



DTE

**Down to Earth
International Campaign
for Ecological Justice
in Indonesia**

DTE Bali briefing

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An Indonesian language version is also available

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Climate change, 'Avoided Deforestation' and Indonesia

Mounting global concern over climate change and the link to deforestation has refocused international attention on the need to protect the world's forests. Rampant forest and peatland destruction in Indonesia means that the country is one of the world's top three emitters of carbon dioxide, a major contributor to global warming.

As countries prepare for negotiations on a post-Kyoto climate agreement, there is much interest in 'Avoided Deforestation' - international funding to protect forests and reduce carbon emissions. The World Bank is taking the lead. What are the implications for Indonesia, its forests and its forest-dependent peoples?

There is no question that deforestation in Indonesia is having a serious impact at international as well as at national and local levels. Destructive logging, out-of-control fires, forest clearance for plantations, mining, fossil fuel extraction, transmigration sites, aquaculture, and road-building have long been linked with negative social and economic impacts for local indigenous and forest-dependent communities, and enormous financial losses for communities and the state.

A new study has now highlighted the global picture, which shows Indonesia both as a major contributor to climate change, as well as highly vulnerable to its impacts. Forest destruction, peatland degradation and forest fires are mostly to blame for Indonesia's ranking as third biggest emitter of greenhouse gases after the USA and China.

Based on data from 2000, Indonesia's annual emissions from forestry and land use change are calculated at 2,563 megatonnes of carbon dioxide equivalent (MtCO₂e), dwarfing the yearly amount from energy, agriculture and waste which amount to 451 MtCO₂e. The total emissions - 3,014 MtCO₂e compare with China's total of 5,017 and the US' of 6,005 MtCO₂e.

The study, *Indonesia and Climate Change: Current Status and Policies*, was sponsored by the World Bank and the UK's Department for International Development to inform the next world summit on climate change in December in Bali. Following on from a Wetlands International alert in November 2006 and Sir Nicholas Stern's visit to Indonesia in March 2007 (see box, next page), the report highlights the important role that peatland destruction plays in the total emission figures: on average, around 600 Mt of CO₂e are released from the decomposition of dry peat each year, with a further 1,400 Mt released in peatland forest fires that may burn for months at a time.

The report, launched in May 2007, also points out that emissions from Indonesia's energy sector are small, but growing very rapidly and that its emissions from agriculture and waste are small.

Predicted impacts

The report points to some of the impacts Indonesia can expect from climate change. They include:

- ♦ a modest temperature increase - since 1990, annual mean temperatures have increased by around 0.3 degrees Celsius

during all seasons;

- ♦ more intense rainfall - 2-3% more rainfall annually is expected across the country, in shorter periods, increasing the risk of flooding significantly;
- ♦ threats to food security due to the effects of climate change on agriculture;
- ♦ sea level rises - these will inundate productive coastal zones, affecting farming and coastal livelihoods, including fish and shrimp farms, rice and maize production;
- ♦ warmer ocean water - affecting marine biodiversity and putting further pressure on already threatened coral reefs;
- ♦ intensification of water and vector-borne diseases - such as malaria and dengue fever.

Controversially, the report also states that Indonesia's forestry policies and legislation are 'good', but that implementation and enforcement are weak. This conflicts with the view that forestry policies and legislation are in dire need of reform, to correct, among other things, the failure to recognise indigenous rights to forests and forest resources.

The report also highlights the link between deforestation and the demand for

oil palm products (including European demand for oil palm as biofuel), the policy to expand coal production, and the failure to encourage the development of renewable energy sources.



The Stern Review

Ex-World Bank chief economist, Sir Nicholas Stern was commissioned by the UK government's treasury to carry out a study on climate change in the run-up to the next UN climate change conference. The Stern Review on Climate Change, released in October 2006, drew international attention to climate change and the potential of forests to mitigate global warming. He proposed that 'avoided deforestation' measures should be part of any post-Kyoto climate agreement and that pilot schemes should start as soon as possible.

