

# ILLEGAL FOREST CLEARANCE AND RSPO GREENWASH: CASE STUDIES OF SINAR MAS

“We should have been arrested if we had ever been involved in deforestation”

Gandi Sulistiyanto  
a managing director of Sinar Mas  
20 March 2009<sup>1</sup>

Indonesian conglomerate, the Sinar Mas group, has extensive interests in both the palm oil and pulp and paper sectors. The company is already well known for its involvement in illegal forest clearance through its pulp and paper subsidiary, Asia Pulp and Paper (APP).<sup>2</sup> This dossier provides evidence that, through its palm oil companies, Sinar Mas is engaging in:

- land clearance without environmental impact assessments
- land clearance without timber cutting permits
- land clearance on deep peat

These activities are in breach of Indonesian law and the principles and criteria of the Roundtable on Sustainable Palm Oil (RSPO) of which a number of Sinar Mas companies are members.

As yet, no Sinar Mas executives have been arrested for their involvement in illegal deforestation.

Land clearing by PT Paramitha Internusa Pratama – a Sinar Mas company operating near Sentarum Lake National Park in West Kalimantan, Indonesia, 14 February 2009. Source: Greenpeace investigation. ©Edy Purnomo/Greenpeace

## SINAR MAS: INDONESIA'S LARGEST PALM OIL COMPANY FLOUTS ITS ENVIRONMENTAL AND SOCIAL STANDARDS

Sinar Mas is Indonesia's largest palm oil producer as well as the leading force in Indonesia's pulp and paper sector.<sup>3</sup> Through its pulp and paper arm (APP), the company is well known for making commitments to environmental and social standards which it then fails to adhere to.<sup>4</sup> In the last two years APP has been associated with illegal logging, as well as the acquisition of concessions in an area of High Conservation Value forest which is the location of the only successful reintroduction programme for orangutans in Sumatra.<sup>5</sup>

The case studies in this report highlight how, through the RSPO, Sinar Mas is once again crafting an illusion of commitment to sustainability, while it continues to destroy forests and peatlands, often illegally.

The Sinar Mas group is responsible for approximately 10% of Indonesia's palm oil production.<sup>6</sup> Its palm oil interests are largely controlled through the Singapore based holding company Golden Agri Resources (GAR), which owns a number of companies in the palm oil sector, including RSPO member PT SMART.

*Through the RSPO, Sinar Mas is once again crafting an illusion of commitment to sustainability, while it continues to destroy forests and peatlands, often illegally.*

As well as producing crude palm oil, Sinar Mas supplies palm kernel oil and a wide range of refined products for both food and industrial purposes. In 2008, Sinar Mas branded itself as Indonesia's largest oil palm plantation company and the second largest oil palm plantation company in the world.<sup>7</sup> By the end of that year, its empire included 392,000 hectares of established plantations; with some 213,000 hectares in Sumatra, 165,000 hectares in Kalimantan and 12,700 hectares in Papua.<sup>8</sup> Moreover, Sinar Mas claims to have 'the largest land bank in the world... with 1.3 million hectares [of] land bank available for expansion...' located in the heavily forested provinces of Papua and in Kalimantan.<sup>9</sup>



Orangutans in intact rainforest, Central Borneo, Indonesia, May 2009. ©Rante/Greenpeace

This document focuses on illegalities and forest destruction in Sinar Mas operations in Kalimantan, but the company is also clearing forest areas for palm oil in other parts of Indonesia, such as in the Lereh region near Jayapura, Papua. The destruction of forests in this area are dramatically impacting local livelihoods and food security according to the local communities.<sup>10</sup>

The destruction of rainforest and peatland is having a devastating impact on biodiversity and local communities, as well as contributing to global climate change.<sup>11</sup> Greenpeace has estimated that Sinar Mas' average annual emissions from peat degradation under oil palm concessions for one province (Riau) alone is 2.5 million tonnes of CO<sub>2</sub>.<sup>12</sup>

Companies buying palm oil products from Sinar Mas companies include Nestlé, Kraft and Procter & Gamble.<sup>13</sup> Financial institutions, like BNP Paribas<sup>14</sup> and the German Development Bank (DEG)<sup>15</sup> have funded, or continue to fund, the further expansion of Sinar Mas companies.

*Sinar Mas' average annual emissions from peat degradation under oil palm concessions for the Riau province alone is 2.5 million tonnes of CO<sub>2</sub>*

## SINAR MAS: MISUSING RSPO MEMBERSHIP AND BREACHING RSPO RULES

### 'SELECTIVE' RSPO MEMBERSHIP

Sinar Mas is a member of the RSPO, through two of its companies – PT Ivo Mas Tunggal and PT Sinar Mas Agro Resources and Technology Tbk (PT SMART). Both companies are subsidiaries of Golden Agri Resources, that holds Sinar Mas' palm oil interests. GAR claims on its website that: *'Through our main subsidiary in Indonesia, PT Sinar Mas Agro Resources and Technology Tbk, we have been an active member of the Roundtable on Sustainable Palm Oil ('RSPO') since February 2005...'*<sup>16</sup>

PT Ivo Mas Tunggal has entered the RSPO certification process to get various estates and mills in Riau certified, while PT SMART has started High Conservation Value (HCV) assessments at some concessions. Before conversion to oil palm plantations, HCV assessments must be undertaken according to RSPO rules.

