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Validation Assessment
Report for:

Weyerhaeuser Uruguay S.A.
in
Treinta y Tres and Cerro Largo, Uruguay

Report Finalized:	January 4, 2013
Draft Report Date:	December 21, 2012
Field Audit Dates:	13-16 Nov, 2012
Lead Auditor:	William Arreaga
Audit Team Member(s):	Ariel Zorrilla
Senior Internal Reviewer	Adolfo Lemus
Audit Standard:	*VCS Version 3*
Validation Code(s):	RA- VAL-VCS-017337
Project Latitude/Longitude:	-32.61667 Lat / -53.98333 Long
PD Version:	1.2
Project Proponent Contact:	Juan Martínez Galán
Project Proponent Address:	Agustin de la Rosa 765, Melo, Uruguay

WEYERHAEUSER URUGUAY VCS VALID 12

Document Prepared By Rainforest Alliance

Project Title	*"Weyerhaeuser Uruguay" Forest Plantations on degraded grasslands under extensive grazing*
Version	*1.2*
Report ID	*RA-VAL-VCS-017337*

Report Title	*Weyerhaeuser Uruguay VCS valid 12*
Client	*Weyerhaeuser Uruguay S.A.*
Pages	*24*
Date of Issue	*January 4, 2013*
Prepared By	Rainforest Alliance
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Approved By	*Adolfo Lemus*
Work Carried Out By	*Ariel Zorrilla* *William Arreaga*

Summary:

The Rainforest Alliance started the validation process on November 06, 2012 with a desk review audit, where the main objective was to identify major gaps that could prevent a field visit. The validation visit took place on November 16, 2012 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 standard Version 3. The scope of the validation was to assess the conformance of Weyerhaeuser Uruguay project in Uruguay against the Verified Carbon Standard V3.

The audit team submitted a report on December 21, 2012 with no open Non-Conformity Report (NCR). On December 26, 2012 the project proponent submitted documents to clarify in a better way some key points and also supporting documentation. After reviewing the new evidence, the Rainforest Alliance audit team has ratified 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 of this report.

Table of Contents

1 INTRODUCTION

Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA. Rainforest Alliance is an ANSI ISO 14065:2007 accredited validation and verification body; additionally, Rainforest Alliance is 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 the 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 and our services, these parties are strongly encouraged to contact the local Rainforest Alliance regional office or the RA-Cert Division headquarters directly. Formal complaints or concerns should be sent in writing.

1.1 Objective

The purpose of this report is to document the conformance of *"Weyerhaeuser Uruguay" Forest Plantations on degraded grasslands under extensive grazing* project, with the requirements of the Verified Carbon Standard (VCS). The project was developed by Weyerhaeuser Uruguay, 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 *"Weyerhaeuser Uruguay" Forest Plantations on degraded grasslands under extensive grazing* Afforestation project in Treinta y Tres and Cerro Largo, 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 18,191 ha. The land is privately owned. The project has a lifetime of 100 years, and estimates it will remove 5,601,938 tCO_2e 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 Version 3.4;
- Verified Carbon Standard Version 3.3;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements Version 3.3;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool Version 3.2;
- 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 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.

1.4 Summary Description of the Project

From the PD Version 1.1:

"The project will comprise a total of 18,191 ha of land previously under extensive grazing by beef cattle, on which forest plantations for obtaining high-value, long-lived timber products and for sequestering large amounts of carbon dioxide from the atmosphere will be established.

Forests will be based mainly on *Eucalyptus grandis* and to a lesser extent *Eucalyptus dunnii* and *Pinus taeda* plantations in 16 and 21-year rotations (the former for Eucalyptus and the second for Pinus), managed with pruning (to a height of 9 and 6 m respectively); one thinning operation in Eucalyptus at the age of 11 and two thinning operations in Pinus at the age of 12 and 16, to obtain knot-free, high-diameter logs suitable for saw-milling and veneering. Plantation will be completed by year 7 of project and forests will be replanted after clear-cut harvest. Practices will be compatible with PEFC standard for sustainable forest management. Planted forests will remove carbon dioxide from the atmosphere and store it in different carbon pools (living above-ground and below-ground biomass, soil, litter, non-tree vegetation, dead wood

and harvested wood products). Monitoring will cover carbon stock changes for living above-ground, litter and dead wood pools. Below ground biomass will be estimated indirectly based on above-ground biomass measurements. Non-tree vegetation and harvested wood products will not be accounted as per the methodology applied. The potential non-permanence of stored carbon will be considered by the non-permanence risk analysis and buffer determination, and by the fact that a significant fraction of the sequestered carbon will be stored in long-lived products which will not be accounted.

The baseline study determined that continuation of extensive grazing is the most likely use of the land. Additionality is demonstrated through the fact that the expected internal rate of return of the proposed project activity without considering carbon finance is lower than the benchmark internal rate of return for this type of investment in Uruguay. In addition, barriers analysis and common practice analysis showed that afforestation in the area of the proposed project activity is not likely to occur without carbon financing."

The project start date is February 22 2006 and the project crediting period will be of 100 years (2006-2106).