Sir Nicholas' four-day visit to Indonesia in late March 2007 ensured that climate change was placed firmly on the Indonesian government's political agenda. In addition to addressing President SBY and his cabinet and several commissions of Indonesia's parliament, he had meetings with students and conservation organisations. He also visited Jambi - a province which has been badly affected by forest fires and large-scale oil palm plantations. Only one million ha of Jambi's 5.3 million ha is still forested, according to conservation NGO Warsi.

A summary of the Stern Review is available at http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/sternreview_summary.cfm.

(Sources: <http://www.britishembassy.gov.uk>; *Tempointeraktif* 30/Jan/07)

Avoided deforestation - will it work?

What can be done to stop the peatland and forest destruction and reduce the greenhouse gas emissions that are driving climate change? 'Avoided deforestation' is one of the major initiatives to emerge over the past few years, but has received little critical attention from civil society until now.

A key tool for understanding avoided deforestation and its potential problems is a paper published in June this year by UK-based NGO Forest Peoples Programme, *Seeing "RED"? "Avoided deforestation" and the rights of Indigenous Peoples and local communities*. The following is extracted from this document, with some minor additions by DTE.

What is avoided deforestation?

The term 'avoided deforestation', as it is currently being used in development circles, refers to the prevention or reduction of forest loss in order to reduce emissions of global warming gases. Land use change, especially forest loss in the tropics, is believed to contribute between 18 and 20% of all annual emissions of carbon dioxide (CO₂), so there is a growing international push to seek a reduction in deforestation as a means of combating climate change.

Some countries want avoided deforestation schemes to include restoration of degraded forest areas (so-called Reduced Emissions from Deforestation and Forest Degradation - REDD), not just protection of existing forests. Not surprisingly, Indonesia supports this option, which favours countries with large areas of severely damaged forests due to unsustainable industrial logging. Others want to restrict schemes to avoided deforestation only (RED), arguing that measuring degradation, and therefore assessing the benefit of restoration efforts, is too difficult.

How will it be carried out?

Proposals for avoided deforestation fall into two main groups:

- ♦ market-based approaches - linking schemes to reduce deforestation to a global carbon trading system. The Coalition for Rainforest Nations, most conservation NGOs and carbon finance businesses are pushing for schemes in which forested countries get carbon emission reduction credits for not cutting their forests. These credits can then be sold on the international carbon market to countries with carbon-emitting industries which need the credits to continue operating. This is ethically problematic as countries and companies can buy the rights to continue polluting the planet's atmosphere.

- ♦ public funding approaches - using aid from rich countries to pay forest-rich countries in the South to reduce forest clearance. The aid is to be collected through voluntary contributions from industrialised countries or through taxes. Indonesia and Brazil favour this option. Whether the payments are annual or at other regular intervals and whether they are 'up front' or 'on delivery' is still a matter for negotiation.

Where is the money coming from?

The World Bank has become a lead player in proposals to finance schemes that seek to reduce emissions from deforestation. At the G8 meeting in Germany in June, it secured high-level political backing for a new 'Forest Carbon Partnership Facility' (FCPF) that will 'test the feasibility' of different approaches to funding RED/REDD. FSC (Forest Stewardship Council) certification is to play a key part in this.

The Bank promotes a mixed approach (market-based and public funding), but favours carbon trading. Bank economists stress that only markets will deliver enough funds to tackle climate change. They predict that carbon finance projects could grow to over US\$1 bn by 2015. The Bank is scheduled to make final decisions on the US\$250 million scheme in September.

The Bank proposes that the FCPF will be part of a huge new donor and private

Indonesia's peat swamp forests and climate change

Indonesia's 21 million hectares of peat swamps - 60% of the world's total - are high on international policy makers' agenda to reduce greenhouse gas emissions.

