Forum on Promoting Business Engagement and Matching through the Joint Crediting Mechanism (JCM) to Expand Indonesia's Carbon Market

Happiness Grows from Trees
SUMITOMO FORESTRY

Restoration, Rehabilitation, and Management of Degraded Peatland Systems in Central Kalimantan

Sumitomo Forestry Co., Ltd.

August 21, 2025

Why Focus on Degraded Peatlands?

Happiness Grows from Trees
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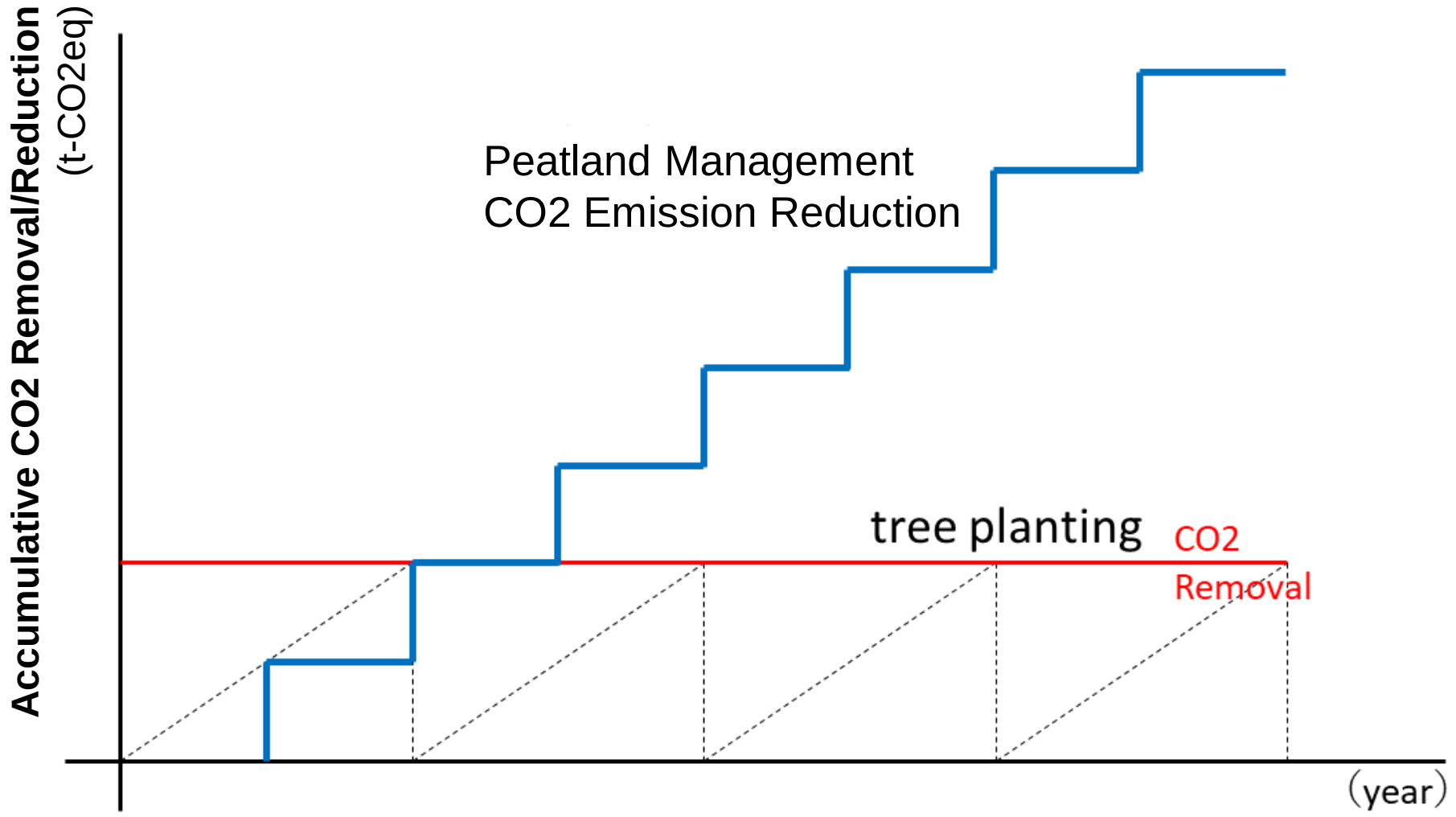
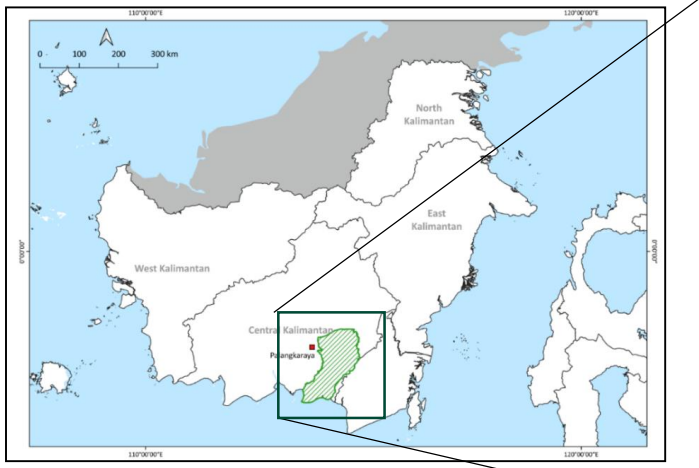
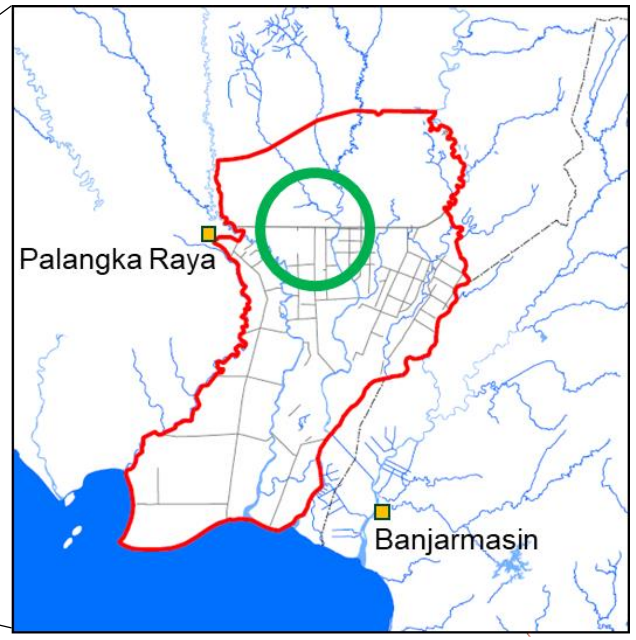


