



WWF Monitoring Brief June 2006: Asia Pulp & Paper (APP)

WWF Indonesia

Introduction

WWF Indonesia has been working on species and forest conservation in Riau Province, Sumatra since 1999. WWF recommends a 'precautionary approach' to determine the fate of Riau's remaining natural forests. This approach should be supported by all actors – Government, companies and community groups involved in forest clearing, companies using or buying paper products sourced from Riau's pulp mills, and companies buying or using palm oil sourced from Riau. No conversion license should be issued, or forest cleared, without a prior assessment of high conservation values in the forest and surrounding landscape and identification of measures needed to maintain and enhance such values. Such assessments should apply *the High Conservation Value Forest (HCVF) Toolkit for Indonesia*¹, which recognizes the following forest values - their biodiversity, their function as habitat for key endangered species, the environmental services they provide for downstream cities and villages, and their cultural and economic importance for local communities.

WWF and local NGO partners are monitoring the environmental performance of [Asia Pulp & Paper Co. Ltd. \(APP\)](#) and [Asia Pacific Resources International Holdings, Ltd. \(APRIL\)](#), the main driving forces behind forest loss in Riau Province. WWF Indonesia issues periodic "Monitoring Briefs" on the activities of the two companies, including their contribution to the protection, or further loss, of forest conservation values in Riau. WWF's calls to APP and APP customers are set out at the end of the brief.

A background paper, entitled "The Eleventh Hour for Riau's Forests – Two pulp and paper companies will decide their fate" accompanies this brief. The report provides an overview of the state of the forests in the province. It documents Riau's rapid rate of forest loss over the last two decades associated with the expansion of two industries – paper and palm oil. The report illustrates how Riau's pulp and paper industry, dominated by APP and its competitor, APRIL, is the driving force behind this forest loss. The Monitoring Briefs and the background paper are posted on WWF Indonesia's website².

Size of APP Operations in Sumatra

APP operates a 2 million ton pulp mill in Riau, Sumatra and a 0.7 million ton pulp mill in neighbouring Jambi Province. If APP were to use exclusively mixed tropical hardwood in its two mills, it would have to clear around 154,000 hectares³ of natural forest each year. Best available estimates indicate that, today, APP may still be relying on the clearing of natural forests for about 70 percent of the total wood supply for these two mills. That means APP pulped around 80,000 hectares and 30,000 hectares⁴ of natural forest in Riau and Jambi in 2005. Forest clearance of 80,000 hectares is equivalent to 50% of the average annual loss of Riau's forest between 2002 and 2005, or 40% of the forest loss between 2004 and 2005. As at least some of APP's plantations appear to be failing, the plantation wood content in the company's fibre supply is unlikely to improve anytime soon and the company is likely to pulp at least 110,000 hectares of forest per year for the next few years.

In 2005, 679,424 hectares of timber plantation concessions were owned by Riau companies directly associated with APP (Table 1, red boundaries in Map 1). APP may also be sourcing from a further 545,323 hectares of timber plantation concessions possibly associated with the company (unknown association in Table 1, purple boundaries in Map 1). Together the timber plantation concessions directly or possibly associated with APP still contained up to around 519,000 hectares of natural forest. Some of the concessions overlap with the eight remaining large forest blocks that are considered to be HCVFs under the *precautionary principle* according to the preliminary HCVF analysis⁵ (Map 1). Full HCVF assessments have been completed for 120,000 hectares (about 23%) of these forests. These assessments confirmed the presence of HCVFs and APP pledged to protect them. For the remaining 400,000 ha, (77%), APP refuses to conduct a detailed assessment of high conservation values and measures needed to protect them, before clearing.

