

# NON-PERMANENCE RISK REPORT

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<b>Project Title</b>	<b>Jiangxi Province Le'an County Forest Farm Carbon Sink Project</b>
<b>Version</b>	<b>01</b>
<b>Date of Issue</b>	<b>12-10-2013</b>
<b>Project ID</b>	
<b>Monitoring Period</b>	
<b>Prepared By</b>	<b>DTM (Beijing) Energy Technology Development Co., Ltd.</b>
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## 1 INTERNAL RISK

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)	<b>Mitigation:</b> Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (eg, individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs.	Not applicable
f)	<b>Mitigation:</b> Adaptive management plan in place.	-2 <sup>1</sup>
<b>Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]</b>		-2
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 between 7 and up to 10 years from the current risk assessment	Not applicable
c)	Project cash flow breakeven point between 4 and up to 7 years from the current risk assessment	Not applicable
d)	Project cash flow breakeven point is less than 4 years 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	1
h)	Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven	Not applicable
i)	<b>Mitigation:</b> Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven	Not applicable

<sup>1</sup> According to the management plan, the project carries out over all planning, scientific management. All workers are well trained before on duty. And the project owner will adjust the management plan according to the practical circumstance.

<b>Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)]</b> Total may not be less than zero.	<b>4</b>
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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)	<b>Mitigation:</b> Project proponent is a non-profit organization	Not applicable
h)	<b>Mitigation:</b> 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 <sup>2</sup>
i)	<b>Mitigation:</b> 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
<b>Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)]</b> Total may not be less than 0.		<b>6</b>

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

Internal Risk	
<b>Total Internal Risk (PM + FV + OC + PL)</b> Total may not be less than zero.	<b>23</b>

<sup>2</sup> According to the Forest management and protected agreement signed between the local forest bureau and the forest farm, the management period of the protected forest is at least 30 years.

2 EXTERNAL RISKS

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Ownership and resource access/use rights are held by same entity(s)	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)	<b>Mitigation:</b> 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 <sup>3</sup>
f)	<b>Mitigation:</b> 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
<b>Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)]</b> Total may not be less than zero.		<b>0</b>

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Less than 50 percent of households living within the project area who are reliant on the project area, have been consulted	Not applicable
b)	Less than 20 percent of households living within 20 km of the project boundary outside the project area, and who are reliant on the project area, have been consulted	Not applicable
c)	<b>Mitigation:</b> 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 <sup>4</sup>
<b>Total Community Engagement (CE) [where applicable, (a + b + c)]</b> Total may be less than zero.		<b>-5</b>

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating

<sup>3</sup> According to the Forest management and protected agreement signed between the local forest bureau and the forest farm, the management period of the protected forest is at least 30 years.

<sup>4</sup> According to the result of on-site visit on 15/01/2012, all of the stakeholders and the residents of the areas supported the conversion activity from logged to protected forest, and all the stakeholders thought the project brings the positive impacts on the social and economic in their daily life.

a)	Governance score of less than -0.79	Not applicable
b)	Governance score of -0.79 to less than -0.32	4
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)	<b>Mitigation:</b> Country is implementing REDD+ Readiness or other activities, as set out in this Section 2.3.3.	-2
<b>Total Political (PC) [as applicable ((a, b, c, d or e) + f)]</b>		<b>2</b>
Total may not be less than zero.		

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

### 3 NATURAL RISKS

Political Risk					
Significance	Likelihood				
	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 expected within 10 years of any event)	Not applicable	Not applicable	Not applicable	Not applicable	0
No Loss	Not applicable	Not applicable	Not applicable	Not applicable	0
LS Score			Not applicable		
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 × M))	
Fire (F)	0
Pest and Disease Outbreaks (PD)	0
Extreme Weather (W)	0
Geological Risk (G)	0
Other natural risk (ON)	0
<b>Total Natural Risk (as applicable, F + PD + W + G + ON)</b>	<b>0</b>

#### 4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

##### 4.1 Overall Risk Rating

Risk Category	Rating
a) Internal Risk	23
b) External Risk	0
c) Natural Risk	0
<b>Overall Risk Rating (a + b + c)</b>	<b>23</b>

##### 4.2 Calculation of Total VCUs

$$VCU_{net|LtPF} = (Credits_{total,t2|LtPF} - Credits_{total,t1|LtPF}) - Bu_{IFM-VCS}$$

$$= 2,865,161 - 2,865,161 * 23\% = 2,206,173 \text{ tCO}_2\text{e}$$