

Mini Update June 2020

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REDD+ Results-Based Payment: Norway and Green Climate Fund

- **REDD+ results-based payment from Norway Government**
 - Said to be paid in June 2020, USD 56 million
 - Payment for 2016-2017 (11.2 million-ton CO₂e)
 - Will be disbursed through the LH-Fund (BPD LH)
 - Cited policies that contribute to result: permanent forest moratorium, establishment of Peatland Restoration Agency, palm oil moratorium and intensification, the strengthening of Forest Management Unit (KPH) and social forestry.
 - The REDD+ Lol will be updated by inserting peatland and mangrove
 - The President orders that the money be used for community-based projects focusing on environmental restoration
 - Criticisms/inputs from CSO (including a press release by Madani):
 - BPD LH must have a multistakeholder organ in its governance structure involving civil society and indigenous people organizations to co-determine the use of money
 - President's direction that the money be used for community-based environmental restoration must be observed – transparency of use
 - Natural forests with the size of 9.5 million hectares are not yet protected and must be included in the permanent moratorium policy protection to reach the climate commitment and gain more benefits from REDD+
 - Question: Did Norway conduct safeguards assessment before paying? Is the report made public?

- **Indonesia's REDD+ RBP Proposal to Green Climate Fund**
 - Accredited Entity: UNDP
 - Implementing Partner: Ministry of Finance with technical support from MoEF
 - Status: Indonesian NDA for GCF (BKF) has issued No Objection Letter (NOL)
 - Risk: Moderate
 - Outputs/activities:
 - **Strengthening REDD+ coordination and implementation** (operationalization of SES-REDD+, National Forest Monitoring System, National Registry System, MRV), improvement of policy, laws, and regulations, and improvement of implementation of safeguards and management plan – Upfront Financing Modality (cash advance)
 - **Supporting the operationalization of FMUs in all provinces:** capacity building in developing sustainable forest management plans and supporting local community sustainable forest management plan and their access to social forestry benefits. Activities: reforestation, rehabilitation, fire prevention and management, FMU business activities, and community livelihood.

- **Supporting social forestry implementation:** strengthening key stages of application process (application, planning, verification, implementation, and monitoring): licensing and small-scale investment, **including support district-level regulations to recognize customary forests.**
 - Indonesia will use FREL from 1990-2012 as benchmark – deemed as too wide (ideally 10 years).
 - RFN and partners will discuss this.
 - No responses/criticisms observed in the media.
- **Some polemics around deforestation number 2019**
 - The Minister of Environment and Forestry and some (government-leaning) experts warned that the Global Forest Watch's publication of primary forest loss in Indonesia as being the third largest in the world is misleading because the definition of primary forest does not fit the government definition as stipulated by law.
 - Madani has constructed a matrix comparing the government and CSOs' deforestation definitions and data (has been sent to RFN) to help clarify things. The government itself is using multiple deforestation definitions for different uses that often serve to obscure natural forest loss rather than reporting it (see matrix).

Government Regulation on Forest Rehabilitation and Reclamation (PP 26/2020)

- Forest rehabilitation is a “soft” issue, but the new regulation is a positive development towards realizing Indonesia's climate commitment, which targets 12 million ha of forest and land having been rehabilitated by 2030.
- Signed in May, the regulation enables the government, regional government, communities, and CSOs to work hand-in-hand to implement forest and land rehabilitation.
- “To reap optimal benefits from land and forest for community welfare” was explicitly cited as one of the rationales for this new regulation.
- Transparency, accountability, participation, continuous financing, community empowerment, understanding of tenurial system, and incentives application were explicitly cited as “Principles” in this new regulation.
- Minister of Environment and Forestry will formulate a General Plan for Forest and Land Rehabilitation (in 2022 at the latest).
- Permit-holders or rights-holder can conduct forest and land rehabilitation in their permit/rights area. We assume this includes social forestry permit/rights holders. They must develop annual plan for the rehabilitation. They can ask for data and information, technical assistance, and seedlings.
- Civil society can participate in forest rehabilitation through public consultations, socialization, etc., and by assisting the implementation and also by conducting monitoring/reporting violations (it is very interesting and unusual that it is explicitly stated).
- In forest area where there are activities of community (agriculture etc.), there is an option for agroforestry reboisation – this could minimize conflicts with communities, especially if the principles are really implemented
- Successful forest and land rehabilitation can be given incentives or rewards by central and regional government. Incentives and benefit sharing will be regulated further in ministerial regulations.

