

Development of an Environmental Insurance Program based on Islamic Values in the Palm Oil Industry in Indonesia for Community Welfare

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ABSTRACT

Economic development is synonymous with growth rates where the relationship between development and environmental sustainability is very clear. Indonesia is blessed by Allah SWT with abundant natural resources. One of Indonesia's potentials is palm oil or CPO (Crude Palm Oil). The CPO industry is one of the biggest contributors to Indonesia's foreign exchange. Palm oil can rely on around 13.50% of non-oil and gas exports and covers around 3.50% of Indonesia's Gross Domestic Product (GDP). Until the end of 2020, the value of CPO exports in Indonesia reached 27,326.1 tons from various destination countries. However, in this perspective of industrial climate, environmental issues surrounding the CPO industry continue to be voiced from various circles. As a result of such a large demand, it has an impact on land clearing for oil palm production. Real action from the government and palm oil companies is needed to overcome this. Synergy is needed between the government through policies and the role of oil palm companies through production mechanisms and programs that support the environment, such as the implementation of environmental insurance programs. This study uses a qualitative analysis method with a qualitative descriptive analysis approach. This qualitative analysis, it provides benefits to ensure production in the crude palm oil industry in facing the challenges of environmental issues. The environmental insurance program has two insurance policy applications, namely, Pollutant Payment Principles and Instrument Payments. However, this environmental insurance program has not been implemented with the right system. Therefore, the actualization of Islamic values is expected to help optimize the program.

Keyword: *Palm Oil Industry, CPO, Environmental Insurance, Islamic Values*

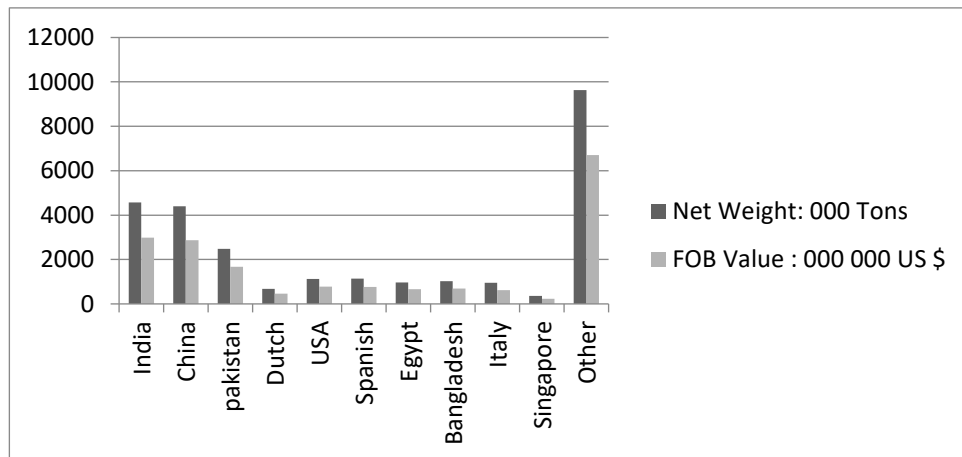
INTRODUCTION

Background Theory

Economic development is synonymous with growth rates. However, economic development only focuses on targeting growth without paying attention to environmental aspects, and this development results in economic activities that are exploitative and encourage the environment on a massive scale.

Oil palm plantations (downstream industry) are a form and method of utilization and preservation of the inherent preservation of oil palm plantations across generations. Through oil palm cultivation, the economic, social, and ecological functions are not only enjoyed by the current generation, but also by future generations. In fact, the conservation of biodiversity through cultivation is an effective and efficient way (Purba & Sipayung, 2017).

One of Indonesia's potentials is palm oil or in industrial terms commonly known as CPO (Crude Palm Oil). The CPO industry is one of the biggest contributors to Indonesia's foreign exchange. Palm oil can be seen in around 13.50% of non-oil and gas exports and covers around 3.50% of Indonesia's Gross Domestic Product (GDP). Until the end of 2020, the export value of CPO in Indonesia reached 27,326.1 million tons from various destination countries such as India, China, Pakistan, Netherlands, the United States of America, Spain, Egypt, Bangladesh, Italy, Singapore, and other countries.



