

OKI Pulp & Paper Mills Indonesia

Sectors: Pulp, Paper and Paperboard Mills

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[Project website](#)

Sector	Pulp, Paper and Paperboard Mills
Location	
Status	Planning Design Agreement Construction Operation Closure Decommission

About OKI Pulp & Paper Mills

Asia Pulp & Paper (APP) is operating a paper and pulp mill in Ogan Komering Ilir (OKI) South Sumatra, Indonesia. The OKI mill is co-owned by APP subsidiaries PT. Pindo Deli Pulp and Paper Mill, and PT. Tjiwi Kimia, each holding 47.58% of the shares, with the remaining shares being controlled by Muba Green Indonesia. The mill has a capacity of 2.8 million tonnes per year. The project required a total investment of USD 2.6 billion, of which USD 1.8 billion was provided by the China Development Bank and the remaining USD 800 million was provided by the shareholders. According to the Environmental Impact Assessment the new mill is to be supplied by the surrounding plantations, mainly PT. Bumi Mekar Hijau, PT. Sebangun Bumi Andalas, PT. Bumi Andalas Permai, PT. Rimba Hutani Mas, PT. Sumber Hijau Permai, PT. Tripupa Jaya and PT. Bumi Persada Permai.

Latest developments

Sinarmas Forestry company found guilty of unlawful conduct by High Court over peat fires

Nov 5 2019

Waste management issues linked to PT OKI Pulp and Paper

Feb 21 2017

What must happen

International banks and other financial institutions should not provide any new finance and should halt current financing or support for the construction of the OKI mill or for other production lines by APP, until the company transparently shares:

- written proof that it obtained Free, Prior and Informed Consent from affected communities;
- credible figures proving without reasonable doubt that the company has enough wood fibre to feed all its plants for the coming years, worldwide, factoring in the potential risk of plantation area reduction given subsidence of peat soil;
- an independent third party audit verifying that APP has implemented its entire set of commitments on the ground.

Impacts

Social and human rights impacts

The OKI mill is expected to impact nearby communities through air pollution and the pollution of the Simpang Heran and Sugihan rivers. These two rivers are important for local people's livelihoods, providing fish, water for the paddy-fields, and bathing space. The mill will cause intensive traffic of barges along the Sugihan river, a relatively small river (especially during the dry season), bringing a greater risk of accidents to people who commonly use the river. During the rainy season, the barges will produce waves inundating and damaging the paddy-fields.

However, many communities in the surrounding area still have no information about the mill and the impact it will have on their lives. WBH did a survey in eight affected communities and found that APP did not follow its FPIC commitments during the meetings that were held.

The rapid expansion of APP concessions during the past decades has had a significant social impact. Several hundred social conflicts and land disputes emerged in the vast areas controlled by the company's suppliers, and they are still largely unresolved. APP committed to map and address all these social conflicts; however the mapping process has not been adequately transparent. According to NGO reports, by [RAN](#) and [Rainforest Alliance](#), little progress has been made on the ground and the majority of these conflicts still occur.

APP committed to apply the principles of Free, Prior and Informed Consent (FPIC) as part of the mill's development process. However [research](#) from WBH has shown that construction of the OKI Mill started [without FPIC](#) from at least one rights holding community. The [Rainforest Alliance evaluation](#) found that APP has made limited progress in implementing the agreements, action plans, or FPIC with Indigenous Peoples and local communities.

In February 2015, a farmer activist - Indra Pelani - was brutally [murdered](#) by security guards contracted by an APP supplier. In June, Indonesia's National Human Rights Commission found gross human rights violations transpired with this case. APP reacted immediately by contacting the family of the victim and by announcing the decision to terminate the contract with the involved security company. However, with hundreds of outstanding land conflicts found in APP and its suppliers' concession areas, the Indra Pelani case indicates that significant risks of additional legal violations remain.

Environmental and climate impacts

APP is committed to zero deforestation in its supply chain, and has stated that the OKI mill will only use plantation wood for its raw materials. APP also claims that an (unpublished) report by the [Forest Trust](#), dated December 2014, confirms it can source enough plantation wood for the OKI mill.