However, the RSPO Certification Systems document (paragraph 4.2.4) states that: *'Organizations with more than one management unit and/or that have a controlling holding in more than one autonomous company will be permitted to certify individual management units and/or subsidiary companies only if:*

- (a) *the organization is a member of RSPO; and*
- (b) *a time-bound plan for achieving certification of all relevant entities is submitted to the certification body (...); and*
- (c) *there are no significant land conflicts, no replacement of primary forest or any area containing HCVs since November 2005, no labor disputes that are not being resolved through an agreed process and no evidence of non-compliance with the law in any of the non-certified holdings (...)*<sup>17</sup>

These requirements were designed to prevent a plantation holding company, like GAR, from having only one or two of its subsidiaries fully certified while other subsidiaries could continue with forest destruction in

other concession areas. By making only two of GAR's subsidiaries RSPO members (PT Ivo Mas Tunggal and PT SMART) Sinar Mas has found a simple way to minimise its commitments under RSPO rules, whilst creating the impression that the Sinar Mas group is committed to sustainability.

The case studies below show how palm oil operations owned by Sinar Mas companies – even including its RSPO member PT SMART – continue to violate Indonesian law and RSPO principles and criteria, through illegal land clearing and the destruction of High Conservation Value forest.

## SINAR MAS: ENGAGED IN ILLEGAL FOREST CLEARANCE IN INDONESIA

Legal compliance is the most basic threshold for any company claiming to operate sustainably. It is also one of the fundamental principles of the RSPO that 'there is compliance with all applicable local, national and ratified international, laws and regulations'.<sup>18</sup>

Under Indonesian law, plantation companies need to meet several legal requirements before they can start clearing forest and using land for oil palm plantations:

- ➔ If the concession contains forest areas, a company must comply with the Ministry of Forestry regulations and apply for and obtain a Timber Cutting Permit (IPK), prior to clearing the forest.<sup>19</sup>
- ➔ No significant land development activities are permitted before the company has obtained a valid Plantation Business Permit (IUP). One requirement for obtaining an IUP is the completion and approval of an Environmental Impact Assessment (AMDAL in Indonesia).<sup>20</sup>

Greenpeace has investigated a number of the palm oil companies of the Sinar Mas group in West Kalimantan to assess whether or not they were meeting these legal obligations. As set out below, the investigation revealed that Sinar Mas companies were contravening even these basic legal requirements.



Image 1. Forest clearance by PT Kartika Prima Cipta, a Sinar Mas company, in October 2008. Source: Greenpeace.

According to Indonesia's 1999 Forestry Act, companies are not allowed 'to cut trees or harvest or collect any forest products within the forestland area without holding rights or a license issued by authorised officials'.<sup>21</sup> Therefore, plantation companies need to obtain a Timber Cutting Permit (IPK) before clearing any forested areas in their concession areas. Violation of this provision is an offence under article 78(2) of the Forestry Act.<sup>22</sup> IPKs are issued at a local level by either the governor or the district head (*bupati*).

Ministry of Forestry Decision Nr. 382 (2004) furthermore stipulates that IPKs are also required for clearing forests on Non-Forest Estate lands (APLs).<sup>23</sup> The IPK regulates where companies can and cannot clear the forest and provides the basis for payment of forestry taxes. Companies who clear forests without having paid the due forestry taxes are thus stealing from the Indonesian State and the general public.

### *Case study 1: PT Kartika Prima Cipta, PT Paramitha Internusa Pratama and PT Persada Graha Mandiri*

Several Sinar Mas companies have been clearing forests without IPKs in the regency Kapuas Hulu District, close to Danau Sentarum National Park in West Kalimantan.

The most recent list of IPK approvals for West Kalimantan as of 2008<sup>24</sup>, published by the Ministry of Forestry, does not include any of the following Sinar Mas companies: PT Kartika Prima Cipta, PT Paramitha Internusa Pratama and PT Persada Graha Mandiri. However, satellite images (see Annex, images A–F) reveal that concessions operated by all of these companies have been subject to forest clearance between 2006 and 2008.<sup>25</sup>

## OFFENCE 2: CLEARANCE WITHOUT ENVIRONMENTAL IMPACT ASSESSMENT

Prior to obtaining a Plantation Business Permit (IUP), a pre-condition for starting a plantation, a company must conduct and obtain approval of an Environmental Impact Assessment (EIA – AMDAL in Indonesia). Approval of the EIA by the local authorities is required before applying for an IUP.<sup>26</sup> According to Indonesian law, developing an oil palm plantation without an EIA should result in any IUP that has been issued being revoked.<sup>27</sup>

To ensure that each company has an EIA before starting to clear the land and plant oil palm, the West Kalimantan Environmental Monitoring Office (Bapedalda) requires all plantation companies to sign a statement, before the EIA is processed and approved, confirming that no land operations have commenced.<sup>28</sup>

### Case study 2: PT Agro Lestari Mandiri (PT ALM)

PT Agro Lestari Mandiri (PT ALM) is a Sinar Mas company in Ketapang District. This plantation company received the required EIA approval in December 2007.<sup>29</sup> To get this approval, the company's director signed a written declaration in March 2006 stating that no land clearing for plantation development had taken place in the concession area (document in image 2).