Source: Central Bureau of Statistics, 2020

Figure 1. Palm Oil Exports by Main Destination Countries, 2020

Indonesia's palm oil production increased sharply from 31.7 million tons in 2016 to 48.3 million tons in 2020, then there was a decline in exports in 2020 due to the outbreak of the covid-19 virus, and there was always an increase in palm oil consumption. from 2016 to 2020 (see table 1). when production in neighboring countries such as Malaysia decreased by 3.9%, Indonesia would be the largest player in producing CPO. With the largest land area, it is very possible for Indonesia to continue to develop the CPO industry which has very good prospects for maintenance. Consumption of CPO that continues to increase will be an opportunity for Indonesia as the largest palm oil-producing country in Southeast Asia and even in the world. Production of 48.3 million tons makes Indonesia the largest producer of palm oil. The many crises that have arisen, such as viruses, wars, and the scarcity of vegetable oil ingredients, have made Indonesia an exporter of various derivative products, both semi-finished and finished products (Kusnadi, 2022)

Table 1. Production, Export, and Consumption of Indonesian CPO 2016-2020 (000 T)

Year	Production	Export	Consumption
2016	31.7	24,066.5	9,270
2017	34.9	28,770,3	9,160
2018	42.9	29,302.4	11,000
2019	47.1	29,547.9	12,625
2020	48.3	27,326.1	12,750

Source: Central Bureau of Statistics, 2016-2020

Table 1 above, can be seen from the portion of palm oil used for domestic consumption and exports. Until 2020, the portion for palm oil exports is always larger than for domestic consumption. This can happen because world prices are higher than when producers sell them domestically. In addition, the increase in CPO derivative products in Indonesia, especially in the form of cooking oil, has a higher selling price for exports. What's more, the scarcity that has occurred due to the impact of the COVID-19 pandemic has made domestic demand for CPO increase, but not with sufficient supply, causing the current CPO price to soar high and cause a shortage.

However, in the midst of such a prospective industrial climate, environmental issues surrounding the CPO industry continue to be voiced by various groups, both domestic and foreign NGOs (Non-Governmental Organizations). There is a special NGOs that oversees the domestic CPO industry such as Sawit Watch and Green Economics and WALHI (Indonesian Forum for the Environment) which continue to carry out environmental campaigns around the CPO industry.

Real action from the government and palm oil companies is urgently needed to overcome this. There is a need for synergy between the government through policies and the role of oil palm companies through production mechanisms and programs that support the environment, such as the implementation of environmental insurance programs. However, the implementation of the program is not enough from the current reality, the program of environmental insurance has not been implemented with the right system. For this reason, the existence of environmental insurance accompanied by the actualization of Islamic values can help optimize this program.

Research on the high price of crude oil in the palm oil industry and the environmental impact that has occurred has been widely carried out, in contrast to previous studies such as Irawan et al, (2021), Novindra et al, (2021), and Sudjoko et al, (2022). Discussing the impact of industrial downstream policies, this research focuses on environmental insurance to see the implementation of this program so that it becomes a means of protecting the environment and getting blessings from Allah SWT with these actions. It is hoped that the establishment of environmental insurance based on the actualization of Islamic values can be the right solution so that economically palm oil as a contributor to Indonesia's GDP remains a superior product, without making an impact on ecology based on the Qur'an and As-Sunnah. This section consists of theory that support the research.

LITERATURE REVIEW

1. Profile of CPO (Crude Palm Oil) Production in Indonesia

The large palm oil industry is divided into three main parts, namely plantations, hatcheries, and processing. Indonesia's oil palm plantation areas are located in five provinces, namely North Sumatra, Riau, West Kalimantan, South Sumatra, Jambi, and Aceh. The planting areas are located in North Sumatra (with production centers in Labuhan Batu, Langkat, and Simalungun) and Riau.



Source: Central Bureau of Statistics, 2020

Figure 2. Map of the distribution of oil palm plantations in Indonesia, 2020

The oil palm plantation business consists of plantation companies, land providers, and contractors, as well as other supporting companies, such as plantation consultants PT Astra Agro Lestari Tbk, PT Bakrie Sumatra Plantations Tbk (rubber and oil palm plantation business groups and their processing); PT Bumi Makmur Selaras (a palm oil and rubber plantation and processing company in Seluma, Bengkulu, as well as a coal mining business in Kota Baru and Tanah Bumbu, South Kalimantan). Oil palm plantations in Indonesia consist of community plantations, private plantations, and state plantations, each of which has different levels of production and land ownership. The availability of land for oil palm plantations in various provinces in Indonesia is as follows.

Oil palm plantation areas are spread across 26 provinces, namely all provinces in Sumatra and Kalimantan, West Java, Banten, Central Sulawesi, South Sulawesi, Southeast Sulawesi, West Sulawesi, Gorontalo, Maluku, North Maluku, Papua, and West Papua. In 2020, Riau Province will still be the largest palm oil-producing province with an area of 2.86 million hectares or 19.62 percent of the total area of oil palm plantations in Indonesia. From this area, Riau Province produces 8.54 million tons of CPO.

