

# Paraguay Forest Conservation Project Review of project status & progress with PDD

Draft Final Report

Prepared for The World Land Trust

5 November 2009



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- Such review results in or contributes to the termination of or the alteration to the proposed terms of the Project.

The contents of this report do not constitute an audit, investigation or due diligence exercise.

The contents of this report and statements expressed within are based on an assessment of the document 'PDD Draft v4' provided by World Land Trust (WLT) in accordance with the terms of the Engagement Letter for this assignment.

WLT also provided 55 Annex documents (plus maps). We have read all English language Annex documents, all maps (whether English or Spanish) and have assessed the coverage (both topics and data levels provided) of all Spanish language Annex documents.

PDD quality will be improved through the consolidation of all sections into one document. It will be important that during the consolidation process all key information is migrated from the annexes into the main PDD text. Given the large volume of information provided within the Annex documents (as opposed to within a consolidated draft PDD document) certain issues raised within this Report may have been addressed in Annex documents which we have not identified.

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## Section 1: Executive summary



# 1. Executive summary

## Background

In April 2009 the World Land Trust (WLT) appointed PwC as Advisor for their Paraguay forest carbon sequestration project. This report presents the findings of our review of the status of the project and plans to meet the accreditation standards of the Voluntary Carbon Standard Association (VCSA) and Climate, Community and Biodiversity Alliance (CCBA) during the projects' Definition Phase.

Our work comprised two stages:

1. Visit to project sites and documentation of interim findings covering:

- Desktop review of any applicable changes in the carbon markets regulatory landscape, and the relevant compliance and voluntary market trends.
- Comment on project design and goals, including the methodology used and those currently available or likely to be so during the Definition Phase of the project.
- Review of the project design against the Voluntary Carbon Standard REDD guidance document requirements and implications for the Project. This includes a review of the design of the project in relation to:
  - Assessing legal status of the project (land, timber and carbon rights).
  - Determining a baseline.
  - Defining the carbon pools.
  - Managing leakage.
  - Establishing a monitoring plan.

- Review of sustainability considerations and assertions around environmental, social and economic benefits against CCBA requirements.
- Comment on any political and economic risks that could be significant for the project.

2. Writing of a final report following a review of the draft PDD which covers:

- Information on project progress since our interim findings were issued
- Key assumptions around carbon flows and other crucial factors
- Modelling assumptions such as carbon sequestration and baseline deforestation rates and generation schedules for VERs
- Project governance structure
- Key elements of business and financial plans that are relevant to the success of the projects
- Completeness and clarity of the PDD
- Specific issues which we believe a validation provider may raise whilst conducting the first validation (currently planned for the end of the first quarter 2010)
- Recommendations as to how these should be addressed before validation commences.

This document is the final report, but also includes a summary of the interim findings from June 2009 (see Appendix 5 for the full copy).

# 1. Executive summary

## Overall conclusion

Our work did not identify any issues which are likely to prejudice the validation of the project for the purposes of the Voluntary Carbon Standard and CCBA registration.

WLT has made substantial progress with the preparation of the PDD documentation. In general the PDD provides an accurate description of the projects planned and has been prepared in a manner which accurately reflects the VCS Guidance for AFOLU Projects, the Amazonas Sustainable Foundation VCS Methodology, and the CCBA Project Design Standards 2nd Edition. We also note that the San Rafael project component is within a Key Biodiversity Area (KBA) which is a prerequisite for achieving the CCBA gold level on biodiversity grounds.

Further work is required to complete the PDD and prepare for validation. However WLT appears to have put in place appropriate plans and resources to address the outstanding issues.

In the following sections of this summary we have listed priority issues which need to be addressed prior to validation. It will be important to monitor progress with these issues as failure to address these well in advance of validation would incur significant delays to the project progress. Other, less pressing issues are discussed in the body of this report, highlighted in bold in Section 2 and in Appendices 1 to 4.

Following discussions with PwC, WLT has approached Rainforest Alliance (who have relevant experience and regional presence) and submitted an application for joint VCS/CCBA validation to occur in February or March 2010. On the basis of progress to date we see no reason why this should timetable should not be achieved.

Note that validators typically require numerous additions and amendments to PDDs prior to issuing a validation statement and therefore it is quite possible that additional information will be requested by Rainforest Alliance beyond

the specific information gaps identified in this review. WLT will need to monitor progress with the validation carefully and ensure requests for information are progressed promptly.

## Carbon flows

WLT has made significant progress in developing and documenting the projects' carbon flow calculations, using processes which are in line with relevant existing methodologies and approaches. There are certain project-specific calculations which will need more detailed explanation in the PDD prior to validation, and these are described on page 15.

Clearly the carbon flows are subject to validation. It should also be noted that international research to accurately quantify forest biocarbon levels is ongoing and that scientific analysis methods are developing continually. Accordingly, assumed forest carbon values for Paraguay and the region may change over the project period to reflect improved scientific understanding.

## Carbon markets and climate policy developments

At the time of writing this report, the outcome of UN climate negotiations remains uncertain. The UN negotiations are unlikely to have a direct or immediate impact on the prospects for this project. However, forestry remains a priority issue for policy makers in Copenhagen and it is possible that decisions taken there or subsequently may impact the market for, and price of, forest carbon credits, as well as longer term institutional and financing arrangements in relation to the protection of forests.

Regulatory developments in the US and elsewhere may also have implications for the market for forest carbon credits.

Developments in carbon markets and climate policy should be kept under review.

# 1. Executive summary

## Priority issues

The following issues (discussed in pages 28 to 31) must be addressed as a matter of priority:

- In the VCS AFOLU guidelines it is stated that the entire project area is to be validated 'as if it were under control and ready to be implemented'. As the project area is not currently defined or under control, care should be taken so that at least 80% (level defined by VCS) of the total proposed area will be under control by the time of project verification. Failure to do so may require re-validation and incur additional costs.
- The significance and uncertainty analyses are not currently included in both Chaco Pantanal and San Rafael sections. These should be included or their non-inclusion explained according to the methodology described in sections 21a and 22 of the Avoided Deforestation Partners REDD Methodology.
- The 'Economic drivers Chaco 17a' report prepared by Peter Hansen provides information on Chaco deforestation trends. More detailed information on deforestation drivers for San Rafael in line with data provided in 17a will also be required by the validator.
- The project in San Rafael (as a KBA) has the potential to meet gold criteria on biodiversity standards. Information from the annex documents should be included within the PDD to show that, depending on site, the project in Chaco Pantanal could also achieve CCBA gold standard against CCBA biodiversity criteria.
- Certain CCBA community and climate sections of the PDD for both project sites require specific additions to meet CCBA standard levels.

## Section 2: Project progress since June 2009



## 2. Project progress since June 2009

### Background

For one week in June 2009 we visited the project sites in Paraguay and attended discussions with the majority of individuals involved in the project development at that stage during a series of meetings in Asuncion. On 12 June we documented our interim findings (these are provided in full in Appendix 5).

In this section we discuss how the project has progressed on the points we raised in our interim findings from June.

### Project governance and design

In June we noted that the WLT- Guyra Paraguaya (GP) project team's overall approach to project management and data gathering for the PDD appeared appropriate - coordinating multiple work-streams running in parallel on community, climate and biodiversity analyses. We also noted that given the team was at that point considering a payment for environmental services (PES) mechanism, some input from other international PES projects (e.g. in Costa Rica) might also be worth considering.

The PDD draft now describes the PES payment levels and planned arrangements but does not mention external input in the scheme's design. As this is an innovative mechanism we still feel that the **likelihood of project success would be increased by including input from organisations or individuals who have experience working on existing PES schemes** in Latin America or further afield.

In June we suggested that ministerial and government engagement would be prudent, in particular given the change in government in 2008. This and future projects need their support and this may increase expansion possibilities nationally for REDD.

The PDD states that the project has been endorsed by SEAM (the Paraguay Environment Ministry) and that formal endorsement by local municipalities will be sought prior to project initiation. **An elaboration of what 'endorsement' constitutes may be required for validation.**

We recommended in June that the project team focus on the longer term management and monitoring plans which need to be agreed and reflected in project governance structures to ensure sustainability of the project. We acknowledge that management roles are outlined in Section 10 which explains that: "The project governance structure will be finalised in the first 6 weeks following the decision to proceed", however, **monitoring plans are still very brief and could be expanded** (e.g. the PDD community section for San Rafael includes only half a page of text on Community Impact Monitoring).

During our June visit we observed a GP field station in San Rafael. **There is no information at present in the PDD on specific locations and facilities of GP which could be used for project management and monitoring in San Rafael or Chaco regions.**

We stated in June that we felt the project was a good opportunity for WLT to consider its longer term activity in Paraguay and the region and to build the foundations for ongoing development of REDD and related PES projects. These projects may link in to the GP partnership, and the WLT relationship with SPO, but may also open up other opportunities for market-based conservation programmes in Paraguay. A significant amount of learning and capacity building is taking place through the current projects and it would be sensible to consider how this can be leveraged in the broadest possible sense through links with CI, WWF, UNDP and others. The PDD states the project has been designed to meet the Global Conservation Fund's requirements for matched funding and hence wider programmes, and refers to ongoing efforts to ensure the project receives high profile and contributes to Paraguay's national REDD strategy.

## 2. Project progress since June 2009

### Community incorporation in project governance (PDD section 10)

We suggest that the areas below are developed further in order to meet current best international practice in voluntary market REDD projects.

#### Consultations

Our understanding is that the principal mechanism for ensuring community incorporation in project governance is through formal meetings with community representatives at no less than six-monthly intervals, intended to allow for regular and free information interchange.

If the phrase 'no less than six-monthly intervals' equates to consultations occurring twice annually this may mean that formal communications with the community do not sufficiently address their grievances and conflicts. **A greater frequency of consultations combined with the response process described in PDD section 10 ('Overall Project Design Features') may help ensure that community issues do not fester and potentially prejudice project integrity.** An alternative option would be to **include the possibility of additional ad-hoc consultations if an urgent grievance or conflict occurs.** It may also be beneficial to **define who will participate in these consultations with a view to achieving representation from as many community groups as possible.**

#### Monitoring

The draft PDD states that community members will participate fully in the monitoring process, including assessment of the net benefits claimed by the project. This will be supported by a capacity building programme in conservation management for local community members.

To help strengthen community engagement in the monitoring process, efforts should be made to **ensure that community members have the capacity to engage in the monitoring of carbon, climate, community and biodiversity elements of the project. This would require that WLT-GP's planned conservation management capacity building programme offers specialisation in each of these areas.** Participants could then engage in all aspects of project monitoring and be properly equipped to provide input into the project monitoring process. The PDD could also usefully **provide more clarity on the monitoring roles and responsibilities of community members, Guyra Paraguaya and the World Land Trust.**

#### Wider engagement

Section 2.3 (San Rafael) of the PDD states that 14% of the La Amistad community members declined to respond during project consultations. This indicates that in San Rafael there may be a minority section of the community that is disengaged with the project governance process.

Engaging with as many community members as possible and **promoting awareness of the community consultation and monitoring process to the wider community** will help ensure that participation in project governance is not limited to select groups.

## 2. Project progress since June 2009

### Issues relating to community engagement generally

In June 2009 we observed that community relations in the San Rafael Ocampos property appeared to present the biggest issue to project progress overall. The land acquisition process looked to be a lengthy and contentious procedure, yet there were benefits and therefore a potential case for project involvement in that location.

Section 2.3.6 and, to a lesser extent, other sections elsewhere in the PDD now describe the new strategy for San Rafael which shifts focus away from the Ocampos property towards La Amistad. The PDD also recognises the need to maintain ongoing communications between Guyra Paraguaya and representatives of the Mbya. The validator may wish to understand more clearly the past relationships between these parties and why WLT has now opted for this strategy. **We suggest more information on these issues is provided in the PDD in anticipation of any concerns the validators may have.**

In June we noted the project being discussed in the Chaco would be breaking new ground in terms of community engagement - i.e. dialogue with indigenous groups on REDD projects and their ancestral claims and desires regarding ownership and future management. There were uncertainties around indigenous land claims in the Chaco region and in June the project team was considering four land ownership options:

1. Acquisition of land outright
2. Payment for carbon rights over another landowner's area / a PES scheme
3. Transfer of title to indigenous groups now or at some future point, or
4. Acquisition of strategic smaller parcels.

The PDD now describes the chosen strategy for the Chaco project as option 3 from the above list – the purchase and transfer of lands to indigenous groups.

We noted in June that a land purchase process transferring title to indigenous groups on the condition that their land is managed in accordance with a detailed REDD project plan, might be a complex arrangement for indigenous groups to understand, support and comply with over the project lifetime. However, one of WLT's social consultants has been involved in projects which have facilitated land purchase and transfer to indigenous groups in Paraguay, and this should help the project management team ensure this land acquisition and transfer strategy is a success.

The PDD now describes a condominium agreement which the project team will use as the basis for this transfer of title. This transfers full land title to the Ishir indigenous group after 20 years. The Ishir will also receive capacity building support to help them fulfil their forest conservation role within this agreement. **We suspect that the validator will require additional information on the mechanisms which WLT-GP plan to establish to resolve any potential disputes with the Ishir relating to this agreement and its implementation.** An effective dispute mechanism will be essential to ensure forest loss and degradation is avoided - whether as a result of the Ishir or other parties' actions.

## 2. Project progress since June 2009

We suggested in June that the project management team review the levels of resource dedicated to addressing social issues in the Chaco area and in particular the capacity to engage effectively with indigenous groups in the run-up to validation. **While progress has been made in engaging with indigenous groups in the Chaco it is still unclear as to how continued engagement will occur, by whom (e.g. GP / social consultants), and through what channels.** The validator may wish to know how crucial the GP outreach project in Bahia Negra will be to maintaining long-term relations with the Ishir, which will be fundamental to project success.

WLT has provided us with copies of signed agreements with representatives of the Ishir and records of consultations with the Ishir and other groups. Although this provides evidence of stakeholder engagement we have not seen a plan for stakeholder engagement in the period running up to validation which will be required in order to establish the project sites in both regions. This information may not be needed in the PDD but **the validator is likely to be interested in the process of stakeholder engagement the project team has pursued.**

One of the key components of effective stakeholder engagement is that a stakeholder engagement process is defined along culturally appropriate and legally compliant lines and that this process is put into practice. In June we suggested that GP, WLT and other consultants and stakeholders make explicit what they believe should qualify for culturally appropriate and legally compliant consultation. CCBA emphasises the importance of having a process to hear, respond to and resolve community grievances, and clearly, the likelihood of the project achieving CCBA status will increase the earlier this issue is addressed.

**The project management team's definition of 'appropriate consultation' is still not defined in the PDD and we recommend a position on this is prepared in advance of the validator visit.**

### Other areas where accelerated progress was recommended in June

- Modelling of deforestation trends – the 'Economic drivers Chaco 17a' report prepared by Peter Hansen provides information on Chaco deforestation trends. **Information identifying deforestation drivers and respective deforestation rates for San Rafael has not been provided to us and this information will be required by the validator.**
- Tier 3 data collection for Chaco – in June we noted that a methodology for biocarbon estimates within the Chaco region was available but that actual data from sample plots was not. Page 64 of the PDD now describes the Tier 3 data being used.
- Identification of target areas – the project target areas are now identified for San Rafael. For Chaco a target region is identified with specific land parcels to be acquired within the project's first 12 months. This information currently lies within Annex documents not incorporated in the PDD.
- Complete drafting of the PDD – we have been sent a set of draft PDD subsections which together constitute the body text for a draft PDD. However, the draft text cross-references heavily to information currently held in Annexes and **a substantial amount of consolidation and formatting remains to be done before a draft PDD document suitable for submitting to validator is ready** (see Section 4 of this report).
- Validation - in June we noted that there was a shortage of validation providers with VCS experience and that it was imperative that validation was planned and organised well in advance of the intended date of validation. PwC have introduced WLT to Rainforest Alliance as a possible validator and there has been dialogue between the two parties (see page 14). **We strongly recommend that WLT progresses discussions with Rainforest Alliance or other appropriate validation providers to schedule validation without incurring significant expenditures (i.e. delaying validation payments if possible).**

## Section 3: Review of project planning aspects



### 3. Review of project planning aspects

#### Project schedule

The overall project schedule appears considered and reasonable, however we would make the following comments:

- The VCS minimum crediting period for AFOLU projects is 20 years. At present the project schedule indicates two separate 'crediting periods' of 10 years each. We recommend that the project schedule demonstrates compliance with the VCS 20-year minimum, for example by rewording the 'crediting periods' to 'phases' all under a single 20-year crediting period.
- The current target validation date of end of Q1 2010 will require a validator to be appointed and validation scheduled before December 2009. WLT has submitted an application for joint VCS/CCBA to Rainforest Alliance, timed for Feb-Mar 2010. However this has not yet been confirmed.
- We note that a significant number of activities are planned for Q1 2010 and we would recommend that you ensure you have sufficient resources to deliver according to this schedule. We understand that funds budgeted for the current feasibility stage have been set aside to cover issues that might be raised in our report recommendations. These should now be deployed to complete the necessary work.