2 VALIDATION PROCESS

2.1 Method and Criteria

2.1.1 *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**
Ariel Zorrilla	☐	☐	☒	☐	☒	☒	☒	☐
William Arreaga	☒	☒	☒	☒	☐	☒	☒	☐
Adolfo Lemus	☐	☐	☐	☐	☐	☐	☐	☒

Auditor qualifications:

Auditor(s)	**Qualifications**
Ariel Zorrilla, Rainforest Alliance Representative in Argentina *Audit team member* 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.
William Arreaga, Rainforest Alliance Senior Associate, Verification Services *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. He has developed two biomass allometric equations in natural forests and plantations in Guatemala. Moreover, he had received formal training in Environmental Services at Winrock International; as well as he had developed a great experience with Carbon issues by his participation in the field for four CCB validations in Mexico, Nicaragua, Costa Rica and Panama; VCS validations in Guatemala, Honduras, Panama, Mexico, Uruguay, Ecuador, and USA; CarbonFix verifications in Panama. He had received formal training as carbon validator in Vermont, and as lead auditor against ISO 14001 in Guatemala. Nowadays, he is the Verification Services Coordinator in Rainforest Alliance Mesoamerica Region.

2.2 Review of Documents

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

Ref	Title, Author(s), Version, Date	Electronic Filename
1	Documentación Legal	Documentación Legal (file)
2	Weyerhaeuser Uruguay, Non-permanence risk report, 2012	06-Non-Permanence risk report-Weyerhaeuser Uruguay.doc
3	Weyerhaeuser Uruguay, PD Weyerhaeuser Uruguay v1.2, 2012	PD Weyerhaeuser Uruguay v1.2.pdf
4	Weyerhaeuser Uruguay, Stocks de carbon, 2012	1. Stock de Carbono Weyerhaeuser con Dunnii.xls
5	INIA, Serie Técnica No. 152, 2005	1. Serie Técnica 152
6	CV Isabel Loza, 2012	6. CV Isabel LozaBalbuena.pdf
7	Weyerhaeuser Uruguay, Query SOC, 2012	2. RE query SOC (email)
8	Weyerhaeuser Uruguay, Datos inventario de predios, 2012	1. Datos de inventario predios del este.xls
9	Weyerhaeuser Uruguay, Datos eucalyptus, 2012	1. E grandis vs E. dunnii.xls
10	Weyerhaeuser Uruguay, SAG grandis model 6 years, 2012	1. SAG grandis 6 años.xls
11	Weyerhaeuser Uruguay, SAG grandis model 5 years, 2012	1. SAG grandis 5 años.xls
12	Weyerhaeuser Uruguay, SAG grandis model 4 years, 2012	1. SAG grandis 4 años.xls
13	Weyerhaeuser Uruguay, Non-permanence risk report, 2012	06-Non-Permanence risk report-Weyerhaeuser Uruguay.pdf
14	CV Juan Martínez Galán, 2012	CV Juan Martinez Galan.pdf
15	Weyerhaeuser Uruguay, Modelo contrato de pastoreo, 2012	2. Modelo Contrato de Pastoreo a utilizar a partir del 16Nov2012.dlc
16	Doldan *et al*, Alternativas de plantaciones uruguayes para pulpa Kraft, 2012	1. Alternativas de plantaciones uruguayas para pulpa Kraft.pdf
17	Weyerhaeuser Uruguay, KML points, 2012	KML Wey.kml
18	Weyerhaeuser Uruguay, Estimation benchmark, 2012	Estimation benchmark-Weyerhaeuser Uruguay.xls
19	Weyerhaeuser Uruguay, Cashflow, 2012	Cashflow- Weyerhaeuser Uruguay.xls
20	Weyerhaeuser Uruguay, Financial vialibility, 2012	Financial viability and Opportunity cost-Weyer.xls
21	Weyerhaeuser Uruguay, Simulation SISPINUS 4, 2012	1. Simulation SISPINUS 4 años.rtf
22	Weyerhaeuser Uruguay, Simulation SISPINUS 5, 2012	1. Simulation SISPINUS 5 años.rtf
23	Weyerhaeuser Uruguay, Simulation SISPINUS 6, 2012	1. Simulation SISPINUS 6 años.rtf

2.3 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
13-16 nov 2012	Isabel Loza Balbuena	Analista de Negocios isabel.loza@weyerhaeuser.com
13-16 nov 2012	Juan Martínez Galán	Gerente de Proyectos y Nuevos Negocios juan.martinez@weyerhaeuser.com
13-16 nov 2012	Andrés Normey	Carbosur Technical Expert andres.normey@carbosur.com.uy
13-16 nov 2012	Alvaro Pérez del Castillo	Carbosur Executive Director alvaro.perez@carbosur.com.uy
13-16 nov 2012	Agustin Inthamoussu	Carbosur General Manager agustin.inthamoussu@carbosur.com.uy
13 nov 2012	Pedro Soust	General Forestry Agency. General Director. psoust@mgap.gub.uy
Nov 16, 2012	Luis Sancho	Forestry Specialist. PROBIO. Proyecto URU/10/G31 probio@dinama.gub.uy
Nov 16, 2012	Mariana Kasprzyk	Ministry of Housing, Land Planning and Environment mkasprzyk@cambioclimatico.gub.uy
Nov 16, 2012	Diego Mora	Forestry producers society of Uruguay diego.mora@spf.com.uy
Nov 17 – 18, 2012	Joaquín Castro	Certificación e incendios forestales, Weyerhaeuser Uruguay

Nov 17 – 18, 2012	Martín Uraga	Jefe de Inventarios Forestales, Weyerhaeuser Uruguay
Nov 17 – 18, 2012	Gustavo Notijane	Supervisor de Inventarios Forestales, Weyerhaeuser Uruguay

