PROJECT REVIEW REPORT

This project review report includes findings raised during Verra's review of the project specified below. The VVB must address the findings before the project request can be considered for approval by Verra. The project review report will be made publicly available on the Verra Registry. Confidential information may be provided in separate attachments.

Project ID	3342
Project Name	XICO2e: Mexican Reforestation Project
Review Type	Registration/Verification
Program(s)	VCS
Verification Period	11/01/2017 to 30/07/2022
Project Proponent	ALA BOOL TRUST SA DE CV, FORLIANCE GmbH
Methodology	AR-ACM0003 A/R Large-scale Consolidated Methodology "Afforestation and Reforestation of lands except wetlands" (V2.0)
VVB	AENOR International S.A.U.
Assessment Criteria	VCS Standard, v.4.4
Date of First Issue	11 March 2024
Date of Second Issue	14 June 2024
Date of Third Issue	15 August 2024
Review Conclusion	Approved
Date of Final Issue	14 February 2025

FINDINGS

#	Finding Description	VVB Response	Status
1	**Insufficient evidence to demonstrate eligibility of the project area**		
	Issue It is unclear whether the project area is eligible for ARR plantation, i.e., it has not been cleared of native ecosystems to create GHG credits. Action Required 1. The VVB must ensure that sufficient evidence is provided to demonstrate that the project area has not been cleared of native ecosystems to create GHG credits. 2. The VVB must assess the evidence provided and update the Joint validation and Verification report (VVR) as needed. Program Rule(s) *VCS Standard, v4.4*, Section 3.2.4 and A1.1. Background The Google Earth image shows that trees covered a portion of the project area less than 10 years before the project start date. For example, trees covered the project area polygon FID 22 in 2010 and were subsequently removed.	**Round 1** VVB Response 1. The project area is eligible for ARR plantation, meaning it has not been cleared of native ecosystems to create GHG credits. To provide evidence of this, a thorough eligibility analysis based on Landsat imagery has been conducted and is attached as supporting documentation. According to the background provided, available imagery in Google Earth does not correspond with the project reference year (2007). For the property mentioned, the two available images closer to 2007 year are 2010, and 2003. In 2003 the area appears completely bare. To demonstrate the appropriateness of classifying this polygon as non-forested, a detailed comparison of different land uses showing reflectance profiles of forested and non-forested land has been included. The document is named "Reflectance Profiles_Polygon ID 22_supporting info eligibility." Per section A.1.15 of VCS Standard, v4.4 the definition of forest may include mature forests, secondary forests, and degraded forests. Under the VCS Program, secondary forests are considered to be forests that have been cleared and have recovered naturally and that are at least 10 years old and meet the lower bound of the forest threshold parameters at the start of the project. Previous images from Google Earth (2003) in the mentioned polygon show a completely bare area, so the “forest that seems to be in the 2010 could not be a vegetation older than 7 years.	Closed

		In consultation with the Proxylo entity regarding the polygon with ID 22 mentioned, it has been confirmed that the existing vegetation in the 2010 map is Huizache (*Acacia farnesiana*), an invasive and non-native species in Mexico. The eligibility analysis report, the reflectance profile document, and the document named "ID 22_Google Earth Images 2010_2003" are sufficient evidence to address finding number 1 and demonstrate that the project area meets the eligibility requirements. 2. The VVB evaluated the evidence provided and considers that the information is sufficient and within the permitted ranges associated with interpretation with remote sensors. The following supporting documents were reviewed by VVB and show the previous land cover in the project area provides evidence that the project area has not been cleared of native ecosystems to create GHG credits: - "Muestreo de la vegetacion preexistente elaborado por Proxylo entity" - Tabasco and Tamaulipas map elaborated from Proxylo entity, named as "actividades previas" zip file. The review of this information allowed us to validate the eligibility of the areas and the non-affectation of the forest. Section 3.1.1 of the Joint VVR was updated based on the results of the analyses carried out by the PP.	

		Verra Response The VVB confirms that the project area has not been cleared of native ecosystems to create GHG credits. This finding is closed, and no further action is required.	

2	**Missing evidence to demonstrate the project area was degraded**		
	Issue 1. The PP has not provided any evidence demonstrating that the project area was degraded before the project start date. 2. It is unclear how the VVB has determined that the project area was degraded before the project start date, including the evidence assessed. **Action Required** 1. The VVB must ensure that the project proponent (PP) provides sufficient evidence demonstrating that the project area was degraded at the start date. 2. The VVB must document the steps taken to determine that the project area was degraded before the project start date, outlining the evidence assessed. **Program Rule(s)** *VCS Standard, v4.4,* Section 3.12, 3.13, 3.14; *AR-ACM0003*, *2.0*, Sections 2.2& 5.2 **Background** Land degradation has been reported in the PD to substantiate the baseline, additionality, compliance with the methodology's	**Round 1** VVB Response 1. As per the VCS Program definition, a degraded ecosystem is one in which ecosystem function is disrupted to an extent where it can no longer sustain its biotic and abiotic characteristics, as demonstrated by peer-reviewed literature or expert judgment. The project area represents a degraded ecosystem that has been in this state for at least 10 years prior to the proposed project start date. Section 1.13, "Conditions prior to the Project Initiation," has been updated to include several reasons that justify the degradation of the areas. The determination of the degradation of the area has been based on the existence of literature. Nevertheless, following a conservative approach, the selection of parameters for soil organic carbon has been those for land without degradation as it will be described in finding number 4. One of the primary causes of land degradation in Tabasco is the impact of the Plan Chontalpa, while in Tamaulipas, degradation is attributed to cultivation management practices that have reduced	Closed

