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# INDONESIA REGIONAL POLICY BRIEFING #2: EXPECTATIONS AHEAD OF MAJOR MULTILATERAL EVENTS

Policy brief prepared by AlphaBeta – Part of Access Partnership for the  
Tropical Forest Alliance

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## About this briefing

TFA has identified the need to build awareness of relevant policy developments in key Indonesia among corporate stakeholders related to **deforestation and related supply chain risks**. In service of this objective, TFA commissioned AlphaBeta – part of Access Partnership to develop regular regional policy briefings for Indonesia, with the aim of providing comprehensive and impartial information on the policy and geopolitical context related to deforestation and the forest-positive agenda in Indonesia to help stakeholders engage with policymakers. Aspects covered by these briefs include policy developments and updates from current events related to forest protection, sustainable land use, agricultural production and trade, green finance, climate, and land rights. This is the second of the six briefings, which **summarises key updates on deforestation-related policy in Indonesia's socio-political and economic climate ahead of major multilateral events in the last quarter of 2022**, including the G20 summit, UNFCCC COP27, and UNCBD COP15. It has been organised in the form of top five major updates of relevance. Subsequent briefs will cover new policy developments, current events, and issues on related agendas.

## The top 5 takeaways: October 2022

1. **G20 presents an opportunity for Indonesia to accelerate climate action.** The run up to G20 meetings in November has built momentum for climate action and to combat deforestation, including environmental ministers agreeing on measures to meet voluntary land degradation reduction targets in August, the business process B20 providing a platform to discuss deforestation-free supply chains through regular consultations, the youth process Y20 publishing a strong communiqué in September demanding binding action aligned with Paris goals, and civil society organisations in Indonesia pushing for expansions of the forest permit moratorium and advocating for the use of technology and robust carbon credits.
2. **COP27 compels Indonesia to submit enhanced nationally determined contributions (NDCs).** Indonesia has raised its ambitions on climate action ahead of the COP27 process in November, raising its unconditional NDCs for emissions reduction targets from 29% to 32% and conditional targets from 31% to 43%, with major contributions critically coming from the forestry sector. The meetings provide an opportunity for Indonesia to reconcile differences in its approach to deforestation action (see below) and refocus on coordinated multistakeholder supply chain action, including to attract further international climate finance. Norway recently signed an agreement with the Indonesian government in this area.
3. **The Forestry and Other Land Use (FOLU) Net Sink 2030 plan is ambitious, but contentious.** Indonesia's FOLU Net Sink 2030 plan, centred around the target of balancing or more-than-offsetting forestry sector emissions by 2030, reflects how Indonesia has chosen to translate "net-zero" deforestation commitments from COP26 to "carbon net sinks" for its forests by 2030, citing some planned deforestation as necessary for economic growth. While the plan has attracted praise for ambitious 2030/2050 emissions reduction targets from the forestry sector, it has caused some friction within the international community.
4. **More encouraging data on deforestation from 2018-20, though risks remain.** More encouraging data on falling palm oil deforestation was reported by TRASE in September 2022 – exporters with zero-deforestation commitments (ZDCs) consistently sourced 30% lower per tonne risk over 2018-20, while refineries with traceability reports, which processed 87% of palm oil exports over 2018-20, were associated with lower palm oil risks. However, new risks may be emerging from greater production in Papua (where palm oil supply chain deforestation risk is up 24%) and industrial mining activities in Kalimantan.
5. **Forest Stewardship Council (FSC) votes for greatest change in 20 years.** The FSC General Assembly 2022 this month bore witness to the passing of Motion 37 which pushed back the "cut-off" on forest conversion to plantations from 1994 to 2020, allowing a new generation of companies to gain membership and certification. It also passed Motion 45, codifying the FSC Remedy Framework, a new approach to tackling conversion and ensuring remedy of past harms that provides previously excluded companies such as Asia Pulp & Paper and APRIL a path to regain FSC membership through remediation and restoration.

