



Verified Carbon Standard

NON-PERMANENCE RISK REPORT

Document Prepared by South Pole Carbon Asset Management S.A.S

Project Title	North Pikounda REDD+ Project
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1 INTERNAL RISK

Project Management																		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating																
a)	<p>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.</p> <p>Not applicable to this project – the project does not consider planting activities to claim GHG credits.</p>	0																
b)	<p>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.</p> <p>Not applicable because the concession is 25 km from the nearest settlement.</p>	0																
c)	<p>Management team does not include individuals with significant experience in all skills necessary to successfully undertake all project activities (i.e., any area of required experience is not covered by at least one individual with at least 5 years' experience in the area).</p> <p><i>The management team does include individuals with significant experience in all skills necessary to successfully undertake all project activities (CVs are attached to the folder: NPRT support information).¹</i></p> <p><i>The management team includes:</i></p> <table border="1"> <tbody> <tr> <td>Ashish Malik</td> <td>Head for wood product operations in republic of Congo, with 15 years of global exposure in locations including Asia, Latin America, Africa, and Europe. Specialist in managing large operations and restructuring businesses.</td> </tr> <tr> <td>Baptiste Leborgne</td> <td>Operation manager with more than 10 years of experience on forest inventories in central Africa</td> </tr> <tr> <td>Deepesh Jain</td> <td>Financial controller and manager for finance & accounts with more than 10 years of experience</td> </tr> <tr> <td>Denis Dechenaud</td> <td>Head of logging operations with 25 years of experience with CIB</td> </tr> <tr> <td>Dimitri Vouayemade</td> <td>Head of finance and administrative manager with nearly 20 years of experience, including 15 with CIB</td> </tr> <tr> <td>Francis Kamissoko</td> <td>HR manager with 20 years of experience with CIB in various positions</td> </tr> <tr> <td>Hortense Benabo</td> <td>Community development specialist with over 15 years experience in Republic of Congo</td> </tr> <tr> <td>Isaac Zombo</td> <td>Responsible for environmental studies, nearly 20 years of experience in forest inventories and participation in scientific research projects</td> </tr> </tbody> </table>	Ashish Malik	Head for wood product operations in republic of Congo, with 15 years of global exposure in locations including Asia, Latin America, Africa, and Europe. Specialist in managing large operations and restructuring businesses.	Baptiste Leborgne	Operation manager with more than 10 years of experience on forest inventories in central Africa	Deepesh Jain	Financial controller and manager for finance & accounts with more than 10 years of experience	Denis Dechenaud	Head of logging operations with 25 years of experience with CIB	Dimitri Vouayemade	Head of finance and administrative manager with nearly 20 years of experience, including 15 with CIB	Francis Kamissoko	HR manager with 20 years of experience with CIB in various positions	Hortense Benabo	Community development specialist with over 15 years experience in Republic of Congo	Isaac Zombo	Responsible for environmental studies, nearly 20 years of experience in forest inventories and participation in scientific research projects	0
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¹ Supporting information: [1. Internal Risks\CVs]

	Laurent Duffard	Head of industries & sawmills, with more than 30 years of experience, including more than 10 in Central Africa	
	Shailendra Mishra	Head of climate & environment with in-depth experience in conservation, restoration and climate change across ASEAN & EU	
	Vincent Istace	Corporate Responsibility & Sustainability manager, with over 15 years of experience, including 8 with CIB	
d)	<p>Management team does not maintain a presence in the country or is located more than a day's travel away from the project site, considering all parcels or polygons in the project area.</p> <p>The management team maintains its presence in the country, based in Pokola, where Congolaise Industrielle des Bois (CIB) is headquartered (CIB is Olam's Agri subsidiary), moving continuously around the project area, and the other concessions in the Sangha region.</p>		0
e)	<p>Mitigation: Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (e.g., individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs.</p> <p>The project proponent has engaged with a carbon project developer team, South Pole, which has extensive technical expertise in developing AFOLU projects, as well as in-depth knowledge of national and international carbon markets. The management team responsible for managing this project within South Pole includes:</p> <ul style="list-style-type: none"> <p>Maria Fernanda Buitrago: Specializes in forest management, conservation, and remote sensing. She's the Senior Manager for Afforestation, Reforestation, and Revegetation (ARR) projects at South Pole. Her expertise includes implementing AFOLU projects using VCS, CCB, and Gold Standard processes, tools, and guidelines. She has competence in biomass estimation, GHG quantification, eligibility, additionality, and risk analysis, impact assessment, and the creation of implementation and monitoring plans in AFOLU. She has more than 15 years of experience developing projects for private organizations and research institutes in the domain of forests and climate change, especially environmental assessment of forest ecosystems, forest conservation, and biodiversity assessment, from fieldwork to regional and national scales using GIS and remote sensing.</p> <p>Diana Lucia Giraldo Charria: forest engineer, with a master degree in Natural Sciences. Diana has a strong background in researching in forest commercial plantations, urban forests and natural forest, and over 11 years of experience developing projects in those areas. At South Pole, she supports AFOLU projects development under VCS, GS and CCB standards and projects proposal design.</p> 		-2

