

8th Meeting of RSPO Compensation Task Force (CTF)			
Date	17-18 June 2013		
Venue	Hotel Royale Bintang, KL		
	Olivier Tichit (OT)	Sipef	Co-chair
	Anne Rosenbarger (AR)	WRI	Co-chair
	Simon Siburat (SS)	MPOA	Member
	Calley Beamish (CB)	MPOA	Member (alternate)
	Gan Lian Tiong (LT)	Musim Mas	Member
	Sabarinah Marzuki (SM)	Sime Darby	Member
	Sophie Persey (SP)	REA Holdings	Member
	Richard Kan (RK)	GAR	Member
	Norazam Abdul Hameed (NH)	Felda	Member
	Michal Zrust (MZ)	ZSL	Member
	Anders Lindhe (AL)	WWF International	Member
	Adam Harrison (AH)	WWF	Member
	Jan Maarten Dros (JM)	Solidaridad	Member
	Olla Cinditiara (OC)	Sawit Watch	Member
	John Payne (JP)	BORA	Member
	Dwi Rahmad Muhtaman (DM)	ReMark Asia	Invited
	Glen Reynolds (GR)	Royal Society SEARRP	Invited
	Haskarlinus Pasang (HP)	PT Smart	Invited
	JP Caliman (JPC)	PT Smart	Invited
	Subramaniam Rasappan (SR)	PT Smart	Invited
	Perry Mandeville (PM)	PT Earthline	Invited
	Neil Judd (NJ)	Proforest	Facilitator
	Bilge Daldeniz (BD)	Proforest	Facilitator
	Surin Sukswan (SS)	Proforest	Facilitator
	Salahudin Yaacob (SY)	RSPO	Secretariat
	Audrey Lee Mei Fong (ALMF)	RSPO	Secretariat
Agenda	<ol style="list-style-type: none"> 1. Welcoming remarks 2. Review previous minutes 3. Introduce facilitator (Proforest) and setting ground rules 4. Discussion 1: Coefficient definition & verification of coefficient categories using Landuse change analysis 5. Discussion 2: Compensation on Social HCV 6. Discussion 3: Monetary compensation 		

	<p>7. AOB:</p> <ul style="list-style-type: none">a. other sections in the Compensation Procedureb. Remote sensing guidance <p>8. Follow up actions</p> <ul style="list-style-type: none">a. Public consultationb. Date of final CTF meeting
--	---

1. Welcoming remarks from co-chair

OT welcomed all participants.

2. Review previous minutes

Insertion:

- On page 3, AR suggested replacing restoration with an extraordinary high multiplier after adoption of Compensation Procedure such as three times the cleared area without HCV assessment.
- The compensation matrix for non-member is accepted as above. Compensation action for RSPO members and certified members after endorsement of the Compensation Mechanism remains as full restoration. Option of full restoration will be discussed.
- There is no consensus at this point for growers within the CTF who are committed to conduct a case study with PT Earthline on landuse analysis.
 - Action: Review remote sensing guidance.
- In terms of road map towards adoption of Compensation Procedure. CTF stressed on:
 - Involvement from ROW countries.
 - RSPO event in Honduras where Solidaridad will be participating.
 - Due to Ramadhan holidays, CTF considers longer consultation period and conclude Compensation Procedure before RT11.

3. Introduce facilitator (Proforest) and setting ground rules

SY introduced Proforest team and handed over to the facilitator.

4. Discussion 1: Coefficient definition & verification of coefficient categories using Landuse change

PM from PT Earthline was invited to present on the practicality to differentiate community rubber farm (co-efficient 0.4) and commercial rubber plantation (coefficient 0). He cautiously reminded CTF on the wintering effect of rubber which will complicate identification of rubber plantation from satellite imagery. CB asked on the possibility to differentiate these categories (coefficient 0.4 and 0) retrospectively, especially high resolution image such as quick bird is not available. He suggested CTF use several images/ supporting images during similar time series (over different months). AR agreed to the use of multiple database to increase accuracy of interpretation. Option is given to the growers to explore lower liability using multiple images or image with higher resolution. The default resolution is 30m LANDSAT during “nearby” date.

SS pointed out usage of Normalized Difference Vegetation Index (NDVI) and SP contacted Sarvision to explore use of Alos Palsar data. These are initiatives in progress by the growers.

OT highlighted that the focus of this discussion which is four coefficient categories. He agreed to these four categories but also acknowledges challenges to differentiate categories 0.7 and 0.4. AL supported this finalised coefficient and he stressed the need to produce guidance. Revisions can be introduced after implementation of the Compensation Procedures.

CB questioned on the practicality of using bad quality image to conclude four coefficient categories retrospectively. AR did not agree to rule out the use of satellite database. JM said there is a certain level of doubt and it is not possible to be 100% sure on the categories, but the procedure allow growers to explore better data source to reduce its liability. In general, it is a pragmatic approach as it is possible to differentiate a forest (co-efficient 0.7) from a monoculture plantation (coefficient 0) using satellite image.

Some new text was added to clarify clearing and planting of oil palm in nationally protected area such as riparian zones.

“In addition to compensating for all HCVs lost as a result of clearing land prior to conducting an HCV assessment, growers are also required to remediate areas where planting oil palm is prohibited by national regulations. Such areas may include riparian zones and steep terrain. Remediation should aim to restore as quickly and effectively as possible the ecological function that would be provided if the natural vegetation were conserved in these areas e.g. erosion control and watershed protection.”

SP also highlighted that other types of HCV such as savannah and wetlands should be included. SS questioned the inclusion of this type of HCVs as it is already in the HCV toolkit. He suggested to

state these area as guidance note, and retrospective assessment should refer to the HCV toolkit applicable to that time of clearance.