Table 2. Area by Ownership (Ha)

years	Smallholders	Government Estates	Private Estates	Total Area
2016	4,739,318	707,428	5,754,719	11.201.465
2017	5,697,892	638,143	6,047.066	12,383,101
2018	5,818,888	614,756	7,892,706	14,326,350
2019	5,896.775	617,501	7,942,336	14,456,612
2020	6,044,058	565,241	7,977,298	14,586,597

Source: Central Bureau of Statistics, 2016-2020

The area of oil palm plantations according to concession status in 2020 does not show any significant change. As in the previous year, the control over the area of oil palm plantations is still dominated by large private plantations. 7.98 million hectares or 54.69 percent of oil palm plantations are controlled by private plantations; followed by smallholder plantations which

control 6.04 million hectares or 41.44 percent of oil palm plantations, and the remaining 0.57 million hectares or 3.87 percent is controlled by large state plantations (see table 2). The price of CPO tends to fluctuate in the international market because it is influenced by the volume of exports and imports from palm oil-producing countries, as well as the high demand from CPO-importing countries for the supply of producing countries (Mustafa, R., 2022).

In the hatchery business, the Ministry of Agriculture (2020) explained that currently the source of oil palm seeds is incorporated in the Palm Oil Seed Producers Communication Forum. This forum consists of six oil palm seed producers, namely the Palm Oil Research Center (PPKS), PT Socfin, PT Lensum, PT Dami Mas, PT Tunggal Yunus, and PT Bina Sawit Makmur. -each of the above seed producers in a row of 35 million, 25 million, 15 million, 12 million, 12 million, and 25 million sprouts. The six seed producers have the potential to meet national seed needs, although they have to increase production capacity. In the past few years, seed producers offered the circulation of fake seeds. However, the government together with seed producers has taken systematic steps and strategies to overcome this problem.

The Palm Oil Processing Industry consists of various stakeholders, including PT Anndo Prima Lestari (a supplier of industrial equipment for palm oil and rubber processing), PT Asianagro Agungjaya, PT Perfect Jaya Always (a manufacturer of various machinery for palm oil and sugar industry in Medan). The Palm Oil processing industry is divided into two parts, namely the CPO processing industry and the Advanced Processing Plant or CPO Derivative Products. This CPO processing industry processes fresh fruit bunches into CPO. The Directorate General of New, Renewable Energy and Energy Conservation (EBTKE) of the Ministry of Energy and Mineral Resources noted that the processing capacity of crude palm oil in Indonesia reached 38,320 tons per hour out of a total of 391 Palm Oil Mills (POM). The average growth rate of Indonesian CPO production is 13.02% and the average growth rate of Indonesian CPO exports is 37.79% (Novindra et al., 2021).

The CPO Derivatives Processing Industries include PT Flora Sawita Chemindo which is a glycerin and fatty acid manufacturer, Sarana Tamora Permai Industrial Estate, Tanjung Morawa, Medan, and PT Smart Tbk which is a producer of cooking oil, butter, margarine, and palm-based products. other. The increase in companies reflects the increase in investment in the industry. In addition, investment can make technology transfer in Indonesia to support more sophisticated CPO production tools or machines (Irawan et al., 2021).

2. Environmental Insurance

Article 35 paragraph (1) of Law 23/1997 states that: "The person in charge of a business and/or activity that causes a major and significant impact on the environment, uses hazardous and hazardous materials, and/or produces hazardous material waste and is responsible for absolutely for the losses incurred, with the obligation to pay direct and immediate compensation at the time of pollution and/or environmental destruction.

Sudjoko et al. (2021) in their research stated that the current practice of oil palm plantations has brought social and environmental impacts. Based on the explanation of Article 35 paragraph (1) of Law 23/1997, it is considered that environmental insurance is very important to provide protection and guarantees to the community so that they can obtain ecological and economic benefits from natural resources and the environment around them. In this context, several things need to be considered so that the process and procedures of natural

resource environmental insurance in Indonesia can be applied, namely: (i) there is a need for accurate sources of data and information related to the existence of natural resources to be insured, (ii) it is necessary to determine proper and standardized economic-ecological assessment and following the nature and characteristics of the resource, (iii) it is necessary to conduct an economic assessment of the resource, (iv) it is necessary to review the institutional system and procedures for environmental insurance claims, and (v) it is necessary to prepare a fair legal and regulatory framework and firm.

