

FINAL NARRATIVE REPORT

Project Title	Protecting the last rainforests of Borneo
Project Duration	1 Nov 2024 – 25 April 2025
Organization Name	LPESM Riau (Lembaga Pemberdayaan Ekonomi dan Sosial Masyarakat Riau)
Location of Project	North Kalimantan and East Kalimantan
Date of the submission of the report	28 April 2025
Possible Peer Partner Organization	Koalisi Jaga Hutan Alam, Auriga Nusantara, Green of Borneo, EPN
Funding	Euro 7,000

I. Planned Activity

The project covers 2 activities which includes:

1. **Research:** on investment of PT. Phoenix Resources International which will be carried out by Auriga Nusantara
2. **Assessment:** on the social impact of Phoenix Mill and its suppliers (pulpwood plantation companies) in Kalimantan (focus on Tanah Tidung, Nunukan, and Tarakan subdistricts).

II. Implementation of Activity and Results

Research on China's Relate Investment supporting deforestation in Indonesia is done by Auriga Nusantara. The purpose of the research is to investigate and to map relation between China's investment which link to deforestation in Indonesia, particularly Borneo, Kalimantan Island. The target of the investigation is PT Phoenix Resource International, and PT Balikpapan Chip Mill and its suppliers. The link into China is identified through the following aspect includes shareholding --- direct or indirect, Company or individual with Chinese domicile/nationality, linkage in the form of supply chain through supply of raw materials or sale of products, and source of loan/debt. Some findings of the research are:

1. The majority shareholders of Chung Hua United Resources Sdn Bhd and Chung Hua United Capital Sdn Bhd are under the ownership of Phoenix Resources Holdings Ltd, a company established in the Cayman Islands.
2. Chinese Company Collaborates with MPX Logistics to Work on PT Phoenix Resources Project International. MPX Logistics International (MPXL), an international logistics company announced the signing of a strategic partnership contract with PT China West Development Indonesia for projects in Indonesia on May 31, 2023.
3. In terms of share ownership structure, the shareholders of PT Balik Papan Lestari (BCL) are Malaysian companies, BCL Industrial Sdn Bhd and Great Mahakam Sdn Bhd. Their shareholder structure is related to Taroko Investment Holdings Limited, a corporation incorporated in the British Virgin Islands.
4. The shareholder structure of suppliers PT BCL and PT PRI is connected to Nusantara Fiber and companies registered in various countries including China, Hong Kong and tax haven countries.
5. Apart from the shareholding relationship with the Chinese Company, PT BCL also has a market relationship with a Company in Malaysia (EGL Capital Sudan. BHD), which is a supplier of the Company's products in China (Green Meadows Fiber Products Ltd). The area of natural forest at risk of China's investment impact due to increased demand for timber reaches 309,903 hectares spread across East Kalimantan and North Kalimantan.

Social Impact Assessment of PT Phoenix Resources International (PRI) and its concession PT Adindo Hutan Lestari (AHL)

Social impact assessment is carried out in 2 villages namely Melasu Baru village, subdistrict Seuku, North Kalimantan District, and Buong Baru village, subdistrict Betayau, Tana Tidung District, North Kalimantan. Assessment on social impact of PT PRI and its supplier was done in 2 step, firstly is overlay concession map with village map (spatial analysis), and conduct village meeting with community representatives (sources person) to dig further on village situation regarding company activities.

Some impact of PT PRI and PT ADL are as follows:

1. PT Adindo Hutani Lestari and other corporation such as PT. Intraca Wood, dan HGB milik PT. Inhutani Lestari control 70 percent of Tana Tidung Regency with a total area of 4,828.58 square kilometers which also include Government infrastructures and main roads.
2. PT ADL never did FPIC to Buong Baru village community when started their activity. FPIC is required to be done by the company at initial phase of their operation. The process mean that the company accept community consent and has inform the community about their plan and activity.
3. The activities of PT AHL have polluted the Betayau River in Buong Baru village, with waste from the company, even though the river is a source of livelihood for people who work as fishermen, and the Tidung indigenous people use water from the river for their daily needs such as for bathing and cooking. The community has protested by sending an official letter and submitting it to the PT AHL company but the management of PT AHL did not take it seriously. Others village affected by water pollution are Maning Village, and Kujau village.
4. That the entire area of Buong Baru Village with total area of $\pm 29.007,958$ Ha, including settlements, is included in PT AHL's concession, causing conflict between the indigenous Tidung people and the management of PT AHL.
5. PT AHL presence in 1994 in Buong Baru village had an impact on the loss of land rights of the Tidung indigenous people, hampering the space for the Tidung indigenous people to move and even criminalizing the Tidung indigenous people. Based on documentary evidence of ownership of land rights, the community was the first to be in the area, as evidenced by the existence of a letter in the form of SPPT in 1991 by one of the Tidung indigenous people who was criminalized by PT AHL, namely Pak AHAT (Buong Baru Village).
6. In Melasu Baru village, Seuku subdistrict, Nunukan District, 80% of village area totalling km³ are within (overlap with) PT ADL concessions. It causes uncertainty on how community manage their farm and land.
7. PT ADL never conduct proper FPIC process with Melasu Baru village community causing conflict between community and the company.

