

President SBY on indigenous peoples - see p.10



Niut indigenous women

(DTE)

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## Down to Earth International Campaign for Ecological Justice in Indonesia

No. 71 November 2006

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## East Java mudflow disaster

*Thousands of people have been forced from their homes since May 29th, when hot mud started spurting from the ground near a gas exploration well in Sidoarjo, East Java. Over the following weeks, villages were submerged, farmland was ruined, businesses and schools closed and livelihoods lost, as the mud inundated the surrounding area. The government has done little to help, although the mud continues to flow, perhaps because the company responsible was owned by a senior member of the government. Major impacts on the wider marine and coastal environment are expected. These will have knock-on effects for the many thousands of people who depend on fish and shrimp for their living.*

The mudflow started two days after the earthquake which killed over 6,000 people in neighbouring Central Java and Yogyakarta, making May 2006 a particularly catastrophic month for Indonesia's most densely populated island. But whereas May 27th was a natural disaster, May 29th was the result of human error.

Lapindo Brantas' Banjar Panji 1 gas exploration well had reached a depth of over 3,000m when the mudflow started, according to an UN agency report. Police said there was a blow-out in the well-shaft and that the company failed to cap the hole properly. A *New York Times* report quoting environmental

geologist Amien Widodo said the company had not installed casing around the well to the levels required under Indonesian mining regulations. The mud started seeping into the well at a depth of around 1,800 metres, and cement plugs were put in to stop it. This led to the pressurised mud forcing its way to the surface near the well.

The first and largest of the breakthrough mudflows erupted 200m southwest of the well, shooting up into the air like a geyser. A second and then a third mudflow appeared in the following days to the northeast, but these were reported to have stopped flowing on June 5th.

The mud has not only continued to flow from the first rupture, but the daily amount gushing out has increased, from an initial 5,000m<sup>3</sup> per day reported by the environment ministry, to around 40,000m<sup>3</sup> per day reported by the United Nations Disaster Assessment Coordination (UNDAC) in July and increasing to 100,000-150,000m<sup>3</sup> per day, as reported by Lapindo itself in October.

### Impacts

The impacts of the disaster were severe and immediate. A large number of people were affected by the high levels of hydrogen

sulphide (H<sub>2</sub>S) which escaped when the mudflow broke through to the surface on May 29th. According to the UNDAC mission, 800-900 people sought medical treatment after exposure to and inhalation of the toxic gas. Many others had diarrhoea. On 4 July, 34 people were still in local hospitals or health posts. In early August, the environment group WALHI reported that Sidoarjo hospital had as many as 1,500 patients registered as affected by gas. Symptoms included dizziness,

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### STOP PRESS

At least eight people have been killed in a large gas pipe explosion near the mudflow site, the *Jakarta Post* reported on November 23rd. At least two more people were missing, feared dead. The pipe belonged to state-owned gas company, Pertamina. The authorities suspect that the weight of mud from the Sidoarjo mud volcano caused the underground pipe to collapse and explode (*Jakarta Post* 23/Nov/06)

## The company and shareholders

The Banjar Panji-I exploration well is located in the Brantas Production Sharing Contract (PSC) area in Sidoarjo district, East Java province, and is operated by Lapindo Brantas, which has a 50% working interest in the contract. The others shareholders are PT Medco E&P Brantas and the Australian company Santos Ltd.

The well drilling was subcontracted to a company called PT Medici Citra Nusantara

Lapindo's parent company was, until recently, Energi Mega Persada, part of group of companies controlled by social affairs minister Aburizal Bakrie (see main text). But Lapindo was sold for US\$2 in September to Lyte, a company registered in Jersey, also owned by the Bakrie Group, sparking fears that it would file for bankruptcy to avoid paying the huge costs associated with the Banjar Panji I disaster.

In its October update, the company estimated the total costs of relief well drilling and mud management to be US\$180million, subject to revision once other costs are known, including the costs of long term mud disposal and proposed infrastructure relocation. Total gross costs to date are estimated at US\$56 million.

Santos, the Australian company with an 18% share in the Brantas PSC, holds others interests in East Java: a 40.5% interest in the Sampang PSC, which contains the giant Jeruk and Oyong fields, a 67.5% interest in the Madura Offshore PSC which contains the Maleo field, a 40.1% interest in the Nth Bali I PSC, as well as an 18% interest in the producing Brantas PSC - see map.

(Source: *New York Times* 6/Oct/06; Santos website <http://www.santos.com/Content.aspx?p=190>, accessed 9/Nov/06)

breathlessness, breathing difficulties and irritation.

The environment ministry reported levels of H<sub>2</sub>S at 700 parts per million (ppm) on the first day of the mud flow but this dropped to 3 ppm on the second day and apparently zero on the third. Small amounts of H<sub>2</sub>S continue to escape from the site, at levels to make the air smell foul. According to Lapindo, this poses no threat to nearby communities.

## Flooded villages

By July 2006, four nearby villages - Renokenongo, Siring, Jatirejo and Kedungbendo had been inundated by the mudflow and the UNDAC team noted 7,800 people as internally displaced persons. The local authorities had provided temporary shelter in a market, and others were put up by families nearby. Local government data reported said that 744 homes had been flooded by the mud.

Things were to get even worse: in a press release dated October 18th, Lapindo reported that the mud had affected eight villages, covering an area of 400 hectares. Around 3,300 families (ca. 16,500 people) had been relocated. The company said that the displaced people had been moved into more permanent housing and were receiving rental



Railway line, Sidoarjo, with dead trees and levee in background, October 2006.

(DTE)

assistance (including 6 months' food assistance) provided by Lapindo.

Villagers forced to leave their homes have been offered three compensation options, and most are reported to be opting for cash payments, rather than replacement land and housing provided by the authorities. What will happen to the villagers in the long term is not clear.

As well as villagers' homes, businesses, schools and places of worship were inundated by the mud tide. As many as twenty factories were reported to be buried to the rooftops. Local government data reported by the press in July said 126 hectares of paddy fields, 17 hectares of sugar cane and 13 km of irrigation channels had been swamped by the mud. Drainage and drinking water pipes had been affected. The mud also washed over main transport arteries: the Surabaya-Gempol toll road was forced to close and rail services were disrupted. The road will close permanently and the railway will be rerouted, according to latest reports.

## Fatalities

Lapindo reported that although there had been no fatalities from the incident itself, two men died as a result of heavy equipment accidents. The company said it had reviewed the site's safety procedures and had ensured that the men's families were compensated (there are now more fatalities - see stop press, p.1).

## Toxic or not?

Lapindo itself discounts media reports which stated the mud was toxic or poisonous, citing its own testing and sampling programme and a UNEP report. Lapindo says the mud is "only mildly reactive under extreme conditions". Others say the mud's toxicity is still debatable. Furthermore, the mud emerges at

temperatures above 60 degrees Celsius.

The June investigation of the UNDAC mission did not find significant levels of toxicity in the mud, but reported that some samples analysed by the local authorities and university showed that there were high level of toxics, such as heavy metals, including mercury. The UNDAC team thought that the high levels reported may be linked to contamination from industrial sites inundated by the mud, and concluded that more research was needed.

However, the mud's high level of salinity (akin to seawater) is not in doubt. UNDAC warned that if, in the coming rainy season, the mud overflowed onto farmland from the containment basins built on land, the high salt content would be likely to make the surrounding land infertile.

## Stopping the flow

There is no quick technical fix to the mudflow. Estimates of when the flow will be stopped have been moved forward several times, following failed attempts to stop the 'mud volcano'. In October, Lapindo reported

that international consultants had been appointed to assist with managing drilling operations. One of two relief wells planned was being drilled, with relief well operations designed to stop the underground flow to be completed around the end of 2006. However, there appears to be little confidence in these measures. Some sources in the industry have warned that the mudflow could go on for many more months, or even years.

### Damming the mud

The authorities' response to the immediate question of what to do with the mud was to build containment 'basins' or 'ponds' by enclosing areas of land within earth walls, or levees. In its October update, Lapindo reported that containment ponds and levees had been constructed with the assistance of the Indonesian subsidiary of the Dutch company Van Oord, plus 1400 army personnel involved in efforts to stabilise the levee walls and increase containment capacity. In its June-July mission, the UNDAC team found that the 2m high earth dams had indeed helped limit the damage, but were not a sustainable solution as heavy rains in the rainy season would cause the walls to collapse and ponds to overflow. The mission reported they had already observed wall collapses during their dry season visit.

### River and sea disposal

The government's decision to channel the mud to the sea via the Porong River was announced in late September, despite warnings from environmentalists and others that this would be likely to destroy the local fisheries and shrimp industries. The UNDAC mission had predicted that if channelled into rivers, the mud could be expected to kill the aquatic ecosystem and have serious humanitarian consequences.

However, this was chosen as the least bad option as it became clear that construction of containment ponds couldn't keep up with the rate the mud was gushing from its underground source.

In its October update, Lapindo reported that preparations were underway to allow for this discharge into the Porong River and that it was working to 'minimise any effects on the ecology of the river'.

WALHI predicted that 4,000 hectares of fish and shrimp ponds in Jabon subdistrict would be ruined and pointed out that Sidoarjo's shrimp farms provided 30% of Indonesian shrimp exports. The group said that the livelihoods of thousands of fisherfolk in Sidoarjo, Madura, Surabaya, Pasuruan and Probolinggo were also under threat.

### Longer term measures

In an October report, Indonesia's environment ministry said that it was looking at alternatives to prevent the mud ending up in the Madura Straits. These included collecting the mud on the shore and creating a new mangrove wetland area on the coast; using the mud as a building material for road construction; and using it as a fertiliser mix. It remains to be seen whether these options are seriously considered, or whether the mud ends up devastating the river and marine ecosystems as feared.

### Armed troops brought in

In September, WALHI's East Java office reported that 11,000 troops from the Brawijaya command had been brought into the area. The group called for an explanation why so many troops had been sent, and why they were armed with M16 rifles if their task was to build the containment levees. The report noted that 16 barracks housing around 600 troops had been built close to

the area where untreated mud was being pumped into the Porong River, implying that the troops may have been brought into enforce unpopular measures. More accommodation had been built near another river, the Kali Mati, which had also been reported as a potential dumping place for the mud.

