

Summary Report
Roundtable on Sustainable Biofuels
Second Regional Stakeholder Meeting
Michelin Bibendum Challenge - Shanghai, China
November 13-14, 2007

Co-sponsored by:



Thanks to the generous sponsorship and exceptional logistical organisation from Michelin and the United Nations Environment Programme (UNEP), the second regional stakeholder meeting of the Roundtable on Sustainable Biofuels (RSB) brought together representatives from China, Cambodia, Japan, Thailand, the Philippines, Malaysia, Indonesia, Australia, USA, Germany and France. Participants contributed to the process of defining sustainability principles and criteria for biofuels, and introduced issues of specific relevance in the region, thereby enhancing applicability, feasibility and ultimately implementation of principles and criteria.

The Roundtable on Sustainable Biofuels (RSB) is an initiative housed at the Swiss Federal Institute of Technology in Lausanne (EPFL), aiming to develop sustainability standards through a multi-stakeholder approach based on four working groups (Environment, Greenhouse Gases, Social and Implementation). In these working groups hundreds of institutions and individuals are engaged in developing a set of international principles, criteria and indicators, mainly through an interactive process of consultation (email, bioenergy wiki and teleconferences). By organising regional outreach meetings such as this one, held in partnership with the UN Environment Programme, the RSB aims to involve more representatives from grassroots and non-governmental organisations, companies, governments and inter-governmental groups from the different regions in this process.

The meeting focusing on the East Asian region included presentations from key actors:

- **UNEP** presented the stakes in the context of global energy demand, climate change and development opportunities for poorer countries.
- **Oxfam** presented the risks (land rights, food security, deforestation...) and opportunities (poverty alleviation) related to Biofuels in Indonesia and the Philippines.
- Through the success story of Yunnan, the **Global Village of Beijing** described the promising benefits from Clean Farming and the development of biogas in rural areas.
- The **Malaysian Palm Oil Association**, through the experience of the Roundtable on Sustainable Palm Oil, shared the key aspects and lessons learned from the development of a global sustainability standard in a multi-stakeholder context

This was followed by two rounds of interactive group discussion on environmental principles and criteria and social principles and criteria to allow for as much active participation as possible. Biofuels indeed do not come without any risks. In the East Asian region, issues concerning land rights and land use competition were identified of particular relevance. Points highlighted will be taken into consideration in further discussions in the RSB process.

Update on biofuel projects in East Asian countries as reported by meeting participants

Indonesia:

The main feedstocks used for biofuel are oil palm, jatropha, cassava and sugarcane. Some 400 conflicts between communities and palm oil plantations were reported about.

Malaysia:

With Indonesia, Malaysia is among the first world producers of Palm Oil. Although biodiesel currently represents a marginal share of the sales as compared to the food market, the increasing demand for biofuel is likely to boost the expansion of plantations.

The Philippines:

Biofuel feedstocks are palm, coco, jatropha (biodiesel), sugarcane and cassava (ethanol). The government has targeted 60% of energy self-sufficiency by 2010 and beyond. The *Biofuels Act of 2006* targets to blend diesel by 1% in 2007 (2% by 2009) and gasoline by 5% in 2007 (10% by 2010). However, the Biofuels Act is silent on environmental and social standards.

Cambodia:

For now, the main feedstocks are Cassava and Palm oil. Whereas much biomass is produced in Cambodia, there is no local industry to transform it into finished product. Hence, commodities are exported, with no access to the finished product for local populations, if not at an unaffordable price. As a positive example, 60% of fisheries are mandated in an efficient way by community based organizations. Biofuels could move in that direction.

China:

Biogas production in the countryside is promoted by governments to protect forests and make a better use of them. Biodiesel and ethanol are also backed by government, but being asked to slow down because of food price issues. The expansion of palm oil was mentioned to have increased deforestation.

Japan:

Biofuels targets were considered to be ambitious. Short term benefits are rather promoted and once targets are set, then demand follows. Thus far, environmental and social impacts have not been discussed.

In addition, the following issues were pointed out by participants:

- Some countries have known a **similar development 20 years ago, with the green revolution and aquaculture**; by that time, the same type of benefits were highlighted (jobs, local livelihood, etc..) as for biofuels today, but due to unsustainable expansion, ecosystems

were ruined and instead of local benefits, all the outputs were exported. Concern was raised that the expansion of Palm Oil (PO) could follow the same scheme, with **no profit for local people and ecological disaster on mangroves and peatlands** for example.