	applicability conditions, and the selection of parameters for soil organic carbon	productivity. The project area is classified as experiencing physical degradation. In Tamaulipas, soil degradation is associated with erosion and desertification (source: "Principales procesos de degradación de suelos en México, 2002, Díaz, Asunción, 2012/01/01). CONAFOR has established an integrated indicator of edaphic resources, categorizing the project area as lightly degraded: soils with minor changes in their productive quality. (Semarnat 2006). The following sources have been included as supporting documentation: • Semarnat, Dirección General de Estadística e Información Ambiental, 2006, con base en: Semarnat, Colegio de Postgraduados, Evaluación de la degradación del suelo causada por el hombre en la República Mexicana escala 1:250 000, México 2001-2002: SEMARNAT • FAO (n.k.). Mexico. Retrieved from https://www.fao.org/3/y4347e/y4347e16.htm [04.05.2023]. • Valverde-Rebollo, G. & Morales, J. C. & Valtierra-Pacheco, E. & Escalona-Maurice, M. (2022). Geographical analysis of rice production and storage in Mexico, 1980 – 2018. Agro Productividad. • López, G., Miranda, R., Hernández, A. & Sánchez, E. (2021). Tecnología de potencial productivo de arroz (Oryza sativa L.) en el estado de Tabasco, México y su aportación a la soberanía alimentaria. Revista Chapingo	

		Serie Agricultura Tropical. 1. 9-23. 10.5154/r.rchsagt.2021.02.02. • Herrera, Héctor Emmanuel & Trejo-Téllez, Libia Iris & Gómez-Merino, Fernando. (2017). The Mexican sugarcane production system: History, current status and new trends. • Armida-Alcudia, L., Ruiz Rosado, O., Salgado-García, S., Gallardo-López, F., Nava-Tablada, M. & Juárez-López, J. (2011). Socioeconomic and technological factors in sugarcane (Saccharum officinarum L.) agroecosystems production in Chontalpa, Tabasco. Tropical and Subtropical Agroecosystems. 13. 261-269. • Lanzas, Gisela. 2013. After Plan Chontalpa: The Impact of a Regional Watershed Management Development Program on the Livelihood Strategies of Small-scale Producers in Chontalpa, Tabasco, Mexico. 2. Section 3.1.9 of the Joint VVR was updated with the evaluation of the evidence presented by the PP to support that the project areas are classified as degraded as a result of agricultural activities carried out for several decades in the states of Tabasco and Tamaulipas.	
		<u>Verra Response</u> The PP has provided sufficient evidence demonstrating that the project area was degraded at the start date. The VVB has also provided an assessment of the same. This finding is closed, and no further action is required.	

3	**Clarification needed on the relative stock change factors for cropland management**		
	<u>Issue</u>	**Round 1**	Closed

	It is unclear why values of f_{LU} for the tropical long-term cultivated levels were chosen for cropland management, i.e., 0.48 (moist) and 0.58 (dry). However, the slash-and-burn agriculture described in the PD does not align with the long-term cultivation practices. **Action Required** 1. The VVB must ensure that the PP demonstrates the appropriateness of the relative stock change factors for the different cropland management activities. This must be consistent with the project description. 2. The VVB must assess the revised joint PD/MR and update the VVR as needed. **Program Rule(s)** *VCS-Joint-Project-Description-and-Monitoring-Report-Template-v4.3,* Section 5.2, 7.3; *AR-TOOL16, v 01.1.0*, Table 5. **Background** The values of f_{LU} are subjects to overestimate the carbon stock changes in soil organic carbon in the project scenario. Several sections of the PD report slash-and-burn agriculture and degraded agricultural land use in the project area, suggesting that the baseline cropland management does not align with long-term cultivation practises. For example, P90: e.g., "abandoned or slash and burn at least every 10 years" P65, P73: "Slash and burn are the most common forms of agriculture".	VVB Response 1. The applied stock change factors for cropland management have been revised to the values of short-term cultivated land. These values represent the most conservative stock change factors that can be applied for cropland. Accordingly, f_{LU} has been revised to 0.82 (moist) and 0.93 (dry) for areas in Tabasco and Tamaulipas respectively. 2. All *ex ante* and *ex post* carbon calculations and associated tables in the PD/MR have been revised accordingly. Likewise, it was updated in Joint VVR in the respective sections. Verra Response The relative stock change factors for the different cropland management activities have been revised. The VVB has also provided an assessment of the same. This finding is closed, and no further action is required.	

