

TEMPLATE

DEVIATION REQUEST FORM

PUBLICATION DATE **11.04.2021**

Version **5.0**

A. To be completed by Gold Standard

1 | Decision

1.1 | Date – 16/01/2025

1.2 | Decision

The deviation is not approved.

The project is not allowed to deviate from GS4GG Blue Carbon and Freshwater Wetland Activity Requirements V1.0, clause 4.1.18,

"A project may request retroactive issuance of certified impact statements and/or products. The maximum period for retroactive issuance is three years, which starts on either the project start date or three years prior to the date of project design certification, whichever occurs later".

1.3 | Is this decision applicable to other project activities under similar circumstances?

No

B. To be completed by the Project Developer/Coordinating and Managing Entity and/or VVB requesting deviation (Submit deviation request form in Microsoft Word format)

2| Background information

Deviation Reference Number	DEVQR-40	
Date of decision	16/01/2025	
Precedent (YES/NO)	No	
Precedent details	-	
Date of submission	25/10/2024	
Project/PoA/VPA	Project	ID – GSXXXX
	<input type="checkbox"/> PoA	ID – GSXXXX
	<input type="checkbox"/> VPA	ID – GSXXXX
Project/PoA/VPA title	<p>PoA: Ibu Bakau: Community-powered Mangrove Afforestation in Indonesia</p> <p>Real Case VPA 1: Ibu Bakau: Community-powered Mangrove Afforestation in Indonesia 1</p> <p>Real Case VPA 2: Ibu Bakau: Community-powered Mangrove Afforestation in Indonesia 2</p>	
Date of listing	<p>N/A</p> <p>To be submitted for Preliminary Review</p>	
GS Standard version applicable		
Date of transition to GS4GG (if applicable)	N/A	
Date of transition to Gold Standard from another standard (e.g. CDM) (if applicable)	N/A	
Date of design certification/inclusion (if applicable)	N/A	
Location of project/PoA/VPA	Indonesia	
Scale of the project/PoA/VPA	<input type="checkbox"/> Microscale <input type="checkbox"/> Small scale <input checked="" type="checkbox"/> Large scale	
Gold Standard Impact Registry link of the project/PoA/VPA	<p>N/A</p> <p>To be submitted for Preliminary Review.</p>	
Status of the project/PoA/VPA	<input checked="" type="checkbox"/> New <input type="checkbox"/> Listed <input type="checkbox"/> Certified design <input type="checkbox"/> Certified project	
Title/subject of deviation	<p>Deviation from GS4GG Blue Carbon and Freshwater Wetland Activity Requirements V1.0, clause 4.1.18 regarding the three-year retroactive issuance rule for projects.</p>	

Specify applicable rule/requirements/methodology, with exact paragraph reference and version number	GS4GG Blue Carbon and Freshwater Wetland Activity Requirements V1.0, clause 4.1.18 states, "A project may request retroactive issuance of certified impact statements and/or products. The maximum period for retroactive issuance is three years, which starts on either the project start date or three years prior to the date of project design certification, whichever occurs later".				
Specify the monitoring period for which the request is valid (if applicable)	<table border="1"> <tr> <td>Start date</td> <td>End date</td> </tr> <tr> <td>N/A</td> <td></td> </tr> </table>	Start date	End date	N/A	
Start date	End date				
N/A					
Submitted by	<table border="1"> <tr> <td>Contact person name: Sandeep Roy Choudhury Email ID: sandeep@vnvadvisory.net; portfolio@vnvadvisory.net</td> </tr> <tr> <td>Organisation: Value Network Ventures Pte. Ltd.</td> </tr> <tr> <td>Project participant: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></td> </tr> </table>	Contact person name: Sandeep Roy Choudhury Email ID: sandeep@vnvadvisory.net ; portfolio@vnvadvisory.net	Organisation: Value Network Ventures Pte. Ltd.	Project participant: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
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Project participant: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>					
Validation and Verification body (VVB opinion shall be included, where required by the applicable rules/requirements or request is submitted by the VVB).	<table border="1"> <tr> <td>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></td> </tr> <tr> <td>If yes; VVB name:</td> </tr> <tr> <td>VVB Staff name(s):</td> </tr> </table>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	If yes; VVB name:	VVB Staff name(s):	
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>					
If yes; VVB name:					
VVB Staff name(s):					
Any previous deviations approved for the same project activity/PoA/VPA(s)?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>				

3| Deviation detail

3.1 | Description of the deviation:

3.1.1 | Deviation detail (to be completed by Project developer):

The proposed PoA and its two associated VPAs aim to restore mangrove habitats across coastal villages in Indonesia. Initiated in 2021, the PoA and VPAs are designed to achieve the following objectives:

- Restore degraded mangrove habitats through plantation activities.
- Enhance local socio-economic conditions by offering training for Income Generation Activities (IGAs), providing healthcare, income diversification, and addressing climate vulnerabilities, with a focus on empowering women and youth.
- Improve biodiversity by restoring mangrove ecosystems, increasing surveillance, and reducing unsustainable extraction of mangrove resources.