2.4 Site Inspections

Location/Facility	Date(s)	Length of Audit	Auditor(s)
Carbosur office, Montevideo	13 nov 2012	One day	A.Zorrilla / W.Arreaga
Weyerhaeuser Uruguay office, Melo	14-15 nov 2012	One day	A.Zorrilla / W.Arreaga
Plantations projects (farms): Olimar, Macachin, El Pirincho 2, Laurel, La Pitanga, Misto	14-15 nov 2012	One day	A.Zorrilla / W.Arreaga
Weyerhaeuser Uruguay office, Montevideo	16 nov 2012	One day	A.Zorrilla / W.Arreaga

2.5 Resolution of Any Material Discrepancy

A materiality threshold of 5% was used to ensure a reasonable level of assurance. Material discrepancies shall be resolved through the issuance of appropriate NCRs. The proponent shall address all NCRs prior to the issuance of the validation and/or verification statement. Corrective actions taken in response to the issuance of NCRs shall be reevaluated by Rainforest Alliance and the final validation and/or verification statement shall only be issued when all NCRs are closed.

3 VALIDATION 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 4 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, is included within section 4 of this report.

3.1 Project Design

3.1.1 *VCS Standard Section 3.18.1: Project description*

The project shall include at a minimum all requirements outlined in section 3.18.2 of the VCS Standard. Additionally, section 3.18 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 Field Audit			
The PP used the VCS Version 3.1 template in order to address all the VCS Standard (Version 3.3) requirements outlined in section 3.18.2. The PD corresponds to the version 1.1 submitted by November 2012, that is after the validation field visit. By using the template, the PP has designed the PD according to all requirements. The audit team reviewed the content and confirmed that all the project details were included and appropriately substantiated with supporting documents. Since this is an AFOLU project, the PD was accompanied by the non-permanence risk analysis in accordance with VCS document AFOLU Non-Permanence Risk Tool.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.1.2 *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 the AFOLU Requirements.

Findings from Field Audit			
Based on its characteristics, the project named “Weyerhaeuser Uruguay” Forest Plantations on Degraded Grasslands under Extensive Grazing” falls into one of the six approved AFOLU categories under the VCS Program: Afforestation, Reforestation and Revegetation (ARR). The main objective of this project is to increase carbon sequestration by planting non-native species (Eucaliptus and Pinus) in lands which were not covered by natural forests by at least the last 10 years. Considering all these facts, the proposed project is eligible under VCS.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.1.3 *VCS AFOLU Requirements Section 3.1.4: 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 Field Audit
Section 1.3 of the PD clearly states that the sole Project Proponent (PP) is Weyerhaeuser Uruguay. This is a company legally registered in Uruguay. The PD also explains in detail how the PP is related with other entities, as follows: "Weyerhaeuser Uruguay is 100% property of Weyerhaeuser Company. It was established in 2004, and started activities in 2005, buying land in the eastern part of the country (Cerro Largo and Treinta y Tres). Since 2010 Weyerhaeuser Uruguay became a REIT (Real Estate Investment Trust) subsidiary of Weyerhaeuser Company (REIT). All sales (related or non-related parties) of Weyerhaeuser Uruguay are done on a PAC (Pay As Cut) basis. Currently, the legal entity sales are split between Weyerhaeuser Productos S.A. (100% property of Weyerhaeuser Company) and 3rd parties customers. From 2005 until 2010 there was no implementing partner. Since Weyerhaeuser Uruguay became a REIT, the implementing partner is Weyerhaeuser Productos S.A. Weyerhaeuser Productos S.A (Non REIT) is a subsidiary of Weyerhaeuser Company (Non REIT) that owns in Uruguay Timberlands and Industry located in the North region of the country (Tacuarembó and Rivera)." Also, Carbosur (a local forest service provider) has a contractual agreement with Weyerhaeuser Uruguay for the development and management of the carbon component of the project. In summary, the audit team confirmed through interactions with staff members of Weyerhaeuser Uruguay that this company is the only PP, since it has the overall control and responsibility of the implementation of the project during the project lifetime, and therefore has the sole rights of the carbon credits.

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

3.1.4 *VCS Standard Section 3.7.1 - 3.7.5 and VCS AFOLU Requirements Section 3.2.1: Project start date*

Project shall include a project start date in conformance with section 3.8.3 – 3.8.5 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 Field Audit
In Section 1.5 Project Start date of the PD, the PP establishes February 22nd, 2006 as the project start date. According to the forest management plan of the farms (called "sistema de gestión forestal"), the first project activity implemented (land preparation) was done by that date (older farms e.g. Pitanga). Also, based on the interviews with workers, the audit team confirmed the appropriateness of selecting February 2006 as the project start date.

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

3.1.5 *VCS Standard Section 3.8 and VCS AFOLU Requirements Section 3.3: Project crediting period*

Project shall include a project crediting period in conformance with section 3.8 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. 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 3.8.5 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 Field Audit
The project crediting period is proposed to be of 100 years, from 22 February 2006 to 21 February 2106. The project crediting period was defined as such to be aligned with the project start date. There is in place a general document called Sistema de Gestión Forestal, which contains general guidance to manage the plantations. All the project activities are included in the forest management plan, for instance land preparation, maintenance, harvest and monitoring. The plantations will be harvested depending on the species, eucalyptus every 16 years and pinus every 21 years. After these cycles, the PP has determined a new cycle will start all over again until the crediting period ends. 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 at least the validation process before 8 March 2013. Also, the PP will pursue the PEFC certification for the entire plantation project within the following five years, more precisely before the first verification event.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.1.6 *VCS Standard Section 3.10 and VCS AFOLU Requirements Section 3.4: Project location*

Project location shall follow requirements outlined in section 3.10 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.