Peat swamps are 50-60% carbon which rapidly oxidises to release CO₂ if exposed to the air. Around 9 million hectares of this endangered habitat have been destroyed in Indonesia due to over-logging, drainage and burning in order to set up pulpwood or oil palm plantations. A report commissioned by Wetlands International estimates that 2 billion tonnes of carbon are released each year from Indonesia's peatlands.

WALHI claims that paper pulp giant APRIL destroyed 50,000 ha of swamp forest in the province of Riau in 2003-4 alone to establish fastwood plantations.

(Sources: *Peatland Degradation Fuels Climate Change*, Wetlands International, November 2006, see <http://www.wetlands.org/publication.aspx?ID=d67b5c30-2b07-435c-9366-c20aa597839b>; www.walhi.or.id/kampanye/hutan/strukturisasi_join_10092004)

sector funded Global Forest Alliance (GFA), announced at the 7th UN Forum on Forests in April. The Bank is already part of an initiative with WWF - also referred to as the Global Forest Alliance - to reduce deforestation and curb illegal logging. In Indonesia, the WWF/GFA has been working with timber companies to identify so-called High Conservation Value Forests and create market links to promote wood from well-managed forests. To add confusion, The Nature Conservancy and WWF also established a Forest Alliance in 2002 with several private sector enterprises including major timber retailers.

Countries who have committed funds to avoided deforestation schemes include Australia, which this July announced a US\$160 million fund for both avoided deforestation and reforestation in the Asia-Pacific region.

The costs of avoided deforestation, as estimated by the World Bank are high: reducing the annual rate of deforestation in developing countries by 20% through avoided deforestation would cost US\$2 - 20 billion a year. On the other hand, Bank experts reckon that US\$100 bn could stop deforestation completely.

Who gets the money?

The Bank says that compensation payments for reducing deforestation could range from US\$200 - 10,000 per hectare of forest for as long as it remains intact. Who actually would receive the money in the countries where the avoided deforestation is being carried out, is not clear in the proposed schemes. Most sources imply that payments will be nationally-based or directed at government agencies. Proposals by the Indonesian government suggest that funds could be distributed among protected area authorities, 'certified' logging companies engaged in sustainable forest management, initiatives to tackle illegal logging, payment for environmental services (PES) schemes, and community-based forest management.

Proposed scheme in Indonesia

There are very few existing avoided deforestation schemes in the world and most of these are pilot voluntary initiatives financed by conservation and development NGOs, which have not yet been critically assessed by social justice NGOs or grassroots organisations.

However, the international impetus to develop more schemes is growing. The World Bank is proposing FCPF pilot projects in Papua New Guinea, Costa Rica, Indonesia, Brazil and the Democratic Republic of Congo. The proposal is for these countries to limit carbon emissions from deforestation by 2009 or 2010 in return for US\$250 million investment.

Kyoto and Bali

The UN Framework Convention on Climate Change (UNFCCC) was one of the achievements of the 1992 Earth Summit in Rio. The Kyoto Protocol set the targets for industrialised countries to reduce greenhouse gas emissions and established the Clean Development Mechanism (CDM). This helps fund projects that reduce carbon emissions and established a carbon market for trading 'Certified Emission Reduction' credits. Indonesia signed the Kyoto Protocol in 1998 and ratified it in 2004.

Only afforestation or reforestation projects are eligible for CDM funding under the existing Kyoto Protocol, but not initiatives to stop damage to remaining forests, including swamp forests. Indonesia currently has no forest CDM projects. Indonesia's Ministry of the Environment is currently taking the lead on the country's policy on climate change.

Representatives of 189 countries are expected to gather for the 13th Conference of the Parties (COP) of the climate change convention in Bali in December. A report on 'Reduced Emissions from Deforestation' will be presented as the basis for discussions about climate change controls after the Kyoto Protocol ends in 2012. Finance ministers from around the world will also be meeting in Bali to agree the financial terms for making forest conservation profitable.