Economy Recovery Plan (incl. Biodiesel Subsidy)

- The Economy Recovery Plan (“Pemulihan Ekonomi Nasional” or PEN) is a hot issue now as it may hamper or undermine emission reduction programs/policies.
- The government has enacted Government Regulation No. 23 Year 2020 as a legal basis for the Economy Recovery Plan (PEN).
- The amount of state budget allocated for PEN is IDR 641.17 trillion (433.3 billion NOK).
- The PEN includes subsidy for biodiesel (B30) with the amount of IDR 2.78 trillion (1.9 billion NOK).¹ This is because the realization of B30 target in 2020 is only 35% in May from the target of 9.6 million kiloliter. According to smallholder organizations, biodiesel policy does not help the price at the smallholder level since the industry does not source from smallholders. KPK will watch this subsidy.
- Reallocation of state budget for economy recovery and Covid-19 handling may reduce budget for climate change mitigation and adaptation. For example, state budget for handling forest and land fires has been cut 40%.

Food Estate on Peatland and Other National Strategic Projects

- The government has proposed 89 National Strategic Projects (PSN) for 2020-2024. The list includes 15 road and bridge construction projects, 5 airport projects, 5 industrial area projects, 13 dams and irrigation projects, 1 sea dam project, 3 smelter programs/projects, 5 port projects, 6 train projects, 12 border projects, 13 energy projects, 6 clean water and sanitation projects, 1 waste management project, 3 technology project, and **1 food estate project**.
- One of the proposed PSN is Green Diesel Bio Revamping RU IV Cilacap and RU III Green Refinery for biodiesel program.
- The Food Estate Project sparks controversy because the location is on peatland that has been cleared in Soeharto Era for 1 million ha mega-rice project (which failed and resulted in huge environmental damage including forest fire).
- The Food Estate will be developed in Central Kalimantan, more specifically in Pulang Pisau and Kapuas District (peatland areas). The President has appointed three ministers, namely Defense Minister, Public Work Minister, and State-Owned Enterprise Minister to work on the project. The Parliament supports this project.
- The first stage of the project involves 30,000 hectares of land and aims to reach 165 thousand hectares.
- CSOs including Madani criticize this plan because of the historical failure and potential further damage to peatland and forest fire risk and because the project does not bring benefits for local communities/farmers.
- There is no further information on this project, including its exact location, existence of peatland, tenurial condition, etc.

¹ Kontan.co.id. 2020. Makan Anggaran Rp 641,17 Triliun, Inilah Alokasi Dana Program Pemulihan Ekonomi. Diakses di <https://nasional.kontan.co.id/news/makan-anggaran-rp-64117-triliun-inilah-alokasi-dana-program-pemulihan-ekonomi> pada 10 Juni 2020

Draft Presidential Regulation on Carbon Pricing to Attain NDC

- The draft regulation is not open for public comment yet, but there is a leaked document.
- Madani and Warsi will discuss this draft regulation first to assess potential consequences and perhaps later including all RFN Partners
- Initial notes from Madani:
 - The draft regulation includes provisions on NDC implementation up to the regional level. This regulation should be preceded by the planned Presidential Regulation on NDC because now it seems that NDC will only be implemented if there is an economic value on carbon.
 - The regulation mentions domestic and international carbon trading as one of the carbon pricing mechanisms, which includes emission trading and **emission offsets**. We know the danger of offsetting.
 - The regulation mentions but does not specify what it means by maintaining environmental and social integrity
 - The baseline used for emission trading is projected baseline (for sectors).
- The draft regulation has potential direct impacts on social forestry or communities that have entered into agreements with voluntary carbon trading mechanism such as VCS or Plan Vivo. All parties are required to report and register their remaining carbon units in the National Registry System.

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