



Verified Carbon Standard

NON-PERMANENCE RISK REPORT



Document Prepared by



Project Title	<i>Afforestation in Eucalyptus and Acacia plantations for Burapha Agroforestry Co., Ltd.</i>
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1 INTERNAL RISK

Note: All referred documents and sources are either compiled in links or placed in the reference folder.

Project Management																		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating																
a)	<p>Species planted (where applicable) associated with more than 25% of the stocks on which GHG credits have previously been issued are not native or proven to be adapted to the same or similar agro-ecological zone(s) in which the project is located.</p> <p>Burapha plants mainly Eucalyptus clones and Acacia. 87% of all areas are planted with Eucalyptus, another 5% are planted in mixture with Acacia and only 6% are planted solely with Acacia.</p> <table border="1"> <caption>Species Distribution Data</caption> <thead> <tr> <th>Species</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Eucalyptus</td> <td>87.1%</td> </tr> <tr> <td>Acacia</td> <td>6.3%</td> </tr> <tr> <td>Eu+Ac</td> <td>5.0%</td> </tr> <tr> <td>Afzelia</td> <td>1.1%</td> </tr> <tr> <td>Dalbergia</td> <td>0.0%</td> </tr> <tr> <td>Pterocarpus</td> <td>0.2%</td> </tr> <tr> <td>Bamboo</td> <td>0.2%</td> </tr> </tbody> </table> <p>Despite Eucalyptus is not a native species to Lao PDR it has a long history of plantation in Lao PDR. In 1970 the first Eucalyptus species got introduced into the country, mainly as provenance trials and soon thereafter as plantation species with the main purpose to work as reforestation species¹. As part of the provenance trials the adaptation. Although certain negative effects are associated with Eucalyptus in Lao PDR, such as potential negative effects on soil and water, the overall growth shows a well adapted species, which is widely applied in Lao PDR.</p>	Species	Percentage	Eucalyptus	87.1%	Acacia	6.3%	Eu+Ac	5.0%	Afzelia	1.1%	Dalbergia	0.0%	Pterocarpus	0.2%	Bamboo	0.2%	0
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¹ <http://www.fao.org/3/ac772e/ac772e0a.htm>

b)	<p>Ongoing enforcement to prevent encroachment by outside actors is required to protect more than 50% of stocks on which GHG credits have previously been issued.</p> <p>Although natural regeneration could possibly encroach into the plantations, there are two different measures that will prevent encroachment of outside factors and hinder the loss of carbon stocks in the plantation.</p> <ol style="list-style-type: none"> 1) Burapha applies an Agroforestry approach, allowing villagers to apply intercropping in between the planting rows of the plantation. This includes intercropping during the first 1-2 years of the plantation cycle and later on grazing until the rotation end. 2) The plantation management will prevent encroachment of outside vegetation that carbon loss has to be feared. The rotation cycle is 7.5 years. During this time Eucalypts will rapidly spread in the crown cover suppressing other vegetation and further, thinning operations as well as weeding will prevent encroachment.² 	0
c)	<p>Management team does not include individuals with significant experience in all skills necessary to successfully undertake all project activities (ie, any area of required experience is not covered by at least one individual with at least 5 years experience in the area).</p> <p>Buraphas approach is to employ as much workforce from the local communities as possible, in order to create income opportunities and economic development³. All daily workers are trained in the basic skills of silviculture and management practices by Burapha. Furthermore, all forest workers are also supervised by skilled forester staff of Burapha. See a full plan of responsibilities during all forest operations in the “SOP: Silviculture management” (2).</p>	0
d)	<p>Management team does not maintain a presence in the country or is located more than a day of travel from the project site, considering all parcels or polygons in the project area.</p> <p>Buraphas headquarter is located in Vientiane capital, which is a approximate 5h drive to the furthest plantation currently established or possible to reach according to the outer project boundary. Burapha recruits ‘khum’ officers from within villages where plantations are located. The khum officer is therefore a permanent presence who monitors activities near and within the plantations. The khum officer reports routinely to district managers on any issues that might arise.</p>	0
e)	<p>Mitigation: Management team includes individuals with significant experience Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (eg, individuals who have successfully managed projects through validation, verification and issuance of</p>	-2

