

INDONESIA'S ROLE IN INTERNATIONAL CLIMATE POLICY

FINANCIAL INCENTIVES TO PRESERVE THE RAINFOREST – AN EFFECTIVE MODEL?

Marc Frings

In 1986 the United Nations General Assembly (UN) passed a resolution on the "right to development".¹ It reads like the developing world's reaction to the mandatory catalogue of human rights which had previously been canonised by the industrialised nations. It emphasises the collective dimension of these "third-generation human rights" which are meant to be bolstered by this resolution. For the first time, peace, security and the environment became the focus of international debate on the topic of development. The international community's struggle to agree on a successor to the Kyoto Protocol (which came into force in 1997 and expires in 2012) demonstrates the complexities involved in bringing to life the principle of solidarity outlined in the right to development declaration. Does the right to increased well-being as set out in Article 2 III of the resolution contradict international commitments in the area of climate change?

The example of Indonesia throws light on the political, social and legal challenges which are faced by developing and emerging countries which have to take their right to development seriously in order to meet demographic forecasts but which also want to play their part in protecting the environment. Faced with these challenges, Indonesia has become one of the main supporters of the REDD initiative over the last few years.



Marc Frings is a Trainee at the Konrad-Adenauer-Stiftung's Jakarta office.

1 | In the text of the resolution, "development" is defined as a "comprehensive economic, social, cultural and political process" (UN-GA Res A/41/128).

AN ENVIRONMENTAL SINNER WHO IS OFTEN OVERLOOKED

When it comes to the question of who are the world's worst environmental sinners, the finger is usually pointed accusingly at the USA and China, countries which are accelerating global warming by respectively churning out 5.95 and 5.06 billion tonnes of greenhouse gases every year. But in third place, although some way behind, comes Indonesia. This south-east Asian archipelago with more than 17,000 islands and 240 million people releases 2.05 billion tonnes of greenhouse gases every year. So two emerging nations – China and Indonesia – are high on the list of countries which are chiefly responsible for climate change. What leverage can now be used to persuade countries which are in the process of modernising to play their part in the fight against global warming? It is illuminating in this respect to compare the causes of greenhouse gas emissions in

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Germany and Indonesia. In Germany 81 per cent of greenhouse gases are due to energy-related emissions, followed by emissions from industrial processes (10 per cent) and agriculture (5 per cent).² In Indonesia on the other hand 80 to 85 per cent of greenhouse gas emissions are a result of deforestation or the destruction of peatland.³ Although by comparison emissions from industry, vehicles or energy seem low,⁴ over the past few years the country has achieved breathtaking rates of economic growth, with

2 | German Federal Environmental Agency (ed.), "Presseinformation Nr. 13/2010. Treibhausgasemissionen in 2009 um 8,4 Prozent gesunken," 3, http://umweltbundesamt.de/uba-info-presse/2010/pdf/pd10-013_treibhausgasemissionen_grafiken.pdf (accessed February 14, 2011). Figures given are based on estimates for 2009 but to a large extent correspond to the 2008 figures.

3 | Harvard Kennedy School, Ash Center for Democratic Governance and Innovation, "From *Reformasi* to Institutional Transformation: A Strategic Assessment of Indonesia's Prospects for Growth, Equity and Democratic Governance," April 2010, 52, <http://ash.harvard.edu/extension/ash/docs/indonesia.pdf> (accessed February 14, 2011); Jeff Neilson, "Who owns the carbon? Indonesia's carbon stores spark international attention," *Inside Indonesia*, July-September (2010), <http://insideindonesia.org/stories/who-owns-the-carbon-05091343> (accessed February 14, 2011).

4 | In 2005 the overall energy, construction and infrastructure sector produced 312 million tonnes of CO₂, corresponding to a 15 per cent share.

2010 figures hitting 6.5 per cent.⁵ Along with China and India, Indonesia is one of the three countries with the fastest growth rates of all the G20 countries (the Group of 20 major advanced and emerging economies).