Since 2005, APP has acquired many new concessions. WWF does not have data on the amount of natural forest in these additional concessions. WWF is also unable to estimate the total area of natural forest in oil

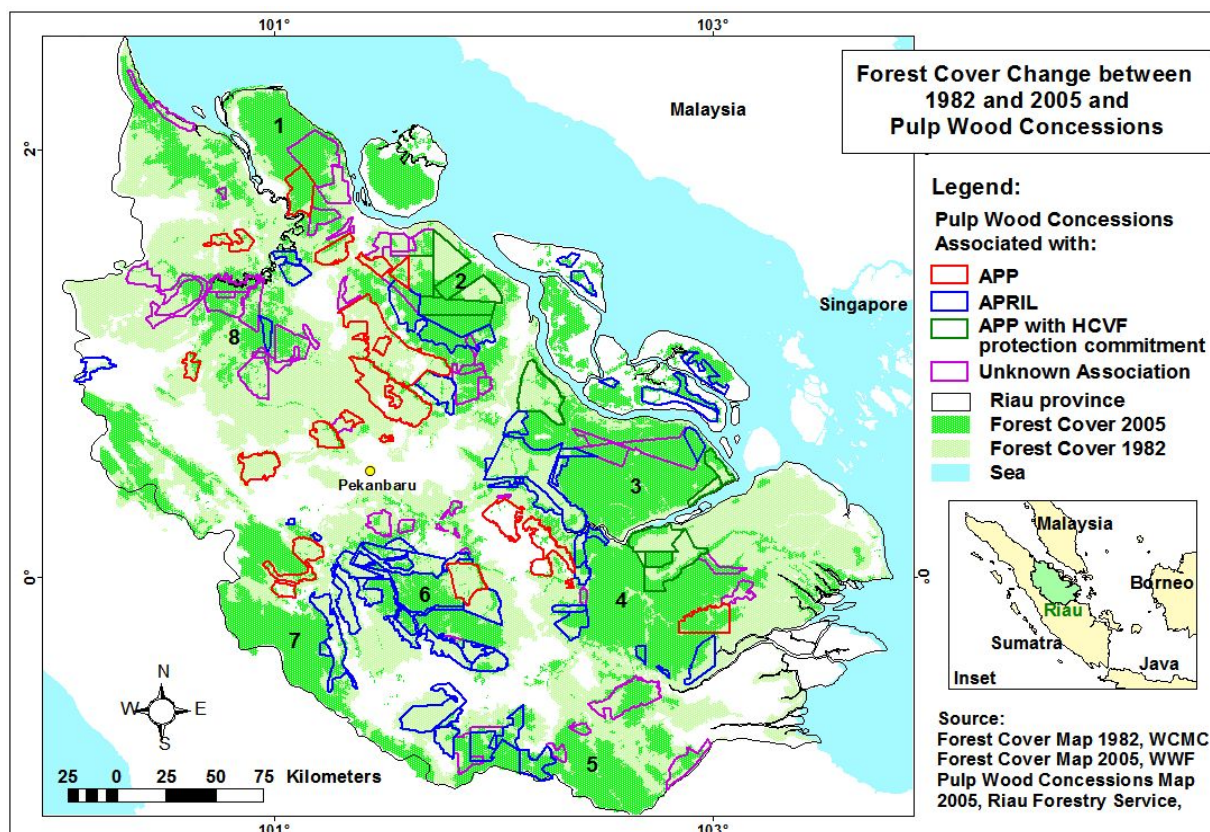
palm concessions that have been or will be converted to supply APP. The size of forest likely to contain high conservation values that will be pulped by APP is therefore much higher than the 400,000 ha for which information is available.

Table 1-- Timber Plantation Concessions and Natural Forest Cover in Riau and Relationships with APP and APRIL.

	Size of Area (ha)	% Riau Mainland Area	% Total Timber Plantation Concessions in Riau	Forest Cover 2004 (ha)	% Forest Cover 2004 in Mainland	% Forest Cover in Concessions	Forest Cover 2005 (ha)	% Forest Cover 2005 in Mainland	% Forest Cover in Concessions	Forest Loss (ha) 2004-2005
Riau Mainland	8,223,198	-	-	2,944,065	35.8%	-	2,743,198	33.4%	-	200,867
APP Associated Timber Concession in Riau Mainland	679,424	8.3%	37.1%	228,377	7.8%	33.6%	198,629	7.2%	29.2%	29,748
APRIL Associated Timber Concession in Riau Mainland*1	546,629	6.6%	29.9%	193,899	6.6%	35.5%	156,096	5.7%	28.6%	37,803
Timber Concessions with unknown association in Riau Mainland	545,323	6.6%	29.8%	349,591	11.9%	64.1%	320,040	11.7%	58.7%	29,550
Subtotal: Timber Concession in Riau Mainland	1,771,376	21.5%	96.8%	771,867	26.2%	43.6%	674,765	24.6%	38.1%	97,101
APRIL Associated Timber Concession on Riau Islands	57,807	-	3.2%	31,117	-	53.8%	25,013	-	43.3%	6,104
Total: Timber Concession in Riau Mainland & Island	1,829,183	-	100.0%	802,984	-	43.9%	699,779	-	38.3%	103,205

*1 Three concessions which APRIL considers “not feasible for plantation” are excluded from calculation.

