

More peatland fire disasters for Indonesia?

Pulp companies and Government not transparent with restoration plans for fire-prone peatlands

February 2019

Koalisi Anti Mafia Hutan























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Following catastrophic fires in 2015 that burnt 2.6 million hectares (ha) and caused losses for Indonesia of US\$ 16.1 billion, the Government of Indonesia prioritized the protection and restoration of carbon-rich peatlands. In 2016, the Peatland Restoration Agency was established, and regulation PP 57/2016 imposed new requirements for the protection and management of peatlands. Following up, the Ministry of Environment and Forestry issued implementing regulations that included a map of peat hydrological units covering 24.7 million ha – half of which the Ministry designated for cultivation (12.3 million ha) and the other half for protection (12.4 million ha).

The peat protection zones include large areas in Sumatra and Kalimantan that had been drained for industrial pulpwood plantations (*hutan tanaman industri*, HTI) and palm oil estates over many years. Therefore, the Ministry of Environment and Forestry required forestry license holders with working areas in the protection zones to revise their long-term management plans (*recncana kerja umum*, RKU) and annual work plans (*rencana kerja tahunan*, RKT).

Media reports indicate that 45 HTI companies had submitted revised work plans to the Ministry, as of 2 February 2018. Over one year later, however, neither the list of companies nor details of the changes to the work plans, has been released for public review. Auriga Nusantara, as part of the Koalisi Anti Mafia Hutan, wrote to the Ministry of Environment and Forestry in October 2018 to obtain the revised RKU and RKT documents as a step toward greater transparency. As of 7 February, 2019, this request has not been fulfilled. The lack of transparency prevents the public from being able to monitor the restoration of peat ecosystems in HTI concession areas.

This report presents an analysis of the map of peat functions contained in Ministerial Decree 130 of 2017 (hereafter SK 130) on the Delineation of an Ecosystem Function Map for Peatlands to determine the restoration obligations of Indonesia's two largest pulp producers, Asia Pulp & Paper (APP) and Asia Pacific Resources International Limited (APRIL). The Ministry's peat function map was overlaid with the HTI pulpwood concessions reportedly supplying wood to APP and APRIL.

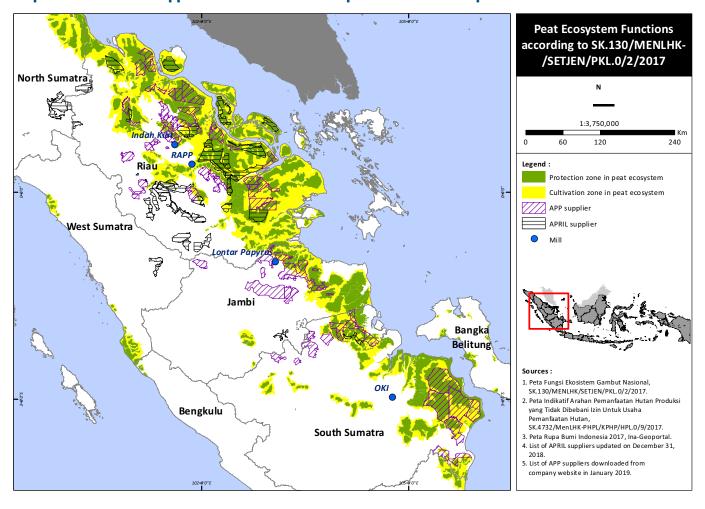
In the case of wood suppliers for APP and APRIL, the Ministry's peat function map indicates that over 12,000 square kilometers of HTI concessions – an area over 16 times the size of Singapore – are now to be protected and restored. Within the peat protection zones, no new development is allowed, and areas already developed must not be replanted and instead be restored.

For APP's suppliers¹, 793,293 ha of HTI concession areas are within the peat protection zones (see Maps 1 and 2). This area represents 30% of APP suppliers' total concession area of 2,624,209 ha. APP's suppliers support the group's three pulp mills: Indah Kiat pulp mill in Riau province, Lontar Papyrus pulp mill in Jambi province, and OKI pulp mill in South Sumatra province.

