

## **An Open Letter to Customers of and Investors in the Indonesian Pulp and Paper Sector:**

We are writing to enlist your company's support in creating the conditions for environmentally and socially responsible pulp and paper production in Indonesia and to help Indonesia meet its commitment to reduce its greenhouse gas emissions. These reforms will also help eliminate controversy and risk associated with your supply chain and investments.

There are grave social, environmental and legal issues currently associated with pulp and paper production in Indonesia. The pulp and paper industry is still clearing and converting vast areas of natural rainforests in Sumatra and Borneo, much of it on peat soils and is now planning to expand to the Asia Pacific's largest remaining intact tropical forest: the Indonesian provinces on the island of New Guinea. The industry is linked to the palm oil industry through the purchasing of fiber from the clearance of natural forest for the establishment of oil palm plantations. This loss of natural forests in Indonesia is having devastating impacts on ecosystems and biodiversity, local communities and the climate.

Negative impacts of the pulp & paper industry on biodiversity, including Sumatran orangutan, tiger, elephant have been well documented. More recently, the industry's contribution to global climate change is increasingly in the spotlight. Due to the conversion of carbon rich natural forests particularly on peat soils, Indonesia is now the third largest emitter of CO<sub>2</sub> after China and the USA. An Indonesian government sponsored report estimates that 80 percent of Indonesia's emissions are due to deforestation and forest degradation and to ongoing emissions from drainage and burning of peat lands<sup>i</sup>. The pulp & paper industry is one of the key drivers of these emissions<sup>ii</sup>. Parts of the Indonesian government and the industry still aim for a large expansion – about nine million ha of additional new plantations after July 2007 - many of which will involve massive natural forest conversion and drainage of peatlands, increasing the industry's carbon footprint even more<sup>iii, iv</sup>.

International demand for pulp and paper and palm oil is driving these expansion plans and threatening these forest values. Without major changes in both producer and consumer policies and practices, climate impacts will worsen and many indigenous cultures and species will be lost.

Indonesia's natural forests areas are the homelands of tens of millions of indigenous people and forest dependent communities. Natural forest conversion by the pulp and paper industry is causing widespread social problems and conflict. Forest clearing and conversion license areas are allocated by the national government and developed by plantation companies usually without regard for indigenous community's rights and tenure. This has led to a rash of social conflicts and controversy, and in some cases to violent conflict and deaths. The number and extent of these conflicts are on the rise. In Riau Province on the island of Sumatra, conflicts associated with forest conversion reported in the media between 2007 and 2008 almost trebled<sup>v</sup>.

In December 2008, the community of Suluk Bonkal in Riau Province, which has been in a land dispute with Asia Pulp and Paper/Sinar Mas Group's subsidiary P.T. Arara Abadi, was forcibly evicted from their homes, which were subsequently burned<sup>vi</sup>. In May 2009, three members of the Bangun Purba/Tangun community in Riau were killed following demonstrations against P.T. Sumatra Silva Lestari which had taken over their lands to plant Acacia plantations. The company supplies wood to APRIL/Raja Garuda Mas Group (RGM)<sup>vii</sup>. In June 2009, the community of Tuluk Meranti on the Kampar Peninsula in Riau rejected plans by APRIL/RGM to clear and convert natural forests on their customary lands<sup>viii</sup>. In July 2009, eight community members were arrested and jailed for protesting PT Toba Lestari Pulp's logging license and ongoing conversion of community forest lands in North Sumatra. Despite calls for a resolution of this situation, the company, which is an affiliate of APRIL/RGM, has refused to respect the rights of the communities whose lands it has taken over<sup>ix</sup>.

In addition to social conflict and controversy, there are fundamental problems in the industry's wood supply. It is unsustainable and legally questionable.

There is ample evidence of Indonesia's Pulp and Paper Industry's dependence on natural wood fiber for its mills. Both APP/SMG and APRIL/RGM mills, which account for about 80% of Indonesia's pulp and paper production, are still reliant on Mixed Tropical Hardwood – or natural rainforest - trees for their ongoing operations despite public commitments that they would be self sufficient in fiber from plantations by the end 2006 and subsequently 2009<sup>x</sup>. This belies industry claims of sustainability. Hundreds of thousands of hectares of existing pulpwood plantations are on peatlands whose long term viability is also questioned by experts. These plantations on peatlands will continue to emit massive amounts of CO<sub>2</sub> into the atmosphere over the coming decade.

There are also questions about the legality of much of this fiber. The Ministry of Forestry and World Bank have estimated that over 50 percent of logging in Indonesia is illegal<sup>xi</sup>. In 2006 alone, it is estimated that illegal logging costs Indonesia's government 2 billion dollars in losses, equal to government spending on Indonesia's entire health system<sup>xii</sup>. It is highly likely that some of the illegal wood was used by pulp mills since around 70% of the total national roundwood equivalent consumption that year was used for pulp production<sup>xiii</sup>. In December 2008, in the Riau province, the District head of Palalawan was sentenced 11 years in prison for bribery in issuing licenses to wood suppliers to both APP/SMG and APRIL/RGM<sup>xiv</sup>. There are more officials under investigation by Indonesia's Corruption Eradication Commission (KPK) for the similar offences. Many pulp wood plantation licenses have been granted on deep peat which is protected by law and are in violation of spatial plans developed at national or provincial levels<sup>xv</sup>.

