropping from 18% to below 6%. Return on investments in the E.U. industry dropped by 80%, as the industry's margins were squeezed between higher costs and low biodiesel prices, the commission said.

"The pressure exercised by the surge of low-priced dumped/subsidized imports on the (E.U.) market did not allow the (E.U.) industry to set its sales prices in line with market conditions and the increase in costs," according to the document.

The commission, the E.U.'s executive arm, will impose two kinds of duties, according to the proposal. The first is for biodiesel that is dumped into the market at prices below the cost of production, and the second kind would counter the subsidies given by the U.S. government, the commission said.

Archer Daniels Midland Co. (ADM), the giant U.S. agriculture company, will have to pay a combined duty of EUR26 per 100 kilograms of biodiesel, according to the document. ADM rival Cargill will pay EUR27 per 100 kilograms.

Under the proposal, Imperium Renewables will have to pay EUR29 per 100 kilograms, Green Earth Fuels EUR28 per 100 kilograms, and World Energy Alternatives EUR29 per 100 kilograms.

Peter Cremer North America and most other U.S. biodiesel companies will pay EUR41 per 100 kilograms.

If the commission wants to impose permanent duties, it must win the approval of the E.U. national governments.

The temporary duties will take effect by March 12, after the national government experts meet March 3 to discuss the issue, according to the commission document.

-By Matthew Dalton, Dow Jones Newswires; +32-2-741-1487; matthew.dalton@dowjones.com

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Thursday February 19th, 2009 / 20h10

Source : Dowjones Business News

## JOHN COOK'S VENTURE BLOG

CLEAN TECH

### Hawaiian utility: customers to pay more after Imperium scraps plant

By Eric Engleman on February 20, 2009 at 10:41 PST

Life of the Land \* Docket 2007-0346\* Testimony LOL – AC-T2 – EXH1

5

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A Hawaiian utility committed to using "green" fuel says its customers will have to [pay up to \\$2 more per month](#) after Seattle's Imperium Renewables scrapped plans to build a biodiesel plant there. Pacific Business News reports Hawaiian Electric Co. of Oahu will have to pay more to ship, store and transport fuel from Imperium's lone biodiesel plant in Grays Harbor, Wash.

The newspaper writes that under an amended contract Imperium will ship between 5 million and 12 million gallons of biodiesel annually to Oahu's Kalaheo Harbor, and from there Hawaiian Electric will pay a company called Aloha Petroleum to store and deliver the fuel to the utility's power plant. The additional storage and transport costs will result in an extra 90 cents to \$2 per month for the average residential customer, "with commercial customers presumably paying more." The contract must be approved by Hawaii's Public Utilities Commission.

The article said Imperium spokesman John Williams declined to answer questions. The troubled Seattle biodiesel company in October announced that existing investors had ["recapitalized" the business](#) to help settle some of its debts. The company also said it had retained a debt restructuring firm to help negotiate with creditors and retain enough capital to resume operations.

Amid growing questions about the economic viability of biodiesel, Imperium has endured a string of setbacks, including the sudden departure of CEO Martin Tobias, the cancellation of a \$345 million initial public offering and [numerous layoffs](#). The company also [lost a key contract](#) to supply biodiesel to Royal Caribbean Cruises.

**Imperium loses major contract** By [Steven Friederich](#) & Jacob Jones - The Daily World Saturday, August 16, 2008 11:36 PM PDT

Imperium Renewables has lost a significant contract to supply about 18 million gallons of biodiesel a year to Royal Caribbean Cruises.

The Seattle Post-Intelligencer also reported that the cruise line sold its 7 percent stake in the refinery at the Port of Grays Harbor, which celebrated its one-year anniversary on Aug. 15.

John Plaza, the founder and president of Imperium, declined to talk about Royal Caribbean's five-year contract, referring comments to Imperium's public relations firm, when reached on his cell phone on Saturday.

When asked how Imperium was faring, Plaza only said, "I'd caution you from believing anything out there that is conjecture. The only thing you should believe are the statements coming from our company."

On Friday, a Royal Caribbean spokesman sent a one-sentence e-mail to The Daily World, stating, "Any financial or contractual relationships between our company and Imperium Renewables were ended by July 1,

2008.”

The company declined further comment.

The P-I also noted that, according to a Securities & Exchange Commission filing, without the Royal Caribbean contract, Imperium had concluded it “would materially reduce our revenue and would harm our financial condition and results of operations.”

A Daily World analysis of Port records show that Imperium manufactured and exported as much as 47.6 million gallons of liquid between April of 2007 and April of 2008, likely biodiesel. Exports stopped in April.

In anticipation of Imperium’s one-year anniversary, which was this past Friday, The Daily World attempted to set up interviews with Plaza and other company executives. “Company executives are working hard right now to navigate some pretty choppy waters,” said John Williams, spokesman for Imperium, said by e-mail. Williams suggested waiting until September to do the story.

On Saturday, Williams didn’t return messages seeking comment on the contract loss. The P-I reported that an Imperium spokesman declined to comment on the contract.

Royal Caribbean was Imperium’s largest customer, according to the P-I. Then-company chairman Martin Tobias told The Daily World last year during the refinery’s grand opening that the deal had been inked in early 2006, but both Royal Caribbean and Imperium had decided to keep the deal a secret until the refinery’s grand opening.

The opening attracted a whole lot of fanfare, with media attention from across the globe. U.S. Sens. Patty Murray and Maria Cantwell, Congressman Norm Dicks and a flock of state legislators all participated in the ceremony. The refinery, at the time, was the largest biodiesel refinery in the country, capable of producing up to 100 million gallons of biodiesel a year. There’s no clear indication the refinery has ever produced that much.

Now, the loss of the Royal Caribbean contract is just one more setback for the biodiesel company, which canceled its initial public stock offering in January. Shortly thereafter, Tobias resigned, along with other staff. Since July of 2007, the company has drastically cut its Seattle headquarters staff from 107 to six.

Thus far, however, the Grays Harbor refinery has not suffered any layoffs, according to the company’s previous statements. At the time of its opening, Imperium said about 60 full-time workers at the plant.

Congressman Dicks said in an interview on Aug. 7 that he was worried about Imperum Renewables, but said even if the company goes under, he’s optimistic the facility can be used for something else.

“They’ve come in and briefed me a couple times to tell me times are really tough and it’s all about costs and feedstock and it’s so expensive that it doesn’t pencil out,” Dicks said. “We are all worried and you wanted this thing to be a big success and obviously their business model is being stressed here, but I hope they make it work somehow. Or else we can use this facility for some other purpose.

“I’m not predicting anything,” the congressman stressed. “I’m just saying I think this is a very high-quality facility. I know a lot of their people, and we’ll keep talking to them.”

Imperium had received a steady stream of “liquid bulk” imports and exports at the Port of Grays Harbor since April of 2007, four months before the refinery’s grand opening. A year later, just as suddenly as the shipments

began, Port records show they stopped.

Leonard Barnes, the Port's deputy director, said he doesn't know what happened or why the shipments stopped. He said employees are still coming to work, however, and there has been no indication from Imperium that anything negative is happening.

Barnes said the liquid is likely canola oil, used to create biodiesel, which is then shipped out. But the Port doesn't require Imperium to specifically state what's being imported or exported beyond noting that it's liquid bulk.

Imperium also doesn't tell the Port where the shipments are going or where they're from, Barnes said, noting that Imperium has been the Port's second largest customer, with AG Processing Inc. taking the top spot.

In the first six months of shipments, starting in April, Imperium imported 89,742 metric tons of liquid bulk. During that same period, Imperium exported 49,814 metric tons, likely biodiesel.

In the next six months, from October to April 2008, Imperium imported 86,442 metric tons, and its exports shot up to 104,870 metric tons. One metric ton equals around 308 gallons, which means roughly 47.6 million gallons of biodiesel might have been exported since the plant began operations.

The last shipment was exported on April 18, according to Port records.

## Biofuel backlash: High prices, pollution worries hit consumers

When King County Metro Transit signed a one-year contract last June to buy 2 million gallons of biodiesel made by Seattle-based Imperium...

By [Ángel González](#)

Seattle Times business reporter

[PREV](#) 1 of 5 [NEXT](#)



MARK HARRISON / THE SEATTLE TIMES

Biodiesel pioneer Dan Freeman, shown at his Dr. Dan's Alternative Fuelwerks in Ballard, says he's thinking about selling part of the operation to stay afloat. Rising prices and growing anti-biofuel sentiment are taking a big bite out of alternative fuel dealers' business.

When King County Metro Transit signed a one-year contract last June to buy 2 million gallons of biodiesel made by Seattle-based Imperium Renewables, the agency didn't mind paying a few extra cents a gallon for the privilege of being green.

By running all its buses on a blend with 20 percent biodiesel, Metro Transit would radically cut its greenhouse-gas emissions and help lessen U.S. dependence on foreign oil.

But in the last year, the promise of renewable fuels has lost a lot of its luster. Prices of biodiesel have almost doubled to about \$6 per gallon, and many experts blame biofuel production for driving up food prices worldwide. Prominent scientists have questioned whether growing crops for biofuels produces more greenhouse gases than it prevents.

Now Metro Transit, the region's largest consumer of biodiesel, is "taking an indefinite pause" in buying the renewable fuel, said general manager Kevin Desmond.

"We're taking a hard look at it in terms of both its price and the science," he said.

Local biodiesel retailers are also feeling the pinch as soaring costs and slowing demand wipe out their profits. "Business is down at least by half," said Ballard biodiesel pioneer Dan Freeman, of Dr. Dan's Alternative Fuelwerks. He said he's thinking about selling part of the business to stay afloat.

Statewide, according to Department of Licensing figures, monthly sales of biodiesel fell by almost two-thirds from July to March, to about 520,000 gallons.

Customers are having second thoughts.

Scott Redford, a Ballard landscape architect and Dr. Dan's customer, said he considers the jury still out on biodiesel's environmental impact. "Are we really doing the right thing? It's going to take a while to figure it out."

In the meantime, he'll keep refueling his VW Golf with biodiesel, he said. "The price is disheartening, but we get over 40 miles a gallon."

### **Biodiesel: \$6; diesel: \$4.80**

Biodiesel, which can be used in most existing diesel engines without major modifications, is made from the oils in soybeans and other crops. Another biofuel, corn-based ethanol, has become a widely used gasoline additive, now present in millions of U.S. vehicles.

The rush to produce biodiesel was a gamble, assuming that skyrocketing petroleum prices would soon make veggie fuels reasonably cheap by comparison.

And as oil prices soared past \$100 per barrel in recent months — and a new closing record of \$138.54 on Friday — the region's biodiesel industry should have been awash in cash.

