



# IMPLEMENTATION OF A/R CDM IN INDONESIA: INSTITUTIONS AND MECHANISM

SUNARYO AND KIRSFANTI GINOGA

INTERNATIONAL FORUM OF A/R CDM, TOKYO  
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## OUTLINE

- Introduction
- Legal Basis of A/R CDM
- A/R CDM Implementation
  - Mechanism
    - PDD Development
    - Land Eligibility and Tenure
  - Institutions
    - Local Government
    - CDM Working Group of MoF
    - DNA Indonesia
  - Other Aspects
    - Small Scale Projects
    - Transaction Costs
    - Socio-Economic Impacts
- Conclusion

## BACKGROUND

- 51 % land indonesia is degraded,
- Reforestation Fund and Gov.Budget enough to rehabilitate 5% of those land,
- Alternative fund needed

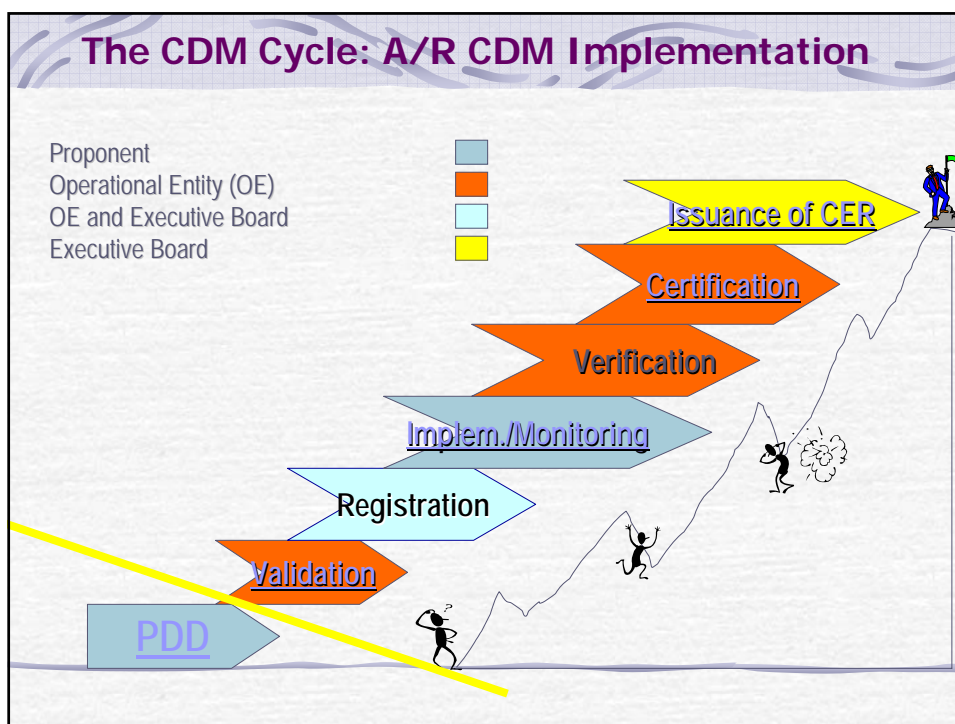
- CDM cycle and condition need to be fully understood
- Weakness and threat (High transaction costs, etc)



*How to implement A/R CDM ??*

## LEGAL BASIS OF A/R CDM

1. Law No. 6/1994 (Ratification of UNFCCC)
2. Law No. 17/2004 (Ratification of Kyoto Protocol)
3. Law No. 1/1967 (Procedure for Investment)
4. Law No. 41/1999 (Forestry)
5. Government Regulation No. 34/2002 (Land use, forest planning, and forest use)
6. MoF Decree No. 14/2004 (Mechanism of A/R CDM)
7. MoE Decree No. 206/2005 (Indonesia DNA)



### Steps for Implementation in Indonesia

No.	Steps	Actors/Organisation	Location Procces	Requirements
1.	PDD	Project proponents (Individual, Private sector, Cooperative, BUMN (National Corporation), BUMD (Regional Corporation))	Local	<ul style="list-style-type: none"> <li>Letter of land eligibility for CDM from Head of district/subdistrict map of land scaling 1:10 000</li> <li>Project proposal, and</li> <li>Environmental service carbon trading permit/Forest Plantation Wood Product Permit for forestry land</li> <li>Usefruct righ for other state land,</li> <li>Land sertificate for private land ,</li> <li>Land community right for community land</li> </ul>
2.	PDD Aproval	Project proponent to DNA with attachment to Ministry of Forestry	National	<ul style="list-style-type: none"> <li>PDD with CDM Format</li> <li>Letter of recommendation from MoF mentionig that the project is sinergy with forestry sustainable development</li> </ul>
3.	Validation of PDD	Entitas Operational asked by project proponent	International	<ul style="list-style-type: none"> <li>Approval from DNA</li> <li>Fund availability for validation</li> </ul>

