

DTE

Climate change and rice-growing in Meratus
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(DTE)

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Down to Earth International Campaign for Ecological Justice in Indonesia

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There was no February edition of DTE.

Suharto's Legacy

This May marks the tenth anniversary of Suharto's fall from power. The former president, who headed a military regime which ruled Indonesia for 32 years, died in January this year aged 86.

The death of General Suharto is not the end of an era. The drama of Suharto's last weeks clearly showed that the New Order remains a powerful force in the country. Many of the laws, policies and practices implemented during his 'New Order' government, continue to influence Indonesia today - despite more recent political reforms.

Suharto was forced to step down as president on 21st May 1998 amid mass protests, economic chaos and political paralysis. Criminal charges over corruption and human rights abuses were dropped on health grounds, although the former president continued to play golf, give interviews and receive visitors. During his last weeks, streams of dignitaries - including former heads of state, ASEAN representatives and senior government figures - came to pay their respects at his bedside, while leading Indonesian politicians called for sympathy and understanding rather than proceeding with prosecutions. Many obituaries, even in the international media, talked of Suharto as a great statesman who brought stability and prosperity to Indonesia. Such reports ignored the social and environmental damage caused by his Orde Baru regime.

Joined at the hip

Suharto seized power in 1965 unleashing an anti-communist purge in which at least 500,000 people were killed. Between 50,000 and 100,000 people were imprisoned without trial for up to 14 years and many thousands more were stigmatised by accusations of links with the banned Indonesian Communist Party.

The Suharto years were characterised by authoritarian rule in which

the armed forces played a dominant part. The policy of *dwi fungsi* gave the military a domestic political role in addition to its defence function. Democracy was suppressed for over three decades in the name of managing and maintaining internal security by limiting political parties, censorship and the imprisonment of opponents. A substantial proportion of seats in both houses of Indonesia's parliament were allocated to the military and all armed forces personnel and civil servants could only vote for the ruling political party - Golkar. Even today, the army's territorial command covers the whole archipelago with a hierarchical control system from provincial to village level that parallels the administrative bureaucracy.

In 1975, Indonesia invaded and annexed East Timor. Over one quarter of the 700,000 population died in the civil war and famine that ensued. Tens of thousands of people were killed by military action against pro-independence movements in Aceh and West Papua. Widespread human rights abuses, including disappearances and murders, took place in these disputed territories and elsewhere in Indonesia. Army Special Forces are believed to have been responsible for a wave of 'mysterious killings' of petty criminals by death squads in the early 1980s. Throughout the archipelago, conflicts between communities and companies over land and resources were suppressed - sometimes brutally.

Indonesia's legal system - in effect, part of Suharto's power base - was ineffective due to corruption and patronage. The murder of rights activist Munir in 2004 and repeated cases of gross human rights violations by the armed forces in West Papua, including the

killing of Papuan leader Theys Eluay in 2001, show how the culture of impunity still persists.

The 'father of development'

As the self-styled 'Father of development', Suharto's policies were firmly founded on economic liberalism. Indonesia's initially poor, largely rural economy was transformed into one of south-east Asia's 'tiger economies' by

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export-led growth based largely on the ruthless exploitation of natural resources and workers. The state claimed control over the country's land, forests and minerals and handed out huge, long-term concessions to big business.

Multinational companies were eager to get their hands on Indonesia's natural wealth, especially on the preferential terms offered by Suharto's US-trained economists. Freeport MacMoran got the exclusive rights to mine a massive gold and copper deposit in West Papua; Exxon-Mobil exploited the Arun gas field off Aceh; Rio Tinto developed gold and coal mines in East Kalimantan. These companies have made annual profits of billions of dollars, while benefiting from the repressive human rights situation, the denial of indigenous rights and lax environmental controls. They could hide behind the government and the local military in the event of any challenges from local communities over land rights, violence, sexual abuse or pollution. Paramilitary police protected their sites, a pattern which still persists today in some places.

Patronage to the president's family and supporters, including the military, was a key part of Suharto-sponsored crony capitalism. A classic example is that of Mohamad 'Bob' Hasan, who provided supplies to (then) Col Suharto's troops in the 1950s,

became a timber tycoon with exclusive rights over the export of plywood in the 1970s and was trade and industry minister in the 1990s. As head of several timber trade monopolies, Hasan was Indonesia's de facto forestry minister for decades. He also controlled foundations which were part of the Suharto family's money making empire, such as the Nusamba Group which had shares in the Freeport-Rio Tinto Grasberg mine (see DTE 38). He was convicted of corruption in 2001 after an investigation into forest mapping by one of his companies.

The costs to forests and forest peoples

Between 1965 and 1997, Indonesia lost an estimated 40-50 million hectares of its forests to logging, conversion to agriculture, mining, infrastructure projects and urbanisation. In addition to the reduction in biodiversity, this forest destruction represents the loss of the homes, cultures and livelihoods of tens of millions of people living in and around these forests. Indigenous communities were deprived of access to their customary lands and resources.

Furthermore, the New Order's imposition of a standard system of village administration throughout Indonesia suppressed almost all traditional models of local governance. In many cases, this has caused irreparable damage to communities' cultural integrity. Where renewal and regeneration is still possible, this process will probably take at least a generation.

Arguably Indonesia's biggest social and environmental disaster was the transmigration programme. Between 1969 and 1999, around 4.5 million people were resettled - mainly from Java, Madura and Bali - to transmigration sites on the 'outer islands' with massive financial support from the World Bank and other international donors. Some sites proved to be suitable for agriculture and developed into thriving new communities, but at the expense of the indigenous people whose customary lands were taken without consent and at the cost of forest destruction. Overall, the programme failed in terms of poverty alleviation, agricultural development and reducing population pressures. Many transmigrants were worse off due to unsuitable soils, lack of access to markets and inadequate planning and abandoned their new homes for the cities.

The massive influx of Indonesians into West Papua, due to state-sponsored transmigration plus 'spontaneous migration' (encouraged by the government), has had particularly severe impacts on the economic and social status of the indigenous population. Papuans have been marginalised in their own land. Suharto's policy of allowing national and international companies to rape the disputed territory's natural resources has increased

Suharto regime called to account

Jakarta-based human rights activists are trying to set up a People's Tribunal to coincide with the tenth anniversary Suharto's fall. The idea is to address Suharto's record with the overall aim of seeking international justice, for example through the International Criminal Court in the Hague, given the weaknesses in Indonesia's political justice system and the climate of impunity. The concept is loosely modelled on the international war crimes tribunal initiated by peace activist and philosopher Bertrand Russell in the 1960s in response to US military intervention in Vietnam.

Indonesia's Human Rights Commission (Komnas HAM) has set up inquiry teams to investigate human rights violations under the New Order. Several retired generals (backed by minister of defence, Juwono Sudarsono) are refusing to cooperate in these proceedings. Representatives of civil society have pressed the president, Supreme Court, parliament and the Constitutional Court to support Komnas HAM's position, which is part of its statutory mandate, but no state institution has chosen to do this so far.

the Papuans' sense of injustice and fuelled demands for independence (see also p.24).

During the 1970s and 80s, oil and natural gas exports helped to fuel an unprecedented period of economic growth with annual increases in GDP of over 6%. The USA, along with much of the rest of the world, turned a blind eye to Indonesia's corruption, nepotism and poor human rights record because of the New Order's strong anti-communist stance and its high economic growth rate. The World Bank has described the Suharto dictatorship as a 'model pupil'. Other international bodies such as the IMF and FAO claim that Suharto's policies reduced poverty and helped to create relative prosperity. But, while Indonesia's wealth from forests, gold, coal, oil and gas were stripped to benefit national and international conglomerates, maternal, infant and child mortality rates remained high. Today, with official estimates of poverty at below 17%, tens of millions of people continue to struggle to make a living below or just on the official poverty line.

Where did all the money go?

The New Order's economic successes were exposed as a house built on sand in the financial crisis that hit south-east Asia in 1997. The IMF brought in a package of severe economic measures in return for a 'rescue package' of loans and public pressure soon forced Suharto to resign his presidency.

The Central Kalimantan Mega Rice Project

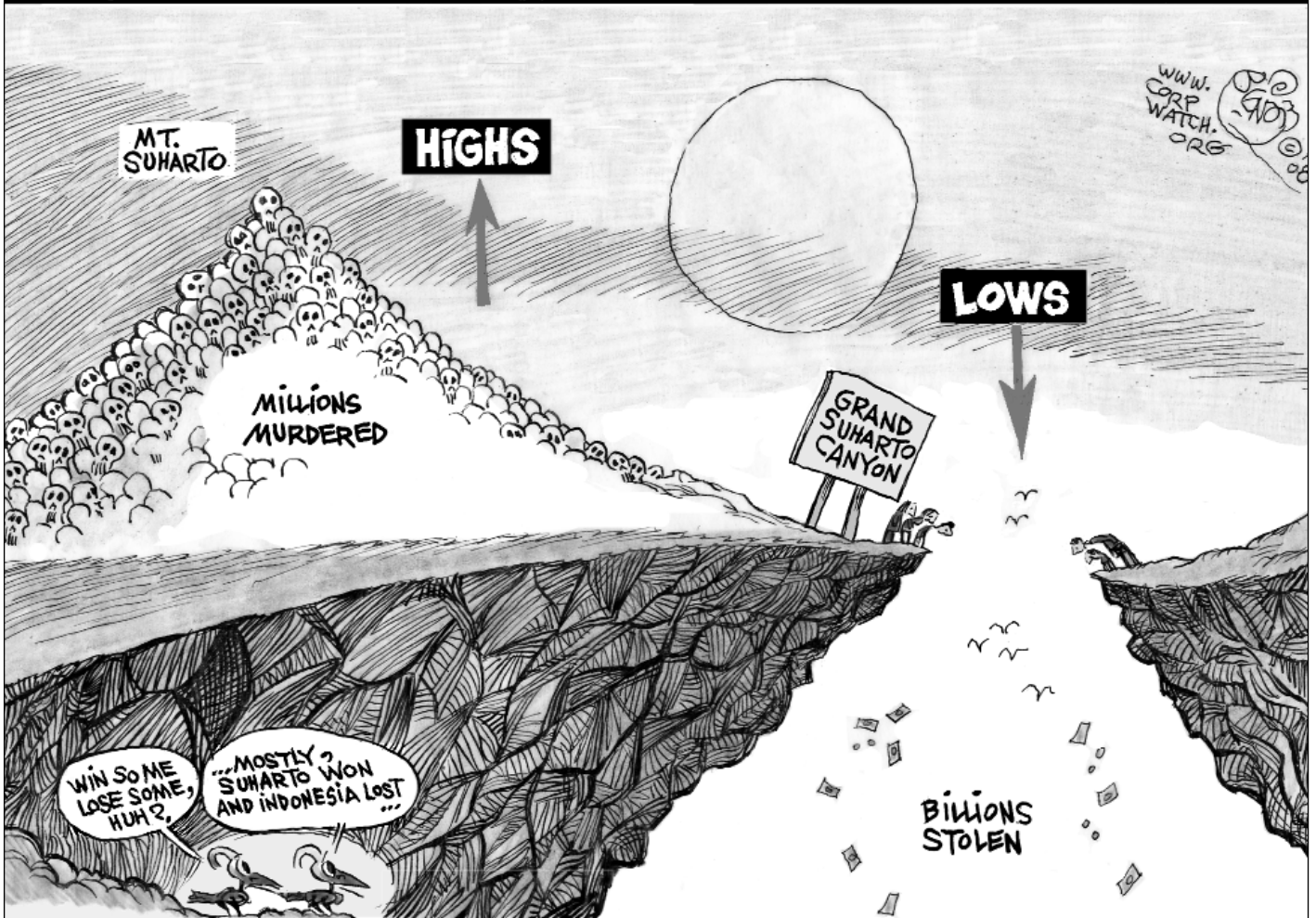
In 1995, (then) President Suharto initiated a one million hectare project in the peat swamp forests of Central Kalimantan.

This controversial project planned to move more than 300,000 families from Java to central Kalimantan to help make Indonesia self-sufficient in rice. Indigenous Dayak communities were displaced as forests were cleared and canals dug to drain the land, but transmigrant farmers soon found that rice would not grow there.

The combination of dry peat and dead timber led to further disaster when fires followed the long dry season in 1997. Weeks of thick smoke affected people's health and the burning peat contributed significantly to increased global carbon emissions.

The project was officially abandoned in 1999, but the whole area remains devastated and local people have been deprived of their livelihoods. The drainage canals have made it easier for illegal loggers to remove any remaining timber from the area. The project, known locally as the PLG, has cost the Indonesian government at least US\$500 million, not including recent announcements of plans to rehabilitate the area.

THE SUHARTO LEGACY IN INDONESIA: HIGHS AND LOWS...



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Other ASEAN countries recovered relatively quickly whereas Indonesia has suffered a decade of economic depression with massive unemployment and increased poverty. The poor were hardest hit, but some of new middle classes became poor. Natural resource exploitation was stepped up to help pay off the huge debts that mounted up during the Suharto years.

Suharto's elite had created financial empires by investing the profits from raw materials into manufacturing industries, real estate and banking. By the early 1990s the new banks were little more than private funding vehicles for their tycoon owners. These and many other businesses borrowed abroad in US dollars. The government also took on international loans to cover budget deficits and to fund various public works projects. When the crash came, Indonesia was left with external debts of nearly US\$140 bn, roughly half of which was private. As part of the 'rescue measures', the post-Suharto government took responsibility for some banking debts, including those of forest-related companies.

Although Suharto purported to live simply, he controlled a business empire worth billions of dollars. Through a complex system of foundations, he and his family received kickbacks for government contracts and

siphoned money from state enterprises and charities. His wife was called 'Madame Tien percent' in joking references to her alleged commissions on business deals. His six children and even his grandchildren became billionaires through their involvement in a wide range of business sectors and commodities including pulp and paper, cement, plywood, cloves, toll roads, power plants, cars and banks.

Suharto sued *Time Magazine* for reporting he had stashed away US\$15 billion in foreign bank accounts - and won the case in Indonesia's Supreme Court. Nevertheless, in 2007, Suharto topped the list of world leaders who had stolen from state funds. The list, compiled by anti-corruption NGO Transparency International and quoted by the United Nations and the World Bank, estimates that he had embezzled between US\$15 billion and \$35 billion. Banks in the UK, Switzerland and Singapore are suspected to be holding the stolen money.

Doubtless, patronage to the Suharto family and supporters (including his children's luxurious lifestyles and dubious business deals) accounts for some of the missing billions. Nevertheless, some of Indonesia's wealth was squandered on its bloated bureaucracy and the New Order's political vehicle, Golkar. Military operations in

East Timor, Aceh and West Papua were also a drain on the economy.

'Leakage' of government spending and international aid estimated at 20% to 30% during the Suharto years was recognised by the World Bank and other international financial institutions who turned a blind eye to it. There was a furore when this figure was leaked from an internal Bank document in 1998. Nevertheless, corruption remains endemic. Indonesia continues to be rated as among the worst places in the world to do business. A Transparency International survey of international business people and country analysts in 2007 ranked Indonesia as 143rd of 179 countries.

The dangers of nostalgia

There are already some signs that Indonesia's 240 million population is growing disillusioned with the steps towards democracy that have been taken over the last ten years. There is more press freedom and political parties proliferate, but long-awaited reforms, including on land, have yet to be delivered. Corruption is still rife and there is a yawning gap between Indonesia's rich and the 100 million or so people who live in poverty or at imminent risk of doing so.

However, any attempt to stir up 'Suharto nostalgia' and promote the return to

climate change

Bali and beyond - struggles for climate justice

December 2007 saw the resort of Nusa Dua on Bali crowded with thousands of government officials, academics, consultants, business representatives and activists attending the UN intergovernmental climate summit and hundreds of parallel events. The official summit agreed a 'roadmap' as a key step towards a post-Kyoto process to tackle climate change. But its failure to set targets for reducing greenhouse gas emissions and its trust in market mechanisms to address global warming has caused dismay among many activists.

As in many developing countries, poor and marginalised communities in Indonesia are expected to suffer disproportionately from the effects of climate change. The predicted impacts include more intense rainfall and flooding, threats to food security, sea-level rises encroaching on coastal communities and higher levels of diseases such as malaria and dengue fever.¹ As an archipelago, Indonesia is vulnerable to sea-level rises, storms and coral reef bleaching resulting from global warming which threaten coastal communities and their livelihoods. Some farming communities have already reported an impact on their farming activities, with weather patterns becoming less reliable for seasonal planting and harvesting (see also page 18).

A recent report on Indonesia by the United Nations Development Programme (UNDP) calls for more attention to be paid to adaptation to climate change's impacts for poor people. *The Other Half of Climate Change* warns that climate change is "intensifying the risks and vulnerabilities facing poor peoples, placing further stress on already overstretched coping mechanisms" and "holding back the efforts of poor people to build a better life for themselves and their families."²

It is all the more disappointing, therefore, that government negotiators attending last December's climate summit (officially known as the UN Framework Convention on Climate Change 13th Conference of Parties, UNFCCC COP13) were unable to agree targets for the drastic reductions in greenhouse gas emissions urgently required to moderate climate change. The EU, China and most developing countries pressed for rich countries to cut emissions by 25-40%, but this was blocked by the US. In the end, the main text stated only that 'deep cuts' in global emissions were needed.³

The Bali Action Plan, one of the series of agreed documents known as the Bali Roadmap, commits signatory countries to reach a new agreement by 2009 (COP15 in Copenhagen). This will come into force in 2012, when the 'first commitment period' covered by the Kyoto Protocol ends.⁴ The UN climate change convention specifies that it must contain a long-term global goal for emission reductions, which takes into account different countries' responsibilities, capabilities and social and economic conditions.

The Bali Action Plan goes on to list measures for discussion, mitigation of climate change, adaptation to its impacts, technology development and transfer, and financing and investment. Under mitigation, the Plan gives the green light for 'avoided deforestation' or reduced emissions from deforestation and forest degradation (REDD) schemes to be included in the new agreement.

