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# in the reddy:

australia's carbon offset project  
in central kalimantan

december 2011



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**friends of the earth international** is an international federation of diverse grassroots-based environmental organizations with over 2 million members and supporters around the world. We challenge the current model of economic and corporate globalization, and promote solutions that will help to create environmentally sustainable and socially just societies.

**our vision** is of a peaceful and sustainable world based on societies living in harmony with nature. We envision a society of interdependent people living in dignity, wholeness and fulfilment in which equity and human and peoples' rights are realized.

This will be a society built upon peoples' sovereignty and participation. It will be founded on social, economic, gender and environmental justice and free from all forms of domination and exploitation, such as neoliberalism, corporate globalization, neo-colonialism and militarism.

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# contents



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# in the redd

## australia's carbon offset project in central kalimantan

december 2011

summary	4
introduction	5
the problems with redd	6
redd agendas	8
redd players	9
the kalimantan forests and climate partnership	10
kfcp designed to demonstrate the feasibility of redd offsets	12
redd and rising tensions	13
missing the big picture	14
complex land tenure and access concerns	16
community objections continue	17
shell connections	18
moratorium? indonesia's paper tiger	19
beyond carbon pricing: proposals for redd	20
references	22

## summary

The Kalimantan Forests and Climate Partnership (KFCP) is a bilateral forests and climate agreement between the Governments of Indonesia and Australia, that was first announced in 2007. It is intended to produce carbon offsets by reducing emissions from deforestation and land degradation.

Funded by the Australian government, it has been described as the 'first large-scale pilot' of forest offsets. It is being used to kick-start REDD<sup>1</sup> carbon markets and to push for cheap

offsets<sup>2</sup> from avoided deforestation to be recognised by the United Nations Framework Convention on Climate Change (UNFCCC) agreement at the 2011 Conference of the Parties (COP 17) in Durban.

This report analyses the social and environmental effectiveness of the KFCP in the light of new developments in both Kalimantan and national REDD policy in Indonesia. It finds that REDD forest carbon offsets are a false solution to climate change.



Forest garden with rubber trees  
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1 REDD stands for Reducing Emissions from Deforestation and forest Degradation in developing countries. See section in this document on The Problems with REDD; also Hall (2008) and Hall ed. (2010).

2 A carbon offset is a credit purchased from a project that has ostensibly reduced emissions of greenhouse gases. This often relatively cheap credit can be bought by a polluter to offset the polluter's own emissions. However there are significant drawbacks to using offsets including whether the project issuing the credits has really reduced emissions, and if it has, whether it would have done so anyway. In both cases this would mean that the polluter buying the credit is not offsetting its emissions. See the rest of this report for further detail.

## introduction

REDD projects seek to reduce greenhouse gas emissions by securing the continued existence of forests that would otherwise be deforested or degraded.

REDD has exploded as an international policy agenda in recent years, particularly because it initially promised cheap and easy greenhouse gas emissions reductions. REDD has since been developed and defined in ways that are compatible with continued industrial forest extraction and agribusiness in the South, and is therefore favoured by business and industry. Critically, many governments are aiming to fund REDD projects from the sale of emissions reduction credits on carbon markets for the benefit of polluters in wealthy countries—even though no agreement on linking REDD with carbon markets has been reached in the negotiations under the UNFCCC.

Australia and Indonesia have formed an alliance to pursue this market-based form of REDD, including by establishing the world's first large-scale REDD pilot project, the Kalimantan Forests and Climate Partnership (KFCP) project.<sup>3</sup> However, growing evidence that this pilot is not delivering the promised social and environmental outcomes illustrates that REDD offsets are a false solution to climate change.

A close analysis of the way in which the KFCP project has been developed, especially with respect to its impacts on local communities, shows that it is an unjust and ecologically ineffective approach to climate change mitigation, that takes us further and further away from real and equitable solutions based on cuts to fossil fuel consumption and decarbonisation. Friends of the Earth International is campaigning to halt efforts to establish REDD as a carbon offset in Central Kalimantan and globally.

Friends of the Earth International believes that real climate change solutions put justice for indigenous peoples and forest communities at the centre of efforts to halt deforestation. Community-based natural resource management, recognition of land tenure for indigenous peoples, and food sovereignty are crucial to this approach. The search for cheap offset credits in rainforest nations is fundamentally incompatible with these approaches, and should be rejected.

Key findings of this report are that:

- The Indonesia-Australia Forest Carbon Partnership continues to be used as a platform to establish REDD as a UN-sanctioned source of low-cost carbon offsets for Australia in the longer term.



- The agreement with Indonesia does not guarantee indigenous rights, and is in conflict with the UN Declaration on the Rights of Indigenous Peoples, endorsed by Australia in April 2009.
- This 'first large-scale' REDD pilot project in Central Kalimantan does not clarify or recognise the rights of local forest-dependent communities, including as a precondition for implementation, and there is no mention of the rights of local forest-dependent communities in the project documentation. The project is creating additional tension and conflicts with respect to land tenure in the area.
- The Kalimantan REDD project has created confusion among local groups, and faces ongoing opposition from local people. Community groups continue to express their concerns about the facts that the principle of Free, Prior and Informed Consent is not being realised; the project will not address the relevant drivers of deforestation in the area; and the KFCP does not recognise customary Dayak wisdom.
- Evidence of carbon leakage<sup>4</sup> through continued illegal land clearing seriously undermines the effectiveness of the project. Palm oil firms have been found to be illegally clearing land in a nearby zone in Central Kalimantan, which is supposed to be subject to a deforestation moratorium under the Norway-Indonesia REDD+ Partnership.

<sup>3</sup> [http://www.climatechange.gov.au/government/initiatives/international-forest-carbon-initiative/~media/publications/international/kfcp\\_factsheet.ashx](http://www.climatechange.gov.au/government/initiatives/international-forest-carbon-initiative/~media/publications/international/kfcp_factsheet.ashx)

<sup>4</sup> Leakage is when a deforestation project does not contribute to the reduction of aggregate emissions, because the problem – deforestation – simply occurs somewhere else instead.