But to the surprise of the industry and its supporters, the cost of making biodiesel has outpaced the rise in fossil-fuel prices.

Soybean oil, the main raw material for U.S. biodiesel, nearly doubled in price — partly because the consumption of soy has risen globally, and partly because U.S. farmers have been switching land to more profitable corn crops, from which ethanol is made. Demand from biodiesel producers has also lifted prices, and other biodiesel crops such as canola and palm oil have quickly caught up in cost.

It now costs about \$4.66 to buy enough soybean oil to make a gallon of the renewable fuel. After adding manufacturing expenses and subtracting a \$1-per-gallon tax credit, a gallon of nearly pure biodiesel retails at local stations for close to \$6.

Conventional diesel, meanwhile, currently sells for about \$4.80 per gallon.

As a result, many biodiesel plants around the country "are running at partial capacity or not running at all," said Pavel Molchanov, a Houston-based analyst with investment bank Raymond James.

The shifting environment dashed the lofty plans of Seattle-based Imperium Renewables, which operates one of the nation's largest biodiesel refineries in Grays Harbor. In January it abandoned efforts to raise \$345 million in a stock offering that would have financed huge facilities on the East Coast and in Hawaii and Argentina.

Now the company is trying to ride out the crisis by exporting most of its biodiesel and seeking nonfood sources of vegetable oil, like jatropha, an oily seed that grows in barren places, said Chief Executive John Plaza.

"We still feel there are substantial opportunities for large-scale expansion," he said. But "companies have to change with market economics ... We may not end up even pursuing that strategy."

Some green-minded customers didn't mind paying an extra 75 cents per gallon for biodiesel when a gallon of regular diesel cost \$2, said Rob Elam, president and founder of Seattle-based Propel Biofuels, which has five local stations. But when prices top \$5 per gallon, "it seems like people's tolerance to pay for alternative fuel" drops, he said.

Reports linking biofuels to rising food prices and environmental damage also have dampened demand from biodiesel users who embraced the fuel because "they want to do something good for the environment and the world," Freeman said.

Freeman disagrees with the attacks on biofuels, saying, "Misinformation is rampant everywhere."

The anti-biofuels sentiment mainly targets the ethanol industry, which soaks up a major portion of the U.S. corn crop and produced a whopping 6.5 billion gallons in 2007. Though ethanol, mixed with conventional gasoline, now accounts for about 5 percent of national gas consumption, the industry is in a profit squeeze. For instance, shares of California-based Pacific Ethanol traded at a peak of \$42 in 2006, but closed at \$3.13 on Friday.

### **Tough times, new strategies**

Most of the U.S. biodiesel industry has gone into hibernation. While the country has a capacity of 1.85 billion gallons of annual production, it produced less than 500 million gallons last year, according to a report by Iowa State University.

An estimated 300 million gallons of that went to Europe, where higher prices more than offset the transportation costs for U.S. biodiesel makers like Imperium Renewables.

According to the Department of Licensing, some 20 million gallons of Washington biodiesel were exported to Europe and Canada in the second half of 2007 — about four times the amount that was sold locally.

Retailers are also devising new strategies to ride out the hard times. Propel Biofuels, which sold nearly pure biodiesel when it launched its fueling stations in October with great fanfare, now sells a mix of 80 percent petroleum diesel and 20 percent biofuel at most of its locations. The blend — known as B20 — is cheaper than B99. The company is also looking to obtain biodiesel made from waste oil, which is cheaper than soy or canola-based diesel.

And the firm plans to build most of its future stations in California, which provides funding to construct alternative-fuel projects, Elam said. Likewise, Oregon gave the company tax breaks and Portland provided grants to open a station there.

"It's just night and day," Elam said. "Washington has fallen dramatically behind in offering those incentives."

Federal and state biofuel mandates could help shore up demand for biodiesel makers — if they're not repealed. The most recent federal renewable-fuels mandate calls for the U.S. to consume 600 million gallons of diesel from renewable sources in 2009, more than twice the amount used nationally in 2006. That quantity is scheduled to grow year by year, as the Environmental Protection Agency begins requiring fuel refiners and importers to blend more biodiesel into their petroleum diesel stocks.

But it's still just a drop in the bucket. In Washington state alone, more than 1 billion gallons of regular diesel were used last year.

Washington requires that at least 2 percent of diesel sales in the state be biodiesel starting in December.

But such mandates have come under fire in recent months. In April, Texas Gov. Rick Perry asked the EPA to waive half of the ethanol requirements, in order to protect the state's cattle ranchers from soaring feed prices.

Some U.S. lawmakers have also called for a change to the rules. But federal Agriculture Secretary Ed Schafer said recently that existing biofuel policy had no major impact on food prices.

### **Cars running on ... algae?**

Venture-capital investing in traditional biofuels has plummeted. But investors are looking intently at the potential of so-called second-generation biofuels — made from waste or nonfood products — that are sustainable and could one day replace oil.

Seattle biotech entrepreneur Tom Todaro, who seeks to make biofuels more economical by improving the yield of energy crops, says his 10-year-old firm, Targeted Growth, attracted \$33 million from venture capitalists in the past two years even as they became disenchanted with more traditional players.

"We became almost overnight the belle of the ball," Todaro said.

Bionavitas, a Redmond firm, is developing a method to grow algae, which founder Michael Weaver says could one day produce 4,000 gallons of vegetable oil annually per acre, up from the 80 to 100 gallons extracted from soy.

Inventure, a company that's experimenting with methods to convert plant matter into cellulosic ethanol and biodiesel for fuel, operates out of Imperium Renewables' old facility in South Seattle. "I think we're pretty close" to turning waste material into good fuel, said Inventure founder Mark Tegen.

Weaver said it will take his company three to five years to have a pilot plant producing a significant amount of algae oil. He hopes society will muster enough willpower to allow biofuels to eventually succeed, despite the current backlash.

"We're talking nothing short of survival," he said.

Ángel González: 206-515-5644 or [agonzalez@seattletimes.com](mailto:agonzalez@seattletimes.com)

**Malaysia Star Friday February 27, 2009**

## **Make use of palm biodiesel compulsory to cut CPO stockpiles**

KUALA LUMPUR: Strategies such as oil palm replanting schemes and making the use of palm biodiesel compulsory in Malaysia will reduce crude palm oil (CPO) stockpiles and sustain its price at RM1,400 per tonne levels, said Malaysian Palm Oil Council (MPOC) chief executive officer Tan Sri Yusof Basiron.

The growth in CPO production would fall to less than 5% this year from about 13% in 2008 as palm trees needed to "rest" after a year of high production, he said.

"These factors would curtail excess supply and maintain CPO price above RM1,400 per tonne as it would not be profitable for some of our producers to trade below this level," Basiron said at MPOC's seminar on Rebuilding and Improving Malaysia's Export of Palm Oil (PRIME) yesterday.

Last year, CPO prices soared to a historical high of RM4,180 in March, but plummeted to a low of RM1,403 per tonne in November.

Palm oil stockpiles rose to a historical high of 2.3 million tonnes in November last year but had since reduced to slightly more than 1.8 million tonnes in January.

Plantations, Industries and Commodities Minister Datuk Peter Chin said the CPO price range of between RM1,400 and RM1,900 per tonne this year would be enough to sustain export earnings.

"If we are able to continue this sort of range this year, despite whatever global recession there may be, the palm oil industry will be able to provide Malaysia with the export earnings that it needs," he said.

But Malaysia's earnings from palm oil exports, which stood at RM65.8bil last year, were expected to drop this year due to the lower prices as well as lower exports, he added.

"Trend in earnings for CPO would be more clearer in June," Chin noted.

PRIME is one of MPOC's palm oil export promotion strategies aimed at encouraging exporters to penetrate new markets and introduce innovative product lines in order to develop new areas of business

## **Business Times: Palm futures give up gains**

Published: 2009/02/27

## **CPO FUTURES**

**JAKARTA:** Malaysian palm futures gave up a nearly 2 per cent gain to finish marginally lower yesterday, as selling was sparked by falls in rival soybean prices, traders said.

The market rallied early on expectations that Malaysian palm stocks at the end of this month may drop by around 5 per cent from January on falling output and slightly better than expected exports, said a trader at a Kuala Lumpur-based brokerage.

“I am still expecting a bullish second quarter. Judging from exports figures, I believe demand is not really that bad,” the trader said.

The benchmark May contract on the Bursa Malaysia Derivatives Exchange shed RM4, or 0.2 per cent, to RM1,890 (US\$515) a tonne, coming off an intra-day high of RM1,930.

Other traded contract were mixed, with some rising between RM41 and RM51, while others fell between RM3 and RM15.

Overall volume was 11,973 lots of 25 tonnes each.

Palm oil — used in various products from soap to biodiesel — has lost 58 per cent from its peak of RM4,486 set on March 4 last year, pressured by fears that global recession will cut demand.

The price fall has cut earnings of some top palm producers in both Indonesia and Malaysia, the world’s top two palm producing countries.

Sime Darby, the world’s largest grower of palm oil, posted a 65.2 per cent fall in quarterly profit, hit by falling palm oil prices, while an economic slowdown also hit its industrial and other businesses.

**Thursday February 26, 2009**

### **EU’s biodiesel tax move raises concern**

**KUALA LUMPUR:** Malaysia and Indonesia expressed concern over a plan by the European Union (EU) to impose import taxes on US biodiesel, potentially damping the outlook for alternative fuels made from vegetable oils and grains.

Plantation Industries and Commodities Minister Datuk Seri Peter Chin said yesterday he had written to Germany on the matter. Half of Europe’s biodiesel is produced and consumed in Germany.

The EU also requires a company to be certified as producing palm oil, which can be used as an alternative fuel, in a sustainable manner before the commodity can be shipped and used in the 27-member bloc.

Palm oil has halved in value from a year earlier as the global recession curbed consumption amid record output and stockpiles while slumping crude oil prices eroded demand for biofuels.

These restrictive policies had created an unlevel playing field and depressed the prices of palm oil compared to soybean and rapeseed oil, Chin and Indonesia's Agriculture Minister Anton Apriyantono told reporters. — Bloomberg

Indonesia and Malaysia, the world's two biggest producers of palm oil, teamed up in November to reduce output of the edible oil after prices slumped. The two countries agreed to replant old estates, cutting annual production by as much as 800,000 tonnes.

Chin expects Malaysia's palm oil production this year to be static or lower, than last year's 17.5 million tonnes, while Apriyantono reiterated an earlier target of 19 million tonnes.