The project takes a holistic approach to address the root causes of mangrove degradation by raising awareness, providing training, and offering alternative sustainable livelihoods. This ensures the permanence of restored habitats and support climate resilience and income diversification for fishing-dependent communities. Additionally, mangrove eco-centres are established to foster education and eco-tourism income generation. The project activities are led by local communities, ensuring long-term survival and sustainability.

This comprehensive effort aims to positively impact communities across several provinces in Indonesia by integrating environmental conservation, community development, and sustainable livelihoods.

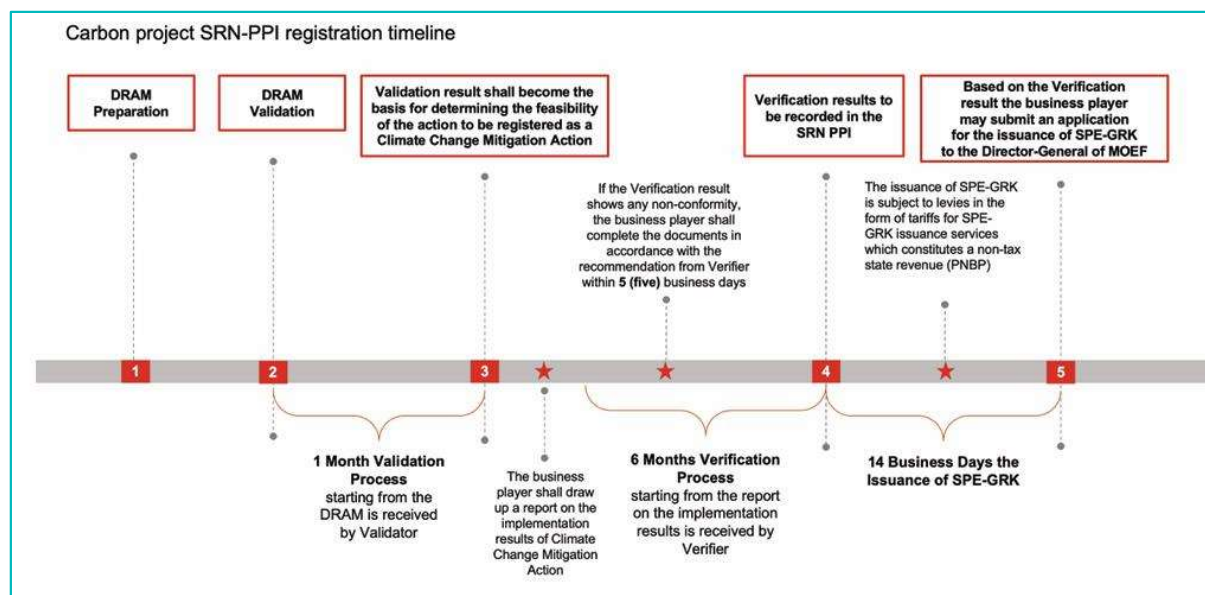
Carbon Market Regulations in Indonesia: Uncertainty and delays in project development

The Government of Indonesia (**GoI**) has gradually been developing a regulatory framework on carbon pricing and trading through Presidential Regulations. The SRN or Sistem Registrasi Nasional¹ is a web-based management tool, data provision, and information system on actions and resources for Climate Change Mitigation, Climate Change Adaptation, and Carbon Economic Value (CVE) in Indonesia established by the Ministry of Environment and Forestry (**MOEF**). Since carbon trading falls under financial transactions, the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* or **OJK**) is the entity responsible for supervising and regulating Indonesia's domestic carbon market. A crucial regulation - Regulation No. 14 of 2023 on Carbon Trading through Carbon Exchange (**OJK 14/2023**)² to further regulate the implementation of Indonesia's carbon market was passed in August 2023. The Government is planning to adopt a cap-and-trade mechanism in carbon trading that can be operated both domestically and internationally. As per the regulation OJK 14/2023, carbon projects are mandated to be registered first with the SRN. For project developers, there is lack of clarity as the regulations do not explicitly state whether carbon units generated in Indonesia can be traded on foreign carbon markets. This has raised significant questions among businesses about the future of Indonesia's carbon projects. With this backdrop of uncertainty, it has become increasingly challenging for project developers to garner investment from international avenues. Our delivery timelines and commitment are being delayed indefinitely, which has had a negative impact on the projects' communities. From the ground, the news is that further regulations are likely to be issued as the framework is being developed. While this is encouraging for the Indonesian carbon ecosystem, it may also lead to extended periods of uncertainty for the country as a whole.