#### Forest carbon markets

Recent historic trends in the voluntary market have shown strong demand for carbon credits from forestry projects.

As transactions in the primary voluntary carbon market are typically private, "over the counter" transactions, price visibility is limited. However a recent survey by Ecoscurities reported an average sale price of some \$7.00-\$9.00 / tCO<sub>2</sub> (*The Carbon Management and Offsetting Trends Survey Results, September 2009, Ecoscurities*), with higher prices typically achieved for projects with high biodiversity, climate and community benefits (e.g. CCBA Gold and Plan Vivo projects).

The market for forest-based credits will depend critically on a number of factors, not least the December 2009 Copenhagen meeting negotiations on REDD.

#### Financial plans

Your current financial plan (12. Financials – Sept 09.xls) shows a 'cost to generate' (deliver) of \$4.23/tCO<sub>2</sub> for Chaco, and \$9.49 for San Rafael. Therefore, the delivery costs for San Rafael would appear high in comparison. However we note several factors specific to San Rafael:

- The San Rafael project has potential to achieve and generate Gold level CCBA credits which have historically achieved a price premium on average voluntary credit prices
- The San Rafael project will pilot an innovative PES mechanism which could encourage similar projects in Paraguay
- La Amistad is of strategic importance given it represents some of the last remaining parcels of Atlantic Forest in Paraguay
- San Rafael is only a minor contributor to the full project VCU output.

We have reviewed the key assumptions that underpin the financial plans, and find them generally to be well laid-out and explained within the budget.

Notwithstanding our reliance on the data presented to us as being valid, complete and accurate, we would make the following comments on the data and assumptions used:

- The VCS buffer of 10% appears to be low and should therefore be explained more fully.
- The transaction costs budget of 2% may need to be reviewed as land purchase transaction progresses to ensure this is reflective of actual costs. However we note that the overall project costs are not highly sensitive to transaction costs (e.g. cost/VCU remains around \$5.00 even with a 10% transaction cost).

## 3. Review of project planning aspects

### Key carbon flow assumptions

#### Biocarbon

##### Chaco Pantanal

Annex 12 Biocarbon totals are in line with IPCC tier 2 and 3 data for Dry Chaco and Quebracho formations of the Chaco-Pantanal transition and the relative strata percentages from Puerto Ramos (see Land Area). It is stated in the notes of Annex 12 that Low Forest has been assumed to hold 40% of the tC/ha for High Forest. However the tC/ha used for low forest is 60% of high forest value. This requires further clarification.

##### San Rafael

The data provided in CIDA & Leiva (2009) (Annexes 18 and 19) are in line with Biocarbon totals given in Annex 12. An explanation is required of how the 90% PES take-up rate in the community has been estimated.

#### Land area

##### Chaco Pantanal

The location of the 12,000 ha project area (Map 16a,b) lying within the Chaco-Pantanal Quebracho forest transition zone is not defined. Therefore strata percentages are approximated from the Puerto Ramos example. The project area definition process should be combined with a readjustment of strata percentages accordingly.

##### San Rafael

The precise forest area is given in section 2.1 as 1,182 ha (Map 2) centred on UTM S617 W707. This has allowed for strata to be defined according to remote imagery data (Maps 5A-B) and for the calculation of carbon pools by strata.

#### Deforestation rates

##### Chaco Pantanal

Evidence for deforestation rates is clearly set out in 17a deforestation drivers and is in line with rates given in Annex 12.

##### San Rafael

Deforestation rates are derived from data provided in Maps 5A-B,6A-C and annexes 18,19, 21. Section 2.2.3 states that clearance continues as planned. From data provided in the PDD it is unclear how 'planned clearance' translates to the clearance percentages used in section 12.

#### Leakage allowance

##### Chaco Pantanal

The application of a 10% discount for a 20 year crediting period appears broadly in line with the IDESAM et al time discount methodology which uses a 40% discount over a 100 year period. However the calculation process used to acquire a 10% discount rate requires clarification.

##### San Rafael

A leakage deduction of 10% appears low, considering the 40% leakage deduction associated with the impact of the San Rafael trust fund. The PDD should include a full explanation of how the 10% leakage level was calculated.

### 3. Review of project planning aspects

#### REDD market dynamics

##### **Kyoto**

International discussions on deforestation and the GHG emissions it creates have been ongoing for more than a decade under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC).

Although the Kyoto Protocol includes land-use and forestry there has been very limited trading in forestry projects due to concerns over permanence and leakage, and no methodology for avoided deforestation was approved by the CDM Executive Board.

##### **Voluntary action demonstrates concept of REDD**

Despite the absence of a clear regulatory and policy framework, many parties have been keen to demonstrate that REDD projects can be successfully designed and implemented. These have been financed either through voluntary bilateral or multi-lateral funding, through charitable donations and/or through the sale of carbon emission reduction credits in the voluntary carbon market.

PwC analysis shows that as at the end of 2009 there were 22 REDD projects publically reported. These are expected to deliver around 37.5 MtCO<sub>2</sub>e over their project lifetimes (typically 20 – 30 years): a small fraction of the level of 6 GtCO<sub>2</sub>e considered necessary if REDD is to play a meaningful part in reaching the global emission reduction efforts required (Forum for the Future, 2009).

##### **Implications of the UNFCCC climate negotiations**

Hopes for a new, global deal on climate change have been buoyed by the change in US policy under the new administration and, in recent months, by a range of political commitments from China, Japan, the EU etc.

However the negotiations are going slowly and it now looks increasingly unlikely that the UN climate conference in Copenhagen will deliver the comprehensive global deal that had been hoped for. The best that can probably be hoped for now is a framework agreement, linked to a smorgasbord of political commitments, with the hope of delivering a more comprehensive global deal in 2010.

There is widespread recognition of the urgency of addressing deforestation in any new global deal and agreement, either in Copenhagen or subsequently, to include REDD within the future framework would help to stimulate the REDD market.

## 3. Review of project planning aspects

### Methodologies

There is currently no approved VCS methodology for forestry projects of this type and the Amazonas Sustainable Foundation is one of four below which are currently awaiting approval and are outlined below. Indications from the VCSA are that these will be approved before the end of 2009, however there have been no formal deadlines set.

#### 1. Amazonas Sustainable Foundation

Methodology for Estimating Reductions of GHG Emissions from Frontier Deforestation

Applicability to PDD: Fully applicable, as this methodology addresses Frontier Deforestation, the principal form of deforestation for the Chaco Pantanal and San Rafael project areas.

Public consultation ended 13 August 2009. Has been used as the methodology for the Juma reserve and has been validated by the German audit company Tuv Sud, achieving the top rated Gold category, the first methodology to be included in that standard.

#### 2. The Avoided Deforestation Partners

REDD Methodology Modules for the VCS

Applicability to PDD: Fully applicable as it includes modules for both planned and unplanned deforestation.

Public consultation ended 16 June. The Avoided Deforestation Partners VCS modules have had the first review completed by TUV SUD with no significant flaws found. Rainforest Alliance has been selected to conduct the second validation of the modules under the VCS double validation procedures. Both validation and VCS approval is expected by the end of 2009.

#### 3. Terra Global Capital, LLC

Baseline and Monitoring Methodology for Project Activities that Reduce Emissions from Deforestation on Degrading Land from Unplanned Activities.

Applicability to PDD: Relevant for deforestation and degradation of the mosaic type where unplanned deforestation is the driver. Whilst mosaic deforestation is partly relevant to the San Rafael project area, frontier deforestation is the dominant deforestation type between both Chaco Pantanal and San Rafael, giving this methodology limited applicability to the PDD.

Public consultation ended 28 July 2009, TUV SUD are currently carrying out the second validation.

#### 4. World Bank, BioCarbon Fund

Methodology for Estimating Reductions of GHG Emissions from Mosaic Deforestation

Applicability to PDD: As for Terra Global Capital LLC Methodology.

Public consultation ended 13 August 2009. Current validation status is not known.

**The PDD has been based on the VCS AFOLU guidelines with reference to the Amazonas Sustainable Foundation REDD Methodology and the CCBA Project Design Standards.**

### 3. Review of project planning aspects

#### Validators

In August 2009 we suggested two possible validators based on our understanding of the appropriate experience and capabilities they had for validation of the Chaco & San Rafael REDD project. These validators were Rainforest Alliance (RA) and Scientific Certification Systems (SCS). We suggested these due to a combination of competitive price, their ability to carry out dual VCS/CCBA validation and their previous experience or presence in the region.

#### Rainforest Alliance

Rainforest Alliance is accredited for both CCBA and VCS validation having carried out their first dual validation in 2009. They have a regional office based in Bolivia.

Their average fee for joint validation under CCBA and VCS standards is \$15,000-20,000. The payment schedule is 60% up-front and 40% upon receipt of the draft report.

#### Process for engagement:

- Submit an application form
- RA respond with a contract
- Signature and return of contract
- Desk review of PDD
- RA provide a pre-validation review report within 3-4 weeks of receiving PDD
- Audit process begins 30 - 45 days after the pre-validation review
- Audit report produced 20 - 30 working days after the audit visit

#### SCS

SCS are accredited for both CCBA and VCS validation. SCS have become the first company to be accredited under the VCS temporary accreditation program and have been fully accredited for VCS by the American National Standards Association (ANSI). SCS have recently conducted GHG audits in Uruguay, Peru and Brazil. They maintain an office in Brazil and their auditors are trained in GHG verification.

They have stated that dual validation for CCB and VCS will cost roughly \$18,000 - 30,000, although they will be able to provide a firm price quote once they have received the application form.

The payment schedule is that 50% of the fees are paid prior to starting the validation and the remaining 50% prior to issuing a validation opinion.

#### Process for engagement:

- Submit an application form
- SCS respond with a proposal
- Signature and return of proposal
- Desk review of documentation (should they require more information or issue any non-conformities this could delay the field portion of the audit)
- Audit process begins (this can be started within a few weeks of receiving the signed proposal)
- Audit report is produced within 30 days of audit visit

### 3. Review of project planning aspects

#### Progress with validation schedule

Based on these responses we suggested WLT prioritise discussions with Rainforest Alliance for the following reasons:

- They have carried out a joint validation before
- They indicate lower fees
- They have a regional office based in a Spanish speaking Latin American country (Bolivia) as opposed to Brazil for SCS
- Rainforest Alliance has greater brand recognition than SCS

Rainforest Alliance has now been chosen by WLT and WLT has submitted an application for joint VCS/CCBA validation, timed for February to March 2010. However this has not yet been confirmed.

## Section 4: Feedback on general aspects of PDD (i.e. non-VCS/CCBA specific)



## 4. Feedback on general aspects of PDD

| Section                                      | Subsection | Suggestion  |
|--|------------|---|
| Introduction and executive summary           | 1.         | Add text on national situation, clearance trends, baseline rates, interest and activities at Presidential level in the situation and or/the projects  |
|  | 3.1        | Add total cost and hectare targets for the PES scheme<br>Costs need to be consistent with those included later in the document (i.e. US\$ 130 not US\$ 127.5)<br>Explain what the upper limits for hectares and households are to which this scheme could apply<br>Provide examples of 'micro-investments'<br>Suggested tabulating all cost data at end of 3.1<br>Final point re Mbya Guarani should be expanded or a cross-reference to further information included |
|  | 3.2        | Explain within the easement what mechanisms will be established to ensure that disputes are resolved and forest protection ensured<br>Explain the Ishir's involvement in project governance<br>"Long-term conservation management fund for the western Chaco" – explain what the Trust Fund and its parties will be doing, how, and over what hectareage.<br>This also applies for page 13  |
|  | 4.         | Suggest use of alternative text in place of: "good safety margin" – e.g. 'conservative buffer allowance' (also used on page 7)<br>Regarding post-Copenhagen flexibility, it would be worth expanding on how this is achieved – e.g. through development in close consultation with public and private sectors the project will aim to meet likely requirements for accessing fund-based / nested (sub-national) REDD project support                                  |
| Project Overview (VCS format) September 2009 | 1.2        | Explain what is meant by 'grouping' (last sentence)   |
|  | 1.3        | Additional emissions reductions should only be mentioned where they are achievable and part of the project plan, otherwise include them in a revised higher estimate which includes a larger buffer to reflect the higher risk of non-delivery of these reductions. The PDD needs to be clear as to what the project will achieve and not stray into less likely reductions which are not planned for.  |

## 4. Feedback on general aspects of PDD

| Section  | Subsection | Suggestion  |
|--|------------|---|
| Project Overview<br>(VCS format)<br>September 2009 | 1.4        | <p>Re San Rafael presumably high-productive forest refers to selective harvesting of timber. Make this explicit including reference to FSC-equivalent principles of sustainable forest management</p> <p>A commitment period of 20 years is actually in line with the project lifespan so explain why this is not considered suitable to include in the project design</p> <p>Explain what indicative cotton income data was used as basis for PES payment levels and why</p> <p>Explain how Trust Fund will 'strengthen conservation management of the main forest bloc'</p> <p>Chaco Pantanal section discusses 10,200ha and 12,000ha areas. Explain why this difference occurs</p> |
|  | 1.6        | Project duration – potential replacement of 10 year crediting periods with 10 year crediting phases to provide clarity for validator  |
|  | 1.7        | 3 <sup>rd</sup> paragraph: "the GP reserves that virtually surround La Amistad". This sentence is misleading and gives the impression that the area is 'sheltered' by a protective ring of reserves and may therefore warrant rephrasing  |
|  | 1.8        | <p>Suggest use of simple small table to indicate what emissions reductions are included and not</p> <p>2<sup>nd</sup> paragraph: "through land use activities on cleared land" – this is not clear and should be elaborated</p>   |
|  | 1.10       | Explain what 'endorsement' means and what regulatory approval of planned transfer of land titles will be required. Explain also the Paraguayan government body responsible for indigenous rights and relevance or not of UNDRIP   |
|  | 1.15       | Explain how these 'associated bodies' are involved in project governance structures   |
|  | 1.16       | Recommend restructuring and rewording of this entire section for clarity  |
|  | 2.2        | Replace 'IPCC methodology' with 'IPCC calculation method'   |
|  | 3.4        | Describe GP's role in furthering use of GIS approaches in Paraguay  |
|  | 5          | Include: "Negative environmental impacts will be minimal and may arise through project-related transport emissions" etc   |

## 4. Feedback on general aspects of PDD

| Section  | Subsection  | Suggestion   |
|--|---|--|
| Project Overview<br>(VCS format)<br>September 2009 | 6   | 2 <sup>nd</sup> paragraph – explain that the Ajoreo and Mbya Guarani are relevant groups because they reside in areas adjacent to project sites  |
|  | 8   | Explain land ownership status in project sites and the steps the project team have made/will make to demonstrate clear tenure  |
| Project Design<br>Document (CCBA<br>Format)        | (all)   | Note that many of the above comments on VCS Format Project Overview relate also to specific subsections of the CCBA Format PDD to which they refer. We have not commented on those subsections of the PDD which relate to the above comments. The list below includes those areas not already picked up in the review of the VCS Format Project Overview |
|  | 2.3.4   | Explain what level cotton income streams would need to exceed in order to become more attractive than the PES payment levels and whether this presents an additional project risk  |
|  | 2.3.6   | 2 <sup>nd</sup> paragraph: “issues affecting the La Amistad community.....were used so that” – needs rewording for clarity   |
| Throughout   | CO2 etc   | Correct scientific format - CO2, CH4, N2O – should be CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O   |
|  | tCO2 (net of reserves) / (net of deductions and reserves) | Use consistent and correct terminology – e.g. ‘after buffer deduction’   |
|  | AFF/ARR   | Ensure consistent acronym is used  |

## 4. Feedback on general aspects of PDD

### Consolidation

PDD quality would be improved through the consolidation of all sections into one document. It will be important that during the consolidation process all key information is migrated from the annexes into the main PDD text. For example 'Annex 17A Economic Drivers Chaco' contains important information on leakage analysis which should be included in '8. Chaco Community Section'

### Language and accessibility

The annexes provided are currently a combination of English and Spanish documents. It is recognised that the planned validator is likely to be both a native Spanish speaker and a fluent English speaker, so this may not act as a barrier to validation. However a bi-lingual PDD will reduce accessibility for other reviewers, in particular if/when posted for public comment on the CCBA and/or VCS websites. This may reduce the number of feedback comments received, consequently reducing the benefit to be gained from peer review and input.