02/26/09 06:21

## **RI and Malaysia raise rubber and CPO prices**

[Kuala Lumpur \(ANTARA News\) - Indonesia and Malaysia were discussing joint efforts to strengthen the prices of commodities, especially palm oil and rubber, by market stock management and lowering supplies under a plant rejuvenation program.](#)

Indonesia's Agriculture Minister Anton Apriyantono and Malaysia's Plantation and Commodity Minister Peter Chin Fah Kui held a bilateral meeting on the sidelines of a D-8 ministerial meeting on food security in Kuala Lumpur Wednesday night.

The two countries made a joint effort to raise the prices of crude palm oil (CPO) and rubber hit by the global economic crisis as the two countries controlled 85 percent of the world's CPO output and 40 percent of the world's natural rubber production.

But the two countries expressed concern over the non-tariff barriers to CPO exports imposed by the importing countries, such as the European Union and the United States. Germany, for instance, has issued new conditions for CPO imports.

Indonesia and Malaysia expressed disappointment over the development although many efforts have been made by the relevant industries to produce CPO following the roundtable on sustainable palm oil (RSPO).

Right now, an Indonesian and four Malaysian CPO companies are holders of RSPO certificates.

Minister Anton Apriyantono and Minister Peter Chin agreed to make joint efforts in the development of CPO and natural rubber.

With regard to CPO, the two countries will replace palm oil plants older than 25 years.

They also agreed to carry out a biofuel program, in which Malaysia had already mixed five percent of CPO or methyl ester with fossil fuel oil starting in February 2009.

Indonesia, meanwhile, had already mixed at least one percent of CPO for fuel oil for public transportation and at least 2.5 percent of mixed oil for industrial consumption and the commercial sector.

The two countries also agreed to raise domestic demand by increasing the activities of the upstream industry, and intensify promotions for mutual investment in the two countries.

Indonesia and Malaysia will also make joint approaches to the main countries especially with regard to methyl ester-based CPO in view of the non-tariff barrier to biofuel exports.

The two countries will also establish cooperation and continue meeting demands from the European Union for renewable energy, especially CPO discrimination.

"Malaysia and Indonesia will continue promoting CPO to the legislators in the United States in 2009, as last year we have also been engaged in joint promotions in Europe," Anton said. (\*)

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### **Malaysia: Indonesian children and migrant workers enslaved in oil palm plantations**

Oil palm firms are making a fortune in Malaysia particularly with the current agrofuel rush. But none of it goes to those who put their blood and flesh to make the money come out from oil palm plantations (see WRM Bulletin N° 134). Migrant workers from Indonesia appear to be among those who get the worst deal.

At least 103 oil palm plantations in Sabah employ about 200,000 legal migrants as well as 134,000 considered illegal workers from Indonesia. An article from Erwilida Maulia, published in The Jakarta Post on September 17, 2008, reports "slavery practices" at oil palm plantations in Sabah, Malaysia. The National Commission for Child Protection revealed that thousands of Indonesian migrant workers and their children have been "systematically enslaved".

Denunciation came from a group of local Indonesian teachers who reported "an alleged case of child exploitation as well as several cases of physical and sexual harassment of children of Indonesian migrant employees". They also said that "children between the ages of six and 18 had to work for hours collecting sacks of oil palm seeds scattered on the ground, in return for a minimal amount of pay. The children were often forced to work by their own parents or by plantation managers", he added.

Arist Merdeka Sirait, a member of a fact-finding team sent to plantations in Sabah said: "They are placed in isolated barracks with no access to transportation, making it impossible for them to leave the plantations. Nor do they have access to clean water, lighting and other facilities."

The article reported him as saying that about 72,000 children of Indonesian migrant workers at the Sabah plantations were forced to work without regulated employment hours, meaning they were made to work all day long. The children were not provided with birth certificates or any other type of identity documents, effectively denying their right to formal education, among other rights.

"We call this 'bonded labor' (a means of paying off debt by direct labour rather than by currency or goods), and it is a modern kind of slavery," Arist added. According to him, "Bonded labor" was common at all the plantations, and Malaysian authorities deliberately allow such conditions to persist.

It is very convenient for the ambitious corporations to have a way of maintaining "illegal" workers and by enslaving children of migrant workers they secure a future low-paid labour force, just like their parents. To make matters worse, "illegal" workers are often extorted by Malaysian security officers who check their documents, Arist denounced.

The bitter fruit of oil palm plantations seems to become even more sour for the workers.

Article based on information from: “RI workers, children 'enslaved' in Malaysia, commission says”, Erwida Maulia , The Jakarta Post , 09/17/2008, <http://www.thejakartapost.com/news/2008/09/17/ri-workers-children-039enslaved039-malaysia-commission-says.html>

### **Indonesia’s setback on climate change**

By John Aglionby in Bali  
Financial Times

Published: November 18 2008 17:28 | Last updated: November 18 2008 17:28

Indonesia, the world’s largest palm oil producer and emitter of greenhouse gases through deforestation, on Tuesday dealt a blow to hopes it would step up efforts to combat climate change.

Anton Apriyantono, the agriculture minister, told the annual conference of the Roundtable on Sustainable Palm Oil that sustainability criteria should not be made a priority, particularly for smallholders, “when economic needs are not being met” in the global financial crisis.

The announcement contradicts the views of many of the RSPO’s 261 members who believe that, to remain relevant, the movement has to update its principles in the face of emissions caused by clearance of tropical forests for oil palm plantations.

Environmental groups, surprised by the frankness of the Jakarta government’s admission, said it reinforced Indonesia’s reputation for being committed to conservation only when there was a revenue stream to be developed.

Jakarta acknowledged its position as the world’s third largest emitter of greenhouse gases only after it learnt it could make billions of dollars a year through carbon credits by not cutting down trees.

Indonesia’s current deforestation rate is equivalent to clearing the area of several football pitches a minute. It is unclear how much of this cleared land is being converted to oil palm plantations because the industry is not closely regulated and there is much illegal felling.

The industry is suffering from a massive collapse in prices, with benchmark futures on Tuesday on the Malaysian stock exchange down 68 per cent from last March’s record high.

Indonesia now has 6.7m hectares under oil palm, generating 18m tonnes of oil. It wants to increase this to 8.1m hectares and 23.2m tonnes by 2010.

The RSPO is a voluntary organisation comprising producers, buyers, traders, banks, smallholders and non-governmental organisations. Its members account for half of the world’s 41m tonnes of annual production and the first-ever shipment of sustainable palm oil reached Europe last week.

The amount of sustainable oil that will be produced in 2009 is estimated at 1.5m tonnes.

The organisation’s eight principles were proposed in 2005 when less attention was paid to climate change. They include a commitment to environmental responsibility and conservation. Many members want a commitment to mitigating climate change stated openly.

Jan Kees Vis, the RSPO president and director of sustainable agriculture at Unilever, the convenience goods company, said: “We should boost our credibility by making the emphasis on [mitigating] climate change more

explicit.” But Mr Anton said: “Not all problems can be solved at once and we should avoid making new requirements before the previous ones have been met.”

Derom Bangun, an RSPO vice-president and chairman of the Indonesian palm oil producers’ association, said: “We think it’s good enough to stick to what we have and apply it with continuous reinforcement.”

Brihannala Morgan, of the Rainforest Action Network, said the government had shown “environmental conservation, climate conservation, is taking a back seat to economic development. And right now, economic development looks like palm oil expansion.”

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## **Greenpeace activists prevent Sinar Mas palm oil tanker from loading in Indonesia**

### **Greenpeace challenges RSPO to stop green-washing member companies**

14 November 2008

Dumai/Jakarta, Indonesia — Greenpeace today prevented the loading of crude palm oil on the *Isola Corallo*, a Rotterdam-bound tanker in Dumai, Indonesia's main palm oil export port. Greenpeace is calling upon the Roundtable on Sustainable Palm Oil (RSPO), which meets in Bali next week, to take urgent action against member companies who destroy forests and peatlands.

A Greenpeace activist was locked onto the anchor chain of the *Isola Corallo* for over 36 hours to stop it from moving. The Greenpeace ship, *Esperanza*, then occupied the palm oil loading facility this morning to prevent the *Isola Corrallo* from loading Sinar Mas palm oil. The *Esperanza* was finally forced off the berth by Port authority tugs after a seven hour face-off.

The Sinar Mas group is Indonesia's largest palm oil company, accounting for around 10% of production. Sinar Mas is a key member of the RSPO(1), which this week celebrated the first shipment to Europe of "sustainable palm oil". However, Greenpeace research shows that the "Round Table on Sustainable Palm Oil" is little more than greenwash. One company receiving RSPO certification - United Plantations, a supplier of Nestlé and Unilever - is involved with deforestation in the vulnerable peatland forests of Kalimantan in Indonesia. Sinar Mas is also involved with deforestation all over Indonesia, including in Kalimantan and Papua, and has aggressive expansion plans for the future.

"Palm oil buyers must cancel contracts with suppliers who continue deforestation and peat clearance. A moratorium on deforestation is a prerequisite to any claims of 'sustainable' palm oil," said Bustar Maitar, Greenpeace Southeast Asia Forest Campaigner. "Next week the palm oil industry will come together in Bali for the sixth annual global RSPO meeting. We expect the RSPO to initiate urgent action against companies like Sinar Mas and United Plantations who continue to destroy forests and peatlands."

RSPO certification places rules on plantations that want to become certified, but these do not fully prohibit forest clearance, even on peatlands, which is a key element in combating climate change. In particular, the clearance, drainage, and burning of peatland forests makes Indonesia the third biggest emitter of greenhouse gases in the world(2). In fact, RSPO members are not obliged to change anything in their practices, until they enter the certification process.

"With the current speed of cutting and burning forests, the Indonesian lowland rainforests will have largely disappeared within the next 15 years(3), the standards of RSPO are insufficient and in its current form the RSPO will not solve the problems of deforestation in South-East Asia. Both industry and government need to take

urgent action to protect our forests" added Maitar.

Greenpeace is calling on the Indonesian government to implement an immediate moratorium on all forest conversion, including expansion of oil palm plantations, industrial logging, and other drivers of deforestation.

Greenpeace is an independent, global campaigning organisation that acts to change attitudes and behaviour, to protect and conserve the environment, and to promote peace.

### Notes to Editor

(1) The Roundtable on Sustainable Palm Oil (RSPO) is an association created by organisations related in various chains of the palm oil supply chain. Their objective is to "promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders."