In the case of the oil spill in the Malacca Strait, for example, most of the areas affected by the pollution are Indonesian waters. However, in handling it, the Indonesian government tends to be slow to demand compensation from the party responsible for the existence of the oil carrier ship. One of the causes is the lack of data and a system for assessing economic and environmental resources and the government's lack of knowledge about the ecological economic value of coastal and marine resources. Meanwhile, Singapore and Malaysia are ready to immediately demand compensation, because both countries have basic data and are supported by a very good resource system (2005).

Viewed from the added value of the business, the CPO processing industry is one of the prospective industries to be developed in the future (Azahari, 2018). The benefits that can be drawn by industrial activities on the concept of environmental insurance will assist the industry in providing funds that can be used to deal with threats or environmental damage as well as losses from polluted parties or the surrounding community. Environmental insurance can answer all problems of environmental damage due to industrial pollution. Palm oil. Ardianto (2017) explains more deeply that environmental insurance is the main protection that can provide guarantees in the event of pollution and/or environmental damage. In the end, the concept of environmental insurance will open up new business opportunities for insurance services.

3. Review of Al-Qur'an Verses on Natural Resource Management

Allah SWT has created nature to be managed by humans for the welfare of mankind itself. Therefore, it should be used as a friend and cultivated for the common good. Nature will be a friend and give the best if we treat it well. As explained in Surah Ar-Rum verses 41-42 regarding the prohibition of making earth damage which reads:

ظَهَرَ الْفَسَادُ فِي الْبَرِّ وَالْبَحْرِ بِمَا كَسَبَتْ أَيْدِي النَّاسِ لِيُذِيقَهُمْ بَعْضَ الَّذِي عَمِلُوا لَعَلَّهُمْ يَرْجِعُونَ قُلْ سِيرُوا فِي الْأَرْضِ فَانظُرُوا كَيْفَ كَانَ عَاقِبَةُ الَّذِينَ مِن قَبْلَ كَانَ أَكْثَرُهُمْ مُشْرِكِينَ

It means:

"It has been seen that damage on land and in the sea is caused by the actions of human hands, so that Allah will feel for them some of the (results of) their actions, so that they will return (to the right path). Say, "Take a journey through the earth and see how the end of the ancients was. Most of them are people who associate (Allah)." (Surat Ar-Rum: 41-42).

The meaning or content of QS Ar-Rum verses 41-42 is that in addition to worshiping Allah, humans are also created as caliphs on earth. As caliphs, humans are tasked with utilizing, managing, and maintaining the universe. Allah has created the universe for the benefit and

welfare of all His creatures, especially humans. Greed and the bad treatment of some humans towards nature can make humans miserable themselves. Drought landslides, irregular spatial planning, and polluted air and air are the fruits of actions that harm humans and other living things.

Islam leads humans to protect the environment. This happens when in some worship, perform the pilgrimage. During the Hajj, Muslims are prohibited from cutting down trees and killing animals. If the prohibition is violated then he is sinful and is required to pay a fine (dam). More than that, Allah SWT forbids humans from doing mischief on earth. Regarding the maintenance and safety of the environment, many efforts can be made, such as those contained in the GBHN mandate for the rehabilitation of natural resources in the form of damaged forests, soils, and water that need to be further improved. In the forest, land, and water environment program, it is necessary to continue and improve. The utilization of coastal areas and airspace needs to be continued and improved without destroying the quality and sustainability of the environment.

RESEARCH METHODS

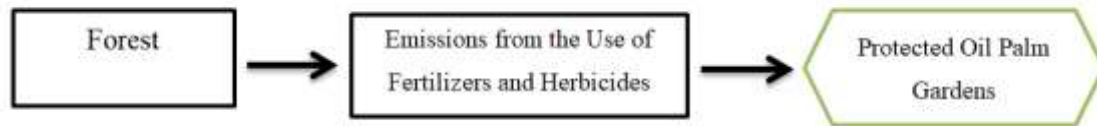
This study uses a qualitative analysis method with a descriptive qualitative analysis approach. This qualitative analysis provides benefits to ensure production in the crude palm oil industry in facing the challenges of environmental issues. In addition, this qualitative analysis will explain more fully how the structure of the use of environmental insurance in supporting the environmental management and handling of crude palm oil is to be more successful and efficient. With this insurance principle, an insurance service business will cover some or all of the risks that may be faced by the industry in accordance with the premise it introduces and can minimize climate change and emissions from the use of herbicides in Indonesia.

RESULT AND DISCUSSION

1. Impact of Increased Demand for CPO on the Environment

The results of the research on the impact of CPO demand on the environment show that the category of very large impacts is climate change where the impact of climate change comes from the initial use of land for oil palm plantations, as well as emissions resulting from the use of fertilizers that produce nitrous oxide (N₂O) in the form of gas, colorless and non-flammable. Added to this are emissions from the use of herbicides that emit emissions to the soil as well as emissions from the use of existing transportation for plantation activities (Giandadewi et al., 2017).

