

December 2009

Bearing Witness

Thirty years of APP's destruction of forests

(Simple English Version)



Note: This is an English draft translated from Chinese version. For reference only. Please refer to Chinese version if you have any questions:

<http://www.greenpeace.org/china/zh/press/reports/app-paper-rpt>

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November 2009, Greenpeace volunteers protest against APP on the company's cleared land in Riau, Indonesia @ Greenpeace/ Will Rose

Foreword

Who is sabotaging our efforts to save the climate?

Deforestation has accounted for approximately 1/5 of global green house emission- more than the emission from the fossil fuel-intensive global transportation sector, according to Intergovernmental Panel on Climate Change (IPCC). Therefore reducing emission from deforestation and forest degradation is one of the most rapid and cost-effective ways to combat climate change. In addition, stopping forest destruction also helps to improve the local ecological conditions, protect water resources, preserve biological diversity and safeguard indigenous people's rights.

At this crucial moment when all countries are trying to find climate-saving solutions, Asia Paper & Pulp Group (APP) continues to destroy ancient forests and causes large CO₂ emission in Indonesia, to develop its plantation-pulp-paper integration projects – contrary to the efforts of the global community to combat climate change.

APP has entered the paper-making industry for over 30 years now starting from its first paper production line in Jawa Timur Indonesia under the name of PT. Tjiwi Kimia in 1978. Today it has become one of the biggest paper-making companies in the world. However countless acres of ancient forests disappeared during this 30 years whose direct consequence is the acceleration of global climate change.

Ironically APP has established the objective to become “the world’s biggest and most powerful green-circular-economy enterprise following the plantation-pulp-paper integration model” both in China and in Indonesia. We can not help but wondering how it can realize the objective of a green circle as their production including deforestation, emits 33 tonnes of CO2 with every tonnes of wood pulp produced?

Recently Greenpeace found that 3 types of APP paper made-in-China to contain fibres from natural forests in Indonesia. This has not only shown APP’s claim of “source from ancient and high conservation value rainforests are forbidden” to be totally false, but also demonstrates the undeniable fact that APP’s paper production in China has direct link to the destruction of Indonesia’s natural forests.

Some enterprises and organizations with an eye on their social responsibility have severed links with APP because of its notoriety in environmental destruction. The list keeps growing ranging from office-supplies company Office Depot of the United States to retailer company Metro of Germany, from office device manufacturer Ricoh of Japan to office-supplies retailer Staples of the United States, from Rainforest Alliance to Forest Stewardship Council. If APP does not take immediate and effective measures to stop forest destruction, more retailers and consumers are likely to join in the league to boycott APP products.

The United Nations Climate Change Conference in Copenhagen is taking place this moment. If we continued to ignore the massive deforestation and carbon emission caused by APP, we were dodging our responsibility in this critical time for the future of the planet.

APP: stop now your crimes in forest destruction and climate change!

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A glimpse of massive pulp plantation owned by international pulp giants APRIL and Sinar Mas APP in Riau, Indonesia @ Greenpeace/Vinai Dithajohn

Chapter 1

30 years of extending the boundary of deforestation

"In light of its background, Sinar Mas' flagship enterprise – Asia Paper and Pulp has gone through a nirvana. Not only they spend a large sum of money to introduce state-of-art production facilities, they depend on the natural forests in Indonesia, extend their boundaries and introduce fast-growing pulp woods. As of today, APP's Indonesian plants turn over 7 million tonnes of pulp and paper every year and their paper products can be found in 65 countries and regions around the world. – Phonix TV, Business Journey 2008

APP, expansion accompanied by Indonesian Natural Forest destruction

As one of the biggest producers of pulp, paper and paper products in the world, Asia Pulp & Paper Co, (APP) under the Sinar Mas group has over 30 paper and pulp mills and nearly a hundred sells companies in 8 countries including Indonesia, China,

Singapore, the United States and Malaysia¹. Its annual production of 15 million tonnes of paper and pulp² can be found in nearly 70 countries and regions worldwide³. During the past 30 years, with the help of startup funds from the palm oil industries and relying on the forest resources in Indonesia, APP has expanded its capacities by rapidly setting up and buys in pulp and paper mills. Growing from one single paper mill, it is now a conglomerate with an annual sale of US\$8 billion in 2007⁴. A few important milestones in its rapid trajectory are: in 1978 Tjiwi Kimia commenced paper production of 12,000 tonnes/annum in Java Timor Indonesia⁵, 1986 Indah Kiat Pulp & Paper (IKPP) in Riau with an annum of 90,000 tonnes were acquired⁶; in 1994, Asia Paper & Pulp were formally registered in Singapore⁷; in 2007 Gold East Paper in Jiangsu China broke the world record of paper-production for the fifth time⁸; in 2008, APP's CEO Mr. Teguh Ganda Wijaya topped the RISI Power List Top 50 – a list composed by the influential Paper and Pulp International Magazine⁹. To resume, APP is leading the paper making Industry in Indonesia and in China. Thanks to APP, Indonesia no longer needs to import paper¹⁰ and China is self-sufficient in art paper production¹¹. However this is the same company that has covered its behavior of forest destruction by the lie of plantation integration for 30 years. APP's continual expansion brings massive forest destruction to Indonesia.

¹ Romain Pirard, Rofikoh Rokhim, CIFOR (2006), Asia Pulp & Paper Indonesia: The business rationale that led to forest degradation and financial collapse P18; Gold East (Jiangsu) Co.Ltd (2008). Audited Financial Statements Dec. 31st, 2008, p109~p112.

² In 2007, APP Indonesia produced 7.01 million tones of paper and pulp, according to APP (2009) Growing a Sustainable Future Environmental and Social Sustainability Report for Indonesia 2007, p21; in the same year, APP China reached an annual capacity of 7.15 million tones of paper and pulp, according to APP China(2007) Environmental and Social Sustainability report 2007, p3; In 2009, APP successfully installed a 1.6 million-ton production line in Jinhai, Hainan Province, China, according to Zhen Weina (2009), The World's Longest Paper Machine Install Finished, November 27th, 2009, Xinhua Net, Hainan Channel.

³ 2008 China Custom Data.

⁴ In 2007, sales of the five APP companies totaled in excess of US\$4.3 billion dollars, data source: APP(2009)Growing a Sustainable Future Environmental and Social Sustainability Report for Indonesia 2007,p7; Sales of APP in China reached 27.1billion RMB, data source: APP China (2007), Environmental and Social Sustainability report 2007,p5(Chinese version).

⁵ APP website, APP Overview- History and Overview, <http://www.asiapulppaper.com/>.

⁶ APP website, APP Overview- History and Overview, <http://www.asiapulppaper.com/>.

⁷ APP China Website, Milestones in APP China's Development, http://www.app.com.cn/chinese/aboutus_development.html.

⁸ Gold East Paper website, Gold East History, http://www.goldeastpaper.com.cn/info_9.htm.

⁹ PPI (2008), The RISI Top 50 Power List, <http://www.risiinfo.com/magazines/pulp-paper/magazine/international/july/2008/PPIMagJuly-The-RISI-top-50-power-list.htm>.

¹⁰ For example, APP weighted 40% of pulp and 31.8% of paper production in Indonesia respectively in 2007.Ministry of Forestry (2007), A Road Map for the Revitalization of Indonesia's Forest Industry, p11.

¹¹Shi Shaochen(2009), Gold East: The No. 1 Chinese Coated Paper Producer, <http://green.sohu.com/20090615/n264536578.shtml>,



One of Sinar Mas' subsidiaries in Perawang, Indonesia PT Indah Kiat Pulp and Paper @ Greenpeace/Daniel Beltr



A glimpse of massive pulp plantation owned by international pulp giants APRIL and Sinar Mas APP in Riau, Indonesia @ Greenpeace/Vinai Dithajohn

Take APP's biggest pulp mills PT. Indah Kiat Pulp and Paper-Perawang (IKPP-Perawang) for example, this plant is located in Riau and has an annual capacity of 2 million tonnes of chemical pulp and 700,000 tonnes of paper¹². Situated at the east of Sumantra, Riau was just opposite Singapore. What's more, swamps and lakes dotted Riau has preserved and contained carbon emission by the peat soils and measuring just 4 million hectares – about the size of Taiwan or Switzerland, Riau stores 14.6Gt of carbon, or 40% of Indonesia's peat land carbon¹³. The forest in Riau provides habitat for the rare species of Asian Elephants, Sumantra Tigers, hippos and Orang-utans. The World Wide Fund for Nature(WWF) has shown that, from 1982 to 2007, 4.2 million hectors of low land forest and peat land forest were lost in Riau and its forest cover rate decreased from 78% to 27%, more than a quarter of those lost were on peat soils¹⁴. On the cleared land, 35.9% were planted palm oil trees, and 24.4% were planted pulp woods (mainly *Acacia mangium* and *Acacia crasicarpa* introduced from Australia), 18.1% were used for other plantation and infrastructure and 21.6% were deserted. As a result of deforestation, emissions from peat soils and forest fire, the carbon dioxide emission in Riau has been estimated by WWF to have reached 220 million tonnes per annum between 1990 and 2007¹⁵. The two Sinar Mas companies – IKPP-Perawang and its fibre supplier PT. Arara Abadi are the leading contributors to these emissions.¹⁶ In total, WWF estimated APP's pulp production in Riau has led to the clearance of 826,000 hectors of forest in Riau between 1988 and 2005.¹⁷

¹² APP (2009), Growing A Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia, p40.

