Driving “Carbon Neutral”: Shell’s Restoration and Conservation Project in Indonesia

Oil multinational Shell claims that it is possible that consumers drive “carbon neutral”, simply by paying extra for offsetting their emissions - planting trees or investing in existing forest areas elsewhere. But what is happening in those areas elsewhere?

(This article is also available in Bahasa Indonesia)

According to companies such as oil multinational Shell and airline company KLM, it is perfectly possible to drive or flight “carbon neutral”; simply offset the carbon emissions by planting trees or investing in existing forest areas elsewhere. What is often silenced though is that those trees should remain standing in order for any compensation to happen, at least during the trees’ lifetime. And that is by no means always the case.

Since April 2019, Shell offers its customers the option of driving "carbon neutral". Anyone choosing to pay an extra cent per litre of gasoline or diesel or fills up the slightly more expensive fuel brand V-power, is paying to offset his or her carbon emissions. Shell uses the extra money to plant trees and to invest in existing forest reserves. According to Shell’s website, more than 20,000 car rides’ emissions have already been compensated in this way. That would amount to around 55 million litres of gasoline. To compensate for that, according to Shell, 376,000 trees need to be planted or protected and should remain standing forever.

How does Shell do this?

Among others, the oil company buys carbon (CO_2) credits from The Katingan Peatland Restoration and Conservation Project (also known as the Katingan Mentaya project) in Central Kalimantan, a province in the Indonesian part of the island of Borneo. Although the biggest forests-related compensation scheme of the last 15 years is called REDD+, in Indonesia they use terms like Ecosystem Restoration Projects or Restoration and Conservation Projects. These nonetheless operate under the same logic and purpose of REDD+: allow fossil fuels extraction and burning to continue.

The Katingan Mentaya project is the world’s largest forest compensation project, according to its website. It was created in 2007 by the Indonesian company PT Rimba Makmur Utama in collaboration with the British project developer Permian Global, and two NGOs: Puter Indonesia Foundation and Wetlands International. The director of the company is a former JP Morgan banker in New York, Dharsono Hartono, whom after discovering that conservation and profiting go well together, decided to return to his home country. The Ministry of Forestry approved the Ecosystem Restoration Concession in October 2013 with about 100,000 hectares; around half of the area the company had applied for. Three years later, the Department for Environment and Forestry approved a second concession covering almost 50,000 hectares.

The reserve covers a total area of 157,722 hectares of tropical forest and peat soils. Developers

argue that without the project, the area would be converted into industrial acacia plantations for paper production. Carbon credits have been sold since 2017 for five to ten dollars per tonne and therefore the reserve can earn up to 75 million dollars per year by “avoiding” CO2 to go up in the air.

“Avoiding”, however, does not mean that the total amount of CO2 in the atmosphere gets lower. Carbon credits are sold as a licence to emit a similar amount of greenhouse gases elsewhere in the world. There is no climate gain but, on paper, no loss either. Hence the term “carbon neutral”.

The theory goes that if you can ensure that the same amount of CO2 emitted during a car ride can be removed from the air somewhere else, the pollution is compensated. But this only counts if it can be proven that the planted trees that are removing the CO2 would never have been planted without the offset project. If not, the compensation is not “additional”. Now, if the compensation is based on the protection of existing forests and peat soils, such as with the Katingan Mentaya reserve, the story gets even more complicated. How do project developers know for sure that the forest that they are protecting was going to be cut down?

The answer is that they cannot know for sure. Project developers rely on risk profiles and future models. They estimate the future likelihoods of deforestation by looking at other similar areas. This is called the baseline. Based on this, they calculate the amount of CO2 “stored” within the project area, which is then converted into saleable carbon credits. Each credit represents a tonne of “avoided CO2 emissions”. But, of course, the more deforestation they predict in their baselines, the greater the CO2 gain they can claim and the more credits they can sell.

Five years ago, the French research agency Chaire Economie du Climat concluded that 26 per cent of the 410 analysed REDD+ projects overlapped with an existing protected area or national park. REDD+ simply served as a logo to attract new financing.

On top of this, another major criticism against REDD+ is that protected forests are vulnerable and can disappear due to fire, logging or illness. Compensation projects must guarantee that these forests will remain standing for a lifetime.

Despite this, the oil and aviation industries are embracing REDD+ projects, mainly under the so-called “voluntary market”. This market assists not only consumers who want to feel better for their fuel use, holiday flight or online purchases, but also, increasingly, large companies who want to pretend to be doing something for their large-scale pollution and thus please their clients and investors.

In addition to Shell, automobile company Volkswagen and BNP Paribas bank also purchase carbon credits from the same reserve in Kalimantan. Worldwide, from Cambodia to Peru and from Zimbabwe to Guatemala, there are now hundreds of such projects.

Carbon Turning to Smoke

2019 was an extreme year of forest fires in Indonesia, which are closely linked to the expansion of oil palm plantations. The fires that raged between July and October transformed large parts of Sumatra and Kalimantan in areas covered with poisonous smog. Schools and hospitals closed, the local population walked around wearing masks, tens of thousands of people were evacuated and ten died.