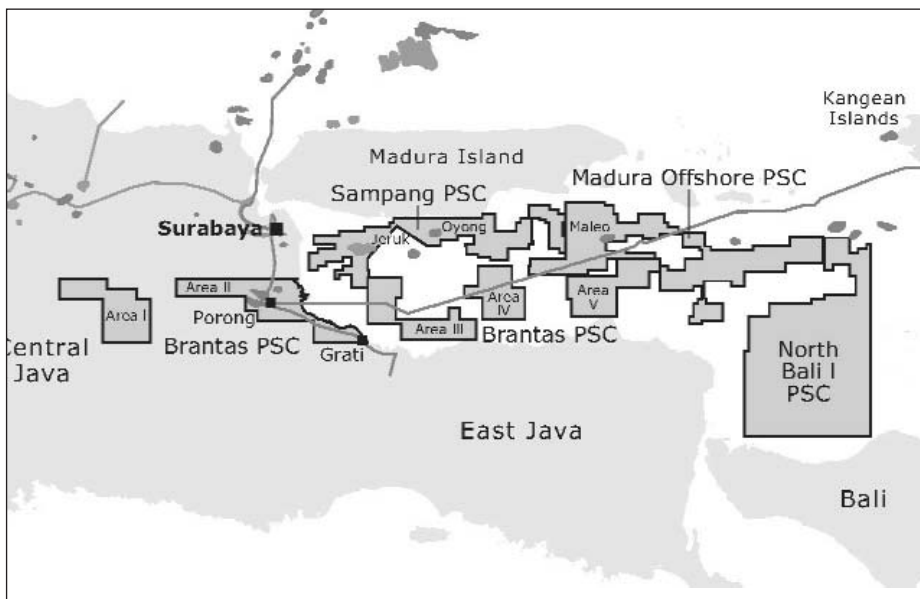
### East Java: oil and gas extraction in a densely populated area

Indonesian environment group, WALHI, and mining advocacy NGO, JATAM, are calling for a review of oil and gas exploration in densely populated areas like East Java. More than 20 exploration blocks have licences to operate in Java's crowded northern shore area and 13 million people live in sixteen of these blocks alone. In almost each of the last five years there has been an incident in East Java, according to the groups. This year, on top of the Sidoarjo disaster, incidents include a blow-out at the Bojonegoro gas well Sukowati 5 operated by a PetroChina joint venture with Indonesia's state-owned oil company, Pertamina.

The NGOs want the government to acknowledge that Indonesia has no mechanism to protect people in such areas.

In 2000, East Java's population density was over 700 people per square kilometre, and its total population was around 35 million (the Indonesian overall population density is 134 per km<sup>2</sup>). But the province also contains the third biggest oil reserves in Indonesia, after the East Kalimantan and Riau - and foreign companies are profiting from them. In addition to Australia's Santos (see box p.2) other overseas companies operating in East Java include: ExxonMobil (US) - notorious for its association with human rights violations in Aceh - in the giant onshore oil and gas field within its Cepu Block; Amerada-Hess (US) in Pangkah (offshore, gas); and ConocoPhillips (US), in Ketapang (offshore). The UK-based oil multinational, BP which is developing the giant Tangguh gas field in West Papua, has in past years been associated with pollution in the area (see DTE 56, February 2003, <http://dte.gn.apc.org/56o12.htm>) but sold its interest in the Kangean offshore blocks to Pt Energi Mega Persada (until recently, Lapindo's parent company) in 2004.

(Source: *Asia Pulse/Antara* 10/Oct/06; *Mitras Indonesia Mining News* 16 - 22 April 2005; <http://www.usembassyjakarta.org/petro2003/ch1-Crude%20Oil.pdf>, accessed 10/Nov/06).



Map adapted from Santos website, showing PSC contract areas with Santos interest, on- and offshore East Java. The irregular-shaped darker shaded areas indicate oil and gas fields and the lines indicate pipelines. The mudflow is in the Brantas PSC shown, south of Surabaya.



## Accountability and politics

There is widespread concern that Lapindo's high level political connections will prevent the company being prosecuted and punished for its role in the disaster.

A police investigation, launched soon after the mudflow started, had named nine suspects by the end of July, including three top managerial level staff from Lapindo, its then parent company PT Energi Mega Persada and drilling contractor PT Medici Citra Nusa. The other six were field workers. The limited scope of the legal action so far has been criticised by NGOs, who say that all shareholders in the production sharing contract should be held to account, as set down in the 2001 oil and gas law.

NGO campaigners have also targeted social affairs minister Aburizal Bakrie, the billionaire whose family business empire controls Lapindo. The NGOs want him to be 'deactivated' from the cabinet, due to his connections to Lapindo. Bakrie was also a major contributor to the campaign of President Susilo Bambang Yudhoyono. They also point the finger at government agencies, such as the oil and gas supervisory agency BP-Migas, which has failed in its remit to supervise the industry properly. Government

officials are also worried: local district head, Win Hendarso, told the *New York Times*, "I am not confident that anyone will ever be prosecuted", reflecting the wide cynicism over the effectiveness of the justice system to hold those responsible to account.

Aburizal Bakrie was the target of a demonstration by Greenpeace in September, when activists sprayed 700kg of Sidoardjo mud in front of his ministry's gate in Jakarta. Greenpeace Southeast Asia director Emmy Hafild said it was shameless for Bakrie to distance himself from the disaster. "We don't have a solution," she told *Reuters*. "We are an environmental group but right now the focus should be to evacuate people who live in the immediate vicinity of the mudflow."

A group of NGOs - the Advocacy Team for Victims of the Sidoardjo Mud Disaster (TAK-LUSI) - has threatened to sue the government and companies involved in the case. On October 18th they issued a 'legal warning' (*somasi*) against Lapindo's director, the president, the energy and mineral resources minister, the environment minister, BP-Migas, the East Java governor and the Sidoardjo district head. The document holds Lapindo Brantas Inc. responsible for causing the mudflow and states that the government

has neglected its constitutional mandate to carry out the duty of the state to control and manage Indonesia's natural resources for the maximum benefit of the people. It accuses the company and government of failing to address the incident in a timely and appropriate manner and failing adequately to protect those affected. It says the failures violate the victims' right to a clean and healthy environment and calls on the government to ensure that Lapindo and its shareholders bear all the environmental rehabilitation and compensation costs. TAK-LUSA also wants the government to cancel Lapindo's contract. It is demanding that the company and named members of the government issue a public apology for its negligence and legal violations.

(Source: EMP Brantas press release: *Banjarpanji Incident Update 18/Oct/06*; UNDAC Environmental Assessment *Hot Mud Flow East Java, Indonesia, Final Technical Report* at <http://ochaonline.un.org>; *Somasi Kedua Untuk Lapindo Brantas*, TAK-LUSI 18/Oct/06; *Reuters* 27&28/Sep/06; *New York Times* 6/Oct/06; *AP* 29/Sep/06; *Antara* 18/Aug/06; WALHI and WALHI East Java press releases on <http://www.walhi.or.id>)♦

## Disaster tourism in Sidoardjo

The following account is by a member of DTE's staff who visited Sidoardjo in October.

Disasters can become tourist attractions and that's what has happened at the Sidoardjo mudflow in East Java.

The hot mud, which has now inundated the villages of Siring, Jatirejo, Renolenongo, Kedungbendo, Mindi, Kedungcangkring, Besuki and Pejarakan, has been turned into a new source of livelihood by some local people. As is proper at tourist attractions, there are plenty of hawkers stalls selling all kinds of food and cold drinks, set up beside the mud levee in Porong subdistrict. They are benefiting from the traffic jams and crowds of visitors coming from in and around the city of Sidoradjo to view the disaster scene.

When I visited Porong subdistrict at the end of October, from two kilometres outside Porong you could already see clearly the white vapour rising from the source of the mudflow. On the left-hand side of the road (going from Sidoardjo towards Malang) there were empty houses, dead trees and rice-fields engulfed by the mud.

Once in Porong subdistrict, the traffic jams got worse. You could see that the mud levees walls had reached about four metres high and were being built higher still.

The levees were in a dangerous position, less than five metres from the

railway line and only around twenty metres from the main road through Porong which links the cities of Surabaya and Gempol.

Efforts to secure the Surabaya - Malang railway line include elevating the rails and building a water pipeline less than a metre wide and 50cm under the level of the railway.

There was police tape around along the levee and several police officers were patrolling the site.

Visitors wanting to see the mud volcano close up, could take a motorbike taxi (*ojek*), a service provided by local villagers.

They came for different reasons: some to make studies, some to see the place they were born, or their family land, but most came because they just wanted to see the disaster for themselves.

The intensity of the sun and the heat of Sidoardjo was all the more severe at the mudflow site. The hot gases rising from the mud, combined with the foul smell and exhaust fumes from the traffic jams, were the distinctive features of this tourist attraction.

### Rain: a blessing or a curse?

Although this was the rainy season, there had been no rain since May when I visited Sidoardjo. Rain poses a serious threat for

local people, especially those living near the levees. But for farmers, rain is a blessing, meaning they can start planting their rice-fields.

Drought is starting to affect Sidoardjo city. In the Candi Gelam area (around 3 km from the Porong containment levee) the water has run out and people are forced to buy water for washing, laundry and cooking, spending at least Rp20,000 (just over US\$2) per day. Although some wells are not completely dry, the water in them is thick and smelly and tastes salty.

According to one local man, there have been thick clouds bringing a few spots of rain, but only lasting a few minutes. A rumour is going around that Javanese magicians (*pawang*) have been brought in to keep rain away from Sidoardjo.

Despite the drought and water shortages, nobody in Sidoardjo wants the rains to come. They know that they will worsen the disaster, because it is very likely that the earth levees will no longer be able to contain the water and mud. Even without the rain they have not been able to cope, so there is little hope they can once the rains start.

Rain is a double-edged sword: it can end the drought, but it also threatens to destroy the levees and exacerbate the disaster. No rain means that the pace of the disaster can be checked, but it also means drought. Either way, the immediate future looks grim for the people of Sidoardjo. ♦

## oil palm / energy

# Palm oil is not green

*Plans have been shelved to use palm oil in a UK power station after campaigners highlighted the negative consequences for local communities, forests and wildlife. But the promotion of palm oil as a means of addressing climate change, on top of its use in food products, still threatens millions of livelihoods in Indonesia.*

Npower, one of the UK's top three gas and electricity suppliers, announced its decision to drop plans to use palm oil to fuel its Littlebrook power station in Kent, southeastern England, in November. The power station, which currently uses petroleum-based oil, has a capacity of 1,000 megawatts and is used as a top-up electricity generator in times of high demand. The conversion to palm oil would have made Littlebrook Britain's biggest biofuel electricity generation project by far. According to the company, using palm oil would reduce carbon dioxide (CO<sub>2</sub>) emissions by almost a million tonnes per year - the equivalent of taking quarter of a million cars off the road\*.

