

Letter of Intent
between the Government of the Kingdom of Norway
and the Government of the Republic of Indonesia
on
“Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation¹”

I. PREAMBLE

The Government of the Republic of Indonesia (Indonesia) and the Government of the Kingdom of Norway (Norway), (hereinafter referred to as the "Participants"):

recognizing that poverty reduction and economic development are overall goals for human welfare;

bearing in mind that climate change is among the greatest challenges facing the world today;

recalling that Indonesia and Norway are Parties to the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol, and the Convention on Biological Diversity;

considering that the Preamble to the UNFCCC acknowledges that the global nature of climate change calls for the widest possible cooperation between all countries;

recognizing the relevance of Indonesia's Mid-Term Development Strategy (RPJM);

noting that the main goal of Indonesia's and Norway's climate policy is to limit the average rise in global temperature below 2°C compared to the pre-industrial mean temperature, and to establish national policies that ensure that they contribute beyond their fair share to achieve this goal;

hereby establish a climate change partnership, focusing on REDD+ (hereinafter known as 'the Partnership').

II. PURPOSE AND FOCUS OF THE PARTNERSHIP

The purpose of the Partnership is to contribute to significant reductions in greenhouse gas emissions from deforestation, forest degradation and peatland conversion through:

- a. Conducting a policy dialogue on international climate change policy, in particular international policy on REDD +.
- b. Collaboration in supporting the development and implementation of Indonesia's REDD+ strategy.

III GENERAL APPROACH AND PRINCIPLES

In their cooperation, both Participants intend to:

- a. Ensure that this Partnership be based on, and that nothing in this Partnership is or shall be in conflict with, the UNFCCC and the Global REDD+ Partnership.
- b. Give all relevant stakeholders, including indigenous peoples, local communities and civil society, subject to national legislation, and, where applicable, international instruments, the opportunity of full and effective participation in REDD+ planning and implementation.
- c. Seek a proportional and progressive scaling up of financing, actions and results over time, based on the principle of contributions-for-delivery.
- d. Be fully transparent regarding financing, actions and results.

¹ REDD+ as defined in the Bali Action Plan (1/CP.13).

- e. Encourage the participation of other development partners.
- f. Ensure coordination with all other REDD+ initiatives, including the UN-REDD Programme, the Forest Carbon Partnership Facility, the Forest Investment Program and other bi- and multilateral REDD+ initiatives taking place in Indonesia.
- g. Seek to ensure the economic, social and environmental sustainability and integrity of our REDD+ efforts.

V PHASES OF THE PARTNERSHIP

The Partnership will be organized in three phases. The aim is to move through the first two phases in the scope of 3-4 years. The annual independent reviews will need to be considered before moving into the third phase.

VI PHASE 1: PREPARATION

In this phase, the main preparatory steps for the implementation of Indonesia's REDD+ strategy will be taken, including:

- a. Completing a national REDD+ strategy that is also addressing all key drivers of forest and peatland related emissions.
- b. Establish a special agency reporting directly to the President to coordinate the efforts pertaining to the development and implementation of REDD+.
- c. Developing a strategy for and establishing the initial framework of an independent institution for a national monitoring, reporting and verification system for anthropogenic forest and peat related greenhouse gas emissions by sources and removals of sinks, forest carbon stocks and natural forest area changes.
- d. Designing and establishing as early as possible a funding instrument, in collaboration with relevant donors and managed by an internationally reputable financial institution. The instrument shall:
 - i. be based on contributions-for-deliverables, adapting over time as 'deliverables' evolve from enabling policies to national level verified emission reductions;
 - ii. be managed according to established international standards – including fiduciary, governance, environmental and social safeguards;
 - iii. ensure transparency in all aspects of disbursements and operations;
 - iv. include representatives of central government, local government, civil society, and indigenous and local communities in the governance structure of the funding instrument, subject to national legislation, and, where applicable, international instruments;
 - v. channel financial resources solely to the implementation of Indonesian REDD+ and low carbon development strategies that qualify as official development assistance (ODA);
 - vi. undergo independent annual audits;
 - vii. be agreed by the Partners before it is established.
- e. Selecting a province-wide REDD+ pilot. The province must have large intact tracts of rainforest and face planned deforestation and forest degradation projects of a scale that will have significant impact on national emissions levels if implemented. A REDD+ strategy for the pilot province, developed through a transparent and inclusive multistakeholder process and addressing

all key drivers of forest and peatland related emissions, will be developed.

VII PHASE 2: TRANSFORMATION

The second phase will be initiated in January 2011, with a shared aspiration to complete it by the end of 2013. In this phase, Indonesian efforts and Norwegian support will focus on:

- national level capability building, policy development and implementation as well as legal reform and law enforcement;
- one or more full scale province level REDD+ pilots.