¹ <https://srn.menlhk.go.id/index.php?r=home%2Findex>

² Article 23 of Law 4/2023 and Article 3(1) of OJK 14/2023.

SRN process flow:



Some articles on the challenges faced by project developers:

- <https://www.pwc.com/id/en/publications/esg/indonesia-carbon-pricing.pdf>
- <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/041422-indonesia-halts-carbon-project-verification-process-over-legal-concerns>
- <https://www.ashurst.com/en/insights/carbon-trading-in-indonesia-ojk-regulation-on-carbon-exchange/>

Project timeline:

Despite these regulatory setbacks, CME would like to highlight that the planning and activities of the carbon project was already in progress since 2021. In parallel with plantation efforts, the project team has been in regular contact with communities and stakeholders, adhering to Free, Prior, and Informed Consent (FPIC) guidelines. This has involved seeking permission from relevant authorities to start the project in designated areas, door-to-door visits, and community meetings to develop need-based project interventions. These steps were followed by the Local Stakeholder Consultations (LSC) to formally introduce participants to the project and seek their feedback. Regular discussions between the CME, the on-ground parties and experts in the regulatory field to track the updates on SRN and plan the future actions for the project has been an integral part of it.

The table below outlines the key activities related to the events leading upto request for deviation from inception and demonstrating the progress made and the delays caused by regulatory uncertainty thereby highlighting the need for a deviation request to ensure compliance with evolving rules and successful project implementation:

Sl. No.	Activity Description	Date
1	Agreement between VNV and VPA implementers (IP) signed to implement the projects	VPA1: August 10, 2021 VPA2: August 05, 2021
2	Seeking support from government authorities by IPs for project initiation and implementation	VPA1: July 2020 VPA2: October 2021
3	Onboarding village communities following FPIC guidelines	VPA1: September 2021 VPA2: October 2021
4	Project start date (first trees planted)	VPA1: March 13, 2022 VPA2: October 17, 2021
5	Communication between VNV and IP to gain clarity on MoEF statement regarding carbon trading and Presidential Decree No. 98 (2021)	April 26, 2022
6	Local Stakeholder Consultation (LSC)	VPA1: May 25, 2022 VPA2: May 20, 2022
7	Meeting between VNV and IP on carbon tariffs and registration process	May 12, 2023
8	VNV and partners seeking clarification from Indonesian sources on the timeline for the SRN process and MoEF regulation No 21/2022 Carbon Trading Mechanism, 7/2023 C International Carbon Trading in Forestry Sector	July 04, 2023
9	Discussion with local project developers on new Indonesian Carbon Tax laws and their implications on the project	July 10, 2023
10	Internal VNV meeting on project legalities and planning of next steps, including listing	October 10, 2023
11	Project listing submission on hold due to upcoming elections and potential regulatory changes in Indonesia	Till 2024
12	Discussions with our partners and other project developer on project legal ownership and alignment with SRN regulations and plan next steps	October 31, 2023, November 08, 2023 November 17, 2023
13	Meeting between VNV and IPs to address uncertainty regarding SRN registration and license requirements	December 13, 2023
14	Consultative sessions by VNV with Climate and Carbon Collaboration and Consultation House (RKKIK), a division of the MOEF in Jakarta on: <ul style="list-style-type: none"> SRN process and updates Intricacies of carbon project methodologies and associated regulations 	January, 2024 August 2024
15	Discussion between VNV and IP on Indonesian Carbon Trading Regulations, project timeline, regulatory compliance, and future regulations	March 06, 2024
16	Registration of VNV as a member of Indonesia Carbon Trade Association (IDCTA)	July 08, 2024
17	Initial plan to proceed with Preliminary Review submission to GS	July 2024
18	Meeting between VNV and IDCTA on Indonesian carbon policies and SRN registration requirements	July 25, 2024
19	Preliminary Review submission on hold due to updates from IDCTA meeting and ongoing regulatory uncertainty	Ongoing
20	GS methodology update	August 22, 2024
21	Additional delay due to eligibility assessment to comply with the new methodology	Ongoing