(Data Sources: Size of Area (hectares): Dinas Kehutanan, Forest Cover 2004 and 2005: WWF Indonesia, Associated Pulp Mill: Dinas Kehutanan, APRIL, public documents by APP.)



Map 0-- Change of Forest Cover from 1982 to 2005 and Timber Plantation Concessions. Eight major forest blocks remaining in Riau: 1. Senepis, 2. Giam Siak Kecil, 3. Kampar Peninsula, 4. Kerumutan, 5. Bukit Tigapuluh, 6. Tesso Nilo, 7. Rimbang Baling and 8. Libo Forest Blocks. Green boundaries are concessions where APP committed to protect HCVFs.

WWF's Engagement with APP

WWF Indonesia first engaged APP in 2001 and the WWF global network has since been in close contact with many APP customers. In August 2003, APP and WWF signed [an agreement](#)⁶ in which APP committed to protect High Conservation Value Forests (HCVF) and establish sustainable operations across the board from forest management to pulp production. In February 2004, WWF withdrew from the agreement as APP had failed to commit to protecting HCVFs and did not produce a convincing sustainability action plan. [WWF concluded that the plan fell short on many key points, including protection of HCVFs, long-term sustainability and use of third party mediators in social conflicts](#)⁷. Since then, WWF had no official contact with APP until 20 June 2006.

APP's Commitment to Protection of HCVF in Four Forest Management Units

In 2004, APP publicly committed to protect about 120,000 hectares of HCVF in four of its forest management units in Riau (72,060 hectares in [Giam Siak Kecil](#), 34,000 hectares in [Pulau Muda](#), 6,872 hectares in [Siak](#) and 7,144 hectares in [Serapung](#), concessions with dark green boundaries on Map 1). [In Siak and Serapung, the company first implemented a logging moratorium, then had a published, third-party HCVF assessment conducted, and subsequently agreed to abide by the results](#)⁸. This was the first text book example of good forest management of any Indonesian forest conversion company. In 2005, [APP commissioned FSC-accredited SmartWood to monitor how well the company manages the HCVFs it has pledged to protect until 2010](#)⁹. WWF considered these announcements of published third-party HCVF assessments, HCVF protection commitments, and long-term monitoring commitments to be major steps forward in the company's forest management practices.

In late June 2006, [Rainforest Alliance's SmartWood Programme](#) sent to WWF upon request summaries of the reports on its first round of monitoring of APP's management of the four HCVF blocks. The monitoring had been conducted eight months earlier in October 2005 without stakeholder consultation. The reports concluded that in all four HCVF blocks (Serapung, Siak, Bukit Batu and Pulau Muda) high forest depletion had occurred across 90% of the forest area, including "extremely high" forest depletion in 60% of the area. The reports showed that APP has not generally logged the HCVF it pledged to protect, but has failed to protect the HCVF blocks from illegal logging, conversion to agriculture, and fires¹⁰. At least one HCVF block and surrounding natural forest areas, including those in protected areas, are visibly suffering environmental impacts from the draining of peatlands within APP's concessions and consequent soil subsidence. In conclusion, it appears that APP has not managed the HCVF it pledged to protect and has let it deteriorate without company intervention.

