



WWF

REPORT

IDN

2013

Palming Off a National Park

Tracking Illegal Oil Palm Fruit in Riau, Sumatra



Riau, Sumatra, Indonesia 2013

Front cover pictures top left to bottom right:

Herd of elephants recorded on the border of Tesso Nilo National Park in 2009 © WWF Indonesia/Samsuardi.

Tiger photographed by camera trap in Tesso Nilo National Park in 2008 © WWF/PHKA.

Encroachment of Tesso Nilo forest complex to plant oil palm inside logging concession of PT. Siak Raya Timber at 0°5'1.69"S and 101°39'58.49"E on 24 April 2011 © WWF Indonesia.

Illegal oil palm plantation of Soko Jati Pangean allegedly associated with Wilmar's PT. Citra Riau Sarana inside logging concession of PT. Hutani Sola Lestari at 0°8'45.23"S and 101°29'51.83"E on 14 July 2011 © WWF Indonesia.

A truck carrying FFB illegally grown inside Tesso Nilo National Park to Asian Agri's PT. Inti Indosawit Subur Ukui 2 mill at 0°20'3.48"S 102°2'49.81"E on 17 February 2012 © WWF Indonesia.

A truck carrying FFB illegally grown inside Tesso Nilo National Park enters gate of Wilmar's PT. Citra Riau Sarana 2 mill at 4:04 PM on 27 July 2011. © WWF Indonesia.

Quote report as: *WWF-Indonesia (2013) Palming Off a National Park. Tracking Illegal Oil Palm Fruit in Riau, Sumatra.*

Contents

PREFACE 1

EXECUTIVE SUMMARY	3
1. INTRODUCTION.....	4
1.1. Palm Oil Production and Mills in Riau	5
1.2. Oil Palm Plantations in Riau.....	6
2. INVESTIGATION FINDINGS.....	7
2.1. Illegal Oil Palm Plantations Inside the Tesso Nilo Forest Complex	7
2.2. Owners, Size and Productivity of Illegal Oil Palm Plantations	9
2.3. Large Private Companies Involvement in Oil Palm Plantation Development in the Tesso Nilo Forest Complex.....	11
2.4. Palm Oil Mills around Tesso Nilo Forest Complex	12
2.5. Tracking FFB from the Tesso Nilo Forest Complex to CPO Mills.....	16
2.5.1. FFB Supply from the Tesso Nilo Forest Complex to Wilmar’s Mills.....	16
2.5.2. FFB Supply from Tesso Nilo Forest Complex to Asian Agri’s Mills.....	20
2.6. Flows of Tainted Palm Oil from Tesso Nilo Forest Complex into Global Market.....	24
3. LEGALITY OF OIL PALM DEVELOPMENT IN THE TESSO NILO FOREST COMPLEX	25
Appendix 1. <i>History of the Tesso Nilo Forest Complex</i>	27
Appendix 2. <i>Legality of Oil Palm Plantation</i>	30

Glossary

Tesso Nilo forest complex consists of Tesso Nilo National Park, PT. Hutani Sola Lestari and PT. Siak Timber Raya logging concessions.

Forest Estate is defined as land managed by the Ministry of Forestry based on Consensus of Forest Land Use (TGHK, Ministry of Forestry Decree No 173/Kpts-II/1986) and 1994 Riau Spatial Planning, The designation “Forest Estate” does not mean the land is covered by natural forest. All land inside the Tesso Nilo forest complex is categorized as “Forest Estate” and does not allow development of agricultural commodities, such as oil palm plantations.

Illegal palm oil in this report refers to palm oil derived from plantations grown inside Forest Estate, in this case, the Tesso Nilo forest complex.

Encroachment in this report refers to activities such as occupying, controlling and operating Forest Estate in Tesso Nilo forest complex based on TGHK 1986 and 1994 Riau Spatial Planning.

Asian Agri in this report is represented by PT. Inti Indo Sawit Subur and PT. Mitra Unggul Pusaka.

Wilmar in this report is represented by PT. Citra Riau Sarana.

PREFACE

This report is based on the investigation conducted by WWF-Indonesia from February 2011 to April 2012 of chain-of-custody (CoC) of Fresh Fruit Bunches (FFB) illegally grown inside Tesso Nilo National Park and PT Siak Raya Timber and PT Hutani Sola Lestari logging concessions (the three areas together will be referred to as the “Tesso Nilo forest complex” in this report). This chain of custody investigation indicates purchase of illegal FFB by two global palm oil companies: Asian Agri and Wilmar. This report had not been published until now to give the parties implicated in the illegal trade a chance to respond with actions. The implicated parties include the administrator of the national park and the Ministry of Forestry.

WWF Indonesia sent a draft of this report to the Ministry of Forestry (MoF) on 5 November 2012 to inform the situation. The Ministry then sent a letter to Asian Agri and Wilmar in January 2013, asking for clarification on the matter. During the inauguration of Elephant Conservation Center in the border of Tesso Nilo National Park in February 2013, the Minister of Forestry announced that it is committed to relocate encroachers and would provide financial support to tackle the encroachment problem. At the same time, Pelalawan Regent said that the district government would provide additional funds to support resettlement of people residing inside Tesso Nilo National Park.¹ WWF welcomes these commitments and urges MoF and Pelalawan District government to immediately begin implementing this program.

Asian Agri has announced openly to its suppliers that it refuses FFB that does not meet legal requirements. One of the parliament members of Pelalawan District—where the Asian Agri Mill is located—expressed his disappointment by the company’s decision to no longer accept FFB from the Tesso Nilo forest complex. He stated this during two hearings attended by Asian Agri, suppliers, heads of villages, cooperatives, Nature Conservation Agency (BKSDA), district authorities and WWF. A similar statement was delivered during a Pelalawan District Parliament visit to the WWF-Indonesia office.

During the first hearing, Asian Agri asked for a written statement from the FFB suppliers that their FFB supplied to Asian Agri mills was not harvested from areas not permitted to be planted with plantation crops, which are not limited to areas zoned by the government land use plan as Protection Forest, Industrial Forest Plantation, Production Forest, and Conservation Forest. Three days after the first hearing, WWF received a written statement from the suppliers signed by heads of villages and corresponding local authorities. Up until this report’s publication, the process to verify legal status of FFB origins has not been conducted by the government, including the Tesso Nilo National Park authorities. WWF is invited to support this process. Based on the proposed field verification, WWF will support communities that have legitimate and “adat (customary land tenure)” rights to lands inside the Tesso Nilo forest complex so the plantations can be managed in a sustainable manner. It is important to note that most of the oil palm plantations in the complex today have been developed and managed by immigrants: people coming from outside the area, with the majority from outside the Province.



Picture 1. A billboard in front of palm oil mill of PT. Inti Indosawit Subur of Asian Agri group in the Tesso Nilo forest complex with a warning not to bring 'illegal supply' of FFBs to the mill at 0°13'23.08"S 102°5'42.07"E.

¹ As stated in http://ppid.dephut.go.id/berita_terkini/browse/8 and <http://www.riauterkini.com/lingkungan.php?arr=56148>



Picture 2. A billboard (top) in front of a palm oil mill of PT. Citra Riau Sarana of Wilmar in the Tesso Nilo forest complex saying "We do not received FFB sourced from plantation from forest estate encroachment" at 0°14'19.98"S 101°34'46.36"E.

Wilmar, at the corporate group level, announced in November 2012 that they will not buy illegally grown FFB derived from forest encroachment areas. On 18 January 2013, Wilmar met WWF and stated that they had verified FFB that were indicated as coming from "Forest Estates" (defined as land managed by the Ministry of Forestry whether it is covered by natural forest or not). In follow up, Wilmar informed WWF that they have fully stopped buying FFB illegally grown inside Forest Estates and will improve purchase procedures and contracts to include clauses on legality assurance of FFB origin. WWF accepted a copy of the letter from PT Citra Riau Sarana management stating that the company will: (1) stop purchasing FFB from plantations inside Tesso Nilo National Park, (2) not buy illegal FFB from

any source, and (3) make a firm and clear agreement with FFB sellers that the FFB sold to the company is legal. However, WWF has not verified the implementation of these commitments at the mill level.

This study only investigates the supply chains of a fraction of FFB illegally grown inside the Tesso Nilo forest complex. There are 50 palm oil mills around the Tesso Nilo forest complex. In general, this study indicates that palm oil exported from Indonesia to the global market has likely been contaminated with FFB from illegal plantations. These plantations have caused forest destruction, including a National Park that is an important habitat for Sumatran tigers and elephants. Without knowing it, global consumers may have contributed to the destruction of the Tesso Nilo forest complex and other legally protected areas.

EXECUTIVE SUMMARY

1. Analysis from Landsat Satellite Images 2002 – April 2011 shows an increase in encroachment areas inside the 167,618 hectare Tesso Nilo forest complex each year with peaks in 2006 with newly recorded encroachment area of 14,165 hectares, in 2008 with 14,704 ha, and the highest in 2009 with 16,305 ha. The worst encroached area in the Tesso Nilo forest complex is PT Siak Raya Timber logging concession with 84% of the concession area or 32,310 ha encroached, followed by Tesso Nilo National Park, reaching 43% or 35,416 ha. Encroachment in PT Hutani Sola Lestari logging concession reached 40% or 18,497 ha.
2. According to a WWF field survey of 52,266.5 ha of encroachment areas inside the Tesso Nilo forest complex in February to June 2011, 70% (36,353 ha) of that had been converted to illegal oil palm plantation. 15,819 ha of the converted area were mature plantations yielding Fresh Fruit Bunches (FFB). Assuming FFB productivity of 1.3-2 tons/ha/month, the FFB production in the Tesso Nilo forest complex was enough to supply one CPO (Crude Palm Oil) mill to produce 67,000 tons per year. Meanwhile immature plantations (not yet producing FFB) covered 20,784 ha. Inside the Tesso Nilo National Park alone, total area converted into oil palm plantation is 15,714 ha, of which 5,841 ha yielded FFB.
3. Oil palm plantations inside the Tesso Nilo forest complex are controlled and managed by individual owners or groups. The identification showed that 524 individuals dominate 72% (26,298 ha) of the total plantation areas (36,353 ha). Average plantation size per individual was 50 hectares, far above the typical size for a smallholder, suggesting availability of significant capital. The WWF investigation also identified 17 encroacher groups to have oil palm plantations in the Tesso Nilo forest complex.
4. The study identified 50 mills operating around the Tesso Nilo forest complex with an estimated demand for 14.5 million tons of FFB per year. 11 mills which do not have their own plantations need supply of 3 million tons of FFB per year from independent plantations.
5. During the investigation period, two business groups – Asian Agri and Wilmar Groups—were found to be involved in the trade of the oil palm fruit illegally grown inside the Tesso Nilo forest complex. According to investigations until April 2012, the following mills of the two groups bought FFB that was illegally grown inside the Tesso Nilo forest complex:

No.	Mill	FFB Source	Encroacher Group
Asian Agri Group			
1	PT Mitra Unggul Pusaka	PT Siak Raya Timber logging concession	Mamahan Jaya
2	PT Inti Indosawit Subur Ukui 1	Tesso Nilo NP	Pondok Kempas
3	PT Inti Indosawit Subur Ukui 2	Tesso Nilo NP	Bagan Limau
4	PT Inti Indosawit Subur Ukui 2	Tesso Nilo NP	Tani Bahagia (Lubuk Batu Tinggal)
Wilmar Group			
5	PT Citra Riau Sarana 1	PT Hutani Sola Lestari logging concession	Koperasi Soko Jati Pangean
6	PT Citra Riau Sarana 2	Tesso Nilo NP	Toro Jaya
7	PT Citra Riau Sarana 3	Tesso Nilo NP	Toro Jaya

1. INTRODUCTION

The 167,618 ha Tesso Nilo forest complex in the heart of Sumatra has one of the world's highest vascular plant diversities ever recorded² and support key populations of critically endangered Sumatran elephants (Picture) and tigers (front cover, a tiger camera trapped in the national park in 2008).



Picture 3. A herd of 50 elephants recorded on the border of Tesso Nilo National Park in 2009 © WWF-Indonesia/Samsuardi.

These outstanding conservation values prompted Indonesian Ministry of Forestry to establish the Tesso Nilo National Park in 2004 and further expand it in 2009. Only about 80,000 hectares of natural forest inside and surrounding the national park—which continues to be in dire condition—is all that remains of what had been more than 1.6 million hectares of magnificent tropical lowland forest until the mid 1980s.^{3 4} Most of the forest around the Tesso Nilo forest complex has been replaced by pulpwood plantations owned by two global companies, the Royal Golden Eagle Group's APRIL and the Sinar Mas Group's APP. Aside from forests converted into pulpwood plantations, large area has been converted into oil palm plantations. With the increase in economic value of this commodity, oil palm plantation expansion has entered into Tesso Nilo National Park.

Development of oil palm plantations inside the Tesso Nilo forest complex is considered illegal. Under Indonesian forestry law, all land inside the complex is categorized as "Forest Estate" which does not allow development of agricultural commodities, such as oil palm plantations. Transactions of oil palm Fresh Fruit Bunches (FFB) originating from the Tesso Nilo forest complex are considered illegal and anyone involved in the transaction process could face criminal charges (for more details, see Chapter 3 and Appendices).

Nevertheless, plantations grown by local and indigenous people who have legitimate and "adat (customary land tenure)" rights for lands inside the Tesso Nilo forest complex should be respected. WWF will support

² Gillison, A.N. (2001) Vegetation Survey and Habitat Assessment of the TessoNilo Forest Complex. Report prepared for WWF-US. www.savesumatra.org/app/webroot/upload/report/TessoNiloBiodiversity1.pdf

³ WWF Indonesia (2010) Sumatra's Forests, their Wildlife and the Climate. Windows in Time: 1985, 1990, 2000 and 2009. http://awsassets.wwf.or.id/downloads/wwf_indonesia_2010_sumatran_forests_wildlife_climate_report_for_dkn_bappenas.pdf

⁴ Laumonier, Y., Uryu, Y., Stüwe, M., Budiman, A., Setiabudi, B. & O. Hadian (2010) Eco-floristic sectors and deforestation threats in Sumatra: identifying new conservation area network priorities for ecosystem-based land use planning. *Biodiversity Conservation* 19 (4): 1153-1174. <http://www.springerlink.com/content/c77376k574051178/fulltext.pdf>

these individuals and communities to manage existing plantations sustainably and advocate for their legal land rights.