## the problems with redd

The UNFCCC proposal on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) offers the prospect of recognising existing forests in developing countries as carbon sinks. Deforestation and forest degradation increase emissions especially through the burning of wood and the decomposition of soil carbon. At the same time the loss of forests reduces the planet's capacity to absorb CO<sub>2</sub>. The Intergovernmental Panel on Climate Change estimates that deforestation contributes some 17 per cent of greenhouse gas emissions each year, with 50 per cent from low-income developing countries in the tropics, such as Indonesia, that retain substantial tracts of forest.

Measures to reduce deforestation and forest degradation are clearly an important aspect of any global response to climate change. The REDD program, which was first put on the United Nations agenda in 2005, proposes to create a financial incentive for this. Since then, however, the dominant view in the REDD negotiations has clearly been in favour of securing finance through a market-based offset scheme. Because of this developed countries quickly came to see REDD as a cheap alternative to domestic emissions reductions (compared with the cost of implementing binding UNFCCC emissions reductions targets, or funding REDD publicly).

There are numerous interlinked reasons to oppose market-based REDD, which is a fundamentally flawed initiative geared primarily to shifting responsibility for the climate crisis from the rich to the poor (Hall, 2008; Hall ed, 2009; Munden Project, 2011). Ten concerns that relate specifically to the problems associated with linking REDD to carbon markets are given here:

1. Like all carbon offsets, REDD will not actually reduce global emissions, it will simply offset emissions

elsewhere (by cutting back on or avoiding further emissions that were supposedly planned). Maintaining carbon sinks does not treat the underlying cause of climate change: instead it enables continued and even increased emissions from fossil fuels to take place in polluting nations like Australia. For popular, effective, and just climate action to be realised worldwide, immediate emissions reductions are required in industrialised countries. Industry needs to stop pumping emissions into the atmosphere *and* forests need to be protected.

2. If REDD credits are used as carbon offsets, carbon locked in underground fossil fuel stores will continue to be extracted and burned by companies. But the carbon stored in trees and soils by REDD projects will not be locked away in the same way because carbon stored in the atmosphere-land-ocean cycle is dynamic and in flux over relatively short-time periods. Undisturbed fossil fuels, on the other hand, are locked away underground for millennia. As the EU has observed: "[land use change and forestry] projects cannot physically deliver permanent emissions reductions." (europa.com, 2011)
3. REDD projects are also inherently risky since forests are vulnerable to future weather events, fire, and illegal logging, further adding to criticisms that REDD offset credits are inherently impermanent emissions reductions. This makes them particularly unsuitable for inclusion in a trading system (europa.com, 2011).
4. REDD could also create perverse incentives to deforest. As REDD offset credits are only supposed to be generated when deforestation or forest degradation has been avoided, governments and corporations are supposed to demonstrate that, at a given time, they

were planning to log or clear certain areas of forest. It is thus in their interests to be able to show high levels of planned deforestation were in place.<sup>5</sup>

5. REDD is considered to be a relatively cheap carbon offset. However the influential 'McKinsey cost curve,' which is supposed to demonstrate this, is deeply flawed (a failing that the company has itself admitted (REDD Monitor, 2011)). It only accounts for the immediate cost of opportunities foregone, neglecting the complexity and cost of dealing with the underlying drivers of deforestation, as well as the transaction, monitoring, implementation and legal costs associated with various emissions abatement technologies, including REDD.
6. Governance of the forest industry, weak law enforcement, and unclear land tenure in many developing nations are themselves drivers of deforestation. Creating a market for forest carbon credits will exacerbate these problems aggravating land disputes, especially in cases where governments allocate carbon rights that conflict with the land rights of indigenous and forest peoples. Interpol has also noted that the "potential for criminality is vast and has not been taken into account by the people who set it up," exacerbating long standing weak forest governance (Guardian 2009).
7. The UNFCCC's definition of forests does not distinguish between biodiverse forests and plantations (UNFCCC, 2001). Safeguards to protect natural forests against conversion have been introduced under the UNFCCC, but it is currently unclear how these safeguards will be ensured in practice. Related to this, there is no agreed definition on what constitutes 'forest degradation' in the UNFCCC or amongst other international bodies (Sasaki & Putz, 2009). In Indonesia, this allows REDD activities to include the conversion of degraded forests and woodlands into industrial timber and palm oil plantations.
8. If REDD is linked to carbon markets it would hold the future of the world's remaining forests ransom to the price of carbon, which is very volatile. Low or even uncertain carbon prices would make logging more attractive than forest protection. Turning emissions reductions from forests into an abstract commodity (measured in 'carbon dioxide-equivalents' (CO<sub>2</sub>-e)) also exposes local communities to global commercial power structures and increasing competition for land and forest carbon resources. Additionally, it benefits financial elites speculating on carbon prices. Due to the high administrative costs associated with REDD projects, a REDD market will also privilege wealthy buyers and intermediaries, rather than forest communities making a once-in-a-lifetime decision with respect to the resources they rely upon.
9. Despite some gains in satellite technology, the numerous methodological problems involved in quantifying the emissions saved through REDD projects continue. Whether REDD is undertaken through management and carbon accounting at the project-level or nationally, the problem of 'leakage' also remains (Wunder, 2008:74).
10. Forest carbon property rights are ill-defined, and, unlike other commodities, emissions reductions cannot be traced back to a physical product in the supply chain. In addition, the complexity of both REDD and carbon markets is already creating an ideal cover for corruption and fraud, both nationally and internationally (Transparency International, 2011).

<sup>5</sup> The extent to which they are able to do this successfully will depend whether governments decide to use historical reference periods or future projections. See: [http://www.threddesk.org/redd\\_book/how\\_do\\_they\\_compare#The\\_reference\\_period\\_chosen\\_by\\_proposals](http://www.threddesk.org/redd_book/how_do_they_compare#The_reference_period_chosen_by_proposals)  
It is also possible that corrupt officials could falsify such data.

## redd agendas

REDD is central to current debates on greenhouse gas emissions reductions, and whilst there is no binding UNFCCC agreement on REDD finance options so far, it is highly likely that it will be a key part of any post-2012 climate framework. Meanwhile, there is a sea of nation-states, intergovernmental organisations (IGOs), non-governmental organisations (NGOs) and corporations already experimenting with REDD through various pilot programmes and voluntary markets.

