

# FAILURES IN WILMAR'S PROMISE TO CLEAN UP THE PALM OIL BUSINESS

EXECUTIVE SUMMARY | December 2015



## UP IN SMOKE

Friends of the Earth Europe  
Executive Summary 2015



# EXECUTIVE SUMMARY



In August and September 2015, as in the dry seasons of previous years, fires started to smolder and roar in the forests and peatlands of Sumatra and Kalimantan, Indonesia. The fires of 2015 caused enormous health and environmental problems for hundreds of thousands of people in Indonesia and neighboring countries. In peat land areas the fires can burn for months, releasing carbon dioxide, methane and nitrous oxide. The impact of peat fires can be more than 200 times worse for the climate than fires on other land.<sup>1</sup> Bloomberg calculated that on 14 October, 2015, emissions from the fires alone soared to 61 megatons, almost 97 percent of Indonesia's total emissions.<sup>2</sup>

At the time of this writing, as the monsoon rains bring relief to Indonesia, and as the world gathers for UN COP 21 in Paris to address the global climate crisis, the question that rises from the ashes is: who is responsible for these fires? And how can we prevent this from happening next year and in the years beyond?

In 2011, the Indonesian government instituted a moratorium on plantation development on peat deeper than three meters; in 2013, the moratorium was extended for another two years. Yet due to frequent revisions of the moratorium area, palm oil companies have been consistently allowed to develop plantations on fragile peatlands formerly designated as peat moratorium areas.

Friends of the Earth has conducted research into five palm oil plantations in Central Kalimantan that belong to the palm oil companies Wilmar International (WIL: Singapore) and Bumitama Agri Ltd. (BAL: Singapore). Despite the fact that both palm oil companies have adopted high-profile policies prohibiting burning, deforestation, and exploitation of peatlands, we have found that both companies appear to have flouted national laws, their own sustainability policies and the widely celebrated New York Declaration on Forests by developing palm oil on peatlands, causing or allowing the destruction of High Carbon Stock areas, and taking insufficient measures to prevent forest fires in their plantations.

Of course, these palm oil companies do not operate in isolation. While the Indonesian government has made strong declarations and issued presidential decrees to prevent future forest fires and promote restoration of affected areas, government bodies have repeatedly issued plantation permits overlapping the peat moratorium area, enabling peatland drainage, development, and ultimately, destruction by fire.

Given the complexity of the landscapes, land uses, and concession boundaries and the role of smallholder farmers within and nearby company concessions, it is consistently challenging to prove who started the fires; however, according to the forest law no. 41/1999 article 49,<sup>3</sup> companies are legally responsible for fires within their concessions. The allegations contained in this report, therefore, are based not on proving, or needing to prove, who exactly started the fires, but on recognizing that accountability and legal liability rest ultimately with the concession owners. Company claims that external sources are responsible for fires in their concessions lack credibility if no proof for those claims is provided. Neither Wilmar nor Bumitama have provided such evidence.

Financiers in the UK, Netherlands, France, the United States, and other countries are providing direct financing to these companies – many of them doing so despite having publicly committed to Environmental, Social and Governance (ESG) criteria that should prevent their financing such destructive activities. Of eleven financiers in the EU and fourteen in the US to whom Friends of the Earth has sent this report for comments, seven have responded by the time of publication. The answers we received range from advice that FoE file a complaint with Wilmar itself or with the Roundtable on Sustainable Palm Oil (RSPO) – notably, a multi-stakeholder body without a legal mandate and with a notorious lag-time in addressing complaints<sup>4</sup> – to a lengthy response arguing that Wilmar is in fact operating sustainably.

That is to say that, despite detailed, independent, satellite-based and ground-checked evidence<sup>5</sup> on specific cases, even financiers that have committed to upholding environmental standards do not seem alarmed by the lack of implementation of their own and their investee companies' policies during what many commentators are calling the largest environmental crisis of the 21st century.<sup>6</sup> Such a lax attitude bodes extremely ill for the efficacy of voluntary corporate commitments to social and environmental responsibility.

We call on financiers linked to Wilmar and Bumitama, as well as to other companies in the palm oil sector found in breach of environmental commitments, to withdraw their financial services from these companies to make clear that there will be zero tolerance for breaches of the companies' and their financiers' environmental and social commitments. The Indonesian government must review all permits given to palm oil developers, and must take appropriate sanctions against companies and plantations with fires. They must also ensure the responsibility of companies for the rehabilitation of forests and peatlands burned within their concessions, and demand that these companies take responsibility for damages to the people and lands impacted by the fires and haze in the burned areas.

#### FOOTNOTES:

- 1 <http://www.wri.org/blog/2015/10/indonesia-s-fire-outbreaks-producing-more-daily-emissions-entire-us-economy>
- 2 [www.bloomberg.com/news/articles/2015-10-28/how-indonesia-s-fires-made-it-the-biggest-climate-polluter](http://www.bloomberg.com/news/articles/2015-10-28/how-indonesia-s-fires-made-it-the-biggest-climate-polluter)
- 3 Indonesian forest law (NUMBER 41 YEAR 1999) Article 49: "Holders of rights or licenses shall be responsible for forest fires occurring in their working area." (unofficial English translation)
- 4 Environmental Investigation Agency and Grassroots. Who Watches the Watchmen: Auditors and the breakdown of oversight in the RSPO. November 2015. <https://eia-international.org/wp-content/uploads/EIA-Who-Watches-the-Watchmen-FINAL.pdf>
- 5 GPS survey points (using professional GARMIN), KMZ files of moratorium, national park and concession boundaries, provided by WALHI. Fire hotspots were acquired from the NASA Fire Information for Resource Management System. Base map imagery was provided by ESRI.
- 6 Among other sources see <http://jakartaglobe.beritasatu.com/opinion/erik-meijaard-indonesias-fire-crisis-biggest-environmental-crime-21st-century/>; [www.democracynow.org/2015/10/27/massive\\_indonesian\\_plantation\\_fires\\_create\\_environmental](http://www.democracynow.org/2015/10/27/massive_indonesian_plantation_fires_create_environmental); <http://www.enca.com/world/indonesia-forest-fires-warships-put-standby>

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