f)	Mitigation: Adaptive management plan in place. Not applicable	0
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]		-2
Total may be less than zero.		

Financial Viability		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
Q	How many years does it take for the cumulative cashflow to break even?	d)
Q	What percentage of funding is needed to cover the total cash out before the project breaks even has been secured?	f)
a)	Project cash flow breakeven point is greater than 10 years from the current risk assessment Not applicable.	0
b)	Project cash flow breakeven point is greater than 7 and up to 10 years from the current risk assessment Not applicable.	0
c)	Project cash flow breakeven point greater than 4 and up to 7 years from the current risk assessment Not applicable.	0
d)	Project cash flow breakeven point is 4 years or less from the current risk assessment According to the results of the cash flow analysis, the breakeven point is two years from the current risk assessment. ²	0
e)	Project has secured less than 15% of funding needed to cover the total cash out before the project reaches breakeven Not applicable.	0
f)	Project has secured 15% to less than 40% of funding needed to cover the total cash out required before the project reaches breakeven	2

² Supporting information: [1. Internal Risks\Cash Flow]

	According to the results of the cash flow analysis, the project has secured 25.79% of funding needed to cover the total cash out required before the project reaches breakeven. ³	
g)	Project has secured 40% to less than 80% of funding needed to cover the total cash out required before the project reaches breakeven Not applicable.	0
h)	Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven. Not applicable.	0
i)	Mitigation: Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven. The project proponent (CIB) has the full funding necessary to cover the implementation of project activities while the project reaches the break-even point (financial statements are attached to the folder of NPRT v4.2/1.Internal risks/ Financial statements CIB 2016-2020, showing CIB is in good financial standing and can meet its financial obligations.).	-2
Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)] Total may not be less than zero.		0

Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
Q	What is the NPV from the most profitable alternative land use activity compared to NPV of project activity?	a)
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 According to the Net Present Value analysis for the sale of timber using primary ⁴ information resulted in an NPV of \$16,330,280 eur/ha considering the following assumptions: <ul style="list-style-type: none"> ● Discount rate: 12% ● Inflation: 3% 	8

³ Supporting information: [1. Internal Risks\Cash Flow]

⁴ Supporting information: [1. Internal Risks\Cash Flow\20221129_Pikounda_Opportunity cost]

	<ul style="list-style-type: none"> • Taxes: 4.22% • Period of analysis: 2012-2042 <p>These assumptions are consistent with the Net Present Value analysis assumed for the project activities that include the sale of carbon credits, so that a measure of comparison of both activities can be obtained in the same time frame.</p> <p>Accordingly, the analysis yielded that the NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities:</p> <table border="1"> <thead> <tr> <th>Financial indicators - (2012 - 2042)</th> <th>Project activities</th> <th>Timber sales</th> </tr> </thead> <tbody> <tr> <td>Net Present Value</td> <td>\$2,658,314</td> <td>\$16,330,280</td> </tr> </tbody> </table>	Financial indicators - (2012 - 2042)	Project activities	Timber sales	Net Present Value	\$2,658,314	\$16,330,280	
Financial indicators - (2012 - 2042)	Project activities	Timber sales						
Net Present Value	\$2,658,314	\$16,330,280						
b)	<p>NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities.</p> <p>Not applicable.</p>	0						
c)	<p>NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities.</p> <p>Not applicable.</p>	0						
d)	<p>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.</p> <p>Not applicable.</p>	0						
e)	<p>NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity.</p> <p>Not applicable.</p>	0						
f)	<p>NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity.</p> <p>Not applicable.</p>	0						
g)	<p>Mitigation: Project proponent is a non-profit organization.</p> <p>Not applicable, because CIB is a private organization and fully owned by Olam Agri</p>	0						

