

Assessed by:



65 Millet St. Suite 201
Richmond, VT 05477 USA
Tel: 802-434-5491
Fax: 802-434-3116
www.rainforest-alliance.org

Carbon Forestry Project Audit
Managed by:
South America Regional Office

C/Manuel Ignacio Salvatierra # 359, 2º
Piso, Bolivia
Tel: +591 3 3325042
Fax: +591 3 3327451
Contact Person: Rolyn Medina
Email: rmedina@ra.org



Validation Assessment Report for:

Guanaré S.A.
in
Treinta y Tres, and Melo, Uruguay

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Lead Auditor:	William Arreaga
Audit Team Member(s):	Violeta Colan, Ariel Zorrilla
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Project Proponent Address:	Rincón 487/201 . CC 11.000. Montevideo - Uruguay

GUANARE VCS VALID 12



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Contact	Rolyn Medina, Regional Coordinator of Forestry Certification and Verification Services, South American Region Office C/Manuel Ignacio Salvatierra # 359, 2º Piso, Bolivia rmedina@ra.org
Approved By	Jared Nunery, Carbon Technical Specialist
Work Carried Out By	William Arreaga, Violeta Colan and Ariel Zorrilla

Summary:

The Rainforest Alliance started the validation process on July 2011 with a desk review audit, where the main objective was to identify major gaps that could prevent a field visit. The validation field visit took place on November 2011 in which the audit team visited the plantation projects, interviewed key stakeholders, staff and other related experts, and also reviewed the PD and supporting documents. The purpose of the visit was to determine the conformance of the project with respect to the VCS Version 3 standard. The scope of the validation was to assess the conformance of Guanáré afforestation project (21,291 hectares) in Melo and Treinta y Tres, Uruguay against the Verified Carbon Standard V3.

The audit team submitted a report on February 29, 2012 with no open Non-Conformity Reports (NCR). On March 29, 2012 the project proponent submitted documents to clarify in a better way some key points regarding the project boundary and the risk analysis of non-permanence. After reviewing the new evidence, the Rainforest Alliance audit team has found that with reasonable level of assurance, the project is in conformance with the VCS v3 standard. For a complete summary of the audit process please refer to section 3.2 of this report.

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1 Introduction

The Rainforest Alliance's [SmartWood](http://www.rainforest-alliance.org/smartwood) program was founded in 1989 to certify forestry practices conforming to Forest Stewardship Council (FSC) standards and now focuses on providing a variety of forest auditing services. In addition to being an ANSI ISO 14065:2007 accredited validation and verification body, Rainforest Alliance SmartWood program is also a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards. For a complete list of the services provided by Rainforest Alliance see http://www.rainforest-alliance.org/climate.cfm?id=international_standards.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact the SmartWood program headquarters directly.

1.1 Objective

The purpose of this report is to document the conformance of “Guanaré’ Forest Plantations on degraded grasslands under extensive grazing” with the requirements of the Verified Carbon Standard (VCS). The project was developed by Guanare S.A. hereafter referred to as “Project Proponent”. The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent’s systems and performance against the applicable standard(s).

1.2 Scope and Criteria

Scope: The scope of the audit is to assess the conformance of Guanare S.A. Afforestation project in Melo and Treinta y Tres, Uruguay, against the Verified Carbon Standard. The objectives of this audit included an assessment of the project’s conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. The project covers an area of 21,298 hectares. The land is privately owned. The project has a lifetime of 60 years, and estimates it will remove and/or reduce 7,644,973 tCO₂e over the course of the project lifetime.

Standard criteria: Criteria from the following documents were used to assess this project:

- Verified Carbon Standard Program Guide 2011 v3;
- Verified Carbon Standard 2011 v3;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements 2011 v3;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool 2011 v3;
- Verified Carbon Standard Program Updates (please see VCS website for the latest updates); and as applicable,
- The VCS approved methodology/modules used by the project.

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion unless otherwise defined by the standard criteria.

1.3 Project Description

The PD describes the project as follows:

“The project comprises a total area of 21,291 ha with a long history of grazing by beef cattle, activity that have caused soil erosion and land degradation. Forest plantation for obtaining pulp and saw wood and removing carbon dioxide from the atmosphere are being established since 2006.

The project activity is implemented on degraded land, which is expected to continue to degrade in the absence of the project and hence the land cannot be expected to revert to a non-degraded state without human intervention.

Forests consist of Eucalyptus grandis and to a lesser extent Eucalyptus globulus, Eucalyptus dunnei, Eucalyptus maidenii and Pinus taeda plantations managed with a rotation length of 22 years (one of the properties is expected to have a 16 year rotation). The plantations are established on land previously used for cattle grazing. The implementation of the project activity will not cause any displacement of cattle.

The main objectives of the project activity are wood production, land restoration and carbon sequestration through afforestation. Forest plantation will be completed by year 5 of project and forest will be replanted after clear-cut harvest. Project crediting period is 60 years. All practices will be compatible with FSC standard for sustainable forest management.

Guanaré Forest Plantations on Degraded Grasslands under Extensive Grazing is classified as a “project”, according to its scale: it will remove a total amount of 7,644,973 tCO₂ in a period of 60 years. This means an average of 127,416 tCO₂ per year.”

1.4 Level of assurance

The assessment was conducted to provide a reasonable level of assurance of conformance against the defined audit criteria and materiality thresholds within the audit scope. Based on the audit findings, a positive evaluation statement reasonably assures that the project GHG assertion is materially correct and is a fair representation of the GHG data and information.

2 Audit Overview

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
☒	Validation approved: The project conforms with the audit criteria, and is likely to achieve estimated GHG emission reductions and/or removals. <i>No NCRs issued</i>	
☐	Validation not approved: The project has not demonstrated conformance with the audit criteria. <i>Conformance with NCR(s) required</i>	
Draft Final Report Conclusions		
☒	Validation approved: <i>No NCRs issued</i>	The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of decisions reached. The auditors will not review any new material submitted at this time.
☐	Validation not approved: <i>Conformance with NCR(s) required</i>	
Draft Report Conclusions		
☒	Validation approved: <i>No NCRs issued</i>	The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30 day deadline, or the new material was insufficient to close all open NCRs the report will be finalised with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalised and proceed towards issuance of a assessment statement.
☐	Validation not approved: <i>Conformance with NCR(s) required</i>	

2.1 Audit Conclusions

Summary of project conformance with VCS Criteria:

Rainforest Alliance Report Criterion	Draft Report Project Conformance		Final Report Project Conformance	
1 General Requirements	☒ Yes	☐ No	☒ Yes	☐ No
2 Project Design	☒ Yes	☐ No	☒ Yes	☐ No
3 Application of Methodology	☒ Yes	☐ No	☒ Yes	☐ No
4 Additionality and baseline selection	☒ Yes	☐ No	☒ Yes	☐ No
5 Quantification of GHG emissions	☒ Yes	☐ No	☒ Yes	☐ No
6 Leakage	☒ Yes	☐ No	☒ Yes	☐ No
7 Net emission reductions and removals	☒ Yes	☐ No	☒ Yes	☐ No
8 Monitoring plan	☒ Yes	☐ No	☒ Yes	☐ No
9 Environmental Impact	☒ Yes	☐ No	☒ Yes	☐ No
10 Comments by stakeholders	☒ Yes	☐ No	☒ Yes	☐ No
11 Non-permanence Risk Assessment	☒ Yes	☐ No	☒ Yes	☐ No

Considering the additional information submitted by the project proponent on March 29, 2012, the Rainforest Alliance audit team found the project to be in conformance with the VCS Version 3 standard.

2.2 Non-conformance evaluation

Note: A non-conformance is defined in this report as a deficiency, discrepancy or misrepresentation that in all probability materially affects carbon credit claims. Non-conformance Request (NCR) language uses "shall" to suggest its necessity but is not prescriptive in terms of mechanisms to mitigate the NCR. Each NCR is brief and refers to a more detailed finding in the appendices.

NCRs identified in the Draft Report must be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program. Findings from additional evidence reviewed after the issuance of the draft report are presented in the NCR tables below.

No NCRs were issued during the validation process

2.3 Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed. Unlike NCRs, observations are not formally closed. Findings from the field audit related to observations are discussed in Appendix A below.

No Observations were issued during the validation process

2.4 Actions taken by the Project Proponent address NCRs (including any resolution of material discrepancy)

Action Taken by Project Proponent following the issuance of the Draft Report		Date
Additional documents submitted to audit team (additional documents listed below)	☐ Yes ☐ No ☒ N/A	
Additional stakeholder consultation conducted (evidence described below)	☐ Yes ☐ No ☒ N/A	
Additional clarification provided	☐ Yes ☐ No ☒ N/A	
Documents revised (document revision description noted below)	☐ Yes ☐ No ☒ N/A	
GHG calculation revised (evidence described below)	☐ Yes ☐ No ☒ N/A	

No NCRs were issued; the PP only clarified some key points regarding the project boundary and the risk assessment of non-permanence. No further clarification was necessary or stakeholder consultation. The audit team reviewed the evidence and found to be sufficient to better support the compliance of the VCS standard.