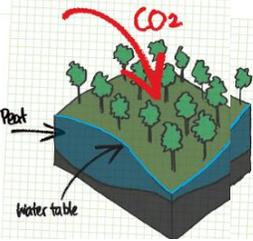
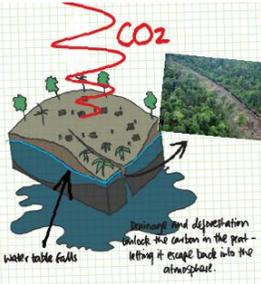
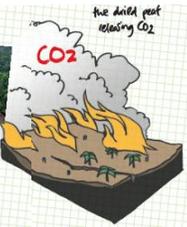
¹³ Wahyunto et al (2003), Maps of area of peatland distribution and carbon content in Sumatera, 1990 – 2002, Wetlands International – Indonesia Programme and Wildlife Habitat Canada (WHC).

¹⁴ Uryu, Yumiko (2008), Deforestation, forest degradation, biodiversity loss and CO₂ emissions in Riau, Sumatra, Indonesia, WWF. Of the total area of forest loss (4.2 million ha), 1.8 million ha where located on peat soils.

¹⁵ Uryu, Yumiko (2008), Deforestation, forest degradation, biodiversity loss and CO₂ emissions in Riau, Sumatra, Indonesia, WWF. Forest land conversion means the clearing of natural forests and replacing them by tree plantation. This will put a stop on the recovery of the natural forests and accelerate the oxidation of organic matters in the soil.

¹⁶ Greenpeace (2008), The Hidden Carbon Liability of Indonesian Palm Oil, Greenpeace International 2008, p51.

¹⁷ WWF Monitoring Brief (2006), Asia Pulp & Paper Hiding Destruction behind false Advertisement: APP continues to ignore calls for conservation beyond “legal compliance“, and even fails on the latter, http://assets.wwfid.panda.org/downloads/executive_summary_of_app.pdf.

	<p>Forest absorbs CO₂ through the photosynthesis process so that carbon is retained in live biomass. Peat was formed and accumulated when the plants die and the water has stopped the oxidation of the peat. After some hundreds of years, a thick layer of several meters of peat are formed.</p>
	<p>Plantation requires draining the peat land and allows it to be exposed in the air. Oxidation begins and the carbon compounds were released and become CO₂.</p>
	<p>Fire is normally used in the clearing of natural forests and preparation of plantation, to reduce its acidity before saplings. That will cause forest fire over peat and result in further CO₂ gas emissions.</p>

In 2009, APP China release its first carbon footprint assessment result. The assessment, which is carried out by the consulting company CAMCO on 6 of the major pulp and paper mills and 2 plantation companies in China, gives the result that for each ton of paper the carbon emission would be 1.49 tonnes of CO₂¹⁸. In 2008 APP Indonesia has hired ERM the consulting company to conduct similar assessment for 8 major pulp and paper mills in Indonesia and reported 1.56 ton of CO₂ emission for each ton of paper on average level.¹⁹. From the publicly available material released by CAMCO and ERM, the assessment is only about fossil fuel and energy use while totally ignores the carbon emission from deforestation and peat land conversion caused by APP in Indonesia²⁰. Here we show what a magnificent figure that could be:

¹⁸ APP China (2009), APP 2009 carbon footprint special edition.

¹⁹ Libiran Angraeni, APP (2009), APP's Socio-Carbon Footprint Assessment: First of its kind for Global Pulp and Paper Industry, http://appmnr.app.co.id/env_app-mr_tst/index.php?option=com_content&task=view&id=118&Itemid=46&lang=.

²⁰ Camco (2008), why and how to calculate your company's carbon footprint, illustrated with recent case studies from China. In this presentation, the consulting company Camco clearly identifies the boundary for the carbon footprint assessment, and clarifies the 9 emission activities in the auditing scope: electricity consumption, gas

1. Carbon emission as a result of forest destruction

APP (Indonesia) has produced 2.52 million tonnes of pulp in 2007, with acacia fibre from plantations accounting for 79% and mixed tropical hardwood from natural forests (MTH) for 21 % of total production.²¹ Fibre consumption can therefore be estimated to have amounted to 9.8 million cubic meters for acacia and 2.6 million cubic meters for MTH in that year.²² According to the formula to calculate the carbon emissions resulting from commercial logging of forests provided by the Intergovernmental Panel on Climate Change (IPCC),²³ the MTH fibre supply to APP Indonesia in 2007 has resulted in 9.7 million tonnes of carbon emission. This calculation provides only estimates of carbon emissions from biomass loss. It does not include the indirect emissions, such as those from peat degradation.

2. Carbon emission by destroying the peat land

As of 2005/06, Sinar Mas' pulp wood concessions covered 397,000 ha of peat lands in Riau²⁴, equivalent to 4% of Indonesia's 10 million ha of peatlands that is under degradation²⁵. According to Wetlands International, an average annual emission from Indonesia's degraded peatlands amounts to 1.8Gt CO₂, including peatland fires. Straight maths would suggest therefore that Sinar Mas' pulp wood concessions on peat account for average annual emissions from peatland degradation in Riau alone on the order of 72 Mt CO₂ annually.

consumption, backup generators, company owned vehicles, business travels, commuting, third party deliveries, waste disposal, and refrigerant gas loss. In ERM (2008), Executive Summary of APP's Carbon Footprint Assessment August 8, 2008, it is specified that the carbon emission auditing is about Energy Consumption from Fossil Fuels in 2006. What is "interesting" is that ERM gives specific number the APP's pulpwood plantation has a net carbon sequestration of 12,537,595 t CO₂, but totally ignores the emission from deforestation and peatland conversion.

²¹ APP (2009), Growing a Sustainable Future- 2007 Environmental and Social Sustainability Report for Indonesia.

²² Conversion based on factor 4.8 for Acacia and 5 for MTH according to Jaakko Pöyry (1998), cited from Barr/CIFOR (2000), Profits on Paper: The Political-Economy of Fibre, Finance, and Debt in Indonesia's Pulp and Paper Industries, November 30 2000. The APP 2004 Sustainability Action Plan assumes a conversion factor of 4.7 from cubic metre wood to metric tonne pulp (ADMT).

²³ IPCC (2003), IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry, Formula 3.2.7.: annual carbon loss due to commercial fellings = annually extracted volume in roundwood (2.6 million m³) * basic wood density (assumed to be 0.59 t/m³ as Dipterocarpus spp. (0.61 t/m³) and Shorea spp. are the main species used, densities taken from IPCC 2003 Table 3A.19-2)) * biomass expansion factor for converting volumes of extracted roundwood to total aboveground biomass (default value of 3.4 for tropical broadleaf trees, Table 3A1.10)) * (1-fraction of biomass left to decay in forest - assumed to be the default value of 0) * the carbon content of the dry matter (default value of 0.5 tonnes C/tonne d.m.). This gives C losses of 2.6 x 10⁶ x 0.59 x 3.4 (1-0) x 0.5 = 2.65 million tonnes C = 9.7 million tCO₂.

²⁴ For details see: Greenpeace (2008) The Hidden Carbon Liability of Palm Oil, Greenpeace 2008.

²⁵ There are 27.1 million ha of peatlands in SE Asia, 83% of this is in Indonesia. 10.6 million ha (39%) of peatland in SE Asia was deforested in 2000. Accounting for continued deforestation at a rate of 1.5%/year, the deforested peatland area in 2006 is around 45% of total peatland area, or 12.1 million ha. 83% of 12.1 = 10m of peatland deforested and degraded. Source: Hooijer, A, M Silvius, H Wösten, H and S Page (2006), PEAT-CO₂, Assessment of CO₂ emissions from drained peatlands in SE Asia Delft Hydraulics report Q3943 7 December 2006, www.wetlands.org/ckpp/publication.aspx?ID=f84f160f-d851-45c6-acc4-d67e78b39699.

Therefore, every tonnes of pulp produced by APP (Indonesia) in the year 2007 emitted an additional 3.8 tCO₂ due to the logging of natural forests and an estimated 29 tCO₂ due to peat land destruction in Riau. .

On 2007 six companies under APP (China) have imported 309,000 tonnes of pulp from Indonesia²⁶ turning out 4.39 million tonnes of paper products²⁷, which means in average, every ton of paper produced in China cause 0.27 tonnes of CO₂ emission related to deforestation in Indonesia and an estimated 2 tonnes of CO₂ emissions due to the degradation of peatlands, assuming that all of the pulp imported by APP China came from APP Indonesia²⁸. Including estimates of peatland emissions due to APP's fibre supplies, shows the total inadequacy of Sinar Mas' approach of carbon footprint accounting and reveals the shocking reality behind their pulp & paper operations in Indonesia. Due to lack of information, the calculation here does not take into consideration APP's carbon emission outside of Riau caused by forest and peat land forest destruction or forest fire, neither would it include the carbon emission caused by APP's forest destruction in China and other forest countries.

