FGD 2

Topic: VOLUNTARY CARBON TRADE

The voluntary carbon market (VCM) project is located on grassed and uncleared upland areas in the foothills surrounding Paninggahan. The aim is to involve farmers in a tree-planting scheme on grassland around Lake Singkarak in order to offset carbon emissions by the investor, as well as ensure that the farmers and the local communities benefit from the scheme through RUPES' rewards. The main stakeholders are described as 'buyers' and 'sellers', that is, the buyer is the carbon trader and the sellers are the farmers. A cooperation contract has been made between the service buyer, which is a company domiciled in the Netherlands (CO_2Operate BV), with the service seller, which is the community of Paninggahan, represented by the 'wali nagari' (village leader). The leaders of the nagari signed the agreement and the farmers then implemented it, utilizing 28 hectare of communal village land, with the aim of creating 4090 tons of carbon over a period of 10 years. There are 43 farmers involved as sellers, mostly male but some female, all from the village or the surrounding area of Paninggahan. The carbon dioxide absorption and/or storage contract took effect from 1 September 2009. There are four organizations represented in the contract, namely, CO_2Operate BV (buyer), World Agroforestry Centre (ICRAF) (facilitator), the nagari of Paninggahan (seller), and the Lake Singkarak Foundation (YADAS) (verifier).

The most important point in the VCM contract is regarding payment that will be made to farmers, along with the terms (the 'conditionality'). Payment stages are divided into four: 1) 60% of the total payment upon contract signing; 2) 15% three months after the first payment; 3) 20% at the end of the fifth year (contract mid-period); and 4) 5% at the end of the contract period (in the tenth year). The contract value amounts to IDR 10,000,000 (±USD 1090) per hectare to each farmer, the total varying depending on the amount of land owned. The management board from the nagari of the villages (VCM management board) receives a fee of 12.5% of the total contract for services such as administration, supervision and PCM program management in their nagari for a work period of 10 years.

The period of the contract lasts from 2009 to 2018. Species to be planted at a minimum of 1100 seedlings per hectare include clove *(Eugenia aromatica)*, chocolate *(Cocoa)*, avocado *(Persea americana)*, durian *(Durio zibertinus)*, mahogany *(Swietenia mahogany)*, 'surian' *(Caeseria grewiaefolia)* and nut *(Pentace sp)*. The planting was carried out in December 2009. The agreement with the buyers also includes an obligation by the service providers to attend training in land preparation and tree maintenance, as well as the other related matters. Currently, most farmers already plant their lands with trees, with some already grown to the treatment stage. Funding for treatment is highly anticipated by the farmers considering the various needs for fertilizers, pest and disease control, and other cash requirements to ensure plants' growth. So far, there have been alternating reports of success for the tree-planting from the farmers, with only 40% of the target amount of trees successfully planted so far for the year, thus, already the scheme is behind on the overall ten-year plan. The buyer has withheld payment until further progress is achieved.



Figure 1. A rewards for environmental services' scheme location with clove plants that have begun to grow (left); and the contract signing between Dr Paul Burgers from CO_2Operate BV with the wali nagari of Paninggahan