

# Palm Oil's Environmental Cost

Thursday 27 November 2008, by [Ben BLAND](#) (Date first published: 24 November 2008).

## **Despite endorsement by a tame certifier, Southeast Asia's miracle oil faces trouble.**

Just outside Danau Sentarum National Park, a large and diverse wetland area in West Kalimantan on the Indonesian side of Borneo, lumberjacks working for an Indonesia plantation company are busy felling trees and clearing the tropical forest. On the other side of the world, in London, a child is unwrapping and preparing to eat a chocolate bar. The connection between these two seemingly unrelated occurrences is simple: palm oil.

Demand for the versatile vegetable oil, which is used in everything from chocolate to soap and is even now deployed as a biofuel, is increasing steeply even despite falling commodity prices. However, as the plantations have encroached ever deeper into the jungles of Malaysia and Indonesia - which between them produce more than 85 percent of the world's palm oil - concerns about the environmental and social consequences have grown.

The industry's main response was to set up the Roundtable on Sustainable Palm Oil (RSPO) in 2004. But while this grouping managed to bring together palm oil producers, purchasers and some NGOs, environmental lobbyists such as Greenpeace and Friends of the Earth are now turning on the organization, accusing it of operating as a smokescreen for expanding plantation companies with little interest in preserving precious rainforests and peat lands.

The main charge from groups such as Greenpeace, which recently sent its ship *Esperanza* on a seven-week tour to Indonesia to document deforestation, disrupt shipments of palm oil and raise public awareness, is that the destruction of forests and peat lands is contributing to climate change.

About a fifth of global greenhouse gas emissions are caused by deforestation. Forests and peat land, in particular, store large amounts of carbon and their destruction causes this to be released into the atmosphere. Indonesia is already the third-biggest emitter of greenhouse gases in the world, according to a report released last year by the World Bank and the British government, with around 85 percent of its emissions coming from forest clearing and forest fires.

However, despite calls for a moratorium on deforestation by Greenpeace - which claims that Indonesia's forests are being cleared at a rate of almost 2 million hectares a year - the Indonesian government signaled at the RSPO annual meeting in Bali last week that it had no intention of halting the long-term expansion of palm oil plantations. Agriculture minister Anton Apriyantono said that economic needs should trump any drive for sustainability given the worsening state of the world economy.

At the heart of the debate between the environmentalists and the palm oil companies lies the inescapable challenge that faces every developing country in Asia and around the world: how is it possible to pursue economic growth without damaging the environment and contributing to climate change.

The question becomes even more pressing in tough financial times like these, when governments

need to do everything possible to stoke their flagging economies – especially governments that are facing sustained political pressure such as in Indonesia (where presidential elections are to be held next year) and Malaysia (where the incumbent Barisan Nasional coalition is being squeezed by a renewed opposition).

The latest gross domestic product figures revealed that Indonesia's once-booming economy is starting to feel the pain of the global slowdown. Growth in the third quarter eased to the slowest rate in a year-and-a-half, down to 6.1 percent per annum from 6.4 percent in the preceding quarter.

Palm oil, which brought in \$7.9 billion of foreign currency last year, accounting for around 7 percent of Indonesia's total exports, is a vital part of the country's economy. However, palm oil prices have slumped by around two-thirds since peaking in March, as the global economic outlook has deteriorated.

This collapse in prices, and the fear that global demand for products that contain palm oil could weaken further as the worldwide slump deepens, has driven Indonesia and Malaysia to cut production in the short-term. By replanting palm oil-producing trees that are more than 25 years old, they hope to reduce short-term supply while ensuring that production will be ramped back up in three-four years' time, when these new trees bear harvestable fruit.

So, as long as the growth of the palm oil industry remains so important to Indonesia's growth, it seems extremely unlikely that the government will seek to rein it for environmental reasons. Since its inception, the RSPO has claimed to offer a way out of the growth versus environment dilemma by emphasizing the possibility of developing sustainable palm oil, which does not destroy precious ecosystems or stir up social conflict.

However, after documenting evidence of the renewed destruction of tropical forests and peat lands by operations such as Indonesian conglomerate Sinar Mas by RSPO members on its recent trip, Greenpeace has argued that the RSPO is failing in its mission.

“‘Sustainable palm oil’ continues to be a farce while RSPO stands exposed as a weak and ineffectual industry body.” said Bustar Maitar, Greenpeace's Southeast Asia forest campaigner. “The rapid loss of forests in Indonesia and the current climate crisis needs strong leadership from the global business community. However the RSPO has failed dismally to take up the challenge.”

While the first shipment of officially-vetted sustainable palm oil made its way from Malaysia to the UK earlier this month, most RSPO members – including those criticized by Greenpeace – are still to have their plantations certified. Until that happens, the RSPO will not be required to pass judgment on the methods employed by companies such as Sinar Mas and Duta Palma, which have come under question from environmental groups.

Despite their strongly-worded criticism of the industry, environmental campaigners claim that it is possible to produce sustainable palm oil and meet consumer demand by focusing on improving existing crop yields, rather than clearing forest for new plantations.

However, while demand for products containing palm oil continues to rise, it appears highly unlikely that developing economies such as Indonesia and Malaysia will feel they have the luxury of holding back on expansion. Some in Europe and America may be willing to pay over the odds to buy products made from sustainable palm oil but it is doubtful that less well-off consumers in India and China – which are the world's biggest importers of palm oil – will be so happy to do so.

And, so long as consumers do not insist that their palm oil comes from sustainable sources, Indonesia and Malaysia will continue deforestation to meet demand and drive their economies

forward. The fear voiced by environmentalists is that by the time consumers eventually become concerned about the damage to the climate wrought by this expansion, it may well be too late to do anything about it.

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