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REDD Wrong Path : Pathetic Ecobusiness

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CONTENT

Indonesia and REDD[1]

Deforestation and forest degradation accounts for a staggering 18-20% of total global greenhouse gas emissions. Increasing recognition of the vital role played by forests in the global carbon cycle has seen Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) emerge as one of the key strategies in future climate change mitigation efforts. Reducing deforestation is seen as a relatively cheap way of mitigating climate change and is thus favoured by many industrialised countries who are daunted by the task of restructuring industry in their own countries. As REDD is likely to be included in any post-Kyoto deal, REDD discussions are currently progressing at a rapid pace, as countries seek to develop REDD programmes prior to the UNFCCC-COP 15 meeting in Copenhagen in December 2009.

In order to achieve the kinds of emissions reductions promised by REDD, immense sums of money will be required. Consequently much of the current debate on REDD seems to revolve around the most

1 This document is intended as a summary report on REDD for people who live near and within the forest and all the fragile communities caused by

appropriate funding scheme. In order to provide the large sums of money required, many parties have advocated linking REDD to carbon markets. If this were to occur, however, serious consequences may result. Incorporating REDD credit's in carbon markets runs the risk of flooding existing markets, reducing national sovereignty over natural resource management decisions and most fundamentally, allowing Northern countries to eschew responsibility from taking meaningful steps towards reducing emissions in their own countries.

A major defect with REDD is the definition of 'forests' currently employed in UNFCCC documentation. If this definition is formally accepted into UNFCCC REDD policy, we may actually see countries utilising REDD funds to finance ongoing plantation expansion. Not only would this be incredibly harmful for local communities and biodiversity, plantations are acknowledged as only storing 20% of the carbon that intact natural forests are capable of retaining.

Serious flaws in Indonesian draft REDD policy and current forestry law mean that Indonesia's indigenous and forest dependent communities are particularly vulnerable in the context of REDD. The vast majority of Indonesia's indigenous and forest dependent peoples lack secure land tenure agreements. As REDD will undoubtedly result in the value of forests being increased, there is a major risk that Indonesia's indigenous

and forest dependent peoples will find themselves denied access to the forests that form the basis of their culture and livelihoods.

Several significant methodological problems also remain unresolved. These include the 'leakage' of deforestation to areas not participating in REDD, concerns over establishment and measurement of baseline levels of deforestation, and the appropriate degree of monitoring required.

While WALHI rejects REDD in it's current guise, this does not mean that WALHI does not recognise the importance of reducing deforestation. WALHI has repeatedly made calls for a moratorium on logging in order to allow important governance and law enforcement reform in Indonesia's troubled forestry sector to be undertaken. Addressing land tenure concerns and promoting community based sustainable forest management has been shown to significantly reduce the pressure for deforestation. It is vital that greater recognition of indigenous and forest dependent communities' land tenure and improving forest governance form central components of future REDD negotiations.

01

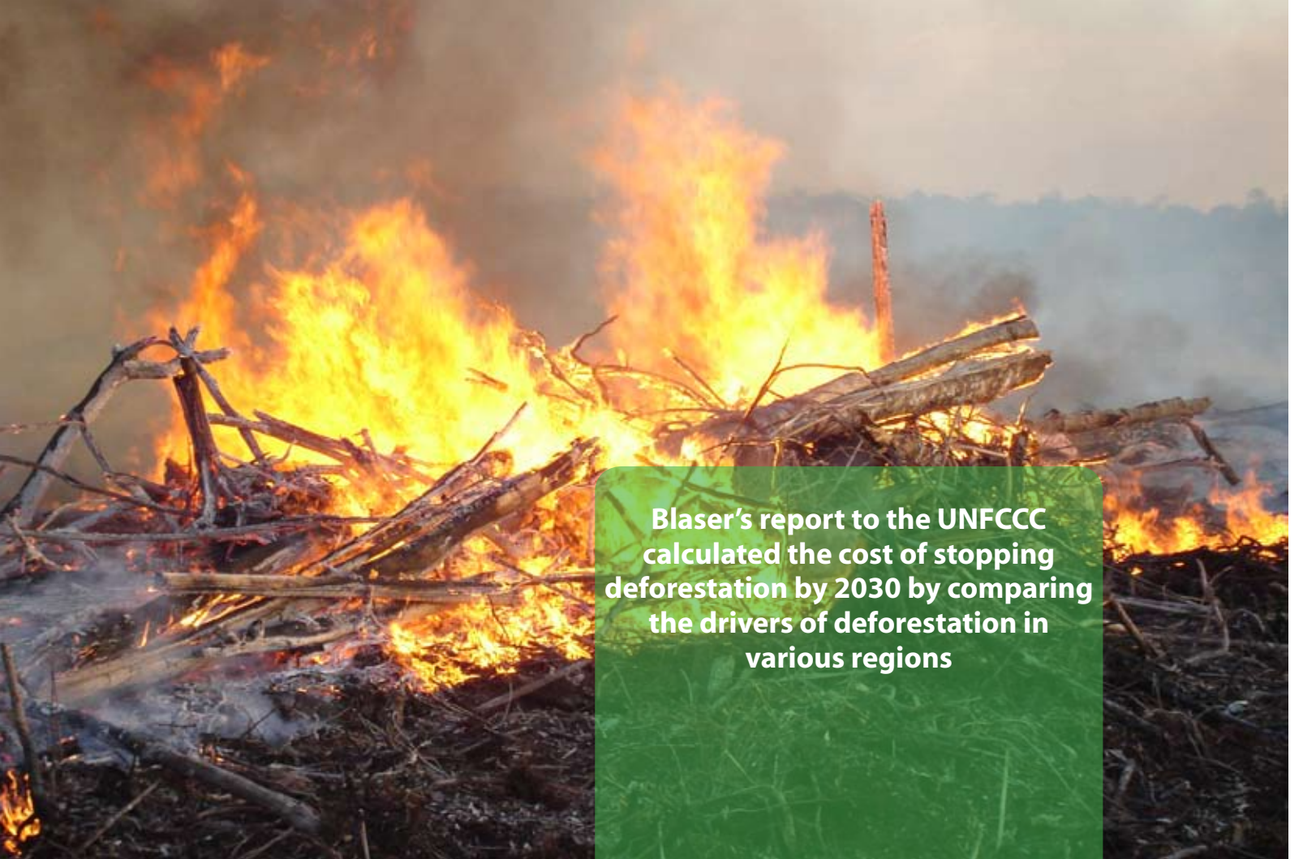
Introduction

Indonesia has been the focus of much international attention over recent years due to it's increasingly prominent role in creating greenhouse gas emissions. It has emerged the third highest carbon dioxide emitting country in the world after the United States and China. Deforestation, large scale forest fires and drying out of tropical peatlands are said to be the main contributors to Indonesia's emissions (Dilworth *et al* 2008: 20). Indonesia's deforestation rate since 1996 has been the highest in the world, estimated at approximately 2 million hectares per year (Gellert 2005: 1356).

It is now recognised that deforestation and land use change, particularly in developing countries such as Indonesia, are responsible for between 18-20% of global greenhouse gas emissions (IPCC 2007). In Indonesia alone, land use and land use change results in the release of 2-3 billion tonnes of CO2 annually (Anderson & Kuswardono 2008: 3). Forests are thus an essential component of world carbon cycles and will undoubtedly be included in any future measures to combat climate change. Accordingly, Indonesia will be a key player among these discussions.

During the meeting of the 13th Conference of the Parties (COP-13) to the United Nations Framework Convention on Climate Change (UNFCCC) in Bali in 2007, Reducing Emissions from Deforestation and Forest Degradation in Developing countries (REDD) emerged as a prominent component of any future efforts to mitigate climate change. REDD aims to stabilise the atmospheric concentration of CO2 at as low a level as possible through a system of financial reward for halting or slowing rates of deforestation. As REDD is likely to be included in any post-Kyoto deal, there is currently much haste to develop REDD programmes prior to the COP 15 meeting in Copenhagen in December 2009.

This paper is intended to outline some of the major concerns associated with the implementation of REDD. At a base ideological level the concept of REDD is flawed, as there is a distinct possibility it will be exploited by industrialised countries to eschew responsibility for reducing emissions in their own countries. Numerous technical issues must be also resolved. In it's current guise, REDD risks marginalizing Indonesia's forest dependent people and even being responsible for increased deforestation. There remain serious concerns that "global warming which is a social and environmental problem has become a business endeavour which offers opportunities to gain new property rights, assets and openings for capital accumulation" (Tauli-Corpuz & Tamang 2007).