In reality, however, the company had already commenced land clearing before March 2006: a photograph (image 3) placed in local newspapers in September 2005 shows an inauguration ceremony for clearance and land preparation in this area, attended by the Head of the Ketapang district. Illegal land clearance therefore started more than two years before the EIA approval was issued.

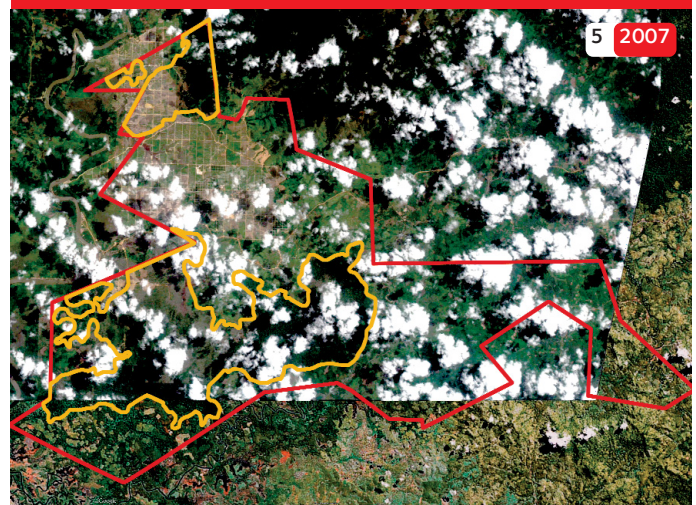
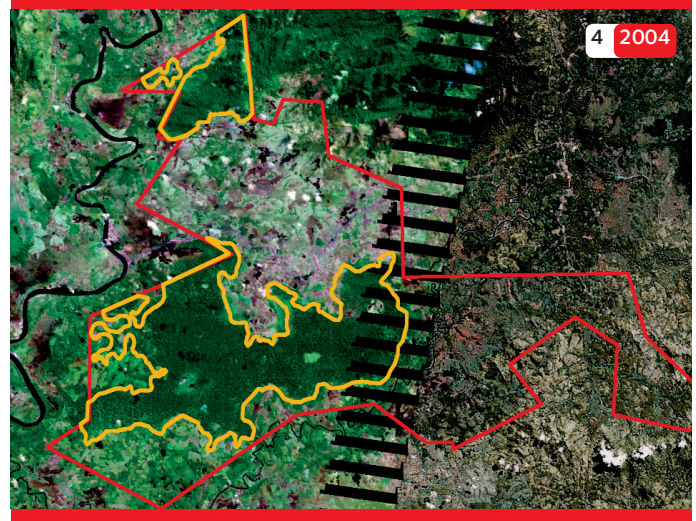
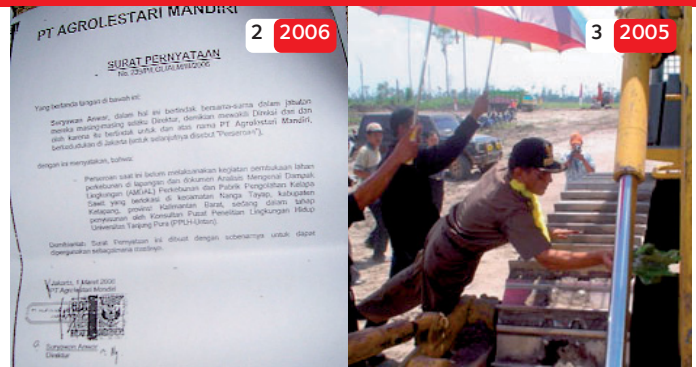
Satellite imagery confirms that nearly 4,000 hectares of land had already been cleared in the concession area by July 2007, months before the EIA was approved (images 4 and 5).

Image 2. Statement from the director of PT ALM, dated 1 March 2006, declaring to Bapedalda in writing that the company had no land clearing activities in the concession area. Source: copy held with Greenpeace.

Image 3. H. Morkes Effendi, Head of Ketapang District inaugurates PT ALM's land clearing in Desa Sungai Kelik, 12 September 2005.<sup>30</sup>

Image 4. The PT ALM concession boundaries shown in red (Source: BPN Kalimantan Barat, 2006) overlaid on a satellite image taken on 3 June 2004 (Landsat 7 image). The yellow line highlights forest that was still intact in 2004.

