



Verified Carbon Standard

NON-PERMANENCE RISK REPORT FUJIAN QINGLIU IFM (CONVERSION OF LOGGED TO PROTECTED FOREST) PROJECT



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1 INTERNAL RISK

1.1 Project Management

Project Management		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	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.	Not applicable
b)	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.	Not applicable
c)	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).	Not applicable
d)	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.	Not applicable
e)	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 GHG credits) under the VCS Program or other approved GHG programs.	Not applicable
f)	Mitigation: Adaptive management plan in place	-2 ¹
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]		-2
Total may be less than zero.		

¹ Based on the monitoring manual, the project proponent has established a complete set of management regulation in the operation & maintenance, disturbance prevention and the related contingency plan.

Financial Viability		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Project cash flow breakeven point is greater than 10 years from the current risk assessment	3 ²
b)	Project cash flow breakeven point is greater than 7 and up to 10 years from the current risk assessment	Not applicable
c)	Project cash flow breakeven point greater than 4 and up to 7 years from the current risk assessment	Not applicable
d)	Project cash flow breakeven point is 4 years or less from the current risk assessment	Not applicable
e)	Project has secured less than 15% of funding needed to cover the total cash out before the project reaches breakeven	Not applicable
f)	Project has secured 15% to less than 40% of funding needed to cover the total cash out required before the project reaches breakeven	Not applicable
g)	Project has secured 40% to less than 80% of funding needed to cover the total cash out required before the project reaches breakeven	Not applicable
h)	Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven	Not applicable
i)	Mitigation: Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven	Not applicable
Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)]		3
Total may not be less than zero.		

Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities;	8 ³

² Based on Qingliu comparison NPV sheet, project cash flow is negative in crediting period, so cash flow breakeven point is greater than 10 years from the current risk assessment.

³ According to section 3.5.2 of Project Description, the NPV from baseline scenario is 9038×10^4 Yuan, and the NPV from project is -10413×10^4 Yuan.

	or where baseline activities are subsistence-driven, net positive community impacts are not demonstrated	
b)	NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities	Not applicable
c)	NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities	Not applicable
d)	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	Not applicable
e)	NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity	Not applicable
f)	NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity	Not applicable
g)	Mitigation: Project proponent is a non-profit organization	Not applicable
h)	Mitigation: Project is protected by legally binding commitment (see Section 0) to continue management practices that protect the credited carbon stocks over the length of the project crediting period	-2 ⁴
i)	Mitigation: Project is protected by legally binding commitment (see Section 0) to continue management practices that protect the credited carbon stocks over at least 100 years	Not applicable
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)]		6
Total may be less than 0.		

Project Longevity		
a)	Without legal agreement or requirement to continue the management practice	Not applicable
b)	With legal agreement or requirement to continue the management practice	=30-(30/2)=15
Total Project Longevity (PL)		15
May not be less than zero		

⁴ The contract of developing VCS project signed between Fujian Qingliu Forestry Co., Ltd. and Hangzhou Chaoteng Energy Technology Co., Ltd demonstrated that the credited carbon stocks will be protected over the length of the project crediting period.

Internal Risk	
Total Internal Risk (PM + FV + OC + PL)	-2+3+6+15=22
Total may not be less than zero.	

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
b)	Ownership and resource access/use rights are held by different entity(s) (e.g., land is government owned and the project proponent holds a lease or concession)	0 ⁵
c)	In more than 5% of the project area, there exist disputes over land tenure or ownership	Not applicable
d)	There exist disputes over access/use rights (or overlapping rights)	Not applicable
e)	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.	Not applicable
f)	Mitigation: Project area is protected by legally binding commitment (e.g., a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period	-2
g)	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	Not applicable

⁵ All the forests in the projects belong to Fujian Qingliu Forestry Co., Ltd. And the owners authorized the Hangzhou Chaoteng Energy Technology Co., Ltd to apply this VCS project on their behalf.

Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)] Total may not be less than zero.	0
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Based on the survey of forest management implemented by the project proponent in 2016, the local communities have positive attitude towards the implementation of the project

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Less than 50 percent of households living within the project area who are reliant on the project area, have been consulted	Not applicable
b)	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	Not applicable
c)	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	-5 ⁶
Total Community Engagement (CE) [where applicable, (a + b + c)] Total may be less than zero.		-5

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Governance score of less than -0.79	Not applicable
b)	Governance score of -0.79 to less than -0.32	4 ⁷
c)	Governance score of -0.32 to less than 0.19	Not applicable
d)	Governance score of 0.19 to less than 0.82	Not applicable

⁶ Based on the survey of forest management implemented by the project proponent in 2016, the local communities have positive attitude towards the implementation of the project.

⁷ <http://info.worldbank.org/governance/wgi/index.aspx#home>

e)	Governance score of 0.82 or higher	Not applicable
f)	Mitigation: Country is implementing REDD+ Readiness or other activities, as set out in this Section 2.3.3.	-2 ⁸
Total Political (PC) [as applicable ((a, b, c, d or e) + f)]		2
Total may not be less than zero.		

