

Down to Earth International Campaign for Ecological Justice in Indonesia

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Pressure mounts against EU biofuel targets

NGOs are campaigning against the adoption by the European Union of mandatory biofuel targets, a move that will prompt the further expansion of oil palm plantations in Indonesia, more appropriation of indigenous lands, more forest loss, and, ironically, higher carbon emissions.

Hundreds of NGOs worldwide, and thousands of individuals have called on European Union (EU) politicians to say 'no' to biofuel targets when they decide on the issue in early March. As well as oil palm, biofuel crops include soya, sugarcane and maize.

In an open letter to the EU and its citizens, the NGOs said that implementing the targets "means that the EU will risk breaching its international commitments to reduce greenhouse gas emissions and protect biodiversity and human rights; because...the proposed targets will amongst other things promote crops with poor greenhouse gas balances, trigger deforestation and loss of biodiversity and exacerbate local land use conflicts."

The groups argue that EU ministers should not adopt the biofuel targets because:

- ♦ *biofuel targets without much stronger commitments to reduce consumption are counter-productive:* Any targets relating to energy must first be directed towards reducing overall energy use, and improving energy efficiency. Instead of addressing Europe's excessive consumption, the Commission proposes a biofuels target as a percentage of the EU's fast growing and as yet unlimited transport fuel consumption. This approach must be rejected as counterproductive. The fact that the European Commission's 'Energy Package' only proposes targets for biofuels for transport but not for other alternative energies is indicative of a seriously flawed policy approach to addressing greenhouse gas emissions.

- ♦ *targets will negatively impact the Global South:* The EU is suggesting that much of the biofuel crop will have to be produced in the global South and exported to Europe. Although presented as an opportunity for Southern economies, evidence suggests that monoculture crops for biofuel such as oil palm, soya, sugarcane and maize lead to increased destruction of biodiversity and rural livelihoods and further erosion of food security, with serious impacts on water, soil, and regional climate patterns. Several statements already made by civil society organisations from the South express deep concern and call for a rejection of the EU biofuel plans.
- ♦ There is a risk of increased climate impacts of biofuels: biofuel is arguably the least desirable alternative energy form for which the EU could set a target. The production of biofuel crops uses scarce resources such as fresh water and productive land and in most crops used today, the greenhouse gas savings are marginal at best in comparison to fossil fuels. A thorough understanding of the emissions produced throughout the chain from land conversion to production, refining and use of biofuels is essential to ensure biofuel use will truly reduce greenhouse gas emissions. Not only is deforestation itself a major cause of CO₂ emissions, but biodiesel from South East Asian palm oil (where most world palm oil currently originates), can be expected to cause between two and eight times as much CO₂ emissions from damage to peat as the CO₂ emissions from the mineral

diesel it replaces (by conservative estimates, and according to the most recent science). These emissions make it less likely for the EU to meet their commitment of achieving the climate target of no more than 2°C change in average global temperature. Furthermore, research already suggests that the carbon balance of some biofuel crops may actually be negative when taking the complete process into account. Further study is thus needed before setting biofuel targets.

- ♦ *biofuels will increase pressure on world food supplies and further erode food sovereignty:* Price increases for some biofuel crops that are also staple foods will exacerbate not only deforestation, but also put food security at risk. Since biofuel targets in the

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EU would promote the production of biomass in the global South, the EU could be responsible for reducing the area of land devoted to food production, so eroding local and international food security and sovereignty and causing food shortages.

- ♦ *There will be more human rights violations related to monoculture expansion:* Serious human rights abuses have been reported from sugar cane, palm oil and soy plantations in Brazil, Argentina, Paraguay, Colombia and South-East Asia. These include slavery, very poor working conditions and low wages, violent land conflicts, death and health crises due to the use of agrochemicals and deforestation.
- ♦ *Targets will fuel GM expansion:* The genetic engineering sector of the biotechnology industry is promoting biofuels to gain access to a new market. The GM varieties of several crops now used as biofuel crops (eg: maize, soya, oilseed rape) have met strong resistance to their use as food, especially in Europe. The industry hopes that by promoting them as biofuels, these crops will gain acceptance. However, the problems associated with GM, including contamination, would not be addressed. The introduction of GM crops in the South has had a massive impact on farming methods, human rights and the environment. An EU target will give support to the GM industry to expand still further.
- ♦ *If the EU applies incentives and subsidies to biofuels, these will further intensify all the pressures:* They will also distort markets and further undermine food production. They should not be applied while there is still so much argument about the real contribution biofuels can make to energy use and climate. Finally, incentives for biofuels contradict the pro-poor strategies of the Millennium Development Goals and disregard the 2010 Target agreed on at the World Summit for Sustainable Development in Johannesburg by adding a severe additional driver of biodiversity loss.
- ♦ *There is no credible certification process available at this point:* Sustainability certification is being proposed as a way of addressing many of the problems outlined above. However, the European Commission energy package does not provide clarity on whether a certification scheme for biofuels will be introduced, and if so, whether it would be voluntary or mandatory. Previous certification initiatives suggest that certification processes by themselves cannot address most of the environmental and social 'problems', particularly in countries with poor human rights records or weak enforcement of environmental and labour legislation. The Round Table on Responsible Soy (RSS), a voluntary certification process led by some large environmental NGO's and industry, has run into great controversy with civil society organisations and small farmers'

Sawit Watch protests EU biofuel imports

Indonesia's NGO network on oil palm, Sawit Watch, has written to the EU to raise its concern over the promotion of biofuels as an alternative to fossil fuels. In an open letter dated 26 January 2007, the group argues that the disproportionate use of biofuels "is one of the new driving forces of large-scale and monoculture oil palm plantation expansion that contributes to global warming, social conflicts and rights abuses in producing countries, particularly Indonesia."

According to Sawit Watch, up to 2006, there were 360 conflicts related to oil palm, a situation that will get worse if the EU biofuels policy is put in place. The group says that the Indonesian government and the Association of Indonesian Palm Oil Growers (GAPKI), prompted by high European demand from both biodiesel and food markets, have agreed to a lot 3 million hectares of land for oil palm plantations for biodiesel. The implications of this, argues Sawit Watch, are that millions of hectares of land will be under the control of palm oil conglomerates and it is therefore unavoidable that "as a consequence of Europe's biofuels policy, the land rights of indigenous peoples and local communities will be relinquished further..." The letter calls on the EU to declare a commitment to global justice and for markets, governments and companies to be made accountable. "Development without justice is not development: it is exploitation!"

(Open letter from Sawit Watch 29/Jan/07)

movements in Latin America and is widely perceived as acting against their interests. The Round Table on Sustainable Palm Oil (RSPO) has yet to agree on procedures for verifying adherence to its standards and some of the RSPO industry members continue to destroy large areas of rainforest and openly bid for concessions which contravene RSPO principles, such as Wilmar International's bid for Bugala Island, Uganda, or PT SMART's plans for palm oil expansion in Indonesia. At present, no credible certification process leading to strong and mandatory standards, with full involvement of affected groups in producer countries, is available.

The letter ends:

"We therefore call on the Member States to reject the biofuel target for transport and halt all other incentives for biofuel production which could encourage in any way the use of biofuels linked to the problems described above. Instead, the focus should be on drastic reduction of energy use and support for genuinely sustainable renewables."

(For the full open letter, dated 31 January 2007, see <http://www.biofuelwatch.org.uk/2007Jan31-openletterbiofuels.pdf>.)

Indonesia presses on with biofuel development

Indonesia is hoping to become one of the world's biggest biofuel producers. As well as devoting a percentage of current palm oil output for the biofuel industry, the government plans to develop a huge area of oil palm, sugarcane, jatophra and cassava plantations. The government has allocated 5.25 million hectares of 'idle' land for growing the crops, almost all of which (5.06 million ha) is land officially under the control of the forestry department, spread over 13 provinces. About 1.5 million hectares will be used each for oil palm, cassava and jatophra, and about 0.75 million ha for sugarcane.

Deda Mardiko of the forestry ministry, told the *Jakarta Post* in February that none of the areas allocated for oil palm were in protected forests and that the ministry was working with the national land agency, plus the agriculture and home ministries to check whether the areas are located in forests or not. The official warned that anyone clearing land in a protected area would be charged with illegal logging.

Director of research and development at the energy and mineral resources ministry, Nenny Sri Utama, said that international NGO concerns over oil palm for biofuel were groundless and confirmed that the biofuel development plan would go ahead as planned, despite the criticism.

Ratna Ariati, the forestry ministry's director of renewable energy, said she understood the NGOs' concerns, but stressed that the government would abide by environmental protection principles, adding "We are doing it for the sake of the environment. It would be a nonsense if we were to destroy the forests in the process."

A major problem with the plan lies in the use of 'idle' lands and who decides what this means and how it is applied in the field. In the past, using 'idle' or 'unproductive' land has been a byword for taking over lands that are far from unproductive, much of it belonging to indigenous peoples whose customary rights over lands and resources are not adequately recognised under Indonesian law. Setting ambitious targets for the use of such land spells more trouble for rural communities already marginalised by large-scale forest destruction at the hands of logging and plantation companies, and the extractive industries (see also page 11 for related news on agrarian reform).

(Source: *Jakarta Post* 6/Feb/07. See also DTE 71:5 for more on biofuel development in Indonesia and developments internationally.)♦

A report from the RSPO

The fourth Roundtable meeting on Sustainable Palm Oil was held in Singapore on 21-22 November 2006. The oil palm advocacy network, Sawit Watch, organised the participation of a 25-strong contingent of Indonesian CSO representatives. This included farmers from Kalimantan and Sumatra, people from communities who have been adversely affected by the expansion of oil palm plantations onto their customary lands and supporting NGOs.

The Roundtable on Sustainable Palm Oil (RSPO) is an international association of plantation companies, palm oil refiners and buyers, manufacturing companies; banks, investors, chemical companies, conservation and social justice NGOs who are involved in or concerned about the production of palm oil. Its secretariat is based in Kuala Lumpur, Malaysia.

The RT4 agenda

In contrast with other Roundtable meetings, the agenda for RT4 was rather less challenging. The decision to draw up a series of guidelines characterising 'sustainable palm oil' was taken at RT2 and the list of eight Principles and Criteria plus their indicators, hammered out in a year of negotiations, was agreed at RT3 (See DTE 68:1 for background).

