

2014 ENVIRA AMAZONIA PROJECT NON-PERMANENCE RISK REPORT



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Project Title	The Envira Amazonia Project – A Tropical Forest Conservation Project in Acre, Brazil
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A1.0 INTRODUCTION

The risk analysis has been conducted in accordance with the VCS AFOLU Non-Permanence Risk Tool, dated 04 October 2012, version 3.2. 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 Section 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.

A1.1 INTERNAL RISKS

Project Management		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Not applicable. Tree planting is not a project activity for which GHG credits will be issued.	0
b)	Ongoing enforcement is required to prevent encroachment by outside actors. The Envira Amazonia Project employs forest patrols to prevent encroachment by outside actors into the project area.	2
c)	Management team does include individuals with significant experience in all skills necessary to successfully undertake all project activities.	0
d)	Local management partners are based in Rio Branco less than a day's travel from the project activity. There is a project manager living on the property and a project headquarters is being established on the property.	0
e)	Project proponents have developed other forest carbon projects and have been working in the forest carbon arena for over 5 years. Brian McFarland of CarbonCo has developed the Russas, Valparaíso and Purus Projects under the VCS and the CCBS including managing the project design, implementation, and financing. The project proponents work alongside and have access to experts in carbon accounting and reporting (i.e., TerraCarbon) who have significant experience in all aspects of AFOLU project design and implementation, carbon accounting and reporting under the VCS Program. TerraCarbon has successfully validated and verified numerous projects under the VCS, including validation and verification of the VCS ARR project "Reforestation Across the Lower Mississippi Valley"	-2
f)	There is no adaptive management plan in place.	0
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]		0
Total may be less than zero.		

Financial Viability		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a-d)	Project cash flow breakeven point is 4 years or less from the current risk assessment. Details are provided in a cash flow analysis which can be found in the project database.	0
e-h)	Project has secured 100% of funding needed to cover the total cash out before the	0

	project reaches breakeven. Details are provided in a cash flow analysis which can be found in the project database.	
i)	Project has available at least 50% of the total cash out before project reaches breakeven. Project proponents are utilizing internal, non-restricted funds as evidenced in the project database.	0
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
a	The highest risk rating has been chosen as the NPV from the most profitable alternative land use activity (pasture) is expected to be at least 100% more than that associated with project activities. An NPV analysis is not required as the chosen risk rating is the highest and most conservative.	8
b-d)	Not applicable.	0
e-f)	Not applicable.	0
g)	None of the project proponents are a non-profit organization.	0
h-i)	There is a legal contractual agreement to maintain the project area as forest for at least a 30 year period (i.e. the length of the crediting period) from the project start date.	-2
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g or h)] Total may not be less than 0.		6

Project Longevity		
a)	Not applicable.	0
b)	There is a legal contractual agreement to maintain the project activities and maintain the project area as forest for at least a 30 year period from the project start date. The landowners of the property are under contractual obligations¹ which limit their development/use of the property, as stated below. “The landowner acknowledges and agrees to not execute any activity that otherwise might interfere with the [project] implementation...including but not limited to, i. Clearing the forest for livestock; ii. Clearing the forest for agriculture; iii. Expanding old roads or constructing new ones...; iv. Expansion into new forests on Property for community use or infrastructure facilities (i.e., bridges, housing, electricity, etc.);	15

¹ See the Tri-Party Agreement located in the project database.

	v. Expanding logging operations; and vi. Deforestation for new mining or mineral extraction."	
Total Project Longevity (PL) May not be less than zero		15
Total Internal Risks		
Total Internal Risks (PM + FV + OC + PL) Total may not be less than zero.		21

A1.2. EXTERNAL RISKS

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	The landowner, who is also a project proponent, owns the project area outright (see Section 1.12) and has full resource access/use rights, which are not shared with anyone. The property was geo-referenced and officially registered in the cadaster (Cadastro Ambiental Rural), a process which involved on the ground assessment of all property boundaries and consultations with neighboring landowners and resolution of any existing boundary disputes.	0
b-d)	Not applicable. Community members that have been living on land adjacent to the project area and who made the land productive (e.g., by growing crops or raising animals) for ten years, have the right to be titled. To resolve ongoing disputes over land, JR Agropecuária e Empreendimentos EIRELI will voluntarily recognize whatever area is currently deforested and under productive use by each family. However these land tenure "disputes" concern deforested areas, rather than the forested Project Area of the Envira Amazonia Project.	0
e)	Not applicable.	0
f)	There is a legal contractual agreement to maintain the project area as forest for at least a 30 year period (i.e. the length of the crediting period) from the project start date.	-2
g)	Not applicable.	0
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e+ f)] Total may not be less than zero.		0