However, despite general support for action to reduce deforestation being included in a new climate framework, there is continuing disagreement about how REDD should be financed. Australia and Indonesia have been leading countries in calling for market-based funding for REDD (UNFCCC, 2009). But other nations such as Tuvalu, Bangladesh and the European Union have been much more tentative about REDD as an offset that can be traded on general carbon markets. Bolivia is opposed to REDD being used as an offset mechanism. This opposition to REDD and the extension of carbon markets was one of the key reasons why Bolivia opposed the Cancún Agreements in 2010 (Solon, 2010).

Australia is angling to move the debate forward by proposing that the design of future market mechanisms, including for REDD, be undertaken in workshops outside the parameters of the formal negotiations (UNFCCC, 2011). This would further establish political commitment to market mechanisms; and could take key parts of decision-making about the rules of carbon trading outside the multilateral process, and further away from the scrutiny of civil society.

The question of how REDD impacts upon communities living in and around forested areas has also been an important issue in the UNFCCC negotiations. Following demands from indigenous peoples' organisations and social and environmental movements, COP 16 in Cancun decided on a set of safeguards that are supposed to protect community rights. However, the text on monitoring, verification and reporting (MRV) of these safeguards was significantly watered down, with text on a system for monitoring of the implementation of safeguards being replaced with text calling for countries to merely develop a "system for providing information." (UNFCCC, 2010:A71(d)) As such, the current draft text is too weak to ensure that the rights of indigenous peoples and forest-dependent communities will be protected and promoted.



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WALHI and La Via Campesina outside AusAid in Jakarta



## redd players

Developed nations have an interest in securing REDD credits as a cheap means of reducing emissions outside their national borders. Several economic reports, including the Stern Review (Stern, 2006), the Eliasch Review on forests and climate change (Eliasch, 2008) and the Garnaut Review on the Australian context (Garnaut, 2011) have all identified REDD as a low-cost mitigation strategy. Developing nations with high rates of deforestation and large tracts of intact forests are hoping to secure increased inward flows of finance and have thus promoted REDD's inclusion within the UNFCCC as a financial mechanism to reduce rates of deforestation (Hall, 2008).

Working closely with these countries and multilateral institutions, global consultancy firm McKinsey and Company has been prolific with its advice on which types of REDD are lowest cost (in other words, identifying what type of damaging activities should be targeted).

However, several observers have pointed out that McKinsey has over-estimated the costs of measures to address industrial logging and plantations, and under-estimated the cost of addressing local factors in deforestation and land degradation (Greenpeace International, 2011; Dyer and Counsell, 2010). This imbalance works in favour of continued logging and the expansion of plantations, because it makes it appear to be more effective as a means of addressing the 'local factors'. Furthermore, McKinsey's modelling does not take into account REDD's transaction costs, or the wider social implications of intervening in local agricultural practices (Greenpeace International, 2011).

Furthermore, in its analysis of McKinsey and Company's recommendations, none of the case studies analysed by Greenpeace International (Papua New Guinea (PNG), the Democratic Republic of Congo (DRC), Indonesia and Guyana), included advice that led to a cessation of deforestation or forest degradation. In DRC, McKinsey even supported a significant increase in industrial logging on the basis that it would promote economic growth.

The cost curve for Indonesia is also reported to skew the results in favour of industrial forestry and agro-business interests (Greenpeace International, 2011:7). McKinsey's reports also provide an incentive to overestimate future levels of deforestation, which increases the likelihood of securing REDD+ funds to compensate for forest loss that would never have taken place (Greenpeace International, 2011).

Parallel to government initiatives, REDD is also being pursued through the activities of corporate bodies, international organisations and NGOs lobbying for and implementing REDD pilot projects across the world. The World Bank, UN development agencies, bilateral aid agencies, and a host of corporations working with large environmental NGOs have all developed REDD pilot projects in anticipation of REDD's eventual incorporation into the UNFCCC. Indonesia is host to 39 of these (Forest Carbon Asia, 2011), including voluntary market offset projects and REDD pilot projects funded through multilateral and bilateral partnerships.

Among these projects, different methodologies, funding models and definitions of REDD are at play. Reports on the Forest Carbon Partnership Facility (FCPF) and UN-REDD Programme have highlighted the rushed nature of these efforts, with little or no adequate consultation being undertaken with forest and indigenous communities, and limited governance reforms (Dooley *et al*, 2008; Davis *et al*, 2009; Goers *et al*, 2010). REDD-like offset projects established in Indonesia by businesses and NGOs have also attracted criticism for exaggerated claims about their emissions reductions, conflicts of interest with corporate financiers, and inadequate approaches to dealing with unclear land tenure.<sup>6</sup>

Australia is also keen to use the REDD+ Partnership established in April 2010<sup>7</sup> to establish REDD as a market-based mechanism.

<sup>6</sup> See REDD Monitor for numerous reports on voluntary projects in Indonesia, particularly posts on the Rimba Raya and Ulu Masen projects: <http://www.redd-monitor.org/category/countries/indonesia/>

<sup>7</sup> The REDD+ Partnership was established at the Oslo Forest Climate Conference and is a political alliance of seventy-one nations seeking to create an 'interim platform' for implementing REDD activities and finance.

## the kalimantan forests and climate partnership

The Kalimantan Forests and Climate Partnership (KFCP) is a REDD pilot funded by the Australian government. The KFCP aims to re-forest and re-flood approximately 100,000 ha of degraded peatland swamp forest in Central Kalimantan.<sup>8</sup>

The site for the KFCP is a small section of the former Mega Rice Project, which originally aimed to convert one million ha of peat swamp forest into rice paddies in 1996-1998. It was a failed attempt by President Suharto to realise self-sufficiency in rice production for Indonesia, an attempt which also had significant ecological consequences including increased forest fires. As shown on the map below, the project spans part of Block A and Block E of the ex-Mega Rice Project area. Approximately 9,000 people, most of whom are Ngaju Dayak peoples, reside in the area, in 12-15 villages along the Kapuas River (Australia Indonesia Partnership, 2009).