A multi-stakeholder Tesso Nilo task force led by the national park authorities has been struggling without success for years to stop the wave of illegal oil palm encroachment. This challenge must be faced together, including government, companies, NGOs and communities. Under the scheme of protecting what is left in Tesso Nilo forest complex, WWF conducted field investigation to map deforestation inside the Tesso Nilo forest complex and track the chain of custody (CoC) of illegal FFB coming from this area which is likely contaminating the palm oil supply for the global market.

1.1. Palm Oil Production and Mills in Riau

Millions of hectares of tropical forests have been converted to oil palm plantations in Indonesia. Fresh fruit bunches (FFB) are being harvested from the palm trees throughout the year. Crude Palm Oil (CPO) is extracted from the FFB at local palm oil extraction mills and refined nationally or internationally into a high variety of products ranging from food to hygiene. Indonesia is the largest producer of CPO in the world. Sumatra is the largest producer in Indonesia, and Riau Province is the largest producer in Sumatra (Table 1).

Table 1. *Riau province's palm oil production share in 2010 or 2011.*

	Indonesia (million ton)	Riau (million ton)	Riau (% national)
Processed FFB production	98.7 ⁵	35 ⁶	35.4 % ⁷
CPO production	23.5 ⁸	7 ⁹	29.7 % ¹⁰
CPO export	16.5 ¹¹	4.8 ¹²	29 % ¹³

In 2009, Riau province had 173 palm oil mills with a total CPO processing capacity of 8,161 tons of FFB per hour (Table 2). Most of the CPO mills are owned by globally or nationally operating conglomerates, but 46 mills processing 22% of Riau's FFB owned no plantations.

Mills without oil palm plantations relied heavily on FFB purchased on the open market. These independent mills are often privately owned by small companies without corporate purchasing policies and buy FFB from any supplier without checks of legality and sustainability concerns.

⁵ Tons of FFB processed in Indonesia was estimated as tons of CPO produced divided by the average oil extraction rate (www.scribd.com/doc/25187432/15/Kapasitas-Produksi-Pabrik (Oil Extraction Rate Formula))

⁶ Riau Province Plantation Service through the Division Head of Processing and Marketing for Riau Plantation Products

⁷ www.bumn.go.id/ptpn5/id/galeri/sawit-masih-jadi-penggerak-roda-ekonomi-riau/

⁸ GAPKI Marketing Head

⁹ www.bumn.go.id/ptpn5/publikasi/cpo-riau-tujuh-juta-ton-per-tahun/

¹⁰ www.inapalm-exhibition.com/why_exhibit.php

¹¹ GAPKI Marketing Head

¹² Riau Pos daily (25 December 2011) m.riaupos.co/?act=full&id=7114&kat=12

¹³ www.saturliau.com/read-9185-2012-04-10-50-persen-cpo-sumatera-di-eksport-melalui-pelabuhan-dumai.html

Table 2. Palm oil mills in Riau province's districts and cities in 2009.

No	District/City	Number of Palm Oil Mills (unit)			Combined FFB Processing Capacity of Palm Oil Mills (ton/hour)		
		With own plantation	Without own plantation	Total	With own plantation	Without own plantation	Total
1	Kampar	28	9	37	1,280	375	1,655
2	RokanHulu	18	6	24	939	202	1,141
3	Pelalawan	13	4	17	900	145	1,045
4	Indragiri Hulu	22	6	28	960	225	1,185
5	KuantanSingingi	11	-	11	615	-	615
6	Indragiri Hilir	8	-	8	385	-	385
7	Bengkalis	3	5	8	180	170	350
8	Siak	9	6	15	435	225	660
9	RokanHilir	14	10	24	615	450	1,065
10	Dumai	1	-	1	60	-	60
11	Pekanbaru	-	-	-	-	-	-
TOTAL		127	46	173	6,369	1,792	8,161

Data sources: Statistics of Riau Plantation Service 2009 & June 2011, Plantation Service and Environment Agency of Kampar District, RokanHulu District, Pelalawan District, Indragiri Hulu District, Kuantan Singingi District, Bengkalis District, RokanHilir District, Dumai City, Siak District, Indragiri Hilir District and Pekanbaru City 2011.

1.2. Oil Palm Plantations in Riau

In 2009, Riau's provincial and district plantation agencies recorded 2.6 million ha of "oil palm plantation area" (Table 3). Private and state run companies held permits¹⁴ for 1.56 million ha of concession area (59%), though there is no data on how much of the allocated area they had already planted. So called smallholders were estimated to hold the remaining 1.08 million ha (41%) of "oil palm plantation areas", all of which had been planted. In 2009, the Riau Province Plantation Agency¹⁵ stated that 1.9 of the 2.6 million ha plantation areas (73%) in Riau produced FFB. The areas in which oil palm can legally be planted are clearly identified by Indonesia's land use plans (Appendix 2).

Table 3. Palm oil plantations and concession areas in Riau 2009.

No	Riau District/City	Area size (ha) by ownership/management			
		Small-holder plantation	State-run company concession	Private company concession	Total
1	Kampar	249,740.00	25,759.00	129,743.00	405,242.00
2	Rokan Hulu	165,030.00	34,919.00	168,831.77	368,780.77
3	Pelalawan	63,543.00	-	119,856.54	183,399.54
4	Indragiri Hulu	56,454.00	9,738.44	242,683.58	308,876.02
5	Kuantan Singingi	63,560.00	3,100.00	54,859.97	121,519.97
6	Bengkalis	117,630.00	-	103,293.00	220,923.00
7	Rokan Hilir	128,669.00	9,053.80	95,533.29	233,256.09
8	Dumai	31,022.00	-	-	31,022.00
9	Siak	113,516.00	23,466.00	195,577.00	332,559.00
10	Indragiri Hilir	91,504.00	-	332,320.41	423,824.41
11	Pekanbaru	719.00	-	6,745.00	7,464.00
Total		1,081,387.00	106,036.24	1,449,443.56	2,636,866.80

Data sources: Statistics of Riau Plantation Service 2009 and June 2011, Plantation Service and Environment Agency of Kampar District, Rokan Hulu District, Pelalawan District, Indragiri Hulu District, Kuantan Singingi District, Bengkalis District, Rokan Hilir District, Dumai City, Siak District, Indragiri Hilir District and Pekanbaru City 2011.

¹⁴ For example, of the 1.56 million ha of concessions identified by the Riau Forestry Service (2006), the Ministry of Forestry (2010) only mapped 1.18 million ha as holding definitive licenses (HGU and IUP), i.e. having been granted all necessary permits to operate.

¹⁵ Riau Pos daily (06 July 2011)

2. INVESTIGATION FINDINGS

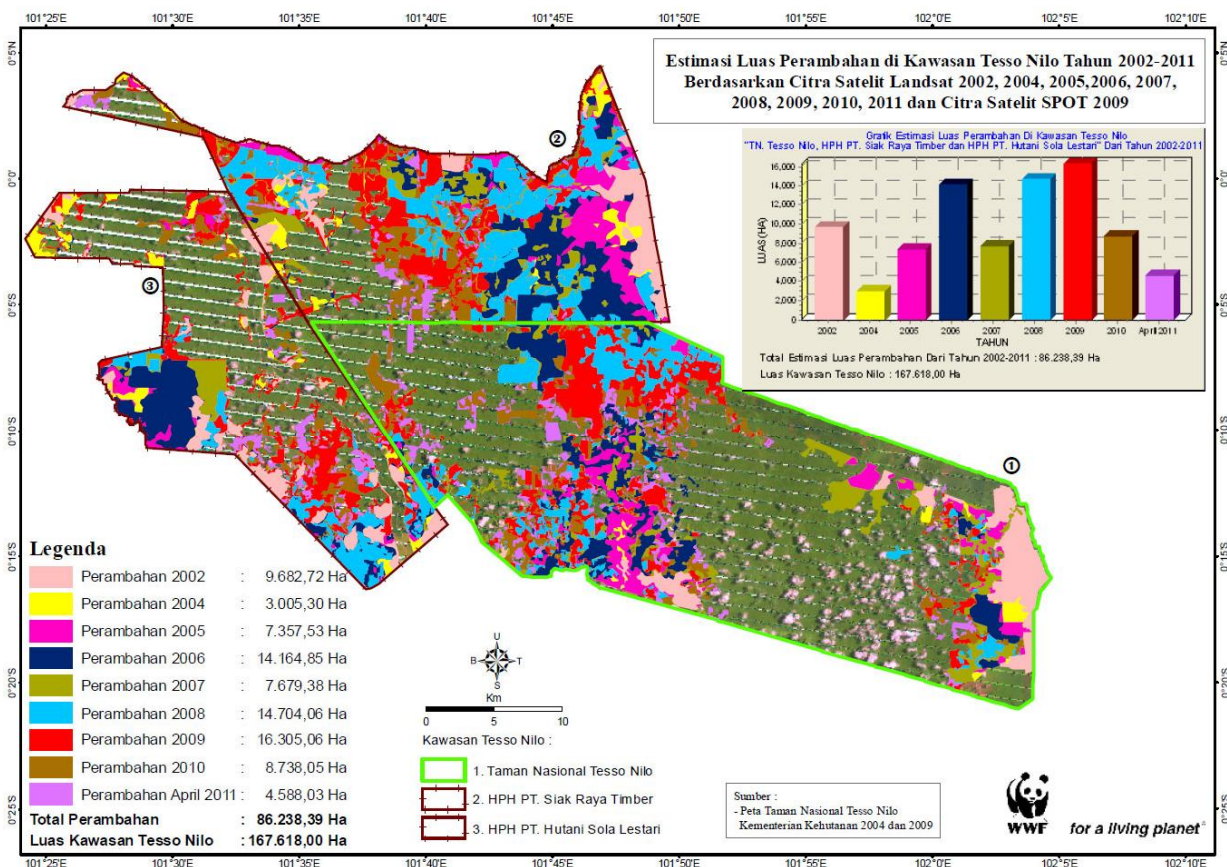
WWF Indonesia investigated the operations and status of oil palm plantations inside the Tesso Nilo forest complex between February 2011 and April 2012. It is based on interpretation of satellite images, compilation and analysis of government data, and field surveys of plantations and mills. Chains of custody investigations were conducted to track FFB from the Tesso Nilo forest complex to CPO mills, then to track CPO from CPO mills to refineries.

2.1. Illegal Oil Palm Plantations Inside the Tesso Nilo Forest Complex

Based on satellite images from April 2011 and SPOT in 2009, estimated encroached areas inside the Tesso Nilo forest complex are 86,238 ha or about 51% of the total area (Table 4). Landsat and SPOT satellite image analysis between 2002 and April 2011 showed that encroachment is an ongoing process (Map 1). The peaks were recorded in 2006 with new encroachment area of 14,164 ha, in 2008 with 14,704 ha, and in 2009 with 16,305 ha (Map 1).

Table 4. *Encroachment inside the Tesso Nilo forest complex.*

	Area size (ha)	Encroachment		
		(ha)	(% area)	(% total encroachment inside the Tesso Nilo forest complex)
Tesso Nilo National Park	83,068	35,416	43%	41.1%
PT. Siak Raya Timber concession	38,560	32,310	84%	37.5%
PT. Hutani Sola Lestari concession	45,990	18,497	40%	21.4%
Tesso Nilo forest complex	167,618	86,238	51%	100.0%



Map 1. *Location and size of encroachment of the Tesso Nilo complex based on Landsat satellite images of 2002, 2004, 2005, 2006, 2007, 2008, 2009, 2010, and April 2011, and SPOT images of 2009.*

Various field surveys between 2005 and 2009 recorded an overall increasing number of households settling inside Tesso Nilo National Park and found that 96% of the encroachers settling inside the park in 2009 had come from outside the area. Majority of these new comers came from outside the province of Riau. Encroachers employed various modus operandi to get access to lands in the complex to develop illegal oil palm plantations (Box 1).

Box 1. Modus Operandi of Land Ownership in the Tesso Nilo Forest Complex

1. Through Land Certification from National Land Agency

Land ownership was secured through a land certification program between 1998 and 1999 in Indragiri Hulu District by Koperasi Mekar Sakti, Koperasi Tani Berkah and Koperasi Tani Lubuk Indah. During the period, Indragiri Hulu District Land Registry Office issued 515 certificates of ownership through a national program on independent plantations (Pronas Swadaya) for Koperasi Mekar Sakti, most of which are located in another district, Pelalawan District. H. Djafar Tambak, head of Koperasi Mekar Sakti filed a suit against the Ministry of Forestry and Head of Tesso Nilo National Park Authority over the Cooperative's land located inside Tesso Nilo National Park. National Park Authority won the case in high court level and Supreme Court rejected the appeal by Djafar Tambak. The other two groups, Koperasi Tani Berkah and Koperasi Tani Lubuk Indah, received certificates of ownership for 1,400 ha and 1,000 ha respectively.

2. Through Sale and Purchase Mechanisms

There are various sale and purchase mechanisms, including grant and customary allotment and sale and purchase of village land. In grant and customary allotment, customary elders make the transaction with buyers by giving the buyers customary land authority letter or grant letter. Investigative findings showed 1 ha land valued at IDR 1 million to 5 million (USD 100-500). The grant mechanism was found in Lubuk Kembang Bungo Village. Meanwhile, sale and purchase by the head of village of land claimed as village land was found in Sei Medang Hamlet. After the transaction, village authority issued a letter to legalize land ownership such as a Land Compensation Notification Letter or a Land Ownership Letter issued by head of the village or Sub District Head.

3. Through Self-Cultivation

Initially, local communities develop their land from customary land or village land. Over time they independently extend their cultivation area into the Tesso Nilo forest complex. This practice was found among Bagan Limau, Pondok Kempas, Simpang Silau and Bina Warga Sejahtera.

