Saving Indonesia’s Forests

Despite recent signs of modest progress, the fight to save Indonesia’s natural forests is far from being won.

By Gemima Harvey

The latest figures show that Indonesia’s loss of natural forests has slowed to a decade low – a dramatic change in direction for a country that overtook Brazil as having the world’s highest rate of primary forest loss in 2011, almost doubling the level of Amazon decline (which is four times the size of the archipelago’s rainforests) in 2012. Between 2000 and 2012, Indonesia lost more than 6 million hectares of primary, or old-growth, forest – an area almost the size of Sri Lanka, or roughly comparable to 6 million soccer fields. That is a daily
average of about 1370 hectares and an hourly average of 57
hectares.

And while it is too soon to say what the 2013 decline means
exactly, now seems an ideal time to reflect on the state
of Indonesia’s forestry sector, where unlawful logging by
unscrupulous companies and the collusion of local authorities
in dishing out dodgy permits continues to undermine the fight
against deforestation. Meanwhile, it appears that a significant
chunk of raw materials consumed by large mills is still sourced
from tropical forests, both legally and illegally.

A new report by the Anti Forest-Mafia Coalition and Forest
Trends estimates that more than 30 percent of wood used by
Indonesia’s industrial forest sector “stems from the unreported
clear-cutting of natural forests and other illegal sources
instead of legal tree plantations and well-managed logging
concessions.”

It found the material used by large mills (those which process
more than 6,000 cubic meters of wood per year) exceeded the
legal supply by the equivalent of 20 million cubic meters –
enough to fill 1.5 million logging trucks. This figure was found
by comparing the supply of wood as recorded by the Ministry
of Forestry (MoF) against the amount industry reported using.
Statistics on wood passing through smaller mills are not fully
recorded, indicating the volume of illegal wood consumed may
be higher. Although it should be stated that with uncertainty
surrounding official forestry data in Indonesia, all statistics are
shaky and should only be viewed as a guide.

While the source of this illegal wood is unclear the report notes
it likely comes from trees harvested during forest clearance for
new palm oil and timber plantations.

A separate Forest Trends study estimated that 258 million cubic
meters of conversion timber were likely to have been produced
in the country through clearance for palm oil and wood
plantations between 2000 and 2010. However, the figure large
mills reported using was just 46 million cubic meters. If mills
consumed the volume apparently cut, it would mean 82 percent
of timber production from palm oil and timber plantations
during that period was unreported and therefore illegal.
It should be said that conversion wood is not itself illegal, but timber is commonly procured illegally while converting forest to production land. This illegal timber from land clearing is laundered into the supply stream, mixing legal sources with illegal, clouding the supply chain.

MoF’s own data illustrates the importance of (legal) conversion timber, highlighting that in 2013, it made up 53 percent of wood harvested from natural forests. The Anti Forest-Mafia Coalition/Forest Trends study points out this is 4000 percent more than the ministry predicted in 2007. It goes on to say that considering the scale of deforestation, wood coming from land clearing could be 15 times that.

Compounding industry’s continued reliance on rainforests to meet wood demand is the underperformance of timber plantations. Reportedly, by now, the MoF expected plantations to produce almost twice as much wood as industry reported using.

Obscuring the picture even further, the plausibility of the government’s figures on plantation productivity has been called into question. According to MoF data, the volume of logs produced through plantations increased from 3.7 million cubic meters in 2000 to 22.3 million cubic meters in 2008. However, it is apparently widely known that only a fraction of these plantations were actually established, with observers suggesting the production level may be less than half of official numbers.

**Bad News**

Underperforming industrial timber plantations and a reliance on conversion wood, whether legal or illegal, spells more bad news for Indonesia’s tropical rainforests, endangered species, and indigenous, forest-reliant communities.

A 2012 report by UNEP and Interpol explains that much of illegal logging in Indonesia occurs alongside plantation establishment. For example, companies unlawfully clear forest surrounding their concessions and use the profits to finance their operations in the first years, and also obtain plantation land but never start production, instead clearing forest to
sell the wood. It highlights that the nature of illegal logging has changed to “more refined methods including widespread collusive corruption and laundering of illegal logging under fake permits, ostensible plantation establishment and palm oil development.”

Despite existing mills feeding on forests, there are mills planned for Sumatra, Kalimantan and Papua. Asia Pulp Paper (APP), which together with APRIL dominates the pulp and paper industry, is in the process of building the country’s largest pulp mill in South Sumatra, a $2.6 billion project slated for completion in 2016.

If the pulp sector switched on to full capacity and planned mills were added to the mix, it is estimated the legal supply gap would spike to 59 percent.

President and CEO of Forest Trends, Michael Jenkins said in a statement that Indonesia should suspend future expansion of the pulp and paper sector until it has successfully boosted tree plantations to create a sustainable supply of timber.

But this seems unlikely given that government policies are geared toward protecting this industry.

Senior scientist at the Centre for International Forestry Research (CIFOR), Dr. Krystof Obidzinski, told The Diplomat the pulp and paper industry is viewed as a strategic part of the country’s forestry sector.

