

EU Ecolabel allows forest destruction

The case of Pindo Deli

by Chris Lang

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Summary

The EU Ecolabel on copying and graphic paper is supposed to reassure consumers that the pulpwood used to make the paper comes from sustainably managed forests. The Ecolabel assures consumers that 'the environmental criteria behind it are tough, and that only the very best products, which are kindest to the environment, are entitled to carry the EU Ecolabel'.

This report, however, shows that the EU Ecolabel is awarded to two brands of photocopier paper, produced by the Indonesian company Pindo Deli, that do not deserve it. Furthermore, while documenting this case it became clear that there is insufficient information publicly available to allow consumers to check on which basis the EU Ecolabel has been awarded to companies.

In 2006, the EU Ecolabel was awarded to two brands of photocopier paper, Golden Plus and Lucky Boss, produced by an Indonesian company called Pindo Deli. Pindo Deli is part of Asia Pulp and Paper (APP), one of the world's most controversial pulp and paper companies. Until today Pindo Deli has an EU Ecolabel.

The pulp that is used to manufacture Pindo Deli's paper comes from two Asia Pulp and Paper pulp mills in Sumatra: Indah Kiat and Lontar Papyrus. Pindo Deli owns 80 per cent of Lontar Papyrus. APP has destroyed vast areas of forest to feed its massive pulp mills in Sumatra. The pulp mills were designed to use mixed hardwood timber (rainforests) as raw material, at least until a sufficient area of industrial tree plantations had been established to feed the mills. The pulp mills have agreements with related companies to provide the wood used as raw material to produce pulp. Lontar Papyrus has an agreement with PT Wirakarya Sakti (PT WKS).

The EU Ecolabel on copying and graphic paper products is supposed to reassure consumers that the pulpwood used to make the paper comes from 'sustainably managed forests' (among other things).

This report investigates whether this claim can be upheld in the case of Pindo Deli's two brands of photocopier paper, by looking at the logging operations of PT WKS and its subcontractors. It concludes that PT WKS's operation in Jambi province in Sumatra have serious impacts on forests, indigenous peoples and local communities. Research by Indonesian NGOs indicates that PT WKS's operations in the Bukit Tigapuluh forest ecosystem may not even be legal.

The key findings of the report include:

- 1 EU Ecolabel criterion for sustainable forest management for copy & graphic paper is very weak, and the revised version (latest draft from December 2009) is no better. The EU Ecolabel can therefore not give any guarantee that the product is coming from well managed forests.
- 2 The EU Ecolabel process is non-transparent. Researching this report proved to be extremely difficult. All parties involved from the Competent Body, which issued the Ecolabel, to Pindo Deli and Asia Pulp and Paper declined to respond to requests for information. There is not enough information in the public domain that allows anyone to check on which basis the Ecolabel has been issued.
- 3 The forestry operations (PT WKS and its contractors) that supply raw material to the pulp mills that supply Pindo Deli are socially and environmentally destructive and some of its operations may be even illegal.
- 4 The EU Ecolabel should therefore be withdrawn for Pindo Deli's brands of photocopy paper.

How the EU Ecolabel markets itself

Best known as the 'EU flower', the EU Ecolabel is a voluntary scheme aimed at making it easier for consumers to find 'green' products and for companies to market their products as being 'green'.¹ The Ecolabel was established in 1992.² By April 2009, the Ecolabel had been awarded to more than 3,000 products.³ A revision process has recently been completed to make it cheaper and less bureaucratic.⁴

The Ecolabel website lists a range of product groups carrying the Ecolabel: 'cleaning products, appliances, paper products, textile and home and garden products, lubricants and services such as tourist accommodation'.⁵ The website claims that products carrying the EU flower must meet stringent targets: 'While the logo may be simple, the environmental criteria behind it are tough, and only the very best products, which are kindest to the environment, are entitled to carry the EU Ecolabel'.⁶

As of March 2010, the Ecolabel has been awarded to 22 categories of products. Tourism accommodation is the biggest category, accounting for 37 per cent of the total number of licences. Fourteen licences have been awarded to companies producing copying paper.⁷

The Ecolabel website claims that 'This is a label that consumers can genuinely trust.' A product can only carry the EU flower, 'after verification that the product meets these high environmental and performance standards'.⁸ A European Commission brochure about paper products and the EU Ecolabel states that, 'Every product awarded the European Eco-label must pass rigorous environmental fitness trials, with results verified by an independent body'.⁹

1 'EU Ecolabel', Ecolabel, Wikipedia. <http://bit.ly/7xmGJM>

2 'What is the Ecolabel?', European Commission website. <http://bit.ly/64EAF4>

3 'MEPs vote to step up eco-labelling', European Parliament Press Release, 2 April 2009. <http://bit.ly/blqvrs>

4 'Strengthened EU ecolabelling rules to enter force', Ends Daily, 1 February 2010.

5 'What is the Ecolabel?', European Commission website. <http://bit.ly/64EAF4>

6 'What is the Ecolabel?', European Commission website. <http://bit.ly/64EAF4>

7 'Ecolabel – Facts and Figures', European Commission website. <http://bit.ly/9obwRF>

8 'What is the Ecolabel?', European Commission website. <http://bit.ly/64EAF4>

9 'The European Eco-Label Paper Products Better by Nature', European Commission. <http://bit.ly/boZ59w>

According to the Ecolabel website, 'Choosing ecolabelled paper guarantees paper coming from recycled fibres or sustainably managed forests.'¹⁰

The findings of this report show that at least in the case of paper, the claims being made are far from reality for some of the products being labelled. Once the Ecolabel is given to destructive products the whole integrity of the brand is put at risk. By looking in detail at two brands of photocopy paper that currently carry the Ecolabel, this report shows that this is the case.