Included in the actions taken by the Project Proponent to address NCRs was the submission of the following revised files:

Ref	Title, Author(s), Version, Date	Electronic Filename
1a.	Memorandum Longevity, FAS, 2012	Memorandum Longevity.pdf
2a.	Análisis de la estabilidad de la Actividad Forestal en Uruguay, Carbosur, 2012	Estabilidad de la actividad forestal en Uruguay_Guanaré.pdf
3a.	Acta Guarané as LLC in Uruguay, Guarané, 2004	Acta S.A.pdf
4a.	Opportunity Cost analysis, Carbosur, 2012	Data_Opportunity cost, breakeven point.xls
5a.	Guanaré PD Version 3	Guanaré PD_V3.pdf
6a.	Non-permanence risk report Guarané' forest plantations on degraded grasslands under extensive grazing	Guanaré Non-Permanence Risk Report_V2.pdf

3 Audit Methodology

3.1 Audit Team

Overview of roles and responsibilities:

Auditor(s)	Responsibilities							
	Lead	Desk Review	On-site visit	Climate Specialist	Biodiversity Specialist	Social Specialist	Report	Senior Internal Review
William Arreaga	☒	☐	☒	☒	☐	☐	☒	☐
Violeta Colan	☐	☐	☒	☐	☒	☐	☒	☐
Ariel Zorrilla	☐	☐	☒	☐	☐	☒	☒	☐
Jared Nunery	☐	☐	☐	☐	☐	☐	☐	☒

Auditor qualifications:

Auditor(s)	Qualifications
William Arreaga, Rainforest Alliance/Smartwood Program Verification Coordinator Services Mesoamerica Lead auditor Contact info: warreaga@ra.org skype @ warreaga	Guatemalan forester from San Carlos de Guatemala University, and M.Sc. from CATIE, Turrialba, Costa Rica. He is also involved in a MBA program on Financial Administration in Guatemala. William serves as a lead auditor for FSC Forest Management, and Chain-of-Custody. His forest carbon experience includes a development of biomass allometric equations in Guatemala; he had also received formal training in Environmental Services, including Carbon issues at Winrock International; as well as he had developed a great experience with Carbon issues by his participation in the field for three CCB validations in Mexico, Nicaragua and Costa Rica; VCS validations in Honduras, Panama and Mexico, and CCB validation and CarbonFix verification in Panama. He had received training as lead auditor against ISO 14001.
Violeta Colán, Rainforest Alliance/SmartWood Program Coordinator Andean Region Audit team member Contact info: vcolan@ra.org	Forestry Engineer with Master degree in Integrated Management of Renewable Natural Resources and a specialization in Natural Forest Silviculture. She has participated in formal FSC forest certification auditing courses, volunteer forestry certification, gradual approximation to certification system, chain of custody and environmental auditing ISO 14001. She has also been trained by Rainforest Alliance in carbon verification auditing. Engineer Colan has, to date, participated in over 30 forest management evaluation, certification auditing and carbon verification processes. Currently she is the Smartwood/Rainforest Alliance Program Representative for Andean Region.
Ariel Zorrilla, Rainforest Alliance/SmartWood Program Representative in Argentina Observer Contact info: azorrilla.consultant@ra.org	Agronomic Engineer. Rainforest Alliance/SmartWood Program's Representative for Argentina. Previous participation in formal FSC forest certification courses, chain of custody, environmental auditing ISO 14.001, and carbon verification auditing. FSC certification auditing experience in most of the South American countries.

3.2 Description of the Audit Process

The validation process started on July 2011 when the Project Proponent (PP) submitted the Project Description (PD) Version 1 and supporting documents. This information was used by the audit team to perform a pre-validation process which consisted of identifying major gaps (observations) that could prevent the continuation of the project. Once the observations were addressed by the PP, the field audit took place. As a result of this, some minor issues were identified by the audit team, then a new version of the PD (Version 2) was developed. This last PD Version 2 was used by the audit team during the field visit which was performed on November 2011 and consisted of:

Desk-audit: Before starting the field visit an agenda that included interviews with stakeholders was designed; the audit team along with the PP selected key stakeholders from NGOs, producer associations, government institutions, among others. Some

of the interviewees were visited by the audit team, others were interviewed at Carbosur office, and finally others were interviewed during the field visit.

The auditors received all the documentation referenced in the PD and the information required by the standard in digital version. Also to start the field visit, the project proponent made a presentation of PD in reference to the documents previously sent to the auditors. The PP also made an explanation of the project database: spreadsheets, maps, analysis of leakage, etc.

Field audit: According to the project area the audit team visited four regions: Cerro Chato/Valentines (Treinta y Tres), Tupambaé (Melo), Las Cañas (Treinta y Tres), and Regis/Garao (Treinta y Tres). Within those projects, the audit team visited some plantations to evaluate the implementation of the management plan (treatment used for planting, soil preconditions and treatments), the risks assessment factors such as fire, pest and disease threatens; and also topics as baseline, additionality, leakage and monitoring the GHG, inventory design and implementation. The audit sampling was defined in order to visit representative plantations, not only to evaluate the management within the project boundary, but also outside the project mainly to assess the alternative scenarios (additionality and baseline).

After the field visit, the audit team required further explanations and clarifications about certain topics. As a result, the project boundary and additionality analysis was also explained by the PP at Carbosur office. Preliminary findings were analysed and discussed with the PP during the closing meeting.

Location/Facility	Date(s)	Length of Audit	Auditor(s)
CARBOSUR Office Montevideo	7 noviembre	One full day	William Arreaga Ariel Zorrilla Violeta Colán
Forest projects in Cerro Largo, Melo	9 noviembre	One full day	William Arreaga Ariel Zorrilla Violeta Colán
Forest projects in Treinta y Tres	10 noviembre	One full day	William Arreaga Ariel Zorrilla Violeta Colán

3.3 Review of Documents

The following documents were viewed as a part of the field audit:

1	Project Description Guarané, oldest version	PD Iberpapel-20 Jul 2011.pdf
2	Sensitivity analysis Cerro Chato/Valentines	Cerro Chato-Valentines_16.xls
3	Sensitivity analysis Cerro Chato/Valentines	Cerro Chato-Valentines_22.xls
4	Sensitivity analysis Las Cañas	Las Cañas.xls
5	Sensitivity analysis Regis/Garao	Regis-Garao.xls
6	Sensitivity analysis Tupambaé	Tupambaé.xls
7	Cash Flow Cerro Chato/Valentines	CERRO CHATO-VALENTINES_22 years rotation length_Silveira.xls
8	Cash Flow Cerro Chato/Valentines	CERRO CHATO-VALENTINES_APVD 742 has maid 33 16 years_Ortiz.xls
9	Cash Flow Las Cañas	LAS CAÑAS_7700 has purchase and affor grandis sawmill II b RFA.xls
10	Cash Flow Regis/Garao	REGIS-GARAO_600 additional has purchase and affor grandis sawmill Garao RFA.xls
11	Cash Flow Tupambaé	TUPAMBAÉ_3229 has purchase and affor grandis sawmill Mauricio Costa RFA.xlsx
12	Scientific literature	Silveira et al 2006; Carámbula y Piñeiro, 2006; Piñeiro et al, 2006; Altesor et al, 1998; Zanoniani, 1997; Giménez et al 2006; Milly et al 2008.

		5-First National Report (2000) submitted by DINAMA (Uruguayan National Environment Direction) to UNCCD (United Nations Convention to Combat Desertificat.pdf
13	Non-Permanence Risk Report Guarané 2Nov2011 and supporting documents	Guanare Non-Permanence Risk Report_2Nov2011.xls Data_Governance score_World bank.xls Data_Fire.xls Data_Opportunity cost, breakeven point.xls Series of Plan de Incendios.doc Series of Informes Sanitarios.doc
14	PD Guarané_v2	PD Guarané_V2.pdf
15	Forest Management Plans	Series of documents FMP of the land units
16	Contract Guarané and FAS	Contrato FAS – Guarané.pdf
17	Guanaré Resumen correcciones_Iberpapel	Resumen correcciones_Guarané
18	Spreadsheet Guarané Strata and Plots	Strata and Plot estimation_Guarané.xlsx
19	Spreadsheet Guarané SOC Calculation	Tool SOC Estimation_Guarané.xlsx
20	Spreadsheet Guarané Benchmark estimation	Estimation Benchmark.xlsx
21	Kml polygons Guarané	Guanare_KML.kml
22	Spreadsheet Guarané PSP estimation	Strata and Plot estimation_Guarané.xls
23	Forest fire plans	Planes de incendios y sanidad (file)
24	Other documents: title deeds, leasing contracts (cattle), labor contracts, training records, list of laws, scientific papers.	

3.4 Interviews

The following is a list of the people interviewed as part of the audit. The interviewees included those people directly, and in some cases indirectly, involved and/or affected by the project activities.

Audit Date	Name	Title
7-8 th and 11 th Nov, 2011	Alejandro Venturino	Gerente de Silvicultura, FAS
7-8 th and 11 th Nov, 2011	Daniel Martino	Carbosur Team Leader
7-8 th and 11 th Nov, 2011	Andrés Normey	Carbosur Project Leader
7-8 th and 11 th Nov, 2011	Agustín Inthamoussu	Carbosur Forestry Projects
7-8 th and 11 th Nov, 2011	Ramiro Senattore	GIS
7 th Nov, 2011	Pedro Aramendía	Forestal Atlántico Sur Financial Manager
11 th Nov, 2011	Pedro Soust	Uruguay Government Forestry General Director
11 th Nov, 2011	Mariana Kasprzyk	Ministry of Housing, Land Planning and Environment Climate Change Unit
11 th Nov, 2011	Edgardo Cardozo	Forestry Producers Association of Uruguay Manager
11 th Nov, 2011	Andrea Regusci	Forestry Producers Association of Uruguay Technical Manager
10 th Nov, 2011	Nicolás Barú	Manager CONSUR

APPENDIX A: Field Audit Findings

Note: Findings presented in this section are specific to the findings resulting from the field audit as presented in the Draft Audit Report. Any non-conformances or observations identified during the field audit are noted in this section, and specific NCR and OBS tables are included in section 2 of this report for each identified non-conformance and observations. All findings related to audit team review of additional evidence submitted by the Project Proponent following the issuance of the Draft Audit Report by Rainforest Alliance, are included within section 2 of this report.

1 General Requirements

1.1 VCS Standard Section 3.2 and VCS AFOLU Requirements Section 3.1.7: Multiple project activities

Projects may include multiple project activities where the methodology applied to the project allows more than one project activity and/or where projects apply more than one methodology. Such projects shall comply with the respective project requirements of each included AFOLU category. For example, projects that combine agroforestry or enrichment planting with community forestry in a single project where farmers integrate these activities within a single landscape shall follow an ARR methodology for planting activities and an IFM methodology for community forestry activities (except where the activities have been combined in a single methodology). For each activity covered by a different methodology, the geographic extent of the area to which the methodology is applied shall be clearly delineated. Where more than one methodology has been applied to a project with multiple project activities, the requirements outlined in Section 3.2 of the VCS Standard must be met.