III. Conclusion and Recommendations

Conclusions

- i. Timber industry activity, from PT Phoenix Resources International, and PT Balikpapan Chip Mill and its concessions such as PT Adindo Hutani Lestari (ADL) has impact to the deforestation risks in North/East Kalimantan.
- ii. While China's related investment contributes to Indonesia deforestation not only investigated from shareholder structure, but also from the market supply chain.
- iii. PT Phoenix Resources International (PT RPI) and its concessions PT ADL has social impact not only on community social and economic life, but also on environment condition.

Conflict of land, and livelihood become real for the community to experience. In many cases, the companies did not conduct proper and standardized FPIC process.

Recommendations:

- i. When the investigation from shareholders structure may lead to the links between China's investment, there is a need to look at the link between China's financing sector who might support company's activities. This can be taken to figure whose to educate in order to safeguards companies' operation.
- ii. There is a need to have more wholistic social impact assessment to another impacted villages, as the project remains cover 2 villages.
- iii. It is necessity to disseminate and spread the result to parties who may have relation to China's financing organization such as bank, or investor. And support from China NGO's colleagues is strongly needed.

IV. Photos

Meeting with Buong Baru communities to collect information on how company operation impact community's life.

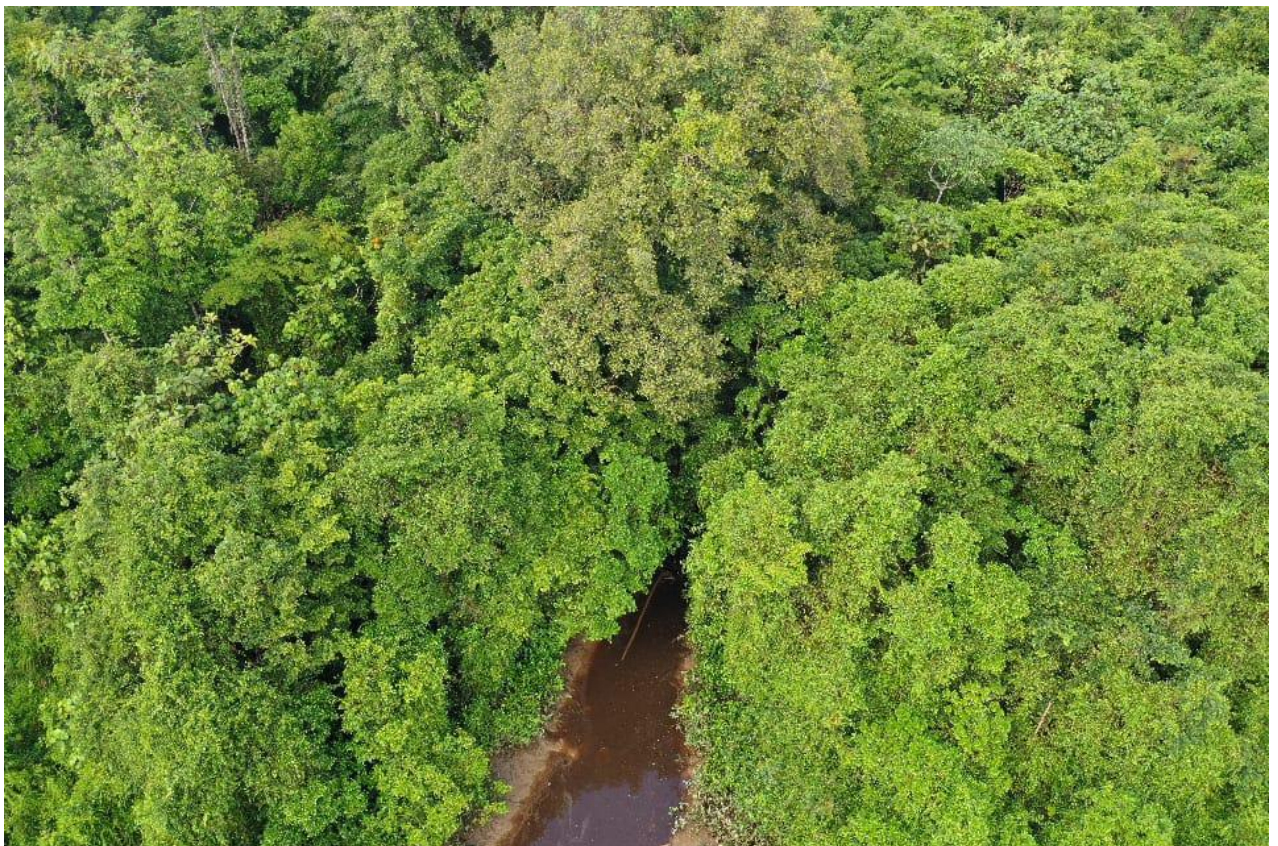




Eucalyptus Plantation in Melasu Baru village, Sebuku sub-district, Nunukan District, North Kalimantan



Forest and Community Land of Melasu Baru community's is under threat from PT ADL activities



Natural forest in Buong Baru village, Betayau subdistrict, District Tana Tidung



Eucalyptus plantation in Buong Baru village, Betayau subdistrict, Tana Tidung District

Risiko Deforestasi di Kalimantan

Riset/Identifikasi Jejaring Investasi China yang akan mendorong Deforestasi di Kalimantan Utara dan Kalimantan Timur

Jakarta, 26 Februari 2025

Kerjasama :

auriga **LPSM**

Discussion on Research and Assessment result and Finding with Green of Borneo and Auriga Nusantara, 25 February 2025