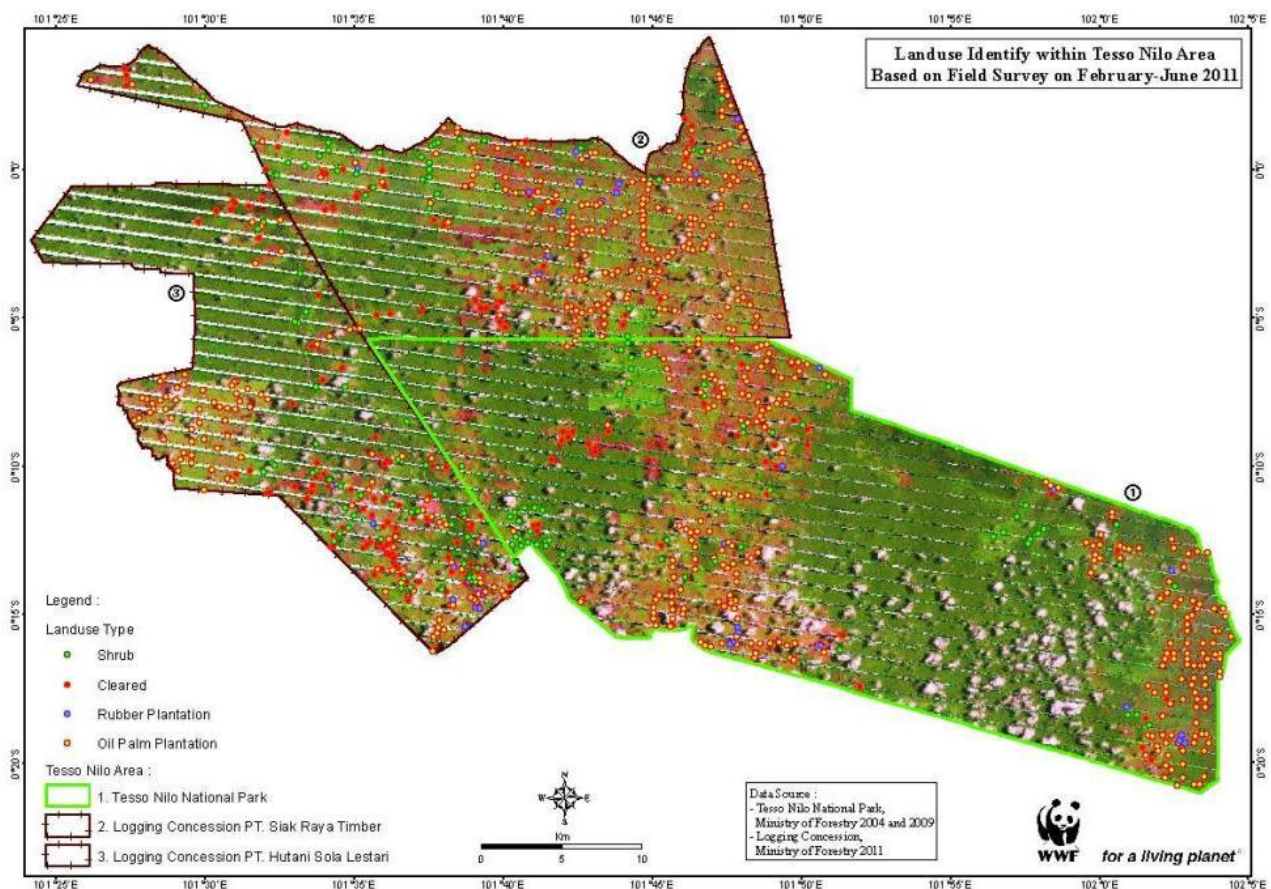
4. Through Cooperation with Plantation Companies

According to a survey conducted with community groups incorporated in cooperatives, cooperation with oil palm plantation companies are conducted through the Member's Primary Credit Cooperative (Kredit Koperasi Primer untuk Anggota [from now on abbreviated as KKPA]). Under this scheme, cooperative members' plantations will be plasma/scheme plantations for the companies. The KKPA scheme is often used to legitimize land ownership. Soko Jati Pangean Cooperative—affiliated with PT Citra Riau Sarana—claims the area of their plantation inside PT Hutani Sola Lestari logging concession as Kepenghuluan Pangean customary land. The land claimed by Tani Bahagia Cooperative—affiliated with PT Inti Indosawit Subur—is located inside Tesso Nilo National Park.

A WWF investigation team conducted a survey of 52,266 ha of encroachment areas inside the Tesso Nilo forest complex. 70% or 36,353 ha had been converted into oil palm plantations while the rest was wasteland or planted with other agricultural crops (Table 5).

Table 5. Field survey of land covers of encroached areas in the Tesso Nilo forest complex (Data source: WWF Indonesia Field Survey February - June 2011).

Area	Land cover of encroached areas					Total
	Oil palm	Rubber	Other crops	Already cleared/ ready to be planted	Bush/shrubs (abandoned)	
PT Hutani Sola Lestari Logging Concession	5,644.5	85.0	65.0	1,978.0	1,733.0	9,505.5
PT Siak Raya Timber Logging Concession	14,995.0	580.0	-	2,699.0	3,030.0	21,304.0
Tesso Nilo National Park	15,714.0	328.0	34.0	1,535.0	3,846.0	21,457.0
Tesso Nilo Forest Complex	36,353.5	993.0	99.0	6,212.0	8,609.0	52,266.5



Map 2. Land covers shrub, cleared, rubber plantation and oil palm plantation recorded along field survey routes through encroached areas in the Tesso Nilo Complex. Yellow dots indicate GPS locations where oil palm plantations were recorded. Dark green areas of the satellite image indicate remaining natural forest (Data source: WWF Indonesia Field Survey February- June 2011).

2.2. Owners, Size and Productivity of Illegal Oil Palm Plantations

WWF identified ownership, management type and age of oil palm plantations in the Tesso Nilo forest complex. In terms of ownership type, we found that oil palm plantation development within the forest complex is conducted by individuals or groups. Individuals tend to develop and manage plantations independently, while members of groups owned plantations with shared capitals. However, WWF also

discovered some groups who derived capital from companies. In terms of age, plantations can be classified as Immature Plantation (Tanaman Belum Menghasilkan/TBM, from the first month until its ready to be harvested at 30-36 months old) or Mature Plantation (Tanaman Menghasilkan/TM, above 30-36 months old) which yields FFB.

Table 6. *Ownership and age/productivity of illegal oil palm plantations in the Tesso Nilo forest complex.*

No	Owner	Total area		Immature plantation		Mature plantation	
		Number*	Hectare	Number	Hectare	Number	Hectare
PT. Hutani Sola Lestari logging concession							
1	Individual	81	2,278.5	62	1,648.5	19	630.0
2	Self-funded group	2*	313.0	2	139.0	1	174.0
3	Group allegedly supported by Wilmar	1*	3,053.0	1	389.0	1	2,664.0
Sub-total		84	5,644.5	65	2,176.5	21	3,468.0
PT. Siak Raya Timber logging concession							
1	Individual	223	12,995.0	128	7,435.0	95	5,560.0
2	Self-funded group	4	2,000.0	2	1,050.0	2	950.0
Sub-total		227	14,995.0	130	8,485.0	97	6,510.0
Tesso Nilo National Park							
1	Individual	220	11,024.0	160	8,733.0	60	2,291.0
2	Self-funded group	9	2,820.0	4	990.0	5	1,830.0
3	Asian Agri funded group	1*	1,870.0	1	150.0	1	1,720.0
Sub-total		230	15,714.0	165	9,873.0	66	5,841.0
TOTAL		541	36,353.5	360	20,784.5	184	15,819.0

Data Source: WWF Indonesia Field Survey (February- June 2011)

* Some immature and mature concessions have the same owner which are listed in each of the respective columns

15,819 ha or 43% of illegal oil palm plantations in Tesso Nilo forest complex are productive, mature plantations. These plantations are estimated to produce between 243,000 to 374,000 tons of FFB per year¹⁶, or 1% of the total FFB produced by Riau Province.¹⁷ The current FFB production is enough to supply one CPO mill to produce 67,000 tons per year.¹⁸ Future trends show FFB production to increase as most of the existing plants are below eight years old with the oldest being 10 years. 57% of the plantations will begin generating fruit in a few years, likely doubling the supply of illegally grown FFB supply from this area.

These plantations are mostly owned by individuals, 524 of which manage 26,298 ha or 72% of all plantations in the Tesso Nilo forest complex. The average plantation size per individual was 50 hectares, far above the typical size for a smallholder, suggesting availability of significant capital. The WWF investigation also found 17 groups to have oil palm plantations in the Tesso Nilo forest complex.

¹⁶ With an average production of assumption of 1.3 – 2 tons of FFB per ha/month

¹⁷ With an assumption from government official data in 2010 of FFB as much as 35 million tons

¹⁸ With an assumption of processing capability of 60 tons/hour for for 20 hours/day with 25 working days per month and oil extraction level of 18%.

2.3. Large Private Companies Involvement in Oil Palm Plantation Development in the Tesso Nilo Forest Complex

The field survey found that some community groups work with two large private palm oil companies. These companies are PT Citra Riau Sarana (Wilmar)—supplied by Koperasi Soko Jati Pangean—and PT Inti Indosawit Subur (Asian Agri)—supplied by Desa Lubuk Batu Tinggal Community Group.

PT Citra Riau Sarana allegedly associated with Koperasi Soko Jati Pangean to develop oil palm plantations inside Hutani Sola Lestari Logging Concessions (Picture 5). Koperasi Soko Jati Pangean is a business unit established by villagers of Pangean Sub-district in 2006. The members of this cooperative came from Pasar Baru Village, Pulau Kampai, Pulau Rengas, Rawang Binjai and Koto Pangean. Based on information gathered, this cooperative was established to realize Pangean Sub-district communities' wish to develop oil palm plantation with PT Citra Riau Sarana. Moreover, when PT Citra Riau Sarana developed oil palm plantations in Pangean Sub-district in 1998, they promised plantations for the surrounding community. Yet, the promise had not been fulfilled until 2006. In fact, the promised-areas for oil palm plantations are inside PT Hutani Sola Lestari logging concession.

From field observation, there are several farmer groups in Koperasi Soko Jati Pangean, such as Jati Indah Group with 150 members, Tani Jati Sebelas Group with 150 members, and Sawit Sejahtera Group with 140 members. Applying the legal allocation limit of 2 ha per member for a smallholder, we could estimate total area from these three farmer groups to be 880 ha. However, based on the field survey, we found the total cultivated areas by the three groups to be 3,053 ha with 2,664 ha having produced FFB.

Based on information obtained from Koperasi Soko Jati Pangean, these areas are customary areas owned by Kepenghuluan Pangean. Hence, according to the customary law, the areas can be owned and used by Pangean community. The Ministry of Forestry still defends the areas as production forest area managed by PT. Hutani Sola Lestari.



Picture 4. A sign of KKPA of PT. Inti Indosawit Subur of Asian Agri in the Tesso Nilo forest complex at 0°21'18.30"S 102°2'49.48"E.

Another company cooperating with the community cultivating Tesso Nilo forest complex is PT. Inti Indosawit Subur (PT. IIS)—affiliated with Tani Bahagia Cooperative (Picture 4, 6). Members of this cooperative are villagers from Air Hitam, Lubuk Kembang Bunga, Kampung Baru and Lubuk Batu Tinggal. Oil palm plantations were developed by PT. IIS in 2000 – 2001. According to PT. IIS only 400 ha of KKPA development overlapped with Tesso Nilo National Park, while WWF's field survey showed 1,870 ha of overlapping area. KKPA is a credit scheme with a soft term provided by the government through PT. Permodalan Nasional Madani (PT. PNM) to the primary cooperative, which in turn provides to its members.

The Head of Kampar District's letter for Riau Governor dated 20th August 1999 supports oil palm plantation development under the KKPA scheme. Yet, as the plantations are located in "Forest Estate", the cooperative needs to have a "Forest Release Permit" issued by Ministry of Forestry. The cooperative said that they didn't have such a permit.



Picture 5. Oil palm plantations operated by PT. Citra Riau Sarana (Wilmar) staff inside the TessoNilo forest complex. GPS coordinate: 0°8'44.81"S 101°29'49.83"E. Photo taken on 14 July 2011 ©WWF Indonesia.



Picture 6. Oil palm development with unclear legality by Lubuk Batu Tinggal village and Asian Agri's PT. Inti Indosawit Subur under the KKPA scheme inside Tesso Nilo National Park. GPS coordinate: 0°20'45.72"S 102°3'32.28"E. Photo taken on 06 October 2011. © WWF Indonesia.

2.4. Palm Oil Mills around Tesso Nilo Forest Complex

WWF identified as much as 50 CPO mills around the Tesso Nilo forest complex with the total FFB processing capacity of 2,420 tons per hour (Table 7 and Maps 3 and 4).¹⁹ 11 out of the 50 mills were "independent" without their own plantations and had a combined processing capacity of 500 tons of FFB per hour.

The following table illustrates mills and their FFB processing capacities for CPO production.

¹⁹Dinas Perkebunan Riau (2009 dan Juni 2011), Dinas Perkebunan dan Lingkungan Hidup Kabupaten Kampar, Pelalawan Indragiri Hulu dan Kuantan Singingi (2010- 2011)

Table 7. Palm oil mills around the Tesso Nilo forest complex.

