

ISPO POLICY ON PALM OIL INDUSTRY AND BIODIESEL DEVELOPMENT IN NORTH ACEH

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Received: 2023-03-09; Reviewed: 2023-08-25 Accepted: 2023-08-30; Published: 2023-08-31

Abstract

The total area of oil palm plantations in Aceh Utara Regency is 33,781.64 hectares, managed and operated by 11 oil palm plantation companies. In accordance with the Regulation of the Minister of Agriculture Number 11/Permentan/Ot.140/3/2015 regarding the Indonesian Sustainable Palm Oil Certification System (ISPO), the Government of Aceh Utara Regency has formulated a vision for the palm oil industry within its jurisdiction. This vision is centered around sustainability and its influence on the growth of the biodiesel sector in Aceh Utara Regency. To achieve this, the government encourages the palm oil industry to adopt ISPO certification. This research aims to analyze and describe the challenges, roles, and initiatives undertaken by the Government in Aceh Utara Regency to promote ISPO certification within the palm oil industry. The research employs an empirical juridical approach, encompassing the identification of research subjects, a statutory analysis, and horizontal and vertical synchronization methodologies to address the implementation of ISPO certification. The results of study reveal that the Government of Aceh Utara Regency has actively motivated palm oil plantation entrepreneurs to swiftly pursue ISPO certification. The government has established a dedicated team and allocated funds to expedite the implementation of ISPO.

Keywords: Aceh Utara; Biodiesel Industry; ISPO; Palm oil.

1. INTRODUCTION

Palm oil is a significant agricultural commodity, boasting a strategic significance. It holds substantial potential to serve as a crucial source of foreign exchange for a nation. This sector is recognized for its ability to swiftly generate income for developing countries and to spark economic growth for numerous individuals residing in tropical villages, much like those found in Indonesia¹.

The existence of the palm oil industry in Aceh Utara Regency brings about both favorable and unfavorable outcomes for nature and the environment. While it contributes positively to certain aspects, it also carries negative implications. The swift expansion of the palm oil market, intertwined with the global trade of vegetable oils, has altered the competitive dynamics among various vegetable

¹ Indah Pasimura, Afrizal Afrizal, and Wilson Novarino, "Impact of Indonesian Sustainable Palm Oil (ISPO) Certification to Environmental Behavior of Palm Oil Plantation Companies," *International Journal of Agriculture System* 10, no. 1 (2022): 26, <https://doi.org/10.20956/ijas.v10i1.3254>.

oils. This has led to adverse campaigns targeting palm oil. Moreover, the sustainability of oil palm plantations has become a prominent concern. The growth of such plantations in Indonesia is often regarded as unsustainable and is identified as a primary driver of deforestation and the degradation of wildlife habitats².

In order to proactively address the adverse impacts of the palm oil industry, the government of Aceh Utara Regency has implemented a certification system aligned with the Minister of Agriculture's regulations. This certification process is designed to advance and implement sustainability within oil palm plantations, thereby aligning with the principles of green growth economics and the triple bottom line approach. The introduction of the Indonesian Sustainable Palm Oil (ISPO) certification was initially stipulated in the Regulation of the Minister of Agriculture Number 19/Permentan/OT.140/3/2011, mandating its application. This implies that all entities involved in the palm oil industry, including both companies and smallholders, are obligated to acquire an ISPO certificate within 5 years of the regulation's issuance³.

Amidst various negative campaigns and growing calls for the establishment of an ecologically conscious industry, the Indonesian Sustainable Palm Oil (ISPO) certification has emerged as a pivotal policy. It plays a crucial role in ensuring the sustainability of the palm oil industry in Indonesia⁴. Hence, the issuance of Regulation Number 11/Permentan/Ot.140/3/2015 is centered around the Indonesian Sustainable Palm Oil Certification System. This research is driven by the pressing concern for realizing the Indonesian Sustainable Palm Oil (ISPO) policy within Aceh Utara Regency's Palm Oil Industry. This policy's implementation has far-reaching implications for the growth of the biodiesel sector and the protection of the environmental ecosystem against adverse effects. However, the actual implementation of this policy has not been comprehensively adopted by the palm oil industry companies in Aceh Utara, leading to unavoidable negative repercussions on the natural ecosystem and the environment. This underscores the pivotal role of the Government of Aceh Utara Regency in overseeing and managing the adverse impacts stemming from the palm oil industry, as outlined within the ISPO policy.