The company, which is owned by Germany's RWE, said it had made the decision because its strict sustainability criteria could not be met.

NGO pressure may well have contributed to the decision too. Friends of the Earth England, Wales and Northern Ireland (FoE EWN) publicly criticised the company's plans in August. In October, the German group Watch Indonesia! wrote to Npower, urging the company not to go ahead with plans to use palm oil at Littlebrook, pointing out that palm oil is neither clean nor climate-friendly.

*"For producer countries like Indonesia, the growing demand for palm oil turns out to be a curse for the rainforests and the local communities living there: as a consequence, forests are destroyed, soil, water and air are poisoned by agro-industrial toxins, conflicts over land erupt and the people concerned lose their livelihood and often suffer human rights abuses. At breathtaking speed, the habitats of species threatened with extinction, i.e. orang utans, forest elephants and tigers on Sumatra and Borneo, have fallen prey to deforestation carried out to make way for palm oil plantations."*

(Watch Indonesia!, letter to Npower, 10/Oct/06)

Malaysia and Indonesia are the world's two big players in palm oil production, accounting for more than 80% of the total global trade. Indonesia is expected to overtake Malaysia soon as the world's biggest producer but the interests of both countries are closely linked as Malaysian companies are investing heavily in plantations in Indonesia. Indonesia's palm



Oil palm plantation, Jambi, Sumatra.

(DTE)

oil production is forecast to rise to 17.6 million tonnes next year from an estimated 15.9 million tonnes in 2006. (See DTE 69:8 and DTE 66:2-9 for more background).

Friends of the Earth, which is campaigning against the use of unsustainable palm oil in the food and biofuel industries, said that current levels of demand for palm oil for the food industry are already threatening Indonesia's forests with annihilation. "The forests and the people and wildlife they support simply cannot cope with a steep rise in global demand for palm oil for the energy industry. It will sound the death knell for the orang-utan and create further conflict between palm oil companies and local communities," said FoE's Ed Matthews (*Press Association* 23/Aug/06). FoE reckons that oil palm plantations are probably responsible for the destruction of 10 million hectares of Indonesian rainforest.

Indonesian groups have also warned that the emerging biofuel market will put more pressure on the country's forests and forest peoples. Indonesia's advocacy network on palm oil, Sawit Watch, believes that higher European targets for renewable energy and electricity could mean that more forests that provide livelihoods for local communities - especially indigenous peoples - will be converted to oil palm plantations.

Despite such warnings, the large profits to be made are prompting the palm oil

industry and the Indonesian government to keep on promoting palm oil as both food product and biofuel, and announce ambitious schemes such as the Kalimantan-Malaysia border mega-project. Its use is being promoted on the domestic market too: President Susilo Bambang Yudhoyono issued two decrees on energy earlier this year to encourage the use of biofuel as fossil fuel substitute and, in June last year, Aburizal Bakrie (then coordinating minister for economics and industry, and now embroiled in the Sidoarjo mudflow disaster - see page 1) stated that an additional 600,000 hectares of plantation land would be made available for oil palm cultivation for biodiesel production.

According to *Reuters*, Indonesia and Malaysia plan to set aside up to 40% of their palm oil output for biodiesel. Jakarta estimates that 600,000 tonnes of crude palm oil will be used by the biodiesel industry next year. Earlier this year, the government allowed a 10% blend of biofuels in fuel products and state oil and gas company, Pertamina, is selling diesel with a 5% palm oil content.

A company owned by the Bakrie family is planning to build Indonesia's first large-scale biodiesel production plant in Sumatra with a capacity of 60,000-10,000 tonnes per year (see DTE 69:8). Other Indonesian companies that have announced plans to develop biodiesel plants are PT Astro Agro Lestari and PT Asian Agri. Foreign

## Protest against Dutch company's use of palm oil

In October, Friends of the Earth Netherlands staged a protest at the headquarters of Essent, a major Dutch energy producer, against the use of palm oil in their biomass plants. The group handed over a complaint filed with the state advertising code commission, on the basis that Essent claims it only uses sustainable biomass. (Milieudefensie update 2/Nov/06)

companies planning to enter the Indonesian biofuel industry include Malaysia's Golden Hope Plantations, Genting Bhd and Sime Darby Bhd, and Singapore's Wilmar Holding Pte. Ltd.

## Sawit Watch reports

Two new reports by Sawit Watch and partner NGOs highlight the serious injustices already caused to indigenous peoples, local communities and smallholders by oil palm development in Indonesia. The first report, which is based on a detailed legal study and field surveys, shows that Indonesia already has around 6.4 million ha of oil palm and plans a further 20 million ha. Most of this area is the customary land of indigenous peoples and local communities, who have minimal protection under Indonesia laws. Communities are still being forced to give up their lands against their will, without adequate compensation.

The second Sawit Watch report, based on workshops and interviews with smallholders, shows how local farmers have been forced to relinquish their land, only receiving small plots as oil palm smallholdings on large commercial oil palm estates in return. They are saddled with large debts which take up to 20 years to pay off. Farmers complain of low prices, unclear financial arrangements, poor infrastructure, inadequate training and serious social problems on the estates. Sawit Watch estimates that there are about 4 million smallholders and their families on these estates in Indonesia.

## RSPO links

The Sawit Watch reports were published in advance of the November meeting of the Roundtable on Sustainable Palm Oil (RSPO) in Singapore. This is a voluntary body set up in 2004 by the palm oil industry and World Wide Fund for Nature (WWF) partly in response to NGO charges that oil palm plantations destroy forests and impoverish local communities. Sawit Watch is a member of the RSPO Executive Board and helped push the organisation to adopt relatively

progressive social criteria for plantation developers last year (see DTE 66:5 and DTE 68:1 for more background).

In his opening address to the Singapore meeting, RSPO president Jan Kees Vis of Unilever drew attention to the Nairobi climate change discussions, pointing out that climate change is a very real threat and that changes in attitudes are taking place. Governments and companies are now taking biofuels very seriously and this supports the lobby for palm oil as biodiesel. However, he warned that expansion of palm oil plantations to meet this end was potentially enormous and could have devastating effects on the environment and local people's livelihoods. He went on to argue that the RSPO should not take a position on the sustainability of biofuels, including palm oil.

RWE Npower, also an RSPO member, was aiming to source its palm oil supply for the Littlebrook power station from fellow RSPO members. The company linked its decision not to go ahead to the fact these suppliers could not yet prove that their products were from 'well-managed' plantations. According to Npower, this means they did not involve rainforest destruction or relocation of indigenous peoples to establish them. The company's stance reflects a high level of scepticism over plantation companies' ability and willingness to apply RSPO standards. RSPO members with decidedly dodgy credentials include Musim Mas, whose heavy handed attempts to break up a union at its Sumatra operation, ended in jail sentences for six workers, while others were evicted from their homes. RSPO member LonSum is still refusing to settle land disputes with communities in Pergullaan (North Sumatra) and Paser (East Kalimantan). Another affiliate member is Syngenta, makers of Paraquat, the highly toxic weedkiller used in oil palm plantations associated with a range of serious health impacts on workers, especially women (see DTE 66:9).

At the latest Roundtable meeting in Singapore, NGOs criticised Malaysian companies that are members of the RSPO for lobbying for the national ban on the use of Paraquat to be lifted, even though the RSPO has ostensibly committed itself to finding substitutes for Paraquat by the end of 2007. Moreover, the Malaysian Palm Oil Association, which is represented on the Executive Board of the RSPO, also called for the RSPO standard to be revised as member companies thought the standard was too high for them. The announcement caused dismay among European retailers and manufacturers who want to source 'sustainable palm oil' by the end of 2007.

RWE Npower itself has not ruled out using palm oil in future and may still be involved in smaller-scale use right now. According to the company's website, it is already using palm oil to replace heavy fuel-oil during start-up at its coal-fired power

stations in the UK. The company has also been linked to another, smaller UK power generation project, approved earlier this year by Southampton city council. The proposed combined heat and power project is designed to power more than 3,000 council homes around the city. It plans to use palm oil initially, until local enterprises are able to supply locally grown alternative biofuel crops. Construction is expected to start later this year.

## Incentives and subsidies

The Npower case highlights the fact that incentives for using biofuels like palm oil are not linked to good sustainability practices throughout the supply chain. Had it gone ahead with its plan, Npower would have benefited from the UK government's Renewable Obligation Certificates subsidy, despite the fact that using palm oil is linked to decidedly ungreen activities like forest fires, peatland destruction and deforestation - all major contributors to global warming.

In a case study on Southeast Asian palm oil, the NGO Biofuelwatch says that government incentives boost demand for the product, without guarantees of sustainability.

*"Palm oil has by far the highest energy yield of all the biodiesel crops grown at present. This, together with low wages and the lack of any rights for plantation workers, gives south-east Asian palm oil a great competitive advantage in the new free biofuel market. Biodiesel companies in the UK, such as Biofuel Corporation, favour palm oil as their main source. Once the UK's Renewable Transport Obligation comes into force, in 2008, the amount of biodiesel sold in the UK will dramatically increase and it is likely that most of it will come from Indonesian and Malaysian palm oil."*

## Biofuelwatch

Biofuelwatch, a new organisation set up in the UK, campaigns for regulation to ensure that only sustainably-sourced biofuels can be sold in the European Union. The group is particularly concerned about the potential of the biofuel market to drive the destruction of old-growth forests. Sustainable biofuels, says the group, "should have been rigorously shown not to have an adverse effect on old growth forests, wetlands and grasslands, greenhouse gas emissions, biodiversity, soils, water, food security and human rights." Biofuelwatch says that heat and energy can be sustainably provided by agricultural and forestry waste, whilst sustainable sources of transport fuel include waste vegetable oil and possible future technologies such as algal biodiesel. For more information see [www.biofuelwatch.org.uk](http://www.biofuelwatch.org.uk).



