

PROJECT REVIEW REPORT

Project ID	2606
Project Name	Fujian Qingliu IFM (conversion of logged to protected forest) Project
Program(s)	VCS
Project Proponent	Fujian Qingliu Forestry Co., Ltd.
Methodology	VM0010 Methodology for Improved Forest Management: Conversion from Logged to Protected Forest, v1.3
Sectoral Scope(s)	14. Agriculture, Forestry, and Other Land Uses (AFOLU)
Validation/Verification Body (VVB)	China Environmental United Certification Center Co., Ltd.

Assessment Criteria	VCS Standard, v4.1
Date of First Issue	06 January 2022
Date of Second Issue	11 February 2022
Date of third Issue	10 March 2022
Date of Final Issue	13 May 2022

Summary:

An accuracy review of the Fujian Qingliu IFM (conversion of logged to protected forest) Project registration approval request has been conducted by Verra in accordance with Section 4.3 of the *Registration and Issuance Process*.

The accuracy review has raised 28 assessment findings and 1 minor findings, detailed below. The VVB, in coordination with the project proponent, is hereby required to provide a response to the assessment findings presented in Section 1. The 28 assessment findings must be addressed to the satisfaction of Verra. The VVB need not address the minor findings during this review. Please note, however, that where Verra finds consistent minor findings by the VVB in future reviews, minor findings shall be escalated to assessment findings.

This project review report will be made publicly available. Confidential information may be provided as separate attachments.

1. ASSESSMENT FINDINGS

Finding 1

Section 3.2.9 of the *VCS Standard v4.1* states that Projects shall prepare a non-permanence risk report in accordance with the VCS Program document AFOLU Non-Permanence Risk Tool at both validation and verification.

The validation documents submitted for registration do not include a non-permanence risk report.

The project proponent is requested to submit a non-permanence risk report. The VVB is required to assess the document provided.

VVB Response: CEC communicated with the project proponent and confirmed that the project proponent resubmitted the non-permanence risk report.

Verra Response:

The project has now submitted the non-permanence risk report and has been reviewed. This finding is now closed, and no further response is required.

Finding 2

Section 3.10.2 (3) of the *VCS Standard v4.1* requires that project location for AFOLU projects shall be specified using geodetic polygons to delineate the geographic area of each AFOLU project activity and provided in a KML file.

The validation documents submitted for registration include a points KML file; however, do not include a polygon KML file with the geographic area of the AFOLU project.

The project proponent is requested to upload a KML file with geodetic polygons that delineate the geographic project area. The VVB is required to validate this information.

VVB Response: CEC checked the KML file and confirmed that the KML file contains all the geodetic polygons that delineate the geographic project area, and the project proponent submitted the KML file.

Verra Response:

The project proponent has provided a KML file with geodetic polygons that delineate the geographic project area. This finding is now closed, and no further response is required.

Finding 3

Section 1.2 of the *Project Description Template v4.0* requires to state whether the project is a grouped project.

Section 1.2 of the Project Description document does not state whether the project is a grouped project.

The project proponent is requested to indicate whether the project is a grouped project.

VVB Response: CEC communicated with the project proponent and confirmed that the project is not a grouped project, and the project proponent added relevant instructions in Section 1.2 of the Project

Finding 3

Description document (version 04).

Verra Response:

The project proponent has updated Section 1.2 of the project description and now indicates that the project is not grouped project. This finding is now closed, and no further response is required.

Finding 4

Section 1.7 of the *Project Description Template v4.0* requires the project proponent to provide evidence of project ownership in accordance with the VCS Program specifications.

Section 1.7 of the Project Description document states “The project proponent will provide forest rights license documents upon project validation.”

The project proponent is requested to provide evidence of project ownership. The VVB is required to provide information on how ownership was validated.

VVB Response: The project proponent has provided forest rights license documents upon project validation. CEC checked all of the forest rights license documents and confirmed that all these forests are state-owned forests. Relevant information has been stated in Section 1.7 of the Project Description document (version 04). and Section 3.1 of the Validation Report.

Verra Response:

The project proponent has provided forest rights license documents to CEC, the VVB. The VVB has reviewed the forest rights license documents and confirmed that all the forests are state-owned. The relevant information has been stated in Section 1.7 of the Project Description document (version 04). and Section 3.1 of the Validation Report. This finding is now closed, and no further response is required.

Finding 5

Section 1.8 of the *Project Description Template v4.0* requires that the project proponent indicate and justify the project start date.

Section 1.8 of the Project Description document includes the start date of the project according to the resolution of the board of directors of Fujian Qingliu Forestry Co., Ltd.

The project proponent is requested to provide documentation that demonstrates the justification of the definition of the start date.

VVB Response: The project proponent has provided *the resolution of the board of directors of Fujian Qingliu Forestry Co., Ltd on 01/01/2017 and the approval issued by Qingliu County Forestry Bureau on 05/01/2017* upon project validation. CEC checked all the documents and confirmed that the start date is 01/01/2017. The relevant information has been stated in Section 1.8 of the Project Description document (version 04). and Section 3.3.3 of the Validation Report.

Finding 5

Verra Response:

The project proponent has provided documentation that demonstrates the justification of the definition of the start date including the resolution of the board of directors of Fujian Qingliu Forestry Co., Ltd on 01/01/2017 and the approval issued by Qingliu County Forestry Bureau on 05/01/2017 to the VVB. The project proponent has updated Section 1.8 of the project description with information and the VVB has corroborated this under Section 3.3.3 of the validation report. This finding is now closed, and no further response is required.

