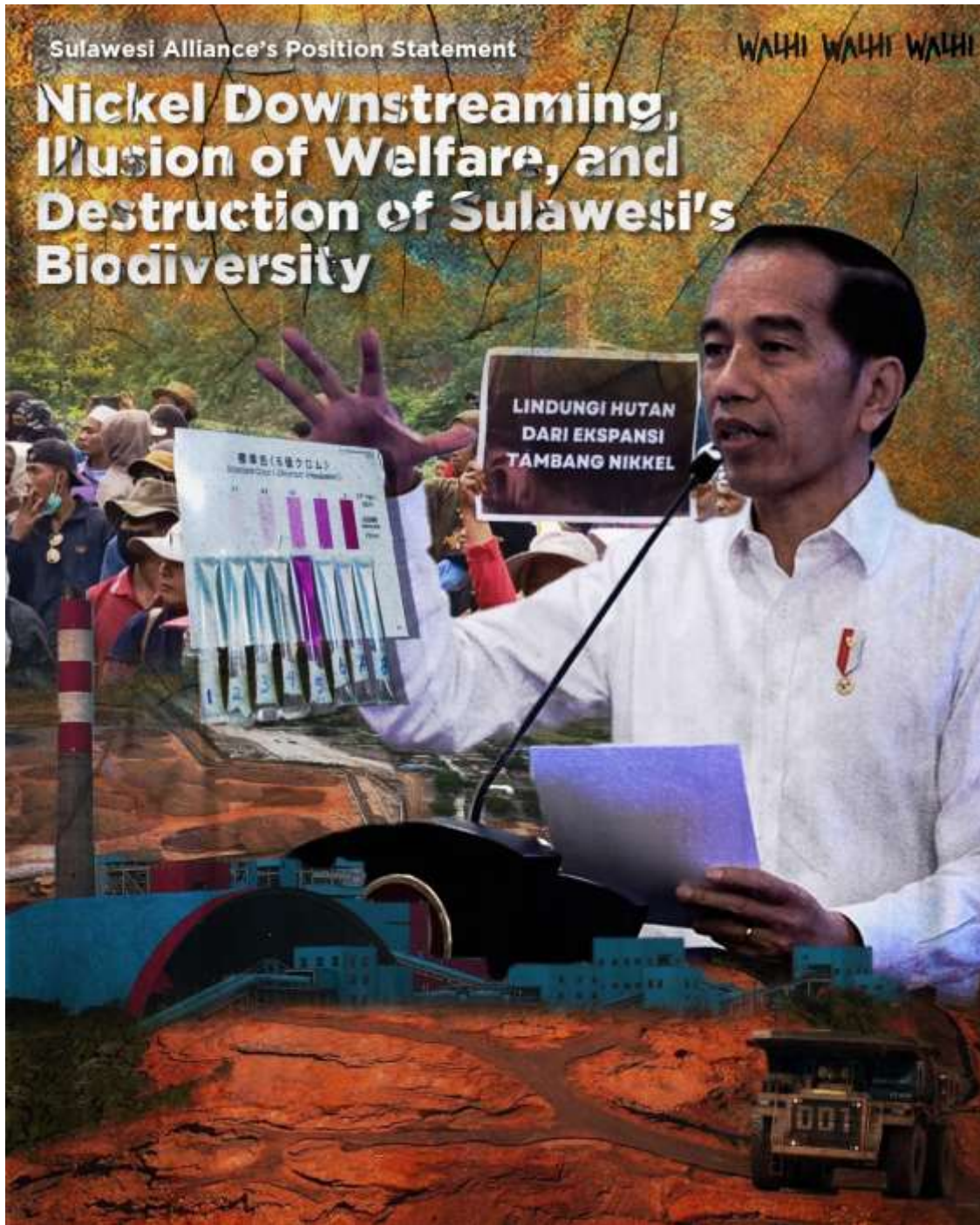


SULAWESI ALLIANCE'S POSITION STATEMENT

**Related to President Joko Widodo's speech about Nickel downstreaming advantages in
Indonesia**

“Nickel Downstreaming, Illusion of Welfare, and Destruction of Sulawesi's Biodiversity”



SULAWESI ALLIANCE'S POSITION STATEMENT

Thursday, 17 August 2023

Mineral or nickel industry downstreaming has suddenly become a hot topic of conversation in Indonesia. This is due to President Joko Widodo's statement during a speech at the annual session of the Indonesian People's Consultative Assembly (MPR RI) on August 16, 2023 which said that nickel downstreaming in Indonesia has provided great benefits for the nation and people of Indonesia. In addition, 43 nickel smelting plants that have been built in Indonesia will generate enormous job opportunities for Indonesian people.