The photocopy paper brands in question are Golden Plus and Lucky Boss, manufactured in Indonesia by Pindo Deli, part of Asia Pulp and Paper (APP)¹¹, one of the most controversial pulp and paper companies in the world. Pindo Deli was the first and is to date the only non-European company to be awarded the EU Ecolabel for copying and graphic paper products.¹²

As the EU Ecolabel process is not transparent, it is not possible to be certain that other brands that have been awarded the EU Ecolabel are free from fibres from destructive forest management.



10 'Facts and Figures', European Commission website. <http://bit.ly/dxT8tb>

11 'Detailed Manufacturer / Service provider Pindo Deli Pulp and Paper Mill', eco-label.com. <http://bit.ly/bMDriR>

12 According to a search carried out on www.eco-label.com on 19 February 2010. <http://bit.ly/aNEo7a>

How to get an Ecolabel¹³

First, we need to know how the Ecolabel is supposed to work. A European Commission presentation explains that there are three application steps involved in getting an Ecolabel:

- 1 Applying for the EU Ecolabel
- 2 Building up the dossier
- 3 Receiving the EU Ecolabel¹⁴

In order to get the Ecolabel, the company makes an application to 'the Competent Body in the Member State in which their product or service is manufactured, first marketed, or imported from a third country.'^{15 16}

The Competent Body's role is to provide an application form and 'consider each application carefully before notifying the European Commission of its decision to award the Flower.'¹⁷ This may involve a visit to the manufacturing facility, but such a visit is not necessarily a part of the approval process.¹⁸ The company must fill in the application form and provide a dossier of the information necessary to show that it meets the criteria for the relevant product group.

Once the Ecolabel has been issued, the Competent Body *may* carry out factory inspections and product tests 'to ensure environmental excellence of the ecolabelled products to the consumers'.¹⁹

13 The award of the EU ecolabel to Pindo Deli was done on the basis of the old Ecolabel regulation (EC) No 1980/2000 and therefore, the information on the basis of the old regulation has been used for this chapter.

14 'The EU Ecolabel 'Everything you need to know', European Commission website. <http://bit.ly/cW57tC>

15 'Eco-label - Frequently Asked Questions', European Commission website. <http://bit.ly/9mFPpJ>

16 On the basis of this procedure, Pindo Deli obtained the EU Ecolabel. According to article 9 of the new EU Ecolabel Regulation, that entered into force on 25 February 2010, the application has to be presented to a competent body in any of the Member States in which the product is to be or has to be placed on the market, in case the product originates outside the Community

17 'Eco-label - Frequently Asked Questions', European Commission website. <http://bit.ly/9mFPpJ>

18 'Application procedure Step 2: Building up your dossier', European Commission website. <http://bit.ly/aF2KbZ>

The website states: 'A visit of your manufacturing facility may be organised in order to ensure compliance with the criteria.'

19 'Application procedure Step 3: Receiving the EU Ecolabel', European Commission website. <http://bit.ly/cR5lIP>

The EU Ecolabel criterion for forest and plantation operations

Although there are various aspects to the awarding of the Ecolabel, this report only looks at the production of the fibres that go into the paper. In the case of Pindo Deli, these are the forests and industrial tree plantations of the island of Sumatra.

In order to get the Ecolabel, Pindo Deli had to convince the Competent Body (in this case the French company AFNOR) that the company's raw material supply complied with criterion 3: 'Fibres – sustainable forest management'. This Criterion states that

'At least 10 % of virgin wood fibres from forests shall come from forests that are certified as being managed so as to implement the principles and measures aimed at ensuring sustainable forest management. The remaining virgin wood fibres from forests shall come from forests that are managed so as to implement the principles and measures aimed at ensuring sustainable forest management.'

This Criterion is problematic for at least two reasons:

- 1 The requirement for only 10 per cent certified 'forests' is extremely low. For a voluntary scheme like the EU Ecolabel that claims to accept 'only the very best products, which are kindest to the environment' to only request 10 per cent to be certified, while many EU governments have mandatory requirements for all timber to come from certified well managed forests, is strange to say the least.
- 2 It is furthermore not stated who has to certify that the wood fibre comes from 'sustainable forest management'. There is no requirement, for example, for independent third party certification.

To meet the requirement on the certified fibres, Pindo Deli had to prove that the forest operations 'correspond' to the UNCED Forest Principles and 'where applicable' to the various international and regional initiatives on sustainable forest management.²⁰ This should, in theory at least, considerably strengthen the otherwise weak Criterion 3 because, for example, Principle 5 of the UNCED Forest Principles states:

'National forest policies should recognize and duly support the identity, culture and the rights of indigenous people, their communities and other communities and forest dwellers. Appropriate conditions should be promoted for these groups to enable them to have an economic stake in forest use, perform economic activities, and achieve and maintain cultural identity and social organization, as well as adequate levels of

²⁰ These are listed in Criterion 3 as 'TTO, Montreal Process, Tarapoto Process, UNEP/FAO Dry-Zone Africa Initiative'

livelihood and well-being, through, inter alia, those land tenure arrangements which serve as incentives for the sustainable management of forests.²¹

Pindo Deli, had to provide information to AFNOR about the origin of all virgin fibres used to manufacture the Ecolabelled brands: 'The applicant shall indicate the types, quantities and origins of fibres used in the pulp and the paper production. The origins of virgin fibres shall be indicated with sufficient precision to allow, where appropriate, checks to be carried out that the virgin fibres are from sustainably managed forests.'

In addition to providing appropriate certificates, for the non-certified forests and plantations, Pindo Deli will have needed to provide 'the appropriate declarations, charter, code of conduct or statement, verifying that the above requirements are met.'²²

In 2008, an ad hoc working group was set up to start discussions about a new set of criteria for copying and graphic paper. Unfortunately, the working group has so far failed to produce an ambitious and convincing standard. The latest draft (December 2009) is very weak because amongst others the percentage of fibres originating from certified sustainably managed forests is very low. Further more, the verification tools are unclear and therefore unable to exclude illegally sourced or unsustainably produced wood fibre.

