

1st Meeting of RSPO Compensation Task Force (CTF)			
Date	August 22, 2011 (Monday)		
Venue	Menara UOA, Kuala Lumpur		
	Oliver Tichit (OT)	Sipef Group	Chair
	Henry S. Barlow (HB)	Sime Darby	Member
	Dayang Norwana (DN)	WWF-MY	Member (alternate)
	Purwo Susanto (PS)	ISPO Consulting	Member
	Junaidi Payne (JP)	BORA	Member
	Dwi R. Muhtaman (DM)	Aksenta	Member
	Simon Siburat (SS)	Wilmar	Member
	Richard Kan (RK)	GAR	Member (representative)
	Norazam Abdul Hameed (NH)	Sime Darby	Member
	Irwan Gunawan (IG)	WWF-ID	Invited
	Mikaaail Kavanagh (MK)	ERE Consulting Sdn Bhd	Co-chair
	Randolph Jeremiah (RJ)	ERE Consulting Sdn Bhd	Consultant
	Darrel Webber (DW)	RSPO Secretary General	Secretariat
	Salahudin Yaacob (SY)	RSPO Technical Director	Secretariat
	Audrey Lee Mei Fong (AL)	RSPO Biodiversity and Conservation Manager	Secretariat
Absence with Apology	Gan Lian Tiong	PT Musim Mas	Member
	Reza Azmi	Wild Asia	Member
	Anders Lindhe	WWF-International	Member
	Stan Rodger	LPF-Shemsi Sdn Bhd	Observer
Absence	Adam Harrison	WWF	Executive Board (EB) member
	Sophie Persey	ZSL	Member
	Tim Killeen	Conservation International	Member
	Jatna Supriatna	Conservation International	Member (alternate)
	Marcus Colchester	Forest Peoples Programme	Member
	Surin Sukswan	WWF-MY	Member
	Catherine Cassagne	IFC	Member
	Neny Indriyana	ISPO Consulting	Member (alternate)
	Calley Beamish	MPOA	Member (alternate)
	Sheila Rajah	Wild Asia	Member (alternate)
	Laura Darcy	ZSL	Member (alternate)
Agenda	0930 – 1000 RSPO secretariat to brief about compensation project---Salahudin Yacoob <ul style="list-style-type: none"> Justification for the project – how it fits into the overall RSPO mission 		

	<ul style="list-style-type: none"> • Current status in regards to HCV • Expected output & time line • Explain the TOR of the CTF & role of CTF members <p>1000 - 1015</p> <ul style="list-style-type: none"> • Selection of chairperson for CTF <p>1015 – 1300</p> <ul style="list-style-type: none"> • Presentation from ERE • Discussion and questions • Date for next CTF meeting • AOB <p>End of meeting.</p>
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1) Welcoming Remarks, Introduction and Acceptance of Agenda

Darrel welcomed members of CTF and announced that RSPO had achieved 1 million ha of certified production area. He added that RSPO warmly supports MSPO and ISPO.

Salahudin briefed the members on the organogram of RSPO and introduced the compensation project.

2) Main Agenda

2.1 New chair:

	Nominated	Seconded	Vote
Olivier Tichit (sipef)	Simon	Henry	6
Norazam (SD)	Dayang	Simon	2

ERE MK will be the co-chair.

Chair suggested all members to introduce themselves and their organization.

2.2 Presentation from ERE

MK explained the deliverables, timeline, approach & stakeholders that ERE has interviewed. Members proposed to also meet with MPOA, GAPKI, Genting group, KLK, KMSI, Sawit Watch. Contact details were handed over to ERE during the meeting.

ERE presented the first draft of the compensation guideline, and fundamental principles including the following (attached):

- 1) No net loss after Nov 2011

- 2) Polluter pays
- 3) Business friendly for responsible growers
- 4) Minimised incentives to clear and pay
- 5) Consistent with national laws & local values
- 6) Assessment must be realistic
- 7) Governance must be inclusive and transparent
- 8) Rules must be reviewed/ updated at regular intervals
- 9) Must not create conditions that favour HCV clearance by non-RSPO members
- 10) Compensation must be applied locally

Some of the challenges included uncertain cost, time & money for implementation by the growers, shifting the goal post, “punishment”, definition/ assessments of HCVs, permanence of compensation, issue on past data.