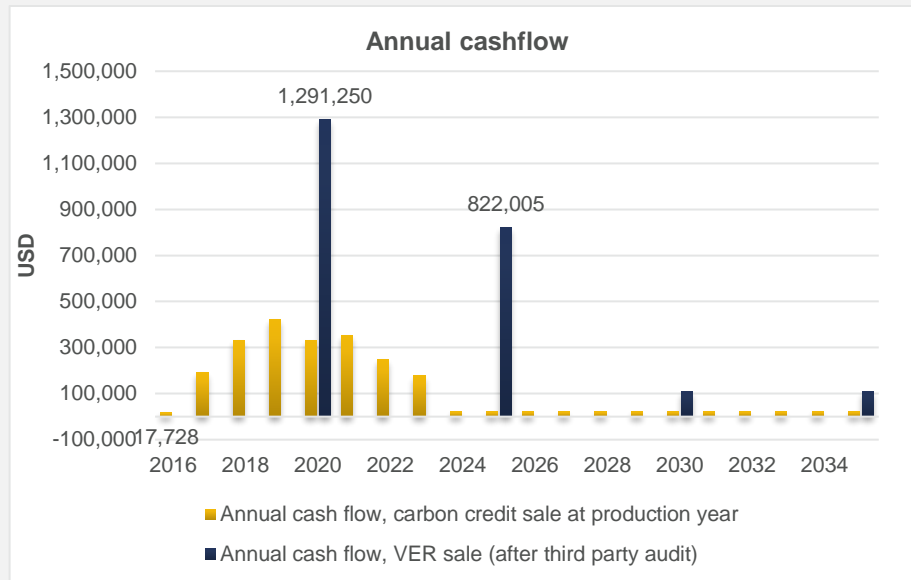
² SOP: BAFCO - Silviculture management

³ BAFCO: ESIA (2016): chapter 9 – social impact

	<p>GHG credits) under the VCS Program or other approved GHG programs.</p> <p>The management is supported by employees with senior knowledge of MRV projects, especially certification of afforestation projects.</p>	
f)	<p>Mitigation: Adaptive management plan in place.</p> <p>Burapha has several SOP's, that document the procedures and lessons learned for different situations to be encountered along the process of plantation establishment and management. Several mitigation strategies in various branches are implemented. As such can be counted the management of Special Management Areas (SMA's) – protected areas as part of the FSC certification, employment of local communities to increase acceptance, establishment of fire breaks to prevent wildfires and many more. Burapha has also developed and is implementing an Environmental, Social and Safety Management System (ESSMS) which is a framework for implementing their responsibilities to international standards. The key principle underlying ESSMS is the adaptive: Plan, Do, Check, Act cycle. A full list of a risk assessment and the undertaken mitigation measures can be retrieved in the ESIA (2016), chapters 7 - 9.</p>	-2
<p>Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]</p> <p>Total may be less than zero.</p>		-4

Financial Viability		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	<p>Project cash flow breakeven point is greater than 10 years from the current risk assessment</p> <p>Not applicable</p>	0
b)	<p>Project cash flow breakeven point is between 7 and up to less than 10 years from the current risk assessment</p> <p>Not applicable</p>	0
c)	<p>Project cash flow breakeven point between 4 and up to less than 7 years from the current risk assessment</p> <p>The current risk assessment is part of a joint validation and verification PDD development process. Breakeven is not expected to be directly reached with the sales of the available credits, resulting from this verification. However,</p>	1

the entire rotation cycle is 7.5 years only, which will issue sufficient credits at the next verification to reach breakeven latest by this point.



d)	<p>Project cash flow breakeven point is less than 4 years from the current risk assessment</p> <p>Not applicable</p>	0
e)	<p>Project has secured less than 15% of funding needed to cover the total cash out before the project reaches breakeven</p> <p>Not applicable</p>	0
f)	<p>Project has secured 15% to less than 40% of funding needed to cover the total cash out required before the project reaches breakeven</p> <p>Not applicable</p>	0
g)	<p>Project has secured 40% to less than 80% of funding needed to cover the total cash out required before the project reaches breakeven</p> <p>Not applicable</p>	0
h)	<p>Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven</p> <p>Burapha has secured more than 80% of the funding for the project. Burapha investors will provide required financial needs, when necessary.</p>	0
i)	<p>Mitigation: Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven</p> <p>See h)</p>	-2
<p>Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)]</p>		0

Total may not be less than zero.

Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	<p>NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities; or where baseline activities are subsistence-driven, net positive community impacts are not demonstrated</p> <p>Not applicable</p>	0
b)	<p>NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities</p> <p>Not applicable</p>	0
c)	<p>NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities</p> <p>Not applicable</p>	0
d)	<p>NPV from the most profitable alternative land use activity is expected to be between 20% more than and up to 20% less than from project activities; or where baseline activities are subsistence-driven, net positive community impacts are demonstrated.</p> <p>The current baseline is identified to be the continuation of swidden agriculture (see chapter 3.4, PDD), due to the high barriers imposed to commercial forestry plantations. This agriculture practice is mainly subsistence driven. Positive impacts on communities can be checked in ESIA report, chapter 9: Social impacts.(3)</p>	0
e)	<p>NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity</p> <p>Not applicable</p>	0
f)	<p>NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity</p>	0
g)	<p>Mitigation: Project proponent is a non-profit organization</p> <p>Not applicable</p>	0
h)	<p>Mitigation: Project is protected by legally binding commitment to continue management practices that protect the credited carbon stocks over the length of the project crediting period (see project longevity)</p>	0

	Not applicable	
i)	Mitigation: Project is protected by legally binding commitment to continue management practices that protect the credited carbon stocks over at least 100 years (see project longevity) Not applicable	0
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)] Total may be less than 0.		-2

Project Longevity		
a)	Without legal agreement or requirement to continue the management practice The project longevity is expected to be 50 years. No legal binding agreement exists, however land lease and concession agreements are issued over this period of time.	14
b)	With legal agreement or requirement to continue the management practice Not applicable	0
Total Project Longevity (PL) May not be less than zero		14

Internal Risk	
Total Internal Risk (PM + FV + OC + PL) Total may not be less than zero.	10

2 EXTERNAL RISKS

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Ownership and resource access/use rights are held by same entity(s) Not applicable	0

b)	<p>Ownership and resource access/use rights are held by different entity(s) (eg, land is government owned and the project proponent holds a lease or concession)</p> <p>There are three types of land ownerships or use rights: 1) Farmer Agreements. This is essentially land rental agreements made between Burapha and individual farmers that are able to prove legal entitlement / ownership to the said land parcel. 2) Government Concessions: This is gazette land owned by the Government of Lao and is part of its national forest inventory, called Production Forest Areas (PFAs). PFAs are areas set aside solely for the purpose of production. Burapha is granted concessions for plantation establishment within PFAs and as part of our international obligations recognize the customary use rights of people who are utilizing PFAs. 3) Company Land, where Burapha has purchased the land and has sole legal entitlement to it.</p>	2
c)	<p>In more than 5% of the project area, there exist disputes over land tenure or ownership</p> <p>Buraphas policy states that no land is acquired that is subject to competing land claims, as well as circumstances where there is outright refusal from the owner / occupier to convert to plantations. However, currently more than 5% of the acquired land has land disputes. In Buraphas case 'Disputes' mean competing customary land use claims in state owned production forest areas. It is the lands team responsibility to resolve competing claims in consultation with villagers, village authorities and government representativess.</p>	10
d)	<p>There exist disputes over access/use rights (or overlapping rights)</p> <p>Burapha recognizes the rights and interests of local communities as the traditional managers of their lands, particularly those that utilize land in State owned production forest areas. Burapha engages with the government and directly with villages regarding the land concession granting. The Company follows carefully established criteria as outlined in the Operations Manual for Land Acquisition. The principles of FPIC (Free, Prior and Informed Consent) are a core element of the Company's land acquisition process. A central aspect of our consultation processes during land acquisition are to identify specific users and areas of PFA land. Without legal entitlement and documents of proof this processes ultimately exposes individuals or groups that have competing claims of customary use for a given area. The procedure for completing the land acquisition is to resolve all competing land claims. As stated, land subject to competing claims is not acquired until a final agree solution is made.</p>	0