Findings from Review on FEBRUARY 29, 2012			
According to the PD, the Project Proponent (PP) is only planning to implement one project activity in the project area which is categorized as ARR, specifically afforestation and reforestation of degraded lands. Being this way, the project does not include multiple project activities. Hence, no more than one methodology had been applied.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

1.2 VCS Standard Section 3.4 and VCS AFOLU Requirements Section 3.7: Grouped projects

Grouped projects are projects structured to allow the expansion of a project activity subsequent to project validation. Validation is based upon the initial project activity instances identified in the project description. The project description sets out the geographic areas within which new project activity instances may be developed and the eligibility criteria for their inclusion. New instances meeting these pre-established criteria may then be added to the project subsequent to project validation, as set out in the sections below. Section 3.4 of the VCS standard provides the requirements for all grouped projects, which are further expanded upon in VCS document AFOLU Requirements Section 3.7.

Findings from Review on FEBRUARY 29, 2012			
The project named "Guanaré Forest Plantations on degraded grasslands under extensive grazing" designed by Guanaré S.A. is not a grouped project. All the proposed area is already defined in the PD.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

1.3 VCS Standard Sections 3.12.2 – 3.12.5: Linkage to other GHG programs and trading schemes

For those projects previously or currently involved in other GHG program or emission trading schemes, the project shall document how it meets the requirements of the VCS Standard Sections 3.12.2 thru 3.12.5.

Findings from Review on FEBRUARY 29, 2012			
The reforestation project has not been rejected from any GHG program. Review of CDM projects listed at http://cdm.unfccc.int/Projects/projsearch.html confirmed the project is not registered as a CDM project.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

1.4 VCS AFOLU Requirements Section 3.1.1: Data requirements

As set out in the VCS Standard, standards and factors used to derive GHG emissions data as well as any supporting data for establishing baseline scenarios and demonstrating additionality shall be publicly available and derived from a reputable and recognized source, such as IPCC 2006 Guidelines for National GHG Inventories or the IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry.

Findings from Review on FEBRUARY 29, 2012			
In general, all the supporting documents and the information stated in the PD are derived from the use of VCS methodological tools, procedures and guidance. Some other sources were considered, such as scientific literature and personal experience of			

the PP staff and other participants. The PP has used a recognized methodology: CDM, AR-ACM0001 Afforestation and reforestation of degraded land (version 05.1.1, EB 60); and several tools about soil organic carbon estimation, estimations of carbon stock in trees and shrubs, estimation of carbon stock in litter, and another tools (PD version 2, item 2.1).			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

1.5 VCS AFOLU Requirements Section 3.1.2: Compliance with applicable laws and regulations

Implementation of the project activities shall not lead to the violation of any applicable law, regardless of whether or not the law is enforced.

Findings from Review on FEBRUARY 29, 2012			
The implementation of the project activities does not lead to the violation of any applicable laws in the country nor state nor local municipalities. The project activities are in line with the following applicable laws: Forestry Laws and Decrees: - Law N°15939, Law N°16002, Law N°16170, Law N°16226, Law N°16906, Law N°16466 (Environment Impact Evaluation), Law N°15239 (Soil conservation), Decree N°333/990 (Soils with Forestry admission), Decree N°504/005 (Fire prevention and combat). - Labour applicable laws and decrees: - Law Decree N°14785, Decree N°647/978, Law N°13619, Law N°10.471, Decree N°372/999. International Conventions applicable: - CITES - OIT Conventions (N°29, 87, 98, 100, 105, 111, 138, 182), - Convention on Biological Diversity, - United Nations Convention to Combat Desertification, - United Nations Kyoto Protocol. As part of the company's FSC certification experience, the key personnel were interviewed and confirmed their knowledge of the relevant regulatory framework. Review of project activities by the audit team identified no non-compliance with relevant regulatory requirements. The audit team interviewed the Director of DGF (Dirección General Forestal) and also discussed some of the relevant laws and local regulations with key personnel, who demonstrated the understanding and applicability of each law depending on the case (environment, social or technical aspects).			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

1.6 VCS AFOLU Requirements Section 3.1.3: Identification of Project Proponent

Where an implementation partner is acting in partnership with the project proponent, the implementation partner shall be identified in the project description. The implementation partner shall identify its roles and responsibilities with respect to the project, including but not limited to, implementation, management and monitoring of the project, over the project crediting period.

Findings from Review on FEBRUARY 29, 2012			
The Project Proponent is Guarané SA on behalf of itself and Guarané SARL. It recognizes that all forest activities are implemented by a local company Forestal Atlántico Sur SA – FAS. The carbon component of PD has been prepared by Carbosur. According to the PD, the Project Proponent is Guarané S.A. This entity is registered in Uruguay and is the responsible for the management of all the operations related to the project activity. To do so, Guarané S.A. hired a third organization called Forestal Atlántico Sur S.A. (FAS), a local company who manages all the plantations under the supervision of the PP. Guarané S.A. acts also on behalf of Guarané SARL, who owns the land. Also the PP signed a contract with another local organization specialized in the developing of carbon forest projects in Latin America: Carbosur. This company has developed the project description (PD) of the Guarané project, however it is not defined as project proponent. It is expected that during the project crediting period Guarané will continue having all the responsibilities with respect to the management of the project; and Carbosur will play the role of technical assistant with respect of carbon topics. Also, the project proponent will continue using a local forest services provider to implement the activities, but the decision making role will be played by the project proponent.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

1.7 VCS Standard Section 3.19.2: Commercially sensitive information

All information in the project documents shall be presumed to be available for public review, though commercially sensitive information may be protected, as set out in VCS document *Registration and Issuance Process*, where it can be demonstrated that such information is commercially sensitive. The validation/verification body shall check that any information designated by the project proponent as commercially sensitive meets the VCS Program definition of commercially sensitive information. Information in the project documents related to the determination of the baseline scenario, demonstration of additionality, and estimation and monitoring of GHG emission reductions and removals shall not be considered to be commercially sensitive and shall be provided in the public versions of the project documents.

Findings from Review on FEBRUARY 29, 2012			
All the relevant project information is available for public review, including documents related to the determination of the baseline scenario, demonstration of additionality, estimation and monitoring of GHG emission over the project crediting period. During the field visit, the audit team was provided with all the documentation upon request. Only internal agreements/contracts between Guanaré S.A. and FAS were asked to the audit team to be considered as commercially sensitive information			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2 Project Design

2.1 VCS Standard Section 3.19.1: Project description

The project shall include at a minimum all requirements outlined in section 3.19.1 of the VCS Standard. Additionally, section 3.19 of the VCS Standard notes that project and its context shall be described in the project description using the VCS Project Description template (or approved GHG program description template where the project is requesting registration under an approved GHG program).

Findings from Review on FEBRUARY 29, 2012			
The project description presented includes all the requirements outlined in section 3.19.1 of the VCS Standard following the VCS Project Description template. The project proponent submitted two different versions of the PD, however the most recent version (Version 2) was taken into account during the validation process. Several documents were also submitted as part of the supporting documents. Following the field audit, the PP further revised the PD to version 3, which was the final version reviewed by the audit team and approved for validation.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2.2 VCS Standard Section 3.8.2 and VCS AFOLU Requirements Section 3.2.1: Project start date

Project shall include a project start date in conformance with section 3.8.2 of the VCS Standard, where specific requirements for AFOLU projects are outlined. As set out in the *VCS Standard*, the project start date of an AFOLU project shall be the date on which activities that lead to the generation of GHG emission reductions or removals are implemented. Such activities may include preparing land for seeding, planting, changing agricultural or forestry practices, or implementing management or protection plans.

Findings from Review on FEBRUARY 29, 2012			
The PD defines as the project start date 24 April 2006. By this date began the project activities that lead to the generation of GHG emission removals are implemented. During the field visit the audit team had the opportunity to evaluate areas in which different activities were being implemented. According to the PD, the planting activities took place between 2006 and 2011; the audit team visited lands where had been already established and confirmed planting activities. Older plantations were also visited and the project participants (field workers and farm administrators) were asked about the project start date. The director of the DGF also ratified that all the management plans were submitted by year 2006 and approved the project to be started by that year. The project started after 1 January 2002 and before 8 March 2008 (dates delineated by VCS Standard Section 3.8.2); the project proponent expects to finish the validation and the verification process before 8 March 2013.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2.3 VCS Standard Section 3.9 and VCS AFOLU Requirements Section 3.3: Project crediting period

Project shall include a project crediting period in conformance with section 3.9 of the VCS Standard. In general, for all AFOLU projects (ALM projects are an exception to this requirement) a crediting period of 20-100 years shall be used. Project crediting periods shall be

equal to the project lifetime. The earliest project crediting period start date for AFOLU projects shall be 1 January 2002. Renewal of project crediting period shall follow requirements outlined in section 3.9.1 of the VCS Standard.

The project crediting period rules are set out in the *VCS Standard*. Projects shall have a credible and robust plan for managing and implementing the project over the project crediting period. For ARR or IFM extension of rotation age or low-productive to high-productive projects with harvesting, the length of the project crediting period shall be set to include at least one complete harvest/cutting cycle. In the case of selectively cut IFM projects, where trees are individually selected for harvest, the harvest/cutting cycle is the allowable re-entry period into the harvest area as determined by legal and regulatory requirements, and common practice.