Image 5. The same PT ALM concession shown in image 4 overlaid on EO-1 satellite image from August 2007. Months before the EIA was approved extensive clearance had already taken place. The yellow line shows forest that was intact in 2004 whilst the light brown areas show the extent of the clearance.



### Key:

- Concession boundary
- Intact forest areas in 2004

		(Luas Bruto: ± 27.500 Ha ; Luas Netto: ±12.000 Ha ; Kapasitas 60 Ton TBS/Jam)		6 2008
14.	PT. Kencana Graha Permai	Perkebunan dan Pembangunan Pabrik Pengolahan Kelapa Sawit (Luas Areal: 10.000 ha ; Kapasitas Pabrik 60 Ton TBS/Jam)	Kecamatan Muara Pawan Kabupaten Ketapang	SK Gubernur Nomor 546 Tahun 2008 , tanggal 7 Juli 2008
15.	PT. Sinar Karya mandiri	Perkebunan dan Pembangunan Pabrik Pengolahan Kelapa	Kecamatan Muara Pawan Kabupaten Ketapang	SK Gubernur Nomor 559 Tahun 2008 , tanggal 24 Juli 2008

### Case study 3: PT Kencana Graha Permai (PT KGP)

Another Sinar Mas company operating in West Kalimantan is PT Kencana Graha Permai (PT KGP). On 17 March 2005, this company obtained an IUP for a concession of 10,000 hectares.<sup>31</sup> But it was only in June 2008 – some three years later – that PT KGP obtained the necessary approval of the EIA from the Governor of West Kalimantan (image 6).

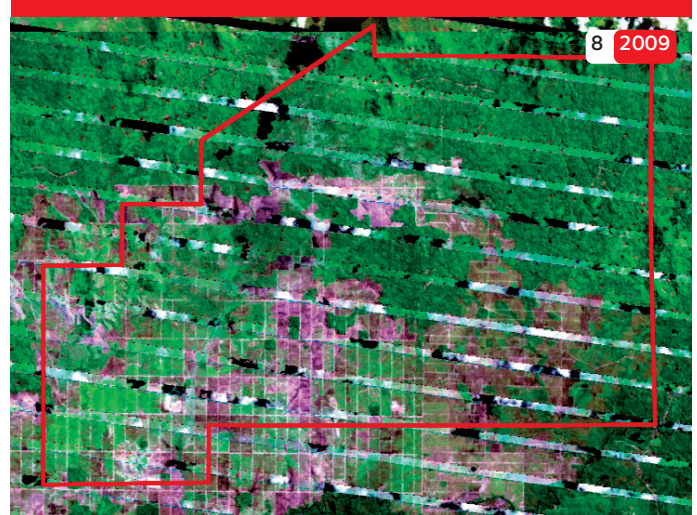
Furthermore, according to the EIA, forest clearance was to be limited to 1,000 hectares in the first year of operations (2008), a further 4,000 hectares would be allowed in 2009, and in 2010 another 5,000 hectares, with not more than a total of 10,000 hectares cleared by 2010.<sup>32</sup> However, satellite imagery indicates that PT KGP had already started land clearing before August 2006 (image 7), two years before its EIA was approved. By August 2009, PT KGP had already cleared about 6,000 hectares of land (image 8).

This is in clear breach of Indonesian law.

Image 6. Section of the EIA approvals list indicating the approval of the PT KGP EIA in accordance with a letter from the Governor dated 7 July 2008. Source: Bapedalda.

Image 7. PT KGP concession boundary in red (Source: BPN Kalimantan Barat, 2006) laid onto a satellite image taken in August 2006 (Landsat 7) The dark green area of forest shows that the majority of this concession had not been cleared by 2006. Clearance had begun in the area within the white circle.

Image 8. The same PT KGP concession (Source: BPN Kalimantan Barat, 2006) laid onto a satellite image taken in August 2009 (Landsat 7 image) reveals that this area has been cleared and prepared by PT KGP for oil palm planting amounting to approximately 6,000 ha. Bright green areas are maturing oil palm plantations and pink areas indicate land clearance.



#### Key:

- Concession boundary
- Land clearance

## OFFENCE 3: CLEARING DEEP PEAT



Image 9. Sentarum Lake National Park. Source: Greenpeace, October 2008.

Indonesian law prohibits the clearance of peatland more than three metres deep. In addition the RSPO's P&C state that planting on extensive areas of peat soils and other fragile soils should be avoided.<sup>33</sup>

### *Case study 4: PT Sinar Mas Agro Resources and Technology Tbk (PT SMART).*

PT SMART, an RSPO member and part of the Sinar Mas group, has started HCV assessments for a number of their oil palm concessions around Danau Sentarum National Park in West Kalimantan.

The National Park is an International Wetland Site under the Ramsar Convention with an area of 132,000 hectares (see image 9). The destruction of the fragile peatlands in its vicinity will seriously threaten the ecosystem and the livelihoods of the communities in this area.

