



Statement Summarizing

WWF Concerns over the Origin of Fiber for the Mills of the Asia Pulp and Paper Company in Sumatra, Indonesia

13 July 2004

Sustainable development is a fundamental prerequisite for a just and prosperous nation. WWF Indonesia recognizes the potential role of the pulp and paper industry in supporting economic development in Indonesia, however it is imperative for the industry to apply sustainable development principles in its operations, including timber sourcing activities.

APP's operations in Sumatra

Asia Pulp & Paper Co Ltd (APP) is Indonesia's largest pulp and paper producer and operates two mills in Sumatra, Indonesia. The first is the Lontar Papyrus in Jambi Province. The second is Indah Kiat in Riau Province - one of the world largest mills. APP also has several mills in China, who receive pulp supplies from its Indonesian mills. APP is a member of the **Sinar Mas Group (SMG)**, which also owns forestry companies that supply the mills. APP has debts of US\$13.9 billion and has frozen debt repayments. Creditors are currently exploring debt restructuring options.

APP's operations threaten the remaining tracts of lowland natural rainforest in Sumatra. APP's projected in early 2004 that it will clearcut 180,000 hectares (three times larger than Singapore) of Sumatran lowland natural forest in 2004-2005. The monthly rate of forest clearcut is three times larger than the size of Macau. The World Bank in 2001, analyzing the rate of forest loss, predicted that the Sumatran lowland forest would disappear in 2005.¹

WWF Indonesia and The Indonesian Institute of Sciences (LIPI) surveys reveal that some of Riau province's forests contain absolutely outstanding conservation values². In comparative

¹ World Bank. 2001. Indonesia: Environment and Natural Resource Management in a Time of Transition. Washington D.C. Report in PDF format (154 pages, approx. 10 MB) is available at World Bank website, under the Documents & Reports section. <http://www-wds.worldbank.org/default.jsp?site=wds>.

² LIPI. 2003. The Summary of Biodiversity Assessment in Tesso Nilo, http://www.wwf.or.id/attachments/summary_bio_assesment.pdf



studies, no forests were found to have higher plant richness.³ No forests are likely to have a higher probability of containing plants with unique pharmaceutical values.

A history of broken promises

In 2001, Friends of the Earth (FoE) United Kingdom published *Paper Tiger, Hidden Dragons*⁴. The report highlighted the negative social and environmental impacts of APP's operations in Sumatra. FoE called on APP customers in the UK to urge APP to improve its operations and, until then, to stop doing business with them. Many APP customers responded to this call and APP lost much of its UK market.

These events prompted many international pulp and paper buyers and the media to contact WWF offices around the world seeking their assessment of the environmental performance of APP and other Indonesian pulp and paper companies. In 2002, WWF called on APP and the Sinar Mas Group (SMG)⁵ to demonstrate a commitment to operate within the limits of a clearly defined legal and sustainable pulpwood supply and ensure sound forest stewardship in plantations and forests from which they sourced pulpwood. APP/SMG responded with a promise to produce a Sustainability Action Plan.

On 19 August 2003, WWF and APP/SMG signed a joint Letter of Intent that set out steps the companies would take over a six-month period to produce their much-delayed plan and put their operations on a more sustainable footing. The issues addressed included protecting forest with high conservation values, resolving social conflicts and ensuring the legality and long-term sustainability of the company's wood supply⁶.

In February 2004, APP released its Sustainability Action Plan (SAP)⁷. The SAP addresses some of WWF's concerns and includes some conservation gains such as adding 17,500 hectares to a 58,500 hectare reserve. However the SAP, and the process by which it was formulated, are deficient on key issues:

1. The targeted sustainable wood supply from plantations in 2007 will be achieved at the expense of 180,000 hectares of Sumatran natural forest. The company has refused to put these forests under temporary moratorium while credible conservation assessments are carried out.
2. The companies assessed natural forest areas using their own standard based on prior disturbance, a standard unrecognized anywhere else, and used the results to fashion a forest clearance plan. The companies should have been assessing the crucial role the

³ Andrew N. Gillison. 2001. Vegetation Survey and Habitat Assessment of the Tesso Nilo Forest Complex. http://www.wwf.or.id/attachments/TN_final.pdf

⁴ Friends of the Earth UK. 2002. http://www.foe.co.uk/resource/reports/paper_tiger_hidden_dragons.pdf

⁵ Sinar Mas is the owner of APP. SMG Forestry Companies supply pulp wood to APP

⁶ The Letter of Intent, APP-WWF. <http://www.wwf.or.id/attachments/LoI-Final.pdf>

⁷ APP.2004. Sustainability Action Plan. http://www.wwf.or.id/attachments/SAP_Final.pdf



forests play in watershed protection, climate regulation and as habitats for key endangered species. WWF maintains that the conservation value of most of Indonesia's forests would be underestimated if the only criterion used was prior disturbance or degradation.

3. The companies failed to appoint an independent mediator to resolve land disputes with local communities.

Because of these deficiencies, WWF decided not to renew its joint letter of intent with APP.

