NON-PERMANENCE RISK REPORT

SUSTAINABLE AGRICULTURAL PRACTICES FOR CARBON SEQUESTRATION BY ORGANIC AND NATURAL FARMING GROUPS

Document Prepared By

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The risk analysis has been conducted in accordance with the VCS AFOLU Non-Permanence Risk Tool, dated 19 September 2019, version 4.0. This tool assesses a project's internal risk, external risk, natural risk and mitigation measures which help to reduce risk. The risk ratings and supporting evidence are detailed in Sections A1.1, A1.2, and A1.3, below. Letters in the risk factor column correspond to the risk factor explained in the VCS AFOLU Non-Permanence Risk Tool.

Project Management		
Risk Factor	**Risk Factor and/or Mitigation Description**	**Risk Rating**
a)	Species planted (where applicable) associated with more than 25% of the stocks on which GHG credits have previously been issued are not native or proven to be adapted to the same or similar IPCC zone(s) in which the project is located. This is a project where SALM activities are involved and the crops and trees planted are adapted to the IPCC zones. Mostly native species are planted, even some non-native species to India are already well adapted to the IPCC climatic zones, having been introduced in India many years ago. It is quite common for such species to be planted in Agroforestry projects which has been verified from the recommended agroforestry species by the state government. Further, some perceived invasive species such as Eucalyptus have now been removed.	0
b)	Ongoing enforcement to prevent encroachment by outside actors is required to protect more than 50% of stocks on which GHG credits have previously been issued. The land is legally owned by the farmers. Hence there is not risk of encroachment. Further as this is the first issuance the condition is not applicable.	NA
c)	Management team does not include individuals with significant experience in all skills necessary to successfully undertake all project activities (ie, any area of required experience is not covered by at least one individual with at least 5 years' experience in the area). The management team has sufficient experience and necessary skills for the execution of the project. VGS has more than 15 years of experience in Agriculture and Climate change while KMS has similar expertise in the project development and consultancy in the international carbon market domain. The CV of the management team is submitted to VVB to evidence this.	0

d)	Management team does not maintain a presence in the country or is located more than a day of travel from the project site, considering all parcels or polygons in the project area. The project has deployed field staff, field manager at each district level for the project operations which addressed this aspect.	0
e)	**Mitigation:** Management team includes individuals with significant experience Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (eg, individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs. The management team (VGS and KMSPL) have sufficient experience and necessary skills for the execution of the project both at the project specific level and in carbon quantification and carbon markets. The CV of the management team is submitted to VVB to evidence this.	-2
f)	**Mitigation:** Adaptive management plan in place The management team has developed an adaptive management plan focusing on addressing the possible risks and it is presented to VVB.	-2
Total Project Management [a + b + c + d + e + f]		-4

	Financial Viability	
a)	Project cash flow breakeven point is greater than 10 years from the current risk assessment Not applicable	NA
b)	Project cash flow breakeven point is between 7 and up to less than 10 years from the current risk assessment Not applicable	NA
c)	Project cash flow breakeven point between 4 and up to less than 7 years from the current risk assessment	1

	The financial analysis which indicates the cash flow break even point has been submitted to the VVB. This indicates a breakeven point of 6 years.	
d)	Project cash flow breakeven point is less than 4 years from the current risk assessment Not applicable	NA
e)	Project has secured less than 15% of funding needed to cover the total cash out before the project reaches breakeven Not applicable	NA
f)	Project has secured 15% to less than 40% of funding needed to cover the total cash out required before the project reaches breakeven Not applicable	NA
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	NA
h)	Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven. More than 80% of funds are secured and the project has also applied for bank loan. The financial sheet is submitted to the VVB.	0
i)	Mitigation: Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven The project has demonstrated lines of credit which are accessible by bank loans and has availability of callable financial resources of more than 50% of total cash out before project reached breakeven point in 6 years.	-2
Total Financial Viability [(a, b, c or d) + (e, f, g or h) + i]		0
Note: When a risk factor does not apply to the project, the score shall be zero for such fact		