h)	<p>Mitigation: Project is protected by legally binding commitment to continue management practices that protect the credited carbon stocks over the length of the project crediting period.</p> <p>CIB has the concession rights to use the land of Pikounda during 25 years from 2012, however CIB is committed to guarantee the permanence of the project for at least the project crediting period. CIB has expressed its willingness to maintain the conservation project for more than one renewal of the concession permit term to ensure the project's longevity beyond 30 years. Besides, the project was recently certified by Forest Stewardship Council (FSC), where it is possible to demonstrate through a third party that the conservation of the forest is in place and no other practices like harvesting are happening in the project area.</p> <p>Additionally, the project falls under the jurisdiction of the World Bank project with the government of the Republic of Congo: Emission Reduction Program in the Sangha and Likouala Regions, Republic of Congo, and while not part of credit accounting, it is part of a larger forest conservation initiative, which protects from land use change for at least 20 years (starting in 2019) (PD attached and letter to manifest the intention of not being part of that program)</p>	-2
i)	<p>Mitigation: Project is protected by legally binding commitment to continue management practices that protect the credited carbon stocks over at least 100 years.</p> <p>Not applicable.</p>	0
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)] Total may be less than 0.		6

Project Longevity		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
Q	Does the project have a legally binding agreement that covers at least a 100 year period from the project start date?	No
Q	What is the project Longevity in years? The project longevity is assumed to be 30 years, beginning from the project start date in 2012 and up to 2042.	30
Q	Legal Agreement or requirement to continue management practice?	Yes
a)	Without legal agreement or requirement to continue the management practice	0
b)	With legal agreement or requirement to continue the management practice	15

Total Project Longevity (PL) Note: Total may not be less than zero. Any project with a legally binding agreement that covers at least a 100 year period from the project start date will be assigned a score of zero. Any project with a project longevity of less than 30 years fails the risk assessment	15
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Internal Risk	
Total Internal Risk (PM + FV + OC + PL) Total may not be less than zero.	19

2 EXTERNAL RISKS

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
Q	Are the ownership and resource access/use rights held by the same of different entities?	Different
a)	Ownership and resource access/use rights are held by same entity(s) Not applicable	0
b)	Ownership and resource access/use rights are held by different entity(s) (e.g., land is government owned and the project proponent holds a lease or concession) Government gave a concession permit for exploitation to CIB-OLAM Agri on June 8 th 2012 for 25 years, it was signed a development and transformation agreement.	2
c)	In more than 5% of the project area, there exist disputes over land tenure or ownership Currently the project area is uninhabited with no disputes over land tenure or ownership, then there are no disputes over access/use rights.	0
d)	There exist disputes over access/use rights (or overlapping rights)	0

	There are no disputes over access/use rights.	
e)	<p>WRC projects unable to demonstrate that potential upstream and sea impacts that could undermine issued credits in the next 10 years are irrelevant or expected to be insignificant, or that there is a plan in place for effectively mitigating such impacts.</p> <p>Not applicable.</p>	0
f)	<p>Mitigation: Project area is protected by legally binding commitment (e.g., a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period.</p> <p>The project area is protected by legally binding commitment to continue management practices that protect the credited carbon stocks over the length of the project crediting period.</p> <p>The crediting period covers the full length of the current agreement.⁵</p>	-2
g)	<p>Mitigation: Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that projects have implemented activities to resolve the disputes or clarify overlapping claims</p> <p>Not applicable.</p>	0
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)] Total may not be less than zero.		0

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	<p>Less than 50 percent of households living within the project area who are reliant on the project area, have been consulted.</p> <p>Not applicable, the project area is uninhabited, there are no households living within the project area.</p>	0
b)	<p>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.</p> <p>Not applicable, the nearest communities are more than 21 km away and do not depend on the project area.</p>	0

⁵ Supporting information: [1. Internal Risks\ Development & Transformation agreement]

c)	<p>Mitigation: The project generates net positive impacts on the social and economic well-being of the local communities who derive livelihoods from the project area.</p> <p>Not applicable, local communities do not depend on the project area because it is far for more than 21 km</p>	0
<p>Total Community Engagement (CE) [where applicable, (a + b + c)]</p> <p>Total may be less than zero.</p>		0

