SUMMARY

FARIS SALMAN. Palm Oil Plantation Readiness to Certify Against RSPO: A Case Study in PT BCA. Supervised by MUKHAMAD NAJIB and SETIADI DJOHAR

Facing the negative image of palm oil plantation operation activity, such as burning and endangering the biodiversity, BCA needs to change to obtain consumers trust that their product came from sustainably cultivated palm oil. BCA is accused with misconduct, such as land grabbing, environmental destruction, and causing social conflicts with locals, then persuaded to conform with transparency and come clean with palm oil operation mishaps. To be enlisted as RSPO member means comply to certain principles and criteria which should be able to negate the accusations. However, RSPO member registration requires organizational readiness; e.g. administration, operation, and financial.

This research tried to identify the gap between RSPO principles and criteria (RSPO P&C) and current condition of the organization, identify the benefits and costs that might occur with the registration and certification, and try to come up with an implementation strategy to overcome the gap with RSPO P&C. We compare against 139 indicators of RSPO P&C and conduct an ex ante financial analysis under two assumptions: the company will not certify while still be able to produce and certify and produce sustainably. Enlisting without preparation can cost company fortune without certainty to pass the audit process.

From 139 indicators, there are 124 indicators that are applicable while the other 11 are not applicable due to environmental limitation (e.g. peat, steep hill). 26 major and 24 minor indicators are found comply with RSPO requirement while the remaining 41 major indicators and 33 minor indicators are categorized as not comply. Incompliance in the actual audit will have to be resolved in 60 days before the company fail to obtain the RSPO certificate for major indicators and 1 year for minor indicators.

The plantation can prep the current condition to meet the RSPO standard in two years before enlisting as RSPO member and conduct the initial audit. The company however, should focus on several main concerns such as: HCV analysis, GHG emission accounting, adapting the NPP, FPIC, and LUCA analysis regarding to the land clearing and planting, adhere to transparency, law conformance, and internal audit system establishment, establishing the good agriculture practice for palm oil, and adjustment in health and safety environment, and waste recycling.

With the business as usual scenario, with all the operation and CPO production intact, the palm oil plantation business has the value (NPV) of 3.8 trillion rupiahs with IRR at 34.86%. The RSPO certification will cost the plantation as much as 352.6 billion rupiahs with an income addition from the premium at 0.5 billion rupiahs. The investment value of the company (NPV) with RSPO certification is valued at 3.2 trillion rupiahs with IRR at 29.85%. The company’s concern is placed at the opportunity value of establishing another palm oil plantation. The non-financial benefit of certifying and become RSPO member for the plantation are to obtain market defence and reputation amendment, especially as the company’s commitment to run a sustainable palm oil operation.

Keywords: palm oil, sustainable palm oil plantation, RSPO, certification