Section 7: Landuse Change Analysis and coefficient was agreed on 17 June 12.45 pm and agreed again on 18 June 4.21pm

5. **Discussion 2: Compensation on Social HCVs**

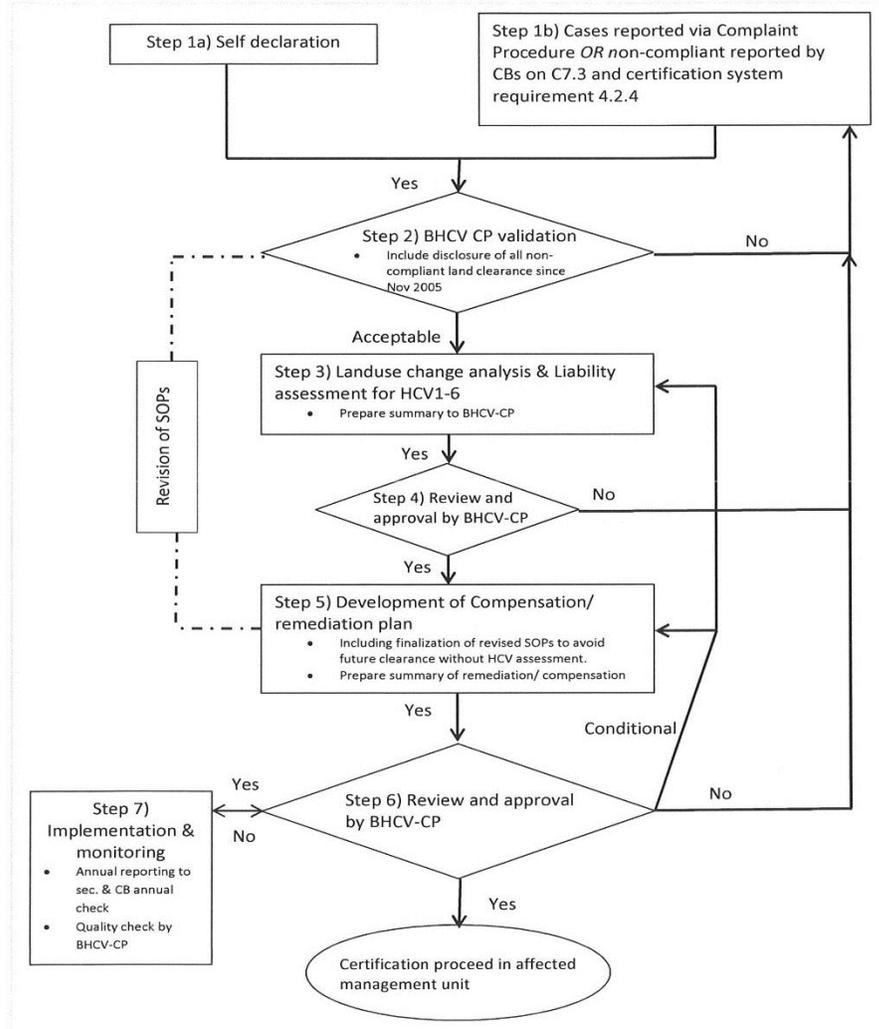
JM presented on collated comments from other SNGOs and a flow chart on determining loss of social HCVs. Presentation is attached as annex. AR asked what was the difference between Compensation Panel, Complaint Panel and Dispute Settlement Facilities? AH explained that the Compensation Procedure incorporates a procedure to address development without HCV assessment and without having to escalate it to a Complaints Procedure. Self-declaration is allowed.

SS explained that land “kompensasi”/ ganti rugi often happens despite HCV assessment having not been done. We should not confuse HCV compensation with “kompensasi”.

CTF discussed on the review of EIA documents as one step during early verification. JM stated some EIA documents incorporated management and mitigation plan and it can provide some information on negotiated process conducted by company before development. AR asked on the process of reviewing appropriateness of this negotiation. OT explained that CTF debated this subject in meeting in Bali and the Compensation Panel should review on the process. There is also a loop in the flow chart that unsatisfied HCV compensation can be referred to the Complaints Panel.

CTF modified the flow chart to incorporate changes of SOP to ensure avoidance of future clearance without HCV assessment. Explanatory text is added in each step on the flow chart. See below for new flow chart. Section 8 Compensation on Social HCVs was agreed on 17 June, 4.15 pm.

Annex 1: Flow Chart of Compensation Procedures



6. Compensation Matrix discussion

CB highlighted on communication limitation to inform non-member on the RSPO's Compensation Procedure. CTF proposed the following text to replace full restoration.

- i. Sum of all areas cleared without prior HCV assessment X their Nov 2005 vegetation coefficient(s).
- ii. All land cleared owned by members shall be managed in full accordance with the RSPO standard and certified as soon as possible.
- iii. When land cleared is certified, palm products from areas with a vegetation coefficient = 0 in Nov 2005 may be sold as certified. Independent smallholders are allowed to sell FFB as certified product produced from an area where clearing occurred in agroforestry landscape (coefficient 0.4)

- iv. Palm products from land cleared with vegetation coefficients > 0 in Nov 2005 may not be claimed as RSPO-certified even though the management unit is certified (must be either part of mass balance or kept out by physical segregation).
- v. Expulsion of member or application of membership rejected if requirements above are not met.
- vi. RSPO members acquiring new area after [date of endorsement] shall commit in writing not to instigate, encourage or support, directly or indirectly, any land clearing without prior HCV assessment.

This will allow new members to join RSPO yet costly enough to prevent further clearing.

7. Discussion 3: Monetary Compensation

There was a subgroup (OLAM, IFC, GAR, SDP, ZSL, WRI, Bora, Sipef) formed during last CTF meeting to formulate monetary compensation. Three options were presented at the meeting.

Option 1: Payment % is based on land charges such as Ganti Rugi (find equivalents for Africa/LATAM/Pacific/Thailand and establish global average fee weighted by ha converted)

Option 2: 5 or 10 year average of FOB-equivalent prices for CPO x yields x 5%= \$ compensation ha/year.

Option 3: 2.5% of (Area x coefficient) x (5 or 10 year average of FOB equivalent CPO\$ x yield/ha)

Proposal is attached as annex.

AH asked about the summary of the ERE studies. The data represented 12 large oil palm companies registered in Malaysia, Singapore and Papua New Guinea. The data was compiled for three consecutive years from 2009 to 2011. The average rate of return for year 2011, 2010 and 2009 was approximately USD 2642/ha, USD1821/ha and USD1510/ha respectively. The average cost of restoration in six case studies pertaining to reforestation/rehabilitation of dipterocarp forests were reviewed. The costs varied from approximately USD120/ha to USD3,300/ha.

GR highlighted a restoration project in Sabah.

Subgroup Option 2	AH proposal	YS Ikea Project
USD 3062/ ha for 25 years	USD 2500/ ha for 25 years	USD 3000/ha for 25 years
Note: CPO at 3.5 t/ha; USD700/t; 5%	Estimation of conservation cost. WWF HCV figure (USD40/ha/yr)	For restoration/ enrichment of class 1 forest in Sabah over 10 years (RM4500/ha)

	varies according to different region	<p>RM4500 for first 10 years of actions and following 15 years is about RM4500</p> <p>Seedling, field operation, climber cutting etc. (does not include capital cost)</p>
--	--------------------------------------	---

Based on various considerations including yield returns, cost for HCV assessment, HCV management and forest restoration, an indicative figure (USD 2,500-USD 3,000/ha/25 years) was suggested and accepted by the Compensation Task Force until the next revision of the Compensation Procedures. Section 10 Monetary equivalents of hectares for conservation was agreed on 18 June 12.12pm.