RSPO members, particularly plantation companies, are now engaged in a two-year period of field trials to test the workability of the Principles and Criteria which include environmental and social issues. Meanwhile, a Verification Working Group (VWG) is drawing up the procedure to ensure that palm oil marketed as 'sustainable' genuinely meets all the RSPO Principles and Criteria.

So the focus of RT4 was more about sharing preliminary evidence from different stakeholders about how the Principles and Criteria can be applied in practice and a consideration of options for the future, and less about decision-making. Presentations and discussions on the first day centred around palm oil production and included a presentation of options for the verification system as well as reports by Malaysian and PNG companies about their experience of trying to implement the Principles and Criteria in the field.

The second day focused on the supply chain, in particular, the options to ensure that consumers know exactly what they are getting when they purchase 'sustainable palm oil' or products made from it. The RSPO has yet to decide which of the alternatives is the most reliable and acceptable to its members. The RSPO also introduced its Code of Conduct which will be binding on all members.

Controversially, the issue of biofuels was not on the official agenda, but was very much in the forefront of most participants' minds. The potentially huge market for

biofuel has stimulated the interest of companies and governments alike to increase palm oil production. This is driving an expansion in oil palm plantations, with all the attendant threats to the environment and local communities. Sawit Watch has found that 20 million hectares of land in Indonesia - much of it still forested - has already been zoned for palm oil and more may be found now to meet this demand. Yet most of the discussion was in terms of 'sustainable palm oil' as supplying a niche market, predominantly in Europe. Meanwhile, China and India represent vast potential markets for any Indonesian palm oil produced under conditions that do not meet RSPO standards.

Another important development announced at an RSPO side meeting was the establishment of an RSPO Liaison Office in Indonesia. This will be located in the Department of Agriculture's offices in South Jakarta under the wing of the Indonesian Palm Oil Commission for its first six months, after which it can hopefully find a more neutral home. One of its main tasks will be to spread information about the RSPO and encourage more plantation companies to become members. It is also expected to play a key role in the development of a National Standard on sustainable palm oil, integrating the RSPO's Principles and Criteria with Indonesian law.

Giving communities a voice

As the slick presentations rolled on in the two day-meeting, it became increasingly obvious how RSPO members were talking about many aspects of palm oil production, and making much of contributions towards environmental protection, but saying very little about social impacts. The big companies appear still to be unaware of the problems large-scale plantations cause for local communities and few have any understanding of land rights issues or the problems with the government and Indonesian law.

Opportunities for discussion in plenary sessions of previous RSPO meetings have always been an issue, but this is not surprising given that there are several hundred participants. But the RT4 seemed to have been deliberately organised in a way that limited discussion. Participants were arranged around small tables and all questions had to be submitted in writing to the panel on the stages. Questions about contentious subjects like tenure simply disappeared in the process. Nevertheless, Norsianus, who represents a group of communities in Sanggau, West Kalimantan, was allowed to make an emotive appeal from the platform for the rights of peasant farmers in Indonesia to be recognised.

Some of the biggest battles are yet to come. At the next Roundtable meeting,



NGO evaluation meeting, following RT IV in Singapore, November 2007 (DTE)

scheduled to be held in Malaysia in November 2007, RSPO members will have to decide whether to amend accept the Principles and Criteria as currently drafted and to decide on the mechanism for marketing 'sustainable palm oil'. There are already signs that the plantation companies, especially the powerful Malaysian palm oil producers, want to weaken the RSPO Principles and Criteria which they consider are too difficult and expensive to implement.

Despite the shortcomings of RT4, members of the Sawit Watch delegation felt that the visit to Singapore had taught them a lot. For most it was a rare chance to meet investors, retailers and food processing companies, as well as senior representatives of the plantation companies who have taken over communities' lands, on an equal basis. But, as one community representative pointed out: "We need to be careful and not be fooled by the nice words the companies use when they meet us at these events. They have their own interests and agendas which we should always be aware of."

More information on the RSPO, including the Principles and Criteria, can be found at <http://www.rspo.org>

Smallholders and the RSPO

Smallholders or peasant farmers play an important role in the world market for edible oils. Around 30% of Indonesian palm oil comes from this sector. So it follows that smallholders should be fully engaged in the multi-stakeholder dialogue called the Roundtable on Sustainable Palm Oil (RSPO) which has drawn up principles and criteria for plantation companies, processing plants and other parties involved in palm oil production worldwide.

The Smallholders Task Force was set up specifically to address the interests of this group following the third RSPO Roundtable meeting in Singapore in 2005. It reports directly to the RSPO Executive Board who appointed the Indonesian oil palm advocacy network Sawit Watch and UK-based NGO Forest Peoples Programme to lead it.

One of the reasons for establishing this Task Force was that, for the concept of 'sustainable palm oil' to have any meaning, community plantations must be included, as peasant farmers already produce significant quantities of palm fruits and the area they cultivate and the productivity are increasing year on year. Moreover, smallholders are a very diverse group and the nature of smallholder production differs in different countries. So it is important that the RSPO's Principles and Criteria are developed and

applied in ways appropriate to these conditions.

The first Task Force meeting, held in February 2006, resulted in several decisions: that all key RSPO documents are translated into the national languages of producer countries where smallholders are involved in palm oil production; to find out about the conditions of smallholders and their views on sustainable palm oil; to test how the RSPO Principles and Criteria work in the smallholder situation; and to seek more funding for RSPO work on smallholders. It also provided an opportunity for peasant farmers from Indonesia and Malaysia to share their experiences of oil palm cultivation and exchange views on their understanding of sustainable palm oil.

The Smallholder Task Force met again in November 2006, immediately before the fourth Roundtable meeting in Singapore. This was attended by around 100 people from all over the world and representing bodies as different as the agrichemicals giant Syngenta, a community organisation supporting victims of one of Indonesia's oldest plantation groups (Masyarakat Korban LonSum), the International Finance Corporation's Biodiversity Committee and a recently formed peasant farmers association from West Kalimantan (Serikat Petani Kelapa Sawit).

Through presentations, discussions and small working groups, this meeting shared information on recent developments, considered the implications for RSPO standard setting and verification processes and agreed a work programme for the coming year. Key issues were how to get more smallholders aware of the RSPO Principles and Criteria and to get them involved in the development of national standards aimed at the production of sustainable palm oil. Problems that peasant farmers face over land rights and access to credit were recurring themes, so the need for conflict resolution mechanisms featured prominently in the recommendations for further action.

There was also a keen debate over the issue of the effect of pesticides on smallholders. The Malaysian organisation Tenaganita and the Pesticides Action Network- Asia Pacific which are calling for a ban on paraquat, presented graphic evidence of the damage it can cause, particularly to women who do much of the spraying. This was countered by Syngenta, who insisted that their product is safe and effective and promoted their research and training programmes to show how seriously the company takes the safety issue.

The way the Smallholders Task Force has developed and its representation at the fourth RSPO Roundtable meeting has clearly upset certain parties in this multi-stakeholder consultation. The first indications

of an industry backlash were evident at the Task Force co-ordination meeting on January 18th in Jakarta. Plantation company representatives felt that the STF had strayed from its original brief, particularly with the publication of two reports by Sawit Watch on the situation of smallholders in Indonesia immediately before the Singapore RSPO meeting (see DTE 71:7) *Promised Land* and *Ghosts on Our Land* set out the issues of peasant oil palm growers in Indonesia. Although some of these issues are common to smallholders elsewhere in the world, many are specific to Indonesia.

As a result, an Indonesian Smallholder Task Force has been set up, led by Dr Asril Darussamin of the Indonesian Oil Palm Commission (KMSI), with Suhandari (WWF Indonesia) as deputy and Norman Jiwan of Sawit Watch as secretary. This group will look at how peasant farmers in Indonesia can implement the RSPO's Principles and Criteria with inputs from research from the various member groups of RSPO in Indonesia.

(Sources: *Prospek Perkebunan dan Industri Minyak Sawit di Indonesia 2006-20*, Bisnisfokus Data Pramata, 2006.

Minutes of first Smallholder Task Force meeting, 22/Feb/06

<http://www.rspo.org/projects.htm#STF> supplemented with information from Sawit Watch staff)♦



Worker in oil palm plantation, Jambi (DTE)

Thoughts on the RSPO

Zulfahmi, former director of Riau NGO forest network Jikalahari, is a member of Sawit Watch and has attended several meetings of the Roundtable on Sustainable Palm Oil (RSPO), including the latest (RT4) in Singapore, last November. Down to Earth interviewed him about what the RSPO process means for peasant farmers growing oil palm in Riau.

What did you hope to achieve at the fourth RSPO Roundtable meeting?

The main aim was to make sure that all RSPO members are fully committed to implementing the Principles and Criteria (P&C). At the meeting which Sawit Watch organised in Jakarta before we left for Singapore, we all agreed that it was important to get more Indonesian smallholders involved in the RSPO's Task Force on Smallholders. Several of the community members in our group, particularly those from West Kalimantan, were keen to use this event to press for a halt to expansion of oil palm plantations in Indonesia and the human rights violations associated with them.

And what do you think about the outcomes of RT4?

This meeting was more about evaluation; there was no big advance from the decisions made at previous Roundtable meetings. On the contrary, the presentations by Malaysian companies that the P&C should be changed to make their implementation easier and cheaper is a step backwards. The current P&C are the result of a compromise. It would be difficult for us to accept them if they were further weakened.

How familiar are NGOs and communities with the RSPO and the Principles and Criteria?

Overall, not many NGOs know in detail what the RSPO is about. In Riau, some NGOs do have some understanding about the RSPO due to informal discussions held through Jikalahari, but few know about what the Principles and Criteria have to offer. In Jambi, NGOs are perhaps better informed as Yayasan Keadilan Rakyat (YKR) has done a lot of work. But at the community level awareness is still very low, mainly because the NGOs have not done a lot of public awareness work yet. Few know how they could use the Principles and Criteria (P&C).

So what needs to be done?

