



Ministry of Environment and Forestry - ISWA - ITTO

ITTO PD 737/14 Rev. 2 (I)

*Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatera Province of Indonesia*

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## **Minutes of Meeting**

### **The 4th Meeting of the Project Steering Committee (PSC)**

ITTO Project PD 737/14 Rev. 2 (I)

*Developing Supply Capacity of Wood-based Biomass Energy through Improved Enabling Conditions and Efficient Utilization of Degraded Forest Lands Involving Local Communities in North Sumatera Province of Indonesia*

Virtual meeting, 15 Januari 2021

#### **Item 1. Opening of the Meeting**

- Mr Istanto, Director of Production Forest Business Management (UHP), on behalf of the Executing Agency and Chairman of the PSC, chaired the Meeting; he called the Meeting to order at 09.00 a.m. and thanked PSC members and participants. He briefed the Meeting on recent policy and strategies for development of renewable, wood-based energy in the forestry sector as summarized below:
  - ✓ Indonesia is targeting a 23% share of renewable energy in its energy mix by 2025 while realized share by end of 2020 was only 11.5%;
  - ✓ Forestry sector is expected to support promotion of renewable energy mix through involvement of forest concession holders in energy forest development;
  - ✓ DG PHPL of MoEF and DG Renewable Energy of MoEM have signed a MOU on forest-based energy development through planting of suitable species, e.g. akasia, kaliandra, gamal, lamtoro and eukaliptus;
  - ✓ As to date, 31 concession holders are committed to developing 1.2 M hectares of energy forest; in addition, 9 FMUs are currently involved in energy forest development;
  - ✓ Energy forest development shall benefit local communities; to this end, the communities must be empowered through implementation of appropriate programs;
  - ✓ Development of energy forests needs to be integrated with wood pellet industry and co-firing of wood pellet with coal is a promising means to market wood pellet;
  - ✓ This on-going ITTO Project is expected to be sustainable with emphases on local community development, FMU capacity building, production of wood chips and pellets at community and enterprise levels and collaboration between energy forest investors and local communities.

- Dr. Tetra informed the Meeting of his visit to demo plots of energy forest at Simalungun and Humbang Hasundutan FMUs and provided some insights on exist strategy of the project as summarized below:
  - ✓ The remarks made by Mr. Istanto are very important and truly challenging;
  - ✓ The growth of kaliandra on demo plot at Simalungun FMU was quite good, better than gamal;
  - ✓ The demo plot at Humbang Hasundutan did not perform satisfactorily due to different reasons, currently under investigation by competent expert;
  - ✓ Findings of the project need to be analyzed, disseminated and utilized in cooperation with the relevant stakeholders;
  - ✓ The project's findings need follow-up actions by developing project proposals on wood-based energy development for submission to ITTO and other donors;
  - ✓ Demonstration follow-up projects at FMU level are particularly important and funding capacity of ITTO is expected to be brighter for projects of the kind.

**Item 2. Review of the Recommendations of the 3<sup>rd</sup> PSC Meeting**

	<b>Recommendations</b>	<b>Follow up Action</b>
1	For the PMU to invite as many the relevant main stakeholder as possible to attend the workshop on study on feasibility of investment in wood pellet industry in North Sumatera subject to availability of project funds	The workshop was attended by some 35 participants representing forestry and energy government institutions, industry associations, local governments, private sector, NGOs and practitioners
2	For the PMU to timely carry out maintenance and monitoring activities on the demplots to ensure proper tree growth and development and to convince local communities on the existence of the project	Maintenance of plantations and monitoring of growth have been carried out regularly at 4-month interval with the assistance of local farmers
3	For the PMU to immediately prepare and submit the Executing Agency a BAST on completed project activities	A BAST on completed activities till September 2019 has been completed
4	For the PMU to shortly conduct training of local communities using practical modules in anticipation of growing demand for energy wood generated by incoming processing mills.	The training of local communities on techniques for energy forest development has been completed under Act. 2.2 involving 205 farmers in total as the trainees

**Item 3. Presentation by the PMU**

On behalf on the PMU, Dr. Sidabutar, the Project Management Advisor, presented to the Meeting: background information on the project, progress in implementation of the project and inputs applied, YPO 4 and concluding remarks. The full text of the presentation appears in **Annex 3**.

**Item 4. Inputs applied and review of project finance**

Dr. Sidabutar reported to the meeting the inputs applied to implementing the project as follows:

- i. Consultants
  - ✓ Dr Aswandi of Aek Nauli FRI, 3 months in the execution of Activities 1.1 and 1.2; 3 months for Activity 1.5, and 2,5 months for Sub-Activity 1.3
  - ✓ Mr. Hiras Andrew Lumbantoruan, 1 month, in the execution of Act. 2.3
  - ✓ Mr Riskan Efendi, 4 months in the execution of Activity 2.5
  - ✓ Dr. Dede Hermawan, 5 months, in the execution of Activity 3.4
  - ✓ Dr Subarudi, 3 months in the execution of Activities 3.5 and 3.6
- ii. Contracting small local firms (Acts 1.3 and 2.2)
  - ✓ CV Rio in Humbang Hasundutan FMU
  - ✓ UD Tunas Rimba in Padang Sidempuan FMU
  - ✓ CV Anggi in Simalungun Pematang Siantar FMU
  - ✓ CV Bumi Hijau in Simalungun
- iii. Funding

