



will **Asia Pulp & Paper** sacrifice economies of scale to ensure success of its Forest Conservation Policy in new concessions?

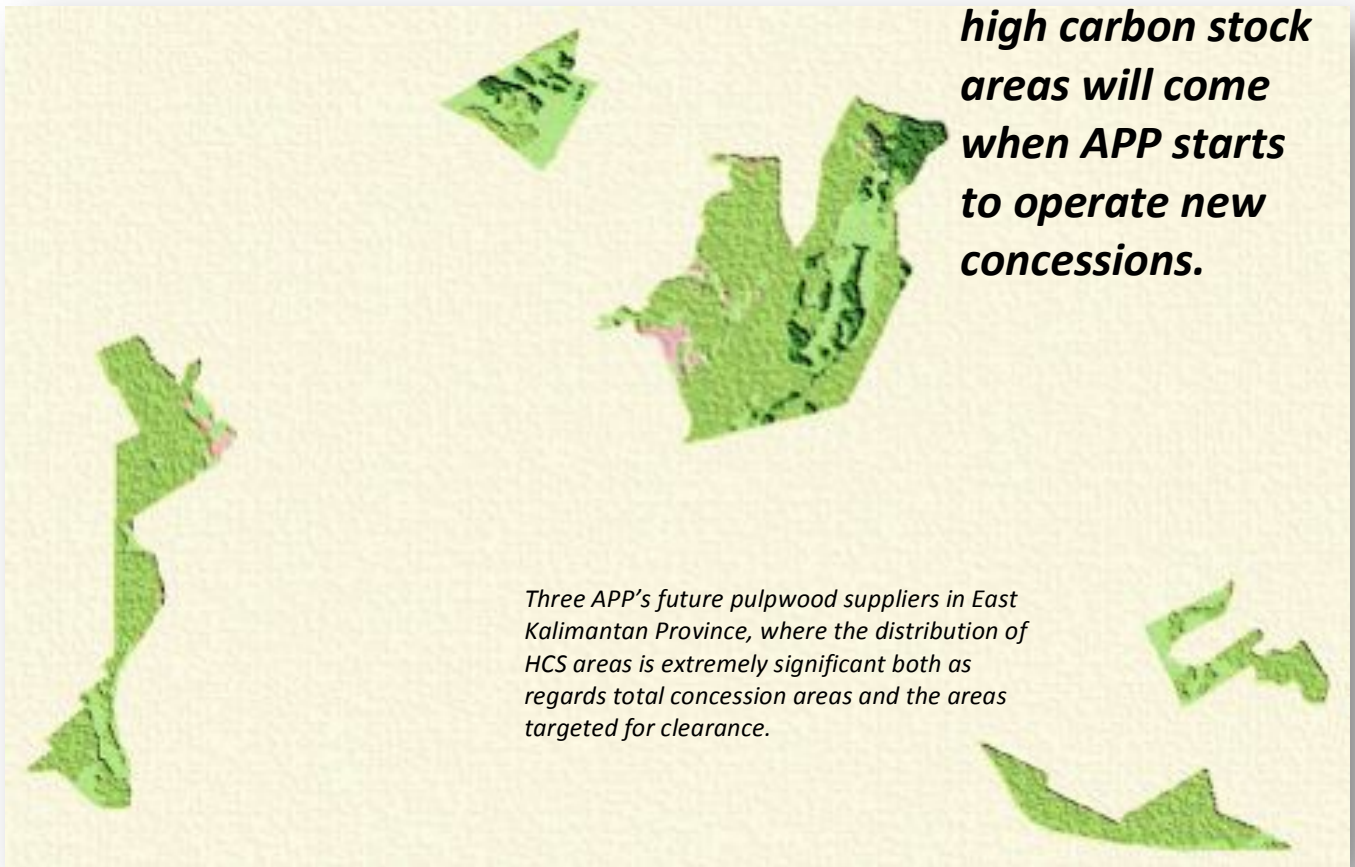
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UP TO

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% of high carbon stock areas targeted for clearing

This report clearly shows that the real battle for the implementation of APP's Forest Conservation Policy as part of the effort to save high carbon stock areas will come when APP starts to operate new concessions.



Three APP's future pulpwood suppliers in East Kalimantan Province, where the distribution of HCS areas is extremely significant both as regards total concession areas and the areas targeted for clearance.

Why is this report important to assessing the commitment and successful implementation of APP's

Violations of the APP's Forest Conservation Policy (FCP) - as exposed by Eyes on the Forest (EoF) in the pulpwood concession of PT Riau Indo Agropalma (RIA), which has its office at APP Headquarters - occurred in blocks allocated to local livelihood plantations. Why? Because all of the forest in the areas allocated for pulpwood plantation development had been completely cleared before the FCP had been announced.

The same applied in the case of the violations exposed by the APP FCP Implementation Team at the pulpwood concession owned by PT Bina Duta Laksana (BDL), which also has its office at APP Headquarters and is a subsidiary of Sinar Mas Group (APP/Sinarmas Forestry). These violations occurred in areas that were allocated for use as local livelihood plantations. Why? Once again, because the forested areas allocated for pulpwood plantation development had been completely cleared before the declaration of the FCP.

Both above companies operate in Riau Province.