We NGOs need to hold meetings at village level to explain to local farmers what the RSPO Principles and Criteria are and how to use them. Yayasan Elang has held a meeting in Pekanbaru, but it takes much more than one meeting to really understand the whole process. There must be intensive follow-up sessions. Once people know about the P&C, they can spread information and use them as a tool for advocacy. It is also important that peasant farmers see to what

extent they are able to implement the RSPO rules which were really drawn up with big companies in mind.

What problems do the RSPO standards present for smallholders?

With the P&C as they are now, communities are going to have great difficulty in meeting the RSPO standard for 'sustainable palm oil'. For example, companies can afford heavy equipment to clear land without burning, but communities use fire because they don't have the money or technology to do otherwise. Also the P&C require proper management plans for oil palm plantations, but local farmers don't have any experience of working like that so this will be hard for them to implement. Another of the RSPO Principles is that High Conservation Value Forest (HCVF) must be protected in oil palm developments. But how can communities go through the complicated formal process of assessing whether the forest they want to clear is HCVF or not? There are still no answers to these questions.

How can the Smallholder Task Force initiative help Riau's farmers?

Peasant farmers in West Kalimantan set up their own association last June - the SPKS (Serikat Petani Kelapa Sawit). This represents their interests vis-à-vis the government and large companies and also represents the first

step towards a national small holders organisation. We hope that by April we will have established a similar organisation in Riau and there are plans for Jambi and West Sumatra too.

Why is this work a priority?

Riau is one of the largest producers of Indonesian palm oil - some 25% of total production. There are already 1.9 million hectares of oil palm plantations with a government total target of 3.1 million ha, yet the total area of Riau is 8.5 million ha! Together with the pulp and paper industry, this is a real threat to Riau's rapidly vanishing forests. Deforestation in Riau is running at over 5% - perhaps the highest in Indonesia.

There are real dangers for the environment and for communities if vast areas are given over to growing any single commodity. If the price falls, say due to political problems or a consumer boycott, then many farmers will suffer. Other countries are also expanding their oil palm production so there could be a boom and bust cycle in world prices.

But no-one seems to bother about this now. Most farmers believe the government propaganda that the future for oil palm is bright, especially with demand due to biofuels. They don't consider the dangers of this monoculture, including droughts and floods due to forest



First day at RSPO meeting 2006 (DTE)

destruction.

There is also the issue of the increasing control of large areas of land by companies. Most of Riau is controlled by large-scale oil palm and pulp wood plantations using modern practices which are completely alien to local people. Unless there is some transfer of knowledge, communities are going to lose out as they will not be able to grow a high-quality product.

And we must think about food security. At the community level, rice fields are being converted to oil palm by companies and smallholders. Traditional methods of farming are disappearing, including rotational cultivation, are no longer possible due to the pressure on land.

So what are the key issues for NGOs' future work in Riau?

We need to stop the expansion of oil palm and pulpwood plantations in Riau as there is a desperate shortage for land for people to make their livelihoods. It is also important to settle the hundreds of land disputes created by plantations. We would like to see a redistribution of assets, so that land is gradually returned to communities and they can decide how to make their own living. ♦

Kampuh villagers want a fair deal

This report is a summary of an interview with a representative of Kampuh village, Bunti subdistrict, Sanggau, West Kalimantan - a community which has been affected by the oil palm company PT MAS II. This company has now been taken over by Malaysia's Golden Hope, although many of the field staff remain the same.

The community's problems with the company can be divided into two phases: the original plantation and its extension.

Negotiations for the land were between the company and the village's official representatives. There were no consultations with the whole community. The village head (who was 'selected' not elected) is seen as the 'spearhead' of the company, rather than acting in the community's best interests.

Members of the community were each asked to hand over 7.5 ha of their land to the company for development as oil palm plantation. This used to be used for rotational agriculture to grow rice and other food crops. The company promised each family 2 ha of oil palm plantation as 'plasma' (smallholder plots) in return. In fact, they were only given 1.5 ha. Members of community were told that the remaining 0.5 ha would be handed over later but, after two years, they are still waiting.

In addition to issues of land procurement, the community feel they have been misled over the economic benefits of oil palm. Farmers were told that their 1.5 ha plots of oil palm would generate an income of about Rp1,000,000 per month (approx US\$100). However, they receive much less than this. The company deducted 30% per month to repay credit each month. Other monthly deductions are also made, for example, for transporting palm fruits to the factory. The company pays the remaining amount to the farmers via the village co-operative (KUD). However, the KUD also makes deductions: the wages of its staff are paid from the

proceeds of the farmers' palm fruits. So each farmer only receives about Rp400-500,000/month (US\$40-50).

This is not enough to keep a family. If a family has 3 or 4 children, they can only attend primary school if there is one in the village, because the parents cannot afford transport costs. Many have to leave school at 12 years old for the same reason.

The company wants to open up more land for oil palm plantation in the same area in 2007, using the same procedure. It calls the official village head and secretary and tells them what it wants to do, then asks them to tell the community.

However, the community has learnt by experience. It wants to keep its remaining land but, in practice, finds it very difficult to oppose what the company and the village officials are doing. Most of the community has little education; people do not realise that they have the right to question the process or to refuse to hand over their land.


Many people in the community do not speak out, but that does not mean they consent. They just feel powerless. They would like the more educated members of the community to be involved in the negotiations and to negotiate directly with the company.

Meanwhile the company is going ahead surveying the amount of land still available in the village for conversion to oil palm plantation, although there is no genuine community consent.

"We are not against oil palm plantations or development. We just want a fair deal."

(Interview 19/Nov/06) ♦

PROMISED LAND



Palm Oil and Land Acquisition in Indonesia:
Implications for Local Communities and Indigenous Peoples

Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait,
Asep Yunan Firdaus, A. Surambo, Herbert Pane

New book:
Promised Land: Palm Oil and Land Acquisition in Indonesia - Implications for Local Communities and Indigenous Peoples by Marcus Colchester, Norman Jiwan, Andiko, Martua Sirait, Asep Yunan Firdaus, A. Surambo and Herbert Pane (2006) Forest Peoples Programme, Sawit Watch, HuMA and ICRAF, Bogor (also available in Bahasa Indonesia). Download from www.sawitwatch.or.id

Dayak villagers succeed in fining oil palm company

The following account was compiled by Erma Ranik of the West Kalimantan NGO, PENA.

A palm oil company, PT Airlangga Sawit Jaya, has admitted fault and has paid compensation amounting to Rp274,366,000 (USD30,485) to the Engkadik Pade indigenous community, in Landak, West Kalimantan.

The case began in May 2006, when PT Airlangga Sawit Jaya held a meeting in Engkadik village, Serimbu subdistrict, with several local government officials. The company representative told the officials that Airlangga had obtained a permit from the Landak district head, to develop oil palm plantations over a 17,000 hectare area. The area covers 15 villages, which are home to Kendayan Dayak communities. On the strength of this permit, local people were asked to hand over their land to the company.

Following this meeting, the company started clearing community land - a course of action which soon started causing serious damage. On August 1st, Engkadik Pade villagers, who had not been informed of the company takeover, found that 150 graves, where their ancestors were buried, had been bulldozed by Airlangga workers. The villagers submitted a written demand for compensation, which, according to indigenous custom (*adat*), amounted to Rp 274,366,000.

In response, the company sought assistance from the local government, claiming it had a land transfer statement. This document, which Airlangga manager Hendro W Ngantung showed to the community, had been signed by a village official.

The community rejected the transfer document, insisting they had never given this person the right to hand over their land to the company or clear their ancestors' graves. In response to their angry rejection, a further meeting was arranged to discuss the case, by the district head, Dr Cornelius, at his office in Landak, at which he promised to settle the case promptly.

However, from this meeting in September, the case was left pending until the beginning of November, when one of the Engkadik Pade villagers read a book by PENA entitled *Oil palm: fortune or misfortune?* about the impact of oil palm plantations on a village in Sambas district, also in West Kalimantan (see DTE 63:19 for extract). The villager got the book from a member of an indigenous peoples organisation formed with PENA's help in the Niut mountains - another region of West Kalimantan threatened by oil palm, near the border with Malaysia - who happened to be passing through Engkadik Pade.

Taking PENA's address from the book, seven villagers then visited the PENA



Oil palm plantation, West Kalimantan (DTE)

office in November and submitted an official request that PENA take up their case. Aware of the trust and great responsibility this entailed, PENA thanked the villagers but explained that, as a small organisation, they could not work miracles, could not guarantee success and lacked funds to pursue the case. However, PENA promised they would do all they could to garner support from NGO colleagues and the press to highlight the case. The organisation explained that it would be the people themselves who were the key players, with PENA acting in supporting role, but that PENA would try to assist the community uphold their rights, if they were united in this aim and were committed to peaceful means.

PENA decided to call a village meeting to discuss the best course to strengthen the community's position. This went ahead in mid December, when three PENA activists, plus PENA board chairman Silvester Thomas Dalimun organised a meeting attended by 60 villagers. PENA gave a presentation on Indigenous rights vis-à-vis Indonesia law and provided more information on the negative impacts of oil palm plantations on indigenous peoples. The villagers decided to reject oil palm in their area and to mount a 'customary blockade' of the area where the company was cultivating seedlings.

On December 22nd, villagers impounded three bulldozers owned by the plantation company, on the grounds that Airlangga had not met community demands and because negotiations had not achieved any agreement. This was when the local government authorities and the company became aware that the community was serious in its opposition. On January 3rd 2007, Landak district's 30-member Plantation

Conflict Resolution Team, plus members of the Landak Dayak Customary Council (DAD) came to Engkadik Pade to try and end the blockade. Airlangga and the customary council insisted that the villagers were only entitled to Rp 7,310,000 (around USD 790). They also threatened to bring in the paramilitary police (*Brimob*) to secure the impounded bulldozers by force.

The villagers contacted PENA, which agreed with the local chapter of Friends of the Earth (WALHI Kalbar) to work together on the case. PENA invited a number of journalists to visit the village, resulting in articles in the Indonesian national daily *Kompas* on January 12th, and in the *Kalimantan Review*. The press reports prompted the authorities and the company to try and settle the case quickly. On January 17th Airlangga admitted it had been wrong and said it would pay the full amount of compensation demanded by the villagers. The compensation would be awarded in two ways: Rp 150 million (USD 16,220) in cash and the rest in the form of a road to the village and a 'monument' marking the ancestors' graves. The villagers have opted not to share out the cash, but plan instead to spend it on installing a clean water supply for the village.

