

VCS PROJECT REVIEW REPORT

Project ID	1382
Project Name	<i>The Envira Amazonia Project - A Tropical Forest Conservation Project in Acre, Brazil</i>
Project Proponent	<i>CarbonCo. LLC, Freitas International Group LLC, JR Agropecuaria e Empreendimentos EIRELI</i>
Methodology	<i>VM0007 REDD+ Methodology Framework (REDD-MF)</i>
Sectoral Scope(s)	<i>14 – Agriculture, Forest, and Other Land Use</i>
Validation/Verification Body (VVB)	<i>Environmental Services Inc.</i>
Registry	<i>Markit</i>

Assessment Criteria	<i>VCS Standard v3.5</i>
Date of First Issue	<i>8 April 2016</i>
Date of Final Issue	<i>2 May 2016</i>

Summary:

An accuracy review of the the *Envira Amazonia Project - A Tropical Forest Conservation Project in Acre, Brazil* issuance request has been conducted by VCS in accordance with Section 4.3 of the *Registration and Issuance Process*.

The accuracy review has raised two assessment findings and no minor findings, detailed below. The VVB, in coordination with the project proponent, is hereby required to provide a response to the assessment findings presented in Section 1. The two assessment findings must be addressed to the satisfaction of VCS. The VVB need not address any minor finding(s) during this review. Please note, however, that where VCS finds consistent minor findings by the VVB in future reviews, minor findings shall be escalated to assessment findings.

This findings report may be made publically available. Confidential information may be provided as separate attachments.

1 ASSESSMENT FINDINGS

Finding 1

Section 2.1 of the *VCS Monitoring Report Template* requires the project proponent to discuss any updates to the implementation status of the project activity, which should include discussion in respect of any new laws or regulations which may impact the project.

On November 26, 2015, Federal Decree 8576 was issued in Brazil which VCS understands to place restrictions on how carbon credits may be used in the country. Please clarify how the project does not contradict Article 6 of the Federal Decree referenced above.

VVB Response:

The Federal Decree 8576 was issued on November 26, 2015, and this date is outside of the monitoring period (August 2, 2012 to December 31, 2014). This issue should be addressed in future verification periods; however, Decree 8576 creates a committee responsible for coordinating, monitoring, and implementing the National Strategy for REDD+, and places no restrictions on private voluntary REDD+ carbon credits. This Decree establishes criteria for the future “eligible entities” that are not yet defined as part of this document.

VCS Response:

The provided clarification is sufficient to address this finding. No further action is required in respect of this finding.

Finding 2

Section 1.9 of the *VCS Monitoring Report Template* requires participation in other GHG programs to be described. However, page 10 of the monitoring report states that the project does not participate in any other GHG programs.

The Brazilian state of Acre has developed the SISA-Carbono, which is a GHG Program, and includes the possibility of issuing carbon credits in the state. This program was developed under the Acre Instituto de Mudanças Climáticas (IMC) Normative Instruction (Instrução Normativa) nr. 01.

Please clarify how the Envira Amazonia project interacts with the SISA-Carbono program and IMC’s Normative Instruction (Instrução Normativa) nr. 01, particularly in respect of how emission reductions issued as VCUs with the VCS Program are not double counted with the SISA-Carbano program.

VVB Response:

The Project is not yet participating in any other GHG Program. Section 1.4 of the verification report mentions the potential of working on reducing deforestation pressures on the regional/state level. However, at the end of the reporting period (December 31, 2014) the Envira Amazonia Project was not incorporated into the State of Acre’s jurisdictional program. This was confirmed during site visit interviews with local and regional government officials including the Mayor of Feijo (verification/validation), and Environmental Minister (validation).

Project proponents have responded as to how they have interacted with the SISA-Carbono program and IMC's Normative Instruction (Instrução Normativa) nr. 01, particularly in respect of how emission reductions issued as VCUs with the VCS Program are not double counted with the SISA-Carbano program by stating, *"If in the future the Envira Amazonia Project is nested into the State of Acre's SISA-Carbono Program, then the Project will follow the guidance of the VCSA and/or the State of Acre on how to ensure no double-counting takes place"*.

The Project Proponents have done the following to conform with the State of Acre's SISA legislation and more specifically, the IMC Normative Instruction #1 of October 19, 2015:

- 1. Original signed, notarized copy in English and Portuguese of "Formulário de Cadastro de Desenvolvedores" (Developers Registration Form) was submitted to the IMC.
- 2. Physical copy of Project Proponents' (CarbonCo and Carbon Securities) Good Standing.
- 3. Physical copy of Representative's Brazilian visa and/or passport. This was done for Brian McFarland of CarbonCo and Pedro Freitas of Carbon Securities.
- 4. There was also a "Term Assignment of Use of Information" form signed between CarbonCo and the Climate Change Institute (IMC) that allowed access to the classified satellite imagery.
- 5. The landowners submitted their landownership documentation (i.e., titles, geo-referencement, etc.) to the IMC.
- 6. The IMC then received electronic copies of our VCS and CCBS Project Documents (i.e., VCS PDs and Monitoring Reports; CCBS PDDs and PIRs).
- 7. The VCS Methodology VM007, which was used by the Envira Amazonia Project, was translated into Portuguese and submitted to the IMC for review on April 1, 2016.

Going forward and where required, the Project Proponents will continue to follow the IMC Normative Instruction.

VCS Response:

The provided clarification is sufficient to address this finding. No further action is required in respect of this finding.

2 MINOR FINDINGS

None.

3 ASSESSMENT CONCLUSION

The VVB and project proponent have provided responses sufficient to address all findings raised as part of this accuracy review. The accuracy review was closed on 2 May 2016