The total amount of funds used as of 31 December 2020

ITTO's funds received : USD 400,000.00

Funds expended : USD 370,864.47

Balance as of 31 Dec 2020 : USD 29,135.53

**Item 5. Highlight of Discussion**

Chairman of the Meeting invited the participants to comment on the presentation made by Dr. Sidabutar in view of improving performance of the project; the critical subjects discussed are summarized below:

- i. Dr. Teguh of the Bureau for International Cooperation (KLN) acknowledged the progress in implementation of the project and made the following observations:
  - It was not clear to Dr. Teguh on the lands for developing energy forests; critical lands, suitable lands or available lands?
  - The failing demo plot in Humbang Hasundutan FMU is under investigation; results of this work is critical for future energy forest development. What is the time schedule for completing the investigation?
  - As to date, no investment on wood pellet has been realized or initiated; is something wrong with the feasibility study? Realizing investment in wood pellet is critical factor to improving income of local communities through growing of energy forest on degraded lands.
  - Why is it necessary to re-examine caloric content of the energy wood?

- ii. In response to Dr. Teguh's observations, Dr. Sidabutar said that:
  - Energy forests are to be developed on critical lands inside or outside state forest lands using 3 species in cooperation with local communities;
  - Investigating work on the failing demo plot is scheduled to be completed by March 2021;
  - Indeed, realizing investment in wood pellet factory is the key factor to sustain the project and wood-based biomass energy. Nothing was wrong with the feasibility study on investment except that few conditions were surfacing since the FGD on the study report organized through end of 2019: continuous decreasing of wood pellet export price, the world wide spread of covid 19 pandemic since early 2020 and the heavily uncertain income of wood pellet users;
  - While caloric content of energy wood grown in Java island has been reported by literature at around 4,771 kcal per ton, it might not the case if the species are grown in North Sumatera, could be higher or lower, which could serve as an incentive or disincentive to invest.
- iii. According to Dr. Tetra, there is a need to enhance dissemination of the project's results in view of promoting investment focusing on information on growth and yield of the demo energy forests at the 3 sites and information on the feasibility study on investment. Dr. Tetra also added on the need to enhance policy on renewable wood-based energy development in view of achieving the planned national energy mix
- iv. Mr. Istanto, the Chairman, informed the Meeting of the need to consult with the BLU of MoEF on possible investment by a forestry BUMN (state-owned company) in wood pellet manufacturing
- v. Mr. Hendro of the Executing Agency presented the following observations:
  - Export price of wood pellet has been consistently decreasing since early 2020 which discouraged investment;
  - Another potential raw material for wood pellet is wood wastes of wood industry; the questions remain on sufficiency and collection cost at mill gate;
  - Energy forest can be developed more productively by mixing livelihood trees, e.g. aren, with energy species;
  - It might be useful to conduct an overseas study on use of wood-based energy by households as regards needed equipment and facilities as well as costing as compared to electricity.
- vi. Mr. Jimmy Chandra, the Project Coordinator informed the Meeting that, under the current price level, producing wood pellet is possible only with government subsidy which is justifiable in light of the social and environmental benefits generated by the industry in the long-run.
- vii. In closing the discussion session, Mr. Istanto re-iterated the urgent need for realizing investment in wood-pellet factory in North Sumatera for which the

Executing Agency and the PMU need to talk with ISWA, the collaborating Agency, the BLU of MoEF and other stakeholders

**Item 6. Decisions and Recommendations**

a. Decisions

1. The Meeting endorsed the progress in implementation of the project as reported by the PMU.
2. The Meeting approved to finalize draft of YPO 4 presented by the PMU and use it as the guiding document of project operations.

b. Recommendations

1. The on-going investigation on causes of non-performing demo plot at Humbang Hasundutan FMU should be shortly completed and results disseminated to FMUs and other relevant stakeholders concerned with energy forests development.
2. Results and findings of the project, including the feasibility study on investment in wood pellet industry should be widely disseminated in view of sustaining the project and its socio-economic as well as environmental benefits.
3. To consult with MoEF on possible investment by a Forest State Company, INHUTANI, using the funds from the Public Service Unit of MoEF (BLU); the primary objective of the investment during the covid 19 pandemic time is generation of socio-environmental benefits.

**Item 7. Closing session**

Mr. Istanto closed the meeting at 11.30 a.m. by voting thanks to all participants.

**Item 8. Other matters**

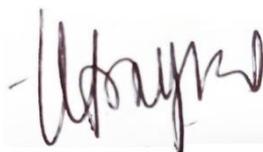
- Organization of the next PSC meeting is to be determined by ITTO and the PMU in due time through consultation;
- Signing of minutes of the Meeting is to be accomplished through electronic mechanism

We the undersigned endorse the Minutes as a record of the PSC Meeting.

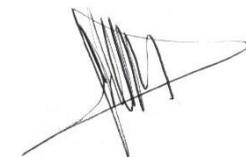
Jakarta, 15 January 2021



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ITTO Representative



Mr Jimmy Chandra  
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