8. AOB and follow up action
Remote Sensing Guidance

AR will assist in developing a simplified remote sensing guidance.

WRI membership status in CTF and BHCV WG

WRI participation is welcomed and appreciated. Due to the absence of NGOs co-chair in the CTF and BHCV WG, WRI is nominated and accepted as the new co-chair of the BHCV WG.

Public consultation and follow up actions

Public consultation will start on 1 August for 30 days. CTF is seeking proactive consultation with growers from the rest of the world. AH encouraged organisers of workshops to collect feedback and submit comments to Proforest.

RSPO secretariat and Proforest will circulate revised document to CTF for comments by 22 July and CTF will return with comment by 25 July.

AL congratulated CTF on huge progress during this meeting; CTF has concluded social HCVs, monetary compensation, compensation matrix and coefficient categories.

Next meeting is scheduled on 16-18 October, in KL.

RSPO

Roundtable on Sustainable Palm Oil

RSPO Secretariat Sdn Bhd
Company No.: 787510-K
Unit A-33A-2, Level 33A, Tower A
Menara UOA Bangsar,
No.5 Jln BangsarUtama 1
59000 Kuala Lumpur
Malaysia

Telephone : +603-2302 1500/
Fax : +603 2201 4053
Email : rspo@rspo.org

Solidaridad



COMMUNITY ENGAGEMENT IN THE RSPO COMPENSATION PROCEDURE

Jan Maarten Dros, Solidaridad
based on the input of the RSPO SNGO constituency
RSPO CTF meeting Kuala Lumpur 17-18 June 2013

TEXT PROPOSAL SECTION 7

- All loss of HCV 4-6 shall be identified and adequately remediated for as agreed in transparent, participatory and informed consultations with affected stakeholders and communities.

TEXT PROPOSAL SECTION 7

- All loss of HCV 4-6 shall be identified and adequately remediated for as agreed in transparent, participatory and informed consultations with affected stakeholders and communities. Provision of natural resources may be restored, substituted by acceptable alternatives or compensated for by other means as agreed by the parties.

TEXT PROPOSAL SECTION 7

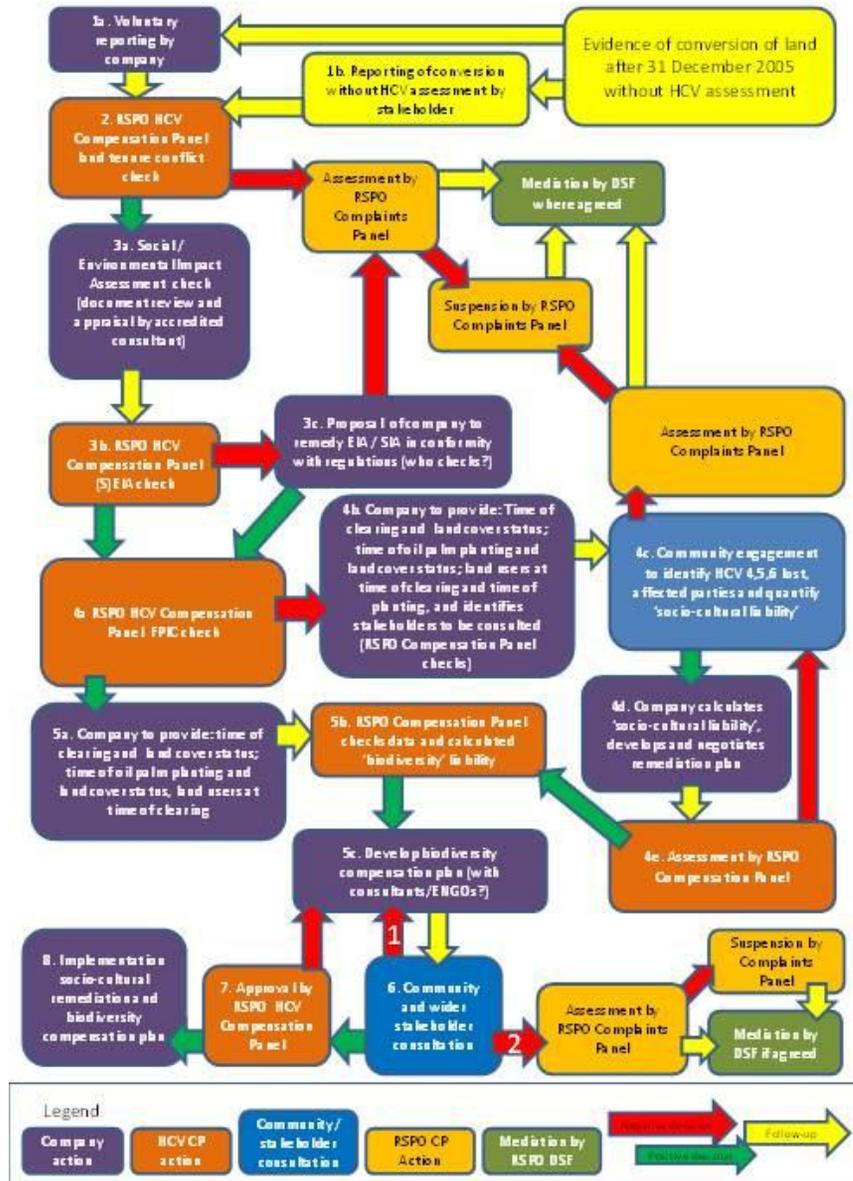
- All loss of HCV 4-6 shall be identified and adequately remediated for as agreed in transparent, participatory and informed consultations with affected stakeholders and communities. Provision of natural resources may be restored, substituted by acceptable alternatives or compensated for by other means as agreed by the parties. As communities may undergo shifts in their dependence on resources due to changes in the socio-economic environment, consultations should identify the best current options for restoration or replacement of lost values and/or functions.