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	All households living on the Envira Amazonia property directly adjacent to the project area have been consulted.	0
b)	To their knowledge, the project proponents have contacted all families reliant on the project area.	0
c)	Not applicable.	0

Total Community Engagement (CE) [where applicable, (a+b+c)] Total may be less than zero.	0
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Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a-e)	The average governance score for 2010 through 2014 is 0.03, or between the governance score of -0.32 to less than 0.19. Details of the calculation are provided below.	2
f)	Acre, Brazil is participating in the Governors' Climate and Forest Taskforce. Further, Brazil has an established Designated National Authority under the CDM and has at least one registered CDM Afforestation/Reforestation project. ²	-2
Total Political (PC) [as applicable ((a, b, c, d or e) + f)] Total may not be less than zero.		0

Political risk was evaluated using the latest World Bank index data.

Table A1. Calculation of Brazil's average governance score.

Governance Indicator	2010	2011	2012	2013	2014
Control of Corruption	0.00	0.15	-0.07	-0.12	-0.38
Government Effectiveness	-0.04	-0.12	-0.12	-0.08	-0.15
Political Stability	0.01	-0.14	0.05	-0.28	-0.01
Regulatory Quality	0.16	0.17	0.09	0.06	-0.07
Rule of Law	0.00	-0.01	-0.11	-0.12	-0.08
Voice and Accountability	0.53	0.47	0.43	0.37	0.41
Overall Mean					0.03

Total External Risks	
Total External Risks (LT + CE + PC) Total may not be less than zero.	0

² Project 2569: Reforestation as Renewable Source of Wood Supplies for Industrial Use in Brazil (<http://cdm.unfccc.int/Projects/DB/TUEV-SUED1242052712.92/view>).

Project 3887: AES Tietê Afforestation/Reforestation Project in the State of São Paulo, Brazil (<http://cdm.unfccc.int/Projects/DB/SGS-UKL1280399804.71/view>).

A1.3. NATURAL RISKS

Fire	
Discussion/ Evidence	Most of the project area is un-fragmented forest, with few areas of bordering pasture/non-forest. Most forest fires that occur in the region are anthropogenic, and thus sources of fire outbreaks in the project area are limited. In a study³ of fires in the Amazon, Cochrane and Laurance documented a relationship between fire incidence and distance from forest edge, with decreasing fire return intervals with increasing distance from edge. They also found that effects of forest fires depend on the extent and condition of fuel sources. In general, drought conditions need to be present prior to the initiation of rainforest fires. While initial fires can have a significant effect on the smaller diameter (<40 cm dbh) trees, it is only with subsequent burns, that significant losses (mortality of up to 40% of trees) of forest biomass can be expected⁴. Despite fire induced tree mortality, tree mortality itself is unlikely to result in the loss of substantial biomass due to incomplete combustion of live aboveground biomass. Biomass is merely transferred from the live biomass to dead biomass pool, which is also accounted for in this project. Further as fire is unlikely to affect the whole project area, the significance of any single fire event is likely to be minor and result in less than 25% loss in carbon stocks in the project area. The Cochrane and Laurance study⁵ mentioned above, calculated a fire return intervals in another part of the Amazon as 10 to 15 years. While the agents of deforestation (and fire) are similar between region of the study (Para) and the project region (Acre), deforestation rates and likely incidences of fire are greater in Para. This fire return interval therefore is likely to represent a conservative estimate of the fire return interval in the project region with the actual interval likely being longer than 15 years.
Significance	Minor (5% to less than 25% loss of carbon stocks)
Likelihood	Every 10 to 25 years
Score (LS)	2
Mitigation	None

³Cochrane M.A. & Laurance W.F., 2002. Fire as a large-scale edge effect in Amazonian forests, *Journal Of Tropical Ecology*, 18:311-325.

⁴Cochrane M.A., Alencar A., Schulze M.D., Souza C.M., Nepstad D.C., Lefebvre P. & Davidson E.A., 1999. Positive feedbacks in the fire dynamic of closed canopy tropical forests, *Science*, 284(5421):1832-1835.

Cochrane M.A. & Schulze M.D., 1999. Fire as a recurrent event in tropical forests of the eastern Amazon: Effects on forest structure, biomass, and species composition, *Biotropica*, 31(1):2-16.

⁵ Cochrane M.A. & Laurance W.F., 2002. Fire as a large-scale edge effect in Amazonian forests, *Journal of Tropical Ecology*, 18:311-325.

