

Indonesia Forests to Coal

With over 17,000 islands, Indonesia is the world's largest archipelago and a major center of biological diversity, harboring between 10 and 15% of all known plant, mammal and bird species.⁵² The incredible abundance of fauna and flora in its great rainforests on the islands of Borneo, Sumatra and New Guinea is unparalleled. Indonesia is, however, also experiencing an unparalleled coal mining boom. Since 2000, the country's coal production has risen by 460% - totaling 443 million tons in 2012. 86% of the country's coal is exported, mainly to the powerhouse economies of Asia. Indonesia is currently the world's largest coal exporter.⁵³

The Indonesian coal industry is concentrated in two parts of the archipelago: Kalimantan (Indonesian Borneo) and Sumatra, both home to the endangered orangutan, whose population fell by 50% in the last decade.⁵⁴ Although Kalimantan accounts for about 70% of the country's coal production, Sumatra may have even larger coal reserves. A report by Greenpeace Southeast Asia estimates that 1.1 million hectares of rainforest are under immediate threat from coal mining concessions, of which 85% are located in Kalimantan.⁵⁵

Consumed by Coal

Indonesia is experiencing an unparalleled coal mining boom.

East and South Kalimantan are where the lion's share of the province's coal mining takes place. East Kalimantan alone produced 205 million tons of coal in 2011,⁵⁶ more than 13 times the amount of coal consumed by France that year.⁵⁷

Nowhere are the impacts of coal mining more palpable than in Samarinda, the capital of East Kalimantan. Every few minutes, enormous barges, each carrying up to 8,000 tons of coal, pass down the river Mahakam taking coal to China, India, Japan and South Korea. The forests that used to surround Samarinda have been razed, and the city is now surrounded by opencast mines. While East Kalimantan's population bears the enormous social and environmental costs of the coal boom, it doesn't share in the benefits. Even in Samarinda, 39% of households have no electricity access. The city itself threatens to be consumed by coal as 70% of Samarinda's land area is designated for new mining concessions.⁵⁸

Most coal mines in Kalimantan are open-pit and cover vast areas, leading to large-scale deforestation. The mining land grab is a major threat to peoples such as the indigenous Dayak, whose livelihoods and cultures are dependent on intact forests. Many Dayak have been forcibly displaced to make way for coal mining and they are now among the poorest communities in the country. According to the Dayak lawyer, Itan Kussaritano: "Although Indonesia's Constitution recognizes the rights of indigenous peoples to their lands, in practice, our rights are ignored. When we protest against companies like Adaro Energy, Bumi Resources and BHP Billiton, the government simply sends police to arrest us. We are neither able to protect the lands of our ancestors nor ourselves against the greed of the mining industry and the government's corruption."⁵⁹

52 "Tropical Rainforest Heritage of Sumatra, Indonesia," The Encyclopedia of Earth, 2010

53 "Coal Statistics," World Coal Association, 2013

54 <http://www.orangutan.org/orangutan-facts/why-is-the-orangutan-in-danger-2>

55 "The high price of cheap coal - How Indonesians are paying the price for the world's dirtiest fuel," Greenpeace Southeast Asia. October 2010

56 "Escaping the resource curse: East Kalimantan at the tipping point," The Jakarta Post, January 17, 2013

57 France's coal consumption in 2012 was 16.8 million metric tons.

58 "Banking while Borneo burns," World Development Movement, 2013

59 Speech at shareholder meeting of Allianz, Itan Kussaritano, May, 2012



Central Kalimantan, Indonesia

Photo: World Development Movement

Most of East Kalimantan has, in fact, already been “sold off.” According to Kahar Al Bahri, coordinator of the Indonesian NGO JATAM, East Kalimantan only has 19.8 million hectares of land, but local governments have granted licenses to mining and plantation companies for an area of 21.7 million hectares.⁶⁰

IV. The “Hot Spots”

Coal Rush in Central Kalimantan

The coal boom has now begun to move inland to the forests of Central Kalimantan and the Mueller mountains, where many of Borneo’s rivers have their source. One of the companies leading the rush is Borneo Lumbung, It recently received a US \$1 billion loan from the UK bank Standard Chartered - the biggest international loan deal for Indonesian coal in recent history.

Villagers affected by Borneo Lumbung’s Asmin Koalindo Tuhup project in Central Kalimantan have resorted to blocking access roads to the mine to protest against the environmental damages caused by its operations. Pollution from Borneo Lumbung’s mine has seeped into the local rivers and reports confirm illegal practices, such as the dumping of mine waste on riverbanks.⁶¹ Yesmaida, from the village of Maruwei, describes the impacts:

“The water is dark and dirty and makes your skin itch. We can’t drink it. The new mine is not operating yet, but the company already has our land. We feel afraid and worried. We don’t want mining companies to come to our village anymore. We have had enough.”⁶²

Borneo Lumbung is not the only mining operation confronting Yesmaida’s village. Maruwei is close to the site of the planned Haju Mine, the first part of the huge IndoMet Coal project. Although the village itself will not be displaced, the villagers have lost large areas of customary forest to the project. IndoMet has given the traditional owners payments of just 100 rupiah (€ 0.006) per square meter.