Blaser's report to the UNFCCC calculated the cost of stopping deforestation by 2030 by comparing the drivers of deforestation in various regions

Potential Cost of REDD

02

One of the major reasons that REDD discussions are progressing at such a rapid pace is the large sums of money being discussed. Figures tend to vary greatly and are highly dependent on the methodology used.

The Stern Review provides an estimate of US$5 billion to reduce deforestation by 50% over a decade, while the World Bank provides a substantially higher estimate of between US$2-20 billion annually to reduce deforestation by 10-20% (FOEI 2008).

Blaser's report to the UNFCCC calculated the cost of stopping deforestation by 2030 by comparing the drivers of deforestation in various regions. While Blaser's estimates failed to include costs required to compensate subsistence farmers, the report provided an annual figure of US$12.2 billion (FOEI 2008).

Another report to the UNFCCC estimated that the cost of stopping the loss of 148 million hectares of primary forest in 40 key countries would be between a staggering US$28 to 185 billion per year (Trines, 2007: 43).

There is thus significant inconsistency between the various estimates ***utilised***. Despite this variability however, REDD discussions continue to gain considerable momentum. And just as there has been much debate on the possible cost of instituting an REDD programme, discussions continue on the most appropriate way to fund any future REDD scheme.

Funding Mechanisms Proposed

03

A substantial portion of the debate over REDD has focused on how any future scheme might be funded. Recent years have seen a blossoming of multilateral funds dedicated to addressing climate change mitigation. Significant differences exist between countries over the form of REDD and the type of funding mechanism favoured.

Brazil for example has been highly critical of linking REDD forests credit's to carbon markets, explicitly stating that it will not allow it's forests to be used to offset emissions in Annex-1[2] countries (FOEI 2008: 33). Tuvalu is also opposed to market based mechanisms and has proposed establishing an international REDD fund to finance community based forest projects without an offset mechanism (Griffiths 2008).

Conversely, the countries of the Coalition for Rainforest Nations have advocated a flexible or 'basket' mechanism that includes carbon market crediting, official development assistance funds, and taxes on industrialised countries emissions or fossil fuels (CAN 2007). India and

2 Annex 1 countries are industrialized countries recognized as being responsible for large scale emissions

The Global Environment Facility (GEF) is the official financing body under the UNFCCC

China want to be compensated for maintaining carbon stocks and are pressing for the inclusion of protected forests in REDD (CAN 2007). They have also expressed deep concern about any funding channelled through the World Bank (FOEI 2008: 34).

The Democratic Republic of Congo and others have suggested market incentives and aid for conserving large areas of forest that have not had historically high rates of deforestation (CAN 2007).

Meanwhile, Mexico has suggested the establishment of an 'Avoided Deforestation Carbon Fund' within the UNFCCC. To source money for this fund, Mexico suggests that a levy be placed on emissions generated by activities defined under the Kyoto Protocol, similar to the levy placed on emissions under the Clean Development Mechanism (Fry 2008).

To this point Indonesia has been rather quiet internationally regarding it's preferred funding scheme and seems keen to engage with a variety of REDD funding mechanisms. Indonesia's submission to the UNFCCC seems mainly concerned over baseline issues and how deforestation might be measured (Republic of Indonesia 2008). It states that a REDD scheme should include carbon stock enhancement and sustainable forest management and favours a national approach to REDD, with the Forestry Ministry having ultimate control over granting or withholding licences for REDD activities (Angelsen 2008).

Significantly, Indonesia has expressed it's support for the full inclusion of REDD credit's within existing carbon markets (Angelsen 2008: 49).

There is currently considerable debate within the UNFCCC regarding the most appropriate way to distribute and manage climate change funds. *The G77 group of developing nations and China have firmly stated that a multilateral financing mechanism must be under the UNFCCC's control*. The Global Environment Facility (GEF) is the official financing body under the UNFCCC. The GEF has been the target of significant criticism partly due to the sizeable role played by the World Bank. While the Bank is only one of the GEF's three implementing agencies (the other two are the UNDP and UNEP), it has substantial influence over the distribution of GEF funds (FOEI 2008: 28). There are further concerns that voting procedures within the GEF give undue weight to the large donor countries. The GEF's social credentials are also rather poor and it has been accused of promoting large exclusionary conservation projects in Asia and Africa (Griffiths 2008). Due to these significant concerns the status of the GEF within the UNFCCC is currently being questioned, and it is in the process of undertaking a review of it's policies towards local indigenous communities.

As discussions continue within the UNFCCC, the World Bank Group has emerged as the prominent funding body for any future multilateral

REDD programme, and currently manages at least 10 funding bodies associated with climate change (Griffiths 2008).

In the midst of some controversy, at the COP-13 meeting in Bali, it launched the Forest Carbon Partnership Facility (FCPF). The stated aim of the Facility is "to act as a 'catalyst' to promote public and private investment in REDD and to support demonstration pilot projects for developing and implementing national REDD strategies" (Dooley *et al* 2008: 6).

A country may become involved in the programme after they have submitted a concept note of their preparation plans for REDD, and the concept note is approved by the FCPF. The programme currently has twenty-three participant countries, and is expected to include up to 30 when fully operational[3].

It has received US$165 million in pledges from ten donor countries and The Nature Conservancy (TNC) (FOEI 2008: 30) and aims to use these funds to assist the selected countries participate in any future REDD schemes. The FCPF seems to be strongly geared towards promoting carbon markets in the financing of REDD. Early evidence has suggested that many of the initial concept notes submitted by participating countries pay scant attention to recognition of land tenure and ownership rights (Dooley *et al* 2008). In response to growing criticism over the

3 Current participant countries include: Argentina, Columbia, Costa Rica, Guyana, Mexico, Nicaragua, Panama, Paraguay, Peru, Ghana, Liberia, Kenya, Madagascar, Cameroon, DRC, Republic of Congo, Ethiopia, Lao PDR, Nepal, PNG, Vanuatu, Vietnam (Dooley et al 2008)

Facility's failure to adequately consult with forest peoples, the Bank set up a participation fund for indigenous peoples and forest dependent communities in October 2008 (Griffiths 2008: 10). Indonesia initially expressed some interest in engaging with the FCPF, but has reportedly opted to work with the UN-REDD program in order to avoid having to comply with the World Bank's more stringent social and environmental safeguards (Griffiths 2008: 44).

Regardless of Indonesia's involvement, it will crucial to closely monitor the way that FCPF develops as it is likely to have significant implications for REDD strategies and land use policies in other countries.

In May 2008 the Bank also authorised a second Climate Investment Fund, the Forest Investment Program (FIP), which is due to be released early in 2009. The FIP aims to attract between US$1 and US$2 billion in funds to "reduce deforestation and forest degradation and to promote improved sustainable forest management, leading to emission reductions and protection of carbon reservoirs" (FOEI 2008: 31).

While the FCPF and UN-REDD programs support readiness activities and pilot REDD payment mechanisms, the FIP aims to provide finance for implementing reforms and investments needed on the ground. The FIP will use predominantly public funds rather than markets to fund these activities, although is still expected to facilitate the establishment

of carbon markets (Griffiths 2008: 43). Some authors have expressed concerns over the Banks stated aims to support sustainable forest management and afforestation through the FIP. The concern is that unless a strong rights-based and people-centred approach is adopted, FIP funds may be used to further promote large scale plantation and logging operations (Griffiths 2008: 11).

Several major concerns exist among civil society groups about the World Bank's ability to adequately manage climate change funds. In their current formulation these funds are designed to provide loans as well as grants. We could thus be confronted with the absurd situation whereby developing countries increase their debt burden in order to deal with a problem caused by Northern countries.

Even if they are not used to provide loans, these funds will place recipient countries in a donor-recipient relationship rather than truly reflecting developed countries ecological debt to the South (Down to Earth 76-77 2008).

One must also consider the Banks inclination towards a market-based approach has been well demonstrated in the past. While language is slightly vaguer in FCPF documents, this is also a key goal of the FCPF (Dooley *et al* 2008). Finally, it is important to seriously question the appropriateness of the World Bank in driving any REDD project in Indonesia considering it's history of financing destructive fossil fuel based investments.

The private sector arm of the World Bank, the International Finance Corporation (IFC), has actively promoted increased emissions through it's support of fossil fuel, mining and industrial plantation sectors in Indonesia (FOEI 2008: 29).

In July 2008, the UN launched UN-REDD (United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries). The programme will be led by the UNDP, FAO and UNEP and is geared towards "readiness activities" for REDD.

