



APCEL Climate Change Adaptation Platform

Towards Achieving the Goals of the Indonesia-Norway Letter of Intent on “Cooperation on Reducing Greenhouse Gas Emission from Deforestation and Forest Degradation”

by

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Background

In May 2010, the Republic of Indonesia (hereinafter, Indonesia) and the Kingdom of Norway (hereinafter Norway) came to an agreement in the form of a Letter of Intent, entitled the “Cooperation on Reducing Greenhouse Gas Emission from Deforestation and Forest Degradation” (LoI). The LoI was somehow perceived as a semi-political move, as it was agreed right after the then President of Indonesia, Susilo Bambang Yudhoyono (“SBY”), made a bold speech at the United Nations of independently reducing Indonesia’s greenhouse gas (GHG) emissions of 21%, and up to 46% with international assistance.

The LoI was drafted, agreed, and signed by both countries. When it was announced, it shocked the world because of the sheer amount of money involved. Norway had agreed to earmark US\$1 billion to help Indonesia reduce her GHG emissions. There are, of course, requirements listed in the LoI that are hard for Indonesia to fulfill, even now, 8 years after the LoI was signed. This paper tries to carefully pinpoint the challenges and opportunities for both countries to still be able to achieve the ultimate goal of the LoI: reducing GHG emissions from deforestation and forest degradation.

Challenges: biting more than you can chew

What is in the LoI? What are the requirements that are so unachievable for Indonesia? LoI is a comprehensive document with iron clad requirements aimed for mostly Indonesia’s actions, while Norway’s primary role is to give support and facilitation accordingly. In Section II, entitled ‘Purpose and Focus of the Partnership’, it is stated clearly that both parties are to conduct policy dialogues on the international climate change policy on REDD+, and collaborate in support of the development and implementation of Indonesia’s REDD+ strategy.

The LoI states the legal basis for REDD+ activities in Sections III and IV; Section V underlines the phases of the Partnership. It divides the Partnership into three phases: the first two phases lapse within three to four of the LoI and annual independent reviews are required before the parties can move into the third phase.

Out of the five points (from ‘a’ to ‘e’) in Phase 1, at least three are problematic. Point ‘a’ requires the completion of a national REDD+ strategy which also addresses the key drivers of forest and peatland related emissions. This has been done by Indonesia. Indonesia has managed to develop its National REDD+ Strategy in 2012. Points ‘b’ and ‘c’ are problematic because they require Indonesia to establish a special agency that reports directly to the President to coordinate efforts pertaining to the development and implementation of REDD+. Former President SBY established the REDD+ Agency in 2011, but current President Joko Widodo

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(“Jokowi”) in his Presidential Decree No.15 of 2016, decided to liquefy the agency as part of the Ministry of Environment and Forestry (MoEF). At present, the function of the REDD+ Agency in Monitoring, Reporting, and Verification (MRV) for GHG emissions are done within the MoEF under the Director General (DG) of Climate Change. Point ‘d’ is also still ‘in progress’. According to CIFOR², MoEF stated that in mid-2017, a registry system linking REDD+ financing, REDD+ Implementation, and a Safeguard Information System had been completed, but they need to be in full operation to be eligible for the result-based-payment. Finally, point ‘e’ which is the selection of a province-wide REDD+ pilot, which was completed in 2010, and Indonesia chose Central Kalimantan or Kalimantan Tengah as its REDD+ pilot project³. Unfortunately, it is hard to find updates on this REDD+ pilot project, but it was established in Central Kalimantan in 2011.

Phase 2 in the LoI is called the ‘transformation’ phase. Somehow, Indonesia’s actions and achievements in phase 2 of the LoI are very patchy. REDD+’s MRV activities are yet to be published, while policy instruments on REDD+ and enforcement capabilities are also questionable. In 2011, SBY enforced a two-year moratorium of new forest concessions but it did not impact much. Although this moratorium policy has been extended twice (most recently by Jokowi in 2017), it is a weak moratorium policy because it does not apply to existing concessions that have already ‘received approvals in principle’ from MoEF, and ‘national development’ projects including geothermal, oil and gas, electricity, land for rice and sugar cane, and palm oil plantations⁴.

Phase 3, as agreed in the LoI, is based on national ‘contributions-for-verified’ emissions reduction mechanisms. Indonesia has managed to receive annual contributions for independently verified national emission reduction initiatives relative to the UNFCCC reference level (or as agreed in LoI), while Norway channels financial contributions into the financial instrument as described in Phase 1. However, the described financial instrument in Phase 1 has yet to emerge.

Funding allocated for the first two phases were provided by Norway on the basis of deliverables, channeled through an agreed financial mechanism. In 2017, REDD-monitor wrote: “Seven years after signing the US\$1 billion Norway-Indonesia REDD deal, Norway has handed over only US\$97 million to Indonesia.” As we are now in 2018, only 20% of the USD 1 billion has been spent by Indonesia and reimbursed by Norway, but 80% of the fund remains untapped⁵. Indonesia has definitely bitten more than she can chew in terms of her REDD+ commitments.

