
**Implementation of Indonesian Sustainable Palm Oil Certification in Realizing Sustainable Business:
A Comparative Study with the European Union Deforestation Regulation****Fadiah Tarisa Sabrina**

Universitas Pembangunan Nasional "Veteran" Jakarta, Indonesia

Email: 2110611135@mahasiswa.upnvj.ac.id

Abstract:

This research examines the implementation of the Indonesian Sustainable Palm Oil (ISPO) certification in promoting sustainable palm oil business practices in Indonesia, through a comparative study with the European Union Deforestation Regulation (EUDR). The background of this study stems from the strategic role of palm oil as a major national commodity that significantly contributes to the economy yet faces sustainability challenges. The ISPO certification is intended to ensure business practices that are legal, environmentally friendly, and socially equitable. However, there are still gaps in its implementation, especially in meeting the stringent standards of the EUDR, which requires for products that exports to the European Union. This study aims to analyze the legal framework of ISPO in promoting sustainable business practices and to identify the legal implications arising from the differences in standards between ISPO and the EUDR, particularly in terms of legal certainty and global market access for Indonesian businesses. The research adopts a normative juridical approach with qualitative analysis of national and international regulations, as well as relevant literature studies. The results of this research are expected to provide more effective and inclusive policy recommendations, strengthen international recognition of the ISPO, and protect the interests of smallholder farmers and local communities within Indonesia's palm oil supply chain amid evolving global regulatory dynamics.

Keywords: *Indonesian Sustainable Palm Oil (ISPO), European Union Anti-Deforestation Regulation (EUDR), Sustainable Business*

Corresponding: Fadiah Tarisa Sabrina
Email: 2110611135@mahasiswa.upnvj.ac.id

**INTRODUCTION**

Oil palm is one of the strategic plantation commodities in economic activities in Indonesia because of its ability to produce vegetable oil needed by various industrial sectors. Palm oil consists of two main types, namely *Crude Palm Oil (CPO)* or crude palm oil and *Palm Kernel Oil (PKO)* or palm kernel oil. These two types of palm oil have characteristics that can be applied in a wide and diverse range of sectors, both as food and non-food. For example, in the food industry, cooking oil and margarine are used as the main ingredients, while in the non-food industry, they are used as raw materials for oil in the oleochemical industry and biodiesel (Growth, 2011; Rahayu F., 2020; W Tuslian, 2021).

This high flexibility of use shows the strategic role of palm oil as a multifunctional commodity that supports various industrial needs. Palm oil is also known as the crop with the highest oil productivity with relatively low production costs, making it the vegetable oil with the most stock availability and high consumption rate in the world. The nature of oil palm plants that are able to produce all year round also strengthens its position as a stable and sustainable source of vegetable oil.

Palm oil commodities hold strategic value in national development because they encourage the development of agribusiness as a whole, from upstream to downstream. The palm oil industry is one of the significant sources of regional income for rural residents and smallholders with an average income of seven times higher than the income of food commodity farmers. According to the Secretary General of the Indonesian Palm Oil Entrepreneurs Association (GAPKI), the palm oil sector has a wide labor absorption capacity. On the upstream side, 59% of this sector is managed by companies and the remaining 41% is managed by the community. The Head of Bappenas also assessed that the palm oil industry plays an important role in improving people's welfare, as it is able to absorb around 16.2 million workers with details of 4.2 million direct workers and 12 million indirect workers.

Along with the global population growth, the demand for palm oil has increased significantly. Indonesia, as the world's main producer and exporter of palm oil, is able to respond to demand with a contribution of around 57% to total global production which reaches 77.3 million tons in the 2023-2024 period. Most of the production is exported to foreign countries and the rest is marketed domestically (Apriani and others, 2020). Palm oil exports span five continents, namely Asia, Africa, America, Australia, and Europe. In 2023, as much as 97.64% of Indonesia's total CPO exports will be imported by five main countries, namely India, Italy, Malaysia, the Netherlands, and Kenya. Until 2024, the value of Indonesia's palm oil exports was recorded at US\$ 27.75 billion or equivalent to Rp 440 trillion, showing a large contribution to foreign exchange and state revenue (Marzuki, 2016; Direktorat Bina Pengolahan dan Pemasaran Hasil Hutan, 2024).