Finding 6

Section 3.8.4 of the *VS Standard v4.1* states that AFOLU projects shall have a credible and robust plan for managing and implementing the project over the project crediting period.

Section 1.9 of the Project Description document states that the project crediting period is 30 years.

The project proponent is requested to provide documentation demonstrating a credible and robust plan for managing and implementing the project over 30 years and that the ban for commercial logging of forest in the project area covers at least the project crediting period.

VVB Response: The project proponent has provided the timber harvest plan (2017-2036), the approval of the timber harvest plan (2017-2036) issued by Qingliu County Forestry Bureau, the resolution of the board of directors of Fujian Qingliu Forestry Co., Ltd on 01/01/2017, the approval issued by Qingliu County Forestry Bureau on 05/01/2017 upon project validation. CEC confirmed that the timber harvest plan covers the period from 2017 to 2036. According to the resolution of the board of directors approved by Qingliu County Forestry Bureau, the commercial logging in the timber harvest plan has been banned from 2017 to 2036. In addition, CEC reviewed the VCS development agreement signed between PP and the forest owners and confirmed that the project period will be at least 30 years stipulated in their cooperation agreement unless special circumstances occur. Relevant information has been stated in Section 1.9 of the Project Description document (version 04). and Section 3.1 of the Validation Report.

Verra Response:

The project proponent has provided documentation demonstrating a credible and robust plan for managing and implementing the project over 30 years and that the ban for commercial logging of forest in the project area covers at least the project crediting period. This finding is now closed, and no further response is required.

Finding 7

Section 1.11 of the *Project Description Template v4.0* requires to state if the project is located within a jurisdiction covered by a jurisdictional REDD+ program.

Section 1.11 of the Project Description document does not state if the project is located within a jurisdiction covered by a jurisdictional REDD+ program.

The project proponent is requested to state if the project is located within a jurisdiction covered by a jurisdictional REDD+ program.

VVB Response: China has not yet launched the REDD+ Program, The project was not located within a jurisdiction covered by a jurisdictional REDD+ program. Relevant information has been stated in

Finding 7

Section 1.11 of the Project Description document(version 04).

Verra Response:

The project proponent has updated Section 1.11 of the project description and now states that China does not have any jurisdictional REDD+ program and so, the project is not located within a jurisdiction covered by a jurisdictional REDD+ program. This finding is now closed, and no further response is required.

Finding 8

Section 1.11 of the *Project Description Template v4.0* states “For all measures listed, include information on any conservation, management or planting activities, including a description of how the various organizations, communities and other entities are involved.”

Section 1.11 of the Project Description document does not describe how the communities and other entities are involved in the project activities.

The project proponent is requested to describe how the various organizations, communities and other entities are involved in the project activities.

VVB Response: CEC checked the project description document (version 04) and confirmed that relevant information has been stated in Section1.11.

Verra Response:

The project proponent has updated Section 1.11 of the project description and now, describes how the various organizations, communities, and other entities are involved in the project activities. This finding is now closed, and no further response is required.

Finding 9

Section 1.12 of the *Project Description Template v4.0* requires the project proponent to “Indicate the project location and geographic boundaries (if applicable) including a set of geodetic coordinates.”

Section 1.12 of the Project Description document indicates the location of the project areas; however, it does not include the project boundaries.

The project proponent is requested to indicate the project boundaries.

VVB Response: CEC checked the timber harvest plan and the KML file, confirmed that the project boundaries are clear. The geographical coordinates of the project have been stated in Appendix 1 of the Project Description document (version 04)., and the KML file has been submitted.

Verra Response:

The project proponent has provided a KML file with geodetic polygons that delineate the geographic project area. The VVB has checked the timber harvest plan and the KML file, confirmed that the project boundaries are clear. This finding is now closed, and no further response is required.

Finding 10

Section 1.13 of the *Project Description Template v4.0* states “For AFOLU projects, include the present and prior environmental conditions of the project area, including as appropriate information on the climate, hydrology, topography, relevant historic conditions, soils, vegetation and ecosystems.

Section 1.13 of the Project Description document does not include present and prior environmental conditions of the project area, including as appropriate information on the climate, hydrology, topography, relevant historic conditions, soils, vegetation and ecosystems.

The project proponent is requested to include present and prior environmental conditions of the project area, including as appropriate information on the climate, hydrology, topography, relevant historic conditions, soils, vegetation and ecosystems.

VVB Response: Relevant information has been stated in Section 1.13 of the Project Description document (version 04).

Verra Response:

The project proponent has updated Section 1.13 of the project description and now, includes present and prior environmental conditions of the project area, including as appropriate information on the climate, hydrology, topography, relevant historic conditions, soils, vegetation and ecosystems. This finding is now closed, and no further response is required.

Finding 11

Section 1.14 of the *Project Description Template v4.0* requires the project proponent to “Identify and demonstrate compliance of the project with all and any relevant local, regional and national laws, statutes and regulatory frameworks.”

