



Madani



**MADANI'S UPDATE
NDC DEVELOPMENTS
IN THE FORESTRY SECTOR
INDONESIA**
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NDC developments in the forestry sector – Indonesia

January–March 2019

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Summary

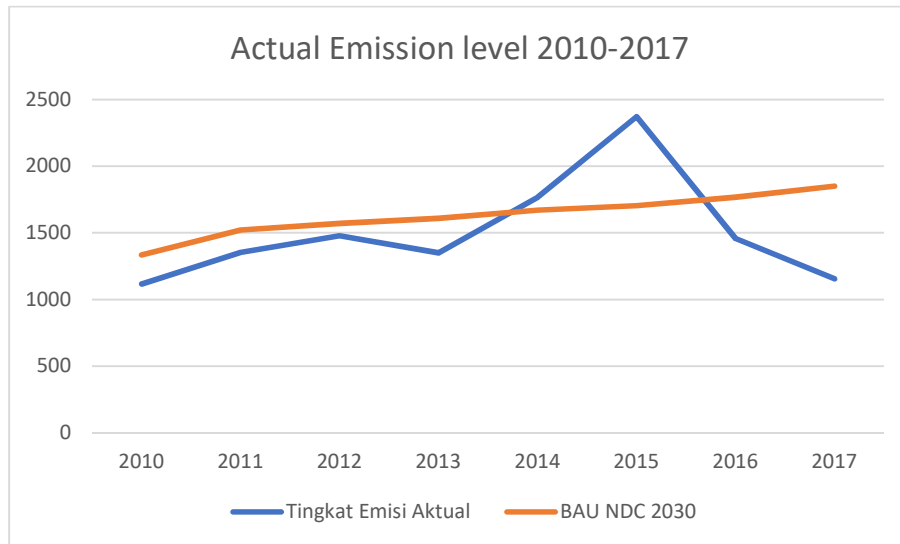
- **NDC implementation update** contains the latest national GHG emission and emission reduction (NDC attainment), possibility to increase NDC ambition, forestry mitigation measures reported in Second BUR, and NDC implementation strategy updates. Some highlights: (i) Indonesia’s NDC attainment in 2017 is 24.5% out of 29% (the highest achievement since 2010). The government is in process of developing a Ministerial Regulation that will make it mandatory for forest concession holders (logging and plantation forest) to implement reduced impact logging carbon (RIL-C).
- **REDD+ implementation update** contains Indonesia’s process in claiming REDD+ results-based payment (RBP) and allocation of FREL for deforestation and forest degradation at subnational (provincial) level. Five provinces with the highest FREL for deforestation and forest degradation are Papua, Central Kalimantan, Central Sulawesi, East Kalimantan, and North Kalimantan.
- **Update of forestry mitigation policies** contains the latest developments regarding forest moratorium, palm oil moratorium, peatland restoration, and social forestry.

NDC implementation update

- **The latest national GHG emissions.** In December 21 2018, Indonesia submitted its Second Biennial Update Report (BUR) to the UNFCCC, reporting GHG inventory up to 2016. Indonesia’s national GHG emissions in 2016 is still dominated by AFOLU (agriculture,