TEXT PROPOSAL SECTION 7

- All loss of HCV 4-6 shall be identified and adequately remediated for as agreed in transparent, participatory and informed consultations with affected stakeholders and communities. Provision of natural resources may be restored, substituted by acceptable alternatives or compensated for by other means as agreed by the parties. As communities may undergo shifts in their dependence on resources due to changes in the socio-economic environment, consultations should identify the best current options for restoration or replacement of lost values and/or functions. In cases where monetary compensation is agreed upon, the parties may consider several instalments over time, rather than 'one off' payments.

TEXT PROPOSAL SECTION 7

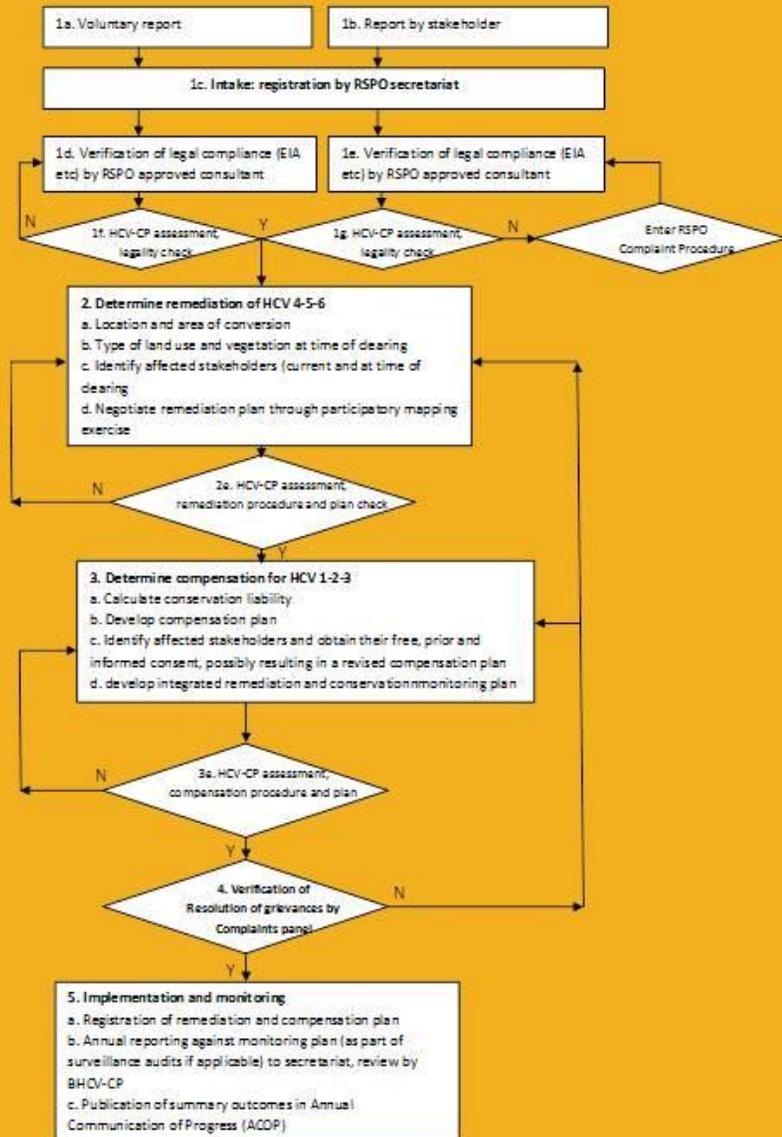
- All loss of HCV 4-6 shall be identified and adequately remediated for as agreed in transparent, participatory and informed consultations with affected stakeholders and communities. Provision of natural resources may be restored, substituted by acceptable alternatives or compensated for by other means as agreed by the parties. As communities may undergo shifts in their dependence on resources due to changes in the socio-economic environment, consultations should identify the best current options for restoration or replacement of lost values and/or functions. In cases where monetary compensation is agreed upon, the parties may consider several instalments over time, rather than 'one off' payments.



FLOWCHART PROPOSAL IN ANNEX

GOOD POINTS:

- Identifies need to assess (S)EIA prior to compensation negotiation (step 3)
- Identifies need to identify affected stakeholders on livelihoods lost, and negotiate remediation **prior to** establishing biodiversity compensation (step 4)
- Identifies the need to consult communities affected by the implementation of the integrated plan (step 6)



SUGGESTED DRAFT FOR DISCUSSION

- Same process steps as in previous flow chart
- Improvement points addressed
- Aligned with Complaints procedure
- Clearer role of BHCV-Compensation Panel
- Layout consistent with complaints procedure; complaints dealt with in final assessment (step 4)