See http://unfccc.int/files/essential_background/kyoto_protocol/application/pdf/kpstats.pdf

Viewed cynically, avoided deforestation projects could simply become a lucrative mechanism for Indonesia's flagging forestry industry to attract more capital and expertise. On the other hand, REDD payments could make conservation more financially attractive than logging. Suddenly, keeping Indonesia's forest cover intact has become an attractive policy option. Environment minister Witoelar enthusiastically told the press that "We are ready. We have a grand plan to identify and restore or conserve our forest areas. We have also prepared the financial side of the deal."¹

Avoided deforestation could attract massive funding. A targeted area of 1 million ha of mature pristine forest, with an average carbon stock of 600t CO₂e per hectare, would produce 600 million tonnes of carbon credits. If the agreed price of 1 tonne of CO₂e

was US\$5, this would generate US\$3bn in compensation. Indonesia has over 18 million ha of protected forest according to official data. Gross revenues to the government from forest operations in 1997/8 only totalled US\$1.1bn.²

Indonesia has another incentive in addition to the potential financial returns from REDD. The government would find it hard to negotiate increases in carbon emissions from industry and domestic sources linked to economic growth when its emissions due to land use change are so high.

Following Australia's April announcement of its Asia-Pacific fund, the governors of Aceh, Papua and 'Papua Barat'³ published a statement expressing interest in avoided deforestation scheme and suggested they might put a moratorium on industrial logging if avoided deforestation funds could be secured.

What are the main concerns?

There are clear risks, but also potential benefits to be gained by indigenous peoples and forest-dependent communities under avoided deforestation mechanisms. Most existing proposals mention the need for community 'participation' and local benefits for forest communities. The Aceh and Papua governors pledged that the rights of indigenous peoples and local communities would be respected in any avoided deforestation programmes in their provinces. But, in current proposals, there are scant details as to how people's rights will be respected and how equitable and sustainable local benefits might be ensured.

The many concerns about avoided deforestation schemes include the following:

- ♦ **Top-down and unsustainable?** Past experience shows that top-down schemes devised without the full knowledge and agreement of forest peoples and local communities will fail, and that top-down schemes may reinforce the unequal status quo on forest politics. Most avoided deforestation proposals currently stem from the World Bank, governments and large conservation NGOs.
- ♦ **Anti-people conservation?** The concern is that funds for forest protection will be spent on equipment for forest guards and sustain an outdated anti-people approach to forest protection, which excludes local people from forests and reinforces state and private sector control over forests.
- ♦ **Rights, conflict and unequal terms:** In countries (like Indonesia) where the state fails to adequately recognise indigenous peoples' customary rights over forests, decision-making over zoning for avoided deforestation and how the income is shared could marginalise or exclude indigenous communities. There is a high risk of their right to Free Prior and

Informed Consent being ignored. Even if communities are able to negotiate direct benefits under avoided deforestation schemes, there is no guarantee that the terms of negotiation will be equal. Avoided deforestation schemes may also generate conflicts between communities included in benefit-sharing schemes and those excluded from them.

- ♦ Corruption: There is a risk of corruption where large sums of money are involved. This could mean that little of the benefits - even where these are secured by local communities - will actually reach the targets, due to capture by state agencies, local government and conservation NGOs. Also, payments for avoided carbon emissions must ensure sustained forest protection rather than quick fixes in order to get an easy profit.

For any scheme to work, there must be good quality data to determine baseline levels of deforestation in target countries plus measures to increase capacity to monitor and control forest management. An agreement on reliable independent verification is an essential element.

In the rush to get started with avoided deforestation, the main players involved have not dealt in detail with these and other serious social and ethical concerns. At worst, some promoters of avoided deforestation schemes see questions of rights as a 'side issue' or even a 'distraction' from the core task of saving the planet, even when

past experience shows that these are fundamental to achieving sustainable development and securing effective measures to sustainably managed forests. Governments and international agencies rushing to establish avoided deforestation schemes must be reminded that states have a legal obligation to uphold human rights and fulfil international commitments under environmental treaties. Supporters of avoided deforestation may use standards developed by agencies involved in forestry and PES schemes to demonstrate that they are paying attention to social and rights issues. However, these standards are mostly voluntary and non-enforceable. Also, some are based on rewarding future good practice, while ignoring current unacceptable practice.