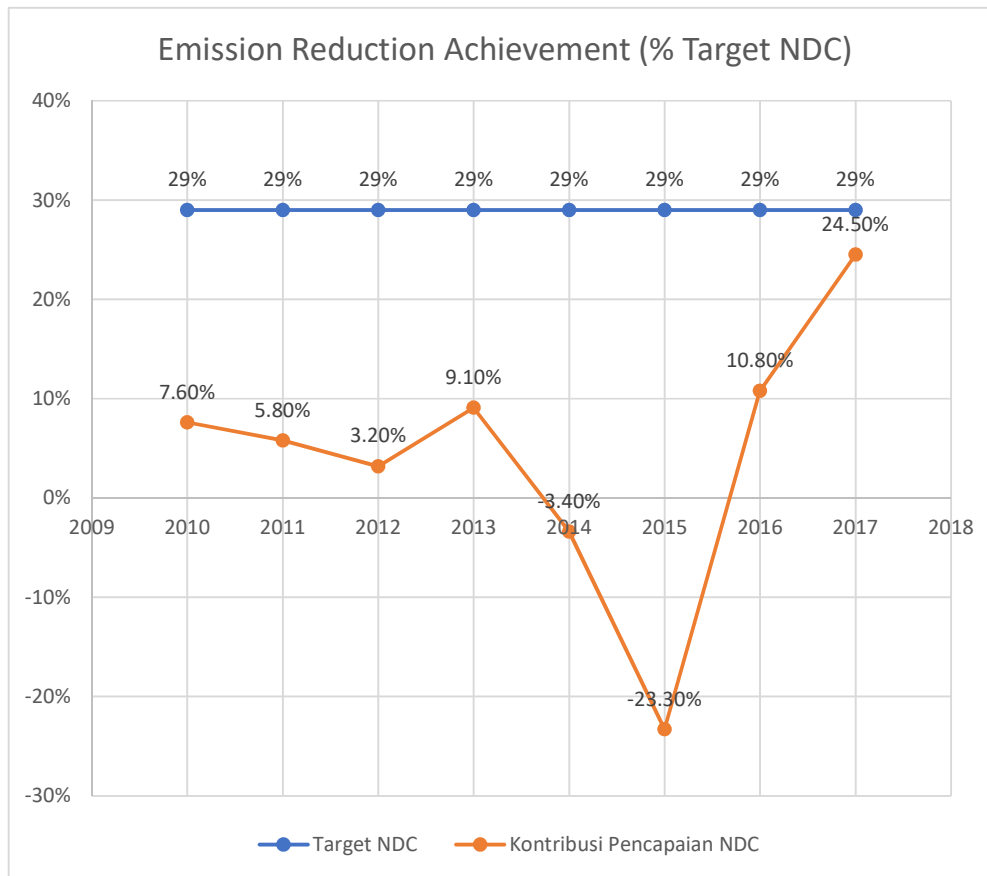
forest, and land use), constituting 51.59% of the total emissions of 1,457,774 Gg CO₂e (including peat fire). Emissions from AFOLU increased by 25% in the period of 2000–2016. However, the proportion of emissions from energy out of the total national emissions increased by 6% in the same period while emissions from AFOLU decreased by 7%, a trend that is likely to continue. In 2017, GHG national emission in energy sector (49%) is bigger than emission from AFOLU sector (25%).¹

- **Emission reduction achievement in 2017.** Indonesia’s claimed emission reduction in 2017 is 24.5% out of 29%, the highest since 2010. But this achievement is still below the 29% target.²



¹ Presentation of Director of GHG Inventory of Directorate General of Climate Change, 4 April 2019.

² Ibid.



- Potential to increase NDC ambition**

Director General of Climate Change stated in March 26, 2019 that there is a possibility to increase NDC ambition in energy sector because projection of emission from energy sector is increasing while emission reduction target in forestry sector is already very ambitious and is difficult to go higher.



NDC must be more ambitious. NDC commitment in forestry sector is already ambitious enough. What can be encouraged is increased emission reduction from energy sector because its baseline emission is higher while its percentage of emission reduction target is lower than the forestry sector.

- **Mitigation policies and measures in Second BUR**

Specific policies referenced as mitigation policies in AFOLU sector are peat regulation (PP Gambut), moratorium, fire management, social forestry, forest and land rehabilitation policies, forest certification, and estate crop management (no-burning) policies. Peat regulation is the strongest policy in terms of legal status while other policies are ministerial regulations and the weakest are the moratorium and fire management policies (Presidential Instruction). Implementation of these measures are scattered in many echelons I (Directorate Generals) of MoEF and Peatland Restoration Agency. DG-CC is the technical implementer of one measure only, namely forest fire control.