Section 1.14 of the Project Description document indicates that the pre-project activities comply with laws, stating that “According to the law, the local forestry bureau issued the forest right certificate and have the right to set out the cutting quota in the harvest plan, and the forest owner have the right to decide their harvest amount, which could not be more than the cutting quota.” However, it does not indicate and demonstrate compliance of the project activities (e.g. zero harvesting and forest protection) with relevant local, regional and national laws, statutes and regulatory frameworks.

The project proponent is requested to identify and demonstrate compliance of the project with all and any relevant local, regional and national laws, statutes and regulatory frameworks. In addition, the project proponent is requested to list all the relevant laws. The VVB is required to assess this information.

VVB Response: PP identifies the relevant the Forest Law of the country and the compliance was described in Section 1.14 of the Project Description document (version 04). The relevant laws mainly include the Forest Law of People’s Republic of China and Regulations on the implementation of the Forest Law of the People's Republic of China.

Verra Response:

The project proponent has updated Section 1.14 of the project description and now identifies and demonstrates compliance of the project with all and any relevant local, regional, and national laws, statutes, and regulatory frameworks. In addition, the project proponent is requested to list all the relevant laws. The VVB has also assessed this information under Section 3.1 of the validation report. This finding is now closed, and no further response is required.

Finding 12

Section 1.17 of the *Project Description Template v4.0* requires the project proponent to describe how the project contributes to achieving any nationally stated sustainable development priorities, including any provisions for monitoring and reporting.

Section 1.17 of the Project Description document does not describe how the project contributes to achieving any nationally stated sustainable development priorities and provisions for monitoring and reporting.

The project proponent is required to describe how the project contributes to achieving any nationally stated sustainable development priorities and provisions for monitoring and reporting same.

VVB Response: Relevant information has been stated in Section 1.17 of the Project Description document (version 04). The project contributes to achieving significant reductions in GHG emissions by avoiding deforestation and preserving forests, protecting the sustainable use of terrestrial ecosystems, managing forests sustainably, combating desertification, halt and reverse land degradation and halt the loss of biodiversity, creating new job opportunities and contributing to local economic prosperity.

Verra Response:

The project proponent has updated Section 1.17 of the project description and now, describes how the project contributes to achieving any nationally stated sustainable development priorities and provisions for monitoring and reporting same. This finding is now closed, and no further response is required.

Finding 13

Section 2.1 of the Project Description Template v4.0 requires the project proponent to summarize any potential negative environmental and socio-economic impacts and the steps taken to mitigate them.

Section 2.1 of the Project Description document states that the project activity is to stop logging protect forest but does not justify why there are no potential negative and socio-economic impacts.

The project proponent is requested to justify why there are no potential negative and socio-economic impacts. The VVB is required to assess this information.

VVB Response: Relevant information has been stated in Section 2.1 of the Project Description document (version 04). CEC interviewed the local households and the local government, and confirmed that Chinese Fir, Masson pine and Broad-leaf trees are main wood species for solid wood furniture in Fujian Province, the project activity is to stop logging to protect forest and there is no potential negative environmental impact and creating new job opportunities. The use of trucks, logging machines and other operation tools in the forest is reduced, which can reduce greenhouse gas emissions.

Verra Response:

The project proponent has updated Section 2.1 and now justifies why there are no potential negative and socio-economic impacts. The VVB has assessed this information under Section 3.2.1 of the validation report. This finding is now closed, and no further response is required.

Finding 14

Section 2.2 of the *Project Description Template v4.0* requires the project proponent to describe the process of VCS Program validation and verification and the validation/verification body's site visit.

Section 2.2 of the Project Description document does not include information on the process of VCS Program validation and verification and the validation/verification body's site visit.

The project proponent is requested to describe the process of VCS Program validation and verification and the validation/verification body's site visit under Section 2.2 of the Project Description.

The project proponent also indicates that, "Before the meeting, they conducted a questionnaire survey on stakeholders. Totally 50 questionnaires returned out of 50 with 100% response." It is not clear why the project would collect feedback on the project before explaining its design and implementation to the stakeholders.

This undermines the purpose of the stakeholder consultation outlined under Section 3.16.2 of the VCS standard v4.1 which requires the project proponent to "conduct a local stakeholder consultation prior to validation as a way to inform the design of the project and maximize participation from stakeholders. Such consultations allow stakeholders to evaluate impacts, raise concerns about potential negative impacts, and provide input on the project design.

Therefore, the project proponent is requested to clarify why the project would collect feedback on the project before explaining its design and implementation to the stakeholders. The VVB is required to assess this information.

VVB Response: Relevant information has been stated in Section 2.2 of the Project Description document (version 04). CEC held the opening meeting with the representatives of project owner and performed face to face interviews with the stakeholders on 27/11/2021, and performed the site inspection on 27/11/2021-28/11/2021. CEC interviewed PP and confirmed that in order to better implement the VCs project, before the two stakeholder interviews, PP had made an introduction to nearby stakeholders in order to obtain some feedback on the project.

Verra Response:

The project proponent has updated Section 2.2 of the project description and now clearly explains how the stakeholder consultation was performed, highlighting key dates when stakeholders were informed of the project, dates of meetings and data collection. The VVB has assessed and confirms this information under Section 3.2.2 of the validation report. This finding is now closed, and no further response is required.

Finding 15

Section 2.4 of the *Project Description Template v4.0* requires the project proponent to "Demonstrate how due account of all and any comments received during the public comment period has been taken. Include details on any updates to the project design or demonstrate the insignificance or irrelevance of comments."