It will support capacity building, strategy development, testing financial approaches and institutional arrangements for monitoring and verification (FOEI 2008: 32). The project has already received a US$35 million commitment from the Government of Norway and participating countries so far include Bolivia, the Democratic Republic of Congo, Indonesia, Panama, Papua New Guinea, Paraguay, Tanzania, Vietnam and Zambia. The UN-REDD programme strongly advocates linking REDD to carbon markets (Griffiths 2008) and is expected to coordinate with

other international initiatives including the World Bank's FCPF and FIP and the GEF. The programme is committed to a rights-based approach, and language on Free, Prior and Informed Consent[4] is strong (UN-REDD 2008). The program is still in preparatory mode and no projects have been officially approved. A major problem with the UN-REDD program is that it will utilise the FAO definition of forests that includes plantations (see discussion below). Further risks identified are that the UN agencies lack or possess only weakly binding policies with regards to indigenous peoples and current plans do not possess clear measures to address social risks associated with the implementation of REDD (Griffiths 2008).

It is important to briefly touch on the number of bilateral schemes that have emerged over recent years. Australia has become a major supporter of REDD and climate change efforts In Indonesia, recently promoting the Indonesia-Australia Forest Carbon Partnership' that encompasses the $30 million market-oriented 'Kalimantan Forests and Climate Partnership'. It has promised a further $10 million dedicated mainly to the development of national carbon accounting systems and a national policy framework for REDD (Griffiths 2008: 15). Australia's primary support is for the development of a REDD pilot project in degraded peat swamp in Central Kalimantan, although it has shown a keen interest in developing REDD projects in Papua province.

4 The concept of free, prior and informed consent recognizes indigenous peoples' inherent and prior rights to their lands and resources and respects their legitimate authority to require that third parties enter into an equal and respectful relationship with them, based on the principle of informed consent (UN 2005)

The UK has also shown a strong interest in supporting climate change efforts in Indonesia. The UK's development agency DFID aims to support policy development in relation to REDD and has also been a keen supporter of both the Indonesia Forest Climate Alliance (IFCA) and the FCPF. Germany has also shown support for the IFCA, and is currently working on developing REDD projects in Central Kalimantan.

Norway is another clear supporter of REDD, and is strongly pushing for it's inclusion in any post-2012 agreement. As discussed, it provides key finance to the UN-REDD Programme and has also made significant contributions to the FCPF and FIP. In addition to it's engagement with these multilateral bodies, Norway has entered into bilateral agreements with Brazil and Tanzania with the stated aim of reducing deforestation (Griffiths 2008: 14).

WALHI expresses a certain degree of cynicism with regards to bilateral support for REDD initiatives in Indonesia, particularly in the case of Australia. One questions whether this support is partly strategic in nature, in order to facilitate the ongoing operation of destructive Australian owned extractive industries in Kalimantan and Papua.

In the midst of discussions on the most appropriate bilateral or multilateral funding scheme, private sector funding through the voluntary carbon market is rapidly being developed. The voluntary approach linking REDD pilot programs to existing markets has emerged as probably the most dominant funding scheme in Indonesia, despite Indonesia's preference for a national approach. There are currently close to twenty initiatives at varying stages of development (Jakarta Post 2009). The initiatives tend to involve agreements between local district governments and northern carbon finance companies, often acting in conjunction with large conservation NGOs. By far the most advanced of these voluntary initiatives is the Ulu Masen Ecosystem Project, discussed in detail below.

While it has yet to be confirmed, many of these preparatory projects are banking on REDD credit's eventually being included in carbon markets.

In response to the large sums of money required to finance any future REDD scheme, many parties have advocated linking REDD to carbon markets. Proponents of a market based approach claim that unless business is involved, forests are always going to lose to the power of predatory investment and extractive companies.

Critics of market based approaches tend to question these figures, but the carbon market is said to be currently generating $30 billion annually and is expected to reach hundreds of billions or more (Schwartzman *et al*, 2007*)*. Some developing countries have advocated a solely market based REDD, citing the fact that industrialised countries have reneged on previous commitments to provide voluntary financial assistance for reducing deforestation in developing countries (FOEI 2008: 18). This may be the case, but there remain several serious concerns with a market based approach to REDD.

Linking REDD to markets risks creating a very expensive but essentially meaningless scheme

Concerns with a Market-Based Approach

04

Although there seems to be a growing consensus that carbon trading will inevitably be used to fund REDD, this has yet to be confirmed (FOEI 2008: 18). There lies an inherent danger in allowing market based REDD. By allowing northern countries to use market based REDD they will be able to evade responsibility for reducing emissions in their own countries. This must be recognised as a serious and fundamental flaw with allowing REDD credit's to be included in carbon markets. Allowing Annex-1 countries to use forests to offset their domestic emissions reductions commitments will not address the underlying causes of climate change. Linking REDD to markets risks creating a very expensive but essentially meaningless scheme.

Another concern with linking REDD to markets relates to the issue of national sovereignty over natural resources. Both at the national and community levels we may see a loss of autonomy over natural resources as third parties gain increasing influence over natural resource decisions

(FOEI 2008). There remains the very real chance that northern buyers could impose their own land management and conservation criteria on local communities (Fry 2008; Griffiths 2008). Furthermore, their utilisation of money based concepts of local livelihoods may not always be appropriate for the communities with which they interact. Financial incentives are unlikely to ever truly be able to compensate for the loss of food security, involvement in the subsistence economy and cultural integrity (Griffiths 2008: 21).

Carbon markets have already proven to be not only complex, but also subject to significant volatility. If the price of carbon were to collapse, payments to local forest dependent communities could quite conceivably plunge below subsistence levels. If this occurred the livelihoods of local communities would be placed under serious threat, resulting in increased pressure to resume destructive forest activities. (FOEI 2008: 18). A further concern over linking REDD to carbon markets is that REDD credit's could flood existing carbon markets, significantly reducing their value (Fry 2008). This would have the additional outcome of reducing the incentive for emission reductions, as reduction targets could be cheaply met by purchasing REDD credit's (WWF 2008: 10).

05 Defining 'Forests'

One of the fundamental flaws that must be addressed prior to any future REDD deal is the FAO definition of forests currently utilised in UN documentation. FAO's definition of forests[5], which has also been adopted by the Clean Development Mechanism, allows for the inclusion of plantations. If this definition is formally accepted into UNFCCC REDD policy, this serious defect could actually see countries utilising REDD funds to finance ongoing plantation expansion. Aside from the obvious devastating impacts upon local communities and biodiversity, plantations are acknowledged as only storing 20% of the carbon that intact natural forests are capable of retaining (FOEI 2008: 23).

Brazil has already sought to take advantage of this haziness by promoting incentives for reductions in 'net' deforestation. Were a situation like this to eventuate, it would essentially allow Brazil to continue to obtain revenues from logging it's forest, while expanding it's plantations and also benefiting from REDD funds (FOEI 2008: 23).

It remains to be seen whether Indonesia also aims to take advantage of this significant loophole. Formal Indonesian government policy, as outlined in Government Law 41 of 1999, and reiterated in Forestry Ministry draft REDD policy, defines forest as "a unit of ecosystem in the form of land containing biological resources, dominated by trees in their natural forms and environment which cannot be separated from each other" (Republic of Indonesia 1999). While this definition is a little hazy, it does not appear to include plantations.

There is obviously a grave concern that if Indonesia was to employ the FAO definition, REDD funds could be manipulated to fund ongoing plantation expansion.

The Forestry Department has positioned it'self as the main coordinating agency for REDD in Indonesia and is strongly aligned with commercial interests in the paper, pulp and plantation sectors. Current draft REDD policy states that any forestry permit holder (including logging and industrial pulp wood permit holders) can develop a REDD policy and submit it to the Ministry for approval (Anderson & Kuswardono 2008: 6). Clear danger signs are certainly present.

5 FAO Forest Definition:

Forests are lands of more than 0.5 hectares, with a tree canopy cover of more than 10 percent, which are not primarily under agricultural or urban land use. Forests are determined both by the presence of trees and the absence of other predominant land uses. The trees should be able to reach a minimum height of 5 meters in situ. Areas under reforestation which have yet to reach a crown density of 10 percent or tree height of 5 m are included, as are temporarily unstocked areas, resulting from human intervention or natural causes, that are expected to regenerate. The term specifically includes: forest nurseries and seed orchards that constitute an integral part of the forest; forest roads, firebreaks and other small open areas; forest in national parks, nature reserves and other protected areas such as those of specific scientific, historical, cultural or spiritual interest; windbreaks and shelterbelts of trees with an area of more than 0.5 ha and width of more than 20 m; plantations primarily used for forestry purposes, including rubberwood plantations and cork oak stands. The term specifically excludes trees planted primarily for agricultural production, for example in fruit plantations and agroforestry systems. (FAO 2000)

06 REDD does not Address the Causes of Deforestation

It is essential to place the REDD debate in it's wider global context and reflect on the underlying causes of deforestation in tropical countries. The problem of deforestation in developing countries cannot be divorced from discussions on international trade and Northern patterns of consumption. Without addressing industrialised countries' demand for timber, pulp and agricultural products produced in the South, REDD will always remain a flawed concept (Daviet *et al* 2007). Demand for timber from the USA, Japan and China is staggering. In 2003, China alone imported 42 million cubic metres of timber products and 52 million cubic metres of pulp and paper, with Indonesia being one of it's largest suppliers (Fry 2008). If demand concerns are ignored, it is highly likely that REDD will lead to an increase in timber prices, and thus increase the incentive for deforestation (FOEI 2008). Whether this deforestation occurs illegally in participating countries or simply shifts to non-participating countries may simply depend on the type of REDD project implemented (see discussion on leakage below).