One Bali Roadmap decision that was welcomed concerned the Adaptation Fund, a fund previously set up under the Kyoto Protocol for practical climate change initiatives in developing countries, but not yet operational. At Bali, a fairer representation for developing countries to manage the Fund was negotiated. However, the decision to invite the GEF, which is co-managed by the World Bank, to be the interim Secretariat, was less welcome.⁵ The agreement should open the door for funding for vulnerable communities - for example, those in flood-prone coastal areas - to adapt to climate change impacts.

Unofficial outcomes

As well as the official negotiations, Bali was the scene of a global gathering of activists - fertile ground for creating international

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a more authoritarian regime, needs to be strongly resisted. It is important to learn from history and to expose and remember the crimes of Suharto and his cronies against Indonesia's people and their environment, rather than to forgive and forget. There should be no impunity for relatives and associates who benefited financially from corrupt dealings. Those responsible for the killings and human rights violations should be called to account.

Indonesia's politicians are still following a Suharto-style model of export-led growth based on plundering Indonesia's rapidly dwindling natural wealth. The expansion of large-scale concessions, including oil palm and pulpwood, risks ecological disaster, increased social tension and economic boom and bust. Megaprojects, such as plans to develop 1.5 million hectares of

plantations along Kalimantan's northern border, threaten to repeat the PLG disaster (see box, page 2) while making fortunes for local tycoons. Measures to mitigate climate change seem to be regarded more as a new lucrative opportunity than as a means to protect forests and forest peoples' livelihoods.

Indonesia's environmental protection legislation needs to be fully implemented by national and international companies who should be held to account by an independent, properly trained judiciary. There must be more transparency about the business interests of politicians and the military. Above all, Indonesia needs to build a new paradigm of development based on recognition of human rights and sustainable, equitable livelihoods.

For information on Indonesia's transmigration programme and the Central Kalimantan mega-rice project see DTE Special Report, July 2001, <http://dte.gn.apc.org/ctrans.htm>.

(Sources: *Washingtonpost.com* 10/Sept/07; *Jakarta Post* 19/Sept/07, 8/Jan/08, 16/Jan/08, 27/Jan/08, 28/Jan/08, 6/May/08; *The Guardian* 28/Jan/08; *New York Times* 28/Jan/08; <http://soeharto-online.blogspot.com/2008/01/suharto-ex-dictator-of-indonesia-dies.html>; <http://news.bbc.co.uk/1/hi/world/asia-pacific/1222147.stm>; <http://rainforests.mongabay.com/20indonesia.htm>; http://www.transparency.org/policy_research/surveys_indices/cpi/2007; <http://siteresources.worldbank.org/INTEAPHALFYEARLYUPDATE/Resources/550192-1194982737018/ID-EAP-Update-Nov2007.pdf>; http://www.unicef.org/infobycountry/indonesia_statistics.html#0)*♦

solidarity, cross-cultural understanding and forging new alliances.

One rallying point was the exclusion of indigenous peoples representatives from official proceedings. Others were concerns about the dangerous promotion of agrofuels as 'green alternatives' to fossil fuels; about funding for addressing climate change and its impacts (particularly by the World Bank); and about the potential damaging social impacts of avoided deforestation schemes (for more on some of these concerns, see next article).

A coalition of over thirty Indonesian CSOs organised a series of events inside and outside the UN negotiations for national and international participants under the title of the Civil Society Forum. This included WALHI, Sawitwatch, AMAN, Greenpeace SE Asia, Telapak, ICEL, JATAM, WWF, Raca Institute, FWI and Solidaritas Perempuan. Activities centred around a main stage and workshops where communities presented their testimonies. Groups combined to issue position statements, mount displays, hold discussions and organise demonstrations to inform and impress their concerns upon official summit delegates and other civil society groups.

As a result, a new network - Climate Justice Now! - was set up. Activists from across the globe agreed to exchange information and cooperate with each other and others with the aim of intensifying actions to prevent and respond to climate change, with justice at the heart of this response. In a press release issued at Bali, the network listed carbon offsetting, carbon trading for forests, agrofuels, trade liberalisation and privatisation as false solutions to climate change. Affected communities, indigenous peoples, women and peasant farmers called for genuine solutions, including:

- Reduced energy consumption;
- Huge financial transfers from North to South, based on historical responsibility and ecological debt, for adaptation and mitigation costs, paid for by redirecting military budgets, innovative taxes and debt cancellation;
- Leaving fossil fuels in the ground and investing in appropriate energy-efficiency and safe, clean and community-led renewable energy;
- Rights-based resource conservation that enforces indigenous land rights and promotes peoples' sovereignty over energy, forests, land and water;
- Sustainable family farming and peoples' food sovereignty.⁶

Down to Earth together with the Riau NGO, Elang, and local indigenous organisation, AMA Riau, mounted a display at the major Forest Day side event organised by the Centre for International Forestry Research (CIFOR). The aim was to promote voices of villagers affected by oil palm expansion. The joint display, created with practical support from Forest Watch Indonesia, carried the strong

FORESTS, AGROFUELS & CLIMATE CHANGE: A VICIOUS CIRCLE

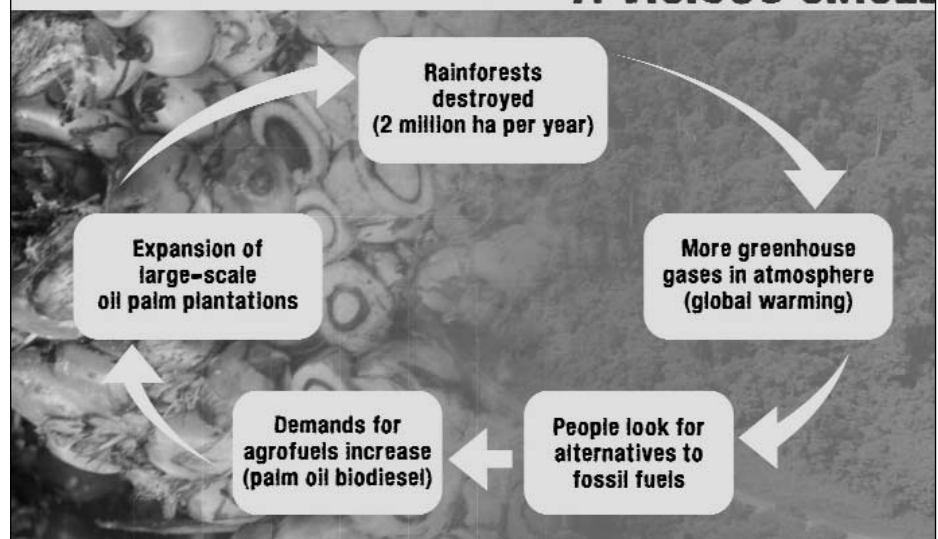


Image from DTE's display at Forest Day, Bali, December 2007.

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message that agrofuel from Indonesian palm oil is definitely not 'green' because it has severe impacts on local livelihoods as well as causing deforestation. Elang even managed to leaflet Indonesia's forestry minister and his entourage.

The dual-language publicity materials prepared for the event included posters, banners, a photo display and handouts, plus a four-page 'Bali Briefing'.⁷

DTE also attended other side events related to forests, people, agrofuels and climate change; participated in an initiative by Riau-based NGOs to protect swamp forests being replaced by pulpwood plantations; and took part in various workshops, including one on the role of International Finance Institutions, aid and grants in climate change-related schemes.

Bangkok talks agree on timetable, carbon markets and forest-related activities

What has been happening since Bali to move the climate change agenda forward? The first major post-Bali meeting was held in Bangkok, 31 March - 4th April 2008. A new working group under the UNFCCC, called the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, has been given the job of drafting the new agreement. It is due to meet a further three times this year, ending with COP14 in Poland. An existing group, the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG), also met in Bangkok to continue negotiations on post-2012 commitments by developed countries.

The meeting reached agreement on a timetable for negotiations to be concluded in Copenhagen in 2009 and, according to UNFCCC executive secretary Yvo de Beer, agreed to break the task into manageable chunks. He said the AWG's discussion laid the

foundation for continuing market-based mechanisms - an important signal to businesses that the carbon market would continue after 2012. "Businesses have been asking for clarity on this" he said, "and now they have it." The AWG also agreed to include forest-related activities in the period known as the Kyoto Protocol's second commitment period (2012-2016)⁸ (see also next article).

Nicholas Stern, whose 2006 report made many world leaders take the climate change issue more seriously, now believes that greenhouse gas emissions are growing much faster than previously thought.⁹ This increases pressure for more investment by governments and business in new technologies and for more severe cuts in carbon emissions. Sir Stern, formerly the World Bank's Chief Economist, argues in his most recent paper - Key Elements of on Global Deal on Climate Change - that market-based solutions should be at the heart of large-scale, urgent international action.¹⁰ He also says that drafting the text for the post-Kyoto treaty "will begin as early as summer 2008".

Notes:

1. See DTE 74:1, <http://dte.gn.apc.org/74acl.htm>
2. UNDP, *The Other Half of Climate Change. Why Indonesia Must Adapt to Protect its Poorest People*, 2007, linked from <http://www.undp.or.id/>
3. *Bali Action Plan*, <http://unfccc.int/>; *The Guardian* 17/Dec/07
4. See DTE 74:3, and DTE 69:10, <http://dte.gn.apc.org/69oi1.htm>
5. See for example initial assessment of Bali summit by Tearfund at <http://www.tearfund.org/>
6. 'What's Missing From the Climate Talks? Justice!' Press Release from Climate Justice Now! Coalition 17/Dec/07.
7. See <http://dte.gn.apc.org/BB07.pdf>
8. 'Bangkok Climate Change talks conclude', <http://unfccc.int/meetings/items/4347.php>
9. *Independent* 17/Apr/08
10. LSE press release, 30/Apr/08♦

Debates around REDD, indigenous rights and control over funding

There are many strands to the ongoing international climate change debate. Here, we focus on three issues that have been particularly prominent in the exchanges between civil society and governments and between North and South: avoided deforestation or Reduced Emissions from Deforestation and Degradation (REDD); indigenous rights; and control over international climate change funding.

The context for discussions on these three aspects of the negotiations is the increasing urgency of creating global political will to address climate change and to agree an international course of action at Copenhagen in 2009. The US has been seen as the major block to negotiations, by refusing to commit to greenhouse gas (GHG) emissions reduction targets, before major GHG emitters of the developing world such as China and India make their own commitments. The international sense of frustration evident at Bali, has been lightened by the hope that whoever replaces George Bush in the White House later this year will adopt a less recalcitrant position. All are agreed that the task of agreeing an effective post-Kyoto agreement is a huge one.

REDD schemes - avoiding deforestation...and responsibility?

The decision to include avoided deforestation in the discussions leading up to COP15 requires close monitoring by civil society organisations. Using carbon financing to protect forests is broadly supported by governments, including countries with large areas of forest like Indonesia, but opposed by many civil society organisations which take human rights as their starting point. Deforestation - mostly from tropical countries - accounts for a whopping 18-20% of annual carbon emissions. Many UNFCCC signatories see reducing deforestation as a relatively easy and cheap way of getting global emissions down while allowing the North to continue with 'business as usual'.

While drastic reductions in deforestation rates are desperately needed in countries like Indonesia, there is concern that REDD¹ schemes could prioritise conservation over poverty reduction, strengthen state control over forests and further marginalise forest dependent communities, including indigenous peoples.

There is further concern that where REDD schemes are financed by institutions controlled by developed countries (such as the World Bank), or the private sector (through carbon markets) they



Friends of the Earth protest against REDD at Bali

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will serve the interests of those countries and companies, rather than the people who live in and rely on the forests for their livelihoods.

Following the Bali summit, a spokesperson for a UK carbon trading investment bank, Climate Change Capital, predicted that setting binding emissions targets would create 'a very substantial market opportunity.' He said we would then see "the power of private money working for a moral purpose".² But how far can the private sector be trusted? Past experience shows that mixing profits and morality is not so easy in practice, especially where people's land, resources and livelihoods are at stake. Companies are generally more interested in short-term profits than long-term climate change.

Such schemes could worsen poverty and violate rights to land and resources where local communities and indigenous peoples' rights have weak or non-existent status under national laws, as in Indonesia. A Bali statement signed by civil society organisations from North and South

highlighted the potential social impacts for the 1.6 billion people who depend on forests for their home and living. Carbon financing means that "wealthy companies and countries are able to buy the right to continue to pollute", said the statement, "whilst poor communities often find themselves locked into unfavourable, long-term commercial contracts".³

Yet another concern with REDD is that focusing on avoided deforestation may distract attention away from the equally or even more urgent priorities of making deep cuts in developed countries' per capita energy consumption levels (the US is top of the table here), and cuts in overall emissions levels by populous countries such as China and India where recent economic growth combined with sheer size have led to skyrocketing levels of greenhouse gas emissions. The Bali civil society statement warned that carbon trading was being used as a "smoke-screen to ward off legislation and delay the urgent action needed to cut emissions and develop alternative low-carbon solutions."⁴

Moreover, there is nothing to say that carbon trading will actually do the job of reducing emissions. The Kyoto Protocol's Clean Development Mechanism (CDM) has not worked, according to a recent investigation by the US-based Institute for Policy Studies.⁵

Indigenous Rights

Indigenous peoples have emerged as one of the strongest critics of the process and the content of the official climate change negotiations - especially on proposals on avoided deforestation, which will affect many forest-dependent indigenous communities. They are demanding greater representation in the UNFCCC process and recognition of their rights, which should be at the heart of climate change mitigation and adaptation efforts.

At the Bali summit, indigenous delegates protested against their exclusion from a meeting between UNFCCC Executive Secretary Yvo de Boer and civil society. Protesters wore gags with 'UNFCCC' written on them at a demonstration outside the official negotiations on December 7th.

Indigenous representatives highlighted the lack of scope for participation in the negotiations (in contrast to the Convention on Biodiversity, CBD, for example) and the almost total lack of language on indigenous peoples in UNFCCC documents. "There is no seat or name plate for indigenous peoples in the plenary, nor for the United Nations Permanent Forum on Indigenous Issues, the highest level body in the United Nations that addresses indigenous peoples rights," said Hubertus Samangun, an Indonesian spokesperson for the indigenous delegation at the Bali summit.⁶

In a statement, which representatives were not permitted to present at COP13's opening session, the International Forum of Indigenous Peoples and Climate Change (IFIPCC) asserted that indigenous peoples had suffered the worst impacts of climate change without having contributed to its creation. It said that they "must not be placed in the position of suffering from mitigation strategies so that over-consumption of industrialised countries can continue."

The statement called for cooperation in a manner that recognises social justice, environmental integrity, indigenous and other human rights and that "creates a climate where greed does not dominate the needs of humanity"

IFIPCC also demanded:

- ♦ the creation of an Expert Group on Climate Change and indigenous peoples with full participation and representation of indigenous peoples;
- ♦ the creation of a voluntary fund to support

indigenous peoples' participation (as provided under the CBD);

- ♦ recognition and action from UNFCCC parties to curb the adverse impacts of climate change on indigenous peoples; and to refrain from adaptation and mitigation schemes and projects which devastate indigenous lands and cause more human rights violations, such as carbon trading, agrofuels and avoided deforestation schemes.⁷

Several recent reports have helped bring the position of indigenous peoples and climate change to the fore. These discuss the impact of climate change on indigenous peoples, the potential risks (and possible benefits) of mitigation and adaptation efforts and include urgent recommendations for safeguarding indigenous rights and participation in decision-making on climate change.

The resources include:

- ♦ a submission prepared for a key meeting on climate change held in New York by the Permanent Forum on Indigenous Issues in April 2008 - see http://www.un.org/esa/socdev/unpfii/en/climate_change.html
- ♦ A conference on Indigenous Peoples and Climate Change organised by the Norway-based International Work Group for Indigenous Affairs in February this year - see <http://www.iwgia.org/sw27034.asp>
- ♦ Papers from an International Expert Group Meeting on Indigenous Peoples and Climate Change, 2 -4 April 2008, Darwin, Australia - see http://www.un.org/esa/socdev/unpfii/en/EGM_CS08.html

More resources are listed on the Permanent Forum's web-page on climate change: http://www.un.org/esa/socdev/unpfii/en/climate_change.html

Control of funding

The emerging tussle for control over funding for climate change action has a different line-up from the arguments surrounding carbon financing for forests. Strong World Bank involvement in managing funding is being supported by developed countries (including the US and the UK), while developing country governments (under the Group of 77) and China want to see the funds managed by the UN, under the climate change convention, or a new independent body. Civil society groups have been strongly critical of World Bank proposals on various 'climate investment funds' so far, and the rushed, untransparent way in which the proposals have been drafted.

So, while the UNFCCC has been criticised for its slow, non-inclusive decision-making processes, many groups - especially those tracking international financial institutions - would prefer to see it, rather

than the World Bank, in charge of climate change funding.

A recent update on this by Third World Network,⁸ explains how the Bank initially proposed three funds - a Clean Technology Fund (CTF, target size US\$5-10 billion); a Forest Investment Fund (US\$300-500 million, aimed at REDD programmes) and an Adaptation Pilot Fund (US\$300-500 million), along with an umbrella Strategic Climate Fund (SCF) which would act as a vehicle to receive and disburse donor funding towards specific funds and programmes.

Currently, says TWN, the emphasis is on getting the CTF and SCF set up immediately, and the Forest Investment Fund in late 2008 or early 2009. The Adaptation Pilot Fund, renamed the 'Climate Resilience Pilot Programme' will be established as a programme under the SCF. These climate investment funds, which are expected to attract large contributions from developed countries, will channel financing via the various multilateral development banks, including the World Bank Group itself.

Another World Bank creation, the Forest Carbon Partnership Facility (FCPF), which will link to the proposed Forest Investment Fund was launched at the Bali summit (see box, page 8).