We would also clarify APP's claim in APP's statement in response to Greenpeace's accusation of climate change²⁹. APP said that "the 2007 UNFCCC points out that, in the long run, the objective of sustainable forestry is to maintain and increase the forest's function as carbon sink and as paper forest base, which makes sustainable forestry itself a sustainable behaviour to slow down climate change in the biggest industry level". Due to the massive deforestation and forest conversion caused by APP, APP plantations cannot be regarded as sustainable forestry for the sequestration of carbon at all. On the other hand, APP has always claimed that plantations have a high value of carbon fixation. For example in APP's article about the carbon footprint in Indonesia, it claimed that "In fact, when plantation sequestration is considered, the weighted average carbon footprint is reduced "considerably close to neutral per ton of paper"³⁰. In fact these plantations that are logged every six to seven years hardly contained any carbon fixation values the minute they were used as paper making materials. Therefore, not the annual increment of pulp tree biomass, as Sinar Mas does in its Carbon Footprint Report, can be counted as sequestered carbon, but at most the average carbon content of a pulp wood plantation over its life span. Adopting the

²⁶ Source: China Customs, 2007. Altogether, six companies under APP (China) are Gold East (Jiang Su) Paper Co. Ltd, Gold Hong Ye (Suzhou) Paper Co. Ltd, Ningbo Asia Paper and Pulp Co. Ltd, Ningbo Zhonghua Paper Co. Ltd, Gold Huasheng Paper Co. Ltd, Hainan Jinghai Pulp & Paper. The ratio from chip weight to pulp weight is 4.7.

²⁷ China Technical Association of Paper Industry (2008), Almanac of China Paper Industry 2008, p38 and p103.

²⁸ For the pulp imported, the related CO₂ emission would be $30.2 \times 309,000 = 9.33$ million tonnes. So for each ton of paper produced by APP China, the CO₂ emission will be $4.39/9.33 = 2.1$ tonnes from peatlands degradation and $3.8 \times 309,000/4390000 = 0.27$ tonnes from logging of natural forest.

²⁹ APP China (2009), APP's Respond to Greenpeace's Charges Over Climate Change Issues, May, 27th 2009, <http://www.wowa.cn/Article/78441.html>.

³⁰ APP (2009), Myth: APP facilities and carbon emissions are worse than its European and North American counterparts, March 25, 2009, APP website <http://www.app-mythsandrealities.com/>.

overly optimistic figures used by Sinar Mas, this would amount to about 37 tC/ha.³¹ However, APP's assumptions would lead to a harvest of over 160 m³/ha³² at the end of a 7 yr rotation cycle. The Ministry of Forestry assumes a harvest of 125 m³/ha in their "road map for the revitalization of Indonesia's forest industry".³³



Three Sumatran tiger cubs @ GettyImage

In 2001, Friends of Earth from UK released the report "Paper Tiger, Hidden Dragons", to depict that in year 2000, 75% of the APP paper pulp were sourced from natural forests. APP also developed their paper forests base in the thickest of Sumatran tropical forests, located at the centre of the island, causing the extinction of the Sumatran Tigers. Facing with public scrutiny, on August 7th 2006, APP has run a full-page advertisement in both The New York Times and The Financial Times, vowing that "APP are committed to protecting high conservation value forests. It's a commitment that is a core value of our Sustainable Forest Management Program". APP also claimed to set aside 100,000 hectares of forests land in Southern Riau as the protection zone for Sumatran Tigers. WWF lately found that only 16,000 hectares of the claimed 100,000 – hectares – protection-zone were within concessions associated to APP (a forest company certified by the Forest Stewardship Council owns the rest).

³¹ In its carbon footprint assessment for APP, the author (ERM) assumes a net sequestration of 12.5MtCO₂ on a plantation area of 647,000 ha. This is equivalent an annual sequestration of 19tCO₂/ha. This leads to a mean annual increment of 5.3 tC/ha and a carbon stock at harvest of 37 tC/ha after a 7 yr rotation cycle. A pulp wood concession has an average carbon stock over its lifespan of half the stock at harvest, i.e. 18 tC/ha using APP's figures. Based on: ERM (2008) Asia Pulp & Paper – Indonesia Executive Summary of APP's Carbon Footprint Assessment August 8, 2008.

³² Carbon stock to biomass conversion factor: 2; average density of Acacia: 0.45 t/m³.

³³ MoFor (2007) A road map for the revitalization of Indonesia's forest industry, Ministry of Forestry, p27.

What's more, APP has chopped down the trees in the nearby 4,000 hectares of natural tiger forest.³⁴

Furthermore, investigations by the World Wide Fund points out that, from 1996 to 2005, some APP suppliers have chopped down 37,349 hectares of trees inside protected natural forests.³⁵

WWF has also pointed in its latest report that due to the fragmentation and disappearance of the habitat, Sumatran Tigers and elephants are under the threat of poaching day by day. Because of the increased contact with human, these wild animals, the conflicts between the animals and the tree farmers and lumberjacks are getting worse.³⁶ A report by the environmental alliance Eyes On the Forest shows that, since 1997, there are altogether 245 cases of conflicts between human and tigers in Riau, resulting in the death of 55 casualties and the loss of 15 tigers. 60% of these incidents, 147 cases, occurred in the Senepis area, where APP/SMG-associated companies have expanded its natural forest clearance operations in five concessions mainly since 1999, accounting for 49% of the human casualties and 53% of loss of tigers³⁷. The tensions between human and tiger is so high – 9 deaths were recorded in the Sumatran province of Jambi where Sinar Mas has extensive plantations feeding the pulp & paper mill PT Lontar Papyrus during the last few months – that the tiger causing trouble had to be 'removed'³⁸. From 2003 to 2007, the conflict between human and elephants have resulted in the death of 42 human beings and 100 elephants on Sumatra Island³⁹. However, these news reports may only be a tip of the iceberg. From 1984 to 2007, the population of Asian elephants residing in Riau has decreased from between 1067 and 1617 to only 210; Sumatran tigers have decreased from 640 in 1982 to 192. Riau once hosts the largest populations of Asian elephants and Sumatran tigers, it is no longer the case as the tidy pulp woods and oil palms take the place replaced the tropical forests that the animals were dependant on⁴⁰.

³⁴ WWF Monitoring Brief (2006), Asia Pulp & Paper Hiding Destruction behind false Advertisement: APP continues to ignore calls for conservation beyond "legal compliance", and even fails on the latter.

³⁵ WWF Monitoring Brief (2006), Asia Pulp & Paper Hiding Destruction behind false Advertisement: APP continues to ignore calls for conservation beyond "legal compliance", and even fails on the latter.

³⁶ Uryu, Yumiko (2008) Deforestation, forest degradation, biodiversity loss and CO₂ emissions in Riau, Sumatra, Indonesia, WWF.

³⁷ EOF (2009), Forest Clearing by Paper Giant APP/Sinar Mas Linked to 12 Years of Sumatran Tiger, Human Fatalities, 17 March 2009, http://eyesontheforest.or.id/index.php?option=com_content&task=view&id=227&Itemid=6&lang=english.

³⁸ SYAIPUL BAKHORI, TEMPO Interactive(2009), Governor Calls For a Halt to Illegal Logging, 10 March, 2009 <http://www.tempointeractive.com/hg/nasional/2009/03/10/brk,20090310-164057.uk.html>,

³⁹ DPA (Aug 29, 2007), Elephants, villagers both losers in Sumatra deforestation http://www.monstersandcritics.com/news/asiapacific/news/article_1349111.php

⁴⁰ Uryu, Yumiko (2008), Deforestation, forest degradation, biodiversity loss and CO₂ emissions in Riau, Sumatra, Indonesia, WWF

The so-called plantation-pulp-paper integration

A firm supporter of the plantation-pulp-paper integration, APP has been very high profile in its preaching of “building the company into the largest and strongest green company with a circular economy” by adopting wood-pulp-paper integration in China and in Indonesia⁴¹. The plantation-pulp-paper integration means the pulp produced by the mills will provide financial means to sustain the growth of the tress plantations – a model of circular economy. In general, the management objective of this model relies fully on tree plantations and there is no need to log the natural forests. It is on this point that APP caused most controversy in both China and Indonesia. Responding to the “unfair criticism” from the environmental organisations and media, APP Indonesia claimed that all the virgin fibre is sourced from “Pulpwood Fibre Supply Integrity” projects in company owned concessions and certified market sources⁴². APP has attributed the various blames to “It is a fact that good strong quality paper is made from wood fibre. For many reasons, tangible and intangible, trees, which are the source of that wood fibre, are a sensitive and emotive subjects” and that “Indonesia and China are sensitive parts of the world...as developing countries, both countries only recently have begun to develop their natural resources in a sustainable way for pulp and paper industry. The social and economic challenges related to the communities in which we operate escalate the sensitivity”⁴³. APP has pointed out that “our goal is to manage the development of pulpwood plantation, pulp and paper industry in a way that ensures equal balance to the three pillars of sustainability- to protect economic development, social and environmental needs”⁴⁴. However, the reality is that APP’s rapid growth has drained the natural resources and disturbed the harmony between human and animals. **Why doesn’t the proclaimed Plantation-pulp-paper integration realise the objective of circular economy? The core of the problem is that APP prefers to expand the capacity before securing enough fibre from plantations, so that they “have to borrow” from natural forest.**

⁴¹ From APP website http://www.app.com.cn/chinese/aboutus_idea_1.html

⁴² “Sustainability & CSR – Ensuring a sustainable material” <http://www.asiapulppaper.com/>

⁴³ APP website <http://www.app-mythsandrealities.com/>

⁴⁴ APP website <http://www.app-mythsandrealities.com/>



Land clearing site done by APP's subsidiary company Arara Ababi @ Greenpeace/Will Rose

Sinar Mas acquired PT Indah Kiat Pulp & Paper in 1986⁴⁵ and subsequently increased its pulp capacity from around 120 000 tonnes in 1989 to 1.7 million tonnes in 1999. At that time, Sinar Mas' plantation area, however, amounted to only 160,000 hectares supplying APP with 900,000 cubic meters of Acacia were logged⁴⁶. The fibre needs for 1.37 million tonnes, however are 6.7 million cubic meter. That is, Sinar Mas' plantations supplied only some 13.4% of PT Indah Kiats fibre needs at that time⁴⁷. In 1999 IKPP announced that plantations managed by PT. Arara Abadi would be enough to satisfy their needs by 2004⁴⁸. While by 2005, the capacity of IKPP has increased to 2 million tonnes consuming 9.8 million cubic meters of logs, meaning over 59% were sourced from "mixed tropical hard wood pulp, MTH" coming from natural forest⁴⁹. By 2007, according to APP's own publications, the share of natural fibre has decreased to 8%, indicating the massive conversion of Indonesian tropical

⁴⁵ March 1984 Indah Kiat Perawang mill's Pulp Machine 1 started producing bleached hardwood kraft pulp with an initial capacity of 250 tonnes/day. <http://www.asiapulppaper.com/>

⁴⁶ Christopher Barr, (2000), Profits on Paper: The political –Economy of fibre, finance, and debt in Indonesia's pulp and paper Industries p14–p15, quoted from Machteld Spek. 2000. "Indah Kiat: Company Update." GK Goh Ometraco Research, Singapore, August 1.