(2) See, e.g.: Hooijer, A, M Silvius, H Wösten, H and S Page (2006) PEAT-CO2, Assessment of CO2 emissions from drained peatlands in SE Asia Delft Hydraulics report Q3943 7 December 2006  
<<http://www.wetlands.org/ckpp/publication.aspx?ID=f84f160f-d851-45c6-acc4-d67e78b39699>>

(3) Nellemann, C, L Miles, BP Kaltenborn, M Virtue, and H Ahlenius (Eds) (2007) The last stand of the orangutan - State of emergency: Illegal logging, fire and palm oil in Indonesia's national parks, United Nations Environment Programme <<http://www.unep.org/grasp/docs/2007Jan-LastStand-of-Orangutan-report.pdf>>

### Contact information

□□□□□□□□Zulfahmi, *Greenpeace Southeast Asia, Forest Campaigner, (in Pekanbaru)*  
+62 (0) 812 682 12 14

Bustar Maitar, *Greenpeace Southeast Asia, Forest Campaigner, (onboard the Esperanza)*  
+62 (0) 813 44 666 135

Nabiha Shahab, *Greenpeace Southeast Asia, Media Campaigner, (onboard the Esperanza)*  
+62 (0) 81314213432

Martin Baker, *Communications Coordinator (Asia), Greenpeace International*  
+62 (0) 8131 5829513 (in Jakarta)

*For photo and video please contact Findi Kenandarti*  
+62 (0) 8161681840

### Forests losing battle against plantations

**Adianto P. Simamora**, The Jakarta Post, Jakarta 30th October 2008

Massive forest conversions, rising demand for timber and infrastructure projects are the main causes for Indonesia's world-leading rate of deforestation, a new study has found.

The study by the Indonesian Forest Watch (FWI) categorically blamed deforestation on forest conversions into palm oil plantations conducted by big companies.

"We find palm oil companies prefer to convert forest areas rather than utilize idle land for their expansion as they get extra incentives from trees in the cleared forests," said Wirendro Sumargo, FWI coordinator for public campaign and policy dialogue, on Tuesday.

The field study was conducted in Central Kalimantan and Riau and Papua.

**It said Central Kalimantan was seeing the fastest rate of conversion of forest area into palm oil plantations.**

**"In the last 17 years, the rate of forest conversion to palm oil plantations increased by 400 times to 461,992**

hectares (per year) in 2007 from only 1,163 hectares (per year) in 1991," the study said, quoting data from the Central Kalimantan administration.

"Our finding shows that about 816,000 hectares of forest (there) was cleared for palm oil plantations in 2006." He said 14 percent of the 3 million hectares of peatland in the province had been converted into palm oil plantations.

In Riau, the local administration allocated 38.5 percent of its total forest area for conversion into plantations. "As of 2006, there were 2.7 million hectares of plantations, including 1.5 million hectares of palm oil plantations," he said.

Wiendro said that out of the 550,000 hectares of forests felled for plantations in Papua, 480,000 hectares had been allocated for growing palm oil.

The Forestry Ministry has said total palm oil plantations increased to 6.1 million hectares in 2006 from 1.1 million hectares in 1990.

The ministry has claimed the rate of deforestation between 1987 and 1997 remained constant at 1.8 million hectares per year before spiking to 2.8 million hectares per year by 2000 mainly because of severe forest fires. However, between 2000 and 2006, the rate fell to 1.08 million hectares per year, it added.

The Indonesian Forest Watch has said the deforestation rate stood at 1.9 million hectares per year from 1989 to 2003.

*The Guinness Book of World Records* puts Indonesia as the country with the highest rate of deforestation on the planet, citing a rate equivalent to 300 soccer fields per hour.

Wiendro said another factor contributing to the acceleration of forest deforestation was the rising demand for timber due to the low supply of raw materials from industrial forests managed by pulp and paper firms in the country.

"The capacity of paper industries increased sharply from one million tons in 1987 to 11 million tons in 2007, while the capacity of pulp companies also rose from 0.5 million tons to 6.5 million tons over the same period," he said.

"But, the industries could only supply about 50 percent of the needed raw materials. We believe the companies also take timber from outside their concessions, including production forests (to offset the shortages)."

Wiendro said wood product industries, which bought wood from illegal and illegal sources, could be the main driver of deforestation in Indonesia.

There are currently seven pulp and paper companies operating in the country.

The study said the previous government's transmigration programs had also contributed to deforestation.

In Riau, 773,331 hectares of forest were converted into transmigration areas, while the Papua administration cut down 375,203 hectares of forest to make way for resettlement zones.

<http://old.thejakartapost.com/detailnational.asp?fileid=20081030.H04&irec=3>

<http://old.thejakartapost.com/detailnational.asp?fileid=20081030.H04&irec=3>

## **Indonesia To End Freeze On Peatlands For Plantations**

Date: 17-Feb-09

Country: INDONESIA

JAKARTA - Indonesia will open up peatland forests for plantation crops such as palm oil after freezing new permits for more than a year, an agriculture ministry official said on Monday, in a move that has alarmed green groups.

Achmad Mangga Barani, director general for plantations at the ministry, said that the government was lifting the moratorium brought in December, 2007, after a study in order to boost the welfare of local people.

"In principle, we will allow the use of peatlands for plantations under a stricter criteria and a very limited scale," he said.

Green groups had urged the government to maintain a freeze of oil palm plantations in peatlands to combat climate change.

Indonesia's remaining peatland forests are one of the world's largest stores of carbon, holding around 37.8 billion tonnes, according to Greenpeace.

A report sponsored by the World Bank and Britain's Department for International Development says up to 84 percent of Indonesia's carbon emissions come from deforestation, forest fires and peatland degradation.

Barani said the government had discussed the new decree with environmental groups.

"We think it is a crazy proposal," Martin Baker, communications manager at Greenpeace International in Asia, said.

Bustar Maitar, forest campaigner for Greenpeace, said the decree appeared to be setting stricter criteria after the study, but he said the results had not been shared with the group.

"We understand that there was a study and the government promised to discuss with us the result of the study but we have never seen the result," said Maitar.

Barani said details of the new ministerial decree were due to be released on Tuesday.

Indonesia, the world's biggest producer of crude palm oil, expects palm oil output to rise about 5 percent to 19.7 million tonnes this year, against 18.7 million tonnes in 2008.

(Reporting by Aloysius Bhui; Editing by Ed Davies)

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**Subject:** Govt to allow peatland plantations

**Friday 13th February, 2009**

## **Govt to allow peatland plantations**

**Adianto P. Simamora** , THE JAKARTA POST , JAKARTA |

**The Agriculture Ministry will issue a decree to allow businesses to dig up the country's millions of hectares of peatland for oil palm plantations.**

Gatot Irianto, the ministry's head of research and development, said his office was currently drafting a ministerial decree that would explain in detail the mechanism to turn the peatland areas into oil palm plantations, a move that many say will further damage the country's environment.

"We still need land for oil palm plantations. We must be honest: the sector has been the main driver for the people's economy," he said Thursday on the sidelines of a discussion about adaptation in agriculture, organized by the National Commission on Climate Change. The draft decree is expected to go into force this year. "We've discussed the draft with stakeholders, including hard-line activists, to convince them that converting peatland is safe," he said.

**"We promise to promote eco-friendly management** to ward off complaints from overseas buyers and

international communities.” **Indonesia is currently the world’s largest crude palm oil (CPO) producer, and is expected to produce about 19.5 million tons this year.**

Overseas buyers, however, have complained about Indonesia’s CPO products, saying they are produced at the expense of the environment. Activists point to the massive expansions of plantations, including in peatlands, for the deaths of large numbers of orangutans in Kalimantan and Sumatra and for releasing huge amounts of carbon emissions into the atmosphere.

Indonesia has about 20 million hectares of dense, black tropical peat swamps — formed when vegetation rots — that are natural carbon storage sinks. A hectare of peatland can store between 3,400 and 4,000 tons of carbon dioxide (CO<sub>2</sub>), but emits a much larger amount when burned.

Asked about the contribution to global warming, Gatot said trees planted in peatlands would absorb greenhouse gas emissions. “The peatland will produce emissions only in the opening of the land, but this will be reabsorbed after new trees are planted,” he said. However, a World Bank report from 2007 showed Indonesia was the world’s third biggest carbon emitter after the US and China, thanks mainly to the burning of peatlands.

**A Wetlands International report from 2006 said Indonesia’s peatlands emitted around 2 billion tons of CO<sub>2</sub> a year, far higher than the country’s emissions from energy, agriculture and waste,** which together amount to only 451 million tons. The country would have ranked 20th in the global carbon emitter list if emissions from peatlands were not counted.

The ministerial decree is being drafted at a time when President Susilo Bambang Yudhoyono is still preparing a decree on peatland management in an effort to help combat global warming.

The draft of the presidential decree, drawn up in 2007, calls for tightened supervision on the use of peatlands across the country.

Published on Thursday, January 29, 2009 by [Agence France Presse](#)

## **Indonesian NGO Backs Villagers in Fight Against Palm Oil**

PANGKALAN BUN, Indonesia - Deep in the forests of Indonesian Borneo, a small environmental group is using education and common sense to arm villagers against the devastating onslaught of palm plantations.



Orangutans at Pringen Safari park in Pasuruan. Deep in the forests of Indonesian Borneo, a small environmental group is using education and common sense to arm villagers against the devastating onslaught of palm plantations (AFP/File/Aman Rahman)

Yayasan Orangutan Indonesia (Yayorin) was founded in 1991 with the goal of saving Indonesia's endangered orangutans and other wildlife as well as the forests that those species need to survive.

Since then the spread of palm oil plantations into forests and peatlands on Sumatra and Borneo islands have helped make Indonesia the world's third-highest greenhouse gas emitter, thanks partly to the craze for "eco-friendly" biofuels.

They have also wiped out habitats of threatened species like orangutans and Bornean clouded leopards.

But the plantations are also hurting people whose traditional communities depend on the forests and the biodiversity they contain, and that is where Yayorin director and founder Togu Simorangkir sees hope for change.

"We think that above all the problem of deforestation is human," said the 32-year-old biologist in Pangkalan Bun village in the heart of Central Kalimantan province.

"That's why 80 percent of our programme focuses on education. It's not enough just to give the message 'stop cutting down trees'. You have to explain the consequences of deforestation in the short and long term."

Indonesia is the world's largest producer of palm oil, which is used in a range of products including soap, cooking oil and biodiesel.

Vast tracts of forest have already disappeared under palm plantations and the government is encouraging more despite its stated commitment to lowering greenhouse gas emissions by preserving the carbon stored in jungles.

In 1990 there were 1.1 million hectares (2.7 million acres) of land under palm oil plantation in Indonesia, according to official figures. This year there are 7.6 million hectares.

"We've heard some terrible stories," said Daryatmo, the chief of Tumbang Tura village in Central Kalimantan.

"Our neighbours (who sold their forested land to palm planters) can't grow ratan anymore or harvest rubber. Fishing is impossible because the river is polluted," he said.

"These are our principal sources of income. What kind of legacy are we going to leave our grandchildren?"

Lured by immediate "wealth" in the form of a few thousands dollars in cash, people in forest-dependent communities often are not aware of the consequences of selling out to the palm planters, Simorangkir said.