- In several countries, government “owes” 100% of land. Protected areas are hence easily “degazetted” to be sold as concessions for Oil Palm plantations. Local populations are usually not consulted and there is no transparency on the process. As local people resist against the expansion by refusing to work in unsustainable plantations, migrants are sometimes hired from outside the country to work, which creates more tension.
- It is not rare that laws may be in contradiction with each other: **Customary rights may be undermined** by concessions given to a company. In some cases, laws are not well enforced: even though protected by law watersheds have been found to be destroyed.
- **Consultation of indigenous groups** is also difficult because they are fragmented into small groups. In consequence, there is a feeling that local communities are excluded from the process and benefits.

Risks and Opportunities for Biofuels in East Asia

1. Risks related to the production of biofuels were discussed by the participants as follows:

- Negative social impacts in Asia caused by a sudden **high and increasing demand of biofuels feedstock from developed countries**
- **Food security:** The price of palm oil has increased, for example in Indonesia the increase was 50% over the last 5 months making it unaffordable for the local population for cooking
- **Land rights:** Companies are given legal concessions to clear the land by district governors, whereas the villagers rarely have any legal title, in spite of ‘customary land rights’. Millions of people could be displaced
- Lack of **transparency** and meaningful **consultation** affect the most vulnerable peoples.
- Unsustainable practices of conventional plantation agriculture can harm water, air and soil and eventually harm **people’s livelihoods**
- Demand for biofuel is driving an increase in **deforestation**; in Indonesia, 50% of the new palm oil (PO) plantations are allocated on peatlands, which have recently started being destroyed
- **Indecent work conditions:** bonded labor, gender discrimination, lack of safety, exploitation of smallholders are still in practice in some plantations
- **Lack of government stability**
- **Corruption**
- People’s future relies on the fluctuations of commodity prices, which are influenced by world markets
- The contextual inappropriate use of certain crops may raise criticism about the crop in general. In this sense, growing jatropha without a market and a proper planning may be risky.
- Concentration of lands into the hands of a few is perceived as a big risk as there is a level of distrust towards approaches of multinationals.
- Bank don’t invest in small farmers but prefer large plantations.

2. Participants also identified the following **opportunities**:

- Global opportunity for **poverty alleviation** through employment, reduction in oil imports and increase local access to energy.

- The introduction of **biodiversity offsets** could leverage industry interest in sustainability.
- Opportunity to deliver **consistent policies, implementation and better transparency if decisions are made by the people** affected, with participation of local communities from the beginning before the decision is made.
- Large opportunities to **improve yields** and agricultural efficiency (eg: oil palm), which could also improve food availability.
- Most trade-offs have to be dealt with by governments. This is an opportunity for training, and to help them enforce the laws on their books.
- European biofuels standards pushing governments to implement sustainability can help ensure that projects are more sustainable.
- There are opportunities to **preserve biodiversity**, by using new and different plants for the biofuel market.
- A market for integrated crops can be created and drive the incentive to the “right” crops.
- Adding value by **processing seeds** will also leave waste product for local soil fertilization.
- There are **market opportunities for rural areas**, both for local use and export.

Community involvement / particularly involvement of indigenous people

Participants emphasized the need to involve communities in every step of the process, from the discussions on criteria to the setting of indicators, in order to ensure the most efficient and acceptable implementation of the standards. A well-structured and transparent market (both for local use and export) for commodities and biofuels is needed to ensure significant development opportunities for local communities. There is a general feeling that, without proper policies and infrastructure, the most vulnerable stakeholders will not be able to compete against big companies and governments, whenever some conflicts may exist.