External Risk	
Total External Risk (LT + CE + PC)	0
Total may not be less than zero.	

3 NATURAL RISKS

Natural Risk (e.g., Fire, Pest and Disease outbreaks, Extreme Weather)						
		Likelihood				
S i g n i f i c a n c e	Catastrophic (70% or more loss of carbon stocks)	Less than every 10 years	Every 10 to less than 25 years	Every 25 to less than 50 years	Every 50 to less than 100 years	Once every 100 years or more, or risk is not applicable to the project area
	Devastating (50% to less than 70% loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
	Major (25% to less than 50% loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
	Minor (5% to less than 25% loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
	Insignificant (less than 5% loss of carbon stocks) or transient (full recovery of lost carbon stocks expected)	Not applicable	Not applicable	Not applicable	Not applicable	0

⁸ China has an established Designed National Authority under the CDM and has at least one registered CDM Afforestation/Reforestation project. Thus, the mitigation discount can be applied.(<http://cdm.unfccc.int/>)

within 10 years of any event)					
No Loss	Not applicable	Not applicable	Not applicable	Not applicable	0
Score (LS)					
Mitigation					
Prevention measures applicable to the risk factor are implemented					0.50
Project proponent has proven history of effectively containing natural risk					0.50
Both of the above					0.25
None of the above					Not applicable

Score for each natural risk applicable to the project (Determined by $LS \times M$)	
Fire (F)	0
Pest and Disease Outbreaks (PD)	0
Extreme Weather (W)	0
Geological Risk (G)	0
Other natural risk (ON)	0
Total Natural Risk (as applicable, F + PD + W + G + ON)	0

4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

4.1 Overall Risk Rating

Risk Category	Rating
Internal Risk	22
External Risk	0

Natural Risk	0
Overall Risk Rating (a + b + c)	22

4.2 Calculation of Total VCU

Year	Baseline emissions or removals (tCO ₂ e)	Project emissions or removals (tCO ₂ e)	Leakage emissions (tCO ₂ e)	Net GHG emission reductions or removals (tCO ₂ e)	Buffer pool allocation (tCO ₂ e)	VCUs eligible for issuance
01/01/2017-31/12/2017	19,406	-70,290	0	89,696	19733	69,963
01/01/2018-31/12/2018	21,592	-70,290	0	91,882	20214	71,668
01/01/2019-31/12/2019	25,272	-70,290	0	95,562	21024	74,539
01/01/2020-31/12/2020	27,525	-70,290	0	97,814	21519	76,295
01/01/2021-31/12/2021	30,795	-70,290	0	101,085	22239	78,846
01/01/2022-31/12/2022	33,283	-70,290	0	103,573	22786	80,787
01/01/2023-31/12/2023	35,388	-70,290	0	105,678	23249	82,429
01/01/2024-31/12/2024	38,088	-70,290	0	108,378	23843	84,535
01/01/2025-31/12/2025	42,357	-70,290	0	112,647	24782	87,864
01/01/2026-31/12/2026	43,933	-70,290	0	114,222	25129	89,093
01/01/2026-31/12/2027	44,096	-70,290	0	114,386	25165	89,221
01/01/2028-31/12/2028	43,304	-70,290	0	113,594	24991	88,604
01/01/2029-31/12/2029	44,688	-70,290	0	114,978	25295	89,683
01/01/2030-31/12/2030	45,333	-70,290	0	115,623	25437	90,186

01/01/2031-31/12/2031	45,633	-70,290	0	115,923	25503	90,420
01/01/2032-31/12/2032	46,199	-70,290	0	116,489	25628	90,861
01/01/2033-31/12/2033	47,364	-70,290	0	117,654	25884	91,770
01/01/2034-31/12/2034	45,626	-70,290	0	115,916	25502	90,415
01/01/2035-31/12/2035	44,043	-70,290	0	114,333	25153	89,180
01/01/2036-31/12/2036	42,469	-70,290	0	112,759	24807	87,952
01/01/2037-31/12/2037	27,311	-70,290	0	97,601	21472	76,129
01/01/2038-31/12/2038	25,160	-70,290	0	95,450	20999	74,451
01/01/2039-31/12/2039	22,845	-70,290	0	93,135	20490	72,645
01/01/2040-31/12/2040	20,501	-70,290	0	90,791	19974	70,817
01/01/2041-31/12/2041	18,145	-70,290	0	88,435	19456	68,979
01/01/2042-31/12/2042	15,755	-70,290	0	86,045	18930	67,115
01/01/2043-31/12/2043	13,273	-70,290	0	83,563	18384	65,179
01/01/2044-31/12/2044	11,097	-70,290	0	81,387	17905	63,482
01/01/2045-31/12/2045	9,115	-70,290	0	79,404	17469	61,935
01/01/2046-31/12/2046	7,327	-70,290	0	77,617	17076	60,541
Total	936,922	-2,108,696	0	3,045,618	670,036	2,375,582
Average	31,231	-70,290	0	101,521	22,335	79,186