	P21, P96: "part of the project areas before implementing the project activity presented degraded and abandoned agricultural areas, P4: "The previous land uses were grassland and agricultural lands, currently abandoned and degraded."		

4	**Missing justification for the relative stock change factors for grassland management**		
	Issue It is unclear why an f_{MG} value for the severely degraded level, i.e., of 0.70, was chosen for grassland management. However, no evidence has been provided in the joint PD/MR to demonstrate that the grassland was severely degraded rather than degraded or moderately degraded. The chosen values may lead to an overestimation of the changes in soil organic carbon stock in the project scenario. **Action Required** 1. The VVB must ensure that the project proponent demonstrates the appropriateness of the selected relative stock change factors for grassland management. 2. The VVB must assess the revised joint PD/MR and	**Round 1** VVB Response 1. The applied stock change factors for grassland management have been revised to the values of non-degraded grassland. These values represent the most conservative stock change factors that can be applied for grassland. Accordingly, f_{MG} has been revised to 1. 2. All *ex ante* and ex post carbon calculations and associated tables in the PD/MR have been revised accordingly. The changes have been evaluated and corrections have been made in the Joint VVR. In addition, it has been verified that the calculations have been updated appropriately.	Closed

	update the VVR as needed. **Program Rule(s)** *VCS-Joint-Project-Description-and-Monitoring-Report-Template-v4.3,* Section 5.2, 7.3; *AR-TOOL16, v 01.1.0*, Table 6. **Background** Table 6 of the *AR-TOOL16, v 01.1.0* requires using "Tool for the identification of degraded or degrading lands for consideration in implementing CDM A/R project activities" for the severely degraded grasslands.	Verra Response The selected relative stock change factors for grassland management have been revised. The VVB has also provided an assessment of the same. This finding is closed, and no further action is required.	

5	**Insufficient evidence to justify the use of non-native species over native species**		
	Issue There is no justification provided for us non-native species over native species. **Action Required** 1. The VVB must ensure the project proponent updates Section 1.11 of the joint PD/MR to justify the use of non-native species over native species, explaining the possible adverse effects of non-native species. 2. The VVB must assess the updated joint PD/MR and	**Round 1** VVB Response 1. The project proponent has updated Section 1.11 of the joint PD/MR to justify the use of non-native species over native species, explaining the possible adverse effects of non-native species. 2. The VVB adjusted section 3.1.1 of the updated joint PD/MR including the assessment corresponding to the use of non-native species over native species.	Closed

	update Section 3.1 of the Joint VVR as needed. **Program Rule(s)** *VCS Standard v4.4, Section 3.17.16 (2); VCS Project Description & Monitoring Report Template v4,0, Section 1.11; VCS Joint Validation/Verification Report v4,0, Section 3.1*	Verra Response Section 1.11 of the joint PD/MR has been updated to justify the use of non-native species over native species, explaining the possible adverse effects of non-native species. This finding is closed, and no further action is required.	

6	**Insufficient evidence to demonstrate how the permanence of carbon stock will be maintained**		
	Issue Sections 1.1 and 1.3 of the joint PD/MR do not discuss how the permanence of the carbon stock will be maintained and whether management systems are in place to ensure the carbon against which VCUs are issued is not lost during a final cut with no subsequent replanting or regeneration. **Action Required** 1. The VVB must ensure that Sections 1.1 and 1.3 of the joint PD/MR demonstrate how carbon stocks will be maintained." 2. The VVB must ensure that Section 1.1 of the joint PD/MR clarifies if there are any "management systems to ensure the carbon against which VCUs are issued is not lost during a final cut with no subsequent replanting or regeneration."	**Round 1** VVB Response 1. and 2. The project plans to ensure the carbon against which VCUs are issued by implementing a coppice forestry regeneration approach. In this approach, the regeneration of tree biomass is not achieved through planting but instead by promoting regrowth, or "resprouting", from the stumps of the harvested trees of the previous rotation. This method minimizes soil disturbance and other carbon losses that might otherwise occur during harvesting and replanting. Sections 1.1 and 1.3 have been revised in the combined PD/MR accordingly. Detailed information has also been included in section 1.11. Further, a forest management plan signed by an authorized forester has been provided as supporting	Closed

	3. The VVB must assess the updated joint PD/MR and update Section 3.1 of the Joint VVR as needed. **Program Rule(s)** *VCS Standard v4.4, Section 3.2.10; VCS Joint Project Description & Monitoring Report Template v4,0, Section 1.1*	documentation. The forest management plan gives a detailed description of the planned forest management activities during the crediting period. This includes a detailed description of the planned coppice forestry regeneration approach. Proxylo developed an individual Management Plan that provided SEMARNAT with all the relevant information on the property before the plantation activity was initiated. For the purpose of the verification of the project, an overall Forest Management Plan has been created that covers the crediting period and also includes the adaptative management plan in place. Field monitoring results for a property during an annuity have also been included as evidence of the internal Proxylo monitoring procedures. 3. The VVB updated Section 3.1.1 of the joint VVR in consideration of the adjustments made to the joint PD/MR. The VVB had access to both management plans, the one presented to SEMARNAT and the one updated to the credit period. The forest management plans are presented in Finding 6 attached to this document.	