“It is the future, it is capital intensive, it brings in technology, and is seen as the future of the forestry here in Indonesia, so they are investing in it.”

Obidzinski said timber plantations are key to filling the supply gap and ensuring the sector’s sustainability.

“There is plenty of land already allocated for these timber plantations, something in the order of 12 million hectares. So there is no need for any more land. If we can only use the land that is already allocated and plant timber plantations, Indonesia will have more than enough timber to feed its industry and probably for export.”

He explained the main reason these plantations are failing to
meet demand is perverse government incentives.

“Timber from natural forests is a low cost raw material that is cheap to remove so as long as there are conversion forests available for clearing, companies will continue to obtain raw material from forests.”

“These big companies are protected by indirect subsidies and perverse incentives so you end up with a situation where plantations are developing very slowly and companies are trying to maximize, for as long as they can, the use of natural forests for their timber needs.”

He said companies will get serious about developing timber plantations when the government forbids them from converting natural forests and cuts off their cheap supply of trees. If the Indonesian Government simply removed this option, companies would be forced to plant rather than using tropical forests as their tree-banks.

Obidzinski added that an export ban was introduced in the early 2000s, which prevents the export of plantation logs, prioritizing them for domestic use and that this is depressing prices, causing monopolies and creating disincentives for companies serious about growing plantation wood.

“In my view this export ban should be removed. There should be an open market, competition for prices and that would create incentives for smallholders and smaller companies to get in and develop plantations so planting would pick up and plantations would develop much faster.”

In this protective market, giant pulp and paper mills are sheltered from competing for resources. “If you implement this pulp and paper expansion within the current legal framework where these perverse incentives and closed market situations prevail then you set yourself up for further deterioration increasing the pressure on remaining natural forests.”

**Concessions: Conversion Timber Crimes**

Forestry-related concessions now cover one fifth of Indonesia.

A 2014 Forest Trends report notes that 80 percent of deforestation for commercial agriculture and timber
plantations occurs illegally. (Again, this is just an approximation.) Palm oil and timber plantations are the prime offenders. A 2013 analysis found that palm oil was the single biggest driver of deforestation.

Operators are supposed to obtain a sequence of permits and meet specific requirements, including getting a timber utilization permit (IPK) and having an environmental impact assessment done. However, these checks and balances are often skipped: Suspect permits are supplied by corrupt officials, forest is cleared without permits, concession boundaries are breached, and high conservation value areas are not maintained.

Research by the Environmental Investigation Agency (EIA), released last year, shows that operators routinely cut down trees within palm oil concessions without the required IPK permit. Companies also acquire land and forests in dubious ways, making the timber harvested under seemingly legitimate IPKs illegal. The study states, “Corrupt and irregular practices in the permit process are rife, to the extent that the existence of an IPK permit alone is no guarantee of legality.”

The report explains that a key component in this criminal activity is collusion between regents (district officials), who are responsible for issuing certain permits, and companies. Head of the REDD+ Agency Heru Prasetyo commented that one third of all regents were under investigation for corruption.

An investigation by Save Our Borneo found that one regent, in Central Kalimantan (Indonesian Borneo), supplied permits to 15 sham companies owned by family members, cronies and his personal driver. Within their concessions alone, 200,000 hectares of forests were cleared.

A recent in-depth study looked at the level of compliance by palm oil plantations in Central Kalimantan. Of all 35 plantations studied, 89 percent were associated with at least one apparent illegality, while 64 percent were linked with two or more.

Last year, the minister of forestry admitted that half the palm oil plantations in Riau, Sumatra (the province with the largest palm oil plantations) were illegal.
area of palm plantations) were unlawful.

The list of illegalities goes on and on.

In March, the former governor of Riau was convicted of issuing illegal logging permits to nine companies, all suppliers to subsidiaries of APP and APRIL.

Importantly, APP has made a “zero-deforestation” commitment, with commendable progress being made in cleaning up its supply chain, according to an independent assessment by the Rainforest Alliance. APRIL, on the other hand, is reportedly still conducting business-as-usual, clearing conservation zones and consuming natural forests under a flimsy layer of green wash. Greenpeace Australia is currently running a campaign calling on retailers Office Choice and Office National to stop stocking APRIL’s paper products.

Wilmar, the world’s largest palm oil trader, has also committed to “zero-deforestation,” increasing transparency by launching an online dashboard that maps its supply chains.

CIFOR scientist David Gaveau commented in a recent *Guardian* article that rogue operators are getting land through dodgy deals under the radar while larger companies are “are trying to clean up their acts.”

This is also reflected in the EIA study, which states that while these “zero-deforestation” commitments are laudable “as long as the government is making forests available for conversion there will be companies willing to clear them.” It flags that the readiness of middle-sized palm oil companies to scoop up land set aside by larger firms for ecological reasons has been well documented, threatening to undermine meaningful steps toward addressing deforestation.