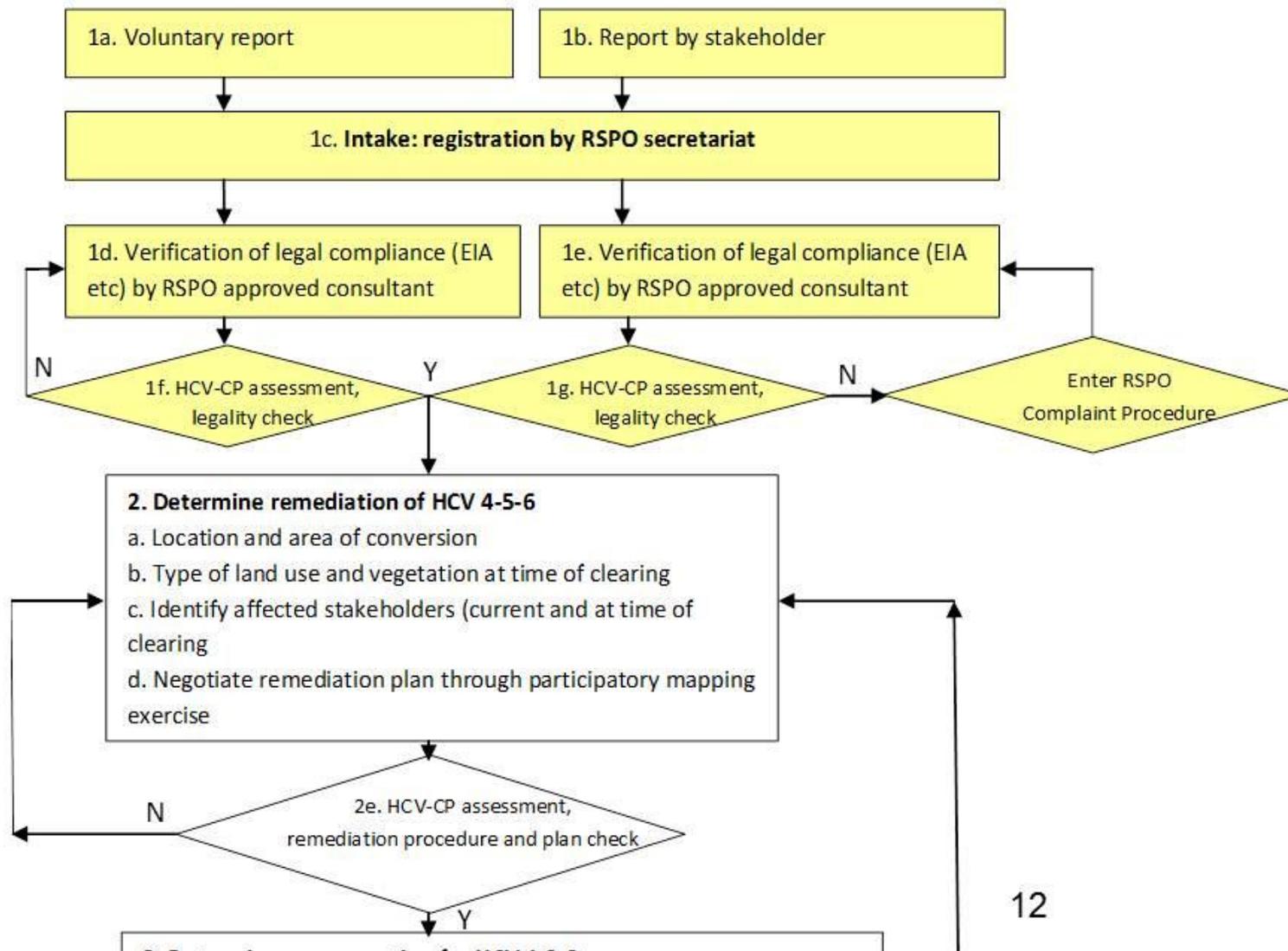


Roundtable on Sustainable Palm Oil

RSPO Secretariat Sdn Bhd
Company No.: 787510-K
Unit A-33A-2, Level 33A, Tower A
Menara UOA Bangsar,
No.5 Jln BangsarUtama 1
59000 Kuala Lumpur
Malaysia

Telephone : +603-2302 1500/
Fax : +603 2201 4053
Email : rspo@rspo.org

STEP 1: INTAKE



STEP 1: INTAKE

- Crucial to check (S) EIA and other legal documentation and verify legal compliance at clearing (additionality)
- Provide input for reconstruction of state of the area prior to clearing (coefficient discussion)
- Not just a marginal check but analysis of the content of EIA reports
- BHCV-CP to advise company on community engagement process
- Stakeholder reporting the clearing without HCV assessment should formulate its report in a way that makes future assessment by the Complaints Panel possible

STEP 1: QUESTIONS / DISCUSSION

- What if (S)EIA is not properly conducted?
- What if (S)EIA document is formally approved, but fails to meet legal (if pre-RSPO) or RSPO criteria?
- The compensation procedure is designed to amicably resolve issues of past HCV conversion. It is therefore suggested that the Complaints panel only gets involved in the final stage, to assess whether all complaints have been resolved along the way.

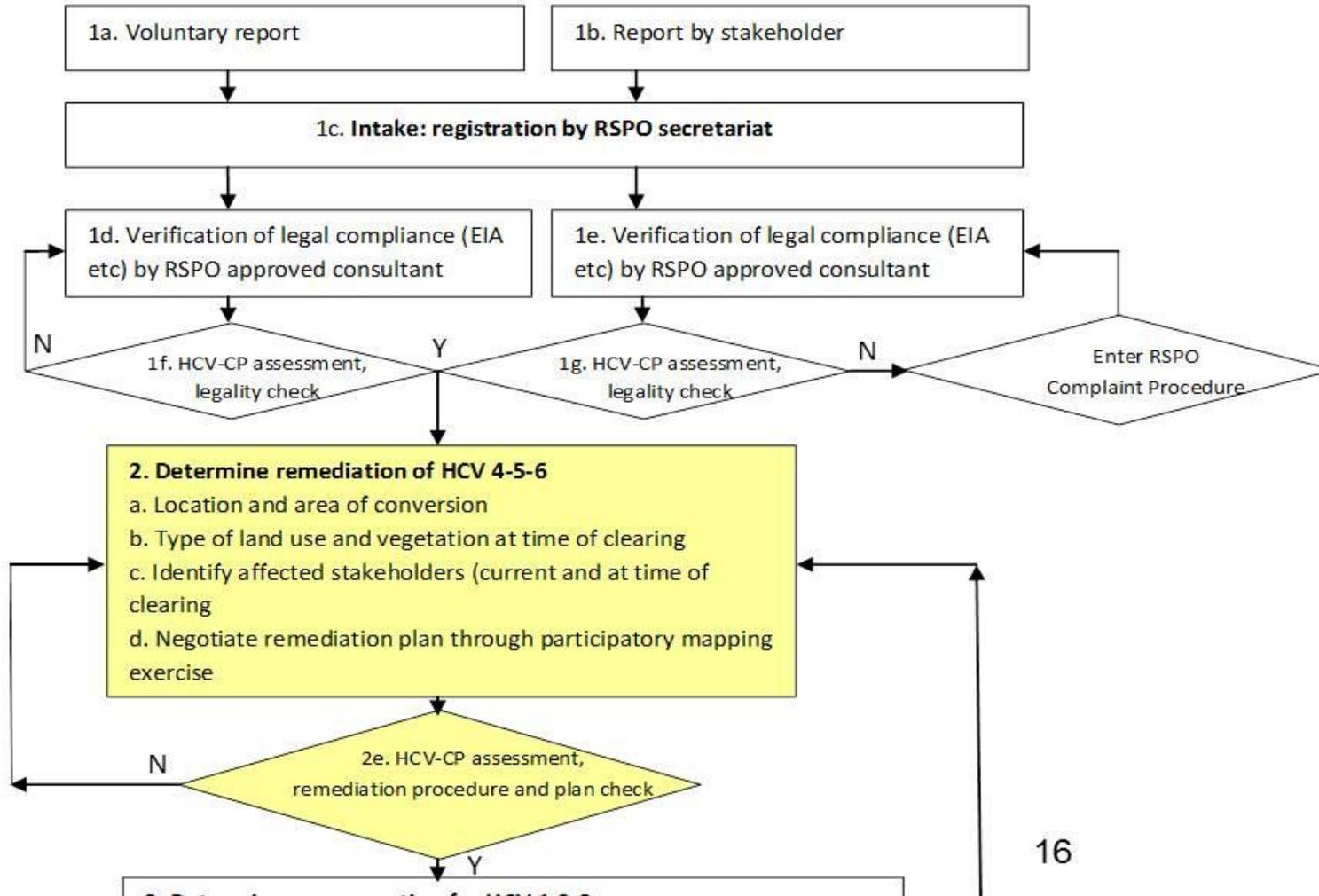


Roundtable on Sustainable Palm Oil

RSPO Secretariat Sdn Bhd
Company No.: 787510-K
Unit A-33A-2, Level 33A, Tower A
Menara UOA Bangsar,
No.5 Jln BangsarUtama 1
59000 Kuala Lumpur
Malaysia

