



Verified Carbon Standard

NON-PERMANENCE RISK REPORT INNER MONGOLIA CHAO'ER IMPROVED FOREST MANAGEMENT PROJECT



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1 INTERNAL RISK

Document and substantiate the risk and/or mitigation for each risk factor applicable to the project. Include any relevant documentary evidence. Where a risk or mitigation is not relevant to the project, please write “Not applicable”.

Project Management		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Species planted (where applicable) associated with more than 25% of the stocks on which GHG credits have previously been issued are not native or proven to be adapted to the same or similar agro-ecological zone(s) in which the project is located.	Not Applicable
b)	Ongoing enforcement to prevent encroachment by outside actors is required to protect more than 50% of stocks on which GHG credits have previously been issued.	Not Applicable
c)	Management team does not include individuals with significant experience in all skills necessary to successfully undertake all project activities (ie, any area of required experience is not covered by at least one individual with at least 5 years experience in the area).	Not Applicable
d)	Management team does not maintain a presence in the country or is located more than a day of travel from the project site, considering all parcels or polygons in the project area.	Not Applicable
e)	Mitigation: Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (eg, individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs.	-2 ¹

¹ The project registered and obtained issuance approval under the VCS program in Mar 2016. The VCU of the project was successfully issued for 120,000 tCO₂e in Jun 2018. The management team of the project has taken part in the whole process through validation, verification, project review, issuance of GHG credits, credits transfer and VCU selling. Moreover, in Jan 2018, over 200 staff of the project participant joined in the training course on forest carbon sequestration transaction organized by the forestry experts, Such VCS rules as Program Guide, VCS Standard, registration and Issuance Process, as well as VCS project management requirement has been include in the course, the relevant evidence has been submitted to VVB. Please refer to http://www.sohu.com/a/218715270_179073 for more details. In a word, the management team has accumulated significant experience in AFOLU project design and implementation, carbon accounting and reporting.

f)	Mitigation: Adaptive management plan in place.	-2 ²
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]		-4
Total may be less than zero.		

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

² The project proponent has established a complete set of management regulation in the operation & maintenance, disturbance prevention and the related contingency plan.

³ The project proponent is Chao'er forest bureau, which is non-profit organization, since the project starts protection, the forest location, Wuyi forest center receives no revenues from the commercial harvest, the forest bureau will have to set aside the protection fund for the implementation and operation of the project, and the O&M cost are the majority of the total cash out.

Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)] Total may not be less than zero.	1
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Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities; or where baseline activities are subsistence-driven, net positive community impacts are not demonstrated	8
b)	NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities	Not Applicable
c)	NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities	Not Applicable
d)	NPV from the most profitable alternative land use activity is expected to be between 20% more than and up to 20% less than from project activities; or where baseline activities are subsistence-driven, net positive community impacts are demonstrated	Not Applicable
e)	NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity	Not Applicable
f)	NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity	Not Applicable
g)	Mitigation: Project proponent is a non-profit organization	-2 ⁴
h)	Mitigation: Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over the length of the project crediting period.	-2 ⁵

⁴ The project proponent is Chao'er Forest Bureau, which is non-profit organization.

⁵ Under the project scenario, the timber production plan, in which the commercial harvest has been cancelled, is issued by the local forest authorities with legal binding commitment with at least over the length of the project crediting period.

i)	Mitigation: Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over at least 100 years	Not Applicable
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)]		4
Total may be less than 0.		

Project Longevity		
a)	Without legal agreement or requirement to continue the management practice	= 24 - (project longevity/5)
b)	With legal agreement or requirement to continue the management practice ⁶	= 30 - (project longevity/2) =30-60/2=0
Total Project Longevity (PL)		0
May not be less than zero		

Internal Risk	
Total Internal Risk (PM + FV + OC + PL)	-4+1+4+0=1
Total may not be less than zero.	

2 EXTERNAL RISKS

Document and substantiate the risk and/or mitigation for each risk factor applicable to the project. Include any relevant documentary evidence. Where a risk or mitigation is not relevant to the project, please write "Not applicable".