The project was available on the Verra registry for its 30-day public comment period, from 25 October 2021 to 25 November 2021. However, no comments were received.

The project proponent is requested to indicate in Section 2.4 of the Project Description document that

Finding 15

the project did not receive any comments during the public comment period.

WVB Response: Relevant information has been stated in Section 2.4 of the Project Description document (version 04). CEC checked the website (<https://registry.verra.org/app/projectDetail/VCS/2606>), and confirmed that No comments were received.

Verra Response:

The project proponent has now indicated under Section 2.4 of the project description that the project did not receive any comments during the public comment period. This finding is now closed, and no further response is required.

Finding 16

Section 2.5 of the *Project Description Template V4.0* requires the project proponent to provide details on “Processes to ensure ongoing communication and consultation with local stakeholders, including a grievance redress procedure to resolve any conflicts which may arise between the project proponent and local stakeholders.”

Section 2.5 of the Project Description document does not include details on “Processes to ensure ongoing communication and consultation with local stakeholders, including a grievance redress procedure to resolve any conflicts which may arise between the project proponent and local stakeholders.”

The project proponent is requested to provide details on “Processes to ensure ongoing communication and consultation with local stakeholders, including a grievance redress procedure to resolve any conflicts which may arise between the project proponent and local stakeholders.”

WVB Response: Relevant information has been stated in Section 2.5 of the Project Description document (version 04). CEC checked the grievance procedure for VCS stakeholder, and confirmed that PP has established procedure to ensure ongoing communication and consultation with local stakeholders by means of telephone, e-mail, etc, and Fujian Qingliu Forestry Co., Ltd has established a risk control department to respond to complaints and suggestions from stakeholders.

Verra Response:

The project proponent has updated Section 2.5 of the project description and now details the “processes to ensure ongoing communication and consultation with local stakeholders, including a grievance redress procedure to resolve any conflicts which may arise between the project proponent and local stakeholders.” This finding is now closed, and no further response is required.

Finding 17

Section 3.1 of the *Project Description Template V4.0* requires the project proponent to “Provide the title, reference and version number of the methodology or methodologies applied to the project Include also the title and version number of any tools applied by the project.”

Section 3.1 of the Project Description document refers to certain methodologies such as VM0005, VM0007, VM00011 which are not applied by the project. Also, certain tools such as the Tool for

Finding 17

“AFOLU Non-Permanence Risk Analysis” are not included in this section.

The project proponent is requested to include only the methodologies and tools applied by the project under Section 3.1 of the project description and to ensure that all the tools applied are included as well.

VVB Response: PP has revised the description according to the require of the Section 3.1 of the Project Description Template V4.0, and include only the methodologies and tools applied by the project.

Verra Response:

The project proponent has now included all tools applied by the project under Section 3.1 of the project description. However, the project proponent does not demonstrate how the project meets the applicability condition of the tools under Section 3.2 of the project description.

The project proponent is requested to include details of how the project meets the applicability condition of the tools described in Section 3.1 of the project description.

VVB response:

CEC checked the project description document (version 05) and confirmed that relevant information has been stated in Section 3.2, and supplementary descriptions are made in Section 3.3. The Fujian Qingliu IFM (conversion of logged to protected forest) Project is protection of forests that would be logged. Through project activities, the planned harvested forests have been protected, which is completely consistent with the VCS Methodology (VM0010 version 1.3) description.

Verra Response:

The project proponent has included the details of how the project meets the applicability condition of the tools under Section 3.2 of the project description. This finding is now closed, and no further response is required.

Finding 18

Section 3.2 of the *Project Description Template V4.0* requires the project proponent to “Demonstrate and justify how the project activity(s) meets each of the applicability conditions of the methodology(s), and tools (where applicable) applied by the project.”

Section 3.2 of the Project Description document states: “The boundaries of the forest land could be clearly defined and documented through the maps and the forest inventory data. The location of the forest is measured by GPS and draw map. Both the forest map and forest second class investigation will be monitored periodically by the government according to the local laws and regulations.” Also, it states that “baseline scenario, project scenario and project case don’t include wetland or peatland.”

The project proponent is requested to provide a map (or several maps) and KML files with a clear definition of the boundaries of the forest part of the project area. In addition, the project proponent is requested to demonstrate that the project area do not include wetland or peatland.

VVB Response: CEC checked the statement of No-wetland or No-peatland issued by the Forestry Bureau and the KML file, and confirmed that project area do not include wetland or peatland. Relevant information has been stated in Section 3.2 of the Project Description document (version 04).

Verra Response:

The project proponent has included a map under Section 3.3 of the project description and has provided a KML file with a clear definition of the boundaries of the forest part of the project area. In addition, the VVB has checked and confirmed that the project area does not include wetland or peatland. This finding is now closed, and no further response is required.

Finding 19

Section 3.3 of the *Project Description Template V4.0* states that “For AFOLU projects, include in the diagram or map the locations of where the various measures are taking place, any reference areas and leakage belts.” In addition, Section 5.1 of the VM0010 Methodology states that “The project proponent must clearly define the spatial boundaries of the project so as to facilitate accurate measuring, monitoring, accounting and verifying of the project’s emission reductions and removals.”