Mitigation measures referenced in Second BUR are as follows, but there are no data regarding the corresponding emission reduction from each policy:

- Reducing deforestation:
 - Protecting conservation areas
 - Utilizing ecosystem services
- Increasing implementation of sustainable forest management in natural forest and timber plantation to reduce forest degradation
 - Increasing timber production from timber plantation (HTI)
 - Management of ecosystem restoration concessions, providing incentive plan
 - Implementing RIL-C (reduced impact logging carbon) – the government is preparing a ministerial regulation for mandatory implementation of RIL C as well as its monitoring mechanism. Since timber plantation and logging control 30 million ha of land, the government really zooms in on this policy.
- Rehabilitation of degraded land
 - Rehabilitation of 1.1 million hectares of degraded area. NDC target for rehabilitation of degraded land is 12 million hectares by 2030 or 800,000 hectares per year. Currently, the government can only finance rehabilitation of degraded land with the size of 200,000 hectares per year, which means that it requires private sector and donor funding to achieve the target.
- Peatland restoration
 - Peat restoration
 - Implementation of RIL-C in timber plantation on peatland
- **NDC implementation strategy.** As to NDC implementation strategy, which encompasses nine programs, the central government's claimed progress is socialization of NDCs in several provinces, capacity building scattered among government entities, further technical development of national GHG data inventory and national registry system, and mainstreaming NDC in development planning.
- **NDC stakeholder communication forum.** Until today, the promised stakeholder communication forum for NDC has not been established. According to Director of Mitigation of Climate Change of DGCC, stakeholder communication hubs for NDC can be established at national and regional level but not formally.

REDD+ implementation update

- **REDD+ RBP.** Indonesia is preparing to submit a results-based payment to Norway under the Lol and the Green Climate Fund (GCF) under RBP pilot for REDD+. Some issues about this:
 - **Difference of FREL for deforestation used** - different reference periods are used for FREL deforestation for RBP from Norway and GCF, which in the case of Norway is more ambitious because the FREL for deforestation is lower (reference period used = 2006-2016 or 10 years) while with GCF, the FREL used is the UNFCCC-approved national FREL, which is higher because the reference period is 22 years (1990-2012). According to discussion with MoEF³, they are developing updated FREL (FREL 2) to be used after 2020. One possibility is using shorter reference period (possibly 2000-2018) or 18 years to make NDC more ambitious. The other alternative is using two baselines, one for normal years and one for El-Nino years.

1. Baseline 2006-2016 (10 years):	
• Deforestation	: 237,0 MTCO ₂ e
• Forest Degradation	: 41,5 MTCO ₂ e
2. Number of Deforestation and Forest Degradation 2016-2017	
• Deforestation	: 228,3 MTCO ₂ e
• Forest Degradation	: 42,7 MTCO ₂ e
3. Performance 2016-2017 (1-2)	
• Deforestation	: 8,6 MTCO ₂ e
• Forest Degradation	: -1,2 MTCO ₂ e
4. Net Result 2016-2017 : 7,4 MTCO₂e	
5. Set Aside	
• Risk Uncertainty	: 20%
• Risk to Indonesian Ambition	: 15%
6. Net Result – Set aside (35%): 4,8 MTCO₂e ≈ 5 MTCO₂e	