⁴⁷ Christopher Barr, (2000), Profits on Paper: The political –Economy of fibre, finance, and debt in Indonesia's pulp and paper Industries p14–p15, quoted from Machteld Spek. 2000. "Indah Kiat: Company Update." GK Goh Ometraco Research, Singapore, August 1.

⁴⁸ Christopher Barr, (2000), Profits on Paper: The political –Economy of fibre, finance, and debt in Indonesia's pulp and paper Industries p15, quoted from PT Indah Kiat Pulp & Paper Tbk. 1999. "From 20-F for Fiscal Year Ended December 31, 1999". Securities and Exchange Commission, Washington, DC.

⁴⁹ APP (2009), Growing a Sustainable Future Environmental and Social Sustainability Report for Indonesia 2007, p44

forests into monotonous pulp wood plantations, while at the same time showing that APP still can not fully rely on plantation fibres for its current pulp capacity.⁵⁰ It has to be noted, that in 2006, PT IKPP still sourced 49% of its fibre requirements from natural forests⁵¹. In 2007, according to APP's sustainability report 2007, the governor of Riau imposed a moratorium on natural forest logging for pulp wood, forcing PT IKPP to source more Acacia from the neighbouring province Jambi. This led to their Jambi based sister mill PT Lontar Papyrus having to increase the share of natural fibre in their procurement from 54% in 2006 to 58% in 2007⁵².

In February 2004, under the pressure of environmental groups, APP has released the first Sustainable report. The report promised all products would be procured from plantations and no need for tropical mixed pulp by 2007⁵³. However, in its latest report published in 2009, APP clearly stated that for the production in 2007, 21.4% of the fibre is sourced from natural forest⁵⁴.

Before each capacity increase, APP didn't develop enough pulp plantations, which does not hinder them to brag about realizing the wood-pulp-paper integration in the future – by which means APP has occupied even bigger concessions.

⁵⁰ APP Environmental and Social Sustainability Report for Indonesia 2007.

⁵¹ APP (2009), Growing a Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia, p44.

⁵² APP (2009), Growing a Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia, p31.

⁵³ APP (2004), Sustainability Action Plan.

⁵⁴ APP (2009) Growing A Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia.

Table 1 APP tree farms locations and surface

SMF concession that supply to APP	Check point	Sinar Mas Concession supplying to APP, in hectare					
		Plant ed area	Degraded natural forest	Barren land	Summery-p lantable area	Other usage ⁵⁵	In Tot al
Sumatra	January, 1999 ⁵⁶	221132	N/A	N/A	569580	N/A	569580
	June, 2003 ⁵⁷	227494	161733	225010	614237	345420	959657
	June, 2006 ⁵⁸	517031	95161	474130	1086322	590278	1676600
	December, 2007 ⁵⁹	639550	148936	412220	1200706	665142	1865848
Kalimantan	January, 1999 ⁶⁰	0	0	0	0	0	0
	June, 2003 ⁶¹	0	0	0	0	0	0
	June, 2006 ⁶²	106378	0	91746	198124	284876	483000
	December, 2007 ⁶³	121034	2503	102404	225941	296679	522620

⁵⁵ APP (2004), Sustainability Action Plan.

⁵⁶ Ministry of Forestry and Estate Crops (1999), Perkembangan Pembangunan HTI-Pulp Tahun 1997/1998, Statistik Kehutanan Indonesia 1997/1998 Jakarta.

⁵⁷ APP (2004), Sustainability Action Plan, http://www.wwf.or.id/attachments/SAP_Final.pdf.

⁵⁸ APP (2007), APP Environmental and Social Sustainability Report for Indonesia 2005-2006, [http://www.asiapulp.com/portal/APP_Portal.nsf/Web-MenuPage/1B2BBDE7FB9B64C4725739B00232E6A/\\$FILE/SR1.PDF](http://www.asiapulp.com/portal/APP_Portal.nsf/Web-MenuPage/1B2BBDE7FB9B64C4725739B00232E6A/$FILE/SR1.PDF).

⁵⁹ APP (2009) Growing A Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia.

⁶⁰ Ministry of Forestry and Estate Crops (1999), Perkembangan Pembangunan HTI-Pulp Tahun 1997/1998, Statistik Kehutanan Indonesia 1997/1998 Jakarta.

⁶¹ APP (2004), Sustainability Action Plan.

⁶² APP (2007), APP Environmental and Social Sustainability Report for Indonesia 2005-2006.

⁶³ APP (2009) Growing A Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia.

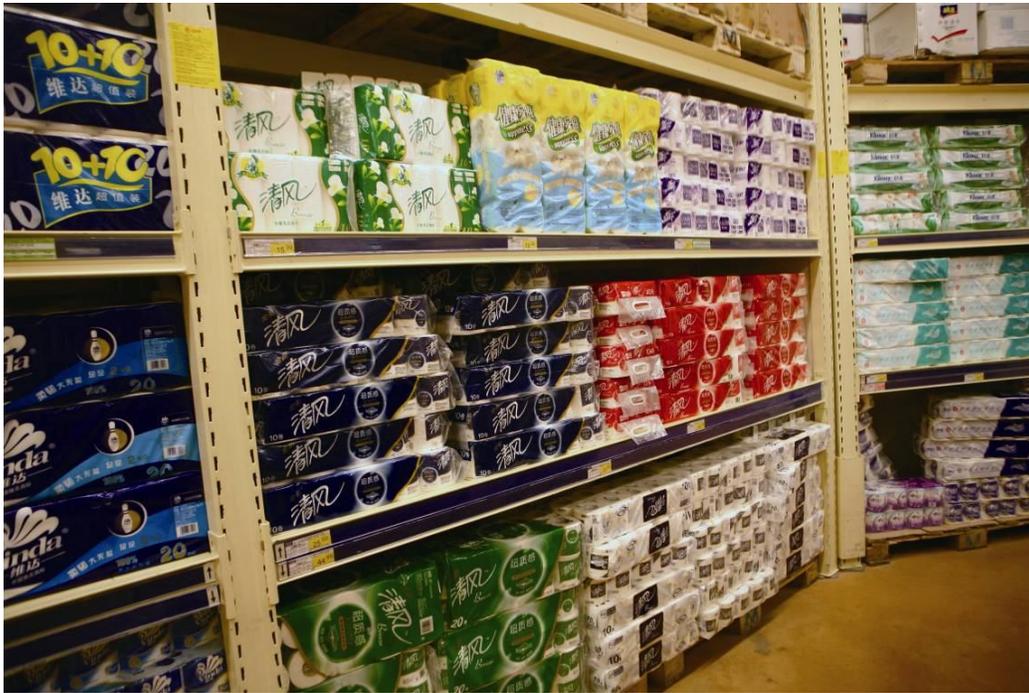
Chapter 2

“Green cycle economy” in APP

“It’s wrong to destroy conserved forests, and it’s a crime every time you use a piece of paper from that source. A harmonious cohabitation between man and nature requires forests conservation and plantations - this is the sustainable way. By developing a region’s plantations, we create a sustainable livelihood for our generations to come.”

- Teguh Ganda Wijaya, CEO of APP Group 2008⁶⁴

A cross-border production chain



APP China’s tissue products on display @ Greenpeace/Kuang Ying

In China APP has always been entangled with plantation development issues and has never mentioned that they use materials from sources other than plantations. Further more APP has taken the first place to announce forest procurement policy among Chinese paper manufacturers, and to proclaim that “procurement from virgin forests is forbidden, pulp mills from our supply chain are requested to stop using any identified tropical rainforest species that have a high preservation value”⁶⁵. What’s more, the company went even further by announcing “Paper Contract with China” in 2008, in which it clarifies that “in areas we operate, we will seek and provide solutions

⁶⁴ “A song of sorrow from pulp and paper industry” 2008.06. Phoenix TV, <Business Journey>

⁶⁵ Ye Jiansheng, Zou Yonghui, Xie Wenguang, (2005), No mixed wood allowed for production, Jinhai Paper forbids natural forest to blend in pulp mills, Hainan Daily, March 27 2005.

to protect the biodiversity of the region and maintain a sustainable management of the forests”. This entire makes the impression that APP China has nothing to do with the deforestation in Indonesia .This is just not true.