21 'Non-legally binding authoritative statement of principles for a global consensus on the management, conservation and sustainable development of all types of forests', Report of the UN Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992. <http://bit.ly/cyZMKU>

22 '2002/741/EC: Commission Decision of 4 September 2002 establishing revised ecological criteria for the award of the Community eco-label to copying and graphic paper and amending Decision 1999/554/EC (Text with EEA relevance) (notified under document number C(2002) 3294)', European Commission, 4 September 2002. <http://bit.ly/dbkZm0>

Transparency and the EU Ecolabel

Our research revealed that the awarding of the Ecolabel is not transparent. Neither AFNOR²³ nor Pindo Deli²⁴ replied to requests for information about the EU Ecolabel. We therefore contacted the ‘European Ecolabel Helpdesk’²⁵ to ask which documents relating to the assessment are in the public domain and how we could get hold of these documents. Camille Ouellete from the Helpdesk told us that:

‘I doubt that the assessments are available to the public since it might contain private information, for example regarding the composition of the products, that producers might not want to disclose. The EU Ecolabel Helpdesk does not have access to this information. Only the Competent Body, which perform the evaluation and awarded the Flower, has access to it.’

Unfortunately, I fear you will not be able to obtain those documents.’²⁶

Our next step was to contact DG Environment in the European Commission, who told us that ‘I don’t think that French CB {Competent Body} can give any information to external parties & not even sure if the Aarhus convention is applicable in this case.’ They quoted a section of the Ecolabel contract, which states:

‘The competent body which has awarded the EU Ecolabel to the product shall not disclose, or use for any purpose unconnected with the award for use of the EU Ecolabel, information to which it has gained access in the course of assessing the compliance by a user of the EU Ecolabel with the rules on use of EU Ecolabel set out in Article 9.

It shall take all reasonable steps to secure the protection of the documents provided to it against falsification and misappropriation.’²⁷

23 I wrote to Patricia Proia at AFNOR on 14 January 2010 and again on 21 January 2010. I made a formal request for the following documents: 1. The assessment report that AFNOR carried out before Pindo Deli was awarded with the EU Ecolabel; and 2. Any audits that AFNOR had carried out since the Ecolabel was awarded, to check whether Pindo Deli remains in compliance with the Ecolabel criteria. I did not receive any reply. I wrote again on 18 February 2010.

24 I wrote to Tien Johanna at Pindo Deli on 27 January 2010 with a series of questions about Pindo Deli and about the awarding of the EU Ecolabel. I wrote again on 18 February 2010.

25 The EU Ecolabel Helpdesk is operated by BIO Intelligence Service on behalf of the Directorate General Environment of the European Commission.

26 Email from Camille Ouellette to Chris Lang, EU Ecolabel Helpdesk, 22 January 2010.

27 Email from Benjamin Caspar, DG ENV/G2/EU Ecolabel, European Commission, 27 January 2010. I subsequently asked Caspar for a copy of the Ecolabel contract and details of the complaints procedure for the EU Ecolabel. I also asked whether the Competent Bodies were bound by contract not to answer any questions from the public about the award of an EU Ecolabel. Caspar did not reply. I wrote again on 18 February 2010 – Caspar replied, as follows: ‘It is just a standard document saying that they have the label. (for the document search for 2000/729/EC) If they have a licence, the company should be on the ‘green store.’ About AFNOR, the Competent Body, he said that ‘I am sure they will be happy to answer your questions.’

The EU Ecolabel is almost entirely non-transparent, therefore it is impossible to monitor the award process from outside.

Without access to the a public summary of the assessment that led to the awarding of the EU Ecolabel, we do not know on what basis the Ecolabel was awarded. Neither do we know for certain where the raw material that supplies Pindo Deli's paper machines comes from. We have therefore based our analysis on the publicly available information about Pindo Deli's raw material supply.



Publicly available information about Pindo Deli and its pulp suppliers

Pindo Deli is a paper manufacturing company that was founded in 1975 and joined Asia Pulp and Paper (APP) in 1992.²⁸ (APP is part of the huge Sinar Mas Group, founded by Eka Tjipta Wijaya, father of the current Chief Executive Officer (CEO) of APP, Teguh Ganda Wijaya.²⁹)

Pindo Deli's two paper mills are about eight kilometres apart in Karawang, West Java. Pindo Deli produces copy paper, tissue and paper for packaging. In 2007, sales amounted to US\$900 million and the mills employed 6,800 people.³⁰ The paper mills consist of a total of 12 paper machines producing about one million tonnes of paper products a year.³¹

Pindo Deli only manufactures paper products. It does not own any forestry operations directly, but it does have an 80 per cent stake in a pulp mill in Sumatra: Lontar Papyrus Pulp and Paper.³²



