To: Hanwa Co., Ltd.
Mr. Yoichi Nakagawa, Representative Director & President

Public Questions and Requests Regarding Pellet Production and Procurement in Sulawesi, Indonesia

October 27, 2025

Global Environmental Forum (GEF)
Japan Tropical Forest Action Network (JATAN)
Hutan Group
Mighty Earth
Miyuki Tomari (President, Biomass Industrial Society Network)

We are NGOs and environmental organizations advocating for forest conservation and the sustainable procurement of timber and forest-related products. We have consistently argued that biomass power generation fueled by imported woody biomass is inappropriate as a form of renewable energy, due to its high carbon dioxide emissions and its potential to cause deforestation and forest degradation in fuel-producing regions.

We are deeply concerned that biodiverse tropical forests in Indonesia are being logged for the production of wood pellets destined for biomass power generation in Japan, and that these logged areas are subsequently converted into monoculture plantations of fast-growing tree species for energy use.

In early August this year, the Global Environmental Forum and the Japan Tropical Forest Action Network, in cooperation with Indonesian NGOs and together with South Korean NGOs, another pellet-consuming country, conducted a field investigation in Gorontalo Province, Sulawesi. Based on the findings outlined below (see "Background"), we understand that **the pellet mill in the province (PT Biomasa Jaya Abadi: BJA)—in which your company holds a 20% stake and from which you procure wood pellets and sell them as renewable energy fuel in Japan and South Korea—is causing tropical deforestation**.

Accordingly, we respectfully request written responses to the following five questions and four requests by **November 10, 2025**, and an opportunity for an in-person meeting to exchange views. Please note that this letter of questions and requests is being made public.

【Questions】

【Question 1】

Your company's timber procurement policy states that you aim to "contribute to the realization of a sustainable society and the conservation of the global environment." Logging tropical forests for renewable energy fuel, even if legally permitted, causes deforestation and accelerates climate change. We believe this project is inconsistent with your stated objective. How do you respond to this concern?

【Question 2】

Please explain in detail how you are addressing the conservation of endangered species within the procurement areas of feedstocks of pellets.

In principle, large-scale logging should be avoided in natural forests that serve as habitats for endangered and endemic species. Where operations are conducted, it is necessary to identify species-specific habitats, develop conservation plans that ensure species survival—including genetic

exchange with other populations—and implement forest management plans based on such conservation measures. In Indonesia, state protection and conservation mechanisms for endangered and endemic species are not fully effective; therefore, due consideration by companies in consuming countries is critically important to prevent extinction.

【Question 3】

Local communities and NGOs have pointed out that upstream clear-cutting has increased the frequency and severity of flooding. What measures have you taken to prevent downstream impacts resulting from logging activities?

【Question 4】

For the two logging concession areas (approximately 30,000 hectares in total) supplying timber to BJA, did you hold information sessions or provide opportunities for communities adjacent to or downstream of these concessions to express opinions and raise questions about the project?

【Question 5】

How are you assessing the current impacts on local residents who depend on forests for their livelihoods? What measures are being implemented to prevent further impoverishment?

【Requests】

【Request 1】

Immediately halt the logging of tropical forests for wood pellet production and ensure that no further tropical deforestation occurs.

【Request 2】

With respect to the energy plantation concessions of the two companies supplying BJA, we request ecological restoration of the logged natural forest areas (now converted into fast-growing tree plantations) in order to recover the unique and irreplaceable ecosystems of Gorontalo Province.

【Request 3】

Not only for BJA but for all procurement of pellets from tropical regions such as Indonesia and Malaysia, we request that you cease sourcing raw materials from any land currently covered by natural forests, regardless of land-use classification.

【Request 4】

In sourcing from fast-growing tree plantations in tropical regions, we request the implementation of robust due diligence (DD), full traceability, and information disclosure to ensure that no conversion from natural forests or mixing of natural forest-derived materials has occurred.

【Background】

Characteristics of the Regional Forest Ecosystem

Sulawesi Island forms part of the Wallacea biodiversity hotspot, located at the boundary between Southeast Asia and Australia. **Due to its geographic isolation, it is known for exceptionally high biodiversity**[1]: approximately 98% of its mammal species, 80% of its amphibians, and one-third of

[1] For approximately 50 million years, the island has never been connected to other large landmasses, allowing a unique ecosystem to evolve. It is also recognized as one of the world's 36 biodiversity hotspots designated by

its bird species are endemic. Gorontalo Province, where BJA is located, lies in the middle of the Minahasa Peninsula in northeastern Sulawesi. Although the peninsula stretches 600 km east to west, it is only 20–80 km wide north to south, effectively functioning as a "ecological corridor.[2]" Protecting this region's endemic ecosystems—**found nowhere else in the world**—requires **maintaining its tropical forests in their natural state.**

According to the IUCN Red List, the two concession areas supplying BJA overlap with habitats of **endangered endemic species such as the lowland anoa (wild buffalo) and the Sulawesi babirusa (wild pig).**

The forests in these logging areas are located within upstream watershed catchments and serve as **vital water sources for downstream communities.** They are also important areas for harvesting non-timber forest products (NTFPs). For local residents—particularly landless farmers—forest resources such as honey, rattan, sugar palm sap, medicinal plants, and wild game have long provided **essential livelihoods.**

Logging and Plantation Development
BJA sources timber from PT Banyan Tumbuh Lestari (BTL) and PT Inti Global Laksana (IGL), both of which have obtained Industrial Plantation for Energy (HTE) concessions for energy plantations. To demonstrate legality and sustainability as required under Japan's Feed-in Tariff/Feed-in Premium (FIT/FIP) system, they rely on Indonesia's timber legality assurance system (SVLK).

Together, the two concessions cover more than 30,000 hectares—equivalent to approximately one-seventh the size of Tokyo Metropolis. The companies have **clear-cut tropical natural forests** and **converted them into monoculture plantations of fast-growing species (gamal wood)** for energy use. Since 2022, approximately 3,400 hectares have already been logged, including more than 1,000 hectares in the past year alone.

Anticipated Impacts
BJA and your company reportedly regard the two concession areas as "production land rather than forest."[3] However, in reality, these areas are covered by tropical natural forests. Until recently, they lacked road access and had not experienced large-scale industrial logging.

The logging of tropical forests in this region, conversion to energy plantations, and the planned four-year rotation of harvesting and replanting will cause deforestation, **release vast amounts of stored carbon in forests, destroy unique ecosystems** found nowhere else in the world, and **further endanger threatened species.**

Upstream logging has already been reported to affect **local water sources and increase flooding**. Furthermore, the loss of forest access will deprive residents of livelihood opportunities, raising serious concerns about **the exacerbation of poverty.**

Conservation International.

[2] A practice to secure large-scale ecological connectivity among habitats of rare wildlife, enabling exchange between fragmented populations and ensuring wildlife movement corridors that contribute to biodiversity conservation.

[3] Based on the article *"Indonesian forests put at risk by South Korean and Japanese biomass subsidies"* published by Mongabay on 24 December 2024, as well as questions and responses at the June 2025 annual general meeting of Hanwa Co., Ltd..