

More land for oil palm plantations to feed biodiesel demand - see p.8



# DTE

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on foreign direct  
investment

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# A recipe for injustice

*Foreign direct investment and infrastructure development are two main planks in Jakarta's economic strategy which promise to marginalise communities and to worsen Indonesia's ecological crisis.*

## At the sharp end

This edition of *Down to Earth* focuses on foreign direct investment (FDI) in Indonesia and the ongoing problems that FDI projects bring to local communities and the environment.

The failure of investing companies and the Indonesian authorities to seriously address the concerns of local people is evident in the continuing conflicts in existing projects - such as the Newmont and Freeport-Rio Tinto mining operations (pages 3 and 5), which have both sparked violent confrontation in recent weeks.

This systematic failure does not bode well for projects under development - such as BP's Tangguh gas project (p.4) - or for future projects aimed at exploiting natural resources, such as China Light's plans for timber extraction in Papua (p.5) and potential investors in oil palm for the newly emerging biodiesel market (p.8).

The continuing conflicts and the potential for many more is prompting civil society groups to renew the call for root and branch reforms towards more equitable and sustainable ways of resource management, based on the recognition of human rights, which end the use of the military and police violence to push through unpopular projects. Some progress has been made - in the work on legality definition for logging (page 18), for example, and in the work to raise standards in the oil palm industry, through the RSPO (DTE 68:1). However, it remains to be seen how far such measures can be translated into improvements for communities at the sharp end.

In rural areas, foreign direct investment (FDI) projects such as mines, oil and gas fields, pulp mills and plantations often take a devastating toll on local communities and the natural resources they need to sustain their livelihoods. Similarly, infrastructure development projects like roads, dams and ports have destroyed locally-controlled resources and displaced communities. Foreign investors with poor environmental and social records have been complicit in state violence and human rights violations against local people who protest against their operations.

These are familiar themes for Indonesia's civil society and international Indonesia-watchers, who detect a certain continuity from the brutal repression of the Suharto period, through to the present, despite all hopes for reform. As the recent protests over the Freeport-Rio Tinto copper and gold mine in West Papua, and the arrest of opponents of Newmont's Sumbawa mining operations indicate, the fundamental problem of who should have control over Indonesia's natural resources and who should reap the benefits, persists.

FDI, assisted by infrastructure development, is promoted as a solution to Indonesia's continuing economic woes and Indonesia's creditors are pushing these policies. The International Monetary Fund (IMF), for example, states that the government's top priorities for this year are to "restore macroeconomic stability, promote growth, improve the investment climate, and provide a competitive and transparent framework for infrastructure development" (IMF, Indonesia, *Fourth Post-Program Monitoring Discussions*, 23/Jan/06).

## Investment climate

Tackling the poor investment climate has been a target since the economic crash of 1997 and the resignation of Suharto in 1998. Annual FDI levels, which had risen as high as US\$6.194 billion in 1996, collapsed into negative figures by 1998, falling as low as minus US\$4.55 bn in the year 2000<sup>1</sup>. From 2004 until now, FDI levels have been rising again, reaching \$2.3 bn in 2005 and are predicted to rise to \$3.8 bn this year. Approvals for FDI by Indonesia's investment coordinating board confirm an upward trend: these amounted to US\$13.57 bn for 1,648 projects (excluding oil, gas and certain other sectors) in 2005, up from US\$10.41 bn for 1,226 projects in 2004<sup>2</sup>.

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Political instability, legal uncertainty, decentralisation, corruption and security problems have been seen as major factors putting investors off Indonesia in the post-Suharto period. Some foreign investors who agreed contracts with the Suharto regime (again Newmont and Freeport-Rio Tinto are the most high-profile cases) have been forced towards a public accountability undreamt of before 1998. Nevertheless, investors generally continue to profit from poor enforcement of environmental laws, and from suppression of local dissent by the security forces.

The current government still has the difficult task of attracting foreign cash by introducing pro-investment policies and legislation, while needing to appeal to the voting public. The public is well aware of the negative social and environmental impacts of some foreign investment projects, thanks to more high-profile media reporting of cases like Newmont's ocean mine waste disposal in Sulawesi. A growing sense of nationalism is also feeding the sense of injustice at the huge profits companies make out of Indonesia's resources, while Indonesians suffering the impacts remain poor.

Recent pro-investment moves by the government include legislation passed in 2004 allowing 13 mining companies to operate in protected forests (see DTE 66:14) and a presidential regulation on land (Perpres 36/2005) permitting the compulsory acquisition of land (see DTE 66:13). A further draft presidential regulation on forest zone use (RPP Penggunaan Kawasan Hutan), published last year, permits the opening up of conservation areas to support development outside those areas<sup>3</sup>. This year, proposed revisions to the labour law, drafted as part of investment policy, have been condemned by Indonesian workers during mass protests in Jakarta.

If these measures do attract higher FDI inflows, it won't just be the investors that profit at the expense of workers, communities and the environment. Alongside the companies, are the 'ancillary' agencies - export credit agencies, corporate risk strategists, insurers, brokers and consultants - who profit from FDI but avoid responsibility when things turn sour. (See, for example, *The Risks We Run*, reviewed in DTE 67, for a portrait of the political risk insurance industry).

## Security arrangements remain 'flexible'

Harsh security arrangements for foreign investment projects in Indonesia have led to human rights violations against local communities, forced evictions and suppression of indigenous resource rights. Disputes between investors and communities have often descended into violence as special forces police (*Brimob*) or the military are brought in to deal with demonstrators.

## Where FDI comes from

Japan, the UK and the USA have been big investors in Indonesia's resources sector for many years. In 2005, British investments worth US\$1.53 bn were approved, more than any other single country, and clearly warranting prime minister Tony Blair's visit in March this year. Approvals by other big investors were: Singapore: \$1.267bn; Japan: \$916m and Australia \$513.5m.

Malaysia has become a major investor in its neighbour, especially in the oil palm plantations sector. Investment by Malaysian companies currently accounts for up to 30% of Indonesia's palm oil production. Total Malaysian investment approvals in 2005 amounted to \$485.5m.

China is becoming a major investor in Indonesia. One state-owned company plans to log hardwood in Papua (see p. 5) and another is involved in the Tangguh project, also in Papua (see p.4). Another Chinese company is reportedly involved in the oil-palm mega-project in Indonesia's border area with Malaysia (see page 8), part of a colossal US\$30 billion that China expects to invest in Indonesia over the next decade, largely in extractive industries and infrastructure projects. Last year Chinese investment approvals stood at \$204.7m.

(Bank Indonesia website at [www.bi.go.id/](http://www.bi.go.id/) [figures exclude oil, gas and certain other sectors]; *Jakarta Post* 30&31/Mar/06; *New York Times* 29/Apr/06.)

Foreign security companies may also be involved in dealing with communities who get in the way of a company's activities, as alleged in the violence in the concession of pulp producers, PT RAPP (see box, p.16).

In some cases, security arrangements resemble a protection racket. Until recently, military protection was institutionalised, as the armed forces (TNI) were afforded a legal duty to safeguard projects classed as 'vital national objects'. This meant that large foreign investment projects given this status had no choice but to accept TNI security and the violations that resulted.

The public exposure in 2003 that Freeport-Rio Tinto was paying millions of dollars in military and police protection costs led to a reassessment of the TNI's security relationship with foreign companies. In August 2004, the Megawati government signed a decree (No. 63/2004) transferring authority for security to the operating companies concerned. Sixty six projects were said to be classed as 'vital objects', 33 of which were in the mining and energy sector.

However, the scope for the continued involvement of both police and TNI remains wide open under the 2004 decree. This obliges the police to provide assistance,

and allows requests for the assistance of the military, but does not state under which conditions this should happen. It also sets out a timeframe of 6 months in which to transfer security from TNI to the project managers<sup>4</sup>. Armed forces commander General Endriartono had earlier explained that the military would provide a 'third ring' of security during a transition period in which the prime responsibility would be handed over to the operating company and the police (DTE 61:16). Two years later and with the six-month deadline long gone, the transfer of authority appears to be still at the discussion stage, with security, at least for some projects, still partially in the hands of the military. In January 2006, Endriartono confirmed that troops were still guarding Freeport and ExxonMobil, although these numbered less than one battalion, whereas before there had been a much greater force. "We're reducing now. But when we started to do this, ExxonMobil got scared and asked us for help", he said (*Kompas* 23/Jan/06).

This continuing 'flexibility' over roles for police and military is likely to be related to these forces' underlying motivations for acting as security guards: to justify their existence and to make money. Particularly in West Papua, an area of rich natural resources, the security forces are widely believed to be provoking conflict in order to justify their presence and maintain the scope for business activities. This remains a major concern both at the Freeport-Rio Tinto mine and at BP's Tangguh gas project.

But how secure is this kind of heavy-handed security anyway? The protection offered by having troops or police stationed around a project may eventually be outweighed by the explosive nature of the relationship with local people that can result, ending in major disruption for the company. The fact that angry crowds have been calling for Freeport-Rio Tinto's Papua mine to be closed down, for example, springs from the decades that the company has made vast profits, while Papuans remain in poverty and suffer human rights abuses at the hands of military security guards. As can be seen from the Newmont case in Sulawesi and the ongoing legal action against the company, public pressure for more accountability is exposing companies to an uncomfortable glare of publicity. This should prompt them to pay more attention to the negative impacts they impose on their hosts, as it becomes clear how far company profits accrue at the expense of communities.

## The infrastructure summit

In January 2005, President Susilo Bambang Yudhoyono held an infrastructure summit in Jakarta to convince international investors that his new government was serious about getting them to Indonesia. All infrastructure projects were opened to foreign investment,

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# FDI: still inflicting damage on communities

*The following selection of FDI updates shows how these projects are continuing to spark conflict in Indonesia and to ride roughshod over local people's concerns. While companies now routinely promote corporate responsibility policies on their websites and brochures, on the ground, the business of extracting the most profit at the least expense carries on as usual.*

## Protests against Newmont in West Nusa Tenggara

**Investor:** Newmont Mining Corp of the USA, the world's biggest gold producer.

**Investments:** Sulawesi gold mine, PT Newmont Minahasa Raya (now closed); Sumbawa copper and gold mine - PT Newmont Nusa Tenggara. Both Sulawesi and Sumbawa mine contracts were agreed with the Suharto regime.

**Profits:** Newmont says the Batu Hijau copper and gold mine on Sumbawa island (45% share) is one its lowest cost assets. This operation sold 720,500 ounces of gold and 573 million pounds of copper in 2005. Newmont's overall profits for the first three months of 2006 were more than double the figure for the same period in 2005. Net income was \$209 million up from \$84 million in the first quarter of 2005.



**Revenues and taxes to Indonesia:** Newmont says it paid US\$47 million in taxes and royalties to the Indonesian government during the Sulawesi Minahasa Raya mine's development and operations since 1994. The company says direct and indirect benefits to Indonesia over the seven year period of operating the mine amount to the Indonesian economy amount to US\$500 million.

Newmont Nusa Tenggara pays around \$35.90 million every year in taxes, non-taxes and royalties to the Indonesian government. Newmont says that, on top of this, the company annually purchases goods and services from within Indonesia amounting more than US\$183 million, pays US\$55 million to national employees and spends US\$2.3 million in community development.

**Impacts:** Livelihood loss in Sulawesi and Sumbawa mines, contamination of marine resources in Sulawesi, reported health impacts in Sulawesi, loss of water for farming and damage to protected forests in Sumbawa.

**Update:** Indonesian NGOs are calling for the release of villagers detained by police in West Nusa Tenggara province, following protests against PT Newmont Nusa Tenggara (PT NNT). The villagers have been held in connection with an attack on PT NNT's exploration base camp on March 19th. A series of protests in the province, culminated in the burning down of the camp operated by PT NNT. No staff were injured as they had been evacuated in advance.

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with overall investment needed in infrastructure estimated at US\$70 billion. The summit promised investors "massive and serious offers that have not ever [...] happened before".

Indonesia offered an 'Infrastructure Roadmap' and a list of 91 projects needing a total injection of US\$ 22.5 billion. These included toll roads, gas transmission pipelines, water supply projects, a railway access network project, power plants, port and airport development projects.

Most projects are located in Java, with a few in Sumatra, Kalimantan and Sulawesi. None of the listed projects are for Aceh or Papua.

Ten laws are listed on the summit's website, including those on roads, oil and gas and water resources. Land, environmental and labour legislation is not listed.

A follow-up infrastructure conference is planned for mid-2006 (see <http://www.indonesiainfrastructure.com/>)

sponsored by the IFC - the World Bank's private lending arm.

According to this 2006 infrastructure website, since last year, 24 projects that have 'gone under transaction', covering 17 toll road projects, 2 gas pipeline projects, 1 power generation project and 4 water supply projects with a total investment of US\$ 6 billion. In addition, eight projects have reached 'concession agreement': 4 toll road projects and 4 water supply projects.