These actions have caused a huge amount of concern among civil society groups who question the Bank's capacity to manage billions of dollars of climate change funding effectively. TWN is concerned that the Bank is setting itself up to be 'a key, if not the key, player in the governance of climate change.' The concerns include the following:

- ♦ The initiatives are aimed at carving out a new, lucrative niche for the Bank to reverse its declining influence and sustain its *raison d'être*;
- ♦ The funds were designed without guidance from the UNFCCC, and risk dwarfing and undermining the UNFCCC's own existing funding mechanisms;
- ♦ They risk creating parallel funding and climate change governance structures outside the multilateral process;
- ♦ They place parties in a donor-donee relationship, contrary to international climate change principles and obligations, where financial resources should be provided as part of developed countries' obligations, and should not be considered as donor funds;
- ♦ The three funds are designed to provide loans as well as grants, meaning that developing countries will have to pay for dealing with a problem caused by developed countries. Yet the UNFCCC and Kyoto Protocol state that as historical polluters and due to their higher technological and economic capabilities, developed countries should shoulder the main burden for resolving the crisis

(continued on page 9)

World Bank's Forest Carbon Partnership Facility under fire

The controversy surrounding this new World Bank body, launched at Bali in December last year, is where all three strands of the climate change debate discussed above - REDD, indigenous rights and funding - cross over. The FCPF has drawn out arguments over the principles of REDD and carbon financing outlined above, some of the same criticisms directed at Bank involvement in designing and managing climate change funds, and has drawn particular attention from indigenous peoples whose lives may well be negatively affected by projects implemented under its auspices (see also DTE 74:1).

According to the World Bank, the FCPF is designed to 'set the stage for a large-scale system of incentives for reducing emissions from deforestation and forest degradation, providing a fresh source of financing for the sustainable use of forest resources and biodiversity conservation, for the more than 1.2 billion people who depend to varying degrees on forests for their livelihoods'.¹⁰

The facility consists of two schemes - the Readiness Mechanism, to help around 20 developing countries prepare to participate in REDD incentive programmes, and the Carbon Finance Mechanism, which will pilot carbon payments for around five of the successful Readiness Mechanism participants. Each mechanism has its own trust fund, with the Bank acting as trustee for both.

Indigenous concern

The main priority of the Facility is climate change mitigation, which implies that poverty reduction and human rights protection, including indigenous rights, are secondary. FCPF REDD programmes, says the FCPF brochure, should be designed to "avoid any harm to local people and the environment" and improve livelihoods "where feasible". The Bank says that REDD activities can improve livelihoods for local communities by securing customary property or user rights to their forest land and forest products. However, it makes no mention of upholding indigenous rights or of securing indigenous peoples' free, prior and informed consent (FPIC) as basic requirements.

Indigenous peoples' concerns over the FCPF were voiced at the Bali launch, by UNPFII Chair, Victoria Tauli-Corpuz. She pointed to the negative historical experiences with similar initiatives, the vulnerable position of indigenous peoples despite the adoption of the UN Indigenous Peoples' Declaration, and the poor record of REDD target states like Brazil, Democratic Republic of Congo and Indonesia in preserving forests. "It is, therefore, a moral and legal imperative that

indigenous peoples be fully involved in designing, implementing and evaluating initiatives related to REDD."¹¹

Corpuz argued that the success of avoided deforestation efforts hinges primarily on whether indigenous peoples support mechanisms like the FCPF. To get indigenous support, she said, the FCPF and other actors would, among other things, need to:

- ♦ state that they recognise and respect indigenous rights as contained in the UN Declaration on the Rights of Indigenous Peoples;
- ♦ obtain FPIC before any REDD initiative is pursued in indigenous territories;
- ♦ enhance their capacity to address the drivers of deforestation as identified by the UNFF;¹²
- ♦ ensure that, if the FCPF is accepted by them, indigenous people are represented in the governance structure of the facility at the same level as governments, donors and the private sector;
- ♦ ensure that consultations are undertaken with directly affected indigenous peoples and that documents are translated into major languages understood by them and disseminated in advance of consultations.

In a separate statement on REDD issued at Bali, the international indigenous forum (IFIPCC) took a clear position against REDD

activities. The Forum said such activities would result in more violations of indigenous peoples' rights and lead to the takeover of their forests by states and carbon traders.¹³ The Forum is asking the Human Rights Council and the Special Rapporteur on the Human Rights and Fundamental Freedoms of Indigenous Peoples to monitor the potential for human rights violations associated with REDD activities.

The UK-based Forest Peoples Programme has published a survey of indigenous views on the FCPF and a briefing on the Facility, which highlight its main shortcomings as well as outlining its development and structure. Both documents point to the abject failure of the World Bank to consult indigenous peoples on the Facility - instead opting for a rushed retroactive consultation this year, prompted by criticisms. These documents can be downloaded from FPP's website at:

http://www.forestpeoples.org/documents/forest_issues/bases/forest_issues.shtml

NGOs

NGOs attending the Bali summit called for the FCPF not to be launched, due to serious shortcomings with the Facility, including its flawed governance structure, lack of transparency, the lack of attention to the Bank's poverty mandate and over-reliance on market-based mechanisms to pay for REDD.¹⁴

The climate change campaigner for WALHI (Friends of the Earth Indonesia) has since called the FCPF launch 'a little bit absurd'. "People would think that the Bank had a very good proposal both for people and, of course, business. In fact, nobody noticed that the Bank, through its lending and development policies, has been promoting deforestation in tropical countries like Indonesia," wrote Torry Kuswardono, in an article for Bretton Woods Project, entitled 'Whoever loses, the Bank always wins'. He calls the FCPF the Bank's 'new initiative for forest carbon brokerage'.¹⁵

A recent report by the Rainforest Foundation UK concludes that "The FCPF could prove to be an extremely expensive and ineffective diversion from the urgent task of stopping tropical deforestation in the short term through known mechanisms". Moreover, its enquiries have revealed the Bank has not conducted any analysis of the likely impacts of 'avoided deforestation' credits on existing carbon markets. *Carbon Sunk* is available at <http://www.rainforest-foundationuk.org/>. See also updates from the Bretton Woods Project, eg <http://www.brettonwoodsproject.org/art-561066>.



Forest managed by indigenous community in Sungai Utik, West Kalimantan (DTE)

(continued from page 7)

(UNFCCC articles 3 and 4);

- New conditionalities which may be imposed by the World Bank and implementing MDBs, alongside their own traditional conditions (which have a poor track record of success), will disadvantage developing countries and contradict the UNFCCC principles regarding funding;
- The Bank has a poor track record on social and environmental impacts, and is continuing to prioritise funding for fossil fuel production over renewable energy projects, despite the recommendations of the Bank-commissioned Extractive Industries Review.⁹ It lacks the credibility, the expertise and the constitutional mandate to be so central to the delivery of climate change mitigation and adaptation programmes;
- The Bank's proposal to act as trustee, secretariat and overall coordinator for the funds is a conflict of interest, since the Bank itself is a potential beneficiary of financing from the three climate investment funds.

According to TWN, the Bank has responded to some of these criticisms by stressing consistency with the Bali Action Plan (see page 4) and by making some revisions to the funds' governance structure to incorporate some developing country participation. Nevertheless, the changes do not resolve the "fundamental contradictions and inherent problems" associated with the design and proposed implementation of the funds. For example, the Bank's Adaptation Fund competes directly with the Adaptation Fund agreed in Bali which has a majority of developing country members (see also page 4).

TWN is calling for efforts to develop a genuinely multilateral fund for climate change financing under the UNFCCC which would give developing countries due representation within the governance structure, ensure that funds are used in accordance with internationally agreed principles and meet the objectives of the multilateral climate change regime.

Carry on converting

Indonesia's commitment to safeguarding the world's forests has apparently worn rather thin in the months since the Bali Summit as new measures are introduced that encourage, rather than prevent, deforestation.

Government Regulation No 2/2008, which follows up on a 2004 regulation (No 1) on mining in protected forests, is a case in point. The regulation, which sets prices for use of forest areas by industries other than forestry, caused widespread concern among Indonesian CSOs as it gives the green light for further forest conversion, for a range of different purposes, including mining. The low fees the government is charging have also caused concern as they in no way reflect the value of social and environmental services provided by the forests (see also page 27). Although denied by the government, many CSOs see the regulation as a tool to justify and legalise more forest conversion, which will speed up, instead of reduce, the deforestation rate.

This rate is already the world's highest at around 2 million hectares (or four times the size of Singapore) per year during 2000-2005.²³

Another contradictory measure is the forestry ministry's decision to reissue a logging licence covering part of the national park on the island of Siberut, West Sumatra, to company PT Salaki Summa Sejahtera (see DTE 50:8 for background). Four thousand hectares of the 49,000ha concession lies within the protected area. Forestry minister MS Kaban said he could guarantee that the conversion would not disturb the function of the reserve. The company's operations will

be monitored by CSOs, universities and the Indonesia Institute of Sciences (LIPI), he said.²⁴

Meanwhile, illegal logging continues unabated. There have been many new cases in Riau, Aceh, South Sulawesi and Kalimantan this year. These operations are well-organised and involve government officials, the police and military, as seen in the Ketapang case. In the past two months, Indonesian police action to break up an illegal timber trading network in this West Kalimantan district has exposed the extent of illegal logging's stranglehold over the forests. 'Operation Hutan Lestari' has led to the arrest of at least 14 police officers (from district and provincial police stations) plus 26 others, ranging from government officials at Ketapang's forestry service to businessmen and middlemen. Twelve thousand cubic metres of logs worth around Rp208 billion (US\$22.6 million), ready to be shipped in 19 vessels to Kuching in Malaysia, have been confiscated. During the investigations, the West Kalimantan police chief was transferred to national headquarters. He is considered negligent in supervising his staff, but is unlikely to face charges himself. Meanwhile, the fugitive owner of the ships, has been caught. Yet another high-ranking official, he is Adi Murdani, the current deputy district head of Kayong Utara, another West Kalimantan district.²⁵



How are climate change developments being played out in Indonesia?

Indonesia's government, as host to COP13, has been keen to portray itself as a committed guardian of the carbon stocks in the country's peatlands and forests, while conveying the message that it should be compensated for funds spent on doing so.

Just before the Bali summit, in November 2007, President Susilo Bambang Yudhoyono told journalists: "In future, we have to be very determined in carrying out reforestation and preventing deforestation. We want to plant trees on a large scale - and each tree will absorb CO₂, the gas that the world fears. By doing this, we will be spending a lot of money on seedlings and looking after the forests for developed countries, so there should be compensation for this. We expect that in the new framework, such efforts will be taken into account... It would make no sense if there was nothing in return."¹⁶

On another occasion, the President (popularly known as 'SBY') said that preserving the nation's rich rainforests was potentially more economically rewarding than cutting them down. "By saving, regeneration and sustainably managing forests we are also doing our part in reducing global greenhouse gas emissions, while contributing to sustainable economic development of Indonesia", he said.¹⁷

Amidst much publicity, SBY launched a massive tree-planting initiative in the run-up to the international climate negotiations. Nearly 80 million saplings were to be planted on 'deforested land' and around people's homes throughout the country in just one week. If the scheme succeeds, the trees will cover an area of 900,000ha.¹⁸

At the Bali summit, SBY announced a national mitigation and adaptation plan, covering forestry, energy, agriculture, water resources, infrastructure and health. Measures proposed by the forestry department include mandatory tree planting for carbon storage, a requirement for a government permit to fell a tree with a diameter above 10cm and replacement planting of two trees for each one tree felled. The ministry's mitigation targets are: combating illegal logging, rehabilitation of forest land and conservation areas, restructuring the forestry industry, empowering local communities living near forests and improving institutions monitoring forests. Forest rehabilitation targets include 11 million hectares by 2009, a further 4.8 million ha by 2012, 16 million ha by 2025 and all remaining areas by 2050. The ministry also

has targets for reducing deforestation and for reducing forest fires by 50% by 2009.¹⁹

Indonesia is also keen to participate in internationally funded REDD activities and is listed as one of 20 countries which has requested involvement in the FCPF.²⁰ Given the World Bank's involvement in funding preparatory studies by a forestry ministry led group, the Indonesia Forest Climate Alliance, it looks very likely that Indonesia will be a participant country.

In December the forestry department announced that the country was ready to implement pilot activities to trial various aspects of REDD. An official press release.²¹ said that studies by the Indonesia Forest Climate Alliance, funded by the World Bank and British, Australian and German bilateral funds, had prepared studies on the methodology, payment mechanisms and markets.²²

It said the pilot projects would take place between 2008 and 2012, and would be on national, provincial, district and local scales, with the aim of gaining experience of implementing REDD activities before the post-Kyoto agreement is implemented. REDD activities are expected to be included as part of the UNFCCC-sanctioned actions to mitigate climate change. The department said that the studies showed that REDD activities could be applied in pulpwood plantation areas, as well as production forests, conservation areas and peatlands.

What do these announcements mean for people on the ground? Probably not much positive until the real problems are tackled. The country's timber, pulp and oil palm entrepreneurs continue to eat into the remaining forests, reducing the resource base for local communities as they do so. At the same time, the government continues with

policies that contradict its Bali commitments (see box, page 9). Massive expansion of oil palm plantations, partly in response to demand for agrofuels from developed countries, is leading to more climate-damaging forest and peatland destruction. The contradictions in promoting palm oil as a 'biofuel' have been well exposed, but it is still taking time for the message to get through to decision-makers both at production and consumption ends (see also page 12). Meanwhile, the basic need for recognition and respect of indigenous rights to land and resources continues to be a far lower priority than the powerful business interests involved in the timber, pulp and oil palm industries.

Aceh's avoided deforestation scheme

Indonesia's first forest carbon trading scheme will be developed in Aceh. Announced early in February, the scheme is intended to protect 750,000ha of forest in northern Aceh against logging and clearance for oil palm plantations. Around 130,000 people live in and around the Ulu Masen ecosystem. The project is a collaboration between Aceh's provincial government, the conservation organisation Fauna & Flora International and an Australian company, Carbon Conservation. It has secured funding worth US\$9 million from US bank, Merrill Lynch.

The scheme has been certified by the Climate, Community and Biodiversity Alliance (CCBA) - the first project to be certified by the US-based body which includes conservation NGOs and corporations such as Intel and Weyerhaeuser. It will sell carbon credits to the voluntary carbon market and could benefit from a new post-2012 carbon market likely to be agreed at the UNFCCC Conference in Copenhagen next year.

Carbon Conservation is headed by Dorjee Sun, a millionaire internet businessman who has been instrumental in convincing the governors of Aceh and Papua of the bright future for forest carbon markets. Last year, Aceh's governor Irwandi announced a much-welcomed logging moratorium for Aceh's hard-pressed forests.²⁶ Among Sun's customers in the carbon market is the UK-based mining multinational Rio Tinto (see also page 24), which - according to media reports - Sun wants to interest in Aceh and Papua schemes.²⁷

The Ulu Masen project plans to reduce logging by 85% and to generate carbon credits worth \$16.5 million per year. It expects to generate \$432 million over the next 30 years. Local villages that can demonstrate that forests have not been logged are projected to get \$26 million over the first five years. The site will be monitored by forest wardens and by satellite imaging.²⁸

AMAN calls for rights-based approach in mitigation and adaptation measures

Indonesia's indigenous peoples' alliance (AMAN) has called for climate change initiatives to adopt the UN Declaration on the Rights of Indigenous Peoples and to pay special attention to recognition of indigenous land and resources rights. In a statement prepared for this year's meeting of the United Nations Permanent Forum on Indigenous Issues, AMAN also called for climate change-related initiatives to obtain free, prior and informed consent from indigenous peoples if using their territories and to provide 'enabling environments for meaningful indigenous participation' in all parts of such projects (see also indigenous concerns, page 8).

On REDD, AMAN says:

The Government of Indonesia as one of the key initiators of the REDD scheme expects to capture some funds for its forest protection programmes. The Ministry of Forestry has developed a plan for a pilot project that prioritizes five land use types, i.e. oil palm plantations, pulp and paper plantations, production forests, protected areas, and peat forests. It also puts special emphases on maintaining the extent of state forest (most of which are indigenous lands) and curbing forest degradation (which includes swidden farming). These emphases will certainly harm indigenous peoples in the country. Nonetheless there are some opportunities that can be explored once indigenous people can negotiate directly with outsiders....

...As in the case of CDM [the Clean Development Mechanism of the Kyoto Protocol], it is a must for indigenous peoples to engage in the development and negotiations on mitigation and adaptation to climate change. If not, they will likely find hindrance in accessing their forests once REDD is in effect.

The submission also called for initiatives to provide opportunities for indigenous peoples to develop mitigation and adaptation alternatives themselves, based on their own knowledge and practices.

Recommendations to the Indonesian government included:

- ♦ changing the 1999 forestry law (No 41/1999) to clearly reflect the rights of indigenous peoples over customary forests;
- ♦ changing the 2004 plantation law (No 18/2004) so that indigenous rights to land, territories and natural resources are recognised;
- ♦ implementing Law 27/2007 on Coastal and Small Islands Management, which recognises indigenous rights to manage these areas and recognises indigenous knowledge as an important aspect for these areas' protection.³³

Indigenous voices from Central Kalimantan

Indigenous Dayak Ngaju people whose livelihoods depend on peatland areas in Central Kalimantan have rejected carbon trading as a means of preserving forests in their area as a form of colonialism. A press release announcing a gathering of around 200 people in Kuala Kapuas from 6-8 December said the meeting aimed to come up with a strategic plan for the management of peatland in Central Kalimantan, based on local practices and knowledge. It also intended to form a new organisation to fight for the rights of sustainable community management of peatlands.³⁴

FFI claims that a wide range of stakeholders will be consulted in the project design and implementation, including traditional community leaders (*mukim*). A project design note²⁹ states that all benefits are shared equitably among all stakeholders, including forest dependent communities and those with customary (*adat*) rights to forest land.

Meanwhile in Papua...