Take APP’s company Gold East Paper for example, it’s the biggest coated paper mill in the world. The company was founded in Jiangsu Province in 1997. It started operating in 1999⁶⁶ and reached a production level of 2.3 million tonnes by 2008⁶⁷, accounting for half of the Chinese coated paper market and exports to over two dozen countries and regions. It has also become the biggest importer of Indonesia pulp. In 2007, Gold East Paper imported 170,500 tonnes of pulp from Indonesia, equivalent to 15%⁶⁸ of China’s total annual pulp imports from this country. Assuming that all this pulp was imported from their sister mills in Indonesia, Gold East has taken 6.7% of APP Indonesia pulp production in 2007.⁶⁹ Further, Gold East Paper imports of Indonesian pulp accounted for an estimated 13% of their total pulp consumption⁷⁰.

Import statistics do not allow the identification of the fibre type used for the pulp imported, but as laboratory analysis commissioned by Greenpeace in 2009 showed, a significant part of the imports originated from natural forests in Indonesia.

⁶⁶ Gold East Paper website, Gold East History, http://www.goldeastpaper.com.cn/info_9.htm.

⁶⁷ China Technical Association of Paper Industry (2009), Almanac of China Paper Industry 2008, p36.

⁶⁸ China customs, 2007, the total import of Indonesian pulp is 1.1196 million tonnes.

⁶⁹ China customs, 2007, that is 6.7% of 2.52 million tonnes of pulp produced by APP Indonesia.

⁷⁰ In 2007, Gold East produced 2.37 million tonnes of paper, which is mainly coated free sheet (CFS). For each ton of CFS, there will be roughly 60% of pulp and 40% other materials such as fillings, sources: Wu Xingfang (2006), For Future Generations, Delegate to Environmental Protection, the circular economy in Gold East Paper, China Paper Industry Seminar on Circular Economy 2006.

Paper testing: evidence of APP China's involvement in Indonesian forest destruction

We prohibit purchase raw materials from virgin forest, and we also demand all our suppliers not to use any tropical forest woods sourced from high conservation value forests.

- APP China, March 2005⁷¹

In October 2009, Greenpeace China asked independent testing laboratory Integrated Paper Services, Inc.(IPS) to conduct fibre identification on five paper samples, out of which 3 were detected to contain significant contents from Indonesia natural forest (see Table 2)⁷². If the test identifies tree species from the natural forests in South East Asia, so-called "Mixed Tropical Hardwood" fibre, it must be assumed, that the pulp originated from Indonesia, the only country where MTH is used in large-scale pulp production⁷³. The export from Indonesia has counted 13.7% of total pulp imports of China in 2008; and Thailand- the only south east Asia country other than Indonesia that supplied pulp to APP China sell less than 2,000 tonnes of pulp to APP in that year⁷⁴. See below for the testing results:

⁷¹ Ye Jiansheng, Zou Yonghui, Xie Wenguang, (2005), No mixed wood allowed for production, Jinhai Paper forbids natural forest to blend in pulp mills, Hainan Daily, March 27 2005,

⁷² IPS TAPPI testing method, T401 <http://ipstesting.com/T401FibreAnalysis/tabid/153/Default.aspx>

⁷³ Pihlajamäki & Hytonen (Jaakko Pöyry), 2004, Mixed Tropical Hardwood – a minor and declining source of fibre for paper, Two Together, Voith Paper Customer Magazine 17/04, http://www.voithpaper.com/media/vp_en_twogether17_03_hardwood_e.pdf.

⁷⁴ Source: China Customs, 2008.

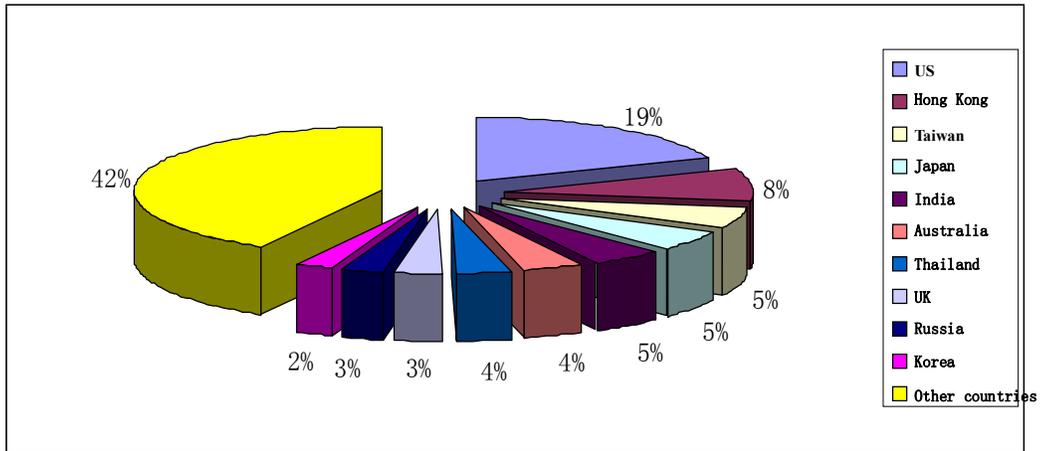
Table 2 fibre testing of APP(China)products

APP Brand	Paper Producer	Paper Type	Mixed Tropical hardwood pulp (Weight %)
Breeze	Gold Hong Ye Paper (Suzhou Industrial Park)Co.,Ltd	Tissue Paper	2.4232
Virjoy	Gold Hong Ye Paper (Suzhou Industrial Park)Co.,Ltd	Tissue Paper	0
Wanshilong	Yalong Paper (Kun shan) Co., Ltd	Notebook Paper	0
Honggangpao	Yalong Paper (Kun shan) Co., Ltd	Printing Paper	27.1128
Flagship	Yalong Paper (Kun shan) Co., Ltd	Printing Paper	19.1592

The fibre testings have shown without mistake that APP’s made-in-China papers used raw materials logged from Indonesia’s natural forests, which directly causes the forest destruction in Indonesia.

In China, APP is a market leader in paper products including commercial pulp, tissue paper, printing paper, wrapping paper, processed wrapping paper and office printing paper. In 2008 alone, APP China exported 1.314 million tonnes of paper products to the United States, Hong Kong, Taiwan, Japan and India. Export to the United States accounts for 19% of the total export as shown in Table 1⁷⁵.

Table 1 Export country of APP China paper products 2008 (by weight)



⁷⁵ Source: China Customs, 2008, referring to companies under APP (China), Gold East (Jiang Su) Paper Co. Ltd, Gold Hong Ye (Suzhou) Paper Co. Ltd, Ningbo Asia Paper and Pulp Co. Ltd, Ningbo Zhonghua Paper Co. Ltd, Gold Huasheng Paper Co. Ltd, Hainan Jinghai Pulp & Paper, Gold Daio Hygiene Paper, Jinxin Paper(Qingyuan), Dadong Pulp & Paper(zhengjiang), Yalong Paper Products (Kun Shan)

Forest certification: a green wash tool for Sinar Mas

“Asia Pulp and Paper (APP), of the Sinar Mas Group, is one example of a company that has been consistently associated with issues such as the destruction of tropical rainforests in Indonesia and has exhibited repeated documented failure to meet public commitments to cease such activities. Thus, the FSC Board of Directors decided that FSC should not allow any association of its name with APP or any company in which APP is a majority shareholder, unless APP completely and immediately stops converting natural forests and provides documented evidence of that cessation.”
– Forest Stewardship Council (FSC)⁷⁶

In November 2007, Forest Stewardship Council (FSC) released a public statement to disassociate with APP including invalidating APP’s FSC-COC certifications⁷⁷. But it didn’t seem to move APP one bit, the company keeps up the destruction and pretending from time to time that they still hold valid FSC certificates⁷⁸, while at the same time seeks other forest certifications in order to greenwash its deforestation activities.

In “2009 APP China first quarter report: position in China, our green promise”, the company announced its 9th paper-making facilities in China has gained PEFC (Program for the Endorsement of Forest Certification scheme)’s Chain of Custody (COC) certification. Previously in 2008, APP Indonesia released its fifth stakeholder report saying that four paper factories in Indonesia have acquired the same certification. Surprisingly enough, among them not one pulp mill has relevant certification. Since pulp mill is essential to the ‘wood-pulp-paper’ integration, if pulp mills were not certified, APP would have to purchase certified pulp at a higher price in order to have the certification logo on their paper products. So why hasn’t APP applied for green certification for its pulp mills?

The answer is obvious. So far there’s not one forest area in Indonesia or China has PEFC certification, regardless natural forests or plantations, neither is there a corresponding certification system with PEFC⁷⁹. Without a certified forest base, the pulp mills cannot produce certified pulp. If APP wanted to sell PEFC-certified paper products, it would have to purchase pulp from outside Indonesia and China. But according to APP Indonesia, only 10% of the pulp was purchased from a certified source in 2007⁸⁰; same year in China, out of a total 7.4 million tonnes of pulp used only 1.35% of pulp came from certified forest management⁸¹.

PEFC and LEI certification system has two different parts: “purchase from certified source” and

⁷⁶ FSC International (2007), FSC disassociation from Asia Pulp and Paper (APP), November 16th 2007

⁷⁷ FSC International (2007), FSC disassociation from Asia Pulp and Paper (APP), November 16th 2007

⁷⁸ For example in APP. September, 2009, APP Statement in Response to “Green Grades” Guide, it is said “APP’s production facilities have passed all relevant Chain-of-Custody audit, including Indonesian Ecolabelling Institute (LEI), PEFC and FSC”.