- 28 PT. Pindo Deli Pulp and Paper Mills, APP website. <http://bit.ly/cjsnFe>.
APP Indonesia has eight mills in Sumatra and Java, owned by five companies: PT Lontar Papyrus Pulp & Paper Industry, PT Indah Kiat Pulp & Paper Tbk, PT Pindo Deli Pulp And Paper Mills, PT Pabrik Kertas Tjiwi Kimia Tbk and PT Ekamas Fortuna. (Mark Rushton (2009) 'APP Indonesia – A giant poised on the edge', Pulp and Paper International Magazine, 31 December 2009. <http://bit.ly/9Yg0W3>) According to RISI, 'Combined these companies churn out around 7.5 million tonnes/yr of pulp, paper and converted goods including tissue and high quality printed and finished items. In total the operations employ around 70,000 people.' But this is something of an exaggeration: in 2007, APP employed more than 37,000 workers, according to the company's 2007 Sustainability Report. Sinarmas Forestry employed 6,900 people. That's a total of 43,900 jobs. The remainder are part time or temporary jobs (25,000 by APP and 1,600 by Sinarmas Forestry). (APP (2007) 'Growing a sustainable future', Environmental and Social Sustainability Report for Indonesia, APP, pages 7-8.)
- 29 Mark Rushton (2009) 'APP Indonesia – A giant poised on the edge', Pulp and Paper International Magazine, 31 December 2009. <http://bit.ly/9Yg0W3>
- 30 APP (2007) 'Growing a sustainable future', Environmental and Social Sustainability Report for Indonesia, APP, page 38.
- 31 Mark Rushton (2009) 'APP Indonesia – A giant poised on the edge', Pulp and Paper International Magazine, 31 December 2009. <http://bit.ly/9Yg0W3>
- 32 According to the Company Profile on the Indonesia Stock Exchange website. <http://bit.ly/cn3woq>

Lontar Papyrus is one of two huge APP pulp mills in Sumatra, the other one being Indah Kiat Pulp and Paper, (both of which provide pulp to Pindo Deli's mills). Between them the mills consume 12 million tonnes of wood each year.³³

Lontar Papyrus and Indah Kiat are not owners of forestry operations. Instead, they buy raw material, mainly from companies within Sinarmas Forestry, which is also part of the Sinar Mas Group. Founded in 1986, Sinarmas Forestry consists of four companies: PT Satria Perkasa Agung; PT Arara Abadi; PT Finnantara Intiga and PT Wirakarya Sakti.³⁴

Two events, both from 2007, indicate how controversial APP actually is:³⁵

- 1 In January 2007, Rainforest Alliance terminated a contract with Indah Kiat to identify and monitor High Conservation Value (HCV) Forest. Indah Kiat, which is part of the APP Group, buys its raw material from Sinarmas Forestry. In a Public Statement, Rainforest Alliance wrote that

'The company {Indah Kiat} has not demonstrated a comprehensive, consistent or dedicated approach toward conservation management necessary to maintain or enhance the forest ecosystems fundamental to the survival of the HCVs present there. Changes in HCVF boundaries, including some clearing of HCVFs identified for conservation, have occurred, which directly contravenes agreements between APP and the Rainforest Alliance.'³⁶

- 2 In December 2007, the Forest Stewardship Council (FSC) issued a statement 'dissociating' itself from Asia Pulp and Paper. APP, which had an FSC chain of custody certificate for part of its operations, 'planned to start using the FSC logo,' according to the Wall Street Journal.³⁷ 'There is substantial publicly available information,' FSC wrote in a statement, 'that suggests that APP, a Sinar Mas subsidiary, is associated with destructive forestry practices. Reports from WWF, Greenpeace, Eyes on the Forest and many other independent sources suggest that APP is actively conducting forestry practices contrary to FSC Principles and Criteria.'³⁸ Sinarmas Forestry is the exclusive supplier to APP's two pulp mills, Indah Kiat and Lontar Papyrus.³⁹

According to the company's financial statements, in 2008, Lontar Papyrus appears to have paid US\$ 96 million to PT Wirakarya Sakti (PT WKS) for wood raw material to feed the pulp mill. The previous year, the figure was US\$170 million. The two companies have a pulpwood purchase agreement, signed in January 1995. The agreement was amended on 18 January 2001 and runs for 30 years from the date of the amendment.⁴⁰ According to a 2006 report published

33 Mark Rushton (2009) 'APP Indonesia – A giant poised on the edge', Pulp and Paper International Magazine, 31 December 2009. <http://bit.ly/9Yq0W3>

34 'History', Sinarmas Forestry website. <http://bit.ly/9bhsJJ>

35 For more critical information about APP, see Eyes on the Forest: <http://eyesontheforest.or.id/> and APP Watch: <http://appwatch.blogspot.com>

36 'Rainforest Alliance Public Statement: Termination of Contract to Verify High Conservation Value Forests (HCVF) for APP in Sumatra Indonesia', Rainforest Alliance SmartWood, January 2007. <http://bit.ly/bz9sAX>

37 Tom Wright and Jim Carlton (2007) 'FSC's 'Green' Label for Wood Products Gets Growing Pains', Wall Street Journal, 30 October 2007. <http://bit.ly/cRcmHx>

38 'FSC dumps Asia Pulp and Paper - but who was to blame?' FSC-Watch, 10 January 2008. <http://bit.ly/bbqLC7>

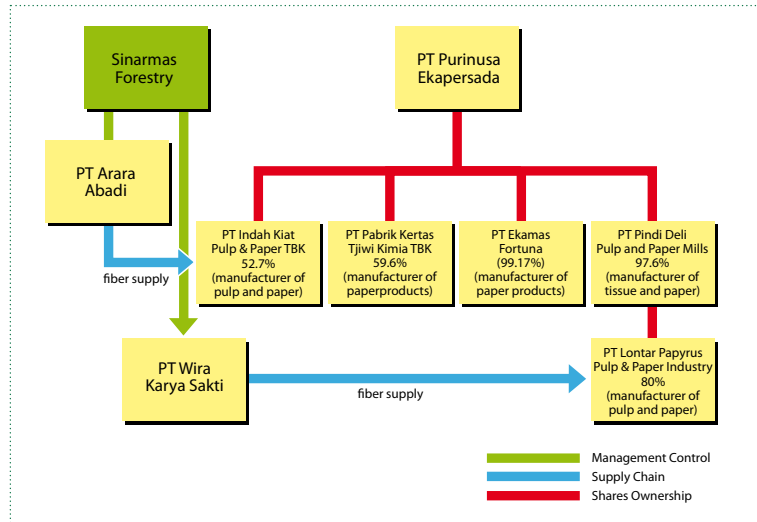
39 'Profile', Sinarmas Forestry website. <http://bit.ly/9yhbuh>