### Maps and photographs

Where possible, photographs and maps should be integrated, linked and referenced within the main PDD text to ensure that information is expressed clearly and that the reader benefits from all the information resources gathered by GP and WLT during the formation of the PDD. This will also help to make the validation process more efficient, saving time for the validator, GP and WLT.

## Section 5: Project sustainability considerations



## 5. Project sustainability considerations

As already mentioned, the San Rafael project could achieve CCBA gold level. The Chaco-Pantanal project could potentially also, if the land area, when defined, meets certain vulnerability/accessibility criteria. The Chaco Pantanal project area is not a Key Biodiversity Area (KBA) but harbours a range of IUCN Red List species (classed as either endangered or vulnerable). These are important factors which could support gold level status.

Both projects could also potentially meet gold level standards on community grounds if further work demonstrates that the necessary conditions apply. However, at this point the PDD is lacking information against some basic CCBA requirements for climate, community and biodiversity (see section 6 Gap Analysis for reference), and these gaps will need to be addressed as a pre-condition for the CCBA gold level to apply.

### Social and economic analysis required for CCBA gold level

Whilst it is demonstrated that the project zones are in a low human development country from annex documents (17a, 24,25,26) the following content is still required to achieve the gold level:

- Demonstrate that 50% of households within the lowest category of well-being will benefit substantially from the project
- Demonstrate that any barriers or risks that may prevent benefits going to poorer households have been identified and addressed in order to increase the probable flow of benefits to poorer households

- Demonstrate that measures have been taken to identify any poorer and more vulnerable households and individuals whose well-being or poverty may be negatively affected by the project, and that the project design includes measure to avoid any such impacts. Alternatively, where negative impacts are unavoidable, demonstrate that they will be effectively mitigated
- Demonstrate that community impact monitoring will be able to identify positive and negative impacts on poorer and more vulnerable groups.

In the case of San Rafael the PDD identified revenue streams, economic opportunities and technical support to meet issues identified by the community as constraints to quality of life.

The PES scheme is based on an estimate of the income to be expected if land was cleared for agricultural production discounted to take account of reduced work in avoiding clearance and cultivation, culminating in a revenue flow of US\$170/ha/yr to the community as competitive under current circumstances. This revenue stream may act as a net benefit for households within the 'lowest category of well-being' and as such this should be stated explicitly.

The risks and risk mitigation section of the project design for San Rafael may provide sufficient content to address barriers and risks preventing benefits going to poorer households. Linking these together will provide clarity on this issue for the validator.

An assessment of negative impacts of the PES scheme is not included and this is likely to require more detailed content to meet gold level requirements.

## Section 6: Gap analyses summary



## 6.1 VCS

### 6.1.2. Chaco Pantanal

As the project area is not currently defined or 'under control' (this is the language of the VCS), care should be taken so that at least 80% (level defined by VCS) of the total proposed area will be under control by the time of project verification. Failure to do so will require re-validation and incur additional costs.

To be included:

- i. Identification of all relevant sources of greenhouse gases in the project
- ii. Calculation of estimated future carbon stock changes for each carbon pool
- iii. Breakdown of estimation of emissions from displacement of market effects, fuel wood, biomass burning and fossil fuel combustion
- iv. Completion and inclusion of significance and uncertainty analyses

### 6.1.3 San Rafael

To be included:

- i. Calculation of estimated future carbon stock changes by carbon pool
- ii. Documentation provided to confirm that area would otherwise be deforested, and documentation of other owned lands where leakage could occur
- iii. Breakdown of estimation of emissions from displacement of market effects, fuel wood, biomass burning, fossil fuel combustion
- iv. Completion and inclusion of significance and uncertainty analyses

## 6.2 CCBA

Please note that some of the points raised below cannot be addressed without a specific defined project site. Also, several CCBA areas may not be relevant to projects protecting a tract of natural forest (e.g. diseases, negative offsite impacts). However, although some concerns are irrelevant to this project, they should still be specifically mentioned in the PDD in each case to show that the issue has been considered.

### 6.2.1 Chaco Pantanal

#### 6.2.1.1 Legal Standards & Land Tenure

- i. PDD content indicates that project will not require relocation. However, this is not stated explicitly. Documentation proving that the project site is private land has not been included in the annex list
- ii. A list of all relevant laws and regulations is not included although partly covered in Annex 16
- iii. A list documenting all surrounding communities accompanied by high level socio-economic data has not been included
- iv. The issue of potential immigration to the area is not addressed. A justification is not provided for this, a procedure for identification of possible immigrants and plan for how the project would respond to immigration has not been provided.

#### 6.2.1.2 Climate

- i. Estimated net GHG emission removals by the project are not included. There is no statement regarding likely project related unmitigated negative impacts from the project.
- ii. No initial plan for how non CO<sub>2</sub> GHGs will be monitored is given.

- iii. The PDD must explain how it will ensure that at least 10% of total carbon benefits (VERs) are not sold
- iv. Gold level – more information on how climate change scenarios will impact land use is required, as is more information on the risks to CCB benefits and demonstration that the project will assist communities and/or biodiversity to adapt to possible impacts of climate change requires (See section 5 of this report)

#### 6.2.1.3 Biodiversity

- i. It is stated that 'no negative offsite biodiversity impacts are identified' but disease introduction/facilitation is not specifically addressed
- ii. It is stated that the biodiversity impact will be positive but details of the methodology used to reach this conclusion are not included
- iii. Unclear whether species listed in 'Matriz Biologia' Annex 43 are IUCN Red List. Analysis on how this project may be detrimental to these species has not been included
- iv. No negative offsite biodiversity impacts are identified and no plan for mitigating or monitoring offsite negative biodiversity impacts is given
- v. Optional – the PDD does not state how it will maintain rather than enhance water and soil resources
- vi. Gold level – information is required to demonstrate that the project zone includes a site of high biodiversity conservation priority by meeting either the vulnerability or irreplaceability criteria

#### 6.2.1.4 Community

- i. A stakeholder list has not been included in the PDD

- ii. Potential negative offsite community impacts have not been identified or evaluated and no mitigation plan for these impacts is included
- iii. Although it is stated that community capacity building in conservation management will form a part of the project, details are not provided for how it will be structured and how it will be adapted to meet the needs of a wide range of groups including women
- iv. Evidence of widespread support for the project amongst landowners, community members and workers is not included.
- v. It is not confirmed that local stakeholders will fill all employment positions
- vi. Information on workers' rights will be distributed but an education program is not planned
- viii. Details of how worker safety risks will be minimized are not given
- ix. Management actions and monitoring programs designed to generate reliable feedback are not discussed
- x. Gold level - information is missing from the PDD to demonstrate that at least 50% of households within the lowest category of well-being will benefit substantially from the project. Also missing is a demonstration that barriers to accessing benefits for poorer households will be overcome, and details of measures to avoid negative impacts on poorer households and evidence that monitoring processes will capture impacts on vulnerable groups (See section 5 of this report).

#### 6.2.1.5 Management & Best Practice Module

- i. A clear diagram of project governance has not been included
- ii. Technical skills required for the project and skill gaps of the project team have been identified but information on how project partnerships will address these skills gaps has not been included.

## 6.2.2 San Rafael

### 6.2.2.1 Legal Standards & Land Tenure

- i. Documentation proving that the land parcel is private land is not included
- ii. A list of all relevant laws and regulations is not included although partly covered in Annex 16.
- ii. There is no mention of potential immigration to the project area

### 6.2.2.2 Climate

- i. Clarification not included that non CO<sub>2</sub> GHG gases will not account for more than 15% of the project's overall GHG impact
- ii. Quantification of negative offsite climate impacts along with appropriate actions to minimize these impacts is not included
- iii. Monitoring plan has not been broken down according to carbon pools or GHGs
- iv. Evidence is not given that the project will not sell at least 10% of total carbon benefits generated by the project into regulated GHG markets
- v. Gold level – the PDD needs to include an analysis of how climate change scenarios will impact land use, the risks to CCB benefits and demonstration that the project will assist communities and/or biodiversity to adapt to possible impacts of climate change (See section 5 of this report)

### 6.2.2.3 Biodiversity

- i. Detail is missing on the use of appropriate methodologies to estimate changes in biodiversity as a result of the project
- ii. It is uncertain whether Annex 20 Ecological Assessment (Spanish) refers to the IUCN Red List, and no information is included on how project activities will not be detrimental to these species.

- iii. It is not stated that no negative offsite biodiversity impacts are anticipated and therefore no mitigation plan is included. More detail on why no negative biodiversity impacts are anticipated should be included
- iv. Gold level – the PDD will need to demonstrate that the project zone includes a site of high biodiversity conservation priority by meeting either the vulnerability or irreplaceability criteria (See section 5 of this report).

#### 6.2.2.4 Community Module

- i. A description of a methodology for identifying the potential negative offsite community impacts that the project may cause is missing
- ii. No mitigation plans for potential negative offsite community impacts have been included on the basis that no negative offsite social and economic impacts will occur.
- iii. Details of the evaluation of unmitigated negative offsite social and economic impacts against social and economic benefits has not been included on the basis that no negative offsite social and economic impacts will occur.
- iv. Capacity building plans and how these plans accommodate the needs of a wide range of groups has not been included
- v. Whilst it is mentioned that where possible staff will be recruited in country, it is not clear how local stakeholders will fill all employment positions
- vi. A risk minimization process for worker safety is not included
- vii. The knowledge dissemination and sharing process is mentioned in section 10. Overall Project Design Features, but the plan is not outlined

- viii. Gold level: information is missing to demonstrate that at least 50% of households within the lowest category of well-being will benefit substantially from the project. Also missing is a demonstration that barriers to accessing benefits for poorer households will be overcome, details of measures to avoid negative impacts on poorer households and evidence that monitoring process will capture impacts on vulnerable groups (See section 5 of this report)

#### 6.2.2.5 Management & Best Practice Module

- i. A clear diagram of project governance has not been included.

# Appendices

This section includes:

- Appendices 1 and 2 – PDD gap analysis tables for CCBA Project Design Standard 2<sup>nd</sup> Edition
- Appendices 3 and 4 – PDD gap analysis tables for VCS AFOLU Guidelines, with reference to The Avoided Deforestation Partners VCS Methodology
- Appendix 5 - a full copy of the interim feedback we provided following our June 2009 visit to Paraguay



Appendix 1

## Chaco Pantanal – CCBA gap analysis



## Chaco Pantanal – CCBA gap analysis

These questions do not cover every section of the CCBA standards but instead focus on the sections unique to the CCBA which are not found in VCS standards.

| CCBA STANDARDS  |   |
|---|---|
| Legal Status & Land Tenure Module   | Information currently provided in PDD   |
| <p>Guarantee that the project will not encroach uninvited on private property, community property or government property</p> <p>1. Can legal documentation prove that that the land ownership is private and legally secure for the long term? Can GP verify this through legal counsel, consulting the national register and interviewing neighbouring groups?</p>   | <p>1. Presence of a legal co-ownership agreement and confirmation of recognition of Ishir rights to continue traditional use of land and ownership in ancestral territory. (Document 46a)</p> |
| <p>Guarantee that the project does not require the relocation of people or any relocation is 100% voluntary and fundamentally helps resolve land tenure problems in the area</p> <p>1. Will it or will it not be necessary to formally relocate indigenous groups?<br/>                     2. Is there documentation available to prove that the land parcel is private land?<br/>                     3. Will the agreement ensure that relocation is 100% voluntary?</p> | <p>1. Interpretation of the text indicates no, but this should be made explicit.<br/>                     2. Not included in PDD materials<br/>                     3. Not applicable</p>     |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Legal Status & Land Tenure Module  | Information currently provided in PDD   |
| <p>Describe potential 'in-migration' of people from surrounding areas, if relevant and explain how the project will respond</p> <ol style="list-style-type: none"> <li>1. Is GP able to list all the communities that are close by or neighbouring the project with socio-economic data?</li> <li>2. Is GP able to map out where and from who immigration may occur?</li> <li>3. Is there a procedure in place for identifying possible immigrants?</li> <li>4. Is there a plan for how the project would prevent or respond to in-migration to the project area?</li> </ol> | <ol style="list-style-type: none"> <li>1. This is partly covered but there is not comprehensive socio-economic data for all communities in the reference area.</li> <li>2. Not detailed. This will depend upon the location selected for the project.</li> <li>3. No</li> <li>4. No</li> </ol>  |
| <p>Guarantee that no laws will be broken by the project</p> <ol style="list-style-type: none"> <li>1. Are all relevant national local laws and regulations included in the PDD?</li> <li>2. Has GP consulted with the, Ministry of Agriculture, SEAM, Department for Indigenous Affairs and any other relevant government departments to ensure that no laws will be broken by this project?</li> <li>3. Has GP consulted its own legal counsel on the legality of this project?</li> </ol>  | <ol style="list-style-type: none"> <li>1. Annex 16 (Spanish) appears to partially cover this although a separate list is not provided</li> <li>2. A signed tripartite agreement with SEAM is included within the PDD annex document 45</li> <li>3. GP has sought legal counsel in annex 16 although as the document is in Spanish the contents can not be assessed in detail</li> </ol> |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Legal Status & Land Tenure Module   | Information currently provided in PDD   |
| <p>Document that the project has, or expects to secure, approval from the appropriate authorities</p> <ol style="list-style-type: none"> <li>Does GP have written evidence that during the planning period they have consulted and taken into account the opinion of SEAM, Ministry of Agriculture, Land Protection and any other relevant agencies?</li> <li>Can GP demonstrate that it has maintained frequent and cordial relations with the appropriate authorities to date?</li> </ol> | <ol style="list-style-type: none"> <li>Yes see annex 45</li> <li>Yes</li> </ol>   |
| Climate Module  |   |
| <p>Use of methodologies of IPCC Good Practice Guide to estimate net change in carbon stocks due to project activities</p> <ol style="list-style-type: none"> <li>Can the project demonstrate extensive understanding and solid implementation of methodologies given the current state of data on tropical forest species and Atlantic Forest?</li> <li>Have Carbon stocks been estimated using IPCC approved methodologies?</li> </ol>   | <ol style="list-style-type: none"> <li>Included, see Chaco Pantanal section 6.1</li> <li>Yes, see Chaco Pantanal section 6.1 and 7</li> </ol> |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Climate Module  | Information currently provided in PDD   |
| <p>Use of methodologies of IPCC Good Practice Guide to estimate net change in carbon stocks due to project activities</p> <p>3. Has GP utilized GIS &amp; aerial photography for area calculation, photo analysis, land title review, interviews with landowners and neighbours to establish historic land use and measurement of proxy forests to approximate the projected growth of newly planted mixed species stands?</p> <p>4. Have calculations been formulated on the basis of the scientific literature?</p> | <p>3. Currently no plan to plant mixed species stands but GP has utilized GIS &amp; aerial calculation, photo analysis, land title review, interviews with landowners and neighbours to establish historic land use.</p> <p>4. Yes, there has been significant reference to the scientific literature to form the basis for calculating changes in carbon stocks.</p> |
| <p>Factor in the non-CO<sub>2</sub> gases CH<sub>4</sub> and N<sub>2</sub>O to the net change calculations if they are likely to account for more than 15% of the project's overall GHG impact</p> <p>1. Have calculations been made to determine whether or not non CO<sub>2</sub> GHG gases will account for more than 15% of the project's overall GHG impact?</p>   | <p>1. GP has established a methodology for doing this, but has not included all the potential emissions from deforestation activities.</p>  |
| <p>Demonstration that the net climate impact of the project will give a positive result in terms of overall GHG benefits delivered</p> <p>1. Have estimated gross GHG removals been calculated using a scientifically sound methodology and has this been compared against GHG emissions from the project?</p>  | <p>1. Overall GHG benefit analysis to be included</p>   |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Climate Module  | Information currently provided in PDD   |
| <p>Have initial plan for how carbon pools, non CO<sub>2</sub> GHGs will be monitored</p> <p>Questions</p> <ol style="list-style-type: none"> <li>1. Does this plan exist?</li> <li>2. Have permanent sample plots been established?</li> <li>3. Will results be measured periodically for above-ground biomass, dead wood?</li> </ol>         | <ol style="list-style-type: none"> <li>1. Not for non CO<sub>2</sub> GHGs</li> <li>2. Not included although establishment of sample plots is planned</li> <li>3. Above-ground biomass included</li> </ol> |
| <p>Identify likely regional climate change and climate variability impacts, using available studies</p> <ol style="list-style-type: none"> <li>1. Have the most significant climatic threats been identified with reference to the scientific literature?</li> </ol>  | <ol style="list-style-type: none"> <li>1. Yes</li> </ol>  |
| <p>Demonstrate that the project has anticipated such potential impact and that appropriate measures will be taken to minimize these negative impacts</p> <ol style="list-style-type: none"> <li>1. Have the potential impacts been assessed?</li> <li>2. Has a list of appropriate actions to address these impacts been drawn up?</li> </ol> | <ol style="list-style-type: none"> <li>1. The potential impacts of regional level climate changes have been assessed but a list of actions to address these impacts has not been included</li> </ol>      |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Climate Module   | Information currently provided in PDD   |
| <p>Estimation of potential offsite decreases in carbon stocks due to project activities</p> <ol style="list-style-type: none"> <li>1. Is there a plan for the long term monitoring of forest cover across the project area?</li> <li>2. Will this monitoring involve direct measurement of project activities on site and effects offsite?</li> <li>3. Have mechanisms for leakage been identified?</li> </ol> | <ol style="list-style-type: none"> <li>1. Yes</li> <li>2. Yes.</li> <li>3. Yes.</li> </ol>  |
| <p>Documentation of how negative offsite impacts resulting from project activities will be mitigated and estimate extent to which such impacts will be reduced</p> <ol style="list-style-type: none"> <li>1. Has there been an attempt to quantify negative offsite impacts?</li> </ol>  | <ol style="list-style-type: none"> <li>1. It is stated that 'No negative off site community impacts are foreseen' but justification for this assessment is not included.</li> </ol> |
| <p>Subtract any likely project related unmitigated negative offsite climate impacts from the climate benefits being claimed by the project</p> <ol style="list-style-type: none"> <li>1. As stated</li> </ol>  | <ol style="list-style-type: none"> <li>1. Not detailed</li> </ol>   |

