

## INDONESIA - AUSTRALIA ROADMAP FOR ACCESS TO INTERNATIONAL CARBON MARKETS

Australian Prime Minister Kevin Rudd and Indonesian President Susilo Bambang Yudhoyono agreed to develop the *Roadmap for Access to International Carbon Markets* (the Roadmap) on 13 June 2008. This recognises the importance both countries place on taking decisive action to address climate change and on working towards full participation in future international carbon markets under the United Nations Framework Convention on Climate Change (UNFCCC).

The Roadmap is a multi-phased strategy to support Indonesia in developing the necessary policy, technical and financial capabilities for participation in future international carbon markets for reducing emissions from deforestation and forest degradation (REDD). It will build on existing cooperation on REDD under the Indonesia – Australia Forest Carbon Partnership by extending cooperation to activities that assist Indonesia establish the necessary pre-requisites for access to, and participation in, carbon markets for REDD.

Indonesia and Australia welcome the Bali Action Plan for post-2012 international action on climate change agreed by countries at the 13<sup>th</sup> Conference of the Parties of the UNFCCC in December 2007. The Roadmap will, in the first instance, build upon the Bali Action Plan by supporting international negotiations under the UNFCCC to include incentives for REDD in a post-2012 international climate change agreement. In implementing the Roadmap, Australia and Indonesia will demonstrate how developed and developing country partners can work together to take ongoing, practical action to address climate change.

International carbon markets will be essential to obtaining the necessary investment to significantly reduce emissions from deforestation and forest degradation over the long term. Voluntary (pre-compliance) carbon markets are currently growing rapidly and may be a useful testing ground for the provision of REDD carbon credits as negotiations on a future international climate change agreement evolve. The Roadmap will assist Indonesia engage in carbon markets, with the aim of full participation in future post-2012 markets under the UNFCCC.

Recognising the evolving nature of international carbon markets, the Roadmap is designed as a 'living document' that can continue to be reviewed and revised regularly in response to emerging developments in national and international REDD frameworks, including on negotiations under the UNFCCC. This flexible framework will allow for the Roadmap to be broadened to other sectors in the future if required and agreed.

### Goals

- Assist Indonesia establish the necessary policy, technical and financial foundations for access to international carbon markets for REDD
- Assist Indonesia establish the necessary monitoring and accounting systems, including a Forest Resource Information System and National Carbon Accounting System, to support REDD within a sustainable forest management framework
- Support the development of an international market for REDD credits within a wider global carbon market under the UNFCCC
- Demonstrate how developed and developing country partners can work together to respond to climate change and support action through the UNFCCC

## Principles

Activities under the Roadmap will be developed and implemented consistent with a number of key principles necessary for participation in international carbon markets:

### *(i) Certainty, including through:*

- Appropriate and robust policy, technical and financial frameworks that support credible emission reductions
- Carbon accounting and monitoring systems that provide accurate, timely and verifiable information that can give all stakeholders certainty that emissions reductions are credible and real
- Institutional and policy frameworks that provide an environment which facilitates the involvement of the private sector, where appropriate

### *(ii) Flexibility*

- Approaches that can respond to evolving developments in international carbon markets, while meeting the minimum requirements of internationally agreed standards

### *(iii) Transparency*

- Policy, technical and financial frameworks that are clear, effective and transparent
- Governance and coordination mechanisms that foster open dialogue on the Roadmap as it is developed and implemented

## Approach

### *(i) Strategic*

Activities undertaken through the Roadmap will provide strategic, targeted assistance to support Indonesia access international carbon markets for REDD.

### *(ii) Cooperative*

The Governments of Indonesia and Australia will work closely together to develop and implement the Roadmap to meet mutual climate change objectives. Development of the Roadmap will build upon the Indonesia – Australia Forest Carbon Partnership, and complement other existing climate change cooperation between Indonesia and Australia. Cooperation with other donors, the private sector and other stakeholders is also encouraged.

### *(iii) Multi-phased*

The Roadmap and its activities will be progressed over four key phases:

Phase I: Building necessary policies and capacity for participation in carbon markets for REDD

Phase II: Testing and strengthening of REDD policies and systems

Phase III: Exploring options to access voluntary carbon markets for REDD

Phase IV: Integration into post-2012 international carbon markets

### *(iv) Action-oriented*

Activities will be designed to deliver concrete and tangible outcomes and will be supported with capacity building initiatives to ensure effective on-the-ground implementation.

### *(v) Realistic*

Activities will be designed and implemented in a practical and realistic manner that reflect the national priorities of Indonesia and Australia.

*(vi) Time-bound*

Each activity will be given an indicative timeframe, where possible, to track and monitor the implementation of the Roadmap. The Roadmap is designed to end by December 2012 with final integration into post-2012 compliance markets under the UNFCCC (refer indicative timeline at Attachment A).

