Sustainable Resources and Chain of Custody, The Way to Support Sustainable Trade

International Workshop on Policies on Trade in Timber and Timber Products
Beijing, 6-7 December 2008

by
PT. Sumalindo Lestari Jaya, Tbk
December 2008
PRESENTATION OUTLINE

- SUMALINDO IN BRIEF,
- HOW FOREST DEGRADATION BECOME ONE OF CARBON EMISSION CONTRIBUTORS,
- AND HOW SUSTAINABLE FOREST BECOME SOLUTION OF CARBON EMISSION,
- ECO SOLUTION – A MATTER OF COMMITMENT :
  - The Concept
  - SLJ-II’s Steps Towards FSC-SFM/CoC Certification,
  - Sumalindo’s Chain of Custody
- Testing The Indonesia Timber Tracking System,
- Challenges
- Commitment We Need
PT. Sumalindo Lestari Jaya was established in April 1980, began with managing 132,000 Ha Natural Forest Concession in East Kalimantan province integrated with operating a plywood factory with the production capacity of 66,000 m³ per year,


Currently operates:
- covering 804,786 hectares natural forest in East Kalimantan,
  tree plantation covering 116,876 hectares,
- Plywood factory with capacity of 160,200 m³ per year,
- Sawmill and Moulding : 30,000 m³ per year and
- Medium Density Fiberboard : 208,000 m³ per year,

Awarded prestigious Forest Stewardship Council (FSC) certificate for sustainable forest management and chain of custody on SLJ Unit II of (267,600 Ha) in January 2006 as well as FSC Chain of Custody for Plywood factory,
Our Vision

To be the best in the world and socially responsible integrated wood-based industry which produce eco solutions by utilizing its raw material from sustainable resources through:

- To manage a group of integrated wood-based industry and socially responsible, dealing with plywood mill, MDF mill, secondary process and related wood industries,
- Supported by continuous raw material supply from the natural and plantation forest which are sustain on forest resources management,
- Processed with environmentally friendly standard,
- Increased Product value through value chain, product development, human resources development and distribution channel
Where We Operate
Our Commitments

We are committed to:

- Raise greater cross border understanding & co-operations among The World
- Promote Corporate Social Responsibility amongst businesses through use of sustainable & eco-friendly products, and
- Promote adoption of an eco-friendly lifestyle.
How Forest Degradation Become one of Carbon Emission Contributors

- Rapidly Industry quantity growth,
- Fossil fuel consumption,
- Forest Degradation (Illegal Logging, Forest conversion)
- Forest Fire
And …

How Sustainable Forest Become a Solution of Carbon Emission

CO2 Emission Producer

Carbon Dioxide
Emission totally 13.7 Gt in 1990
(Bali Media Center, 2007)

Every single ha of plantation can absorb 4 ton C/yr and maximum Carbon can be stored: 50 - 295 ton C.
(Centre for Sustainable Development in America, 1998.)

3.67 ton CO$_2$ = 1 ton C

Carbon stock
Natural Forest: 497ton/ha in HCVF area.
(Hairiah & Rahayu, 2007)
Suli’s Eco – Solutions – The Concept

Through technology we:
- Maximize utilization of wood
- Reduce waste
- Product mix

Eco-label Resources

Renewable Resources

ECO CONCEPT 3R: REDUCE, RECYCLE, RENEWABLE

SUMALINDO

ECO MATERIAL & PRODUCT
SLJ-II’s Steps Towards FSC-SFM/CoC Certification

Learning Process & Implementation:

- Learning and understanding constituents of SFM practices,
- Scoping and Analysis to find out the gap between existing cond. and FSC-SFM P&C,
- Started on social and community program (participatory rural app., etc.),
- Man power training and recruitment (GIS, RIL, Safety, Skyline etc),
- External consultants (Forest Engineering Inc., PT. Exsa, etc) key to imparting knowledge and understanding improvement,
- Collaborating with NGOs particularly in terms of SFM: e.g.: TNC, GTZ, TFF, etc,
- HCVF Identification (collaborated with TNC).
Payang Mt. Conserv. Zone:
- Wide of area 12.751.58 Ha
- Including in Kalimantan endemic bird Species habitat based on Birdlife International,
- Lowland rain forest type
- Catchment area of Boh’s river flow area,
- Payang Mt. buffer zone,
- Identified as HCVF area