From this statement, we assess that President Joko Widodo is very happy and proud of this statement. President seems to want to say to all Indonesian citizens that thanks to downstream, there will be investment assistance in the nickel mineral sector which will contribute to improving Indonesia's economy. But unfortunately, President is not honest and open about various problems and negative impacts due to nickel minerals downstreaming in Indonesia, especially in nickel-producing areas such as Sulawesi.

During his speech, President Jokowi explained the huge benefits that Indonesia has gained from nickel downstreaming which has been carried out by his government so far. One of them is the increasing construction of nickel smelter factories in Indonesia. President also considers that the increase in nickel smelters in Indonesia has opened up great job opportunities for the Indonesian people. On that basis, Jokowi said downstream must not stop at nickel and other mining materials

However, in our opinion, the explanation presented by President is not entirely correct and is increasingly risky for public safety and environmental sustainability. The Sulawesi Alliance views President Jokowi's statement in his speech about the state's advantage in nickel downstreaming as a statement that is not based on facts, data, and does not match the reality on the ground. We even dare to say that the president's statement is erroneous and seems to distort facts regarding the destructive power of downstream or smelters, both from an environmental and public economic perspective.

President Joko Widodo's statement about government's success in creating many jobs from the nickel industry sector is completely untrue, if we compare it with the destructive power of the nickel industry which has resulted in thousands or even tens of thousands of farmers and fishermen losing

their livelihoods. Also if we compare it with the number of women who are unemployed as a result of not having a job and losing their livelihood.

At present, the data we have obtained shows that the poverty rate in Sulawesi Island, the largest nickel field and one of the nickel centers in the world, is still very high even after nickel downstreaming has taken place. Sulawesi Alliance data shows that Central Sulawesi's poverty rate reaches 12.33 percent of the population or is included in the 10 provinces with the highest poverty rate in Indonesia. This condition is also reflected in the low gini ratio and regional income when compared to other provinces in Indonesia. Meanwhile in South Sulawesi, data on poor people reached 8.70%. Then in Southeast Sulawesi, the poverty rate in Southeast Sulawesi experienced the highest growth at 10.11%. This figure is even the record for the highest growth of poor people in the last eight years.

The trend of increasing poverty rates in the three largest nickel producing provinces in the world shows that the narrative regarding downstream which can create thousands of jobs is still just nonsense because it does not answer the loss of jobs for farmers, fishermen and women. In fact, the existence of the nickel industry actually adds to the damage to rainforest ecosystems, rivers, lakes, to the coast and sea which has been a source of income for local people who work as farmers and fishermen.

As a counter narrative, we, the Sulawesi Alliance, need to explain to the public the real facts, so that public does not swallow President Joko Widodo's speech as the truth. We need to explain that as a result of the nickel downstreaming project there are many impacts, both on environment and especially on community as follows:

1. Rainforest and Sulawesi's Biodiversity Destruction

As a result of mineral downstreaming projects or the construction of nickel smelters in Indonesia, nickel mining activities in Sulawesi are increasing and uncontrollable. Illegal nickel mining activities are increasingly massive. As a result, forests are destroyed, rivers are polluted by heavy metals, and the coast and sea are polluted by mud. When studied in more depth, the rain forest ecosystem in Sulawesi has a very high ecological value. The rainforest ecosystem is not only an economic resource and a buffer for people's lives but also a very essential habitat for Sulawesi's endemic flora and fauna.

So as a result of increasing and "brutal" nickel mining to supply nickel ore to smelters in the name of downstreaming, the habitat of Sulawesi's flora and fauna is being destroyed.

In our observations, currently almost all nickel mining activities in Sulawesi are carried out without paying attention to aspects of protecting Sulawesi's biodiversity. Mining companies that supply nickel ore to nickel smelters in Sulawesi have directly contributed to destroying forests which have also directly destroyed homes for Sulawesi's endemic animals.

On the other hand, the government also does not protect biodiversity from the threat of damage due to nickel mining activities. Even in the name of downstreaming, government even issues mining business permits in forest areas. Based on the records and studies of the Sulawesi Alliance, the government has issued 188 IUPs in forest areas in East Luwu Regency, South Sulawesi, Konawe and North Konawe Regencies, Southeast Sulawesi and Morowali and North Morowali Regencies, Central Sulawesi. Meanwhile, the total forest area sacrificed by the government to supply nickel ore to nickel smelters in Sulawesi is 372,428 hectares.

This problem was not addressed by the president in his speech. President only sees downstream as employment and state income from taxes. President simply does not see the rain forests and other ecosystems that are damaged every day by nickel mining. President does not see any destruction of biodiversity due to nickel downstreaming.