e)	<p>WRC projects unable to demonstrate that potential upstream and sea impacts that could undermine issued credits in the next 10 years are irrelevant or expected to be insignificant, or that there is a plan in place for effectively mitigating such impacts</p> <p>Not applicable</p>	0
f)	<p>Mitigation: Project area is protected by legally binding commitment (eg, a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period</p> <p>Burapha’s land commitment states to protect up to 20% of all acquired areas. These areas are merged into the so called Special management areas (SMA’s). This is supported by Burapha’s FSC certification⁴. Burapha has also undertake a High Conservation Value Assessments of its holdings and from that protection and mitigation measures have been in place for the HCV4 – village irrigation water supply. All village sanctioned, district, provincial or central level conservation / protection areas, such as national parks are completely excluded from Burapha operations.</p>	-2
g)	<p>Mitigation: Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that projects have implemented activities to resolve the disputes or clarify overlapping claims</p> <p>Burapha does not acquire any land without proper evidence of ownership / customary use. However, as stated in the land acquisition manual⁴, support is provided to all farmers and individuals, who have troubles bringing the correct evidence for land ownership. The Burapha model strengthens land tenure rights. Burapha works together with the communities to resolve any pending issues and disputes, as well as grievances⁵.</p> <p>Burapha maintains a database of land use limitations (LUL) which identifies and tracks competing land claims. Burapha retains all necessary documents as proof of evidence in resolving disputes of land claims, as well as evidence from farmers that grant permission for land conversion.</p>	-2
<p>Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)]</p> <p>Total may not be less than zero.</p>		13

Community Engagement

⁴ FSC: Re-Certification Audit report, 2017

⁵ SOP: BAFCO – Grievance management and dispute resolution

Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	<p>Less than 50 percent of households living within the project area who are reliant on the project area, have been consulted</p> <p>Burapha explains in its SOP “Land acquisition manual”⁴, how potential areas are acquired for Burapha. As part of this, the entire procedure for the stakeholder consultation is explained. Burapha follows a stepwise approach of contacting first the provincial/village authority level to introduce the project, until they make contact with the entire village explaining the project and opening up the options for villagers to participate in the project. Therefore, consultation rates of up to 100% of the households concerned and affected by the project should be consulted.</p>	0
b)	<p>Less than 20 percent of households living within 20 km of the project boundary outside the project area, and who are reliant on the project area, have been consulted</p> <p>Burapha establishes its plantations on the village level. Therefore, impacts should occur on the same level, which makes it unlikely that any communities that do not live in the direct vicinity of the project get affected by it. Following Buraphas approach of its consultation process, all or nearly all households, which are affected by the project will also be consulted.⁴</p>	0
c)	<p>Mitigation: The project generates net positive impacts on the social and economic well-being of the local communities who derive livelihoods from the project area</p> <p>Please refer to ESIA (2016), chapter 9 for all impacts related to social and economic well-being of local communities.</p>	-5
<p>Total Community Engagement (CE) [where applicable, (a + b + c)]</p> <p>Total may be less than zero.</p>		-5

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	<p>Governance score of less than -0.79</p> <p>Not applicable</p>	0
b)	<p>Governance score of -0.79 to less than -0.32</p>	4