The essence of the Indonesian nation towards a welfare state is reflected in regional autonomy, shifting the notion of governance from a centralized system to a decentralized one. This shift is guided by the framework outlined in Law Number 23 of 2014 regarding Regional Government. This transformation has implications for altering the foundational principles of regional governance, placing a greater emphasis on the

² Tungkot Sipayung Jan Horas V. Purba, "Perkebunan Kelapa Sawit Indonesia Dalam Perspektif Pembangunan Berkelanjutan," *Jurnal Ilmu-Ilmu Sosial Indonesia* 43, no. 1 (2017): 81–94.

³ Rio Christiawan, "Implementasi Green Growth Economic Pada Industri Kelapa Sawit Melalui Sertifikasi ISPO," *Mulawarman Law Review* 5, no. 1 (2020): 47–60, <https://doi.org/10.30872/mulrev.v5i1.323>.

⁴ Saqira Yunda Imansari, "Penetapan Kebijakan Indonesian Sustainable Palm Oil (ISPO) Pada Tahun 2021," *Ilmu Hubungan Internasional* 2011 (2011): 1–15.

principle of decentralization⁵. Oil palm stands as a prominent agricultural commodity in Indonesia, serving a dual purpose. Beyond its significant economic role, oil palm also holds the potential to enhance social and ecological aspects. The Indonesian government has taken steps to ensure the sustainable growth of the palm oil industry. This is achieved through the establishment of sustainability standard known as the Indonesian Sustainable Palm Oil (ISPO), aimed at countering negative campaigns that portray the expansion of Indonesian oil palm plantations as harmful to natural resources and environmental sustainability⁶.

The administration of Aceh is founded upon the jurisdiction established by Law Number 11 of 2006 (UU No. 11 of 2006) regarding the Governance of Aceh, as outlined in Article 7, paragraph (1). This provision asserts that both the Aceh government and its districts/cities possess the right to administer and oversee governmental matters across all public domains, excluding those affairs falling under the jurisdiction of the central government. Notably, the central government's authority is confined to areas such as defense, security, foreign policy, justice, monetary matters, fiscal policy, and religion.

The Aceh government, along with district and city governments, holds the authority to engage in essential governmental tasks within their respective jurisdictions. These tasks encompass planning, resource utilization, spatial regulation, development strategy formulation, and oversight, all of which are pertinent to matters on the district or city level. This authority extends to include planning, utilization, and spatial oversight within the district or city scale. Notably, even though not explicitly mentioned in Law Number 11 of 2006 concerning the Governance of Aceh, this authority should encompass attention to the plantation sector. In the context of regional spatial planning at the district level, it is imperative to consider aspects of natural resource management, including the plantation sector. This entails ensuring that the management and development of natural resources, such as plantations, align with the overarching goals of regional spatial planning and sustainable growth.

Aceh Utara Regency boasts 852 villages, 70 sub-districts ("kemukiman"), and 27 districts. Its lowland regions rest at an elevation of about 125 meters above sea level, while the coastline stretches for 51 kilometers. The district extends 4 nautical miles out to sea, covering a total area of 37,744 hectares or 3,774.4 km². Given its natural geographical attributes, Aceh Utara Regency is exceptionally suitable for the development of the plantation sector. This potential is exemplified by the extensive plantation land spanning 328,686 hectares, which constitutes 65 % of the overall land area. These lands are dedicated to cultivating cocoa, pepper, rubber, areca nut, and oil palm. Among these crops, oil palm significantly dominates the plantation sector, with

⁵ Bhenyamin Hoessein, "Kebijakan Desentralisasi," *Jurnal Administrasi Negara* 02, no. II (2022): 3.

⁶ Sabinus Sabinus, Erlinda Yurisinthae, and Shenny Oktoriana, "Implementasi Sertifikasi Indonesian Sustainable Palm Oil System (Isipo) Pada Petani Kelapa Sawit Swadaya Di Kabupaten Sanggau," *JSEP (Journal of Social and Agricultural Economics)* 14, no. 2 (2021): 166, <https://doi.org/10.19184/jsep.v14i2.21161>.

oil palm plantations covering an area of 33,781.64 hectares and being distributed among 11 plantation companies within Aceh Utara Regency.

The oil palm plantation industry, as a sector focused on producing palm oil (CPO) derived from plantations, holds a crucial position in the economic growth of the nation. Its significance is evident in its contribution to job creation, providing a source of income, and generating foreign exchange. Moreover, the role of oil palm extends further by actively fostering regional development and stimulating the expansion of agro-industrial activities⁷. One of the major contributors to Indonesia's significant exports originates from the agricultural sector, with the palm oil sub-sector playing a central role. The palm oil industry stands as a key strategic player within the agricultural domain, classified as an agro-based industry. This industry has experienced substantial growth, particularly in tropical nations like Indonesia, Malaysia, and Thailand. The outcomes of this sector serve as fundamental raw materials for various other industries, including food, cosmetics, and soap manufacturing. The prospects for the palm oil industry's development are currently advancing rapidly, driven by a surge in palm oil production to meet the growing demands of the community⁸.