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Climate Module  | Information currently provided in PDD  |
| <p>Not sell at least 10% of total carbon benefits generated by the project into regulated GHG markets.</p> <p>Questions</p> <ol style="list-style-type: none"> <li>1. Evidence within the project plan that the project will not sell at least 10% of total carbon benefits generated by the project into regulated GHG markets</li> </ol>  | <ol style="list-style-type: none"> <li>1. This is not included</li> </ol>  |
| Biodiversity Module   |  |
| <p>Use of appropriate methodologies to estimate changes in biodiversity as a result of the project</p> <ol style="list-style-type: none"> <li>1. Is the estimate based on clearly defined and defensible assumptions?</li> <li>2. Has the 'with project' scenario been compared to the 'without project' biodiversity scenario?</li> <li>3. Is the difference between these scenarios positive?</li> </ol>                    | <ol style="list-style-type: none"> <li>1. No</li> <li>2. Method for doing this not included</li> <li>3. The PDD states that the difference is positive, although not backed up by methodology</li> </ol> |
| <p>Describe possible adverse effects of non-native species on area's environment</p> <ol style="list-style-type: none"> <li>1. Has this analysis included impacts on native species and disease introduction/facilitation?</li> <li>2. If these impacts have a substantial bearing on biodiversity or other environmental outcomes has GP justified the necessity of using non-native species over native species?</li> </ol> | <ol style="list-style-type: none"> <li>1. No</li> <li>2. No non-native species will be used</li> </ol>   |

Appendix 1

# Chaco Pantanal - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Climate Module – gold level   | Information currently provided in PDD  |
| 1. Identify likely regional climate change and climate variability scenarios and impacts, using available studies, and identify potential changes in the local land-use scenario due to these climate change scenarios in the absence of the project. | 1. Regional climate change scenarios included although not translated into potential changes in local land use scenarios |
| 1. Identify any risks to the project’s climate, community and biodiversity benefits resulting from likely climate change and climate variability impacts and explain how these risks will be  | 1. Not included  |
| 1. Demonstrate that current or anticipated climate changes are having or are likely to have an impact on the well-being of communities and/or the conservation status of biodiversity in the project zone and surrounding regions.                    | 1. Not included  |
| 1. Demonstrate that the project activities will assist communities and/or biodiversity to adapt to the probable impacts of climate change.  | 1. Not included  |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Biodiversity Module   | Information currently provided in PDD  |
| <p>Use of appropriate methodologies to estimate changes in biodiversity as a result of the project</p> <ol style="list-style-type: none"> <li>1. Is the estimate based on clearly defined and defensible assumptions?</li> <li>2. Has the 'with project' scenario been compared to the 'without project' biodiversity scenario?</li> <li>3. Is the difference between these scenarios positive?</li> </ol>                    | <ol style="list-style-type: none"> <li>1. No</li> <li>2. Method for doing this not included</li> <li>3. The PDD states that the difference is positive, although not backed up by methodology</li> </ol> |
| <p>Describe possible adverse effects of non-native species on area's environment</p> <ol style="list-style-type: none"> <li>1. Has this analysis included impacts on native species and disease introduction/facilitation?</li> <li>2. If these impacts have a substantial bearing on biodiversity or other environmental outcomes has GP justified the necessity of using non-native species over native species?</li> </ol> | <ol style="list-style-type: none"> <li>1. No</li> <li>2. No non-native species will be used</li> </ol>   |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Biodiversity Module   | Information currently provided in PDD  |
| <p>List of all IUCN Red List threatened species and species on nationally recognized list found within the project boundary</p> <p>1. Has GP documented how project activities will not be detrimental to these species?</p>                        | <p>1. GP has listed all IUCN Red List threatened species and species on a nationally recognized list found within the project boundary but no analysis has been done on how this project may be detrimental to these species</p> |
| <p>1. Identify all species to be used by the project and show that no known invasive species will be used</p>   | <p>1. The species used by the project (if any) will depend upon the project area selected. As a policy GP uses no invasive species in their project work.</p>  |
| <p>1. Guarantee that no genetically modified organisms will be used to generate carbon credits</p>  | <p>1. This guarantee can be given.</p>   |
| <p>Describe how the project plans to mitigate these negative offsite biodiversity impacts</p> <p>1. Is there a plan for mitigating the negative offsite biodiversity impacts?</p>   | <p>1. None given</p>   |
| <p>1. Evaluate likely unmitigated negative offsite biodiversity impacts against the biodiversity benefits of the project within the project boundaries. Justify and demonstrate that the net effect of the project on biodiversity is positive.</p> | <p>1. Due to no negative biodiversity impacts anticipated this has not been done</p>   |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Biodiversity Module  | Information currently provided in PDD   |
| <p>Have initial plan for how to select biodiversity variables to be monitored and frequency of monitoring</p> <p>1. Is there a plan in place for monitoring biodiversity variables?</p> <p>2. Will biodiversity variables at risk of being negatively impacted by project activities be monitored?</p> | <p>1. Yes</p> <p>2. No</p>  |
| <p>1. *OPTIONAL Show that project will only use species native to the region</p>   | <p>1. The PDD states that only species native to the region will be used</p>  |
| <p>1. *OPTIONAL Identify project activities that are likely to enhance water and soil resources</p>  | <p>1. Not included. Maintenance of water and soil resources is anticipated as opposed to enhancement</p>  |
| <p>1. *OPTIONAL Credibly demonstrate that these activities are likely to improve water and soil resource compared to the baseline</p>  | <p>1. Due to point above this has not been included</p>   |
| <p>1. Gold level - demonstrate that the project zone includes a site of high biodiversity conservation priority by meeting either the vulnerability or irreplaceability</p>  | <p>1. Presence of at least a single individual of an IUCN Red List species or 30 individuals/20 pairs of Vulnerable Species or irreplaceable species is not clearly stated, although links could be made within PDD documents</p> |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS   |  |
|--|--|
| Community Module   | Information currently provided in PDD  |
| <p>Use of appropriate methodologies to estimate the net benefits to communities resulting from planned project activities. A credible estimate of net benefits must include changes in community wellbeing given project activities</p> <p>1. Is there a methodology and defined indicators in place to determine the net benefits to communities resulting from planned project activities?</p> | <p>1. Yes</p>  |
| <p>Documentation of local stakeholder participation in the project's planning</p> <p>1. Has a stakeholder list been produced?</p> <p>2. Has each of these stakeholder groups been invited to give their opinion on the scope, goals and objectives of the project?</p> <p>3. Have stakeholder dialogues and their impact on project planning been recorded</p>                                   | <p>1. Not included</p> <p>2. Evidence that formal consultations have taken place (46B and 4GA)</p> <p>3. Yes</p> |
| <p>Description of communities located in and around project area including basic socio-economic information</p> <p>1. Has a comprehensive review of communities and basic socio-economic information been produced?</p>  | <p>GP can demonstrate that only species native to the region will be used.</p> <p>1. Yes</p>                     |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS   |  |
|--|--|
| Community Module   | Information currently provided in PDD  |
| <p>Formalize a clear process for handling unresolved conflicts and grievances that arise during project planning and implementation</p> <ol style="list-style-type: none"> <li>1. Is there a planned mechanism for dealing with unresolved conflicts and grievances?</li> <li>2. Has this mechanism been discussed with the relevant communities and their input/feedback included?</li> </ol> | <ol style="list-style-type: none"> <li>1. This plan is given in section 10.'Overall Project Design Features' but has not been set out in detail</li> <li>2. There is no reference to the discussion of this mechanism with relevant communities and the inclusion of their feedback</li> </ol> |
| <p>Identify potential negative offsite community impacts that the project is likely to cause</p> <ol style="list-style-type: none"> <li>1. Has a methodology for identifying the most significant impacts arising from the project been established?</li> <li>2. What has been the output from the application of this methodology?</li> </ol>   | <ol style="list-style-type: none"> <li>1. No methodology included</li> <li>2. Not applicable</li> </ol>  |
| <p>Describe how project plans to mitigate these negative offsite social and economic impacts</p> <ol style="list-style-type: none"> <li>1. Is there a project plan to mitigate negative offsite social and economic impacts?</li> </ol>  | <ol style="list-style-type: none"> <li>1. No formal plan in place.</li> </ol>  |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Community Module  | Information currently provided in PDD  |
| <p>Evaluate likely unmitigated negative offsite social and economic impacts against the social and economic benefits of the project</p> <p>1. Has there been an evaluation on the likely negative social and economic impacts against the social and economic benefits of the project?</p>  | <p>1. An evaluation has been carried out and details included</p>  |
| <p>A description of current land use and land tenure at the project site</p> <p>1. Is there a comprehensive review of current land use and land tenure at the project site?</p>   | <p>1. Yes</p>  |
| <p>Have an initial plan for how community variables will be monitored and frequency of monitoring</p> <p>1. Is there a plan for how community variables will be monitored and frequency of monitoring surveys?</p>  | <p>1. Yes</p>  |
| <p>Capacity Building - i) Structured to accommodate needs of communities ii) Targeted to a wide range of groups iii) Targeted to women to increase their participation iv) Aimed to increase community participation in project implementation</p> <p>1. What are the capacity building plans and how have they been adapted to accommodate the needs of a wide range of groups, participation by women and increasing community participation in project implementation?</p> | <p>1. Capacity building is mentioned in section ‘3.Project Overview’ as capacity building in conservation management for the Ishir community. A plan for how this will ensure participation from a wide range of groups is not included.</p> |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Community Module – Gold level   | Information currently provided in PDD               |
| 1. Demonstrate that the project zone is in a low human development country OR in an administrative area of a medium or high human development country in which at least 50% of the population of that area is below the national poverty line.  | 1. Included in social characteristic annexes 44, 43 |
| 1. Demonstrate that at least 50% of households within the lowest category of well-being (e.g. poorest quartile) of the community are likely to benefit substantially from the project.  | 1. Not included                                     |
| 1. Demonstrate that any barriers or risks that might prevent benefits going to poorer households have been identified and addressed in order to increase the probable flow of benefits to poorer households.  | 1. Not included                                     |
| 1. Demonstrate that measures have been taken to identify any poorer and more vulnerable households and individuals whose well-being or poverty may be negatively affected by the project, and that the project design includes measures to avoid any such impacts. Where negative impacts are unavoidable, demonstrate that they will be effectively mitigated. | 1. Not included                                     |
| 1. Demonstrate that community impact monitoring will be able to identify positive and negative impacts on poorer and more vulnerable groups. The social impact monitoring must take a differentiated approach that can identify positive and negative impacts on poorer households and individuals and other disadvantaged groups, including women.             | 1. Not included                                     |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS   |  |
|--|--|
| Community Module   | Information currently provided in PDD  |
| <p>Demonstration that project was developed with a strong knowledge of local customs and that where relevant project activities are compatible with local customs</p> <ol style="list-style-type: none"> <li>1. Can the project plan demonstrate that GP have done research, conservation program management and other work in the region of the project and have a strong understanding of the cultural values and sensitivities.</li> <li>2. Are the landowners, community members and workers strongly supportive of the approach of GP?</li> </ol> | <ol style="list-style-type: none"> <li>1. This can be demonstrated on the basis of GP’s previous work in the area and through GP’s network of contacts with local stakeholders.</li> <li>2. On the basis of previous consultations there are distinct differences in opinion regarding GP’s conservation work in the region. The general trend is that cattle ranch owners and agricultural land owners hold a negative attitude to GP’s work. There are both positive and negative responses to GP’s work from indigenous communities.</li> </ol> |
| Management Capacity & Best Practices Module  |  |
| <p>Project governance</p> <ol style="list-style-type: none"> <li>1. If multiple organizations or individuals are involved in the project’s development and implementation the governance structure, roles and responsibilities of each of the organizations or individuals involved must be described</li> </ol>   | <ol style="list-style-type: none"> <li>1. Roles and responsibilities are included although a governance structure is not clearly detailed</li> </ol>   |
| <p>Skills &amp; Training</p> <ol style="list-style-type: none"> <li>1. Key project technical skills and gaps identified. Plan for partnering with organisations who can provide these skills included.</li> </ol>  | <ol style="list-style-type: none"> <li>1. Technical skills required for the project and skill gaps of the project team have been identified and details of how project partnerships will address these skills gaps has been included.</li> </ol>   |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Management Capacity & Best Practices Module   | Information currently provided in PDD  |
| <p>Show that local stakeholders will fill all employment positions</p> <ol style="list-style-type: none"> <li>1. Can GP explain how stakeholders will be selected from positions and where relevant, must indicate how traditionally underrepresented stakeholders and women will be given a fair chance to fill positions for which they can be trained?</li> <li>2. Is there an orientation and training plan for these employees?</li> </ol> | <ol style="list-style-type: none"> <li>1. This detail is not given</li> <li>2. This plan is not included</li> </ol>      |
| <p>Show that the project will inform workers about their rights and that the project complies with international rules on worker rights</p> <ol style="list-style-type: none"> <li>1. Is there a rights education program for workers and how will this comply with international rules?</li> </ol>   | <ol style="list-style-type: none"> <li>1. A workers rights manual included but no training programme detailed</li> </ol> |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Management Capacity & Best Practices  | Information currently provided in PDD   |
| <p>Show that the project will inform workers about their rights and that the project complies with international rules on worker rights</p> <p>1. Is there a rights education program for workers and how will this comply with international rules?</p>  | <p>1. It is mentioned that information on workers rights will be distributed but reference to a rights education programme is not included in the PDD</p> |
| <p>Comprehensively assess situations and occupations that pose a substantial risk to worker safety</p> <p>1. Is there a plan to inform workers of risks and to explain how to minimize such risks.</p> <p>2. If where worker safety cannot be guaranteed can project proponents show how risks will be minimized using best work practices?</p> | <p>1. Yes</p> <p>2. No risk minimization process detailed</p>   |
| OPTIONAL COMPONENT: Adaptive Management For Sustainability  |   |
| <p>1. Demonstrate how management actions and monitoring programs are designed to generate reliable feedback that is used to improve project outcomes.</p>   | <p>1. There is a plan for monitoring and feedback for continual improvement</p>   |