Rapid production growth presents ongoing challenges that require comprehensive handling. The acceleration of palm oil growth has raised concerns about the neglect of *sustainability* principles, as the area of oil palm plantations in Indonesia shows a consistent trend of increase from year to year (Apriani, 2020; Sawit, 2025). The average growth area of oil palm plantations in the last decade (2015–2025) reached 4.90% per year. In 2024, it will increase to a total of 16.8 million hectares, with details of 6.78 million hectares owned by the people, and 493 thousand hectares owned by the state. Although there had been stagnation from the enactment of Presidential Instruction Regulation Number 8 of 2018 concerning the Postponement and Evaluation of Oil Palm Plantation Licensing, the expansion of oil palm land continued. The development of oil palm plantations that extend into forest areas has disrupted the living space of endemic animals and led to the degradation of their natural habitats. Data shows that there are a total of 252 thousand hectares of illegal palm oil land in forest areas planted by companies holding *Indonesian Sustainable Palm Oil* (ISPO) certification. Deforestation due to oil palm over the past eight years has also reached 330,500 hectares or an average of 55,083 hectares every year. The expansion contributes to the loss of biodiversity, endangered species, and triggers social conflicts with communities around plantations. Companies that hold ISPO certification should hold sustainable principles that prioritize aspects of legality, environment, and long-term socio-economic feasibility in accordance with Articles 3 and 4 of Presidential Regulation Number 44 of 2020 concerning the Indonesian Sustainable Oil Palm Plantation Certification System.

The President of the Republic of Indonesia, Prabowo Subianto, in the National Medium-Term Development Plan (RPJMN), targets food and energy self-sufficiency as the basis for sovereignty. One of the energy self-sufficiency policies is through the expansion of palm oil in the midst of oil palm actors trying to pursue anti-deforestation standards, namely *the European Union Deforestation Regulation* (EUDR) 2023 which will take effect in 2026. Under this policy, businesses exporting to the

European market must show proof that their products do not come from newly cleared or deforestation land and do not cause forest destruction. Some other crucial elements regulated by EUDR include *country benchmarking system, due diligence, strict traceability*.

This poses several challenges for Indonesia, as Europe is a potential market with good prices, a major destination for palm oil and non-oil and gas exports, and the third largest trading partner that is quite stable for Indonesia. The implementation has the potential to reduce the volume of exports and income obtained from the palm oil sector, thereby affecting the welfare of farmers and workers in this industry. In addition, due diligence obligations in the EUDR could shift the role of ISPO certification and create uncertainty about its recognition in the EU market. Previous research by Hospes et al. (2017) examined the political and institutional dynamics in the development of ISPOs, and concluded that this national certification system still faces challenges to legitimacy at the global level due to weak transparency and internal oversight mechanisms. On the other hand, research conducted by Oktrias & Suharyanti (2021) highlights Indonesia's response to international pressures related to deforestation practices, but tends to focus on aspects of global trade diplomacy and regulation, without comprehensively exploring the socio-economic impacts at the level of farmers and local communities. Both studies provide an important understanding of Indonesia's position in global palm oil governance, but have yet to integrate a multidimensional approach between sustainability policies, national certification, and complex EUDR regulations. This research is here to fill this gap by critically analyzing how ISPO can be strengthened to align with EUDR principles, while addressing concerns about its impact on smallholder welfare and national economic resilience.