There is also considerable danger in implementing a global REDD policy when the underlying drivers of deforestation vary so greatly between countries.

While agriculture, including for large scale cattle farming, is a major cause of deforestation in Latin America and Northern Africa, commercial timber extraction and biofuel production dominate in Southeast Asia (FOEI 2008: 24).

Several authors have expressed concern over submissions to the FCFP and UNFCCC stating that 'slash and burn agriculture' and collection of fuel wood are the main drivers of deforestation (Griffiths 2008; FOEI 2008: 25; Angelsen 2008: 126).

There is further concern over the bundling together of various types of subsistence farming such as shifting cultivation, collection of non-timber forest products, and traditional sustainable types of forestry as all being equally responsible for ongoing deforestation. Rotational or swidden farming and agro-forestry systems have been proven to be carbon neutral or even positive (Dooley *et al* 2008). Significant blame may thus be assigned to parties that are actually promoting forest protection. Indigenous peoples may be unjustly demonised and denied access to the forest.

07 Indigenous and Forest Dependent Communities

Of Indonesia's 216 million people it is estimated that 100 million, of which 40 million are indigenous peoples, depend mainly on forests and natural resource goods and services (Request for Consideration… 2007: 7). Indonesia's indigenous and forest dependent peoples are central to any discussion on REDD as poor design or implementation of REDD has the potential to seriously impact upon their rights and livelihoods.

The majority of the land currently earmarked for REDD is classified as state forest. As REDD increases the value of forests, governments may be discouraged from conceding customary land rights to Indonesia's indigenous forest dependent peoples (Angelsen 2008: 115).

REDD payments may actually work as a disincentive for forest and conservation authorities from resolving existing disputes over land tenure (Griffiths 2008).

As most indigenous forest dependent people lack secure land tenure arrangements, REDD runs the risk of inciting land grabbing as

commercial and state interests seek to benefit from the distribution of REDD funds.

As REDD increases the value of forests, Indonesia's indigenous forest dependent peoples may be forcefully evicted from their land and denied access to the forests that form the basis of their culture and livelihoods. Conflict in forestry sector has shown where 36% related land conflict (WALHI, 2007). There is a considerable danger that a similar pattern may be replicated with the implementation of REDD.

In many cases local indigenous communities do not possess the bureaucratic or legal knowledge required for negotiations over REDD deals. If REDD were implemented on a project-basis we may see communities engaged with large predatory investors or conservation NGOs with no particular moral obligation towards local communities.

Previous experience with exclusionary conservation organisations has left indigenous peoples very wary of promises of "identifying and promoting alternative sustainable livelihoods near protected areas" (Fry 2008: 177). Significant concerns remain over adequate participation of local communities in the formulation of REDD programs. REDD proposals continue to be developed in a top-down manner from governments, international agencies and carbon finance companies, and communities at the local level are often poorly informed (FPP 2009: 7).

Consultation with local communities tends to be limited to 'socialisation' activities after basic concepts and objectives have already been determined. Language on Free, Prior and Informed Consent is currently lacking from most REDD documentation and examination of Indonesian draft REDD policy reveals some grave concerns. In the context of oil palm development, companies strategically co-opt local agents and local government officials to encourage communities to transfer their lands (Colchester et al 2006: 171). In much the same way local government elites may sign on to REDD schemes without full knowledge of their constituents.

The complexity of carbon markets is widely acknowledged – it will be difficult to ensure that local communities adequately understand the benefit's and drawbacks of any REDD scheme (Griffiths 2008). Many heads of districts don't understand the process, let alone local communities (Anderson & Kuswardono 2008: 14). Indigenous peoples and local communities are unlikely to be aware that the carbon trading company will be taking a profit or that through engaging with REDD they are indirectly encouraging ongoing emissions in Northern countries (Griffiths 2008: 23). The official languages used may become a further stumbling block for some forest dependent communities. These concerns have led to a suggestion that a process of training and capacity building work should be carried out prior to official public consultations to ensure indigenous participation is truly informed (FPP 2009: 7).

Despite promises of equitable distribution of REDD funds to indigenous and local forest dependent communities, current REDD proposals are rather ambiguous on how exactly this might occur. There is a distinct possibility that local elites and wealthy land holders would

capture benefit's at the expense of poorer and vulnerable households. Several other glaring questions remain around the process of fund distribution. Will those without formal land title receive benefit's? Would community members not engaged in destructive deforestation activities also receive benefit's? The production of new inequities with regards to benefit distribution carries a major risk of inciting horizontal conflicts. Experience from the plantation sector indicates that compensation payments are highly liable to capture by local elites and are a frequent cause of conflict (Colchester *et al* 2006).

Significantly, there is a gendered nature to the potential rights abuses that may occur in the implementation of REDD. While many forest dependent communities do not have formal title over their land, when they do, it is often the men that possess the land title. Subsequently, women are likely to be excluded from any negotiations over land that may occur in the context of REDD (Lovera 2007). Lack of involvement in the formal economy could further compound this situation. Cultural norms dictate that Indonesian women have an obligation to contribute to household economies and childcare, leading to high rates of formal unemployment. In forest dependent communities, women are often responsible for collection of drinking water, fuel wood and other non-timber forest products (Lovera 2007). REDD could see indigenous peoples and forest dependent communities being denied access to forests, resulting in reduced community access to water and NTFPs. Indigenous forest dependent women thus represent a particularly vulnerable subset of Indonesian society in any exclusionary REDD programme.

Deficiencies in Indonesian Law and Policy

08

There are a number of striking deficiencies in current Indonesian law and policy that seriously discriminate against and endanger the rights of Indonesia's indigenous forest dependent peoples. Most disturbing remains the government's definition of customary or indigenous forest. The Draft Ministry of Forestry Regulation on REDD, which was developed with minimal consultation, utilises the definition of customary forest stated in Law 41 of 1999 on Forestry, states that "indigenous or customary forest is state forest situated in indigenous law community area".

State forest is then further defined as being "forest on land not charged with land title". Examining the law in greater detail still, Article 5 (3) states that the "Government shall stipulate the status of forest and indigenous forest shall be stipulated if any and it's existence acknowledged" (Republic of Indonesia 1999).

The state thus reserves the right to challenge the very existence of Indonesia's indigenous peoples. Indigenous people's customary land rights are hereby relegated to a tenuous position whereby they are highly open to interpretation, and easily refuted in the name of 'national interest'. The Indonesian President Susilo Bambang Yudhoyono has even acknowledged that indigenous people's rights have been sacrificed for the sake of national development in the past (Jakarta Post 2006). There are grave concerns that REDD will simply replicate this pattern.

The threat REDD poses towards the rights of Indonesia's indigenous peoples has recently been recognised by a number of international and local NGOs. In February 2009, a group of nine Indonesian and one International organisation requested that the Committee on the Elimination of Racial Discrimination reconsider the situation of Indonesia's indigenous peoples under it's early warning and urgent action procedures. The communication, which was a follow up to a previous communication, submitted in 2007, expresses deep concern about Indonesia's preparatory REDD activities failing to meet it's obligations under the UN Declaration on the Rights of Indigenous Peoples[6].

The draft REDD policy referred to above also provides guidelines for the involvement of customary forest communities in any future REDD Scheme. As stated in the document, the REDD requirements for customary forests are:

a. Decree on the right to manage customary forest
b. Recommendation for REDD implementation from local government
c. Fulfilment of the location criteria and indicators for REDD implementation
d. REDD implementation plan (Republic of Indonesia 2008)

This regulation clearly places ultimate control of REDD in the hands of the Forestry Ministry. When one considers the attitude the Ministry has displayed towards Indonesia's indigenous peoples in the past there is a serious threat that they will continue to be marginalised by any future REDD initiative. Current regulations surrounding REDD thus leave little space for Indonesia's indigenous communities to fully exercise their rights. If these concerns are not addressed prior to the implementation of REDD, disastrous consequences for Indonesia's Indigenous and forest dependent peoples could potentially result.