(Source: Infrastructure Summit website at [www.iisummit2005.com](http://www.iisummit2005.com); State Dept website at <http://www.state.gov/e/eb/ifa/2006/62358.htm>)

## West Java summit

West Java, one of Indonesia's most investment-rich regions, held its own summit in August 2005, offering 57 infrastructure projects worth US\$3.5 bn (Rp 35 trillion) to the assembled 174 foreign and domestic investors who attended. The event was supported by the Asian Development Bank.

On the closing day of the summit, around 500 people from Jatigede in Sumedang district, staged a protest outside the meeting venue in Bandung. They were protesting that the Jatigede dam project, which has secured Chinese funding, has cheated them of compensation payments (see DTE 61:12 for background). The West Java governor has refused to hold talks with the farmers, claiming the issue was settled in 2004. (*Jakarta Post* 20/Aug/05)

### Notes:

- 1) [www.oecd.org/dataoecd/33/45/19501972.pdf](http://www.oecd.org/dataoecd/33/45/19501972.pdf)
- 2) IMF Indonesia country report 2005, <http://www.unctad.org/Templates/Page.asp?intItemID=1923&lang=1>). Figures on the Investment Coordinating Board website at <http://www.bkpm.go.id/>
- 3) *Papua Pos* 13/Aug/05
- 4) The decree is at [http://www.sidoarjo.go.id/hukum/keppres/2004/TH\\_2004\\_NO\\_63.php](http://www.sidoarjo.go.id/hukum/keppres/2004/TH_2004_NO_63.php) See also DTE 62:15, and [www.bisnis.com/](http://www.bisnis.com/) 24/Jun/04)♦

In the police 'sweeping' operation on March 26th, there were four gunshot casualties, as reported by the provincial police chief, HM Basri, all of whom were treated in hospital. The Indonesian mining advocacy NGO, JATAM, later reported that seven people had been shot, including two seriously wounded; thirteen people had been detained, including one of the wounded. The NGO reported that Sumbawa's police chief, AH Musarif, had been removed from his post. JATAM and three other NGOs called for an investigation into his involvement in the March 26th shootings. Basri said the police had been forced to shoot after they were attacked by hundreds of villagers carrying bows and arrows, spears and stones. He said that four police officers had been injured. In the week after the shootings, university students demonstrated in support of the villagers and four of these were detained and questioned by police.

### Protected forest

The protests centred on PT NNT's exploration activities in the Dodo and Rinti protected forests (more than 12,500 hectares) around 60km from the company's main mine site on Sumbawa. The company's 96,400 hectare concessions on Sumbawa include the Elang block (25,938 ha) which covers these forests. Local people want the company to leave and say that two years of exploration has brought environmental damage and loss of livelihood. They have been prevented from entering ancestral forests to collect such products as honey, candlenut and palm sugar. The water supply has decreased, and crops such as rice, squash and cucumber have failed due to drought.

A report by JATAM and the Life Management Institute (LoH) points out that mining the Elang-Dodo area would mean an

increase in processing at Newmont's Batu Hijau processing plant and increased environmental and social impacts as a result. The existing Batu Hijau mine, which Newmont describes in its 2004 annual report as one of the "lowest cost and largest copper producers in the world", already dumps up to 120,000 tonnes of tailings into the sea each day. Local fisherfolk have reported decreases in income since Newmont began discharging its waste into the waters near the mine.

Newmont hit the headlines last year when the government launched legal action over pollution in Buyat Bay, near its now-closed Ratatotok gold mine in North Sulawesi. The criminal case against company executives continues, but a civil case was settled out of court with Newmont agreeing to pay US\$30 million. (See also DTE 67:1 for more background). In April, the company announced it was selling its Martabe gold-mining exploration project in Sumatra as the deposits were too small.

(AP 20/Apr/06; Newmont Mining Corp Annual Report 2005; Newmont Indonesia website at <http://www.newmont.co.id/>; *Jakarta Post* 29/Mar/06; *Reuters* 6/Apr/06; JATAM urgent action 17/Apr/06; Newmont Seeking to Destroy the Elang Dodo Protected Forests, JATAM & LOH Backgrounder, 20/Mar/06)

The JATAM urgent action appeal is at [www.globalresponse.org](http://www.globalresponse.org)

## The Tangguh gas project: Indonesia's biggest FDI project

**Investors:** The British company BP holds the biggest share (37.16%) along with Japanese and Chinese shareholders.

**Investments:** Tangguh is expected to cost around US\$5.5 billion, with \$2bn covered by BP and partners and \$3-3.5bn through loans. This will be Indonesia's biggest FDI project since the economic crash of 1997. In December last year, the ADB voted to contribute \$350 million towards the project, despite protests from Indonesian and international NGOs.

**Income for Indonesia and Papua:** Over the next 30 years, the Tangguh project could earn up to US\$8.7 billion for the central government of Indonesia and US\$3.6 billion for the Papuan Government (see DTE 65:11).

**Impacts:** This massive project has seen various impacts, even before construction begins in earnest. These do include some positive measures for certain villages which receive grants from BP. But problems include: disruption of fisheries; loss of livelihood and

### JATAM's moratorium call

Indonesia's mining advocacy NGO network, JATAM, has once again called for a moratorium on mining in the country. The NGO said that mining was doing more harm than good and called for regulations on mining to be revised.

JATAM accused the industry of failing to prove the "myth" that it sustains the Indonesian economy or brings prosperity to local people. JATAM put tax and non-tax contributions to state revenues at Rp7.8 trillion (US\$842 million) in 2004, but said that social and environmental costs were much higher. The millions of tonnes of tailings from mining operations had polluted the country's land, seas and rivers and harmed people's health.

"Therefore, the government needs to declare a moratorium on new mining investment and review the contracts of about 70 mining firms presently operating in Indonesia", said JATAM director, Siti Maimunah. (JATAM press release 13/Jan/06; *Jakarta Post* 27/Feb/06)

dependency on handouts for resettled villagers; social tension between communities who receive benefits and those who receive less or none; immigration into the region and economic domination by outsiders; and reported increase in alcohol consumption in the village of Saengga, located near the Tangguh base camp.

**Update:** Key concerns over social and environmental impacts, security and human rights and legitimacy in Papua's wider political context continue to dog BP's giant Tangguh gas project under development in Bintuni Bay. The increases in military personnel in Papua, continuing violence by the security forces against demonstrators, protests against Freeport-Rio Tinto and the legal tangle surrounding the creation of 'West Irian Jaya' province within Papua province, do not bode well for this project's success (see DTE 65 and DTE 68:6 for background).

These concerns may account for why sixteen countries, including the UK, Canada and fourteen European countries, abstained from voting when the ADB considered financing the project in December last year.

Nevertheless, the ADB loan was agreed, and, as of January this year, seven banks had been shortlisted for the US\$1bn international commercial loan portion of the US\$3.5bn being raised for the project. These include three Japanese banks (BTM-UFJ, Mizuho Corporate Bank and SMBC), plus BNP Paribas (France), Fortis Bank (Belgium/Netherlands), ING Barings (Netherlands) and Standard Chartered (UK/Hong Kong).

### Pulp and paper - UFS

The United Fibre Systems development of a chip mill and proposed pulp mill in South Kalimantan is a prime example of unsustainable FDI. The Singapore-based company has got financing from an Austrian bank for the chip mill and from China for the pulp plant. Andritz AG, an Austrian company, will supply equipment for both mills. Akzo Nobel, a Dutch chemical pulled out of supplying the pulp mill project after opposition from local and international groups who say that the mills will increase forest destruction and threaten the livelihoods of local people. See DTE 68:18 for background.

Merrill Lynch, ANZ Bank and Cornell Capital are now working with UFS to secure financing for pulp production at Kiani Kertas in East Kalimantan, formerly owned by timber tycoon Bob Hasan.

A DTE report on this project is currently being finalised.

(ADB minutes of 14/Dec/05 meeting at <http://www.adb.org/Documents/Board/Minutes/2005/M45-05.pdf>; Engineers Against Poverty website <http://www.engineersagainstpoverty.org/index.asp?PageID=122>) DTE 65:pages 1-11; *Project Finance International*, 11/Jan/06)

## Chinese company plans massive timber operation in Papua

**Investor:** State-owned Chinese company, named as China Light.

**Investment:** Plan to invest US\$1 billion in a timber processing plant and acquiring merbau logs, announced by forestry minister Malam Sambat Kaban in April this year.

**Impacts:** This plan links the 2008 Olympic Games to stripping Papua's forests of the highly valuable merbau hardwood. Forestry minister Kaban told reporters that the Chinese company needed 800,000 cubic metres of merbau logs (400,000 m<sup>3</sup> of processed wood) to construct sports facilities for the 2008 Olympics.

Illegal exports of merbau (*Instia* spp) are supplying Chinese factories and western consumer demand for hardwood flooring. This illegal trade, which generates huge profits for timber dealers whilst depriving Papuans of their customary resources has been exposed by EIA and Telapak in their new report *Behind the Veneer*. (For more on Papuan forests see page 11, and DTE 65:12).

If the investment plan goes ahead - and the minister said he expected the deal to be concluded this year - this will effectively legalise the destruction of Papua's already hard-pressed forests (see also p.11). By setting up a processing mill and exporting the merbau as processed timber, the Chinese company would be able to get round Indonesia's log export ban.

According to the forestry department's Forest Production Development Director General, Hadi S Pasaribu, Indonesia could use 300,000 cubic metres of timber confiscated under last year's crack-down on illegal logging in Papua, to supply the Chinese operation. The rest, he said, could be supplied from private timber concessions (HPH) operating in Papua. He also said China had agreed to develop timber plantations for the pulp and paper industry in the region.

The announcement may well set off a power struggle between central government in Jakarta and Papua's provincial government, which has already complained

about the lack of decision-making power delivered under special autonomy measures introduced four years ago. The investment, which can be expected to accelerate the marginalisation of indigenous Papuans in the logging zones, is also likely to fuel political unrest amongst a population already angry about outsiders profiting from Papua's natural riches. The lack of benefits from decades of exploitation was underlined last year when the World Bank reported that 40% of Papuans remained below the poverty line, more than twice the national average for Indonesia (see DTE 68:7).

(Source: *Jakarta Post* 19/Apr/06; *New York Times* 29/Apr/06; *Republika Online* 19/Apr/06 [http://www.republika.co.id/koran\\_detail.asp?id=244312&kat\\_id=4](http://www.republika.co.id/koran_detail.asp?id=244312&kat_id=4))

The EIA/Telapak report is at: [www.eia-international.org/files/reports/117-1.pdf](http://www.eia-international.org/files/reports/117-1.pdf)

## Freeport - Rio Tinto: new reports expose impacts

**Investors:** Freeport-McMoRan Copper and Gold Inc., based in New Orleans, USA, and Anglo-Australian multinational mining company Rio Tinto.

**Investment:** The Freeport - Rio Tinto joint venture, in which Rio Tinto invested around US\$1.7 billion, exploits a massive open-pit gold and copper deposit in West Papua. It is one of the world's largest gold producers. The giant Grasberg mine last year produced 273,900 tonnes of copper, 1,676,000 oz of gold and 3,410,000 oz of silver

**Profits:** Freeport's profits more than quadrupled in 2005, due to high copper and

gold prices and high levels of production. Net income totalled US\$995.1 million.

Personal profits were huge too: Freeport's chairman, Jim Bob Moffet and Richard Adkerson, president and chief executive gained almost US\$59m after taxes by cashing in stock options. This followed 2005 compensation packages worth a total of US\$77.3m.

Rio Tinto's profits reached US\$5.2 billion last year, with \$232 million coming from Grasberg.

These corporate and personal gains contrast starkly with the fact that 40% of Papuans remain in poverty.

**Revenues for Indonesia and Papua:** Freeport estimates it has provided more than \$33 billion in direct and indirect benefits to Indonesia from 1992 to 2004. The company paid \$1.2 billion in taxes, royalties, dividends and fees to the Indonesian government in 2005, with \$64 million spent on community development projects around the mine. Local people say they have never enjoyed a fair share of this, and have instead suffered from the devastating environmental and social impacts. Indeed most profits go to Indonesia, not Papua: 87% are paid to the national government, with only 13% reaching the Papuan provincial and local governments.

**Security payments:** Between 1998 and 2004, Freeport paid individual military and police officers and military units nearly \$20 million. For local people, Freeport security translates as human rights violators: military guards have a long history of abuse, including torture, disappearances and killings.