Sustainable plantation development constitutes a crucial facet of overall development, as it has a direct impact on the community while also contributing to the economic growth of the region surrounding the plantations. The developmental activities conducted have implications for altering the environmental balance, physical conditions, and social dynamics. Challenges towards achieving successful plantation development may arise from technical factors such as the inherent characteristics of nature and the financial resources possessed by the plantation stakeholders. The developmental activities conducted have implications for changing the environmental balance, physical conditions, and social dynamics⁹. As a consequence, it becomes essential to address the potential negative consequences stemming from plantation management practices and to devise strategies for their mitigation.

The concept of sustainable development, often referred to as sustainability, fundamentally entails a form of development that can fulfill the requirements of both present and future generations without undermining the capabilities of upcoming generations to fulfill their own needs. It entails a process that involves modifying the utilization of resources, adjusting investment strategies, orienting development, and implementing institutional shifts. These changes are systematically synchronized to

⁷ Arsyad, *Pengantar Perencanaan Pembangunan Ekonomi Daerah* (Yogyakarta: BPFE, 2009).

⁸ Ega Ewaldo, "Analisis Ekspor Minyak Kelapa Sawit Di Indonesia," *E-Journal Perdagangan Industri Dan Moneter* 3, no. 1 (2017): 10–15, <https://doi.org/10.22437/pim.v3i1.3988>.

⁹ A. Syahza, "The Potential of Environmental Impact as a Result of the Development of Palm Oil Plantation," *Management of Environmental Quality: An International Journal* 30, no. 5 (2019): 1072–94, <https://doi.org/https://doi.org/10.1108/MEQ-11-2018-0190>.

mutually enhance the existing and future potentials of various factors, all aimed at meeting the diverse needs and aspirations of humanity.¹⁰

Sustainable development emphasizes the careful consideration of at least three critical aspects: the economy (profit), society (people), and the environment (planet). This holistic approach recognizes the interconnectedness of these dimensions and strives for a harmonious balance among them. However, it's often observed that business actors tend to prioritize the economic aspect (profit) over the other dimensions¹¹. As stated in Article 62 of Law No. 39 of 2014 concerning Plantations, the development of plantations must adhere to a sustainable approach, considering economic, sociocultural, and ecological factors. This sustainable plantation development, as outlined in these provisions, is required to conform to the principles and criteria set for sustainable plantation development, as specified in Law No. 39 of 2014 concerning Plantations. Further guidelines regarding sustainable plantation development are detailed in Government Regulations. Through the Directorate General of Plantations, the government encourages oil palm plantation entrepreneurs to fulfill their obligations as stipulated by laws and regulations. This includes fostering and promoting sustainable practices within oil palm plantation operations. These practices should align with market demand while adhering to the guidelines established for sustainable oil palm plantations in Indonesia, as encapsulated by the Indonesian Sustainable Palm Oil (ISPO) framework.¹²

The evolution of the Indonesian Sustainable Palm Oil (ISPO) certification system, initiated in 2011, has undergone a series of advancements and growth. Simultaneously, it has also encountered an array of issues, hindrances, challenges, and requisites. Despite the implementation of the ISPO certification system in Indonesia, the country's oil palm plantations and smallholders continue to face persistent pressures for Sustainable Palm Oil. These demands emanate from diverse sources, encompassing both consumers and industries that rely on palm oil-derived products.

Furthermore, starting from 2015, the Regulation of the Minister of Agriculture Number 11/Permentan/Ot.140/3/2015 regarding the Indonesian Sustainable Palm Oil Certification System (ISPO) has been in effect. This regulation dictates that plantation development must adhere to principles of environmental management. Sustainable plantation management practices have positive effects on economic growth and the enhancement of well-being, particularly for individuals residing within plantation areas. On a larger scale, these practices contribute to the overall national economy. Given these

¹⁰ Budiharjo dan Sujarto, *Sustainable Development: Beberapa Catatan Tambahan* (Jakarta: Asosiasi SYLFF & Universitas Indonesia, 2006).

¹¹ Nurhaliza Nurhaliza, Rosnita Rosnita, and Novia Dewi, "Peran Penyuluh Dalam Penerapan Indonesian Sustainable Palm Oil (Ispo) Pada Petani Kelapa Sawit Swadaya Di Kabupaten Kampar," *JSEP (Journal of Social and Agricultural Economics)* 14, no. 3 (2021): 311, <https://doi.org/10.19184/jsep.v14i3.25705>.

