

## **Golden Agri-Resources, the biggest buyer of CPO produced by a company that is relentlessly clearing HCS forests in Papua**



- *Asian Agri the runner-up*
- *Still no solution from IPOP to this case?*

## Background

It was very surprising to find that Golden Agri-Resources (GAR) was the biggest buyer during the first quarter of 2015 of CPO produced by a company group, PT Austindo Nusantara Jaya (ANJT) that continues to extensively clear high carbon stock (HCS) forest in West Papua province to date.

On 21 July 2014, Greenomics Indonesia exposed this company's continued clearance of HCS forests in Papua, as shown by the USGS Landsat 8 images taken between the end of November 2013 and the end of May 2014. *Mongabay.com* and *REDD-Monitor* have both covered the report and comprehensively discussed its substance.

On 23 February 2015, *Mongabay.com* once again highlighted the continued clearing of HCS forests in Papua by ANJT by revealing the existence of gaps in the implementation of the agreed zero deforestation pacts given that the companies that have adopted zero deforestation policies continue to source CPO from ANJT.

In the *Mongabay* report, a Greenomics Indonesia map was used that shows that increasingly extensive clearance of forests on two ANJT concessions up to 3 January 2015. The report also questioned what solutions could be offered by IPOP to deal with the situation?



It is only reasonable that Greenomics Indonesia should be surprised by what has transpired. How could GAR decide to source CPO from ANJT and become its biggest buyer in the first quarter of 2015?

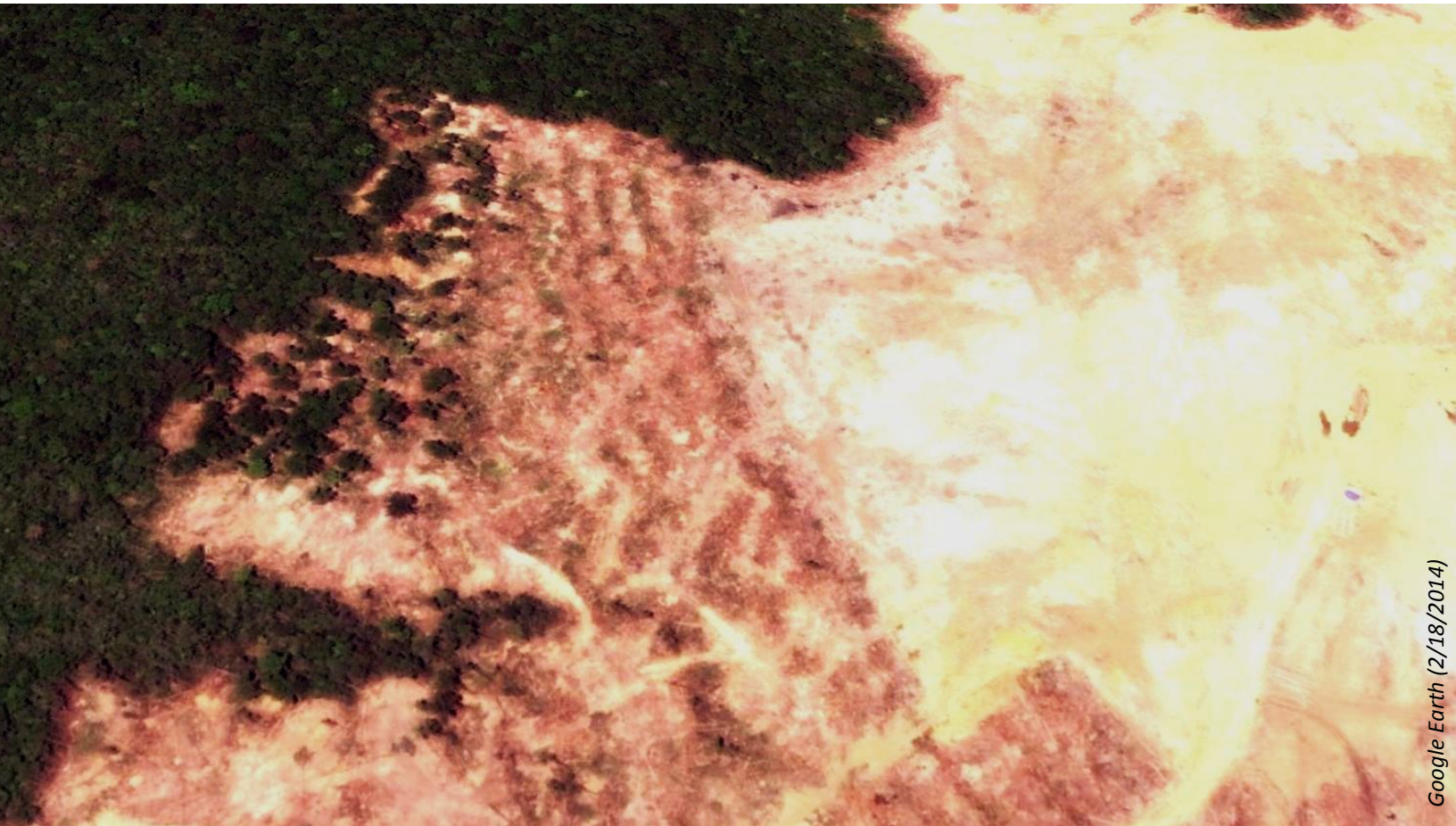
GAR was the first palm-oil group to apply a forest conservation policy back in early February 2011. GAR also announced that it was determined “to clean up its supply chain from deforestation,” which announcement was published widely in the international media at the beginning of the first week of March 2014. In fact, GAR played an instrumental role in the signing of Indonesia Palm Oil Pledge (IPOP) on September 24, 2014, during the UN Climate Summit in New York.