**Update:** WALHI has completed an investigative report on the environmental impacts of the Freeport mine, produced with the assistance of Down to Earth. The report documents severe environmental damage and clear breaches of environment law, based on a number of unreleased company and government monitoring reports, including an



Demolishing a mountain: the Freeport-Rio Tinto copper and gold mine in West Papua

(Photo: Environment Ministry 2006)

Environmental Risk Assessment never made available to the public.

The report reveals that freshwater aquatic life has been largely destroyed through heavy metal pollution and habitat destruction in the watercourses which receive tailings. Controlled tests and field sampling show that plants grown in tailings accumulate these heavy metals in their tissues, posing risks to wildlife that feed on them. The alpine portion of the Lorentz National Park World Heritage site, adjacent to the mine, is affected by polluted groundwater from Freeport-Rio Tinto's acid and copper producing waste rock dumps. Meanwhile, the coastal portion of the Lorentz National Park is affected by copper pollution through deposition of tailings released from the Ajkwa Estuary into the Arafura sea, and carried eastwards into the World Heritage area.

The English copy of the report is summarised and the full version available for download at

[http://www.eng.walhi.or.id/kampanye/tamban\\_g/frpt-report-may-06/](http://www.eng.walhi.or.id/kampanye/tamban_g/frpt-report-may-06/)

## Parliamentary investigation

The Indonesian Parliamentary Special Investigative Commission on Freeport has been holding hearings in parliament over the past couple of months, and sent a delegation to visit the mine site and the town of Timika from the 4th - 7th of May 2006. Upon their return, parliamentarian and ex-environment minister, Sonny Keraf, confirmed the findings of WALHI's new report that millions of tonnes of hazardous waste had caused severe destruction to the Arafura coastline<sup>1</sup>. While visiting Timika, the parliamentarians met with Amungme leader 'Mama' Yosepha Alomang, who discussed environment and development issues associated with the mine. Yosepha also presented the commission with a briefing paper produced by Papuan NGOs Yahamak, a Timika-based organisation for the empowerment of women and children, and the human rights group ELSHAM Papua.

The Yahamak/ELSHAM briefing paper<sup>2</sup> is the only recent independent report on social issues to emerge from the tightly controlled mine area. Read together with the WALHI report on environmental impacts, an unfortunate picture emerges of the current situation for local people and the environment. The Yahamak/ELSHAM report condemns failures of company-sponsored community development schemes, and documents the current security situation and the rise of small-scale mining activity in the Freeport-Rio Tinto concession area. The following is a summary of some of the key findings of the report.

## Failures in community development

The Amungme and Kamoro Community Development Organisation (LPMK) was established by Freeport to distribute money from the Freeport Partnership Fund, more commonly known as the '1% Fund'. LPMK is governed by representatives from the company, government and local community. The funds are disbursed in conjunction with the Amungme organisation, LEMASA and the Kamoro organisation, LEMASKO.

The report claims that Freeport 'plays with' local organisations including Yahamak, LEMASA and LEMASKO, and that the company too often intervenes in NGO decision-making, with a 'we know best' attitude. The 1% Fund is cited in the report as a source of conflict: "What is this money for? Where does it come from? There is no explanation. Stick a leg of beef in the middle of the road and you make everyone fight. Even the dogs will join in."

Unfortunately, according to the Yahamak/ELSHAM briefing paper, the purpose of the funds is not clear. Is it 'riot money' paid to settle violence in 1996? Is it rent in exchange for traditional land rights? Or is it compensation for environmental damage? Yahamak and ELSHAM also question the process of disbursement of these funds, which they say is increasingly hazy:

*"Unfortunately, in the development of its investment, PT Freeport Indonesia [PTFI] has provided minimal benefits for the Amungme and Kamoro peoples. On the other hand, the company has brought negative impacts through its exploration for gold and copper: tailings which destroy the habitats and ecosystems which provide livelihoods for the Amungme and Kamoro. It is unclear what the benefits are for these two indigenous peoples because there is no clear accountability in the community development process. Many progress reports which are produced by Community Development [of PTFI] are not in accordance with the real situation and problems faced by the community."*

The report says much of the 'development' money is wasted on helicopter journeys, contractors who are not properly audited and training courses held in hotels.

There is a conspicuous failure to prevent conflict through providing appropriate benefits for the local people, the report says:

*"The success of community development is not measured in the building of roads, bridges and buildings. Development is a success if people say 'I am prosperous, satisfied and peaceful'. If people are continuously demonstrating, if they are forced to pan for gold amongst the dangerous chemicals, then that's not a success."*

Around 75% to 85% of the LPMK funds are marked for education and health, yet the report asks, "Where are the Kamoro and Amungme university graduates? You can count with your fingers the number of graduates in the last decade. These are the people who are directly impacted. Where have the funds gone?" The briefing paper also cites data from the local public health service which shows an increase in the incidence of tuberculosis in the mine area over the past several years, 265 residents having been treated for tuberculosis since 2004. Local people's business ventures, such as seafood collection and export to Australia, and vegetable growing for marketing outside the area, are deemed to have failed for lack of support from the company.

## Gold panning

The floatation method employed to extract metals from ore processed at the Freeport mine leaves significant quantities of gold, copper and other heavy metals in the tailings. What the briefing paper refers to as 'traditional mining' consists of panning for gold in these tailings, which Freeport-Rio Tinto disposes of into the Aghawagon-Otomona-Ajikwa river system. This gold panning began around the year 2000, apparently initiated by panners evicted from an earlier site in Nabire (in northern Papua, relatively far from the Freeport area), which was closed due to conflict between local people and outsiders.

According to Yahamak and ELSHAM, local people participate in gold panning because of the difficulty of making a living in the new industrial environment, particularly since most of the traditional landowners have little or no formal education. There are around 500 - 1000 people taking part in gold panning. They are mostly from the nearby Lani, Dani, Moni, Ekari, Damal, Nduga, Amungme and Kamoro indigenous peoples, although some participants come from as far away as Manokwari and Biak, and some are non-Papuan transmigrants.

Gold panning can be quite profitable: at the 'Mile 72' location near the Amungme village of Banti, only a few kilometres downstream from Freeport's tailings outlet into the Aghawagon river, a day's panning produces an average 6 - 10 grammes of raw gold particles, and a 'lucky' day can bring up to 20g. This raw gold is sold to Timika gold stores for Rp50,000 to Rp200,000 per gramme, depending on quality. This immediate income is very attractive, and even compares favourably with wages at Freeport, so that some off-duty staff take part in panning. Gold panning also takes place at locations further downstream such as Mile 50 and Mile 32. However gleanings at Mile 32 may total only 20 to 25g a month.

## Dangers of gold panning

The authors of the briefing paper express concern for the long-term health of local people engaged in panning for gold in Freeport-Rio Tinto's tailings stream. They note that gold panners often forget to wash their hands before handling food, and that the alcohols and other processing chemicals present in the tailings can be ingested in this way. The main danger, however, is of gold panners working in the steep river valleys being swept away in flash floods or crushed in landslides. Yahamak and ELSHAM estimate that between 7 and 36 people have died in this way over the past few years.

## Military and police extortion and illegal businesses

Gold panning is considered illegal because PTFI's 1967 Contract of Work grants the company the exclusive right for mineral extraction in the area. This 'illegality' enables the military and police to extort large sums from participants, by seizing panning equipment and releasing it in return for payment.

The only road which leads from the lowland town of Timika up to the gold panning area near the village of Banti and the Freeport mine is off-limits to the public and guarded with numerous security checkpoints. Gold panners who wish to travel along this road must pay the military a sum of 400,000 - 700,000 rupiah to ride in a personnel bus, or charter a vehicle driven by a military or police officer for 3 million rupiah.

Strategic reserve command (Kostrad) troops sell food from the PTFI canteen to gold panners, at a rate of one packaged meal in exchange for one gramme of gold particles. Alcohol and other items are likewise bartered for gold. Some *Brimob* (special forces police) personnel act as gold buyers so that gold panners do not have to travel back to Timika to sell on the market there.

## Acts of violence by security forces and gold panners

According to the Yahamak and ELSHAM briefing paper, much of the concession area is off-limits to all but company staff, and even traditional landowners are excluded from various areas by security which is strictly enforced. Countless indigenous landowners have been evicted 'like dogs' from the Freeport concession area, the briefing paper states. Local people who are found in the company residential area, canteen, or anywhere in the exploration area are liable to be kicked and beaten, then evicted, and some have been shot dead over the years.

The company policy is to attempt to inform people of the dangers of gold panning and to encourage them to leave. Freeport's civilian security does, on occasion,



Protesters in Jakarta calling for the Freeport-Rio Tinto mine to be closed down. (I. O'Neill, 2006)

attempt to remove people from the gold panning areas although, according to the briefing paper, it is only panners in small numbers who are removed, while larger groups are ignored.

## Intelligence operations and fabricated separatist threats

According to Indonesian security forces, the OPM (Free Papua Organisation) led by Kelly Kwalik have continues to pose a danger in the area around the Freeport mine over the last five years. However, according to Yahamak and ELSHAM, various acts have been carried out or rumors circulated which are falsely attributed to Kelly Kwalik in order to generate a profitable situation for the security forces. Local people contend that the security forces have fabricated the seriousness of the separatist threat. As one person cited in the report notes:

*"When the Task Force staged an operation to control the gold panning, and burnt the tents, inside the tents they found an album. In the album there were local people photographed holding firearms and wearing military jackets. It's a trick. The military always go down there. The military sit there and guard the gold panning. It is the military themselves that give their weapons to the local people to pose and act up for the camera...So in the end this photo is used in a report saying 'There are armed separatists in this river area, so we have to send in an operation.' I just laugh because this is purely engineered by them."*

The briefing paper reports that Freeport's security department includes a section called 'Security - Intelligence Collection' which conducts intelligence operations inside and outside the Freeport operation area, particularly gathering information on the danger of separatism. Around 30 people have reportedly been trained as company intelligence agents by an instructor from BIN, the Indonesian national

intelligence agency.

The report makes the following recommendations:

1. The company should not be allowed to employ military officers in civil positions in the security department. These positions should be returned to civilians.
2. The security department should dissolve its intelligence-gathering facility.
3. Retired military officers must not be employed in the civilian security force.
4. The company must build good relations with the community via traditional landowner institutions and other means.
5. The 'separatist' label should not be applied to Papuans, neither staff nor community members.
6. The company should build partnerships with external organisations such as NGOs, churches, and university students. As long as the company is not open there will not be peace.
7. End recruitment of staff from outside Papua.
8. Develop the skills of Papuan staff and Papuan organisations.

(Sources for initial Freeport-Rio Tinto section: Rio Tinto 2005 Annual Report; *Businessweek Online*, accessed May 17, 2006; *Financial Times* 11/Apr/06; *Metal Bulletin* 2/Feb/06; *New York Times* 19/Jun/06 & 5/Apr/06; *WALHI report on Freeport - Rio Tinto*, 2006)

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## oil palm / energy

# Biodiesel and the expansion of oil palm plantations

*The new demand for biofuels is putting more pressure on community land.*

With the largest extent of oil palm plantations in the world, covering an estimated 6,059,441 hectares<sup>1</sup>, Indonesia wants to replace Malaysia as the world's biggest crude palm oil (CPO) producer. To achieve this, the Indonesian government is relentlessly promoting investment to expand oil palm plantations by 3 million hectares in the next five years<sup>2</sup>, including the 1.8 million ha mega-project planned for the border area between Indonesia and Malaysia (see DTE 68:3).

There are different opinions as to how much of the border area is suitable for oil palm. The Department for Public Works states that potential oil palm plantation land in the border districts, plus the districts of Landak and Sekadau amounts to 3,368,363 ha<sup>3</sup>. However, according to a study by the Oil Palm Research Centre (PPKS), only 180,000 ha is suitable for oil palm development<sup>4</sup>.

Another reason for the push to increase palm oil production is the fact that oil reserves are being depleted, while demand for fuel continues to grow. This has prompted the search for renewable energy sources as a substitute for oil.

In Indonesia, consumption of diesel oil, both for transport and industry, has increased to the extent that Indonesia can no longer produce enough for domestic needs. In 2003, diesel production stood at 17 million kilolitres (kl), while total consumption reached 26.4 million kl (165 million barrels)<sup>5</sup>.

Biodiesel is considered one renewable alternative energy source which has environmental advantages over petroleum diesel. However, the claim that biodiesel is 'carbon neutral' is disputed (see box p.9).

Vegetable oils can be turned into fuel in three different ways. They can be used pure or mixed with petro-diesel in specially modified engines. They can also be converted to biodiesel by a simple process using alcohol and a strong alkali to make a more volatile mix of fatty acid esters (transesterification). Some waste animal fats can also be turned into biofuels in the same way<sup>6</sup>.

