



**Verified Carbon
Standard**

NON-PERMANENCE RISK REPORT GUANGXI JINXIU IFM (CONVERSION OF LOGGED TO PROTECTED FOREST) PROJECT



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Project Title	Guangxi Jinxiu IFM (conversion of logged to protected forest) Project
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1 INTERNAL RISK

Project Management		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Species planted (where applicable) associated with more than 25% of the stocks on which GHG credits have previously been issued are not native or proven to be adapted to the same or similar agro-ecological zone(s) in which the project is located.	Not applicable
b)	Ongoing enforcement to prevent encroachment by outside actors is required to protect more than 50% of stocks on which GHG credits have previously been issued.	Not applicable
c)	Management team does not include individuals with significant experience in all skills necessary to successfully undertake all project activities (i.e., any area of required experience is not covered by at least one individual with at least 5 years' experience in the area).	Not applicable
d)	Management team does not maintain a presence in the country or is located more than a day of travel from the project site, considering all parcels or polygons in the project area.	Not applicable
e)	Mitigation: Management team includes individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting (e.g., individuals who have successfully managed projects through validation, verification and issuance of GHG credits) under the VCS Program or other approved GHG programs.	Not applicable
f)	Mitigation: Adaptive management plan in place.	-2 ¹
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)]		-2
Total may be less than zero.		

Financial Viability		
Risk	Risk Factor and/or Mitigation Description	Risk

¹ Based on the monitoring manual, the project proponent has established a complete set of management regulation in the operation & maintenance, disturbance prevention and the related contingency plan. And during 01/03/2016-31/08/2020, the PP has abide by rules well.

Factor		Rating
a)	Project cash flow breakeven point is greater than 10 years from the current risk assessment	3 ²
b)	Project cash flow breakeven point is greater than 7 and up to 10 years from the current risk assessment	Not applicable
c)	Project cash flow breakeven point greater than 4 and up to 7 years from the current risk assessment	Not applicable
d)	Project cash flow breakeven point is 4 years or less from the current risk assessment	Not applicable
e)	Project has secured less than 15% of funding needed to cover the total cash out before the project reaches breakeven	Not applicable
f)	Project has secured 15% to less than 40% of funding needed to cover the total cash out required before the project reaches breakeven	Not applicable
g)	Project has secured 40% to less than 80% of funding needed to cover the total cash out required before the project reaches breakeven	Not applicable
h)	Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven	Not applicable
i)	Mitigation: Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven	Not applicable
Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)]		3
Total may not be less than zero.		

Opportunity Cost		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities; or where baseline activities are subsistence-driven, net positive community impacts are not demonstrated	8 ³

² Based on Jinxiu comparison NPV sheet, project cash flow is negative in crediting period, so cash flow breakeven point is greater than 10 years from the current risk assessment.

³ According to section 3.5.2 of Project Description, the NPV from baseline scenario is 40839*10⁴ Yuan, and the NPV from project is -10173*10⁴ Yuan

b)	NPV from the most profitable alternative land use activity is expected to be between 50% and up to 100% more than from project activities	Not applicable
c)	NPV from the most profitable alternative land use activity is expected to be between 20% and up to 50% more than from project activities	Not applicable
d)	NPV from the most profitable alternative land use activity is expected to be between 20% more than and up to 20% less than from project activities; or where baseline activities are subsistence-driven, net positive community impacts are demonstrated	Not applicable
e)	NPV from project activities is expected to be between 20% and up to 50% more profitable than the most profitable alternative land use activity	Not applicable
f)	NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity	Not applicable
g)	Mitigation: Project proponent is a non-profit organization	Not applicable
h)	Mitigation: Project is protected by legally binding commitment (see Section 0) to continue management practices that protect the credited carbon stocks over the length of the project crediting period	-2 ⁴
i)	Mitigation: Project is protected by legally binding commitment (see Section 0) to continue management practices that protect the credited carbon stocks over at least 100 years	Not applicable
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)]		6
Total may be less than 0.		

Project Longevity		
a)	Without legal agreement or requirement to continue the management practice	Not applicable
b)	With legal agreement or requirement to continue the management practice	=30-(30/2)=15
Total Project Longevity (PL)		15
May not be less than zero		

Internal Risk

⁴ The contract of developing VCS project signed between Jinxiu Yao Autonomous County Zhengtong Asset Management Co., Ltd. and Guangzhou Guotan Asset Management Co., Ltd. demonstrated that the credited carbon stocks will be protected over the length of the project crediting period.

Total Internal Risk (PM + FV + OC + PL)	-2+3+6+15=22
Total may not be less than zero.	