When one considers the attitude the Ministry has displayed towards Indonesia's indigenous peoples in the past there is a serious threat that they will continue to be marginalised by any future REDD initiative.

6 The submission also points to a procedure for the recognition of customary land rights which was adopted by the National Land Board through Regulation No. 5 of 1999. This regulation has a number of additional deficiencies with regards to recognition of indigenous rights to their lands and territories. For further detail the reader is referred to the FPP, AMAN, Sawit Watch submission.

There is a significant chance this regulation could be exploited by mining companies to use protected and plantation forest for mining activities. Mining companies need only pay Rp 300,000/m2 per year for the right to establish mining operations in protected forest

Further Government Inconsistencies

09

There is significant inconsistency between stated government aims regarding forest protection and official government policy. While the government publicly declares it's intentions to effectively tackle climate change and reduce forest destruction, it just the last 12 months it has established a number of damaging regulations which seek to do just the opposite.

On the 4th of February 2008, the government released Government Regulation No. 2 (2008) or PP2, regarding "Non-Tax Revenues Resulting from Forest Use for Development Activities other than Forestry Activities". The policy has given increased rights to mining companies and justified the opening up of protected areas and production forest. There is a significant chance this regulation could be exploited by mining companies to use protected and plantation forest for mining activities. Mining companies need only pay Rp 300,000/m2 per year for the right to establish mining operations in protected forest (WALHI 2007).

Still in the mining sector, on the 16th of December 2008, the government approved the *Minerba* (Coal and Mineral) bill. Inherent in this law is a serious weakness in the degree of participation given to local communities in determining the type and degree of natural resource exploitation occurring on their land. The law establishes highly repressive regulations with regards to the rights of local communities whenever they are considered to be obstructing mining efforts. Furthermore, the regulation does not contain any assurances for the protection of community living spaces and protected areas. Despite stating that mining activities are forbidden from community living spaces, important livelihood sources and protected areas, based on this policy mining activities may still be allowed to go ahead in these regions (WALHI 2007).

Finally, in February 2009, the Agriculture Ministry issued a decree allowing businesses to convert millions of hectares of peatlands into oil palm plantations. Opening up these peatland areas risks releasing huge amounts of CO2 into the atmosphere. The decree has been conditionally approved by the Environment Minister and is expected to go into force later this year.

The law establishes highly repressive regulations with regards to the rights of local communities whenever they are considered to be obstructing mining efforts. Furthermore, the regulation does not contain any assurances for the protection of community living spaces and protected areas.

The decision is strangely at odds with the Agriculture Ministry's previous position - in 2007 it released a letter asking governors to stop the conversion peatlands into oil palm plantations. This stark contradiction has led to claims that the government is attempting to satisfy powerful business interests in the lead up to the general election later this year (Jakarta Post 2009).

The Indonesian government's commitment to real and meaningful reductions in deforestation must be seriously questioned when such glaring inconsistencies abound.

10 Misleading Outcomes?

Several papers have questioned the dubious morality of REDD funds rewarding the most obvious polluters (those with a history of forest destruction), while failing to reward indigenous and local forest dependent people who have managed the forest sustainably (Griffiths 2008: 2). A similar potential for distortion exists at the community level. One wonders whether local community members who had not been involved in active deforestation will still be entitled to benefit from REDD funds. Several authors have questioned this inversion of the 'polluter pays' principle (Griffiths 2008). As discussed, this distorted reward system risks creating new inequities and generating conflicts between local communities. Significantly there is a further risk that inequities may emerge between provinces. Economic modelling has suggested that were REDD to be implemented on a national scale, urban populations in Java and Bali will suffer as the price of timber products rises while rural populations in Kalimantan and Sumatra may benefit from REDD fund distribution (Resosudarmo, unpublished 2008).

On the international level there lies a similar concern that as REDD rewards the polluters, it could actually be a "disincentive for those countries with zero or low forest loss to tackle future deforestation threats" (Griffiths 2008: 11). Countries with low historical rates of deforestation could see themselves being denied access to REDD funds. Consequently the issue of creating an accurate baseline has become the source of much debate.

"disincentive for those countries with zero or low forest loss to tackle future deforestation threats"

Technical Challenges with REDD Implementation 11

Leakage

A major technical challenge associated with REDD is how to resolve 'leakage' concerns. Leakage refers to the transfer of deforestation activities from the project area to a non-participating area.

This is a key concern with project-based REDD programmes, as favoured by carbon finance investors. Studies have demonstrated that project level leakage may approach 100 percent when deforestation is driven by demand for timber or growing agricultural needs (Daviet *et al* 2007: 3). Leakage has the potential to completely undermine REDD.

Consider a scenario whereby REDD credit's are traded to compensate for emissions elsewhere, but leakage occurs, and deforestation or forest degradation results anyway. The atmosphere will subsequently be much

Implementing REDD on a national scale would not prevent deforestation on an international level however

worse off (Fry 2008: 173). Leakage will always be a critical concern with REDD if the underlying imperative to deforest is not being tackled.

Recognition of this risk has led many parties to promote a national level approach to REDD. A national level approach would significantly reduce the risk of leakage and concurrently facilitate a more structured assault on the underlying causes of deforestation (FOEI 2008: 21, Angelsen 2008: 114). Indeed this is one of the reasons Indonesia claims to support a national approach to REDD. Implementing REDD on a national scale would not prevent deforestation on an international level however. Deforestation may simply shift from participating to non-participating countries. Suggesting that REDD is adopted on a universal scale is too simplistic a solution and unlikely to occur (Fry 2008: 175).

Some have proposed demand side measures that place restrictions on importing countries to ensure that imported forest products are derived from sustainably managed forests and not as a result of deforestation or forest degradation (Fry 2008: 175). This will be no small task considering that current records show that almost 25% of hardwood lumber and 30% of hardwood plywood traded globally is of suspicious origin. Discussions on the most appropriate way to tackle leakage continue, and will undoubtedly continue to be a major concern with REDD in the future, especially if measures are not taken to address Northern pulp and paper consumption patterns.

Governance and Corruption

Indonesia's struggles with poor governance and corruption and unjust treatment and exploitation of it's forest dependent communities are well documented[7]. It is widely recognised that these issues must be addressed if any future REDD scheme is to be successful. Weak governance and corruption in the forestry sector is particularly acute. Illegal logging in Indonesia is estimated to cost the state up to Rp 30 trillion annually (Sinar Harapan 2004) and is stated as being responsible for between 73-88% of Indonesia's deforestation in 2006 (FOEI 2008). As REDD is highly likely to result in a substantial increase in timber prices, any REDD scheme is only likely to increase the pressure for illegal logging. It is essential to seriously question why a REDD scheme would work in Indonesia, when it currently has so much trouble controlling illegal logging already - "if they can't police logging, why should they be able to police not logging?" (Fry 2008: 175).

WALHI and several other Indonesian organisations have recorded numerous cases of corruption in the forestry sector surrounding land use change and in the granting of licences to facilitate plantation expansion (WALHI 2007; Down to Earth 76-77 2008).

Evidence suggests that forest protection policies tend to target vulnerable and poorer indigenous and forest dependent communities

7 See for example, Boedhihartono A et al 2007; Gellert 2005; Down to Earth 76-77 2008; WALHI 2008

As REDD involves such enormous sums of money it could simply become a new avenue for corruption. So long as patterns of distribution to local communities are not clearly defined, there is a profound danger these funds could be liable to capture from government officials and local elites. Any REDD scheme in Indonesia would need to be serious about tackling governance concerns in the forestry sector and involve a concerted effort to address illegal logging - including measures to reduce demand.

Establishing an Accurate Baseline

REDD will not account for natural forest loss associated with fire or forest dieback *(Fry 2008, FOEI 2008)*

The issue of establishing an accurate baseline on which to measure deforestation has again been a source of significant debate, perhaps rightly so, as baselines will impact upon environmental effectiveness, economic efficiency and REDD fund distribution between countries (Angelsen 2008: 55). As discussed, there is concern that creating a baseline measured on historical rates of deforestation will perversely favour countries with a poor record of forest destruction, while those that have protected their forests fail to receive any benefit's.

We must consider that historical baselines are unlikely to be a precise predictor of future deforestation anyway, as rates of deforestation slow in line with reduction in available forest (Angelsen 2008: 55). Indonesia may be seeking to take advantage of it's previously rapid deforestation rate, as it seems to favour utilising historical trends and using these to project future deforestation rates.