In May, Papua's governor Barnabas Suebu signed an MoU with PT Emerald Planet and its Australian partner New Forests Asset Management to assess the potential for forest carbon trading in Papua. NFAM said it would invest US\$10 million to conduct research in Mimika, Mamberamo and Merauke, with carbon reserves of these three districts to be announced by the end of the year. Suebu said that of Papua's 31.5 million hectares of forests, 50% is for conservation, 20% for production and 30% for conversion, including plantations and agriculture. However, destructive logging and timber smuggling remain rampant.³⁰

Forestry minister Kaban described Papua's decision to go for carbon trading outside the national framework as a move to "sell our forests at a discount." He warned of 'vultures' who lure governors into making such agreements.³¹ It is hardly surprising that Aceh and Papua are the first provinces to engage with REDD schemes. Both provinces have a long history of resource exploitation which benefited Jakarta rather than local people. Now, under Special Autonomy, the elected governors want to generate their own funds for development.

Eight REDD schemes announced

Indonesia's first official REDD scheme will be in a peatland area of Central Kalimantan, according to head of research and development at the forestry ministry, Wahjudi Wardoyo. Funded by A\$30 million in grants from Australia, the project is expected to start in June. People will be prohibited from cutting the forest, and canals will be built to prevent forest fires and to revitalise the peatlands, according to a report in the *Jakarta Post*. Kaban says Indonesia has received pledges of US\$100 million from developed countries for its REDD activities, and will go ahead with pilot projects in eight forests this year.³²

It remains to be seen how the Australia-funded project in Central Kalimantan will address concerns over indigenous rights and livelihoods expressed by Dayak communities living in peatland areas there (see box, page 10).

Resources

UNDP, *The Other Half of Climate Change. Why Indonesia Must Adapt to Protect its Poorest People*, 2007 <http://www.undp.or.id/>

Bali Action Plan:

http://unfccc.int/documentation/documents/advanced_search/items/3594.php?rec=j&prirref=600004671#beg

Intergovernmental Panel on report on mitigating climate change (Working Group III, 4th Assessment Report): http://www.mnp.nl/ipcc/pages_media/AR4-chapters.html

IIED climate change briefing papers: www.iied.org

Indonesian government's climate change site (Indonesian language):

<http://climatechange.menlh.go.id/>

The World Bank's main carbon finance site is at <http://carbonfinance.org/>

The Forest Carbon Partnership Facility (FCPF) documents can be found at <http://carbonfinance.org/Router.cfm?Page=FCPF>

Notes:

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13. Statement by IFIPCC on REDD agenda item at the UNFCCC climate negotiations, Nov 2007
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17. <http://www.smh.com.au/news/World/Indonesia-treasures-rainforest-says-SBY/2007/12/10/1197135374339.html>
18. Antara, 27/Nov/07, <http://www.antara.co.id/redd/en/news/?id=1196164172>
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20. *Piloting a System of Positive Incentives for Reducing Emissions from Deforestation and Degradation (REDD). The Proposed Forest Carbon Partnership Facility*, Powerpoint Presentation: Benoit Bosquet, The World Bank. Women's Council on Energy and the Environment Washington, DC, September 27, 2007
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climate change / plantations

EU energy policy drives agrofuel production

The UK government and the European Union are pressing ahead with policies to increase agrofuel use for energy - despite evidence of serious harm to the climate and communities - due to concerns about climate change, rising prices of fossil fuels and energy security.¹*

Only a year ago, financial analysts reckoned that, at US\$ 400 per tonne (US\$54 per barrel), palm oil would soon be competitive with conventional oil.² But palm oil has closely tracked crude oil. Now, as oil prices rise to over US\$120 per barrel, crude palm oil has hit US\$1,150 per tonne (US\$155 per barrel) due largely to the high demand for agrofuels.³

Fuelling the policy debate

While the recent focus has been on transport - responsible for about one fifth of Europe's greenhouse gas emissions - it is important to remember that agrofuels are also burnt for power generation in Europe. In addition, fats and vegetable oils are used in the manufacture of food products, soaps, paints, cosmetics and pharmaceuticals.

Heads of government from European Union member states agreed to a package of energy measures in March 2007. The European Energy Action Plan included a commitment to source 20% of the EU's energy from renewables by 2020 (covering electricity, heat and transport) and a 20-30% reduction in greenhouse gas emissions depending on wider international efforts. It also proposed a mandatory 10% biofuel target by 2020, subject to agrofuels being 'sourced sustainably' and to second generation biofuels becoming available. An earlier Biofuel Directive, introduced in 2003, would be revised.

The political stakes are high but the debate has not been easy for the public to understand. At least two pieces of draft legislation about closely related issues are now being promoted by different parts of the European Commission (the executive arm of the EU). Moreover, the policies are not firmly based on sound evidence.

Throughout these policy debates, campaigners in Europe have supported Southern groups' concerns about food security, biodiversity, soil, water and human rights. These include concerns about large-scale palm oil expansion plus plans to revive the sugar industry and scaling up jatropha cultivation in Indonesia (see page 15). They have also emphasised the need for Northern societies to reduce their energy consumption instead of importing agrofuels from the South to feed their energy-hungry lifestyles.



Protest in Edinburgh, April 2008. (biofuelwatch.org)

Agrofuels for UK transport

Officially, Britain shares the EU's position that greenhouse gas emissions must be sharply reduced if there is any chance of limiting world temperature rises to 2°C and avoiding runaway climate disaster. The UK looks likely to meet or even surpass its modest greenhouse gas emission target commitments made under the Kyoto Protocol (22% reductions rather than 12.5% by 2012), but this is not all good news. This achievement is due to substantial purchases of carbon credits from abroad, rather than carbon emission reductions. In fact, Britain is well behind its own carbon reduction targets set in a 2003 government White Paper⁴. So reducing the fossil carbon of transport fuels is an important priority.

From April 15th this year, no-one who drives a car or uses public transport in Britain can avoid agrofuels. All fuel supplied in the UK must contain a minimum of 2.5% of agrofuel - rising to 5% by 2010. The Renewable Transport Fuel Obligation (RTFO) is the British government's way of implementing the EU's revised Biofuel Directive. Organisations including Biofuelwatch and the Campaign Against Climate Change lobbied hard for many months against the target, but the

government pushed the policy through parliament.

The RTFO is intended to help the UK meet its targets under climate change agreements and also promote 'energy security' by replacing a proportion of fossil fuels with renewables. It is not a measure to reduce energy consumption overall. So it is rather worrying that the UK sees itself as an international leader in developing carbon and sustainability reporting for agrofuels as part of the RTFO.⁵ There is no new sustainability standard. Suppliers will rely instead on a list of principles plus existing certification schemes, such as the RSPO, to safeguard against negative impacts (see box, page 12). It is worth noting that only two of these principles address social issues and only one land rights. No agrofuel will be banned. Companies just have an obligation to report to the government on the 'sustainability' of their agrofuel imports.

Britain currently produces about 55,000 tonnes a year of bioethanol (added to petrol), mostly from sugarbeet, and 75,000 tonnes of biodiesel (added to diesel) from animal fat and rape seed, soy and palm oil. This is far below the two million tonnes a year of agrofuels needed to meet the RTFO 5% target.⁶ The Environmental Audit select committee warned UK parliamentarians that growing wheat and sugar beet in Britain to make fuel would cause food price rises and make it harder to meet targets on water quality and to protect wildlife.⁷ Faced with such high costs, biofuel imports from the global south - including palm oil from Indonesia - appear to be the easy option.

Environmentalists challenge this view. "Tackling climate emissions from the transport sector needs to start with strict mandatory fuel efficiency measures. Biofuels could theoretically play a small role, if (and it's a big if) there are strict sustainability criteria in place. But draining, clearing and burning of vast tracts of rainforest and peatlands to make way for crops for biofuels is madness," Andy Tait of Greenpeace UK pointed out in a letter to the press.⁸

European targets

Ironically, while the UK was pushing legislation on agrofuels and transport through parliament in line with EU policy, some

RTFO Environmental and social principles

1. Biomass production will not destroy or damage large above or below ground carbon stocks.
2. Biomass production will not lead to the destruction of or damage to high biodiversity areas.
3. Biomass production does not lead to soil degradation.
4. Biomass production does not lead to the contamination or depletion of water sources.
5. Biomass production does not lead to air pollution.
6. Biomass production does adversely affect workers' rights and working relationships.
7. Biomass production does not adversely affect existing land rights and community relations.

The UK government considers that the following schemes satisfy these principles:

Standard	Environmental Standard OK?	Social Standard OK?
Linking Environment and Farming Marque	Yes	No
Roundtable on Sustainable Palm Oil	Yes	Yes
Sustainable Agriculture Network/ Rainforest Alliance	Yes	Yes
Basel Criteria	Yes	Yes
Forest Stewardship Council	Yes	No
Social Accountability 8000	No	Yes

Source: <http://www.lowcvp.org.uk/assets/reports/Summary%20of%20RTFO%20C&S%20reporting%20requirements.pdf>

members of the European Commission were having serious doubts.

The target that agrofuels must have a 10% share of the transport market by 2020 was agreed in principle by EU leaders over a year ago and appears in draft legislation on renewable energy launched by the European Commission in January this year.¹² The 10% figure was controversial, not least because the 2005 target was not met.

To meet the targets, the EU biodiesel industry says it would have to raise output by 15 per cent each year and rely mostly on EU-grown rapeseed and sunflower oils. Only 20% of the raw materials would come from imports. EU Agriculture Commissioner Mariann Fischer Boel suggested food manufacturers could meet their demand for vegetable oils by switching from rapeseed oil to soy or sunflower.¹³

EU Development Commissioner Louis Michel publicly expressed concern that "the use of arable land to produce the resources necessary for biofuels could be detrimental to agricultural production".¹⁴ And Environment Commissioner Stavros Dimas admitted earlier that he had largely underestimated the potentially damaging environmental and social consequences of agrofuel production. Dimas said the EU would introduce a certification scheme and promised a clampdown on biodiesel from palm oil.¹⁵

On the other hand, Energy Commissioner Andris Piebalgs staunchly defended the EU policy saying that "The key contribution of biofuels to the sustainability of the transport sector should not make us

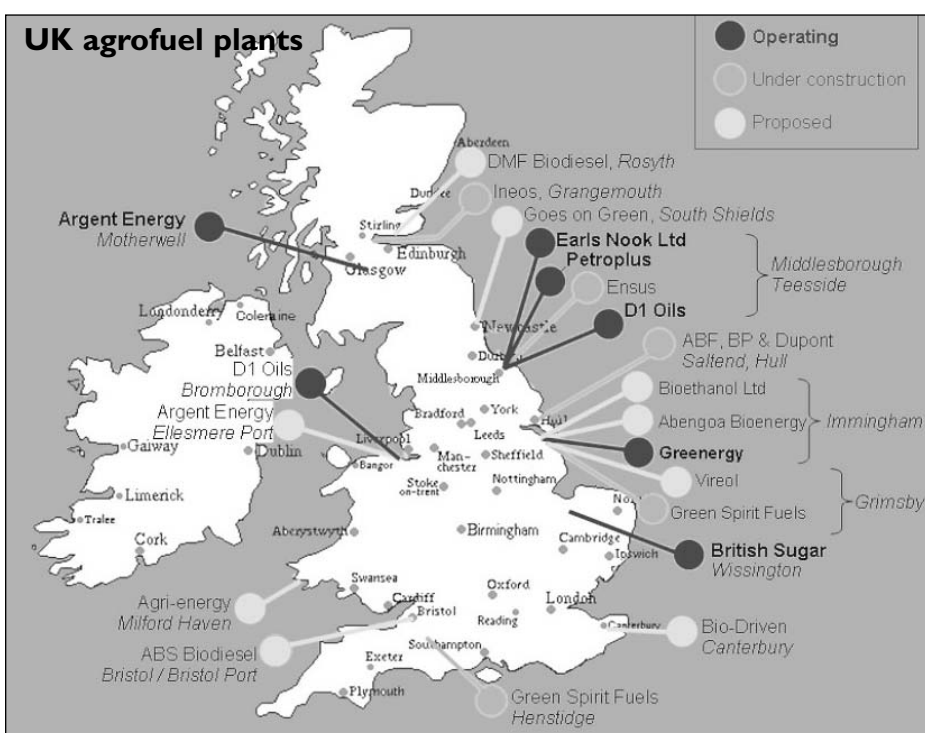
forget its other benefits which are as important as the environmental ones, namely: reducing our dependency on imported oil; providing a development opportunity for poor countries and paving the way for second-generation biofuels".¹⁶

This confusion arises from the fact that there is not just one but two new proposals on the table. The package on Renewable Energy launched on January 23rd this year comes from the energy department

of the Commission and will be dealt with by energy ministers in the European Parliament. It includes a revision of Directive 2003/30/EC on the promotion of the use of biofuels and other renewable fuels for transport, commonly called the 'Biofuels Directive'. There is also a draft Fuel Quality Directive, introduced last year, to be dealt with by environment ministers and experts. It says fuel suppliers should reduce the carbon footprint of transport fuels by 10% by 2020, but it does not affect total fuel use.

Without suitable safeguards, agrofuels could do more harm than good to people and the planet. An agreed, reliable system of sustainability criteria is essential, but this has been a contentious issue. Industry has, on the whole, been resistant. Questions have been raised too about whether these criteria breach WTO guidelines. The Commission wanted the criteria to be part of the revised Biofuel Directive, but environment officials did not want the decisions to be left to energy officials. The current compromise is that both directives should contain different sustainability criteria with a common core. Whatever the solution, mandatory minimum sustainability standards are unlikely to be in place until 2011, making it difficult for consumers to choose between 'good' and 'bad' agrofuels.

Moreover, neither the UK's RTFO nor the current draft of the EU Biofuels Directive includes greenhouse gas reduction targets. So the policy does not necessarily encourage the use of types of agrofuels with the best greenhouse gas savings. As a result, the Directive will do more for economic development and energy security than combating climate change. The prestigious UK scientific body, the Royal Society, has warned



Source: www.biofuelwatch.org

that - without support for research and development - there is a risk of becoming 'locked in' to using inefficient agrofuels.¹⁷

International criticism

The past months have seen a stream of evidence from independent scientists challenging biofuel policies. A leaked internal European Commission report gave a damning verdict on the EU's mandatory 10% agrofuels for transport target. It revealed that the policy could cost as much as 65 billion euros and use huge amounts of land outside of Europe while failing to deliver any significant greenhouse gas savings.¹⁸

A study commissioned by the Swiss government concluded that agrofuels made from palm oil, corn and soy may be more damaging to the climate than fossil fuels. The report, cited in the journal *Science*, calculated the relative merits of 26 biofuels based on reduction of greenhouse gas emissions, damage to human health and ecosystems and natural resource depletion.¹⁹

Prof Robert Watson, the UK's Chief Scientific Adviser to DEFRA, also stated that current policies on using food for energy are flawed. "In many parts of the world the reduction of greenhouse gases is not as great as people claim, and it also comes... often with loss of biodiversity, soil degradation and water pollution. We clearly need to make sure that if we use biomass for fuel it must be sustainable economically, environmentally and socially," he argued in a radio interview.²⁰

Dr Hartmut Michel, who won a Nobel Prize for his work on the chemistry of photosynthesis, explained "When you calculate how much of the sun's energy is stored in the plants, it's below one percent... When you convert into biofuel, you add fertilizer, and then harvest the plants. There's not real energy gained in biofuel," he told a forum in the Philippines.²¹

The latest criticism of the 10% target has come from the European Environment Agency. The EEA's scientific committee last month called for the 10% quota to be suspended, saying it is an "overambitious experiment whose unintended effects are difficult to predict and difficult to control".²²

Food vs Fuel

European Commission president, José Manuel Barroso, has ordered a study into possible links between agrofuels and the recent rapid rises in the prices of food.²³ However, he is unlikely to revoke the 10% target for transport.²⁴

UN Secretary-General Ban Ki-moon has pushed climate change to the top of the UN's agenda. UN food agencies are also facing a crisis over rising prices (see page 21). Ban is likely to repeat his call for a review of land-use conversion by biofuel producers at the High-Level Conference on World Food Security: the Challenges of Climate Change and Bioenergy, to be held at the FAO

Divide and rule

The UK set up an Office of Climate Change in September 2006 to develop official climate change policies and strategies both domestically and internationally. It also hosts the Stern Review team.⁹

However, responsibility for policy implementation is divided between six government departments. For example, the Department for Transport is promoting agrofuels through the RTFO. Meanwhile, the Department for Environment, Food & Rural Affairs (DEFRA) which is charged with promoting all aspects of sustainability takes a more cautious approach to biofuels produced from rainforest areas.¹⁰ The Department for Business, Enterprise and Regulatory Reform (BERR) promotes support for low carbon technologies and international carbon markets.¹¹

There is also a Climate Change Projects Office, jointly funded by BERR and DEFRA, which helps UK businesses to pursue opportunities arising from the Kyoto Protocol.

headquarters in Rome, Italy in June.²⁵ He has already expressed concern that there are only seven years left to meet the Millennium Development Goal of halving global hunger by 2015.²⁶

Civil society organisations from around the world will use the 9th Conference of the Parties of the UN Convention on Biological Diversity (CDB) to be held in Bonn in May to debate the agrofuel issue. "The subsidies and runaway development of the agrofuels industry is fuelling speculation in commodity futures markets and land, so driving food prices, hunger and the destruction of ecosystems and communities. The CBD must act to halt the damage and call for the control of markets in agricultural commodities for food, feed and agrofuels," a spokesperson for the CBD Alliance explained.²⁷

Although some EU officials are belatedly starting to question whether large-scale monocultures of palm oil to supply agrofuels for Europe's power supply and the transport sector is the answer to climate change, their considerations are far too late. Industry in the North and South has jumped on the agrofuels bandwagon. In the UK, many biofuel plants have been announced over the last two years (see map, page 13). Now they are struggling to survive against subsidised imports from the USA.²⁸

Meanwhile Indonesian and Malaysian palm oil producers are concerned that moves by Europe to restrict biodiesel imports will adversely affect their investments (see p.15).