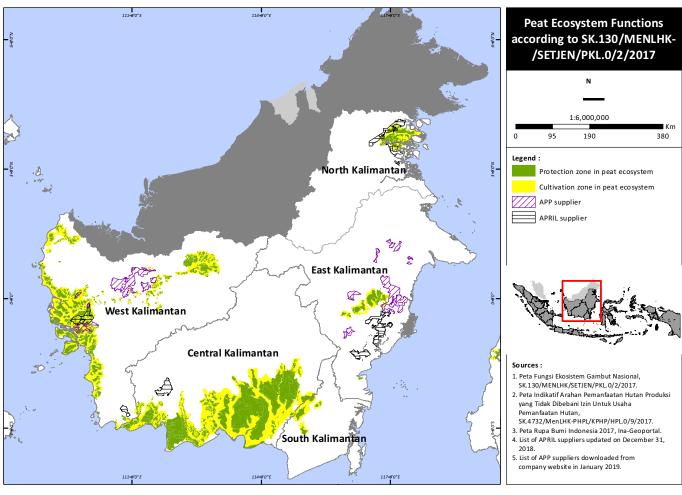
The largest areas that overlap with the peat protection zones are in South Sumatra, surrounding PT OKI Pulp & Paper Mills, APP's newest production facility (see Map 3). Within APP supplier concessions in that province, 323,581 ha are located inside the peat protection zones, comprising nearly one-half of the land that had been

¹ Based on APP's list of "continuous approved suppliers", downloaded from the company's sustainability website on January 22, 2019. The analysis does not include community suppliers, of which there were three as of May 2018, according to the APP website. Nor does the analysis include 17 "approved one-time suppliers", many of which are wood chip supply companies located outside of Indonesia, or two other "continuous approved suppliers", which are wood chip mills located outside of Indonesia.

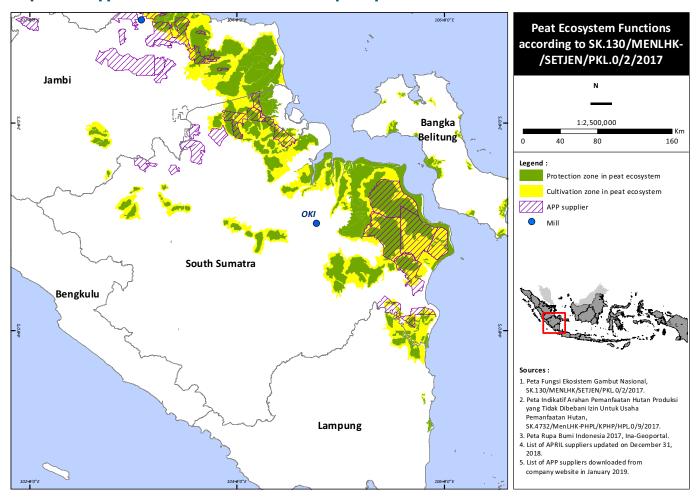
Map 1. APP and APRIL suppliers' HTI concessions and peat cultivation and protection zones in Sumatra



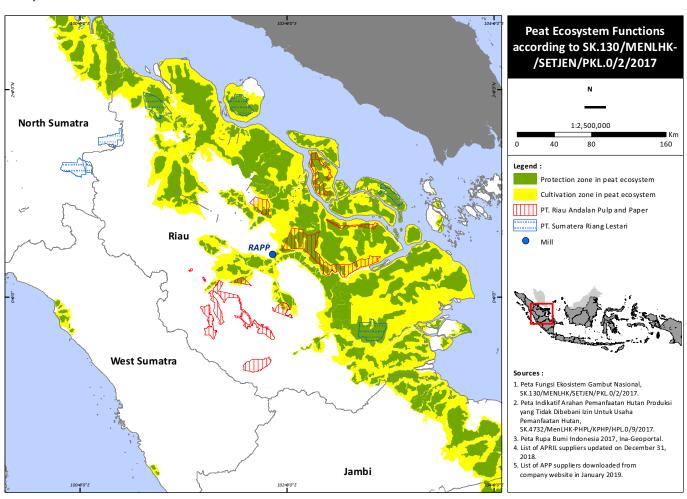
Map 2. APP and APRIL suppliers' HTI concessions and peat cultivation and protection zones in Kalimantan



Map 3. APP suppliers' HTI concessions for PT OKI Pulp & Paper Mills in South Sumatra



Map 4. APRIL suppliers' PT Riau Andalan Pulp & Paper and PT Sumatera Riang Lestari HTI concessions in Riau, Sumatra



planned to serve as the OKI mill's fiber supply base. These findings strengthen previous concerns of the Koalisi Anti Mafia Hutan regarding the inadequacy of APP suppliers to meet the wood fiber requirements of the group's three mega-scale pulp mills in Sumatra.