The issue of accuracy is also an important one – if an artificially high baseline is created then one risks generating a REDD system which makes no effective reduction in deforestation (FOEI 2008). The technical issues associated with measurement are important. There is significant variability between current REDD documentation depending on the

method used. Modelling may be highly speculative and dependent on factors such as historical and predicted future rates of deforestation, accuracy of maps available, terrain and so on (Harris *et al* 2007)[8]. Furthermore, models often rely on forestry assessment data provided by FAO. One must question the value of such data when it continues to include plantations (FOEI 2008).

Tied into baseline concerns is the issue of *permanence*. Most REDD proposals highlight the fact that forests are impermanent, and REDD will not account for natural forest loss associated with fire or forest dieback (*Fry 2008, FOEI 2008*). There is thus significant potential for misleading or incorrect outcomes. The challenge of ensuring reductions in deforestation will be permanent is one of the major concerns proponents of carbon markets have with REDD (Fry 2008). Consequently there has been significant debate over the timing of payments or the establishment of reserve accounts to safeguard against this risk.

8 See Angelsen A 2008 for a detailed discussion of modeling techniques.

Finally it is important to reflect on the fact that in establishing a baseline in this way, modelling tends to focus solely on the carbon value of forests, and undermines local non-monetary cultural significance, the value of endangered or threatened species, poverty indicators and watershed functions (Harris *et al* 2007). This exposes another core ideological fault with REDD. How does one quantify such values, and will they continue to be ignored with the implementation of REDD?

Monitoring

Even once a baseline has been established, the issue of monitoring emerges as a rather problematic one. Several countries have expressed concern over the high quality images required for satellite monitoring. The cost of implementing such technology is likely to be a major obstacle in remote forested areas where even internet access is lacking (Dooley *et al* 2008). While there has been significant progress on the technical aspects of carbon accounting, issues of technical infrastructure and capacity for data analysis and management remain concerns (Angelsen 2008: 96). If forest degradation is included in any future REDD scheme then satellite monitoring is unlikely to be sufficient and ground based monitoring will be required. Moreover, values on degradation are likely to be highly inaccurate and expensive to obtain (Fry 2008: 171).

The problem of monitoring exposes another thorny issue. There is serious concern that efforts to prevent forest degradation could result in an outdated and exclusionary "people vs parks" approach to forest conservation. Evidence suggests that forest protection policies tend to target vulnerable and poorer indigenous and forest dependent communities (Griffiths 2008: 22).

A large number of pilot REDD efforts are being driven by large conservation NGOs who tend to have a dubious record with regards to their respect for local indigenous communities. Concerning evidence has already emerged from a number of Flora and Fauna International's pilot projects regarding overzealous protectionist policies (FFI 2008).

Finally, it is essential that monitoring does not focus solely on dry scientific criteria related to forest carbon stocks. Robust systems must be in place for the monitoring of rights, governance concerns and the fair and equitable distribution of funds. Monitoring for the emergence of conflict and the presence of appropriate resolution procedures for dealing with it's occurrence will be vital. Current REDD documentation is surprisingly light on these aspects of monitoring.

Conclusions

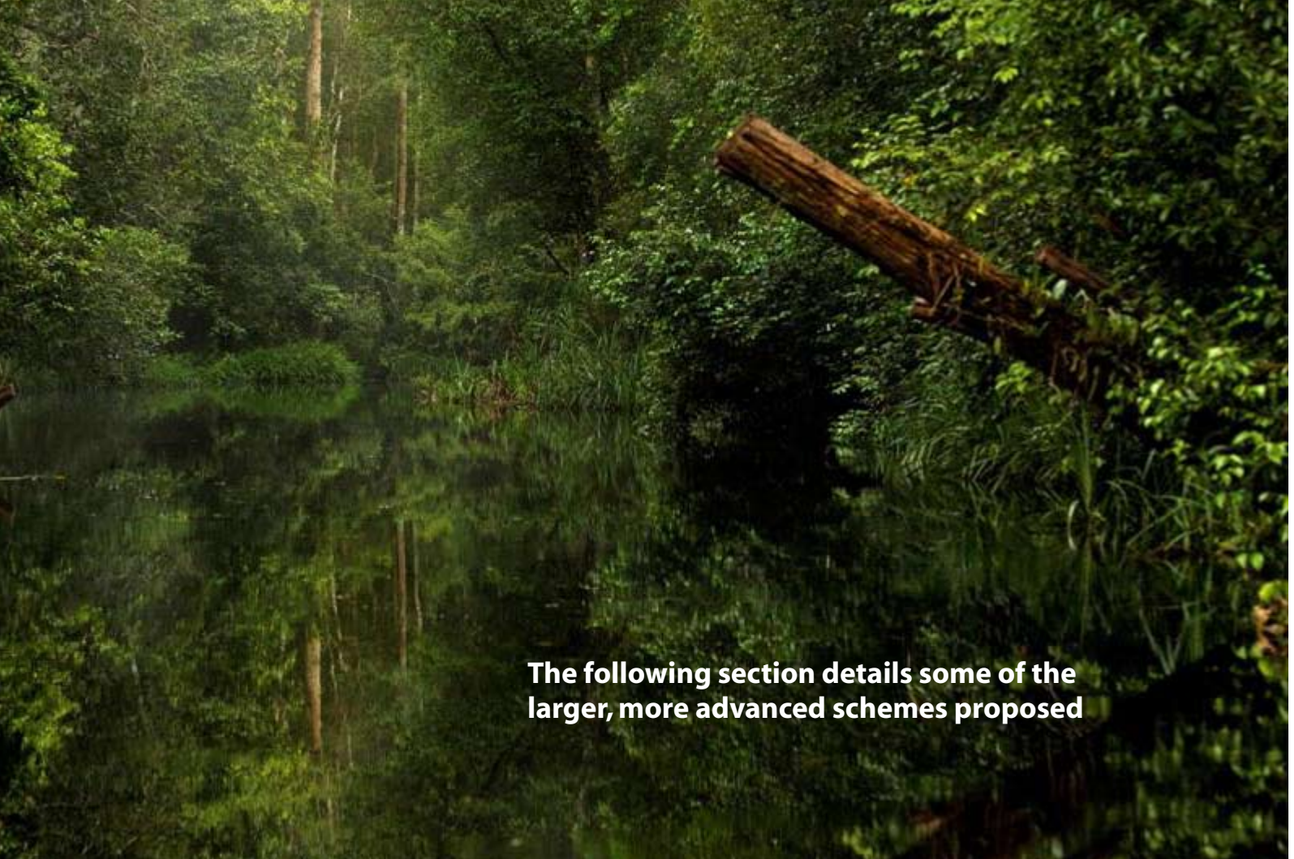
REDD in it's current formulation is fraught with danger. It risks further marginalising Indonesia's indigenous peoples and forest dependent communities and even facilitating ongoing forest destruction. While there are some serious ideological flaws with REDD, the presence of several further methodological problems means that there is a significant risk of failure. The rapid pace at which REDD negotiations are taking place means that REDD programmes may be approved prior to these serious concerns being addressed. The complexity of funding mechanisms proposed and the multiplicity of stakeholders only complicates matters.

While the inclusion of REDD in carbon markets may seem like a foregone conclusion, WALHI absolutely rejects REDD so long as it remains connected to markets. The linkage of REDD to markets risks allowing Annex-1 countries to avoid responsibility for reducing emissions in their own countries and could even increase net emissions of CO2 to the atmosphere. Carbon offsetting and the inclusion of REDD credit's in carbon markets will do nothing to address the underlying causes of climate change. Northern countries must commit to making real and effective emission reductions in their own countries that adequately reflect their ecological debt to the south.

Tied into this concern is the need to address demand side triggers of deforestation. While the direct drivers of deforestation in Indonesia are plantation expansion and timber extraction, these concerns cannot be removed from debates on northern patterns of consumption. If nothing is done to address industrialised countries demand for wood, pulp and paper products, then it is highly likely that a leaky, and potentially meaningless REDD scheme will result.

Although WALHI rejects REDD in it's current guise, this is not to suggest that WALHI does not recognise the importance of reducing rates of deforestation. WALHI first called for a moratorium on logging in 2001, and has repeated these calls over recent years. It is vital to tackle governance reform and appropriate law enforcement in Indonesia's beleaguered forestry sector in order to adequately address the current unsustainable rate of deforestation. Enacting a moratorium on logging

WALHI first called for a moratorium on logging in 2001, and has repeated these calls over recent years. It is vital to tackle governance reform and appropriate law enforcement in Indonesia's beleaguered forestry sector in order to adequately address the current unsustainable rate of deforestation.



The following section details some of the larger, more advanced schemes proposed

would allow breathing space to allow these important reforms to take place. Implementing REDD prior to these concerns being confronted could potentially be disastrous.