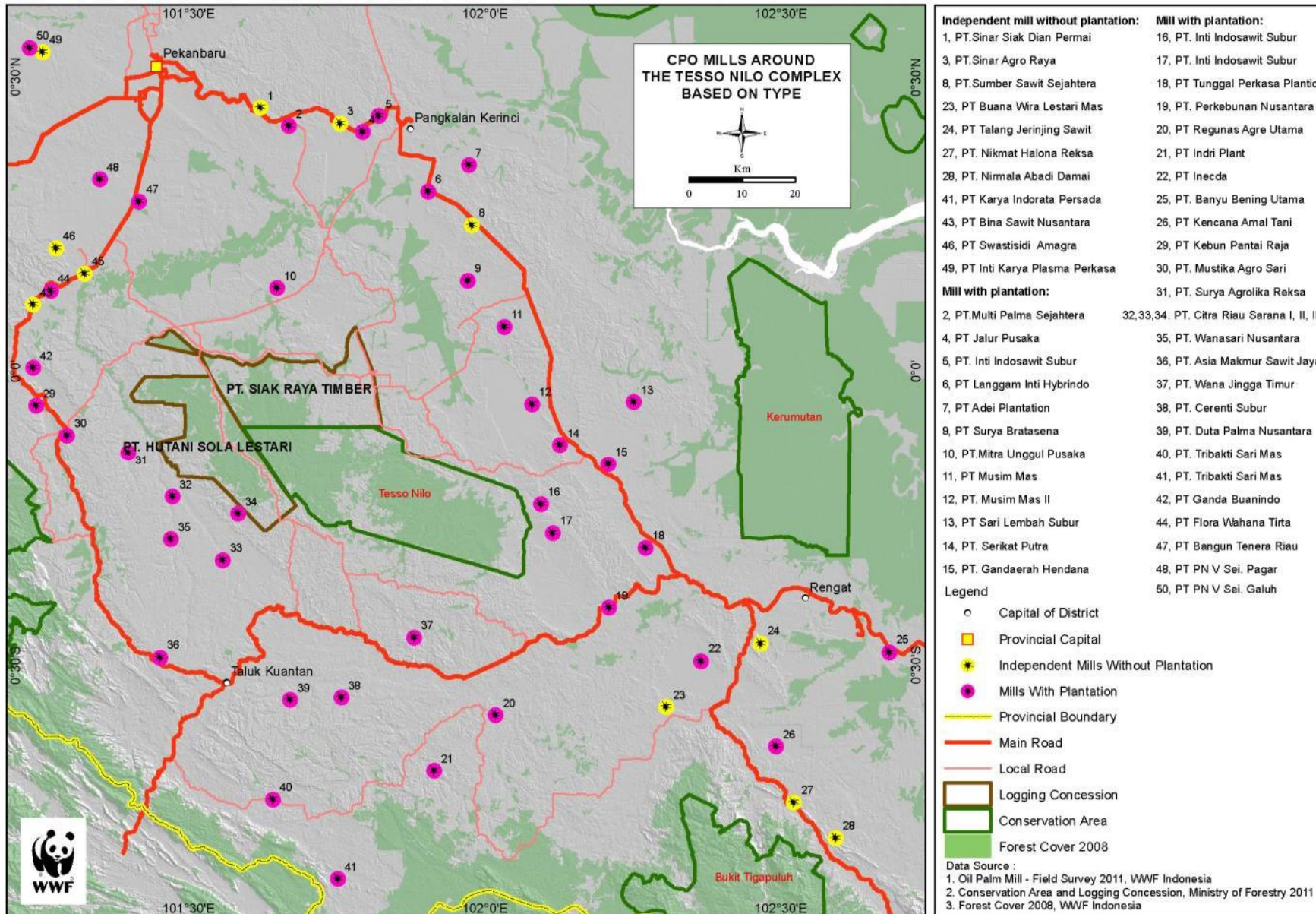
No	District	Number of CPO Mills (unit)			Combined FFB Processing Capacity of CPO Mills (ton/hour)		
		Mill with own plantations	Mill without own plantation (independent)	Total	Mill with own plantations	Mill without own plantation (independent)	Total
1	Kampar	5	4	9	190	180	370
2	Pelalawan	14	3	17	860	170	1,030
3	Indragiri Hulu	7	4	11	315	150	465
4	Kuantan Singingi	13	-	13	555	-	555
TOTAL		39	11	50	1,920	500	2,420

Data Sources: Riau Plantation Service (2009), Riau Plantation Service (June 2011), Plantation Services and Environment Agencies of Kampar District, Pelalawan District, Indragiri Hulu District, and Kuantan Singingi District (2010- 2011) and WWF Indonesia field survey (February- June 2011).

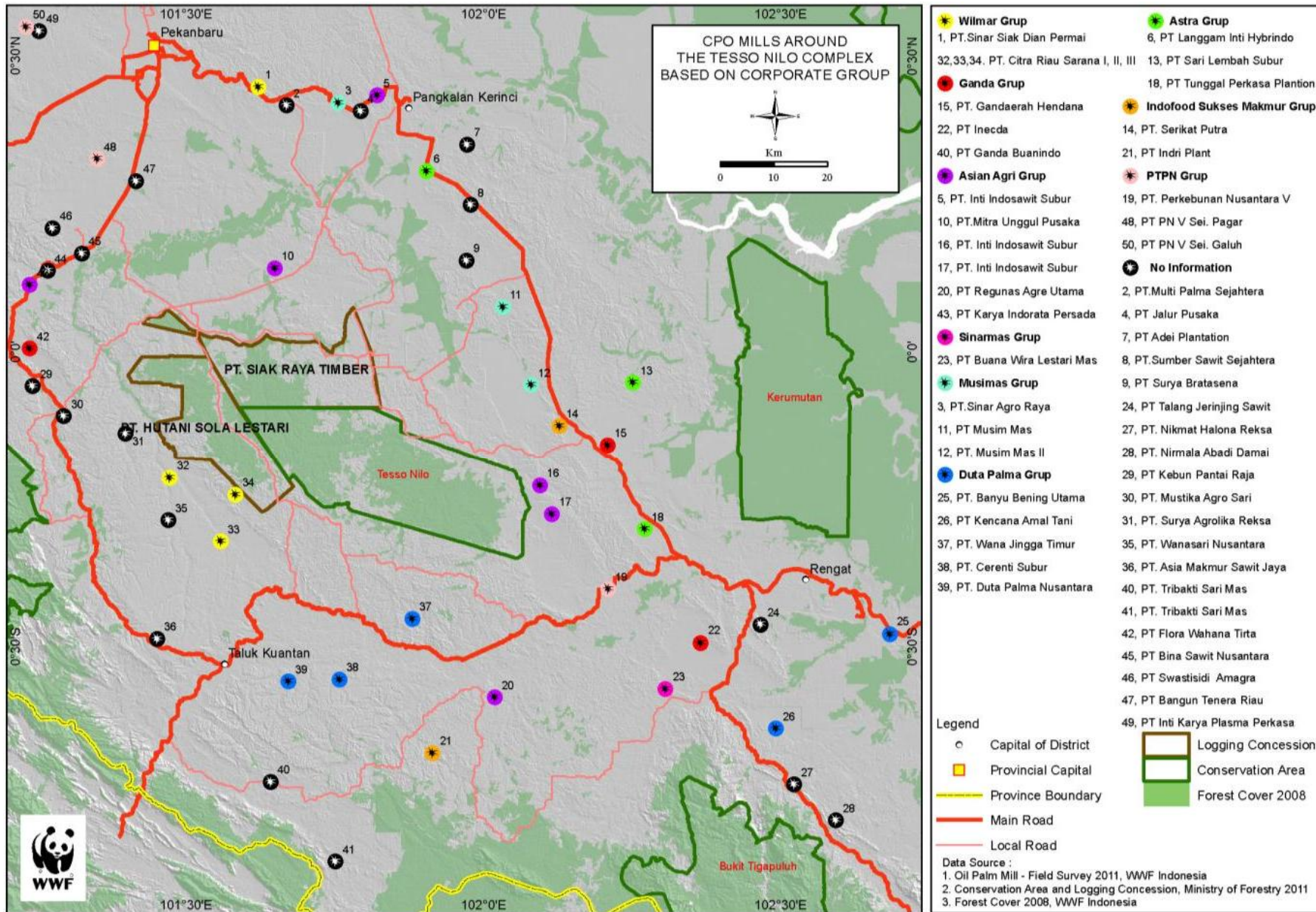
According to government data, 10 company groups own the 50 mills: Wilmar (4 mills, yellow dots in Map 4), Ganda (3 mills, red dots), Asian Agri (6 mills, purple dots), Sinar Mas (1 mill, pink dot), Musim Mas (3 mills, light blue dots), Duta Palma (5 mills, dark blue dots), Astra Agro (3 mills, green dots), Indofood Sukses Makmur (2 mills, orange dots), PTPN V (3 mills, light brown dots) and unidentified dots (20 mills, black).

Estimated demand for FFB from all the mills surrounding the Tesso Nilo forest complex is 14.5 million tons per year. Of the total, 3 million tons of FFB per year from “independent” plantations are needed by the 11 mills without their own plantations.²⁰

²⁰ With an assumption of average 20 hours production per day and 25 working days per month.



Map 3. Palm oil mills around the Tesso Nilo forest complex with (pink) and without associated plantations (independent mills, yellow).



Map 4. Palm oil mills around the Tesso Nilo forest complex associated with various corporate groups.

2.5. Tracking FFB from the Tesso Nilo Forest Complex to CPO Mills

WWF focused its investigation of FFB and CPO supplies to the following mills: Wilmar (3 mills), Asian Agri (4), Musim Mas (2) and Gandaerah Hendana (1). This decision was made considering the proximity of these mills with Tesso Nilo forest complex. According to the investigation, WWF couldn't find any indications that the Musim Mas and Gandaerah Hendana mills accept FFB from the Tesso Nilo forest complex. Both Wilmar Group and Asian Agri were accepting FFB from the Tesso Nilo forest complex.

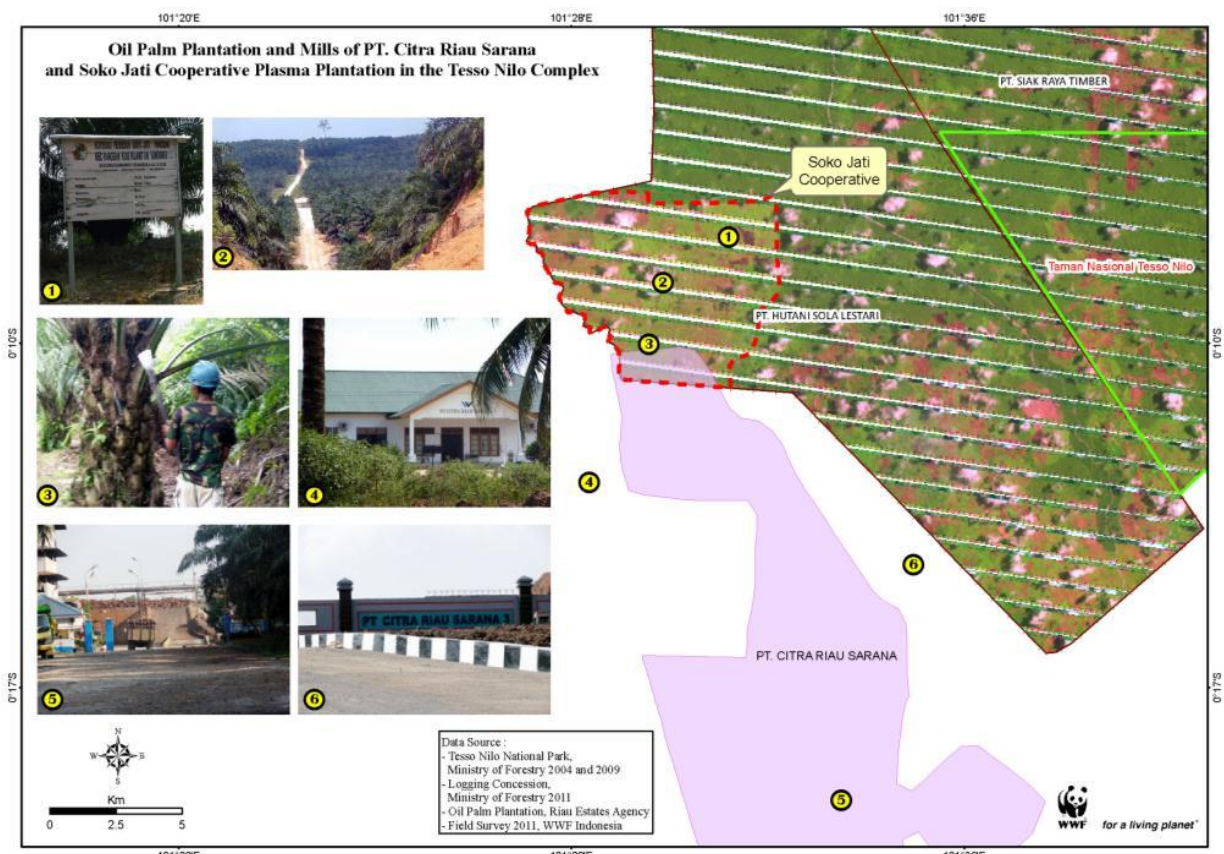
2.5.1. FFB Supply from the Tesso Nilo Forest Complex to Wilmar's Mills

During the investigation period, WWF found three mills owned by PT. Citra Riau Sarana (Wilmar Group) near the Tesso Nilo forest complex to have received FFB illegally grown inside the Tesso Nilo forest complex. Official government data indicated that each of the Wilmar's mills has a FFB processing capacity of 60 tons per hour.

WWF established:

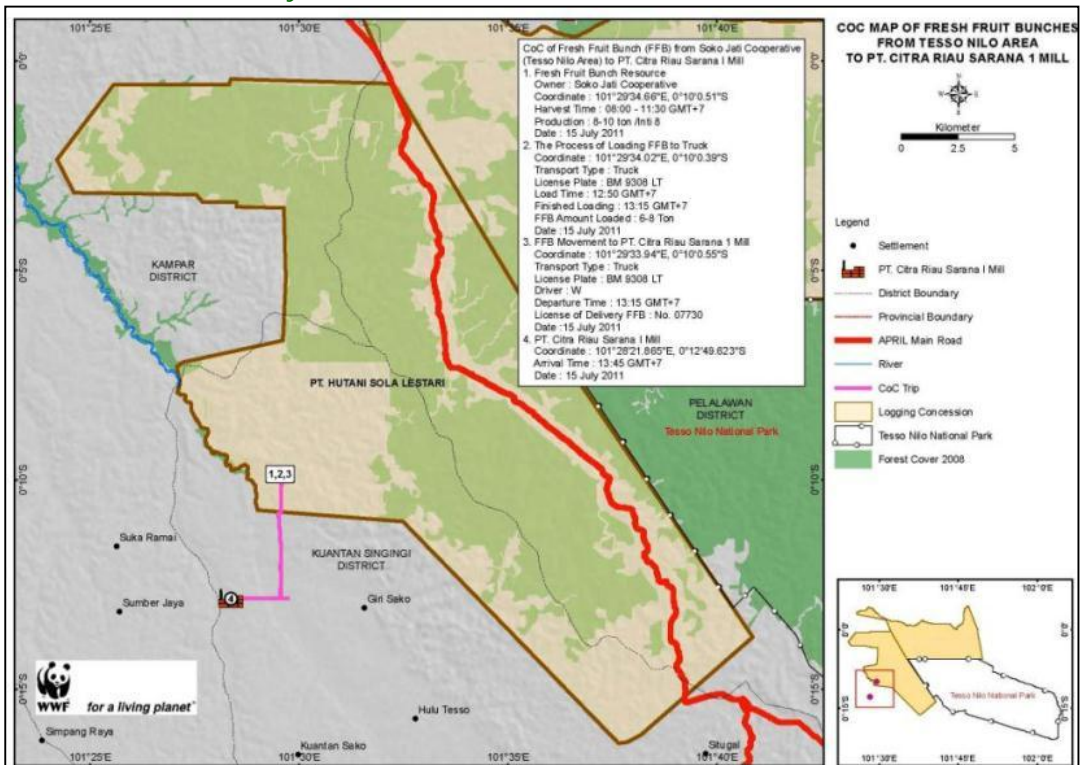
- One chain of custody of FFB illegally grown in PT. Hutani Sola Lestari to PT. Citra Riau Sarana I owned by Wilmar.
- Three chains of custody of FFB illegally grown in Tesso Nilo National Park to PT. Citra Riau Sarana II and III owned by Wilmar.
- Two chains of custody of CPO from PT. Citra Riau Sarana I and II mills to Wilmar's Nabati Indonesia refinery.