The KFCP Partnership has been allocated AU\$47 million. The World Bank acts as a financial intermediary for \$8.7 million of this allocation and is "involved in providing performance based payments to beneficiaries." (World Bank, 2010)

The project is jointly administered by AusAID and the Australian Department of Climate Change and Energy Efficiency (DCCEE), and involves a range of NGO partners: Palangkaraya University, Wetlands International, Borneo

Orangutan Survival Foundation (BOS), CARE, and WWF. BHP Billiton was a founding partner in 2007 (AusAID, 2007), but its affiliation is no longer clear.<sup>9</sup> BHP has supplied helicopters for orangutan relocations in Central Kalimantan and steel for quarantine cages (BOS, undated), suggesting ongoing support for the project.

The need to rehabilitate the ex-Mega Rice Project site is certainly acute, but there are serious concerns that the way the KFCP project is being implemented is undermining community initiatives to rehabilitate the area and also undermining livelihood activities. Ongoing problems include:

- The design of the project as a carbon offset.
- Its focus on small-scale agriculture, which does not address the real drivers of deforestation in Kalimantan.
- The continued lack of respect for the principle of Free, Prior and Informed Consent (FPIC) and the rights of affected communities in project documents.
- Concerns that recognition of land tenure is not seen as a necessary precondition for the project.
- The confusion this project has created amongst the local community.



Villages along the Kapuas River

<sup>8</sup> The KFCP was also preceded by Central Kalimantan Peatland Project on the same site (2006-2008). That project was funded by the Netherlands government and attempted to rehabilitate the degraded peat bog through channel wetting, forest and land fire prevention, and the creation of a conservation area in Block E.

<sup>9</sup> BOS thanked BHP at the end of 2010-11 financial year for their continued support, stating on their website that the "BOS Foundation also received significant support from BHP and the Australian government via AusAID for their MAWAS program."

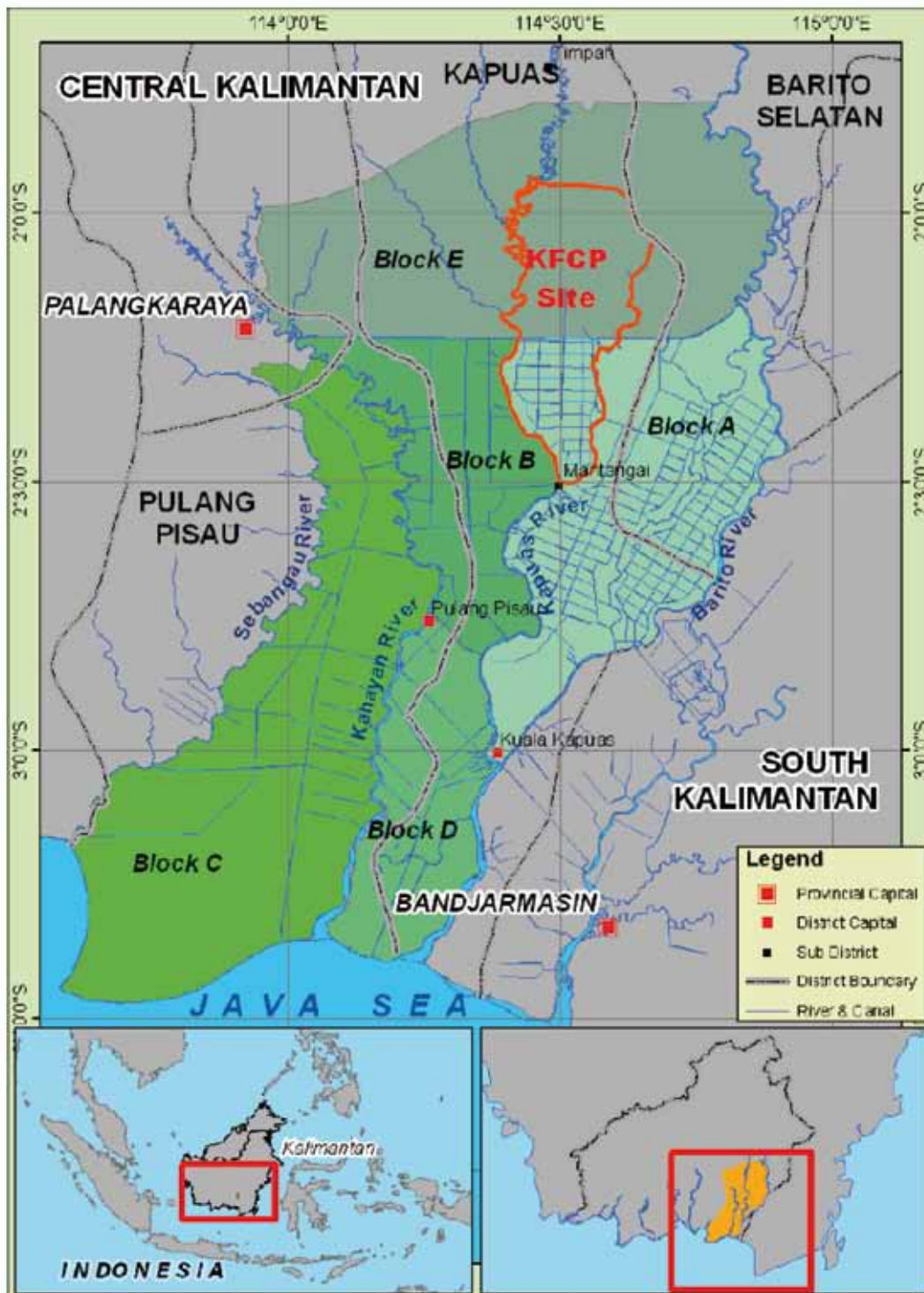


Figure 2: Map of the KFCP site (source: Australia Indonesia Partnership)

## kfcp designed to demonstrate the feasibility of redd offsets

The KFCP has been designed within a carbon offset framework. It is a political tool for Australia and Indonesia to argue for a market-based approach to financing REDD. The draft submission by Australia and Indonesia to UNFCCC working groups states, “[The KFCP] trials innovative, market-oriented approaches to REDD financing and REDD implementation measures. Australia and Indonesia will provide lessons learned from the KFCP into the UNFCCC negotiations on REDD.” (DCCEE, undated) The Kalimantan pilot is now described as a key demonstration activity alongside the UN-REDD and World Bank FCPF multilateral programmes, on the UNFCCC’s REDD Web Platform (UNFCCC, undated).