DTE has joined with other NGOs in the UK and the rest of Europe calling for the RTFO targets to be scrapped and a stop to agrofuel expansion, targets and imports at EU level.²⁹ We support declarations by

Sawitwatch that palm oil for agrofuels increases social conflict and undermines land reform in Indonesia and its calls for a reduction in palm oil consumption in Europe.³⁰ Copies of DTE's letters to MPs and MEPs are available on request.

**Note: Many campaigners refer to the use of products from large-scale monocultures, such as biodiesel from palm oil and bioethanol from sugar, as 'agrofuels' to reflect this is part of agribusiness, not a natural process. The European Commission uses the term biofuels.*

Notes:

1. This article draws on an unpublished briefing document kindly provided by Helena Paul of Exonexus. www.exonexus.info/
2. http://news.mongabay.com/2007/0515-palm_oil.html
3. *Jakarta Post* 28/Apr/08
4. Hansard, 4/Dec/07
<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmenvaud/uc155-i/uc15502.htm>
5. Royal Society press release, 14/Jun/08, <http://royalsociety.org/displaypagedoc.asp?id=28632>
6. *Observer* 20/Jun/08
7. *Telegraph* 20/Jun/08
8. http://commentisfree.guardian.co.uk/andy_tait/2008/01/palming_us_off.html
9. <http://www.occ.gov.uk/>
10. Office of Climate Change, <http://www.occ.gov.uk/about/index.htm>
11. <http://www.berr.gov.uk/energy/index.html>
12. *New Scientist* 23/Jun/08
13. *Reuters* 7/May/07
14. Interview 11/Jun/08 on <http://www.ipsnews.net/news.asp?idnews=40762>
15. BBC Radio 4 Today programme interview, 14/Jun/08
16. <http://www.euractiv.com/en/energy/commission-defends-biofuels-face-mounting-criticism/article-169728> 21/Jun/08
17. Royal Society press release, 14/Jun/08, <http://royalsociety.org/displaypagedoc.asp?id=28632>
18. Friends of the Earth Europe, Birdlife International Press Release, 18/Jun/08
19. Scharlemann & Laurance, *Science*, 4/Jun/08
20. BBC Radio 4 Today programme interview, 14/Jun/08
21. *Philippine Daily Inquirer* 14/Jun/08
22. European Environment Agency website, 10/May/08, www.eea.europa.eu/highlights
23. European Federation of Transport & Environment 14/May/08 <http://www.transportenvironment.org/News/2008/5/Barroso-orders-study-on-biofuelsfood-link/>
24. <http://www.transportenvironment.org/News/2008/4/Cracks-appearing-in-EUs-10-by-2020-target-for-biofuels/>
25. <http://www.fao.org/foodclimate/conference.html>
26. *Guardian* 5/Apr/08
27. CBD Alliance press statement 13/May/08, <http://www.cbdalliance.org>
28. *Guardian*, 11/Apr/08
29. See for example, Friends of the Earth Europe's 14/Jun/08 press statement calling for a moratorium on EU plans to expand agrofuel use on www.foeeurope.org/agrofuels
30. See Sawit Watch's open letter to the European Parliament, the European Commission, the governments and citizens of the European Union, 29/Jun/07 on <http://www.biofuelwatch.org.uk/declarations.php> ♦

Indonesia's agrofuels programme hit by high oil palm prices

Indonesian agrofuel¹ producers are putting operations on hold as high demand drives up prices.

Since the Indonesian government issued its agrofuels policy in 2006, 22 companies have been set up to produce these alternative fuels. However, by the beginning of 2008, seventeen of these projects had been suspended due to a lack of raw materials.

According to the Association of Indonesian Biofuel Producers (APROBI), the seventeen suspended agrofuel projects are owned by Musim Mas, Dharma Group, AGB Bio Industry, Anugerah Kurnia Abadi Asian Agri Inti Nusantara, Bakrie Group, Elnusa Indobio Energy, EN3 Green Energy, Medco Energy, Pelita Agung, Platinum Resin, RNI, Sampoerna Group, Sinar Mas Group, Sumi Asih, Eterino (Gresik) and Ganesha Energy. The five plants that are still running are operated by Wilmar (see page 17), Indo Biofuel Energy (one plant), Multi Kimia, and Molindo.²

Initially, the government planned to substitute 5%-10% of domestic fossil fuel use with agrofuels, but high demand for palm oil has caused prices to soar - from Rp3.8 million (US\$422) per tonne at the beginning of 2007 to three times that amount today.³

The increasing price of agrofuels, most of which are made from oil palm, has had a knock-on impact on the state-owned oil company, Pertamina, as government-appointed buyer of agrofuels: the production price is now much higher than the selling price.⁴

The agrofuels programme was announced by the government as a measure to create employment, reduce poverty, strengthen the economy and improve the

environment ('pro-job, pro-poor, pro-growth and pro-planet').

The environmental credentials of oil palm-derived agrofuels have been widely discredited. Rather than a green fuel, as the industry claims, they are produced from a plantation crop that is replacing ancient rainforests, destroying carbon-rich peatlands and displacing local communities (see, for example, DTE 75:10 and 74:13 for more background).

Now, since the Indonesia's palm oil production is being prioritised for lucrative export markets (and driving up the price of cooking oil at home), the programme is also failing to fulfil its pro-job promise. Two short years since the policy was announced, thousands of people are again unemployed.⁵

Agrofuels and the Investment Law - Judicial Review on land use rights

To support the agrofuels programme, a 2006 Presidential Decree was issued on a packet of investment measures, which mandated the replacement of the investment laws of 1967 and 1968.

On March 29, 2007 Indonesia's parliament passed a new investment law, which civil society groups criticised for failing to prioritise the interests of the majority of Indonesians. The concern was that the law would create conflict by making it easier for investors to acquire land and to extend in advance their land use rights (HGU) up to 95

years in total. Building rights (HGB) were extendable up to 80 years and use rights (HP) up to 70 years. (See DTE 73:1 <http://dte.gn.apc.org/73fdi.htm> for more background).

On July 5 last year, a group of Indonesian civil society organisations including the legal aid group, PBHI, the peasants union federation, FSPI, and environmental group WALHI, requested a judicial review of several points in the law. They argued that there remained an imbalance between the system of control, ownership, benefit and use of land, due to the continuous rapid growth in population. As a result of development, a lot of fertile land had been converted for industrial use, with negative impacts for local communities. Land was becoming a scarce resource, which was nevertheless a basic need for all people.

The Constitutional Court's decision, issued on March 25 this year, was that awarding rights over land with advance extension did indeed go against the 1945 Constitution. As a result, this point on land use rights (Article 22) was declared unconstitutional, and must be cancelled.⁶

The ruling represents a small gain for the majority of people who rely on natural resources such as forest and land, for their livelihoods.

Notes:

1. The term 'agrofuel' is preferred over the frequently used 'biofuel' - see also note on page 14.
2. 'Investasi Biofuel US\$300 Juta Tertunda',

Projection for the development of agrofuels up to 2015

Parameter	Unit	Palm oil	Castor oil	Sugar cane	Cassava	Total
Land	hectare	4,000,000	3,000,000	1,750,000	1,500,000	10,250,000
Production	Tonnes kernel, cane, tuber	80,000,000	15,000,000	140,000,000	30,000,000	265,000,000
Bio-ethanol or bio-diesel	tonnes oil	16,000,000	4,500,000	8,750,000	5,100,000	34,350,000
Processing plants	Unit	444	45,455	292	319	46,510
Direct employment	people	2,000,000	1,000,000	3,500,000	750,000	7,250,000
Indirect employment	people	3,111	136,364	14,583	12,750	166,808

(Source: <http://www.indobiofuel.com/Timnas%20BBM%205.php>)

Media Indonesia. 25/Jan/08.

3. 'Setengah Mati Minyak Nabati', *Tempo* 21-27/Apr/08.
4. 'Mewaspadai subsidi bank untuk BBN'. *Bisnis Indonesia* 1/May/07.
5. '17 Perusahaan Biofuel Tutup Ribuan Karyawan Dirumahkan', *Media Indonesia* 27/Jan/08.
6. Constitutional Court Ruling on Investment Law, issued on March 25, 2008.
http://www.mahkamahkonstitusi.go.id/download/putusan_sidang_Putusan%2021-22%20PUU%20V%202007%20Baca%2025%20Maret%202008_ASLI2.pdf
<http://www.mahkamahkonstitusi.go.id/berita.php?newscode=606>♦

(continued from page 17)

reported to have damaged communities and forests in the province. Also, the Ganda Group, which holds plantations covering much of the Sejenuh sub-district of Sambas, is owned by the brother of Martua Sitorus and is reportedly a supplier to Wilmar in other provinces.

The three cases in Sambas are not Wilmar's only controversial concessions. These include the 30,000 ha PT Asiatic Persada plantation in Jambi, Sumatra, formerly owned by CDC (see DTE 67:20, <http://dte.gn.apc.org/67brf.htm>). Cases are also coming to light in West Sumatra, South Sumatra and Central Kalimantan.

Meanwhile, civil society groups are pressing the CAO to address the issues raised about IFC procedure for funding approval through an official, independent audit. The overall aim is to ensure that IFC's policies, procedures and investment practices are strengthened to respect fully the rights of communities and the promotion of sustainable land use options. However, the CAO, possibly anxious about setting a precedent, appears to be dragging its feet.

The RSPO Grievance panel is now considering the complaints against Wilmar but, as this newsletter went to print, has not publicly released any information about progress.

*Policy, Practice, Pride and Prejudice, A Review of legal, environmental and social practices of oil palm plantation companies of the Wilmar Group in Sambas District, West Kalimantan, July 2007, a joint publication of Milieudéfensie, Lembaga Gemawan and Kontak Rakyat Borneo is available in English at <http://www.milieudéfensie.nl/english/forests> The IFC's Compliance Advisory Ombudsman's Preliminary Assessment, Nov 2007, is available at <http://www.cao-ombudsman.org/html-english/documents/WilmarassessmentAll3Nov07.pdf> with a 27/Mar/08 update at http://www.cao-ombudsman.org/html-english/Wilmar_compliance.htm

Other sources: Formal complaint to the IFC, July 2007,

Government measures supporting agrofuels

Year	Number	Type	Regulates
2006	5	Presidential Regulation	National Energy Policy
2006	1	Presidential Instruction	Provision and Use of Agrofuel (Biofuel) as an Alternative Fuel
2006	3	Presidential Instruction	Investment Climate Policy Package
2006	32	Agriculture Minister's Regulation	Guidance/Directive on Managing Funds for Developing Sugar Cane Sourced from the 'Strengthening Group Businesses' Capital (PMUK) Fund - State Budget.
2006	33	Agriculture Minister's Regulation	Development of Plantations through the Plantation Revitalisation Programme
2006	117	Finance Minister's Regulation	Credit for Developing Agro-Energy and Plantation Revitalisation
2006	51	Energy and Mineral Resources Minister's Regulation	Criteria and Guidance for Traders in Agrofuel (Biofuel) as an Alternative Fuel.
2007	25	Law	Investment
2007	26	Agriculture Minister's Regulation	Guidance on Licensing Plantations
2007	3	Plantations Directorate-General Decree	Maximum Unit Costs for Development of Plantations Participating in the Plantations Revitalisation Programme in 2007.
2008	13A83	Oil and Gas Directorate-General Decree	Standards and Specifications for agrofuel (biofuel) of the biodiesel type as an alternative fuel, for the domestic market.

Compiled from various sources.

Support for moratorium on expansion of plantations into forest

Greenpeace launched a campaign in April for a moratorium on further deforestation by the palm oil industry in Indonesia. The campaign calls on industrial buyers of palm oil in Europe to make sure that their suppliers do not convert forests when making new plantations, but restrict expansion to non-forest areas.

Within a fortnight, Unilever announced that it supported Greenpeace's call for a complete halt to rainforest destruction for palm oil in Indonesia and pledged to use only palm oil certified as sustainable by 2015. Indonesia was quick to point out that it hopes to have a national standard for sustainable palm oil, based on the RSPO's international scheme, agreed by late May. The Indonesian Palm Oil Association, GAPKI, also committed to stop using forested land for new plantations. GAPKI's 250 members control over half the country's 6.7 million ha of oil palm plantations.

It is important that efforts to protect high conservation forest and endangered species like orangutans are not at the expense of communities' livelihoods. Some of the 'degraded' or 'idle' land targeted for future oil palm plantations is where local people live and farm. So Greenpeace is also

calling on buyers to ask producers to respect the rights of indigenous peoples and local communities and not to develop plantations without their free, prior and informed consent.

Meanwhile, Greenpeace reports that companies are continuing to drain and burn peatland for oil palm plantations. A field visit to Riau in February and March revealed two new operations without permits in the Indragiri Hulu district. Agriculture minister Anton Apriyantono issued a statement during the UN climate change conference in Bali in December ordering all governors to stop issuing permits for plantations in peatlands.

The Greenpeace reports *Cooking the Climate*, Nov 2007 and *How Unilever Palm Oil Suppliers are Burning up Borneo*, April 2008, and Unilever's response are available at www.greenpeace.org

Other sources: Unilever press release 2/May/08; http://www.rspo.org/Unilever_Commits_To_Certified_Sustainable_Palm_Oil.aspx; Reuters 8/May/08 (via Watch!Indonesia); *Jakarta Post* 8/Apr/08, 13/May/08.

http://www.forestpeoples.org/documents/ifi_i go/ifc_wilmar_fpp_let_jul07_eng.pdf
Buyers and Financiers of the Wilmar Group, Profundo, July 2007
Making Waves, Greenpeace weblog, 17/Nov/07; Reuters 13/May/2008

<http://www.businessspectator.com.au/bs.nsf/Article/UPDATE-3-Wilmar-profit-soars-sees-prices-staying-f-ELPW3?OpenDocument>
http://www.rspo.org/Complaint_against_Wilmar_International_Ltd.aspx♦

Communities force Wilmar to address bad practices

Communities in West Kalimantan, supported by national and international NGOs, have taken the unprecedented step of challenging the environmentally and socially damaging impacts of the world's largest palm oil company, using the World Bank Group's official complaints procedure. Wilmar International and the International Finance Corporation (IFC) have withdrawn their claims of 'sustainable palm oil' production.

The Wilmar Group is a large conglomerate, set up by Malaysian and Indonesian businessmen Kuok Khoo Hong and Martua Sitorus in 1991. It started by refining palm oil and quickly expanded into buying and trading palm oil on the international market. The parent company, Wilmar Holdings, listed a number of subsidiaries on the Singapore Stock Exchange which became Wilmar International in 2006. Last year, Wilmar Holdings merged its edible oils, grains and related businesses with the Malaysian Kuok Group and the Asian edible oil businesses of American agricultural trading company ADM.

The Wilmar Group is now the largest trader of palm oil, palm oil refiner and agrofuel manufacturer in the world (see box). It had an annual turnover of US\$5.3bn in 2006 and is expected roughly to double its 2007 profits of US\$580 million this year.

Wilmar International controls nearly 500,000 hectares of oil palm plantations in Indonesia plus around 80,000ha in Malaysia of which it claimed to have planted some 200,000ha by late 2007. A report by Friends of the Earth Netherlands (Milieudefensie) stated that, by mid 2007, less than one third of the Wilmar Group's land holdings had been cleared and planted. Even so, Wilmar is reported to have ambitious

plans to increase further its role in the international agrofuel market, to expand its plantation areas to 1 million hectares in Indonesia and to buy up and develop plantations in Africa and Central Asia. Despite substantial land holdings, over 75% of palm oil traded by Wilmar currently comes from other plantations.

Wilmar sells palm oil to companies in China, India, USA and Europe. Among its customers are Unilever, one of the world's food processing, detergent and cosmetics giants and a leading member of the Roundtable on Sustainable Palm Oil (RSPO). According to Greenpeace, well-known products such as Walls ice cream, Dove soaps and Flora margarine are likely to contain palm oil which has been produced at the expense of the rainforest and local communities' rights and to have passed through Wilmar's hands. British-based bank Standard Chartered is Wilmar's most important external shareholder. The Dutch Rabobank has also made and brokered a number of significant loans to Wilmar in the last five years.

Community grievances

A report by Milieudefensie and Indonesian partners in July 2007 provided evidence that three Wilmar plantations in Sambas, West Kalimantan, had been involved in land rights conflicts, encroachment on villagers' lands, converting peat swamps to plantations, forest destruction and illegal burning*. They were also operating without statutory environmental impact assessments.

Practices by PT Wilmar Sambas Plantation (WSP), Buluh Cawang Plantation (BCP) and Agro Nusa Investama (ANI) violated Wilmar's own corporate social responsibility policy, Indonesian law and the Principles and Criteria of the RSPO, to which Wilmar has belonged since 2005. Local communities affected by Wilmar's plantations demanded that the company halt operations on the ground while proper and thorough EIAs were conducted and that there should be a transparent consultation process to gain the communities' consent for land acquisition.

The IFC has its own operating standards and is also a member of the RSPO. In spite of concerns raised by NGOs about Wilmar's operations, the IFC made three

investments to the group and helped it to get funds through the Global Environmental Facility. In so doing, it did not carry out proper due diligence and disregarded IFC Performance Standards while wrongly claiming that Wilmar met RSPO standards.

The environment ministry had issued instructions in April 2007 to PT WSP and BCP to stop all operations until the EIA had been completed and approved, but these were ignored. PT ANI continued to operate a processing mill and to expand its plantation without an EIA for these.

Action against Wilmar

The NGOs used the report to launch a three-pronged approach: to the Compliance, Advisory and Ombudsman Office (CAO) of the IFC; to the RSPO, through its newly established grievance panel; and to palm oil buyers and financiers of Wilmar. After protracted correspondence and several meetings, the IFC eventually agreed to set up a mediation process and to send its ombudsman to Sambas.