The vegetable oil fatty acid compounds for manufacturing biodiesel can be extracted from a variety of tropical and temperate plants or plant products including: palm oil, coconut oil, castor oil, kapok seed oil, malapari (*Pongamia pinnata* glabra, *Derris*

## PT Bakrie Rekin Bio-Energi

PT Bakrie Rekin Bio-Energi is planning to build a biodiesel factory with a capacity of 60,000 to 100,000 tonnes per year, and an investment of US\$25 million<sup>10</sup>.

The company is a joint venture between two Indonesian companies: PT Rekasaya Industri (Rekin) (30%) and PT Bakrie Sumatra Plantation Tbk (70%).

This will be Indonesia's first large-scale biodiesel production plant, and is to be located in Jambi province or on Batam island, Sumatra<sup>11</sup>. Construction will start in 2007, with biodiesel production, for domestic consumption and export, from mid-2008.

Bakrie will act as supplier, with CPO or other feedstock for processing into biodiesel. Rekin will take on the engineering role and construct the factory.

*indica*), soya beans, sunflower seeds, rapeseed, sugar cane, nipah palm sap, sorghum, cassava and sweet potato<sup>7</sup>.

In Indonesia, the plan is to focus on palm and castor oil to make biodiesel. The industry will be a form of downstream development so that the country no longer exports CPO, but instead exports processed oil<sup>8</sup>.

To achieve this, the government has issued two decrees: Presidential Instruction No. 1/2006 on the provision and use of biofuels as alternative fuel, and Presidential Regulation No. 5/2006 on National Energy Policy.

Both instruments express the intention to develop biodiesel as an alternative, renewable and environmentally friendly energy source, by 2025.

As a follow-up to this, the Department of Industry and Trade has been given the task of building four castor and palm oil biodiesel factories with a capacity of 6,000 tonnes each and with state budget funding of Rp70 billion (around US \$8 million). The plan is to locate the palm oil-fed factories close to oil palm plantation areas on Sumatra and

Kalimantan, which have the largest plantation areas<sup>9</sup>.

In September last year, Indonesia's research and technology minister announced that seven companies had been licensed to set up biodiesel plants. He singled out Jambi and Riau as areas to start production, as well as the border area with Malaysia (see DTE 67:8).

## Increasing demand for CPO

Internationally, countries are in the race to increase their use of environmentally friendly fuel in order to implement their commitments under the Kyoto Protocol and to use the Clean Development Mechanism (see box p.10). They are also keen to diversify their energy sources in view of the geopolitics of oil and gas supplies from the former Soviet Union, Middle East and Latin America. Biodiesel is being promoted as a means of doing so.

The European Union countries are attempting to fulfil their Kyoto commitment to reduce greenhouse gas emissions through the European Climate Change Programme<sup>12</sup>. The EU is aiming to increase renewable energy use from 6% to 12% by the end of 2010, and to increase its share of the total electricity supply from 13% to 21%<sup>13</sup>. To reach these targets, it is hoped that EU countries will provide facilities and subsidies to companies which support the use of renewable energies.

The European Union is also promoting the use of biofuels as an energy source for transport. The EU has set itself a target of increasing the use of biofuels in energy consumption to 5.75% by 2010. The Commission is now pressing member states to fulfil their commitments under the 2003 Biofuels Directive. The agriculture council of 20 Feb 2006 held a first policy debate on the biofuels strategy and the EU's biomass action plan. The advantage of using biofuels like bioethanol (made from sugar) and biodiesel (made from vegetable oils) is that they are cheap and abundant. It is also claimed that they produce lower emissions of greenhouse gases. Another plus for European farmers is that domestic production of biofuels could offer new income and employment opportunities after the reform of the Common Agriculture Policy<sup>14</sup>.



In Europe, biodiesel is used in Germany, France and Austria in varying concentrations. In Germany, there are more than 1,000 filling stations providing biodiesel<sup>15</sup>. The first 'biorefinery' is to be built in Emden, Germany, with financing from a Dutch syndicate. The plant is intended to turn 430,000 tonnes of palm oil, probably from

Indonesia, into more than 400 million litres of biodiesel<sup>16</sup>.

Demand for CPO to generate electricity has increased 400,000 tonnes this year in the Netherlands, of which 250,000 tonnes will be imported. The electricity company, BIOX bv, is reportedly planning to build four new generators using palm oil. The company intends to sell this palm oil-based electricity to several EU countries<sup>17</sup>.

On top of the new demand for biofuel generation, international market demand for CPO has been on the increase in the Netherlands, the US, Singapore and other countries because the price of other vegetable cooking oils, such as sunflower oil, are higher than palm oil. There has also been an increase in processing capacity - especially in the Netherlands - with the development of new processing plants with capacity from 350,000 to 1 million tonnes per year<sup>18</sup>.

### Land for biodiesel

The increasing international demand for biofuels, their promotion as sources of renewable energy which can reduce the greenhouse effect, and the need to maintain the supply of raw materials, is being used as a justification to expand oil palm plantations in Indonesia.

Research carried out by the Indonesian Biodiesel Forum (FBI) states that 15-20 tonnes of fresh fruit bunches of oil palm per hectare produce 0.2 - 0.22 m<sup>3</sup> of raw oil, with 0.95 litres of biodiesel produced from one litre of CPO. This means 0.3ha of oil palm plantation would be needed to generate 1,000 litres (1kl) of biodiesel<sup>19</sup>.

In 2009, biodiesel from oil palm is projected to reach 2% of diesel consumption or 0.7 million kl, requiring over 200,000 ha of oil palm plantations<sup>20</sup>.

Demand is expected to increase to 2025, when the demand for biodiesel is projected to reach 5% of petroleum diesel consumption, equivalent to 4.7 million kl. This will need 1.41 million ha of oil palm plantations<sup>21</sup>.

This is a huge amount of land. Indigenous peoples are already suffering the negative impacts of oil palm plantations at their current extent. Apart from destroying socio-cultural values, oil palm plantation projects have been associated with gambling and prostitution. Indigenous people have reported that living costs are higher than before palm oil plantations are developed, when they farmed rice and other crops and/or tapped rubber. Oil palm plantation schemes result in loss of land rights as well as increased family expenditure. Cultivating oil palm does not permit traditional intercropping (*tumpang sari*) methods, as does rubber<sup>22</sup>.

If 1.41 million hectares of land is needed just for the biodiesel supply, it is worth considering how much more indigenous-owned land will be seized and how much more suffering will result. All so that Indonesia can develop monocultures in order to reduce greenhouse gas emissions caused by industrialised countries and meet their fuel needs.

Currently, the six million plus hectares of land taken up by oil palm plantations in Indonesia, supply the domestic and international market for household products such as soap, toothpaste, margarine and cooking oil.

If the requirements of biodiesel are added on top of this, it is likely that there will not be any tropical forests left in Indonesia in a few years' time outside national parks and

(continued next page)

### NGOs reject biodiesel from palm oil

An alliance of human rights and environmental NGOs are campaigning against European countries' use of fuel made from palm oil at the expense of forest ecosystems. In an April statement entitled 'No to Deforestation Diesel!', over thirty German, Austrian and Swiss groups warn that a palm oil-fuelled biodiesel boom would repeat the pattern of forest destruction caused by the rapid growth of Indonesia's pulp and paper industry.

"In pursuing such policies the EU becomes co-responsible for the destruction of the last rainforests for supposedly 'renewable' fuel!"

Claims that palm oil-based biofuel is carbon neutral are naïve, according the groups, because they don't take into account how oil palm plantations are developed. The swamp and peat forests on Sumatra and Borneo are important carbon sinks, but it is just these forests which are being cleared in order to establish oil palm plantations.

The groups argue that a fundamentally different approach to energy consumption is required, rather than merely replacing oil with biofuels. This entails promoting of public transport over private car and air traffic, more energy conservation measures and more energy from renewable sources such as solar and wind power. The groups are calling for strict criteria to be applied to the use of biofuel raw materials including: no conversion of primary forests for plantations, no burning to clear forests for plantations, no human rights violations or police or military operations and no certification schemes. The statement also calls for customary rights and land rights to be respected and full compliance with ratified international agreements relating to indigenous peoples, biodiversity, workers' rights, etc in countries cultivating biofuel crops.

(No to deforestation diesel! joint statement of NGO-alliance, 18/Apr/06, circulated by Watch Indonesia!  
watchindonesia@snafu.de)



Oil palm plantation, West Kalimantan

(DTE)

## What is the Kyoto Protocol?

The Kyoto Protocol is an international treaty, adopted in Kyoto, Japan, on 11 December 1997, by the third Conference of Parties (COP3) to the United Nations Framework Convention on Climate Change.

The Kyoto Protocol obliges developed countries grouped in Annex I to reduce greenhouse gas emissions by at least 5% from 1990 levels, between 2008-2012<sup>23</sup>.

The six main greenhouse gases are covered: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrogen oxide (N<sub>2</sub>O), hydrofluorocarbon gases (HFCs), perfluorocarbons (PGCs and sulphurhexafluoride (SF<sub>6</sub>)<sup>24</sup>.

The Kyoto Protocol defines three 'flexibility mechanisms' to lower the overall costs of achieving its emissions targets. These are:

- ♦ Joint Implementation, which provides for cooperation between for Annex I countries to implement projects that reduce emissions;
- ♦ Clean Development Mechanism, which provides for developing countries to

assist developed countries reduce greenhouse gas emissions and for the attainment of sustainable development for developing countries;

- ♦ Emissions Trading, which provides for the trading of carbon credits between Annex I countries in order to reach their targets<sup>25</sup>.

The Clean Development Mechanism is the only one that permits collaboration between developed and developing countries. Indonesia has one registered CDM project (a German solar cooker project in Aceh) out of a global total of 176<sup>26</sup>.

This mechanism is intended to contribute directly to the reduction of greenhouse gas concentrations in the atmosphere and to result in developing countries receiving additional funds as compensation for their assistance. The result is meant to be beneficial for both sides.

However, the CDM has attracted strong criticism from civil society organisations, particularly since 2001, when governments

decided to make temporary carbon storage projects (carbon sinks) eligible as a project category in the CDM. This is because the mechanism can be used by polluting companies to avoid their obligations to reduce greenhouse gas emissions, by promoting highly dubious projects in developing countries.

As the Brussels-based NGO, FERN, puts it:

*"These sink projects will only ensure temporary storage while justifying additional, permanent carbon emissions from fossil fuels in an industrialised country party to the Kyoto Protocol. Eventually, the carbon stored through terrestrial sinks - trees, other plants, soil (i.e. part of the 'active carbon pool') - will be released again into the atmosphere, thus adding to the already released carbon emission from fossil fuels the sink was meant to permanently offset."*<sup>27</sup>

The Bali-based organisation CDM Watch lists eleven Indonesia projects under preparation, including three in the sinks and sequestration category, all involving Japanese companies<sup>28</sup>.

(continued from previous page)

other protected areas. Indigenous and/or local communities whose lives depend on the forests will be destroyed because their forests will be planted with monocultures to supply the renewable energy industry.

The question now is: which is more important for humankind - to sustain life and grow food or biodiesel?

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For updates on the CDM, carbon sinks and other climate change related news, see <http://www.fern.org/pages/climate/news.htm>.

For a detailed critique of the potential consequences of Northern companies controlling land use in the South to offset greenhouse gas emissions in the North see *Democracy or Carbocracy? Intellectual corruption and the future of the climate debate*, a Cornerhouse Briefing by Larry Lohmann (available at: <http://thecornerhouse.org>).

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*forests / indigenous rights*

# The future for Papuan forests

Papuan forests are the focus of a power struggle between Jakarta and Jayapura. Legal and illegal logging are causing rampant deforestation, but have also disenfranchised the indigenous population. While a coalition of NGOs is calling for a complete stop to large-scale logging in West Papua, Indonesian and Papuan forestry authorities are trying to work out a new logging policy under Special Autonomy to benefit local livelihoods and manage forests sustainably.

## How much is left?

Forest Watch Indonesia (FWI) recently analysed the official data and available maps for West Papua. Their results show that Papua's forests are disappearing much faster than had been thought (see box).

The main cause is large-scale commercial logging. As lowland forests in Sumatra and Kalimantan are progressively logged out, timber companies have shifted their attention to eastern Indonesia and Papua. The most extensive remaining forests are in Papua. The Indonesian government has

zoned some 22 million hectares of Papuan forest as 'production forest'. Of the over 11 million hectares given to 65 logging companies, four million are in Papua's remaining intact forests - areas that conservationists are calling 'Paradise forests' (see box).

"Unless large-scale logging concessions are stopped, Papua's forests are doomed", said Christian Poerba, FWI's director. There is little monitoring of logging operations, particularly in remote locations, and companies often log illegally outside their concessions. So much larger areas are logged than permitted under their licences. Logging trails made by concessionaires also provide access for other illegal logging operations.