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
Q	What is the country's calculated Governance score?	-1.2
a)	<p>Governance score of less than -0.79</p> <p>The average governance score in Republic of Congo across the six indicators of the World Bank for the period 2016-2021 period is -1.07.⁶</p> <p>(averaged over the most recent five years of available data as it is indicated in the AFOLU Non-Permanence Risk Tool)</p>	6
b)	<p>Governance score of -0.79 to less than -0.32</p> <p>Not applicable.</p>	0
c)	<p>Governance score of -0.32 to less than 0.19</p> <p>Not applicable.</p>	0
d)	<p>Governance score of 0.19 to less than 0.82</p> <p>Not applicable.</p>	0
e)	<p>Governance score of 0.82 or higher</p> <p>Not applicable.</p>	0
f)	<p>Mitigation: Country is implementing REDD+ Readiness or other activities.</p> <p>Republic of Congo and the World Bank have a program that is called: Emission Reduction Program in the Sangha and Likouala Regions, Republic of Congo, in which Pikounda is included. Also, the government of Congo submitted its FREL in 2016 for the reference period 2000-2012 and in 2024 a new submission (a draft in French) is available for the reference period 2016-2021. ⁷</p>	-2

⁶ Supporting Information: [2. External Risks]

⁷ Supporting Information: [2. External Risks]

Total Political (PC) [as applicable ((a, b, c, d or e) + f)]	4
Total may not be less than zero.	

External Risk	
Total External Risk (LT + CE + PC)	4
Total may not be less than zero.	

3 NATURAL RISKS

Fire (F)	
Significance	No Loss, as was evaluated in Appendices of the NPRT – Natural Risks
Likelihood	Every 25 to less than 50 years
Score (LS)	0
Mitigation	1: No mitigation measures has been considered due to the rarity of fire events in the project area

Pest and Disease outbreaks (PD)	
Significance	<p>No loss</p> <p>The project did not contemplate either harvesting or timber harvesting activities, which is in line with the principles of forest conservation, as these ensure the protection of vegetation against destruction.</p> <p>In addition, several studies have shown a negative correlation between the biodiversity of ecosystems and the occurrence of outbreaks of pests and diseases affecting these ecosystems.⁸</p> <p>Therefore, considering that the project has not disturbed the forest and has instead protected its species, it is assumed that no loss of carbon stocks has occurred during the second monitoring period.</p>
Likelihood	Once every 100 years or more, or risk is not applicable to project area

⁸ Supporting Information: [3. Natural Risks\Pest and Disease]

Score (LS)	0
Mitigation	1: Not applicable

Extreme Weather (W)	
Significance	No Loss, as was evaluated in Appendices of the NPRT – Natural Risks ⁹
Likelihood	Every 25 to less than 50 years Fires are not common in the humid tropical forest ecosystem in Africa (support information from GIS)
Score (LS)	0
Mitigation	1: No mitigation actions in place

Geological risks (G)	
Significance	No loss In the Republic of Congo, earthquake hazard is classified as low according to the information that is currently available. This means that there is a 2% chance of potentially damaging earthquake shaking in the project area in the next 50 years. ¹⁰ Landslide: Landslide susceptibility is classified as low according to the information that is currently available. This means that this area has rainfall patterns, terrain slope, geology, soil, land cover and (potentially) earthquakes that make localized landslides an uncommon hazard phenomenon. ¹¹
Likelihood	Every 50 to less than 100 years
Score (LS)	0
Mitigation	1: Not applicable.

⁹ <https://thinkhazard.org/en/report/190444-congo-sangha-pikounda/FL>

¹⁰ <https://thinkhazard.org/en/report/59-congo/EQ>

¹¹ <https://thinkhazard.org/en/report/59-congo/LS>

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
Total Natural Risk (as applicable, F + PD + W + G + ON)	0

4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

4.1 Overall Risk Rating

Risk Category	Rating
Internal Risk	19
External Risk	4
Natural Risk	0
Overall Risk Rating (a + b + c)	23

4.2 Calculation of Total VCUs

See the ex-ante buffer and tradable credits in the table below:

Year	Ex post buffer credits to be deposited in the AFOLU pooled buffer (tCO ₂ e)	Ex post tradable credits (tCO ₂ e)
2013	19,413	61,977

Year	Ex post buffer credits to be deposited in the AFOLU pooled buffer (tCO2e)	Ex post tradable credits (tCO2e)
2014	23,732	74,559
2015	27,428	85,325
2016	30,605	94,582
2017	33,983	104,729
2018	36,611	112,384
2019	38,907	119,072
2020	40,930	124,966
2021	42,725	130,194