As a result, by February 2008, Wilmar publicly admitted its shortcomings in the three cases in Sambas. To address the problems, Wilmar says it has set up a committee, regional sustainability departments and audit- and monitoring procedures to make sure that RSPO principles and criteria on 'sustainable palm oil' will be adhered to. Special measures will be taken to protect biodiversity and high conservation value forests and no plantation development will take place without free, prior and informed consent of local communities. The CAO has also engaged in mediation between and local communities over contested boundaries between concessions and customary lands. However, Wilmar has not acknowledged its role in illegal logging.

Civil society groups will be monitoring carefully to ensure that Wilmar sticks to its word. One problem throughout negotiations is the complexity of Wilmar's holdings which include front and shell companies. A related issue is that although Wilmar eventually stopped operations at the three plantations pending inspection, it also bought palm oil from Duta Palma which is

(continued on page 16)

Wilmar and agrofuels

Wilmar (via PT Wilmar Bio-Energi) has three biodiesel plants in Dumai, Riau. The total capacity of 1.05Mt represents the output of 300,000 hectares of mature oil palm plantation. Most of the 2007 agrofuel production was pre-sold to buyers in Europe and the USA. Diesel represents about 60% of road transport fuel consumed within Europe. If the whole of PT Wilmar Bio-Energi's forecast production went to meeting agrofuel demand, it would only meet 0.5% of EU demand for diesel (around 173Mt in 2005).

Greenpeace sent the *Rainbow Warrior* to block palm oil shipments from Dumai and established a 'forest defenders' camp in Riau in the run up to the Bali climate conference to draw attention to the damaging effect on greenhouse gas emissions of establishing oil palm plantations on peatlands.

indigenous peoples

Climate Change and the Adat Rituals of the Meratus Dayak community

This report is based on information from a field visit by DTE staff to Meratus in 2008, and from the South Kalimantan based NGO, LPMA

For indigenous peoples like the Meratus Dayak of South Kalimantan, farming is not only a means to obtain food, but also forms part of the customary (*adat*) rituals that have been passed down the generations. Climate change is causing changes to planting cycles and bringing change too, to the cycle of *adat* ritual.

Each year there are at least five *adat* ceremonies directly related to the Meratus Dayak agricultural system. The cycle starts with the *batumban kayu* ceremony, for clearing land; followed by *manyalukut*, for burning; *manugal*, for planting padi; *aruh mahanyari*, an expression of gratitude for the padi harvest, and finally, *aruh ganal*, a large ceremony to offer thanks to God for protecting the community for a whole year, from planting to harvest time.

The Meratus rice-growing cycle starts with land clearing in May, planting in August to September, and harvesting from the end of March to mid-May.

Apart from using the calendar for timing, the Meratus Dayaks also use astronomy. When a constellation called 'karantika' appears at the same time as a

constellation which resembles a pig's jaw appears in the east at exactly eight o'clock in the evening, then it is time to *manugal*.¹

Nature always used to be on the side of the communities and enabled them to make a living, but that no longer seems to be the case. Sometimes, the natural signs are misleading: it looks as if the dry season has arrived, but the rains come instead.

This happened in March when it rained heavily even though the rice fields were turning yellow and in some places were ready to harvest. Eventually, the dry season came and it was possible to harvest. But after the rice was spread out to dry prior to milling, it rained again. This made it hard for people to dry their crop as they have no drying equipment and only rely on the sun.

Not being able to count on these seasons anymore has made people uncertain about when is best to plant. They have to plant the rice, but the results are often poor, and some of the plants have not produced any rice.

If the weather continues to be unpredictable and disrupt the coming planting

season too, at worst the community won't be able to plant rice and will have to buy it in from outside instead. Worse still, the community won't be able to perform the *adat* rituals which form part of their religious worship.

The threat of mining

In February, Government Regulation (PP) No.2/2008 on non-tax revenues on forest use was issued (see also page 27). The move was strongly opposed by environmental activists, who accused the government of selling Indonesia's forests for Rp300 per square metre - less than the price of a piece of fried banana at Rp500. This regulation directly threatens the Meratus community.

The regulation follows on from Government Regulation in Lieu of a Law (*Perpu*) No. 1/2004 issued by the Megawati government, which licensed 13 mining companies to resume open-pit mining operations in protected forest areas covering 927,648 hectares.² (For the full list of companies see page 27.) Two of these companies have mining concessions in the Meratus area: Australia's PT Pelsart Tambang Kencana (gold)³ and Indonesia's PT Interex Sacra Raya (coal).

PP 2/2008 goes against the wishes of the Meratus Dayaks, most of whom want to retain their rights over the forests. These people's resistance made a strong imprint in 1999, when South Kalimantan government wanted to change the status of the forest from protected to production forest.

Less than ten years after the rejection of this move, the government of president SBY (Susilo Bambang Yudhoyono) is permitting these two companies to sweep aside the customary rights of the indigenous Meratus Dayaks. The regulation transfers state authority over natural resources, governed by the interests of the majority - in this case the Dayak community - to mining companies. The income the state receives in return for renting out the protected forest is derisory.

Notes:

1. LPMA. 1999. Hasil dokumentasi revitalisasi adat balai Kiyu.



Members of the local community bathing in Balai Batukambar, Meratus, South Kalimantan.

(DTE)

(continued on page 22)

forests

Is the Forestry Ministry serious about the new legality standard?

It is well over a year since the draft Indonesian Timber Legality Verification Standard was handed over to Indonesia's Forestry Department for approval. Since then, progress towards implementation has been extremely slow, begging the question whether the Forestry Ministry really wants to tackle Indonesia's runaway forest destruction.

The legality standard - now renamed the Timber Legality Assurance Standard (TLAS) - was part of the follow-up to a 2002 agreement on illegal logging between the UK and Indonesia, which was superseded by the EU Action Plan on Forest Law Enforcement Governance and Trade (FLEGT) in 2003. Indonesia is currently negotiating a bilateral 'Voluntary Partnership Agreement' (VPA) with the EU, aimed at preventing illegal timber entering the EU. The TLAS will be used to determine what is and what is not legal timber. The hope is that it will be used to sort out the legal confusion created by conflicting regulations governing forests.¹ (See DTE 73:9 for more background.)

Responding to the acquittal of an illegal logging entrepreneur, Mardi Minangsari of the Indonesian NGO, Telapak, said: "The current way of managing forestry in Indonesia is clearly not fit for purpose. Criminals profit from legal uncertainty and grey areas, while deforestation continues. We urge the government to adopt the new legality standard as a matter of urgency to sort out the confusion."

Despite assurances to the EU of speedy implementation, the Forestry Department has still not officially agreed or adopted the TLAS - another indication that the political will to implement the system is in short supply.

Slow Progress on TLAS Institutions

In June last year, a Ministry of Forestry Secretary General Decree (no. 53/II-KUM/2007) created an Ad Hoc Team to carry out the task of setting up the institutions needed to implement the TLAS. This multistakeholder team consists of representatives from government, the private sector, academia, NGOs and Indigenous Peoples Organisations. The process of designing the TLAS institution, the role and mechanism of each of its components, and the interrelation between components is now nearly complete.

One positive element in the design is that the institution remains a multistakeholder body, which accommodates all the stakeholders in almost all of its component parts.

The TLAS institution comprises several bodies:

- ♦ a Secretariat, to be handled by the forestry ministry's Centre of Environmental Standardisation, and which will be responsible for finance, administration and coordination of the institution;
- ♦ an Accreditation Commission, planned as a multistakeholder body, which will be responsible for accrediting the verifiers. The accredited verifiers will undertake the work of verifying the legality of the 'Forest

Management Units'(FMU) (the companies, or community logging organisations etc) in the field.

- ♦ a Licensing and Standard Development Commission (planned as a multistakeholder body) will be responsible for issuing the licence that states that a Forest Management Unit is legally verified. It will also review the standard periodically to adjust it to any related policy developments.
- ♦ a Dispute Resolution Body, which will deal with grievances from the Independent Monitoring body or affected communities, relating to the issued licence and/or non-compliance of the FMU with the TLAS.
- ♦ an Independent Monitoring Body, which



The illegal timber business in Kampar district, Riau

(Yuyun Indradi, DTE)

will monitor the whole system and its key players. This body will also ensure the transparency and fairness of the system.

Regional public consultations have also been held. The first of these, for the Kalimantan Region, was held in Samarinda, East Kalimantan in April 2008. The next will be Java, then Sumatra and Papua. The regional public consultations are aimed at gathering inputs for refining the TLAS. Hopefully, by the end of June the whole system design will be finished and ready to go to a National Public Consultation for final inputs and refinement.²

Forestry Ministry raises objections

The forestry ministry is in the process of reviewing the TLAS, and held its latest review meeting in April this year. One point it raised was that it considered the criteria and indicators for community-based forest management too soft, and thought that these should be set at a similar level to those drafted for large timber companies (HPH) and timber estate companies (HTI). This would clearly put communities at a disadvantage, as the scale of their forest management operations are far smaller than those of the big companies, and they have far fewer resources. The Ad Hoc Team responded to this by saying that since the criteria and indicators of the standard were developed by a multistakeholder process, the forestry ministry review team should go through a public consultation if it wishes to revise the standard.

Another crucial point which demands close attention is the debate around the Dispute Resolution Body and its role in the TLAS.³ The forestry ministry review team took the view that such a body was not necessary in the TLAS, since the timber legality licence is an official government assurance and therefore it is the government, rather than the proposed Dispute Resolution Body that should have the authority to withdraw it. Grievances should be considered under the legal system, by the state administration court or the police.

Following this input, the Ad Hoc Team's most recent meeting, also in April, revised the role of the Dispute Resolution Body so that it no longer has the authority to cancel or suspend legality licences. Instead, the Dispute Resolution Body may only put forward recommendations to the Licensing and Standard Development Commission, on the cancellation or suspension of licences, based on strong evidence of non-compliance in a 're-verification' procedure conducted by the Dispute Resolution Body. The proposed timber legality licences will be valid for 3 years, subject to an annual review, which can consider less urgent grievances then.

Another bone of contention raised by the ministry review team was the question of who sits in each component part of the TLAS (except the Dispute Resolution Body and Independent Monitoring Body). There was divided opinion on whether the Accreditation Body and the Licensing and Standard Development Commission should be multistakeholder or not. The Ministry review team took the view that, since the timber legality licence is a legal product, then it should be the government that deals with it. On the other hand, it is possible that this task can be delegated to an appointed multistakeholder body, in this case, the Licensing and Standard Development Commission.

Industry calls for TLAS fees to replace all others

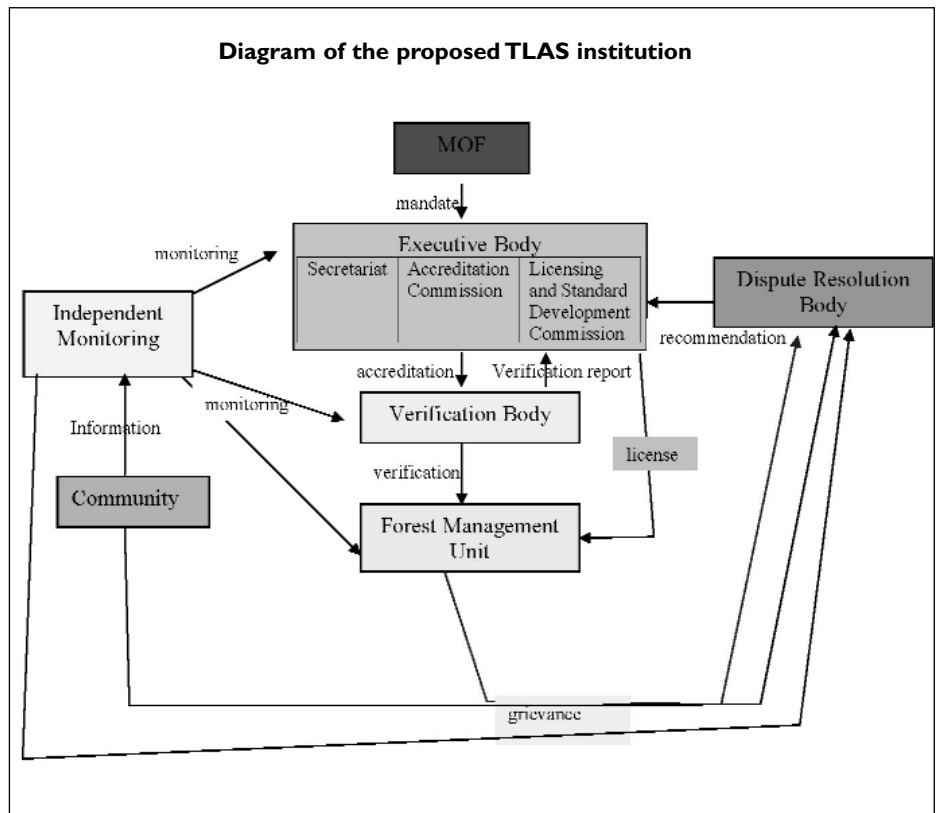
The private sector (represented in the multistakeholder Ad Hoc Team) is pressing the forestry ministry to do away with all existing forestry fees, and to replace them with just one TLAS verification fee. There are already more than 40 types of fees payable by forestry companies and the industry argues that an additional legality verification fee would only add to the financial burden. This could well be a reasonable move, because, quite apart from reducing costs for companies, it would mean cutting the chain of illegal transactions benefiting corrupt government officials, and police and military personnel.

Action needed now

Another crucial point in the TLAS process concerns the pressing need to implement the system in the field. While the reviews and discussions continue, so does the destruction in the forests. Any attempt to prolong the process, delay the implementation of the TLAS and keep it at draft stage means business as usual in the forests. The forestry ministry has very little excuse to maintain the status quo, if this is what is intended, since the TLAS is not anything new, but only a means of clarifying and measuring compliance with existing laws and regulations. In other words, the TLAS is only underlining law enforcement. So, if the forestry ministry is in favour of law enforcement, as it claims, there is no reason for not implementing it. Or maybe the forestry ministry simply prefers the status quo?

Notes:

1. EIA: Press Release: 21 November 2007, 'Court Fiasco As Fugitive Timber Boss Evades Jail'.
2. More information in the Indonesian language can be found at <http://www.lei.or.id/indonesia/>
3. The first draft on the setting up of the Dispute Resolution Body, gives the body authority to withdraw (cancel) and suspend licences issued by the Licensing and Standard Development Commission. ♦



agriculture

Poverty and the price of rice

Concerns about food security worldwide are growing as rice prices have more than doubled in many countries over the last year and global rice stocks are the lowest for decades. Meanwhile the Indonesian government needs to consider how to increase rice production and to protect the food supplies of the poor.

The United Nations Food and Agriculture Organization voiced concern when international rice prices rocketed to a 20-year high in late March with the global benchmark price at over US\$500 per tonne. By early April, the export price of Thai rice was over US\$1,000 per tonne. Rice is the staple food for over half the world's population, including the majority of Indonesia's 240 million people.

Why are world rice prices so high?

Supplies of rice on the world market have tightened due to a combination of factors. These include poor weather in some rice-producing areas; use of agricultural land for housing, industry and to meet booming demand for agrofuels; changing food preferences in China; and price speculation. Vietnam, traditionally a producer of surplus rice, has imposed a rice export ban. Meanwhile, Bangladesh - usually a big rice importer - had bad harvests and faces food shortages.

Governments worry if rice prices remain high or continue to increase as this carries a risk of serious economic and political problems. Food is the major item in household budgets for families living on the brink of poverty. If the price of staple foods like rice increases, poor people have few choices: reduce food consumption; eat cheaper, less nutritious food; or economise by not sending children to school. Any of these actions has knock-on effects for the next generation. High food prices also increase political instability. Furthermore, rice is an integral part of Asian culture - particularly in the western part of the Indonesian archipelago.

Robert Zeigler, head of the International Rice Research Institution (IRRI) based in the Philippines stated that the key problem was that "There is just not enough land". Although rice is not used to produce ethanol, the use of other grains for agrofuel production can affect the supply of other cereals and cause price increases. "We have some land in Asia that is being redirected toward biofuel¹ - certainly a lot of interest in converting some good land into oil palm

plantations for biodiesel. That's a concern [sic]", Zeigler said.

In April, World Bank president, Robert Zoellick called for a 'New Deal for Global Food Policy' to focus not only on hunger, malnutrition and food supply, but also on the interconnections with energy, yields, climate change, investment and the marginalisation of women.

Rice supplies in Indonesia

Earlier this year, Indonesia announced that it would not be buying in rice during 2008 due to bumper harvests. The head of state logistics agency Bulog, Mustofa Abubakar, expected that Indonesia's rice production would increase by 6 per cent from last year to 35 million tonnes in 2008. Director general for food crops, Sutarto Alimuso, set slightly lower estimates at about 33 million tonnes. This was despite serious floods which affected some 70,000ha of paddy fields in late December and early January. Rice consumption in Indonesia was just below 34 million tonnes in 2007, when Indonesia bought in 1.3 million tonnes - mainly from Thailand. President Susilo Bambang Yudhoyono (SBY) called on officials to prevent illegal rice exports to the neighbouring Philippines where rice prices have risen sharply as world supplies tighten.

This is the first time since the mid-1980s that Indonesia can even consider exporting Indonesia any surplus rice. Domestic production has not kept pace with population growth and changing patterns of food consumption. "Shrinking farmland, a lack of good quality seeds and fertiliser coupled with poor irrigation are keeping productivity down", according to agricultural economist Priyarsono of the Bogor Institute of Agriculture. During the Suharto years, official programmes to boost rice production - such as transmigration and the Central Kalimantan megaproject - were costly failures which destroyed large areas of rainforest (see page 2).

Bulog purchases some 10-15% of Indonesia's rice crop. The rest is sold to local traders. The agency is tasked with importing rice whenever there is a shortage so domestic prices do not soar out of control. Indonesia banned rice imports by private

traders since early 2004 to prevent price disruptions from smuggling. Bulog provides emergency supplies during natural disasters and also supplies rice to poor families.

