Eleven business trends related to zero deforestation (full version)

Based on discussions at Innovation Forum's recent Singapore conference on how business can prevent deforestation, here's a few thoughts on some of the trends emerging, and the changing interplay between companies, NGOs and government

For those readers without enough time for the below (shame on you) here's a much shorter version of the below, basically headlines only. Click here to read them.

1) **Zero-deforestation pledges ARE making an impact.**

Since 2011, we've seen a revolution in corporate policy and commitments on deforestation generally and pulp and paper and palm oil sourcing specifically.

Started by bold moves from Nestlé and Golden Agri Resources and now covering more than 90% of palm oil trading and much of the pulp and paper sector, deforestation commitments have spread to companies such as Disney, 3M and many others.

These include Wilmar. It trades 40-45%

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Oil palm fruit, Riau, February 2014. Photograph by the author

of global palm oil and sources it too, yet the company set ambitious targets of the end of 2015 for eliminating deforestation from the supply chain.

There's been some scepticism from NGOs and other commentators about the recent flurry of commitments – most recently from companies such as Jardines/Astra – and the corporate ability and will to implement them. Cargill's recent slide to making 2030 commitments (palm oil excepted) has provided fuel to this fire. Here's a podcast that discusses this issue.

Wilmar may not hit its impressively ambitious 2015 targets – and if it doesn't, it will not fall that far short. But by setting them out so boldly the company has hugely raised the bar for the industry.

So, problems and challenges aside, even with the disagreement about what zero/no deforestation means in practice, company pledges since 2011 are starting to be reflected, fairly quickly, in meaningful performance.

2) **Governments are finally waking up – as haze chokes their voters.**

The Innovation Forum team, in various guises, has been organising and running sustainability conferences since 2001. At each one, over the past 15 years, attendees have wanted to know where the government representatives were.

Occasionally we'd get one or two environment or business department people, or a confused junior minister, but that was more or less it. It has seemed that governments, when it comes to sustainability, prefer the safety in numbers of other governments. A slow soldier wants to march in a group. And when it comes to policy and implementation/enforcement, we've seen a very laissez-faire approach in almost all nations for decades. And putting examples like the UK's wobbles on climate and renewables to one side, in emerging markets governments are waking up.

National park set on fire illegally for land clearance, near Riau, Sumatra, Indonesia, February 2014. Photograph by the author

China is ambitiously attempting to green various industries, more due to social unrest than concern about PPM concentrations of CO_2. Now even Indonesia is doing the same. Unhappy haze-ridden Singapore – don't forget that the haze is far far worse in Indonesia itself – is snapping at its neighbour's heels with the finally-ratified Trans Boundary Haze agreement and attempted enforcement.

So far, signs are that progress is not achieving the transformation required. China, despite its ambition, moves fairly slowly. Indonesia, with PM2 particulate levels in some parts of Sumatra at well over 1,000 (higher than 50 is not good!), is making more positive noises and trying to put out fires.

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But prevention is key, with the current El Niño, and the trend of a dryer Pacific Rim set to continue until perhaps 2017.

This means changing incentives (preventing burned land from being used for agriculture or mining) and beefing up enforcement. This seems to be happening, and the new-ish Jokowi government seems more serious than past Indonesian administrations.

But as many politicians in Indonesia own shares in palm oil companies, there is a complex conflict of interests in play. Lower prices for palm oil may help reduce market incentives for land conversion, but it will take time.

Protected forest, Riau, February 2014. Photograph by the author

Nevertheless, Singapore is angry and seems serious at least about making the right noises in public, censuring around six companies so far. How far their wrath can extend practically does remain to be seen.

One important point of note based on the limited academic research and anecdotal evidence (which is all we have right now) is that the haze in Asia and the associated land burning is mainly caused by a combination of semi-organised crime, small to medium sized companies, impoverished rural communities, economic migrants and smallholder farmers. A complex mix.

Large companies, spurred by mass pollution, media headlines and the threat of legal enforcement, are trying desperately to work out what they can do to stop it. Despite their size, they are not as powerful in this situation as many might think.

Furthermore, we do not want large companies "enforcing" the law, or their policies. That's a job for the authorities, especially if some form of force is required.

3) **Incentives are improving. Slowly.**

Finance facilities and banks are recognising both the importance and complexity of the deforestation issues and starting to think of innovative ways to create positive sustainable value with companies and governments.

We shouldn't overstate this point. Banks move slower than an oil company realising exploring in the Arctic is a bad idea. But they are vulnerable to pressure as Greenpeace proved recently with Santander over its financing with APRIL (before APRIL came to the table properly). My own view is that banks are soft targets when you can get past the hard shell of non-disclosure.