## Threats to 'Paradise forests'

Greenpeace's flagship, Rainbow Warrior, arrived in Jayapura in March as part of its campaign to save the 'Paradise forests' of the Asia-Pacific from illegal and destructive logging. It then sailed along the Papuan coast and docked in Jakarta in April, where activists

met forestry minister Kaban and environment minister Witoelar. Their message was that forest degradation and destruction threaten the livelihoods of West Papua's 2 million population and its wealth of flora and fauna (see box, next page).

"A handful of companies have wiped out much of Indonesia's forests. They must be stopped from finishing off our last intact forests in Papua. The Indonesian government must put in place a moratorium on large-scale commercial logging activities in the intact forest landscapes of Indonesia, starting with Papua, until national and local forestry policies have been reviewed, proper landscape planning has been conducted and a significant increase in protected areas have been established," said Emmy Hafild, Executive Director of Greenpeace Southeast Asia.

If the Indonesian government is serious about controlling illegal logging, it should carefully monitor the activities of the six large wood-processing plants in West Papua which handle all the timber felled by the logging companies. When the Rainbow Warrior visited Sorong, activists watched plywood from the Henrison Iriana mill, a subsidiary of Kayu Lapis Indonesia (KLI) - one of Indonesia's largest logging companies, being loaded onto two ships. The shipments of 9,000 cubic metres of timber - equivalent to more than 2,500 trees - were destined for Korea, Japan and the US.

Greenpeace has handed this information and other data that shows companies with large-scale concessions to have broken forestry regulations and destroyed forests to the Forestry Department and Environment Ministry and is pressing them to take action. It also presented KLI with its 'Golden Chainsaw Award' and plans to target international buyers in a campaign to stop them buying KLI wood, which is exported mostly to the US, Japan, Canada and Netherlands.

## Political incentives for change

Greenpeace is one of many CSOs calling for small-scale community logging as an alternative to large-scale concessions in West Papua. They point to PNG and the Solomon Islands as models of forest policy which respect indigenous rights while meeting local communities' needs. An Ecoforestry Forum, in which WWF-Sahel plays a leading role, has held meetings and field visits to PNG over several years to explore the possibilities for Papua. Forestry officials from Jakarta and

## Papuan forest figures

Population of West Papua	2,380,980(1)
Population growth rate/year	3.22%
Area of West Papua	40.8 million ha (2)
Area under Forestry Dept control	39.7 million ha (3)
Marine protected areas (included in above)	1.9 million ha
Area of state forest	36.8 million ha
Area of Protected Forest	8.1 million ha (4)
Area of Protection Forest	9.1 million ha (5)
Area of Production Forest (total)	22.4 million ha (6)
zoned for conversion	9.3 million ha
zoned as Limited Production Forest	3.7 million ha
zoned for production	9.9 million ha
Area granted as logging concessions	11.6 million ha (65 companies) (7)
Area of concession areas consisting of badly damaged secondary forest (2000)	1.7 million ha (8)
Official forest cover	32.3 million ha(9)
Intact forest	17.9 million ha (45% of Papua's forests)(10)
Forest which is not allocated to concessions	13.8 million ha (30% of Papua's forests)(11)
Legal log production Papua province (2004)	373,869m <sup>3</sup> (12)
Legal log production West Irian Jaya (2004)	356,437m <sup>3</sup>
Merbau logs leaving Papua per month (2004)	over 300,000m <sup>3</sup> (13)

### Notes:

1. Sensus Pertanian BPS 2003
2. Forest Planning Agency (Baplan) 2005 Report, calculated from satellite imagery analysis from 2002/2003 data
3. Baplan forest zoning 1999-2004
4. ibid
5. ibid
6. Baplan 2004,
7. <http://www.dephut.go.id/INFORMASI/INFPRO/P/Inf-Irja.PDF>
8. Baplan 2005 report
9. Baplan 2004, op cit
10. Baplan 2005, op cit
10. & 11. FWI
12. Department of forestry, Bina Produksi, most recent available figures
13. *The Last Frontier*, EIA/Telapak, Feb 2005

Papua have been working together on a new policy for Papua's forests incorporating these inputs since September 2005. The political need for this is obvious for several reasons. Papuans are increasingly aware that while their rich natural resources - minerals and fisheries, as well as forests - make the biggest contribution to state revenues, they remain in poverty. In 1999, for example, production by industrial timber concessions in the Province reached 4.98 million m<sup>3</sup>, according to Forestry Department statistics. This would have generated approximately US\$250 million in forest revenues (PSDH), plus an additional US\$65 million in money for the national Reforestation Fund (DR). The reality is that extensive tracts of Papua's forests still have a high potential for timber extraction. Yet if a map of community land use is overlaid with the zoning for large-scale forest exploitation, the potential for further conflict in West Papua is immediately apparent.

The issue of who has the authority to determine forestry use has been a bone of contention since Indonesia introduced regional autonomy in 2001 - the more so in West Papua where Jakarta dragged its heels in implementing Special Autonomy.

In particular, there was no legal clarity over local concessions for co-

operatives in the transition to decentralisation. According to Jakarta's interpretation of the national Forestry Act (No 41/1999), the only legal basis for communities to access timber was the 20 m<sup>3</sup> per family allowed by regulation PP34/2002. Meanwhile, the Papuan authorities issued community logging permits (IPKMA) to cooperatives (*Kopermas*) which they considered legal, with the intention of increasing economic opportunities for indigenous Papuans - in line with Special Autonomy.

Matters came to a head when central government launched Operation Hutan Lestari II to curb 'illegal logging'. All community logging licences were withdrawn, leaving communities with no legal alternative to generate income from their forests. Marthen Kayoi, a senior Papuan forestry official, was charged with violating forestry law and detained for three weeks (see DTE 65:12-14). In February 2006, the court dismissed the cases against him - Jakarta and Jayapura have now agreed that issuing IPKMA was outside the definition of 'illegal logging'.

## Challenges

Forestry officials from local and central government have had to confront several other dilemmas in their attempts to redefine Papua's forest policy over the last eight months.

Papua's governor and other elected representatives are keen to improve people's livelihoods and timber is the most obvious marketable product to generate higher incomes. However, selling Papua's resources quickly and cheaply to outsiders is a political bombshell: forests are a resource that must be protected for future generations. Meanwhile, Jakarta must face up to the fact that, under Special Autonomy, there is no 'state forest' in Papua as it all comes under the definition of community land. On the other hand, it does not want to set the precedent of granting logging rights to indigenous communities. Both sides recognise the need to avoid the problems of IPKMA permits, and to improve the *Kopermas* system (see box).

## A radical forest policy

The result of the negotiations is a new forest policy for Papua with a sustainable system of forest management units (KPHP) based on river basins/watersheds (DAS) and *adat* territories. This means that the zoning of Papuan forests, imposed by Jakarta in the Suharto era, will have to be renegotiated.

Customary rights (*adat*) are a central element, partly because they can operate at a very small-scale: most clans (the smallest *adat* unit) control around 100 hectares. Another reason is that special autonomy legislation recognises *adat*. So one of the challenges now becomes how logging of *adat* forests can be supported legally. The most likely vehicle is a *Perdasus* - provincial

legislation under the Special Autonomy law (No21/2001).

The draft Papuan forestry regulation gives Papuan communities the rights to manage small-scale logging businesses, similar to those in PNG. It will also bring Papua into line with the likely requirements for Voluntary Partnership Agreements (VPAs) which European Union member states will soon be negotiating with Indonesia as a means of stamping out the trade in illegal timber. It is, in many respects, a unique and ambitious policy instrument.

Firstly, a *Perdasus* has significant status. Unlike the usual local regulations (*Perda*), they can be issued without an Operating Regulation (*PP*) being issued at national level under Indonesian law. The only other *Perdasus* issued to date has been the

## IPKMA: small but not beautiful

The more than 300 community logging co-operatives (*Kopermas*) set up in West Papua since the late 1990s have been widely blamed for increasing forest destruction. However, some of the problems derive from the very nature of the local (*IPKMA*) logging permits.

*IPKMA* cover an area of 1,000 hectares, but this is far too large for a traditional Papuan community to manage. So many joined up with logging companies owned by local entrepreneurs. A second problem is that all *IPKMA* were originally issued for forest zoned for conversion. So, from the start, they were seen as a tool for forest clearance rather than sustainable forest management. Also, these one-year licences were issued to any community group or *adat* leader who signed the contract. The only condition was that the business institution or 'co-operative' registered with the local co-operatives office by completing a form.

The nature of the co-operative, including its capacity to manage forests, was not a criterion for receiving an *IPKMA* from the local forestry office. The following year, the co-operative could get another *IPKMA* - regardless of whether it had logged legally or illegally - and there was nothing to stop a co-operative holding several licences at once.

Some co-operatives were completely fictitious and others became a means for powerful elites to get access to valuable timber under the guise of 'Papuan communities'. Many illegal operations were backed or run by the police and military. The community cut timber - willingly or unwillingly - and sold this to the military who then declared it legal. The amount received by local communities was usually a tiny fraction of the timber's value on the international market.

## Papua's rich biodiversity

The island of New Guinea - of which West Papua is the western part - has one of the largest areas of intact forest remaining on earth. These forests have huge biodiversity and a high proportion of the plants and animals found there are unique to the island.

Researchers from Indonesia, America and Australia discovered dozens of completely new species of plants and animals in the Foja Mountains early this year, including four butterflies, five palms, twenty frogs, two lizards and a bird - the orange-faced honeyeater. They also found a type of tree kangaroo previously only known from one mountain in PNG and took the first photos of a six-wired bird of paradise and the golden-fronted bowerbird. Co-leader of the expedition, Conservation International's Bruce Beehler described it as "as close to the Garden of Eden as you're going to find on Earth".

The Papuan conservation office now wants the 1.7 million ha Foja-Mamberamo area of forest to become a National Park. CI has had a conservation management programme in the Mamberamo basin for a couple of years. The customary guardians of this forest, the Kwerba and Papasena people, are (according to CI) keen to work with the conservation agencies.

(Source: Conservation International press release 7/Feb/06; *CenPos* 8/Feb/06)

one to establish the Papuan People's Assembly (MRP), now the highest authority in Papua. The only other *Perdasus* issued to date has been the one to establish the Papuan People's Assembly (MRP), now the highest authority in Papua.

Secondly, this regulation has far-reaching powers, providing the basis for the renegotiation of land allocation between communities and large-scale investors. It mandates the mapping of customary land; the recognition of customary institutions; and the involvement of Papuan people in all aspects of forest management, from planning to harvesting. Other progressive elements include the requirement for transparency in decision-making about licences; mechanisms for consultations with communities before land is allocated; an Ombudsman to investigate complaints; other mediation procedures; and third party audits.

Thirdly, central government and logging companies with an interest in long-term sustainable forest management have, so far, welcomed the proposal. Only 23 HPH are still operational in West Papua. The rest are stagnant or bankrupt. This partly reflects escalating conflict with local communities in the absence of adequate land administration. Others have lost out to hit-and-run operators. So a key argument behind the *Perdasus* is that it works to provide legal certainty for all involved - security of livelihoods for communities, security of investment (and incentive for SFM) for concessions, as well as security of revenues for government. It remains to be seen whether the forestry minister is prepared to do away with the production forest zoning which the new policy implies.

### Strengthening local institutions

The proposed regulation will be meaningless unless politicians in Jakarta stop using West Papua's resources as their personal bargaining chips. Even as forestry officials were striving to reach agreement over the final form of the new policy, a massive deal to sell Papuan timber to China was announced (see page 5).

The Papuan forestry service will also need to be strengthened if it is to implement the new *Perdasus* successfully. This includes substantial capacity building and service provision to communities in mapping and managing their forest resources. Illegal military control over forest resources is another barrier to sustainable forest management which must be eliminated.

Last, but not least, the Papuan people need a good understanding of their legal rights. International governments and organisations that want to protect Papuan forests should therefore look to developing strong civil society organisations, not stop at marvelling at new species in the 'lost world' of West Papua.

(Sources: Reuter 1/Mar/06; Greenpeace press release 15/Mar/2006, 12/Apr/06; Antara 12/Apr/06; Kompas 15/Apr/06; Jakarta Post 21/Apr/06)♦

# Aceh's forests under more pressure

Forestry minister Kaban issued logging permits to five timber companies in Aceh in March, ending a partial moratorium imposed in 2001. The decision is intended to make more timber available for post-tsunami reconstruction. However, local community organisations and NGOs believe the resumption of large-scale legal operations will further endanger communities and accelerate deforestation.