Tabang’s river conservation zone:
- Wide of area 14.415.19 Ha
- Adjacent with Protected forest at Tabang River
- Lowland forest type.
Special Management area at Mahak’s river flow area:
- Wide of area 12.594.89 Ha
- Lowland forest type
- Riparian for Mahak village people
- Logging activity must be done by carefulness

Special Management area at River flow area Terenga:
- Wide of area 6.152.4 Ha
- Lowland forest type
- Riparian for Mahak’s village people
- Logging activity must be done by carefulness

Special management area at Benaan’s water catchment area:
- Wide of area 13.214.34 Ha
- There are Ulin’s standing stock, bird’s nest, honey, etc
- Life buffer zone for local people
- Logging activity must be done by carefulness

Special Management area at Lebusan’s River flow area:
- Wide of area 6.598.98 Ha
- Riparian for Lebusan’s village people
- Lowland forest type
- Logging activity must be done by carefulness
What is the Value within the HCVF area?

- E.g. Payang Mt. (Red area):  
  **Before FSC certified:**
  - The total area is 12,751,58 Ha which officially is a part of SLJ-II’s forest concession area and constitutes a production forest,

  - Timbers potential in the area:
    \[12.751,58 \text{ Ha} \times 35 \text{ m}^3/\text{Ha} \times 0.56 = 249,930,96 \text{ m}^3\]  
    (which is of totally 60 cm up of diameter of commercial trees),

  - Timbers value:
    \[249,930,96 \text{ m}^3 \times US$150 = US$ 37,489,644\]

- Biodiversity
What is the Value within the HCVF area? (Continued)

After FSC certified:

- Status after FSC certified: HCVF area which is totally protected and including Kalimantan bird’s endemic based on Bird Life International

- Timbers value: 249,930,96 m³ x US$150 = US$37,489,644 are voluntarily FREEZED !!!

- Carbon stock: 12,751,58 Ha x 497 tonC/ha = 6.3 mio ton excluded the additionality of Carbon absorbed.
### Sumalindo’s Commitment To Maintain High Conservation Value Forest (HCVF) in SLJ-II

Voluntarily Freezed !!!

<table>
<thead>
<tr>
<th>HCVF Area</th>
<th>Total Area (Ha)</th>
<th>Timbers potential (dia. 60 cm up) (m³)</th>
<th>Timbers value (US$ Mio.)</th>
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<tbody>
<tr>
<td>Hulu Boh</td>
<td>7,440.90</td>
<td>145,841.64</td>
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<td>Tabang river</td>
<td>14,415.19</td>
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<td>Mt. Payang</td>
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<td>249,930.96</td>
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<td>Total</td>
<td>34,607.67</td>
<td>678,310.32</td>
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Steps Towards FSC Certification (Continued)

Certification Process
Pre-assessment, public meeting, full assessment, precondition fulfilment
Steps Towards FSC Certification (Continued)

2006

Maintaining & Further Improvement Performance of SFM

CB has carried out FM audit twice in the first year after obtained the FSC-SFM/CoC certificate which is 2006 and in the second year, the annual FM audit conducts every year by CB.
Sumalindo’s Chain of Custody

- Started on the way of FSC Certification Process (2004):
  - Collaborated with TNC, MoF and DFID created a Project: “Wood Legality and Timber Tracking System”,
  - When the project was ended, Sumalindo continued developed the system namely Sumalindo Logs Information System,

- Sumalindo also participated in testing The Indonesia Timber Tracking System (ITTS) in 2007. The ITTS will be officially launched in January 2009.
By using Barcode system can make the implementation of Chain of Custody more reliable.
In 2004, SLJ II collaborated with TNC/SGS/URS carried out a Project namely WOOD LEGALITY VERIFICATION & TIMBER TRACKING which is A Project sponsored by The Ministry of Forestry of Republic of Indonesia and DFID.
“Barcoded tags” are used to be part of the implementation of CoC in SLJ-II which has been FSC CoC certified along with the FSC-SFM Cert.