Indonesia's industrialisation process is barely limping along and can be largely disregarded from a climate change point of view. This is because so far the country has not succeeded in creating an infrastructure to process its wealth of natural resources (particularly ore, oil and gas). The destruction of the Indonesian rainforest has much wider-reaching consequences for the global climate on general and for biodiversity in particular. In 1966, 77 per cent of the country was still covered with rainforest. Since then, 80 per cent of the forest has disappeared,⁶ though Indonesia still has the third-largest covering of rainforest in the world, behind Brazil and the Democratic Republic of Congo. Rates of deforestation peaked immediately after 1998 when the Suharto era came to an end and the democratic process of transformation took hold. Political decentralisation led to more power for provincial leaders, and together with landowners they developed a lucrative source of income with legal and illegal logging.⁷ This resulted in 3.5 million hectares of forest being destroyed between 2000 and 2005, particularly in Sumatra and Kalimantan. No other country in the world destroys more forest per day than Indonesia.⁸ Traditional structures of society, economic interests and environmental protection are now wrestling with the consequences: the rainforest in Sumatra and Kalimantan has been almost completely

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5 | Forecasts predict a medium-term annual growth rate of more than six per cent. Cf. Helmut Hauschild, "Asiens nächste Erfolgsstory," *Handelsblatt*, November 22, 2010, <http://handelsblatt.com/politik/konjunktur/laenderanalysen/indonesien-schreibt-asiens-naechste-erfolgsstory/3645102.html> (accessed February 14, 2011).

6 | Cédric Gouverneur, "Biosprit aus Palmen. Indonesien opfert seine Wälder," *Le monde diplomatique*, December 11, 2009, <http://monde-diplomatique.de/pm/2009/12/11/a0044.text.name,asks> (accessed February 14, 2011).

7 | Gaby Herzog, Sungai Luar, "Nach dem 'Holzrausch' in Kalimantan", *Neue Zürcher Zeitung*, December 21, 2010, http://nzz.ch/nachrichten/politik/international/nach_dem_holzrausch_in_kalimantan_1.8789101 (accessed February 14, 2011).

8 | Harvard Kennedy School, n. 3, 53.

stripped, so fresh, remote provinces such as the thinly-populated Papua are now becoming the focus of the logging industry. Some sections of the population view both environmental activists and the central government in Jakarta as the enemy, because they both cause local exploitable areas and sources of income to dry up in the name of international climate protection. These internal conflicts also have an international dimension, as the emissions mentioned earlier resulting from logging and peatland destruction have effects on global climate change. Indonesia has five per cent of the world's peatland, which is particularly effective at storing carbon dioxide (CO₂). 40 per cent of Indonesia's emissions are due to the drying-out and destruction of this peatland and in 2006 this caused more CO₂ to be produced in Indonesia than in Germany, the UK and Canada combined during the same period.⁹

BETWEEN GROWTH POTENTIAL AND GAPS IN THE LAW

Attempts to clear land by chopping down and burning forest are predominantly due to the rocketing demand for palm oil. This is mainly used in the food industry but is also becoming an increasingly important energy source. Palm oil's particular composition makes it a more popular form of biodiesel than other products such as rapeseed oil. Over the last few years, Indonesia and neighbouring Malaysia have turned themselves into the world's biggest oil palm growers, between them supplying around 85 per cent of all world palm oil (current annual production about 40 million tonnes). At the moment the Indonesian government can scent an opportunity to consolidate their position still further. Since 1998 they have more than doubled the amount of land available for the cultivation of oil palms from three to nine million hectares, and by 2025 they plan to have a total of 26 million hectares under oil palm cultivation.¹⁰

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9 | Ibid.

10 | Half of the plantations will be in Kalimantan and a quarter in Papua. Cf. Gouverneur, n. 6; Marianne Klute, "Schall und Rauch. Umweltprobleme und Umweltpolitik," in: Genia Find-eisen, Kristina Großmann, Nicole Weydmann (eds.), *Herausforderungen für Indonesiens Demokratie. Bilanz und Perspektiven*, (Berlin: regiospectra, 2010), 225.

The “biodiesel” label which is viewed so positively in the west as an alternative to carbon-intensive energy sources cannot hide the fact that palm oil plantations are having a negative impact on the environment. The CO₂ emissions which are necessary to create the infrastructure for the palm oil industry are currently higher than the energy savings made by using biofuels.

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The Indonesian environmental organisation Walhi points out that the central government is not able to generate anywhere near as much income from the forestry sector as it can from the growth of its subsidiary industries. For example, the government makes between one and 2.50 Euro per 100 hectares on permits to operate mines in primary forests. And in any case, 70 per cent of logging is carried out illegally.¹¹

In the area of environmental and climate policy it is clear that the Indonesian government is responsible for ensuring the rule of law and legal certainty.¹² This does not only mean the fight against endemic corruption,¹³ but in the area of the environment and climate in particular it means enforcing existing regulations. This was to some degree made more difficult by the decentralisation of administrative and legal processes in 1998. According to the latest version of the Forestry Law (41/1999), companies have to obtain a permit from the Indonesian Ministry of Forestry before they can exploit the forest for commercial purposes. Local administrative departments can also issue licenses to smaller companies, as long as an additional permit is then also obtained from Jakarta. This little-known regulation

11 | Klute, n. 10, 225. It has recently been reported in the Indonesian media that the 6.3 million Euro received so far in revenues from mining concessions are counterbalanced by 540 million Euro in losses due to corruption. The newspaper referred to statements by the environmental organisation Walhi. Cf. Fidelis E. Satriastanti, “Choosing Money Over Nature Will Cost Us Dearly: Activists,” *The Jakarta Globe*, January 13, 2011, A7.

