



# Innovations for financing wise use of peatlands in Indonesia

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## Summary

Since publication of the PEAT-CO<sub>2</sub> Report by Wetlands International, Delft Hydraulics and Alterra Wageningen University, there has been much discussion on the shocking data it revealed, especially that Indonesia had become the third largest emitter of CO<sub>2</sub> in the world as a result of peatland degradation and associated fires. At CoP13 of the UNFCCC that was held in Bali in December 2007 the Indonesian Ministry of Forestry acknowledged the issue firmly and published its own report, which integrally included the data of the PEAT-2 Report, thereby opening the way for constructive action to deal with this issue. Some of the drivers behind the problem are large-scale and rapid development of oil palm plantations on extensive areas with thick deposits of peat, development of unsustainable pulp tree plantations (e.g. *Acacia* spp.) and poverty of local communities, which forces them into unsustainable exploitation to maintain their livelihoods.

At CoP 13 several new initiatives were launched, including new funding mechanisms such as REDD, which focuses on a national 'wall to wall' approach for reducing emissions from deforestation. The main reason for this nationwide scale approach is to avoid leakage (i.e. when a positive action in one place is countered by negative actions elsewhere). This approach may provide a solution for remaining peat swamp forests, but it requires a sound baseline and thorough complex monitoring that will be extremely difficult to establish and accomplish in Indonesia with its mega biodiversity and many socio-economic problems. In addition, it is unclear whether or not deforested peatlands could benefit from the REDD mechanism. Wetlands International in partnership with BioX has launched a different mechanism that will use a project by project approach, focusing on peatlands and supporting actions by local stakeholders, including communities, NGOs, private sector and local government. The Global Peatland Fund will generate VERs, which can be sold on the international carbon market to generate a sustainable financing flow for peatland conservation and restoration. This paper provides information on these different approaches and analyses their limitations and opportunities.

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