"Last year a plantation company offered a village two billion rupiah (176,000 dollars) to exploit its land. Every family calculated that that would bring them 30 million (2,640 dollars) each," he said.

"The village authorities sought our advice and we told them the consequences for the environment in the medium term. Despite the bait, they concluded by refusing the project."

The NGO followed up by helping the villagers improve their subsistence-level agriculture techniques, he said.

With projects spread across several villages as well as plantations, companies, schools and government agencies, Simorangkir said he hoped Yayorin could help make a difference in the battle to save Indonesia's forests.

But will such initiatives be enough to save the "man of the forest," the orangutan?

There are currently an estimated 40,000 wild orangutans on Borneo but the United Nations estimates there could be fewer than 1,000 by 2023.

Palm oil companies have been clearing orangutan habitats on Borneo despite signing up to voluntary standards under the Roundtable on Sustainable Palm Oil (RSPO), a talking shop for industry and environmental groups.

The Indonesian Palm Oil Producers Association, in rejecting a moratorium on new plantations proposed by Greenpeace last year, argued that the RSPO standards were enough to protect the species.

But the Centre for Orangutan Protection says orangutans living outside Central Kalimantan's conservation areas could be wiped out within three years. Of the roughly 20,000 individuals in Central Kalimantan province, close to 3,000 die every year, it says.

"Their future is in the north of the Central Kalimantan region, which at the present time is preserved. The belt of palm oil plantations must not extend to the north," said Stephen Brend of Orangutan Foundation International.

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## **Palm oil frenzy threatens to wipe out orangutans**

By *ROBIN MCDOWELL*, Associated Press Writer Robin Mcdowell, Associated Press Writer – Sun Jan 18, 1:52 pm ET



*AP – A female orangutan named Beki eats bananas at Tanjung Puting National Park on Borneo island, Indonesia, ...*

TANJUNG PUTING NATIONAL PARK, Indonesia – Hoping to unravel the mysteries of human origin, anthropologist Louis Leakey sent three young women to Africa and Asia to study our closest relatives: It was chimpanzees for Jane Goodall, mountain gorillas for Dian Fossey and the elusive, solitary orangutans for Birute Mary Galdikas.

Nearly four decades later, 62-year-old Galdikas, the least famous of his "angels," is the only one still at it. And the red apes she studies in Indonesia are on the verge of extinction because forests are being clear-cut and burned to make way for lucrative palm oil plantations.

Galdikas worries many questions may never be answered. How long do orangutans live in the wild? How far do the males roam? And how many mates do they have in their lifetime?

"I try not to get depressed, I try not to get burned out," says the Canadian scientist, pulling a wide-rimmed jungle hat over her shoulder-length gray hair in Tanjung Puting National Park. She gently leans over to pick up a tiny orangutan, orphaned when his mother was caught raiding crops.

"But when you get up in the air you start gasping in horror; there's nothing but palm oil in an area that used to be plush rain forest. Elsewhere, there's burned-out land, which now extends even within the borders of the park."

The demand for palm oil is rising in the U.S. and Europe because it is touted as a "clean" alternative to fuel. Indonesia is the world's top producer of palm oil, and prices have jumped by almost 70 percent in the last year.

But palm oil plantations devastate the forest and create a monoculture on the land, in which orangutans cannot survive. Over the years, Galdikas has fought off loggers, poachers and miners, but nothing has posed as great a threat to her "babies" as palm oil.

There are only an estimated 50,000 to 60,000 orangutans left in the wild, 90 percent of them in Indonesia, said Serge Wich, a scientist at the Great Ape Trust of Iowa. Most live in small, scattered populations that cannot take the onslaught on the forests much longer.

Trees are being cut at a rate of 300 football fields every hour. And massive land-clearing fires have turned the country into one of the top emitters of carbon.

Tanjung Puting, which has 1,600 square miles, clings precariously to the southern tip of Borneo island. Its 6,000 orangutans — one of the two largest populations on the planet, together with the nearby Sebangau National Park — are less vulnerable to diseases and fires.

That has allowed them, to a degree, to live and evolve as they have for millions of years.

"I am not an alarmist," says Galdikas, speaking calmly but deliberately, her brow slightly furrowed. "But I would say, if nothing is done, orangutan populations outside of national parks have less than 10 years left."

Even Tanjung Puting is not safe, in part because of a border dispute between the central government, which argues in favor of a 1996 map, and provincial officials, who are pushing for a much smaller 1977 map. If local officials win, the park could be slashed by up to 25 percent.

Galdikas, of Lithuanian descent, was an anthropology student at the University of California in Los Angeles when she approached Leakey, a visiting lecturer, in 1969. She follows on the heels of Goodall, who today devotes virtually all of her time to advocacy for chimps, and Fossey, who was brutally murdered in her Rwandan hut in 1985.

Two and a half years later, she and her then husband, Rod Brindamour, arrived in Tanjung Puting and settled into a primitive thatch hut in the heart of one of the most biodiverse regions on the planet, with millions of plant and animal species.

Twice featured on the cover of National Geographic Magazine, she wrote an autobiography, "Reflections of Eden," describing how she fell in love with the sound of cicadas, and marveled at the sudden shifts of light that in an instant transformed drab greens and browns into translucent shades of emerald.

Her first challenge was simply finding the well-camouflaged orangutans in 100-foot-high trees. But eventually she was able to track them, sometimes for several weeks at a time.

She discovered that female orangutans give birth when they are around 15 and then only once every eight or nine years, making them especially vulnerable to extinction. They also have one of the most intense maternal-offspring relationships of all mammals, remaining inseparable for the first seven or eight years.

While orangutans are at first very gregarious, as adults they live largely solitary lives, foraging for fruit or sleeping. Orangutan" means "man of the forest."

One of her main projects today is her rehabilitation center in a village outside Tanjung Puting, overflowing with more than 300 animals orphaned when their mothers were killed by palm oil plantation workers.

With forests disappearing, the red apes raid crops, grabbing freshly planted shoots from the fields.

"Many come in very badly wounded, suffering from malnutrition, psychological and emotional and even physical trauma," says Galdikas, as she watches members of her staff prepare six young orangutans for release one overcast Saturday afternoon.

It is a three-hour journey along bumpy roads to the release site. By the time they arrive, it is raining and the last gray light is feebly pushing its way through the deep canopy of trees.

After years of being cared for, fed and taught the ways of the woods, the young orangutans scramble nimbly to the tops of trees. Branches snap as they make their nests for the night.

"It is getting harder and harder to find good, safe forest in which to free them," says Galdikas, who today spends half her time in Indonesia and most of the rest teaching at Simon Fraser University in British Columbia.

Forestry Minister Maimun Djalil says the government is committed to protecting Indonesia's dense, primary forests and that no permit should be granted within a half-mile of a national park. Even so, one palm oil company has started clearing trees within Tanjung Puting's northern perimeter, leaving a wasteland of churned-up peat and charred trunks. Four others are seeking concessions along its eastern edge.

Derom Bangun, executive chairman of the Indonesian Palm Oil Association, says while his 300 members have vowed to stay clear of national parks, others have been known to operate within areas that should be off-limits. Sometimes it is not their fault, he notes, pointing to the need for better coordination between central and local government on border issues.

Galdikas, a passionate field researcher, says one of her great regrets is that she does not share Goodall's skills in raising awareness and funds for the great apes. But she is happy Tanjung Puting has over the years grown into a popular tourist destination. She says there's no better advertisement for conservation than being in a rain forest.

Some visitors are even lucky enough to come face to face with an orangutan on a slippery jungle trail.

"As he passes you, you nod and he nods back to you and continues on his way," she says, adding that looking in the eyes of a great ape, it instantly becomes clear that there is no separation between humans and nature.

"If they go extinct, we will have one less kin to call our own in this world," says Galdikas, who is also president of the Los Angeles-based Orangutan Foundation International. "And do we really want to be alone on this planet?"

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On the Net:

Orangutan Foundation International: <http://www.orangutan.org>

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## **Borneo's Moment of Truth**

Life of the Land \* Docket 2007-0346\* Testimony LOL – AC-T2 – EXH1

**The majestic forests are vanishing in smoke and sawdust, but there's still hope for the island's fabled biodiversity—if the palm oil rush can be slowed.**



By Mel White

Photograph by Mattias Klum

Borneo's Moment of Truth

The majestic forests are vanishing in smoke and sawdust, but there's still hope for the island's fabled biodiversity —if the palm oil rush can be slowed.

By Mel White

First, I will tell you about the Borneo of your dreams.

The day starts well before dawn with the lunatic hooting of gibbons, the rain forest's alarm clock, lovers and rivals wooing and warning each other from the treetops in an urgent ape language that I, their terrestrial relative, can only guess at.

From my camp a creekside trail leads into forest past trees whose massive trunks rise a hundred feet to the lowest branches. As sunlight makes its feeble way through the dense green canopy, another primate, a long-tailed macaque, walks along the stream below, hoping for a breakfast of fish or frog. Whether it's successful or not, its expression of perpetual irritation will never change. No sooner has the monkey disappeared upstream than a pair of short-tailed mongooses bound down to the bank, seemingly more intent on fun than food.

At a clearing, a pair of rhinoceros hornbills fly to a fruiting tree on loud-whooshing wings and begin to feed. Mostly black, nearly the size of turkeys, they have huge red-and-yellow casques on their bills that gleam in the sun like polished lacquer. The birds outshine everything else in the forest until a hand-size shape flits erratically past at waist level, deep velvety black, but also crimson and electric green, screaming neon green, a color as gaudy as the name of this creature: Rajah Brooke's birdwing. At almost seven inches across, it's one of the largest butterflies in the world. If the rhinoceros hornbill doesn't take your breath away—if the Rajah Brooke's birdwing doesn't—have someone hold your wrist and check for a pulse.

Later I take a small boat down a broad river called the Kinabatangan, then up a side channel as narrow as an alleyway. A troop of proboscis monkeys climb through the branches overhead, where they will spend the night in tall trees beside the water. The potbellied male, ridiculously outsize nose hanging from his face like a ripe fruit, is so ugly he's endearing, in a kind of bibulous-old-uncle way. Most of the pointy-nosed females under his watch cradle young at their breasts. Silvered leaf monkeys look down from above, and a bearded pig stands just inside the forest to watch us pass. As the boat drifts below an overhanging branch, a four-foot-long water monitor lizard drops into the water.

A Borneo pygmy elephant enters the river and swims in front of the boat, blowing like a whale. "Pygmy" it may be in comparison to other elephants, but when it emerges dark and shining on the opposite bank, it's as if an island is rising from the sea. I see where it's going: A herd of around 30 animals—a long-tusked bull, many adult females, and various young—munch tangled vines beside the main river, expressionless as statues and only marginally more animated.