2. Air and water pollution

In addition to Rainforest and Sulawesi's Biodiversity Destruction, nickel smelters or nickel downstreaming have environmental impacts in form of pollution to the environment such as air and water pollution. Smelter activities carrying nickel raw materials in the form of Ore are taken from ultrabasic areas where there are layers of rock containing nickel minerals and other heavy metals which, if released, can contaminate the surrounding air and water, causing various kinds of diseases to the surrounding community and to workers.

Dust and smoke generated by the smelter from the nickel ore smelting process and PLTU Captive as a support for the smelter's electric power creates a double burden on the environment, clean and

healthy air which should be the people's right to be confiscated and becomes one of the main factors in the increase in people's respiratory diseases.

On the other hand, in cases of water pollution, the presence of nickel downstreaming which tends to accommodate nickel ore creates terror of water pollution, both from upstream nickel mining and downstream from smelter factories. In Sulawesi, we recorded various clean water crises experienced by communities living in smelters and nickel mines, such as what happened on Wawoni Island, Southeast Sulawesi. Currently, people have to consume brownish-red water due to nickel mining mud.

In addition, the control of poisons from liquid waste is very bad from every smelter in Sulawesi Island, which creates vulnerabilities and dangerous risks for the lives of people who rely on the carrying capacity of the aquatic environment (rivers and/or coasts) for their sources of life. The Sulawesi Alliance found that the average smelter company in Sulawesi does not have good waste management standards and systems. As a result, rivers, lakes and seas in Sulawesi are polluted by waste. There are even several rivers and lakes in Sulawesi that are polluted by the heavy metal hexavalent chromium which exceeds the quality standard threshold. This is very dangerous and should not be exaggerated by Joko Widodo as a success.

3. Chinese Smelters Dominate Nickel Minerals Downstreaming in Indonesia

The Indonesian people have the right to know that the nickel smelter companies operating in Central Sulawesi, Southeast Sulawesi and South Sulawesi originate from China, Brazil and Japan. However, nickel minerals downstreaming in Indonesia are currently dominated by Chinese companies. According to the records of the Sulawesi Alliance, Chinese companies control at least 80 percent of nickel smelters in Indonesia. In South Sulawesi there is the Huady Group. In Central and Southeast Sulawesi it is controlled by Tsingsang and the Delong Group. This means that those who benefit the most from nickel downstreaming in Indonesia are Chinese group companies, Brazilian companies and Japanese companies.

For us, the activities of these Chinese smelter companies need to be evaluated by the government. Not only that, the most urgent thing for the government to immediately evaluate is the environmental and social safeguard standards of Chinese companies. Based on our observations, environmental and

social safeguard standards of Chinese companies in Central Sulawesi, South Sulawesi and Southeast Sulawesi, are very low. In fact, we see, these Chinese companies are very ignorant of the environmental and social impacts of their factory operations.

For example in South Sulawesi, former Chinese smelter waste in Bantaeng Regency was used as a reclamation pile for the expansion of the company's jetty port. In our opinion, this step is very wrong, and what's worse, the government does not have the power to stop the disposal of this waste. As a result, fishermen's catches have decreased and farmers' seaweed production has also decreased.

Meanwhile, nickel mining companies that supply nickel ore or nickel ore to Chinese smelters are national entrepreneurs, meaning that the parties who benefit most from buying and selling nickel ore in Indonesia, especially in Sulawesi, are national mining entrepreneurs, not local communities. These companies also lack social and environmental safeguard standards. Unfortunately, the Indonesian government has even given way to these companies destroying the environment, especially forests, rivers and seas.

As a result, people's rice fields and plantations were evicted and continue to threaten to be evicted, water sources were polluted, people were forced to breathe dirty air and get diseases, rivers were polluted, sea was used as a disposal site for waste and mud. This is a downstreaming portrait that President Joko Widodo is proud of in his speech at the MPR annual session yesterday.

We also consider that what President Jokowi stated yesterday was the president's way of covering up facts related to the adverse effects of nickel downstreaming policy in Indonesia, especially in Sulawesi. Not to mention the problem of corruption in natural resources through illegal export activities and various other corruptions that have caused enormous state losses.

From the explanation above, we conclude that President Joko Widodo's nickel downstreaming project has a strong potential to bring even greater disaster to the people and environment in Sulawesi in the future. Therefore, we demand President Joko Widodo to:

1. Stop the downstream projects and a moratorium on the construction of nickel smelters in Indonesia, especially in Sulawesi

2. Review all nickel smelter activities in Indonesia, especially in Central Sulawesi, South Sulawesi and Southeast Sulawesi.
3. Stop issuing new nickel mining permits on Sulawesi Island.
4. Review and cancel all IUPs and Contracts of Work for Nickel Mining in forest areas and people's management areas.
5. Stop PLTU Captive Construction on Sulawesi Island.

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