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Interview with Carlos Aguiar, CEO Aracruz Celulose

Transparency brings critics to silence

The Brazilian company, Aracruz Celulose S.A., is the world's largest producer of bleached eucalyptus pulp. The Group cultivates around 286,000 hectares of its own eucalyptus plantations, interspersed with around 170,000 hectares of native forest reserves, in the states of Espírito Santo, Bahia, Rio Grande do Sul and Minas Gerais. The wood is processed in plants in the first three of the above locations. With a workforce of 12,000, made up of 2,500 of its own permanent staff plus 9,500 temporary workers, Aracruz posted a turnover equivalent to 1.88 (2006: 1.68) billion US dollars in 2007. "twogether" conducted an interview with the CEO Carlos Aguiar.

twogether: The pulp industry worldwide is coming in for a lot of criticism, despite the fact that erstwhile sins such as elemental chlorine bleaching have long been a thing of the past for the majority of producers. What is your point of view?

Aguiar: We endeavor to continuously improve our processes in both environmental and economic terms. As soon as new opportunities for improvement are discovered, we are also prepared to invest in them, in order to benefit from the advances in our industry. Chlorine-free bleaching was one such development and the drastic reduction of our water consump-

tion was another. There has also been substantial progress in our efforts to reduce energy consumption and produce power in our own plants. One project at our plant in Rio Grande do Sul aims to supply almost twice as much power to the public grid than is used by the plant itself.

twogether: The international media is keen to level two charges at your company: one, the misappropriation of land tracts, which you were forced to return to the Tupinkim and Guarani Indians in 2007, and two, the accusation that you are cultivating plantations on land that was once considered one of the most species-rich

forest ecosystems in the world. How do you counter these charges?

Aguiar: First of all, let's deal with the second issue: this accusation is totally unfounded. Our plantations use – and will always use – degraded land only, which are areas that have already been destroyed, either by railway construction, sawmills or the farming of other agricultural crops. And our special "mosaic planting" method – our plantations in Espírito Santo are interspersed with remnants of the former Atlantic Forest – ensures a large variety of species. Studies prove that since 1989 more than 125,000 birds and 559 different species of

animals have been observed in our forests. Regarding the question of indigenous land: on the basis of documents going back to 1860 we can prove that not one of the lands acquired by Aracruz has ever belonged to the Indians. Anthropological studies also prove that in the past there were never any Tupinikim or Guaranis living in that region. The Tupinikim came from Bahia, the Guaranis from Paraguay or Rio Grande do Sul.

However, the problem has been resolved: in order to avoid further conflict we have concluded an agreement to hand over the 11,000 disputed hectares to the Indian tribes. We also have a court ruling to the effect that the surrounding area is not indigenous. This will allow us to prevent further manipulation by these Indian tribes.


twogether: As the market leader for eucalyptus pulp you supply the inter-

national paper industry with an important raw material. Yet Aracruz is often criticized for its high export quota and thus its contribution to globalization. Is the criticism that Aracruz is sacrificing native forests on behalf of foreign industry justified?

Aguiar: It is not for nothing that we have been listed on the Dow Jones Sustainability Index for four consecutive years. In addition, we belong to the sustainable business index of the Brazilian stock exchange Bovespa. This shows that we are using advanced practices. Because we are particularly visible as the global leader in eucalyptus production it is obvious that we come in for most of the criticism, perhaps also because our critics hope that changes made by the leading companies will have a knock-on effect for the rest of the industry. In addition, Aracruz, like most pulp producers, works in regions in which there continues to be a lot of social inequality. Although we have contributed a lot to the development of these regions, no one can expect one company to single-handedly solve all the social problems and dilemmas faced by the community. So even though it is unfair, it is understandable that the biggest company in a region will be criticized for these problems.

twogether: Do you see any ways of resolving this image problem?