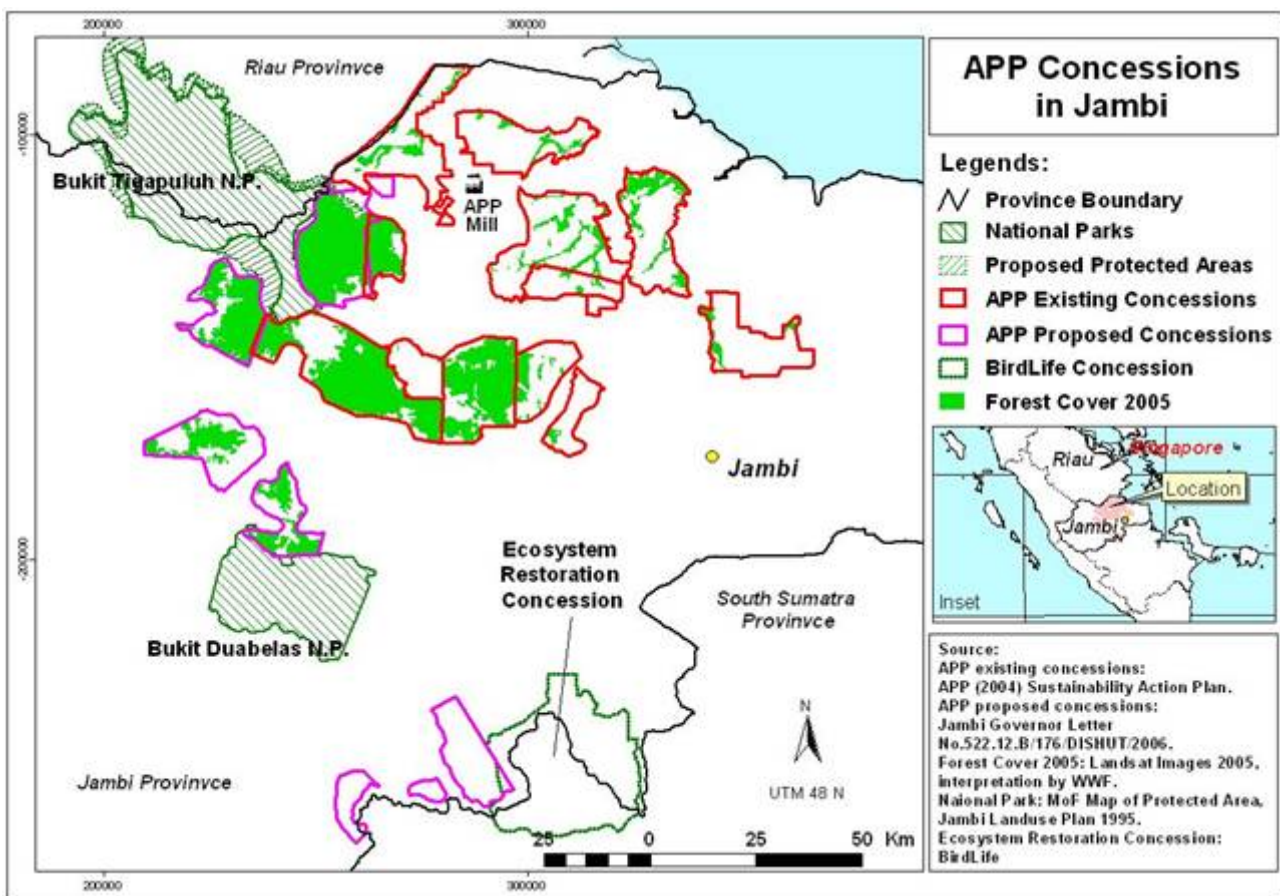
The Future of HCVF Protection and APP

During the official meeting with WWF on 20 June 2006, APP refused to commit to protect any additional HCVF in any of its Indonesian operations. APP's Riau operation currently pulps 80,000 hectares of natural forest annually. That is unlikely to change in the near future. Potential HCVF standing today in the Riau concessions directly or possibly associated with APP are unprotected. Other wood deliveries from outside these concessions on which APP will have to rely in the next few years are likely to contain HCVF, which are also unprotected. Several areas definitely or possibly operated by APP are of very specific concern to NGOs. Many of these are concessions on deep peat lands.

NGOs outside of Riau are also troubled by the impact of APP operations. Jambi-based NGO, [WARSI](#), has expressed concern over APP's association with applications for six new timber plantation concessions, totaling 133,730 hectares¹¹. They include: two concessions in the vicinity of Bukit Tigapuluh National Park, one in the vicinity of Bukit Duabelas National Park and one in the vicinity of a concession for ecosystem restoration held by BirdLife International (Map 2). These concessions are likely to contain HCVF.