12 | Winfried Weck, “Korruption und Kollusion. Indonesiens schwere Bürden auf dem Weg zum demokratischen Rechtsstaat,” *KAS-Länderbericht*, October 14, 2010, http://kas.de/wf/doc/kas_20833-1522-1-30.pdf (accessed February 14, 2011).

13 | Freedom House, “Freedom in the world – Indonesia 2010,” <http://freedomhouse.org/template.cfm?page=363&year=2010&country=7841> (accessed February 14, 2011).

has certainly contributed to the fact that at present less than eight per cent of plantation and mining companies in the province of Central Kalimantan have a legal permit. This is why there have recently been loud demands for the law to be tightened up.¹⁴

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Political decentralisation must go hand in hand with a desire to act. In a recent study, the impact of Environmental Management and Protection Law (32/2009) which gave the Ministry of the Environment more power in the fight against operators with poor environmental practices was judged to be minimal. Of the eco-crimes recorded in 2010, only 20 per cent of perpetrators were prosecuted. And these were not trivial offences – they were causing the sort of environmental damage which leads to floods and landslides and puts the lives of local people in danger.¹⁵

INDONESIA'S CONTRIBUTION TO CLIMATE PROTECTION

As a member of the G20 and by far the biggest economic power in ASEAN, Indonesia sees itself on the international stage as being the voice of those countries which are currently in the development phase. Criticisms that the government would not follow up on its international goals with concrete actions have proved to be unfounded if we take a look at the Indonesian government's commitments in this area. President Susilo Bambang Yudhoyono has placed the environment at the centre of his government's policy-making. Under his leadership, Indonesia has hosted several major international conferences such as the 13th UN Climate Change Conference in Bali in 2007 and the first World Ocean Conference in Sulawesi in 2009. In April 2011 the capital, Jakarta, will host the fifth Business for Environment summit, the most important global conference on business and the environment.¹⁶

14 | 76 of 967 companies hold appropriate licenses; in the palm oil sector 67 of 325 companies are operating illegally. Cf. Adianto P. Simamora, "967 forestry firms under govt scrutiny," *The Jakarta Post*, February 2, 2011, 4.

15 | Satriastanti, n. 11, A7

16 | The summit was organised by the Indonesian government, the Regional Representatives Council (DVD) and WWF. Cf. Fidelis E. Satriastanti, "Chaos Awaits if Nothing Happens," *The Jakarta Globe*, January 10, 2011, A1.

The government has voluntarily taken on a leadership role in this area for other developing and emerging nations. Indonesia has pledged to reduce its carbon emissions by 26 per cent in the next ten years, even without international assistance.¹⁷ With international support it hopes to achieve a target of 41 per cent but to do this it will have to make better use of existing support mechanisms. The Clean Development Mechanism (CDM), set up in 1997, allows developed countries which are required to reduce their emissions in compliance with Kyoto Protocol commitments to improve their environmental record by investing in projects in developing countries ("Certified Emission Reductions"). Of the 2,803 CDM projects which developing countries have registered at the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat, only two per cent come from Indonesia (56 projects), while other countries are making much better use of this ecopolitical sale of indulgence between the industrialised and developing world (e.g. Malaysia has 88 projects, Mexico 125 and Brazil 184).¹⁸ This is why the Indonesian government is predicting a possible five-fold increase in registered projects.¹⁹

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REDD: AN ECONOMIC APPROACH TO FOREST PROTECTION

It is also thanks to Indonesia's efforts that the REDD initiative (Reducing Emissions from Deforestation and Degradation) is now part of the international approach to climate protection. The CDM does not take forest protection into account, while the REDD specifically targets this area and is an initiative which holds a lot of promise for countries like Indonesia with large stands of tropical rainforest.

17 | President Yudhoyono first stated this figure of 26 per cent at the G20 summit in Pittsburgh. He re-stated this goal at the 15th World Climate Conference in Copenhagen.