⁷⁹ Walt Dickson, 2009, “No proof council’s paper is sustainable” Wairapara News Oct 14 2009; though Jinghai Paper and Pulp was certified by PEFC on March 2009, as there isn’t any tress farms in China that was certified, Jinghai must import to be able to produce certified paper products. <http://www.stuff.co.nz/dominion-post/local/wairapara-news/2962705/No-proof-councils-paper-is-sustainable>

⁸⁰ APP (2009), Growing A Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia.

⁸¹ APP China (2007), Environment and Society Sustainability Report.

“certified for chain of custody”. Paper products can only be labeled as PEFC or LEI-certified when they have both parts of certifications. APP often misled the public by intentionally confusing the two. For example, APP China stated in its “Paper Contract with China – 2008 fourth quarter report” that “In November 2008, APP-China’s subsidiary

Jin Feng Yuan Paper (Shanghai) Co. Ltd. was awarded the Programme for the Endorsement of Forest Certification (PEFC) chain-of-custody certification. Chain-of-custody certification signifies that a mill can make credible claims on the content of PEFC certified fibres in its products coming from sustainably managed forests”⁸². The example about LEI can be found on APP China’s website, in which it says “APP is the first paper-making company in the world to receive the LEI-CoC certificate. Also, five APP paper mills in Indonesia have met the criteria for traceable source certificate, which guarantees all APP products come from managed forests”⁸³. However, the truth is that, LEI only gave a certificate for sustainable plantation management (Pengelolaan Hutan Tanaman Lestari PHTL) to a 260,000-hectare tree farm owned by APP subsidiary PT. WKS in Jambi, Indonesia⁸⁴. This accounted for only 11% of all concessions directly controlled by Sinar Mas, not including their supply area through third parties.⁸⁵ Furthermore, PT. WKS is the raw material supplier for Lontar Papyrus pulp mill. Lontar Papyrus said 58% of their raw material supplies come from tropical mixed wood⁸⁶. In other words, a PHTL certification was used to certify products sourced from natural forests. In addition, in November 2009, six environmental organizations including WWF stated in a response to PT. WKS’s LEI certification that during the period when APP PT. WKS was applying for the LEI certificates (2007-2008), 48,000 hectares of natural forests were cleared, 20,000 hectares of which were peatland forests⁸⁷.

Up until now, other than the LEI certification, the only other third-party forest management certificate APP has is Timber Legality and Traceability Verification (TLTV) by SGS. But SGS only certify if APP abide by Indonesia laws on tree farm management in Riau and Jambi Provinces⁸⁸. There are three main components to TLTV: first, the source is traceable from tree farms to the next processing unit; second, the tree farm operates on a legal basis, finally, the tree farm abides the Indonesia law⁸⁹. Unfortunately TLTV does not include in its criteria the sustainability of the forestry management, biodiversity protection and ecological function of the forests etc. Therefore, TLTV cannot protect the forests from being degraded, destroyed and cleared in the hands of APP, nor can TLTV intervene in APP’s growing expansion into so-called “degenerated forest lands” and “non-covered wastelands” to quench its continuous thirst for

⁸² It is much more strait forward in the Chinese version in which APP claimed “the company that obtained PEFC certificates can make public statement that all the fibre is sourced from PEFC certified sustainably managed industry forest”.

⁸³ APP China Website (2009), APP passed the LEI chain of custody certificate, <http://www.goldhs.com.cn/news/e2.php?id=3020>

⁸⁴ <http://lei.or.id/en/sertifikasi-phtl>

⁸⁵ APP (2007) Growing a sustainable future, Environmental and Social Sustainability Report for Indonesia 2007

⁸⁶ APP (2009), Growing A Sustainable Future -2007 Environmental and Social Sustainability Report for Indonesia.

⁸⁷ Joint Press Release by KKI Warsi, FZS Indonesia Program, PKHS, Jikalahari, Walhi Riau, Walhi Jambi and WWF Riau -- immediate release on 19 November 2009, “Indonesian NGOs: Even with LEI certification, APP paper products are unsustainable”

⁸⁸ SGS TLTV STATEMENTS (LEGALITY OF PRODUCTION – TLTV/LP) - issued and currently valid <http://www.forestry.sgs.com/documents/sgs-tltv-programme-website-summary-20-07-2009-en-09.pdf>

⁸⁹ <http://www.forestry.sgs.com/timber-legality-traceability-verification-tltv.htm>

tropical mixed pulp.

Chapter 3

The world says no to APP

Organizations refuse to be associated with APP and its products:

Ricoh (Japan)

Office Depot (USA)

Metro (Germany)

Idisa Papel (Spain)

Staples (USA)

Osborne & Little (UK)

H&M COS (Sweden)

Rainforest Alliance Smart Wood (USA)

FSC International



November 2008, Greenpeace volunteers protest against APP's deforestation activities in Indonesia natural forests by placing a large banner on a destruction site in Kampar Peninsula, Riau, Indonesia @ Greenpeace/John Novis

After environmental NGO Friends of the Earth released the report “Paper Tiger, Hidden Dragon”, an increasing number of British paper importers began to boycott APP products.

Office Depot for example, the largest office-supplies company in the world, was the first to denounced APP publicly. After several fact-checking sessions in Sumatra island, Indonesia, the company made the following statement: “starting from January 19th 2004, Office Depot will no longer buy products from Asia Pulp and Paper Co”⁹⁰.

In August 2004, Metro AG, Germany’s largest retail company announced its decision to terminate supply lines from APP⁹¹. Also, at the same year, after lobbying at the Asian Forest Partner Corporation Conference by WWF and a number of Japanese environmental organizations, companies like Japan-based Ricoh indicated that they would withdraw from their relationship with APP. Before that, Ricoh’s contract with APP accounted for 20% of APP’s total export to Japan, valued at 500 million USD⁹².

In May 2007, Spain’s biggest paper distributor Idisa Papel canceled contracts with APP out of concern that its practices destroy rainforests. Also, after knowing APP’s problematic environmental record, the District Department of Justice from Andalusia Spain, Seville University law department and the City Council of Fuelabrada all boycotted APP’s paper products. On another front, a number of Spanish paper distributors such as Surpapel and Diacash have stopped selling APP papers, and Spanish paper maker Torras Papel have decided to stop doing business with APP temporarily⁹³.

⁹⁰ Zhiye Zhilu (February 27, 2004) Office Depot stop selling APP products causing over-logging in Indonesian Forest; WWF, press release dated February 20 2004, WWF exposed APP’s illegal logging to American paper agents

⁹¹ Robin Hood, press release dated August 25 2004 "Robin Wood überzeugt Metro: Handelskonzern will auf Papier aus Regenwaldzerstörung verzichten"

⁹² Zhiye Zhilu (September 8th 2004) Japanese companies boycott APP products.

⁹³ Greenpeace (2007) The Spanish market closes its doors to paper made from the destruction of Indonesian forests ⁷Press release, Greenpeace Spain May 21st 2007.

In January and October 2007, Twice, Rainforest Alliance SmartWood, one of FSC's accredited certifiers (Forest Stewardship Council) terminated the contract to verify High Conservation Value Forest (HCVF) for APP in Sumatra, Indonesia. Smart Wood said in its statement that “for a long time, APP was accused of destroying the local HCVF (High Conservation Value Forest) especially in Indonesia. At the same time, APP self-exclaimed to be an environmentally responsible company whose products were sourced from the well-managed forests in Indonesia. It is the decision of Rainforest Alliance that we do not wish to be used by APP again in order to mislead the public and the consumers”⁹⁴.

In November 2007, Forest Stewardship Council (FSC) announced publicly to disassociate from APP. It also ended the FSC-COC certificate that was given to APP in year 2006. FSC indicated that the company was intending to use FSC’s good name to green wash unacceptable practices. In a public statement FSC said “the FSC Board of Directors decided that FSC should not allow any association of its name with APP or any company in which APP is a majority shareholder, unless APP completely and immediately stops converting natural forests and provides documented evidence of that cessation”⁹⁵.

In February 2008, the world’s biggest office-supplies retailer Staples (now part of the Corporate Express Group) also joined the boycott against APP. Mark Buckley, vice president for environmental issues at Staples said that remaining a customer of APP was “at great peril to our brand”⁹⁶.

The boycott of APP still continues today. The luxury wallpaper label Osborne & Little, owned by UK’s Finance Minister George Osborne said they would stop purchasing paper bags from APP subsidiary Pak2000. Also, COS, a brand under the Swedish fashion group H&M ended its contract with Pak2000. The home décor company OKA, David Cameron’s family owned home décor firm has also said it would call off its business with Pak2000 as soon as possible⁹⁷. What’s more, early November this year, one of the world’s largest and most prestigious fashion labels Gucci has announced it will stop sourcing paper from Indonesia forests and will drop APP as a supplier⁹⁸.

⁹⁴ Rainforest Alliance Public Statement: Termination of Contracts with APP in China, October 2007

⁹⁵ FSC, FSC disassociation from Asia Pulp and Paper (APP), November 16, 2007

⁹⁶ Reuters reports, <http://www.alertnet.org/thenews/newsdesk/N08444556.htm>

⁹⁷ The Times, Fashion for glossy, paper shopping bags is ‘destroying rainforest’, September 19, 2009

⁹⁸ Rainforest Action Network(2009), Gucci Group Commits to Protecting Indonesia’s Rainforests http://ran.org/media_center/news_article/?uid=4834

Chapter 4

APP: stop forest destruction now

Such is our belief that we should grow big before we grow strong, then we aim to grow rich, lastly we will aspire to stay long in the business.