The following maps show locations where photos were taken in the field and transportation routes of FFB and CPO to Wilmar facilities. Additional evidence of the investigation including photos with GPS coordinates is available upon request.



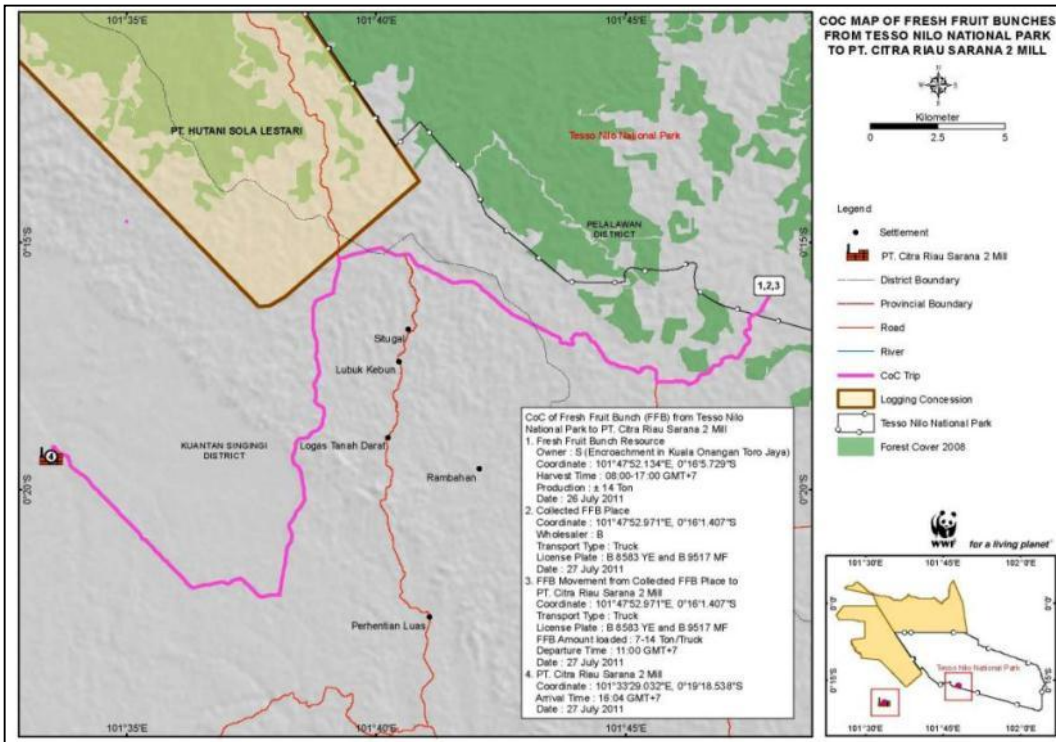
Map 5. Location of mills of Wilmar's PT. Citra Riau Sarana 1, 2 and 3 west of the Tesso Nilo forest complex (yellow dots #4-6 and associated photos with the same numbers) and the illegal plasma oil palm plantation of the Soko Jati cooperative, funded and operated by PT. Citra Riau Sarana inside the PT. Hutani Sola Lestari logging concession (photos #1-6 were taken at the locations of the yellow dots with the same numbers).

Wilmar Chain of Custody 1



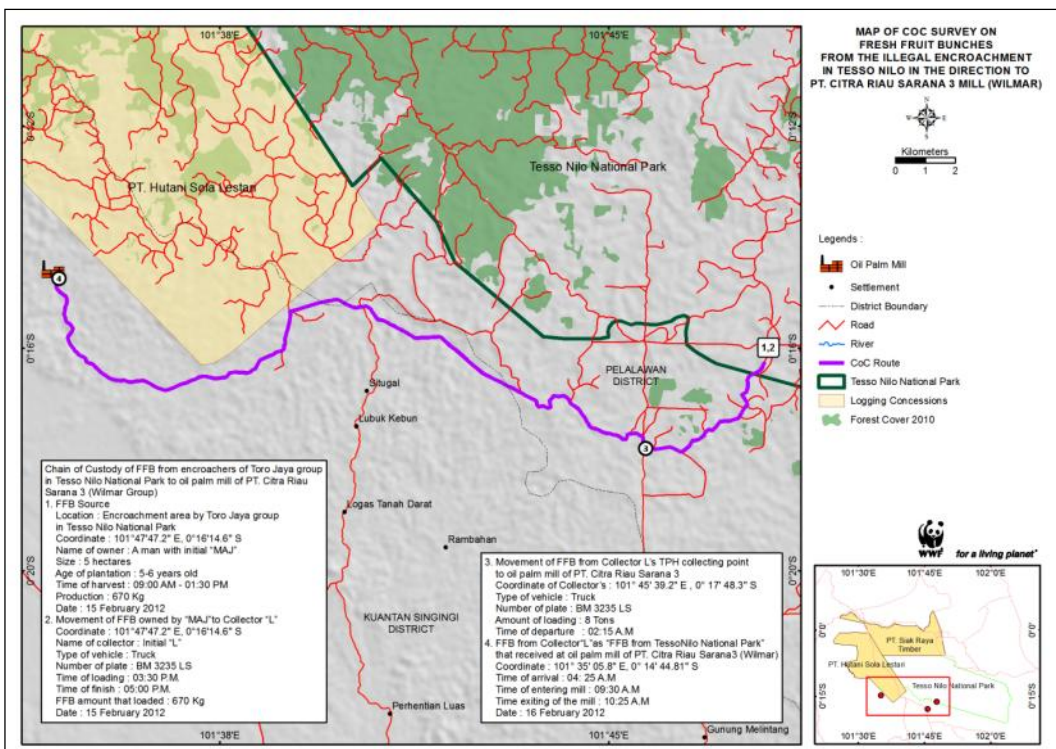
Map 6. FFB grown illegally inside the PT. Hutani Sola Lestari concession was received by Wilmar's PT. Citra Riau Sarana 1 mill on 15 July 2011.

Wilmar Chain of Custody 2



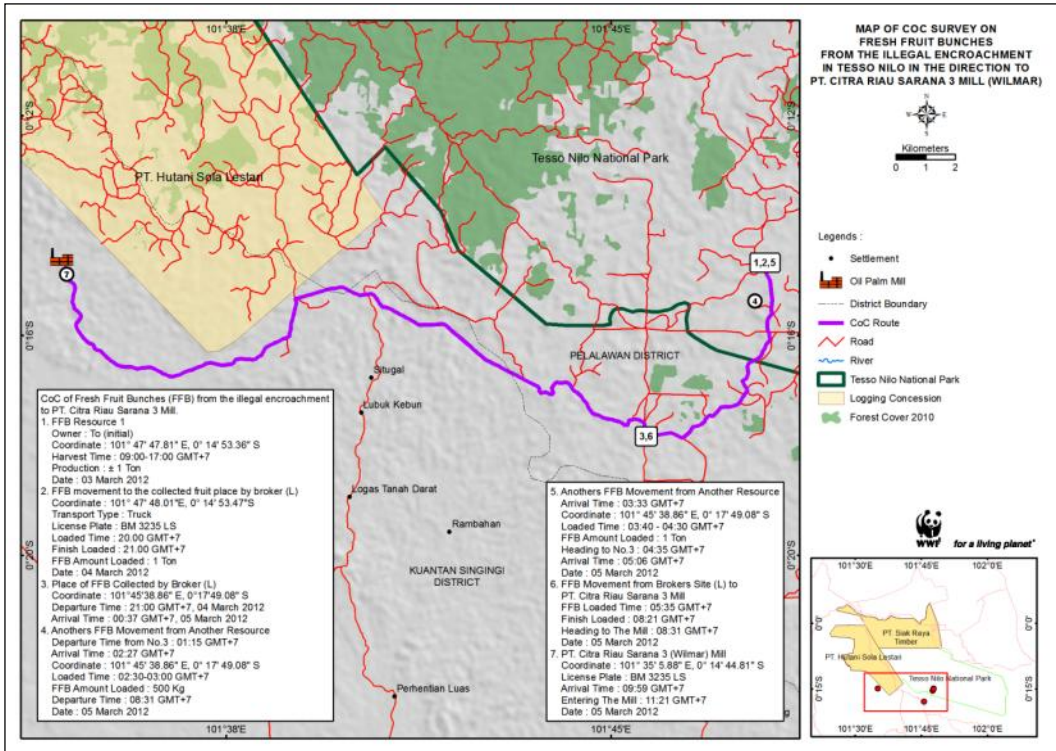
Map 7. FFB grown illegally inside Tesso Nilo National Park was received by Wilmar's PT. Citra Riau Sarana 2 mill on 27 July 2011.

Wilmar Chain of Custody 3



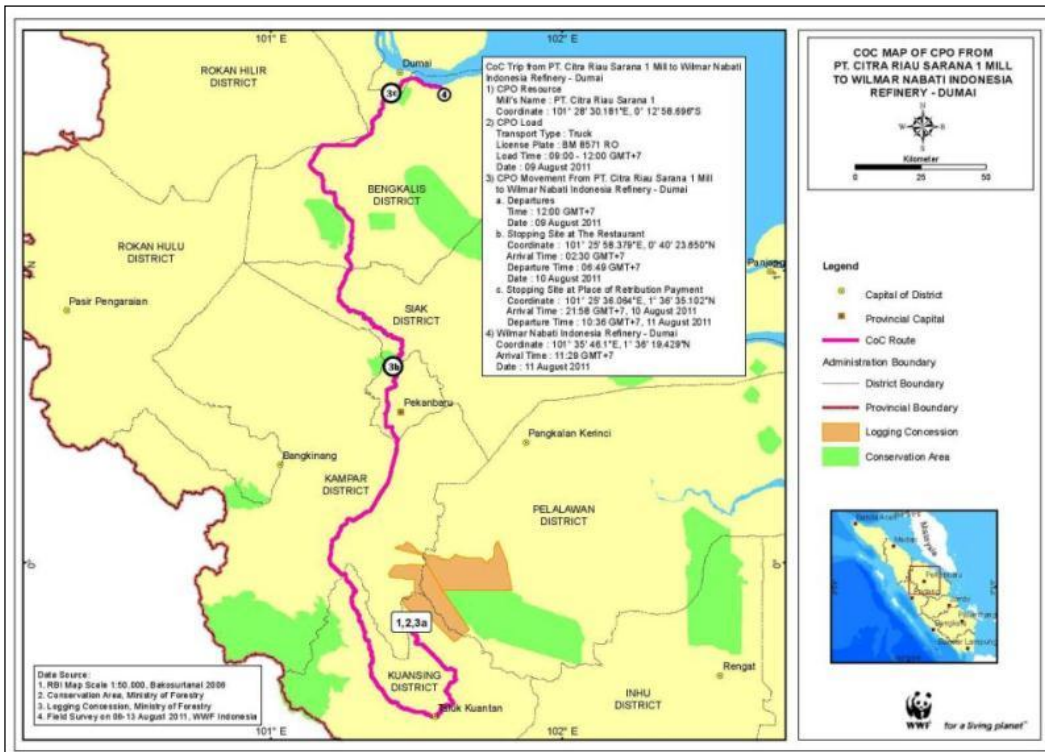
Map 8. FFB grown illegally inside Tesso Nilo National Park was received by PT. Citra Riau Sarana 3 mill on 16 February 2012.

Wilmar Chain of Custody 4

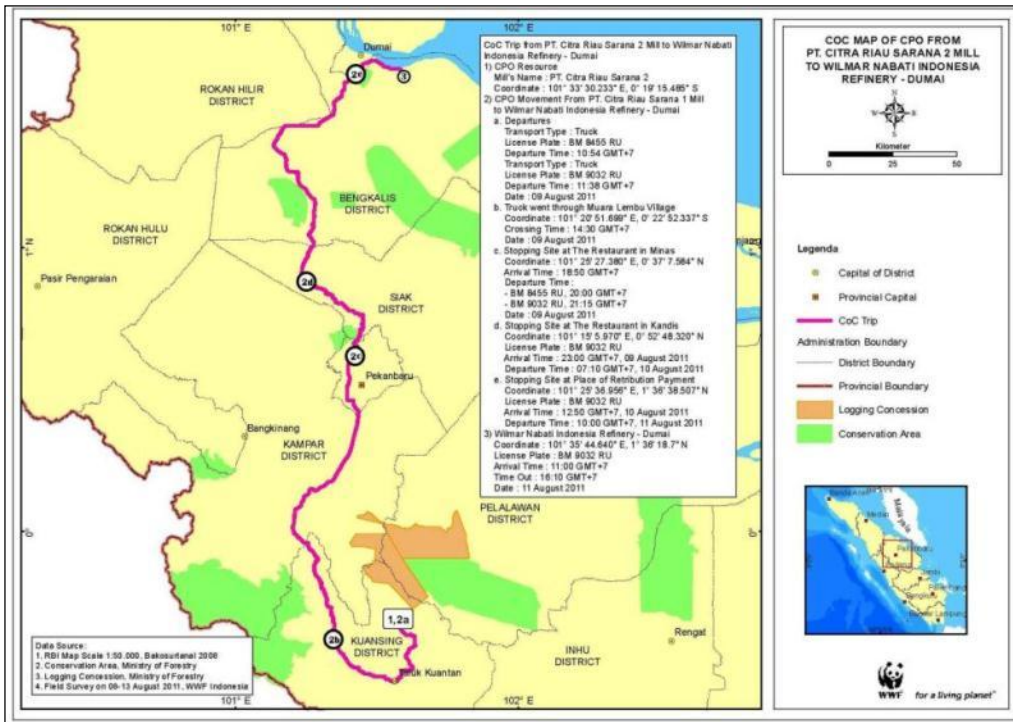


Map 9. FFB grown illegally inside Tesso Nilo National Park was received by PT. Citra Riau Sarana 3 mill on 5 March 2012.

Wilmar Chain of Custody 5



Map 10. CPO from Wilmar's PT. Citra Riau Sarana 1 mill likely contaminated with oil from FFB grown illegally inside the PT. Hutani Sola Lestari concession was received by Wilmar's Nabati Indonesia refinery on 11 August 2011.



Map 11. CPO from Wilmar's PT. Citra Riau Sarana 2 mill likely contaminated with FFB grown illegally inside Tesso Nilo National Park was received by Wilmar's Nabati Indonesia refinery on 11 August 2011.