Findings from Field Audit

The project location is clearly described in the PD and also the details of ownership. A series of maps are included as a reference in the PD but geodetic polygons in KML were created to show the limits of all the farms. In summary, the plantation project consists of the following:

Region	Species			Effective area (ha)
	E. grandis	E. dunnii	Pinus taeda	
Centurion	5962	673	765	7400
Octava CL	310	121	376	807
Ruta 7	4147	716	890	5753
Ruta 8	3658	207	366	4231
Total (ha)	14077	1717	2397	18191

The plantations are established in individual lands, each of them with a specific cadastral unit. These lands were delimited with high precision by using a combination of field GPS points and satellite imaginary. The audit team reviewed a wide range of these lands and confirmed the accuracy of the boundaries and areas. KML files were reviewed also, no inconsistencies were found when comparing with the GPS points taken by the audit team.

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

3.1.7 *VCS AFOLU Requirements Section 3.1.3: 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 Field Audit

Implementation of the project activities does not lead to any violation of any applicable law in the country. The forestry project was approved by the General Forestry Directorate (GFD) and the Director was interviewed during the current process; his comments were favourable to the project and the activities the company does to develop the region of the country. The proponent presented a list of documents to demonstrate compliance with the regulatory frame in Uruguay. In relation to GFD's approval of the forestry project for each farm (*predio*) was verified. This document includes information on the farm, the forestry (plantation) extension, the property tenure, and the proponent (ex: Res. 137/009 Predio El Pirincho 2, 521 ha of plantation).
The annual certificate emitted by Tax General Authority for the period 2012-2013 was presented and kept as evidence by Rainforest Alliance. This document is providing to companies that complies with national tax laws in Uruguay.
Finally, the proof of payment from the Social Insurance Bank (BPS) was presented.
The proponent implements a system to control the third parties (contractors) that provide services to the forestry project, in order to ensure compliance with the relevant laws.

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

3.1.8 *VCS Standard Section 3.11.1: Right of use*

Project description shall be accompanied by right of use as outlined in section 3.11.1 of the VCS Standard.

Findings from Field Audit

The PP has been established as the only one with the ability to claim that the project will generate removals, and therefore to the proceeds from the sale of VCUs once the project is validated and verified.

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

3.1.9 *VCS Standard Sections 3.11.2 – 3.11.10 and VCS AFOLU Requirements Section 3.5: 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 3.11.2 thru 3.11.10 and VCS AFOLU Requirements Section 3.5.

Findings from Field Audit			
The Weyerhaeuser Uruguay project has not previously or is currently involved in other GHG program or emission trading schemes. The audit team reviewed the CDM projects listed at http://cdm.unfccc.int/Projects/projsearch.html to confirm the project is not registered as a CDM project. Moreover, the audit team interviewed the Designated Operation Entity representative and found the same result: Uruguay has only one forest project registered under CDM.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.1.10 *VCS AFOLU Requirements Sections 3.1.11: Project activities on peatlands and Wetlands Restoration and Conservation (WRC) areas*

Where ARR, ALM, IFM or REDD project activities take place on peatlands or wetlands, the project shall adhere to both the respective project category requirements and the WRC 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 WRC requirements.

Findings from Field Audit			
The Weyerhaeuser Uruguay project does not take place on peatlands or wetlands.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised.		

3.1.11 *VCS Standard Section 3.2 and VCS AFOLU Requirements Section 3.1.8: 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 Field Audit			
According to the PD, the Project Proponent is only planning to implement one project activity in the project area which is categorized as ARR, specifically reforestation of degraded lands. Being that the case, the project does not include multiple project activities. Hence, no more than one methodology was applied.			
Conformance	Yes ☒	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised.		

3.1.12 *VCS Standard Section 3.4 and VCS AFOLU Requirements Section 3.8: 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 3.8.

Findings from Field Audit			
The Weyerhaeuser Uruguay project is a single project.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised.		

3.1.13 *VCS Standard Section 3.18.3: 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 Field Audit			
The PP considers all information public, to be available for public upon request. The audit team had full access to all kind of documentation.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2 Application of Methodology

3.2.1 *VCS Standard Section 3.1: Title and 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, noting the exception set out in Section 3.14.1.

Findings from Field Audit			
The PP selected the CDM methodology AR-ACM001 "Consolidated afforestation and reforestation baseline and monitoring methodology AR-ACM001 (version 05.2.0 Sectoral scope 14, EB 65) for the project. The methodology is eligible under the VCS Program. Also the PP used the correspondent tools and guidance cited in the methodology. A list of these documents is shown in the PD as a reference. 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 spredsheets 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 and also all the information is consistent with the VCS principles, e.g. accuracy, transparency an conservativeness.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.2 *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.