40 'Consolidated Financial Financial Statements for the years ended December 2008 and 2007 and report of independent auditors', PT Lontar Papyrus Pulp & Paper Industry and subsidiaries.

by the Centre for International Forestry Research (CIFOR), the agreement states that the pulp mill has the obligation to finance PT WKS for establishing, maintaining and harvesting plantations. Lontar Papyrus is PT WKS's 'priority client for wood sales, at a price to be decided and with payment in advance'.⁴¹

Indah Kiat has signed a similar agreement with PT Arara Abadi (also part of Sinarmas Forestry). CIFOR's researchers note that 'the

plantation companies are believed to be owned exclusively by the Wijaya family members'.⁴²



In 2007, according to APP's Environmental and Social Sustainability report, Pindo Deli's raw material came from the following sources:

- 75-80 per cent is hardwood pulp from Lontar Papyrus (PT WKS's priority client) and Indah Kiat;
- 5-7 per cent long-fibre market pulp⁴³ (certified by either FSC or PEFC);
- 10-15 per cent recycled mill broke⁴⁴;
- 18-21 per cent non-fibre fillers^{45, 46}.

So, a large part of Pindo Deli's raw material is pulp that comes from APP's pulp mills in Sumatra: Lontar Papyrus and Indah Kiat. These pulp mills source a large part of their wood raw material from PT WKS and PT Arara Abadi. Pindo Deli declined to answer questions about exactly where the wood fibre comes from in the pulp it uses to produce the paper that carries the EU Ecolabel,⁴⁷ but it seems reasonable to assume that at least some of the wood fibre comes from PT WKS. The following section therefore looks at PT WKS forestry operations in Sumatra.

41 Romain Pirard and Rofikoh Rokhim (2006) 'Asia Pulp & Paper Indonesia: The business rationale that led to forest degradation and financial collapse', Working Paper No. 33, CIFOR, Bogor, Indonesia, page 4.

Pirard and Rokhim note that 'Through the late-1990's, APP mills presumably used these agreements to purchase wood at very low costs, amounting to little more than the cost of harvest and transport to the mill... All advances paid to Wirakarya Sakti are presented as non-current assets.'

42 Romain Pirard and Rofikoh Rokhim (2006) 'Asia Pulp & Paper Indonesia: The business rationale that led to forest degradation and financial collapse', Working Paper No. 33, CIFOR, Bogor, Indonesia, page 4.

43 Long-fibre pulp is manufactured from softwood and is needed to give paper strength. Short-fibre pulp comes from hardwood trees (such as eucalyptus, acacia and rainforest species).

44 Mill broke is paper recycled during the manufacturing process, for example, if a paper roll tears.

45 Non-fibre fillers are the various products used in the paper manufacturing process that are not from wood fibre. For example, chalk or china clay are used to improve the surface of the paper for writing or printing.

46 APP (2007) 'Growing a sustainable future', Environmental and Social Sustainability Report for Indonesia, APP, page 76.

47 I wrote to Tien Johanna at Pindo Deli on 27 January 2010 with a series of questions about Pindo Deli and about the awarding of the EU Ecolabel. One of the questions was as follows:

'According to the EU Ecolabel criterion 3, 'The origin of all virgin fibres used shall be indicated.' Could you please provide details of the origin of the raw material used to produce the pulp that is subsequently made into paper at the Pindo Deli mill. Criterion 3 also requires that companies applying for EU Ecolabel 'shall indicate the types, quantities and origins of fibres used in the pulp and the paper production.' I would be grateful if you could provide me with this information - at least for the two Ecolabel-certified photocopy brands.'

I wrote again on 18 February 2010.

PT Wirakarya Sakti's (PT WKS) Forestry Operations – or where Ecolabel pulp comes from



PT WKS has a concession area of almost 300,000 hectares in Jambi Province.⁴⁸

This photograph was taken by Rainforest Action Network (RAN) in 2009 and shows part of PT WKS's operations in Jambi province, Sumatra. RAN's David Gilbert visited this area in November 2009 and wrote of APP's tight security in *The Understory*, RAN's blog.

*'We passed through 3 checkpoints, slowly working our way deeper into the forest concession. Finally, when we arrived to the edge of WKS bordering Bukit Tigapuluh National Park, private security forces turned us away. Just beyond the gates, biodiverse lowland rainforests are being illegally logged by Asia Pulp and Paper. On rough estimate, 100 trucks carrying giant felled hardwoods emerged from this forest in one day, headed to the nearby APP pulp and paper factory.'*⁴⁹

That nearby pulp and paper factory is Lontar Papyrus.

About 10,000 people, including about 500 members of the Orang Rimba indigenous group live in PT WKS's concession area. The Orang Rimba practice a nomadic lifestyle in the forests. They are becoming increasingly marginalised as the forests are logged. RAN's David Gilbert

⁴⁸ 'Public Summary, Sustainable Forest Management Certification PT. Wirakarya Sakti District I,II, III, IV, V, VI, and VII, Jambi Province, By Certification Body of PT. TUV International Indonesia', 2008, page 4. <http://bit.ly/bQ094s>

⁴⁹ David Gilbert (2009) 'Indonesian NGOs reject forest certification of one of Asia Pulp and Paper's industrial forest plantations', *The Understory*, Rainforest Action Network's blog, 24 November 2009. <http://bit.ly/bfeRZ3>

met members of the Orang Rimba. He wrote that they 'have been marginalized by Asia Pulp and Paper and WKS (and were) sleeping alongside logging roads in increasingly degraded remnant patches of forest.'⁵⁰

In June 2009, Husin, an Orang Rimba who lives in Suo-suo village in Bukit Tigapuluh told the NGO, Eyes on the Forest, that 'Forest clearing by the company (WKS) has affected our livelihood which is deteriorating now.'⁵¹

In 2007, 42 per cent of PT WKS's pulpwood came from plantations and 58 per cent was mixed tropical hardwood. APP euphemistically describes this as 'residues from the development of pulpwood plantations.'⁵² Another way of putting this is wood sourced from forests that have been clearcut and bulldozed to make way for industrial tree plantations.

