



Implementation of EU Deforestation-Free Regulation in Indonesia Challenges and Opportunity

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What does EUDR do

The regulation outlines obligations for businesses (operators) placing commodity products on the EU market or exporting from the EU, and will be implemented on 30 December 2024.

Before placing or exporting products, EU operators must issue a due diligence statement confirming:

1. **Legality:** Products must comply with the laws of the country of production, including human rights, labor rights, and free, prior, and informed consent.
2. **Deforestation-free:** Products must not be produced on land deforested after the cut-off date (December 31, 2020).
3. **Traceability:** Traceability must track the commodity to the specific land where it was produced.



Scope of Commodities Regulated

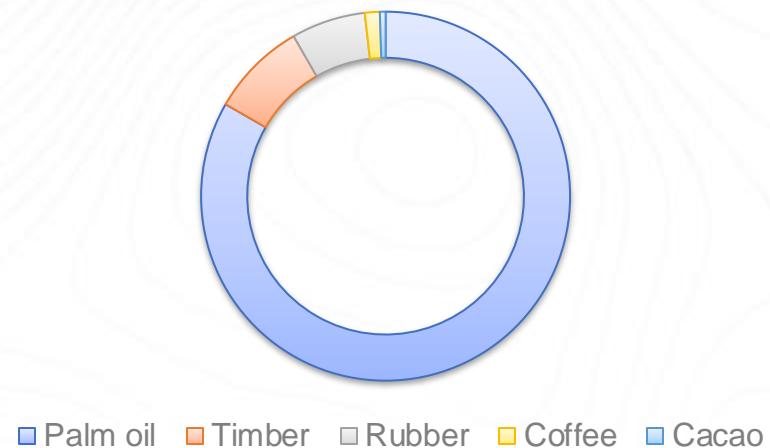
There are seven (7) agricultural commodities regulated under the EUDR: timber, coffee, cocoa, palm oil, rubber, soy, and livestock, along with several of their derivative products.

Five (5) out of these are produced in Indonesia and exported to the EU: timber, coffee, cocoa, palm oil, dan rubber.