In 2008, Australia and Indonesia also agreed to establish a Roadmap for Access to International Carbon Markets, which explicitly aims to develop Indonesia’s capacity to participate in future international carbon markets for REDD. It outlines a multi-phased strategy, which includes accessing voluntary carbon markets before integration into anticipated “post-2012 international carbon markets” (DCCEE, 2008; Indonesia-Australia Roadmap (2008)).

However, reliance on voluntary carbon markets to establish KFCP is questionable. Whilst UN-sanctioned offsets are flawed, the voluntary market provides even greater dangers. For example, it is not subject to a central regulatory structure, and safeguards with respect to human rights and other concerns are much less likely to be considered.

The Government of Australia claims that the KFCP is intended as a demonstration activity in order to show “credible, equitable and effective” approaches to REDD, informing a post-2012 climate agreement rather than providing a source of immediate offsets (DCC, 2009). Additionally, it stresses that the Australian government “will not receive any tradable carbon credits from the project.” (Australian Embassy, Jakarta, 2011)

This may well be the case with respect to the Australian government, but there is clearly an intention to create offset credits from the KFCP eventually. The World Bank’s

description of the way in which KFCP is to be implemented sets out a staged approach for incentive payments to individuals and organisations relating to the ecological services provided. The KFCP ‘Integrated Safeguards Data Sheet’ (World Bank, 2010b) available on the World Bank website states that initial payments for eco-system services related to the project will initially be “performance based”,<sup>10</sup> and then “outcome based”, so that they are “commensurate with verified reductions in greenhouse gas emissions.” This is intended to be “initially as a proxy for a future forest carbon market but possibly later based on tradable credits in a real carbon market.” (World Bank, 2010b)



© YPD  
Tapping a rubber tree

<sup>10</sup> Activities being assessed include the construction of check weirs to block drainage canals, livelihood interventions and fire management activities designed to stabilise and rehabilitate the KFCP site.

## redd and rising tensions

Minimal re-vegetation activities are planned as part of the KFCP, which will target only 3,000 ha of the 27,500 ha in urgent need of reforestation in Block A (Australia Indonesia Partnership, 2009:30,45).

In contrast, Aliansi Rakyat Pengelola Gambut (ARPAG), a collective of 7,000 peasants, fisherfolks, rattan handcrafters and rubber collectors has demonstrated the effectiveness of community-based management. Since 1999, ARPAG has worked on the ex-Mega Rice Project site and has replanted 50,000 ha of endemic trees; rehabilitated 13,000 ha of rattan forest and 5,000 ha of rubber forest; restored fish ponds; redeveloped traditional paddy fields; and revitalised the customary forest system (ARPAG, 2009).

Additional concerns have been raised that the KFCP is not listening to local knowledge and wisdom about the suitability and appropriateness of various tree species, which may mean that newly planted seedlings do not survive (YPD, 2011).

One very specific further conflict has arisen with respect to tree planting and land tenure. In the Dayak Ngayu culture the very act of planting trees secures individual land tenure rights over that area (Australia Indonesia Partnership, 2009). KFCP tree planting activities can thus be interpreted as a

foreign assertion of ownership rights over community land. Community members have expressed their dissatisfaction that they have not received written confirmation from the KFCP that tree planting does not confer such rights.

Another contentious issue concerns orangutan conservation. Block E of the site contains relatively intact peat swamp forest. Borneo Orangutan Survival Mawas (BOS Mawas) has been operating a wildlife conservation project, the Mawas Peatland Conservation Area Project, since 2002. This conservation project has led to significant community tensions. Community organisations claim that initial promises made by BOS Mawas - that they would provide livelihood supports such as fishponds to local residents in return for restricting access to the conservation area - were not adequately kept. The subsequent criminalisation of community members who entered the conservation area to collect wood for building a house or boat or to harvest rattan or other forest produce they had previously planted and tended has led to further tensions between BOS and the local communities (Muliardi & Ewaldianson, 2011). The fact that Block E was already provisionally protected as a conservation area prior to the KFCP also raises concerns about the 'additionality' of any offsets generated.



## missing the big picture

In February 2011, an alliance of community groups in Central Kalimantan called Yayasan Petak Danum Kalimantan Tengah (YPD) wrote to AusAID setting out their concerns. Amongst these concerns is the project's disregard for the real drivers of deforestation in the area. They state that the KFCP is "missing the big picture of destruction":

"..the KFCP project with a 120,000 ha (half the size of Australian Capital Territory or ACT) project area pales in comparison with the 15.1 million ha of the total area in central Kalimantan, at least 83 per cent of which will be converted or destroyed through either oil palm, monoculture pulp plantations or mining permits issued by the relevant authorities. This amounts to 12.5 million ha which is just under twice the size of Tasmania. Emissions from such a huge area will drastically overwhelm the insignificant and small reduction from the KFCP site, assuming

that KFCP will eventually lead to emission reduction, which is an unrealistically optimistic assertion." (YPD, 2011)

ARPAG claims that an expansion of 360,000 ha of palm oil concession is planned within the ex-Mega Rice Project area. The KFCP project and other REDD projects fail to provide adequate structural incentives to shift away from such extensive and unsustainable land uses. As further evidence of this, in May 2011 the Environmental Investigation Agency and Telapak found that palm oil firms were illegally clearing land in Central Kalimantan, in an area which would have been part of a moratorium on new logging concessions established under the Norway-Indonesia REDD+ Partnership (EIA & Telepak, 2011). This highlights the persistence of illegal deforestation in Indonesia, and the potential for local and national 'leakage' under policies that rely on carbon markets rather than more fundamental policy changes.