2.5.2. FFB Supply from Tesso Nilo Forest Complex to Asian Agri's Mills

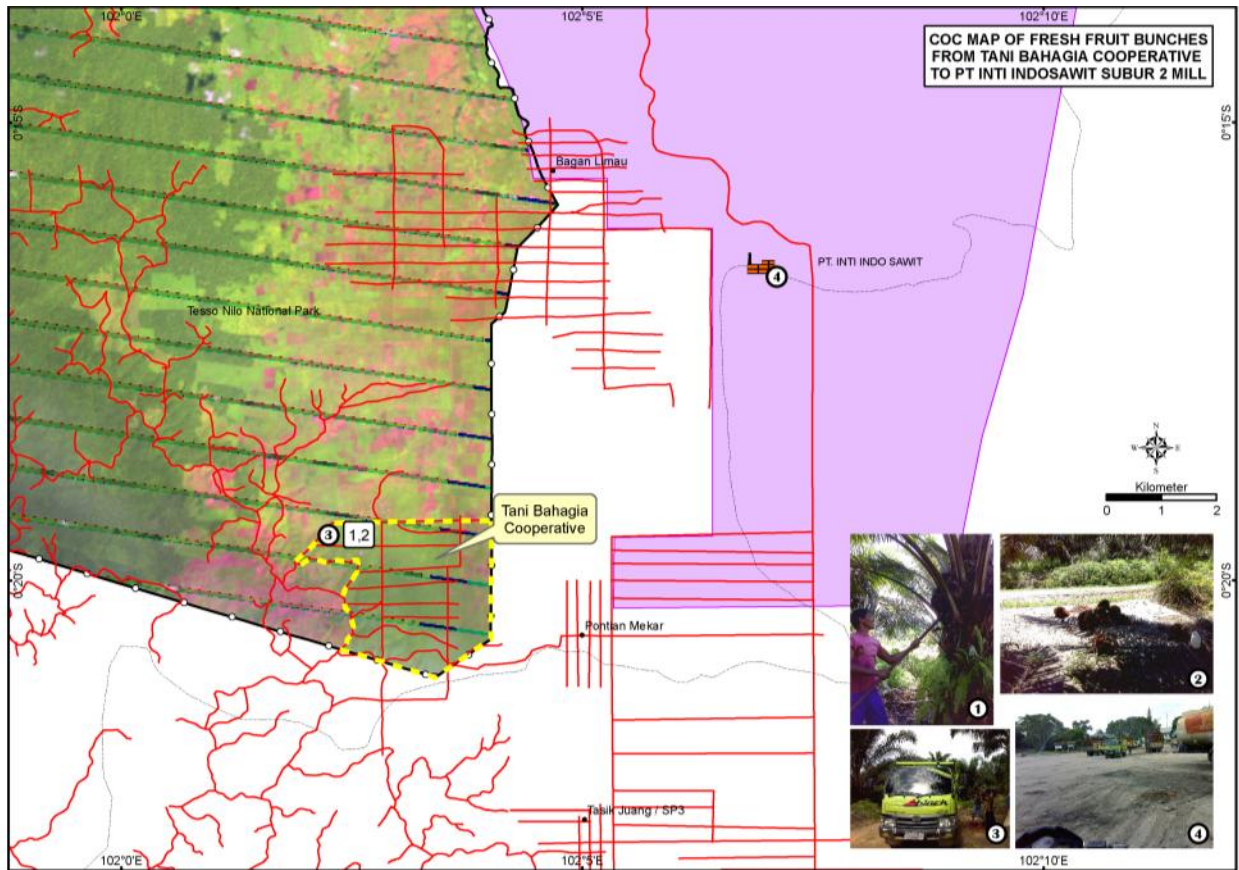
WWF found two CPO mills owned by PT. Inti Indosawit Subur and one CPO mill owned by PT. Mitra Unggul Pusaka owned by Asian Agri to have received FFB coming from the Tesso Nilo forest complex. Each mill has a FFB processing capacity of 60 tons/hour.²¹

WWF established:

- One chain of custody of FFB illegally grown in PT. Siak Raya Timber concession to PT. Mitra Unggul Pusaka owned by Asian Agri
- Four chains of custody of FFB illegally grown in Tesso Nilo National Park to PT. Inti Indosawit Subur Ukui owned by Asian Agri.
- One CPO chain of custody coming from PT. Inti Indosawit Subur Ukui II owned by Asian Agri to Dumai Port (Indonesia).

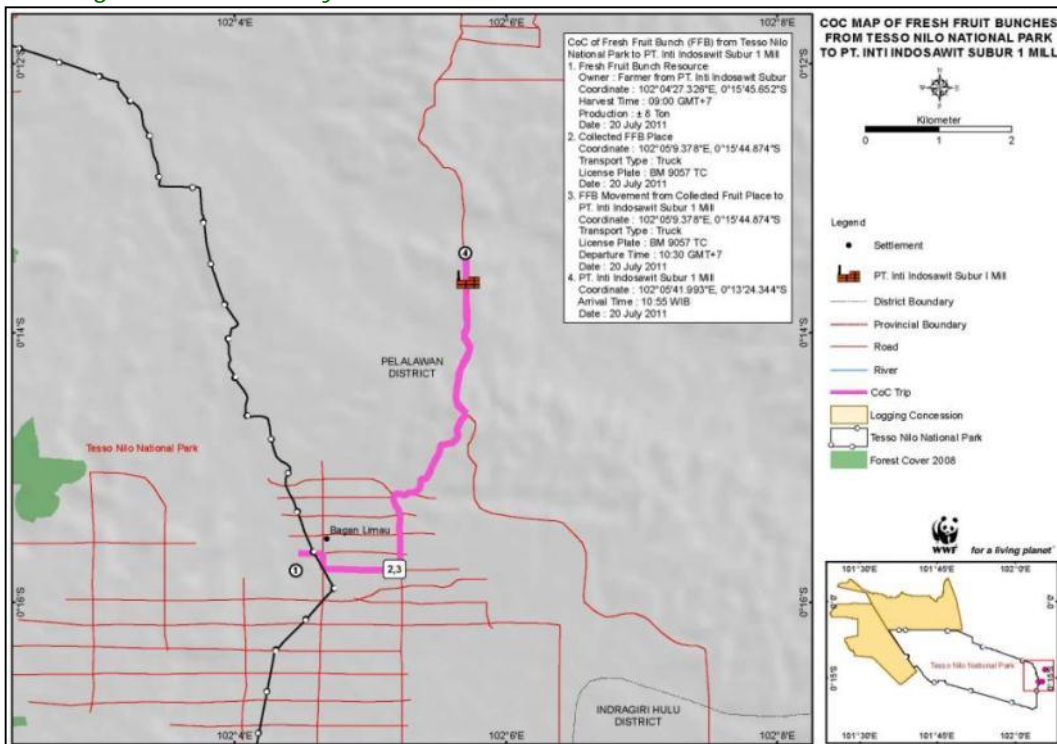
The following maps show locations where the photos were taken in the field and FFB and CPO transportation routes to Dumai port. More evidence from the investigation including photos with GPS coordinates is available upon request.

²¹Dinas Perkebunan Riau (2009), Dinas Perkebunan Riau (Juni 2011), Dinas Perkebunan dan Badan Lingkungan Kabupaten Kampar, Kabupaten Pelalawan, Kabupaten Indragiri Hulu dan Kabupaten Kuantan Singingi (2010-2011).



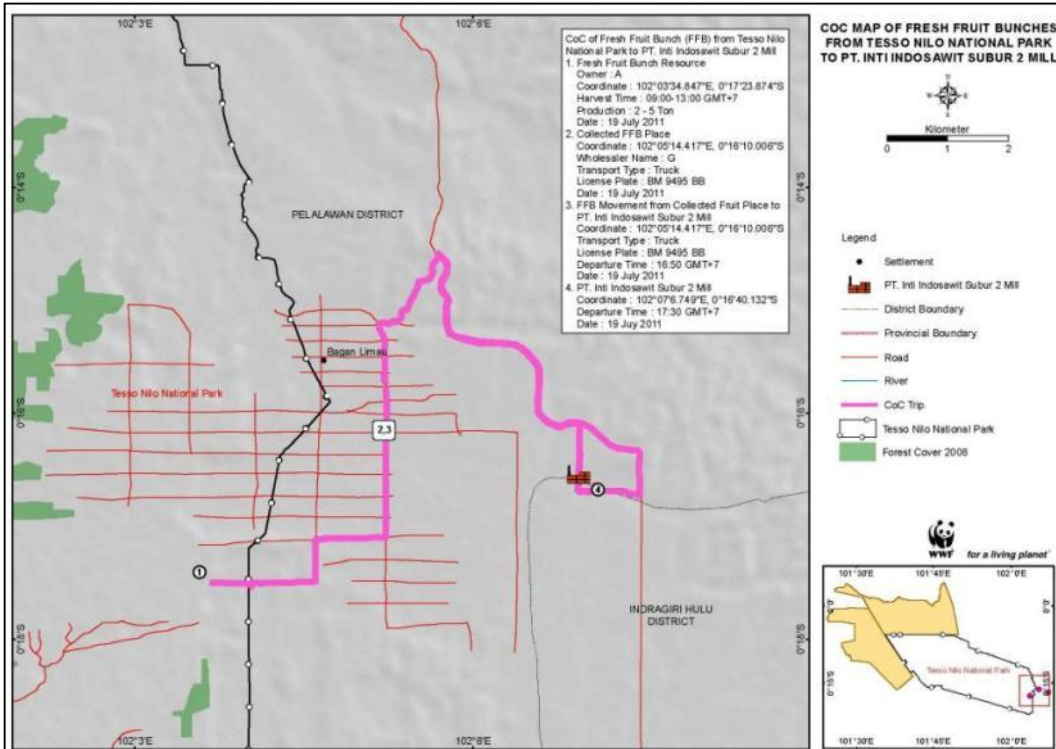
Map 12. Location of three mills of Asian Agri's PT. Inti Indosawit Subur 2 mill in the east of Tesso Nilo National Park (yellow dot #4) and the plasma oil palm plantation of the Tani Bahagia cooperative, funded and operated by PT. Inti Indosawit Subur inside Tesso Nilo National Park (photos #1-4 were taken at the locations of the same numbers in the map).

Asian Agri Chain of Custody 1



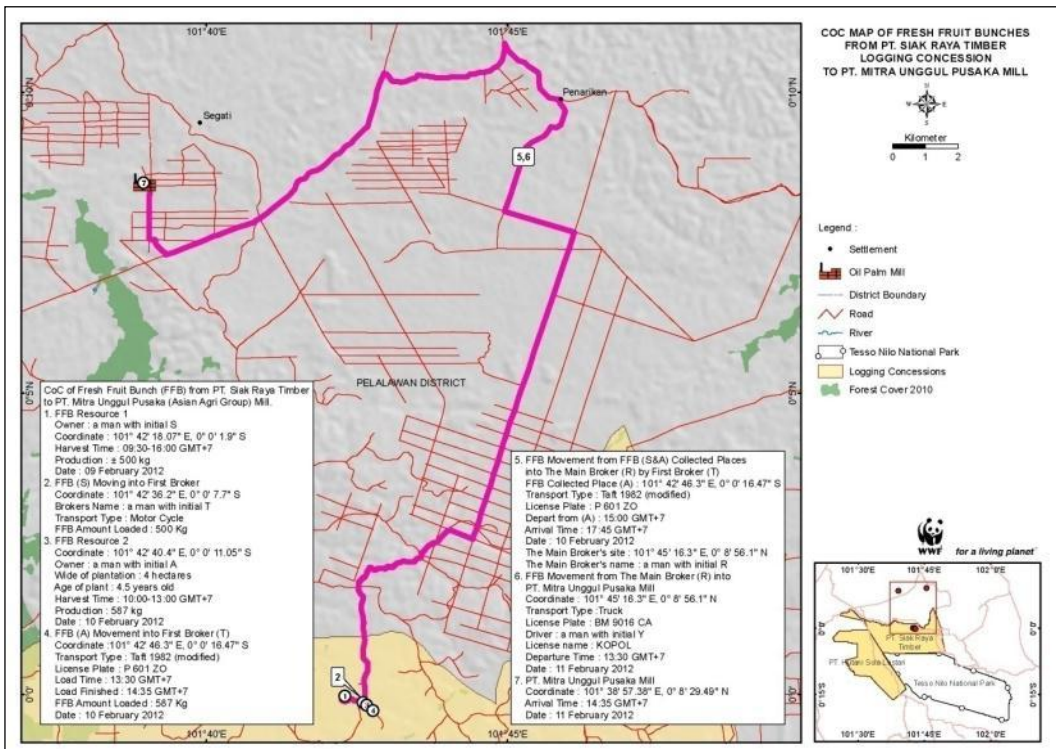
Map 13. FFB illegally grown inside Tesso Nilo National Park was received by Asian Agri's PT. Inti Indosawit Subur 1 mill on 20 July 2011.

Asian Agri Chain of Custody 2



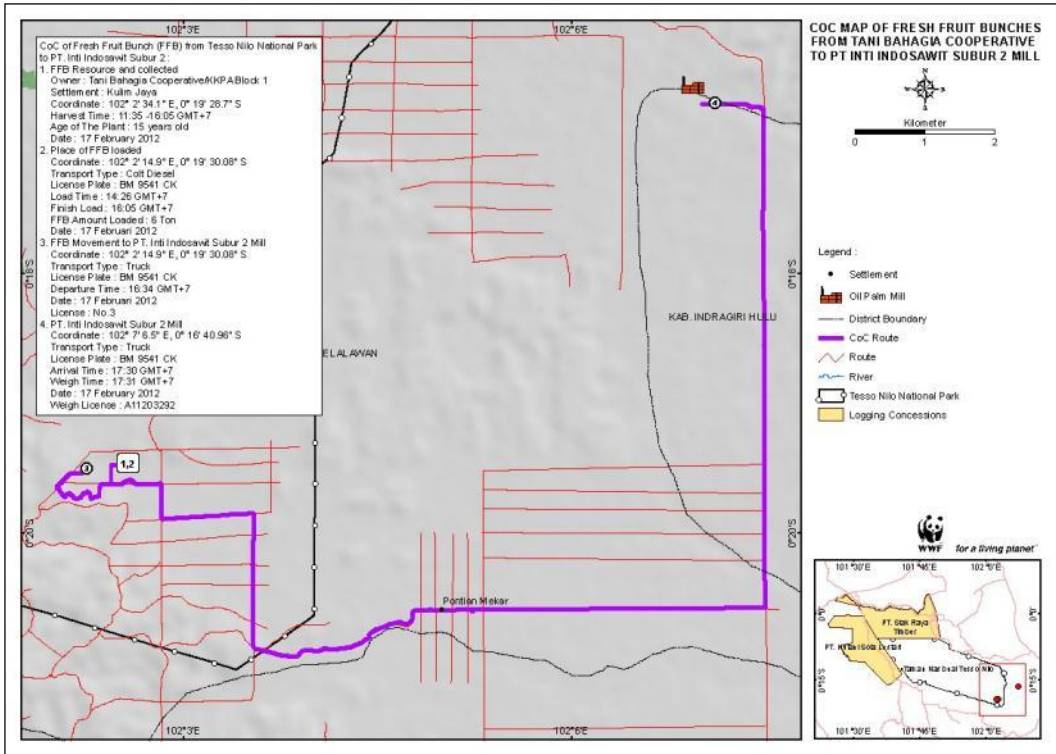
Map 14. FFB illegally grown inside Tesso Nilo National Park was received by Asian Agri's PT. Inti Indosawit Subur 2 mill on 19 July 2011.

