

# Managing the Impact of Commercial Agriculture on PNG's Forests

## AGRICULTURE

This brief presents the key findings of a study on managing the impact of commercial agriculture on PNG's forests, while allowing for ongoing growth of this sector.

Papua New Guinea (PNG) has ambitious plans to increase agriculture production through a combination of increased productivity (by 60%) and increased land under cultivation (by 180%). Plans for the cocoa and coffee sectors are focused on improving the productivity of existing plantations while the palm oil sector aims to expand the area under cultivation and represents a significant threat to PNG's forests. The area currently under oil palm cultivation is set to more than double in the short term and increase to 1.5 million hectares by 2030, according to government plans.

This expansion is not in line with the sustainability standards currently applied by palm oil producers in the country and presents a potential reputational risk to the entire PNG palm oil sector, which is currently world renowned for producing sustainably certified oil.

The global palm oil industry is moving towards internationally recognized standards as a norm. Companies responsible for 90% of global palm oil trade have committed to zero net deforestation in their supply chains by 2020. The Netherlands, UK and Germany, the largest purchasers of palm oil products from PNG,

recently signed the Amsterdam Declaration to ensure that by 2020, 100% of palm oil entering their countries is from sustainable sources.

To reduce the risk to forests and ensure the profitability and long-term sustainability of the palm oil sector, it is recommended that PNG position itself as a global leader for sustainable palm oil production. This is fully aligned with the PNG government's long-term strategy expressed in StaRS and its associated Green Growth Framework and would benefit PNG's people, economy and the environment.

### Two key palm oil-related recommendations are proposed for PNG's National REDD+ strategy:

- A **National Policy for Sustainable Palm Oil** to be developed by mapping appropriate areas for expansion and "off-limits" areas to help guide future expansion.
- A **Multi-Stakeholder Palm Oil Platform** to be established to strengthen coordination in the sector and help to both develop and oversee policy implementation.

# Different impacts by commodity

## The policy environment

The agricultural sector is central to economic growth and poverty reduction. The sector has contributed 25 to 40% GDP over the past 40 years and around 85% of the population are dependent on agriculture for their livelihoods. Despite this, productivity levels are relatively low by international and regional standards.

Expansion plans for palm oil, coffee and cocoa are a key parts of government's long-term strategy to develop a world-class agricultural sector that is responsive to international and domestic markets by 2030. Government is targeting improvements in agricultural productivity by 60% and expansion of area under cultivation by 180%.

Government support of agriculture sector is limited, with a lack of coordination between government departments, little dialogue and transparency between the different actors engaged in agricultural commodities, low capacity in government departments to enforce existing legislation, and an agriculture budget representing less than 2% of public spending.

There is an emerging policy direction for a stronger and more sustainable agricultural sector.

- The **Agriculture Administration Adjustment (AAA) Bill** redefines the role of the Department of Agriculture and Livestock (DAL), all commodity boards and agencies, provincial agencies and the manner in which they interact with each other. The **Agriculture Investment Corporation (AIC) Bill** establishes the Agriculture Investment Corporation and details how to secure funding and manage investments in the agriculture sector. Implementation of these bills will require significant strengthening of dialogue, coordination and trust between institutions and stakeholders in a sector that is currently highly fragmented.
- **StaRS, the National Strategy for Responsible Sustainable Development**, and its associated Green Growth Framework, aims to establish PNG as a global leader in high-quality agricultural production.