18 | Cf. UNFCCC-CDM, "Registered project activities by host party," <http://cdm.unfccc.int/Statistics/Registration/NumOfRegisteredProjByHostPartiesPieChart.html> (accessed February 14, 2011).

19 | Ministry of Finance (ed.), *Ministry of Finance Green Paper: Economic and Fiscal Policy Strategies for Climate Change Mitigation in Indonesia* (Jakarta, 2009), 4, <http://www.fiskal.depkeu.go.id/webbkf/siaranpers/siaranpdf%5CGreen%20Paper%20Final.pdf> (accessed February 14, 2011).

In his report on the economic aspects of climate change, Nicholas Stern discussed the benefits in terms of global warming which would arise from the more active protection of natural forests. 18 per cent of greenhouse gases are caused by deforestation, a figure which – according to Stern – can be quickly reduced without the need for expensive new technology.²⁰ According to the country's National Council for Climate Change, Indonesia should be able to achieve a 22 per cent reduction in carbon emissions in this way. At the 2007 UN Climate Change Conference in Bali the Rainforest Alliance presented REDD as a possible framework to assist developing and emerging countries in protecting their forests. The basic principle is that forests can be seen from a commercial point of view as carbon sinks, and developing countries can be given incentives in the form of offset payments to preserve their forests and thus contribute to the reduction or capture of carbon emissions. It will serve to compensate for the expenses incurred by forest protection and for the loss of income which these countries will have to absorb if they are no longer able to turn their forested areas into profits.²¹ Bilateral agreements have been struck between donor and recipient countries within the REDD initiative to take account of international human rights instruments.

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This aspect was taken further during the 2009 Copenhagen Conference: in order to counter criticisms that the REDD initiative falls short in the area of sustainability, additional paragraphs were added and it was renamed "REDD+". The "plus" stands for the inclusion of factors such as nature conservation, sustainable forestry and reforestation.²²

The framework outlined by REDD provides an initial point of reference for deliberations on how to protect the world's forests in a way which benefits both the environment and the economy. To date there have been no binding agreements

20 | Nicholas Stern, *Stern Review on the Economics of Climate Change* (London, 2006), particularly Chapter 25 (Reversing Emissions from Land Use Change), 537-538.

21 | WWF Germany, "Politische Maßnahmen: REDD. Industrieländer finanzieren Stopp der tropischen Entwaldung, um Emissionen zu verringern," <http://wwf.de/themen/kampagnen/waelder-indonesiens/rettungsplan/redd> (accessed February 14, 2011).

22 | Marianne Klute, "Die Geheimsprache der Klimapolitiker", *Suara*, 3 (2010), 20-22.

which could be called "REDD regulations". Delegates at the last Climate Change Conference in Cancún were in favour of the REDD initiative²³, making it more likely that they will sign up to an internationally-binding successor to the Kyoto Protocol. But until this point, the success of the REDD initiative is in the hands of those countries which are making bilateral agreements and creating precedents for sustainable forest protection.

GREEN LIGHT FOR REDD IN INDONESIA

Indonesia comes out top amongst all recipient countries when measured against the 3.3 billion Euro²⁴ which have resulted from bilateral or multilateral REDD agreements worldwide. The 40 REDD projects which are currently in existence are mainly financed in one of three ways.²⁵ On a multilateral level, through the United Nations' participation in the REDD's pilot phase²⁶ and on a bilateral level through agreements between the Indonesian government, Australia and Norway.

Last year's announcements by the Australian government that it would provide the Indonesian government with a further 55 million Euro to assist in reducing emissions,²⁷ is still chicken-feed when compared to the pledges made by the Norwegian government. Over the next seven to eight years the Norwegians will give the Indonesian government

Norway will give one billion U.S. dollars if the Indonesian government can provide evidence that they have achieved reductions in greenhouse gases.

23 | J. Jackson Ewing and Irene A. Kuntioro, "Cancún, Shifting goals of climate talks," *The Jakarta Post*, December 27, 2010, 7.

24 | Keya Acharya, "Top leaders see the green in REDD+," *The Jakarta Post*, 3.

25 | David Gogarty and Olivia Rondonuwu, "Indonesia chooses climate pact pilot province," *Reuters*, December 30, 2010, <http://reuters.com/article/2010/12/30/us-indonesia-climate-idUSTR6BT0NP20101230> (accessed February 14, 2011).