Aguiar: Yes, I have to say that the situation has already improved. Aracruz is trying to be more and more transparent, and this helps to gradually dampen some of the criticism. Our strength is that we listen to our



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personnel. By telling us what they think about what Aracruz is doing they help us to improve the company, make it more competitive and work for the benefit of the community.

twogether: Plantations can make a significant contribution to supplying the global economy with fiber without having to destroy indigenous forests. Why is it that the advantages of this kind of cultivation receive so little recognition?

Aguiar: Here too, there has been some improvement. In Brazil and other parts of the world there are a considerable number of NGOs (Non-Government Organizations, editor's note), which are starting to recognize that plantations are a strategic solution to meet the increasing demand for wood. There is an increasing awareness that the systematic planting of forests has numerous beneficial effects.

twogether: Are these predominantly economic benefits?

Aguiar: We can demonstrate economic, social and ecological benefits. One of the major environmental benefits is the opportunity to protect and even expand native forests. Brazilian legislation requires that for every two hectares of planted eucalyptus forests, one hectare of native forest has to be preserved or planted. Our forestry partners program, involving 3,900 farmers with a total of 96,000 hectares, also prevents the cutting down of native forests for private use, i.e. for firewood, charcoal or fuel. This is because the farmers receive for their own use a specific percentage of the plantation wood they produce. In fact, the sustainable planting of eucalyptus trees on depleted soil provides an alternative source of wood for various purposes, and gives us the opportunity to retain rural man-

power in these regions. Not to mention the CO₂ effect: planted forests absorb large amounts of greenhouse gas. For every ton of CO₂ emitted by our factories, three tons are absorbed by our forests. This is one of the reasons why huge eucalyptus plantations have been established in countries such as India and China.

twogether: Plantations are often described disparagingly as "green deserts." Is the accusation that they contribute to a reduction of biodiversity justified?

Aguiar: What is better – an area of pastureland that is not capable of sustaining even a minimum amount of flora and fauna, or a planted forest with at least 500 different species in it? When we intersperse native forest with the planted forest we create ecological corridors. "Green desert" is a derogatory term without any

scientific basis. The planted forest protects the soil from erosion, protects the watersheds and improves soil quality. Fourteen years of plantation work show us that eucalyptus trees help to recuperate degenerated soils, by increasing the amount of organic material and retaining humidity.

twogether: Land is very much in demand. Conservationists, the regional population, indigenous peoples and various sectors of industry are competing fiercely with one another for the land available. How do you see the position of the pulp and paper industry among these conflicting interests?

Aguiar: Brazil's pasturelands today account for an area of 220 million hectares. Without the least obligation to protect native forests this causes soil degradation and erosion. Since the time of the government of

Castello Branco (1964 –1967, editor's note) 71 million hectares of Brazilian soil have been earmarked for agricultural reform. Soy beans take up 21 million hectares, corn 3 million and sugar cane 6.6 million. The sum total of Brazil's planted forests is only 5.5 million hectares, of which only 2 million are for pulp and paper. The rest is destined for lumber, chipboard, fuel, charcoal and other uses. Thanks to 5.5 million hectares of plantation we enjoy almost 2 million hectares of preserved native forest.

twogether: There is worldwide disagreement as to whether the benefits or risks predominate in the development and cultivation of genetically modified plants. Are you already working with genetically modified eucalyptus plants?

Aguiar: Although we believe that this technology can be of great benefit to

the pulp and paper industry in both economic and ecological terms, we are still not using any genetically modified plants. This is in compliance with Brazilian legislation, with major debate on the subject still ongoing. Instead of discussing rigid positions, we can move forward constructively, analyze the risks and discuss the measures necessary to keep these risks to a minimum. The cultivation of genetically modified corn and soy has already been approved in Brazil. The issue of approval for planted forests has not yet been resolved. As soon as the Brazilian legislature follows the lead of the scientific debate and gives the go-ahead, we can initiate some trials in this area. Because, of course, in the long term, Aracruz has to keep in step with technological progress.

twogether: Señor Aguiar, thank you for talking to us!

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