REDD Strategy and regulation: Learning from the Indonesian Experience

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Presentation outline

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3. Development of legal basis for REDD: Decrees and regulations
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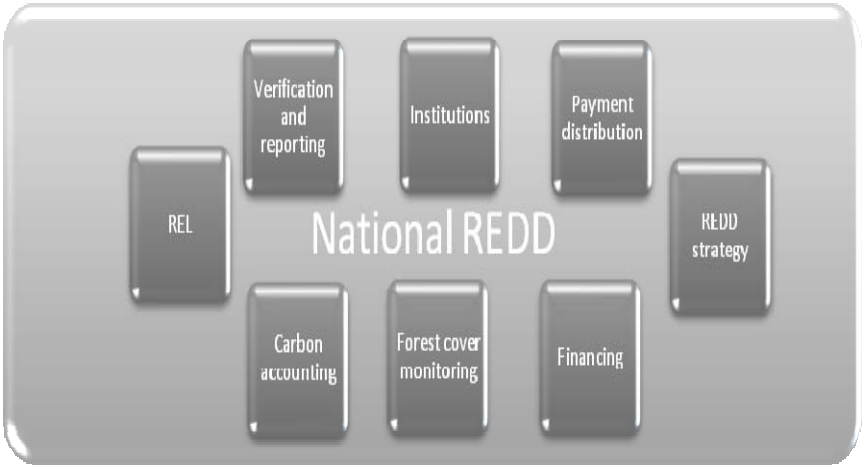
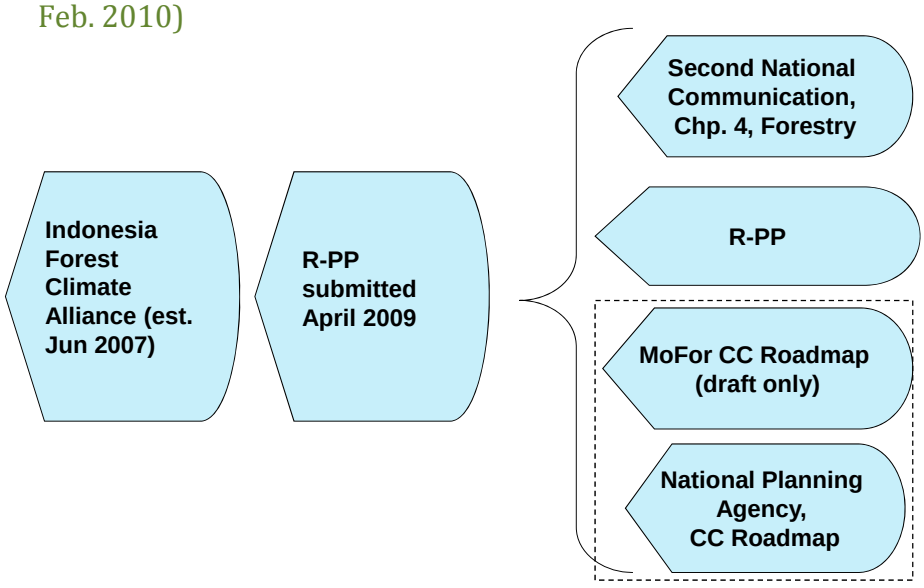
4. Challenges Indonesia is now facing

1. Elements of national REDD systems



2. Process of REDD strategy development in Indonesia (as of Feb. 2010)



2.1 Developing the national REDD strategy (1): Indonesia Forest Climate Alliance (IFCA)

- Established in July 2007; funding from the UK, Australia, Germany and the World Bank
- Purpose: umbrella for communication, coordination and consultation of stakeholders working on forest and climate change in Indonesia
- Activity: Studies in 2007 by MoFor staff + > 40 advisors from Indonesia and abroad on REDD methodology, architecture and strategies

  - Analysed available data on carbon stocks and land-use change, priorities for action to address DD drivers, mechanisms for participating in carbon markets & for managing REDD payments, & opportunities within the current legal and policy framework to take action

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2.2 Developing the national REDD strategy (2): R-PP

