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As the fire season resumes in Southeast Asia, financial regulators are asked to introduce emergency sanctions to stop banks providing financial services to forest-sector clients causing haze.

To whom it may concern,

The fires and resultant haze that choked Southeast Asia in 2015 caused an unprecedented environmental disaster, public health crisis for millions of people, and cost Indonesia's economy more than US \$16 billion[1]. New fire incidents are being reported in Indonesia and Malaysia as the 2016 burning season begins.

Commercial banks from Indonesia, Malaysia, Singapore, Japan, China, Europe and the United States are some of the major sources of capital fueling the expansion of the industrial palm oil and pulp and paper sectors in Southeast Asia, and the fire outbreak associated with them. Banks should not be supporting clients or their wider group of companies violating anti-fire laws, however they continue to do so.

As institutions enabling, and profiting from, the illegal actions of clients, these banks are directly linked to and share responsibility for the harmful and illegal impacts of their clients. In the absence of adequate controls and safeguards imposed by banks themselves, financial regulators must step in and correct these systemic failures in the financial system.

We, the undersigned organisations, call on our governments to prevent company groups implicated in fires from being able to receive public or commercial loans or other financial services supporting their expansion. Without the threat of serious economic consequence for industrial plantation companies, government efforts to strengthen law enforcement and improve fire prevention capacity may not alone prevent a repeat of the haze crisis of 2015.

The environmental impacts of fire and haze

More than 2.6 million hectares of forest, peat and other land burned in Indonesia in 2015.[2] The fires were closely correlated to expansion activities directly linked to palm oil and pulp and paper operations.

At its peak, daily carbon emissions from Indonesia's fires exceeded those from the entire US economy – nearly 16 million tons of CO₂ emissions per day, totaling 3 per cent of global emissions for the year.[3]

The social impacts of fire and haze

The public health costs are yet to be fully calculated, although more than 500,000 Indonesians alone were treated for respiratory issues.[4] Air quality in villages near the fires regularly exceeded the maximum level of 1000 on the International Pollutant Standard Index,[5] which is more than three times above *hazardous* level. This condition is exacerbated if chemical residuals (e.g. pesticides, herbicides) used in the plantation areas that pollute the air and water bodies are taken into account.

The economic impacts of fire and haze

The World Bank has calculated the fires cost Indonesia in excess of US \$16 billion,[6] which exceeds Indonesia's entire export earnings from the palm oil and pulp and paper sectors. This amounts to a 1.8% negative hit to Indonesia's GDP.[7] Losses incurred included direct economic losses to agriculture, forestry, transport, trade, industry, tourism and other sectors. This does not include the economic costs imposed in nearby countries Singapore and Malaysia.

The role of banks

There were 413 producing companies of tropical forest-risk commodities (such as palm oil, pulp and paper, timber and rubber) linked to burning in 2015. These companies received financial services and investment from more than 20 commercial banks, estimated to be in excess of US \$17 billion since 2009.[8]

We call on financial regulators, especially in Indonesia, Malaysia, Singapore, Japan, Europe and the United States, to:

1. Introduce emergency regulations that allow for sanctions to be applied that suspend financial services (including loans, public offerings and investment advisory services) between any domiciled financial institution and company groups identified as causing haze, through an appropriate authority.
2. Require compulsory enhanced due diligence and reporting standards and procedures for banks and financial institutions with clients in the tropical forest-risk sectors, including monitoring of productivity performance decline resulting from peat subsidence and prolonged inundation.
3. Order Stock Exchanges to utilize available restrictions that can be applied against company groups failing to conduct responsible business, by suspending, either partially or wholly, membership in the Stock Exchange.

Signed by:

A SEED Japan

aseed.org

Auriga

auriga.or.id

BankTrack

banktrack.org

Bruno Manser Fund	bmf.ch
Centre for International Policy	ciponline.org
China Environmental Paper Network	environmentalpaper.cn
Consumers' Association of Penang, Malaysia	consumer.org.my
Dogwood Alliance	dogwoodalliance.org
ELSAM (The Institute of Policy Research and Advocacy)	elsam.or.id
Environmental Investigation Agency International	eia-international.org
Epistema Institute	epistema.or.id
Facing Finance	facing-finance.org
Fern	fern.org
Finance & Trade Watch	ftwatch.at
Forest Heroes	forestheroes.org
Forest Peoples Programme, UK	forestpeoples.org
Forest Watch Indonesia	fwi.or.id
Friends of the Earth Europe	foeeurope.org
Friends of the Earth US	foe.org
Friends of the Siberian Forests	
Global Witness	globalwitness.org
Greenpeace Indonesia	greenpeace.org/seasia/id/
HuMa (Association for Community and Ecology-Based Law Reform)	huma.or.id
ICW (Indonesia Corruption Watch)	antikorupsi.org
Japan Center for a Sustainable Environment and Society	jacses.org
Japan Tropical Forest Action Network	jatan.org
JKPP	Jkpp.org
KontraS (The Commission for “the Disappeared” and Victims of Violence)	Kontras.org

KPA (Agrarian Reform Consortium)	Kpa.or.id
KpSHK	Kpshk.org
Link-AR Borneo	linkarborneo.blogspot.co.uk
Market Forces	marketforces.org.au
Perkumpulan Prakarsa	Theprakarsa.org
PM.Haze (People's Movement to Stop Haze)	pmhaze.org
Protect the Forest Sweden	skyddaskogen.se
PSHK (Indonesian Centre of Law and Policies Studies)	Pshk.or.id
Pusaka	Pusaka.or.id
PWYP Indonesia	Pwyp-indonesia.org
Rainforest Action Network	ran.org
Rainforest Foundation Norway	regnskog.no
RFUK	rainforestfoundationuk.org
Sahabat Alam (Friends of the Earth) Malaysia	foe-malaysia.org
Sajogyo Institute	Sajogyo-institute.or.id
Sierra Club	sierraclub.org
Stiftung Asienhaus	asienhaus.de
The Corner House	Thecornerhouse.org.uk
Transformasi untuk Keadilan Indonesia (TuK INDONESIA)	tuk.or.id
Union of Concerned Scientists	ucsusa.org
Walhi Aceh	Walhiaceh.or.id
Walhi Bengkulu	Walhibengkulu.org
Walhi Jambi	Walhi-jambi.com
Walhi Jawa Barat	Walhijabar.org
Walhi Jawa Tengah	Walhi.or.id
Walhi Jawa Timur	Walhijatim.or.id

Walhi Kalimantan Barat	Walhikalbar.or.id
Walhi Kalimantan Selatan	Walhikalsel.or.id
Walhi Kalimantan Tengah	Walhikalteng.org
Walhi Kalimantan Timur	Walhikaltim.or.id
Walhi Maluku Utara	Walhimalut.blogspot.com
Walhi National Executive	Walhi.or.id
Walhi NTB	Walhi.or.id
Walhi Papua	Walhi.or.id
Walhi Riau	Walhi-riau.or.id
Walhi Sulawesi Barat	Walhi.or.id
Walhi Sulawesi Selatan	Walhi-sulsel.blogspot.com
Walhi Sulawesi Tengah	Walhisultengnews.wordpress.com
Walhi Sulawesi Utara	Walhisulawesiutara.wordpress.com
Walhi Sumatera Barat	Walhisb.blogspot.com
Walhi Sumatera Selatan	Walhi-sumsel.blogspot.com
Walhi Sumatera Utara	Walhisumut.org
Wetlands International Indonesia	indonesia.wetlands.org
YLKI (Indonesian Consumer Foundations)	Yki.or.id

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