Deviation Request

Considering these unprecedented setbacks and delays, we kindly request a deviation from the requirement 4.1.18 of GS4GG Blue Carbon and Freshwater Wetland Activity Requirements V1.0 on the three-year retroactive issuance for projects. In this regard, we request a 12-month extension for our current project timeline. Unfortunately, our progress has been significantly impacted by unexpected delays stemming from uncertainties in Indonesian government regulatory bodies. These external factors have prevented us from obtaining crucial approvals and guidance needed to move the project forward. Without the ability to secure official rulings on key regulatory matters, we have been unable to finalize our plans and take decisive actions on the project. However, given the circumstances with no alternative present and the continuing uncertainty we have decided to proceed with listing during this requested extension period. We understand the importance of meeting deadlines and appreciate your consideration of this extraordinary situation. We remain committed to delivering the project successfully upon receiving the necessary approvals and look forward to your response regarding this deviation request.

3.1.2 | VVB opinion (to be completed by VVB, if applicable):

Not Applicable.

3.2 | Assessment of the deviation:

3.2.1 | Deviation assessment (to be completed by Project developer):

Since the project's inception in 2021, it has faced several regulatory challenges that have significantly impacted its timeline:

1. **Uncertainty in Indonesia's Carbon Market Regulation:** Indonesia's carbon trading regulations are still evolving. The Government of Indonesia has introduced the *Sistem Registrasi Nasional* (SRN) for climate change actions and is regulating carbon markets through new laws, including *OJK Regulation No. 14 of 2023 on Carbon Trading*. However, there is a lack of clarity on different aspects including regarding whether carbon credits generated in Indonesia can be traded on international markets, which has led to project delays.
2. **Impact on Project Development and Investor Confidence:** The uncertainty in regulations has made it challenging for project developers to attract international investment, causing delays in securing financing and moving forward with project activities. These delays have negatively impacted local communities who depend on the project for income diversification and climate resilience activities.
3. **FPIC Process and Project Implementation:** Despite these regulatory setbacks, the project team has been in regular contact with communities and stakeholders, adhering to FPIC guidelines. Alongside restoration activities already in progress, this has involved regular engagements and capacity building sessions for local stakeholders to apprise them of the project and sustainably carry out the project interventions.

4. **Delays Due to Ongoing Regulatory Changes:** The project certification timeline has been significantly affected by the evolving regulatory framework in Indonesia, which has delayed the necessary approvals. This delay is beyond the control of the project developer, as the regulatory environment continues to change, and further clarity is awaited. These delays have impacted the timelines for project certification including listing process, and the regulatory uncertainty continues to hinder our progress.

Deviation Request:

Given these circumstances, we kindly request a deviation from the Gold Standard 3-year Retroactive Certification rule for an additional 12-month extension.

While we remain committed to completing the project and achieving its intended environmental and socio-economic outcomes, we are currently unable to proceed with the project certification process due to the lack of clarity in the government's carbon trading framework in Indonesia.

We appreciate your understanding of these exceptional circumstances and kindly request an extension of the retroactive certification period. Considering the plantation had started since 2021, this would also help us avoid losing significant quantity of ERs. Additionally, this would allow us the necessary time to secure regulatory approvals and ensure the long-term success of the project.

We look forward to your favourable consideration of this request and are happy to provide any further information if required.

3.2.2 | VVB opinion (to be completed by VVB, if applicable):

Not Applicable.

3.3 | Impact of the deviation:

3.3.1 | Impact assessment (to be completed by Project developer):

CME would like to clarify that no such impact is envisaged.

3.3.2 | VVB opinion (to be completed by VVB, if applicable):

Not Applicable.

3.4 | Documents:

N/A. We would be happy to provide any supporting documentation if required.

Version number	Release date	Description
5	11.04.2022	<p>Additional information added:</p> <ul style="list-style-type: none"> - date of listing, design certification, transition - standard version - specific reference to a requirement deviated from - any previous deviations/design changes approved <p>Guidance on VVB opinion</p>
4	14.01.2021	
3	16.07.2020	
2	03.05.2018	
1	01.07.2017	Initial adoption