The use of land that is maintained and monitored by the State supervisory agency provided by the government has a significant impact on increasing CPO yields in the surrounding environment. Negative externalities from the production of CPO will not occur with the existence of environmental insurance because it is guaranteed in the insurance services available and has been protected by the State.



Source: Giandadewi et al., 2017

Figure 3. Overview of the Impact of Climate Change on CPO Demand (Processed by the author).

Indonesia's environment and livelihoods are on the verge of collapse, due to over-exploitation over more than three decades. In addition, community groups are the most vulnerable to receiving the greatest impact from any damage. For the development of oil palm plantations to be successful, planning needs to be carried out in various technical, social, economic, financial, institutional, organizational, and other aspects. The condition of the land to be cleared is not always the same, both in terms of vegetation, topography, land use, and drainage system. This needs to be known to adjust the system to be used so that it does not cause damage to the land which will eventually result in CPO production.

The market prospects for processed palm oil are quite promising, because the demand from year to year has increased quite significantly, not only domestically, but also abroad. Therefore, as a tropical country that still has a large area of land, Indonesia is great for developing oil palm plantations, either through foreign investment or smallholder plantations. Indonesia, which has an area of oil palm plantations and soil fertility as well as the availability of an existing oil palm plantation industry, actually has more promising potential in the international market. World palm oil production is dominated by Indonesia and Malaysia. These two countries in total produce around 85-90% of the total world palm oil production. Indonesia is the largest producer and exporter of palm oil¹. Another negative effect besides the impact on health is the fact that the palm oil business is a key cause of deforestation in Indonesia.

The following table 3 will explain the development of the area of oil palm plantations in Indonesia from 2016 to 2020 and their production. It can be seen that the largest portion of oil palm plantations is private and the smallest is smallholder plantations. However, the highest area growth is people's plantations until 2020 (projected) the area of smallholders' plantations exceeds the area of state plantations.

Table 3. Indonesian Palm Oil Area and Production in 2016-2020

years	Area (000 Ha)				CPO production (000 tons)			
	PR	PBN	PBS	Total	PR	PBN	PBS	Total
2016	4.739	707	5.754	11.201	11,575	1,887	18,024	31,487
2017	5.697	638	6.047	12,383	13,191	1,861	19,887	34.94
2018	5.818	614	7,892	14,326	15,296	2,147	25,439	42.883

¹ Palm Oil Industry in Indonesia - CPO Production & Export (2017). indonesia-investasi.com. Retrieved 11 May 2022. From <https://www.indonesia-investments.com/business/commodities/palm-oil/item166>.

2019	5.896	617	7,942	14,456	14,925	2.134	30.06	47.12
2020	6.044	565	7,977	14,586	15,495	2.31	26,953	44,759

Source: Directorate General of Plantation, 2020

The Covid-19 pandemic that has occurred since the beginning of 2020 is estimated to cause a decrease in CPO production by 5.01 percent compared to 2019 to 44.76 million tons. The largest palm oil (CPO) production in 2020 is estimated to come from Riau Province with a production of 8.54 million tons or around 19.62 percent of Indonesia's total production. The next largest production came from Central Kalimantan Province with a production of 7.98 million tons or 12.89 percent.

Based on the business status, in 2019 63.79 percent of palm oil (CPO) production or 30.06 million tons of palm oil (CPO) came from large private plantations, 31.68 percent or 14.93 million tons from smallholder plantations, and the remaining 4.53 percent or 2.13 million tons came from large state plantations. Although total production in 2020 is estimated to decrease, the production structure according to concession status is not much different from 2019, which is dominated by private plantation production with an estimated 26.95 million tons of CPO (60.22 percent); followed by smallholder plantations with a total production of 15.50 million tons (34.62 percent), and the remaining 2.31 million tons (5.16 percent) were produced by large state plantations.