Figure 1 RBP Claim to Norway

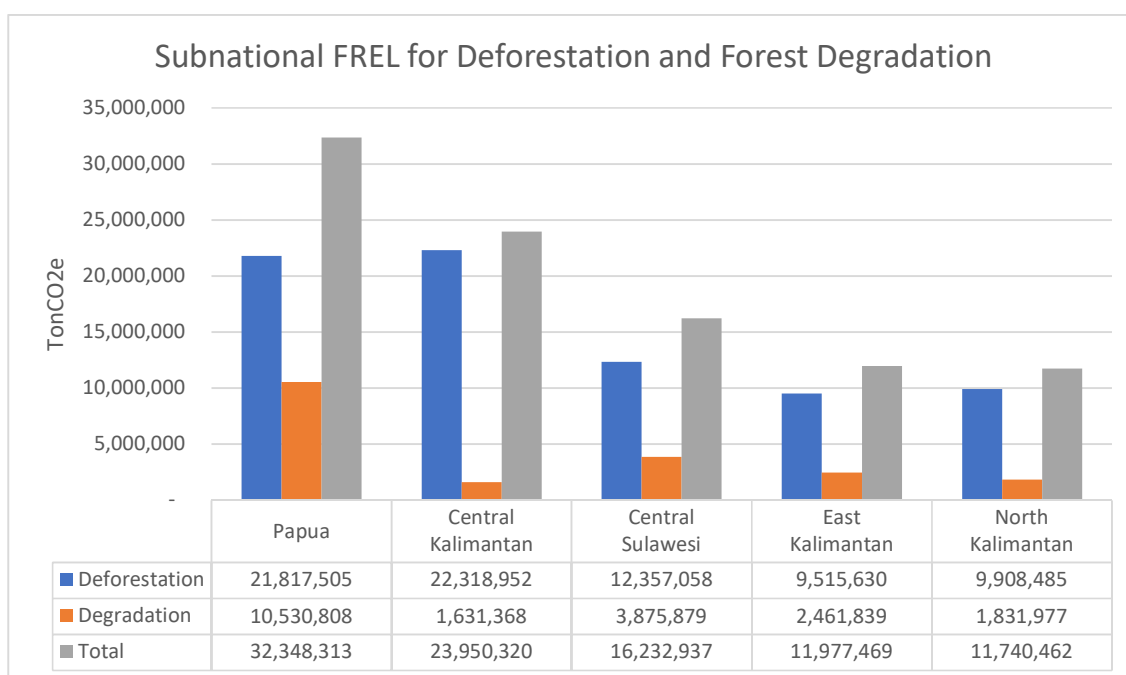
KLAIM KE NORAWY DAN GREEN CLIMATE FUND							
Emisi Aktual dan Baseline							
No	Period (year period)	Emissions from Deforestation (CO ₂ e)		Emission from Forest Degradation (CO ₂ e)		Emission from Peat Decomposition (CO ₂ e)	
		Actual	Reference	Actual	Reference	Actual	Reference
1	2013 - 2014	116.066.514	293.208.910	9.840.253	58.002.762	240.813.389	221.143.831
2	2014 - 2015	232.677.722	293.208.910	85.989.932	58.002.762	248.965.527	224.639.453
3	2015 - 2016	279.222.082	293.208.910	78.664.647	58.002.762	255.706.927	228.135.075
4	2016 - 2017	228.349.830	293.208.910	42.743.041	58.002.762	256.741.233	231.630.697
Result							
1	2013 - 2014	177.142.396		48.162.509		- 19.669.558	205.635.348
2	2014 - 2015	60.531.188		- 27.987.170		- 24.326.074	8.217.944
3	2015 - 2016	13.986.828		- 20.661.885		- 27.571.852	- 34.246.909
4	2016 - 2017	64.859.080		15.259.721		- 25.110.536	55.008.265
Total Result							234.614.648
Kalim ke Norway	2016 - 2017	8.597.611		- 1.191.559			7.406.051
Kalim ke GCF		307.921.882		- 15.964.735		- 96.678.020	227.208.597

Figure 2 RBP claim to Norway and GCF

³ Informal discussion with Directorate General of IGRK-MRV, MoEF, 28 March 2019.

- **Safeguards.** What is the mechanism put forth by GOI and Norway to ensure that all safeguards have been implemented in the context of accessing RBP (is there a specific report or assessment on safeguards implementation?). Currently, all safeguards questions are relegated into SIS-REDD+ but the information in SIS-REDD+ is not coherent enough to ascertain whether no safeguards have been violated in the performance period of RBP.
- **Benefit-sharing plan.** It is unclear what kind of benefit-sharing plan or mechanism proposed by the government for the RBP. The assumption is that the RBP will be put in Environment Fund Management Agency (BPD LH) to be used to finance further adaptation and mitigation measures. According to information from Kemitraan, the process to establish Environment Fund Management Agency is now in the hands of Ministry of Finance in coordination with Coordination Ministry of Economic Affairs.
- **Allocation of FREL for DD at provincial level.**
 - On March 11, 2019, the Director General of Climate Change issued a Decision Letter allocating FREL at the provincial level as a reference to: (i) implement activities to reduce GHG emissions and (ii) assess performance of REDD+ implementation. The FREL is used as a reference at the subnational (provincial) level for two activities only: deforestation and forest degradation. The reference level was set based on considerations of historical emissions from DD and potential emissions that may happen in the future in accordance with existing natural forest cover. The provincial FREL is valid until 2020.
 - Top 5 (out of 34) provinces with the largest emissions allocation from deforestation and forest degradation are: (i) Papua, (ii) Central Kalimantan, (iii) Central Sulawesi, (iv) East Kalimantan, and (v) North Kalimantan.

