

THE IMPLEMENTATION OF SUSTAINABLE PALM OIL PRODUCTION IN INDONESIA

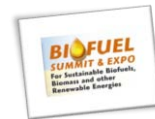


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1. Presentation Outline

- Introduction
- Poverty, Climate Change and Palm Oil Development
- The Structure of Indonesian Sustainable Palm Oil Production
- Palm Oil Contribution to Indonesian Economy
- Pro's and Con's Facing by Indonesian Palm Oil Development.
- Indonesian Alternative Energy and Bio-fuel Development
- Closing Remarks



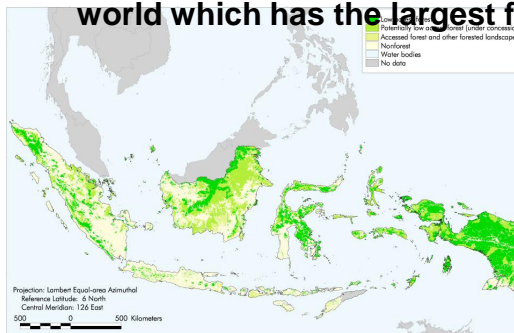
Misplaced allegation to the Indonesian palm oil industry of being unsustainable and unfriendly to the environment



II. Poverty, climate change and Palm Oil Development



- Land area has about 188 million hectares
- Registered as forest area **137 hectares (70%)**.
- **~ 94 million hectares (54%) covered with forest**
- **Indonesia perhaps one of the country in the world which has the largest forest cover**

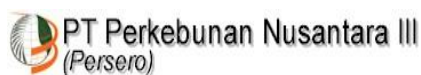


- Our forest are still suffering from illegal logging; seasonal forest fire and some illegal mining operations.
Why ?? structural poverty
- Some Efforts to overcome:
- Committed implement the Bogor Road Map adopted in
- UNFCCC held in Bali on December 2007



III. The Structure of Indonesian Sustainable Palm Oil Production

- Oil palm plantations area : 6.25 million hectares
- 48% belongs to the private sector,
- 41% belong to smallholders
- 11% are government estates
- clear views : rain forest is the priceless treasury for our next generation.



- **The GoI's established the forest conservation law and put a law enforcement to protect our rain forest.**
- The development of palm oil industry has also taken into account
 - the various agrarian laws and regulations,
 - biodiversity and wildlife conservations,
 - waste management regulation, and
 - social-economic responsibility through corporate social responsibility.
 - Established RSPO and act very activity in all effort to sustain palm oil production
 - Indonesian Palm Oil Producers very active in **Roundtable on Sustainable Palm Oil (RSPO) where Indonesian as** of the initiator in establishing it



RSPO
Roundtable on Sustainable Palm Oil



IV. Palm Oil Contribution to Indonesian Economy



- In 2006 crude palm oil production: 16.7 million ton,
- 2007 is predicted to produce over 17 million ton.
- Total export for palm oil products reached 12.1 million ton (37% of it comes from crude palm oil)
- Export destination countries: China, India, the Netherlands and Pakistan.



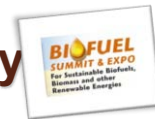
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- Domestic consumption: 4.5 million tons in 2007
- **Livelihood security: 5 million smallholders in Indonesia, and about 17 million people working in plantations**
- Contribution to poverty alleviation: Smallholder's earnings have increased by more than 250 times since they started planting oil palm.
- In early 80's oil palm industry has become not only a source of economic growth but also an important mechanism of economic equity of the country.



V. Pro's and Con's Facing by Indonesian Palm Oil Development



- Surfing the great amount of resistance, related to economic competition and environmental concerns
- Positive manner to handle negative campaign
 - as an input to improve the quality
 - as a tranquilizer to push our palm oil production environmental friendly and to fulfill the international standard and regulation



Trade Policy



- Indonesia support the position of opening substantial market access for agricultural products as long as it implemented through fair treatment mechanism and taking into account of Special and Differential Treatment for developing countries
- A free and a fair trade should also implement in the international trade of palm oil



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- The sustainability bio-fuel should fulfill:
 - Green Houses Gas saving minimum of 35 %,
 - No raw material from undisturbed forests, bio-diverse grassland, nature protection areas and
 - No conservation of wetlands and continuously forested areas for Bio-fuel production
 Indonesian Palm Oil suits almost all these criteria.