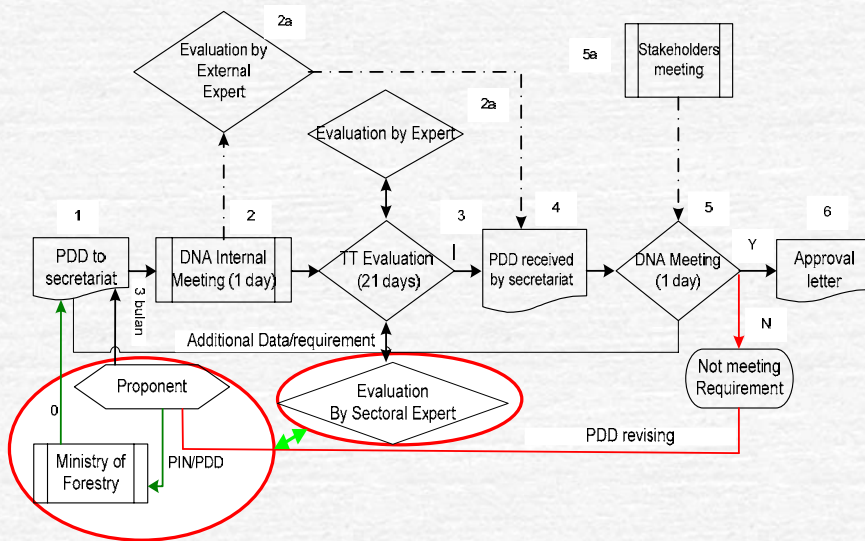


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No.	Steps	Actors/Organisation	Location	Requirements
4.	Reporting of Validation Result and Registration	EO to CDM EB	International	<ul style="list-style-type: none"> <li>PDD is valid</li> </ul>
5.	Implementation	Project Proponent	Local	<ul style="list-style-type: none"> <li>PDD is registered in CDM EB</li> <li>Fund is available</li> </ul>
6.	Monitoring	Project Proponent	Local	<ul style="list-style-type: none"> <li>Readiness for monitoring</li> </ul>
				<ul style="list-style-type: none"> <li>Fund is available</li> <li>Reporting to EOI</li> </ul>
7.	Verification and certification	EO to CDM EB	International	<ul style="list-style-type: none"> <li>Monitoring report from project proponent</li> <li>Fund is available</li> <li>Verification is approved</li> </ul>
8.	Issuance of CERs	CDM EB to project proponent	International	All regulation is fulfilled

Source: Ginoga, et.al 2005

National Approval of A/R CDM in Indonesia



## Land Eligibility and Tenure

No	Type of land
1	<i>If the proposed site is private land</i> , the proponent must submit a letter from head of the sub-district confirming the proposed project site is CDM eligible.
2	<i>If the proposed site is state land</i> , the proponent must submit a letter from head of the district or municipality confirming the proposed project site is CDM eligible.
3	<i>If the proposed site is private land</i> , the proponent must submit: (i) a certification of landownership; or (ii) a valid letter confirmation landownership from the head of the village.
4	<i>If the proposed site is non-forest state land</i> , the proponent must submit a use right permit ( <i>Hak guna usaha, HGU</i> ) as stipulated in Government Regulation PP40/1996.
5	<i>If the proposed site is state forest land</i> , the proponent must submit: (i) an environmental service carbon trading permit ( <i>Izin usaha pemanfaatan jasa lingkungan perdagangan karbon, IUPJL</i> ); or (ii) forest plantation wood production permit ( <i>Izin usaha pemanfaatan hasil hutan kayu pada hutan tanaman, IUPHHK-HT</i> ); or (iii) traditional forest management rights permit ( <i>Hak pengelolaan hutan adapt, HPHA</i> ).