- LIN Yongxiang, Executive Vice president of APP Indonesia⁹⁹, 2008

In 1997, before Asia was dragged into the financial turmoil, the family assets of Eka Tjipta Widjaya, APP's former managing director and father of Teguh Ganda Wijaya, has reached \$5.4 billion¹⁰⁰. In 2009 the net worth owned by Eka is \$2.4 billion despite the impacts from the recent economic turmoil¹⁰¹. In 2007 APP's total sales attained \$4.3 billion, the figure for APP China was 27.1 billion Yuan¹⁰². In some extent, APP has longed reached the stage of "growing rich after growing big and strong" as expected by LIN Yongxiang the group's executive vice president. Though for "stay long in the business", it has taken a long time to build its 'wood-pulp-paper-products industry chain, the aspiration to raise production efficiency in order to realize a sustainable operation" is far from a reality. The so-named "wood-pulp-paper integration" by APP hasn't increased the natural forest cover rate, a recovery of wild animal species, or to decrease forest fires or cut down greenhouse gas emission. On the contrary, it has created a situation that plantations take the place of natural forests, the loss of biodiversity, peat land degradation and disappearance. All the promises APP has made to develop "a sustainable forest management system", just like their claim to achieve carbon dioxide fixation by depending on plantations, it only exist on paper¹⁰³.

Greenpeace strongly demands that APP stops the destruction to natural forests now. APP and its subsidiaries must:

- Immediately stop destruction of natural forests especially tropical forests and peatland forests;
- Immediately stop converting natural forests to plantations, especially stop all plantation projects on peatlands and take necessary measures to recover the environmental damage caused in the regions;
- Immediately stop sourcing from natural forests unless those with FSC certifications
- Fully respect the rights and ownership of the local communities and inhabitants, and solve the

⁹⁹ June 2008, Phoenix TV, <A song of longevity, the starry APP>

¹⁰⁰ Russell Flannery (2006), Youth Movement-Indonesia's Widjaya family is making a comeback. One reason is Eric Oei, a rising star of the fourth generation. September 18, 2006 Forbes Asia Magazine.

¹⁰¹ [Suzanne Nam, Forbes\(2009\) Indonesia's 40 Richest
http://www.forbes.com/lists/2009/80/indonesia-billionaires-09_Eka-Tjipta-Widjaya_EGES.html](http://www.forbes.com/lists/2009/80/indonesia-billionaires-09_Eka-Tjipta-Widjaya_EGES.html)

¹⁰² 2007年印尼金光集团APP的销售额达到43亿美元;中国金光集团APP的销售额为271亿人民币。数据来源:APP(2009)Growing a Sustainable Future Environmental and Social Sustainability Report for Indonesia 2007,p7; APP(2007)《环境与社会可持续发展报告2007》,p5;

¹⁰³ The report APP released in 2008 titled "position in china, our green promise" is also called the Paper Contract.

community conflicts fairly and effectively.

Greenpeace will submit the findings of this report to APP's clients and partners. Since fibres from natural forests were found in all APP brand products, we advise all APP consumers to:

- immediately stop buying APP products especially those with a high percentage of pulp;
- write a letter or call up APP and urge them to make effective measures to stop deforestation
- use recycled paper or FSC-certified paper products

Appendix I: Sinar Mas Group APP's main pulp & paper company, product and capacity in Indonesia and China

Company Name	Location	Product Type	Year 2007 Paper Pulp Production Capacity (Unit: Ton)	Year 2007 Paper Product Capacity (Unit: Ton)	Fiber type in paper products
PT Indah Kiat Pulp & Paper - Perawang	Riau, Indonesia	Hard wood paper pulp, photocopy and woodfree paper products	1,842,755	665,991	100% wood pulp
PT Indah Kiat Pulp & Paper - Serang	Banten, Indonesia	linerboard and coated box board		1,194,260	75% wood pulp, 25% recycle pulp
PT Indah Kiat Pulp & Paper - Tangerang	Banten, Indonesia	printing, photocopy, computer and duplicator papers in white and colors		103,000	80% wood pulp, 20% recycle pulp
PT Pabrik Kertas Tjiwi Kimia	East Java, Indonesia	coated art, woodfree, photocopy, digital, cast-coated and carbonless		1,335,000	100% wood pulp

		paper, paper board products, office and stationery products, and books and brochures			
PT Pindo Deli Pulp & Paper	West Java, Indonesia	photocopy, preprint, woodfree, tissue, castcoated, carbonless, and thermal paper, art paper, board, specialty papers		969,743	Pure wood pulp
PT Lontar Papyrus Pulp & Paper	Jambi, Indonesia	pulp, tissue,, paper	674,081	49,419	Pure wood pulp
PT Ekamas Fortuna	East Java ,Indonesia	Recycle paper, cardboard paper		178,923	95% recycle pulp, 5% wood pulp
Gold East Paper (Jiangsu) Co., Ltd	Zhenjiang, Jiangsu, China	cast-coated paper		2, 202, 200	
Gold Huasheng Paper (Suzhou Industrial Park) Co., Ltd	Suzhou, Jiangsu, China	photocopy paper, cast-coated paper, printing paper, etc.		563, 200	
Hainan Jinhai Pulp & Paper Co., Ltd	Hainan, China	Pulp	1,181,700		
Ninbo Asia Paper Production Co., Ltd	Ninbo,	Cast-coated		1, 382, 800	

Ninbo Zhonghua Paper Production Co., Ltd	Zhejiang, China	paper, white paperboard, etc.			
Gold Hong Ye Paper (Suzhou Industrial Park) Co., Ltd	Suzhou, Jiangsu, China	Toilet paper, tissue, napkin etc.		240, 000	

Appendix II: Major brands and products under APP

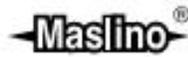
 印刷书写纸



 包装用纸



 办公用纸



 生活用纸及卫生用品



Appendix III Chinese Users and Merchandisers of Sinar Mas Group APP's products (short list)

KFC	Fastfood chain store	Napkin, paper cup, paper box	-		Gold Fengyuan Paper (Shanghai) Co., Ltd	Greenpeace Investigation
Yueji SELF	Magazine and journal	Double-sided coated paper	Space Shuttle	Shanghai RR Donnelley Co., Ltd	Gold East Paper (Jiangsu) Co., Ltd	APP PRINT AWARD
Marie Claire	Magazine and journal	Double-sided coated paper	Space Shuttle	Toppan Leefung (Beijing) Co., Ltd	Gold East Paper (Jiangsu) Co., Ltd	APP PRINT AWARD
Rayli	Magazine and journal	Double-sided coated paper	Space Shuttle	Toppan Leefung (Shenzhen) Co., Ltd	Gold East Paper (Jiangsu) Co.,Ltd	APP PRINT AWARD
National Geographic	Magazine and journal	Double-sided coated paper	Space Shuttle	Shanghai RR Donnelley Co.,Ltd	Gold East Paper (Jiangsu) Co.,Lte	APP PRINT AWARD
Bazaar	Magazine and journal	coated paper	-	Toppan Leefung (Beijing) Co., Ltd	Gold East Paper (Jiangsu) Co.,Ltd	APP PRINT AWARD
Hiesquire	Magazine and journal	coated paper	-	Shanghai RR Donnelley Co., Ltd	Gold East Paper (Jiangsu) Co.,Ltd	APP PRINT AWARD
Esquire	Magazine and journal	coated paper	-	Toppan Leefung (Shenzhen) Co., Ltd	Gold East Paper (Jiangsu) Co., Ltd	APP PRINT AWARD
ELLE	Magazine and	coated paper	-	Toppan Leefung	Gold East Paper (Jiangsu) Co.,	APP PRINT AWARD

	journal			(Shenzhen) Co., Ltd	Ltd	
Carrefour	Super market	sanitary paper、office paper	Flagship, Honggangpao, Breeze, Zhenzhen, Virjoy, Echo valley, Hongtu, Xiaogangpao	-	Yalong Paper (Kun shan) Co.,Ltd/Gold Hong Ye Paper (Suzhou Industrial Park) Co.,Ltd	Greenpeace Investigation
Wumart	Super market	sanitary paper、office paper	Flagship, Breeze, Virjoy, Red Flagship, Blue Flagship	-	Yalong Paper (Kun shan) Co.,Ltd / Gold Hong Ye Paper (Suzhou Industrial Park) Co.,Ltd	Greenpeace Investigation
Ourlotus	Super market	sanitary paper、office paper	Blue Flagship, Wanshilong, Breeze, Virjoy, Gold butterfly, Red Flagship, Zhenzhen	-	Yalong Paper (Kun shan) Co.,Ltd/Gold Hong Ye Paper (Suzhou Industrial Park)Co.,Ltd / Gold Huasheng Paper (Suzhou Industrial Park) Co.,Ltd	Greenpeace Investigation
Beijing Hualian	Super market	Sanitary paper、office paper	Wanshilong, Breeze, Virjoy	-	Yalong Paper (Kun shan) Co.,Ltd / Gold Hong Ye Paper (Suzhou Industrial Park) Co., Ltd	Greenpeace Investigation
Walmart	Super market	Sanitary paper、office paper	Honggangpao, Breeze, Virjoy, Zhenzhen, Zhuiqiu	-	Yalong Paper (Kun shan) Co.,Ltd / Gold Hong Ye Paper (Suzhou Industrial Park) Co., Ltd	Greenpeace Investigation

Auchan	Super market	Sanitary paper, office paper	Flagship, Honggangpao, Wanshilong, Breeze, Virjoy, Zhenzhen, Blue Flagship	-	Yalong Paper (Kun shan) Co.,Ltd / Gold Hong Ye Paper (Suzhou Industrial Park) Co., Ltd	Greenpeace Investigation
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Appendix IV: APP's Deforestation in China

APP's illegal logging of the natural forest in Yunnan

In November 2004, Greenpeace released an investigation report on APP's illegal logging in Yunnan, exposing APP converted the natural forest into plantations which did not only violate the State Forest Law and relevant regulations but also infringed upon the rights and benefits of the local farmers.