- Submitted April 2009
- FCPF Technical Advisory Committee comments:
  - Strengths: "drawing on the strengths of the IFCA process and resulting report, the R-Plan [R-PP] is comprehensive, consistent, and well-reasoned"
  - Shortcomings:
    - Track record of implementing existing policies could be further examined;
    - Need to engage with, and increase participation by, local and indigenous communities;
    - Consultation processes need to be broadened sector-wise and expanded geographically;
    - Need for more detailed guidance for REDD activities, and in particular on how issues of carbon and land tenure and asset ownership will be dealt with.
  - WRI independent analysis:
    - Vagueness on issue of how to improve forest law enforcement and compliance
    - Lack of a clear and adequate response to the issue of how current land use and other sectoral behaviour, policies or governance would be impacted by the readiness process
    - Lack of clarity on how an "accountable and transparent" system for distributing REDD revenues and associated benefits would be achieved
  - Letter to Minister of Forestry from AMAN and Sawit Watch (indigenous people's issues)
    - Lack of key information in early drafts of R-PP that limited possibility for IPs to engage in an "informed, effective and self-determined discussion"
    - Dearth of information regarding consultations generally and more specifically with indigenous peoples to date, and absence of information on how IPs will be consulted in the future

2.3 Other efforts

- Second National Communication
  - Chapter IV Forestry (not released)
  - Describes a set of strategies for reducing emissions
- Latest CC Roadmap
  - Indonesian National Planning Agency (Bappenas) developing national climate change road map with GTZ support.
  - Sectoral road map for forestry drafted by MoFor (not released)
    - Lays out targets for the next four 5-year periods for high priority mitigation and adaptation options in the forest sector.

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Need for synthesis based on sound assumptions and good maths

Summary for policy makers: Indonesia Second National Communication, 2009

To increase the carbon stock back to a level of 1990:

•↑ rate of land rehabilitation through reforestation, afforestation, timber plantation and biomass energy plantation, and restoration of production forest through enrichment planting by 68% and 35% respectively

•↓Illegal logging by 43%

•↓ shifting cultivation by 17%

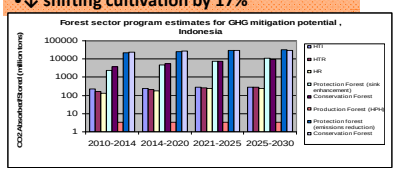
Which is correct?

Bappenas. Dec. 2009. Indonesia Climate Change Sectoral Roadmap – Synthesis Report.

Scenario 1: Efforts directed at land rehabilitation & investment in industrial plantations; no change in natural forest management

Scenario 2: Place more effort on industrial plantations and less on land rehabilitation

Scenarios 3 (Greatest mitigation potential & lowest abatement costs): Planting for rehabilitation and timber supply managed by forest management units (KPH), with the establishment of KPH contributing significantly to better management of natural forest, less illegal logging and fire.



3. Development of legal basis for REDD: Decrees and regulations

Indonesia's legal framework for REDD as of Jan 2010

Regulation or Decree	Date issued
Ministry of Forestry Regulation No: P.68/Menhut-II/2008 on the Implementation of Demonstration Activities on Reduction of Emission from Deforestation and Degradation	11 Dec. 2008
Ministry of Forestry Decree establishing the Ministry of Forestry Working Group on Climate Change/WG-FCC (SK.13/Menhut-II/2009)	12 Jan. 2009
Ministry of Forestry Regulation No. P.30/Menhut-II/2009 on Reducing Emissions from Deforestation and Forest Degradation	01 May 2009
Ministry Of Forestry Decree Number: P. 36/Menhut-II/2009 Regarding Procedures for Licensing of Commercial Utilisation of Carbon Sequestration and/or Storage in Production and Protected Forests	22 May 2009

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3.1 MoFoR Regulation No: P.68/Menhut-II/2008 on Implementation of Demonstration Activities on REDD (11 Dec. 2008)

- Demonstration activities implemented by *proponents* who may be assisted by *partners*.
  - Proponents: government, forest timber product utility license holders, holders/managers of right forests, managers of customary forest, heads of FMUs
  - Partners: e.g. government, international organisations, private entities, individuals.
- Aim: testing/developing methodologies, technology and institutions for SFM to reduce emissions from DD
- Application/approval procedure:
  1. Proponent submits written application to Minister with plan of DA including status and location with map of the proposed area, form and period of cooperation, estimation of activity values, risk management and plan of revenue distribution allocation.
  2. Application is reviewed by the MoFor Working Group on Climate Change, which Minister, who makes decision approval.
- Maximum period for a demonstration activity: 5 years.

