



## UTILIZING DEGRADED LANDS RECEIVES SIGNIFICANT POLITICAL AND FINANCIAL BOOST IN INDONESIA

In 2009, the World Resources Institute (WRI) launched Project POTICO (palm oil, timber, carbon offsets) with support from NewPage Corporation. Project POTICO seeks to prevent deforestation in Indonesia by diverting planned oil palm plantations away from virgin forests, having plantations established instead on degraded lands (Box 1), and ensuring that the forest previously slated for conversion remains conserved and sustainably managed.

Such utilization of degraded lands could help Indonesia achieve its target of doubling palm oil production by 2020 while curbing deforestation of the country's remaining virgin rainforests. This strategy would relieve pressure on virgin rainforests, strengthen forest management, reduce greenhouse gas emissions, enhance local livelihoods, and protect biodiversity.

Besides developing pilot POTICO deals in the field, WRI and its Indonesian project partner, Sekala, have been engaging government officials in Indonesia and abroad, companies, and other decision-

### Box 1. What are degraded lands?

"Degraded land" refers to areas that were cleared of forests long ago and that now contain few trees, low carbon stocks, and low levels of biodiversity. Tracts of alang alang grassland are examples of degraded land.

In many cases, these areas are suitable for oil palm cultivation, can produce comparable yields relative to recently deforested land, and are viewed as under-utilized by local stakeholders. Current regulations overlook these areas. POTICO aims to change this.



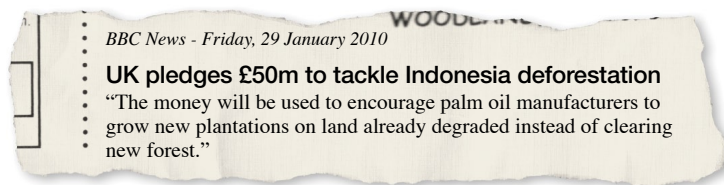
A tract of degraded land, with alang alang, in West Kalimantan, Indonesia. Photo: Sekala/WRI

makers to popularize the strategy of utilizing degraded lands for plantation expansion and build government support for large-scale implementation of this strategy.

These efforts have begun to bear results. The past five months, in particular, have brought significant large-scale progress.

### THE BRITISH MILLIONS

First came a British commitment. In late January 2010, the U.K. government announced a new £50 million (~\$75 million) program to tackle deforestation in Indonesia. A pillar of the program is assistance in financing the incremental costs of establishing oil palm plantations in Indonesia on degraded lands instead of clearing virgin forests.



### THE NORWEGIAN BILLION

Then came the Norwegians. In late May 2010, the Prime Minister of Norway and the President of Indonesia announced a partnership to reduce greenhouse gas emissions arising from deforestation, forest degradation, and peat land conversion in Indonesia. Diverting oil palm and other plantations to degraded lands is central to the new partnership. In their agreement:

- Norway will grant Indonesia US \$1 billion in phases — based on performance — to reduce emissions from deforestation and forest degradation.
- Part of the "Norwegian billion" will finance incentives for palm oil growers to use degraded lands for new plantations instead of converting virgin forests.
- In turn, Indonesia will support land use swaps, giving palm oil companies the option to retire forested areas in return for permits to degraded land.





- Part of the “Norwegian billion” will help Indonesia develop a degraded lands database for the entire country (Project POTICO has a pilot database for the province of West Kalimantan). Such a database will help palm oil and other agricultural companies identify where they can establish new plantations without cutting forests.
- Norway will help enhance processes to address land tenure and conflicts over land title (an important issue highlighted by Project POTICO), finance low-cost loans to help plantation crop small-holders increase their yields, and finance increased enforcement of existing forestry law and regulation in Indonesia.

In addition, Indonesia will place a two-year moratorium on issuing new concessions that would have converted virgin forests and peat lands into oil palm and other plantations. New plantations will be allowed, however, if they are located on degraded lands.

## PRESS RELEASE

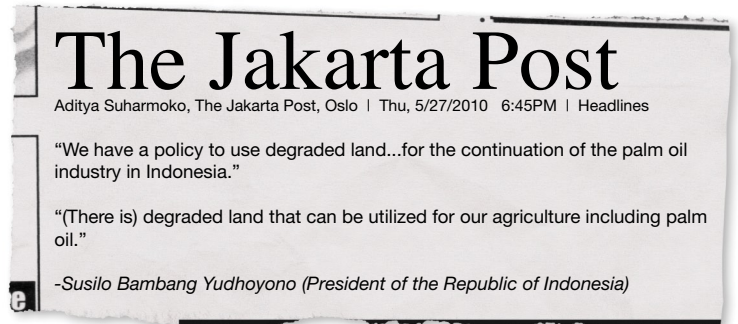
### Norway commits USD 1b in partnership with Indonesia, to tackle greenhouse gas emissions from deforestation and forest degradation.

“The partnership will provide additional capital for a range of investments including...incentives for palm oil growers to use degraded lands for new plantations.”

“Further efforts will include...the creation of a degraded lands database...”

“Indonesia is prepared to suspend for two years new concessions for the conversion of peat and natural forest lands. Sufficient non-forest lands exist for Indonesia to accommodate the growth of its vitally important plantation industries...The suspension of concessions is intended to stimulate efforts to shift industry incentives to make it economically rational for companies to open new plantations on degraded lands rather than [on] vulnerable forests and peat lands.”

Source: Government of Norway, May 26, 2010.



A day after this historic announcement, the President of Indonesia stated, “We have a policy to use degraded land . . . for the continuation of the palm oil industry in Indonesia.” In essence, he underlined the importance of utilizing degraded lands as the future of the country’s palm oil and other agricultural expansion.

### A STRATEGY WHOSE TIME HAS COME

These developments are the most significant advancement of the POTICO vision to date and mark a major milestone in efforts to curb the loss of Indonesia’s rainforests, a world treasure. The project’s efforts and engagement has catapulted utilization of degraded lands to the top of the political agenda. And its field experience has provided the insights and credibility to advise decision-makers on how to achieve the new commitments.

WRI and NewPage’s partnership is pioneering. When Project POTICO was launched less than 18 months ago, utilizing degraded lands was not on the political agenda. It did not have financial support for widespread adoption. Now it has both.

*Stay tuned for more progress . . .*