Findings from Review on FEBRUARY 29, 2012			
The project crediting period will be of 60 years from 24 April 2006 to 24 April 2066. The project crediting period was defined as such to be aligned with the project lifetime. According to the national law, all the forest projects shall be registered through the submission of a forest management plan (called locally Forestry Project) and approved by the <i>Dirección General Forestal</i> . The audit team interviewed Ing. Pedro Soust, Forestry General Director who explained in general terms the conditions in which the project activities had been implemented and which management documents had been submitted for approval. The auditors reviewed a sample of the management plans to make sure that the PP had planned the implementation of management activities (harvesting, monitoring, protection) for a harvest cycle. The actual implementation of these activities was assessed by the audit team. The PP explained that due to the main objective of the project, all the planned activities will be implemented through the crediting period. Moreover, the PP and stakeholders sustained that all practices will be compatible with FSC standards, and also the plantation will be replaced after clear cut harvest.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2.4 VCS Standard Section 3.11 and VCS AFOLU Requirements Section 3.4: Project location

Project location shall follow requirements outlined in section 3.11 of the VCS Standard and 3.4 of the VCS AFOLU Requirements. 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.

activity and provided in a KML file.

Findings from Review on FEBRUARY 29, 2012

Each farm within the forestry project is specified using geodetic polygons to delineate the geographic area. The proponent presented this information in a KML file which were verified by the audit team during the field audit.

Table 1 of the PD summarizes the location of each reforestation polygon specifying the name of the property, location, area, coordinates, and cadastral information. The audit team used handheld GPS to get specific site coordinates, then evaluated any differences between audit team GPS mapping and the PP database. In all the farms visited, GPS points were taken in order to demonstrate the location of the project boundary, identify the baseline scenarios, and locate live fences, households, agriculture lands and even older plantations where existed, as a reference or inputs for the evaluation. The KML maps were reviewed along with the PP; no discrepancies were found between the audit field observations and the maps. Apart from the GPS points taken by the audit team, some other polygons were reviewed to identify the use of the land.

In summary the Guanáre project is located in two departments (Treinta y Tres, and Melo) with a total area of 21,291 hectares distributed in 22 land units. The following table shows the general information of the land units per region:

Region	Property name (land unit)	Area planted (ha)
Cerro Chato/Valentines	La Cimarrona	984
	La Cimarrona extensión	37
	Mauttone	299
	Cerro Chato	110
	Valentines	290
Regis/Garao	Barro-Echevarría	254
	Carballo	481
	Casas	271
	Da Rosa	97
	Derley Gonzáles	383
	Garao Araujo	31
	Garao Norte	455
	Garao Sur	377
	Julio González	59
	Mary González	261

		Maderos	407	
		Méndez	125	
		Ramos	100	
		Regis	353	
		Santa Sofía	2369	
	Las Cañas	Azotea de Ramírez	2856	
		Azotea Norte Vaz	411	
		El Yugo	2288	
		Caraballo	99	
		Ferrari	224	
		Las Cañas	4509	
	Tupambaé	Ibarra	180	
		Isla Patrulla	849	
		Tupambaé	1801	
		Tupambaé 2	331	
	Total		21291	
Conformance	Yes ☒		No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised			

2.5 VCS Standard Section 3.12.1: Proof of title

Project description shall be accompanied by proof of title as outlined in section 3.12.1 of the VCS Standard.

Findings from Review on FEBRUARY 29, 2012				
The PP provided the audit team with the notary certificates that stated the property of the farms within the project boundaries. A sample of the certificates was reviewed by the audit team and established that those corresponded with the land where the project is established. Other supporting documents (forest management plans) were also reviewed to confirm the property of the lands based on the geographical location. The authorities consulted by the auditors did not mention any pending issue on the right to use of the land nor other resources. The carbon use rights were discussed with the Climate Change Unit of Uruguay responsible (Mrs. Mariana Kasprzyk) together with the PP. It was explained that due to the fact that the carbon project initiative is established on private property without any kind of incentives, the PP is the only owner.				
Conformance	Yes ☒		No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised			

2.6 VCS AFOLU Requirements Section 4.2: Eligible AFOLU project type

The project is an eligible AFOLU project type, as per the guidance set out in the VCS AFOLU Requirements Section 4.2. Note project types can be combined as outlined in 4.2.12.3 of the AFOLU Requirements.

Findings from Review on FEBRUARY 29, 2012				
The PP intends to implement an eligible AFOLU project which is the forestation and reforestation of degraded lands. Only one eligible AFOLU activity will be implemented within the project boundary. The field visit revealed the presence of almost all the project boundary already planted. No conversion of native ecosystems were caused during the 10 years prior of the project start; as evidence the PP submitted a historical land use series of maps (landsat images of 1988, 2000, 2006 in Garao and Las Cañas sites; landsat images of 1897, 1999, 2006 in Tupambaé and Cerro Chato/Valentines sites) and the audit team confirmed that afforestation process did not start within project boundaries until 2006 through consultation with employees and local representatives of government organizations. The farm administrators also ratified that grassland and cattle have been the predominant land of use for the last decades.				
Conformance	Yes ☒		No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised			

2.7 VCS Standard Section 3.13: Project boundary

The project boundary shall be described (using diagrams, as required) and GHG sources, sinks and reservoirs shall be identified and assessed in accordance with the methodology applied to the project. The project shall justify not selecting any relevant GHG source, sink and reservoirs.

Findings from Review on FEBRUARY 29, 2012				
The project boundary is described in the PD using diagrams as well all the GHG sources, sinks and reservoirs were identified and assessed.				

The proponent selected five carbon pools: above-ground and below-ground biomass, dead wood, litter and soil organic carbon. Harvested wood products were not selected because it is not eligible under the methodology. The audit team reviewed the KML maps and the GPS points taken in the fields. No significant discrepancies were found when comparing both using google earth platform and GIS; as a result the project boundary of the 129 polygons was demonstrated to be well defined.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2.8 VCS AFOLU Requirements Sections 3.1.6 and 3.1.10: Project activities on peatlands

Where ARR, ALM, IFM or REDD project activities take place on peatland, the project shall adhere to both the respective project category requirements and the PRC requirements, unless the expected emissions from the soil organic carbon pool or change in the soil organic carbon pool in the project scenario is deemed below *de minimis* as set out in Section 4.3.3, in which case the project shall not be subject to the PRC requirements.

Findings from Review on FEBRUARY 29, 2012			
None of the project activities are taking place on peatlands. This was confirmed through direct observation of project areas during audit team field visits to the project area.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

2.9 VCS AFOLU Requirements Section 4.3.1 and VCS AFOLU Requirements Sections 4.3.5 – 4.3.20 (Project type specific carbon pools): Relevant carbon pools

The relevant carbon pools for AFOLU project categories are aboveground tree biomass (or aboveground woody biomass in ARR and ALM projects), aboveground non-tree biomass (aboveground non-woody biomass in ARR and ALM projects), belowground biomass, litter, dead wood, soil (including peat) and wood products. Methodologies shall include the relevant carbon pools set out in Table 2 of Section 4.3.1 of the VCS AFOLU Requirements.

The VCS AFOLU Requirements contain project type specific requirements for all AFOLU project types, the following criteria shall be met for each project type:

- ARR: VCS AFOLU Requirement 4.3.7
- ALM: VCS AFOLU Requirements 4.3.8 – 4.3.11
- IFM: VCS AFOLU Requirements 4.3.12 – 4.3.15
- REDD: VCS AFOLU Requirements 4.3.16 – 4.3.17
- PRC: VCS AFOLU Requirements 4.3.18 – 4.3.20

Findings from Review on FEBRUARY 29, 2012			
The PP has selected the following five carbon pools: above-ground, below-ground, dead wood, litter and soil organic carbon. A justification is explained in the PD to select those pools. Under the methodology the harvested wood products are not eligible as carbon pool, hence the PP decided not to measure and monitor.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2.10 VCS AFOLU Requirements Section 4.3.3 and 4.3.4: De minimis carbon pools and conservative exclusion of carbon pools

Specific carbon pools and GHG sources, including carbon pools and GHG sources that cause project and leakage emissions, may be deemed *de minimis* and do not have to be accounted for if together the omitted decrease in carbon stocks (in carbon pools) or increase in GHG emissions (from GHG sources) amounts to less than five percent of the total GHG benefit generated by the project. Additional information on *de minimis* carbon pools is available in section 4.3.3 of the AFOLU Requirements.

Specific carbon pools and GHG sources do not have to be accounted for if their exclusion leads to conservative estimates of the total GHG emission reductions or removals generated. The conservative omission of specific carbon pools should be outlined within the methodology, and outline process for determining the exclusion of pools shall be followed (see VCS AFOLU Requirements Section 4.3.4).

Findings from Review on FEBRUARY 29, 2012			
The carbon pools above-ground tree biomass, below-ground tree biomass, deadwood, litter and SOC are selected in the project boundary definition. Harvested wood products were not selected by the PP since they are not eligible by the methodology. Non-CO ₂ GHG pools and sources were excluded as <i>de minimis</i> .			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

2.11 VCS AFOLU Requirements Section 4.3.5 and 4.3.6: Non-CO₂ GHGs

Reductions of N₂O and/or CH₄ emissions are eligible for crediting if in the baseline scenario the project area would have been subject to livestock grazing, rice cultivation, burning and/or nitrogen fertilization. Reductions of CH₄ emissions are eligible for crediting if fire would have been used to clear the land in the baseline scenario.

Findings from Review on FEBRUARY 29, 2012			
The PP defined that burning of woody biomass could lead to emissions of CH ₄ and N ₂ O, however will not be included for crediting. The justification is included in the PD, i.e. CH ₄ is a GHG source not included in the project activity because fire for site preparation is not part of forest management; N ₂ O emissions are negligibly small as a potential emission. The audit team visited lands where the plantations were established; no evidence of use of fire was found. The older plantations were also established without using fire during the site preparation, this was confirmed by the farm administrators. No complaints about the use of fire were received by the Dirección General Forestal (DGF), as confirmed by the audit team during interviews with the DGF.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

3 Application of Methodology

3.1 VCS Standard Section 3.1: Use of approved methodology

Projects shall apply methodologies eligible under the VCS Program. Methodologies shall be applied in full, including the full application of any tools or modules referred to by a methodology.