Unsustainable practices continue

Past and present field observations by WWF and others reveal that APP/SMG operations contravene the principles of sustainability. Flawed practices include:

1. APP/SMG continues to clear peat swamp forests with a peat depth of more than 3 metres. This violates Indonesian law.
2. APP/SMG continues to clear forests with more than 20m³ per hectare of commercially valuable wood. This violates Indonesian law.
3. During an audit in November 2003, LEI (Lembaga Ekolabel Indonesia) auditors found APP/SMG sourced wood from illegal logging operations at three of five sample sites. One of those was operating inside a protected area. The legality of at least 30% of APP's fiber supply is questionable.⁸ LEI was hired by APP to evaluate whether the company purchased wood of illegal origin and whether it had a system in place to prevent such deliveries.
4. Since establishing its Forest Crime Unit in 2001, WWF has repeatedly found evidence of APP/SMG buying wood illegally harvested in the proposed Tesso Nilo National Park and elsewhere in the Province of Riau. WWF staff tracked the trucks from the logging and loading sites directly to the APP mill. Large areas in the proposed national park have been cleared this way. Each time WWF requested that APP/SMG stop this practice, APP/SMG responded that it would check its suppliers and would suspend its delivery contracts with them. Despite these statements, the WWF Forest Crime Unit keeps finding illegal wood deliveries to APP.⁹
5. Aerial surveys, satellite images and ground surveys by WWF and consultants hired by APP/SMG have repeatedly revealed that few if any of APP's acacia plantations in

⁸ WWF Indonesia. 2004. Legality of APP Timber. http://www.wwf.or.id/attachments/Legality_of_timber.pdf

⁹ WWF Indonesia. 2004. Deliveries of Illegally Cut Wood from the Proposed Tesso Nilo National Park to APP's Mill. http://www.wwf.or.id/attachments/APP_buys_illegal_wood.pdf



previously cleared peat swamp forests are healthy. They are not producing the volume of pulpwood assumed by APP/SMG in their SAP. Indeed, many of the plantations have collapsed after 3-4 years. Even acacia plantations on dry soils have not brought the productivity results promised by APP/SMG, with most of the plantations containing considerable patches without any trees.

6. APP/SMG's SAP identifies more than 110,000 hectares of “wasteland” in their own concession lands and another 110,000 hectares in Joint Venture concession areas in Riau that have not been planted. It would seem that APP/SMG has ample land for plantation creation and does not need to continue clearing natural forest to make land available for plantations.
7. APP/SMG have used unrealistic assumptions in calculating the supply they will receive from their pulp wood plantations over the next few years and have applied overly ambitious “tree to pulp” conversion factors. APP/SMG admitted as much when it published its SAP. The plan contains tables that enable comparison of APP 's own (inflated) assumptions with the more conservative estimates by AMEC, an international forestry consulting company. AMEC is currently evaluating APP's SAP.

WWF's conclusions

1. APP/SMG is directly contributing to the demise of some of the last suitable habitat for endangered Sumatran elephants and tigers, and is playing a large part in destroying one of the world's most biodiverse forests.
2. APP/SMG continues to clear natural forests, some of which have very high conservation values.
3. APP/SMG continues to violate Indonesian forestry laws.
4. APP/SMG's legal wood supply is not sufficient to feed their mills at current production levels. Yet, the mills continue to run at full capacity. There are strong indications of reliance on illegally harvested wood.
5. Given APP/SMG's poor track-record in creating plantations in peat swamps that the companies have cleared, it is unlikely they will establish a sufficient renewable wood supply for many years to come (many in the pulp wood plantation industry question whether it is possible at all to develop successful acacia plantations on deep peat swamp areas).
6. APP/SMG has or can acquire the human resources, technical know-how and financing to become a sustainable, yet viable enterprise, but lacks the will to do so.



WWF recommendations to APP/SMG

APP/SMG should initiate immediate reforms to demonstrate a genuine commitment to principles of sustainability, including:

1. Declaring a moratorium on clearing of any natural forest where ecological and cultural conservation values have not been determined.
2. Commissioning independent assessments of the conservation values of these forests in a publicly transparent manner.
3. Committing to the protection of all high conservation values identified through such assessments.
4. Ceasing all forms of logging and clearing that are in breach of Indonesian laws and regulations.
5. Ceasing all purchases of pulpwood that cannot be verified as having been harvested legally.
6. Installing a wood tracking system for the companies' supply chains to ensure that their own harvesting operations are compliant with all laws.
7. Establishing productive plantations on suitable soils that do not currently have any natural forest cover.
8. Revising projected yields of existing and future plantations to levels deemed acceptable by independent experts.
9. Reducing mill capacity to reflect the level of legally and sustainably available wood supplies.

WWF Indonesia recommendations to the Government of Indonesia

WWF Indonesia calls on the relevant agencies of Government in Indonesia to:

1. Conduct field audits of the legality of all of APP/SMG's operations in the company of independent observers.
2. Audit the condition of all existing and recently harvested natural forests under concession to APP/SMG or its partners to determine whether their conversion would be or was in accordance with Indonesian laws and regulations (WWF is willing to supply current and historical high resolution images to aid such audits).



3. Follow up the audit results accordingly.
4. Support adaptation of land-use plans, concessions and other authorizations as needed to enable APP/SMG plantation development on “wasteland” areas rather than in natural forest with high conservation values.

WWF recommendations to APP customers

WWF encourages environmentally responsible companies to:

1. Immediately review their business relationships with APP/SMG in light of the strong evidence that APP's products continue to be contaminated with illegal timber and fiber sourced by clearing natural forests likely to contain high conservation values.
2. Assess the environmental performance of each Indonesian forest products company individually, and not make the assumption that all companies are alike in the terms of their practices and the impacts of their operations.
3. Optimize commitments to environmentally and socially responsible sourcing of pulp and paper products.

As an Indonesian conservation NGO that is part of world's largest conservation network, WWF Indonesia is committed to assist the Government of Indonesia and the private sector to develop sustainable forest management by providing data from the field, drafting policies, facilitating discussions with international markets and the financial community to support sustainable forest management.

WWF Indonesia believes that with political will and proper law enforcement, the Indonesian pulp and paper industry will be able to operate sustainably and as a result capture a large share of the ever increasing international demand for sustainable products.