(<http://www.biofuelwatch.org.uk/background6.php>, accessed 16/Nov/06)

Biofuelwatch also reports that large sums of funding for another subsidy, the Kyoto Protocol's Clean Development Mechanism (CDM- see box), are used to support Indonesia's palm oil industry and the demand for its produce, despite plantation developers' responsibility for the destruction of peatlands and forests. Biomass projects (including palm oil) already account for 63% of all CDM funding in Indonesia and this is expected to increase in coming years, according to the group. At the same time, industrialised countries are implementing measures under the Kyoto Protocol which are vastly increasing the demand for palm oil and thus giving an incentive for ever faster deforestation and peat destruction. These include the European Biofuels Directive and the European Biomass Action Plan (making palm oil burned in power stations eligible for government support). Under the Biofuels Directive, 5.75% of transport fuel should come from renewable fuel sources by 2010, and 20% by 2020. (See also DTE 69:10 for background on Kyoto and the CDM.)

Biofuelwatch says that CDM funding has been criticised by many NGOs because it allows polluting companies in rich countries to buy themselves out of having to reduce their own emissions. In the case of palm oil, the companies involved not only fail to reduce their own emissions, but also fund

### CDM: giving polluters a helping hand

Under the Clean Development Mechanism (CDM), one of the Kyoto Protocol's 'flexibility mechanisms', an industrialised country with a greenhouse gas reduction target, can invest in a project in a developing country without a target. It can then claim credit for the emissions that the project has avoided. By promoting cheap projects in the South, Kyoto signatory governments in the North can greatly reduce the cost of meeting their agreed Kyoto reduction commitments.

The credits are in the form of tradeable Certified Emissions Reductions (CERs) certificates, which can be used by governments to help meet Kyoto targets. In Europe they can be used by companies to help meet their allocations under the EU emissions trading scheme.

Critics say this new international carbon trading market is encouraging destructive development like hydro-electric dams and fast-growing tree plantations, while letting polluters off the hook in their own countries.

(Source: [cdmwatch.org](http://cdmwatch.org), *Guardian* 15/Nov/06)

### New publications:

- ♦ *Promised Land: Palm Oil and Land Acquisition in Indonesia - Implications for Local Communities and Indigenous Peoples* by Marcus Colchester; Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane (2006) Forest Peoples Programme, Sawit Watch, HuMA and ICRAF, Bogor (also available in Bahasa Indonesia).
- ♦ *Ghosts on our own land: oil palm smallholders in Indonesia and the Roundtable on Sustainable Palm Oil* by Forest Peoples Programme and Sawit Watch, Bogor (2006) (also available in Bahasa Indonesia).

Downloads of these two documents are available soon on [www.sawitwatch.or.id](http://www.sawitwatch.or.id) and [www.forestpeoples.org](http://www.forestpeoples.org)

- ♦ *Carbon Trading: A Critical Conversation on Climate Change, Privatisation and Power*, by Larry Lohmann (editor), Dag Hammarskjold Foundation, Durban Group for Climate Justice and The Corner House, October 2006. Available in PDF format from <http://www.thecornerhouse.org.uk/>

the causes of forest and peat destruction in Indonesia. "There is probably no single industry in any single country which contributes as much to global warming as palm oil in Indonesia, and the Kyoto Protocol is being used to finance and sustain it."

### Forest fires

Biofuelwatch, along with Ecological Internet, Watch Indonesia! and Save the Rainforest (Germany) have launched a campaign calling for 'real action' to address the causes of the annual peat and forest fires in Southeast Asia. The campaign is addressed to the signatories of the United Nations Framework Convention on Climate Change (UNFCCC) who met in Nairobi this November to debate the future of the Kyoto Protocol. The groups say that Indonesia's peat contains some 50 billion tonnes of carbon - equivalent to 7-8 years of global fossil fuel emissions. Peatland areas drained for oil palm and timber plantations, plus the annual fires, many of which are deliberately set by plantation developers, releases carbon stored in the peat. The NGOs cite a Wetlands International report, which said one tonne of palm oil grown on peat is linked to the release of around 20 tonnes of carbon dioxide from that peat.

The science journal *Nature* estimated that carbon emissions from Indonesia's 1997-1998 forest and peatland fires, were equivalent to 40% of all global emissions from burning fossil fuels that year. Oil palm companies using fire to clear land were widely believed to be responsible for much of the destruction (see DTE 35, fires supplement, for further background), but close links to the Suharto elite meant that almost no legal action was taken against them. Now this year's fires are being described as the worst since 1997-1998 and they are still being linked to oil palm plantation companies.

The NGOs wanted the Nairobi conference to agree to international

assistance to fight the fires raging in many parts of Borneo. They also want UNFCCC governments to set up a working group to draft proposals for the protection and restoration of the peatlands which must report back within a year.

(Sources: BBC Radio 4 *You and Yours*, 14/Nov/06 at [www.bbc.co.uk/](http://www.bbc.co.uk/); RWE *npower statement regarding future use of Palm Oil*, 13/Nov/06 at <http://www.npowermediacentre.co.uk/>; *Green fuels* at [http://www.rwenpower.com/cr/green\\_fuels.a.spx](http://www.rwenpower.com/cr/green_fuels.a.spx), accessed 20/Nov/06; *Indonesia is not an oil palm plantation*, briefing note by Sawit Watch and DTE, 16/Sep/06; SEEDA Board Meeting 20/Jul/06, at <http://www.southeast-ra.gov.uk/> accessed 16/Nov/06; Friends of the Earth Briefing *The use of palm oil for biofuel and as biomass for energy*, August 2006; *Nature*, 7/Nov/02; Press Release circulated by Forest Peoples Programme 17/Nov/06; *Biofuelwatch Factsheet 1: South-East Asia' Peat Fires And Global Warming*; joint press release, 10/Nov/06; both documents on <http://www.biofuelwatch.org.uk/>; *Reuters* 21/Nov/06)

\*Biofuels are sometimes described as 'carbon neutral' meaning that the amount of CO<sub>2</sub> released when they are burned is equivalent to the amount of CO<sub>2</sub> the crop absorbs when growing. However, this does not take into account the carbon-producing external inputs required to grow the crop, including agricultural chemicals, transport and processing, and in transporting the product from producer to consumer country. In palm oil's case, such sources of CO<sub>2</sub> must be added to the massive amounts of carbon released when forests are cleared or peatlands drained to make way for the plantations. ♦

*indigenous peoples / oil palm*

# Oil palm and the United Nations

*Indigenous peoples are trying to restrict the expansion of large-scale oil palm plantations in Indonesia and other southeast Asian countries*

*This article was written by Mina S. Setra of the West Kalimantan Indigenous Peoples' Alliance (AMA Kalbar), following her visit to the UN Permanent Forum on Indigenous Peoples in New York earlier this year.*

This year has been important for indigenous peoples all over the world. It marks the start of the United Nations' second Decade of Indigenous Peoples as well as the adoption of the Declaration on Indigenous Peoples by the UN's newly established Human Rights Council (see *DTE 70:5*). These policies have special significance for Indonesia's indigenous peoples at a time when massive expansion of oil palm plantations is taking place throughout the archipelago.

Representatives of indigenous peoples' organisations from the Asia region gathered in the coastal town of Pelabuhan Ratu in West Java from 7-10 April 2006 to prepare for the 5th UN Permanent Forum on Indigenous Issues. Participants discussed which of the many issues affecting indigenous peoples should be formally presented at this UN meeting. They decided to include the impact of large-scale oil palm plantations on indigenous peoples in Asia in general and in Indonesia in particular. They agreed that an Indonesian indigenous person would present this report. Indonesia is racing to replace Malaysia as the world's biggest palm oil producer. It is also turning a blind eye to the negative effects of expanding the extent of plantations. Plans to establish a 1.8 million hectare plantation megaproject along the Indonesia-Malaysia border on the island of Borneo are only one aspect of this policy (see *DTE 68:3*).

The report to the UN made the following points:

1. The development of large-scale oil palm plantations has destroyed the local economy of many indigenous communities. As a result, indigenous people in affected areas have seen their living standards fall.
2. Indigenous communities are now under the control of oil palm companies and are economically dependent on them. This has had devastating effects on their everyday lives, society and culture and has made it more difficult to resist unwelcome changes. Oil palm plantations have brought new problems, with a sharp increase in gambling, alcohol consumption and prostitution. Traditional patterns of communal tenure have been replaced by individual land ownership.
3. Large-scale oil palm plantations are damaging to natural ecosystems and the environment, resulting in the silting up of streams and rivers, infertile soils and drastic reductions in biodiversity. Every year there are serious problems from the fires still used to clear land and from floods linked to forest destruction. Indigenous communities' traditional agricultural systems have been replaced by a monoculture. Plantations do not provide the huge range of products which indigenous people used to collect from the forests, including fuel, food and medicines. Communities now find it difficult to go hunting. Water sources are thick with sediment and often dry up.
4. Cultural norms have changed: traditional spiritual beliefs have been replaced by commercial values. Indigenous communities have close spiritual links with their forests and other lands which form an important part of their identity. Oil palm plantations have even destroyed areas of sacred forest which provide the plants and other materials essential for healing ceremonies and other traditional rituals. No amount of money from oil palm plantations can compensate for the loss of indigenous knowledge and culture associated with forest destruction.
5. The use of agrochemicals in oil palm plantations is a potential threat to indigenous people's health. Women are particularly at risk from heavily contaminated water through their everyday domestic activities. Pregnant women are especially vulnerable.
6. The expansion of oil palm plantations has reduced indigenous peoples' power, access to information and participation in politics - even though it is indigenous peoples, not oil palm companies, who form one of the pillars of the nation.
7. The process of land procurement for oil palm plantations is rife with long-term conflicts which have yet to be resolved. Violence and human rights violations are a feature of these disputes between communities, companies and the government and within communities themselves.

Representatives of Indonesia's indigenous communities officially presented their report to the UN in New York in the Session on Human Rights and to the Special Rapporteur on Indigenous Issues (Rodolfo Stevenhagen). During the two weeks of the UN Permanent Forum (16-25 May 2006), they were also interviewed on the UN radio and met with the Indonesian delegation to the UN.

The report received support from a number of countries including members of the Asia Caucus such as Partners of Community Organisations (Malaysia), Chin Human Rights Organisation (Burma), Bangsa Adat Alifuru (Malucca), Jumma Peoples Network International (Bangladesh), Vanishing Rites (Bangladesh) and the Bangladesh Adivasi Forum, as well as the Caucuses from Ecuador and Latin America.