Amendment: Calley Beamish

Action: AL to circulate ERE ToR to all members of CTF

Discussion:

Principle 1: No net loss after Nov 2011

Irwan asked for the definition of “no net loss” and the Chair explained that it means no clearance of HCV. He clarified the two different scenarios for conversion from 2005-2007 and after 2007. This guideline will also apply to new developments of oil palm outside of Indonesia and Malaysia. Although the ToR only stated cases after 2007, but CTF agreed that ERE should also consider compensation cases from Nov 2005.

Chair proposed ERE to consult with companies such as OLAM for plantations in Africa. OLAM set aside large areas of forest as HCV but there is a risk that these HCV areas will be taken over by other companies.

HB suggested RSPO CTF to have a separate discussion with NGOs such as Greenpeace who have strong views on compensation issues.

PS asked if the compensation guideline is applicable for smallholders. Chair explained it is applicable to all growers including plasma schemes.

Principle 2: Polluter pays

The challenge is to ensure the guideline will be practical for smallholders.

PS mentioned that there are two new guidelines for smallholders. DM suggested CTF to develop separate compensation guidelines for big companies and smallholders. SY explained that the compensation guideline should be generic to cover both groups but contain specific detailed

guidelines for each country. Chair further added that RSPO should include in the draft position that smallholders need to be handled separately. According to DM, 50% of the total HCV areas are cleared by smallholders. DN suggested CTF to work with TFS on the smallholders on compensation guideline.

Principle 3: Business friendly for responsible growers

New wording. Replace business-friendly with economically viable.

PS sought an explanation on the definition of compensation and punishment. Chair explained that RSPO is a voluntary scheme. SS explained the background of this compensation issue. Many companies joined RSPO in good faith before the HCV issues were well defined. He said if the conversion happened between 2005-2007, the compensation should be like for like, but it would be a different case if the conversion happened after Nov 2007 for RSPO members.

The second question is related to new companies which join after 2007. Chair referred to the principles and criteria that clearly stated there should be no conversion of HCV since Nov 2005. Thus compensation guidelines will be applicable for new members who will join in future. IG asked about cases where the company changes their ownership?

IG mentioned that WWF-ID is working on the forest cover map between 2005-2007 for Sumatra. PS added that HCV is not only about forest cover but includes the social components and habitat for wildlife but IG explained that to map HCV is too complex and the most direct method is to monitor the forest cover.

Principle 4: minimised incentives to clear and pay

New wording. Replace “minimised” to “avoided”.

According to NPP, members of RSPO should not convert prior to any HCV assessment. If there is accidental clearance then compensation guidelines should be implemented. The CTF should remind RSPO members that NPP is in place.

Principle 5: Consistent with national laws and local values

PS suggested amending the “local values” to “traditional values”. Chair explained that the weakness of including local values is the values could be changing. Chair suggested removing local values from the principles. IG supported the view and he referred to the previous history when local mafia used the local community for illegal logging in 2004.

Besides compliance with the national and sub-national law, ERE suggested that the principles should not exclude “adat” that any of the guideline users must have followed.

DM mentioned the possibility that the national law may contradict the HCV compensation principles. Under FSC, there is a mediation mechanism for such cases.

Each country has different legal requirements, Indonesia has one type of license which does not allow compensation and CTF is not sure about the situation in Congo and rest of the world (ROW).

Principle 6: Assessment must be realistic, consistent globally & verifiable

Chair suggested to delete this principle because RSPO approve the HCV assessors. HB mentioned that we need only to create a mechanism for review of the HCV assessment reports.

Principle 7: Governance must be inclusive & transparent

To be removed and deleted.

Principle 8: Rules must be reviewed/ updated at regular intervals

Growers have issues that RSPO has been moving the goalposts too often. HB and OT suggested CTF should review the guideline after 5 years and in line with the RSPO P&C review.

On GHG compliance, it is suggested that RSPO should focus on the current requirements and create RSPO+ for RED compliance.