**Governance**

Development of the Roadmap will be progressed through the existing Steering Committee for the Indonesia – Australia Forest Carbon Partnership. This arrangement may be reviewed and modified if required to facilitate involvement of a broader range of government agencies.

**The Roadmap**

The four phases of the Roadmap are outlined below. Phase I has been scoped in more detail, with the expectation that Phases II, III and IV will be further scoped and expanded as the Roadmap develops. This rolling design will allow maximum flexibility to tailor future activities to evolving national and international developments.

**Phase I: Building necessary policies and capacity for Indonesia's participation in carbon markets for REDD**

**Timing:** Immediate and ongoing to the end of 2012

Phase I will build on existing activities under the Indonesia – Australia Forest Carbon Partnership. It will assist Indonesia in trialling and establishing appropriate policies and in building capacity to participate in international carbon markets for REDD, with the aim of integrating with future compliance markets regulated under the UNFCCC, without prejudice to the outcomes of the international negotiations on climate change.

**Indicative Activities:****Policy**

<b>Government of Australia</b>	<b>Government of Indonesia</b>
Exchange information on necessary policies and systems for participation in international carbon markets for REDD, and areas for cooperation under the Roadmap.	Exchange information on necessary policies and systems for participation in international carbon markets for REDD, and areas for cooperation under the Roadmap.
Support the development of Indonesia's national policies and regulations on REDD, including policies on accessing carbon markets.	Develop and implement national policies and regulations on REDD, including policies on accessing carbon markets.
Support the development of effective approvals systems for REDD projects in Indonesia.	Establish effective approval and oversight systems for REDD programs.
Exchange information on national policies relating to REDD and cooperate in international negotiations on REDD under the UNFCCC.	Exchange information on national policies relating to REDD and cooperate in international negotiations on REDD under the UNFCCC.
Coordinate Australian engagement with other REDD donors and stakeholders in Indonesia as required.	Coordinate between REDD donors in Indonesia to ensure that all efforts are complementary and avoid duplication.

**Technical**

<b>Government of Australia</b>	<b>Government of Indonesia</b>
Provide ongoing technical and policy assistance to support the design and development of FRIS and NCASI to support REDD within a sustainable forest management framework in Indonesia.	Design and develop Indonesia's Forest Resource Information System (FRIS) and Indonesia's national carbon accounting system (NCASI) to support REDD within a sustainable forest management framework in Indonesia.
Obtain and provide necessary satellite data to support Indonesia's FRIS and NCASI.	Develop FRIS and NCASI based on best available satellite data.
Assist Indonesia build technical capacity in carbon monitoring and assessment, including through in-posting of Government of Indonesia staff in Australia to support the development of the FRIS and NCASI.	Build technical capacity in carbon monitoring and assessment, to provide long term support for Indonesia's FRIS and NCASI.
Cooperation to support the development of Indonesia's national registry to track carbon credits for REDD.	Scoping, design and development of a national registry and appropriate governance to track carbon credits for REDD.

**Financial**

<b>Government of Australia</b>	<b>Government of Indonesia</b>
Support trials of market-based approaches to financing REDD projects including under the Kalimantan Forests and Climate Partnership (KFCP).	Identify and support suitable demonstration activities (such as the KFCP) that trial market-based approaches to financing REDD projects.
Support the design of financial and payment distribution mechanisms for REDD.	Scoping, design and development of suitable national, provincial and district financial and payment distribution mechanisms for REDD
Assist Indonesia in identifying and coordinating funding for REDD with donors and other stakeholders.	Identify opportunities and attain suitable international funding and assistance to support REDD activities in Indonesia.

**Demonstration activities**

<b>Government of Australia</b>	<b>Government of Indonesia</b>
Trial approaches to undertaking a rigorous, market-based REDD demonstration activity through the implementation of the KFCP.	Establish the necessary policy, technical and financial systems at national, provincial and local level to support the implementation of the KFCP.
Explore opportunities for Australia to develop additional demonstration activities in Indonesia as approved by the Government of Indonesia.	Identify necessary criteria, and priority areas, for further REDD demonstration activities in Indonesia and work with Government of Australia and other donors to scope and support new REDD demonstration activities.
Use REDD demonstration activities to inform Australia's national position on REDD and international negotiations on REDD under the UNFCCC.	Use demonstration activities in Indonesia used to inform Indonesia's national position on REDD and international negotiations on REDD under the UNFCCC.

***Milestones for completion of Phase I and transition to Phase II***

Activities under Phase I of the Roadmap primarily build on existing activities under the Indonesia – Australia Forest Carbon Partnership that will continue through to 2012 (refer to indicative timeline at Attachment A).