Telephone : +603-2302 1500/
Fax : +603 2201 4053
Email : rspo@rspo.org

STEP 2: HCV 4-6 REMEDIATION



STEP 2: HCV 4-6 REMEDIATION

- Determine area, vegetation type, land use at time of clearing (based on a.o. EIA and satellite imagery);
- Identify stakeholders at time of clearing, and current stakeholders;
- Determine groups and individuals entitled to remediation through participatory mapping;
- Negotiate HCV 4-5-6 remediation with those groups and individuals – supported by local NGO or other intermediary;
- Stakeholders not satisfied with the outcome can register a complaint with the BHCV-CP

STEP 2: QUESTIONS / DISCUSSION

- Responsibility with company, but how to determine need for (independent?) process guidance?
- How to deal if conflict / disagreement already exists?
- Burden of proof for past land use: with the company, as it failed to do a proper FPIC/SIA or due diligence (in case of acquisition).
- How to nail down the negotiated agreement?
- Which elements will BHCV-CP assess, and how?
- What if the BHCV-CP turns down a deal where agreement has been reached?

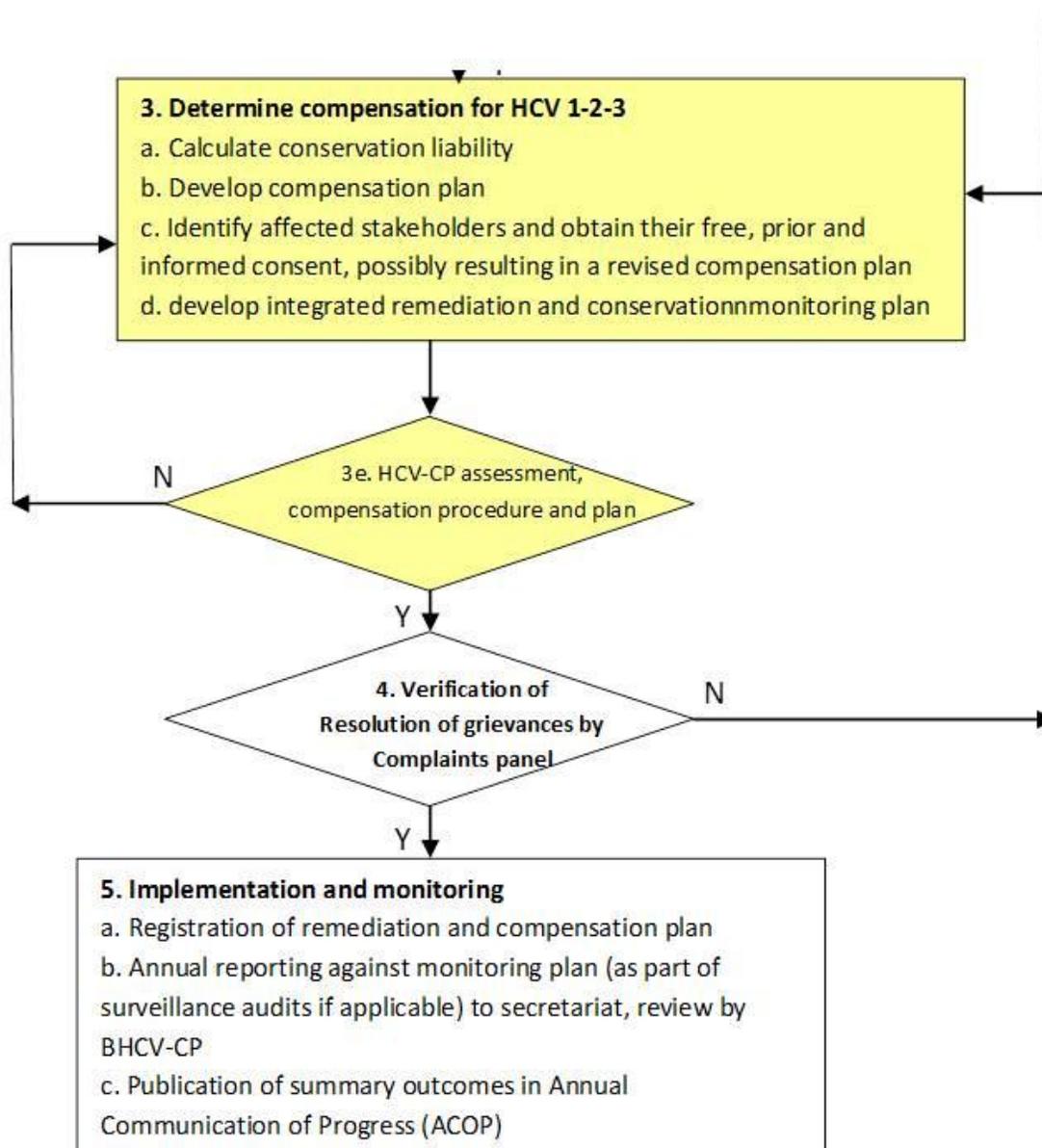


Roundtable on Sustainable Palm Oil

RSPO Secretariat Sdn Bhd
Company No.: 787510-K
Unit A-33A-2, Level 33A, Tower A
Menara UOA Bangsar,
No.5 Jln BangsarUtama 1
59000 Kuala Lumpur
Malaysia

Telephone : +603-2302 1500/
Fax : +603 2201 4053
Email : rspo@rspo.org

STEP 3: HCV 1-3 COMPENSATION



STEP 3: HCV 1-3 COMPENSATION PLAN (AND INTEGRATION)

- Determination of 'conservation liability' and commensurate biodiversity compensation according to agreement in this group;
- Identify stakeholders affected by the implementation of the above; likely to be different from those in step 2;
- Obtain FPIC with these stakeholders prior to submitting an integrated plan with BHCV-CP;
- Integrate 'livelihood remediation' and 'biodiversity compensation' plans into one implementation plan;
- Stakeholders not satisfied with the outcome can register a complaint with the BHCV-CP.