¹² and Yusuf Adiwibowo Fahamsyah, Ermanto, Brigitta Amalia Rama Wulandari, "Sustainable Development Goals To Strengthen Indonesian Palm Oil Development Through Indonesian Sustainable Palm Oil (ISPO)," *PETITA* 6 (2021): 77, <https://doi.org/DOI: https://doi.org/10.22373/petita.v6i1.112>.

considerations, there's a recognized need to establish a strategic approach to sustainable plantation management through a certification framework, guided by national regulations. The standard for this certification system is referred to as the Indonesian Sustainable Palm Oil (ISPO), intended to ensure that plantation management aligns with sustainable principles while promoting environmental responsibility, economic advancement, and improved livelihoods for local communities.

The Indonesian Sustainable Palm Oil Certification System (ISPO) standard must be constructed based on the fundamental notion of sustainability in the development and administration of oil palm plantations in Indonesia. It necessitates a comprehensive comprehension as a structured framework for cultivating and overseeing oil palm plantations that adhere to specified standards while encompassing all dimensions of economics, socio-cultural considerations, ecological aspects, and relevant legal regulations. As such, the degree of adherence and application of economic, socio-cultural, ecological elements, and legal compliance becomes the benchmark in the execution of the ISPO certification system. Such knowledge and policies hold substantial significance in accordance with the mandates set forth by the Constitution of the Republic of Indonesia (UUD 1945) and various associated laws and regulations.

The Aceh Utara government's mission, as outlined in the 2017-2022 Aceh Utara Regency Medium-Term Development Plan (RPJM), is highlighted in Chapter V (point 5.2.5). The mission centers on enhancing the local economy by leveraging the region's inherent potential, improving the investment climate, and empowering villages with the goal of achieving sustainable well-being for the people. A central aspect of this mission is the development of an economy that is people-oriented, centered around activities like food crop agriculture, plantations, animal husbandry, fisheries, and maritime affairs. Given the context of these challenges and potentials, the research aims to assess the effectiveness of the ISPO policy implementation in the palm oil industry. The primary question posed by this research is: What are the advantages, obstacles, and initiatives undertaken by the North Aceh Regency Government in enacting the ISPO certification policy, and how does it impact the development of the biodiesel sector in Aceh Utara?

2. ANALYSIS AND DISCUSSION

2.1. The Benefits and Effectiveness of ISPO Policy Implementation in the Palm Oil Industry and Development of the Palm Oil Biodiesel Industry in North Aceh

Based on the outcomes of the Focus Group Discussion (FGD) conducted in North Aceh Utara Regency and Bireuen Regency, along with interview findings from respondents and informants in Bireuen Regency, Aceh Utara Regency, Aceh Timur Regency, and the Aceh Plantation and Agriculture Office, as well as a comprehensive review of related documents, a plethora of insights were unearthed pertaining to the execution of ISPO

policies within the palm oil industry. For instance, the on-site research conducted in Aceh Utara Regency revealed the presence of three companies operating in the oil palm plantation sector. The active encouragement of these palm oil industry players to adopt ISPO certification signifies a significant stride in ensuring that Indonesian palm oil production adheres to eco-friendly practices. The implementation of ISPO policy holds immense significance for companies, as it directly influences the trajectory of the palm oil biodiesel industry. Through ISPO, the comprehensive process from the upstream phase to downstream activities, including the structured trading of palm oil via a certification system, not only fosters the advancement of Indonesian palm oil but also contributes to the preservation and sustainability of the entire Indonesian palm oil sector¹³.

The palm oil industry has faced criticism, with accusations of oil palm plantations contributing to deforestation. The expansion of agricultural land remains one of the main drivers of deforestation in tropical regions¹⁴. These allegations have come from various quarters, including domestic non-governmental organizations (NGOs) as well as the European Union Parliament–Committee for Environment, Public Health, and Food Security. The latter has supported the notion that oil palm cultivation leads to deforestation, habitat degradation, human rights concerns, violations of social standards, and even child labor issues. In this context, the ISPO certification has played a significant role in promoting adherence to laws and regulations within the plantation business and the palm oil industry. This certification not only encourages compliance but also stimulates enhancements in plantation and industrial management, promotes improved environmental quality, and contributes to the preservation of forests and biodiversity. Moreover, ISPO certification fosters responsibility in managing peatlands, preventing land fires, safeguarding water sources, riverbanks, coastal areas, disaster-prone regions, forests, and sites of historical importance. It also contributes to the protection of endangered species.