Findings from Field Audit		
	Applicability Condition	**Finding**
(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 PP used the CDM AR "Tool for the identification of degraded and degrading lands" (EB 41, Report, Annex 15 (UNCFF/CCNUCC 2008) in order to demonstrate that the land in which the project will take place, is already degraded or degrading. The PP chose option "a" to demonstrate the project activity is implemented on degraded lands, this is through documented evidence such as Altesor *et al* (1988), Piñeiro *et al* (2006), DINAMA (2007) and Zanoniani, R (1977). Through the analysis, the PP used studies, maps, statistics, and results of self-studies (stage 1 of the tool). A summary of the analysis appears in section 2.2 of the PD Version 3. The audit team reviewed in general the documents and the analysis to confirm the accuracy of the information stated in the PD. The audit team agreed with the PP analysis and conclusions.
(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 audit team visited a wide variety of lands in all regions, all of them were observed to be eligible under the methodology requirements; none of them contain organic soils and according to direct observations in the fields, the audit team confirms that no more than 10% of the area has been disturbed as a result of soil preparation for planting.
(c)	The land does not fall into wetland[1] category.	The project will not take place in wetlands. Direct observations confirmed this fact.
If the PPs choose to account for changes in carbon stock in soil		No litter had been removed by the PP or participants; in the PD it is

[1] "Wetlands", "settlements", "cropland" and "grassland" are land categories as defined in the *Good Practice Guidance for Land Use, Land-use Change and Forestry* (IPCC, 2003).

organic carbon (SOC) pool in the project scenario, then in addition to the above the following conditions apply: (d) Litter shall remain on site and not be removed in the A/R CDM project activity; and (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.	also not considered to remove litter from the sites while implementing the project activity. In the forest management plan the PP explains how the preparation of land took place, also through direct observation of the audit team along with the stakeholder consultation, confirmed that the preparation of the land was done based on technical knowledge. SOC had not been accounted for in the project scenario in 15,794 hectares, where eucalyptus is planted. In the PD the PP explains that this is due to the projected rotation length is 16 years. In general, the audit team confirmed that the applicability conditions of the methodology are met.

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

3.2.3 *VCS Standard Section 3.12: 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 Field Audit
All the forest areas of the company in Uruguay are included in the project boundary. The definitions of those areas followed general criteria: Definition of effective area: delineated by GPS and aerial photographs, the PP has not taken into account areas such as public lines of electricity, rocky areas, infrastructure, roads, fire breakers and all the lands that do not meet the eligibility requirement of the methodology or the VCS standard regarding the conversion of native ecosystems. The audit team reviewed a random sample of the title deeds. As it was expected, the total area of the lands is reported to be greater than the effective land estimated through GPS and imaginary. The KML files were also reviewed in Google Earth platform to cross check the accuracy of the effective area of the lands visited and compared the geographical location versus the GPS points taken in the fields; no inconsistencies were found. The PP used landsat satellite images publically available at INPE website (http://www.dgi.inpe.br/CDSR/), the links of the correspondent images is shown in the PD for future reference. As a result of the analysis, the project boundary in terms of area resulted in 14077 ha of E. grandis, 1717 ha of E. dunnii, and 2397 ha of *Pinus taeda*, for a total of 18191 hectares. With respect to the GHG SSRs, the PP has established in the PD that this will follow strictly the methodology requirements. As such, above-ground and below-ground biomass, dead wood, soil organic carbon and litter will be taken into account for the project scenario. GHG removals can be neglected in the baseline scenario since the continuation of the pre project activity is expected to continue the same, as the last 20 years. Methane and nitrogen oxide may be considered as insignificant, and hence can be neglected in the baseline and monitoring. Carbon stock of above and below-ground biomass of non-tree vegetation may be conservatively assumed to be zero for all the strata in the baseline scenario. Justification for not selecting pools are shown in the PD.

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

3.2.3.1 VCS AFOLU Requirements Section 4.3.1 and VCS AFOLU Requirements Sections 4.3.2 – 4.3.25 (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.

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.

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
- ACoGS: VCS AFOLU Requirements 4.3.18 – 4.3.21
- WRC: VCS AFOLU Requirements 4.3.22 – 4.3.25

Findings from Field Audit			
The PP has selected the following carbon pools: above-ground, below-ground, dead wood, litter and soil organic carbon in order to determine the actual removals due to the implementation of the project. Baseline scenario carbon pools can be neglected and therefore considered to be zero.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.3.2 VCS AFOLU Requirements Section 4.3.5 and 4.3.6: Non-CO_2 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 Field Audit			
Reductions of N_2O and/or CH_4 emissions are not eligible for crediting in this case. In the PD the PP justifies why these two non-GHG gases are taken into account.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.4 *VCS AFOLU Requirements Section 4.5 and VCS Standard Section 3.13: 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 Field Audit: The baseline scenario was defined by using the "Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities", version 01.	
Baseline Determination Step	**Findings**
Step 0 Preliminary screening based on the starting date of the A/R project activity	The PP has demonstrated in the PD and during the field visit, that the first project activity took place until 2006, just after buying the lands. Preparation of the lands was the very first activity in older farms, e.g. Pitanga. Local stakeholders and employees ratified that the afforestation activities started on February 2006. A series of maps is included in the PD in which the PP shows that prior to 2006, no forestry activities are registered.
Step 1. Identification of alternative land use scenario to the proposed ARR project activity	The audit team agrees that these two alternative scenarios are credible, and realistic: 1. Continuation of pre-project land use (extensive cattle grazing with no pasture improvement). 2. Forestation of the land within the project boundary without being registered as the A/R CDM. All the scenarios are consistent with enforced mandatory applicable laws and regulations. The determination of these alternative scenarios was done by the PP based on analysis of historical and current land use, levels of development assistance and economic trend.
Step 2. Barrier analysis	A list of various possible barriers for the land-use alternatives identified in substep 1b was presented. Then the PP explained in detail why the barriers do not prevent any of the alternative scenarios, including the continuation of pre project. Assumptions and scientific literature were used as a reference. Application of the decision tree of sub-step 2c leads to the following conclusion: the continuation of pre-project activity has been identified as the most plausible scenario in the absence of the proposed project activity (alternative scenario 1).