	Opportunity Cost	
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 Not applicable	NA
b)	NPV from the most profitable alternative land use activity is expected to be between 50% and up to100% more than from project activities Not applicable	NA
c)	NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities Not applicable	NA
d)	NPV from the most profitable alternative land use activity is expected to be between 20% more than and up to 20% less than from project activities; or where baseline activities are subsistence-driven, net positive community impacts are demonstrated Where the majority of baseline activities over the length of the project crediting period are subsistence-driven (in this case subsistence farming), an NPV analysis is not required, but an assessment of the net impacts of the project on the social and economic well-being of the communities who derive livelihoods from the project area shall be undertaken. Based on this assessment, the positive net community impacts are overall demonstrated to be positive in nature.	0
e)	NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity Not applicable	NA
f)	NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity Not applicable	NA
g)	Mitigation: Project proponent is a private limited company. Not applicable	NA

h)	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 (see project longevity) The Project is protected by legally binding commitment from the landowner to continue management practices that protect the credited carbon stocks even beyond the length of the project crediting period of 30 years. The agreement with the farmer associations mentions this condition.	-2
i)	Mitigation: Project is protected by legally binding commitment to continue management practices that protect the credited carbon stocks over at least 100 years (see project longevity) Not applicable.	0
Total Opportunity Cost [(a, b, c, d, e or f) + (g + h or i)]		-2
Note: When a risk factor does not apply to the project, the score shall be zero for such factor		

Project Longevity		
a)	Without legal agreement or requirement to continue the management practice As the project has a valid legal agreement in place to continue the management practice, this is not applicable. The Project is protected by legally binding commitment for a period of 40 years from the landowner to continue management practices that protect the credited carbon stocks beyond the length of the project lifetime. The agreement with the farmers associations has been submitted to the VVB to evidence this.	0
b)	With legal agreement or requirement to continue the management practice The Project is protected by legally binding commitment from the landowner to continue management practices that protect the credited carbon stocks beyond the length of the project crediting period.	10
Total Project Longevity		10

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

Internal Risk	
Total Internal Risk (PM + FV + OC + PL) = (-4+ 0+ -2+10) Total may not be less than zero.	**4**

2 EXTERNAL RISK		
a)	Ownership and resource access/use rights are held by same entity(s) Land is owned by the farmer and the carbon generated is under the control of the PP	0
b)	Ownership and resource access/use rights are held by different entity(s) (eg, land is government owned and the project proponent holds a lease or concession) Land is owned by the farmer and the carbon generated is under the control of the PP	2
c)	In more than 5% of the project area, there exist disputes over land tenure or ownership The Project area is legally owned private land. The land ownership documents are provided to the VVB. Hence not applicable.	NA
d)	There exist disputes over access/use rights (or overlapping rights) There are no disputes in the project area as applicable for this monitoring period. The declaration to this effect provided by the PP is submitted to the VVB.	NA
e)	WRC projects unable to demonstrate that potential upstream and sea impacts that could undermine issued credits in the next 10 years are irrelevant or expected to be insignificant, or that there is a plan in place for effectively mitigating such impacts. Not applicable	NA
f)	Mitigation: Project area is protected by legally binding commitment (eg, a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period	-2

	The Project is protected by legally binding commitment from the landowner to continue management practices that protect the credited carbon stock over the length of the project crediting period.	
g)	Mitigation: Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that projects have implemented activities to resolve the disputes or clarify overlapping claims The Project area is legally owned private land as verified from the Farmer associations. No disputes exist within the project area. Hence mitigation measures are not applicable.	0
Total Land Tenure [(a or b) + c + d + e + f +g)]		0
Note: When a risk factor does not apply to the project, the score shall be zero for such factor		

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Less than 50% of the households living within the project area who are reliant on the project area, have been consulted. It is assessed that all the farmers who are part of the farmers associations have been consulted. Hence the score is zero.	0
b)	Less than 20% of the households living within 20 km of the project boundary outside the project area, and who are reliant on the project area, have been consulted. It is assessed that all the farmers who are part of the farmers associations have been consulted. This criterion is not applicable as the only households dependent on the income from the farm are the farmers themselves who reside in the project area itself.	NA
c)	Mitigation: The project generates net positive impacts on the social and economic well-being of the local communities who derive livelihoods from the project area. Through the SALM activities it has been demonstrated that many positive net benefits are generated to the farmers.	-5

	Total Community Engagement (CE) [where applicable, (a+b+c)] If a=0, b=0 and c=-5; then CE=-5. Total **may be** less than zero.	-5

Political risk		
Q	What is the country's calculated Governance score?	
a)	Governance score of less than -0.79 Not applicable	NA
b)	Governance score of -0.79 to less than -0.32 Not applicable	NA
c)	Governance score of -0.32 to less than 0.19 The governance score has been calculated using Indicators. Average score of all six indicators for the five most recent years (2012-2016) is -0.27 Table has been attached in the document below.	2
d)	Governance score of 0.19 to less than 0.82 Not applicable	NA
e)	Governance score of 0.82 or higher Not applicable	NA

f)	**Mitigation:** India is implementing AFOLU or other activities and has an established DNA under the CDM and has at least one registered CDM A/R project. The sustainable agricultural practices are being encouraged by the Government of India.	-2
Total Political [(a, b, c, d or e) + f)]		**0**
Note: When a risk factor does not apply to the project, the score shall be zero for such factor		
	Total may not be less than zero	

