INDONESIAN PALM OIL COMMISSION

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COMMENTS FROM INDONESIAN PALM OIL COMMISSION

INDIRECT LAND USE CHANGE IMPACTS OF BIOFUELS – CONSULTATION

1. Do you consider that the analytical work referred to above, and/or other analytical work in this field, provides a good basis for determining how significant indirect land use change resulting from the production of biofuels is?

The analytical work that has been done by EC using the various models has come to the conclusion that the area devoted to other biofuel feedstocks, especially on feed stock produce in temperate country do not palm oil is not modelled and not reflected in the reported land-use changes (as stated clearly in the 4 reports made by JRC).

Clearly some of the biofuel chains are better known in the EU by the modellers and assumptions made concerning oil palm have not been verified, a few examples in palm oil based on default or historical data only very poorly take into account the effect of upcoming legislation. The carbon stock data was not verified and updated.

Therefore the analytical work should not be used as a good basis for determining how significant indirect land use change resulting from the production of biofuel. The relative consumption and competition between traditional uses of vegetable oils and biofuel uses with respect to price sensitivity of consumption is also poorly known.

Our observation that although there were some commonalities in the results of the 4 studies, some different results shown by the models

in terms of direction. These models can not convince us that palm oil can use models to determine ILUC quantitatively.

Brief comments on the other issues requested are as follows:

a. Projected volumes of conventional and advanced biofuels in 2020;

EU projection on advanced biofuels is optimistic, especially second generation biofuels, these projections reflect the emphasis on fuels which avert the food versus fuel debate, the need for technological innovations and progress in this area and therefore should be supported. Moreover a 70% share of first generation biofuels and 30% share of second generation biofuels, given that second generation biofuels are given double weightage means only in effect a 15% share by second generation biofuels which is not unachievable.

b. Assumptions around EU vehicle fleet and infrastructure in 2020, including diesel/petrol split and pace of introduction of new technologies;

We cannot give any comments on these assumptions since we are not familiar with EU infrastructure.

c. Model's treatment of crop yield growth 'in the baseline' and in response to growth in demand;

The baseline modelling on yield should be sufficient to take into consideration future yield increases. Yield increase due to growth in demand and price is very speculative and the assumption of increase in fertiliser use can increase GHG emissions. It may also assume increase in investments in R&D which is also very speculative and all these will result in results which are unreliable.

d. The underlying land use data;

The underlying land use data can be further improved. Available data sets seem to show different figures. The European Commission (EC) should collaborate with countries to verify land use data and data obtained through satellite images.

e. The carbon stock values used in modelling and the type of converted land;

The EC should be very careful in using carbon stock values and the type of land that will be converted. Indicative ranges could be used to compare relative carbon stock values of various land use covers, but this has to be verified. Calculations and assumptions on peat mostly used data produced by NGO have to be treated with caution in the absence of reliable data especially for tropical peat. The verification should be done to complement the historical approach in determining types of converted land to reflect anticipated future trends which may not follow historical trends. We stress the marked differences in results using the various models, for example the GTAP model for the Malaysia-Indonesia biodiesel scenario obtaining a low LUC of 0.08 ha/tonne oil equivalent whereas the LEITAP model for the Malaysia-Indonesia biodiesel scenario showing a much higher LUC figure of 0.43 ha/tonne oil equivalent. We note that JRC-IE has added to these models additional emissions from peat oxidation using an average value of 19 tonnes of CO_2 per ha per year and based on 33% oil palm expansion on peatland is estimated by researcher we feel it is wrong approach to combined peat used in Indonesia and Malaysia and peat oxidation emissions estimated at 57 tonnes of CO_2 per ha per year. These data need to be verified.

f. Models' treatment of co-products;

It is very speculative on which products the co-products will replace and in which country. Different assumptions will lead to varied results.

g. **Significance of the results in terms of hectares of land use change and emissions.**

The results of the various models vary considerably depending on the models, data used and the underlying assumptions. In view of these, we again stress that the ILUC element should not be used quantitatively in the EU RED in computing GHG emission savings.

2. **On the basis of the available evidence, do you think that EU action is needed to address indirect land use change?**

We would recommend that no action should be taken to incorporate ILUC component of emission in the calculation of GHG emissions from biofuels. However such monitoring from the EU would be more appropriate for the palm oil industry and if any course should be taken from this monitoring then it should not be a burden.