During 2009, RSPO member Fauna and Flora International (FFI) conducted an HCV assessment of PT SMART's PT Kartika Prima Cipta concession. The details of this assessment were disclosed during a public consultation in Kalimantan on the 27 October 2009 and confirmed that:

- ➔ the concession contained deep peat (ie deeper than three metres. See Map 1)
- ➔ clearance of this area was already underway (image 10)
- ➔ drainage ditches had already been dug



Image 10. Land clearance in PT KPC. Source: Greenpeace, 14 February 2009.

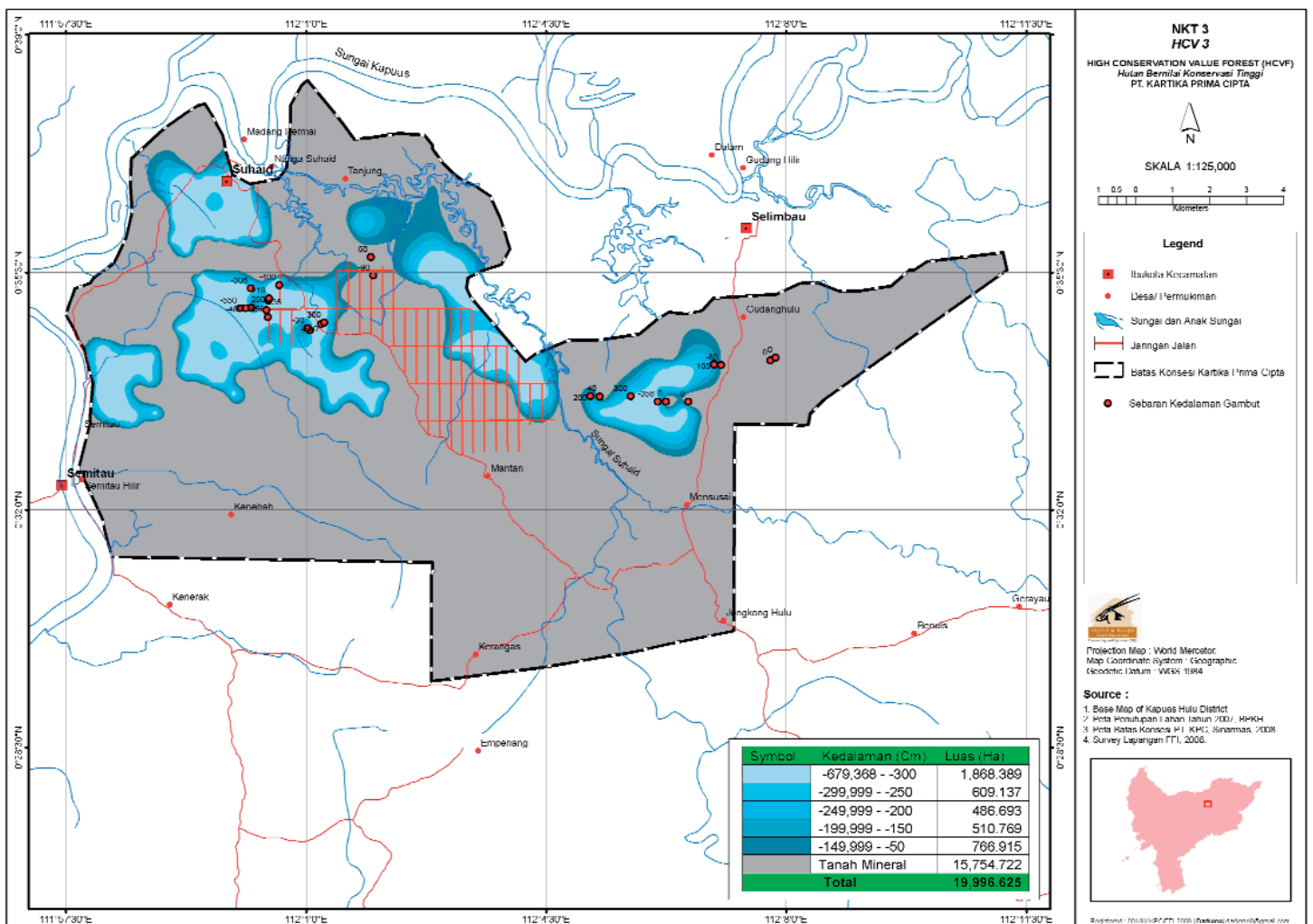
Image 11. Greenpeace activists stop PT KPC's clearance of peatland forest, August 2009. ©Rante/Greenpeace

The public consultation further disclosed that PT SMART had agreed to stop clearance in the concession area following a first field visit by FFI, while the HCV assessment was taking place. However, a field verification mission conducted in August 2009 by FFI and PT SMART confirmed that clearance of peat forest had continued since that first field visit, and further drainage channels had been dug.