However, multiple studies show the opposite. Rainforest Alliance [found](#) that APP is failing to stop third party deforestation, which is still widespread in set-aside forest, inside APP and supplier concessions. Also, a [rough calculation](#) by Walhi, a [report](#) by Greenomics and a [report](#) by Forest Trends all show that APP does not have enough land to source fibre without clearcutting primary forests, which it has committed not to do. In April 2015, a dozen international and Indonesian environmental groups released a [report](#), concluding that the company will face a significant shortfall in its supply of plantation-grown wood after the new mill begins operating.

Furthermore, the concession area held by Rimba Hutani Mas (one of APP's suppliers) consists of dense, high conservation value forests that should not have been allocated for conversion, as under Indonesian law only secondary or degraded forest lands can be granted for clear-cutting conversion.

The mill and plantations also impact threatened species. Plantations in the District of Musi Banyasin are located in the Merang Peatlands Forest Areas, the [habitat](#) of the critically endangered Sumatran Tiger. [Research](#) by Greenomics (2013) found that the concession of one of the suppliers is located in ramin forests. Ramin is a species of tropical hardwood tree that is protected under Indonesian law and the Convention of International Trade in Endangered Species (CITES). The mill itself will be built at the Pangeran River, which is home to thirty Sumatran elephants, also a threatened species.

Governance

Applicable norms and standards

Forest Stewardship Council- 10 Principles of Forest Stewardship

Other applicable regulations

[China Green Credit Guidelines](#)

Brief history

The OKI mill was initially being developed by PT OKI Pulp & Paper Mills. At the end of 2012 this company finished the Environmental Impact Assessment (EIA) for the project and held several meetings with local communities to discuss the project. In July 2013, [APP bought](#) 70% of the shares of PT OKI Pulp & Paper Mills and changed the location of the mill 20 kilometres from the original spot, as the soil had less peat there and the plant would be easier to build. However, it [did not conduct a new EIA](#), and while it claims the existing EIA has been updated, this has not been made public. APP also claims to have held meetings with local communities in early 2014. Indonesian NGO Wahana Bumi Hijau [argued](#) this was not a proper FPIC process.

In December 2014 it was [reported](#) that mill construction was in progress, with work on the foundations and an associated port. On December 23, 2016 Asia Pulp & Paper (APP) announced that it started production at the mill.

Updates

Sinarmas Forestry company found guilty of unlawful conduct by High Court over peat fires

Nov 5 2019

Five of the 10 companies (PT. BMH, SBA, BPP, PT. BAP and PT. RHM) who their concessions were [burned](#) are affiliated with Asia Pulp and Paper (APP) that supply wood to feed the largest pulp and paper mill in Asia, PT. OKI Mill Pulp and Paper. The re-occurrence of fires, even in the plantation of its main crops (717 ha) proves that APP has failed to fulfill its promises to the public. The company promised that it will control forest fires, not only within its concession areas but also up to 5 kilometers bordering the concessions.¹⁰ Moreover, the effectiveness of the system that they built with a total funding claimed to be worth 20 million US dollars should be questioned.

Waste management issues linked to PT OKI Pulp and Paper

Feb 21 2017

The waste management carried out by [PT OKI Pulp and Paper](#), a subsidiary of pulp giant [Asia Pulp and Paper \(APP\)](#) and [Asia's largest pulp mill fall well short](#) of Indonesia's legal standards.

These violations were inadvertently discovered by the two Director Generals of the Ministry of the Environment and Forestry. The two top officials were heading back from [peatland violation areas](#) in the PT BAP concession after having [symbolically removed](#) newly-replanted acacia from [2015's burned peatlands](#) in this APP concession. The ministry team immediately got out of their cars upon noticing piles of garbage which had been disposed of in peatlands located to the left, right as well as behind acacia trees in one of the PT BAP concession blocks.