	The mean governance score of all 6 worldwide governance indicators of the years 2014 – 2018 is ⁶ : -0.71	
c)	Governance score of -0.32 to less than 0.19 Not applicable	0
d)	Governance score of 0.19 to less than 0.82 Not applicable	0
e)	Governance score of 0.82 or higher Not applicable	0
f)	<p>Mitigation: Country implementing REDD+ Readiness or other activities such as:</p> <p>a) The country is receiving REDD+ Readiness funding from the FCPF, UN-REDD or other bilateral or multilateral donors</p> <p>b) The country is participating in the CCBA/CARE REDD+ Social and Environmental Standards Initiative</p> <p>c) The jurisdiction in which the project is located is participating in the Governors' Climate and Forest Taskforce</p> <p>d) The country has an established national FSC or PEFC standards body</p> <p>e) The country has an established DNA under the CDM and has at least one registered CDM A/R project</p> <p>Lao PDR is registered under the REDD+ Readiness fund of the FCPF and completed its R-package in 2018.⁷</p>	-2
Total Political (PC) [as applicable ((a, b, c, d or e) + f)] Total may not be less than zero.		2

External Risk

Total External Risk (LT + CE + PC) Total may not be less than zero.	10
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3 NATURAL RISKS

⁶ <https://info.worldbank.org/governance/wgi/>

⁷ <https://www.forestcarbonpartnership.org/country/lao-pdr>

Explain the significance and likelihood of the natural risk and any mitigation activities implemented, (copy table for each natural risk).

Fire	
Significance	<p>Wildfire –Low</p> <p>Wildfires are of moderate-big significance in Lao PDR.⁸⁹ Also Eucalypts are prone to wildfire, due to its phenolic oils and slow degrading bark. However, wildfire risk for this risk assessment is deemed transient, because due to its 7.5 rotation cycle the carbon stock is considered to fully recover within 10 years from the wildfire event.</p> <p>Village Fire Escape- Low/Moderate</p> <p>Through monitoring it has been determined that the main causes of plantation fire in order of risk is 1) escape from neighboring back burning practices, 2) general community complacency, such as discarded cigarettes or cooking fire escape, and 3) lightning strike.</p> <p>Fire escape from neighboring back burning practices is by far Burapha's single greatest risk</p> <p>Almost all plantations, excluding those near the sawmill at Nabong, are located well away from village areas. Villagers commonly use fire as a tool for clearing lands in preparation for crops in the coming wetseason which runs between May and October. Backburning of land generally takes place over the dryseason which also coincides with the hottest months of the year, February to April.</p>
Likelihood	<p>Village Fire Escape - Every year</p> <p>Burapha implemented many mitigation measures, such as fire breaks, etc. However, since shifting cultivation is a common practice in the provinces of the project region and adjacent to plantations the fire risk occurs each year at land preparation time.</p> <p>Lightning Strike – Every Year</p> <p>April and May is the period break towards the start of the official wetseason when the land scape is dry and the onset of storm activity. It is this time when the plantations are at greatest risk from lightning strike fire. The mitigations outlined below are also intended to reduce the risk of fire from lightning strike ignited, and other types of fire triggers.</p>
Score (LS)	1

⁸ ESIA (2016): Chapter 7 – Physical impact

⁹ <https://thinkhazard.org/en/report/74346-lao-people-s-democratic-republic-vientiane>