Reducing deforestation does not rest on resolving governance concerns alone. It will require a coordinated approach that addresses governance in line with poverty and customary land tenure concerns. WALHI also advocates community based sustainable forest management that formalises traditional knowledge systems and land management practices. Community based forest management, with appropriate recognition of customary land tenure and collective rights will prevent deforestation and promote effective long term forest conservation. Secure land tenure has repeatedly been shown to reduce pressure for deforestation and promote sustainable use of forest resources while concurrently contributing to local livelihoods and biodiveristy.

It is vitally important that the current rate of REDD negotiations is slowed down to allow some of the serious concerns outlined above to be addressed. REDD as it currently exists could potentially be catastrophic. There is a significant chance that we will see governance, corruption and land tenure issues being brushed aside as powerful state and private interests scramble to exploit the new openings REDD provides for profit generation.

12

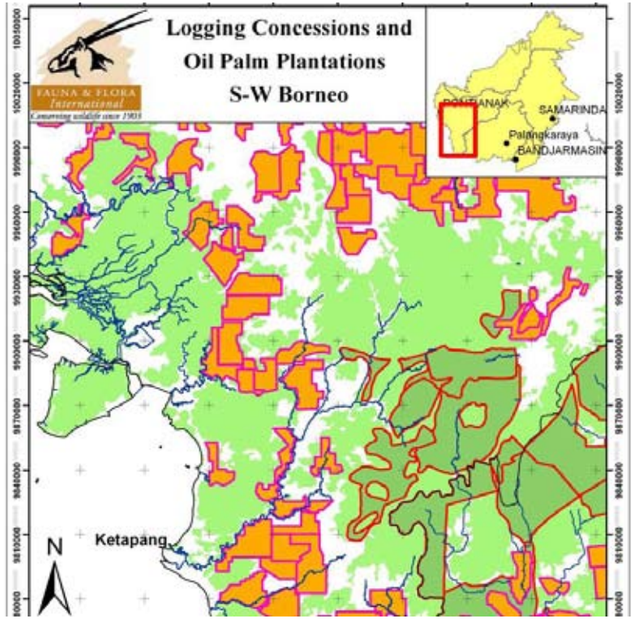
Current REDD Projects in Indonesia

There are currently up to twenty REDD related initiatives at varying stages of development in Indonesia. It remains quite difficult to obtain accurate information on all of them. Most initiatives intend to sell credit's generated on existing voluntary carbon markets, and are banking on REDD's inclusion in any post-2012 agreement. While voluntary initiatives seem to be being developed at a rapid pace, the Forestry Ministry's Head of Research and Development Tachrir Fathoni, has recently stated that "the central government will not issue permit's until we have regulations in place" (Jakarta Post 2009). The following section details some of the larger, more advanced schemes proposed.

SUMATRA:

Ulu Masen:
See detailed discussion below

Leuser Ecosystem:
An agreement has been signed between the Government of Aceh and Sustainable Forest Management Southeast Asia (SFM SE Asia Ltd) which aims to establish conservation initiatives in the area to be supported by carbon trading. The agreement is will allow PT-Devco and related companies to conduct business activities such as agribusiness-agroforestry, timber plantations, ecotourism, renewable energy and carbon trading activities in the Leuser Ecosystem (Anderson & Kuswardono 2008).



Riau:

The pulpwood plantation company Riau Andalan Pulp and Paper (RAPP) has put forward a proposal to manage the Kampar Peninsula in central Sumatra as a protected forest. The proposal would establish a core protected area surrounded by a ring of 200,000 hectares of pulpwood plantations. RAPP has a poor social and environmental record in Riau and has a long history of conflict with local communities. The RAPP project involves a complex system of dams and drainage canals and there are serious doubts as to whether this project would actually result in reduced emissions (Down to Earth 2008; Anderson & Kuswardono 2008).

KALIMANTAN:

West Kalimantan:

Flora and Fauna International (FFI) has developed proposals for REDD pilot projects in Sungai Putri and Kapuas Hulu. The project aims to protect deep peat swamp forests from conversion to palm oil plantations and will involve the reclassification of areas zoned for plantation development to protection forest. While an MoU has been signed with the two district governments, the business model to be used for both projects is said to still be under discussion. Baseline carbon assessments have been completed for the Sungai Putri project and are still being conducted for the Kapuas Hulu project. FFI aims to develop a 'community carbon pool' which would help protect customary forests at risk of conversion. The project suggests that this would ensure REDD benefit's are delivered to local communities (Anderson & Kuswardono 2008). Despite these promises, concerns over an exclusionary approach remain. Community consultations began only after the MoUs had been signed and initial planning conducted. Concerningly, an FFI presentation shows heavily armed security personnel protecting the forest (FFI 2008; FFI 2009).

Central Kalimantan:

One million hectares of degraded peatland at the site of the failed rice mega-project in Central Kalimantan has been earmarked as a pilot project for REDD. This scheme is supported by the Australian Government's AU$30 million Kalimantan Forests and Climate Partnership. The initial stage of the project will involve the rehabilitation of a continuous 100,000 hectares of degraded peat swamp (Governor of Central

Kalimantan 2009). Initial carbon monitoring work has been completed, although the master plan for the project has yet to be released to the public. Several sources have stated that JP Morgan Stanley is said to be a potential investor in this scheme (Griffiths 2008; Down to Earth 2008). Critics of the project have highlighted the inconsistency between Central Kalimantan provincial and district government involvement in the REDD scheme and their publicly released plans for conversion of a further one million hectares of peat swamps (Anderson & Kuswardono 2008).

Malinau:

In late 2008 a MoU was signed between Swiss company Global Eco Rescue (GER) and state owned forestry company PT Inhutani II with the goal of implementing a major REDD project in the Regency of Malinau in East Kalimantan. The project will take place on 225,000 hectares of PT Inhutani's concession, and hopes to produce one million carbon credit's per year to be sold on the voluntary carbon market. The project will involve reducing illegal logging and agricultural encroachment into PT Inhutani II's forest concession areas, the implementation of reduced impact logging techniques and the development of other ecosystem services (GER 2009).

Berau:

The regency of Berau in East Kalimantan has conducted preliminary investigations for the establishment of REDD schemes in the region. While it has yet to sign any formal agreements, The Nature Conservancy (TNC) has provided support for preliminary preparation activities in the regency.

PAPUA:

The Papua government has expressed a strong interest in reducing deforestation and forest degradation in the provinces and has plans to significantly restructure it's forestry sector. The plans will involve reducing the numbers of industrial logging permit's, conducting assessments

of forest resources (including baseline carbon measurements), restructuring the timber industry and promoting community based sustainable forestry among many other activities. While several REDD pilot projects have been developed for Papua, the national forestry department continues to delay their implementation (Down to Earth 2008; Anderson & Kuswardono 2008).

Cyclops Mountains: FFI has developed a proposal with the Papuan provincial government for a REDD scheme in the Cyclops Mountains near Jayapura. An MoU has been signed between FFI and the Papua government but the project is still awaiting central government approval.

Timika and Mamberamo:

An Australian financial firm, New Forests, in conjunction with Emerald Planet have developed a pilot REDD program in the regions of Mimika, Memberamo and Merauke. Planned payments will be generated from the voluntary carbon market. The project is currently assessing the carbon reserves in the region and appears to be waiting for confirmation from the central government prior to implementation (Down to Earth 2008; Griffiths 2008)

Mamberamo: A further REDD scheme is currently under development for the Mamberamo region. Conservation International has developed a pilot project with PT Mamberamo Alasmandiri, and will receive support from Carbon Conservation and Forest Carbon. Conservation International has stated that working with PT Mamberamo Alasmandiri is required to reduce the risk of illegal logging. Conservation International also publicly stated that it's main concern is biodiversity (Kemp 2009). If this is indeed the case, it is important that the impact on local communities is not merely an afterthought. The Project Design Document is currently under development and the extent of consultations with local communities at this stage remains unclear.

CASE STUDY: 13

Ulu Masen Ecosystem Project:

As the most advanced voluntary initiative currently operating in Indonesia, The Ulu Masen Ecosystem project provides a useful case study in the examination of REDD. It will be vital to closely monitor the development of this project as it is likely to have significant implications for other future REDD projects in Indonesia.

In July 2008, Carbon Conservation, an Australian carbon trading company, signed an agreement with the Government of Aceh to protect up to 750,000 hectares of forest in the Ulu Masen Ecosystem in northern Aceh. The scheme is supported by the conservation NGO Flora and Fauna International, and will receive US$9 million in financial support from US Bank Merrill Lynch[9]. The project states that it will reduce deforestation by 85% and sell credit's to the voluntary carbon market, hoping to generate up to US$432 million over the next 30 years (Down to Earth 2008). A formal contractual agreement is expected to be signed in June of 2009.