The establishment of the Indonesian Sustainable Palm Oil (ISPO) serves several key objectives. Firstly, it aims to raise awareness about the significance of producing palm oil in a sustainable manner. Secondly, ISPO strives to enhance the competitiveness of Indonesian palm oil within the global market, ensuring that it meets international sustainability standards. Additionally, ISPO is aligned with Indonesia's commitment to reducing Greenhouse Gas (GHG) emissions, contributing to the global effort to combat climate change. Furthermore, ISPO aims to instill a fundamental ethos among the Indonesian populace that prioritizes the production of sustainable palm oil, aligned with the expectations of the international community. Lastly, ISPO supports Indonesia's

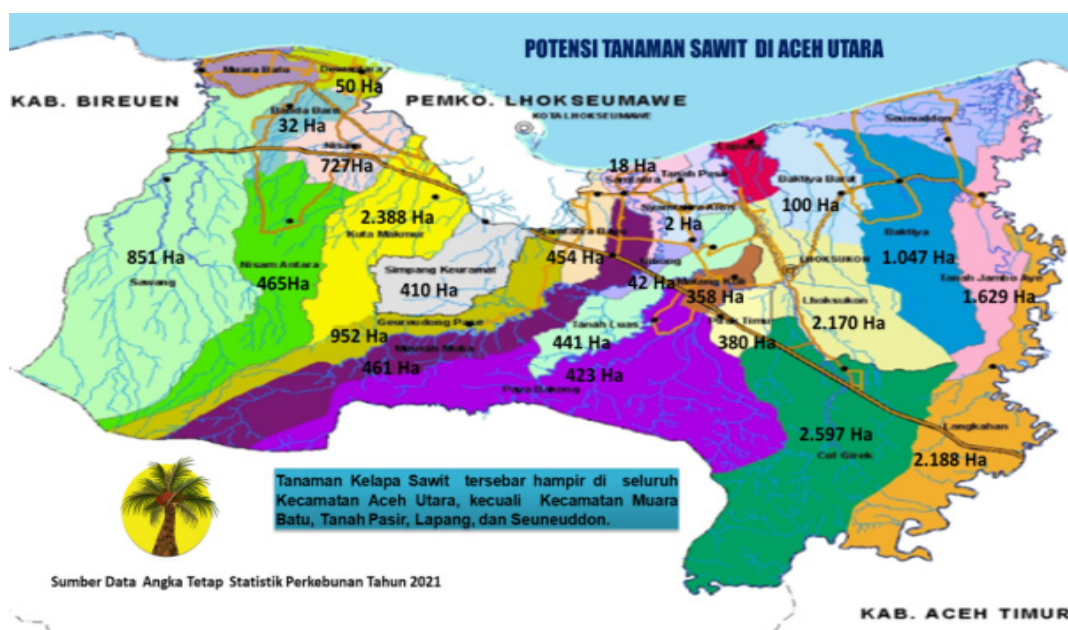
¹³ Fahamsyah, Ermanto, Brigitta Amalia Rama Wulandari.

¹⁴ M. Kubitz, C., Krishna, V. V., Urban, K., Alamsyah, Z., & Qaim, "Land Property Rights, Agricultural Intensification, and Deforestation in Indonesia," *Ecological Economics* 147 (2018): 312–21, <https://doi.org/https://doi.org/10.1016/j.ecolecon.2018.01.021> Get rights and content.

dedication to safeguarding its natural resources and maintaining the functions of its environment¹⁵.

The implementation of ISPO certification brings numerous advantages for both palm oil entrepreneurs and smallholders. These benefits encompass several critical aspects: first, Legal Compliance that ISPO certification mandates that palm oil entrepreneurs and smallholders have a valid business entity or business license. It ensures that they operate within the legal framework, facilitating a structured and regulated business environment. This certification reinforces the importance of adhering to legal and regulatory standards. Second, environmental sustainability that emphasize on environmental sustainability. This is crucial as environmental concerns have been a significant challenge within the palm oil industry. The entrepreneurs must follow the proper maintenance of the environment, particularly in conservation areas surrounding their land. This includes preventing practices like land clearing in areas of high conservation value or zones designated as protected historical sites.

The following are potential areas for oil palm plantations in Aceh Utara which are spread across several sub-districts:



The implementation of the ISPO policy serves to improve the quality of Indonesian palm oil while enhancing its competitiveness in the global market, reduce greenhouse gas emissions, and pay attention to environmental issues. ISPO encourages independent smallholders to become part of farmer groups. These groups serve as platforms for learning, collaboration, and mutual support. They facilitate various aspects of farming, including providing production facilities, marketing support, maintaining production infrastructure, and collective efforts toward environmental preservation.

¹⁵ Ghifari Saputra, Herry Wirianata, and Sri Manu Rohmiyati, "Implementasi Indonesian Sustainable Palm Oil (ISPO) Dalam Pelaksanaan CSR Di Perkebunan Kelapa Sawit," *Jurnal Agromist* 2, no. 1 (2017): 1–14.