In July 2009, members of a French TV reporting team were arrested and detained by security for three hours at PT Lontar Papyrus Pulp and Paper Industries. They were working on a programme looking at the impacts of logging on local communities and wildlife – particularly increased attacks from tigers on people, as the tigers' habitat dwindles.⁵³ They were also investigating illegal logging in Jambi province, Sumatra – including by Lontar Papyrus.⁵⁴ Sinar Mas Group dismissed allegations of illegal logging.⁵⁵

PT WKS's most egregious forest operations are in the Bukit Tigapuluh Forest Landscape in Sumatra. The area contains some of the richest biodiversity anywhere in the world, providing habitats for Sumatran Elephants, Sumatran Tigers and Sumatran Orangutans, 198 bird species and 59 mammal species. Two tribes of indigenous peoples live in the forest, the Suku Anak Dalam and the Talang Mamak who only live in the Bukit Tigapuluh landscape.⁵⁶

In English, Bukit Tigapuluh means 'thirty hills'. Until 2006, the forest was reasonably free from large-scale logging because of the hills. Part of the area is a national park and other areas are protected, but logging concessions have also been allocated in Bukit Tigapuluh. In 2008, a group of NGOs, including WWF Indonesia, produced a report documenting the threats to Bukit Tigapuluh.⁵⁷ The report noted that a massive new logging road was almost complete – splitting the landscape in two. The road connected forest concessions to APP's pulp mills in Riau and Jambi province (both in Sumatra). Research teams found that two companies associated with APP were clearing forest to the south of Bukit Tigapuluh and rebuilding logging roads to transport the wood.

'Indonesian law has a set of criteria and requirements to be fulfilled prior to conversion

50 David Gilbert (2009) 'Indonesian NGOs reject forest certification of one of Asia Pulp and Paper's industrial forest plantations', The Understory, Rainforest Action Network's blog, 24 November 2009. <http://bit.ly/bfeRZ3>

51 'APP logging road threatens Orang Rimba', Eyes on the Forest, 2 July 2009. <http://bit.ly/ccacWM>

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

53 'Security PT. LPPI Jambi, Amankan Dua Wartawan Asing', infojambi.com, 10 July 2009. <http://bit.ly/b3f57r>

54 'Wartawan France24 itu Tidak Profesional', infojambi.com, 26 July 2009. <http://bit.ly/c8CmaK>

55 'Wartawan TV Perancis dan Aktivistis Ditahan di Jambi', infojambi.com, 10 July 2009. <http://bit.ly/ayMP1N>

56 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008. <http://bit.ly/bxr0yH>

57 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 8. <http://bit.ly/bxr0yH>

of natural forest. Yet evidence found during the investigation indicates APP-affiliated companies converted hundreds of hectares before fulfilling these requirements, thus violating Indonesian law.

Several existing and proposed protected areas are being cleared and new logging roads are being constructed to provide access to additional existing and proposed conservation areas, another violation of Indonesian law.⁵⁸

The report found that APP-associated companies had logged native forest ‘without proper professional assessments or stakeholder consultation and sometimes even with proper licenses.’⁵⁹ PT WKS were logging in part of a proposed Specific Protected Area⁶⁰ – an area where orangutans had recently been re-introduced. The report documents the destruction to the forest in detail through maps and photographs. Photographs show bulldozers clearing forests, and piles of woodchips and acacia trees planted next to piles of logs. In each case, companies associated with APP are responsible.⁶¹

Map 7: Natural forest clearance in a concession of PT Wira Karya Sakti, APP’s associated company in Jambi and logging highway construction in the southern portion of the Bukit Tigapuluh Forest Landscape. The natural forest clearcutting by PT Wira Karya Sakti is on a concession that holds a license, but the company is also clearcutting and constructing a logging road beyond the license granted by the government. Inset map shows a logging highway between the APP pulp mills in Riau and Jambi.



58 WWF-Indonesia, KKI WARSI, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 2. <http://bit.ly/bxr0yH>

59 WWF-Indonesia, KKI WARSI, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 2. <http://bit.ly/bxr0yH>

60 WWF-Indonesia, KKI WARSI, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 14. <http://bit.ly/bxr0yH>

61 WWF-Indonesia, KKI WARSI, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, pages 6-11. <http://bit.ly/bxr0yH>

The report states that PT Bali Muda Perkasa, a sub-contractor of PT WKS, was clearing trees in a 50 hectare area of forest. A separate investigation by WWF Indonesia confirmed that 'the felled logs from natural forest are transported to PT Lontar Papyrus Pulp & Paper, APP's pulp mill in Jambi, Sumatra.'⁶²

WWF Indonesia's field research was carried out in November 2007. This is when Pindo Deli had already been awarded an EU Ecolabel. The research team investigated illegal timber delivery from Bukit Tigapuluh Forest Landscape to the Lontar Papyrus pulp mill and found:

'PT Rimba Jaya Abadi (RJA), contractor of PT Wira Karya Sakti (WKS) – main timber supplier of Asia Pulp & Paper in Jambi – has clear cut natural forest. The clearance on natural forest aimed at developing acacia plantation for PT WKS, an APP associated company in Jambi.'⁶³

WWF Indonesia found that the logging started in September 2007 and covered an area of 150 hectares outside the licensed area. WWF Indonesia recorded exactly where the logging took place as well as recording which logging trucks were involved and when they arrived at the Lontar Papyrus pulp mill. They also referred to satellite images which indicate that the 'natural forest in {PT WKS's} concession is worsening due to the conversion into HTI pulpwood plantation.'⁶⁴