Contribution to CO2 Emission Removal/Reduction

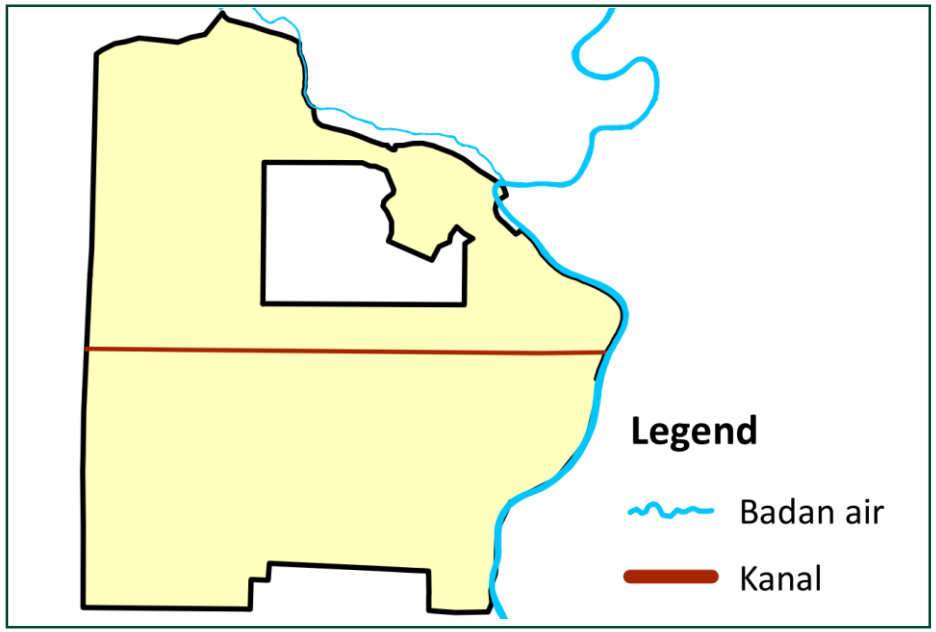
Project Overview



Kalimantan



Ex-Mega Rice Project Area



Project Site

- **Project site**: Approximately 18,000ha in Ex-Mega Rice Project (EMRP), Central Kalimantan
- **Project Aims**：
  (1) Restoration of degraded peatlands and implementation of sustainable peatland management
  (2) Building a model to restore degraded peatland and sustainable peatland management, balancing environmental, social, and economic aspects
  (3) Establishment of 2 Science-based methodologies（peatland management, GHG measurement）

Progress in MoC/MoU/PKS

G to G

JAPAN

Ministry of Environment

Memorandum of Cooperation （MoC）

INDONESIA

Ministry of Environment and Forestry

G to B

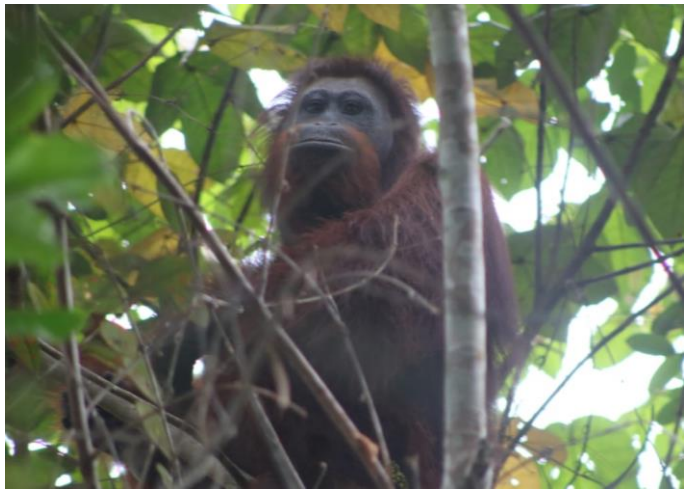
Sumitomo Forestry Group

Memorandum of Understanding (Nota Kesepahaman)

Cooperation Agreement
Perjanjian Kerja Sama (PKS)

Ministry of Forestry

- Directorate General of Watershed Management and Forest Rehabilitation (PDASRH)
- Directorate General of Sustainable Forest Management (PHL)



Institutional Challenges and Proposal for EMRP

Current Condition：

- Most of the EMRP area is designated as protection forest (*Hutan Lindung*), but about half is severely degraded, having lost its water retention function and no longer fulfilling its role as protection forest.
- Timber production is not permitted in protection forests, limiting opportunities for private sector and local communities.
- Without private sectors, peatland restoration requires large-scale public funding.