Not only that, the APP FCP Implementation Team also uncovered violations committed by three pulpwood suppliers owned by the Sinar Mas Group (APP/Sinarmas Forestry). These violations all give rise to the question as to the extent to which FCP is capable of maintaining forested areas that constitute areas of high carbon stock given that the three companies have not been supplying mixed tropical hardwood (MTH) to APP mills since at least 2008, or within the past six years.

The three APP companies operate in South Sumatra Province.

It is of the utmost importance that APP's commitment and success in implementing the FCP should be measured by the extent to which forested areas, including forested peatlands, that have been targeted for clearance can be saved on account of the areas in question being high carbon stock areas.

In APP's old concessions, covering 2.6 million hectares, almost all of the forest has been cleared. The small areas that remain are too insignificant to be touted to the public. To do so would do nothing for APP's reputation. Other small fragments of forest are still to be found in areas where problems have arisen from overlapping licenses, conflict with third parties, or lack of accessibility.

Consequently, Greenomics Indonesia has prepared this report to assess the level of commitment and success of APP in implementing its FCP in its new concessions, which will serve as APP's future pulpwood suppliers.

It is for this reason that this report should serve as an important reference for buyers who re-engaging with APP, as well as other relevant stakeholders.

Background

The Greenpeace report titled “APP’s Forest Conservation Policy” (Progress Review October 2013), stated that “Greenpeace welcomes APP’s decision to develop a procedure to address how the FCP is applied to ‘future pulpwood suppliers’ - this is required to ensure that APP is not associated, directly or indirectly, with companies engaged in deforestation or in breach of its FCP.”

From this Greenpeace statement, there are a number of things that need to be underlined.

First, there has been an APP decision designed “to develop a procedure to address how the FCP is applied to ‘future pulpwood suppliers’.”

Second, the APP decision has a goal that requires further observation, namely, it must be designed in such a way that there is no relationship of ownership between APP and APP’s future pulpwood suppliers.

And lastly, the APP decision is designed to ensure that APP is not associated, directly or indirectly, with companies engaged in deforestation or in breach of its FCP.

Greenomics Indonesia is certainly very interested in conducting a comprehensive study on APP’s decision. This is the first report published specifically to respond to issues related to APP’s future expansion. This first report contains legal and spatial analyzes on the extent to which APP can ensure that its future pulpwood suppliers can avoid implicating APP in deforestation, whether directly or indirectly.

We only focus on four of APP’s future pulpwood suppliers as case studies. It should be noted that APP – through Sinarmas Forestry – has been expanding significantly in Kalimantan (the Indonesian half of the island of Borneo). Of the four APP’s future pulpwood suppliers that were used as case studies in this report, three of them operate in East Kalimantan Province, and one in West Kalimantan.

This report identifies the percentage of the total area of each of the APP’s future pulpwood suppliers which must not be cleared or should be protected during APP’s expansion of its pulpwood plantation suppliers, having regard to a provisional HCS (High Carbon Stock) threshold of more than 35 ton/ha (above ground carbon stocks) that represent “No Go Areas”- based on the reports issued by APP’s FCP Implementation Team.

This Greenomics Indonesia report may ultimately be used as a reference in the attempt to more closely observe the extent of compliance by APP’s future pulpwood suppliers in protecting HCS areas on the ground later on.

Methodology

Greenomics Indonesia has used legal documents produced by the four APP's future pulpwood supplier units that serve as case studies in the report.

The legal documents are the primary basis for formulating the legal and spatial analyses, especially in identifying the percentage of the nearly 100,000 hectares controlled by APP's future pulpwood suppliers that must be protected. The report also develops an "Indicative Zero Deforestation Map" for the four future APP pulpwood suppliers.

The legal documents of the four APP's future pulpwood suppliers provide the spatial and legal data required for this report, particularly in developing the "Indicative Zero Deforestation Map" with a high degree of accuracy and adherence to the legal facts.

To identify landcover changes on the concessions of the four APP's future pulpwood suppliers, this report uses USGS Landsat and Google Earth images. Greenomics Indonesia also uses data from Wetlands International Indonesia Programme (WI-IP) to show the distribution of peat depth in one of the APP's future pulpwood suppliers.

This report discusses the extent to which a HCS Patch Analysis is required in respect of the four APP's future pulpwood suppliers, considering that the four concessions are new and dominated by HCS areas.

Greenomics Indonesia anticipates the use of a HCS Patch Analysis as a technical justification to reduce the area of HCS that should be categorized as "No Go Areas" and convert them into "Go Areas" instead.

High carbon stock areas are very dominant in the concessions of APP's future pulpwood suppliers located in East Kalimantan Province

The real battle for the implementation of APP's FCP as part of the effort to save HCS areas will come when APP starts to operate new concessions.

The highly dominant distribution of HCS areas in APP's future pulpwood suppliers is something that will be scrutinized by many parties, namely, how APP will treat the HCS areas that cover such a great proportion of the new concessions.

The land-clearing targets set out in their operational plans show clearly that HCS areas greatly dominate the areas earmarked for land-clearing. If APP is committed to saving the HCS areas in its new concessions, there is no other choice but to totally revise the operational plans of its future pulpwood suppliers.

The consistency of compliance on the part of APP's future pulpwood suppliers will reflect the extent to which APP itself is not associated, directly or indirectly, with future pulpwood suppliers engaging in deforestation or in breach of its FCP.