9 Merrill Lynch is now supported by the Bank of America

Carbon Conservation has previously operated an avoided deforestation project in New South Wales, Australia. As stated in the Project Design Note, the project involved trading around 1 million tons CO2e of carbon credit's, principally to Rio Tinto Aluminum. One must question the appropriateness of Carbon Conservation operating such a REDD scheme in Indonesia when it has been so closely engaged with Rio Tinto, a company with such a poor record with regards to environmental destruction and human rights in Indonesia[10].

Approximately 130,000 people live in and immediately adjacent to the Ulu Masen project area, and around 61 *mukims* (villages) will be affected by the project. The project claims it will contribute to sustainable economic and social development and biodiversity conservation through the use of land use planning and reclassification, increased monitoring and law enforcement, reforestation, restoration and sustainable community logging.

The Government of Aceh aims to restructure forestry law and practices in the region, and involve the local communities in making land use decisions. The project aims to be fully participatory in land use reform and will establish jointly agreed boundaries and land use patterns and develop a multi-stakeholder management structure. Land use change will involve the reclassification of areas zoned for logging as protection forests or community managed low impact limited production areas (Anderson & Kuswardono 2008: 13).

While rather complex, it is important to examine the details of the agreement between Carbon Conservation and the Aceh government. According to the Sales and Marketing agreement signed in July 2008, 30% of the credit's generated will be set aside as a "Risk Management Buffer" (presumably to account for concerns over permanence) and the remaining 70% sold. The proceeds from the sale of these credit's will be managed by a "collection agent" to be jointly selected by Carbon Conservation and the Aceh Government. After the collection agent has taken their fee (the amount of which is not clear), the remainder is distributed 15% to Carbon Conservation as a Marketing Fee and 85% to the Project Account. The project account will be used to distribute funds to the local communities.

The project claims to be built through a participatory and transparent process that will ensure "benefit's are equitably shared among stakeholders, including forest dependent communities and those with customary rights to land" (Ulu Masen Project Design Note 2008: 2). The project further states that extensive community consultations were conducted prior to the signing of the agreement, and language on free, prior and informed consent is strong. From the documentation

10 See WALHI's 2003 report "Undermining Indonesia" for a comprehensive discussion of Rio Tinto's social and environmental record in Indonesia.

available, however, the extent of these consultations remains unclear. One questions how many of the local communities knew what was being signed on their behalf and whether they are fully aware of how the profit's will be distributed.

Examining the Sales and Marketing Agreement in further detail, there are several additional concerns over the distribution of funds. The Project Design Note states that "indigenous people, local communities and civil society organizations must be encouraged and supported to participate fully and actively in the development of distribution mechanisms for avoided deforestation finances…through a collaborative stakeholder dialogue" (Ulu Masen Project Design Note 2008: 55). Initial information provided in the Project Design Note is strong with regards to funds distribution. Stakeholders identified by the project include private sector actors, representatives from mukims and other customary organisations, under-represented and vulnerable groups (including women's organisations), government agencies, civil society organisations, even those critical of the project, and national and international groups as appropriate (Ulu Masen Project Design Note 2008: 56).

However, the MoU signed in July 2008 states that the distribution of Project Account Funds will be managed by a Steering Committee consisting of the Governor of Aceh, 1 member appointed by Carbon Conservation, 1 member appointed by FFI, 1 member appointed by Oxfam, 1 member appointed by the Governor of Aceh, and one member nominated by the government of Aceh as being representative of the community and appointed by the members directly. The local communities are thus grossly under represented in this process. Of the 61 *mukims* affected by the project, the communities have just one true representative. The potential for conflict is immense when treating the local communities as a single homogenous group in this way. Furthermore, the only member of the steering committee directly representative of the community is nominated by (and thus likely to have strong ties with) the Governor. Without wishing to be too cynical, the prospect of elite capture of funds remains.

Representation is a further concern in dispute resolution in relation to the project. The MoU states that any disputes will be referred to arbitration in English under the rules of the Singapore International Arbitration Centre (SIAC). The Sales and Marketing Agreement explicitly states that the Government of Aceh is liable for any costs related to financial or legal advice (Ulu Masen Sales and Marketing Agreement 2008: 25). The parties involved in the dispute are also responsible for the costs of arbitration - including travel to and from Singapore. Concerns over language have already been discussed in relation to local communities and REDD. The issue of cost is likely to be an even more

significant one. It may thus prove difficult to ensure communities have adequate representation were disputes to occur with such significant outlays of capital required.

Another significant concern related to the Project Account is the emphasis placed on monitoring and forest protection. A considerable proportion of the project costs will be spent on monitoring. The project aims to utilise radar imagery, light aircraft, photographic imaging and ground monitoring to measure forest degradation (Ulu Masen Project Design Note 2007: 35). The Sales and Marketing agreement states that Carbon Conservation is liable for costs related to validation, monitoring and verification activities. Meanwhile, the Project Account to be managed by the government of Aceh is responsible for "funding operations for the preservation of rainforests". There is thus some haziness as to how much the Project Account would be contributing to forest protection. This is not the only concern with the emphasis placed on monitoring however. While the Project Design Note mentions that forest enforcement officers will not carry weapons, Dorjee Sun, the CEO of Carbon Conservation, has publicly stated that "the forest will be guarded by 1000 heavily-armed former Free Aceh rebels" (ABC 2008). A detailed monitoring plan was expected to be released in December 2008. Perhaps these concerns will be addressed with the release of the formal monitoring plan.

As with all REDD projects, there is a significant chance the Ulu Masen project could incite conflict over both land and in the distribution of benefit's. The majority of the project area is classified as *hutan negara* or state forest. The project design note even acknowledges that despite this formal classification, most *mukims* consider the forest to be customary managed forest. The rapid pace at which the project is progressing is a cause for concern in this regard. In the haste to have the project operational there are significant risks that existing land tenure issues may be brushed aside. It is vital that the project sticks to it's promises of participatory land use planning processes. The project design note acknowledges conflict may occur but is surprisingly light on detail as to how this might be addressed. The main discussion of conflict is made in reference to 'in-migration' as neighbouring communities may seek to benefit from fund distribution. However horizontal conflicts within communities benefiting from the project are also likely to be a problem. There are major concerns that only those communities with acknowledged customary tenure will receive direct benefit's, and that distribution may be inequitable or skewed towards certain groups. It is imperative that the project has robust systems in place for the resolution of such conflicts. While the Project Design Note makes the rather dubious statement that "social norms in the area and the strong social cohesion that exists in villages are strong to (prevent) significant in-migration"

(Ulu Masen Project Design Note 2007: 49) there is no discussion on the possibility for conflict arsing from the distribution of benefit's.

The documentation provided recognises that leakage is a major concern with the project. It claims that developing sustainable community forest management, including possibly timber production, would be sufficient to prevent leakage. The moratorium on logging enacted by the Aceh provincial government means that state driven leakage is unlikely to occur within the province, although this does not address concerns of increased logging in the neighbouring North Sumatra province, or illegal logging outside of the project area. The project states that while it is near impossible to accurately measure expected leakage, it does not expect leakage to be greater than 10%. As discussed above, project level leakage may approach 100% when deforestation is driven by demand for timber (one of the primary drivers in Indonesia). The project promises to conduct monitoring outside of the project area to address leakage concerns, and use the Risk Management Buffer to 'cover' any detected leakage. It does not however detail the area of forest that would be monitored. Current recommendations suggest that an area 5 to 7 times the size of the project area should be monitored to address leakage concerns (Angelsen 2008: 72).

The Ulu Masen project, while strong on rhetoric regarding sustainable community livelihoods, appears to have a number of potentially problematic issues. Matters of transparency and adequate representation of local communities are the primary concerns. It is essential that this project continues to be monitored closely as it develops further, as it's implementation will have huge implications not only for the indigenous peoples affected by the project, but for indigenous forest dependent peoples throughout Indonesia.

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Wahana Lingkungan Hidup Indonesia (WALHI) didirikan pada tanggal 15 Oktober 1980 sebagai reaksi dan keprihatinan atas ketidakadilan dalam pengelolaan sumberdaya alam dan sumber-sumber kehidupan, sebagai akibat dari paradigma dan proses pembangunan yang tidak memihak keberlanjutan dan keadilan.

Wahana Lingkungan Hidup Indonesia (WALHI) is established on October 15th 1980 as a reaction and concernedly for the injustice in natural and livelihood resources management. WALHI exist to support the paradigm and sustainable development process that take a side on justice.

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