Based on this description, this study aims to analyze how Indonesia can strengthen and clarify the role of ISPO as an internationally recognized national certification system, in order to ensure global trade access, including the European Union to remain open to the implementation of EUDR regulations. This research highlights the significant impact of EUDR on Indonesia's palm oil industry, both in terms of challenges and opportunities, as well as the urgency for Indonesia to adopt more sustainable production practices to maintain global competitiveness. In addition, this study also emphasizes the importance of understanding the implications of these regulations for smallholders and local communities who are often the most affected. Gaps in previous research have generally focused on quantitative aspects and have not adequately examined the socio-economic dimensions of EUDR implementation. Therefore, this research is expected to contribute to the development of more effective and inclusive sustainability policies, not only meeting international demands, but also in line with the national legal framework and sustainable oil palm plantation goals of the Indonesian government.

RESEARCH METHODS

The research method used is normative juridical law research. Normative juridical law research is legal research that focuses on research sources from literature sources as primary legal material. Normative juridical law research is carried out by reviewing and collecting secondary data. Secondary data includes primary legal materials, secondary legal materials, and tertiary legal materials. Normative juridical law research is carried out by studying the literature of various formal legal rules, namely those written in laws and regulations, theoretical literature, research by experts and then combined with the problems that are the subject of discussion. The problem approach in normative juridical law research uses a statute *approach* by examining all related regulations and a *comparative approach* by comparing legal regulations in other countries.

RESULTS AND DISCUSSION

Indonesian *Sustainable Palm Oil* (ISPO) Certification Standards in Encouraging Sustainable Palm Oil Business Practices in Indonesia

The Government of Indonesia has set the provisions of certification standards *Indonesian Sustainable Palm Oil* (ISPO) through various regulations. Among them, Law Number 39 of 2014 concerning Plantations (which has been amended to Law Number 6 of 2023), as well as more detailed provisions are regulated in Presidential Regulation (Perpres) Number 16 of 2025 and Regulation of the Minister of Agriculture (Permentan) Number 38 of 2020. The regulation aims to ensure sustainability in social, economic, and environmental aspects in oil palm production to post-harvest. The implementation of ISPO regulations in Indonesia is based on realizing its three main visions, namely: ensuring the management and development of oil palm plantations in accordance with ISPO principles and criteria; increasing the acceptance and competitiveness of Indonesian oil palm plantation products in the national and international markets; accelerate the reduction of greenhouse gas emissions.

ISPO certification is now mandatory for all smallholders and oil palm business actors, including downstream industries, plantation businesses, and bioenergy. Certificate holders are required to consistently maintain the seven principles and criteria of the ISPO, namely:

1. Compliance with laws and regulations;

ISPO obligates palm oil plantation business actors to meet all legal certification requirements. Business actors must fulfill ISPO certification requirements in the form of land and plantation business legality regulated by various laws and regulations. In the land legality process, ISPO only issues certificates for companies possessing administrative and technical requirements such as plantation business permits (IUP), Right to Cultivate (HGU), Certificate of Cultivation Registration (STDB), or other land rights certificates like Freehold Title (SHM), according to statutory provisions. Palm oil plants must be located on land that does not violate legal provisions intended for natural resource conservation, such as not originating from massive forest clearing, not located in protected forests, peatlands, or disputed land.

2. Good plantation practices;

Good Agricultural Practice (GAP) is the application of good cultivation practices to sustainably increase productivity. Good plantation cultivation practices can be implemented through zero-deforestation or deforestation-free policies that limit the expansion of oil palm plantations. The provisions regarding deforestation-free policies align with Article 33 paragraph (4) of the 1945 Constitution, stating that the management of natural resources must be environmentally informed and sustainable. Business actors are required to obtain environmental management permits and implement principles of environmental management, natural resource management, and biodiversity by preserving, minimizing environmental impacts, and managing wisely.