**Why is this the case?
Because the four APP's future pulpwood suppliers used as case studies in this report are subsidiaries of Sinar Mas Group (APP/Sinarmas Forestry).**

We will now discuss the situation in the three future APP pulpwood suppliers in East Kalimantan Province, where the distribution of HCS areas is extremely significant both as regards total concession areas and the areas targeted for clearance.

PT ACACIA ANDALAN UTAMA (AAU)

AAU is one of APP's future pulpwood suppliers. AAU obtained a license in November 2010 for a concession area of 21,965 hectare concession area located in the Province of East Kalimantan. Based on legal documents submitted by AAU to, and approved by, the Ministry of Forestry, AAU is a subsidiary of the Sinar Mas Group (APP/Sinarmas Forestry).

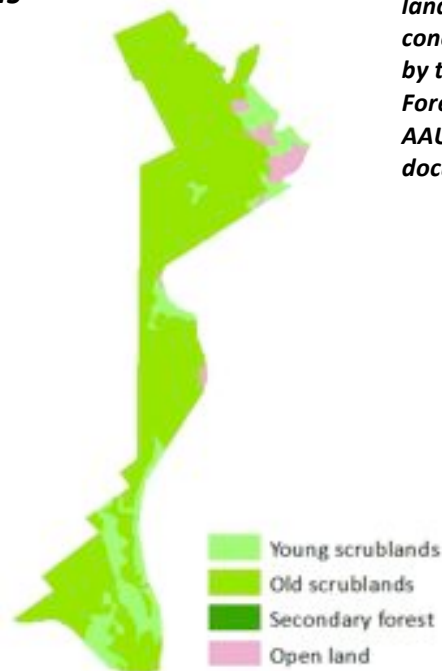
The AAU concession is the second concession to be granted on behalf of AAU, with the first concession, also located in East Kalimantan, being obtained in March 2007 for an area of 39,620 hectares (the first concession is already in operation, while the second concession has not yet commenced operations).

APP categorizes AAU as an independent supplier, which of course is not in accordance with the legal documents formally submitted to and approved by the Ministry of Forestry.



Identification of HCS Areas

Based on the legal, micro delineation document prepared by AAU (September 2012), the landcover in the AAU concession is dominated by old scrublands extending to some 14,042 hectares (63.93%). This is followed by an area of 6,366 hectares of young scrublands (28.98%). There is also secondary forest extending to 960 hectares (4.37%), with the remaining 597 hectares (2.72%) being open land.



This map shows the landcover in the AAU concession, as approved by the Ministry of Forestry as stated in the AAU micro-delineation document.

If we adhere to the HCS threshold, then the landcover in the form of secondary forest and old scrublands extending to 15,002 hectares, or 68.30% of the AAU concession area, should be protected as “No Go Areas” as they contain above-ground carbon stocks of more than 35 ton/ha.

This means that only about 31.70% of the AAU concession area can be used for plantation development.



This map shows the HCS areas that should be protected by AAU as a future pulpwood supplier to APP.



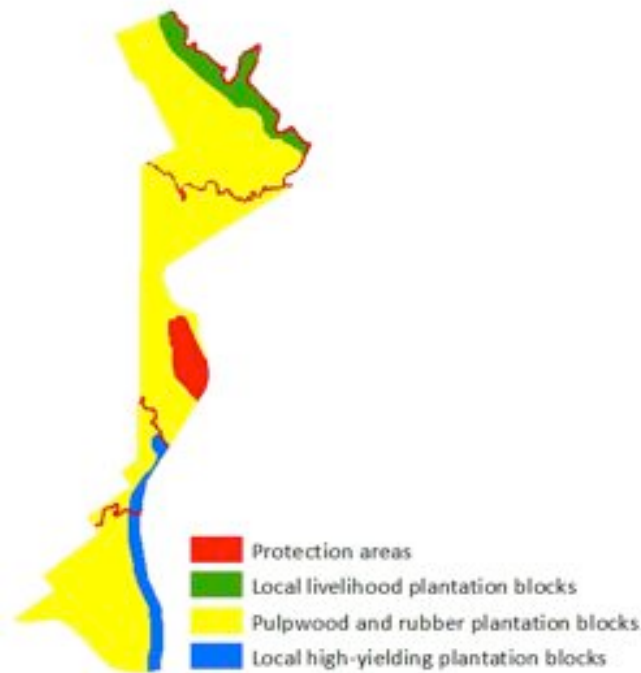
Protection of HCS areas based on AAU's operational plan

Based on AAU operational plan for 2012 - 2021 (October 2012), of the 21,965 hectares of this new AAU concession, an area of 18,391 hectares, or 83.73% of the total area of the concession, is targeted for clearing. Of the said 18,391 hectares, 12,997 hectares, or 70.67%, consists of areas with secondary forest and old scrubland landcover. Based on the HCS threshold, these are HCS areas and should be protected.

This map shows the AAU operational plan.