Section 3.3.1 of the Project Description document states: “When describing physical project boundaries, the information is shown in Figure 1 above. The details of the sub compartments (e.g. area, age, species, stock volume and location) are shown in the fourth forest second class investigation as appendix submitted to DOE.” However, Figure 1 does not show clearly defined spatial boundaries of the project so as to facilitate accurate measuring, monitoring, accounting and verifying of the project’s emission reductions and removals.

The project proponent is requested to include a diagram or map with project spatial boundaries. The requested diagram or map shall indicate the non-harvest areas that are excluded from the project area and referenced in Section 3.4.2 of the Project Description document.

VVB Response: CEC checked the KML file and confirmed that the map has indicate the non-harvest areas that are excluded from the project area and referenced in Section 3.4.2 of the Project Description document (version 04), and detailed geographical coordinates has described in Appendix1.

Verra Response:

The project proponent has provided a KML file with geodetic polygons that delineate the geographic project area. The VVB has checked the KML file and confirmed that the map has indicate the non-harvest areas that are excluded from the project area and referenced in Section 3.4.2 of the Project Description document (version 04), and detailed geographical coordinates has described in Appendix1. This finding is now closed, and no further response is required.

Finding 20

Section 3.4 of the *Project Description Template V4.0* requires the project proponent to “identify and justify the baseline scenario, in accordance with the procedure set out in the applied methodology and any relevant tools.”

Section 3.4.1 of the Project Description document states: “For (ii), NPV under this scenario is obviously not financially attractive compared to the scenario of logging.”

The project proponent is requested to indicate why the NPV under scenario *ii* is “obviously” not financially attractive; otherwise, reference the corresponding section of the Project Description document.

VVB Response: CEC checked the project description document (version 04) and confirmed that

relevant information has been stated in Section 3.4.1.

Verra Response:

The project proponent has explained why the NPV under scenario *ii* is “obviously” not financially attractive under Section 3.4.1 of the project description. This finding is now closed, and no further response is required.

Finding 21

Section 3.5 of the *Project Description Template V4.0* requires the project proponent to “Demonstrate and assess the additionality of the project.”

Section 3.5 of Project Description document states “The scenarios are feasible for the project area taking into account Forest Law of People’s Republic of China.” However, it does not detail the applicable laws and regulations.

The project proponent is required to describe the laws and regulations applicable to the potential baseline scenarios.

In addition, the project proponent is required to demonstrate that the implementation of “Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project” is not enforced by the applicable laws and regulations.

VVB Response: Relevant information has been stated in Section 3.5 of the Project Description document (version 04). CEC checked the Forestry Law of the People’s Republic of China and the Project Description document (version 04) and confirmed that PP has described the laws and regulations applicable to the potential baseline scenarios, and the implementation of the Project is not enforced by the applicable laws and regulations.

Verra Response:

The project proponent has stated in Section 3.5 of the project description the laws and regulations applicable to the potential baseline scenarios and justified that the implementation of the Project is not enforced by the applicable laws and regulations. The VVB has checked and confirmed this information under Section 3.5 of the validation report. This finding is now closed, and no further response is required.

Finding 22

Section 3.5 of the *Project Description Template V4.0* requires the project proponent to “Demonstrate and assess the additionality of the project.”

Section 3.5 of Project Description document refers to “project scenario” when comparing NPV values of the different baseline scenarios. However, the project scenario is not a possible baseline scenario; instead, the potential baseline scenario is “Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project.”

The project proponent is required to review the expression “project scenario” through Section 3.5 of the Project Description document to reflect the presented analysis correctly.

VVB Response: CEC checked the project description document (version 04) and confirmed that relevant information has been stated in Section 3.5.

Verra Response:

The project proponent has not reviewed the expression “project scenario” under Section 3.5 of the project description and therefore not correctly reflected in the presented analysis. This finding remains open.

VVB response: CEC communicated with PP and confirmed that the expression “project scenario” under Section 3.5 of the project description (version O4) was not inaccurate, and the expression has been corrected in the project description document (version O5). The expression “project scenario” has been replaced by “scenario of protected forest without VCUs” or “scenario of protected forest with VCUs.” PP carried out identifying credible alternative land use scenarios, investment analysis, common practice analysis according to the “Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities” version 3.0, and CEC conformed that additionality analysis is reasonable and the proposed project has additionality. The Baseline scenario is that a certain amount of forest will be harvested every year, and the project scenario is adjusting the business plan to protect the forests that should be cut every year.

Verra Response:

The project proponent has updated the project description and now the expression “project scenario” has been replaced by “scenario of protected forest without VCUs” or “scenario of protected forest with VCUs.” This finding is now closed, and no further response is required.

Finding 23

Section 3.5 of the *Project Description Template V4.0* requires the project proponent to “Demonstrate and assess the additionality of the project.”

Section 3.5 of Project Description document states “It is assumed that only when the timber product price for tending and managing increased 719.88%, the nominal NPV of the project scenario could reach to 9,038*10⁴ Yuan. Since the timber price for the project scenario and the baseline scenario remains the same. Therefore, the project scenario will not become equal to the baseline scenario.”

The project proponent is required to provide the timber prices considered for the analysis.

VVB Response: CEC checked the timber Harvest Plan, and confirmed that the timber prices considered for the analysis in section are from the timber Harvest Plan. Relevant information has been stated in Section 3.5 of the Project Description document (version O4).and Section 3.3.5 of the Validation Report.