Trees are literally ripped out from underneath orangutans by some shady operators. In 2013, making international headlines, a palm oil concession located in a buffer zone next to Gunung Palung National Park, an area home to 2,500 orangutans along with clouded leopards and an array of other creatures, was cleared before a high conservation value assessment was carried out. Distressed and starving orangutans were rescued and relocated by International Animal Rescue. After
pledging to hold off until the proper checks were carried out, the concession operators (a subsidiary of Bumitama Gunajaya Agro) went on to clear 500 hectares in the following five months. Later that year a coalition of NGOs released a report condemning BGA on a number of counts, for operating without permits, and continuing to clear high conservation value habitat.

Tracing supply chains is beyond difficult for consumers. But companies should know better. And it seems that with scrutiny they do. Last year, after a campaign by environmental groups against its financiers, Bumitama announced that it had cut ties with the plantation.

**Two Steps Forward, One Step Back?**

Referring to palm oil and pulpwood companies last year, President Joko Widodo said, “If they are indeed destroying the ecosystem because of their monoculture plantations, they will be terminated. It must be stopped, we mustn’t allow out tropical rainforest to disappear because of monoculture plantations like oil palm.”

Another symbolic event took place in March, with the announcement of a new protected area, which was previously an illegally awarded palm oil concession, in the Tripa peat swamp region of the Leuser Ecosystem. The ceremony marked the conclusion of an Aceh government program to block 18 illegal canals draining the peat on a former PT Kallista Alam concession site. Aceh’s governor cancelled the company’s license in 2012, after a successful court challenge by Friends of the Earth Indonesia.

Recently, the Indonesian government announced it would extend the 2011 moratorium preventing new concessions being granted in primary forests and deep peat lands.

The moratorium is in conjunction with efforts by a dozen ministries and agencies to gazette the country’s forest zone, clarifying land boundaries – a critical step forward in resolving social land conflicts by defining state forest from community forest. A recent *Jakarta Post* article explains that “state forest management supported lucrative short-term
but unsustainable exploitation” at the expense of the 30,000 villages (one third of all villages in the country) that depend directly on the forests for their survival and wellbeing. In 2012, there were nearly 8,500 reports of agrarian conflicts, of which more than 2000 were “likely to erupt in violence.” A legacy of ignoring customary tenure and dishing out forests for lucrative concessions is now being righted after a landmark ruling by Indonesia’s Constitutional Court, in May 2013, returning rights over customary forests back to indigenous peoples.

Another step forward is the One Map policy which will see a single map, covering all forest licensing and land use claims, become the unified reference point. Through this initiative, stakeholders hope to reconcile the issue of having countless maps with overlapping concession areas and conflicting tenure assertions.

Despite these sentiments and practical steps, balancing pro-development and pro-conservation agendas will continue to be a colossal challenge.

Officials regularly cite the importance of job creation to raise people out of poverty. Assistant deputy minister for forestry, Prabianto Mukti Wibowo recently told a World Bank conference on land and poverty that deforestation was a “rich-country concern” and that clearing forests for palm oil plantation is a “technical” matter that should not be tied up with trade discussions.

“We know that our primary customers are not concerned about deforestation,” he said.

But this type of development does not always benefit the poorest people. For indigenous peoples who live from the forest its destruction presents an existential crisis, not a lifeline from the hardships of poverty.

In Pandumaan-Sipituhuta, North Sumatra, indigenous peoples featured in a recent documentary lament the loss of customary forests, and the Benzoin trees their families have relied on for livelihood for more than three centuries, which were cut down by a wood pulp producer and replaced with eucalyptus plantations.
This balancing act between development and conservation aims is being played out right now in Aceh. Environmentalists are concerned about a new spatial plan that would open up about 1.2 million hectares of forests for palm oil, timber and mining concessions in the Leuser Ecosystem (fewer than 15,000 hectares of this rezoned land would be allocated for local communities). The Leuser Ecosystem, which includes UNESCO World Heritage listed Gunung Leuser National Park and is considered to be one of the most “irreplaceable protected areas,” is reportedly the only place on earth where rare mega-fauna like tigers, rhinos, elephants and orangutans share the rainforest.

At the time of writing, a petition against the plan had attracted more than 1.3 million signatures.

The spatial plan contradicts the country’s moratorium on new forestry concessions, a discord that is complicated by the autonomy Aceh was granted in a 2005 peace deal to end separatist conflict.

It remains to be seen whether this natural forest in Aceh will be opened up to industry.

It is clear that, despite efforts at reigning in illegal loggers, double dipping companies are continuing to spur the loss of rainforests. What is unclear, however, is why it is still legal for companies to convert more forests for the sake of cheap raw material, when there is plenty of unutilized land already allocated for timber plantations.

This brings us back to the beginning. As CIFOR’s Obidzinski told The Diplomat, there is no getting around the need for plantation wood to fill the supply gap and the allocated land “should be more than enough to generate the raw material that industry needs.”

With the right policies there is room for radical improvement. With the right policies Indonesia’s remaining forests would surely breath a sigh of relief.