### Widespread opposition

The new permits, covered in an MoU signed by the Department of Forestry and Reconstruction and Rehabilitation Agency (BRR) last month, cover 367,550 hectares of production forest in Aceh. The decision met with immediate criticism from CSOs in Aceh and nationally. Leaders of communities in Aceh Jaya protested that they bear the brunt of any problems caused by deforestation. "Many rivers have dried up and, when it rains for just a short time, it floods almost immediately, particularly in Teunom and Krueng Sabee," complained Syarafuddin. He represents 23 traditional community leaders (*mukim*) in Aceh Raya where three of the newly licenced companies will operate - PT

Raja Garuda Mas Lestari, PT Aceh Inti Timber and PT Lamuri Timber. Simeulue is likely to be devastated by the 115,000 ha concession of PT Krueng Sakti which covers the majority of the island. The final concession, Kopontren Najmussalam is a co-operative owned by an Islamic school in Bireun district. The total output of the five concessions is over 330,000m<sup>3</sup> per year. The 2006 legal logging quota for Aceh has been raised to 500,000m<sup>3</sup>.

Officially, Aceh has 3.3 million ha of forest, including 638,000ha designated as production forests. The annual legal cut pre-tsunami was only 50,000m<sup>3</sup>, but timber consumption in the province was well above 500,000m<sup>3</sup> per year. So it is not surprising that a survey by Indonesian NGO, Greenomics, revealed damage to more than 30% of existing forest areas. WALHI has shown that at least 52,000m<sup>3</sup> of timber was felled illegally in Aceh in 2005. One source claims there are around 1,700 chain saws operating in Aceh. Also, new roads between the east and west coast of Aceh and the associated network of rural roads (formerly called the Ladia Galaska project: see DTE 55:17 ) are opening up more forests for destruction. "The revival of the concessions will further worsen the deforestation problem," said a Greenomics spokesperson.

### How much is needed?

Post-tsunami demand for timber in Aceh is estimated at between 4 and 8 million m<sup>3</sup>. This year alone around 1.7 million m<sup>3</sup> of wood products are needed, equivalent to 3.5 million m<sup>3</sup> of raw logs. The government has committed to the completion of some 120,000 new homes in Aceh and Nias by 2007. The forested areas of Aceh were largely unaffected by the tsunami. Much of the timber to date has come from provinces in Sumatra and Kalimantan. The timber demand for reconstruction is putting a strain on the dwindling forest resources of neighbouring areas. Riau's annual quota for legal timber is only 200,000m<sup>3</sup> and there are problems meeting the demand for supplies within the province.

Some international humanitarian agencies claim they only purchase certified timber, but the reality is that only a tiny fraction of Indonesia's logging concessions have any form of certification. Most organisations are completely unaware of the origin of the timber. Greenomics, reckons



Timber-framed barracks under construction, early 2005 (DTE)

that 95% of the timber is probably from illegal sources. Its survey also shows that the main threat to forests is not local people cutting down trees to rebuild their homes, but suppliers and contractors engaged in reconstruction work. Sawmills are selling timber from unknown sources to projects funded by international NGOs and the Indonesian government.

### Pressure from legal and illegal logging operations

The government defended its decision saying that the new logging licences were vital for Aceh's reconstruction plans and that the province's production forests had the potential to provide much-needed timber supplies. Kaban said the timber would not go to other areas: "Aceh timber can only be used for Aceh's reconstruction," the minister insisted. Indonesian activists question why the forestry minister ignored the BRR's position that only confiscated timber should be used in Aceh's reconstruction and why the minister went back on his earlier statements that timber for Aceh's reconstruction should come from outside the province. Since Aceh's Assembly (DPRD) also voiced its opposition to the new logging concessions, it is likely that other powerful interests have forced Jakarta's hand. The only positive thing that can be said is that as many as 18 companies were originally on the list for licences, but only five have been granted so far.

NGOs and indigenous people's groups in Aceh have long campaigned against destructive large-scale logging in Aceh. Prominent members of this campaign have been Bestari Raden, who was imprisoned for his opposition (see DTE 63:12) and the late

### Calls for action

Indonesian CSO say that:

- ♦ The government must carry out a comprehensive survey now of legal, sustainable sources of timber within the country which could be supplied to Aceh.
- ♦ Illegal timber which has been confiscated should be sent to Aceh for reconstruction work, instead of being auctioned.
- ♦ The minister of forestry must withdraw the 5 logging concession licences issued in March and not issue any more.
- ♦ The Reconstruction and Rehabilitation Agency must issue clear instructions to all agencies involved in rebuilding Aceh about the use of timber.
- ♦ International organisations involved in reconstruction must take responsibility for ensuring that timber purchased is from genuinely legal, sustainable sources.
- ♦ Timber should be imported from legal and sustainable sources by the government of aid agencies to meet Aceh's reconstruction demands.

Keucik Jailani (see DTE 64:24). They argued that Aceh's forests were needed to protect water supplies for agriculture and to prevent soil erosion, landslides, droughts and flooding which have caused huge damage to local livelihoods and cost dozens of lives over the past decade. They also pointed to the bad track record of companies like PT Medan Raya Timber which logged outside its concession area and exceeded its quota. However, the logging ban was never 100% effective, not least due to the widespread involvement of the military in timber operations in Aceh.

The situation was particularly bad in Southeast Aceh. Logs were pouring out of the district illegally and transported to the port of Belawan in North Sumatra from whence they were smuggled to neighbouring Malaysia. The operations involved

representatives of SE Aceh's assembly, the governor and police or members of their close families. The director and staff of WALHI Aceh faced death threats after they exposed the results of their investigation on national TV in late 2005 (see DTE 68:12).

(Jakarta Post 3/Mar/06, 6/Apr/06, 7/Apr/06, 17/Apr/06; Kompas 6/Apr/06; WALHI press statement 22/Mar/06  
[http://www.walhi.or.id/kampanye/hutan/jeda/060322\\_menhutcbthphaceh\\_sp/](http://www.walhi.or.id/kampanye/hutan/jeda/060322_menhutcbthphaceh_sp/)  
 Forestry Department statement 24/Apr/06  
<http://www.antara.co.id/seenws/?id=32326>;  
 FAO Assessment of Timber Demand and Supply for Post-Tsunami Reconstruction in Indonesia, 2005,  
<http://www.humanitarianinfo.org/sumatra/reference/assessments/doc/shelter/FAOAssessmntOfTimberDemandSupply260405.pdf>♦



February 2006  
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 Printed copies  
 available from DTE

## A People's Agenda?

— Post-Tsunami Aid in Aceh



# Certification controversy

*Parts of two forest concessions, both of which have controversial track records, have been certified. This raises the question of what safeguards on social and environmental sustainability do such partial certifications offer local communities and international consumers? Or are these just pilot projects intended to 'test the water' at the very time Indonesia is trying to increase its credibility on international markets as a source of legal and sustainable timber.*

Controversy has broken out since it was announced in March this year that some of Riau Andalan Pulp & Paper's plantation concessions have been certified. This is the first certification of a plantation by the Indonesian Ecolabelling Institute (LEI). RAPP - part of the Indonesian Raja Garuda Mas Group and a subsidiary of Singapore-based APRIL - is one of the world's largest paper pulp plants with a production of 2 million tonnes per year. For this it needs an annual supply of over 10 million m<sup>3</sup> of timber.

## Pulping the rainforest

The Riau NGO Jikalauhari states that, since RAPP started operations in 1995, it has directly contributed to the destruction of over 400,000 ha of rainforests through sourcing wood supplies from natural forests and replacing these with plantations. RAPP has concession licences for industrial tree plantations (HTI) covering 330,000 hectares. It also has access to a further 349,222 ha of forest land through associated companies. This makes a total of 679,222 ha scattered over the districts of Pelalawan, Kuasing, Kampar and Siak in Riau province.

Indonesian NGOs say that RAPP still gets as much as 70% of the timber it requires to feed its pulp mill from natural forests. In contrast, RAPP's president, Irsan Syarif, claims that the company obtains up to 60% of its raw materials from its timber plantations and expects to source all its raw materials from the plantations by 2010. He also says RAPP has planted 115,000 ha of acacia since 2004. Since October 2002, APRIL has implemented a wood tracking system intended to eliminate illegal timber from its supply chain; this is periodically audited by SGS with WWF as an observer.

## Partial certification

The award ceremony was a prestigious affair attended by former environment minister Emil Salim, a co-founder of LEI, forestry minister Kaban and current environment minister Witoelar. However, in the media coverage of this event and in RAPP's half-page colour advertisements in the national press which expressed the 'company's delight at gaining certification', there was no mention that the certification is only for *part* of its plantation.

LEI says that it was only able to consider a 'certificate of sustainable plantation management' for the 159,500 ha area covered by a 1997 permit, even though this was replaced by another ministerial edict covering 235,140 ha in 2004. It is highly likely that the rest of the land still has some natural forest cover, has yet to be planted with acacia or comprises peat swamp deeper than 3 metres. As LEI's website has not been updated for the past year, there is no easy way for the public to check exactly which area has been certified. Moreover, the award was only at bronze level.

This partial certification means that it will not be possible to tell whether paper produced from RAPP pulp came from

certified timber, non-certified timber or a mixture. The percentage of certified timber in the pulp may be very low indeed for several years. Even after 2010, the paper pulp will come from plantations that were mature rainforest a mere decade earlier.

## Peat swamp forest destruction

Indonesian and international CSOs expressed strong disapproval of the RAPP certification and have criticised LEI for giving its mark of approval to a company which has caused forest destruction and social conflict. Both RAPP and Raja Garuda Mas have poor track

*(continued next page)*

## FSC certification, plantations and paper

The Forest Stewardship Council's Principle 10, the Plantation Principle, acknowledges the importance of plantations to socially, environmentally and economically responsible forest management. Central to the application of Principle 10 is the rationale that responsible plantation management can '... complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests'. However, plantation management remains controversial.

Plantation management can help reduce pressure on natural forests by producing greater wood and fibre yields from smaller areas. In the FSC system, plantations must meet the requirements of all ten FSC Principles in order to generate social, economic and environmental benefits.

FSC does not support conversion of natural forests into plantations. Criterion 10.9 of the Plantation Principle states that forests converted to plantations after November 1994, the publication date of the first official FSC Principles and Criteria, will not normally be certified. Plantations established prior to November 1994, however, are not affected by this requirement.

Plantations converted from natural forests after November 1994 may be certified if the forest manager can demonstrate that they were not responsible for the conversion.

FSC certification for paper means that 70% of the virgin content of the sheet

is guaranteed to come from FSC-certified sustainably managed forests or plantations. The weakness of this policy is that 30% of the virgin pulp could come from mature rainforest cleared for acacia or oil palm plantations - yet the paper can still carry the FSC-certified logo. Moreover, for paper which is a mixture of virgin and recycled pulp, the FSC content can be low as 10%.

FSC's certification of plantations has always been contentious. Some groups, like the World Rainforest Movement, have argued that 'plantations are not forests', just areas of tree crops which contribute nothing to biodiversity and offer few jobs, and have called on the FSC to cease plantation certification altogether. Industry groups, on the other hand, have argued that the 1994 cut off date is unreasonable and have urged the FSC to find a way of recognising their efforts to 'reforest' areas that may have been cleared as long as 12 years ago. In response, the FSC embarked over two years ago on a Plantations Review (see: <http://www.fsc.org/plantations/>) which has not only reviewed Principle 10 but also the applicability to plantations of all the other FSC Principles and Criteria. The conclusions of this review are expected later this year.

(Source: FSC website: [www.fsc.org/keepout/en/content\\_areas/45/2/files/fs\\_plantations\\_web.pdf](http://www.fsc.org/keepout/en/content_areas/45/2/files/fs_plantations_web.pdf); FSC Chain of Custody Standard, 2004)



records on social and environmental issues, including forest destruction, violation of community rights and social conflict. RAPP has cleared and drained 50,000 ha of peat swamp in the western part of Kampar. It also built a road through the remaining forest area, without the legally required environmental impact assessment, causing illegal logging, fires and disturbing the water balance of the surrounding peat swamp up to 10 km from the road. The Kampar and Siak rivers have been polluted by RAPP's operations.

Furthermore, APRIL recently submitted a request to Riau's governor for another 215,790 ha HTI concession. The company intends to clear fell peat swamp and mangrove forests to establish acacia plantations, thus threatening the second largest remaining area of peat swamp forest in the world. WALHI, Jikalahari, the paper pulp advocacy network CAPP, German forest campaigners Robin Wood and Friends of the Earth Finland and England issued a joint press statement about the way Riau's forests have

been stripped to supply RAPP and Indah Kiat and the need to protect the swamp forests of the Kampar peninsula from further destruction.

### Social conflict

LEI's certification assessor, PT Mutu Lestari Agung, appears to have ignored RAPP's violations of indigenous rights. The establishment of RAPP's plantations has affected a total of 85 villages and many have long-standing grievances against the company. Last July, dozens of indigenous people were made homeless when RAPP destroyed their homes in the village of Kusuma in the Pelalawan district of Riau. Within 100 days of the certification, hundreds of RAPP employees attacked villagers from Gading Permai in the Kampar district in early May. They drove them from land which they had planted with oil palm and burnt their shelters (see box). There was a similar incident in November 2004 when around 500 RAPP staff attacked people from Koto Baru village and forced them to leave disputed land.