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating

⁶ According to clarification on the project lifetime issued by project owner and Chinese national standard GB/T 26424-2010 Technical specification for inventory for forest management planning and design, the natural maturity age of the main tree species larch is more than 141 years, so the project longevity was conservatively determined to be 60 years.

a)	Ownership and resource access/use rights are held by same entity(s)	0
b)	Ownership and resource access/use rights are held by different entity(s) (eg, land is government owned and the project proponent holds a lease or concession)	Not Applicable
c)	In more than 5% of the project area, there exist disputes over land tenure or ownership	Not Applicable
d)	There exist disputes over access/use rights (or overlapping rights)	Not Applicable
e)	WRC projects unable to demonstrate that potential upstream and sea impacts that could undermine issued credits in the next 10 years are irrelevant or expected to be insignificant, or that there is a plan in place for effectively mitigating such impacts.	Not Applicable
f)	Mitigation: Project area is protected by legally binding commitment (eg, a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period.	-2 ⁷
g)	Mitigation: Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that projects have implemented activities to resolve the disputes or clarify overlapping claims	Not Applicable
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)]		0
Total may not be less than zero.		

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Less than 50 percent of households living within the project area who are reliant on the project area, have been consulted	Not Applicable
b)	Less than 20 percent of households living within 20 km of the project boundary outside the project area, and who are reliant on the project area, have been consulted	Not Applicable

⁷ Under the project scenario, the timber production plan, in which the commercial harvest has been cancelled, is issued by the local forest authorities with legal binding commitment with at least over the length of the project crediting period.

c)	Mitigation: The project generates net positive impacts on the social and economic well-being of the local communities who derive livelihoods from the project area	-5 ⁸
Total Community Engagement (CE) [where applicable, (a + b + c)]		-5
Total may be less than zero.		

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Governance score of less than -0.79	Not Applicable
b)	Governance score of -0.79 to less than -0.32	4 ⁹
c)	Governance score of -0.32 to less than 0.19	Not Applicable
d)	Governance score of 0.19 to less than 0.82	Not Applicable
e)	Governance score of 0.82 or higher	Not Applicable
f)	Mitigation: Country is implementing REDD+ Readiness or other activities, as set out in this Section 2.3.3.	-2 ¹⁰
Total Political (PC) [as applicable ((a, b, c, d or e) + f)]		2
Total may not be less than zero.		

External Risk	
Total External Risk (LT + CE + PC)	0

⁸ Based on the on-site inspection and the stakeholder comments, the stakeholders have positive attitude towards the implementation of the project, they agree that the project generates net positive impacts on the social and economic well-being of the local communities.

⁹ <http://info.worldbank.org/governance/wgi/index.aspx#home>

¹⁰ China has an established Designed National Authority under the CDM and has at least one registered CDM Afforestation/Reforestation project. Thus, the mitigation discount can be applied.

Total may not be less than zero.

3 NATURAL RISKS

Explain the significance and likelihood of the natural risk and any mitigation activities implemented, (copy table for each natural risk).

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

expected within 10 years of any event)					
No Loss	Not applicable	Not applicable	Not applicable	Not applicable	0
LS Score	0				
Mitigation					
Prevention measures applicable to the risk factor are implemented					0.5
Project proponent has proven history of effectively containing natural risk					0.5
Both of the above					0.25
None of the above					Not applicable

**Score for each natural risk applicable to the project
(Determined by $LS \times M$)**

Fire (F)	0
Pest and Disease Outbreaks (PD)	0
Extreme Weather (W)	0
Geological Risk (G)	0
Other natural risk (ON)	0
Total Natural Risk (as applicable, $F + PD + W + G + ON$)	0

4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

4.1 Overall Risk Rating

Risk Category	Rating
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Internal Risk	1
External Risk	0
Natural Risk	0
Overall Risk Rating (a + b + c)	10

According to section 2.5.2 of the AFOLU Non-Permanence Risk Tool (V4.0), the minimum risk rating shall be 10, regardless of the risk rating calculated, therefore, Overall Risk Rating is 10.

4.2 Calculation of Total VCUs

Year	Monitoring period	Baseline emissions or removals (tCO ₂ e)	Project emissions or removals (tCO ₂ e)	Leakage emissions (tCO ₂ e)	Net GHG emission reductions or removals (tCO ₂ e)	Buffer pool allocation (tCO ₂ e)	VCUs eligible for issuance (tCO ₂ e)
6	01/01/2015-31/12/2015	9883	-68625	0	78509	7851	70658
7	01/01/2016-31/12/2016	8851	-68625	0	77476	7748	69728
8	01/01/2017-31/12/2017	7819	-68625	0	76444	7644	68800
9	01/01/2018-31/12/2018	6786	-68625	0	75412	7541	67871
10	01/01/2019-31/12/2019	5754	-68625	0	74379	7438	66941
	Total	39093	-343127	0	382220	38222	343998
	Average	7819	-68625	0	76444	7644	68800