		Verra Response Sections 1.1 and 1.3 of the joint PD/MR have been updated to demonstrate how carbon stocks will be maintained. This finding is closed, and no further action is required.	

7	**Missing information on local stakeholder consultations**		
	Issue The project proponent did not include the following information: 1. How the project has communicated the results of monitoring. 2. Identification of any legal or customary tenure/access rights to territories and resources, including collective and/or conflicting rights, held by local stakeholders. 3. The process of VCS program validation and verification and the validation/verification body's site visit. **Action Required** 1. The VVB must ensure the project proponent updates Section 2.2 of the joint PD/MR to include all the missing information listed above. 2. The VVB must assess the updated joint PD/MR and update Section 3.1 of the Joint VVR as needed. **Program Rule(s)** *VCS Standard v4.4, Section 3.17.16 (2); VCS Project*	**Round 1** VVB Response 1. The results of the monitoring have been reported alongside all the information communicated in the project. This update has been made in section 2.2, and evidence (acknowledge receipt signatures from stakeholders) has also been included as supporting documentation. There is no evidence of any legal or customary tenure access rights to territories and resources, including collective and/or conflicting rights, held by local stakeholders. In section 2.5 (AFOLU SPECIFIC SAFEGUARDS), the expansion that Proxylo is incorporating of the agreement with landowners has been included, which could serve as evidence of the inexistence of conflict rights. The process of VCS program validation and verification, along with the validation/verification body's site visit, has also been communicated, along with all relevant information to stakeholders, and evidences is attached as supporting documentation.	Closed

	Description & Monitoring Report Template v4,0, Section 2.2; VCS Joint Validation/Verification Report v4,0, Section 3.1	The section 2.2 has been updated including the missing information listed above. A document named as argument finding 7 has been attached as supporting information with a detailed explanation of abovementioned argumentation. 2. Proxylo, as a project proponent, has signed agreements with each of the owners who are part of the project. There is no knowledge of any legal or customary tenure access rights to the identified territories and resources. The detailed information was consulted by the audit team in the supporting documentation presented by the project. Section 3.3.2 of the Joint VVR was updated according to the evidence presented.	
		Verra Response (Pending) Section 2.2 of the joint PD/MR has been updated to include all the missing information on local stakeholder consultation. This finding is closed, and no further action is required.	

8	**Methodology provisions have not been followed to demonstrate zero leakage.**		
	Issue 1. The provisions of the AR-TOOL15 have not been	**Round 1** VVB Response	Closed

	followed to demonstrate that leakage emissions attributable to the displacement of grazing activities are zero. 2. It is unclear which evidence the VVB has assessed to confirm that leakage emissions resulting from the displacement of grazing activities are zero. **Action Required** 1. The VVB must ensure that the AR-TOOL15 provisions are followed to demonstrate that leakage emissions attributable to the displacement of grazing activities are zero, using credible and verifiable references. 2. The VVB must document the evidence assessed to confirm that leakage emissions resulting from the displacement of grazing activities are zero. **Program Rule(s)** *VCS Project Description & Monitoring Report Template v4,0, Section 4.3; AR Tool 15, Section 6 (9); VCS Joint Validation/Verification Report v4,0, Section 4.1, AR-TOOL15,*	According to Equation 4 of Section 5.6 of the CDM AR-ACM0003 Methodology (see Formula below), Leakage emissions (LKt) equals to leakage due to the displacement of agricultural activities in year t, as estimated in AR-Tool 15 "Estimation of the increase in GHG emissions attributable to displacement of pre-project agricultural activities in A/R CDM project activity" (LKAGRIC,T): LKt = LKAGRIC,T As per section 6.10 of the AR-Tool15, leakage emissions attributable to the displacement of grazing activities is considered insignificant and hence accounted as zero for a given list of specified conditions (options (a) to (e)). This project does not conform to any of these predetermined conditions so Leakage is estimated as zero. Visual interpretation also allowed the audit team to arrive at this conclusion during the March 2023 on-site visit. As per section 6.10 of the AR-Tool15, leakage emissions attributable to the displacement of grazing activities is considered insignificant and hence accounted as zero for a given list of specified conditions (options (a) to (e) Thus, the PP followed approach of Section 6.11 (equations 1, 2 and 3) to estimate leakage (parameters meaning can be found within AR-Tool15 or the PD):	