Step 3. Investment analysis	Even when the use of the decision tree of sub-step 2c resulted in only one land use scenario, the PP decided to do the investment analysis to reinforce the conclusion that project activity in the area was not meant to be developed without being registered to generate carbon certificates. The PD shows in detail the steps taken and assumptions to demonstrate that the pre-project activity is the baseline scenario. The audit team reviewed the calculations of benchmark, comparison and the sensitivity analysis; no inconsistencies were found.
Step 4. Common practice	The common practice analysis was conducted to determine that there are similar forest projects in terms of scale and species for instance, in the area. Besides the fact that almost all of those forest projects are seeking carbon finance, there are no similar activities and as a result the project activity is not the baseline scenario, and hence the Weyerhaeuser Uruguay project is additional under the tool requirements.

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

3.2.5 *VCS Standard Section 3.14: Additionality*

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

Findings from Field Audit			
By using the most recent version of the tool "Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities", the PP has demonstrated that the proposed project activity is not the baseline scenario, and therefore that the Weyerhaeuser Uruguay project is additional.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6 *Quantification of GHG emissions*

3.2.6.1 VCS Standard Section 3.15: 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 Field Audit			
Regarding the baseline scenario, the PP has demonstrated that the pre project activity (baseline scenario) will continue as it has been shown during the last 20 years. The use of fire during the land preparation is not a management practice; this was confirmed by the audit team through stakeholder consultation. Therefore, the GHG emission within the project boundary is assumed to be zero. According to section 3.3 of the PD, leakage can be neglected because "the project will not cause any displacement of the activity occurring before project implementation". The audit team observed during the field audit that some lands have cattle, but the activity was not moved to another location. Also, the audit team interviewed former land owners and neighbours; no inconsistencies were found. The PD document presents the quantification of GHG removals for each GHG relevant source/reservoir. The proponent makes an analysis of the carbon stocks changes using different suitable parameters. The PD shows the estimated actual net GHG emission removals in a yearly basis. A total of 5,601,938 tCO_2e is expected by year 2106 (100 years of crediting period). Estimations of GHG removals considered three carbon pools selected: above-ground, below-ground, dead wood, litter and soil organic carbon.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.2 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 Field Audit			
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 version 05.2.0; and several tools about soil organic carbon estimation, estimations of carbon stock in trees and shrubs, estimation of carbon stock in litter, and other tools.			
Conformance	Yes ☒	No ☐	N/A ☐

NCR/OBS	No NCRs or OBS were raised.

3.2.6.3 VCS AFOLU Requirements Section 4.5: Calculation of emissions in the baseline scenario (ex-ante estimate)

Methodologies shall establish procedures to quantify the GHG emissions or removals for the project and baseline scenario. *The IPCC 2006 Guidelines for National GHG Inventories* or the *IPCC 2003 Good Practice Guidance for Land Use, Land-Use Change and Forestry* shall be used as guidance for quantifying increases or decreases in carbon stocks and GHG emissions. The IPCC Guidelines shall also be followed in terms of quality assurance/quality control (QA/QC) and uncertainty analysis.

Section 4.5.3 of the AFOLU Guidance includes specific requirements for the quantification of carbon stocks in belowground, dead wood, soil carbon, and wood products pools. Projects shall follow methodological guidance for the estimation of carbon stock change all required and selected SSRs.

Findings from Field Audit			
By applying the methodology, the PP has demonstrated that the changes in carbon stock of all carbon pools in the baseline scenario can be neglected and therefore considered to be zero for all strata. The PD explains widely this concept.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

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

Findings from Field Audit			
The PP explains in detail all the procedures, tools and guidance used to estimate the GHG removals in the PD. Basically, the calculations were based on the requirements established by the methodology with no exceptions: The actual net GHG removals by sinks were calculated by using the equations 3 to 8 of the methodology. The stocks of all the carbon pools were determined according to the appropriate equations and tools, e.g. dead wood default value of 8% and litter default value of 4% in compliance with equation 9 and 15 of the "Estimation of carbon stocks and change in carbon stocks in dead wood and litter in A/R CDM project activities" Version 2.0.0. When using the equation 5 the PP demonstrated that carbon stocks from shrubs can be neglected and therefore assumed to be 0. Change in carbon stock in SOC in project was estimated by using the appropriate tool. This tool requires estimating $SOC_{initial}$ by using the equation 1 (of the SOC tool). Factors and parameters of this equation were adequately estimated by using tables of the tool. SOC resulted in 112,117 tCO_2 as ex-ante removals. The proponent calculated a total of 5,601,938 tCO_2e as emission removals due to the implementation of the project. Regarding this calculation the annual emissions removals is 56,019 tCO_2e. Section 1.7 of the PD shows the estimated net GHG emission removals within the project boundary and through the crediting period. The audit team reviewed the spread sheets to confirm that all the data, parameters and assumptions were used accordingly. The projection of the carbon stocks were done considering the thinning and clear cut events during the crediting period. Stem volume of the trees was determined by using local approaches called SAG for E. grandis (Sistema de Apoyo a la Gestión de plantaciones) and SisPinus.		
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