The villagers are, of course, well aware that this is not the end of the story. The company still intends to develop oil palm plantations on their customary land. Now the community, which remains committed to opposing the plans, is working with PENA to strengthen their case against the company takeover of their lands.

For more information and updates contact PENA at pena_kalbar@yahoo.com ♦

mining

North Sulawesi confronts Jakarta over MSM gold mine plans

The Toka Tindung gold mine project is now in doubt after strong opposition to Meares Sopotan Mining's plans to build an open pit gold mine in a sensitive coastal area and dump mine waste into Rinondoran Bay. A major blow came when an environmental hearing in August 2006 forced the company to alter its plans to instead use the more expensive option of disposal of tailings on land. This February, North Sulawesi governor, Sinyo Harry Sarundajang, publicly rejected the company's revised environmental impact assessment.

Responding to a request from environment minister Rachmad Witoelarto to make a decision on the environmental impact assessment (EIA), the North Sulawesi governor officially stated on 2nd February 2007 that he was rejecting it for three reasons, namely (1) that the project had been rejected by the community; (2) that the tailings solutions proposed could not guarantee public and environmental safety; and (3) that the proposed mining operation was in conflict with provincial land use planning which designates the area for tourism and fisheries. The coastline is proposed for world heritage status. The governor, who is the highest provincial authority for environmental permits, took his firm stance against the mine to the national parliament in January saying, "We are not against foreign investors, but the people need environmentally friendly investment."

Meares Sopotan Mining (MSM) continued to proceed to build the mine, aiming to start operations in early 2007 without waiting for environmental approval. The main construction contract is held by a subsidiary of the Australian company, Leighton Contractors, while Bakrie Construction, owned by the family Aburizal Bakrie - Indonesia's co-ordinating minister for people's welfare, is contracted to supply and pour concrete. It is not clear which company will be building the controversial tailings dam. Another Bakrie company is currently embroiled in the Sidoarjo mudflow scandal (see page 11).

By October last year, MSM had constructed a jetty on Rinondoran beach, built a 7 km major road to connect the Toka Tindung mine site to the shore and excavated cyanide settling ponds, in addition to diverting the River Maen to supply water for processing. Questions are being asked as to why the local authorities allowed this construction work to go ahead well before a valid EIA or other permits were obtained. The company's private harbour facilities also need a separate EIA, which MSM reportedly



Community protest against MSM mine, 2006

does not have. The head of the national police has been asked by parliament to investigate why the company's operations have been protected against legitimate public protest despite a lack of proper project permits.

In many ways the Toka Tindung case is a classic clash between local and central government over foreign investment and the use of natural resources. As Jakarta issued MSM's all-important Contract of Work, the company has paid little attention to local government spatial planning and regulations.

While the Australian-based, British-listed mining company flouts regional autonomy and presses ahead, thousands of villagers have little option but to take direct action. The gold mine threatens the livelihoods of thousands of fishermen and farmers, as well as the tourism potential of the area, because of the problems of disposal of mining waste and the risks to local water supplies.

The people of North Minahasa and Bitung - the two districts most directly affected by MSM's plans - have so far succeeded in persuading local politicians to consider more sustainable development by a

combination of peaceful protests, public meetings, lobbying in Jakarta and Manado and letters to investors. The determined campaign has been co-ordinated by community group (AMMALTA - Aliansi Masyarakat Menolak Limbah Tambang) with support from local, national and international NGOs.

A new EIA or a revised EIA?

Minister for Energy and Mining, Purnomo Yusgiantoro, has consistently supported mining company PT MSM and its local subsidiary PT Tambang Tondang Nusajaya (TTN), regardless of local sentiments and a lack of clear authority to issue approvals in the absence of the approval of other branches and tiers of government. In March 2006, he advised that operations could continue even though the company's 1998 environmental impact assessment (EIA) was out of date. This contradicted an earlier ruling from the environment ministry that MSM must halt operations and undertake another environmental study. Under Indonesia's Environment Act, any development which could cause significant impacts on the environment must have an EIA in order to

obtain the necessary operating permits (UU 23/1997 clause 18).

The company's attempt to ignore the environment minister's December 2005 ruling and to operate under a revised, rather than a new, EIA triggered widespread protests by communities likely to suffer from the mine's social and environmental impacts (see *DTE 70:1*). There was some debate as to whether this EIA process should have taken place at all. The 1992 law on Spatial Planning says EIAs can only be considered for activities which are included in the Local Plan and, reportedly, mining is not included in North Sulawesi's current plan.

The EIA revision process was announced by MSM in the local daily, *Manado Post*, in mid-June and offered all interested parties the chance to make their views known within one month. Community representatives publicly rejected this 'opportunity', stating that MSM and TTN were only seeking their own advantage while putting local livelihoods at risk. AMMALTA wrote immediately to the ministry of the environment and the North Sulawesi Bureau of Environmental Management (BPLH Sulut) stating its opinion that the companies were, in effect, operating illegally and urging Jakarta to stop them, but to no effect.

Marine or land waste dump options

MSM and TTN eventually presented the 'framework document' for the EIA revision in Manado on 4th August 2006. Their preferred plan, as before, was to dispose of the mining waste by submarine tailings disposal (STD) - basically pouring a slurry of ground-up ore and chemicals remaining from the mineral extraction process onto the seabed over 1 km deep off the coast at Rinondoran. This is the cheapest and easiest option for the company, but the practice of STD is not permissible in most countries due to environmental protection standards, in particular water quality and sediment guidelines.

However, the debate is not simply about the waste from the gold mine; the ecological impacts of open pit mining with the attendant problems of dust, noise, surface water and ground water contamination, overburden and acid rock drainage must also be considered. In addition, MSM plans to divert rivers and affect local communities' water supply.

The public meeting was attended by members of the provincial and district assemblies, the local environment office and a team from the environment ministry, as well as community representatives and NGOs. It was an opportunity for local and national NGOs to submit evidence against the proposed gold mine.

Provincial and district assembly representatives spoke strongly against the proposed Toka Tindung mine. They drew attention to the strong local opposition from local communities and the potential threat to the thriving local fishing industry. They expressed their concerns about the potential environmental pollution from mine tailings, drawing parallels with the impact of the notorious Newmont Minahasa mine on the other side of North Sulawesi which used STD. They also noted social costs associated with the Ratototok mine, including poverty and prostitution.

The environment ministry team too, was highly critical of MSM's submarine tailing disposal (STD) plans, largely due to the controversy over the Buyat Bay case. The criminal prosecution of Newmont mining company and its managing director, Richard Ness, for environmental pollution resulting from its STD operations is still in progress. (see *DTE 70:3* for background). It ordered MSM/TTN to consider alternative options and to carry out further studies, including into the hydrology, biology and local economy of the area. Further EIA meetings were held in September and October, before the revised EIA document was sent to Jakarta. The environment ministry then weighed up the oral and written evidence from the Manado meetings.

Flawed process

Although the EIA process took several months, it was only a revision. Furthermore, the two to three month period between the initial hearing and final submission of the EIA was far too short a time to do the detailed studies needed for the environment ministry to make an informed decision.

After the August EIA hearing, MSM's only option was land-based waste disposal. The company has interpreted this as tailings dams, without any further consultation. This approach carries considerable, if not higher, pollution risks than marine dumping - especially since this area is prone to earthquakes and floods. AMMALTA claims that if 10 million tonnes of mining tailings (a reasonable assumption for 5 years of operations) were released into the environment due to a tailings dam accident, up to 60% of Minahasa Utara district and up to 50% of Bitung municipal district could be irreparably damaged.

MSM and TTN have publicly insisted that neither the tailings nor the overburden will contain metals or cyanide above permitted levels. (*Manado Post 7/Oct/07* quoted in Petisi AMMALTA). However, the EIA contained no detailed information about the area of the mine site, the existing vegetation or aquatic life, the composition of waste, the methods of waste treatment or monitoring of pollution levels.

Letter to investors

The Indonesian mining advocacy network, JATAM, wrote to the leading investors behind the Toka Tindung project in July 2005. These include Archipelago Resources Plc (Australia), ANZ (the Australia and New Zealand Banking Group), NM Rothschild & Sons (UK), Société Générale (France) and WestLB (Germany). It asked the banks and investment funds to explain their reasons for investing in the gold mine and urged them to ensure that MSM and TTN comply with social and environmental safeguards in their operations.

"Investing in the project risks damaging the marine environment with mining waste and will cut off the forest of Tangkoko Dua Saudara Nature Reserve, constituting serious violations of several Indonesian laws on environment, water pollution prevention, forestry, and protection of biodiversity and natural habitats. It is not responsible investment to continue with an extractive project that threatens the livelihoods of the local community, is leading to violence and human rights violations, and risks devastation of the environment."

West LB and ANZ have signed up to the Equator Principles and West LB, ANZ and Société Générale are also signatories to the UN Financial Institutions Statement on the Environment and Sustainable Development - initiatives intended to ensure that financial investment does not go into projects that are socially and environmentally damaging. West LB was apparently unaware of the large scale community opposition to the mine until informed by the German NGO, Watch! Indonesia.

Source: JATAM, WALHI, AMMALTA letter to investors, 21/Jul/06.

The Commission did not have the time, resources or authority to gather evidence from independent academics and several relevant government agencies, including the department of health, were not included at all.

Local NGOs point out that the Toka Tindung site is located in a hilly water catchment area above the heavily populated subdistricts of Likupang Timur and Bitung Utara. The excavation of a huge pit which will intersect the ground water table will require the pit to be continuously pumped out, with the likely result that the surrounding water table will be lowered. This will reduce water supplies for some 20,000 people. Also, the gold processing plant requires huge volumes of water, with the potential to result in water shortages for local agricultural communities.