Harvesting materials from a forest garden  
© YPD

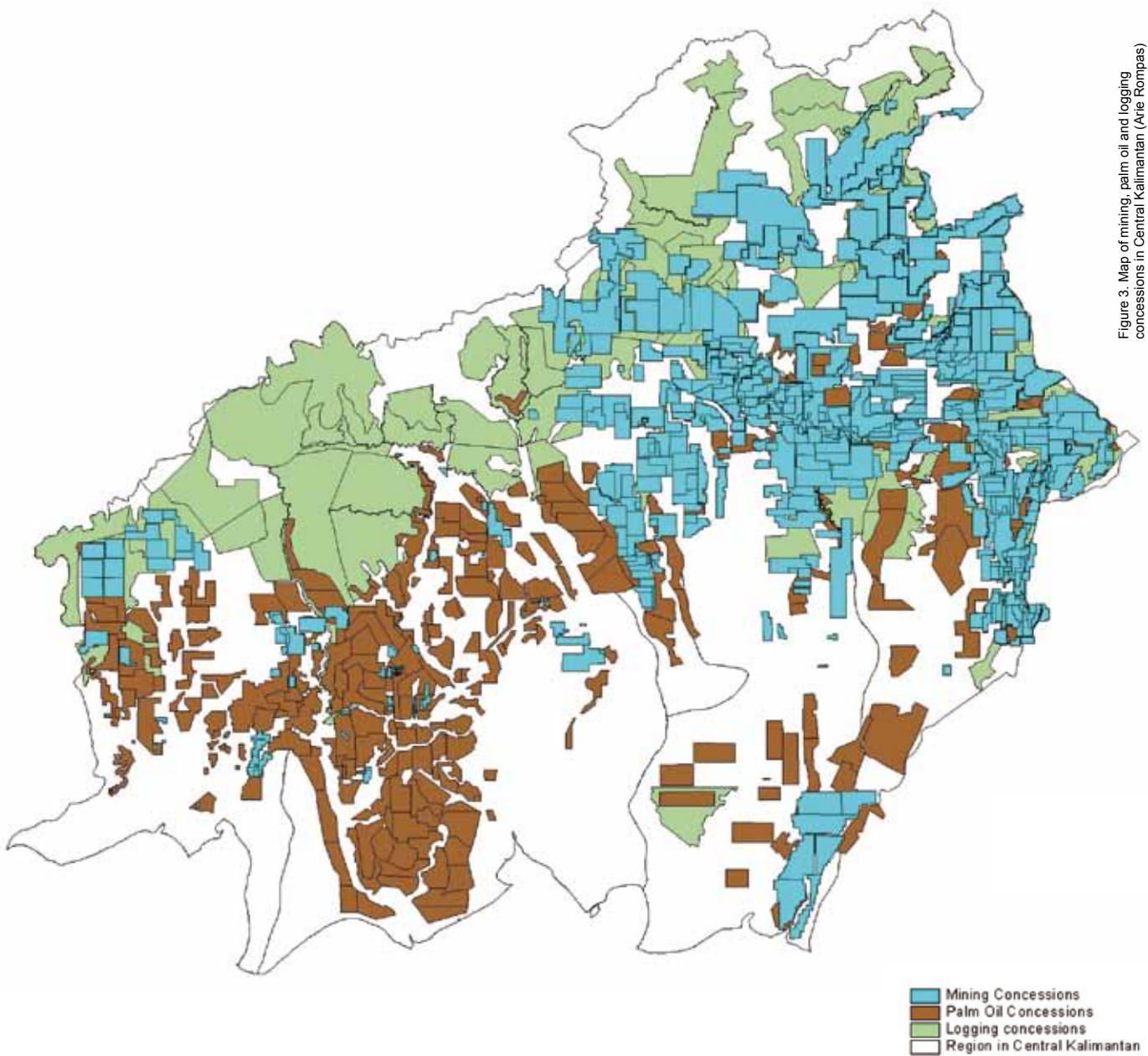


Figure 3. Map of mining, palm oil and logging concessions in Central Kalimantan (Ari Rompas)

## complex land tenure and access concerns

The KFCP rightly acknowledges that land tenure is a 'complex issue' in the project area, given the lack of clarity around both what land particular villages and individuals can claim, and also what rights attach to such claims over land (Australia Indonesia Partnership, 2009:25). The original destruction wrought by the ex-Mega Rice Project, alongside transmigration into the region and palm oil plantation encroachments onto community land, adds additional layers of complexity to these challenges (Galudra *et al*, 2010).

The 'Peatland Charter' issued by YPD in December 2010 calls for a halt to any climate negotiations taking place within a framework that "does not recognise the rights and sovereignty of local communities in project KFCP." (YPD, 2010) As such, YPD has adopted a firm position of "no rights, no REDD" demanding that proper recognition of local land tenure must be a precondition for discussions about REDD design and implementation.

However, this 'no rights, no REDD' position conflicts with the approach on land tenure adopted by the KFCP. The project

appears to consider land tenure issues as something that simply need to be understood and analysed to ensure the successful implementation of the project. Thus the KFCP Design Document commits the project to 'analysing' land tenure in the area in order to examine "how it affects the implementation of KFCP activities." (Australia Indonesia Partnership, 2009:19) On the other hand it explicitly rejects clarification and recognition of land tenure as a precondition for the KFCP and argues instead that the project itself may facilitate tenure reforms. It states:

"Clear land tenure laws cannot be made a precondition of project development, because no projects would then ever be developed or they would all be developed in the same handful of places. Rather, the projects themselves can be made the instrument of change, where community management rights are first given to local people in a step-wise process to full land tenure." (Australia Indonesia Partnership, 2009)

But the Design Document then goes on to argue that "the KFCP cannot directly intervene in the political and administrative processes related to land tenure" and can only provide information on "current land use, the types of land use changes required to make REDD effective, and the characteristics of tenure arrangements needed to support these changes." (Australia Indonesia Partnership, 2009:25)

The KFCP assumes that land tenure changes should be made according to the KFCP's criteria, rather than on the basis of justice for affected people. Secondly, it completely ignores the very real risk that REDD implementation is likely to create additional tensions and conflicts with respect to the already complex questions of land tenure recognition.

There are other concerns about the way the project is being implemented as well. One particular community concern is that as well as blocking the ex-Mega Rice Project canals which were originally designed to drain the peatland, the KFCP project will also block *tates* and *handel*, which are small-scale, hand-made canals used for rice paddy irrigation and transport by the communities. If these waterways are blocked, community access to rubber and rice cultivation land elsewhere in Block A will be severely restricted, and villagers' access would effectively be confined to a five kilometre strip of land alongside the Kapuas River. According to community members, they have not received a map of planned dams and weirs, nor have they been given assurance that this will not occur by the KFCP project implementers.