Principle 9: Must not create conditions that favour HCV clearance by non-RSPO members

In Indonesia, areas are set aside by RSPO members may be taken away by non-RSPO members. Chair said this overlaps with principle 5 and can be re-worded to encourage members of RSPO to actively manage the HCV.

SS explained the problem is due to the toolkit. We need a more practical toolkit like PNG HCV toolkit which defines the minimum percentage of landuse change for oil palm areas.

Principle 10: Compensation must be applied locally, even where it is part of a package that includes far-away ex-situ compensation

There are cases where compensation can't be applied locally. On this basis, we should include a statement of preference and mention the scale i.e. local, island, country.

Discussion on issues and opportunities:

No benchmark for oil palm

SS recommended setting a maximum cap for HCV areas within OP, the chair disagreed. As it is not easy to decide on the cap, it should be based on the values, not percentage.

Inadequate expertise to conduct assessments, HCV assessment is costly and requires time

PS said RSPO should encourage local organizations and universities to be the local assessors and RSPO needs to organize training for the local experts.

BHCV WG and RSPO secretariat is addressing this issue. SY explained that RSPO will not conduct the training but we will provide the platform for other trainers to organize the training. For example, 3 trainings will be conducted by HCV RN ID and HCV RN in 2011.

IG alerted the group over his concern on the quality of the CBs and HCV assessments that were published on the website. Salahudin explained that the secretariat is now collaborating with the CBs and ASI on the third party monitoring of all CBs.

Retrospective assessment

HCV 4 is not arguable, but for other values such as temporally areas used by migratory species and wildlife is less defined. DM explained that the methodology used by the assessors should include a combination of satellite imagery and interviews with the local community. Guidance for retrospective assessment must be available and endorsed. The guidance will provide clarity on how to conduct the retrospective assessment & what is the period? Amount of data needed?

One of the lessons learnt from current cases is the need for independent verification of data. Potential peer reviewers are HCV RN.

HB informed the group of the poor quality of the satellite images in 2005. Chair explained that interpretation of good data should be able to convince the peer reviewer.

Assumption of HCV unless proved otherwise

Chair mentioned this is regarded by growers as excessive. DM pointed out that there are steps which should be taken before making the assumptions.

Smallholders issue

There are smallholders that develop Plasma in identified HCV areas especially in Kalimantan. This will cause problems during the CB audits. Refer to the discussion on smallholders above.

Size of the HCV

The size should be determined by the assessors and the peer reviewer.

Securing HCVs

If the HCV is encroached and cleared by the community and the company can prove they have taken appropriate due care, then the company should not be bound to compensation.

Existing framework

HCV area compensation guidebook 2010 is still a draft and it is very specific for Indonesia.

Cash payment and bio-banking

This can be a graduated system of preferred options, eg. For big companies, compensation sites can be selected from within the company area.

The bio-banking option is neutral and transparent.

Riparian areas

HB explained that in the first few years, it is should still be possible to harvest the OP fruits. However in due course, vegetation will grow and the palm trees will become too tall for harvesting & the company will then need to consider whether to poison the palms or focus on pest control.

The implication of organic planting is reduced soil erosion and minimal leaching of chemicals from the plantation areas.

Some other questions to be considered in this guideline:

- 1) IG and PS posted questions on HCV areas cleared but where OP is yet to be established.
- 2) If company X cleared the HCV area prior to 2005 and then company Y took over company X in 2011, what is the position?
- 3) HCV assessment in 2005 which was conducted internally by the company due to the lack of HCV assessors. ---If doubt arises, was a peer review can be undertaken.

Next meeting of CTF

3rd October 2011 (Monday), Jakarta

Action: Secretariat to arrange for stakeholder workshop with ERE
ERE to review the principles based on the discussion today.

The meeting closed at 1 pm.