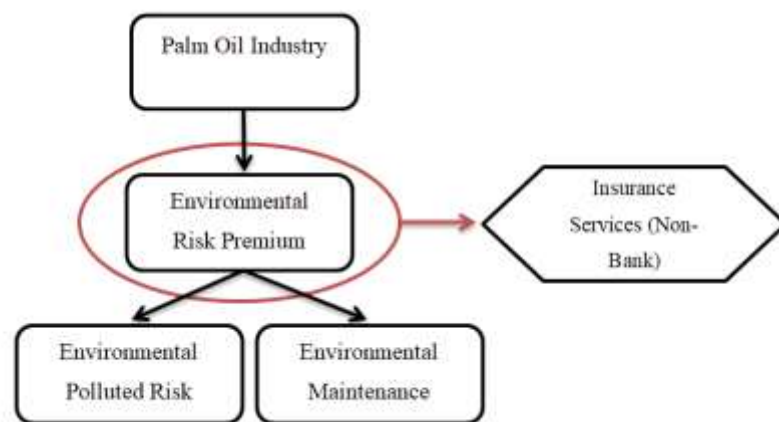
At least, there are six negative impacts of oil palm plantations on the environment in Indonesia. With an area of oil palm plantations that have reached 7.4 million hectares, the negative impacts of oil palm plantations will continue to expand as the plantation area increases. Fog is soon the first problem, the conversion of forest functions which causes damage to the ability of forests to absorb water, store water, and distribute it evenly. Natural, increasingly difficult access to clean air because oil palm companies control the air source land, oil palm companies are very intensive use of chemicals to support the intensification plantation system, the use of pesticides and herbicides in large quantities in oil palm plantations has resulted in decreased air quality around the plantation areas, the use of Chemicals in the form of fertilizers, pesticides and herbicides will reduce the level of soil fertility, a drastic decrease in biodiversity, and the disposal of waste by CPO mills directly into rivers around the factory continues. Oil palm plantations are also a serious environmental problem. Various negative impacts of oil palm plantations on the environment, economy, and social; and the expansion of oil palm plantations in forest areas has made palm oil products a bad image in national and international markets (Amalia et al., 2019).

2. Implementation of Environmental Insurance by the Government and Industry

After knowing the negative impact on the environment caused by the conversion of peatland into oil palm plantations, the authors try to recommend the right solution by synergizing the roles of government and companies or industry through environmental insurance. In this case, the government must make a policy that requires palm oil companies to also carry out ESR (Environment Social Responsibility). The ESR application carried out is in the form of the company's participation in environmental insurance. This environmental insurance is closely related to environmental protection which is not limited to the conversion

of peatlands arising from land use to prevent climate change, but also to the negative impacts caused by the CPO industry such as waste disposal, and so on.

The implementation mechanism is to submit a certain amount of money as a premium so that the risk of loss that may occur to them will be smaller. The concept of insurance is basically to support environmental management programs carried out by the industry in a way that is provided through non-bank monetary business institutions. insurance services), to support more successful and efficient environmental management and management efforts. with the principle of insurance, one of the implementations of environmental insurance is by applying the concept of risk transfer where an insurance service business guarantees some or all of the risks that may be faced by the industry under the premise it introduces. In practice, it can be analogous to losing insurance, but in this case, what is insured is pollution or environmental damage caused by industry.



Source: Diandra, 2010

Figure 4. Overview of the Environmental Insurance Scheme (processed by the author)

Companies involved in oil palm activities are required to purchase insurance policies to protect against possible environmental damage. Through environmental insurance, there are two applications of insurance policies, namely:

1. Pollutant Payment Principle

In this concept, it is hoped that it can neutralize market mechanisms that cause failure to accommodate external costs or environmental costs. So, Polluter Pay Principles try to include external costs into the consideration of oil palm companies in calculating their production costs. Oil palm companies are required to pay the costs of environmental damage resulting from peatland conversion. This fee has the advantage that this principle motivates the behavior of oil palm companies to reduce the volume of environmental damage.

Several factors determine the number of costs that must be borne by palm oil companies, among others.

- a. Knowledge of the amount of palm oil produced by the company
- b. The nature of the accumulation of long-term environmental damage
- c. Dosage of environmental damage caused by oil palm production
- d. damage has a direct and continuous impact on humans
- e. Assessment in rupiah of the cost of damage due to peatland conversion

2. Instrument Session

The definition of Instrument Cess is that the government collects funds from palm oil companies, then the funds are used to control the price of cooking oil in the market. This causes industry and traders to prefer to play in the export market. As a result of supply disruptions in the country, it automatically also triggers an increase in cooking oil prices. In Indonesia itself, the government cannot directly use the funds collected from levies, such as export levies to subsidize commodity prices. Because the State Revenue and Expenditure Budget (APBN) through the State Finance Law does not regulate the mechanism. Therefore, government institutions in the form of environmental insurance regulate the mechanism for levies from palm oil companies so that they can subsidize cooking oil prices in the domestic market. This is different from the Pollution Payment Principle which focuses more on environmental aspects. Instrument Cess is more instrumental in terms of economy.