As the price of rice rose to Rp500/kg, the Indonesian government increased the amount of subsidised rice to poor families from 10kg to 15kg per month in early 2008. This only costs Rp1,600/kg, but is low quality and the total available under the scheme (*beras rakyat miskin*) is less than 2 million tonnes. The average annual rice consumption per person is about 130 kg. As there are around 15 million people living below the national poverty line² in urban areas alone, this amount is barely adequate.

Climate change and technofixes

Agriculture in Indonesia is already strongly influenced by periodic variations in rainfall caused by the El Niño-Southern Oscillation (ENSO). It is also likely to be seriously affected by long-term climate change. A study by US-based Stanford University used output from all 20 global climate models provided by the Intergovernmental Panel on Climate Change to look at how climate change could affect rainfall in Indonesia over the next 50 years in the important rice-growing areas of Bali and Java.³

The team found that the probability of delays in monsoon rains of more than 30 days could more than double by 2050, from 9-18 per cent today to 30-40 per cent. They also predicted that Indonesia would experience longer dry seasons with decreased rainfall. "It is incumbent on the research community to develop rice cultivars and associated agricultural practices that will allow farmers to continue to increase rice production to meet projected increases in demand," said Zeigler.

In the past, IRRI has promoted research into genetically modified varieties of rice as the answer to food shortages and rising prices. But GMOs are not a 'silver bullet'. Moreover, there are issues about who controls this research and to what ends. Giant biotech companies could increase dependence on seed varieties and inputs at the expense of the poor. New, higher yielding

strains of rice could be produced within the next ten years, but the real problems are not ones which technology can fix (see DTE 43:12, 49:3, 50:16).

The politics of rice

The Indonesian government faces the difficult task of balancing the need to stabilise rice prices with peasant farmers' interests. Much of Indonesia's irrigated rice is produced by farmers in Java who have land holdings of 0.5 ha or less. Small-scale rice farmers are not benefiting from current price increases. They have little bargaining power. Most lack storage facilities, so they have to sell their grain to local traders immediately after harvest. Many sell their crop long before harvest time (under the *ijon* system) so they have much-needed cash in hand.

If government purchase prices are kept low enough for the poor to be able to afford rice most of the time, farmers cannot make a living and will be forced to give up the little land they have. If prices are high, the government must pay out more in subsidies to the poor or risk food riots. Unless the government (Bulog) maintains adequate rice stocks, the only winners are traders who manipulate market prices by hoarding.

Henry Saragih, head of the Indonesian Farmers' Union, blamed current high food prices on the government's long neglect of the agriculture sector. "Most farmers today are not producers, they are peasants. They have to buy rice, wheat and soybeans themselves. While agricultural products are mainly sold in the cities, when prices increase, these peasants are among the hardest hit," he said.

Indonesia, along with other countries, needs to pay more attention to food security, especially as climate change carries the threat of more frequent droughts and floods. It needs policies that promote greater diversity of food production and more sustainable agriculture. But most of all it needs economic policies which are genuinely directed at poverty reduction and at agrarian



Traditional rice farmer in Ciptagelar, West Java.

(DTE)

reform which prioritises the resource and land rights of the rural poor, including peasant farmers and indigenous communities.

Notes

1. See note on the terms 'biofuel' and 'agrofuel' on page 14.
2. Indonesia's National Poverty Line is set at US\$1.55/day, whereas the World Bank uses a figure of US\$2/day (both figures PPP - constant Purchasing Power Parity). See Heriawan & Imawan of BPS, Feb 2008, presentation at a New York seminar on Measuring Crucial Social Issues http://unstats.un.org/UNSD/statcom/statcom_08_events/special%20events/New_direction_s_social/Rusman_Heriawan_Paper.pdf
3. Study published in Proceedings of the National Academy of Sciences, 2 May 2007 cited in the article

focus-indonesia-planning-to-export-rice/; *The Observer*, 6/Apr/08; World Bank press release, 11/Apr/08
<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21726628~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>;
Reuters 11/Apr/08;
<http://www.bps.go.id/papers/statpaper13.pdf>
Tempo Interaktif 16/Apr/08,
<http://www.tempointeraktif.com/hg/ekbis/2008/04/16/brk,20080416-121350,id.html>, 7/May/08
<http://www.tempointeraktif.com/hg/ekbis/2008/05/07/brk,20080507-122657,id.html>
 National Statistics Agency, poverty figures 1996-2006
<http://www.bps.go.id/releases/files/eng-kemiskinan-02jul07.pdf?>
Kompas 23/Apr/08 & 25/Apr/08 ♦

(Continued from page 18)

Disasters may force prices higher

With the catastrophes in both Burma and China in May, international rice prices are expected to climb even higher. Cyclone Nargis hit Burma's rice-growing Irrawaddy Delta region, triggering fears of immediate as well as a long-term food insecurity in Burma itself, plus knock on effects for other Asian countries.

(*Times Online* 6/May/08; *BBCNews* 7/May/08)

(Sources: *Reuter* 16/Mar/08, Indonesia rice self-sufficiency plans stumble;
<http://oryza.com/news/Asia-Pacific/Indonesia-Market/Indonesia-Optimistic-Over-Rice-Output.html>, 4/Jan/08, accessed 30/Mar/08;
http://news.indonesia.com/item/200802220/indonesia_claims_self-sufficiency_in_rice.php 22/Feb/08 accessed 30/Mar/08; *Jakarta Post* 25/Mar/08; *Philippine Daily Inquirer*, 28/Mar/08
<http://www.bbc.co.uk/radio4/factual/foodprogrmme.shtml>, 30/Mar/08; UN Office for the Coordination of Humanitarian Affairs press release 4/Apr/08
<http://www.irinnews.org/Report.aspx?ReportId=77608>;
Antara 4/Apr/08
<http://www.antara.co.id/en/arc/2008/4/4/news->

2. See DTE 61:6 for background.
3. The Australian parent company, Pelsart Resources NL, has been suspended from Australia's stock exchange since 1999. The company stated in an April 2008 update that the Timburu gold project development would depend on finding a joint venture partner, or other funding arrangements. Canada's Placer Dome, opted not to enter a joint venture following exploration between 2001 and 2003. (Source: Pelsart Resources NL update April 10, 2008 via Australian Stock Exchange website: <http://www.asx.com.au/asx/research/CompanyInfoSearchResults.jsp?searchBy=asxCODE&allinfo=on&asxCODE=PRN>).

Agrarian reform in Indonesia: another year spent waiting

A year after we reported on Indonesian government plans to launch agrarian reform based on the Basic Agrarian Law 1960 (BAL), the regulation on how the reform will be implemented remains a draft. The non-action reflects the fate of the BAL itself. This law, championed mainly by peasants and nationalist groups, has been dormant since its birth. It was undermined by a series of sectoral laws passed by Suharto's New Order regime, aimed at exploiting land and natural resources and which welcome foreign investment.

With no finalised regulation, the expectation that Indonesia will see pro-poor agrarian reform anytime soon now looks rather optimistic.

However, more signs of activity are evident in the government's Work Plan for 2008. Under the heading of work related to 'pushing ahead with pro-poor development', the National Planning Agency (Bappenas) has set a target for the National Land Agency (BPN), among others, to issue one million land certificates in 2008. Further on in the workplan, under the heading 'agrarian reform', BPN is assigned to:

- deal with issues related tenure, ownership, use and utilisation of land (known in administrative jargon as 'P4T') for a total of 10,000 parcels of land; the redistribution of 300,000 land parcels and the inventory of P4T in 2,000 villages (*desa/kelurahan*);
- confirm and, where necessary, formalise, the ownership of land in 380 districts/municipalities;
- investigate and tackle 2,600 land dispute and conflict cases in the above districts/municipalities.

The national plan also notes that BPN is to improve its public service by setting a target to issue 2.34 million land certificates in 2008.

Lastly, BPN is also supposed to support small and medium enterprises (SMEs) with a target of issuing land certificates for

30,000 businesses. The indicative budget allocated for all these activities is around 1.4 billion rupiah (roughly US\$147 million). From a brief look at the national plans and at BPN's plans, it is evident that much of the planned work is preparation for some kind of agrarian reform. The preparations include BPN's idea to conduct a comparative study on how other countries carry out agrarian reform.

Foreign investment focus

While carrying civil society expectations of socially just and pro-poor agrarian reform, Indonesia's land initiatives are also being pulled in another direction: one that requires that Indonesia's land law should comply with international expectations, or, in other words, the interests of (foreign) investment.

A new Asian Development Bank (ADB) Technical Assistance initiative entitled 'Republic of Indonesia: Enhancing the Legal and Administrative Framework for Land Project' - offering a grant of US\$500,000 - confirms this. The project will run over 18 months, with the tentative start date May 2008. The 'technical assistance' is for drafting a new Indonesian land law which complies with international standards. It states that the proposed land law would support the provisions of the BAL, which would remain the umbrella law. The ADB's main concerns underlying the proposed land law are: "(i) the lack of updated legal framework guaranteeing equitable and rapid involuntary resettlement (IR), (ii) absence of comprehensive IR implementing regulations, and (iii) inadequate capacity for IR tasks." These points were raised by government ministers during the 2005 infrastructure summit in Jakarta as the causes of delays in project implementation and disbursement.

Unfortunately, the history of foreign investments in Indonesia and, in particular, those directed at natural resources exploitation and access to land, has had little relation to the terms 'just' and 'pro-poor'.

This fact has alerted the pro-poor agrarian reform pressure groups to the likelihood that BPN's agreement with the ADB will further confirm the inclination towards market-led agrarian reform. In which case, land redistribution as part of agrarian reform will not mean distribution of power but will merely consist of state-sanctioned capitalist real-estate transactions.

(Sources: Bappenas, 2008, Government Work Plans in 2008; Republic of Indonesia: Enhancing the Legal and Administrative Framework for Land Project, Project Number 37304, December 2007 at <http://www.adb.org/documents/TARs/INO/37304-INO-TAR.pdf>; BPN Strategic Plans 2007-2009, SPI website: <http://www.spi.or.id/?p=129>, KPA website: http://kpa.or.id/index.php?option=com_content&task=view&id=163&Itemid=53)

For news on a constitutional court decision to revoke investors' right to cultivate land for up to 95 years, see page 15. ♦



West Java peasants call for land reform at June 2007 protest (Photo: Adriana for DTE)

(continued from page 25)

*For a detailed assessment of the Grasberg mines' tailings disposal system see the 2006 report on the Freeport-Rio Tinto mine by WALHI (Friends of the Earth Indonesia at <http://www.eng.walhi.or.id/kampanye/tambang/frpt-report-may-06/>).

(Sources: TIAP 6th Report on the Tangguh LNG Project, available at <http://www.bp.com/sectiongenericarticle.do?categoryId=9004751&contentId=7008791>; 'Hidup dalam Sangkar Emas' *Suara*

Perempuan Papua, Edition 19, Year 4(2008), Walhi report on Freeport-Rio Tinto, at <http://www.eng.walhi.or.id/kampanye/tambang/frpt-report-may-06/>; Mineral Policy Institute, Australia, report on 2008 Rio Tinto AGM in Brisbane, Australia; 'Suharto and the rape of West Papua', *TAPOL Bulletin* No.188/189, March 2008; Survival, News Archive, 'Police arrest, torture and kill Papuan tribal people' 14 December 2007; *ANC News Online* 7 May 2008, 'Papua landslide death toll rises to 19') ♦

(continued from page 28)

- <http://www.antara.co.id/en/arc/2007/2/14/ant-am-bhp-form-alliance-to-develop-halmahera-nickel-deposits/> 14/Feb/07
10. See <http://whc.unesco.org/en/tentativelist/> and, for further background: DTE 70, <http://dte.gn.apc.org/70min3.htm> DTE 66:14, <http://dte.gn.apc.org/66min.htm>).
11. *South China Morning Post* 16/Dec/07
12. http://www.dpr.go.id/artikel/terkini/artikel_cetak.php?aid=3683 ♦

West Papua / extractives

Multinational corporations lining up to profit from West Papua's resources

Another year, another set of record profits from West Papua's mineral resources.

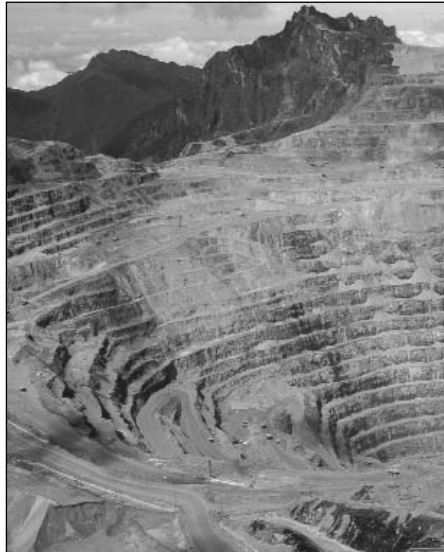
The Westminster conference centre just alongside the UK's Houses of Parliament and Westminster Abbey seem a long way away from the frontier town of Timika or, for that matter, the prawn fisherfolk of Bintuni Bay in West Papua. However, each year this is the scene of the Annual General Meeting of Rio Tinto PLC, a 40% joint venture stakeholder in the expanded Grasberg mine in the highlands of West Papua. It is here that the board of directors of Rio Tinto announced record profits from its mining operations around the world. Benefiting from record commodities prices, due mainly to the rapid economic expansions of countries like China and India, this company and others like it are revelling in economic conditions unparalleled in recent years. In 2007 the company earned US\$7.4 billion profit - another record year.

Similarly, record energy prices have meant that oil multinational BP, despite growing concerns over the safety of its operations, continues to make huge profits. In 2007, the company recorded profits of US\$17.29 billion. The Tangguh liquid natural gas (LNG) plant, in Bintuni Bay, West Papua, is due to become operational by the end of this year, and will soon be contributing to these gains.

What lies behind such record profits? As has been documented previously in DTE newsletters, there are many questions about human rights and social and environmental impacts to be asked.

Increased militarisation around BP's Tangguh operation

At the recent meeting of the Tangguh Independent Advisory Panel (TIAP) on 22nd April 2008 in London, some of these concerns were raised. At one point, a picture was brought in by a meeting participant of a Papuan man who had been beaten by the Indonesian security services. The political environment within which BP is operating continues to threaten the picture of calm, peaceful economic and social progress painted by the company. The TIAP panel spoke of an increase of 100 soldiers from Indonesia's armed forces (TNI) to Bintuni and 30 TNI soldiers to Babo, two local towns on



The giant Freeport-Rio Tinto open-pit gold and copper mine in West Papua. (KLH)

the shores of Bintuni bay. Added to this, is the news that the towns and villages around the Tangguh project are experiencing a growth in numbers of people being drawn to the anticipated economic benefits from BP's presence in the area. These developments are of concern as they point to a similar pattern to the militarisation and population influx that happened around the Freeport/Rio Tinto Grasberg mine in Timika. BP is making strenuous attempts to distance itself from such comparisons, given that Freeport/Rio Tinto has been condemned so vigorously for its relationships to the military and police in the area around its mine (see DTE 57:1 <http://dte.gn.apc.org/57Frp.htm>).

Such observations by TIAP cast doubt over the effectiveness of BP's 'concentric rings of security', provided by its 'Integrated Community Based Security' (ICBS) system, which was intended to prevent such a process of militarisation.

BP, Tangguh and climate change

Another significant concern that has been raised with BP is the question of Tangguh's environmental impact. With the Tangguh operation due to begin production of LNG by the end of this year, extensive shipping traffic

will increase the risk of pollution to the local area and consequently further threaten the fishing capacity of local communities.

Another area of concern is carbon emissions. BP has stated its intention to minimise its CO₂ output across the board in its worldwide operations. Undermining these green claims is the fact that its 'world-class model for development' operation at Tangguh still has no plans to implement a system of Carbon Capture and Storage (CCS). The TIAP panel has called for a feasibility study from the Indonesian government. However, BP Indonesia staff have told DTE that lack of progress on this is due mainly to cost and have indicated that it should be the Indonesian government, not BP, that bears this cost. Indeed, since the arrival of Tony Hayward as BP's new Chief Executive Officer (CEO), the company appears to be taking backward steps in terms of its attitude towards the environment. A clear example of this is BP's controversial purchase of 50% of the highly-polluting Sunrise tar sands field in Canada. Given BP's vast profit margin, it seems scandalous that BP should continue to resist implementing every possible technique to significantly reduce the already large estimated emissions of CO₂ from Tangguh's imminent operations. (See also DTE 73:4, <http://dte.gn.apc.org/73tan.htm>).

BP and sustainable development - a realistic proposition?

BP's approach to its Tangguh operation is showing signs of moving further away from the 'good intentions' the company uses to sell this project to the public, both in the UK and in Indonesia. The subject of the fisherfolk of Tanah Merah village was raised as a result of a recent article in the local publication *Suara Perempuan Papua* ('Papua Women's Voice'). Tanah Merah was the village on the southern side of Bintuni Bay which was moved to make way for the company's main site. The article was critical of the new situation that these villagers find themselves in and also of the measures taken by BP to provide alternative livelihoods for them and their new situation. DTE has since heard that many of the new houses in Tanah Merah Baru are now empty

and was told by TIAP and BP Indonesia staff members that much of the equipment provided by BP has now been sold (for example the outboard motors given to the fishermen). This situation illustrates well how, despite apparent good intentions, BP's efforts to contribute to local villagers development and well-being is not producing the desired results. Perhaps this is an indication that the gap between the realities of this big multinational corporation and local Papuan villagers is too big to be bridged in this way, and that Tangguh's presence remains an imposition on the local landscape and society. In the end, the net result of BP's efforts may be an influx of money (from sales of outboard motors and suchlike) rather than real long-term, sustainable and manageable development for Papua.