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- Lack of communication and limited information from Indonesia palm oil community
- Environment concerns should not become a technical barrier for Indonesian Palm Oil market access



VI. Indonesian Alternative Energy Program including Bio-fuel Industry Development

- **The National Energy Policy famous as Energy Mix policy by 2010, including the road map on bio-fuel industry development (The Presidential Decree number 5 year 2006)**



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- The National Team for Renewable Energy (The Presidential Decree number 10 year 2006)
- The target of the energy mix policy is at least 10% reduction on fossil oils consumption(52 % of national energy consumption) through renewable energy including bio-ethanol (from sugarcane; cassava and corn) and bio-diesel (from palm oil, castor-oil and other feedstock) by 2010.
- Highest priority : The food security,



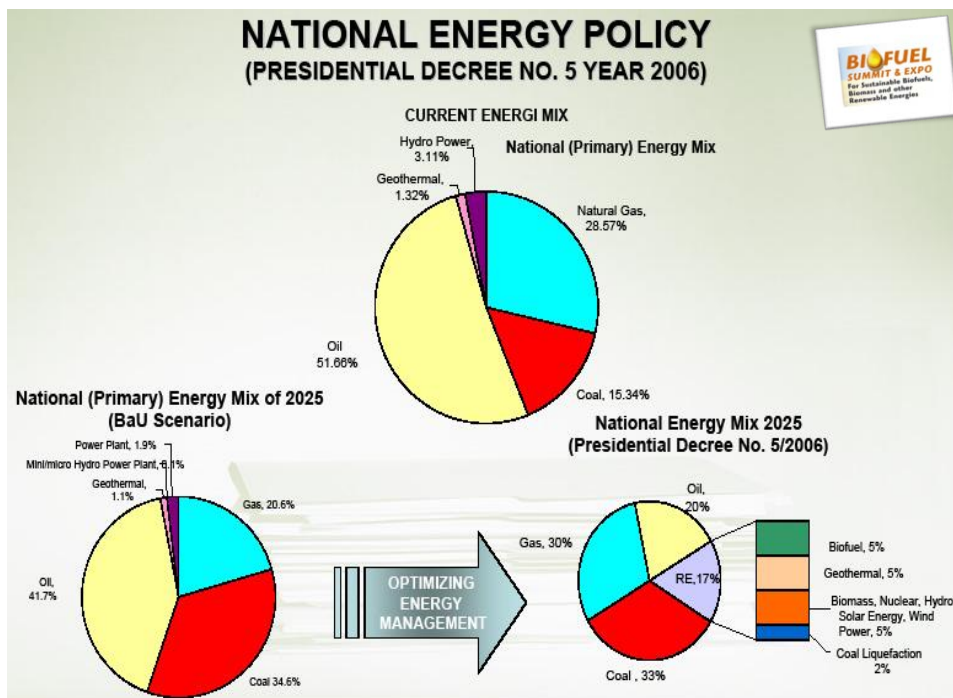
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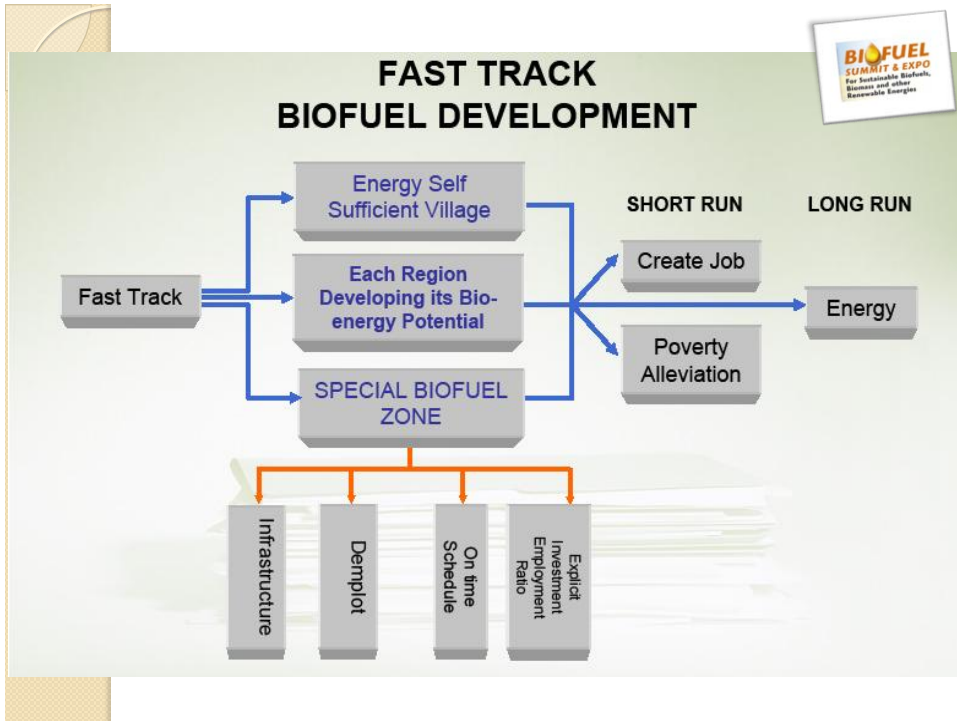
- The development of Indonesian bio-fuel industry still in the early stages.
- Regardless international market, Indonesian domestic market is not a niche market but is promoting industry
- Abundant feed stock to produce a cheap bio-fuel with captive market is already there
- castor-oil for bio-diesel, promote the opening of the plantation is about 15.000 hectares, but development at the development are still slow