The Indigenous Peoples Alliance of the Archipelago (AMAN) demanded that:

1. The UN Permanent Forum takes a strong position against the Indonesian government and other UN members on the issue of oil palm plantations and their effects on indigenous peoples.
2. The UN Permanent Forum holds an independent review on the impacts of large-scale oil palm plantations on indigenous communities.
3. The UN Special Rapporteur carries out visits and writes a report on the human rights issues and other fundamental problems experienced by affected indigenous communities. The Indonesian government should demonstrate its openness by allowing the Special Rapporteur to visit Indonesia.



4. Governments in Europe, North America, Malaysia and China stop any co-operation between their countries and Indonesia which promotes the expansion of oil palm plantations at the expense of indigenous communities.
5. The Indonesian government takes steps to resolve land disputes, address violations of human rights and environmental destruction associated with oil palm plantations in Indonesia, with the full involvement of indigenous communities. The government should also provide alternatives for economic development to indigenous peoples adversely affected by oil palm plantations.
6. The Indonesian government cancels the presidential policy statement on compulsory land acquisition by the state (PerPres 36/2005).

In response to the report, Ms Ida Nicolaisen, the Danish government's representative on the Permanent Forum, warned Indonesia that development - including the development of oil palm plantations - must not adversely affect indigenous peoples.

Indonesia responded through its official representative, Dede A. Rifai, that:

- ♦ The Indonesian government respects indigenous rights. Its strategies on environmental protection and biodiversity conservation specifically recognise the role of indigenous peoples.
- ♦ The Indonesian government has taken the first steps necessary to ensure that the palm oil industry and other development projects do not have negative environmental effects.

- ♦ The ministers of agriculture and forestry consider that the government should prioritise 'abandoned land' in the border area, rather than forests for the development of oil palm plantations.
- ♦ The Indonesian president has yet to make an official decision on land use and is currently consulting as broad a range of opinion as possible to determine the option that will be best for all the country's people, including those directly affected by the expansion of oil palm plantations.
- ♦ These actions demonstrate that the Indonesian government always considers the principle of Free, Prior, Informed Consent in relation to its dealing with communities.

The Chair of the Permanent Forum on Indigenous Peoples, Victoria Tauli Korpus, said that she would give the report serious consideration and promised to take immediate special measures necessary with respect to oil palm and other large-scale plantations in Indonesia, Asia and other countries in the world.

The UN Forum formally recommended that a special team be established to prepare a Working Paper on the development of oil palm and pulpwood plantations and other monocultures. This is to include the effects on indigenous communities with a particular focus on land tenure, natural resource management and livelihoods. Indigenous peoples' organisations, governments and other relevant institutions will work together to prepare the paper.

For further information see: Paragraph 6, Recommendations submitted by Rapporteur; Special theme: the Millennium

Development Goals and Indigenous Peoples: Redefining the Goals. ♦

## Indigenous representatives at the RSPO

A group of twelve representatives of indigenous communities, accompanied by fifteen people from Indonesian CSOs, attended the 4th Round Table on Sustainable Palm Oil in Singapore from 21-22 November. They were also active participants in a one-day meeting of the RSPO's Task Force on Smallholders, a body set up to represent the interests of the millions of peasant farmers throughout the world who are oil palm growers. Around one third of Indonesia's palm oil production - which totalled around 14 million tonnes in 2005 - comes from independent growers and smallholders who are part of large estates set up by companies.

The RSPO, which includes plantation companies, processors, buyers, retailers and investors in the palm oil sector as well as a few environmental and social NGOs, has agreed to voluntary principles and criteria intended to promote the production of sustainable palm oil. The main purpose of this year's meeting was to decide on systems to verify claims of sustainable palm oil production and to ensure supply chains linking palm oil producers and consumers.

More information about RT4 will be included in DTE 72. See also separate article, p.6. ♦

(continued from page 13)

The report *No Chip Mill Without Wood*, published August 2006, can be downloaded at <http://dte.gn.apc.org/cskal06.pdf> in English and <http://dte.gn.apc.org/ciskal06.pdf> in Bahasa Indonesia versions. Hard copies are available on request in both languages.

(Sources: *Jakarta Post* 2/Nov/06; WALHI Kalsel pers com; Environment Defense pers com; *Sustaining Indonesia's Forests: Strategy for the World Bank, 2006 - 2009*, p10, 30/Jun/06; <http://chrislang.blogspot.com/>, Indonesian Department of Forestry, *Rekapitulasi Pembangunan HTI s.d April 2006*; Press release WALHI Kalimantan Selatan, Community Alliance for Pulp and Paper Advocacy (CAPP), PADI-Indonesia, NADI, Environmental Defense, 16/Sept/06; <http://pulpinc.wordpress.com/2006/08/24/indo-changes-its-plans-for-kalimantan/>) ♦

## Central Kalimantan pulp plant plans change

Korindo has changed its plans to build a pulp and paper plant in Central Kalimantan. Instead it will just build a pulp plant. The initial capacity is modest at 200,000t/yr, but this is highly likely to increase in years to come. Things are going ahead fast - it is expected that contracts will be signed in December and that construction will start in early 2007. The company intends to supply the pulp mill from its 92,000 ha PT Korintiga plantation concession of acacia and eucalyptus. The development will cost around US\$450 million.

The South Korean government expressed interest in investing in Indonesia's pulp plantations during a visit by forestry minister Kaban in May.

The company, from South Korea, is one of the largest timber operators in Kalimantan and Papua. The pulp mill is likely to be in the southern lowlands of Central Kalimantan - an area notorious for illegal logging - where its plantations are. Korindo also has a plymill close to Tanjung Puting National Park in Central Kalimantan.

Sources: [pulpinc.wordpress.com](http://pulpinc.wordpress.com) (24/Aug/06); [www.dprin.go.id/IND/Publikasi/Matriks\\_Barita](http://www.dprin.go.id/IND/Publikasi/Matriks_Barita); [www.dephut.go.id/news.php?id=406](http://www.dephut.go.id/news.php?id=406) ♦

*indigenous peoples*

# SBY on Indonesia's Indigenous Peoples

*Indonesia's president has spoken his views on indigenous peoples in Indonesia, but will his words be translated into much-needed action?*

President Susilo Bambang Yudhoyono (SBY) has called on government officials to pay more attention to indigenous people's interests when preparing development programmes. He said "indigenous peoples (*masyarakat hukum adat*) are often in a weak position in the defence of their customary rights, surrounded by the power of capital which exploits land and natural resources." The president was speaking to an audience including government officials, MPs, regional governors and indigenous leaders (selected by local governments). They had assembled at Jakarta's Taman Mini Indonesia, to mark the International Day of the World's Indigenous Peoples on August 9th.

## Indigenous peoples, the nation and the state

In his speech, SBY acknowledged that indigenous peoples had existed long before the Indonesian Republic was founded, and said their continued existence needed to be protected. The president referred to the second amendment to Indonesia's Constitution (Article 18B, section 2): "The state acknowledges and respects customary law communities together with their traditional rights as long as they still exist and are in accordance with the development of the people and the principles of the Unitary State of the Republic of Indonesia as regulated under legislation." He went on to say he hoped that a law would be drafted in the near future, to define what was meant by traditional rights. He maintained that Indonesia as a unitary state (NKRI) must be prioritised, and that, although this didn't mean everything needed to be made uniform or standardised, "all must be directed towards the interests of the nation and state as a whole." He acknowledged that, in the past, the concept of the unitary state had meant standardisation in almost all spheres, but that today the attitude was 'moderate and appropriate'.

SBY said that arrangements for indigenous peoples needed to be better, and that they should be given their traditional rights, without forgetting the greater interests of nation and state. Indigenous peoples also needed to be motivated, so they could play a role in national development. "We need to

admit that in developing the nation and state, indigenous peoples have not played an optimal role so far. Moreover, their traditional rights have often been ignored, even violated and no longer respected."

The president went on to say that he, along with the national human rights commission (*Komnas HAM*), had personally received many complaints about the violation of indigenous peoples traditional rights, mostly regarding *hak ulayat* (collective rights to land). He said not all these complaints were well-founded or clearly argued, but that the government was aware that the problem needed to be dealt with, or it would become a new source of tension and conflict in society. The lack of protection put indigenous peoples in a weak position vis-à-vis capital. "The government should, of course, take the side of the weak party, and try to find an appropriate and just solution, whilst still prioritising the interests of the nation and state, without having to sacrifice the interests of indigenous peoples in the regions." Apart from appealing to government officials to take indigenous interests into account, the president also urged indigenous people themselves to participate in development efforts in their areas.

He said there needed to be a balance between indigenous natural resources management and using resources to increase the welfare and prosperity of the people. He called on indigenous leaders to share their knowledge of sustainable natural resources management with their communities and to work with the government - both at central and local level - to prepare and implement development programmes.

A new 'Indigenous Peoples Joint Secretariat' has been established, but its role and scope of activities are not yet clear. In his speech, the president called on this body to synchronise efforts with the national human rights commission, the constitutional court, the social affairs department and the UNDP.

## Reality gap

While the president's speech is no breakthrough for indigenous rights in Indonesia, the fact that SBY has paid this issue some attention, may help build awareness inside and outside the country of the urgent need for action on indigenous rights. The

president is basically reiterating the position that the 'nation and state' takes precedence over indigenous peoples' interests, a stance that has been used to justify the systematic exploitation of natural wealth by mining, gas, oil, timber, fishing and plantation companies, whilst impoverishing the people who hold customary rights over the resources. Recognition of indigenous peoples' rights to land remains extremely weak under Indonesian law.

Indonesia's indigenous movement, the Alliance of Indigenous Peoples of the Archipelago (AMAN) argues that indigenous rights, including those over natural resources, must be fully recognised and restored by the state.

The president's repeated insistence on 'Indonesia as a unitary state' serves as a reminder of the violent suppression of any indigenous group which challenges this concept. This is most evident in West Papua, where indigenous Papuans who question Indonesia's presence in their territory and its right to exploit Papuan resources, are liable to become targets of military brutality. Jakarta is still refusing to hold any dialogue on the political status of West Papua and has not even properly implemented special autonomy measures (see also p.16). This stance shows that the state, not indigenous peoples, is unwilling to compromise. It is linked to the vast revenues from mining (Freeport-Rio Tinto), gas (BP's Tangguh operation) and other resource extraction that are at stake. The fact that Freeport-Rio Tinto continues to make huge profits from one of the world's biggest gold and copper mines, while the indigenous population remains in poverty, points to the huge gap between SBY's words about compromise and what is happening on the ground.