It should be noted that the Vice President Director of PT Smart, Daud Dharsono, is also chair of the RSPO's High Conservation Value Working Group in Indonesia. PT Smart was therefore breaching RSPO rules by clearing HCV areas at the same time that a senior company

representative chaired an RSPO working group responsible for the development of 'guidance for managing and monitoring HCV areas in oil palm plantations'.<sup>34</sup>

Map 1 indicates that some of the peat areas cleared in this PT SMART concession are as much as seven metres deep. Presidential Decision Nr. 32/1990 dated 25 July 1990, states that natural forests on peat soil of three metres or more, must be protected. A Ministry of Agriculture decree from February 2009, only permits companies to clear peatlands that are less than three metres deep.<sup>35</sup> Therefore, PT SMART's clearance of these areas is in breach of Indonesian law.



Map 1: Peat distribution by depth on the PT KPC oil palm plantation. The red grid indicates the location of oil palm plantation blocks. The blue areas show peat of varying depth with light blue showing the deepest areas (up to 7m deep). Source: Fauna and Flora International 2009.





Oil palm seeds. ©Greenpeace / Daniel Beltra

## ■ GREENPEACE DEMANDS

This report provides evidence that a number of Sinar Mas group's oil palm plantations contravene Indonesia's forestry and environmental laws. As Sinar Mas continues illegal forest destruction through certain group companies, the company is apparently attempting to cover its tracks using selective RSPO membership to portray itself as engaged on sustainability issues.

The evidence presented here shows how buying palm oil from RSPO producer members does not protect consumer companies from buying palm oil connected to illegal deforestation and peat clearance and does not break the link between palm oil and deforestation. Until it does, RSPO membership can be used by companies, like those of the Sinar Mas group, to greenwash forest destruction.

A moratorium on further deforestation and peatland clearance is needed to break the link between palm oil production, deforestation and climate change. Such a moratorium would: a) provide the political space for the establishment of mechanisms to permanently protect important forest and peatland areas; and b) encourage producers to both prioritise the development of non forest areas and improve yields on existing plantations.

## PALM OIL CONSUMERS MUST:

- ➔ Demand that their suppliers implement a moratorium on forest and peatland clearance.<sup>36</sup>
- ➔ As part of their commitment to break the link between palm oil and deforestation, immediately cancel contracts with any Sinar Mas company.

## PALM OIL PRODUCERS MUST:

- ➔ Implement an immediate moratorium on forest and peatland clearance.<sup>37</sup>
- ➔ Stop the purchase of palm oil from any Sinar Mas company and prioritise purchases from third party suppliers that implement the moratorium on further deforestation for palm oil.

## GOVERNMENTS AND INVESTORS WHO FINANCIALLY SUPPORT THE PALM OIL SECTOR MUST:

- ➔ Stop all financing of the Sinar Mas group of companies until they implement a moratorium on further forest clearance for plantations.

**ANNEX**

Map 2: Location of concessions in West Kalimantan, Indonesia – case studies 1–4



Lake Sentarum National Park

Image A and B PT Persada Graha Mandiri

Image C and D PT Paramitra Internusa Pratama

Image E and F PT Kartika Prima Cipta

Image 10 and Map 1

Image 4 and 5

PT Agro Lestari Mandiri (PT ALM)

Image 7 and 8

PT Kencana Graha Permai (PT KGP)

## Land clearance in concessions between 2006–2008 – case study 1

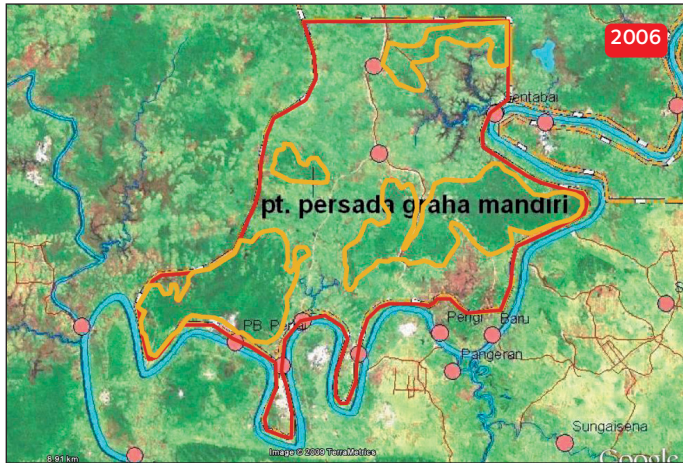


Image A: PT Persada Graha Mandiri concession boundaries (red line) overlaid on a 2006 satellite image (Landsat 7 image). The yellow line highlights remaining forest areas (dark green).