A local fishery  
© YPD



## community objections continue



Local communities have been voicing their concerns about the KFCP project for two years now. The YPD, in partnership with the national environmental organisation Friends of the Earth Indonesia / Wahana Lingkungan Hidup Indonesia (WALHI) has consistently opposed the project. In 2009, ARPAG (which is a member of YPD) also sent an Open Letter to the UNFCCC meeting in Bangkok raising concerns about the livelihood threats REDD posed and calling on Parties to the UNFCCC not to support any climate mitigation projects that will “undermine the rights of local people to natural resources and our struggle to reclaim our rights in Central Kalimantan.” (ARPAG, 2009) In December 2010, during COP-16 in Cancun, YPD published the ‘Central Kalimantan Peatland Charter’ in which they reiterated that “the peat resource is our blood and breath” and demanded local rights over land and resources be respected (YPD, 2010).

In April 2011, YPD sent an open letter to the AusAID and the Australian Department of Climate Change and Energy Efficiency (DCCEE) officials convening the KFCP (YPD, 2011). They expressed their concern that the project threatens community access to resources for livelihood and will exacerbate ongoing tensions with the Indonesian government over land tenure and the rights of the Dayak people; that Free, Prior and Informed Consent has not been secured by the NGOs involved; and that the climate mitigation outcomes of this project are questionable.

In response to this letter, AusAID stressed that extensive community consultation has been undertaken as part of the KFCP project, to incorporate community views into

the design and implementation of the project (Australian Embassy Jakarta, 2011). AusAID reiterated their faith in the professionalism of the NGOs involved and the community facilitators they have employed. However, the response from AusAID arguably fails to deal with concerns raised about the lack of Free, Prior and Informed Consent and land tenure issues, focusing more narrowly on improving ‘community consultation.’

In June 2011, a statement signed by 25 *mantir adat* (custom keepers) from the Kapuas District called for the KFCP to be stopped. They raised concerns that the site for the project was decided between the Australian and Indonesian governments without local consultation, that no written assurances that land tenure rights would be respected have been given, that the project implementation is bringing unrest and internal conflict to the community and placing pressure on them, and that they were doubtful about the promises made by the project (Aman Kalteng, 2011).

In July 2011, however, a follow-up statement was issued, declaring the first statement to be “not true” (Lang, 2011c). This second statement was signed by 26 people, including the Chairman of the Council of Indigenous Dayak (Dewan Adat Dayak) in Kapuas district Central Kalimantan. However, ten of the signatories to this second letter also signed the first. These conflicting statements raise many questions, none of which can be satisfactorily answered in this report, but they do clearly indicate that the KFCP project is generating conflict, internal divisions and confusion between local community leaders and community members more generally, which is of concern in itself.

## shell connections

There are indications that part of the KFCP site was intended to be an offset for Shell Tar Sands.

An agreement between Borneo Orangutan Survival (BOS) and Shell in Alberta, Canada, which was operational between 2006 and 2009 (Winrock International, undated), sought to develop a debt-for-nature swap and/or voluntary carbon offset credits for land use activities on part of Block E; this was to be used by Shell to 'offset' its tar sands activities in Alberta (Smits, 2008). Certification for carbon market credits was sought from the Voluntary Carbon Standard and carbon accounting was developed in accordance with the agreement (Gibbon, 2010).

However, this agreement appears to have been discontinued, presumably because it was dependent upon the Indonesian government designating the site a 'protected area,' (Verwij & Man, 2005) and this has not so far occurred. But the methodology developed for the Mawas

Peatland Conservation Project by Winrock International and Shell Canada was approved under the Voluntary Carbon Standard and it was planned to be used in the Rimba Raya Biodiversity Reserve Project, also in Kalimantan, and also part-funded by Shell Canada (Fogarty & Creagh, 2010).<sup>11</sup>

The Rimba Raya REDD project has also been criticised by WALHI and the Indigenous Environment Network on the basis of its connection with Shell.

However, the Rimba Raya project has since been substantially downsized: in August 2011, the Indonesian Forestry Ministry reneged on its commitments to the project in order to allow PT Best Group to turn half of the land - originally intended to conserve 91,000 ha of tropical rainforest and peat swamp - into a palm oil plantation (Fogarty, 2011). The case is currently before the Indonesian government's Ombudsman.



Forest garden including young rubber tree  
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<sup>11</sup> The Rimba Raya project is being implemented by InfiniteEARTH and funded by Shell Canada, Gazprom Market and Trading, and the Clinton Foundation.

## moratorium? indonesia's paper tiger

In May 2010, Norway and Indonesia signed a letter of intent, agreeing that Norway would provide US\$1 billion in finance “devoted to finalizing Indonesia’s climate and forest strategy, building and institutionalizing capacity to monitor, report and verify reduced emissions, and putting in place enabling policies and institutional reforms.” (Norway, 2010)

As part of the bilateral agreement, Indonesia agreed, among other things, to issue a two-year moratorium on new concessions for the conversion of natural forests and peatlands to plantations. In October 2010, civil society groups released a policy platform stressing that a successful moratorium that addresses the underlying drivers of Indonesian deforestation must deal with the issue of land rights (Indonesia’s Civil Society Organisations, 2010). The two-year moratorium, which was due to have started on 1 January 2011, was finally implemented by a decree signed by the President of Indonesia on 20 May 2011.

When the moratorium was finally signed it was almost five months behind schedule. The delay in establishing this moratorium seems to have been due to internal conflict within the Indonesian government with respect to the nature and extent of the moratorium. Three conflicting decrees were prepared for the President to sign - one by the Ministry of Forestry, one by the REDD+ Taskforce, and a third by the Minister for Economy. The first would only apply to the conversion of primary forests and forests on more than three metres of peat. The second by the REDD+ Taskforce was more comprehensive, applying to secondary forests, primary forests and all forests on peat. The third draft attempted to merge the two but still only applied to primary forests (Lang, 2011a). All three shared the recommendation that the moratorium would only apply to new concessions.