As regards the areas to be retained as protection areas and thus excluded from land-clearing target mentioned above, these cover 2,721 hectares, or 12.39% of the total area of the concession. Of this 2,721 hectares of protection areas, 49.06% consists of young scrublands and open land, which does not include HCS areas. The rest is made up of secondary forest and old scrublands. **This means that of the 15,002 hectares of HCS areas located within the AAU concession, only 1,386 hectares (9.24%) is legally protected based on the AAU operational plan.**



In addition, if AAU “must” adopt the HCS threshold, then AAU must also should avoid developing infrastructure in HCS areas. In fact, based on the AAU operational plan, the company has allocated 853 hectares for this purpose, including 619 hectares of HCS areas (secondary forest and old scrublands) that should be protected.

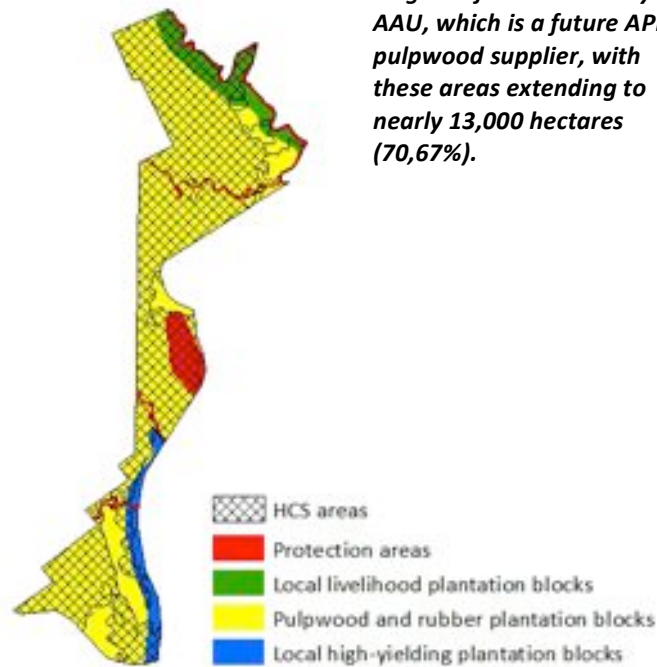
This chart shows AAU’s land-clearing targets based on its operational plan, and the HCS areas that are included in these targets.

Blocks	Land cover								Total	
	Secondary forest		Old scrublands		Young scrublands		Open land		ha	%
	ha	%	ha	%	ha	%	ha	%		
Protection areas	633	23.26	753	27.47	1,305	47.96	30	1.10	2,721	12.39
Pulpwood plantation development	46	0.31	10,930	72.54	3,688	24.48	403	2.67	15,067	68.68
Local high-yielding plantation	364	12.00	1,027	46.43	863	39.32	44	2.00	2,300	10.02
Local livelihood plantation	0	-	730	64.95	293	26.07	100	8.99	1,324	6.12
Infrastructure	17	1.89	802	70.57	215	21.21	19	2.23	853	3.88
	960	4.37	14,042	63.93	6,366	28.98	597	2.72	21,965	100.00

Areas targeted for clearing	HCS		Non HCS		Total	
	ha	%	ha	%	ha	%
Pulpwood plantation development blocks	23,976	72.85	4,091	27.15	15,067	81.93
Local high-yielding plantation blocks	1,291	58.68	909	41.32	2,200	11.96
Local livelihood plantation blocks	730	64.95	394	31.05	1,124	6.11
	12,997	70.67	5,394	29.33	18,391	100.00



This map shows that HCS areas within the yellow, blue and green areas are targeted for clearance by AAU, which is a future APP pulpwood supplier, with these areas extending to nearly 13,000 hectares (70,67%).



AAU “Zero Deforestation Map” for HCS areas

The methodology used in developing the Zero Deforestation Map vis-à-vis HCS areas in the AAU concession had regard to the targets for the clearing of HCS areas contained in the AAU operational plan for the concession.

It should be explained once again that the AAU clearance target is for 18,391 hectares, or 83.73% of the total area of the concession. From that area, if we refer to the HCS threshold, the area that should be cleared only covers an area of 5,394 hectares, amounting to 29.33% of the total targeted area to be cleared or 24.56% of the total concession area. The remaining 12,997 hectares, or 70.67% of the total area targeted to be cleared, should actually be protected as HCS areas.

Below is the AAU Zero Deforestation Map that we developed having regard to the AAU operational plan:



It may be said that more than 70% of the land area targeted for clearance turns out to be HCS.



Need for HCS patch analysis

By considering the fact that HCS areas dominate the AAU concession, a HCS patch analysis is not needed here. Unless it is used to connect young scrubland areas that are technically not capable of being developed due to various practical considerations and then incorporate them into the HCS areas.

It would be pointless if a patch analysis continued to be used in respect of the HCS areas in the AAU concession so as to expand the area that can be cleared by reducing the areas categorized as HCS areas. If patch analyses are still being carried out by APP so as to reduce the size of HCS areas and expand the area that can be cleared, then the public will continue to consider APP as being involved in the clearance of HCS areas.

PT KELAWIT WANA LESTARI (KWL)

KWL is a future pulpwood supplier of APP with a concession area of 27,690 hectares, which it acquired in June 2011. The concession is located in the Province of East Kalimantan. This new concession is also the second concession owned by Sinar Mas Group (APP/Sinarmas Forestry) in the name of KWL. Previously, KWL acquired concessions covering 22,065 hectares in June 2005, also located in East Kalimantan. The first concession is already in operation, while the second concession has not yet commenced operations.