In addition, the presence of ISPO certification brings about numerous direct benefits that positively impact farmers in various ways. One of the significant advantages is the potential increase in the selling price of oil palm Fresh Fruit Bunches (FFB). This price appreciation results from the cumulative effect of several factors: Increased Selling Price of Smallholder FFB, Reduced FFB Marketing Chain, and Improved Quality of Production Roads that decrease associated costs, thereby contributing to increased returns for farmers.

Therefore, ISPO certification plays a pivotal role in delivering tangible economic advantages to farmers. Farmers can potentially experience an enhanced income due to improved prices for their Fresh Fruit Bunches (FFB), reduces complexities and costs associated with selling their produce by improving the quality of roads used for production, which contributes to lowering transportation costs.

2.2. Obstacles to the ISPO Certification Process for Oil Palm Companies in the North Aceh Regency Area

Plantation companies and the palm oil industry are strongly linked to environmental concerns. In order to address this matter proactively, three approaches must be adopted: the environmental approach, the economic approach, and the social approach. By utilizing these approaches, the problems associated with palm oil can be mitigated. Additionally, all palm oil businesses contribute to the local economy, particularly by the reduction of unemployment in the area and supporting overall national economic growth. Oil palm plantation activities contribute to the regional and national economy. Oil palm farming has proven to be able to improve the welfare of the community and reduce poverty ¹⁶.

Nevertheless, in practice, numerous companies have not yet obtained certificates for their operations within the palm oil industry. This is attributed to several challenges they encounter, which include:

Economy problem

The obstacles encountered by companies in obtaining ISPO certification arise from the perception that the certification process entails substantial expenses for oil palm plantation companies¹⁷. ISPO certification necessitates preliminary conditions and the preparation of various prerequisites to meet the criteria for obtaining the certification. As a result, costs are incurred, creating an additional operational burden for both smallholders and companies in the plantation and palm oil industries. To seek ISPO certification, plantation and industrial companies must apply to the ISPO Certification Agency. This agency evaluates their adherence to ISPO principles and criteria.

¹⁶ Almasdi Syahza et al., "What's Wrong with Palm Oil, Why Is It Accused of Damaging the Environment?," *Journal of Physics: Conference Series* 1655, no. 1 (2020), <https://doi.org/10.1088/1742-6596/1655/1/012134>.

¹⁷ Arya Hadi Dharmawan et al., "Kesiapan Petani Kelapa Sawit Swadaya Dalam Implementasi ISPO: Persoalan Lingkungan Hidup, Legalitas Dan Keberlanjutan," *Jurnal Ilmu Lingkungan* 17, no. 2 (2019): 304, <https://doi.org/10.14710/jil.17.2.304-315>.

As a result, numerous documents need to be included when applying for this certification and these documents comprise: 1. Plantation business license 2. Environmental permit 3. Land rights 4. Valuation determination of the plantation business from the issuer of the plantation business license. Similarly, smallholders seeking ISPO certification through the ISPO Certification Body must provide documents such as: 1. Land rights 2. Plantation business registration certificate. Both plantation companies and smallholders are required to compile these documents through the relevant authorized institution, and there is a processing fee associated with these arrangements.

a. Environmental Issues

In broad terms, the environment can be classified into two main categories: the macro environment and the microenvironment. The macro environment encompasses social forces, which comprise demographic, economic, physical, technological, political-legal, and socio-cultural aspects. All of these factors have a direct connection to economic growth. On the other hand, the microenvironment pertains to the smaller-scale surroundings where living entities are integrated into an organization. This microenvironment plays a crucial role in ensuring the organization's long-term survival. It also exerts an influence on the preferences and needs of humans, who act as consumers of products resulting from economic activities¹⁸.

Issues within oil palm plantations encompass environmental degradation, land disputes, and other related challenges. These concerns can be effectively addressed through certification processes undertaken by both companies and smallholders. Certification ensures that all activities associated with palm oil production adhere to established laws and regulations. Furthermore, when licenses are renewed periodically, the oversight and monitoring of palm oil exploitation remain consistent. As a result, the ongoing involvement of authoritative institutions ensures continued vigilance and supervision over the oil palm industry.

The broader community often remains unaware of the environmental challenges associated with oil palm plantations. Consequently, negative perceptions arise when events like floods or other forms of environmental damage are linked to such plantations. The truth is, there is no denying that some smallholders deviate from proper recommendations while planting oil palm, resulting in environmental harm. This includes neglecting to allocate spaces for "plasma plantations" – a term used to denote designated community gardens. This situation aligns with Law No. 39 of 2014 concerning Plantations, which mandates that palm oil companies allocate 20 % of their total Cultivation Rights (HGU) land area for facilitating the establishment of community gardens (FPKM).