Norway famously pledged a billion dollars to Indonesia, but then couldn't find a way to spend it without corruption challenges. Recently the same incentive has been provided for Brazil, and we'll see how that works out, Petrobras political/business corruption issues notwithstanding.

Fish eagle, Riau, Sumatra, Indonesia February 2014. Photograph by the author

4) **The SDGs and COP21 will be a major boost to the no-deforestation movement.**

OK, so this is perhaps a bold statement. But on the other hand the Sustainable Development Goals do mention forestry quite specifically in a few ways, and COP 21 will no doubt recognise that whilst deforestation's net global contribution to CO2 emissions *seems* to be declining (from 20% fairly recently to something like 15% today), it's still a fairly easy potential "win" compared to preventing coal use, for example.

With that in mind it's clear already that nations mired in the economic doldrums (compared to past growth rates) in emerging markets *are* going to make some commitments to tackling climate change. Herein lie the contradictions of modern globalisation and trade.

On the one hand nations such as Indonesia are becoming "concerned" about "imperialist" interventions by NGOs, governments and large companies on issues such as deforestation. These have impacts on the availability of concession land for smallholder farmers and migrants who may vote. On the other hand these countries feel pressured (rightly) to commit to GHG emissions cuts in the coming decades to secure their egos (sorry, positions) on the international stage.

It's a messy situation, but was always thus in international relations, trade, post-colonialism and the environment. Ultimately, COP 21 being run out of Paris may help negotiators with commitments from emerging markets they may not have made five years or more ago, even if, as in India's case, they refer to intensity over absolute caps.

5) **Governments are pushing back as economic growth concerns grow.**

Now this is what sceptical commentators might call an "old and new" story. Russia, most (in)famously amongst G20 states, has pushed back against NGOs and activism on the environment in recent years. India then followed, targeting Greenpeace and others, and using brittle nationalism as the excuse.

Indonesia, never a big fan of foreign NGOs or corporate policies that impact growth (sorry, votes and cash) is now centre stage as COP21 approaches.

What does all this mean? Essentially, what we already knew: emerging market governments are pushing back against western, NGO-driven standards. Even despite slowing growth trends, impacted by China in particular, this still continues.

What began in Russia in 2006-7 continues in other big economic players as vested interests feel NGO pressure on corporate sourcing beginning to bite. Indonesia recently deported two key Greenpeace employees. Why? No one knows. I heard that they'd annoyed the wrong individual or ministry, so away they went.

More significantly, at the company level, firms have long had push back from the

Indonesian government preventing some areas of concessions being deforested. We've seen many a situation where government simply takes away "unused" land and hands it to "smallholders" (often a company owned by a member of parliament or the elite) or other operators for "economic development".

Perhaps a typical community in Sumatra, Indonesia. Riau, February 2014. Photograph by the author

So in terms of government action, particularly from Indonesia, there is the usual complex picture. Yes to some international commitments, to a degree, and seeing what Modi's India can get away with around intensity targets. But no to "too much" land being set aside for GHG sequestration or community land use.

The recent move to deport the two aforementioned Greenpeace employees, who were working on more technical matters in the no deforestation area rather than campaigns, apparently says more about internal politics and inter-ministry fighting than a policy shift towards NGOs.

On the other hand, nationalist tendencies and rhetoric about corporate or foreign power colonialism are never far below the surface in key nations in the forestry debate. And that goes for Indonesia, Malaysia with its huge ethnic and political tensions, countries in west and central Africa or even Brazil, embroiled in scandal and with the "chainsaw queen" as environment minister.

6) **Companies are not integrating community engagement policies into on-the-ground solutions as well or as fast as they indicate.**

OK, big business is an easy target. Perhaps deservedly pilloried in the past, today's judgments need to be more complex. Yes big firms have made billions deforesting south-east Asia, but do we want them on the conservation side, or the reverse?

So as Forest People's Programme and other NGOs constantly make clear, big companies have a long way to go on implementing their policies. That's a fair comment. Many, if not all, have made significant mistakes and have lacked the capacity and the on-the-ground partnerships for successful implementation and particularly, the holy grail of "effective capacity building". (See below for more.)

Boat building fisher folk in village, Riau, February 2014.

7) **However companies and others are often caught in the middle of difficult, sometimes-intractable land use and rights issues.**

(See above to avoid viewing this section out of context.) My view – drawn from our recent Singapore conference, other events in the past 12 months, and more generally from

Photograph by the author

15 years working on these issues – is that big companies, even traders or producers, never want to be caught up in land conflict issues (it is just plainly bad for business), but do so all the same, due to the nature of their businesses.