26 | UN-REDD pilot countries include Bolivia, the Democratic Republic of Congo, Indonesia, Panama, Papua New Guinea, Paraguay, Zambia, Tanzania and Vietnam. In October 2010 Central Sulawesi was selected to be Indonesia's pilot province. Cf. also "UN-REDD lauds C.Sulawesi's active support for forests," *The Jakarta Post*, January 22, 2011, <http://thejakartapost.com/news/2011/01/22/unredd-lauds-c-sulawesi-s-active-support-forests.html> (accessed February 14, 2011).

27 | Neilson, n. 3; Fidelis E. Satriastanti, "Indonesia Sees Small Victories At Cancún Talks," *The Jakarta Globe*, December 11/12, 2010, 6.

one billion U.S. dollars (around 740 million Euro) if they can provide evidence that they have achieved reductions in greenhouse gases by preserving their forests. There is a vital difference between the Australian and the Norwegian approach. The Australian government is using REDD as a carbon trading instrument like the CDM and will credit the Indonesian CO₂ reductions to its own emissions account. The Norwegians, on the other hand, are not trying to side-step their own responsibilities. As a Norwegian diplomat said: "We are helping Indonesia, but haven't forgotten that we still have our own homework to do."²⁸

REDD-PLUS ROADMAP FOR INDONESIA AND NORWAY ENTERS A CRITICAL PHASE

In May 2010 the governments of Norway and Indonesia agreed on a three-phase plan to protect the Indonesian forests. This letter of intent is now in the implementation stage.²⁹ In the first phase, a framework is to be drawn up for future work, to include institutions and content. Along with developing a REDD-plus strategy, a government agency is needed which reports directly to the president and which will coordinate future REDD actions. Other tasks include establishing an independent MRV (monitoring, reporting, verification) body and selecting a pilot province.

The most sensitive issue is Indonesia's obligation not to grant any new concessions in peatland or natural forest areas in the next two year period.

The second phase involves the creation and strengthening of existing regulations and capacity building. A funding instrument also needs to be set up to funnel the Norwegian government's payments. However the most sensitive issue at the moment is Indonesia's obligation not to grant any new concessions in peatland or natural forest areas in the next two year period. While Norway will recompense Indonesia for introducing and implementing political reforms in the first two phases, higher payments will be made from 2014, upon the commencement of the third phase and when payments will be based on emission

28 | Interview by the author with diplomats at the Norwegian Embassy, Jakarta, January 21, 2011.

29 | The Letter of Intent was signed by both governments on May 26, 2010 in Oslo, with the title "Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation".

reductions.³⁰ The Norwegian government has already paid out 22 million Euro to the Indonesians before the first target has been met.

At present a working group has the task of setting up a REDD agency reporting to the president.³¹ To show their commitment, the government has invited high-profile experts to join this working group.³² At the end of December Central Kalimantan was named as the pilot province for the agreement. The decision was made by means of a transparent selection process. Of the 33 Indonesian provinces, Central Kalimantan produces the second-highest volume of greenhouse gases. With one million hectares of palm oil plantations and a fast-growing coal mining industry it is clear that the province is important in terms of national climate protection policies.³³ Indonesian environmental organisations declared themselves satisfied with the selection process and its result, as it can be assumed that useful lessons can be learned for the expansion of the REDD-plus model and the potential conflicts between palm oil and mining companies and environmental interests in Central Kalimantan.³⁴ This province is also the most politically stable, which was an important selection criterion for the Indonesians.³⁵ The runners-up in the selection process, the province of Papua, were left empty-handed. The central government in Jakarta had reservations about this province in the far east of the country because of existing political and social tensions and its weak administrative structures.

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30 | Emissions mechanisms are calculated in line with the "contributions-for-verified emissions reductions mechanism". For details on the three phases cf. "Letter of Intent between the Government of the Kingdom of Norway and the Government of the Republic of Indonesia on 'Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation'", http://norway.or.id/PageFiles/404362/Letter_of_Intent_Norway_Indonesia_26_May_2010.pdf (accessed February 14, 2011).

31 | Fitriani Ardiansyah und Aditya Bayunanda, "A critical year for REDD in Indonesia," *The Jakarta Post*, January 10, 2011, 7.

32 | N. 28.

33 | Gogarty and Rondonuwu, n. 25.

34 | Interview by the author with Nyoman Iswarayoga, Director for Climate and Energy, WWF Indonesia, Jakarta, January 10, 2011.

35 | N. 28.