Figure 3 Top 5 provinces with the highest FREL from deforestation and forest degradation



- Central, East Kalimantan, and North Kalimantan (with the addition of West Kalimantan) are provinces with the highest deforestation rate in 2013-2016 and based on the historical deforestation rate, the high FREL is not surprising. Papua and Central Sulawesi ranks 7th and 8th in 10 provinces with the highest deforestation rate in 2013-2016 but the high FREL for DD for those two provinces mean that deforestation and forest degradation in the two provinces are planned to go even higher, presumably because vast forests in those provinces (especially Papua) have already been given out to concessions but are not yet cleared. According to Madani's analysis of Greenpeace's datasets, in Papua alone, it is estimated that in 2017 there are 1.37 million ha of natural forests in palm oil concessions (see figure 5 below). Evaluation of existing palm oil licenses under palm oil moratorium will be most urgent in Papua, East Kalimantan and West Papua with vast natural forests inside palm oil concessions.

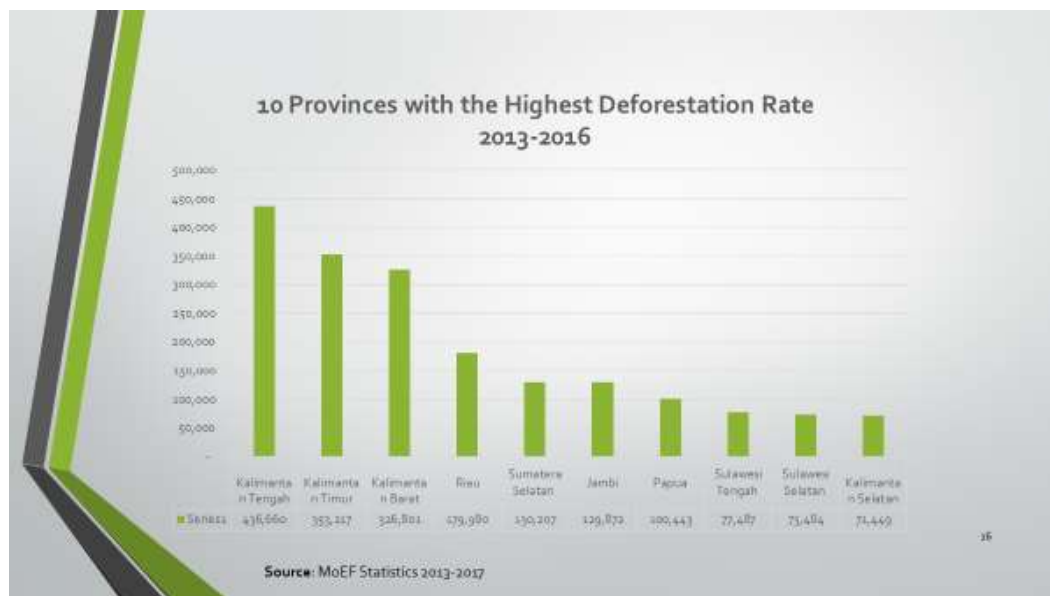


Figure 4 10 provinces with the highest deforestation rate 2013-2016

Progress of forestry mitigation policies implementation

Forest moratorium

- Forest moratorium, implemented through Presidential Instruction No. 6 year 2017 (fourth extension) will end in July 17 if not extended for another two years or upgraded into permanent protection. According to WRI's analysis (Wijaya 2017), forest moratorium is currently the largest single mitigation policy in the forestry sector so that it is very important to extend and strengthen this policy.
- The policy suspends issuance of new licenses in primary forests and peatland included in the moratorium map (PIPIB), which will be revised every 6 months. The new licenses that are suspended are: (i) business license for forest timber product utilization

(logging, timber plantation, community timber plantation, community forestry), (ii) forest timber product extraction license, (iii) license to use forest area, and (iv) forest area use change (exception: use change as a part of Provincial Spatial Plan Revision). The last clause means that regional government can ask for primary forest and peatland to be released from forest area to become non-forest area that falls under their control.