		$LK_{AGRIC,t} = \frac{44}{12} \times (\Delta C_{BIOMASS,t} + \Delta SOC_{LUC,t})$ Equatic $\Delta C_{BIOMASS,t} = [1.1 \times b_{TREE} \times (1 + R_{TREE}) + b_{SHRUB} \times (1 + R_S)] \times CF \times A_{DISP,t}$ Equatic $\Delta SOC_{LUC,t} = SOC_{REF} \times (f_{LUP} \times f_{MGP} \times f_{INP} - f_{LUD} \times f_{MGD} \times f_{IND}) \times A_{DISP,t}$ Equatic Thus, the area of land from which agricultural activity is being displaced (ADISP,t) is deemed as zero, leaving a change in SOC stock due to land-use change in the land receiving the displaced activity (ΔSOCLUC,t) of zero, a decrease in carbon stock in the carbon pools of the land receiving the activity displaced (ΔCBIOMASS,t) of zero and a leakage emission resulting from displacement of agricultural activities (LKt = LKAGRIC,T) are zero too. ADISP,t = 0. ΔSOCLUC,t = 0. ΔCBIOMASS,t = 0. Thus, according to AR-Tool15, leakage is to be considered as zero. LKt = LKAGRIC,T = 0 t CO2e ha-1. The “Estudio de factibilidad de la Cuenca Huasteca” provided as supporting documentation describes the socioeconomic activities of the Project area, and, as can be observed, grazing is not relevant to the area.	

		It has been provided a report, two maps and the corresponding shapefile describing the previous uses existing in the land as, as it can be observed, grazing is not an included activity. 2. The VVB included the update in section 3.4.6 of the Joint VVR with the evaluation of the evidence presented by the PP. The VVB was able to review the photographic record presented by Proxylo where the previous land uses corresponding to the previous activities of each land property are presented and the report for the Project area and surroundings based on GIS and land use maps for Tamaulipas and Tabasco. Where it is evident the predominance in the zone of agricultural crop activities.	
		Verra Response The provisions of the AR-TOOL15 have now been followed to demonstrate that leakage emissions attributable to the displacement of grazing activities are zero. However, this finding is pending the closure of finding #12.	
		Round 2	
		VVB Response Finding 12 has already been corrected	
		Verra Response This finding is pending the closure of finding #12.	
		Round 3	
		VVB Response Considering the adjustments made in finding 12, where the pre-project activity is the most viable scenario, in which the land will	

		remain in agricultural use (Croplands and Grasslands), it is possible to define that leakage is very unlikely. Therefore, in view of the evidence presented by PP in finding 12, it is considered appropriate to count the leakage as zero, in accordance with the evaluated requirements of the AR-Tool15 of the methodology. In section 5.3 of the PD and section 3.4.6 of the VVR corresponding to leakage, the assessment of cropland and grassland has been detailed separately.	
		Verra Response The PD and VR have been updated to provide a clear justification for the absence of leakage resulting from the displacement of agricultural activities.	

9	**Inconsistencies in NPRR analysis and risk rating score**		
	Issue In the NPRR, the mitigation score (f) of the internal risk "Project Management" is selected (adaptative management plan in place). Neither the NPRR nor the joint PD/MR references a supporting document to demonstrate the plan's existence. Additionally, the Joint VVR does not indicate/refer to the presence of the adaptative management plan. **Action Required** 1. The VVB must ensure that the project proponent: a) Include a reference to the adaptative management plan.	**Round 1** VVB Response 1. a) The project proponent has included a reference to the adaptative management plan in the Non-Permanent Risk report document. In section 1.11 of the joint PD/MR the Forest Management Plan and the adaptative Management Plan has been mentioned. This Plan is available as supporting documentation and has been approved by a professional forester. The adaptative management plan has been included in the Forest Management Plan and it has been updated in April 2024. This plan is provided	Closed

	b) Update the risk report calculation tool with the selection of the mitigation score following the guideline. 2. The VVB must assess the revised non-permanence report, adaptive management plan and risk report calculation tool and update the VR accordingly. **Program Rule(s)** *VCS Standard v4.4, Section 3.2.10*	as supporting documentation in folder name as “finding 6”. It has been described also the measures that Proxylo takes including in their corporate social responsibilities. A document including a compilation of the Adaptive Management Measures (Reporte del Plan de Manejo Adaptativo in Spanish) during the period 2017-2023 has also been included as supporting documentation. b) The risk report calculation tool has been updated with the selection of the mitigation score following the guideline. 2. AENOR was able to review the Adaptive Plan and evidence that it provides a consolidated overview of all planned activities during the accreditation period to ensure that the carbon against which the VCUs are emitted is not lost during a final cut without subsequent replanting or regeneration. Verra Response The adaptative management plan in place has now been provided and assessed by the VVB. This finding is closed, and no further action is required.	