Findings from Review on FEBRUARY 29, 2012			
The PP selected the consolidated CDM methodology AR-ACM0001 "Afforestation and reforestation of degraded land" (version 05.1.1, EB 60) for the project. In the section #2 of the PD document there is a specification of the tools used (e.g.: Version 01 of "Procedures to demonstrate the eligibility of lands for afforestation and reforestation CDM project activities"). The methodology is eligible under the VCS Program. The audit team verified the correct use of the methodology as well as the use of the related tools and procedures through review of GHG quantification spreadsheets conducted with the PP during the field audit. During the audit the PP provided several clarifications about the use and interpretation of the tools and procedures used to the audit team, and supporting documents were also reviewed by the audit team to confirm correct application of the methodology.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

3.2 VCS Standard Section 3.5: Methodology deviations

Deviations from the methodology applied to the project are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement (but not quantification) of GHG emission reductions or removals set out in the methodology. Deviations relating to any other part of the methodology shall not be permitted. Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emissions reductions or removals.

Methodology deviations shall be permitted at validation or verification and their consequences shall be reported in the validation or verification report, as applicable and all subsequent verification reports. Methodology deviations are not considered to be precedent setting.

Findings from Review on FEBRUARY 29, 2012			
According to the PD, the PP did not use methodology deviations. The audit team confirmed this at evaluating the conformance with all the requirements of the methodology. Audit team review of the application of the methodology did not identify any deviations from the methodology.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

3.3 VCS Standard Section 4.2: Methodology revisions

Methodology revisions are appropriate where a project activity is broadly similar to the project activities eligible under an existing methodology and such project activity can be included through reasonable changes to that methodology. Methodology revisions are also appropriate where an existing methodology can be materially improved. Materially improving a methodology involves comparing the existing and proposed methodologies so as to show that the changes will deliver material improvements that will result in greater accuracy of measurement of GHG emissions reductions or removals, improved conservatism and/or reduced transaction costs. *Additional information on methodology revisions is available in the VCS Methodology Approval Process document.*

Findings from Review on FEBRUARY 29, 2012	
The project did not utilize methodological revisions. The project used the AR-ACM0001 Version 05.1.1 CDM methodology in	

full.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

3.4 Conformance with methodology applicability conditions

The project shall demonstrate conformance with all methodology applicability conditions. A project cannot use a methodology unless it meets all applicability conditions. Any change in applicability conditions is considered a Methodology Revision and must be submitted for double approval under the VCS Methodology Approval Process.

(a) The A/R CDM project activity is implemented on degraded lands, which are expected to remain degraded or to continue to degrade in the absence of the project, hence the land cannot be expected to revert to a non-degraded state without human intervention.	The audit team found a significant quantity of soil erosion signs adjacent to the project boundary. At the same time it is clear that the present condition, in which soil is exploited in the geographic area of the project, will not revert to the original condition without implementing a forest project activity. Some indicator species are common in the fields such as Cynodon, its presence is and indicator of the condition of the soils (e.g. productivity decreased). The PP used the required tool to demonstrate that the project will be implemented in lands degraded or degrading. Evidence that the area has been classified as degraded was presented (scientific literature and analysis). The main drivers of soil degradation are erosion and livestock overgrazing over the project boundary and the vicinity. Pictures were provided by the PP to the audit team to demonstration the level of degradation prior to planting activities. Stakeholders explained that in the region where the project is established, a lack of industries or other business (other than PYMES) is common due to the distance, accessibility but also lack of technology. Without human intervention, the current scenario will continue to be the same. More than 300 years of grazing and agriculture production are likely the main cause of the degradation of the land.
(b) If at least a part of the project activity is implemented on organic soils, drainage of these soils is not allowed and not more than 10% of their area may be disturbed as result of soil preparation for planting	The sites visited have been used for intensive livestock, the vegetation is poor. The audit team could verify in the fields that there are no organic soils in the project area. The reforestation activities have not affected the soil. Some places outside the project boundary were also visited where the soil erosion was presented. The landsat images allowed the audit team to understand that organic soils had not been present in the region.
(c) The land does not fall into wetland category.	During the field audit, the audit team did not see any wetlands (as International conventions defined) in the project area.
(d) Litter shall remain on site and not be removed in the A/R CDM project activity of organic soil	During the visit to the different sites the audit team confirmed that the PP has not removed litter and also is not planning to do so.
(e) Ploughing/ripping/scarification attributable to the A/R CDM project activity, if any, is: i) Done in accordance with appropriate soil conservation practices, e.g. follows the land contour; and ii) Limited to the first five years from the year of initial site preparation; and iii) Not repeated, if at all, within a period of 20 years	Soil scarification occurs during the first plantation and in accordance to suitable soil conservation practices. The soil portion ripped is just the line of plantation. Under normal conditions the second forestry shift (plantation rotation) will not include any scarification of the soil. The audit team confirmed that the site preparation activities proposed by the PP are appropriate for soil conservation (e.g. contour plantation lines). The PD mentions that all activities will be made in a period of five years, period when plantations will be established; and then site preparation will be repeated every 20 years. However, there is an exception. 400 hectares of the project land are expected to have a 16-years rotation period. No new scarification is expected to happen, however since tillage would be repeated within a period of less than 20 years, the PP decided not to take into account the organic carbon soil, if any. This was found to be appropriate as this specific area did not meet the applicability conditions required to include SOC pools. The rest of the project area is done in accordance with applicability

	conditions for accounting soils organic carbon (SOC), which will be estimated according to the "Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM Project Activities". The audit team reviewed the calculations on the spread sheet; no inconsistencies were found against the tool.		
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

4 Additionality and baseline selection

4.1 VCS Standard Section 3.15: Additionality

Additionality shall be demonstrated and assessed in accordance with the requirements set out in the methodology applied to the project.

Findings from Review on FEBRUARY 29, 2012			
As required by the methodology, the PP has used the most recent version of the tool: "Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities". The PD document includes a list of barriers for the land-use alternatives, and a list of possible scenarios (See below the list of the two alternative scenarios, section 4.2.). At the same time, an investment analysis was made and the PP determined that only one of those scenarios were not prevented by any barriers, and as such, it can be considered to be the baseline scenario: continuation of the pre-project activity (extensive cattle grazing with no pasture improvement). Finally a common practices analysis was done in which the PP demonstrated that there are similar forest activities in the region but one main factor distinguishes the Guanáre project from others. As a result, the final conclusion is that the project activity is not the baseline scenario, and hence it is additional. The audit team reviewed the additionality argument and supporting document, and interviewed local stakeholders and lead to the conclusion that this project can be actually considered to be additional. See more detailed findings below in section 4.2.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

4.2 VCS AFOLU Requirements Section 4.5: Project conformance with methodology baseline selection

VCS AFOLU Requirements Section 4.5 includes project type specific guidance for the minimum baseline selection requirements for AFOLU project types. All approved methodologies shall be in conformance with these criteria, and projects must conform to the methodological approach for the baseline selection.

Findings from Review on FEBRUARY 29, 2012	
See findings below for assessment of project conformance with the methodological step wise process for the selection of the baseline scenario.	
Baseline Determination Step	Findings
Step 0. Preliminary screening based on the starting date of the A/R project activity	The PP has demonstrated that the project activity started after 31 December 1999; the audit team reviewed a series of landsat images and confirm that most of the lands were used for cattle and grazing (the most common use of the lands has been beef cattle and wool sheep production).; only very small patches of plantations are established like short rotation plantations or wind breaks in the region. Also, it was explained that the plantation project was conceived to sell the CERs from its inception. One of the project participants was hired before 2006 in order to specifically evaluate the possibility of applying for a CDM project. FAS and Pike were also contracted to design the "livestock-forestry and carbon sequestration project" which in other words correspond to the forest management plan where the PP has clearly stated that one of the main objectives is carbon sequestration by forests and the sale of carbon credits. All these documents were submitted by the PP to the national forest service; without the national authorization planting and afforestation cannot start.
Step 1. Identification of alternative scenarios	The identification of alternative scenarios was done based on GIS database of the four regions the project is implemented on: Regis/Garao,

	Cerro Chato/Valentines, Tupambaé, and Las Cañas where the predominant use has been extensive grazing (79% according to published articles and census done in 2000). Other activities have been reported such as fruit production, vineyards, horticulture, grains, dairy, forest, pigs and birds, corresponding to less than 20% all together). The audit team agrees that these alternative scenarios are realistic and credible: 1. Continuation of pre-project land use (extensive cattle grazing with no pasture improvements) 2. Afforestation 3. Other alternatives: none All the scenarios are consistent with enforced mandatory applicable laws and regulations. As a result, none of the possible scenarios are eliminated after step 1.
Setp 2. Barrier analysis	A list of various possible barriers for the land-use alternatives identified in step 1 was presented in the PD. Then the PP explained in detail which barriers prevent the alternatives. Assumptions and scientific literature were used as reference. Finally the decision tree of sub-step 2c was applied leading to the following conclusions: - Continuation of pre-project activity has been identified as the most plausible scenario for project regions. The project activity in this region is therefore additional. - Afforestation is prevented mainly by the following barriers and therefore, the project activity is not the baseline scenario: - Knowledge and technology for its implementation - More than 10 years for return on the investment - Lack of capacity and equipment for managing forest activities - High transportation cost for wood products
Step 3. Investment analysis (if needed)	Option III, benchmark analysis was selected. IRR was chosen as the benchmark, CAPM method (Capital Asset Pricing Model) was used to estimate IRR. This method was found adequate by the audit team since it compensates the investor based on the risk and time value of money. In summary, this method includes the estimation of IRR because takes into account variables of risk free rate, premium for market risk, systematic risk of the project activity (sector) and premium for sovereign risk. All these risks were adequately calculated by the PP showing the estimations in a transparent manner, two years were assessed 2006 (22 year rotation projects) and 2007 (16 year rotation project). The benchmark analysis was conducted in the afforestation scenario to reinforce the conclusion that forest activity in the area was not meant to be developed without being registered in a carbon scheme and generating carbon certificates. This analysis lead to the PP to the following conclusion: "The estimated IRRs for afforestation without carbon finance in the project area are 6.4% for Tupambaé region, 5.5% for Regis/Garao region, 6.9% for Las Cañas region, 9.0% for Cerro chato/Valentines (22 year rotation length), and 8.3% for Cerro Chato/Valentines (16 year rotation length). The estimated IRRs for afforestation in the project area without profits from carbon credits are therefore lower than the estimated benchmark IRR (10.9% -year 2006- and 12.2% -year 2007). It is again concluded that the continuation of the pre-project land use is the baseline scenario." In order to support this statement, the PP included a sensitivity analysis by

