

Omnibus Law on Job Creation: Injuring Climate Commitment, Accelerating Forest Loss, Perpetuating Disasters

[Jakarta, October 7, 2020] The signing of Omnibus Bill on Job Creation into law by the House of Representatives of Republic of Indonesia on October 5, 2020 is an injury to Indonesia's climate commitment and forest protection efforts that have been carried out for 9 years. The newly enacted Law has the potential to perpetuate Indonesia's deforestation. Referring to Madani's analysis on the Risks of Omnibus Bill on Job Creation for Natural Forests and the Achievement of Indonesia's Climate Commitment, if enacted, some articles in the Bill that weaken forest and environmental protection could increase the risks of natural forests loss. There are five provinces in Indonesia that could lose their natural forests completely in the future based on the current deforestation rates, namely: Riau Province in 2032; Jambi and South Sumatra Provinces in 2038, Bangka Belitung Province in 2054, and Central Java Province in 2056.

Spatial analysis conducted by Madani shows that around 3.4 million hectares of natural forests exist in palm oil permits area (Land Use Right/HGU, Plantation Business Permit/IUP, and other permits that are not yet definitive, including location permit). Such forests could be saved based using the momentum of evaluation of palm oil plantation licenses mandated by the Presidential Instruction (INPRES) No. 8 Year 2018 (palm oil moratorium). The largest natural forests within palm oil permits area exist in Papua Province with a total of 1.3 million hectares, followed by East Kalimantan with 528 thousand hectares. With the additional demand for CPO from the biodiesel policy and the ease of palm oil permits' expansion into the forest zone, Indonesia's chance for saving its natural forests in the palm moratorium period is slim. If the 3.4 million hectares of natural forest are lost, Indonesia's climate commitment will not be met as it will exceed the deforestation 'quota' of 3.25 million hectares by 2030. Thus was conveyed by Teguh Surya, Executive Director of Yayasan Madani Berkelanjutan, in response to the signing of the Job Creation Bill into law on October 5, 2020.

Moreover, according to Madani's analysis, the total disputed or overlapping area between permits and forest and land protection in Indonesia reaches 75.6% or 143 million hectares from the total 189 million hectares of Indonesia's land area. Teguh Surya added that "From the total 143 million hectares of disputed area in Indonesia, 11.3 million hectares are industrial timber plantation permits/IUPHHK HT, 18.9 million hectares are logging permits/IUPHHK HA, 622 thousand hectares are ecosystem restoration permits/IUPHHK RE, 11 million hectares are indicative social forestry area/PIAPS, 22.7 million hectares are palm oil permits, 66.3 million hectares are permanent moratorium area/PIPIB, 14.9 million hectares are onshore mineral and coal permits and 31.9 million hectares are onshore oil and gas concession area."

"The dispute or overlap between permits and area of forest and land protection in Indonesia shows that the Omnibus Law on Job Creation is not the correct answer to Indonesia's investment and economic growth in the future," said Teguh Surya. "The Government and Parliament should have prioritized improvement of environment and natural resources

governance and strengthened the Corruption Eradication Commission/KPK to improve the economy. This is clear from the result of Natural Resources and Environment Laws Harmonization study by the KPK in 2018, which mandates the harmonization of 26 Laws related to Natural Resources and the Environment based on natural resources and environmental management principles", explained Teguh.

The newly enacted law ignores ten major barriers to investment in Indonesia, including, corruption, bureaucratic inefficiency, access to financing, inadequate infrastructure, policy instability, government instability, tax rates, poor work ethics, tax regulation, and inflation. Instead of bringing hope for stronger economic growth, the law is a bad sign.

With the enactment of the Omnibus Law on Job Creation, the chance to better protect natural forests by strengthening the permanent moratorium policy (expanding the scope of Presidential Instruction No. 5 of 2019) is threatened to never materialize. Natural forests outside PIPPIB protection in four main provinces are threatened, namely in Central Kalimantan with 3.5 million hectares, West Kalimantan with 1 million hectares, Aceh with 342 thousand hectares and West Sumatra with 254 thousand hectares.

"Madani's latest analysis shows that the Indicative Map of Termination of License Granting in Natural Primary Forest and Peatland or PIPPIB of 2020 (1st period) with the total area of 66.3 million hectares is still crisscrossed with various permits and other land and forest allocations. The largest permits overlapping with PIPPIB are onshore mineral and coal permits with 7.2 million hectares and onshore oil and gas permits with 6.4 million hectares. PIPPIB also overlap with the indicative social forestry area/PIAPS (4.7 million hectares), palm oil permits (1.2 million hectares), logging permits (386.000 hectares), industrial timber plantation permits (123.000 hectares) and ecosystem restoration permits (4,748 hectares)," said Fadli Naufal, GIS Specialist of Yayasan Madani Berkelanjutan.

Moreover, Indonesia risks failing to achieve its climate commitment in the forestry sector, especially from reducing deforestation if the 3.25 million hectares deforestation threshold (from 2020-2030) is exceeded by 2025, a projection based on potentially increasing deforestation rate due to weakened forest and environmental protection. "In the first Nationally Determined Contribution/NDC, it is mentioned that Indonesia has a target to reduce deforestation to below 3.25 million hectares by 2030 or a maximum of 325,000 hectares/year during 2020 to 2030 by its own efforts and with international assistance. We risk missing the target if the deforestation-triggering articles in the Job Creation Law are implemented," said M. Arief Virgy, Insight Analyst of Yayasan Madani Berkelanjutan.

"On average, Indonesia's deforestation rate in the 2006-2018 period is 688,844.52 hectares/year. From such number, we can calculate that Indonesia will exceed its deforestation quota of 2030 NDC target by 2025," M. Arief Virgy added.

Therefore, the Omnibus Law on Job Creation clearly is not the answer for economic growth and efforts to save forest and peatland and achieve Indonesia's climate commitments. It

rather harms the efforts that have been made by the government in saving Indonesia's remaining forests as well as the country's climate commitment. []

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