

---

## [Indonesia: What is an Ecosystem Restoration Concession?](#)

*In the past decades, a business approach to reverse deforestation gained force. Back in 2004, conservation NGOs and the Indonesian Ministry of Forestry pioneered with a model called Ecosystem Restoration Concessions. This article takes a closer look at this model in the context of new and old threats to forests, and the global push for “forest restoration”.*

[>>> This article is available in Indonesian](#)

Most of the forests in Indonesia are State-owned. In the past decades, so-called “production forests,” which account to more than 50% of the State-owned forests, have been given out to private companies, mainly logging and plantation industries. This has resulted in massive forest destruction for timber, palm oil and pulp and paper production. (1)

The category of Ecosystem Restoration Concessions (ERCs) was officially launched in 2004 in order to reverse the deforestation trend in “production forests”. ERCs were created by, on the one hand, conservation groups including the British Royal Society for the Protection of Birds (RSPB), BirdLife International and its Indonesian affiliate Burung Indonesia and, on the other hand, the former Ministry of Forestry (2). The main idea was to create a market-oriented governmental tool capable to reverse deforestation in those “production forests,” that in spite of the forest destruction still are considered to have high potential for conservation.

In order to receive a restoration license from the Ministry of Environment and Forestry, one has to create a company and present a business plan. The license is granted to the company for a period of 60 years and is renewable for another 35 years. The first company to receive an ERC was PT REKI in 2007, for the Harapan Rainforest Project in Sumatra. PT REKI is the license holder, while the three aforementioned conservation groups created a non-profit foundation that became the major shareholder of PT REKI.

The regulation for the management of ERCs establishes that the license holder should promote restoration activities to “re-establish a biological balance”. **Once that balance is reached, logging can be allowed again.** In the meantime, the ERC allows income generating activities, including selling of credits for ecosystem services such as carbon, conservation of biodiversity or water resources, as well as ecotourism and production and sales of non-timber forest products. Cultivating medicinal and ornamental plants, bee keeping and animal raising are also options the license holder can explore. The regulation defines that the ERCs should ensure an equitable benefit-sharing with local communities. By 2016, a total of 15 licenses had been given out for 573,455 hectares of land in Sumatra and Kalimantan. (3)

Over the years, **big conservation NGOs active in Indonesia around these schemes, such as WWF, TNC and Birdlife, succeeded to mobilize considerable funding for this idea** has been coming from European donor agencies and institutions. The German development bank, KfW, for example, has invested until 2016 at least 15.6 million euros in three ERCs. (4)

---

## ***Has the private “restoration” model worked?***

Since the ERC model was created in 2004, **deforestation has only further increased in Indonesia**, both in terms of primary forest loss as well as in terms of total tree cover loss. (5) Why has the ERC model not been able to reverse the trend of continuous destruction?

First of all, the overall area covered by ERCs is insignificant if compared with the total area of “production forest” in Indonesia, an estimated 69 million hectares by 2015. It means that the 15 licences of ERCs conceded totalling 573,455 hectares cover only a tiny 0.8% of the total area of “production forests”. Even if the government’s target of another 1.7 million hectares for ERCs would have been accomplished, that would still only cover about 3.2% of the total “production forests” area. (6)

But a fundamental question remains. Have the existing ERCs been successful in reversing forest destruction within their concession areas? The available documentation points to the opposite direction. For example, the Harapan Rainforest Project has been the scene of illegal logging, a direct cause of forest degradation and deforestation, whereas large-scale conversion into oil palm plantations has also taken place. Besides, intense and unresolved land disputes have unfolded with communities disputing access to and control over parts of the concession area. (7)

In 2018, forest fires destroyed 16,000 km<sup>2</sup> of the Bukit Tigapuluh National Park in western Sumatra. It is in the same region where, since 2015, the PT Alam Bukit Tigapuluh (ABT) company, set up by the NGO WWF in partnership with the Frankfurter Zoological Society (FZS) from Germany, runs an ERC. The forest destruction caused by the fires would have motivated the peculiar decision of the Indonesian Ministry of Environment and Forestry in 2019 to end its forest conservation partnership with WWF, three years before it would expire. According to a spokesperson from the government, “WWF Indonesia has a concession and it was burned and they couldn’t manage it”. The ABT concession company, on its turn, said the fires were likely caused by people illegally encroaching the area and clearing it by burning. (8)