APP classifies KWL as an independent supplier. This is clearly different from is stated by the legal documents lodged by KWL with the Ministry of Forestry, which state that the KWL concession is owned by Sinar Mas Group (APP/Sinarmas Forestry).

Identification of HCS Areas

Based on the KWL's legal document (September 2012), of the total concession area of 27,690 hectares, 21,753 hectares or 78.56% consists of HCS areas, with a composition of 17,908 hectares (82.32%) consisting of old scrublands and 3,845 hectares (17.68%) consisting of secondary forest. Having regard to the HCS threshold, then 78.56% of the KWL concession should be protected and not targeted for land-clearing.

Also referring to the HCS threshold, the areas of the KWL concession that can properly developed consists of 5,937 hectares (young scrublands), or only 21.44% of the total area of the concession.



Based on this map, nearly 80% of the KWL concession exceeds the HCS threshold as the landcover consists of old scrublands and secondary forest, which has an above ground carbon stock value of more than 35 ton/ha.





This map shows the HCS areas that should be protected based on landcover designations that have been approved by the Ministry of Forestry, as stated in the KWL's legal document. That means that almost 80% of the KWL concession must be designated as "No Go Areas".



Protection of HCS areas based on KWL's operational plan

Based on KWL's operational plan for 2012-2021 (September 2012), KWL has set a clearance target of 21,075 hectares, or 76.11% of the total area of the concession. Of the said 21,075 hectares, some 17,119 hectares or 81.23% consists of HCS areas because it is covered by secondary forest and old scrublands. Thus, only 3,956 hectares or 14.29% of the total area of the concession, or 18.77% of the total area targeted for clearance, is not categorized as being HCS areas.

Meanwhile, KWL is obliged to conserve the protection areas that have been identified in its operational plan. These cover an area of 5,565 hectares or 20.1% of the total area of the concession. Of these protection areas, the HCS areas identified as protected by the KWL operational plan extend to 3,776 hectares. **This means that of the 21,753 hectares of HCS areas located within the KWL concession, only 3,776 hectares (17.36%) is legally protected based on the KWL operational plan.**

Under KWL's operational plan, an area of 1,050 hectares is allocated for infrastructure development. If we refer to the HCS threshold, 858 hectares or 81.71% of the total area consists of HCS areas, meaning that they should be designated as "No Go Areas".

In more detail, the following chart show the area targeted for land-clearing based on the KWL operational plan, and the HCS areas that are located in the areas targeted for land-clearing.

Blocks	Land cover								Total	
	Secondary forest		Old scrublands		Young scrublands		Open land		ha	%
	ha	%	ha	%	ha	%	ha	%		
Protection areas	919	16.51	2,857	51.34	1,789	37.15	-	-	5,565	20.10
Pulpwood plantation development	2,060	13.22	11,070	71.03	2,456	15.76	-	-	15,586	56.29
Local high-yielding plantation	727	20.09	1,934	53.45	957	26.45	-	-	3,618	13.07
Local livelihood plantation	-	-	1,328	70.98	543	29.02	-	-	1,871	6.76
Infrastructure	189	13.24	719	68.48	192	18.29	-	-	1,090	3.79
	3,845	13.89	17,908	64.67	5,937	21.44	-	-	27,690	100.00

Areas targeted for clearing	HCS		Non HCS		Total	
	ha	%	ha	%	ha	%
Pulpwood plantation development blocks	13,130	84.24	2,456	15.76	15,586	73.95
Local high-yielding plantation blocks	2,661	73.55	957	26.45	3,618	17.17
Local livelihood plantation blocks	1,328	70.98	543	29.02	1,871	8.88
	17,119	81.23	3,956	18.77	21,075	100.00



This map describes the KWL operational plan.




More than 80% of the HCS areas targeted for clearance. Only 3,956 hectares, or almost 20% of the total area targeted for clearance, is not categorized as being HCS areas.

- Protection areas
- Local livelihood plantation blocks
- Pulpwood and rubber plantation blocks
- Local high-yielding plantation blocks





This map clearly shows the distribution of HCS areas among the yellow, blue and green areas that are targeted for clearance by the KWL operational plan.

-  HCS areas
-  Protection areas
-  Local livelihood plantation blocks
-  Pulpwood and rubber plantation blocks
-  Local high-yielding plantation blocks



KWL “Zero Deforestation Map” for HCS areas

Extending to 21,075 hectares, the total area targeted for clearance by KWL consists 81.23% of HCS areas. Only 3,956 hectares or 18.77% of the total area targeted to be cleared does not consist of such areas.

The methodology for developing the Zero Deforestation Map as regards the HCS areas in the KWL concession was based on the use of this data, which in turn is based on the KWL operational plan.

The Zero Deforestation Map for the HCS areas in the KWL concession is as shown below:



The HCS areas extend to 17,119 hectares, or 81.23% of the total area targeted to be cleared.



Need for HCS patch analysis

A patch analysis is not needed and is of little relevance, unless there is a desire on the part of APP to expand the area that can be cleared by reducing the extent of the HCS areas contained within the KWL concession.

It is clear that APP has no choice but to preserve the HCS areas within the KWL concession.

PT CAHAYA MITRA WIRATAMA (CMW)

CMW is another future APP's pulpwood supplier. With a concession area of 18,290 hectares and operating in East Kalimantan Province, CMW obtained its concession license in August 2011.

