

## Visit to Asia Pulp & Paper (APP) in Riau



### **Disclaimer:**

This report is based on PM.Haze's visit to APP's operations in Riau, personal communication with APP employees as well as secondary information from the internet. Fact-checking was done with APP before publication of the report. It is meant to provide insights into some of the efforts and challenges faced by APP to reduce the risk of haze-causing fires. This report should not be taken as a substitute for a robust audit.

### **Background to the trip**

Date: 23/02/2017 - 25/02/2017

Location: Riau, Indonesia

Personnel (PM.Haze): Aurelie, Yi Han, Prayoto, Russell

Personnel (APP/ others): Randy (APP Jakarta), Andy (APP Jakarta), Philip (APP Singapore), Uri (Edelman)

Reason for attending: APP invited PM.Haze to visit their Perawang Mill and understand their activities in the area. We accepted the invitation in order to understand APP's efforts and challenges as well as perspectives regarding sustainability. The insights gained may also be useful for our upcoming haze-free paper position paper

The original itinerary is shown below. On the actual day, due to delays, we did not have time for the mill tour.

Time	Activities
<b>Wednesday, 22 February</b>	
16.05 – 17.55	Jakarta – Pekanbaru GA178
18.00 – 18.15	Move to Hotel Premiere Pekanbaru
<b>Thursday, 23 February</b>	
07.00 – 08.00	Breakfast
08.00 – 08.15	Move to PKU Airport
08.15 – 10.00	Helicopter Ride – Fly over GSK (Land at Arboretum)
10.00 – 10.30	Arboretum Visit
10.30 – 11.00	Move to Plantation
11.00 – 11.30	Plantation Visit & Fire Tower
11.30 – 12.00	Move to DMPA Program
12.00 – 12.30	DMPA Program Visit
12.30 – 13.00	Move to IKPP VIP Canteen
13.00 – 14.00	Lunch at VIP Canteen – Video Company Profile
14.00 – 16.00	Visit Situation Room & Presentation
16.00 – 17.00	Mill Tour (COC)
17.00 – 18.30	Move to Pekanbaru
18.30	Dinner
<b>Friday, 22 February</b>	
07.00	Move to Airport
08.35 – 10.20	Move to Jakarta with GA173

### Background to APP

APP is one of the world's largest pulp and paper brands and is a brand name to 6 pulp and paper companies with 10 production facilities between them.

APP currently has 3 mills in operation: Lontar Papyrus, Perawang and OKI.

APP communicated to PM.Haze that it has 38 pulpwood suppliers, with a total concession area of 2.6 million ha of which 60% are on peat. As of 2013 when the Forest Conservation Policy was launched, it had 1.1 million ha of plantations.

According to an APP employee, Singapore represents less than 2% of the total APP business. However, in 2016, APP opened an office in Singapore, which now numbers 12 staff, signalling a strong intention to establish a market in Singapore. APP is also working actively to be reassigned with FSC and recertified by Singapore Green Label. When questioned regarding the impact of the boycott, APP's employees said that although Singapore is a small market, the reputational impact was much larger.

#### I. Zero-burning & engagement with local communities

APP has a zero-burning policy. APP's employees also stated that it complies with the Indonesian government's instructions of not planting on burnt peatland, regardless of cause of burning. Regarding the recent case of APP's supplier PT BAP being caught by the Indonesian government for growing on burnt peatland, APP employees claimed that the trees had actually been grown on marine clay.

APP has a Desa Makmur Peduli Api (DMPA) programme in collaboration with the local government to work with local communities in and around their concessions. Priority goes to communities within 3km of their concessions, in conflict with APP and in fire-prone areas. They aim to reach out to 500 villages from 2016 to 2020 with a total investment of US\$10 million.

PM.Haze were introduced to one of the beneficiaries of APP's community engagement efforts (Pak Suryono, second from right in photo below). In 2008 - 2009, he was one of the leaders in Syarikat Tani Riau (Riau Farmers' Union) embroiled in land conflict with APP. However, he left the organisation and settled down to plant sweet corn and other crops. APP provided support such as facilitating their employees to buy from the farmers at a fixed price. Now Pak Suryono is an ambassador and facilitator for the DMPA. DMPA also involved providing capital and access to market. Farmers are taught not to burn the residue but to turn it into compost or for cattle to eat.



Above: Members of PM.Haze with Pak Suryono, a farmer in the DMPA community programme.

## 2. Forest conservation

APP has a zero deforestation policy and only accepts plantation wood. At plantation, when trees are logged, photo is taken and trucks weighed. The trucks are weighed again upon arrival at mill to ensure no other wood added along the way.