IndoMet is the largest planned coal project in Central Kalimantan and is owned by the mining multinational BHP Billiton (75%) and the Indonesian company Adaro Energy (25%). Its concession covers 355,000 hectares and overlaps with the “Heart of Borneo” conservation area, described by the Asian Development Bank as “the lungs of Southeast Asia.”⁶³ According to press reports, IndoMet will cost US \$1.34 billion and is expected to start commercial production in 2014.⁶⁴

Standard Chartered made a US \$1 billion loan to Borneo Lumbung.

A Changing Climate

Mature forests store enormous quantities of carbon, both in trees, vegetation and within the soil in the form of decaying plant matter. Indonesia’s forests represent some of the world’s largest carbon stores on land, but are quickly being converted to plantations and mines, thus releasing huge amounts of carbon into the atmosphere. Deforestation has, in fact, made Indonesia the world’s third largest emitter of greenhouse gases.

Ironically, the very people losing their lands to coal mines are the first victims of climate change. As Itan Kussaritano says: “We know about climate change. It is already changing the weather systems in Kalimantan. Farmers can no longer predict the timing or intensity of the monsoon rains. Floods can occur at any time of year.

60 “Coal exports risk biodiversity, say activists,” The Jakarta Post, February 5, 2013

61 “Coal Mining Study in Kalimantan,” Kussaritano, Mariaty Niun, Alma Adventa, 2013

62 “Banking while Borneo burns,” World Development Movement, 2013

63 “BHP Billiton to be slammed for Borneo coal mining,” London Mining Network, October 22, 2013

64 “BHP go-ahead for IndoMet mine,” The Australian, November 4, 2011

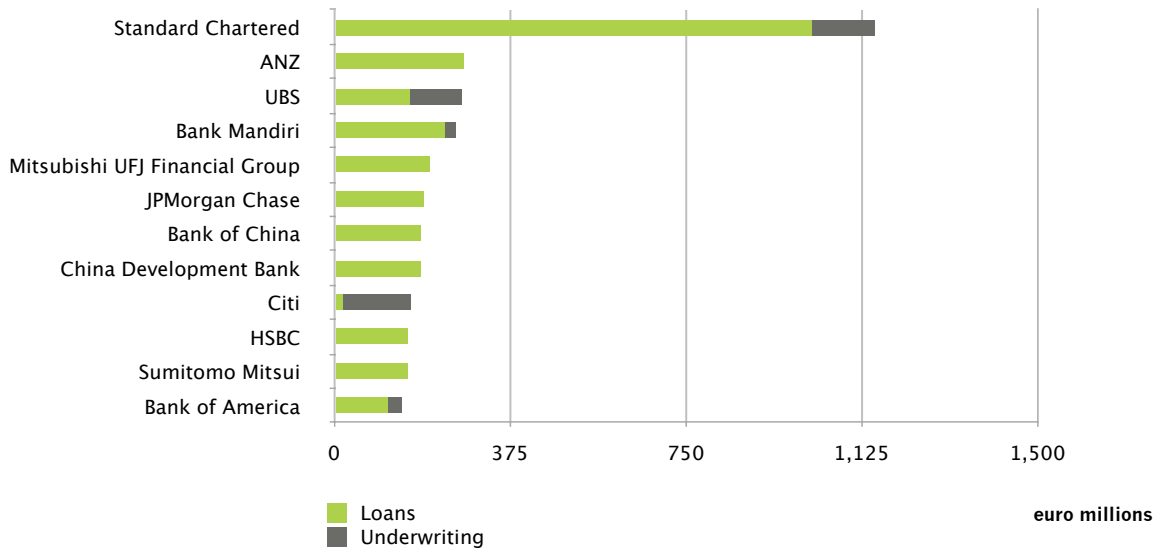
Fires and droughts now take place where there was always water in the streams and lush forests.”⁶⁵

NGOs and peoples’ organizations from throughout Indonesia have joined in calling for a moratorium on coal mining. They say: “We are otherwise digging our own grave.”⁶⁶

Top Coal Mining Banks for Indonesia

The following chart shows the top 12 financial institutions, which have – over the past two and a half years - played the lead role in bankrolling the devastation of Indonesia’s forests for coal mining. With an exposure of 1.15 billion euros, Standard Chartered is by far the bank with the most involvement in the sector. 2nd, 3rd and 4th place are held by Australia’s ANZ, the Swiss bank UBS and Indonesia’s largest bank, Bank Mandiri.

Banking on Indonesian Coal, 2011 – mid-2013



Coal Deposits



65 Speech at shareholder meeting of Allianz, Itan Kussaritano, May, 2012

66 “The Point of No Return: How Indonesia’s coal mining expansion is accelerating climate change,” Redd Monitor, January 25, 2013