	using the Montecarlo simulation method. The audit team reviewed the sensitivity analysis and confirmed the correct application of the investment analysis required by the tool.		
Step 4. Common practice analysis	In the PD the PP explains in detail the context of the plantation period (1989-2005) where the government offered economic incentives but the forest promotion policy did not necessarily lead to a large extension of forest in the country. Within the period, year 1998 reported around 5000 hectares of new short rotation cycle plantations subsidised by the government. In contrast, between 2006 and 2010 more than 77 thousand hectares were afforested (including Guanaré project), without government intervention. These reforestation companies are pursuing carbon finance under VCS, CCX or CDM in around 60 thousand hectares of eucalyptus and/or <i>pinus</i> plantation projects. Based on these facts, the PP can conclude that some basic similarities can be observed among the forest projects in the region (i.e. in terms of scale, species), but no major similarities can be observed (i.e. all of the projects are pursuing the same objectives). As a consequence, the project was found not to be common practice within the region. As the project activity is not common practice, and hence it is additional.		
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

4.3 VCS Standard Section 3.14: Baseline scenario selection

The baseline scenario for the project shall be determined in accordance with the requirements set out in the methodology applied to the project, and the choice of baseline scenario shall be justified.

Equivalence in type and level of activity of products or services provided by the project and the baseline scenario shall be demonstrated and, where appropriate, any significant differences between the project and the baseline scenario shall be explained.

In developing the baseline scenario, assumptions, values and procedures shall be selected that help ensure that net GHG emission reductions and removals are not overestimated.

Findings from Review on FEBRUARY 29, 2012			
The baseline scenario was determined in accordance with the requirements set out in the chosen methodology. All the characteristics of this baseline scenario are documented and the differences between the project and the baseline scenario are justified by the proponent. The values considered for the GHG emissions are conservative and not overestimated. This was confirmed by the audit team during the field audit through review of the baseline selection process, interviews with stakeholders, and field visits to the project site and adjacent lands as described above.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

4.4 VCS AFOLU Requirements Section 3.1.9: Baseline reassessment

For all IFM, REDD and PRC project types, the project proponent shall, for the duration of the project, reassess the baseline every 10 years and have this validated at the same time as the subsequent verification. Baseline projections for deforestation and/or degradation, forest management plans, and peatland drainage beyond a 10 year period are not likely to be realistic because rates of change in land-use and/or land management practices are subject to many factors that are difficult to predict over the long term, hence the need for periodic reassessment of the baseline. This reassessment will capture changes in the drivers and/or behavior of agents that cause the change in land use and/or land management practices and changes in carbon stocks, all of which shall then be incorporated into revised estimates of the rates and patterns of land-use change and estimates of baseline emissions.² Ex-ante baseline projections beyond a 10 year period are not required.

Findings from Review on FEBRUARY 29, 2012			
As this project is an ARR project, this criterion is not applicable.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

5 Quantification of GHG emissions

5.1 VCS Standard Section 3.16: Quantification of GHG emission reductions and removals

GHG emissions and/or removals shall be estimated for each GHG source, sink and/or reservoir relevant for the project (including leakage) and the baseline scenario.

Findings from Review on FEBRUARY 29, 2012			
The PP explained that the net GHG removals in the baseline scenario equals zero. Also, the project emissions (as a result of the implementation of the project; the use of fire is excluded from the project management) are estimated as zero when using the appropriate tool "Estimation of non-CO₂ GHG emissions resulting from burning of biomass attributable to an A/R CDM project activity". Leakage is neglected after the demonstration that the project will not cause any displacement of the activity occurring before project implementation (grazing activities). The application of the tool supports this ("Estimation of the increase in GHG emissions attributable to displacement of pre-project agricultural activities in A/R CDM project activity"). The PD document presents the quantification of GHG emission reductions and removals for each GHG relevant source/reservoir. The proponent makes an analysis of the carbon stocks changes using different suitable parameters. Table 7 of the PD shows the estimated net GHG emission removals in a yearly basis. An average of 7,644,973 tCO₂e is expected by year 2071 (60 years of crediting period plus 11 more years which correspond to the harvest in the last rotation cycle started before the end of the crediting period). Estimations of GHG removals considered three carbon pools selected: above-ground, below-ground, and soil; litter, and dead wood were conservatively neglected.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

5.2 The correctness and transparency of formulas and factors used

Findings from Review on FEBRUARY 29, 2012			
Formulas and factors used for calculations are correct and were verified by the audit team. The information is available and the proponent was transparent showing all the information required. Some of the parameters used for estimation of tree biomass carbon stocks are the bark volume, the mean annual increment of volume stem, wood basic density, BEF, and root-to-shoot ratio. The audit team reviewed a high intensity sample of the carbon calculations done by the PP, and confirm that these parameters were taken from scientific papers or default IPCC values, and finally used appropriately to estimate the carbon stocks and ex-ante GHG benefits. This was done by cross referencing the cited literature sources with the values used in GHG calculations. The audit team reviewed the calculation spread sheets to verify the correct use of formulas, focused on species <i>Pinus taeda</i> and <i>E. globulus</i>; no inconsistencies were found.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

5.3 Calculation of emissions in the baseline scenario (ex-ante estimate)

Findings from Review on FEBRUARY 29, 2012			
In accordance to "IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry (2003)" the proponent assumes a net GHG removal by sinks equals zero in the baseline scenario. During the field visit, the audit team verified that the project is being implemented on degraded lands with no standing vegetation such as significant pasture or standing trees, or live fences. As a result, the audit team agrees that the baseline can be conservatively assumed to be equal to zero.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

5.4 Calculation of emissions reductions or avoided emissions due to the project (ex-ante estimate)

Findings from Review on FEBRUARY 29, 2012			
The proponent calculated a total of 7,644,973 tCO₂e as emissions removals due to the project. Regarding this calculation the annual emissions removals is 127,416 tCO₂e. Table 7 of the PD shows the estimated net GHG emission removals within the project boundary and through the crediting period.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

5.5 Calculation of emissions from project activities (ex-ante estimate)

Findings from Review on FEBRUARY 29, 2012

After using the tool for "Estimation of non-CO2 GHG emissions resulting from burning of biomass attributable to an A/R CDM project activity", the PP determined that project emissions are estimated as zero. The audit team interviewed key personal in the field and ratified that the use of fire for site preparation or any other activity that could cause emissions during the site preparation, have not been presented. Most of the plantation took place in 2006, the farm administrators interviewed participated in that event; they confirmed that in older plantations, the use of fire was not presented. Further, no residual signs of fire from site preparation activities were identified by the audit team during the field visit.

Conformance	Yes ☒	No ☐	N/A ☐
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NCR/OBS	No NCRs or OBS were raised
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5.6 VCS AFOLU Requirements Sections 3.1.8 and 4.5.3: ARR and IFM Long-term average calculation

ARR or IFM projects with harvesting activities shall not be issued GHG credits above the long-term average GHG benefit maintained by the project. The long-term average GHG benefit shall be calculated as set out in Section 4.5.3 of the VCS AFOLU Requirements.

Findings from Review on FEBRUARY 29, 2012

Since the forestry period considered for the proposed species is 22 years long, the long term period is calculated on a base of 71 years and 60 years for the crediting period. This 60 years period includes two forestry completed shifts and almost another one (0.72 parts).

The project has correctly followed the VCS calculation process for estimating project emissions removals in ARR projects with planned harvesting. The project calculates a net long term average (LTA) of 7,644,973 tCO₂e over the course of the project crediting period plus 11 more years which include the harvest in the last rotation cycle started before the end of the crediting period. The calculation of the LTA was reviewed by the audit team based on the spreadsheets, no inconsistencies were found.

Conformance	Yes ☒	No ☐	N/A ☐
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NCR/OBS	No NCRs or OBS were raised
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5.7 The assumptions made for estimating GHG emission reductions

Findings from Review on FEBRUARY 29, 2012

The estimation of GHG emission removals were done based on parameters from the scientific literature including IPCC default factors, and personnel field experiences. Some assumptions were taken into account in the calculations for example:

- Productivity factors per year from 1.00 to 1.25 were used to model the average growth of the stem volume of the trees.
- Bark volume is assumed to be 15% of the wood volume, as suggested in the tool "Estimation of carbon stocks and change in carbon stocks of trees and shrubs"
- Stem density factors were taken from a scientific paper developed in plantations of eucalyptus in Uruguay; and also from IPCC 2003 for Pine species.
- Additional growth due to genetic improvements are estimated to be 25% each rotation (22 years) in *E. globulus* and *E. grandis*

The audit team considered these assumptions to be conservative.

Conformance	Yes ☒	No ☐	N/A ☐
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NCR/OBS	No NCRs or OBS were raised
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6 Leakage

6.1 VCS AFOLU Requirements Section 3.5.1: Identification of leakage

The potential for leakage shall be identified, and projects are encouraged to include leakage management zones as part of the overall project design. Leakage management zones can minimize the displacement of land use activities to areas outside the project area by maintaining the production of goods and services, such as agricultural products, within areas under the control of the project proponent or by addressing the socio-economic factors that drive land use change.