10	**Insufficient demonstration and assessment of project ownership**		
	Issues 1. It is unclear which evidence the VVB assessed to verify that PROXYLO S.A.P.I DE C.V. has the legal right to control and operate the project area. 2. It is unclear if the PP controls the entire project area or less than 80% of the proposed grouped project area. **Actions Required** 1. The VVB must, under Section 3.1.4 of the joint VVR, document the evidence they assessed to verify that PROXYLO S.A.P.I DE C.V. has the legal right to control and operate the project area. 2. The VVB must ensure that Section 1.7 of the joint PD/MR clarifies whether the PP controls the entire project area or controls more than 80% of the total proposed grouped project area, supported by documented evidence. **Program Rule(s)** *VCS Standard v4.4 Section 3.7.1 (6), 3.11.4 (3), 3.18.17 (1)*	**Round 1** VVB Response 1. Leasing contracts signed between landowners and Proxylo transfer all the rights over the land to Proxylo, including the right to control and operate in the project area. In the contract between Ala-boOl-FORLIANCE and Proxylo added as supporting documentation, it is specified that the right over the carbon is transferred to the Project Proponents (FORLIANCE and Ala-boOl) The landowners assign the property of the rights over the carbon to PROXYLO . Additionally, to the abovementioned, an addendum to the signed contract before April 2023 has been written to specify the clause on the assignment of carbon credit rights. Evidence of these addenda already signed has been added as supporting documentation. The PP controls 100% of the grouped project area, and the contracts with all landowners are sufficient evidence of this. 2. Sections 1.7 and 3.1.4 of the joint PD/MR has been updated to clarify that the PP controls the entire project area, and the review of evidence concerning the ownership of the project areas.	Closed

		Verra Response Sections 1.7 and 3.1.4 of the joint PD/MR has been updated to clarify that the PP controls the entire project area, and the review of evidence concerning the ownership of the project areas has been carried out by the VVB. This finding is closed, and no further action is required.	

11	**ERRs needed to be reported by calendar year**		
	Issue In Tables 20 and 31 and under Section 1.10 of the joint PD/MR, the breakdown of GHG ERRs has not been specified by calendar year, i.e., DD-Month-YYYY to DD-Month-YYYY. **Action Required** 1. The VVB must ensure that the breakdown of GHG ERRs is specified by calendar year in the joint PD/MR. 2. The VVB must update the joint VVR accordingly. **Program Rule(s)** *VCS Standard, v4.4*, Section 3.5.7	**Round 1** VVB Response 1. Section 1.10 of the joint PD/MR has been updated, including the following: the breakdown of GHG ERRs has been specified by calendar year.	Closed

		2. The Joint VVR was adjusted with the updated values. Verra Response (Pending) Section 1.10 of the joint PD/MR has been updated, including the following: the breakdown of GHG ERRs has been specified by calendar year. This finding is closed, and no further action is required.	

12	**Clarification is needed on additionality**		
	Issue 1. In Section 3.4 of the joint PD/MR, it's unclear which of the two land use scenarios (LUS) that face no barriers allows for the highest baseline GHG removals by sinks and how this determination was made. 2. It's unclear how the VVB determined that no forestation activities similar to the proposed A/R activity have been implemented previously or are currently underway. **Action Required**	**Round 1** VVB Response 1. Section 3.4 of the PD has been updated indicating that there is only one land scenario in Sub-step 2b: croplands with reduced use or abandoned croplands (sugar cane in Tabasco, corn, sorgho or rice in Tamaulipas). As a conservative approach, the bforest (Default above-ground biomass content in forest in the region/country where the A/R CDM project activity is located; t d.m. $ha^{-1)}$ used in both scenarios is obtained for the forest in Mexico (Table 3A.1.4 of IPCC GPG-LULUCF 2006), which is over the estimated bforest	Closed

	1. The VVB must ensure that Section 3.4 of the joint PD/MR details how the land use scenario that enables the highest baseline GHG removals by sinks was determined. 2. The VVB must document how they independently determined that no forestation activities similar to the proposed A/R activity have not been implemented previously or are currently underway, outlining the evidence assessed. **Program Rule(s)** *AR-TOOL02, v1*, Paragraphs 18 & 33	that could exist from remaining trees in abandoned croplands or grasslands. 2. A Folder of "Plantaciones forestales commerciales" with information from the CONAFOR webpage is provided. In this folder, there are statistics from the CONAFOR webpage with information on CFP in Mexico, where it can be observed that there are no forestation activities with Melina or similar to the proposed A/R activity. Verra Response Section 3.4 of the joint PD/MR has been updated to clarify how the land use scenario (LUS) that enables the highest baseline GHG removals by sinks was determined. The VVB has provided an assessment of the same. However, this finding cannot be closed. Issue It is unclear how degraded grasslands and abandoned croplands without any inputs are considered the baseline scenario yet are not included in the alternative LUS in Step 1 and the barrier analysis in Step 2. Action required. 1. The VVB must ensure that degraded grasslands and abandoned croplands without any inputs are included in the analysis in Steps 1 and 2 under Section 3.4 of the PD/MR. 2. The VVB must assess the revised PD/MR and update the validation report as needed. Background	

		Agriculture, livestock, and forest plantations not certified under the VCS are the only LUS presented in Steps 1 and 2.	
		Round 2	
		VVB Response 1. It has been corrected the alternative LUS in Step 1 and the barrier analysis in Step 2. in Section 3.4 of the joint PD/MR. the baseline scenario has been namely as Agriculture: croplands with reduced use or abandoned lands and including accordingly in steps 1 and 2. The most likely scenario in the absence of the project is the continuation of non-productive agricultural activities or abandoned lands that come from agricultural activities in the past. 2. According to the PD settings the VR was updated.	
		Verra Response Section 3.4 of the joint PD/MR has been updated to clarify that degraded grasslands and abandoned croplands have been included in the baseline scenario. However, this finding cannot be considered closed. Issue: 1. It remains unclear how unmanaged grasslands are included in the baseline scenario and ERR estimates, yet they are not part of LUS 1 and have not been discussed in the barrier analysis. 2. It is unclear how unmanaged grassland differs from LUS 2, Livestock, which has been eliminated as an alternative according to the barrier analysis. Action required.	