Challenging MSM's activities

While MSM continued to press ahead to build the mine despite local community and government opposition and while its permissions were still in dispute, local people took action into their own hands. As a ship carrying building materials for the Toka Tindung site approached the shore in November 2006 and again in February this year, Rinondoran fishermen formed a blockade with a flotilla of small boats and fishing platforms to prevent access. Women and children guarded the beach. Paramilitary *Brimob* police who receive financial and logistical support from MSM threatened protestors with rifles and confiscated the knives they use for preparing bait and ordinary household activities. MSM has built a jetty specially to bring ashore the plant and

heavy equipment which the company has purchased second-hand from Barrick Gold's El Tambo mine in Chile.

The ship tried for three days to dock, but was forced to anchor at a nearby island. On 12th November, as villagers from Kalinaun, Rinondoran and Batuputih villages were coming home from church, they saw the ship approaching the jetty once more. Feelings were running high as they tried to protect their livelihoods by driving the ship off with their fragile craft. The crowd of a hundred people burnt down a hut on Rinondoran beach that belonged to MSM.

MSM was quick to respond: Likupang police summonsed 18 local fishermen for questioning and detained two. However, the community took heart from a statement by North Sulawesi's governor to the local press the next day. "I will not allow MSM to continue operations. They must wait until the EIA is legal", Sinyo Harry Sarudanjang said. On November 15th, ten representatives of the community went to North Sulawesi's police head office to hand in a document listing what they describe as MSM and TTN's environmental 'crimes'.

In February, villagers started another blockade to stop construction materials being landed at the jetty.

MSM has also taken an aggressive approach to procuring the land it needs for the mine site and associated infrastructure. In June 2006, the company reported that "all land purchases necessary to commence production have been completed ahead of schedule". Not all the landowners were prepared to give up without a struggle: NGOs report there are currently at least five land dispute cases between local people and MSM.

One of these cases has running for years. The Dedeng family initially refused compensation and took legal action to force MSM to return its 30 ha of land. The case eventually went to Indonesia's Supreme Court which, in April 2005, decided in favour of the local landowners. The company refused to release the land and mobilised a crowd of its workforce and paid youths to protect their interests. Unsurprisingly, the court in Manado decided in October last year that the judgement from Jakarta could be deferred. AMMALTA immediately urged the Supreme Court and Indonesia's Anti-Corruption Commission to investigate the local court's intervention. Meanwhile, MSM stepped up the intimidation against the family by suing them for Rp100.2 bn (approx US\$10 million) for "ruining the company's good reputation in North Sulawesi and the international business community."

Intimidation by the company and the police is not new. Back in 2003, the North Sulawesi Assembly (DPRD) formally wrote to the provincial governor recommending that all local police be withdrawn from the MSM/TTN area and any police, including the paramilitary

Natural disasters in North Sulawesi

The Toka Tindung gold mine is in an area which, like many parts of Indonesia, is highly geologically active. This increases the risks of the collapse of tailings dams and the fracture of waste disposal pipes. Earth tremors are common in North Sulawesi. On 21st January, the province experienced a 6.7 Richter earthquake from an epicentre 178 km south-east of Manado. Mount Soputan erupted in November and December 2006, pouring out millions of cubic metres of lava and dust.

Source: Vulcanology Survey of Indonesia, <http://portal.vsi.esdm.go.id/joomla/index>

Mobile Brigade, who intimidated or used force against the local people should be prosecuted.

A peaceful demonstration against the gold mine by over 3,000 local inhabitants in mid-July 2006 (in the run up to the first EIA hearing) provoked a violent backlash. A group allegedly backed by the mining companies, bombarded the protestors with stones and beat some of them up causing injuries to 54 people. The communities pressed the police to take legal action against the instigators of the violence. But although police initially said they would investigate the incident, they subsequently released the main suspects.

People living in the mine concession area are reported to have been threatened by the company's security guards. Villagers from Kalinaun were prevented from joining the above protest by a gang of thugs led by a MSM worker who stopped their truck and subjected them to violence. This MSM worker was subsequently arrested by police.

A sustainable future for North Sulawesi

It is not surprising that the Jakarta government remains keen to expedite the EIA process and approve the mine. MSM has in the past made much of the fact that it had invested tens of millions of dollars in the Toka Tindung mine and expects to invest many more in future. For Jakarta to reject the project at this stage would risk a large compensation claim and more bad publicity driving away potential investors.

Against this background, the North Sulawesi governor's strong position against the mining plans, comes as some surprise, but is nonetheless welcome. The communities and NGOs opposing this project must now hope that the governor's opposition will prompt the Jakarta government to take another look at the long-term costs and benefits to the communities of Minahasa Utara and Bitung of sustainable development compared with the six-year 'get rich quick' scheme now being promoted.

(continued next page)

Where is the money?

The Toka Tindung gold project is 85% owned by Archipelago Resources through PT Meares Soputan Mining and PT Tambang Tondo Nusajaya.

The deposit is known to contain about 48.2 tonnes (1.7 million oz) of extractable gold and is expected to last around six years. Archipelago intends to explore further at Toka Tindung and four nearby locations.

Archipelago is registered as an Australian company, but is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

AIM: the cowboy exchange

Archipelago raised a syndicated loan of US\$38.5 million from four international banks in March 2006 and a further US\$11 million through AIM two months later to finance the Toka Tindung operation.

Indonesian NGOs have asked: what accountability does the London Stock Exchange (LSE) demand from AIM members on investments with high social and environmental risks? The answer is none. Even within financial circles, concerns have been raised about the lack of oversight, transparency and accountability in the AIM, particularly in the 10% of the market that represents mining companies. So the LSE has set out a number of technical and financial guidelines for AIM members which are intended to make sure that the reported mineral deposits actually exist and that investors' money is safe. The only reference to environment and land issues is to 'necessary economic conditions' for working the deposit and that the admission document should include 'risk factors'.

(Source: mineweb.com 19/Mar/06; the Guardian 27/Nov/06; Dow Jones 13/Feb/07)

Changes in mining laws to come into force in 2007

Two significant changes to national regulations on mining are due to affect the mining industry in Indonesia. The mining minister, Simon Sembiring, said recently that the Indonesian government was intending to approve laws to ensure that more of the mineral resources mined in Indonesia will be processed within Indonesia rather than be shipped abroad. As well as this, new laws are due to come into force in early 2007 that will strengthen the role of regional governments in assigning and approving mining contracts in their regions. Both these changes will have an impact upon the role that the mining industry plays within the wider Indonesian economy and society.

It is generally accepted that involvement in the processing of natural resources is, in the long-term, more financially rewarding than the extraction of the raw materials themselves. Currently, most of the processing of mineral ore is done outside Indonesia, as is the case in many developing countries. Increasingly though, countries with significant mineral and raw material resources are wanting to develop their capacity to process these raw materials before exporting them to other countries. Currently, processing facilities associated with multinational mining operations in Indonesia

include a copper smelting plant (at Gresik in East Java) and a nickel furnace facility (operated by Inco at Soroako, South Sulawesi). The new regulations will be aimed at making it more difficult for companies to export unprocessed concentrates and products abroad, so creating jobs, and more tax revenues for the government.

This is not to the liking of international investors in the mining sector in Indonesia, who are also claiming that changes to the laws governing investment in mining enterprises in the different regions of Indonesia will 'further inhibit' their access to these markets, so reducing the likelihood of involvement of international companies in new mining initiatives in Indonesia. The Indonesian Mining Association (IMA) has also reaffirmed their rejection of the new law. These regulations will have the effect of replacing a centralised Contract of Work system with a licensing system for mining projects through regional governments. The changes are aimed at resolving disputes between the regions and central government over the control of resources and a perceived imbalance between Jakarta and regional governments in the receipt of royalties on revenues. Previously central government received 80% of the royalties on revenue

gained from mining activities, with only 20% earmarked for the government and people of the province where the mine was located. Under regional autonomy legislation passed in 1999 and which came into effect in 2001, the percentages were supposed to be 80-20 in favour of the regions (see DTE 46 and 48:3 for more background on regional autonomy). Disputes have arisen over the allocation of royalties as well as additional levies imposed by regional governments, plus a long period of uncertainty over mining in protected forest areas (see DTE 66:14 for more background). As a consequence, the central government stopped issuing new 'Contracts of Work, so all but drying up new investment in mining. Pro-industry observers claim that this investment is a necessary part of the development of the mining industry, if Indonesia is to take advantage of a soaring global commodities markets (fuelled in part by the economic boom in China). However, civil society organisations remained deeply concerned that the social and environmental impacts of mining and the effect on communities whose lives it disrupts have still not been paid the attention they deserve.

It remains to be seen what effect this regionalisation of licensing will have on the mining industry in Indonesia, whether it will increase accountability of mining companies to local populations and whether it will indeed reduce or increase mining activity in Indonesia. (Source: *Dow Jones Newswires* 30/Jan/07 and Dorothy Kosich, *Mineweb* 04/Jan/07. ♦

(continued from page 6)

For further information on the campaign to stop the Toka Tindung mine, see <http://www.save-lembeh.info/>

Sources: WALHI Sulut statement to EIA Commission 20/July/06; JP 5/Oct/06; Petisi AMMALTA 12/Oct/06; MinergyNews.com 18/Oct/06, Berita Sulut 19/Oct/06; JATAM news 14/Feb/07; Dow Jones 13/Feb/07; Archipelago Resources press release 13/Jun/06; additional information from AMMALTA, JATAM and WALHI. For information on banks and responsible investment see <http://www.unepfi.org/signatories/index.html> and <http://www.equator-principles.com/> ♦

(continued from page 10)

available for the poor after this disaster and in re-planning the city?