Total External Risk (LT + CE +PC) ((0)+(-5)+0)	**0**
Note: Total may not be less than zero	

3 NATURAL RISK				
Risk Category Factors				**Risk Rating**
a)	Fire (F) Minor (5% to less than 25% loss of carbon stocks) Every 10 to less than 25 years. The farmers maintain the agriculture fields and protect from any major losses due to fire as mitigation.	2	0.5	1.0
b)	Pest and Disease Outbreaks (PD) Minor (5% to less than 25% loss of carbon stocks) Less than every 10 years. The farmers use pesticides to prevent pest and disease outbreaks as mitigation.	5	0.5	2.5
c)	Extreme Weather (W)	5	0.5	2.5

	Minor (5% to less than 25% loss of carbon stocks) Less than every 10 years in the IPCC zone . Sustainable irrigations practices are followed to avoid high loss due to famine.			
d)	Geological Risk (G) Insignificant (less than 5% loss of carbon stocks) or transient (full recovery of lost carbon stocks expected within 10 years of any event). Chance of occurrence is very minor. Every 50 - 100 years.	0	1	0
e)	Other natural risk (ON1) Not Assessed as not applicable	0	0	0.00
f)	Other natural risk (ON2) Not Assessed as not applicable	0	0	0.00
g)	Other natural risk (ON3) Not Assessed as not applicable	0	0	0.00
Total Natural Risk [F + PD + W + G + ON]				6.0
Note: When a risk factor does not apply to the project, the score shall be zero for such factor				
Risk rating is determined by [LS x M]				
Total Natural Risk (F + PD + W + G + ON)				**6.0**
Note: Total may not be less than zero				
If the Total Natural Risk is above 35 then the project fails the entire risk analysis				
STEP 2: OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION				
Risk Category				**Rating**
a)	Internal risk			4

b)	External risk	0
c)	Natural Risk	6
Overall risk rating (a + b + c)		**10**
Note: Overall risk rating shall be rounded up to the nearest whole percentage		10
The minimum risk rating shall be 10, regardless of the risk rating calculated		10
If the overall risk rating is over 60 then the project fails the entire risk analysis		
Total Risk Assessment		**10**

Calculation of Total VCUs

The AFOLU Non-Permanence Risk Tool requires a minimum risk rating of 10. The calculation of total VCUs is therefore:

Verified Reductions x (100%-10%) = No. of VCUs

A Summary of Ex-post estimated tradable net anthropogenic GHG emission reductions and Voluntary Carbon Units (VCUs) after application of buffer is provided below:

Year	Baseline emissions or removals (tCO_2e)	Project emissions or removals (tCO_2e)	Leakage emissions (tCO_2e)	Net GHG emission reductions or removals (tCO_2e)	NPRR Buffer %	Buffer pool allocation	VCUs eligible for Issuance
1st Oct 2017	9,767	1,065	0	8,701	10%	870	7,831
2018	27,347	1,577	0	25,770	10%	2,577	23,193
2019	21,425	-226,429	0	247,854	10%	24,785	223,068
2020	17,580	-230,165	0	247,745	10%	24,774	222,970
2021	11,720	-233,623	0	245,343	10%	24,534	220,809
30th Sep 2022	19,177	-312,725	0	331,902	10%	33,190	298,712
Total	**107,016**	**-1,000,299**	**0**	**1,107,315**		**110,732**	**996,584**

Governance indices: The World Bank Institute Worldwide Governance Indicators

Governance Indicators	2012	2013	2014	2015	2016	5 year average
Voice and Accountability	0.40	0.43	0.41	0.43	0.44	0.42
Political Stability and Absence of Violence/Terrorism	-1.29	-1.23	-1.00	-0.95	-0.95	-1.08
Government Effectiveness	-0.16	-0.16	-0.23	0.11	0.09	-0.07
Regulatory Quality	-0.48	-0.48	-0.48	-0.41	-0.30	-0.43
Rule of law	-0.06	-0.05	-0.07	-0.05	-0.04	-0.05
Control of Corruption	-0.51	-0.52	-0.46	-0.38	-0.31	-0.44
					Average Governance Score	**-0.27**