Based on the Ministry of Forestry's legal documents, CMW is a pulpwood supplier owned by the Sinar Mas Group (APP/Sinarmas Forestry).

Identification of HCS Areas

If we refer to the HCS threshold, of the total area of the CMW concession, up to 15,096 hectares, or 82.54%, consists of HCS areas with landcover consisting of old scrublands extending to 14,717 hectares (80.46%) and 379 hectares of secondary forest (2.07%). Meanwhile, non-HCS areas cover only 3,194 hectares (17.46%).

The landcover data was approved by the Ministry of Forestry based on the contents of CMW's micro-delineation document (September 2012).



This APP's future pulpwood supplier can only develop 17.46% of the total area of its concession, including for the purpose of pulpwood plantations.

With reference to the HCS threshold of more than 35 ton/ha of above ground carbon stocks, APP should protect 82.54% of the total area of the CMW concession as HCS areas, and incorporate them as "No Go Areas".



This map shows the distribution of HCS areas within the CMW concession.

Protection of HCS areas based on CMW’s operational plan

Based on CMW’s operational plan, it is planned that 15,287 hectares or 83.58% of the total area of the concession will be cleared. Of this, 12,818 hectares, or 83.85% of the concession area that is targeted for clearance, consists of HCS areas based on the HCS thresholds. Meanwhile, the non-HCS areas targeted to be cleared consist of only 2,469 hectares, or 13.50% of the concession area.

CMW is obliged to conserve protection areas in its concession extending to 2,269 hectares, or 12.41% of the total concession area. Of that area, 1,651 hectares consists of HCS areas, i.e., 1,272 hectares in the form of old scrublands and 379 hectares of secondary forest. **This means that of the 15,096 hectares of HCS areas located within the CMW concession, only 1,651 hectares (10.94%) is legally protected based on the CMW operational plan.**

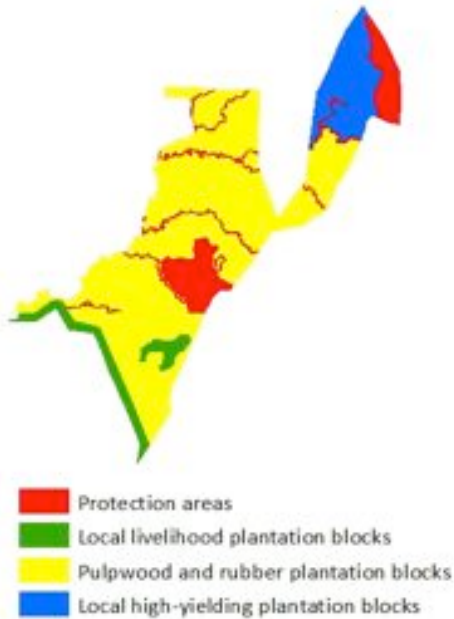
CMW also plans to utilize 734 hectares for the construction of infrastructure, 627 hectares (85.42%) of which consists of HCS areas.



This chart shows those areas of the CMW concession that are targeted for land-clearing and which incorporate significant tracts of HCS areas.

Blocks	Land cover								Total	
	Secondary forest		Old scrublands		Young scrublands		Open land		ha	%
	ha	%	ha	%	ha	%	ha	%		
Protection areas	379	16.70	1,272	56.06	490	21.64	327	5.60	2,369	12.61
Pulpwood plantation development	-	-	10,638	86.40	838	6.81	837	6.80	12,313	67.32
Local high-yielding plantation	-	-	1,747	90.19	155	7.80	39	2.01	1,941	10.59
Local livelihood plantation	-	-	433	41.76	339	32.69	265	25.55	1,037	5.67
Infrastructure	-	-	627	85.42	59	8.04	48	6.54	734	4.01
	379	2.07	14,717	80.46	1,878	10.27	1,316	7.20	18,790	100.00

Areas targeted for clearing	HCS		Non HCS		Total	
	ha	%	ha	%	ha	%
Pulpwood plantation development blocks	10,638	86.40	1,675	13.60	12,313	80.55
Local high-yielding plantation blocks	1,747	90.19	190	9.81	1,941	12.67
Local livelihood plantation blocks	433	41.76	604	58.24	1,037	6.78
	12,818	88.85	2,469	16.15	15,287	100.00

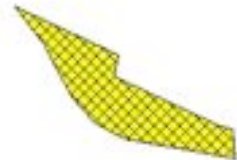
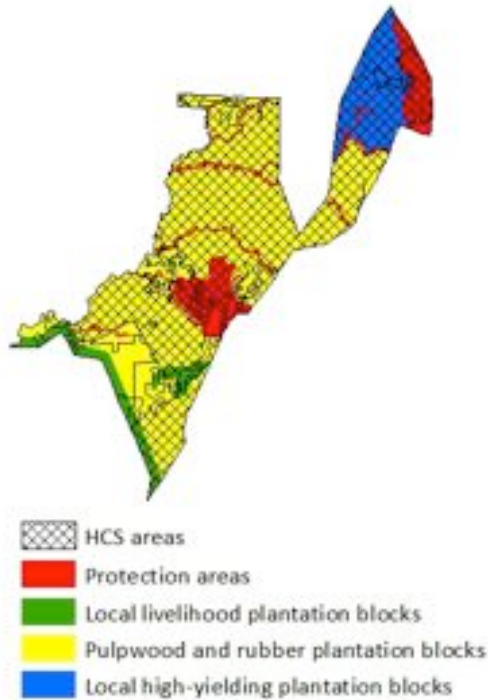


This map shows the KWL operational plan.