The fires also reached the Katingan Mentaya reserve, which borders with an industrial oil palm plantation from the company PT Persada Era Agro Kencana. Fire easily spreads due to the fragile

dry soil under these plantations. This oil palm plantation concession was given in 2013, despite a moratorium on forest-clearing agreed between Indonesia and Norway in 2011.The palm oil industry is a major cause of tropical deforestation, which generates a lot of carbon emissions and drains the peat soils. This is one of the reasons why Indonesia is the fourth largest greenhouse gas emitter. An estimated 2000 hectares of the Katingan reserve went up in smoke.

In November 2019, two Indonesian journalists - Gabriel Wahyu Titiyoga and Aqwam Fiazmi Hanifan - travelled to the reserve and saw that “the burnt area is huge.” Titiyoga said “I walked about two miles and still can’t see the end of the fire scar.” The journalists also encountered dozens of agricultural plots within the project area that on paper should not have been there. A wooden board reads, “This area is controlled by the Dayak”. Dayak villagers say that they have never been properly informed about the limits of the reserve. The individual plots are marked with wooden signs with the names of villagers. To cultivate their vegetables and rice, the indigenous Dayaks also use fire, but in a very different way, they use it in a controlled way. But the conflict over land and forest use in the area of the project goes back many years.

In 2014, the governor of Central Kalimantan promised every Dayak family five hectares of agricultural land. But they still had to sort out where this land would be located. During the provincial elections of 2017, a local politician promised them the same. The Dayaks use the documents with this information to claim the promised land. But legally they do not have a leg to stand on.

There are about 40,000 people living in 34 villages around the project area. Five hundred villagers have been trained as firefighters under the project. To “avoid a fight”, the project offered communities 100 million rupiah (about US$10,000) a year for training and educational projects, aimed at getting them to work the land without using fire or chemicals. Four villages refused, saying the money was not enough.

But how can drivers in the global North still drive “carbon neutral” when part of the compensation reserve was burnt? According to the US-certifier company Verra, which issues the Verified Carbon Standard (VCS) label and oversees the carbon trading of this project, even if the entire forest reserve was burnt down, Shell customers could still drive “climate neutral”. Each compensation reserve holds back a percentage of credits in an “emergency pot” for credits that are lost elsewhere. "It's like risk insurance," says Naomi Swickard, head of market development at Verra. That means that the amount of CO^2 lost from the compensation project in Indonesia would in turn be compensated through an insurance system with credits from a forest elsewhere in the world.

In consequence, the Katingan Mentaya reserve, which in theory holds the equivalent carbon that cars are meanwhile emitting in the global North, confronts threats of forest fires, large oil palm plantations and governmental agencies issuing overlapping permits. But nonetheless, carbon credits are being sold and highly polluting companies are assuring consumers that their emissions are compensated. The trees just need to remain standing forever somehow.

Forest compensation projects largely blame forest peoples and peasant agriculture for deforestation while not addressing the underlying political and economic causes of deforestation nor do they change the ongoing pressure on forests and land.

The Indonesian government aims to reduce its CO2 emissions by 29 per cent by 2030, based on its own efforts – while claiming it could achieve 41 per cent with international assistance. The 2019 fires are predicted to reduce that target to around 20 per cent. “We still have lots of work until 2030. The President has ordered that there must be no forest fires next year [2020]”, said Ruandha Agung

Sugardiman, Director of the Climate Change Control of the Ministry of Environment. And in the case that the government needs additional carbon reserves for its national reduction targets, stocks from companies in the carbon market may be withdrawn or stopped to prevent them from being sold. This condition, according to Ruandha, is part of the companies' contracts.

Since 2007, the year in which REDD+ started, the concentration of CO2 in the atmosphere has only increased. Governments and companies present their REDD+-type projects as a first step in their "actions" for climate mitigation and the world applauds. But, in practice, industries are getting a license to continue extracting oil, expanding plantations or deforesting, and consumers continue to drive and fly without concern. (Forest) compensation projects are not a solution for climate change since emissions need to be drastically reduced at source and not be compensated.

This article is a summary from the following journalistic articles:
Daphné Dupont-Nivet (only available in Dutch):
- *De Groene Amsterdammer,* Het klimaatbos gaat in rok op*, December 2019*
- *Trouw,* Het CO2-compensatiebos van Shell: brandstichting en ruzie met de lokale bevolking*, December 2019*
- *Investico,* Branden en boeren bedreigen Shell-Klimaatbos in Indonesië*, December 2019*

- Gabriel Wahyu Titiyoga's article, The Carbon Center's Staggered Walk, published in the Tempo Magazine (in English)

- REDD-Monitor's article, Indonesia's Katingan REDD Project sells carbon credits to Shell. But that doesn't mean that the forest is protected. It is threatened by land conflicts, fires and palm oil plantations, December 2019 (in English)

- Video reportage by Indonesian media, Narasi Newsroom (in Bahasa):
v=tJ2Utsg6Uqg&feature=youtu.be