STEP 3: QUESTIONS / DISCUSSION

- In case the compensation is calculated in monetary terms, does that amount include the payment of community / local stakeholder efforts to implement the compensation plan?
- The FPIC process for biodiversity compensation areas should follow the October 2008 RSPO approved guidance.

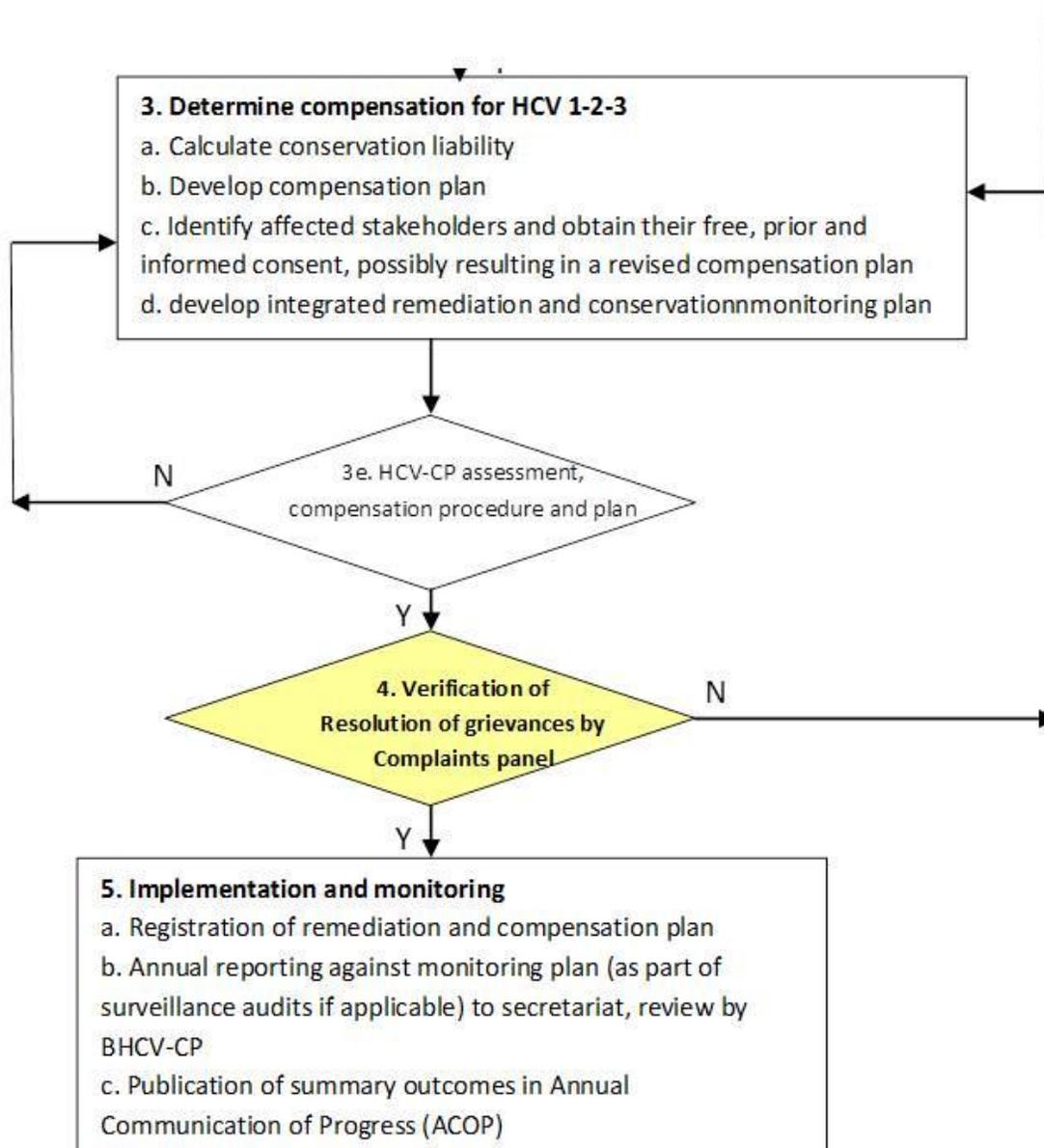


Roundtable on Sustainable Palm Oil

RSPO Secretariat Sdn Bhd
Company No.: 787510-K
Unit A-33A-2, Level 33A, Tower A
Menara UOA Bangsar,
No.5 Jln BangsarUtama 1
59000 Kuala Lumpur
Malaysia

Telephone : +603-2302 1500/
Fax : +603 2201 4053
Email : rspo@rspo.org

STEP 4: ASSESSMENT OF COMPLAINTS



STEP 4: ASSESSMENT OF COMPLAINTS

- The integrated compensation – remediation plan is assessed by the BHCV-CP to check whether all complaints lodged during the process have been addressed;
- The complainants are informed about the assessment by the BHCV-CP;
- If they feel the complaints have not been properly addressed, their motivated response is sent to the RSPO Complaints Panel who determine through the Complaints Procedure how the complaint will be resolved;
- This may lead to a request to redo or reconsider (parts of) the plan(s); back to step 2 or 3.

STEP 4: QUESTIONS / DISCUSSION

- How can the BHCV-CP assess whether complaints are valid?
- How much time does the RSPO Complaints panel require to assess the complaint(s) and what happens in the meantime?