“Our minister was really shocked to see the ground-based evidence showing these masses of garbage from the OKI mill and immediately ordered administrative sanctions to be imposed,” Vivien told FORESTHINTS.NEWS at her office on February 20, 2017.

Sinarmas Forestry company found guilty of unlawful conduct by High Court over peat fires

Aug 29 2016

PT BMH, a subsidiary of Sinarmas and a supplier of APP, was [has been found guilty](#) of unlawful conduct by High Court over peat fires. This overturned the decision of the District Court of Palembang from the end of December last year that was in favor of PT BMH. The new ruling states that the company indeed did commit an unlawful act with respect to the peat fires that occurred in its concession in 2014.

Last year, PT BMH continued to contribute to the vast haze that enshrouded the region as a result of peat fires in its concession located in the regency of Ogan Komering Ilir (OKI) in South Sumatra province. Due to these peat fires in its concession, the minister suspended the operating permit of PT BMH. Sinarmas concessions in South Sumatra are key suppliers for the new huge APP mill that will start its operation by the end of the year in the OKI regency.

Will Asia Pulp & Paper default on its “zero deforestation” commitment?

Apr 30 2016

[This study](#) by twelve international and Indonesian NGOs shows that in spite of its high-profile sustainability commitments, Asia Pulp & Paper (APP) is building one of the world's largest pulp mills in the Indonesian province of South Sumatra without a sustainable wood supply.

APP press release on the OKI Pulp & Paper Mills

Apr 21 2016

[APP press release](#): The mill will commence production this year at low level and will gradually increase subject to demand and the availability of raw materials. Pulp production and any future increase in production will be subject to the availability of raw materials from our suppliers. The design capacity of the mill is 2.8 million tons per year.

Forest fires: more APP plantations licenses suspended

Dec 22 2015

According to the [StraitsTimes](#), Indonesia is punishing more than 20 companies in an unprecedented move for starting deadly forest fires that killed 19 people, a government official said Tuesday. The companies - most of them pulp wood plantations operating on concession land in Sumatra and Kalimantan - have had their business licences suspended. The firms include BMH and SWI, which have concessions in South Sumatra. BMH is a supplier to Asia Pulp & Paper (APP) in Indonesia. BMH, SWI and APP have the same parent company, the Sinar Mas Group. The suspensions would be lifted if, within the next two years, the companies show that they have made significant progress in efforts to prevent future fires.

New report: drained plantations on peat in the Kampar Peninsula cannot be sustained

Dec 11 2015

A new Deltares [report](#), commissioned by Wetlands International, reconfirms that pulp wood and oil palm plantations in peatlands cannot be managed sustainably. Such drained plantations will inevitably suffer from severe land subsidence, increasing flooding and eventually production loss. The report also provides evidence that fires only occurred in drained peatlands and therefore inside or near plantations.

Letter from Indonesian NGOs to government and buyers

Oct 21 2015

A coalition of Indonesian NGOs sent a [letter](#) to the government and to the buyers. "It is now more than 100 days that people in Sumatra and Kalimantan have suffered from uncontrollable haze" says the letter. The haze is coming from forest fires related to forest conversion and plantation management, especially on dried peat soil, and exacerbated by El Nino. The letter is signed by TUK Indonesia, HAKA, JMGJ, JMG South Sumatra, PUSAKA, Linkar Borneo PADI, HaKI, Persatuan Petani Jambi and Jikalahari.

Haze and forest fires linked to APP

Oct 15 2015

The Indonesian NGO coalition Eyes on the Forest (EoF) published [a set of maps](#) showing that fibre suppliers related to the forestry and paper conglomerate Sinar Mas/APP are linked to the forest fires and haze crisis.

Singapore: supermarket chains remove all APP products from their stores

Oct 12 2015

Singaporean supermarket chains are removing all Asia Pulp & Paper Group (APP) products from their shelves. According to the [StraitsTimes](#), NTUC FairPrice, Sheng Siong and Prime Supermarket started to remove APP's products. The Dairy Farm group, which operates chains such as Guardian, 7-Eleven, Cold Storage and Giant, has also stopped replenishing APP stock, but will continue to sell existing items till they run out.