(Sources: SBY Terima Mentan, Menhut dan Kepala BPN : Akan Dikembangkan, Program Reforma Agraria <http://www.indonesia.go.id/index.php/content/view/2275/701/>; KSPA, January 2007, *Demi Keadilan Agraria - keharusan menjalankan pembaruan agraria secara menyeluruh untuk keadilan sosial di Indonesia*; Joint Press Release Rumpin case, 23/Jan/07; FMN, KontraS, AGRA, LBH Bandung, LBH Jakarta, WALHI, Serikat Mahasiswa Indonesia, STN Gabungan Serikat Buruh Independent, HUMA, PILNET, Seruni, FPPI, SPI; *Jakarta Post*, 17/Feb/07; [http://www.reliefweb.int/rw/RWFfiles2007.nsf/FilesByRWDocUnidFilename/943388196C3A779BC125728B0031D3AB-Full_Report.pdf/\\$File/Full_Report.pdf](http://www.reliefweb.int/rw/RWFfiles2007.nsf/FilesByRWDocUnidFilename/943388196C3A779BC125728B0031D3AB-Full_Report.pdf/$File/Full_Report.pdf)

Notes:

1. new land as a result of sedimentation process on the coast which cannot be used due to lack of legal status
2. Land defined as 'idle' may be part of

indigenous communities' customary lands, but not recognized as such by the state
3. Rumpin, near Bogor, is the location of an Air Force military base. ♦

(continued from page 11)

industry experts advising WALHI in the first days after the accident in 2006, that cost-cutting measures and bribery are commonly undertaken by drilling contractors in Indonesia to allow drilling to proceed faster and more cheaply, to the financial benefit of regulators and gas companies alike.

The University of Durham research team says that mudflow may come to cover an area of 10 square kilometers and continue for years. There is likely to be widespread subsidence over the area, including the development of a crater at the drilling site.

(Source: *Gugatan Walhi terhadap PT. Lapindo Brantas Incorporet, dkk Di Pengadilan Negeri Jakarta Selatan* [12/Feb/07]; Richard J. Davies, Richard E. Swarbrick, Robert J. Evans, Mads Huuse, 'Birth of a mud volcano: East Java, 29 May 2006', *GSA Today*, Volume 17, Issue 2 [Feb 2007]) ♦



energy

A nuclear future?

The Indonesian government is putting in place arrangements to develop its highly controversial nuclear power programme - starting with a reactor on the Muria peninsula in densely populated Central Java.

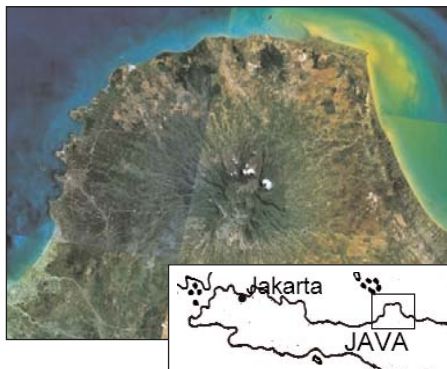
In December 2006, Indonesia made an agreement with South Korea which paves the way for cooperation on Indonesia's nuclear power programme. *Associated Press* reported that Presidents Susilo Bambang Yudhoyono (SBY) and Roh Moo-hyun signed a bilateral agreement on the peaceful use of nuclear energy on December 4th, but kept the details secret. The agreement said cooperation may include "research, development, design, construction, operation and maintenance of nuclear power plants" and "manufacturing and supplying of nuclear fuel elements" for use in nuclear plants.

Just a month earlier, Indonesia also signed an MOU on nuclear power development with Japan. In a statement Japanese Prime Minister Shinzo Abe "expressed the intention to cooperate, through the human resources development such as dispatch of experts ... institutional assistance for introduction of nuclear power generation, stressing the necessity of nuclear safety, security and non-proliferation in this regard." The agreement was signed on behalf of Indonesia by the Ministry of Energy and Mineral Resources and on behalf of Japan by the Ministry of Economy, Trade and Industry on 28 November 2006, during a summit meeting between Abe and Yudhoyono.

Media reports put the cost of developing Indonesia's first nuclear plant, planned for Central Java's Muria peninsula between US\$1.5 billion and US\$4.8 billion. The plans are to generate up to 4,000 MW - some estimates say up to 9,000 MW - to start construction in 2010, and begin electricity generation in 2016 or 2017. Recent reports from Indonesia's National Nuclear Energy Agency (BATAN) suggest, however, that the plan may begin more modestly with a 1,000 MW reactor expected to cost around US\$1.5 billion (around Rp13.5trillion).

Two days after the agreement with South Korea, BATAN announced plans to hold a tender process in 2008 for nuclear equipment suppliers and contractors.

The big-ticket project has spurred a race among countries hoping to promote the financial interests of their local nuclear energy companies. Both the Korean government through its state-owned nuclear energy company Korea Hydro & Nuclear Power Co., and the Japanese government through their export promotion agency, Japan External Trade Organization, have funded lavish seminars in Jakarta's five-star hotels to promote their technology to Indonesian decision-makers.



Muria, Central Java: the volcano is visible on this satellite image.

(Source <http://www.volcano.si.edu/>)

The International Atomic Energy Agency (IAEA) is also supporting the development of nuclear power in Indonesia, a position confirmed by the December visit of the agency's Director General Mohammad ElBaradel to discuss nuclear cooperation with President SBY.

Another development is Indonesia's new agreement with Australia, which opens the door for Australian uranium to supply a future nuclear industry. The Indonesia and Australia Framework for Security Co-operation, signed in Lombok on November 13th, commits the two countries to cooperate in developing nuclear power for peaceful purposes. Both ministers who signed the agreement said uranium supplies were not likely to begin anytime soon. Australia's Foreign Affairs Minister, Alexander Downer, said that should Indonesia wish to import uranium in future the two countries would need to negotiate an additional Nuclear Safeguard Agreement, in line with other importers of Australian uranium.

Indonesia is a party to the Nuclear Non-proliferation Treaty and, according to ElBaradel, has a comprehensive safeguards agreement and additional protocol in force. In the field of safety and security, Indonesia is a party to the international conventions under the IAEA's auspices, as well as participating in the Asian Nuclear Safety Network.

The Lombok Agreement also attempts to repair the Australia-Indonesia relationship following Australia's granting asylum to 43 West Papuans last year, with language clearly targeted at undermining pro-independence activists (see *Tapol Bulletin* 185/Jan 2007 for more details).

Both this and the other agreements have been surrounded by controversy over a lack of openness, which does not bode well

for future transparency surrounding the nuclear programme. Few details of the December agreement with South Korea were made public and a public consultation period on the Lombok Agreement promised by Downer, never materialised.

NGOs call on GoI to halt nuclear programme

The agreement with Australia sparked an angry response from NGOs concerned about the safety, transparency and scope for corruption in the proposed nuclear programme.

Greenpeace, WALHI (Friends of the Earth Indonesia) and MANUSIA (Indonesians Against Nuclear) are calling on the Indonesian government to stop its nuclear power programme. They argue that it will drag Indonesia into another form of dependence on external energy sources and make energy security even more difficult to attain.

"The reality of nuclear power is no different now than it was in the 20th century - it is inherently dangerous. Time and time again the industry has demonstrated that safety and nuclear power is a contradiction in terms," said WALHI campaigner Torry Kuswardono.

A joint press release pointed to the damage to human health and the environment caused by a string of nuclear accidents before and after the catastrophic accident at Chernobyl, Ukraine, in 1986. It highlighted the fact that radioactive materials are discharged into the environment even under normal operating conditions, and indicated the problems of ageing reactors around the world, operated by companies bent on cost-cutting so they can compete with others in the electricity market and reward shareholders.

"There are so many problems associated with nuclear power plants", said Nur Hidayati of Greenpeace Southeast Asia, "foremost among them is radioactive waste disposal. And when a nuclear plant is placed in an area with volatile geological structure like Indonesia, it will pose a danger to the public."

The NGOs also criticised the government's lack of transparency in decision-making on nuclear power. "It contradicts the ongoing democratisation process in Indonesia," said Dian Abraham of MANUSIA. He accused Australia of double standards: while supporting democracy in Indonesia, it was turning a blind eye to the undemocratic decision-making process and

was only concerned about promoting its uranium business.

The NGOs called on Indonesia to take a leading role in developing the country's abundant renewable energy sources instead of nuclear power.

An idea revived

A programme to develop nuclear power in Indonesia has been on the cards before. It was pushed in the final decade of the Suharto period, when then technology minister BJ Habibie announced that Indonesia would build 7-12 nuclear power plants, with the first becoming operational by 2003. There was public opposition at the time from NGOs, parliamentarians and even from some ministers in the Suharto cabinet. Nevertheless, legislation was passed which was widely seen as evidence of government determination to go ahead.

But the ambitious programme,

Uranium mining

If Indonesia goes ahead with its nuclear plans, it will add to the booming global demand for uranium - and also to the devastating impacts that producing it brings. Many uranium mines and exploration projects are located on lands owned by indigenous peoples, who bear the brunt of the environmental and health impacts. These include the contamination of ground water with dissolved metals and radioactive materials, radioactive dust and radioactive gas contaminating the air. When uranium ore is processed, 85% of the radioactivity is left behind in the tailings, requiring safe management for hundreds of thousands of years.

Australia holds an estimated 40% of the world's uranium reserves, although it has no nuclear industry of its own - a situation now under review. There are three operating uranium mines, Beverley (South Australia), Ranger (Northern Territory) and Olympic Dam (South Australia).

Indigenous representatives from Australia, Brazil, Canada, China, Germany, India, Japan, the United States and Vanuatu attending an Indigenous World Uranium Summit late last year, voiced their opposition to uranium mining, as well as processing, enrichment, fuel use, weapons testing and deployment, and nuclear waste dumping on indigenous lands. The Summit's declaration called attention to "intensifying nuclear threats to Mother Earth and all life," and asserted that nuclear power - the primary use for uranium - is not a solution to global warming.

(Source: Planet Ark 8/Sep/05; Mining Watch Canada for info on uranium and the indigenous summit:

<http://www.miningwatch.ca/>. See also WISE at <http://www.wise-uranium.org/> and Mines and Communities at www.minesandcommunities.org for many more resources on uranium.)

along with other large infrastructure projects, was brought to a halt by the economic crisis which struck in 1997 and hastened the end of Suharto's rule. Habibie, who initially succeeded him as President in the politically turbulent period following Suharto's resignation in 1998, had too many other things on his plate (such as the vote on the status of East Timor) to attend to his pet project.

Since then, there have been intermittent signs that the programme was being revived. These included reports of cooperation with South Korea for plans to jointly build a nuclear plant on Madura, off East Java. (see also DTE 60:15 & 33:13)

In February 2004, a senior BATAN official said a US\$12 billion, 6,000 MW nuclear power plant would be built at Muria and would be completed in 2016. Soetrisnanto named a Korean nuclear company (Korea Hydro & Nuclear Power Company) as one of the private parties involved in the project (see DTE 60:15). The same year, Indonesia and the International Atomic Energy Agency (IAEA) completed a technical cooperation project to assess nuclear power options in Indonesia.