Verra Response:

The project proponent has provided the timber prices considered for the additionality analysis in Table 5 under Section 3.5 of the project description. This finding is now closed, and no further response is required.

Finding 24

Section 8.3.1 of the *VM0010 Methodology v1.3* requires the project proponent to “demonstrate that the project proponent does not control multiple parcels of land within the country.” In addition, as per Section 8.3.2, the project proponent must calculate the ratio of merchantable biomass to total biomass within each stratum.

Finding 24

Section 4.3 of the of Project Description document does not demonstrate that the project proponent does not control multiple parcels of land within the country. Neither the ratio of merchantable biomass to total biomass is not calculated within each project stratum.

The project proponent is requested to demonstrate that does not control multiple parcels of land within the country and calculate the ratio of merchantable biomass to total biomass within each project stratum in order to demonstrate that the market leakage is zero.

VB Response: CEC interviewed PP and the local government, and confirmed that PP does not control any other forests that can be harvested commercially. CEC checked the 13th Five-year Forest Harvest Limit issued by State Council (Guohan [2016] No.32), and confirmed the total harvest volume limit from 2016 to 2020 is $25,403.6 \times 10^4 \text{ m}^3$, and the total harvest volume limit of Fujian Province is $2,173.3 \times 10^4 \text{ m}^3$, accounting 8.56% of the national harvest volume, higher than the national average. And the planned harvest volume of the project is $16.2 \times 10^4 \text{ m}^3$ from 2017 to 2020, accounting 0.75% of the Fujian Province harvest volume. The proportion of project logging in Fujian Province is far less than that in the whole country. So project will not result in the significant national concession and logging.

Verra Response:

The project proponent has confirmed that they do not control multiple parcels of land, and states that the planned harvest volume of the project is $16.2 \times 10^4 \text{ m}^3$ from 2017 to 2020 accounts 0.75%. However, the project proponent does not calculate the ratio of merchantable biomass to total biomass within each project stratum demonstrating that the market leakage is zero.

The project proponent is requested to justify and provide evidence on why 0.75% harvest volume will not result in the significant national concession and illegal logging. Also, the project proponent is requested to calculate the ratio of merchantable biomass to total biomass within each project stratum demonstrating that the market leakage is zero.

VB Response: According to VM0010 version 1.3 section 8.3.2 Box2, it is described that “LFME = 0, if it can be demonstrated that no market-effects leakage will occur within national boundaries, that is if no new concessions are being assigned AND annual extracted volumes cannot be increased within existing national concessions AND illegal logging is absent (or de minimis) in the host country”. The calculation of the ratio of merchantable biomass to total biomass is not mandatory.

CEC studied the Regulations of the People's Republic of China on forestry law and communicated with PP, and conformed that:

- The planned harvest volume of the project is $16.2 \times 10^4 \text{ m}^3$ from 2017 to 2020, accounting 0.75% of the Fujian Province harvest volume and accounting 0.064% of the national harvest volume. The project harvest volume is so low that it will not cause any fluctuations in market supply and demand.
- China's penalty on illegal logging is very strong. Regulations of the People's Republic of China on forestry law Article 38 and Article 39 clearly stipulates the punishment for the illegal logging. According to the volume and quantity of illegal logging, punishment includes not only 5-10 times compensation of replanting, but also 2-10 times economic penalty. So, it will not result in the illegal logging.
- China's annual extracted volumes are allocated by the country to provinces and then to counties and cities. It is a top-down governmental regulation. Whether the county, city or company harvests or not will not affect the decision-making of the upper level. That is, no new concessions will be assigned. If a concession owner decides to give up the rights of logging, he can't trade or transfer the logging right to any other. So even if the market demand for timber increases, Under the existing legal framework, annual extracted volumes cannot be increased.

Therefore, for the project, no market-effects leakage will occur within national boundaries, since there are no new concessions assigned. As the strict law and regulations, the illegal logging is also absent in

Finding 24

the project. CEC conformed the market leakage is zero, and supplementary descriptions have been made in Section 4.3.2 of the project description document (version 05).

Verra Response:

The project proponent has explained that logging concessions are allocated by the country to provinces and then to counties and cities, and so, harvests in one county will not affect the decision-making of the upper level. The planned harvest volume of the project is 16.2*10⁴ m³ from 2017 to 2020, accounting 0.75% of the Fujian Province harvest volume and accounting 0.064% of the national harvest volume. So even if the market demand for timber increases, under the existing legal framework, annual extracted volumes cannot be increased. Also, China's penalty on illegal logging is very strong.

Section 8.3.2 of the *Methodology for Improved Forest Management: Conversion from Logged to Protected Forest (VM0010)* states that "If harvesting is displaced to forests where a lower proportion of forest biomass is merchantable material from harvestable species than in the project area, then in order to extract a given volume higher emissions should be expected as more trees will need to be cut to supply the same volume."

The project proponent indicates that the annual extracted logging volume would remain (not increased) throughout the country and the region. However, it does not indicate whether the mean merchantable biomass as a proportion to aboveground biomass for each forest type throughout the country is greater or equal to or less than the merchantable biomass to total aboveground tree biomass within the project boundaries.

The project proponent is requested to indicate whether the mean merchantable biomass as a proportion to aboveground biomass for each forest type throughout the region is greater or equal to or less than the merchantable biomass to total aboveground tree biomass within the project boundaries. The project proponent is requested to use the calculation instructions described in the methodology to demonstrate the value of market leakage.