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

Findings from Field Audit			
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 can be neglected and therefore can be estimated as zero. The audit team interviewed key personal in the fields and ratified that the use of fire for site preparation or any other activity that could cause emissions during the site preparation or burning residues have not been presented.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.6 VCS AFOLU Requirements Sections 3.1.8 and 4.5.4: 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 Field Audit			
The project has correctly followed the VCS calculation process for estimating project emissions removals in ARR projects with planned harvesting. The project calculates a long term average (LA) of 5,601,938 tCO_2e over the course of the project crediting period plus 16 years which correspond to the time in which the last rotation cycle ends. The calculation of the LA was reviewed by the audit team; no inconsistencies were found.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.7 The assumptions made for estimating GHG emission reductions and/or removals

Findings from Field Audit			
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.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.8 Leakage

3.2.6.9 VCS AFOLU Requirements Section 3.6.1: 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.

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 Field Audit			
Section 3.3 of the PD explains in detail the procedure to estimate leakage due to a potential displacement of grazing activities caused by the implementation of the plantations in the project boundary. The appropriate tool was used and the conclusion was that the displacement of pre-project activities attributable to the A/R CDM project activity is insignificant and therefore may be accounted as zero. The audit team reviewed the calculations, use of data, parameters and assumptions and agreed that there is no leakage to take into account in the net GHG benefits calculations.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.10 VCS AFOLU Requirements Section 3.6.2: 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 Field Audit			
No leakage is expected during the crediting period. Therefore, no leakage mitigation is necessary.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.11 VCS AFOLU Requirements Section 3.6.4, 4.6.4, 4.6.14 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 Table 3 of the VCS AFOLU Requirements.

Findings from Review on INSERT FIRST DATE			
Market leakage is not applicable to ARR projects.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.12 VCS AFOLU Requirements Sections 4.6.8 – 4.6.22: 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 – 4.6.16
- ACoGS: VCS AFOLU Requirements Section 4.6.17 – 4.6.18
- WRC: VCS AFOLU Requirements Sections 4.6.19 – 4.6.22

Findings from Field Audit			
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.		

3.2.6.13 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 in Section 4.7 of the VCS AFOLU Requirements includes an example of indirect leakage accounting.

Findings from Field Audit			
The proponent does not identify any source of leakage due to the implementation of the 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.		

3.2.6.14 Summary of GHG emission reductions and removals

3.2.6.15 VCU Calculation

As set out in the AFOLU Requirements, any leakage shall be subtracted from the number of GHG emission reductions and removals eligible to be issued as VCUs.

VCUs should be estimated, and auditors should evaluate the correct calculation of buffer contribution in order to derive ex ante estimates of anticipated VCUs from project activities.

Findings from Field Audit			
The long-term average calculation tables in the PD shows the total credits available each year in terms of VCUs after buffer stock. Buffer was estimated to be 10% of the expected total GHG benefit. On this calculation method, the PP has subtracted leakage (even when this is 0) before to subtract the buffer stock. This is in compliance with the AFOLU Requirements Section 4.7. Quantification of GHG emission reductions and removals.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.6.16 Uncertainties assessment associated with the calculation of emissions

Generally uncertainty deduction methods are detailed within the VCS approved methodologies. Auditors should confirm appropriate uncertainty assessments have been conducted when calculated GHG emission reductions and/or removals.

Findings from Field Audit			
Uncertainties were undertaken by the PP by using the appropriate guidelines according to the methodology.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.7 *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, for example relating to data and parameters at validation, or monitored in the monitoring plan (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 Field Audit			
The Weyerhaeuser Uruguay project fully applied the methodology. No methodology deviations were necessary.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.8 *Monitoring plan*

3.2.8.1 VCS Standard Section 3.17.1: 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 Field Audit			
In the section 4.3 Description of the Monitoring plan of the PD document, the proponent describes "all data gathered as part of the monitoring plan are archived electronically and kept at least for two years after the end of the last crediting period". During the field visit the PP did not specify which place the records will be storage; however, it is implicit that there is plenty room in the administrative offices of the company in Montevideo.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.8.2 VCS Standard Section 3.16 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 Field Audit			
Data and parameters used for the quantification of GHG removals are in accordance with the methodology; and are described in section 4.2 of the PD. The proponent will implement a Quality Control System for routinely checking for data consistency, correctness and completeness; for identifying and correcting errors and omissions; and for properly documenting and archiving data and documentation related with the monitoring activities. The proponent is a company with proved expertise on these topics.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.2.8.3 VCS Standard Section 3.16.3 – 3.16.5 VCS AFOLU Requirements Section 4.8: 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.

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 Field Audit			
The project proponent will establish a GHG information system for obtaining, recording, compiling and analyzing data and information important for quantifying and reporting GHG emissions and for removals relevant for the project (including leakage when necessary) and baseline scenario. In section 4.3 of the PD document the proponent presents a description of the monitoring plan that includes sampling design and stratification (basically a Geographic Information System and its permanent use as a project boundaries control). The project area will be divided in 45 strata and the stratification will be done including plantation age class, region, species, etc. The monitoring plan includes roles and responsibilities. In the Data Collection section, the project proponent specifies that prior to start inventories, all equipment used during the field work shall be checked and calibrated. Leakage is neglected and assumed to be zero; therefore, there is no need for monitoring.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.3 Environmental Impact

3.3.1 *VCS AFOLU Requirements Section 3.1.5: 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 Field Audit