The NGOs found evidence that PT WKS may not be operating within the law and questioned whether road widening was legal, particularly as it involved clearing a swathe up to 20 metres wide through the forest. They found PT WKS clearing forest inside the concession, in breach of forestry regulation. Outside the concession, PT WKS's logging road was contributing to accelerated deforestation. PT WKS did not have a license for clearing forest outside its concession. The forest is being used by Orang Rimba whose livelihoods and cultural identity will be destroyed as the forest is cleared. The NGOs argued that the forest inside the PT WKS concession should be considered HCV forest and called for 'definite landscape and FMU-level HCVF assessments' to identify and protect all high conservation value forest.⁶⁵

'The destruction of natural forest by the APP groups is obviously damaging the ecology and its legality is questionable as well,' they concluded.⁶⁶

According to Indonesian Government Regulation Number 34/2002, article 30 point 3, industrial tree plantations to supply pulp production (HTI) are to be established on barren land,

62 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 14. <http://bit.ly/bxr0yH>

63 WWF Indonesia (2008) 'Monitoring on Illegal Logging operation in Jambi, Sumatera Illegal timber delivery from Bukit Tigapuluh Forest Landscape to PT Lontar Papyrus Pulp & Paper pulp mill (Asia Pulp and Paper /APP) group', Forest Crime Unit, WWF Indonesia Tesso Nilo Program, 8 January 2008, page 1. <http://bit.ly/aZRxec>

64 WWF Indonesia (2008) 'Monitoring on Illegal Logging operation in Jambi, Sumatera Illegal timber delivery from Bukit Tigapuluh Forest Landscape to PT Lontar Papyrus Pulp & Paper pulp mill (Asia Pulp and Paper /APP) group', Forest Crime Unit, WWF Indonesia Tesso Nilo Program, 8 January 2008, page 7. <http://bit.ly/aZRxec>

65 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 17. <http://bit.ly/bxr0yH>

66 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 15-16. <http://bit.ly/bxr0yH>

grassland or shrubland and not by clearing forest.⁶⁷ In addition, APP associated companies did not have the correct license from the Ministry of Forestry. The NGOs conclude that PT WKS is operating in 'Violation of technical requirements by law.'⁶⁸

In September 2008, Indonesia's ecolabelling institute (LEI) issued a certificate to PT WKS.⁶⁹ The 'sustainable forest plantation management' certificate covers an area of almost 250,000 hectares. The Public Summary of the certification reveals some serious problems with PT WKS's operations, including the following:

'The high potential for conflict with the local community has significantly held back the development process of the plantation forest over the years, including conflict with farmers from the Jambi Farmer Organization.'

'Utilization of the wet land area especially deep peat land as productive forest area can have an impact on the environment and therefore garners negative reports from environmental groups.'

'The monoculture system in large scale industrial plantations can cause a high threat of disease and pest attack, raising several biodiversity issues.'⁷⁰

The certificate was issued despite the fact that one member of the five strong 'Expert Panel', disagreed that the certificate should be issued. Dr. Rudi Syaf, who was responsible for reviewing the ecological aspects of the evaluation, 'raised a different opinion from the other panel members,' according to the public summary of the certification decision.⁷¹

A group of NGOs (KKI Warsi, FZS Indonesia Program, PKHS, Jikalahari, Walhi Riau, Walhi Jambi and WWF Riau) rejected the LEI certification, arguing that it reveals only that LEI's standards are too weak:

'A farmers group in the area formally protested against the certification as PT. WKS had evicted farmers from their lands to develop the certified concessions. But the LEI auditors refused to meet with them to hear their concerns.'

'PT. WKS concessions together lost more than 48,000 hectares (59%) of their remaining natural forest between 2007 and 2008, while the audit was underway. And 31% of all concession area of PT. WKS is on peat soil, over 60% of which were still covered by natural forest in 2000. Historical Landsat image analysis shows that close to half of the peatland forest has been replaced by acacia plantation. Even during the audit period

67 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, pages 16-17. <http://bit.ly/bxr0yH>

68 WWF-Indonesia, KKI WARSJ, Zoological Society of London, Frankfurt Zoological Society and Yayasan Program Konservasi Harimau Sumatera (PKHS) (2008) 'Asia Pulp & Paper (APP) Threatens Bukit Tigapuluh Landscape', Report of investigation findings, 8 January 2008, page 16 <http://bit.ly/bxr0yH>

69 The LEI assessment was carried out by TÜV Rheinland. The 13-page public summary is available here: <http://bit.ly/bQ094s>

70 'Public Summary, Sustainable Forest Management Certification PT. Wirakarya Sakti District I,II, III, IV, V, VI, and VII, Jambi Province, By Certification Body of PT. TUV International Indonesia', 2008, page 13. <http://bit.ly/bQ094s>

71 'Public Summary, Sustainable Forest Management Certification PT. Wirakarya Sakti District I,II, III, IV, V, VI, and VII, Jambi Province, By Certification Body of PT. TUV International Indonesia', 2008, page 4. <http://bit.ly/bQ094s>

of 2007 and 2008, the company cleared close to 70% (20,353 ha) of the last remaining natural peatland forest in these concessions, leaving only small fragments and strips of natural forest between acacia.⁷²

APP denies any responsibility – in fact the company denies that the problem exists: ‘Our operations, and the operations of our fibre suppliers are within the law and the development plans of the Indonesian government, which seek to ensure a future for sustainability.’⁷³ APP claims to be ‘fully committed to the protection of Bukit Tigapuluh National Park (BTNP) and to the responsible management of its surrounding areas.’ In June 2009, APP wrote that ‘To date, APP has not received any pulpwood from the Bukit Tigapuluh areas.’⁷⁴

On its website, Sinarmas Forestry states that its ‘strict’ Chain of Custody system ensures that ‘no illegally sourced fibre enters the supply chain from the forest to the mill gate.’⁷⁵

The website explains that Sinarmas Forestry hires Societe Generale de Surveillance (SGS) to carry out Legal Origin Verification (LoV) and Chain of Custody (CoC) audits.⁷⁶

A single page Audit Statement for Lontar Papyrus is available in APP’s 2007 Sustainability Report.⁷⁷ The summary of findings is three sentences long:

‘1. Verification of Origin: The assessment resulted in finding no evidence of illegal material produced by PT Wirakarya Sakti. This includes its own concession areas and joint venture agreement areas audited under this assessment.’