## Possible A/R CDM (TA ADB Project)

### Location

- Deli Serdang, Nth. Sumatra
- Singkarak, West Sumatra
- West Lampung, Lampung
- Sidrap, South Sulawesi
- Bombana, SE Sulawesi
- Hu. Su. Sel., S. Kalimantan



## CDM Working Group of MoF

- ☞ Once the local process is complete,
- ☞ The proponent must submit a number of documents to the MOF in order to obtain an endorsement letter confirming the proposed project contributes to sustainable forest management. The documents to be submitted are:
  - The confirmation letter from local government;
  - The legal documentation confirming land status (proof of land ownership or land management right); and
  - An AR-CDM project proposal.

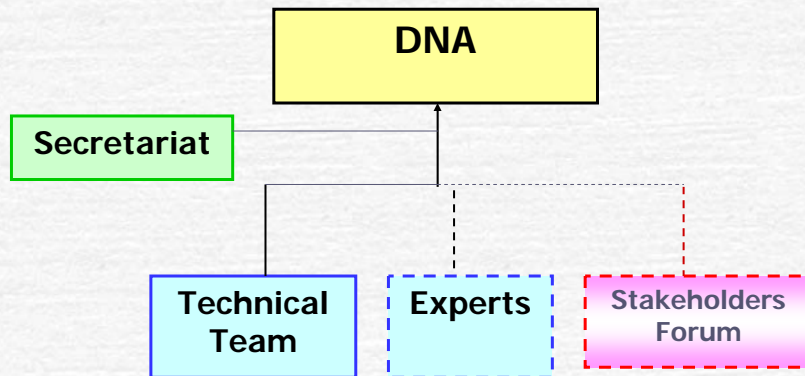
## Approval Letter from the DNA (KomNas MPB)

- ☞ After the MOF endorsement letter is received, the proponent can submit their AR-CDM PDD to the KomNas MPB for host country approval.
- ☞ The approval process required the proponent to submit the following documents:
  - a completed PDD
  - a form summarizing the project and stating the project fulfills sustainable development criteria
  - an environmental impact assessment (*Analisis Mengenai Dampak Lingkungan - AMDAL*),
  - the endorsement letter from the MOF

[1] An environmental impact assessment is required when one of the following conditions exists: i) a landuse permit is not yet issued for the site; ii) the site is over 8000 ha; or iii) the possibility of negative environment impacts has been identified.



## DNA Structure

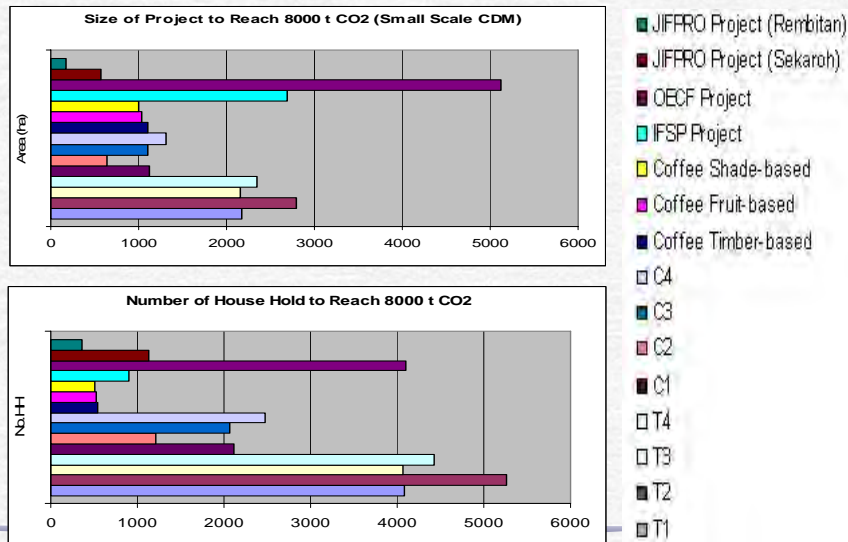


## Small-Scale A/R CDM

- ✓ Encourage local initiatives
- ✓ Simplified procedures
- ✓ Not more than 8 kt CO<sub>2</sub>/yr
  - 200-5000 ha
  - Involving about 400-5200 Hh
- ✓ Sustainability issues - native species, NTFP
- ✓ Potential bundling with other ESs



## PERFORMANCE OF THE SYSTEMS: Small Scale



SOURCE: CESERF-ACIAR, 2003

## Transaction Costs (TC)

The costs of participating in the CER market

- Include: search and negotiation costs; approval costs; project management costs; Monitoring, enforcement and insurance cost
- AIJ cost 6-45% of project cost (\$ 0.57-2.96/tC)
- Using JIFFPRO Project Trials, TC varies from 28-300 % of the total costs. If the ecolabelling costs is excluded, TC is about 22- 37 % of total costs.
- Bundle projects.
- Generate & disseminate information (LUCF systems, baselines) mainly by local government.
- Teach smallholders to measure carbon.