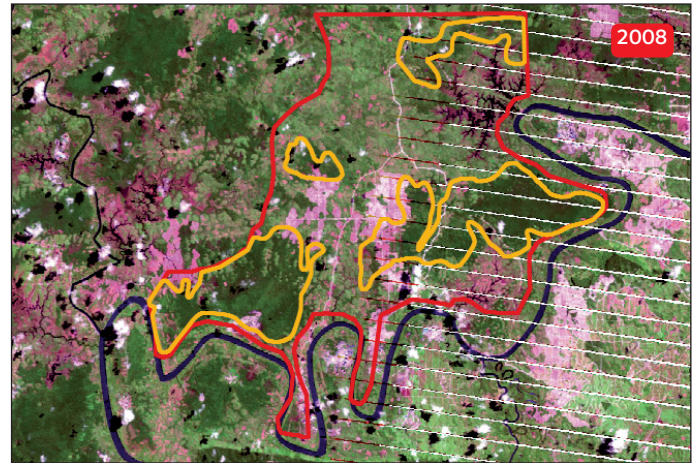


Image B: PT Persada Graha Mandiri concession boundaries (red line) overlaid on satellite image taken 5 August 2008 (Landsat 7 image). The yellow line indicates 2006 forest cover whilst the pink area is land that has been cleared between 2006 and 2008.

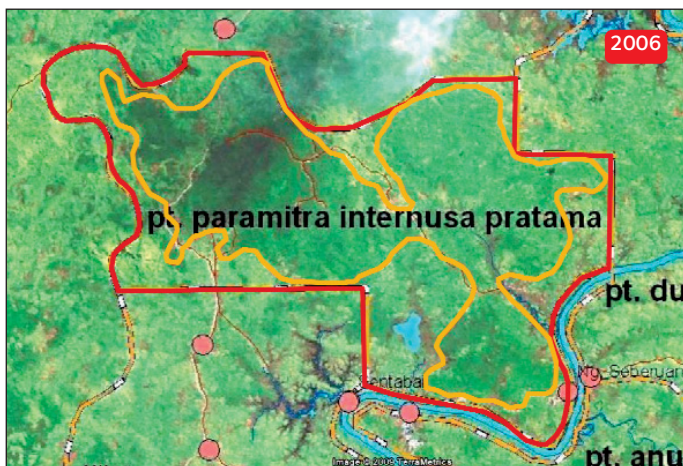


Image C: PT Paramitra Internusa Pratama concession boundaries (red line) overlaid on a 2006 satellite image (Landsat 7 image). The yellow line highlights remaining forest areas (dark green).

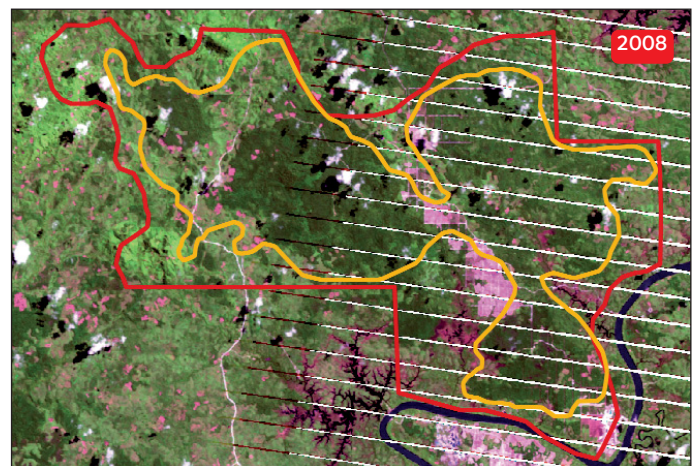


Image D: PT Paramitra Internusa Pratama concession boundaries (red line) overlaid on satellite image taken 5 August 2008 (Landsat 7 image). The yellow line indicates 2006 forest cover whilst the pink area is land that has been cleared between 2006 and 2008.

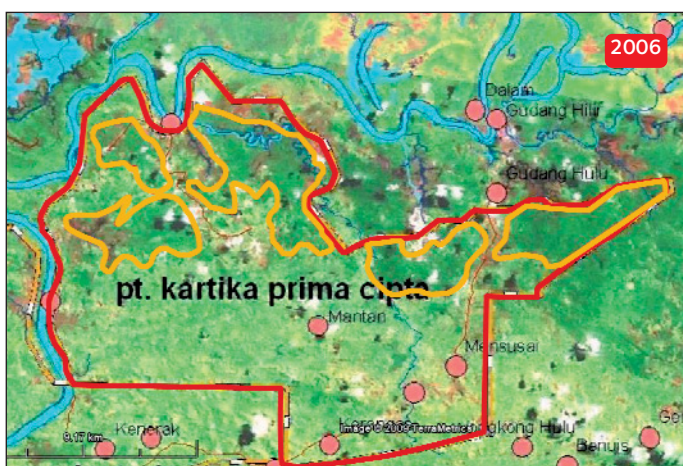


Image E: PT Kartika Prima Cipta concession overlaid on a 2006 satellite image (Landsat 7 image). The yellow line highlights remaining forest areas (dark green).