The most recent and dramatic impact of forest clearance by APP and APRIL on Riau's wildlife and difference in the reaction of the two companies were seen in the Libo Forest Block (block 8 in Map 1). [From February 2006, a series of human-elephant conflicts, and related deaths and/or capture of endangered Sumatran elephants have occurred around this forest block](#)¹². These and many previous cases of human-

elephant conflict and killings appear to be connected to highly questionable, uncontrolled forest clearing in Libo, one of the few remaining retreats of the Sumatran elephant in central Sumatra. *Eyes on the Forest* (a joint project of WWF and two Riau NGO networks – *Jikalahari* and *Walhi Riau* – to investigate the chains of custody of timber from Riau’s natural forests to the final buyers) has documented cases of APP buying timber from Libo Forest Block on four occasions between March 2005 and March 2006. In the most recent case, APP was found to have purchased wood from the APRIL-associated concession of Bina Daya Bintara. *Eyes on the Forest* called APP and APRIL to immediately stop forest clearance and sourcing of any wood from Libo Block¹³. On 13 April, APRIL replied that the company had “made a corporate decision to immediately halt logging in Bina Daya until a better understanding is established on the impact of our operations on elephant habitat and the escalation of human elephant conflict.”¹⁴ On 21 April, APP replied “We fully support APRIL’s decision to stop sourcing wood fibre from Bina Daya Bintara; consequently we are not receiving wood from that area any longer”. However, APP did not reply to the *Eyes on the Forest’s* call to immediately stop sourcing wood from anywhere within Libo¹⁵. In April 2006, *Eyes on the Forest* confirmed that APP was still purchasing wood from other areas in Libo Block¹⁶.



Map 1-- APP operations in Jambi Province. Existing APP concessions (red boundary) and proposed APP concessions (purple boundary) (Data Source: WARSI). Forest cover in 2005 inside all existing and the proposed concessions of APP north of the BirdLife Restoration Concession (Data Source: 2005 Landsat Satellite Images).

APP’s Illegal, Questionable and Unsustainable Wood Supplies

WWF continues to be extremely concerned about APP’s continued use of illegal wood including reliance on concessions with legally questionable District licences, on wood deliveries from the clearing of natural forests over peat with more than 3 metres depth and on clearing of other natural forests that are prohibited from conversion by Government regulations. By continuing to accept such deliveries, the company is providing a market and thus incentives for illegal forest conversion. During occasional spot checks, WWF’s Forest Crime Unit found that APP accepted illegally harvested logs from the Tesso Nilo Forest Block as late as July 2004. *Eyes on the Forest* (EoF), a joint project of WWF and two Riau NGO networks, *Jikalahari* and

Walhi Riau, that investigates the chain of custody of timber from Riau's natural forests to the final buyers, found evidence that APP accepted wood from illegal sources on two occasions in 2005. According to *EoF* investigations in March 2005¹⁷, a truck loaded timber from an illegal logging operation in Libo Forest block on 17 March 2005 and delivered the timber to the APP mill on 18 March 2005. According to *EoF* investigations in May 2005¹⁸, three trucks loaded timber from illegal logging operations in Senepis forest block on 27 May 2005, and delivered the timber to the APP mill on 28 May 2005. According to *EoF* reports, APP was also sourcing timber from highly questionable Bupati licences¹⁹ as late as May 2006²⁰. The Central Government is now verifying the questionable licences that "allowed" the sourcing of that timber.

In addition, APP's plantation development is slow and sub-standard. After 22 years of operations in Riau, APP still relies on mixed tropical hardwood from natural forests for 70% of its wood supply. APP is attempting to create plantations on peatlands unsuitable for timber plantations and not unexpectedly, these plantations are said to be failing.

Even if the company could rapidly develop enough plantations to fully supply its Riau mill, and assuming that the current plantation areas could continue to produce 30% of the annual mill requirements, WWF estimates that APP Riau would need to convert over half a million hectares²¹ more of forest before it could rely solely on its plantations. The province of Riau had 2.7 million hectares of forest left in 2005. APP would have to pulp one fifth of that to continue running its mill at full operation.

Riau's forests, their elephants and their tigers will not survive unless APP commits to a 100% HCVF-free operation immediately.