3. **If action is to be taken, and if it is to have the effect of encouraging greater use of some categories of biofuel and/or less use of other categories of biofuel than would otherwise be the case, it would be necessary to identify these categories of biofuel on the basis of analytical work. As such, do you think it is possible to draw sufficiently reliable conclusions on whether indirect land use change impacts of biofuels vary according to:**
   a. **Feedstock type?**
   b. **Geographical location?**
   c. **Land management?**

If so, please say which and indicate the evidence used to reach your conclusion.

We are of the view that a five year period of monitoring should be done as stated earlier but there should be no action to discriminate against any type of biofuels based on feedstock type, geographical location of land management based on modeling of ILUC. This is because we feel that the models and data used may not be reliable enough to allow fair attribution and measurement of effects.

Any action should be taken at this stage should not discriminate against any feedstock or biofuel. The biofuel production chains must be given the opportunity to make improvements and this should be based on critical analysis which include all of the important stakeholders

4. Based on your response to the above questions, what course of action do you think appropriate?

A. Take no action for the time being, while monitoring impacts including trends in certain key parameters and, if appropriate, proposing corrective action at a later date.

Please say how the monitoring should be done and what these parameters should be.

Option A would be more appropriate for Indonesia's palm oil industry at the moment. While proposing corrective actions at a later date should be made in accordance to the development of palm oil industry.

IPOC welcomes action by the EU as long as it does not endanger sustainable oil palm development.

The action in engaging important stakeholders is where the EU considers the risks to be the highest. Verify the assumptions used in the EU models. Define actions for mitigating the ILUC risk.

B. Take action by discouraging the use of some categories of biofuel.

Please say which biofuels, why and what sort of encouragement should be given.

We do not believe that there should be any discrimination between first generation biofuels in terms of ILUC but any encouragement of second generation biofuels using crop residues would be appropriate.

C. Take action by discouraging the use of some categories of biofuel.

Please say which biofuels and why, as well as what sort of measures should be taken, for example:

- **increasing the minimum greenhouse gas saving threshold for biofuels**
- **imposing additional sustainability requirements on certain categories of biofuel (these could, for example, require the use of practices that can help mitigate indirect land use change impacts)**
- **attributing a quantity of greenhouse gas emissions from indirect land use change to all biofuels that use land**

If the latter, please say how this should be calculated, and demonstrated – for example:

- **A factor based on the estimated (modelled) land use change from a marginal extra quantity of crop production**
- **A factor based on the average land use change from crops over some recent period;**
- **A factor based on any other consideration.**

Please also say:

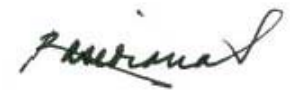
- **Whether it should be reviewed and if so how often**
- **Whether it should be implemented with any accompanying measures**.

We do not agree on any options available above since palm oil has quite high GHG emission saving compared to other biofuel raw material.

D. Take some other form of action

Please say what action and why.

We do not propose any other form of action



Dr. Rosediana Suharto
Indonesian Palm Oil Commission
October 2010

Additional Comments

1. That the root causes for land use change (LUC) are multi-fold and multi-sector and that the underlying causes of LUC must be understood and addressed before a significant reduction in LUC may occur.

2. We feel that addressing LUC and indirect LUC (ILUC) by one sector i.e. biofuels may leakage into other sectors and this will not have the desired outcome of reducing deforestation.

3. ILUC should not be introduced as legislation unless the forestry, agricultural and other sectors have also similar legislation.

4. That the main cause of ILUC and increase of land use change in the developing countries is poverty and to reduce deforestation measures must be introduced which alleviate poverty.

5. That penalizing economic operators for a phenomena over which they have no control will not lessen the impacts of ILUC.

6. Economic simulation models used to estimate ILUC depend strongly on input assumptions which are open to speculation and that the results of the models should only be used to indicate trends and we feel the results of these simulations should not be used to set policy.

7. ILUC should not be crop specific or geographic specific.

8. If introduced into legislation; the ILUC factor should be initially indicative for the first 5-10 years giving economic operators the possibility to respond.