REDD PLUS IN PRACTICE

The required two-year moratorium to protect the areas of primary forest, swamps and peatland is a bone of contention. At the moment President Yudhoyono has on his desk two proposals from the opposing sides.³⁶ The REDD working group led by Kuntoro Mangkusubroto is pushing for wide-ranging protection which includes all primary forests, moorland and peatland. The Forestry Ministry on the other hand is taking a commercial standpoint in the debate and is arguing that the country's economic development will be affected if the forest protection measures are too strict.

Environmental activists claim that if the moratorium only protected primary forest, then only three per cent of Indonesian forests would be protected from commercial exploitation.

As a result the Ministry's proposal for the moratorium only includes the protection of primary forest and moorland. Environmental activists were already complaining that this did not go far enough, claiming that if the moratorium only protected primary forest, then only three per cent of Indonesian forests would be protected from commercial exploitation.³⁷ And the peatland forests which are not covered by the Ministry's proposal are rich in biodiversity. In November 2010 the Forestry Ministry was the angry target of green activists and experts when it emerged that it had declared 41 million hectares of forest to be "special forest areas" and hence available for concessions. They made the declaration just in time to avoid the possible enforcement of the moratorium.³⁸

The "ambitious" timetable has been delayed right at the start by the fact that the moratorium did not come into effect on January 1, 2011 as originally planned.³⁹ President Yudhoyono is under increasing pressure as he has to

36 | Adiando P. Simamora, "SBY still pondering planned forest moratorium," *The Jakarta Post*, <http://thejakartapost.com/news/2011/02/07/sby-still-pondering-planned-forest-moratorium.html> (accessed February 14, 2011).

37 | Criticism by But Nordin, Director of the Non-Governmental Organisation Save Our Borneo, in: Fidelis E. Satriastanti, "Moratorium Won't Save Indonesia's Forests: Activists," *The Jakarta Globe*, January 7, 2011, A6.

38 | For example, an open letter from scientists to the governments of Norway and Indonesia (November 18, 2010) can be read at <http://redd-monitor.org/2010/12/01/scientists-letter-to-norway-and-indonesia-natural-forests-even-when-not-in-their-primary-state-may-have-high-conservation-value> (accessed February 14, 2011).

39 | N. 28.

approve the moratorium by presidential decree.⁴⁰ And at the same time attention is turning to the next, equally thorny questions such as how to monitor reductions in carbon emissions.

CONFLICTS, RISKS AND RESPONSIBILITIES: THE UNRESOLVED ISSUES

Up to now, it seems Indonesia has been determined to profit from REDD both economically and ecologically. Indonesia was not too concerned that the 2010 conference in Cancún produced no binding agreement on a framework for the successor to the Kyoto Protocol. Before departing for Mexico, the Indonesian delegation stressed that bilateral agreements could be the way forward.⁴¹ Indeed, this position was in line with the demands made by environmental organisations that REDD should be independent of international agreements and still carry on even if there is no post-Kyoto agreement.⁴²

But would this actually contribute to international climate and environment protection?

Giving individual countries stronger negotiating powers would only serve to weaken

the coordinating and unifying function of international conferences in the long-term and at worst could actually render them obsolete. It remains to be seen whether the Norwegian-Indonesian REDD agreement will prove to be a model for bilateral climate and forest protection programmes in the face of all the potential conflicts which are emerging.

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1. Conflict Between Economic and Environmental Interests

From an environmental perspective, it must be asked how the parties to the agreement will interpret the scope of

40 | Fidelis E. Satriastanti, "NGOs Appeal To Govt to Enact Logging Moratorium," *The Jakarta Globe*, February 8, 2011, <http://thejakartaglobe.com/nvironment/ngos-appeal-to-govt-to-enact-logging-moratorium/421320> (accessed February 14, 2011). At the time of writing, the president had still not made his decision. For the current status see <http://redd-monitor.org>.

41 | JG/Agencies, "Indonesia Took Home a Little Money, But Cancun Had Little to Shout About," *The Jakarta Globe*, December 13, 2010, A1.

42 | N. 34.

forest protection. For example, there is the danger that the reforestation programme will be dominated by monoculture in the form of plantations for commercial use rather than the planting of secondary forest.⁴³ Environmental organisations in Indonesia recognise that they cannot completely ignore the need for economic growth. WWF Indonesia has proposed that the private sector should also benefit from the Norwegian REDD payments if it is foreseen that it can no longer develop under normal conditions.⁴⁴

The palm oil industry in particular also has an obligation to invest in research, efficiency and innovation. The country may be the market leaders in the palm oil industry, but

The west has to take a balanced position in the palm oil debate. The use of biodiesel from palm oil can no longer compensate for the carbon emissions caused by deforestation.