VVB Response: According to previous rounds of reply, it is stated that due to the forest cutting management quota system, there are no new concessions assigned AND annual extracted volumes cannot be increased within existing national concessions. Furthermore, as the strict law and regulations, the illegal logging is also absent in the project. Thus CEC conformed the market leakage is zero based on Section 8.3.2 of the *Methodology for Improved Forest Management: Conversion from Logged to Protected Forest (VM0010, V1.3)*.

However, in order to demonstrated the market leakage factor of the proposed project in a more conservative way, PP still discuss it again according to the VCS Standard (V4.2) Section 3.14.8, 3.14.9 and the remained option stated in the VM0010(V1.3) Section 8.3.2.

- According VCS Standard V4.2 (3.14.8), Market leakage assessments shall occur per the requirements set out in the applied methodology(s) at validation and verification.
- According VCS Standard V4.2 (3.14.9), Notwithstanding the requirement set out in Section 3.14.8, IFM projects may apply the appropriate market leakage discount factor identified in Table 3 to the net change in carbon stock associated with the activity that reduces timber harvest to determine market leakage".

Finding 24

- According to VM0010(V1.3) Section 8.3.2, If harvesting is displaced to forests where a lower proportion of forest biomass is merchantable material from harvestable species than in the project area, then in order to extract a given volume higher emissions should be expected as more trees will need to be cut to supply the same volume.

For the proposed project:

- Qingliu IFM project is a logged to protected forest IFM activity. The project activities permanently protect the forests in the project area, and harvesting activity is permanently stopped. Even if the market demand for timber increases, Under the existing legal framework, annual extracted volumes cannot be increased. So project activities are more in line with VCS Standard V4.2, Table 3, Option 3 (IFM activity that substantially reduces harvest levels permanently). And market leakage discount factor conditional upon where timber harvest is likely to be shifted follow the VCS Standard table 3 and VCS Methodology. Therefore, the project shall calculate within each stratum the ratio of merchantable biomass to total biomass (PMP_i). This shall then be compared to the ratio of merchantable biomass to total biomass for each forest type (PML_{FT}).
- In the calculation, PP select Fujian province which located in the subtropical area with subtropical maritime monsoon climate and dominated by forest type of Subtropical humid forest as the reference area (harvest most likely to be displaced) since China has a vast and varied territory across tropical, subtropical, temperate, cold temperate, cold and its climate, elevation and wood supply and demand are huge different. Thus, PML_{FT} is PML_{Subtropical humid forest}.
- In the baseline scenario modeling, PP have set 3 stratum based on the tree species which are Chinese Fir, Masson pine and Broad-leaf trees for the project. Thus, PMP_i is PMP_{Chinese Fir}, PMP_{Masson pine} and PMP_{Broad-leaf trees}.
- Hence, the calculation is below, in the base year:

$$PMP_{\text{Chinese Fir}} = 692 \text{ m}^3 / 18924 \text{ m}^3 = 3.65\%$$

$$PMP_{\text{Masson pine}} = 10925 \text{ m}^3 / 237266 \text{ m}^3 = 4.6\%$$

$$PMP_{\text{Broad-leaf trees}} = 26033 \text{ m}^3 / 449142 \text{ m}^3 = 5.8\%$$

$$PML_{\text{Subtropical humid forest}} = 2173.3 * 10^4 \text{ m}^3 / 24853.23 * 10^4 \text{ m}^3 = 8.74\%$$

$$PML_{\text{Subtropical humid forest}} \text{ is } 139.5\% \text{ greater than } PMP_{\text{Chinese Fir}}$$

$$PML_{\text{Subtropical humid forest}} \text{ is } 90\% \text{ greater than } PMP_{\text{Masson pine}}$$

$$PML_{\text{Subtropical humid forest}} \text{ is } 50.7\% \text{ greater than } PMP_{\text{Broad-leaf trees}}$$

- PMP_i data comes from ER calculation table. And PML data comes from the 13th Five-year Forest Harvest Limit issued by State Council (Guohan [2016] No.32) and 2017 China forestry statistical yearbook. CEC checked ER calculation table, the 13th Five-year Forest Harvest Limit issued by State Council and 2017 China forestry statistical yearbook, and confirmed that the calculation and

Finding 24

parameters is correct.

- From above calculation, it is indicated that the PML_{FT} is > 15% greater than PMP_i , the ratio of merchantable biomass to total biomass is higher within the area to which harvesting is displaced compared to the project area. Therefore, whether according to VCS Standard table 3 or VCS Methodology, the market leakage discount factor is 20%.
- For the sake of conservation, PP choose to apply the market leakage discount factor of 20% in the latest project description document. CEC checked and confirmed that related calculation and supplementary description have been made in correctly in Section 4.3.2 of the project description document (version 6).

Verra Response:

The project proponent has updated Section 4.3 of the project description and indicated that a market leakage discount factor of 20% will be applied. The VVB has checked and confirmed that related calculation and supplementary description have been made in correctly. The project now applies a market leakage discount on the baseline ERRs. This finding is now closed, and no further response is required.

Finding 25

Section 5.1 of the *Project Description Template V4.0* requires the project proponent to “include all data and parameters that are determined or available at validation.”

