Indonesian pulp mill supplies & legality risks

An Lambrechts
Senior Campaigner
Indonesia Forest Campaign Political Coordinator
Greenpeace
Overview

1. Indonesia’s governance context
   (1) National legality scheme SVLK
   (2) Prevalence of illegal logging
   (3) Corruption

2. Pulp mill fibre supplies: risks and mitigation
Governance context: SVLK (1)

All timber supposed to be SVLK certified as of end 2013

State of play: mainly manufacturing firms like pulp mills certified
Governance context: SVLK (2)

SVLK reality check:
• Less than 50% of timber sources certified
• Pulp mill certificate doesn’t say much about legality of supplies:
  - Permitting and harvesting processes not audited
  - No segregation SVLK/ non-SVLK timber
  - No mandate for auditor to assess land tenure rights violations, incl. concession overlaps
Governance context: illegal logging rate

- Dramatic decrease since late 1980’s: from 87% to 40-60%
- Caveat: illegal harvesting figures don’t say anything about illegal licencing processes
- Better law enforcement but no parallel decline in deforestation => **legalisation of forest conversion is problematic**
Governance context: corruption

• Deputy Head KPK: ‘Forestry sector is a source of unlimited corruption’ (2010)

• Recent case:

• HRW study: corruption & mismanagement in forest sector cost Indonesia over $7 billion in losses from 2007 to 2011
  http://www.hrw.org/reports/2013/07/15/dark-side-green-growth
Fibre supplies pulp mills

2 major sources:

- **Plantation fibre: acacia**
  - No (CITES) protected species
  - General governance context problems applicable => legality risks remain but how to verify?

- **Rainforest fibre: Mixed Tropical Hardwood (MTH):** high risk
Fibre supplies: MTH

To be avoided because of:

(1) Likelihood of CITES protected species: ramin – defining presence of ramin fibres very difficult

(2) Conversion timber, large amount from agriculture e.g. palm oil
**Fibre supplies: MTH – conversion timber**

<table>
<thead>
<tr>
<th>Year</th>
<th>Selective Logging (IUPHHK-HA / HPH)</th>
<th>Forest Conversion (IPK)</th>
<th>State Plantations</th>
<th>Industrial Timber Plantations (HTI)</th>
<th>&quot;Other&quot; Permits (Izin Lain Sah)</th>
<th>Total Log Production</th>
<th>Conversion timber (IPK) as % of Total</th>
<th>Conversion timber (IPK) as % of Natural Forest Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>6,445,263</td>
<td>4,456,952</td>
<td>28,566</td>
<td>21,981,822</td>
<td>1,179,881</td>
<td>34,092,484</td>
<td>13.07</td>
<td>40.88</td>
</tr>
<tr>
<td>2007</td>
<td>6,437,685</td>
<td>4,391,657</td>
<td>48,034</td>
<td>20,614,209</td>
<td>705,462</td>
<td>32,197,046</td>
<td>13.64</td>
<td>40.55</td>
</tr>
<tr>
<td>2008</td>
<td>4,629,017</td>
<td>2,764,015</td>
<td>97,480</td>
<td>22,318,886</td>
<td>2,191,387</td>
<td>32,000,786</td>
<td>8.64</td>
<td>37.39</td>
</tr>
<tr>
<td>2009</td>
<td>4,857,150</td>
<td>6,619,247</td>
<td>87,828</td>
<td>18,953,930</td>
<td>3,802,381</td>
<td>34,320,536</td>
<td>19.29</td>
<td>57.68</td>
</tr>
<tr>
<td>2010</td>
<td>5,251,576</td>
<td><strong>14,488,152</strong></td>
<td>98,003</td>
<td>18,556,254</td>
<td>3,720,785</td>
<td>42,114,770</td>
<td><strong>34.40</strong></td>
<td><strong>73.40</strong></td>
</tr>
<tr>
<td>2011</td>
<td>5,088,695</td>
<td>600,598</td>
<td>112,858</td>
<td>19,840,679</td>
<td>21,786,505</td>
<td>47,429,335</td>
<td>1.27</td>
<td>10.56</td>
</tr>
</tbody>
</table>

Fibre supplies: avoiding MTH?

- APP moratorium on forest clearance 2013

- Violations & remedies communicated on dashboard:

Fibre supplies: avoiding MTH?
Conclusions

• All pulp & paper from Indonesia remains high-risk and warrants serious scrutiny

• Corporate policies, monitoring & reporting, NGO evaluation important reference point, but needs to be combined with broader legality check

• Legality scheme: SVLK has loopholes and doesn’t address key sustainability issues such as forest conversion – therefore not a credible solution for paper sector yet
Thank you

• an.lambrechts@greenpeace.org
• Twitter: lambrechtsan