Indonesian companies are not as productive as their Malaysian counterparts, who make higher profits per hectare of oil palms.⁴⁵ Up to now the government has not been in a position to create investment-friendly conditions as there is a shortage of processing industries for the wealth of crude ore which is mined in Indonesia. The west also has to take a balanced position on the economical and environmental aspects of the palm oil debate. The use of biodiesel from palm oil can no longer compensate for the carbon emissions caused by deforestation to plant oil palm plantations.

2. Conflict Between Political and Social Interests

Another challenge is presented by the need for the REDD coordinators in Indonesia to take into account social (special) interests. In a recent study, the Indonesian Peace Building Institute came to the conclusion that in the past two years there has been no increase in religious or tribal conflicts, whereas conflicts in the area of natural resources have accelerated significantly.⁴⁶ There are regular conflicts

43 | Frank Priess, "People with Low Expectations are Seldom Disappointed. Climate Summit in Cancún Did not Fail, but Was it Successful Enough?," *KAS International Reports*, 2/2011, 84.

44 | N. 34.

45 | To date in Indonesia only one third of this land is actually being used for oil palm cultivation. Cf. n. 28.

46 | For the purposes of this study, the Peace Building Institute investigated local media reports. In 2009 the media reported 54 conflicts relating to natural resources. In 2010 the total was 74. Tifa Asrianti, "Swelling mining, plantation lead to conflicts, damages," *The Jakarta Post*, January 13, 2011, 4.

between palm oil companies and the local population who refuse to move off their land for the sake of the national development goals. There has also been an increase in the number of conflicts between the centre and those provinces where the government has not managed to harmonise national policies with the needs of the local people.

It is important for everyone involved in the REDD programme to have a comprehensive approach with good communications between all parties and with responsibilities shared out as widely as possible. Commitments should be based on a sense of responsibility towards society rather than on obligations to contract partners such as Norway or Australia.⁴⁷ In a country like Indonesia where 48 million people live in the forests (and as a consequence may be deeply affected by decisions made by the plantation and mining sectors), the potential for conflict is high. In addition, indigenous minorities in developing countries are often not sufficiently integrated into the land use process and become victims of decisions made elsewhere.⁴⁸

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The principle of free, prior and informed consent (FPIC) can be seen as an important contribution to any agreement between the political, economic and social groups involved. It means that a community can make joint decisions on projects which affect land ownership and use.⁴⁹ The United Nations also argue that the "right to development" encompasses the rights of all, including indigenous peoples.⁵⁰ This is why the REDD+ idea has taken up the FPIC principle. Norway has expressed its interest in involving all relevant players and has declared itself satisfied with the implementation of the multi-stakeholders process thus far.⁵¹

47 | "Indonesia has to make it clear that the government will not do what Norway says but will act in its own right," Nyoman Iswarayoga, Director for Climate and Energy, WWF Indonesia; n. 34.

48 | Priess, n. 43, 84.

49 | Cf. United Nations Declaration on the Rights of Indigenous Peoples, Article 10, <http://un.org/esa/socdev/unpfii/en/drip> (accessed February 14, 2011).

50 | UN-REDD Programme (ed.), *Perspectives on REDD+* (Geneva, 2010), 4 et sqq.

51 | This process brings together the Indonesian government, representatives of civil society and local communities, for example in workshops which provide a platform for an exchange of views. N. 28.

3. Policy Requirements

The debate about the presidential decree for the two-year moratorium proves that environmental protection is ineffective without binding regulations. Otherwise how can illegal loggers be brought to justice or indigenous peoples make their land-ownership claims? In parallel to taking the necessary legal actions, there has to be a paradigm shift in the minds of the decision-makers. Where Indonesian businesses have in the past seen felling trees as a way to make profit, now they have to see forest protection and management as a new and lucrative way forward.⁵²

Political reforms, the adoption of new legal regulations and the strengthening of existing laws are conditions set out at the beginning of the Norwegian road map.

Indonesia will only profit financially from the agreement with Norway if the political institutions and agencies on a national and local level act in a transparent and responsible manner.⁵³ Political reforms, the adoption of new legal regulations and the strengthening of existing laws are conditions set out at the beginning of the Norwegian road map – with good reason.

