



## RAINFOREST ACTION NETWORK

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memorandum

### **Briefing Note for Customers and Investors on Indonesia's Proposed Moratorium on New Permits for Forest and Peat Land Clearance**

#### ***Private Sector Action Needed to Adopt Safeguards and Support Reforms Required to Address Deforestation and Emissions in Indonesia***

**March 3, 2011**

#### **Background:**

Indonesia is currently ranked as the third largest greenhouse gas emitter after China and the US. Eighty percent of Indonesia's emissions are the result of very high rates of rainforest and peatland loss, with the majority linked to large concessions for palm oil and pulp and paper plantations for international markets.

In September 2009 Indonesian President Susilo Bambang Yudhoyono announced at the G-20 meeting that, *"We are devising an energy mix policy including LULUCF (Land Use, Land Use Change and Forestry) that will reduce our emissions by 26 percent by 2020 from BAU (Business as Usual). With international support, we are confident that we can reduce our emissions by as much as 41 percent. This target is entirely achievable because most of our emissions come from forest-related issues, such as forest fires and deforestation."* This commitment was reiterated in Indonesia's submission to the UN Framework Convention on Climate Change following its December 2009 climate meeting in Copenhagen.

Subsequently in May 2010, the governments of Norway and Indonesia signed a Letter of Intent (LOI) on "Cooperation on Reducing Greenhouse Gas Emissions from Deforestation and Forest Degradation." The LOI pledges one billion dollars from the government of Norway to support the government of Indonesia in developing and implementing a phased strategy that includes the key policies, institutions and actions required to reduce emissions from deforestation and degradation (REDD) and lay the foundation for low carbon development in the nation. More recently, President Obama, during his visit to Indonesia in November 2010, also pledged U.S. government support for Indonesia's efforts to address deforestation and its emissions.

One element agreed in the Norwegian-Indonesian LOI was the establishment of "a two year suspension of all new concessions for conversion of peat and natural forest." The moratorium was planned to begin on January 1, 2011, however, as of March 1, 2011, important details of the moratorium have still not been decided.

The Rainforest Action Network welcomes President Susilo Bambang Yudhoyono's leadership and strong international commitments to reduce Indonesia's greenhouse gas emissions from its forest sector. We

encourage international customers and investors to do the same, by adopting environmental and social safeguards relating to their own investments and supply chains and by supporting a broad, clear and verified moratorium administered by non-interested parties that will effectively address deforestation and forest and peatland degradation.

### **The Moratorium:**

The pending Presidential instruction on moratorium on deforestation, forest degradation and peatland draining activities by pulp and paper and palm oil interests is poised to be an important tool in reducing greenhouse gas emissions from natural forest and peatland destruction. If designed and implemented effectively, the moratorium offers a critical opportunity to initiate activities to recognize rural community tenure, and tackle corruption and illegal logging as well as to advance forest conservation goals, all of which are essential in order to promote a successful transition to a sustainable and equitable low-carbon development model.

Nonetheless, there are disagreements within the Indonesian Government about the scope, definitions and administration of the moratorium. Currently, there are two leading versions of the moratorium being considered by the president: one proposed by the President's National Task Force on REDD+ and one by the Ministry of Economic Affairs. According to independent analysts, the version proposed by the President's National Task Force on REDD+ is more likely to be effective as a tool in reducing emissions and addressing underlying causes of forest loss than that being put forward by the Ministry of Economic Affairs and backed by the Ministry of Forestry. Both versions have significant shortcomings and lack clarity relating to key issues such as: participation and rights of indigenous peoples and other stakeholders; which permits are to be subject to the moratorium; definitions of primary and secondary forests; what data, decision making processes and governance will be used in the development of maps and implementation of the moratorium; how information will be shared publicly, and how the public will be involved in implementing the moratorium.

### **Moving Forward**

RAN and a growing coalition of Indonesian and international civil society, government officials, donors and private sector leaders are urging Indonesia's President and government to strengthen the moratorium. We are calling on the President to ensure that the moratorium:

- Covers all existing and proposed permits on conversion of all natural forests (both primary and secondary), high carbon (stock) landscapes and peatlands;
- Recognizes indigenous community rights, tenures and title and ensures the right to free, prior and informed consent of affected communities;
- Requires a review and prioritization of all permits containing natural forests and peat or involving social conflict, and identifies and suspends permits with irregularities;
- Guarantees participation of impacted communities and other relevant stakeholders and includes dispute resolution procedures;
- Adopts science based definitions of natural forests (including primary and secondary forests and "barren lands"), peatlands and high carbon (stock) forests and landscapes;
- Provides clear and credible instructions and data sets consistent with the above points for the development of maps that will be used to implement the moratorium; and,
- Is administered by agencies/institutions that do not have a vested interest in forest conversion or a checkered track record such as the Ministry of Forests.

Such improvements would help put in place the good governance, rights and transparency mechanisms, which will enable Indonesia to meet its climate pollution reduction targets and maintain its forests and peat lands. In addition, such improvements would send the clear signal needed to help motivate private sector actors to innovate and invest in productive, low carbon development pathways in the agriculture and forestry sectors. By reducing negative social and environmental impacts, a robust moratorium would help create the enabling conditions to grow trade with investors and supply chain partners seeking business with controversy free sustainable suppliers.

Indonesian citizens, the international community and the private sector, including business partners and investors, will find that a forest conversion moratorium without these strengthened components would be unlikely to create the conditions required to deliver the hoped for greenhouse gas emissions reduction targets, and will fail to address many of the broader social, governance and environmental drivers underlying the clearance of natural forests and peatlands in Indonesia.

Both anticipated versions of the moratorium are expected to have shortcomings. Nonetheless, it will be valuable for the private sector to signal its support for a robust moratorium and effective implementation. In addition, it is vital that trading partners and investors establish safeguards relating to the forest footprint of their own businesses. Private sector leaders can use their political and commercial influence to help fill gaps created by a weak moratorium by adopting such safeguards and by advocating the broader set of reforms needed to reduce emissions and tackle deforestation and its underlying causes in Indonesia.

#### **Recommendations:**

RAN recommends that companies:

- Adopt and implement environmental and social safeguards for investments and throughout their supply chains to ensure support for greenhouse gas emission reductions and forest and peatland conservation and respect for rural community rights;
- Engage peers about deforestation issues in Indonesia and encourage them to adopt similar safeguards;
- Engage with the U.S. government to support a robust forest conversion moratorium and to provide financial, technical and political support to assist Indonesia in addressing corruption, insecure community rights and conservation in its approach to reducing forest and peatland emissions; and,
- Engage with the Indonesian government to encourage a robust moratorium and ensure that its implementation and administration are governed by parties without conflicts of interest.

For more information or to learn about opportunities to work with Rainforest Action Network on addressing deforestation in Indonesia please contact Lindsey Allen, [lallen@ran.org](mailto:lallen@ran.org), and Lafcadio Cortesi, [lafcadio\\_cortesi@ran.org](mailto:lafcadio_cortesi@ran.org).