Environmental management provisions include fulfilling environmental impact assessments (AMDAL) and regulating waste as well as the use of renewable energy by business actors. Fundamentally, oil palm plantations cause environmental impacts due to changes in land and natural forms, resource exploitation, and pollution or destruction of the environment. Environmental and social assessments or AMDAL must be conducted and

implemented from the planning stage when designating an oil palm plantation area. When opening oil palm plantation land, business actors are obliged to consider land areas, water management systems, road infrastructure, and post-harvest regulations regarding palm oil waste management, fire or disaster control, protection of biodiversity conservation areas, and energy efficiency. Assessments need to be conducted to prevent potential impacts arising from plantation activities and to improve sustainable efforts. This can be done through the development of programs and action plans that support business sustainability, including production and the welfare of local communities.

3. Management of the environment, natural resources, and biodiversity;

Environmental management, natural resource management, and biodiversity are fundamental aspects in the ISPO certification standards emphasizing the importance of ecosystem preservation in oil palm plantation business practices. This principle intersects with business actors' fulfillment of AMDAL obligations to protect primary natural forests and peatlands that have important ecological functions, as well as prevent environmental damage caused by plantation activities. This principle is part of the mitigation strategy against climate change and biodiversity loss, while ensuring that palm oil production is conducted sustainably.

4. Labor responsibility;

Certified business actors are required to respect and protect the rights of all employee workers by being responsible for labor rights. This includes guidelines for occupational safety and health, worker skill training, wages and worker requirements that at least meet industry or legal minimum standards, mandatory registration in employee social security programs, as well as prohibition of forced labor. Business actors are also required not to be involved in or support acts of harassment, discrimination based on race, religion, gender, age, and employing child labor, as stipulated in national legislation.

5. Social responsibility and community economic empowerment;

ISPO also requires business actors to be responsible for environmental, social, and cultural impacts caused by the profits gained. Business actors must contribute to environmental restoration, social development, and economic empowerment. Social responsibility and economic empowerment criteria regulated in Article 4 paragraph 5 of Law No. 38 of 2020 explain that responsibility covers social community aspects, empowerment of local communities, customary law communities, development of local-owned enterprises, and environmental restoration around the plantations. Business actors can fulfill this responsibility through corporate social responsibility (CSR) or corporate social responsibility programs.

6. Transparency; and

The principle of transparency is required in palm oil operational processes, as business actors must comply with openness regarding the pricing determination of ripe and ready-to-harvest palm fruit bunches known as Fresh Fruit Bunches (TBS). In Minister of Agriculture Regulation No. 38 of 2020, ISPO certification bodies are required to assess the business actors'

supply chain systems, complaint handling, and commitment to refrain from bribery. The transparency criterion ensures that the TBS received by palm oil processing units is openly accessible. Therefore, plantation business actors are prohibited from accepting TBS originating from illegal logging, theft, or production involving raiding of state forests.

7. Increasing sustainable business practices

The final principle in ISPO emphasizes the importance of sustainability not only in environmental aspects but also in governance and socio-economic dimensions, as regulated in previous principles. This principle requires palm oil business actors to actively monitor and update all licensing documents they hold to ensure operational legality is maintained in accordance with applicable regulatory developments. Additionally, business actors are required to have social responsibility and community economic empowerment programs that are measurable and designed for a certain period. These programs aim to create harmonious relationships between companies and local communities and encourage tangible contributions to social and economic development around the plantations. Thus, this principle not only represents administrative compliance but also promotes long-term responsibility towards society and the environment within the framework of sustainable business.

There is a significant difference between ISPO's sustainability vision and the realities of its implementation in the field. Previously, ISPO national certification implementation, based on Ministry of Agriculture data, reached 5.1 million hectares or 31% of the total Indonesian palm oil plantation area in 2023. However, as of 2025, ISPO implementation stagnates, reaching only 1% of total Indonesian palm oil plantations, with mandatory ISPO certification for all business actors slated for November 2025. This stagnation is mainly due to the reluctance of business actors, especially smallholder farmers. Business actors delay participation because ISPO regulations have not offered clear benefits for local palm oil farmers.