Section 5.1 of the of Project Description document does not include the following parameters required by the methodology:

- $F_{V,INF,HWP}$
- $V_{EX,INF,j,i|BSL}$
- $V_{notEX,INF,j,i|BSL}$
- $F_{RSD|BSL}$
- EF_{FUEL}
- $FC_{HARVEST}$
- $FC_{HAULING}$
- $KM_{TRANSPORT}$
- CAP_{TRUCK}
- $EFF_{VEHICLE}$
- E_{DEMAND}
- $EF_{ELECTRICITY}$
- $T_{GENERATOR}$
- $FC_{GENERATOR}$
- $PR_{GENERATOR}$

The project proponent is requested to include the required parameters. It is requested to justify all the parameters that the project proponent considers not applicable.

VVB Response: CEC checked the project description document (version 04) and confirmed that all of the required parameters have been included in section 5.1, and justified all the parameters that the project proponent considers not applicable.

Verra Response:

The project proponent has included $F_{V,INF,HWP}$, $V_{EX,INF,j,i|BSL}$, $V_{notEX,INF,j,i|BSL}$, $FRSD|BSL$, EFF_{FUEL} , $FC_{HARVEST}$, $FC_{HAULING}$, $KM_{TRANSPORT}$, CAP_{TRUCK} , $EFF_{VEHICLE}$, E_{DEMAND} , $E_{ELECTRICITY}$, $T_{GENERATOR}$, $FC_{GENERATOR}$, and $PR_{GENERATOR}$, have now been included under Section 5.1 of the project description and indicated as excluded parameter based on the baseline selection. This finding is now closed, and no further response is required.

Finding 26

Section 5.3 of the *Project Description Template V4.0* requires the project proponent to describe “The procedures for handling non-conformances with the validated monitoring plan.”

Section 5.3 of the of Project Description document does not include “The procedures for handling non-conformances with the validated monitoring plan.”

The project proponent is requested to include the procedures for handling non-conformances with the validated monitoring plan.

VVB Response: CEC checked the project description document (version 04) and confirmed that PP will try to strictly follow the validated monitoring plan. Even if there is the worst possible, it will lead to deviation. PP will ensure that the VCUs are not overestimated according to the principle of conservatism.

Verra Response:

The project proponent has explained that they will try to strictly follow the validated monitoring plan, and if there is a need, it will lead to deviation. This information has also been added under Section 5.3 of the project description. This finding is now closed, and no further response is required.

Finding 27

Section 3.2.1 of the *VCS-Validation-Report-Template-v4.0* requires the VVB to, “summarize any stakeholder input received during the local stakeholder consultation. Assess whether the project proponent has taken due account of all and any input and provide an overall conclusion regarding local stakeholder input. Include the project proponent’s response to all input, describe any resultant changes to the project design and provide an explanation of how the project proponent’s responses are appropriate.

For AFOLU projects, identify, discuss and justify a conclusion regarding whether the project communicated information about the project design and implementation, risks, costs and benefits, relevant laws and regulations, and the process of VCS Program validation.”

Section 3.2.1 of the of validation report does not include a summary of stakeholder comments, project proponent’s response to the comments, communication of project design nor does it assess whether the project proponent has taken due account of all inputs received during the local stakeholder consultation.

As such, the VVB is requested to revise Section 3.2.1 of the validation report to include all required information closely following the instruction under Section 3.2.1 of the *VCS-Validation-Report-Template-v4.0*

VVB Response: Relevant information has been stated in Relevant information has been stated in Section 3.5 of the Project Description document (version 3.0).

Verra Response:

The VVB has explained that relevant information has been stated in Section 3.5 of the project description. This finding is now closed, and no further response is required.

Finding 28

The project proponent is requested to provide the emission reductions calculation spreadsheet for review.

VVB Response: CEC communicated with the project proponent, and confirmed that the project proponent has resubmitted the emission reductions calculation spreadsheet for review.

Verra Response:

The project proponent has provided the emission reductions calculation spreadsheet for review. This finding is now closed, and no further response is required.

2. MINOR FINDINGS

Finding 1

The VCS *Project Description Template v4.0* provides instructions on how to complete the template. It is required to use Arial or Franklin Gothic Book 10.5 point, black, regular (non-italic) font. In addition, the acronym for Improved Forest Management has typos throughout the document.

The project proponent is requested to revise for typos throughout the Project Description document.

3. ASSESSMENT CONCLUSION

On 06 January 2022, Verra completed an accuracy review of *project ID 2606* Fujian Qingliu IFM (conversion of logged to protected forest) Project, the results of which can be found above. Verra sent the findings report to China Environmental United Certification Center Co., Ltd.

On 21 January 2022, China Environmental United Certification Center Co., Ltd. sent the answers to the first round of findings to Verra with updated documentation. The updates were sufficient to close several findings. However, Findings 17, 22 and 24 remain open.

On 13 February 2022 Verra submitted the review report to the VVB and project proponent with a request for further responses.

On 21 February 2022, China Environmental United Certification Center Co., Ltd. sent the answers to the second round of findings to Verra with updated documentation. The updates were sufficient to close several findings. However, Finding. 24 remains open.

On 10 March 2022 Verra submitted the review report to the VVB and project proponent with a request for further responses.

On 13 May 2022, Verra closed all findings, and no further response is required.