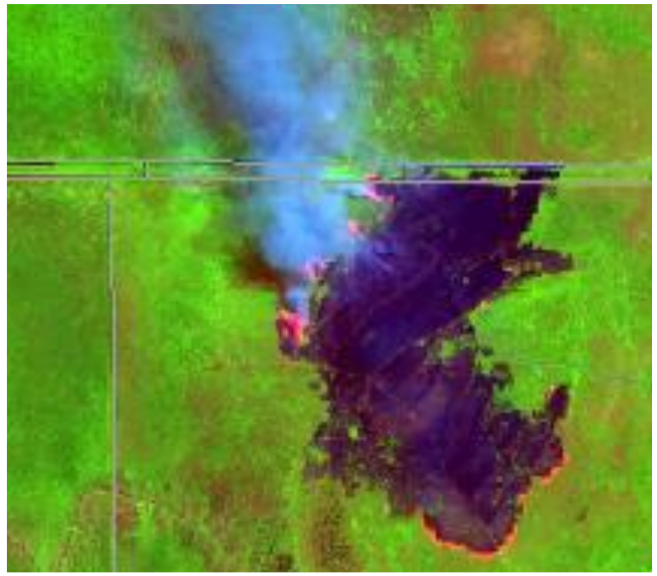
Impact on Economy：

- Future carbon credits are expected, but carbon credit business can generate jobs only during initial planting and little thereafter.
- Without timber production and replanting cycles, long-term employment for local communities can’t be generated.
- Restoration costs can’t be recovered only with carbon credit.

Environmental Concerns：

- Lack of management has led to fires; 2015 alone emitted about 1.1 billion t-CO_2（40% of Indonesia’s fossil fuel-related emissions).

Proposal: Convert degraded and non-functional protection forests into production forests for effective utilization.



Peatland fire in Project Site (Sep 2023)

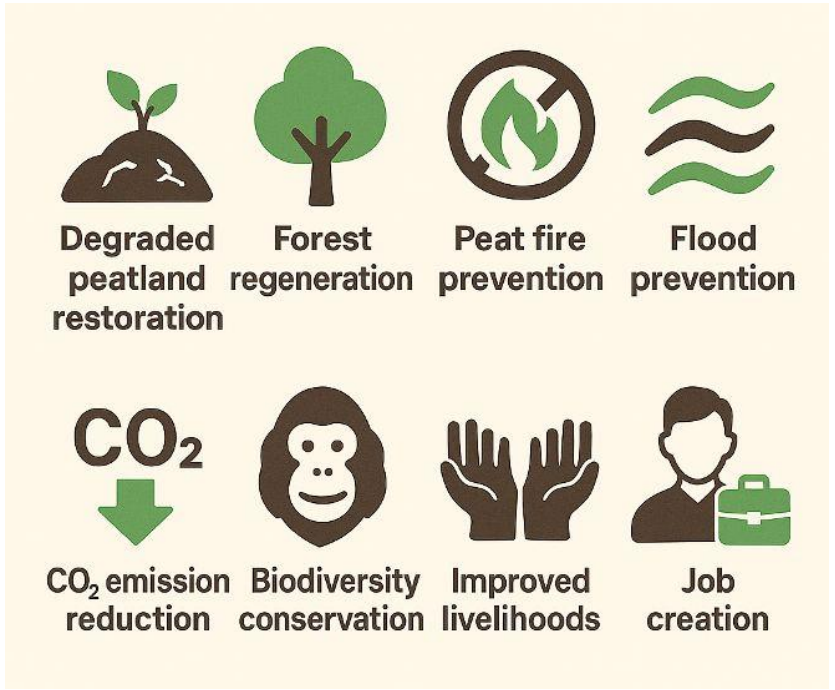
Discussion with local community (Sep 2024)

Impacts on the Local Community

Converting protection forests on degraded peatland into production forests promotes peatland restoration and sustainable management through private investment, leading to various impacts on the local communities.

- **Effect on Socioeconomic**
  - Create economic activities on currently abandoned and degraded lands.
  - Generate stable and continuous local employment.
  - Increase household income and help reduce poverty levels.

women growing seedlings



- **Contribution to Environment**
  - Mitigation of Flood and Fire Risks.
  - Reduction of Health Risks from Haze and Smoke.

- **Education and Empowerment**
  - Educational Support Provided by companies.
  - Promoting Job Opportunities for Women (e.g., Seedling nursery, office).

- **Co-Creating a Sustainable Farming Model with Local Communities**
  - Promoting agricultural trials in collaboration with local communities (e.g., small-scale rice farming, agroforestry).
  - Introducing low-cost, productivity-enhancing technologies (Our unique composting technology).
  - Improving stable food supply and local self-sufficiency (contribution to food security).