## Fast facts on commercial agriculture

<b>659,000ha</b>	Area covered by commercial agriculture in 2013 <sup>1</sup>
<b>14.3m ha</b>	Area of land identified as viable for agriculture <sup>2</sup>
<b>5.1 m ha</b>	Area covered by Special Agricultural Business Leases (SABLs) <sup>3</sup>
<b>800,000ha</b>	Area over which Forest Clearance Authorities (FCAs) issued to clear for commercial agriculture <sup>4</sup>
<b>180,000ha</b>	Area of viable Palm Oil Plantations identified out of 1 million ha of SABL's allocated for palm oil <sup>5</sup>
<b>60% &amp; 180%</b>	The desired increases in productivity and cultivated land targeted by the Government of PNG <sup>2</sup>
<b>288,000ha</b>	Area covered by oil palm plantations the largest area of all commercial crops <sup>1</sup>
<b>\$470m</b>	Value of Oil Palm exports in 2014, 5.5% of all exports <sup>6</sup>
<b>200,000ha</b>	Area estimated of oil palm plantations currently under development <sup>7</sup>
<b>\$300m</b>	Value of Coffee and Cocoa exports <sup>6</sup>
<b>10million tonnes CO<sub>2</sub>e</b>	Estimated annual emissions if over 30 years 4million ha of undisturbed lowland forest is converted to oil palm <sup>8</sup>

1 PNGFA (2014) *Forest and Land Use in Papua New Guinea 2013*  
 2 GoPNG. (2010) *Papua New Guinea Development Strategic Plan 2010-2030: Our Guide to Success*  
 3 Greenpeace (2012) *Up For Grabs*  
 4 PNGFA Draft National Forest Plan (2013) unpublished  
 5 Nelson P.N., Gabriel J., Filer C., Banabas M., Sayer J.A., Curry G.N., Koczberski G., & Venter O. 2013. *Oil palm and deforestation in Papua New Guinea*. *Conservation Letters*, 7 (3), 188-195.  
 6 The Observatory of Economic Complexity [http://atlas.media.mit.edu/en/profile/country/png/#Economic\\_Complexity\\_Ranking](http://atlas.media.mit.edu/en/profile/country/png/#Economic_Complexity_Ranking)  
 7 Petit and Bito (2016) *Towards Sustainable Agricultural Commodities in Papua New Guinea – the Case of Palm Oil, Coffee & Cocoa*. FCPF  
 8 Estimate based on conversion of mix of primary and degraded lowland forest (75%/25% respectively) to palm oil with an estimated C value of 132tonnes ha<sup>-1</sup>.



## Palm Oil

The palm oil sector, the country's biggest agricultural export at close to Kina 1 Billion per annum, is expected to have the largest impact on PNG's forests in the short to medium term. Expansion is already occurring in multiple provinces including East New Britain, New Ireland, Western Sepik and Eastern Sepik, with an estimated 200,000ha under development above and beyond the existing 150,000 ha established by New Britain Palm Oil Limited (NBPOL) and Hargy Oil Palm (HOPL) Limited, with new mills also entering into operations. New developments are operating under Special Agriculture and Business Leases (SABLs).

PNG's palm oil producers have competed internationally in the past by marketing quality over quantity, specifically through attaining certification of production with the Roundtable on Sustainable Palm Oil (RSPO). PNG currently has the world's highest percentage of sustainably produced palm oil, 93% in 2014, and has the 3rd largest area of certified plantations.

With the arrival of new investors operating under SABLs, PNG have now two different types of palm oil production:

- (i) Production under the certification process of RSPO or other standards, which the European Market increasingly demands,
- (ii) Non-certified production likely to be sold to the Chinese or Indian markets in the short to medium term.

The large scale development of uncertified palm oil could significantly impact on existing certified producers as well as the long- term profitability of the sector.

A **National Policy for Palm Oil** with sustainability requirements for all palm oil production in PNG is urgently needed if PNG wants to maintain its reputation and maintain access to western markets.

