Opportunities and Challenges of Indonesian Pulp and Paper Industry

APKI
Jakarta, September 2016
130,000,000 ha of forest in Indonesia

70,000,000 ha set aside for production forestry

10,000,000 ha allocated to pulp and paper sector

4,000,000 ha currently utilized, allowing 6,000,000 ha for expansion

No. 10 for Pulp

No. 6 for Paper
Employees

- 1 mio direct employment
- 1.1 mio indirect human resources

Companies

- With 84 companies, consisting:
  - 4 pulp
  - 5 integrated
  - 55 paper
  - 20 paper (non APKI’s members)

Investments

- 4.6 billion (USD) of upstream investments (Industrial Forest Plantation/HTI)
- 15.3 billion (USD) of downstream investments (Pulp and Paper Industry)

Export

- Export of pulp and paper in 2015:
  - 3.4 mio mt of pulp
  - 4.2 mio mt of paper
- Export value in 2015:
  - 1.7 billion (USD) from pulp
  - 3.5 billion (USD) from paper
- Export ranking of forestry products 2011-2015:
  - Paper 1st
  - Pulp 3rd

Production

- 3% share of global paper production in 2015
- Listed on the Top 20 Global Pulp and Paper Producer in 2015:
  - Paper 6th
  - Pulp 10th
World's paper demand around 394 million mt, and is expected to grow on average 2.1% per year. Expected to rise to 490 million mt in 2020

### POTENTIAL USE OF FOREST

<table>
<thead>
<tr>
<th>ALLOCATION</th>
<th>Mio HA</th>
<th>PRODUCTION (Mio M³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HTI Pulp</td>
<td>9,20</td>
<td>230,0</td>
</tr>
<tr>
<td>2. HTI Carpentry</td>
<td>2.60</td>
<td>60,6</td>
</tr>
<tr>
<td>3. HTI Energy</td>
<td>0.90</td>
<td>19,6</td>
</tr>
</tbody>
</table>

Actual HTI development now: 3,836 Mio HA

Source: Road Map Pembangunan Industri Kehutanan Berbasis Hutan Tanaman (Kemenhut, 2011)

Almost all types of paper can be produced in Indonesia

Paper downstream industry has also been developed, such as Paper industry Corrugated Cardboard (KKG), printing, notebooks, converting industry, etc.

Future opportunity for paper industry is still widely open, as paper consumption per capita in Indonesia is currently around 32.6 kg compared to developed countries such as: USA 324 kg, Belgium 295 kg, Denmark 270, Canada 250 kg, Japan 242 kg, Singapore, 180 kg, Korea 160 kg, and Malaysia 106 kg.
Assuming annual growth of 3%, then the raw material plan for pulp and paper industry in 2017-2020 is as follows:

<table>
<thead>
<tr>
<th>Remark</th>
<th>2016 (ton)</th>
<th>2017 (ton)</th>
<th>2018 (ton)</th>
<th>2019 (ton)</th>
<th>2020 (ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp Production Capacity</td>
<td>7,900,000</td>
<td>10,700,000</td>
<td>11,021,000</td>
<td>11,351,630</td>
<td>11,692,179</td>
</tr>
<tr>
<td>HTI Timber Required</td>
<td>33,180,000</td>
<td>44,940,000</td>
<td>46,288,200</td>
<td>47,676,846</td>
<td>49,107,151</td>
</tr>
</tbody>
</table>

**PAPER RECYCLING RATE IN THE WORLD REGIONS IN 2011**

From 71.7% Recycling rate in EU, Paper and Paperboard are the most widely recycled (81.3%).

Approximately 50% pulp and paper in Indonesia using Recycled Paper.

The national’s need for recycled paper as the raw material is approximately 6.5 million mt.

Currently domestic supply 2.5 million mt necessitating the import of 4 million mt.
CHALLENGES

Safeguard, Dumping & Export Ban

- Allegations of dumping, subsidy and safeguard are trade remedies against Indonesian paper products from various countries such as Turkey, the United States, Australia, Malaysia, Japan, South Korea, Philippines, Thailand.

- Indonesia has been accused of dumping and getting subsidies from the Government of Indonesia for their ban on the log export.

Scrutiny by Civil Society

- Numerous black campaigns against pulp and paper industry are orchestrated by civil society organizations.

- Most campaigns are related to environmental issues such as global warming, waste management, haze and fire, etc.

- Accusations of forest fires in the concession led to reduced supply of raw materials and the legal consequences.
Thank You

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