## I. The G20 opportunity for climate action in November

As touched upon in the first brief of this series, Indonesia's presidency of the G20 summit this November presents an opportunity to advance the deforestation agenda. President Jokowi wants the G20 to "set an example, lead the world in cooperation on handling climate change and managing the environment in a sustainable manner by performing concrete actions".<sup>1</sup> The run up to these meetings have built significant momentum towards efforts to combat deforestation, including:

- **Agreements announced at the G20 Joint Environment and Climate Ministerial Meeting (JECMM):** The G20 JECMM meeting was held in Bali on Aug 31 and chaired by the Minister of Environment and Forestry (MoEF) in Indonesia, Dr. Siti Nurbaya Bakar. Two important agreements were reached during this meeting to address land degradation, with the G20 reiterating its ambition to voluntarily reduce land degradation by 50% by 2040 through scaled efforts to combat desertification and drought<sup>2</sup>. However, countries were unable to agree a joint communiqué on climate action, with some including China objecting to previously agreed language in the Glasgow pact and past G20 agreements on efforts towards the 1.5 degrees Celsius target.<sup>3</sup>
- **Public consultations held by the B20:** The B20, a process for G20 business communities, has an Energy, Sustainability, and Climate Taskforce that has been holding regular public consultations and side events in

the run up to the summit, providing an excellent platform for the private sector to participate in advancing deforestation free supply chains.<sup>4</sup>

- **Strong advocacy from Y20:** The Y20, a platform for youth from G20 countries, have proposed for G20 leaders to adopt policies mandating legally binding short- and long-term Paris-aligned decarbonisation targets, implementing science-based, “no overshoot” 1.5°C scenario climate compatibility checks for all new national legislation, policies, and projects, and delivering national plans to phase out of fossil fuels.<sup>5</sup>
- **Strategic contributions to the G20 agenda from civil society organisations:** WRI Indonesia has contributed a number of important agenda items related to deforestation and biodiversity loss, including promoting the need for stronger legal measures, improving value chain and market demand of non-timber forest products, and establishing policies for meaningful nature-based carbon credits in G20 countries.<sup>6</sup> It also highlighted how Indonesia could set an example by expanding the permit moratorium to include secondary natural forests and mangroves, rallying other G20 members to leverage technology, innovation, data and governance, and developing a robust framework on carbon credit verification and validation.

## II. Indonesia’s enhanced NDC signal COP27’s importance

Also picking up from the first brief, UNFCCC’s COP27 event in Egypt in November has proven promising as an immediate opportunity to strengthen action against deforestation:

- **Indonesia’s upgraded emissions reduction targets:** In September 2022, Indonesia submitted its enhanced nationally determined contributions (NDC) for COP27, under which it increased its unconditional emissions reduction target from those declared at COP26 to 32% (up from 29%) and its conditional target to 43% (up from 41%).<sup>7</sup> The forestry sector is responsible for achieving nearly two-thirds of the original targets, and, critically, the enhanced commitment will be similarly implemented through sustainable forestry management and effective land use and spatial planning. This includes scaling national social forestry programs, restoring functions of degraded ecosystems including wetland ecosystems, and improving agricultural productivity – placing inefficient supply chains at risk.
- **Net zero vs. net sink:** However, the Indonesian government and other countries disagree on the interpretation of “net zero deforestation”. During negotiations for the Glasgow Climate Pact in 2021, despite President Jokowi, alongside world leaders, signing the net-zero deforestation pledge by 2030, Indonesia declined to support a plan to end deforestation entirely by 2030, but instead pledged a “carbon net sink” in its forestry sector by 2030 (see next section for more). Indonesian ministers stressed that stopping deforestation entirely would disadvantage its local communities given that economic priorities require a “limited” amount of deforestation to build more infrastructure and to increase industry development, and that its interpretation was fairer.<sup>8</sup> An ideal outcome from COP27 would be to align towards zero deforestation; failing which, pressures on levers to reduce deforestation including addressing palm oil deforestation will become even more critical as emissions from planned activities resulting in deforestation prevail.
- **The future of sustainable finance:** COP27 will also be an important milestone to evaluate momentum for sustainable finance, built off platforms established at COP26 such as the UN Glasgow Financial Alliance for Net Zero (GFANZ) that have since lost momentum amid the threat of withdrawal from major Western banks and global economic concerns.<sup>9</sup> However, Indonesia has pressed ahead in the past 12 months with plans to encourage private sector investment in green growth, including releasing a new Green Taxonomy for investment.<sup>10</sup> MoEF also announced the Ministerial Decree for Carbon Trade in October 2022, setting out four mechanisms to carry out the Nilai Ekonomi Karbon (NEK) as part of meeting enhanced NDCs – carbon trading, performance-based payments, carbon taxes, and other discretionary mechanisms from the minister.<sup>11</sup>