In May 2005, then research and technology minister Kusmayanto Kadiman announced that Indonesia would develop nuclear power by 2017, identifying Muria, Madura, and, failing those, Kalimantan as potential sites for power stations (DTE 66:16).

In January 2006, a presidential decree on the national energy policy provided for a future nuclear share in Indonesia's energy mix. The Department of Energy and Mineral Resources plans nuclear will contribute around 2% of the national primary energy mix by 2025. According to Women in Nuclear's Indonesia section - a pro-industry group which is hosting the international organisation's meeting this year, the government is expected formally to set up a team of nuclear experts, with its first task to establish a legal entity for the ownership of the nuclear plant.

BATAN's head, Soedyartomo Soentono, said in January this year that construction of the first nuclear plant would begin in 2010. In an attempt to allay fears about earthquakes, he said even though the Muria peninsula lies near the Lasem fault, the three potential sites selected for the plant were considered safe and that power plants were designed to cope with large quakes.

The Muria area lies on the north coast of Central Java, north-east of the major city/port Semarang. Most of the peninsula consists of Mount Muria, a 1,625m volcano believed to be currently inactive. However, the Lasem fault, which runs NE-SW through that part of the north Java coast, is seismologically active, with an earthquake potential to a depth of 100km, according to experts from the Bandung Institute of Technology (ITB). The north-eastern coast around Mt Muria is among the poorest parts of Java.

Floating Russian nuclear plant

While the Jakarta government's efforts focus on the Muria sites in East Java, the regional government in Gorontalo, northern Sulawesi, is hoping the province will become the first nuclear region in the country. Local governor, Fadel Muhammad, announced in October last year that a nuclear power station, planned for Gorontalo, would start operations by the end of 2007 and would have a generating capacity of 90 MW. It would also sell electricity to the state-owned electricity company PLN at a price one third lower than that of conventional electricity.

The generator, to be built by Russian company Raoues, will be built on a ship moored off Gorontalo's shore and will be transmitted to PLN Suluttengo.

The plant is one of the investments prompting the local government to establish three infantry headquarters in the region. A member of Gorontalo's local assembly, Amir Piola Isa, said the assembly had approved the plan, and that "all the people of Gorontalo, as well as the security officers, are ready to safeguard all important installations, including...the floating nuclear power plant belonging to the Russian company."

The use of the Indonesian armed forces (TNI) to guard large foreign investment projects like Freeport-Rio Tinto mine in West Papua and the ExxonMobil gas operations in Aceh has been associated with human rights abuses as well as financial scandals, so bringing more troops to the province of Gorontalo is unlikely to be welcomed by all. A 2004 decree transferred responsibility for securing such 'vital national assets' to the police, but the practice of using the military continues nevertheless. The announcement by Gorontalo is a reminder that the development of a nuclear power programme in Muria and elsewhere will also mean additional security measures, very likely involving TNI troops - which itself must be a further strong argument against its development.

(Sources: *Jakarta Post* 7/Dec/06, 7/Feb/07; http://www.usembassyjakarta.org/econ/ESTH_highlight_dec06.html; *Sydney Morning Herald* 8/Nov/06; IAEA Staff Report 18/Dec/06 at <http://www.iaea.org/WALHI> 15/Nov/06&10/Jan/07; Greenpeace, WALHI, MANUSIA joint press release 10/Nov/06 <http://www.pelangi.or.id/othernews.php?nid=2357>; <http://www.win-global.org/win-2007.htm>; Dept Teknik Sipil ITB 2005 <http://digilib.si.itb.ac.id/go.php?id=jbptitbsi-gdl-s2-2005-okkyahmadp-121>; <http://www.volcano.si.edu/world/volcano.cfm?vnum=0603-251>; *Jakarta Post* 16/Oct/06; Human Rights Watch, *Too High a Price*; *The Human Rights Cost of the Indonesian Military's Economic Activities*, June 2006 at <http://hrw.org/reports/2006/indonesia0606/5.htm>)♦

land

Agrarian Reform: is it really pro-poor?

More than 5 years since the MPR Decree IX/2001 was passed (see *DTE* 52:3), it seems that agrarian reform is eventually going to see the light of the day. In his postponed New Year State Address at the end of January, President Yudhoyono announced that the long overdue Agrarian Reform Program or PPAN, will take place in 2007, adhering to principle 'Land for justice and welfare of the people'. He went on to say that the government had also been providing a free land titling service, which had covered 410,361 parcels of land in 2005, 591,000 parcels in 2006 and will target 1,113,130 parcels in 2007.

The announcement did not come as a surprise for many, as the issue has been in the public domain since a meeting in September 2006 between the President, the forestry and agriculture ministers and the head of the National Land Agency (BPN). Agrarian reform was also one of Yudhoyono's 2004 election campaign pledges. Under the headings of minimising unemployment, poverty reduction and optimising the use of degraded land, land redistribution was to be part of the program to revitalise the agriculture, fishery and forestry sectors. The President himself is in charge, coordinating the whole program.

BPN's latest draft of the PPAN reveals that the main target of the planned reform is 8.15 million hectares of former productive forest, with no exact locations named yet. In some mass media, officials have talked about areas in Sumatra, Kalimantan, Sulawesi and Papua as the designated places, however. Next in line as reform targets are lands affected by conflict, lands with expired and/or abandoned HGU (Cultivation Rights Title), 'emerging' land (*tanah timbul*)¹, village land (*tanah bengkok*) which has been reclassified as state land, spare HGU land and land that was previously targeted for reform, but then taken over by state-owned forestry company Perhutani or other agencies. The subjects of the reform program, as set out in the draft, are the victims of agrarian conflicts under previous administrations, poor and landless peasants, and the jobless poor who are in need of agricultural land.

Despite this apparent pro-poor emphasis, the reaction of civil society to the reform plans has been mixed. It would be no surprise if the people gaining from the reform saw the prospect of receiving 'land for free' as a gift from above. Also, after more than 40 years fighting for it, proponents of agrarian reform will finally see the program carried out, with the Basic Agrarian Law (UJUPA 1960, BAL) as operational guidance. The BAL itself, after much to-ing and fro-ing, is to remain in its original form, without any amendment. For

the majority of peasants organisations in Indonesia, this is positive, since the BAL is held up as *the* pro-peasants law.

However, for many, listening to the ministries explaining how the land redistribution program has been put under the same roof as expansion of oil palm and sugarcane plantations, gives a strong sense of déjà vu. Will we see a recycled form of transmigration, with nucleus estate/smallholder schemes here?

Sceptics fear that without a clear agenda to strengthen rural economies, the program may only serve as political vehicle to buy rural votes in the 2009 election. Through redistribution, state lands (the target of the reforms) will then be 'unlocked' to become individual property and then left to market forces. It is not unlikely that instead of 'land for the welfare of the people' - to quote the president - what may actually result is wider 'poverty distribution' instead.

The targeting of so-called 'state land' also has serious implications for indigenous peoples, whose customary ownership rights (both over land and its resources) are not adequately recognized under Indonesian law.

By definition, agrarian reform is more complex than land redistribution and land certification, because it also involves the development of rural infrastructure and economy, and market security for agricultural produce. Badly thought-out land redistribution may lead to the peasants being thrown off from their lands again and ending up working as laborers in urban areas. In their call to the president for genuine pro-poor reform, the NGO-based Study Group on Agrarian Reform (KSPA) emphasises that: a) agrarian conflicts - both the legacy from previous years and existing cases - should be dealt with and addressed; b) reform should not be used as a pretext to convert so-called 'idle' state lands into big plantation estates²; c) re-concentration' and/or monopoly of land ownership should be prevented; d) agrarian reform should not be a means to provide cheap labour, and e) any new form of transmigration should be avoided.

At the time of writing, the legal document of the program, which will run from 2007 to 2012 had been drafted, but not finalized. Sources of funding for the program were not yet clear.

Land conflicts continue

In a country where laws are often overridden by cash or brute force, and the poor and the weak are left to manage on their own, sceptics raise doubts over the power of the BPN to execute agrarian reform. Land conflicts have

become a persistent feature of modern Indonesia and seem to be here to stay.

A recent example of the continuing conflicts is the Rumpin³ incident of January 21-22, when a clash occurred between local peasants and national Airforce AURI troops, causing several casualties on the peasants' side. The incident is a culmination of serial harassment against local people by the troops, following a claim over the land by the Air force for use as a military training ground. The peasants claim they were merely exercising their rights to cultivate the land they have been working for generations. Similar cases across Indonesia involving the military and local people, documented by the human rights NGO Kontras in 2005-2006, show how military repression rather than legal solutions still prevails in cases of land conflict.

Jakarta under water

Although accustomed to monsoonal deluges, the huge floods in early February caught many Jakartans off guard. The World Health Organisation (WHO) described the floods as the worst in the last three centuries. The floods claimed 69 lives, caused around USD 500,000 in financial losses, and made thousands of people homeless, some of whom have been suffering from flood-borne diseases. These floods were also unprecedented in their reach, as they inundated dwellings along the riverbanks, right up to the presidential palace and the elite housing estates.

The failure to prevent the floods, despite an early warning by the meteorological agency, has prompted a deluge of protest against the city authorities. FAKTA (Jakarta Community Forum, and NGO grouping) filed a complaint to the human rights body, KOMNAS HAM, against the Municipality of Jakarta for negligence, both in town planning and in their response to the flooding. The letter underlined the huge reduction in green areas from 18,000 ha in the 1965-1985 Jakarta Master Plan to just 9.56 ha in the 2002-2010 Master Plan, which has led to Jakarta being excessively built up.

While the soil is still wet, plans to improve flood prevention in Jakarta and surrounding areas have been back on the agenda. Several ideas have been floated. These include the resettlement of riverbank-dwellers to other areas, under the transmigration programme - a proposal which was promptly rejected by the people concerned - and moving the capital to another city and starting anew, rather than fixing the messy problems of Jakarta.

