

CONSERVING THREATENED SPECIES & ECOSYSTEMS WORLDWIDE

**FFI** Fauna & Flora International

## Reducing Carbon Emissions from Deforestation in the Ulu Masen Ecosystem, Aceh, Indonesia

*A Triple-Benefit Project Design Note for Climate Community and Biodiversity Alliance Standards Audit*

The Provincial Government of Nanggroe Aceh Darussalam  
Fauna & Flora International  
Carbon Conservation Pty. Ltd.

[www.climate-standards.org/projects](http://www.climate-standards.org/projects)

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## The project in brief

- Covers 750,000 hectares of forest in Aceh Province
- Designed to reduce deforestation by 85% 30 years
- Avoided emissions of 3.4 million tons of CO<sub>2</sub> per year
- REDD project meeting CCBA standards for voluntary carbon credits
- Carbon finance deal with private investor

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## The partnership

- Government:** Gov. of Aceh leads project; ensures commitment to forests and sustainable development
- Non-Government:** FFI provides technical support for conservation and community elements of design and delivery
- Private Sector:** Carbon Conservation provides carbon emission and financing element of project design; Merrill Lynch provide finance through VER credit purchases

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## The project area

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## The project area

- Largest remaining contiguous forest block on Sumatra
- Highly diverse ecosystem supporting tiger, elephant, orangutan, etc.
- Provides water, flood prevention, erosion control, natural resources

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## Project design - additionality



*Difference between 'business as usual' and project scenarios*

- High deforestation in Sumatra but low in Aceh
- End of hostilities opened forest to land clearance, illegal logging, timber production and agro-industry
- Market incentives favour forest conversion Post tsunami reconstruction increased demand for timber

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## FFI Fauna & Flora International Land Use Planning

- **Permanent Forest Estate:** Land use planning to re-zone Conversion Forests to Protection Forests
- **Provincial infrastructure:** Policies and institutions to provide legal and operational framework
- **Legal security:** Long-term legal security for forest areas and forest users.

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## FFI Fauna & Flora International Sharing the benefits

Incentives for retaining forest

- Identifying land for community forest management and forest-based livelihoods
- Identifying roles and responsibilities based on accepted land tenure
- Developing mechanisms to ensure transparent distribution of benefits
- Creating structures for employing community monitors, district forest guards, etc.




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## FFI Fauna & Flora International The Merrill Lynch deal

- Private sector interest in REDD; VER trade on voluntary carbon market and future REDD credits in post-Kyoto framework
- Merrill Lynch signed 'term sheet' subject to completing due diligence. Deal includes:
  - Pre-payment for exclusivity
  - Guaranteed off-take agreement for credits over first four years
  - Call option for further carbon credits
  - Performance incentives for all parties
- Credit sales to investment banking, commodities and wealth management business clients




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## FFI Fauna & Flora International Next steps

1. Finalize deal and secure funding to implement on the ground
2. Establish and test governance structures and multi-stakeholder governance board
3. Undertake land zoning process
4. Channel incentives through improved protection measures
5. Channel incentives to livelihood, community participation and benefit sharing mechanisms




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## FFI Fauna & Flora International Opportunities from REDD

- Environmental services support sustainable development
- Sharing carbon revenues and new livelihoods from sustainable forestry
- Jobs in forest protection and monitoring
- Forests continue to contribute to local livelihoods
- Traditions and culture maintained
- Biodiversity conservation




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## FFI Fauna & Flora International Risks of REDD

- Exclusion of customary tenure holders
- Failure of benefit sharing mechanisms
- Up front investment needs and investor influence on design
- Divergent interests: cheap 'low value' v expensive 'high value'
- Difficulty for investors, managers and communities to communicate
- Perverse incentives focus on degraded forest






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