Specific to **Indigenous People**, participants highlighted the following points:

- There is **distrust** from Indigenous People about biofuels, as they are already paying a high price (expulsion, health loss, forest...) due to the expansion of plantations. Furthermore, as per their nature-oriented lifestyle, sacrificing their land and livelihood to fill others’ cars looks unacceptable and unfair.
- Indigenous people are among the **most vulnerable** population to be affected by biofuels expansion, especially by forcing new and unsuited business models on them.
- Indigenous People must be involved in the discussions from the beginning.
- The **UN Declaration on the Rights of Indigenous People** should be the basis of reflections.
- Indigenous People could play a positive role in advising about fragile areas or plants to use.
- Loss of **biodiversity** comes along with a loss of **cultural diversity** through indigenous knowledge of nature and species. One cannot value the loss of this knowledge or a language.
- A certification system may not be relevant for local use.
- **Offsets cannot be translated to indigenous people’s rights**, as these are not a market. Pushing people out of their land is unacceptable in any case.

Environmental Principles and Criteria

Conservation:

The use of **High Conservation Values (HCV)** as a reference has been approved by participants. It was pointed out that a national interpretation/identification of the HCV areas (as done in Vietnam, Indonesia, Malaysia) was crucial to support small producers in identifying potential production areas, whereas big companies did not rely much on mapping and could use “HCV toolkits”. While the government must remain involved, the participants agree that it should not be the leader of the process. The knowledge of indigenous people could be a precious contribution to the identification, in addition to what specialized organizations, farmers and the government can provide. There is a concern that **most ecosystems in tropics are HCV areas**, with no big empty spaces to exploit. Hence, finding new lands out of HCV areas looks impossible, but former HCV areas that are already degraded, as in Indonesia, could possibly be exploited (a cut-off date needs to be specified). The participants found that ecosystems, ecological and social resilience needed to be valued and integrated into **agro-systems**. Lands with cultural values could be exploited if indigenous people are given free access to it.

Social Principles and Criteria

Think local! Participants agreed that local projects on biofuels should be encouraged, as well as local solutions to issues, while experience and best practices (eg: less pesticide) need to be shared. Nationally-controlled biofuel production that leads to a local ownership would be ideal and the promotion of sustainable communities could slow down the rural exodus. Below is a list of elements to be integrated by the RSB.

Consultation process:

- The **Free, Prior and Informed Consent (FPIC)**, as per the UN Declaration on the Rights of Indigenous Peoples, is a crucial step in the process of setting new plantations or biofuels production facilities. Sawit Watch and Forest Peoples’ Programme have developed a toolkit for how to do FPIC.
- Capacity building in local communities should be promoted.
- The community or people affected should be determining the length or extent of consultation process. Strategic stakeholders from the whole community must be involved, not only leaders.
- Governments must remain involved in the consultation process as well. Similarly to communities, NGOs should have rights to speak openly, without facing pressure or intimidation from other parties.
- There is a strong call for local RSB meetings to be organised in local language in order to consult indigenous people.

Rural development:

The rural development benefits are not straightforward: labour force can be brought from abroad without trying to understand why local farmers refuse to take the job and even with a job, people may remain poor. The increase in welfare does not guarantee that people will come out of poverty.

The question of basic services was raised several times, as local governments may fail in providing them. Generally, perennial crops attract infrastructure like roads, hospitals, and houses (provided by plantation companies), whereas annual crops use relatively more migrant labour and have fewer permanent capital investments. Having said that, basic services must remain the government’s duty; if indirectly provided by companies, it must not be taken as a mean to force local people’s acceptance of new production sites.

Implementation of Standards and Strategy of the Roundtable on Sustainable Biofuels

Participants considered it a positive effect that the governments, which are to import biofuels from southern countries may pressurize local governments to implement sustainability standards. Concern was raised that big companies driven by profits only, and local governments in the race for national economic development, might sacrifice local ecosystems and livelihoods without due consideration for untradeable, yet valuable elements of nature and society. It was stressed that auditors need to be trustworthy to make the system a credible one. Financial and technical means should be provided by importing countries and/or international organizations in order to ease the process, especially for small producers.

To be effective, the multi-stakeholder consultation should include local meetings organized amongst communities and held in local language.

In the Roundtable on Sustainable Palm Oil, the responsibility stops at the mill. For the RSB, the responsibility should go along the whole value chain. People at the end of the value chain should be held responsible for social conditions and ecological degradation happening upstream.

The participants recognize the need for the RSB to refer to the other existing initiatives (ex: RSPO), as a safeguard and a mark of efficiency. The responsibility of implementing the standards remains unclear. In terms of monitoring process, citizens must be involved since transparency is a safeguard.