A process of transformation was set in motion in 1998 (Reformasi) to turn the former dictatorship into a democracy. This process is responsible for introducing democratic and constitutional reforms in every area of policy and at all levels of decision-making. It also has the task of checking the effectiveness of existing legislation. The political and administrative decentralisation which has taken place over the last few years has also had an impact on environmental protection, as important decisions on land use and forest management are now made by local officials.⁵⁴ In order to protect the forests from the bulldozers there needs to be a pact between local and national institutions which will provide for the provinces having a financial share in the country's (REDD) payments from abroad.

In developing and emerging countries the question also arises of the geographic limits of political power. In areas where the government has little influence there can be

52 | Call made by Kuntoro Magkusubroto, head of the Indonesian REDD plus working group. Cf. Keya Acharya, "Top leaders see the green in REDD+," *The Jakarta Post*, 3.

53 | Harvard Kennedy School, n. 3.

54 | Ministry of Finance, n. 19, 12.

additional challenges when it comes to implementing decisions.⁵⁵ In 2011 the Indonesian Environment Ministry will run fire prevention campaigns to highlight the dangers of forest fires. It is also planned to pass new legislation to strengthen the existing laws on environmental protection and management (from 2009) and waste water (from 2008).⁵⁶ This begins to tackle the problem of limited governmental power, at least from an environmental perspective.

CONCLUSION

Fighting poverty and economic development have been identified by both Norway and Indonesia as the priority goals of the REDD-plus letter of intent. In this respect it follows in the footsteps of the UN resolution on the "right to development". If the industrialised countries want to win over developing nations to stand with them in the battle against climate change, then they need to provide incentives which tie in the scientists' climate predictions with the southern hemisphere's demands for increased prosperity. The Green Climate Fund (GCF) which was agreed in Cancún with a view to helping developing countries to cope with the consequences of climate change could be a significant step in the right direction.⁵⁷ The GCF should be ratified at the next Climate Change Conference in Durban, South Africa, in December 2011.

If the industrialised countries want to win over developing nations to stand with them in the battle against climate change, then they need to provide incentives.

Over the next few years the Indonesian government will be in a position to prove that its own initiatives and commitments deserve more than just adaptation and compensation payments. If their initiatives succeed, other developing and emerging countries may also demonstrate more commitment towards protecting the climate and the environment. This process needs to be monitored closely, both internationally and domestically. The international community is responsible for supporting countries in their efforts to fight climate change. In Indonesia's case it is also

55 | Priess, n. 43, 84.

56 | Fidelis E. Satriastanti, "Indonesia Eyes Spot on Green Climate Fund Committee," *The Jakarta Globe*, January 6, 2011, A7.

57 | Between 2010 and 2012 30 billion U.S. dollars should flow into the coffers of the GCF, with a further 100 billion dollars planned in the period to 2020. Cf. Ewing and Kuntioro, n. 23, 7.

a matter of promoting environmentally-friendly growth markets. In terms of demographics, Indonesia currently has the problem of how to satisfy a demand for energy which is growing at a rate of seven to nine per cent each year.⁵⁸ Coal-fired power stations are still the cheapest source of energy from an Indonesian point of view, although the island archipelago actually contains more than 40 per cent of the world's geothermal energy, a very green way to produce electricity. Indonesia is dragging its feet in realising this potential. By 2025 the percentage of electricity produced from geothermal energy is set to rise from 8 per cent to 20 per cent.⁵⁹ Knowledge and research transfers can also help to make it cheaper to utilise geothermal energy, so that new carbon-intensive coal-fired power stations cease to be a viable alternative. CDM projects are another source of revenue which Indonesia has not really exploited so far, but it is unclear how the government proposes to increase CDM projects five-fold.⁶⁰ On the domestic front, the government finds itself increasingly under fire from local environmental organisations. They are demanding less international posturing and more domestic reforms and are particularly critical of Indonesia's quest to win a seat on the GCF steering committee.⁶¹ They also believe priority should be given to an action plan which sets out how the government are going to reduce greenhouse emissions by between 26 and 41 per cent over the coming years.

President Yudhoyono's initiative to reduce emissions on a voluntary basis seems ambitious in the face of the legislative reforms and revisions which still need to be carried out. He will only be able to count it a success if the letter of intent with Norway is followed by a partnership agreement with all the central players in the political and business spheres, along with environmental groups and the indigenous population. The government has to succeed in this if it wants to justify Indonesia's image of itself as a strong developing country (not only in the G20 and ASEAN) which can take the lead and provide a role model for other emerging nations.

58 | Ministry of Finance, n. 19, 5.

59 | Nieke Indrietta, "Suspended Ambition," *TEMPO*, January 25, 2011, 49.

60 | Ministry of Finance, n. 19, 4.

61 | N. 34.