(Source: *Sambutan Peringatan Hari Internasional Masyarakat Hukum Adat Sedunia*, 9/Aug/06, at <http://www.indonesia.go.id/index.php/index.php/content/view/2055/701/> Accessed 22/Nov/06).♦



## forests

# Indonesia's Forestry Congress IV: hope and reality

The following account is by a member of DTE staff who attended the recent national forestry congress in Jakarta.

The fourth Indonesian Forestry Congress was held in the Forestry Department Building, Manggala Wanabakti, in Jakarta on 13-15 September 2006. The theme was 'From Crisis to Resurgence: Repositioning Indonesian Forestry', and the congress was opened by vice-president Yusuf Kalla. It was attended by hundreds of delegates, from government, civil society (including indigenous representatives from AMAN), companies, academia and NGOs.

In his opening address, the vice-president focused on the issue of illegal logging: "If there was nobody wanting to buy wooden furniture, there wouldn't be the problem of illegal logging, or even legal logging. Illegal logging exists because of its consumers." Forestry minister MS Kaban outlined how in the 1970s, economic dependence on the forests had led to 2.6 million hectares of forests being destroyed each year. "People still hold the view that forest development means exploiting timber and, above all, producing logs." The head of the Indonesian Forestry Congress Committee, Dr Agus Setyarso, highlighted the loss of the services provided by the forests - the result of losing tens of millions of hectares of forests, and the harm done to tens of millions of Indonesian people, especially those depending on forests for their livelihoods.

Main points of discussion at the congress were:

- ♦ the complexity of forestry problems and the critical state of forestry;
- ♦ the declaration made at the previous forestry congress (no. III), especially point 9 on the need to form a multi-stakeholder council or forum;
- ♦ Forestry Law No. 41/1999, clause 70 on establishing a forestry council.

This year's congress had four main aims:

- ♦ identify the main problems and the economic policy on which to base the repositioning of Indonesian forestry;
- ♦ discuss and agree on an accord for forest management;
- ♦ draft recommendations and resolutions on problems in Indonesian forestry;
- ♦ draft plans to reposition Indonesian forestry.



*Dipterocarp at Kampung Endor Kerja (DTE)*

The congress also aimed to produce an Indonesia Forest Accord, a declaration establishing the National Forestry Council, and the congress proceedings.<sup>2</sup>

The establishment of the National Forestry Council (*Dewan Kehutanan Nasional - DKN*) made this congress different from previous congresses in that there was a concrete result rather than merely a declaration. The Council will be given the task of organising future forestry congresses and will act as an advisory body to the forestry minister.

Voting within four 'chambers' - government, communities, companies, academics and NGOs - filled DKN seats as follows: 3 representatives from the government, 3 from the community, 3 from the industry, 2 academics and 2 NGO representatives. In addition to these chamber representatives, it was decided to dedicate 5 seats to members of DKN, based on their

competency, bringing the total number of DKN members to 18.

## Between hope and reality

As highlighted in the congress guidebook, the state of forests and forestry in Indonesia is critical. The deforestation rate is increasing, while the forestry sector's contribution to the national income is dwindling. At the same time, there is an enormous backlog of rehabilitation work. According to forestry department data, in 2005 the extent of 'critical land' in and around forests had reached 41.5 million hectares, while in 2002, the area of forest in need of rehabilitation covered 59.7 million ha.

The drastic reduction in forest cover, especially over the last decade, has contributed to landslides and flash floods afflicting many parts of the country. Environment ministry data says that in 2003 alone there were floods in 136 districts (in 26 provinces), 111 landslides in 48 districts (13 provinces), and 78 incidences of drought in 36 districts (11 provinces). On top of this, forest fires and the smoke 'haze', which affects Indonesia's neighbours as well as Indonesia itself, are an annual occurrence.

The diminished support capacity of the environment and the resulting poverty in Indonesia which stem from forest destruction can be traced to management practices and forestry policies. These have prioritised short term interests, the promotion of national-level economic growth and big investors. Such practices and policies have led to conflict - including over tenure - and human rights violations caused by the repressive enforcement of laws aimed at maintaining 'investor security'.

The congress theme - From Crisis to Resurgence: repositioning Indonesian Forestry - acts as a reminder that over the decades during which the previous three congresses have been held (in 1955, 1990 and 2001), there have been no significant improvements in the management and policies governing Indonesian forestry. Instead, as is clear from forestry data and from the reality on the ground, forest destruction, disasters, conflicts and human rights violations have increased sharply. The question now is whether the congress and its

*(Continued on page 15)*



*pulp and paper*

# No chip mill without wood

*As Indonesia's first 'stand alone' wood chip mill neared completion on Pulau Laut, campaigners from Down to Earth and WALHI South Kalimantan went to Europe to lobby companies who are supporting this unsustainable venture. The chip mill does not have access to sufficient supplies of plantation timber and does not even have the permits required under Indonesian law.*

A new DTE report by Betty Tio Minar, entitled *No Chip Mill Without Wood*, focuses on the wood chip mill as an example of the problems in Indonesia's wood processing industry. The study is based on fieldwork in South Kalimantan. Minar and Dedy Ratih from WALHI South Kalimantan spent two weeks in the Netherlands, Austria and Germany, discussing the findings with NGOs and companies who are backing the project.

The wood chips produced by the mill, owned by PT Mangium Anugrah Lestari (PT MAL), will be exported to China to feed paper pulp factories there. The construction company, China National Machinery and Equipment Import and Export Corporation (CMEC) has built the PT MAL plant at the village of Alle-Alle on a turnkey basis. CMEC has a contract to buy 80% of the mill's output, with first option on the remaining 20%. The wood chip mill, which has a capacity of 700,000 tonnes per year will require over 1 million m<sup>3</sup> of timber annually for full production. This is equivalent to nearly 86,000 hectares of pulp wood plantation.

PT MAL's parent company, Singapore-based United Fiber System (UFS), does control an industrial timber estate in mainland South Kalimantan. But although the PT Hutan Rindang Banua (HRB) concession officially covers 269,595 ha, it overlaps with eleven oil palm plantations, a coal mining concession and community mining operations. This plantation was also the subject of legal action in 2003 against former president Suharto's half-brother, Probosutedjo, who cheated the national Reforestation Fund of at least Rp100 billion (over US\$40 million at pre-1997 exchange rates) by claiming to have replanted a more extensive area than was the case.

UFS' 2005 Annual Report states that only 46,000 ha have been planted with acacia and plantation staff have said that as little as 15,000 ha is in good condition. If true, this means UFS can currently only supply its wood chip mill for 1.5 years from its own plantations.

## Money does grow on trees

UFS certainly needs to make some quick money to finance its ambitious plans for two pulp mills.

Firstly, it wants to build a 600,000 tonne per year bleached pulp mill in Satui



*Living with wood chips: a village house near PT MAL's mill site, Pulau Laut, South Kalimantan. (DTE)*

sub-district of South Kalimantan, through its subsidiary PT Buana Bumi Mulia (MBBM). This project has been delayed by the forestry department's attempt to get its Reforestation Fund contributions back from UFS. Now the court case has been settled in UFS' favour, plans could go ahead as early as next year. CMEC had, at one time, committed US\$690 million to build the plant. The Austrian company Andritz was to supply equipment for this and the wood chip mill worth US\$250 million. The Dutch chemical company Akzo Nobel initially offered to build a chemicals plant. Cellmark (Sweden) would purchase the pulp produced for the first ten years.

Secondly, UFS still seems set on buying the Kiani Kertas pulp plant in East Kalimantan, originally established by disgraced timber tycoon 'Bob' Hasan. It has been operating the mill since July 2005, but has serious problems in meeting its timber demand from Kiani's plantation, PT Tanjung Redep Hutani. Prolonged negotiations to purchase the plant have resulted in several failed deals. These have put a financial strain on UFS to the extent that the company may be unable to pay its workers. There have been a number of recent strikes at Kiani Kertas over pay negotiations and late payment of wages. Union leaders have been dismissed and over 100 workers held a demonstration in late October. Bankers Merrill Lynch (US)

and ANZ (Australia) are currently involved in the takeover deal.

## Negative social and environmental impacts

The head of the local forestry office told DTE that the chip mill does not have the necessary permits from central government, even though it is scheduled to start operations by the end of the year. "The mill needs a permit from the forestry department and the harbour plans should have been approved by the transportation ministry. The project doesn't even have the governor's recommendation", explained Minar. Neither does the PT MAL project have a valid Environmental Impact Assessment (EIA). WALHI South Kalimantan reports that the head of the local environmental agency, BAPEDALDA, is refusing to consider any EIA until PT MAL/UFS has all the correct documents.

Meanwhile, the construction of the chip mill and dedicated harbour are causing serious environmental and social problems. The communities nearest the PT MAL site depend on marine resources for their livelihoods. Yet coral reefs have been dug up to make the foundations for the port facility. The local fisheries office issued a warning to the company to stop this illegal practice, but

the effects are already noticeable.

Local villagers who collect sea grass to weave into mats and baskets complain that previously sustainable supplies of sea grass are decreasing. Large vessels bringing timber supplies in and wood chips out of the port will cut through local fishing grounds causing damage to nets and loss of income for fishermen. Run off from stacks of raw timber or wood chips may also affect waters close to the shore where local women traditionally catch crabs and collect seashells for sale on mainland Kalimantan.

Local people are already disappointed and disillusioned with PT MAL. The process of land procurement has been socially divisive and compensation rates were low. The wood chip plant provides few jobs for local people - only 30 people from the south of the island and 6 from the village of Alle-Alle out of a total of 320 workers. People who sold their land to PT MAL expected jobs - now they have no land and no jobs. The community in Alle-Alle recently formed an association in an attempt to strengthen their position vis-à-vis the company.

### Financing forest crimes

Investors do not seem to be put off by the negative environmental and social impacts of the chip mill, nor by UFS' dubious financial background. UFS' enterprises involve a number of shell companies based in the British Virgin Islands and Mauritius. The President Director of Kiani Kertas is Prabowo Subianto, former head of Indonesia's notoriously brutal Special Forces, Kopassus. Former Kopassus general and ex-trade & industry minister Luhut Pandjaitan is also on the board.