- This policy is riddled with exemptions, even more than the previous periods: licenses that had obtained principle approval before May 2011, vital national developments: geothermal, oil and gas, electricity, national food security program (paddy, sugarcane, maize, sago, soy), extension of existing licenses, and ecosystem restoration.
- The last revision of the moratorium map is in December 17, 2018 (Revision XV) but the decision letter does not contain the size of moratorium area covered.
- **Extension of moratorium?** In civil society seminar organized by NICFI in 22 January 2019, Director General of Climate Change stated that the government is preparing extension of moratorium and is still discussing and conducting analysis whether the policy can also be applied to secondary forests. From Madani's analysis on forestry statistics in State of Indonesia's Forests 2018, there are 3.8 million hectares of secondary forests in Production Forest for Conversion (HPK), which is the most threatened because it is not protected by moratorium policy and is legally classified to be converted to non-forest area. Extension of moratorium policy to at least these legally vulnerable forests will help protect them.

Palm oil moratorium

- Palm oil moratorium (Presidential Instruction No. 8/2018) has a short lifetime (only 3 years) and has no extension clause like the forest moratorium. From September 2018 to March 2019, the government (coordinated by Coordinating Ministry of Economic Affairs) has not yet established the Work Team mandated by the Presidential Instruction. The Coalition has asked to be included in the Work Team, but has not yet received a positive response. Based on information received by Palm Oil Moratorium Coalition of which Madani is a part from the Ministry, it is currently developing a procedure for license evaluation based on KPK's experience in license review.
- At the regional level, there are some good developments. Buol Head of District in Central Sulawesi has issued a Head of District Regulation to implement palm oil moratorium. Sanggau Head of District in Central Kalimantan has issued a Circular Letter on palm oil moratorium implementation. The Coordinating Ministry of Economic Affairs itself has targeted the following provinces for priority engagement: Jambi, Riau, South Sumatra, North Sumatra, West Kalimantan, Central Kalimantan, and East Kalimantan. This leaves a huge gap of Papua, West Papua, and North Kalimantan provinces.
- The palm oil moratorium has a potential to save a great deal of forest. According to Madani's analysis based on Greenpeace's datasets, there are approximately 3.3 million hectares of natural forests inside palm oil concessions in 2017, the largest is in Papua, East and North Kalimantan and West Papua (see figure below). The current challenge is that evaluation of palm oil licenses that become the responsibility of three Ministries: MoEF, Ministry of Agraria and Spatial Planning, and Ministry of Agriculture runs behind closed-doors.



Figure 5 10 provinces with the largest natural forests inside palm oil concession

- **Violations?**

- **Buol, Central Sulawesi.** In February 2019, the Minister of Environment of Forestry released forest area with the size of 9964 hectares to PT Hardaya Inti Plantation in Buol District, Central Sulawesi. Greenomics released data that the area consists of good forests. Meanwhile there is also information that the areas have been illegally planted with palm oil before due permits were issued. Due to wording loopholes in Presidential Instruction No. 8/2018, the release might have been justified procedurally because the company had obtained principal approval and conducted boundary demarcation for forest area release before the Instruction was issued. However, the release might be in contradiction with higher regulation if it can be proved that the area released is productive forest. The Coalition's request for audiency with Minister of Environment and Forestry was not granted but a possible meeting with the legal bureau might be possible but is not yet scheduled.
- **Manokwari Selatan, West Papua.** Data from Panah Papua: In Manokwari Selatan District, West Papua, the Head of District has extended a location license (a license to conduct land acquisition) to PT Mitra Silva Lestari in February 2019, extending the previous location license in an area of 11,214 ha in Distrik Tahota and Distrik Isim. It means a potential deforestation of 11,214 ha in Papua. To be able to do that, the company needs a business license (IUP) and land use title (HGU) from the regional government as well as other procedural licenses such as environmental license. Palm oil moratorium suspends this and Panah Papua has issued a release and petition urging the Governor to comply with palm oil moratorium and not move the licensing process further. However, according to PT MSL's statement, the areal for which location license was extended is located in non-forest area so that it is exempted from palm oil moratorium.⁴

⁴ Ibid.