3.2 MoFor Regulation No. P.30/Menhut-II/2009 on Reducing Emissions from DD "REDD Regulation" (May 2009)

- REDD *implementer:* National & international entities to be "REDD implementer"; Regional governments can also propose and coordinate the REDD activities when they have agreement with national entities.
- For customary forest, rights forest and village forest, recommendation from regional government is required for REDD activities
- . Implementation period of the REDD activity is 30 years, extendable.
- REDD implementer has the right to trade REDD credits
- System to be adjusted in accordance with a future global REDD mechanism
- Application and approval process:
  - Application to the Minister by REDD implementer,
  - Assessment of the application by REDD Commission
  - Decision by the Minister on approval within 14 days
  - Commencement of REDD activities by implementer within 90 days of approval
- Recommendation and REDD implementation plan, and criteria for REDD location provided in appendices.

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3.2.1 Monitoring, Reporting, Verification and Issuance of Credits

- Monitoring
  - Frequency: Monitoring conducted by implementer, the regional government and MoFor at least every five years (up to 2012, annually)
  - Subject of monitoring:
    - CC issues: REL, accounting, emissions reduction, emissions displacement
    - Transparency and fairness in the distribution of incentives and contribution to sustainable national development
  - Monitoring must be credible, transparent, accurate and scientifically sound and be consistent with internationally agreed rules
- Reporting, Verification and Issuance of tradeable carbon emissions reduction certificates
  - Implementer submits monitoring results to Minister
  - Within 14 days, REDD Commission assigns independent assessor accredited by the National Accreditation Committee to verify the report
  - Within 30 days after receiving verification report, REDD Commission publishes tradeable carbon emissions reduction certificates

3.2.2 Other details

- Appendix 1: Guideline for regional government to make recommendation on REDD activity
- Appendix 2: Site selection criteria: (1) data and information, (2) biophysics and ecology, (3) threats to the forest resources, (4) social, economic and cultural issues, (5) economic feasibility, and (6) governance
- Appendix 3: REDD Implementation Plan
- Appendix 4: REDD Application Evaluation Guidelines
- Appendix 5: Guidelines on REL, Monitoring and Reporting
- Appendix 6: Guidelines on REDD Verification Activities
- Definitions
  - REDD implementation is carried out through REDD demonstration acties, ca pacity building and technology transfer, and the voluntary carbon trading
  - REDD Demonstration Activities can be used / transferred into the REDD act ivities

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3.3 MoFor Decree No: P. 36/Menhut-II/2009 Re. Procedures for Licensing of Commercial Utilisation of Carbon & Storage in Production & Protected Forests

- Context: Earlier regulations had specified sequestration and storage of carbon in production and protected forests as one form of environmental service and that a license for the exploitation of this service in these forest types is required.
- *Project developer*: manager of production forest or a permit holder
- *Investor* activities: *selling and payment, maintenance and development of forest resources, capacity devt. of local community & project development/replication for the surrounding areas.*
- License application: Provides application format; Stipulates the required accompanying documents; Depending on the existing license that is held by the applicant, the application is made either to the Head of District/City, the Governor, or the Minister.
- Working area map and concept for the decision is to be developed by the specified government bodies

3.3.1 Marketing of carbon

- Marketing of carbon in the national (scheme yet to be developed) and international market is permitted.
- For international market:
  - Valuation and verification: valuation process must include the participation of national consultants or independent national valuation institutions
  - In designing the project, the project developer can work with local government, state-owned enterprises, local government-owned enterprises, Indonesian private enterprises, and national non-governmental organisations (NGOs).
  - To gain a certificate of verified emissions reductions, the project developer must register with the National Registration Body (*Badan Registrasi Nasional)* or with registration bodies that are active in the international voluntary carbon market.
  - Maximum project length is 25 years, extendable

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3.3.2 Benefit distribution

Distribution of income from the sale of carbon credits according to forest category