		1. The VVB must ensure that the project justifies how unmanaged grasslands are included in the baseline scenario and ERR estimates, given that they are not part of LUS 1 and have not been discussed in the barrier analysis; alternatively, unmanaged grasslands must be excluded accordingly. 2. If the inclusion of unmanaged grasslands is sufficiently justified by the project, the VVB must ensure that this change is reflected in the baseline stratification. 3. The VVB must ensure that the project clarifies how unmanaged grassland differs from LUS 2, Livestock, which has been eliminated as an alternative according to the barrier analysis. 4. The VVB must assess the updated PD and update the validation report as needed. **Round 3** VVB Response **The VVB must ensure that the project justifies how unmanaged grasslands are included in the baseline scenario and ERR estimates, given that they are not part of LUS 1 and have not been discussed in the barrier analysis; alternatively, unmanaged grasslands must be excluded accordingly.** ▪ *Exclusion of Unmanaged Grasslands*: Unmanaged grasslands have been excluded from the description of the baseline scenario. The category of grasslands defined in the PD applies to all grasslands existing in the LUS1. There are no different classes of grasslands in the project. Please see the explanation below in *Land Use Scenario 1 (LUS 1).* Unmanaged grasslands are not a category included in the project, so are not part of the ERR project scenario	

		estimation. As described in finding 3, the stock change factors applied to grasslands is the values that applies to non-degraded grassland, which is the most conservative value available for grassland stock change factors. Therefore, the factor **fMG** is set to 1 for non-degraded lands, representing the most conservative scenario. ▪ *Baseline Stratification:* As explained in section 3.4 of the Joint PD&MR, the baseline stratification was based on pre-existing tree and shrub cover. When the plantation was established, the crown cover of trees was 3.70%, and shrub cover was 24.32%. The biomass factor for forests (bforest) used for the baseline scenario was derived from the IPCC GPG-LULUCF 2006 guidelines (Table 3A.1.4) which is over the estimated bforest that could exist from remaining trees in the existing croplands or grasslands. LUS1 is considered a unified land-use scenario, which is the more conservative approach. ▪ *Baseline ERR estimation. Conservative approach* The tool "Estimation of Carbon Stocks and Change in Carbon Stocks of Trees and Shrubs in A/R CDM Project Activities" specifies that for lands subjected to periodic cycles (e.g., slash-and-burn), trees and shrubs may be accounted as zero in the baseline which is the case of the baseline in the project area (see section 3.4: Slash-and-burn is a common practice in the baseline). For ex-ante estimations of carbon stock and change in carbon stock in the project scenario, the change in carbon stock of shrubs could have been estimated as zero for the baseline, however, this approach has not been applied. The baseline ERR estimation has been calculated as explained in the paragraph above, based on shrub and tree cover and	

		applying the bforest factor to the baseline scenario, therefore as a consequence, the approach ensured an even more conservative value for the baseline scenario. **The VVB must ensure that the project clarifies how unmanaged grassland differs from LUS 2, Livestock, which has been eliminated as an alternative according to the barrier analysis.** ▪ *Land Use Scenario 1 (LUS 1):* Scenario 1 represents the continuation of the pre-project land use, with the land remaining in agricultural use, including both croplands and grasslands. Grasslands are therefore included within LUS 1, which was defined as the baseline scenario and discussed in the barrier analysis. ▪ *The defined baseline scenario is realistic.* As defined in the tool "Estimation of the increase in GHG emissions attributable to displacement of pre-project agricultural activities in A/R CDM project activity" (Version 02) [1] ., Agricultural activities refer to crop cultivation activities and grazing activities. Reports, cartography evidence and maps have been provided as part of the supporting documentation. ✓ Data from Proxylo have been used to identify realistic and credible land-use scenarios. percentage of land use Each property was divided according to land use, and the process was repeated for all properties. The attribute	

[1] https://cdm.unfccc.int/methodologies/ARmethodologies/tools/ar-am-tool-15-v2.0.pdf

		table was manually populated using QGIS.In this evidence, the entire project is classified as an agricultural area, with 35% being grasslands and 65% being croplands. ✓ Additionally, a Land Use Report, provided as supporting documentation, includes a classification provided by INEGI (2007, 2009, 2014 and 2017)[2] at the national level. INEGI generated these maps through a supervised classification of Landsat images from 2004, 2007, 2011 and 2014. In these reports the project area is classified as croplands and grasslands, showing variations over the past decade. The data indicate a trend of increasing cropland areas and a decreasing proportion of grasslands. This evidences that the LUS1 project area is classified as agricultural area over the past 10 years, encompassing both croplands and grasslands. ✓ Relevant legislation: As explained in the Project Design Document (PD), the federal public administration promoted policies aimed at agricultural development by changing land use to agricultural and livestock systems and implementing subsidy and land endowment programs without applying land use planning (Manjarrez-Muñoz et al., 2007). ✓ Validation and Verification team confirmation: Through field site visit, review of project geographic spatial files, and document checks, the verification team confirmed	