ENERGY DEVELOPMENT IN INDONESIA

NO	SUBJECT	THE ERA OF ENERGY RESURGENCE IN INDONESIA	
		I (1966)	II (2006)
1	Momentum beginning	Oil dominant	Oil dependency
2	Fiscal Influence (APBN)	50 – 75 %	25 – 35 %
3	Primary Energy Production	Oil	Oil and energy alternative
4	Accessibility to Energy	Oil and traditional energy	Oil and commercial energy
5	Energy Demand Growth	Law	High
6	Subsidy Reduction	Pricing policy	Substitution policy
7	Sectoral Treatment	Lex Specialist	Lex Generalist
8	Policy Priority	Supply Side Management (SSM)	Demand Side Management (DSM)
9	Contribution to National Development	- Pro Growth - Pro Job - Pro Poor	- Pro Poor - Pro Job - Pro Growth





CURRENT CONDITION ON OIL CONSUMPTION

1. Oil consumption still dominates national energy mix (52%)
2. High number of unemployment (40 million people, in which 10 million is opened unemployment) and poverty (39,1 million people)
3. Subsidy for Oil Rp 60,6 trillion in 2006, and 43% of domestic fossil fuel is still imported
4. Lack of infrastructure seeds and other supporting product



CURRENT CONDITION ON BIOFUEL DEVELOPMENT (countinuation)



4. High potential for biofuel feedstock supply and land availability that suitable for biofuel plantation
5. Proven biofuel technology by local potential (Engineering, Research and Development)
6. Biofuel industry allows community participations, including farmer.
7. Opportunity in exporting Biofuel products



CURRENT CONDITION ON BIOFUEL DEVELOPMENT (countinuation)



9. The development of biofuel needs cross-sectoral coordination and program
10. Regional Government has an opportunity to increase its economic development through biofuel program



TARGET 2010



1. Job creation for 3,5 million unemployment
2. Increasing income for On-Farm and Off-Farm workers in biofuel sector up to the Regional Minimum Payment
3. Development of biofuel plantation in 5,25 million ha land
4. 1000 Energy Self Sufficient Villages and 12 Special Biofuel Zone
5. Fossil Fuel reduction until minimum 10%
6. Saving foreign exchange up to US\$ 10 billion
7. Accomplishment of Biofuel domestic

BIOFUEL DEVELOPMENT PROGRESS

- Availability of Biofuel Development Blue Print
- Availability of Biofuel Development Regulations
- Biodiesel (B-5), has been sold in 201 gas stations in Jakarta and 12 gas stations in Surabaya
- Bioethanol (E-5), which is known as Bio-Premium has been sold in Malang and
- Jakarta. Started December 2006 Bio-Pertamax has been sold in 1 gas station in Jakarta
- Started of Energy Self Sufficient Village using Biofuel
- Commitments of Investor to develop Biofuel (January 2007)

Biofuel Producers, among others :