Indonesia arrests seven company executives for illegal forest fires

Sep 17 2015

According to [The Jakarta Post](#): Indonesian police nabbed seven corporate executives in connection with illegal forest fires across Sumatra and Kalimantan, as part of a wide-ranging effort to arrest the haze crisis. Suspects from the latest bust included a senior executive from Bumi Mekar Hijau, a unit of Singapore-based APP.

APP likely to receive more loans from China's banks to fund new Sumatra pulp mill

Apr 6 2015

Asia Pulp & Paper (APP) is expected to obtain more loans from Chinese banks to fund its expansion projects in Indonesia. The company's parent group, Sinar Mas, has secured a USD1.5 billion loan from the China Development Bank (CDB) and ICBC Financial Leasing to fund the conglomerate's expansion in the power, pulp and telecommunication industries in Indonesia (source [RISI](#)).

Brutal murder at APP concession

Mar 1 2015

According to [APP-watch](#): On Friday, Indra Kailani (23) of Lubuk Mandarsah was killed by security guards hired by Asia Pulp & Paper's sister company PT. Wirakarya Sakti (WKS) in Bukit Tigapuluh landscape, Jambi Province, Sumatra.

Jacobs will supply Chlorine Dioxide Plant for Oki mill

May 20 2014

Jacobs Engineering Group Inc. [announced](#) that it was awarded a contract by PT. OKI Pulp and Paper Mills for the design and supply of an integrated chlorine dioxide plant for its pulp mill project in South Sumatra, Indonesia.

Complaint to APP on the lack of transparency regarding OKI mill consultation process

Mar 15 2014

Wahana Bumi Hijau Foundation (WBH) sent a [letter](#) to Asia Pulp and Paper to complain on the lack of transparency regarding the changes in the OKI mill project. WBH accuses APP of changing the location of the mill for about 20 km, without informing relevant NGOs in the region nor properly informing the local communities. It has also not ammended the environmental assessment impact, which, by law, it should.

Andritz to supply the world's largest High Energy Recovery Boiler to OKI Pulp & Paper Mills

Feb 21 2014

International technology Group ANDRITZ has [received an order](#) from OKI Pulp & Paper Mills to supply the world's largest recovery boiler for OKI's new kraft pulp mill in Indonesia. The order value amounts to approximately EUR120 million.

Valmet will supply machinery

Feb 7 2014

The Finnish company Valmet has [signed](#) a contract with OKI Pulp & Paper Mills to supply key technology, including two biomass gasifiers, two biomass boilers, an evaporation system, two lime kilns and two pulp dryers. In total the machinery will be worth EUR340 million. Valmet is a long time partner of APP, as it also supplied equipment for its mill in Riau.

Financiers

Banks

[China Development Bank](#) China [profile](#)

[Details](#) ▼

Debt – project finance

USD 1.8 billion

3 October 2013

source: [link](#)

Export credit agencies

[Exportkreditnämnden \(EKN\)](#)

[Details](#) ▼

Approached, interested

it has insured export of machinery sold to APP in the past

source: [link](#)

[Finnvera](#)

[Details](#) ▼

Approached, interested

it has insured export of machinery sold to APP in the past, and will probably insure that of Valmet

source: [link](#)

[Oesterreichische Kontrollbank Aktiengesellschaft \(OeKB\)](#)

[Details](#) ▼

Approached, interested

it has insured export of machinery sold to APP in the past and will probably insure that of Andritz

source: [link](#)

The total investment required by the mill is USD2.6 billion. Of this, USD1.8 billion is funded through the China Development Bank. The remaining investment is from the shareholders: Tjiwi Kimia and Pindo Deli Pulp, which each hold 47.58% of the shares of OKI Pulp & Paper Mills. Each will invest USD407 million in the project. Pindo Deli Pulp is a subsidiary of Tjiwi Kimia. Muba Green, which holds the remaining shares, invested USD25 million in July 2013. Tjiwi Kimia also planned to allocate up to USD50 million in 2014.

Related companies