



Inception Workshop of the Indonesia Programme of the GLOBE Legislators' Forest Initiative

REDD+ as Part of Green Growth in Indonesia

Timothy Brown
Environment Coordinator



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Why Should Indonesia Go for Green Economy ?

- **Development Benefits:** Greater energy efficiency, energy security, competitiveness, new job/technology/investment opportunities, revenues from GHG emissions reductions.
- **Fiscal/Budgetary Benefits:** Reducing wasteful/non green spending will free up resources for priority development needs: investment, job creation, quality of life
- **Co-Benefits/Quality of Life:** Cleaner air, enhanced public health, reduced congestion, better waste management, lower health costs, more productive workers/families
- **Reduced Economic Burden:** Policy distortions and poor governance burden the budget and economy, impeding investment, international competitiveness and market access
- **Opportunity Cost/Opportunity Lost:** biodiversity or ecosystem services as basis for new businesses, tourism potential



What Are the Costs of Not Going Greener?

- **Climate Change.** Long term risk at 2.5 - 7.0 % of GDP by 2100
- **Inadequate Water & Sanitation.** Short term costs ~\$7.6 billion in 2007, almost 2 % of GDP
- **Outdoor & Indoor Air Pollution.** Annual health costs of \$5.5 billion/yr, about 1.3 % of GDP.
- **Forest Degradation and Loss:** Govt rehabilitation, replanting costs >> \$200 million/yr (a fraction of total losses)
- **Soil Erosion & Loss.** Old estimates (Java only) translate to \$0.5 billion/yr in 2007 dollars, ~4 % of total value of dryland crops
- **Coral Reef/Marine Ecosystems.** Healthy reefs can produce marine products worth ~\$15,000 per km², but reefs are being destroyed and degraded rapidly



Who Can Make it Greener?

- **Government plays an essential role in setting up the policy environment**
- **Policies (laws, rules, prices, taxes) transform values into economic behavior**
 - If we subsidize fossil fuel consumption, we get GHG emissions and air pollution
 - If we subsidize forest harvesting and timber processing, we lose biodiversity and ecosystem services
 - If we promote and entice large scale industrial organizations, we lose small scale, diversified livelihoods
- **Transformation and new paradigms are good**
- **But also, short run, simple steps can help Indonesia move in a greener direction**



Can Indonesia Afford Greener?

- Pollution and inefficiency already burden the economy and people's productivity
- Environmental degradation undermines future development potential
- Society bears the cost of environmental degradation, even if those costs are not paid in Rupiah
- The poor bear most burden of environmental degradation because they have the least resilience and capacity
- Distorting subsidies and policies set up barriers for going greener, even where it is win-win for all

Can Indonesia afford the degradation, distortions and development deficit of not getting greener?



**Can
Indonesia
achieve
7%
growth
with
REDD+?**

- **Clear answer: Yes**
- **Indonesia's growth drivers >8%/yr:**
 - **Communications**
 - **Construction**
 - **Wholesale and retail trade**
 - **Food and Beverages**
 - **Transport equipment manufacturing**
- **Forest and plantation sectors - only small contributions to overall growth, <3.5%**
 - Forest products share of GDP in 2010: just 0.7%
 - Non-food (estate, oil palm) crops share of GDP in 2010: 2.1%
 - GDP Growth without these 2 sectors? 6.04% rather than 6.10%
- **While forest and plantation sectors make only modest contributions to Indonesia's growth,**
- **→REDD+ is essential to achieve 26% GHG reduction target by 2020**



Will REDD allow continued Growth in Plantation Sectors?

- **REDD+ is compatible with continued growth in palm oil output and employment:**
 - By raising productivity through intensification
 - By using millions of ha of under-utilized or degraded lands (not natural forests)
 - 8.4 million ha of palm oil currently under cultivation
 - almost 3 million ha have been licensed for production but are not currently cultivated
 - degraded land available (up to 15.5 million ha)
- **REDD+ can help Indonesia to move toward**
 - More intensive land use
 - Better forest management practices
 - More efficiency and added value
 - To sustain long term economic gains.
- **→ Good public policy – even without financial incentives available from emissions reductions**



Who will pay for REDD+?

Global C Market: Active, significant source of finance

- \$27 billion in CDM deals globally
- Linked to \$125 billion in overall investments
- Prices range from US\$ 6 to 16 per ton of carbon.

REDD & forest carbon – many global initiatives

- Ongoing public funding: US\$ 8 billion
- Additional Public pledges until 2012: US\$ 4.5 billion
- Green Climate Fund is a new opportunity – still in design
- Potential bilateral markets (California, Japan, Australia)
- Revenues from European allowance auctions earmarked for REDD+
- National C Markets developing in China, Chile, etc.

Private (CSR) and voluntary efforts are moving

- 131 million tons CO₂e contracted in 2010 and growing
- Focus is on REDD, biodiversity and social benefits



Is REDD really Green?

Global market for green products is growing

- Increasing public awareness
- Shifting to cleaner/greener products and processes
- Drive for efficiency and competitiveness

Global companies committed to reduce emissions & certify value chain as clean and green

- Survey of 57 global companies, 1,000 suppliers
- 45% track and report supply chain emissions
- 17% use C management in supplier selection
- → Potential markets for carbon offsets and credits

Int'l certification schemes are growing fast

- Beyond timber; most ag products moving this way
- Financing for unsustainable practices is drying up.
- Certification helps leaders get ahead of the game



The Market is Ready for REDD

Is Indonesia Ready?

- Market players are ready to invest in Indonesia's REDD
- If REDD means business, investor confidence matters
- Investors need partners in government willing to make these projects work. Need the right signals.
- More commitment, more clarity implies more Investment Capital and Local benefits → a virtuous circle
- Without a clear framework: More (perceived) risk, more transactions costs, more insurance, lower C price, so investors are less interested
- → a downward spiral with Indonesia passed over by the market



1. Readiness & Preparation

2. Investment/ Implementation

3. Payments for Performance

Indonesia Agreement with Norway (LOI) follows same 3 Phase Approach

World Bank is Aligning Financing To Support Indonesia REDD+ Initiative



- Aceh Forest Environment Project
- Kalimantan Forest Carbon Trust Fund
- Econ Analysis of REDD+, Green Growth

- Emerging Opportunities
- Fast Start Finance
 - Green Climate Fund

Working with Development Partners, UN REDD, IAFCP, UKAID, etc.



Terima Kasih!



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With support from the Program on Forests