Pest and Disease	
Discussion/ evidence	The forests of the project area have a high diversity of tree species, with over 150 tree species >10 cm dbh⁶, and like other diverse tropical forests, are not known to be subject to catastrophic disturbance by insect pests or forest diseases. Forest pests and diseases as a source of risk are more relevant in temperate forests or plantations, with low species diversity and consequently susceptible to extensive damage due to pest and disease outbreaks, which tend to be concentrated on single host species. Further, there is no history of catastrophic forest disturbance due to forest pests or diseases in the region.
Significance	Insignificant
Likelihood	Once every 100 years or more. Risk is not applicable to the project area
Score (LS)	0
Mitigation	None

Extreme Weather	
Discussion/ Evidence	While extreme weather events in the region include drought, flooding, and disturbance by wind, this analysis is limited to disturbance by wind as this is the only disturbance which has a direct effect on carbon stocks. As flooding within the project region is common, high water levels in the forest do not lead to a reduction in the forest carbon stocks. Drought does not have a direct effect on existing forest carbon stocks, but instead can increase the severity of forest fires and hence is covered above in the section on fire risk. In relation to disturbance by wind, the recurrence intervals for large blow down disturbances in the western Amazon have been estimated at 27,000 years.⁷
Significance	Insignificant <5% loss of carbon stocks
Likelihood	Once every 100 years or more.
Score (LS)	0
Mitigation	None

Geologic Risk	
Discussion/ Evidence	Neither volcanoes nor active tectonic fault lines are present within the project area. Landslides are not likely to occur within the project area because the project

⁶ For more information see the results of the "Forest biomass carbon inventory for the Envira Project, Acre State, Brazil" in the project database.

⁷ Espírito-Santo, F.D.B.; Keller, M.; Braswell, B.; Nelson, B.W.; Frolking, S.; Vicente, G. 2010. Storm intensity and old-growth forest disturbances in the Amazon region. *Geophysical Research Letters*. 37, L11403, doi:10.1029/2010GL043146.

	area is relatively level (less than 5% slope) terrain.
Significance	Minor
Likelihood	Once every 100 years or more
Score (LS)	0
Mitigation	None

Natural risk is quantified by assessing both the significance (i.e. the damage that the project would be sustained if the event occurred, expressed as an estimated percentage of average carbon stocks in the project area that would be lost in a single event) and likelihood (i.e., the historical average number of times the event has occurred in the project area over the last 100 years) of the four primary types of natural risk, including the risk of fire, pest and disease, extreme weather, and geologic hazards. The significance of the risk of all natural disturbances has been assessed as “Minor” or “Insignificant” as none of the risks should they occur would lead to a loss of greater than 25% of the carbon stocks in the project area in the case of fire or greater than 5% in the case of pest and disease, extreme weather and geologic risk. The occurrence of any natural risk is unlikely to affect 50% of the project area. Where a natural risk does occur, it is unlikely to remove >50% of the carbon stocks in the project area. While it is possible for trees to be killed due to natural risks such as fire or flooding, the majority of biomass within the live biomass carbon pool would simply be transferred to the dead biomass carbon pool, also accounted for in this project and therefore not a loss of carbon.

It is at times difficult to quantify the likelihood of natural risks when these risks occur infrequently. By definition likelihood is the historical average number of times an event has occurred over the last 100 years. Another term often used when referring to the likelihood of natural risk is the return interval. The return interval is common in literature pertaining to fire and flooding (e.g., the 100 year flood). While the likelihood or return interval would also be useful for assessing pest and disease as well as geologic risk, a key feature when calculating the likelihood or return interval is that an event has occurred enough times in enough places such that there is sufficient data to calculate the return interval. A review of the literature revealed little data to support a return interval for the project area for either pest and disease or geologic risk. For this reason, we have assigned each risk a return interval of “once every 100 years or more.”

Score for Each Natural Risk Applicable to the Project (Determined by $LS \times M$)	
Fire (F)	2
Pest and Disease Outbreaks (PD)	0
Extreme Weather (W)	0
Geological Risk (G)	0
Other natural risk (ON)	
Total Natural Risk (as applicable, $F + PD + W + G + ON$)	2

A2.0. OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

A2.1. Overall Risk Rating

The overall risk rating calculated using the VCS AFOLU Non-Permanence Risk Tool is calculated below.

Risk Category	Rating
a) Internal Risk	21
b) External Risk	0
c) Natural Risk	2
Overall Risk Rating (a + b + c)	23

The Envira Amazonia Project will employ a non-permanence risk deduction of 23%.

A2.2. Calculation of Total VCUs

Total VCUs including deductions to be deposited in the AFOLU pooled buffer account, are detailed in Section 4.4 of the Monitoring Report.