

GCRF TRADE Hub Online Policy Dialogue

G20 - Recover Together, Recover Stronger Advancing global trade in sustainable palm oil to benefit the planet and its people

Background

Now one of world's most prominent vegetable oil commodities, palm oil contributes 40% of total global trade volume in vegetable oils (USDA 2021). As one of Indonesia's key export commodities, it contributes significantly to the country's national development. The palm oil sector has always produced significant development benefits as well as economic resilience, with national revenues from the sector continuing to grow during the economic crises of 1998 and 2008, and in 2020 amid the Covid-19 pandemic (Olivia et al. 2020; Suryana et al. 2020). However, there are many sustainability concerns surrounding the sector's development, with oil palm plantation development and practices often associated with deforestation (Koh and Wilcove 2008; Meijaard et al. 2020), peat loss

(Miettinen et al. 2012; Austin et al. 2017) and fires (Koh et al. 2011; Abood et al. 2015; Darmawan 2020), which result in biodiversity loss (Fitzherbert et al. 2008; Koh and Wilcove 2008; Dislich et al. 2017; Meijaard et al. 2020b) and greenhouse gas emissions (Koh et al. 2011; Abood et al. 2015).

In terms of its social impacts, the palm oil sector is a proven pathway for rural development and job creation, and employs more than 16 million workers across Indonesia (BPD PKS 2018; CMOF 2021; Mol 2021). However, benefits from the sector have yet to ensure poverty reduction, with issues of economic inequality still arising between oil palm stakeholders, particularly at the local level (Cahyadi and Waibel 2016; Li 2017; Dib et al. 2018).

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The Government of Indonesia has taken steps to improve oil palm governance and sustainability by issuing key national policies such as Presidential Instruction No. 8/2018 on Postponement and Evaluation of Oil Palm Plantation Licenses and Improvement of Oil Palm Productivity, and Presidential Instruction No. 5/2019 on a Moratorium on Issuing New Licenses and Improving Primary Natural Forest and Peatland Governance. A mandatory sustainability standard and certification system has also been established through Presidential Instruction No. 6/2019 on the National Action Plan for Sustainable Oil Palm Plantations for 2019–2024, while an Indonesian Sustainable Palm Oil (ISPO) standard and certification system has been provided through Minister of Agriculture Regulation No. 11/2015. ISPO is mandatory for private companies but voluntary for smallholders and companies producing crude palm oil for renewable energy (Komarudin and Brady 2020). Though scenarios and ways to reconcile palm oil economic development and environmental conservation do exist (Purnomo et al. 2020), there are major barriers to adopting policies, such as slow implementation on the ground and conflicting local regulations and legislation from other sectors (Pacheco et al. 2017). In addition, ISPO implementation faces further challenges with governance and market acceptability (Hidayat et al. 2018).

Sustainability issues surrounding oil palm plantation development are not only a concern for producer countries like Indonesia, but also for market destination countries. The European Union (EU) and the UK, for example, consider palm oil a forest-risk commodity and are trying to eliminate deforestation from their palm oil supply chains. The EU recently passed a regulation on deforestation-free products, which prohibits forest-risk commodities and products produced on deforested land from entering EU markets after 31 December 2020. Palm oil is listed as one of these commodities. This regulation was proposed for implementation in tandem with the EU's Renewable Energy Directive (RED II), which aims at achieving zero consumption of high-forest risk biofuels by 2030, and also has palm oil as one of its focus commodities. The UK Government has also proposed a due diligence law on forest risk commodities, including palm oil.

Sustainability and sustainable development are shared global agendas, and have been the focus of discussions at international, regional, multilateral and sectoral forums, and of initiatives involving producer and buyer countries. Indonesia is involved in various global forums and initiatives, including the G20. The G20 is a multilateral cooperation forum that represents the world's major

developed and emerging economies. Its member states account for two-thirds of the world's population, 75% of global trade and 80% of worldwide GDP. Since its formation in 1999, the G20 has focused on financial and other global issues such as trade, climate change and development. Indonesia has been awarded the G20 Presidency for 2022 and will host the 17th G20 leaders' summit at the end of the year. With the theme **'Recover together, Recover Stronger'**, Indonesia has the chance to set the discussion agenda for global economic recovery. The Government of Indonesia has set three main agendas: global health architecture; sustainable energy transition; and digital and economic transformation.

The G20 Presidency will give Indonesia the chance to promote and advance a sustainable pathway towards global economic recovery and transformation. It also affords Indonesia the opportunity to showcase its efforts and practices to mainstream sustainability in its economic development, to strengthen its position, to increase the competitiveness of its commodities and products, and to encourage and call for global collective action towards a sustainable recovery. The G20 forum this year will be an important opportunity for Indonesia to take the lead in discussions to advance a sustainable and equitable palm oil trade that will bring benefits to Indonesia's economy, environment and people.

Objectives

The objectives of the GCRF TRADE Hub Policy Dialogue are:

1. To share policy perspectives from governments, the private sector, civil society and the international community on positioning sustainable and equitable palm oil trade toward global green deals implementation and Indonesia's G20 Presidency agenda;
2. To advance sustainable and equitable palm oil trade;
3. To communicate CIFOR-led research activities on sustainable palm oil trade under the GCRF Trade, Development and the Environment Hub (TRADE Hub).

Expected audience

Policymakers, business communities, NGOs/CSOs, academics/researchers, community leaders, financial institutions, students

For further information:

Sonya Dyah, s.dyah@cgiar.org