Peatland restoration

- **Target vs achievement.** Out of the target of restoring 2 million ha of peatland burned in 2015, half of which in concession areas, the progress of peatland restoration conducted by BRG and partners in 2016–2018 is only 679,901 ha (all outside concession areas).⁵ Restoration in concession areas have to be conducted by the companies themselves and MoEF retains supervisory role in this. That is why BRG is focusing only in burned state areas and community areas.
- **Restoration in concession areas.** There are 99 timber plantation concessions in peatland ecosystem areas with the size of 2.59 million ha, the largest is in Riau, South Sumatra, and West Kalimantan. Around 1.43 ha of the concession areas is located in protected peat, which must be rezoned and restored if burned/damaged. Out of the 99, 83 companies have revised/rezoned the protected peat and 45 have submitted their restoration plan to MoEF. Despite the strict sanctions imposed by MoEF, some companies still get away with burning peatland for palm oil such as evident in the case of PT Pundi Lahan Khatulistiwa, Saraswanti, and Mulia Agro Sawit Lestari in West Kalimantan.⁶

Social forestry

- **Achievement.** Distribution of social forestry per March 4, 2019 is 2.56 million hectares. In terms of size, the largest is village forest (50%), community forestry (25%), community timber plantation (13%), and forestry partnership (11%). Meanwhile, customary forest distribution is only 1 % from the total social forestry distributed.⁷ In the remaining 9 months up to December 2019, MoEF must distribute the remaining 1.82 million hectares to reach the 2019 target.
- **Customary forest.**
 - In February 2019, it was reported that MoEF recognized 7 units of customary forests with the size of 2.182 hectares⁸ and it was stated that the Ministry will recognize 6 locations of customary forest in Jambi with the size of 1.518 hectares.⁹ According to Directorate General of Social Forestry and Environment Partnership, there are 46 proposals of customary forest with unspecified size and location.¹⁰
 - The Ministry has not yet legalized the Indicative Map of Customary Forest Location (PILHA), which is being pushed by civil society with the size of 369,861 hectares. The government has set a target of customary forest verification with the size of 30,000 hectares in 2019.¹¹

⁵ <https://brg.go.id/capaian-restorasi-gambut-2016-2018/>

⁶ <http://www.foresthints.news/peat-drainage-ongoing-amid-protests-against-eu-delegated-act>

⁷ <http://dishut.jabarprov.go.id/index3.php?mod=detilBerita2&idMenuKiri=&idBerita=6134>, accessed 20 March 2019.

⁸ <https://ekonomi.bisnis.com/read/20190305/99/896299/klhk-targetkan-verifikasi-30.000-ha-hutan-adat>, 5 March 2019, accessed 20 March 2019.

⁹ Ibid.

¹⁰ <http://pskl.menlhk.go.id/pktha/>, accessed 20 March 2019. Tidak ada jumlah luasan/rincian.

¹¹ Ibid.

Political dynamics

Indonesia's reaction to EU Revised Renewable Directive II and EU Delegated Act on ILUC Risk