Asian Agri Chain of Custody 3



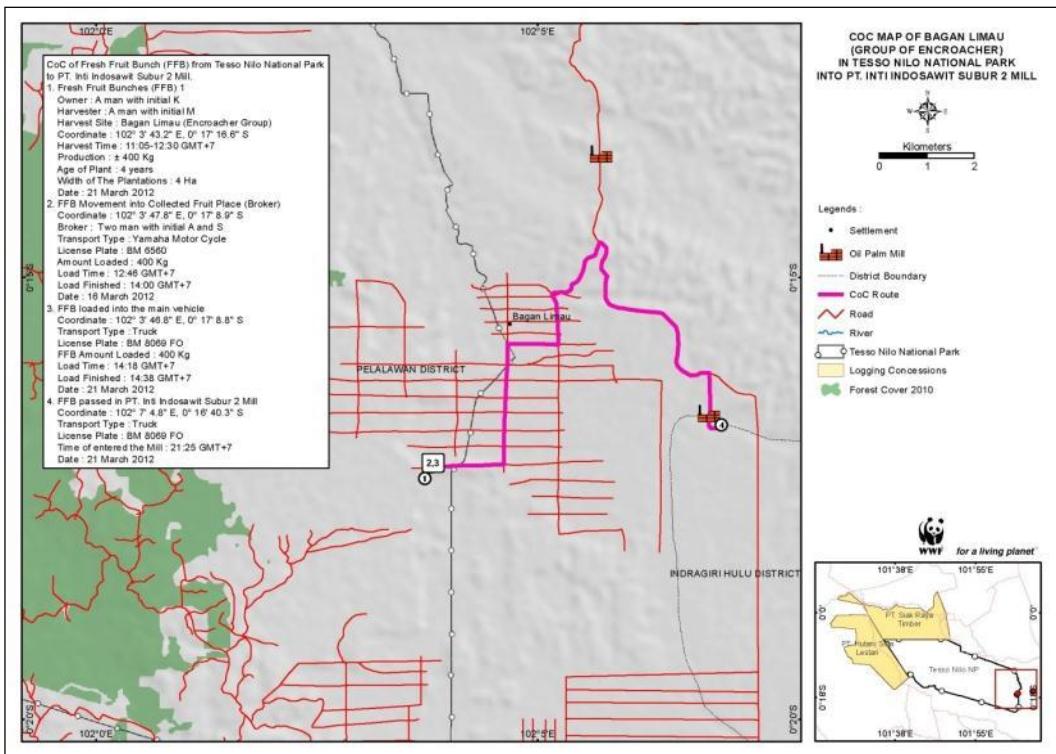
Map 15. FFB illegally grown inside the PT. Siak Raya Timber HPH concession was received by Asian Agri's PT. Mitra Unggul Pusaka mill on 11 February 2012.

Asian Agri Chain of Custody 4

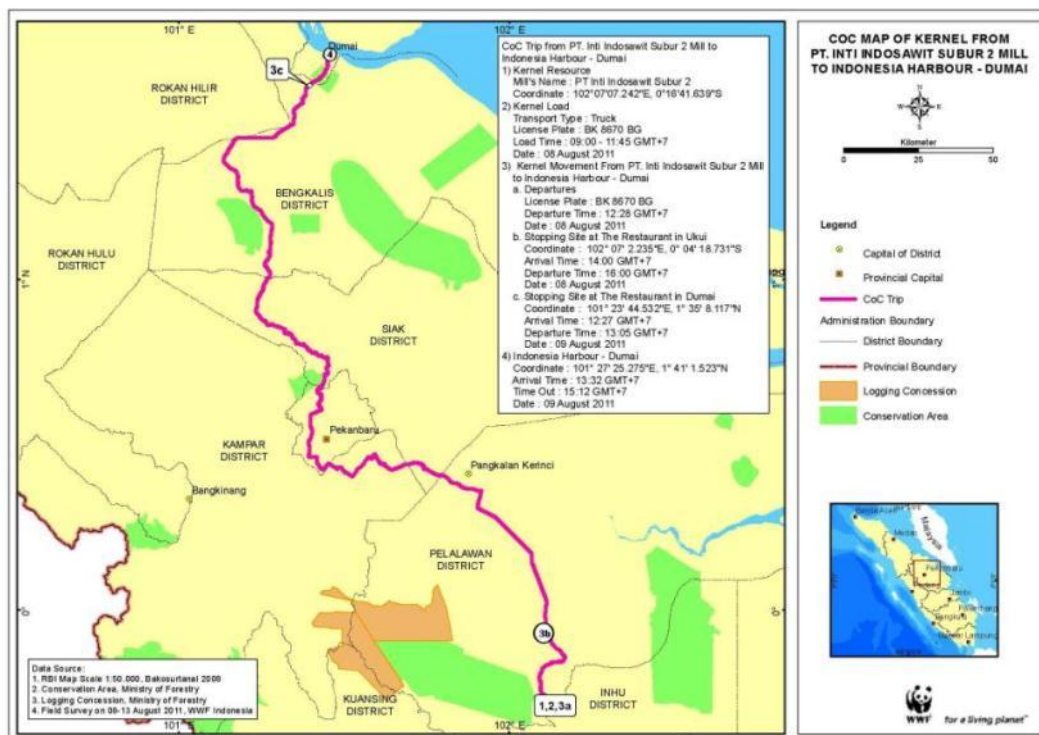


Map 16. FFB illegally grown inside Tesso Nilo National Park was received by Asian Agri's PT. Inti Indosawit Subur 2 mill on 17 February 2012.

Asian Agri Chain of Custody 5



Map 17. FFB illegally grown inside Tesso Nilo National Park was received by Asian Agri's PT. Inti Indosawit Subur Ukui 2 mill on 21 March 2012.



Map 18. Kernel likely contaminated with supplies grown illegally inside Tesso Nilo National Park from Asian Agri's PT. Inti Indosawit Subur 2 mill entered into the Dumai port facility on 9 August 2011.

2.6. Flows of Tainted Palm Oil from Tesso Nilo Forest Complex into Global Market

Dumai Port in Riau is Indonesia's largest CPO exports facility, shipping CPO to 83 countries in the world, including the Netherlands, China and India. The latter are the largest importers of CPO from Dumai Port²². The Industry and Trade Service of Dumai City said that CPO exports reached 7,807,475 tons in 2009 and 7,534,751 tons in 2010. In 2010 CPO exports established a new record with a selling price of USD 5,521 billion²³.

Wilmar and Asian Agri are both major players in the global palm oil market. Wilmar, incorporated in Singapore, is not only one of the largest plantations in the world—as well as the largest palm oil refinery in Indonesia and Malaysia—but also the biggest trader of palm oil in the world based on volume.²⁴ In 2010, Wilmar was Asia's largest agribusiness company with a market capitalization of US\$28 billion and revenues of US\$24 billion.²⁵ Wilmar is listed on the Singapore Stock Exchange.

This investigation shows that CPO, refined products and / or kernel-derived products produced by Wilmar and Asian Agri likely contain FFB illegally grown inside the Tesso Nilo forest complex and may have reached global supply chains.

²²DumaiPos daily (9 August 2011)

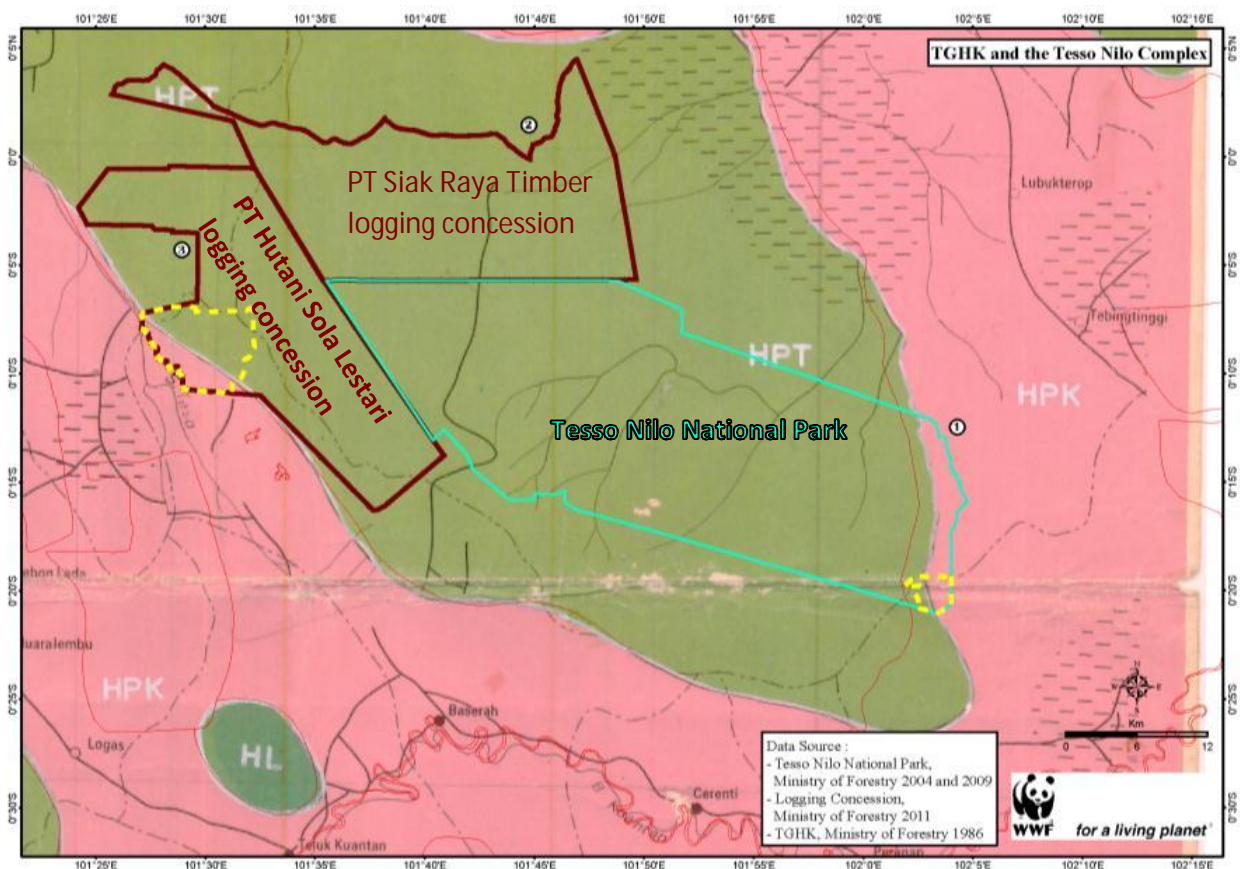
²³DumaiPos daily (9 August 2011)

²⁴<http://foxbusiness.com/news/2012/02/22/wilmar-international-4q-net-rises-but-margin-fears-weigh/>

²⁵www.forbes.com/global/2010/0809/singapore-10-40-richest-kuok-khoon-hong-wilmar-harvest.html

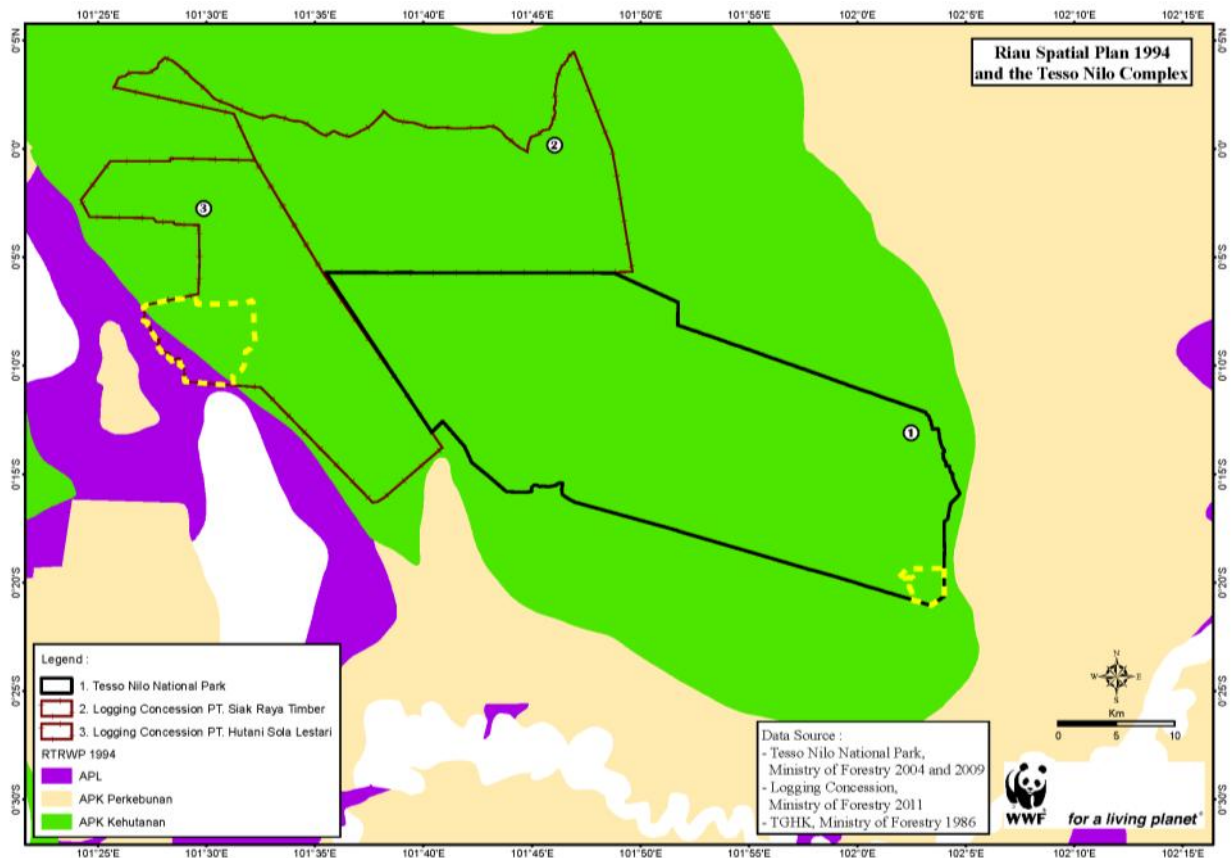
3. LEGALITY OF OIL PALM DEVELOPMENT IN THE TESSO NILO FOREST COMPLEX

With regard to the Tesso Nilo forest complex history (Appendix 1), the area is “Forest Estate” based on Consensus of Forest Land Use (TGHK, Ministry of Forestry Decree No 173/Kpts-II/1986) or 1994 Riau Province Spatial Planning. TGHK is recognized by Article 81 of Law No 41/1999 on Forestry, which is reaffirmed by Constitutional Court Decision No. 45/PUU-IX/2011²⁶. According to forestry law in Indonesia, oil palm plantation or other agricultural commodity development inside the Tesso Nilo forest complex is illegal (Appendix 2). The cohesiveness of the national park must be protected by the Ministry of Forestry while the two logging concession license holders are legally obliged to maintain and protect their working concessions licensed by the government from disturbances such as conversion into oil palm plantation by irresponsible parties.