Many of these problems are recognized by the Indonesian government. In September 2008, governors of all ten Sumatran provinces, supported by Indonesian Ministries of Forestry, Environment, Public Works and the Interior, announced their collective commitment to protecting the remaining critical forests and wildlife habitats and other high conservation values across the whole island of Sumatra<sup>xvi</sup>. In September 2009 at the G 20 meeting in Pittsburg and in Indonesia's January 2010 submission to the UNFCCC, Indonesia's President Susilo Bambang Yudhoyono committed to reduce Indonesia's greenhouse gas emissions by 26% unilaterally from business as usual projections by 2020

and by up to 41% with the support of the international community, citing changes in forest and land use practices as a key area to achieve these targets<sup>xvii</sup>. In January 2010 the National Planning Agency (Bappenas) released a report on Indonesia's peatland that found that development in peatlands is responsible for half of Indonesia's total greenhouse gas emissions yet produce less than one per cent of the nation's GDP. The report recommends an end to peat forest conversion and drainage as the most cost effective strategy for achieving Indonesia's carbon reduction targets<sup>xviii</sup>.

We support these government calls for forest protection and emissions reductions. Protecting Indonesia's remaining natural forests and peatlands, and supporting community rights and livelihoods are fundamental for achieving these goals. These high level commitments provide an opportunity to redirect Indonesia's development pathway away from business as usual - with the host of negative impacts it brings - and toward a "low carbon," and equitable development path that respects community rights.

We request that your company help with this transition by reducing the demand for products and investments in this sector that enable business as usual to persist. We request that you reduce your company's consumption and environmental footprint by establishing social and environmental safeguards on procurement and by helping to bring about crucial changes to the Indonesian pulp and paper industry's practices as well as supporting related government policy reforms. We request that investors adopt similar safeguards in relation to investments in Indonesia's pulp and paper sector. We urge you to require that Indonesian pulp and paper companies and the supply chain partners that you do business with to undertake and independently verify:

1. A immediate halt on all further logging, clearing and conversion of natural forests across all operations in Indonesia and a halt on all sourcing of mixed tropical hardwood fiber until areas of High Conservation Value<sup>xix</sup> and high carbon value have been identified and protected, and areas suitable for fiber production have been agreed upon by government, industry, civil society organizations, and affected indigenous peoples and forest dependent communities.
2. A time bound plan for the restoration of peat lands and key ecological areas affected by roads, canals, logging, wood transportation and plantations is agreed by government, industry, civil society and affected communities, and is being implemented.
3. Negotiated agreements with indigenous communities affected by planned or existing pulp operations based on the right of indigenous peoples to give or withhold their free, prior and informed consent to developments that may affect their customary territories are established. Negotiated settlements and fair compensation for lands with non indigenous communities must also be established. Safeguards for pulpwood plantation and pulp and paper mill worker's rights including for example, adequate wages, healthy working conditions, training, and insurance, are also established.
4. A commitment that any new or expanded pulp and paper mill capacity is totally mercury-free and chlorine-free.
5. A halt on any additional pulp or paper production capacity or expansion and an audit of existing fiber production capacity to verify that additional natural forest fiber

(MTH) is not required for existing or expanded operation and is consistent with the above conditions.

6. The employment of an independent third party, acceptable to independent civil society groups in Indonesia, to monitor implementation and continued adherence to the above conditions and report regularly to the public on its findings.

We ask you to halt existing investments and refrain from new investments and purchases from pulp and paper companies and supply chain partners linked with Indonesia until they commit to and demonstrate action to implement the above conditions in a time bound, published plan.

In addition, we urge your company to support action by the Indonesian government consistent with these conditions. Specifically, Indonesian civil society has called on the Indonesian government to revoke recent decisions that allow conversion of natural forests and peatlands. Civil society groups have recommended that the government develop new policies to prevent further conversion of natural forests and peatlands and for the international community to support these efforts<sup>xx</sup>.

Attaching these conditions to your company's procurement or investment will support our efforts to protect the human rights of marginalised peoples and groups in Indonesia, to maintain biological diversity and ecological integrity, to reduce Indonesia's greenhouse gas emissions and to lay the groundwork for an equitable, sustainable and low carbon development pathway for our nation. It will also create more certainty and less risk for your company and its business with Indonesia.

Endorsed by:

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Alhamra  
SIALANG

Sukma  
PHYLOMINA

Priyo anggoro  
YAYASAN SIKLUS

Harijal jalil  
TROPIKA

SETARA  
Jambi.