Incentives offered by Presidential Regulation No. 16 of 2025 regarding ISPO for business actors and local farmers are considered limited. No tax relief, credit provision, funding, or opportunities for access to the global market are stipulated in ISPO regulations. The certification cost for ISPO remains relatively high for local farmers, ranging from IDR 1.9 million to IDR 5 million per hectare. Financial assistance for ISPO certification explained in regulations has not yet been given to local palm oil farmers from state or regional budgets managed by the Palm Oil Plantation Fund Management Agency (BPDPKS). Additionally, small-scale business actors consider ISPO standards unable to demonstrate credible, reliable sustainability standards and provide benefits recognized by the international market.

The government could strengthen legal legitimacy by managing indigenous people's land rights and smallholder farmers, including land redistribution for those meeting requirements, and simplifying administration and documentation for easier access. This is important because technical arrangements regarding communal rights for local communities and/or customary law community territories are not yet clearly regulated.

Regulations on ISPO also have major substantive weaknesses in environmental aspects, especially regarding the definitions of forest, deforestation, and implementation time frames. ISPO does not explicitly regulate these definitions, while the EU, through its European Union Deforestation

Regulation (EUDR), provides clear definitions. For example, the term “forest” in ISPO refers to the national legal framework, Law No. 41 of 1999 concerning Forestry, while the EU defines it differently. Definitions such as “deforestation” and provisions on deforestation implementation time limits are not explicitly regulated in ISPO or other legal frameworks.

More shortcomings were found in ISPO related to labor guidelines and workers' rights, such as problems with daily workers. Certified business actors still employ many workers only for 20 days per month to maintain their status as daily workers and avoid obligations under Undang-Undang Nomor. 13 Tahun 2013 concerning Manpower, which requires converting daily workers into permanent workers if they have worked more than 21 days per month for three consecutive months.

Palm oil business actors exploit the gap in daily worker status, which has flexible characteristics, to avoid providing facilities and infrastructure as permanent workers. Typically, permanent workers receive benefits such as health insurance, allowances, bonuses, work equipment, or personal protective equipment (PPE) from the company. Labor rights in ISPO should be stipulated more clearly to avoid gaps and different interpretations among producers and stakeholders,

ISPO also lacks emphasis on customary community rights, conflict resolution, and corporate social responsibility as fundamental criteria for regulation formation. This may indicate that customary community rights are not a major priority, even though they are landowners of plantations. The insufficient emphasis causes social conflicts between palm oil business actors and local communities.

ISPO regulations do not yet have specific criteria and indicators requiring protection and respect for human rights nationally or internationally. Furthermore, there are no clear regulations or guidelines on Free, Prior, Informed Consent (FPIC) as a principle in consultation with customary law communities in both national regulations and ISPO regulations. Therefore, the implementation of respect for human rights and its principles remains very low.

Cases of palm oil companies operating in forest areas indicate companies as plantation holder actors do not follow HGU permits properly. Before making HGU permits, FPIC consultation with local communities must be fulfilled. FPIC principles require equal social dialogue, mapping of community rights, and formal agreements on land and resource utilization before land clearing and HGU permits are processed.

Agrarian conflicts between communities and companies arise due to the absence of FPIC principles and guidelines in ISPO regulations. The absence of FPIC guidelines as a fundamental principle for fulfilling customary community rights contradicts ISPO's main goal to address social impacts from palm oil plantations. This is crucial because customary communities still face difficulties obtaining formal recognition of their territories due to overlapping claims and unclear procedures to recognize customary areas according to Indonesian laws. Therefore, ISPO could adopt FPIC principles and emphasize human rights more explicitly in its regulations to respect customary community rights, especially regarding territories and natural resources that are essential to palm oil in Indonesia.

The existence of PT HMBP, a palm oil company certified yet operating illegally in forest areas, also contradicts ISPO's main goals. ISPO aims at reducing greenhouse gas emissions and increasing acceptance of Indonesian palm oil products in international markets. This case shows companies' lack

of seriousness in implementing ISPO's dual goals, raising discrimination and suspicion against Indonesian palm oil globally.