### Local community attacked by Riau Andalan's security

The people of Gading Permai village in Kampar district of Riau had returned to farm 2,000 ha of land where the community used to live in the 1960s. Under customary law, this is still their land, and people wanted to plant it with oil palm. Graves and the remains of houses were still visible. However, there had been a long-running dispute with PT Siak Raya Timber which also claimed the land. The logging company released its concession to Riau Andalan Pulp & Paper (RAPP) in 2003.

After RAPP took over the land, it pressed the people to stop planting their own oil palm and to plant acacia for the company. There was intimidation by the security forces but the Gading Permai Farmers Group continued to work. The company then reported the group to the local police. Two of its leaders were formally accused of planting an illegal 200 ha plantation in April 2006.

The community and company agreed to meet to discuss the issues on May 1st this year. However, on that day, some 300 company employees - ordinary workers as well as security forces - forced people to leave the settlements they had set up on the disputed land. Around twenty wooden huts and a small prayer house were damaged and or burned. Local people say some RAPP staff used heavy machinery; others hit the villagers with rattan whips. One man had to have 14 stitches in his head. Four people were detained, but managed to escape. Many people lost valuable possessions in the attack, including money and jewellery. A RAPP statement tells a very different version saying that its security forces were protecting workers

planting acacia from seventy farmers armed with air rifles, spears, knives and arrows. It also says injuries to villagers were only slight and damage to the musholla was accidental. However, the company was clearly expecting trouble as it had an ambulance at the ready. RAPP is said to use a private security force called Shield, a subsidiary of a US company.

In the following days, some 200 RAPP employees came to the place where the villagers were sheltering and threatened them, apparently looking for certain individuals. They forced a few men to strip and crouch on the ground and then kicked them. RAPP is now guarding the disputed land and prohibiting access to it.

A local NGO commented: "Incidents like the attack on the Gading Permai community have been repeatedly carried out by RAPP's security in response to the social and land disputes surrounding RAPP's industrial tree plantations. They are deeply disturbing particularly because RAPP is always held up as a shining example in comparison with the bad practices of other companies. However, behind all the public relations, RAPP is still committed to the culture of violence and the same dirty practices as all the rest".

Riau NGOs are calling on the police and the local authorities to investigate thoroughly the human rights violations caused by RAPP's security; on all bodies to withdraw their good practice awards to RAPP; on LEI to withdraw its certification. (Source: Joint statement by Gading Permai community and NGOs, via Jikalahari 9/May/06; WALHI press release 13/May/06)

LEI's position is that its system is based on Forest Management Units (FMU), so it cannot refuse a certificate if only one of several FMUs operated by a company fulfils all LEI's criteria. It argues that the certification of one FMU can be used as a lever to improve standards in all the other FMUs controlled by the same company. At least one activist compares the situation to giving a human rights award to a company of which only part is carrying out torture!

However, the RAPP partial certification could just be the first in a series as Indonesian timber and pulp producers have begun to realise that voluntary certification can increase access to markets and silence their critics (see below). The Sinar Mas/APP Group will be watching developments carefully. APP is by far the dominant player in Indonesian pulp processing as well as paper and board production. The group owns two of the nation's largest pulp mills: Indah Kiat in Riau and Lontar Papyrus in Jambi. Indonesian and international NGOs will be also be watching the certifiers to make sure that certification standards are not further diluted.

(Sources: Jakarta Post 14/Mar/06; APRIL Press release 16/Mar/06; Riau NGOs' letter to LEI 4/Apr/06; Riau Tribune 7/Apr/06; Factsheet on Kampar peninsula and paper industry, WALHI 11/Apr/06; CAPP Press statements 19/Apr/06: Sumatra's peat swamp forest threatened with collapse, 8/May/06: Civil violence claims victims. <http://www.cappa.or.id>; and pers com with LEI and other organisations in Indonesia.

### East Kalimantan concession gains FSC part-certification

Sumalindo Lestari Jaya (SLJ II) was granted FSC certification in January 2006, after assessment by Smartwood. The Sumalindo Lestari Jaya Group is made up of four smaller concessions including SLJ II which has a concession area of 267,000ha in the Malinau and West Kutai districts of East Kalimantan. However, as with RAPP's certification announcement, Sumalindo's advertisements and press releases gave the clear impression that the whole Sumalindo Group had been approved.

This is the largest forest company to gain FSC certification in Indonesia. SLJ II has also joined WWF's Indonesian Forest and Trade Network (Nusa Hijau). As a result, SLJII has gained access to major US buyers such as BlueLinx Corporation who are looking for sources of meranti plywood for the construction industry and Home Depot - one of the biggest DIY chains.

Pokja Hutan Kalimantan, a group of East Kalimantan NGOs, has issued a public letter protesting about Sumalindo's certification by Smartwood. It makes 4 main points.

#### ♦ Forest gazettement

Under Indonesian law, all concessions must be gazetted and the borders agreed with local communities. As in many parts of Indonesia, gazettement in West Kutai is far from complete in the area where Sumalindo II and V concessions lie. One reason for the slow progress in gazettement is that land use has changed greatly over the past 30 years and there are many conflicts over land in areas designated as state forest land.

#### ♦ Forest destruction

Sumalindo has been operating in the Long Bangun area for over 25 years. During this time, the company continuously opens up new blocks of primary forest, rather than returning to re-harvest the original cutting blocks. Local people fear that, when the timber runs out, the company will move on whereas the community will have to stay where it is. Flooding in the wet season and droughts in the dry season are common since the Upper Mahakam has been extensively logged by companies. The company's plans to cut logging roads to link its forest blocks in West Kutai and

Malinau will also increase access to illegal loggers and land speculators.

#### ♦ Timber from unknown sources

There still is some mixing of logs from ten concessions operating along the Mahakam River, despite Smartwood's reassurances that log tagging has solved this problem. Logs stockpiled in Long Iram are not exclusively from Sumalindo, although Chain of Custody certification means each piece of timber sold must be traceable. Moreover, Sumalindo submitted plans to the local forestry service to harvest 300,00m<sup>3</sup> in 2005, whereas it reported to Smartwood that it could only cut 70,000-80,000m<sup>3</sup>.

#### ♦ Free Prior and Informed Consent

The certification assessors only consulted communities in the part of Sumalindo's concession which lies in Malinau, where the company has only been operating for 3 years. It did not collect any evidence from the Long Bangun community in West Kutai where Sumalindo has operated for 25 years. Those people also started with high hopes, but now have a number of disputes still outstanding with the company.

The East Kalimantan Working Group on Forests demands that the FSC:

1. revokes the Sustainable Forest Management and Chain of Custody Certificates;
2. does not award any further certificates until it responds to the concerns at the community level;
3. carries out a thorough review of Smartwood's assessment and Sumalindo's assessors;
4. implements principles that are in the interests of indigenous communities and the environment, rather than those of the international timber trade.

For a more detailed analysis of the SLJ II certification, see article by Marcus Colchester, 'FSC dilemmas in the heart of Borneo', April 2006, *WRM Bulletin* 104. <http://www.wrm.org.uy>

Sources: East Kalimantan Working Group on Forests 26/Apr/06; WWF Indonesia press release 27/Feb/2006♦



(continued from page 19)

Inclusion of these concerns 1-8 in EIA terms of reference in all coastal mining activities in SE Asia is necessary because:

- ♦ Submarine Tailing Disposal (STD) is currently the preferred waste disposal procedure of most large-scale mining operations in a critical region of maximum marine bio-diversity and of global marine conservation significance: SE Asia and the South Pacific.
- ♦ Its effects (if any) on tropical marine life, marine resource use and ecosystem function are not well understood.
- ♦ There will be a significant increase in the use of STD for already approved and proposed large-scale mining operations in SE Asia and South Pacific in the next 10 years, while the practice is banned in most western coastal states.
- ♦ There is an urgent need to address the major gap in biological data on (possible) effects of STD on tropical marine ecosystems, and the Indo-Pacific deep-sea in particular.

#### B. Relevance to coastal mining in North Sulawesi.

This public document is highly relevant to the coastal mining situation in N Sulawesi. For this area in particular we do have important data on cetaceans (see below references). We know the tip of N Sulawesi

(and extending towards Siao Isl along the Sangihe Talaud Islands) is

1. a preferred local habitat for N Sulawesi sperm whales, as well as other whale and dolphin species.
2. a regional migratory corridor site which links the western Pacific with the east Indonesian Seas.
3. of importance to a myriad other large marine life.
4. the extreme depth gradients in the region means that these largely oceanic mammals do venture close to shore and are affected by coastal activities. In addition, sperm whales and other oceanic odontocetes (toothed whales) in N Sulawesi are a) deep divers b) apex predators and c) long-lived, which increases the potential risk of toxic exposure to these animals from any submarine tailing disposal in the deep sea. Note this is a concern that has to be further evaluated.

#### C. Recent industry-based policies against using STD as a waste management option.

Finally, it is also worth mentioning that in 2004 BHP Billiton, the largest miner in the world, adopted a company policy which specifically advises against the use of Submarine Tailings Disposal as a waste management option in all their projects, throughout the world. The formal statement declares that:

"BHP Billiton has decided not to pursue Deep Sea Tailing Placement (DSTP) as a potential tailing disposal option for any of its current prospects. The Company also believes that given the very specific circumstances where DSTP could be considered appropriate, it is unlikely that the technology will be pursued in any of our future developments".

Additional sources on the Extractive Industries Review and policy recommendations can be found on [www.eireview.org](http://www.eireview.org) and <http://www.worldbank.org/ogmc/>

I trust this letter will be of assistance to all stakeholders - governments, extractive industries, NGOs, academia and local communities alike - in coastal mining projects for which STD is either operational or being considered, in Indonesia and the throughout the Asia-Pacific region.

Regards,

Benjamin Kahn  
Director  
APEX Environmental  
Asia-Pacific Oceanic Cetacean Program  
IUCN Species Survival Commission -  
Cetacean Specialist Group  
[bkahn@apex-environmental.com](mailto:bkahn@apex-environmental.com)

[References attached with the letter are included in the web version of this newsletter].♦

# FLEGT: merely political rhetoric?

*European governments say they want to stop imports of illegally-sourced timber, but what is the action behind the words? A recent visit to Europe by Indonesian campaigners tried to find out.*

In March this year, a group of Indonesian civil society representatives concerned with forestry issues made a two-week visit to Europe. Their focus was the European Union's Forest Law Enforcement, Governance and Trade (FLEGT) initiative. The trip, facilitated by the UK-Indonesian NGO partnership, EIA/Telapak, included Britain, Netherlands, Germany, Finland and Denmark, and started with the European Commission in Bruxelles.

As in last year's lobby tour, the aims were to give information about developments in the Indonesia's forestry sector to each country visited, and to voice Indonesian civil society's concerns relating to FLEGT and the Voluntary Partnership Agreements (VPAs). These are part of the FLEGT Action Plan, adopted in 2003. (For more on legality, FLEGT and VPAs, see DTE 67:13).

## Action in Indonesia

In each country, the Indonesian group met government representatives and MPs, as well as NGOs. The 12 visitors - representing a range of organisations with different areas of expertise - presented the advances Indonesian government had made, the challenges, and how they were helping the government to fulfil its commitments. Their presentations, questions and explanations - backed by videos, graphics and data - were an impressive demonstration of Indonesian CSOs' understanding of forest issues and the political realities. The tour clearly showed why CSOs must be fully included as 'stakeholders' in the FLEGT process.

Christian Poerba (FWI) explained how maps and the interpretation of data on Indonesia's forests and wood processing industry could help identify potentially illegal activities by logging and plantation companies. Jikalahari's co-ordinator, Zulfahmi, showed graphically how demand to supply Riau's huge paper pulp industry has devastated the province's forests and urged that pulp be included in the list of products for VPAs. The Indonesian Ecolabelling Institute, LEI, outlined progress towards an Indonesian legality standard, the final version of which is due for public discussion in June.

Telapak addressed the need to combat 'forest crime' through existing Indonesian anti-money laundering and anti-corruption legislation in an integrated approach, not simply high profile anti-illegal logging operations like OHL II (see DTE 65:12). The Indonesian Working Group on Finance outlined how, through agreements with the Forestry and Justice Departments, Indonesia's police and banks, the Financial

Intelligence Unit (PPATK) can be used to investigate the powerful backers of illegal logging operations.

Yuyun Indradi, representing the indigenous people's alliance, AMAN, drew attention to the widespread conflict over the control of forest resources resulting from the government's failure to respect the customary rights of indigenous peoples. Indonesia's recent ratification of international conventions on Economic, Social & Cultural Rights and Civil & Political Rights opens new opportunities to address social justice issues.