Mitigation	<p>0.5</p> <p>Fire escape from neighboring back burning practices is by far Burapha's single greatest risk and we have introduced a range of programs to help limit that potential which include:</p> <ul style="list-style-type: none"> • Consultation: The most effective means of avoiding fire damage is to engage with local village communities and discuss fire risk. Meetings on fire management are stepped up with partner villages as the drier months approach. • Communication: Each year Burapha writes to each partner village and explains to them what activities Burapha will be doing to limit fire damage, including fire break establishment and undergrowth management. The letter also outlines Burapha policies and practices on fire management as well as contact numbers of local Burapha staff. The letter is signed by Burapha supervisors and village authorities as an agreement of understanding. • Incentives for farmers: Burapha provides a call-before-you-burn payment to villagers who inform us of their intent to back burning near our plantations. This forewarning allows Burapha enough time to provide technical assistance to the villager on methods of fire containment, and for us to deploy a firefighting unit and team during the backburning operation. • Incentives for villages: In some cases, Burapha makes agreements with villages – through the village committee – for them to act as fire watchers within their village area that contained plantations and adjacent lands. Burapha offers payment per hectare of plantation to be put toward the village development if fire does not affect any part of the plantation. If parts of the plantations are affected, then that area is deducted from the total amount on offer. The Village Fire Management Fund is paid at the end of the fire watch season. • Information: Fire awareness posters are placed at the entrances of all plantations. The posters include a list of banned activities including smoking and leaving unattended cooking fires. The posters also have the contact numbers of local staff who can respond should a fire emergency occur. • Monitoring: Villagers often use plantations for access and for NTFP. Fire Guards are employed from local villages between the months of February and May each year. They routinely patrol the plantations and warn villagers within them of fire threats. The Fire Guard advises on what activities can or cannot occur within the plantation. • Firefighting Preparedness: Burapha has upgraded its firefighting equipment rated to Australian standards and increased team capacity
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and skills. Fire-fighting training sessions provided over the course of the year prior to the start of the hot season March to May.

Pest and Disease outbreaks

Significance	Since Eucalypts are planted in large monocultures the occurrence of pests and diseases is expected to occur. However, due to control measures, such as selecting appropriate genetic material and continued forest management it is expected that less than 5% of the carbon stock will be affected by pests and diseases, albeit the likelihood is frequent to occur.
Likelihood	Since Eucalypts are planted in monocultures it is estimated that pest and diseases occur less than every 10 years . However, have no major impact.
Score (LS)	2
Mitigation	0.5 A robust tree improvement strategy has been implemented to develop genetic material with improved disease resistance. Pest and disease is being monitored.

Extreme Weather

Significance	Extreme weather can and will occur in Lao PDR. The risk for extreme heat is moderate, while the risk for cyclones is increasingly high. However, in case of an extreme weather event carbon stocks will recover quickly. Therefore, the significance is estimated to be transient . ¹⁰
Likelihood	The frequency is expected to be quite high (every 10 to 25 years), since the hazard assessment of “thinkhazard.org” encompasses significance and frequency in one factor.
Score (LS)	1
Mitigation	0.5

Score for each natural risk applicable to the project
(Determined by $LS \times M$)

Fire (F)	0.5
Pest and Disease Outbreaks (PD)	1
Extreme Weather (W)	0.5
Geological Risk (G)	0
Other natural risk (ON)	0
Total Natural Risk (as applicable, F + PD + W + G + ON)	2

4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

4.1 Overall Risk Rating

Risk Category	Rating
Internal Risk	10
External Risk	10
Natural Risk	2
Overall Risk Rating (a + b + c)	22

4.2 Calculation of Total VCUs

Year	Net CO2 fixation	Annual project carbon credit flow	Buffer credits	Other buffer credits (fire breaks, etc.)	Total issuable VCU's
1	-	21,739	-	-	-
2	5,220	-	16,519	-	-
3	62,065	56,846	6,821	1,705	48,319
4	119,898	57,832	6,940	1,735	49,158
5	127,843	7,945	953	238	6,754
6	184,961	57,117	6,854	1,714	48,550
7	275,993	91,033	10,924	2,731	77,378

8	448,061	172,068	20,648	5,162	146,258
9	740,560	292,499	35,100	8,775	248,624
10	1,109,782	369,222	44,307	11,077	313,839
11	1,514,175	404,393	48,527	12,132	343,734
12	1,926,920	412,745	49,529	12,382	350,834
13	2,439,975	513,055	61,567	15,392	436,096
14	2,766,239	326,264	39,152	9,788	277,324
15	2,905,712	139,473	16,737	4,184	118,552
16	2,943,299	37,587	4,510	1,128	31,949
17	2,943,299	-	-	-	-
18	2,943,299	-	-	-	-
19	2,943,299	-	-	-	-
20	2,943,299	-	-	-	-
21	2,943,299	-	-	-	-
22	2,943,299	-	-	-	-
23	2,943,299	-	-	-	-
Total		2,899,821	352,569	88,142	2,497,367