For APRIL's suppliers², 418,670 ha of concession areas are within peat protection zones (see Maps 1 and 2). This area represents 25% of the suppliers' 1,501,907 ha of total concession areas. Two concessions – controlled by PT Riau Andalan Pulp & Paper and PT Sumatera Riang Lestari – contain 238,301 ha within the peat protection zone, representing 40% of the combined concession areas (see Map 4). Historically, these two concessions have supplied much of the wood requirement for APRIL's pulp mill in Riau province.

It must be noted that in addition to the land area planted with trees for pulpwood, HTI concessions also include areas dedicated for conservation, nurseries, community agro-forestry, and other uses. Nevertheless, for both APP and APRIL, the loss of gross plantation area in supplier concessions, as documented in this study, is likely to have significant negative impacts on each group's overall wood fiber supply. This creates a risk that the companies will seek new sources of wood from other areas, most likely in Kalimantan and Papua where large areas of natural forest remain.

Both APP and APRIL have made corporate commitments to manage their plantation operations on drained peatland areas responsibly. APP has committed to "best management practices" on peatlands within their HTI concessions, which involves a multi-pronged strategy of mapping peatland areas, improving water management, rehabilitating peatlands, and researching the use of alternative species. APRIL has established an International Peat Working Group and adopted a "peatland roadmap" that aims for science-based understanding, responsible peatland operations, and development of a vision for peatland landscapes.

In terms of corporate sustainability commitments, the companies are saying many of the right things. Yet, operationally, both APP and APRIL have recently opened new mills that put added pressure on drained peatlands. In December 2016, APP started operating the OKI mill in South Sumatra, one of the biggest pulp and paper mills in the world (see Figure 1). More than three-quarters of the concessions in South Sumatra supplying wood to the OKI mill are on peatlands. APRIL's sister company PT Asia Pacific Rayon started operating a viscose staple fiber (VSF) mill at APRIL's Kerinci mill complex in December 2018, and APRIL converted one of its pulp lines for dissolving pulp production, which began in 2016. Therefore, strict Government supervision is required for these two groups to follow through on their commitments and to ensure that the peat protection zones within their licensed areas remain protected.

² Based on the "List of APRIL suppliers", updated on December 31, 2018 and downloaded from the company's sustainability website. The analysis does not include the community suppliers included on APRIL's supplier list.



Figure 1. Asia Pulp & Paper's OKI Mill being built in South Sumatra. It opened as one of the world's largest pulp mills in December 2016 (photo BankTrack.org)



Figure 2. APRIL's mill complex in Kerinci, Riau province, where Asia Pacific Rayon's VSF mill is now located (photo Asia Pacific Resources International)



Figure 3. Burnt peatlands in acacia plantation (photo Rainforest Action Network)

In 2017 the Government introduced a "land swap" policy to compensate HTI companies managing peatlands for areas that need to be restored, by giving them access to non-peat lands elsewhere in Indonesia. However, Koalisi Anti Mafia Hutan criticized this policy after showing that 40% of the areas identified for the "land swap" policy are covered by natural forest. Both local communities and companies have voiced concerns about a high risk of social conflict if the "land swap" policy is allowed to proceed. The Ministry of Environment and Forestry has told members of this coalition that the policy would not be implemented, but until now it has not been revoked.

The Government must examine the pulp industry's wood requirements and ensure that its supply sources respect the peat protection zones and do not destroy remaining natural forest. Minimally, the Government and plantation companies should disclose the following information: (1) location of protection zones within each HTI concession; (2) current planted area in each HTI; and (3) the wood requirements for each pulp mill. These three things – together with guarantees that the protection functions of peat and natural forest ecosystems will not be disrupted – should guide the Ministry's efforts for revising the companies' work plans. Unfortunately, until now this process has been conducted in a non-transparent manner, without adequate public consultation.