Previous national cases due to weak national laws led to international discriminatory impacts, such as Indonesia's rejection of crude palm oil biodiesel imports by the EU under the Renewable Energy Directive II (RED II) and Delegated Act, citing Indonesian palm oil industry causes deforestation, habitat degradation, and human rights violations. Such policies significantly reduced export volumes of crude palm oil and indirectly implemented tariffs through sustainability-based restrictions. Indonesia sued these policies at the World Trade Organization (WTO), claiming the EU violated General Agreement on Tariffs and Trade (GATT) 1994's non-discrimination principles and conducted disguised protectionism for its domestic vegetable oil industry.

The weaknesses in ISPO regulations and implementation pose new challenges for Indonesia to improve sustainable business practices and strengthen its position as a sustainability standard. The upcoming European Union Deforestation Regulation (EUDR), which will be implemented by the EU, is expected to establish strict environmental standards especially in supply chain traceability and export-import activities of Indonesian palm oil. Therefore, adapting and strengthening ISPO regulations by referring to EUDR principles are strategic steps for Indonesia. This would help Indonesia adapt and increase palm oil competitiveness to be acknowledged in the global market, especially in the EU, minimizing potential allegations or trade discriminations.

The Difference Between Indonesian *Sustainable Palm Oil (ISPO)* Standards and *European Union Deforestation Regulation (EUDR)*

The European Union requires business actors of its member countries and exporters outside Europe to comply with the European Union Deforestation Regulation (EUDR) before their commodity products can enter the European market. The implementation of this policy has a significant impact on global palm oil exporting countries, especially Indonesia. In EUDR, palm oil is required to meet deforestation-free standards, legality, and traceability to the land where the commodity is produced (traceability). In addition, there is a sustainability scheme that highlights the impact of deforestation on ecosystems and climate change to be fulfilled. This sustainability scheme covers several main aspects, namely

1. *Land use right;*

In the first aspect of EUDR, namely land use right, EUDR only allows products originating from land that has ownership and management with guaranteed legality according to relevant laws and regulations in the country of production. In addition, the commodity must meet strict traceability requirements to prove that the product does not originate from deforested land. Strict traceability in EUDR requires the country and exporters to include geolocation data. According to EUDR, geolocation data is explicitly described with a plot of land depicted by latitude and longitude coordinates corresponding to at least one latitude point and one longitude point and using at least six decimal digits.

The geolocation data included must contain detailed information about coordinate points, the geographical location of the oil palm plantation, as well as the date or production period of the land. For oil palm land less than 4 hectares, it can be in the form of coordinates. However, if the area exceeds this, the data must show a polygon containing longitude and latitude points to

describe each land plot. This must be included to meet strict traceability requirements and prove that the related commodity or product is legal and does not originate from deforested land.

Detailed information in geolocation data for products traded in large quantities such as palm oil needs to have a known supplier source of fresh fruit bunches (TBS) and complete information in transaction documents for the purchase or sale of palm oil. For example, palm oil to be purchased by the factory producing palm oil must have at least the name, address, quantity, and certification information to be included in the geolocation data.

2. *Environmental and forest related regulation;*

In the aspects of environmental protection and forestry-related aspects, EUDR mandates environmental management permits, peatland use, waste management, hazardous and toxic material management, fire and disaster control, as well as protected areas and biodiversity conservation. In this regard, EUDR has explanations regarding forest definitions, indigenous rights, implementation of new systems and infrastructure, and jobs that differ from ISPO. EUDR involves responsible management and operational planning to protect nature and the environment.

EUDR explicitly explains the definitions of forest, deforestation, and deforestation-free mostly following the Food and Agriculture Organization (FAO) definitions. The definition of forest according to Article 2(4) EUDR is land with an area greater than 0.5 hectares with trees higher than 5 meters and canopy cover of more than 10% (ten percent) or trees that can naturally reach these thresholds and does not include land mostly used for agriculture or urban use.