It’s like any mining, oil and gas or construction/heavy industry projects – just part of the game. The issue is, how you handle it. Many companies under significant pressure get this wrong. Or, at least, make some mistakes that are then easily seized upon by NGOs.

This is understandable. Having simple NGO-encouraged “no land grab” policies sounds great in (unread) sustainability reports, but in the real world of tax and workforce pay-oriented government interests, land conflict, real or otherwise, is unavoidable.

The key questions for big companies therefore are:

- Which relationships help you manage your way through this government and NGO/IGO quagmire?
- How do you translate what you know or want into meaningful policy?
- How do you enact/make change happen for stakeholders that is then deemed acceptable both in their communities, and by outside commentators?

Free prior and informed consent on the surface sounds like an excellent idea. But in practice it can raise some very tough challenges and questions that companies are struggling with. For example: what comprises consent exactly? And what happens when there is consent for a few years, but then it is “withdrawn”? Also since FPIC is quite a new concept, many guidelines are qualitative and subject to different interpretations, there are very few people (practitioners, companies, NGOs and governments) with deep understanding of the principles and even fewer with deep implementation skills and experience.

How should this be assessed, accepted and dealt with? When campaigning NGOs, sometimes guilty of raising community expectations (or those of vocal minorities in communities) beyond what is realistic or sustainable, use communities as campaign tools for overall reform, how should a company respond? How do we even define a community? (Is it to do with land tenure, migratory history, etc etc?)

These are not questions used to avoid responsibility in most cases, but genuine difficulties that companies – mainly comprised of engineers, financiers, project managers and technicians or sales people – are usually not equipped to handle.

Consultants are all well and useful, but only local NGO relationships can deliver the day-to-day monitoring companies need to help prevent small problems becoming much larger. And many companies believe they should themselves engage communities in FPIC as they will be in the long term relationship, not short term consultants nor non operational NGOs.

An understanding of the political economy of the local, regional and national environment and how that may affect projects is key. Yet companies continue to under-invest in preventative knowledge and insight. Growing disputes and misunderstandings around natural resources and land across Africa demonstrate this well.

8**) Smallholder farmers are becoming prominent in the debate.**


Riau, Sumatra, February 2014. Photograph by the author

Everyone wants to help 100,000 or so smallholders improve their yields and to somehow create traceability for their products from mill to port or factory.

Every large company has a smallholder programme. From cocoa to coffee to palm oil to cotton to sugar or hazelnuts, the list of commodities goes on. Mining companies have an interest too. The more enlightened amongst them seek to create sustainable communities not dependent on their particular project.

Yet there seems to be a lack of real impact assessment for these projects. Dozens of NGOs and alliances appear to be duplicating efforts and there's a considerable lack of coordination. This is partly understandable. NGOs get funded to deliver on set goals, not as part of coalitions. And companies, aware of the limitations that certification offers in soft commodities, are seeking to go way beyond these, and so create their own programmes to report against.

Smallholders will continue to be a major part of the debate in the coming years. This is partly due to corporate supply chain resilience concerns (up to half or even more of some commodities are smallholder produced) and partly due to the "good news" aspect of helping farmers, which can be promoted to employees, consumers and the general public.

We should expect more initiatives, not all of them effective, particularly for struggling industry associations attempting to stay relevant.

One relevant area here is technology. In worker rights in factories there are companies such as Labor Voices and others using technology to help with supply chain visibility and monitoring. In the deforestation and smallholder farmer empowerment area, technology is clearly much more complex. GPS and satellite technology is common.

But there's much more to be done on communicating with the individual farmer and with communities on sentiment measurement and yield improvement. Watch this space for scalable solutions.

9) **Yet they, rural communities and smaller/medium sized companies (plus apparently some criminal gangs) are the ones burning and clearing land for agricultural conversion**.

Smallholders and others are more likely to be responsible for the current haze than the larger companies, who have policies and reputations to defend (and have no economic case for burning).

As mentioned previously, the current south-east Asian haze cannot really be blamed on the likes of Asia Pulp & Paper, Wilmar, APRIL, Musim Mas et al. Yes some of their concession land burns, but mainly due to encroachment rather than intention. Much of big company land information is now available on satellite mapping and GPS, which are welcome transparency tools.

Where big companies can play a role is in driving traceability down their own supply chains – small to medium sized companies selling produce grown on land converted illegally have to sell to someone – and with appropriate government lobbying and support of enforcement.

We're not yet at the point of having an escrow fund contributed to by business to help prevent land burning, but if current trends continue it may not be out of the question.