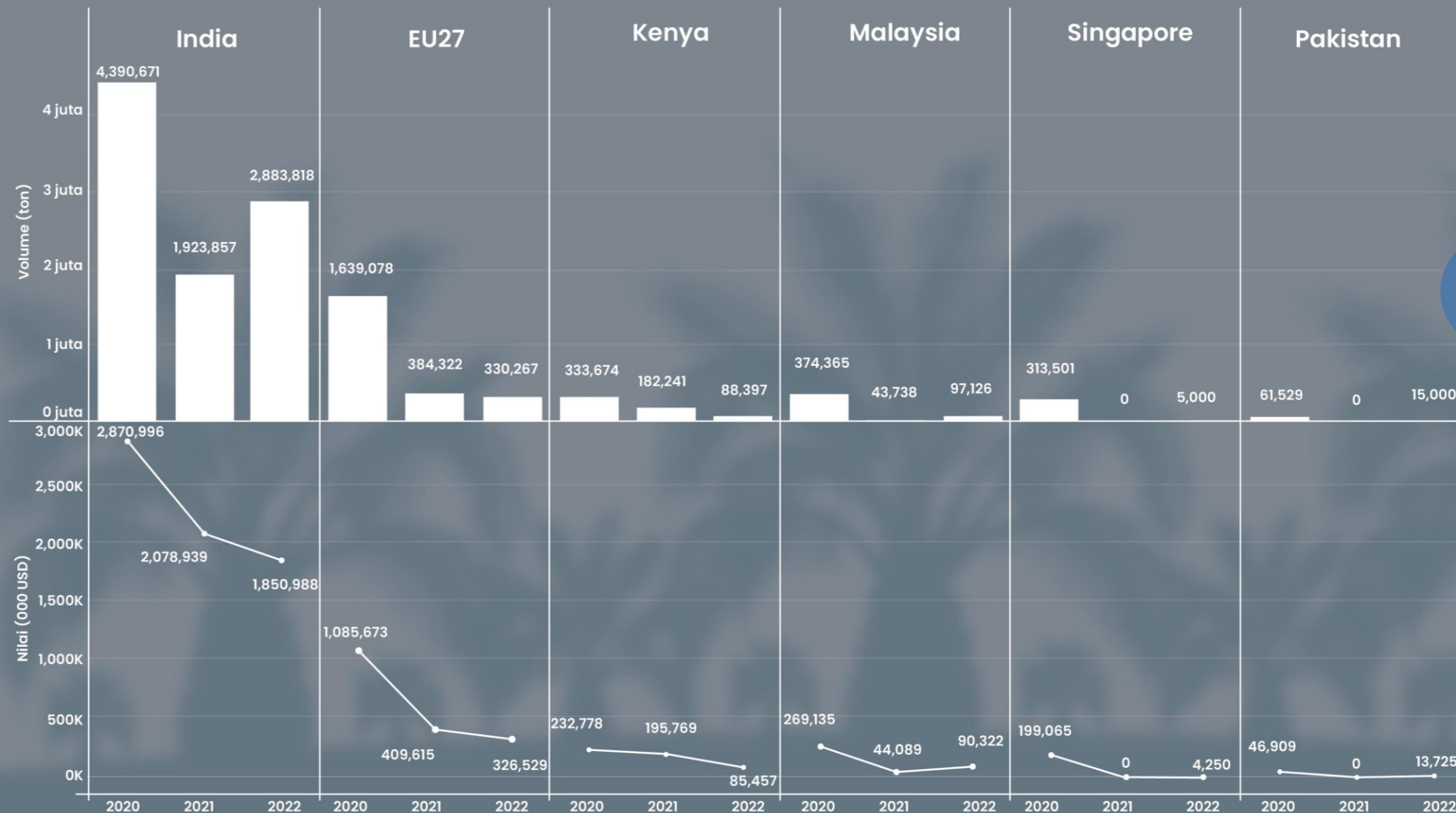
Indonesian Commodities and the EU

- The European Union is a crucial market for Indonesian commodities like wood and palm oil.
- Between 2020 and 2022, Indonesia was the EU's 7th largest trading partner for wood products.
- During the same period, the EU was the second-largest export market for Indonesian CPO (crude palm oil).