‘2. Chain-of-Custody Systems: PT Wirakarya Sakti’s internal management system correctly ensures the integrity of the Chain-of-Custody of pulpwood from the above mentioned sources through the company’s mill and no evidence of any illegal material entering the current supply system was found.’

The Audit Statement ends with a notice, which reads as follows:

‘This statement is valid for the time of the audit and does not represent an ongoing verification. It does not represent a certificate of legality or an eco certification of forests managed by PT Wirakarya Sakti.’

72 ‘Indonesian NGOs: Even with LEI certification, APP Paper Products Are Unsustainable’, Joint Press Release by KKI Warsi, FZS Indonesia Program, PKHS, Jikalahari, Walhi Riau, Walhi Jambi and WWF Riau, 19 November 2009. <http://bit.ly/9thUP1>

73 ‘APP Respose to Eyes on the Forest’, APP, 17 October 2008.

74 ‘Asia Pulp & Paper Statement on Bukit Tigapuluh’, Letter to Stakeholder, APP, 22 June 2009.

75 ‘Chain of Custody’, Sinarmas Forestry website. <http://bit.ly/alw54X>

76 ‘Chain of Custody’, Sinarmas Forestry website. <http://bit.ly/alw54X>

The Sinarmas Forestry website states ‘For detailed SGS Audit Statement Summaries, click here’, however, there is no clickable link. On 25 January 2010, I wrote to Corris van den Berg at SGS to ask (among other things) for a copies of SGS’s Audit Statements. On 8 February 2010, Gerrit Marais, Qualifor Programme Director at SGS, replied: ‘VLO (verification of legal origin) audits are carried out by qualified auditors, using a predefined checklist and the certificate holder is informed beforehand of the audit dates. For chain of custody evaluations, auditors use both on site inspections, interviews with staff and workers and document review to check compliance with the standard. Volume balancing together with delivery notes and invoicing is used to trace and control the amount of verified timber entering and leaving the site over a defined period of time.’ He did not send a copy of any Audit Statements, however.

77 APP (2007) ‘Growing a sustainable future’, Environmental and Social Sustainability Report for Indonesia, APP, page 133.

Needless to say, Sinarmas Forestry does not publicise this latter statement on its website, just the former:

‘In recent audits held on 2007, SGS concluded that there was no evidence of illegal material being supplied by SMF, by any joint venture or by third-party fibre suppliers.’⁷⁸

In November 2009, the Roundtable on Sustainable Palm Oil (RSPO) passed a resolution to expel any member that cleared forest in the Bukit Tigapuluh ecosystem. Sinar Mas Group is a member of the RSPO through two of its companies, (PT Ivo Mas Tunggal and PT SMART). At the November 2009 RSPO meeting, Pak Daud, a top manager at Sinar Mas, tried to block the resolution. ‘There is no clarity on this, we need better data, this is a grey area,’ he said. According to David Gilbert of RAN, who was at the meeting, Daud argued that it was a subsidiary of Sinar Mas that was doing the clearing and therefore the RSPO has no power to limit Sinar Mas.⁷⁹ This is probably about as close as we will ever get to an admission from anyone inside the company that a Sinar Mas subsidiary is indeed logging in the Bukit Tigapuluh ecosystem.



78 ‘Chain of Custody’, Sinarmas Forestry website. <http://bit.ly/alw54X>
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79 David Gilbert (2009) ‘RSPO to Sinar Mas and APP: No more clearing at Bukit Tigapuluh’, Understory, Rainforest Action Network, 4 November 2009. <http://bit.ly/bf0lLn>

Conclusions and recommendation

It appears likely that at least some of the raw material for Pindo Deli's photocopy paper comes from PT WKS concessions in Sumatra. A 2008 report by a consortium of NGOs found that PT WKS may not be operating within the law and its forestry operations are extremely socially and environmentally destructive, with serious impacts for indigenous peoples who face the destruction of their livelihoods and cultural identity as the forest is cleared.

Given the serious problems that forest operations associated with Pindo Deli are causing, FERN calls upon the European Commission to withdraw the EU Ecolabel from the two products, Golden Plus and Lucky Boss.

Other conclusions are:

- The EU Ecolabel criteria for copying and graphic paper are so weak as to be meaningless. The criteria are currently being revised, but the revisions are not adequate to ensure that even the most egregious forestry operations are excluded.
- The EU Ecolabel award process is not transparent to outside observers and it is therefore extremely difficult to know on what basis the Ecolabel has been awarded.
- The EU Ecolabel's Competent Body can choose to rely exclusively on information from the company it is assessing. The Competent Body appears to be under no obligation to provide any information about the audit process carried out to ensure that the company that has been awarded the Ecolabel is in compliance with the Ecolabel criteria.
- The EU Ecolabel appears not to have a formal complaint mechanism.⁸⁰

⁸⁰ I wrote to Benjamin Caspar at the European Commission and asked for details of the complaints procedure for the EU Ecolabel. 'Phone me or write to me telling what your complaint is,' he replied.

FERN, March 2010

