



GABUNGAN PENGUSAHA KELAPA SAWIT INDONESIA (GAPKI)

INDONESIAN PALM OIL ASSOCIATION (IPOA)

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To:

- Virginijus Sinkevičius, EU Commissioner for Environment
- Christophe Hansen MEP, EU Parliament Rapporteur on the Deforestation Regulation
- Jaroslav Zajicek, Czech Ambassador to COREPER I

Subject: EU Deforestation Regulation: Impact on Indonesia

Dear Sirs,

Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI), also known as Indonesian Palm Oil Association, is a national association of palm oil producers with membership ranging from state-owned plantation companies, privately-owned foreign and local companies as well as smallholder cooperatives. GAPKI's mission includes encouraging members to implement good governance and sustainability principles in the palm oil industry.

GAPKI is supportive of the EU's stated goal to prevent illegal deforestation, and to support sustainable commodities. However, the EU's current draft Deforestation Regulation will undermine these goals, for the following reasons:

1. Small farmers of palm oil – 4 million families in Indonesia – will be blocked from the EU market. **The EU Regulation will increase poverty, decrease sustainable development, and undermine decades of progress for rural communities and exclude vulnerable groups.**
2. The Regulation directly contravenes the EU's commitment to the UN Sustainable Development Goals. **By forcing small farmers out of supply chains, the EU sends a clear message that it no longer cares about poverty reduction and assisting Indonesia in meeting its SDG targets.**
3. The lack of recognition of existing sustainability schemes means duplication of regulation for palm oil businesses. It is unnecessary. **The EU Regulation will increase costs for business, raise food prices for consumers, and undermine food security.**
4. The requirements on traceability undercut or duplicate existing efforts by the palm oil industry. They are also incompatible with some existing data protection laws.
5. The designation of 'high risk' is opaque. **There is serious concern this will be a protectionist trade barrier deliberately targeted at developing nations.**

FACTS ON DEFORESTATION RISK IN INDONESIA

Indonesia's recent record of protecting forests is one of the great modern success stories of environmental protection.

1. The UN FAO confirms that Indonesian [Deforestation has fallen](#) by [more than three quarters](#) over the past two decades and [reached all-time lows](#)
2. The Indonesian Sustainable Palm Oil (ISPO) is on track to become the [world's largest-ever sustainability scheme for any commodity](#)

3. Indonesian palm oil's sustainability is recognised by many trading partners [including the UK Due Diligence Regulation](#)
4. Indonesia has signed new [cooperation commitments](#) with partner countries such as Norway

This has been the result of domestic policy from the Indonesian Government. The Government remains committed to these policies. The palm oil industry is committed to implementing the Government's no-deforestation policies.

The EU should support Indonesia's progress. Instead, the EU Deforestation Regulation undermines Indonesia's progress and chooses conflict instead of cooperation.

FACTS ON INDONESIA PALM OIL SMALLHOLDERS

- Small farmers are explicitly targeted by the Deforestation Regulation. As a direct result of this EU regulation, many Indonesian smallholders will lose income, and lose livelihoods. Poverty will rise in rural areas as a result.
- This is not theoretical. Unilever introduced the same requirements into their supply chains in 2013. The company was forced to [cut 80 per cent of smallholders from their supply chains](#). This was not because the smallholders were deforesting. It was because the smallholders could not meet the high bureaucratic demands.
- **The EU Deforestation Regulation will have the same perverse outcome for Indonesian small farmers.**
- Smallholders in Indonesia operate on approximately two hectares of land on average, and produce an average of 1.5 ton/ha of fresh fruit bunches (FFBs) per month. Due to the small scale of production, they cannot sell directly to palm oil mills. After harvesting, the smallholders sell their FFBs to dealers who collect from surrounding SHs on a daily basis.
- A single dealer collects FFBs from a number of smallholders. The FFBs mix in the truck along the way. It is logistically impractical to achieve a segregation of FFBs at this smallholder level.
- By forcing segregation, the EU is making a conscious choice to deny EU market access to all 4 million Indonesian palm oil smallholders. The only route to preventing this outcome is an exemption, or cap, that would allow smallholders to operate with reduced requirements.

FACTS ON SUSTAINABLE PALM OIL PRODUCTION

- Physical or molecular segregation in the crude palm oil (CPO) mills requires operators to build multiple mills or several production lines in the same area, which will result in increased environmental impacts due to additional energy consumption and longer handling and processing times.
- Performing batch-wide processes in CPO mills is also impractical and inefficient due to the small volumes of each batch.

- A ‘Mass Balance’ or sample-based supply chain method has been adopted widely by international certification schemes, as an effective and practical approach to drive inclusive supply chain transformation, particularly involving price/cost-sensitive smallholders.
- Mass balance can be considered an effective form of group certification; the US Soybean Sustainability Assurance Protocol is currently accepted by the European Union under the Renewable Energy Directive, and operates on the same principles of sample audits, rather than complete traceability. This is also the case with certification systems for forest products such as FSC and PEFC.
- The EU should therefore consider any schemes using a sampling method as acceptable.

RECOMMENDATIONS

1. Small farmers should be exempt from the traceability requirements of the Regulation, below an appropriate size.
2. Current certification schemes– both national schemes and voluntary schemes – should be accepted as a form of compliance under the EU Regulation.
3. The Regulation should build on existing supply-chain commitments and standards rather than imposing new and unilateral EU requirements.
4. A sampling method and sampling audits should be considered, including as a transition period, rather than immediate traceability, particularly for smallholders. This transition period should be flexible in order to meet the sustainable development needs of smallholders in supply chains and promote inclusivity
5. Partner governments and affected sectors should be fully involved in the consultation process for determining high risk vs low risk status.

Please accept this letter as a matter of course.

Sincerely yours,

Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI)





Joko Supriyono
 Chairman

Eddy Martono
 Secretary General

Cc:

- Frans Timmermans, Executive Vice President of the EU Commission
- Josep Borrel, High Representative for Foreign Affairs
- Delhara Burkhardt MEP, EU Parliament Shadow Rapporteur
- Chrysoula Zacharopoulou MEP, EU Parliament Shadow Rapporteur
- Marie Toussaint MEP, EU Parliament Shadow Rapporteur
- Anna Zalewska MEP, EU Parliament Shadow Rapporteur