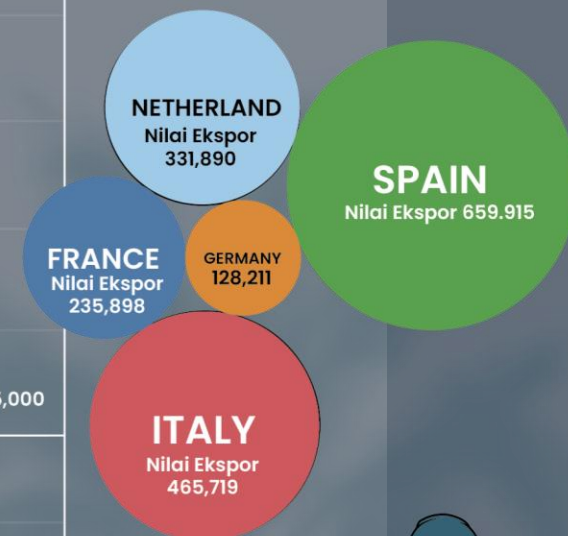
EU Import from Indonesia



Grafik Volume vs Nilai Ekspor CPO Indonesia Tahun 2020 - 2022



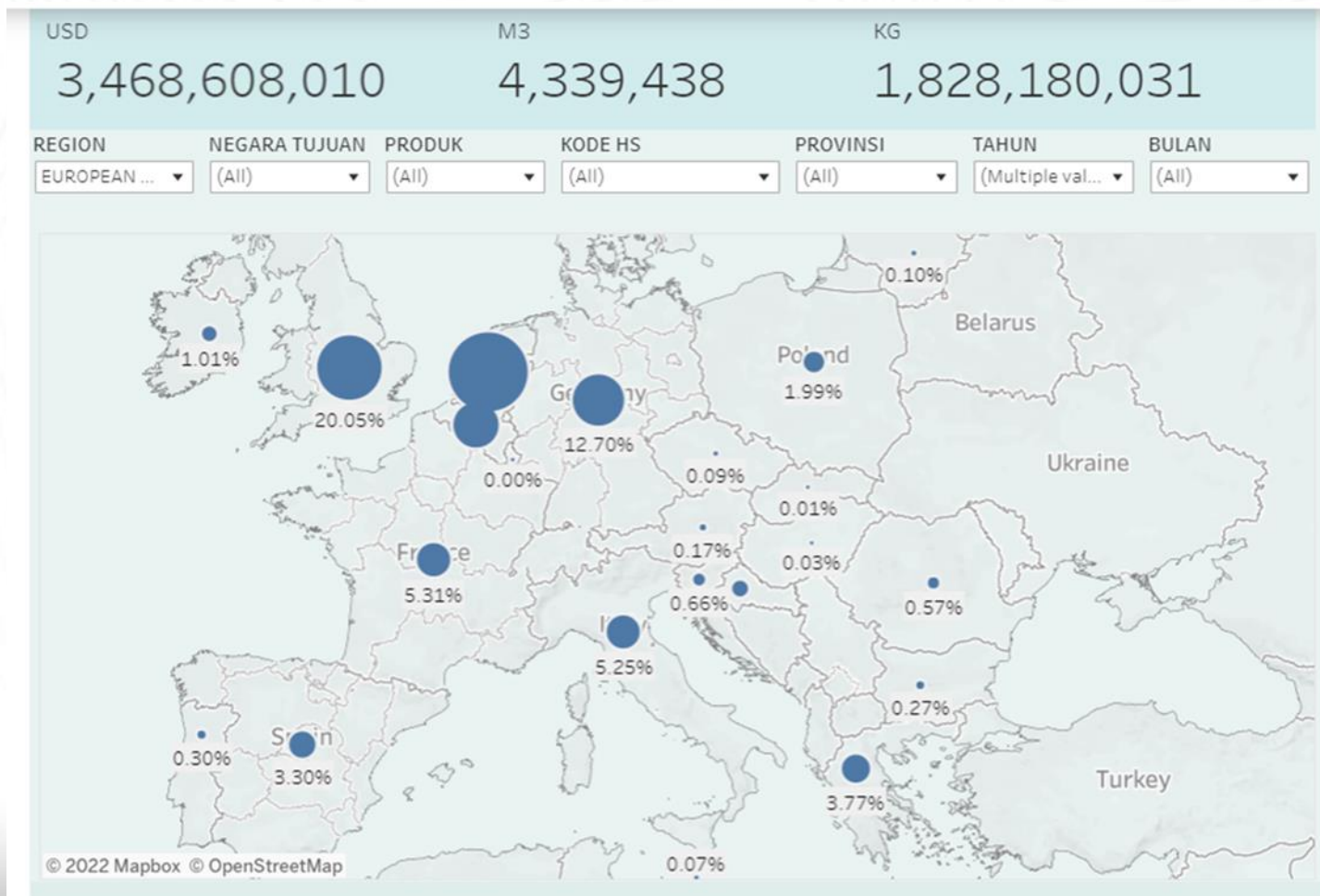
EU27



sumber: BPS, Statistik Kelapa Sawit Indonesia 2020, 2021 & 2022



Indonesia Wood Export (2022)



- Data from the Indonesian Ministry of Environment and Forestry (KLHK) shows that since 2020, the total exports to the European Union amounted to USD 3,468,608,010 or 4,339,438 m³, which is about 14.9% of Indonesia's total wood exports.
- The exported products are: Furniture(41.89%), Panel (26.21%), Paper (19.62%), Woodworking (9.67%), Crafts (1.66%), Veneer (0.91%).