APP has also made some attempts at conserving the natural forest. PM.Haze visited an Arboretum of 173 ha that was set aside as conservation land (as per Indonesian regulation which states that 10% of concession land must be set aside as conservation area). While there are 6 elephants there which were captured by the Indonesian government in human-wildlife conflicts and given to the company to take care. The forest area is too small to support a viable elephant population (which requires at least 25,000 ha area). These elephants have to be chained with 40m chain to restrict them from damaging surrounding property, including that of local communities. The chains to which the elephants are secured to are pitched to various parts of the Arboretum throughout the day.



*Above: A strip of conserved forest between pulpwood plantations (lighter green part).*



*Elephants were chained using 40m chains to prevent them from damaging surrounding property.*

A larger conservation area is Giam Siak Kecil - Bukit Batu Biosphere Reserve (GSK BR). GSK BR has a core area of 178,722 set aside for conservation and surrounded by a buffer zone mainly consisting of APP concessions.



Above: View of Giam Siak Kecil conservation area.

Based on our observations from the helicopter, some areas were in good condition, while those near the lakes had severe encroachment (see [route and photos](#)). Near the lakes, numerous patches of forest had been cleared for oil palm and often with signs of burning. Motorboats were spotted moving across the lakes. It is likely that the water bodies serve as an access route for encroachers to enter and for the oil palm produce to be transported out to the mill.



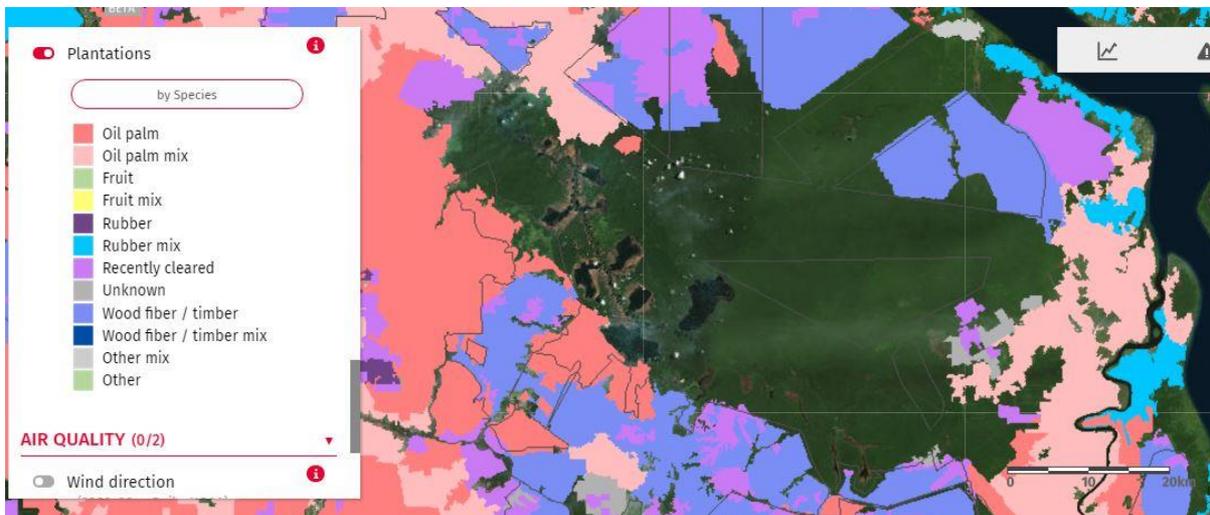
Above: Recently cleared and burned patch of forest with young oil palm trees visible behind.

In the southern end of GSK BR, there are some large open areas with canals but no signs of development. Such large open drained peatland of high fire risk.



Above: Open land crisscrossed by peat canals at southern edge of GSK.

It is also noted that the buffer area is not completely surrounded by APP managed land. Large tracts of small-scale oil palm are found in the western, southern and eastern ends of GSK BR. APP employees from the plantation shared they they faced challenges with encroachment of outsiders to both APP concession and conservation areas.



Above: Map from [Global Forest Watch \(Fires\)](#) showing types of plantations around the GSK conservation area (in black).

### 3. Peat management

With 60% of their concessions on peat, peat management is a critical issue for APP. At the plantation PM.Haze visited, we saw canal dams made from compressed peat at regular intervals with spillways to allow excess water to flow out. According to APP's peat manager, Pak Rafi, the water table was maintained at about 40 - 60 cm within the plantation, and 0 - 40 cm at buffer zone next to conservation area. Nevertheless, during dry season, Pak Rafi admitted that peat water level will still drop average ~5mm/ day. Charts of water level monitoring in 2015 showed that the water level dropping as low as 130 cm at one site. In a later response, APP stated that "it needs to be noted that the water level is also affected by the weather condition, and considering that 2015 was a very dry season with very little rainfall compared to years before, this would have impacted the water level in our peat areas. Further canal blocking which we expect to help manage water levels only took place in the latter part of 2015 and was completed in April 2016."