## Summary facts on palm oil

**K1 billion**

PNG's largest agricultural export with over Kina 1 billion exported in 2014<sup>1</sup>

**150,000ha**

Established plantations and smallholder plots cover approximately 150,000ha<sup>2</sup>

**87%**

The main producer (NBPOL) represents 87% of national production and employed around 23.000 people in 2014<sup>1</sup>

**International price premium**

Main established producers (NBPOL and HOPL) certified by the Roundtable on Sustainable Palm Oil (RSPO) attracting an international price premium<sup>1</sup>

**200,000ha**

New plantings estimated to be under development in East New Britain, New Ireland, Western and Eastern Sepik as part of SABLs<sup>3</sup>

**Certified expansion**

Area of land available for certified expansion limited and not fully mapped<sup>4</sup>

**Next 15 years**

The government is targeting a ten-fold increase in production area in the next 15 years<sup>5</sup>

**No national policy**

There is no existing national policy for palm oil making rapid expansion vulnerable to high environmental and social impacts<sup>6</sup>

**Global demand**

Demand for internationally recognised certification standard is increasing rapidly at the global level<sup>2</sup>

**Reputation risk**

Development of uncertified production in PNG presents a reputation risk to the "PNG Palm Oil" brand<sup>2</sup>

1 The Observatory of Economic Complexity [http://atlas.media.mit.edu/en/profile/country/png/#Economic\\_Complexity\\_Ranking](http://atlas.media.mit.edu/en/profile/country/png/#Economic_Complexity_Ranking)

2 Petit and Bitto (2016) Towards Sustainable Agricultural Commodities in Papua New Guinea – the Case of Palm Oil, Coffee & Cocoa. FCPF

3 The estimate based on conversion of mix of primary and degraded lowland forest (75%/25% respectively) to palm oil with an estimated C value of 132tonnes ha-1 (based on median IPCC value for oil palm land use). It should be noted that this value is extremely susceptible to changes in crop and accounting that alters the carbon value of that crop and the type of forest converted. For example the IPCC values for oil palm alone vary from 62-202 tCha-1, which, if applied to the estimate used with all other factors kept equal gives an emissions range between less than 1m and nearly 20m tonnes CO2e per annum.

4 PNGFA Draft National Forest Plan (2013) unpublished

5 Government of Papua New Guinea (GoPNG). 2010b Papua New Guinea Development Strategic Plan 2010-2030: Our Guide to Success. Department of National Planning and Monitoring (ed.), Port Moresby.

6 Parliamentary Inquiry quoted in Lawson (2014), information on contracts from Greenpeace (2012) Up For Grabs

## Global change in markets



International demand is growing for sustainably certified and deforestation-free commodities.

The palm oil sector is under increasing scrutiny from governments, regulators, NGOs, investors, and consumers. Some of the largest companies have recently adopted sustainability targets and sourcing policies, to ensure that palm oil is traceable, sustainable and deforestation free.

Business as usual is no longer an option for producers, companies or government wanting to remain competitive with investors, buyers, traders, and ultimately China and India all converging around the concepts of **sustainability and traceability**.

## What can be done in PNG?

**PNG's National REDD+ strategy should include the palm oil sector**

This goal is fully aligned with its long-term strategy as formulated in StaRS and its associated Green Growth Framework.

**PNG should position itself as a global leader for sustainable palm oil production**

This will help PNG to:

- Align with the corporate and political momentum for traceable, sustainable and deforestation-free palm oil.
- Remain internationally competitive, maintain access to premium markets and secure foreign exchange.
- Reduce poverty and safeguard social interests and communities.
- Protect the environment, reduce forest loss and associated emissions.
- Facilitate access to REDD+ financing.

**PNG will establish a National Multi-Stakeholder Palm Oil Platform (PNGPoP)**

To improve dialogue, coordination, transparency, ownership and trust and ultimately ensure the credibility, competitiveness, profitability and long-term sustainability of palm oil in PNG.

**PNG should develop a national policy for sustainable palm oil**

Developing a national policy that addresses the root causes of unsustainable palm oil production in PNG will reduce the risk of deforestation associated with palm oil expansion. This policy will be developed in two phases:

- A groundwork study to identify information gaps and develop policy options.
- Development of a policy proposal through a rigorous multi-stakeholder consultation processes.



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