In 2019, forest fires affected the ERC of the Katingan Peatland Restoration and Conservation Project in Central Kalimantan, created in 2013 by the conservation NGOs Wetlands International, Puter Indonesia Foundation and the UK project developer Permian Global. The ERC is managed by the company PT Rimba Makmur Utama. The ERC lost at least 2,000 hectares of forests due to the fires and thus also lost carbon credits that are being bought by the transnational oil company Shell, which ultimately were transformed into hot air. Shell buys pollution credits from this project arguing they “compensate” their carbon emissions. Also in this ERC project area, conflicts over land and land use have been reported, in this case with Dayak indigenous communities. (9)

## ***Who benefits from these “restoration” concessions?***

ERCs follow a logic similar to the World Bank’s promoted ‘Public-Private’ Partnerships (PPPs). ERCs, just as PPPs, are long-term deals where public money is used to support a private company that supposedly could provide better results than the State, in this case, for ecosystem restoration activities. The conservation NGOs behind ERCs have complained about the “limited options for income generation” and the “high costs” and demanded for more public support and incentives. (10) Only the selling of carbon “credits” stands out as a profitable option, which explains why 10 out of the 15 existing ERCs in 2016 sold carbon “credits”, and why **ERCs are being called the “Indonesian REDD”**, since the government, different from other tropical forest countries, closed its REDD+ agency in 2015.

---

Meanwhile, the aforementioned examples show that forest destruction continues taking place inside ERCs, and therefore the real impact of ERCs on reverting forest destruction becomes at the very least, questionable. Unquestionable though are the **millions of dollars of mainly European development aid agencies that have been running into the bank accounts of the big conservation NGOs, which create and own so-called conservation companies**. No public records can be found, nor on how the millions of dollars so far were spent or on how much the funds benefited the shareholders of the ERC companies. These are some of the unanswered questions that lie around a process where so-called conservation NGOs transform themselves into a profit-driven conservation industry.

### ***The wider context: bigger pressure on forests and communities***

16 years after its launch, the ERC concession model is still functioning. What's more, "forest restoration" has become the slogan of the day in international spaces where forest policies are discussed. Forest restoration is an essential part of the newest trend of Nature Based Solutions (NBS), much highlighted during the last UN climate conference in Madrid in 2019, and which is being considered now as the "new REDD+".

ERCs fit perfectly well into the new concept of NBS, given the carbon credit business that most of the ERCs already practice. Peter Ellis from The Nature Conservancy (TNC) – one of the main conservation NGOs involved in ERCs in Indonesia - suggested that carbon emission reductions could also be achieved by improving "reduced impact logging". (11) This fits into the ultimate objective of ERCs: to **restart logging activities once the "restoration" will be completed**. But experiences, for example from communities in Brazil in the Amazon state Acre, considered by the big conservation NGOs and the World Bank as a "success story of green economy" in the tropical forest, show how the so-called sustainable logging has contributed to only more forest degradation, deforestation and logging. (12)

In the case of the Harapan Rainforest Project, a road project aiming at connecting a number of large coal mines in South Sumatra to the Bayung Lencir river in Jambi province is planned to cross the ERC. Although the Ministry of Forests stopped the project at its first attempt to build the road in 2013, the project was submitted again to the Ministry in 2017. (13) With local governmental support, the chances of approval increased, but no final decision has been taken yet. (14)

Another additional pressure on Indonesian forests is the new push for transition to a so-called "low-carbon" economy based on "green" or "clean energy", strongly pushed for by the European Union as part of its Green European Deal. "Green" or "clean energy" and "low-carbon" sounds nice, but in practice it means a "high" level of more forest destruction for mining, especially cobalt and nickel, essential minerals for the exponential increase in demand expected for electric transport. Indonesia has huge deposits of such minerals in Kalimantan, Molucas and on Papua. "Clean energy" also includes the destructive push for agrofuels such as sugar cane plantations, as well as for hydropower dams and also geothermal energy, heavily promoted by the Indonesian government itself as part of its own "low-carbon" economy policy. (15) New legislation has been approved in 2014, with the assistance of the World Bank, that considers geothermal mining not a mining activity, and as such not a harmful activity, in spite of its damaging impacts and of the fact that most of the extraction sites are inside forest areas.