Olivier Tichit
Chairman

Consultancy for Facilitating the Development of an RSPO Position on Compensation for Land Clearance without HCV Assessment



Progress Report CTF 22nd August 2011

ERE Consulting Group Sdn Bhd



Expected outputs

- 1: Position statement by the RSPO on clearance cases beyond November 2007
- 2: Draft guidance document for developing and implementing acceptable compensation packages for land clearance without HCV assessment and/or where subsequent HCV assessments have determined that HCV values were lost
- 3: Summary of the process for achieving these two outputs

To be in time for Executive Board approval by mid-October



Study Schedule

N o .	Main Activities	Jul., 11	Aug., 11	Sep., 11	Oct., 11	Nov., 11
1	Document review	on-going	on-going			
2	Facts gathering	on-going	on-going			
3	Formation of the CTF					
4	1 st CTF Meeting		22 Aug.			
5	RSPO members consultation					
6	Stakeholder Workshop No. 1 (MY)			mid Sept.		
7	Stakeholder Workshop No. 2 (ID)			mid Sept.		
8	2 nd CTF Meeting				early Oct.	
9	Draft Guideline submitted to the EB				mid Oct.	

Our approach

- 1: Facilitation of consensus; not an expert technical study
- 2: Seek agreement on principles
- 3: Seek agreement on operational aspects
- 4: Solve the deal-breakers
- 5: Help to negotiate passage of the position statement and guidance document at EB



Facts gathering

Attended BHCV WG meeting 22nd July 2011

Persons met since then:

- Desi Kusumadewi, Dr. Asril Darussamin - RILO
- Dato' Henry Barlow
- M.R. Chandran - Platinum Energy
- Puvan J. Selvanathan, Tang Men Kon, Norazam Abdul Hameed - Sime Darby
- Dayang Norwana, S. Devan - WWF-Malaysia
- Purwo Susanto - ISPO
- Irwan Gunawan, Haryono, Amalia Prameswari - WWF-Indonesia
- Simon Siburat - Wilmar



Facts gathering

Persons we want to meet:

- Bambang Dwi Laksono
- Bryan Dyer, PT London Sumatra
- Calley Beamus
- Dato' Carl Bek-Nielsen, United Plantations
- Chris Brett, OLAM
- Christian Schriver
- Daud Dharsono, Sinar Mas
- Indra Exploitasia, Ministry of Forestry (Indonesia)
- Ismu Zulfikar, PT Smart
- Simon Lord, New Britain
- Teoh Cheng Hai
- Representatives from IOI, KLK
- **Others?**



Fundamental Principles:

- 1: No nett loss of HCV after Nov 2007
- 2: "Polluter pays" principle – you do it, you compensate
- 3: Business-friendly for responsible growers:
 - bearable costs
 - fixed goalposts
 - no ambiguities
 - clearly communicated
 - compensation, not punishment
- 4: Minimised incentives to clear and pay
- 5: Consistent with national laws & local values



Fundamental Principles:

- 6: Assessments must be realistic, consistent globally & verifiable
- 7: Governance must be inclusive & transparent
- 8: Rules must be reviewed/updated at regular intervals
- 9: Must not create conditions that favour HCV clearance by non-RSPO members
- 10: Compensation must be applied locally, even where it is part of a package that includes far-away *ex situ* compensation



Potential deal-breakers

1. Cost uncertainties
2. Time & money
3. Shifting goalposts/changing rules about the past
4. "Punishment"
5. Definitions/assessments of HCVs
6. Permanence of compensation
7. Use of data from the past
8. **Details, details, details**



Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
HCVs		
Defining values	<ul style="list-style-type: none"> - Largely driven by opinion and/or emotional attachments - No benchmarks for the oil palm sector - Still inadequate understanding among growers 	<ul style="list-style-type: none"> - Sound basis and with consensus of stakeholders - Discuss assumption that it was HCV unless proved otherwise
HCV Assessments	<ul style="list-style-type: none"> - Toolkits based on the forestry sector (does not address land use change) - Inadequate expertise to conduct assessments - Costly and requires time 	<ul style="list-style-type: none"> - Develop toolkits for the oil palm sector (emphasis should be on 'habitat' conservation and social issues) - RSPO must ensure that appointed assessors are competent
'Retrospective' Assessment	<ul style="list-style-type: none"> - Plantations to demonstrate no HCVs or assume a worst case scenario? - Use of satellite imagery and secondary data very subjective (esp. loss of species etc.) 	<ul style="list-style-type: none"> - Discuss assumption that it was HCV unless proved otherwise

Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
HCVs		
Declassification of HCV 5 & 6	<ul style="list-style-type: none"> - Shift in the dependence on forest as a result of better economic opportunities 	<ul style="list-style-type: none"> - In Indonesia, also addressed under the 'plasma' scheme i.e. 20% for small-holders
Size of HCVs	<ul style="list-style-type: none"> - Value of small, isolated HCV areas - Landscape level approaches (the use of corridors and stepping stones) require cooperation and added cost 	<ul style="list-style-type: none"> - Develop state/national spatial planning frameworks for conservation - Case-by-case basis based on the viability of small populations and distributions
Securing HCVs	<ul style="list-style-type: none"> - Increased risk of encroachment - Undeveloped land reverted back to government control - Funding sites where companies have little ownership 	<ul style="list-style-type: none"> - Revise state/national regulations for set-aside areas - State governments establish bio-banks through legislation

Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
Existing Framework		
HCV Area Compensation Guide Book (2010)	<ul style="list-style-type: none">- Based on the Forestry Dept.'s experience in National Parks- Options for different HCVs are the same- Penalties are considered severe- Inadequate stakeholder representation?	<ul style="list-style-type: none">- Still an evolving process and should be directed by outcomes of field tests



Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
Compensation Options		
In-situ actions	<ul style="list-style-type: none"> - Like to like? - Planted: Replacement with habitat of comparable value not available - Cleared: Difficult to return cleared area back to its original condition - What is the timeframe? - Difficult to establish and manage - Long-term security? - Issue of securing HCVs (outside plantations) 	<ul style="list-style-type: none"> - Can be managed if within the companies own footprint - Replacement of a HCV with an area of lower value (through a multiplier e.g. habitat hectare) - In-situ actions led by the plantation and monitored by external parties (e.g. replanting activities)



Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
Compensation Options		
Ex-situ actions	<ul style="list-style-type: none"> - How far away? - Local impacts not remediated - Issue of securing HCVs 	<ul style="list-style-type: none"> - Multi-national companies with large holding in various regions - Develop state/national spatial planning framework for conservation - Hierarchy for compensation: district, province, island - Two-step options - local compensation (socio-economic, environment) with ex-situ actions (biodiversity)



Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
Compensation Options		
Cash payments	- Who coordinates?	- Plantation work with local governments
<i>Fund conservation projects e.g. restoration of important ecological corridors</i>	- What type of projects can be funded? - What is the 'equivalence' factor?	- RSPO to establish a foundation to coordinate actions for compensation - Trust fund established overseen by NGOs
Bio-banking	- Complicated, managed by private companies - Question of long-term security	



Issues and Opportunities

	<u>Issues</u>	<u>Opportunities</u>
Others		
Riparian Areas	<ul style="list-style-type: none">- Remove or manage?- Increased risk of encroachment- Legally limited to large rivers (in Indonesia)- Very complex if small streams and drains are included (small streams may dry up on planted land)	<ul style="list-style-type: none">- Organically manage till succeeded by natural-type vegetation- Implement a drainage management plan to prevent flooding- Company policy on riparian reserves



RSPO

Roundtable on Sustainable Palm Oil

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THANK YOU





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**1st Meeting of Compensation Task Force (CTF)
22nd August 2011
UOA Building, KL**

No.	Name	Organization	Signature
1.	A. S. BARLOW	Sime Darby Bhd	
2.	Simon Sibuet	Wilmar Int. Ltd.	
3.	NORAZAM ABDEL HAMEED	Sime Darby Plantation	
4.	M. Kavanagh	ERE	
5.	RANDOLPH JEREMIAH	ERE	
6.	Sumaidi Payne	Borneo Rain Alliance	
7.	Dwi R. MUHTAMAN	Aksepta Consulting	
8.	IRWAN GUNAWAN	WWF-INDONESIA	
9.	Richard Kan	GAR	
10.	Purwo Susanto	ISPO consulting	
11.	DIYANG NORWANA	WWF-Malaysia	
12.	Sakhrudin Yacob	RSPO Secretariat	
13.	OLIVIER TICHIT	SIFER	
14.	AUDREY LEE MET FONG	RSPO	
15.			