This map demonstrates the distribution of HCS areas within the yellow, blue and green blocks and which are targeted for clearance under KWL's operational plan.

These HCS areas extend to almost 12,818 hectares, or 83.85% of the area targeted for clearance.



CMW "Zero Deforestation Map" for HCS areas

The Zero Deforestation Map for the HCS areas within the CMW concession has been prepared based on the concession areas targeted for clearance. Referring to the operational plan, CMW has targeted 15,287 hectares for clearance, or 83.58% of the total concession area.

The extent of the HCS areas incorporated in the areas targeted to be cleared is very significant, amounting to 12,818 hectares, or 83.85% of the total area targeted to be cleared.

Below is the Zero Deforestation Map for HCS areas in the CMW concession based on the company's operational plan:



Almost 84% of the HCS areas targeted for clearing.

Need for HCS patch analysis

Based on the distribution of HCS areas, a patch analysis is not needed in the CMW concession. There is no technical reason that would be relevant for the conducting of a patch analysis given that a forced patch analysis would, in the end, only be used to reduce the size of the HCS areas located in the CMW concession, thereby most assuredly enlarging the area to be cleared, including the HCS areas contained therein.

Forested peatlands are very dominant in the concession of APP's future pulpwood suppliers in West Kalimantan Province

In its FCP, APP has stated clearly that it would protect all forested areas located within its concessions. This policy will be significantly tested with the commencement of operations by APP's future pulpwood suppliers whose entire concession areas consists of deep peatlands that are significantly still forested. In this regard, this report has selected a very representative case study on PT Bumi Mekar Hijau (BMH), which operates in the Province of West Kalimantan. BMH is an APP's future pulpwood supplier that was granted a license in May 2007. The said license covers 25,580 hectares.

BMH – as recognized by the company itself in a variety of legal documents submitted to and approved by the Ministry of Forestry – is a subsidiary of the Sinar Mas Group (APP/Sinarmas Forestry). APP also has a pulpwood plantation concession operating under the name BMH in the Province of South Sumatra, but it is only recognized as an independent supplier.

Identification of HCS Areas

Based on BMH's operational plan for 2008-2017 (revised version - February 2012), HCS areas extending to some 18,023 hectares are found within the BMH concession, accounting for 70.46% of the total area of the concession. The HCS areas consist of secondary swamp forest covering 13,308 hectares (52.03%) and old scrublands located on peatlands, which cover 4,715 hectares (18.43%).

This map shows the distribution of HCS areas based on landcover designations that have been approved by the Ministry of Forestry, as set out in BMH's operational plan.







-  Young scrublands
-  Old scrublands
-  Secondary swamp forest
-  Open land
-  Allocated for infrastructure development
-  Cloud covered area



If we refer to APP's FCP, then 70.46% of the BMH concession must be protected. The rest, i.e., young scrublands and open land, each covering an area of 4,885 hectares (19.10%) and 2,388 hectares (9.34%), also may not be used directly for development because, based on the FCP, these areas still require an appraisal by independent peatland experts.



-  HCS areas
-  Non-HCS areas
-  Allocated for infrastructure development
-  Cloud covered area



Protection of HCS areas based on BMH's operational plan

Based on the BMH operational plan, the area targeted to be cleared extends to 22,196 hectares. Of this, 17,652 hectares, or 79.53%, consists of secondary swamp forest (dominantly forested peatlands) and old scrublands, which are clearly HCS areas that should be excluded from the land-clearing target.

These data also explain that the said 17,652 hectares are coterminous with the 97.94% that is categorized as the secondary swamp forest (dominantly forested peatlands) and old scrublands contained within the BMH concession.

Most of this area will be developed as pulpwood plantations, while some will be used for rubber plantations. Only 4,544 hectares, 20.47% of the total area targeted for land-clearing, does not consist of forested areas. Meanwhile, the protection area in the concession extends to 2,577 hectares, or 10.1% of the total concession area.



This map shows the distribution by depth of peatlands in BMH's concession when overlaid with BMH's operational plan. It is clear that the BMH operational plan will destroy almost all of the forested peatlands - which are clearly HCS areas - contained within the concession.



**This map describes
BMH's operational plan.**



This chart shows the targets for land-clearing on peatlands by BMH based on its operational plan. The forested peatlands included in the plan account for almost 80% of the total area targeted for clearance.

- Protection areas
- Local livelihood plantation blocks
- Pulpwood and rubber plantation blocks
- Local high-yielding plantation blocks

Land cover	Total	
	ha	%
Secondary swamp forest	13,308	52.03
Old scrublands	4,715	18.43
Young scrublands	4,885	19.10
Open land	2,388	9.34
Cloud	284	1.11
	25,580	100.00



Areas targeted for clearing	HCS		Non HCS		Total	
	ha	%	ha	%	ha	%
Pulpwood plantation development blocks	15,104	82.37	3,232	17.63	18,336	82.61
Local high-yielding plantation blocks	1,917	74.62	652	25.38	2,569	11.57
Local livelihood plantation blocks	631	48.88	660	51.12	1,291	5.82
	17,652	79.53	4,544	20.47	22,196	100.00



-  HCS areas
-  Protection areas
-  Local livelihood plantation blocks
-  Pulpwood and rubber plantation blocks
-  Local high-yielding plantation blocks



This map shows from the spatial perspective how the BMH land-clearing targets significantly involve HCS areas - in this case secondary swamp forest (dominantly forested peatlands) and old scrublands - are contained in yellow, blue and green blocks, which are targeted for clearance under BMH's operational plan. These areas cover almost 18,000 hectares, or nearly 98% of the total HCS areas contained within the BMH concession.