Appendix 1

# Chaco Pantanal – CCBA gap analysis

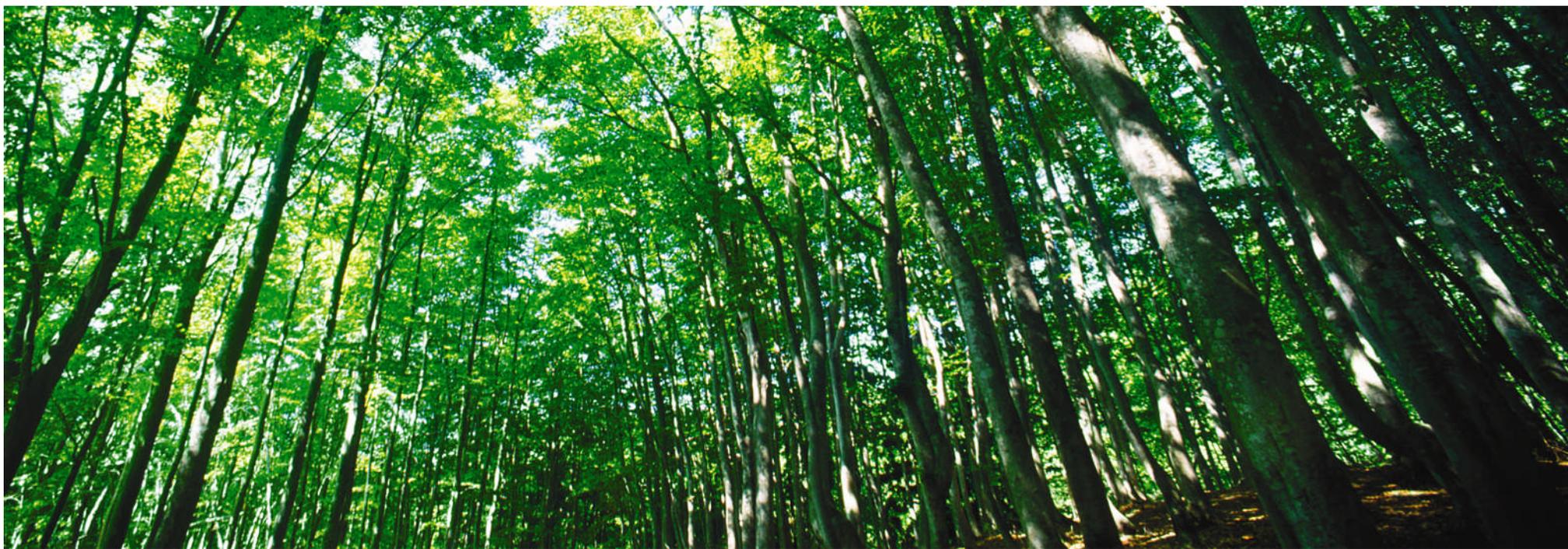
| CCBA STANDARDS  |   |
|---|---|
| OPTIONAL COMPONENT: Adaptive Management For Sustainability  | Information currently provided in PDD                                     |
| 1. Has a management plan for documenting decisions, actions and outcomes and sharing this information with others within the project team, so experience is passed on rather than being lost when individuals leave the project.  | 1. Internal information sharing plan is mentioned but not given in detail |
| 1. Demonstrate how the project design is sufficiently flexible to accommodate potential changes and that the project has a defined process in place to adjust project activities as needed.   | 1. This is demonstrated   |
| 1. Demonstrate an early commitment to the long-term sustainability of project benefits once initial project funding expires. Potential activities may include: designing a new project that builds on initial project outcomes; securing payments for ecosystem services; promoting micro-enterprise; and establishing alliances with organizations or companies to continue sustainable land management. | 1. Details of long term sustainability plan not given                     |
| OPTIONAL COMPONENT: Knowledge Dissemination   |   |
| 1. Describe documentation of the relevant or applicable lessons learned.  | 1. Included   |

## Chaco Pantanal – CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| OPTIONAL COMPONENT: Knowledge Dissemination   | Information currently provided in PDD     |
| 1. Describe documentation of the relevant or applicable lessons learned.  | 1. Included                               |
| 1. Description of how information will be disseminated in order to encourage replication of successful practices. Examples include: undertaking and disseminating research that has wide-reaching applications; holding training workshops for community members from other locales; promoting “farmer to farmer” knowledge-transfer activities; linking to regional databases; and working with interested academic, corporate, governmental or non-governmental organizations to replicate successful project activities. | 1. This plan has not been given in detail |

Appendix 2

## San Rafael – CCBA gap analysis



## Appendix 2

# San Rafael - CCBA gap analysis

These questions do not cover every section of the CCBA standards but instead focus on the sections unique to the CCBA which are not found in VCS standards.

| CCBA STANDARDS  |   |
|---|---|
| Legal Status & Land Tenure Module   | Information currently provided in PDD   |
| <p>Guarantee that the project will not encroach uninvited on private property, community property or government property</p> <ol style="list-style-type: none"><li>1. Can legal documentation prove that that the land ownership is private and legally secure for the long term? Can GP verify this through legal counsel, consulting the national register and interviewing neighbouring groups?</li><li>2. Will the proposed agreement between GP and the indigenous groups ensure this?</li></ol> | <ol style="list-style-type: none"><li>1. The agreement (29.SEAM-ACIDI-TEKOA) shows evidence of approval from the local communities, although because the document is in Spanish we have not assessed in detail whether or not amendments or additions need to be made.</li><li>2. See comment on 1.</li></ol> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |                                       |
|---|---------------------------------------|
| Legal Status & Land Tenure Module   | Information currently provided in PDD |
| Guarantee that the project does not require the relocation of people or any relocation is 100% voluntary and fundamentally helps resolve land tenure problems in the area |                                       |
| 1. Will it or will it not be necessary to formally relocate indigenous groups?  | 1. No                                 |
| 2. Is there documentation available to prove that the land parcel is private land?  | 2. Not included                       |
| 3. Will the agreement ensure that relocation is 100% voluntary?   | 3. N/A                                |

## Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Legal Status & Land Tenure Module   | Information currently provided in PDD  |
| <p>Describe potential 'in-migration' of people from surrounding areas, if relevant and explain how the project will respond</p> <ol style="list-style-type: none"> <li>1. Is GP able to list all the communities that are close by or neighbouring the project with socio-economic data?</li> <li>2. Is GP able to map out where and from who immigration may occur?</li> <li>3. Is there a procedure in place for identifying possible immigrants?</li> <li>4. Is there a plan for how the project would prevent or respond in-migration to the project area?</li> </ol> | <ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> <li>3. No</li> <li>4. No</li> </ol>  |
| <p>Guarantee that no laws will be broken by the project</p> <ol style="list-style-type: none"> <li>1. Are all relevant national local laws and regulations included in the PDD?</li> <li>2. Has GP consulted with the, Ministry of Agriculture, SEAM, Department for Indigenous Affairs and any other relevant government departments to ensure that no laws will be broken by this project?</li> <li>3. Has GP consulted its own legal counsel on the legality of this project?</li> </ol>   | <ol style="list-style-type: none"> <li>1. Annex 16 (Spanish) appears to partially cover this although a separate list is not included</li> <li>2. Yes</li> <li>3. Yes</li> </ol> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |                                       |
|--|---------------------------------------|
| Legal Status & Land Tenure Module  | Information currently provided in PDD |
| Document that the project has, or expects to secure, approval from the appropriate authorities   |                                       |
| 1. Does GP have written evidence that during the planning period they have consulted and taken into account the opinion of SEAM, Ministry of Agriculture, Land Protection and any other relevant agencies? | 1. Yes<br>2. Yes                      |
| 2. Can GP demonstrate that it has maintained frequent and cordial relations with the appropriate authorities to date?  |                                       |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Climate Module   | Information currently provided in PDD   |
| <p>Use of methodologies of IPCC Good Practice Guide to estimate net change in carbon stocks due to project activities</p> <ol style="list-style-type: none"> <li>1. Can the project demonstrate extensive understanding and solid implementation of methodologies given the current state of data on tropical forest species and Atlantic Forest.</li> <li>2. Have Carbon stocks been estimated using IPCC approved methodologies?</li> <li>3. Have calculations been formulated on the basis of the scientific literature?</li> </ol> | <ol style="list-style-type: none"> <li>1. Yes</li> <li>2. Yes</li> <li>3. Yes</li> </ol>                              |
| <p>Factor in the non-CO<sub>2</sub> gases CH<sub>4</sub> and N<sub>2</sub>O to the net change calculations if they are likely to account for more than 15% of the project's overall GHG impact</p> <ol style="list-style-type: none"> <li>1. Have calculations been made to determine whether or not non CO<sub>2</sub> GHG gases will account for more than 15% of the project's overall GHG impact?</li> </ol>   | <ol style="list-style-type: none"> <li>1. Should be clarified within text that these will be less than 15%</li> </ol> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Climate Module  | Information currently provided in PDD                 |
| <p>Demonstration that the net climate impact of the project will give a positive result in terms of overall GHG benefits delivered</p> <p>1. Have estimated gross GHG removals been calculated using a scientifically sound methodology and has this been compared against GHG emissions from the project?</p>  | <p>1. Yes</p>   |
| <p>Estimation of potential offsite decreases in carbon stocks due to project activities</p> <p>1. Is there a plan for the long term monitoring of forest cover across the project area?</p> <p>2. Will this monitoring involve direct measurement of project activities on site and effects offsite?</p> <p>3. Have mechanisms for leakage been identified?</p> | <p>1. Yes</p> <p>2. Yes</p> <p>3. Yes</p>             |
| <p>Documentation of how negative offsite impacts resulting from project activities will be mitigated and estimate extent to which such impacts will be reduced</p> <p>1. Has there been an attempt to quantify negative offsite impacts?</p>  | <p>1. Yes, but reduction estimate is not included</p> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Climate Module  | Information currently provided in PDD   |
| <p>Subtract any likely project related unmitigated negative offsite climate impacts from the climate benefits being claimed by the project</p> <p>1. As stated</p>  | <p>1. Yes</p>   |
| <p>Have initial plan for how carbon pools, non CO<sub>2</sub> GHGs will be monitored</p> <p>1. Does this plan exist?</p> <p>2. Have permanent sample plots been established?</p> <p>3. Will results be measured periodically for above-ground biomass, dead wood?</p> | <p>1. Plan not broken down according to carbon pools or non CO<sub>2</sub> GHGs</p> <p>2. Yes</p> <p>3. Not broken down into above ground biomass and dead wood</p> |
| <p>Identify likely regional climate change and climate variability impacts, using available studies</p> <p>1. Have the most significant climatic threats been identified with reference to the scientific literature?</p>   | <p>1. Yes (Annexes 39,40 &amp; 41)</p>  |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Climate Module  | Information currently provided in PDD  |
| <p>Demonstrate that the project has anticipated such potential impact and that appropriate measures will be taken to minimize these negative impacts</p> <ol style="list-style-type: none"> <li>1. Have the potential impacts been assessed?</li> <li>2. Has a list of appropriate actions to address these impacts been drawn up?</li> </ol> | <ol style="list-style-type: none"> <li>1. Potential impacts have not been quantified</li> <li>2. List of actions not included</li> </ol> |
| <p>Not sell at least 10% of total carbon benefits generated by the project into regulated GHG markets.</p> <ol style="list-style-type: none"> <li>1. Evidence within the project plan that the project will not sell at least 10% of total carbon benefits generated by the project into regulated GHG markets</li> </ol>                     | <ol style="list-style-type: none"> <li>1. Evidence not given</li> </ol>  |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Climate Module – gold level   | Information currently provided in PDD  |
| 1. Identify likely regional climate change and climate variability scenarios and impacts, using available studies, and identify potential changes in the local land-use scenario due to these climate change scenarios in the absence of the project. | 1. Regional climate change scenarios included although not translated into potential changes in local land use scenarios |
| 1. Identify any risks to the project’s climate, community and biodiversity benefits resulting from likely climate change and climate variability impacts and explain how these risks will be  | 1. Not included  |
| 1. Demonstrate that current or anticipated climate changes are having or are likely to have an impact on the well-being of communities and/or the conservation status of biodiversity in the project zone and surrounding regions.                    | 1. Not included  |
| 1. Demonstrate that the project activities will assist communities and/or biodiversity to adapt to the probable impacts of climate change.  | 1. Not included  |

## Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Biodiversity Module   | Information currently provided in PDD   |
| <p>Use of appropriate methodologies to estimate changes in biodiversity as a result of the project</p> <ol style="list-style-type: none"> <li>1. Is the estimate based on clearly defined and defensible assumptions?</li> <li>2. Has the 'with project' scenario been compared to the 'without project' biodiversity scenario?</li> <li>3. Is the difference between these scenarios positive?</li> </ol>                    | <ol style="list-style-type: none"> <li>1. Breakdown of this estimate not provided</li> <li>2. Not included</li> <li>3. Not included</li> </ol>  |
| <p>Describe possible adverse effects of non-native species on area's environment</p> <ol style="list-style-type: none"> <li>1. Has this analysis included impacts on native species and disease introduction/facilitation?</li> <li>2. If these impacts have a substantial bearing on biodiversity or other environmental outcomes has GP justified the necessity of using non-native species over native species?</li> </ol> | <ol style="list-style-type: none"> <li>1. Reforestation activities will use native species, however, an analysis on impacts on native species and disease introduction/facilitation has not been included</li> <li>2. N/A</li> </ol>  |
| <p>List of all IUCN Red List threatened species and species on nationally recognized list found within the project boundary</p> <ol style="list-style-type: none"> <li>1. Has GP documented how project activities will not be detrimental to these species?</li> </ol>   | <ol style="list-style-type: none"> <li>1. Checklist included in annex 20. Ecological Assessment San Rafael (in Spanish only) however it is not clear that this list refers to IUCN Red List species. Details are not included of how projects activities will not be detrimental to these species.</li> </ol> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| Biodiversity Module   | Information currently provided in PDD   |
| 1. Identify all species to be used by the project and show that no know invasive species will be used | 1. N/A  |
| 2. Guarantee that no genetically modified organisms will be used to generate carbon credits           | 2. Whilst this is implicit within statement that only native species it is not specifically mentioned |
| 3. Identify potential negative offsite biodiversity impacts that the project is likely to cause       | 3. These are not identified   |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Biodiversity Module   | Information currently provided in PDD  |
| <p>Describe how the project plans to mitigate these negative offsite biodiversity impacts</p> <p>1. Is there a plan for mitigating the negative offsite biodiversity impacts?</p>   | <p>1. Not included</p>   |
| <p>Evaluate likely unmitigated negative offsite biodiversity impacts against the biodiversity benefits of the project within the project boundaries. Justify and demonstrate that the net effect of the project on biodiversity is positive</p> <p>1. Have initial plan for how to select biodiversity variables to be monitored and frequency of monitoring</p> <p>2. Is there a plan in place for monitoring biodiversity variables?</p> <p>3. Will biodiversity variables at risk of being negatively impacted by project activities be monitored?</p> | <p>1. Unmitigated negative offsite biodiversity impacts not included</p> <p>2. There is an outline plan in place</p> <p>3. This is not specified</p> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |  |
|--|--|
| Biodiversity Module – gold level   | Information currently provided in PDD  |
| 1. *OPTIONAL Show that project will only use species native to the region  | 1. It is stated that the project will only use species native to the region although native species to be used in reforestation are not listed   |
| 1. *OPTIONAL Identify project activities that are likely to enhance water and soil resources   | 1. It is stated that the project will maintain as opposed to enhance water and soil resources  |
| 1. *OPTIONAL Credibly demonstrate that these activities are likely to improved water and soil resource compared to the baseline                                      | 1. N/A due to above  |
| 1. Gold level - Demonstrate that the project zone includes a site of high biodiversity conservation priority by meeting either the vulnerability or irreplaceability | 1. Presence of at least a single individual of an IUCN Red List species or 30 individuals/20 pairs of Vulnerable Species or irreplaceable species is not clearly stated, although links could be made within PDD documents |

## Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Community Module   | Information currently provided in PDD   |
| <p>Use of appropriate methodologies to estimate the net benefits to communities resulting from planned project activities. A credible estimate of net benefits must include changes in community wellbeing given project activities</p> <p>1. Is there a methodology and defined indicators in place to determine the net benefits to communities resulting from planned project activities?</p> | <p>1. Yes</p>   |
| <p>Documentation of local stakeholder participation in the project's planning</p> <p>1. Has a stakeholder list been produced?</p> <p>2. Has each of these stakeholder groups been invited to give their opinion on the scope, goals and objectives of the project?</p> <p>3. Have stakeholder dialogues and their impact on project planning been recorded?</p>                                  | <p>1. Within the PDD different stakeholders are mentioned but this is not presented as a coherent list</p> <p>2. 'Annex 25. Amistad-Mbya Consultation Jun 09' (Spanish) provides information on community consultation. Community leaders were consulted but it is reported that not all leaders could be found for consultation</p> <p>3. Recorded in Annex 25</p> |
| <p>Description of communities located in and around project area including basic socio-economic information</p> <p>1. Has a comprehensive review of communities and basic socio-economic information been produced?</p>  | <p>1. The Annexes 26. Amistad Social Character Sept 09.doc and Amistad Social Character 03.doc provide primary socio-economic data. This is not cross referenced with government data for the department</p>  |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Community Module   | Information currently provided in PDD   |
| <p>Use of appropriate methodologies to estimate the net benefits to communities resulting from planned project activities. A credible estimate of net benefits must include changes in community wellbeing given project activities</p> <p>1. Is there a methodology and defined indicators in place to determine the net benefits to communities resulting from planned project activities?</p> | <p>1. Yes</p>   |
| <p>Formalize a clear process for handling unresolved conflicts and grievances that arise during project planning and implementation</p> <p>1. Is there a planned mechanism for dealing with unresolved conflicts and grievances?</p> <p>2. Has this mechanism been discussed with the relevant communities and their input/feedback included?</p>  | <p>1. This plan is given in section 10.'Overall Project Design Features' but has not been outlined in detail</p> <p>2. There is no reference to the discussion of this mechanism with relevant communities and the inclusion of their feedback.</p>               |
| <p>Identify potential negative offsite community impacts that the project is likely to cause</p> <p>1. Has a methodology for identifying the most significant impacts arising from the project been established?</p> <p>2. What has been the output from the application of this methodology?</p>  | <p>1. This has not detailed but it is stated that 'No impacts have been identified involving decreased social and economic well-being outside the project zone. It therefore reaches at least the 'no harm' threshold.' (Community Sec 4)</p> <p>2. See above</p> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |   |
|--|---|
| Community Module   | Information currently provided in PDD   |
| <p>Describe how project plans to mitigate these negative offsite social and economic impacts</p> <p>1. Is there a project plan to mitigate negative offsite social and economic impacts?</p>   | <p>1. No plan included based on the assessment that no negative offsite social and economic impacts will occur.</p> |
| <p>Evaluate likely unmitigated negative offsite social and economic impacts against the social and economic benefits of the project</p> <p>1. Has there been an evaluation on the likely negative social and economic impacts against the social and economic benefits of the project?</p> | <p>1. Details of the evaluation are not included because there are no anticipated negative impacts</p>              |
| <p>A description of current land use and land tenure at the project site</p> <p>1. Is there a comprehensive review of current land use and land tenure at the project site?</p>  | <p>1. Yes</p>   |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Community Module  | Information currently provided in PDD  |
| <p>Have an initial plan for how community variables will be monitored and frequency of monitoring</p> <p>1. Is there a plan for how community variables will be monitored and frequency of monitoring surveys?</p>  | <p>1. An outline plan is detailed</p>  |
| <p>Capacity Building - i) Structured to accommodate needs of communities ii) Targeted to a wide range of groups iii) Targeted to women to increase their participation iv) Aimed to increase community participation in project implementation</p> <p>1. What are the capacity building plans and how have they been adapted to accommodate the needs of a wide range of groups, participation by women and increasing community participation in project implementation?</p>                             | <p>1. This has not been included</p>   |
| <p>Demonstration that project was developed with a strong knowledge of local customs and that where relevant project activities are compatible with local customs</p> <p>1. Can the project plan demonstrate that GP have done research, conservation program management and other work in the region of the project and have a strong understanding of the cultural values and sensitivities.</p> <p>2. Are the landowners, community members and workers strongly supportive of the approach of GP?</p> | <p>1. This can be demonstrated on the basis of GP's previous work in the area and through GP's network of contacts with local stakeholders.</p> <p>2. There is heterogeneity in opinion between stakeholder groups but support from key stakeholders</p> |

## Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Community Module – gold level   | Information currently provided in PDD        |
| 1. Demonstrate that the project zone is in a low human development country OR in an administrative area of a medium or high human development country in which at least 50% of the population of that area is below the national poverty line.  | 1. Included in social characteristic annexes |
| 1. Demonstrate that at least 50% of households within the lowest category of well-being (e.g. poorest quartile) of the community are likely to benefit substantially from the project.  | 1. Not included                              |
| 1. Demonstrate that any barriers or risks that might prevent benefits going to poorer households have been identified and addressed in order to increase the probable flow of benefits to poorer households.  | 1. Not included                              |
| 1. Demonstrate that measures have been taken to identify any poorer and more vulnerable households and individuals whose well-being or poverty may be negatively affected by the project, and that the project design includes measures to avoid any such impacts. Where negative impacts are unavoidable, demonstrate that they will be effectively mitigated. | 1. Not included                              |
| 1. Demonstrate that community impact monitoring will be able to identify positive and negative impacts on poorer and more vulnerable groups. The social impact monitoring must take a differentiated approach that can identify positive and negative impacts on poorer households and individuals and other disadvantaged groups, including women.             | 1. Not included                              |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS   |  |
|--|--|
| Management Capacity & Best Practices   | Information currently provided in PDD  |
| <p><b>Project governance</b></p> <p>1. If multiple organizations or individuals are involved in the project's development and implementation the governance structure, roles and responsibilities of each of the organizations or individuals involved must be described</p> | <p>1. Roles and responsibilities are included although a governance structure is not clearly detailed</p>  |
| <p><b>Skills &amp; Training</b></p> <p>1. Key project technical skills and gaps identified. Plan for partnering with organisations who can provide these skills included.</p>  | <p>1. Technical skills required for the project and skill gaps of the project team have been identified and how project partnerships will address these skills gaps has been included.</p> |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |  |
|---|--|
| Management Capacity & Best Practices  | Information currently provided in PDD  |
| <p>Show that local stakeholders will fill all employment positions</p> <p>1. Can GP explain how stakeholders will be selected from positions and where relevant, must indicate how traditionally underrepresented stakeholders and women will be given a fair chance to fill positions for which they can be trained?</p>                       | <p>1. It is mentioned that where possible staff will be recruited in-country but local stakeholders are not specifically mentioned</p> |
| <p>Show that the project will inform workers about their rights and that the project complies with international rules on worker rights</p> <p>1. Is there a rights education program for workers and how will this comply with international rules?</p>  | <p>1. Yes</p>  |
| <p>Comprehensively assess situations and occupations that pose a substantial risk to worker safety</p> <p>1. Is there a plan to inform workers of risks and to explain how to minimize such risks.</p> <p>2. If where worker safety cannot be guaranteed can project proponents show how risks will be minimized using best work practices?</p> | <p>1. Yes</p> <p>2. No risk minimization process detailed</p>  |

Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| OPTIONAL COMPONENT: Adaptive Management For Sustainability  | Information currently provided in PDD   |
| 1. Demonstrate how management actions and monitoring programs are designed to generate reliable feedback that is used to improve project outcomes   | 1. Monitoring plans are outlined but the way in which feedback will be used to improved project outcomes is not given in detail                                     |
| 1. Has a management plan for documenting decisions, actions and outcomes and sharing this information with others within the project team, so experience is passed on rather than being lost when individuals leave the project   | 1. Internal information sharing is mentioned but the management plan is not given in detail   |
| 1. Demonstrate how the project design is sufficiently flexible to accommodate potential changes and that the project has a defined process in place to adjust project activities as needed.   | 1. This has been demonstrated   |
| 1. Demonstrate an early commitment to the long-term sustainability of project benefits once initial project funding expires. Potential activities may include: designing a new project that builds on initial project outcomes; securing payments for ecosystem services; promoting micro-enterprise; and establishing alliances with organizations or companies to continue sustainable land management. | 1. A Payments For Ecosystem Services scheme is described, which will be used to distribute carbon revenues and support the long term sustainability of the project. |

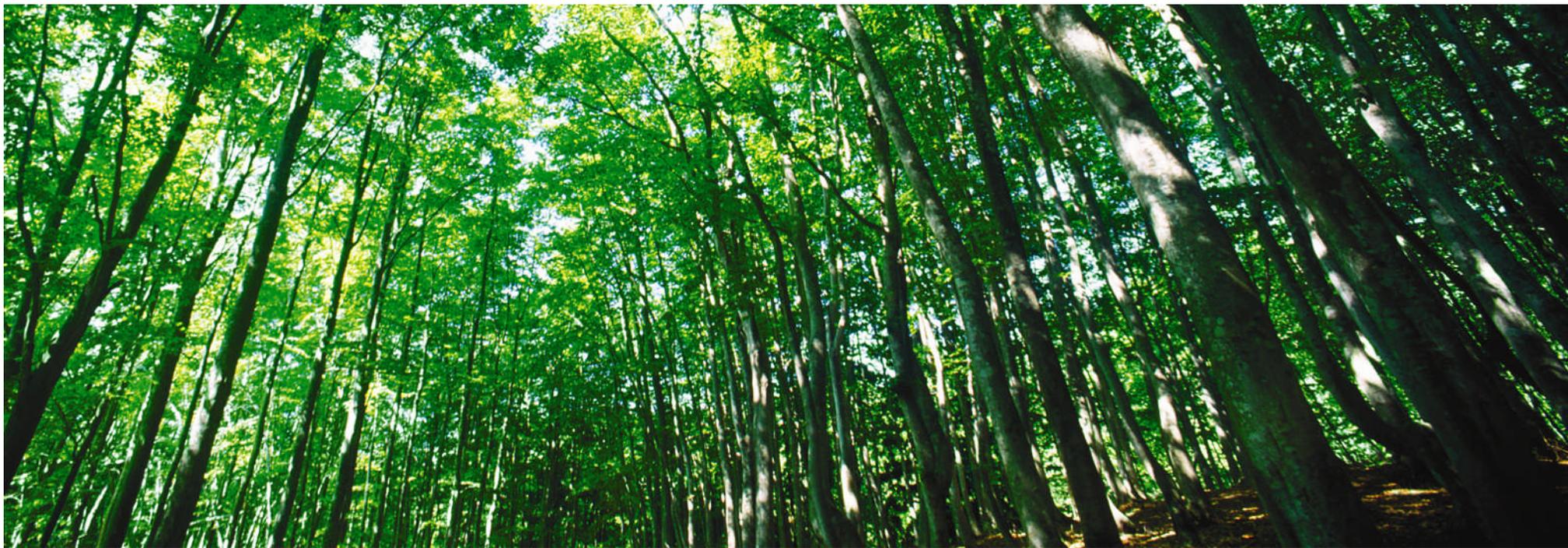
Appendix 2

# San Rafael - CCBA gap analysis

| CCBA STANDARDS  |   |
|---|---|
| OPTIONAL COMPONENT: Knowledge Dissemination   | Information currently provided in PDD     |
| 1. Describe how relevant or applicable lessons learned will be documented   | 1. Included                               |
| 1. Describe how information will be disseminated in order to encourage replication of successful practices. Examples include: undertaking and disseminating research that has wide-reaching applications; holding training workshops for community members from other locales; promoting “farmer to farmer” knowledge-transfer activities; linking to regional databases; and working with interested academic, corporate, governmental or non-governmental organizations to replicate successful project activities. | 1. This plan has not been given in detail |

Appendix 3

## Chaco Pantanal – VCS gap analysis



## Appendix 3

# Chaco Pantanal – VCS gap analysis

| VCS   |   |
|---|---|
| Background Data   | Information currently provided in PDD   |
| <p><b>Project boundaries</b></p> <ol style="list-style-type: none"> <li>1. Name of project area</li> <li>2. Maps of the area</li> <li>3. Geographic coordinates of each polygon vertex (from GPS)</li> <li>4. Total land area</li> <li>5. Details of ownership</li> <li>6. Avoided planned deforestation: project area and proxy areas</li> </ol> | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Included</li> <li>3. MAP 16C BAHIA NEGRA includes project reference area</li> <li>4. Alternative site to be comprised of 12,000 ha</li> <li>5. Reference area includes Rio Negro National Park with 14,700 ha, Guyra Paraguay hold 14,271 ha, Indigenous community assigned 20,000 ha and the remainder is owned by large private cattle ranching holdings, although without details of alternative site, project land ownership cannot be specified</li> <li>6. Project area yet to be finalised</li> </ol> |
| <p><b>Temporal boundaries</b></p> <ol style="list-style-type: none"> <li>1. Start date and end date of the 'crediting period'</li> <li>2. Date at which the project baseline shall be revised</li> <li>3. Duration of the monitoring periods</li> </ol>   | <ol style="list-style-type: none"> <li>1. Two ten year crediting periods from January 30th 2010</li> <li>2. Not included</li> <li>3. 2010 -2030 from section 6.3</li> </ol>   |

## Chaco Pantanal - VCS gap analysis

| VCS  |   |
|--|---|
| Background Data  | Information currently provided in PDD   |
| <p>Relevant carbon pools</p> <ol style="list-style-type: none"> <li>1. Above ground</li> <li>2. Below ground</li> <li>3. Dead wood</li> <li>4. Harvested wood products</li> <li>5. Litter</li> <li>6. Soil organic carbon</li> </ol> | <ol style="list-style-type: none"> <li>1. Section 03 Project Overview states initial estimate is based on emissions from forest loss only. Therefore Above ground is a relevant carbon pool.</li> <li>2. Below ground is considered a relevant carbon pool.</li> <li>3. Dead wood is considered a relevant carbon pool.</li> <li>4. Harvested wood products are considered a relevant carbon pool.</li> <li>5. Litter is considered a relevant carbon pool.</li> <li>6. Section 03 Project Overview states that no account of changes in soil carbon stocks is included in the Chaco Pantanal analysis</li> </ol> |

Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS                                  |                                       |
|--------------------------------------|---------------------------------------|
| Background Data                      | Information currently provided in PDD |
| Relevant sources of greenhouse gases |                                       |
| 1. Biomass burning                   | 1. Not included                       |
| 2. CO <sub>2</sub>                   | 2. Not included                       |
| 3. CH <sub>4</sub>                   | 3. Included                           |
| 4. N <sub>2</sub> O                  | 4. Included                           |
| 5. Combustion of fossil fuels        | 5. Not included                       |
| 6. CO <sub>2</sub>                   | 6. Not included                       |
| 7. CH <sub>4</sub>                   | 7. Not included                       |
| 8. N <sub>2</sub> O                  | 8. Included                           |
| 9. Use of fertilizers                | 9. Not included                       |
| 10.CO <sub>2</sub>                   | 10.Not included                       |
| 11.CH <sub>4</sub>                   | 11.Included                           |
| 12.N <sub>2</sub> O                  | 12.Not included                       |

Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS  |  |
|--|--|
| Carbon Biomass Data  | Information currently provided in PDD  |
| <p>Estimated carbon stocks and changes in carbon stocks in the above-ground carbon pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in above ground biomass in strata I</li> <li>2. Carbon stock changes in above ground biomass in strata i at time t</li> </ol>           | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> </ol> |
| <p>Estimated carbon stocks and changes in carbon stocks in the below-ground carbon pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in below ground tree biomass in strata I</li> <li>2. Carbon stock changes in below ground tree biomass in strata i at time t</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> </ol> |
| <p>Estimation of carbon stocks and changes in carbon stocks in the dead wood carbon pool</p> <ol style="list-style-type: none"> <li>1. Carbon stock in dead wood in strata i at time t</li> <li>2. Carbon stock changes in dead wood in strata i at time t</li> </ol>                              | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> </ol> |

Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS   |   |
|---|---|
| Carbon Biomass Data   | Information currently provided in PDD         |
| <p>Estimation of carbon stocks in the litter carbon pool</p> <p>1. Initial carbon stock in litter in strata i</p>   | <p>1. Not included</p> <p>2. Not included</p> |
| <p>Estimation of carbon stocks and changes in carbon stocks in wood products pool</p> <p>1. Initial carbon stock in soil organic carbon in stratum I</p> <p>2. Baseline post-deforestation carbon stock in soil organic carbon in stratum i at time t</p> | <p>1. Not included</p> <p>2. Not included</p> |

## Chaco Pantanal - VCS gap analysis

| VCS   |   |
|---|---|
| Baseline Data   | Information currently provided in PDD   |
| <p>Estimation of baseline carbon stock changes and greenhouse gas emissions from planned deforestation (if relevant)</p> <ol style="list-style-type: none"> <li>1. Pre-Condition: Documentation clearly demonstrating that land would be converted to non-forest use if not for the REDD project</li> <li>2. Net CO<sub>2</sub> equivalent emissions in the baseline from planned deforestation</li> </ol>  | <ol style="list-style-type: none"> <li>1. 17A. Economic Drivers Chaco may provide this, although lacking documentation from planned deforestation drivers</li> <li>2. Not included</li> </ol>                           |
| <p>Estimation of baseline emission from forest degradation caused by extraction of wood for fuel</p> <ol style="list-style-type: none"> <li>1. Pre-condition: Fuel wood collection and charcoal production must be stable or increasing in the baseline period. Conversion of forest lands to a deforested condition must be legally authorized</li> <li>2. Pre-condition: The individuals/households involved in collecting firewood/producing charcoal must be identifiable and must be willing to share information on fuel wood consumption and/or charcoal production</li> <li>3. Baseline net greenhouse gas emissions through degradation</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> <li>3. Degradation not taken into account as forest is assumed to be directly converted from high forest to agriculture</li> </ol> |

## Chaco Pantanal - VCS gap analysis

| VCS  |  |
|--|--|
| Leakage Data   | Information currently provided in PDD  |
| <p>Estimation of emissions from activity shifting for avoided planned deforestation (if relevant)</p> <ol style="list-style-type: none"> <li>1. Pre-condition: Demonstrate that the management plans and/or land-use designations of other lands owned by the baseline land manager have not materially changed as a result of the planned project</li> <li>2. Pre-condition: Documentation can be provided covering the other owned lands where leakage could occur, including, at a minimum, their locations), existing land use(s) and management plans</li> <li>3. Pre-condition: Where baseline land manager is neither complicit nor cooperative with the project, it is necessary to demonstrate that the total area of government permits have been granted to the baseline land manager has not increased due to the implementation of project activities</li> <li>4. Pre-condition: Where governments are the agents of deforestation or where agents are yet to be determined but will have government sanction, project developers must demonstrate that areas allotted for land conversion through deforestation by government agencies will not increase due to the potential for REDD projects</li> <li>5. Net CO<sub>2</sub> emissions due to activity shifting leakage for projects preventing planned deforestation</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. It is stated that 'It appears preferable, however, to assume a level of leakage at the outset that can be adjusted as necessary according to the actions of the land-owner.'</li> <li>3. It is stated that 'It appears preferable, however, to assume a level of leakage at the outset that can be adjusted as necessary according to the actions of the land-owner.'</li> <li>4. Not included</li> <li>5. 106434.675 tCO<sub>2</sub> from section 12 Financial analysis</li> </ol> |

## Chaco Pantanal - VCS gap analysis

| VCS  |   |
|--|---|
| Leakage Data   | Information currently provided in PDD   |
| <p>Estimation of emissions from market effects</p> <ol style="list-style-type: none"> <li>1. Pre-condition: The total volume to be extracted in the baseline must be known</li> <li>2. Net CO<sub>2</sub> emissions due to market effects leakage</li> </ol>   | <ol style="list-style-type: none"> <li>1. Baseline section states that '25% of the forest will be retained – assuming the remainder carries the same proportion of high to low forest as at Puerto Ramos, clearance would reduce carbon stocks by c.290,000 tC resulting in emissions of 1,060,000 tCO<sub>2</sub>e'.</li> <li>2. Not included</li> </ol> |
| <p>Estimation of emissions from displacement of fuel wood</p> <ol style="list-style-type: none"> <li>1. Pre-condition: The individuals/households involved in collecting firewood/producing charcoal must be identifiable and must be willing to share information on fuel wood consumption and/or charcoal production</li> <li>2. Pre-condition: Degradation cannot be through illegal or legal timber harvest for this module to apply</li> <li>3. Net CO<sub>2</sub>e emissions due to activity-shifting leakage for degradation caused by extraction of wood for fuel</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Unknown</li> <li>3. Not Included</li> </ol>  |

Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS  |   |
|--|---|
| Leakage Data   | Information currently provided in PDD         |
| <p>Estimation of non-CO<sub>2</sub> emissions from biomass burning</p> <p>1. Non-CO<sub>2</sub> emissions due to biomass burning as part of deforestation activities during the year t</p>   | <p>1. Not included</p>                        |
| <p>Estimation of emissions from fossil fuel combustion</p> <p>1. Pre-condition: All movements that are necessarily made for the implementation of this project, including those of sub-contractors are accounted for</p> <p>2. Emissions from fossil fuel combustion</p> | <p>1. Not included</p> <p>2. Not Included</p> |

## Chaco Pantanal - VCS gap analysis

| VCS   |  |
|---|--|
| Monitoring  | Information currently provided in PDD  |
| <p>Methods for monitoring forest cover changes in REDD project activities</p> <ol style="list-style-type: none"> <li>1. Activity data of category I in the region</li> <li>2. Regional Forest Cover Benchmark Map</li> <li>3. Project Forest Cover Benchmark Map</li> <li>4. Leakage Belt Forest Cover Benchmark Map</li> <li>5. Activity data of category I in the Project Area at year t</li> <li>6. Activity data of category I in the Leakage Belt at year t</li> <li>7. Definition of stratum</li> </ol> | <ol style="list-style-type: none"> <li>1. Could not find area for each category of change</li> <li>2. Included</li> <li>3. Included</li> <li>4. Included</li> <li>5. Could not find area for each category of change</li> <li>6. Could not find area for each category of change</li> <li>7. Included</li> </ol> |
| <p>Significance of emissions sources and changes in carbon pools determined</p> <ol style="list-style-type: none"> <li>1. Justification of list of insignificant emissions sources and carbon pools in the REDD Methodological Module</li> </ol>  | <ol style="list-style-type: none"> <li>1. Not included</li> </ol>  |

## Chaco Pantanal - VCS gap analysis

| VCS   |                                       |
|---|---------------------------------------|
| Monitoring  | Information currently provided in PDD |
| Estimation of uncertainty for REDD project activities<br>1. Total uncertainty for REDD project activity | 1. Not included                       |

Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS  |  |
|--|--|
| VCS Risk Buffer  | Information currently provided in PDD  |
| <p>Project risk</p> <ol style="list-style-type: none"> <li>1. Land tenure risk and potential for disputes</li> <li>2. Financial failure risk</li> <li>3. Technical failure risk</li> <li>4. Management failure risk</li> </ol> | <ol style="list-style-type: none"> <li>1. High</li> <li>2. Low</li> <li>3. Low</li> <li>4. Medium</li> </ol> |
| <p>Economic Risk</p> <ol style="list-style-type: none"> <li>1. Risk of rising land opportunity costs causing reversal of sequestration and/or protection</li> </ol>  | <ol style="list-style-type: none"> <li>1. Low</li> </ol>   |
| <p>Regulatory and social risk</p> <ol style="list-style-type: none"> <li>1. Risk of political instability</li> <li>2. Risk of social instability</li> </ol>  | <ol style="list-style-type: none"> <li>1. Medium</li> <li>2. Medium</li> </ol>                               |

Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS   |                                       |
|---|---------------------------------------|
| VCS Risk Buffer   | Information currently provided in PDD |
| Natural disturbance risk  |                                       |
| 1. Risk of devastating fire                                     | 1. Low                                |
| 2. Risk of pest and disease attacks                             | 2. Low                                |
| 3. Risk of extreme weather events (e.g. floods, drought, winds) | 3. Low                                |
| 4. Geological Risk (e.g. volcanoes, earthquakes, landslides)    | 4. Low                                |
| 5. Land ownership/management type                               | 5. Medium                             |
| 6. Technical capability of implementer                          | 6. Very low                           |
| 7. Net returns to all stakeholders                              | 7. Very low                           |
| 8. Infrastructure/resources                                     | 8. Very low                           |
| 9. Population trends in area                                    | 9. Medium                             |
| 10. Incidence of crop failures in area                          | 10. Very low                          |
| 11. Project financial plan                                      | 11. Low                               |

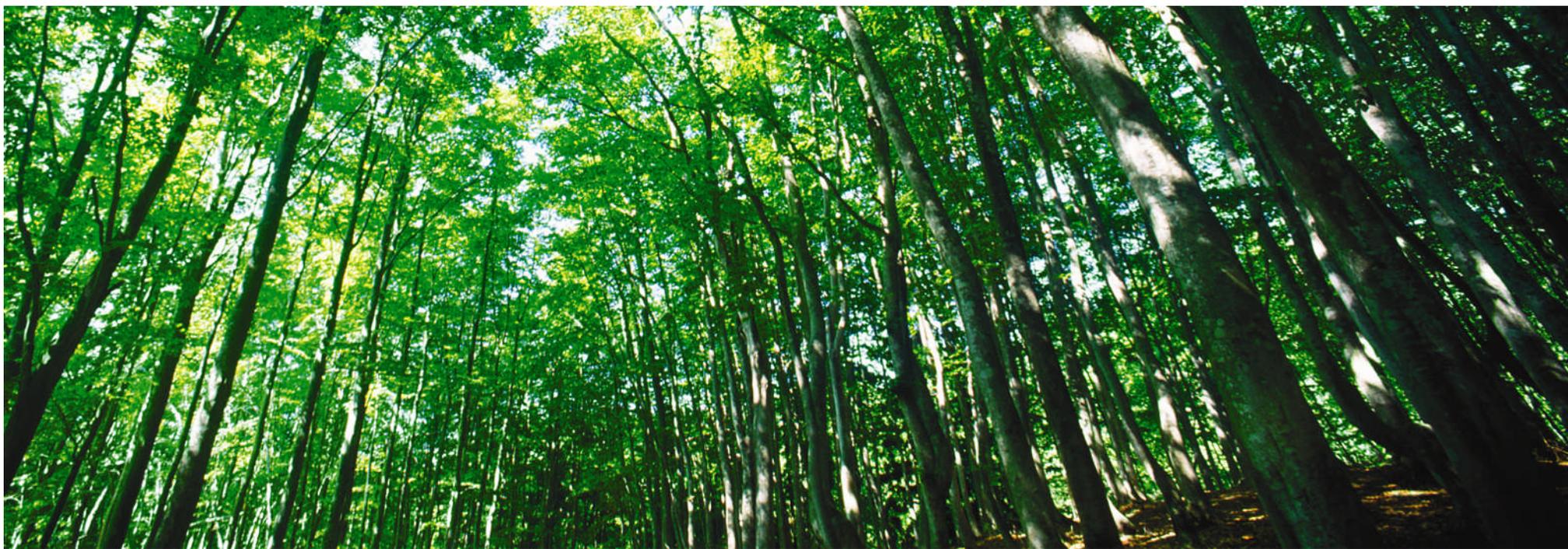
Appendix 3

# Chaco Pantanal - VCS gap analysis

| VCS   |                                       |
|---|---------------------------------------|
| VERs  | Information currently provided in PDD |
| 1. Ex ante estimation of net anthropogenic GHG emissions reductions (net of project minus baseline and leakage) | 1. Included                           |
| 2. Significance analysis  | 2. Not included                       |
| 3. Ex ante estimation of net carbon stock changes and GHG emission reductions                                   | 3. Included                           |
| 4. Uncertainty analysis   | 4. Not included                       |
| 5. Calculation of Voluntary Carbon Units  | 5. Included                           |

Appendix 4

## San Rafael – VCS gap analysis



Appendix 4

# San Rafael – VCS gap analysis

| VCS   |  |
|---|--|
| Background Data   | Information currently provided in PDD  |
| <b>Project boundaries</b><br>1. Name of project area: compartment number, allotment number, local name etc<br>2. Maps of the area<br>3. Geographic coordinates of each polygon vertex (from GPS)<br>4. Total land area<br>5. Details of ownership<br>6. Avoided planned deforestation: project area and proxy areas | 1. Included<br>2. Included<br>3. Included<br>4. Included<br>5. Included<br>6. Included |
| <b>Temporal boundaries</b><br>1. Start date and end date of the 'crediting period'<br>2. Date at which the project baseline shall be revised<br>3. Duration of the monitoring periods   | 1. Included<br>2. Not included<br>3. Included  |

## San Rafael – VCS gap analysis

| VCS  |   |
|--|---|
| Background Data  | Information currently provided in PDD   |
| <p>Relevant carbon pools</p> <ol style="list-style-type: none"> <li>1. Above ground</li> <li>2. Below ground</li> <li>3. Dead wood</li> <li>4. Litter</li> <li>5. Soil organic carbon</li> </ol> | <ol style="list-style-type: none"> <li>1. Section 03 Project Overview states that initial estimates of emissions reductions are based on changes in above and below ground carbon stocks in living woody biomass, attributable to out right clearance only. Therefore above ground carbon pools are relevant.</li> <li>2. Section 03 Project Overview states that initial estimates of emissions reductions are based on changes in above and below ground carbon stocks in living woody biomass, attributable to out right clearance only. Therefore below ground carbon pools are relevant.</li> <li>3. Section 03 Project Overview states that the La Amistad estimates also include necromass carbon stocks. Therefore dead wood carbon pools are relevant</li> <li>4. Section 03 Project Overview states that the La Amistad estimates also include litter carbon stocks. Therefore litter carbon pools are relevant</li> <li>5. Section 03 Project Overview states that the La Amistad estimates also include soil carbon stocks. Therefore soil organic carbon pools are relevant</li> </ol> |

Appendix 4

# San Rafael – VCS gap analysis

| VCS                                  |                                       |
|--------------------------------------|---------------------------------------|
| Background Data                      | Information currently provided in PDD |
| Relevant sources of greenhouse gases |                                       |
| 1. Biomass burning                   | 1. Not included                       |
| 2. CO <sub>2</sub>                   | 2. Not included                       |
| 3. CH <sub>4</sub>                   | 3. Included                           |
| 4. N <sub>2</sub> O                  | 4. Included                           |
| 5. Combustion of fossil fuels        | 5. Not included                       |
| 6. CO <sub>2</sub>                   | 6. Not included                       |
| 7. CH <sub>4</sub>                   | 7. Not included                       |
| 8. N <sub>2</sub> O                  | 8. Included                           |
| 9. Use of fertilizers                | 9. Not included                       |
| 10.CO <sub>2</sub>                   | 10.Not included                       |
| 11.CH <sub>4</sub>                   | 11.Included                           |
| 12.N <sub>2</sub> O                  | 12.Not included                       |