2 EXTERNAL RISKS

Land Tenure and Resource Access/Impacts		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Ownership and resource access/use rights are held by same entity(s)	Not applicable
b)	Ownership and resource access/use rights are held by different entity(s) (e.g., land is government owned and the project proponent holds a lease or concession)	2 ⁵
c)	In more than 5% of the project area, there exist disputes over land tenure or ownership	Not applicable
d)	There exist disputes over access/use rights (or overlapping rights)	Not applicable
e)	WRC projects unable to demonstrate that potential upstream and sea impacts that could undermine issued credits in the next 10 years are irrelevant or expected to be insignificant, or that there is a plan in place for effectively mitigating such impacts.	Not applicable
f)	Mitigation: Project area is protected by legally binding commitment (e.g., a conservation easement or protected area) to continue management practices that protect carbon stocks over the length of the project crediting period	-2
g)	Mitigation: Where disputes over land tenure, ownership or access/use rights exist, documented evidence is provided that projects have implemented activities to resolve the disputes or clarify overlapping claims	Not applicable
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)]		0
Total may not be less than zero.		

⁵ All the forests in the projects belong to different owners, some forests are state-owned and some are privately-owned. The owners authorized the project proponent Jinxiu Yao Autonomous County Zhengtong Asset Management Co., Ltd. to apply this VCS project on their behalf.

Community Engagement		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Less than 50 percent of households living within the project area who are reliant on the project area, have been consulted	Not applicable
b)	Less than 20 percent of households living within 20 km of the project boundary outside the project area, and who are reliant on the project area, have been consulted	Not applicable
c)	Mitigation: The project generates net positive impacts on the social and economic well-being of the local communities who derive livelihoods from the project area	-5 ⁶
Total Community Engagement (CE) [where applicable, (a + b + c)]		-5
Total may be less than zero.		

Political Risk		
Risk Factor	Risk Factor and/or Mitigation Description	Risk Rating
a)	Governance score of less than -0.79	Not applicable
b)	Governance score of -0.79 to less than -0.32	4 ⁷
c)	Governance score of -0.32 to less than 0.19	Not applicable
d)	Governance score of 0.19 to less than 0.82	Not applicable
e)	Governance score of 0.82 or higher	Not applicable
f)	Mitigation: Country is implementing REDD+ Readiness or other activities, as set out in this Section 2.3.3.	-2 ⁸

⁶ Based on the survey of forest management implemented by the project proponent in 2015, the local communities have positive attitude towards the implementation of the project

⁷ <http://info.worldbank.org/governance/wgi/index.aspx#home>

⁸ China has an established Designed National Authority under the CDM and has at least one registered CDM Afforestation/Reforestation project. Thus, the mitigation discount can be applied.(<http://cdm.unfccc.int/>)

Total Political (PC) [as applicable ((a, b, c, d or e) + f)]	2
Total may not be less than zero.	

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

3 NATURAL RISKS

Natural Risk					
Significance	Likelihood				
	Less than every 10 years	Every 10 to less than 25 years	Every 25 to less than 50 years	Every 50 to less than 100 years	Once every 100 years or more, or risk is not applicable to the project area
Catastrophic (70% or more loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
Devastating (50% to less than 70% loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
Major (25% to less than 50% loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
Minor (5% to less than 25% loss of carbon stocks)	Not applicable	Not applicable	Not applicable	Not applicable	0
Insignificant (less than 5% loss of carbon stocks) or transient (full recovery of lost carbon stocks expected within 10 years of any event)	Not applicable	Not applicable	Not applicable	Not applicable	0
No Loss	Not applicable	Not applicable	Not applicable	Not applicable	0
Score (LS)					
Mitigation					
Prevention measures applicable to the risk factor are implemented					0.50
Project proponent has proven history of effectively containing natural risk					0.50
Both of the above					0.25
None of the above					Not applicable

Score for each natural risk applicable to the project (Determined by (LS × M))	
Fire (F)	0
Pest and Disease Outbreaks (PD)	0
Extreme Weather (W)	0
Geological Risk (G)	0
Other natural risk (ON)	0
Total Natural Risk (as applicable, F + PD + W + G + ON)	0⁹

4 OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION

4.1 Overall Risk Rating

Risk Category	Rating
Internal Risk	22
External Risk	0
Natural Risk	0
Overall Risk Rating (a + b + c)	22

4.2 Calculation of Total VCU

Year	Baseline emissions or removals (tCO ₂ e)	Project emissions or removals (tCO ₂ e)	Leakage emissions (tCO ₂ e)	Net GHG emission reductions or removals (tCO ₂ e)	Buffer pool allocation (tCO ₂ e)	VCUs eligible for issuance
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⁹ During first monitoring period 01/03/2016-31/08/2020, there has no fire, pest and disease outbreaks or other natural risk happened in project area.

01/03/2016-28/02/2017	133,202	-44,048	26640	150,610	33,134	117,475
01/03/2017-28/02/2018	117,018	-44,048	23404	137,662	30,286	107,376
01/03/2018-28/02/2019	124,604	-44,048	24921	143,731	31,621	112,110
01/03/2019-29/02/2020	115,126	-44,048	23025	136,149	29,953	106,196
01/03/2020-31/08/2020	58,008	-22,024	11602	68,430	15,055	53,375
Total	547,958	-198,216	109,591	636,582	140,048	496,532
Average annual value	121,768	-44,048	24,353	141,462	31,121	110,340