Google Earth (2/18/2014)

This brief report describes the extensive clearance of HCS forest by ANJT at a time when GAR is recorded as the largest buyer of CPO from the company group. The report also urges GAR to take prompt action in response to this situation.

Given the important role played by GAR in promoting the zero deforestation policy in the development of oil-palm plantations, especially in Indonesia, GAR needs to explain how such a situation could arise? This is important for the purpose of identifying lessons that can be learned, as well as the role that can be played by IPOP in finding solutions, as stated in its pledge.



## Methodology

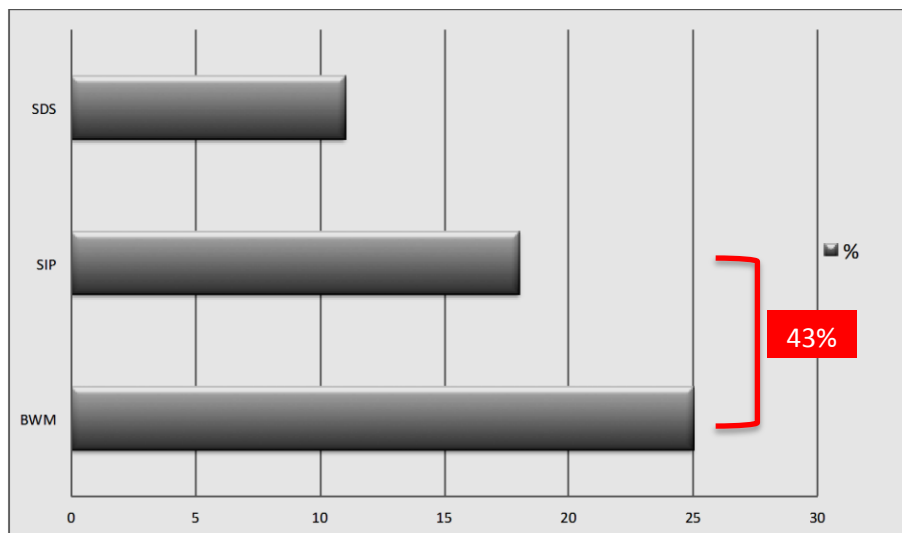
The report uses USGS Landsat 8 images to show the extensive clearance of HCS forest on the ANJT concessions, especially during the first quarter of 2015 – a period in time when GAR was recorded as being the largest buyer of CPO produced by the company group. Google Earth images were used to present a visual representation of HCS forest clearance on the ANJT concessions.