WWF's call to APP

WWF calls on APP to immediately adopt, publish and implement a global wood supply policy whereby all its pulp mills and companies associated with it will exclusively source fibre from legal and well managed plantations and/or non-high conservation value forests.

References

¹ Jennings, S., Nussbaum, R., Judd, N. and Evans, T. (December 2003) The High Conservation Value Forest Toolkit. Edition 1. Proforest. Available at: <http://www.proforest.net/>

² WWF Indonesia Website <http://www.wwf.or.id/index.php?fuseaction=news.detail&language=e&id=NWS1151055588>

³ Forest to pulp conversion based on AMEC data

⁴ Forest to pulp conversion based on AMEC data

⁵ Jarvie, J., Dedy, K. and Jennings, S. (February 2003) A Preliminary Assessment of High Conservation Value Forests in Riau, Sumatra. Commissioned by WWF Indonesia.

⁶ APP and WWF (19 August 2003) Letter of Intent (LoI). Jakarta, Indonesia.

http://www.wwf.dk/db/files/letter_of_intent_wwf_app_smg_1.pdf

⁷ WWF Indonesia Press Release (19 February 2004) Time is running out for APP, says WWF.

http://www.wwf.org.uk/News/n_0000001126.asp

⁸ Asia Pulp & Paper Press Release (28 October 2004) APP Announces Moratorium until Biodiversity Assessment Completed.

http://www.eyesontheforest.or.id/doc/Moratorium_Serapong_Siak_%20Riau_APP_28Oct04.pdf

⁹ Asia Pulp & Paper Press Release (25 August 2005) Asia Pulp & Paper Signs Agreement to Monitor Conservation of Biodiversity.

http://www.eyesontheforest.or.id/doc/Moratorium_Serapong_Siak_%20Riau_APP_28Oct04.pdf

¹⁰ See also: Eyes on the Forest (23 March 2005) More than 40% of Riau's fires burn in APP and partner's concessions.

http://www.eyesontheforest.or.id/eofnew/eof_news_march232005.pdf

¹¹ Jambi Governor Letter (6 March 2006) No. 522.12.8/9170/DISHUT/2006

¹² WWF Indonesia (2006) Riau's Elephants: The 2006 Tragedy <http://www.wwf.or.id/tessonilo/Default.php?ID=926>

¹³ Eyes on the Forest (18 April 2006) Forest to Paper, Forest to Palm Oil and No Place to Live for Riau's Elephants.

http://www.eyesontheforest.or.id/eofnew/Eyes%20on%20the%20Forest%20News%20Libo%20Elephant%20FINAL%2018Apr06_.pdf

¹⁴ Eyes on the Forest (13 April 2006) APRIL stops forest conversion in its concession in Libo Forest Block to give elephant experts a chance to review the situation. http://www.eyesontheforest.or.id/eofnew/stops_forest_conv.php

¹⁵ Eyes on the Forest (27 April 2006) APP says they stopped sourcing fiber from the APRIL concession in Libo Forest Block, however does not commit to stop sourcing of wood from other areas in Libo.

http://www.eyesontheforest.or.id/eofnew/app_says.php

¹⁶ Eyes on the Forest Investigative Report for April 2006, still in preparation.

¹⁷ Eyes on the Forest Investigative Report March 2005 edition available at http://www.eyesontheforest.or.id/investigation/Inv_march_05.pdf

¹⁸ Eyes on the Forest Investigative Report April & May 2005 edition, available at <http://www.eyesontheforest.or.id/investigation/update%20report%20april%20may%2005.pdf>

¹⁹ Eyes on the Forest Press Release (27 July 2005) WWF, Walhi, Jikalahari: "Logging Moratorium for Companies with Questionable Industrial Timber Plantation Licenses." http://www.eyesontheforest.or.id/eofnew/eof_release_270705.pdf

²⁰ Eyes on the Forest Investigative Reports, available at <http://www.eyesontheforest.or.id/>

²¹ Forest to pulp conversion based on AMEC data: 2 million tons of total pulp production x 4.5 (wood to pulp ratio) x 1.13 (wood ton to m³ ratio) x 70% (share of MTH among the total wood supply) x 1.235 (adding 23.5% harvest & transport yield losses) / 110 (average timber standing volume per hectare of natural forest) x 7 years (plantation rotation) = 559,489 hectares.