Recommendations

Based on the explanation above, the Koalisi Anti Mafia Hutan calls on:

- 1. APP and APRIL and/or the Ministry of Environment and Forestry to immediately release the revised annual work plans (RKT) and five-year work plans (RKU) for all pulpwood suppliers, showing detailed management plans for peat protection and restoration zones that have been approved by the Ministry.
- 2. The Ministry of Environment and Forestry to revoke the "land swap" policy.
- 3. APP and APRIL to publish maps of its suppliers' current planted area in each HTI concession.
- 4. APP and APRIL to adopt accountable plans to phase out completely their use of wood fiber sourced from drained peatlands and the management of peatlands under their control for commercial plantations.

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Appendix

Table 1. APP suppliers' HTI concession area, peat cultivation zones, and peat protection zones

| APP supplier | HTI concession area (ha) | Province | Peat cultivation zones (ha) | Peat protection zones (ha) |
|---|-----------------------------|----------------------|-----------------------------|----------------------------|
| PT. Acacia Andalan Utama | 61,585 | East Kalimantan | _ | _ |
| PT. Arara Abadi | 299,975 | Riau | 66,955 | 84,692 |
| PT. Asia Tani Persada | 20,740 | West Kalimantan | 4,294 | 5,082 |
| PT. Balai Kayang Mandiri | 22,250 | Riau | 8,782 | 12,429 |
| PT. Bina Daya Bentala | 19,870 | Riau | 8,816 | 11,241 |
| PT. Bina Duta Laksana | 28,890 | Riau | 13,447 | 15,548 |
| PT. Bukit Batu Hutani Alam | 33,605 | Riau | 1,835 | 30,635 |
| PT. Bumi Andalas Permai | 192,700 | South Sumatra | 72,299 | 120,966 |
| PT. Bumi Mekar Hijau | 250,370 | South Sumatra | 79,036 | 135,538 |
| PT. Bumi Persada Permai | 83,395 | South Sumatra | _ | _ |
| PT. Daya Tani Kalbar | 56,060 | West Kalimantan | 25,654 | 15,760 |
| PT. Finnantara Intiga | 299,700 | West Kalimantan | 2,797 | 696 |
| PT. Kalimantan Subur Permai | 13,270 | West Kalimantan | 3,791 | 9,301 |
| PT. Kelawit Hutani Lestari | 9,180 | East Kalimantan | _ | _ |
| PT. Kelawit Wana Lestari | 49,755 | East Kalimantan | _ | _ |
| PT. Mitra Hutani Jaya | 9,240 | Riau | 7,374 | 2,110 |
| PT. Mutiara Sabuk Khatulistiwa | 44,595 | Riau | 42,737 | 2,427 |
| PT. Perawang Sukses Perkasa Industri | 50,725 | Riau | 0 | _ |
| PT. Riau Abadi Lestari | 12,000 | Riau | 898 | 573 |
| PT. Riau Indo Agropalma | 9,570 | Riau | 5,245 | 4,460 |
| PT. Rimba Hutani Mas | 118,360 | Jambi/South Sumatra | 19,342 | 36,085 |
| PT. Rimba Mandau Lestari | 5,630 | Riau | 196 | 5,401 |
| PT. Ruas Utama Jaya | 44,330 | Riau | 21,550 | 23,551 |
| PT. Satria Perkasa Agung | 77,000 | Riau | 36,350 | 32,502 |
| PT Satria Perkasa Agung Unit Serapung | 11,830 | Riau | _ | 10,333 |
| PT. Satria Perkasa Agung (Sinar Merawang) | 10,070 | Riau | _ | 1,070 |
| PT. SBA Wood Industries | 142,355 | South Sumatra | 70,238 | 67,077 |
| PT. Sekato Pratama Makmur | 44,735 | Riau | 1,498 | 44,448 |
| PT. Sumalindo Hutai Jaya I | 10,000 | East Kalimantan | _ | _ |
| PT. Sumalindo Hutai Jaya II | 70,300 | East Kalimantan | _ | _ |
| PT. Sumber Hijau Permai | 30,040 | South Sumatra | 15,186 | 13,027 |
| PT. Suntara Gajapati | 34,792 | Riau | 6,613 | 28,113 |
| PT. Surya Hutani Jaya | 183,300 | Riau/East Kalimantan | 8,191 | 3,443 |
| PT. Tebo Multi Agro | 19,770 | Jambi | _ | _ |
| PT. Tri Pupajaya | 21,995 | South Sumatra | 8,418 | 13,240 |
| PT. Wira Karya Sakti | 293,812 | Jambi | 45,664 | 63,546 |
| Total | 2,624,209 | | 577,205 | 793,293 |

Sources: Buku Basis Data Spasial Kehutanan 2016; APP supplier list on company sustainability website; Ministerial Decree 130 of 2017.