A similar question arises as in a conflict situation: what would be the options
(continued on page 7)

East Java mudflow disaster

Sidoardjo mud keeps flowing

The arrival of heavy monsoon rains in Java has made life even more miserable for the thousands of people affected by the East Java mudflow disaster (see DTE 71, November 2006). The Sidoardjo mudflow, referred to in Indonesian as 'Lumpur Sidoardjo', or simply 'Lusi', which first erupted in May 2006, continues unabated. It has displaced thousands of people, yet, despite overwhelming evidence of criminal negligence, the government has not taken legal action over the disaster. This inaction has prompted the Indonesian Forum for Environment (WALHI) and the Indonesian Legal Aid Institute (YLBHI) to lodge public interest lawsuits relating to disaster.

The first lawsuit was lodged in the Jakarta Central Court by YLBHI in mid-December 2006, in the name of several Indonesian NGOs concerned with human rights and public welfare, including Kontras and HuMA. The YLBHI case is primarily based on alleged violations of rights set out in the 1976 International Covenant on Economic, Social and Cultural Rights which Indonesia finally ratified on 23 February 2006.

The second lawsuit was lodged by WALHI in the South Jakarta district court on 12 February, 2007. Twelve defendants are listed in the suit, including Lapindo Brantas, a company controlled by the wealthy Bakrie family, which owns 50% of the Brantas gas block where the drilling accident occurred. The other companies include Energi International which holds 32% and Australia-based Santos which holds the remaining 18% of the Brantas gas block. Besides the six companies linked to the drilling accident, the suit lists six levels of government, from the government departments responsible for supervising the oil and gas extractive industries - the ministers for environment and minerals and energy - right up to President Yudhoyono.

WALHI's legal standing to bring the case, despite not being a party which has suffered a direct loss, is based on clause 38 of Indonesia's 1997 Environment Law. This provides that properly constituted organisations whose primary focus is environmental protection are entitled to bring lawsuits as a means to that end.

WALHI's case is that due to the actions of the plaintiffs, in permitting, overseeing and conducting the drilling at Sidoardjo, local ecosystems have been destroyed, both those smothered under the mudflow and those affected by runoff, such as local watercourses; more than 8,200 people have been evacuated from the area; 25 ha of sugar cane plantations and 172 ha of rice fields have been destroyed; more than 1,500 homes have been destroyed; various key infrastructure have been disrupted or destroyed; thousands of farm animals have been killed; and local economic activities have been paralyzed in the area. The suit alleges



Dyke built in attempt to contain the mud. (DTE)

that this damage is likely to continue and expand in future.

The case calls for the companies involved to allocate sufficient funds, equipment and technology to stop the mudflow. It also demands the setting up of a 'national team to repair the damage caused by the Lapindo Brantas hot mud flow', which would have an impact assessment and public reporting role, and would have the capacity to require testimony and documentation in its investigations.

In the case, WALHI requests that the court make an official judgment that the defendants were in breach of the law, and requiring them to conduct environmental rehabilitation to return the affected lands to their original uses, at the cost of the companies involved.

WALHI also calls for the court to require the government to review the companies' Brantas block licenses, and to review the Oil and Gas law (2001) to better ensure environmental protection in the operation of the industry.

The WALHI lawsuit is partly based on the principle of strict liability, which has its roots in English common law of torts. The principle has a legal precedent in Indonesian law as it was cited by an Indonesian judge in a case regarding responsibility for forest fires in Kalimantan. In the WALHI case, it is argued that the parties involved in drilling for gas at

Sidoardjo were engaged in an inherently dangerous activity and that the principle of strict liability should be applied, meaning that they are responsible for any resulting damage regardless of their intentions or negligence within the framework of Indonesia's environment law.

WALHI is still awaiting its first day in court, but expects the court to schedule a date in early March.

Indonesia's Coordinating Minister for People's Welfare Aburizal Bakrie has tried to deflect criticism away from himself and his family regarding the disaster. Firstly, his ministerial portfolio means he should have overseen effective government efforts to assist the affected communities and prevent further losses - but government efforts so far have been entirely ineffective and widely criticised. Secondly, as the largest shareholders in the drilling enterprise, Bakrie's family is responsible for negligence which led to the accident and the management of the problem after it began.

Instead of accepting his dual responsibilities, however, during a luncheon briefing of the Jakarta Foreign Correspondents Club on Jan 17th, Bakrie claimed that the mudflow was due to an earthquake which occurred in Yogyakarta several days before the accident, not to his family company's drilling. It was left to President Yudhoyono to make assurances that the government would require the company to pay compensation.

Bakrie's desperate diversion of blame has been rejected by a team of researchers led by Richard Davies of the University of Durham in the UK. This team published a study in the February issue of the peer-reviewed scientific journal Geological Society of America (GSA) Today, which lays the blame for the mudflow at the feet of the gas drilling companies. The report says it appears that the failure of the drilling team to comply with industry standard safety procedures by using a steel casing to protect the well at the high pressures and depths they were working at - 2,830 meters - caused the accident. This finding confirms comments by

(continued one page 7)

In brief...

CGI creditor group disbanded

Indonesia's creditor group, the Consultative Group on Indonesia, has been disbanded after President Susilo Bambang Yudhoyono said it was no longer needed. The January announcement was officially welcomed by the World Bank, former CGI chair and one of Indonesia's three main creditors alongside the Asian Development Bank and Japan. Indonesia's Finance Minister Sri Mulyani said Jakarta now preferred bilateral lending agreements, which could be made without political costs and without going through "a long, meaningless ceremony". She said that foreign loans would still be needed but that budget deficits would be covered by a range of measures, including issuing state bonds and privatisation of state assets.

A consortium of creditors and donor countries to Indonesia, the CGI was established in 1992 to replace a similar consortium, the Inter-Governmental Group on Indonesia (IGGI). The CGI was a grouping of around 30 bilateral and multilateral creditors, including the World Bank, Asian Development Bank, IMF and the governments of industrial states such as Japan, the USA, UK, which met to evaluate Indonesia's performance and set conditions for economic management, as well as agree loan commitments. (See DTE's *IFI factsheets* No 19 and 32 for more background).

Last year, Indonesia secured CGI commitments worth US\$5.4 billion in loans and grants. In September, the country's total external debt stood at USD 128 billion (of which 77 billion is owed by the government) - a figure which has been declining slowly from the economic crisis level of USD 151 billion in 1998. Indonesia's debt-to-Gross domestic product (GDP) ratio remained high last year - at an estimated 42 percent last year, although it is predicted to fall this year.

However, tens of millions of Indonesian remain in poverty, while a politically well-connected elite continues to control the bulk of the country's capital. Anti-debt campaigners are calling for Indonesia's

illegitimate or 'odious' debt to be cancelled. The International NGO Forum on Indonesian Development (INFID) recently criticised Indonesia's full repayment of its debt to the International Monetary Fund, whose economic prescriptions during the financial crisis, contributed to the huge debt problems. (*Jakarta Post* 30/Jan/07, www.kau.or.id; www.infid.be; Bank of Indonesia statistics at www.bi.go.id; *Antara* 15/Jun/07; 25/Jan/07; World Bank statement, 28/Jan/07).♦

World Bank fails the poor

A report by the Bank's Independent Evaluation Group in December noted that, despite increased spending on poverty programmes, poverty increased between 2005 and 2006. In Indonesia, cash compensation has been handed out to offset higher fuel prices. But rice prices also increased by over 30 percent by early 2006. Poor families spend about a quarter of their income on rice, so poverty rose.

Meanwhile, a study by the United Nations University showed that the richest 2 per cent of people in the world own more than half of all household wealth, while the poorer half of the global population control just 1 per cent. The researchers defined wealth as the value of physical and financial assets less debts. Using data for the year 2000, the study calculated that global household wealth amounted to \$125 trillion that year, or roughly \$20,500 per person. But the average wealth was much higher in Japan (\$181,000) and the United States (\$144,000) than it was in India (\$1,100) or Indonesia (\$1,400), and that differences in wealth were greater than differences in annual income. (<http://www.bicusa.org/en/Article.3041.aspx> <http://www.unu.edu/media/archives/2006/files/mre44-06.pdf>)♦

Plans for 3 more pulp & paper plants

PT Garuda Kalimantan Lestari intends to set up a 1.2 million tonne capacity pulp plant with a chemical plant producing chlorine and caustic soda in Ketapang, West Kalimantan. PT Kaltim Prima Pulp & Paper wants to set up a similar sized pulp factory, costing Rp15.8

trillion (US\$1.5 bn), probably in East Kalimantan. Meanwhile PT Tjiawi Kimia plans to invest Rp2.59 trillion (US\$25 million) in building a tissue paper factory in Serang, Banten.

The three companies are planning to invest Rp34.2 trillion (US\$3bn) according to Indonesian Investment Board data for 2006. In addition, Surabaya-based tissue company PT Suparma is investing Rp65 bn in expanding its 15,000 tonne production capacity. A possible 300,000 tonne kraft paper plant in Tanjung Jabung Barat, Jambi is also mentioned. The Department of Industry is reported to have set a 6.8% increase as the target for the paper and printing industry this year.

These proposals fly in the face of a 2005 CIFOR report which recommends that no more forest should be converted to pulpwood plantations (HTI). An analysis of data from five large-scale pulpwood plantations in Sumatra shows that the economic costs are far higher than the economic benefits to the government - by a factor of thirty! On this basis, the conversion of 1.4 million ha of forest in Jambi, Riau and North Sumatra to pulpwood plantations will cost Indonesia US\$3bn in total.

(*Bisnis Indonesia* 15/Jan/07; www.cifor.cgiar.org/publications/pdf_files/WPapers/WP30Maturana.pdf)♦

BP's Tangguh LNG project

The giant liquid natural gas (LNG) project being developed by BP in Bintuni Bay, West Papua, is moving towards commercial production. A recent development is the approval of the financing of two Russian tankers to a total of US\$400 million by Tangguh's international creditors. The tankers will be under contract to ship LNG to Asia and the United States, when the project comes on stream in 2008. The combination of Russian tankers to be built in a South Korean shipyard, plus financing by Japanese, Australian and French banks (amongst others) to ship gas from a British-based multinational company to China and the United States, highlights the international nature of this controversial mega-project to exploit Papua's resources. (*Reuter*, 4/Oct/06)♦

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