'Deforestation' is explained in Article 2(3) EUDR as the conversion or change of forest into agricultural land, whether caused by humans or not. Therefore, loss of forest land caused by natural disasters or not due to human activities, even if replanted by communities or companies, will be counted as deforestation according to EUDR. Moreover, EUDR adopts gross deforestation that does not consider reforestation or afforestation in the land where the commodity is produced. Thus, a company producing commodities from deforested land, even if reforestation is conducted elsewhere, still cannot sell its products to the European market.

The definition of 'deforestation-free' along with its timeframe is affirmed in Article 2 (13) EUDR. That 'deforestation-free' means a product originating from commodities that do not contain, are not fed with, or are not produced using materials from land that has undergone deforestation after December 31, 2020. In EUDR's principle, no deforestation is allowed at all for producing palm oil commodities. Therefore, commodities that do not meet these provisions are not allowed to enter and be traded in the European Union market.

3. *Third party rights;*

The aspect of third-party rights, including fulfillment of indigenous community rights, is an indicator of EUDR policy. This aspect requires the fulfillment of indigenous or local community rights to be recognized, supported, and respected. There must be involvement in mutual respect, collaboration, mutual benefit, and enrichment with local communities. EUDR explicitly explains the labor rights aspect, including occupational safety guidelines, training for skill improvement, prohibition of slavery, and prohibition of discrimination against workers in all supply chains. This emphasis is to prevent labor exploitation practices in plantation and forestry sectors related to deforestation.

4. *Labour rights;*

EUDR explicitly requires compliance with workers' rights in the entire supply chain. Emphasis on workers' rights helps prevent labor exploitation practices in plantation and forestry sectors related to deforestation. This policy demands mechanisms for consultation and involvement of labor unions in company annual reporting to the public and relevant authorities regarding employment conditions and mitigation measures taken if risks of violations of worker or human rights are found.

5. *Human rights;*

EUDR explains the fulfillment of human rights aspects and respect for its derivative principles, namely FPIC. EUDR prioritizes sustainability principles encompassing environmental protection and the social and economic rights of local or indigenous communities involved in palm oil production. In addition, EUDR requires palm oil companies to report environmental and human rights impacts, have legal enforcement mechanisms to address violations, and mandate consultation during the commodity land acquisition process.

This is explained under Article 31(4) EUDR, wherein member states are obligated to provide third-party channels for communities to submit complaints or substantiated concerns such as violations of FPIC, misleading documentation, and so forth. In addition, third-party channels must protect the identities of individuals or legal entities submitting concerns and conduct investigations aimed at verifying business actors' or traders' compliance with such violations.

6. *Principle of Free, Prior, Informed Consent (FPIC); and*

Protection and respect for internationally protected human rights have not been included in ISPO regulations. There are no criteria and indicators specifically contained in the regulations to require protection and respect for national or international human rights. Furthermore, regarding the FPIC principle, ISPO requires obtaining approval through deliberation with indigenous communities holding customary land rights. However, ISPO has not facilitated verification of meeting FPIC requirements because the assessments are based only on legality documents, not through interview checks or direct observation methods with communities.

7. *Tax, anti-corruption, trade, and customs regulation.*

EUDR not only sets environmental and social standards but also incorporates taxation, anti-corruption, trade, and customs regulation aspects. Within the EUDR framework, these aspects are used as instruments to ensure sustainability in global agricultural production and to reduce illegal deforestation impacts using various tools including tax regulation, anti-corruption, trade, and customs. Companies are required to collect verifications that commodities produced comply with local legislation, including tax laws, employment, and human rights, as well as risk assessments and mitigation of legal risks, corruption, or tax violations.

Based on the explained aspects, ISPO regulations and EUDR policies have several differences. Among these differences are the regulations regarding definitions of forest, deforestation, deforestation-free, and their timeframes. Under Indonesian regulations, the area to be determined as forest is 0.25 hectares with a canopy cover percentage of 30% (thirty percent). Meanwhile, EUDR sets

forest area at 0.5 hectares with only 10% (ten percent) canopy cover. Thus, land claimed as forest by the European Union can be considered not forest according to Indonesia.