### ***Final remarks***

Both the more recent push for "green energy" as well as the rise of ecosystem restoration

---

concessions since 2004, have a strong European footprint. While in 2004 European official development aid agencies supported ERCs as an opportunity for European polluters to “compensate” their emissions while European governments could show being concerned about the need for “conservation”, nowadays, the **European Union sees Indonesia as an important provider of strategic minerals for its “green energy” transition.** The forest and social destruction caused by the rush on minerals for Europe’s “green energy” transition will increasingly become evident, and this, on top of the “regular” destruction that European investments continue causing, make ERCs to remain a useful tool for “compensating” pollution while showing a supposed concern about “conservation”.

All of this not only means an increased pressure on Indonesian forests as a result of “forest restoration”, “compensation”, “green economy” and the well-known destruction of the extractive and plantation industry. **These different top-down projects and their expansion plans will increasingly dispute the same spaces**, as shown by the case of the coal transport road crossing the ERC of the Harapan Rainforest Project. ERC projects and other restoration and conservation initiatives in Indonesia tend to expand their areas, taking advantage of the brightly new Nature Based Solutions projects and the new funding options that appear (16). At the end of the day, those agents with the power to conduct this process of dividing and re-distributing the lands will seek to maintain an image of social responsibility, so some communities, if not evicted, might be allowed to remain, nevertheless they might then also encounter oil extraction, restoration concessions, geothermal energy and other business projects in their territories. And what’s worse: with a perfectly legal license to be there.

Insisting in business approaches to so-called conservation and forest restoration such as ERCs and other similar “restoration” initiatives in Indonesia means continue blaming communities for forest destruction, creating more restrictions on their use of forest and also promoting more co-optation, division and conflicts among and with communities. That is what the Indonesian experience with ERCs shows, and which is very similar to experiences with REDD+ elsewhere. (17) An extremely challenging picture for communities on the ground. Joint reflection and careful alliance building from the ground to build a stronger resistance to counter this top-down and destructive process appears an urgent task, of utmost importance.

Winnie Overbeek, [winnie@worm.org.uy](mailto:winnie@worm.org.uy)  
Member of WRM’s International Secretariat

- (1) Reiner Buergin (2016) [Ecosystem Restoration Concessions in Indonesia: Conflicts and Discourses](#), Critical Asian Studies, 48:2, 278-301, DOI: 10.1080/14672715.2016.1164017
- (2) In 2014, the Indonesian Ministry of Environment merged with the Ministry of Forests, creating the Ministry of Environment and Forestry.
- (3) Ecosystem Restoration Concessions. [A second lease of life for Indonesia’s embattled forests?](#) 2016
- (4) Buergin, R, [Ecosystem Restoration Concession in Indonesia: Conflicts and Discourses](#), April 2016, Research Gate
- (5) Mongabay, [Deforestation statistics for Indonesia](#)
- (6) Buergin, R, [Ecosystem Restoration Concessions and German Development Cooperation](#), 2017, Advances in Environmental Research
- (7) REDD-Monitor, [Questions for the Harapan Rainforest Project: Land conflicts, deforestation, funding, and the proposed construction of a coal transportation road](#), May 2019
- (8) Mongabay, [Indonesian Environment Ministry ends WWF partnership amid public spat](#), January 2020

- 
- (9) WRM 248 Bulletin, [Driving “carbon neutral”: Shell’s restoration and conservation project in Indonesia](#), March 2020
- (10) [Ecosystem Restoration Concessions. A second lease of life for Indonesia’s embattled forests?](#) 2016
- (11) WRM 247 Bulletin, [New name for an old distraction: Nature-based solutions is the new REDD](#), January 2020
- (12) WRM 197 Bulletin, [Brazil: Voices of local communities in Acre denounce violations in Community-based Sustainable Forest Management](#), 2013 and WRM 183 Bulletin, [Brazil: continued destruction of forests and biodiversity in the state of Acre, considered a model of the “green economy” in the Brazilian Amazon](#), 2012
- (13) REDD-Monitor, [Questions for the Harapan Rainforest Project: Land conflicts, deforestation, funding, and the proposed construction of a coal transportation road](#), May 2019
- (14) Mongabay, [A forest beset by oil palms, logging, now contends with a coal-trucking road](#), May 2019
- (15) WRM 244 Bulletin, Indonesia. [The gloomy truth behind geothermal energy: a misleading narrative of “clean energy”](#), July 2019
- (16) In reference to the in 2019 announced approval of US 1 billion dollars from Norway for actions to reduce deforestation and forest degradation in Indonesia. See: Mongabay, [Indonesia to get first payment from Norway under 1 billion dollars REDD scheme](#), February 2019
- (17) WRM, [REDD: A collection of conflicts, contradictions and lies](#), 2014