Permit holder / developer	Distribution		
	Government	Community	Developer
IUPHHK-HA (Wood Use License for Natural Forest)	20%	20%	60%
IUPHHK-HT (Wood Use License for Plantation Forest)	20%	20%	60%
IUPHHK-RE (Wood Use License for Ecosystem Restoration Area)	20%	20%	60%
IUPHHK-HTR (Wood Use License for People's Plantation Forest)	20%	50%	30%
Hutan Rakyat (People's Forest)	10%	70%	20%
Hutan Kemasyarakatan (Community Forest)	20%	50%	30%
Hutan Adat (Customary Forest)	10%	70%	20%
Hutan Desa (village forest)	20%	50%	30%
KPH (Forest Management Unit)	30%	20%	50%
KHDTK (special purpose forest area)	50%	20%	30%
Hutan Lindung (Protection Forest)	50%	20%	30%

- The government shares are to be divided proportionately, with the central government receiving 40%, the provincial government 20%, and the district government 40%.
- Funding for the community is to be managed by a trust fund, according to good governance principles, by the local community together with the village government.

Projects in the pipeline (as of Jan. 2009)

Project	Location	Key Proponents
Ulu Masen Ecosystem–A Triple-Benefit Project	Ulu Masen Ecosystem, Aceh	Carbon Conservation; Fauna and Flora International (FFI)
Kampar Ring–A Sustainable Development Model Based on Responsible Peatland Management	Riau, Sumatera	APRIL
Kuala Kampar Pilot Project–REDD	Riau, Sumatera	WWF
Tesso Nilo Pilot Project–REDD	Sumatera	WWF
Harapan Rainforest Project	Kabupaten Muara Jambi, Sumatera	Burung Indonesia; Royal Society for the Protection of Birds; Birdlife Int.
Berbak Carbon Value Initiative	Jambi, Sumatera	ERM; The Zoological Society of London; Berbak National Park
Conservation of Upper Kapuas Lakes System	Kabupaten Kapuas Hulu, West Kalimantan	FFI; PT Macquarie Capital Securities Indonesia
Not known	Central Kalimantan	Infinite Earth
Katingan Conservation Area: A Global Peatland Capstone Project	Kabupaten Katingan and Kabupaten Kotawaringan, Central Kalimantan	Starling Resources
Mawas Peatland Conservation Area Project	Central Kalimantan	The Borneo Orangutan Survival Foundation; The Dutch Royal Government; Shell Canada
Central Kalimantan Peatland Project–REDD	Sebangau National Park, Central Kalimantan	WWF; Deutsche Post; BOS Mawas Program; Wetlands Int'l Indonesia Program; Care Int'l Indonesia; Palangka Raya University
Malinau Avoided Deforestation Project	Kabupaten Malinau, East Kalimantan	Global Eco Rescue; Borneo Tropical Rainforest Foundation; Inhutani
Berau, Indonesia Climate Action Project (Kabupaten Berau Forest Carbon Program)	Kabupaten Berau, East Kalimantan	TNC; ICRAF; Sekala; University Mulawarman; Winrock Int'l; University of Queensland
Heart of Borneo Pilot Project–REDD	Kalimantan	WWF
Forest Land Use and Climate Change in North Sulawesi (FLUCC) in the Poigar Forest	Kabupaten Bolaang and Kabupaten Minahasa Selatan, North Sulawesi	Green Synergies
Mamuju Habitat	Mamuju, West Sulawesi	KeeptheHabitat; Inhutani I
Perpetual Finance for Carbon Benefits, Community Development Project	Kabuaten Mimika, Kabupaten Memberamo, Kabupaten Merauke, Papua	New Forests Asset Management; PT Emerald Planet
Jayapura Pilot Project–REDD	Papua	WWF
Merauke-Mappi-Asmat Pilot Project–REDD	Papua	WWF
	Central Kalimantan	Australian Government
	East, South, and West Kalimantan	German Government
	Sembilang National Park, South Sumatra; Kerinci Seblat National Park, Sumatra	Japanese Government

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4. Challenges Indonesia is now facing

- Inter-ministerial collaboration
- Synthesizing regulations and REDD strategy documents (including carbon scenarios)
- Further elaboration of regulations through Decrees, Guidelines, etc., based on good science and meaningful consultation
- Testing of REDD regulatory framework by projects in the pipeline