# PROJECT REVIEW REPORT

*This document tracks the findings raised in Verra's review of the project specified below. The VVB must address the findings before the project request can be considered by Verra for approval. The document will be made publicly available on the Verra Registry. Confidential information may be provided as separate attachments.*

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| **Review Type** | Joint Registration & Verification |
| **Project ID** | 2691 |
| **Project Name** | Aonong AWMS GHG Mitigation Project in Jiangxi Province |
| **Program(s)** | VCS |
| **Verification Period** | 25-April-2020 to 31-August-2022 |
| **Project Proponent** | Fujian Aonong Biological Technology Group Incorporation Limited |
| **Methodology** | ACM0010 GHG emission reductions from manure management systems (Version 08.0) |
| **VVB** | Shenzhen CTI International Certification Co., Ltd (CTI) |
| **Assessment Criteria** | VCS Standard Version 4.2 / ACM0010 v.08.0 / Applicable TOOLS |
| **Date of First Issue** | 21 December 2022 |
| **Review Conclusion** | Approve |
| **Date of Final Issue** | 27 December 2022 |

## ASSESSMENT FINDINGS

| # | Description | Response | Status |
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| 1 | **Missing information in Additionality Section of the Joint Project Description and Monitoring Report**<br><br><u>Issue</u><br><br>The Joint Project Description and Monitoring Report does not identify the following information related to the investment analysis:<br><br>(i) date when the investment decision was made;<br>(ii) issuance date of the ¨Project Evaluation Report¨ (source for the annual fertilizer sales, price of the organic fertilizers, total static investment, O&Mcosts and operation period)<br>(iii) issuance date of the¨*Notice on adjusting financial benchmark rate of return of construction of projects in some industries¨ issued by the NDRC and Ministry of Housing and Urban Rural Development of PRC*, (source for the benchmark).<br><br><u>Action item</u><br><br>VVB shall request the project proponent to include all the relevant information related to the input values used in the investment analysis (i.e., dates of the sources used and investment decision date).<br><br>The VVB must assess the inputs provided in line with the requirements of Tool 27, Investment Analysis<br><br><u>Program rule</u><br><br>VCS Standard v.4.2, Section 3.13.1<br><br>TOOL27 v.11.0, para 10 | Round1:<br><br>VVB Response:<br><br>The Joint Project Description and Monitoring Report has been updated by PP as below,<br><br>i. All input values used in investment analysis are sourced from Project Evaluation Report (PER), which was completed by an authorized entity in July-2019, while the project owner signed the Engineering Procurement Construction (EPC) contract on 12-November-2019 which is the earliest larger expenditure and can be considered as the date for investment decision. The time interval between the issuance date of the Project Evaluation Report and date when the investment decision was made is less than half year, therefore input values are valid and applicable at the time of the investment decision. The PER and Engineering Procurement Construction (EPC) contract have been checked, VVB confirmed that the time is correct, and the investment decision date is verified as correct as the first contract signed means that the PP decide to invest the project.<br>ii. Project Evaluation Report (PER), which was completed by an authorized entity in July-2019 which is verified as correct by checking the PER.<br>iii. For the project, the applied benchmark in the investment analysis is sourced from the | Closed |

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| Joint PD-MR Template version 4.1, Section 3.5 | “Notice on adjusting financial benchmark rate of return of construction projects in some industries” issued by NDRC and the ministry of housing and urban-rural development of PRC on 15-March-2013[1]. This version is verified as the latest version after checking the website of NDRC and available and valid at the time of compiling Project Evaluation Report on July-2019.<br><br>The related part in JPM have been updated accordingly with the assessment of the investment analysis.<br><br>Also the section 3.4.4 of VVR has been updated with above assessment.<br><br>Verra Review:<br><br>The VVB explained that the input values used for the investment analysis were valid for the time of the decision-making. Thus, the finding is closed and no further action is required. |

[1] https://www.ndrc.gov.cn/fggz/gdzctz/tzfg/201907/t20190729_1197578.html?code=&state=123

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| 2 | **Inconsistent explanation of the participation of the project in the Chinese ETS**<br><br>__Issue__<br><br>The Joint PD&MR states that "As the annual GHG emissions of the project proponent will not be greater than 26,000 tCO2e, it will not be included in the national ETS". However, the annual emission reductions of the current project are larger than 26,000 tCO2 per year.<br><br>__Action item__<br><br>The VVB must ensure that the Joint PF&MR includes an explanation on why it is not participating in the Chinese ETS<br><br>__Program rule__<br><br>Joint PD-MR Template version 4.1, Section 1.16 | **Round1**:<br><br>VVB Response:<br><br>Besides, based on VVB's local expertise, and checking the public website, Only the company with annual GHG emissions caused by fossil fuel combustion, industrial processes, and purchase of electricity heat, etc. greater than 26,000 $tCO_2e$ in eight emission-intensive industries including power generation, petrochemicals, chemicals, building materials, non-ferrous metals, papermaking, steel and aviation should be included in the national carbon emission trading market as per the "Interim Measures for Carbon Emissions Trading Management" issued by NDRC December of 2014[2] and the "Management Measures for Carbon Emissions Trading (Trial)" issued by the Ministry of Ecology and Environment in December of 2020[3]. The industry of the project participant is agriculture, not the industry mentioned above according to the business license. There are not any mandatory regulations on GHG emission cap for the industry of agriculture. On contrary, the project activity can reduce of GHG in the atmosphere through avoiding methane emissions from anaerobic treatment of swine manure and wastewater and it is estimated that 432,191 $tCO_2e$ emission reductions will be generated annually. Therefore, it can be concluded that the PP will not be included in the | Closed |

[2] http://www.gov.cn/gongbao/content/2015/content_2818456.htm

[3] https://www.mee.gov.cn/gzk/gz/202112/t20211213_963865.shtml

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| | national ETS. The related description has been updated in Section 1.16.1 of JPM.<br><br>Section 3.1 of the VVR is updated also.<br><br>Verra Review:<br><br>The VVB explained that the project is not participating in any ETS. The finding is closed and no further action is required. |