



EoF Media Release

## **Eyes on the Forest: Companies should take immediate actions to stop sourcing from illegal oil palm plantations and start paying for the past damages**

**PEKANBARU, INDONESIA, 3 JUNE 2021** -- A new report published by the Eyes on the Forest (EoF) coalition today reveals that only 14% (0.8 million ha) of oil palm plantations in Indonesia's top palm oil producing province, Riau, can be considered legal. EoF advises buyers that the remaining 86% of Riau's oil palm plantations must be considered illegal until detailed field verification has proven otherwise.

"Legality of the product is a minimum requirement of most companies' sourcing policies. Yet significant amounts of illegal product continue to enter global supply chains. We recommend global buyers and traders to focus policy implementation on tracing their products to the plantation level, identifying their legality, and sourcing elsewhere if found illegal", said Riko Kurniawan, Director Executive WALHI Riau. "The scale of the problem that global buyers of tainted products face is serious, as these legality issues are systemic, and have been known publicly for a long time. Palm oil's downstream supply chains have knowingly ignored the issues and have continued to purchase illegally grown product."

EoF investigations between May and November 2019 found that illegally grown fresh fruit bunches from 43 illegal plantations sampled were bought by 15 crude palm oil (CPO) mills including those of Darmex, First Resources, Incasi Raya, Jhagdra, Mitra Agung Sawita Sejati and Royal Golden Eagle groups. Some of these CPO mills sold tainted CPO to 6 refineries of Darmex, First Resources, Musim Mas, Permata Hijau, Royal Golden Eagle and Wilmar groups. Considering the widespread nature of this illegality, the corporate relationships between some of the investigated plantations, CPO mills and refineries, and fact that companies are knowing about the issue, the report's findings cannot be brushed away as "just same old data".

Once again, just as in EoF's 2018 [Enough is Enough](#) report, five members of the Roundtable on Sustainable Palm Oil (RSPO) and some of their RSPO Mass Balance, Segregated and Identity Preserved Supply Chain Model certified facilities were implicated in the trade of illegal product. The five RSPO members including two repeat offenders, Wilmar and RGE, are major global traders. If downstream companies buy RSPO Mass Balance products from these companies, there is possibility that they contain illegally or unsustainably grown materials.

EoF investigations continue to highlight the urgent need for all companies in palm oil supply chains to put robust due diligence systems in place - even at RSPO certified facilities. EoF recommends companies with NDPE policies to have a system in place to verify any uncertified palm products entering their supply chains to be legal and deforestation free.

The enactment of the Job Creation Law (Omnibus Law) in November 2020 and its implementing regulations in February 2021 were intended by the Indonesian Government to boost investments, among others, in the palm oil industry. A new EoF coalition study on legal implications of the new law and regulations detailed in the report concludes that businesspeople should not expect that the Job Creation Law automatically legalizes all currently illegal plantations. Many illegal plantations are not

eligible for this “amnesty”, and even the ones that are eligible will need to go through a permit processes and even to pay a hefty price for breaches committed in the past.

Illegal oil palm plantations in Forest Estates are inseparable from corrupt practice as shown by the Darmex Agro group case involving the Darmex CEO and manager, an affiliate company, and a former Riau Governor. “Strong political support for the Omnibus Law and continuing weakening of the country’s anti-corruption agency make law enforcement against illegal plantations an uphill battle in Indonesia”, says Made Ali, Jikalahari Coordinator. “Hence, we call on traders, buyers, investors and consumers around the world to take immediate action themselves to protect them by decoupling their sourcing and investment from the multiple illegalities, and all the environmental and social issues engulfing oil palm plantation companies, CPO mills and other players in the supply chains. Waiting for the Omnibus Law to absolve all those guilty of destroying the country’s natural resources is not an option.”

Historical, large scale illegal oil palm plantations in Riau have not only caused serious loss of wildlife habitat, and damages to the local environment and the global climate through GHG emissions from drained peatlands, but also caused serious loss to Indonesia’s economy. “For example, Riau’s government estimated that this province alone lost potential tax revenues of IDR107 trillion (\$7.3 billion) per year from its 1.4 million hectares of unlicensed, illegal oil palm plantations”, says Riko Kurniawan.

Indonesian NGOs highlighting these issues are increasingly being accused of running “black campaigns” by those trying to divert from the ugly truth. “Are companies who evade paying taxes after destroying our forests and protected areas really ‘nationalists’ engaged in ‘white campaigns’?” asked Riko. “We are still optimistic that Government will show determination and consistency in enforcing its own laws as well as offering proper solution to settle cases of illegal plantations in Riau. This country has been suffering so much loss from irresponsible business actors who continue to reap the benefits from deforestation and/or illegalities and inflicting economic, social and ecological losses on the State. It’s time for these culprits to face the consequences and pay off the losses they caused.”

29 out of 43 illegal plantations investigated by EoF are located inside and surrounding conservation landscapes of Tesso Nilo, Bukit Tigapuluh and Bukit Batabuh. EoF hopes to see investments from global buyers, traders, and investors in restoration of these and other landscapes which have been destroyed by the industry as a part of their sustainable commodity sourcing and financing.

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Note to Editor:

EoF report can be found at: <https://www.eyesontheforest.or.id/reports>