PROJECT REVIEW REPORT

Project ID	*1577*
Project Name	*Fujian Yong'an Improved Forest Management Project*
Program(s)	*VCS*
Verification Period	*01/07/2016 to 30/06/2021*
Project Proponent	*Yong'an Forestry Bureau of Fujian province*
Methodology	*VM0010*
Sectoral Scope(s)	*14. AFOLU*
Validation/Verification Body (VVB)	*China Quality Certification Center (CQC)*

Assessment Criteria	*VCS Standard, v4.0, VM0010*
Date of First Issue	27 April 2022
Date of Second issue	31 May 2022
Date of Final Issue	07 June 2022

Summary:

An accuracy review of the Fujian Yong'an Improved Forest Management Project registration and verification approval request has been conducted by Verra in accordance with Section 4.3 of the Registration and Issuance Process.

The accuracy review has raised two assessment findings and one 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 two assessment findings and one minor finding 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 4.2 of the Project Description (PD) indicates that the frequency of parameter "Illegal Logging PRA Results" is "Every two years."

Section 2.2 of the monitoring report (MR) and Section 4.2.2 of the verification report (VR) indicate that three Participatory Rural Appraisal (PRA) events took place during the reporting period: one on 12/2016, another one on 06/2018, and a final one on 05/2021. There are two years between the two first PRA events; however, it is almost three years between the second and the third event.

The VVB is requested to indicate the reasons because the frequency of monitoring for the parameter "Illegal Logging PRA Results" was not met and indicate how the followed procedure represents a conservative approach.

VVB Response:

According to the frequency of the biennial PRA illegal logging survey, PP originally planned to carry out the third event in the second quarter of 2020. However, due to the Cov-19 outbreak in China in early 2020 and its continuing outbreak, PRA event was affected by strict restrictions on travel and gathering, which caused the delay of the third event. Therefore, PP did not conduct the third PRA event until May 2021, when the outbreak had moderated appropriately.

Based on the results of the first two PRA events dated 12/2016 and 06/2018 respectively, "no illegal logging occurred in the project area", and strict forest laws and good forest management and protection system is indeed on track since the start of the project ,which is confirmed by CQC team during the onsite assessment and interviewed with the stakeholders such as local forestry bureau, residents and PP, and hence CQC team concluded that it is sufficient to carry out three PRA surveys on illegal logging during the past 5-year monitoring period.

According to the Verra Response on 31 May 2022, the project proponent has indicated the same explanation in Section 4.2 of the updated monitoring report (MR) and the VVB corroborates this in the updated verification report.

Verra Response:

The project proponent has explained that they did not meet the frequency of monitoring for the parameter "Illegal Logging PRA Results" as planned because of COVID 19 pandemic and that the results of the PRA conducted indicate that no illegal logging occurred in the project area. The same has also been indicated in the monitoring report and corroborated by the VVB in the verification report. This finding is now closed, and no further response is required.

Finding 2

Section 3.14.9 of the VCS Standard v4.2 states that, "..... 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." Additionally, it states that IFM activity that substantially reduces harvest levels permanently (e.g., RIL activity that reduces timber harvest across the project area, or project that halts logging by at least 25%) should apply a market factor that is dependent on where timber harvest is likely to be shifted.

The VVB is requested to explain under Section 5.3 of the monitoring report how they assessed market leakage following the requirements set out under Section 3.14.9 of the VCS Standard v4.2 and assessed that it can be considered as zero considering that the project activity halts deforestation permanently.

VVB Response:

According to the applied methodology (VM0010, Version 1.2) and the requirements of Section 3.14.8 of the VCS Standard v4.2, PP demonstrates that the market leakage factor (LF_{ME}) is 0 in this project. The specific demonstration process is as follows. Therefore, based on the follow demonstration, this project does not need to apply the rules of Section 3.14.9 of the VCS Standard v4.2 to determine the market leakage factor.

According to Box 2 Leakage factor calculation, in Section 8.3.2 Market leakage of the applied methodology (VM0010, Version 1.2), 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.

Therefor LF_{ME} = 0.

For the project,

- According to the nationwide annual forest cutting quota during the 12th Five-Year Plan period issued by The State Council of P.R. China (Guofa [2011] No.3), the annual extracted stock volume from 2011 to 2015 is $27,105.4*10^4$ m^3.

- According to the nationwide annual forest cutting quota during the 13th Five-Year Plan period issued by The State Council of P.R. China (Guohan [2016] No.32), the annual extracted stock volume from 2016 to 2020 is $25,403.6*10^4$ m^3.

  Clearly, the annual extracted stock volumes dropped 6.28% within existing national concessions. The national logging doesn't increase as a result of the decreased timber supply of this IFM project implementation.

- According to the State Council's approval documents on the nationwide annual forest cutting quota during the 12th Five-Year Plan period and 13th Five-Year Plan period, the annual quota for forest cutting approved by The State Council is the maximum quota for the stock of trees with DBH diameter of 5cm or more cut each year, which must be strictly implemented by all localities and departments and shall not be breached. No new concessions are being assigned AND the annual extracted volumes could not be increased within existing national concessions AND, according to the Forest Law of China and the Regulations on the implementation, as well as relevant regulations of The State Council and the State Forestry Administration, illegal logging is strictly prohibited and severely punished within China by law. Furthermore, China has established a strict forest management and protection system. Therefore, the probability of illegal logging in China is very low, almost zero.

  To sum up, for this project, the three conditions of zero market leakage are fully met, namely, 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. Thus, it is obvious that no market-effects leakage occurs within national boundaries.

Therefore,

LF_{ME} = 0

$GHG_{LK,LtpF,t*}$=0

Relevant evidence was submitted to the VVB.
Verra Response: The project proponent has clarified that the project follows the requirements of Section 3.14.8 of the VCS Standard v4.2, and does not need to apply the rules of Section 3.14.9 of the VCS Standard v4.2 to determine the market leakage factor. This finding is now closed, and no further response is required.

2. MINOR FINDINGS

Finding 1
Under Section 1.2 of the monitoring report, the project proponent is requested to specify the IFM project activity as required by the Monitoring report template **PP Response:** Section 1.2 of the monitoring report has been updated as follows： The project has been developed under VCS sectoral scope 14 (Agriculture, Forestry, Land Use) and is categorized as the VCS AFOLU category Improved Forest Management: Logged to Protected Forest. This project is not a grouped project.

3. ASSESSMENT CONCLUSION

On 27 April 2022 Verra concluded a review of the verification approval request for Fujian Yong'an Improved Forest Management Project and raised the two assessment findings and one minor finding detailed above.

On 27 April 2022, Verra submitted the review report to the China Quality Certification Center (CQC) and the Fujian Yong'an Improved Forest Management Project.

On 18 May 2022, China Quality Certification Center (CQC) responded to the raised findings. The responses were sufficient to close most findings. However, more action was requested of the project proponent.

On 31 May 2022, Verra sent the China Quality Certification Center (CQC) the PRR with request for action of finding 1.

On 1 June 2022, China Quality Certification Center (CQC) responded to the additional findings and sent updated documents as requested.

On 7 June 2022, Verra closed all findings, and no further response is required.