¹⁸ Benny Dwika Leonanda, "Masalah Lingkungan, Pemanasan Global, Dan Masa Depan Industri Kelapa Sawit Indonesia," *Buletin Profesi Insinyur* 2, no. 3 (2019): 102–7, <https://doi.org/10.20527/bpi.v2i3.50>.

b. The Farmers' Reluctance to Form Cooperatives or Farmer Groups

The limited number of smallholders obtaining ISPO certification is also influenced by the fact that some farmers are not part of cooperatives or farmer groups, or they are hesitant to establish such associations. The creation of cooperatives and farmer groups presents a means to simplify the process of obtaining ISPO certification. Through the formation of these entities, smallholders can more easily apply for funding in accordance with Presidential Decree No. 44 of 2020, which outlines the Indonesian Sustainable Palm Oil Plantation Certification System. As per the regulations, ISPO certification funding is mandatory and can be sought by individual smallholders or groups. These groups can comprise collections of smallholders, combined groups of smallholders, or cooperatives. The establishment of cooperatives allows for funding to be secured from various sources, such as the State Revenue and Expenditure Budget (APBN), Regional Revenue and Expenditure Budget (APBD), and other authorized channels. This funding can then be directed to smallholders through the cooperative framework. In practice, however, there remains a reluctance within the community to establish groups or cooperatives, leading to challenges in the process of applying for ISPO certification.

The mentioned challenges have a significant impact on the production of sustainable palm oil. The absence of industry or farmer groups possessing ISPO certification contributes to the diminished competitiveness of Indonesian oil palm plantations in both domestic and global markets. Furthermore, this situation leads to heightened levels of greenhouse gas emissions.

3. North Aceh District Government's Efforts in Implementing ISPO Certification and Development of CPO into Biodiesel in Aceh Utara Regency.

Following the release of Presidential Decree Number 44 of 2020, which was grounded in various deliberations, such as the potential to generate substantial employment from Indonesian oil palm operations and its role as a contributor to the nation's foreign exchange reserves, there emerged a necessity for a proficient, streamlined, equitable, and sustainable oil palm plantation management system. This system aims to effectively bolster the country's economy. The promising outlook of financially rewarding oil palm plantations is a matter of significant concern for the Indonesian Government. It strives to enhance employment prospects, foster business openings, elevate smallholders' and local communities' earnings, and stimulate rural economic growth¹⁹. Another pivotal consideration pertains to the alignment of the prevailing laws and regulations with Indonesia's sustainable palm oil plantation certification system. These laws and regulations must address contemporary requisites and necessities, spanning not only

¹⁹ Sakti Hutabarat, "ISPO Dan Keberlanjutan Perkebunan Kelapa Sawit Di Indonesia," *Indonesian Journal of Agricultural Economics* 13, no. 2 (2022): 130–39, <https://doi.org/http://dx.doi.org/10.31258/ijae.13.2.130-139>.

the global context but also essential legal mandates. Therefore, a comprehensive review and regulation through a presidential decree are imperative to ensure the efficacy and relevance of the certification system.

The implementation of ISPO Certification is obligatory for sizable plantation companies engaged in operations within Indonesia. This mandate encompasses companies adhering to ISPO principles and criteria, particularly those involved in the cultivation sector integrated with the processing of plantation products, namely:²⁰

1. The legality of the plantation business;
2. Plantation management;
3. Protection of primary natural forests and peatlands;
4. Environmental management and monitoring;
5. Responsibility towards workers
6. Social responsibility and community economic empowerment;
7. Sustainable business improvement.

Presidential Decree No. 44 of 2020 and Minister of Agriculture No. 38 of 2020 form an interconnected legal framework. These two regulations necessitate the attention of both oil palm companies and smallholders towards a range of environmental and social concerns, ensuring the enduring sustainability of the industry. Moreover, these regulations play a role in addressing negative perceptions associated with domestic oil palm cultivation.

The Government of Indonesia, including the Government of Aceh Utara Regency has two primary reasons for enacting the ISPO policy. Firstly, as a participant in the international environmental regime, Indonesia is obligated to adhere to and implement the provisions of sustainable development within its industries. This international environmental regime employs mechanisms to exert pressure and influence on countries, compelling them to adhere to the regime's stipulations. One such mechanism involves environmental non-governmental organizations (NGOs) which actively create issues and shape public opinion through environmental campaigns. These NGOs receive support from Western countries, enabling them to wield political influence over other nations' decisions. In the context of ISPO, some perceive it as not yielding benefits for Indonesia. Consequently, Indonesia has decided to withdraw from the regime and instead implement its own set of provisions under the banner of ISPO.