Sumartan villager dependent on rubber, oil palm and fishing, Riau, February 2014. Photograph by the author

10) **NGOs need to be more consistent and not just target leading companies over smaller rivals with less brand "air time".**

This is a sensitive point. At our recent conference in Singapore, as in public, campaigning NGOs were enthusiastically pushing well known brands about some of their suppliers and about specific issues where they claimed breaches of policy were happening.

Companies leading in the space are the first to admit they are not perfect, but disagreements are emerging about the ethics of transparency. For example, at least one large company, against the wishes of campaigners, refuses to publish the list of suppliers it has stopped doing business with.

This is because, according to the company, doing so would threaten the economic viability of the supplier. Instead, they wish to dangle the carrot of future purchasing, not push the company to bankruptcy or selling to less scrupulous brands or customers. Campaigners respond that the stick of "public accountability" will drive change.

The company in question, and many others, prefers the carrot behind the scenes to drive change. This is a culture clash that is set to continue. Campaigners, who have played a major role in pushing companies to adopt better (or just some) policies and targets are now justifiably criticised for being obsessed with the leading firms, and relatively minor policy breaches, rather than scaling their approach by targeting smaller but more damaging companies with less visible brands.

11) **Certification is both under the microscope and less on the agenda.**

There has been a big shift in the debate around sustainable commodities compared to five years ago and it's exponential compared to ten years ago. That's the role of setting higher standards and certification.

Five years ago, everyone was obsessed with certification, it was the only thing, more or less, that was being proposed as a solution. There was much hand wringing about it and its failings, how we might improve it. Many great minds spent great time and energy grappling with the dilemma. Companies spent a lot of money.

Fast-forward half a decade and our recent Singapore conference was just another where certification wasn't really in the room let alone front and centre. The RSPO wasn't even present and FSC were only there because we invited them to defend their position.

So, a push to a values-based process seems to have taken root, to a degree. We are indeed going beyond the narrow confines of the certification debate to grapple now with the "real stuff", beyond the 10-20% that certification schemes get stuck at.

There are smallholders who are excluded by certification, organised criminals, legality issues, and by government – but there is a genuine grappling with these areas today. Previously it was about getting certified and be "sustainable" and the world will be a better place.

This debate about certification – or the lack of it in forums that gather the leading companies and on-the-ground NGOs together – shows its limitations sharply. Whether we are headed to "beyond certification" or "certification and beyond" is not yet clear, but the question is very firmly on the business agenda.

Toby Webb is founder of Innovation Forum.

Further information:

- Click here for eight podcasts on sustainability and the no-deforestation debate.
- Download from here Innovation Forum's most recent management briefing on how business can prevent deforestation.
- For full details on how to meet and engage with the leading players in forestry, palm oil and the no deforestation debate at Innovation Forum's upcoming conference on business and deforestation, in London on 2nd-3rd November, click here.
- Head to Innovation Forum's website for information about our Washington DC conference on deforestation in April 2016 and for analysis and various other free briefings, podcasts and downloads on this and other soft commodities and sustainability issues..

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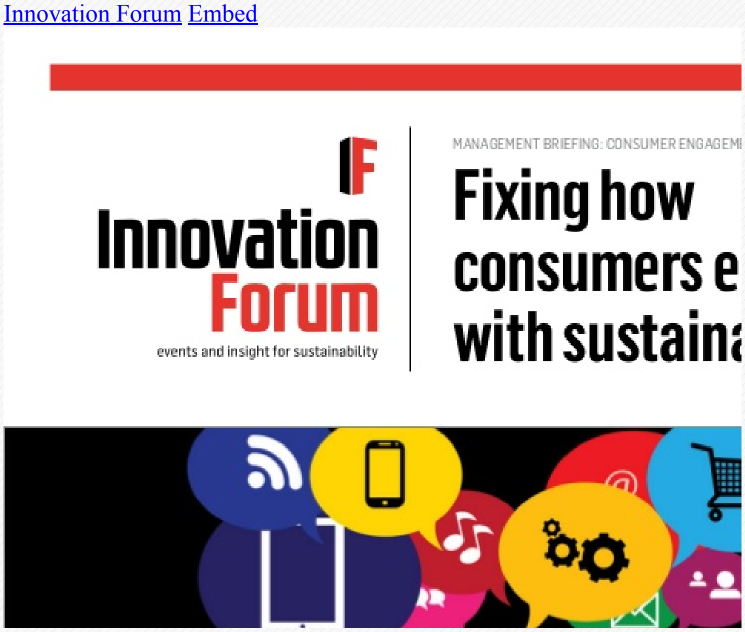

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