**CHAIN OF CUSTODY**

- Key features of Sumalindo’s Chain-of-Custody:
  - Use of a unique serial numbers in single barcode to be stapled onto log.
  - Use of a barcode reader to store the logs identity data and for checking the barcode.
  - Data encrypted with database password.
  - Unique serial numbers linked to 100% cruising report allows independent field verification.
How Sumalindo's CoC System Works?

- Physical Check Vs Barcode
- Key-in Data

LOADING LOGS TO LOGGING TRUCKS

- Physical Check Vs Barcode
- Key-in Data

HAULING

- Physical Check Vs Barcode
- Key-in Data

COLLECTING LOGS AT LOG POND

- Physical Check Vs Barcode
- Key-in Data

END OF LOGS DESTINATION

- Physical Check
- Key-in data
- Labelling logs with Barcode

IDENTIFYING & MEASURING LOGS

INDUSTRY

TUJUAN ANTARA / TRANSIT

LOGS INTRANSIT

Data Encrypted

DATABASE Server

Data Encrypted
Testing The Indonesia Timber Tracking System

- Logs Production Information per Province (current month & year to date)
- Reforestation fee & Provision paid to the Gov. (current month & year to date)
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<th>No.</th>
<th>U/B Barcode</th>
<th>Jenis Kayu</th>
<th>Panjang (M)</th>
<th>Diameter (Cm)</th>
<th>Volume (M3)</th>
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<th>Asal Kayu</th>
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Sample of ID Barcode to be checked
PELACAKAN ASAL-USUL KAYU BULAT

**ID BARCODE**
1904A09SMLJ00000000000002003

Jenis: Bangkirai
Kelompok Jenis: Kelompok Meranti

### POSISI TERAKHIR
- **Nama**
- **Alamat**
- **Loka Bongkar**

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<th>Name</th>
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### TPK ANTARA / TPK TRANSIT / TEMPAT PENAMPUNGAN
- **Nama**
- **Alamat**
- **Loka Bongkar**

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CHALLENGES

• Process to meet the FSC Principles and Criteria is time consuming,
  • No clear economic benefit,
  • No time limit of Securing/Passing the Audit (Cost ???)
  • Being hold the FSC Certificate, No Guarantee of passing the Annual FM audit,
• High Upfront Cost:
  • Manpower training, building up the knowledge, and developing the consciousness and control among workers,
  • HCVF,
  • Reduced Impact Logging,
  • Low Incentives
• Non-VLO products are still there in the market
• Global crisis ???
  • Sales volume decrease and effects to the revenue,
We Need Commitment of All Stakeholders

A New Paradigm
A Unique Experience
A New Standard
Commitment We Need

- **Business Commitment**
  - No compromise on sacrificing environment with profit,

- **Government Commitment**:
  - To strengthen the Law enforcement in order to clamp down the illegal logging and trade,
  - To give incentives to all stakeholders whom are environment awareness,

- **End User Commitment**:
  - To buy and use wood materials only from legalized source,
  - To participate in stopping the illegal logging and trade by knowing the original label of certified wood,

- **NGO’s commitment**:
  - To assist creating the atmosphere towards a mutual cooperation amongst forest stakeholders in preserving the forest,
  - To become an effective facilitator for forest managers in their process to achieve sustainable forest management which marked by obtaining the forest certification,
  - To assist SFM certificate holders on creating market for their products especially in wood panel and wood working products,
  - To be a public eyes by watching closely and exposing all activities on illegal logging and trade.