Map 19. Land use status of the Tesso Nilo forest complex based on TGHK, boundaries of Tesso Nilo National Park and two selective logging concessions and oil palm plantations allegedly associated with Wilmar (left yellow hatchet boundary) and Asian Agri (right yellow hatchet boundary) (see Chapter 2.3).

²⁶ With regard to transitional provision of Forestry Law, especially Article 81: “Forest estate designated and/or stipulated by existing regulation, before this regulation is deemed as applicable based on this law”, according to Constitutional Court, even though for Article 1 point 3 and Article 81 Regulation a quo use the phrase designated and/or stipulated, the “designated and/or stipulated” in Article 81 Regulation a quo is legitimate and binding.



Map 20. RTRWP 1994 zoning of the Tesso Nilo forest complex.

Appendix 1. History of the Tesso Nilo Forest Complex

No	Year	Law Regulation/ Other Documents	Description
1	1974	Minister of Agriculture Ministerial Decree No 410/Kpts/Um/7/1974 dated 30 th July 1974 granting Forest Concession Rights (HPH) for PT. DWI MARTA of 120.000 ha area.	Minister of Agriculture granted Forest Concession Rights to PT.DWI MARTA of 120,000 ha area for 20 years. This area is located inside Tesso Nilo forest complex.
2	1979	Minister of Agriculture Decree No 231/Kpts/Um/3/1979 Dated 27 March 1979 granting Forest Concession Rights (HPH) for PT. Nanjak Makmur of 48,370 ha area.	Minister of Agriculture granted Forest Concession Rights to PT. Nanjak Makmur of 48,370 ha area for 20 years.
3	1986	Minister of Forestry Decree No 173/Kpts-II/1986 Dated 6 th June 1986 about designation of forest areas in Riau Province as Forest Estate.	This decree then known as Concensus of Forest Land-use (TGHK), whereas the whole area of the Tesso Nilo forest complex was established as Forest Estate.
4	1986/1987		Definitive boundary demarcation was conducted in the Tesso Nilo forest complex based on TGHK in the field by Pekanbaru Inventory and Forest Mapping Agency.
5	1988 s/d 1997	<p>Forest Delineation Process Document</p> <ol style="list-style-type: none"> 1. Forest Delineation Process Document dated 18 March 1988 announced in Sengawek, Sotol, Buluh Nipis, Sungai Pagar and Pantai Raja Village (Kampar District) witnessed and conducted by the head of villages. 2. Forest Delineation Process Document dated 24th March 1990 announced in Segati, Pangkalan Gondai, Kesuma and Lubuk Kembang Bunga Village (Kampar District), announced and conducted by the head of villages. 3. Forest Delineation Process Document dated 21st February 1992 announced in Situgal, 	Announcement for border pegging was intended to give some time for relevant parties in the Limited Production Forest Area in the Tesso Nilo Forest Complex to file their objection. Until June 2011 no one filed any objection.

No	Year	Law Regulation/ Other Documents	Description
		<p>Teratak Baru and Gunung Melintang Village (Indragiri Hulu District) witnessed and conducted by the head of villages.</p> <p>4. Forest Delineation Process Document dated 4th September 1997 announced in Plangko and Batu Rijal Hulu Village (Indragiri Hulu District) witnessed and conducted by the head of villages.</p>	
6	1990	<p>Minister of Forestry No 510/Kpts-II/1990, Dated 19th September 1990,</p> <p>Amendment of Minister of Agriculture Decree No 410/Kpts/Um/7/1974 Dated 30th July 1974 about Forest Concession Rights to PT. DWI MARTA.</p>	Amendment of Forest Concession Rights for PT. DWI MARTA, from 120,000 ha to 105,300 ha.
7	1994	Riau Provincial Regulation No 10/1994 about Riau's Provincial spatial plan.	Tesso Nilo forest complex included in Forest Estate Development Plan.
8	1995	Minister of Forestry Decree No 1039/Menhut-IV/1995 Dated 13 July 1995 about designation and assignment PT. INHUTANI IV to manage and work in 57,850 Ha of Ex Forest Concession of PT. DWI MARTA.	
9	1995	Minister of Forestry Decree No 1039/Menhut-IV/1995 dated 13th July 1995 designation and assignment PT. INHUTANI IV to manage and work in 57,850 Ha of Ex Forest Concession of PT. DWI MARTA.	Minister of Forestry appointed and assigned PT. INHUTANI IV to manage and work in 57,850 ha of Ex Forest Concession of PT. DWI MARTA.
10	1998	<p>Minister of Forestry No 14/Kpts-II/1998 dated 6th January 1998.</p> <p>Granting of Concession Rights for Industrial Plantation with Silviculture/ Selective Cutting and Line Planting to PT. INHUTANI IV in ± 57,873 Ha areal in Riau Province.</p>	Minister of Forestry granted concession rights for Industrial Plantation with Silviculture/ Selective Cutting and Line Planting to PT. INHUTANI IV in ± 57,873 Ha areal in Riau Province.
11	1999	Minister of Forestry Decree No	Minister of Forestry granted IUPHHK

No	Year	Law Regulation/ Other Documents	Description
		804/Kpts-VI/1999 dated 6 th October 1999 granting IUPHHK (Forest Timber Product Exploitation Permit) to PT. Hutani Sola Lestari in ±45,990 ha areal.	(Forest Timber Product Exploitation Permit) for Natural Forest, which initially was Forest Concession Rights, for ±45.990 ha areal in Riau Province for 55 Years. This area is located inside Tesso Nilo forest complex.
12	2000	Minister of Forestry Decree No 108/Kpts/II/2000 dated 29th December 2000 about extension of Forest Concession Rights to PT. Nanjak Makmur of 48.370 ha areal.	
13	2001	Minister of Forestry No 89/Kpts-II/2001 granting IUPHHK (Forest Timber Product Exploitation Permit) for ±38.560 Ha area to PT. Siak Raya Timber.	The area is located inside Tesso Nilo forest complex.
14	2002	Minister of Forestry Decree No 10258/KPTS-II/2002 Dated 13 December 2002. Annulment of Minister of Forestry Decree No 14/KPTS-II/1998 dated 6th January 1998 on granting forest concession rights for industrial plant with Silviculture/ Selective Cutting and Line Planting to PT. INHUTANI IV in ± 57,873 Ha areal in Riau Province.	Minister of Forestry annuled PT. Inhutani IV's Forest Concession Rights as stated on Minister of Forestry No 14/Kpts-II/1998 dated 6th January 1998 about the granting of forest concession rights for industrial plant with Silviculture/ Selective Cutting and Line Planting to PT. INHUTANI IV in ± 57,873 Ha. Minister of Forestry asked Inhutani IV to stop all its activities in the area. Asking the Governor of Riau to monitor and safeguard this decision.
15	2003	Minister of Forestry No 282/Kpts-II/2003 dated 25th August 2003 Minister of Forestry Decree No 10258/Kpts-II/2002 dated 13th December 2002 on the annulment of Minister of Forestry Decree No 14/Kpts-II/1998 dated 6th January 1998 on granting forest concession rights for industrial plant with Silviculture/ Selective Cutting and Line Planting to PT. INHUTANI IV in ± 57,873 Ha areal in	Minister of Forestry changed Ministry of Forestry Decree No 10258/Kpts-II/2002 dated 13 December 2002, by preparing Tesso Nilo Forest area as Elephant Conservation Area.

No	Year	Law Regulation/ Other Documents	Description
		Riau Province	
16	2004	Minister of Forestry Decree No 255/Menhut-II/2004 dated 19 July 2004 Amendments of function of some Limited Production Forest in Tesso Nilo Forest Area of ± 38.576 located in Pelalawan and Indragiri Hulu District, Riau Province into Tesso Nilo National Park.	Ex Forest Concessions PT. DWI MARTA/PT. INHUTANI IV of ± 38.576 changed into Tesso Nilo National Park.
17	2009	Ministry of Forestry Decree signed on 15 th October 2009 Mp. 663/Menhut-II/2009 about Amendment of Function of Limited Production Forest in Tesso Nilo Forest Area of ± 44.492 ha in Pelalawan District, Riau Province into national park as the extension of Tesso Nilo National Park.	Ex Forest Concession Nanjak Makmur of ± 44.492 ha altered its function into Tesso Nilo National Park.

Appendix 2. *Legality of Oil Palm Plantation*

In Riau Province, the 1986 Consensus of Forest Land Use (TGHK) issued by the Ministry of Forestry is the current active land use plan. The regulation allows development of oil palm plantations only in the Non Forest Estate (Non Kawasan Hutan), or land allocated for other purposes (Areal Penggunaan Lain/APL) zone. Oil palm cannot be planted inside the Forest Estate (Kawasan Hutan), defined as land managed by the Ministry of Forestry whether it is covered by natural forest or not²⁷. Development of oil palm plantations can only be conducted with a Forest Estate Release Permit (Izin Pelepasan Kawasan Hutan)²⁸ issued by the Ministry of Forestry.

Private and state-run companies need to obtain several permits to develop plantations:

- I. Forest Estate Preparation Principle Permit (Izin Prinsip Pencadangan Kawasan Hutan) from the Ministry of Forestry is always required.
- II. Forest Estate Release Permit (Izin Pelepasan Kawasan Hutan/IPKH) from the Ministry of Forestry is required only when applying for an area within the Forest Estate²⁹.

²⁷ Article 50 (3) (a) of Forestry Law 1999 (known as Undang-Undang No 41 Tahun 1999 Tentang Kehutanan) provides that no one is allowed to cultivate and/or use and/or occupy illegally a forest area.

²⁸ Article 1 (14) of Ministry of Forestry's Regulation No.50 (Peraturan Menteri Kehutanan RI No: P.50/Menhut-II/2009 tentang Penegasan Status Dan Fungsi Kawasan Hutan) states that Forest Estate Release Permit is a letter of authority confirming the release of forest area to be used for the development of transmigration, settlements, agriculture and plantations that has been established by the Ministry of Forestry.

²⁹ Article 15 (g) of Ministry of Agriculture Decree No.26 (Peraturan Menteri Pertanian NOMOR:26/Permentan /OT.140/2/2007 tentang Pedoman Perizinan Usaha Perkebunan)

- III. Definitive Business Use Right (*Hak Guna Usaha*/HGU) from the National Land Affairs Agency (Badan Pertanahan Nasional/BPN) is always required³⁰.
- IV. Cultivation Business Permit (Izin Usaha Perkebunan/IUP) from the relevant authority is always required³¹.

These permit requirements do not apply for smallholders who develop plantations of less than 25 ha.³² But smallholders are not eligible to apply for Forest Estate Release Permits.³³

The whole Tesso Nilo forest complex is under the “Arahan Pengembangan Kawasan Kehutanan” (Forestry Area Development Guideline) based on the Riau Regional Regulation Number 10 Year 1994 on Provincial Land Use Plan. This does not allow oil palm plantation development inside the Tesso Nilo forest complex (Map 2)³⁴.

Based on the above, all palm oil plantations inside the Tesso Nilo forest complex are considered illegal.

Transactions of oil palm Fresh Food Bunches (FFB) originating from Tesso Nilo forest complex are considered illegal and anyone involved in the transaction process could face criminal charges³⁵.

³⁰ Article 28 (1) of Basic Agrarian Law 1960 (Undang-Undang No 5/1960) defined Hak Guna Usaha as the right to cultivate the land which is directly controlled by the State for a period of time as stipulated in Article 29 for enterprises in the field of agriculture, fishery or cattle breeding.

³¹ Article 1 (10) of Ministry of Agriculture Decree No.26 (Peraturan Menteri Pertanian NOMOR:26/Permentan /OT.140/2/2007 tentang Pedoman Perizinan Usaha Perkebunan) defines Plantation Business License for Cultivation as a written permission from an authorized office and is a compulsory possession for plantation cultivation businesses. Article 17 (5) of Plantation Law 2004 (Undang-Undang No. 18 Tahun 2004 tentang Perkebunan) states that the Plantation Business License should be given out by Governors and Mayors of the relevant regions/cities.

³² Article 5(1) Ministry of Agriculture Decree No.26 (Peraturan Menteri Pertanian NOMOR: 26/Permentan/OT.140/2/2007 tentang Pedoman Perizinan Usaha Perkebunan) provides that the only necessary procedure for plantations less than 25 hectares is registration with the region government’s office.

³³ Article 3(5) in Joint Decision of Ministry of Forestry and Ministry of Agriculture (Keputusan Menteri Kehutanan Dan Perkebunan Nomor : 376/Kpts-II/1998) provides that forest area that can be released for the plantation of oil palms has to be a minimum of 10,000 hectares in size.

³⁴ Article 37(2) in Riau Regional Regulation Number 10 Year 1994 on Provincial Land Use Plan Year 1994 provides that everyone is under an obligatory legal duty to adhere with the determined spatial planning for the region.

³⁵ Supra Note 11.