## Social issues, participation and transparency

Messages that the Indonesia civil society representatives conveyed to the international decision-makers, industry associations and NGOs they met included:

- ♦ The long-term goal is not just legality, but sustainability - much of the logging that destroys Indonesian forests is legal under Indonesian law.
- ♦ Social issues must be an integral part of the legality definition, VPAs and procurement standards and other related policies.
- ♦ FLEGT initiatives should support legal reform in Indonesia, including the recognition customary rights to natural resources and ancestral domains.
- ♦ All timber produced from forest areas with disputed ownership should be declared illegal. This strategic measure will help towards the resolution of tenurial conflicts in Indonesia.
- ♦ Enforcement must not target the rural poor. Laws and regulations must be enforced strictly against illegal logging bosses and big companies using illegal timber.
- ♦ All VPAs must guarantee that every forest management unit obtains free and prior informed consent from communities and improves the livelihoods of local and indigenous peoples.

- ♦ Every step of the VPA process, including negotiations between the Indonesian government and the European Union and issuing licenses, must be transparent with clear information and adequate communication between all stakeholders.
- ♦ Once the legality standard is in place, there must be transparency in data validation, including mechanisms for independent spot check monitoring.

More information on Indonesian CSOs' position is at [http://www.illegal-logging.info/textonly/events/Briefing\\_note\\_on\\_FLEGT\\_and\\_Indonesia.doc](http://www.illegal-logging.info/textonly/events/Briefing_note_on_FLEGT_and_Indonesia.doc) and [www.illegal-logging.info/events/ICS\\_Position\\_Paper\\_for\\_FLEGT.doc](http://www.illegal-logging.info/events/ICS_Position_Paper_for_FLEGT.doc)

## Slow progress in Europe

FLEGT is a 2-way process requiring action on illegal logging in both producer and consumer countries. Europe too must share responsibility for its demand for cheap timber and wood products. For example, even though Indonesia has implemented a ban on exports of sawn timber, EIA/Telapak investigations have shown that illegal timber from West Papua is still being marketed in Europe via China and Malaysia (see p.11 for more on Papua's forests). Civil society in Europe, in line with Indonesian CSOs, has been pressing for a legally enforceable regulation to prevent illegally-sourced wood products entering EU countries. However, the Indonesian group was disappointed by the lack of urgency within the European Commission and member states.

A meeting with the European Commission was facilitated by Foreign Affairs, and attended by staff from the Directorates General for Trade, Foreign Affairs, Aid, Development and Environment. The discussion focussed on social responsibility and importing licensing schemes as forms of the reciprocal action called for by Indonesian civil society. The European Commission basically agrees that, to ensure that wood products imported to European markets are from legal sources, the EU needs a regulation that requires imported wood products to be traceable. However, the bureaucratic EU policy-making procedure and the process of reaching agreement between the EU's 25 member states are obstacles to progress.

Although the European Parliament takes decisions which affect all its members, the level of understanding about Indonesian forest issues and the international timber trade differs greatly among them. There are also differences in commitment to action and differences in the interpretation of EU policy.

Dutch MPs from the majority party told the Indonesian party much the same as the Commission staff in a discussion facilitated by Milieudefensie, AidEnvironment and Greenpeace. Bureaucratic procedures in government and the length of time needed to draft laws in the Netherlands meant that a law preventing the import of illegally sourced timber was still somewhere in the future. But the parliamentarians promised to press the government to start the drafting process or to change existing legislation which could stop illegal wood products entering the market.

Denmark's measures to prevent illegally sourced imports are more advanced. Here the government has implemented voluntary Procurement Policy Guidelines for timber and wood products. The NGO Nepenthes, WWF and environment and development NGOs in the Danish 92 Group are pressing the government to make these mandatory and to develop their social content. In response, the Danish government

has begun a review of the guidelines, including the Malaysia Timber Certification Council legality standard, currently used as a reference. However, the MTCC is very weak on community rights.

The final two-day visit to London, included meetings with minister for international development, Eliot Morley, and a discussion on FLEGT/VPA and legality in Indonesia, specially facilitated by the policy research organisation, Royal Institute for International Affairs. Civil servants, business sector representatives, NGOs and academics joined the discussion. No existing legislation in the UK is effective to prevent the trade in illegal timber, but the government is currently reviewing the options. The UK does insist that all timber purchased by the government is from legal and preferably sustainable sources. However, its policy is different from the Danish one in that it excludes social criteria. Here again the Indonesian CSOs felt the UK could make more effort to set a legal

precedent in its FLEGT commitments.

Fundamentally, the international timber trade raises issues of ethics, responsibility and accountability, all related to social and environmental issues. The devastation of forests in Indonesia, and the resulting suffering and poverty among indigenous/local people living in and around forests which once provided their livelihoods, is a reality that will persist if both producer and consumer countries do not feel they are responsible for the impacts of producing wood and of profiting from the trade in wood products. This long and exhausting process may well fail to yield any result, if, both in the short and longer term, these countries' commitments are not given more concrete form. This is what is needed if FLEGT is not just to become another piece of international political rhetoric. ♦

## Letters to DTE

DTE welcomes readers' comments and reactions to our reports. Please email letters to [dte@gn.apc.org](mailto:dte@gn.apc.org), fax to +44 16977 46266 or send by mail to DTE, 59 Athenlay Road, London SE15 3EN, England.

### Freeport/Rio Tinto payments to military and police

Dear DTE,

I was very interested to get your newsletter, and in particular to read your new news about Freeport's payments to the TNI in West Papua [DTE 68:5]. You may be interested to know that I was, so far as I know, the first person to reveal Freeport's payments to the Indonesian military in an article in the New Statesman, "Indonesia's next East Timor?" (10 July 2000). This was I think a year before the SEC condemned Freeport for making payments.

The irony for the West Papuans was obviously that not only were Freeport mining *their* resources, they were giving substantial sums to the Papuans' occupiers to do so. The journalistic irony for me was that nobody would believe the story to begin with, and I couldn't publish it that way round, only include a summary of what I'd found at the end of the article.

You may be interested to see the piece at <http://www.newstatesman.com/200007100026>. I'm shocked to see that Freeport are still getting away with it.

All good wishes  
Julian Evans  
[julian@julianevans.com](mailto:julian@julianevans.com), Bristol, UK

### Risks for Submarine Tailings Disposal (STD) in Indonesia revisited

Dear DTE,

Regarding the feature "New mine will mean more marine pollution in Sulawesi" in the last DTE Newsletter [DTE 68:8]:

#### A. Testimonial for the World Bank Extractive Industries Review.

In response to the recent articles on waste management by coastal miners in bio-diverse regions, I would like to bring to your attention a paper presented by APEX Environmental (Kahn 2003a) to the World Bank's Extractive Industries Review during their Asia-Pacific round held in Bali.

This paper focuses on current as well as anticipated environmental and socio-economic impacts of submarine tailings disposal (STD) activities in Southeast Asia and includes the following statements of concern:

1. In a region as oceanographically complex as Southeast Asia, with its extensive archipelagos and diverse bathymetry, the argument that any assumed marine thermocline could act as an effective barrier against vertical waste transport is

not realistic.

2. STD waste and toxin re-suspension to surface water may occur through biological vectors.
3. STD has an inherent economical risk to local and export fisheries because of (real or perceived) contamination of marine resources.
4. STD may affect increased human health risks through direct or indirect exposure to mining wastes.
5. mining procedures such as STD may have a negative impact on numerous other important socio-economic and environmental factors, ranging from additional (and often illegal) small-scale mining activities by opportunistic individuals, to reduced marine tourism potential.
6. STD is likely to cause large-scale habitat degradation of meso- and bathypelagic oceanic ecosystems and may affect large and often endangered marine life, including whales, dolphins and marine turtles.
7. STD has major operational risks which are not easily mitigated on-site, including pipe breakages (surface and/or depth) and compliance to waste controls.
8. Environmental Impact Assessments (EIA) of mining operations with STD as their main mechanism for waste management do not adequately assess any adverse effects in the deep sea and marine food web, and such potential impacts should be included in the scope, and terms of reference, for such studies.

(continued on page 17)

## In brief...

### New Mentawai indigenous organisation

Indigenous peoples on the Mentawai Islands, off West Sumatra, have demanded that the central and local governments recognise their rights as an ethnic group, and involve them in all policy-making which affects them, especially in matters of culture, education, local economy and natural resources management.

The demands were made at the first Mentawai People's Celebration and Congress, April 7-10, which was attended by 265 indigenous representatives from villages across Mentawai district, in Tuapejat, the district capital. The congress approved the establishment of the Alliance of Indigenous Peoples Concerned about Mentawai (Aliansi Masyarakat Adat Peduli Mentawai AMA-PM) as an indigenous umbrella organisation for Mentawai indigenous groups at subdistrict and village (*laggai*) level. Reverend Urlik Tatubeket, who was chosen to head AMA-PM's council, said this was the first such indigenous organisation in Mentawai's history. It has been formed in stages, at subdistrict and village level since 1998.

The Mentawai Islands only gained autonomy from Padang on the mainland when a new administrative district was created in 2001.

Tatubeket said Mentawaians had suffered under discriminatory government policies in the past and had been excluded from involvement in development programmes affecting them. Today, this marginalisation is still going on, in government decisions about education, culture and natural resource management like awarding logging concessions.

The congress issued 19 recommendations, most of which were addressed to the Mentawai district assembly and government. These urged the two bodies to draw up a policy to recognise Mentawai indigenous rights over land and resources and to settle problems over land and forests

caused by transmigration, logging and other projects.

The congress was welcomed by the district assembly leader, Kortianus Sabeleake, a former NGO activist (see DTE 68:16) and the district's deputy head, Aztarmizi. (YCM 6/May/06; *Jakarta Post* 26/Apr/06; *Tempo Interaktif* 7/Apr/06. See also DTE 68:15 for background on logging in the Mentawais.)♦

### More World Bank loans for Indonesia - NGOs demand cancellation

The World Bank is allocating around US\$900 million in loans to Indonesia this year, but the country can borrow more if needed, according to country director Andrew Steer. The money is aimed at boosting economic growth, reducing poverty and better management of Indonesia's finances. Steer said that Indonesia could borrow up to US\$1.4 billion, because its debt to the World Bank "has been falling very rapidly".

Finance minister Sri Mulyani Indrawati said that Indonesia plans to ask for \$2.5 billion in new loans from lenders, including the World Bank, this year to help cover the budget deficit and pay existing debt. Last year Indonesia's creditors grouped in the CGI agreed \$2.8 billion in loans and \$600 million in grants.

A joint Indonesian NGO statement issued April 11, accused the Bank of impoverishing Indonesians through its liberalisation, privatisation and deregulation programmes. The People's Alliance for Debt Cancellation (GARPU) pointed to the fact that Indonesia has allocated 26% of this year's budget for debt repayment, whereas education was only getting 5% and health 2%. It said 50% of Indonesians were living on less than \$2 per day, due to the abolition of subsidies on basic goods and services. The group called on the Bank to cancel the 30% of Indonesia's \$80 billion government debt that was corruptly used during the Suharto era and to answer civil society demands to reform the Bank's decision-making system so that it was no longer dominated by rich

countries. The NGOs also demanded that the Indonesian government request debt cancellation on projects implemented in Aceh and Nias in northern Sumatra, the areas affected by the 2004 tsunami disaster, and to start investigating former president Suharto's assets and possessions so these could be restored to the people. (GARPU Joint Statement 11/Apr/06, circulated by INFID)♦

### UK recycled waste dumped in Jakarta

Paper, cardboard, plastic and cans sorted for recycling by UK households is being exported to Indonesia for dumping there, according to a BBC investigation. Customs at Jakarta's Tanjung Priok port impounded 500 tonnes of mixed waste, exported from the UK, which was falsely described as waste paper, then alerted the BBC. The UK's Environment Agency says that about half the 8 million tonnes of recycled material that UK households put in green bins provided by local councils, ends up overseas. It is not illegal for contractors dealing with the waste to export it, as long as it is sorted so that foreign mills can recycle it. But this waste was mixed up and classified by the Indonesian authorities as hazardous waste.

Environment minister Rachmat Witoelar said exporters were deceiving the recycling public and were trying to dump the waste in Indonesia "when we are not looking." Jakarta's only recycling plant does not receive foreign waste and struggles to cope with waste produced locally. The UK Environment Agency told the BBC that recent national inspections of green bin material being exported found that around 75% of the waste containers were "not in accordance with the requirements for export" and were stopped. ([http://news.bbc.co.uk/1/hi/programmes/real\\_story/4493728.stm](http://news.bbc.co.uk/1/hi/programmes/real_story/4493728.stm))♦



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