The report also refers to ANJT's financial statements for the first quarter of 2015, as posted by the Indonesia Stock Exchange.

## Winner and Runner-up

Based on the financial statements of ANJT for the first quarter of 2015, two GAR subsidiaries, PT Buana Wiralestari Mas (BWM) and PT Sumber Indah Perkasa (SIP), were the biggest and second biggest buyers, respectively, of the CPO produced by ANJT. BWM accounted for 25% of ANJT's total sales, while SIP accounted for 18%. The aggregate value of the CPO purchases by the two GAR subsidiaries amounted to USD 13.5 million.

PT Sari Dumai Sejati (Asian Agri / AA) was in third place, accounting for 11% of ANJT's total sales, worth USD 3.4 million. Given that BWM and SIP are both GAR subsidiaries, Asian Agri was the runner-up when it came to the purchase of CPO produced by ANJT during the first quarter of 2015, as shown in the following chart:



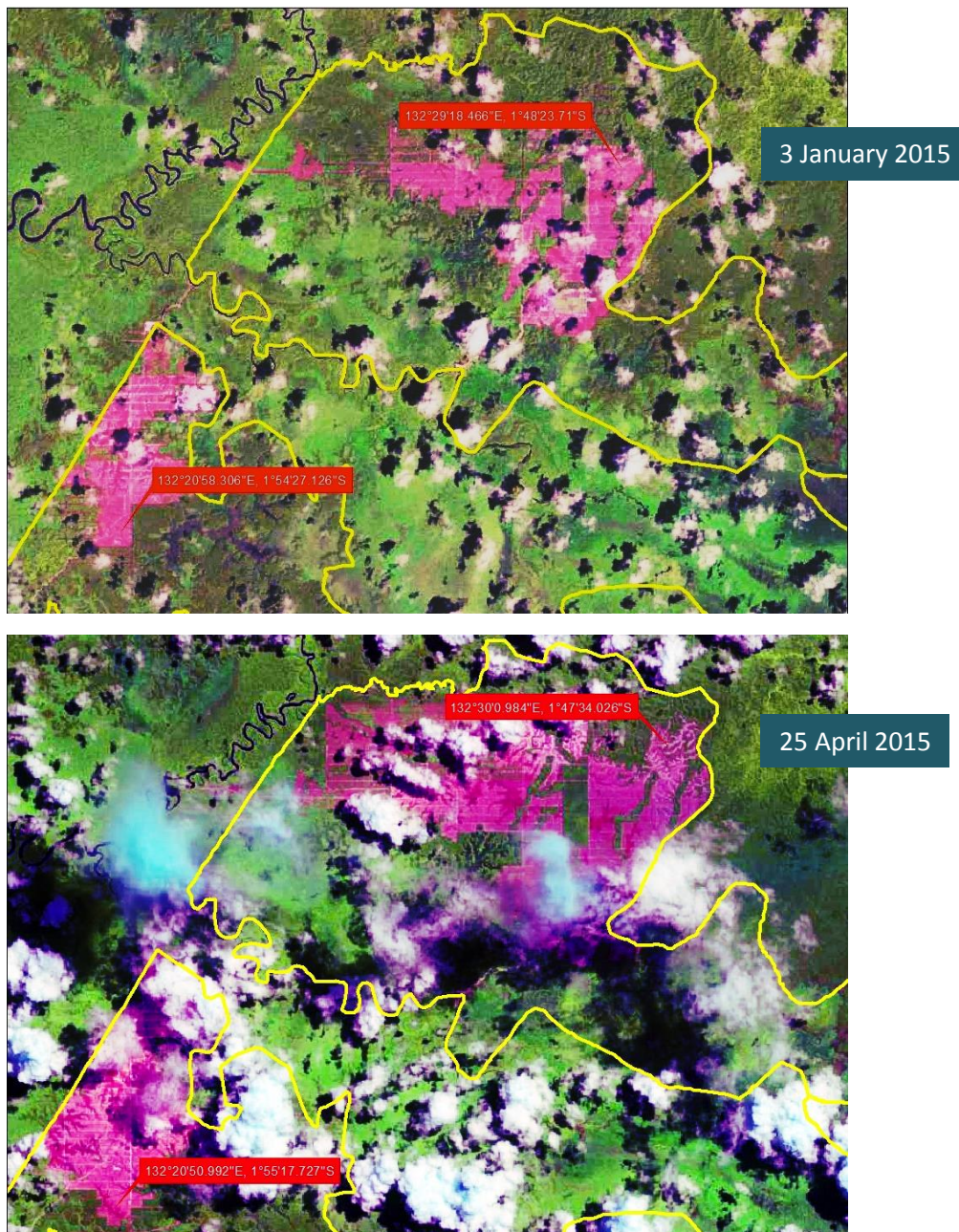
If the purchases by GAR and AA are combined, these two IPOP signatories account for 53% of the total CPO sales of ANJT, worth nearly USD 17 million.