The exposure has stirred public outcry in the Chinese civil society. Two days after the release of the Greenpeace's report, Zhejiang Hotels Association advised its members to boycott APP paper and paper products. Their purchasing policy would be against APP products as one of the criteria to label their "environmental friendly green hotel" until APP could make the public and effective promise to protect China's environment. This is the first consumer products boycott initiated by a trade association for an environmental cause in China. Furthermore, the boycott gained immediate support from 34 domestic and 25 international environmental organizations with numerous public letters of support.

State Forestry Administration P.R. China had also reacted actively in response to Greenpeace's investigation report. After sending two investigation teams to collect evidence in Yunnan, the State Forestry Administration released "State Forestry Administration Notice on the Issues Related to APP (China)'s Plantation" (No. 4 Public Announcement of State Forestry Administration [2005]) in January 7th 2005. The announcement confirmed that 6,390,000 square meters of forest had been logged by APP for its business development of forest products. APP also had illegally stored 24,709 cubic meters of timber, including 738 cubic meters from the public forests without any proper permit. Such misconduct would lead to the infringement of the rights and benefits upon the forest farmers and the State capital,⁷⁹ and this findings should be proved to correspond to those in the Greenpeace's previous report.

However, the announcement had been ignored by APP, who later continued its expansion in Yunnan. In October 2006, Greenpeace released "Greenpeace questions the latest expansion of APP's Yunnan projects", in which it pointed out APP's illicit behaviors during the environmental impact assessment on their eucalyptus plantation, merged from Yunnan Yunjing Forestry and Paper Co., Ltd., was pressuring on the forest resources in Yunnan province. It might result the loss of state assets while violating the up-to-date "Regulations on foreign investors acquiring domestic enterprises" issued by the Ministry of Commerce.

⁷⁹ Sina Finance.com, Greenpeace refutes APP, environmental groups home and abroad protect forests in Yunnan, January 17 2005.

Greenpeace has pledged formally to APP regarding the above-mentioned issues and reported to the relevant state authorities. In February 7th 2007, State Forest Administration called for a press conference and demanded APP to stop the acquisition.

Conclusion from the Government:

The equity merger APP's acquisition transaction of 15 million hectares' forest resources had not gone through an assets evaluation, but was merely filed with a consultancy report of its assess values. According to the policies and regulations of forest resources management, there is no consultancy report could be registered as an environmental evaluation assessment report, not to mention that its estimate price could not be treated as the cost of forest resources' transaction. Hainan Jinhai Pulp & Paper Industry Co., Ltd and Yunnan Development and Investment Co. Ltd violated the relevant national policies and regulations as the result of their under-estimated acquisition deal.

According to the Forestry Regulations and Articles, the approval, evaluation, income distribution monitoring and other related issues to the national forestry resource shall not to be implemented before the State Council approves its legitimacy. Any usage transfer of state-owned forests, timbers and plantations is required to go through the assets evaluation to prevent the loss of state assets. Based on it, the State Forestry Administration demanded the cancellation of this acquisition.

- quoted from Cao Qingrao, spokesperson, State Forestry Administration in their regular press conference. The Beijing News "SFA stops APP's merger deal", February 7th 2007

An investigation on APP's deforestation activity in Hainan Province, China

APP Hainan Paper Co., Ltd. was founded in 1995, and another joint venture Hainan Jinhua Forestry Co., Ltd. was founded in 1997 under the approval of Hainan provincial government to plant 233,000 hectares' of eucalyptus plantation. The plantation area supplies raw materials to Hainan Jinhai Pulp & Paper Industry Co., Ltd. that started operating in 2004. Hainan has the country's highest forest coverage rate but it does not have enough land for the 233,000 hectares of plantation. So where do they get their supplies? **In 1998, an environmental impact evaluation report issued by Shanghai Institute of Technology (Natural Science) pointed out that "the paper mill needs to source from natural forests in Hainan or from other regions".**

After series field investigations, Greenpeace released the "An Investigation Report on APP Hainan's Project" which indicated the following misconducts:

- Natural forests and shelterbelts along the highway were largely destroyed to make way for pulp plantations. Experts pointed out that eucalyptus plantation resulted in water level decline and soil erosion, which in term would altered the ecosystem of Hainan Province. What's more, it would trigger disasters such as drought and decline in crop production.

- Natural forests in Hainan are under threat. With an annual production capacity of one million tons, Hainan Jinhai Pulp & Paper Industry Co., Ltd. would need over 60,000 hectares of pulp woods according to a national evaluation on the industry. However, there's only about 6700 hectares of forest land available for clear-cutting. So with Hainan Jinhai Pulp & Paper already in business, the natural forests in the region will most likely be threatened in order to satisfy the pulp production needs⁸⁵.

Conclusion by the government:

“There is no evidence so far that APP Hainan Jinhai Pulp & Paper Industry Co., Ltd is destroying natural forests for pulp plantations in the region. However, there are identified plantation projects by the company that are responsible for the destruction of natural forest in Hainan Province.” – Wang Hongjie, special envoy to Haikou from the State Forest Administration (taken from a report released in August 4th 2005 on Beijing News newspaper, “State Forest Administration: APP did destroy forest in Hainan”).)

After the negative exposure in Yunnan and Hainan, APP China was under huge pressure from the public. May 2005, the company made a formal commitment to abide by the Chinese law, but March 2007 saw that commitment to be nothing but a piece of paper. APP ignored the State Natural Reserves Regulations and engaged in eucalyptus plantation development inside the natural reserve of Ying Geling in Hainan province.

To cover its crime, APP explained that the forest land area was transferred to six companies by Beisha County Land and Resources Bureau, including Southern Hainan Comprehensive Agricultural Development Company to conduct agricultural development projects. Starting from December 2004, the six companies discussed with Hainan Jinhua Forest Co. Ltd on cooperating in pulp plantations. After they gained legal rights to own the area they then signed a contract with Hainan Jinhua Forest Co. Ltd.”⁸⁶ Although the land transfer happened before the area was conserved by local authorities in 2004, the area is no way ‘a wasted graze lawn for horses and cows’ as described by APP, as evidenced in photos captured during an investigation. The affair ended in 2006 when an administrative order issued to remark the natural reserve’s territory and APP was forced to end its operation in Ying Geling.⁸⁷

Relevant policies

Commercial pulp plantations are encouraged. Before the pulp mills relying on the supply of domestic pulp woods are approved, there must be a simultaneous planning of the pulp plantation or a prior confirmation of its procurement plantations. It is not allowed to illegally occupy or build

⁸⁵ APP Hainan Investigative Report. Greenpeace China, 1995.

⁸⁶ Statement on the allegation of APP’s destruction of natural forest in Hainan, APP, 2008

⁸⁷ Daily Economic News on August 22 2008, Ying Geling projects stopped in response to accusation

paper forest base in the name of un-approved wood-paper projects. The pulp mills relying on international markets need to strictly adhere to the origins of procurement.

Existing plantation farms and companies are encouraged to jointly build pulp procurement wood farms. Companies doing so need to abide by the overall principle of differentiating forests usage, fast-growing woods and national planning of wood-paper projects, in addition to the relevant national regulations on soil preservation, ecologic environment, water and soil conservation and environmental protection.

- State Planning and Reform Commission, “Policies to develop paper making industries”, October 15th 2007

The barrier against APP’s initial public offering

In 2008, the Ministry of Environmental Protection Bureau (MoE) has done an investigation on its environmental protection record in light of the initial public offering (IPO) of Gold East (Jiang Su) Paper Co. Ltd, the biggest subsidiary of APP China. MoE also made public notice to seek suggestions.

August 12th 2008, a total of six environmental organizations including Friends of Nature, Global Village, The Green Volunteers, The Green Rivers, Homeland Watch and Greenpeace, issued an enquiry to MoE, reporting APP’s tainted environmental records in recent years in China and Indonesia. It required MoE to continue strengthen the related policies on ‘Green Securities’ and to treat APP’s IPO application with caution. The six environmental organizations also sent a formal enquiry for a public notice of the results related to this investigation initiated by MoE.

September 2nd 2009, seven environmental organizations issue a formal enquiry to MoE for the second time, reporting the problematic waste water and emission of Hainan Jinhai Pulp & Paper Industry Co., Ltd (a subsidiary of Gold East Paper Co. Ltd) as a result of a field investigation of the company. The illegal discharge having caused certain level of negative impact on the region, the six environmental organizations asked MoE to suspend the IPO application of Gold East Paper (Jiangsu) Co., Ltd until it takes appropriate environmental protection measures.

Finally, MoE ordered the provincial environmental protection offices in Hainan, Jiangsu and Zhejiang provinces to conduct an investigation on the reported issues. After a confirmation that Gold East Paper (Jiangsu) Co., Ltd and its subsidiaries have corrected the misconducts, MoE released a second public notice of the environmental investigation regarding its IPO applications, halting the application process for more than six months.

It is not accidental that APP China’s IPO applications were halted in China. The irresponsible

expansion of APP China has caused great disasters in global forests and the war against climate change. A number of environmental organizations and the private sectors with a conscientious of their social responsibilities have taken on a fight against APP on the field of finance. A moral capital war against APP will be inevitable.