The final document resembles an unambitious combination of all drafts, and is estimated to cover 7.2 Mha of primary forests, 11.2 Mha of peatlands, and 4.1 Mha that fall into neither of these categories (Murdiyarso *et al*, 2011). The moratorium uses the definition ‘primary natural forests’— which effectively means only those forests where no license has ever been applied. Lands which have previously been degraded, which might be managed as forests in the future, are excluded. The final set of non-binding instructions provides only minimal protection for Indonesia’s forests. It does not apply to existing concessions or concessions that have ‘approval in principle’ from the Minister of Forestry, or the extension of these agreements, or to land needed for



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A tap on a rubber tree

national development projects (geothermal, oil and natural gas, electricity, rice and sugarcane) (Lang, 2011b).

According to Save Our Borneo (Lang, 2011a), this decree will only protect some three per cent of the forest area in Indonesia, because primary forests only cover a small area of the country and the majority of Indonesia’s remaining primary forest is already protected anyway. In addition, logging on peat more than three metres deep is already illegal. In total, about 75 per cent of the forests protected under the decree are already protected under existing law (Lang, 2011b).

Greenpeace also alleges that the restricted scope of the moratorium means that it fails to apply to a further 45 million ha of natural forest and peatland (Lang, 2011d). It is thus highly questionable whether the decree will affect the palm oil and pulp industries, which are the key industries driving Indonesian deforestation. Indeed, the moratorium was publicly welcomed by both Indonesia’s biggest paper producer, Asia Pulp & Paper, and the Indonesian Palm Oil Association (Gapki) (Dewan, 2011), while environmental groups in both Indonesia and Norway expressed disappointment.<sup>13</sup>

<sup>12</sup> This section draws heavily upon Dehm J (forthcoming), “REDD Faces all Around: Implementing Reducing Emissions from Deforestation and Forest Degradation in Indonesia and its International Entanglements”, Local-Global.

<sup>13</sup> <http://www.regnskog.no/languages/english/rainforest-and-climate-change/press-release-indonesia-fails-to-fulfill-its-redd-agreement-with-norway>

## beyond carbon pricing: proposals for redd

Beholden to market logic, REDD is becoming a race to the bottom. The agendas of the key REDD players are leading towards a lowest common denominator approach to saving the world's forests. The dominant model of REDD now being established is that of a 'cheap' brand of carbon that will not grapple with the systemic drivers of deforestation in nations like Indonesia. At the same time, REDD is becoming a long term goal for polluter nations like Australia, when they should be focusing on transitioning core energy and industrial systems away from fossil fuel dependency.

While action to stop deforestation is urgently needed, relying on the world's forests to serve as a carbon sink while deferring drastic cuts in fossil fuel emissions reflects the continuation of a 'climate injustice' approach to climate policy-making. A small number of elite nations and corporations have benefited from the burning of fossil fuels, deforestation,

industrial agriculture and related environmental destruction, all of which have contributed to increasing levels of greenhouse gas emissions and have particularly impacted the global South. In order to respond to the global climate crisis, we must undo the unjust social, economic and political relations that are currently bound up with the causes of climate change.

Given the importance of deforestation and land degradation in contributing to the climate crisis, and the significance of forests to biodiversity, livelihood and indigenous sovereignty, it is vital that we consider measures to maintain and extend forests. But it is also important to bear in mind that any effective response to the climate crisis must be founded on environmental effectiveness and historical responsibility.



WALHI and La Via Campesina outside AusAid in Jakarta  
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Any efforts toward halting deforestation and forest degradation must be based on the principle of ecological justice. This principle states that those who have reaped the benefits of environmental destruction have an ecological debt to those communities and environments affected. This must translate into a transfer of wealth from rich nations and corporations, to impacted local communities and indigenous peoples, to sustain livelihoods and forests.

Public funds for the conservation of forests should be part of a much broader programme for mitigation and adaptation in the South, which should be based on the following principles: REDD projects should be founded on Free, Prior and Informed Consent; designed in active participation with affected local communities; and conserve biodiversity. And REDD financing should not be linked to carbon offsets, and must not provide financing to plantations (FoEI, 2009).

The International Indigenous Peoples' Forum on Climate Change (IIPFCC) has proposed that REDD should include calling for the rights of indigenous peoples to be addressed, including the resolution of land tenure, carbon rights and full and effective participation of indigenous peoples. They have demanded "unambiguous language and commitment on REDD that explicitly refers to the right to self-determination and Free, Prior and Informed Consent as a precondition for any REDD action to occur in indigenous lands. Further capacity-building of indigenous peoples on understanding the full implications of REDD and enabling their full and effective participation in the early stages of REDD project cycle is imperative." (IIPFCC, 2010)

Proper recognition of individual and customary land tenure in Central Kalimantan and other forested areas should be a necessary precondition for any REDD projects, but it should also provide the basis for environmentally effective and socially just alternatives to REDD. At a minimum, the principle of 'no rights, no REDD,' should be the basis for incorporating avoided deforestation and other land measures into climate action. That is, no REDD projects should proceed unless and until land rights are properly documented and recognised by the provincial and national governments.

Bepak Ewaldianson, Executive Director of ARPAG argues that:

"What the local people want is...to stay here like they have for generations. Concerning the destroyed forests, the peat moss which has been damaged by the big projects, they just want to fix them for the future so their land and forest as their living place will not be damaged anymore and can be the place



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A local organiser

they could rely on in the future." (Muliardi & Ewaldianson, 2011)

Support for small-scale livelihood activities such as rubber harvesting, rattan collection, rice cultivation and fishing is not incompatible with objectives to rehabilitate and protect degraded and intact forest lands in Indonesia. Recognition of rights would also support community efforts to prevent and fight peat fires.

However, putting the protection of indigenous and forest peoples' rights first is contrary to the current 'least cost' logic of carbon offsets. The planning, participation, monitoring and enforcement needed to protect rights requires regulation, which will raise costs for carbon market actors engaged in REDD. This tension between human rights and economic efficiency is inescapable, and constitutes a compelling reason for ensuring that efforts to reduce deforestation do not involve carbon offset markets.

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