In addition to palm oil companies carrying out CSR and ESR through corporate environmental insurance, the government also provides several incentives for palm oil, incentives for oil palm companies to be more motivated to reduce the impact of environmental damage caused by oil palm production and the consequences caused by peatland conversion. specifically for oil palm plantations.

This incentive will be given by the government in the form of a fertilizer subsidy. This is because fertilizer is one of the important input components in the production cost structure in the plantation sub-sector with a share between 10% -40% of production costs. In addition to subsidizing fertilizers, the government is also expected to provide subsidies for oil palm seeds of 20% of the market price, making it easier for oil palm farmers to get good quality seeds. With this incentive, it is hoped that palm oil production will be more effective and can improve the quality of its production. Because of a total oil palm area of 7.9 million hectares, Indonesia is only able to produce 20 million tons of CPO. This figure is far below Malaysia's production capacity. The creation of new lands outside of peatlands and protected forests also needs to be done by the Indonesian government, stating that there are millions of hectares of degraded and abandoned grasslands that could be suitable for plantations. It works. as a measure to reduce carbon emissions due to the function of peatlands, after the conversion of peatlands to oil palm plantations.

In addition to providing incentives in the form of subsidies, the government can give awards to companies that are actively implementing CSR and ESR programs. With CSR and ESR awards, palm oil companies will get a good image in the eyes of the community so that they will continue to work. Therefore, palm oil companies will be encouraged to improve their CSR and ESR programs.

The various efforts in providing safe and reliable environmental insurance will answer and solve problems in environmental issues due to the processing of the palm oil industry. The principle of insurance and the incentives that will be given will encourage oil palm companies to produce CPO in large quantities without having to worry about environmental issues because it is already protected by insurance services. In addition, palm oil companies have a favorable view of the results given in the form of positive externalities and can contribute more crude oil in Indonesia.

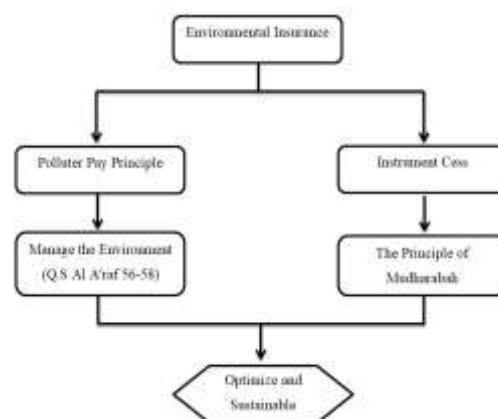
3. Influence and Implementation of the Actualization of Islamic Values in the Environmental Insurance Program

With an industry that is in line with expectations and for the environment, it is necessary to develop a system or fundamental strategy that can accommodate the environmental insurance program. environment from QS Al A'raf verses 56-58.

وَلَا تُفْسِدُوا فِي الْأَرْضِ بَعْدَ إِصْلَاحِهَا وَادْعُوهُ خَوْفًا وَطَمَعًا إِنَّ رَحْمَتَ اللَّهِ قَرِيبٌ مِّنَ الْمُحْسِنِينَ وَهُوَ
الَّذِي يُرْسِلُ الرِّيْحَ بُشْرًا بَيْنَ يَدَيْ رَحْمَتِهِ ۗ حَتَّىٰ إِذَا أَقْلَّتْ سَحَابًا ثِقَالًا سُقْنَاهُ لِبَلَدٍ مَّيِّتٍ فَأَنْزَلْنَا بِهِ
الْمَاءَ فَأَخْرَجْنَا بِهِ ۗ مِن كُلِّ الثَّمَرَاتِ ۗ كَذَٰلِكَ نُخْرِجُ الْمَوْتَىٰ لَعَلَّكُمْ تَذَكَّرُونَ ۗ وَالْبَلَدُ الطَّيِّبُ يَخْرُجُ
نَبَاتُهُ بِإِذْنِ رَبِّهِ ۗ وَالَّذِي خَبُثَ لَا يَخْرُجُ إِلَّا نَكِدًا ۗ كَذَٰلِكَ نُصَرِّفُ الْآيَاتِ لِقَوْمٍ يَشْكُرُونَ

Meaning: "And do not do mischief on the earth, before (Allah) fixes it and pray to Him with fear (will not be accepted) and hope (will be granted). Verily, the mercy of Allah is near to those who do good. And it is He Who blows the wind as a bearer of glad tidings before the coming of His mercy (rain); when the wind had brought overcast clouds, we drove it to a barren area, then we sent rain on that area, so we brought out because of the rain various kinds of fruit. that's how we raise people who have died, hopefully, you learn a lesson. And the land is good, its crops flourish by the permission of Allah; and on land that is not suburban, the plants only grow languidly. Thus We repeat the signs of (Our) greatness for those who are grateful." (Surat al-A'raf: 56-58).