The proponent had identified different lacks of development on the region. Regarding this, the analysis made is focused on different areas the proponent expects to improve: Promotion of small family businesses; reduction of rural poverty; incorporation of technology; increase nationally added value to forestry products; development of new productive chains; and geographic decentralization of development. During the interviews made, no negative comment was identified on social matters. The environmental impacts evaluation the proponent has made on the project is based on different aspects: Climate change mitigation; hydrological cycle; use of chemicals; risk of forest fires; and socio-economic impacts. The final conclusion is that there are no significant impacts as a result of the project activities. The proponent mentions the project will be assessed against PEFC in the future, to demonstrate social and environmental benefits.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.3.2 *VCS AFOLU Requirements Section 3.1.6: 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 WRC project types** are outlined in VCS AFOLU Requirements section 3.4.3

Findings from Field Audit			
Native forests are protected within the project boundaries. High conservation grasslands were not identified within the project boundaries. Different environment specialists were interviewed during the audit and all of them mentioned non-conformances on these terms had been reported. In Uruguay the natural landscape is grassland mainly, with native forest along the rivers and conforming minor patches within the grassland. Some other important natural values are rocky hills spread on this landscape that are habitats for endangered bird species. Clearly the plantation project does not include conversion of this rocky soil to grow trees. The National Government had prepared a study on the distribution of the native forests and identified converted areas for different purposes (agriculture, forestry, etc.). The project boundaries are not included into converted areas in accordance to DINAMA's specialist interviewed. Through the KML files and maps, the PP demonstrated that no conversion of native ecosystems occurred to implement the plantation project.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.4 Comments by stakeholders

3.4.1 *Findings from stakeholder comments received*

Findings from Field Audit			
Stakeholders remarked the benefits of the forestry project in the NE region of Uruguay in environmental and social terms. None of them presented compliance on land acquisitions; damage on natural resources (native forest, water, soil or biodiversity); workers and contractors labour conditions (salaries, contracts, health assistance, etc.); forestry matters (species, plantation density, silviculture scheme, etc.).			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.5 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."

3.5.1 *VCS AFOLU Non-Permanence Risk Tool Section 2.2.4: Projects with tree harvesting*

For ARR and IFM projects with harvesting, project longevity may include the length of time the activities that maintain carbon stocks will continue, either through the continuation of the project activity or by replanting or re-growth of the trees after the last harvest in the project crediting period. Such commitment to continue the management practice, or to replant or allow re-growth shall be demonstrated through evidence such as certification of sustainable forest management under Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or other internationally recognized schemes, or contractual agreements for timber supply beyond the last harvest in the project crediting period. Re-growth may be considered only where project areas, after harvesting, will be managed for

regeneration (naturally or with assistance), maintaining the current species mix and allowing trees to re-grow to an age equivalent to at least the age at which trees were harvested, as demonstrated in management plans.

Findings from Field Audit			
The project longevity has been defined as 120 years. The plantation project is also pursuing PEFC certification so there is a formal commitment to implement forest management practices in the long term.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	No NCRs or OBS were raised.		

3.5.2 *VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk analysis*

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.

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 of the VCS AFOLU Non-Permanence Risk Tool, to determine the appropriate risk rating.

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 conditions are similar. - Physical boundaries surround all the project lands already. Audit team confirmed this at visiting the farms. - The project is permanently supervised by local experts, field workers and also is technically supported by local partners. - Management team maintains a continuous presence over the project site. - Mitigation: Management team includes professional personnel and partners with more than 5 years of experience in AFOLU projects. - Mitigation: There is a general forest management plan but also the organization functions as member of national initiatives to improve the plantation management in Uruguay.	No NCRs or OBS were raised
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool.	1	- The project cash flow breakeven point, where annual income consistently exceeds annual outgoings occurs in Year 17. The audit team discussed key details with the PP regarding the cash in and cash out used to create the cash flow in which is demonstrated where the breakeven point is reached. - More than 80% of the funds before the project reaches the breakeven point, is secured. The calculations are explicit in the spreadsheet.	No OBS or NCRs were raised

Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	- NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity.	No OBS or NCRs were raised
Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	0	- The PP defined that the project longevity is 120 years. The company has a formal commitment to achieve PEFC certification but also voluntarily continue with the plantation project even after the crediting period ends.	No NCRs or OBS were raised
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	0		
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	- All land within the project boundaries is fully and legally owned by Weyerhaeuser Uruguay. The PP implements strict land acquisition policies. The audit team did not find existing or prior conflicts to any land owned. All resource and use rights of the land and the plantations also lie with the PP.	No NCRs or OBS were raised
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 boundary; hence they are not reliant on the 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 0.75 the governance score according to WBI. - Mitigation: Uruguay has an established Designated National Authority under the CDM and has one registered CDM Afforestation/Reforestation project.	No NCRs or OBS were raised
Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.	0		
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 0 to more than 100 years.	No NCRs or OBS were raised

3.5.3 *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.

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.

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 total score was actually 2% or risk of non-permanence, however as it is required by VCS standard, the minimum buffer is 10%. The PP has interpreted this topic correctly in the risk assessment	No NCRs or OBS were raised

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
☒	Validation approved: *No NCRs issued*	
☐	Validation not approved: *Conformance with NCR(s) required*	
Draft Final Report Conclusions		
☒	Validation approved: *No NCRs issued*	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: *Conformance with NCR(s) required*	
Draft Report Conclusions		
☒	Validation approved: *No NCRs issued*	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: *Conformance with NCR(s) required*	

4 VALIDATION CONCLUSION

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

Considering the additional information submitted by the project proponent on December 26, 2012, the Rainforest Alliance audit team found the project to be in conformance with the VCS Version 3 standard.

4.1 Nonconformance 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. 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 raised

4.2 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 raised

4.3 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	

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.	N/A	