State of Commodities in Indonesia

- For wood, Indonesia has been implementing the Timber Legality Verification System (SVLK) since 2010, which has now transformed into the Legality and Sustainability Verification System. The SVLK has been recognized as meeting the timber legality standards by the European Union through the FLEGT VPA agreement, which has been in full effect since 2016.
- For palm oil, Indonesia has been implementing the Indonesian Sustainable Palm Oil (ISPO) since 2011.
- In addition, a number of policies and initiatives have been carried out, such as strengthening the SVLK, strengthening the ISPO, a moratorium on new palm oil permits (2018-20210), a moratorium on peatland and primary forest permits, peatland restoration, reforestation, social forestry, registering palm oil farmers through the Cultivation Registration Certificate (STDB) policy, the National Action Plan for Sustainable Palm Oil, the FOLU Netsink 2030, and others.



State of Commodities in Indonesia

- Illegal logging and forest encroachment are still ongoing – planned deforestation is allowed under Indonesia's legal framework.
- Problematic licensing and overlapping of licenses still occur.
- Obstacles in the implementation of SVLK and ISPO, including violations of legality and sustainability standards as well as handling of complaints.
- Lack of support and facilitation for smallholders to meet sustainability requirements, especially in terms of fulfilling legality aspects.
- Overall transparency of data is still lacking
- There is still a lack of coordination, both horizontally among relevant Ministries/Institutions and vertically between the central and regional governments, in the implementation of policies related to forest and land governance.

EUDR as an Opportunity

- The EU needs producing countries to ensure that the EUDR can be implemented effectively, meaning that Indonesia has room for negotiation.
- The formation of the Joint Task Force (JTF) involving Indonesia, Malaysia, and the European Union is Indonesia's effort to negotiate. The JTF has agreed on the five (5) work streams that include involving farmers in the supply chain, considering national certification systems, ensuring traceability, using scientific data on deforestation and forest degradation, and addressing data protection.

EUDR as an Opportunity

- Therefore, implementation of the EUDR also provides opportunities for Indonesia to:
 - (1) improve/strengthen forest governance;
 - (2) improve governance of commodity industries (palm oil, timber, cocoa, rubber, coffee);
 - (3) strengthen the national certification systems SVLK and ISPO;
 - (4) realize and promote the protection of the rights of indigenous peoples, local communities, laborers, and small holders with the support of the EU through the Indonesia-EU cooperation mechanism.

In this regard, Indonesia's experience in implementing the EU FLEGT-VPA can be used as a reference for learning.
- Improving the governance of forest and agricultural commodity industries will enhance the reputation of Indonesian commodities, making them more competitive in the global market.

Key Concerns

- Limited Civil Society Inclusion: Lack of participation in decision-making processes raises concerns about transparency and accountability.
- Indigenous Rights and Local Communities: Protecting land rights, ensuring FPIC, and preventing human rights violations are crucial.
- Support for Smallholders: Need for support measures to ensure compliance and prevent exclusion from the EU market.
- Traceability Costs and Complexity: High costs and complexity of traceability could affect implementation and negatively impact smallholders. Support measures and capacity building are needed.
- Inadequate Enforcement and Monitoring: Robust enforcement mechanisms, monitoring and grievance mechanism are essential.

Recommendation

- Effective cooperation and involvement of all stakeholders (central government, regional governments, corporations, farmers, civil society, and affected parties) to take advantage of the various opportunities in the EUDR.
- Involvement of parties including CSOs in the JTF by adopting the principles of transparency, representation, participation, inclusiveness, and accountability.
- Encouraging the EU to provide financial and technical support and assistance to meet the EUDR requirements in Indonesia through a partnership.
- Ensure robust enforcement and transparent and inclusive monitoring mechanisms.

Recommendation

In the country:

- Building and strengthening the implementation of a national sustainable commodity system through a multi-stakeholder process :
 - Strengthening sustainability standards, including traceability and transparency of the supply chain
 - Credible implementation with independent monitoring and a complaint mechanism
 - A transparent information system that is accessible to the public
- Policy reforms that prioritize environmental and social safeguards, including ensuring the fulfillment of the rights of indigenous and local communities and resolving tenure conflicts.
- Facilitating smallholders to be able to implement legal and sustainable practices
- Increasing land productivity without opening up forests – continuing the moratorium and evaluating licensing
- Consistent law enforcement – imposing sanctions on violators and, conversely, providing incentives for compliant businesses.



Thank You