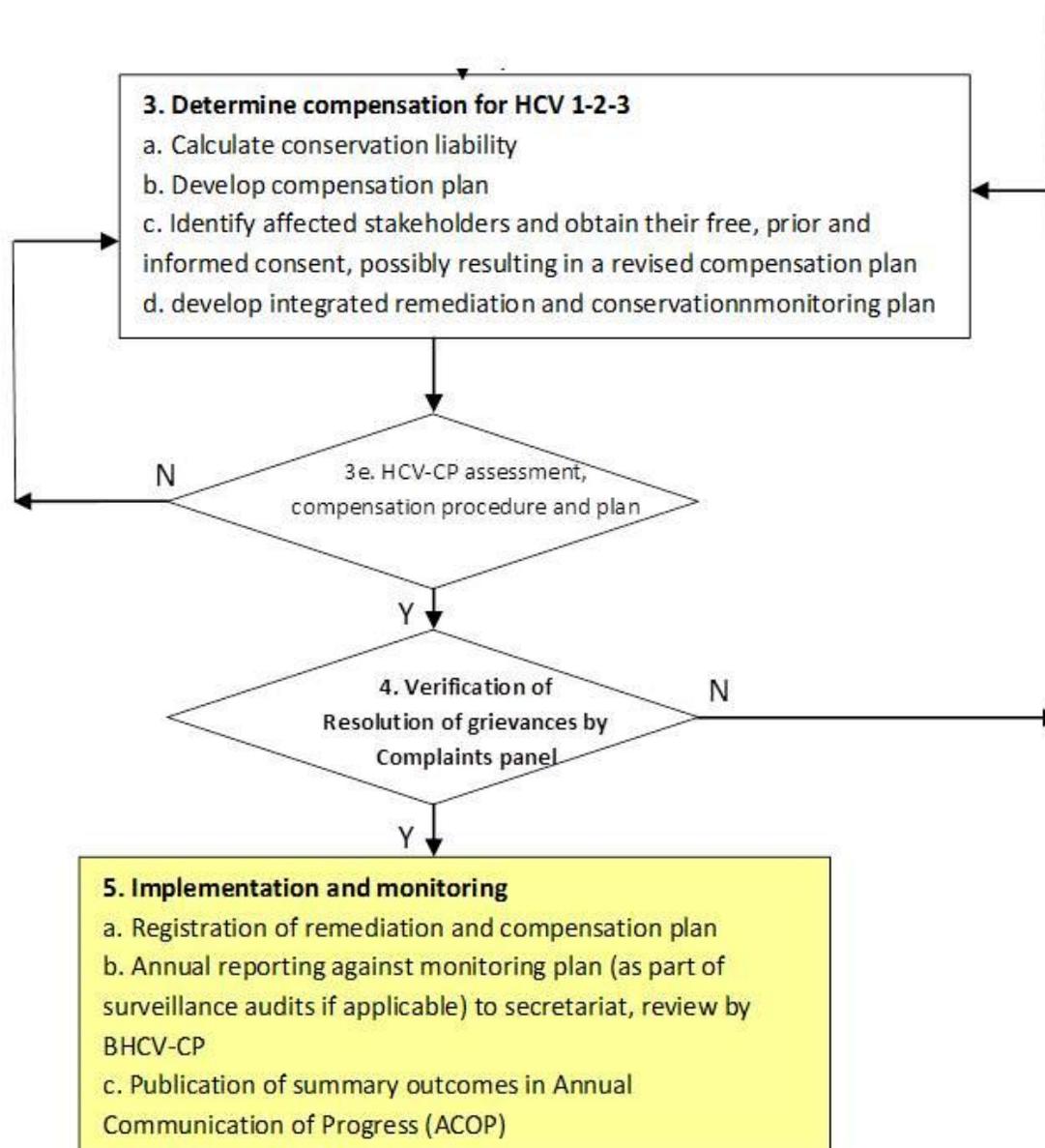


Roundtable on Sustainable Palm Oil

RSPO Secretariat Sdn Bhd
Company No.: 787510-K
Unit A-33A-2, Level 33A, Tower A
Menara UOA Bangsar,
No.5 Jln BangsarUtama 1
59000 Kuala Lumpur
Malaysia

Telephone : +603-2302 1500/
Fax : +603 2201 4053
Email : rspo@rspo.org

STEP 5: IMPLEMENTATION AND MONITORING



STEP 5: IMPLEMENTATION AND MONITORING

- As per suggestion in CTF draft 4, preferably as part of annual surveillance monitoring in case of certified plantations;
- With a public summary of progress as part of the RSPO Annual Communication of Progress (ACoP).

**THANK YOU
FOR CHANGE
THAT MATTERS**

JAN MAARTEN DROS
JANMAARTEN.DROS@SOLIDARIDAD.NL



solidaridadnetwork.org



[/solidaridadnetwork](https://www.facebook.com/solidaridadnetwork)



[@solidaridadnetw](https://twitter.com/solidaridadnetw)



[/company/solidaridad](https://www.linkedin.com/company/solidaridad)

Option 1

Payment % is based on land charges such as Ganti Rugi (find equivalents for Africa/LATAM/Pacific/Thailand and establish global average fee weighted by ha converted)

- Ex. If Ganti Rugi is ~\$1000 per hectare, which is equal to about 200% x \$500 (long term average CPO price). This is equivalent to loss of 2T oil value or a half year production penalty equating to 2% of the yield value over the life of an average plantation (4 T/ha CPO)
- For an area over 10,000 hectares which has been cleared this would equate to \$10 million (about half the cost of a mill)
- This would be a margin reduction of about 10% over the span of the project-this cost would be difficult in early years but it aligns with current opinion that companies which cleared after 2010 without implementing the NPP should be penalized more heavily.
- One off tariff with payment phased over a period starting immediately after compensation plan is accepted
- The time-value of money, however, needs to be taken into account here.

Option 2

5 or 10 year average of FOB-equivalent prices
for CPO \times yields \times 5% = \$ compensation ha/year.

- An average yield band would need to be established by region and if a company disagrees they can report yields (however this would need to be verified and further challenges would be posed if there is large scale clearance of land which is in fact unsuitable for palm leading to lower yields)
- Additionally, the coefficient \times hectares cleared can be brought into this equation

Option 3

2.5% of (Area x coefficient) x (5 or 10 year average of FOB equivalent CPO\$ x yield/ha)

- An average yield band could be established by region
- 2.5% is the baseline and can be increased for future clearance.
- 2.5% is derived from cost of HCV identification & management .

Option 3 (Cont.)

For example:

- A member clears 6,500 hectares in 2006.
- 6,500 ha x coefficient of 0.4 = 4,550
- Average cost of assessment and management of HCV areas/ hectare (based on WWF report on Profitability and Sustainability of Palm Oil): \$40
- In 2013, fellow members who were developing at the same time in 2006 and had carried out their assessment would have been spending \$40/ha for the past 8 years, and will continue to do so for the next 17 years until replanting.
- Therefore, the member who cleared without the HCV assessment could pay on the basis of what wasn't spent over the last 8 years and what would need to be paid for the next 17 years on HCV management, which would work out to \$267,647 each year for the next 17 years or approximately 2.25% of the $(\text{Area} \times \text{coefficient}) \times (\text{LT}\$ \text{CPO} \times \text{yield}/\text{ha})$. The percentage could then be increased from here for growers that clear between 2010-date of EB approval of CPs (I have assumed 2013 in the above), and for future land clearing.