This is the mythic Borneo, the island of the world's imagination, and it's all as wondrous as it sounds. But if you want to see the real Borneo, the Borneo of the first decade of the 21st century, it would be good to be the crested serpent-eagle perched in a tree across the river. Then you could soar high above the Kinabatangan and see how quickly the unruly forest gives way to neatly planted rows of oil palm trees, stretching for mile after mile in all directions. The palm plantation is lush and green, and the arching fronds of the trees give it an exotic beauty, and for the incomparable biodiversity of Borneo it is inexorable death.

Set between the South China and Java Seas, bisected by the Equator, the island of Borneo has served throughout human history mostly to have its natural resources exploited—many would say plundered—by a succession of peoples from around the world.

Chinese traders came for rhinoceros horn, the aromatic wood called *gaharu*, and birds' nests for soup. Later, Muslim and Portuguese traders joined them to export pepper and gold. Britain and the Netherlands controlled the island during the colonial period of the 19th and early 20th centuries, when loggers began cutting the tropical hardwood forest covering the island. The current political division of Borneo—the southern three-quarters belongs to Indonesia, most of the rest to Malaysia, with slivers that make up Brunei—reflects alliances of the British and Dutch colonial era, which ended with independence after World War II.

In recent decades, companies from Europe, the United States, and Australia have drilled for abundant oil and natural gas and strip-mined coal. There are mansions from Amsterdam to Melbourne, from Singapore to Houston, that were built with wealth from Borneo. Mansions built with Borneo wealth stand in Jakarta and Kuala Lumpur, too, because Indonesia and Malaysia, or at least the political and economic elite, have been the biggest plunderers of all.

A different kind of richness has attracted others, including the great naturalist Alfred Russel Wallace, who spent time here in the mid-1850s while he developed theories important to modern understanding of evolution and biogeography. Wallace collected more than a thousand species new to science, including Rajah Brooke's birdwing. Scientists have continued making discoveries ever since, demonstrating that the rain forest of Borneo ranks with the most biologically diverse places on Earth.

Borneo has more than 15,000 known species of plants, including more than 2,500 species of orchids. Southeast Asia's lowland forests, including Borneo's, are the tallest tropical rain forests in the world, and may have as many as 240 species of trees on a single four-acre site. Borneo is home to the world's largest flower, the world's largest orchid, the world's largest carnivorous plants, and the world's largest moth. In the multilevel structure of Borneo's rain forest lives the world's largest collection of gliding animals: Apart from several species of flying squirrels there are flying lizards, flying colugos, flying frogs, and—the stuff of nightmares for some—flying snakes.

Sun bears and clouded leopards roam Borneo's forests, while two species of gibbons and eight species of monkeys climb in the trees. Around a thousand elephants have survived in one corner of the island—mostly in the Malaysian state of Sabah, where the Kinabatangan River runs to the Sulu Sea. Rhinoceroses barely hang on to existence, with fewer than four dozen remaining. But it's an even more charismatic animal—the orangutan—that has become the symbol of Borneo. Its expressive eyes stare out from the newsletters and funding appeals of conservation groups around the world. Considering the island's unsurpassed biodiversity—from orangutans and rhinoceroses to tiny mosses and beetles not yet discovered—and the rate at which its forests are being lost, Borneo's future may well be the most critical conservation issue on our planet.

From a satellite perspective, the threat of Borneo's imminent deforestation might seem overstated. The island, slightly larger than Texas, is still half covered with trees, and in the interior highlands stand hundreds of square miles of virgin forests where almost no one goes save indigenous hunters, wildlife poachers, and gaharu gatherers. Reaching some areas requires a boat trip of several days or strenuous hikes through pathless wilderness.

But it's an entirely different story, and an increasingly desperate one, for lowland forests, the prime habitat for most of Borneo's wealth of biodiversity, including orangutans and elephants. During the past two decades, an estimated two million acres were cleared annually, an area more than half the size of Connecticut. A paper in *Science* magazine in 2001—ominously titled "The End for Indonesia's Lowland Forests?"—warned of the "dire consequences" of "the current state of resource anarchy" and cited a study predicting that lowland forests in Indonesian Borneo could be totally destroyed by 2010. While government crackdowns have slowed illegal logging and exports, the result has simply been to delay the forecast doomsday.

Other factors could speed it up again. In the past 20 years vast, single-crop plantations of oil palm have spread across Borneo to meet the demand for the versatile (and vastly profitable) oil derived from its fruit. Palm oil is used for cooking, and in cosmetics, soap, desserts, and a seemingly endless list of other products, including biofuel. Indonesia and Malaysia provide 86 percent of the world's supply; growing conditions are perfect on Borneo for this green gold. Even as conservationists spread the news about palm oil's contribution to global deforestation—some calling for boycotting of palm oil products—Indonesia has become the world's number one producing country, with 15 million acres under cultivation, a figure that may double by 2020.

As if the oil palm monoculture weren't enough, Borneo possesses another resource that combines economic blessing and environmental danger: The 300-million-year-old plant material that once grew on what is now Borneo lies underground, transformed into coal. Surface mines—for gold as well as coal—spread across southern and eastern Borneo like pockmarks, displacing forest and polluting rivers with waste.

And in a world newly awakened to the dangers of climate change, Borneo has gained global attention for yet another reason: A specialized ecosystem called peat swamp forest covers around 11 percent of the island. Here, trees grow on highly organic soil built of centuries' accumulation of waterlogged plant material. Sometimes reaching a depth of 60 feet, peat soil represents a massive store of the world's carbon. Stripped of its trees and drained, tropical peat decays and releases its carbon into the atmosphere, and as it dries it becomes extremely susceptible to burning, intentional or accidental. Massive annual fires set deliberately to clear previously forested land for new oil palm plantations—and exacerbated by frequent drought—have burned out of control and filled Borneo's skies with smoke, closing airports and causing respiratory problems for millions of people as

far away as mainland Asia. Carbon released by decaying peat soil, fires, and deforestation has pushed Indonesia into third place among nations as a source of greenhouse gases, behind only heavily industrialized China and the United States.

Time is running out for Borneo's rain forests. Conventional models offer little hope. Setting aside large areas as parks or reserves, standard practice in the U.S. and other countries, has been largely ineffective, at least on the Indonesian part of Borneo, undermined by inadequate funding, lack of support from local residents, and government corruption. But many conservationists say that logging, often regarded as anathema to wildlife, may, if practiced sustainably, in fact help to protect a significant portion of the island's biodiversity.

"Virgin rain forest is a dead concept now in Borneo," says Glen Reynolds, chief scientist at the Danum Valley Field Center in Sabah. "All of the big areas of primary lowland forest that can be conserved already have been. It's difficult, but now what you've got to do is convince people that what we think of as degraded forest can sustain biodiversity."

The message is complex but ultimately clear. To protect Borneo's forests and wildlife will require rethinking old ideas, accepting new truths, and adopting new models of conservation. And in the end, the fate of Borneo may be decided far from the forests, in government offices and corporate boardrooms from New York to Geneva. Because of the vast amounts of carbon tied up in the plants and soils, the last best hope for Borneo's future may rest not on the emotional appeal of an orangutan's face, but on the hard facts of climate change—and our own determination and ability to protect ourselves from disaster.

On the opposite side of Borneo from Sabah, in the Indonesian province of West Kalimantan, a narrow paved road leads away from Pontianak, a city near the South China Sea. Crowded with trucks and buzzing motorbikes, the road passes wooden shops and houses in small villages separated by rice fields. The harvest has just begun, and here and there people beat sheaves against wooden lattices or toss grains into the air to let the wind carry away the hulls. There's little trace of the forests that once stood here.

I'm traveling with Dessy Ratnasari, a scientist from a local research organization, whose animated face is encircled by a light blue head scarf. Our driver, Harun—who, like many Indonesians, uses only one name—speaks up as we pass a large building fringed with weeds.

"This is a sawmill where he worked," Ratnasari translates. "It went bankrupt because there are no more trees for timber. It had 1,300 workers and a payroll of 800 million rupiah a month"—about \$90,000. Within a couple of miles we pass two more mills, gates locked, windows broken, parking lots empty.

"There were several big companies and some smaller mills around Pontianak," Harun says. "Now there's only one big company still operating."

How did nearly a third of the rain forest that stood on Borneo in 1985 disappear by 2005? An easy, and only slightly oversimplified, answer can be found in the initials that Indonesians use as an explanation for many of their country's troubles: *KKN*, for *korupsi, kolusi, nepotisme* (corruption, collusion, nepotism). During the 32-year presidency of Suharto, until he was forced from office in 1998, Indonesian forests were among the many resources treated as personal wealth by him, his family, and military officials who helped keep him in office. Since Suharto, political power has been decentralized, and decision-making about natural resources has become more localized. Unfortunately, too often the result has been what one conservationist calls "the democratization of corruption."

Local officials, having watched Suharto et al. loot the country for decades, began cashing in themselves. Many provincial governors, district *bupati* (regents), and police avidly took bribes: from timber companies, to grant logging permits in nominally protected forests; from illegal loggers, to ignore intrusions into national parks; and from oil palm companies, to allow wholesale clearing and burning of forestlands for plantations. Chaotically

confused jurisdiction and land-ownership issues made matters worse. Although the national government claims to administer forestry laws, provinces and districts often issue land-use permits independently, and conflicting court decisions contributed to the free-for-all atmosphere.

Across the border in Malaysian Borneo, the state of Sarawak has been controlled for 27 years by Chief Minister Abdul Taib Mahmud, whose administration is widely regarded as dictatorial and corrupt. Uncontrolled logging has so greatly depleted Sarawak's forests that most conservationists working to save Borneo's biodiversity have, in a kind of environmental triage, essentially given up and focused their attentions elsewhere on the island. Having ravaged its forests, Sarawak has now turned its attention to its large areas of coastal peat swamp forest, rapidly converting tracts to oil palm despite environmentalists' concerns over carbon emissions.

The natural world fares better in Sabah, the Malaysian state in northeastern Borneo. Though oil palm plantations have burgeoned here, more than half of Sabah remains forested. Much of the forest has been heavily logged, and more and more acres converted to commercial tree plantations, but Sabah sustains some of the best surviving examples of high-quality rain forest: the Danum Valley and Maliau Basin Conservation Areas. (The nation of Brunei has so much money from petroleum that there's been no need to exploit its forests. It retains some of the best rain forest on Borneo, but, since it occupies less than one percent of the island, it makes a negligible contribution to the overall conservation picture.)