Opportunities: light at the end of the tunnel

There are several opportunities in this seemingly ‘dark REDD+ tunnel’ for Indonesia. First and foremost is Norway’s good intention. Jokowi made a move in his Presidential Decree of 2016 by closing the independent REDD+ Agency and several Indonesian officials said he was violating an important provision of the Indonesia-Norway LoI. However, the then Norway’s ambassador

² <https://forestsnews.cifor.org/52186/indonesia-not-ready-to-bury-redd?fnl=en>

³ <http://www.redd-monitor.org/2017/12/28/after-seven-years-norways-us1-billion-redd-deal-in-indonesia-is-still-not-stopping-deforestation/>

⁴ Id.

⁵ Interview results from various sources.

to Indonesia, Stig Traavik did not seem unduly concerned⁶. Norway is more concerned on how to reach the goals of the LoI together with Indonesia. This is a very positive opportunity for Indonesia. The fact that Norway would be indifferent to an important clause in the LoI means that Norway would like to preserve good diplomatic relations and strive for achieving a common goal of reducing GHG emissions)with Indonesia. If this is the case, then everything else in the LoI is workable.

There might be a chance for Indonesia to attempt to *re-negotiate terms* that appear to be hard to implement after attempting to do so over the past eight years. Each point in each phase needs to be carefully examined, whether or not it reaches its goals. If the goals are not yet reached, a careful analysis should then be conducted to find out the cause of the failure and find an alternative way to solve it.

For instance, point ‘b’ in Phase 1 of the LoI requires Indonesia to establish a special agency that reports directly to the President to coordinate efforts pertaining to the development and implementation of REDD+. However, Indonesia has decided to merge the REDD+ Agency within the MoEF; now, as an alternative way to remain within the purview of the LoI’s requirements, what we need to do is ascertain that efforts pertaining to the development and implementation of REDD+ are taken care by MoEF and directly reported to the President.

Second, it must be remembered that the LoI remains valid for four years after 2016, which means that Indonesia has to work had over the next two years, from 2018 until 2020. In the REDD+ realm, the financial instruments mentioned can be installed, MRV can be exposed more, and verification for national reduction of emissions may be pushed for.

Third, Indonesia’s REDD+ stakeholders are still hopeful. Specifically, REDD+ stakeholders are hoping that safeguards and the benefit-sharing schemes of REDD+ in Indonesia can be workable. Forest News⁷ mentioned that REDD+ has evolved from the original idea as a market-based instrument, to more of a public funding instrument. Community involvement and other non-monetary benefits have also now come to the forefront in the REDD+ discourse. This can be a good entry point for Indonesia to re-start and re-boot REDD+ activities in the field.

Conclusion

Within the remaining two years left in the LoI, many things can still be achieved. The fact that REDD+ has ‘lost’ its momentum in Indonesia does not mean that it cannot be revived. As reported by the Jakarta Post in 2016, Norway’s climate and environment minister, Vidar Helgesen, travelled to Indonesia and was disappointed by the slow progress of the partnership between Indonesia and Norway. This should not let us down. On the contrary, we need to move on and plough through. There has yet to be a success story for REDD+. For example, even though Brazil has managed to receive 100% of the US\$ 1 billion from Norway, but in reality, deforestation in Brazil has just moved to forested areas outside the Amazon⁸.

⁶ <http://www.redd-monitor.org/2015/01/30/indonesias-decision-to-put-the-redd-agency-in-the-ministry-of-environment-and-forestry-is-not-in-accordance-with-norways-us1-billion-redd-deal/>

⁷ <https://forestsnews.cifor.org/52186/indonesia-not-ready-to-bury-redd?fnl=en>

⁸ <http://www.redd-monitor.org/2015/10/01/norway-pays-brazil-us1-billion-but-what-for-exactly/>

There are at least 3 channels that we can utilize. First, the diplomatic channel. Indonesia has to re-open communication lines for the partnership with Norway. It is important to make sure that Norway is on the same page with Indonesia on REDD+ efforts and understand the challenges facing Indonesia in this sector. Norway could offer more realistic targets that are achievable for the next two years. Another possibility would be to re-negotiate the terms. Second, the grassroots channel. As mentioned earlier, REDD+ is widely acknowledged and well promoted in Indonesia. The fact is, after the promotion phase, REDD+ somehow died off with no further news and activities.

It is the MoEF's task to pass down the torch and continue communication and activities at the grassroots level, but NGOs and local communities have to assist and help with engagement efforts, bridge policy communications, and introduce upcoming financial instruments. Third, social media channels. If we would like to involve the whole nation in REDD+ activities, social media is the way to go. Spreading awareness, information, and even campaigns are very much accepted through social media.

REDD+ is a hard goal to achieve. The MoEF, NGOs, local communities, or even the Government of Indonesia cannot achieve it by themselves. It takes the whole country to make REDD+ in Indonesia workable, or better yet, it takes the whole world to make REDD+ a success.