[2] Publication year

		baseline and additionality determinations. Historical imagery indicated that project area tracts were previously used for agricultural purposes, including crop cultivation and extensive grazing in adjacent areas. ✓ Local authority confirmation: For each property, Proxylo submitted descriptions of previous land use to local authorities. The Promotora de Desarrollo Forestal and other relevant authorities verify the type of vegetation and land use prior to project activities in accordance with Articles 134, 136, and 137 of the "Reglamento de la Ley de Desarrollo Forestal Sustentable. ▪ *The LUS 2* as livestock has been eliminated since livestock activity in the states of Tabasco and Tamaulipas is not relevant. It can be said that livestock activity in the Project area and future expansion of the project to another areas is characterized by very low intensity and low production. Despite the region's agricultural potential, agricultural and livestock activities in Tabasco contribute only 4.54% to the national agricultural income, suggesting these activities remain primarily subsistence-based rather than strong economic drivers (INEGI, 2007). *As* explained in the Joint PD and MR through the included bibliographic references Tabasco and Tamaulipas are characterised by agricultural use. In 2016, agricultural use accounted for 65.4% of Tabasco's total land area. Tamaulipas, 87% of the land is suitable for agriculture, while only 20% is used. Grasslands are therefore included in LUS1, as described above.	

		▪ *The* credible alternative land use scenarios to the proposed project activity are the following: - Scenario 1: Continuation of the pre-project land use. Status Quo is land remaining with agricultural activities (Croplands and Grasslands). - Scenario 2: Forest plantations not certified under the VCS ▪ The scenario 2 is prevented by different barriers, so as a result, the scenario that is not prevented by any barrier is the "Continuation of the pre-project land use. Status Quo is land remaining with agricultural activities (Croplands and Grasslands)", **Consistency with other findings** ▪ *The* defined baseline and the LUS1 are consistent with Finding 4. As described in the Joint PD, the lands are classified as degraded. As explained in Finding 4, the stock change factors applied for grassland management have been revised to reflect those of non-degraded grasslands. These values represent the most conservative stock change factors applicable to grasslands. ▪ The defined baseline and LUS1 is also consistent with Finding 8, as the leakage emissions attributable to the displacement of grazing activities under the specified conditions are considered insignificant and therefore accounted as zero. Visual interpretation during the March 2023 on-site visits also led the audit team to this conclusion.	

		The VVB must assess the updated PD and update the validation and verification report as needed. The VVB has reviewed the cartographic records and other supporting documentation, including LU and LULC reports, provided by Proxylo and the Project Proponent. The updated joint PD has been reviewed and the validation and verification report has been adjusted as necessary. **<u>The VVB concludes:</u>** - Section 3.4 of the Joint PD has been updated including sufficient argumentation that evidence that the proposed LUS is realistic. - Unmanaged grasslands have been excluded accordingly - The baseline scenario ERR estimates, LUS 1 and barrier analysis are coherent. - LUS1 has been defined as a continuation of the pre-project land use. Status Quo is land remaining with agricultural activities (Croplands and Grasslands)". There are no other types of grasslands included in any other LUS. - The Project Proponent has provided realistic and credible documentation, and the land use scenarios are in line with national policies and trends. - All identified land-use scenarios are considered credible, supported by spatial planning and evidence documentary. **<u>Supporting documentation provided for finding 12:</u>** - Cartographic evidence for every property, indicating Land uses and agricultural practices within the Project area.	

		This information includes pre-existing tree cover, estimated by on-site visual assessment in each of the planting plots. Elaborated by PROXYLO de S.A.P.I before the project start date. - Shapefile within the Project area including the LU categories. Elaborated by Proxylo. - Collect earth online preexisting shrubs data, elaborated by Agresta, demonstrating the shrub cover in the Project area, previous to the start of the activities. - The Land Use and Land Cover Change report, including an in-depth review of the Dynamic World V1 dataset and Sentinel-2 land cover time series, where it is illustrated that the surrounding area consists primarily of croplands and grasslands, with recent trends showing an increase in grassland conversion to croplands. - The Land Use Report, provided as supporting documentation and elaborates on the purpose of finding 12. This report includes a classification provided by INEGI (2007, 2009, 2014 and 2017)[3] at the national level. Data elaborated by Proxylo in 2017 are also included in this report. The data indicate a trend of increasing cropland areas and a decreasing proportion of grasslands. This demonstrates that the LUS1 project area is agricultural, encompassing both croplands and grasslands.	
		Verra Response	

[3] Publication year

		A clarification has been provided.	