Tangguh and the future of independent monitoring of the project

Senator Mitchell, Chair of TIAP, strenuously defended BP's record when challenged about these problems, maintaining that in no way did this reflect the situation on the ground at Tangguh. Whatever the reality, it is of concern that some members of TIAP look increasingly like ex-officio members of the BP board of directors, rather than a truly independent body with real critical oversight to the project. The last recommendation in the most recent TIAP report on 'Public Information' illustrates this blurring of boundaries between BP and TIAP, making various recommendations on how BP can "publicize the benefits delivered as well as correct possible misconceptions about the Project".

DTE has recently been a co-signatory of a letter to BP's management arguing that external scrutiny of Tangguh is essential throughout the duration of the project. However, it remains to be seen as to whether BP is committed to facilitating a truly independent oversight to its operations in West Papua.

Environmental destruction in West Papua

By contrast, Freeport-Rio Tinto can have no possible claims to the stated high aspirations of BP's project. By providing the extra investment for the Grasberg mine expansion, Rio Tinto bought into a company and a mine that has an asbysmal record of environmental and social damage. This investment has ensured that Freeport's legacy of expansion and destruction will continue for at least another 30 years. This record was denounced at Rio Tinto shareholders meetings this April in both London and Brisbane. Rather than looking at improvement, the management, as in the case of BP, seems to have taken steps backward.

When questioned about the effects of riverine tailings disposal at the Grasberg

mine, the Rio Tinto board maintained this was the best possible solution, in contrast to previous admissions that this disposal method was 'not ideal'.* Many organisations including World Vision, Oxfam and trade unions have called for these practices to be banned. Indeed, even BHP Billiton, another mining company not normally associated with good practices, claims to be moving towards policies that do not use riverine or submarine disposal systems (see also page 28).

Given the record level of profits that Rio Tinto is reporting, how is it possible for Rio Tinto to allow such destructive practices to continue? Is it really the case that Freeport-Rio Tinto can imagine that because there are lax environmental controls or few civil society organisations with loud enough voices in West Papua that no-one will notice? With the Norwegian Government's Pension fund divesting from Freeport due to this 'severe environmental damage', perhaps the pressure for change will finally grow too strong for the company to ignore.

The human impact of the Grasberg mine

However, it is not just in relation to the environment that Freeport-Rio Tinto's record at the Grasberg mine is so destructive. As mentioned earlier, the companies' record of collusion with the Indonesian security forces is already well documented. Recent violent incidents in the vicinity of the mine further illustrate the social upheaval that this mine provokes in the area. Survival International reported that on December 5th, 2007, two women were shot dead and another was injured as they protested near the mine. More recently, 19 illegal miners were killed when a landslide hit them as they were panning for gold on the tailings from the Grasberg mine. Although a Freeport-Rio Tinto spokesman distanced the company from responsibility for the incident, saying that these miners were operating outside the companies' concession area, it appears that

RT's Sulawesi nickel deal

Rio Tinto has agreed with the Indonesian government on tax clauses for a proposed \$2 billion nickel project on Sulawesi. It will be the first major mining investment in Indonesia in several years. The plans are to initially produce about 46,000 tonnes of nickel per year from an open-cut operation, with the potential to increase to about 100,000 tons a year. Rio Tinto says the 'huge deposit' is enough to support from 40-100 years of production.

(Source: AP 29/Apr/08;
http://www.riotinto.com/ourapproach/217_features_7741.asp. See also DTE 70:4,
<http://dte.gn.apc.org/70min3.htm>)

tragic incidents such as these are becoming more and more commonplace in connection with this mine's operations.

The future of exploitation of West Papua's resources

Although the history of these two mega-projects are different, representing two different eras in the exploitation of West Papua's resources, their futures appear to be increasingly interlinked. Both projects are set to make vast profits for their shareholders in the UK, US and Australia and are in the process of expanding further. At the same time, these companies are operating in an environment that, at best, is ill-suited to their all-consuming technologies and, at worst, is being undertaken at the expense and against the will of local Papuan communities. However, with increased awareness of the effect on the climate and of the inequalities and injustices of such projects, the wider global community is waking up to impact of the activities of companies such as BP and Freeport-Rio Tinto in West Papua.

(Notes continued on page 23)



A model house in the new village built for families moved from Tanah Merah village - now the site of Tangguh's LNG plant in Bintuni Bay, West Papua.

(Photo: K Wilson, 2002)

mining

MSM mine: community opposition continues as investor backs out

The Australia and UK-listed company, Archipelago Resources, is continuing preparations to mine gold in North Sulawesi, despite strong local opposition - both from communities and the provincial governor. Meanwhile, campaigners have welcomed the decision by German bank WestLB to withdraw from the project, and have called upon other investors to follow suit.

Archipelago Resources is pushing ahead with construction at the Toka Tinding gold mine site in North Sulawesi even though it has no permit to mine there. Local people are already reporting problems. Work done at the site includes clearing forest; constructing a road, jetty, settling ponds and dams; diverting a river; and building a laboratory, workshop and office.

According to concerned local and national civil society organisations JATAM, ICEL, WALHI, YSN and AMMALTA, the forest clearance is believed to be one of the causes of a mudslide last year which affected six villages and killed fish in the river delta. According to Suara Nurani Foundation (YSN), the income of local fisherfolk has dramatically decreased since construction at the mine site began.

A joint press release from the organisations says that Archipelago Resources - a company listed on Australia's stock exchange and London's Alternative Investment Market (AIM) - is ignoring community protests, while failing to complete a new environmental impact assessment for the project, as required by law. Villagers who

protest or who demand their rights are demonised as criminals and face confrontations with police and hired thugs. Two villagers and one activist were sentenced to 18 months' house arrest after a small guard post belonging to the company, was burned down on Rinondoran Beach.

"We regret that MSM shareholders continue to support the PT MSM gold mine project in our communities. The project is rejected by local communities" said a spokesperson for AMMALTA (Community Alliance to Reject Mine Waste).¹

The project, sited near the internationally-renowned Lembeh diving area, has been opposed by local people from the outset, and has a history of confrontation, inter-departmental legal wrangling and conflicting priorities between national and provincial level interests.²

WestLB pulls out; other investors' support in doubt

The local community's campaign to stop the mining project gained a major boost last year, when one of its European backers pulled out. The German Bank, WestLB, withdrew its lending to the project in December last year, after strong pressure from international campaigners, led by German NGOs Urgewald and Watch Indonesia. The remaining investors are Investec³ of South Africa, Société Générale (France), ANZ (Australia) and RMB (S Africa).⁴

According to a detailed report in the *Asia Times*,⁵ the indications are that these banks will not be willing to commit more funds to the project, unless it gets approval from the environment minister Rachmat Witoelar, and the North Sulawesi governor, Sinyo Harry Sarundajang. Both have publicly stated they will not give the go-ahead to the project, due to environmental concerns and local opposition. The *Asia Times* report describes how Archipelago's chief executive is trying to boost confidence and secure additional funds, by telling shareholders that the project's Environmental Management Plan (AMDAL) will be approved as soon as

construction is 75% complete. The claim is linked to support for the project from the energy and mineral resources ministry (which has approved construction at the site, but not yet the actual mining). Yet other key players - the environment ministry and the provincial governor - show no sign of changing their position. Last year, both the fisheries and the social affairs ministers voiced their opposition to the mine. The German NGOs conclude that "the continuing media statements by Archipelago Resources claiming that gold production will soon commence, can only be interpreted as a desperate effort to prevent international shareholders and creditors from noticing that the final verdict on Toka Tinding has already been spoken."⁶

Continuing the Campaign

It is now imperative that the North Sulawesi governor maintains his pro-community stance in the face of any pressure from the energy and mineral resources ministry in Jakarta. The international campaign must meanwhile continue to press investors to join WestLB and withdraw from a socially and environmentally damaging project, which could also damage prospects for income generation from tourism.

The civil society network, BankTrack, is calling for the mine project's investors to withdraw their finance, and for Archipelago's direct shareholders (JPMorgan Chase, Prudential Financial and AXA) to divest.⁷

Notes

1. JATAM, ICEL, WALHI, YSN, AMMALTA Press Release, 'Archipelago starts to operate without community consent and environmental approvals', 4/Apr/08.
2. For more background see DTE 72:4, <http://dte.gn.apc.org/72msm.htm>, and 70:3, <http://dte.gn.apc.org/70msm.htm>
3. This company bought out Rothschild Australia, which originally arranged the loan facility.
4. For more details on the financial side see <http://www.banktrack.org/?show=dodgy&id=134>
5. John Helmer, 'Another miner going nowhere



in Indonesia', *Asia Times* 4/Apr/08.

6. Urgewald + Watch Indonesia! Press note, 'German Bank Pulls Out of Controversial Indonesian Gold Mine Scheme', 18/Jan/08.
7. For more information see <http://www.banktrack.org/?show=dodgy&id=134> and <http://www.jatam.org> ♦



Mining news in brief

New regulation means cheap forests for mining

A new government regulation on non-tax income from forest areas has caused outrage among NGOs by setting low prices for the use of forests by mining companies and other non-forestry sector users.

The regulation - PP 2/2008 - sets the rate for mining in protection forests from Rp 2,250,000 - Rp3 million (around US\$240-320) per hectare per year. In production forests, the rate is Rp 1.8 million - 2.4 million (around US\$192 - 255) per year. Other uses, including oil and gas, geothermal and renewable energy, toll roads and electricity generation are set at Rp1.5 million ha/year for protection forests and Rp1.2 million ha/year for production forests.

"Indonesia should be ashamed of itself", said Siti Maemunah of the mining advocacy network JATAM, which is calling for the regulation to be revoked. Writing in the Indonesian daily, *Kompas*, in February, she said the move was proof that the president and his cabinet "do not understand the crisis that is faced by Indonesia's environment." JATAM calculates that the rate per square metre (Rp300/m²/year) is lower than that of a piece of fried banana from a street vendor.

Environment group WALHI, which also wants the regulation withdrawn, has mounted a fundraising campaign to rent forest areas and prevent mining companies getting to them.

Indonesia's 1999 forestry law banned open-pit mining in protected forests

but intense pressure from powerful mining companies and a deteriorating investment climate prompted the government, in 2004, to allow thirteen companies to resume operations in these forests (see table below).¹

Conflicting statements have made it unclear whether the new regulation only applied to those thirteen companies, or whether it opens the door to more mining in forests.²

WALHI vs Newmont court case blow

The latest in a series of attempts to hold US mining company Newmont to account for pollution and health impacts from its now-closed North Sulawesi mine failed in December. In a case filed in March 2007, South Jakarta District Court ruled there was no proof that Newmont polluted the environment. In April last year, Newmont was also cleared of criminal charges linked to pollution in Buyat Bay.³ An appeal over that case was filed in late May with the Supreme Court.

WALHI said it would appeal the December verdict, while Newmont said it was considering a counter-suit against WALHI, even though a previous attempt to sue the environmental group for US\$100,000 in damages has been rejected by the court. Last year too, the company agreed to settle a civil case without admitting wrongdoing, agreeing to pay US\$30 million to an environmental foundation in North Sulawesi.⁴

Back in the US, Newmont was told to pay US\$15 million to settle a shareholder class action, which accused the company of making false and misleading claims about the

(continued next page)

The thirteen companies permitted to continue mining in protected forests

No	Company	Type of mine	Concession area	Location
1	PT Sorik Mas Mining (SMM)	gold and other minerals	201,000ha	Tapanuli Selatan, North Sumatra
2	PT Karimun Granite (KG)	granite	7,000 ha	Karimun Island, Riau
3	PT Natarang Mining (NM)	gold and other minerals	959,000ha	Lampung, South Sumatra and Bengkulu
4	PT Indominco Mandiri (IM)	coal	99,000ha	Kutai Kartanegara, East Kalimantan
5	PT Interex Sacra Raya (ISR)	coal	65,000ha	Pasir, South and East Kalimantan
6	PT Pelsart Tambang Kencana (PTK)	gold	239,000ha	Kota Baru, South Kalimantan
7	PT International Nickel Indonesia (INCO)	nickel	218,000ha	SE, Central and South Sulawesi
8	PT Aneka Tambang (Antam)	nickel	14,000ha	Kendari, SE Sulawesi
9	PT Aneka Tambang (Antam)	nickel	39,000ha	Halmahera Tengah, North Maluku
10	PT Nusa Halmahera Mineral	gold and other minerals	1,600,000ha	North Maluku
11	PT Weda Bay Nickel	nickel and cobalt	120,000ha	Halmahera, North Maluku
12	PT Gag Nikel	nickel	7,000ha	Sorong, Papua
13	PT Freeport Indonesia (FI)	copper gold and nickel	2,600,000ha	Papua

Source: *Koran Tempo*. 28/Ma/08. 'Siapa yang dapat izin'.

http://www.korantempo.com/korantempo/2008/03/28/Ekonomi_dan_Bisnis/krn.20080328,21.id.html

company's other main Indonesian interest, the Batu Hijau gold and copper mine in West Nusa Tenggara province. The company had claimed that the mine had reached the point of turning into 'one of our real cash registers', when in reality it had suffered a major pit failure that had a negative effect on mining operations.⁵

The Batu Hijau mine, on Sumbawa island, pipes over a hundred thousand tonnes of waste into the sea every day, around 50 times as much as ended up in Buyat Bay in Sulawesi, where the tailings have been linked to serious health impacts. In 2005, Indonesia's mining advocacy network JATAM accused the company of failing to alert the local community that there had been a leak from the tailings pipeline.⁶

Newmont has failed to meet a February deadline to sell a stake in Batu Hijau, despite threats by the Indonesian government to revoke the company's contract if it did not sell 10% to local governments. By January 28 it had only sold 2% of its share to Sumbawa district government for US\$72.6 million.⁷

Billiton to go ahead with Gag nickel project?

The Anglo-Australian company BHP is set to develop two Indonesian mining projects, according to the chairman of Indonesia's Investment Coordinating Board, M. Luthfi. The two nickel mining projects are in Halmahera and Gag Island, West Papua - projects that had been put on hold due to the protected status of the islands' forests. In late February, Luthfi said the BHP and state-owned mining company PT Aneka Tambang would sign agreements within the next two weeks, and that Aneka Tambang would hold 50% of the shares.⁸

In February last year, Aneka Tambang announced that it had signed an agreement to establish an alliance with BHP Billiton to explore the joint development of an extensive nickel deposit on the island of Halmahera in eastern Indonesia.⁹

BHP said in 2006 that it would not use submarine tailings disposal (dumping in the sea) for any mine on the island, and that it would not proceed with the mine if the area was gazetted as a World Heritage Site. The

environment ministry submitted the Raja Ampat archipelago, which includes Gag Island, to the 'tentative list' for World Heritage Status in 2005.¹⁰

New mine planned for Lembata Island

Indonesian mining magnate Yusuf Merukh is planning to mine gold and copper on Lembata Island in East Nusa Tenggara, aiming to start production in 2011. Merukh who is one of the country's richest men, said he thinks the mine will take at least 70% of the island, or possibly the whole island. Merukh has also claimed he will build a city on the nearby island of Flores to house people moved from the mine area and that this will provide apartments, schools, hospitals and an international airport 'to compensate them and serve the mine'. According to NGOs, at least 60,000 people from 49 villages face eviction. According to Merukh, 90% of Lembata's local assembly voted to go ahead with the mine, but there have been widespread protests and strong opposition has been voiced by islanders. Merukh, through his company Pukuafu Indah, is a minority shareholder in Newmont Nusa Tenggara, operators of the Batu Hijau copper and gold mine on Sumbawa, in the adjacent province of West Nusa Tenggara.¹¹

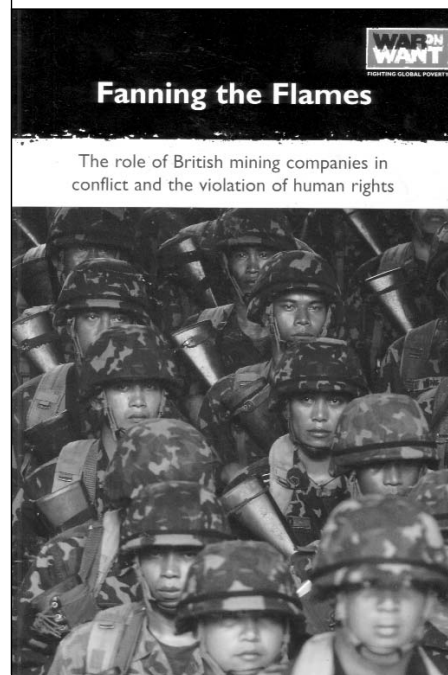
Iron ore project in Java

An iron ore mining project on coast south of Yogyakarta district is causing controversy. It is an area of unique sand dunes which has been cultivated by local farmers for years. The operations of mining concessionaire, PT Jogja Magasa Mining, will put the farmers out of work as well as cause irreversible environmental damage. Local protests are apparently being ignored and an Australian investor, Indo Mining, has agreed to fund the project. Support for the project has come from the local government as well as Indonesia's parliamentary Commission VII on Environmental, Forest and Natural Resources.¹²

In a recent television speech (April 30th) about the energy and food crisis, President SBY said that one of the strategies to deal with it was to make the extractive industries more attractive to investors.

War on Want exposes British mining links to human rights abuses

This November 2007 report from the British Charity War On Want, can be downloaded from <http://wow.webbber.org/?lid=15142>



Notes:

1. See DTE 61:1, 65:18 and 66:14 for more background.
2. Reuters 7/Mar/08; Jakarta Post 6/Mar/08; Kompas 21/Feb/08
3. See DTE 73:11, <http://dte.gn.apc.org/73mil.htm>
4. PlanetArk 19/Dec/07
5. Rocky Mountain News 12/Dec/07
6. See DTE 67:3, <http://dte.gn.apc.org/667min.htm>
7. Minweb 22/Feb/08
8. Jakarta Post 29/Feb/08
9. Antara News 'Antam, BHP form alliance to develop Halmahera nickel deposits'

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