Findings from Review on FEBRUARY 29, 2012

It has been demonstrated that the implementation of the project activity will not cause any displace of the activity occurring before the project implementation. Leakage was determined to be zero by using the appropriate tool. Considering the context of the region, the PP will keep this condition that way; hence no leakage management will be part of the monitoring.

Conformance	Yes ☒	No ☐	N/A ☐
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NCR/OBS	No NCRs or OBS were raised
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6.2 VCS AFOLU Requirements Section 3.5.2: Leakage mitigation

Activities to mitigate leakage and sustainably reduce deforestation and/or degradation are encouraged and may include the establishment of agricultural intensification practices, lengthened fallow periods, agroforestry and fast-growing woodlots on degraded land, forest under-story farming, ecotourism and other sustainable livelihood activities, and/or sustainable production of non-timber forest products. Leakage mitigation activities may be supplemented by providing economic opportunities for local communities that encourage forest protection, such as employment as protected-area guards, training in sustainable forest use or assisting communities in securing markets for sustainable forest products, such as rattan, vanilla, cacao, coffee and natural medicines.

Findings from Review on FEBRUARY 29, 2012			
No leakage is expected during the crediting period. No leakage mitigation is necessary.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

6.3 VCS AFOLU Requirements Section 3.5.4, 4.6.4 and 4.6.15: Market leakage

Market leakage assessments shall occur at validation and verification. The rules and requirements for the assessment of market leakage are set out in Section 5 of VCS AFOLU Requirements. Projects shall account for market leakage where the production of a commodity (eg, timber) is significantly affected by the project. The significance of timber production is determined as set out in Section 4.3.3 above or as set out in Section 4.6.15 below.

Findings from Review on FEBRUARY 29, 2012			
Market leakage is not applicable for ARR projects, as project activities are not significantly affecting production of a commodity.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

6.4 VCS AFOLU Requirements Section 4.6.2: De minimis leakage

Leakage that is determined, in accordance with Section 4.3.3, to be below *de minimis* (ie, insignificant) does not need to be included in the GHG emissions accounting. The significance of leakage may also be determined using the CDM A/R methodological tool *Tool for testing significance of GHG Emissions in A/R CDM Project Activities*.

Findings from Review on FEBRUARY 29, 2012			
The audit team reviewed the application of the tool for "Estimation of the increase in GHG emissions attributable to displacement of pre-project agricultural activities in A/R CDM project activity" and confirm that that this source can be neglected. During the field visit the PP and also some stakeholders explained in detail the context of the agricultural activities, cattle production among other topics related with potential displacements. It was explained that the cattle are retired for at least two years from a land which is going to be planted to avoid any damage to the seedlings or compaction of the soils. The cattle are moved to another place within the farm boundary but no displacement of any other agricultural activity is caused. The audit team noticed in the fields, that this method is a common practice in the region, mainly where the extensive grazing is practiced.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

6.5 VCS AFOLU Requirements Sections 4.6.8 – 4.6.21: Project type specific leakage requirements

The VCS AFOLU Requirements includes the following project type specific criteria (see VCS AFOLU Requirements for complete reference of criteria requirements):

- ARR: VCS AFOLU Requirements Sections 4.6.8 – 4.6.9
- ALM: VCS AFOLU Requirements Sections 4.6.10 – 4.6.12
- IFM: VCS AFOLU Requirements Sections 4.6.13 – 4.6.14
- REDD: VCS AFOLU Requirements Sections 4.6.15 – 6.6.16
- PRC: VCS AFOLU Requirements Sections 4.6.17 – 4.6.21

Findings from Review on FEBRUARY 29, 2012			
As noted above, leakage was assumed to be equal to zero based on the application of the appropriate tool and guidance.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

6.6 VCS AFOLU Requirements Section 4.6.3: Quantification of leakage

GHG emissions from leakage may be determined either directly from monitoring, or indirectly when leakage is difficult to monitor directly but where scientific knowledge provides credible estimates of likely impacts. The GHG credit calculation table provided below in Section 4.7 includes an example of indirect leakage accounting.

Findings from Review on FEBRUARY 29, 2012	
The proponent does not identify any source of leakage due to project activities. Grazing activities are not displaced therefore	

there is not a source of leakage displaced.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

7 Net emission reductions and removals

7.1 VCS AFOLU Requirements Section 3.5.5: Accounting for leakage

Any leakage shall be subtracted from the number of GHG emission reductions and removals eligible to be issued as VCUs.

Findings from Review on FEBRUARY 29, 2012			
Since no leakage is expected, the GHG estimation table (Table 7 in PD) accounts as zero the estimated leakage emissions.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

7.2 Uncertainties assessment associated with the calculation of emissions

Findings from Review on FEBRUARY 29, 2012			
Within the monitoring plan a list of managing quality data procedures (Quality Control System) is included in the PD. Specific quality control and quality assurance procedures will be implemented in the monitoring process as a mechanism of reducing uncertainties. The audit team considers that the PP and the service provider Carbosur has developed experience to guarantee the control of potential uncertainties sources.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

8 Monitoring plan

8.1 VCS Standard Section 3.17.2 VCS AFOLU Requirements Section 4.8.1: Monitoring plan

The project proponent shall establish a GHG information system for obtaining, recording, compiling and analyzing data and information important for quantifying and reporting GHG emissions and/or removals relevant for the project (including leakage) and baseline scenario.

A monitoring plan for the project that includes roles and responsibilities shall be established.

Where measurement and monitoring equipment is used, the project proponent shall ensure the equipment is calibrated according to the equipment's specifications and/or relevant national or international standards.

Findings from Review on FEBRUARY 29, 2012			
The PP defines criteria and procedures for monitoring, and specifies the data and parameters to be monitored in Section 4 of the PD. The following activities will be monitored: site preparation, planting, fertilization, harvest and disturbances. As per the methodology requirements, the PP has established sampling design and stratification procedures. The stratification is based on the plantation plan, considering region, planting dates and species. Preliminary, 22 strata have been defined but the PP knows this scenario could change in the future based on the evolution of the plantations or due to unexpected disturbances. It is estimated that 119 Permanent Sample Plots (PSP) will be established for the whole project area. GIS software will be used to randomly locate the PSP within the project boundary. Data and parameters will be monitored every five years in the fields and before every verification event, considering the methodology procedures and IPCC Good Practice Guidance for LULUCF (2003). Also, in order to ensure that application of default data results conservative, the "Guidance on conservative choice and application of default data in estimation of net anthropogenic GHG removals by sinks" will be applied. Roles and responsibilities to implement the monitoring plan have been established. QA/QC procedures will be implemented to make sure the data consistency, correctness and completeness. Finally, the monitoring plan will aim at an estimation of the mean carbon stocks with a precision level of 10% with 90% of confidence as per the methodology requirement.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

8.2 VCS AFOLU Requirements Sections 3.5.3 and 4.8.2: Leakage monitoring

Leakage shall be monitored as set out in Section 4.6 of the VCS AFOLU Requirements. Where projects are required to account for leakage, such leakage evaluation shall be documented in the appropriate section of the project description and/or monitoring report, as applicable.

Findings from Review on FEBRUARY 29, 2012			
Leakage monitoring is not required by the methodology as noted in section 6 of this report.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

8.3 VCS Standard Section 3.18: Data and parameters available at validation

The project proponent shall ensure that all documents and records are kept in a secure and retrievable manner for at least two years after the end of the project crediting period.

Findings from Review on FEBRUARY 29, 2012			
Section 4.1 of the PD lists the data and parameters available at validation. Some examples are: BEF, Carbon fraction, basic wood density, root-shoot ratio, stem volume, soil organic carbon; factors to determine SOC. As per the PD states "all data collected as part of monitoring will be archived electronically and kept at least until two years after the end of the crediting period".			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

8.4 VCS Standard Section 3.17.1: Data and parameters monitored

Data and parameters used for the quantification of GHG emission reductions and/or removals shall be provided in accordance with the methodology. Quality management procedures to manage data and information shall be applied and established. Where applicable, procedures to account for uncertainty in data and parameters shall be applied in accordance with the requirements set out in the methodology.

Findings from Review on FEBRUARY 29, 2012			
Data and parameters used for the quantification of GHG emission removals were provided by the proponent. The local technical advisor presented the methodologies used for each calculation and demonstrated a deep knowledge of them.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

8.5 Applicability and eligibility of monitoring equipment and procedures

Findings from Review on FEBRUARY 29, 2012			
The proponent will implement a Quality Control (QC) System for routinely checking for data consistency, correctness and completeness; as well as for identifying and correcting errors and omissions; and for properly documenting and archiving data and documentation related with the monitoring activities. Quality Assurance measures will be implemented to verify that data quality objectives are met, and to support the effectiveness of the QC system. According to the data and parameters to be monitored, the PP has established role and responsibilities including the calibration of equipment and specific procedures.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

9 Environmental Impact

9.1 VCS AFOLU Requirements Section 3.1.4: Negative environmental and socio-economic impacts

Project proponents shall identify potential negative environmental and socio-economic impacts and shall take steps to mitigate them. Additional standards such as the Climate, Community & Biodiversity Standards (CCBS) or Forest Stewardship Council (FSC) certification may be applied to demonstrate social and environmental benefits beyond GHG emissions reductions or removals. VCUs may be tagged with additional standards and certifications on the VCS project database where both the VCS and another standard are applied.

Findings from Review on FEBRUARY 29, 2012			
Guanaré has identified potential negative environmental and socio-economic impacts. At the same time, the proponent has presented different actions to control, mitigate and minimize the impacts that operations could cause. The PD document prepared by Carbosur for Guanaré SA presents an analysis on environmental impacts on different issues: climate change mitigation, biodiversity preservation, hydrological cycle, soils, chemicals, and risk of forests fires. The socio-economic impacts identify a list of benefits by the project implementation. Moreover, as part of the environmental commitment of the company, more than 900 ha are now FSC certified while the rest of			

the area is also managed under the same forest management system.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

9.2 VCS AFOLU Requirements Section 3.1.5: Conversion of native ecosystems

Project activities that convert native ecosystems to generate GHG credits are not eligible under the VCS Program. Evidence shall be provided in the project description that any ARR, ALM or PRC project areas were not cleared of native ecosystems to create GHG credits (eg, evidence indicating that clearing occurred due to natural disasters such as hurricanes or floods). Such proof is not required where such clearing or conversion took place at least 10 years prior to the proposed project start date. The onus is upon the project proponent to demonstrate this, failing which the project shall not be eligible. **Additional requirements for PRC project types** are outlined in VCS AFOLU Requirements section 3.1.6.