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<sup>i</sup> McKinsey & Co. Pathways to a Low Carbon Economy, 2009

<sup>ii</sup> The Ministry of Forestry, Republic of Indonesia (2007) Reducing Emissions from Deforestation and Forest Degradation in Indonesia. REDD Methodology and Strategies Summary for Policy Makers.

<sup>iii</sup> The Ministry of Forestry, Republic of Indonesia (2007)

<sup>iv</sup> Ministry of Forestry (2009)

<sup>v</sup> Scale Up; personal communication

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<sup>vi</sup> <http://amnesty.org/en/for-media/press-releases/indonesia-investigate-forcible-destruction-homes-police-riau-20081223>

<sup>vii</sup> Results of Fact Finding Team in the Clashes Between Sumatra Silva Lestari Company and the Bangun Purba Community, Rokan Hulu District, Riau Province; Pekanbaru, Riau, June 2009

<sup>viii</sup> Teluk Meranti Community Letter of Rejection Towards RAPP (APRIL) Company, Teluk Meranti, 20 June 2009

<sup>ix</sup> <http://raflis.wordpress.com/files/2009/10/release-bersama.doc>; also see: <http://pulp-dan-kertas-indonesia.blogspot.com/2009/10/kronologis-konflik-petani-kemenyan.html>  
<http://pulp-dan-kertas-indonesia.blogspot.com/2009/10/peran-pemerintah-dalam-proses.html>  
<http://pulp-dan-kertas-indonesia.blogspot.com/2009/10/hentikan-kriminalisasi-petani-kemenyan.html>  
<http://pulp-dan-kertas-indonesia.blogspot.com/2009/10/penghancuran-sistematis-identitas-dan.html>  
<http://pulp-dan-kertas-indonesia.blogspot.com/2009/10/bebaskan-tanpa-syarat-7-orang-petani.html>  
<http://pulp-dan-kertas-indonesia.blogspot.com/2009/10/hentikan-kriminalisasi-terhadap-rakyat.html>

<sup>x</sup> Asia Pulp & Paper (2004) Sustainability Action Plan and APRIL (2007) 2006 Sustainability Report

<sup>xi</sup> A Roadmap for the Revitalization of Indonesia's Forest Industry; Indonesian Ministry of Forestry, 2007

<sup>xii</sup> "Wild Money; The Human Rights Consequences of Illegal Logging and Corruption in Indonesia's Forestry Sector" Human Rights Watch

<sup>xiii</sup> Ministry of Forestry (2009) Indonesia Forestry Outlook Study. Asia-Pacific Forestry Sector Outlook Study II Working Paper Series Working Paper No. APFSOS II/WP/2009/13. Food and Agriculture Organization of the United Nations, Regional Office for Asia and the Pacific. Bangkok, 2009.  
(<http://www.fao.org/world/regional/rap/APFSOS/2009-13Indonesia.pdf>)

<sup>xiv</sup> Eyes on the Forest News (17 September 2008) District Head sentenced to 11-year imprisonment.  
([http://eyesontheforest.or.id/index.php?option=com\\_content&task=view&id=201&Itemid=6](http://eyesontheforest.or.id/index.php?option=com_content&task=view&id=201&Itemid=6))

<sup>xv</sup> Presidential Decree no. 32, 1990

<sup>xvi</sup> WWF (September 2008) Saving Sumatra: Indonesia Reaches Historic Agreement to Protect World's Most Endangered Tropical Forests. <http://www.savesumatra.org/index.php/newspublications/pressdetail/2> and Joint Agreement of All Sumatra Governors to Save the Sumatra Island Ecosystem, signed by Governors of Nangroe Aceh Darusalam, Bangka Belitung Islands, North Sumatra, Jambi, West Sumatra, South Sumatra, Riau, Bengkulu, Riau Islands and Lampung, acknowledged by Minister of Interior, Minister of Environment, Minister of Public Works and Minister of Forestry. (in Bahasa Indonesia and English translation)  
<http://www.savesumatra.org/app/webroot/upload/pdf/Kesepakatan%20Gubernur%20Sumatera%2009%20n%20translation.pdf>

<sup>xvii</sup> Intervention by H.E. Dr. Susilo Bambang Yudhoyono, President of the Republic of Indonesia (On Climate Change At the G-210 Leaders Summit, 25 September 2009, Pittsburgh)

<sup>xviii</sup> Reducing Carbon Emissions from Indonesia's Peatlands, Interim Report of a Multi-Disciplinary Study, December 2009, Bappenas, Government of Indonesia

<sup>xix</sup> High Conservation Value Forests are defined by the High Conservation Value Network, as per: Consortium to Revise the HCV Toolkit for Indonesia (June 2008) Toolkit for Identification of High Conservation Values in Indonesia.

<sup>xx</sup> Open Letter from Civil Society Organizations Dr. H. Susilo Bambang Yudhoyono; Oct. 19, 2009