The World Bank's investment guarantee agency, MIGA, only withdrew from plans to provide guarantees for UFS' chip and pulp mills in South Kalimantan after NGOs from all over the world lobbied by letter in late 2004. Nevertheless, by early 2006, MIGA representatives had visited South Kalimantan and restarted discussions with UFS. International and Indonesian campaigners put further pressure on MIGA at the September WB/IMF meeting in Singapore. Campaigners from WALHI Kassel, Solidaritas Perempuan, NADI and Environmental Defense were told that the multilateral risk agency would not support UFS. It told the NGOs, "MIGA is not considering this project. We no longer have interest in it".

"The World Bank admits that forest loss and forest crime dominate the Indonesian forestry sector," said Stephanie Fried of Environmental Defense, referring to the June 2006 World Bank Indonesian forestry strategy for 2006-2009. This policy document points out that inappropriate forest sector financing and poor due diligence studies by investors are a significant factor behind Indonesia's high deforestation rate - one of the worst in the world at over 3

million ha per year. It concludes that risky or ill-advised initiatives cause unsustainable demands on forests and "the same kind of debt, risk and overexposure that contributed to the financial crisis of the late 1990s".

Indonesia has passed legislation which holds financial institutions responsible for transactions causing forest crimes (No 25/2003). Indonesia's central bank, Bank Indonesia, strengthened this with a regulation that requires all Indonesian banks to assess the environmental impact of their loans (BI Regulation No7/Feb/2005).

In a joint statement with Indonesian NGOs WALHI Kassel, CAPP, PADI-Indonesia and NADI, Environmental Defense urged Merrill Lynch, ANZ Bank, MIGA and its sister World Bank Group institution the IFC, to reject UFS and Kiani Kertas projects.

Surprisingly, Austrian investors Raiffeisen Zentralbank (RZB) told DTE and Global 2000 (Friends of the Earth Austria)

pulp production is still a long way off in South Kalimantan.

### The sums don't add up

UFS has publicly stated that it will only use sustainable supplies of timber from plantations for its all operations, but the figures don't add up. The chip mill and two pulp mills together need over 6 million m<sup>3</sup> of wood, equivalent to 450,000 ha of pulpwood plantation.

Official data from Indonesia's forestry department shows that, by April 2006, there were only 248 HTI in the country with a total area of 10,226,374 ha, yet less than 3 million hectares had actually been planted. WALHI Kassel says that the demand for timber in the province was around 4.7 million m<sup>3</sup> while total supply was only 500,000 m<sup>3</sup> in early 2006.

UFS had an agreement with

### Timber demands of UFS' wood processing ventures

| Mill                                   | Capacity (t/y) | Timber consumption/y (cubic m RTE) | Equivalent area HTI (ha) | Equivalent area Natural Forest (ha) |
|--|----------------|------------------------------------|--------------------------|-------------------------------------|
| PT MAL (Alle-Alle) chip mill           | 700,000        | 1.02 million                       | 85,895                   | 22,310                              |
| PT MBBM (Satui) pulp mill              | 600,000        | 2.79 million                       | 193,300                  | 50,727                              |
| PT Kiani Kertas (Mangkajang) pulp mill | 525,000        | 2.44 million                       | 170,800                  | 44,364                              |
| TOTAL                                  |                | 6.25 million                       | 451,995                  | 117,401                             |

that the due diligence it had carried out did not reveal any problems. Finnish forestry consultants Jaakko Poyry advised RZB that UFS has sufficient supplies of timber from its plantations. Although the bank now realises its mistake, its senior managers said it was too late for it to withdraw its US\$5 million loan.

On the other hand, RZB could withdraw its guarantee of US\$16 million to Andritz for the chip mill machinery. This may not be as difficult as RZB claims as any company associated with PT MAL is technically backing an illegal operation because construction of the chip mill and harbour has gone ahead without the permits required under Indonesian law. Andritz did not respond to a request by DTE and Global 2000 to meet.

Akzo Nobel held a series of consultations in Indonesia in 2005 with NGOs. They told WALHI South Kalimantan that they were not in UFS' Satui pulp project. Their spokesman is reported as saying: "You know our policy - we do not invest in plants which do not have sustainable supplies". Dutch NGOs led by Milieudefensie (Friends of the Earth Netherlands) are making sure that the company realises that sustainable

Inhutani II to supply its ventures with 1 million m<sup>3</sup> of timber from its plantation on Pulau Laut. However, Inhutani II may not fulfil this contract. In May 2006, it signed up to become Indonesia's first member of Nusa Hijau - the Indonesian chapter of WWF's Global Forest and Trade Network. This commits member companies to strive for certification of sustainable timber within 5 years - hardly compatible with UFS new demands that the majority of the timber is delivered in the first year or two of the chip mills' operations. Also, prices for sawnwood are higher than pulpwood and Inhutanti II is involved in a project to use acacia in furniture for export.

Down to Earth concludes that the chip mill's raw material can only come from the natural forests of South Kalimantan and further afield. *No Chip Mill without Wood* advises international investors that they should not invest in projects like the Alle-Alle mill that have the potential to cause serious environmental and social damage, do not respect communities' rights and have not secured the fee prior informed consent of indigenous communities.

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*mining*

# Freeport investor quits

*Freeport McMoRan Copper and Gold, operator of the Freeport-Rio Tinto gold and copper mine in West Papua, has been dropped from the US\$240 billion Norwegian government pension fund for ethical reasons. Norway's move has drawn a hostile reaction from the US government but is seen as a bold move by fund managers charged with implementing socially responsible investment for public funds elsewhere in the world.*

The divestment in Freeport McMoRan was announced in Oslo by Norwegian Minister of Finance Kristin Halvorsen on June 6, 2006, who said the ministry's decision to dispose of stocks and bonds worth NOK 116 million was based on the results of an investigation by the pension fund's Council on Ethics.

"Freeport employs a natural river system to dispose of close to 230,000 tonnes of tailings each day, thereby releasing large quantities of sediments and heavy metals," explained the minister. She went on to say that the Council on Ethics found that "Riverine tailings disposal has inflicted serious damage on the river system and parts of the nearby riverine rainforest and has considerable negative consequences for the indigenous peoples residing in the area".<sup>a</sup>

Noting that international norms and players including the World Bank consider riverine disposal to be unacceptable, Minister Halvorsen said that "The Council on Ethics finds that the environmental damage caused by the mining operations is extensive, long-term and irreversible," and that the ethical guidelines adopted by the Norwegian government for the pension fund were being violated because "the Government Pension Fund runs an unacceptable risk of contributing to severe environmental damage by investing in the company."

At the same time, Norway also announced that it was dropping retailer Wal-Mart Stores for serious, systematic violations of human rights and labour rights. The fund's investment in Freeport and Wal-Mart was worth around US\$430 million altogether.

The Government Pension Fund, formerly known as the Oil Fund was established to preserve Norway's North Sea oil wealth for future generations. Similar funds exist around the world, mainly as investments made using public funds or private superannuation contributions to provide for pensions payable in the future. These funds are among the biggest concentrations of capital, collectively worth over USD\$2.66 trillion worldwide in December 2005<sup>b</sup>.

## Socially responsible investment

Increasingly these public funds, and many specialised 'ethical' private funds are being managed in accordance with the principles of



*The massive Grasberg pit mined by Freeport-Rio Tinto in Papua*

*(MoE, 2005)*

socially responsible investment (SRI). SRI involves examining 'extra-financial considerations' of investments such as the impacts of a company's operations on the environment and workers' rights. The decision of the Norwegian fund's Council on Ethics has set a very visible precedent for SRI decision-making, and has been discussed in the context of pension funds in Canada, France and New Zealand.

J.D. Harden of the Canadian Labour Congress wrote that the Canadian Pension Canadian Pension Plan Investment Board should consider the Norwegian decision to divest from Freeport in the light of its own mining investments, observing that "Canada is also the place where mining firms raise capital for their operations in global jurisdictions, many of which have a terrible record for workers rights and environmental degradation."<sup>b</sup>

## Ambassador attacks decision

Besides SRI fund managers and commentators, the significance of the decision was not lost on market watchers in the media, nor by those in the US government which support Freeport. On behalf of its wounded commercial interests, the US government predictably lashed out

against the decision. The official complaint arrived in the form of a speech rhetorically entitled "Pension Fund Divestment: Meeting Norwegian Fairness Standards?" delivered by the US Ambassador to Norway on September 1, 2006. In his speech at the Norwegian Institute of International Relations in Norway, Ambassador Benson K. Whitney noted that "the stain of an official accusation of bad ethics harms reputations and can have serious economic implications, not just to the company and big mutual funds, but to the pocketbooks of workers and small investors."

The ambassador went on to condemn the method of choosing which of the companies held by the pension fund were investigated, saying "there is no set standard on how and why it picks a certain company for review among the 4,000 choices, so the process really is arbitrary. The council primarily reacts to individuals, outside organisations, and government entities who challenge the ethics of a particular company. It's clear how this ad hoc approach could lead to serious bias in the process. Naturally, the louder or more persistent the complaining, the more likely it is that the council will take action."<sup>c</sup> It seems obvious, however, that companies which generate numerous



complaints are exactly the ones which most urgently require investigation by the Ethics Council, and indeed this is exactly why the Freeport mine, notorious world-wide for environment and human rights problems, was chosen. Put simply, where there's smoke there's usually fire.

He also complained of what he described as a lack of procedural fairness, despite the fact that each company investigated was given the opportunity to reply to specific accusations before the final decision was made. Freeport made use of this, sending a 25 page response which the Ethics Council certainly did take into account.

The ambassador was also highly critical of the information used by the Ethics Council, which included websites, anonymous sources and unpublished documents, and only grudgingly conceded "I realise that the ethical screening process probably cannot operate with the strict procedures of an official court." Unfortunately, the Ambassador's criticism either naively or deliberately ignores the fact that the very nature of accusations against Freeport - that it pays and

collaborates with the military to stifle criticism and prevent independent environmental testing, for example - means that informants, while fully identifying themselves to the Norwegian investigators, are unable to allow their identities to be revealed publicly.

Perhaps most interestingly, the ambassador observed that US companies, operating in a regulatory environment which requires them to publish certain information about their activities were subject to the 'perverse' result that they are more likely to be criticised about their operations.