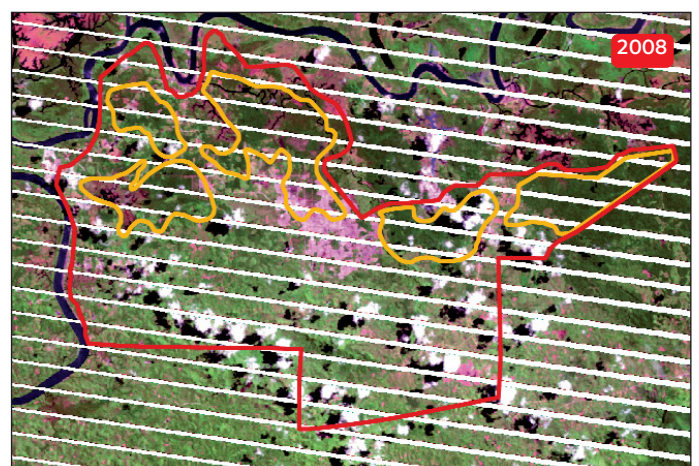


Image F: PT Kartika Prima Cipta concession boundaries (red line) overlaid on satellite image taken 5 August 2008 (Landsat 7 image). The yellow line indicates 2006 forest cover whilst the pink area is land that has been cleared between 2006 and 2008.

### Key:

- Concession boundary
- Intact forest areas in 2006
- Land clearance by 2008



Intact peatland rainforest, Indonesia. ©Greenpeace/Daniel Beltra

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- 5 For examples of connections from APP to illegal forest activity see [http://eyesontheforest.or.id/index.php?option=com\\_content&task=view&id=179&Itemid=6&lang=english](http://eyesontheforest.or.id/index.php?option=com_content&task=view&id=179&Itemid=6&lang=english). Orangutan information from joint Press release by WWF, Zoological Society of London and others, 18 May 2009. [http://gftn.panda.org/newsroom/press\\_releases/?164553/Asia-Pulp--PaperSinar-Mas-Group-Set-to-Destroy-Orangutan-Reintroduction-Site-Critical-Tiger-Forest](http://gftn.panda.org/newsroom/press_releases/?164553/Asia-Pulp--PaperSinar-Mas-Group-Set-to-Destroy-Orangutan-Reintroduction-Site-Critical-Tiger-Forest)
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- 18 Roundtable on Sustainable Palm Oil (2005) RSPO Principles and Criteria for Sustainable Palm Oil Production, 17 October 2005, Criterion 2.1.
- 19 Article 1 (1) within decree Nr 382/Menhut-II/2004 defined as: "permit to utilize timber forest products and/or non-timber forest from...other land use (APL)"
- 20 Article 25 (1) within Plantation Act Nr 18 year 2004 stipulates: "To prevent damage to the environment, before obtaining an IUP (plantation permit), plantation companies shall conduct an Environmental Impact Analysis..."
- 21 Forestry Act Nr 41 year 1999, article 50 (3e)
- 22 "Whomsoever intentionally violates the provisions of article 50 paragraph (3) letter (a), (b) or (c), shall be liable to punishment by imprisonment up to a maximum of 10 (ten) years and a fine up to a maximum of Rp. 5,000,000,000, (five billion rupiah)".
- 23 Indonesia has divided its land base into Forest Estate (under the control of the Ministry of Forestry) and Non-Forest Estate (APL – under the control of various other ministries, including – eg for oil palm plantations – the Ministry of Agriculture).
- 24 BPPHP-X (2009) Statistik Tahun 2008, Balai Pemantauan Pemanfaatan Hutan Produksi Wilayah X Pontianak [http://bpphp10.dephut.go.id/index.php?option=com\\_content&view=category&id=49&Itemid=69](http://bpphp10.dephut.go.id/index.php?option=com_content&view=category&id=49&Itemid=69)
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- 26 Article 25 (1) within Plantation Act Nr 18 year 2004 stipulates: "To prevent damage to the environment, before obtaining an IUP, plantation companies shall conduct an Environmental Impact Assessment..." Also see rules under Keputusan Menteri Kehutanan Dan Perkebunan Nomor: 602/Kpts-II/1998.
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- 34 Information accessed from [www.rspo.org](http://www.rspo.org)
- 35 Peraturan Menteri Pertanian nomor: 14/Permentan/PL.110/2/2009
- 36 This should include no further clearance or draining of new areas that have a combined carbon store (above and below ground) of more than 25 tonnes of carbon per hectare See: Greenpeace International (2009) Greenpeace's Position Paper on the GHG standard as proposed by the RSPO. [http://www.rspo.org/resource\\_centre/GHG-Public-Consultation-Greenpeace.pdf](http://www.rspo.org/resource_centre/GHG-Public-Consultation-Greenpeace.pdf)
- 37 Greenpeace (2009) Criteria for the Moratorium on Forest conversion for Oil Palm Plantations, Greenpeace International

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**GREENPEACE**

Canonbury Villas  
London N1 2PN  
[www.greenpeace.org.uk](http://www.greenpeace.org.uk)  
+44 (0)20 7865 8100