Appendix 4

# San Rafael – VCS gap analysis

| VCS  |  |
|--|--|
| Carbon Biomass Data  | Information currently provided in PDD  |
| <p>Estimated carbon stocks and changes in carbon stocks in the above-ground carbon pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in aboveground biomass in strata I</li> <li>2. Carbon stock changes in aboveground biomass in strata i at time t</li> </ol>           | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Breakdown of change in carbon stock not included</li> </ol> |
| <p>Estimated carbon stocks and changes in carbon stocks in the below-ground carbon pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in belowground tree biomass in strata I</li> <li>2. Carbon stock changes in belowground tree biomass in strata i at time t</li> </ol> | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Breakdown of change in carbon stock not included</li> </ol> |
| <p>Estimation of carbon stocks and changes in carbon stocks in the dead wood carbon pool</p> <ol style="list-style-type: none"> <li>1. Carbon stock in dead wood in strata i at time t</li> <li>2. Carbon stock changes in dead wood in strata i at time t</li> </ol>                            | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Breakdown of change in carbon stock not included</li> </ol> |

Appendix 4

# San Rafael – VCS gap analysis

| VCS  |  |
|--|--|
| Carbon Biomass Data  | Information currently provided in PDD  |
| <p>Estimation of carbon stocks in the litter carbon pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in litter in strata i</li> </ol>   | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Breakdown of change in carbon stock not included</li> </ol> |
| <p>Estimation of carbon stocks in the soil organic carbon pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in soil organic carbon in stratum I</li> <li>2. Baseline post-deforestation carbon stock in soil organic carbon in stratum i at time t</li> </ol>                    | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Breakdown of change in carbon stock not included</li> </ol> |
| <p>Estimation of carbon stocks and changes in carbon stocks in wood products pool</p> <ol style="list-style-type: none"> <li>1. Initial carbon stock in soil organic carbon in stratum I</li> <li>2. Baseline post-deforestation carbon stock in soil organic carbon in stratum i at time t</li> </ol> | <ol style="list-style-type: none"> <li>1. Included</li> <li>2. Breakdown of change in carbon stock not included</li> </ol> |

## San Rafael – VCS gap analysis

| VCS   |   |
|---|---|
| Baseline Data   | Information currently provided in PDD   |
| <p>Estimation of baseline carbon stock changes and greenhouse gas emissions from planned deforestation (if relevant)</p> <ol style="list-style-type: none"> <li>1. Pre-Condition: Documentation clearly demonstrating that land would be converted to non-forest use if not for the REDD project</li> <li>2. Net CO<sub>2</sub> equivalent emissions in the baseline from planned deforestation</li> </ol>  | <ol style="list-style-type: none"> <li>1. Not included in PDD materials aside from press reports on illegal logging</li> <li>2. Included</li> </ol> |
| <p>Estimation of baseline emission from forest degradation caused by extraction of wood for fuel</p> <ol style="list-style-type: none"> <li>1. Pre-condition: Fuel wood collection and charcoal production must be stable or increasing in the baseline period. Conversion of forest lands to a deforested condition must be legally authorized</li> <li>2. Pre-condition: The individuals/households involved in collecting firewood/producing charcoal must be identifiable and must be willing to share information on fuel wood consumption and/or charcoal production</li> <li>3. Baseline net greenhouse gas emissions through degradation</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> <li>3. Included</li> </ol>                                     |

## San Rafael – VCS gap analysis

| VCS  |   |
|--|---|
| Leakage Data   | Information currently provided in PDD   |
| <p>Estimation of emissions from activity shifting for avoided planned deforestation (if relevant)</p> <ol style="list-style-type: none"> <li>1. Pre-condition: Demonstrate that the management plans and/or land-use designations of other lands owned by the baseline land manager have not materially changed as a result of the planned project</li> <li>2. Pre-condition: Documentation can be provided covering the other owned lands where leakage could occur, including, at a minimum, their locations), existing land use(s) and management plans</li> <li>3. Pre-condition: Where baseline land manager is neither complicit nor cooperative with the project, it is necessary to demonstrate that the total area of government permits have been granted to the baseline land manager has not increased due to the implementation of project activities</li> <li>4. Pre-condition: Where governments are the agents of deforestation or where agents are yet to be determined but will have government sanction, project developers must demonstrate that areas allotted for land conversion through deforestation by government agencies will not increase due to the potential for REDD projects</li> <li>5. Net CO<sub>2</sub> emissions due to activity shifting leakage for projects preventing planned deforestation</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> <li>3. Not included</li> <li>4. Not included</li> <li>5. Included</li> </ol> |

Appendix 4

# San Rafael – VCS gap analysis

| VCS   |   |
|---|---|
| Leakage Data  | Information currently provided in PDD   |
| <p>Estimation of emissions from market effects</p> <ol style="list-style-type: none"> <li>1. Pre-condition: The total volume to be extracted in the baseline must be known</li> <li>2. Net CO<sub>2</sub> emissions due to market effects leakage</li> </ol>  | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> </ol>                          |
| <p>Estimation of emissions from displacement of fuel wood</p> <ol style="list-style-type: none"> <li>1. Pre-condition: The individuals/households involved in collecting firewood/producing charcoal must be identifiable and must be willing to share information on fuel wood consumption and/or charcoal production</li> <li>2. Pre-condition: Degradation cannot be through illegal or legal timber harvest for this module to apply</li> <li>3. Net CO<sub>2</sub>-e emissions due to activity-shifting leakage for degradation caused by extraction of wood for fuel</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Not included</li> <li>3. Not Included</li> </ol> |

## San Rafael – VCS gap analysis

| VCS  |   |
|--|---|
| Leakage Data   | Information currently provided in PDD         |
| <p>Estimation of non-CO<sub>2</sub> emissions from biomass burning</p> <p>1. Non-CO<sub>2</sub> emissions due to biomass burning as part of deforestation activities during the year t</p>   | <p>1. Not included</p>                        |
| <p>Estimation of emissions from fossil fuel combustion</p> <p>1. Pre-condition: All movements that are necessarily made for the implementation of this project, including those of sub-contractors are accounted for</p> <p>2. Emissions from fossil fuel combustion</p> | <p>1. Not included</p> <p>2. Not Included</p> |

Appendix 4

# San Rafael – VCS gap analysis

| VCS   |   |
|---|---|
| Monitoring  | Information currently provided in PDD   |
| <p>Methods for monitoring forest cover changes in REDD project activities</p> <ol style="list-style-type: none"> <li>1. Activity data of category I in the region</li> <li>2. Regional Forest Cover Benchmark Map</li> <li>3. Project Forest Cover Benchmark Map</li> <li>4. Leakage Belt Forest Cover Benchmark Map</li> <li>5. Activity data of category I in the Project Area at year t</li> <li>6. Activity data of category I in the Leakage Belt at year t</li> <li>7. Definition of stratum</li> </ol> | <ol style="list-style-type: none"> <li>1. Not included</li> <li>2. Included</li> <li>3. Included</li> <li>4. Included</li> <li>5. Not included</li> <li>6. Not included</li> <li>7. Included</li> </ol> |
| <p>Significance of emissions sources and changes in carbon pools determined</p> <ol style="list-style-type: none"> <li>1. Justification of list of insignificant emissions sources and carbon pools in the REDD Methodological Module</li> </ol>  | <ol style="list-style-type: none"> <li>1. Not included</li> </ol>   |

## San Rafael – VCS gap analysis

| VCS   |                                       |
|---|---------------------------------------|
| Monitoring  | Information currently provided in PDD |
| Estimation of uncertainty for REDD project activities |                                       |
| 1. Total uncertainty for REDD project activity        | 1. Not included                       |

Appendix 4

# San Rafael – VCS gap analysis

| VCS   |  |
|---|--|
| VCS Risk Buffer   | Information currently provided in PDD                    |
| <b>Project risk</b><br>1. Land tenure risk and potential for disputes<br>2. Financial failure risk<br>3. Technical failure risk<br>4. Management failure risk | 1. Included<br>2. Included<br>3. Included<br>4. Included |
| <b>Economic Risk</b><br>1. Risk of rising land opportunity costs causing reversal of sequestration and/or protection  | 1. Included  |
| <b>Regulatory and social risk</b><br>1. Risk of political instability<br>2. Risk of social instability  | 1. Included<br>2. Included                               |

Appendix 4

# San Rafael – VCS gap analysis

| VCS   |                                       |
|---|---------------------------------------|
| VCS Risk Buffer   | Information currently provided in PDD |
| Natural disturbance risk  |                                       |
| 1. Risk of devastating fire                                     | 1. Included                           |
| 2. Risk of pest and disease attacks                             | 2. Included                           |
| 3. Risk of extreme weather events (e.g. floods, drought, winds) | 3. Included                           |
| 4. Geological Risk (e.g. volcanoes, earthquakes, landslides)    | 4. Included                           |
| 5. Land ownership/management type                               | 5. Included                           |
| 6. Technical capability of implementer                          | 6. Included                           |
| 7. Net returns to all stakeholders                              | 7. Included                           |
| 8. Infrastructure/resources                                     | 8. Included                           |
| 9. Population trends in area                                    | 9. Included                           |
| 10. Incidence of crop failures in area                          | 10. Included                          |
| 11. Project financial plan                                      | 11. Included                          |

## San Rafael – VCS gap analysis

| VCS   |                                       |
|---|---------------------------------------|
| VERs  | Information currently provided in PDD |
| 1. Ex ante estimation of net anthropogenic GHG emissions reductions (net of project minus baseline and leakage) | 1. Included                           |
| 2. Significance analysis  | 2. Not included                       |
| 3. Ex-ante estimation of net carbon stock changes and GHG emission reductions                                   | 3. Included                           |
| 4. Uncertainty analysis   | 4. Not included                       |
| 5. Calculation of Voluntary Carbon Units  | 5. Included                           |

Appendix 5

Interim findings June 2009 - Extracted from feedback  
provided to WLT on 16th June 2009



## Interim findings - June 2009

### Extracted from feedback provided to WLT on 16th June 2009 (1 of 3)

What follows are some of our initial thoughts and observations at the end of this week. Given the importance of next week in determining project direction with SPO and in agreeing further Terms of Reference with your various Paraguayan project consultants we thought it would be useful to get these to you today.

Please note that this email is for your purposes only and is not a report intended for forwarding to other parties. These observations are not exhaustive and are based only on the limited information and context we have received through this week's work. Detailed feedback on the draft PDD will be included in our interim report, which we hope to deliver shortly once you are in a position to provide the draft PDD.

#### Our initial thoughts on project governance

While we have not reviewed a draft PDD we have certainly gained a broad and in depth understanding of the complexities of the proposed projects, and the multiple benefits they promise. The overall approach of the WLT-GP team appears sensible - coordinating multiple workstreams running in parallel on community, climate and biodiversity analyses. If we are now considering PES schemes input from other international PES projects (e.g. Costa Rica) might also be worth considering.

Clearly WLT's presence on the ground this week is vital in ensuring the project work continues apace and the extent to which you can continue to have presence on the ground in Paraguay over the coming months may be a key factor in ensuring progress is made. As forest carbon projects have continued to increase in number since the signing of our Engagement Letter, so pressure on validators has increased and validation processes are now tending to take at least 3 months (from date of validator visit to date of validation). Combined with this slowing in the validation process, the development of the draft PDD has also lagged slightly.

We had originally agreed to provide you with a review of a finalised PDD by August 15th. However we now strongly suggest that you accelerate the production of the draft PDD with the aim of having a finalised PDD produced by end of July. We are in dialogue with validators at present to support you in selecting and scheduling a validator visit. However we cannot guarantee that the September 30th validation deadline will be achieved and this appears to be a key challenge at this point in time. As an interim measure we would suggest that you consider whether a revised deadline of October 30th for validation would be suitable to SPO.

## Interim findings - June 2009 (2 of 3)

### Potential project design issues and risks

Both SR and Chaco regions appear to be under pressure in terms of carbon, community and biodiversity whilst the carbon threat to the Chaco seems more apparent and with the clearest trend based on the deforestation baseline data gathered by GP. The SR deforestation baseline is calculated at only 0.61% forest cover loss since 2002. Therefore a SR REDD project would likely be an avoided degradation scheme unless the project focused on the Amistad tract which cuts into the heart of SR (using a PES scheme arrangement), for example.

Our discussions and site visits did raise potential risks to the project but it would not appear that at this time any of these present insurmountable project delivery risks other than the indigenous position in SR. Social aspects appear to present the biggest issue to project progress overall. The SR acquisition process could be a lengthy and contentious process, yet there are benefits and therefore a potential case for SPO involvement in SR. We understand you are still considering strategy in this region.

The Chaco region has obvious benefits as a REDD project location, but significant uncertainty on indigenous claims. There is the possibility that in 3 months time your project team in the Chaco would reach same situation as with SR - i.e. that unresolvable indigenous issues remain. In Chaco the project being discussed would be breaking new ground in terms of community engagement - i.e. dialogue with indigenous groups on REDD projects and their ancestral claims and desires regarding ownership and future management destinies - and so could raise these issues. However the WLT-GP core and consultancy teams appear to have an effective range of competencies to tackle this.

The 4 land ownership options now appear to be acquisition of land outright, payment for carbon rights over another landowner's area / a PES scheme, transfer of title to indigenous groups now or at some future point, acquisition of strategic smaller parcels.

We understand from your social consultant Beno that he has been involved in three projects where he has helped facilitate land purchase and transfer to indigenous groups in Paraguay. These are primarily for social purposes (not carbon projects). However we believe that a land purchase process which results in transfer of land title to indigenous groups with the condition that land is managed and monitored in full accordance with a detailed REDD project plan, and that ownership of or rights over biocarbon are held by a third party i.e. SPO, might be a complex arrangement for indigenous groups to understand, support and comply with over the project lifetime (until at least 2030).

You are now at a stage where you are about to shortlist a number of sites and agree a phased implementation approach which will introduce sites with unique characteristics and dynamics to the project 'portfolio'. This approach should allow you to select sites which reflect yours and SPO's risk appetite and overall strategy in this area.

## Interim findings - June 2009 (3 of 3)

### Areas in which progress may need to accelerate from June to August

The next key steps will be to model deforestation trends, identify the target areas, form stakeholder engagement plans, complete drafting of the PDD and discuss project management and monitoring plans which that document will also need to include. Rapid drafting of the PDD will be key as will scheduling of the validator visit over the next few weeks – see our point earlier in this email on timelines.

We assume the validator will visit all sites proposed, speak with local project stakeholders and project employees. Detail on all these areas needs developing so that the validator has a clear view of the local project infrastructure in place for site management and monitoring (e.g. a biodiversity monitoring station in Chaco if this is already in existence and used by GP could be a platform for developing this).

What GP, WLT and other consultants and stakeholders believe should qualify as culturally appropriate and legally compliant consultation needs to be made explicit and documented. As demonstrated in the case of SR one of the key components of effective stakeholder engagement is that a stakeholder engagement process is defined along culturally appropriate and legally compliant lines and that this process is put into practice. CCBA emphasises the importance of having a process to hear, respond to and resolve community grievances. Chances of achieving CCBA status increase the earlier this issue is addressed.

The Management team may wish to review the current levels of resource dedicated to addressing social issues in the Chaco area and in particular the capacity to engage effectively with indigenous groups in the run-up to validation. This aspect will be crucial to successful validation, but appears to be the area in which least progress has been made to date.

We feel that ministerial and government engagement would be prudent given last year's change in government. This and future projects need their support and this may increase expansion possibilities nationally for REDD.

In terms of outstanding work aspects which we suggest should begin shortly these include - analysis of illegal vs legal deforestation in Chaco; Tier 3 data collection for Chaco if not already available; deforestation baseline scenarios development and modelling.

### Longer term Paraguay strategy (and beyond PARF)

This is also a good opportunity for WLT to consider its longer term activity in Paraguay and the region and to build the foundations for ongoing development of REDD and related PES projects. These projects may link in to the GP partnership, the service with SPO, but may also open up other opportunities for market-based conservation programmes in Paraguay. A significant amount of learning and capacity building is currently taking place through the PARF project and it would be sensible to consider how this can be leveraged in the broadest possible sense through links with CI, WWF, UNDP and others with a strong interest in PES market development.

[www.pwc.com/uk](http://www.pwc.com/uk)