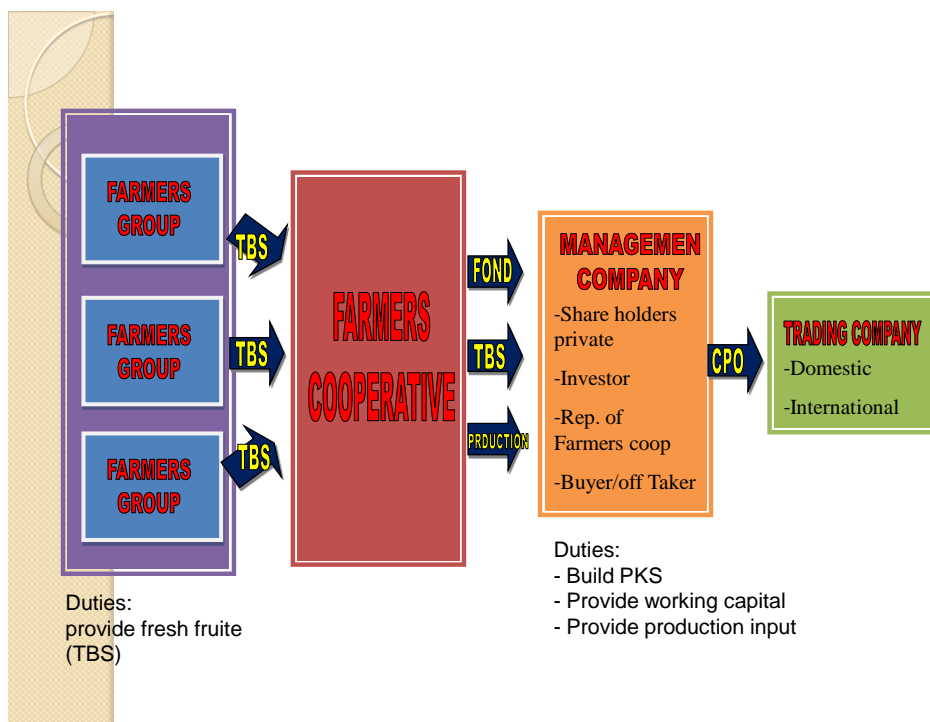
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| - PT. Eterindo Jawa Timur | - PT. Sumi Asih |
| - PT. Molindo Raya | - PT. Platinum |
| - PT. Lampung Destileri | - PT. Wilmar Bioenergi |
| - PT. Energi Alternatif Indonesia | |

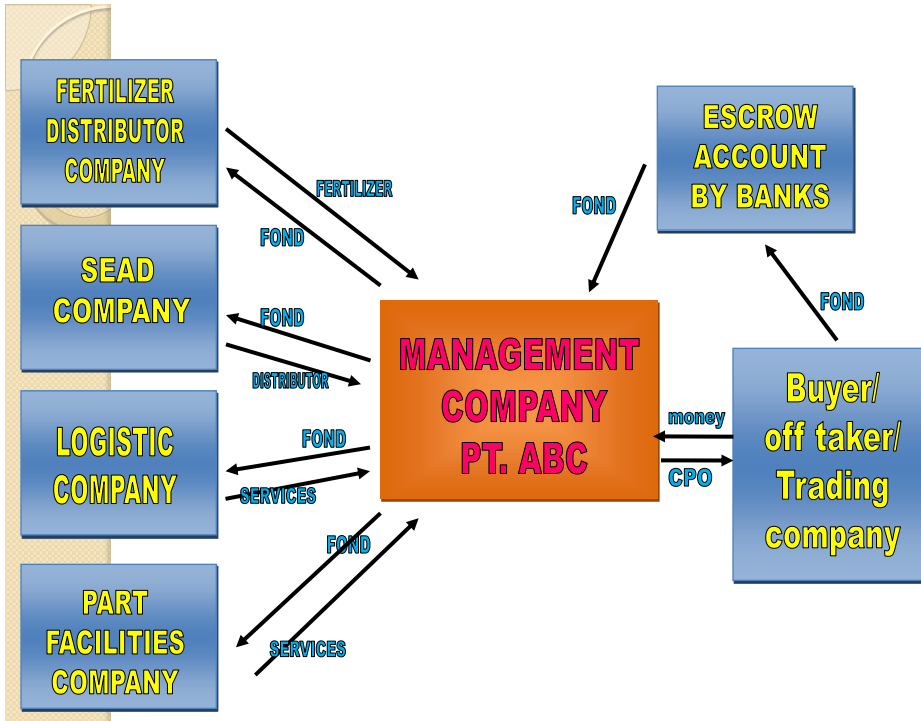


VII. Closing Remarks



- Need to building communication between Indonesian Palm Oil community with the consumer and other stakeholders.
- Stick on free and fair trade mechanism
- There is no place for 'hard power' and each member of the world community welcome all the 'soft power' approach
- Let start building strong synergy to save our earth, through sustainable biofuels development
- living harmony among human being, wildlife and nature to gain mutual-benefits from it and the last but not least





THANK YOU