## Transaction Costs: Estimation from JIFPRO Project

No	Activities	NTB				Jawa Barat			
		Costs Rp Milln	%	Time Week	Actors	Costs Rp Juta	%	Time Week	Actors
<b>Ex - ante</b>									
1.	Searching for location	94	10.33	24-52	JIFPRO and PFO	38,5	7.94	1	BP DAS Citarum-Ciliwung, Dinas PKT Cianjur dan staf JIFPRO
2.	Land permit	2,5	0.27	1-24				1	Dinas PKT Cianjur
3.	PDD draft	35	3.85	1-4	Proponents	14	2.89	2-3	BP DAS Citarum-Ciliwung
4.	Letter recommendation from MoF	-		12	CDM WG	-			
5.	PDD submission	0,02	0.002		Posted	0,3	0.06		
6.	Approval/ Revising	-		4	DNA	-			

## continued

No	Activities	NTB				West Javat			
		Costs Rp Mln	%	Time Week	Actors	Costs Rp Mln	%	Time week	Actors
<b>Ex-post</b>									
7.	Baseline-Additionality	30	3.30		Proponents	-			
8.	Monitoring & Evaluation (project JIFPRO)	128	14.07		Independent Team	24,4	5.04		
9.	Sertification (Ekolabel) 1) incl. Verifikation and validation	400	43.96	24		400	82.52		
10.	Partnership	20,4	2.24			-	0.00		
11.	Environmental impact assesment permit	200	21.98	104	Acreditor (Gov. Decree)	7,5	1.55	> 24	Acreditor (Gov. decree)
12.	<b>Total</b>	<b>909,9</b>	<b>100</b>			<b>484,7</b>	<b>100</b>		

Sumber: 1) Prasetyo, 2005.

Source: Ginoga et.al 2005

## Sustainable Development

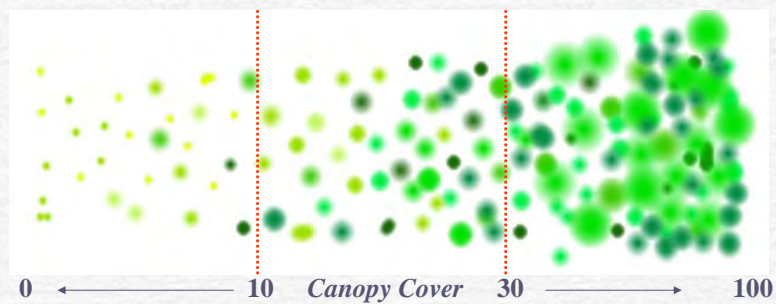
- ☞ One objective of A/R CDM is contributed to sustainable development: social, economic, and environmental impacts
- ☞ Social impacts:
  - **Community Participation Exists**
  - **Community integrity is not negatively impacted.**
- ☞ Economic impacts:
  - **Economic welfare of the local community is maintained**
- ☞ Environmental impacts:
  - **Environment conservation and biodiversity is maintained through sustainable use of natural resources**
  - **Local community safety and health is maintained**

## CONCLUSION

- ☞ A/R CDM implementation in Indonesia require good understanding of local, national, and international institutions
- ☞ Local Institution has to assure the eligibility of the proposed site, social and stakeholders involvement.
- ☞ National Institution mainly consists of DNA and CDM Working Group of Ministry of Forestry. This institution is clearly guided by Ministry of Environment Decree No. 206/2005, and Ministry of Forestry Decree No. 14/2004.
- ☞ Several aspects need to be addressed specifically to minimise weakness and ensure benefit of A/R CDM implementation, such as: land tenure, socio-economic and biophysical impacts, and transaction costs.

Thank you

## Definitions of a Forest



The current text allows each Party to chose:

- a canopy cover between 10 and 30%,
- a minimum tree height between 2 - 5 m, and
- a spatial extent between 0.05 - 1 ha