Table 2. APRIL suppliers' HTI concession area, peat cultivation zones, and peat protection zones

| APRIL supplier | HTI concession area (ha) | Province | Peat cultivation zones (ha) | Peat protection zones (ha) |
|----------------------------------|-----------------------------|--------------------|-----------------------------|----------------------------|
| PT. Adindo Hutani Lestari | 201,821 | East Kalimantan | 34,767 | 21,011 |
| PT. Bina Daya Bintara | 7,550 | Riau | 2,286 | 5,287 |
| PT. Bina Silva Nusa | 9,040 | West Kalimantan | 1 | 5,744 |
| PT. Bukit Batubuh Sei Indah | 13,420 | Riau | _ | _ |
| PT. Bukit Raya Mudisa | 28,617 | West Sumatra | _ | _ |
| PT. Citra Sumber Sejahtera | 15,360 | Riau | _ | _ |
| PT. Ekawana Lestari Darma | 9,300 | Riau | 927 | 8,373 |
| PT. Fajar Surya Swadaya | 61,470 | East Kalimantan | _ | _ |
| PT. Harapan Jaya Makmur | 4,800 | Riau | 1,098 | 3,905 |
| PT. ITCI Hutani Manunggal | 161,127 | East Kalimantan | _ | _ |
| PT. Korintiga Hutani | 94,384 | Central Kalimantan | _ | _ |
| PT. Madukoro | 15,000 | Riau | 2,428 | 12,392 |
| PT. Mayangkara Tanaman Industri | 104,625 | West Kalimantan | 28,177 | 32,578 |
| PT. Mitra Kembang Selaras | 14,800 | Riau | 12,087 | 1,798 |
| PT. Mitra Tani Nusa Sejati | 7,480 | Riau | 2,231 | 5,372 |
| PT. Nusa Prima Manunggal | 4,412 | Riau | 824 | 13 |
| PT. Nusa Wana Raya | 26,880 | Riau | 4 | _ |
| PT. Nusantara Sentosa Raya | 23,030 | Riau | 2,713 | 684 |
| PT. Peranap Timber | 33,360 | Riau | 4,855 | 28,199 |
| PT. Riau Andalan Pulp & Paper | 338,536 | Riau | 95,061 | 111,809 |
| PT. Rimba Lazuardi | 23,340 | Riau | _ | _ |
| PT. Rimba Mutiara Permai | 8,030 | Riau | _ | 8,067 |
| PT. Rimba Penarap Indah | 11,620 | Riau | _ | _ |
| PT. Selaras Abadi Utama | 13,600 | Riau | 9,248 | 11,145 |
| PT. Seraya Sumber Lestari | 19,450 | Riau | 5,817 | 14,271 |
| PT. Sinar Belantara Indah | 6,200 | North Sumatra | _ | _ |
| PT. Sumatera Riang Lestari | 148,075 | Riau | 23,285 | 126,492 |
| PT. Sumatera Silva Lestari | 42,530 | North Sumatra | _ | _ |
| PT. Wahana Lestari Makmur Sukses | 14,010 | South Sumatra | 8,073 | 5,954 |
| PT. Wana Subur Lestari | 40,040 | West Kalimantan | _ | 15,576 |
| PT. Wanakasita Nusantara | 9,030 | Jambi | _ | _ |
| PT. Wananugraha Bima Lestari | 7,465 | Riau | _ | _ |
| Total | 1,501,907 | | 233,881 | 418,670 |

Sources: Buku Basis Data Spasial Kehutanan 2016; APRIL Supplier List updated December 31, 2018; Ministerial Decree 130 of 2017.

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