BMH “Zero Deforestation Map” for HCS areas

Given the extent of the HCS areas, which account for over 70% of the total BMH concession area, and that HCS areas account for nearly 80% of the area targeted for land-clearing, the preparation of the Zero Deforestation Map necessarily prioritized the exclusion of the 17,652 hectares of HCS areas targeted for land-clearing as “No Go Areas”.

The Zero Deforestation Map for HCS areas in the BMH concession was developed as follows:



Need for HCS patch analysis

While a HCS patch analysis could be performed in the BMH concession, it should only be directed at the area of 4,544 hectares that consists of non-forested areas. In essence, the HCS areas – in accordance with APP’s FCP - must be maintained and not cleared.

It should be underlined that a HCS patch analysis needs to be focused on the extent to which the said 4,544 hectares can be linked to the almost 80% of HCS areas that should be excluded from the land-clearing target. With the conducting of a patch analysis, the results of the analysis could be recommended to independent peatland experts as part of the assessment on the extent to which the area of non-forested peatlands can be utilized.



Is APP willing to refrain from clearing up to 84% of the HCS areas targeted for clearance?

Based on the case studies on four of APP's future pulpwood suppliers, it is clear that up to 84% of the area that has been targeted for clearance in the operational plans of the four companies owned by the Sinar Mas Group (APP/Sinarmas Forestry) should not be cleared but should rather be maintained as HCS areas.

Is APP willing to do this? This is the real challenge to the implementation of APP's FCP.

Many people will be watching how APP treats the HCS areas that have been targeted for clearance in their operational plans.

The next question is no less important, namely, whether APP is willing to only develop up to 20% of the area that had been planned for development? In making its decision, APP will, of course, consider the economies of scale. Moreover, of the area that may be developed in theory, not all of it can be developed in reality.

For example, there are thousands of hectares of non-forested peatland that will still require further assessment before it can be developed. Similarly, not all of the 20% of the area allocated for plantation development can actually be used for this purpose.

Whether the FCP can be successfully implemented or not will obviously depend on the extent of APP's commitment to maintaining HCS areas that are targeted for land-clearing by APP's future pulpwood suppliers.

APP will be unable to rid itself of its association with deforestation if any part of the HCS areas targeted for clearing are actually cleared, given that the four APP's future pulpwood suppliers are in fact owned by Sinar Mas Group (APP/Sinarmas Forestry).

Conversely, if APP is committed to maintaining the HCS areas that have been targeted for clearing, then it will be possible to say that APP is not directly linked to deforestation in HCS areas.

Should APP not be willing to maintain the HCS areas that have been targeted for clearance in its future suppliers' operational plans, APP must announce this unequivocally to the public.

What APP must not do is to tout its FCP on the one hand, but on the other hand continue to develop technical mechanisms that allow it to reduce the extent of HCS areas on the concessions of its future pulpwood suppliers so that they can be cleared in order to satisfy the economies of scale in the pulpwood plantation industry.

Greenomics Indonesia believes that APP will resort to the HCS patch analysis approach for the purpose of minimizing the extent of HCS areas.

In this way, APP's future pulpwood suppliers would continue to benefit from economies of scale in developing pulpwood plantations on their new concessions.

In doing so, they will of course resort to whatever technical arguments and justifications they can come up with.

However, this belief could turn out to be wrong as it is not inconceivable that Greenpeace – which collaborated with APP in developing and monitoring the implementation of the FCP – could decide not to compromise and to demand that APP preserve the HCS areas that have been targeted for clearance.

Key recommendations



Those buyers who have adopted the APP FCP as an important reason for re-engaging with APP are strongly recommended to wait until APP issues its "zero deforestation map" for its future pulpwood suppliers. As an initial step, buyers can start by waiting for APP to issue its "zero deforestation map" for the four new concessions owned by the Sinar Mas Group (APP/Sinarmas Forestry), given that up to 84% of the HCS areas contained on these four concessions is targeted for clearing.



The Board of Directors of the Forest Stewardship Council (FSC) needs to pay special attention to the implementation of the FCP as regards APP's future pulpwood suppliers. At the very least, they need to await certainty over the extent of implementation by the four new concessions owned by Sinar Mas Group (APP/Sinarmas Forestry) discussed in this report.



Civil society groups that are involved in monitoring the implementation of APP's FCP need to urge APP to quickly issue "zero deforestation map" in order to ascertain the extent of APP's commitment to preserving HCS areas that have been targeted for land-clearing under company operational plans, especially the four APP's future pulpwood suppliers that served as case studies in this report.

Why is this the case? Because the four APP's future pulpwood suppliers used as case studies in this report are subsidiaries of Sinar Mas Group (APP/Sinarmas Forestry).

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