"Good governance" is a bureaucratic phrase often used by diplomats and nongovernmental organizations working in Indonesia and Malaysia. What it means in plain terms is removing the hands of politicians and their cronies from the pockets of poor people and opening up government actions to public scrutiny and free debate. Everyone working on conservation in Borneo agrees that no efforts—no laws or regulations, no new parks or protected areas—will be effective without it.

"Governance is almost everything, in that if we can't get it right, nothing else matters," says Frances Seymour of the Center for International Forestry Research (CIFOR), an international organization headquartered in Indonesia and committed to conserving forests and improving the livelihoods of people in the tropics. There have been encouraging signs of progress in Indonesia—at least at the higher levels of government—especially since 2004, when Susilo Bambang Yudhoyono was elected president. Another major step began in 2000 when the national police force loosened ties with the military, a notoriously corrupt organization with long-standing links to illegal logging and smuggling. Even better news came in 2005, when General Sutanto was appointed national chief of police. "No law enforcement head anywhere in the world has made as much progress as he has," a senior U.S. official in Jakarta told me.

Hundreds of arrests for illegal logging activities have been made since then, targeting not just workers in the field (who may make as little as two dollars a day), but also, occasionally, mid-level timber buyers and government officials, including the ex-governor of the Indonesian province of East Kalimantan and many workers in the corruption-tainted Ministry of Forestry. Gunung Palung National Park in West Kalimantan, once a horror story of uncontrolled illegal logging and poaching, has seen a major turnaround thanks to an honest and dedicated director whose rangers patrol the park with ultralight aircraft and motorboats.

On a national level, many Indonesian ministers get high marks, or at least grudgingly awarded passing grades, for their dedication to reform. "And yet I will say that in this village there is no question that it's impossible to get a policeman to do anything without being asked for a bribe," a person connected to a small conservation group tells me. (As happened often when I talked with activists, I was asked not to name the speaker.) "The bupati has friends in Jakarta who could shut us down," another NGO worker says. "It's a fine line you have to walk here. They could crush us if they wanted to."

In several district capital towns I visited, the most obvious result of increased local autonomy was a showy new government office complex; the second-most-obvious was the bupati's showy new house. "The challenge," Frances Seymour says, "is how we help communities and local governments make better decisions for the long

term, because what's going on now is a short-term spasm of making money, and ten years from now jobs are going to be gone and income sources are going to be gone." And the Indonesian hinterlands will remain as poor as ever.

A highway winds through jagged limestone hills in East Kalimantan, following a route that five years ago was a dirt logging road. Today there's nothing but scrub in all directions. Every mile or so, as the highway crosses a ravine, there's a minor cave-in that's caused the lane on the downhill side to collapse. We rarely have to slow down, though, because there's almost no other traffic. Sometimes these bus-size chasms are marked with branches piled in the road, and sometimes they're not.

"The contractor gives a kickback to the government to get the paving contract, and then they purposely do a bad job so they can come back in a few years for repair work and everybody can make more money," one of my companions says. By now I've heard stories like this so often that they seem normal.

After crossing a bridge over the Telen River, we stop near a roadside house that barely qualifies for the name. It's an open-air wooden platform no more than ten feet square, elevated on logs head-high off the ground. The roof is a sheet of blue plastic suspended from poles. A woman and two children are on the platform and three more children are playing underneath.

Felled tree trunks are scattered across a field beyond the house; the ground is blackened from recent burning, and smoke rises here and there. Several men and women work in the field with machetes and long digging sticks made of *belian*, or ironwood. This is forest destruction and habitat loss happening before my eyes.

Two men come over to talk with us—Udan Usat and Ismael, uncle and nephew. They wear Javanese-style conical straw hats against the intense sun. Their faces and arms are coated with soot, and sweat makes small rivulets on their skin.

They are of the Kenyah tribe, and they moved here last year. Before, they lived in a village called Long Noran on the Wahau River, in the interior of Borneo. The forest there is long gone, cut by a big timber company once owned by the notorious Bob Hasan, a Suharto crony and former government minister who was later convicted of corruption. With only scrub left, the entire area around their village, which stood inside the company's timber concession, burned in massive fires in 1997-98. The blazes were ignited by companies preparing land for plantations and spread rapidly to neighboring land during a season of drought.

"We had gardens, fruit trees, rubber trees, and vegetable fields, all burned," Udan Usat says. "There was conflict with the timber company. They accused us of starting the fires, but we didn't do it. The fires came from far away."

Things were very hard after that. "Where we lived it was an hour by boat and 15 kilometers by land to reach the nearest settlement with a market," he says. "It was expensive to use the boat."

The government promised that each family could have five hectares, about 12 acres, along the road here, if they wanted to move. Some of the villagers came to look at the land, there was a meeting, and 169 families decided to start over again at this place.

"Here, we are between two towns, so it will be easier to sell our crops when the fields begin producing," Ismael says. Neighboring families are helping each other, working on a different plot each day. They will grow rice, bananas, and the spiny red fruit called rambutan. The burning they've just done will help the fertility of the soil, and they hope to have their first crops next year. Families are living in temporary shelters for now, because it's more important to plant the fields than build permanent houses. Ismael was head of an elementary school in Long Noran, and someday, if there are enough children here on the Telen River, the families may build a school.

"Life will be better here—that is our hope," Ismael says.

I thank these men for talking with me, and wonder whether I should give them money for their time. My binoculars cost more than the two of them will make in an entire year. I turn to go, and one of the children, a girl about seven years old, is holding a plastic bag with two *ontok*, fried dough balls; and *lemper*, rice wrapped in coconut leaf—a gift of food for me. She hands me the bag, and her smile shatters my heart.

Despite the stupendous new skyscrapers erupting around Jakarta, despite the new cars clogging its streets, the essential fact influencing conservation in Borneo is the extreme poverty of most Indonesians, who occupy three-quarters of the island. Whatever strategies environmentalists pursue to save Borneo's biodiversity must first offer ways for its residents to improve their lives.

"Nothing is more important than hunger," says Albertus of the Pontianak-based group Green Borneo. "Funding agencies need to change their way of thinking about this. Better health, better education, better economic conditions—that will help protect the forest."

Even as she shows me West Kalimantan ecosystems and economies wrecked by unsustainable logging, Dessy Ratnasari makes sure I know the benefits it brought. "Many people in West Kalimantan grew up on money from timber companies," she says. "I grew up on the multiplier effects, because my father had a small clothing store, and the money people spent there came from timber. That is why I was able to go to school and get an education."

*Hati-hati* is one of the few phrases of Indonesian I've learned. It means "be careful," as on the signs along this bumpy dirt road reading "Hati-Hati Logging." It's a hot morning in East Kalimantan, and I'm riding in a truck with Erik Meijaard, a Dutch conservation scientist associated with the Nature Conservancy who has worked in Borneo for 15 years, and his colleague Nardiyono. We've passed through miles of scrubland, and the landscape shows no sign of changing anytime soon. Once lowland rain forest, this area was clear-cut and never reforested. In the fires of 1997-98, it was part of the estimated 6.5 million acres of forest that burned in East Kalimantan. Now it is only bushes, small trees, ferns, and grass, overrun with vines. I stare at the passing scene, thinking that, if nothing else, the government responsible for allowing this is guilty of criminal negligence.

"It's sad, isn't it?" Meijaard says, reading my thoughts. "And yet," he continues, "this is the kind of forest where Nardi and I find some of our highest concentrations of orangutans." By "find" he means they have counted the nests that orangutans make each night or discovered other signs indicating the animals' presence. Orangutans are the most solitary of the great apes, difficult to spot even where they exist in good numbers. Meijaard has already told me that he has actually seen only two wild orangutans in the past two and a half years of regular fieldwork.

The truck crests a low rise in the road and—I almost feel I should interject here *I am not making this up*—there's a dark reddish-brown form in the road ahead. I see it, but my mind seems to stall. Midday ... worthless scrubland ... animal in the road ... What? Gibbon?

"Orangutan!" Erik and Nardi shout in unison. The truck skids to a stop, and we all jump out as the orangutan retreats into the low woods beside the road. I follow it with my binoculars as it scuttles away, stopping repeatedly to look back at us, until it moves downslope out of sight.

The normally taciturn Nardi is beside himself. "You are so lucky!" he says, over and over. "An orangutan, right in the road!" Expletives and superlatives abound. Visitors to Borneo rarely see a wild orangutan; most see the semi-tame animals at well-known rehabilitation centers such as Sepilok in Sabah or Tanjung Puting National Park in Central Kalimantan.

There's more to this incident, though, than simply my winning-the-Powerball good fortune. What I've just seen symbolizes one of the most important issues for Borneo's biodiversity—and a tenuous hope for preserving it.

"The logged forest is the future for wildlife in Borneo," says Siew Te Wong, who works on conservation of the threatened sun bear.

"In Borneo, species do not go extinct over a broad area as a result of one round of logging, or even two and possibly three," says Junaidi Payne of WWF's Sabah office. "The balance of species changes enormously, but even the specialist birds or orchids or epiphytes are still there if you look in little valleys and the wet areas. So you can log forests and still save that biodiversity. But the thing you can't do is convert the whole thing to monoculture plantations," such as oil palm. "Then of course you lose everything. It's a biological desert."

WWF geographer Raymond Alfred shows me around Sabah's state-owned Ulu Segama Forest Reserve, where the forest has been thoroughly—and legally—logged, leaving woodland that seems downright puny compared with the skyscraping rain forest at nearby Danum Valley. Yet researchers have found Borneo's highest concentration of orangutans here, and the species is thriving in similar spots all around the island. Alfred and other Sabah conservationists managed to convince the government to save this degraded forest, once set for conversion to oil palm. A ten-year moratorium on logging has given them time to study the orangutans, and they hope to establish a lodge and attract some of the tourists who visit the nearby Kinabatangan River Sepilok rehabilitation center.

In East Kalimantan, Meijaard has spent much of his time in recent years working with logging companies to help them harvest trees sustainably, and with local villages to find ways for them to derive income from the forest. Purists may imagine the major conservation goal in Borneo to be the setting aside of vast tracts of untouched forest, but for biologists dealing with day-to-day reality, compromise is the only realistic alternative.

When Meijaard spends time in villages discussing the choice between forest conservation and oil palm plantations, he never mentions orangutans. "People get bored with that in five minutes. To them it's just another monkey in a tree that Western people want to come and look at. But if I talk to them about fish in the rivers or pigs in the forest, then they pay attention, because those are resources they can harvest from the forest."

Meijaard is unsentimental about timber harvesting and the sanctity of virgin rain forest. "Hey, it's the tropics. Plants will grow back," he says. "These forests have to earn their money somehow." Otherwise, they'll inevitably be turned into plantations of oil palm or pulpwood.