In addition, Wilmar and Musim Mas, which are also IPOP signatories, both continue to source CPO from ANJT. Thus, if we combine the purchases by the four IPOP signatories, they will be greater than the said figure of 53% and the total purchase value will exceed USD 17 million.

**This certainly gives rise to a big and serious question about the extent to which IPOP can play a meaningful role in finding "solutions for sustainable palm oil that is deforestation free".**

# Clearance of HCS forest on ANJT concessions

Landsat 8 images taken between 3 January and 25 April 2015 (*see below*) show that HCS forest clearance continues on two ANJT concessions in West Papua. It can be confirmed that the areas in question consist of HCS forest as the Forest Relinquishment Licenses issued by the Minister of Forestry state that they consist of secondary forest. Meanwhile, based on the 2013 landcover map issued by the Ministry of Forestry, the areas in question are stated to consist of primary forest.



As an additional reference, the report also refers to Landsat images taken on 27 January 2015, 20 February 2015, and 8 March 2015 to 11 May 2015, so as to identify the degree of extensification of HCS forest clearance on the two ANJT concessions.

It may be concluded that, at least during the first quarter of 2015 (a period when GAR was recorded as being the biggest buyer of CPO produced by ANJT), the level of HCS forest clearance was increasing.

*It is obviously unclear as to what policy basis was used by GAR in deciding to purchase CPO from ANJT, especially given GAR's announcement in the first week of March last year, when the company stated that it would "clean up its supply chain from deforestation."*

*GAR most assuredly needs to explain what is going on to the public and its stakeholders.*



## Conclusions

- IPOP is still not working at the substantive level, or at least was not working at the substantive level in the six months following its signing. In addition, IPOP does not seem to be playing an important role in identifying the various problems and challenges faced by the IPOP signatories in fulfilling their pledges at the implementation level. Thus, IPOP appears to be far from providing workable solutions for the various issues encountered by its signatories.
- GAR, Wilmar and Musim Mas – all of which adopted a zero deforestation policy prior to their signing of IPOP – apparently still have trouble in “cleaning up their supply chain from deforestation.” As a result, the gap between their commitments and the facts on the ground remains very wide.

## Recommendations

- The IPOP signatories need to avoid issuing bombastic public statements that are not in accordance with the facts on the ground. If they continue to make such statements, then they might be considered to be engaging in “greenwashing.” Of course, this is something that needs to be avoided.
- The IPOP signatories need to view the reports prepared by third parties on the implementation of IPOP as sincere attempts to highlight the continuing gap between pledges and their implementation, rather than as attempts to attack the IPOP signatories’ businesses.



Google Earth (2/18/2014)

**IPOP-OBSERVER** – an initiative by Greenomics Indonesia to identify the extent to which IPOP is being implemented in Indonesia – uses the results of spatial monitoring, field observations and legal analysis to question the extent of the role played by IPOP signatories in providing solutions to their suppliers in their efforts to fulfill one of the objectives of IPOP, namely, to find solutions for sustainable palm oil that is deforestation free. The main purpose of IPOP-OBSERVER is to share lessons learned from the implementation of IPOP.

*For further discussion please contact:*

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