The aim of this phase is to make Indonesia ready for the Contributions-for-Verified Emission Reductions Phase while also initiating large scale mitigation action, as follows:

- a. The parties aspire to have the funding instrument designed in the preparation phase fully operational no later than January 1st 2011.
- b. By December 2013, a country wide MRV system conforming to IPCC Tier 2 or better, run by the independent MRV institution described under phase 1 above, including independent international verification, and capable of assessing the uncertainty range of its estimates will be in place. The uncertainty range will have implications for the contributions-for-verified emissions reductions mechanism for Phase 3. At the same time, a strategy to improve the MRV system to Tier 3 precision and accuracy will be established.
- c. Identify, develop and implement appropriate Indonesia-wide policy instruments and enforcement capabilities, including but not necessarily limited to:
 - i. A two year suspension on all new concessions for conversion of peat and natural forest.
 - ii. Establish a degraded lands database, starting in one or more appropriate provinces, to facilitate the establishment of economic activity on such lands rather than converted peatland or natural forests.
 - iii. Enforce existing laws against illegal logging and trade in timber and related forest crimes and set up a special unit to tackle the problem.
 - iv. Take appropriate measures to address land tenure conflicts and compensation claims.
- d. The first province-wide pilot will be implemented from January 2011 onwards. The province pilot deliverables should include:
 - i. Implementation of the province-wide REDD+ strategy described under phase I above, engaging all relevant stakeholders, including indigenous peoples, local communities and civil society, subject to national legislation, and, where applicable, international instruments
 - ii. A province-wide MRV system conforming to IPCC Tier 2 or better, and capable of assessing the uncertainty range of its estimates, will be in place by December 2011. A contributions-for-verified emission reductions mechanism will be made on this basis at the latest three months after the verification is completed; provided the above described funding instrument is operational and an implementable project portfolio is in place. A strategy to improve the MRV system to Tier 3 precision and accuracy will be established.

- iii. Appropriate measures to address land tenure conflicts and compensation claims should be taken from early 2011 onwards.
- e. A second province-wide pilot, subject to the same criteria as the first pilot province, could be chosen by late 2011 and implemented by early 2012.

Funding allocated for the first two phases will be provided by Norway on the basis of deliverables channeled through an agreed financial mechanism. Contributions for 2010 deliverables will focus solely on results in terms of enabling policies and measures. The proportion of contributions channeled through the contributions-for-verified emission reductions mechanisms (in the relevant pilot province(s) in phase 2, nationally in phase 3) will increase significantly for the 2012 contributions and annually thereafter.

VIII PHASE 3: CONTRIBUTIONS-FOR-VERIFIED EMISSION REDUCTION

The shared aspiration of the parties is to initiate the third phase from 2014, based upon 2013 emissions reductions. In this phase, a national contributions-for-verified emissions reductions mechanism will be implemented, including:

- a. Indonesia receives annual contributions for independently verified national emission reductions relative to a UNFCCC reference level (or a reference level set by Indonesia and its partners based on Indonesia's emissions reductions pledges and UNFCCC methodological guidance (4/CP 15), in accordance with relevant decisions of the Conference of the Parties, if no UNFCCC reference level has been set for Indonesia).
- b. Norway (and potentially other partners having joined the partnership) channel financial contributions into the financial instrument as described under phase 1 above.

IX NORWEGIAN FINANCIAL CONTRIBUTIONS

Norway has the intention to contribute funds to Indonesia's REDD+ efforts in the order of magnitude of one billion USD (given an exchange rate of six Norwegian kroners per USD). Such a contribution will be subject to the establishment of a financial mechanism as described in this Letter of Intent and agreed by the Parties, as well as adequate deliverables as described in this Letter of Intent. The detailed terms and conditions for such support will be set forth in the contribution agreement to be entered into between Norway and the fund manager. The concrete annual amounts will be subject to appropriations from the Norwegian Parliament.

X DETAILS AND AMENDMENTS TO THE PARTNERSHIP

The details of this Partnership will be further described in a set of separate documents, including:

- A separate document, to be developed jointly by the Participants tentatively by October 2010, detailing the deliverables in this LoI except the funding instrument.
- The document(s) necessary to set up the funding instrument.

This Partnership will not be effective until the document has been agreed. Amendments to the document can be agreed by both parties and added at any time.

XI JOINT CONSULTATION GROUP

A Joint Consultation Group will be established to contribute to the effective implementation of this Partnership. The group will consist of points of contacts for both Indonesia and Norway.

XII INDEPENDENT REVIEW

An independent review group, agreed by both Indonesia and Norway, will execute annual review on the deliverables of agreed indicators. The group will report to the Joint Consultation Group. Its reports will be public.

XIII ENTRY INTO EFFECT, TERMINATION AND OTHER CONSIDERATIONS

a. This Lol shall enter into effect upon signature, and will remain valid until the end of 2016, automatically renewed thereafter for successive 4 year periods unless contrary notification is presented by either of the parties through diplomatic channels.

b. This Letter of Intent may be terminated at any time by either of the Parties, by written notification, through diplomatic channels.

Done in duplicate in Oslo on the 26th of May 2010, in the English language.

**FOR THE GOVERNMENT OF
THE KINGDOM OF NORWAY**

**FOR THE GOVERNMENT OF
THE REPUBLIC OF INDONESIA**

**Erik Solheim
Minister of the Environment
and International Development**

**R.M. Marty M. Natalegawa
Minister for Foreign Affairs**