Findings from Review on FEBRUARY 29, 2012			
Plantations are established on degraded grasslands. There is no evidence classifying this area as a biological hot spot with HCV (high conservation values), therefore the proponent is not converting native threatened ecosystems. This was confirmed by the audit team during field visit to the project area.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

10 Comments by stakeholders

10.1 Findings from stakeholder comments received

Findings from Review on FEBRUARY 29, 2012			
The project proponent has not received comments from stakeholders interested in the project. During interviews in the validation process, the audit team did not find opposition to the activities of the project.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

11 Non-permanence Risk Assessment

Note: Risk factors are determined through a qualitative analysis conducted, following the guidance of the VCS AFOLU Non-Permanence Risk Tool. As stated in Section 1.1.3 "Project proponents shall clearly document and substantiate the risk analysis covering each risk factor applicable to the project. During the analysis, the validation/verification body shall evaluate the risk assessment undertaken by the project proponent and assess all data, rationales, assumptions, justifications and documentation provided by the project proponent to support the non-permanence risk rating."

11.1 VCS AFOLU Requirements Section 3.6.1: Projects with tree harvesting

Projects with tree harvesting shall demonstrate that the permanence of their carbon stock is maintained and shall put in place management systems to ensure the carbon against which VCUs are issued is not lost during a final cut with no subsequent replanting or regeneration.

Findings from Review on FEBRUARY 29, 2012			
The project cycle is of 60 years long. Depending on growth rates and markets demands, the forestry shift will vary but the proposal is the re-plant trees after harvesting operations for some times until this period of 60 years end. Therefore, the project assures the permanence of carbon stocks during the project period.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

11.2 VCS AFOLU Requirements Section 3.6.2: PRC project permanence

PRC Projects ONLY: PRC projects shall demonstrate that the permanence of their peat carbon stock will be maintained. The maximum quantity of GHG emission reductions that may be claimed by the project is limited to the difference between project and baseline scenario after a 100 year time frame, as set out in Section 4.5.18.

Findings from Review on FEBRUARY 29, 2012			
This is not a PRC project.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised		

11.3 VCS AFOLU Requirements Section 3.6.3 and VCS AFOLU Non-Permanence Risk Tool Sections 2.1.1: Use of the Non-Permanence Risk Assessment Tool

Projects shall prepare a non-permanence risk report in accordance with VCS document *AFOLU Non-Permanence Risk Tool* at both validation and verification. In the case of projects that are not validated and verified simultaneously, having their initial risk assessments validated at the time of VCS project validation will assist VCU buyers and sellers by providing a more accurate early indication of the number of VCUs projects are expected to generate. The non-permanence risk report shall be prepared using the *VCS Non-Permanence Risk Report Template*, which may be included as an annex to the project description or monitoring report, as applicable, or provided as a stand-alone document.

Findings from Review on FEBRUARY 29, 2012			
The proponent present its Non-Permanence Risk Report using the VCS template and that is included as a separated document to the PD. The document includes an analysis of the internal, external, and natural risks. The overall risk rating is 3.0.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

11.4 VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk assessment time period

The potential transient and permanent losses in carbon stocks shall be assessed over a period of 100 years from the start of the current monitoring period, unless otherwise specified in Sections 2.2 to 2.4, to determine the appropriate risk rating.

Findings from Review on FEBRUARY 29, 2012			
Even when the crediting period is 60 years, the risk assessment period is 100 years long. Some exceptions apply such as the financial failure analysis was done in a 60 years projection of cash in and cash out.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

11.5 VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk analysis

Risk Factor	Self Assessment Risk Rating	Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)	NCR/OBS
Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	-4	- The species planted are not native to Uruguay, however the PP has provided evidence that the trees are adapted to the similar zone in which the project is located. - The project is permanently supervised by local experts (resource administrators, forest engineers, and economists), field workers and also assessed by forest service provider. - Management team maintains a continuous presence over the project site. - Mitigation: Carbosur as the service provider has full experience in climate change including the use and interpretation of carbon standards. - Mitigation: adaptive management plan is used and updated mainly on topics as pests and diseases, survival rate and future growth.	No NCRs or OBS were raised
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk	1	- The audit team reviewed two different cash flow analysis done by the PP, one per region (north and southeast); in both	No NCRs or OBS were raised

Tool.		cases the breakeven point is greater than 10 years (11 years). - The PP demonstrated that more than 80% of the total assets correspond to investments in land acquisition and plantation establishment. This demonstrates that the project does not necessarily need funding to cover the total cash out before the project reaches the breakeven point. Mitigation: The project has available as callable financial resources more than 50% of total cash out before project reaches breakeven. This was confirmed by the audit team while reviewing the General Balance Sheet 2011 of the companies involved in the project.	
Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	- The PP demonstrated that the expected IRR of the project activity is expected to be at least 50% more profitable than the alternative land use activity.	No NCRs or OBS were raised
Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	4	- The project activity is being implemented in Uruguay without legal agreement to continue the management practice. Guarané has voluntarily invested in managing plantations, most of them already FSC certified. - The project longevity is estimated as 100 years, a period of years greater than the crediting period (60 years). The PP explained that this is considered as such based on the fact that the PP core business is establishing plantations to sell carbon credits and also pulp wood; as a consequence, there is a real commitment to replant in the project area. Stakeholder interviewed also confirmed that the PP has developed enough experience to manage the plantations and also has demonstrated interest in continuing planting. Besides these documents, the PP also submitted other documentation to support the idea, for example a memorandum signed by Guarané and FAS clarifying the longevity of the project, detailing the reasons the PP has to maintain the plantations at least for 100 years.	No NCRs or OBS were raised
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	1		
External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):			
Land and resource tenure: Shall be assessed using Table 6 of the VCS Risk Tool.	0	- The plantations are privately owned; there are no customary tenure or use by local communities. No claims to rights of possession or use of resources were	No NCRs or OBS were raised

		received during the field visit. The audit team reviewed a sample of property certificates in order to confirm that the carbon project has been established in private property.	
Community engagement: Shall be assessed using Table 7 of the VCS Risk Tool.	0	- Local population are not reliant on the project area; the audit team confirmed during the field visit that people do not live within the project area, hence they are not reliant on the Guarané project.	No NCRs or OBS were raised
Political risk: Shall be assessed using Table 8 of the VCS Risk Tool.	0	- The PP estimated as 0.72 the governance score according to WBI. - Uruguay has an established DNA under the CDM and also has one A/R CDM project registered.	No NCRs or OBS were raised
Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.	0	- The PP has determined natural risk due to fire events, pest and disease outbreaks and also extreme weather. - All the natural risks were evaluated over a period of 100 years, and even more e.g. extreme weather was evaluated over a period of +130 years.	
Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.	2	- The PP has determined natural risk due to fire events, pest and disease outbreaks and also extreme weather. - All the natural risks were evaluated over a period of 100 years, and even more e.g. extreme weather was evaluated over a period of +130 years.	No NCRs or OBS were raised

11.6 VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation

Note: As per VCS AFOLU Non-Permanence Risk Tool 2.5.2, the minimum risk rating shall be 10, regardless of the risk rating calculated using Table 11. Furthermore, where overall risk rating is greater than 60, project risk is deemed unacceptably high and the project fails the entire risk analysis (see VCS AFOLU Non-Permanence Risk Tool 2.5.3). For additional information on project risk assessment failure see VCS AFOLU Non-Permanence Risk Tool 2.1.2.5.

Risk Factor	Self Assessment Risk Rating	Findings	NCR/OBS
Overall non-permanence risk rating as determined using Table 11 of the VCS Risk Tool.	10%	The PP has established that 10 percent of the VCUs generated will be deposited in the AFOLU pooled buffer account.	No NCRs or OBS were raised

11.7 VCS AFOLU Non-Permanence Risk Tool Section 2.5.4: Buffer determination

To determine the number of buffer credits that shall be deposited in the AFOLU pooled buffer account, the overall risk rating shall be converted to a percentage (e.g., an overall risk rating of 35 converts to 35%). This percentage shall be multiplied by the net change in the project's carbon stocks (stated in the verification report), as set out in the VCS document *Registration and Issuance Process*. Where a project is divided into more than one geographic area for the purpose of risk analysis, the overall risk rating percentage for each area shall be multiplied by the net change in the project's carbon stocks (stated in the verification report) in such geographic area.

Findings from Review on FEBRUARY 29, 2012			
The project Non-Permanence Risk Report calculates the buffer withholding as 10% following the risk rating calculated using the VCS AFOLU Non-Permanence Risk Tool. The risk report includes the net GHG benefits as removals of carbon after subtracting leakage and buffer in that specific order as per AFOLU requirements states. The calculations are shown in a spreadsheet where the PP demonstrates how buffer where deducted from the net change carbon stocks. The project is expected to have sequestered a total of 884,732 tCO2e.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised		

APPENDIX B: Organization Details

Contacts

Primary Contact for Coordination with Rainforest Alliance

Primary Contact, Position:	Agustín Inthamoussu
Address:	Misiones 1372. Esc 304. CC 11.000. Montevideo - Uruguay
Tel/Fax/Email:	+598 29153514 agustin.inthamoussu@carbosur.com.uy

Billing Contact

Contact, Position:	Nelson Ledesma
Address:	Rincón 487/201 CC.11.000. Montevideo - Uruguay
Tel/Fax/Email:	+598 29162510 nelson.ledesma@fas.com.uy