The second reason behind the ISPO policy is rooted in the Indonesian Government's strategy to enhance the competitive edge of palm products within the global vegetable oil market. The ISPO policy serves as evidence of Indonesia's profound commitment to producing environmentally sustainable palm products. By adopting this policy,

²⁰ Sabinus, Yurisinthae, and Oktoriana, "Implementasi Sertifikasi Indonesian Sustainable Palm Oil System (ISPO) Pada Petani Kelapa Sawit Swadaya Di Kabupaten Sanggau."

Indonesia aims to cultivate a favorable reputation for itself as a nation deeply invested in environmentally friendly practices within the palm oil industry. This positive image is anticipated to extend to various regions, including the palm oil industry situated in the Aceh Utara area.

The study concerning ISPO aligns with the guidelines set forth in Presidential Regulation No. 44 of 2020, which outlines the Indonesian Sustainable Palm Oil Plantation Certification System. This regulation mandates both companies and smallholders to undergo ISPO certification. In the face of negative information associated with oil palm plantations – encompassing issues like environmental degradation, social concerns, and economic challenges – ISPO introduces standardized procedures (SOPs) and guiding principles that must be diligently implemented. By adhering to these standards and principles, it becomes possible to address and resolve these aforementioned problems effectively.

Regarding this matter, Abdul Murtala, the regional secretary of Aceh Utara Regency, elaborated that this study related to the Indonesian Sustainable Palm Oil (ISPO) certification is highly pertinent to the policies of the Government of Aceh Utara Regency. In this context, the Government of Aceh Utara Regency had previously implemented a suspension on establishing new oil palm plantations within their jurisdiction. This was carried out through the directive No. 548 of 2016 issued by the Aceh Utara Regency Head, which outlines the Palm Oil Moratorium. This initiative underscores the commitment of the Regional Government of Aceh Utara Regency to endorse and enhance the advancement of the plantation sector, as a means of bolstering the local economy and fostering development within the Aceh Utara Regency area.

The Government of Aceh Utara Regency has allocated a budget to proactively address these challenges and has established a team to expedite the implementation of the Indonesian Sustainable Palm Oil (ISPO) certification for plantation companies. The government's primary emphasis lies in revitalizing oil palm cultivation and enhancing its quality, rather than issuing permits for the expansion of plantations. This strategic approach is intended to yield higher-quality outcomes.

The significance of the ISPO certification policy for palm oil companies holds substantial sway over the advancement of Crude Palm Oil (CPO) used in biodiesel production. The presence of palm oil companies within the Aceh Utara Regency is incentivized to contribute to the prosperity of the local populace, the region, and the nation as a whole. This is particularly crucial for the progress of CPO, which can subsequently be transformed into biodiesel, thereby mitigating adverse environmental effects. Consequently, it is mandated that palm oil companies and industries obtain ISPO certificates.

3. CONCLUSION

The research leads to the conclusion that palm oil companies need to adopt the Indonesian Sustainable Palm Oil (ISPO) policies as a means of safeguarding the environment. This practice not only has implications for the growth of the biodiesel sector but also enhances the global competitiveness of Indonesian palm oil. Furthermore, the existence of the ISPO also enhances the adherence of oil palm entrepreneurs and the palm oil industry to laws and regulations through the enhancement of their governance practices.

The obstacles preventing palm oil plantation companies from adopting ISPO certification in the Aceh Utara region encompass financial constraints, the level of awareness among palm oil industry stakeholders, environmental concerns, and a prevailing resistance to establishing smallholder cooperatives. Additionally, the proportion of palm oil plantation farmers who are not affiliated with cooperatives or farmer groups contributes to the challenges faced in implementing ISPO certification in the Aceh Utara area.

The Government of Aceh Utara Regency is taking proactive measures to address the aforementioned challenges. These steps include allocating a budget to address obstacles and establishing a dedicated team to expedite the implementation of ISPO. The issuance of a palm oil moratorium by the Government of Aceh Utara Regency exemplifies its commitment to fostering development in the plantation sector. Notably, the government's emphasis lies in revitalizing oil palm cultivation to enhance the quality of the outcomes achieved.

ACKNOWLEDGEMENTS

The researchers extend their gratitude to the Chancellor of Malikussaleh University, the head of the Research and Community Service Institute, and the head of the ADB Action at Malikussaleh University for their invaluable financial assistance. Additionally, they express their thanks to the Government of Aceh Utara Regency, Bireuen Regency, as well as the oil palm companies in the Aceh Utara Regency. The researchers also acknowledge the entire research team for their successful efforts in conducting the research.

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