To address the gaps in the avoided deforestation policy debate, it seems essential that indigenous peoples and forest movements worldwide start serious internal dialogue on the pros and cons of REDD schemes run by governments and the World Bank. Action is needed to ensure:

- ♦ Indigenous peoples and forest movements are directly engaged in the current international and national debates on avoided deforestation/REDD;
- ♦ Human rights, FPIC, respect for customary land and resource rights, land tenure and security, equitable benefit sharing and good governance are made central in discussions on avoided deforestation policy;

- ♦ Guarantees are forthcoming that customary rights will be recognised and respected;
- ♦ International and national avoided deforestation policies adopt a rights-based approach to sustainable forest conservation and forest management;
- ♦ Guarantees are secured that indigenous peoples will retain and recover control over their forests and receive support for genuine community-based forest management;
- ♦ Dialogue with avoided deforestation supporters is undertaken in good faith and addresses both potential benefits and risks;
- ♦ Any processes to identify national and local drivers of deforestation in tropical countries and decisions on tackling these must involve forest peoples and forest-dependent communities;
- ♦ Any proposed standard setting and rules for avoided deforestation schemes fully involve potentially affected indigenous peoples and local communities and require full conformity with international law.

1. <http://planetark.com/> accessed 2/Jul/07
2. All figures from Indonesia's SBSTA submission, 2007
3. This is the new name for 'Irian Jaya Barat' province, created under the policy imposed by the Jakarta government, widely opposed in Papua itself, to split Papua into three provinces.

Information sources

Indonesia and Climate Change: Current Status and Policies, PT Pelangi Energi Abadi Citra Enviro (PEACE), May 2007. Press release: <http://go.worldbank.org/5BZ6ZJU9T0>, The full report (English) is at http://siteresources.worldbank.org/INTINDONESIA/Resources/Environment/ClimateChange_Full_EN.pdf and (Indonesian) at http://siteresources.worldbank.org/INTINDONESIA/INBAHASA/Resources/Environment/ClimateChange_Full_BH.pdf. Summaries are also available on the World Bank site - see <http://go.worldbank.org/TB2AM3H2I0>

Seeing "RED"? "Avoided deforestation" and the rights of Indigenous Peoples and local communities by Tom Griffiths, Forest Peoples Programme, June 2007. Also in Indonesian and other languages: http://www.forestpeoples.org/documents/ifi_igo/bases/climate_change.shtml

Government of Indonesia (2007) *Reducing emissions from deforestation in developing countries (REDD)* Paper submitted to UNFCCC SBSTA by the Government of Indonesia <http://www.cifor.cgiar.org/NR/rdonlyres/4E81DB28-410F-4885-ACB6-6CA802603A32/0/indonesia.pdf>

The United Nations Framework Convention on Climate Change will hold its next meeting (COP 13) in Bali on 3-14 December 2007. For further details see http://unfccc.int/meetings/cop_13/items/4049.php

March 2007 workshop on Avoided Deforestation at UNFCCC http://unfccc.int/methods_and_science/lulucf/items/3918.php

The World Bank's strategy for Indonesia's forests, 2006-2009, is available in English and Bahasa Indonesia: see <http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/280016-1152870963030/IDForestStrategy.pdf?resourceurlname=IDForestStrategy.pdf>

A World Bank PowerPoint Presentation on the Global Forest Alliance (GFA) and Forest Carbon Partnership Facility (FCPF), May 2007, is available at www.fire.uni-freiburg.de/sevilla-2007/groups/Worldbank.pdf

For more information on climate change, forests and the carbon trade see Sinks Watch at <http://www.sinkswatch.org/>, Fern at www.fern.org, and The Corner House at www.thecornerhouse.org.uk