It is expected that Phase I of the Roadmap will transition to Phase II of the Roadmap after the following key milestones are achieved:

- Indonesia's REDD policies and systems designed and implementation commenced
- Indonesia's FRIS and NCASI designed and implementation commenced

- KFCP designed and implementation underway
- A second demonstration activity identified and the design for the activity is well advanced

## Phase II - Testing and strengthening of REDD policies and systems

**Expected Timing:** late 2009 - 2012

Phase II will test and refine REDD policies and systems to ensure that Indonesia is ready to participate in international carbon markets for REDD.

### Indicative Activities:

Government of Australia	Government of Indonesia
Support improvement of REDD policies and systems based on lessons learned from Phase I activities.	Continue to test and improve REDD policies and systems based on lessons learned from Phase I activities.
Support improvement of policies and systems for participation in international carbon markets for REDD	Continue to test and improve policies and systems for participation in international carbon markets for REDD
Provide ongoing support for the implementation of the FRIS and NCASI to support REDD within a sustainable forest management framework.	Commence monitoring and reporting using the FRIS and NCASI to support REDD within a sustainable forest management framework.
Assist Indonesia in identifying suitable voluntary (pre-compliance) carbon markets to support REDD projects in Indonesia.	Explore opportunities and identify suitable voluntary (pre-compliance) carbon markets to support REDD projects in Indonesia.
Assist Indonesia in identifying potential REDD demonstration activities that could test approaches for the provision of REDD carbon credits (this may include KFCP)	Identify potential REDD demonstration activities in Indonesia that could test approaches for the provision of REDD carbon credits (this may include KFCP)
Share lessons learned from the development of Australia's Carbon Pollution Reduction Scheme (the Scheme is due to commence during 2010).	Exchange information with other national governments participating in carbon markets.

### *Indicative milestones for completion of Phase II and transition to Phase III*

- Indonesia's REDD policies and systems tested and refined
- Indonesia's NCASI established and forest carbon monitoring and reporting underway
- Indonesia market ready

## Phase III - Exploring options to participate in voluntary carbon markets for REDD

**Expected Timing:** Commencing 2010 - 2012

Phase III will explore options for Indonesia to participate in voluntary (pre-compliance) carbon markets for REDD and to establish remaining policy, technical and financial underpinnings for participation in post-2012 REDD compliance markets under the UNFCCC.

**Indicative Activities:**

<b>Government of Australia</b>	<b>Government of Indonesia</b>
Assist Indonesia in identifying and participating in voluntary (pre-compliance) carbon markets for REDD to test approaches for the provision of carbon credits for REDD projects (this may include the KFCP).	Explore opportunities and commence preliminary participation in voluntary (pre-compliance) carbon markets for REDD to test approaches for the provision of carbon credits for REDD projects.
Assist Indonesia in establishing remaining policy, technical and financial underpinnings for participation in post-2012 REDD compliance markets under the UNFCCC.	Establish remaining policy, technical and financial underpinnings for participation in post-2012 REDD compliance markets under the UNFCCC.
Explore opportunities to share information and extend coverage of the Roadmap to other countries in the region, such as Papua New Guinea and other Pacific Island Countries.	Explore opportunities to share information and extend coverage of the Roadmap to other countries in the region, such as Papua New Guinea and other Pacific Island Countries.

***Indicative milestones for completion of Phase III and transition to Phase IV***

- Early participation by Indonesia in voluntary (pre-compliance) carbon markets for REDD
- Agreement in UNFCCC to establish post-2012 international carbon markets for REDD
- Necessary policy, technical and financial underpinnings in place for Indonesia to access post-2012 REDD compliance markets for REDD under the UNFCCC.
- Possible identification of opportunities to cooperate in improving Indonesia's access to carbon finance for emission reductions in non-forest sectors

**Phase IV – Integration into post-2012 international carbon markets**

**Expected Timing:** July - December 2012

Phase IV will assist Indonesia to participate in post-2012 international markets for REDD.

**Indicative Activities:**

<b>Government of Australia</b>	<b>Government of Indonesia</b>
Support Indonesian participation in post-2012 markets for REDD.	Commence participation in post-2012 markets for REDD.
As appropriate, explore opportunities to share lessons learned from linking Australia's Carbon Pollution Reduction Scheme internationally via the Kyoto Protocol's flexibility mechanisms (expected to occur during the early years of the Scheme).	Explore opportunities to exchange information with other national governments participating in compliance markets under the UNFCCC.

***Indicative milestones for completion of Phase IV***

- Final integration of suitable REDD projects in Indonesia into post-2012 compliance markets for REDD under the UNFCCC.

Attachment A: Indicative Roadmap Timeline