From a fragment of Al A'raf verse 56-58, it is stated that Allah confirms that one of the great gifts bestowed upon His servants is that He moves the wind as a sign of the coming of His mercy. The wind, which brought thick clouds, was driven to dry land and damaged its crops because there was no air, wells that had become dry because there was no rain, and the people who suffered from hunger and thirst. Then He sent down so much rain on the land that the city was about to die, and the city was full of rest so that He would revive the people with full sufficiency and abundant crops.



Source: Diandra, 2010

Figure 5. Environmental Insurance Optimization Model with Islamic Principles (Processed by the author)

The implementation of this environmental insurance program must also be based on our devotion to Allah SWT who has given life and sufficiency from the abundant crops. The actualization of the implementation of this program can be realized with the awareness to maintain and provide the sustenance achieved by the environment. During that time, this program also emphasizes Islamic economic values, which currently have many insurance companies operating in the Sharia sector.

By setting premiums under the agreement of both parties (insurance and industry), the principle of *mudharabah*, and clear contracts, it is hoped that this environmental insurance program can run optimally. The need for awareness of both parties is necessary to implement these environmental insurance programs.

We realize that all things were created by God for His people. As in Surah Al Baqarah verse 164:

إِنَّ فِي خَلْقِ السَّمَوَاتِ وَالْأَرْضِ وَاخْتِلَافِ اللَّيْلِ وَالنَّهَارِ وَالْفُلْكِ الَّتِي تَجْرِي فِي الْبَحْرِ بِمَا يَنْفَعُ النَّاسَ وَمَا أَنْزَلَ اللَّهُ مِنَ السَّمَاءِ مِنْ مَّاءٍ فَأَحْيَا بِهِ الْأَرْضَ بَعْدَ مَوْتِهَا وَبَثَّ فِيهَا مِنْ كُلِّ دَابَّةٍ وَتَضْرِبُ الرِّيحُ وَالسَّحَابُ الْمُسَخَّرَ بَيْنَ السَّمَاءِ وَالْأَرْضِ لَآيَاتٍ لِقَوْمٍ يَعْقِلُونَ

Meaning: "Active in creating the heavens and the earth, the alternation of night and day, the ark that sails in the sea brings what is useful for humans, and what Allah sends down from the sky is water, then with that water He revives the earth before it dies (dry)) Him and He spread on the earth all kinds of animals, and the swaying of the winds and the controlled clouds between heaven and earth; indeed (there are) signs (oneness and greatness of Allah) for a people whose concept is." (Surat al-Baqarah: 164).

Likewise, it must be noted and paid attention to the greatness of Allah's favors to humans with the piled-up clouds between the earth and the earth. In short, all the graces that Allah has created, including what is mentioned in verse 164, need and need to be contemplated and even discussed and researched to penetrate deep into the heart, and to advance science which also gives recognition to the oneness and greatness of Allah.

CONCLUSION AND RECOMMENDATION

From the discussion and analysis that has been carried out, it can be concluded that the CPO (Crude Palm Oil) industry is one of the biggest supporters of non-oil and gas exports, which is 13.50%, and around 3.50% of Indonesia's Gross Domestic Product (GDP). At a time when the industrial climate is prospective, environmental issues surrounding the CPO industry continue to be voiced from various circles, both domestic and foreign NGOs. Synergy is needed between the government through policies and the role of oil palm companies through production mechanisms and programs that support the environment, such as the implementation of environmental insurance programs. Environmental insurance will be the main protection that can provide coverage in the event of pollution and/or environmental

damage. In the end, the concept of environmental insurance will open up new business opportunities for insurance services.

The ESR application carried out is in the form of insurance company participation in the insurance environment with environmental protection that is not limited to peatland conversion arising from land use to prevent changes, but also the negative impacts caused by the CPO industry in waste disposal, pollution, and so on. The actualization of the implementation of the environmental insurance program can be realized with the awareness to maintain and provide a small amount of sustenance for the environment. In addition, this program also emphasizes sharia economic values, which currently have many insurance companies operating in the sharia sector.

This environmental insurance has answered and resolved problems in environmental issues due to the processing of the palm oil industry. The principle of insurance and the incentives that will be given will encourage oil palm companies to produce CPO in large quantities without having to worry about environmental issues because it is already protected by insurance services. In addition, palm oil companies have a favorable view of the results given in the form of positive externalities and can contribute more crude oil in Indonesia.

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