While there may be some truth in this, it is vital to take the wider interest into account. Greater transparency may well open up a company to criticism which is better informed and harder to handle. But this is surely better for Freeport and US interests than allowing human rights violations and environmental degradation to be swept under the carpet once more? For the Papuans who have suffered these impacts for more than three decades, more information reaching the international arena means greater pressure

for change and a better chance of justice. This, not corporate comfort, should be the priority.

#### References

- [A] Ministry of Finance, Norway, *Two companies - Wal-Mart and Freeport - are being excluded from the Norwegian Government Pension Fund - Global's investment universe*, Press release, June 6 2006
- [B] "P&I/Watson Wyatt World's 300 Largest Retirement Plans", *Pensions and Investments* (December 26, 2005) in J.D. Harden, *The Art Of The Possible: Socially Responsible Investment And State Pension Plans*, Department of Social and Economic Policy, Canadian Labour Congress (June 2006).
- [C] Ambassador Benson K. Whitney, *Pension Fund Divestment: Meeting Norwegian Fairness Standards?* speech delivered at the Norwegian Institute of International Relations, September 1, 2006. ♦

(continued from page 11)

products will be able to bring any positive changes for Indonesia's forests and forestry.

Can there really be a 'resurgence' in Indonesian forestry, given the current state of the country's forests and forestry, and under the current political, economic and legal conditions, which are in a process of transition? There has been some shift away from large-scale corporate forest management towards community-based management, but is it enough? Is the National Forestry Council capable of pushing policies and management practices towards being more people-centred, as set down in clause 33 of Indonesia's constitution? This is the real question for those who want to improve the forestry sector, and which sets them against the 'status quo' elements in the forestry establishment. As a newly-formed

organisation, the DKN is not in a strong political position and this means that achieving the changes and improvement people expect will be a long process. Unfortunately, forest destruction is continuing right now, and getting worse. So, the congress theme of 'resurgence' is hopelessly at odds with reality. Similarly, the Indonesian Forest Accord, as an agreement that is not legally-binding, but only morally-binding, will, for all its positive wording, remain just a hope, until there is any clear evidence of positive change on the ground.

1. The draft National Forest Accord is on KKI's website at <http://www.kki4dkn.web.id>.
2. Source of quotes: <http://www.tempointeraktif.com/hg/nasio>

[nal/2006/09/13/brk,20060913-83946.id.html](http://nal/2006/09/13/brk,20060913-83946.id.html)

Note: DTE translated the declaration of the third national forestry congress, in 2001, which included some progressive recommendations on indigenous rights. Several representatives of forest NGOs and AMAN (Alliance of Indigenous Peoples of the Archipelago) presented papers and talked about recognition and restoration of indigenous peoples' rights, the need for a change in the forest management paradigm, and the need for a logging moratorium in natural forests while a new forest policy is devised. Although the declaration was signed and presented at the end of the congress, its status was subsequently said to be a 'draft' by the organisers. The translated declaration is at <http://dte.gn.apc.org/CFC.htm>. ♦

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[http://www.wrm.org.uy/subjects/GM\\_Trees/LetterCBD.html](http://www.wrm.org.uy/subjects/GM_Trees/LetterCBD.html).

The UK-based NGO, GMWatch, thinks the GM industry may be looking to turn November's United Nations Framework Convention on Climate Change (UNFCCC) in Nairobi into an opportunity to promote GM technology as the next big solution to climate change, despite COP 8's cautious approach. Fast-growing GM trees may be pushed as means of creating instant 'carbon sinks' - large tree plantations that can allow countries, businesses and people to 'offset' their CO<sub>2</sub> emissions.

China is the only country so far with plantations of GM trees. Although Indonesia is listed as one of several countries

developing GM tree technology, there has been no information on this since the late 1990s. A December 2004 report by the UN's Food and Agriculture Organisation, names the company Monfori Nusantara Indonesia, created in 1996, as being "involved in mass production of tissue cultures of *Tectona grandis*, *Acacia* and *Eucalyptus* for field trial establishment and commercialization".

According to forestry researcher Chris Lang, the US-based seed producer, Monsanto, set up Monfori Nusantara in 1996 together with ForBio, an Australian tree biotech company. Several reports stated that Monfori was planting GM trees, although the company denied this. During 1999, ForBio went bankrupt and Monsanto sold its shares in Monfori. By the end of 1999, Monsanto had dropped all its involvement in forestry.

(Source: *Preliminary review of biotechnology in forestry, including genetic modification*, FAO, December 2004 at <http://www.fao.org/docrep/008/ae574e/ae574e00.htm>. *Genetically Modified Trees: The Ultimate Threat To Forests*, Chris Lang, December 2004 at [http://chrislang.blogspot.com/2004\\_12\\_23\\_chrislang\\_archive.htm](http://chrislang.blogspot.com/2004_12_23_chrislang_archive.htm) See also: Grain, Seedling, July 2006 at <http://www.grain.org/seedling/?id=428>; GMWatch.org 14/Oct/06 at <http://www.gmwatch.org/archive2.asp?arcid=7128>. See also <http://dte.gn.apc.org/49GM.htm> 'biotech trees' box for more background.) ♦

## In brief...

### Worst forest fires since 1997

This year's forest fires and resulting smoke-smog pollution have again caused havoc over large areas of Kalimantan and Sumatra. Dry conditions meant that the fires spread rapidly and continued into November, before rains started easing the situation. The choking 'haze', which is expected to take a heavy toll on local people's health, spread to neighbouring countries, prompting President Susilo Bambang Yudhoyono to apologise to them. An estimated 1000 orang utans have been killed in the fires, many of which are set by plantation developers to clear land, despite a ban on the practice. (See also oil palm article, p.5.)

More peatland is affected this time, according to scientists, meaning that a huge amount of CO<sub>2</sub> will be released into the atmosphere, contributing to climate change. One expert said that Indonesia's peatland contain 21% of the world's land-based carbon, much of which could be released into the atmosphere in a few decades, unless action is taken. Peatland fires are difficult to put out - they can burn deep underground and continue for months. During the 1997-98 fires more than 700 million tonnes of CO<sub>2</sub> was released, according to the ADB. (*Khaleej Times Online* 26/Oct/06; *Reuters* 6/Nov/06). For background on the 1997-8 fires see *DTE* 35, supplement, and *DTE* 36-37)♦

### Special autonomy fails on poverty in Papua

Five years after Jakarta passed Papua's special autonomy law, Papuans have yet to benefit. A Papuan member of Indonesia's Regional Representatives Council (*DPD*), Ibo Ikin, and Papuan sociologist Agus Sumule have both called for funds channelled to Papua under the special autonomy arrangements to be audited. Agus Sumule accused Papua's two governors (of Papua province and of the widely-opposed 'West Irian Jaya' province set up by Jakarta in 2003) of using large amounts

of funding to "finance their corrupt administration" instead of distributing it to fund district and municipality budgets.

General dissatisfaction with special autonomy in Papua was confirmed by an EU-funded survey, conducted by the Indonesian NGOs SNUP and Kemitraan. Sixty per cent of the 323 respondents from six districts in Papua said they had no confidence that special autonomy would result in any improvement in their living conditions; 76% said special autonomy was not being well implemented and 62% said the local government structure was either totally or hardly capable of implementing the special autonomy law.

A new publication by Father Neles Tebay, *Interfaith Endeavours for Peace in West Papua*, states that Indonesia's government has "no intention of implementing the special autonomy law", and lists the absence of a consistent policy on Papua among the threats to peace. In September last year, a joint statement by Papua's religious leaders said: "We have witnessed ourselves how special autonomy has failed to improve the plight of Papuan communities." Also last year, World Bank figures put 40% of Papuans below the poverty line, despite increased inflows of funds under special autonomy. Mass protests against the giant copper and gold mine

operated by US-UK multinational Freeport-Rio Tinto earlier this year are linked to poverty. The stark reality is that very little of the wealth generated by this operation reaches local Papuans, while they must bear the negative health, environmental and human rights impacts. (*Jakarta Post* 19/Oct/06; Survey summarised in *Tapol Bulletin* 184, October 2006; *Interfaith Endeavours for Peace in West Papua*, Mission, 2006; *DTE* 68:7)♦

### Call for ban on GM trees

Hundreds of organisations from around the world have signed a letter to the United Nations calling for a ban on genetically modified trees. The letter supports the position adopted by the Conference of the Parties to the Convention on Biological Diversity (COP 8), which recommended a precautionary approach and recognised uncertainties over the potential environmental and socio-economic impacts of GM trees. Highlighting concerns over the narrow focus of current research, potential impacts on biodiversity, indigenous communities and rural women, the joint letter calls on the UN to move forward from the precautionary approach to a mandatory decision declaring an immediate ban on the release of GM trees. The full letter is at:

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#### New DTE publication:

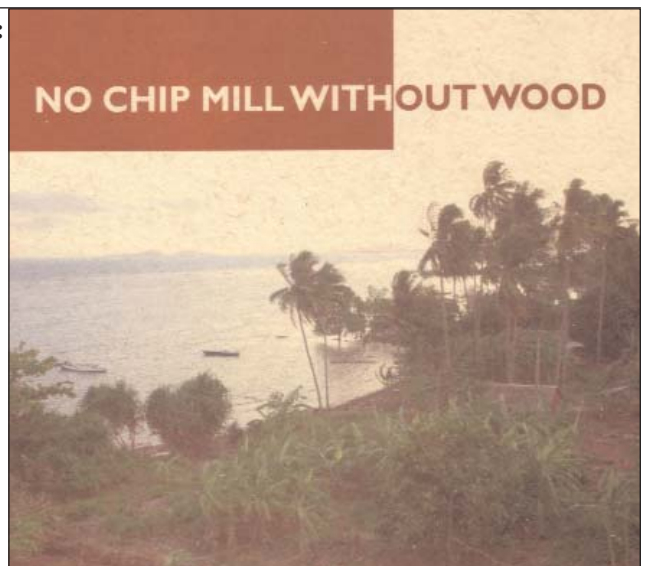
#### No Chip Mill Without Wood

A study of UFS projects to develop wood chip and paper pulp mills in Kalimantan, Indonesia

By Betty Tio Minar  
August 2006, 50 pages.

English:  
[dte.gn.apc.org/cskal06.pdf](http://dte.gn.apc.org/cskal06.pdf)  
Indonesian:  
[dte.gn.apc.org/ciskal06.pdf](http://dte.gn.apc.org/ciskal06.pdf)

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