Indonesia's definition of deforestation is divided into gross deforestation and net deforestation. The net deforestation figure has been reduced by reforestation or afforestation figures (net deforestation). Indonesia also considers changes in forest areas to agriculture due to natural disasters or human activities not to be deforestation. Meanwhile, EUDR does not consider reforestation or afforestation figures on commodity-producing land, and if natural disasters cause forest loss, it will still be counted as deforestation by the European Union.

ISPO has not regulated in detail the business actors' obligation to provide information related to geolocation data specifically as a tool to verify the origin that the product is free from deforestation, as required by EUDR. ISPO regulations so far only require that palm oil production is not conducted on natural forest areas and peatlands explicitly protected by prevailing legislation. As a result, ISPO's ability to guarantee the principles of transparency and full traceability of palm oil commodities remains limited and not aligned with EUDR standards.

ISPO also does not have provisions related to the deforestation cutoff date or total prohibition of natural forest conversion. Meanwhile, EUDR requires internationally and for its countries not to convert forests at all in commodity production since December 31, 2020. EUDR also absolutely prohibits deforestation, whether planned or not, for the purpose of producing palm oil and other commodities such as rubber, coffee, chocolate, and so on. While in the Indonesian legal framework, planned deforestation is still allowed. Article 58 paragraph 3 of Government Regulation Number 23 Year 2021 concerning Forestry Management states that the release of forest areas covered by natural forest is still allowed for provinces with high natural forest cover due to unavailability of production forest areas.

The Indonesian Government's position regarding the EUDR policy has firmly stated that it will not comply (not comply). This rejection is based on the view that EUDR is a policy made unilaterally by the internal European Union. In addition, the policy is also considered set without regard to the sovereignty of other countries, including Indonesia. Nevertheless, some of the shortcomings in ISPO can be strengthened and reinforced considering the European market has major influence in global trade, and issued policies often become reference standards or benchmark that influence other trading partner countries.

The weaknesses in ISPO can serve as a trigger for transformation toward a certification system that is more inclusive and adaptive to global market demands. The existence of EUDR policies offering strict standards in supply chain traceability, human rights protection, environmental protection, and recognition of indigenous peoples' rights can be a primary reference for the renewal or improvement of ISPO regulations. Through the adoption of EUDR governance, the Indonesian government and stakeholders are expected to use it as a main reference in improving ISPO to cover clearer, stricter, and measurable requirements for business actors. This step will not only increase the credibility and competitiveness of Indonesian palm oil in the global market but also adjust consumer demand standards at the national and international levels, as well as ensure better protection for all

stakeholders, including vulnerable groups such as indigenous peoples and local communities directly affected by the palm oil industry.

CONCLUSION

The shortcomings of the Indonesian Sustainable Palm Oil (ISPO) certification system should serve as a driving force for its transformation into a more inclusive and globally adaptive framework. The European Union Deforestation Regulation (EUDR), with its comprehensive standards on supply chain traceability, human rights protection, environmental sustainability, and recognition of indigenous rights, offers a valuable benchmark for enhancing ISPO. By adopting relevant elements from the EUDR, the Indonesian government and stakeholders can strengthen ISPO to include clearer, stricter, and more measurable obligations for producers. This reform is essential not only for improving the international credibility and competitiveness of Indonesian palm oil but also for aligning national standards with global market expectations, while ensuring stronger protections for vulnerable groups such as indigenous and local communities. To achieve this, ISPO must incorporate more precise legal definitions, expand regulatory scope in critical areas such as land rights and labor protections, and improve institutional infrastructure. Moreover, Indonesia should develop a strategic approach to economic diplomacy that addresses global trade regulations like the EUDR without compromising national legal sovereignty. Through consistent support and improved implementation, ISPO has the potential to evolve into an internationally recognized certification scheme that advances both sustainability and trade resilience.

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