The peat manager proudly showed us subsidence charts that showed subsidence at 4 sites was less than 15 - 20cm after 20 years, and at current rates of 0 - 2 cm per year. He also claimed they had no problems with seawater intrusion at coastal peatland plantations.

One trial site for alternative species is being developed with the following species being trialed: Geronggang, Terentang, Gelam, Acacia Crassicaarpa. However, results will only be known in 5 years time. APP also has lab R&D focusing on checking which tree species has fiber suitable for use as paper.

APP had also conducted trials of acacia growth at different water table levels. It showed that the optimal level was 60 - 80 cm, while those at 40 cm did badly. The results of the study were reported to the Indonesian government, whose regulations were designed, in the words of Pak Rafi, "for fire prevention, not for planting".

### 4. Early monitoring and suppression

The plantation we visited was well-equipped for fire monitoring and suppression with infrastructure such as fire towers and thermal CCTVs, regular patrols and advanced equipment such as helicopters. There was a Situation Room to monitor hotspots and coordinate any response. Fire risk maps had also been done and updated every year. These risk maps covered many factors: access, historical hotspots, community areas, conflict areas, although not peat.



Above: APP Situation Room where hotspots can be monitored.

At planted areas, there were no debris on the ground and generally covered by green cover crops. However at the cleared areas, land was exposed with much debris. These areas were said to be left idle for 2 - 3 months before replanting, which may pose a fire risk.

### 5. Transparency, traceability and verification

APP has an [FCP monitoring dashboard](#) which includes a map of its suppliers concessions and grievance reports. The concession maps tally with those on Greenpeace's [Kepo Hutan website](#), but not with Global Forest Watch. No hotspot reports are provided.

The FCP is being monitored by The Forest Trust (TFT) although there has not been any progress updates since September 2015 (an update was supposed to be done in mid-2016). APP said that it was considered redundant with APP's own FCP progress update because (1) the content is similar, (2) APP's progress update report is developed together with TFT. Considering that, it was then decided that from then on, TFT would publish a 6-monthly Technical Report to replace the previous progress update. As of 15 March 2017, "TFT Review on FCP Progress Update - First semester year 2016", as well as "TFT Technical Report November & December 2016" was available on the dashboard.

APP is undergoing the process of reassociation with the Forest Stewardship Council (FSC), which will then be followed by certification involving chain of custody and forest management audits by FSC accredited auditors.

However, APP has yet to be completely transparent about the widespread fires on its suppliers concessions during the 2015 haze. Singapore's National Environment Agency (NEA) recently revealed that [APP has not provided sufficient information](#) requested under the Transboundary Haze Pollution Act.

## Overall Assessment & Recommendations

APP deserves commendation for being proactive in reaching out to local communities in and around its concessions to turn conflict into collaboration via the DMPA programme. It also seems to have an advanced fire detection and suppression system. Transparency is at a high level, while traceability and verification is also being done and will be further strengthened when FSC certification has been completed.

APP deserves commendation for its zero deforestation policy and its implementation, as well as attempts to conserve forest landscapes. Nevertheless, forest conservation remains a challenge with more attention needed to provide wildlife corridors that reduce fragmentation of conservation areas as well as measures to reduce illegal encroachment. Such illegal encroachment is often associated with fires and clearing of forests which pose a significant fire risk.

The main haze-related risk however is likely to be the challenges in peat management by APP. During dry season, when fire risk is highest, APP's peat water management systems are incapable of maintaining water table at the target level. In areas such as South Sumatra which suffer from extended dry season, the water levels are at high risk of dropping to dangerous levels<sup>1</sup>. In 2015 fires destroyed 37% of APP's concessions in South Sumatra<sup>2</sup>. APP therefore needs to focus on minimum rather than mean water levels in its plantations on peat and put in place necessary mitigation measures including rewetting and reforestation of fire-prone peatlands.

Given the risk associated with peatland drainage, we feel more resources should be spent on research of alternative peat species. A single trial site of 200 ha and 4 species is unlikely to provide sufficient variability in conditions to identify the optimal conditions for alternative species to grow. The current tree species such as Acacia Magnium were identified after experimentation with various tree species (130 species were being tested at one point) over a hundred years in Malaysia<sup>3</sup>.

The continued peat drainage coupled with the lack of full disclosure regarding the 2015 fires leads us to feel that there remains a high risk of widespread fire in a severe dry season on APP's concessions, especially in South Sumatra.

In order to regain the trusts of consumers in Singapore, **APP needs to put in place an ambitious timeframe to rewet its peat concessions especially in high fire risk areas.**

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<sup>1</sup> RSPO Manual on Best Management Practices (BMPs) for existing oil palm plantations on peat

<sup>2</sup> <http://hutaninstitute.or.id/70-burned-area-inside-forest-concessions-in-south-sumatra-links-to-app/>

<sup>3</sup> <http://www.fao.org/docrep/005/y7209e/y7209e04.htm>