## III. Indonesia’s FOLU Net Sink 2030 proving ambitious, but contentious

In February 2022, Indonesia’s MoEF released a decree on Indonesia’s Forestry and Other Land Use (FOLU) Net Sink 2030 plan.<sup>12</sup> The plan rests on a key target – that the absorption of greenhouse gases from Indonesia’s forestry sector be balanced or more than its emissions by 2030. Under the plan, GHG absorption from forestry and land use is targeted at 140 million tonnes CO<sub>2</sub>e by 2030, increasing to 304 million tonnes in 2050.<sup>13</sup> The plan is ambitious but as highlighted is materially different to “zero deforestation” targets in the Glasgow Climate Pact of 2021 in that it limits planned deforestation instead. Minister Nurbaya has urged multinational companies to set

aside concerns over language and recognise the urgency to increase their ambitions and deploy greater resources to meet net sink targets by 2030. The plan rests on four main strategies:<sup>14</sup>

- **Avoiding deforestation:** Capped at 6.8 million hectares by 2030 to achieve net sink objectives.
- **Conservation and sustainable forest management:** Reducing excessive logging and production forest encroachment, promoting sustainable forestry, and extending protected areas. MoEF is optimising legal permits for social forestry, with the aim of covering 12.7 million hectares by 2028 under the net sink target and supporting 45,200 social forestry business groups (KUPS) through 2030.<sup>15</sup>
- **Protection and restoration of peatlands:** Emissions from peatland account for 50% of total emissions in the agriculture and FOLU sector, which largely originate from peatland fires and dry peatland decomposition. An important enforcement mechanism to prevent fires is surveillance of companies located in high, very high, and extremely high priority index areas listed in the location priority index.<sup>16</sup>
- **Sink enhancement:** Accelerating afforestation and reforestation of severely degraded land outside and within forest areas, including urban rejuvenation.

Upon its release, the plan was also perceived as a signal that Indonesia intends to press ahead with meeting its legal climate targets with its own resources, and not wait for the US\$100 billion climate finance pledge made by developed countries in previous multilateral processes. However, recent developments indicate that there could be greater momentum for foreign climate finance despite lack of past progress and current economic downturns, as evidenced by collaboration between Indonesia and Norway based on an official release published by the Ministry of Environment and Forestry (12/09) is to support the FOLU Net Sink 2030 Operational Plan.<sup>17</sup> Under the Memorandum of Understanding (MoU) signed, Norway will send Jakarta an initial US\$56 million payment for its deforestation reduction for 2016-17, and will also pay to-be-determined payments for years of reductions that followed, potentially worth hundreds of millions of dollars.<sup>18</sup>

The partnership has been praised for much-delayed action, although activists have voiced concerns over a lack of specific payment commitments and whether the additional funding could solve historical problems of planned deforestation and violation of indigenous rights. Calls from the Indonesian Forum for Living Environment (WALHI) have stressed the need for the government to “withdraw forest concession rights given to companies and introduce further moratoriums on palm oil plantations and mining concessions”.<sup>19</sup> It is imperative for constructive dialogue to prevail between government, civil society, and industry to ensure that climate finance is used meaningfully through joint plans, to address each group’s concerns.