"You're trying to get people who have economic opportunities right now to forgo those benefits for other benefits years down the road," orangutan conservationist Paul Hartman says. "The bupati is in office for five years, and he says, 'I'm going to make my money now.'"

Sustainable forest management—logging that provides income without compromising the long-term viability of the ecosystem, won't be an easy sell. In Sangatta, East Kalimantan, I talk with Daddy Ruhiyat, an adviser to the local government on conservation issues. "We have asked forestry companies to show us that forests can be as financially productive as oil palm," he says. "But nowadays there are no fresh ideas coming from the forestry sector to make land more productive. We have a choice of either good forest and no money, or cut down the forest for palm oil. There is a long list of companies asking for land for palm oil development."

Ruhiyat sees a role for forestry in his district, but primarily in plantations of fast-growing teak, which can be harvested every 15 years. "We want species that can be productive in a relatively short rotation," he says. "We have to grow forests in plantations. That is the only way."

I ask him how he feels about someone like me, from a country that cut its forests, mined its coal, depleted its wildlife, and became wealthy, coming to Borneo to question local people's decisions about conservation.

"It is reasonable that people in other countries are concerned about the Borneo environment," he says. "I'm not resentful of that. But the most important step is to make people have better incomes. It starts with oil palm plantations, which bring money so people can enjoy better lives. It is hard for hungry people to appreciate nature."

Glen Reynolds of the Danum Valley Field Center says that "payment for environmental services" is the only thing that will tip the balance away from clear-cutting and palm plantations. He uses the broad term for finding ways to pay communities, regions, or countries to keep their ecosystems healthy and functioning. "Without that there's going to be no lowland forest left on Borneo in ten years," Reynolds says.

The 1997 Kyoto Protocol on reducing greenhouse gases to combat climate change controversially made no provision to pay for protection of existing forests—"avoided deforestation"—but the December 2007 multinational conference in Bali, Indonesia, took up the issue as it considered revisions to the Kyoto pact. A new acronym, REDD (Reducing Emissions from Deforestation and forest Degradation), came to the forefront of the climate-change debate, and conservationists in Borneo immediately saw it as perhaps the last, best hope for the future—offering the possibility of a framework for rich nations to combat climate change by paying for the preservation of significant tracts of tropical rain forest. An array of daunting problems stand in the way of REDD implementation, but for people watching Borneo's forest disappear, it's a chance.

"REDD, I would argue, is the one big prospect on the horizon," Frances Seymour of CIFOR says. "Let's be clear here: Why do people cut down trees? For the money. If you can give people the opportunity to make the same amount of money or more by leaving the trees standing, there's your answer."

In the end, conservation in Borneo is not about the beauty of the rain forest, or about orangutans, or elephants, or even oil palm. Not one conservationist I spoke with believed oil palm was intrinsically evil, and most agreed that a properly managed industry can benefit poor people without sacrificing Borneo's biological riches. Anne Casson, co-founder of the environmental group SEKALA, speaks for most when she says, "I don't think anyone's saying you can't have any more oil palm. It's just, where does it go? It can go onto degraded land rather than forested land. Until now, oil palm permits have been allocated in an ad hoc manner, regardless of environmental concerns. This can change if there is sufficient political will and good spatial planning."

But it all comes down to one thing. "It's about money," Casson says. "Money, money, money."

Here is another dream. Along a dirt road in southern Borneo stands a one-room wooden house, with a few banana trees in the yard and a small vegetable garden in back. Beside the house a man kneels, washing a Yamaha Jupiter Z motorbike. It's red, and it shines in the hot sun as the man rinses off the soap.

The man's name is, let's say, Pak Wang. With his new motorbike he can go to the closest village in a few minutes, instead of walking nearly an hour along the road. In the village he can meet his friends, buy things, go to the little karaoke bar, and watch television in his uncle's restaurant. He can feel part of the world.

Pak Wang wants a mobile phone. Most of his friends have one, and if he had one it would be easier for him to make plans with them, to know where they will be on Sunday night, to meet the pretty woman named Unita who sells fruit at a street stand in town.

So. Here is the message to the world. If we want to protect the forests of Borneo, to preserve a substantial part of its stupendous biodiversity, to make sure that orangutans have places to make their nightly nests and hornbills have fruit to eat and flying frogs have trees to live in, there's only one way to do it. We need to find a way for

Pak Wang to buy his mobile phone. And, after he marries the pretty fruitseller, a way for them to keep their children healthy and send them to school. A way that offers them a better future without having to turn their forests into plantations of oil palm or the sterile pits of strip mines.

And we need to do it while there's still something left to protect.

**GRISTMILL** A blogful of leafy green commentary

## **Biofuel roundup**

### **Biosphere still being fed to our cars, threatening rainforests**

Posted by [biodiversivist](#) (Guest Contributor) at 1:37 PM on 23 Feb 2009

This sudden drop in the price of palm oil has got me to wondering. The high price of palm oil helped drive Imperium Renewables (the largest biodiesel refiner on the West Coast) to the edge of bankruptcy. Their original business model was to use palm oil because they assumed it would be the cheapest stock, which turned out to be wrong. They were forced to buy Canadian canola at market rates, which went ballistic. But now the price of palm oil has tanked and the government of Indonesia even has plans to mandate blending more of it into their diesel supply to keep the palm oil business humming.

Imperium is keeping a low profile. Google searches turn up next to nothing. I found this [blurb](#) about the EU sticking them with a duty for undercutting EU producers with imports that capitalized on our dollar per gallon subsidy -- proof positive that Imperium has been exporting biodiesel and that all of this talk about oil independence from biofuel proponents is a crock.

I found another short [article](#) suggesting that they still plan to sell biodiesel to a Hawaiian utility that wants to use a green fuel (that is anything but green) and plans to stick its customers for the extra cost of pretending to go green.

Finally there was this [press release](#) about receiving BQ-9000 Status (whatever that means) and an excellent OSHA Safety Rating (not too hard to do if you are not producing anything).

A visit to its website found it to be out of date with several broken links. If they are still producing biofuels I can't determine what they are using for stock and who all they are selling it to. Will Imperium rise from the ashes and if so will it be done using palm oil?

### **Comments on draft Indonesian National Interpretation Marcus Colchester Forest Peoples' Programme**

Thank you for this opportunity to comment on the draft Indonesian National Interpretation (INI). I have the following general and specific comments, some conclusions and a recommendation:

General comments:

- The document entirely omits any mention of the Principles of the RSPO standard and only includes the Criteria, amended Indicators and amended Guidance. This is a very serious omission.
- In general, the draft INI has chosen as Major Indicators, documents showing evidence that companies have adopted suitable policies and procedures in line with the Criteria, but evidence of actual implementation is included only as Minor Indicators.
- The INI has ignored the explicit suggestions in the generic standard, that the National Interpretations should include details of *inter alia* relevant national laws and regulations (2.1), customary land use systems (2.2) typical situations in dealing with communities (2.3) statutory requirements concerning pesticide use and lists of legally prohibited agro-chemicals (4.6). There does not seem to have been a serious attempt to fit the generic standard to the national legal and statutory framework or guide companies in how to deal with commonly occurring problems and sources of conflict.

Specific comments:

- 1.1. The language in Major Indicator # 3 allows too much discretion to companies and is not suitable as an indicator against which an auditor can assess compliance.
- 1.2 The INI has dropped the requirement in the generic standard that companies should provide details of complaints and grievances and negotiation procedures, even though these are core aspects of the standard for ensuring Free, Prior and Informed Consent and mutually acceptable mechanisms for the resolution of disputes. Without such transparency, fair dealing between communities and companies is made much more difficult.
- 2.1 Contrary to the requirement in the Generic P&C, the INI has failed to identify: all relevant legislation; particularly important requirements; contradictions and inconsistencies: solutions.
- 2.2 The INI has separated the two parts of the indicator on conflict resolution and Free, Prior and Informed Consent and has then made evidence that land is acquired with Free, Prior and Informed Consent a Minor Indicator.
- 2.2 Contrary to the requirement in the Generic P&C, the INI has failed to identify relevant customary land use rights or disputes.
- 2.3 Contrary to the requirement in the Generic P&C, the INI has failed to identify commonly encountered situations with respect to conflicts over lands acquired from local communities with legal or customary rights.
- 4.6 Contrary to the requirement in the Generic P&C, the INI has failed to identify: statutory requirements concerning pesticide use; lists of legally prohibited agro-chemicals; agro-chemical residues that should be tested for; appropriate levels of residues; and best management practices for pesticide use and; sources of information on these.
- 4.6 Has omitted the notice that RSPO is urgently identifying safe and cost effective alternatives to replace chemicals that are categorised as WHO Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions, and paraquat.
- 5.1 The INI has omitted the requirement that companies have a timetable for implementation of the actions required by their EIA.
- 6.1 The INI has dropped the requirements for effective participation in EIAs. The generic P&C explains that 'affected parties should be able to express their views through their own representatives institutions or freely chosen spokespersons, during the identification of impacts....' This language has been omitted and no suitable language to replace this requirement has been substituted. Moreover, in the guidance, language has been dropped requiring the inclusion of women and migrant workers. This is contrary to the spirit of the generic P&C requiring participatory EIA procedures.
- 6.5 The INI has dropped the Guidance that there should be no forced labour.
- 7.3 The INI has adopted Indicators and Guidance which flatly contradict the requirements of the generic P&C. Where the Generic standard requires no clearance of HCV areas and primary forests after November 2005, the INI introduces exceptions allowing new plantings in such areas between Nov 2005 and Nov 2007. Moreover, in focusing on the insertion of provisions allowing exceptions to the

Criterion, the INI has omitted to include clear Major indicators for compliance even after November 2007.

- 7.5 The INI has omitted the requirement for companies to show records of agreements between communities and companies in line with the principle of Free, Prior and Informed Consent.

Conclusions:

The draft INI introduces double standards and an un-level playing field into the whole RSPO process. Specifically:

- It seriously weakens provisions meant to protect the rights of local communities and customary rights holders such as indigenous peoples.
- It weakens provisions for effective participation in EIAs
- It weakens the procedures designed to require respect for the right to Free, Prior and Informed Consent.
- It will allow clearance of primary forests and HCV areas after the agreed cut off date of November 2005.
- It does not provide a fair basis for certification.

Recommendation:

The INI as drafted should not be accepted by the RSPO Executive Board.

*Marcus Colchester, Director, Forest Peoples Programme, 7th April 2008*

Dr. Marcus Colchester  
Director  
Forest Peoples Programme  
1c Fosseyway Business Centre  
Stratford Road  
Moreton-in-Marsh  
GL56 9NQ, England  
Tel: 01608 652893  
Fax: + 44 1608 652878  
Web: [www.forestpeoples.org](http://www.forestpeoples.org)