- In March 18, GOI represented by Coordinating Minister of Economic Affairs, Darmin Nasution, announced ten points of objections towards European Commission's adoption of Draft Delegated Regulation Supplementing Directive 2018/2001 of the EU Renewable Directive II, which classifies palm oil as unsustainable, high ILUC risk commodity.¹² This is in line with Malaysia's Primary Industry Minister, Teresa Kok's statement, which alleges that facts on which the delegation are based are "inaccurate" and "discriminative." The press conference was joined by officials from Ministry of Foreign Affairs, Ministry of Trade, and quite conspicuously Deputy III of Association of Indonesian Palm Oil Industry (GAPKI).
- Summary of the 10 points of objections are:
 1. ***The scientifically flawed standard and protectionism argument.*** Classification of palm oil as unsustainable, high ILUC risk vegetable oil is based on "unilateral, and arbitrary scientifically flawed standard." EU's intention is not to promote sustainability, but "phase out and impose a ban on palm oil imports to EU mandated biofuel sector" to protect and promote EU's home-grown vegetable oils
 2. ***The genuine vs politically motivated environmental concerns argument.*** GOI regrets that many parties (EU institutions and others) seek a total ban on palm oil. ILUC is "politically motivated". GOI urges anyone with a "genuine environmental concerns" to work with palm oil producing countries to achieve SDGs and assures that those parties with "genuine environmental concerns" will be welcome by the government.
 3. ***The productivity argument.*** GOI thinks that "singling out palm oil" will undermine sustainability in vegetable oil sector because palm oil productivity per ha is much higher than others (4 to 10 times more productive).
 4. ***The palm oil moratorium argument.*** GOI has applied moratorium on forest clearance for expansion of new palm oil plantation and other initiatives to increase productivity.
 5. ***The lack of impact assessment argument.*** GOI thinks that the Delegated Regulation lacks impact assessment of land use and GHG of other vegetable oils which productivity is much less than palm oil.
 6. ***The workers and farmers argument.*** GOI points out to the fact that palm oil employs 17 million workers and 4 million farmers and plays a key role in alleviating poverty.
 7. ***The WTO strategy.*** GOI will challenge EU's "discriminatory measures" "double standard" on palm oil to WTO
 8. ***The threat to suspend trade and investment relations.*** Should the Delegated Regulation be adopted, the wider trade and investment relations with EU will be at stake. Strategic Partnership of ASEAN-EU is on hold and GOI is reviewing bilateral relations with EU member states that support the Delegated Regulation.

¹² Press Release No. HM/4.6/32/SET.M.EKON.2.3/03/2019, 18 March 2019

9. **The common front.** GOI will continue to collaborate closely with other palm oil producing countries within CPOPC and under ASEAN frameworks to build a “common front” against EU’s measures.
10. **The Working Group on Vegetable Oil.** GOI foresees establishment of Working Group on Vegetable Oil under ASEAN-EU framework focusing on SDG and without discussion on ILUC.

- **The threat to quit Paris Agreement.**

- In a palm oil forum, Coordinating Minister of Maritime Affairs, Luhut Binsar Pandjaitan, threatened that Indonesia “could consider exiting Paris Climate deal if EU goes ahead with a plan to phase out palm oil in renewable transportation fuel.”¹³ Ministry of trade officials also urged palm oil companies to pursue litigation of their own against the EU.
- **Parliament’s response.** Firman Subagyo, a parliamentarian that led Palm Oil bill in the parliament also made a public statement claiming that “Indonesia’s parliament and palm oil community in Indonesia support the government in threatening to quit Paris Agreement.”¹⁴ Walhi has issued a press release stating that Luhut’s statement is reckless and is in contradiction with the President’s and DPR’s commitment to reduce emissions.¹⁵
- The statement did not come from the President or Ministers in charge of Paris Agreement (Minister of Foreign Affairs and Minister of Environment and Forestry) so that it could safely be considered a “bluffing diplomacy.” However, there was no other official statement from other Ministers of the President’s office, which is concerning but understandable because the GOI seems to take “one front” “one voice” approach in responding to the EU situation. The politically-charged situation may also prevent the President and Minister of Environment and Forestry to give a statement that can be perceived as not supporting palm oil industry and the national interests.

2019 Election

- The Presidential election will be held in April 17 and if there is no dispute, the result will be recapitulated and announced in the period of April 25-May 22. The inauguration of President and Vice President will be held in October 20, 2019.¹⁶

¹³ <https://www.reuters.com/article/us-indonesia-eu-climate/indonesia-threatens-to-quit-paris-climate-deal-over-palm-oil-idUSKCN1R8151>

¹⁴ <https://industri.kontan.co.id/news/dpr-dukung-pemerintah-ri-keluar-dari-paris-agreement>

¹⁵ <https://www.merdeka.com/uang/walhi-kritis-ancaman-menko-luhut-keluar-dari-kesepakatan-paris.html>

¹⁶ <https://www.detik.com/pemilu/jadwal>