## IV. Encouraging deforestation data from 2018-20, with some new risks

New data reported in September 2022 shows encouraging signs of further progress, tempered with some risks:

- **Voluntary supply chain commitments and disclosure measures are proving effective in addressing deforestation.**<sup>20</sup> Data shows that exporters with zero-deforestation commitments (ZDCs) consistently source 30% lower per tonne risk over 2018-20, while refineries with traceability reports, which processed 87% of palm oil exports over 2018-20, were associated with lower palm oil risks.
- **More work remains to get companies in line with best practices and increase supply chain visibility.**<sup>21</sup> For instance, while 86% of companies had a forest policy, only 22% had commitments to eliminate deforestation, avoid peatlands, conduct restoration, provide compensation for past harms, and support local communities, while only 9% were able to trace their supply chains to the mill level while just 4% were able to do so to the plantation level. Nevertheless, civil society has recognised efforts at progress from industry, with NGO Kaoem Telapak citing that NDPE (no deforestation, no peat and no exploitation) commitments are good first steps at action, even if companies lack the capacity to fulfil commitments.
- **New palm oil deforestation risks must be immediately addressed.**<sup>22</sup> While overall deforestation in Indonesia fell, Papua experienced a 24% increase in deforestation risk associated with doubling of its palm oil production over 2018-20. If Papua were to follow a similar trajectory to provinces in Kalimantan, an estimated 4.5 million hectares or 13% of its forests could become palm and other plantations by 2035.
- **A rising threat from industrial mining.**<sup>23,24</sup> A study in PNAS reported that, among 26 countries, Indonesia accounted for 58.2% of tropical deforestation since 2000 directly caused by industrial mining activities, with coal extraction in East Kalimantan proving a challenge. Although the contribution to Indonesia’s total

deforestation since 2000 is small at 0.7%, the government can pre-emptively reduce the impact of industrial mining by mandating broader environmental impact assessments with comprehensive land-use evaluation.

## V. FSC votes for greatest change in direction in 20 years

The Forest Stewardship Council (FSC) Principles & Criteria are the standards to which companies adhere to be FSC-certified for forest products including wood, paper and packaging, and rubber. A core FSC principle was the “cut-off” on forest conversion from natural forests to plantations, which disqualified any company from FSC membership should they have conducted such conversion after 1994, which effectively allowed for FSC to remove pulp and paper companies such as Asia Pulp and Paper (APP), Asia Pacific Resources International Limited (APRIL) and Korindo from its membership. However, at the FSC General Assembly 2022 in Bali from October 9-14, Motions 37 and 45 were passed, effectively changing this rule in the biggest update for the certification scheme in the last 20 years<sup>25</sup>:

- **Motion 37** passed with a vote of ~83% of FSC membership and pushed back the “cut-off” on forest conversion from natural forests to plantations from 1994 to 2020. This **effectively allows for a new generation of companies to gain FSC membership and certification, particularly those in the Asia and Africa**, for whom the majority of plantation conversion occurred post-1994.<sup>26</sup>
- **Associated Motion 45** was also passed with a significant majority and codified the FSC Remedy Framework<sup>27</sup> – FSC’s new approach to tackling conversion, addressing technical loopholes on conversion thresholds, and ensuring remedy of past social and environmental harm. This **effectively opens for the door for previously excluded companies such as APP and APRIL back in** – potentially allowing for millions of hectares to be newly-certified. The motion also introduces new requirements for corporate group analysis and transparency to identify “shadow companies” that are associated with larger companies seeking certification, addressing previous transparency challenges and allegations of “greenwashing” that have dogged FSC in the past. The remediation and restoration path opened by motions 37 and 45 will begin from July 2023.

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